



National Bank  
of Ukraine

# **Enhancement of Foreign Direct Investment (FDI) Statistics: transfer of responsibility for dissemination of FDI statistics to NBU and incorporation of reinvested earnings for real sector**

National Bank of Ukraine  
Statistics and Reporting Department

Kyiv, 2020



## Summary: FDI statistics revision

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- The National Bank of Ukraine compiles the Balance of Payments of Ukraine according to the 6th Manual on the Balance of Payments and the International Investment Position of the IMF (hereinafter - BPM6) and is constantly works on data quality improvement for full compliance with standards.
- Since 2017, with the support of the IMF Technical Missions, foreign direct investment (hereinafter - FDI) statistics compilation has been gradually improved as data (including previous periods data) become available and the legal basis has been developed.
- In accordance with the Joint Action Plan of the State Statistics Service of Ukraine (hereinafter – SSSU) and the NBU, in 2020 the National Bank accepted the function to publish FDI statistics in order to create a single data source with a standard methodology
- From 2020, non-financial corporations' reinvested earnings are added to FDI flows and FDI stocks data was revised. This allowed to increase the overall coverage of all FDI transactions and increase comparability of Ukraine's BOP with other countries.

## Summary: revised data and next steps

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- Data revision caused widening of Current Account deficit from 1.1 billion USD (1.0% of GDP) in 2017 to 2.8 billion USD (1.8% of GDP) in 2019. At the same time FDI inflows have increased by the same amount.
- At the end of 2019, FDI stock in Ukraine increased from 48.9 to 51.4 billion USD (33.2% of GDP), Ukrainian stock abroad - decreased from 8 to 3.5 billion USD (2.3% of GDP).
- Currently, calculations are based on impersonal financial statements of non-financial corporations. Additional legal opportunities to obtain an individual enterprises data set will help to improve the accuracy of calculations.
- Changes in Balance of Payments calculations neither affect NBU's monetary and exchange rate policy nor the economic situation. FDI as the most stable source of Current Account financing compensates wider Current Account deficit.
- Publication of detailed data on FDI by type of economic activity, countries and regions is scheduled for 30.06.2020, by regions in terms of types of economic activity and countries - for 15.07.2020

# FDI statistics enhancement

2012-  
2015

- BPM6 implementation in external sector statistics of NBU

2017

- Revaluation of FDI stocks measured at last transaction price

Q1 2018

- NBU takes responsibilities for compilation of FDI data for banks,
- Inclusion of reinvested earnings for banks in BOP and IIP statistics

July  
2018

- Estimation of round tripping transactions for 2010-2017

From  
October  
2019

- NBU provides IMF with CDIS data (starting with data for 2018)

From  
June  
2020

- **NBU is the only public source of all FDI statistics (SSSU will continue to collect granular data)**
- Introduction of reinvested earnings for non-bank corporations

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# Changes in Balance of Payments

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# Definition of Reinvested earnings

- According to BPM6 investment income attributable to direct investor on their equity includes not only distributed income in form of dividends, but also the share of investors in retained earnings of the enterprise. Macroeconomic statistics apply the principle of allocating to owners the share of retained earnings that are considered reinvested.
- Part of retained earnings of direct investment enterprises that belongs to direct investors are treated as being distributed and shown in the current account as investment income and the corresponding flow is recorded in the financial account as inflow of FDI
- After revision share of reinvestment of earnings in FDI in Ukraine follows the world average

**Calculation of reinvested earnings based on financial statements of DI enterprises (multiplied by the share of direct investor in capital):**

**RE = SDI \* (NOP - T - NIP - D) where:**

**RE - reinvested earnings**

**SDI - the share of foreign direct investor in capital**

**NOP - net operating profit / loss**

**T - taxes**

**NIP - net interest payments**

**D - dividends**

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

# As a result of incorporation of reinvested earnings in BOP overall balance remains unchanged

Reinvested earnings are included in two BOP items :

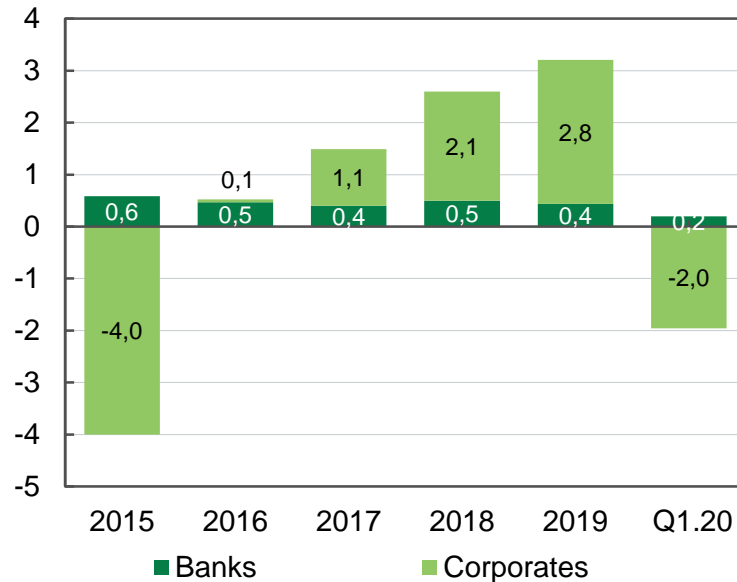
- “Primary income” in current account - reinvested earnings
- “Direct investment” in financial account - reinvestment of earnings

