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Economic Activity of Foreign Owned Businesses in Australia: The use of administrative data to provide statistical measurement solutions

Prepared by the Australian Bureau of Statistics

Summary

This paper contributes to the international discussion on the use of administrative data in innovative ways to provide statistical measurement solutions for international investment and international trade that ultimately informs policy development in the Australian context.

The processes and outcome of a recent statistical project conducted by the Australian Bureau of Statistics (ABS) at the request of the Department of Foreign Affairs and Trade (DFAT) and the Australian Trade and Investment Commission (Austrade), are examined, which enabled for the first time since 2004, the measurement of the economic activity of foreign owned businesses in Australia (EAFOBA).

Foreign investment policy drivers behind the project are discussed in broad terms, and the projects' scope and definitions are outlined. The paper will also focus on the strategy employed for economic activity measurement, including industry breakdowns and business performance metrics, using alternative (administrative) data sources in conjunction with existing official ABS statistics.

As a result of employing an innovative approach, the associated benefits and challenges faced will be described and discussed. Further, the results of the project and the outputs of both the ABS and key Australian Commonwealth government partners will be presented to provide insight into the contribution that multinational enterprises (MNEs) make to the Australian economy.

The paper concludes with a future focus describing where the ABS intends to next invest in innovation for the statistical measurement of international trade and investment space.

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I. Background

1. Australia's Foreign policy white paper sets out a clear direction for the country across several fronts, key among them is to maintain a major driver of Australia's economic success, notably our openness to international trade and investment, thereby strengthening Australia's international reputation as a destination for, and a source of, foreign investment.

2. To assess the effectiveness of trade and investment policy settings, the links between foreign investment and: job creation; the development of sectors fundamental to national prosperity; and maintenance of a high standard of living are measured. These links provide insight into the contribution that multinationals make to the Australian economy, and help to identify which countries ultimately own these businesses.

3. Data on EAFOBA had been published in the past by the ABS, most recently in 2004 (ABS cat. no. 5494.0) using 2000-01 data, and linked ABS Economic Activity Survey data with International Investment data.

In June 2017, the DFAT and the Austrade provided funding for the ABS to compile a more contemporary analytical statistical series on the EAFOBA for the reference period 2014-15¹. The aim of this work was to develop a robust measurement approach that used administrative data to ensure a repeatable process, and to address the aims of Australia's Foreign policy white paper.

4. The specific data sources in this context were found within the *Business Longitudinal Analysis Data Environment*, known as the BLADE, which is constructed using ABS survey data and administrative datasets from the Australian Tax Office (ATO) into a single data environment. These BLADE variables were used in conjunction with existing ABS data for the first time to produce official statistics. Innovation in the data sphere was also followed by innovation with collaboration with our funding partners. Both of these aspects are explored in this paper.

5. To achieve the objectives of the EAFOBA 2014-15 project (referred to throughout this paper as 'the EAFOBA'), the variables shown in Box 1 below were selected to meet the specifications requested by the stakeholder partners, and to best support analysis and inform public policy (see Box 1 below).

¹ The reference period (2014-15) used for the previous EAFOBA reflected the availability of ATO data at the time.

Box 1: Variables of the EAFOPA 2014-15**FOREIGN AND AUSTRALIAN OWNED BUSINESS BY LEVEL OF FOREIGN OWNERSHIP**

Activity Type	Unit	Australian owned		Foreign owned	Total
		Foreign ownership less than 10%	Foreign ownership 10% to less than or equal to 50%	Foreign ownership greater than 50% (a)	
NUMBER AND VALUE OF FOREIGN AND AUSTRALIAN OWNED BUSINESSES IN AUSTRALIA					
Operating business	No.				
of which business size (by no. of employees)	No.				
0-19	No.				
20-199	No.				
200 & more	No.				
Employment	000				
Sales of goods and services (b)	\$m				
Total operating expenses	\$m				
Operating profit before tax	\$m				
Taxable profit	\$m				
Profit after tax (c)	\$m				
Compensation of employees	\$m				
Contractors & Commissions	\$m				
Total assets (d)	\$m				
Total liabilities (d)	\$m				
Capital expenditure	\$m				
Industry value added (e)	\$m				

II. Scope

A. Concepts and classifications

6. The concepts presented in the EAFOPA align with the [System of National Accounts 2008](#), the [Australian System of National Accounts, Concepts, Sources, and Methods, 2015](#) (cat. no. 5216.0), and the [Balance of Payments Manual Sixth Edition](#) (BPM6).

