

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.

Poland:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Poland

- **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 POLAND

BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable monthly data (the most timely) are compiled by the National Bank of Poland (NBP) within the balance of payments framework on (a) two of the three components of direct investment income: (i) income on equity (dividends and distributed branch profits), and (ii) 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 one month after the end of the reference period in the NBP publication *Balance of Payments Statistics* which is also available on the NBP website (<http://www.nbp.pl>) There are plans to change the timeliness from one month to 6 weeks with effect from the data for 2004.

Separately identifiable annual (calendar year) data (the most comprehensive) are compiled by the NBP within the balance of payments framework on (a) all three of 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 9 months after the end of the reference year in the NBP publication *Balance of Payments Statistics* which is also available on the NBP website (<http://www.nbp.pl>). The data are also reported to the IMF and the OECD for publication.

Revision Practices

The data are preliminary when first released. The monthly data for the previous two months are revised each month to take account of revised source data and are disseminated monthly together with the preliminary data for the latest month. The monthly data for the previous year are also revised once a year to take account of the more comprehensive annual survey data and are disseminated once a year together with the annual data for the latest year. At this time the monthly data are considered to be final, that is, 9 months after the end of the reference year, and up to 19 months after their first release. The annual data are considered to be final when first released.

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 very rarely revised in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and the 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 using a mixture of an individual transactions basis and an aggregate basis—the monthly data (the most timely data) are collected on an individual transactions basis, and the annual data (the most comprehensive data) are collected on an aggregate basis. The reporting requirements are compulsory.

Data Sources

The data for all components of the monthly data are compiled from an international transactions reporting system (ITRS), which covers only cash transactions made through the domestic banking system. The data for all components of the annual data except the data on income on debt (interest) and other capital are compiled from

an annual enterprise survey of resident direct investment enterprises. The annual data on income on debt (interest) and other capital are compiled from quarterly enterprises surveys of resident direct investment enterprises.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF 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 the NBP and is updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, (iii) regional branches/offices of the NBP, (iv) registers maintained by the stock exchange authorities, and other departments within the NBP, (v) the financial press, and (vi) 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 (calendar year) data showing breakdowns by country for the direct investment income and direct investment financial flows data are compiled by the NBP and are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>). The data showing country breakdowns for both the direct investment financial flows and direct investment income are also reported to the OECD. The data cover 231 countries and bilateral data are used in the compilation of the data.

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 income from investment in Poland during 2002 (ranked in descending order) were: the Netherlands, the United States, Germany, Italy, and Russia. The five countries with the largest amount of direct investment financial flows into Poland during 2002 (ranked in descending order) were: the Netherlands, Germany, Belgium, the United States, and Austria.

In addition to the data showing country breakdowns, annual data are compiled by the NBP showing breakdowns of both the direct investment income and direct investment financial flows for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, and (vii) the OPEC countries. These data are disseminated with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>) and are also reported to the OECD.

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

Industrial Classification

Annual (calendar year) data showing breakdowns by industrial activity for direct investment income and direct investment financial flows data are compiled by the NBP and are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>). The data showing breakdowns by industrial activity for both the direct investment financial flows and direct investment income are also reported to the OECD. The data show a breakdown for 50 industrial activities. The classification used is NACE, Rev. 1, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

Both the data on direct investment income and direct investment financial flows are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment income from investment in Poland during 2002 (in descending order) were: (i) manufacturing, (ii) financial intermediation, (iii) real estate and business activities, (iv) electricity, and (v) agriculture and fishing. The five industrial activities with the largest amount of direct investment financial flows into Poland during 2002 (in descending order) were: (i) financial intermediation, (ii) manufacturing, (iii) trade and repairs, (iv) real estate and business activities, and (v) electricity, gas and water.

Annual data are compiled by the NBP for both the direct investment income data and the direct investment financial flows data showing a breakdown by both industrial activity and main partner country. These data are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website

(<http://www.nbp.pl>). For direct investment income, the five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: the Netherlands, the United States, Germany, Italy, and the Russian Federation. For direct investment financial flows, the five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: the Netherlands, Germany, France, the United States, and Austria.

In addition, data compiled by the NBP for both the direct investment income data and the direct investment financial flows data showing a breakdown by both industrial activity and region/economic zone. These data are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>).

