



Addressing Bilateral Asymmetries in the Coordinated Direct Investment Survey

Meeting of the UNECE Group of Experts on National Accounts
Geneva, May 31 to June 2, 2017

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Introduction

Coordinated Direct Investment Survey (CDIS)

- A global data collection exercise led by the IMF to improve the availability and quality of data on direct investment positions
- Presents data on
 - inward direct investment positions: direct investment into the reporting economy
 - ❖ cross-classified by economy of immediate investor.
 - Outward direct investment positions: direct investment abroad by the reporting economy
 - ❖ cross-classified by economy of immediate investment.
- *Counterpart exercise—Coordinated Portfolio Investment Survey*



Overview of the CDIS

- The purpose of the CDIS is to improve the quality of direct investment position statistics in the international investment position and the availability of these statistics by immediate counterpart economy.
- Conducted annually starting with data for end-2009.
- Participation is voluntary
 - involves a commitment to submit at least inward direct investment position data by immediate counterpart economy IMF within nine months after the end of the reference year
- The concepts, coverage, valuation, and classification used are consistent with the BPM6 and the fourth edition of the OECD Benchmark Definition of Foreign Direct Investment.



Overview of the CDIS

- All participants in the CDIS provide data on their inward direct investment
- and most participants also provide data on their outward direct investment
- The CDIS database contains breakdowns of direct investment position data, including, separate data on net equity and net debt instrument positions, as well as tables that present "mirror" data
- Mirror data may be useful in highlighting data gaps or errors, and therefore where follow up efforts may prove beneficial.

Asymmetries in CDIS Data

- At global level, total inward direct investment should be equal to reported total outward direct investment.

- However, differences exist because
 - (i) not all economies participate in the CDIS
 - (ii) not all CDIS reporting economies provide outward data, and
 - (iii) there are some bilateral asymmetries.



Asymmetries in CDIS Data

	Total Inward	Total Outward	Difference	Number of CDIS Reporters	
	US \$ Bill.	US \$ Bill	US \$ Bill	Inward	Outward
2009	20,472	20,780	-308	91	62
2010	23,012	22,578	433	97	68
2011	24,339	24,741	-402	103	73
2012	26,795	27,015	-220	104	72
2013	27,668	27,696	-28	103	72
2014	26,903	27,041	-138	100	70



Inward Direct Investment Positions as Reported by Australia and Outward Direct Investment Positions as Reported by Counterpart Economy as of end-2014

US Dollars, Millions						
	Direct Investment Positions		Equity Positions (Net)		Debt Instruments Positions (Net)	
	Inward Reported by Economy	Outward Reported by Counterpart Economy*	Inward Reported by Economy	Outward Reported by Counterpart Economy*	Inward Reported by Economy	Outward Reported by Counterpart Economy*
Investment from:						
World	562,808	477,322	404,363	295,680	158,445	107,102
United States	133,944	176,881	74,297	110,362	59,647	66,519
United Kingdom	64,282	46,069	55,009	C	9,273	C
Japan	58,459	60,652	47,308	56,382	11,151	4,270
Netherlands	32,061	51,086	22,046	31,159	10,015	19,928
Canada	18,620	18,340	15,890		2,730	
Germany	12,957	13,415	13,495	12,344	-537	1,070
China, P.R.: Hong Kong	7,892	16,768	6,016	16,050	1,876	718
Malaysia	7,850	8,377	C		C	
Switzerland	6,505	15,667	5,898	12,799	607	2,868
New Zealand	4,185	10,238	2,863	7,234	1,322	3,004

*Mirror data of one economy are data reported by the counterpart economy. The sum of mirror data does not include confidential data.

This table shows data on direct investment positions from the perspective of the counterpart economies, which are shown side-by-side to the reporting economy's own reported data.

Direct investment positions are negative when a direct investor's claims (equity and/or debt) on its direct investment enterprise are less than the direct investment enterprise's claims (equity and/or debt) on its direct investor. Direct investment positions also could be negative due to net negative positions with fellows. Direct investment positions also can be negative due to negative retained earnings (which may result from the accumulation of negative reinvested earnings).

Blank cells reflect data not available or not applicable and cells with "c" reflect data that were suppressed by the reporting economy to preserve confidentiality.

