

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.

## South Africa:

### Direct Investment Compilation Practices, Data Sources and Methodology

#### Contact persons:

1. Mr. S.S. Walters, Senior Economist
2. Mr. J.J.H. Erasmus, Head  
Balance of Payments Division  
Research Department  
South African Reserve Bank  
P.O. Box 427, Pretoria 0001  
South Africa

Telephone: 1 = (27-12) 313-3656

2 = (27-12) 313-3792

Fax: (27-12) 313-3675

E-mail: 1 = Stefaans.Walters@resbank.co.za

2 = Johan. Erasmus@resbank.co.za

#### Direct Investment in South Africa

- **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 SOUTH AFRICA

### BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

#### A. Compilation Practices and Data Sources

**Data Availability:** Preliminary quarterly data on (i) direct investment income (income on equity, and income on debt [interest] only), and (ii) direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of 12 weeks after the end of the reference period. Quarterly data on reinvested earnings are compiled but not disseminated at present.

**Revision Policy:** The data are subject to revision until such time as the annual International Investment Position (IIP) data for the year have been finalized—that is, the quarterly data become final 21-30 months after their first release.

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

**Data Collection Methods:** Data are collected on an aggregate basis, and reporting requirements are compulsory.

**Data Sources:** The data are compiled primarily from quarterly enterprise surveys of direct investment enterprises in South Africa. Information from (i) an international transactions reporting system (ITRS)—the “open” foreign exchange record system—and (ii) exchange control authorities and investment approval authorities, is used as a secondary data source. Other data sources (in descending order of importance) are: (i) published sources, such as company accounts, and (ii) press reports. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the international trade system’s list of exporters and importers, (ii) the ITRS’s list of transactors, (iii) other statistical collection forms, (iv) registers maintained by government licensing and regulatory authorities, and (v) the financial press. Periodic Censuses of Foreign Transactions, Liabilities and Assets are also used to update the register.

**Geographic Classification:** Not applicable. Data showing breakdowns by country are not compiled for the transactions data for direct investment in South Africa.

**Industrial Classification:** Not applicable. Data showing breakdowns by industrial sector are not compiled for the transactions data for direct investment in South Africa.

#### B. Methodology

**Definition of Direct Investment Enterprises in South Africa:** In accordance with the international standards, the basic criterion for defining direct investment enterprises in South Africa is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify direct investment enterprises in South Africa, and unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended by the international standards is fully applied. Specifically: (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 all equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in South Africa 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, deductions are made for depreciation of capital and for provisions for host-country income and corporation taxes. However, contrary to COPC, realized and unrealized capital gains and 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. In accordance with the international standards,

dividends and distributed branch profits are recorded (i) on the date they are payable, and (ii) gross of any withholding taxes.

**Treatment of Reinvested Earnings and Undistributed Branch Profits:** Data on reinvested earnings and undistributed branch profits are compiled but not disseminated at present. 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 (iii) trade credits. In accordance with the international standards, the data do not include interest from: (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and 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 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 (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 South Africa and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan 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, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities", and loan transactions are recorded as "Other Investment: Increase in Assets: Loans", rather than as "Direct Investment in South Africa: Increase in Claims on Direct Investors" in both instances. There are plans to reclassify the reverse investment transactions data in accordance with the international standards once the results of the Census of Foreign Transactions, Liabilities and Assets, become available in the first half of 2003.

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

**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.

**DIRECT INVESTMENT IN SOUTH AFRICA**  
**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 12 months after the end of the reference period. The data on reinvested earnings began to be disseminated at the end of 2001, beginning with the data for 2000.

**Revision Policy:** The data are revised at the time of the release of the data for the following year, at which time they become final—that is, the data become final 12 months after they are first released.

