

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.

Sweden:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Sweden

- **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 SWEDEN

BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data (the most timely) are compiled by the Sveriges Riksbank (SR) within the balance of payments framework on (a) the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. These data are disseminated with a timeliness of 7 weeks after the end of the reference period on the SR website <http://www.riksbank.com> under the section for Statistics (on the webpage for quarterly Balance of Payments, Table J). The data are also reported to the IMF and OECD for publication. (Prior to January 2003 the data were monthly, rather than quarterly. Monthly data are still compiled for reporting to the European Central Bank but are not disseminated and are not available on request.)

More comprehensive annual (calendar year) are compiled by the Sveriges Riksbank (SR) within the balance of payments framework on two of the three components of direct investment income: (i) income on equity (dividends and distributed branch profits), and (ii) reinvested earnings, only. These data are disseminated with a timeliness of 11 months after the end of the reference year on the SR website <http://www.riksbank.com> under the section for Statistics (on the webpage for quarterly Balance of Payments, Table D). The data are also reported to the IMF and OECD for publication.

Revision Practices

The data are preliminary when first released. The quarterly data for the reference year are revised each quarter to take account of revised source data and are disseminated quarterly together with the preliminary data for the latest quarter. In addition, the quarterly data for the previous year are revised once a year at the end of the year and disseminated together with the preliminary data for the fourth quarter of the reference year. At this time the data are considered to be final, that is, up to 20 months after their first release. However in principle the data can also be revised after this time if the revision is significant. The annual data for the previous year are revised once a year at the end of the year and are disseminated together with the preliminary data for the fourth quarter of the reference year. At this time the annual data are considered to be final, that is, 15 months after the date of their first release.

The revised status of the data is clearly identified in the disseminated data (in Table K of the quarterly Balance of Payments shown on the SR website. The general public are informed of the general reasons for the revisions. It is the intention of the SR to revise historical data in the future in instances of major changes in methodology or data collection systems. However, because of a lack of information the historical data were not able to be revised at the time of the adoption in October 1997 of the methodology set out in the fifth edition of the IMF's *Balance of Payments Manual*.

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

Data Coverage

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

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

Data Collection Method

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

Data Sources

The data for all components of the quarterly data (the most timely data) are compiled primarily from monthly enterprise surveys of resident enterprises. Data obtained from an annual enterprise survey of resident direct investment enterprises for the latest available year are used as a secondary data source for the data on income on equity (dividends and distributed branch profits) and reinvested earnings. (Prior to January 2003, an international transactions reporting system (ITRS) was a secondary data source for all components.) Information obtained from the Statistics Sweden Enterprise Register is used as a secondary data source for the data on income on debt (interest), equity capital, and other capital.

The annual data on income on equity (dividends and distributed branch profits) and reinvested earnings (the most comprehensive data) are compiled from an annual enterprise survey 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 and the 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 SR and is updated on an ongoing basis using information from the (i) financial press and (ii) the Statistics Sweden Enterprise Register. 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

Quarterly data showing breakdowns by country for the direct investment financial flows data are compiled by the SR and disseminated quarterly with a timeliness of 7 weeks after the end of the reference period on the SR website <http://www.riksbank.com> under the section for Statistics (on the webpage for the quarterly Balance of Payments, Direct investment by Country: 1982-). The data are also reported to the OECD and Eurostat. Quarterly data showing breakdowns by country for the direct investment income data are compiled by the SR with a timeliness of 7 weeks after the end of the reference period and reported to the OECD and Eurostat for publication. The data are not disseminated in the national publications, but are available on request. The data cover 99 countries. Although bilateral data are not used on a regular basis in the compilation of the data, bilateral data from Denmark, Finland, and Norway are used on an irregular basis involving specific large transactions.

Annual data showing breakdowns by country for the direct investment income data and the direct investment financial flows data are compiled by the SR and disseminated once a year with a timeliness of 7 weeks after the end of the reference period on the SR website <http://www.riksbank.com> under the section for Statistics (on the webpage for the quarterly Balance of Payments, Direct investment by Country: 1982-). The data are also reported to the OECD and Eurostat for publication.

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 Sweden during 2003 (ranked in descending order) were: the United Kingdom, Finland, Germany, the Netherlands, and Norway. The five countries with the largest amount of direct investment financial flows into Sweden during 2003 (ranked in descending order) were: the United Kingdom, Germany, the Netherlands, Finland, and Ireland.

