

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.

Slovak Republic:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in the Slovak Republic

- **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 THE SLOVAK REPUBLIC
BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable monthly data are compiled by the National Bank of Slovakia (NBS) 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 quarterly with a timeliness of 3 months after the end of the reference period on the NBS website (<http://www.nbs.sk>), as well as in the monthly NBS publication, *The Monetary Survey* (available on the NBS website in both Slovak and English and in hardcopy in Slovak only). The data (quarterly rather than monthly) are also reported to the IMF for publication and to the OECD.

Revision Practices

The monthly data are effectively final when first released. However, quarterly data, the sum of the three relevant months for a specific quarterly period, for the current and previous years are revised every quarter to incorporate the results of quarterly enterprise surveys and are disseminated quarterly together with the preliminary data for the latest months. The quarterly data become final 18 months after the end of the reference period, that is, 15 months after their first release.

The revised data are clearly identified in the disseminated data on the NBS website and, although the general public are not informed in the disseminated data of the reasons for the revisions, this information is provided on request. The historical data are not revised in cases of major changes in methodology or data collection system.

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 for publication.

Data Collection Method

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

Data Sources

The data for all components are compiled primarily from monthly enterprise surveys of resident enterprises. Quarterly enterprise surveys of resident enterprises are used as a secondary data source for the data income on equity (dividends and distributed branch profits), equity capital, and other capital. An international transactions reporting system (ITRS), which covers (i) cash transactions made through the domestic banking system, (ii) cash transactions made through the foreign bank accounts of enterprises, and (iii) noncash transactions, is used as a secondary data source for the data on equity (dividends and distributed branch profits), income on debt (interest, and other capital.

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 the NBS and is updated on an ongoing basis using information from (i) other statistical collection forms, and (ii) compulsory direct investment surveys. The same business

register is used to compile the inward direct investment transactions and position data, but a different register is used for the outward direct investment transactions and position data.

Geographic Classification

Annual data showing breakdowns by country for the direct investment financial flows data are compiled by the NBS and disseminated annually with a timeliness of 6 months after the end of the reference period on the NBS website (<http://www.nbs.sk>) and in the monthly NBS bulletin, *The Monetary Survey*, available on the NBS website in both Slovak and English and in hardcopy in Slovak only. (In addition, quarterly data showing breakdowns by country for the equity capital data only are compiled by the NBS and disseminated with a timeliness of 3 months after the end of the reference period on the NBS website and in *The Monetary Survey*.) The data showing country breakdowns for the direct investment financial flows are also reported to the OECD and Eurostat, with a timeliness of 9 months after the end of the reference period. The data cover all countries and 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 at present, but there are plans to begin to compile and disseminate annual data beginning with the data for 2003 due to be released in June 2004.

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 the Slovak Republic during 2002 (ranked in descending order) were: Germany, Austria, France, the United Kingdom, and Italy.

In addition to the data showing country breakdowns, quarterly data are compiled by the NBS showing breakdowns of the direct investment equity capital 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 quarterly with a timeliness of 3 months after the end of the reference period on website (<http://www.nbs.sk>) and in the monthly NBS bulletin, *The Monetary Survey*. Annual data showing breakdowns by regions/economic zones for the direct investment financial flows are also reported to the OECD and Eurostat with a timeliness of 9 months after the end of the reference period. Data showing breakdowns by region/economic zone for the direct investment income data are not compiled at present.

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 Eurostat, and the aggregate inward data on direct investment financial flows reported to the IMF for publication.

