

LAUNCH OF FOREIGN INVESTMENT SURVEY 2016

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Outline

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Introduction

- With globalisation, the international financial system has become private sector-driven.
- Foreign direct investment (FDI) and other foreign private investment are playing a more important role than the bank lending.
- Removal of barriers to foreign investment has allowed transnational corporations (TNCs) to globalise their production across countries.
- Foreign capital is increasing and therefore need to be measured.
- the risks of external shocks may be also assessed with the availability of timely and accurate data on private foreign capital

Introduction

- Foreign Investment Survey (FIS) is an important survey that captures comprehensive information on transactions in cross border assets and liabilities.
 - Banking system mainly captures transactions on assets and liabilities on a cash basis and therefore not adequate
 - For example loans provided in terms of capital goods may not be captured as well as reinvested earnings
- Quality data on cross border assets and liabilities transactions is necessary for better economic policy formulation and monitoring (e.g. in detecting financial crisis).
- Three cycles of Foreign Investment Surveys have been conducted in 2010, 2013 and 2015. These surveys captured data on foreign private capital for the period 2006 through 2013.
- These surveys also captured information on investor perceptions on the business environment.

Foreign Investment Surveys

Objectives

- The overall objective purpose of Foreign Investment Survey (FIS) is to collect information from resident enterprises on their foreign assets and liabilities, and investor perceptions on the business environment ;
 - for use in the compilation of Balance of Payments (BOP), International Investment Position (IIP) and related external debt statistics;
 - To comply with current international methods and practices of compilation and reporting of BOP and IIP statistics.

Foreign Investment Surveys

Objectives Cont'd

- To collect comprehensive information, with geographical details, on the stocks and flows of inward and outward foreign investment,
- To improve the quality of Foreign Direct Investment (FDI) data.
- To generate foreign investment data needed for monitoring economic development and planning appropriate national policies;
- To provide additional better quality information useful for investment promotion ,trade negotiations;
- Provide information required by researchers and international institutions such as IMF and World Bank, for their purposes.

Foreign Investment Survey 2016

- FIS 2016 is mainly implemented by KNBS and CBK supported by KenInvest
- The FIS 2016 is intended to collect foreign investment information covering the reference periods 2014 and 2015 and current information on the business environment.
- A target sample of about 900 enterprises has been selected across the country with foreign assets and liabilities.
- A total of 51 Research Assistants will be deployed to collect the information from these enterprises using paper questionnaire.

