

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.

Korea:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Korea

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

A. Compilation Practices and Data Sources

Data Availability: Preliminary monthly data on (i) direct investment income (income on equity, and income on debt [interest] only), and (ii) direct investment financial flows (equity capital and other capital) are disseminated with a timeliness of one month after the end of the reference month for all months except December, when the data are disseminated with a timeliness of two months. Data on reinvested earnings are not compiled.

Revision Policy: The data are revised twice – the preliminary data are revised when the data for the monthly Foreign Exchange Receipts and Payments Statistics (KFX) for the relevant month are revised. The monthly and annual data for the previous year are revised again during the following June or July, based on the revised KFX data, at which time they become final.

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

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

Data Sources: The data are compiled primarily from the Foreign Exchange Receipts and Payments Statistics (KFX) compiled by the Bank of Korea. Information from the Ministry of Commerce, Industry and Energy is used as a secondary data source. A business register of enterprises involved in direct investment is maintained. This register is updated on an annual basis using information from registers maintained by government licensing and regulatory authorities.

Geographic Classification: Not applicable. Data showing country breakdowns are not compiled.

Industrial Classification: Not applicable. Data showing breakdowns by industrial sector are not compiled.

B. Methodology

Definition of Direct Investment Enterprises in Korea: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Korea is 10 percent ownership by a nonresident investor. However, the additional criterion of having the purpose of establishing a continuous economic relationship with, and participating in, the management of the enterprise is also applied. The data also include enterprises in which the investor owns less than 10 percent but has an effective voice in management, as evidenced by (i) a contract capable of dismissing or electing the officers of the enterprises, or (ii) a contract for providing or introducing technology, or (iii) a contract for joint research and development, or (iv) a contract to deliver or purchase raw materials or products for a period of not less than one year. In addition, a value threshold of not less than 50 million won is used to identify direct investment enterprises. 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 not applied. Specifically, (i) the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises, and (ii) 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. Although not all enterprises in Korea are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company, stock companies operating in Korea that are subject to external audit under the Act on External Audit of Stock Companies, and that are in a parent subsidiary relationship, are required to produce consolidated financial statements.

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

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

Treatment of Reinvested Earnings and Undistributed Branch Profits: Not applicable. Data on reinvested earnings and undistributed branch profits are not compiled.

Treatment of Income on Debt (Interest): The data cover interest income from long-term loans only. The data do not cover interest from: (i) bonds and money market instruments, (ii) short-term loans, and (iii) trade credits, which are recorded under Other Investment income, and Portfolio Investment interest, rather than Direct Investment income. 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 and most of the usual financial intermediation activities between affiliated financial intermediaries. However, contrary to the international standards, the data include interest on long-term loans between affiliated financial intermediaries. Contrary to the international standards, the data are compiled on a paid basis, rather than on an accrual basis.

Treatment of Equity Capital: The data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks, and (iii) non-cash acquisitions of equity, such as through the provision of capital equipment. The data do not cover other non-voting stocks (including participating preference shares). 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 long-term loans only. The data do not cover: (i) bonds and money market instruments, (ii) short-term loans, (iii) financial leases, (iv) trade credits, and (v) 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 and most of the usual financial intermediation activities between affiliated financial intermediaries. However, contrary to the international standards, the data include long-term loans between affiliated financial intermediaries. Transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries cannot be identified at present.

Treatment of Reverse Investment: Transactions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Korea and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan transactions are recorded in accordance with the international standards as "Direct Investment Abroad: Increase in Claims on Affiliated Enterprises". However, 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: Increases in Assets: Equity Securities", and loan transactions are recorded as "Other Investment: Increase in Assets: Loans", rather than as "Direct Investment in Korea: 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 Korea by nonresidents of construction enterprises. Transactions of quasi-corporations involving the operation in Korea by nonresidents of mobile equipment, such as ships, aircraft, and drilling rigs, cannot be identified at present.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established in Korea 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 Korea by nonresidents are generally included in the direct investment data. SPEs established in Korea by nonresidents that have the sole purpose of financial intermediation cannot be identified at present.

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

Treatment of Natural Resources Exploration: Not applicable. Expenditure related to natural resources exploration in Korea by nonresidents cannot be identified at present.

Exchange Rate Conversion: Transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction.

