

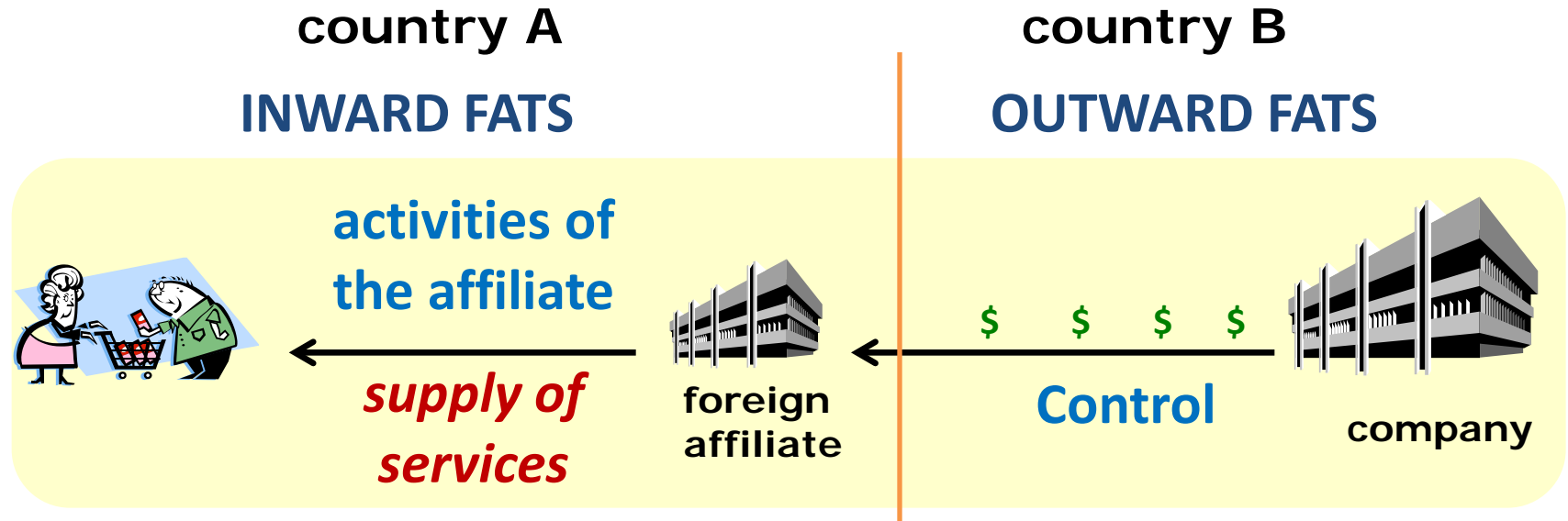
Foreign Affiliates Statistics (FATS)

FATS – COMPILATION

Workshop on the Compilation of Trade in Services Statistics
Abu Dhabi, 25-28 January 2015

FATS – what they are

Summary of the statistical framework



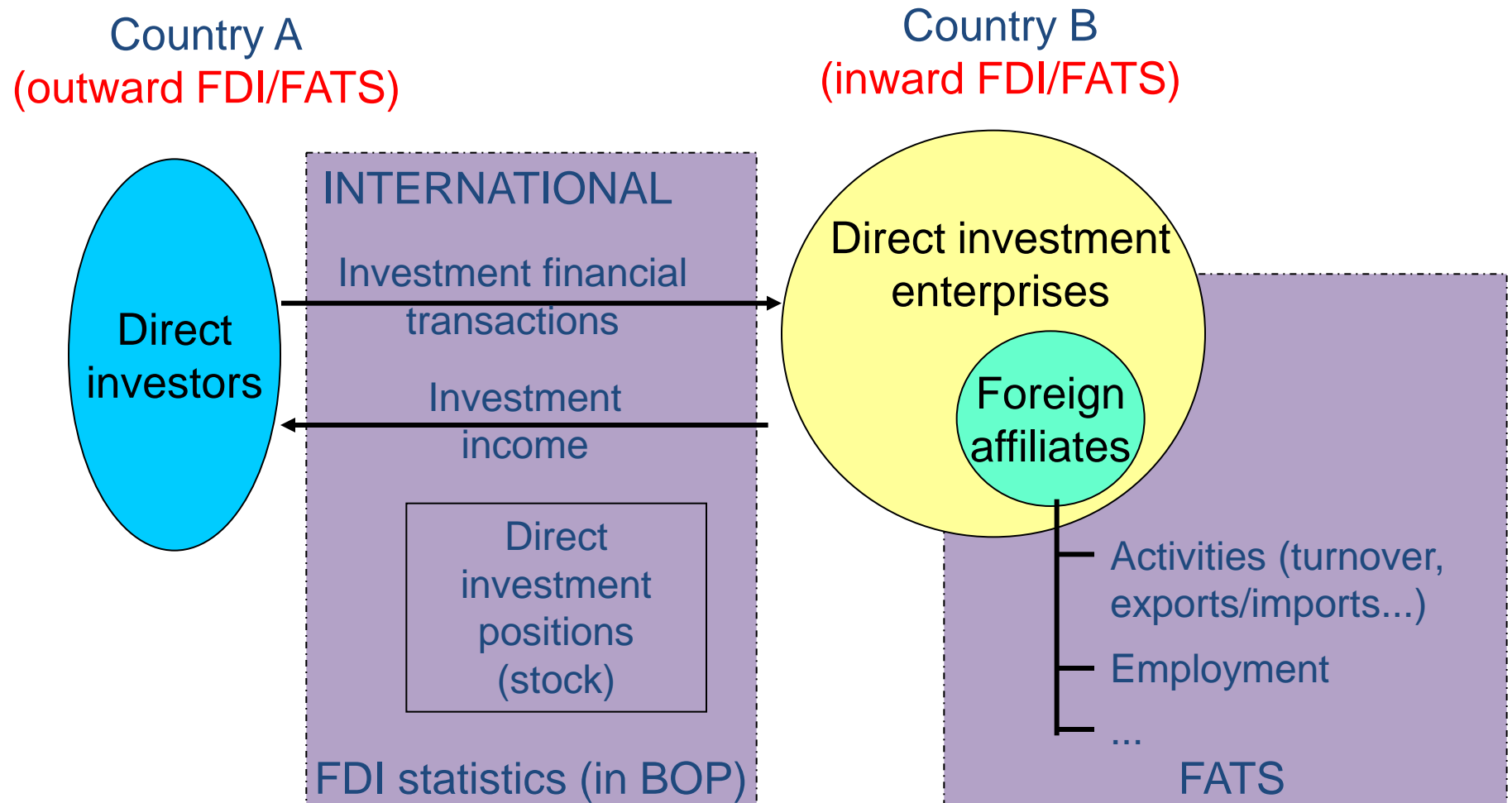
Foreign direct investment statistics (FDI)

=> (international) financial transactions

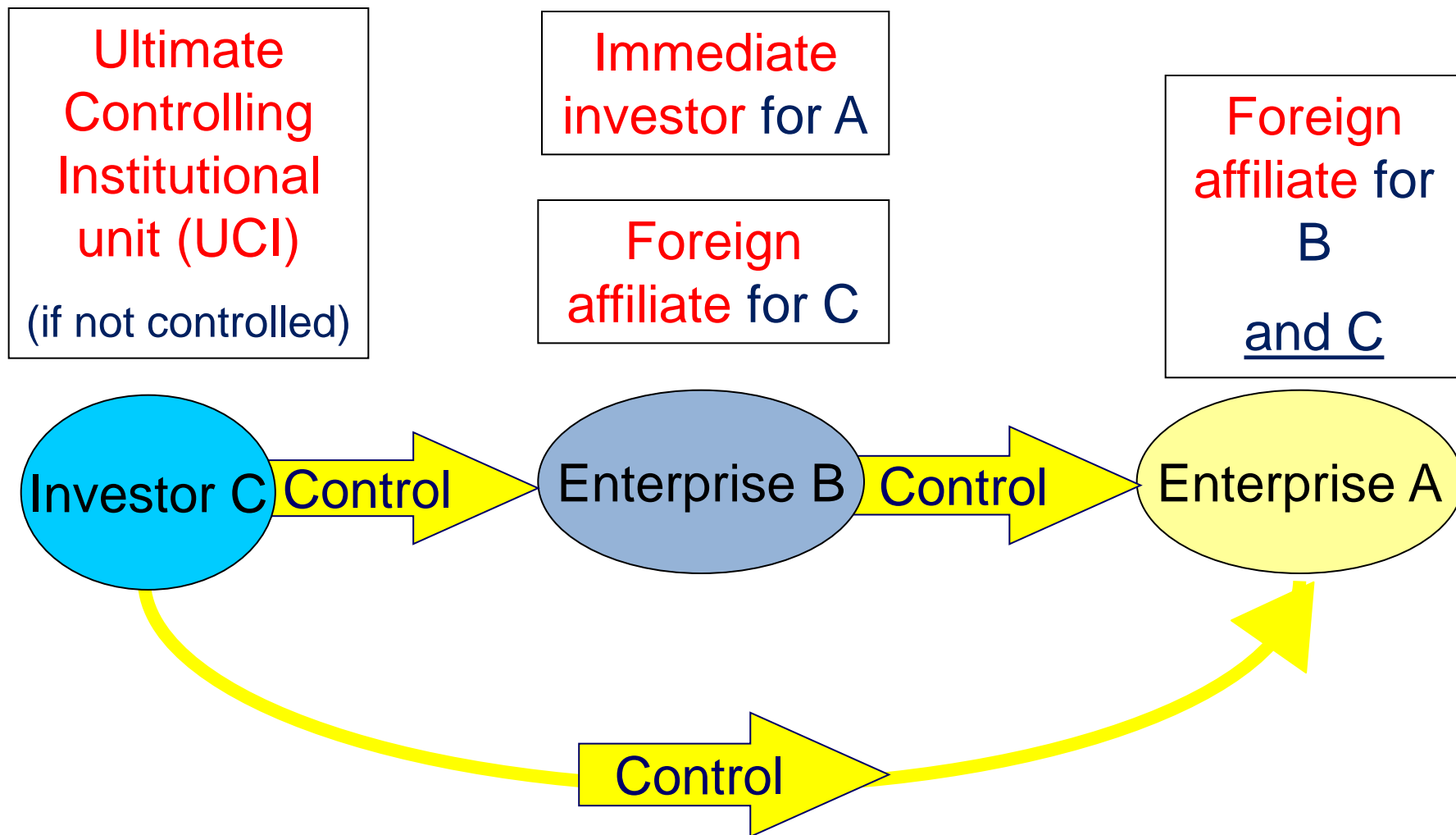
FATS

=> indicators of the activity of the foreign controlled enterprises

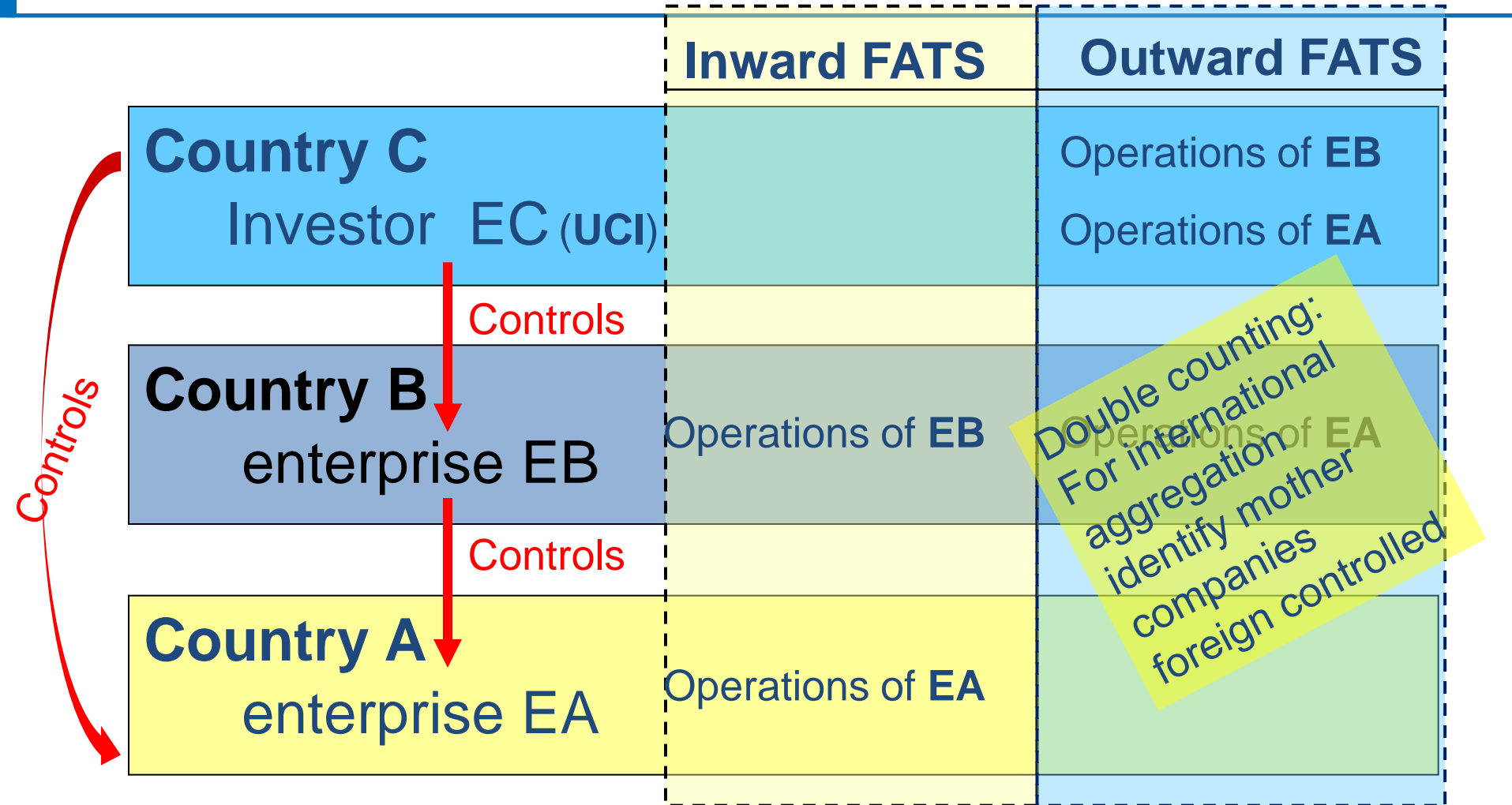
FDI Statistics and FATS



« Control »: an essential concept



Recording of Inward and Outward FATS



FATS – compilation issues (1/2)

1. statistical units

- INWARD: enterprises/establishments under foreign control => **statistical unit = reporting unit**
- OUTWARD: enterprises/establishments abroad under control of a resident institutional unit
=> **statistical unit ≠ reporting unit**
- NB: if statistical units are different between inward and outward => problems of comparability!



FATS – compilation issues (2/2)

2. reference period

⇒ calendar year



3. periodicity

⇒ annual, biannual

4. valuation

⇒ accrual basis



5. Validation/checking procedures

⇒ cross-checking with other data sources (SBS, partner data); treatment of confidential data...

Economic Variables for FATS

Most are drawn from SNA 2008

Basic FATS variables
(minimum recommended
by MSITS)

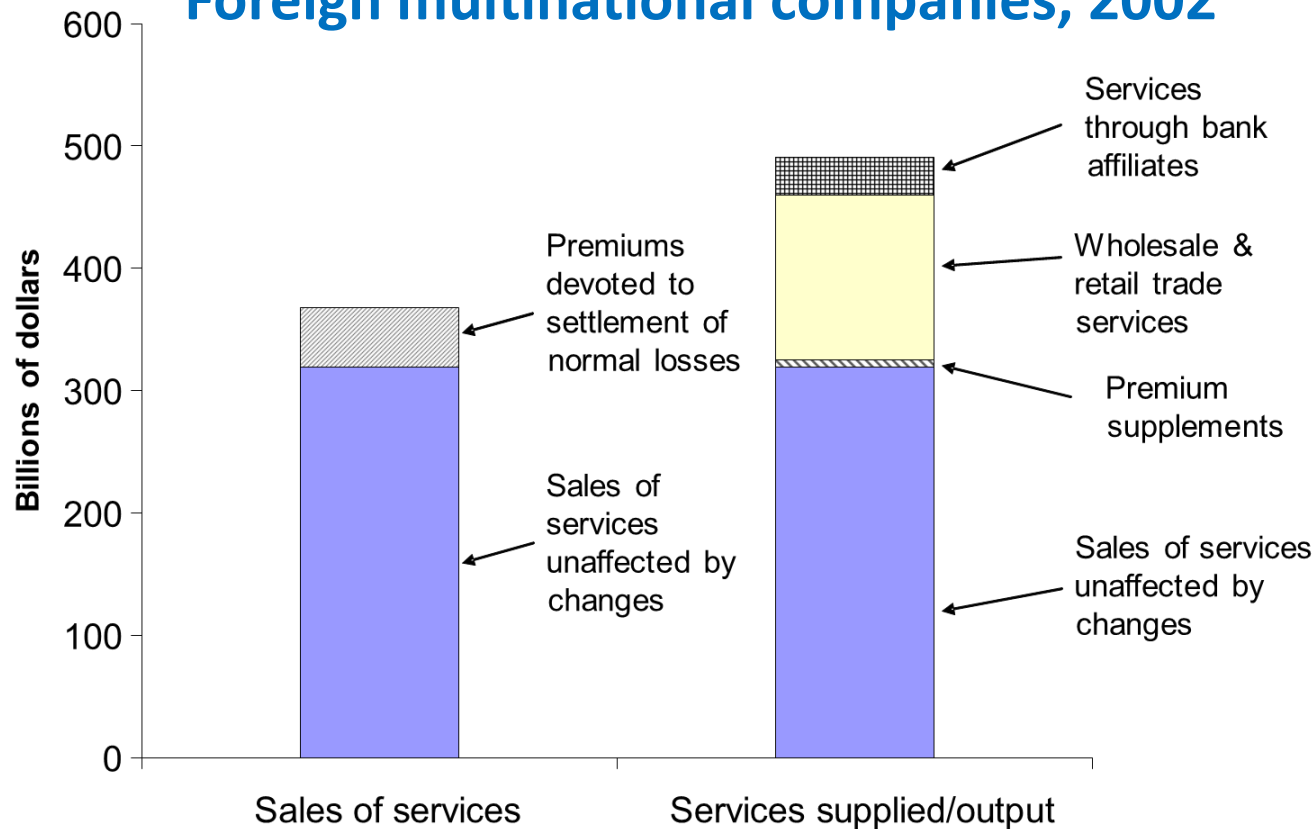
- Sales (turnover) and/or output
- Employment
- Value added
- Exports and imports of goods and services
- Number of enterprises

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

**Additional
FATS variables**

FATS variables: sales or output?

Impact of compilation of services output by U.S. Affiliates of Foreign multinational companies, 2002



Source: US BEA

Breakdown of FATS variables (1/2)

1. Attribution by **primary activity** of affiliate enterprise (ISIC rev. 4)
 - not of the mother company!
 - All economic activities should be covered to enable cross-activity comparisons
 - More detail on services + total for service activities
indication of international supply of services



If SBS are the basis for INWARD FATS, coverage of all service activities should be ensured

ISIC Rev. 4 and 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

Section A

div. 01

group 016

div. 02

group 024

div. 03

MINING AND QUARRING

Mining support service activities

Section B

div. 09

MANUFACTURING

Repair and installation of machinery equipment

Section C

div. 33

ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY

Electric power generation, transmission and distribution

Section D

class 3510

WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES

Section E

Water collection, treatment and supply

div. 36

Sewerage

div. 37

Waste collection, treatment and disposal activities; materials recovery

div. 38

Remediation activities and other waste management services

div. 39

ISIC Rev. 4 and ICFA 2010 (cont'd)

ICFA headings/elements

ISIC Rev. 4 code

CONSTRUCTION

Section F

WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES

Section G

Wholesale and retail trade and repair of motor vehicles and motorcycles

div. 45

Wholesale trade, except of motor vehicles and motorcycles

div. 46

Retail trade, except of motor vehicles and motorcycles

div. 47

TRANSPORTATION AND STORAGE

Section H

Land transport and transport via pipelines

div. 49

Passenger rail transport, interurban

class 4911

Freight rail transport

class 4912

Other passenger land transport

class 4922

Freight transport by road

class 4923

Transport via pipeline

class 4930

Water transport

div. 50

Sea and coastal water transport

group 501

Inland water transport

group 502

Air transport

div. 51

Warehousing and support activities for transportation

div. 52

Postal and courier activities

div. 53

Breakdown of FATS variables (2/2)

Attribution when services are **secondary activity??**

to measure services produced by enterprises primarily engaged in goods producing activities (and vice-versa)

2. Attribution by **product**

sales/turnover, output, exports and imports

=> most relevant information for negotiators and analysts

=> compatible with EBOPS

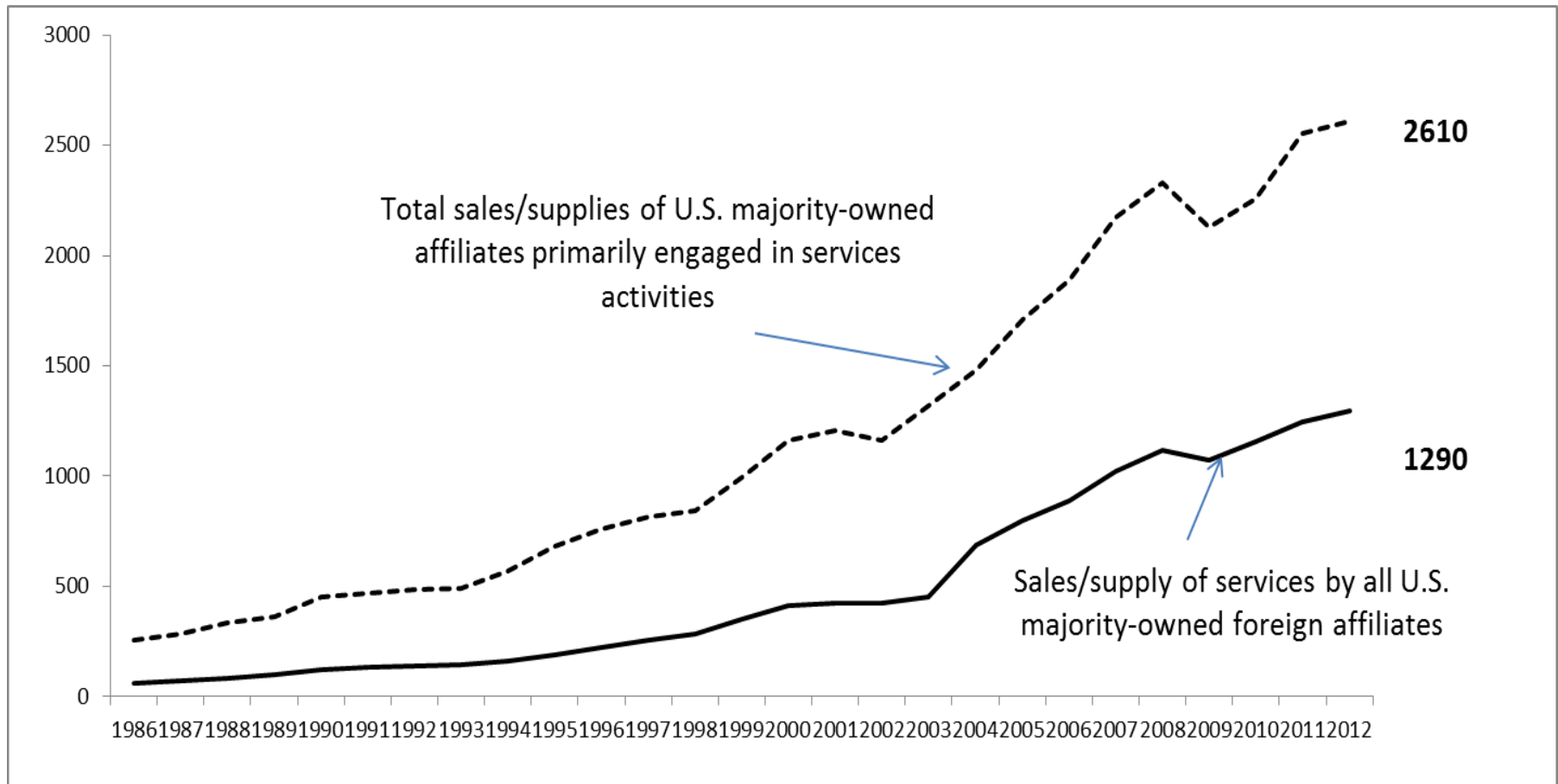
=> difficult to implement, long-term objective



Start from total goods and total services

Attribution by product: US

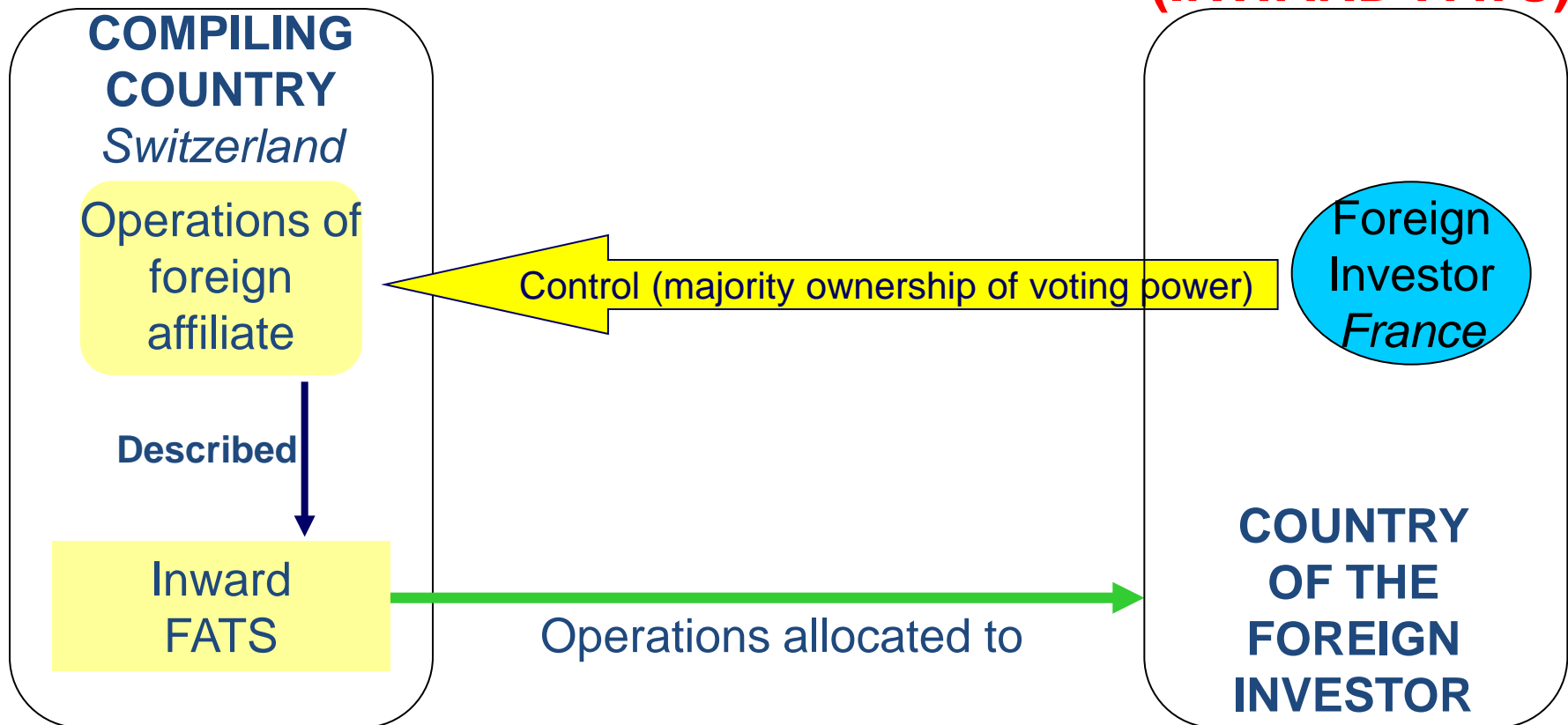
United States Outward FATS sales/supplies to foreign persons (billion USD)



Source: US BEA

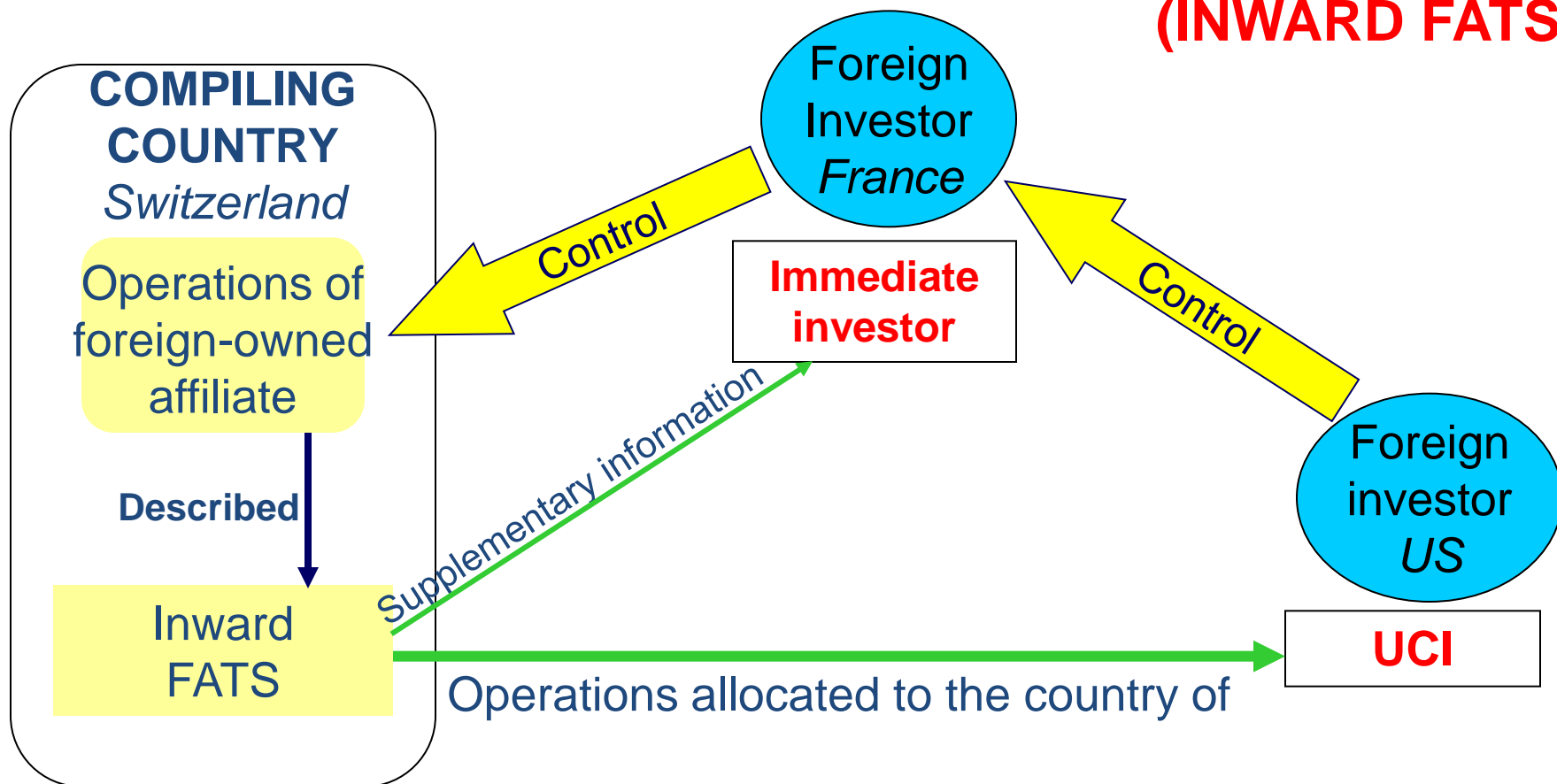
Geographical Attribution of Inward FATS (1/2)

Foreign-controlled affiliates in the compiling country (INWARD FATS)



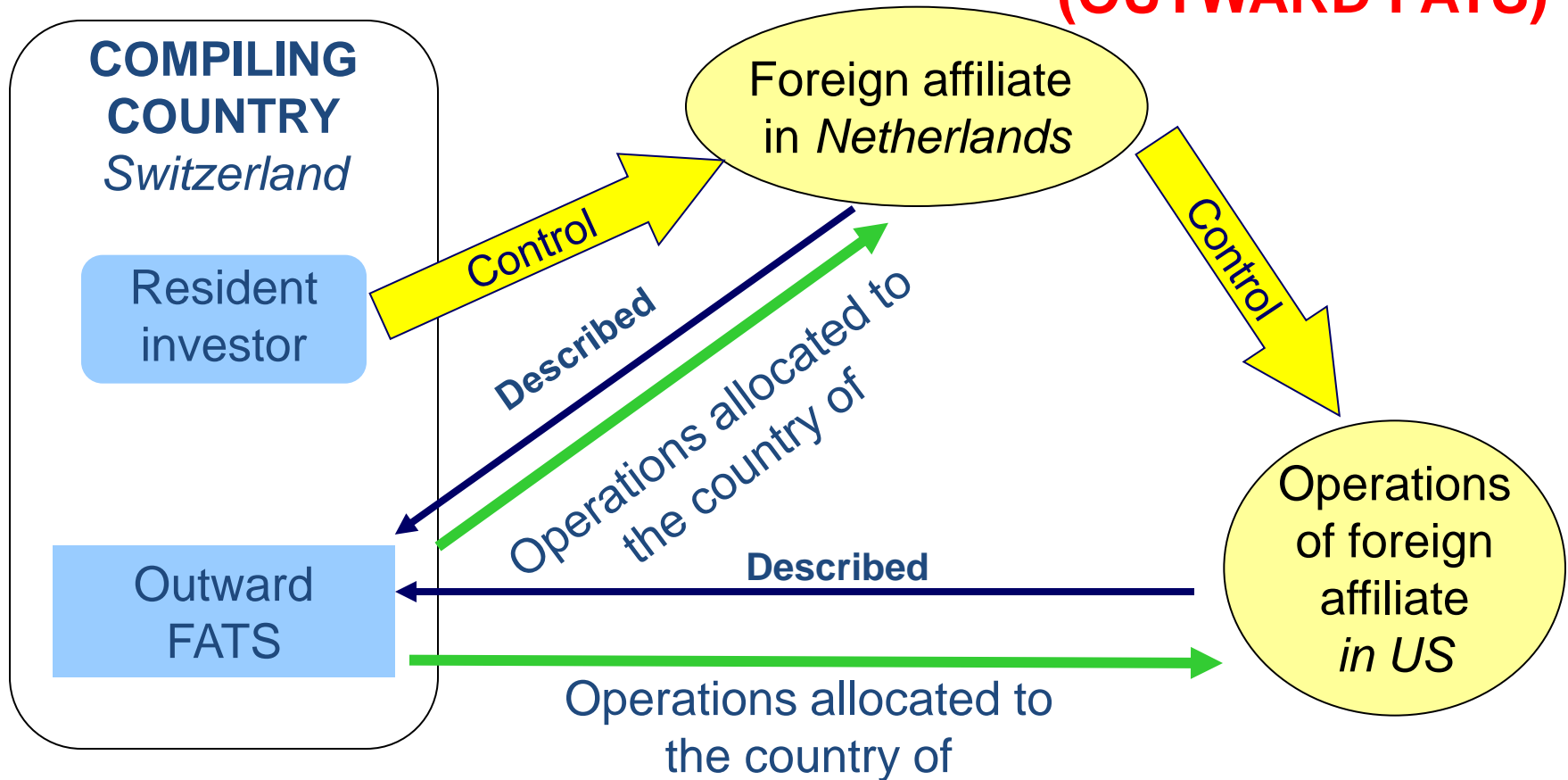
Geographical Attribution of Inward FATS (2/2)

Foreign-controlled affiliates in the compiling country (INWARD FATS)

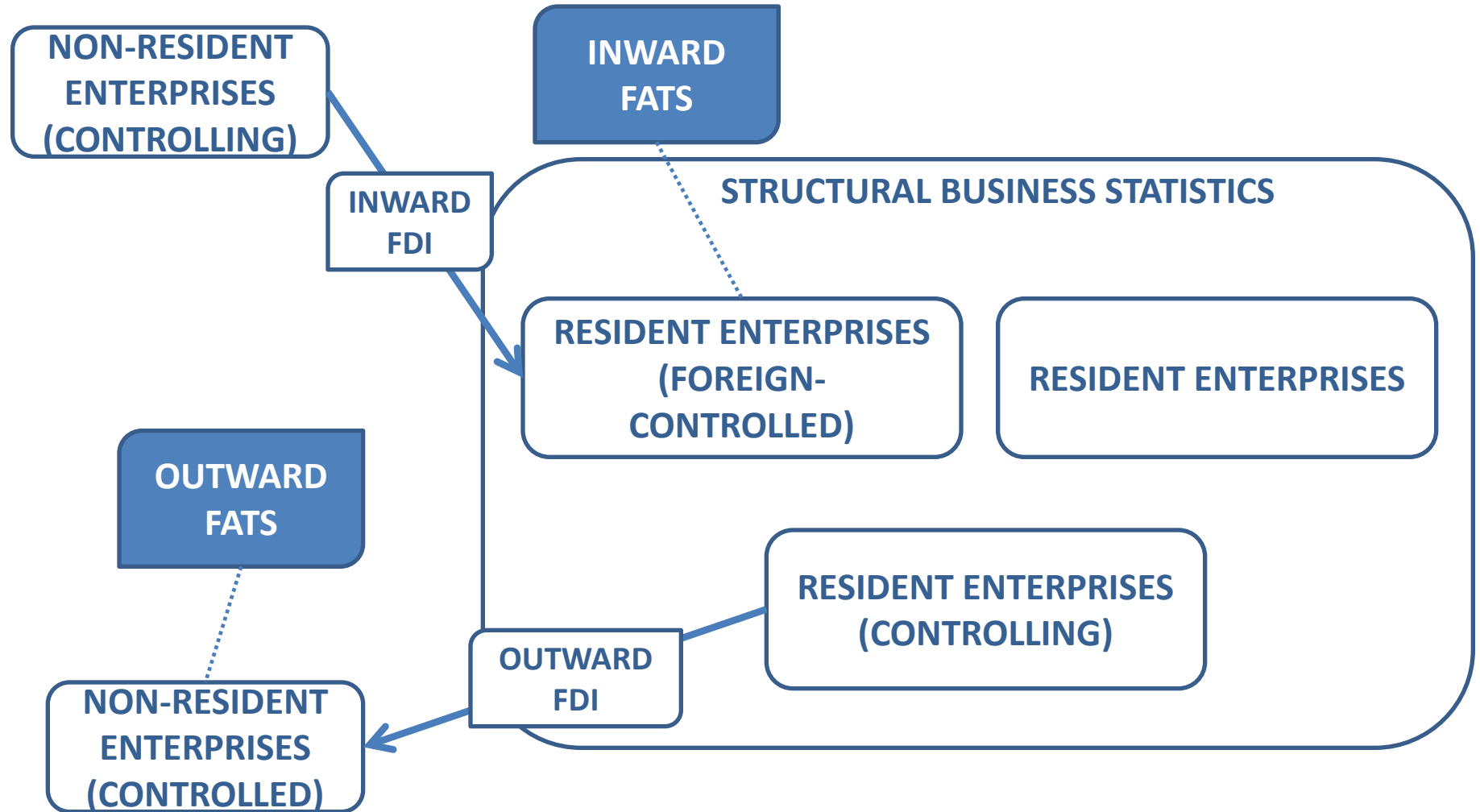


Geographical Attribution of Outward FATS

Foreign affiliates of investors of the compiling country (OUTWARD FATS)



FATS vs. other statistics



Two approaches for data collection

1. Existing data sources on resident enterprises
(Structural Business Statistics)
2. Ad-hoc surveys
 - FDI surveys
 - FATS specific surveys



**Maximize the use of existing
information!**

Structural business statistics

Detailed economic and financial data on the activities of resident enterprises (employment, turnover...)

1. Identify the foreign-controlled enterprises
2. Complement the questions to cover the information needs of the MSITS 2010



- FATS comparable to indicators of domestic economy
- Little burden added for collection



- May be difficult to derive all the recommended items
- Only relevant for INWARD FATS

Country example: Germany (inward)

- **Data sources** used: BR+SBS
- **Rationale:** only use available data and minimize additional burden for enterprises




- Different thresholds needed in SBS and FATS
- Some FATS variables not included in SBS
=> must be imputed (e.g. value added and gross investment in tangible goods)

FDI surveys (1/2)

Possible synergies between FATS and FDI:

- FDI registers can be used to identify foreign-controlled affiliates
- FATS variables can be included in existing FDI surveys
- If FATS are not yet produced, FDI positions can be used as approximation of a country's interest in commercial presence

FDI surveys (2/2)

- 
- Risk of increasing the response burden for non-controlled foreign affiliates
 - Need to identify affiliates indirectly controlled
 - Different frequency needed for FDI and FATS



**Can be a cost-effective, short-term solution
(especially for OUTWARD FATS)**

FATS surveys

- FATS collection carried out separately from other collection systems
- INWARD and OUTWARD conducted separately (different target populations)



- Easier to follow international recommendations
- Targeted to the controlled/controlling enterprises only



- Requires additional resources

FATS data collection

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+				
France		X		X		
Germany	X					
Hong Kong, China		X				
India		X				X*
Israel						X
Italy				X+		
Japan			X			X
Luxembourg	X			X		
Netherlands		X				X+
Norway	X			X		
Poland		X				X
Portugal	X			X		
Sweden			X			X
Switzerland	X			X		
Thailand		X				
United Kingdom		X				X
United States	X			X		

Compiling agency?
mainly Statistics office
and/or Central bank

Main issues (1/3)

The structure of multinationals may be complex

- Establishments or enterprises?
- Complicated structures and sophisticated legal forms
- Rapidly changing corporate structures
- UCI attribution

Possible solutions:

- direct contacts/press/internet
- consultation between countries
(inward vs. outward FATS)
- different registers (e.g. Eurogroup register)



Main issues (2/3)

- Data completeness
- Estimations when thresholds applied (mainly a problem for Outward FATS)
- Consolidated reporting
- Trade variables, in particular intra-group trade
- Level of detail vs. confidentiality
- Consistency when using Structural Business Statistics (only for inward FATS)

Main issues (3/3)

Asymmetries Inward vs. Outward FATS

- Inward FATS ‘easier’ and thus more complete
- international comparisons and consultations very useful in order to improve Outward FATS

Asymmetric burden distribution between countries

- level of business internationalisation different
- number of Outward FATS statistical units ranging from less than 50 to more than 20.000....it depends on the country
- countries with the most impact on global figures have the most burden to cope with