

Foreign direct investments 2019

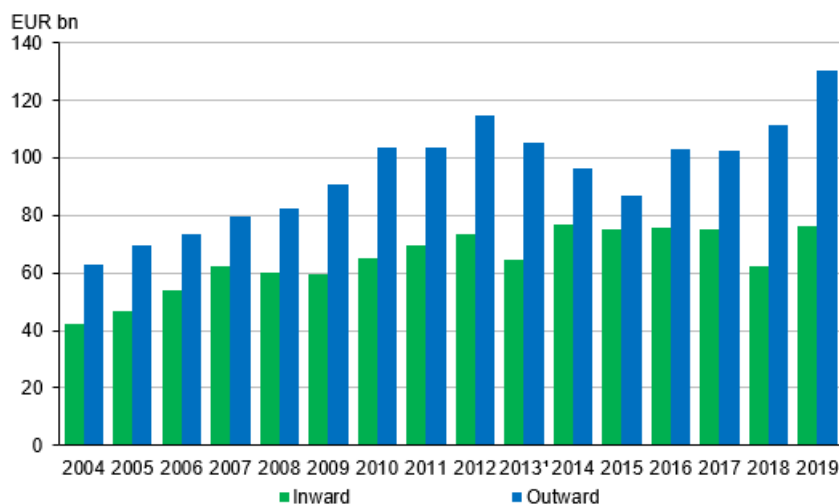
Foreign direct investments increased strongly in 2019

Corrected 16 October 2020: Figure 9 in the review was corrected

During 2019, the value of foreign direct investments (FDI) to Finland from abroad rose from EUR 62.9 billion to EUR 76.4 billion. As financial transactions investments were made to Finland on net to the value of EUR 10.1 billion. EUR 8.0 billion of the investments were debt-based items, that is, capital flowed to Finland from foreign direct investors mainly in the form of loans.

The value of direct investments from Finland abroad grew from EUR 112.5 billion to EUR 130.4 billion. Most of the growth is explained by valuation changes of EUR 13.8 billion and reinvested earnings of EUR 3.8 billion. Investments abroad as financial transactions totalled just EUR 0.6 billion.

FDI investment portfolio in 2004 to 2019

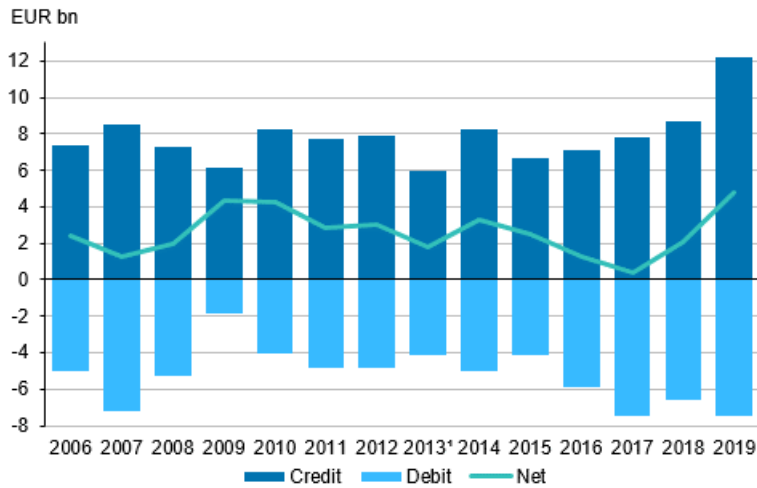


¹⁾ Starting from 2013, the figures are not fully comparable with those for 2004 to 2012 due to changes in the international statistical standard.

Examined by country group, investments to Finland came mainly from the EU area, whose combined share of the investment stock was 82 per cent at the end of 2019. The share of the euro area in the stock of Finland's inward FDI was 45 per cent. Correspondingly, direct investments from Finland abroad were mostly directed to the areas of the EU (80%) and euro area countries (51%).

During 2019, Finland's returns from outward FDI totalled a record amount of EUR 12.2 billion. The returns generated by foreign owners on direct investments to Finland, totalling EUR 7.4 billion, were also historically high. 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 4.8 billion in 2019.

