



## ECONOMIC ACTIVITY OF MAJORITY FOREIGN OWNED BUSINESSES IN AUSTRALIA

*Direct investment in Australia makes a significant contribution to the Australian economy. According to IBIS World, around 37 per cent of Australia's top 2000 companies were foreign owned in 2014-15. These foreign owned firms had assets worth \$1.1 trillion in Australia, revenue valued at \$629.3 billion and employed close to 700,000 persons.*

*The European Union and the United States were the major sources for this investment with 45 per cent of the total stock of foreign direct investment in Australia, valued at \$331 billion in 2015.*

### Introduction

Foreign owned businesses make a significant contribution to the Australian economy. According to an Australian Bureau of Statistics (ABS) one-off study for 2000-01, foreign owned companies (with greater than 50 per cent foreign ownership) had industry value added worth \$78.1 billion, total operating income of \$289.1 billion and assets worth \$660.4 billion. In addition, foreign owned firms employed 783,300 persons<sup>1</sup>. This publication provided a comprehensive set of indicators on foreign owned firms in Australia by country of ownership and industry.

The ABS has not updated this study and as a result this information is now very much out of date. However there are a number of alternative sources that can be used to partially construct a more up to date picture of the contribution of foreign owned firms to the Australian economy.

### IBIS World Top 2000 company database

The IBIS World *Top 2000 Company database* provides current information on the characteristics of the major companies in Australia. Coverage includes all Australian companies with revenue over \$63 million per annum covering around 65 per cent of all company revenue in Australia<sup>2</sup>. The database identifies which of those companies are foreign or locally owned, which can be used to identify key indicators on these foreign owned affiliates in Australia.

In 2014-15, the database shows that 743 of the top 2,000 companies were foreign owned (or 37.2 per cent share). **Table 1** shows that these foreign owned companies in Australia had revenue of \$629.3 billion, assets of \$1.1 trillion and net profits after tax of \$10.6 billion. These companies also employed 696,700 persons. The majority of foreign owned firms were in the services sector, followed by manufacturing and mining (see **Chart 1**).

<sup>1</sup> ABS catalogue number 5494.0 - *Economic activity of foreign owned businesses in Australia, 2000-01*. All industries excluding agriculture, forestry & fishing.

<sup>2</sup> IBIS World - <http://www.ibisworld.com.au/about/default.aspx>. accessed May 2016. Please note that the quality of this analysis is subject to the accuracy and completeness of the data reported on the IBIS World database.

Table 1: Summary indicators of majority foreign owned affiliates in Australia  
Top 2000 companies with revenue over \$63 million, 2014-15 (a)

Indicator	Unit	Majority foreign owned	Locally owned	Total	Foreign owned % share
No. of companies	No.	743	1,257	2,000	37.2
<i>of which:</i>					
Agriculture	No.	6	20	26	23.1
Mining	No.	60	56	116	51.7
Manufacturing	No.	178	142	320	55.6
Services	No.	499	1,039	1,538	32.4
Total assets	A\$m	1,128,171	8,011,929	9,140,100	12.3
Employment	000's	696.7	2,656.6	3,353	20.8
Net profit after tax	A\$m	10,648	100,258	110,905	9.6
Revenue	A\$m	629,285	1,655,839	2,285,123	27.5

(a) The individual company reporting period for the top 2000 companies will vary over the 2014-15 year.

Source: IBIS World.

The IBIS world database also provides a detailed industry breakdown of foreign owned companies down to the 4 digit ANZSIC level<sup>3</sup>. **Annex A** provides a breakdown of these indicators for the foreign owned companies by main industry and sub-industry sector.

## Partner country statistics (or mirror statistics)

The IBIS World database does not provide information on the country of foreign ownership. However, partner countries' Foreign Affiliates Trade Statistics (FATS) can be used to provide information on foreign owned business in Australia by country of ownership. FATS cover's both foreign owned business in the host economy (or inwards FATS) and the host countries business located abroad (or outwards FATS).

However, only a small number of countries collect comprehensive FATS. In addition, the data tends to be a few years old as it takes time to collect and compile the data. Outwards FATS compiled by Canada, the European Union and the United States for 2013 does have information on their majority owned business in Australia<sup>4</sup>. These economies accounted for nearly half (48.5 per cent) of the total stock of direct investment in Australia in 2015, valued at \$357.0 billion<sup>5</sup>.