Industrial Classification

Annual data showing breakdowns by industrial activity for the direct investment financial flows data are compiled by the NBS and disseminated annually with a timeliness of 6 months after the end of the reference period on the NBS website (<http://www.nbs.sk>) and in the monthly NBS bulletin, *The Monetary Survey*, available on the NBS website in both Slovak and English and in hardcopy in Slovak only. (In addition, quarterly data showing breakdowns by industrial activity for the equity capital data only are compiled by the NBS and disseminated with a timeliness of 3 months after the end of the reference period on the NBS website and in *The Monetary Survey*.) The data showing industrial activity breakdowns for the direct investment financial flows are also reported to the OECD and Eurostat with a timeliness of 9 months after the end of the reference period. The data show a breakdown for all industrial activities of the NACE Rev. 1 classification system, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial activity for the direct investment income data are not compiled.

The data on 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 financial flows into the Slovak Republic during 2002 (in descending order) were: (i) electricity, (ii) insurance, (iii) metal products, (iv) transport, and (v) rubber and plastic products.

Quarterly data are disseminated by the NBS for the direct investment equity capital data showing a breakdown by both industrial activity and main partner country. These data are disseminated quarterly with a timeliness of 3 months after the end of the reference period on website (<http://www.nbs.sk>) and in the monthly NBS bulletin, *The Monetary Survey*. Annual data showing a breakdown by both industrial activity and main partner country for the direct investment financial flows data are also reported to the OECD and Eurostat with a timeliness of 9 months after the end of the reference period. The five highest ranking partner countries during 2002 (ranked in

descending order) for which breakdowns by industrial activity are disseminated were: Germany, Austria, France, the United Kingdom, and Italy.

In addition, quarterly data are disseminated by the NBS for the direct investment equity capital data showing a breakdown by both industrial activity and region/economic zone. These data are disseminated quarterly with a timeliness of 3 months after the end of the reference period on website (<http://www.nbs.sk>) and in the monthly NBS bulletin, *The Monetary Survey*. Annual data showing a breakdown by both industrial activity and region/economic zone for the direct investment financial flows data are also reported to the OECD and Eurostat with a timeliness of 9 months after the end of the reference period.

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 Eurostat, and the aggregate inward data on direct investment financial flows reported to the IMF for publication.

B. Methodology

Definition of Direct Investment Enterprises in the Slovak Republic

In accordance with the international standards, the basic criterion for defining direct investment enterprises in the Slovak Republic 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. With effect from the beginning of 2003, a value threshold of 1,000,000 SK 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 partially applied. In accordance with the FCS, (i) the direct investment earnings data include the relevant share of most indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include most 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. However, some enterprises are not able to identify their indirectly-owned enterprises.

Enterprises in the Slovak Republic 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) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) write-offs, realized and unrealized exchange rate gains and losses, and unrealized capital gains are not included, and (iii) interest receivable/payable is included. (Prior to the end of 2002, deductions were not made for depreciation of capital, and for provisions for host-country income and corporation taxes, and unrealized capital gains were included.) Contrary to the COPC, (i) realized capital gains and losses and unrealized capital losses are included, and (ii) debt repayments receivable/payable are not 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) 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 other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) dividends and distributed branch profits are recorded net, rather than gross, of any withholding taxes, and (ii) most dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are paid, rather than the date they are declared payable. However, in accordance with the international standards, some dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are declared payable.

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 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, (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, (iii) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. (Prior to 2003, net losses were not 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, (iv) trade credits, and (v) financial leases. 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 compiled 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, (iv) other non-voting stocks (shares), and (v) 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. Contrary to the international standards, the data include non-participating preference shares, which are classified as equity capital, rather than as other capital.

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) changes in insurance company technical reserves, (iii) 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, and (iii) financial derivatives. (Prior to 2002 the data did not exclude financial derivatives.) 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 and between affiliated financial intermediaries. (Prior to 2002 the data did not include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries.) Permanent debt is defined as being subordinated financial liabilities. Contrary to the international standards, (i) the data do not exclude loan/debt guarantees provided by direct investors or related direct investment enterprises, and (ii) the data do not include non-participating preference shares, which are instead classified as equity capital.

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 entire amount of the loan/debt guarantee outstanding is treated as direct investment lending by the guarantor and recorded under "Direct Investment in the Slovak Republic: Other Capital: Increase in Liabilities to Direct Investors" at the time the guarantee is invoked.

