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.

Czech Republic:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in the Czech Republic

- **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 CZECH REPUBLIC

BALANCE OF PAYMENTS ("TRANSACTIONS DATA")

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) direct investment income (reinvested earnings only), and (ii) direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of 10-11 weeks after the end of the reference quarter. Preliminary annual (calendar year) data are disseminated on (i) income on equity, and (ii) income on debt (interest), with a timeliness of 10-11 weeks after the end of the reference year. More comprehensive annual (calendar year) data are disseminated for all components with a timeliness of 14 months after the end of the reference period.

Revision Policy: The preliminary quarterly and annual data are revised at the time of the release of the more comprehensive annual data, at which time they become final - 14 months after the end of the reference year. The more comprehensive annual data are final when first released.

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

Data Collection Methods: Data are collected on an individual transactions basis, and reporting requirements are compulsory. The data are compiled quarterly and disseminated in a cumulative (year-to- date) format.

Data Sources: The quarterly and most timely annual data are compiled primarily from reports on individual transactions submitted by non-bank entities through the branches of the Czech National Bank under the terms of the Foreign Exchange Act. Secondary data sources are: (i) information from banks, (ii) reports of the National Property Fund on foreign payments, and (iii) information from the stock exchange. Press reports, and information from the commercial bulletin, are also used for cross-checking the data. The most comprehensive annual data are based on the annual surveys of the direct investment positions of incorporated residents undertaken by the Czech National Bank. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from registers maintained by (i) the Czech Statistical Office, (ii) other departments within the Czech National Bank, and (iii) the Ministry of Justice.

Geographic Classification: Data showing country breakdowns are disseminated for both the most timely data and the most comprehensive data. (See under *Data Availability* above for details of the periodicity and timeliness.) In accordance with the international standards, 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) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment flows into the Czech Republic during 2000 (ranked in descending order) were: Germany, the Netherlands, Austria, the United States, and France.

Industrial Classification: Data showing breakdowns by industrial sector are disseminated for the most timely data on direct investment income and direct investment financial flows. (See under *Data Availability* above for details of the periodicity and timeliness.) The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing a more detailed sectoral classification based on the NACE classification used by the European Union are also disseminated. Data showing breakdowns by industrial sector/region or economic zone are disseminated for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are also disseminated.

B. Methodology

Definition of Direct Investment Enterprises in the Czech Republic: In accordance with the international standards, the basic criterion for defining direct investment enterprises in the Czech Republic 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 partially applied. In accordance with the FCS, the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises. Contrary to the FCS, the direct investment financial flows data do not include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in the Czech Republic are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings: Contrary to the international standards, the "Current Operating Performance Concept" (COPC) is not fully used to calculate earnings of direct investment enterprises. In accordance with the COPC, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, and (ii) unrealized capital gains and losses are not included. Contrary to the COPC, realized capital gains and losses, write-offs, and exchange rate gains or losses are 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 incorporated enterprises, but not unincorporated enterprises. (With effect from 2002 the data will also include unincorporated enterprises.) Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover incorporated enterprises, but not unincorporated enterprises. (With effect from 2002 the data will also include 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) long-term loans, (ii) short-term loans, and (iii) trade credits. Bonds and money market instruments are not applicable in the Czech Republic at present. In accordance with the international standards, the data do not include 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. Contrary to the international standards, the data are calculated from the stock data, rather than compiled on an accrual basis.

Treatment of Equity Capital: The data cover: (i) listed voting stocks (shares), (ii) unlisted voting stocks, and (iii) other non-voting stocks (including participating preference shares). Non-cash acquisitions of equity, such as through the provision of capital equipment cannot be identified at present. 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) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover financial leases at present, but these transactions will be covered with effect from the data for 2002 onwards. Bonds and money market instruments, and financial derivatives are not applicable in the Czech Republic at present. 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. Contrary to the international standards, the data do not include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries at present, but these transactions will be included with effect from the data for 2002.

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 the Czech Republic and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan transactions are recorded in accordance with the international standards as "Direct Investment Abroad: Increase in Claims on Affiliated Enterprises". However, 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", and loan transactions are recorded as "Direct Investment in the Czech Republic: Decrease in Liabilities to Direct Investors", rather than as "Direct Investment in the Czech Republic: Increase in Claims on Direct Investors" in both instances.

Treatment of Quasi-corporations: Not applicable. There are no quasi-corporations involving the operation by nonresidents in the Czech Republic by nonresidents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises, at present.

Treatment of Offshore Enterprises: Not applicable. There are no offshore enterprises established in the Czech Republic by nonresidents at present.

