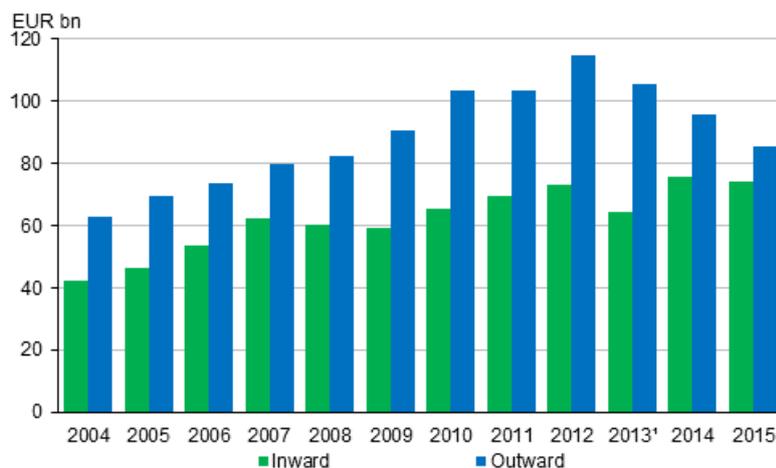


Foreign direct investments 2015

Foreign direct investments from Finland decreased in 2015

At the end of 2015, the value of foreign direct investments (FDI) from Finland was EUR 85.4 billion, of which equity investments accounted for EUR 97.7 billion and the value of debt capital for EUR -12.3 billion. The value of the investment stock decreased by EUR 10.7 billion during 2015.

Stocks of FDI in 2004 to 2015



¹⁾ Starting from 2013, the figures are not fully comparable with those for 2004 to 2012 due to changes in the international statistical standard.

The value of foreign direct investments to Finland was EUR 74.2 billion, which is EUR 1.6 billion less than at the end of the previous year. Thus, at the end of 2015 Finland still had more outward FDI than inward FDI, although net assets connected to direct investments nearly halved to EUR 11.2 billion from the previous year's EUR 20.3 billion.

Examined by country, Finland's FDI is especially directed to Sweden (34% of the investment stock) and the Netherlands (15%). Examined by country group, investments are mainly directed to the EU area, whose combined share of the investment stock was 81 per cent at the end of 2015.

Outward FDI generated returns of EUR 6.7 billion in total for Finland in 2015, which is EUR 1.5 billion less than in 2014. Dividends from these investments amounted to EUR 9.5 billion and interests to EUR

0.4 billion. As a result of decreased income and a smaller investment stock, returns gained by Finland relative to the value of FDI remained nearly on level with the previous year.

This release includes a review that examines in more detail the global development of foreign direct investments and investments directed to Finland, and the effect of these investment flows on Finland's national economy in 2015.

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1. Foreign direct investments in 2015

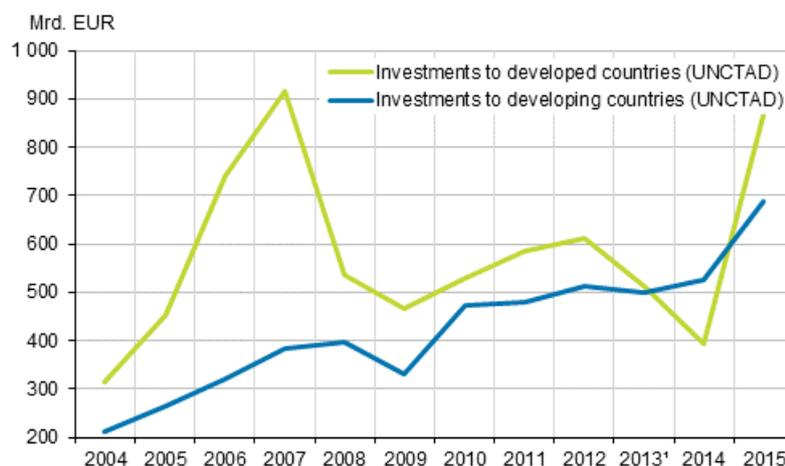
This review examines the global development of foreign direct investments and Finland's investment flows, as well as the effect of these investments on Finland's national economy in 2015. The different sections of the review raise factors that affect the interpretation of the figures and the scope of description of the statistics should also be considered when using the figures. The statistics on foreign direct investments mainly depict financial transactions between domestic and foreign units in multinational groups and the assets and liabilities these generate, as well as international corporate acquisitions. The statistics on foreign direct investments do not, in most cases, describe foreign real investments into Finland. If, for example, a domestic company under foreign control makes a factory expansion investment in Finland and does not receive financing for this directly from a foreign investor, nothing of the value of the factory expansion investment is recorded in the statistics on direct investments. More definitions of the concepts used in this review can be found in the statistics home page: http://tilastokeskus.fi/til/ssij/kas_en.html

1.1 Global FDI

According to the investment report published by the United Nations Conference on Trade and Development, flows of global FDI grew by 38 per cent in 2015 (UNCTAD: World Investment Report 2016). The growth in 2015 was mainly due to international corporate acquisitions and other cross-border company restructurings. Without the effect of major company restructuring, UNCTAD estimates the growth to be around 15 per cent.