In addition to the data showing country breakdowns, quarterly data showing breakdowns of the direct investment financial flows are compiled by the SR for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, (vii) the OPEC countries, (viii) North and Central America, (ix) South America, (x) Africa, and (xi) Oceania. The data are also reported to the OECD and Eurostat for publication. Data showing breakdowns of the direct investment income are compiled by the SR for the following regions/economic zones: (i) the EU15, (ii) the OECD, and (iii) the Nordic countries, and are reported to the OECD and Eurostat for publication. These data are not disseminated in the national publications, but are available quarterly on request with a timeliness of 7 weeks after the end of the reference period. However, with effect from September 2004 the data will be disseminated on the SR website ([http://www.riksbank.com/Statistics/Balance of Payments](http://www.riksbank.com/Statistics/Balance%20of%20Payments)) under the section on Direct Investment by Geographic Zones.

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 income and direct investment financial flows reported to the IMF for publication.

Industrial Classification

Quarterly data showing breakdowns by industrial activity for the direct investment financial flows data are compiled by the SR and disseminated quarterly with a timeliness of 7 weeks after the end of the reference period on the SR website (<http://www.riksbank.com/Statistics/Balance of Payments>) under the section on Direct Investment broken by Business Activities. The data are also reported to the OECD and Eurostat. Quarterly data showing breakdowns by country for the direct investment income data are compiled by the SR with a timeliness of 7 weeks after the end of the reference period. The data are not disseminated in the national publications, but are available on request, and are also reported to the OECD and Eurostat..

Annual data showing breakdowns by industrial activity for the direct investment income data are compiled by the SR and disseminated once a year with a timeliness of 11 months after the end of the reference period in the annual survey report on the SR website(<http://www.riksbank.com/Statistics/Balance of Payments/Direct Investment>) under the section on assets and income. Annual data showing breakdowns by industrial activity for the direct investment financial flows data are compiled by the SR and disseminated once a year with a timeliness of 7 weeks after the end of the reference period on the SR website (<http://www.riksbank.com/Statistics/Balance of Payments>) under the section on Direct Investment broken by Business Activities. The data are also reported to the OECD and Eurostat for publication. The data show a breakdown for 12 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 Sweden during 2002 (in descending order) were: (i) manufacturing, (ii) trade and repairs, (iii) financial intermediation, (iv) electricity, water and gas, and (v) other services. The five industrial activities with the largest amount of direct investment financial flows into Sweden during 2002 (in descending order) were: (i) financial intermediation, (ii) manufacturing, (iii) electricity, gas, and water, (iv) construction and properties, and (v) other services.

Quarterly data are compiled by the SR 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 not disseminated, but are available on request with a timeliness of 7 weeks after then end of the reference period. For direct investment income, the five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are available were: the United Kingdom, Finland, Germany, the Netherlands, and Norway. For direct investment financial flows, the five highest ranking partner countries during 2003 (ranked in descending order) for which breakdowns by industrial activity are available were: the United Kingdom, Germany, the Netherlands, Finland, and Ireland.

In addition, quarterly data compiled by the SR 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 are available on request.

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 income and direct investment financial flows reported to the IMF for publication.

B. Methodology

Definition of Direct Investment Enterprises in Sweden

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Sweden 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, in principle, fully applied. Specifically, (i) the direct investment earnings data include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other. However, in practice, some respondents may not strictly follow the FCS principles.

Enterprises in Sweden are required by law to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, but are not required by law to identify all transactions with the parent company. However, since 1997, in accordance with the EU-7 directive (Article 2 of Chapter 7 of the Annual Accounts Act), a Swedish company owned by a company based in the EU does not need to produce consolidated accounts for the Swedish group if the group parent company compiles consolidated accounts. As a result, many enterprises in Sweden do not have information from the accounts for their own subsidiaries abroad, and do not produce consolidated accounts for the Swedish group.

Measurement of Direct Investment Earnings

In accordance with the international standards, the “Current Operating Performance Concept” (COPC) is fully used to calculate direct investment earnings. Specifically, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are not included, (iii) interest receivable/payable is included, and (iv) debt repayments receivable/payable are excluded.

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

The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) dividends and distributed branch profits are recorded gross of any withholding taxes, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. In accordance with the international standards, most dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are declared payable. However, dividends and distributed branch profits of a small number of reporters are recorded on the date they are paid, rather than the date they are declared payable. Contrary to the international standards, extraordinarily large dividends, such as the result of exceptional capital gains, are, with effect from 2003, treated as equity capital disinvestment, rather than as income on equity.

Treatment of Reinvested Earnings and Undistributed Branch Profits

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

Treatment of Income on Debt (Interest)

The data on income on debt (interest) cover both incorporated enterprises and unincorporated enterprises and include interest on (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (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 between affiliated financial intermediaries. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and some affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, that is, those that are not monetary financial institutions (MFIs), (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iii) most of the data are recorded on an accrual basis. However, contrary to the international standards, (i) the data do not include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries that are MFIs, and (ii) a very small part of the interest is recorded on a paid basis, rather than an accrual basis.

Treatment of Equity Capital

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, (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.

