



National Bank
of Ukraine

Enhancement of Foreign Direct Investment (FDI) Statistics: inclusion of reinvested earnings for banks and revision of FDI stocks

National Bank of Ukraine
Statistics and Reporting Department

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Summary

Issues

- As part of joint effort of the NBU and State Statistics Service of Ukraine (SSSU) on enhancement of FDI statistics from the 1 quarter 2018 responsibility for FDI data compilation for banks were transferred to NBU:
- SSSU stopped collection data on FDI from banks;
 - NBU compile FDI data based on banks' balance sheets and financial statements;
 - methodology of data compilation was changed in order to include reinvested earnings.
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Purpose

- Enhance quality of FDI statistics according to BPM6 requirements and European standards;
 - Reduce reporting burden for banks;
 - Eliminate discrepancies in FDI data disseminated by NBU and DSSU
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Results

- Data were revised:
- BOP data in part of "Primary Income" and «Direct Investment, Liabilities" for 2017 and 1Q 2018 due to inclusion of reinvested earnings of banks;
 - IIP data in part of «Direct Investment, Liabilities Equity»
-

Future Steps

- Inclusion of reinvestment earnings of non-financial enterprises in FDI statistics
- Transfer responsibility for FDI publication from SSSU to NBU

Reinvested earnings - definition

Definition

- **Reinvested earnings** are the direct investors' share of retained earnings of the direct investment enterprise (BPM6, p.11.40)
- Calculation of reinvested earnings for inclusion in BOP based on net operational earnings multiplied by the share of direct investor in banks' capital.

Reinvested earnings do not include any realized or unrealized holdings gains and losses, provisions for various types of losses (BPM6, p.11.44)

Methodology

- Balance of payments and international investment position manual. – Washington, D.C.: International Monetary Fund, 2009;
- OECD benchmark definition of foreign direct investment: fourth edition – OECD 2008;
- Balance of payments and international investment position compilation guide. – Washington, D.C. : International Monetary Fund, 2014;
- The coordinated direct investment survey guide. – Washington, D.C. : International Monetary Fund, 2015

Reinvested earnings in BOP statistics

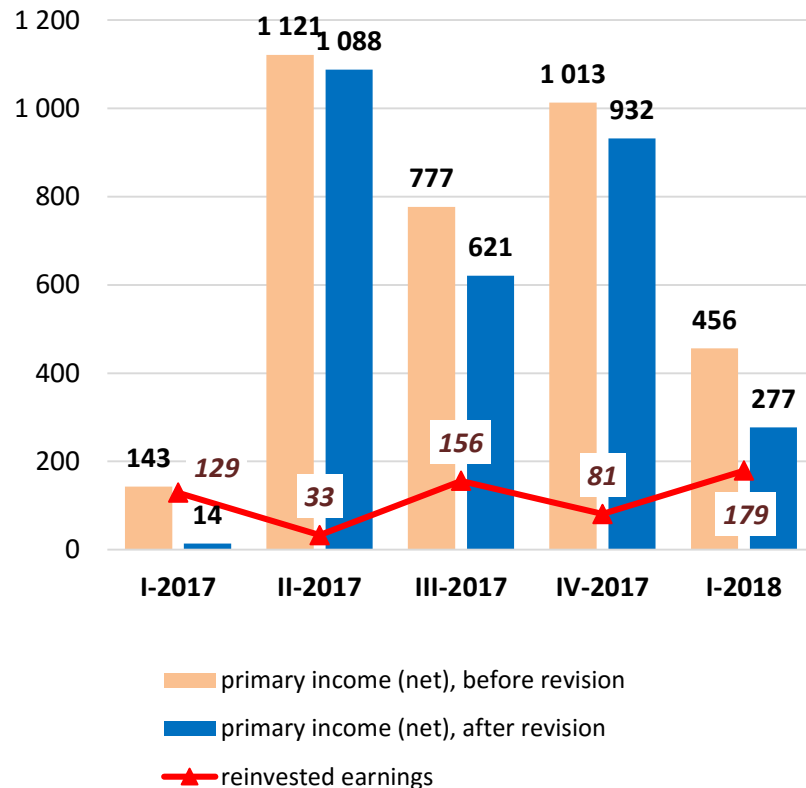
Reinvested earnings are included in two BOP items:

