



مركز الإحصاء  
STATISTICS CENTRE

# Methodology of **Foreign Investment Statistics** in the Emirate of Abu Dhabi

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## Overview

Due to the importance of the role of foreign investment in the development and growth of the economy of the Emirate of Abu Dhabi, Statistics Centre- Abu Dhabi (SCAD) seeks to improve statistics by creating an accurate and up-to-date database on the value of foreign investment in the Emirate of Abu Dhabi, as it plays a major role in bringing technology, transferring expertise and financial resources to the recipient economy, as well as other benefits, such as external financing of projects and administrative experience. Foreign investment positively impacts the gross domestic product and value-added and contributes to external financing (studies indicate that foreign investment is a much less volatile source of external funding).

Foreign investment statistics provides reliable and up-to-date information on investment in Abu Dhabi. This information is necessary for economic analysis and is based on the determination of international investment status.

The process carried out by Statistics Centre- Abu Dhabi for compiling these statistics is in line with general recommendations issued by international institutions, such as the International Monetary Fund.

## Importance

The importance of conducting a survey on foreign investment stems from the data it provides on the value of foreign investment and the economic activities to which foreign investment is directed. The importance of this survey is to know the characteristics of the investors, the role of foreign investment in transferring modern technology to the UAE economy, and to determine the position of foreign investment in the emirate's economy and the extent of its influence on the local economy.

Creating a database on foreign investment in the Abu Dhabi Emirate helps to underscore the attractive investment climate in the emirate, and the economic growth the Abu Dhabi economy is witnessing, and its impact on investments in general and foreign investment in particular. This endeavour gains even further significance during the current critical stage the international economy is going through, in particular amidst the efforts of the economies of the region to attract foreign investment.

## Objectives

- Creating an accurate and up-to-date database on the value of foreign investment at the level of the Abu Dhabi Emirate.
- Knowing the impact of foreign investment on the economy and the extent of its contribution to the achievement of economic and social development programs and plans.
- Providing decision-makers in Abu Dhabi with accurate and up-to-date data on the value of foreign investment and its flows.
- Providing a breakdown of foreign investment according to economic activity.
- Determining the sources of foreign investment according to the country of origin of these investments.

- Providing data on the impact of foreign investment on the local economy in the fields of employment, training, exports, and transfer of technology.

**The Database is going to provide the following:**

- Determining the value of foreign capital entering the economy
- Providing an accurate picture of the foreign investment entering the economy.
- Identifying the establishments that did not achieve a successful investment in a specific economic activity or a geographical area to be directed to another economic activity or geographical area.
- Assisting decision-makers in developing appropriate policies to attract more investments.
- Showcase the investment attractiveness of the emirate's economy as evidenced by the economic growth observed.
- Meeting the statistical needs of users, researchers, regional and international organizations.

## Concepts & Definitions

**Investment:**

It is the expenditure on capital assets over a period of time, and it is the net increase in the real capital of an economy for any society. Investment is either carried out by individuals or companies or is financed by governments (financing is made from budget surpluses or internal and external borrowing). It consists of several types, the most important of which are:

1. Private investment.
2. Government investment.
3. Investment may be local when it is made by institutional units or individuals residing in the concerned economy subject to an authority managing a geographic region.
4. Also, the investment may be foreign when it is made by institutional units or individuals not residing in the concerned economy subject to an authority managing a geographic region. This means directing the savings of an economy in one geographical region to form new real capital assets or owning them in another economy in another geographical region.

**Direct Investment:**

It is based on the establishment of productive projects to produce goods and services, and it is an economic measure to reduce the burden on the balance of payments of the economy of the concerned geographical region. Permanent interest implies a long-term relationship between the direct investor and the corporation, as well as it implies that the investor enjoys a high degree of influence in the management of the corporation. It includes the original transaction and all subsequent transactions between them and all transactions between subsidiary corporations, whether they are joint-stock or non-joint stock corporations. A distinction should be made between resident corporations under foreign control and those under local control.

## **Foreign Investment:**

Directing an economy's savings in a geographical region to form new real capital assets or owning them in another economy in another geographical region. It includes the following types.