7. The scope of the EAFOPA comprises all business entities operating in the Australian economy covering all industry divisions within the [Australian and New Zealand Standard Industrial Classification \(ANZSIC\) 2006](#) (cat. no. 1292.0) framework; and where applicable, the [Standard Institutional Sector Classifications of Australia \(SISCA\)](#) (cat. no. 1218.0); and exclusively those businesses with an Australian Business Number (ABN) and reporting to the ATO between 2010-11 and 2014-15 inclusive, except for businesses classified to:

(a) Sector

SISCA Sector 3: General government in most industries². This exclusion particularly

² This is because the estimates produced by the EAFOPA relate only to private sector businesses that possess an ABN. Note however, that SISCA Sector 3: General government businesses classified to Water supply, sewerage and drainage services are included.

affects data presented for Public administration and safety, Education and training and Health care and social assistance.

(b) Industry

Businesses classified to ANZSIC Division O: Public administration and safety, Subdivision 76: Defence; and ANZSIC Division S: Other services, Subdivision 96: Private households employing staff and Undifferentiated goods and service-producing activities of households for own use.

B. Statistical units

8. The statistical unit for the 2014-15 issue of the EAFOPA is the Type of Activity Unit (TAU), which is defined as a producing unit comprising one or more legal entities, sub-entities or branches of a legal entity that can report production and employment activities. A TAU covers all the operations within an Enterprise Group (EG) that belong to one industry subdivision.

9. Where a business cannot supply adequate information for each industry, a TAU is formed representing activity in more than one industry. These TAUs are classified according to the industry of the primary economic activity irrespective of any secondary activity (i.e., classified to a single industry only), noting TAUs may have operations in one or more state or territory within Australia.

C. Foreign ownership of resident Australian businesses

10. This publication identifies the level of foreign ownership in terms of influence and control as defined by the BPM6 i.e., *'when a direct investor directly owns equity that entitles it to 10 percent or more of the voting power in the direct investment enterprise...[a] significant degree of influence is determined to exist if the direct investor owns from 10 to 50 percent of the voting power in the direct investment enterprise'* (BPM6, para. 6.12). In the case of the EAFOPA, the enterprise is equivalent to the TAU.

11. Similarly, the concept of *control* is determined to exist, *'if the direct investor owns more than 50 percent of the voting power in the direct investment enterprise'* (BPM6, para. 6.12).

12. As a result, the presentation of foreign ownership disaggregated in this publication is as follows:

- Foreign ownership less than 10%;
- Foreign ownership 10% to less than or equal to 50%; and
- Foreign ownership greater than 50%.

13. In instances where not all categories of disaggregation were able to be produced the following disaggregation is presented:

- Foreign ownership less than or equal to 50%; and
- Foreign ownership greater than 50%.

III. A strategy for an innovative approach

A. Broad strategy

14. Undertaking such a project activated one of the strategic objectives of the ABS, that is, the development of innovative solutions in response to statistical questions, and its' support of broader policy objectives across government.

15. The work proposed under the EAFOBA provided an opportunity to leverage ABS advancement in data integration, its investment in [the BLADE](#), and high quality existing official statistics. This approach also supported the principles underpinning the [Australian Government Public Data Policy Statement](#), in particular those relating to:

- building partnerships to find new ways to leverage public data for social and economic benefit;
- making high quality data available for use by the public, industry, and academia; and
- upholding the highest standards of security and privacy for the individual, national security, and commercial confidentiality.

B. Building partnerships

16. The primary stakeholders of the EAFOBA were the DFAT and the Austrade. In line with broader ABS strategic directions, the partnership arrangement allowed the project team to:

- provide robust statistical support and understand the strategic needs of stakeholder partners, and those of the ABS;
- bring others along the statistical journey;
- support active engagement in the governance process; and
- uphold [broader strategic directions](#) to build partnership across government.

17. Stakeholder partners formed part of the governance team for the project to discuss progress and emerging issues in real time throughout the duration of the EAFOBA.

C. Data arrangement

18. The purpose of the current EAFOBA was to deliver a contemporary update to the previous iteration of the 2000-01 EAFOBA, reflecting 2014-15 financial year data as far back as practicable. The strategy for measuring EAFOBA relied upon the interaction of two key datasets that, while allied in theme, were fundamentally different in construct.

19. The first dataset comprised business characteristics (See Box 1) sourced from the BLADE and administrative data sets from the ATO, i.e., the combination of business income, personal income, and value added tax data. The benefit of utilising integrated data within the BLADE was that it provided access to a ready-made classified (e.g. ANZSIC) data set updated annually, therefore provided repeatable and cost effective statistical solutions.

20. These BLADE data were used to disaggregate the second key dataset, that is, the industry aggregates. Industry division level variables used in this publication are broadly

consistent with top level official ABS industry data published estimates in [Australian Industry](#) (cat. no. 8155.0).

21. Critical variables not already within the BLADE, such as business size and country of origin data, were added to improve analytical power and achieve project requirements.

IV. The complexities of administrative data

A. The primary purpose of input data

22. Administrative data is structured to suit its primary intended purpose. In the case of the EAFOBA, the primary data source for the proportions that were applied to existing official statistics originates from the ATO data within the BLADE. ATO data is constructed for the purpose of identifying taxable income, rather than for statistical purposes.

