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# Characteristics of foreign-controlled enterprises

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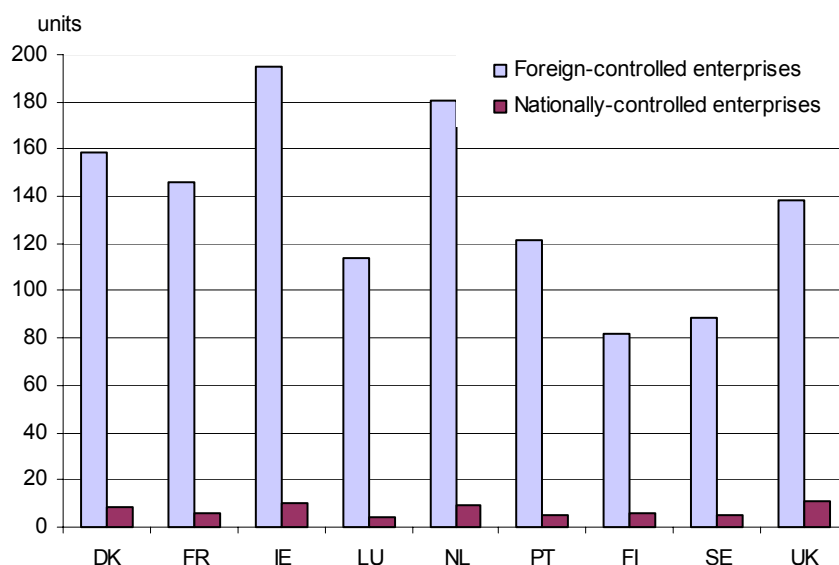
One of the observations that is always made when analysing Foreign Affiliates Statistics (FATS) is that, though very few in number, foreign affiliates make a major economic impact. This suggests that foreign-controlled enterprises are considerably larger than their nationally-controlled counterparts.

Another observation that can be made is that the share of foreign-controlled enterprises in the business economy is greater in terms of turnover and value added than in terms of employment. This indicates that labour productivity is higher in such enterprises than in the rest of the economy.

It should, however, be borne in mind that these comparisons are made between enterprises of relatively small (nationally-controlled) and much larger (foreign-controlled) average size and that for certain activities the average size of an enterprise plays an important part in determining productivity by ensuring operation at a minimum level of efficiency. Foreign-controlled enterprises also tend to be concentrated in high-productivity industries.

The information presented in this publication is based on data collected voluntarily over several reference years. "Foreign- and nationally-controlled enterprises" are defined in "Interpreting the data" on page 2.

**Figure 1: Employment per foreign- and nationally-controlled enterprises in the business economy of nine Member States, 2000<sup>1)</sup>, units**



<sup>1)</sup> 1999 data were used for DK and UK. The 'business economy' is covered by NACE Sections C-I, K.

## The main findings presented in this Statistics in Focus are:

- Foreign-controlled enterprises are considerably larger than nationally-controlled enterprises, regardless of the comparison ratio used (e.g. number of persons employed, average value added or average turnover per enterprise). The size differentials are larger in manufacturing industries than in the services sector.
- Foreign-controlled enterprises were more productive than national enterprises in the vast majority of the participating Member States in terms of apparent and wage-adjusted labour productivity. Studies of this topic suggest that this may be due to the tendency of foreign-controlled enterprises to be concentrated in high-productivity industries.
- Foreign-controlled enterprises incurred higher personnel costs. Research in this area shows that this is at least partly due to the concentration of foreign-controlled enterprises in higher wage and productivity industries.
- Foreign-controlled enterprises generated a high turnover and gross operating surplus per person employed in most of the participating countries, but operating profitability was often below that of nationally-controlled enterprises.
- Nationally-controlled enterprises had a higher investment rate (gross investment in tangible goods in value added); investment per person employed is higher for foreign-controlled enterprises in manufacturing industries.
- Further information on the scale of foreign control in the European Union is provided in the Statistics in Focus “Foreign-controlled enterprises in high-tech industries and services”, Theme 4-15/2004.

### Interpreting the data:

The notion of control implies the ability to direct an enterprise and determine its strategy. This ability can be exercised by an investor with a majority shareholding (more than 50%). The aggregate “nationally-controlled enterprises” includes enterprises controlled by the reporting economy and enterprises under multiple minority ownership. The latter have two or more shareholders (foreign or of the reporting economy), each owning between 10% and 50% of the shares. “Foreign-controlled enterprises” include enterprises under majority ownership which are subject to foreign control.

It is important to bear in mind that the comparisons are made between enterprises of relatively small (nationally-controlled) and much larger (foreign-controlled) average size and that there may be certain activities where the average size of an enterprise plays an important part in determining productivity, due to a minimum efficient scales of production. Furthermore, most foreign-controlled enterprises are believed to be owned by multinationals or groups, whereas this is less likely to be the case for nationally-controlled enterprises.

It must also be noted that in some Member States surveys mainly focus on large enterprises, so that the coverage of foreign-controlled enterprises is sometimes skewed in favour of such undertakings. As a result, differences in size are likely to be overstated.

High productivity rates may be attributable to the individual national economic framework; for example, low corporate tax rates could lead to a high level of transfer-pricing. The calculations presented in this Statistics in Focus should therefore be treated with caution.

In calculating the business economy, manufacturing industries and services sector categories, different aggregations were used for different Member States owing to a lack of data on specific activities in individual reporting countries. Consequently, results for different countries can represent differences in activity coverage which may imply under- or over-estimation. Reference should be made to the methodological notes for aggregate details.