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 the Slovak Republic 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 the Slovak Republic 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 the Slovak Republic: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Direct Investment in the Slovak Republic: Other Capital: Increase in Claims on Direct Investors", and both are reported as such to the IMF.

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in the Slovak Republic of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as these activities cannot be identified from the present data sources.

Treatment of Offshore Enterprises

Not applicable. There are no offshore enterprises established in the Slovak Republic by nonresidents at present.

Treatment of Special Purpose Entities (SPEs)

Not applicable. There are no SPEs established in the Slovak Republic by nonresidents at present.

Treatment of Land and Buildings

Not applicable. The purchase and sale of land and buildings in the Slovak Republic by nonresident enterprises and nonresident individuals is forbidden by law. (Following the entry of the Slovak Republic to the European Union on May 1, 2004, and subject to a transition period that affects the acquisition of agricultural and forestry land except in certain circumstances, nonresident enterprises and individual entrepreneurs from EEA and OECD member countries will be permitted to acquire real estate in the Slovak Republic that is indispensable for the performance of their economic activities.)

Treatment of Natural Resources Exploration

Not applicable. Nonresidents are forbidden by law to undertake natural resources exploration in the Slovak Republic.

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 THE SLOVAK REPUBLIC
INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the National Bank of Slovakia (NBS) 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 6 months after the end of the reference period on the NBS website (<http://www.nbs.sk>). The data are also reported to the IMF for publication and the OECD.

Revision Practices

The data are preliminary when first released. The data for the current and previous years are revised every quarter to incorporate revisions in the source data and are disseminated quarterly together with the preliminary quarterly data. The data become final 21 months after the end of the reference period, that is, 15 months after their first release.

The revised data are clearly identified in the disseminated data on the NBS website and, although the general public are not informed in the disseminated data of the reasons for the revisions, this information is provided on request. The historical data are not revised in cases of major changes in methodology or data collection system.

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 for publication.

Data Collection Method

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

Data Sources

The data for all components are compiled primarily from monthly enterprise surveys of resident enterprises. Information from quarterly enterprise surveys of resident enterprises are used as a secondary data source for the all components.

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 the NBS and is updated on an ongoing basis using information from (i) other statistical collection forms, and (ii) compulsory direct investment surveys. The same business register is used to compile the inward direct investment transactions and position data, but a different register is used for the outward direct investment transactions and position data.

Geographic Classification

Annual data showing breakdowns by country for the inward direct investment position data are compiled by the NBS and disseminated annually with a timeliness of 18 months after the end of the reference period on the NBS website (<http://www.nbs.sk>). The data showing country breakdowns for the inward direct investment position data

are also reported to the OECD and Eurostat. The data cover all countries and bilateral data are not used in the compilation of the data.

In accordance with the international standards, the data are compiled on the "immediate country" basis. The five countries with the largest amount of direct investment in the Slovak Republic as at the end of 2002 (ranked in descending order) were: Germany, Austria, the Netherlands, Italy, and the United Kingdom.

In addition to the data showing country breakdowns, annual data are compiled and disseminated by the NBS showing breakdowns 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 once a year with a timeliness of 21 months after the end of the reference period on the NBS website. The data are also reported to the OECD and Eurostat.

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 Eurostat, and the aggregate inward position data reported to the IMF for publication.

Industrial Classification

Annual data showing breakdowns by industrial activity for the inward direct investment position data are compiled by the NBS and disseminated annually with a timeliness of 18 months after the end of the reference period on the NBS website (<http://www.nbs.sk>). The data showing industrial activity breakdowns for the inward direct investment position data are also reported to the OECD and Eurostat. The data show a breakdown for all industrial activities of the NACE Rev. 1 classification system, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

The inward direct investment 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 the Slovak Republic as at the end of 2002 (in descending order) were: (i) financial intermediation, (ii) trade, (iii) telecommunications, (iv) food products, and (v) metal products.

