

Foreign Affiliate Trade Statistics of Spanish enterprises abroad (OUTWARDS FATS)

Methodology

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Table of contents

1	Objectives and need for the operation	3
2	Methodological framework: Source of administrative information	4
3	Research Scope	6
	Population scope	6
	Geographical scope	7
	Time frame	7
4	Statistical units	7
5	Classification and study variables	8
	Economic activity	8
	Company size	9
	Geographical country or area of the foreign affiliate	10
	Number of affiliates	11
	Turnover	12
	Employees and self-employed persons	12
	Employee benefits expense	12
	Gross investment in tangible non-current assets	13
6	Data processing	13
	Obtaining the information	13
	Estimate of results	13
7	Dissemination and results tables	14

1 Objectives and need for the operation

The main aim we aim to achieve with this statistical operation is providing specific, reliable and appropriate information on the main characteristics which determine the structure and activity of affiliates of Spanish enterprises which operate abroad, in the industrial as well as in construction and non-financial services sectors.

To assess the impact and the role played by companies under Spanish control in the global economy, it is essential to have quality periodic statistics which provide information on the structure and activity of affiliates of Spanish enterprises abroad.

Although during the gradual integration process of the different domestic economies resulting from the process of economic globalisation, multinational corporations perform a fundamental role in the future. Small and medium-sized companies will also be, to a certain extent, affected by foreign control, and it is therefore necessary to glean in-depth knowledge on this phenomenon, and study it, in order to delimit, precisely, the importance thereof, in each subpopulation of enterprises. Conversely, when preparing economic policies aimed at topics such as competitiveness, jobs, corporate policies or research, it is appropriate to have statistical information on foreign affiliate enterprises with the purpose of assessing the effects directly or indirectly exerted on jobs, wages or productivity in certain countries and sectors.

In this regard, and in order to respond adequately to the growing demand for statistical data on the phenomenon of affiliated enterprises, 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 (FATS) was adopted at European Union level. It was repealed in 2020 when Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics repealing ten legal acts in the field of business statistics and its implementing Commission Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and modalities under European business statistics were adopted. This regulation establishes a common policy framework for the conduct of statistical investigations at the EU national level on affiliated enterprises, and sets out the main characteristics to be taken into account, both in terms of the variables to be analysed and the geographical or industry breakdowns requested, and in terms of the measures necessary to ensure the quality of the data obtained.

The FATS Regulation approaches the study of subsidiaries from complementary perspectives: Inward FATS and Outward FATS. Each has different objectives, scope, variables and reference periods. Inward FATS focuses on the study of subsidiaries of foreign companies within each country and Outward FATS investigates subsidiaries of domestic companies abroad.

The Statistics of Affiliates of Spanish enterprises abroad (OUTWARD FATS) has been designed with the aim of responding, within the scope of the industrial, construction and non-financial services sectors, to the demand of the FATS regulation, that is, the investigation of affiliates of Spanish enterprises abroad.

2 Methodological framework: Source of administrative information

The INE, aware for some time of the importance of having indicators on affiliates of Spanish enterprises abroad, has performed during the years prior to the entering into force of the aforementioned European regulation, various pilot studies or surveys on affiliates abroad, which have helped to specify concepts, perfect processes, assess methodologies and highlight possible limitations associated with an investigation of these characteristics.

During the process of methodological implementation of this statistic, other alternatives to data collection have also been assessed by means of specific surveys aimed at reducing wherever possible the administrative burden and response from informant units. The complexity and details of the information requested in this kind of survey and the consequent load increase entailed for companies involved in its preparation, has made it advisable to also investigate methodological formulae based on the use of administrative registers which enable obtaining the necessary information to prepare the results required in European regulations without this increasing the response load of informant units. We have to stress out that the reduction in statistical load is a strategic aim of the INE and that, within this line of action, one of the theoretical principles to consider when setting up and carrying out new statistical projects, is encouraging the use of administrative data and giving them priority in relation to collection in the field, as long as we have for this a reliable and suitable administrative source from which we can adequately meet the aims of the investigation.

Consequently, with this consideration and in parallel to pilot studies, the INE explored the possibility of obtaining the necessary information to obtain the results of this statistic from the Registry of Foreign Investments from the Ministry of Economy, Trade and Business.

