

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.

United Kingdom:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in the United Kingdom

- **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 THE UNITED KINGDOM
BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data (the most timely 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 12 weeks after the end of the reference period. More comprehensive annual (calendar year) data are disseminated with a timeliness of 50 weeks after the end of the reference period.

Revision Policy: The quarterly data are subject to revision throughout the current year and the next two years, at which time they are considered to be final—approximately 2.5 years after their first release. The annual data become final 12 months after their first release.

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 quarterly and annual data are both compiled primarily from quarterly enterprise surveys of direct investment enterprises in the United Kingdom. Press reports are used as a secondary data source for the quarterly data, and published sources, such as company accounts, are used as a secondary data source for the annual data. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) registers maintained by government licensing and regulatory authorities, the tax authorities, and other departments within the statistical agency, and (iii) 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 50 weeks after the end of the reference year for the summary data, and a timeliness of 14 months after the end of the reference year for the detailed data. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns of both direct investment income and direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment flows into the United Kingdom during 2000 (ranked in descending order) were: France, the United States, Germany, the Netherlands, and Japan.

Industrial Classification: Quarterly and annual data showing a breakdown by industry are disseminated for direct investment income and direct investment financial flows, with a timeliness of 12 weeks after the end of the reference period for the quarterly data, and 50 weeks after the end of the reference period for the annual data. The data are based on the industry of the resident direct investment enterprise, and are disseminated at the 2-digit level of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial sector/region or economic zone are disseminated for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are also disseminated.

B. Methodology

Definition of Direct Investment Enterprises in the United Kingdom: In accordance with the international standards, the basic criterion for defining direct investment enterprises in the United Kingdom is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is partially applied. In accordance with the FCS, the direct

investment earnings data include the relevant share of indirectly-owned direct investment enterprises. However, contrary to the FCS, the direct investment financial flows data do not include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in the United Kingdom are not required by law to produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, but are required by law to identify all transactions with the parent company.

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

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

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

Treatment of Income on Debt (Interest): The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. Contrary to the international standards, the data include interest from: (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. 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) trade credits, and (v) financial derivatives. The data do not cover financial leases. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

Treatment of Reverse Investment: Transactions involving reverse investment are not treated in accordance with the international standards in most instances. Assuming that the direct investment enterprise is a resident of the United Kingdom 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 transactions are recorded in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards, loan transactions are recorded as “Direct Investment in the United Kingdom: Increase in Claims on Direct Investors”, rather than as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. In addition, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity transactions are recorded as “Portfolio Investment: Increase in Assets: Equity Securities, and loan transactions are recorded as “Other Investment: Increase in Assets: Loans”, rather than as “Direct Investment in the United Kingdom: Increase in Claims on Direct Investors” in both instances.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in the United Kingdom 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 the United Kingdom by nonresidents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established in the United Kingdom by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in the United Kingdom by nonresidents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are excluded from the data.

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

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

Exchange Rate Conversion: Most transactions are converted to the unit of account at the exchange rate used by the individual enterprises in their company accounts, but some are converted at the average exchange rate in the period in which the transactions are recorded.

DIRECT INVESTMENT IN THE UNITED KINGDOM
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data (the most timely data) on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 12 weeks after the end of the reference period. More comprehensive annual calendar year data are disseminated with a timeliness of 50 weeks after the end of the reference period.

Revision Policy: The quarterly data are subject to revision throughout the current year and the next two years, at which time they are considered to be final—approximately 2.5 years after their first release. The annual data become final 12 months after their first release.

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

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The quarterly data and the annual data on reinvested earnings and other capital positions are both compiled primarily from quarterly enterprise surveys of direct investment enterprises in the United Kingdom. The annual position data on equity capital are collected in an annual survey, and the quarterly position data on equity capital are compiled using the perpetual inventory method (a method for deriving position data from transactions data) with no adjustments for non-transactions changes such as price changes, and exchange rate changes. The annual data also use published sources, such as company accounts, as a secondary data source. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis, using information from (i) other statistical collection forms, (ii) registers maintained by government licensing and regulatory authorities, the tax authorities, and other departments within the statistical agency, and (iii) the financial press.

