



STATISTICS

Challenges in Measuring FDI: Addressing Them in the Update of BPM6

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Challenges Measuring Foreign Direct Investment and Main Trends in Latin America and the Caribbean

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Outline

- Update of the international standards
- Issues in current FDI statistics
- Addressing the measurement challenges
- Proposals for better data on MNEs
- Other new recommendations for FDI statistics

Update of International Standards

- Rare opportunity
- Work underway for *System of National Accounts and Balance of Payments Manual*
 - Complete consistency
 - Particular focus on globalization and activities of MNEs
 - To be published in 2025
- International statistical community has come together to work through Task Teams to make recommendations for the next set of standards
 - Direct investment task team (DITT):
 - ▶ BPM only task team
 - ▶ Defining FDI, measurement and classification, MNEs and Special Purpose Entities (SPEs), and FDI by type (e.g., M&A, greenfield, etc.)
 - Globalization Task Team
 - ▶ Joint task team
 - ▶ Many topics, including MNEs and SPEs
- OECD's *Benchmark Definition of Foreign Direct Investment*
 - Focused solely on direct investment (specialist manual)
 - Consistent with the BPM but additional detail

Different Uses for FDI statistics

Direct investment in the BOP and IIP

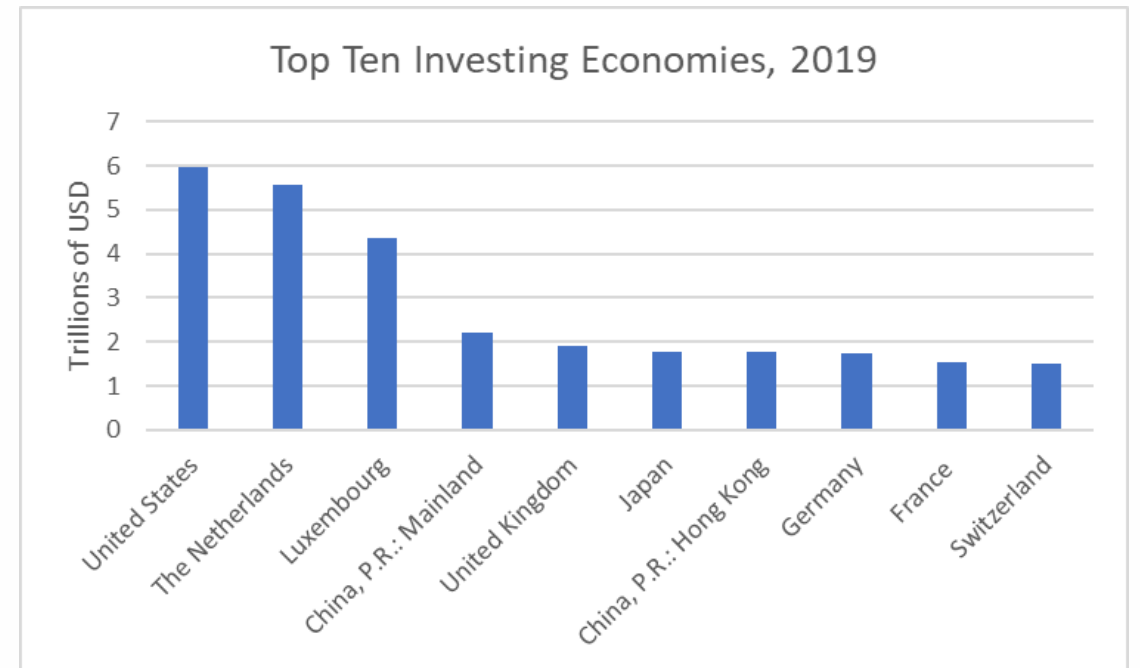
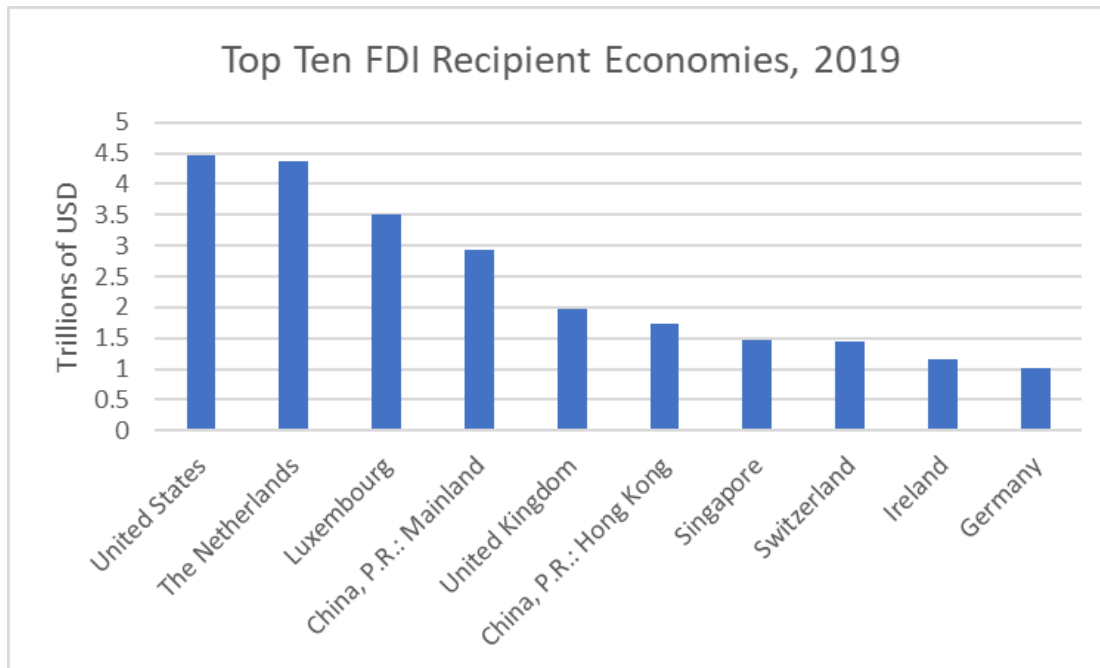
- Focus on financial stability and financial interdependencies between economies
 - Focus on financing and income
- Distinguish from portfolio investment:
 - Long term and stable vs. shorter term and volatile
 - Influence or control vs. passive investors
- Many countries report FDI statistics as part of the BOP and IIP
 - More than 170 economies report BOP and more than 160 report IIP to IMF
 - More than 110 report to the Coordinated Direct Investment Survey

