

This metadata describes the compilation practices, sources and methodology in use in 2003. Please refer to the contact person below for details of any changes that may have been introduced by the country since that time.

## **New Zealand:**

### **Direct Investment Compilation Practices, Data Sources and Methodology**

Mr. Peter Roche  
Senior Statistician  
Balance of Payments Division  
Macro-economic, Geography and  
Environmental Statistics Department  
Statistics New Zealand  
Post Office Box 2922  
Wellington  
New Zealand

Telephone: (64-4) 931-4600  
Fax: (64-4) 931-4603  
E-mail: [peter.roche@stats.govt.nz](mailto:peter.roche@stats.govt.nz)

#### **Direct Investment in New Zealand**

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

#### **Direct Investment Abroad**

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

## DIRECT INVESTMENT IN NEW ZEALAND

### BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

#### A. Compilation Practices and Data Sources

##### Data Availability

Separately identifiable quarterly data are compiled by Statistics New Zealand (StatsNZ) within the balance of payments framework on (a) the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. These data are disseminated with a timeliness of 13 weeks after the end of the reference period on the following StatsNZ website <http://www.stats.govt.nz/products-and-services-info-releases/bop-iip-info-releases.htm>. However, to prevent data for individual respondents being identified in the statistics, it is sometimes necessary to suppress some breakdowns of direct investment income and financial flows transactions. The quarterly data are also reported to the IMF for publication and to the OECD (annual rather than quarterly).

##### Revision Practices

The data are preliminary when first released. The data for the previous quarter are revised to take account of updated/revised source data and are disseminated together with the preliminary data for the latest quarter. In addition, the data for earlier quarters can be revised as needed at the time of the release of the March quarter data for the latest year. The data are generally considered to be final 15 months after their first release, but the data back to the June 2000 quarter can be also be subject to revision if necessary.

The revised status of the data is clearly identified in the disseminated data, and the general public are informed of the reasons for the revisions. The historical data are not generally revised in instances of major changes in methodology or data collection systems. For example, prior to the June 2000 quarter, the data were compiled on the basis of the fourth edition of the IMF's Balance of Payments Manual (BPM4) and used a threshold of 25 percent ownership, rather than 10 percent. The historical data prior to June 2000 have not been revised to reflect the 10 percent threshold or the BPM5 methodology.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

##### Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

##### Data Collection Method

The data are collected on an aggregate basis. The reporting requirements are compulsory.

##### Data Sources

The data for all components are compiled from quarterly enterprise surveys of resident enterprises.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

A business register of enterprises involved in direct investment is used to compile the inward direct investment transactions data. The register is maintained by StatsNZ and is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) registers maintained by Government licensing and regulatory authorities, the tax authorities, the corporate affairs authorities, and other departments within StatsNZ, (iii) the financial press, and (iv) compulsory direct investment surveys. The same business register is used to compile

the inward direct investment transactions and position data, and the outward direct investment transactions and position data.

### **Geographic Classification**

Annual (fiscal year, April 1-March 31) data showing breakdowns by country for the direct investment financial flows data are compiled by StatsNZ and disseminated once a year with a timeliness of 19 weeks after the end of the reference period on the following StatsNZ websites <http://www.stats.govt.nz/tables/investment-by-country-tables.htm> and <http://www.stats.govt.nz/products-and-services-info-releases/bop-iip-info-releases.htm>. The data showing country breakdowns for the direct investment financial flows are also reported to the OECD. The data cover a variable number of countries, depending on confidentiality constraints. Bilateral data are not used in the compilation of the data. Data showing breakdowns by country for the direct investment income data are not compiled

The debtor/creditor principle is used as the basis for the geographic allocation of the data. The five countries with the largest amount of direct investment financial flows into New Zealand during 2003 (ranked in descending order) were: Australia, Bermuda, the United States, the United Kingdom, and Germany.

In addition to the data showing country breakdowns, annual fiscal year data are compiled by StatsNZ showing breakdowns of direct investment financial flows for the following regions/economic zones: (i) the EU15, (ii) the OECD, (iii) the ASEAN countries, and (iv) the APEC countries. These data are disseminated once a year with a timeliness of 19 weeks after the end of the reference period on the websites cited above and are also reported to the OECD. There are plans to change the timeliness of the data to six months after the end of the reference period, beginning with the data for 2004-5. Data showing breakdowns by regions/economic zones for the direct investment income data are not compiled.

