



**NBP**

---

Narodowy Bank Polski

---

Krzysztof Makowski / Department of Statistics

---

# Enriching FDI presentation and analysis

Zurich / 16th Annual NBP-SNB Joint Seminar / December 18, 2019



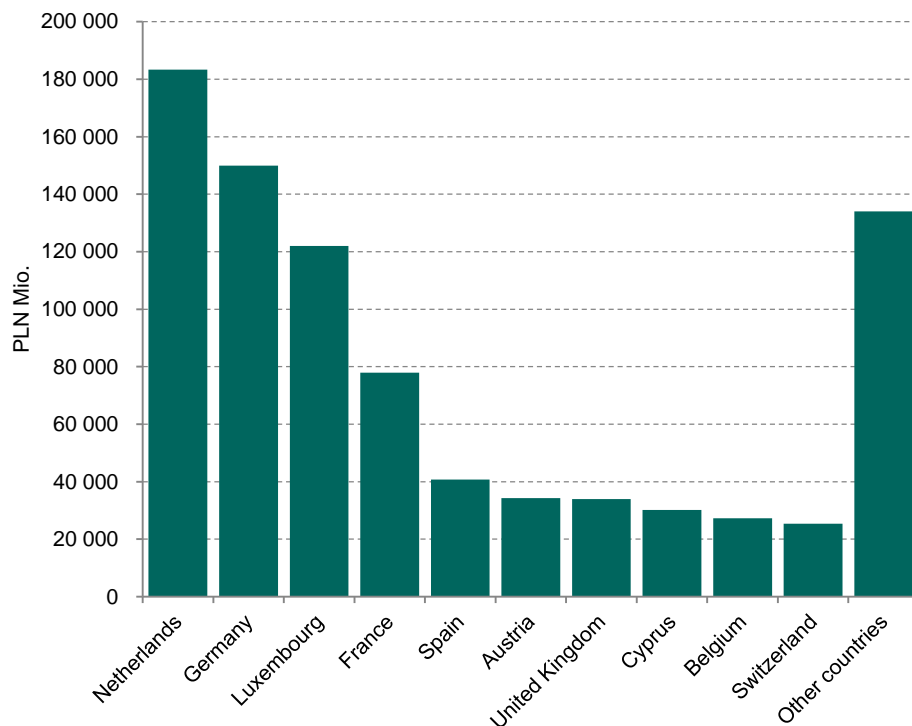
## What is currently in our focus?

- Ultimate investing country
- Ultimate host country
- Network and micro analysis of FDI entities

---

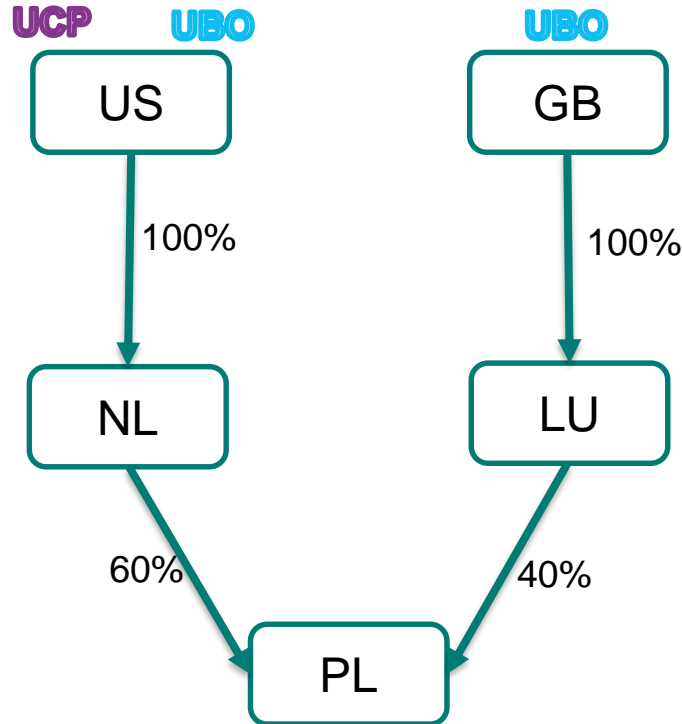
# Ultimate investing country

## Traditional view of inward FDI



- Countries hosting SPEs among largest investors
  - The same situation in almost every country
- Who is behind the investment from Netherlands, Luxembourg or Cyprus?
- Some investors are missing
  - Where are USA?

## Ultimate Beneficial Owner and Ultimate Controlling Parent – theory



- Who controls the resident company (UCP)?
  - Single controlling entity
  - Whole value of resident entity allocated to UCP
- Who controls the foreign investor (UBO)?
  - Allows to allocate minority ownership to foreign control
  - Value of resident entity allocated proportionally
- Two approaches in statistics FATS (UCP) / FDI (UBO)
- Different user needs