FDI statistics as a proxy for MNE production

- Direct investors supply more than financing
 - Technology and knowledge transfer
 - Integration in regional and global value chains
- Real impacts and not just financial and income
 - Employment, wages, production, trade
- How good a proxy are they?

Issues with FDI statistics: Pass-through investments

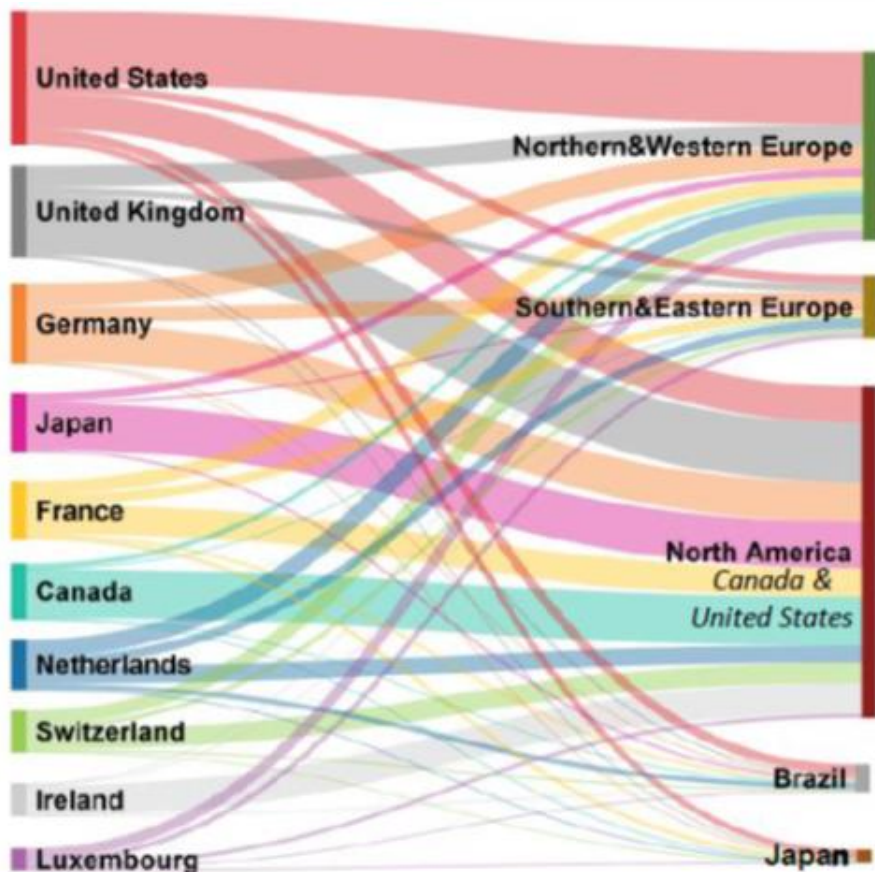
- MNEs channel their investments through multiple locations, often financial centres, before their final destination
- Inflates FDI flows and positions and obscures ultimate sources and destination of investment



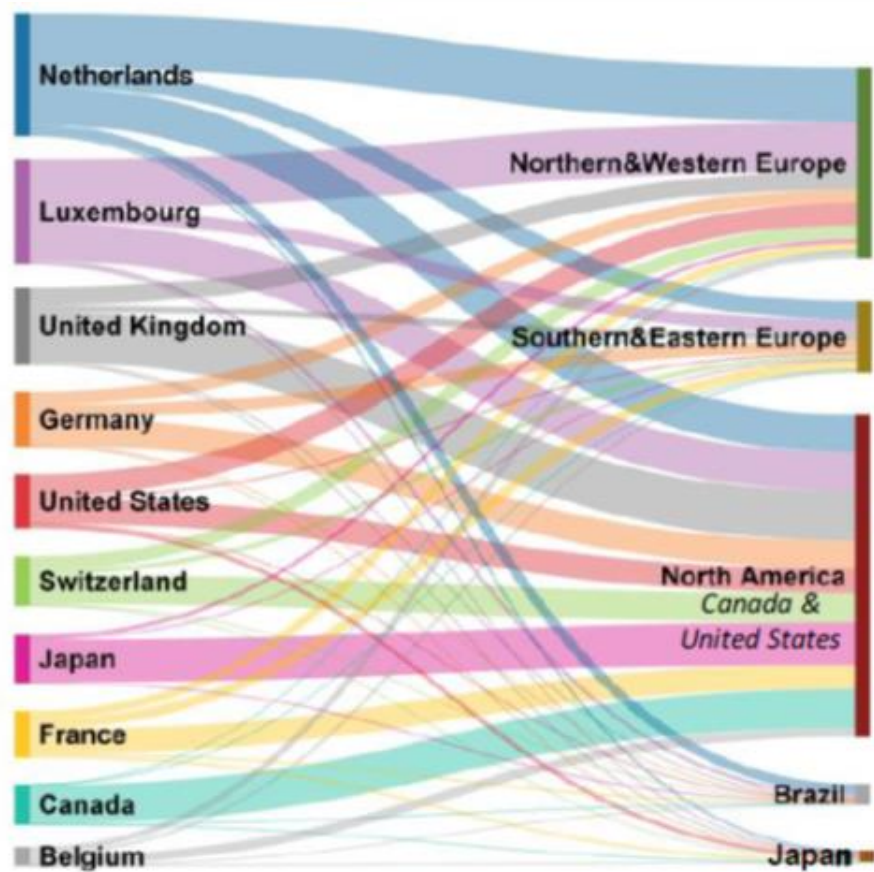
Source: IMF Coordinated Direct Investment Survey (CDIS)