There are no differences in the data coverage, sources, etc. between the inward transactions data showing geographic breakdowns disseminated in the national publications and the aggregate inward data on direct investment financial flows reported to the IMF and the OECD for publication.

### **Industrial Classification**

Not applicable. Data showing breakdowns by industrial activity are not compiled for the inward transactions data.

## **B. Methodology**

### **Definition of Direct Investment Enterprises in New Zealand**

In accordance with the international standards, the basic criterion for defining direct investment enterprises in New Zealand is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management—that is, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual nonresident investor or group of related nonresident investors, rather than being calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country. A value threshold of Goods and Services Tax (GST) sales of NZ\$ 5 million or more is used to identify resident direct investment enterprises. Unincorporated enterprises are not treated differently from incorporated enterprises.

### **Treatment of Indirectly Owned Direct Investment Enterprises**

The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, (i) the direct investment earnings data include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in New Zealand are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (ii) identify all transactions with the parent company.

### **Measurement of Direct Investment Earnings**

In accordance with the international standards, the "Current Operating Performance Concept" (COPC) is fully used to calculate direct investment earnings. Specifically, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are excluded, (iii) interest receivable/payable is included, and (iv) debt repayments receivable/payable are excluded.

### **Treatment of Income on Equity (Dividends and Distributed Branch Profits)**

The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are declared payable, (ii) dividends and distributed branch profits are recorded gross of any withholding taxes, (iii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iv) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks.

### **Treatment of Reinvested Earnings and Undistributed Branch Profits**

The data on reinvested earnings and undistributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, (ii) the data include reinvested earnings and undistributed branch profits between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings.

### **Treatment of Income on Debt (Interest)**

The data on income on debt (interest) cover both incorporated enterprises and unincorporated enterprises and include interest on (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, and (iv) financial leases. The data do not include interest on trade credits. In accordance with the international standards, the data do not include (i) interest on financial derivatives, and (ii) interest on deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. and (iii) most of the data are recorded on an accrual basis. Contrary to the international standards, some of the data are recorded on a paid basis, rather than an accrual basis.

### **Treatment of Equity Capital**

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, and (iv) other non-voting stocks (shares). The data do not cover noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

### **Treatment of Other Capital**

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include non-participating preference [preferred] shares, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iv) the data include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as non-equity debt instruments raised for purposes other than intermediation.)

The treatment of instances when a loan/debt guarantee provided by a direct investor or related direct investment enterprise is invoked following default by a direct investment enterprise, varies depending on the treatment in the accounting records of the individual enterprises. These instances can be treated in one of the following ways: (i) the entire amount of the loan/debt guarantee outstanding is treated as a direct investment equity injection by the guarantor and recorded under "Direct Investment in New Zealand: Equity Capital: Increase in Liabilities to Direct Investors" at the time the guarantee is invoked, or (ii) the periodic payments of principal and interest made by the guarantor are treated as direct investment equity injections by the guarantor and recorded under "Direct Investment in New Zealand: Equity Capital: Increase in Liabilities to Direct Investors" at the time the periodic payments are made, or (iii) the entire amount of the loan/debt guarantee outstanding is treated as direct investment lending by the guarantor and recorded under "Direct Investment in New Zealand: Other Capital: Increase in Liabilities to Direct Investors" at the time the guarantee is invoked, or (iv) the periodic payments of principal and interest made by the guarantor are treated as direct investment lending by the guarantor and recorded under "Direct Investment in New Zealand: Other Capital: Increase in Liabilities to Direct Investors" at the time the periodic payments are made.

### **Treatment of Reverse Investment**

Transactions involving reverse investment are not treated in accordance with the international standards in some instances.

Assuming that the direct investment enterprise is a resident of New Zealand and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity transactions are recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises" and loan transactions are recorded as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of New Zealand and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities", rather than as "Direct Investment in New Zealand: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises", rather than as "Direct Investment in New Zealand: Other Capital: Increase in Claims on Direct Investors".

### **Treatment of Quasi-corporations**

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation of construction enterprises in New Zealand by nonresidents. Quasi-corporations arising from the operation in New Zealand by nonresidents of mobile equipment, such as ships, aircraft, and drilling rigs, are not applicable as such activities have not occurred to date.

#### **Treatment of Offshore Enterprises**

Not applicable. There are no offshore enterprises established in New Zealand by nonresidents at present.

#### **Treatment of Special Purpose Entities (SPEs)**

In accordance with the international standards, (i) activities of SPEs established in New Zealand by nonresidents are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established in New Zealand by nonresidents that have the primary purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt.