23. However, ATO data is a rich data source and when used for statistical purposes we note ATO data are not subject to sampling error as they represent a complete enumeration of economically active businesses on the ABS Business Register. However, they are subject to non-sampling error, specifically around variables that have limited bearing on the primary interests of the ATO.

24. Although the primary data source used in the EAFOBA was not designed for statistical purposes, the ATO-based data represented a rich and compatible alternative, with the benefits of using this dataset outweighing the risks.

B. Creating official statistics using the BLADE

25. The EAFOBA gave the project team an opportunity to create contemporary data using the aggregates within the BLADE, benchmarked to existing statistics to capitalise on official ABS statistics to deliver detailed break downs by the different variables (see Box 1).

26. Estimates were primarily calculated using Business Income Tax (BIT) data items from within the BLADE. Overall, BIT data was found to be the most comprehensive source of data due to the number of businesses that report income tax.

27. For a small number of items, including capital expenditure and exports, Business Activity Statement (BAS) *value added tax* data within the BLADE was used to complement BIT data.

C. The need for innovative thinking

28. There are various benefits and complexities when working with administrative data for statistical purposes, rather than information obtained via bespoke survey instruments. For the EAFOBA, this was apparent across several dimensions.

29. The majority of estimates presented in the EAFOBA were benchmarked to align with data published as per [Australian Industry](#) (cat. no. 8155.0), the [Australian System of National Accounts](#) (cat. no. 5204.0) where industry scopes overlapped.

30. While the EAFOBA strategy was to look to the official data as the benchmark, in some cases where the requisite disaggregation did not exist, alternative methodologies were employed to ensure a robust set of statistics and alignment with international manuals:

- The scope of the EAFOBA aimed to comprise all business entities for all industry divisions, benchmarked to official ABS industry aggregates (i.e. ABS publication Australian Industry, cat. no. 8155.0). A mismatch became apparent where the administrative data underpinning the BLADE incorporated all industries whereas 8155.0 excluded estimates for the ANZSIC Division K: *Financial and Insurance services* industry. To ensure a whole economy view the EAFOBA includes estimates for the Financial and Insurance services industry based on data from the BLADE, and supported by relevant ABS estimates, exclusive of *Industry Value Added (IVA)*³.
- Export aggregates were not able to be constructed due to incompatible aggregation bases between export data produced by the ABS and those export data in the BLADE. The export variable within the BLADE represents the industry of the final export rather than the industry where the economic activity took place⁴. For the purposes of the EAFOBA, export data were presented as proportions based on the administrative data from the BLADE and appear in:
 - Tables 1 and 7 as a proportion of the value of all exports that are exported by Australian resident businesses, disaggregated by:
 - Foreign ownership less than 10%;
 - Foreign ownership 10% to less than or equal to 50%; and
 - Foreign ownership greater than 50%.
 - Table 4b at the industry level by Australian resident businesses, disaggregated by:
 - Foreign ownership less than or equal to 50%; and
 - Foreign ownership greater than 50%.
 - Table 6 as the proportion of total exports by businesses that are predominantly foreign owned (i.e. foreign ownership greater than 50%), disaggregated by country.
 - Similarly, to ensure consistency with the underlying data (i.e., the BLADE), *business size* data presented in the EAFOBA were derived from the level of employment for each unit based on data reported to the ATO and as represented in the BLADE. These counts may differ from other sources estimating business size based on employment data obtained from survey data or information from the ABS Business Register.
 - Data representing assets and liabilities in the EAFOBA reflect the effects of complex corporate reporting structures for tax purposes. Where financial assets and liabilities are held separately in trusts, the trust is allocated to the Financial and Insurance services industry within the ANZSIC (Division K) rather than to the industry correlating to the economic activity. The effect of corporate reporting structures for

³ IVA is the measure of the difference between the market value of the output of an industry and the purchases of materials and expenses incurred in the production of that output. The application of the standard formula for IVA is known to result in an understatement of the value added for businesses which do not charge directly, or do not charge full commercial value for their output. For this reason IVA is not calculated for the Financial and Insurance services industry.

⁴ Export data as presented in the EAFOBA may differ to those data reported directly via the Integrated Cargo System used by the ABS in the compilation of merchandise trade statistics.

tax purposes versus those for statistical purposes can create impacts on data interpretability.

- Estimation of country of origin data was required by stakeholder partners in line with the Organization for Economic Cooperation and Development's Handbook of Economic Globalisation Indicators (HEGI). This publication recommends that, where possible, foreign investment indicator data should be compiled on the Ultimate Beneficial Owner (UBO) basis (see Appendix 2 for definition). A related concept available within the BLADE is the Ultimate Holding Company (UHC) country codes. The UHC represents the country where the ultimate beneficiary in terms of a holding company resides. As a result, the EAFOBA compiled country data on the UHC basis.

D. Comparability with previous issue

While covering the same economic concepts, the current EAFOBA (2014-15) was not compiled on an identical basis to that of the 2000-01 reference period issue. Users should exercise caution when making comparisons between issues as the data is not directly comparable due to changes in data sources and methodology⁵.

