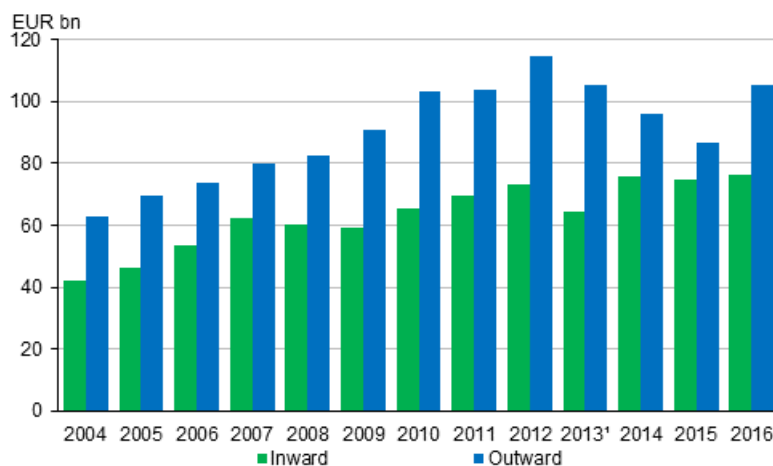


Foreign direct investments 2016

Foreign direct investments from Finland increased in 2016

At the end of 2016, the value of outward FDI stock was EUR 105.4 billion, of which equity accounted for EUR 112.8 billion and the value of debt capital for EUR -7.4 billion. The investment stock grew by EUR 18.6 billion year-on-year. In 2016, the net amount of FDI from Finland amounted to EUR 23.2 billion. The high level was primarily due to corporate acquisitions.

FDI stock 2004 to 2016.



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

At the end of 2016, the stock of inward FDI totalled EUR 76.6 billion, of which equity accounted for EUR 67.4 billion and the value of debt capital for EUR 9.2 billion. In 2016, net inward FDI flow totalled EUR 10.5 billion, which is clearly more than in 2015, when the net inflow of Finland's FDI was EUR 1.3 billion.

Foreign direct investments from Finland are mainly directed to the EU area, whose combined share of the investment stock was 83 per cent at the end of 2016. The share of euro area countries was 51 per cent in the outward FDI stock.

In 2016, returns on outward FDI amounted in total to EUR 8.9 billion and on FDI to EUR 5.2 billion. Returns gained by Finland relative to the value of FDI grew from the previous year. In 2016, the rate of return was 8.4 per cent, having been 7.7 per cent in 2015.

This release includes a review that examines in more detail the development of foreign direct investments in 2016.

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1. Foreign direct investments in 2016

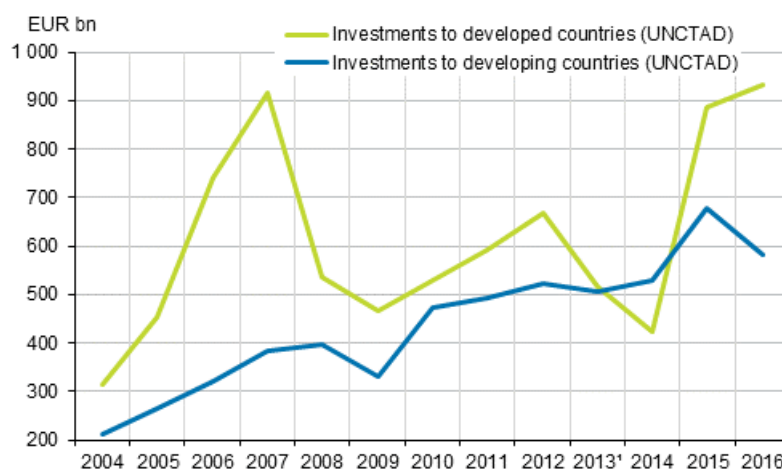
This review examines the development of foreign direct investments in 2016. The different sections of the review raise factors that affect the interpretation of the figures. The description of the statistics should also be considered when using the figures.

The statistics on foreign direct investments mainly depict financial transactions between domestic and foreign units in multinational groups and the assets and liabilities they 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 about the definitions of the concepts used in this review can be found on the statistics home page: http://www.stat.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 decreased by around two per cent in 2016 (UNCTAD: World Investment Report 2017). The decrease in investment flows was particularly directed at investments in emerging economies. The flow of investments directed at emerging countries contracted by some 14 per cent, while the investment flows at developed countries grew by around five per cent.

