



ECONOMIC ACTIVITY OF AUSTRALIAN MAJORITY OWNED BUSINESSES LOCATED IN CANADA, THE EUROPEAN UNION, NEW ZEALAND AND THE UNITED STATES

Australian majority owned businesses in Canada, the EU, New Zealand and the United States are an important vehicle for Australian companies to provide goods and services to the world, with sales valued at around \$150 billion in aggregate, almost triple the value of direct exports from Australia to these economies.

The growth in the provision of goods and services to Canada, the EU and the United States economies between 2002-03 and 2014 has been mainly due to the growth in sales by these Australian foreign affiliates rather than growth in exports. While sales by Australian foreign affiliates to New Zealand declined over the period they still accounted for around two-thirds of the total provision of Australian goods and services to New Zealand.

Introduction

Australia has a significant direct investment presence abroad, with the stock of investment valued at \$554.9 billion at the end of 2016. However, there are no current Australian statistics on the characteristics of these businesses. A previous study by the Australian Bureau of Statistics (ABS) for 2002-03 found that 641 Australian enterprises had 4,012 foreign businesses located overseas (with greater than 50 per cent Australian ownership). These businesses had sales of goods and services valued at \$142.3 billion and employed 321,924 persons¹. The report also showed that almost half (48 per cent) of Australia's goods and services provided to the world were supplied via their affiliates abroad.

Austrade published a paper on *Overseas investment of Australian companies* using the IBIS World Top 2000 Company database². This analysis found that over one third (727 Australian companies) of Australia's top 2000 companies held direct investment abroad (with at least 10 per cent or more ownership) in a total of 8,172 foreign companies in 2016. The top 5 locations of foreign affiliates of Australian companies, in terms of numbers of affiliates were New Zealand, the United States, the United Kingdom, Singapore and Malaysia.

However, the IBIS World database does not contain information on the economic performance of these affiliates abroad such as sales, assets, industry value added and employment. Partner country data (or mirror statistics) can be used to compile some more up to date economic indicators on Australian owned businesses abroad. This information is collected through Foreign Affiliates Trade Statistics (FATS). FATS covers both foreign owned business in the host economy (or inwards FATS) and the host countries business located abroad (or outwards FATS). However, coverage is an issue with only a small number of countries collecting comprehensive FATS. In addition, the data tends to be a few years old as it takes time to collect and compile the data.

Inwards FATS compiled by Canada, the European Union and the United States for 2014 and New Zealand for 2012 does have information on Australian majority owned companies³. Together these countries accounted

¹ ABS catalogue number 5495.0 – Australian Outward Foreign affiliates trade, 2002-03. A more recent study for the financial & insurance services sector only was funded by DFAT for 2009-10 (Australian outward finance and insurance foreign affiliate trade 2009-10 (ABS catalogue no. 5485.0).

² Austrade Overseas investment of Australian companies, Trade and investment note, September 2017.

³ FATS data is not collected by most countries at the level in which Australia can be identified, consequently in this article inwards FATS data is identified where it is reported. The amount of information available varies across countries, with the United States having the most detailed FATS collection.

for over half (53.7 per cent) of the stock of Australian direct investment abroad in 2016, valued at \$298.0 billion⁴.

Australian majority owned businesses in Canada

The stock of Australian direct investment in Canada was valued at \$7.6 billion in 2016 (1.4 per cent share of Australian direct investment abroad).

Australian majority owned affiliates in Canada had sales of goods and services valued at \$9.2 billion compared to Australian exports to Canada valued at \$2.1 billion in 2014 – refer to **Table 1**. Total assets of these Australian affiliates was valued at \$30.1 billion at the end of 2014. Australian majority owned business in Canada employed 20,436 persons in 2014.

