

This metadata describes the compilation practices, sources and methodology in use in 2001. Please refer to the contact persons below for details of any changes that may have been introduced by the country since that time.

Mexico:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Mexico

- **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 MEXICO

BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

A. Compilation Practices and Data Sources

Data Availability: Quarterly 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 8 weeks after the end of the reference period. More comprehensive annual (calendar year) data are disseminated with a timeliness of 52 weeks (12 months) after the end of the reference period.

Revision Policy: The quarterly data are revised on a quarterly basis whenever new information for the reference period is received, either from late responses from reporters or from the annual survey of direct investment enterprises. The quarterly and annual data are subject to ongoing review and are therefore never considered to be 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 quarterly data are compiled primarily from transactions data that direct investors are legally required to report to the Registro Nacional de Inversiones Extranjeras (National Register of Foreign Direct Investment). Published sources, such as company accounts, are used as a secondary data source. The more comprehensive annual data are compiled primarily from annual enterprise surveys of direct investment enterprises in Mexico, which are also legally required to report, with the quarterly data used 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 registers maintained by government licensing and regulatory authorities.

Geographic Classification: Quarterly and annual (calendar year) data showing country breakdowns are disseminated for direct investment income and direct investment financial flows with a timeliness of 8 weeks for the quarterly data, and 12 months for the annual 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 Mexico during the period from 1994 through 2001 (ranked in descending order) were: the United States, the Netherlands, Spain, Japan, and the United Kingdom.

Industrial Classification: Quarterly and annual (calendar year) data showing breakdowns by industrial sector are disseminated for direct investment income and direct investment financial flows with a timeliness of 8 weeks for the quarterly data, and 12 months for the annual data. The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing a more detailed sectoral breakdown at the group level are also disseminated. Data are disseminated showing breakdowns by industrial sector/region or economic zone 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 Mexico: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Mexico is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. However, the data also include enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management, as evidenced by one or more of the following: (i) representation on the Board of Directors, (ii) participation in policy making, (iii) material inter-company transactions, (iv) interchange of managerial personnel,

and (v) provision of technical information. 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 FCS, 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. However, this practice is applied only to majority foreign-owned enterprises, and not to the minority foreign-owned enterprises that are covered by the FCS definition. Except for public enterprises, enterprises in Mexico are not 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.

Measurement of Direct Investment Earnings: In accordance with the international standards, the “Current Operating Performance Concept” (COPC) is fully 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. Contrary to the international standards, when a direct investment enterprise makes a loss, the net loss is not recorded as negative reinvested earnings. Instead the net loss is treated as a negative equity capital flow.

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, primarily because of a lack of information on the dates on which they are payable. In accordance with international standards, dividends and distributed branch profits are recorded gross of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, reinvested earnings are not always recorded in the period in which they are earned, primarily because of a lack of information. In the case of the quarterly data, reinvested earnings and undistributed branch profits are a mixture of (i) earnings in the reference period, and (ii) earnings in previous reference periods. In the case of the annual data, the reinvested earnings and undistributed branch profits are recorded in the period following the period in which they are earned.

Treatment of Income on Debt (Interest): The data cover interest income from: (i) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover bonds and money market instruments. 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 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: (i) long-term loans, (ii) short-term loans, (iii) financial leases, and (iv) trade credits. The data do not cover: (i) bonds and money market instruments, and (ii) 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 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. No instances of reverse investment have been identified to date.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Mexico 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 Mexico 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 Mexico by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in Mexico 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 Mexico by nonresident enterprises and individuals. However, the data cover purchases and sales by nonresident individuals only in instances when (i) the individuals habitually undertake commercial activities in Mexico, or (ii) the land or building is located on the strip of Mexican territory within one hundred kilometers from the border, or within 50 kilometers from the coastline.

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

Exchange Rate Conversion: Transactions are converted to the unit of account at the average exchange rate in the period in which the transactions are recorded.

DIRECT INVESTMENT IN MEXICO

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 52 weeks (12 months) after the end of the reference period.

Revision Policy: The data are revised on an annual basis whenever new information for the reference period is received. The data are subject to ongoing review and are therefore never considered to be final.

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

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The data are compiled from (i) the results of annual enterprise surveys of direct investment enterprises in Mexico, and (ii) position data that direct investors are legally required to report to the Registro Nacional de Inversiones Extranjeras (National Register of Foreign Direct Investment). 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 registers maintained by government licensing and regulatory authorities.

Geographic Classification: Annual data showing country breakdowns are disseminated with a timeliness of 12 months after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) EFTA, (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 Mexico as at the end of 2000 (ranked in descending order) were: the United States, the Netherlands, Spain, Germany, and Japan.

Industrial Classification: Annual data showing breakdowns by industrial sector are disseminated with a timeliness of 12 months after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing a more detailed sectoral breakdown at the group level are also disseminated. Data are disseminated showing breakdowns by industrial sector/region or economic zone 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 Mexico: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Mexico is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. However, the data also include enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management, as evidenced by one or more of the following: (i) representation on the Board of Directors, (ii) participation in policy making, (iii) material inter-company transactions, (iv) interchange of managerial personnel, and (v) provision of technical information. 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 FCS, the relevant share of indirectly-owned direct investment enterprises is included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. However, this practice is applied only to majority foreign-owned enterprises, and not to the minority foreign-owned enterprises that are covered by the FCS definition. Except for public enterprises, enterprises in Mexico are not 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.

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, but, contrary to the international standards, are not 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 Mexico.)

Treatment of Other Capital: The data cover: (i) long-term loans, (ii) short-term loans, (iii) financial leases, and (iv) trade credits. The data do not cover: (i) bonds and money market instruments, and (ii) 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: Not applicable. No instances of reverse investment have been identified to date.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Mexico 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 Mexico 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 Mexico by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in Mexico 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 Mexico by nonresident enterprises and individuals. However, the data cover ownership by nonresident individuals only in instances when (i) the individuals habitually undertake commercial activities in Mexico, or (ii) the land or building is located on the strip of Mexican territory within one hundred kilometers from the border, or within 50 kilometers from the coastline.

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

Valuation: In accordance with the international standards, the data are effectively recorded at market values. (Although the individual reporting enterprises use book values, the accounting law requires enterprises to regularly revalue their book values to market values.)

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

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

Not applicable. Transactions data on direct investment abroad are not compiled at present. However, there are plans to begin to do so within 2 years time.

MEXICO: 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 within 2 years time.