Figure 1. Global flows of direct investments in 2004 to 2016



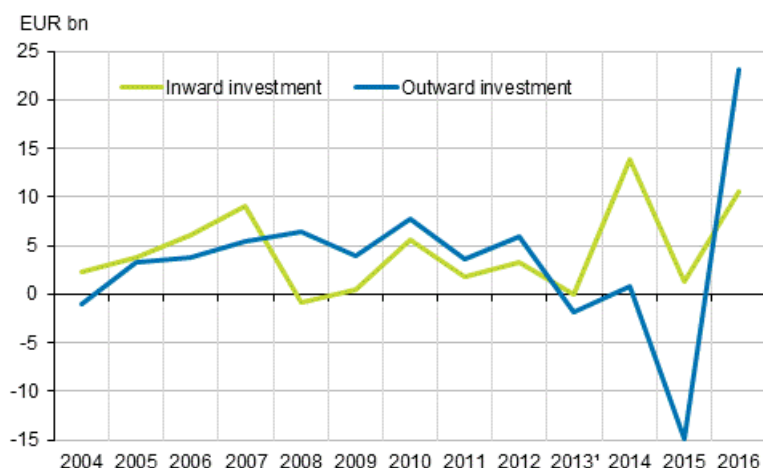
In total, global foreign direct investments amounted to EUR 1,578 billion in 2016, of which EUR 933 billion were directed at developed countries and EUR 584 billion at emerging economies. Examined by country, the USA was the largest host country of direct investments followed by Great Britain and China. The largest investor countries were the USA, China and the Netherlands. (UNCTAD 2017.)

The investment report by the United Nations Conference on Trade and Development predicts a moderate five per cent growth in global flows of direct investments in 2017. The growth in investment flows is also expected to continue in 2018. The expected growth is based, for example, on improved forecasts for economic growth, growth in international trade and positive earnings development for enterprises. On the other hand, risks for the growth in direct investments include increased political uncertainty and possible national tax reforms. (UNCTAD 2017.)

Foreign direct investments are often interpreted too simply as real investments but this is not often the case according to a study published by the Research Institute of the Finnish Economy (ETLA) in 2014 (ETLA 2014: 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.

Figure 2. Flows of FDI in 2004 to 2016



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

In 2016, Finland's inward FDI totalled EUR 10.5 billion on net, which is clearly more than in 2015, when the net inflow of Finland's FDI was EUR 1.3 billion. In 2016, investments in equity-based items were EUR 9.8 billion and in debt-based items EUR 0.8 billion. The high level of investments was especially caused by corporate acquisitions. For listed companies, the value of equity capital is recognised at market value and for other enterprises at book value. In connection with corporate acquisitions, the value of equity is valued based on the market value and the actual transaction price is utilised in determining the market value.

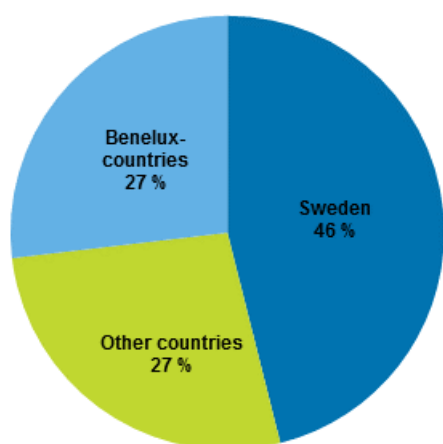
At the end of 2016, the value of FDIs totalled EUR 76.6 billion, of which equity accounted for EUR 67.4 billion and the value of debt capital for EUR 9.2 billion. During 2016, the value of FDIs grew by EUR 1.6 billion. The investment stock of equity-based items grew by EUR 6.7 billion, which is primarily explained by positive financial transactions on net. The stock of debt-based items decreased, in turn, by EUR 5.1 billion. The drop in the stock of debt capital item investments is primarily explained by other valuation changes that include price changes and changes in classifications. A classification change refers to a situation where the counterparty of a direct investment moves, for example, as a result of an acquisition, from intra-group into non-group. This means that the investment no longer meets the criteria of a direct investment and it is classified in the balance of payments either as a portfolio investment or other investment.