## UBO and UCP – which one to use?

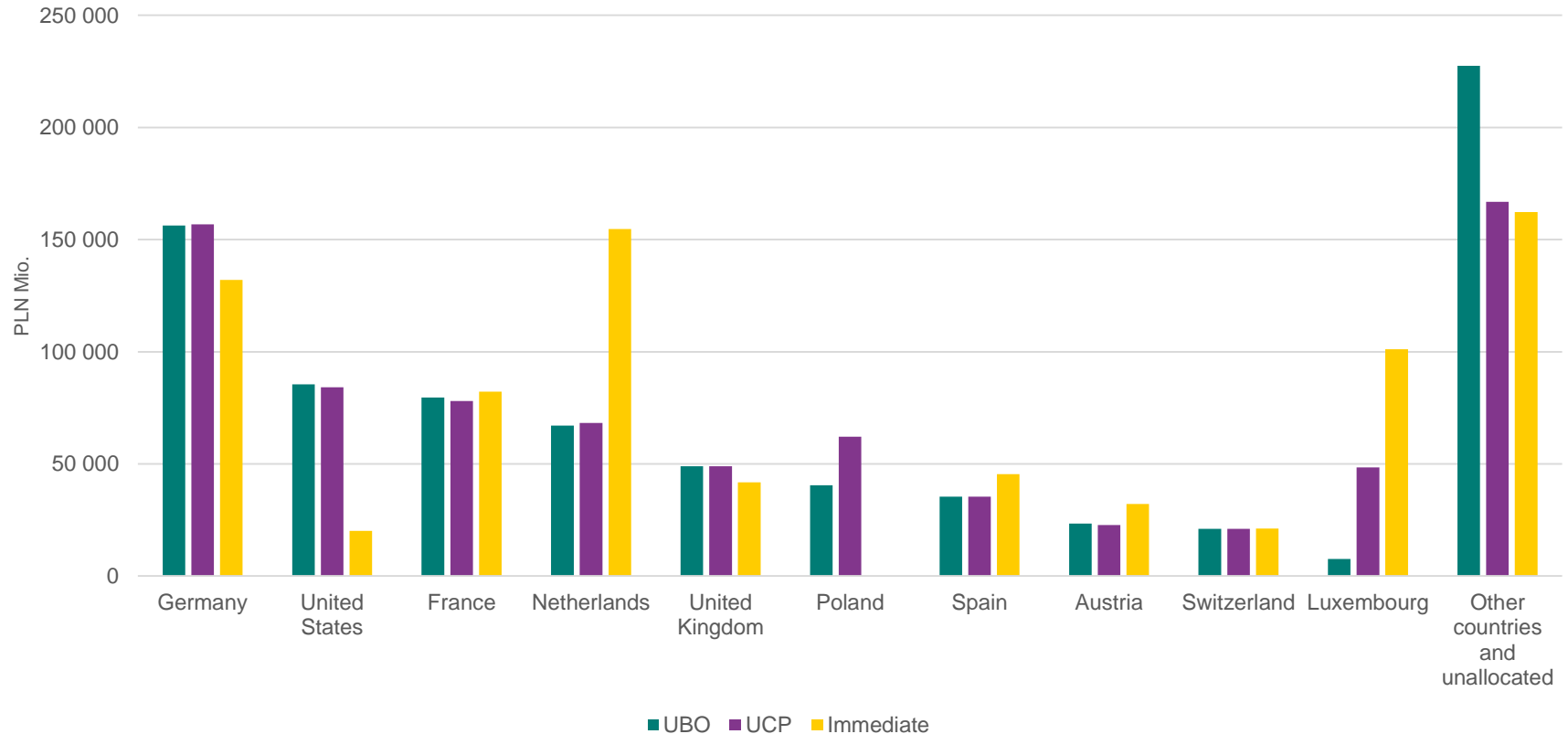
### Cases for UCP

- Comparison of the resident owned companies, (ultimately) foreign controlled companies and resident MNE
- Global Value Chains compilation – allocation of income?