#### **Treatment of Land and Buildings**

Contrary to the international standards, the equity capital data do not include purchases and sales of land and buildings in New Zealand by nonresident enterprises and individuals. (However, this does not apply when those investors establish a New Zealand resident enterprise to own the real estate.)

#### **Treatment of Natural Resources Exploration**

In accordance with the international standards, (i) expenditure related to natural resources exploration in New Zealand by nonresidents is included in the equity capital data, and (ii) in instances of the shutdown of a direct investment enterprise established in New Zealand by nonresidents for natural resource exploration, no transactions are shown in the balance of payments statistics. Expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is not applicable, as such expenditure has not occurred to date.

#### **Exchange Rate Conversion**

All transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction.

## DIRECT INVESTMENT IN NEW ZEALAND

### INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

#### A. Compilation Practices and Data Sources

##### Data Availability

Separately identifiable quarterly data are compiled by Statistics New Zealand (StatsNZ) within the international investment position (IIP) framework on (a) equity capital and reinvested earnings, and (b) other capital, and are disseminated with a timeliness of 13 weeks after the end of the reference period on the following StatsNZ website <http://www.stats.govt.nz/products-and-services-info-releases/bop-iip-info-releases.htm>. The quarterly data are also reported to the IMF for publication and to the OECD (annual rather than quarterly).

##### Revision Practices

The data are preliminary when first released. The data for the previous quarter are revised to take account of updated/revised source data and are disseminated together with the preliminary data for the latest quarter. In addition, the data for earlier quarters can be revised as needed at the time of the release of the March quarter data for the latest year. The data are generally considered to be final 15 months after their first release, but the data back to the June 2000 quarter can be also be subject to revision if necessary.

The revised status of the data is clearly identified in the disseminated data, and the general public are informed of the reasons for the revisions. The historical data are not generally revised in instances of major changes in methodology or data collection systems. For example, prior to the June 2000 quarter, the data were compiled on the basis of the fourth edition of the IMF's Balance of Payments Manual (BPM4) and used a threshold of 25 percent ownership, rather than 10 percent. The historical data prior to June 2000 have not been revised to reflect the 10 percent threshold or the BPM5 methodology.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

##### Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

##### Data Collection Method

The data are collected on an aggregate basis. The reporting requirements are compulsory.

##### Data Sources

The data for all components are compiled primarily from quarterly enterprise surveys of resident enterprises. An annual survey of resident enterprises, which is a sample survey for two years and a census survey for the third year, is used as a secondary data source. The perpetual inventory method (a method for deriving position data from transactions data) is not used for the compilation of the data.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

A business register of enterprises involved in direct investment is used to compile the inward direct investment position data. The register is maintained by StatsNZ and is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) registers maintained by Government licensing and regulatory authorities, the tax authorities, the corporate affairs authorities, and other departments within StatsNZ, (iii) the financial press, and (iv) compulsory direct investment surveys. The same business register is used to compile the inward

direct investment transactions and position data, and the outward direct investment transactions and position data.

### **Geographic Classification**

Annual (fiscal year, April 1-March 31) data showing breakdowns by country for the inward direct investment position data are compiled by StatsNZ and disseminated once a year with a timeliness of 19 weeks after the end of the reference period on the following StatsNZ websites <http://www.stats.govt.nz/tables/investment-by-country-tables.htm> and <http://www.stats.govt.nz/products-and-services-info-releases/bop-iip-info-releases.htm>. The data showing country breakdowns for the inward direct investment position data are also reported to the OECD. The data cover a variable number of countries, depending on confidentiality constraints. Bilateral data are not used in the compilation of the data.

In accordance with the international standards, the data are compiled on an “immediate country” basis. The five countries with the largest amount of direct investment in New Zealand as at the end of 2003 (ranked in descending order) were: Australia, the United Kingdom, the United States, the Netherlands, and Japan.

In addition to the data showing country breakdowns, annual (fiscal year) data are compiled by StatsNZ showing breakdowns of the inward direct investment position data for the following regions/economic zones: (i) the EU15, (ii) the OECD, (iii) the ASEAN countries, and (iv) the APEC countries. These data are disseminated once a year with a timeliness of 19 weeks after the end of the reference period on the websites cited above and are also reported to the OECD. There are plans to change the timeliness of the data to six months after the end of the reference period, beginning with the data for 2004-5.