## Canadian majority owned businesses in Australia

The stock of Canadian direct investment in Australia was valued at \$25.9 billion in 2015 (3.5 per cent share of total direct investment). In 2013, Canadian affiliates held total assets in Australia valued at \$37.0 billion – refer to **Table 2**. These affiliates had sales/turnover valued at \$10.2 billion in 2013 compared to Australian imports from Canada valued at \$3.3 billion in the same year. Canadian affiliates in Australia employed 20,200 persons in 2013.

<sup>3</sup> Australian New Zealand Standard Industry Classification.

<sup>4</sup> FATS data is not collected by most countries at the level in which Australia can be identified. In this article outwards FATS data was available for these countries only. The amount of information available varies across countries, with the United States having the most detailed FATS collection.

<sup>5</sup> 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.

Chart 1: Summary indicators of majority foreign owned affiliates in Australia  
Top 2000 companies by broad industry sector

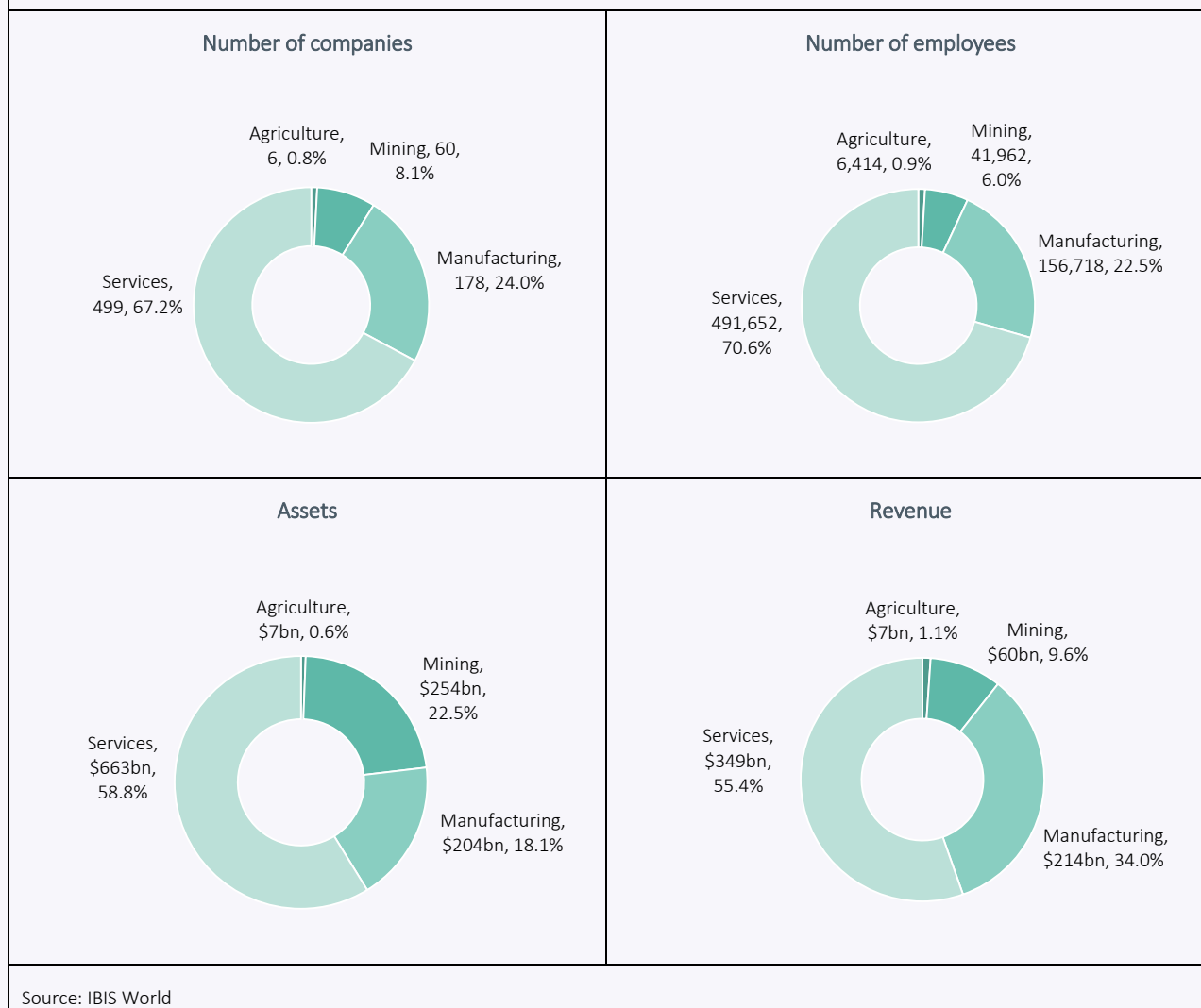


Table 2: Summary indicators of Canadian major owned affiliates in Australia

Indicator	Unit	2011	2012	2013
Canada direct investment in Australia	A\$m	18,990	20,973	16,946
Share of total direct investment	%	3.5	3.6	2.6
No. of affiliates	No.	na	na	na
No. of enterprises	No.	na	na	na
Total assets	A\$m	40,595	36,832	37,007
Employment	000's	22.6	23.1	20.2
Compensation of employees	A\$m	na	na	na
Industry value added	A\$m	na	na	na
Sales / Turnover	A\$m	11,475	10,653	10,222

