

Economic Activity of Foreign Owned Businesses in Australia

The use of administrative data to provide statistical measurement solutions

Branko Vitas
A/g Program Manager
International Statistics Branch

Australian Bureau of Statistics
Informing Australia's important decisions



- ▶ Policy imperative
 - effectiveness of trade/investment policy settings and links between foreign investment &
 - job creation
 - development of sectors fundamental to national prosperity
 - maintenance of a high standard of living
- ▶ Insight into MNE contribution to Australian economy
- ▶ User funded by Commonwealth government partners

- ▶ Supports Australian Government data initiative
- ▶ Opportunity to leverage ABS
 - Advancement in Data integration
 - Development of Commonwealth *data environments*
 - Existing high quality official statistics

- ▶ Working across government to:
 - uphold broader strategic directions to build governmental partnerships
 - understand the strategic needs of stakeholder partners
 - provide robust statistical support
- ▶ Stakeholder partners formed part of project governance
- ▶ Appropriate data access provided to partners

- ▶ Data strategy relied upon two key resources
 - Business characteristics
 - Business Longitudinal Analysis Data Environment
 - ABS official industry aggregates
 - Australian Industry statistics
- ▶ Taxation data forms the basis of BLADE
 - Rich alternative data source, that suits primary intended purpose
 - Flexibility; variables not within the BLADE were added

Innovation - Data

BLADE		Australian owned		Foreign owned		AIS	
Activity Type	Unit	Foreign ownership less than 10%	Foreign ownership 10% to less than or equal to 50%	Foreign ownership greater than 50% (a)		Total	
		Number and value of foreign and Australian owned businesses in Australia					
Operating business	No.	2,054,237	1,208	9,946		2,065,291	
of which business size (by no. of employees):							
0-19	No.	1,596,904	896	6,471		2,004,271	
20-199	No.	53,949	175	2,596		56,720	
200 & more	No.	3,384	137	879		4,400	
Employment	000	9,879.0	204.6	906.2		11,049.9	
Sales of goods and services (b)	\$m	2,234,062.0	174,086.3	770,393.1		3,178,543.4	
Total operating expenses	\$m	1,098,613.8	111,531.0	314,127.0		1,524,271.9	
Operating profit before tax	\$m	334,972.4	14,783.2	49,530.4		399,286.0	
Taxable profit	\$m	237,721.3	8,643.1	31,358.1		277,722.6	
Profit after tax (c)	\$m	264,844.6	12,233.4	40,277.8		317,357.9	
Compensation of employees	\$m	484,235.3	14,402.6	67,345.1		565,952.9	
Contractors & Commissions	\$m	75,254.2	11,637.4	21,971.4		108,863.0	
Total assets (d)	\$m	8,076,446.8	726,965.3	1,927,736.9		10,731,149.0	
Total liabilities (d)	\$m	6,975,493.7	622,343.8	1,585,741.5		9,184,579.0	
Capital expenditure	\$m	280,621.5	23,652.8	43,141.2		347,418.5	
Industry value added (e)	\$m	782,041.1	64,095.1	221,915.7		1,068,051.8	

BLADE

AIS

- ▶ Working with administrative data for statistical purposes
 - Statistics by industry
 - Exports
 - Business size
 - Assets and liabilities
 - Country of origin