BOP items	2019	2019 ( after revision)	Difference
<b>Current Account</b>	<b>-1 392</b>	<b>-4 208</b>	<b>-2 816</b>
<b>Primary income</b>	<b>4 701</b>	<b>1 885</b>	<b>-2 816</b>
Compensation of employees	12 754	12 754	0
Investment income	-8 053	-10 869	-2 816
Direct investment	-3 757	-6 573	-2 816
Income on equity	-3 260	-6 076	-2 816
Dividends	-2 826	-2 826	0
Reinvested earnings	-434	-3 250	-2 816
Debt instruments	-497	-497	
<b>Financial Account</b>	<b>-7 334</b>	<b>-10 150</b>	<b>-2 816</b>
<b>Direct investment</b>	<b>-2 396</b>	<b>-5 212</b>	<b>-2 816</b>
Net incurrence of liabilities	3 017	5 833	2 816
Equity	2 093	4 909	2 816
Equity other than reinvestment of earnings	1 659	1 659	0
Reinvestment of earnings	434	3 250	2 816
Debt instruments	924	924	0
<b>Overall balance</b>	<b>5980</b>	<b>5980</b>	<b>0</b>



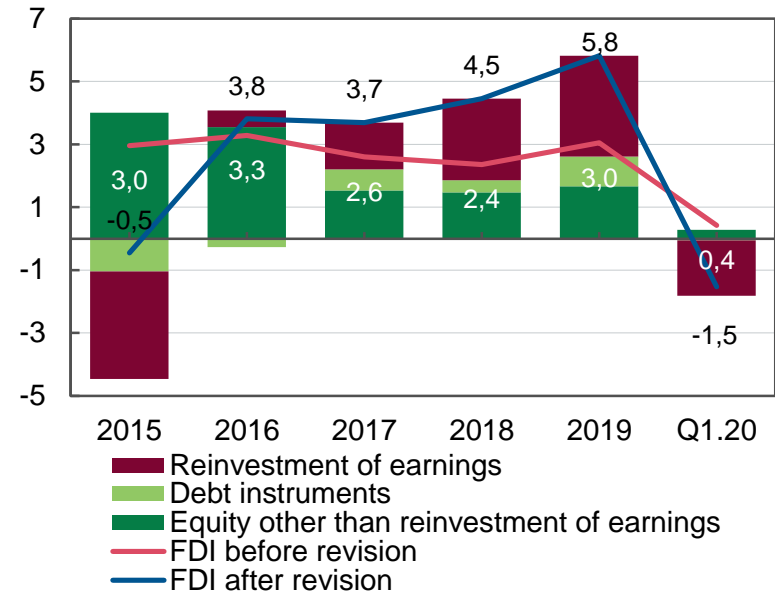
# FDI inflows increase in 2017-2019 resulted from reinvested earnings data revision

Reinvestment of earnings, USD bn



Source: NBU.

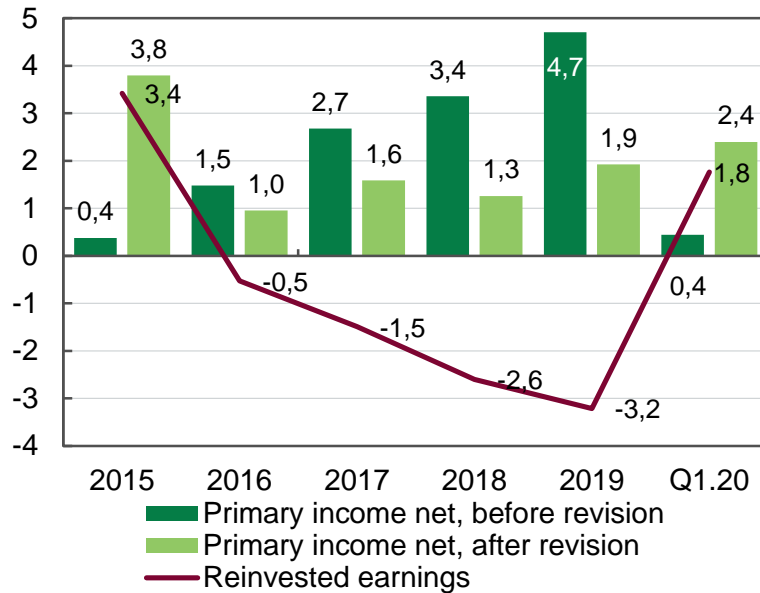
Direct investment in Ukraine\*, USD bn



\* Positive sign – inflow of capital.  
Source: NBU.