Annual data are compiled by the NBS for the inward direct investment position data showing a breakdown by both industrial activity and main partner country. These data are disseminated once a year with a timeliness of 21 months after the end of the reference period on the NBS website. The data are also reported to the OECD and Eurostat. The five highest ranking partner countries as at the end of 2002 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: Germany, Austria, the Netherlands, Italy, and the United Kingdom.

In addition, annual data are compiled by the NBS for the inward direct investment position data showing a breakdown by both industrial activity and region/economic zone. These data are disseminated once a year with a timeliness of 21 months after the end of the reference period on the NBS website. The data are also reported to the OECD and Eurostat.

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 Eurostat, and the aggregate inward position data reported to the IMF for publication.

B. Methodology

Definition of Direct Investment Enterprises in the Slovak Republic

In accordance with the international standards, the basic criterion for defining direct investment enterprises in the Slovak Republic 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. With effect

from the beginning of 2003, a value threshold of 1,000,000 SK is used to identify resident direct investment enterprises. A value threshold of 500,000 SK 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 partially applied. In accordance with the FCS, the data include (i) the relevant share of the reinvested earnings of most indirectly-owned direct investment enterprises, and (ii) most 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, some enterprises are not able to identify their indirectly-owned enterprises.

Enterprises in the Slovak Republic 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, (iv) other non-voting stocks (shares), and (v) 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. Contrary to the international standards, the data include non-participating preference shares, which are classified as equity capital, rather than as other capital.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) 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, (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, (iii) the reinvested earnings are recorded in the period in which they are earned, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. (Prior to 2002, net losses were not 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 the Slovak Republic.

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) changes in insurance company technical reserves, (ii) 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, and (iii) financial derivatives. (Prior to 2002, the data did not exclude financial derivatives.) 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 and between affiliated financial intermediaries. (Prior to 2002, the data did not include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries.) Permanent debt is defined as being subordinated financial liabilities. Contrary to the international standards, (i) the data do not exclude loan/debt guarantees provided by direct investors or related direct investment enterprises, and (ii) the data do not include non-participating preference shares, which are instead classified as equity capital.

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 entire amount of the loan/debt guarantee outstanding is treated as direct investment lending by the guarantor and recorded under "Liabilities: Direct Investment in the Slovak Republic: Other Capital: Liabilities to Direct Investors" at the time the guarantee is invoked.

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 the Slovak Republic 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: I 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 the Slovak Republic 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 the Slovak Republic: Equity Capital: Claims on Direct Investors", and loan positions are recorded as "Liabilities: Direct Investment in the Slovak Republic: Other Capital: Claims on Direct Investors", and both are reported as such to the IMF.

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in the Slovak Republic of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as these activities cannot be identified from the present data sources.

Treatment of Offshore Enterprises

Not applicable. There are no offshore enterprises established in the Slovak Republic by nonresidents at present.

Treatment of Special Purpose Entities (SPEs)

Not applicable. There are no SPEs established in the Slovak Republic by nonresidents at present.

Treatment of Land and Buildings

Not applicable. The ownership of land and buildings in the Slovak Republic by nonresident enterprises and nonresident individuals is forbidden by law. (Following the entry of the Slovak Republic to the European Union on May 1, 2004, and subject to a transition period that affects the acquisition of agricultural and forestry land except in certain circumstances, nonresident enterprises and individual entrepreneurs from EEA and OECD member countries will be permitted to own real estate in the Slovak Republic that is indispensable for the performance of their economic activities.)

Treatment of Natural Resources Exploration

Not applicable. Nonresidents are forbidden by law to undertake natural resources exploration in the Slovak Republic.