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

**Data Collection Methods:** Reporting requirements are compulsory.

**Data Sources:** The data are compiled primarily from annual enterprise surveys of direct investment enterprises in South Africa. Information from (i) an international transactions reporting system (ITRS)—the “open” foreign exchange record system—and (ii) exchange control authorities and investment approval authorities, is used as a secondary data source. Other data sources (in descending order of importance) are: (i) published sources, such as company accounts, and (ii) press reports. The perpetual inventory method (a method for deriving position data from transactions data) is not used. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the international trade system's list of exporters and importers, (ii) the ITRS's list of transactors, (iii) other statistical collection forms, (iv) registers maintained by government licensing and regulatory authorities, and (v) the financial press. Periodic Censuses of Foreign Transactions, Liabilities and Assets are also used to update the register.

**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, but is used from time to time for comparison purposes. Data are compiled showing breakdowns by regions or economic zones for the following: (i) Europe, (ii) North and South America, (iii) Africa, (iv) Asia, and (v) Oceania. The five countries with the largest amount of direct investment in South Africa as at the end of 2000 (ranked in descending order) were: the United Kingdom, the United States, Germany, the Netherlands, and Switzerland.

**Industrial Classification:** Annual data showing a breakdown by industrial sector are disseminated with a timeliness of 12 months after the end of the reference year. 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), and data are disseminated at the three-digit level of ISIC. Data are compiled showing breakdowns by industrial sector/regions or economic zones for the following: (i) Europe, (ii) North and South America, (iii) Africa, (iv) Asia, and (v) Oceania. Data showing a breakdown by industrial sector/partner country are not compiled.

**B. Methodology**

**Definition of Direct Investment Enterprises in South Africa:** In accordance with the international standards, the basic criterion for defining direct investment enterprises in South Africa is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify direct investment enterprises in South Africa, and unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended by the international standards is fully applied. Specifically, 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. Enterprises in South Africa 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 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 South Africa.)

**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 South Africa and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", and loan transactions are recorded as "Assets: Other Investment: Loans", rather than as "Liabilities: Direct Investment in South Africa: Claims on Direct Investors" in both instances. There are plans to reclassify the reverse investment position data in accordance with the international standards once the results of the Census of Foreign Transactions, Liabilities and Assets, become available in the first half of 2003.

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

**Valuation:** Some of the data for equity capital are recorded at market value, while others are recorded at the net asset value (defined as the nominal value of (i) share capital, (ii) share premiums, (iii) non-distributable reserves, and (iv) distributable reserves). However, in accordance with the international standards, all the data for other capital are recorded at market value.

**Exchange Rate Conversion:** The exchange rate prevailing on the day to which the position data relate (i.e. the exchange rate at the end of the calendar year) is used to convert foreign currencies into the unit of account.

**SOUTH AFRICA: 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, and income on debt [interest] only), and (ii) direct investment financial flows (equity capital and other capital) are disseminated with a timeliness of 12 weeks after the end of the reference period. Quarterly data on reinvested earnings are compiled but not disseminated at present.

**Revision Policy:** The data are subject to revision until such time as the annual International Investment Position (IIP) data for the year have been finalized—that is, the quarterly data become final 21-30 months after their first release.

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

**Data Collection Methods:** Data are collected on an aggregate basis, and reporting requirements are compulsory.

**Data Sources:** The data are compiled primarily from quarterly enterprise surveys of residents with direct investment enterprises abroad. Information from (i) an international transactions reporting system (ITRS)—the “open” foreign exchange record system—and (ii) exchange control authorities and investment approval authorities, is used as a secondary data source. Other data sources (in descending order of importance) are: (i) published sources, such as company accounts, and (ii) press reports. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the international trade system’s list of exporters and importers, (ii) the ITRS’s list of transactors, (iii) other statistical collection forms, (iv) registers maintained by government licensing and regulatory authorities, and (v) the financial press. Periodic Censuses of Foreign Transactions, Liabilities and Assets are also used to update the register.

**Geographic Classification:** Not applicable. Data showing breakdowns by country are not compiled for the transactions data for direct investment abroad.

**Industrial Classification:** Not applicable. Data showing breakdowns by industrial sector are not compiled for the transactions data for direct investment abroad.