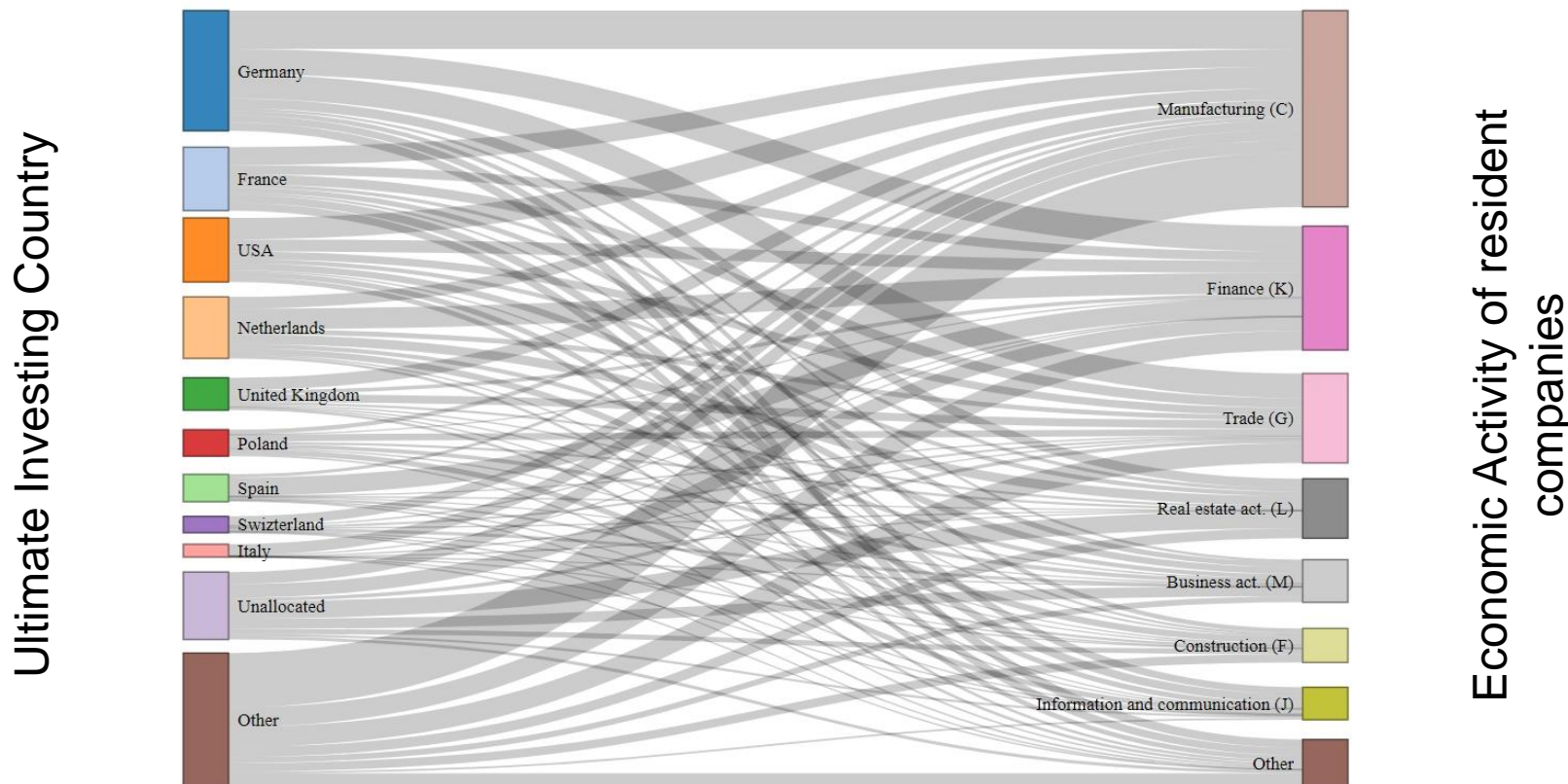
### Cases for UBO

- Monitoring of minority investment in different economic activities
- Control with minority stake in dispersed ownership setting
- Blocking minority / Access to information
- Legal limits on ownership above 50% from abroad
- Round-tripping