### **1. Foreign Direct Investment**

The investment reflects a long-term relationship and a permanent interest of resident economic entities in an economy other than the economy in which it invested. This means that the foreign investor owns 10% or more of the shareholders' equity, which enables the foreign investor to exercise some kind of influence on the decision-making process in a way that serves its interests. Thus, this process is described as foreign direct investment.

- **Foreign Direct Investment Project:**

A project having a legal personality in which an investor residing in another economy owns 10% or more of the ordinary shares or the right to vote (management and decision-making) in relation to the project having legal personality. Foreign direct investment projects include entities defined as subsidiary entities or partner entities or projects having no legal personality that the investor wholly owns.

- **Foreign Direct Investor:**

A foreign direct investor may be a person, a limited company, a public or private company, a government, a group of interconnected individuals, or a group of interlinked companies - operating in a country other than the country in which the foreign investor resides or the countries in which the foreign investors reside, provided owning 10% or more of the ordinary shares or of the power to vote in that corporation.

- **Foreign Direct Investment Companies:**

They include subsidiary companies (wholly-owned, with the majority of its shares, owned, or with the minority of its shares owned), branches of companies or partner corporations, so the term "Subsidiary Corporation" is used to refer to all forms of these corporations. Here are the forms of foreign direct investment companies :

- **Subsidiary Company:**

It is a limited company in which the foreign direct investor owns more than 50% of the ordinary shares or the right to vote with the right to appoint or at least the majority of the members of the board of directors or the supervisory body.

- **Branch:**

It is an unlimited company, wholly or jointly owned by a foreign direct investor. It may be:

- Permanent establishment or office of the foreign direct investor; or an unlimited partnership in a joint venture between a foreign direct investor and other parties, or lands and constructions (excluding those owned by foreign government

entities) and immovable equipment in the host country that a non-economic resident wholly and directly owns.

- Movable devices (such as ships, airplanes, gas and oil exploration devices) operate in an economy for at least one year if it is separately calculated by the operator and recognized by the tax authority in the host country.

- Partner Company:

A partner corporation is a limited company in which the direct investor owns between 10% and 50% of the common stock or of the power to vote.

- Sub-Company:

The term "Sub-company" includes subsidiaries, branches, and partner corporations and is used to describe a company located in a country when:

An investor or group of investors residing in another country owns 10% or more of the ordinary shares or the power to vote. If the company is a registered entity or an investor or group of investors residing in another country owns interests equal to 10% or more of an unregistered branch or project.

## **2. Portfolio investment (Owning Stocks and Bonds)**

It is the foreign investment in negotiable financial instruments such as equity of the company's capital and bonds (other than those included in foreign direct investment and reserve assets)], money market instruments and derivatives, and debt securities.

The major components of portfolio investments on the asset and liability sides are divided into two main components: property securities and debt securities, and both are negotiable and tradable in organized markets and other financial markets. Debt securities, in turn, are divided into bonds and bills, monetary market instruments, financial derivatives, and financial derivatives, including a variety of new financial instruments.

### **Portfolio Investments:**

- **Property Securities:**

It includes all instruments and Sukuk that prove the right of their owner or holder to a part of the remaining value of joint-stock corporations after deducting the dues of all creditors. Shares and Sukuk usually denote participation in ownership and the like. This classification includes the preferred stocks that entitle the holder to a portion of the remaining value distributed to the corporation upon liquidation.

- **Debt securities:**

- Bonds, bills, Sukuk, and the like.
- Money market instruments or other negotiable debt instruments.
- Derivatives or secondary instruments, such option contracts are used for risk prevention purposes and usually have a term that does not extend to the stage of actual delivery of the contracted commodity.

### **3. Other Foreign Investments.**

They include all investments (except foreign direct investment and portfolio investments), such as trade credit, loans or deposits; ... and the like.

#### **Economic Residence:**

An institutional unit is said to be an economic resident unit of a country when it has a center of economic interest on the geographical/economic territory of that country, and economic residence is not based on the concept of nationality or legal residence.

#### **Legal Residence:**

An institutional unit is said to be a legal resident unit of a country when it obtains permission from the competent authorities to be present inside the geographical territory of that country, and it is subject to all applicable laws, and it may be based on the concept of nationality .