31. Data relating to foreign ownership and country of origin in the current EAFOBA were derived at the ABN level from the BIT data, whereas these variables in the 2000-01 issue were estimated based on linking the ABS Economic Activity Survey (EAS) to the Survey of International Investment (SII), which derives country of origin information on an EG basis. As a result, country of ownership data is not directly comparable between the two publications.

32. There have been a number of changes to the ABS Business Register since the 2000-01 issue of the EAFOBA was released. These changes are outlined in detail within [Appendix 1 of Counts of Australian Businesses, including Entries and Exits, Jun 2013 to Jun 2017](#) (cat. no. 8165.0)⁶.

33. The industry structure for the 2000-01 EAFOBA was presented in accordance with ANZSIC 1993. Changes in the structure between ANZSIC 1993 and ANZSIC 2006 impacts the value of estimates presented in the current EAFOBA and the previous issue due to an increase in the number of industry categories in the ANZSIC 2006⁷.

E. Relationship with other ABS international statistics

34. The ABS presents data on foreign investment in [Balance of Payments and International Investment Position, Australia](#), (cat. no. 5302.0) and the related release [International Investment Position, Australia: Supplementary Statistics](#) (cat. no. 5352.0). Both

⁵ The data collected in the BLADE generally represent the 12 month period ended 30 June. However, where businesses report data on a different basis an alternate or off-June year accounting period is used. As a result, in some instances estimates may reflect trading conditions occurring outside of the published reference year.

⁶ The counts of operating businesses across time are affected by factors such as internal restructuring of businesses (e.g. changes in divisional structure), mergers and takeovers. For information on business counts in the ABS please refer to [Count of Australian Businesses Entries and Exits](#), (cat. no. 8165.0).

⁷ For more information on changes between ANZSIC 1993 and ANZSIC 2006 refer to [Appendix 3 of the Australian and New Zealand Standard Industrial Classification \(ANZSIC\), 2006](#) (cat. no. 1292.0).

releases capture levels of investment between residents of Australia and residents of the rest of the world (non-residents), for example the value of foreign investment, such as levels of equity or debt held in Australian resident businesses.

In comparison, the EAFOBA provides estimates for the economic activity of businesses by level of foreign ownership in the Australian economy.

35. In [International Investment Position, Australia: Supplementary Statistics](#), the country allocation of financial transactions and level is based solely on the immediate country of residence of the creditor in the case of Australia's foreign liabilities, or of the debtor in the case of Australia's foreign assets. In contrast, the EAFOBA presents country information on a UHC basis⁸.

36. Additionally, [Balance of Payments and International Investment Position, Australia](#) information relates to the industry of the EG which comprises one or more TAUs, rather than industries of specific TAU as presented in this publication. Aggregation from TAU and EG may result in different industry profiles.

37. Comparisons between [Balance of Payments and International Investment Position, Australia](#), [International Investment Position, Australia: Supplementary Statistics](#) and this publication should be undertaken with the above information in mind.

V. ABS results and stakeholder outputs

A. Key results from the EAFOBA 2014-15

38. The following key points as published by the [Austrade](#) in August 2018 illustrate various results related to the EAFOBA:

- There were 9,946 majority foreign-owned operating businesses in Australia in 2014-15, accounting for 0.5 per cent of all businesses (2,065,391). In addition, there were 1,208 businesses with minority foreign ownership (foreign equity between 10 per cent and 50 per cent).
- The share of majority foreign-owned businesses grew from 0.4 per cent to 0.5 per cent between 2010-11 and 2014-15.
- In terms of business size, 6,471 of the foreign-owned businesses were small (0-19 employees), 2,596 medium (20 to 199 employees) and 879 large (200 & over employees) in 2014-15.
- Foreign-owned businesses in Australia had assets valued at \$1.9 trillion in 2014-15 compared with Australian-owned businesses which had assets valued at \$8.8 trillion. Foreign-owned businesses share of total business assets increased from 17.4 per cent in 2010-11 to 18.0 per cent in 2014-15
- Majority foreign-owned businesses made significant economic contributions in the 'Mining' and 'Manufacturing' sectors where they contributed \$39 billion and \$29 billion respectively. Their respective shares of the industry's IVA were around 33% and 30% (see Table 1 below).
- By country, US-owned mining firms contributed almost two-thirds of total IVA of foreign firms in their sector in 2014-15, followed by those of Canada (4.9%), China

⁸ The UHC is the best and closest alternative country codes to the UBO.

(4.3%) and South Africa (4.2%). Over the same period, manufacturing activity was also dominated by the US-owned companies which accounted for 38% of total IVA of foreign-owned companies. The EU28 as a whole was also a key contributor in the industry with almost one-third of the total foreign-owned companies' IVA. Other active companies from individual economies included the UK (13.5% of total IVA), Germany (7.4%) and Japan (6.8%).