Totals may not be equal to the sum of their components due to rounding. "0" reflects amounts that are less than +/- \$500,000, or amounts reported as "0".

Data Source: Coordinated Direct Investment Survey (CDIS)



Background of Exercise

- IMF continuous efforts to improve the availability and quality of DI data
- Bilateral asymmetries exercise conducted in May 2016
 - 47 participants
 - based on 2015 CDIS release (2014 data).
- Previous exercise
 - 28 participants
 - based on 2012 CDIS release (2011 data).
- Both provided insights on the reasons for asymmetries and helped some economies detect errors and consider taking actions to further improve data quality.



Purpose and Scope of Exercise

- Bring attention to large bilateral asymmetries
- Encourage countries to **address** them
- Foster relevance of the **CDIS metadata questionnaires**
- Focus on **large target players**
 - OECD economies
 - most G-20 countries
 - BOPCOM members, and
 - economies with asymmetries over US\$25 billion that represented at least 25 percent of the total reported DI position with the counterpart economy

Methodology

- Scope **extended to cover a wider number of economies:** 47 versus 28 in the previous exercise
- Materials distributed
 - **brief survey questionnaire**
 - **an economy-specific Excel file** with their top-ten asymmetries
- Successful exercise: 90 percent response rate (42 out of 47)

Main Reasons for Bilateral Asymmetries

- **Valuation for equity**— Countries should use OFBV for unlisted equity and market value for listed equity
- **Coverage**— Limited/lack of coverage of SPEs and fellows
 - SPEs data are difficult to collect and have a large impact on DI
- **Geographical allocation**— Use of the ultimate (rather than the immediate) counterpart
- **Collection methods**— Some economies report consolidated data for the local enterprise group
- **Other**— Asset/liability basis data rather than according the directional principle, confidentiality, vintage issue, misreporting of country allocation, limited response of the private nonbank sector, etc.



Main Reasons for Bilateral Asymmetries

Identified Reasons for Bilateral Asymmetries	
Different valuation method for unlisted equity	20
Different valuation method for listed equity	13
The use of the directional principle vs. asset liability principle	4
The use of the directional principle for fellows that are not located in the same country as the ultimate controlling parent *	5
Different treatment for permanent debt between selected affiliated financial intermediaries	2
Different data collection methods (enterprises vs. local enterprise group LEG)	14
Different geographic allocation (ultimate vs. immediate counterpart)	12
Differences in definitions of country or geographic territory	1
Confidentiality (for example for specific investments/statistical units)	4
Lack of data coverage, or partial coverage for SPEs	13
Lack of data coverage, or partial coverage for Fellows	9
Other	14
<i>* positions between fellows could be recorded by one country as positive inward and as negative inward for the other country - rather than as a mirror outward position</i>	



Lessons Learned

- **The bilateral asymmetries are an issue of interest**
- **Importance of metadata:** useful in analyzing the reasons for asymmetries
- 88 percent **favor regular participation** in bilateral asymmetries exercises.
- 71 percent **identified reasons** for their large asymmetries.
- 55 percent plan to **correct/revise** their CDIS data. Some are planning to implement specific actions or changes in their collection/compilation methods
- 30 respondents (71 percent) **agreed on posting** bilateral asymmetries tables on the CDIS website (few, with minor changes) and 12 economies did not.

Way Forward

- **Regular** bilateral asymmetries exercises
- Consider a **workshop** to facilitate bilateral exchange of information
 - approach economies that favor regular participation
 - key factor: any **legal constraints** to exchange information that could be confidential
 - **voluntary** participation
 - countries need to **commit to preserve the confidentiality** of the data exchanged bilaterally.
 - **IMF's role** facilitating a venue and methodological advice.
 - find out **how this exchange of confidential data has been undertaken** by countries and the legal basis underlying such an exchange to define the way to further progress in this area.

Way Forward

- Liaise with international organizations to **explore synergies**.
- Assess if **new questions** on bilateral asymmetries should be added to the CDIS metadata, e.g.,:
 - main reasons that explain asymmetries;
 - counterpart countries, instruments (equity/debt), type of investments, or sectors involved;
 - future or current work to address/understand/reduce them;
 - comments could be provided in a comment box in free text.
- **Individual bilateral asymmetries tables** will not be posted on the CDIS website before contacting those economies that did not agree on posting their data.