

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.

Portugal:

Direct Investment Compilation Practices, Data Sources and Methodology

Contact person:

Ms. Margarida Brites Ramos
Balance of Payments Methodology and Analysis Unit
Statistics Department
Banco de Portugal
Av. Almirante Reis, 71
1150-012 Lisboa
Portugal

Telephone: (351-21) 313-0836
Fax: (351-21) 312-8478
E-mail: mpramos@bportugal.pt

Direct Investment in Portugal

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

A. Compilation Practices and Data Sources

Data Availability: Preliminary monthly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital) are disseminated with a timeliness of 6 weeks after the end of the reference month.

Revision Policy: Revisions are made at the end of the quarter to which the month belongs, at the end of the first half of the year, and at the end of the year. The monthly transactions data can be further revised at the end of the following two years to incorporate data obtained from the biennial enterprise surveys of direct investment. At that time the data are 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 data are compiled primarily from an international transactions reporting system (ITRS), with estimates being used for the data on reinvested earnings and trade credits between affiliated enterprises. Press reports and bilateral data are used for cross-checking the data. The results of a biennial enterprise survey of direct investment enterprises in Portugal are used to revise the data - in particular, those for reinvested earnings and trade credits. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, and (iii) the financial press.

Geographic Classification: Monthly data are disseminated for direct investment financial flows (but not direct investment income) with a timeliness of 7-8 weeks after the end of the reference month showing a breakdown by country/region/economic zones for: (i) the OECD, subdivided into the European Union (EU) and other OECD countries, (ii) Germany, (iii) Spain, (iv) France, (v) Other Euro Area countries, (vi) the United Kingdom, (vii) Brazil, (viii) Switzerland, (ix) the United States, and (x) other Extra-Euro Area countries. 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 used as a supplementary source in the compilation of the data. Annual data are disseminated 6 months after the end of the reference year showing breakdowns of both direct investment income and direct investment financial flows by country, and 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 Portugal during 2001 (using the standard approach of the total amount invested, less disinvestments during the period – the so-called “net direct investment in Portugal”), ranked in descending order, were: the United Kingdom, Spain, Germany, the Netherlands, and Ireland.

Industrial Classification: Monthly data showing breakdowns by industry are disseminated for direct investment financial flows (but not direct investment income) with a timeliness of 7-8 weeks after the end of the reference month. The disseminated data are based on the industry of the resident direct investment enterprise. (Data based on the industry of the nonresident direct investor are also compiled but are not disseminated.) 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 breakdown at the sub-section level of NACE, the classification used by the European Union are also disseminated. Annual data are disseminated with a timeliness of 6 months after the end of the reference year showing breakdowns of both direct investment income and direct investment financial flows by industrial sector/region or economic zone for: (i) the European Union (EU), (ii) EFTA, and (iii) the extra-EU region. Data showing breakdowns by industrial sector/partner country are also disseminated for each member country of the European Union, the United States, Canada, and Japan.

B. Methodology

Definition of Direct Investment Enterprises in Portugal: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Portugal is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. The data also include

enterprises in which the investor owns less than 10 percent but has an effective voice in management, as evidenced by the existence of stable and lasting economic links between the direct investor and the direct investment enterprise. 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 the FCS, 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, contrary to the FCS, the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises. Furthermore, the Portuguese Nomenclature of External Operations used to identify indirectly-owned enterprises may not cover all indirect relationships. Enterprises in Portugal 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. In accordance with COPC: (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, and (ii) unrealized capital gains are not included. Contrary to COPC, realized capital gains and losses, unrealized capital losses, write-offs, and exchange rate gains or losses are 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. Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover 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, (iii) short-term loans, and (iv) 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 on paid basis, rather than 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) 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 (ii) 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 treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Portugal and the direct investor is a nonresident: (i) equity and loan transactions are recorded as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises” 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; and (ii) equity and loan transactions are recorded as “Direct Investment in Portugal: Increase in Claims on Direct Investors” when the direct investment enterprise owns less than 10 percent of its nonresident direct investor.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Portugal 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 Portugal 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 Portugal by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in Portugal 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 Portugal by nonresident enterprises and individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, the data include expenditure on natural resources exploration in Portugal 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 PORTUGAL

INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly and annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 7-8 weeks after the end of the reference quarter/year.

Revision Policy: The quarterly and annual position data are revised according to the revision calendar defined for the transactions data, and become final 12-24 months after their first release following the incorporation of the results of the biennial surveys of direct investment enterprises in Portugal.

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

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The quarterly data are compiled primarily from an international transactions reporting system (ITRS), using a form of perpetual inventory method (a method for deriving position data from transactions data). Specifically, the quarterly data are compiled by adding the cumulative monthly transactions to the outstanding position data obtained from the latest biennial enterprise survey of direct investment enterprises in Portugal. No adjustments are made to the transactions data for price changes or exchange rate changes. Published sources, such as company accounts, and information obtained from the Central Balance Sheet Data Unit of the Banco de Portugal are also used as secondary data sources for the reinvested earnings data. Press reports are used for cross-checking the data. The final annual data are compiled primarily from a biennial enterprise survey of direct investment enterprises in Portugal. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, and (iii) the financial press.