Returns on FDI in 2006 to 2019



This release includes a review that examines in more detail the development of foreign direct investments in 2019.

Contents

1. Foreign direct investments in 2019.....	4
1.1 Data content and purpose of use.....	4
1.2 Global FDI.....	4
1.3 Finland's flows of FDI.....	5
1.4 Finland's inward FDI.....	5
1.5 Finland's outward FDI.....	7
1.6 Direct investments in the balance of payments.....	9
1.7 Investments according to the ultimate investing country.....	10
1.8 Investments from Finland, according to the country of the highest controlling owner	11

Tables

Table 1. Finland's inward FDI, EUR billion.....	6
Table 2. Finland's outward FDI, EUR billion.....	7

Appendix tables

Appendix table 1. Foreign direct investments, stock by country, EUR million.....	12
Appendix table 2. Foreign direct investments, flow by country, EUR million.....	12
Appendix table 3. Foreign direct investments, income by country, EUR million.....	12

Figures

Figure 1. Global flows of direct investments in 2004 to 2019.....	4
Figure 2. Flows of FDI in 2004 to 2019.....	5
Figure 3. Direct investments to Finland according to the immediate investor country, stock of investments on 31 December.....	6
Figure 4. Rate of return of Finland's inward FDI in 2004 to 2019.....	7
Figure 5. Finland's outward FDI by immediate investor country, stock of investments on 31 December, EUR billion.....	8
Figure 6. Rate of return of Finland's outward FDI in 2004 to 2019.....	8
Figure 7. Foreign direct investments in 2004 to 2019.....	9
Figure 8. Returns on FDI in 2004 to 2019.....	10
Figure 9. Foreign direct investments to Finland according to the immediate and ultimate investing country, stock of investments on 31 December 2019, EUR billion (The figure was corrected on 16 October 2020).....	11
Quality description: Foreign direct investments.....	13

1. Foreign direct investments in 2019

This review examines the development of foreign direct investments in 2019. 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.

In 2019, direct investments both from Finland abroad and from abroad to Finland increased significantly. The value of foreign direct investments (FDI) to Finland was EUR 76.4 billion at the end of 2019. The investment stock grew by EUR 13.5 billion from 2018. At the end of the year, the value of Finland's outward FDI totalled EUR 130.4 billion, having grown by EUR 17.9 billion from the previous year. Returns on Finland's inward FDI amounted on net to EUR 4.8 billion.

In this review, investment flows include reinvested earnings in addition to financial transactions. In the renewed database tables, reinvested earnings and dividends and interests paid to owners have been combined into the variable of returns on investments, and the flow only includes financial transactions.

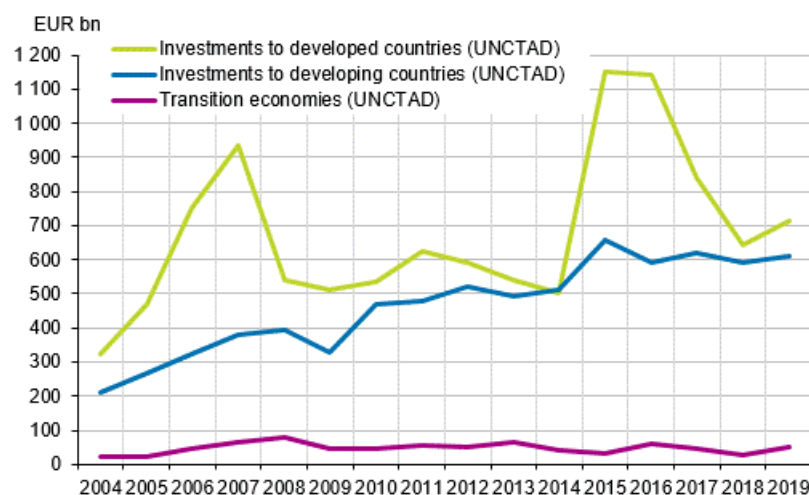
1.1 Data content and purpose of use

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. Foreign direct investments are often interpreted too simply as real investments. The 2018 review opens the data content and interpretation of the statistics more comprehensively and the netting of financial assets and liabilities according to the directional principle.

