



Statistics in focus

ECONOMY AND FINANCE

THEME 2 – 21/2003

BALANCE OF PAYMENTS

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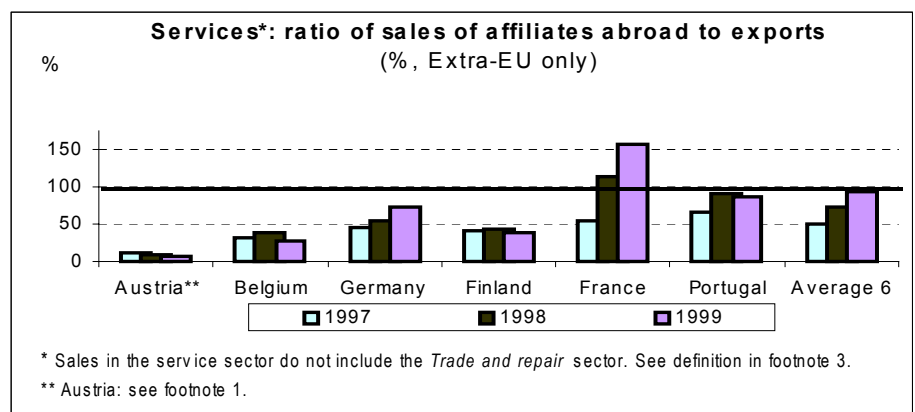
Outward FATS data for six Member States

Paolo Passerini

Sales and employment of EU affiliates abroad (included in Outward FATS data – see methodological box on p. 3) are presented here for Austria, Belgium, Finland, France, Germany and Portugal¹, with particular reference to services.

Sales by EU affiliates located in non-EU countries gained enormously in importance in recent years, when compared with traditional cross-border supply (exports) in the service sector. Sales by affiliates and exports can be seen as two alternative ways of supplying services abroad and they are so considered by the General Agreement on Trade in Services (GATS)². Employment in affiliates abroad in the service sector grew by 21% between 1997 and 1999 in the sample considered (excluding France, for which no data was available on employment).

Considering the six Member States mentioned above, sales of services³ by affiliates located in non-EU countries grew from ECU 42.5 billion to EUR 93.7 billion between 1997 and 1999. More particularly, the annual growth rate was 63.5% in 1998 and 35.7% in the following year. In the same period, exports of services to extra-EU countries by the same Member States grew by 2.5% in 1998 and by 4.8% in 1999, when they reached the value of EUR 100.1 billion⁴. The graph presents the evolution of sales of services by affiliates as a



percentage of exports of services. Sales by affiliates and exports can in fact be seen as two alternative ways of supplying services abroad and their relative importance can be measured through their ratio. Data show that, during the period considered, the ratio changed substantially in favour of sales of affiliates in France, Germany, and Portugal. France was the Member State with the

¹ Data on employment in French affiliates abroad are not available. Outward FATS cover the statistics on affiliates located abroad, owned by resident enterprises, either national or foreign-owned enterprises, except for the data of Sweden and Austria. In both these countries, published data refer only to affiliates abroad owned by national investors, i.e. resident investors that are not, in their turn, foreign-controlled. Austria considered the affiliates of all resident investors for 1995 and 1997 and considers the affiliates of national investors only as from 1998.

² For summary information on the GATS, see *Statistics in focus*, Theme 2 – 47/2002, p. 3.

³ The main categories of services included here are Hotels and restaurants, Transport and communication, Financial intermediation, Business services (see the table on p. 3). More detailed subcategories can be found in the database. In the analysis of sales of affiliates by kind of activity, sales by affiliates in the Trade sector (which comprises wholesale and retail trade in goods) are not considered. The Trade sector is considered again among services when presenting employment data.