Table 1: Summary indicators of Australian majority owned affiliates in Canada (a)

Indicator	Unit	2012	2013	2014
Australian investment in Canada	A\$m	np	28,351	12,115
Share of total direct investment	%	..	5.5	2.2
No. of affiliates	No.	na	na	na
No. of enterprises	No.	na	na	na
Total assets	A\$m	28,311	31,546	30,068
Employment	000's	21.7	21.6	20.4
Compensation of employees	A\$m	na	na	na
Industry value added	A\$m	na	na	na
Sales / Turnover	A\$m	7,781	8,640	9,244

(a) The data is based on the country of Ultimate Beneficial Ownership (UBO). na - not available np – not published.
Source: ABS and Statistics Canada.

Australian majority owned businesses in the European Union

Table 2: Summary indicators of Australian majority owned affiliates in the European Union (a)

Indicator	Unit	2012	2013	2014
Australian investment in EU	A\$m	90,827	96,447	108,352
Share of total direct investment	%	19.8	18.7	19.9
No. of affiliates	No.	na	na	na
No. of enterprises	No.	1,090	1,138	1,177
Total assets	A\$m	na	na	na
Employment	000's	80.0	79.8	83.0
Compensation of employees	A\$m	na	na	na
Industry value added	A\$m	13,015	12,319	15,182
Sales / Turnover	A\$m	37,037	40,220	46,759

(a) All industries except public administration, defence and compulsory social security. na - not available.
Source: ABS and Eurostat.

The stock of Australian direct investment in the European Union 28 (EU) was valued at \$104.9 billion in 2016 (18.9 per cent share of Australian direct investment abroad).

Australia had 1,177 majority owned enterprises in the EU in 2014 – refer to **Table 2**. The industry value added by these Australian affiliates contributed \$15.2 billion to the EU economy in 2014. These affiliates had

⁴ Direct investment covers affiliates with 10 per cent or more ownership by the country. Majority owned FATS covers affiliates with 50 per cent or more ownership.

sales of goods and services valued at \$46.8 billion in 2014, compared to Australian exports to the EU valued at \$22.2 billion. Australian majority owned business in the EU employed 83,025 persons in 2014.

Only selected industry data is published by Eurostat for Australian majority owned enterprises in the EU, covering the manufacturing and services sector only – refer to **Table 3**. It shows that 45 per cent of sales by Australian affiliates in the EU were generated by affiliates in the *Manufacturing, Wholesale & retail trade* and *Professional, scientific & technical services* industries.

Table 3: Australian majority owned affiliates in the European Union by selected industry

Indicator	Unit	Selected Industries (2014)				
		Manufacturing	Wholesale & retail trade	Information & communication	Financial & insurance services	Professional & technical services
No. of enterprises	No.	150	266	138	np	189
Employment	000's	19.4	10.6	np	np	6.2
Industry value added	A\$m	2,618	913	2,944	np	1,237
Sales / Turnover	A\$m	9,785	8,812	np	np	2,410

np - not published.
Source: Eurostat.

Australian affiliates in the EU were mainly located in the United Kingdom (483 enterprises), followed by Germany (91 enterprises) and the Netherlands (60 enterprises) – refer to **Table 4**. In terms of sales/turnover, the United Kingdom had sales valued at \$24.2 billion (compared to Australian exports of \$8.4 billion in the same period), Italy \$5.5 billion (exports \$1.2 billion), Germany \$5.4 billion (exports of \$2.9 billion) and France \$1.9 billion (exports \$1.9 billion).

Table 4: Australian majority owned affiliates in the European Union by major European country

Indicator	Unit	2014				
		France	Germany	Italy	Netherlands	UK
No. of enterprises	No.	55	91	57	60	483
Employment	000's	4.4	8.2	6.2	np	44.1
Compensation of employees	A\$m	379	777	536	139	3,117
Industry value added	A\$m	405	1,704	795	196	9,693
Sales / Turnover	A\$m	1,907	5,416	5,461	841	24,165

np – not published.
Source: Eurostat.

