



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

Australian majority-owned businesses in Canada, the European Union (EU) and the United States are an important vehicle for Australian companies to provide goods and services to the world, with sales valued at around \$124 billion in aggregate, more than double 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 2015 has been mainly due to the growth in sales by these Australian foreign affiliates rather than growth in exports.

Introduction

Australia has a significant direct investment presence abroad, with the stock of investment valued at \$590.1 billion at the end of 2017. 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 by their affiliates abroad.

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 and the European Union for 2015 and the United States for 2016 does have information on Australian majority-owned companies². Together these economies accounted for nearly half (43.0 per cent) of the stock of Australian direct investment abroad in 2017, valued at \$253.8 billion³.

Australian majority-owned businesses in Canada

The stock of Australian direct investment in Canada was valued at \$8.8 billion in 2017 (1.5 per cent share of Australian direct investment abroad).

Australian majority-owned affiliates in Canada had sales of goods and services valued at \$9.3 billion compared to Australian exports to Canada valued at \$2.6 billion in 2015 – refer to **Table 1**. Total assets of these Australian affiliates was valued at \$26.7 billion at the end of 2015. Australian majority-owned business

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 Number 5485.0).

² 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.

³ 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.

in Canada employed 17,822 persons in 2015. Australian affiliates in Canada, exported \$1.5 billion in goods and services (or 16.7 per cent of total sales/turnover) in 2015 while also importing \$2.1 billion in goods and services.

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

Indicator	Unit	2013	2014	2015
Australian FDI in Canada (stock)	A\$m	28,350	12,116	7,895
Share of total direct investment	%	5.5	2.2	1.5
Number of affiliates	Number	na	na	na
Number of enterprises	Number	na	na	na
Total assets	A\$m	31,558	28,938	26,716
Employment	000's	21.6	20.4	17.8
Compensation of employees	A\$m	na	na	na
Industry value added	A\$m	na	na	na
Sales / Turnover	A\$m	8,642	9,173	9,265
Exports of goods and services	A\$m	1,910	2,738	1,548
Imports of goods and services	A\$m	5,601	4,612	2,085

(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	2013	2014	2015
Australian FDI in EU (stock)	A\$m	96,447	108,362	110,031
Share of total direct investment	%	18.7	19.9	20.7
Number of affiliates	Number	na	na	na
Number of enterprises	Number	1,138	1,177	1,233
Total assets	A\$m	na	na	na
Employment	000's	79.8	83.0	74.4
Compensation of employees	A\$m	na	na	na
Industry value added	A\$m	12,319	15,182	17,955
Sales / Turnover	A\$m	40,220	46,759	48,308
Exports of goods and services	A\$m	na	na	na
Imports of goods and services	A\$m	na	na	na

(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 \$117.8 billion in 2017 (19.9 per cent share of Australian direct investment abroad).

Australia had 1,233 majority-owned enterprises in the EU in 2015 – refer to **Table 2**. The industry value added by these Australian affiliates contributed \$18.0 billion to the EU economy in 2015. These affiliates had sales of goods and services valued at \$48.3 billion in 2015, compared to Australian exports to the EU valued at \$24.8 billion. Australian majority-owned business in the EU employed 74,423 persons in 2015.

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 58.3 per cent of sales by Australian affiliates in the EU were generated by affiliates in the *Manufacturing, Wholesale & retail trade, Information & communication* and *Professional, scientific & technical services* industries.

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

Indicator	Unit	Selected Industries (2015)				
		Manufacturing	Wholesale & retail trade	Information & communication	Financial & insurance services	Professional & technical services
Number of enterprises	Number	156	286	147	np	230
Employment	000's	18.8	9.3	6.3	np	7.0
Industry value added	A\$m	3,107	1,084	2,070	np	966
Sales / Turnover	A\$m	11,154	8,029	6,459	np	2,505

np - not published.
Source: Eurostat.