na - not available.

Source: ABS and Statistics Canada.

## European Union majority owned businesses in Australia

The stock of European Union 28 (EU) direct investment in Australia was valued at \$157.6 billion in 2015 (21.4 per cent share of total direct investment).

The EU had 3,226 majority owned enterprises in Australia in 2013 – refer to *Table 3*. These affiliates had sales/turnover valued at \$226.2 billion in 2013 compared to Australian imports from the EU valued at \$60.2 billion. EU majority owned enterprises in Australia employed 391,300 persons in 2013.

**Table 3: Summary indicators of EU28 major owned affiliates in Australia (a)**

Indicator	Unit	2011	2012	2013
EU direct investment in Australia	A\$m	137,959	144,095	147,616
Share of total direct investment	%	25.2	24.4	23.0
No. of affiliates	No.	na	na	na
No. of enterprises	No.	3,274	3,401	3,226
Total assets	A\$m	na	na	na
Employment	000's	368.2	376.4	391.3
Compensation of employees	A\$m	na	na	na
Industry value added	A\$m	na	na	na
Sales / Turnover	A\$m	210,656	225,548	226,156

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

In 2013, EU's Australian affiliates in the mining industry had sales/turnover valued at \$42.7 billion, in the manufacturing industry (mainly in petroleum, chemical, pharmaceutical, rubber and plastic industries) valued at \$70.0 billion and in the services industries (mainly in construction, wholesale and retail trade and the finance and insurance industries) valued at \$108.4 billion. In terms of employment 39,200 were employed in the mining industry, 89,100 in the manufacturing industry and 253,900 in the services industries – refer to *Table 4*.

**Table 4: EU28 majority owned affiliates in Australia by industry**

Indicator	Unit	Industry (2013)				Total (b)
		Mining	Manufacturing	Services (a)	Other	
No. of enterprises	No.	np	640	2,111	np	3,226
Employment	000's	39.2	89.1	253.9	9.0	391.3
Sales / Turnover	A\$m	42,660	69,951	108,417	5,128	226,156

Indicator	Unit	Selected Services Industries (2013)				Professional and technical services
		Construction	Wholesale and retail	Information and communication	Finance and insurance	
No. of enterprises	No.	319	np	186	228	480
Employment	000's	68.2	52.3	13.3	22.0	21.4
Sales / Turnover	A\$m	22,779	28,980	3,767	13,376	4,319

(a) Services industries include construction but excludes public administration, defence, compulsory social security, activities of households as employers and extra-territorial organisations and bodies. (b) Except public administration, defence, compulsory social security.

na - not available, np - not published.

Source: Eurostat.

EU affiliates in Australia were dominated by the United Kingdom (with 1,232 enterprises in Australia), followed by Germany (632 enterprises) and France (594 enterprises). In terms of value of sales/turnover, the United Kingdom had sales/turnover valued at \$91.8 billion, Germany \$60.6 billion, and France \$25.3 billion in 2013 – refer to *Table 5*.

**Table 5: EU28 majority owned affiliates in Australia by major European country**

Indicator	Unit	2013				
		France	Germany	Italy	Netherlands	UK
No. of enterprises	No.	594	632	166	203	1,232
Employment	000's	59.4	110.0	14.9	17.0	152.1
Compensation of employees	A\$m	4,736	na	na	na	na
Sales / Turnover	A\$m	25,271	60,603	6,215	17,216	91,751

na - not available.  
Source: Eurostat.

## United States majority owned businesses in Australia

The stock of United States direct investment in Australia was valued at \$173.5 billion in 2015 (23.6 per cent share of total direct investment).

The United States had 842 majority owned foreign affiliates in Australia in 2013<sup>6</sup> – refer to *Table 6*. These affiliates had total assets in Australia of \$639.1 billion. The industry value added by these affiliates contributed \$48.3 billion to the Australian economy in 2013. The affiliates had sales of goods and services valued at \$189.7 billion compared to Australian imports from the United States valued at \$39.5 billion.