Foreign Investment Survey 2016

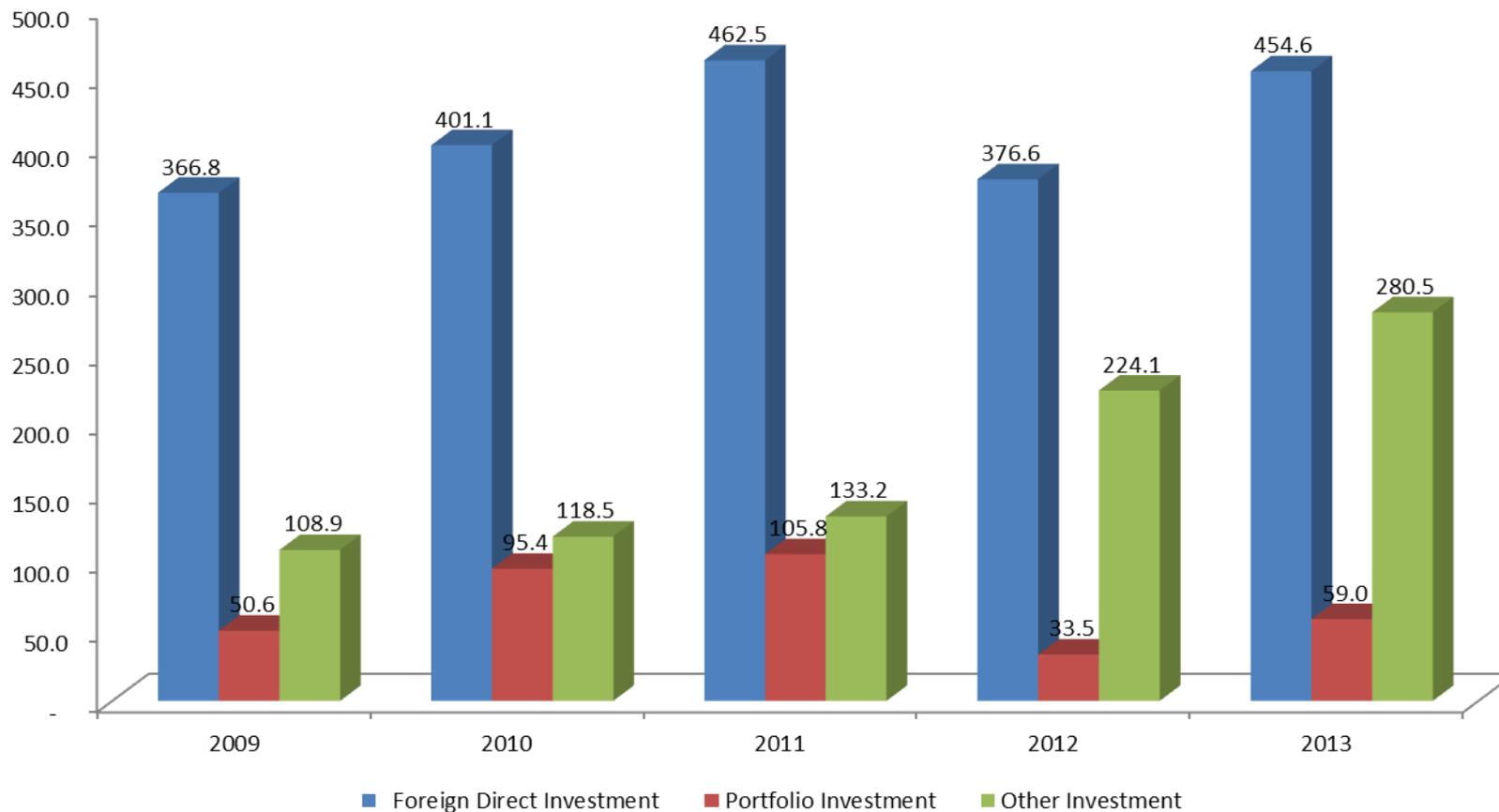
- Training of the survey personnel was conducted between 18th and 28th July, 2016.
- Data collection phase which will take 50 days is expected to start immediately after this launch.
- This launch coupled with press advertisements is meant to enhance the response rate.
- Data collection instruments comprising the questionnaire and instructions manual have been developed in line with the compilation guidelines of the Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6).

Foreign Investment Survey 2016

- The individual Enterprise data collected will be treated as confidential and used to prepare aggregate data on Kenya's Balance of Payments (BOP) Accounts and International Investment Position (IIP).
- This confidentiality is guaranteed under the Statistics Act ,2006 that establishes protection of individual Enterprise data.
- Sharing of survey data to third party will be at aggregate level that protects identity of our respondents
- We appeal for cooperation and support to make FIS 2016 a success

Highlights of the results from the previous surveys

Stock of Foreign Liabilities 2009-2013 (KSh Bn)