## Comparison of UBO, UCP and immediate counterpart presentation

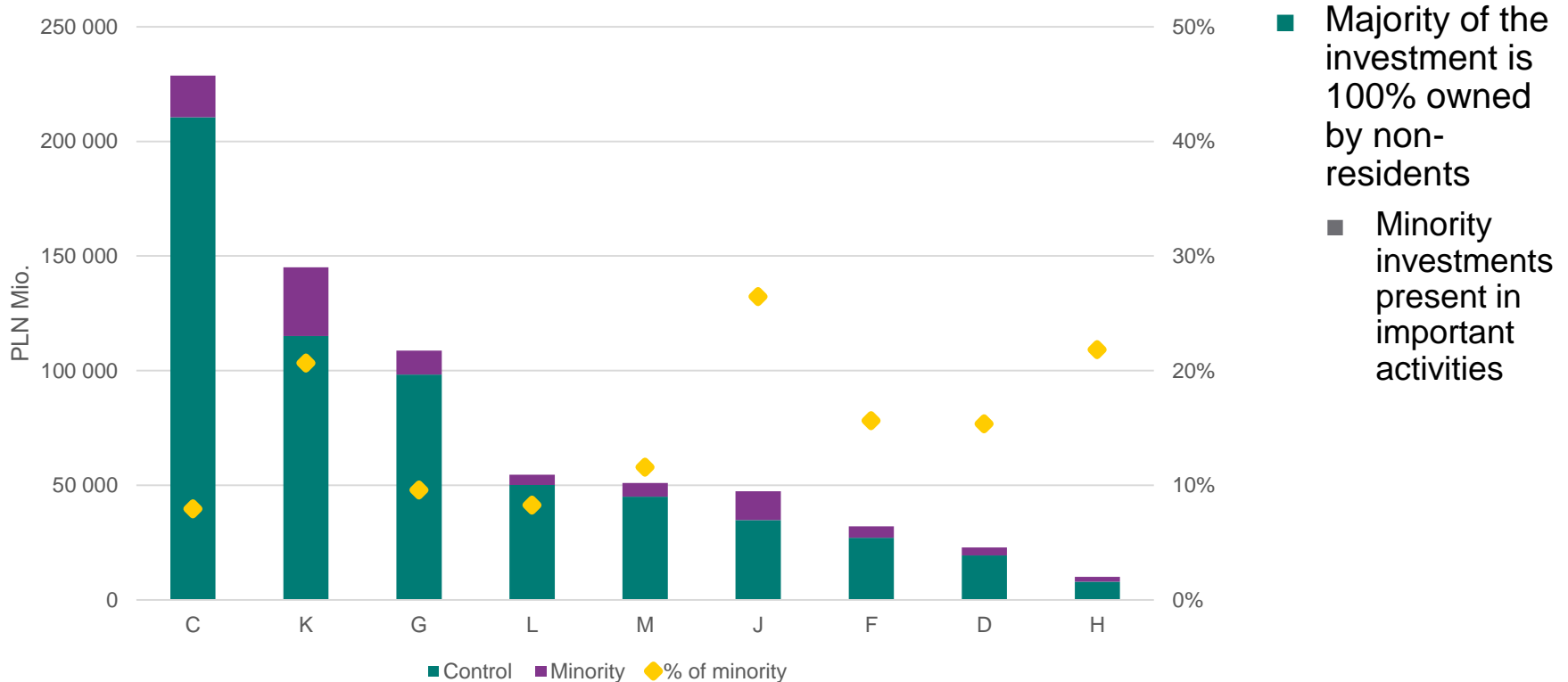


# Concentration of foreign investors in different economic activities





# Shareholding percentage – where are the differences?



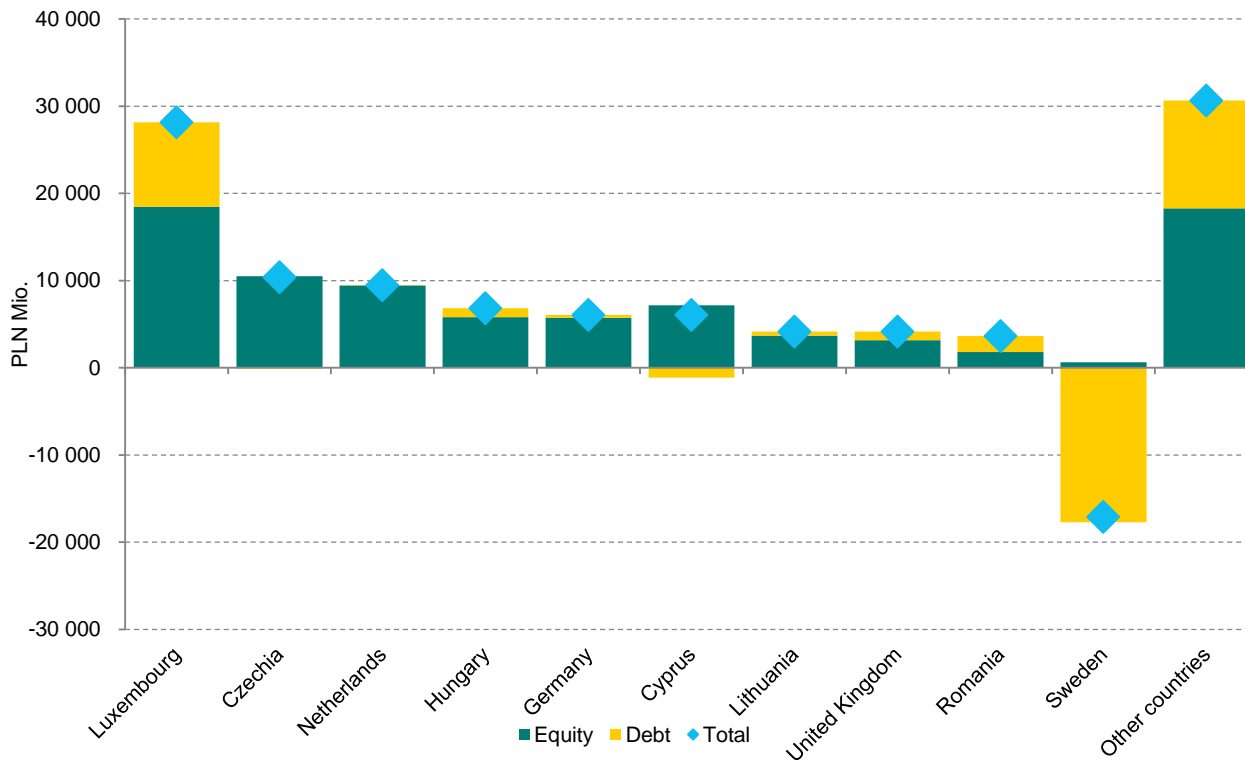
## Ultimate investing country – few things to take away

- Immediate counterpart in globalised world
  - Relatively easy to measure
  - Not so good proxy for true investors
- Policy and analytical needs
  - FDI promotion
  - FDI screening
  - Tax evasion
  - Local impact of FDI
  - Cross-border linkages
  - ...
- Ultimate beneficial owner (UBO) or ultimate controlling parent (UCP)
  - Which one to choose?

---

## Ultimate host country

# Traditional view of Polish investment abroad



- Countries with SPEs ...
- ... true investment destinations
- ...
- ... and Sweden

