

Compilation Guideline for Reinvested Earnings Statistics (RE)

Basic concept of reinvested earnings

Reinvested earnings are defined as operating profits, pertaining to proportional shareholding by non-resident direct investors and/or Thai direct investors investing abroad (i.e., investments in more than or equal to 10% of common shares or voting shares of a foreign company) that are not appropriated as dividends but recorded as additional retained earnings according to the corresponding accounting period.

According to the IMF's Balance of Payments Manual: 5th Edition (BPM5), measurement of reinvested earnings would base upon definition of Direct Investment Earnings, which refer to profits/losses earned from company's normal operations, with respect to the company's main line of business, and are well regarded as profits/losses pertaining to current accounting period (excluding extra realized and unrealized profit/loss valuations associated with non-operating transactions in the corresponding period (i.e., negative deduction for the case of profits and *vice versa* for the case of losses)). The adjustment transactions are as follows:

- Profits or losses from liquidations of equity capitals and/or other assets for investment purposes
- Unrealized profits or losses; for instance, valuation of permanent assets, profits/losses from portfolio valuation
- Profits or losses from debt restructuring process
- Profits or losses from foreign exchanges
- Removal of goodwill from the company's account
- Other extra items not related to company's normal operations such as loss from fire and flood incidents

With regard to aforementioned definition, reinvested earnings data can be derived from the following equation:

R.E. data (pertaining to total proportional shareholding by each non-resident direct investors (more than or equal to 10%))	=	Pretax- operating profits (losses) +/- adjustments for extra items - corporate income tax - dividends or remitted profits	*	Corresponding percentage of shareholding of common or voting shares pertaining to each non-resident direct investor (more than or equal to 10%)
---	---	--	---	---

Reinvested earnings data collection

Data on reinvested earnings will be collected together with data on the International Investment Position (IIP)¹. Major supporting data collected are information on shareholding structure, shareholding equity as appeared in the balance sheet or market value, profits/losses, dividends or remitted profits, direct investment, portfolio investment and other investments. With this regard, data collection is carried out via sample survey and comprehensive population survey conducted every 2 years to ensure public confidence over our data.

1. Sample survey data are obtained from surveys conducted upon selected private companies with relatively high market value, with samples encompassing more than 80% of market value of companies registering some foreign direct investment. Meanwhile, the remaining portion could be calculated based on smaller-size companies whose proxy data could be derived from population data structure compiled from the previous year coupled with supplemental information from other sources. Introduced since 2001, the survey is conducted on annual basis, with some time lag of 9 months.

2. Population data: The population data encompasses RE data pertaining to all companies registering cross-border direct investment transactions. The Bank of Thailand collected population data *via* private outsource service. Information is obtained from those private companies registering direct investment transactions with their companies' financial statements submitted to the Department of Business Development, Ministry of Commerce. Since 2001, population data compilation is carried out every 2 years, with time lag of 1 year and 2 months. The population data would then be used to replace the sample survey data, accordingly.

From 2007 onward, the Bank of Thailand can collect and compile reinvested earnings (overall population) data on annual basis, from direct reports of private companies with foreign direct investment and/or direct investment abroad. This is the result from the mutual cooperation between the Bank of Thailand and the Department of Business Development, Ministry of Commerce upon the signing of the Memorandum of Understanding (MOU) regarding the request on private companies with foreign direct investment and/or direct investment abroad to submit their corresponding information to the Bank of Thailand directly.

Bank of Thailand

27 November 2006

¹ For data dissemination, please check out <http://www.bot.or.th/bothomepage/databank/EconData/IIP/iip.htm>