In total, global foreign direct investments amounted to EUR 1,588 billion, of which EUR 868 billion were directed at developed countries and EUR 689 billion at emerging economies. Investments to developed countries increased by 84 per cent and investments to developing countries by nine per cent. In 2014, China was for the first time in history the largest host country of direct investments, but the United States reclaimed the top position in 2015. Of the investing countries, the United States was still the largest ahead of Japan and China. Among industries, investments related to primary production decreased while investments in the manufacturing and service sectors increased.

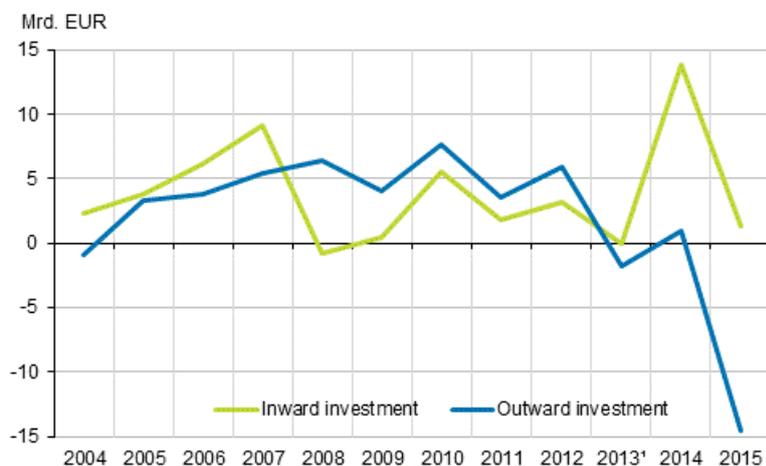
Figure 1. Global flows of direct investments in 2004 to 2015



In 2015, investments to the Member States of the European Union grew by 50 per cent from the previous year, but the growth was very unevenly divided between different countries. In addition to Finland, investments to 14 countries of the 28 EU Member States diminished from the year before, while clearly more was invested in Ireland, the Netherlands, Germany, France, Belgium and Luxembourg than in the year before. The biggest investors among EU countries were the Netherlands, Ireland and Germany. The appearance of Ireland, whose national economy is of Finland's size, as both a large host country of investments and an investor is an indication of the country's attractiveness in global arrangements of multinational enterprises.

UNCTAD's Report predicts the investment flows to diminish in 2016 by around 10 to 15 per cent, after which the flows are assumed to grow again in 2017 to 2018. The expected fall in investment flows in 2016 is partly caused by the flows of 2015 being clearly higher than the long-term average. On the other hand, the growth in direct investments is also weakened by the slowdown in the economic growth and total demand of some growing market areas, and by international and national measures to curb the tax arrangements of multinational enterprises.

Figure 2. Flows of FDI in 2004 to 2015



¹⁾ Starting from 2013, the figures are not fully comparable with those for 2004 to 2012 due to changes in the international statistical standard.

1.2 Finland's inward FDI

After three successive years of downturn, the year 2015 was slightly stronger for Finland's economy. Gross domestic product made an upturn of 0.2 per cent even though the unemployment rate rose from 8.7 to 9.4 per cent. The external balance of the national economy also strengthened slightly. The current account was still in deficit but the deficit contracted from EUR 2.3 billion in 2014 to EUR 0.9 billion in 2015. The fall in the net international investment position that had continued since 2010 also halted. The net international investment position stood at EUR 1.3 billion positive at the end of 2015, having been EUR 5.4 billion negative in 2014.

Finland's inward FDI totalled EUR 1.3 billion on net, which is clearly less than in 2014, when the value of FDI was EUR 13.8 billion. The comparison year, 2014, was a record year and the high level of investments was then especially caused by corporate acquisitions where significant enterprises owned by Finns were either fully or partially transferred to foreign ownership.

Foreign direct investments are often interpreted too simply as real investments but this is not often the case according to a study published in 2014 (ETLA, Topias Leino and Jyrki Ali-Yrkkö: How does foreign direct investment measure real investment by foreign owned companies). Flow-through investments and enterprises' ownership changes do not often lead to real investments in the host country of the investment. On the other hand, if international enterprises operating in the country use domestic financing channels to finance their investments, this is not visible as a foreign direct investment. The heavy concentration of business activities also creates interpretation problems. Several small investments made into growth enterprises disappear into the normal intra-group financing solutions of multinational enterprises.

Despite the strong fall in direct investments in euros, Finland's attractiveness as a host country of investments does not seem to be weakening, as shown by the statistics published by Finpro. According to Finpro's statistics, 265 new internationally owned enterprises came to Finland in 2015 while the corresponding figure in 2014 was 229. The same statistics indicate that internationally owned enterprises already operating

in Finland made over 230 decisions for expansions and further investments in their business in Finland in 2015.

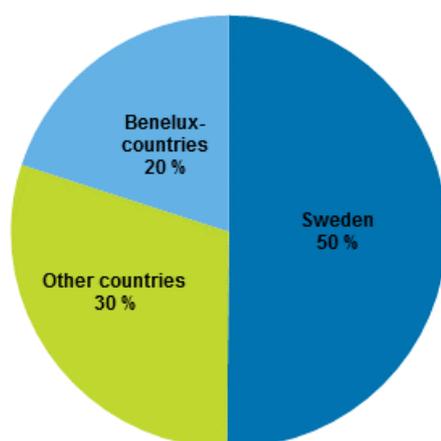
At the end of 2015, the value of FDIs totalled EUR 74.2 billion, of which equity accounted for EUR 60.8 billion and the value of debt capital for EUR 13.4 billion. During 2015, the value of FDIs fell by EUR 1.6 billion. The fall in the investment stock is clearly visible in both equity and debt-based items and is mainly caused by changes in exchange rates and other valuation changes (see Table 1).

