

This metadata describes the compilation practices, sources and methodology in use in 2001. Please refer to the contact person below for details of any changes that may have been introduced by the country since that time.

Australia:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Australia

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

Direct Investment Abroad

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

[Glossary of Direct Investment Terms and Definitions](#)

DIRECT INVESTMENT IN AUSTRALIA
BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of 9 weeks after the end of the reference period for the most timely data, and 22 weeks after the end of the reference period for the most comprehensive data.

Revision Policy: The data are subject to revision for 60 months after the first release of the most timely data, at which time they are considered to be final.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Data are collected on an aggregate basis, and reporting requirements are compulsory.

Data Sources: The data are compiled primarily from quarterly enterprise surveys of direct investment enterprises in Australia, the “Survey of International Investment”. Press reports are also used as a data source when estimating for non-response to the survey. Other data sources such as: (i) annual company reports, (ii) press reports, and (iii) taxation department data, are used to cross-check the data. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) registers maintained by government licensing and regulatory authorities, the tax authorities, corporate affairs and stock exchange authorities, industry associations, and other departments within the statistical agency, (iii) the financial press, and (iv) nonresident sources, such as the rating agencies.

Geographic Classification: Quarterly data showing country breakdowns are disseminated on a fiscal year basis (ending June 30) for direct investment income, and direct investment financial flows, with a timeliness of 12 months after the end of the reference year. The transactor principle, rather than the debtor/creditor principle, is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns of both direct investment income and direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) the OECD, (iii) ASEAN, and (iv) APEC. The five countries with the largest amount of direct investment flows into Australia during 2000/01 (ranked in descending order) were: the Netherlands, the United Kingdom, the United States, Hong Kong SAR, and Malaysia.

Industrial Classification: Quarterly data showing a breakdown by industry are disseminated for direct investment income and direct investment financial flows, with a timeliness of 9 weeks after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The classification used is the 1993 Australian and New Zealand Standard Industry Classification (ANZSIC), which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial sector/region or economic zone are disseminated for: (i) the European Union, (ii) the OECD, (iii) ASEAN, and (iv) APEC. In addition, data for the following economic zones or regions can be provided to users on request, subject to confidentiality restrictions: (i) EFTA, (ii) NAFTA, (iii) the CIS countries, and (iv) OPEC. Data showing breakdowns by industrial sector/partner country are also disseminated.

B. Methodology

Definition of Direct Investment Enterprises in Australia: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Australia is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify 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, (i) the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Although in principle the definitions used are consistent with the recommended rules, in practice data providers often report according to the Australian accounting standards, which differ from the international standards in that they (i) exclude some associated enterprises included in the international standards, and (ii) determine subsidiaries on the basis of the “beneficial” ownership. Enterprises in Australia are not required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings: In accordance with the international standards, the “Current Operating Performance Concept” (COPC) is used to calculate earnings of direct investment enterprises. Specifically, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, and (ii) realized and unrealized capital gains and losses, write-offs, and exchange rate gains or losses are not included. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

Treatment of Income on Equity (Dividends and Distributed Branch Profits): The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, dividends and distributed branch profits are recorded (i) on the date they are declared payable, and (ii) gross of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, reinvested earnings and undistributed branch profits are recorded in the period in which they are earned.

Treatment of Income on Debt (Interest): The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. In accordance with the international standards, the data exclude interest from (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, the data are compiled on an accrual basis.

Treatment of Equity Capital: The data cover all types of financial flows affecting equity capital, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

Treatment of Other Capital: The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, (v) trade credits, and (vi) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

Treatment of Reverse Investment: Transactions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Australia and the direct investor is a nonresident: (i) equity and loan transactions are recorded as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises” 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; and (ii) equity and loan transactions are recorded as “Direct Investment in Australia: Increase in Claims on Direct Investors” when the direct investment enterprise owns less than 10 percent of its nonresident direct investor.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Australia by nonresidents of (i) mobile equipment, such as ships and aircraft, and drilling rigs, and (ii) construction enterprises.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established in Australia by nonresidents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established in Australia by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in Australia by nonresidents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are excluded from the data. However, prior to the implementation in September 1996 of the methodology set out in the fifth edition of the *Balance of Payments Manual*, SPE's with the sole purpose of financial intermediation were "looked through" rather than recorded in the data, but only when identified on a case-by-case basis. For those SPE's that report on this basis, the reporting arrangements have not been changed. Notwithstanding this exception, in most cases the methodology recommended in the international standards is applied.

Treatment of Land and Buildings: In accordance with the international standards, the data include purchases and sales of land and buildings in Australia by nonresident enterprises and individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, expenditure related to natural resources exploration in Australia by nonresidents is included in the data.