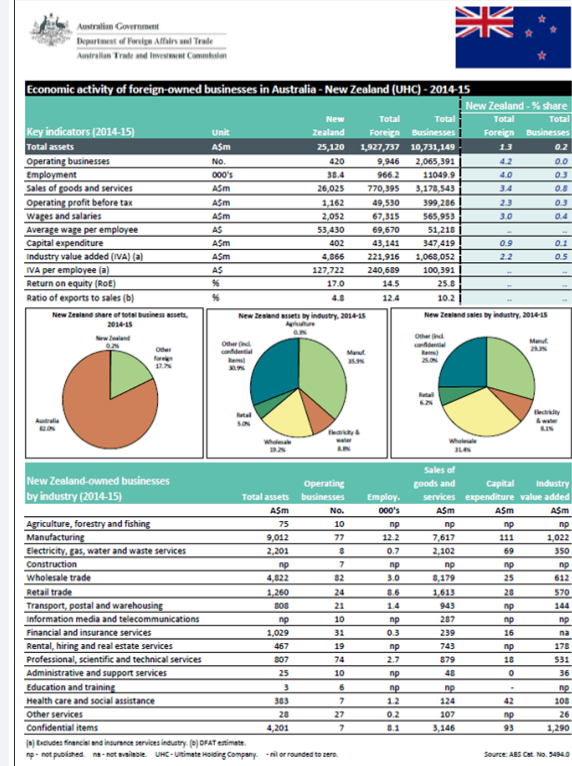
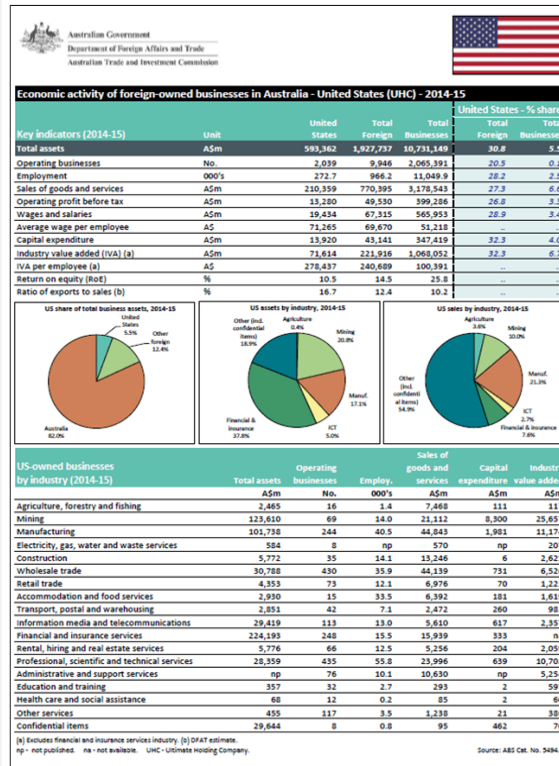
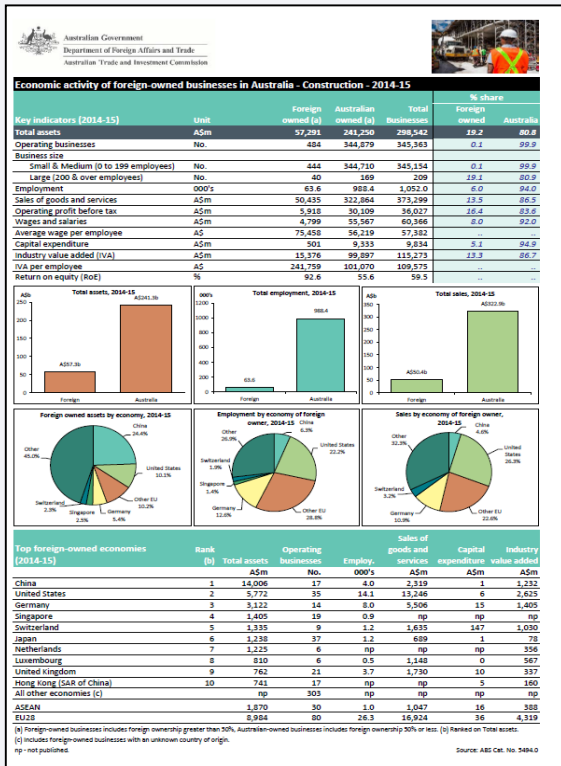
- ▶ 9,946 majority foreign-owned operating businesses in Australia,
 - 0.5% of all businesses (2,065,391).
 - 1,208 businesses with minority foreign ownership
 - share of majority foreign-owned businesses up 0.4% to 0.5% between 2010-11 and 2014-15.
 - 6,471 of the foreign-owned businesses were small, 2,596 medium and 879 large

