

December 29, 2015

Globalization Statistics

2010-2014

Nearly half of the Gross Value Added (GVA) generated by Foreign affiliates in Portugal, corresponded to affiliates which had their decision centre in Spain, France and Germany

In 2014 there were 5 521 foreign affiliates in Portugal, corresponding to 1.5% of the total non-financial companies (1.6% in 2013), responsible for 23.2% of Turnover (23.3% in 2013) and 21.8% of the GVA (21.9% in 2013) generated by non-financial companies.

Around 75% of the foreign affiliates had their decision centre in one country of the European Union. Spain, once more, controlled the largest number of foreign affiliates operating in Portugal (27.2%). However, in 2014, France was the main country of origin of capital control, holding 17.0% of GVA (EUR 2.6 billion). Spain (16.6%) and Germany (16.2%) were second and third in the ranking.

The foreign affiliates with exporting profile corresponded to 28.3% of the overall foreign affiliates and were responsible for 40.3% of GVA generated in 2014.

Statistics Portugal disseminates, in this Press Release, the final data on Foreign Affiliates Statistics (FATS) in Portugal for 2013 and also, for the first time, preliminary data for 2014.

Data now presented are in line with the application of the 2010 European Accounts System which implied, amongst others, changes in the classification of the institutional sector of entities, affecting the boundaries of the business sector.

In the first part of this press Release, the main economic indicators of Foreign Affiliates in 2013 and 2014 are presented, followed in the second part by an analysis on the geographic dimension of the origin of capital control of foreign affiliates in Portugal.

FOREIGN AFFILIATES IN PORTUGAL 2013-2014

In 2014, the number of foreign affiliates in Portugal ascended to 5 521 companies (-1.9% in view of 2013), having about 364 thousand persons employed, representing 14.3% of employment in the whole set of non financial companies. On average, each affiliate employed about 66 persons in 2014 (+3.8 p.p. compared with the previous year).

4.3% GROWTH IN GVA FROM FOREIGN AFFILIATE COMPANIES

In spite of the decline observed in 2014 in the number of foreign affiliated companies, these companies still performed positively in terms of the main economic indicators, having accounted for EUR 15.3 million in GVA, which stood for 4.3% more than in 2013 (0.3 p.p. above the growth observed in the set of non financial companies controlled by domestic entities).

In the whole set of foreign affiliated companies operating in Portugal, 74.1% of the GVA generated in 2014 (+4.8 p.p. in view of 2013) was originated in companies with capital controlled by entities belonging to the European Union, while the remaining 25.9% of GVA was generated in companies controlled from outside the EU.

Affiliates of large dimension (6.1% of the total affiliates) generated EUR 9.6 billion in GVA (62.7% of the total), corresponding to a 5.5% growth (+3.0 p.p. comparing with the growth observed in 2013).

Still in terms of GVA, in 2014, foreign affiliates with a non exporting profile (59.7% of the total) grew 5.4%, twice as much as the exporting affiliates.

In 2014, the annual average wage per employee was EUR 18.05 thousand, 36.5% above the value recorded for the total non financial companies, corresponding to an annual average wage per employee of EUR 13.23 thousand. The weight of wages and salaries in GVA is higher in domestic companies (49.5%) when compared with foreign affiliates in Portugal (42.9%).

>> **Figure 1 – Main economic indicators of companies (2013 and 2014)**

	Companies			Persons employed			Personnel costs			Wages and salaries			Turnover			GVA		
	Nº		(%)	Nº		(%)	10 ⁶ Euros		(%)									
	2014 (Pr)	Var. 12/13	Var. 13/14	2014 (Pr)	Var. 12/13	Var. 13/14	2014 (Pr)	Var. 12/13	Var. 13/14	2014 (Pr)	Var. 12/13	Var. 13/14	2014 (Pr)	Var. 12/13	Var. 13/14	2014 (Pr)	Var. 12/13	Var. 13/14
Total non financial companies	360 274	0.2	1.3	2 545 558	-1.8	0.3	43 093	-2.0	1.5	33 666	-1.9	2.2	308 361	-0.5	1.8	70 051	0.5	4.1
Domestic companies	354 753	0.2	1.3	2 181 472	-2.3	0.0	34 386	-2.2	1.6	27 093	-2.3	2.4	236 489	0.2	1.6	54 715	0.2	4.0
Foreign affiliates	5 521	-0.7	-1.9	364 086	1.1	1.9	8 707	-1.4	1.1	6 573	-0.2	1.6	71 872	1.5	2.1	15 336	1.5	4.3
Foreign affiliates																		
Country of capital ownership																		
Intra-EU	4 115	-1.0	-1.8	269 332	-0.8	1.8	6 158	-2.2	2.7	4 690	-0.8	3.0	53 980	-0.4	2.7	11 361	2.0	4.8
Extra-EU	1 406	0.0	-2.0	94 754	6.8	2.3	2 549	0.6	-2.7	1 883	1.0	-1.7	17 893	-4.1	0.5	3 975	0.2	2.8
Size																		
Large	335	0.6	2.4	252 275	3.3	3.7	5 413	-0.2	3.7	4 087	1.4	4.2	46 561	-1.0	3.3	9 613	2.5	5.5
SME	5 186	-0.8	-2.1	111 811	-3.3	-1.8	3 294	-3.2	-2.9	2 486	-2.7	-2.4	25 312	-2.1	0.1	5 723	-0.1	2.4
Profile																		
Exporting	1 564	-1.1	0.8	136 951	-2.6	1.8	3 860	-2.0	1.0	2 912	-1.8	2.1	27 928	-5.9	0.0	6 186	1.8	2.7
Non exporting	3 957	-0.6	-2.9	227 135	3.5	2.0	4 847	-0.9	1.1	3 661	1.0	1.2	43 944	1.8	3.5	9 150	1.4	5.4