Treatment of Special Purpose Entities (SPEs): Not applicable. There are no SPEs established in the Czech Republic by nonresidents at present.

Treatment of Land and Buildings: The purchase and sale of land and buildings in the Czech Republic by nonresident enterprises and individuals is forbidden by law. Nonresident enterprises can purchase land and buildings only through a resident incorporated entity, such as a subsidiary, and the direct investment data include those transactions.

Treatment of Natural Resources Exploration: In accordance with the international standards, the direct investment data include expenditure related to natural resources exploration in the Czech Republic by nonresidents.

Exchange Rate Conversion: Transactions are converted to the unit of account at the average exchange rate in the period in which the transactions are recorded.

DIRECT INVESTMENT IN CZECH REPUBLIC

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 12-14 weeks after the end of the reference period. More comprehensive annual (calendar year) data are disseminated with a timeliness of 16 months after the end of the reference period.

Revision Policy: The preliminary quarterly data are revised at the time of the release of the final annual data to ensure consistency with the annual data by adjusting the data for each quarter by 25 percent of the difference between the sum of the data for the four quarters and the annual data. At this time, 16 months after the end of the reference year, the data 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 quarterly data are derived from the transactions data, using the perpetual inventory method (a method for deriving position data from transactions data), with adjustments for exchange rate changes. The annual data are compiled primarily from annual enterprise surveys of direct investment enterprises in the Czech Republic. Information from the Securities Center and published sources, such as company accounts, are used as secondary data sources. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from registers maintained by (i) the Czech Statistical Office, (ii) other departments within the Czech National Bank, and (iii) the Ministry of Justice.

Geographic Classification: Annual data showing country breakdowns are disseminated with a timeliness of 16 months after the end of the reference period. 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) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment in the Czech Republic as at the end of 2000 (ranked in descending order) were: the Netherlands, Germany, Austria, the United States, and Belgium.

Industrial Classification: Annual data showing breakdowns by industrial sector are disseminated with a timeliness of 16 months after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing a more detailed sectoral classification based on the NACE classification used by the European Union are also disseminated. Data showing breakdowns by industrial sector/region or economic zone are disseminated for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are also disseminated.

B.   Methodology

Definition of Direct Investment Enterprises in the Czech Republic: In accordance with the international standards, the basic criterion for defining direct investment enterprises in the Czech Republic 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 partially applied. In accordance with the FCS, the relevant share of indirectly-owned direct investment enterprises is included in (i) the reinvested earnings data, and (ii) the equity capital position data. Contrary to the FCS, the relevant share of indirectly-owned direct investment enterprises is not included in the other capital position data, although it will begin to be included with effect from the data for the reference year 2002. Enterprises in the Czech Republic are required by law to (i) produce consolidated accounts

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

Treatment of Equity Capital and Reinvested Earnings: The data cover: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, and (iv) reinvested earnings. The data do not include non-cash acquisitions of equity, such as through the provision of capital equipment at present. However, these acquisitions will be included with effect from the data from the reference year 2002. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover incorporated enterprises, but not unincorporated enterprises. (With effect from 2002 the data will also include unincorporated enterprises.) 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 the Czech Republic.)

Treatment of Other Capital: The data cover: (i) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover financial leases at present, although these will begin to be included with effect from the data for the reference year 2002. Bonds and money market instruments, and financial derivatives are not applicable in the Czech Republic at present. 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. Contrary to the international standards, the data do not include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries at present, but these positions will be included with effect from the data for 2002.

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 the Czech Republic and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, 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", and loan positions are recorded as "Liabilities: Direct Investment in the Czech Republic: Liabilities to Direct Investors", rather than as "Liabilities: Direct Investment in the Czech Republic: Claims on Direct Investors" in both instances.

Treatment of Quasi-corporations: Not applicable. There are no quasi-corporations involving the operation by nonresidents in the Czech Republic by nonresidents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises, at present.

Treatment of Offshore Enterprises: Not applicable. There are no offshore enterprises established in the Czech Republic by nonresidents at present.

Treatment of Special Purpose Entities (SPEs): Not applicable. There are no SPEs established in the Czech Republic by nonresidents at present.

Treatment of Land and Buildings: The ownership of land and buildings in the Czech Republic by nonresident enterprises and individuals is forbidden by law. Nonresident enterprises can own land and buildings only through a resident incorporated entity, such as a subsidiary, and the direct investment data include those positions.

Treatment of Natural Resources Exploration: In accordance with the international standards, the direct investment data include expenditure related to natural resources exploration in the Czech Republic by nonresidents.

Valuation: Contrary to the international standards, the data are recorded at book values, rather than market values. The book values used are the values shown in the accounting records of the individual reporting enterprises, increased by the share premium paid by the investor at the time of acquisition.

