

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.

New Zealand:

Direct Investment Compilation Practices, Data Sources and Methodology

Contact person:

Ms. Anna Bray
Economic Statistician
Balance of Payments
International Accounts Division
Statistics New Zealand
P.O. Box 2922
Wellington
New Zealand

Telephone: (64-4) 495-4814
Fax: (64-4) 495-4603
E-mail: anna_bray@stats.govt.nz

Direct Investment in New Zealand

- **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 NEW ZEALAND

BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary 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 13 weeks after the end of the reference period. However, to prevent data for individual respondents being identified in the statistics, it is sometimes necessary to suppress some breakdowns of direct investment income and financial flows transactions.

Revision Policy: The data are revised at the time of release of the data for the next quarter. The quarterly data are also subject to revision on an annual basis at the time of the release of the March quarter data. Revisions to data that are more than 3 years old are infrequent but can occur.

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 data are compiled from quarterly enterprise surveys of direct investment enterprises in New Zealand. Published sources, such as company accounts, are used for cross-checking the data obtained from the surveys. 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, tax authorities, and corporate affairs and stock exchange authorities, and (iii) the financial press.

Geographic Classification: Annual data showing country breakdowns are disseminated for direct investment financial flows with a timeliness of within 6 months after the end of the reference period. Annual data showing country breakdowns for direct investment income are compiled and are available on request. 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 direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) the OECD, (iii) ASEAN, and (iv) APEC. The three regions/economic zones with the largest amount of direct investment flows into New Zealand during the year ended March 31, 2001 (ranked in descending order) were: the OECD, the European Union, and APEC.

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

B. Methodology

Definition of Direct Investment Enterprises in New Zealand: In accordance with the international standards, the basic criterion for defining direct investment enterprises in New Zealand 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. A value threshold of Goods and Services Tax (GST) sales of NZ\$ 5 million or more 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 partially applied. In accordance with the FCS, survey respondents are asked 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. However, not all respondents are able to determine whether the investments involve a related enterprise. Enterprises in New Zealand 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 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, dividends and distributed branch profits are recorded (i) on the date they are declared payable, and (ii) 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, and (iii) short-term loans. The data do not cover interest income from 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 between affiliated financial intermediaries. In accordance with the international standards, the data are compiled on an accrual basis.

Treatment of Equity Capital: The data cover: (i) listed voting stocks (shares), (ii) unlisted voting stocks, and (iii) other non-voting stocks (including participating preference shares). The data do not cover 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) financial leases, and (v) trade credits. The data do not cover 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: 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 New Zealand 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 New Zealand: Increase in Claims on Direct Investors”, rather than as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. When the direct investment enterprise owns less than 10 percent of its nonresident direct investor, loan transactions are recorded in accordance with the international standards as “Direct Investment in New Zealand: Increase in Claims on Direct Investors”. However, contrary to the international standards, equity transactions are recorded as “Portfolio Investment: Increase in Assets: Equity Securities”, rather than as “Direct Investment in New Zealand: Increase in Claims on Direct Investors”.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in New Zealand 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 New Zealand by nonresidents at present.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established in New Zealand by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in New Zealand 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: Contrary to the international standards, the data do not include purchases and sales of land and buildings in New Zealand 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 New Zealand by nonresidents. However, the data cover only those instances when an entity has been established to conduct the exploration.

Exchange Rate Conversion: Transactions are converted to the unit of account at the mid-point of the appropriate buy and sell exchange rates prevailing on the day of the transaction.

DIRECT INVESTMENT IN NEW ZEALAND
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 13 weeks after the end of the reference period.

Revision Policy: The data are revised at the time of release of the data for the next quarter. The quarterly data are also subject to revision on an annual basis at the time of the release of the March quarter data. Revisions to data that are more than 3 years old are infrequent but can occur.

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 quarterly enterprise surveys of direct investment enterprises in New Zealand. Published sources, such as company accounts, 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) other statistical collection forms, (ii) registers maintained by government licensing and regulatory authorities, tax authorities, and corporate affairs and stock exchange authorities, and (iii) the financial press.

Geographic Classification: Annual data showing country breakdowns are disseminated with a timeliness of 6 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) the OECD, (iii) ASEAN, and (iv) APEC. The four countries with the largest amount of direct investment in New Zealand as at the end of March 2001 (ranked in descending order) were: Australia, the United States, the Netherlands, and the United Kingdom.

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

B. Methodology

Definition of Direct Investment Enterprises in New Zealand: In accordance with the international standards, the basic criterion for defining direct investment enterprises in New Zealand 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. A value threshold of Goods and Services Tax (GST) sales of NZ\$ 5 million or more 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 partially applied. In accordance with the FCS, survey respondents are asked to ensure that 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. However, not all respondents are able to determine whether the investments involve a related enterprise. Enterprises in New Zealand 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.

Treatment of Equity Capital and Reinvested Earnings: The data cover: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, and (iv) reinvested earnings. The data do not cover non-cash acquisitions of equity, such as through the provision of capital equipment. 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 New Zealand.)

Treatment of Other Capital: The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, and (v) trade credits. The data do not cover 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 New Zealand 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 New Zealand: Claims on Direct Investors", rather than 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 New Zealand: 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 New Zealand: Claims on Direct Investors".

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in New Zealand 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 New Zealand by nonresidents at present.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established in New Zealand by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in New Zealand 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: Contrary to the international standards, the data do not include ownership of land and buildings in New Zealand 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 New Zealand by nonresidents. However, the data cover only those instances when an entity has been established to conduct the exploration.