1.2 Global FDI

According to the investment report published by the United Nations Conference on Trade and Development (UNCTAD: (World Investment Report 2020), flows of global FDI grew by three per cent measured in USD in 2019. Due to exchange rate changes, the growth amounted to more in euros, just under nine per cent. The growth in investment flows particularly concerned investments in developed economies. Clearly more capital also flowed to transition economies than in the year before.

Figure 1. Global flows of direct investments in 2004 to 2019



In total, global foreign direct investments amounted to EUR 1,376 billion in 2019, of which EUR 715 billion were directed at developed countries and EUR 612 billion at emerging economies. Examined by country, the USA was the largest host country of direct investments followed by China and Singapore. The largest investor countries were Japan, the USA and the Netherlands.

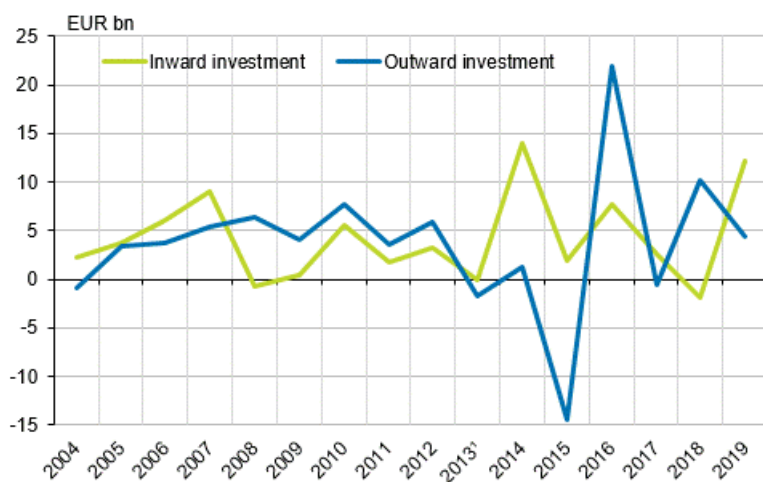
The investment report of the United Nations Conference on Trade and Development published in June 2020 predicts that global flows of direct investments will collapse by as much as 40 per cent between 2020

and 2021 as a result of the coronavirus pandemic. It is stressed that the projection involves a considerable degree of uncertainty. In addition to the immediate effects of the pandemic (closure of establishments and production plants, suspensions of acquisitions and investments that create new activities, etc.), the report predicts that FDI flows will decline in the medium term as the economic downturn first suspends, and eventually even fully cancels, investment projects. In addition, permanent changes are anticipated in the long term as companies aim to reduce their dependency on global supply chains and increase their self-sufficiency by moving production closer to their home country.

1.3 Finland's flows of FDI

In 2019, Finland's inward FDI returned to positive levels again after 2018, as FDIs to Finland totalled EUR 12.2 billion on net including reinvested earnings. Examined by country group, most of the investments to Finland came from the EU area and Eastern Asia. Finland's outward FDI, in turn, fell from the level of 2018 as EUR 4.3 billion on net were made as direct investments abroad, including reinvested earnings. Examined by country group, most investments were made to the EU area and other European countries. Finland's inward and outward FDI are examined in more detail in Sections 1.4 and 1.5.

Figure 2. Flows of FDI in 2004 to 2019



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

1.4 Finland's inward FDI

In 2019, a total of EUR 12.2 billion direct investments were made to Finland on net, which is the biggest amount since 2014. During 2019, EUR 10.1 billion flowed to Finland as financial transactions. Reinvested earnings amounted to EUR 2.1 billion, which describes the difference between the income of foreign-owned Finnish companies and dividends paid abroad.

In 2019, investments in equity-based items amounted to EUR 4.2 billion, of which the share of both reinvested earnings and financial transactions was EUR 2.1 billion. Investments flowed to debt-based items to the tune of EUR 8.0 billion, that is, a considerable share of foreign investments to Finland were made in the form of loans.