Exchange Rate Conversion: Transactions are converted to the unit of account either at that the mid point between the buy and sell exchange rate applicable at the time of the transaction, or at the exchange rate prevailing on the day of the transaction.

DIRECT INVESTMENT IN AUSTRALIA
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 9 weeks after the end of the reference period for the most timely data, and 22 weeks after the end of the reference period for the most comprehensive data.

Revision Policy: The data are subject to revision for 60 months after the first release of the most timely data, at which time they are considered to be final.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The data are compiled primarily from quarterly enterprise surveys of direct investment enterprises in Australia, the “Survey of International Investment”. Other data sources such as: (i) annual company reports, (ii) press reports, and (iii) taxation department data, are used to cross-check the data. The perpetual inventory method (a method for deriving position data from transactions data) is not used. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) registers maintained by government licensing and regulatory authorities, the tax authorities, corporate affairs and stock exchange authorities, industry associations, and other departments within the statistical agency, (iii) the financial press, and (iv) nonresident sources, such as the rating agencies.

Geographic Classification: Quarterly position data showing country breakdowns are disseminated on a fiscal year basis (ending June 30) with a timeliness of 12 months after the end of the reference year. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) the OECD, (iii) ASEAN, and (iv) APEC. The five countries with the largest amount of direct investment in Australia as at the end of 2000/01 (ranked in descending order) were: the United States, the United Kingdom, Japan, the Netherlands, and Germany.

Industrial Classification: Quarterly position data showing a breakdown by industry are disseminated with a timeliness of 9 weeks after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The classification used is the 1993 Australian and New Zealand Standard Industry Classification (ANZSIC), which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial sector/region or economic zone are disseminated for the following economic zones or regions: (i) the European Union, (ii) the OECD, (iii) ASEAN, and (iv) APEC. In addition, data for the following economic zones or regions can be provided to users on request, subject to confidentiality restrictions: (i) EFTA, (ii) NAFTA, (iii) the CIS countries, and (iv) OPEC. Data showing breakdowns by industrial sector/partner country are also disseminated.

B. Methodology

Definition of Direct Investment Enterprises in Australia: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Australia is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify 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 relevant share of indirectly-owned direct investment enterprises are included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. Although in principle the definitions used are consistent with the recommended rules, in practice data providers often report according to the Australian accounting standards, which differ from the international standards in that they (i) exclude some associated enterprises included in the international standards, and (ii)

determine subsidiaries on the basis of the “beneficial” ownership. Enterprises in Australia are not required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings: The data cover all types of position data affecting equity capital and reinvested earnings, namely : (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises, and, in accordance with the international standards, are recorded in the period in which they are earned. (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 Australia.)

Treatment of Other Capital: The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, (v) trade credits, and (vi) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) 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, the data include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

Treatment of Reverse Investment: Positions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Australia and the direct investor is a nonresident: (i) equity and loan positions are recorded as “Assets: Direct Investment Abroad: Claims on Affiliated Enterprises” 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; and (ii) equity and loan positions are recorded as “Liabilities: Direct Investment in Australia: Claims on Direct Investors” when the direct investment enterprise owns less than 10 percent of its nonresident direct investor.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Australia by nonresidents of (i) mobile equipment, such as ships and aircraft, and drilling rigs, and (ii) construction enterprises.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established in Australia by nonresidents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established in Australia by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in Australia by nonresidents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions involving equity capital and permanent debt, are excluded from the data. However, prior to the implementation in September 1996 of the methodology set out in the fifth edition of the *Balance of Payments Manual*, SPE's with the sole purpose of financial intermediation were “looked through” rather than recorded in the data, but only when identified on a case-by-case basis. For those SPE's that report on this basis, the reporting arrangements have not been changed. Notwithstanding this exception, in most cases the methodology recommended in the international standards is applied.

Treatment of Land and Buildings: In accordance with the international standards, the data include ownership of land and buildings in Australia by nonresident enterprises and individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, expenditure related to natural resources exploration in Australia by nonresidents is included in the data.

Valuation: The data are recorded primarily at market values, in accordance with the international standards. However, some positions are recorded at book value. In the case of the data on equity capital and reinvested earnings, the book values are directors' valuations, which are net asset values recorded at estimated market values, rather than historical values. (Net asset values are defined as being equal to total assets, including intangibles, less (i) non-equity liabilities, and (ii) the paid-up value of non-voting shares.) In the case of the data on other capital, the debt securities data are based on market value or estimated market value using (in order of preference) one of the following methods (i) the yield to maturity, (ii) the discounted net present value, (iii) the face value less written down value of discount method, (iv) the issue price plus amortization of discount method, or (v) other “mark to market” methods. For loans and trade credits etc., when the book value has not been

revalued to market values the data are valued using the nominal (face value) as the approximation of market value.