- “Primary income” in current account - reinvested earnings
- “Direct investment” in financial account - reinvestment of earnings

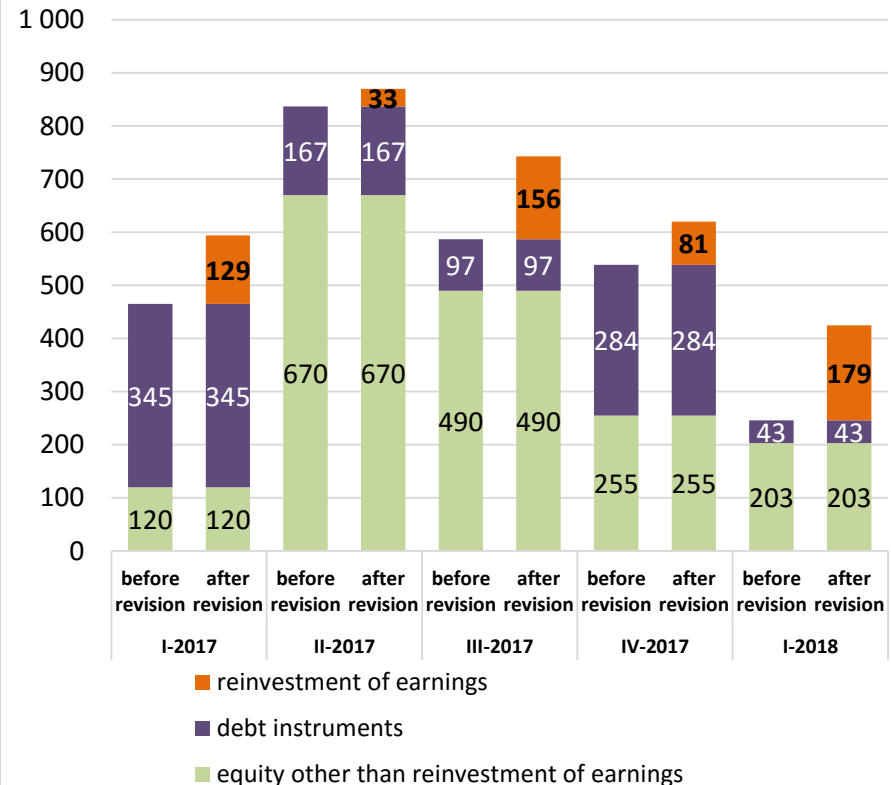
Статті платіжного балансу	2017 рік	1 кв. 2017	1 кв. 2018
Primary income	2 655	14	277
Compensation of employees	9 186	1780	2 517
Investment income	-6 531	-1766	-2 240
Direct investment	-2 411	-488	-761
Income on equity	-2 004	-405	-665
Dividends	-1 605	-276	-486
Reinvested earnings	-399	-129	-179
Direct investment	-2593	-593	-428
Net incurrence of liabilities	2 827	594	425
Equity	1 934	249	382
Equity other than reinvestment of earnings	1 535	120	203
Reinvestment of earnings	399	129	179
Debt instruments	893	345	43

As a result of inclusion of reinvested earnings primary income balance decrease, FDI liabilities – increase ...

