

SESRIC Training Course on Foreign Investment Survey

Central Statistical Bureau, Kuwait

First Day, 20 November 2017 (Monday)

Department of Statistics Malaysia | 20-22 November 2017

Overview

First Day

- ✓ **Know each other : Basic Statistics, Malaysia and Kuwait**
- ✓ **International Manuals/ References related to Foreign Investments**
- ✓ **The Balance of Payments (BOP) Framework**
- ✓ **BOP: Basic Concept and Definition**
- ✓ **Direct Investment**
 - **Basic Definition of FDI**
 - **Framework for Direct Investment Relationship (FDIR)**
 - **Exercise 1 : FDIR**
 - **Flows and Positions**
 - **Presentation of Direct Investment**
 - **Exercise 2 : Direct Investment Recording According to Asset- Liability and Directional Basis**

Overview

Second Day

- ✓ **Potential sources of FDI data**
- ✓ **Sources to identify direct investment enterprises**
- ✓ **Develop FDI Survey Questionnaire**
- ✓ **DI Reporting: Highlights on Selected Cases**
- ✓ **International Investment Survey: Malaysia case**

Third Day

- ✓ **Collecting FDI Data through Financial Statements**
- ✓ **Understanding Basic Accounting Cycle**
- ✓ **Extract FDI Information through Financial Statements**
- ✓ **Production Sharing Agreement (PSA)**
- ✓ **Portfolio Investment**
- ✓ **Other Investment**

.. know each other

Basic Statistics, Malaysia and Kuwait

Basic Statistics	Malaysia	Kuwait	<i>Size Comparison</i>
Population 2017	32,192,077	4,082,704	7.9
GDP 2016 (USD Mil)	296,536	110,884	2.7
GNI 2016 (USD Mil)	288,186	124,147	2.3
GNI per Capita 2016 (USD)	9,102	27,923	0.3
Current Account, BOP 2016 (USD Mil)	6,996	-4,999	-
Current Account/GDP (%)	2.4	4.5	-
DIA (Outward): Net OutFlows 2016 (USD Mil)	-7,968	-4,573	1.7
FDI (Inward): Net Inflows 2016 (USD Mil)	11,374	437	26.0
DIA (Outward): Stock 2012 (USD Mil)	88,729	26,433	3.4
FDI (Inward): Stock 2012 (USD Mil)	97,798	9,838	9.9

Conversion Average Rate 2016 (1USD)

4.1483

0.3022

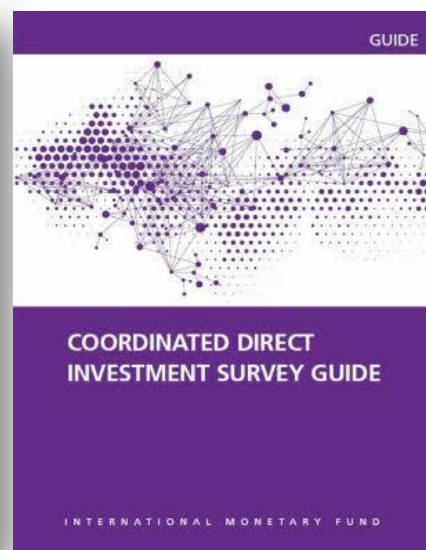
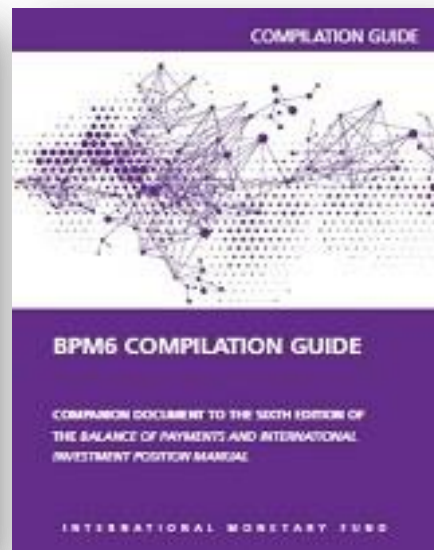
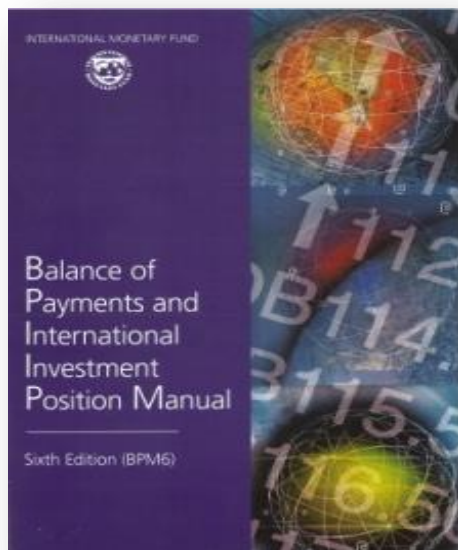
International Manuals/ References related to Foreign Investments

Balance of Payments
and International
Investment Position
Manual Sixth Edition
(BPM6), IMF