Exchange Rate Conversion: The exchange rate prevailing on the day to which the position data relate is used to convert foreign currencies into the unit of account.

AUSTRALIA: DIRECT INVESTMENT ABROAD
BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of 9 weeks after the end of the reference period for the most timely data, and 22 weeks after the end of the reference period for the most comprehensive data.

Revision Policy: The data are subject to revision for 60 months after the first release of the most timely data, at which time they are considered to be final.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Data are collected on an aggregate basis, and reporting requirements are compulsory.

Data Sources: The data are compiled primarily from quarterly enterprise surveys of residents with direct investment enterprises abroad, the “Survey of International Investment”. Press reports are also used as a data source when estimating for non-response to the survey. Other data sources such as: (i) annual company reports, (ii) press reports, and (iii) taxation department data, are used to cross-check the data. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) registers maintained by government licensing and regulatory authorities, the tax authorities, corporate affairs and stock exchange authorities, industry associations, and other departments within the statistical agency, (iii) the financial press, and (iv) nonresident sources, such as the rating agencies.

Geographic Classification: Quarterly data showing country breakdowns are disseminated on a fiscal year basis (ending June 30) for direct investment income, and direct investment financial flows, with a timeliness of 12 months after the end of the reference year. The transactor principle, rather than the debtor/creditor principle, is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns of both direct investment income and direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) the OECD, (iii) ASEAN, and (iv) APEC. The five countries with the largest amount of direct investment flows from Australian residents during 2000/01 (ranked in descending order) were: the United States, the United Kingdom, Singapore, New Zealand, and Japan.

Industrial Classification: Quarterly data showing a breakdown by industry are compiled, but not disseminated, for direct investment income and direct investment financial flows. Up to September 1996, the data were based on the industry of the nonresident direct investment enterprise. Since that date, the data have been based on the industry of the resident direct investment investor. The classification used is the 1993 Australian and New Zealand Standard Industry Classification (ANZSIC), which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial sector/region or economic zone are compiled but not disseminated for: (i) the European Union, (ii) the OECD, and (iii) ASEAN. Data showing breakdowns by industrial sector/partner country are also compiled, but not disseminated.

B. Methodology

Definition of Direct Investors Abroad: In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. No value threshold is used to identify direct investors abroad, 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, (i) the direct investment earnings data

include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Although in principle the definitions used are consistent with the recommended rules, in practice data providers often report according to the Australian accounting standards, which differ from the international standards in that they (i) exclude some associated enterprises included in the international standards, and (ii) determine subsidiaries on the basis of the “beneficial” ownership. Enterprises in Australia are not required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings: In accordance with the international standards, the “Current Operating Performance Concept” (COPC) is used to calculate earnings of direct investment enterprises. Specifically, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, and (ii) realized and unrealized capital gains and losses, write-offs, and exchange rate gains or losses are not included. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

Treatment of Income on Equity (Dividends and Distributed Branch Profits): The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, dividends and distributed branch profits are recorded (i) on the date they are declared payable, and (ii) gross of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, reinvested earnings and undistributed branch profits are recorded in the period in which they are earned.

Treatment of Income on Debt (Interest): The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. In accordance with the international standards, the data exclude interest from: (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, the data are compiled on an accrual basis.

Treatment of Equity Capital: The data cover all types of financial flows affecting equity capital, namely: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

Treatment of Other Capital: The data cover: (i) bonds and money market instruments; (ii) long-term loans, (iii) short-term loans, (iv) financial leases, (v) trade credits, and (vi) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

Treatment of Reverse Investment: Transactions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Australia and the direct investor is a nonresident: (i) equity and loan transactions are recorded as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises” 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; and (ii) equity and loan transactions are recorded as “Direct Investment in Australia: Increase in Claims on Direct Investors” when the direct investment enterprise owns less than 10 percent of its nonresident direct investor.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by Australian residents of (i) mobile equipment, such as ships and aircraft, and drilling rigs, and (ii) construction enterprises.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established abroad by Australian residents are generally 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 Australian residents are generally included in the direct investment data, and (ii) in

the case of SPEs established abroad by Australian residents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are excluded from the data. However, prior to the implementation in September 1996 of the methodology set out in the fifth edition of the *Balance of Payments Manual*, SPE's with the sole purpose of financial intermediation were "looked through" rather than recorded in the data, but only when identified on a case-by-case basis. For those SPE's that report on this basis, the reporting arrangements have not been changed. Notwithstanding this exception, in most cases the methodology recommended in the international standards is applied.

Treatment of Land and Buildings: In accordance with the international standards, the data include purchases and sales of land and buildings abroad by Australian resident enterprises and individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by Australian residents.