Table 1. Finland's inward FDI

	Total	Equity	Debt
Stock of investments 31 Dec 2014	75.8	61.6	14.1
Financial transactions	3.0	3.0	0.0
Re-invested earnings	-1.8	-1.8	0.0
Changes in the exchange rates	-0.5	0.0	-0.5
Other valuation adjustments	-2.3	-2.0	-0.2
Stock of investments 31 Dec 2015	74.2	60.8	13.4

Examined by country, direct investments have been made to Finland particularly from Sweden (50% of the investment stock), the Netherlands (18%), Denmark (6%) and Germany (5%). Examined by country group, investments to Finland mainly come from the EU area, whose combined share of the investment stock was 90 per cent in 2015. In 2015, the share of eurozone countries went down from 38 to 29 per cent, which was mainly caused by a heavy fall in investments from Luxembourg. The shares presented here were calculated by the immediate investor country. In fact, investments are often managed through an affiliate abroad, in which case the ultimate controlling investor is located in some other country. These figures calculated by the ultimate investing country are examined in more detail in Section 1.5 of this review.

Figure 3. Direct investments into Finland by the immediate investor country on 31 December 2015



Examined by industry, inward FDI is particularly directed within services to enterprises engaged in financing activities and information and communication activities. In manufacturing, most investments in euros have been made in chemical and metal industry enterprises. The industry of the investment is determined based on the industry of the domestic unit. Then, the share of financing activities is increased by arrangements where a Finnish manufacturing enterprise, for example, is managed from abroad through a domestic holding company classified in the financial sector and established for that purpose.

Finland's inward FDI generated returns of EUR 3.7 billion in total for foreign investors in 2015. Dividends paid for these investments amounted to EUR 4.8 billion and interests to EUR 0.6 billion, that is, in total clearly more than what investments produced in 2015. The difference was EUR 1.8 billion, which is

recorded as a negative item in reinvested earnings paid from Finland to abroad and correspondingly, it reduces the inward FDI flow. Reinvested earnings describe the difference between the returns accrued and paid to owners in a given year. Negative reinvested earnings are produced in a situation where the profits/earnings generated in earlier years are distributed to owners in one year.

Returns generated by foreign investors relative to the value of investments decreased from the year before. In 2015, returns relative to the value of investments at the end of the year were 5.0 per cent, while in 2014, the rate of return was 6.3 per cent and in 2013 it was 6.5 per cent. Most returns in euros were generated by the biggest investor countries, that is, EUR 2.9 billion by Sweden and EUR 1.3 billion by the Netherlands. In turn, investments made from Luxembourg generated total losses of EUR 2.1 billion in 2015.

1.3 Finland's outward FDI

In 2015, outward FDI totalled EUR -11.4 billion on net. Thus, clearly less capital flowed outward than was returned as direct investments to Finland. Foreign equity investments without reinvested earnings totalled EUR 2.8 billion on net but a decrease in debt assets by EUR 14.2 billion turned the net flow of investments clearly into negative in 2015. The strong decrease in debt assets during 2015 was caused by reverse investments, which in this case means a growth in group account receivables and loans granted by foreign affiliates to their parent company.

Most outward capital flow was direct investments to Turkey and Norway. Most inward capital invested in direct investments was, in turn, from the Netherlands (EUR -10.8 billion) and Sweden (EUR -4.8 billion).

Table 2. Finland's outward FDI

	Total	Equity	Debt
Stock of investments 31 Dec 2014	96.1	93.1	2.9
Financial transactions	-11.4	2.8	-14.2
Re-invested earnings	-3.1	-3.1	0.0
Changes in the exchange rates	1.2	1.2	0.0
Other valuation adjustments	2.6	3.7	-1.0
Stock of investments 31 Dec 2015	85.4	97.7	-12.3

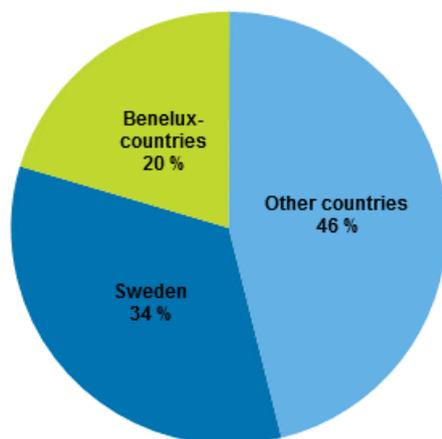
At the end of 2015, the value of outward FDI was EUR 85.4 billion, of which equity accounted for EUR 97.7 billion and the value of debt capital for EUR -12.3 billion. The value of the investment stock of direct investments decreased by EUR 10.7 billion during 2015, which is mainly explained by reverse investments. Holding gains or changes in exchange rates and other valuation changes increased the value of foreign assets by EUR 3.8 billion. The value change of objects owned abroad, which is based on changes in the market value of listed companies and the book value of unlisted targets, are recorded in other valuation changes (EUR 2.6 billion). Other valuation changes also include classification changes that are caused by a change in the investment type. For example, if the voting power entitling to ownership in a foreign investment object falls below ten per cent, the investment no longer fulfils the criteria of a direct investment and it is classified in the balance of payments either as a portfolio investment or other investment.

