

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

## Germany:

### Direct Investment Compilation Practices, Data Sources and Methodology

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#### Direct Investment in Germany

- **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 GERMANY**  
**BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary monthly 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 6 weeks after the end of the reference month.

**Revision Policy:** The data are revised one month after their first release. When the data for the month of December are released, the monthly data for the current year and the previous three years are again revised. The data become final 48 months after their first release.

**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.

**Data Sources:** The data are compiled from an international transactions recording system (ITRS). The monthly data on reinvested earnings are derived by dividing the annual data for the previous year into 12 equal parts. Published sources, such as company accounts, and press reports, are used for cross-checking the data obtained from the ITRS. 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) regional branches/offices of the Bundesbank, and (iii) the financial press.

**Geographic Classification:** Monthly data showing country breakdowns are disseminated for direct investment income and direct investment financial flows, with a timeliness of 6 weeks after the end of the reference month. 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 Germany during 2001 (ranked in descending order) were: Belgium, Luxembourg, the Cayman Islands, Italy, and the United States.

**Industrial Classification:** Monthly data showing a breakdown by industrial sector are disseminated for direct investment income and direct investment financial flows, with a timeliness of 6 weeks after the end of the reference month. 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), specifically, the 2-digit level of the Nomenclature generale des Activites economiques dans les Communautés europeennes (NACE) Rev. 1, for most economic sectors. 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 Germany:** In accordance with the international standards, the basic criterion for defining direct investment enterprises in Germany 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 financial flows data include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. However, contrary to the FCS, the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises.

Enterprises in Germany are required by law to produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, but are not required by law to 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 (ii) unrealized capital gains, and exchange rate gains or losses, are not included. However, contrary to the COPC: (i) deductions are not made for provisions for host-country income and corporation taxes, and (ii) realized capital gains and losses, unrealized capital losses, and write-offs, 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 both incorporated enterprises and 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) in the case of the incorporated enterprises, net, rather than gross, of any withholding taxes. In accordance with the international standards, the data for the unincorporated enterprises are recorded 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 the interest income from: (i) long-term loans, and (ii) short-term loans. The data do not cover interest from: (i) bonds and money market instruments, and (ii) trade credits. 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 activities between affiliated banks. Contrary to the international standards, (i) the data include interest on claims and liabilities related to usual financial intermediation activities between affiliated financial intermediaries, and (ii) the data are compiled on a paid basis, rather than 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) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover: (i) bonds and money market instruments, (ii) financial leases, and (iii) 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 involving deposits, loans, and other claims and liabilities related to usual banking activities. Contrary to the international standards, the data include transactions between affiliated financial intermediaries involving claims and liabilities related to usual 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 not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Germany 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”. When the direct investment enterprise owns less than 10 percent of its nonresident direct investor, loan transactions are recorded in accordance with the international standards as “Direct Investment in Germany: Increase in Claims on Direct Investors”. However, contrary to the international standards, equity transactions are recorded as “Portfolio Investment: Increase in Assets: Equity Securities”, rather than as “Direct Investment in Germany: Increase in Claims on Direct Investors”.

**Treatment of Quasi-corporations:** In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Germany by nonresidents of drilling rigs. Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Germany by nonresidents of (i) mobile equipment, such as ships, and aircraft, and (ii) construction enterprises.

**Treatment of Offshore Enterprises:** Not applicable. There are no offshore enterprises established in Germany by nonresidents at present.

**Treatment of Special Purpose Entities (SPEs):** In accordance with the international standards, activities of SPEs established in Germany by nonresidents are generally included in the direct investment data. Contrary to the international standards, in the case of SPEs established in Germany 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 not excluded from the data.

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

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

**Exchange Rate Conversion:** Most transactions are primarily converted to the unit of account at the exchange rate prevailing on the day of the transaction, but some are converted at the average exchange rate in the period in which the transactions are recorded. Reinvested earnings are converted at the exchange rate prevailing on the balance sheet date of the individual reporting enterprises.