Primary income, \$ mln



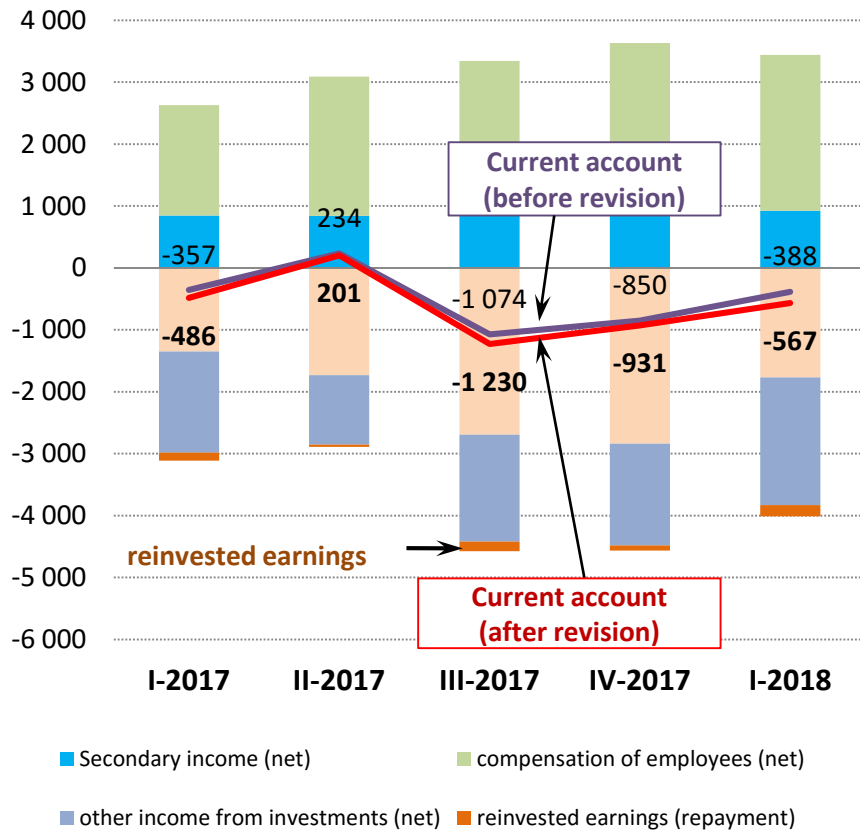
Direct investment, liabilities, \$ mln



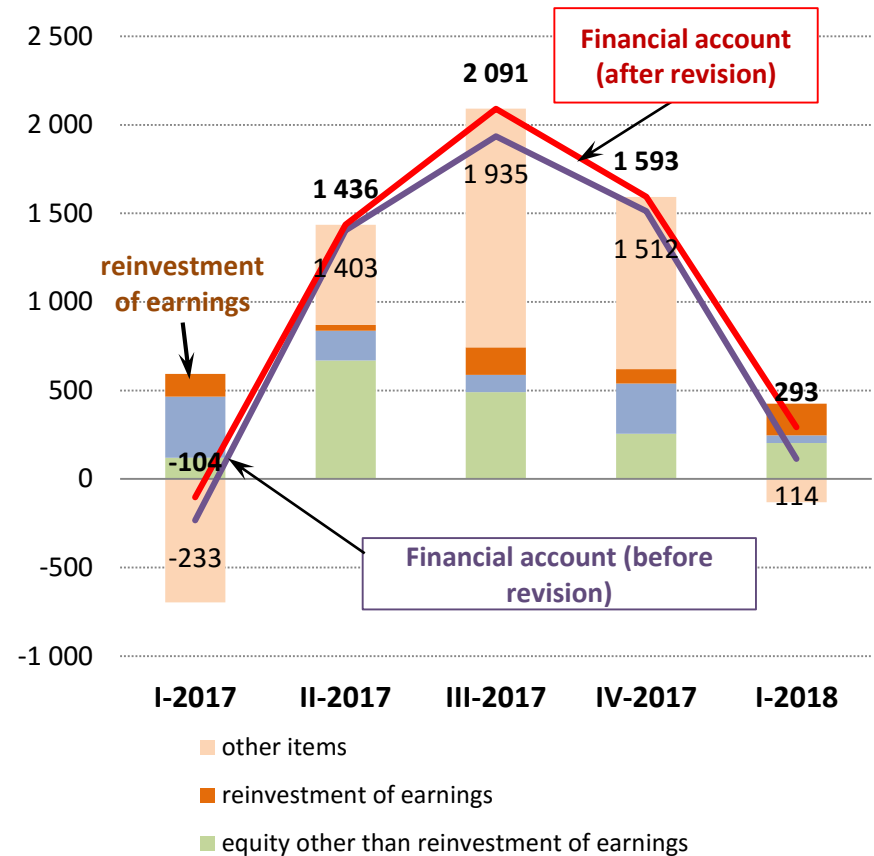
Primary income balance decreased by \$399 million in 2017, \$179 million - in Q12018, net increase in FDI liabilities increased by the same amount