Who Are the Most Important Investors in your Economy? Identifying the Ultimate Investing Economy

By ultimate investor:

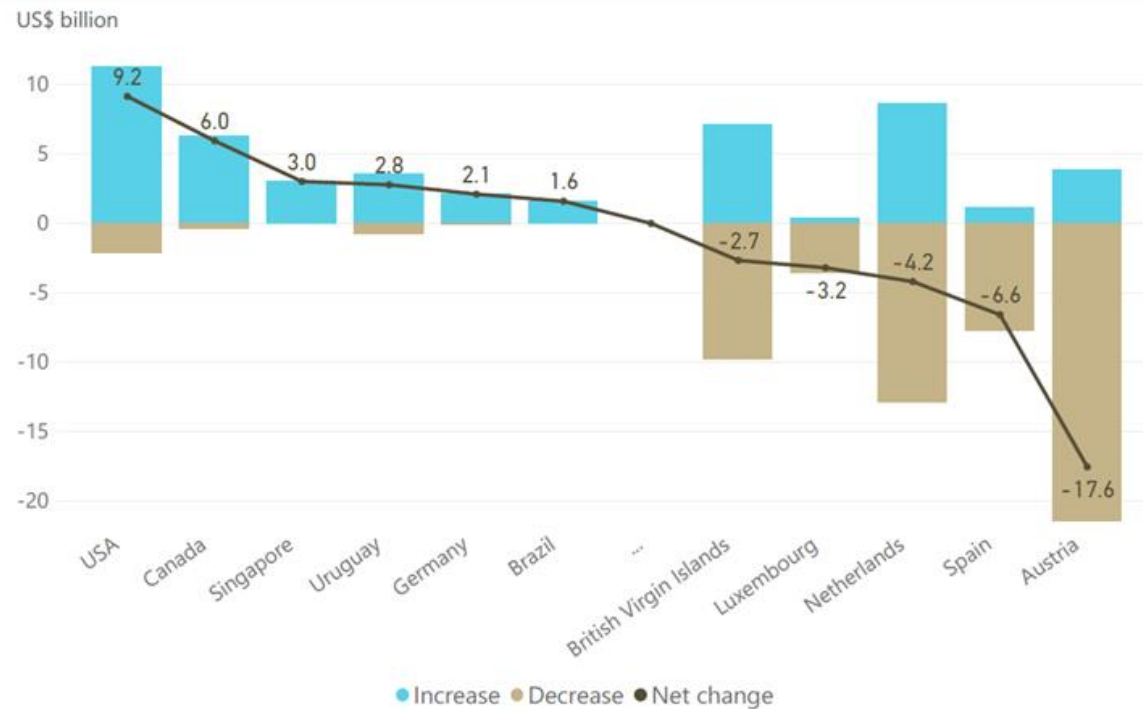


By immediate investor:



Source: OECD, *FDI in Figures*, October 2019

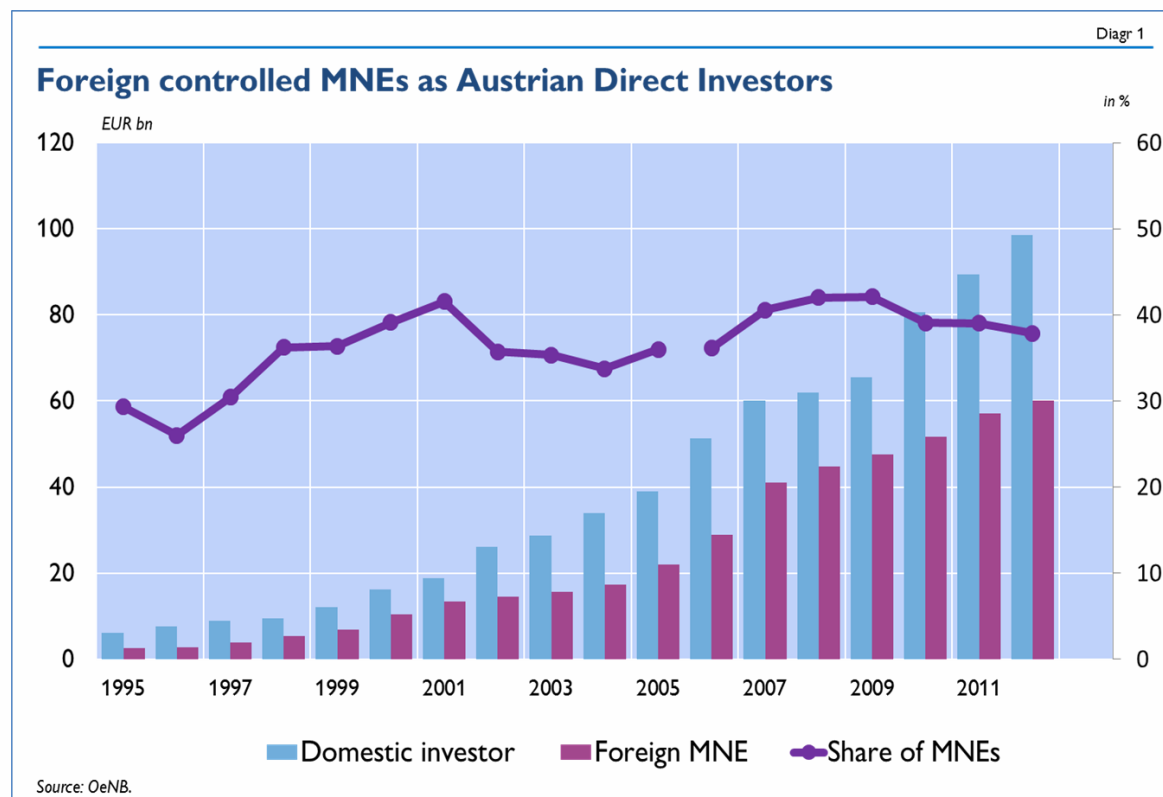
Where is the Investment Going? Identifying the Ultimate Host Economy



