



CHARACTERISTICS OF AUSTRALIA’S DIRECT INVESTMENT WITH THE EUROPEAN UNION

Australia’s two-way direct investment stock with the European Union (EU) was valued at \$269.7 billion in 2016 accounting for a fifth of Australian total two-way direct investment.

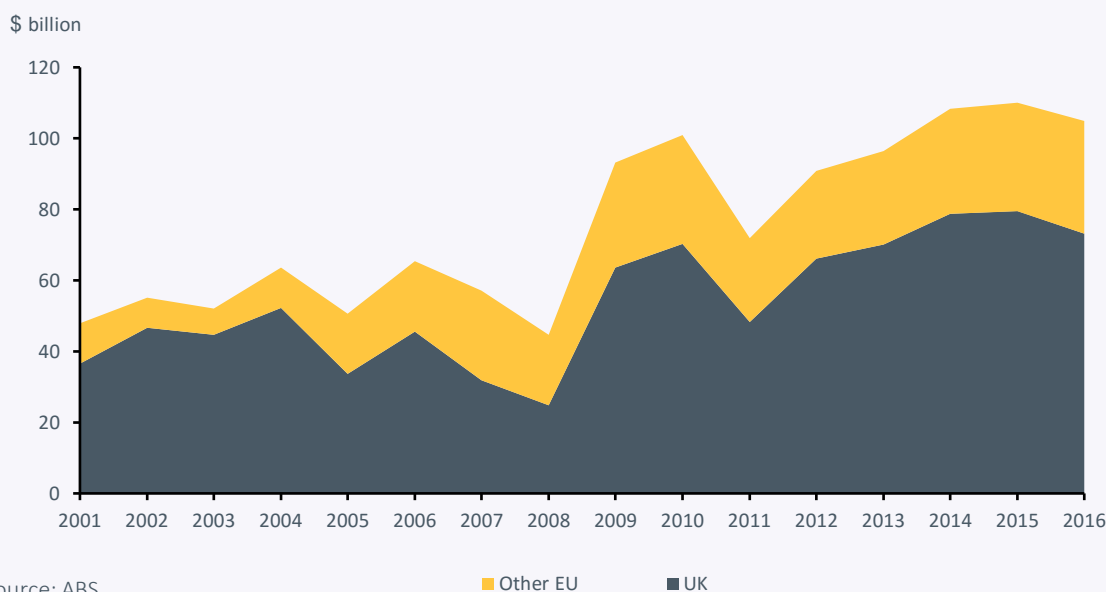
Australian majority owned businesses in the EU are an important vehicle for Australian companies to provide goods and services to the EU and the world, with total sales of around \$47 billion, more than double the value of direct exports from Australia to these economies. Australian majority owned businesses resulted in employment of 83,025 persons in the EU in 2014 and contributed \$15.2 billion to the European economy.

EU majority owned businesses in Australia are also an important vehicle for EU companies to provide goods and services to Australia and the world, with sales valued at around \$233 billion, more than triple the value of direct imports from the EU to Australia. EU majority owned businesses employed 294,700 persons in Australia in 2014.

Introduction

Australia has a significant two-way direct investment relationship with the European Union 28 (EU), with the stock of outward direct investment valued at \$104.9 billion and inward direct foreign investment valued at \$164.8 billion in 2016. The direct investment relationship with the EU is dominated by investment with the United Kingdom, however investment with France, Germany, Italy and the Netherlands is also important.