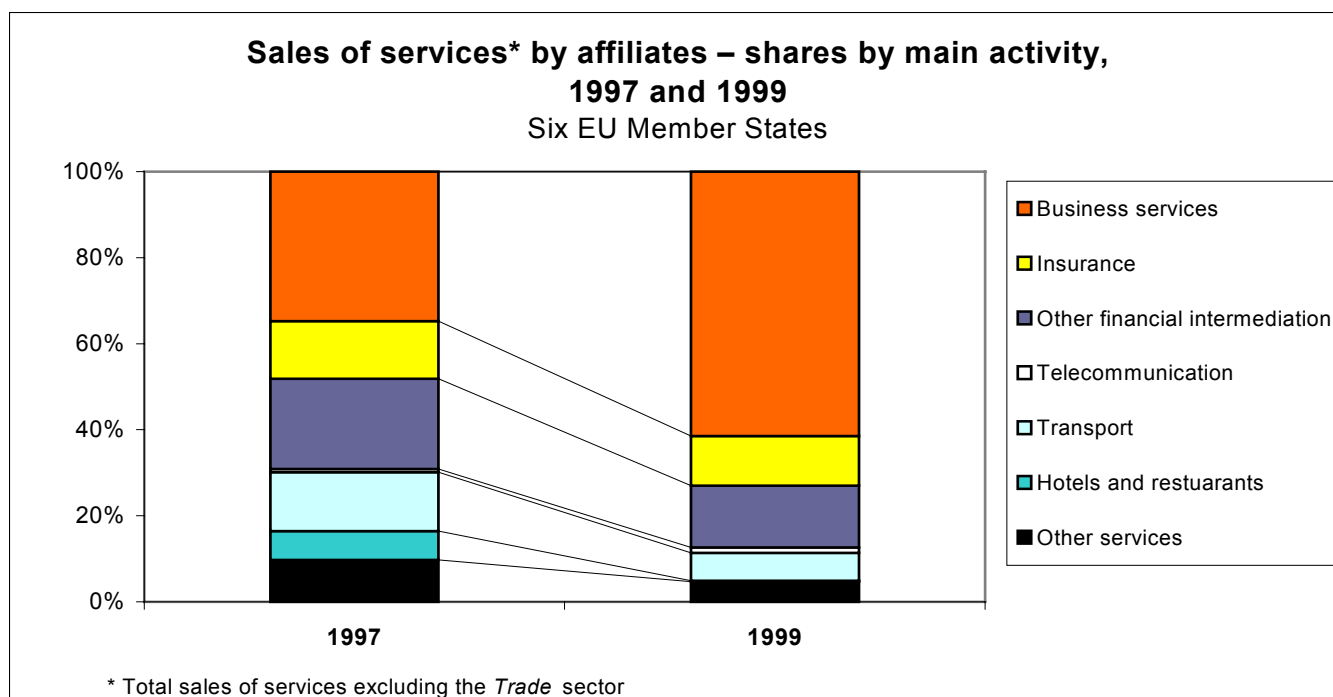
⁴ It should be noted that France and Germany together represented about 90% of the six Member States considered here in terms of sales by affiliates and about 80% in terms of exports. See the table on p. 3 for 1999 data of sales. The table shows that the importance of Germany is much higher at the total activity level than for services.



highest ratios (above 150% in 1999) and the highest growth rates⁵. In Austria, the relative importance of sales by affiliates was the lowest (7.5% of exports in 1999), although data for 1998 and 1999 also reflect a structural difference (see footnote 1) in the Austrian data set, compared to the other countries considered.

Sales of services concentrated in *Business services* and in *Financial intermediation*

With a share of 34% in 1997 and of 62% in 1999, *Business services*⁶ was by far the most important sector of activity in terms of sales of services by EU affiliates. Particularly important in determining these results were sales by French affiliates in the USA, with EUR 30 billion in 1999 in *Business management and consulting* activity. Financial intermediation (subdivided in the graph between insurance and other forms) ranked second in relative importance, at 34% in 1997 and 26% in 1999. German affiliates had a leading role in *Insurance* with 70% of sales of the sample considered. On the other hand, *Transport* and, particularly, *Hotels and restaurants* became considerably less important over the period considered.



Services accounted for one third of the employment of EU affiliates abroad

Looking at data on employment by sector of activity of EU affiliates in non-EU countries, it should be noted that no information is available for France. The results presented below for the other five Member States are therefore not directly comparable with those referring to sales, where France accounted on average for nearly 60% of the sample. In data for employment, about 80% is made up by employees of German affiliates.

A total of 1 590 000 persons were employed in foreign affiliates (in all sectors of activity) in 1999, which represented 5% of total employment (excluding the public sector) in the five EU Member States considered. Between 1997 and 1999, employment in foreign affiliates grew by 21%. Services (including now the *Trade* sector) represented 31% of the total in 1997 and 34% in 1999.

The inclusion of *Trade* shows in fact that this sector was the most important among services, accounting for about 60% of total employment by foreign affiliates operating in services. Employment in *Trade* was roughly evenly split between wholesale and retail trade activities. In 1999, the second sector in terms of importance was *Financial intermediation*, with 12% of the total, while *Business services* came third with 11%. The graph on the next page presents the weight of the various activities in terms of employment, with a particular focus on services.

⁵ The growth of sales of services of French affiliates was driven by activities such as Business and management consulting, included in Business services. Sales of Business services of French affiliates totalled EUR 44 billion in 1999 (73% of total sales of services by French foreign affiliates excluding the Trade sector), while in 1997 their value was ECU 7 billion.