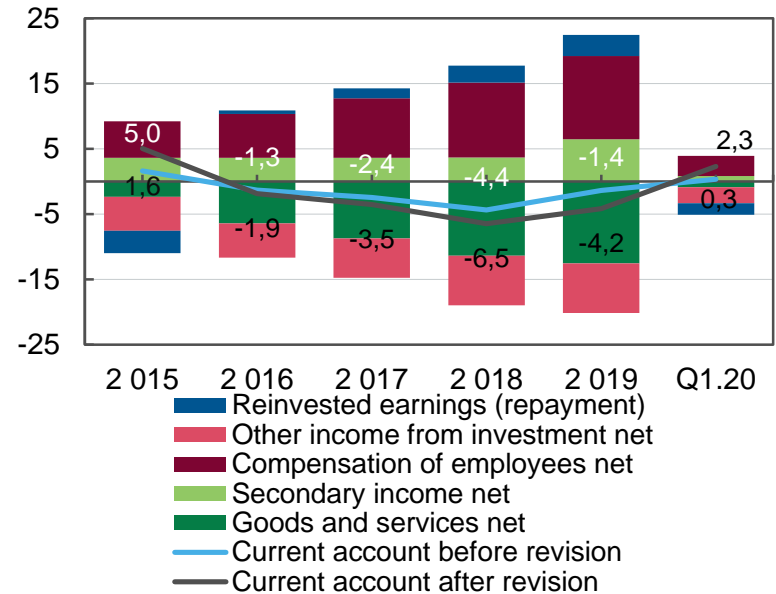
# ...but current account deficit was revised downward at the same amount

Primary income , USD bn



Source: NBU.

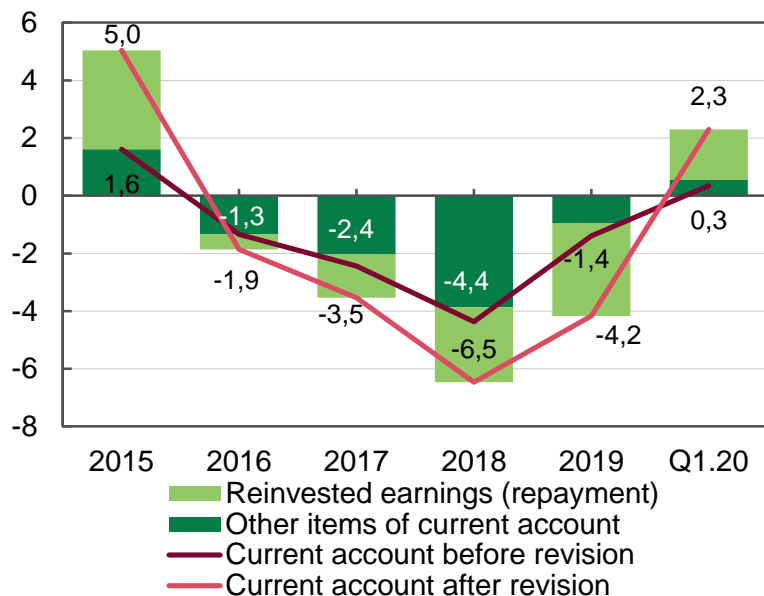
Current account, USD bn



Source: NBU.

# Overall balance remains unchanged

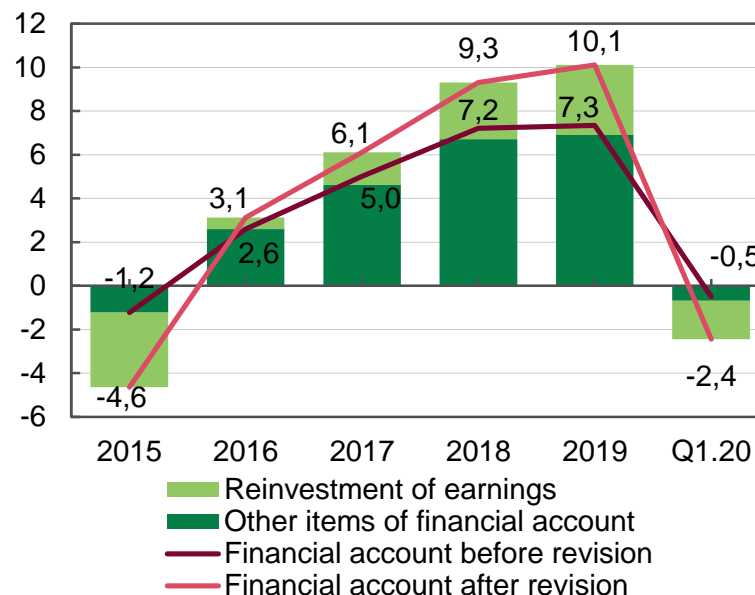
Current account, USD bn



Note: A slight deviation between totals and sum of components is due to rounding of data

Source: NBU.