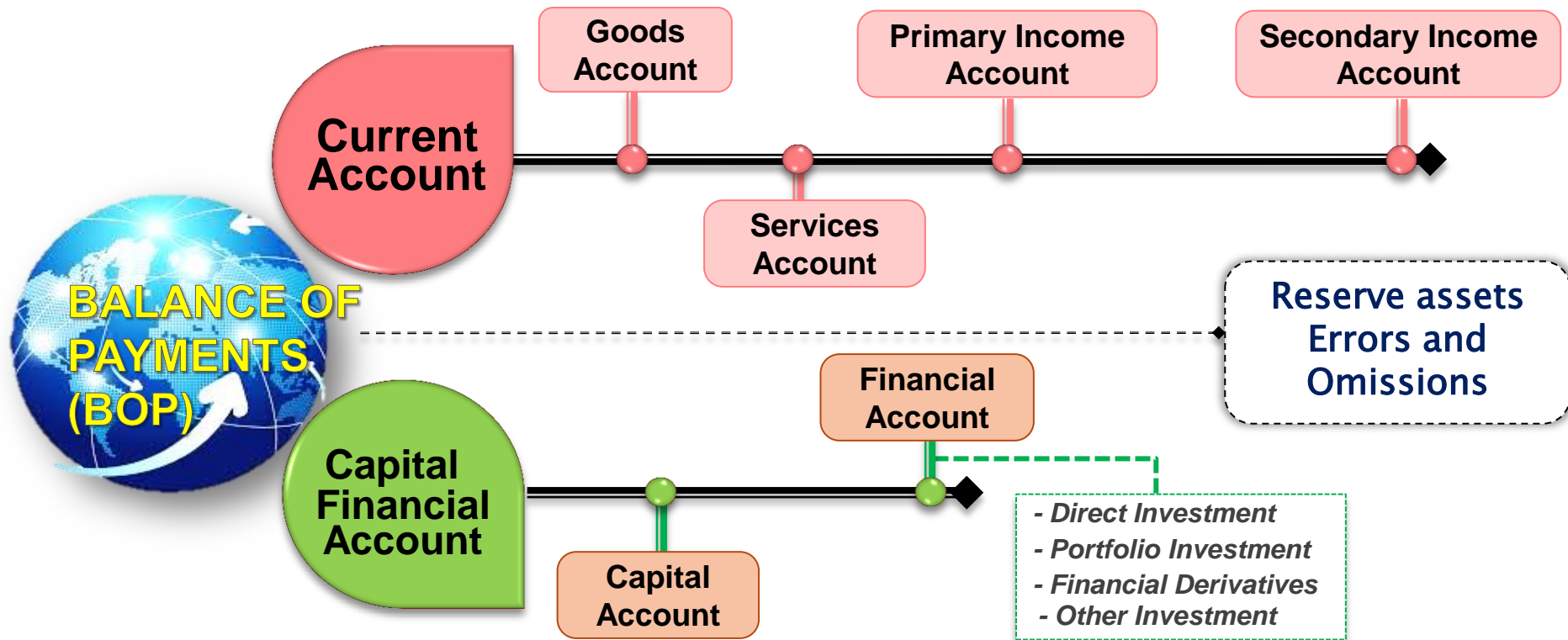
BPM6 Compilation
Guide, IMF

Coordinated Direct
Investment Survey
(CDIS) Guide, IMF

Benchmark
Definition of Foreign
Direct Investment
Fourth Edition, OECD



THE BALANCE OF PAYMENTS (BOP) FRAMEWORK



Balance of Payments Manual Sixth Edition (BPM6)

Financial Account Standard Components

Balance of payments - Financial Account													Net acquisition of financial assets		Net incurrence of liabilities	
3.1 Direct investment (FD)																
3.1.1 Equity and investment fund shares (F5D)																
3.1.1.1 Equity other than reinvestment of earnings																
3.1.1.1.1 Direct investor in direct investment enterprises																
3.1.1.1.2 Direct investment enterprises in direct investor (reverse investment)																
3.1.1.1.3 Between fellow enterprises																
3.1.1.2 Reinvestment of earnings																
3.1.2 Debt instruments																
3.1.2.1 Direct investor in direct investment enterprises																
3.1.2.2 Direct investment enterprises in direct investor (reverse investment)																
3.1.2.3 Between fellow enterprises																
3.2 Portfolio investment (FP)																
3.2.1 Equity and investment fund shares (F5P)																
3.2.2 Debt securities (F3P)																
3.3 Financial derivatives (other than reserves) and employee stock options (F7F)																
3.4 Other investment (FO)																
3.4.1 Other equity (F518O)																
3.4.2 Currency and deposits (F2O)																
3.4.3 Loans (F4O)																
3.4.4 Insurance, pension, and standardized guarantee schemes (F6O)																
3.4.5 Trade credit and advances (F81O)																
3.4.6 Other accounts receivable/payable-other (F89O)																
3.4.7 Special drawing rights (F1Z)													n.a.			
3.5 Reserve assets (FR)																

BOP: BASIC CONCEPT AND DEFINITION

BOP DEFINITION

Measures the **international economic transactions** between an economy with the rest of the world.



Enterprises

Center of economic interest;
engaged in production



RESIDENCE

The residence of each institutional unit is the economic territory which it has the **center of predominant economic interest**
(not based on nationality/legal criteria)



Households & Individuals

Intention to be present
for a period of 1 year
or more

Center of predominant economic interest:

Dwelling, place of production, or other premises, within the economic territory of the country on, or from, which the unit engages, or intends to engage, in economic activities and transactions on a significant scale, for an indefinite or long period.

DOUBLE-ENTRY ACCOUNTING

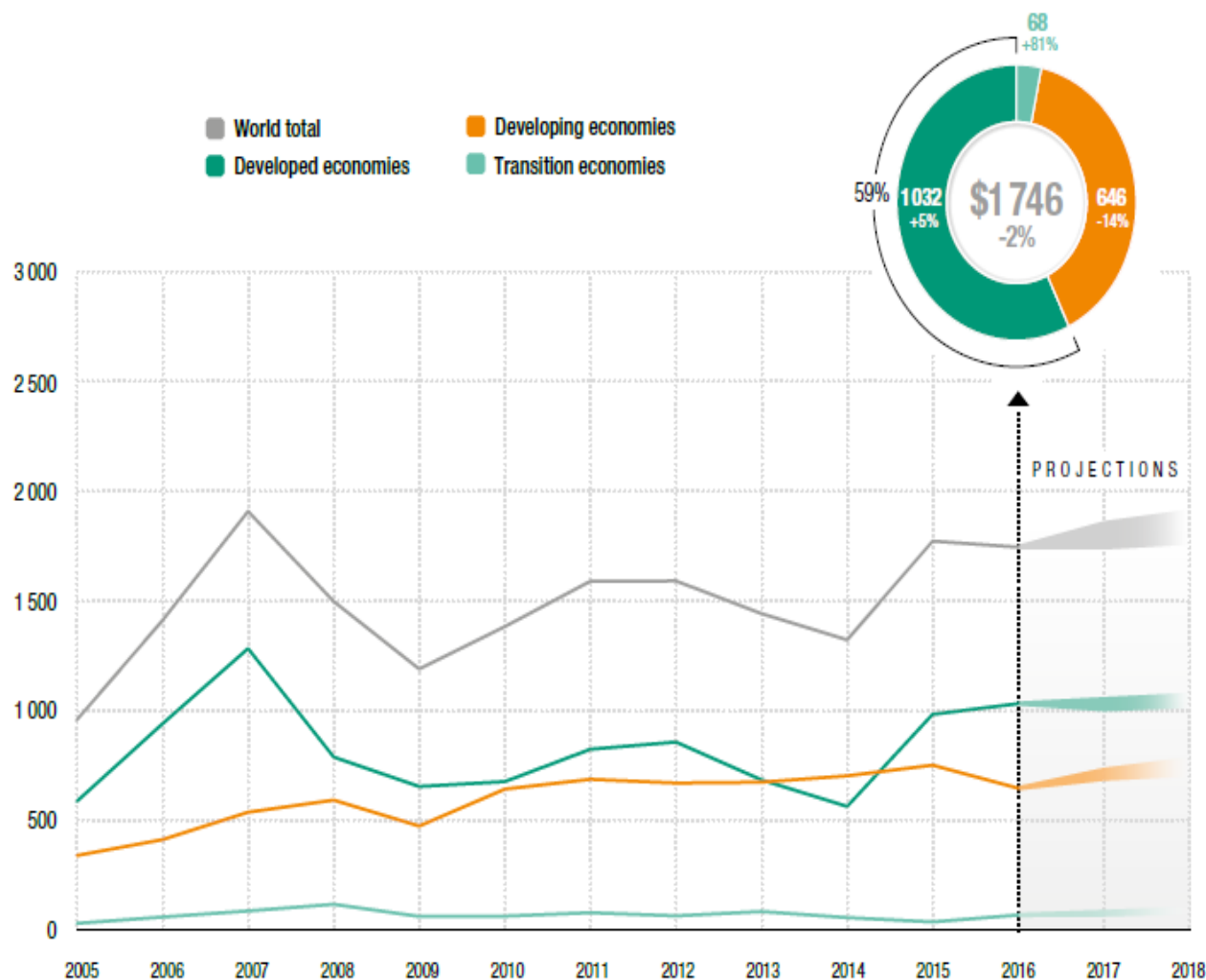
- The basic accounting convention for an economy's BOP statement is that every recorded transaction is represented by two entries with exactly equal values.
- Each transaction is reflected as a credit and a debit entry.

