



## ECONOMIC ACTIVITY OF AUSTRALIAN MAJORITY OWNED BUSINESSES LOCATED IN THE EUROPEAN UNION, NEW ZEALAND AND THE UNITED STATES

*Australian majority owned businesses in the EU, New Zealand and the United States are an important vehicle for Australian companies to provide goods and services to the world, with sales valued at around \$127 billion in aggregate, more than double the value of direct exports from Australia to these economies.*

*The growth in the provision of goods and services to the EU and the United States economies between 2002-03 and 2013 has been almost entirely due to the growth in sales by these Australian foreign affiliates rather than growth in exports. While sales by Australian foreign affiliates to New Zealand declined over the period they still accounted for around two-thirds of the total provision of Australian goods and services to New Zealand.*

### Introduction

Australia's has a significant direct investment presence abroad, with the stock of investment valued at \$542.6 billion at the end of 2015. However, there are no current Australian statistics on the characteristics of these businesses. A previous study by the Australian Bureau of Statistics (ABS) for 2002-03 found that 641 Australian enterprises had 4,012 foreign businesses located overseas (with greater than 50 per cent Australian ownership). These businesses had sales of goods and services valued at \$142.3 billion and employed 321,924 persons<sup>1</sup>. The report also showed that almost half (48 per cent) of Australia's goods and services provided to the world were supplied via their affiliates abroad.

Austrade has recently published a paper on *Overseas investment of Australian companies* using the IBIS World Top 2000 Company database<sup>2</sup>. This analysis found that one third (653 Australian companies) of Australia's top 2000 companies held direct investment abroad (with at least 10 per cent or more ownership) in a total of 7,632 foreign companies in 2015. The top 5 locations of foreign affiliates of Australian companies, in terms of numbers of affiliates were New Zealand, the United States, the United Kingdom, Singapore and Hong Kong (SAR of China).

However, the IBIS World database does not contain information on the economic performance of these affiliates abroad such as sales, assets, industry value added and employment. Partner country data (or mirror statistics) can be used to compile some more up to date economic indicators on Australian owned businesses abroad. 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). However, coverage is an issue with only a small number of countries collecting comprehensive FATS. In addition, the data tends to be a few years old as it takes time to collect and compile the data.

<sup>1</sup> 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).

<sup>2</sup> Austrade Overseas investment of Australian companies, Trade and investment note, April 2015.

Inwards FATS complied by the European Union and the United States for 2013 and New Zealand for 2012 does have information on Australian majority owned companies<sup>3</sup>. Together these countries accounted for over half (51.2 per cent) of the stock of Australian direct investment abroad in Australia in 2015, valued at \$277.6 billion<sup>4</sup>.

## Australian majority owned businesses in the European Union

The stock of Australian direct investment in the European Union 28 (EU) was valued at \$111.8 billion in 2015 (20.6 per cent share of Australian direct investment abroad).

Australia had 1,138 majority owned enterprises in the EU in 2013 – refer to *Table 1*. The industry value added by these Australian affiliates contributed \$12.3 billion to the EU economy in 2013. These affiliates had sales of goods and services valued at \$40.2 billion in 2013, compared to Australian exports to the EU valued at \$22.5 billion. Australian majority owned business in the EU employed 79,800 persons in 2013.

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

| Indicator                        | Unit  | 2011   | 2012   | 2013   |
|----------------------------------|-------|--------|--------|--------|
| Australian investment in EU      | A\$m  | 71,906 | 90,827 | 96,447 |
| Share of total direct investment | %     | 17.4   | 19.8   | 18.7   |
| No. of affiliates                | No.   | na     | na     | na     |
| No. of enterprises               | No.   | 1,052  | 1,090  | 1,138  |
| Total assets                     | A\$m  | na     | na     | na     |
| Employment                       | 000's | 78.4   | 80.0   | 79.8   |
| Compensation of employees        | A\$m  | na     | na     | na     |
| Industry value added             | A\$m  | 12,976 | 13,015 | 12,319 |
| Sales / Turnover                 | A\$m  | 39,669 | 37,037 | 40,220 |

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

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 57 per cent of sales by Australian affiliates in the EU were generated by affiliates in the *Manufacturing, Wholesale & retail trade and Information & communication services* industries.

