



# Foreign Direct Investment – Foreign Affiliates Statistics

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**United Nations Statistics Division**

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# The FDI Universe

- FDI universe
- FDI statistics and FATS
- Foreign Affiliates Statistics (FATS)
  - Recording inward and outward FATS
  - Classification
  - FATS Survey

# FDI Universe

**Foreign Direct Investment (FDI): the direct investor makes an international investment to obtain a lasting interest in an enterprise abroad**

**Country A**



**Country B**



or control (owns >10% voting power or equivalent)

between 10 and 50%: influence

• Associate

more than 50%: control

• Subsidiary

— individuals

— enterprises

— associated groups of individuals/enterprises

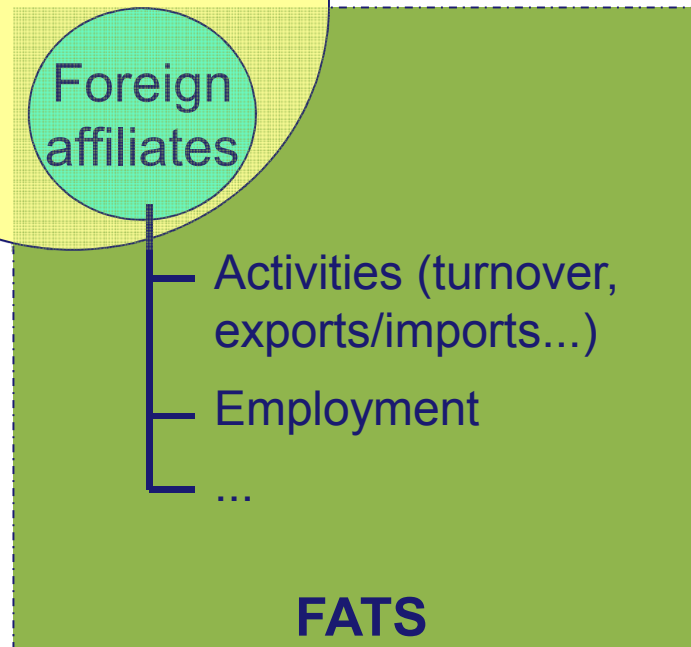
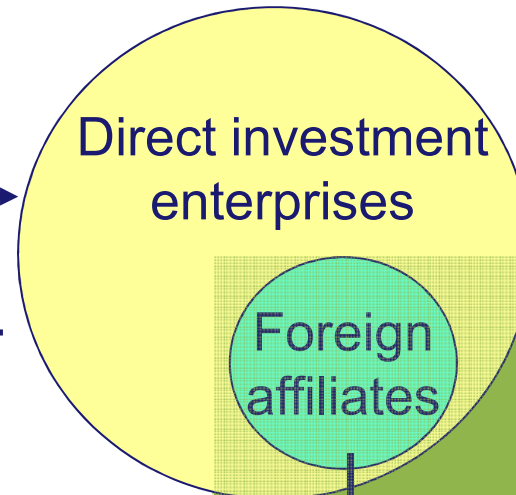
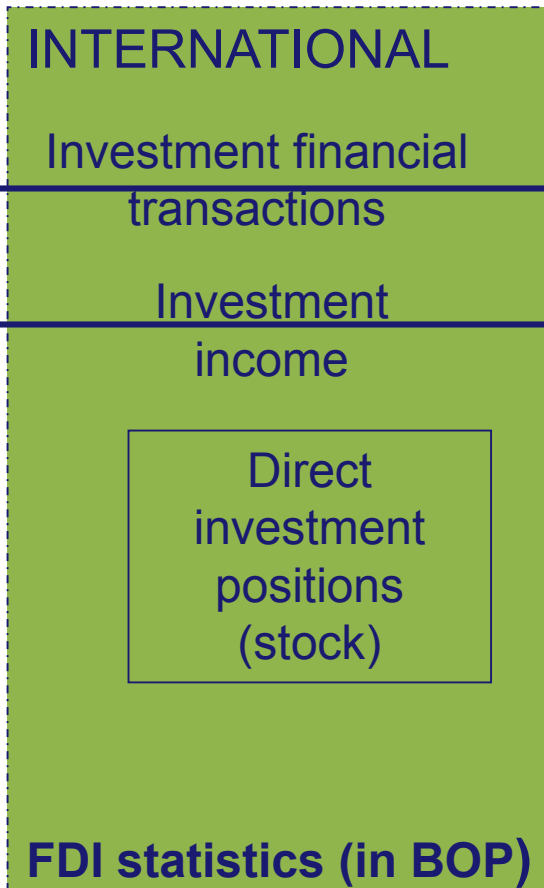
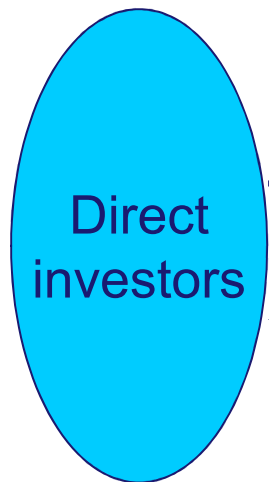
— governments...