Australian majority owned businesses in New Zealand⁵

The stock of Australian direct investment in New Zealand was valued at \$66.6 billion in 2016 (12.0 per cent share of Australian direct investment abroad).

In 2012, Australian had 2,545 affiliated enterprises in New Zealand with total assets valued at \$475.0 billion – refer to **Table 5**. The industry value added by these affiliates contributed \$13.3 billion to the New Zealand economy in 2012 and employed 137,900 persons. The affiliates had sales of goods and services in New Zealand valued at \$27.1 billion compared to Australian exports to New Zealand valued at \$10.9 billion in 2012.

⁵ New Zealand has only conducted an inwards foreign affiliates survey in 2005 and 2012.

Australian foreign affiliates in New Zealand accounted for 38 per cent of the total number of foreign affiliates in New Zealand (6,667), around 45 per cent of total sales and total value added but nearly 80 per cent of total assets.

Table 5: Summary indicators of Australian majority owned businesses in New Zealand

Indicator	Unit	2012	2013	2014
Australian direct investment in New Zealand	A\$m	44,141	44,691	60,204
Share of total direct investment	%	9.6	9.3	11.1
No. of affiliates	No.	na	na	na
No. of enterprises	No.	2,545	na	na
Total assets	A\$m	475,011	na	na
Employment	000's	137.9	na	na
Compensation of employees	A\$m	na	na	na
Industry value added	A\$m	13,250	na	na
Sales / Turnover	A\$m	27,143	na	na

na - not available.

Source: ABS and Statistics NZ.

Australian majority owned businesses in the United States

The stock of Australian direct investment in the United States was valued at \$118.9 billion in 2016 (21.4 per cent share of Australian direct investment abroad).

Australia had 114 majority owned affiliates⁶ in the United States in 2014 covering 1,184 enterprises⁷ – refer to **Table 6**. These affiliates had total assets in the United States of \$347.7 billion. The industry value added by these affiliates contributed \$20.7 billion to the United States economy in 2014.

Table 6: Summary indicators of Australian majority owned businesses in the United States (a)

Indicator	Unit	2012	2013	2014
Australian direct investment in the US	A\$m	105,344	124,540	132,678
Share of total direct investment	%	23.0	24.2	24.4
No. of affiliates (b)	No.	114	116	114
No. of enterprises	No.	1,220	1,169	1,184
Total assets	A\$m	261,341	305,580	347,693
Employment	000's	91.3	94.9	94.8
Compensation of employees	A\$m	8,066	8,475	9,322
Industry value added	A\$m	15,090	16,389	20,745
Sales / Turnover	A\$m	54,742	60,062	67,223

(a) The data is based on the country of Ultimate Beneficial Ownership (UBO). (b) The number of affiliates with assets, sales, or net income (+/-) greater than US\$25 million.

Source: ABS & US Bureau of Economic Analysis.

The affiliates had sales of goods and services in the United States valued at \$67.2 billion compared to Australian exports to the United States valued at \$18.6 billion. The affiliates employed 94,800 persons and paid wages and salaries (compensation of employees) valued at \$9.3 billion during 2014.

⁶ Majority owned includes all affiliates of which the United States owns 50 per cent or more equity in the affiliates.

⁷ The number of affiliates with assets, sales, or net income (+/-) greater than US\$25 million.

Only selected industry data is published by the US Bureau of Economic Analysis for Australian majority owned enterprises in the United States, covering the manufacturing and services sector only - refer to **Table 7**. It shows that around 62 per cent of sales by Australian affiliates in the United States were generated by affiliates in the *Manufacturing* and *Financial & Insurance* industries.

Table 7: Australian majority owned businesses in the United States by selected industry (a)

Indicator	Unit	Selected Industries (2014)				
		Manufacturing	Wholesale & retail trade	Information & communication	Financial & insurance services	Professional & technical services
Total assets	A\$m	26,622	5,534	77	185,371	np
Employment	000's	32.9	1.9	np	10.7	10.0
Industry value added	A\$m	4,634	328	-2	3,191	2,187
Sales / Turnover	A\$m	21,729	2,285	101	19,651	4,792

(a) The data is based on the country of Ultimate Beneficial Ownership (UBO).
np - not published.

