



**STATISTICS**

**INTER SECRETARIAT  
WORKING GROUP ON  
NATIONAL ACCOUNTS**

**Outcome of the global consultation on  
Testing - F.2 Experimental Estimates -  
Asymmetric Treatment of Retained Earnings**

Joint fortieth Meeting of the IMF Committee on Balance of Payments Statistics and Twentieth Meeting of the Advisory Expert Group on National Accounts

March 27 - 31, 2023

# Outline

- Results from the Global Consultation Questionnaire
- Recommendation
- Questions

# Results from the Global consultation questionnaire

**A total of 13 economies responded to the global consultation questionnaire for the F.2 Experimental Estimates - Asymmetric Treatment of Retained Earnings.**

**The questionnaire consisted of 11 questions**

# Describe the statistical method used to estimate total retained earnings for Public and Private Corporations?

- An official statistical method to estimate retained earnings (RE) for public and private corporations by sector has not yet been developed by most economies. For the experimental testing exercise respondents provided several approaches that could be implemented.
- These included direct methods to estimate RE and indirect approaches (residual methodology) depending on the availability of data .
- The respondents proposed methods, in some instances, were not in alignment with the definition of RIE and in some cases inconsistent with each other. This is to be expected given that this exercise was probably a first attempt by respondents.
- One respondent provided actual estimates for domestic RE by sector.
- Additional guidance is needed to ensure the same methodological treatment of RIE across different statistical domains is achieved , so as not to create any additional asymmetries.

## Main Data used for the calculations of retained earnings

- The main data sources used to estimate and allocate retained earnings are surveys, corporate tax information, financial statements and other
- Most economies have not introduced any new data sources in their estimation compared with the sources used for national accounts' calculations with the exception for one economy, which could incorporate commercial databases such as Dun & Bradstreet and Bureau van Dijk

	Public Corporations	Private Corporations
Surveys	Y	Y
Enterprise/other	Y	Y
BOP		Y
Company Financial Statements	Y	Y
Administrative Data		
Corporate		Y
Tax		Y
Other	Y	Y
Commercial Databases		Y
Security-by-Security Database		Y
Stock Exchange Data		Y

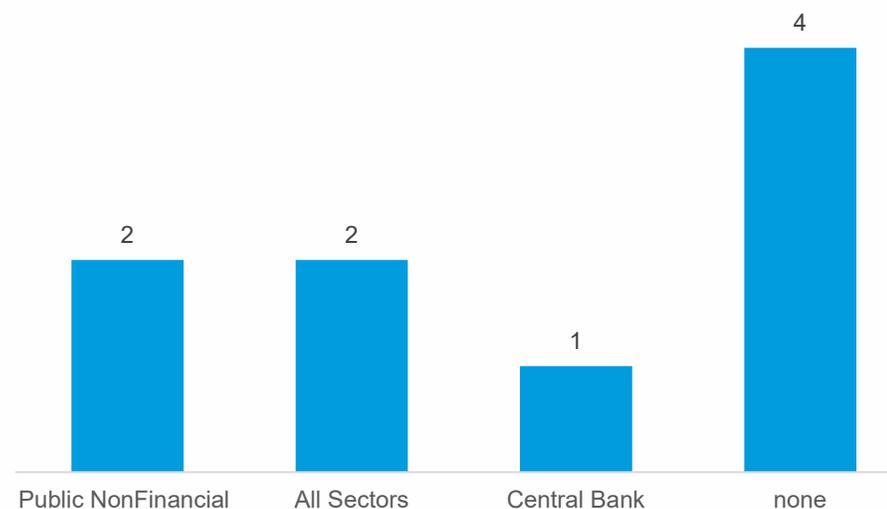
# Data sources and methods used to allocate reinvested earnings to equity holders.

- **For Public Corporations, 3 economies indicated that they could allocate reinvested earnings to General Government for both public financial and public non-financial companies, by either:**
  - Residual Approach – Profits less taxes and dividends; or by
  - Interest Revenue minus Interest Expense + income from fees and commissions + net dividend income minus (costs from fees and staff expenses and other administrative costs).
- **Similarly for private financial and non-financial corporations, 5 economies indicated that through their BoP returns and from other sources an allocation for reinvested earnings to equity holders could be undertaken.**
- **Potential Data Sources for Private corporations include**
  - Sector details from Balance of Payments surveys
  - Inter-corporate ownership surveys and,
  - Financial statements

## Are there any equity holder sector (or subsector) for which the calculations have not been made?

- 2 economies indicated that public corporations were excluded due to the lack of sufficient data sources and the priority is to focus on the private sector given its importance with foreign direct investment.
- 2 economies can allocate RE for all sectors; however, coverage may be a challenge for small private non-financial corporations.
- 1 economy can only allocate retained earnings for the central bank; and
- 4 economies do not have the data sources available to allocate reinvested earnings to equity holders