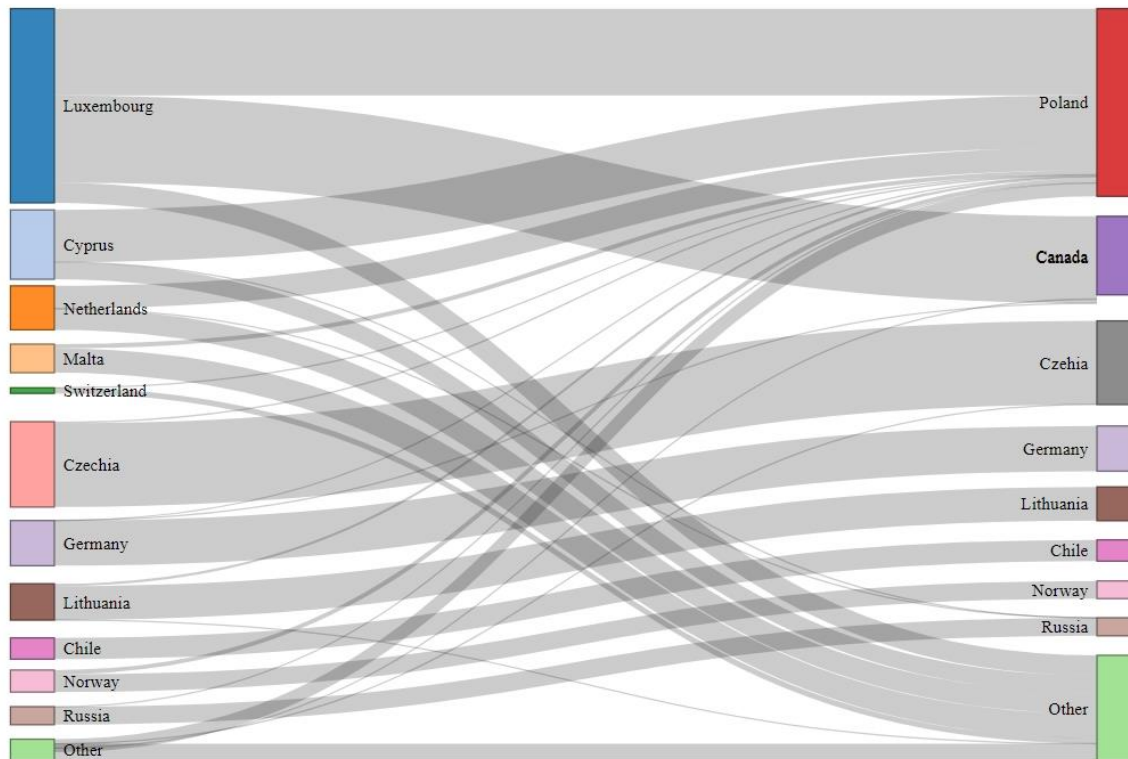
## Ultimate host country an exercise in looking through SPEs



- It might be easier to name country of ultimate investment (business decision)
  - ... rather than name all the countries investment is passing through (legal and tax considerations)
  - ... hence it is harder to obtain this information from data reporter which is not a decision maker

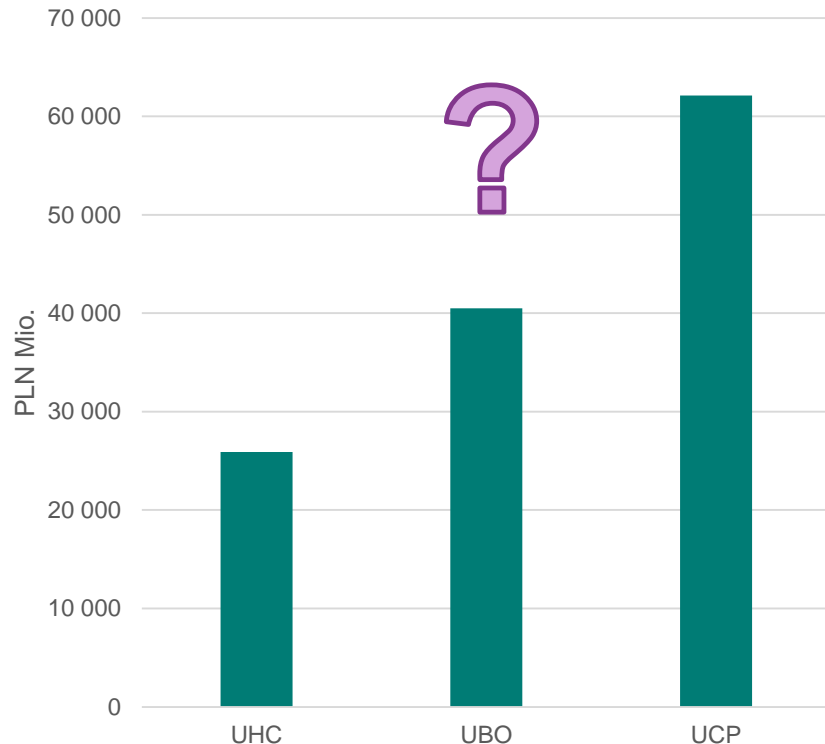
# Ultimate host country for resident controlled investment