Source: US Bureau of Economic Analysis - Financial and Operating Data for U.S. Multinational Companies.

The United States also collects information on all non-majority Australian affiliates in the United States (affiliates with between 10 per cent and less than 50 per cent foreign ownership).

Australia had 38 minority owned affiliates covering 72 enterprises⁶ in the United States in 2014 – refer to **Table 8**. These minority owned enterprises had total assets in the United States of \$17.2 billion in 2014, sales of goods and services valued at \$8.0 billion and employed 7,800 persons.

Table 8: Summary indicators of all Australian affiliates in the United States (a)

Indicator	Unit	Indicators by level of ownership, 2014		
		Equity ownership of 10% to 50%	Equity ownership of greater than 50%	Total
No. of Affiliates	No.	38	114	152
No. of enterprises	No.	72	1,184	1,256
Total assets	A\$m	17,220	347,693	364,913
Employment	000's	7.8	94.8	102.6
Compensation of employees	A\$m	673	9,322	9,996
Industry value added	A\$m	na	20,745	na
Sales / Turnover	A\$m	8,000	67,223	75,223

(a) The data is based on the country of Ultimate Beneficial Ownership (UBO). (b) The number of affiliates with assets, sales, or net income (+/-) greater than US\$25 million.

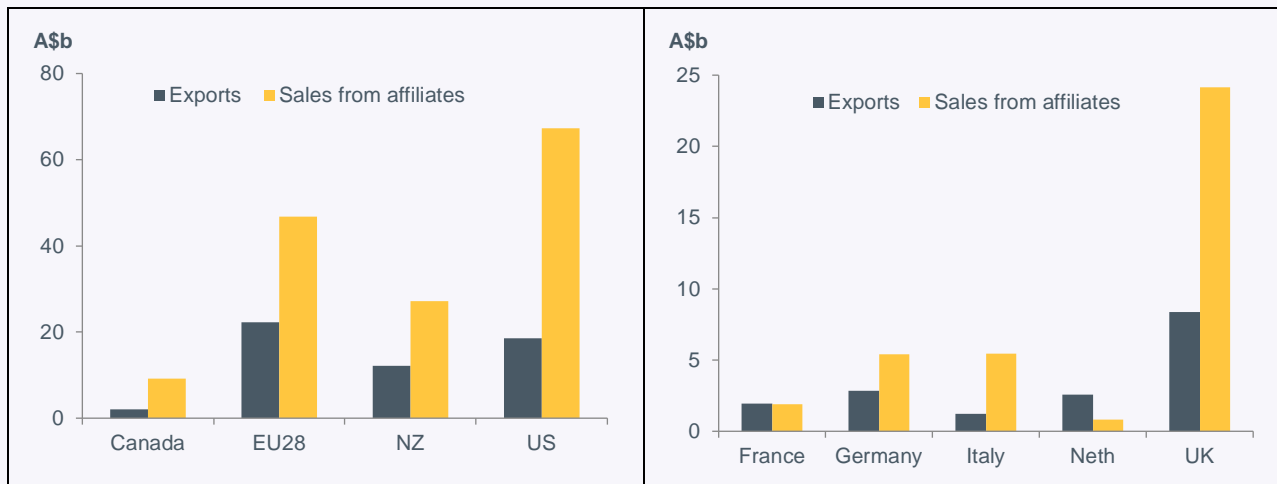
na - not available.

Source: US Bureau of Economic Analysis - Financial and Operating Data for U.S. Multinational Companies.

