



National Bank  
of Ukraine

# Enhancement of Foreign Direct Investment (FDI) Statistics: incorporation of investments between fellow enterprises

National Bank of Ukraine  
Statistics and Reporting Department

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# Summary: FDI statistics revision

## Summary

- As economic activities have become more global, investors establish complex structures to obtain optimal benefits from their investments and for efficient management of the funds. These developments reinforced the need for revision of statistical measures of FDI.
- The 6th edition of the Balance of Payments and International Investment Position Manual (BPM6, 2009) and the OECD Benchmark Definition of Foreign Direct Investment (4th edition, 2008) introduced the definition of fellow enterprises and investments between fellow enterprises. This allowed improving coverage of debt transactions within multinational corporations, better understanding of investments direction.
- The National Bank of Ukraine has improved Balance of Payments (BOP), International Investment Position (IIP) and FDI statistics by taking into account the investments between fellow enterprises.
- External sector statistics data were revised since 2015.

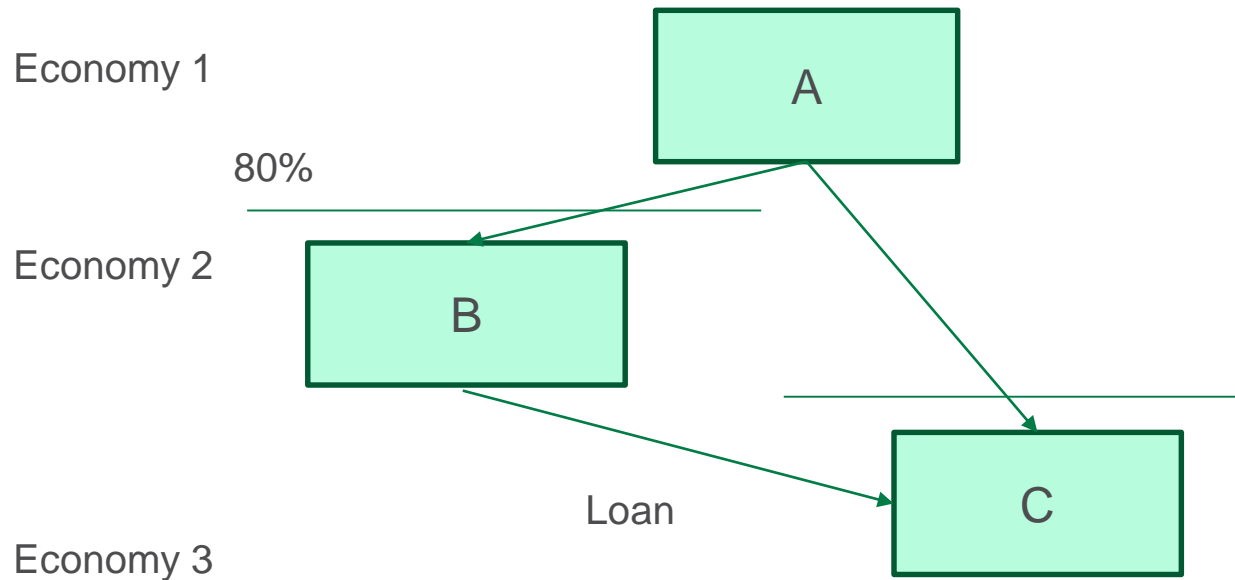
## Summary: net FDI stocks revised by USD 6 billion

### Results

- Revision of external sector statistics in part of loans between fellow enterprises does not affect the financial account balance in BOP, net IIP position and gross external debt due to reclassification of loans from "Other investments" to "Direct Investment, Debt Instruments" item:
  - transactions/stocks on loans between fellow enterprises in BOP and IIP are recorded in the item "Direct investment, Debt instruments, Between fellow enterprises"
  - with adjustment of items "Other investments, Loans, Liabilities, Other sectors" and "Direct investments, Debt instruments, Direct investor in a direct investment enterprise".
- As a result of incorporation of loans between fellow enterprises as of the end of Q3 2021 net FDI position was revised by USD 6 billion (from 55.1 to USD 61.1 billion)
  - FDI according to the assets/liabilities principle - liabilities increased by USD 6 billion,
  - FDI according to the directional principle – FDI in Ukraine increased by USD 3.7 billion, FDI from Ukraine decreased by USD 2.3 billion.

## Fellow enterprises - definition

- **Fellow enterprises** – those enterprises that are under the control or influence of the same immediate or indirect investor, but neither fellow enterprise controls or influences the other fellow enterprise (BPM6, p 6.17(c))



- Enterprise A controls B and has significant influence over C. B and C are considered “fellow enterprises” as they have the same direct investor - enterprise A. Financial transactions and positions between B and C are included in FDI statistics even though there is no equity participation between them. For example, B may raise capital which it lends to C at a concessional rate due to the control by A.