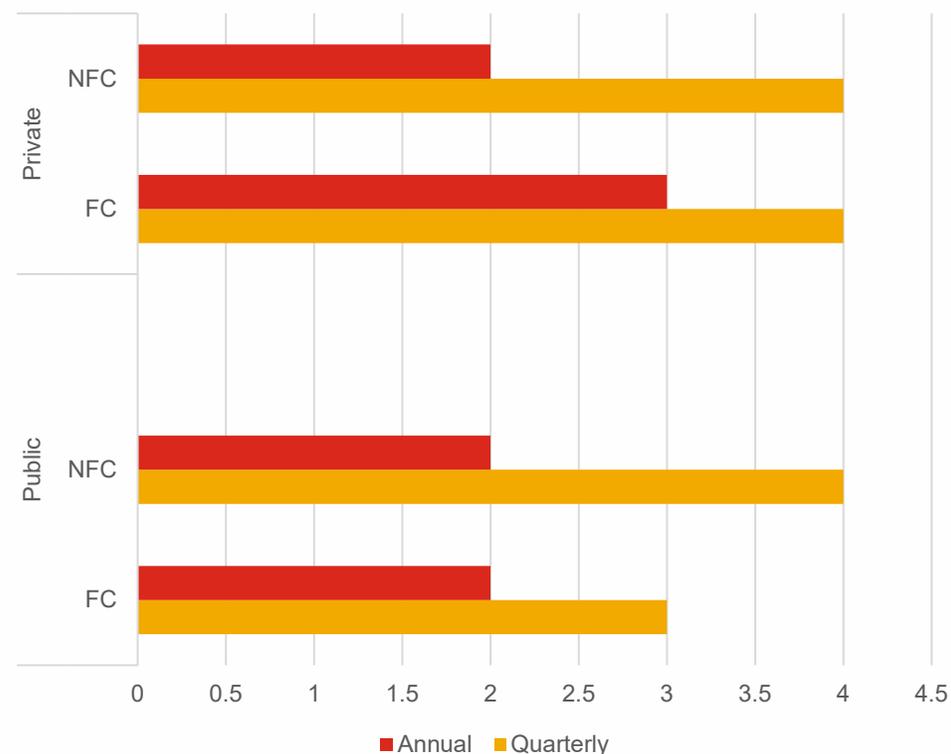
### Equity Sectors for which RE calculations can be made



## What will be the frequency for the proposed calculations?

- **For economies that currently have adequate data sources.** Retained earnings calculations could be undertaken on annual basis and for some even quarterly.
- **Interestingly, the estimation seems more plausible for private corporations rather than public entities.**
- **Economies need to evaluate whether their current data holdings can be used to estimate retained earnings by sector.** For those that have information for intercorporate ownership data, surveys, and comprehensive business registers the estimation of domestic RE is plausible.

Frequency for the estimation and allocation



## Future Work

### **Do you have any plans to obtain additional data on outstanding equity holders?**

- 9 economies indicated that they did not have any further plans to obtain additional data.
- 3 economies indicated that they would continue to pursue new information by either;
  - Coordinating with their Statistical office; and,
  - Explore new data sources which have emerged from new initiatives

### **Would it be possible to undertake the proposed calculations on an ongoing basis?**

- 6 economies indicated that it would not be possible to undertake the proposed calculations on an ongoing basis primarily because of lack of sufficient data.
- 3 economies indicated that it would be possible, however for one economy small and medium size enterprises pose challenges.

# Recommendation

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The results obtained from the global consultation were limited to 13 participants. Nonetheless, there are economies that have indicated that they can calculate and allocate retained earnings to domestic equity holders on either an annual and/or quarterly basis.

**Proposal is to endorse the recommendation for economies to provide information for sectored Reinvested Earnings.**

- Allocation of reinvested earnings will not be part of the core accounts but as supplementary information. A supplementary table, will allow for economies to continue to investigate potential data sources and methodologies;
- Ensures consistency and alignment in the system of accounts to include in the SNA, as the BoP community have already agreed to a supplementary table in BPM7.
- The AEG/BOPCOM should consider the best way to provide guidance to economies on how to compile the estimates, drawing on the experience of countries such as Portugal/Ireland who have already been able to compile estimates

# Questions for Discussion

1 – Do you agree with the recommendation to record equity holdings in a supplementary table outside the core accounts?

2 – Do you agree with the proposal to provide additional guidance to compilers on the measurement and allocation of retained earnings?

If so, what type of support would be beneficial for compilers?

# Other Comments

## Comments

- “Calculating reinvested earnings can only be done through international joint work involving the statistical offices and FDI-related agencies.”
- “It is a challenge for an exhaustive calculation to be done. Information on shareholding in a company are not always available from administrative sources particularly for smaller entities.”
- “Using domestic earnings from investments in domestic subsidiaries for the calculation of reinvested or retained earnings. Since we have administrative data, namely the net operating surplus, that virtually covers all resident non-financial corporations, we think that, including this item to calculate retained earnings will duplicate information given that a relevant portion of the earnings is already captured by net operating surplus from these domestic subsidiaries”.

**Thank You!**