Comparability is limited because data from two reference years had to be used and not all variables and breakdowns are available for every participating Member State.

## Average size of foreign-controlled enterprises

**Table 1: Average size of foreign-controlled enterprises in business economy (NACE sections C-I, K) in nine Member States, 2000<sup>1)</sup>**

Member State	Number of persons employed <sup>2)</sup> per enterprise (units)			Average value added per enterprise (million €)			Average turnover per enterprise (million €)		
	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally
DK	158.8	8.0	19.8	9.9	0.4	25.7	38.9	1.3	29.8
FR	145.8	6.1	23.9	7.8	0.3	26.9	37.1	1.2	32.2
IE	195.3	10.0	19.5	36.4	0.4	84.7	107.4	1.5	69.5
LU	113.8	4.6	24.9	:	:	:	38.3	1.3	29.5
NL	180.5	9.6	18.8	10.8	0.4	26.9	52.7	1.7	31.2
PT	121.7	4.9	24.7	4.8	0.1	53.4	23.4	0.4	57.7
FI	81.8	5.9	13.9	4.9	0.3	15.4	22.1	1.2	19.0
SE	88.4	4.8	18.3	6.1	0.2	24.8	25.6	0.9	28.4
UK	138.2	11.1	12.5	4.1	0.5	7.9	18.5	1.7	11.0

<sup>1)</sup> 1999 data were used for DK and UK.

<sup>2)</sup> The number of employees was used as a proxy for number of persons employed for FR and LU.

Table 1 shows that foreign-controlled enterprises are much larger than their nationally-controlled counterparts, regardless of the characteristic used for comparison, whether it be employment, value added or turnover. Reference to financial indicators showed the relative differences between enterprises under foreign and national control to be even greater. This size difference between foreign- and nationally-controlled enterprises exists for all countries with available employment, value added and turnover data.

Foreign-controlled enterprises employed between 81.8 (Finland) and 195.3 (Ireland) persons per enterprise, whilst the corresponding figures for nationally-controlled enterprises were 4.6 (Luxembourg) and 11.1 (United Kingdom). Between 7.9 (United Kingdom) and 84.7 (Ireland) times more value added was generated per foreign-controlled enterprise in comparison to nationally-controlled enterprises. For average turnover per enterprise, the ratio of foreign to national control varied from 11.0 (United Kingdom) to 69.5 (Ireland).

As mentioned in "Interpreting the data", it must be remembered that

differences in size are likely to be overstated.

In collecting data, several Member States have concentrated on large enterprises because foreign-controlled enterprises are quite often affiliates of multinationals. In some countries, data on nationally-controlled multinational affiliates are collected and compared with corresponding data on foreign-controlled multinational affiliates.

Thus, a Banque de France study (by Frédéric Boccara and François Renard) "FATS statistics: Multinational enterprises, the globalization process and Balance of Payments data", presented at the 54th ISI Session, Berlin 2003 revealed that multinationals under both French and foreign control generate a higher turnover per employee than other French resident enterprises.

The data presented in this Statistics in Focus relate specifically to the size and performance of foreign-controlled affiliates in a particular host country. The size and performance of the whole enterprise group to which the affiliate belongs is not known or reported.

Tables 2 and 3 show that size

differentials are greater in manufacturing industries than in the services sector, especially for the categories "average number of persons employed" and "average value added."

Figure 2 shows that the average employment per foreign-controlled enterprise in the ten participating Member States<sup>1</sup> ranges from 70.1 persons in the case of NACE Section G, Wholesale and retail trade, to 320.3 in the case of NACE Section H, Hotels and restaurants. For NACE Section E, Electricity, gas and water supply, the figure was 234.2 and for NACE Section D, Manufacturing, 231.2. On average, 141.6 persons were employed per foreign-controlled enterprise, with figures of 100.4 in the services sector and 222.1 for manufacturing industries. It can be seen that, whilst there is also a difference between the activities of nationally-controlled enterprises, employment per enterprise is lower than in foreign-controlled enterprises for all activities.

<sup>1</sup> All Member States included in Table 1.

**Table 2: Average size of foreign-controlled enterprises in manufacturing industries (NACE sections C-F) in ten Member States, 2000<sup>1)</sup>**

Member State	Number of persons employed <sup>2)</sup> per enterprise (units)			Average value added per enterprise (million €)			Average turnover per enterprise (million €)		
	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally
DK	234.6	11.7	20.0	16.7	0.6	28.6	43.7	1.6	26.6
ES	329.5	9.8	33.5	20.7	0.4	55.0	92.8	1.3	70.1
FR	208.1	8.9	23.5	13.6	0.4	30.7	64.3	1.6	40.1
IE	209.5	34.3	6.1	46.5	1.9	25.0	129.7	5.9	22.1
LU	186.1	16.0	11.6	:	:	:	43.4	2.6	16.4
NL	197.8	11.9	16.6	17.0	0.7	25.4	66.3	2.5	26.1
PT	222.4	7.7	28.9	7.8	0.1	53.9	30.9	0.5	59.5
FI	165.2	8.7	19.0	10.5	0.6	18.1	37.2	1.9	19.3
SE	198.0	7.7	25.8	15.2	0.4	35.1	52.0	1.5	34.9
UK	226.8	13.5	16.7	9.2	0.8	11.1	35.7	2.3	15.3

<sup>1)</sup> 1999 data were used for DK and UK.