Geographic Classification: Annual position data showing country breakdowns are disseminated with a timeliness of 50 weeks after the end of the reference year for the summary data, and a timeliness of 14 months after the end of the reference year for the detailed data. 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 of both direct investment income and direct investment financial flows by regions or economic zones for the following: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment in the United Kingdom as at the end of 2000 (ranked in descending order) were: the United States, France, the Netherlands, Germany, and Australia.

Industrial Classification: Quarterly and annual position data showing a breakdown by industry are disseminated with a timeliness of 12 weeks after the end of the reference period for the quarterly data, and 50 weeks after the end of the reference period for the annual data. The data are based on the industry of the resident direct investment enterprise, and are disseminated at the 2-digit level of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial sector/region or economic zone are disseminated for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are also disseminated.

B. Methodology

Definition of Direct Investment Enterprises in the United Kingdom: In accordance with the international standards, the basic criterion for defining direct investment enterprises in the United Kingdom is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, the relevant share of indirectly-owned direct investment enterprises are included in (i) the reinvested earnings data, and (ii) the equity and other capital

position data. Enterprises in the United Kingdom are not required by law to produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, but are 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 the United Kingdom.)

Treatment of Other Capital: The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) trade credits, and (v) financial derivatives. The data do not cover financial leases. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

Treatment of Reverse Investment: Positions involving reverse investment are not treated in accordance with the international standards in most instances. Assuming that the direct investment enterprise is a resident of the United Kingdom 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 positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, loan positions are recorded as "Liabilities: Direct Investment in the United Kingdom: Claims on Direct Investors", rather than as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". In addition, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities, and loan positions are recorded as "Assets: Other Investment: Loans", rather than as "Liabilities: Direct Investment in the United Kingdom: Claims on Direct Investors" in both instances.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in the United Kingdom 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 the United Kingdom by nonresidents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established in the United Kingdom by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in the United Kingdom by nonresidents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions involving equity capital and permanent debt, are excluded from the data.

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

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

Valuation: Contrary to the international standards, the data are reported primarily at book values, which is the accounting value shown in the accounting records of the individual reporting enterprises.

Exchange Rate Conversion: Transactions are converted to the unit of account at the exchange rate used by the individual enterprises in their company accounts.

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

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data (the most timely 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 12 weeks after the end of the reference period. More comprehensive annual (calendar year) data are disseminated with a timeliness of 50 weeks after the end of the reference period.

Revision Policy: The quarterly data are subject to revision throughout the current year and the next two years, at which time they are considered to be final—approximately 2.5 years after their first release. The annual data become final 12 months after their first release.

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 quarterly and annual data are both compiled primarily from quarterly enterprise surveys of residents with direct investment enterprises abroad. Press reports are used as a secondary data source for the quarterly data, and published sources, such as company accounts, are used as a secondary data source for the annual data. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) registers maintained by government licensing and regulatory authorities, the tax authorities, and other departments within the statistical agency, and (iii) 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 50 weeks after the end of the reference year for the summary data, and a timeliness of 14 months after the end of the reference year for the detailed data. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns of both direct investment income and direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment flows from the United Kingdom during 2000 (ranked in descending order) were: Germany, the United States, Spain, France, and Ireland.

Industrial Classification: Quarterly and annual data showing a breakdown by industry are disseminated for direct investment income and direct investment financial flows, with a timeliness of 12 weeks after the end of the reference period for the quarterly data, and 50 weeks after the end of the reference period for the annual data. Data are disseminated based on both (i) the industry of the resident direct investor, and (ii) the industry of the foreign direct investment enterprise. The data are disseminated at the 2-digit level of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial sector/region or economic zone are disseminated for: (i) the European Union, (ii) 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 direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. No value threshold is used to identify direct investors abroad, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is partially applied. In accordance with the FCS, the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises. However, contrary to the FCS, the direct investment financial flows data do not include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in the United Kingdom are not required by law to produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, but are required by law to identify all transactions with the parent company.