Immediate counterpart country



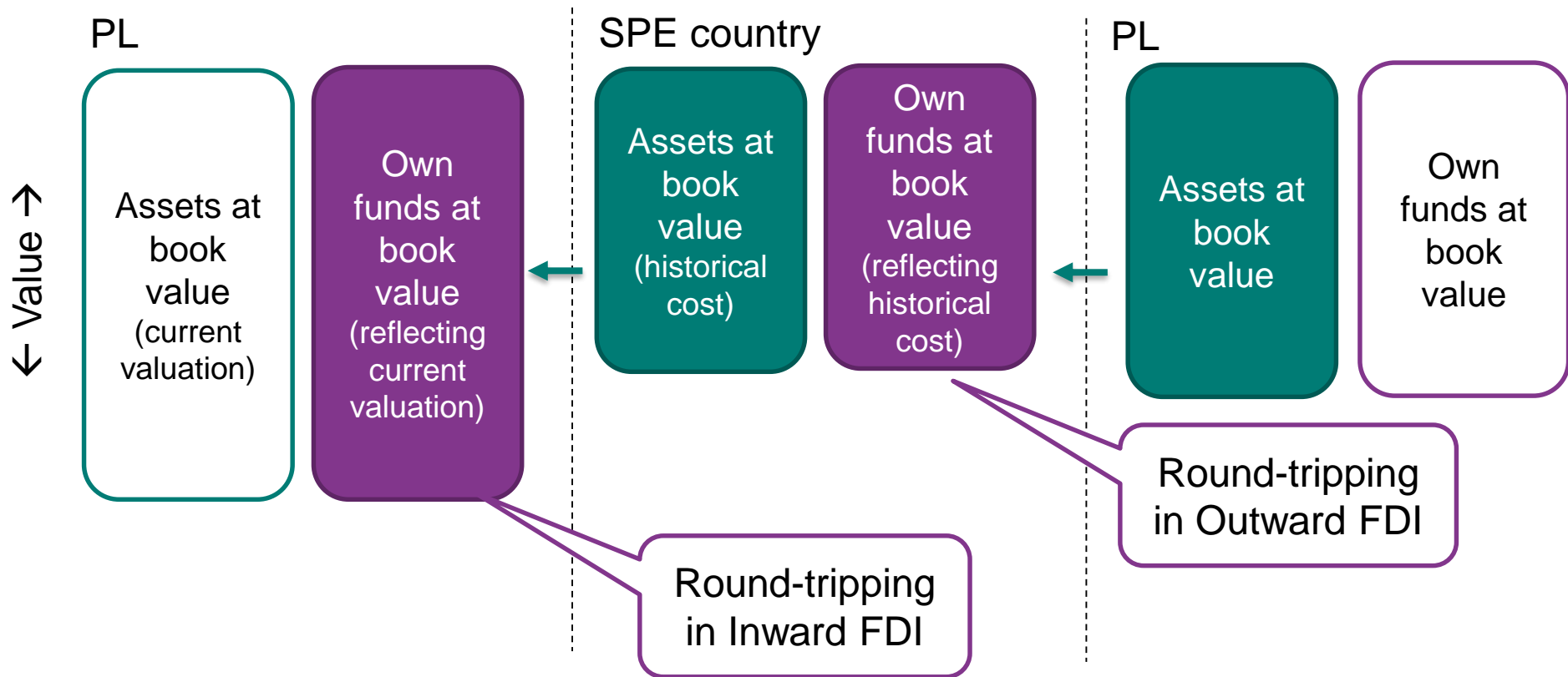
Ultimate host country

## Polish investment in Poland according to UBO, UCP and UHC



- Value of round-tripping depends on the direction from which we are measuring it
  - UCP overstates due to allocation of minority foreign ownership to reporting country
- Different valuation due to special purpose entities used in investment chains and accounting standards

# Why there is a difference in value of round-tripping?





## Ultimate host country – some questions we may be able to answer

- Where are residents investing? What countries direct investors are exposed at?
- Are outward investments really outward?
- Where investors need help in expanding abroad?

---

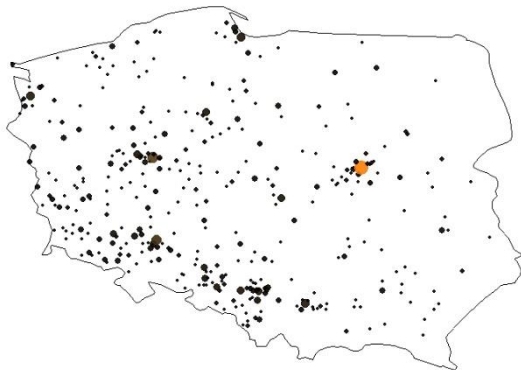
# Network and micro analysis of FDI entities

## Network and micro analysis of FDI entities

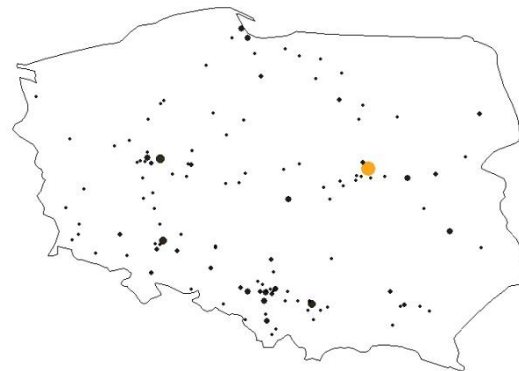
- Countries are internally diverse – investment decisions are not made at the country level but on specific locations
  - if we want to analyse what determines investment, local factors also need to be considered
- Work in progress
  - Extending database on individual FDI investment – extracting data from old systems
  - Effective parsing of geospatial data objects (e.g. transport and energy infrastructure)
- Two areas
  - Infrastructure determinants of the localization of investment
  - Network effects – neighbour effect on investment (e.g. bringing along suppliers and competitors)