Examined by country, FDI from Finland is especially directed to Sweden (34% of the investment stock) and the Netherlands (15%). Examined by country group, investments are mainly directed to the EU area, whose combined share of the investment stock was 81 per cent at the end of 2015. The share of the countries belonging to the currency union was 41 per cent at the end of 2015. Significant direct investments outside the EU are found in the United States (EUR 7.6 billion), Turkey (EUR 2.6 billion) and Russia (EUR 2.1 billion). The value of Russian investments decreased by EUR 0.1 billion from the year before.

The shares above were calculated according to the country of the immediate investment target, in which case the appeal of the Asian rising economies is very small. For example, the value of investments to China was EUR -0.3 billion at the end of 2015, while according to the statistics on Finnish affiliates abroad, there were 223 affiliates of Finnish enterprises in China in 2014 and their share of the turnover generated abroad was 7.7 per cent. There are no data available on outward FDI according to the country of the ultimate investment target, so it is not possible to give a more exact specification of the final investment

target. However, most of the investments to the Benelux countries are connected to the management of a global enterprise or its part and the actual production activity is located in some other country - e.g. elsewhere in Europe or Asia.

Figure 4. Finland's outward FDI by immediate host country on 31 December 2015



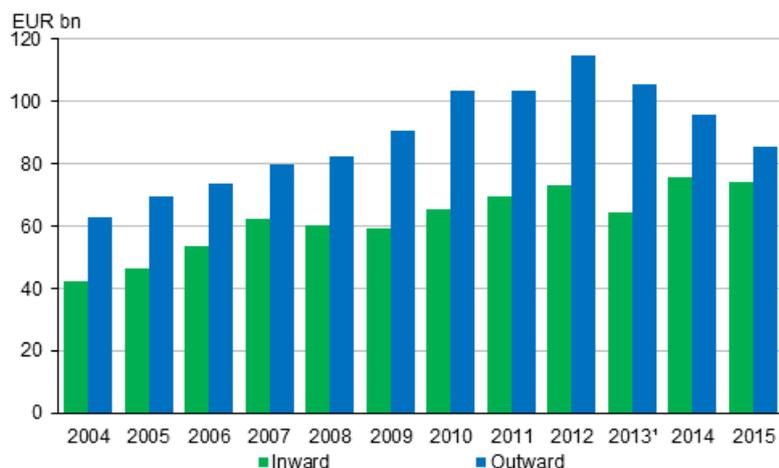
Examined by industry, enterprises having made foreign direct investments mainly represent the metal and paper industries and services. At the end of 2015, the value of foreign investments by metal industry enterprises was in total EUR 16.6 billion, of which EUR 5.5 billion was directed to the United States, EUR 4.1 billion to the Netherlands and EUR 3.3 billion to Sweden. The value of service enterprises' foreign investments was EUR 33.8 billion at the end of 2015. These investments were centred strongly in Sweden (EUR 16.4 billion) and the Netherlands (EUR 8.6 billion).

Outward FDI generated returns of EUR 6.7 billion in total for Finland in 2015, which is EUR 1.5 billion less than in 2014. Dividends from these investments amounted to EUR 9.5 billion and interests to EUR 0.4 billion. As a result of decreased income and a smaller investment portfolio, returns gained by Finland relative to the value of FDI remained nearly on level with the previous year. In 2015, the rate of return was 7.9 per cent, having been 8.6 per cent in 2014. Finland gained most returns in euros from Sweden (EUR 2.8 billion) and the Netherlands (EUR 1.6 billion). In turn, investments made to the United States generated a total loss of EUR 0.3 billion in 2015.

1.4 Direct investments in the balance of payments

At the end of 2015, the value of Finland's inward FDI was EUR 74.2 billion and that of outward FDI was EUR 85.4 billion. Thus, Finland still has more assets than liabilities from direct investments even though, as a result of a decline in the value of investments directed abroad in 2015, international direct investment assets on net halved to EUR 11.2 billion from EUR 20.3 billion in 2014. Direct investments improve, in particular, the net international investment position of the business sector, which stood at EUR 20.1 billion at the end of 2015. The liabilities of financial and insurance corporations related to direct investments exceeded, in turn, the assets by EUR 10.5 billion. The net international position connected to direct investments is the same in the statistics on balance of payments and international investment position, although the gross figures of balance of payments differ from the figures presented here according to the directional principle (The differing statistical method of balance of payments is discussed more in Section 2.2 of the review for the statistical reference year 2013).

Figure 5. Foreign direct investments in 2004 to 2015

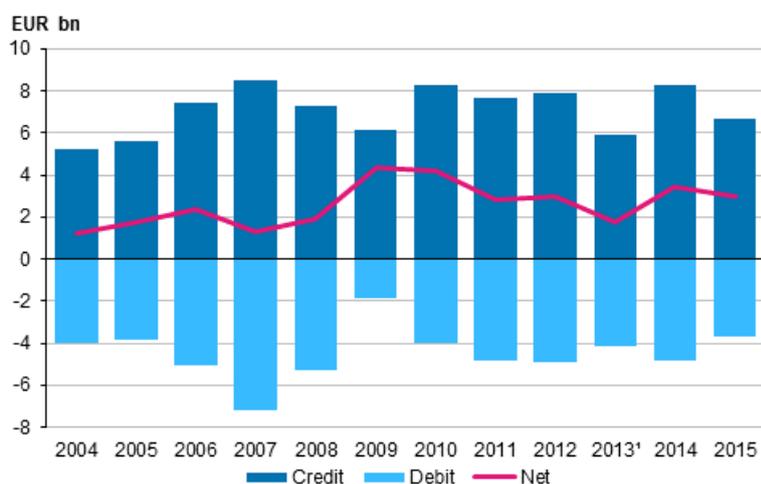


1) Starting from 2013, the figures are not fully comparable with those for 2004 to 2012 due to changes in the international statistical standard.