## DIRECT INVESTMENT IN GERMANY

### INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

#### A. Compilation Practices and Data Sources

**Data Availability:** Annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 68 weeks (17 months) after the end of the reference year. In addition, annual estimates of total direct investment in Germany are disseminated with a timeliness of 36 weeks (9 months) after the end of the reference year.

**Revision Policy:** The data are revised 12 months after their first release, at the time the data for the following year are released. The data are considered to be final at that time.

**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 annual enterprise surveys of direct investment enterprises in Germany. Published sources, such as company accounts, are also used as a secondary data source. The perpetual inventory method (a method for deriving position data from transactions data) is not used. The annual estimates of total direct investment in Germany are based on the position data for the year prior to the reference year, plus the transactions data for the reference year. 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) regional branches/offices of the Bundesbank, and (iii) the financial press.

**Geographic Classification:** Annual (calendar year) data showing country breakdowns are disseminated with a timeliness of 17 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. The international investment position data on country breakdowns have a wider coverage than the data on country breakdowns reported to the OECD and Eurostat for dissemination in their publications, as the latter data do not include reverse investments. 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 Germany as at the end of 2000 (ranked in descending order) were: Luxembourg, the Netherlands, the United States, France, and the United Kingdom.

**Industrial Classification:** Annual (calendar year) data showing a breakdown by industrial sector are disseminated with a timeliness of 17 months after the end of the reference year. The data are based on the industry of the resident direct investment enterprise. The international investment position data on industrial sector breakdowns have a wider coverage than the data on industrial sector breakdowns reported to the OECD and Eurostat for dissemination in their publications, as the latter data do not include reverse investment positions. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC), specifically, the 2-digit level of the Nomenclature generale des Activites economiques dans les Communautés europeennes (NACE) Rev. 1, for most economic sectors. 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 Germany:** In accordance with the international standards, the basic criterion for defining direct investment enterprises in Germany 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. However, two value thresholds are used to identify direct investment enterprises: (i) if the ownership of the direct investment enterprise by a nonresident direct investor is 50 percent or more, the balance sheet value of the enterprise must be Euro 0.5 million or more, and (ii) if the ownership of the direct investment enterprise by a nonresident direct investor is between 10 percent and 50 percent, the balance sheet value of the direct investment enterprise must be more than Euro 5 million. Unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is partially applied. Contrary to the FCS, the relevant share of indirectly-owned direct investment enterprises is not included in (i) the reinvested earnings data, and (ii) the equity position data. However, the relevant share of indirectly-owned direct investment enterprises is included in the other capital position data, specifically, loans granted by a direct investor to an indirectly-owned direct investment enterprise. Enterprises in Germany are required by law to produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, but are not required by law to 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 Germany.)

**Treatment of Other Capital:** The data cover: (i) long-term loans, (ii) short-term loans, (iii) financial leases, and (iv) trade credits. The data do not cover: (i) bonds and money market instruments, and (ii) 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 involving deposits, loans, and other claims and liabilities related to usual banking activities. Contrary to the international standards, the data include positions between affiliated financial intermediaries involving claims and liabilities related to usual 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 not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Germany 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”. When the direct investment enterprise owns less than 10 percent of its nonresident direct investor, loan positions are recorded in accordance with the international standards as “Liabilities: Direct Investment in Germany: Claims on Direct Investors”. However, contrary to the international standards, equity positions are recorded as “Assets: Portfolio Investment: Equity Securities”, rather than as “Liabilities: Direct Investment in Germany: Claims on Direct Investors”.

**Treatment of Quasi-corporations:** In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Germany by nonresidents of drilling rigs. Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Germany by nonresidents of (i) mobile equipment, such as ships, and aircraft, and (ii) construction enterprises.

**Treatment of Offshore Enterprises:** Not applicable. There are no offshore enterprises established in Germany by nonresidents at present.

**Treatment of Special Purpose Entities (SPEs):** In accordance with the international standards, activities of SPEs established in Germany by nonresidents are generally included in the direct investment data. Contrary to the international standards, in the case of SPEs established in Germany by nonresidents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions in equity capital and permanent debt, are not excluded from the data.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include ownership of land and buildings in Germany by nonresident enterprises and individuals. However, the data on ownership of land and buildings are not included in the detailed position data sent to the OECD and Eurostat for publication.