- Luxembourg, BVI, Austria and the Netherlands become less important destinations
- US, Canada, Singapore, Uruguay, and Germany become more important
- Measure of round-tripping: outward FDI that is ultimate hosted in Brazil

Source: Banco Central do Brasil

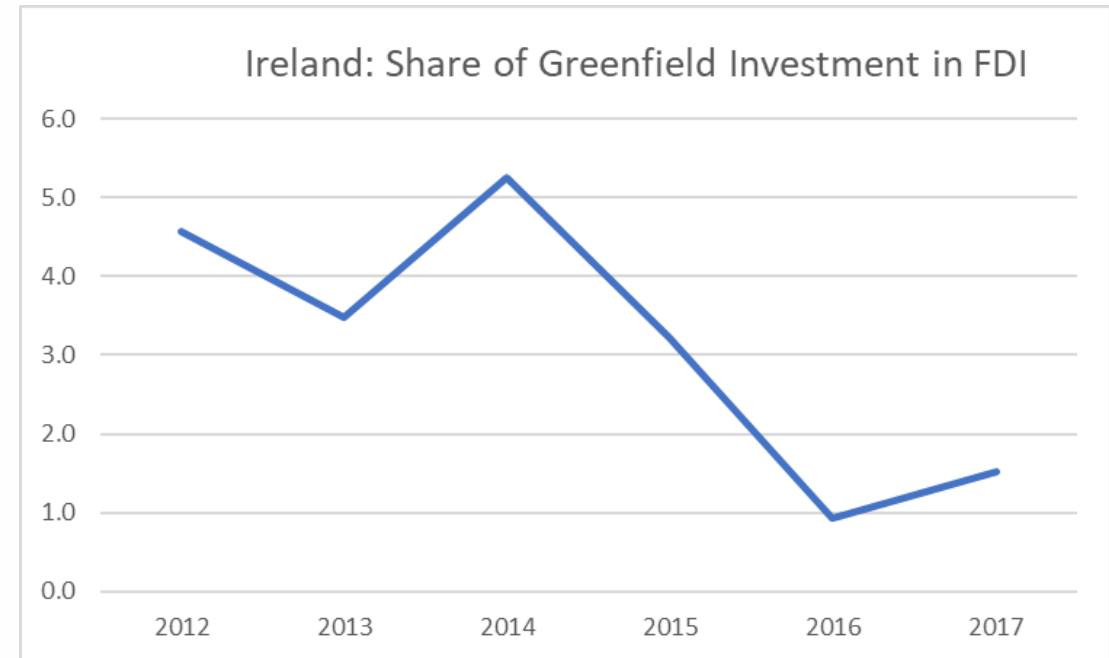
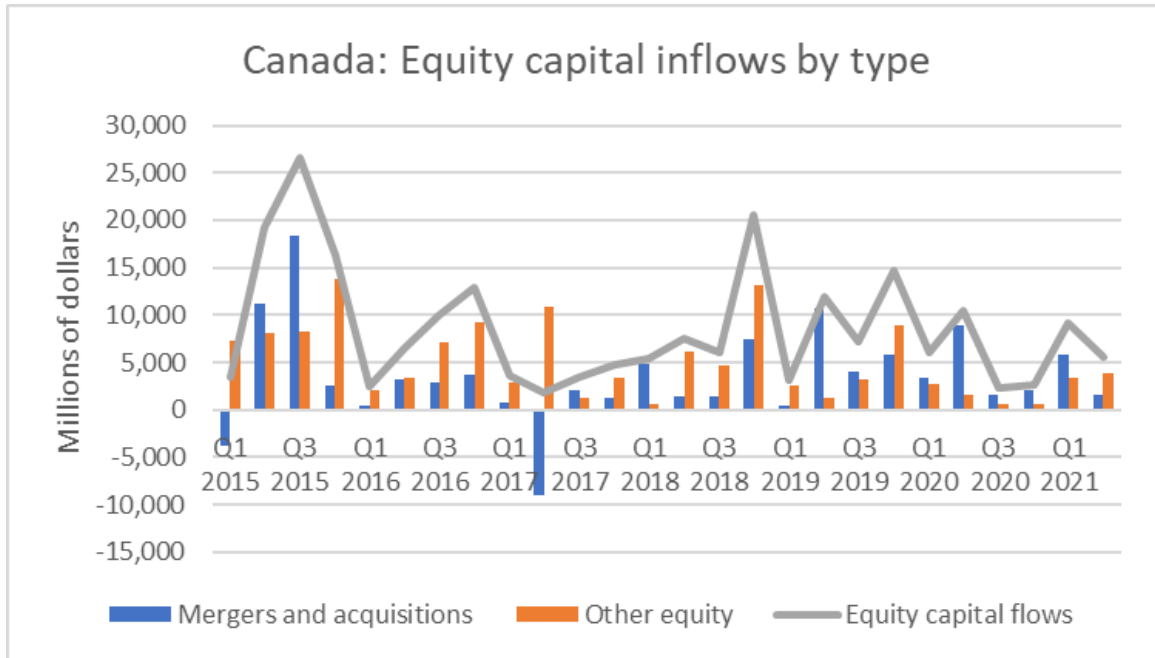
Austria: Detailed Analysis by Ownership