- Foreign-owned enterprises were also major contributors to Australian economy in the 'Professional, Scientific and Technical Services' and 'Wholesale Trade' categories with respective value added of \$28 billion and \$26 billion. Their shares were about 26% and 43% respectively. By country, the US again played a dominated role in the 'Professional, Scientific and Technical Services' category with an overall share of 39% of total IVA of foreign firms in this industry in 2014-15, more than double the combined share of the 28 countries of the European Union (EU28) of 18%. Other active companies from individual economies included Japan (8.3% of total IVA), Ireland (6.3%) and the UK (4.4%).
- In terms of the IVA in 'Wholesale Trade' category, the EU28 companies collectively played a more significant role than those of the US - the average share of the EU28 was 43%, well above that of the US' 25%. However, American firms with total value added of \$6.5 billion were well ahead of the UK (\$5.8 billion or 22% of total IVA), Japan \$4.4 billion (or 17%) and Germany \$2 billion (or 7%).

Table 1
Economic activity of foreign and Australian owned businesses, 2014-15

Activity Type: Industry Value Added (IVA) ^(b)	Australian-owned	Foreign-owned	Total	Foreign-owned companies % of total IVA
	Foreign ownership less than or equal to 50% (\$Mn)	Foreign ownership greater than 50% (\$Mn) ^(a)	(\$Mn)	
Mining	78,854	38,975	117,829	33.1
Manufacturing	70,166	29,346	99,512	29.5
Professional, scientific and technical services	79,492	27,593	107,085	25.8
Wholesale trade	35,276	26,432	61,708	42.8
Administrative and support services	33,655	19,689	53,344	36.9
Construction	99,897	15,376	115,273	13.3
Transport, postal and warehousing	57,925	11,798	69,723	16.9
Electricity, gas, water and waste services	34,847	11,677	46,524	25.1
Rental, hiring and real estate services	61,780	9,608	71,388	13.5
Retail trade	63,471	8,010	71,481	11.2
Information media and telecommunications	30,542	6,563	37,105	17.7
Accommodation and food services	33,665	5,191	38,855	13.4
Agriculture, forestry and fishing	27,961	1,114	29,075	3.8
Public administration and safety	4,456	992	5,448	18.2
Other services	28,115	940	29,055	3.2
Arts and recreation services	11,316	888	12,203	7.3
Education and training	np	np	25,850	np
Health care and social assistance	np	np	76,594	np

(a) Includes foreign owned businesses with an unknown country of origin

(b) Includes all industries except the *Financial and insurance services* industry

np = not available for publication but included in totals where applicable, unless otherwise indicated

Sources: Australian Bureau of Statistics 5494.0 *Economic Activity of Foreign Owned Businesses in Australia, 2014-15*; Table 4a *Economic Activity of Foreign and Australian Owned Businesses: Industry by Level of Foreign Ownership, 2014-15*; Austrade

- Overall, US-owned businesses made a greater contribution to the Australian economy than businesses owned by residents of any other foreign country. They led in all

reported indicators including operating business number, employment, sales of goods and services, operating expenses, taxable profit, exports of goods and services and IVA (see Table 2 below).

- EU28-owned businesses as a whole also have a substantial presence in Australia, with some activities collectively contributing to the Australian economy more than those of the US, such as operating businesses, employment, sales of goods and services, total operating expenses, operating and taxable profits and compensation of employees. The major contributing economies within the EU28 were the UK, Germany and France. Of the total, economic activities of companies owned by the UK, Germany and France accounted for about two-thirds of the total EU28.
- In the Asia-Pacific region, Japanese-owned businesses made a greater contribution to the Australian economy than businesses owned by residents of any other foreign country in 2014-15. In terms of IVA, Japan's contribution was 9.9% of the total which was equivalent to the combined value added (9.8%) of the other top four Asia-Pacific economies: New Zealand, Singapore, Hong Kong and China. More significantly, Japanese firms in Australia contributed more than the combined numbers of the four major economies in regions in other reported economic indicators, such as taxable profit, capital expenditure and exports of goods and services.

Table 2
Foreign Owned Businesses: Top Ten Economies and EU28 by Activity Type, 2014-15