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

**Valuation:** Contrary to the international standards, the data are recorded primarily at book values, which are the values shown in the accounting records of the reporting enterprises.

**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.

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

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary monthly 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 6 weeks after the end of the reference month.

**Revision Policy:** The data are revised one month after their first release. When the data for the month of December are released, the monthly data for the current year and the previous three years are again revised. The data become final 48 months after their first release.

**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.

**Data Sources:** The data are compiled from an international transactions recording system (ITRS). The monthly data on reinvested earnings are derived by dividing the annual data for the previous year into 12 equal parts. Published sources, such as company accounts, and press reports, are used for cross-checking the data obtained from the ITRS. 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) regional branches/offices of the Bundesbank, and (iii) the financial press.

**Geographic Classification:** Monthly data showing country breakdowns are disseminated for direct investment income and direct investment financial flows, with a timeliness of 6 weeks after the end of the reference month. 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 Germany during 2001 (ranked in descending order) were: the United States, the United Kingdom, France, Belgium, and Poland.

**Industrial Classification:** Monthly data showing a breakdown by industrial sector are disseminated for direct investment income and direct investment financial flows, with a timeliness of 6 weeks after the end of the reference month. 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), specifically, the 2-digit level of the Nomenclature generale des Activites economiques dans les Communautés europeennes (NACE) Rev. 1, for most economic sectors. 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 Investors Abroad:** In accordance with the international standards, the basic criterion for defining resident direct investors 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 resident direct investors, and unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is partially applied. In accordance with the FCS, 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. However, contrary to the FCS, the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises.



Enterprises in Germany are required by law to produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, but are not required by law to 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 COPC, (i) deductions are made for depreciation of capital, and (ii) unrealized capital gains, and exchange rate gains or losses, are not included. Contrary to COPC: (i) deductions are not made for provisions for host-country income and corporation taxes, and (ii) realized capital gains and losses, unrealized capital losses, and write-offs, 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 both incorporated enterprises and 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) in the case of the incorporated enterprises, net, rather than gross, of any withholding taxes. In accordance with the international standards, the data for the unincorporated enterprises are recorded 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 the interest income from: (i) long-term loans, and (ii) short-term loans. The data do not cover interest from: (i) bonds and money market instruments, and (ii) trade credits. 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 activities between affiliated banks. Contrary to the international standards, (i) the data include interest on claims and liabilities related to usual financial intermediation activities between affiliated financial intermediaries, and (ii) the data are compiled on a paid basis, rather than an accrual basis.

**Treatment of Equity Capital:** The data cover all types of financial flows affecting equity capital: (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) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover: (i) bonds and money market instruments, (ii) financial leases, and (iii) 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 involving deposits, loans, and other claims and liabilities related to usual banking activities. Contrary to the international standards, the data include transactions between affiliated financial intermediaries involving claims and liabilities related to usual 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 not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Germany 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”. When the direct investment enterprise owns less than 10 percent of its nonresident direct investor, loan transactions are recorded in accordance with the international standards as “Direct Investment in Germany: Increase in Claims on Direct Investors”. However, contrary to the international standards, equity transactions are recorded as “Portfolio Investment: Increase in Assets: Equity Securities”, rather than as “Direct Investment in Germany: Increase in Claims on Direct Investors”.

**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 German residents of drilling rigs. Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by German residents of (i) mobile equipment, such as ships, and aircraft, and (ii) construction enterprises.

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

**Treatment of Special Purpose Entities (SPEs):** In accordance with the international standards, activities of SPEs established abroad by German residents are generally included in the direct investment data. Contrary to the international standards, in the case of SPEs established abroad by German 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 not excluded from the data.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include purchases and sales of land and buildings abroad by German 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 German residents.

**Exchange Rate Conversion:** Most transactions are primarily converted to the unit of account at the exchange rate prevailing on the day of the transaction, but some are converted at the average exchange rate in the period in which the transactions are recorded. Reinvested earnings are converted at the exchange rate prevailing on the balance sheet date of the individual reporting enterprises.