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

| Indicator            | Unit  | Selected Industries (2013) |                            |                               |                                  |                                     |
|----------------------|-------|----------------------------|----------------------------|-------------------------------|----------------------------------|-------------------------------------|
|                      |       | Manufacturing              | Wholesale and retail trade | Information and communication | Financial and insurance services | Professional and technical services |
| No. of enterprises   | No.   | 133                        | 252                        | 123                           | np                               | 225                                 |
| Employment           | 000's | 18.8                       | 11.7                       | 8.9                           | np                               | 7.2                                 |
| Industry value added | A\$m  | 2,308.1                    | 830.8                      | 2,195.8                       | np                               | 858.8                               |
| Sales / Turnover     | A\$m  | 8,661                      | 7,855                      | 6,467                         | np                               | 1,632                               |

np - not published.  
Source: Eurostat.

<sup>3</sup> FATS data is not collected by most countries at the level in which Australia can be identified, consequently in this article inwards FATS data is identified where it is reported. The amount of information available varies across countries, with the United States having the most detailed FATS collection.

<sup>4</sup> 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.

Australian affiliates in the EU were mainly located in the United Kingdom (474 enterprises), followed by Germany (92 enterprises) and France (68 enterprises) – refer to *Table 3*. In terms of sales/turnover, the United Kingdom had sales valued at \$21.3 billion (compared to Australian exports of \$8.1 billion in the same period), Germany \$5.2 billion (exports of \$3.1 billion). Sales data for France were not published by Eurostat.

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

| Indicator                 | Unit  | 2013   |         |       |             |        |
|---------------------------|-------|--------|---------|-------|-------------|--------|
|                           |       | France | Germany | Italy | Netherlands | UK     |
| No. of enterprises        | No.   | 68     | 92      | 58    | 57          | 474    |
| Employment                | 000's | 4.4    | 9.0     | 6.1   | 2.0         | 44.3   |
| Compensation of employees | A\$m  | 359    | 803     | 456   | 148         | 2,750  |
| Industry value added      | A\$m  | np     | 1,762   | 905   | 210         | 7,440  |
| Sales / Turnover          | A\$m  | np     | 5,236   | 5,226 | 841         | 21,289 |

na - not available.  
Source: Eurostat.

## Australian majority owned businesses in New Zealand

The stock of Australia direct investment in New Zealand was valued at \$60.5 billion in 2015 (11.2 per cent share of Australian direct investment abroad).

In 2012, Australian had 2,545 affiliated enterprises in New Zealand with total assets valued at \$475.0 billion – refer to *Table 4*. The industry value added by these affiliates contributed \$13.3 billion to the New Zealand economy in 2012 and employed 137,900 persons. The affiliates had sales of goods and services in New Zealand valued at \$27.1 billion compared to Australian exports to New Zealand valued at \$11.0 billion in 2012.

Australian foreign affiliates in New Zealand accounted for 38 per cent of the total number of foreign affiliates in New Zealand (6,667), around 45 per cent of total sales and total value added but nearly 80 per cent of total assets.

**Table 4: Summary indicators of Australian majority owned businesses in New Zealand**

| Indicator                                   | Unit  | 2011   | 2012    | 2013   |
|---|-------|--------|---------|--------|
| Australian direct investment in New Zealand | A\$m  | 39,925 | 44,141  | 47,691 |
| Share of total direct investment            | %     | 9.7    | 9.6     | 9.3    |
| No. of affiliates                           | No.   | na     | na      | na     |
| No. of enterprises                          | No.   | na     | 2,545   | na     |
| Total assets                                | A\$m  | na     | 475,011 | na     |
| Employment                                  | 000's | na     | 137.9   | na     |
| Compensation of employees                   | A\$m  | na     | na      | na     |
| Industry value added                        | A\$m  | na     | 13,250  | na     |
| Sales / Turnover                            | A\$m  | na     | 27,143  | na     |

na - not available.  
Source: ABS and Statistics NZ.

## Australian majority owned businesses in the United States

The stock of Australian direct investment in the United States was valued at \$105.2 billion in 2015 (19.4 per cent share of Australian direct investment abroad).

Australia had 116 majority owned affiliates<sup>5</sup> in the United States in 2013 covering 1,169 enterprises<sup>6</sup> – refer to **Table 5**. These affiliates had total assets in the United States of \$305.6 billion. The industry value added by these affiliates contributed \$16.4 billion to the United States economy in 2013.

The affiliates had sales of goods and services in the United States valued at \$60.1 billion compared to Australian exports to the United States valued at \$15.9 billion. The affiliates employed 94,900 persons and paid wages and salaries (compensation of employees) valued at \$8.5 billion during 2013.

