

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.

## **Finland:**

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

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### **Direct Investment in Finland**

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

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary monthly data on direct investment financial flows (equity capital and other capital) are disseminated with a timeliness of 6 weeks after the end of the reference period. (Monthly data on direct investment income are compiled, but not disseminated.) Preliminary quarterly data on direct investment income (income on equity, reinvested earnings, and income on debt [interest]) are disseminated with a timeliness of approximately 3 months after the end of the reference period. The monthly and quarterly data are the most timely data. In addition, annual (calendar year) 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 months after the end of the reference period. The annual data are the most comprehensive data.

**Revision Policy:** The monthly data are revised the following month and at the time of the release of the quarterly data for the reference year. The quarterly data are revised at the time of the release of the data for the next quarter. The monthly and quarterly data for a specific year are revised again 6 months after the end of the reference year (that is, at the end of June) to incorporate the preliminary results of the annual survey for items such as equity capital and reinvested earnings, and again 3 months later (that is, at the end of September), at the time of the release of the final annual data.

**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 monthly and quarterly data are compiled primarily from (i) monthly balance of payments surveys of foreign assets and liabilities, to which some respondents reply on a quarterly basis, and (ii) estimates based on the latest annual direct investment survey, in the case of the data on reinvested earnings. Information obtained from direct data requests to enterprises involved in major international mergers and acquisitions reported in the press (those with a purchase or selling price of at least 10 million Euro) is used as a secondary data source. The data prior to 1999 were compiled both from monthly balance of payments surveys and from an international transactions reporting system (ITRS). The annual data are compiled from annual enterprise surveys of direct investment enterprises in Finland. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the annual direct investment survey regarding respondents' change in status as direct investment enterprises, (ii) a register maintained by the stock exchange authorities, (iii) a business register maintained by Statistics Finland that includes information on foreign ownership of enterprises, (iv) a register of foreign-owned enterprises maintained by the Invest in Finland Bureau, a unit of the Ministry of Trade and Commerce, and (v) the financial press.

**Geographic Classification:** Annual data showing country breakdowns are disseminated for direct investment income and direct investment financial flows with a timeliness of 9 months after the end of the reference period. 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, 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 Finland during 2000 (ranked in descending order) were: Sweden, the Netherlands, the United Kingdom, Denmark, and Germany.

**Industrial Classification:** Annual data showing a breakdown by industrial sector are disseminated for direct investment income and direct investment financial flows with a timeliness of 9 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 are also disseminated showing a more detailed sectoral breakdown using the OECD/Eurostat classification (that is, the 2-digit level of NACE in most instances, and the 3-digit level for some services). Data showing breakdowns by industrial sector/region or economic zone are disseminated for (i) the European Union, (ii) EFTA, 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 Finland:** In accordance with the international standards, the basic criterion for defining direct investment enterprises in Finland 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. Specifically, although the instructions given to reporting enterprises require that (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, in practice respondents do not strictly follow the instructions, primarily because of difficulties in obtaining this information. Enterprises in Finland 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:** 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. Contrary to the international standards, dividends and distributed branch profits are recorded on the date they are paid, rather than the date they are payable, and, in the case of very large distributions, dividends are recorded at the time they become a liability in the accounting records of the resident direct investment enterprise. In accordance with the international standards, dividends and distributed branch profits 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 interest income from: (i) bonds and money market instruments, (ii) long-term loans, and (iii) short-term loans. The data do not cover interest from 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, the data include interest from claims and liabilities related to usual financial intermediation activities between affiliated financial intermediaries. However, it is planned to begin to exclude this interest with effect from the annual data for the reference year 2001. 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, and (v) trade credits. The data do not cover 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. However, it is planned to begin to exclude these transactions with effect from the annual data for the reference year 2001. 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 Finland and the direct investor is a nonresident: (i) 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 as "Direct Investment Abroad: Increase in Claims on Affiliated Enterprises"; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are recorded as "Direct Investment in Finland: Increase in Claims on Direct Investors".

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

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

**Treatment of Special Purpose Entities (SPEs):** In accordance with the international standards, activities of SPEs established in Finland by nonresidents are generally included in the direct investment data. Contrary to the international standards, in the case of SPEs established in Finland 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. However, it is planned to begin to exclude these transactions with effect from the annual data for the reference year 2001.