Treatment of Other Capital

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data cover nonparticipating preference shares, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, 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 do not include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries.

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 are classified as "Direct Investment in Sweden: Other Capital". However, the present data sources are unable to identify the treatment being applied by the individual survey respondents, that is, whether (i) the entire amount of the loan/debt outstanding is being recorded at the time the guarantee is invoked, or (ii) the periodic payments of principal and interest made by the guarantor are being recorded at the time the periodic payments are made .

Treatment of Reverse Investment

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

Assuming that the direct investment enterprise is a resident of Sweden 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 Sweden and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as “Portfolio Investment: Increase in Assets: Equity Securities”, rather than as “Direct Investment in Sweden: Equity Capital: Increase in Claims on Direct Investors”. However, these transactions are considered to be negligible. In accordance with the international standards, loan transactions are recorded as “Direct Investment in Sweden: Other Capital: Increase in Claims on Direct Investors”. However, data showing “Direct Investment in Sweden: Other Capital: Increase in Claims on Direct Investors” are not reported to the IMF, but instead are netted off against the data for “Direct Investment in Sweden: Other Capital: Increase in Liabilities to Direct Investors” reported to the IMF and disseminated in the national publications.

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 Sweden by nonresidents of (i) construction enterprises or (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

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

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established in Sweden by nonresidents are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established in Sweden by nonresidents that have the primary purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital. Contrary to the international standards, the data also exclude transactions with affiliated banks and affiliated financial intermediaries involving 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 in Sweden by nonresident enterprises and nonresident individuals. Land and buildings purchased in Sweden by nonresident enterprises and nonresident individuals on long-term leases are not included.

Treatment of Natural Resources Exploration

Contrary to the international standards, (i) the equity capital data do not include expenditure related to natural resources exploration in Sweden by nonresidents, and (ii) expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, as this expenditure cannot be identified from the present data sources. However, it is considered that no such expenditure has occurred to date. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise established in Sweden by nonresidents for natural resource exploration, no transactions are shown in the balance of payments statistics.

Exchange Rate Conversion

Most transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction. However, some transactions are converted at the average exchange rate for the period.

DIRECT INVESTMENT IN SWEDEN

INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable semi-annual data are compiled by the Sveriges Bank (SR) within the international investment position (IIP) framework on (a) equity capital, and (b) other capital, only, and are disseminated with a timeliness of 7 weeks after the end of the reference period on the SR website <http://www.riksbank.com> under the section for statistics (on the webpage for the quarterly balance of payments, Tables D, E, and F). The data are also reported to the IMF and the OECD for publication.

Semi-annual data on reinvested earnings are not compiled.

More comprehensive annual (calendar year) data are compiled by the Sveriges Bank (SR) 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 11 months after the end of the reference year on the SR website <http://www.riksbank.com> under the section for statistics (on the webpage for the quarterly balance of payments, Tables D, E, and F, and Balance of Payments, Surveys, Direct Investment – assets and income). The data are also reported to the IMF and the OECD for publication.

Revision Practices

The semi-annual data are final when first released. The annual data are preliminary when first released. The data for the previous year are revised to take account of late reporters and are disseminated once a year, together with the annual data for the latest year. At this time the data are considered to be final, that is, 12 months after their first release. However in principle the data can be revised after this time if the revision is significant.

Although in general 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, this is not always the case because of confidentiality constraints. It is the intention of the SR to revise historical data in the future in instances of major changes in methodology or data collection systems. However, because of a lack of information the historical data were not able to be revised at the time of the adoption in October 1997 of the methodology set out in the fifth edition of the IMF's *Balance of Payments Manual*.

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

Data Coverage

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

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

Data Collection Method

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

Data Sources

The semi-annual data (the most timely data) for all components are estimates based on the annual enterprise survey of resident enterprises for the previous year, together with monthly stock data on other capital.

The annual data (the most comprehensive data) for all components are compiled from an annual enterprise survey of resident 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 and the 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 SR and is updated on an ongoing basis using information from the (i) financial press and (ii) the Statistics Sweden Enterprise Register. 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 SR and disseminated once a year with a timeliness of 11 months after the end of the reference period on the SR website <http://www.riksbank.com> under the section for Statistics (on the webpage for the Balance of Payments, Surveys Direct Investment, Assets and Income: 2002-). The data are also reported to the OECD and Eurostat. The data cover 99 countries. Although bilateral data are not used on a regular basis in the compilation of the data, bilateral data from Denmark, Finland, and Norway are used on an irregular basis involving specific large transactions.

In accordance with the international standards the data are compiled on an immediate country basis. (In addition, since 2000 data on an ultimate country basis have been compiled. These data are not disseminated, but are available on request .) The five countries with the largest amount of direct investment in Sweden as at the end of 2002 (ranked in descending order) were: the United States, Finland, the United Kingdom, the Netherlands, and Norway.