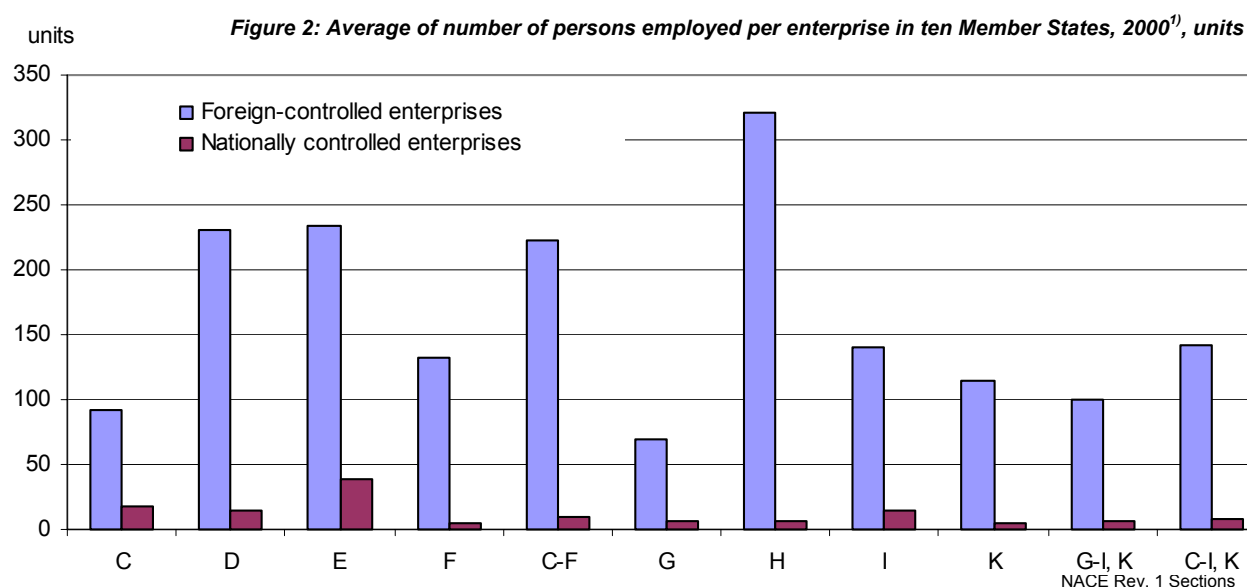
<sup>2)</sup> The number of employees was used as a proxy for number of persons employed for FR and LU.

**Table 3: Average size of foreign-controlled enterprises in services' sector (NACE sections G-I, K) in nine Member States, 2000<sup>1)</sup>**

Member State	Number of persons employed <sup>2)</sup> per enterprise (units)			Average value added per enterprise (million €)			Average turnover per enterprise (million €)		
	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally
DK	120.9	6.7	18.2	6.5	0.3	21.0	36.6	1.2	31.0
FR	116.0	5.0	23.1	5.1	0.2	21.8	24.2	1.0	24.7
IE	165.2	8.3	20.0	15.1	0.3	46.3	60.2	1.2	48.9
LU	45.2	2.5	17.9	:	:	:	33.5	1.1	31.6
NL	170.2	8.9	19.2	7.1	0.3	22.5	44.6	1.4	31.6
PT	70.7	3.7	18.9	3.4	0.1	49.8	19.6	0.4	55.0
FI	52.0	4.6	11.4	2.9	0.2	14.7	16.7	0.8	20.6
SE	53.9	3.9	13.8	3.3	0.2	17.5	17.3	0.7	24.4
UK	98.0	10.3	9.5	1.8	0.4	4.3	10.7	1.5	7.3

<sup>1)</sup> 1999 data were used for DK and UK.

<sup>2)</sup> The number of employees was used as a proxy for number of persons employed for FR and LU.



<sup>1)</sup> 1999 data were used for DK and UK. The number of employees was used as a proxy for number of persons employed for FR and LU.

## Productivity and personnel costs

**Table 4: Productivity and personnel costs of foreign-controlled enterprises in business economy (NACE sections C-I, K) in eight Member States, 2000<sup>1)</sup>**

Member State	Apparent labour productivity <sup>2)</sup> (1000 €)			Average personnel costs (1000 €)			Simple wage adjusted labour productivity (%)		
	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally
DK	62.4	47.9	1.3	39.7	31.1	1.3	157.2	167.6	0.9
FR	53.7	47.8	1.1	38.4	33.4	1.2	139.8	143.3	1.0
IE	186.6	42.9	4.3	:	:	:	:	:	:
NL	59.6	41.6	1.4	36.0	28.2	1.3	179.1	168.4	1.1
PT	39.8	18.4	2.2	19.1	12.5	1.5	209.1	173.4	1.2
FI	59.4	53.6	1.1	37.2	31.3	1.2	159.9	183.5	0.9
SE	69.4	51.2	1.4	45.2	38.2	1.2	153.8	152.4	1.0
UK	29.7	46.9	0.6	14.9	28.8	0.5	206.6	188.8	1.1

<sup>1)</sup> 1999 data were used for DK and UK.

<sup>2)</sup> The number of employees was used as a proxy for number of persons employed for FR and LU.

Table 4: From the standpoint of apparent labour productivity (defined as gross value added divided by the number of persons employed); foreign-controlled enterprises were more productive than nationally-controlled enterprises on average. This was especially true in manufacturing industries, whilst the disparity between average levels of apparent labour productivity was less pronounced in the services sector.