Geographic Classification: Annual (calendar year) data showing country breakdowns are disseminated with a timeliness of 18 months after the end of the reference year. In accordance with the international standards, the data are compiled and disseminated on an “immediate country” basis. Data are also compiled on the “ultimate country” basis, but are not disseminated. Bilateral information is used as a supplementary source 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 Portugal as at the end of 1999 (ranked in descending order) were: the Netherlands, Spain, Germany, France, and the United Kingdom.

Industrial Classification: Annual (calendar year) data showing breakdowns by industrial sector are disseminated with a timeliness of 18 months after the end of the reference year. The disseminated data are based on the industry of the resident direct investment enterprise. (Data based on the industry of the nonresident direct investor are also compiled but are not disseminated.) 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 breakdown at the sub-section level of NACE, the classification used by the European Union are also disseminated. Annual data are disseminated showing breakdowns by industrial sector/region or economic zone for: (i) the European Union (EU), (ii) EFTA, and (iii) the extra-EU region. Data showing breakdowns by industrial sector/partner country are also disseminated for each member country of the European Union, the United States, Canada, and Japan.

B. Methodology

Definition of Direct Investment Enterprises in Portugal: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Portugal is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. The data also include enterprises in which the investor owns less than 10 percent but has an effective voice in management, as evidenced by the existence of stable and lasting economic links between the direct investor and the direct investment enterprise. 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 not applied. Specifically, the relevant share of indirectly-owned direct investment enterprises is not included in (i) the reinvested earnings data, or (ii) the equity and other capital position data. Enterprises in Portugal 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.

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 in Portugal)

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) changes in insurance company technical reserves, (ii) loans merely guaranteed by direct investors or related direct investment enterprises 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 treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Portugal and the direct investor is a nonresident: (i) equity and loan positions are recorded as “Assets: Direct Investment Abroad: Claims on Affiliated Enterprises” 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; and (ii) equity and loan positions are recorded as “Liabilities: Direct Investment in Portugal: Claims on Direct Investors” when the direct investment enterprise owns less than 10 percent of its nonresident direct investor.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Portugal 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 Portugal 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 Portugal by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in Portugal 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 Portugal by nonresident enterprises and individuals.

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

Valuation: Contrary to the international standards, the data are recorded 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 on the day to which the position data relate is used to convert foreign currencies into the unit of account.

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

A. Compilation Practices and Data Sources

Data Availability: Preliminary monthly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of 6 weeks after the end of the reference month.

Revision Policy: Revisions are made at the end of the quarter to which the month belongs, at the end of the first half of the year, and at the end of the year. The monthly transactions data can be further revised at the end of the following two years to incorporate data obtained from the biennial enterprise surveys of direct investment. At that time the data are 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 data are compiled primarily from an international transactions reporting system (ITRS), with estimates being used for the data on reinvested earnings and trade credits between affiliated enterprises. Press reports and bilateral data are used for cross-checking the data. The results of a biennial enterprise survey of residents with direct investment enterprises abroad are used to revise the data - in particular, those for reinvested earnings and trade credits. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, and (iii) the financial press.

Geographic Classification: Monthly data are disseminated for direct investment financial flows (but not direct investment income) with a timeliness of 7-8 weeks after the end of the reference month showing a breakdown by country/region/economic zones for: (i) the OECD, subdivided into the European Union (EU) and other OECD countries, (ii) PALOP (Portuguese speaking African countries), (iii) Germany, (iv) Spain, (v) France, (vi) Other Euro Area countries, (vii) the United Kingdom, (viii) Brazil, (ix) Switzerland, (x) the United States, and (xi) other Extra-Euro Area countries. 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 used as a supplementary source in the compilation of the data. Annual data are disseminated 6 months after the end of the reference year showing breakdowns of both direct investment income and direct investment financial flows by country, and 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 from Portugal during 2001 (using the standard approach of the total amount invested, less disinvestments during the period – the so-called “net direct investment abroad from Portugal”), ranked in descending order, were: Spain, the Netherlands, Brazil, Poland and Italy.

Industrial Classification: Monthly data showing breakdowns by industrial sector for direct investment financial flows (but not direct investment income) are disseminated with a timeliness of 7-8 weeks after the end of the reference month. The disseminated data are based on the industry of the resident direct investor. (Data based on the industry of the nonresident direct investment enterprise are also compiled but are not disseminated.) 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 breakdown at the sub-section level of NACE, the classification used by the European Union are also disseminated. Annual data are disseminated with a timeliness of 6 months after the end of the reference year showing breakdowns of both direct investment income and direct investment financial flows by industrial sector/region or economic zone for: (i) the European Union (EU), (ii) EFTA, and (iii) the extra-EU region. Data showing breakdowns by industrial sector/partner country are also disseminated for each member country of the European Union, the United States, Canada, and Japan.