This register is formed from the declarations forms that the General Directorate for Trade and Investments and more specifically, the Subdirectorate-General for External Investments, compiles on foreign investment of Spanish enterprises and Spanish investment in foreign enterprises both regarding movements and position (stock).

Specifically, in the case of stock of Spanish investment in foreign enterprises, Spanish resident investors who make investments in foreign enterprises whose net patrimony is greater than 1,502,530.27 euros (or its equivalent in the currency in which the balance sheet is expressed) and in which the participation of the investor in the capital or total rights to vote is equal or greater than 10%, have to present an annual report regarding the development of investment abroad during the first nine months of each natural year (form D-8). This report will also be presented for investments in foreign enterprises whose activity is holding participations in capital from other companies regardless of the amount invested. The owners of branches abroad will also present an annual report regardless of the amount invested.

The report contains information obtained on companies participated in by the investor, in addition to companies participated in turn by these. Finally, we attain the third level of the affiliate participation chain although for the latter we collate less information details.

The Registry of Foreign Investments covers transactions on position in direct foreign investment in Spain and direct Spanish investment abroad, annually, and which appear in the national statistical plan (NSP), and also quarterly and twice yearly disseminated

transactions on direct foreign investment in Spain and direct Spanish investment abroad, also present in the NSP.

In addition, statistics on Spanish investments in foreign negotiable shares and foreign investment in Spanish negotiable shares, both movements and stock position, are also obtained from the foreign investments registry.

During meetings held between managers of both institutions (Ministry of Economy, Trade and Business and INE) possible methodological alternatives, procedures to implement and legal aspects derived from temporary transfer of corresponding files were also discussed.

The subsequent analysis of the information provided by this registry and the comparative studies performed with the pilot surveys stress the quality and wealth of the information as well as the essential role this could play as a source of primary data to comply with OUTWARD FATS aims.

Finally, following the assessment of the different advantages and limitations associated with each one of the procedures we opted to use this administrative source as the most effective method to achieve the aims of this investigation.

Nonetheless, we have to specify that while the data derived from the aforementioned Registry of Investments have to be considered as the primary fundamental basis to generate information, their data have been complemented with information from the European Registry of Groups¹ regarding obtaining definitive results from research.

It should be considered that the coverage of affiliates derived from the Registry of Investments is not complete as regards the population of affiliates as, in accordance with current regulations, companies are not obliged to declare in the corresponding administrative forms investments made in companies or branches whose equity is less than 1,502,530.27 euros or in which the investor holds less than a 10% stake. Nor do they collate the results of affiliates as of the third level of the participation chain. Consequently, it has been necessary to perform an additional estimate process which considered the activity of these affiliates and as of which, by means of the appropriate adjustment process, the definitive results of the statistic can be derived.

To conclude, the design established for the OUTWARD FATS statistic with primary information generated from data from the Registry of Foreign Investments of the Ministry of Economy, Trade and Business enables accounting for the reduction in statistical load of enterprises complying with European regulatory requirements and the dissemination on a national level of the principal results on Spanish affiliates abroad.

¹ Statistical source prepared by Eurostat with information on the groups of enterprises from private databases and units responsible for registries of companies in the statistics institutes of different member states as well as EFTA member states.

3 Research Scope

POPULATION SCOPE

The population under study for this statistic is comprised of enterprises resident outside Spain which are affiliates of Spanish parent companies and whose main activity is included in sections B to E (industry), F (construction) and G to S, except O (non-financial market services) of the National Classification of Economic Activities (CNAE-09).

We understand affiliate to be a company outside Spain controlled by a Spanish enterprise. In accordance with the Manual of Recommendations regarding "Foreign Affiliates Statistics (FATS)", compiled by the Statistical Office of the European Union (Eurostat), in partnership with the different Member States, control is understood to be the ability to determine the general policy of a company, by means of the designation, as necessary, of the appropriate directors. In this sense, company A is considered to be controlled by institutional unit B, when B directly or indirectly controls more than half of the shareholders' vote, or more than half of the shares, of company A. At times, control may be exercised via effective minority control, without holding more than half of the shares or votes, if for example, the percentage, while lower than 50%, is higher than that of any other owner. Control may also be exercised by a Government, by means of a decree or regulation that grants it the ability to determine the policy of the company or the election of directors. Indirect control refers to when this is exercised, not directly, but by means of another affiliate over which the unit has control. That is, if company A controls another company B, and the latter, in turn, controls a third company C, we may deduce that company A indirectly controls company C.