There are no differences in the data coverage, sources, etc. between the inward position data showing geographic breakdowns disseminated in the national publications and the aggregate inward position data reported to the IMF and the OECD for publication.

### **Industrial Classification**

Not applicable. Data showing breakdowns by industrial activity are not compiled for the inward position data.

## **B. Methodology**

### **Definition of Direct Investment Enterprises in New Zealand**

In accordance with the international standards, the basic criterion for defining direct investment enterprises in New Zealand is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management—that is, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual nonresident investor or group of related nonresident investors, rather than being calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country. A value threshold of Goods and Services Tax (GST) sales of NZ\$ 5 million or more is used to identify resident direct investment enterprises. Unincorporated enterprises are not treated differently from incorporated enterprises.

### **Treatment of Indirectly Owned Direct Investment Enterprises**

The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, the data include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) all equity capital and other capital positions held directly by resident enterprises of a related group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in New Zealand are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (ii) identify all transactions with the parent company.



### **Treatment of Equity Capital and Reinvested Earnings**

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, and (iv) other non-voting stocks (shares). The data do not cover noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings are recorded in the period in which they are earned, (ii) the data include reinvested earnings between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment in New Zealand.)

### **Treatment of Other Capital**

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include non-participating preference [preferred] shares, (ii) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iv) the data include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as non-equity debt instruments raised for purposes other than intermediation.)

The treatment of instances when a loan/debt guarantee provided by a direct investor or related direct investment enterprise is invoked following default by a direct investment enterprise, varies depending on the treatment in the accounting records of the individual enterprises. These instances can be treated in one of the following ways: (i) the entire amount of the loan/debt guarantee outstanding is treated as a direct investment equity injection by the guarantor and recorded under "Liabilities: Direct Investment in New Zealand: Equity Capital: Liabilities to Direct Investors" at the time the guarantee is invoked, or (ii) the periodic payments of principal and interest made by the guarantor are treated as direct investment equity injections by the guarantor and recorded under "Liabilities: Direct Investment in New Zealand: Equity Capital: Liabilities to Direct Investors" at the time the periodic payments are made, or (iii) the entire amount of the loan/debt guarantee outstanding is treated as direct investment lending by the guarantor and recorded under "Liabilities: Direct Investment in New Zealand: Other Capital: Liabilities to Direct Investors" at the time the guarantee is invoked, or (iv) the periodic payments of principal and interest made by the guarantor are treated as direct investment lending by the guarantor and recorded under "Liabilities: Direct Investment in New Zealand: Other Capital: Liabilities to Direct Investors" at the time the periodic payments are made.

### **Treatment of Reverse Investment**

Positions involving reverse investment are not treated in accordance with the international standards in some instances.

Assuming that the direct investment enterprise is a resident of New Zealand and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the

international standards, equity positions are recorded as "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises" and loan positions are recorded as "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of New Zealand and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", rather than as "Liabilities: Direct Investment in New Zealand: Equity Capital: Claims on Direct Investors", and loan positions are recorded as "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises", rather than as "Liabilities: Direct Investment in New Zealand: Other Capital: Claims on Direct Investors".

#### **Treatment of Quasi-corporations**

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation of construction enterprises in New Zealand by nonresidents. Quasi-corporations arising from the operation in New Zealand by nonresidents of mobile equipment, such as ships, aircraft, and drilling rigs, are not applicable as such activities have not occurred to date.

#### **Treatment of Offshore Enterprises**

Not applicable. There are no offshore enterprises established in New Zealand by nonresidents at present.

#### **Treatment of Special Purpose Entities (SPEs)**

In accordance with the international standards, (i) activities of SPEs established in New Zealand by nonresidents are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established in New Zealand by nonresidents that have the primary purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt.

#### **Treatment of Land and Buildings**

Contrary to the international standards, the equity capital data do not include ownership of land and buildings in New Zealand by nonresident enterprises and individuals. (However, this does not apply when those investors establish a New Zealand resident enterprise to own the real estate.)

#### **Treatment of Natural Resources Exploration**

In accordance with the international standards, (i) expenditure related to natural resources exploration in New Zealand by nonresidents is included in the equity capital data, and (ii) in instances of the shutdown of a direct investment enterprise established in New Zealand by nonresidents for natural resource exploration, an adjustment to reflect that shutdown is made to the liabilities data on direct investment equity capital in the international investment position statistics. Expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is not applicable, as such expenditure has not occurred to date.