The apparent labour productivity of foreign-controlled enterprises ranged from € 29 700 (United Kingdom) to € 186 600 per person employed (Ireland) in the business economy. The differences in

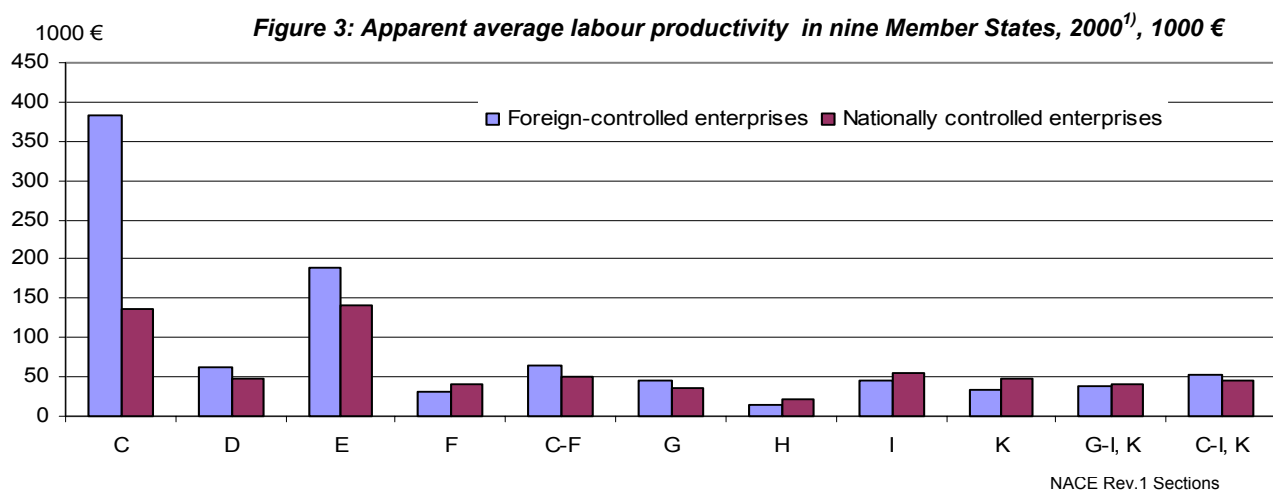
productivity levels may, however, be due as much to the greater size of foreign-controlled enterprises - and more so in manufacturing industries than in the services sector - as to the simple fact of foreign control

There are certain activities where average enterprise size plays an important part in determining productivity, due to minimum efficient scales of production. Figure 3 shows the different apparent labour productivity of foreign-controlled enterprises for the different activities. In nine Member States<sup>2)</sup>, the average ranged from € 15 500 for NACE Section H to € 384 000 for NACE Section C. Higher than average apparent

labour productivity was also noted in the case of NACE Sections E, Electricity, gas and water supply (€ 190 000) and D, Manufacturing (€ 61 100).

In the case of NACE Sections F, Construction, H, Hotels and restaurants, I, Transport, storage and communication and K, Real estate, renting and business activities, apparent labour productivity was higher in nationally- than in foreign-controlled enterprises.

<sup>2)</sup> For Member States included in Table 5.



<sup>1)</sup> 1999 data were used for DK and UK. The number of employees was used as a proxy for number of persons employed for FR and LU.

**Table 5: Productivity and personnel costs of foreign-controlled enterprises in manufacturing industries (NACE Sections C-F) in nine Member States, 2000<sup>1)</sup>**

Member State	Apparent labour productivity <sup>2)</sup> (1000 €)			Average personnel costs (1000 €)			Simple wage adjusted labour productivity (%)		
	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally
DK	71.1	49.7	1.4	38.4	34.0	1.1	185.1	154.2	1.2
ES	62.7	38.1	1.6	36.8	22.9	1.6	170.7	180.1	0.9
FR	65.5	50.1	1.3	42.9	34.7	1.2	152.6	144.5	1.1
IE	222.1	54.2	4.1	34.0	28.1	1.2	653.1	195.0	3.3
NL	85.8	55.9	1.5	45.3	35.8	1.3	211.8	172.0	1.2
PT	35.0	18.8	1.9	17.3	11.8	1.5	202.6	176.6	1.1
FI	63.3	66.4	1.0	37.1	34.5	1.1	170.9	199.4	0.9
SE	76.8	56.3	1.4	45.8	39.9	1.1	167.7	151.9	1.1
UK	40.6	61.3	0.7	17.8	34.8	0.5	235.6	187.7	1.3

<sup>1)</sup> 1999 data were used for DK and UK.

<sup>2)</sup> The number of employees was used as a proxy for number of persons employed for FR.

**Table 6: Productivity and personnel costs of foreign-controlled enterprises in services sector (NACE Sections G-I, K) in eight Member States, 2000<sup>1)</sup>**

Member State	Apparent labour productivity <sup>2)</sup> (1000 €)			Average personnel costs (1000 €)			Simple wage adjusted labour productivity (%)		
	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally
DK	54.0	46.8	1.2	41.0	29.1	1.4	131.8	178.5	0.7
FR	43.6	46.3	0.9	34.5	32.5	1.1	126.2	142.5	0.9
IE	91.3	39.5	2.3	:	:	:	:	:	:
NL	41.5	35.4	1.2	30.0	24.7	1.2	146.7	166.0	0.9
PT	47.4	18.0	2.6	21.9	13.2	1.7	217.3	170.5	1.3
FI	55.0	42.4	1.3	37.3	28.3	1.3	147.4	165.4	0.9
SE	61.0	48.0	1.3	44.6	37.1	1.2	137.2	152.8	0.9
UK	18.3	40.7	0.5	11.9	25.9	0.5	160.7	189.6	0.8

<sup>1)</sup> 1999 data were used for DK and UK.