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

Not applicable. Position data on direct investment in Korea are not compiled at present, although there are plans to do so in 1 year.

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

A. Compilation Practices and Data Sources

Data Availability: Preliminary monthly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital) are disseminated with a timeliness of one month after the end of the reference month for all months except December, when the data are disseminated with a timeliness of two months.

Revision Policy: The data are revised twice – the preliminary data are revised when the data for the monthly Foreign Exchange Receipts and Payments Statistics (KFX) for the relevant month are revised. The monthly and annual data for the previous year are revised again during the following June or July, based on the revised KFX data, at which time they become final.

Data Coverage: No major industrial sectors are excluded from the data, with the exception of the data on reinvested earnings, which cover only the operations of the overseas branches of domestic banks.

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

Data Sources: The data are compiled from the Foreign Exchange Receipts and Payments Statistics (KFX) compiled by the Bank of Korea. A business register of enterprises involved in direct investment is maintained. This register is updated on an annual basis using information from registers maintained by government licensing and regulatory authorities.

Geographic Classification: Not applicable. Data showing country breakdowns are not compiled.

Industrial Classification: Not applicable. Data showing breakdowns by industrial sector are not compiled.

B. Methodology

Definition of Direct Investors Abroad: In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor. However, the additional criterion of having the purpose of participating in the management of the nonresident enterprise is also applied. The data also include enterprises in which the resident investor owns less than 10 percent but has an effective voice in management, as evidenced by (i) the right to dismiss the officers of the enterprises, or (ii) a contract for providing technical assistance, or (iii) a contract for joint research and development, or (iv) a contract to deliver raw materials or products for a period of not less than one year, (v) or a contract involving overseas construction or the export of plant and equipment. 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 not applied. Specifically, (i) the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises, and (ii) 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. Although not all enterprises in Korea are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company, stock companies operating in Korea that are subject to external audit under the Act on External Audit of Stock Companies, and that are in a parent subsidiary relationship, are required to produce consolidated financial statements.

Measurement of Direct Investment Earnings: Not applicable. No information is available on the measurement of the earnings of nonresident direct investment enterprises.

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

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover only the operations of overseas branches of domestic banks. In accordance with the international standards, the data are recorded in the period in which they are earned.

Treatment of Income on Debt (Interest): The data cover interest income from long-term loans only. The data do not cover interest from: (i) bonds and money market instruments, (ii) short-term loans, and (iii) trade credits, which are recorded under Other Investment income, and Portfolio Investment interest, rather than Direct Investment interest. 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 and most of the usual financial intermediation activities between affiliated financial intermediaries. However, contrary to the international standards, the data include interest on long-term loans between affiliated financial intermediaries. Contrary to the international standards, the data are compiled on a paid basis, rather than 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 long-term loans only. The data do not cover: (i) bonds and money market instruments, (ii) short-term loans, (iii) financial leases, (iv) trade credits, and (v) 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 and most of the usual financial intermediation activities between affiliated financial intermediaries. However, contrary to the international standards, the data include long-term loans between affiliated financial intermediaries. Transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries cannot be identified at present.

Treatment of Reverse Investment: Transactions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Korea and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan transactions are recorded in accordance with the international standards as "Direct Investment Abroad: Increase in Claims on Affiliated Enterprises". However, 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: Increases in Assets: Equity Securities", and loan transactions are recorded as "Other Investment: Increase in Assets: Loans", rather than as "Direct Investment in Korea: 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 Korean residents of construction enterprises. Transactions of quasi-corporations involving the operation abroad by Korean residents of mobile equipment, such as ships, aircraft, and drilling rigs, cannot be identified at present.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established abroad by Korean 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 Korean residents are generally included in the direct investment data. SPEs established abroad by Korean residents that have the sole purpose of financial intermediation cannot be identified at present.

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

Exchange Rate Conversion: Transactions involving dividends, income on debt (interest), equity capital, and other capital are converted to the unit of account at the exchange rate prevailing on the day of the transaction. Reinvested earnings transactions are converted to the unit of account at the average exchange rate in the period in which the transactions are recorded.

KOREA: DIRECT INVESTMENT ABROAD
INTERNATIONAL INVESTMENT POSITION ("POSITION DATA")

Not applicable. Position data on direct investment abroad by Korean residents are not compiled at present, although there are plans to do so in 1 years time.