



# Foreign Affiliates Statistics (FATS)

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# Outline

- FATS Regulations
- FATS Recommendations Manual, 2012 edition
- Where to find the FATS data online

# FATS legislation

## 1. REGULATION (EC) No 716/2007 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 June 2007 on Community statistics on the structure and activity of foreign affiliates:

- <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:171:0017:0031:EN:PDF>

## 2. COMMISSION REGULATION (EC) No 747/2008 of 30 July 2008 amending Regulation (EC) No 716/2007 as regards the definitions of characteristics and the implementation of NACE Rev. 2:

- <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:202:0020:0027:EN:PDF>

# FATS legislation

3. **COMMISSION REGULATION (EC) No 364/2008 of 23 April 2008 implementing Regulation (EC) No 716/2007 as regards the technical format for the transmission of foreign affiliates statistics and the derogations to be granted to Member States:**
  - <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:112:0014:0021:EN:PDF>
  
4. **COMMISSION REGULATION (EC) No 834/2009 of 11 September 2009 implementing Regulation (EC) No 716/2007 as regards the quality reports:**
  - <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009R0834&from=EN>

# FATS legislation

## 1. REGULATION (EC) No 716/2007

- establishes mandatory FATS data collection
- this statistics should measure direct and indirect effect of foreign control on the employment, wages and productivity
- first reference year 2007
- some countries delivered the data prior to 2007 on voluntary basis

# FATS legislation

General rules for compiling internationally comparable FATS statistics are available in several Manuals:

- MSITS 2010
- BoP Manual
- Benchmark definition on FDI
- Handbook on Economic Globalisation Indicators
- [FATS Recommendations Manual for European FATS statistics](#)



# Main objective of European FATS legislation

- is to create common statistical standards for the production of comparable statistics on FATS
- principle of subsidiarity: countries can collect the data at the national level as they wish

## FATS Regulation 716/2007 defines:

- foreign affiliates
- control
- foreign control
- inward FATS
- outward FATS
- UCI
- enterprise as a statistical unit



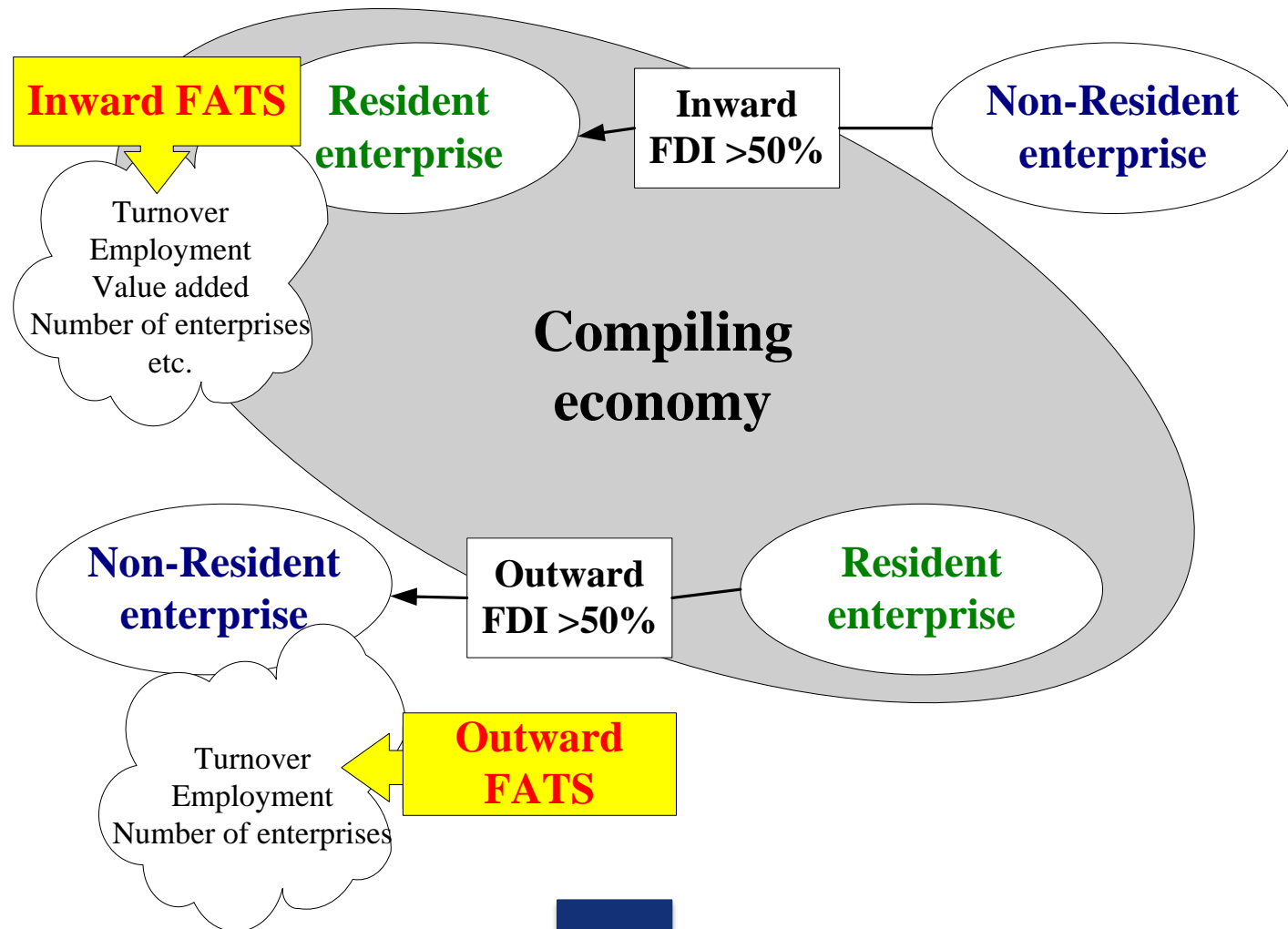
## What are the data sources?