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

B. Methodology

Definition of Direct Investment Enterprises in Poland

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Poland 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. No value threshold is used to identify resident direct investment enterprises, and 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 partially applied. Contrary to the FCS, (i) the direct investment earnings data do not include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include all the equity capital 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. However, the data do include loan transactions made directly by resident enterprises of a related group as defined in the FCS with nonresident “sister” enterprises of the same group, that is, those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Poland 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

Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate direct investment earnings. In accordance with the COPC, (i) interest receivable/payable is included (on a due for payment basis), and (ii) debt repayments receivable/payable are excluded. Contrary to the COPC, (i) deductions are not made for depreciation of capital, and for provisions for host-country income and corporation taxes, and (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are included. (Prior to a change in the Accounting Act in 2003, deductions were made for provisions for host-country income and corporation taxes.)

There are plans to estimate operating profits of the largest direct investment enterprises in the future using the COPC methodology.

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, and (iii) financial leases. The data do not cover (i) bonds and money market instruments, and (ii) trade credits. However, there are plans to include interest on bonds and money market instruments starting with the data for 2004, and interest on trade credits is not calculated as the amounts involved are considered to be negligible. 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, and (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. Contrary to the international standards, the data are recorded on a due for payment basis, rather than on an accrual basis.

Treatment of Equity Capital

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), and (iii) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover (i) other non-voting stocks (shares), and (ii) participating preference [preferred] shares. (Prior to 2003, the data did include other non-voting stocks (shares), including participating preference [preferred] shares.) 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, and (iii) financial leases. The data do not cover (i) bonds and money market instruments, (ii) trade credits, and (iii) non-participating preference [preferred] shares. There are plans to include bonds and money market instruments, trade credits, and non-participating preference [preferred] shares in the other capital data with effect from the data for 2004. 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 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) the data include transactions associated with permanent debt between affiliated banks. (Permanent debt is defined as subordinated loans.) Contrary to the international standards, the data do not include transactions associated with permanent debt between financial intermediaries.

In 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, 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 Poland: 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 treated in accordance with the international standards.

Assuming that the direct investment enterprise is a resident of Poland 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 treated 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 Poland and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, in accordance with the international standards, equity transactions are recorded as "Direct Investment in Poland: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Direct Investment in Poland: Other Capital: Increase in Claims on Direct Investors", and are reported as such to the IMF. (The amounts recorded for equity capital are negligible and too small to be reported to the IMF.)

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 Poland by nonresidents. Quasi-corporations arising from the operation in Poland 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 Poland by nonresidents at present.

Treatment of Special Purpose Entities (SPEs)

Not applicable. There are no SPEs established in Poland by nonresidents at present.

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include purchases and sales of land and buildings in Poland by nonresident enterprises and nonresident individuals. Purchases of land and buildings in Poland on long-term leases is forbidden by law.

Treatment of Natural Resources Exploration

Not applicable. Expenditure related to natural resources exploration in Poland by nonresidents has not occurred to date.

Exchange Rate Conversion

All transactions are converted to the unit of account at the average exchange rate for the period.

DIRECT INVESTMENT IN POLAND

INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable annual (calendar year) data are compiled by the National Bank of Poland (NBP) 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 9 months after the end of the reference year in the NBP publication *International Investment Position*, which is also available on the NBP website (<http://www.nbp.pl>). The data are also reported to the IMF and the OECD for publication.

Revision Practices

The data are preliminary when first released. The data for the previous year are revised each year to take account of missing data and are disseminated once a year together with the preliminary data for the latest year. At this time the data are considered to be final, that is, 12 months after their first release.

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 very rarely revised in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and the 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 and the reporting requirements are compulsory.

Data Sources

The data for equity capital and reinvested earnings are compiled from annual enterprise surveys of resident direct investment enterprises. The data for other capital are compiled from quarterly enterprise surveys of resident direct investment enterprises. The perpetual inventory method (a method for deriving position data from transactions data) is not used.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF 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 the NBP and is updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, (iii) regional branches/offices of the NBP, (iv) registers maintained by the stock exchange authorities, and other departments within the NBP, (v) the financial press, and (vi) 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 (calendar year) data showing breakdowns by country for the inward direct investment position data are compiled by the NBP and are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>). The data are also reported to the OECD. The data cover 231 countries and bilateral data are used in the compilation of the data.

In accordance with the international standards, the data are compiled on an “immediate country” basis, although there are plans to also compile data on an ultimate country basis in the future. The five countries with the largest amount of direct investment in Poland as at the end of 2002 (ranked in descending order) were: the Netherlands, Germany, France, the United States, and Austria.