Valuation: In accordance with the international standards, the data are recorded primarily at market values. However, some data are recorded at the net asset value, which may be based on market value but could be valued at book values, which are the values used in the accounting records of the individual reporting enterprises.

Exchange Rate Conversion: The mid-point of the buy and sell exchange rates prevailing on the day to which the position data relate is used to convert foreign currencies into the unit of account.

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

A. Compilation Practices and Data Sources

Data Availability: Preliminary 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 13 weeks after the end of the reference period. However, to prevent data for individual respondents being identified in the statistics, it is sometimes necessary to suppress some breakdowns of direct investment income and financial flows transactions.

Revision Policy: The data are revised at the time of release of the data for the next quarter. The quarterly data are also subject to revision on an annual basis at the time of the release of the March quarter data. Revisions to data that are more than 3 years old are infrequent but can occur.

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 data are compiled from quarterly enterprise surveys of residents with direct investment enterprises abroad. Published sources, such as company accounts, are used for cross-checking the data obtained from the surveys. 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, tax authorities, and corporate affairs and stock exchange authorities, and (iii) the financial press.

Geographic Classification: Annual data showing country breakdowns are disseminated for direct investment financial flows with a timeliness of within 6 months after the end of the reference period. Annual data showing country breakdowns for direct investment income are compiled and are available on request. 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 direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) the OECD, (iii) ASEAN, and (iv) APEC. The two regions/economic zones with the largest amount of direct investment flows from New Zealand residents during the year ended March 31, 2001 (ranked in descending order) were: the European Union and the OECD.

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

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. A value threshold of Goods and Services Tax (GST) sales of NZ\$ 5 million or more is used to identify direct investors abroad. 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, survey respondents are asked 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. However, not all respondents are able to determine whether the investments involve a related enterprise. Enterprises in New Zealand 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 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, dividends and distributed branch profits are recorded (i) on the date they are declared payable, and (ii) 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, and (iii) short-term loans. The data do not cover interest income from 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 between affiliated financial intermediaries. In accordance with the international standards, the data are compiled on an accrual basis.

Treatment of Equity Capital: The data cover: (i) listed voting stocks (shares), (ii) unlisted voting stocks, and (iii) other non-voting stocks (including participating preference shares). The data do not cover 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) financial leases, and (v) trade credits. The data do not cover 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: 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 New Zealand 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 New Zealand: Increase in Claims on Direct Investors”, rather than as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. When the direct investment enterprise owns less than 10 percent of its nonresident direct investor, loan transactions are recorded in accordance with the international standards as “Direct Investment in New Zealand: Increase in Claims on Direct Investors”. However, contrary to the international standards, equity transactions are recorded as “Portfolio Investment: Increase in Assets: Equity Securities”, rather than as “Direct Investment in New Zealand: Increase in Claims on Direct Investors”.

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 New Zealand residents 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 abroad by New Zealand residents at present.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established abroad by New Zealand residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by New Zealand 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: Contrary to the international standards, the data do not include purchases and sales of land and buildings abroad by New Zealand 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 New Zealand residents. However, the data cover only those instances when an entity has been established to conduct the exploration.

Exchange Rate Conversion: Transactions are converted to the unit of account at the mid-point of the buy and sell exchange rates prevailing on the day of the transaction.

NEW ZEALAND: DIRECT INVESTMENT ABROAD
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 13 weeks after the end of the reference period.

Revision Policy: The data are revised at the time of release of the data for the next quarter. The quarterly data are also subject to revision on an annual basis at the time of the release of the March quarter data. Revisions to data that are more than 3 years old are infrequent but can occur.

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 quarterly enterprise surveys of residents with direct investment enterprises abroad. Published sources, such as company accounts, 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) other statistical collection forms, (ii) registers maintained by government licensing and regulatory authorities, tax authorities, and corporate affairs and stock exchange authorities, and (iii) the financial press.

Geographic Classification: Annual data showing country breakdowns are disseminated with a timeliness of 6 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) the OECD, (iii) ASEAN, and (iv) APEC. The regions/economic zones with the largest amount of direct investment in New Zealand as at the end of March 2001 (ranked in descending order) were: the OECD, APEC, and the European Union. The country with the largest amount of direct investment in New Zealand as at the end of March 2001 was Australia.

Industrial Analysis: Not applicable. Data showing breakdowns by industrial sector are not compiled at present.

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. A value threshold of Goods and Services Tax (GST) sales of NZ\$ 5 million or more is used to identify direct investors abroad. 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, survey respondents are asked to ensure that 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. However, not all respondents are able to determine whether the investments involve a related enterprise. Enterprises in New Zealand 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.

Treatment of Equity Capital and Reinvested Earnings: The data cover: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, and (iv) reinvested earnings. The data do not cover non-cash acquisitions of equity, such as through the provision of capital equipment. 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) financial leases, and (v) trade credits. The data do not cover 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 New Zealand 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 New Zealand: Claims on Direct Investors", rather than 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 New Zealand: 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 New Zealand: Claims on Direct Investors".

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 New Zealand residents 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 abroad by New Zealand residents at present.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established abroad by New Zealand residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by New Zealand 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: Contrary to the international standards, the data do not include ownership of land and buildings abroad by 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 New Zealand residents. However, the data cover only those instances when an entity has been established to conduct the exploration.

Valuation: In accordance with the international standards, the data are recorded primarily at market values. However, some data are recorded at the net asset value, which may be based on market value but could be valued at book values, which are the values used in the accounting records of the individual reporting enterprises.

Exchange Rate Conversion: The mid-point of the buy and sell exchange rates prevailing on the day to which the position data relate is used to convert foreign currencies into the unit of account.