Financial account\*, USD bn



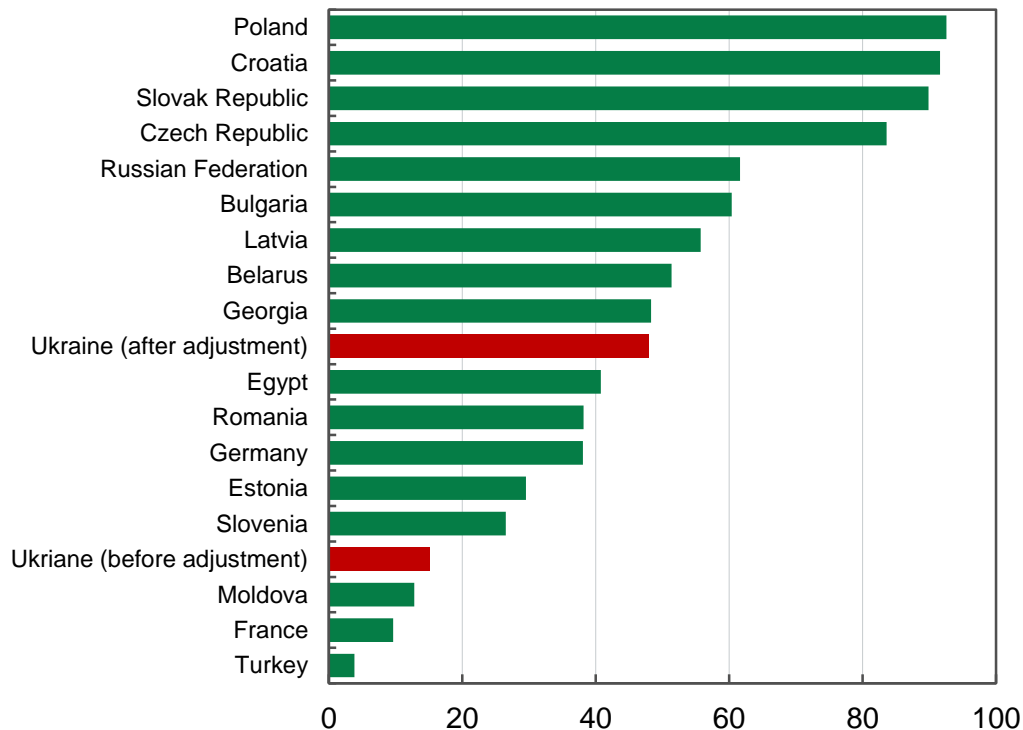
Note: A slight deviation between totals and sum of components is due to rounding of data

\* Positive sign – inflow of capital

Source: NBU.

# After revision share of reinvestment of earnings follows the world average

Reinvestment of earnings in selected countries,  
% FDI flows



Source: IMF, NBU.

Reinvested earnings account for 50% of FDI flows, according to UNCTAD World investment report. Therefore, Ukraine's indicators after revision will be in line with world average.



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# FDI stock data revision

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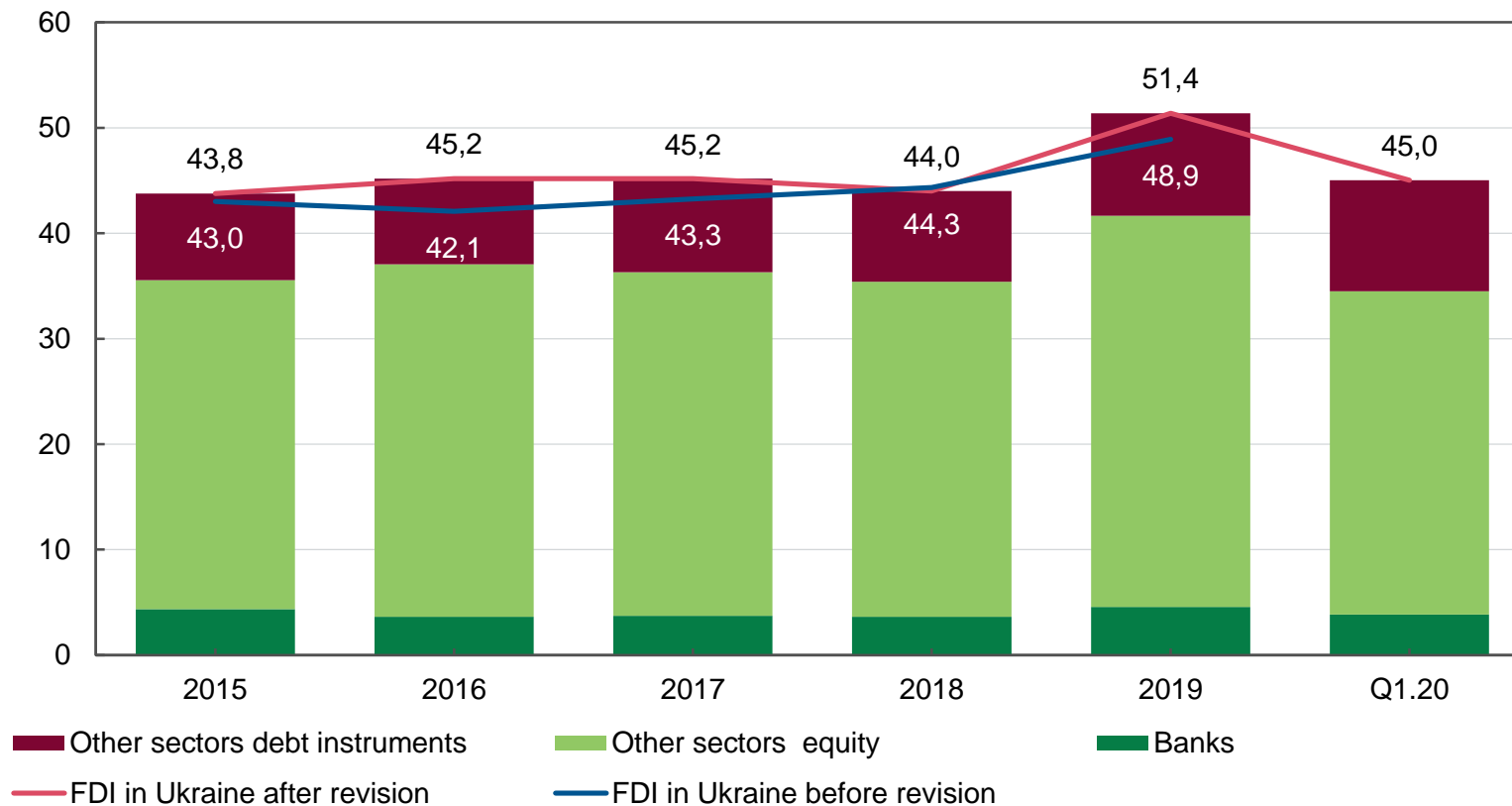
## FDI stocks data revision