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

**Treatment of Natural Resources Exploration:** Contrary to the international standards, expenditure related to natural resources exploration in Finland by nonresidents is not included in the direct investment data.

**Exchange Rate Conversion:** Most transactions are 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.

**DIRECT INVESTMENT IN FINLAND**  
**INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary quarterly data, the most timely data, are disseminated on (i) equity capital and reinvested earnings, and (ii) other capital, with a timeliness of approximately 3 months after the end of the reference period. Annual (calendar year) data, the most comprehensive data, are disseminated with a timeliness of 9 months after the end of the reference period. In addition, monthly position data are compiled, but not disseminated.

**Revision Policy:** The quarterly data are revised at the time of the release of the data for the next quarter. The quarterly data for a specific year are revised again 3 months after the dissemination of the data for the last quarter of the reference year (that is, at the end of June) to incorporate the preliminary results of the annual survey for items such as equity capital and reinvested earnings, and again 3 months later (that is, at the end of September), at the time of the release of the final annual data.

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

**Data Collection Methods:** Reporting requirements are compulsory.

**Data Sources:** The data are compiled from (i) monthly balance of payments surveys of foreign assets and liabilities, to which some respondents reply on a quarterly basis, and (ii) annual enterprise surveys of direct investment enterprises in Finland. Press reports are used for cross-checking the data obtained from the surveys. The perpetual inventory method (a method for deriving position data from transactions data) is used in compiling the monthly/quarterly position data for equity capital and reinvested earnings, with adjustments being made for foreign exchange changes and other non-transactions changes, including price changes. The perpetual inventory method is not used for the annual position data on equity capital and reinvested earnings. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the annual direct investment survey regarding respondents' change in status as direct investment enterprises, (ii) a register maintained by the stock exchange authorities, (iii) a business register maintained by Statistics Finland that includes information on foreign ownership of enterprises, (iv) a register of foreign-owned enterprises maintained by the Invest in Finland Bureau, a unit of the Ministry of Trade and Commerce, and (v) the financial press.

**Geographic Classification:** Annual data showing country breakdowns are disseminated with a timeliness of 9 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, the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment in Finland as at the end of 2000 (ranked in descending order) were: Sweden, the Netherlands, Denmark, the United States, and Norway.

**Industrial Classification:** Annual data showing a breakdown by industrial sector are disseminated with a timeliness of 9 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 are also disseminated showing a more detailed sectoral breakdown using the OECD/Eurostat classification (that is, the 2-digit level of NACE in most instances, and the 3-digit level for some services). Data showing breakdowns by industrial sector/region or economic zone are disseminated for (i) the European Union, (ii) EFTA, 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 Finland:** In accordance with the international standards, the basic criterion for defining direct investment enterprises in Finland 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. Specifically, although the instructions given to reporting enterprises require that the relevant share of indirectly-owned direct investment enterprises be included in (i) the reinvested earnings data, and (ii) the equity and other capital position data, in practice respondents do not strictly follow the instructions, primarily because of difficulties in obtaining this information. Enterprises in Finland 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 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 Finland. However, unlike the transactions data, the position data for reinvested earnings include both realized and unrealized capital gains and losses, which is contrary to the Current Operating Performance Concept.)

**Treatment of Other Capital:** The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, and (v) trade credits. The data do not cover 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. However, it is planned to begin to exclude these positions with effect from the annual data for the reference year 2001. 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 Finland and the direct investor is a nonresident: (i) 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 as “Assets: Direct Investment Abroad: Claims on Affiliated Enterprises”; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are recorded as “Liabilities: Direct Investment in Finland: Claims on Direct Investors”.

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

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

**Treatment of Special Purpose Entities (SPEs):** In accordance with the international standards, activities of SPEs established in Finland by nonresidents are generally included in the direct investment data. Contrary to the international standards, in the case of SPEs established in Finland 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 not excluded from the data. However, it is planned to begin to exclude these positions with effect from the annual data for the reference year 2001.

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

**Treatment of Natural Resources Exploration:** Contrary to the international standards, expenditure related to natural resources exploration in Finland by nonresidents is not included in the direct investment data.

**Valuation:** Contrary to the international standards, the data are recorded at book values, rather than market values. The book values used are the values in the balance sheets of the reporting 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.