Direct Investment

Global FDI

Figure I.1.

FDI inflows, global and by group of economies, 2005–2016, and projections, 2017–2018
(Billions of dollars and per cent)



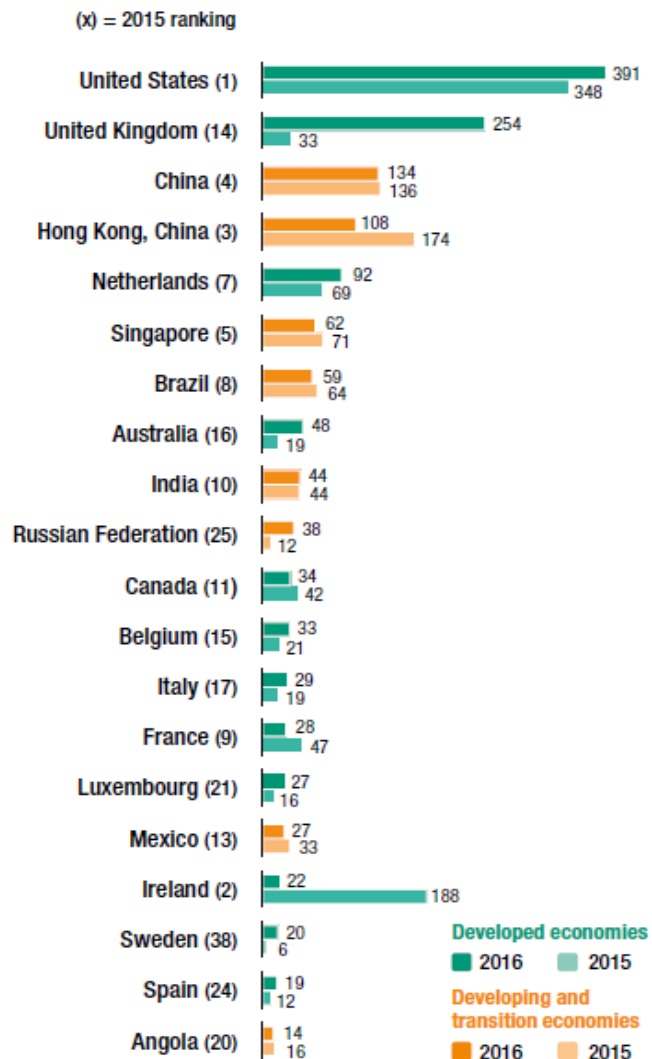
Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Global FDI
-2% 2016
\$1.75 trillion

- Following a surge in foreign investment in 2015, global FDI 2016 flows fell **2 per cent**, to **\$1.75 trillion**, amid weak economic growth.
- A fall in inflows to developing economies was partly offset by modest growth in developed countries and a sizeable increase in transition economies.

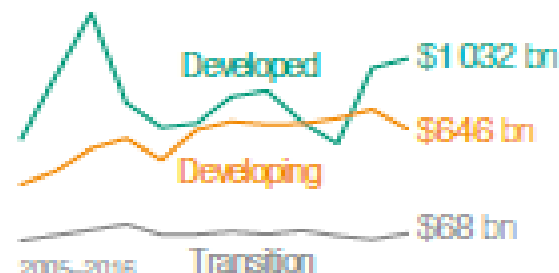
Global FDI

Figure I.11. FDI inflows, top 20 host economies, 2015 and 2016 (Billions of dollars)



Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Global FDI flows lost growth momentum



- Developed countries contributed \$1 trillion **(59%)** of FDI, followed by developing countries (37%) and transition economies (4%).
- USA** was the largest recipient country of FDI with 22% contribution, followed by UK (15%) and China (8%).

Kuwait's investment in Malaysia



OUR BUSINESS



Oil Palm Plantation



Property Development



Manufacturing & Trading

The Importance of FDI

Benefits to the investing countries

- ✓ to **establish** stable and **long-term relationship** to strategize **global** business arrangement (eg. **owner-processor link** in electrical & electronics industry)
- ✓ to **influence** management
- ✓ to **gain access** to resources or **markets** that might otherwise be unavailable
- ✓ to take advantage of **local skills**
- ✓ to **reduce labor** and other **costs**
- ✓ to **build up assets** and income

Benefits to host countries

- ✓ to obtain **finance**
- ✓ to assist host countries in **developing local enterprises**, promotes international trade through access to markets
- ✓ to safeguard **technology transfer** and technical know-how
- ✓ FDI has an impact on the **development of labor** and financial market.

Basic Definition of FDI

- ✓ Direct investment **arises** when **an investor** resident in one economy makes an investment that gives **control or a significant degree of influence** on the management of an enterprise that is resident in another economy.
- ✓ **All enterprises** that are **under** the control or influence of the **same direct investor** are considered to be in a **direct investment relationship**.

Basic Definition of FDI

- ✓ Control and/or influence may be **direct or indirect**, as described in the **Framework for Direct Investment Relationships (FDIR)**.
- ✓ **FDIR** provides criteria for **determining** whether cross-border ownership results **in an DI relationship**, based on control and/or influence. **In practical**, it's quite **challenging** for complex multi national company structure.
- ✓ **“10 percent rule”** remains in BPM6.
- ✓ Direct investment **involves both** the **initial** transaction between the two entities **and all subsequent transactions** between the two entities and between fellow enterprises, both incorporated and unincorporated. **Inflows and Outflows? Loans repayments?**
- ✓ **Point to note** : Any transactions with enterprises outside FDIR, **are not** FDI transactions

Basic Definition of FDI

Terms/Glossaries related to FDI

Direct investor

- ✓ An **entity** or group of related entities that **is able to exercise control or influence** over another entity resident in another economy. **Could be immediate and indirect.**

Direct investment enterprise (DIENT)

- ✓ A DIENT is an incorporated or unincorporated enterprise in which a **direct investor, directly or indirectly, owns 10 percent or more** of either:
 - the voting power (for an incorporated enterprise), or;
 - the equivalent (for an unincorporated enterprise).