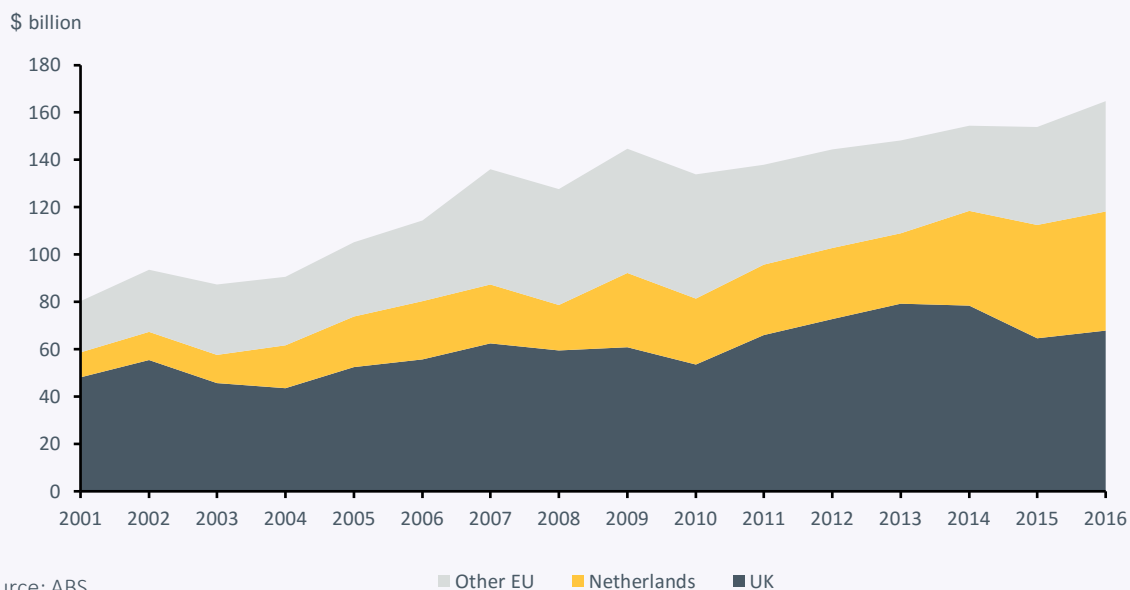
Chart 1: Stock of Australian direct investment in the EU28



Source: ABS

■ Other EU ■ UK

Chart 2: The stock of EU direct investment in Australia



Source: ABS

Other EU Netherlands UK

There are however no current Australian statistics on the economic characteristics of this investment with the latest studies undertaken by the Australian Bureau of Statistics (ABS) published back in the early 2000s.¹

Partner country data (or mirror statistics) can be used to compile more up to date economic indicators on Australian owned businesses in the EU and EU businesses located in Australia. This information is collected through Foreign Affiliates Trade Statistics (FATS). FATS covers both foreign owned business in the host economy (or inwards FATS) and the host countries business located abroad (or outwards FATS). Inwards and outwards FATS compiled by the European Union (Eurostat) can be used to analyse the characteristics of these majority owned companies². The latest data available from Eurostat is for the calendar year 2014.

Australian majority owned businesses in the European Union

Table 1: Summary indicators of Australian majority owned affiliates in the European Union (a)

Indicator	Unit	2012	2013	2014
Australian direct investment in EU (Stock)	A\$m	90,827	96,447	108,352
Share of total direct investment	%	19.8	18.7	19.9
Enterprises	Number	1,090	1,138	1,177
Employment	000's	80.0	79.8	83.0
Industry value added	A\$m	13,015	12,319	15,182
Sales / Turnover	A\$m	37,037	40,220	46,759

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

Source: ABS and Eurostat.

¹ ABS catalogue number 5495.0 – Australian Outward Foreign affiliates trade, 2002-03. A more recent study for the financial & insurance services sector only was funded by DFAT for 2009-10 (Australian outward finance and insurance foreign affiliate trade 2009-10 (ABS catalogue no. 5485.0). ABS catalogue number 5494.0 - Economic activity of foreign owned businesses in Australia, 2000-01. All industries excluding agriculture, forestry & fishing.

² Direct investment covers affiliates with 10 per cent or more ownership by the country. Majority-owned FATS covers affiliates with 50 per cent or more ownership.

The stock of Australian direct investment in the EU was valued at \$104.9 billion in 2016 (18.9 per cent share of Australian direct investment abroad).

Australia had 1,177 majority owned enterprises in the EU in 2014 – refer to **Table 1**. The industry value added by these Australian affiliates contributed \$15.2 billion to the EU economy in 2014. These affiliates had sales of goods and services valued at \$46.8 billion in 2014, compared to Australian exports to the EU valued at \$22.2 billion. Australian majority owned business in the EU employed 83,025 persons in 2014.

Only selected industry data is published by Eurostat for Australian majority owned enterprises in the EU, covering the manufacturing and services sector only – refer to **Table 2**. It shows that 45 per cent of sales by Australian affiliates in the EU were generated by affiliates in the *Manufacturing, Wholesale & retail trade* and *Professional, scientific & technical services* industries.

Table 2: Australian majority owned affiliates in the European Union by selected industry

Indicator	Unit	Selected Industries (2014)				
		Manufacturing	Wholesale & retail trade	Information & communication	Financial & insurance services	Professional & technical services
Enterprises	Number	150	266	138	np	189
Employment	000's	19.4	10.6	np	np	6.2
Industry value added	A\$m	2,618	913	2,944	np	1,237
Sales / Turnover	A\$m	9,785	8,812	np	np	2,410

np - not published.

