

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.

Luxembourg:

Direct Investment Compilation Practices, Data Sources and Methodology

Contact person:

Mr. Gilles Genson
Foreign Direct Investment Department
Service Central de la Statistique et des Etudes Economiques
(STATEC)
6 Boulevard Royal
L-2449 Luxembourg

Telephone: (352) 478-4229
Fax: (352) 464-289
E-mail: gilles.genson@statec.etat.lu

Direct Investment in Luxembourg

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

Not applicable. The Belgian authorities have compiled joint Belgo-Luxembourg Economic Union (BLEU) data for Belgium and Luxembourg through 2001. (See the metadata for Belgium for details.) However, Luxembourg will compile its own balance of payments data from 2002 onward.

DIRECT INVESTMENT IN LUXEMBOURG

INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 18 months after the end of the reference period.

Revision Policy: The data for the two most recent years are subject to revision, after which time they are considered to be final.

Data Coverage: The data cover all sectors except holding companies. (Sectors 65.234 and 65.235 in the NACE classification system.)

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The data are compiled primarily from annual enterprise surveys of direct investment enterprises in Luxembourg. Published sources, such as company accounts, are used as a secondary data source. Press reports, and statutory texts, which contain information on equity capital and share ownership, 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 not used. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis, using information from (i) the international trade system's list of exporters/importers, (ii) registers maintained by other departments within STATEC, and (iii) the financial press.

Geographic Classification: Annual data showing country breakdowns are disseminated with a timeliness of 18 months after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Data compiled by STATEC on an “ultimate country” basis are disseminated by the OECD and Eurostat. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for the European Union. Breakdowns for additional regions/economic zones are available on request, subject to confidentiality constraints. The five countries with the largest amount of direct investment in Luxembourg as at the end of 1998 (ranked in descending order) were: Germany, Belgium, France, the United States, and Italy.

Industrial Classification: Annual data showing a breakdown by major industrial sectors are disseminated with a timeliness of 18 months after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The data are classified according to the NACE Rev. 1 system, a classification that broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by major industrial sector/region or economic zone are disseminated for the European Union. Breakdowns for additional regions/economic zones are available on request, subject to confidentiality constraints. Data showing breakdowns by major industrial sector/partner country are also disseminated.

B. Methodology

Definition of Direct Investment Enterprises in Luxembourg: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Luxembourg 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 systematic 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, primarily because of practical impediments, such as the international perimeter of consolidation. Specifically, the relevant share of indirectly-owned direct investment enterprises is not included in (i) the reinvested earnings data, and (ii) the equity and other capital position data, except in instances where the direct owner is a holding company. Data are collected, but not disseminated, on loans, accrued interest and trade credits and debits between indirectly-owned direct investment enterprises. In addition, the enterprise surveys collect data on both the indirect and the direct relationships, and the data on the indirectly-owned direct investment enterprises are used to compile the data on an “ultimate country” basis. (See also the section on *Geographic Allocation* above.) Enterprises in Luxembourg are required

by law to produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, but are not required by law to identify all transactions with the parent company.

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

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*.)

Treatment of Other Capital: The data cover: (i) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover: (i) bonds and money market instruments, (ii) financial leases, and (iii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) 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 all instances. Assuming that the direct investment enterprise is a resident of Luxembourg and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are recorded in accordance with the international standards as “Assets: Direct Investment Abroad: Claims on Affiliated Enterprises”. When the direct investment enterprise owns less than 10 percent of its nonresident direct investor, loan positions are recorded in accordance with the international standards as “Liabilities: Direct Investment in Luxembourg: Claims on Direct Investors”. However, contrary to the international standards, equity positions are recorded as “Assets: Portfolio Investment: Equity Securities”, rather than as “Liabilities: Direct Investment in Luxembourg: 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 Luxembourg by nonresidents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises. However, these activities are considered to be insignificant.

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

Treatment of Special Purpose Entities (SPEs): Contrary to the international standards, activities of SPEs established in Luxembourg by nonresidents are generally not included in the direct investment data.

Treatment of Land and Buildings: Contrary to the international standards, the data do not include ownership of land and buildings in Luxembourg by nonresident enterprises and individuals. However, such purchases and sales are considered to be insignificant.

Treatment of Natural Resources Exploration: Contrary to the international standards, the data do not include expenditure related to natural resources exploration in Luxembourg by nonresidents. However, such expenditure is considered to be insignificant.

Valuation: Contrary to the international standards, the data are reported at book values, rather than market values. The book values used are the values shown in the accounting records of the individual reporting enterprises.