At the end of 2019, the value of FDIs to Finland from abroad totalled EUR 76.4 billion, of which equity accounted for EUR 62.2 billion and the value of debt capital for EUR 14.2 billion. 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.

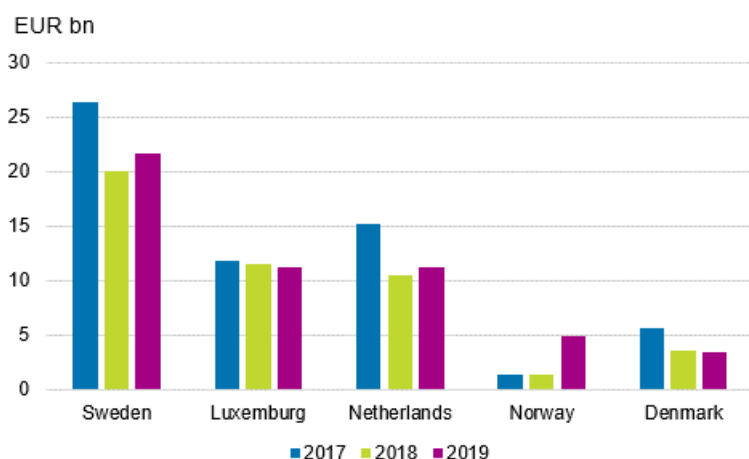
During 2019, the total value of FDI grew by a total of EUR 13.5 billion, of which debt-based items accounted for EUR 8.4 billion and equity-based items for EUR 5.1 billion. In addition to financial transactions and reinvested earnings, the growth of the investment stock includes price changes and classification changes caused by other than exchange rates, to the value of EUR 1.3 billion. Classification changes refer to changes in the value of the stock of financial assets or liabilities that are not caused by cross-border financial transactions or other changes. Classification changes include, for example, changes in the value of the stock of assets or liabilities due to a cross-border change of the enterprise's domicile and changes caused by enterprise reorganisations, in which the enterprise group organises its internal ownership structure.

Table 1. Finland's inward FDI, EUR billion.

	Total	Equity	Debt
Stock of investments 31 Dec 2018	62,9	57,1	5,8
Financial transactions excl. re-invested earnings	10,1	2,1	8,0
Re-invested earnings	2,1	2,1	0,0
Changes in the exchange rates	0,0	0,0	0,0
Other valuation adjustments	1,3	0,9	0,4
Stock of investments 31 Dec 2019	76,4	62,2	14,2

Examined by country, direct investments have been made to Finland particularly from Sweden (28% of the investment stock), Luxembourg (15%), the Netherlands (15%), Norway (6%) and Denmark (5%). Examined by country group, investments to Finland mainly come from the EU area, whose combined share of the investment stock was 82 per cent in 2019. The share of euro area countries was 45 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 1.7 of this review.

Figure 3. Direct investments to Finland according to the immediate investor country, stock of investments on 31 December

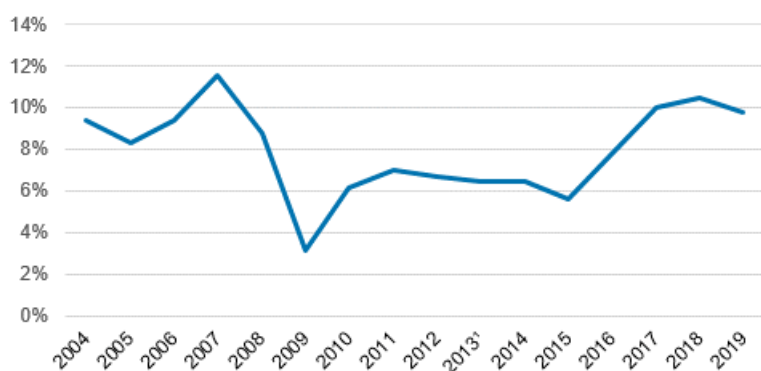


Examined by industry, Finland's inward FDI is directed to financial and insurance enterprises (18%), information and communication enterprises (13%) and real estate enterprises (9%). In manufacturing, most investments have been made in metal industry enterprises (12%) and chemical industry enterprises (11%). 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 holding company classified in the financial sector and established in Finland for that purpose.

