



Compilation of Foreign Affiliates Statistics Overview

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Outline

- International guidelines
- Basic principles
 - Direct investment enterprises
 - Economic variables
 - Classification by geography and industry
- Collection methods
 - In general
 - U.S. experience

International Recommendations on FATS and FDI

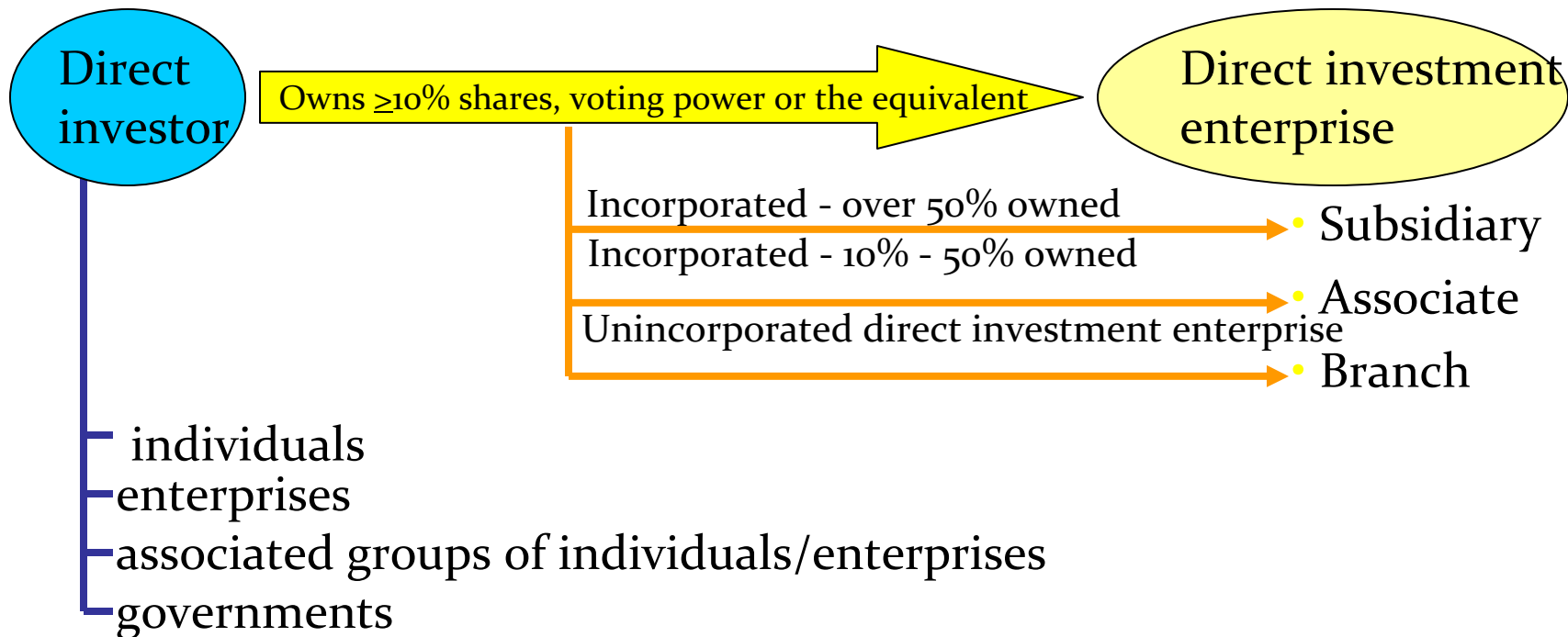
- Manual on Statistics on International Trade in Services (MSITS 2010)
- Balance of Payments and International Investment Position Manual 6th edition (BPM6 2009)
- Eurostat FATS Recommendations Manual (2007)
- OECD Benchmark Definition of Foreign Direct Investment 4th edition (BD4 2008)
- OECD Handbook of Economic Globalisation Indicators (HEGI 2005)

The FDI Universe

FDI: Resident in one economy that has control or a significant degree of influence on the management of an enterprise that is a resident in another economy.