⁶ The following activities are recorded under Business services: Business and management consulting; Computer activities; Research and development; Advertising; and Miscellaneous business activities.

Sales and employment of EU affiliates in extra-EU countries by main activity, 1999

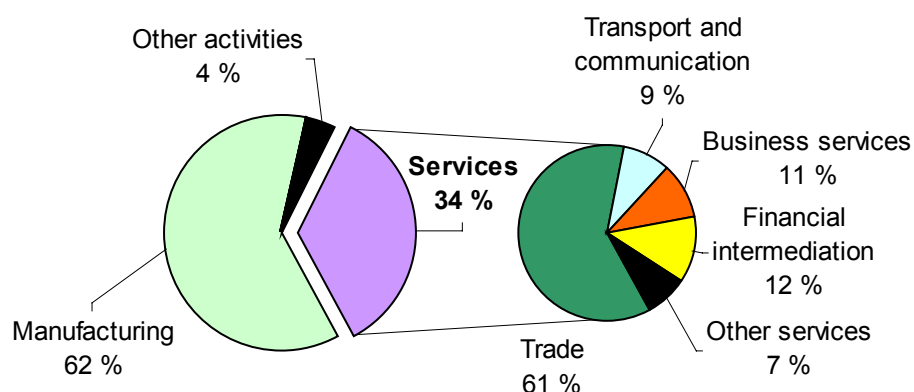
S: Sales (EUR billion), E: Employment (thousands of employees)

	Austria		Belgium		Germany		Finland		France		Portugal		Total	
	S	E	S	E	S	E	S	E	S	E	S	E	S	E
TOTAL ACTIVITY	11.6	97.3	9.5	57.7	213.0	1267.0	31.2	111.5	109.6	:	5.3	56.1	380.2	1589.5
MANUFACTURING	3.8	51.7	4.7	29.8	102.0	809.0	14.9	79.4	32.4	:	0.5	8.7	158.3	978.6
SERVICES	6.9	35.4	3.2	20.7	102.7	414.0	15.6	29.0	75.5	:	4.7	41.6	208.5	540.8
Trade	6.2	18.2	1.0	5.0	74.0	258.0	14.5	21.6	16.7	:	2.8	28.9	115.2	331.6
Transport & Communications	0.1	1.3	0.1	2.6	7.9	41.0	0.1	1.2	3.4	:	0.0	0.5	11.6	46.5
Financial Intermediation	0.2	11.8	0.8	6.3	8.2	39.0	0.4	0.7	11.5	:	1.8	7.8	22.9	65.6
Business Services	0.2	1.9	1.2	5.6	8.9	44.0	0.5	5.5	43.6	:	0.0	0.2	54.4	57.2
Other services	0.2	2.2	0.1	1.3	3.7	32.0	0.0	0.1	0.4	:	0.0	4.2	4.4	39.9
OTHER ACTIVITIES ^(*)	0.9	10.1	1.6	7.1	8.4	44.0	0.6	3.1	1.7	:	0.2	5.8	13.3	70.1

(*) Includes Agriculture and fishery, Mining and quarrying, Construction, Electricity, gas and water

Employment of affiliates in non-EU countries by main activity, 1999 (%)

Five EU Member States



➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

Main Definitions

Outward FATS (Foreign Affiliates Trade Statistics) are one of the main indicators of globalisation and describe the activity of foreign affiliates abroad that are controlled by a resident entity. Within the framework of Balance of Payments statistics, Eurostat collects and harmonises FATS data of EU Member States. A database on outward FATS, available in NewCronos (theme 2/bop/eu_fats), gives information on affiliates abroad controlled by nine EU Member States. Data include turnover and employment, broken down by geographical zone and sector of activity from 1995 onwards. Data availability varies according to Member State, variable and year.

The link between FATS and FDI statistics: A direct foreign investment enterprise is an enterprise in which an investor resident in another economy holds 10% or more of the capital. For FATS, only enterprises owned at more than 50% are considered. FATS therefore constitute a subset of direct foreign investment enterprises.

The sector of activity corresponds to the affiliate's main activity, except for Belgium and France, where it corresponds to the parent company's main activity.

Further information:

➤ Databases

NewCronos,
Domain Theme2/bop/eu_fats

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For information on methodology

Paolo Passerini, Eurostat/B5, L-2920 Luxembourg, Tel. (352) 4301 33754, Fax (352) 4301 33859,

E-mail: paolo.passerini@cec.eu.int

Gaelle Coz carried out the data processing and statistical analysis.

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