In 2015, returns on inward FDI amounted in total to EUR 6.7 billion and on outward FDI to EUR 3.7 billion. This property income is recorded in the primary income item of Finland's current account and its net effect on Finland's current account was EUR +3.0 billion in 2015. From the viewpoint of Finland's current account, returns on direct investments were also the only type of investment in surplus. The net effect of returns from portfolio investment on the current account was EUR -1.9 billion and that of other investments EUR -0.9 billion.

Figure 6 shows that returns connected to direct investments have improved Finland's current account throughout the reference period 2004 to 2015. Annual returns gained by Finland have varied between EUR 5.2 and 8.5 billion and these investments have yearly produced a surplus of EUR 1.2 to 4.3 billion.

Figure 6. Returns on FDI in 2004 to 2015



1) Starting from 2013, the figures are not fully comparable with those for 2004 to 2012 due to changes in the international statistical standard.

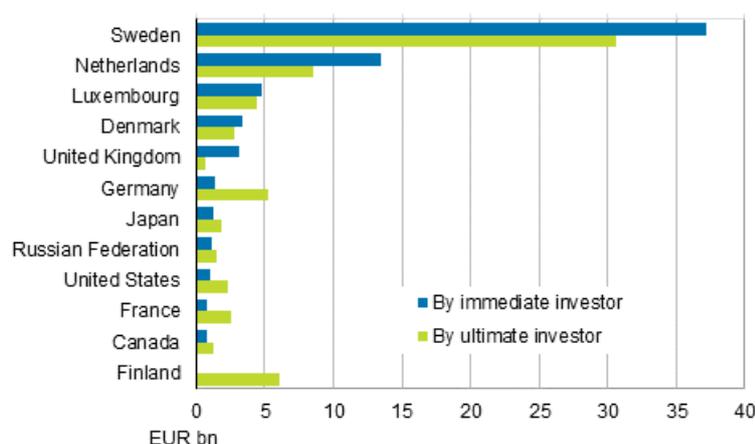
1.5 Investments according to the ultimate investing country

FDI statistics have conventionally been compiled only on the basis of the immediate investor country. The new statistical standards and data collected on a more detailed level than before enable country-specific analyses of direct investments also by the ultimate investing country starting from 2013. The ultimate

direct investor here refers to the one that is topmost in the ownership chain of the foreign direct investor. The ultimate direct investor is not controlled by any other unit and it can also be a domestic unit.

Figure 7 shows that direct investments to Finland have been made clearly more from Sweden and the Netherlands if investments are viewed according to the immediate investor country. This indicates that these investments are managed through an enterprise located in these countries, although the actual investor is elsewhere. The case is opposite for the United States. In 2015, the stock of investments to Finland from the United States was four times larger when viewed on the basis of the ultimate investing country (EUR 5.2 billion) than on the basis of the immediate investor country (EUR 1.4 billion). This means that a clearly larger share of FDI into Finland is managed in the USA than made immediately into Finland. Investments from Canada, Japan, France and Russia are also larger if they are viewed on the basis of the ultimate investing country. Examined by the ultimate direct investor, the share of Finland is also significant. This is because domestic enterprises own domestic affiliates through their foreign affiliates.

Figure 7. Foreign direct investments to Finland in 2015, investment stock

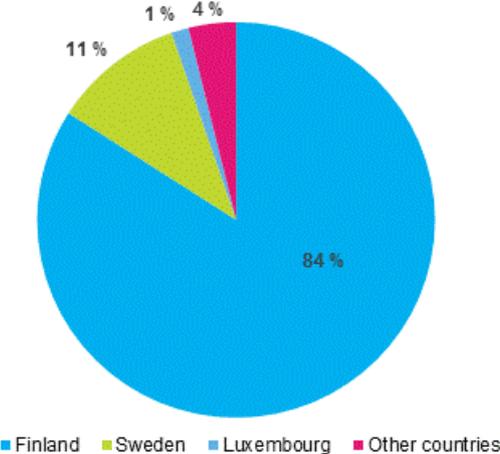


1.6 Finland's outward FDI by ultimate controlling parent

It is not possible to compile statistics on Finland's outward FDI by ultimate host country with the help of available data sources. However, by researching the ownership chain of enterprises that have made foreign investments from Finland we can examine what proportion of Finland's outward FDI has been made by enterprises that are under Finnish control. The limitation of such an examination is also that it covers only the ownership chain of units in corporate form. For example, the true owners of a parent company registered in Luxembourg can be Finnish private citizens.

In 2015, the value of Finland's outward FDI was EUR 85.4 billion, of which 84 per cent were held by enterprises under Finnish control. The most considerable ultimate investing countries outside Finland were Sweden and Luxembourg (see Figure 8).