The list of activities (sections) of the CNAE09 which constitute the population scope of the units studied by this statistic is the following:

- B Extractive industries
- C Manufacturing industry
- D Supply of electricity, gas, steam and air conditioning
- E Water supply, sewage, waste management and remediation activities
- F Construction
- G Wholesale and retail trade; repair of motor vehicles and motorcycles
- H Transport and storage
- I Accommodation
- J Information and communications
- L Real estate activities
- M Professional, scientific and technical activities
- N Administrative and support services activities
- P Education
- Q Health and social services activities

- R Arts, recreation and entertainment activities
- S Other services

As for the population of informant units, in accordance with the methodology set out by Eurostat and covered in the manual of recommendations, member states should apply the owner's criteria (UCI - Ultimate controlling Institutional unit).

The ultimate owner of an affiliate is the institutional unit or company that, proceeding hierarchically upwards along the chain of control of said affiliate, exercises control over itself, not being controlled, in turn, by any other unit. Therefore, each country should provide the results of the affiliates abroad, whose parent company or ultimate owner is resident in their territory.

Therefore, in our case, only results of affiliates abroad of parent companies ultimately owned by Spaniards are included in this statistic.

This approach aims to homogenise results on a European level, thereby avoiding gaps or duplicate information between the different member states.

GEOGRAPHICAL SCOPE

From the geographical point of view, the statistic refers to resident affiliates outside Spain both inside and outside the European Union.

TIME FRAME

The statistic is annual and the economic data obtained are also annual and refer to the corresponding reference year.

4 Statistical units

The basic analysis unit is the company or branch under Spanish control.

A company is considered to be all legal entities that constitute an organisational unit that produces goods and services, and that enjoys a certain autonomy in decision-making, mainly at the time of using the available current resources.

We understand branch to be the local unit with own legal identity controlled by a Spanish unit.

We consider statistical units from the survey of affiliate enterprises or branches of Spanish enterprises, located outside Spain and whose principal economic activity is included, in accordance with the CNAE-09, in some of the sectors investigated (industry, construction, trade and remaining non-financial market services).

5 Classification and study variables

The following lists the classification variables used in the breakdown of the data offered in this survey.

ECONOMIC ACTIVITY

The economic activity carried out by a company is defined as the creation of added value through the production of goods and services.

Statistical units often perform several activities which may be classified into different classes of the National Classification of Economic Activities. In general, the activities performed by an economic unit may be one of three types: main, secondary and auxiliary activities. The main activity is differentiated from the secondary, as it is this activity which generates the greatest added value. In turn, auxiliary activities are those which generate services not sold on the market and which only serve the unit on which they depend (administration department, transport or storage services).

Affiliate enterprises are classified based on their principal activity, that is, the one which provides the most added value. Nevertheless, faced with sometimes difficult task for companies of calculating or estimating this variable, if such information is not available, the main activity shall be considered that which generates the greatest production value, or failing this, that which requires the greatest number of employees.

From the perspective of the dissemination of results, two different breakdown levels are established for the activity of the affiliate enterprises:

– Classification of the affiliate enterprises according to the aggregate activity sector.

Four major sectors are considered:

- Industry
- Construction
- Trade
- Services

Given the importance and the specific characteristics of the trade sector, it has been considered convenient, for the purposes of the dissemination of the results of this survey, to grant this sector its own entity, and to consider it, from an analytical viewpoint, as a sector that is differentiated from the rest of the non-financial market services, which remain, in turn, encompassed within the generic concept of services.

– Classification of the affiliate enterprises, according to the broken down branch of activity.