In 2019, Finland's inward FDI generated returns of EUR 7.4 billion in total for foreign investors. Dividends amounting to EUR 4.9 billion and interests to EUR 0.5 billion were recorded in returns. In addition, reinvested earnings amounted to EUR 2.1 billion. They describe the difference between the returns accrued on equity and paid to owners in a given year. The reinvested earnings of EUR 2.1 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 decreased slightly from the year before. In 2019, the returns amounted to 9.7 per cent, having been 10.5 cent in 2018. Examined by country, most returns on direct investments in Finland were generated to Sweden (EUR 3.8 billion), the Netherlands (1.3) and Luxembourg (1.0).

Figure 4. Rate of return of Finland's inward FDI in 2004 to 2019



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 Finland's outward FDI

The net amount of Finland's outward FDI was EUR 4.3 billion, which is mainly explained by the growth in reinvested earnings from EUR 0.1 billion in 2018 to EUR 3.8 billion. Over the year, Finnish companies' foreign affiliates and associative companies thus generated EUR 3.8 billion more returns than dividends were paid to Finland. During 2019, the flow of financial transactions on net from Finland abroad amounted to EUR 0.6 billion. Equity investments decreased by EUR 0.5 billion and debt investments increased by EUR 1.1 billion.

At the end of 2019, the value of the stock of outward FDI was EUR 130.4 billion, of which equity accounted for EUR 132.0 billion and the value of debt capital for EUR -1.6 billion. In addition to reinvested earnings, the increase in the value of the investment stock by EUR 17.9 billion is explained even more by other valuation changes. These include price changes and classification changes caused by other than exchange rates, the content of which is described in more detail in Section 1.4 of this review.

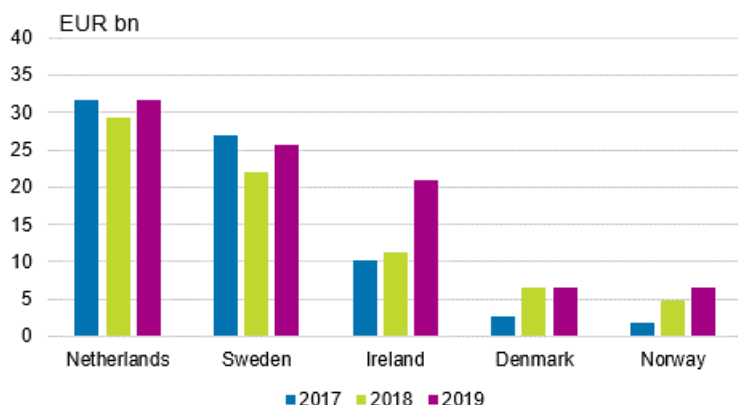
Table 2. Finland's outward FDI, EUR billion

	Total	Equity	Debt
Stock of investments 31 Dec 2018	112,5	116,1	-3,6
Financial transactions excl. re-invested earnings	0,6	-0,5	1,1
Re-invested earnings	3,8	3,8	0,0
Changes in the exchange rates	-0,3	-0,3	0,0
Other valuation adjustments	13,8	13,0	0,8
Stock of investments 31 Dec 2019	130,4	132,0	-1,6

*) Due to rounding differences, the investment stock at the end of 2018 and changes during 2019 are not summed up evenly at the end of 2019 for equity and debt-based items.

Examined by country, FDI from Finland is especially directed to the Netherlands (24% of the investment stock), Sweden (20%), Ireland (16%), Denmark (5%), and Norway (5%). Examined by country group, investments are mainly directed to the EU area, whose combined share of the investment portfolio was 80 per cent at the end of 2019. The share of the countries belonging to the euro area in the stock of outward FDI was 51 per cent.