Exchange Rate Conversion: Transactions are converted to the unit of account either at that the mid point between the buy and sell exchange rate applicable at the time of the transaction, or at the exchange rate prevailing on the day of the transaction.

AUSTRALIA: DIRECT INVESTMENT ABROAD
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 9 weeks after the end of the reference period for the most timely data, and 22 weeks after the end of the reference period for the most comprehensive data.

Revision Policy: The data are subject to revision for 60 months after the first release of the most timely data, at which time they are considered to be final.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The data are compiled primarily from quarterly enterprise surveys of residents with direct investment enterprises abroad, the “Survey of International Investment”. Other data sources such as: (i) annual company reports, (ii) press reports, and (iii) taxation department data, are used to cross-check the data. The perpetual inventory method (a method for deriving position data from transactions data) is not used. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) registers maintained by government licensing and regulatory authorities, the tax authorities, corporate affairs and stock exchange authorities, industry associations, and other departments within the statistical agency, (iii) the financial press, and (iv) nonresident sources, such as the rating agencies.

Geographic Classification: Quarterly position data showing country breakdowns are disseminated on a fiscal year basis (ending June 30) with a timeliness of 12 months after the end of the reference year. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) the OECD, (iii) ASEAN, and (iv) APEC. The five countries with the largest amount of direct investment from Australian residents as at the end of 2000/01 (ranked in descending order) were: the United States, the United Kingdom, New Zealand, Central America and the Caribbean, and Hong Kong SAR.

Industrial Classification: Quarterly position data showing a breakdown by industry are compiled but not disseminated. Up to September 1996, the data were based on the industry of the nonresident direct investment enterprise. Since that date, the data have been based on the industry of the resident direct investment investor. The classification used is the 1993 Australian and New Zealand Standard Industry Classification (ANZSIC), which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial sector/region or economic zone are compiled, but not disseminated, for: (i) the European Union, (ii) the OECD, and (iii) ASEAN. Data showing breakdowns by industrial sector/partner country are also compiled, but not disseminated.

B. Methodology

Definition of Direct Investors Abroad: In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. No value threshold is used to identify direct investors abroad, 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 relevant share of indirectly-owned direct investment enterprises are included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. Although in principle the definitions used are consistent with the recommended rules, in practice data providers often report according to the Australian accounting standards, which differ from the international standards in that they (i) exclude some associated enterprises included in the international standards, and (ii) determine subsidiaries on the basis of the “beneficial” ownership. Enterprises in Australia are not required by law

to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings: The data cover all types of position data affecting equity capital and reinvested earnings, namely: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises, and, in accordance with the international standards, are recorded in the period in which they are earned. (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 data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, (v) trade credits, and (vi) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) 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, the data include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

Treatment of Reverse Investment: Positions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Australia and the direct investor is a nonresident: (i) equity and loan positions are recorded as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises" 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; and (ii) equity and loan positions are recorded as "Liabilities: Direct Investment in Australia: Claims on Direct Investors" when the direct investment enterprise owns less than 10 percent of its nonresident direct investor.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by Australian residents of (i) mobile equipment, such as ships and aircraft, and drilling rigs, and (ii) construction enterprises.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established abroad by Australian residents are generally 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 Australian residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by Australian residents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions involving equity capital and permanent debt, are excluded from the data. However, prior to the implementation in September 1996 of the methodology set out in the fifth edition of the Balance of Payments Manual, SPE's with the sole purpose of financial intermediation were "looked through" rather than recorded in the data, but only when identified on a case-by-case basis. For those SPE's that report on this basis, the reporting arrangements have not been changed. Notwithstanding this exception, in most cases the methodology recommended in the international standards is applied.

Treatment of Land and Buildings: In accordance with the international standards, the data include ownership of land and buildings abroad by Australian resident enterprises and individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by Australian residents.

Valuation: The data are recorded primarily at market values, in accordance with the international standards. However, some positions are recorded at book value. In the case of the data on equity capital and reinvested earnings, the book values are directors' valuations, which are net asset values recorded at estimated market values, rather than historical values. (Net asset values are defined as being equal to total assets, including intangibles, less (i) non-equity liabilities, and (ii) the paid-up value of non-voting shares.) In the case of the data on other capital, the debt securities data are based on market value or estimated market value using (in order of preference) one of the following methods (i) the yield to maturity, (ii) the discounted net present value, (iii) the face value less written down value of discount method, (iv) the issue price plus amortization of discount method, or (v) other "mark to market" methods. For loans and trade credits, etc. when the book value has not been

revalued to market values the data are valued using the nominal (face value) as the approximation of market value.

Exchange Rate Conversion: The exchange rate prevailing on the day to which the position data relate is used to convert foreign currencies into the unit of account.