The different branches of activity considered within each sector are the following:

- Industry
 - Extractive industries (NACE 05-09) Manufacturing industry (NACE 10-33)
 - Supply of electricity, gas, steam and air conditioning (NACE 35)

- Supply of water, sewage activities, management of waste and decontamination (NACE 36-39)
- Construction
 - Construction of buildings (NACE 41)
 - Civil engineering (NACE 42)
 - Specialised construction activities (NACE 43)
- Trade
 - Sale and repair of motor vehicles and motorcycles and retail trade (NACE 46, 47)
 - Retail trade, except motor vehicles and motorcycles (NACE 47)
- Services
 - Transport and storing (NACE 49-53) Accommodation (NACE 55, 56)
 - Information and Communication (NACE 58-63)
 - Real estate activities (NACE 68)
 - Professional, scientific and technical activities (NACE 69-75) Administrative and support service activities (NACE 77-82) Other services activities (NACE 85-88,90-96)

COMPANY SIZE

The dimension or size of the companies is one of the most significant variables at the time of studying their behaviour, and analysing the results of a given research. The dimension of a company may be established in terms of different variables (turnover, production value, employment, etc.). For this statistic we have chosen to consider the average number of employees as the reference variable to determine the size of the companies.

For the purposes of the dissemination of the results, two different breakdown levels are established for the company size variable:

– Classification of the affiliate enterprises, according to aggregate size:

Microcompany	0 - 9 employees
Small	10 - 49 employees
Medium-sized	50 - 249 employees
Large	250 or more employees

– Classification of the affiliate enterprises, according to the broken down size bracket:

Fewer than 10	employed persons
10 to 19	employed persons
20 to 49	employed persons
50 to 99	employed persons

100 to 249	employed persons
250 to 499	employed persons
500 to 999	employed persons
1000 or more	employed persons

GEOGRAPHICAL COUNTRY OR AREA OF THE FOREIGN AFFILIATE

The results tables also provide information on the principal variables by geographical area of residence of the affiliate abroad. In certain cases, and depending on their importance, the information offered is presented broken down by the affiliate's country of residence.

For the purposes of the dissemination of the results, two different breakdown levels are established for the geographical area of the company variable:

- Classification of the affiliate enterprises, according to aggregate geographical area:
 - Eurozone
 - Rest of the European Union
 - The rest of Europe
 - America
 - The rest of the world
- Classification of affiliate enterprises according to the affiliate's country of residence:
 - Total Europe
 - Total European Union
 - Total Eurozone
 - Germany
 - Austria
 - Belgium
 - France
 - Italy
 - Netherlands
 - Portugal
 - Rest of Eurozone
 - Poland
 - The Czech Republic
 - Romania
 - Rest of the European Union
 - The United Kingdom

- Switzerland
- The rest of Europe
- Total America
 - Argentina
 - Brazil
 - Chile
 - Colombia
 - United States
 - Mexico
 - Peru
 - Venezuela
 - Rest of America
- Total Asia
 - China
 - Rest of Asia
- Total Africa and Oceania

Regarding the study variables, information is collected on the number of affiliate enterprises in addition to turnover, employees, employee benefits expense and gross investment in tangible non-current assets.

With the purpose of helping to better understand and interpret the results presented in the tables, the definitions of the main variables are included below:

NUMBER OF AFFILIATES

We account for the number of units considered affiliate enterprises or branches of Spanish enterprises abroad, whose main economic activity is included, in accordance with NACE09, in some of the sectors investigated (industry, construction, trade and remaining non-financial market services).

Only those units which have generated a turnover or jobs during the reference period are considered. Inactive units, be they temporary or definitive, are not accounted for. They only include active units for at least one portion of the reference period.

From the period 2021 onwards a new operating concept of 'Subsidiary Company' has applied, which differs from previous years in that the analogy Subsidiary Company=Subsidiary Unit will no longer always be true. That is, some Subsidiary Companies may consist of two or more Subsidiary Units.

TURNOVER

Turnover comprises all amounts invoiced by the observation unit during the reference period, which corresponds to the commercial sales of goods and services supplied to third parties.

The assessment of turnover considers all the taxes on goods and services invoiced by the unit with the exception of VAT invoiced by the unit to its customers or other similar deductible taxes collected in stages but fully levied on the end user. It also includes other costs (transport, packaging, etc.) paid by the client, even if they are specified separately in the purchase invoice. However, possible reductions, sales and price discounts, as well as the value of returned packages, must be deducted from the total amount.

Not included in turnover are subsidies, other operating expenditure, nor financial, extraordinary revenue or others which affect the result for the year.

EMPLOYEES AND SELF-EMPLOYED PERSONS

Employed persons are understood to be the group of permanent and temporary employed persons who, during the reference year of the data, were carrying out paid or unpaid work for the company, and belonging to and being paid by said company.