Fellow enterprise

- ✓ **Enterprises that are under the control or influence of the same immediate or indirect investor, but neither has that to each other (just owned < 10% to each other).**

Basic Definition of FDI

Immediate direct investment

- ✓ relationships arise when a direct investor directly owns equity that entitles it to **10 percent or more of the voting power** in the DIE.
- Control: more than 50 percent of the voting power;
- Influence: from 10 to 50 percent of the voting power.

Indirect direct investment

- ✓ relationship arise through the **ownership** of voting power in **one DIET that owns voting power in another enterprises**, that is, an entity is able to exercise indirect control or influence through a chain of DI relationship.

Basic Definition of FDI

- ✓ **DIENT** can be either directly or indirectly owned by the direct investor, and **comprise**:
 - **Branches**;
 - **Subsidiaries**: more than 50% of the voting power;
 - **Associates**: from 10% to 50%.
- ✓ Once a direct investor owns 10% (or more) of the voting power of an enterprise, the definition of **DIENT extends** to the branches and subsidiaries of the branches and subsidiaries of the direct investor → called **indirectly-owned DIENT**.
- ✓ Once a direct investor owns **more than 50 percent** of a DIENT, the associates of the DIENT become associates of the DI.

Direct investment - FDIR

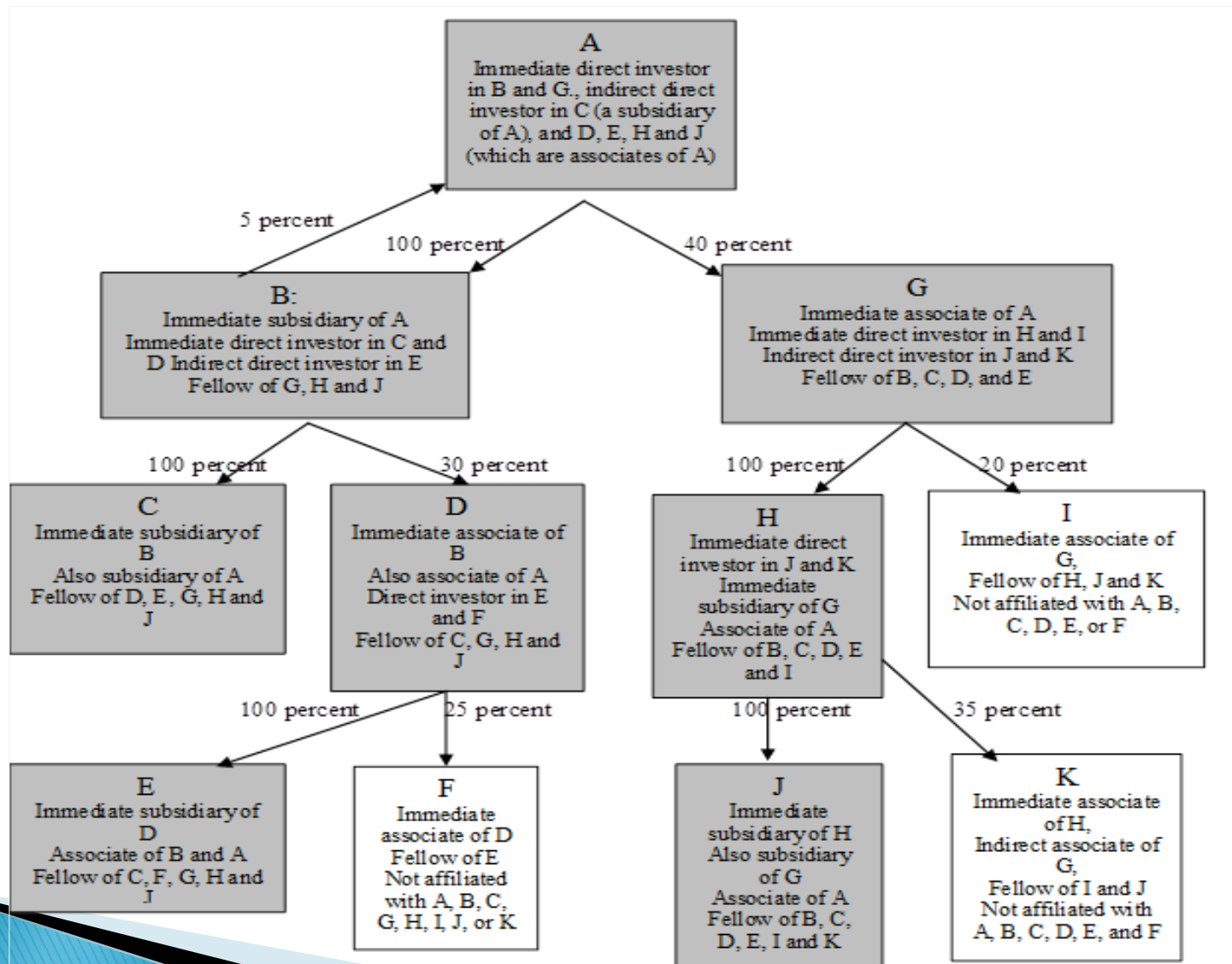
Direct investment relationship establish, when:

- ❖ immediate subsidiary of the direct investor;
- ❖ immediate associate of the direct investor;
- ❖ subsidiary of a subsidiary of the direct investor (also considered to be an indirect subsidiary of the direct investor);
- ❖ subsidiary of an associate of the direct investor (also considered to be an indirect associate of the direct investor); or
- ❖ associate of a subsidiary of the direct investor (also considered to be an indirect associate of the direct investor);

No direct investment relationship establish, when:

- ❖ associate of an associate of the direct investor.
- ❖ in this case, the ability of the investor to influence the management of the entity is considered to have become too diluted to be significant.

Example of Identification of Direct Investment Relationships under FDIR



Practical Points to Note

Establishing FDI

FDI could be created through **greenfield** investment or **mergers & acquisition**/ brownfield (DI acquires shares in DIENT).

Inter Group Transactions

Enterprises in direct investment relationship are likely to **have subsequent transactions** to each other. Eg. **trade** with and **finance** each other (will create **inter-comp loans/ advances and trade credits**)

Inter Group Transactions

DIENT may **use the IP** (eg. industrial design, processes) that owned by direct investors in their productions. Incurred services imports (**royalty payments**).

Foreign brands

Foreign brands may not represents FDI, if there is no foreign equity ownership take place. eg. fast food industry, hotel.