#### **The Main Centre of Economic Interest:**

We describe the institutional unit as having the main center of economic interest when it has a location (residential, production site, or the like) in which it carries out economic activities and transactions on a larger scale with the intention of continuing them for an unlimited term or for a limited long term. It is not required that the site shall be fixed as long as it remains inside the boundaries of the economic territory.

#### **Economic Territory:**

It is a geographical territory administered by a government. Individuals, goods, and capital have the freedom of movement within this region. This includes any dependent islands that are subject to the same political, monetary and financial powers without going through customs or immigration and passports procedures. This includes territorial waters and airspace, free zones, customs warehouses, or factories managed by foreign companies under customs control.

It also includes the country's subordinate areas all over the world (which are lands having clear borders located in other countries) where the governments owning or renting them use them for diplomatic, military, or scientific purposes with the political consent of the governments of the countries in which the mentioned lands are located.

The economic territory of any country does not include those under the jurisdiction of foreign governments or international organizations and are physically located within the geographical borders of the that country

## Coverage (Geographical Coverage - Statistical Units)

- The target establishments include all establishments that indicate a foreign shareholding in the capital in the Emirate of Abu Dhabi
- Scope/coverage of the survey: The frame of this survey is derived from the frame of the economic establishments, which consists of establishments in which foreign investments have been found.
- The units of the survey sample are selected using a comprehensive survey of all establishments within the frame of foreign investment.

## Frequency

Statistical reports and tables for foreign investment statistics are prepared annually, and there are periodicals in the form of an analytical bulletin and annual statistical tables covering the volume of foreign investment in the Emirate of Abu Dhabi.

## Classifications

There are several classifications used in foreign investment statistics, the most important of which is recommended for use for collection :

- International Standard Industrial Classification of All Economic Activities (ISIC).
- Nationalities Guide
- Balance of Payments Handbook, sixth edition, issued by International Monetary Fund
- Glossary of National Accounts; Issued by ESCWA and Council of Arab Economic Unity (2001).

## Main Data Sources

There are several sources of basic data, the most important of which are:

1. Data of the comprehensive survey on foreign investment.
2. Data of ownership of real estate units for non-residents.

## Questionnaires

- Annual Foreign investment Survey Form
- Quarterly Foreign investment Survey Form
- Form of Real Estate Sales to Real Estate Companies

## Sample Design

The frame of this survey is derived from the frame of the economic establishments, which consists of establishments in which foreign investments have been found.



## Data Collection

- Annual survey through the form of a survey on foreign investment
- Quarterly survey through the form of a survey on foreign investment
- Survey of real estate companies on sales of real estate units to non-residents

## Data Editing

The data editing process is carried out through programmed an electronic system that applies mathematical equations, matching and error rules besides comparisons with the year previous/quarter.

## Indicators Calculation

1. Total foreign investment stocks by economic activity
2. Total foreign investment stocks by economic activity percent of GDP at current prices
3. The total balance of foreign direct investment according to economic activity
4. Percentage contribution of economic activities to FDI stocks by regions of Abu Dhabi Emirate
5. Total FDI stocks percent of GDP at current prices by economic activity and regions of Abu Dhabi Emirate
6. Total FDI stocks according to a group of countries
7. Percentage contribution to FDI stocks by regions of the world and regions of Abu Dhabi Emirate
8. Total foreign direct investment stocks by the top ten source countries and regions of Abu Dhabi Emirate
9. Percentage contribution of the top ten source countries to FDI stocks by regions of Abu Dhabi Emirate
10. Total foreign direct investment stocks by country of origin and regions of Abu Dhabi Emirate
11. Total portfolio investment stocks by economic activity and regions of Abu Dhabi Emirate
12. Relative importance of economic activities in terms of their contribution to portfolio investment stocks by regions of Abu Dhabi Emirate
13. Total stocks of other investments by economic activity and regions of Abu Dhabi Emirate

## Timeliness

Data on foreign investment are published in the form of annual / quarter reports.

## Dissemination

Annual and quarterly bulletins, in addition to infographics and result tables.



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