Valuation of Assets and Liabilities

The data on equity capital for listed enterprises are recorded primarily at market values. However, some are recorded at book values, which are own funds book value (OFBV) which is defined in accordance with the *Guidelines of the ECB on the Statistical Reporting Requirements in the Field of BOP and IIP Statistics*, as (i) paid-up capital (excluding own shares and including share premium accounts), (ii) all types of reserves (including investment grants when accounting guidelines consider them to be company reserves, and (iii) non-distributed

profits, net of losses (including the results for the current year). The data on equity capital for unlisted enterprises are recorded at book values, which are OFBV.

The data on other capital are recorded at market 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 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 are compiled by the National Bank of Slovakia (NBS) 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 quarterly with a timeliness of 3 months after the end of the reference period on the NBS website (<http://www.nbs.sk>), as well as in the monthly NBS publication, *The Monetary Survey* (available on the NBS website in both Slovak and English and in hardcopy in Slovak only). The data (quarterly rather than monthly) are also reported to the IMF for publication and to the OECD.

Revision Practices

The monthly data are effectively final when first released. However, quarterly data, the sum of the three relevant months for a specific quarterly period, for the current and previous years are revised every quarter to incorporate the results of quarterly enterprise surveys and are disseminated quarterly together with the preliminary data for the latest months. The quarterly data become final 18 months after the end of the reference period, that is, 15 months after their first release.

The revised data are clearly identified in the disseminated data on the NBS website and, although the general public are not informed in the disseminated data of the reasons for the revisions, this information is provided on request. The historical data are not revised in cases of major changes in methodology or data collection system.

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 for publication.

Data Collection Method

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

Data Sources

The data for all components are compiled primarily from monthly enterprise surveys of direct investors resident in the Slovak Republic. Quarterly enterprise surveys of direct investors resident in the Slovak Republic are used as a secondary data source for the data on income on equity (dividends and distributed branch profits, equity capital, and other capital). An international transactions reporting system (ITRS), which covers (i) cash transactions made through the domestic banking system, (ii) cash transactions made through the foreign bank accounts of enterprises, and (iii) noncash transactions, is used as a secondary data source for the data on equity (dividends and distributed branch profits), income on debt (interest, and other capital).

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 the NBS and is updated on an ongoing basis using information from (i) other statistical collection forms, and (ii) compulsory direct investment surveys. The same business

register is used to compile the outward direct investment transactions and position data, but a different register is used for the inward direct investment transactions and position data.

Geographic Classification

Annual data showing breakdowns by country for the direct investment financial flows data are compiled by the NBS and disseminated annually with a timeliness of 6 months after the end of the reference period on the NBS website (<http://www.nbs.sk>) and in the monthly NBS bulletin, *The Monetary Survey*, available on the NBS website in both Slovak and English and in hardcopy in Slovak only. (In addition, quarterly data showing breakdowns by country for the equity capital data only are compiled by the NBS and disseminated with a timeliness of 3 months after the end of the reference period on the NBS website and in *The Monetary Survey*.) The data showing country breakdowns for the direct investment financial flows are also reported to the OECD and Eurostat with a timeliness of 9 months after the end of the reference period. The data cover all countries and 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 at present, but there are plans to begin to compile and disseminate annual data beginning with the data for 2003 due to be released in June 2004.

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 the Slovak Republic during 2002 (ranked in descending order) were: Poland, Austria, Bosnia and Herzegovina, Hungary, and Russia.

In addition to the data showing country breakdowns, quarterly data are compiled by the NBS showing breakdowns of the direct investment equity capital 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 quarterly with a timeliness of 3 months after the end of the reference period on website (<http://www.nbs.sk>) and in the monthly NBS bulletin, *The Monetary Survey*. Annual data showing breakdowns by regions/economic zones for the direct investment financial flows are also reported to the OECD and Eurostat with a timeliness of 9 months after the end of the reference period. Data showing breakdowns by region/economic zone for the direct investment income data are not compiled at present.

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 Eurostat, and the aggregate outward data on direct investment financial flows reported to the IMF for publication.