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

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

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

Treatment of Income on Debt (Interest): The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. Contrary to the international standards, the data include interest from: (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. 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) trade credits, and (v) financial derivatives. The data do not cover financial leases. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

Treatment of Reverse Investment: Transactions involving reverse investment are not treated in accordance with the international standards in most instances. Assuming that the direct investment enterprise is a resident of the United Kingdom 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 transactions are recorded in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards, loan transactions are recorded as “Direct Investment in the United Kingdom: Increase in Claims on Direct Investors”, rather than as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. In addition, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity transactions are recorded as “Portfolio Investment: Increase in Assets: Equity Securities, and loan transactions are recorded as “Other Investment: Increase in Assets: Loans”, rather than as “Direct Investment in the United Kingdom: Increase in Claims on Direct Investors” in both instances.

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 United Kingdom 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 United Kingdom residents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established abroad by United Kingdom residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by United Kingdom residents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are excluded from the data.

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

Exchange Rate Conversion: Most transactions are converted to the unit of account at the exchange rate used by the individual enterprises in their company accounts, but some are converted at the average exchange rate in the period in which the transactions are recorded.

UNITED KINGDOM: DIRECT INVESTMENT ABROAD
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data (the most timely data) on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 12 weeks after the end of the reference period. More comprehensive annual (calendar year) data are disseminated with a timeliness of 50 weeks after the end of the reference period.

Revision Policy: The quarterly data are subject to revision throughout the current year and the next two years, at which time they are considered to be final—approximately 2.5 years after their first release. The annual data become final 12 months after their first release.

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

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The quarterly data and the annual data on reinvested earnings and other capital positions are both compiled primarily from quarterly enterprise surveys of residents with direct investment enterprises abroad. The annual position data on equity capital are collected in an annual survey, and the quarterly position data on equity capital are compiled using the perpetual inventory method (a method for deriving position data from transactions data), with adjustments made for exchange rate changes. The annual data also use published sources, such as company accounts, as a secondary data source. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis, using information from (i) other statistical collection forms, (ii) registers maintained by government licensing and regulatory authorities, the tax authorities, and other departments within the statistical agency, and (iii) the financial press.

Geographic Classification: Annual position data showing country breakdowns are disseminated with a timeliness of 50 weeks after the end of the reference year for the summary data, and a timeliness of 14 months after the end of the reference year for the detailed data. 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 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 from the United Kingdom as at the end of 2000 (ranked in descending order) were: the United States, Germany, the Netherlands, Ireland, and France.

Industrial Classification: Quarterly and annual position data showing a breakdown by industry are disseminated with a timeliness of 12 weeks after the end of the reference period for the quarterly data, and 50 weeks after the end of the reference period for the annual data. Data are disseminated based on both (i) the industry of the resident direct investor, and (ii) the industry of the foreign direct investment enterprise. The data are disseminated at the 2-digit level of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial sector/region or economic zone are disseminated for: (i) the European Union, (ii) 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 direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. No value threshold is used to identify direct investors abroad, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, the relevant share of indirectly-owned direct investment enterprises are included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. Enterprises in the United Kingdom are not required by law to produce consolidated accounts

covering their subsidiaries and associates, either domestic or foreign, but are 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) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) trade credits, and (v) financial derivatives. The data do not cover financial leases. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

Treatment of Reverse Investment: Positions involving reverse investment are not treated in accordance with the international standards in most instances. Assuming that the direct investment enterprise is a resident of the United Kingdom 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 positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, loan positions are recorded as "Liabilities: Direct Investment in the United Kingdom: Claims on Direct Investors", rather than as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". In addition, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities, and loan positions are recorded as "Assets: Other Investment: Loans", rather than as "Liabilities: Direct Investment in the United Kingdom: Claims on Direct Investors" in both instances.

Treatment of Quasi-corporations: In accordance with the international standards, the data include the activities of quasi-corporations involving the operation abroad by United Kingdom 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 United Kingdom residents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established abroad by United Kingdom residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by United Kingdom residents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions involving equity capital and permanent debt, are excluded from the data.

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

Valuation: Contrary to the international standards, the data are reported primarily at book values, which is the accounting value shown in the accounting records of the individual reporting enterprises.

Exchange Rate Conversion: Transactions are converted to the unit of account at the exchange rate used by the individual enterprises in their company accounts.