... overall balance remains unchanged

Current account, \$ mln



Financial account*, \$ mln

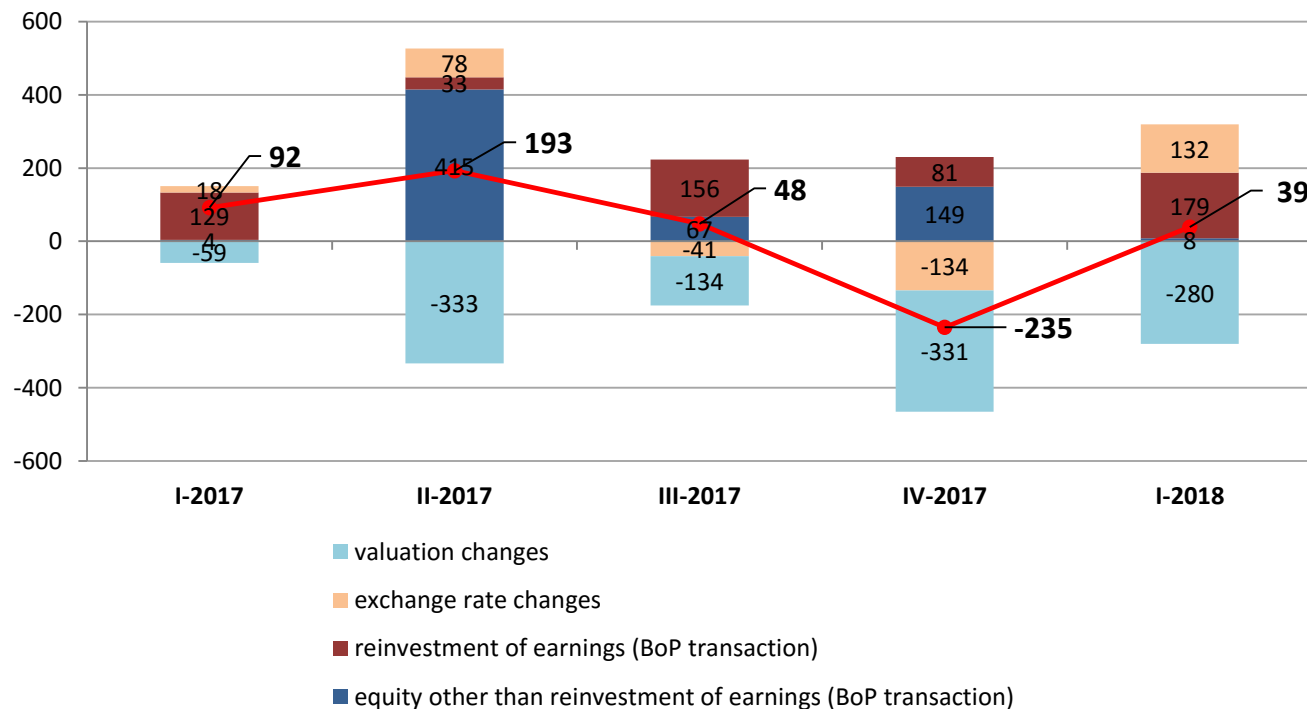


* Додатні значення – приплив капіталу.