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- For DI enterprises coverage of capital was improved by adding of reserves and undistributed profit/losses to calculation
- In case of negative equity positions the negative value was replaced with zero.
- Revision was made for enterprises provided data on historical value in currency of investment. From 2020 enterprises must complete FDI questionnaire in national currency
- FDI stocks as of the end of 2019:
  - In Ukraine were revised upward from 48.9 to 51.4 USD billion
  - From Ukraine were revised downward from 8 to 3.5 USD billion
- As a result of revision FDI breakdown by type of economic activity, countries changed
  - FDI in industry increased while FDI in real estate operations decreased
  - FDI from Netherlands increased while FDI from Virgin Islands decreased

# FDI in Ukraine stocks at the end of 2019 were revised by 2.5 USD billion to 51.4 USD billion

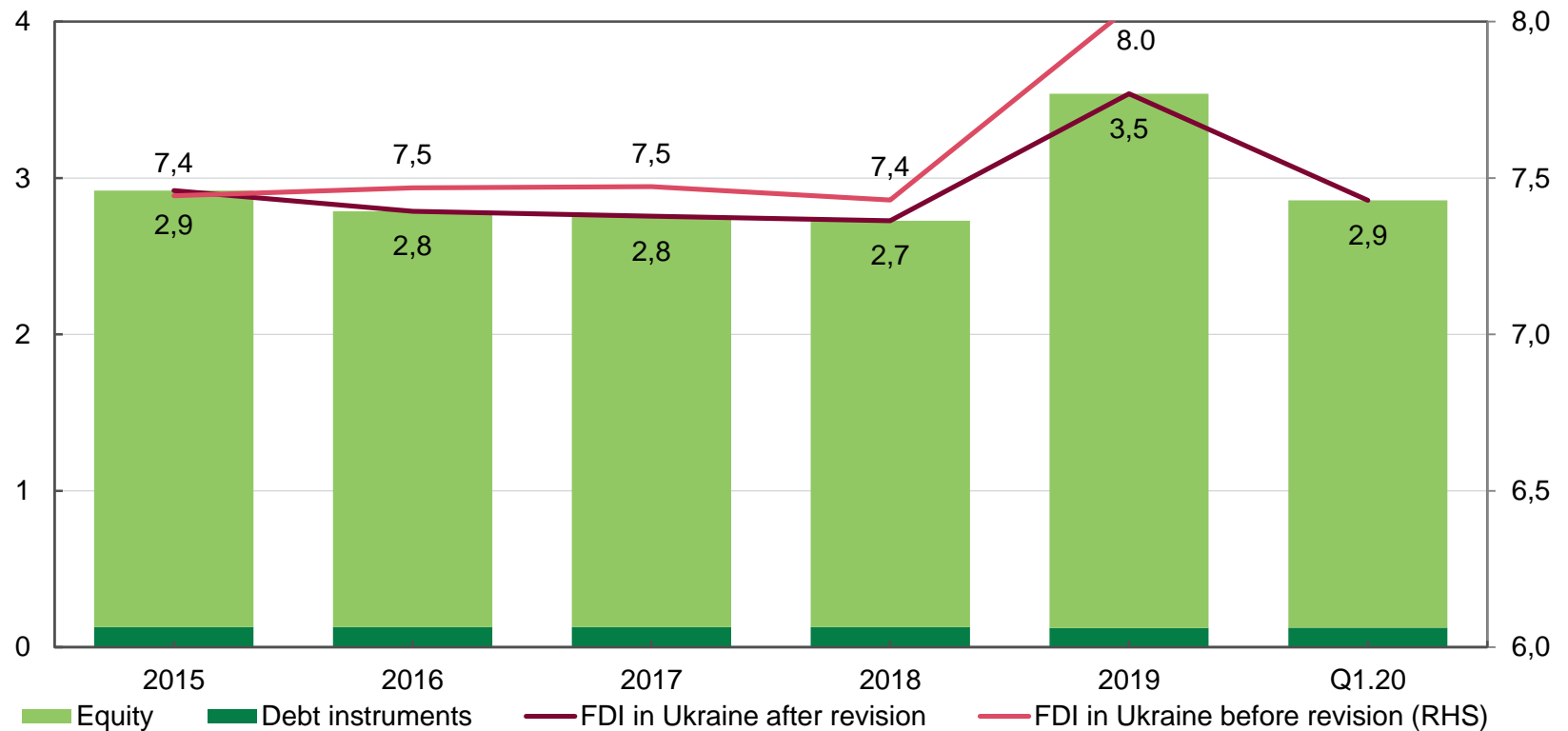
Stocks of FDI in Ukraine , USD bn



Source: NBU.

# FDI abroad stocks decreased by 4.5 USD billion due to revision of data provided on historical cost\*

Stocks of FDI from Ukraine, USD bn



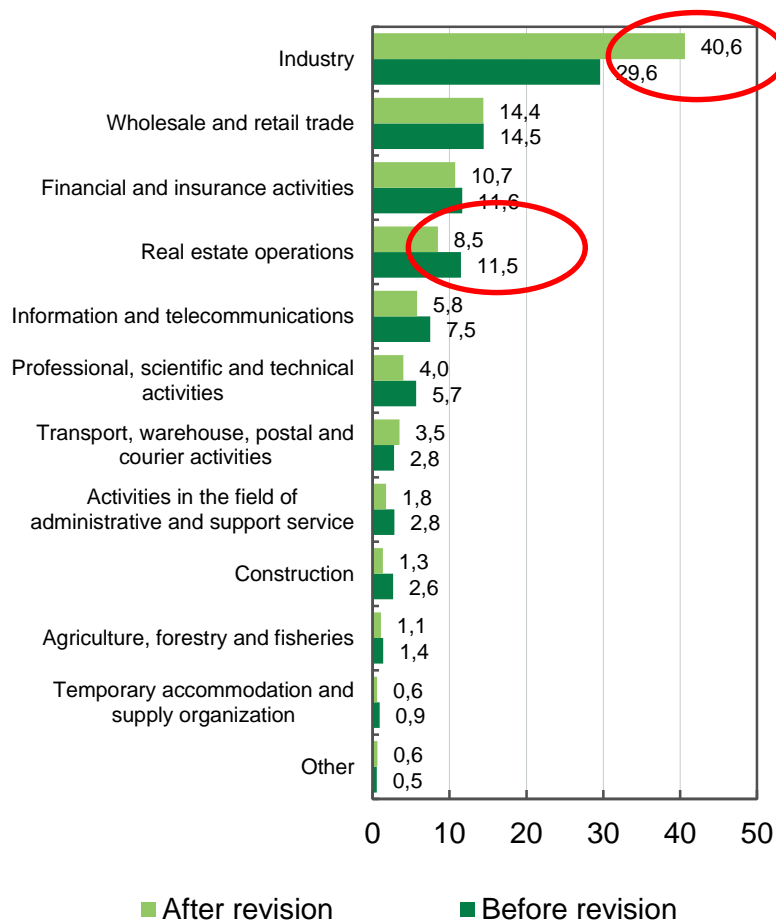
Source: NBU.

\* From 2020 enterprises are obliged complete FDI questionnaire in national currency. Revision was made for enterprises provided data on historic cost (for investment abroad in form of shares of Ukrainian enterprises).



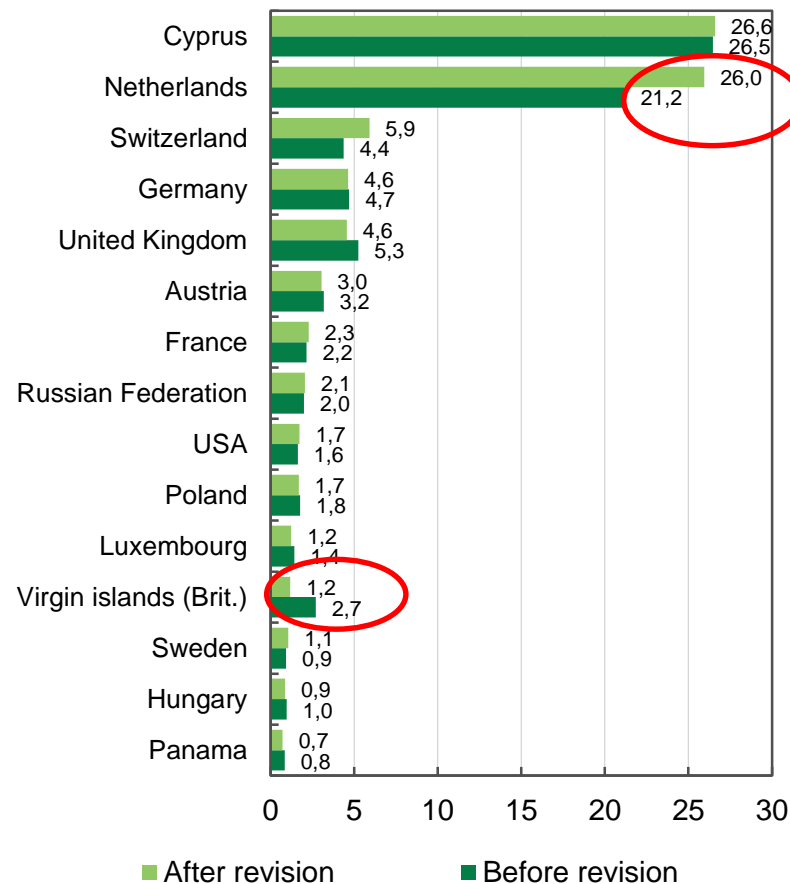
# As a result of revision FDI breakdown by type of economic activity and countries changed