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.

CZECH REPUBLIC: DIRECT INVESTMENT ABROAD

BALANCE OF PAYMENTS ("TRANSACTIONS DATA")

A.   Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) direct investment income (reinvested earnings only), and (ii) direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of 10-11 weeks after the end of the reference quarter. Preliminary annual (calendar year) data are disseminated on income on equity, and income on debt (interest) with a timeliness of 10-11 weeks after the end of the reference year. More comprehensive annual (calendar year) data are disseminated for all components with a timeliness of 14 months after the end of the reference period.

Revision Policy: The preliminary quarterly and annual data are revised at the time of the release of the more comprehensive annual data, at which time they become final - 14 months after the end of the reference year. The more comprehensive annual data are final when first released.

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

Data Collection Methods: Data are collected on an individual transactions basis, and reporting requirements are compulsory. The data are compiled quarterly and disseminated in a cumulative (year-to- date) format.

Data Sources: The quarterly and most timely annual data are compiled primarily from reports on individual transactions submitted by non-bank entities through the commercial banks under the terms of the Foreign Exchange Act. Press reports, and information from an international transactions reporting system (ITRS), are also used for cross-checking the data. The most comprehensive annual data are based on (i) the annual surveys of the direct investment positions of residents with direct investment enterprises abroad undertaken by the Czech National Bank, and (ii) information from an international transactions reporting system (ITRS). A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from registers maintained by (i) the Czech Statistical Office, (ii) other departments within the Czech National Bank, and (iii) the Ministry of Justice.

Geographic Classification: Data showing country breakdowns are disseminated for both the most timely data and the most comprehensive data. (See under *Data Availability* above for details of the periodicity and timeliness.) In accordance with the international standards, 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) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment flows from the Czech Republic during 2000 (ranked in descending order) were: Liechtenstein, the Slovak Republic, Poland, the United States, and Hong Kong SAR.

Industrial Classification: Data showing breakdowns by industrial sector are disseminated for the most timely data on direct investment income and direct investment financial flows. (See under *Data Availability* above for details of the periodicity and timeliness.) The data are based on the industry of the resident direct investor. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing a more detailed sectoral classification based on the NACE classification used by the European Union are also disseminated. Data showing breakdowns by industrial sector/region or economic zone are disseminated for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC.   Data showing breakdowns by industrial sector/partner country are not compiled.

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 partially applied. In accordance with the FCS, the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises. Contrary to the FCS, the direct investment financial flows data do not include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in the Czech Republic are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings: Contrary to the international standards, the "Current Operating Performance Concept" (COPC) is not fully used to calculate earnings of direct investment enterprises. In accordance with the COPC, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, and (ii) unrealized capital gains and losses are not included. Contrary to the COPC, realized capital gains and losses, write-offs, and exchange rate gains or losses are 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 incorporated enterprises, but not unincorporated enterprises. (With effect from 2002 the data will also include unincorporated enterprises.) Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover incorporated enterprises, but not unincorporated enterprises. (With effect from 2002 the data will also include 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) long-term loans, (ii) short-term loans, and (iii) trade credits. Bonds and money market instruments held abroad by Czech residents cannot be identified at present. In accordance with the international standards, the data do not include 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. Contrary to the international standards, the data are calculated from the stock data, rather than compiled on an accrual basis.

Treatment of Equity Capital: The data cover: (i) listed voting stocks (shares), (ii) unlisted voting stocks, and (iii) other non-voting stocks (including participating preference shares). Non-cash acquisitions of equity, such as through the provision of capital equipment cannot be identified at present. 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) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover financial leases at present, but these transactions will be covered with effect from the data for 2002 onwards. Bonds and money market instruments and financial derivatives held abroad by Czech residents cannot be identified at present. 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. Contrary to the international standards, the data do not include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries at present, but these transactions will be included with effect from the data for 2002.

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 the Czech Republic and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan transactions are recorded in accordance with the international standards as "Direct Investment Abroad: Increase in Claims on Affiliated Enterprises". However, 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", and loan transactions are recorded as "Direct Investment in the Czech Republic: Decrease in Liabilities to Direct Investors", rather than as "Direct Investment in the Czech Republic: Increase in Claims on Direct Investors" in both instances.

Treatment of Quasi-corporations: Not applicable. There are no quasi-corporations involving the operation abroad by Czech residents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises, at present.

Treatment of Offshore Enterprises: Not applicable. There are no offshore enterprises established abroad by Czech residents at present.