Fellow enterprises

# FDI Statistics and FATS

Country A  
(outward FDI/FATS)

Country B  
(inward FDI/FATS)



## Firms covered in FATS

- **Control criteria**

- Majority-controlled foreign affiliates**

- (a single foreign investor owns more than 50% of voting power at each stage of the ownership chain):*

- Includes* subsidiaries

- Excludes* associates

- **Types of producers**

- All affiliates (i.e. producing goods, services)**

- **Supplementary firms where relevant (e.g. multiple controllers)**

### Following international standards

- *SNA 2008* (National Accounts)
- *BPM6* (BOP)

➔ FATS closely linked with Foreign Direct Investment (FDI)

➔ Going further than these standards

- *OECD Benchmark Definition of FDI, 4th edition*
- *OECD Handbook: globalization + economic analysis*
- *MSITS: supply of services through “commercial presence”*

## Economic variables for FATS

### **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
- Purchases of goods and services

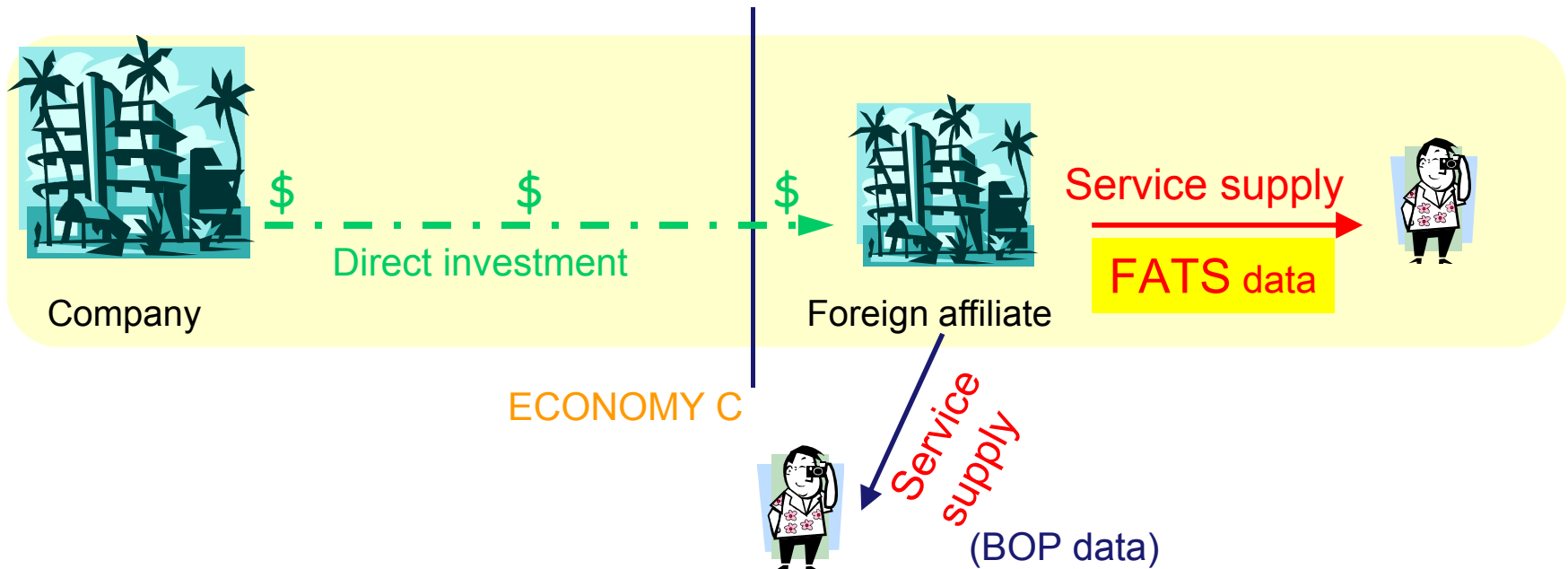
### ***Additional*** **FATS variables**

# Foreign Affiliates Statistics (FATS)

Where is the trade?

**ECONOMY A**  
compiles outward FATS

**ECONOMY B**  
compiles inward FATS





## Inward FATS

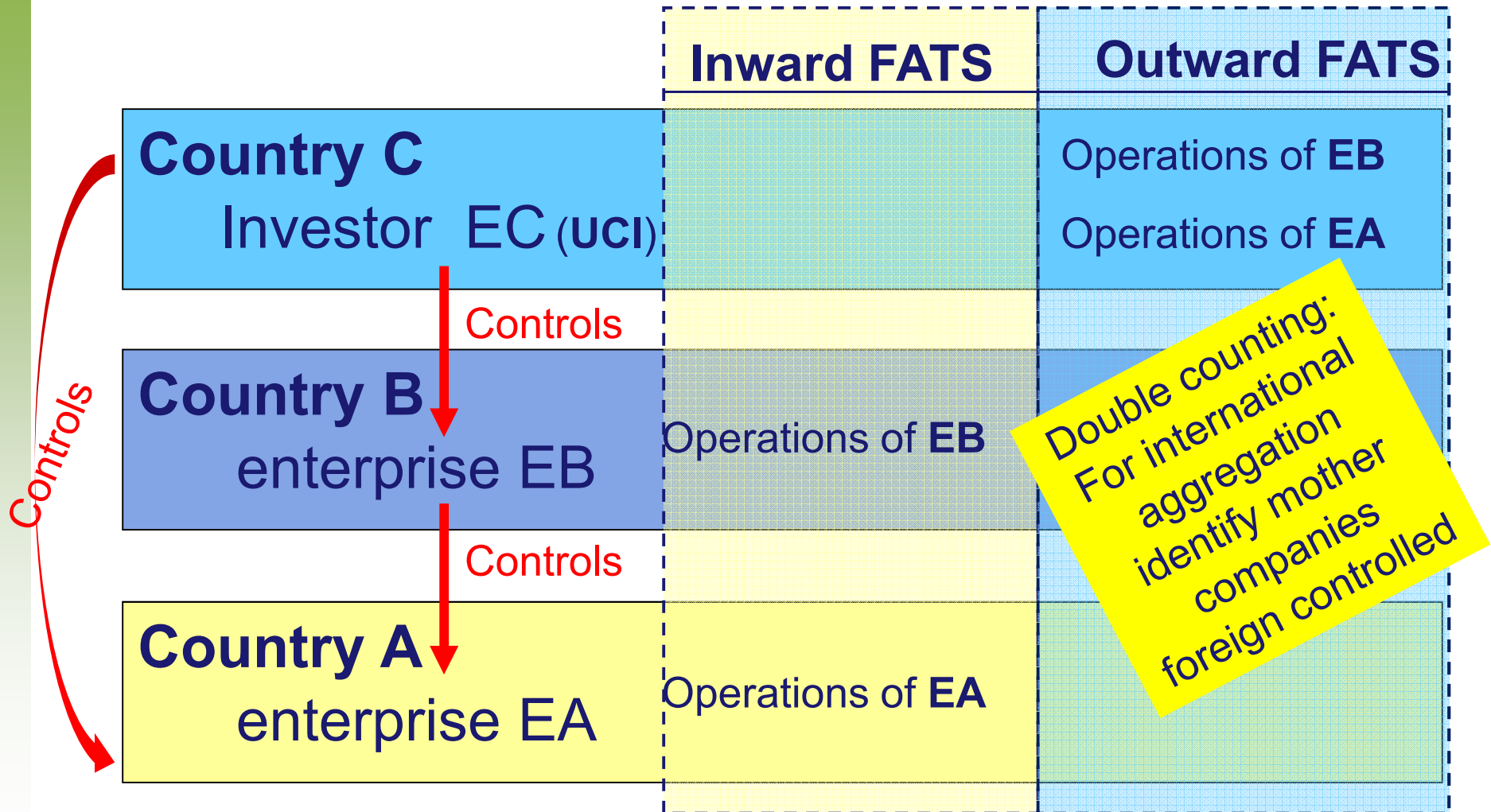
- Often easier to collect than outward FATS
- Should already be included in country's domestic enterprise statistics (no. of hotels, VA of the sector, etc.)

 Identifying foreign controlled subset !

- Exchanges of information among partners are important: outward information published by a partner can prove useful

***Importance of standardized definitions  
and methodologies***

# Recording of inward and outward FATS



## Classification by activity and by product

- **FATS variables classified as a first priority on an activity basis**
  - Foreign affiliates classified by their **primary activity**
  - According to ISIC Categories for Foreign Affiliates in services (**ICFA Rev.1**)
- **Long-term priority...**
  - FATS variables such as sales, imports and exports should also be broken-down by **product** according to EBOPS 2010 (at least total goods and total services)
- ICFA can be linked with EBOPS (to a limited extent)

# ICFA 2010

## ICFA headings/elements

## ISIC Rev. 4 code

### **AGRICULTURE, FORESTRY AND FISHING**

Crop and animal production, hunting and related service activities

*Support activities to agriculture and post-harvest crop activities*

Forestry and logging

*Support services to forestry*

Fishing and aquaculture

### **MINING AND QUARRING**

Mining support service activities

### **MANUFACTURING**

Repair and installation of machinery equipment

### **ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY**

*Electric power generation, transmission and distribution*

### **WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES**

Water collection, treatment and supply

Sewerage

Waste collection, treatment and disposal activities; materials recovery

Remediation activities and other waste management services

### **Section A**

div. 01

*group 016*

div. 02

*group 024*

div. 03

### **Section B**

div. 09

### **Section C**

div. 33

### **Section D**

*class 3510*

### **Section E**

div. 36

div. 37

div. 38

div. 39

## Compilation of FATS Statistics



Inward



Outward

Link with FDI in both cases  
(identification of FATS firms)

# FATS Surveys

Two possibilities

Specific FATS surveys

Adding FATS variables to FDI surveys

but ...

- Burden for FDI firms-not FATS
- FDI surveys: more frequent (quarterly)

Generally preferable because

*Collected information: basic FATS variables to a very detailed ICFA breakdown*

## Recommendations of the new MSITS on FATS

1. FATS to cover controlled affiliates as defined in the FDIR
2. FATS compiled for all foreign affiliates
3. Geographical attribution :
  - Inward: country of UCI (+ first foreign parent)
  - Outward: country of operations of the affiliate
4. Activity/product attribution : Activity (ICFA) as first priority, product as a longer term goal
5. Priority variables: Sales (or turnover) and/or output; Employment; Value added; Exports and imports; Number of enterprises