In addition to the data showing country breakdowns, annual data are compiled by the NBP showing a breakdown of the inward direct investment position data for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, and (vii) the OPEC countries. These data are disseminated with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>) and are also reported to the OECD.

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

Industrial Classification

Annual (calendar year) data showing breakdowns by industrial activity for the inward direct investment position data are compiled by the NBP and are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>). The data showing breakdowns by industrial activity for the inward direct investment position data are also reported to the OECD. The data show a breakdown for 50 industrial activities. The classification used is NACE, Rev. 1, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

The inward position data are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment in Poland as at the end of 2002 (in descending order) were: (i) manufacturing, (ii) financial intermediation, (iii) trade and repairs, (iv) transport and communications, and (v) real estate and business activities.

Annual data are compiled by the NBP for the inward direct investment position data showing a breakdown by both industrial activity and main partner country. These data are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>). The five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: the Netherlands, Germany, France, the United States, and Austria.

In addition, data compiled by the NBP for the inward direct investment position data showing a breakdown by both industrial activity and region/economic zone. These data are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>).

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

B. Methodology

Definition of Direct Investment Enterprises in Poland

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Poland 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. No value threshold is used to identify resident direct investment enterprises, and 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 partially applied. Contrary to the FCS the data do not 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. However, the data do include loan positions held directly by resident enterprises of a related group as defined in the FCS with nonresident “sister” enterprises of the same group, that is, those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Poland 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), and (iii) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover (i) other non-voting stocks (shares), and (iii) participating preference [preferred] shares. (Prior to 2003, the data did include other non-voting stocks (shares), including participating preference [preferred] shares.) 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 data on reinvested earnings 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 Poland.)

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, (ii) short-term loans, and (iii) financial leases. The data do not cover (i) bonds and money market instruments, (ii) trade credits, and (iii) non-participating preference [preferred] shares. There are plans to include bonds and money market instruments, trade credits, and non-participating preference [preferred] shares in the other capital data with effect from the data for 2004. 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 positions 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) the data include positions associated with permanent debt between affiliated banks (Permanent debt is

defined as subordinated loans.) Contrary to the international standards, the data do not include positions associated with permanent debt between financial intermediaries.

In 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, 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 Poland: Other Capital: Liabilities to Direct Investors" at the time the periodic payments are made.

Treatment of Reverse Investment

Positions involving reverse investment are treated in accordance with the international standards.

Assuming that the direct investment enterprise is a resident of Poland 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 treated 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 Poland and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, in accordance with the international standards, equity positions are recorded as "Liabilities: Direct Investment in Poland: Equity Capital: Claims on Direct Investors", and loan positions are recorded as "Liabilities: Direct Investment in Poland: Other Capital: Claims on Direct Investors", and are reported as such to the IMF. (The amounts recorded for equity capital are negligible and too small to be reported to the IMF.)

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 Poland by nonresidents. Quasi-corporations arising from the operation in Poland 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 Poland by nonresidents at present.

Treatment of Special Purpose Entities (SPEs)

Not applicable. There are no SPEs established in Poland by nonresidents at present.

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include ownership of land and buildings in Poland by nonresident enterprises and nonresident individuals. Ownership of land and buildings in Poland on long-term leases is forbidden by law.

Treatment of Natural Resources Exploration

Not applicable. Expenditure related to natural resources exploration in Poland by nonresidents has not occurred to date.

Valuation of Assets and Liabilities

The data on equity capital for listed enterprises are recorded at book values, which is the balance sheet value based on an interim but not current valuation. There are plans to compile data on the equity capital of listed enterprises at both book values and market values beginning with the data for 2004. The data on equity capital for unlisted enterprises are recorded at book values, which is the balance sheet value based on an interim but not current valuation.

The data on other capital are recorded at book values, which is the face value of the debt instrument. There are plans to compile data on bonds and money market instruments at market values beginning with the data for 2004.

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 exchange rate prevailing 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 monthly data (the most timely) are compiled by the National Bank of Poland (NBP) within the balance of payments framework on (a) two of the three components of direct investment income: (i) income on equity (dividends and distributed branch profits), and (ii) 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 one month after the end of the reference period on the NBP website (<http://www.nbp.pl>). There are plans to change the timeliness from one month to 6 weeks with effect from the data for 2004.