Table 1. Finland's inward FDI, EUR billion

	Total	Equity	Debt
Stock of investments 31 Dec 2015	75.0	60.7	14.3
Financial transactions	8.8	8.1	0.8
Re-invested earnings	1.7	1.7	0.0
Changes in the exchange rates	-0.1	0.0	-0.1
Other valuation adjustments	-8.8	-3.0	-5.8
Stock of investments 31 Dec 2016	76.6	67.4	9.2

Examined by country, direct investments have been made to Finland particularly from Sweden (46% of the investment stock), the Netherlands (16%), Luxembourg (10%) and Denmark (7%). Examined by country group, investments to Finland mainly come from the EU area, whose combined share of the investment stock was 91 per cent in 2016. The share of euro area countries was 37 per cent of the investment portfolio. The shares presented here were calculated according to 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 according to the ultimate investing country are examined in more detail in Section 1.5 of this review.

Figure 3. Direct investments into Finland according to the immediate investor country on 31 December 2016.



Examined by industry, inward FDI to Finland is particularly directed within services to enterprises engaged in financial and insurance activities (31% of the total investment portfolio) and other service enterprises (30%). In manufacturing, most investments have been made in metal industry enterprises (12%) and chemical industry enterprises (10%). 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 Finnish holding company classified in the financial sector and established for that purpose.

Finland's inward FDI generated returns of EUR 5.2 billion in total for foreign investors in 2016, of which EUR 3.1 billion were dividends and EUR 0.4 billion interests. EUR 1.7 billion of the returns were reinvested earnings that describe the difference between the returns accrued and paid to owners in a given year. The reinvested earnings of EUR 1.7 billion are also recorded in Finland's inward FDI (see Table 1).

Returns generated by foreign investors relative to the value of the investment portfolio increased from the year before. In 2016, returns relative to the value of investments at the end of the year were 6.8 per cent, while in 2015, the rate of return was 4.9 per cent and in 2014 it was 6.3 per cent. Most returns in euros were generated by the biggest investor countries, that is, EUR 3.0 billion by Sweden, EUR 0.4 billion by the Netherlands and EUR 0.3 billion by Luxembourg.

1.3 Finland's outward FDI

In 2016, outward FDI totalled EUR 23.2 billion on net. Thus, clearly more capital flowed outward than was returned as direct investments to Finland. Foreign equity investments totalled EUR 18.0 billion on net including reinvested earnings, and debt investments amounted to EUR 5.2 billion on net. In 2016, the net amount of FDI from Finland amounted to EUR 23.2 billion, which was clearly higher than in 2015, when FDI from Finland was EUR -15.0 billion on net. The high level of FDI from Finland is mainly explained by corporate acquisitions.

At the end of 2016, the value of the stock of outward FDI was EUR 105.4 billion, of which equity accounted for EUR 112.8 billion and the value of debt capital for EUR -7.4 billion. In 2016, the stock of outward

FDI grew for the first time since 2012. The considerable value increase of EUR 18.6 billion in the investment stock is primarily explained by positive financial transactions on net that were directed in particular at equity items. Other valuation changes decreased the value of foreign assets by EUR 4.6 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. 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.

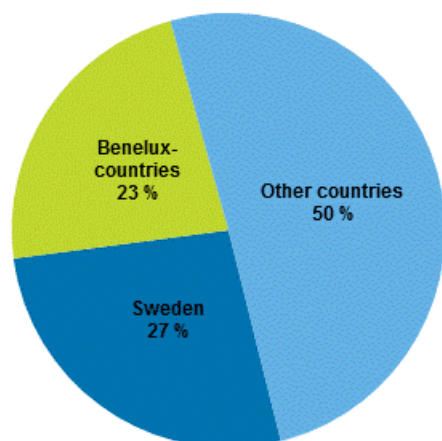
Table 2. Finland's outward FDI, EUR bn

	Total	Equity	Debt
Stock of investments 31 Dec 2015	86.8	98.3	-11.5
Financial transactions	19.2	14.0	5.2
Re-invested earnings	4.0	4.0	0.0
Changes in the exchange rates	0.0	0.0	0.0
Other valuation adjustments	-4.6	-3.5	-1.1
Stock of investments 31 Dec 2016	105.4	112.8	-7.4

Examined by country, FDI from Finland is especially directed to Sweden (27% of the investment stock), the Netherlands (17%), France (13%) and the USA (6%). Examined by country group, investments are mainly directed to the EU area, whose combined share of the investment portfolio was 83 per cent at the end of 2016. The share of the countries belonging to the euro area in the stock of outward FDI was 51 per cent.