<sup>2)</sup> The number of employees was used as a proxy for number of persons employed for FR.

The United Kingdom was the only participating country reporting higher apparent labour productivity in nationally- than in foreign-controlled enterprises. At € 222 100, the apparent labour productivity of foreign-controlled enterprises was highest in manufacturing industries in Ireland.

As persons employed by foreign-controlled enterprises generated more value added per head than

those working in nationally-controlled enterprises, they could be expected to be paid more. Indeed, Tables 4-6 show that foreign-controlled enterprises generally have higher average personnel costs per employee in all countries registering higher apparent labour productivity.

The simple wage-adjusted labour productivity which divides gross value added by personnel costs

measures the return on a unit of personnel costs. The difference between the wage-adjusted labour productivity ratios of foreign- and nationally-controlled enterprises was less pronounced than in the case of the other measures of productivity and personnel costs; in some Member States foreign- and nationally-controlled enterprises received almost the same return.

## Performance and operating profitability

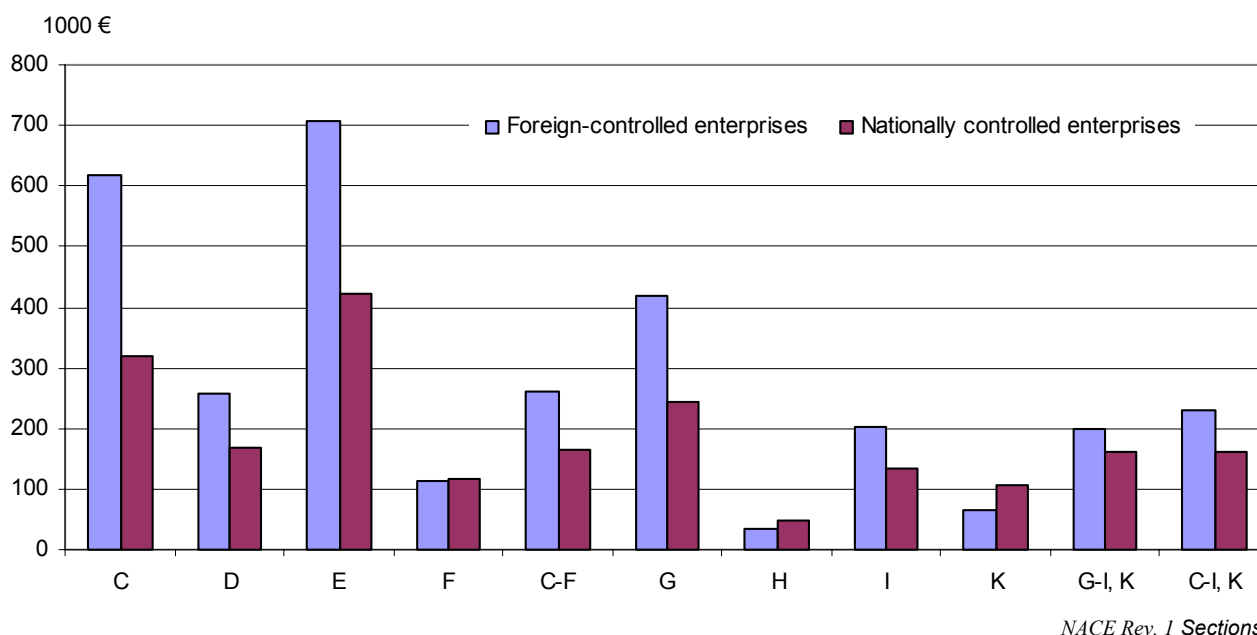
Figure 4 shows that the average turnover per person employed in nine Member States<sup>3</sup> was higher in manufacturing industries than in the services sector and that differences between individual activities were even greater. The highest value was

recorded for NACE Section E, Electricity, gas and water supply, with an average € 707 800 for nine Member States, the lowest for NACE section H, Hotels and restaurants, at € 33 800. Turnover per person employed was higher for nationally- than for foreign-controlled enterprises in the case of three NACE Sections, namely F, H and K.

The gross operating surplus (gross value added minus personnel costs) per person employed may be used as a performance indicator; whilst the gross operating rate (gross operating surplus divided by turnover) may be used as a proxy for profitability. It should be noted that the gross operating rate between activities cannot be easily compared because of differences in the nature of the goods and services produced and sold.

enterprises in manufacturing industries, where it varied between € 17 700 (Portugal) and € 188 100 (Ireland). There was far less difference between foreign- and nationally-controlled enterprises in the services sector. Gross operating

**Figure 4: Average turnover per person employed in ten Member States, 2000<sup>1)</sup>, 1000 €**



<sup>1)</sup> 1999 data were used for DK and UK. The number of employees was used as a proxy for number of persons employed for FR and LU

recorded for NACE Section E, Electricity, gas and water supply, with an average € 707 800 for nine Member States, the lowest for NACE section H, Hotels and restaurants, at € 33 800. Turnover per person employed was higher for nationally- than for foreign-controlled enterprises in the case of three NACE Sections, namely F, H and K.

Tables 7-9: Turnover per person employed was higher for foreign- than for nationally-controlled enterprises in the business economy in all participating countries except the United Kingdom. This pattern was repeated in manufacturing

as a performance indicator; whilst the gross operating rate (gross operating surplus divided by turnover) may be used as a proxy for profitability. It should be noted that the gross operating rate between activities cannot be easily compared because of differences in the nature of the goods and services produced and sold.