Separately identifiable annual (calendar year) data (the most comprehensive) are compiled by the NBP within the balance of payments framework on (a) all three of 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 9 months after the end of the reference year in the NBP publication *Balance of Payments Statistics*, which is also available on the NBP website (<http://www.nbp.pl>). The data are also reported to the IMF and the OECD for publication.

Revision Practices

The data are preliminary when first released. The monthly data for the previous two months are revised each month to take account of revised source data and are disseminated monthly together with the preliminary data for the latest month. The monthly data for the previous year are also revised once a year to take account of the more comprehensive annual survey data and are disseminated once a year together with the annual data for the latest year. At this time the monthly data are considered to be final, that is, 9 months after the end of the reference year and up to 19 months after their first release. The annual data are considered to be final when first released.

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 very rarely revised in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and the 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 using a mixture of an individual basis and an aggregate basis—the monthly data (the most timely data) are collected on an individual basis, and the annual data (the most comprehensive data) are collected on an aggregate basis. The reporting requirements are compulsory.

Data Sources

The data for all components of the monthly data are compiled from an international transactions reporting system (ITRS), which covers only cash transactions made through the domestic banking system. The data for all components of the annual data except the data on income on debt (interest) and other capital are compiled from

an annual enterprise survey of resident directors. The annual data on income on debt (interest) and other capital are compiled from quarterly enterprises 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 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 the NBP and is updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, (iii) regional branches/offices of the NBP, (iv) registers maintained by the stock exchange authorities, and other departments within the NBP, (v) the financial press, and (vi) 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 (calendar year) data showing breakdowns by country for the direct investment income and direct investment financial flows data are compiled by the NBP and are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>). The data showing country breakdowns for both the direct investment financial flows and direct investment income are also reported to the OECD. The data cover 231 countries and bilateral data are not used in the compilation of the data.

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 income from investment abroad by residents of Poland during 2002 (ranked in descending order) were: the Ukraine, France, Germany, Austria, and Turkey. The five countries with the largest amount of direct investment financial flows from Poland during 2002 (ranked in descending order) were: the Netherlands, France, Cyprus, the Ukraine, and Russia.

In addition to the data showing country breakdowns, annual data are compiled by the NBP showing breakdowns of both the direct investment income and direct investment financial flows for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, and (vii) the OPEC countries. These data are disseminated with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>) and are also reported to the OECD.

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

Industrial Classification

Annual (calendar year) data showing breakdowns by industrial activity for direct investment income and direct investment financial flows data are compiled by the NBP and are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>). The data showing breakdowns by industrial activity for both the direct investment financial flows and direct investment income are also reported to the OECD. The data show a breakdown for 50 industrial activities. The classification used is NACE, Rev. 1, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

Both the data on direct investment income and direct investment financial flows are classified on the basis of the industrial activity of the resident direct investor since the year 2002. (Prior to that date, the data for both the direct investment income and the direct investment financial flows were compiled on the basis of the nonresident direct investment enterprises.) The five industrial activities with the largest amount of direct investment income from investment abroad by residents of Poland during 2002 (in descending order) were: (i) transport and communications, (ii) real estate and business activities, (iii) construction (iv) other services, and (v) electricity, gas and water. The five industrial activities with the largest amount of direct investment financial flows from Poland during 2002 (in descending order) were: (i) financial intermediation, (ii) real estate and business, (iii) transport and communications, (iv) manufacturing, and (v) electricity, gas and water.

Annual data are compiled by the NBP for both the direct investment income data and the direct investment financial flows data showing a breakdown by both industrial activity and main partner country. These data are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>). For direct investment income, the five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: the Ukraine, France, Germany, Austria, and Turkey. For direct investment financial flows, the five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: the Netherlands, France, Cyprus, the Ukraine, and the Russian Federation.

In addition, data compiled by the NBP for both the direct investment income data and the direct investment financial flows data showing a breakdown by both industrial activity and region/economic zone. These data are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>).

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

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. No value threshold is used to identify resident direct investors, and 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 partially applied. Contrary to the FCS, (i) the direct investment earnings data do not include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include all the equity capital 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. However, the data do include loan transactions made directly by resident enterprises of a related group as defined in the FCS with nonresident “sister” enterprises of the same group, that is, those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Poland 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

Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate direct investment earnings. In accordance with the COPC, (i) interest receivable/payable is included (on a due for payment basis), and (ii) debt repayments receivable/payable are excluded. Contrary to the COPC, (i) deductions are not made for depreciation of capital, and for provisions for host-country income and corporation taxes, and (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are included. (Prior to a change in the Accounting Act in 2003, deductions were made for provisions for host-country income and corporation taxes.)