Reconciliation of banks FDI stocks and flows data with reinvested earnings

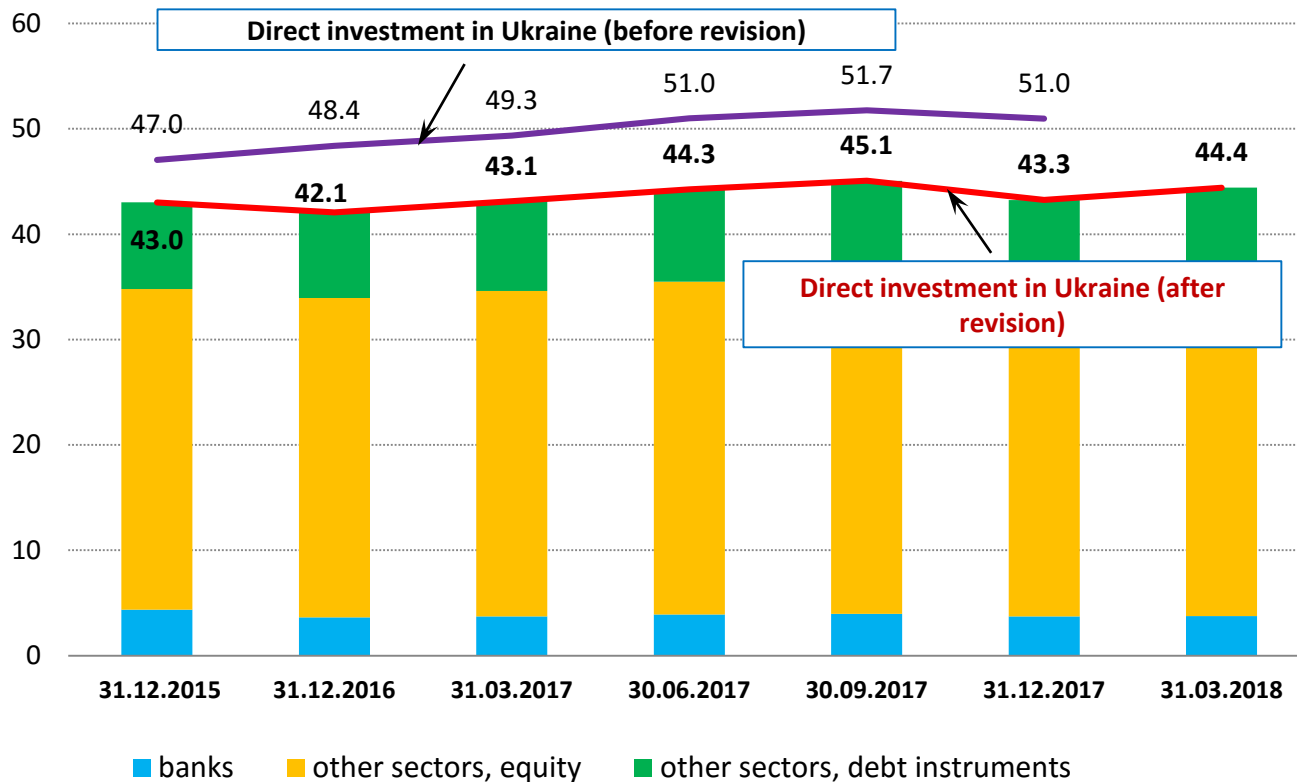
- According to BPM6/SNA reinvested earnings transactions for BOP do not include any realized or unrealized holding gains or losses, provisions for various types of losses (BPM6, p.11.44)
 - *For calculation of reinvested earnings banks gains/loses after taxes are adjusted for trade results and allocation to provisions.*
- In integrated IIP these components are included in Other Changes in Financial Assets and Liabilities account as revaluation

Change in banks FDI stocks due to BOP transactions and other changes, USD mln



As a result of position data revision from 2014 FDI stocks decreased – as of the end of 2017 from \$51 to \$43.3 billion

FDI in Ukraine, billion USD



* Including State Statistics Committee revision of FDI positions of real sector enterprises

Enhancement of FDI statistics – what was done and future steps

2017

1

Revaluation of FDI stocks measured at last transaction value

The NBU become responsible for compilation of FDI data for banks, inclusion of reinvested earnings for banks in BOP and IIP statistics

2

2018

2019

3

Transfer responsibility from SSSU to NBU to provide IMF CDIS* data

Transfer to NBU responsibility for FDI publication, inclusion of reinvested earnings for non-financial corporations

4

2020

* Coordinated Direct Investment Survey