**Table 6: Summary indicators of United States' majority owned affiliates in Australia (a)**

Indicator	Unit	2011	2012	2013
US direct investment in Australia	A\$m	115,502	131,061	152,367
Share of total direct investment	%	21.1	22.2	23.8
No. of affiliates (b)	No.	800	816	842
No. of enterprises	No.	na	na	na
Total assets	A\$m	558,175	552,591	639,057
Employment	000's	305.5	308.1	309.7
Compensation of employees	A\$m	24,290	25,932	28,009
Industry value added	A\$m	55,579	55,009	48,349
Sales / Turnover	A\$m	171,163	178,037	189,745

(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: ABS and US Bureau of Economic Analysis.

<sup>6</sup> Majority-owned includes all affiliates of which the United States owns 50 per cent or more equity in the affiliates. The number of affiliates with assets, sales or net income (+/-) greater than US\$25 million. An affiliate may have a number of different enterprises in the economy as part of the group.

United States affiliates in Australia employed 309,700 persons and paid wages and salaries (compensation of employees) valued at \$28.0 billion during 2013. This equates to an average weekly wage of \$1,739 per employee compared to the average Australian weekly wage of \$1,491 in 2013<sup>7</sup>.

By industry, United States' affiliates in Australia in the agriculture industry had sales valued at \$661 million in 2013, in the mining industry valued at \$122.4 billion, in the manufacturing industry (mainly in food, chemicals, metal products and transport equipment industries) valued at \$59.7 billion and in the services industries (mainly in the professional, scientific, and technical services, wholesale and retail trade and the finance and insurance industries) valued at \$106.9 billion<sup>8</sup>.

In terms of employment, United States' affiliates in Australia employed 500 persons in the agriculture industry, 8,800 in the mining industry, 116,800 in the manufacturing industry and 183,600 in the services industries – refer to *Table 7*.

**Table 7: United States' majority owned affiliates in Australia by industry (a)**

Industry (2013)						
Indicator	Unit	Agriculture (b)	Mining	Manufacturing	Services	Total
No. of affiliates (c)	No.	np	np	np	np	842
Total assets	A\$m	722	143,652	65,617	429,066	639,057
Employment	000's	0.5	8.8	116.8	183.6	309.7
Compensation of employees	A\$m	69	1,612	8,060	18,268	28,009
Industry value added	A\$m	185	10,041	15,248	22,875	48,349
Sales / Turnover	A\$m	661	22,432	59,709	106,944	189,745

Selected Services Industries (2013)						
Indicator	Unit	Construction	Wholesale and retail	Information and communication	Finance and insurance	Professional and technical services
No. of affiliates (c)	No.	np	np	np	np	np
Total assets	A\$m	7,327	23,848	11,899	221,179	12,649
Employment	000's	np	19.8	19.2	18.2	31.0
Compensation of employees	A\$m	2,188	3,341	1,813	2,763	4,638
Industry value added	A\$m	3,322	8,354	-2,019	2,948	5,846
Sales / Turnover	A\$m	np	42,938	8,637	18,983	15,517

(a) The data is based on the country of Ultimate Beneficial Ownership (UBO). (b) Including forestry, fishing, and hunting. (c) 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.

The United States also collects information on all non-majority owned affiliates in Australia (affiliates with between 10 per cent and 50 per cent United States ownership).

<sup>7</sup> The United States compensation of employees series includes both wages and salaries plus supplements (such as bonuses). For the Australian data an equivalent series was used (ABS average weekly total earnings per person on full time ordinary earnings).

<sup>8</sup> The data is based on the country of Ultimate Beneficial Ownership (UBO). UBO refers to the country being the ultimate (or top) owner of the affiliate in the United States. For example, the United States would not be considered to be the UBO of a foreign-owned firm in Australia if the parent company of the affiliate in the United States was owned by a third party country.

The United States had 45 minority owned affiliates in Australia in 2013<sup>9</sup> – refer to **Table 8**. These minority owned affiliates had total assets in Australia of \$150.4 billion in 2013, sales of goods and services valued at \$45.8 billion and employed 47,500 persons.

**Table 8: Summary indicators of all United States' affiliates in Australia**

Indicator	Unit	2013		
		Equity ownership of 10% to 50%	Equity ownership of greater than 50%	Total
No. of affiliates (b)	No.	45	842	887
Total assets	A\$m	150,434	639,057	789,490
Employment	000's	47.5	309.7	357.2
Compensation of employees	A\$m	3,238	28,009	31,247
Industry value added	A\$m	na	48,349	na
Sales / Turnover	A\$m	45,801	189,745	235,546

(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.