In addition to the data showing country breakdowns, annual data showing breakdowns of the inward direct investment position data are compiled by the SR for the following regions/economic zones: (i) the EU15, (ii) the OECD, (iii) the ASEAN countries, (iv) South America, (v) the Baltic countries, and (vi) Central and Eastern Europe including Russia. The data for (i) the EU15, (ii) the OECD, and (iii) the ASEAN countries, are also reported to the OECD and Eurostat for publication. These data are disseminated once a year with a timeliness of 11 months after the end of the reference year on the SR website <http://www.riksbank.com> under the section for statistics (on the webpage Balance of Payments, Surveys, Direct Investment – assets and income). The data for (i) South America, (ii) the Baltic countries, and (iii) Central and Eastern Europe including Russia, are not disseminated, but are available on request.

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 SR and disseminated once a year with a timeliness of 11 months after the end of the reference period in the annual survey report on the SR website <http://www.riksbank.com> under the section for statistics (on the webpage Balance of Payments, Surveys, Direct Investment – assets and income). The data are also reported to the OECD and Eurostat. The data show a breakdown for 12 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 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 Sweden as at the end of 2002 (in descending order) were: (i) manufacturing, (ii) electricity, water and gas, (iii) financial intermediation, (iv) other services, and (v) trade and repairs.

Annual data are compiled by the SR for the inward direct investment position data showing a breakdown by both industrial activity and main partner country. These data are not disseminated, but are available on request with a timeliness of 11 months after the end of the reference year. The five highest ranking partner countries as at the end of 2002 (ranked in descending order) for which breakdowns by industrial activity are available were: the United States, Finland, the United Kingdom, the Netherlands, and Norway.

In addition, annual data compiled by the SR for the inward direct investment position data showing a breakdown by both industrial activity and region/economic zone are available on request with a timeliness of 11 months after the end of the reference year.

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 Sweden

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

Enterprises in Sweden are required by law to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, but are not required by law to identify all transactions with the parent company. However, since 1997, in accordance with the EU-7 directive (Article 2 of Chapter 7 of the Annual Accounts Act), a Swedish company owned by a company based in the EU does not need to produce consolidated accounts for the Swedish group if the group parent company compiles consolidated accounts. As a result, many enterprises in Sweden do not have information from the accounts for their own subsidiaries abroad, and do not produce consolidated accounts for the Swedish group.

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.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) reinvested earnings are recorded in the period in which they are earned, (ii)

the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and 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 Sweden.)

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data cover nonparticipating preference shares, (ii) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, 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 do not include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries.

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 are classified as "Liabilities: Direct Investment in Sweden: Other Capital". However, the present data sources are unable to identify the treatment being applied by the individual survey respondents, that is, whether (i) the entire amount of the loan/debt outstanding is being recorded at the time the guarantee is invoked, or (ii) the periodic payments of principal and interest made by the guarantor are being recorded at the time the periodic payments are made.

Treatment of Reverse Investment

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

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

Assuming that the direct investment enterprise is a resident of Sweden and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", rather than as "Liabilities: Direct Investment in Sweden: Equity Capital: Claims on Direct Investors". However, these positions are considered to be negligible. In accordance with the international standards, loan positions are recorded as "Liabilities: Direct Investment in Sweden: Other Capital: Claims on Direct Investors", and 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 Sweden by nonresidents of (i) construction enterprises or (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

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

Treatment of Special Purpose Entities (SPEs)

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

Treatment of Land and Buildings

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

Treatment of Natural Resources Exploration

Contrary to the international standards, (i) the equity capital data do not include expenditure related to natural resources exploration in Sweden by nonresidents, (ii) expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, and (iii) in instances of the shutdown of a direct investment enterprise established in Sweden by nonresidents for natural resource exploration, an adjustment to reflect that shutdown is not made to the liabilities data on direct investment equity capital in the international investment position statistics, as these events cannot be identified from the present data sources. However, it is considered that no such expenditure or instances of shutdown have occurred to date.

Valuation of Assets and Liabilities

The data on equity capital for both listed and unlisted enterprises are recorded at book values, which are the amount of the total shareholders' equity shown in the consolidated balance sheet.

In addition, aggregate data at market values are also compiled, which are based on weighted price/earnings ratios and the assumption that the relationships between the historical price/earnings ratios of the direct investment enterprises are the same as those for the companies listed on the stock exchange. These data are disseminated as supplementary information to the official book value data. (See Blomberg and Ostberg "Market Valuation of the external position – a new picture of Sweden's international dependence, published in the SR's *Quarterly Review*, No. 2, 1999, for more information on these market value estimates.)

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

Most positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate. Some positions are converted at the exchange rate prevailing on the date the stocks were acquired.