Figure 8. Finland's outward FDI by country of ultimate controlling parent in 2015



Appendix tables

Appendix table 1. Foreign direct investments, stock, EUR million

		2010	2011	2012	2013	2014	2015
Inward	World (all entities)	65 276	69 380	73 246	64 394	75 753	74 154
	Sweden	32 848	33 663	34 226	33 222	32 212	37 178
	Netherlands	11 342	12 783	15 736	9 993	13 751	13 404
	Germany	4 337	5 730	4 177	2 553	2 691	3 366
	Denmark	4 132	3 910	4 337	4 482	4 706	4 757
	Luxembourg	3 268	3 532	3 457	3 478	8 390	819
Outward	World (all entities)	103 388	103 725	114 741	105 404	96 067	85 352
	Sweden	25 435	25 939	29 375	33 057	30 425	28 583
	Netherlands	15 695	16 708	24 525	16 190	18 381	12 984
	Germany	4 769	4 435	6 234	4 012	1 421	1 906
	Belgium	22 362	21 612	9 795	7 741	5 252	2 973
	United States	7 808	7 006	9 787	8 801	5 938	7 578
	Russian Federation	2 783	2 978	3 197	2 818	2 185	2 083

1) Figures from the year 2013 onwards are not comparable with earlier data due to statistical changes.

Appendix table 2. Foreign direct investments, flow, EUR million

		2010	2011	2012	2013	2014	2015
Inward	World (all entities)	5 556	1 834	3 233	-95	13 796	1 274
	Sweden	1 229	626	901	-388	1 735	2 186
	Netherlands	1 979	840	2 271	-1 512	4 082	388
	Germany	2 469	1 327	-2 737	-240	-331	800
	Denmark	163	-35	550	194	1 142	-796
	Luxembourg	1 486	276	-247	476	4 255	-2 796
Outward	World (all entities)	7 693	3 605	5 871	-1 803	891	-14 490
	Sweden	1 020	2 959	2 535	331	2 137	-4 802
	Netherlands	646	1 371	5 545	-3 849	2 537	-10 796
	Germany	583	-104	1 768	-2 637	-892	712
	Belgium	2 430	-845	-13 807	1 457	-1 341	-2 099
	United States	-815	268	-351	-490	-1 415	780
	Russian Federation	691	575	318	512	266	113

1) Figures from the year 2013 onwards are not comparable with earlier data due to statistical changes.

Appendix table 3. Foreign direct investments, income, EUR million

		2010	2011	2012	2013	2014	2015
Inward	World (all entities)	4 025	4 867	4 876	4 170	4 799	3 704
	Sweden	2 891	3 295	4 267	2 209	2 357	2 943
	Netherlands	-157	225	-239	1 089	2 377	1 316
	Germany	86	236	378	169	350	442
	Denmark	252	229	228	346	444	405
	Luxembourg	164	161	-167	-156	-1 644	-2 086

		2010	2011	2012	2013	2014	2015
Outward	World (all entities)	8 264	7 689	7 892	5 926	8 247	6 706
	Sweden	2 739	2 821	4 276	1 873	3 502	2 802
	Netherlands	851	577	786	1 135	1 580	1 595
	Germany	6	160	-206	-492	215	102
	Belgium	753	731	511	518	304	110
	United States	86	407	87	327	419	-301
	Russian Federation	437	334	638	534	279	256

1) Figures from the year 2013 onwards are not comparable with earlier data due to statistical changes.

Quality description: Foreign direct investments

1. Relevance of statistical information

1.1. Data content and purpose of use

The statistics on annual foreign direct investments describes investment activities that are based on considerable influence or control in the investment target. In practice, the statistics depict financial transactions between domestic and foreign units in multinational groups and the assets and liabilities these generate, as well as international mergers and acquisitions. The statistical data can also be used to assess the degree of globalisation in the economy. Foreign direct investments are part of the balance of payments statistics framework but the data are published once a year as separate statistics.

The statistics compilation is based on Regulation (EC) No 184/2005 of the European Parliament and of the Council on Community statistics concerning balance of payments, international trade in services and foreign direct investment. The International Monetary Fund's (IMF) balance of payments manual (Balance of Payments and International Investment Position Manual, 6th ed. [BPM6]) and the Organisation for Economic Co-operation and Development's (OECD) manual on foreign direct investments (Benchmark Definition of Foreign Direct Investment, 4th ed. [BD4]) are applied in the compilation.

The statistics on foreign direct investments have been published as part of the balance of payments statistics by the Bank of Finland since 1968. The main responsibility for the balance of payments statistics was moved to Statistics Finland on 1 January 2014 and Statistics Finland publishes the statistics on foreign direct investments as a separate set of statistics once a year starting from 2014. With the new statistical standards direct investments are published in net terms in the statistics on foreign direct investments and in gross terms as part of the balance of payments and international investment position statistics.

1.2. Key concepts and definitions

The classifications used in the statistics are the country classification, the Standard Industrial Classification (TOL 2008) and the Classification of Sectors (2012).

The key concepts of the statistics are:

- **Direct investment:** A direct investment relationship exists between an investor (direct investor) and an object (direct investment enterprise) located in another country when the investor has control (over 50% of the voting power) or influence (from 10% to 50%) over the object. The direction of the investment (either inward or outward) is determined in the statistics on the basis of the direction of the control/influence between parties. Direct investments refer to financial transactions between parties in a direct investment relationship.