Equity FDI stocks in Ukraine by type of economic activity in 2019, % total



Source: NBU.

Equity FDI stocks in Ukraine by country in 2019, % total



Source: NBU.



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## **Data compilation and dissemination issues**

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## Starting from 2020 primary responsibility for compilation and dissemination of FDI statistics was transferred to NBU

	Compilation functions of FDI statistics
<b>SSSU</b>	<ul style="list-style-type: none"><li>• SSSU:<ul style="list-style-type: none"><li>• Collects data from non-bank enterprises (equity and trade credits)</li><li>• Maintains database with financial statements data of DI enterprises</li></ul></li><li>• <i>SSSU stopped data collection on debt instruments</i></li></ul>
<b>NBU</b>	<ul style="list-style-type: none"><li>• NBU compile data on FDI for banks and debt instruments, reinvested earnings for non-bank enterprises</li><li>• NBU disseminate FDI statistics from data on Q1 2020 on the official NBU web-site in “Statistics, External sector statistics” section</li></ul>

### Main purpose:

- To create a single data source
- To enhance quality of FDI statistics according to international standards

# NBU starts dissemination of detailed FDI flows data

Data on FDI flows will be disseminated with breakdown by country, type of economic activity and regions by instruments:

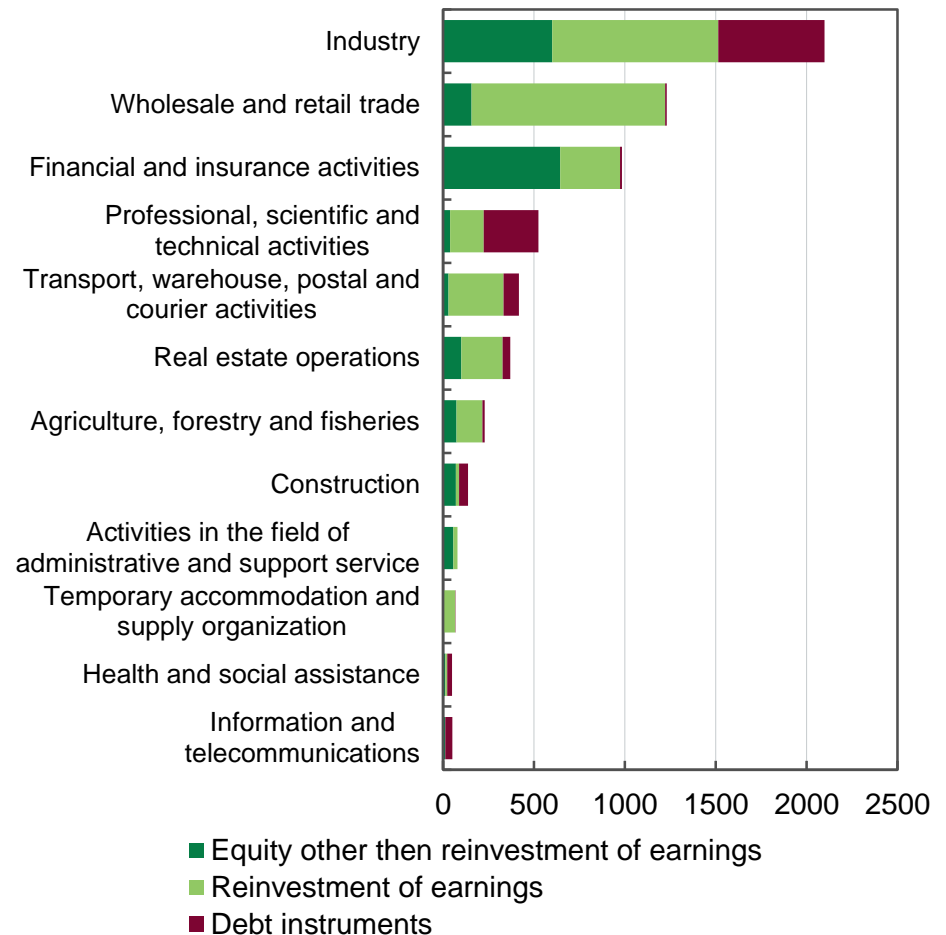
## FDI flows :