**Table 5: Summary indicators of Australian majority owned businesses in the United States (a)**

| Indicator                              | Unit  | 2011    | 2012    | 2013    |
|--|-------|---------|---------|---------|
| Australian direct investment in the US | A\$m  | 100,190 | 105,344 | 124,558 |
| Share of total direct investment       | %     | 24.3    | 23.0    | 24.2    |
| No. of affiliates (b)                  | No.   | 132     | 114     | 116     |
| No. of enterprises                     | No.   | 1,086   | 1,220   | 1,169   |
| Total assets                           | A\$m  | 246,879 | 261,341 | 305,580 |
| Employment                             | 000's | 83.5    | 91.3    | 94.9    |
| Compensation of employees              | A\$m  | 6,603   | 8,066   | 8,475   |
| Industry value added                   | A\$m  | 13,140  | 15,090  | 16,389  |
| Sales / Turnover                       | A\$m  | 46,049  | 54,742  | 60,062  |

(a) The data is based on the country of Ultimate Beneficial Ownership (UBO). (b) The number of affiliates with assets, sales, or net income (+/-) greater than US\$25 million.

Source: ABS & US Bureau of Economic Analysis.

Only selected industry data is published by the US Bureau of Economic Analysis for Australian majority owned enterprises in the United States, covering the manufacturing and services sector only - refer to **Table 6**. It shows that 65 per cent of sales by Australian affiliates in the United States were generated by affiliates in the *Manufacturing, Financial & Insurance* and *Professional, scientific & technical services* industries.

**Table 6: Australian majority owned businesses in the United States by selected industry (a)**

| Indicator            | Unit  | Selected Industries (2013) |                            |                               |                                  |                                     |
|----------------------|-------|----------------------------|----------------------------|-------------------------------|----------------------------------|-------------------------------------|
|                      |       | Manufacturing              | Wholesale and retail trade | Information and communication | Financial and insurance services | Professional and technical services |
| Total assets         | A\$m  | 23,065                     | 4,968                      | 230                           | 160,186                          | np                                  |
| Employment           | 000's | 28.8                       | 2                          | np                            | 10.7                             | 8.6                                 |
| Industry value added | A\$m  | 3,582.9                    | 250.9                      | 10.3                          | 2,312.9                          | 1,248.3                             |
| Sales / Turnover     | A\$m  | 18,798                     | 1,885                      | 129                           | 16,399                           | 3,629                               |

(a) The data is based on the country of Ultimate Beneficial Ownership (UBO).

np - not published.

Source: US Bureau of Economic Analysis - Financial and Operating Data for U.S. Multinational Companies.

The United States also collects information on all non-majority Australian affiliates in the United States (affiliates with between 10 per cent and less than 50 per cent foreign ownership).

Australia had 78 minority owned enterprises<sup>6</sup> in the United States in 2013 – refer to **Table 7**. These minority owned enterprises had total assets in the United States of \$16.5 billion in 2013, sales of goods and services valued at \$7.1 billion and employed 7,800 persons.

<sup>5</sup> Majority owned includes all affiliates of which the United States owns 50 per cent or more equity in the affiliates.

<sup>6</sup> The number of affiliates with assets, sales, or net income (+/-) greater than US\$25 million.

Table 7: Summary indicators of all Australian affiliates in the United States (a)

| Indicator                 | Unit  | Indicators by level of ownership, 2013 |                                      |         |
|---------------------------|-------|--|--------------------------------------|---------|
|                           |       | Equity ownership of 10% to 50%         | Equity ownership of greater than 50% | Total   |
| No. of enterprises (b)    | No.   | 78                                     | 1,169                                | 1,208   |
| Total assets              | A\$m  | 16,486                                 | 305,580                              | 322,066 |
| Employment                | 000's | 7.8                                    | 94.9                                 | 102.7   |
| Compensation of employees | A\$m  | na                                     | 8,475                                | na      |
| Industry value added      | A\$m  | na                                     | 16,389                               | na      |
| Sales / Turnover          | A\$m  | 7,056                                  | 60,062                               | 67,118  |

(a) The data is based on the country of Ultimate Beneficial Ownership (UBO). (b) The number of affiliates with assets, sales, or net income (+/-) greater than US\$25 million.

