



Thirty-First Meeting of the IMF Committee on Balance of Payments Statistics

Washington, D.C.
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For information

FDI Network: Recent Developments



EUROPEAN COMMISSION
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Directorate G: Business and trade statistics
Unit G6: Trade in services; Globalisation

**THIRTY-FIRST MEETING OF THE IMF COMMITTEE
ON BALANCE OF PAYMENTS STATISTICS**

FDI Network: recent developments

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Background

This report on the FDI Network shows the numbers and amounts of transactions and positions exchanged in 2017, the status of the reconciliation process in 2017 as well as an indication of the reasons for failures of the reconciliation process (positions). Finally it gives an overview of the recent and planned improvement actions for the functioning of the Network.

1. FDI Network activities in 2017 - transactions and positions exchanges

- In 2017 both the numbers and amounts of transactions and positions exchanged in the FDI Network decreased compared to 2016 (Table 1). Around 19% of the total intra-EU positions were cross-checked in the Network in 2017.

Table 1 - Transactions and positions exchanged in the FDI Network 2013 - 2017

	2013	2014	2015	2016	2017
Transactions, N° of cases	143	81	83	157	122
Transactions, Amounts (€Bn)	478	336	808	1,448	1,078
Positions, N° of cases	195	67	292	393	253
Positions, Amounts (€Bn)	1,462	822	2,490	2,787	1,565

Note: for 2017 one transaction and six positions have been excluded due to encoding errors

2. Results of the reconciliation process in 2017

Each year in February – March Eurostat follows up on the status of the transactions and positions exchanged in the Network the previous year. The results of the exchanges are reported to the CMFB and the ESS-ESCB joint Task Force on FDI. The results have also been presented several times at the OECD WGIIS and at the IMF workshop on CDIS Bilateral Asymmetries in Hamburg in November 2017.

The results in Table 2 show that:

- The percent of the total amount confirmed to be resolved via the Network (either matched or reconciled with correction) improved compared to 2016. Around 41% of transactions and 38% of positions were resolved in 2017 compared to 24% and 29% respectively in 2016. Notably for transactions 12% were confirmed to be corrected after reconciliation in the Network.
- As regards to the reconciliation requests which were confirmed closed as the *reconciliation failed* the amount for transactions was similar to 2016 (20%), but for positions it increased to 49% compared to 31% in 2016.
- For the both transactions and positions the amounts of reconciliations ongoing improved significantly compared to 2016. For transactions 39% was ongoing compared to 59% in 2016 and for positions 13% was ongoing compared to 40% in 2016. After the meeting of the joint Task Force in April Eurostat did a follow up with countries that had pending requests exceeding 20% of the total amount on either transactions or positions which led to an improvement of the response rate in the Network.

Table 2 - Status of the reconciliation process 2017

status of the exchanges	Transactions			Positions		
	N° of cases	Amounts (€bn)	% of total amount	N° of cases	Amounts (€bn)	% of total amount
Exchanges resolved, of which:	61	441	40.9%	110	597	38.1%
<i>closed – matched (directly or after investigation)</i>	55	312	28.9%	103	567	36.2%
<i>closed – reconciled (correction)</i>	6	129	12.0%	7	30	1.9%
Exchanges closed – reconciliation failed	30	214	19.9%	116	771	49.3%
Exchanges ongoing, of which	31	423	39.2%	27	197	12.6%
<i>pending - waiting for contact</i>	9	41	3.8%	9	50	3.2%
<i>reconciliation in progress</i>	22	382	35.4%	18	147	9.4%
TOTAL	122	1,078	100%	253	1,565	100%

Table 3 shows Eurostat's analysis of the reasons why positions could not be reconciled (as indicated by Member States):

- As in previous years different use of valuation methods for unlisted equity remains a main cause for failure to reconcile positions accounting for around 35% of the total amount.
- Also the use of 'consolidated vs non-consolidated data' or 'entity not covered' were important reasons together accounting for around 34% of the total amount.
- In 12% of the cases (calculated on amount) Eurostat could not classify the failure to reconcile either due to insufficient or lacking information.

Table 3 - Reasons expressed to justify a failure in the 2017 reconciliation process on positions' data exchanges

	N° of cases	Amounts (€Bn)
Different valuation methods: Total	33	266
<i>Different valuation method: OFBV vs historical costs</i>	4	12
<i>Different valuation method: OFBV vs net assets values</i>	3	16
<i>Different valuation method: DIE balance sheet vs DI balance sheet</i>	12	146
<i>Different valuation method: Not further specified</i>	14	92
Other (identified) reasons:	65	411
<i>Entity not covered (1)</i>	18	92
<i>Corresponding positions not found (2)</i>	6	29
<i>Different opinions on immediate counterpart (3)</i>	6	98
<i>Not in FDI (4)</i>	3	11
<i>Differences in dates of reported data between national compilers</i>	4	12
<i>Consolidated vs non consolidated data</i>	28	169
Other (no sufficient explanation given)	18	94
TOTAL	116	771

(1) I.e. Entity not sampled, name of the DIE not identified, entity has no legal domicile, DIE not yet included in data sources

(2) I.e. Entity found but position to be reconciled not found or entity liquidated.

(3) I.e. IMC versus "pass-through SPEs" etc...

(4) Not in FDI due to methodological differences (classified in PI instead of FDI) or no direct investment link acc to counterpart

3. Planned improvement actions

In 2016 the CMFB Task Force on asymmetries in FDI and the FDI Network came with its recommendations on how to improve the functioning of the Network. Following this Eurostat in cooperation with Member States developed the 'metadata flash cards' for Network participants to have a quick overview of relevant aspects of national compilers' FDI methodologies.

Further Eurostat has investigated the possibility of setting up 'secure chat-rooms' for Member States to more easily exchange confidential information on Network reconciliations. Such chat-rooms could also serve as a centralised, user-friendly database to store all data requests and reconciliation exercises. Unfortunately no suitable IT-solution has been found yet, however Eurostat continues the discussions with relevant IT services to come to a solution.

Following the IMF workshop on CDIS Bilateral Asymmetries some ideas for improvements also came up which were presented for the joint Task Force in December 2017. This includes:

- Share lists of countries' largest 10-25 companies and focus on resolving asymmetries caused by these companies (so far 10 lists were exchanged since the workshop)
- Share information on population counts and sample sizes
- Continue the bilateral meetings done at the workshop to discuss more specifically the reasons behind asymmetries

The work on the improvement actions continues and will be followed up at the next meeting of the joint Task Force in November 2018.

4. Conclusions

In 2017 both the numbers and amounts of transactions and positions exchanged in the FDI Network decreased compared to 2016, but the results of the reconciliation process improved. Notably the percent of the total amount confirmed to be resolved via the Network (either matched or reconciled with correction) improved for both transactions and positions and the amounts of reconciliations that were ongoing dropped compared to 2016.

Based on Member States' feedback the use of different valuation methods for unlisted equity, the use of 'consolidated vs non-consolidated data' or the fact that the entity was not covered in the counterpart's sample remain main causes for failure to reconcile positions.

Eurostat continues its efforts to improve the functioning of the FDI Network and this will be further followed up at the next meeting of the joint Task Force in November 2018.