Source: Eurostat.

Australian affiliates in the EU were mainly located in the United Kingdom (483 enterprises), followed by Germany (91 enterprises) and the Netherlands (60 enterprises) – refer to **Table 3**. In terms of sales/turnover, the United Kingdom had sales valued at \$24.2 billion (compared to Australian exports of \$8.4 billion in the same period), Italy \$5.5 billion (exports \$1.2 billion), Germany \$5.4 billion (exports of \$2.9 billion) and France \$1.9 billion (exports \$1.9 billion).

Table 3: Australian majority owned affiliates in the European Union by major European country

Indicator	Unit	2014				
		France	Germany	Italy	Netherlands	UK
Enterprises	Number	55	91	57	60	483
Employment	000's	4.4	8.2	6.2	np	44.1
Compensation of employees	A\$m	379	777	536	139	3,117
Industry value added	A\$m	405	1,704	795	196	9,693
Sales / Turnover	A\$m	1,907	5,416	5,461	841	24,165

np – not published.

Source: Eurostat.

European Union majority owned businesses in Australia

The stock of EU direct investment in Australia was valued at \$164.8 billion in 2016 (20.7 per cent share of total direct investment).

The EU had 3,033 majority owned enterprises in Australia in 2014 – refer to *Table 4*. These affiliates had sales/turnover valued at \$233.4 billion in 2014 compared to Australian imports from the EU valued at \$63.5 billion. EU majority owned enterprises in Australia employed 294,700 persons in 2014.

Table 4: Summary indicators of European Union major owned affiliates in Australia (a)

Indicator	Unit	2012	2013	2014
EU direct investment in Australia (Stock)	A\$m	144,335	148,150	154,513
Share of total direct investment	%	24.4	23.1	22.6
Enterprises	Number	3,405	2,998	3,033
Employment	000's	367.7	332.1	294.7
Industry value added	A\$m	na	na	na
Sales / Turnover	A\$m	225,887	204,372	233,425

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

In 2014, EU's Australian affiliates in the mining industry had sales/turnover valued at \$40.6 billion, in the manufacturing industry (mainly in petroleum, chemical, pharmaceutical, rubber and plastic industries) valued at \$76.8 billion and in the services industries (mainly in construction, whole sale and retail trade and the finance and insurance industries) valued at \$116.1 billion. In terms of employment 37,600 were employed in the mining industry, 74,000 in the manufacturing industry and 183,100 in the services industries – refer to *Table 5*.

Table 5: European Union majority owned affiliates in Australia by industry

Indicator	Unit	Industry (2014)				Total (b)
		Mining	Manufacturing	Services (a)	Other	
Enterprises	Number	np	np	2,017	np	3,033
Employment	000's	37.6	74.0	183.1	0.0	294.7
Sales / Turnover	A\$m	40,565	76,768	116,091	1	233,425

Indicator	Unit	Selected Services Industries (2014)				Professional & technical services
		Construction	Wholesale & retail	Information & communication	Finance & insurance	
Enterprises	Number	72	np	176	407	427
Employment	000's	5.0	46.9	15.6	9.9	14.5
Sales / Turnover	A\$m	4,517	52,417	4,541	21,615	9,420

(a) Services industries include construction and utilities but excludes public administration, defence, and compulsory social security, activities of households as employers and extra-territorial organisations and bodies. (b) Except public administration, defence, compulsory social security. na - not available, np - not published.
Source: Eurostat.

EU affiliates in Australia were dominated by the United Kingdom (with 1,114 enterprises in Australia), followed by France (648 enterprises) and Germany (407 enterprises). In terms of value of sales/turnover, the United Kingdom had sales/turnover valued at \$107.9 billion, Germany \$45.4 billion, and France \$33.4 billion in 2014 – refer to *Table 6*.

