

65
عاماً
YEARS



الهيئة العامة للإحصاء
General Authority for Statistics

Methodology and Quality Report of Annual Foreign Direct Investment Statistics

V-3.2

Quality Management

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1. Contact

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1.2. Contact organization unit	Business, investment, and international trade
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1.6. Contact phone number	199009

2. Methodology and Quality Update

2.1. Methodology and Quality last update	10/12/2024
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3. Statistical Presentation

3.1. Data description

Foreign Direct Investment statistics provide data on balances and flows of direct foreign investment in the Kingdom of Saudi Arabia:

- Balances of foreign direct investment and distributions.
- Foreign direct investment flows and distributions.
- Net foreign direct investment flows and distributions.

3.2. Classification system

The following classifications are applied in Foreign Direct Investment statistics.

The National Classification for Economic Activities (ISIC4):

The statistical classification based on the International Standard of Industrial Classification of All Economic Activities (ISIC4) is used to describe productive activities of an establishment.

The classifications are available on the GASTAT's website: www.stats.gov.sa

National Code of Countries and Nationalities (3166 ISO - codes Country):

A statistical classification based on the international standard (ISO 3166_Country codes), which is a standard issued by the International Organization for Standardization (ISO of the UN), and this classification gives numeric and literal codes for the world's (248) countries, based on the classification of countries, the classification in Foreign Direct Investment statistics is used to categorize individuals into Saudis and non-Saudis.

Balance of Payments Manual - Sixth Edition (BPM6):

Statistical Manual issued by the International Monetary Fund in 2009. The manual primarily covers the classification of items in the balance of payments, including foreign investment flows in all its forms (direct, indirect, and others), which are classified within the financial and capital accounts of the balance of payments. The manual also discusses how foreign investment balances are calculated and classified under International Investment Position "IIP", and how the adjustment schedule is designed between the opening and closing balance to extract net flows and other changes during that period, which involve changes as a result of different size, different prices, and exchange rates. At the same time, IMF has always

sought to urge countries to follow the 6th edition methodology as it is the latest and most important in this field.

Coordinated Direct Investment Survey (CDIS):

CDIS is a unique tool for the global aggregate balance and geographical distribution of foreign investment centers (Countries) divided into equity and debt. It contributes to a vital understanding of the extent to which globalization is expanding and improving the overall quality of direct investment data worldwide. This manual is fully consistent with the 4th edition of the FDI Definition issued by OECD and the 6th edition of the IMF's International Balance of Payments and Investment Position Manual. The aim is to collect data on both domestic and foreign direct investment positions. However, in countries with limited data on outward foreign direct investment, data related to domestic direct investment is used to participate in the Coordinated Direct Investment Survey. The results of the Coordinated Direct Investment Survey must be submitted to the International Monetary Fund, which will publish the non-confidential data on its website.

3.3. Sector Coverage

Foreign Direct Investment statistics cover all economic activities under ISIC4.

3.4. Statistical concepts and definitions

Terminologies and concepts of Foreign Direct Investment:

- Country:

The enterprise's legal affiliation in terms of belonging to Saudi Arabia's economy.

- Enterprise:

An institutional unit that works in the field of production. This definition might include the investment funds and other companies that bear assets and liabilities on behalf of groups of owners even if they operate in minimal or no production areas. The enterprise may be a non-profit or unlimited individual enterprise.

- Investment:

Expenditure on capital assets over a period of time. This is made to achieve a net increase in the real capital of Saudi economy. Investment can be carried out either by individuals or companies or is financed by governments.

- **Foreign Investment:**

Directing the savings of a certain economy within a geographical region to establish new real capital assets or own them in the economy of the Kingdom within one of its geographical regions.

- **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.

- **Direct Investment Enterprises:**

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.

- **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.

- **Portfolio Investment:**

Investments in property securities or debt securities that are negotiable and tradable between enterprises of other economies with a percentage that is less than 10%.

- **Other Investment:**

Foreign investments other than portfolio investments or foreign direct investments.

- **Reverse Investment:**

Reverse investment happens when the direct investment enterprise lends money or acquires stocks directly in the same enterprise, without having an equity of 10% or more of the voting power with that direct investor. If the investment happens with more than 10% of equity, it becomes direct investment not a reverse one.

- Resident:

Any individual, establishment or organization residing in Saudi Arabia and want to reside in it for more than one year.

- Non-Resident:

Any individual, establishment or organization residing outside Saudi Arabia and want to reside in that country for more than one year.

- Local Enterprise Group "LEG":

Local Enterprise Group (LEG) refers to an investor and the legal entities under that investor that are resident in Saudi Arabia. Non-resident entities are excluded.