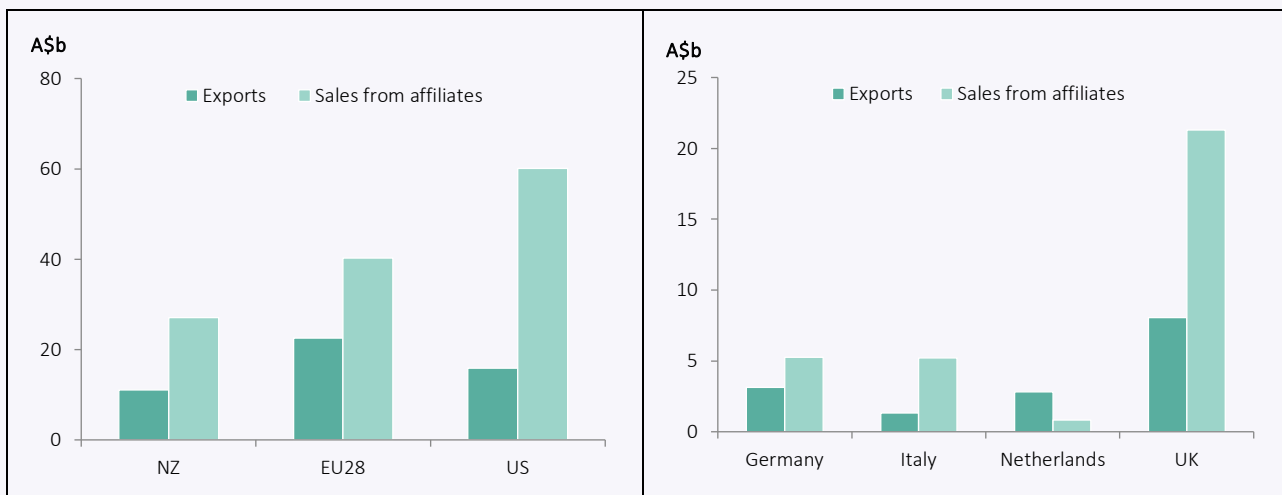
na - not available.

Source: US Bureau of Economic Analysis - Financial and Operating Data for U.S. Multinational Companies.

## Conclusion

These indicators of Australian owned affiliates in the EU, New Zealand and the United States shows that Australian direct investment abroad is an important vehicle for Australian companies to provide goods and services to the world. The Australian affiliates in these economies had sales of goods and services valued in aggregate at around \$127 billion more than double the value of direct exports from Australia to these economies valued at only \$49 billion – refer to *Chart 1*.

Chart 1: Australia's exports to the European Union, New Zealand and the United States compared to sales from Australian affiliates located in these economies 2013



Source: ABS, Eurostat, Statistics NZ & US Bureau of Economic Analysis

In addition, the combined growth in Australia's provision of goods and services to the EU, New Zealand and the United States between 2002-03 and 2013 has been almost entirely due to the growth in the sales of goods and services from Australia's foreign affiliates, while growth in exports to these economies has been virtually flat – refer to *Table 8*. The growth in sales from the affiliates compared to exports is stronger for the EU and the United States, however for New Zealand sales from affiliates declined over the period – refer to *Chart 2*.

Table 8: Provision of goods and services to the European Union, New Zealand and the United States by Australia

|                              | 2002-03<br>A\$m | 2013<br>A\$m   | Growth          |             |
|------------------------------|-----------------|----------------|-----------------|-------------|
|                              |                 |                | 2002-03<br>A\$m | 2013<br>%   |
| Exports (a)                  | 49,202          | 49,453         | 251             | 0.5         |
| Sales by affiliates (b)      | 103,525         | 127,527        | 24,002          | 23.2        |
| <b>Total</b>                 | <b>152,727</b>  | <b>176,812</b> | <b>24,085</b>   | <b>15.8</b> |
| Ratio (sale of affiliates) % | 67.8            | 72.1           | 99.7            | ..          |

(a) EU for 2002-03 is all Europe. (b) For 2013 only NZ sales are for 2012.  
Source: ABS, Eurostat, Statistics NZ & US Bureau of Economic Analysis.

Chart 2: Australia's exports and sales by affiliates to European Union, New Zealand and the United States 2002-03 compared to most recent period available





## More information

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

- ABS *Australian outward foreign affiliates trade 2002-03* (ABS catalogue 5495.0) – [www.abs.gov.au](http://www.abs.gov.au)
- ABS *Australian outward finance and insurance foreign affiliate trade 2009-10* (ABS catalogue 5485.0) – [www.abs.gov.au](http://www.abs.gov.au)
- Austrade *Overseas investment of Australian companies*, Trade and investment note, April 2015 - <http://www.austrade.gov.au/News/Economics-at-Austrade/overseas-investment-of-australian-companies>.
- 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
- Statistics New Zealand – New Zealand's inward foreign affiliate statistics – [www.stats.govt.nz/browse\\_for\\_stats/economic\\_indicators/balance\\_of\\_payments/nz-inward-fats.aspx](http://www.stats.govt.nz/browse_for_stats/economic_indicators/balance_of_payments/nz-inward-fats.aspx)
- United States' Bureau of Economic Analysis ([www.bea.gov](http://www.bea.gov)) – data on the activities of U.S. majority owned affiliates.

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Author: Frank Bingham  
Economic Analysis Branch  
[statssection@dfat.gov.au](mailto:statssection@dfat.gov.au)

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