Country of UIE	Regional distribution by host country				ODI EUR mn
	Germany	Wesern Europe	Central & Eastern Europe	Rest of World	
Austria ("genuine")	21%	26%	44%	9%	98.573
Germany	4%	28%	39%	30%	18.538
Western Europe	3%	25%	62%	10%	19.783
Central and Eastern Europe	5%	28%	25%	42%	6.86
Rest of the world	7%	37%	18%	38%	14.865
Total ODI	15%	27%	42%	16%	158.619

Source: Austrian Central Bank

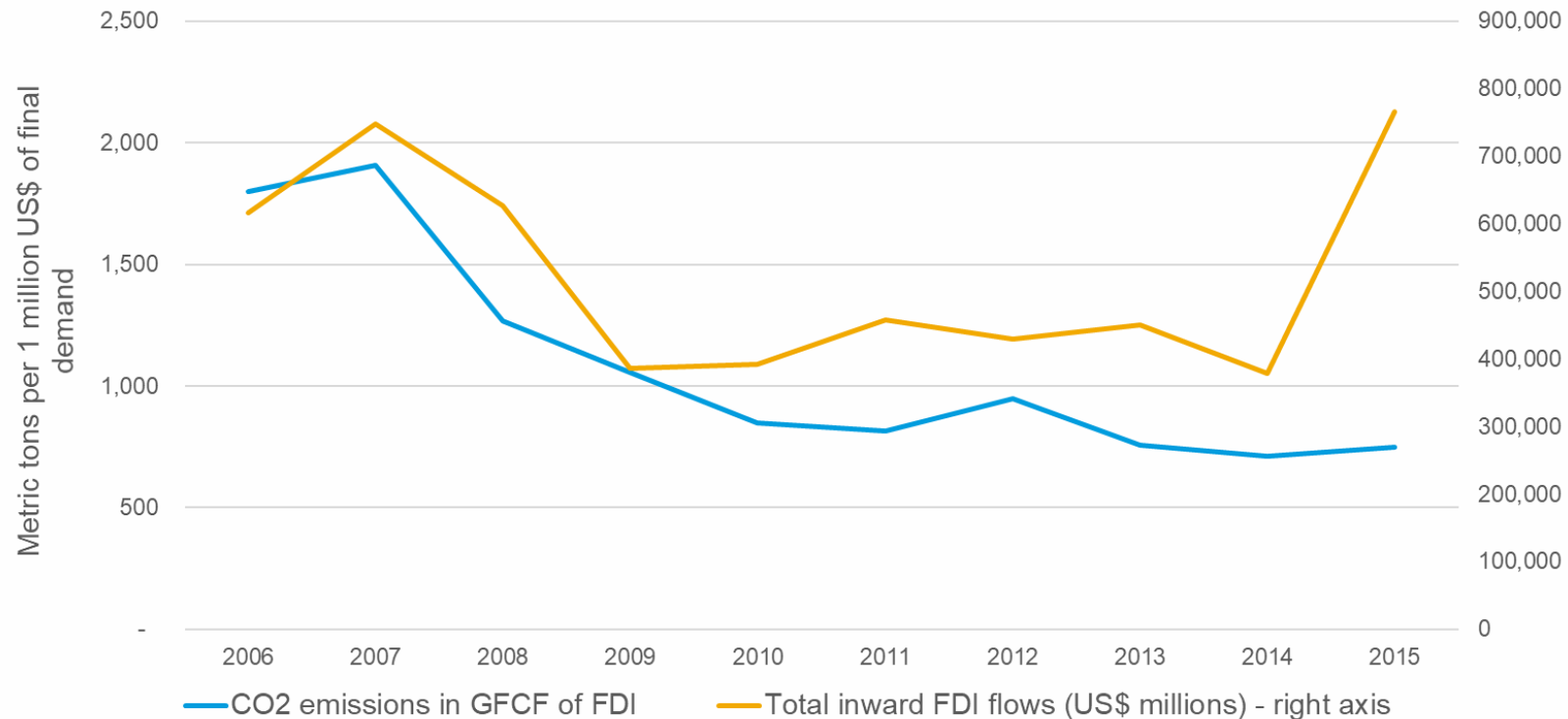
The Purpose of FDI: Mergers & Acquisitions and Greenfield Investment