## Loans between fellow enterprises in BOP and IIP are recorded according to the assets/liabilities principle

Loans, received by resident FDI enterprises from fellow enterprises are recorded under “Direct investment, Debt instruments, Investments between fellow enterprises” item

BOP items	2020	9 m 2021
<b>Direct investment</b>	<b>58</b>	<b>-5 218</b>
<b>Net incurrence of liabilities</b>	<b>304</b>	<b>5 947</b>
<b>Equity</b>	272	6 073
Equity other than reinvestment of earnings	760	604
Reinvestment of earnings	-488	5 469
<b>Debt instruments</b>	<b>32</b>	<b>-126</b>
Direct investor in direct investment enterprises	-21	-543
Direct investment enterprises in direct investor (reverse investment)	0	14
<b>Between fellow enterprises</b>	<b>53</b>	<b>403</b>
<i>if ultimate controlling parent is resident</i>	60	148
<i>if ultimate controlling parent is nonresident</i>	-65	149
<i>if ultimate controlling parent is unknown</i>	58	106

## Loans between fellow enterprises in FDI statistics according to the directional principle are recorded depending on the residency of the ultimate controlling parent (UCP) of the fellow enterprises

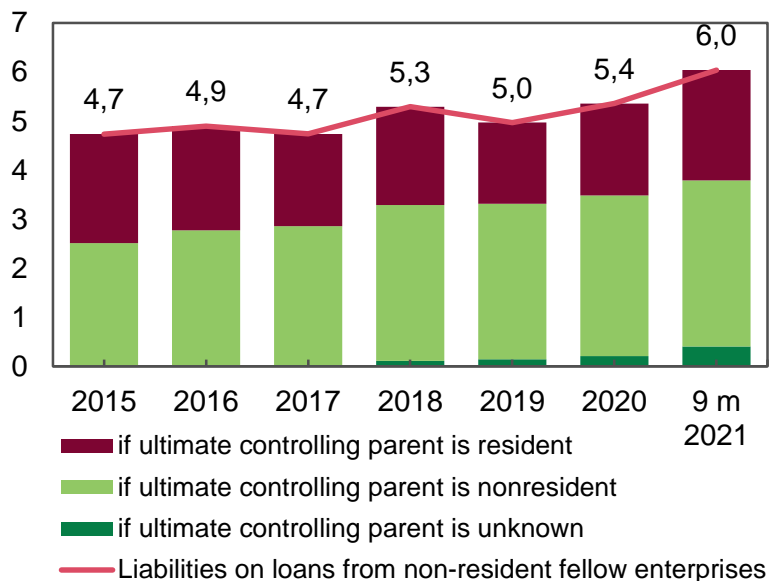
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- For compilation FDI statistics according to the *directional principle* transactions and positions between fellow enterprises is classified according to the residency of the *ultimate controlling parent* of the fellow enterprises:
  - if the *ultimate controlling parent* is resident, loans from non-resident fellow enterprise are classified as outward FDI;
  - if the *ultimate controlling parent* is nonresident, loans from fellow enterprises are classified as inward FDI.
- Net FDI positions according to the assets/liabilities principle and directional principle remains the same.

*In practice transactions/positions between fellow enterprises relate to the funds circulating within multinational groups via shared service centers (e.g. providing treasury or cash pooling facilities) or to take advantage of the best financing opportunities.*

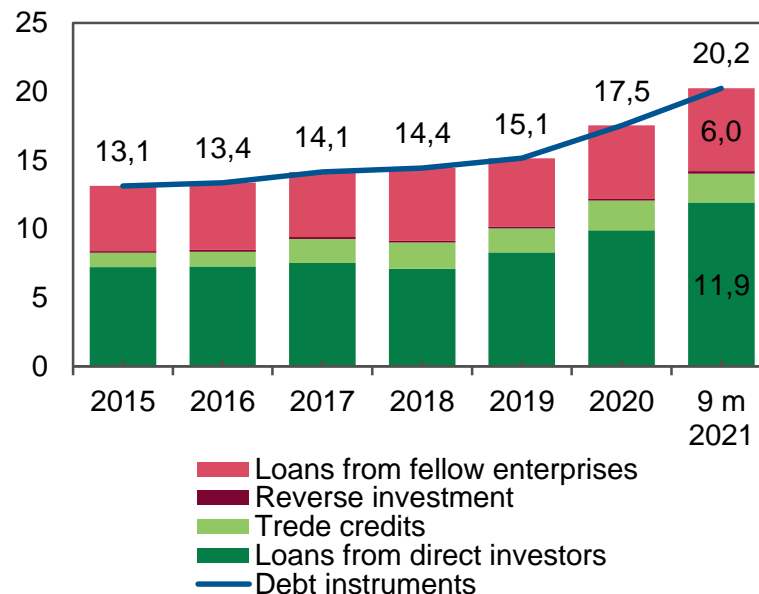
## Total liabilities on loans from nonresident fellow enterprises as of the end of Q3 2021 amounted to USD 6 billion

Liabilities on loans from nonresident fellow enterprises, stocks at the end of period, USD billion



Source: NBU.

Direct investment, debt instrument liabilities, stock at the end of period, USD billion

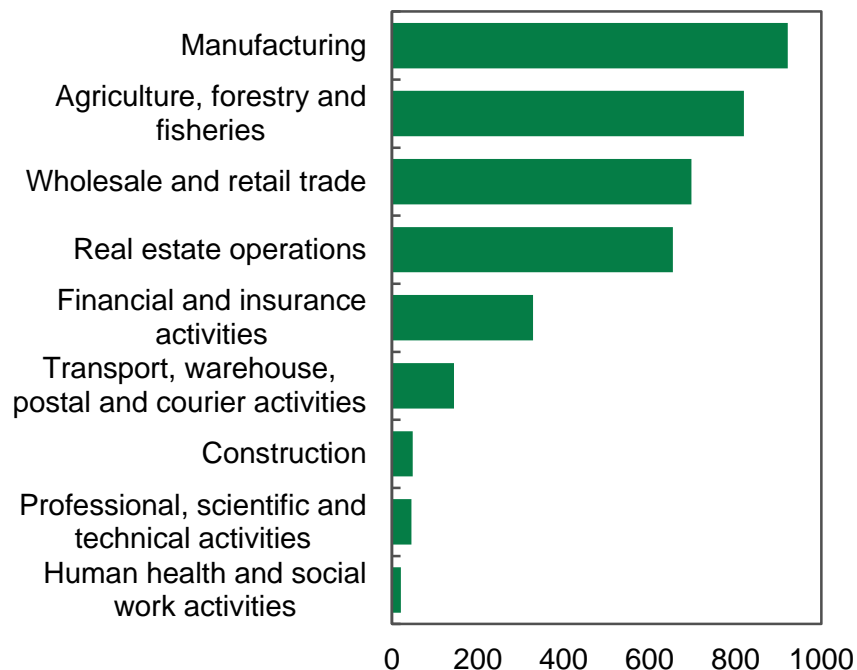


Source: NBU.