# Where are investors from different countries investing

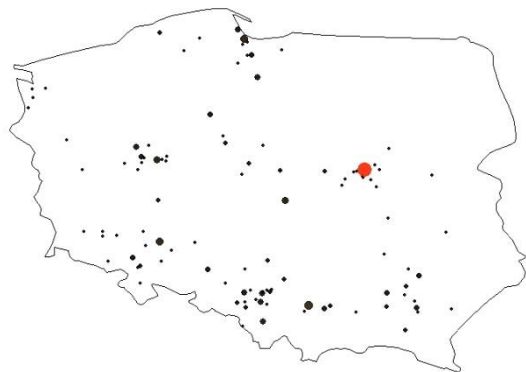
Germany



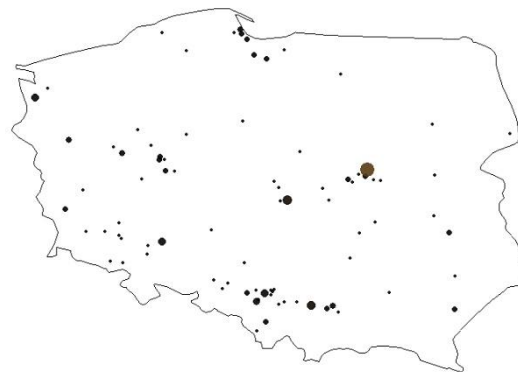
France



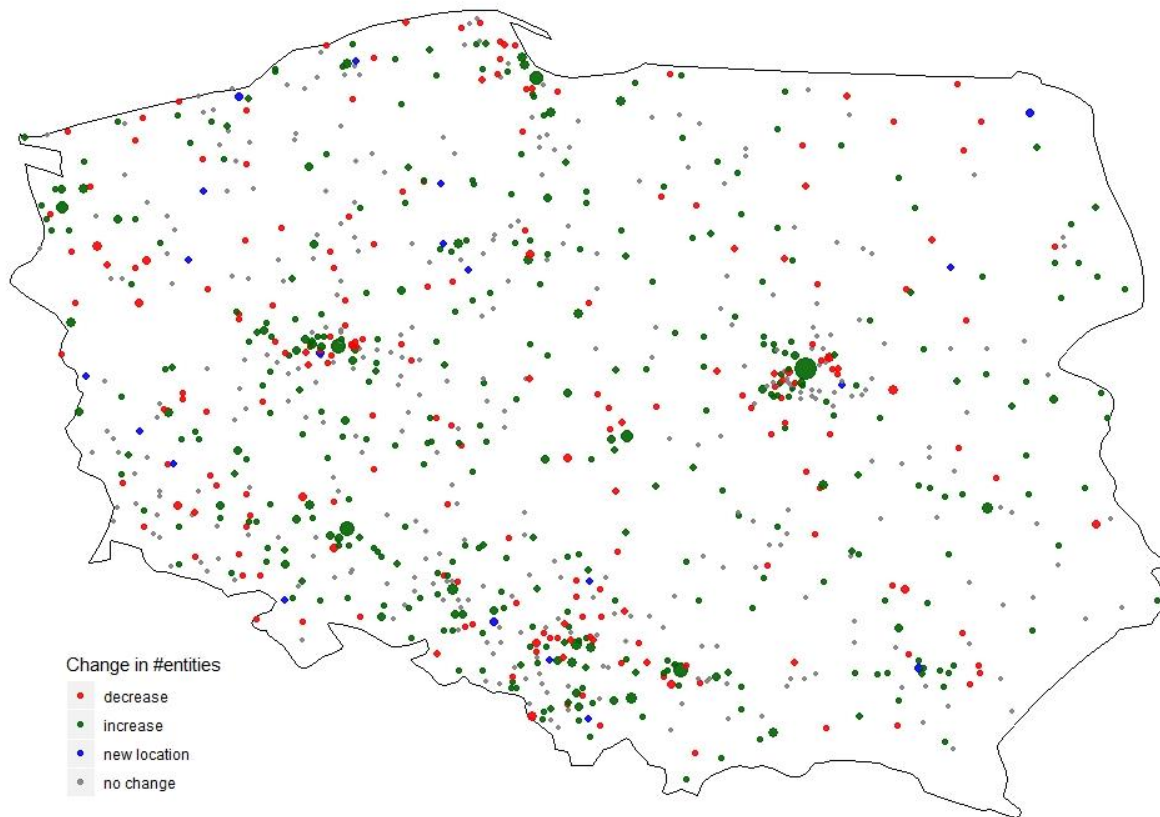
USA



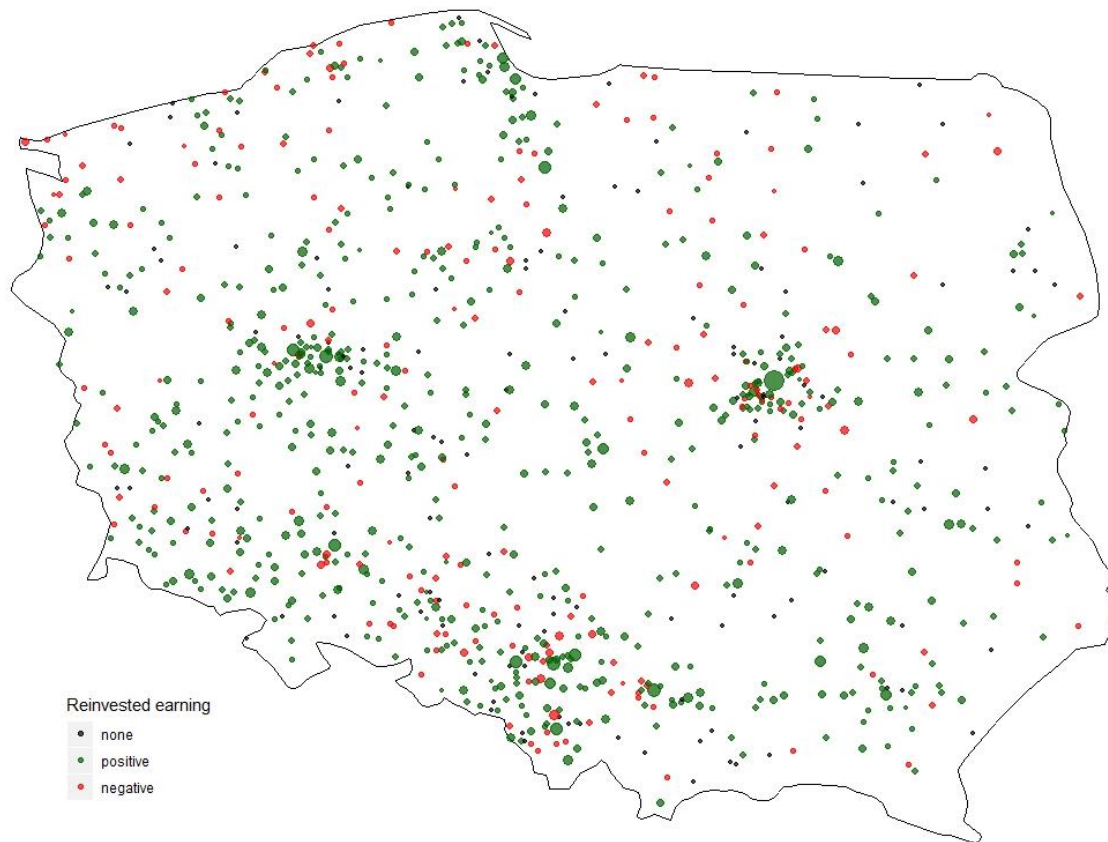
Switzerland



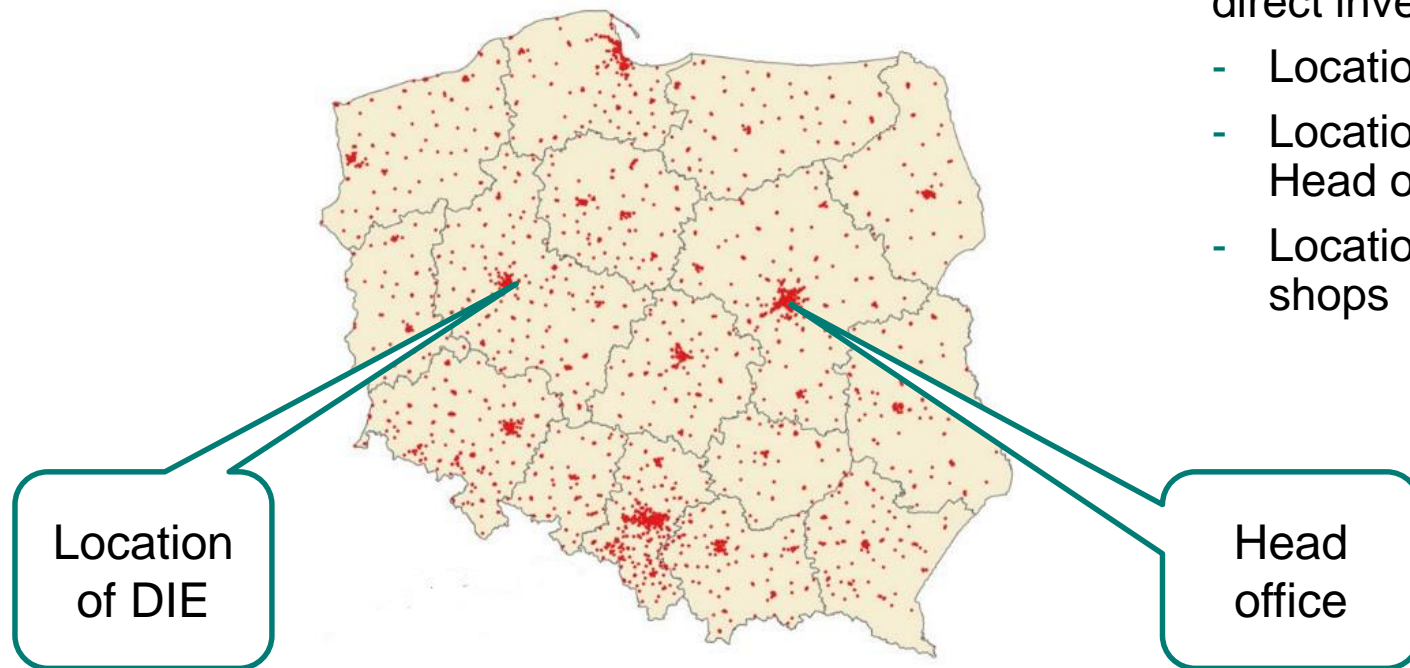
## New investment – new locations?



## New investment – reinvested earnings?



## Location of direct investment entity (DIE) vs location of their activities



Supermarket chain  
owned by foreign  
direct investor:

- Location of DIE
- Location of Head office
- Location of shops

## Further work

- Develop new methods for analysing FDI data
  - Network analysis
  - Spatial econometrics
  - ...
- Acquire new data sources for measuring the impact of FDI
  - Official statistics on micro level
  - Open data
  - ...
- New presentations and old problem of confidentiality





**NBP**

---

Narodowy Bank Polski

---

[www.nbp.pl](http://www.nbp.pl)