- ▶ Foreign-owned businesses in Australia had
 - assets valued at \$1.9 tr in 2014-15 compared with Australian-owned businesses which had assets valued at \$8.8 tr.
 - share of total business assets increased from 17.4% (2010-11) to 18.0 % (2014-15)

- ▶ Majority foreign-owned businesses made significant economic contributions in the 'Mining' and 'Manufacturing' sectors
 - contributed \$39 billion and \$29 billion respectively.
 - respective shares of the industry's IVA were around 33% and 30%.

- ▶ Fifth Annual Investment Statement to Parliament 20/8/18
 - “...*The Government stated in our Foreign Policy White Paper, that openness is a means to an end...We commissioned research to better understand the important role foreign investment plays... FDI is also an important driver of productivity and exports... [foreign investment from majority-owned foreign firms is] supporting our leading industries today and the development of our future industries...*” (Minister for Trade, Tourism and Investment, the Hon Steven Ciobo MP).

New insights – DFAT



New insights - Austrade

Economic activity from Foreign Direct Investment (FDI)* in Australia, 2014-15

1 in 185

Businesses operating
in Australia are at least
10% foreign owned ^(a)



Accounting for
11,154
businesses



Supporting
1 in 10
jobs in Australia



Paying
higher wages than
Australian owned
businesses



Contributing
41%
to
Australia's goods
and services
exports ^(b)



Accounting for
\$2.7 Trillion
in
Total assets ^(c)



Contributing
\$286 Billion
to
Australia's Industry
Value Added ^(d)

Data source: Australian Bureau of Statistics catalogue 5494.0, *Economic Activity of Foreign Owned Businesses in Australia, 2014-15*

[Expand to show Explanatory Notes](#)

New insights - Austrade

Economic activity of majority* foreign owned businesses in Australia, 2014-15

To see the economic activity in Australia for majority foreign-owned businesses by country of ownership, select a country below:

- ☐ Belgium
- ☐ Bermuda
- ☐ British Virgin Islands
- ☐ Canada
- ☐ Cayman Islands
- ☐ China
- ☐ Cyprus
- ☐ Denmark
- ☐ Finland
- ☐ France
- ☐ Germany
- ☐ Guernsey
- ☐ Hong Kong
- ☐ India
- ☐ Ireland

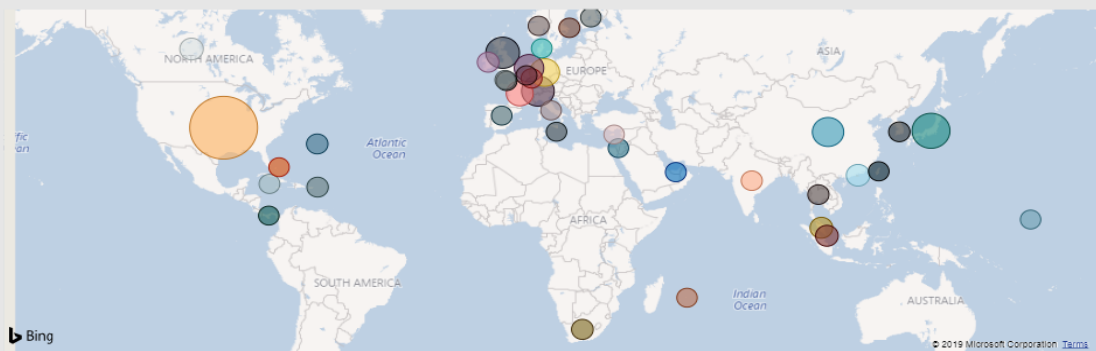
Operating businesses (a)	Employment	Goods & services exports (e)	Industry value added (f)	Total assets (d)
Number	'000 jobs	% share	AU\$ million	AU\$ million
9,946	966.2	100.0%	\$221,915.7	\$1,927,736.9

Accounts for 0.5% of all operating businesses in Austr...