#### **Valuation of Assets and Liabilities**

Most of the data on equity capital for listed enterprises are recorded at market values. However, some of the data are recorded at book values, which are the net asset values. Most of the data on equity capital for unlisted enterprises are recorded at book values, which are the net asset values. However, some of the data are recorded at market values, which are recent transaction prices.

Most of the data on other capital are recorded at market values. However, some are recorded at book values, which are the face values.

The book values used are those shown in the accounting records of the resident direct investment enterprises, rather than the nonresident direct investors.

**Exchange Rate Conversion**

All positions are converted to the unit of account at the mid point of the buy and sell exchange rates prevailing at on the date to which the position data relate.

**DIRECT INVESTMENT ABROAD**  
**BALANCE OF PAYMENTS (“OUTWARD TRANSACTIONS”) DATA**

**A. Compilation Practices and Data Sources**

**Data Availability**

Separately identifiable quarterly data are compiled by Statistics New Zealand (StatsNZ) within the balance of payments framework on (a) the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. These data are disseminated with a timeliness of 13 weeks after the end of the reference period on the following StatsNZ website <http://www.stats.govt.nz/products-and-services-info-releases/bop-iip-info-releases.htm>. However, to prevent data for individual respondents being identified in the statistics, it is sometimes necessary to suppress some breakdowns of direct investment income and financial flows transactions. The quarterly data are also reported to the IMF for publication and to the OECD (annual rather than quarterly).

**Revision Practices**

The data are preliminary when first released. The data for the previous quarter are revised to take account of updated/revised source data and are disseminated together with the preliminary data for the latest quarter. In addition, the data for earlier quarters can be revised as needed at the time of the release of the March quarter data for the latest year. The data are generally considered to be final 15 months after their first release, but the data back to the June 2000 quarter can be also be subject to revision if necessary.

The revised status of the data is clearly identified in the disseminated data, and the general public are informed of the reasons for the revisions. The historical data are not generally revised in instances of major changes in methodology or data collection systems. For example, prior to the June 2000 quarter, the data were compiled on the basis of the fourth edition of the IMF's Balance of Payments Manual (BPM4) and used a threshold of 25 percent ownership, rather than 10 percent. The historical data prior to June 2000 have not been revised to reflect the 10 percent threshold or the BPM5 methodology.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

**Data Coverage**

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

**Data Collection Method**

The data are collected on an aggregate basis. The reporting requirements are compulsory.

**Data Sources**

The data for all components are compiled from quarterly enterprise surveys of resident direct investors.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

A business register of enterprises involved in direct investment is used to compile the outward direct investment transactions data. The register is maintained by StatsNZ and is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) registers maintained by Government licensing and regulatory authorities, the tax authorities, the corporate affairs authorities, and other departments within StatsNZ, (iii) the financial press, and (iv) compulsory direct investment surveys. The same business register is used to compile

the outward direct investment transactions and position data, and the inward direct investment transactions and position data.

### **Geographic Classification**

Annual (fiscal year, April 1-March 31) data showing breakdowns by country for the direct investment financial flows data are compiled by StatsNZ and disseminated once a year with a timeliness of 19 weeks after the end of the reference period on the following StatsNZ websites <http://www.stats.govt.nz/tables/investment-by-country-tables.htm> and <http://www.stats.govt.nz/products-and-services-info-releases/bop-iip-info-releases.htm>. The data showing country breakdowns for the direct investment financial flows are also reported to the OECD. The data cover a variable number of countries, depending on confidentiality constraints. Bilateral data are not used in the compilation of the data. Data showing breakdowns by country for the direct investment income data are not compiled

The debtor/creditor principle is used as the basis for the geographic allocation of the data. The five countries with the largest amount of direct investment financial flows from New Zealand during 2003 (ranked in descending order) were: the Netherlands Antilles, Australia, the United States, Bolivia, and Brunei Darussalam.

In addition to the data showing country breakdowns, annual (fiscal year) data are compiled by StatsNZ showing breakdowns of direct investment financial flows for the following regions/economic zones: (i) the EU15, (ii) the OECD, (iii) the ASEAN countries, and (iv) the APEC countries. These data are disseminated once a year with a timeliness of 19 weeks after the end of the reference period on the websites cited above and are also reported to the OECD. There are plans to change the timeliness of the data to six months after the end of the reference period, beginning with the data for 2004-5. Data showing breakdowns by regions/economic zones for the direct investment income data are not compiled.