- Fellow Enterprises:

Limited enterprises where the direct investor holds more than 50% of voting shares and has the right to control the enterprise's decisions. Fellow enterprises can be either wholly owned when the foreign direct investor holds 100% of its shares, or subsidiary when the direct investor owns 50% of its shares. In case the investor owns 10% to 50% of the shares the enterprise is not considered a fellow one but an associate enterprise. The term "Fellow enterprise" refers to all types of these enterprises.

- Affiliates:

Enterprises under the control of one foreign investor directly or indirectly. The affiliate does not have control or influence on another affiliate (which means it owns 10% of another affiliate's equity).

- Branch:

A branch is wholly owned by a foreign direct investor. It is a registered establishment that has a complete set of accounts and is able to aggregate an important set of accounts from an economic and legal perspective.

- Ultimate Controlling Parent „UCP“:

The ultimate controlling parent (UCP) investor is the one that is at the head of a chain of companies and directly or indirectly controls all the enterprises in the chain without itself being controlled by another investor.

- Voting Power:

The control measure in the company. In general, ordinary shares provide voting power when decisions are made on the basis of one share (one vote) but voting power may

differ from the percentage of shares when there are, for example, “gold or excellent shares” or double classes of shares with different voting power weights.

- **Assets:**

Everything that the establishment owns, and everything that represents a right for the establishment from others. Assets are divided according to their nature and the duration of the establishment’s utilization into fixed or non-current assets, which are every tangible asset that the establishment owns with the aim of utilization in the long term over the establishment lifespan. and current assets which represent the establishment’s rights that are owned for a short-term utilization during the fiscal year.

- **Liabilities:**

Any financial right to others, if this right is for partners or shareholders and relates to capital, profits, or reserves; it is called equity. If this right relates to others or to the partners credited current account, it is called a liability. In this case, liabilities are divided according to the duration of their fulfillment into two categories: long-term liabilities, which are the liabilities to be paid to others over more than one fiscal year such as long-term loans, and Short-term or current liabilities, which the enterprise is obliged to pay during the fiscal year.

- **Debt Instrument:**

Securities of certain value that are regarded as an investment pillar. The securities are usually a paper declaring that the securities owner is a creditor to the issuing enterprise. Securities are offered to collect a certain amount not available to the enterprise to support projects and acquire other enterprises and others.

- **Loans:**

Financial assets that are established when a creditor directly lends money to a debtor. They can be referred to using non-negotiable documents.

- **Trade Credit and Advances:**

This includes credit provided directly by suppliers of goods and services to their customers, and advances to work being carried out (or to be entrusted), as well as advance payment by customers for goods and services not yet provided.

- **Shareholder Equity:**

It consists of the enterprise’s book value of paid capital (including stock installments) but excluding non-participating preferential shares that should be guaranteed with liabilities. It also includes cumulative withholding profits and all reserves, including revaluation.

Shareholders' equity is also called the net value of the enterprise by subtracting total liabilities from total assets.

- Net Profit:

Total income during the fiscal year minus all expenses after paying all taxes. It can be usually showed in the income list.

- Dividends:

Dividends are the part of a company's profits that is paid out to the shareholders. They can be either cash payments or shares. In most cases, the dividends are paid seasonally, quarterly, or annually.

- FDI In flow:

They involve financial transactions between a foreign direct investment entity, direct investors, and related companies outside the Saudi economy. These transactions take place over a specific timeframe. Inflows are characterized by their positive effect, manifesting as an increase in equity rights and/or debt instruments.

- FDI Out flow:

They involve financial transactions between a foreign direct investment entity, direct investors, and related companies outside the Saudi economy. These transactions take place over a specific timeframe. Outflows are characterized by their impact in reducing liability aspects, such as through the payment of dividends, payment of loans, settlement of creditor dues, or when a direct foreign investor exits.

3.5. Statistical unit

The statistical unit in Foreign Direct Investment (FDI) statistics is the establishment.

3.6. Statistical population

The statistical community consists of all foreign investment establishments licensed by the Ministry of Commerce in the Kingdom of Saudi Arabia, where foreign investors hold a voting power of 10% or more of the capital or for a group of investors who have a relationship with them.

3.7. Reference area

The Foreign Direct Investment Statistics covers all (13) administrative regions of the Kingdom of Saudi Arabia (Riyadh, Makkah, Al-Madinah, Qassim, Eastern, Asir, Tabuk, Hail, Northern Borders, Jazan, Najran, Al-Baha, and Al-Jouf).

3.8. Time coverage

Data is available from 2015 to 2023.

3.9. Base period

Not applicable.

4. Unit of measure

Most of the results are numerical values and the input category is in thousands of riyals (e.g., Foreign Direct Investment Balance in thousands).

5. Reference period

Foreign Direct Investment statistics data are typically assigned to the previous fiscal year for the period of implementation.