Conclusion

These indicators of Australian owned affiliates in Canada, the EU, New Zealand and the United States shows that Australian direct investment abroad is an important vehicle for Australian companies to provide goods and services to the world. The Australian affiliates in these economies had sales of goods and services valued in aggregate at around \$150 billion, almost triple the value of direct exports from Australia to these economies, i.e.\$55 billion – refer to **Chart 1**.

Chart 1: Australia's exports to Canada, the European Union, New Zealand and the United States compared to sales from Australian affiliates located in these economies (most recent period available)



Source: ABS, Statistics Canada, Eurostat, Statistics NZ & US Bureau of Economic Analysis

In addition, the combined growth in Australia's provision of goods and services to Canada, the EU, New Zealand and the United States between 2002-03 and 2014 has been almost entirely due to the growth in the sales of goods and services from Australia's foreign affiliates, while growth in exports to these economies has been significantly less – refer to *Table 9*. The growth in sales from the affiliates compared to exports is stronger for Canada, the EU and the United States; however for New Zealand sales from affiliates declined over the period – refer to *Chart 2*.

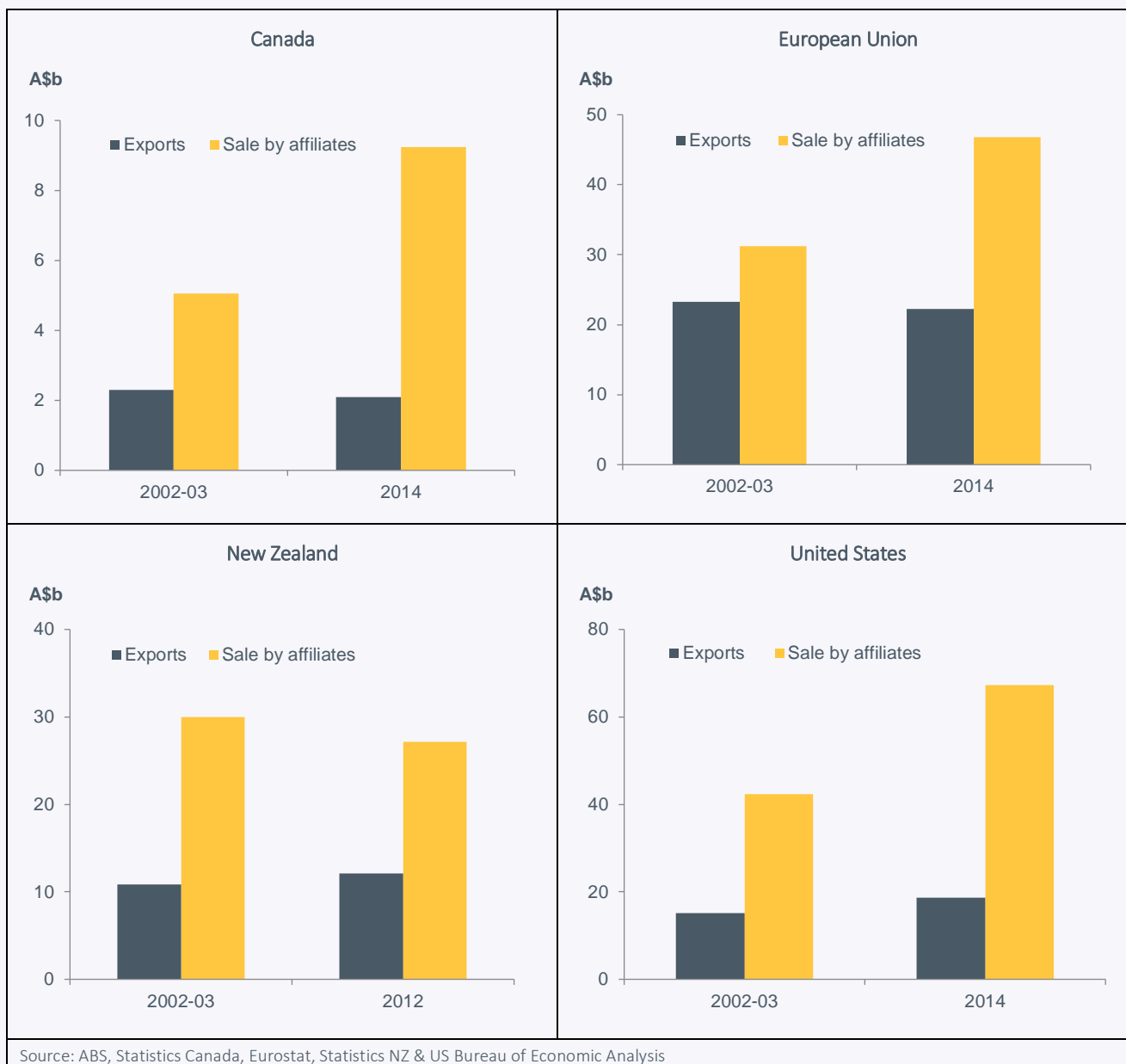
Table 9: Provision of goods and services to Canada, the European Union, New Zealand and the United States by Australia