**B. Methodology**

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

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended by the international standards is fully applied. Specifically: (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 all equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in South Africa 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, deductions are made for depreciation of capital and for provisions for host-country income and corporation taxes. However, contrary to COPC, realized and unrealized capital gains and 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 are compiled for 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 payable, and (ii) gross of any withholding taxes.

**Treatment of Reinvested Earnings and Undistributed Branch Profits:** Data on reinvested earnings and undistributed branch profits are compiled but not disseminated at present. 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 (iii) trade credits. In accordance with the international standards, the data do not include interest from: (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and 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 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 (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 South Africa and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan 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, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities", and loan transactions are recorded as "Other Investment: Increase in Assets: Loans", rather than as "Direct Investment in South Africa: Increase in Claims on Direct Investors" in both instances. There are plans to reclassify the reverse investment transactions data in accordance with the international standards once the results of the Census of Foreign Transactions, Liabilities and Assets, become available in the first half of 2003.

**Treatment of Quasi-corporations:** In accordance with the international standards, the data include the activities of quasi-corporations involving the operation abroad by South African 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, the activities of offshore enterprises established abroad by South African residents are 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 South African residents are generally included in the direct investment data, and (ii) in the case of SPEs that have the sole purpose of financial intermediation established abroad by South African residents, 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 South African resident enterprises and individuals.

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the data include expenditure on natural resources exploration abroad by South African 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.

**SOUTH AFRICA: DIRECT INVESTMENT ABROAD**  
**INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 12 months after the end of the reference period. The data on reinvested earnings began to be disseminated at the end of 2001, beginning with the data for 2000.

**Revision Policy:** The data are revised at the time of the release of the data for the following year, at which time they become final—that is, the data become final 12 months after they are first released.

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

**Data Collection Methods:** Reporting requirements are compulsory.

**Data Sources:** The data are compiled primarily from annual enterprise surveys of residents with direct investment enterprises abroad. Information from (i) an international transactions reporting system (ITRS)—the “open” foreign exchange record system—and (ii) exchange control authorities and investment approval authorities, is used as a secondary data source. Other data sources (in descending order of importance) are: (i) published sources, such as company accounts, and (ii) press reports. The perpetual inventory method (a method for deriving position data from transactions data) is not used. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the international trade system’s list of exporters and importers, (ii) the ITRS’s list of transactors, (iii) other statistical collection forms, (iv) registers maintained by government licensing and regulatory authorities, and (v) the financial press. Periodic Censuses of Foreign Transactions, Liabilities and Assets are also used to update the register.

**Geographic Classification:** Annual data showing country breakdowns are disseminated with a timeliness of 12 months. 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, but is used from time to time for comparison purposes. Data are compiled showing breakdowns by regions or economic zones for the following: (i) Europe, (ii) North and South America, (iii) Africa, (iv) Asia, and (v) Oceania. The five countries with the largest amount of direct investment from South Africa as at the end of 2000 (ranked in descending order) were: the United Kingdom, Luxembourg, Switzerland, the United States, and Germany.

**Industrial Classification:** Not applicable. Data showing a breakdown by industrial sector are not compiled for the position data for direct investment abroad.

**B. Methodology**

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

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended by the international standards is fully applied. Specifically, 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. Enterprises in South Africa 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 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) 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 South Africa and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", and loan transactions are recorded as "Assets: Other Investment: Loans", rather than as "Liabilities: Direct Investment in South Africa: Claims on Direct Investors" in both instances. There are plans to reclassify the reverse investment position data in accordance with the international standards once the results of the Census of Foreign Transactions, Liabilities and Assets, become available in the first half of 2003.

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

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the data include expenditure on natural resources exploration abroad by South African residents.

**Valuation:** Some of the data for equity capital are recorded at market value, while others are recorded at the net asset value (defined as the nominal value of (i) share capital, (ii) share premiums, (iii) non-distributable reserves, and (iv) distributable reserves). However, in accordance with the international standards, all the data for other capital are recorded at market value.

**Exchange Rate Conversion:** The exchange rate prevailing on the day to which the position data relate (i.e. the exchange rate at the end of the calendar year) is used to convert foreign currencies into the unit of account.