DIRECT INVESTMENT ABROAD

BALANCE OF PAYMENTS (“OUTWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data (the most timely) are compiled by the Sveriges Riksbank (SR) within the balance of payments framework on (a) the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. These data are disseminated with a timeliness of 7 weeks after the end of the reference period on the SR website (<http://www.riksbank.com> under the section for Statistics (on the webpage for the quarterly Balance of Payments, Table J). The data are also reported to the IMF and OECD for publication. (Prior to January 2003 the data were monthly, rather than quarterly. Monthly data are still compiled for reporting to the European Central Bank but are not disseminated and are not available on request.)

More comprehensive annual (calendar year) are compiled by the Sveriges Riksbank (SR) within the balance of payments framework on two of the three components of direct investment income: (i) income on equity (dividends and distributed branch profits), and (ii) reinvested earnings, only. These data are disseminated with a timeliness of 11 months after the end of the reference year on the SR website <http://www.riksbank.com> under the section for Statistics (on the webpage for quarterly Balance of Payments, Table D). The data are also reported to the IMF and OECD for publication.

Revision Practices

The data are preliminary when first released. The quarterly data for the reference year are revised each quarter to take account of revised source data and are disseminated quarterly together with the preliminary data for the latest quarter. In addition, the quarterly data for the previous year are revised once a year at the end of the year and disseminated together with the preliminary data for the fourth quarter of the reference year. At this time the data are considered to be final, that is, up to 20 months after their first release. However in principle the data can also be revised after this time if the revision is significant. The annual data for the previous year are revised once a year at the end of the year and are disseminated together with the preliminary data for the fourth quarter of the reference year. At this time the annual data are considered to be final, that is, 15 months after the date of their first release.

The revised status of the data is clearly identified in the disseminated data (in Table K of the quarterly Balance of Payments shown on the SR website. The general public are informed of the general reasons for the revisions. It is the intention of the SR to revise historical data in the future in instances of major changes in methodology or data collection systems. However, because of a lack of information the historical data were not able to be revised at the time of the adoption in October 1997 of the methodology set out in the fifth edition of the IMF's *Balance of Payments Manual*.

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

Data Coverage

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

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

Data Collection Method

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

Data Sources

The data for all components of the quarterly data (the most timely data) are compiled primarily from monthly enterprise surveys of resident direct investors. Data obtained from an annual enterprise survey of resident direct investors for the latest available year are used as a secondary data source for the data on income on equity (dividends and distributed branch profits) and reinvested earnings. Information obtained from the Statistics Sweden Enterprise Register is used as a secondary data source for the data on income on debt (interest), equity capital, and other capital. (Prior to January 2003, an international transactions reporting system (ITRS) was used as a secondary data source for all components.)

The annual data on income on equity (dividends and distributed branch profits) and reinvested earnings (the most comprehensive data) are compiled from an annual enterprise survey of resident direct investors.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and the 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 SR and is updated on an ongoing basis using information from the (i) financial press and (ii) the Statistics Sweden Enterprise Register. 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

Quarterly data showing breakdowns by country for the direct investment financial flows data are compiled by the SR and disseminated quarterly with a timeliness of 7 weeks after the end of the reference period on the SR website <http://www.riksbank.com> under the section for Statistics (on the webpage for the quarterly Balance of Payments, Direct investment by Country: 1982-). The data are also reported to the OECD and Eurostat. Quarterly data showing breakdowns by country for the direct investment income data are compiled by the SR with a timeliness of 7 weeks after the end of the reference period and reported to the OECD and Eurostat for publication. The data are not disseminated in the national publications, but are available on request. The data cover 128 countries. Although bilateral data are not used on a regular basis in the compilation of the data, bilateral data from Denmark, Finland, and Norway are used on an irregular basis involving specific large transactions.

Annual data showing breakdowns by country for the direct investment income data and the direct investment financial flows data are compiled by the SR and disseminated once a year with a timeliness of 7 weeks after the end of the reference period on the SR website <http://www.riksbank.com> under the section for Statistics (on the webpage for the quarterly Balance of Payments, Direct investment by Country: 1982-). The data are also reported to the OECD and Eurostat for publication.

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 Sweden during 2003 (ranked in descending order) were: the United States, the Netherlands, Finland, Germany, and Switzerland. The five countries with the largest amount of direct investment financial flows from Sweden during 2003 (ranked in descending order) were: the United States, the United Kingdom, Denmark, Norway, and Luxembourg.