	2002-03 A\$m	2014 A\$m	Growth	
			2002-03 to 2014 A\$m	%
Exports	51,494	55,022	3,528	6.9
Sales by affiliates (a) (b)	108,575	150,370	41,795	23.2
Total	160,069	205,392	45,323	15.8
Ratio (sale of affiliates/total) %	67.8	73.2	92.2	..

(a) EU for 2002-03 is all Europe. (b) For 2014 only NZ sales are for 2012.

Source: ABS, Statistics Canada, Eurostat, Statistics NZ & US Bureau of Economic Analysis.

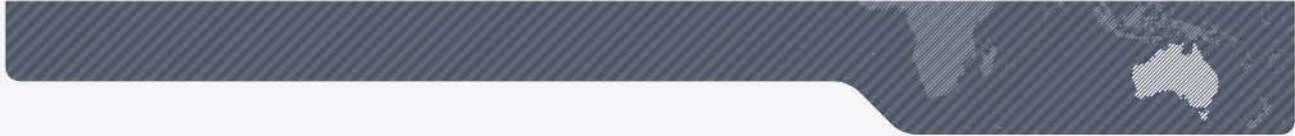
Chart 2: Australia's exports and sales by affiliates to Canada, European Union, New Zealand and the United States 2002-03 compared to most recent period available



More information

For more information on these statistics please refer to the following websites:

- ABS *Australian outward foreign affiliates trade 2002-03* (ABS catalogue 5495.0) – www.abs.gov.au
- ABS *Australian outward finance and insurance foreign affiliate trade 2009-10* (ABS catalogue 5485.0) – www.abs.gov.au
- Austrade *Overseas investment of Australian companies*, Trade and investment note, April 2015 - <http://www.austrade.gov.au/News/Economics-at-Austrade/overseas-investment-of-australian-companies>.

- 
- DFAT analytical articles on the result from the above ABS publications Australia's Outward Finance and Insurance Foreign Affiliates Trade in Services, 2009-10 and Australia's outwards foreign affiliates services trade: 2002-03 – <http://dfat.gov.au/about-us/publications/Pages/recent-trade-statistical-articles-and-information-papers.aspx>
 - Eurostat (<http://ec.europa.eu/eurostat>) – Foreign controlled EU affiliates – outwards FATS
 - Statistics Canada - Activities of foreign majority-owned affiliates in Canada - [The Daily — Activities of foreign majority-owned affiliates in Canada, 2014](#)
 - Statistics New Zealand – New Zealand's inward foreign affiliate statistics – www.stats.govt.nz/browse_for_stats/economic_indicators/balance_of_payments/nz-inward-fats.aspx
 - United States' Bureau of Economic Analysis (www.bea.gov) – data on the activities of U.S. majority owned affiliates.
-

Author: Frank Bingham
Office of Economic Analysis
Investment and Economic Division
statssection@dfat.gov.au

Published: October 2017