The shares above were calculated according to the country of the immediate investment target, in which case, for example, the appeal of the Asian rising economies is small. For example, the value of the stock of investments to China was EUR 1.1 billion at the end of 2016, i.e. one per cent of the value of outward FDI. However, according to Statistics Finland's statistics on Finnish affiliates abroad, the main investment target of Finnish affiliates in 2015 was China, where a total of 228 Finnish affiliates were operating in 2015 and their share of the turnover generated abroad was 7.4 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.

Figure 4. Finland's outward FDI by immediate investor country on 31 December 2016.



The industry of foreign direct investments from Finland is determined based on the industry of the Finnish investor. Examined by industry, Finland's outward FDI is dominated by manufacturing industries, especially by metal industry (33% of the total investment portfolio) and forest industry (11%) enterprises. Among service industries, most investments were held by enterprises engaged in financial and insurance activities (21%) and other services (12%). The value of financial and insurance activity enterprises' foreign investments grew by EUR 16.7 billion in 2016 and, correspondingly, the value of other service enterprises' investments decreased by EUR 15.9 billion. The changes in the value of these investments were mainly caused by classification changes between these two industry categories.

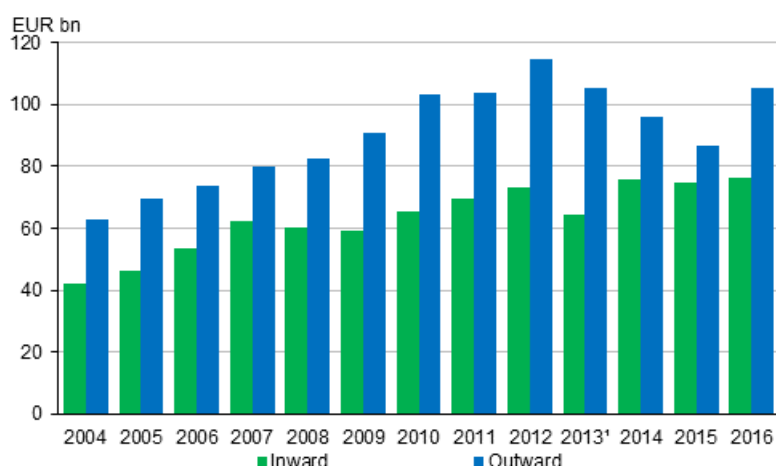
Outward FDI generated returns of EUR 8.9 billion in total for Finland in 2016, which is EUR 2.2 billion more than in 2015. Of the 2016 returns, EUR 4.5 billion were dividends, EUR 0.4 billion interests and EUR 4.0 billion reinvested earnings. The reinvested earnings are also recorded in Finland's inward FDI (see Table 2).

Returns gained by Finland relative to the value of FDI of the previous year. In 2016, the rate of return was 8.4 per cent, having been 7.7 per cent in 2015. Finland gained most returns in euros from the Netherlands (EUR 4.5 billion) and Sweden (EUR 2.8 billion).

1.4 Direct investments in the balance of payments

At the end of 2016, the value of Finland's inward FDI stock was EUR 76.6 billion and that of outward FDI stock was EUR 105.4 billion. The values of both inward and outward FDI grew during 2016. The value of outward FDI grew considerably more than the value of inward FDI and thus the net investment position of direct investments strengthened as the international direct investment assets on net increased to EUR 28.8 billion from EUR 11.9 billion in 2015. Direct investments improve, in particular, the net international investment position of the non-financial corporations sector, which stood at EUR 30.0 billion at the end of 2016. The liabilities of financial and insurance corporations related to direct investments exceeded, in turn, the assets by EUR 4.4 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 2016.