Source: Statistics Canada

Source: Central Statistical Office of Ireland

FDI statistics with Other Statistics: CO2 Emissions



Source: IMF Climate Indicators Dashboard

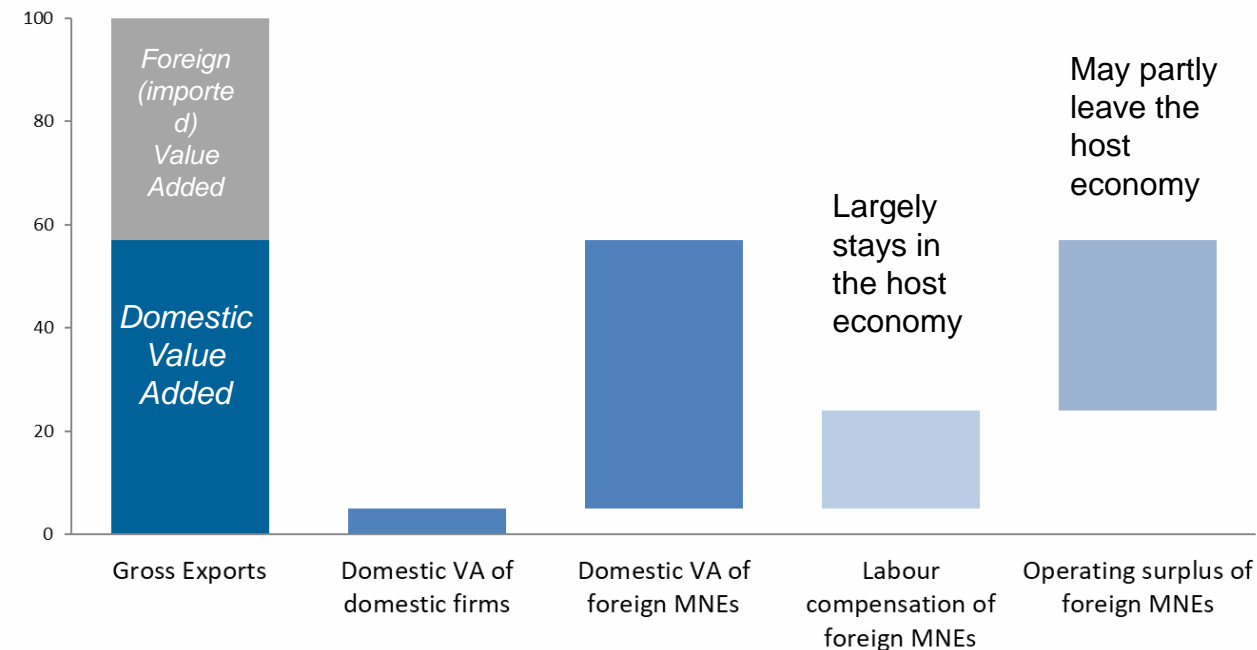
- Direct investment finances new capital investment in its host economies that results in carbon emissions
- Combining data on FDI inflows by industry with data on CO2 emissions of gross fixed capital formation in those industries, we can estimate the CO2 emissions of new capital investments financed by FDI
- Estimates would be improved by better data on FDI for greenfield investment and expansions of capacity

Proposals for additional data on MNEs: Trade

- The Globalization Task Team and the Current Account Task Team (C.2 and C.4)
- To better understand the role of MNEs in trade, proposes a voluntary breakdown of trade by ownership: foreign-controlled corporations, domestic MNEs, and other domestic entities
- Also includes a breakdown of direct investment income according to the residence of the ultimate direct investor
 - To capture the income effects of global production arrangements as well as the trade effects

	Total
Exports of goods and services, total	
Goods, BOP basis	
By enterprise ownership	
Domestically controlled	
MNE	
Other	
Controlled from abroad	
Services, BOP basis	
By enterprise ownership	
Domestically controlled	
MNE	
Other	
Controlled from abroad	
Receipts of investment income	
By enterprise ownership	
Domestically controlled	
MNE	
Of which Direct Investment	
Other	
Controlled from abroad	
Of which Direct Investment	

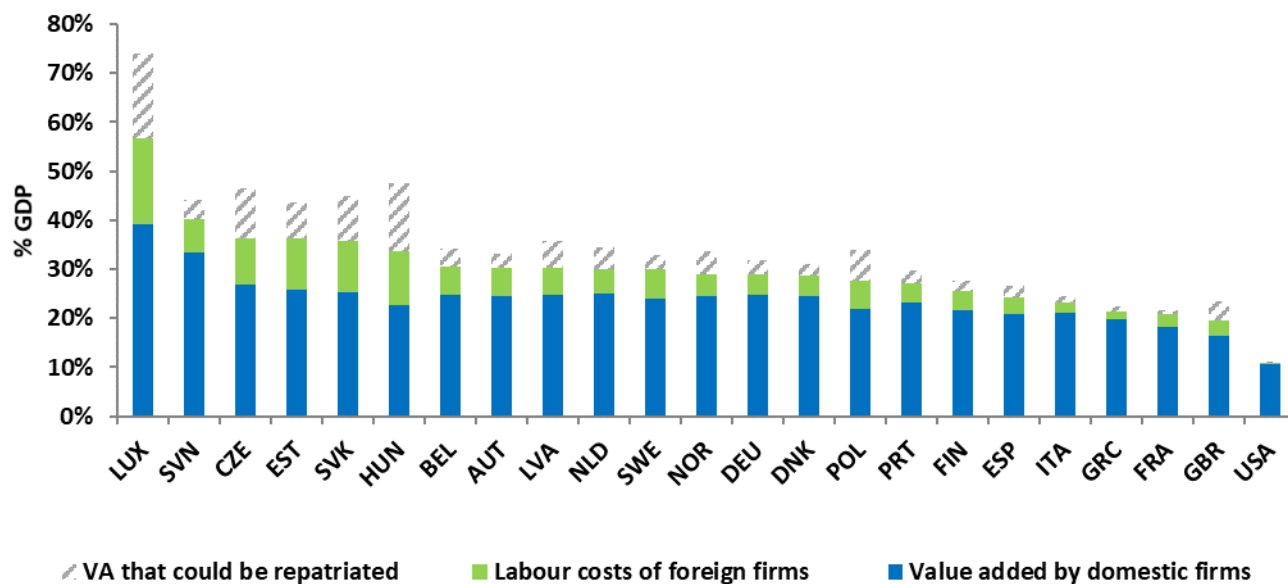
These Data Can Provide Additional Insights to GVC Analysis