There are plans to estimate operating profits of the largest direct investors in the future using the COPC methodology.

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, and (iii) financial leases. The data do not cover (i) bonds and money market instruments, and (ii) trade credits. However, there are plans to include interest on bonds and money market instruments starting with the data for 2004, and interest on trade credits is not calculated as the amounts involved are considered to be negligible. 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, 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. Contrary to the international standards, (i) the data are recorded on a due for payment basis, rather than on an accrual basis. And (ii) the data do not include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises.

Treatment of Equity Capital

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), and (iii) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover (i) other non-voting stocks (shares), and (ii) participating preference [preferred] shares. (Prior to 2003, the data did include other non-voting stocks (shares), including participating preference [preferred] shares.) 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, and (iii) financial leases. The data do not cover (i) bonds and money market instruments, (ii) trade credits, and (iii) non-participating preference [preferred] shares. There are plans to include bonds and money market instruments, trade credits, and non-

participating preference [preferred] shares in the other capital data with effect from the data for 2004. 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) 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 (ii) the data include transactions associated with permanent debt between affiliated banks. (Permanent debt is defined as subordinated loans.) Contrary to the international standards, (i) the data do not include transactions associated with permanent debt between financial intermediaries, and (ii) the data do not include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises. However, there are plans to begin to include transactions between nonfinancial direct investment enterprises and SPEs primarily engaged in financial intermediation for a group of related enterprises with effect from the data for 2004.

In instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise, 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 treated in accordance with the international standards.

Assuming that the direct investment enterprise is a resident of Poland 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 treated 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 Poland and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, in accordance with the international standards, equity transactions are recorded as "Direct Investment in Poland: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Direct Investment in Poland: Other Capital: Increase in Claims on Direct Investors", and are reported as such to the IMF. (The amounts recorded for equity capital are negligible and too small to be reported to the IMF.)

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 Poland. Quasi-corporations arising from the operation abroad by residents of Poland 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

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Poland are included in the direct investment data.

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established abroad by residents of Poland are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Poland 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

In accordance with the international standards, the equity capital data include purchases and sales of land and buildings abroad by enterprises and individuals resident in Poland. Land and buildings purchased abroad by enterprises and individuals resident in Poland on long-term leases are not included.

Treatment of Natural Resources Exploration

Not applicable. Expenditure related to natural resources exploration abroad by residents of Poland has not occurred to date.

Exchange Rate Conversion

All transactions are converted to the unit of account at the average exchange rate for the period.

DIRECT INVESTMENT ABROAD

INTERNATIONAL INVESTMENT POSITION ASSETS (“OUTWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable annual (calendar year) data are compiled by the National Bank of Poland (NBP) 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 9 months after the end of the reference year in the NBP publication *International Investment Position*, which is also available on the NBP website (<http://www.nbp.pl>). The data are also reported to the IMF and the OECD for publication.

Revision Practices

The data are preliminary when first released. The data for the previous year are revised each year to take account of missing data and are disseminated once a year together with the preliminary data for the latest year. At this time the data are considered to be final, that is, 12 months after their first release.

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 very rarely revised in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and the 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 and the reporting requirements are compulsory.

Data Sources

The data for equity capital and reinvested earnings are compiled from annual enterprise surveys of resident direct investors. The data for other capital are compiled from quarterly enterprise surveys of resident direct investors. The perpetual inventory method (a method for deriving position data from transactions data) is not used.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF 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 the NBP and is updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, (iii) regional branches/offices of the NBP, (iv) registers maintained by the stock exchange authorities, and other departments within the NBP, (v) the financial press, and (vi) 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 (calendar year) data showing breakdowns by country for the outward direct investment position data are compiled by the NBP and are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>). The data are also reported to the OECD. The data cover 231 countries and 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, although there are plans to also compile data on an ultimate country basis in the future. The five countries with the largest amount of direct investment from Poland as at the end of 2002 (ranked in descending order) were: the Netherlands, France, China, Cyprus, and Turkey.

In addition to the data showing country breakdowns, annual data are compiled by the NBP showing a breakdown of the outward direct investment position data for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, and (vii) the OPEC countries. These data are disseminated with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>) and are also reported to the OECD.