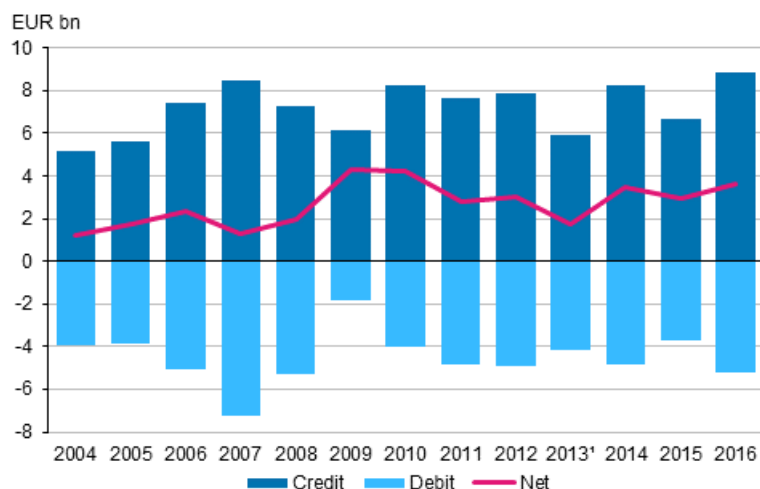


¹⁾ Starting from 2013, the figures are not fully comparable with those for 2004 to 2012 due to changes in the international statistical standard.

In 2016, returns on inward FDI amounted in total to EUR 8.9 billion and on outward FDI to EUR 5.2 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 +3.6 billion in 2016. Figure 6 shows that returns connected to direct investments have improved Finland's current account throughout the reference period 2004 to

2016. Annual returns gained by Finland from direct investments have varied between EUR 5.2 and 8.9 billion and the investments have yearly produced a surplus of EUR 1.2 to 4.3 billion.

Figure 6. Returns on FDI in 2004 to 2016.



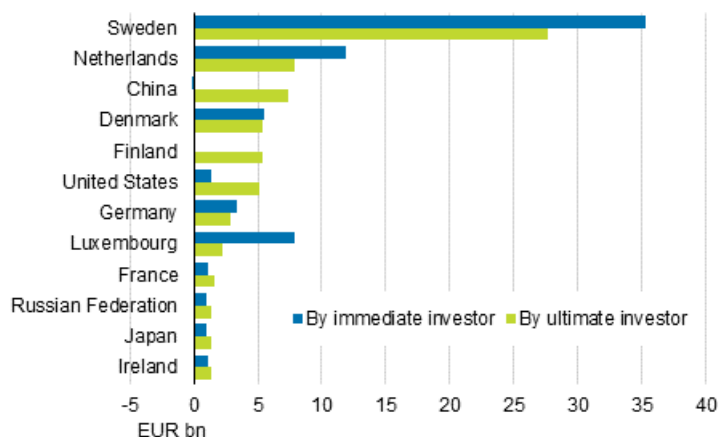
¹⁾ Starting from 2013, the figures are not fully comparable with those for 2004 to 2012 due to changes in the international statistical standard.

1.5 Investments according to the ultimate investing country

Direct investments have conventionally been examined only on the basis of the immediate investor country. The new statistical standards and data collected on a more detailed level than before also enable country-specific analyses of direct investments 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, the Netherlands and Luxembourg if investments are viewed according to the immediate investor country than when the investments are examined according to the ultimate investing 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 China and the United States. This means that a clearly larger share of FDI into Finland is managed in these countries than made immediately into Finland. 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. FDI to Finland in 2016, investment portfolio

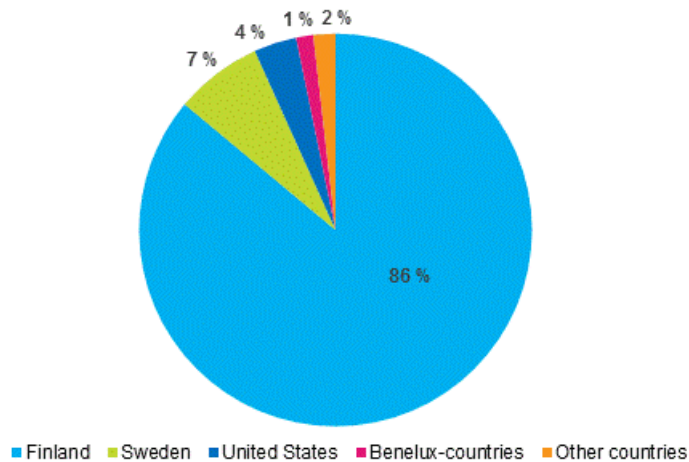


1.6 Finland's outward FDI by ultimate investing country

It is not possible to compile statistics on Finland's outward FDI by ultimate investing country with the help of the available data sources. However, by examining the ownership chains 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 actual owners of a parent company registered in Luxembourg can be Finnish private citizens.