- Information on FDI has not been included in the statistical frameworks developed to analyse GVCs (i.e., Trade in Value Added (TiVA))
- Towards analysing TiVA from a GNI perspective
- Sheds light on an important issue: where is income generated along a GVC and where does it accrue?
- Line between FDI income & services trade is increasingly blurred
- Identify the part of value added by foreign-owned firms that can be repatriated
 - Wages and taxes are more 'sticky'
 - Operating surplus is less 'sticky'

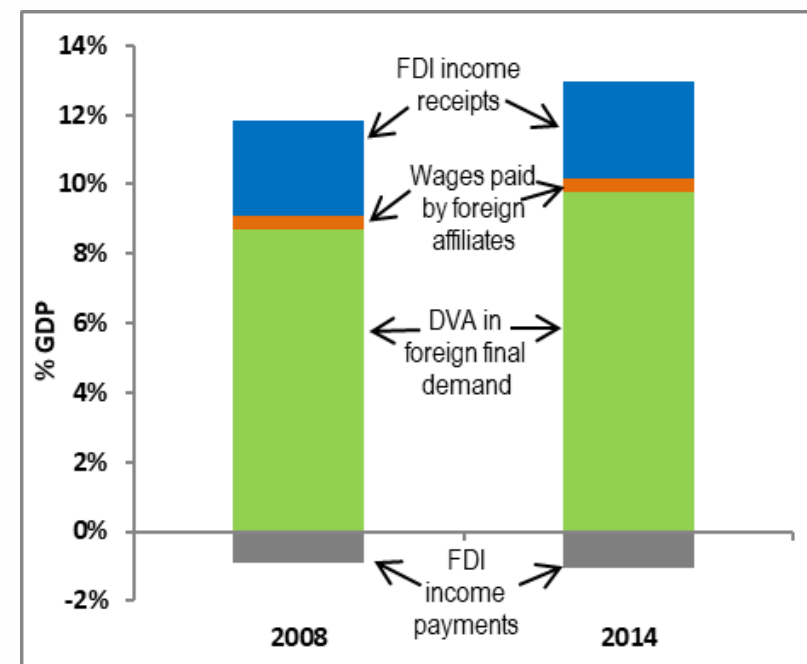
Trade in Value Added by Ownership

Exports by ownership and their contribution to income as a share of GDP, 2014



Source: OECD Trade and Investment Country Notes

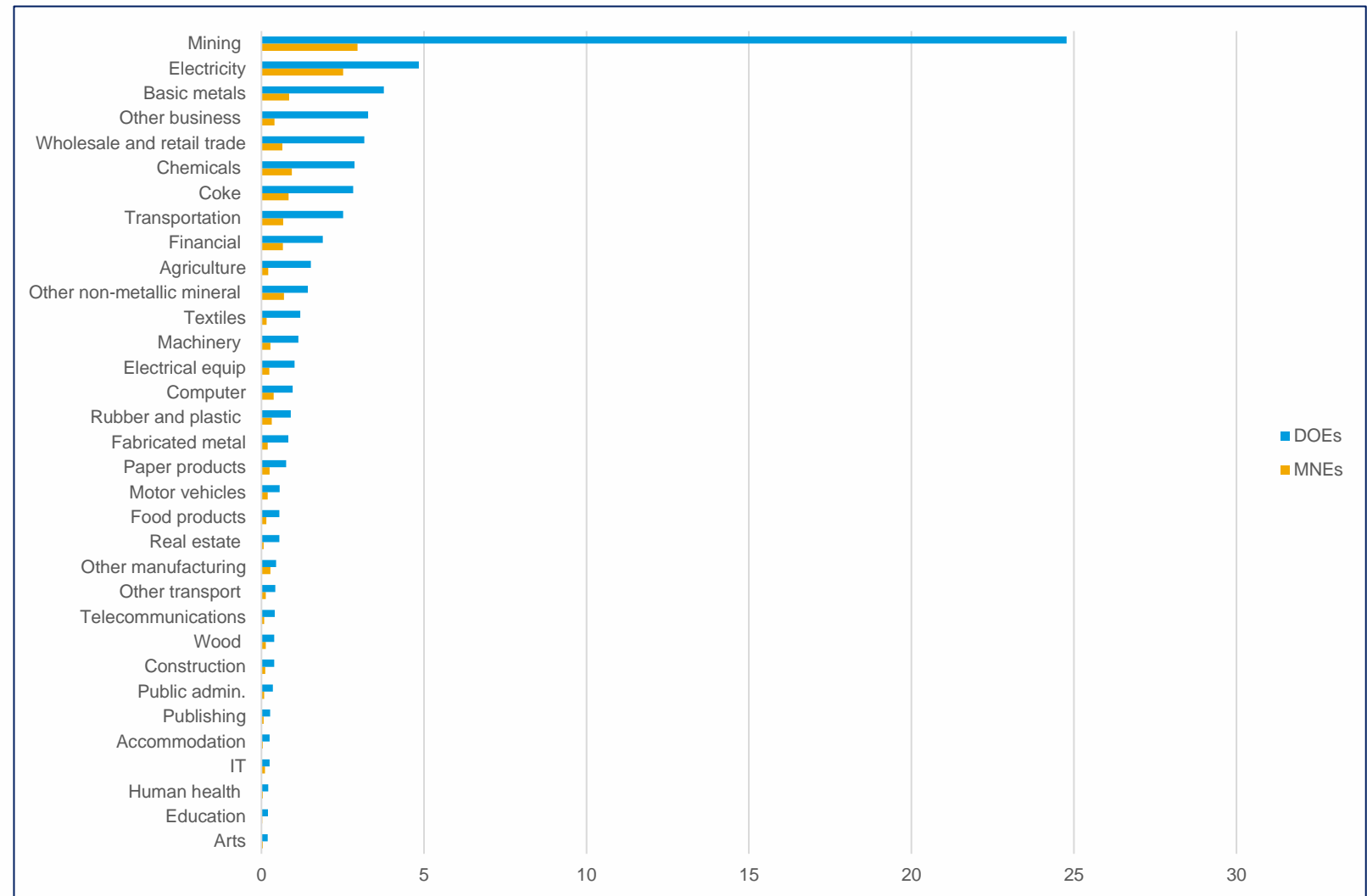
Benefits to the US from NAFTA Integration