Highlights of the results from the previous surveys

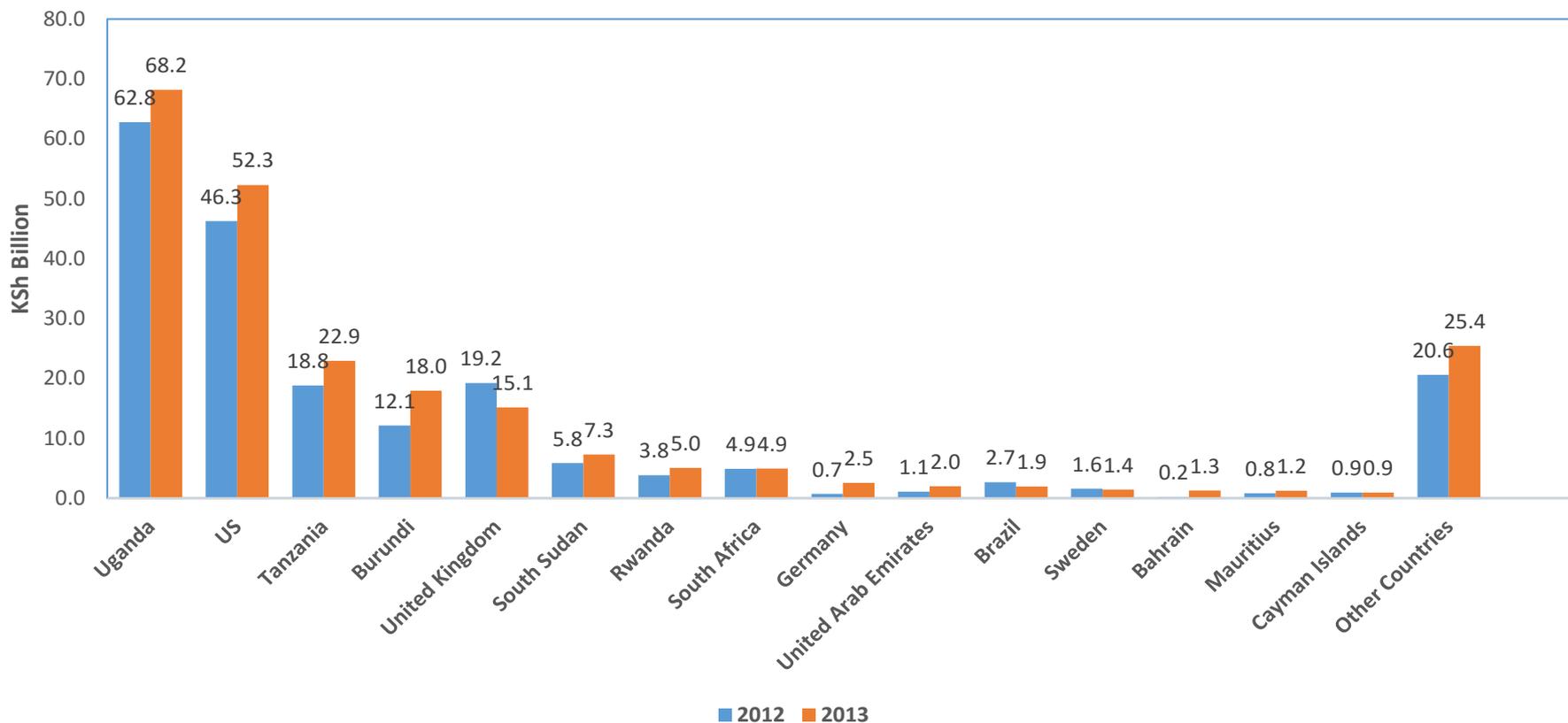
Foreign Liabilities

- The European Union (EU) remained the major source of external liabilities accounting for about 40% of the total foreign liability stocks.
- In 2013, the stock of external liabilities attributable to America, Europe, Africa and Asia increased by 54.2%, 41.8%, 37.6% and 29.7% to record KSh 103.2 billion, KSh 292.8 billion, 136.1 billion and KSh 106.7 billion, respectively.
- Financial and insurance activities was the major investment sector by foreign investors accounting for 32.6 per cent of the total external liabilities in both 2012 and 2013.
- Transport and storage; and Manufacturing sectors came second and third, accounting for 15.6% and 15.1%, respectively, of the total foreign liabilities, in 2013.

Highlights of the results from the previous surveys

- Foreign Assets
- The country's stock of assets abroad were pre-dominantly held in East African Community, with Uganda leading at KSh 62.8 billion in 2012 and KSh 68.2 billion in 2013.
- US was second with KSh 46.3 billion and KSh 52.3 billion in 2012 and 2013, respectively.

Stock of Foreign Assets by Country, 2012-2013 in KSh Billion



Challenges

- Data collection is a very expensive undertaking, hence the need for continued collaboration with the stakeholders
- Households readily provided statistical information as opposed to enterprises/establishments
- Non-response by some enterprises that compromise the quality of statistics

Conclusion

- In line with international best practices, regular surveys on enterprises are the most effective means of collecting data on foreign private capital.
- This data is more robust as it is obtained by direct reporting by enterprises.
- As a result, there is need to regularly carry out foreign investment surveys to strengthen the information base on foreign capital while improving on data quality for economic management.
- The FIS 2016 findings will be made available March, 2017.
- Let those required to complete the FIS 2016 questionnaire provide accurate information for better measuring private foreign capital

THANK YOU