- MS s should use all the sources they consider relevant and appropriate
- if collection would be costly, estimates are allowed
- also natural persons are obliged to fulfil the Regulation and provide the necessary information

## Pilot studies in 2007

- were undertaken to assess the feasibility of collecting certain data on a voluntary basis
- main aim: to investigate a possibility of introducing additional variables for inward and outward FATS
- in the future (from the ref. year 2018): Personnel costs and Investment in tangible goods variables will be introduced in outward FATS

# Inward vs. Outward FATS



# Statistical unit vs. reporting unit

- **Inward FATS:**

...we ask a resident enterprise being an affiliate of a foreign enterprise group about its own characteristics and the country of the residence of its enterprise group head (UCI)

**THUS: statistical unit = reporting unit**

- **Outward FATS:**

...we ask a resident enterprise being the head of an enterprise group (UCI) about characteristics of other enterprises (its foreign affiliates) active outside the country

**THUS: statistical unit  $\neq$  reporting unit**

# Current data requirements

- **Periodicity:** annual (first compulsory reference period 2007)
- **Timeliness:**  $t+20$  months for both Inward and Outward FATS
- **Classification:** NACE Rev. 2 (in IFATS since ref. year 2008, in OFATS from the reference year 2010)

# Dimensions of FATS

## 1. **Economic activity** of the foreign affiliate

- NACE Rev. 2 activity breakdown classification

## 2. **Partner country**

- Inward FATS: country of the ultimate controlling institutional unit (UCI)/ head of the enterprise group
- Outward FATS: country of residency of the foreign affiliate

## 3. **Characteristics (variables)**

# Datasets in FATS

- **Inward FATS:**

- 1) 26 intra-EU + 14 main partners x detailed activities (3-digit level)
- 2) about 220 partners x total economy (B to N, S95, excl. K)

- **Outward FATS:**

- 1) 9 main partners x detailed activities (up to 3-digit level)
- 2) 24 other partners x 17 main activities (1-digit level)
- 3) about 220 partners x total economy (B to S, excl. O)

# Transmission of FATS

- **using eDAMIS (single entry data point)**
- MSs should provide complete sets for all series of data, including records for data, which are not available (not collected by the MS)
- this data should be marked in the record as "0" in the value field
- the "0" value can be used also for activities where the value is small and could be rounded to zero