The gross operating surplus per person employed was higher for foreign- than for nationally-controlled enterprises in five Member States for which data are available. This was largely a result of the performance of foreign-controlled

surplus per person employed in foreign-controlled enterprises was higher in manufacturing industries than in the services sector.

With the exception of Portugal and Ireland, operating profitability in the business economy was lower in foreign- than in nationally-controlled enterprises in all Member States. In the case of manufacturing industries, however, the gross operating rate was higher in the former than in the latter in five countries. In the services sector, this was the case only in Portugal.

<sup>3</sup> For Member States included in Table 8.

**Table 7: Performance and profitability of foreign-controlled enterprises in business economy (NACE sections C-I, K) in nine Member States, 2000<sup>1)</sup>**

Member State	Turnover per person employed <sup>2)</sup> (1000 €)			Gross operating surplus per person employed <sup>2)</sup> (1000 €)			Gross operating rate (%)		
	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally
DK	245.2	162.5	1.5	22.7	19.3	1.2	9.3	11.9	0.8
FR	254.8	189.6	1.3	15.3	14.5	1.1	6.0	7.6	0.8
IE	550.1	154.2	3.6	186.6	42.9	4.3	33.9	27.8	1.2
LU	336.6	284.5	1.2	:	:	:	:	:	:
NL	292.1	175.7	1.7	26.3	16.9	1.6	9.0	9.6	0.9
PT	192.1	82.2	2.3	20.8	7.8	2.7	10.8	9.5	1.1
FI	270.4	197.9	1.4	22.3	24.4	0.9	8.2	12.3	0.7
SE	289.4	186.1	1.6	24.3	17.6	1.4	8.4	9.5	0.9
UK	133.9	151.2	0.9	15.4	22.1	0.7	11.5	14.6	0.8

<sup>1)</sup> 1999 data were used for DK and UK.

<sup>2)</sup> The number of employees was used as a proxy for number of persons employed for FR and LU.

**Table 8: Performance and profitability of foreign-controlled enterprises in manufacturing industries (NACE sections C-F) in ten Member States, 2000<sup>1)</sup>**

Member State	Turnover per person employed <sup>2)</sup> (1000 €)			Gross operating surplus per person employed <sup>2)</sup> (1000 €)			Gross operating rate (%)		
	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally controlled	Ratio of foreign to nationally
DK	186.2	139.7	1.3	32.7	17.5	1.9	17.6	12.5	1.4
ES	281.8	134.7	2.1	26.0	17.0	1.5	9.2	12.6	0.7
FR	308.8	180.9	1.7	22.6	15.4	1.5	7.3	8.5	0.9
IE	619.2	170.8	3.6	188.1	26.4	7.1	30.4	15.5	2.0
LU	233.3	165.3	1.4	:	:	:	:	:	:
NL	335.2	213.0	1.6	45.3	23.4	1.9	13.5	11.0	1.2
PT	138.9	67.5	2.1	17.7	8.2	2.2	12.8	12.1	1.1
FI	224.9	220.9	1.0	26.3	33.1	0.8	11.7	15.0	0.8
SE	262.6	193.7	1.4	31.0	19.2	1.6	11.8	9.9	1.2
UK	157.4	172.1	0.9	23.4	28.7	0.8	14.9	16.7	0.9

<sup>1)</sup> 1999 data were used for DK and UK.

<sup>2)</sup> The number of employees was used as a proxy for number of persons employed for FR and LU.

**Table 9: Performance and profitability of foreign-controlled enterprises in services' sector (NACE sections G-I, K) in nine Member States, 2000<sup>1)</sup>**

Member State	Turnover per person employed <sup>2)</sup> (1000 €)			Gross operating surplus per person employed <sup>2)</sup> (1000 €)			Gross operating rate (%)		
	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally-controlled	Ratio of foreign to nationally
DK	302.5	177.4	1.7	13.0	20.6	0.6	4.3	11.6	0.4
FR	208.6	195.6	1.1	9.0	13.8	0.7	4.3	7.1	0.6
IE	364.5	149.1	2.4	91.3	39.5	2.3	25.1	26.5	0.9
LU	739.8	420.0	1.8	:	:	:	:	:	:
NL	262.4	159.5	1.6	13.2	14.1	0.9	5.0	8.8	0.6
PT	277.1	95.3	2.9	25.6	7.5	3.4	9.2	7.8	1.2
FI	322.1	177.7	1.8	17.7	16.8	1.1	5.5	9.4	0.6
SE	320.4	181.3	1.8	16.5	16.6	1.0	5.2	9.1	0.6
UK	109.3	142.2	0.8	6.9	19.2	0.4	6.3	13.5	0.5

<sup>1)</sup> 1999 data were used for DK and UK.

<sup>2)</sup> The number of employees was used as a proxy for number of persons employed for FR and LU.



**Table 10: Investment of foreign-controlled enterprises in business economy (NACE sections C-I, K) in eight Member States, 2000<sup>1)</sup>**

Member State	Investment rate (%)			Investment per person employed <sup>2)</sup> (1000 €)		
	Foreign-Controlled	Nationally controlled	Ratio of foreign to nationally	Foreign-Controlled	Nationally controlled	Ratio of foreign to nationally
DK	14.9	19.5	0.8	9.3	9.3	1.0
FR	17.6	21.0	0.8	9.4	10.1	0.9
IE	8.7	23.7	0.4	16.3	10.2	1.6
NL	14.1	15.9	0.9	8.4	6.6	1.3
PT	32.2	37.7	0.9	12.8	6.9	1.8
FI	14.6	18.4	0.8	8.7	9.9	0.9
SE	16.4	26.1	0.6	11.4	13.4	0.8
UK	21.7	14.2	1.5	6.5	6.6	1.0

<sup>1)</sup> 1999 data were used for DK and UK.