Foreign-Owned Businesses: Top Ten Economies and EU28 by Activity Type, 2014-15

Foreign ownership greater than 50%

Economic Activity	% Share of foreign-owned companies by Economic Activity Type											TOP 10	EU28
	USA	UK	Japan	NZ	Germany	Singapore	Canada	France	Hong Kong	China			
Operating businesses (a)	20.5	8.5	5.4	4.2	3.4	2.9	2.6	2.6	2.2	2.1	54.4	21.8	
Employment	28.2	14.6	7.6	4.0	4.5	2.7	2.8	3.8	1.7	1.4	71.4	36.6	
Sales of goods and services (b)	27.3	12.6	10.7	3.4	6.5	1.6	2.7	3.3	4.1	2.1	74.1	34.8	
Total operating expenses	27.1	14.3	8.3	2.6	6.5	1.3	3.9	4.4	3.6	3.1	75.2	35.2	
Operating profit before tax	26.8	13.0	8.9	2.3	5.6	1.7	3.9	3.7	2.3	2.7	70.8	30.6	
Taxable profit	30.3	15.0	10.1	2.2	7.3	1.2	3.2	4.0	1.4	2.0	76.7	36.6	
Profit after tax (c)	26.0	12.5	8.7	2.4	5.2	1.8	4.1	3.6	2.5	2.8	69.5	29.2	
Compensation of employees	28.9	15.6	9.5	3.0	4.9	3.0	3.1	4.2	2.2	1.5	75.9	35.4	
Contractors & Commissions	25.4	11.3	7.9	3.1	7.8	0.5	3.1	3.3	4.1	2.0	68.4	32.4	
Total Assets (d)	30.8	8.6	11.4	1.3	6.2	1.5	2.0	4.3	2.0	7.1	75.1	27.7	
Total Liabilities (d)	29.4	9.0	10.9	1.2	6.5	1.5	1.8	4.7	2.2	8.6	75.9	28.5	
Capital expenditure	32.3	12.3	8.1	0.9	1.4	0.8	5.1	1.4	1.0	3.0	66.3	21.9	
Exports of goods and services (e)	36.8	11.0	14.1	1.3	1.7	0.6	3.0	1.8	2.4	5.5	78.2	20.6	
Industry value added (f)	32.3	13.3	9.9	2.2	4.4	2.6	3.3	3.7	2.9	2.1	76.6	29.9	

(a) Includes foreign owned businesses with an unknown country of origin

(b) Sales of goods and services does not include income indirectly derived such as government payments or interest income

(c) Profit after tax is calculated by subtracting a business' tax liability from its Operating profit before tax

(d) Where assets and liabilities are held in trusts, the trust is allocated to the Finance and insurance services industry

(e) Exports are attributed to the industry undertaking the exporting activity - see paragraphs 15 to 16 of the Explanatory notes

(f) Includes all industries except the Financial and insurance services industry

Sources: Australian Bureau of Statistics Cat. No. 5494.0 Economic Activity of Foreign Owned Businesses in Australia, 2014-15; Table 2 Economic Activity of Foreign and Australian Owned Businesses: Country of Origin by Activity Type, 2014-15; Austrade

- From 2011 to 2015, foreign-owned enterprises (with ownership greater than 50%) in Australia performed relatively well in various activities as measured by market share (see Table 3 below).

- In particular, foreign-owned businesses in Australia grew market shares in sales and exports of goods and services, both of which were up by more than three percentage points over the period (see Table 3 below).
- In terms of IVA, the average share of the foreign-owned companies rose by 2.4 percentage points to 20.8% in 2014-15 from 18.4% in 2010-11. In terms of the number of jobs, foreign-owned firms employed 966,200 in 2014-15 which accounted for 8.7% of Australian total employment (11 million). This latest share was up from 7.6% five years ago (see Table 3 below).

Table 3

The Economic Activity of Foreign Owned Businesses: All Industries 2010-11 to 2014-

15

Economic Activity of Foreign Owned Businesses: All Industries, 2010-11 to 2014-15

Foreign ownership greater than 50% (f)

Economic Activity	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage Point Change 11/15
Operating businesses	0.4	0.4	0.4	0.5	0.5	0.1
Employment	7.6	7.9	8.4	8.7	8.7	1.1
Sales of goods and services (a)	20.7	21.8	22.7	23.1	24.2	3.5
Total operating expenses	17.7	18.1	18.8	20.2	20.6	2.9
Operating profit before tax	12.4	12.6	13.7	13.4	12.4	0.0
Taxable profit	11.3	11.3	11.8	13.0	11.3	0.0
Profit after tax (b)	12.6	13.0	13.2	13.5	12.7	0.1
Compensation of employees	10.4	10.9	10.7	11.7	11.9	1.5
Contractors & Commissions	15.3	16.6	18.0	19.1	20.2	4.9
Total Assets (c)	17.4	17.5	17.8	18.0	18.0	0.6
Total liabilities (c)	17.7	17.2	17.4	17.6	17.3	-0.4
Capital expenditure	11.8	14.0	14.9	12.6	12.4	0.6
Exports of goods and services (d)	26.3	26.0	29.8	28.2	29.4	3.1
Industry value added (e)	18.4	18.8	20.0	19.7	20.8	2.4

(a) Sales of goods and services does not include income indirectly derived such as government payments or interest income

(b) Profit after tax is calculated by subtracting a business' tax liability from its Operating profit before tax

(c) Where assets and liabilities are held in trusts, the trusts are allocated to the Financial and insurance services industry

(d) Exports are attributed to the industry undertaking the exporting activity - see paragraphs 15 to 16 of the Explanatory notes