6. Confidentiality

6.1. Confidentiality- Policy

According to Royal Decree No. 23 dated 07/12/1397, data must always be kept confidential, and must be used by GASTAT for statistical purposes only.

Therefore, the data are protected in the data servers of GASTAT.

6.2. Confidentiality- Data treatment

Data were displayed in appropriate tables to facilitate its summarization, comprehension, and results extraction. Also, to compare data with other data and extract statistical meanings for the study community. It is also easier to check tables without the need to see the original questionnaire, which usually include data like names and addresses of individuals, and names of data providers, which violates data confidentiality of statistical data.

"Anonymity of data" is one of the most important procedures. To keep data confidential, GASTAT removed information on individual persons, households, or business entities such a way that the respondent cannot be identified either directly such as: (Names, addresses, contact numbers, or identification numbers.. etc.) or indirectly (by combining different - especially rare - characteristics of respondents: (age, occupation, education etc.).

7. Release policy

7.1. Release calendar

The annual Foreign Direct Investment results are bound by a release calendar.

7.2. Release calendar accessibility

Available on the: <https://www.stats.gov.sa/statistical-calendar-releases>

7.3. User access

One of GASTAT's objectives is to meet its clients' needs, so it immediately provides them with the publication's results once the Foreign Direct Investment Statistics Publication is published.

It also receives questions and inquiries of the clients about the Publication and its results through various communication channels, such as:

- GASTAT official website: www.stats.gov.sa
- GASTAT official e-mail address: info@stats.gov.sa
- Client support e-mail: info@stats.gov.sa
- Official visits to GASTAT's official head office in Riyadh or one of its branches in Saudi Arabia.
- Official letters.
- Statistical telephone: (199009).

8. Frequency of dissemination

Annual.

9. Accessibility and clarity

9.1. News releases

The announcements of each publication are available on release calendar as mentioned in 7.2. Release calendar access. The news release can be viewed on the website of GASTAT through the following link:

<https://stats.gov.sa/news>

9.2. Publications

GASTAT issues Foreign Direct Investment Statistics on a regular basis within a pre-prepared dissemination plan and is published on GASTAT's website. GASTAT is keen to publish its publications in a way that serves all users of different types, including publications in different formats that contain (publication tables, data graphs, indicators, Methodology and Quality Report and questionnaires) in both English and Arabic.

The results of Annual Foreign Direct Investment Statistics are available at:

<https://www.stats.gov.sa/statistics>

9.3. On-line database

Not applicable.

9.4. Microdata accessibility

Not applicable

9.5. Other

Not available.

9.6. Documentation on methodology

Foreign Direct Investment statistics are based on the following international standards, concepts, evidence, and classifications:

Balance of Payments and International Investment Position Manual, Sixth Edition:

<https://www.imf.org/-/media/Websites/IMF/imported-publications-loe-pdfs/external/arabic/pubs/ft/bop/2007/bopman6a.ashx>

9.7. Quality documentation

Quality documentation covers the documentation of methods and standards for evaluating, measuring and controlling the quality of statistical processes and outputs, which are based on quality principles and standards **such as:** Relevance, accuracy, reliability, timeliness, punctuality, accessibility, clarity, comparability, and consistency.

10. Quality Management

10.1. Quality assurance

GASTAT takes the following principles into consideration: Impartiality, user-oriented, quality of processes and outputs, effectiveness of statistical processes, and reducing the workload of respondents.

The validity of data is verified through procedures and quality controls that are implemented during the process at different stages **such as:** (data entry, data collection, and other final controls).

10.2. Quality assessment

GASTAT performs all statistical activities according to a national model (Generic Statistical Business Process Model - GSBPM). According to the GSBPM, the final phase of statistical activities is overall evaluation using information gathered in each phase or sub-process. This information is used to prepare the evaluation report which outlines all the quality issues related to the specific statistical activity and serves as input for improvement actions.

11. Relevance

11.1. User needs

Some several external users and beneficiaries greatly benefit from the Foreign Direct Investment statistics, including:

- Government entities.
- Regional and international organizations.
- Research institutions.
- Media.
- Individuals.

The disseminated key variables that mostly used by key users:

Saudi Central Bank	Foreign Direct Investment Balance, Flows, and Net Flows.
Ministry of Investment	
International Monetary Fund (IMF)	

11.2. User satisfaction

Not available.

11.3. Completeness

Foreign Direct Investment statistics are based on several primary sources, which are: The administrative records for financial statements and foreign licenses from the Ministry of Investment, Gulf companies from the Ministry of Commerce, and statistical estimates in order to provide comprehensive information on indicators of Foreign Direct Investment statistics and complete data.

12. Accuracy and reliability

12.1. Overall accuracy

- Data is checked with previous years to identify any significant changes in the data.
- The internal consistency of the data is checked before it is finalized.
- The links between variables are checked and coherence between different data series is confirmed.