# Obligatory FATS characteristics (variables)

1. Number of enterprises
2. Turnover
3. Number of persons employed

**Inward and Outward  
FATS**

4. Value added at factor costs
5. Gross investment in tangible goods
6. Personnel costs
7. Production value
8. Total purchases of goods and services
9. Purchases of goods and services for resale
10. Total intra-mural R&D expenditure (bi-annual)
11. Total number of R&D personnel (bi-annual)

**Inward FATS**

# Quality reports

- data should be collected based on common quality standards
- Member States are obliged to provide Eurostat with complete quality reports
- first reference year 2007
- Eurostat pre-fills the quality reports by T+24 months
- MSs should complete them by T+26 months

# Quality reports

- contain qualitative and quantitative indicators
- Estat calculates the quantitative indicators on the basis of data provided by MSs (e.f. completeness rate, confidentiality rate out of all cells, out of the non-zero values)
- MSs should in addition provide the description of their methodology they apply plus review/correct the indicators

# Quality reports

Qualitative criteria:

1. Relevance
2. Accuracy
3. Coherence
4. Comparability
5. Timeliness
6. Punctuality
7. Accessibility

# FATS Recommendations Manual, 2012

- has to comply with the FATS Regulation and must meet practical needs of the national compilers
- 1<sup>st</sup> edition in 2008, 2<sup>nd</sup> edition in 2009

## 3<sup>rd</sup> edition in 2012:

- identification of the UCI, special cases as natural persons, joint ventures, special purpose entities (SPEs)

Chapter 1: general guidelines

Chapter 2: Inward FATS data requirements

Chapter 3: Outward FATS data requirements



# UCI concept

**UCI = *Ultimate Controlling Institutional Unit***

UCI is in the most cases the *global group head*, i.e. the enterprise on the top of the control chain in a multinational corporation, able to influence the management of lower level enterprises (i.e. it can appoint the board of directors, it is not controlled itself by any other unit and it takes global strategic decisions)

**UCI approach** (required for data sent to Eurostat):

1. Inward FATS: partner country is the country of residency of the UCI
1. Outward FATS: data are collected only from resident companies being UCI's of an enterprise group

UCI approach is necessary in order to avoid double-counting when data are aggregated for the whole European Union

# UCI concept

## UCI special cases

- If looking at **general cases (around 92% of them)**, the Global Group Head is equal to the Global Decision Centre, which in fact could be expressed as follows:  
**GGH=GDC=UCI**
- **In special cases, the strategic decisions of an enterprise group are not taken by the unit on the top of the legal structure of an enterprise group and therefore, the Global Decision Centre is not equal to the Global Group Head: **GDC≠GGH****
- If **GDC=UCI and GDC≠GGH, then UCI≠GGH**

# UCI concept

## Treatment of special cases

A Task Force on UCI elaborated in 2009 recommendations how to treat special cases:

**1. Natural persons and families:** if a natural person is on the top of the chain but **it is not the decision centre** of the enterprise group, the unit which is the real decision centre of the group should be defined as the UCI, moving down the chain to the next unit, which takes the strategic decisions.

**2. Dual listed companies:** if a dual listed company presents itself as a single entity, the possibility of a single UCI should be investigated. The main criteria when defining the UCI is the location of the unit where the strategic decisions are taken. If there is a single decision centre, then a one single country of the UCI should be identified. In case of multiple decision centres, more enterprise groups with separate UCIs should be identified.



# UCI concept

## Treatment of special cases

**3. SPEs, non-profit units, holding companies:** these units should not be considered as the UCIs as they are not able to act as decision centres.

If there is a special purpose entity, a non-profit unit or a holding company on the top of an enterprise group, in this case **the UCI will not be the unit on the top but is should be the unit, which is the real decision centre of the group**, even though it is located at the lower level in the enterprise group tree structure.

