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Plans and Difficulties in Reporting the CDIS Granular Data

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1 The Status Quo of Reporting CDIS Data

CDIS is conducted under the auspices of the STA of IMF across a wide range of economies. CDIS is an important tool in capturing world totals and geographic distribution of direct investment positions, and improving the interconnectness of direct investment data worldwide. Since 2011, China has begun to report the CDIS data to IMF on an annual basis.

China’s CDIS data cover inward foreign direct investment, for inward FDI is very important to China, and the volume is huge. The inward FDI includes equity position with investor’s country/region breakdown, and total debt position with affiliated enterprises without country/region breakdown.

2 Data Gap with CDIS2015

2.1 The debt instruments of inward FDI do not include trade credit and advances, because trade credit and advances with the affiliated enterprises cannot be separated from those with the unaffiliated. Moreover, the present trade credit survey does not collect the counterparty country information. Therefore, all trade credit and advances are recorded under other investment.

2.2 Debts between affiliated enterprises cannot be broken down by counterparty countries/regions, thus only the aggregate data are reported.

2.3 Debts between affiliated enterprises do not distinguish between those of financial institutions and of non-financial institutions.

2.4 The framework of foreign direct investment relationship is not collected. As a result, the information about the ultimate investors, indirect direct investors, and fellow enterprises is far from sufficient, and it is difficult to check the data quality of debts between affiliated enterprises submitted by the reporters.

2.5 The outward FDI data are not reported. At present, the MOFCOM, SAFE, and NBS jointly conduct the outward FDI survey annually, and publish the outward FDI on an annual basis from 2005(see *Statistical Bulletin of China's Outward Foreign Direct Investment*). But, the principle followed by the outward FDI and inward FDI are not coordinated. The outward FDI does not cover the investments in the SPEs abroad which make round-tripping investments into China mainland because the ultimate investment host country is not abroad but China mainland. The inward FDI covers the FDI enterprises invested by the SPEs abroad which are set up by Chinese investors, because the statistics follows the principle of direct direct investors in line with BPM6. The unmatched principles indicate that the outward FDI is underestimated to some extent.

3 Plans for Improvements

3.1 The data of debt instruments between the domestic financial institutions and affiliated enterprises can be broken down by the counterparty country/region since 2014. This is because a new report requirement, *Report on the External Financial Assets, Liabilities and Transactions Statistics, was established in 2013*, and the data were collected in 2014. *The Report* requires domestic financial institutions to report each and every equity investment of inward and outward FDI on a regular basis, and to report debt instruments grouped by types (affiliated of unaffiliated) and sectors (financial or non-financial) of the counterparty. Therefore, for Chinese financial institutions, more detailed counterparty country breakdown data is becoming available. But for Chinese non-financial enterprises, because they are not subject to the requirement, their external debt position cannot be broken down by counterparty countries/regions.

3.2 The trade credit survey is to be revised in 2015. One of the changes is to add an item named "of which: between affiliated" under the item "the receivable/payable and advances”. The new survey forms are circulated for comments and discussions now. According to the feedbacks, most reporters indicate that it is difficult to fill the item or that they have to do extra work for SAFE to fill it. In their view, the changes will increase their report burden, but the data quality may not be satisfactory. Meanwhile, because the FDIR framework, such as indirect direct investment relationship, reverse investment and fellow enterprises etc., is in theory logical and rigorous but in practice difficult to capture, SAFE is considering allowing the enterprises to fill the item based on their experiences, which may bring out not very precise result. Taking both report burden and data accuracy into consideration, SAFE will design the trade credit forms as simple as possible, and will not collect countries/regions breakdown data. Therefore, estimation to do country breakdown should be developed if trade credit data are included in CDIS.

4 Difficulty in reporting more granular data

In general, due to the complexity of direct investment relationship, such as indirect direct investment, fellow enterprises and reverse investment etc., it is difficult to collect more granular data.

4.1 It is difficult for enterprises to precisely understand and adopt the definitions of direct investment.

4.2 The accounting principles of enterprises may be different from the reporting requirements of SAFE. Enterprises have to do extra work to meet SAFE’s statistical reporting requirements, and they complain about the report burden.

4.3 The data quality check on direct investment debt instruments is lacking, though domestic financial institutions have been required to report the data. Different from FDI equity data covering each and every direct investment of domestic financial institutions, the debt data only capture the position on a more aggregate level, namely “with or without affiliated enterprises ” and “financial or non-financial”. As a result, it is more difficult to check the data quality.