There are no differences in the data coverage, sources, etc. between the outward transactions data showing geographic breakdowns disseminated in the national publications and the aggregate outward data on direct investment financial flows reported to the IMF and the OECD for publication.

### **Industrial Classification**

Not applicable. Data showing breakdowns by industrial activity are not compiled for the outward transactions data.

## **B. Methodology**

### **Definition of Direct Investors**

In accordance with the international standards, the basic criterion for defining resident direct investors is 10 percent ownership by a resident investor of an enterprise abroad, regardless of whether the investor has an effective voice in management—that is, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management are not included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual resident investor or group of related resident investors, rather than being calculated by combining the holdings of all resident investors in a specific enterprise abroad or in a specific country abroad. A value threshold of Goods and Services Tax (GST) sales of NZ\$ 5 million or more is used to identify resident direct investors. Unincorporated enterprises are not treated differently from incorporated enterprises.

### **Treatment of Indirectly Owned Direct Investment Enterprises**

The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, (i) the direct investment earnings data include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in New Zealand are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (ii) identify all transactions with the parent company.

### **Measurement of Direct Investment Earnings**

In accordance with the international standards, the "Current Operating Performance Concept" (COPC) is fully used to calculate direct investment earnings. Specifically, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are excluded, (iii) interest receivable/payable is included, and (iv) debt repayments receivable/payable are excluded.

### **Treatment of Income on Equity (Dividends and Distributed Branch Profits)**

The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are declared payable, (ii) dividends and distributed branch profits are recorded gross of any withholding taxes, (iii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iv) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks.

### **Treatment of Reinvested Earnings and Undistributed Branch Profits**

The data on reinvested earnings and undistributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, (ii) the data include reinvested earnings and undistributed branch profits between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings.

### **Treatment of Income on Debt (Interest)**

The data on income on debt (interest) cover both incorporated enterprises and unincorporated enterprises and include interest on (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, and (iv) financial leases. The data do not include interest on trade credits. In accordance with the international standards, the data do not include (i) interest on financial derivatives, and (ii) interest on deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iii) most of the data are recorded on an accrual basis. Contrary to the international standards, some of the data are recorded on a paid basis, rather than an accrual basis.

### **Treatment of Equity Capital**

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, and (iv) other non-voting stocks (shares). The data do not cover noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

### **Treatment of Other Capital**

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include non-participating preference [preferred] shares, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iv) the data include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as non-equity debt instruments raised for purposes other than intermediation.)

The treatment of instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise, varies depending on the treatment in the accounting records of the individual enterprises. These instances can be treated in one of the following ways: (i) the entire amount of the loan/debt guarantee outstanding is treated as a direct investment equity injection by the guarantor and recorded under "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises" at the time the guarantee is invoked, or (ii) the periodic payments of principal and interest made by the guarantor are treated as direct investment equity injections by the guarantor and recorded under "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises" at the time the periodic payments are made, or (iii) the entire amount of the loan/debt guarantee outstanding is treated as direct investment lending by the guarantor and recorded under "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises" at the time the guarantee is invoked, or (iv) the periodic payments of principal and interest made by the guarantor are treated as direct investment lending by the guarantor and recorded under "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises" at the time the periodic payments are made.

### **Treatment of Reverse Investment**

Transactions involving reverse investment are not treated in accordance with the international standards in some instances.

Assuming that the direct investment enterprise is a resident of New Zealand and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity transactions are recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises" and loan transactions are recorded as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of New Zealand and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities", rather than as "Direct Investment in New Zealand: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises", rather than as "Direct Investment in New Zealand: Other Capital: Increase in Claims on Direct Investors".

### **Treatment of Quasi-corporations**

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad of construction enterprises by residents of New Zealand. Quasi-corporations arising from the operation abroad of mobile equipment, such as ships, aircraft, and drilling rigs, by residents of New Zealand are not applicable as such activities have not occurred to date.

#### **Treatment of Offshore Enterprises**

Not applicable. There are no offshore enterprises established abroad by residents of New Zealand at present.

#### **Treatment of Special Purpose Entities (SPEs)**

In accordance with the international standards, (i) activities of SPEs established abroad by residents of New Zealand are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of New Zealand that have the primary purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt.

#### **Treatment of Land and Buildings**

Contrary to the international standards, the equity capital data do not include purchases and sales of land and buildings abroad by enterprises and individuals resident in New Zealand.

