

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.

Kuwait:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Kuwait

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

A. Compilation Practices and Data Sources

Data Availability: Preliminary annual, calendar year, data on direct investment financial flows (equity capital only) are disseminated with a timeliness of 4 months after the end of the reference period. These are the most timely data. More comprehensive annual data are disseminated 6 months after the end of the reference period. Separately identifiable data on direct investment income (income on equity, reinvested earnings, and income on debt [interest]) are compiled but not disseminated, and instead are included under the data for total investment income in the balance of payments statistics. Separately identifiable data on other capital are also not disseminated, and are instead included in the data on direct investment equity capital.

Revision Policy: The most timely data are revised at the time of the release of the more comprehensive data, that is, 2 months after their first release. The data are revised again at the time of the release of the most timely data for the next year, at which time they become final, that is, 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. Reporting requirements are compulsory for those institutions that are under the control of the Central Bank of Kuwait (that is, banks, investment companies, and exchange companies). Reporting requirements by other institutions are voluntary.

Data Sources: Both the most timely and the more comprehensive data are compiled primarily from an international transactions reporting system (ITRS). Information obtained from: (i) annual enterprise surveys of direct investment enterprises in Kuwait, and (ii) published sources, such as company accounts, are used as secondary data sources. Bilateral data are used for cross-checking the data. A business register of enterprises involved in direct investment is maintained. This register is updated on an annual basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, and (iii) registers maintained by government licensing and regulatory authorities, the tax authorities, corporate affairs and stock exchange authorities, industry associations, and other departments of the Central Bank of Kuwait.

Geographic Classification: Not applicable. Data showing country breakdowns or breakdowns by regions or economic zones are not compiled.

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

B. Methodology

Definition of Direct Investment Enterprises in Kuwait: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Kuwait 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. Although in accordance with the FCS, respondents are requested to ensure 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, not all reporting enterprises follow this rule. Enterprises in Kuwait 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 generally 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. However, in some instances, contrary to the COPC, enterprises include unrealized capital gains and losses and write-offs in their earnings data. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings. (Separately identifiable data on reinvested earnings are not disseminated, and are included indistinguishably under total investment income in the balance of payments statistics.)

Treatment of Income on Equity (Dividends and Distributed Branch Profits): Separately identifiable data on dividends and distributed branch profits are not disseminated, and are included indistinguishably under total investment income in the balance of payments statistics. The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, most dividends and distributed branch profits are recorded on the date they are payable, but, contrary to the international standards, some are recorded on the date they are paid. 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: Separately identifiable data on reinvested earnings and undistributed branch profits are not disseminated, and are included indistinguishably under total investment income in the balance of payments statistics. 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): Separately identifiable data on income on debt (interest) are not disseminated, and are included indistinguishably under total investment income in the balance of payments statistics. The data cover interest income from long-term loans only. The data do not include interest income from: (i) bonds and money market instruments, (ii) short-term loans, and (iii) 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 and financial intermediation activities between affiliated banks and affiliated financial intermediaries. Contrary to the international standards, the data are compiled primarily 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. (The data on equity capital also include transactions involving other capital – see the section on other capital below.) In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

Treatment of Other Capital: Separately identifiable data on other capital are not disseminated, and are included indistinguishably under the data for direct investment equity 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, and (iv) trade credits. Data on financial derivatives are not applicable at present. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. 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: Not applicable. Instances of equity and loan transactions involving reverse investment are not yet able to be identified.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Kuwait by nonresidents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises.

Treatment of Offshore Enterprises: Not applicable. There are no offshore enterprises established in Kuwait by nonresidents at present. However, a law issued in 2001 (Law No.8/2001) permits such enterprises to be established.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established in Kuwait by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in Kuwait 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: Not applicable. There are no instances of purchases and sales of land and buildings in Kuwait by nonresident enterprises and individuals.

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

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 KUWAIT

INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

Not applicable. Position data on direct investment in Kuwait are not compiled at present. However, there are plans to begin to do so in 2-5 years.