<sup>2)</sup> The number of employees was used as a proxy for number of persons employed for FR.

Tables 10-12: Since foreign-controlled enterprises are on average larger than their nationally-controlled counterparts and as they often form part of a multinational group, they are frequently able to raise capital more easily.

Foreign-controlled enterprises invested considerably more than nationally-controlled enterprises per person employed in the manufacturing sector. The gross investment in tangible goods per person employed by foreign-controlled enterprises ranged from € 7 400 in Finland to € 17 500 in Ireland. Finland was the only participating country where investment was higher in nationally- than in foreign-controlled enterprises

(€ 9 900 per person employed). In the services sector, Portugal and Finland reported higher investment per person employed (2.5 and 1.4 times respectively) in foreign- than in nationally-controlled enterprises.

The position was different with regard to the ratio of gross investment in tangible goods to value added (investment rate). Nationally-controlled enterprises had a higher investment rate in all participating Member States except the United Kingdom. This was especially true of the services sector. The investment rate of foreign-controlled enterprises in manufacturing industries ranged from 7.9% in Ireland to 25.3% in Portugal and in the services sector

from 12.4% in the Netherlands to 40.3% in Portugal. In nationally-controlled enterprises the rate ranged from 12.3% (Netherlands) to 31.8% (Portugal) in manufacturing industries and from 15.3% (United Kingdom) to 43.2% (Portugal) in the services sector.

Again, Figure 5 shows the great variation between the different activities, ranging from an average investment of € 111 400 per person employed in nine Member States<sup>4</sup> in the case of NACE Section C to € 2 800 for NACE Section H. Investment per person employed was higher for nationally- than for foreign-controlled enterprises in the case of two NACE Sections, namely H and K.

<sup>4</sup> For Member States included in Table 11.

**Table 11: Investment of foreign-controlled enterprises in manufacturing industries (NACE sections C-F) in nine Member States, 2000<sup>1)</sup>**

Member State	Investment rate (%)			Investment per person employed <sup>2)</sup> (1000 €)		
	Foreign-controlled	Nationally controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally controlled	Ratio of foreign to nationally
DK	14.1	15.6	0.9	10.1	7.8	1.3
ES	18.1	19.5	0.9	11.4	7.5	1.5
FR	15.1	16.2	0.9	9.9	8.1	1.2
IE	7.9	22.3	0.4	17.5	12.1	1.4
NL	15.2	12.3	1.2	13.1	6.9	1.9
PT	25.3	31.8	0.8	8.9	6.0	1.5
FI	11.7	15.0	0.8	7.4	9.9	0.7
SE	18.1	19.5	0.9	13.9	11.0	1.3
UK	23.8	12.4	1.9	9.7	7.6	1.3

<sup>1)</sup> 1999 data were used for DK and UK.

<sup>2)</sup> The number of employees was used as a proxy for number of persons employed for FR.

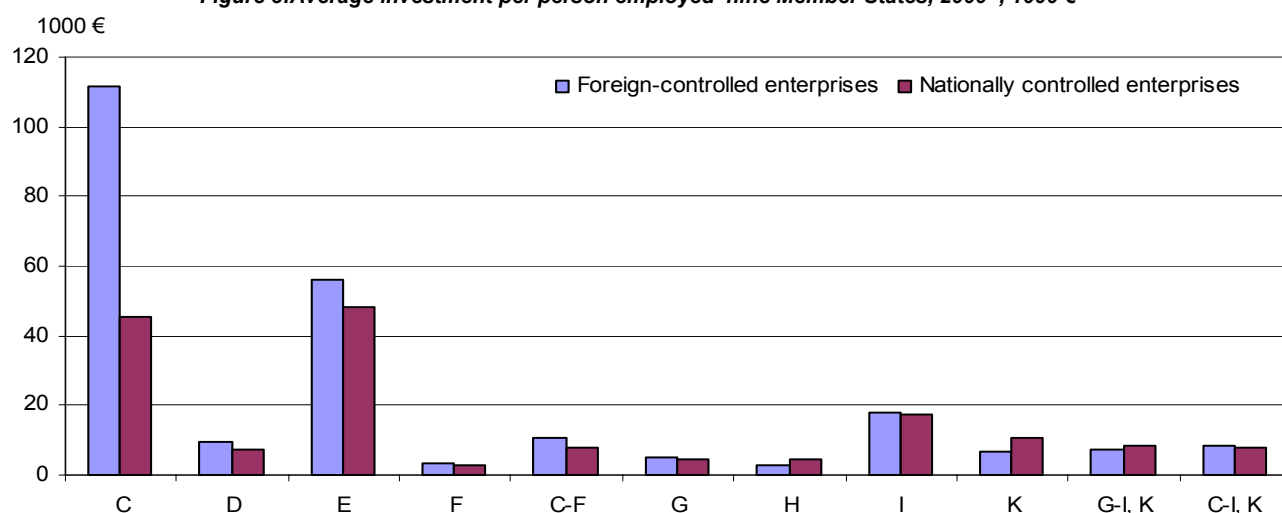
**Table 12: Investment of foreign-controlled enterprises in services' sector (NACE sections G-I, K) in eight Member States, 2000<sup>1)</sup>**