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

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary monthly data on direct investment financial flows (equity capital and other capital) are disseminated with a timeliness of 6 weeks after the end of the reference period. (Monthly data on direct investment income are compiled, but not disseminated.) Preliminary quarterly data on direct investment income (income on equity, reinvested earnings, and income on debt [interest]) are disseminated with a timeliness of approximately 3 months after the end of the reference period. The monthly and quarterly data are the most timely data. In addition, annual (calendar year) 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 months after the end of the reference period. The annual data are the most comprehensive data.

**Revision Policy:** The monthly data are revised the following month and at the time of the release of the quarterly data for the reference year. The quarterly data are revised at the time of the release of the data for the next quarter. The monthly and quarterly data for a specific year are revised again 6 months after the end of the reference year (that is, at the end of June) to incorporate the preliminary results of the annual survey for items such as equity capital and reinvested earnings, and again 3 months later (that is, at the end of September), at the time of the release of the final annual data.

**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 monthly and quarterly data are compiled primarily from (i) monthly balance of payments surveys of foreign assets and liabilities, to which some respondents reply on a quarterly basis, and (ii) estimates based on the latest annual direct investment survey in the case of the data on reinvested earnings. Information obtained from direct data requests to enterprises involved in major international mergers and acquisitions reported in the press (those with a purchase or selling price of at least 10 million Euro) is used as a secondary data source. The data prior to 1999 were compiled both from monthly balance of payments surveys and from an international transactions reporting system (ITRS). The annual data are compiled from annual enterprise surveys of 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 (i) the annual direct investment survey regarding respondents' change in status as direct investors, (ii) a group register of related enterprises maintained by Statistics Finland that includes information on enterprises with foreign subsidiaries, (iii) a survey of resident enterprises in Finland with large and medium-sized financial assets and liabilities, which is conducted every 3 years, and (iv) the financial press.

**Geographic Classification:** Annual data showing country breakdowns are disseminated for direct investment income and direct investment financial flows with a timeliness of 9 months after the end of the reference period. 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, 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 Finland during 2000 (ranked in descending order) were: the Netherlands, the United States, Germany, Sweden, and Norway.

**Industrial Classification:** Annual data showing a breakdown by industrial sector are disseminated for direct investment income and direct investment financial flows with a timeliness of 9 months after the end of the reference period. 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 are also disseminated showing a more detailed sectoral breakdown using the OECD/Eurostat classification (that is, the 2-digit level of NACE in most instances, and the 3-digit level for some services). Data showing breakdowns by industrial sector/region or economic zone are disseminated for (i) the European Union, (ii) EFTA, 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 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. Specifically, although the instructions given to reporting enterprises require that (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, in practice respondents do not strictly follow the instructions, primarily because of difficulties in obtaining this information. Enterprises in Finland 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:** 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. Contrary to the international standards, dividends and distributed branch profits are recorded on the date they are paid, rather than the date they are payable, and, in the case of very large distributions, dividends are recorded at the time they become a liability in the accounting records of the direct investment enterprise abroad. In accordance with the international standards, dividends and distributed branch profits 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 interest income from: (i) bonds and money market instruments, (ii) long-term loans, and (iii) short-term loans. The data do not cover interest from 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, the data include interest from claims and liabilities related to usual financial intermediation activities between affiliated financial intermediaries. However, it is planned to begin to exclude this interest with effect from the annual data for the reference year 2001. 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: (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, and (v) trade credits. The data do not cover 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. However, it is planned to begin to exclude these transactions with effect from the annual data for the reference year 2001. 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 Finland and the direct investor is a nonresident: (i) 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 as "Direct Investment Abroad: Increase in Claims on Affiliated Enterprises"; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are recorded as "Direct Investment in Finland: Increase in Claims on Direct Investors".

**Treatment of Quasi-corporations:** Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by Finnish residents of (i) mobile equipment, such as ships, 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 Finnish 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 Finnish residents are generally included in the direct investment data. Contrary to the international standards, in the case of SPEs established abroad by Finnish 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. However, it is planned to begin to exclude these transactions with effect from the annual data for the reference year 2001.