Figure 5. Finland's outward FDI by immediate investor country, stock of investments on 31 December, EUR billion



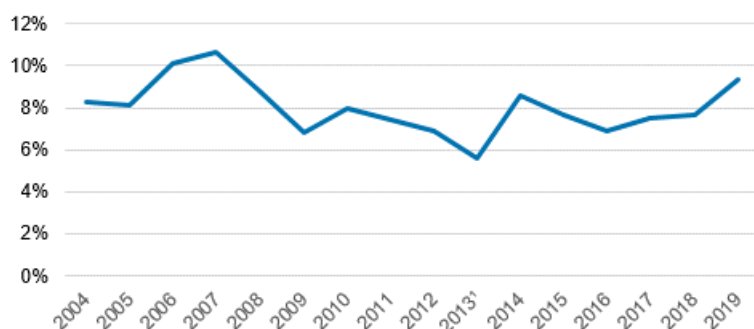
The shares above were calculated according to the country of the immediate investment target. There are no data available on outward FDI according to the country of the ultimate investment target, so it is not possible to give a more exact specification of the final investment target. However, most of the investments directed abroad are connected to the management of a global enterprise or its part and the actual production activity is located in another investing country.

The industry of foreign direct investments from Finland is determined based on the industry of the Finnish investor. Examined by industry, outward FDI is held particularly by enterprises in the metal industry (24% of the investment stock of all industries), financial and insurance activities (20%) and the forest industry (10%).

In 2019, Finland's returns from outward FDI totalled a record amount of EUR 12.2 billion. Of the returns, EUR 8.0 billion were dividends, EUR 0.3 billion interests and EUR 3.8 billion reinvested earnings. Dividends and interests were on level with 2018, but reinvested earnings grew by EUR 3.7 billion from one year ago. The reinvested earnings of EUR 3.8 billion are also recorded in Finland's outward FDI (see Table 2).

Returns gained by Finland relative to the value of the FDI stock grew from the previous year, as the rate of return rose to 9.4 from 7.7 per cent in 2018. Examined by country, Finland generated most returns in euros from Sweden (EUR 4.0 billion), the Netherlands (2.4 billion) and Singapore (1.0 billion).

Figure 6. Rate of return of Finland's outward FDI in 2004 to 2019



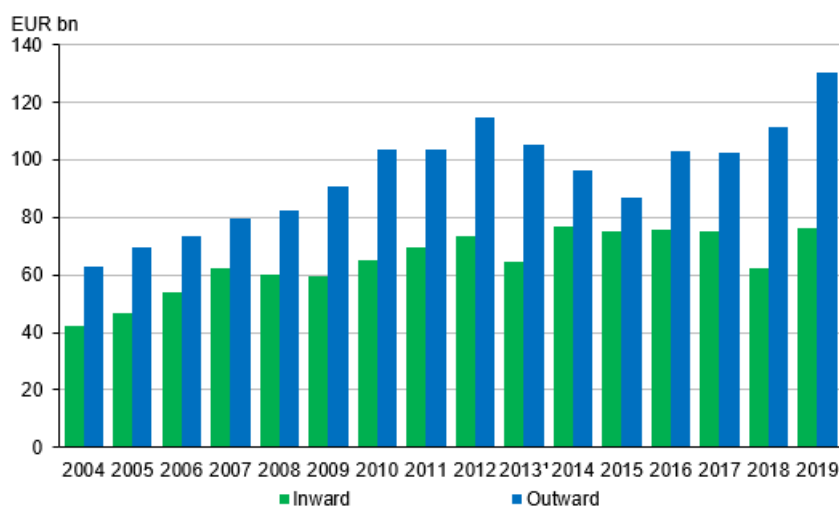
1) Starting from 2013, the figures are not fully comparable with those for 2004 to 2012 due to changes in the international statistical standard

1.6 Direct investments in the balance of payments

The figures for direct investments according to the directional principle presented in this review differ from the gross figures presented in the statistics on balance of payments and international investment position. The differing statistical method of balance of payments is discussed more in Section 2.2 of the review for the statistical reference year 2013.