### Equity

- Equity other than shares
- Reinvestment of earnings

### Debt instrument

FDI flows in Ukraine in 2019 by type of economic activity, USD mn



## FDI data dissemination

Data	Timelines
<b>FDI total*</b>	
<ul style="list-style-type: none"> <li>• <b>FDI in Ukraine/ from Ukraine, stocks</b> (equity, debt instruments) by country, type of economic activity and regions</li> <li>• <b>FDI in Ukraine/ from Ukraine, flows</b> (equity other than reinvestment of earnings, debt instruments) by country, type of economic activity and regions</li> </ul>	90-th day after end of the quarter
<b>FDI by regions</b>	
<ul style="list-style-type: none"> <li>• <b>FDI in Ukraine , stocks</b> (by country and type of economic activity)</li> </ul>	105-th day after end of the quarter

\*Data on FDI breakdown by country and type of economic activity are disseminated based on directional principle



**IV**

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**Annexes**

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# FDI Statistics Compilation and Dissemination: NBU and SSSU responsibilities from 2020 Q1

	SSSU	NBU
▪ Equity	<b>Non-financial corporations</b>	<b>Banks</b>
	<ul style="list-style-type: none"> <li>Quarterly Surveys of enterprises with FDI (Reporting Forms 10,13-ZEZ)</li> <li>Financial statements of enterprises with FDI</li> </ul>	<ul style="list-style-type: none"> <li>Banks' balance sheets</li> <li>Ownership structure of Ukrainian banks</li> <li>International Transactions Reporting System (ITRS)</li> </ul>
▪ Debt instruments (for non-financial corporations only)	<b>Trade credits</b>	<b>Intercompany lending</b>
	<ul style="list-style-type: none"> <li>Quarterly Surveys (Reporting Form 10-ZEZ)</li> </ul>	<ul style="list-style-type: none"> <li>Surveys on external loans (Monthly loan-by-loan data on stocks and transactions)</li> </ul>

From 2020 enterprises are obliged to complete FDI questionnaire in national currency. Revision was made for enterprises provided data on historical value .

## Data revision of BOP items results

	2015	2016	2017	2018	2019	1'2020
<b>Current account balance, billion USD</b>						
Before revision	1,6	-1,3	-2,4	-4,4	-1,4	0,3
After revision	5,0	-1,9	-3,5	-6,5	-4,2	2,3
Difference	3,4	-0,5	-1,1	-2,1	-2,8	2,0
<b>Current account balance, % GDP</b>						
Before revision	1,8	-1,4	-2,2	-3,3	-0,9	1,0
After revision	5,5	-2,0	-3,1	-5,0	-2,7	6,9
Difference	3,8	-0,6	-1,0	-1,6	-1,8	5,9
<b>Foreign direct investment (balance)*, billion USD</b>						
Before revision	3,0	3,3	2,6	2,4	2,4	0,4
After revision	-0,4	3,8	3,7	4,5	5,2	-1,6
Difference	-3,4	0,5	1,1	2,1	2,8	-2,0
<b>Foreign direct investment* , % GDP</b>						
Before revision	3,3	3,5	2,3	1,8	1,6	1,2
After revision	-0,4	4,1	3,3	3,4	3,4	-4,6
Difference	-3,8	0,6	1,0	1,6	1,8	-5,9

\* Positive sign – inflow of capital



## Data revision of FDI stocks results

	2015	2016	2017	2018	2019
<b>1. FDI in Ukraine (before revision)</b>	<b>43,0</b>	<b>42,1</b>	<b>43,3</b>	<b>44,3</b>	<b>48,9</b>
Equity	34,8	33,9	34,4	35,7	39,2
Debt instruments	8,2	8,1	8,9	8,6	9,7
<b>2. FDI in Ukraine (after revision)</b>	<b>43,8</b>	<b>45,2</b>	<b>45,2</b>	<b>44,0</b>	<b>51,4</b>
Equity	35,6	37,1	36,3	35,4	41,7
Debt instruments	8,2	8,1	8,9	8,6	9,7
<b>Difference (2-1)</b>					
<b>FDI in Ukraine</b>	<b>0,8</b>	<b>3,1</b>	<b>1,9</b>	<b>-0,3</b>	<b>2,5</b>
Equity	0,8	3,1	1,9	-0,3	2,5
<b>3. FDI abroad (before revision)</b>	<b>7,4</b>	<b>7,5</b>	<b>7,5</b>	<b>7,4</b>	<b>8,0</b>
Equity	7,3	7,3	7,3	7,3	7,9
Debt instruments	0,1	0,1	0,1	0,1	0,1
<b>4. FDI abroad (after revision)</b>	<b>2,9</b>	<b>2,8</b>	<b>2,8</b>	<b>2,7</b>	<b>3,5</b>
Equity	2,8	2,7	2,6	2,6	3,4
Debt instruments	0,1	0,1	0,1	0,1	0,1
<b>Difference (4-3)</b>					
<b>FDI abroad</b>	<b>-4,5</b>	<b>-4,7</b>	<b>-4,7</b>	<b>-4,7</b>	<b>-4,5</b>
Equity	-4,5	-4,7	-4,7	-4,7	-4,5