FATS, WHAT AND WHY, CONCEPTS AND METHODOLOGY, COMPILATION
WHY?

Inward FATS: activities of foreign-controlled resident enterprises
  – Enterprises are surveyed about their own activities
  => statistical unit = reporting unit

Outward FATS: activities of affiliates controlled by resident enterprises
  – Enterprises are surveyed about the activities of other enterprises
  => statistical unit ≠ reporting unit
FDI Statistics and FATS

Country A (outward FDI/FATS)

- Direct investors
  - INTERNATIONAL
    - Investment financial transactions
    - Investment income
    - Direct investment positions (stock)
  - FDI statistics (in BOP)

Country B (inward FDI/FATS)

- Direct investment enterprises
  - Foreign affiliates
    - Activities (turnover, exports/imports...)
    - Employment
    - ...
  - FATS

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« Control »: an essential concept

Ultimate Controlling Institutional unit (UCI) (if not controlled)

Immediate investor for A

Foreign affiliate for C

Foreign affiliate for B and C

Investor C Control

Enterprise B Control

Enterprise A

Control
1. statistical units
   - INWARD: enterprises/establishments under foreign control
   - OUTWARD: enterprises/establishments abroad under control of a resident institutional 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

**Additional FATS variables**

- 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

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FATS variables: sales or output?

**sales/turnover** = total amount invoiced for the sales of goods and services
- readily available/easy to collect
- easy to disaggregate by activity/product

**output** = preferred measure for Mode 3 supply of services
- superior measure for wholesale and retail trade, insurance, financial services

A breakdown of sales/turnover or output into total goods and total services gives a better measure of mode 3
FATS variables: # of enterprises

Number of enterprises

=> number of statistical units
   - enterprise
   - establishment

• Depends on the level of consolidation
• Should correspond to the statistical unit used to compile the other variables
• Only consider entities with genuine economic activity
FATS variables: employment

Number of persons employed

– on a full-time equivalent basis
– annual average
– hours worked?
– separate identification of residents, non-residents and intra-corporate transferees

analysis of mode 4!

Things to do
• Collect data directly through surveys
• Figures derived from other data sources (SBS) – INWARD only
Breakdown of FATS variables

1. Attribution by COUNTRY
   - Immediate investing or host country
   - Ultimate investing or host country
   – Inward FATS: Ultimate Controlling Institutional Unit
   – Outward FATS: To the country of the affiliate whose operations are described by the variables
Breakdown of FATS variables

2. 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
Classification by Activity

- **FATS variables classified as a first priority on an activity basis**
  - Foreign affiliates classified by their **primary activity**
  - According to ISIC and grouped according to ISIC Categories for Foreign Affiliates in services (**ICFA Rev.1**)
  - Often easier to compile given existing related data (e.g. FDI, Business statistics)
- Current practice of many countries
- Allows comparisons between activities. Provides framework for services as secondary activities
- ICFA can be **linked** with EBOPS (to a limited extent)
- Some issues when using data in mode 3 analysis (e.g. compare with BoP services statistics)
ICFA headings/elements

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

ISIC Rev. 4 code

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
# ICFA Rev. 1 (continued)

## ICFA headings/elements

### CONSTRUCTION

**WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES**
- Wholesale and retail trade and repair of motor vehicles and motorcycles
- Wholesale trade, except of motor vehicles and motorcycles
- Retail trade, except of motor vehicles and motorcycles

### TRANSPORTATION AND STORAGE

- **Land transport and transport via pipelines**
  - *Passenger rail transport, interurban*
  - *Freight rail transport*
  - *Other passenger land transport*
  - *Freight transport by road*
  - *Transport via pipeline*
- Water transport
  - *Sea and coastal water transport*
  - *Inland water transport*
- Air transport
- Warehousing and support activities for transportation
- Postal and courier activities

## ISIC Rev. 4 code

- **Section F**
- **Section G**
- **Section H**
- **Section I**
- **Section J**
- **Section K**
- **Section L**
- **Section M**
- **Section N**
- **Section O**
- **Section P**
- **Section Q**
- **Section R**
- **Section S**
- **Section T**
- **Section U**
- **Section V**
- **Section W**
- **Section X**
- **Section Y**
- **Section Z**

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ACCOMMODATION AND FOOD SERVICE ACTIVITIES

Accommodation
Food and beverage service activities

INFORMATION AND COMMUNICATION

Publishing activities

Publishing of books, periodicals and other publishing activities
Software publishing
Motion picture, video and television programme production, sound recording and music publishing activities
Programming and broadcasting activities
Telecommunications
Computer programming, consultancy and related activities

Computer programming activities
Computer consultancy and computer facilities management activities
Other information technology and computer service activities
Information service activities

Data processing, hosting and related activities; web portals
Other information service activities
News agencies activities
Other information service activities n.e.c
Breakdown of FATS variables

Attribution when services are secondary activity??

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

3. 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
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!
FATS vs. other statistics

NON-RESIDENT ENTERPRISE

INWARD FDI

INWARD FATS

STRUCTURAL BUSINESS STATISTICS

RESIDENT ENTERPRISE (FOREIGN-CONTROLLED)

RESIDENT ENTERPRISE (CONTROLLING)

OUTWARD FATS

OUTWARD FDI

NON-RESIDENT ENTERPRISE
Statistical Business Register

Definition and objectives

• List of all resident economic units
  => statistical units

• Central sampling frame for all business surveys

  • Integrated collection and compilation of economic statistics
  • Reduction of costs and of response burden
  • Better quality and coherence of official statistics
Statistical Business Register

Characteristics

Statistical units

– Identifier variables
  Name, address, VAT registration number...

– Economic characteristics (stratification variables)
  Activity classification, size, location...

– Demographic characteristics
  Beginning and termination of activities...
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
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 proxy 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 surveys

Country example: US

• Specific surveys on operations of MNCs (inward and outward)

• All MNCs are covered
  – Majority and minority owned
  – Grouped by size

• System of surveys
  – benchmark surveys (every 5 years)
  – annual surveys

• Large, majority-owned companies are required to report annually the most detailed information
FATS surveys

Country example: US

• Sales broken down into goods and services
• Trade between affiliated and unaffiliated parties is identified
• Data cross-checked for consistency with quarterly FDI surveys
FATS data collection

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)
FATS data collection

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)
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
### PART II - FINANCIAL AND OPERATING DATA OF U.S. AFFILIATE - Continued

**Section C — DISTRIBUTION OF SALES OR GROSS OPERATING REVENUES**

Distribute sales or gross operating revenues among three categories — sales of goods, sales of services, and investment income. For the purpose of this distribution, "goods" are normally outputs that are tangible and "services" are normally outputs that are intangible. When a sale consists of both goods and services and cannot be unbundled (i.e., the goods and services are not separately billed), classify the sales as goods or services based on whichever accounts for a majority of the value. Give best estimates if actual figures are not available.

**NOTE — BEFORE COMPLETING THIS SECTION, PLEASE SEE THE INSTRUCTIONS FOR ITEMS 45 THROUGH 50 ON PAGE 25. Insurance companies also see page 26, V.A. for special instructions.**

Utilities and Oil & Gas Producers and Distributors — To the extent feasible, revenues are to be allocated between sales of goods and sales of services. Revenues earned from the sale of a product (e.g., electricity, natural gas, oil, water, etc.) are to be reported as sales of goods. Revenues earned from the distribution or transmission of a product (e.g., fees received for the use of transmission lines, pipelines, etc.) are to be reported as sales of services.

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Bill.</th>
<th>Mil.</th>
<th>Thous.</th>
<th>Dols.</th>
</tr>
</thead>
<tbody>
<tr>
<td>45.</td>
<td>Total Sales or Gross Operating Revenues, excluding Sales Taxes — Equals item 35, and also sum of items 46 through 48</td>
<td>2243</td>
<td>1</td>
<td></td>
<td>000</td>
</tr>
<tr>
<td>46.</td>
<td>Sales of Goods</td>
<td>2244</td>
<td>1</td>
<td></td>
<td>000</td>
</tr>
<tr>
<td>47.</td>
<td>Investment Income included in gross operating revenues. Include ALL interest and dividends generated by finance and insurance subsidiaries or units.</td>
<td>2245</td>
<td>1</td>
<td></td>
<td>000</td>
</tr>
<tr>
<td>48.</td>
<td>Sales of Services, Total — Sum of items 49 and 50</td>
<td>2246</td>
<td>1</td>
<td></td>
<td>000</td>
</tr>
<tr>
<td>49.</td>
<td>To U.S. persons or entities</td>
<td>2247</td>
<td>1</td>
<td></td>
<td>000</td>
</tr>
<tr>
<td>50.</td>
<td>To foreign persons</td>
<td>2247</td>
<td>1</td>
<td></td>
<td>000</td>
</tr>
</tbody>
</table>
**USA Outward FDI Questionnaire**

---

**Section B — Distribution of Sales or Gross Operating Revenues**

See Additional Instructions for Part II, Section B, on page 10 at the back of this form.

Distribute sales or gross operating revenues among three categories – sales of goods, sales of services, and investment income. For the purpose of this distribution, "goods" are normally economic outputs that are tangible and "services" are normally economic outputs that are intangible. When a sale consists of both goods and services and cannot be unbundled (i.e., the goods and services are not separately billed), classify the sales as goods or services based on whichever accounts for a majority of the value. Give best estimates if actual figures are not available. Insurance companies also see Special Instructions, B.3.d. and e., page 12.

<table>
<thead>
<tr>
<th>47. Sales or gross operating revenues, excluding sales taxes</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong> Column (1) equals the sum of columns (2) through (7)</td>
<td>Local sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>To other foreign affiliates of the U.S. Reporter(s)</td>
<td>To unaffiliated customers</td>
<td>To U.S. Reporter(s)</td>
<td>To unaffiliated customers</td>
<td>To other foreign affiliates of the U.S. Reporter(s)</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

| 48. Sales of goods | $2054 |
|  |  |  |  |  |  |  |  |
|  | $ | $ | $ | $ | $ | $ | $ |

| 49. Sales of services | $2055 |
|  |  |  |  |  |  |  |  |
|  | $2056 |

| 50. Investment income | $2057 |
|  |  |  |  |  |  |  |  |

---

32
U.S. Collection of Data on Services: Sales Breakout

• Between goods and services
  – Goods-producing industries can be important suppliers of services
  – For example, U.S. affiliates classified in manufacturing sector were third largest suppliers of services in 2010

• Between services and investment income
  – Needed for industries where investment income is included in revenues, such as finance and insurance
U.S. Presentation of International Supply of Services

• In 1990 introduced annual report presenting both sales of services through affiliates and resident/nonresident trade

• Sales through affiliates (Mode 3)
  – Covered sales of services and excluded goods and income
  – Covered nonbank majority-owned affiliates only
    • U.S. affiliates: Sales in the United States
    • Foreign affiliates: Sales to foreign persons

• Resident/nonresident trade (Modes 1, 2, and 4)
Compilation experiences

• India
  – Computer software and IT enabled services (outward)
  – Trade in banking services

• Vietnam
  – Inward FATS only
  – Majority of data collected via Annual Enterprise Survey, foreign affiliates identified via Establishment Census Survey
  – Good exports/imports sourced via matching with Customs records (tax number)
  – Imports/exports of services sourced via International Trade in Services Survey
Mode 3: Indian Computer and IT Enabled Services, Suppliers Abroad

8. Information on Number of Employees

<table>
<thead>
<tr>
<th>Employment</th>
<th>Indian Citizen</th>
<th>Foreigner (Citizens of other countries)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(1 + 2)</td>
</tr>
<tr>
<td>a) Indian Company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Subsidiary(s)/Associate(s) abroad</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total (a+b)</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

PART -D: Subsidiary/ Associate Abroad

9. Information on subsidiary(s)/ associate(s) abroad

If your company owns any subsidiary/associate, please give number of subsidiaries/ associates abroad and provide the following information for each subsidiary(s)/ associate(s) separately.

<table>
<thead>
<tr>
<th>Number of Subsidiaries/ Associates Abroad</th>
<th>Please Enter Number of Subsidiaries/ Associates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary(s)/ Associate(s)’s</td>
<td>Holding by your company (in %)</td>
</tr>
<tr>
<td>Name</td>
<td>Country Name</td>
</tr>
<tr>
<td>COUNTRY</td>
<td></td>
</tr>
<tr>
<td>COUNTRY</td>
<td></td>
</tr>
<tr>
<td>COUNTRY</td>
<td></td>
</tr>
</tbody>
</table>
Hong Kong Inward FATS

• Data of establishments collected through the Programme of Annual Economic Surveys
• Information on the source of investment obtained from the Survey of External Claims, Liabilities and Income used for identifying majority owned foreign affiliates
• Many variables collected
B. 擁有權的類別 (請選適當方格) (見附註 B)
Type of Ownership (please ✓ appropriate box) (See note B)

<table>
<thead>
<tr>
<th></th>
<th>上市有限公司</th>
<th>私人有限公司</th>
<th>獨資經營</th>
<th>其他 (請註明)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Limited company, listed</td>
<td>Limited company, private</td>
<td>Sole proprietorship</td>
<td>Others (please specify)</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>合夥經營</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

C. 投資來源 (見附註 C)
Origin of Investment (See note C)

<table>
<thead>
<tr>
<th>香港</th>
<th>HK</th>
</tr>
</thead>
<tbody>
<tr>
<td>國內</td>
<td>The mainland of China</td>
</tr>
<tr>
<td>或其他國家/地區 (請註明)</td>
<td>Or other countries/territories (please specify)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

若來自香港以外某一國家/地區的投資持股量超過百分之五十，
當中是否有單一投資者擁有超過百分之五十的股權？
(如有，請註明其持股量百分比。)
If investment from a country/territory outside Hong Kong constitutes more than 50% of share holding, is there a single investor holding more than 50% share?
(If yes, please indicate the percentage of share holding.)
J. 销售价值（不包括离岸贸易所得的收益，即不包括运入香港或由香港输出而由来源地支付予在本港以外的买家的货物）（见附注J）

**Value of Sales of Goods** (excluding receipts realized from offshore trade, i.e. trading of goods which are not imported into and exported from Hong Kong) (See note J)

### Breakdowns for value of sales of goods

<table>
<thead>
<tr>
<th>Item</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. 銷貨業務</td>
<td>Wholesale sales</td>
</tr>
<tr>
<td>b. 零售業務</td>
<td>Retail sales</td>
</tr>
<tr>
<td>c. 出口業務</td>
<td>Export sales</td>
</tr>
<tr>
<td>(i) 源地品出口</td>
<td>Domestic exports</td>
</tr>
<tr>
<td>(ii) 轉口貨品</td>
<td>Re-exports</td>
</tr>
</tbody>
</table>

K. 其他收益（见附注K）

**Other Receipts** (See note K)

<table>
<thead>
<tr>
<th>Item</th>
<th>HK$</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. 服務收益（包括進行離岸貿易而得的毛利率以及進行商品服務而得的現金及其他服務收益）</td>
<td></td>
</tr>
<tr>
<td>Receipts for services rendered (including gross margin realized from offshore trade, commissions received from rendering merchandising services and other service receipts)</td>
<td></td>
</tr>
<tr>
<td>b. 房屋地產的租金收入和收益</td>
<td>Rental income from letting land and premises</td>
</tr>
</tbody>
</table>