Industrial Classification

Annual data showing breakdowns by industrial activity for the direct investment financial flows data are compiled by the NBS and disseminated annually with a timeliness of 6 months after the end of the reference period on the NBS website (<http://www.nbs.sk>) and in the monthly NBS bulletin, *The Monetary Survey*, available on the NBS website in both Slovak and English and in hardcopy in Slovak only. (In addition, quarterly data showing breakdowns by industrial activity for the equity capital data only are compiled by the NBS and disseminated with a timeliness of 3 months after the end of the reference period on the NBS website and in *The Monetary Survey*.) The data showing breakdowns by industrial activity for the direct investment financial flows are also reported to the OECD and Eurostat with a timeliness of 9 months after the end of the reference period. The data show a breakdown for all industrial activities of the NACE Rev. 1 classification system, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial activity for the direct investment income data are not compiled.

The data on direct investment financial flows 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 financial flows from the Slovak Republic during 2002 (in descending order) were: (i) metal products, (ii) wood, publishing, and printing, (iii) refined petroleum, (iv) other business activity, and (v) textiles and weaving.

Quarterly data are disseminated by the NBS for the direct investment equity capital data showing a breakdown by both industrial activity and main partner country. These data are disseminated quarterly with a timeliness of 3 months after the end of the reference period on website (<http://www.nbs.sk>) and in the monthly NBS bulletin, *The Monetary Survey*. Annual data showing a breakdown by both industrial activity and main partner country for the direct investment financial flows data are also reported to the OECD and Eurostat with a timeliness of 9 months after the end of the reference period. The five highest ranking partner countries during 2002 (ranked in

descending order) for which breakdowns by industrial activity are disseminated were: Poland, Austria, Bosnia and Herzegovina, Hungary, and Russia.

In addition, quarterly data are disseminated by the NBS for the direct investment equity capital data showing a breakdown by both industrial activity and region/economic zone. These data are disseminated quarterly with a timeliness of 3 months after the end of the reference period on website (<http://www.nbs.sk>) and in the monthly NBS bulletin, *The Monetary Survey*. Annual data showing a breakdown by both industrial activity and region/economic zone for the direct investment financial flows data are also reported to the OECD and Eurostat with a timeliness of 9 months after the end of the reference period.

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 Eurostat, and the aggregate outward data on 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. With effect from the beginning of 2003, a value threshold of 1,000,000 SK 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 partially applied. In accordance with the FCS, (i) the direct investment earnings data include the relevant share of most indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include most 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. However, some enterprises are not able to identify their indirectly-owned enterprises.

Enterprises in the Slovak Republic 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) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) write-offs, realized and unrealized exchange rate gains and losses, and unrealized capital gains are not included, and (iii) interest receivable/payable is included. (Prior to the end of 2002, deductions were not made for depreciation of capital, and for provisions for host-country income and corporation taxes, and unrealized capital gains were included.) Contrary to the COPC, (i) realized capital gains and losses and unrealized capital losses are included, and (ii) debt repayments receivable/payable are not 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) 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 other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) dividends and distributed branch profits are recorded net, rather than gross, of any withholding taxes, and (ii) most dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are paid, rather than the date they are declared payable. However, in accordance with the international standards, some dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are declared payable.

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 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, (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, (iii) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. (Prior to 2003, net losses were not 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, (iv) trade credits, and (v) financial leases. 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 compiled 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, (iv) other non-voting stocks (shares), and (v) 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. Contrary to the international standards, the data include non-participating preference shares, which are classified as equity capital, rather than as other capital.

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) changes in insurance company technical reserves, (iii) 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, and (iii) financial derivatives. (Prior to 2002 the data did not exclude financial derivatives.) 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 and between affiliated financial intermediaries. (Prior to 2002 the data did not include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries.) Permanent debt is defined as being subordinated financial liabilities. Contrary to the international standards, (i) the data do not exclude loan/debt guarantees provided by direct investors or related direct investment enterprises, and (ii) the data do not include non-participating preference shares, which are instead classified as equity capital.

In instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise, 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.

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 the Slovak Republic 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 the Slovak Republic 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 the Slovak Republic: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Direct Investment in the Slovak Republic: Other Capital: Increase in Claims on Direct Investors", and both are reported as such to the IMF.

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by residents of the Slovak Republic of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as these activities cannot be identified from the present data sources.

Treatment of Offshore Enterprises

Contrary to the international standards, activities of offshore enterprises established abroad by residents of the Slovak Republic are not included in the direct investment data, as these activities cannot be identified from the present data sources.

Treatment of Special Purpose Entities (SPEs)

Contrary to the international standards, the activities of SPEs established abroad by residents of the Slovak Republic are not included in the direct investment data, as these activities cannot be identified from the present data sources.

Treatment of Land and Buildings

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

Treatment of Natural Resources Exploration

Not applicable. Natural resources exploration abroad by residents of the Slovak Republic 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 the National Bank of Slovakia (NBS) 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 6 months after the end of the reference period on the NBS website (<http://www.nbs.sk>). The data are also reported to the IMF for publication and the OECD.

Revision Practices

The data are preliminary when first released. The data for the current and previous years are revised every quarter to incorporate revisions in the source data and are disseminated quarterly together with the preliminary quarterly data. The data become final 21 months after the end of the reference period, that is, 15 months after their first release.

The revised data are clearly identified in the disseminated data on the NBS website and, although the general public are not informed in the disseminated data of the reasons for the revisions, this information is provided on request. The historical data are not revised in cases of major changes in methodology or data collection system.

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 for publication.

Data Collection Method

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

Data Sources

The data for all components are compiled primarily from monthly enterprise surveys of direct investors resident in the Slovak Republic. Information from quarterly enterprise surveys of direct investors resident in the Slovak Republic are used as a secondary data source for the all components.

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 the NBS and is updated on an ongoing basis using information from (i) other statistical collection forms, and (ii) compulsory direct investment surveys. The same business register is used to compile the outward direct investment transactions and position data, but a different register is used for 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 the NBS and disseminated annually with a timeliness of 18 months after the end of the reference period on the NBS website (<http://www.nbs.sk>). The data showing country breakdowns for the outward direct investment position

data are also reported to the OECD and Eurostat with a timeliness of 21 months after the end of the reference period. The data cover all countries and bilateral data are not used in the compilation of the data.

In accordance with the international standards, the data are compiled on the "immediate country" basis. The five countries with the largest amount of direct investment in the Slovak Republic as at the end of 2002 (ranked in descending order) were: Germany, Austria, the Netherlands, Italy, and the United Kingdom.

In addition to the data showing country breakdowns, quarterly data are compiled by the NBS showing breakdowns of the outward direct investment equity capital 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 quarterly with a timeliness of 3 months after the end of the reference period on website (<http://www.nbs.sk>) and in the monthly NBS bulletin, *The Monetary Survey*. Annual data showing breakdowns by regions/economic zones for the outward direct investment position data are also reported to the OECD and Eurostat with a timeliness of 21 months after the end of the reference period.

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 Eurostat, and the aggregate inward position data reported to the IMF for publication.

Industrial Classification

Annual data showing breakdowns by industrial activity for the outward direct investment position data are compiled by the NBS and disseminated annually with a timeliness of 18 months after the end of the reference period on the NBS website (<http://www.nbs.sk>). The data showing industrial activity breakdowns for the outward direct investment position data are also reported to the OECD and Eurostat with a timeliness of 21 months after the end of the reference period. The data show a breakdown for all industrial activities of the NACE Rev. 1 classification system, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

The outward direct investment 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 the Slovak Republic as at the end of 2002 (in descending order) were: (i) refined petroleum, (ii) insurance, (iii) mining and quarrying, (iv) electricity, and (v) real estate.