# Loans from nonresident fellow enterprises as of the end of Q3 2021 were concentrated in the sector of industry and wholesale trade

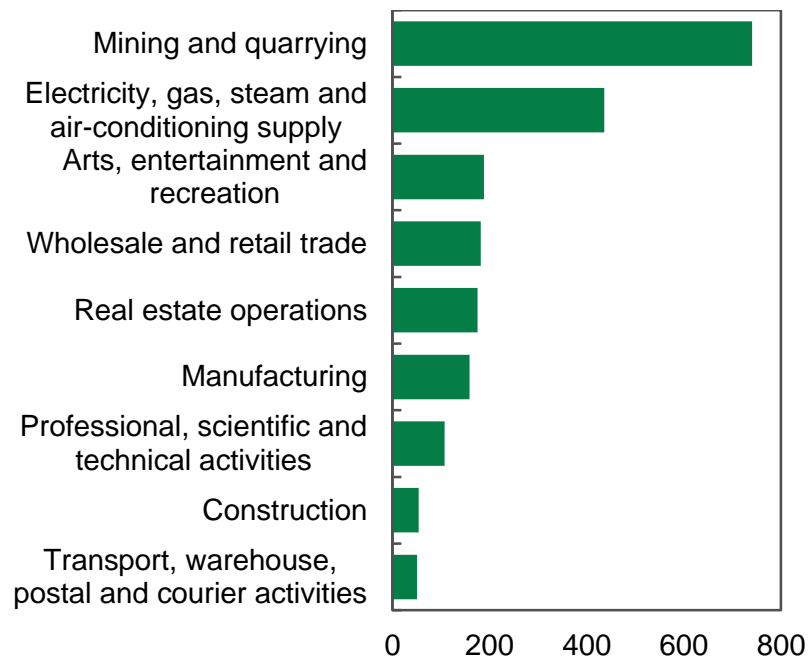
Liabilities on loans from nonresident fellow enterprises, stocks as of the end of Q3 2021, by types of economic activity, USD million

If UCP is nonresident or unknown



Source: NBU.

If UCP is resident



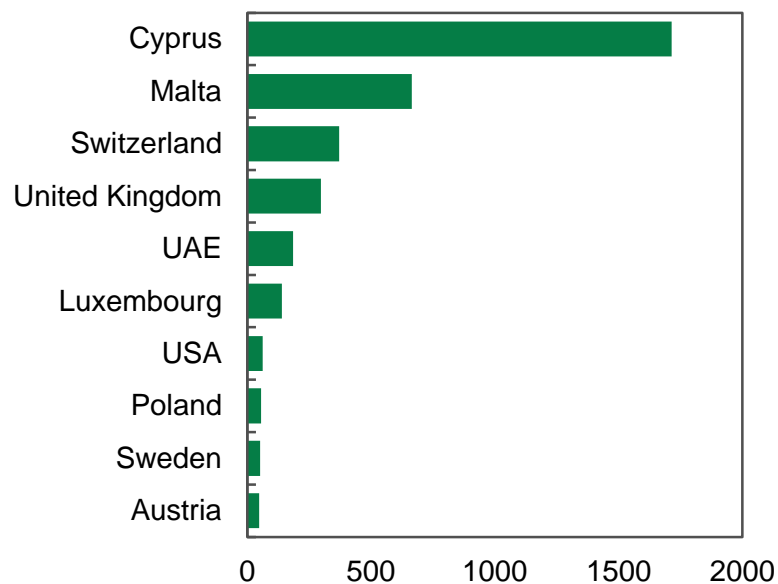
Source: NBU.



# Cyprus and the United Kingdom appeared to be the main country creditors as of the end of Q3 2021

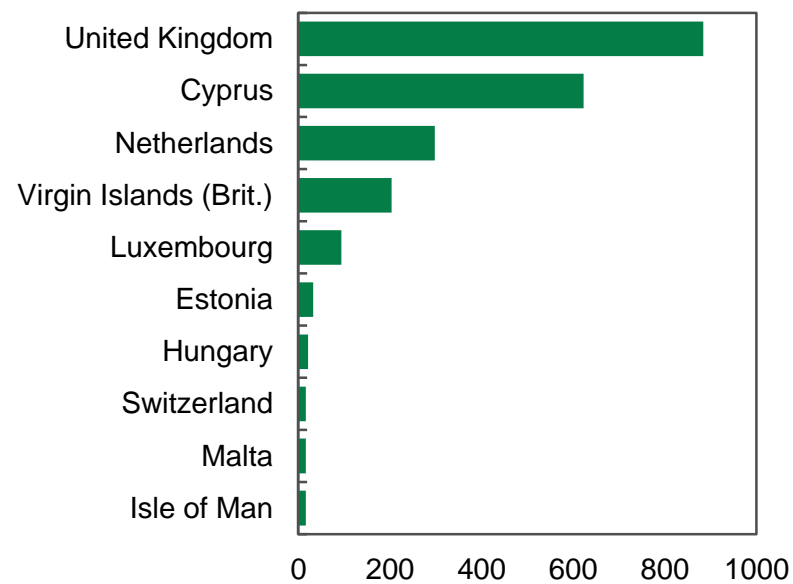
Liabilities on loans from nonresident fellow enterprises, stocks at the end of Q3 2021, by country, USD million

If UCP is nonresident or unknown



Source: NBU.