Supports 1 in 12 jobs in Australia

Contributes 20.8% to Australia's Industry Value Added

Accounts for 18% of total assets



Bubble size represents the value of total assets of majority foreign-owned businesses from that country operating in Australia in 2014-15.

When no country is selected, the data displayed are aggregated figures for all countries.

Data source: Australian Bureau of Statistics catalogue 5494.0, *Economic Activity of Foreign Owned Businesses in Australia, 2014-15*

[Expand to show Explanatory Notes](#)

Microsoft Power BI



New insights - Austrade

Economic activity of majority* foreign owned businesses in Australia, 2014-15: All countries

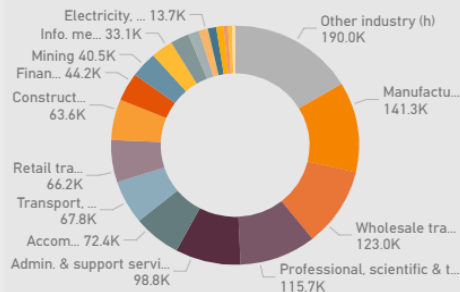
Search for or select a country to see its industry break-down:

Belgium
 Bermuda
 British Virgin ...
 Canada
 Cayman Islan...
 China
 Denmark
 Finland
 France

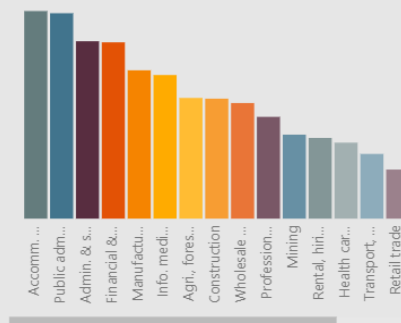
Number of operating businesses, by industry

Wholesale trade	Professional, scientific & tec...	Financial & insuran...	Manufacturing	Rental, hir...	Other s...	Const...	Mining	Reta...	Tra...	Ad...	Inf...	Ag...		
1,909	1,604	1,138	1,010	687	555	484	474	396	369	356	303			

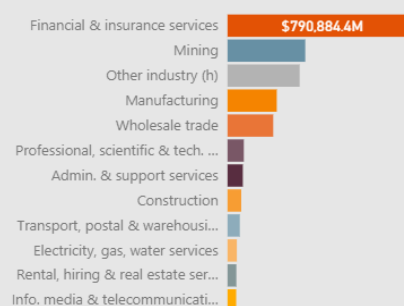
Number of jobs supported, by industry



Share of all foreign-owned business exports in industry ...



Total assets (AUS)



Notes: When a country is not selected, data are aggregated for all countries. Country level data by industry are presented where data are available - the industries shown may not completely reflect all of the industries that a country has business activity in. Some data have been suppressed by the ABS to protect business confidentiality - blank results in graphs indicate where data have been suppressed. 'Other industry' indicates where countries may operate in industries where the data have been suppressed. Hover the cursor over the graph to see the full industry name and value.

Data source: Australian Bureau of Statistics catalogue 5494.0, *Economic Activity of Foreign Owned Businesses in Australia, 2014-15*

Expand to show Explanatory Notes

Microsoft Power BI



- ▶ Previous ABS Australian Outward Foreign Affiliates Trade (cat. no. 5495.0) published in 2002-03
- ▶ Aim: to understand activity shifts in AOFAT and the associated location of businesses
 - Majority Australian ownership and
 - Australian ownership of 10 per cent to 50 per cent.