Exchange Rate Conversion: The exchange rate prevailing at the end of the period to which the position data relate is used to convert the foreign currencies into the unit of account.

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

Not applicable. The Belgian authorities have compiled joint Belgo-Luxembourg Economic Union (BLEU) data for Belgium and Luxembourg through 2001. (See the metadata for Belgium for details.) However, Luxembourg will compile its own balance of payments data from 2002 onward.

LUXEMBOURG: DIRECT INVESTMENT ABROAD

INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 18 months after the end of the reference period.

Revision Policy: The data for the two most recent years are subject to revision, after which time they are considered to be final.

Data Coverage: The data cover all sectors except holding companies. (Sectors 65.234 and 65.235 in the NACE classification system.)

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The data are compiled primarily from annual enterprise surveys of residents with direct investment enterprises abroad. Published sources, such as company accounts, are used as a secondary data source. 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 not used. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis, using information from (i) the international trade system's list of exporters/importers, (ii) other statistical collection forms, (ii) registers maintained by other departments within STATEC, and (iii) the financial press.

Geographic Classification: Annual data showing country breakdowns are disseminated with a timeliness of 18 months after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Data are also compiled on an “ultimate country” basis, but these are not disseminated. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for the European Union. Breakdowns for additional regions/economic zones are available on request, subject to confidentiality constraints. The five countries with the largest amount of direct investment from Luxembourg as at the end of 1998 (ranked in descending order) were: Belgium, Germany, Spain, Ireland, and Switzerland.

Industrial Classification: Annual data showing a breakdown by major industrial sector are disseminated with a timeliness of 18 months after the end of the reference period. The data are based on the industry of the resident direct investor. The data are classified according to the NACE Rev. 1 system, a classification that broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by major industrial sector/region or economic zone are disseminated for the European Union. Breakdowns for additional regions/economic zones are available on request, subject to confidentiality constraints. 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 systematic 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, primarily because of practical impediments, such as the international perimeter of consolidation. Specifically, the relevant share of indirectly-owned direct investment enterprises is not included in (i) the reinvested earnings data, and (ii) the equity and other capital position data, except in instances where the direct owner is a holding company. Data are collected, but not disseminated, on loans, accrued interest and trade credits and debits between indirectly-owned direct investment enterprises. In addition, the enterprise surveys collect data on both the indirect and the direct relationships, and the data on the indirectly-owned direct investment enterprises are used to compile the data on an “ultimate country” basis. (See also the section on *Geographic Allocation* above.) Enterprises in Luxembourg are required

by law to produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, but are not required by law to identify all transactions with the parent company.

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

Treatment of Equity Capital and Reinvested Earnings: The data cover all types of position data affecting equity capital and reinvested earnings, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises, and, in accordance with the international standards, are recorded in the period in which they are earned. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

Treatment of Other Capital: The data cover: (i) long-term loans, (ii) short-term loans, (iii) trade credits. The data do not cover: (i) bonds and money market instruments, (ii) financial leases, and (iii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) 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 all instances. Assuming that the direct investment enterprise is a resident of Luxembourg and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are recorded in accordance with the international standards as “Assets: Direct Investment Abroad: Claims on Affiliated Enterprises”. When the direct investment enterprise owns less than 10 percent of its nonresident direct investor, loan positions are recorded in accordance with the international standards as “Liabilities: Direct Investment in Luxembourg: Claims on Direct Investors”. However, contrary to the international standards, equity positions are recorded as “Assets: Portfolio Investment: Equity Securities”, rather than as “Liabilities: Direct Investment in Luxembourg: 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 Luxembourg residents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises. However, these activities are considered to be insignificant.

Treatment of Offshore Enterprises: Not applicable. There are no offshore enterprises established abroad by Luxembourg residents at present.

Treatment of Special Purpose Entities (SPEs): Contrary to the international standards, activities of SPEs established abroad by Luxembourg residents are generally not included in the direct investment data.

Treatment of Land and Buildings: Contrary to the international standards, the data do not include ownership of land and buildings abroad by resident enterprises and individuals. However, a survey conducted in 1995 indicated that these were insignificant.

Treatment of Natural Resources Exploration: Contrary to the international standards, the data do not include expenditure related to natural resources exploration abroad by Luxembourg residents. However, such expenditure is considered to be insignificant.

Valuation: Contrary to the international standards, the data are reported at book values, rather than market values. The book values used are the values shown in the accounting records of the individual reporting enterprises.

Exchange Rate Conversion: The exchange rate prevailing at the end of the period to which the position data relate is used to convert the foreign currencies into the unit of account.