Real/ Actual flows

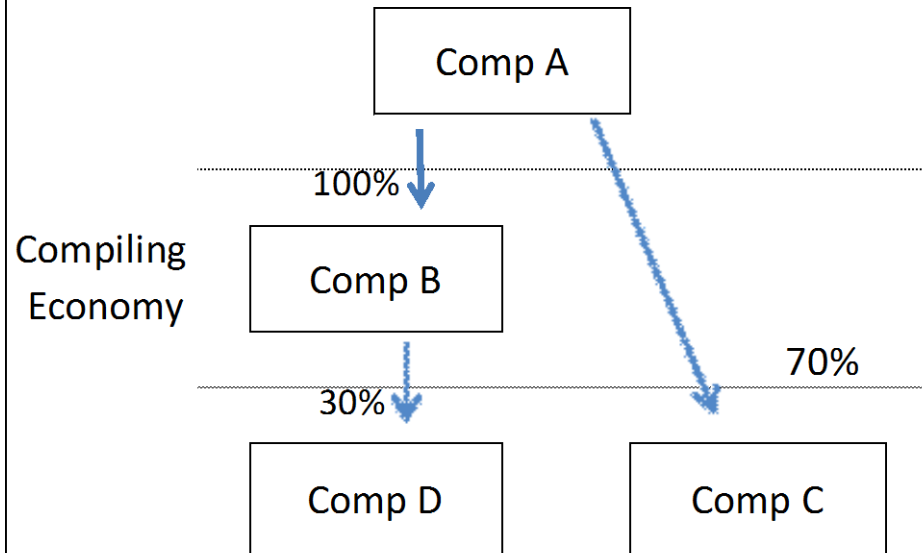
DI is not based on approved investments, which may never/partially take place.

Government policy

FDI determined by the government direction/policy which differ between sectors (eg. manufacturing, oil & gas).

Exercise 1 - FDIR

(Q1) – Identify the DI, DIENT and Fellow of compiling economy

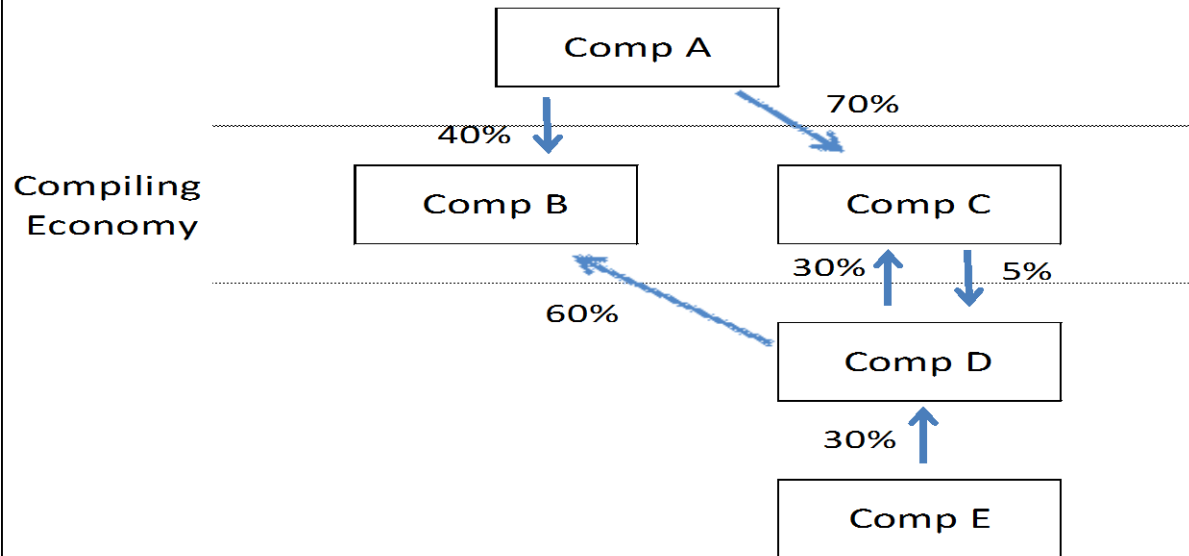


Answer:

	Comp B
DI	
DIENT	
Fellow	

Exercise 1 - FDIR

(Q2) – Identify the DI, DIENT and Fellow of compiling economy

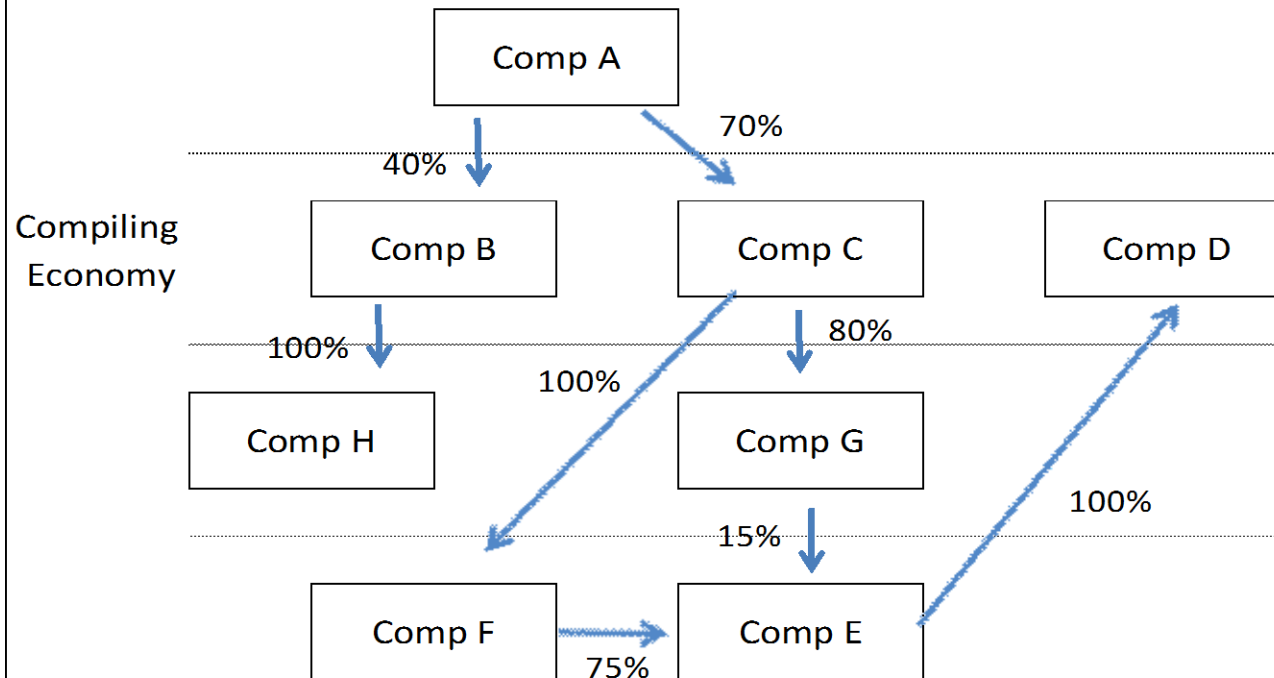


ANSWER:

	Comp B	Comp C
DI		
DIENT		
Fellow		

Exercise 1 - FDIR

(Q3) – Identify the DI, DIENT and Fellow of compiling economy

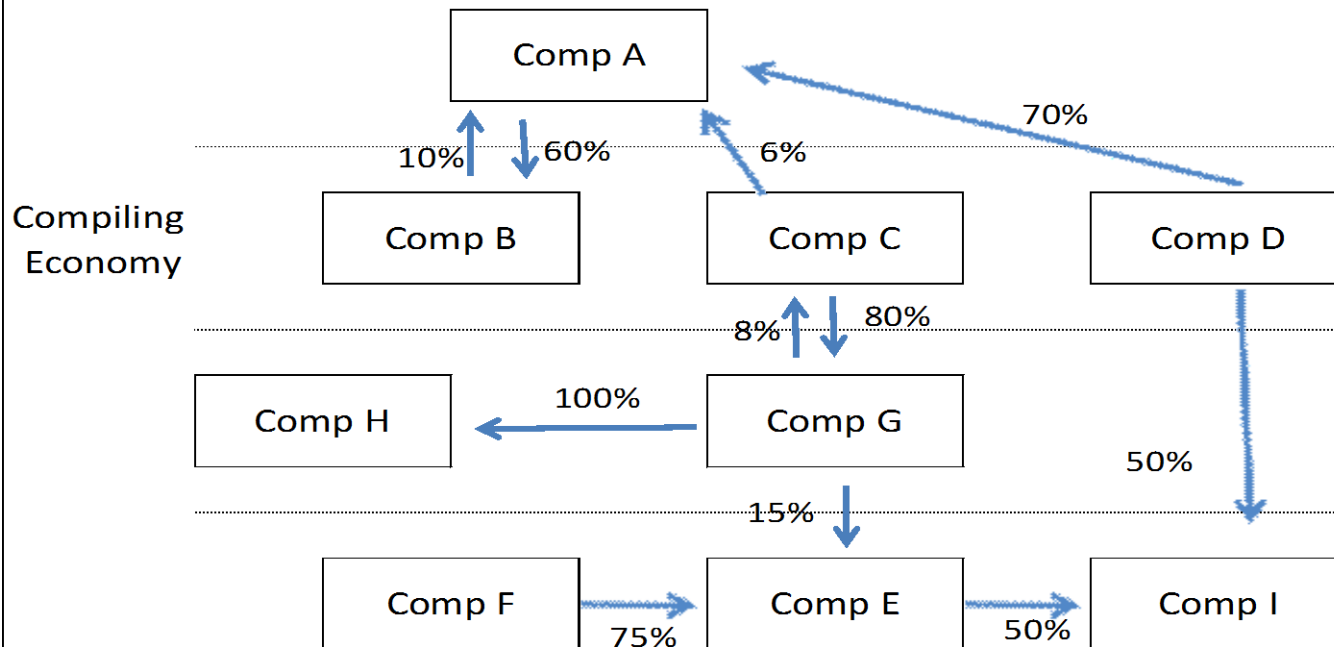


ANSWER:

	Comp B	Comp C	Comp D
DI			
DIENT			
Fellow			

Exercise 1 - FDIR

(Q4) Identify the DI, DIENT and Fellow of compiling economy



ANSWER:

	Comp B	Comp C	Comp D
DI			
DIENT			
Fellow			

Flows and Positions

▶ DI statistics represent **three set of statistical accounts**: DI positions, DI transactions, and DI income.

▶ DI positions

- ✓ provide information on **the total stock** of investment made abroad and received from abroad for a given reference date;
- ✓ broken down **by instrument**:
 - **equity** position
 - cover all components of shareholders' funds; include equity, contributed surplus, reinvestment of earnings, revaluations, and any reserve accounts
 - **debt instruments** positions
 - **Include** payables and receivables between enterprises in a DIR arising from loans, deposits, debt securities, suppliers' (trade) credit, financial leases, and non-participating preference shares
 - But **exclude** debt position between FDI related financial intermediaries
 - It is **not** FDI, if the DIENT taken loans from local bank or from any foreign enterprises outside FDIR

Flows and Positions

▶ DI financial transactions

- ✓ show the **flows of investment** in a given reference period; cover all transactions between direct investors, direct investment enterprises, and/or other fellow enterprises
- ✓ Both transactions in asset and liability are further **presented separately by instrument**:
 - **equity**
 - equity transactions
 - ❖ Equity increases : initial acquisition of equity represents a 10%-or-more voting power interest; acquisition of an additional voting share ownership interest; equity contributions to existing DIE.
 - ❖ Equity decreases: liquidation of a DIE; partial or total sale of an ownership interest in a DIE; return of capital contribution
 - **reinvestment of earnings**
 - ❖ Reflects earnings accruing to direct investors during the reference period less earnings declared for distribution in that period

➤ **debt instruments**

Recording Gross Flows : Assets and Liabilities

<u>No.</u>	<u>Classification of Account</u>	<u>Increase</u>	<u>Decrease</u>
1	Assets	Debit	Credit
2	Expenditure	Debit	Credit
3	Liability	Credit	Debit
4	Equity	Credit	Debit
5	Income	Credit	Debit

Recording gross flows

Example: Recording (Liabilities side)

Instrument	Opening Position	Increase (Credit)	Decrease (Debit)	Net	Price Changes	Exchange Rate Changes	Other Changes	Closing Position
Equity (L)	180	50	20	30	-	-	-	210
Intercomp any Loans (L)	120	60	30	30	-	-	-	150

Example: Recording (Assets side)

Instrument	Opening Position	Increase (Debit)	Decrease (Credit)	Net	Price Changes	Exchange Rate Changes	Other Changes	Closing Position
Trade Credit (A)	180	50	20	30	-	-	-	210
Intercomp any Loans (A)	120	60	30	30	-	-	-	150

Practical Points to Note: Gross and Net Recording

According to BPM6, financial accounts (including FDI) is recorded on net basis (credit-debit).

Recording at gross may portray bigger value of FDI as many transactions are active in both credit and debit side, especially debt instruments (trade credit, inter-comp loans). Eg.:

Liability to Direct Investor

DI Name	Instrument	Opening Position	Increase (Credit)	Decrease (Debit)	Net	Price Changes	Exchange Rate Changes	Other Changes	Closing Position
(auto extract from B1.1...)	Equity	100	20	10	10	-	-	-	110
(auto extract from B1.1...)	Intercompany Loans	200	50	30	20	-	-	-	220

Intercompany loans should be reported as 20 (Net), Not Gross 50

Equity flows should be reported as 10 (Net), Not Gross 20

Flows and Positions

▶ DI income

- ✓ provide information on the earnings of direct investors and of direct investment enterprises
- ✓ Consists of earnings on equity investment plus income on debt between direct investors and direct investment enterprises and between fellow enterprises

➤ DI income on equity

- Dividends and withdrawals from income of quasi-corporations
 - ❖ Dividends are the distributed earnings allocated to the owners of equity for placing funds at the disposal of corporations.

Flows and Positions

▶ DI income

➤ DI income on equity

- Reinvested earnings
 - ❖ Direct investors' share of the retained earnings of the DIE
 - ❖ Earnings that direct investment enterprises do not distribute either as dividends (for corporations) or withdrawal of income (from quasi-corporations)
 - ❖ Attributed to direct investors who are in an immediate direct investment relationship with the DIE
 - ❖ Amount shown in the Financial Account for reinvestment of earnings should be equal and opposite in sign, to the amount shown in the Current Account for reinvested earnings
 - ❖ This means, a DR figure in the current account means a positive CR (net increase in liabilities) in Financial Account

➤ DI income on debt

- DI interest payables (on liabilities) and interest receivables (on assets) are separately recorded.