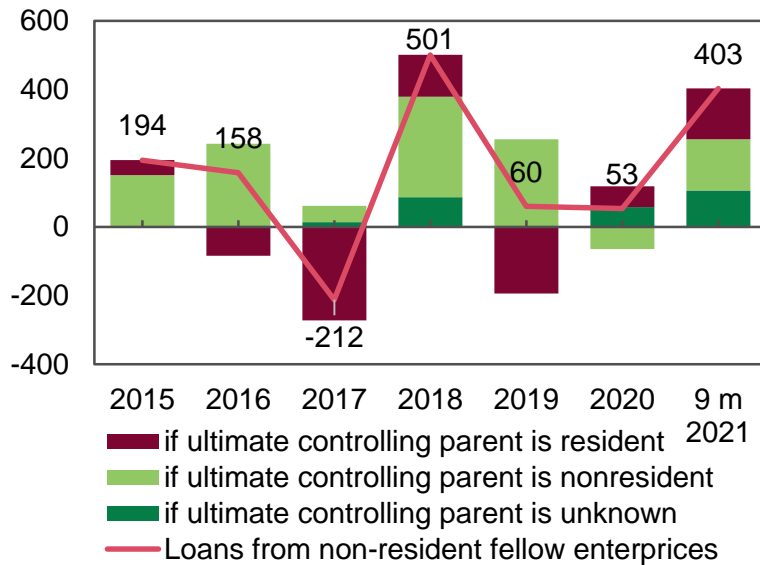
If UCP is resident



Source: NBU.

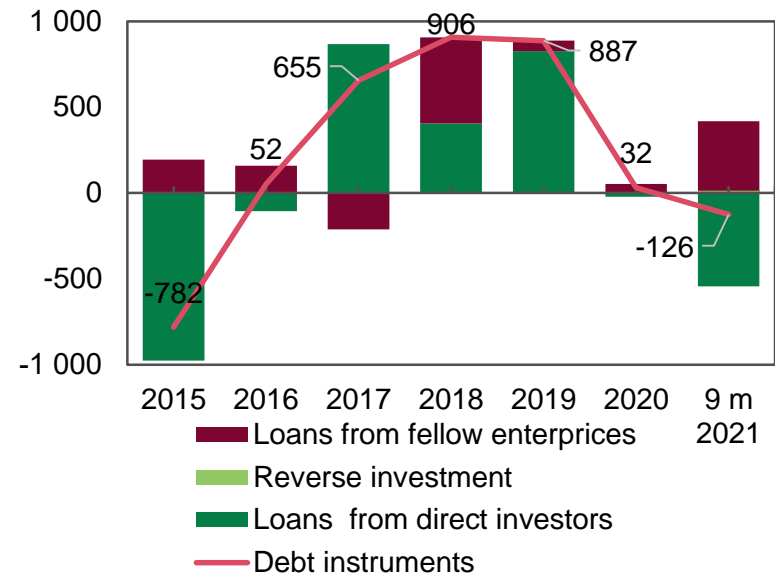
# Net inflows on loans from fellow enterprises for 9 months 2021 totaled USD 403 million

Net inflows on loans from fellow enterprises, USD million



Source: NBU.

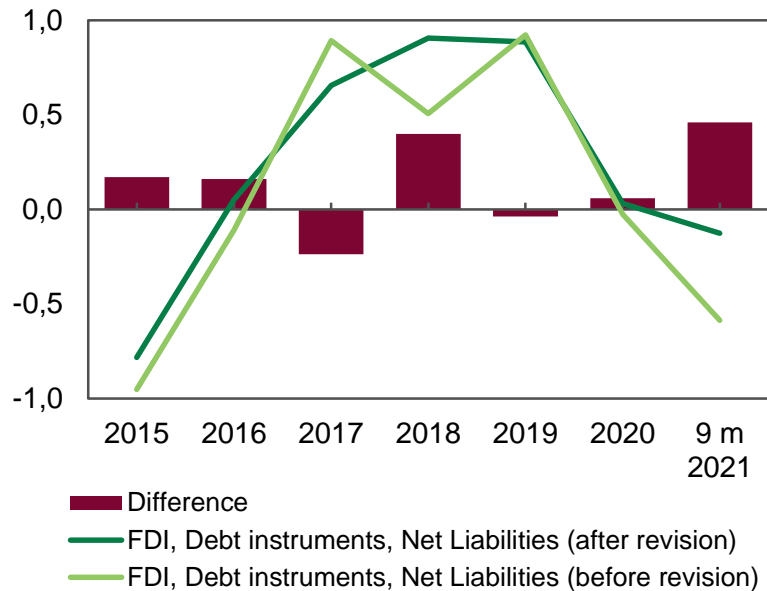
Net inflows on FDI debt instruments, USD million



Source: NBU.