In addition to the data showing country breakdowns, quarterly data showing breakdowns of the direct investment financial flows are compiled by the SR for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, (vii) the OPEC countries, (viii) North and Central America, (ix) South America, (x) Africa, and (xi) Oceania. The data will be disseminated with a timeliness of 7 weeks after the end of the reference period on the SR website ([http://www.riksbank.com/Statistics/Balance of Payments](http://www.riksbank.com/Statistics/Balance%20of%20Payments)) under the section on Direct Investment by Geographic Zones. The data are also reported to the OECD and Eurostat for publication. Data showing breakdowns of the direct investment income are compiled by the SR for the following regions/economic zones: (i) the EU15, (ii) the OECD, and (iii) the Nordic countries, and are reported to the OECD and Eurostat for publication. These data are not disseminated in the national publications, but are available quarterly on request with a timeliness of 7 weeks after the end of the reference period.

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 income and direct investment financial flows reported to the IMF for publication.

Industrial Classification

Quarterly data showing breakdowns by industrial activity for the direct investment financial flows data are compiled by the SR and disseminated quarterly with a timeliness of 7 weeks after the end of the reference period on the SR website (<http://www.riksbank.com/Statistics/Balance of Payments>) under the section on Direct Investment broken by Business Activities. The data are also reported to the OECD and Eurostat. Quarterly data showing breakdowns by country for the direct investment income data are compiled by the SR with a timeliness of 7 weeks after the end of the reference period. The data are not disseminated in the national publications, but are available on request. The data are also reported to the OECD and Eurostat.

Annual data showing breakdowns by industrial activity for the direct investment income data are compiled by the SR and disseminated once a year with a timeliness of 11 months after the end of the reference period in the annual survey report on the SR website (<http://www.riksbank.com/Statistics/Balance of Payments/Direct Investment>) under the section on assets and income. Annual data showing breakdowns by industrial activity for the direct investment financial flows data are compiled by the SR and disseminated once a year with a timeliness of 7 weeks after the end of the reference period on the SR website (<http://www.riksbank.com/Statistics/Balance of Payments>) under the section on Direct Investment broken by Business Activities. The data are also reported to the OECD and Eurostat for publication. The data show a breakdown for 12 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 investors. The five industrial activities with the largest amount of direct investment income from investment abroad by residents of Sweden during 2002 (in descending order) were: (i) manufacturing, (ii) financial intermediation, (iii) trade and repairs, (iv) electricity, gas, and water, (v) construction and property. The five industrial activities with the largest amount of direct investment financial flows from Sweden during 2003 (in descending order) were: (i) manufacturing, (ii) financial intermediation, (iii) trade and repairs, (iv) mining and quarrying, and (v) transport and communication.

Quarterly data are compiled by the SR 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 not disseminated, but are available on request. For direct investment income, the five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are available were: the United States, the Netherlands, Finland, Germany, and Switzerland. For direct investment financial flows, the five highest ranking partner countries during 2003 (ranked in descending order) for which breakdowns by industrial activity are available were: the United States, the United Kingdom, Denmark, Norway, and Luxembourg.

In addition, quarterly data compiled by the SR 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 are available on request.

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 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, in principle, fully applied. Specifically, (i) the direct investment earnings data include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other. However, in practice, some respondents may not strictly apply the FCS principles.

Enterprises in Sweden are required by law to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, but are not required by law to identify all transactions with the parent company. However, since 1997, in accordance with the EU-7 directive (Article 2 of Chapter 7 of the Annual Accounts Act), a Swedish company owned by a company based in the EU does not need to produce consolidated accounts for the Swedish group if the group parent company compiles consolidated accounts. As a result, many enterprises in Sweden do not have information from the accounts for their own subsidiaries abroad, and do not produce consolidated accounts for the Swedish group.

Measurement of Direct Investment Earnings

In accordance with the international standards, the “Current Operating Performance Concept” (COPC) is fully used to calculate direct investment earnings. Specifically, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are not included, (iii) interest receivable/payable is included, and (iv) debt repayments receivable/payable are excluded.

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

The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) dividends and distributed branch profits are recorded gross of any withholding taxes, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. In accordance with the international standards, most dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are declared payable. However, dividends and distributed branch profits of a small number of reporters are recorded on the date they are paid, rather than the date they are declared payable. Contrary to the international standards, extraordinarily large dividends, such as the result of exceptional capital gains, are treated as equity capital disinvestment, rather than as income on equity.

Treatment of Reinvested Earnings and Undistributed Branch Profits

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

Treatment of Income on Debt (Interest)

The data on income on debt (interest) cover both incorporated enterprises and unincorporated enterprises and include interest on (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (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 between affiliated financial intermediaries. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and some affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, that is, those that are not monetary financial institutions (MFIs), (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iii) most of the data are recorded on an accrual basis. However, contrary to the international standards, (i) the data do not include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries that are MFIs, and (ii) a very small part of the interest is recorded on a paid basis, rather than an accrual basis.

Treatment of Equity Capital

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, (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.