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

A. Compilation Practices and Data Sources

Data Availability: Preliminary annual, calendar year, data on direct investment financial flows (equity capital only) are disseminated with a timeliness of 4 months after the end of the reference period. These are the most timely data. More comprehensive annual data are disseminated 6 months after the end of the reference period. Separately identifiable data on direct investment income (income on equity, reinvested earnings, and income on debt [interest]) are compiled but not disseminated, and instead are included under the data for total investment income in the balance of payments statistics. Separately identifiable data on other capital are also not disseminated, and are instead included in the data on direct investment equity capital.

Revision Policy: The most timely data are revised at the time of the release of the more comprehensive data, that is, 2 months after their first release. The data are revised again at the time of the release of the most timely data for the next year, at which time they become final, that is, 12 months after their first release.

Data Coverage: The data cover the transactions of local institutional investors only, such as government, banks, investment companies, pension funds, and insurance companies. There are plans to widen the coverage of the data in the future.

Data Collection Methods: Data are collected on an aggregate basis. Reporting requirements are compulsory for those institutions that are under the control of the Central Bank of Kuwait (that is, banks, investment companies, and exchange companies). Reporting requirements by other institutions are voluntary.

Data Sources: Both the most timely and the more comprehensive data are compiled primarily from an international transactions reporting system (ITRS). Information obtained from: (i) annual enterprise surveys of residents with direct investment enterprises abroad, and (ii) published sources, such as company accounts, are used as secondary data sources. Bilateral data are used for cross-checking the data. A business register of enterprises involved in direct investment is maintained. This register is updated on an annual basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, and (iii) registers maintained by government licensing and regulatory authorities, the tax authorities, corporate affairs and stock exchange authorities, industry associations, and other departments of the Central Bank of Kuwait.

Geographic Classification: Not applicable. Data showing country breakdowns or breakdowns by regions or economic zones are not compiled.

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

B. Methodology

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

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is partially applied. Although in accordance with the FCS, respondents are requested to ensure that 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, not all reporting enterprises follow this rule. The FCS requirement to include in the direct investment earnings data the relevant share of indirectly-owned direct investment enterprises is not applicable as separately identifiable data on direct investment income are not compiled. Enterprises in Kuwait 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 generally 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. However, in some instances, contrary to the COPC, enterprises include unrealized capital gains and losses and write-offs in their earnings data. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings. (Separately identifiable data on reinvested earnings are not disseminated, and are included indistinguishably under total investment income in the balance of payments statistics.)

Treatment of Income on Equity (Dividends and Distributed Branch Profits): Separately identifiable data on dividends and distributed branch profits are not disseminated, and are included indistinguishably under total investment income in the balance of payments statistics. The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, most dividends and distributed branch profits are recorded on the date they are payable, but, contrary to the international standards, some are recorded on the date they are paid. 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: Separately identifiable data on reinvested earnings and undistributed branch profits are not disseminated, and are included indistinguishably under total investment income in the balance of payments statistics. 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): Separately identifiable data on income on debt (interest) are not disseminated, and are included indistinguishably under total investment income in the balance of payments statistics. The data cover interest income from long-term loans only. The data do not include interest income from: (i) bonds and money market instruments, (ii) short-term loans, and (iii) 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 and financial intermediation activities between affiliated banks and affiliated financial intermediaries. Contrary to the international standards, the data are compiled primarily 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. (The data on equity capital also include transactions involving other capital – see the section on other capital below.) In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

Treatment of Other Capital: Separately identifiable data on other capital are not disseminated, and are included indistinguishably under the data for direct investment equity 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, and (iv) trade credits. Data on financial derivatives are not applicable at present. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. 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: Not applicable. Instances of equity and loan transactions involving reverse investment are not yet able to be identified.

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 Kuwaiti 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 Kuwaiti 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 Kuwaiti residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by Kuwaiti 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 Kuwaiti resident enterprises. Contrary to the international standards, the data do not include purchases and sales of land and buildings abroad by Kuwaiti resident individuals.

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

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.

KUWAIT: DIRECT INVESTMENT ABROAD

INTERNATIONAL INVESTMENT POSITION ("POSITION DATA")

Not applicable. Position data on direct investment abroad are not compiled at present. However, there are plans to begin to do so in 2-5 years.