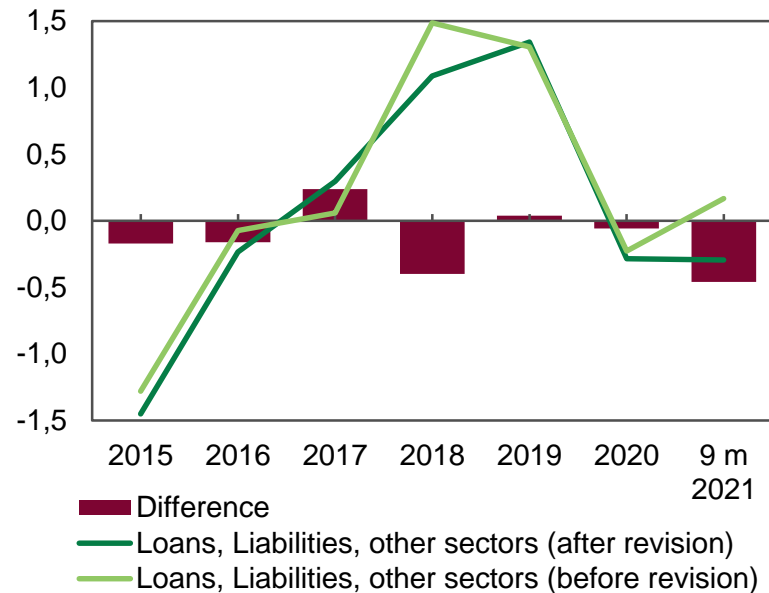
# Revision of data related to loans between fellow enterprises does not affect the financial account balance of BOP due to reclassification of loans from "Other investments" to "Direct Investment, Debt Instruments" item

Direct investment, Debt instrument, net incurrence of liabilities, USD billion



Source: NBU.

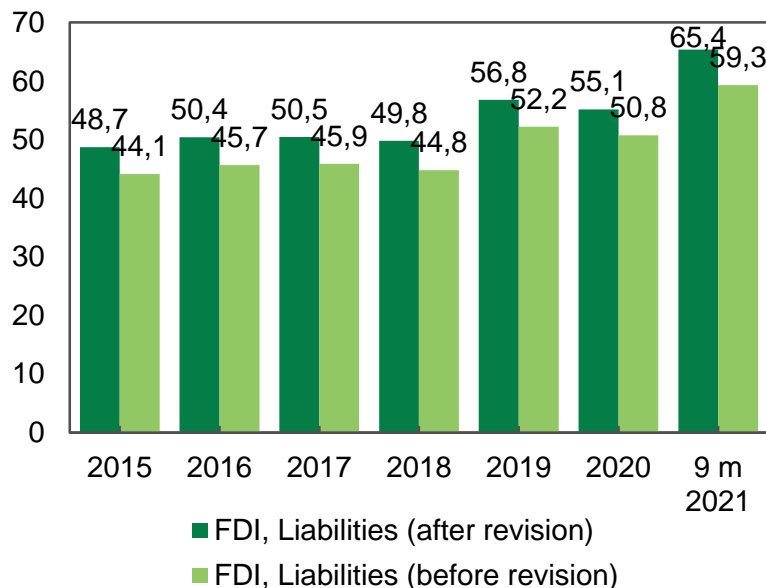
Loans, Other sectors, net incurrence of liabilities, USD billion



Source: NBU.

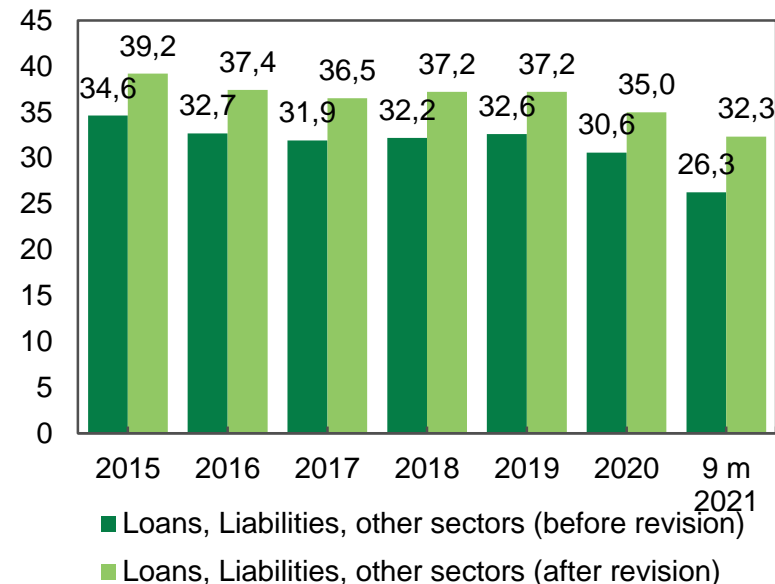
## In IIP FDI liabilities including loans from fellow enterprises as of the end of Q3 2021 increased by USD 6 billion, in turn liabilities on other sectors loans decreased by the same amount

Direct investment, Liabilities, stocks at the end of period, USD billion



Source: NBU.

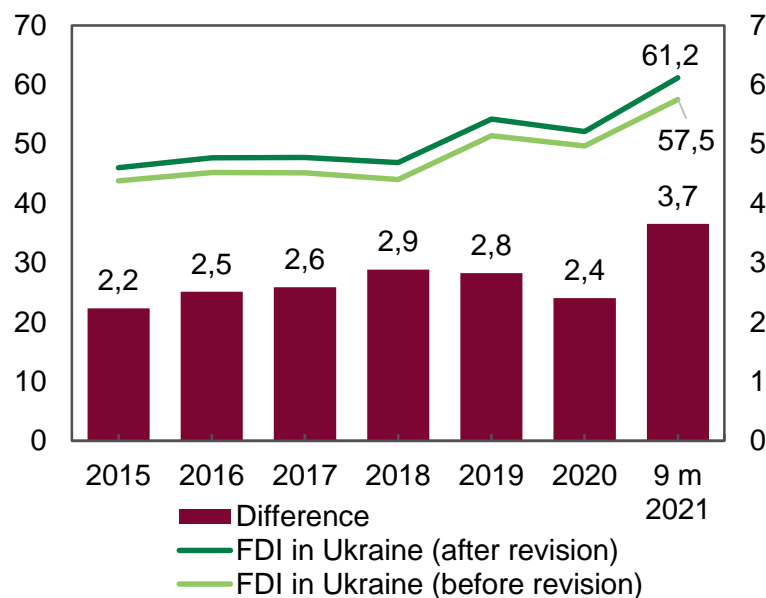
Other investment, Loans, Liabilities, Other sectors, stocks at the end of period, USD billion



Source: NBU.