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

**Treatment of Natural Resources Exploration:** Contrary to the international standards, expenditure related to natural resources exploration abroad by Finnish residents is not included in the direct investment data.

**Exchange Rate Conversion:** Most transactions are converted to the unit of account at the exchange rate prevailing on the day of transaction, but some are converted at the average exchange rate in the period in which the transactions are recorded.

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

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary quarterly data, the most timely data, are disseminated on (i) equity capital and reinvested earnings, and (ii) other capital, with a timeliness of 11 weeks after the end of the reference period. Annual (calendar year) data, the most comprehensive data, are disseminated with a timeliness of 9 months after the end of the reference period. In addition, monthly position data are compiled, but not disseminated.

**Revision Policy:** The quarterly data are revised at the time of the release of the data for the next quarter. The quarterly data for a specific year are revised again 3 months after the dissemination of the data for the last quarter of the reference year (that is, at the end of June) to incorporate the preliminary results of the annual survey for items such as equity capital and reinvested earnings, and again 3 months later (that is, at the end of September), at the time of the release of the final annual data.

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

**Data Collection Methods:** Reporting requirements are compulsory.

**Data Sources:** The data are compiled from (i) monthly balance of payments surveys of foreign assets and liabilities, to which some respondents reply on a quarterly basis, and (ii) annual enterprise surveys of residents with direct investment enterprises abroad. Press reports are used for cross-checking the data obtained from the surveys. The perpetual inventory method (a method for deriving position data from transactions data) is used in compiling the monthly/quarterly position data for equity capital and reinvested earnings, with adjustments being made for foreign exchange changes and other non-transactions changes, including price changes. The perpetual inventory method is not used for the annual position data on equity capital and reinvested earnings. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the annual direct investment survey regarding respondents' change in status as direct investors, (ii) a group register of related enterprises maintained by Statistics Finland that includes information on enterprises with foreign subsidiaries, (iii) a survey of resident enterprises in Finland with large and medium-sized financial assets and liabilities, which is conducted every 3 years, and (iv) the financial press.

**Geographic Classification:** Annual data showing country breakdowns are disseminated with a timeliness of 9 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, the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment from Finland as at the end of 2000 (ranked in descending order) were: Sweden, the Netherlands, the United States, Germany, and Norway.

**Industrial Classification:** Annual data showing a breakdown by industrial sector are disseminated with a timeliness of 9 months after the end of the reference period. 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 are also disseminated showing a more detailed sectoral breakdown using the OECD/Eurostat classification (that is, the 2-digit level of NACE in most instances, and the 3-digit level for some services). Data showing breakdowns by industrial sector/region or economic zone are disseminated for (i) the European Union, (ii) EFTA, 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 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. Specifically, although the instructions given to reporting enterprises require that the relevant share of indirectly-owned direct investment enterprises be included in (i) the reinvested earnings data, and (ii) the equity and other capital position data, in practice respondents do not strictly follow the instructions, primarily because of difficulties in obtaining this information. Enterprises in Finland 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 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. However, unlike the transactions data, the position data for reinvested earnings include both realized and unrealized capital gains and losses, which is contrary to the Current Operating Performance Concept.)

**Treatment of Other Capital:** The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, and (v) trade credits. The data do not cover 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. However, it is planned to begin to exclude these positions with effect from the annual data for the reference year 2001. 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 Finland and the direct investor is a nonresident: (i) 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 as “Assets: Direct Investment Abroad: Claims on Affiliated Enterprises”; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are recorded as “Liabilities: Direct Investment in Finland: Claims on Direct Investors”.

**Treatment of Quasi-corporations:** Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by Finnish residents of (i) mobile equipment, such as ships, 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 Finnish 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 Finnish residents are generally included in the direct investment data. Contrary to the international standards, in the case of SPEs established abroad by Finnish 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 not excluded from the data. However, it is planned to begin to exclude these positions with effect from the annual data for the reference year 2001.

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

**Treatment of Natural Resources Exploration:** Contrary to the international standards, expenditure related to natural resources exploration abroad by Finnish residents is not included in the direct investment data.

**Valuation:** Contrary to the international standards, the data are recorded at book values, rather than market values. The book values used for equity capital are the values in the balance sheets of the foreign direct investment enterprises. The book values used for other capital are the values in the balance sheets of the reporting direct investors.

**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.