The capital of direct investments is divided into equity and debt-based items. The counter item of reinvested earnings presented in the current account is recorded in equity. Equity includes transactions with shares in corporations, share subscriptions in rights issues and other equity transactions. For listed companies, the value of equity capital is recognised at market value and for other enterprises at own funds at book value. The debt capital of direct investments includes individual loans, leasing credits, deposits in consolidated accounts, subordinate loans comparable to equity, trade credits, accrued charges/credits and deferred credits/charges, bonds, and money market instruments. If both the creditor and debtor practise other financial intermediation than insurance, only so-called perpetuals are classified as debt capital of direct investments.

The statistics on foreign direct investments are published according to the so-called extended directional principle. The new statistical standards (BPM6/BD4) recommend that the asset/liability principle is applied to direct investments in statistics on balance of payments and international investment position. Similarly, the extended directional principle in net amounts is recommended to be applied in connection with examinations of direct investments by country or sector. Due to divergent ways of presentation, the figures for direct investments given in the statistics differ from one another.

- **Reverse investment:** Reverse investment refers to the acquisition by a direct investment enterprise of a financial claim on its direct investor.
- **Pass-through investment:** Investments where a domestic investment enterprise receives capital from a foreign direct investor and then reinvests it in its own direct investment enterprises abroad. The same pass-through investment item increases both inward and outward foreign direct investments. When pass-through investments are negative, foreign investors have unwound their foreign investments channelled through Finland, which decreases both Finland's inward and outward direct investments.
- **Local enterprise group:** Enterprises owned by the same controlling enterprise in the same country belong to a local enterprise group. Foreign affiliates and those domestic affiliates where the ownership chain goes through foreign countries are not included in the local enterprise group in question.
- **Ultimate direct investor:** An institutional unit located abroad or in the home country using control in a foreign company that is topmost in the ownership chain of the direct investor. The ultimate direct investor is not controlled by any other institutional unit. The ultimate direct investor can also be a private person permanently living abroad or in the home country.
- **Capital inflow/outflow:** In inward foreign direct investments, the capital invested on net by a foreign direct investor in Finnish direct investment enterprises in a given period. Correspondingly, in outward investments, the capital invested on net by a Finnish direct investor in foreign direct investment enterprises in a given period.
- **Asset/liability principle:** According to the asset/liability principle, financial transactions included in direct investments are presented according to the data given on the assets in the balance sheet of the reporting corporations either as assets from abroad or as liabilities to abroad. The asset/liability principle does not take into consideration reverse investments according to the directional principle. Treatment of investments between fellow enterprises is also different. Direct investments are recorded in the balance of payments according to the asset/liability principle.
- **Stock, position:** The value of the capital invested by a foreign direct investor in Finnish direct investment enterprises at a given moment (inward direct investments). Correspondingly, the value of the capital invested by a Finnish direct investor in foreign direct investment enterprises at a given moment (outward direct investments).
- **Fellow enterprise:** Fellow enterprises are connected to one another through a shared parent company.
- **Directional principle:** Financial assets and liabilities are netted in direct investments data according to the directional principle by the direction of the control//influence between the direct investor and investment target. Direct investments to Finland describe the capital that a foreign investor has invested directly in an enterprise located in Finland under the investors' control or influence. Direct investments abroad describe the capital that a Finnish investor has invested directly in an enterprise located abroad under the investors' control or influence. Reverse investments, or financial assets of the direct investment enterprise from direct investors and investments between affiliates are taken into account in the data according to the directional principle. The financial assets and liabilities of affiliates whose ultimate control is located in Finland are netted and recorded as outward direct investments. Correspondingly, the financial assets and liabilities of affiliates whose ultimate control is located abroad are netted and recorded as inward direct investments. Data on direct investments according to the directional principle are published in the statistics on foreign direct investments.
- **Reinvested earnings:** Reinvested earnings are calculated as the difference between investment income on equity and dividends paid. The counter item of reinvested earnings presented in the current account is recorded in equity in the financial account..
- **Immediate direct investor:** The institutional unit located abroad that is first in the enterprise's control and influence chain.

1.3. Laws and regulations

Statistics Finland's mandate for data collection is based on the Finnish Statistics Act (280/2004, amended 361/2013). The Bank of Finland's mandate for data collection in the area of balance of payment statistics/direct investments is based on the Act on the Bank of Finland (214/1998).

Finland has statutory obligations to produce and report balance of payment statistics/direct investments to the European Central Bank (ECB) (ECB's guidelines ECB/2004/15, revised ECB/2007/3, and ECB's guidelines ECB/2011/23, revised ECB/2013/25) and to Eurostat, the Statistical Office of the European Communities (Regulation (EC) No 184/2005 of the European Parliament and of the Council, revised (EC) No 707/2009 and Commission Regulation 555/2012), as well as to the International Monetary Fund (IMF).

2. Methodological description of the survey

The main data sources for the statistics on foreign direct investments are the annual balance of payments survey on foreign financial assets and liabilities (BOPA) and the monthly survey on foreign financial assets and liabilities (BOPM). These statistics are based on a joint data collection of Statistics Finland and the Bank of Finland. The data for the annual statistics are collected with an electronic PDF questionnaire.