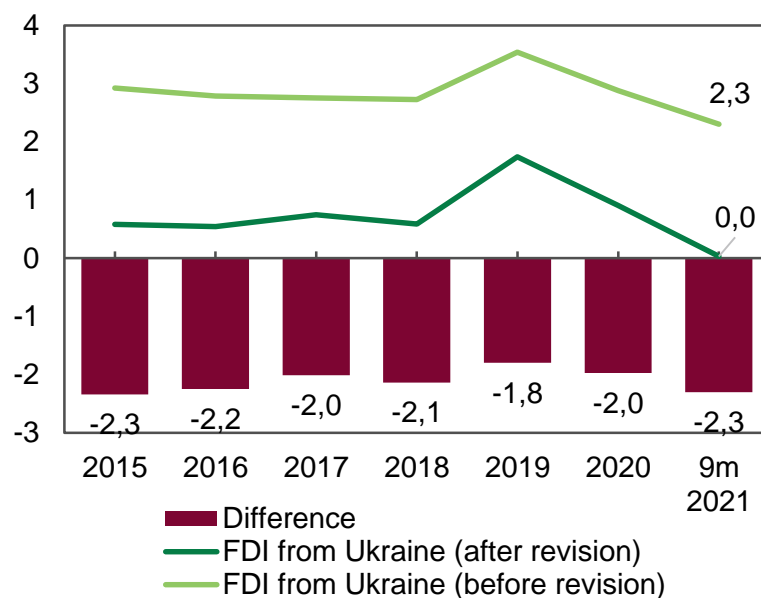
## Incorporating loans from fellow enterprises has led to FDI stocks in Ukraine increased by USD 3.7 billion as of the end of Q3 2021, meanwhile FDI from Ukraine decreased by USD 2.3 billion

**FDI in Ukraine, stocks as of the end of period, USD billion**



Source: NBU.

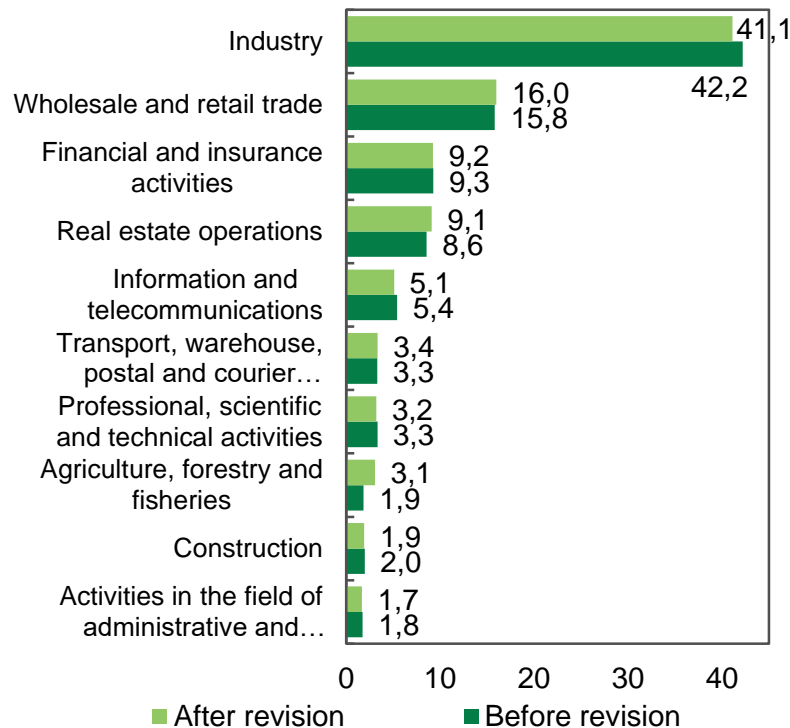
**FDI from Ukraine, stocks as of the end of period, USD billion**



Source: NBU.

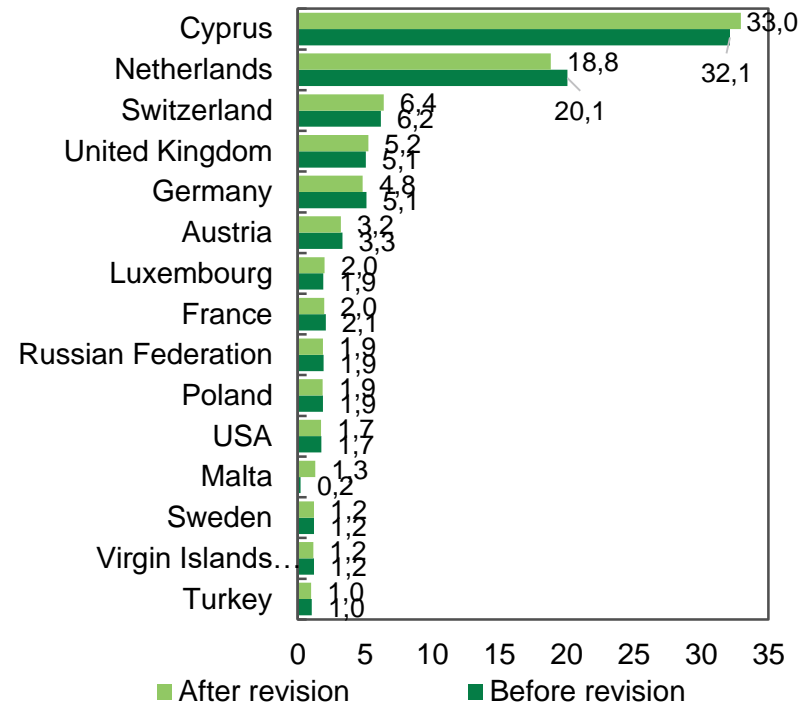
# As a result of revision FDI in Ukraine breakdown by type of economic activity and countries changed