Treatment of Other Capital

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data cover nonparticipating preference shares, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, 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 do not include transactions associated with permanent debt between affiliated banks and affiliated financial intermediaries.

Instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise are classified as "Direct Investment Abroad: Other Capital". However, the present data sources are unable to identify the treatment being applied by the individual survey respondents, that is, whether (i) the entire amount of the loan/debt outstanding is being recorded at the time the guarantee is invoked, or (ii) the periodic payments of principal and interest made by the guarantor are being recorded at the time the periodic payments are made.

Treatment of Reverse Investment

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

Assuming that the direct investment enterprise is a resident of Sweden 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 Sweden and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities", rather than as "Direct Investment in Sweden: Equity Capital: Increase in Claims on Direct Investors". However, these transactions are considered to be negligible. In accordance with the international standards, loan transactions are recorded as "Direct Investment in Sweden: Other Capital: Increase in Claims on Direct Investors". However, data showing "Direct Investment in Sweden: Other Capital: Increase in Claims on Direct Investors" are not reported to the IMF, but instead are netted off against the data for "Direct Investment in Sweden: Other Capital: Increase in Liabilities to Direct Investors" reported to the IMF and disseminated in the national publications.

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 Sweden of (i) construction enterprises or (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

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Sweden 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 Sweden are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Sweden 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. Contrary to the international standards, the data also exclude transactions with affiliated banks and affiliated financial intermediaries involving 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 Sweden. Land and buildings purchased abroad by enterprises and individuals resident in Sweden on long-term leases are not included.

Treatment of Natural Resources Exploration

Contrary to the international standards, (i) the equity capital data do not include expenditure related to natural resources exploration abroad by residents of Sweden, and (ii) expenditure on bonus payments made by residents of Sweden to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, as this expenditure cannot be identified from the present data sources. However, it is considered that no such expenditure has occurred to date. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise established abroad by residents of Sweden for natural resource exploration, no transactions are shown in the balance of payments statistics.

Exchange Rate Conversion

Most transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction. However, some transactions are converted 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 semi-annual data are compiled by the Sveriges Bank (SR) within the international investment position (IIP) framework on (a) equity capital, and (b) other capital, only, and are disseminated with a timeliness of 7 weeks after the end of the reference period on the SR website <http://www.riksbank.com> under the section for statistics (on the webpage for the quarterly balance of payments, Tables D, E, and F). The data are also reported to the IMF and the OECD for publication.

Semi-annual data on reinvested earnings are not compiled.

More comprehensive annual (calendar year) data are compiled by the Sveriges Bank (SR) 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 11 months after the end of the reference year on the SR website <http://www.riksbank.com> under the section for statistics (on the webpage for the quarterly balance of payments, Tables D, E, and F). The data are also reported to the IMF and the OECD for publication.

Revision Practices

The semi-annual data are final when first released. The annual data are preliminary when first released. The data for the previous year are revised to take account of late reporters and are disseminated once a year, together with the annual data for the latest year. At this time the data are considered to be final, that is, 12 months after their first release. However in principle the data can be revised after this time if the revision is significant.

Although in general 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, this is not always the case because of confidentiality constraints. It is the intention of the SR to revise historical data in the future in instances of major changes in methodology or data collection systems. However, because of a lack of information the historical data were not able to be revised at the time of the adoption in October 1997 of the methodology set out in the fifth edition of the IMF's *Balance of Payments Manual*.

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

Data Coverage

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

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

Data Collection Method

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

Data Sources

The semi-annual data (the most timely data) for all components are estimates based on the annual enterprise survey of resident enterprises for the previous year, together with monthly stock data on other capital.

The annual data (the most comprehensive data) for all components are compiled from an annual enterprise survey of resident 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 and the OECD for publication.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and the 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 SR and is updated on an ongoing basis using information from the (i) financial press and (ii) the Statistics Sweden Enterprise Register. 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 SR and disseminated once a year with a timeliness of 11 months after the end of the reference period on the SR website <http://www.riksbank.com> under the section for Statistics (on the webpage for the Balance of Payments, Surveys Direct Investment, Assets and Income: 2002-). The data are also reported to the OECD and Eurostat. The data cover 128 countries. Although bilateral data are not used on a regular basis in the compilation of the data, bilateral data from Denmark, Finland, and Norway are used on an irregular basis involving specific large transactions.

In accordance with the international standards the data are compiled on an immediate country basis. The five countries with the largest amount of direct investment from Sweden as at the end of 2002 (ranked in descending order) were: the United States, Finland, the Netherlands, the United Kingdom, and Denmark.