Quarterly data are disseminated by the NBS for the outward direct investment equity capital position data showing a breakdown by both industrial activity and main partner country. These data are disseminated quarterly with a timeliness of 3 months after the end of the reference period on website (<http://www.nbs.sk>) and in the monthly NBS bulletin, *The Monetary Survey*. Annual data showing a breakdown by both industrial activity and main partner country for the outward direct investment position data are also reported to the OECD and Eurostat with a timeliness of 21 months after the end of the reference period. The five highest ranking partner countries as at the end of 2002 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: the Czech Republic, the United Kingdom, the Ukraine, Poland, and Luxembourg.

In addition, quarterly data are disseminated by the NBS for the outward direct investment equity capital position data showing a breakdown by both industrial activity and region/economic zone. These data are disseminated quarterly with a timeliness of 3 months after the end of the reference period on website (<http://www.nbs.sk>) and in the monthly NBS bulletin, *The Monetary Survey*. Annual data showing a breakdown by both industrial activity and region/economic zone for the outward direct investment position data are also reported to the OECD and Eurostat with a timeliness of 21 months after the end of the reference period.

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 Eurostat, 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. With effect from the beginning of 2003, a value threshold of 1,000,000 SK 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 partially applied. In accordance with the FCS, the data include (i) the relevant share of the reinvested earnings of most indirectly-owned direct investment enterprises, and (ii) most 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, some enterprises are not able to identify their indirectly-owned enterprises.

Enterprises in the Slovak Republic 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, (iv) other non-voting stocks (shares), and (v) 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. Contrary to the international standards, the data include non-participating preference shares, which are classified as equity capital, rather than as other capital.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) 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, (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, (iii) the reinvested earnings are recorded in the period in which they are earned, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. (Prior to 2002, net losses were not 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) changes in insurance company technical reserves, (ii) 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, and (iii) financial derivatives. (Prior to 2002, the data did not exclude financial derivatives.) 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 and between affiliated financial intermediaries. (Prior to 2002, the data did not include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries.) Permanent debt is defined as being subordinated financial liabilities. Contrary to the international standards, (i) the data do not exclude loan/debt guarantees provided by direct investors or related direct investment enterprises, and (ii) the data do not include non-participating preference shares, which are instead classified as equity capital.

In instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise, 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.

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 the Slovak Republic 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: I 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 the Slovak Republic 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 the Slovak Republic: Equity Capital: Claims on Direct Investors", and loan positions are recorded as "Liabilities: Direct Investment in the Slovak Republic: Other Capital: Claims on Direct Investors", and both are reported as such to the IMF.

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by residents of the Slovak Republic of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as these activities cannot be identified from the present data sources.

Treatment of Offshore Enterprises

Contrary to the international standards, activities of offshore enterprises established abroad by residents of the Slovak Republic are not included in the direct investment data, as these activities cannot be identified from the present data sources.

Treatment of Special Purpose Entities (SPEs)

Contrary to the international standards, the activities of SPEs established abroad by residents of the Slovak Republic are not included in the direct investment data, as these activities cannot be identified from the present data sources.

Treatment of Land and Buildings

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

Treatment of Natural Resources Exploration

Not applicable. Natural resources exploration abroad by residents of the Slovak Republic has not occurred to date.

Valuation of Assets and Liabilities

The data on equity capital for listed enterprises are recorded primarily at market values. However, some are recorded at book values, which are own funds book value (OFBV) which is defined in accordance with the *Guidelines of the ECB on the Statistical Reporting Requirements in the Field of BOP and IIP Statistics*, as (i) paid-up capital (excluding own shares and including share premium accounts), (ii) all types of reserves (including investment grants when accounting guidelines consider them to be company reserves, and (iii) non-distributed profits, net of losses (including the results for the current year). The data on equity capital for unlisted enterprises are recorded at book values, which are OFBV.

The data on other capital are recorded at market 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 exchange rate prevailing on the date to which the position data relate.