Table 6: European Union majority owned affiliates in Australia by major European country

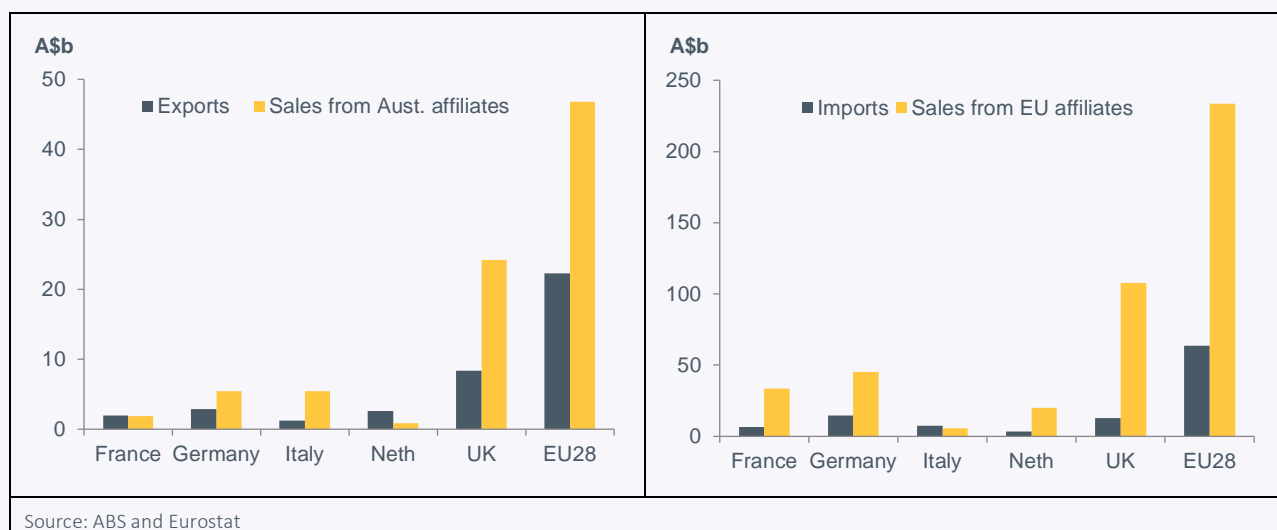
Indicator	Unit	2014				
		France	Germany	Italy	Netherlands	UK
Enterprises	Number	648	407	192	235	1,114
Employment	000's	60.0	52.1	13.7	17.6	109.7
Compensation of employees	A\$m	6,272	na	na	na	na
Sales / Turnover	A\$m	33,431	45,436	5,779	20,169	107,885

np – not published.
Source: Eurostat.

Conclusion

These indicators demonstrate that Australian direct investment is an important vehicle for Australian and EU companies to provide goods and services. The Australian affiliates in the EU economies had sales of goods and services valued in aggregate at around \$47 billion, more than double the value of direct exports from Australia to the EU economies, i.e. \$22 billion – refer to *Chart 3*.

Chart 3: Australia’s exports and imports with the European Union, compared to sales from Australian and EU affiliates located in these economies, 2014

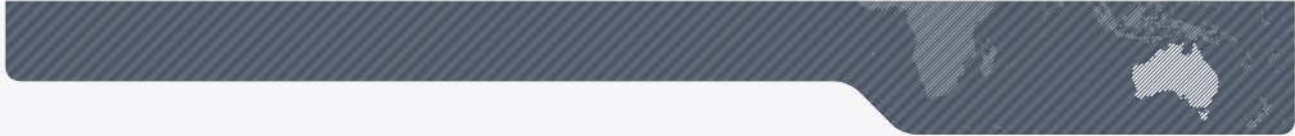


In addition, EU affiliates in Australia had sales of goods and services valued in aggregate at around \$233 billion, more than triple the value of direct imports into Australia, i.e. \$63 billion.

More information

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

- ABS *Economic activity of foreign owned businesses in Australia 2000-01* (Catalogue no. 5494.0) – www.abs.gov.au
- ABS *Australian outward foreign affiliates trade 2002-03* (ABS catalogue 5495.0) – www.abs.gov.au
- ABS *Australian outward finance and insurance foreign affiliate trade 2009-10* (ABS catalogue 5485.0) – www.abs.gov.au.

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- DFAT analytical articles on the result from the above ABS publications Australia's Outward Finance and Insurance Foreign Affiliates Trade in Services, 2009-10 and Australia's outwards foreign affiliates services trade: 2002-03 – <http://dfat.gov.au/about-us/publications/Pages/recent-trade-statistical-articles-and-information-papers.aspx>
 - Eurostat (<http://ec.europa.eu/eurostat>) – Foreign controlled EU affiliates (outwards FATS) and Foreign affiliates of EU enterprises (inwards FATS)
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