13. Timeliness and punctuality

13.1. Timeliness

GASTAT uses the Special Data Dissemination Standard (SDDS) issued by the International Monetary Fund. According to this Standard, all statistics agencies are required to publish data on an annual basis, and with a delay of not more than mid of year (180 days) after the end of the reference period. If the data are from different source, they may be published in a different frequency.

13.2. Punctuality

The publication is according to the publication dates in the Statistical Calendar published for the annual FDI statistics on the General Authority for Statistics web page. The data are available in the expected time, as scheduled in the Statistical Calendar, and in case of delay in publication, reasons will be provided.

14. Coherence and comparability

14.1. Comparability - geographical

The data is internationally comparable.

14.2. Comparability - over time

First published in 2023 as annual statistics, the following are the main changes in recent years:

In 2023, administrative records were relied upon to build and update the statistical business register in accordance with international practices, and to ensure that statistical frameworks can be updated on an annual basis.

14.3. Coherence- cross domain

Not applicable.

14.3.1. Coherence- sub-annual and annual statistics

The quarterly total of Foreign Direct Investment statistics is reviewed to align with the annual total of Foreign Direct Investment statistics.

14.3.2. Coherence- National Accounts

Not applicable.

14.4. Coherence- internal

The Foreign Direct Investment statistics estimates have full internal coherence, as they are all based on the same corpus of microdata, and they are calculated using the same estimation methods.

15. Data revision

15.1. Data revision - policy

The Ministry of Investment reviews the collected data for calculating Foreign Direct Investment, verifying its integrity, conducting computation operations, extracting preliminary results, uploading, and storing the outputs in the database. Subsequently, the General Authority for Statistics conducts the review and reconciles quarterly data with the annual data for publication.

15.2. data revision- practice

After receiving data for calculating the foreign direct investment from the Ministry of Investment, GASTAT reviews and verifies its accuracy and undertakes the process of aligning quarterly data with annual data for publication.

16. Statistical processing

16.1. Source data

- **Administrative sources:**

To calculate the Foreign Direct Investment, used the method of collecting and analyzing the administrative data of financial statements that are held with the statements platform and what is available to the Ministry of Investment which updates its part annually.

Moreover, data analysis is done through the following administrative sources:

- Ministry of Investment database: It is the first stage of getting the statement of all foreign licenses.
- Ministry of Commerce database: It is considered a data source for the GCC investing companies, as it marks an important part of the foreign investment companies in Saudi Arabia.
- Trading companies: A source to enumerate the number of foreign direct investment companies in the stock market.
- Commercial banks and unlisted insurance companies: Some insurance companies and commercial banks that are not listed in the stock market.

- **Statistical estimates:**

Statistical estimates and assumptions of the following companies are used: 1) companies with some financial statements, 2) companies with no financial statements at all, through the time series of FDI companies available

16.2. Frequency and data collection

Annual.

16.3. Data collection

Data collection is carried out by the Ministry of Investment using a calculation model. This involves data collectors and analysts analyzing the financial statements of foreign direct investment companies registered with both the Ministry of Investment and the Ministry of Commerce. This covers all licensed companies across all administrative regions in the Kingdom. The analysis is completed using an electronic analysis model prepared for this purpose, which contains a number of financial variables categorized in the financial statements. These statements include the balance sheet, income statement, statement of changes in equity, and cash flow statement, along with explanatory notes accompanying these statements. Through this model, estimates and indicators related to the balances, flows, and income of foreign direct investment in the Kingdom are provided.

16.4. Data Validation

The Ministry of Investment reviews the aggregated data for calculating Foreign Direct Investment, ensuring its integrity, conducting calculation operations, and extracting preliminary results. It then uploads the outputs and stores them in the database. Subsequently, the General Authority for Statistics conducts the review and reconciles quarterly data with the annual data for publication.

16.5. Data compilation

The tabulation processes of raw data for the Foreign Direct Investment calculation model rely on the inputs of classification and coding conducted during the data collection process. The data is tabulated based on the National Classification of Economic Activities and the National Guide for Countries and Nationalities. The Foreign Direct Investment calculation data is presented in suitable tables to facilitate summarization, understanding, assimilation, result inference, and comparison with other datasets. This allows for the extraction of statistical

implications about the study population. Additionally, the data can be easily referenced in the form of tables without the need to consult the original details for each company.

During this stage, data processing and analysis process is carried out, which was based on several procedures, as follows:

- Sorting and arranging data in sequence or in different sets or categories.
- Summarizing detailed data into key points or data.
- Combining many data segments and ensuring their interconnection.
- Processing missing or incomplete data.
- Processing illogical data.
- Converting data into statistically significant data.
- Organizing, presenting, and interpreting data.

16.6. Adjustment

Not applicable, only final results will be published.

17. Comment