This rule should be applied for **all “empty shell” units that are on the top of an enterprise group: units located in tax havens, offshore financial centres, special purpose entities, non-profit units and the like.**

# UCI concept

## Treatment of special cases

**4. Joint ventures:** If it is not possible to find out the dominant partner, following rules should be applied when searching for the country of the UCI:

- if one partner is resident and one partner is non-resident, then the priority should be always given to the resident partner as the country of the UCI
- if there is one European/EFTA and one non-European/non-EFTA partner, then the priority should be always given to the European/EFTA partner as the country of the UCI
- if both partners are resident in a non-European/non-EFTA country, it is up to the compiling EU country to take a decision which country they take as the country of the UCI (in Inward FATS).

**5. State-owned enterprise groups:** the government units owning the majority of the share of an enterprise group cannot be considered as global decision centres for these groups.

# Limitations and challenges

- difficulties to identify the country of the UCI
- complexity, intransparency and dynamics of large multinational corporations' structures
- data completeness – population frame, sampling, size thresholds, response rate, estimations and imputation
- consolidated reporting (turnover, trade variables)
- confidentiality – level of detail for economic activity, links to other statistical domains (SBS), size of the economy
- asymmetries Inward vs. Outward FATS – international cooperation very useful

# Future data requirements

- **Datasets:**

- **Inward FATS:**

- 1) 26 intra-EU + 14 main partners x detailed activities (3-digit level): **activity breakdown is proposed to be reduced to A\*38 classification**
- 2) about 220 partners x total economy (B to N+S95, excl. K), **the coverage will be extended to B to S, excl. O**

# Future data requirements

- **Datasets:**
  - **Outward FATS:**
    - 1) 9 main partners x detailed activities (up to 3-digit level)
      - **will be discontinued**
    - 2) 24 other partners x 17 main activities (1-digit level)
      - **no change**
    - 3) about 220 partners x total economy (B to S, excl.O)
      - **no change**

# Future data requirements

## Extension of OFATS variables

- reporting on **intra-EU affiliates in OFATS** will become **mandatory**
- an extension of outward FATS data by an introduction of **2 additional variables was agreed:**

13 31 0 "Personnel costs" variable

15 11 0 "Gross investment in tangible goods" variable



# Future data requirements

## Extension of OFATS variables

To better capture the globalisation, Eurostat proposed to start collecting the information on the **values of characteristics describing the activities of the UCI and its domestic part** in the reporting country in OFATS, namely:

- **turnover** of the UCI and in its domestically controlled affiliates
- **number of persons employed** in the UCI and its domestically controlled affiliates
- **number of** domestically controlled affiliates

# Data coverage

- Inward FATS:
  - 2006: 15 Member States
  - 2007: 24 Member States + Norway
  - 2008: 22 Member States + Norway
  - 2009: 27 EU Member States + Norway (derogation: LU)
  - **first EU aggregates published for 2009 data**
  - 2010: 27 EU Member States + Norway + Croatia
  - 2011: 28 EU Member States + Norway









# Data coverage

## Outward FATS:

- 2006: 12 Member States
- 2007: 22 Member States + Croatia  
(derogations: ES, FR, LU, PL, UK)
- 2008: 23 Member States  
(derogations: ES, FR, LU, UK)
- 2009: 27 EU Member States + Norway
- **first EU aggregates published for 2009 data**
- 2010: 27 EU Member States + Norway + Croatia
- 2011: 28 EU Member States + Norway

# FATS in Eurostat's database

- [-] Industry, trade and services
  - [+] Short-term business statistics (sts)  (Switch of STS indicators from base 2005 to 2010)
  - [-] Structural business statistics (sbs)  (New activity classification (NACE Rev 2))
    - [+] SBS - main indicators (sbs\_na)
    - [+] SBS - industry and construction (sbs\_ind\_co)
    - [+] SBS - trade (sbs\_dt)
    - [+] SBS - services (serv)
    - [+] SBS - regional data - all activities (sbs\_r)
    - [+] Access to finance (acf) 
    - [+] Business demography (bd) 
    - [+] Factors of Business Success statistics - all activities (fobs)
    - [+] Foreign controlled EU enterprises - inward FATS (fats) 
    - [+] Foreign affiliates of EU enterprises - outward FATS (fats\_out) 