FDI in Ukraine, stocks as of the end of Q3 2021, by type of economic activity, %



Source: NBU.

FDI in Ukraine, stocks as of the end of Q3 2021, by country, %



Source: NBU.



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# Annexes

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## FDI data including loans between fellow enterprises in BOP (according to the assets/liabilities principle)

USD million	2015	2016	2017	2018	2019	2020	9 m. 2021
<b>Direct investment</b>	<b>236</b>	<b>-3 955</b>	<b>-3 446</b>	<b>-4 859</b>	<b>-5 175</b>	<b>58</b>	<b>-5 218</b>
<b>Net acquisition of financial assets</b>	<b>38</b>	<b>173</b>	<b>234</b>	<b>116</b>	<b>621</b>	<b>362</b>	<b>729</b>
<b>Net incurrence of liabilities</b>	<b>-198</b>	<b>4 128</b>	<b>3 680</b>	<b>4 975</b>	<b>5 796</b>	<b>304</b>	<b>5 947</b>
<b>Equity</b>	<b>584</b>	<b>4 076</b>	<b>3 025</b>	<b>4 069</b>	<b>4 909</b>	<b>272</b>	<b>6 073</b>
<b>Equity other than reinvestment of earnings</b>	4 003	3 550	1 535	1 472	1 659	760	604
<b>Direct investor in direct investment enterprises</b>	4 003	3 550	1 535	1 472	1 659	760	604
<b>Reinvestment of earnings</b>	-3 419	526	1 490	2 597	3 250	-488	5 470
<b>Debt instruments</b>	<b>-782</b>	<b>52</b>	<b>655</b>	<b>906</b>	<b>887</b>	<b>32</b>	<b>-126</b>
<b>Direct investor in direct investment enterprises</b>	-976	-106	867	405	827	-21	-543
<b>Direct investment enterprises in direct investor (reverse investment)</b>	0	0	0	0	0	0	14
<b>Between fellow enterprises</b>	194	158	-212	501	60	53	403
<i>if ultimate controlling parent is resident</i>	44	-84	-273	122	-194	60	148
<i>if ultimate controlling parent is nonresident</i>	150	242	47	293	254	-65	149
<i>if ultimate controlling parent is unknown</i>	0	0	14	86	0	58	106



## FDI data including loans between fellow enterprises in IIP, stocks as of the end of period (according to the assets/liabilities principle)

USD million	2015	2016	2017	2018	2019	2020	9 m 2021
<b>Direct investment (1-2)</b>	-45 429	-47 165	-47 021	-46 305	-52 467	-51 184	-61 129
<b>1. Direct investment, assets</b>	3 265	3 261	3 438	3 524	4 343	3 958	4 251
<b>2. Direct investment, liabilities</b>	48 694	50 426	50 459	49 829	56 810	55 142	65 380
<b>Equity</b>	35 562	37 054	36 310	35 391	41 663	37 600	45 138
<b>Direct investor in direct investment enterprises</b>	35 562	37 054	36 310	35 391	41 663	37 600	45 138
<b>Debt instruments</b>	13 132	13 372	14 149	14 438	15 147	17 542	20 242
<b>Direct investor in direct investment enterprises</b>	8 276	8 348	9 278	9 008	10 035	12 082	14 036
<i>Loans from direct investors</i>	7 219	7 281	7 526	7 107	8 291	9 910	11 929
<i>Trade credit</i>	1 057	1 067	1 752	1 901	1 744	2 172	2 107
<b>Direct investment enterprises in direct investor (reverse investment)</b>	121	127	133	137	142	100	166
<b>Between fellow enterprises</b>	4 735	4 897	4 738	5 293	4 970	5 360	6 040
<i>if ultimate controlling parent is resident</i>	2 220	2 120	1 878	2 002	1 656	1 875	2 252
<i>if ultimate controlling parent is nonresident</i>	2 505	2 764	2 834	3 180	3 169	3 272	3 384
<i>if ultimate controlling parent is unknown</i>	10	13	26	111	145	213	404

