

## Methodological comment on direct investment statistics indicators

Direct investor can acquire control or an opportunity to influence on management of a direct investment enterprise in two ways:

- (a) immediate direct investment – share of direct investor in equity is 10% or more;
- (b) indirect direct investment – investor can influence on the third enterprise through ownership of the controlling voting power in direct investment enterprise that is in turn direct investor in the third enterprise (mentioned above).

Individual investors, a group of individual investors, an incorporated or unincorporated private and public enterprises, governments, international and societal organizations and other subjects of an economy could be direct investors.

Direct investment enterprises include: (a) subsidiaries – enterprises controlled by direct investor; (b) associates – enterprises on which direct investor has influence, but does not have control over.

Affiliate enterprises include direct investor, subsidiaries, associates of this direct investor, and fellow enterprises - direct investment enterprises that are under control or influence of the same direct investor.

Based on **asset/liability principle** direct investment statistics is compiled based on category of investment to Kazakhstan: foreign assets of Kazakhstan's residents or liabilities of Kazakhstan's residents to non-residents. Thus, assets include assets of residents-direct investors and assets of residents-direct investment enterprises. Similarly, liabilities include liabilities of residents-direct investors and liabilities of residents-direct investment enterprises.

### Direct investment assets of Kazakhstan include:

- 1) investment of resident direct investor in direct investment enterprise non-resident;
- 2) reverse investment of resident direct investment enterprise in direct investor – non-resident;
- 3) investment of enterprises residents in their fellow enterprises – non-residents.

### Direct investment liabilities of Kazakhstan include:

- 1) investment of non-resident direct investor in direct investment enterprise resident;
- 2) reverse investment of non-resident direct investment enterprise in its direct investor resident;
- 3) investment of enterprises non-residents in their fellow enterprises in the Republic of Kazakhstan.

Data compiled according to the **directional principle** show direction of influence of direct investor and account for reverse investments flows and operations of fellow enterprises depending on residency of ultimate controlling investor.

### Outward direct investment (from Kazakhstan) include:

- 1) net assets of resident direct investor with respect to non-resident direct investment enterprise (assets of direct investor with respect to direct investment enterprise minus liabilities of direct investor to direct investment enterprise);
- 2) net assets of residents enterprises with respect to fellow enterprises – non-residents, if ultimate controlling investor is resident of the Republic of Kazakhstan.

### Inward direct investment (in Kazakhstan) include:

- 1) net liabilities of resident direct investment enterprise to direct investor – non-resident (liabilities of direct investment enterprise minus assets of direct investment enterprise with respect to direct investor);
- 2) net liabilities of residents enterprises to fellow enterprises – non-residents, if ultimate controlling investor is non-resident.

Thus, all flows and stocks of direct investors - residents are presented as outward direct investment, while all flows and stocks of residents direct investment enterprises are presented as inward direct investments.

Based on two accounting principles direct investment statistics indicators differ only in the way they are combined. Therefore, flows of direct investment based on directional principle - 'direct investment, net' correspond to net direct investment in balance of payments.

Gross inflow of direct investment in the Republic of Kazakhstan from foreign direct investors includes increase in equity, reinvested earnings, and increase of debt instruments. According to directional principle (*BOP5*) equity is accounted on net base (purchase minus sale), while based on assets and liabilities principle (*BOP6*) equity is accounted on gross base in liabilities.

Direct investments **in Kazakhstan** are investments in direct investment enterprises in Kazakhstan. Direct investments **abroad** are investments of residents in foreign direct investment enterprises.

**Direct investments according to directional principle (position as of end of a period)** show accumulated investments sent abroad or received by Kazakhstan from abroad as of a certain date.

**Direct investments according to directional principle (flows during a period)** show economic operations during a certain period of time.

**Net inflow/outflow of direct investments** account for sale or decrease in equity (purchase minus sale) and for repayment of debt instruments (increase in debt liabilities minus repayment of debt).

**Direct investment income** include: distributed income (dividends), undistributed income/loss, and debt instruments income (interest on financial loans, trade credits, and other types of debt – accounts payable/accounts receivable).

To classify flows of direct investment by types of economic activities General classification of types of economic activities is used (Russian equivalent is 'ОКЭД ГК РК 03-2007'). This classification corresponds to International Standard Industrial Classification of All Economic Activities of United Nations (ISIC, Rev. 4) and Statistical Classification of Economic Activities in the European Union (NACE2).