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

Industrial Classification

Annual (calendar year) data showing breakdowns by industrial activity for the outward direct investment position data are compiled by the NBP and are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>). The data showing breakdowns by industrial activity for the outward direct investment position data are also reported to the OECD. The data show a breakdown for 50 industrial activities. The classification used is NACE, Rev. 1, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

The outward position data are classified on the basis of the industrial activity of the nonresident direct investment enterprises. The five industrial activities with the largest amount of direct investment from Poland as at the end of 2002 (in descending order) were: (i) financial intermediation, (ii) real estate and business activities, (iii) transport and communications, (iv) other services, and (v) trade and repairs.

Annual data are compiled by the NBP for the outward direct investment position data showing a breakdown by both industrial activity and main partner country. These data are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>). The five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: the Netherlands, France, China, Cyprus, and Turkey.

In addition, data compiled by the NBP for the outward direct investment position data showing a breakdown by both industrial activity and region/economic zone. These data are disseminated annually with a timeliness of 9 months after the end of the reference period on the NBP website (<http://www.nbp.pl>).

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

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. No value threshold is used to identify resident direct investors, and 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 partially applied. Contrary to the FCS the data do not 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. However, the data do include loan positions held directly by resident enterprises of a related group as defined in the FCS with nonresident "sister" enterprises of the same group, that is, those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Poland 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), and (iii) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover (i) other non-voting stocks (shares), and (iii) participating preference [preferred] shares. (Prior to 2003, the data did include other non-voting stocks (shares), including participating preference [preferred] shares.) In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, and (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. Contrary to the international standards, the data do not 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.

The data on reinvested earnings 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) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iii) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. Contrary to the international standards, the data do not 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 (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, and (iii) financial leases. The data do not cover (i) bonds and money market instruments, (ii) trade credits, and (iii) and (iii) non-participating preference [preferred] shares. There are plans to include bonds and money market instruments, trade credits, and non-participating preference [preferred] shares in the other capital data with effect from the data for 2004. 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) 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 (ii) the data include positions associated with permanent debt between affiliated banks (Permanent debt is defined as subordinated loans.) Contrary to the international standards, (i) the data do not include positions associated with permanent debt between financial intermediaries and (ii) the data do not include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries,

including SPEs primarily engaged in financial intermediation for a group of related enterprises. However, there are plans to begin to include positions between nonfinancial direct investment enterprises and SPEs primarily engaged in financial intermediation for a group of related enterprises with effect from the data for 2004.

In instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise, 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 treated in accordance with the international standards.

Assuming that the direct investment enterprise is a resident of Poland 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 treated 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 Poland and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, in accordance with the international standards, equity positions are recorded as "Liabilities: Direct Investment in Poland: Equity Capital: Claims on Direct Investors", and loan positions are recorded as "Liabilities: Direct Investment in Poland: Other Capital: Claims on Direct Investors", and are reported as such to the IMF. (The amounts recorded for equity capital are negligible and too small to be reported to the IMF.)

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 Poland. Quasi-corporations arising from the operation abroad by residents of Poland 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

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Poland are included in the direct investment data.

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established abroad by residents of Poland are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Poland 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

In accordance with the international standards, the equity capital data include ownership of land and buildings abroad by enterprises and individuals resident in Poland. Land and buildings owned abroad by enterprises and individuals resident in Poland on long-term leases are not included.

Treatment of Natural Resources Exploration

Not applicable. Expenditure related to natural resources exploration abroad by residents of Poland has not occurred to date.

Valuation of Assets and Liabilities

The data on equity capital for listed enterprises are recorded primarily at book values, which is the balance sheet value based on an interim but not current valuation. However, some data on equity capital for listed enterprises are recorded at market values, which are based on a recent transaction price. The data on equity capital for unlisted enterprises are recorded primarily at book values, which is the balance sheet value based on an interim but not current valuation. However, some data on equity capital for listed enterprises are recorded at market values, which are based on a recent transaction price.

The data on other capital are recorded at book values, which is the face value of the debt instruments.

The book values used for the data on other capital are those shown in the accounting records of the resident direct investors, rather than the nonresident direct investment enterprises. The book values used for the data on equity capital are those shown in the accounting records of the nonresident direct investment enterprises, rather than the resident direct investors.

Exchange Rate Conversion

All positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate.