

Foreign Affiliates Statistics (FATS)

FATS, WHAT AND WHY, CONCEPTS AND METHODOLOGY, COMPILATION

WHY?

Inward FATS: activities of foreign-controlled resident enterprises

- Enterprises are surveyed about their own activities

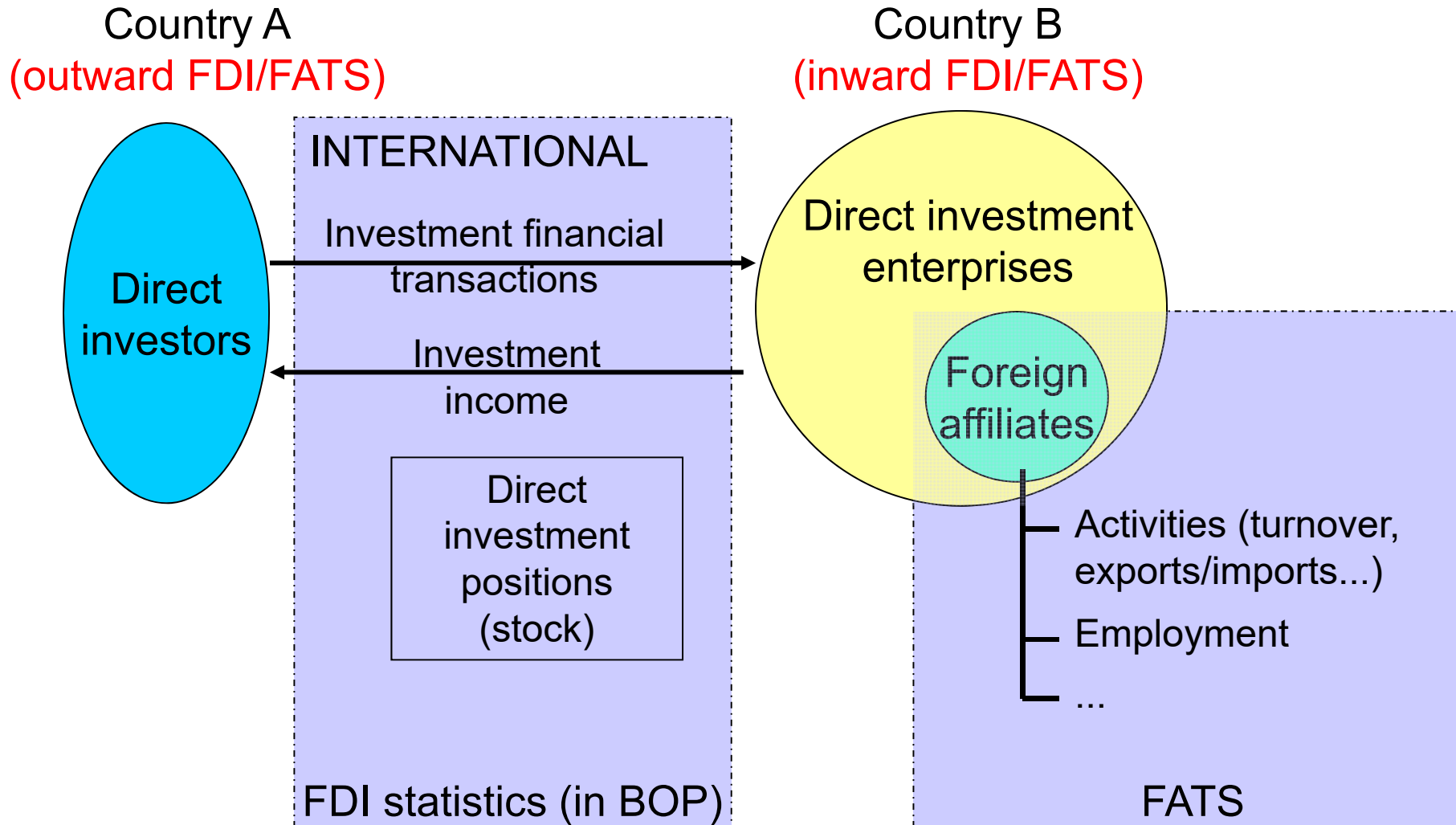
=> **statistical unit = reporting unit**

Outward FATS: activities of affiliates controlled by resident enterprises

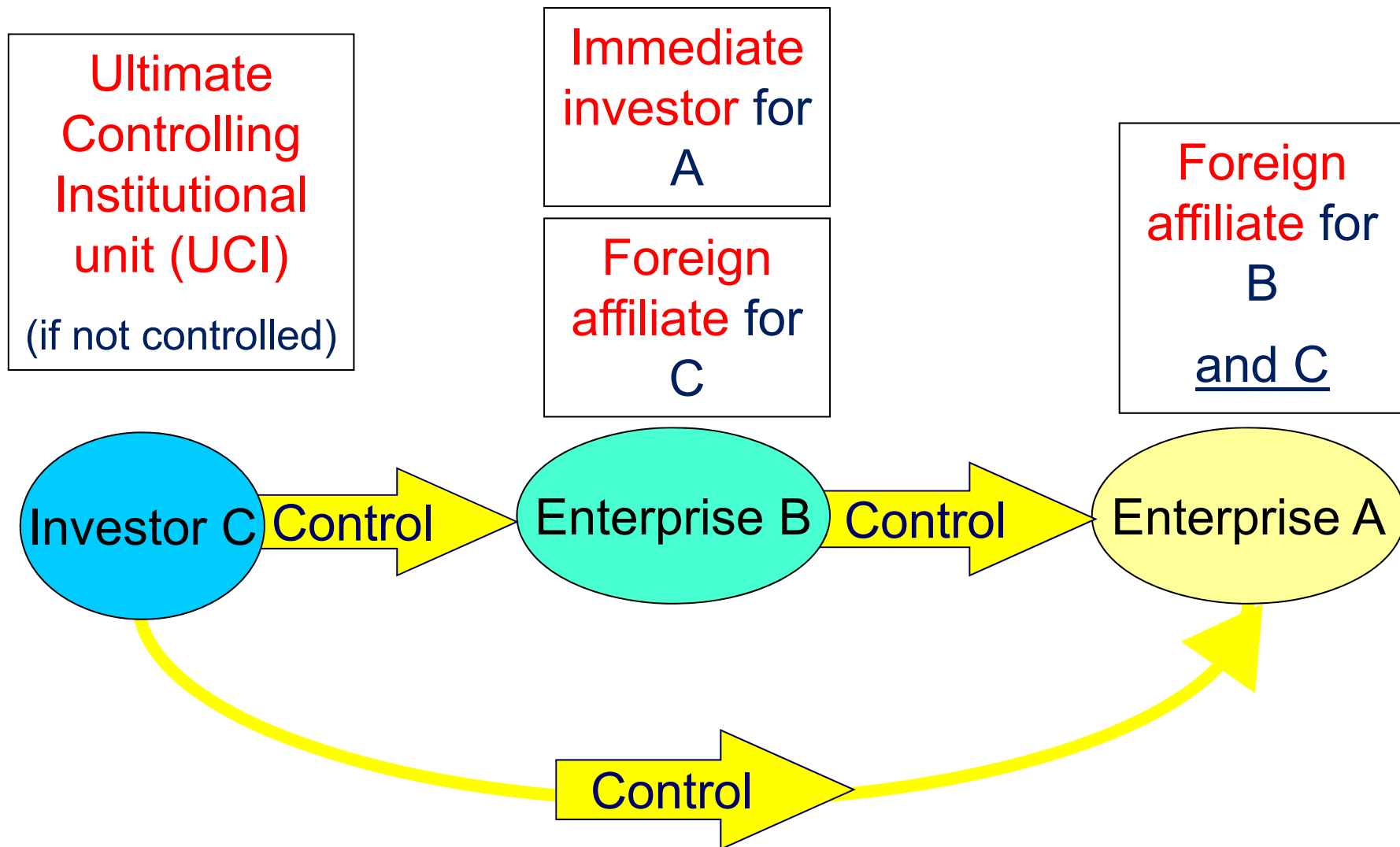
- Enterprises are surveyed about the activities of other enterprises

=> **statistical unit ≠ reporting unit**

FDI Statistics and FATS



« Control »: an essential concept



FATS – compilation issues (1/2)

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

- 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?

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!**



- **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 Rev.1



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

ICFA Rev.1 (continued)



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

ICFA Rev.1 (continued)



IC

ICFA headings/elements

ISIC Rev. 4 code

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

Section I

div. 55

div. 56

Section J

div. 58

group 581

group 582

div. 59

div. 60

div. 61

div. 62

class 6201

class 6202

class 6209

div. 63

group 631

group 639

class 6391

class 6399

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

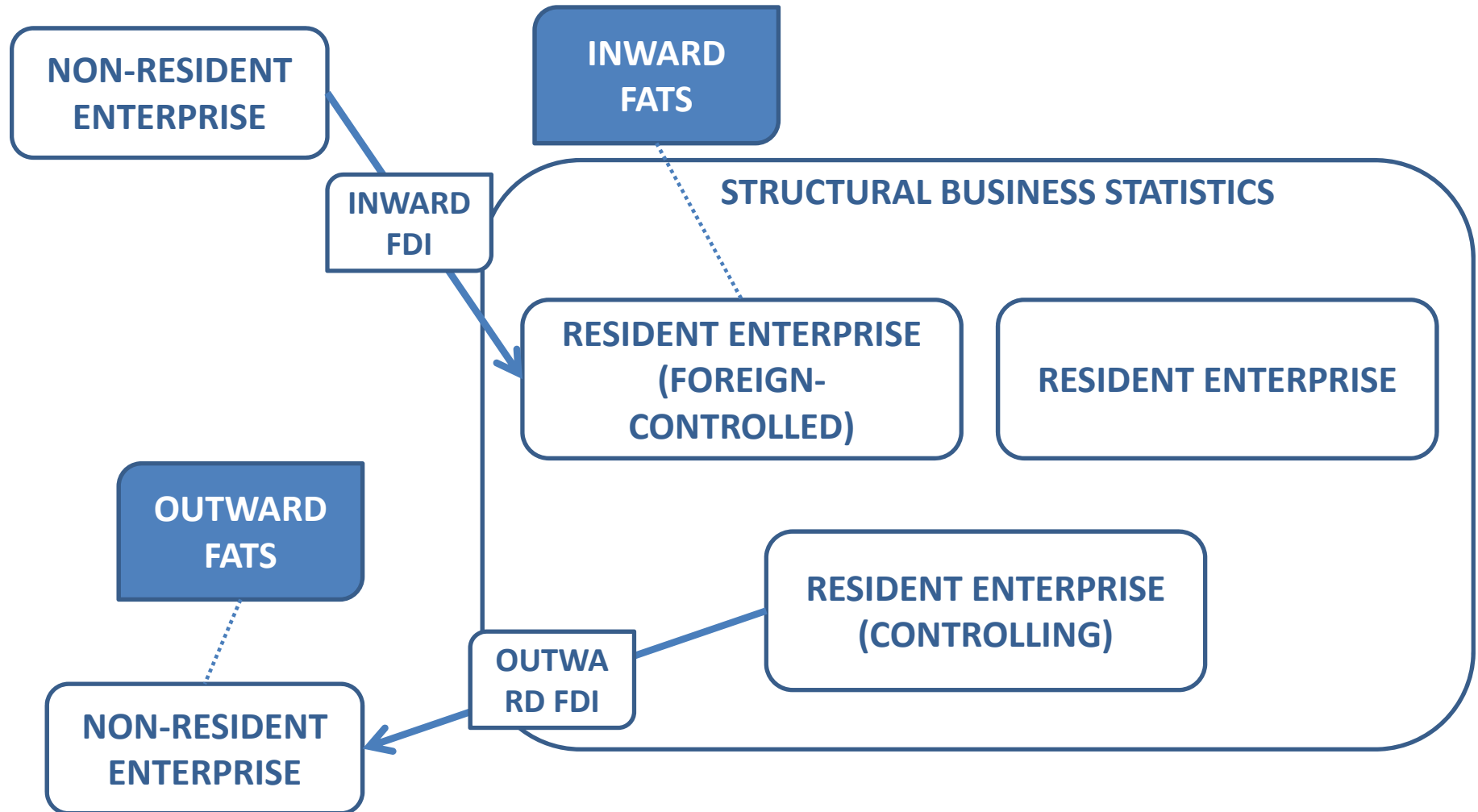
Two approaches for data collection

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



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

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

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)

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

USA Inward FDI Questionnaire

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.

		Bil.	Mil.	Thous.	Dols.
45. TOTAL SALES OR GROSS OPERATING REVENUES, EXCLUDING SALES TAXES — Equals item 35, and also sum of items 46 through 48	2243	1			000
46. Sales of Goods	2244	1			000
47. Investment income included in gross operating revenues. Include ALL interest and dividends generated by finance and insurance subsidiaries or units.	2245	1			000
48. Sales of Services, Total — Sum of items 49 and 50	2246	1			000
49. To U.S. persons or entities	2247	1			000
50. To foreign persons	2257	1			000

USA Outward FDI Questionnaire

Part II — FINANCIAL AND OPERATING DATA OF MAJORITY-OWNED FOREIGN AFFILIATE — Continued

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.**

47. Sales or gross operating revenues, excluding sales taxes a. Column (1) equals item 34. b. Each column of line 47 equals the sum of items 48, 49 and 50.	TOTAL Column (1) equals the sum of columns (2) through (7) (1) Bil. Mil. Thous. Dols.		Local sales		Sales to U.S.		Sales to other countries	
			To other foreign affiliates of the U.S. Reporter(s)	To unaffiliated customers	To U.S. Reporter(s)	To unaffiliated customers	To other foreign affiliates of the U.S. Reporter(s)	To unaffiliated customers
			(2)	(3)	(4)	(5)	(6)	(7)
2054	\$		\$	\$	\$	\$	\$	\$
• BY TYPE								
48. Sales of goods 2055								
49. Sales of services 2056								
50. Investment income 2057								

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							
Employment		Indian Citizen	Foreigner (Citizens of other countries)	Total			
		(1)	(2)	(1+2)			
a) Indian Company				0			
b) Subsidiary(s)/Associate(s) abroad				0			
Total (a+b)		0	0	0			
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.							
Number of Subsidiaries/ Associates Abroad				Please Enter Number of Subsidiaries/ Associates			
Subsidiary(s)/ Associate(s)'s		Holding by your company (in %)	Period of operation (in years & months)	Total software/IT services rendered by the Subsidiary(s)/ Associate(s) during the reference period (in Rupees)			
Name	Country Name			locally	to India	to other Countries	Total
	COUNTRY						0
	COUNTRY						0
	COUNTRY						0

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

Hong Kong Inward FATS in Annual Economic Survey (1/2)

2008 to 31 March 2009.)

B. 擁有權的類別 (請✓適當方格) (見附註B)

Type of Ownership (please ✓ appropriate box) (See note B)

1 上市有限公司
Limited company, listed

2 私人有限公司
Limited company, private

3 獨資經營
Sole proprietorship

4 合夥經營
Partnership

5 其他 (請註明)
Others (please specify) : _____

C. 投資來源 (見附註C)

Origin of Investment (See note C)

香港
Hong Kong

國內
The mainland of China

或其他國家/地區 (請註明)
Or other countries/territories
(please specify) _____

Month Year Month Year

持股量百分比
Percentage of share holding

共計
Total 1 0 0 %

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.)

1 是
Yes, 持股量百分比
Percentage of share holding

2 否
No

3 不適用
Not applicable

Hong Kong Inward FATS in Annual Economic Survey (2/2)

J. 銷貨價值 (不包括離岸貿易所得的收益, 即不經運入香港或非由香港輸出而由來源地付運予在本港以外的買家的貨品)(見附註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)

— 銷貨價值的細目
Breakdowns for value of sales of goods

- a. 批發銷售
Wholesale sales
- b. 零售銷售
Retail sales
- c. 出口銷售
Export sales
 - (i) 本港產品出口
Domestic exports
 - (ii) 轉口貨品
Re-exports

	%
共計 Total	1 0 0 %

K. 其他收益 (見附註K)
Other Receipts (See note K)

a. 服務收益(包括進行離岸貿易而得的毛利總額、進行商品服務而得的佣金及其他服務收益)

Receipts for services rendered (including **gross margin** realized from offshore trade, commissions received from rendering merchandising services and other service receipts)

b. 房地產的租金或分租收入
Rental income from letting/subletting land and premises

港元
HK\$