In addition to the data showing country breakdowns, annual data showing breakdowns of the outward direct investment position data are compiled by the SR for the following regions/economic zones: (i) the EU15, (ii) the OECD, (iii) the ASEAN countries, (iv) South America, (v) the Baltic countries, and (vi) Central and Eastern Europe including Russia. The data for (i) the EU15, (ii) the OECD, and (iii) the ASEAN countries, are also reported to the OECD and Eurostat for publication. These data are disseminated once a year with a timeliness of 11 months after the end of the reference year on the SR website <http://www.riksbank.com> under the section for statistics (on the webpage Balance of Payments, Surveys, Direct Investment – assets and income). The data for (i) South America, (ii) the Baltic countries, and (iii) Central and Eastern Europe including Russia, are not disseminated, but are available on request.

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 outward 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 SR and disseminated once a year with a timeliness of 11 months after the end of the reference period in the annual survey report on the SR website <http://www.riksbank.com> under the section for statistics (on the webpage Balance of Payments, Surveys, Direct Investment – assets and income). The data are also reported to the OECD and Eurostat. The data show a breakdown for 12 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 data are classified on the basis of the industrial activity of the resident directors. The five industrial activities with the largest amount of direct investment from Sweden as at the end of 2002 (in descending order) were (i) manufacturing, (ii) other services, (iii) financial intermediation, (iv) trade and repairs, and (v) electricity, gas, and water.

Annual data are compiled by the SR for the outward direct investment position data showing a breakdown by both industrial activity and main partner country. These data are not disseminated, but are available on request

with a timeliness of 11 months after the end of the reference year. The five highest ranking partner countries as at the end of 2002 (ranked in descending order) for which breakdowns by industrial activity are available were: the United States, Finland, the Netherlands, the United Kingdom, and Norway.

In addition, annual data compiled by the SR for the outward direct investment position data showing a breakdown by both industrial activity and region/economic zone are available on request with a timeliness of 11 months after the end of the reference year.

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

Enterprises in Sweden are required by law to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, but are not required by law to identify all transactions with the parent company. However, since 1997, in accordance with the EU-7 directive (Article 2 of Chapter 7 of the Annual Accounts Act), a Swedish company owned by a company based in the EU does not need to produce consolidated accounts for the Swedish group if the group parent company compiles consolidated accounts. As a result, many enterprises in Sweden do not have information from the accounts for their own subsidiaries abroad, and do not produce consolidated accounts for the Swedish group.

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.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) reinvested earnings are recorded in the period in which they are earned, (ii) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises,

(iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data cover nonparticipating preference shares, (ii) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, 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 do not include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries.

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 are classified as "Assets: Direct Investment Abroad: Other Capital". However, the present data sources are unable to identify the treatment being applied by the individual survey respondents, that is, whether (i) the entire amount of the loan/debt outstanding is being recorded at the time the guarantee is invoked, or (ii) the periodic payments of principal and interest made by the guarantor are being recorded at the time the periodic payments are made.

Treatment of Reverse Investment

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

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

Assuming that the direct investment enterprise is a resident of Sweden and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", rather than as "Liabilities: Direct Investment in Sweden: Equity Capital: Claims on Direct Investors". However, these positions are considered to be negligible. In accordance with the international standards, loan positions are recorded as "Liabilities: Direct Investment in Sweden: Other Capital: Claims on Direct Investors", and 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 Sweden of (i) construction enterprises or (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

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Sweden 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 Sweden are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Sweden 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. Contrary to the international standards, the data also exclude positions with affiliated banks and affiliated financial intermediaries involving 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 Sweden. Land and buildings owned abroad by enterprises and individuals resident in Sweden on long-term leases are not included.

Treatment of Natural Resources Exploration

Contrary to the international standards, (i) the equity capital data do not include expenditure related to natural resources exploration abroad by residents of Sweden, (ii) expenditure on bonus payments made by residents of Sweden to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, and (iii) in instances of the shutdown of a direct investment enterprise established abroad by residents of Sweden for natural resource exploration, an adjustment to reflect that shutdown is not made to the assets data on direct investment equity capital in the international investment position statistics, as these events cannot be identified from the present data sources. However, it is considered that no such expenditure or instances of shutdown have occurred to date.

Valuation of Assets and Liabilities

The data on equity capital for both listed and unlisted enterprises are recorded at book values, which are the amount of the total shareholders' equity shown in the consolidated balance sheet.

In addition, aggregate data at market values are also compiled, which are based on weighted price/earnings ratios and the assumption that the relationships between the historical price/earnings ratios of the direct investment enterprises are the same as those for the companies listed on the stock exchange. These data are disseminated as supplementary information to the official book value data. (See Blomberg and Ostberg "Market Valuation of the external position – a new picture of Sweden's international dependence, published in the SR's *Quarterly Review*, No. 2, 1999, for more information on these market value estimates.)

The data on other capital are recorded at market values.

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

Exchange Rate Conversion

Most positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate. Some positions are converted at the exchange rate prevailing on the date the stocks were acquired.