At the end of 2019, the value of Finland's inward FDI stock was EUR 76.4 billion and that of outward FDI stock was EUR 130.4 billion. In 2019, the value of the stock of both inward and outward FDI rose. The net international investment position of direct investments strengthened as the value of the stock of outward FDI grew more than that of inward FDI. Foreign direct investment assets on net grew to EUR 54.0 billion from the previous year's EUR 49.6 billion. In particular, direct investments improve the net international investment position of the enterprise sector. 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.

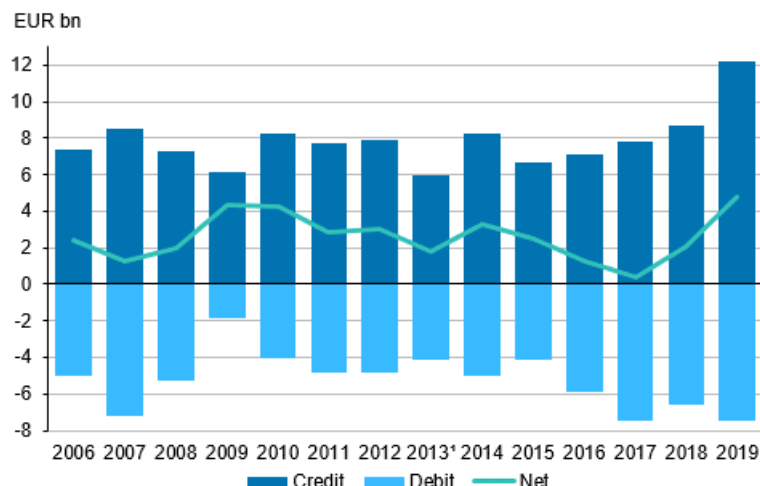
Figure 7. Foreign direct investments in 2004 to 2019



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 2019, returns on inward FDI amounted in total to EUR 12.2 billion and on outward FDI to EUR 7.4 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 4.8 billion in 2019. Net returns from direct investments grew from the previous year, which was primarily due to an increase in returns paid to Finland. Figure 8 shows that returns connected to direct investments have improved Finland's current account throughout the reference period 2004 to 2019. The net effect of returns from foreign direct investments on the primary income of the current account has fluctuated between EUR 0.4 billion and EUR 4.8 billion.

Figure 8. Returns on FDI in 2004 to 2019



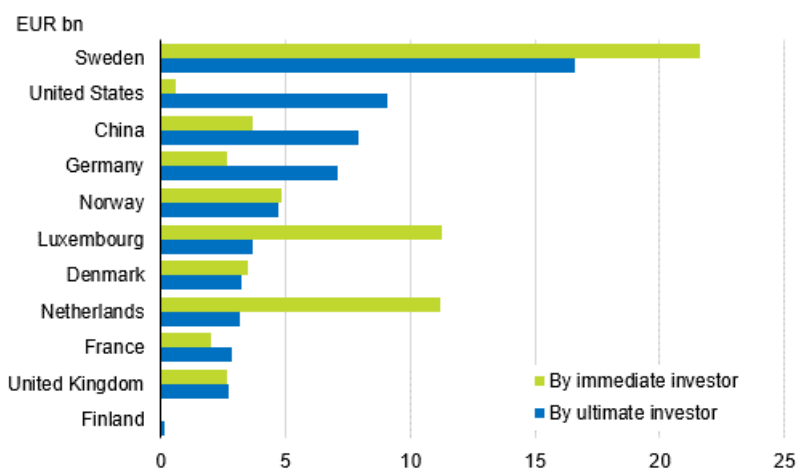
¹⁾ Starting from 2013, the figures are not fully comparable with those for 2004 to 2012 due to changes in the international statistical standard

1.7 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 9 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 opposite is true for the United States, Germany and China. This means that a clearly larger share of FDI into Finland is managed in these countries than made immediately into Finland. When examined by the ultimate direct investor, the share of Finland should also be considered. This is because domestic enterprises own domestic affiliates through their foreign affiliates.