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. The data also include enterprises in which the investor owns less than 10 percent but has an effective voice in management, as evidenced by the existence of stable and lasting economic links between the direct investor and the direct investment enterprise. 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. In accordance with the FCS, 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, contrary to the FCS, the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises. Furthermore, the Portuguese Nomenclature of External Operations used to identify indirectly-owned enterprises may not cover all indirect relationships. Enterprises in Portugal 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. In accordance with COPC: (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, and (ii) unrealized capital gains are not included. Contrary to COPC, realized capital gains and losses, unrealized capital losses, write-offs, and exchange rate gains or losses are 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. Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover 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, (iii) short-term loans, and (iv) 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 on paid basis, rather than an accrual basis.

Treatment of Equity Capital: The data cover all types of financial flows affecting equity capital: (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) 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 treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Portugal and the direct investor is a nonresident: (i) equity and loan transactions are recorded as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises” 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; and (ii) equity and loan transactions are recorded as “Direct Investment in Portugal: Increase in Claims on Direct Investors” when the direct investment enterprise owns less than 10 percent of its nonresident direct investor.

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 Portuguese 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 Portuguese 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 Portuguese residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by Portuguese 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 Portuguese 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 Portuguese 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.

PORTUGAL: DIRECT INVESTMENT ABROAD
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly and annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 7-8 weeks after the end of the reference quarter/year.

Revision Policy: The quarterly and annual position data are revised according to the revision calendar defined for the transactions data, and become final 12-24 months after their first release following the incorporation of the results of the biennial surveys of residents with direct investment enterprises abroad.

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

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The quarterly data are compiled primarily from an international transactions reporting system (ITRS), using a form of perpetual inventory method (a method for deriving position data from transactions data). Specifically, the quarterly data are compiled by adding the cumulative monthly transactions to the outstanding position data obtained from the latest biennial enterprise survey of residents with direct investment enterprises abroad. No adjustments are made to the transactions data for price changes or exchange rate changes. Published sources, such as company accounts, and information obtained from the Central Balance Sheet Data Unit of the Banco de Portugal are also used as secondary data sources for the reinvested earnings data. Press reports are used for cross-checking the data. The final annual data are compiled primarily from a biennial enterprise survey of residents with direct investment enterprises abroad. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, and (iii) the financial press.

Geographic Classification: Annual (calendar year) data showing country breakdowns are disseminated with a timeliness of 18 months after the end of the reference year. In accordance with the international standards, the data are compiled and disseminated on an “immediate country” basis. Bilateral information is used as a supplementary source 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 from Portuguese residents as at the end of 1999 (ranked in descending order) were: Brazil, Spain, Ireland, France, and the United Kingdom.

Industrial Classification: Annual (calendar year) data showing breakdowns by industrial sector are disseminated with a timeliness of 18 months after the end of the reference year. The disseminated data are based on the industry of the resident direct investor. (Data based on the industry of the nonresident direct investment enterprise are also compiled and reported to the OECD for publication. However, those data are not disseminated in the national publications.) 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 breakdown at the sub-section level of NACE, the classification used by the European Union are also disseminated. Annual data are disseminated with a timeliness of 6 months after the end of the reference year showing breakdowns by industrial sector/region or economic zone for: (i) the European Union (EU), (ii) EFTA, and (iii) the extra-EU region. Data showing breakdowns by industrial sector/partner country are also disseminated for each member country of the European Union, the United States, Canada, and Japan.

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. The data also include enterprises in which the investor owns less than 10 percent but has an effective voice in management, as evidenced by the existence of stable and lasting economic links between the direct investor and the direct investment enterprise. No value threshold is used to identify direct investors abroad, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, the relevant share of indirectly-owned direct investment enterprises is not included in (i) the reinvested earnings data, or (ii) the equity and other capital position data. Enterprises in Portugal 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.

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) 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) changes in insurance company technical reserves, (ii) loans merely guaranteed by direct investors or related direct investment enterprises, 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 treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Portugal and the direct investor is a nonresident: (i) equity and loan positions are recorded as “Assets: Direct Investment Abroad: Claims on Affiliated Enterprises” 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; and (ii) equity and loan positions are recorded as “Liabilities: Direct Investment in Portugal: Claims on Direct Investors” when the direct investment enterprise owns less than 10 percent of its nonresident direct investor.

Treatment of Quasi-corporations: In accordance with the international standards, the data include the activities of quasi-corporations involving the operation abroad by Portuguese 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 Portuguese 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 Portuguese residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by Portuguese residents 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 abroad by Portuguese 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 Portuguese residents.

Valuation: Contrary to the international standards, the data are recorded at book values, or a proxy for market values, rather than at market values. The book values used corresponds to the values shown in the accounting records of the individual reporting enterprises. The proxy for market values is derived from the financial participation recorded in the books of the direct investors, which are usually revalued at current prices.

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.