Australian affiliates in the EU were mainly located in the United Kingdom (533 enterprises), followed by Germany (114 enterprises) and the Netherlands (63 enterprises) – refer to **Table 4**. In terms of sales/turnover, the United Kingdom had sales valued at \$27.8 billion (compared to Australian exports of \$9.4 billion in the same period), Germany \$6.3 billion (exports of \$3.3 billion) and Italy \$5.3 billion (exports \$1.4 billion)

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

Indicator	Unit	2015				
		France	Germany	Italy	Netherlands	UK
Number of enterprises	Number	47	114	53	63	533
Employment	000's	3.6	8.5	6.1	np	40.6
Compensation of employees	A\$m	379	889	528	np	3,619
Industry value added	A\$m	np	1,869	774	np	12,662
Sales / Turnover	A\$m	np	6,255	5,287	np	27,800

np – not published.
Source: Eurostat.

Australian majority-owned businesses in the United States

The stock of Australian direct investment in the United States was valued at \$127.3 billion in 2017 (21.6 per cent share of Australian direct investment abroad).

Australia had 98 majority-owned affiliates⁴ in the United States in 2016 covering 977 enterprises⁵ – refer to **Table 5**. These affiliates had total assets in the United States of \$329.5 billion. The industry value added by these affiliates contributed \$15.4 billion to the United States economy in 2016.

The affiliates had sales of goods and services in the United States valued at \$61.5 billion compared to Australian exports to the United States valued at \$20.6 billion. The affiliates employed 74,300 persons and paid wages and salaries (compensation of employees) valued at \$10.0 billion during 2016.

Australian affiliates in the United States exported \$5.2 billion in goods and services (or 8.5 per cent of total sales/turnover) in 2016 while also importing \$3.9 billion in goods.

⁴ Majority-owned includes all affiliates of which the United States owns 50 per cent or more equity in the affiliates.

⁵ The number of affiliates with assets, sales, or net income (+/-) greater than US\$25 million.

Table 5: Summary indicators of Australian majority-owned businesses in the United States (a)

Indicator	Unit	2014	2015	2016
Australian FDI in the US (stock)	A\$m	132,734	106,750	117,749
Share of total direct investment	%	24.4	20.1	21.2
Number of affiliates (b)	Number	114	103	98
Number of enterprises	Number	1,184	1,006	977
Total assets	A\$m	338,170	319,347	329,522
Employment	000's	94.5	74.3	74.3
Compensation of employees	A\$m	9,291	10,050	10,034
Industry value added	A\$m	19,441	21,089	15,389
Sales / Turnover	A\$m	62,586	66,312	61,511
Exports of goods and services	A\$m	6,174	5,919	5,204
Imports of goods and services (c)	A\$m	3,254	3,811	3,874

(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. (c) Goods only. Service imports not available.
Source: ABS & US Bureau of Economic Analysis.

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 6**. It shows that around 63 per cent of sales by Australian affiliates in the United States were generated by affiliates in the *Manufacturing and Financial & Insurance* industries.

Table 6: Australian majority-owned businesses in the United States by selected industry (a)

Indicator	Unit	Selected Industries (2016)				
		Manufacturing	Real estate & rental	Information & communication	Financial & insurance services	Professional & technical services
Total assets	A\$m	31,639	17,807	108	177,124	np
Employment	000's	33.5	2.6	np	7.6	8.7
Industry value added	A\$m	6,346	1,066	21	1,099	2,091
Sales / Turnover	A\$m	23,831	3,608	83	14,643	5,068

(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 28 minority owned affiliates covering 65 enterprises⁶ in the United States in 2016 – refer to **Table 7**. These minority owned enterprises had total assets in the United States of \$15.8 billion in 2014, (data for 2015 & 2016 was not published by US Bureau of Economic Analysis) sales of goods and services valued at \$10.4 billion in 2016 and employed 7,500 persons in 2016.

⁶ The number of affiliates with assets, sales, or net income (+/-) greater than US\$25 million.