We include people with sick leave, remunerated holidays, occasional unpaid sick leave, people on strike, etc. in addition to part time workers considered as such according to the laws of the country at issue and which appear on the company's payroll, in addition to seasonal workers, apprentices or people who work at home, but who are included on the company's payroll.

They also include owners who work regularly in the unit, in addition to family assistants who also work regularly in the unit.

Excluded however, is labour made available by the company by other companies agencies and remunerated by the latter; persons who are carrying out maintenance or repair work in some of the company premises or establishments and being paid by other companies; as well as persons on sabbatical, unlimited leave or retired.

EMPLOYEE BENEFITS EXPENSE

Employee benefits expense is all expenses arising from compensation of employees, recognised by the statistical unit during the reference period.

Employee benefits are all forms of consideration provided by the statistical unit in return for services rendered by employees or for the termination of the employment relationship.

GROSS INVESTMENT IN TANGIBLE NON-CURRENT ASSETS

Gross investment in tangible non-current assets consists of all additions to tangible non-current assets recognised as such by the statistical unit during the reference period, except for increases due to revaluations or reversals of previously recognised impairment losses and reclassifications (transfers) of other tangible non-current assets.

6 Data processing

OBTAINING THE INFORMATION

The results of the Foreign Affiliates Trade Statistic affiliates (OUTWARD FATS) are prepared based on administrative information from the Registry of Foreign Investments and, more specifically, the transaction Direct Spanish Investment abroad.

This transaction performed by Ministry of Economy, Trade and Business compiles information on investments in their affiliates, "holdings" and foreign enterprises whose net equity is greater than 1,502,530.27 euros and in which the participation of the Spanish investor is equal or greater than 10%. The form for questionnaire D-8, included within the forms for declarations of foreign investments, covers both turnover and number of employees as well as personnel costs and gross investment in tangible goods, in addition to the variables principal activity and country of residence of companies up until the second level of the participation chain.

From basic information provided by this source we perform processing and filtering of data with the aim of adapting this information to the population scope of OUTWARD FATS, both regarding the population under study and the informant population. The population under OUTWARDS FATS study is a subset of the IED as only those companies or branches in which the Spanish investor has a majority participation (that is, affiliates) form part of this. Conversely, to adapt to recommendations included in the recommendations manual regarding the informant population, those affiliates whose ultimate owner is not Spanish, have to be excluded.

ESTIMATE OF RESULTS

With the purpose of completing the coverage of OUTWARD FATS and guaranteeing more adaptability to the reality of its results, and given that the basic information does not fully cover the population scope set out in European regulations as a consequence of the threshold set by net wealth and absence of available information as of level 3 of the chain for participation in affiliates, we perform an additional adjustment procedure which improves IED initial data and enables generating some overall results more adapted to the entire population under study.

For this we performed a post-stratification of the total population taking as a reference the variables size and country of residence of the affiliate. To perform this adjustment procedure, we have chosen to use the European Groups Register (EGR) as an additional information source.

This is a statistical source prepared on a European level with the collaboration of member states, directly related to OUTWARD FATS in which its usefulness when attaining the highest degree of convergence possible between statistical sources is also assessed. To create this, Eurostat compiles information on the group of companies from private databases and units responsible for corporate records in statistical institutes from the different member states in addition to EFTA member states. Following a process of consolidation and validation, the registry contains the overall structure of companies present in Europe including their affiliates in the rest of the world.

The EGR is updated each year and it is foreseen that its coverage and quality will increase as its development and implementation move forward.

7 Dissemination and results tables

The results of the statistic on affiliates of Spanish enterprises abroad (OUTWARD FATS) are disseminated broken down according to different classification variables relating to geographical location of the affiliates abroad, their principal activity and their size (in terms of number of employees). The breakdowns used for each one of these variables are listed in section 5 of this methodology.

The study variables are the number of affiliates, employees and self-employed persons, turnover, employee benefits expense and gross investment in non-current assets, whose definitions are also compiled in section 5 of this methodology.

The tables of results on which information is offered are the following:

- Table 1.- Principal variables by country
- Table 2.- Main variables by branch of activity
- Table 3.- Main variables by size bracket (employed persons)
- Table 4.- Principal variables by geographic area and activity sector
- Table 5.- Principal variables by geographic area and size
- Table 6.- Principal variables by activity sector and size