

METHODOLOGICAL PRINCIPLES OF ESTIMATING REINVESTED EARNINGS FROM DIRECT INVESTMENT IN NON-BANKING CORPORATIONS

Methodology. Reinvested earnings are earnings of direct investment enterprises not distributed as dividends or profit. Reinvested earnings are calculated on the basis of net operating income of a direct investment enterprise in proportion to a foreign direct investor's share in its equity. Calculations cover account net profit (loss) after taxes, the result adjusted by declared payable dividends, distributed profit, revaluation, holding gains (losses), write-offs, provisions, and other. International methodology in use is recommended by "Balance of Payments and International Investment Position Manual" (IMF, 6th edition, 2008) and "OECD Benchmark Definition of Foreign Direct Investment" (4th edition, 2008)

Coverage. Reinvested earnings are calculated for large companies that have non-residents among their shareholders who own at least ten percent share in their equity, either directly or through a chain of subsidiaries and associated companies connected to one another by ownership relations.

Calculation and estimation. Calculation of reinvested earnings is exercised using financial reports prepared by direct investment enterprises and direct investors in accordance with International Financial Reporting Standards, the US Generally Accepted Accounting Principles or Russian Accounting Rules. Considering the fact that financial reports are published with a time lag of 3-9 months after the end of the period they account for, temporary interim estimation is made while they are not available to avoid considerable corrections of balance of payments when reports are published. After the publication of international and Russian statements by companies interim estimation is replaced by actual figures.

Methods of interim estimation. Interim estimation is calculated on the basis of a number of various macroeconomic indicators. For this purpose enterprises are classified on sectoral basis according to their core economic activity and/or economic activity of their subsidiaries and associates.

Examples of indicators in use and sources of sectoral data used for their calculation can be found in the table below:

Core economic activity	Macroeconomic indicator*	Data source
Mining and quarrying (Extraction of crude petroleum and natural gas)	Oil price indicator	<i>Ministry of Economic Development</i>
	Oil output indicator	
Manufacturing (machinery and equipment n. e. c)	Rate of growth in the output of machinery and equipment	
Information and communication	Rate of growth in services to households	
Manufacturing (Basic and fabricated metal products) Ferrous metals	Metal price indicator	<i>Specialized branch publications</i>
Manufacturing (Basic and fabricated metal products) Non-ferrous metals	Metal price indicator based on the company's core activity	<i>IMF</i>
Financial and insurance activities	Rate of growth in the banking sector's major indices	<i>Credit institutions` financial statements submitted to the Bank of Russia, commercial databases</i>
Other	GDP growth rate	<i>Federal State Statistics Service</i>

* Following indicators are used if the correlation with trends of enterprises` financial results in previous periods is detected. If there is no correlation the estimation is exercised by means of other statistical methods (i.e., forecast based on estimated financial results in previous periods).