Country A

Country B



Firms Covered in FATS

Ownership criteria:

Majority-owned foreign affiliates
(*foreign investor owns more than 50%
of the ordinary shares or voting power*):

Includes subsidiaries and branches

Excludes associates

Types of producers:

Affiliates producing goods, services

Statistical Units

Units considered in FATS statistics may be

Enterprises

- Enterprise 1
- Enterprise 2
- Enterprise 3

Establishments of enterprises

- Establishment 1a
- Establishment 1b
- Establishment 2a
- Establishment 2b
- Establishment 2c
- Establishment 3a = Enterprise 3

Economic Variables for FATS

Most are drawn from System of National Accounts 2008

Basic FATS variables

(minimum recommended by MSITS)

- Sales (turnover) and/or output
- Employment
- Value added
- Exports and imports of goods and services
- Number of enterprises

- Assets
- Compensation of employees
- Net worth
- Net operating surplus
- Gross fixed capital formation
- Taxes on income
- Research and development expenditures

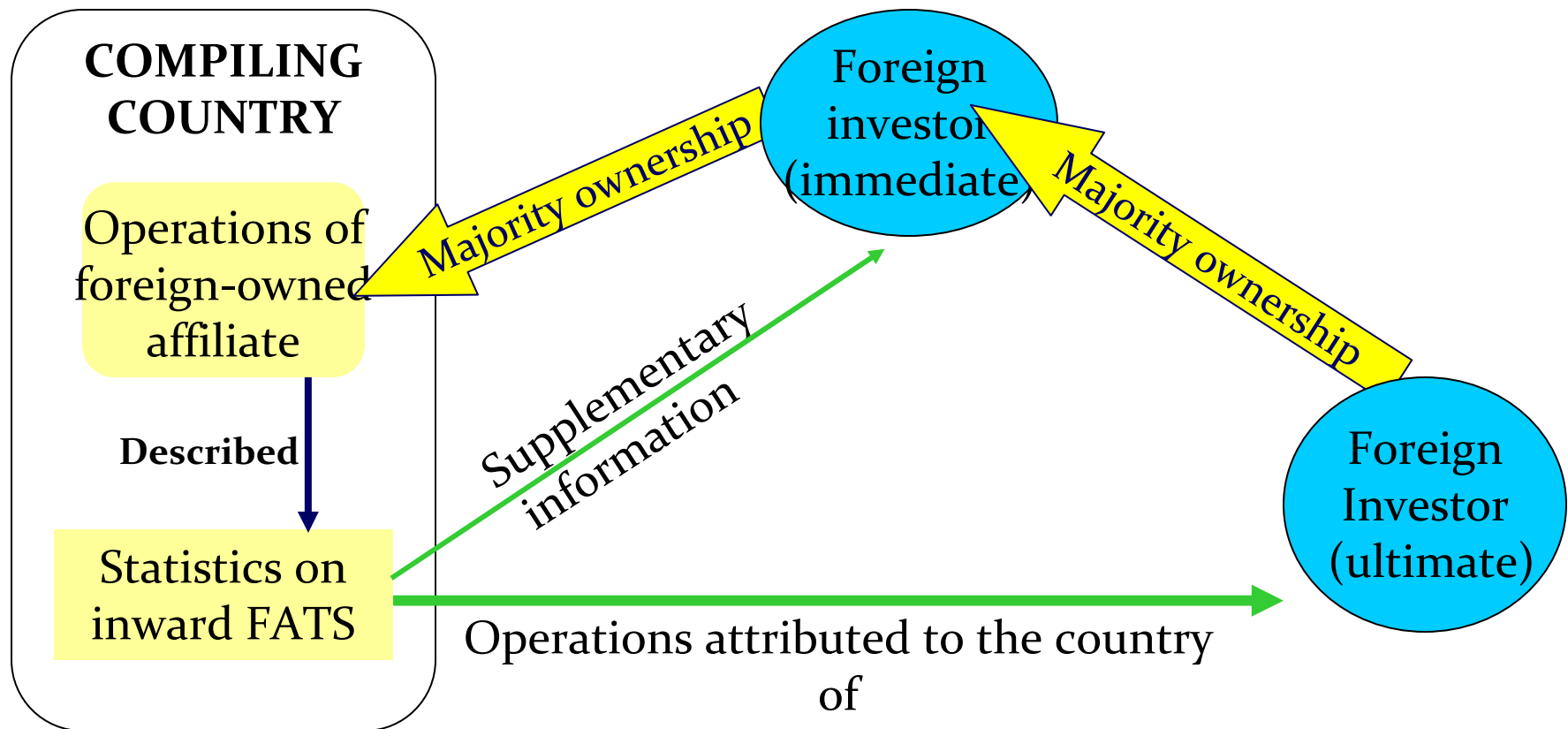
Additional FATS variables



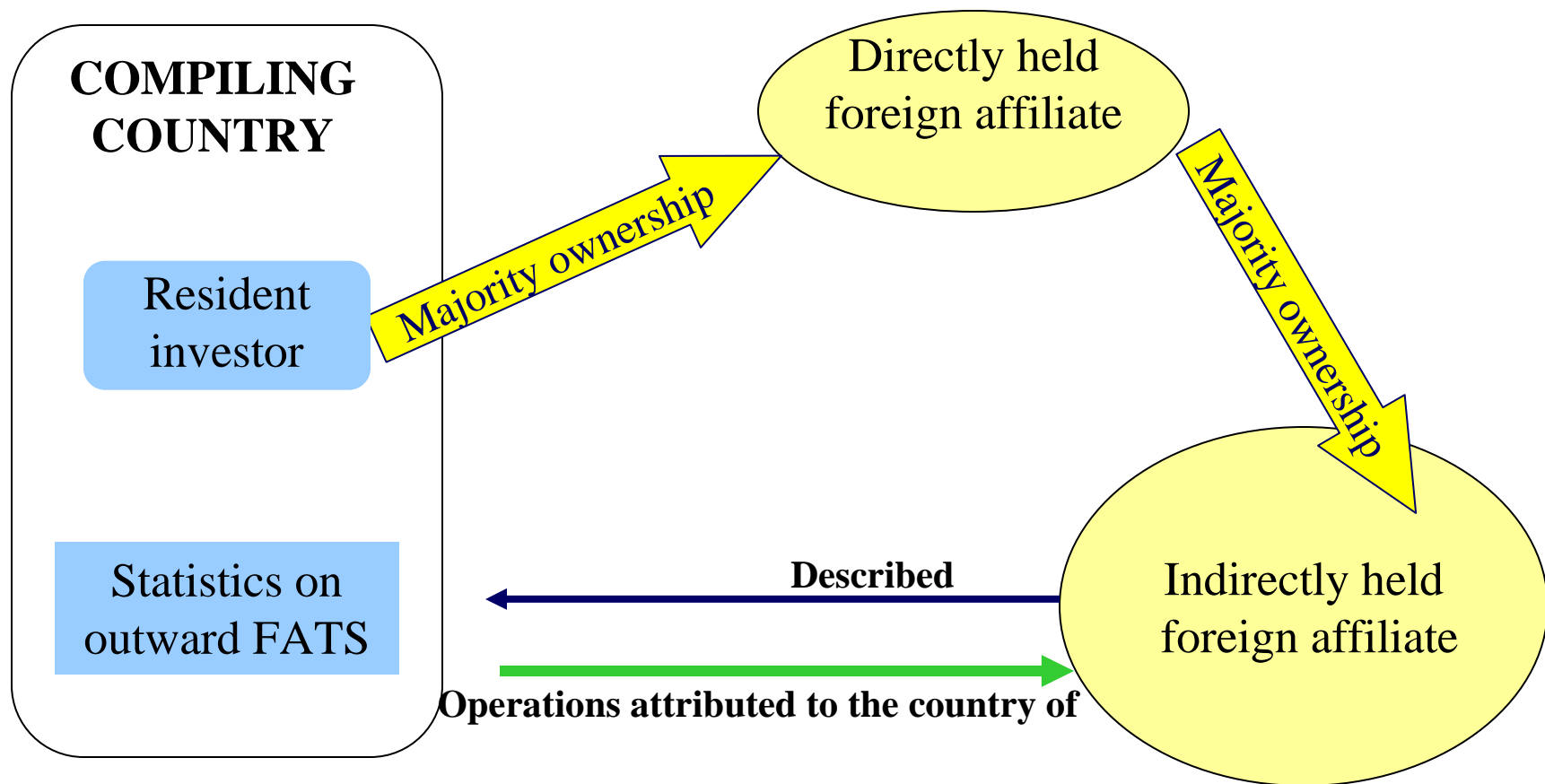
Economic Variables: Sales

- Sales data easier to collect than output
- For services, sales close to output for most industries
 - Exceptions: financial intermediaries, insurance, wholesale and retail trade