Valuation of FDI

- ✓ Market value is the recommended basis for valuation for equity.
 - For listed enterprise, equity should be valued at market prices in stock markets
- ✓ When actual market value is not available, the value is estimated using various methods including:
 - Own funds at book value (OFBV):
 - = Paid-up capital (excluding shares that the enterprise holds itself; including share premium accounts)
 - + All types of reserves identified as equity in the enterprise's balance sheet
 - + Reinvestment of earnings (calculation of reinvested earnings should take into account consumption of fixed capital; may be negative)
 - Net asset value (NAV)
 - total assets at current/market value less total liabilities (excluding equity) at market value.

Valuation of FDI

- ⊗ **Debt securities** are to be valued at market prices.
- ⊗ All types of debt other than debt securities are to be valued at nominal value. Outstanding principal including any accrued and unpaid interest.

Practical Highlight

Preferable to take data as recorded in the books of the DIENT

- ⊠ bilateral consistency
- ⊠ more likely to be comprehensive (e.g., reinvestment of earnings) than the books of the DI

Valuation of FDI : Practical Highlight

✓ Direct investment flows in kind

- Goods, services and other resources may be supplied by or to affiliated enterprises at above or below market prices, or with no payment. For example, a DI may supply machinery & equipment to its DIENT (with no payment).
- If there is no other indication about the motivation, it can be assumed to be for the purpose of building up the DI's equity in DIENT.

✓ Transfer Pricing

- refer to the valuation of transactions between affiliated enterprises which in certain cases, transfer pricing may be motivated by income distribution or equity buildups or withdrawals.
- examples may be the provision of goods and services without explicitly charging, or at understated or overstated values.
- where transfer pricing is identified and quantified with a high degree of certainty, the relevant entry should be adjusted to an arm's length value.

Function Component of BOP and IIP

- ▶ **Components of DI Transactions (BOP)**
- ▶ There are **components of DI** in both *the Current Account* and *the Financial Account* of the BOP.
- ▶ The Current Account includes:
 - Income on equity:
 - dividends and distributed branch profits
 - reinvested earnings and undistributed branch profits
 - Income on debt (interest)

Function Component of BOP and IIP

► Components of DI Transactions (BOP)

► The Financial Account covers:

- Direct investment assets:
 - of direct investors in direct investment enterprises
 - of direct investment enterprises in direct investors (reverse investment)
 - of resident fellow enterprises in fellow enterprises abroad
- Direct investment liabilities:
 - of direct investment enterprises to direct investors
 - of direct investors to direct investment enterprises (reverse investment)
 - of resident fellow enterprises to fellow enterprises abroad

Function Component of BOP and IIP

► Components of DI Position (IIP data)

► The components of the IIP data are consistent with those in the Financial Account of the BOP data:

- Direct investment assets:
 - of direct investors in direct investment enterprises
 - of direct investment enterprises in direct investors (reverse investment)
 - of resident fellow enterprises in fellow enterprises abroad
- Direct investment liabilities:
 - of direct investment enterprises to direct investors
 - of direct investors to direct investment enterprises (reverse investment)
 - of resident fellow enterprises to fellow enterprises abroad

Presentation of Direct Investment

Asset-Liability Basis

As recommended in **BPM6**, DI is recorded in the BOP or the IIP data on a strict asset/liability basis.

Directional Principle

According to **BPM5**, the directional principle presentation of direct investment data organized according to the direction of the direct investment relationship) :

- Direct investment in the reporting country (inward DI)
- Direct investment abroad (outward DI)

CDIS Reporting are according to directional principle

Presentation of DI : The Difference between Asset-Liability and Directional Principle

The difference between asset-liability and directional presentation arises from differences in the treatment of **reverse investment** and some investment between **fellow enterprises**.

Treatment of Reverse investment

Asset- Liability: Reverse investment transactions are not netted off from main/original flows of FDI. They are recorded separately.

Directional Basis:
Reverse investment transactions are net off from main flows of FDI.

Treatment of Fellow Enterprises Transactions

Asset- Liability: Transactions between fellow are recorded separately for assets and liabilities.

Directional Basis:
Transactions between fellow of assets and liabilities are netted off. Eg. for inward direct investment, assets with fellow are netted off with its liabilities.