**GERMANY: DIRECT INVESTMENT ABROAD**  
**INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 68 weeks (17 months) after the end of the reference year. In addition, annual estimates of total direct investment abroad are disseminated with a timeliness of 36 weeks (9 months) after the end of the reference year.

**Revision Policy:** The data are revised 12 months after their first release, at the time the data for the following year are released. The data are considered to be final at that time.

**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 annual enterprise surveys of resident direct investors with direct investment enterprises abroad. Published sources, such as company accounts, are also used as a secondary data source. The perpetual inventory method (a method for deriving position data from transactions data) is not used. The annual estimates of total direct investment abroad are based on the position data for the year prior to the reference year, plus the transactions data for the reference year. 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) regional branches/offices of the Bundesbank, and (iii) the financial press.

**Geographic Classification:** Annual (calendar year) data showing country breakdowns are disseminated with a timeliness of 17 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. The international investment position data on country breakdowns have a wider coverage than the data on country breakdowns reported to the OECD and Eurostat for dissemination in their publications, as the latter data do not include reverse investments. 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 Germany as at the end of 2000 (ranked in descending order) were: the United States, the Netherlands, the United Kingdom, France, and Austria.

**Industrial Classification:** Annual (calendar year) data showing a breakdown by industrial sector are disseminated with a timeliness of 17 months after the end of the reference year. The international investment position data on industrial sector breakdowns have a wider coverage than the data on industrial sector breakdowns reported to the OECD and Eurostat for dissemination in their publications, as the latter data do not include reverse investments. The international investment position data are based on the industry of the resident direct investor, while the data reported to the OECD and Eurostat 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), specifically, the 2-digit level of the Nomenclature generale des Activites economiques dans les Communautés europeennes (NACE) Rev. 1, for most economic sectors. 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 Resident Direct Investors:** In accordance with the international standards, the basic criterion for defining resident direct investors 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. However, two value thresholds are used to identify resident direct investors: (i) if the ownership of the nonresident direct investment enterprise by a resident direct investor is 50 percent or more, the balance sheet value of the enterprise must be Euro 0.5 million or more, and (ii) if the ownership of the nonresident direct investment enterprise by a resident direct investor is between 10 percent and 50 percent, the balance sheet value of the

direct investment enterprise must be more than Euro 5 million. Unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is partially applied. Contrary to the FCS, the relevant share of indirectly-owned direct investment enterprises is not included in (i) the reinvested earnings data, and (ii) the equity position data. However, the relevant share of indirectly-owned direct investment enterprises is included in the other capital position data, specifically, loans granted by a direct investor to an indirectly-owned direct investment enterprise. Enterprises in Germany are required by law to produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, but are not required by law to 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) long-term loans, (ii) short-term loans, (iii) financial leases, and (iv) trade credits. The data do not cover: (i) bonds and money market instruments, and (ii) 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 involving deposits, loans, and other claims and liabilities related to usual banking activities. Contrary to the international standards, the data include positions between affiliated financial intermediaries involving claims and liabilities related to usual 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 not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Germany 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”. When the direct investment enterprise owns less than 10 percent of its nonresident direct investor, loan positions are recorded in accordance with the international standards as “Liabilities: Direct Investment in Germany: Claims on Direct Investors”. However, contrary to the international standards, equity positions are recorded as “Assets: Portfolio Investment: Equity Securities”, rather than as “Liabilities: Direct Investment in Germany: Claims on Direct Investors”.

**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 German residents of drilling rigs. Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by German residents of (i) mobile equipment, such as ships, and aircraft, and (ii) construction enterprises.

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

**Treatment of Special Purpose Entities (SPEs):** In accordance with the international standards, activities of SPEs established abroad by German residents are generally included in the direct investment data. Contrary to the international standards, in the case of SPEs established abroad by German residents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions in equity capital and permanent debt, are not excluded from the data.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include ownership of land and buildings abroad by German resident enterprises and individuals. However, the data on ownership of land and buildings are not included in the detailed position data sent to the OECD and Eurostat for publication.

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

**Valuation:** Contrary to the international standards, the data are recorded primarily at book values, which are the values shown in the accounting records of the nonresident direct investment enterprises.

**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.