#### **Treatment of Natural Resources Exploration**

In accordance with the international standards, (i) expenditure related to natural resources exploration abroad by residents of New Zealand is included in the equity capital data, and (ii) in instances of the shutdown of a direct investment enterprise established abroad by residents of New Zealand for natural resource exploration, no transactions are shown in the balance of payments statistics. Expenditure on bonus payments made by residents of New Zealand to the host country for the right to undertake exploration for natural resources is not applicable, as such expenditure has not occurred to date.

#### **Exchange Rate Conversion**

All transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction.



## DIRECT INVESTMENT ABROAD

### INTERNATIONAL INVESTMENT POSITION ASSETS (“OUTWARD POSITION DATA”)

#### A. Compilation Practices and Data Sources

##### Data Availability

Separately identifiable quarterly data are compiled by Statistics New Zealand (StatsNZ) within the international investment position (IIP) framework on (a) equity capital and reinvested earnings, and (b) other capital, and are disseminated with a timeliness of 13 weeks after the end of the reference period on the following StatsNZ website <http://www.stats.govt.nz/products-and-services-info-releases/bop-iip-info-releases.htm>. The quarterly data are also reported to the IMF for publication and to the OECD (annual rather than quarterly).

##### Revision Practices

The data are preliminary when first released. The data for the previous quarter are revised to take account of updated/revised source data and are disseminated together with the preliminary data for the latest quarter. In addition, the data for earlier quarters can be revised as needed at the time of the release of the March quarter data for the latest year. The data are generally considered to be final 15 months after their first release, but the data back to the June 2000 quarter can be also be subject to revision if necessary.

The revised status of the data is clearly identified in the disseminated data, and the general public are informed of the reasons for the revisions. The historical data are not generally revised in instances of major changes in methodology or data collection systems. For example, prior to the June 2000 quarter, the data were compiled on the basis of the fourth edition of the IMF's Balance of Payments Manual (BPM4) and used a threshold of 25 percent ownership, rather than 10 percent. The historical data prior to June 2000 have not been revised to reflect the 10 percent threshold or the BPM5 methodology.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

##### Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

##### Data Collection Method

The data are collected on an aggregate basis. The reporting requirements are compulsory.

##### Data Sources

The data for all components are compiled primarily from quarterly enterprise surveys of resident direct investors. An annual enterprise survey of resident direct investors, which is a sample survey for two years and a census survey for the third year, is used as a secondary data source. The perpetual inventory method (a method for deriving position data from transactions data) is not used for the compilation of the data.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

A business register of enterprises involved in direct investment is used to compile the outward direct investment position data. The register is maintained by StatsNZ and is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) registers maintained by Government licensing and regulatory authorities, the tax authorities, the corporate affairs authorities, and other departments within StatsNZ, (iii) the financial

press, and (iv) compulsory direct investment surveys. The same business register is used to compile the outward direct investment transactions and position data, and the inward direct investment transactions and position data.

### **Geographic Classification**

Annual data showing breakdowns by country for the outward direct investment position data are compiled by StatsNZ and disseminated once a year with a timeliness of 19 weeks after the end of the reference period on the following StatsNZ websites <http://www.stats.govt.nz/tables/investment-by-country-tables.htm> and <http://www.stats.govt.nz/products-and-services-info-releases/bop-iip-info-releases.htm>. The data showing country breakdowns for the outward direct investment position data are also reported to the OECD. The data cover a variable number of countries, depending on confidentiality constraints. Bilateral data are not used in the compilation of the data.

In accordance with the international standards, the data are compiled on an “immediate country” basis. The five countries with the largest amount of direct investment from New Zealand as at the end of 2003 (ranked in descending order) were: Australia, the Channel Islands, the United States, Brunei Darussalam, and the Netherlands.

In addition to the data showing country breakdowns, annual data are compiled by StatsNZ showing breakdowns of the outward direct investment position data for the following regions/economic zones: (i) the EU15, (ii) the OECD, (iii) the ASEAN countries, and (iv) the APEC countries. These data are disseminated once a year with a timeliness of 19 weeks after the end of the reference period on the websites cited above and are also reported to the OECD. There are plans to change the timeliness of the data to six months after the end of the reference period, beginning with the data for 2004-5.

There are no differences in the data coverage, sources, etc. between the outward position data showing geographic breakdowns disseminated in the national publications and the aggregate outward position data reported to the IMF and the OECD for publication.

### **Industrial Classification**

Not applicable. Data showing breakdowns by industrial activity are not compiled for the outward position data.