(e) Includes all industries except the Financial and insurance services industry

(f) Includes foreign owned businesses with an unknown country of origin

Sources: Australian Bureau of Statistics Cat. No. 5494.0 Economic Activity of Foreign Owned Businesses in Australia, 2014-15; Table 7 Economic Activity of Foreign and Australian Owned Businesses: All Industries, 2010-11 to 2014-15; Austrade

VI. The future

A. Australian outwards foreign affiliates trade

39. There has been significant change in Australia's economic landscape since the previous ABS [Australian Outward Foreign Affiliates Trade \(cat. no. 5495.0\)](#) was published in 2002-03. Changes include shifts in the distribution of economic weight in the global economy and international policy frameworks. To better inform policy decisions,

understanding these shifts in the pattern of Australian outwards foreign affiliates trade and the associated location of Australian business activity is required.

40. In early 2019, the ABS will be undertaking the Australian Outwards Foreign Affiliates Trade (AOFAT) project which aims to describe the economic interactions of Australian-owned affiliates abroad, for both Australian owned enterprises and foreign-owned Australian enterprises. The outputs produced through the AOFAT project will contain variables representing the economic activity of Australian-owned affiliates abroad with both majority Australian ownership and Australian ownership of 10 per cent to 50 per cent.

41. The data produced through the AOFAT project will be presented on a financial year basis with reference year of 2018-19, and contain data for previous years as far back as is practicable.

42. The AOFAT 2018-19 project has already started in earnest, with the first phase comprising conceptual testing with data providers and form build underway. The publication is due to be released by mid-2020.

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Appendix

Appendix 1 – Definitions

Australian Business Number (ABN)

The Australian Business Number (ABN) is a unique business entity identifier introduced to assist with dealing with the Australian Government. An entity is entitled to an ABN if it meets one of the following criteria:

- carrying on an enterprise in Australia or in the course of furtherance of carrying on an enterprise, you make supplies that are connected with Australia;
- a Corporations Act Company;
- a Government entity, a non-profit sub–entity or a superannuation fund as if it were an entity carrying on an enterprise in Australia; or
- a religious practitioner.

The ABN is the statistical unit used to represent businesses, and for which statistics are reported, in most cases. The ABN unit is the business unit which has registered for an ABN, and thus appears on the Australian Taxation Office (ATO) administered Australian Business Register (ABR). In most cases, the ABN unit represents the legal entity. This unit is suitable for ABS statistical needs when the business is simple in structure. For more significant and diverse businesses where the ABN unit is not suitable for ABS statistical needs, the statistical unit used is the Type of Activity Unit (TAU).

Business Longitudinal Analysis Data Environment (BLADE)

The BLADE is a statistical resource that contains information on Australian businesses. BLADE combines ATO business tax data BIT, Business Activity Statement (BAS) and Pay As You Go (PAYG)), information from ABS surveys and data about the use of government programs to provide a better understanding of Australian businesses and the economy.

Business size

Businesses are categorised as:

- large businesses, with employment of 200 or more persons;
- medium businesses, with employment of 20 to less than 200 persons; and
- small businesses, with employment of less than 20 persons (including non-employing businesses).

Capital expenditure

Total (gross) expenditure on acquiring fixed tangible and intangible assets, before deduction of trade-in allowances, and including expenses (except capitalised interest) incurred during the year in acquiring such assets. Fixed tangible assets include land, dwellings, other buildings and structures, plant, machinery and equipment (including motor vehicles). Intangible assets include capitalised exploration expenditure, patents, licences and goodwill.

Compensation of employees

The total salary, wage and other labour costs incurred by a business. In the case of companies, it includes remuneration of directors as per payment summaries. In the case of partnerships, it includes salary, wage and other labour costs paid or payable to persons employed in the business of the partnerships.

Contractors & Commissions

Payments to other businesses and self-employed persons for work done or sales made on a contract or commission basis. Payments to persons paid by commission without a retainer are also included.

Employment

This represents the number of persons working for businesses during the last pay period ending in the month of June of any given year. Includes working proprietors and partners, employees absent on paid or prepaid leave, employees on workers' compensation who continue to be paid through the payroll, and contract workers paid through the payroll.

Exports of goods and services

The value of goods exported and amounts receivable from non-residents for the provisions of services by residents.

Foreign Ownership

Indicates the proportion of which a business is foreign owned based on the level of foreign share reported on the Business Income Tax (BIT) form.

Foreign Owned Business

Foreign ownership is defined as enterprises where majority voting power (greater than 50%) is held by a single direct foreign investor or by a group of associated investors acting in concert. For the purpose of this publication, foreign owner is determined as any business with a reported foreign share of greater than 50%.

Industry division

The structure of ANZSIC comprises four levels, ranging from industry division (broadest level) to industry class (finest level). The main purpose of the industry division level is to provide a limited number of categories which give a broad overall picture of the economy. There are 19 divisions within ANZSIC; each identified by an alphabetical letter, that is, 'A' for Agriculture, forestry and fishing, 'B' for Mining, 'C' for Manufacturing, etc.