## FDI flows according to the directional principle (including loans from fellow enterprises)

Million USD	2015	2016	2017	2018	2019	2020	9 m 2021
<b>Direct investment (A - L)</b>	<b>236</b>	<b>-3 955</b>	<b>-3 446</b>	<b>-4 859</b>	<b>-5 175</b>	<b>58</b>	<b>-5 218</b>
<b>A Direct investment from Ukraine (A1 + A2)</b>	<b>-95</b>	<b>100</b>	<b>281</b>	<b>-127</b>	<b>842</b>	<b>22</b>	<b>-90</b>
<b>A1 Equity</b>	<b>-51</b>	<b>16</b>	<b>8</b>	<b>-5</b>	<b>652</b>	<b>79</b>	<b>66</b>
A1.1 Claims of resident direct investors to non-resident direct investment enterprises	-51	16	8	-5	652	79	66
<b>A2 Debt instruments (A2.1 - A2.2 - A2.3)</b>	<b>-44</b>	<b>84</b>	<b>273</b>	<b>-122</b>	<b>190</b>	<b>-57</b>	<b>-156</b>
A2.1 Claims of resident direct investors to non-resident direct investment enterprises	0	0	0	0	-4	3	6
A2.2 Liabilities of resident direct investor to non-resident direct investment enterprises	0	0	0	0	0	0	14
<b>A2.3 Liabilities to fellow enterprises abroad</b>	<b>44</b>	<b>-84</b>	<b>-273</b>	<b>122</b>	<b>-194</b>	<b>60</b>	<b>148</b>
if ultimate controlling parent is resident	44	-84	-273	122	-194	60	148
<b>L Direct investment In Ukraine (L1 + L2)</b>	<b>-331</b>	<b>4 055</b>	<b>3 727</b>	<b>4 732</b>	<b>6 017</b>	<b>-36</b>	<b>5 128</b>
<b>L1 Equity (L1.1)</b>	<b>584</b>	<b>4 076</b>	<b>3 025</b>	<b>4 069</b>	<b>4 909</b>	<b>272</b>	<b>6 073</b>
<b>L1.1 Liabilities of direct investment enterprises to direct investors (L1.1.1 + L1.1.2)</b>	<b>584</b>	<b>4 076</b>	<b>3 025</b>	<b>4 069</b>	<b>4 909</b>	<b>272</b>	<b>6 073</b>
L1.1.1 Equity other than reinvestment of earnings	4 003	3 550	1 535	1 472	1 659	760	604
L1.1.2 Reinvestment of earnings	-3 419	526	1 490	2 597	3 250	-488	5 469
<b>L2 Debt instrument (L2.2 - L2.1 + L2.3)</b>	<b>-915</b>	<b>-21</b>	<b>702</b>	<b>663</b>	<b>1 108</b>	<b>-308</b>	<b>-945</b>
L2.1 Claims of direct investment enterprises to direct investors	89	157	226	121	-27	280	657
L2.2 Liabilities of direct investment enterprises to direct investors	-976	-106	867	405	827	-21	-543
<b>L2.3 Liabilities to fellow enterprises abroad</b>	<b>150</b>	<b>242</b>	<b>61</b>	<b>379</b>	<b>254</b>	<b>-7</b>	<b>255</b>
if ultimate controlling parent is nonresident	150	242	47	293	254	-65	149
if ultimate controlling parent is unknown	0	0	14	86	0	58	106

## FDI stocks as of the end of period according to the directional principle (including loans from fellow enterprises)

USD million	2015	2016	2017	2018	2019	2020	9m 2021
<b>Direct investment ( A-L)</b>	<b>-45 429</b>	<b>-47 165</b>	<b>-47 021</b>	<b>-46 305</b>	<b>-52 467</b>	<b>-51 184</b>	<b>-61 129</b>
<b>A Direct investment from Ukraine (A1 + A2)</b>	<b>580</b>	<b>541</b>	<b>744</b>	<b>589</b>	<b>1 743</b>	<b>907</b>	<b>30</b>
<b>A1 Equity</b>	<b>2 793</b>	<b>2 660</b>	<b>2 627</b>	<b>2 600</b>	<b>3 417</b>	<b>2 755</b>	<b>2 315</b>
<b>A2 Debt instrument (A2.1 - A2.2 –A2.3)</b>	<b>-2 213</b>	<b>- 2 119</b>	<b>- 1 883</b>	<b>- 2 011</b>	<b>- 1 674</b>	<b>- 1 848</b>	<b>- 2 285</b>
A2.1 Claims of resident direct investors to non-resident direct investment enterprises	128	128	128	128	124	127	133
A2.2 Liabilities of resident direct investor to non-resident direct investment enterprises	121	127	133	137	142	100	166
<b>A2.3 Liabilities to fellow enterprises abroad</b>	<b>2 220</b>	<b>2 120</b>	<b>1 878</b>	<b>2 002</b>	<b>1 656</b>	<b>1 875</b>	<b>2 252</b>
if ultimate controlling parent is resident	2 220	2 120	1 878	2 002	1 656	1 875	2 252
<b>L Direct investment In Ukraine (L1 + L2)</b>	<b>46 009</b>	<b>47 706</b>	<b>47 765</b>	<b>46 894</b>	<b>54 210</b>	<b>52 091</b>	<b>61 159</b>
<b>L1 Equity</b>	<b>35 562</b>	<b>37 054</b>	<b>36 310</b>	<b>35 391</b>	<b>41 663</b>	<b>37 600</b>	<b>45 138</b>
<b>L2 Debt instrument (L2.2 - L2.1+L2.3)</b>	<b>10 447</b>	<b>10 652</b>	<b>11 455</b>	<b>11 503</b>	<b>12 547</b>	<b>14 491</b>	<b>16 021</b>
L2.1 Claims of direct investment enterprises to direct investors	344	473	683	796	802	1 076	1 803
L2.2 Liabilities of direct investment enterprises to direct investors	8 276	8 348	9 278	9 008	10 035	12 082	14 036
<b>L2.3 Liabilities to fellow enterprises abroad</b>	<b>2 515</b>	<b>2 777</b>	<b>2 860</b>	<b>3 291</b>	<b>3 314</b>	<b>3 485</b>	<b>3 788</b>
if ultimate controlling parent is nonresident	2 505	2 764	2 834	3 180	3 169	3 272	3 384
if ultimate controlling parent is unknown	10	13	26	111	145	213	404