- Disaggregate by
 - Destination
 - Goods and services

Geographical Attribution: Inward investment



Geographical Attribution: Outward Investment: Treatment of Indirectly Held Affiliates





Classification by Activity and by Product

- **First priority**
 - Foreign affiliates classified by their **primary activity** (industry)
- **Long-term goal ...**
 - Product breakdown for variables such as sales, imports, and exports



U.S. Experience: Collection Methods

- First collected FDI operations data for 1950 covering outward investment
- Largely a survey-based system
 - Benchmark surveys every 5 years
 - Most comprehensive in subject matter
 - Lowest reporting thresholds
 - Annual surveys in interim years
 - Higher exemption levels and fewer items
 - Starting to use statistical sampling
 - Estimates made for below-threshold companies



Collection methods (Cont'd)

- Periodic links to Census Bureau establishment-level data

Advantages:

- Greatly increased industry detail
- Easy to compare to domestic economy
- No added reporting burden

Limitations:

- Applies only to inward investment
 - Less timely
 - Less frequent
- An alternative to FATS surveys is to identify the foreign-owned subset of domestic firms

Collect FATS Through FDI Surveys?

Two possibilities

Specific surveys for
FATS

Commonly considered
preferable because

Add FATS variables to
FDI surveys

but...

- Burden on FDI-non-FATS enterprises
- FDI surveys conducted frequently and require quick turnaround

FATS Sources for Selected Economies

	Inward			Outward		
	FDI survey	Resident enterprise statistics	Separate survey	FDI survey	Resident enterprise statistics	Separate survey
Australia		X				X
Austria	X			X		
Belgium		X		X		
Canada				X		
Czech Republic		X		X		
Denmark		X				
Finland	X	X		X		
France		X		X		
Germany	X			X		
Hong Kong, China		X				
Hungary	X			X		
Italy			X	X		
Japan			X			X
Luxembourg	X					
Netherlands		X				
Norway	X					
Poland		X				
Portugal	X			X		
Sweden			X			X
Switzerland	X			X		
Turkey		X				
United Kingdom		X				
United States			X			X

Summary

- FATS statistics present economic variables for direct investment enterprises
- Can be attributed to the country of ultimate owner (inward FDI) or ultimate destination (outward FDI)
- Required to measure mode 3 services supplied
- BEA has collected FATS statistics since 1950
- Recommendations for collecting FATS statistics
 - MSITS 2010
 - OECD “Handbook on Economic Globalisation Indicators” and “Benchmark Definition of FDI”



Questions or Comments?

- Please direct any questions or comments to:
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