# Inward FATS in Eurostat's database



# Inward FATS in Eurostat's database

- **Datasets:**

- **Inward FATS:**

**Series 1:** 26 intra-EU + 14 main partners x detailed activities (3-digit level) as **fats\_g1a\_08**

**Series 2:** about 220 partners x total economy (B to N, S95, excl. K) as **fats\_g1b\_08**

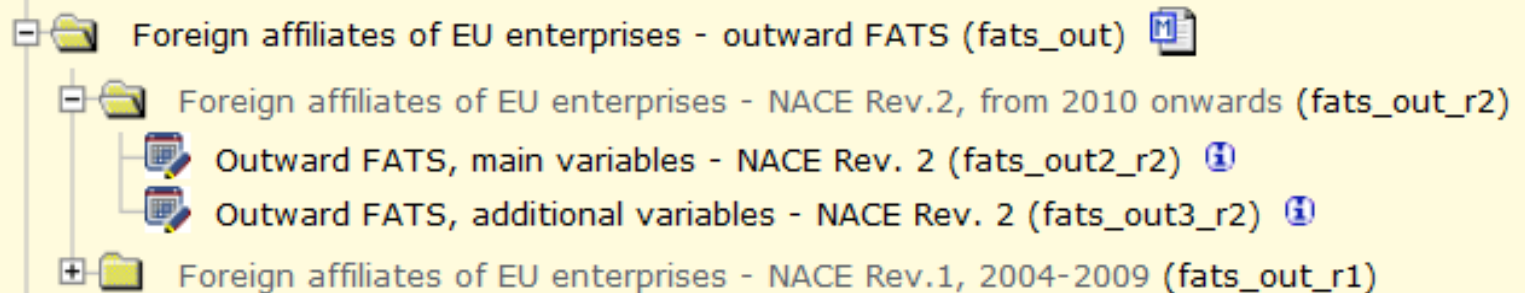


# Outward FATS in Eurostat's database

- Outward FATS:

- 1) 9 main partners x detailed activities (up to 3-digit level)
- 2) 24 other partners x 17 main activities (1-digit level)
- 3) about 220 partners x total economy (B to S, excl.O)

all 3 datasets can be found as **fats\_out\_r2**



# FATS on web

- **Statistics Explained** is both an innovative electronic publishing platform and a gateway to Eurostat's statistical information. It works in a way similar to Wikipedia, it is easy to use and easy to navigate. It provides rich information on any statistical subject treated by Eurostat
- FATS related article:

[http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Foreign\\_affiliates\\_statistics\\_-\\_FATS](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Foreign_affiliates_statistics_-_FATS)

- **new Eurostat webpage** to be launched **on 13 December 2014**:

<http://ec.europa.eu/eurostat/web/main/navtreestaging>

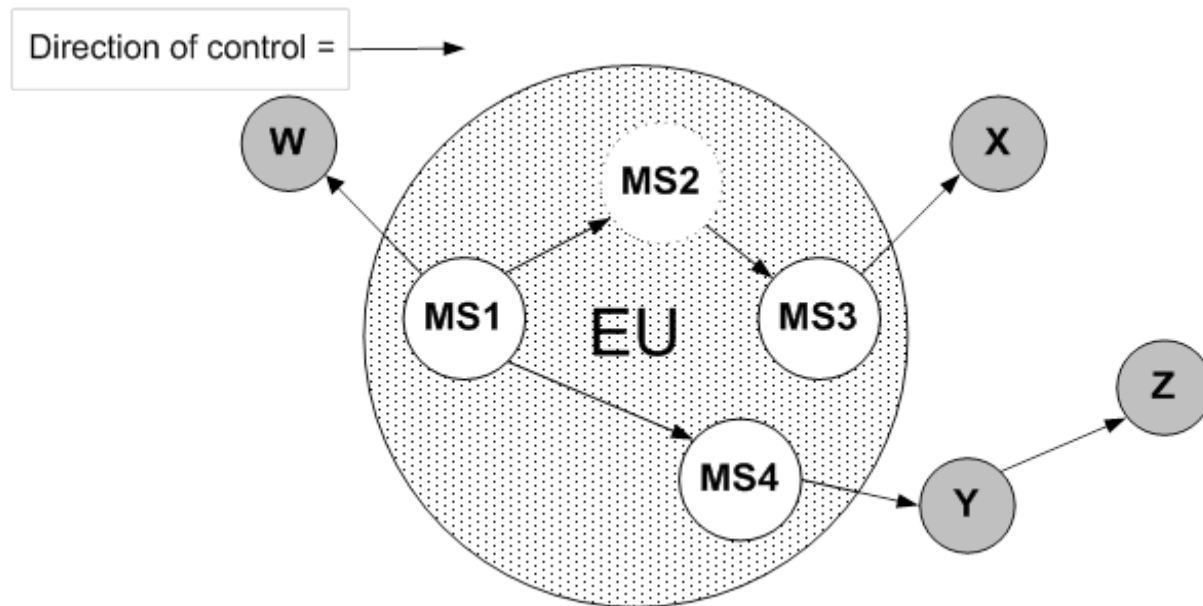
## Example 1

**Please, identify which country is the country of the UCI?**

1.1 Following the UCI approach, which country is going to report on the activities of the foreign affiliates Z and X?

W, X, Y, Z - enterprises resident in countries outside EU

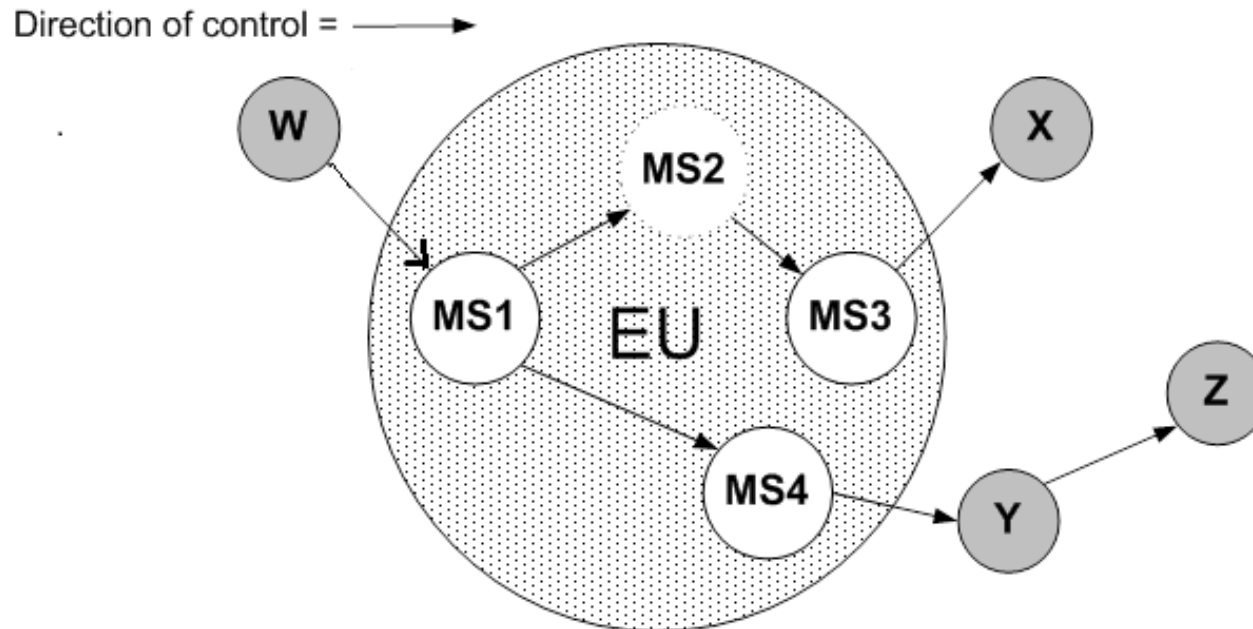
control → - an enterprise owns more than 50% of the voting power



## Example 2

Please, identify which country is the country of the UCI?

control  $\longrightarrow$  an enterprise owns more than 50% of the voting power





### Example 3

Please define which country should report the statistics on the affiliate C?

- control → - an enterprise owns more than 50% of the voting power