## **B. Methodology**

### **Definition of Direct Investors**

In accordance with the international standards, the basic criterion for defining resident direct investors is 10 percent ownership by a resident investor of an enterprise abroad, regardless of whether the investor has an effective voice in management—that is, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management are not included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual resident investor or group of related resident investors, rather than being calculated by combining the holdings of all resident investors in a specific enterprise abroad or in a specific country abroad. A value threshold of Goods and Services Tax (GST) sales of NZ\$ 5 million or more is used to identify resident direct investors. Unincorporated enterprises are not treated differently from incorporated enterprises.

### **Treatment of Indirectly Owned Direct Investment Enterprises**

The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, the data include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) all equity capital and other capital positions held directly by resident enterprises of a related group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in New Zealand are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (ii) identify all transactions with the parent company.

### **Treatment of Equity Capital and Reinvested Earnings**

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, and (iv) other non-voting stocks (shares). The data do not cover noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings are recorded in the period in which they are earned, (ii) the data include reinvested earnings between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

### **Treatment of Other Capital**

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include non-participating preference [preferred] shares, (ii) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iv) the data include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as non-equity debt instruments raised for purposes other than intermediation.)

The treatment of instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise, varies depending on the treatment in the accounting records of the individual enterprises. These instances can be treated in one of the following ways: (i) the entire amount of the loan/debt guarantee outstanding is treated as a direct investment equity injection by the guarantor and recorded under "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises" at the time the guarantee is invoked, or (ii) the periodic payments of principal and interest made by the guarantor are treated as direct investment equity injections by the guarantor and recorded under "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises" at the time the periodic payments are made, or (iii) the entire amount of the loan/debt guarantee outstanding is treated as direct investment lending by the guarantor and recorded under "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises" at the time the guarantee is invoked, or (iv) the periodic payments of principal and interest made by the guarantor are treated as direct investment lending by the guarantor and recorded under "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises" at the time the periodic payments are made.

### **Treatment of Reverse Investment**

Positions involving reverse investment are not treated in accordance with the international standards in some instances.

Assuming that the direct investment enterprise is a resident of New Zealand and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the

international standards, equity positions are recorded as “Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises” and loan positions are recorded as “Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises”.

Assuming that the direct investment enterprise is a resident of New Zealand and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as “Assets: Portfolio Investment: Equity Securities”, rather than as “Liabilities: Direct Investment in New Zealand: Equity Capital: Claims on Direct Investors”, and loan positions are recorded as “Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises”, rather than as “Liabilities: Direct Investment in New Zealand: Other Capital: Claims on Direct Investors”.

#### **Treatment of Quasi-corporations**

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad of construction enterprises by residents of New Zealand. Quasi-corporations arising from the operation abroad of mobile equipment, such as ships, aircraft, and drilling rigs, by residents of New Zealand are not applicable as such activities have not occurred to date.

#### **Treatment of Offshore Enterprises**

Not applicable. There are no offshore enterprises established abroad by residents of New Zealand at present.

#### **Treatment of Special Purpose Entities (SPEs)**

In accordance with the international standards, (i) activities of SPEs established abroad by residents of New Zealand are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of New Zealand that have the primary purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt.

#### **Treatment of Land and Buildings**

Contrary to the international standards, the equity capital data do not include ownership of land and buildings abroad by enterprises and individuals resident in New Zealand.

#### **Treatment of Natural Resources Exploration**

In accordance with the international standards, (i) expenditure related to natural resources exploration abroad by residents of New Zealand is included in the equity capital data, and (ii) in instances of the shutdown of a direct investment enterprise established abroad by residents of New Zealand for natural resource exploration, an adjustment to reflect that shutdown is made to the assets data on direct investment equity capital in the international investment position statistics. Expenditure on bonus payments made by residents of New Zealand to the host country for the right to undertake exploration for natural resources is not applicable, as such expenditure has not occurred to date.

#### **Valuation of Assets and Liabilities**

The data on equity capital for both listed and unlisted enterprises are recorded at book values, which are the net asset values or the directors' valuation.

Most of the data on other capital are recorded at market values. However, some are recorded at book values, which are the face values.

The book values used are those shown in the accounting records of the resident direct investors, rather than the nonresident direct investment enterprises.

**Exchange Rate Conversion**

All positions are converted to the unit of account at the mid point of the buy and sell exchange rates prevailing at on the date to which the position data relate.