Industry value added (IVA)

IVA is an estimate of the difference between the market value of the output of an industry and the purchases of materials and expenses incurred in the production of that output.

IVA is related to, but different from, the national accounting variable gross value added (GVA). For national accounts purposes, GVA is calculated by adjusting IVA produced from the Economic Activity Survey (EAS) to include General government units and also to account for some other effects, such as inventory holding adjustments and adjustments for financial intermediary services, insurance services, and prices, taxes and subsidies.

Non-profiled population

One of two business populations in the Australian Bureau of Statistics Business Register (ABSBR). The vast majority of businesses are in the non-profiled population. These businesses have simple structures and the unit registered for an ABN satisfies ABS statistical requirements. As such, one ABN equates to one business.

Operating business

For the purposes of the Economic Activity of Australian Businesses in Australia publication, a business is defined as 'a legal entity engaging in productive activity and/or other forms of economic activity. Such entities accumulate assets on their own account and/or hold assets on behalf of others, and may incur liabilities. Excluded are the economic activities of individuals (except where individuals engage in productive activity either as sole traders or in partnership) and entities mainly engaged in hobby activities'. For more information on the ABS definition of a business, users should refer to [Information Paper: A Statistical View of Counts of Businesses in Australia](#) (cat. no. 8162.0).

In line with this definition, the business counts in this publication are derived from the ABSBR. The statistical unit referred to as a 'business' consists of ABNs from the non-profiled population and TAUs from the profiled population.

Operating profit before tax

Business profits prior to the deduction of income tax and depreciation and amortisation.

Profiled population

One of two business populations in the Australian Bureau of Statistics Business Register (ABSBR). This population is comprised of a relatively small number of businesses who have a large, complex structure and the ABN unit is not suitable for ABS statistical purposes. As such, the ABS maintains its own unit structure through direct contact with these businesses. In the profiled population, a type of activity unit (TAU) equates to one business.

Profit after tax

Profit after tax is the operating profit of the business less the tax owed on taxable income.

Sales of goods and services

The sales of goods and services relates to income derived expressly from the exchange of goods and services for consideration between two or more parties. This excludes income indirectly derived from other sources, such as government payments or interest income.

Taxable profit

The total amount of income used to calculate the end of financial year tax liability for each business. The number is based on total business income less costs and all deductions.

Total Assets

Store of value over which ownership rights are enforced by institutional units, individually or collectively, and from which economic benefits may be derived by their owners by holding them, or using them, over a period of time (the economic benefits consist of primary incomes derived from the use of the asset and the value, including possible holding gains/losses, that could be realised by disposing of the asset or terminating it).

Total Liabilities

Is an obligation which requires one unit (the debtor) to make a payment or a series of payments to the other unit (the creditor) in certain circumstances specified in a contract between the two parties.

Total operating expenses

Total of all costs expenses not directly related to the production and sale of outputs. I.e. Total expenses less the cost of goods sold.

Type of Activity Unit

The TAU, residing in the profiled population, is comprised of one or more business entities, sub entities or branches of a business entity within an enterprise group that can report production and employment data for similar economic activities when a minimum set of data items are available.

Ultimate Beneficial Owner

The OECD defines the ultimate beneficial owner (UBO) as the situation when a parent company abroad is not owned more than 50% by another natural or legal person, the foreign parent and the ultimate beneficial owners are the same.

Ultimate Holding Company

The UHC is the country where the ultimate beneficiary (in terms of a holding company) resides. A compatible concept to the Ultimate Beneficial Owner, contained within the BLADE.

Appendix 2 – Tables appearing in the EAFOPA 2014-15.

This EAFOPA comprises a total of seven tables, five of which present different aspects of summary performance indicators of foreign and Australian owned business including by foreign investment, by the ultimate beneficial owner, by business size, and by industry and foreign investment. There is also a table of summary performance indicators of foreign controlled business presented by investment country and industry, and a table of summary performance indicators of foreign and Australian owned business, for all industries.

The tables in the publication are presented as follows:

1: All Industries by Level of Foreign Ownership, 2014-15 (Foreign and Australian Owned Businesses)

2: Country of Origin by Activity Type, 2014-15 (Foreign and Australian Owned Businesses)

3: All Industries by Business Size, 2014-15 (Foreign and Australian Owned Businesses)

4a: Industry by Level of Foreign Ownership, 2014-15 (Foreign and Australian Owned Businesses)

4b: Proportion of Industry by Level of Foreign Ownership, 2014-15 (Foreign and Australian Owned Businesses)

5: Business Size by Industry, 2014-15 (Foreign Owned Businesses)

6: Country of Origin by Industry, 2014-15 (Foreign Owned Businesses)

7: All Industries, 2010-11 to 2014-15 (Foreign and Australian Owned Businesses)