Source: Authors' calculations from OECD Data

Data on Production (i.e., Value Added) by MNEs: CO2 Emissions by MNEs and Domestic Firms

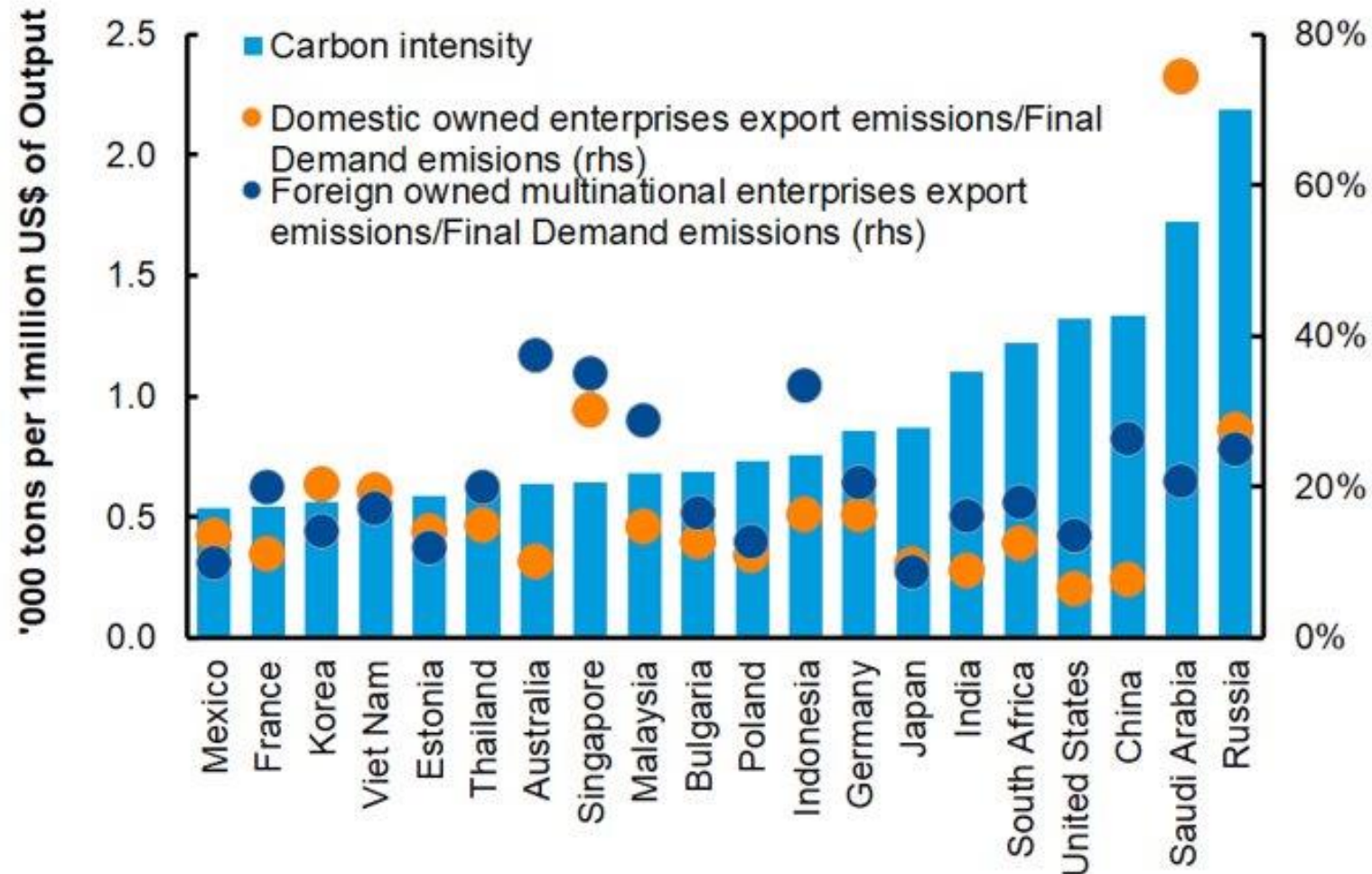
- Globalization Task Team is exploring the feasibility of recommending a break down of gross value added by industry between foreign-controlled and domestically controlled units
- Combined with data on CO2 emissions could enable the analysis of CO2 emissions from the ongoing operations from FDI firms



Source: IMF authors' calculations using OECD data

Adding in Data on TEC Enables the Analysis of Trade and Investment in CO2 Emissions

Carbon intensity and exports associated emissions (2015)



Source: IMF authors' calculations using OECD data

Other Changes to FDI Statistics Considered for the Update

- No major changes to the definition of direct investment
 - Some clarification of the treatment of collective investment institutions
- Some other important changes:
- Sectoral breakdown of Direct Investment will be included in the core framework
 - This breakdown will enable links with balance sheet and other sectoral data compiled in the SNA, in monetary and financial statistics, and in government finance statistics
 - Will also enable the analysis of net lending and borrowing by each domestic sector
- Reconciliation of flows and positions
- Valuation of unlisted equity
- DI income, retained earnings, and dividends

More information on the Update can be found at: [Update of the sixth edition of the Balance of Payments and International Investment Position Manual \(BPM6\) \(imf.org\)](#)

Thank you for your attention!