The annual inquiry is based on a cut off sample, where the respondents are selected so that around 95 per cent of the value of the total foreign direct investments is covered. The framework of the inquiry is based on the Business Register and its additional data on foreign ownership, the Group Register and its data on affiliates, and the data of the Tax Administration. The inquiry includes yearly some 1,100 local enterprise groups. The annual inquiry data are available in September of the year following the statistical reference year as part of the annual publication of the balance of payments and international investment position and in October as part of the publication of the statistics on foreign direct investments. In figures published prior to this, the data collected in the annual inquiry have been estimated based on the latest available annual inquiry.

3. Correctness and accuracy of data

Only financial transactions between institutional units located in Finland and abroad are recorded in the balance of payments and international investment position and thus also in direct investments. If a foreign investor buys the target enterprise under the name of a holding company to be established in Finland and the holding company finances half of the transaction price with money received from the foreign investor and the rest with a bank loan withdrawn in Finland, only the capital invested by the foreign investor in the holding company is recorded in direct investments.

The statistics on foreign direct investments do not describe real investments. If, for example, a company under foreign control makes a factory expansion investment in Finland and does not receive financing for this directly from a foreign investor, nothing is recorded in the statistics on direct investments.

The main sources of error in the statistics are related to non-response and undercoverage. If a response is missing, the statistics are supplemented with the data from the previous year if possible. Otherwise the missing data are patched with imputations. The coverage of the questionnaire survey refers to the correctness of the survey frame in relation to the group one wishes to cover with the survey. In case of this survey, undercoverage is a possible source of error because the survey sample is based on the balance sheet data in the year preceding the statistical reference year and on the data from the enterprise and enterprise group registers. In addition, undercoverage may occur related to missing data concerning international mergers and acquisitions.

The definitions of direct investments and the data providers' ability to deliver data in accordance with these definitions are also a fundamental source of errors. Misunderstandings occur concerning the definitions of direct investments, which means that the responses may be deficient or are to some extent recoded in wrong items. In addition, it is in some cases difficult for the data providers to collect the correct data from the enterprise's information systems in which case the data are based on the enterprise's estimates.

The reliability of the statistics is also affected by the quality of the data collected with electronic questionnaires. The Bank of Finland combined three former annual balance of payment surveys (the surveys SSU = direct investment abroad, SSS = direct investment into Finland and SVA = foreign assets and liabilities) into a single survey Balance of payments annual survey on foreign financial assets and liabilities (BOPA). The reform enables compilation of FDI statistics in compliance with the new statistical standards and the data for the statistical reference year 2012 are the first set of data collected in line with the new standards. The reform aims at lowering companies' reporting burden and clarifying and harmonising the reporting process.

4. Timeliness and promptness of published data

The statistics on foreign direct investments are published once a year. The data for the statistical reference year are published ten months after the end of the statistical reference year. The published figures become final at the latest three years after the end of the statistical reference year.

The monthly FDI flows are released six weeks after the end of the month as part of the balance of payments and international investment position statistics. Quarterly investment positions of direct investments are released two and a half months after the end of the quarter also as part of the balance of payments and international investment position statistics. Distribution by sector and country are only carried out on annual data and are released in the statistics on foreign direct investments. The release schedule for the balance of payments and international investment position statistics can be found at:

http://www.tilastokeskus.fi/til/mata/tjulk_en.html.

5. Accessibility and transparency/clarity of data

The statistics on foreign direct investments are released annually on Statistics Finland's website. Both the capital stock and capital flow data are published by sector, country and country group so that the data of an individual enterprise cannot be identified.

6. Coherence and comparability of data

The Bank of Finland and Statistics Finland are committed to follow international statistical standards. The statistics on foreign direct investments are compiled in accordance with the OECD Benchmark Definition of Foreign Direct Investment 4th Edition (BD4) and the IMF Balance of Payments and International Investment Position Manual 6th Edition (BPM6).

Country and sector-specific stock and flow data on direct investments are available on Statistics Finland's website starting from 2004. Similar direct investment data in accordance with international statistical standards are available for several countries in the world.

The renewal of the statistical standards causes a break in the time series of direct investments. Starting from the statistical reference year 2013, items between fellow enterprises are reported in accordance with the extended directional principle, which decrease the stocks of both inward and outward FDI. For the period prior to 2013, the Bank of Finland has assessed the FDI stock and fellow enterprise items in accordance with the extended directional principle for the years 2009 to 2012. The estimates have been compiled for the IMF's Coordinated Direct Investment Survey (CDIS) and the data are available on IMF's website at: <http://cdis.imf.org/Default.aspx>. In line with the new statistical standards, direct investments will be published in connection with the balance of payments and international investment position statistics according to the asset/liability principle and the statistics on foreign direct investments according to the extended directional principle, which results in the figures on direct investments presented in the statistics differing from one another.

Inward Foreign Affiliate Trade Statistics [FATS]) and outward FATS statistics published by Statistics Finland are closely related to the statistics on foreign direct investments.

7. Coherence and consistency/uniformity

The data for the statistics on foreign direct investments are delivered at aggregate level following the confidentiality principle to Eurostat, the Statistical Office of the European Communities, the OECD, the IMF and the UN. The organisations publish the data of the statistics in several printed and Internet publications.

More information on the balance of payments and international investment position statistics can be found on Statistics Finland's website at: http://www.tilastokeskus.fi/til/mata/index_en.html.

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