Figure 9. Foreign direct investments to Finland according to the immediate and ultimate investing country, stock of investments on 31 December 2019, EUR billion (The figure was corrected on 16 October 2020)



1.8 Investments from Finland, according to the country of the highest controlling owner

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 2019, the value of Finland's outward FDI was EUR 130.4 billion, of which 92 per cent were held by enterprises under Finnish control. The United States (2%) and Sweden (1%) were the most significant ultimate investing countries outside Finland. Therefore, Finland cannot be regarded as a significant pass-through country for direct investments.

Appendix tables

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

		2013	2014	2015	2016	2017	2018	2019
Inward	Sweden	33 222	32 125	37 056	34 540	26 288	20 035	21 594
	Luxembourg	3 478	8 390	819	7 874	11 776	11 561	11 255
	Netherlands	9 993	13 751	13 509	11 853	15 257	10 529	11 210
	Norway	211	428	871	586	1 335	1 381	4 864
	China	12	-36	-44	-47	-73	-64	3 697
Outward	Netherlands	16 190	18 381	12 787	18 267	31 565	29 280	31 671
	Sweden	33 057	30 425	28 930	28 247	26 996	22 070	25 674
	Ireland	11 724	10 883	11 143	9 460	10 162	11 190	20 998
	Norway	1 023	1 129	2 213	2 327	1 837	4 820	6 582
	Denmark	975	943	1 380	1 970	2 574	6 472	6 579

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

		2013	2014	2015	2016	2017	2018	2019
Inward	China	2	-8	19	8	-41	5 373	4 334
	Norway	1	238	432	359	157	356	3 079
	Sweden	-387	1 697	2 129	594	-2 272	-2 933	2 852
	Luxembourg	476	4 255	-2 796	7 710	2 612	-153	2 058
	Netherlands	-1 512	4 254	782	577	1 721	-1 809	327
Outward	Sweden	331	2 137	-4 828	3 027	342	1 825	1 461
	Norway	-428	37	2 678	-64	-233	465	1 251
	Ireland	996	-843	-176	-1 137	517	1 535	890
	Netherlands	-3 849	2 537	-10 850	3 799	12 680	-202	47
	Denmark	-478	-69	88	882	392	-112	-386

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

		2013	2014	2015	2016	2017	2018	2019
Inward	Sweden	2 209	2 308	2 914	3 107	3 503	3 001	3 806
	Netherlands	1 089	2 549	1 705	471	1 318	1 336	1 305
	Luxembourg	-156	-1 644	-2 086	705	630	218	1 047
	Denmark	346	451	412	301	462	543	267
	Germany	169	350	442	291	304	228	78
Outward	Sweden	1 873	3 502	2 803	2 785	2 823	4 039	3 974
	Netherlands	1 135	1 580	1 634	2 308	1 587	1 156	2 385
	Singapore	175	224	204	508	573	364	978
	Norway	99	120	40	205	41	278	641
	Ireland	131	129	58	111	107	78	258

Quality description: Foreign direct investments

1. Relevance of statistical information

1.1. Data content and purpose of use

The statistics on foreign direct investments annually describe investment activities that are based on considerable influence or control in the investment object. In practice, the statistics depict financial transactions between domestic and foreign units in multinational enterprise groups and the assets and liabilities these generate, as well as international corporate 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 only 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 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 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 revised 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 revised 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 using control in a foreign enterprise located abroad or in the home country that is topmost in the ownership chain of the foreign 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 investor in Finnish objects in a given period. Correspondingly, in outward investments, the capital invested on net by a Finnish investor in foreign objects 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. The 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 investor in Finnish objects at a given moment (inward direct investments). Correspondingly, the value of the capital invested by a Finnish investor in foreign objects 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 considered 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. Acts 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 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 population 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 corporate 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 the data collection was 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 nine 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 local enterprise group 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 revised directional principle, which decrease the stocks of FDI both to and from Finland. For the period prior to 2013, the Bank of Finland has assessed the capital stock and fellow enterprise items in accordance with the revised 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](http://cdis.imf.org/Default.aspx) (<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 revised 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 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.

Inquiries

Petri Kinnarinen 029 551 3428
Head of Department in
charge:
Mari Ylä-Jarkko

balanceofpayments@stat.fi
www.stat.fi

Source: Foreign direct investments 2019, Statistics Finland