BPM6: Asset-Liability Presentation

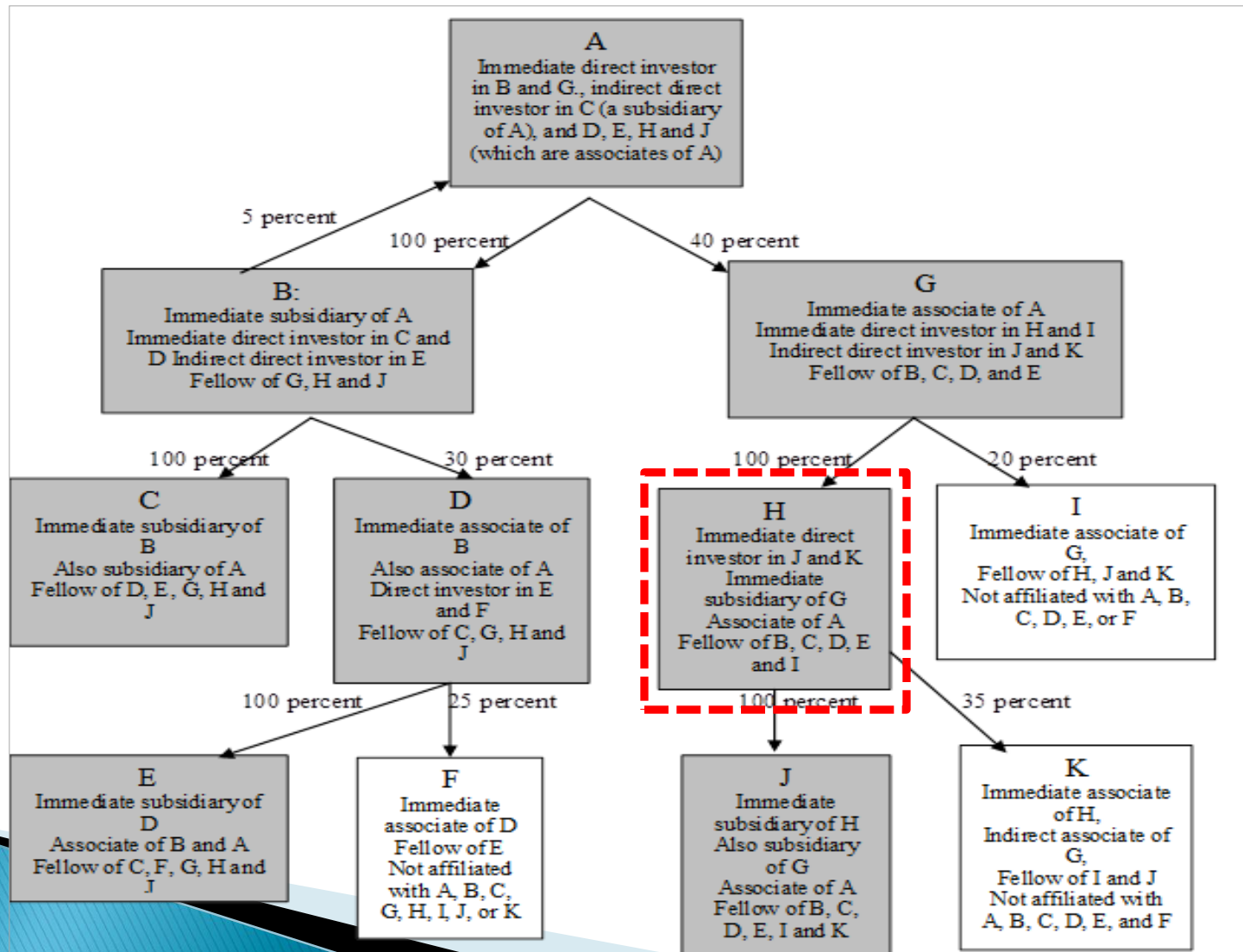
Balance of payments Standard Components							Net acquisition of financial assets	Net incurrence of liabilities
3.1	Direct investment							
3.1.1	Equity and investment fund shares							
3.1.1.1	Equity other than reinvestment of earnings							
3.1.1.1.1	Direct investor in direct investment enterprises							
3.1.1.1.2	Direct investment enterprises in direct investor (reverse investment)							
3.1.1.1.3	Between fellow enterprises							
3.1.1.1.3.1	<i>if ultimate controlling parent is resident</i>							
3.1.1.1.3.2	<i>if ultimate controlling parent is nonresident</i>							
3.1.1.1.3.3	<i>if ultimate controlling parent is unknown</i>							
3.1.1.2	Reinvestment of earnings							
3.1.2	Debt instruments							
3.1.2.1	Direct investor in direct investment enterprises							
3.1.2.2	Direct investment enterprises in direct investor (reverse investment)							
3.1.2.3	Between fellow enterprises							
3.1.2.3.1	<i>if ultimately controlling parent is resident</i>							
3.1.2.3.2	<i>if ultimately controlling parent is nonresident</i>							
3.1.2.3.3	<i>if ultimately controlling parent is unknown</i>							

BPM5: Directional Basis Presentation

Balance of Payments Standard Components				Credit (Inflow)	Debit (Outflow)	Net
3.1 Direct investment						
Abroad (Outward)						
3.1.1 Equity and investment fund shares						
3.1.1.1 Claims on affiliated enterprises						
3.1.1.2 Liabilities to affiliated enterprises						
3.1.2 Reinvestment of earnings						
3.1.3 Debt instruments						
3.1.3.1 Claims on affiliated enterprises						
3.1.3.2 Liabilities to affiliated enterprises						
In Reporting Economy (Inward)						
3.1.1 Equity and investment fund shares						
3.1.1.1 Claims on direct investors/affiliate						
3.1.1.2 Liabilities to direct investors/affiliate						
3.1.2 Reinvestment of earnings						
3.1.3 Debt instruments						
3.1.3.1 Claims on direct investors/affiliate						
3.1.3.2 Liabilities to direct investors/affiliate						

Exercise 2 : Direct Investment Recording According to Asset-Liability and Directional Basis

Based on below diagram of FDIR, please record following 12 transactions in both Asset-Liability and Directional Principle Presentation for **Country H**. Each enterprise is resident in different economy from the others.



Exercise 2 : Direct Investment Recording According to Asset- Liability and Directional Basis **(for Economy H)**

Transaction:							
1	A extended loan to H amounted to 51.						
2	H withdraw its share paid up capital in J amounted to 32 (Equity ownership became 70%).						
3	C exports/sold products (in 30 days credit term) to H amounted to 23.						
4	H exports/sold products to F amounted to 24 (in 30 days credit term).						
5	H exports/sold products to B amounted to 15 (in 30 days credit term).						
6	H injected share paid capital in G of 16 to own 5% of equity ownership.						
7	H made payments of 17 for products purchased from C (as per Transaction 3).						
8	H made loan repayments of 28 to A.						
9	G withdraw its Equity in H of 49 (ownership became 80%).						
10	H recorded Reinvestment of Earnings of 50 in current period.						
11	J recorded Reinvestment of Earnings of 30 in current period.						
12	E made payments to H for previous period Trade Credit amounted to 12.						

Answer for Exercise 2: Asset-Liability Presentation (Economy H)

Balance of payments Standard Components					ASSETS			LIABILITIES		
					Increase	Decrease	Net Acquisition of Financial Assets	Increase	Decrease	Net Incurrence of Liabilities
3.1 Direct investment										
3.1.1 Equity and investment fund shares										
3.1.1.1 Equity other than reinvestment of earnings										
3.1.1.1.1 Direct investor in direct investment enterprises										
3.1.1.1.2 Direct investment enterprises in direct investor (reverse investment)										
3.1.1.1.3 Between fellow enterprises										
3.1.1.1.3.1 if ultimate controlling parent is resident										
3.1.1.1.3.2 if ultimate controlling parent is nonresident										
3.1.1.1.3.3 if ultimate controlling parent is unknown										
3.1.1.2 Reinvestment of earnings										
3.1.2 Debt instruments										
3.1.2.1 Direct investor in direct investment enterprises										
3.1.2.2 Direct investment enterprises in direct investor (reverse investment)										
3.1.2.3 Between fellow enterprises										
3.1.2.3.1 if ultimately controlling parent is resident										
3.1.2.3.2 if ultimately controlling parent is nonresident										
3.1.2.3.3 if ultimately controlling parent is unknown										

Answer for Exercise 2: Directional Basis Presentation (Economy H)

Balance of Payments Standard Components				Credit (Inflow)	Debit (Outflow)	Net
3.1 Direct investment						
Abroad (Outward)						
3.1.1 Equity and investment fund shares						
3.1.1.1 Claims on affiliated enterprises						
3.1.1.2 Liabilities to affiliated enterprises						
3.1.2 Reinvestment of earnings						
3.1.3 Debt instruments						
3.1.3.1 Claims on affiliated enterprises						
3.1.3.2 Liabilities to affiliated enterprises						
In Reporting Economy (Inward)						
3.1.1 Equity and investment fund shares						
3.1.1.1 Claims on direct investors/affiliate						
3.1.1.2 Liabilities to direct investors/affiliate						
3.1.2 Reinvestment of earnings						
3.1.3 Debt instruments						
3.1.3.1 Claims on direct investors/affiliate						
3.1.3.2 Liabilities to direct investors/affiliate						

THANK YOU

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