Table 7: Summary indicators of all Australian affiliates in the United States (a)

Indicator	Unit	Indicators by level of ownership, 2016		
		Equity ownership of 10% to 50%	Equity ownership of greater than 50%	Total
Number of affiliates (b)	Number	28	98	126
Number of enterprises	Number	65	977	1,042
Total assets	A\$m	np	329,522	np
Employment	000's	7.5	74.3	81.8
Compensation of employees	A\$m	761	10,034	10,794
Industry value added	A\$m	na	15,389	na
Sales / Turnover	A\$m	10,362	61,511	71,873

(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.

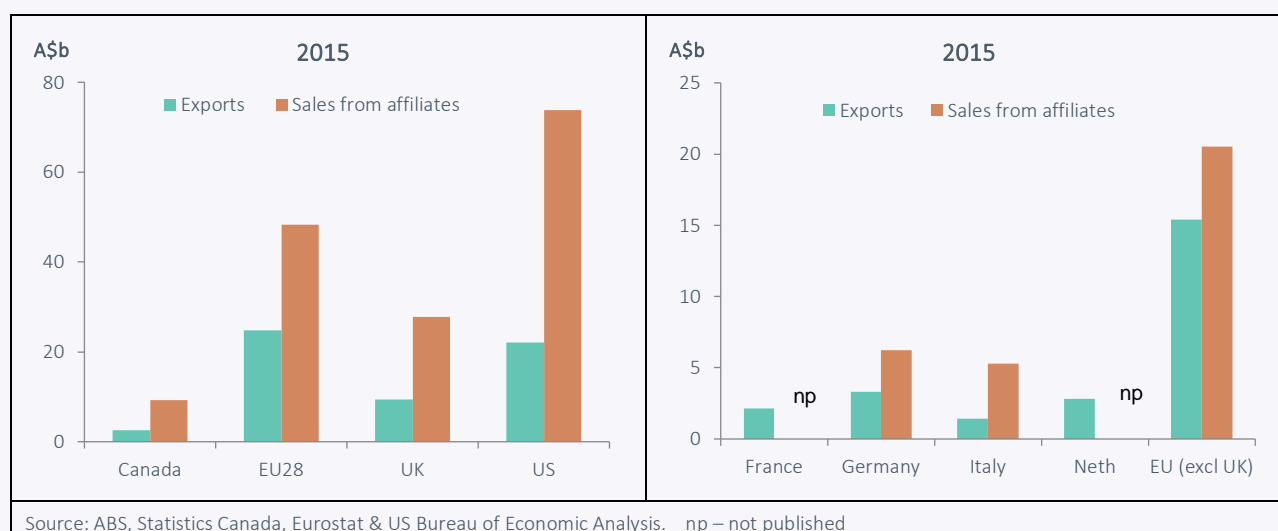
na - not available. np – not published.

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, 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 \$124 billion, more than double the value of direct exports from Australia to these economies, i.e. \$49.4 billion – refer to *Chart 1*.

Chart 1: Australia's exports to Canada, the European Union (and selected members) and the United States compared to sales from Australian affiliates located in these economies (2015)



In addition, the combined growth in Australia's provision of goods and services to Canada, the EU, and the United States between 2002-03 and 2015 has been dominated by 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 8* and *Chart 2*.