## Conclusion

These partial indicators of foreign owned affiliates in Australia show that direct investment still makes a significant contribution to the Australian economy today, with the major foreign owned companies in Australia having assets around \$1.1 trillion, revenue in excess of \$600 billion and employing nearly 700,000 persons. The United States and the countries of the EU were the major sources of this investment.

## More information

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

- ABS *Economic activity of foreign owned businesses in Australia 2000-01* (Catalogue no. 5494.0) – [www.abs.gov.au](http://www.abs.gov.au)
- IBIS World 2000 database – <http://www.ibisworld.com.au/about/default.aspx>
- Eurostat (<http://ec.europa.eu/eurostat>) – Foreign affiliates of EU enterprises – outwards FATS
- Statistics Canada (<http://www.statcan.gc.ca/start-debut-eng.html>) – [Activities of Canadian majority-owned affiliates abroad](#)
- United States' Bureau of Economic Analysis ([www.bea.gov](http://www.bea.gov)) – data on the activities of U.S. multinational enterprises

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<sup>9</sup> The number of affiliates with assets, sales, or net income (+/-) greater than US\$25 million.

## ANNEX A

For majority foreign owned firms from the IBIS World database on Australia's top 2000 companies

	Employees	Assets	Revenue	Net profit after tax
	000's	A\$m	A\$m	A\$m
<b>Foreign owned firms (No. of companies: 743)</b>	<b>696.7</b>	<b>1,128,171</b>	<b>629,285</b>	<b>10,648</b>
<b>By main industry</b>				
<b>Agriculture</b>	<b>6.4</b>	<b>6,731</b>	<b>6,729</b>	<b>124</b>
<b>Mining</b>	<b>42.0</b>	<b>254,098</b>	<b>60,212</b>	<b>-5,681</b>
Coal mining	9.0	58,752	21,295	-3,584
Oil and gas extraction	1.1	68,878	5,741	-3,879
Metal ore mining	24.3	105,767	25,201	1,417
Non-metallic mineral mining and quarrying	0.2	503	227	30
Exploration and other mining support services	7.4	20,197	7,747	336
<b>Manufacturing</b>	<b>156.7</b>	<b>204,194</b>	<b>213,745</b>	<b>4,474</b>
Food product manufacturing	59.2	26,763	34,564	1,329
Beverage and tobacco product manufacturing	12.4	29,942	10,142	392
Textile, leather, clothing and footwear manufacturing	0.0	0	0	0
Wood product manufacturing	1.8	383	685	22
Pulp, paper and converted paper product manufacturing	2.4	3,855	2,607	-169
Printing (including the reproduction of recorded media)	0.9	534	406	16
Petroleum and coal product manufacturing	13.9	74,056	94,876	1,251
Basic chemical and chemical product manufacturing	15.8	16,695	14,346	289
Polymer product and rubber product manufacturing	1.6	1,773	1,933	49
Non-metallic mineral product manufacturing	8.4	11,385	7,019	652
Primary metal and metal product manufacturing	3.9	10,751	9,547	303
Fabricated metal product manufacturing	2.6	1,732	1,388	-78
Transport equipment manufacturing	12.0	12,039	21,431	-29
Machinery and equipment manufacturing	20.6	13,826	14,169	427
Furniture and other manufacturing in Australia	1.2	459	633	19
<b>Services</b>	<b>491.7</b>	<b>663,149</b>	<b>348,600</b>	<b>11,731</b>
Electricity, gas, water and waste services	11.2	59,513	20,541	1,502
Construction	71.7	33,564	35,026	1,389
Wholesale trade	82.9	141,545	120,466	3,281
Retail trade	46.0	10,839	24,657	164
Accommodation and food services	44.0	8,550	6,929	332
Transport, postal and warehousing	41.4	22,250	22,561	322
Information, media and telecommunications	21.7	39,195	22,488	802
Financial and insurance services	19.9	295,224	48,434	3,676
Rental, hiring and real estate services	13.1	15,783	6,384	640
Professional, scientific and technical services	62.1	23,337	27,297	-626
Administrative and support services	21.3	2,547	5,979	73
Public administration and safety	7.4	326	716	19
Education and training	1.4	457	143	-61
Health care and social assistance	38.2	8,458	4,922	230
Arts and recreational services	0.8	914	803	-53
Other services	8.6	646	1,252	41

Source: IBIS World.