In 2016, the value of Finland's outward FDI was EUR 105.4 billion, of which 86 per cent were held by enterprises under Finnish control. The most significant ultimate investing countries outside Finland were Sweden, the United States and the Benelux countries (see Figure 8).

Figure 8. Finland's outward FDI by ultimate investing country in 2016.



Appendix tables

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

		2011	2012	2013	2014	2015	2016
Inward	Sweden	33 663	34 226	33 222	32 212	37 056	35 289
	Netherlands	12 783	15 736	9 993	13 751	13 509	11 916
	Germany	5 730	4 177	2 553	2 691	3 381	3 303
	Denmark	3 910	4 337	4 482	4 706	4 761	5 448
	Luxembourg	3 532	3 457	3 478	8 390	788	7 874
Outward	Sweden	25 939	29 375	33 057	30 425	28 930	28 247
	Netherlands	16 708	24 525	16 190	18 381	12 781	18 267
	Germany	4 435	6 234	4 012	1 421	1 903	2 041
	Belgium	21 612	9 795	7 741	5 252	2 976	3 179
	United States	7 006	9 787	8 801	5 938	7 633	6 690
	Russian Federation	2 978	3 197	2 818	2 185	2 110	2 738

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

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

		2011	2012	2013	2014	2015	2016
Inward	Sweden	626	901	-388	1 735	2 044	448
	Netherlands	840	2 271	-1 512	4 082	-20	591
	Germany	1 327	-2 737	-240	-331	809	504
	Denmark	-35	550	194	1 142	-786	32
	Luxembourg	276	-247	476	4 255	-2 626	7 764
Outward	Sweden	2 959	2 535	331	2 137	-4 845	3 027
	Netherlands	1 371	5 545	-3 849	2 537	-10 880	5 950
	Germany	-104	1 768	-2 637	-892	725	-694
	Belgium	-845	-13 807	1 457	-1 341	-2 097	704
	United States	268	-351	-490	-1 415	958	1 392
	Russian Federation	575	318	512	266	112	160

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

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

		2011	2012	2013	2014	2015	2016
Inward	Sweden	3 295	4 267	2 209	2 357	2 915	2 976
	Netherlands	225	-239	1 089	2 377	1 316	406
	Germany	236	378	169	350	442	291
	Denmark	229	228	346	444	412	301
	Luxembourg	161	-167	-156	-1 644	-2 088	339
Outward	Sweden	2 821	4 276	1 873	3 502	2 803	2 785
	Netherlands	577	786	1 135	1 580	1 634	4 459
	Germany	160	-206	-492	215	95	-236
	Belgium	731	511	518	304	110	89
	United States	407	87	327	419	-416	140
	Russian Federation	334	638	534	279	272	209

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 investment of basic capital. For listed companies, the value of equity capital is recognised at market value and for other enterprises at book value. In connection with corporate acquisitions the value of equity is valued based on the market value and the actual transaction price is utilised in determining the market value. The debt-based 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-based 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). 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 Union (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). Until 2017, the data collection has been a joint data collection between Statistics Finland and the Bank of Finland. Starting from the beginning of 2017, full responsibility for the data collection was transferred to Statistics Finland. In connection with this, the monthly data collection on foreign financial assets and liabilities (BOPM) was replaced by the quarterly inquiry on financial assets and liabilities (BOPQ). The data are collected with web questionnaires implemented in Statistics Finland's data collection system.

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 portfolio of 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 November 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 enterprises' reporting burden and clarifying and harmonising the reporting process. Starting from 2017, the responsibility for data collections has been transferred to Statistics Finland.

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 around ten to eleven 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 net FDI flows are released around six weeks after the end of the month as part of the statistics on balance of payments and international investment position. Quarterly investment portfolios of direct investments are also released two-and-a-half months after the end of the quarter as part of the statistics on balance of payments and international investment position. The distributions by sector and country are carried out only on annual data and are released in the statistics on foreign direct investments. A link to the release schedule for the statistics on balance of payments and international investment position 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

Statistics Finland is committed to following the 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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