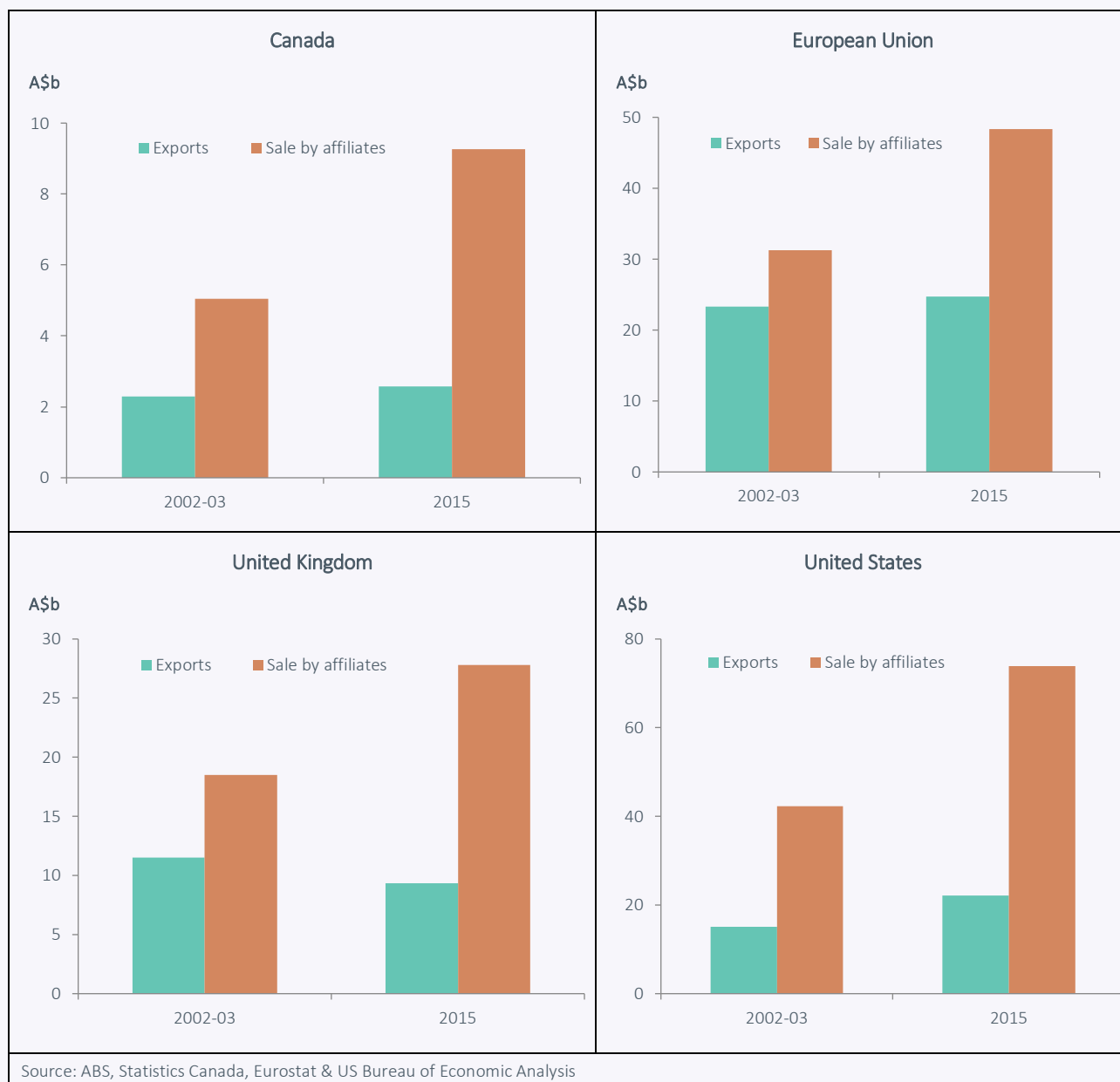
Table 8: Provision of goods and services to Canada, the European Union, New Zealand and the United States by Australia

	2002-03 A\$m	2015 A\$m	Growth	
			2002-03 to 2015	
			A\$m	%
Exports	40,658	49,428	8,770	21.6
Sales by affiliates (a)	78,563	123,885	45,322	57.7
Total	119,221	173,313	54,092	45.4
<i>Ratio (sale of affiliates) %</i>	65.9	71.5	83.8	..

(a) EU for 2002-03 is all Europe.

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

Chart 2: Australia's exports and sales by affiliates to Canada, European Union, United Kingdom and the United States 2002-03 compared to 2015





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
- 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, 2015](#)
- United States' Bureau of Economic Analysis (www.bea.gov) – data on the activities of U.S. majority-owned affiliates.

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