Treatment of Special Purpose Entities (SPEs): Not applicable. No SPEs established abroad by Czech residents have been identified to date. However, if an SPE is classified under the NACE classification system as a financial intermediary, it is treated in the same way as other financial intermediaries in the direct investment data. (See the sections on *Treatment of Equity Capital* and *Treatment of Other Capital* above for details.)

Treatment of Land and Buildings: In accordance with the international standards, the data include purchases and sales of land and buildings abroad by Czech resident enterprises. Purchases and sales of land and buildings abroad by Czech resident individuals cannot be identified at present.

Treatment of Natural Resources Exploration: Contrary to the international standards, the direct investment data do not include expenditure related to natural resources exploration abroad by Czech residents. However, these transactions are considered to be insignificant at present.

Exchange Rate Conversion: Transactions are converted to the unit of account at the average exchange rate in the period in which the transactions are recorded.

CZECH REPUBLIC: 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 12-14 weeks after the end of the reference period. More comprehensive annual (calendar year) data are disseminated with a timeliness of 16 months after the end of the reference period.

Revision Policy: The preliminary quarterly data are revised at the time of the release of the final annual data to ensure consistency with the annual data by adjusting the data for each quarter by 25 percent of the difference between the sum of the data for the four quarters and the annual data. At this time, 16 months after the end of the reference year, the data 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 quarterly data are derived from the transactions data, using the perpetual inventory method (a method for deriving position data from transactions data), with adjustments for exchange rate changes. The annual data are compiled from annual enterprise surveys of residents with direct investment enterprises abroad. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from registers maintained by (i) the Czech Statistical Office, (ii) other departments within the Czech National Bank, and (iii) the Ministry of Justice.

Geographic Classification: Annual data showing country breakdowns are disseminated with a timeliness of 16 months after the end of the reference period. 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) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment from Czech residents as at the end of 2000 (ranked in descending order) were: the Slovak Republic, Liechtenstein, the British Virgin Islands, Poland, and Hungary.

Industrial Classification: Annual data showing breakdowns by industrial sector are disseminated with a timeliness of 16 months after the end of the reference period. The data are based on the industry of the nonresident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing (i) a more detailed sectoral classification based on the NACE classification used by the European Union, and (ii) breakdowns by industrial sector/partner country, are also disseminated. Data showing breakdowns by industrial sector/region or economic zone, are not compiled.

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 partially applied. In accordance with the FCS, the relevant share of indirectly-owned direct investment enterprises is included in (i) the reinvested earnings data, and (ii) the equity capital position data. Contrary to the FCS, the relevant share of indirectly-owned direct investment enterprises is not included in the other capital position data, although it will begin to be included with effect from the data for the reference year 2002. Enterprises in the Czech Republic are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings: The data cover: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares and (iv) reinvested earnings. The data do not cover non-cash acquisitions of equity, such as through the provision of capital equipment, at present. However, these acquisitions will be included with effect from the data for the reference year 2002. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover incorporated enterprises but not unincorporated enterprises. (With effect from 2002 the data will also include unincorporated enterprises.) 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) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover financial leases at present, although these will begin to be included with effect from the data for the reference year 2002. Bonds and money market instruments and financial derivatives held abroad by Czech residents cannot be identified at present. 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. Contrary to the international standards, the data do not include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries at present, but these positions will be included with effect from the data for 2002.

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 the Czech Republic and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, 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", and loan positions are recorded as "Liabilities: Direct Investment in the Czech Republic: Liabilities to Direct Investors", rather than as "Liabilities: Direct Investment in the Czech Republic: Claims on Direct Investors" in both instances.

Treatment of Quasi-corporations: Not applicable. There are no quasi-corporations involving the operation abroad by Czech residents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises, at present.

Treatment of Offshore Enterprises: Not applicable. There are no offshore enterprises established abroad by Czech residents at present.

Treatment of Special Purpose Entities (SPEs): Not applicable. No SPEs established abroad by Czech residents have been identified to date. However, if an SPE is classified under the NACE classification system as a financial intermediary, it is treated in the same way as other financial intermediaries in the direct investment data. (See the sections on *Treatment of Equity Capital* and *Treatment of Other Capital* above for details.)

Treatment of Land and Buildings: In accordance with the international standards, the data include ownership of land and buildings abroad by Czech resident enterprises. Ownership of land and buildings abroad by Czech resident individuals cannot be identified at present.

Treatment of Natural Resources Exploration: Contrary to the international standards, the direct investment data do not include expenditure related to natural resources exploration abroad by Czech residents. However, these transactions are considered to be insignificant at present.

Valuation: Contrary to the international standards, the data are recorded at book values, rather than market values. The book values used are the values shown in the accounting records of the individual reporting enterprises, increased by the share premium paid by the investor at the time of acquisition.

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.