- ▶ Current phase: questionnaire development
 - Two phase, parent and child type questionnaire
 - Conceptual testing under way
 - Interviews with larger providers; a profiling approach
 - Any assistance appreciated

- ▶ Continuing innovation in key stakeholder engagement

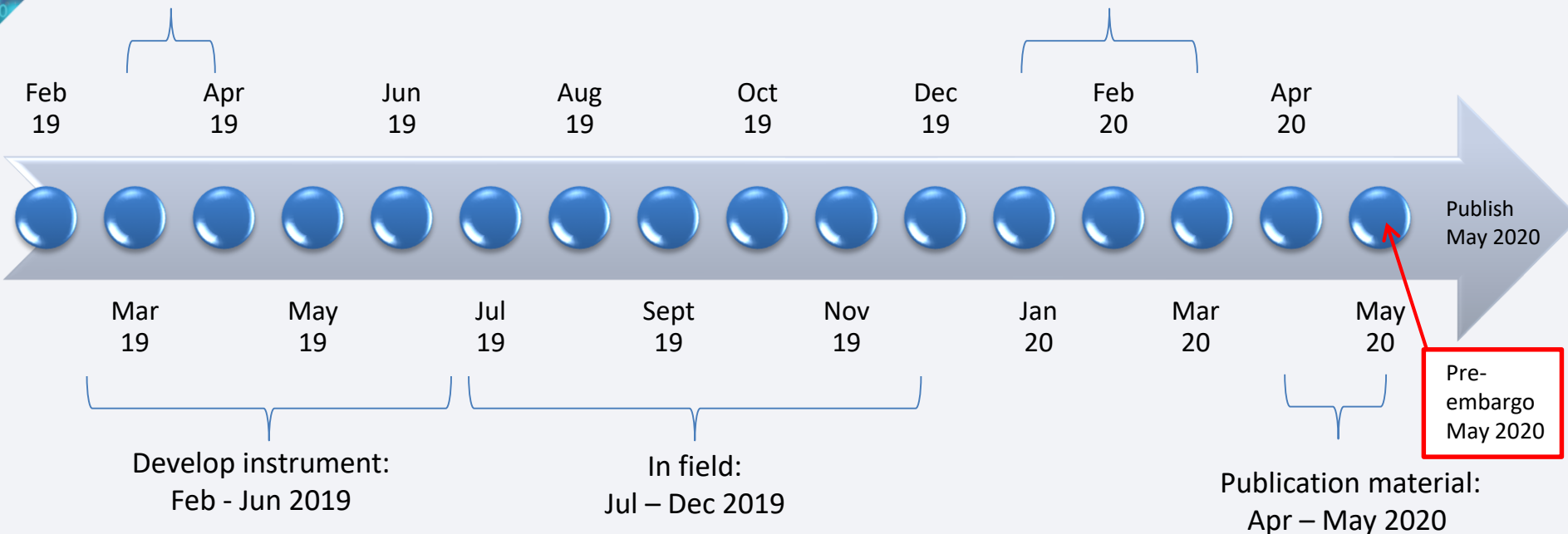
- ▶ Conceptual testing currently targeting largest and most complex Australian enterprises with the aim to:
 - Gauge provider understanding of statistical concepts being collected
 - Assist in shaping questionnaire development
 - Improve relationship with providers to maximise response and minimise burden.

- ▶ Results of conceptual testing include:
 - Economic terminology such as ‘affiliate’ not well understood, accounting terminology such as ‘subsidiary’ preferred
 - Most providers have access to data required, particularly at the country level
 - Currently reporting similar information elsewhere (ATO, APRA)
 - Excel based form preferred over web based form
 - Providers understand the need for data collection and are happy to comply

AOFATS – Next steps

Provider testing:
Mar - Apr 2019

Compile / analyse:
Jan – Mar 2020



- ▶ [5494.0 - Economic Activity of Foreign Owned Businesses in Australia, 2014-15](#)
- ▶ [Austrade – Foreign investment benefits](#)
- ▶ [Austrade – Importance of foreign investment \(charts\)](#)
- ▶ [Trade Minister's investment speech to parliament](#)
- ▶ [DFAT - Fact sheets](#)

Questions?