Member State	Investment rate (%)			Investment per person employed <sup>2)</sup> (1000 €)		
	Foreign- controlled	Nationally controlled	Ratio of foreign to nationally	Foreign-controlled	Nationally controlled	Ratio of foreign to nationally
DK	15.8	22.2	0.7	8.5	10.4	0.8
FR	20.7	24.6	0.8	9.0	11.4	0.8
IE	14.5	24.3	0.6	13.2	9.6	1.4
NL	12.4	18.3	0.7	5.2	6.5	0.8
PT	40.3	43.2	0.9	19.1	7.8	2.5
FI	18.3	23.2	0.8	10.1	9.8	1.0
SE	13.8	31.1	0.4	8.4	14.9	0.6
UK	16.9	15.3	1.1	3.1	6.2	0.5

<sup>1)</sup> 1999 data were used for DK and UK.

<sup>2)</sup> The number of employees was used as a proxy for number of persons employed for FR.

**Figure 5: Average investment per person employed nine Member States, 2000<sup>1)</sup>, 1000 €**



NACE Rev. 1 sections

<sup>1)</sup> 1999 data were used for DK and UK. The number of employees was used as a proxy for number of persons employed for FR.

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

### The Project

The data published in this report relate to inward Foreign Affiliates Statistics (inward FATS), which describe the overall activity of foreign-controlled affiliates in the reporting economy. The legal basis for the project is Annex 1 Section 10 to Council Regulation (EC, EURATOM) No 58/97 of 20 December 1996 concerning structural business statistics (SBS).

The results presented in this Statistics in Focus represent data for the reference year 2000 in respect of eight Member States - Spain, France, Ireland, Luxembourg, the Netherlands, Portugal, Finland and Sweden - whilst 1999 data are included for Denmark and the United Kingdom because later information was not available. No data on the Spanish services sector were available for the reference year 2000. Luxembourg provided FATS data on three variables, namely number of enterprises, number of employees and turnover.

### Methodological Notes

The breakdown of the (FATS) variables is based on the concept of control. Control over an enterprise is defined as the ability of an entity to determine its general corporate policy by choosing appropriate directors if necessary. Control is, however, often difficult to establish and, in practice, share of ownership is often used as a control proxy in the data collection process.

In the case of multiple ownership, the FATS owner is determined according to the majority-ownership rule. Direct majority ownership is defined as the direct ownership of more than 50% of the voting shares of an incorporated enterprise or the equivalent of an unincorporated enterprise.

FATS are collected according to the concept of the ultimate controlling institutional unit (UCI). The UCI is the first institutional unit in the chain – beginning with and including the first foreign parent – which is not majority-owned by another person.

Most of the data in this report are presented at an aggregated level to provide overall figures. In some cases, aggregates have been calculated despite the fact that one or more constituent parts are confidential or not available. NACE Section F is missing for Denmark, Spain and Ireland and Sections C and K for the Netherlands. The number of employees under NACE Section K is missing for Luxembourg. As data are not available under NACE Section I for the aggregate “nationally-controlled enterprises” and NACE Section C for the aggregate “foreign-controlled enterprises”, neither section was taken into account in aggregate calculation for Luxembourg. Owing to the lack of data on the Spanish services sector in the reference year 2000, aggregates were not calculated for the business economy and services sector.

### Economic variables

The definitions of the characteristics remain the same as laid down in Commission Regulation (EC) No 2700/98 of 17 December 1998 for Structural Business Statistics. The ratios used have been calculated as follows:

Average number of persons employed per enterprise	$\frac{\text{Number of persons employed}}{\text{Number of enterprises}}$
Average value added per enterprise	$\frac{\text{Value added at factor cost}}{\text{Number of enterprises}}$
Average turnover per enterprise	$\frac{\text{Turnover}}{\text{Number of enterprises}}$
Apparent labour productivity	$\frac{\text{Value added at factor cost}}{\text{Number of persons employed}}$
Average personnel costs	$\frac{\text{Personnel costs}}{\text{Number of employees}}$
Simple wage-adjusted labour productivity	$\frac{\text{Value added at factor cost}}{\text{Personnel costs}}$
Turnover per person employed	$\frac{\text{Turnover}}{\text{Number of persons employed}}$
Gross operating surplus per person employed	$\frac{\text{Value added} - \text{personnel costs}}{\text{Number of persons employed}}$
Gross operating rate	$\frac{\text{Value added} - \text{personnel costs}}{\text{turnover}}$
Investment rate	$\frac{\text{Gross investment in tangible goods}}{\text{Value added}}$
Investment per person employed	$\frac{\text{Gross investment in tangible goods}}{\text{Number of persons employed}}$

### Economic Activities

Data were requested for Sections C (Mining and quarrying), D (Manufacturing), E (Electricity, gas and water supply), F (Construction), G (Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods), H (Hotels and restaurants), I (Transport, storage and communication), J (Financial intermediation) and K (Real estate, renting and business activities) of the Statistical Classification of Economic Activities in the European Community (NACE Rev. 1).

The business economy aggregate is covered by Sections C to K, whilst Manufacturing industries comprises NACE Sections C to F and the services sector Sections G to K. NACE Section J was excluded from the publication and thus from the business economy and services sector aggregates on grounds of comparability, since only France, Luxembourg, Portugal and Finland supplied data for this Section or parts thereof.

### Symbols

0	Less than half the final digit shown
..	Confidential data. Data not conclusive or withheld owing to non-disclosure practice.
:	Data not available

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