(Pr) Preliminary data

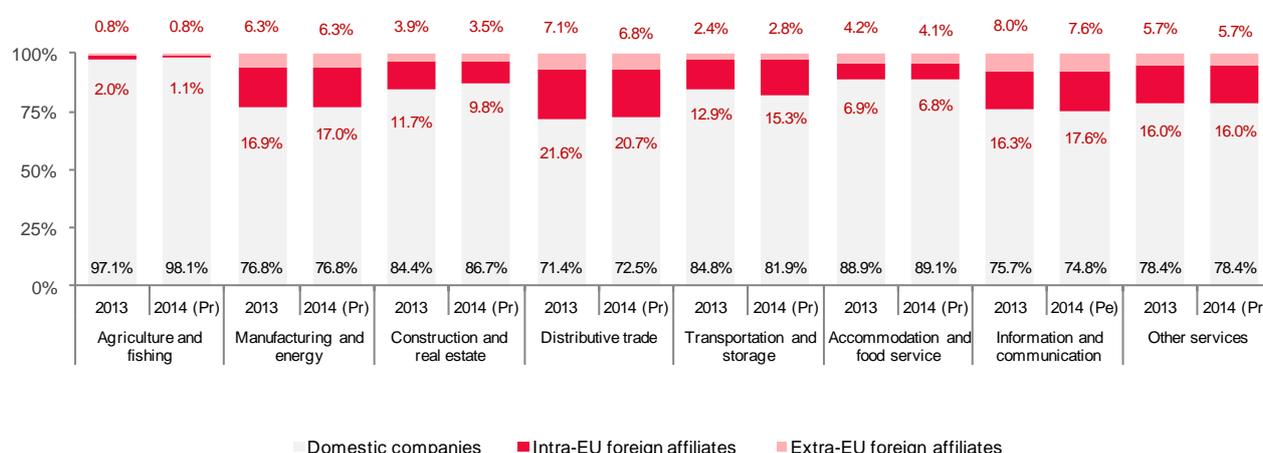
Source: Statistics Portugal, IBAS

28,7% OF THE GVA IN THE DISTRIBUTIVE TRADE COMPANIES GENERATED BY FOREIGN AFFILIATES

generated by Intra-EU foreign affiliates (20.7%), while the information and communication sector held the highest share of Extra-EU foreign affiliates in the total GVA (7.6%).

With regard to the breakdown in sectors of foreign affiliates, although recording a slight decline, the distributive trade sector continued to be the most important in foreign affiliates in terms of contribution to GVA (28.7% in 2013 and 27.5% in 2014). This sector presented, likewise, the largest percentage of GVA

>> **Figure 2 – Weight of Intra-EU and Extra-EU foreign affiliates in GVA by business sector (2013 and 2014)**



Source: Statistics Portugal, IBAS

FOREIGN AFFILIATES WITH POSITIVE RETURNS IN 2014

Foreign affiliates showed a better performance compared with domestic companies in terms of the main economic indicators, particularly in companies with capital control owned by entities located in EU territory. The ratio between wages and salaries and generated GVA was higher in foreign affiliates compared with the total non financial companies (2.31 comparing to 2.09, in 2014). The variation of this indicator vis-à-vis the previous year was also higher in foreign affiliates than in the total non financial companies (+0.06 p.p. comparing to +0.04 p.p.).

Foreign affiliates showed a better performance compared with domestic companies in terms of the main economic indicators, particularly in companies with capital control owned by entities located in EU territory. The ratio between

In 2014, the investment in research and development (R&D) (as a percentage of GVA) of foreign affiliates was 0.1 p.p. higher than in domestic companies, opposite to the outcome in 2013.

In terms of financial ratios, foreign affiliates were, in 2014, more resilient compared with domestic companies.

>> **Figure 3 – Main ratios of companies (2013 and 2014)**

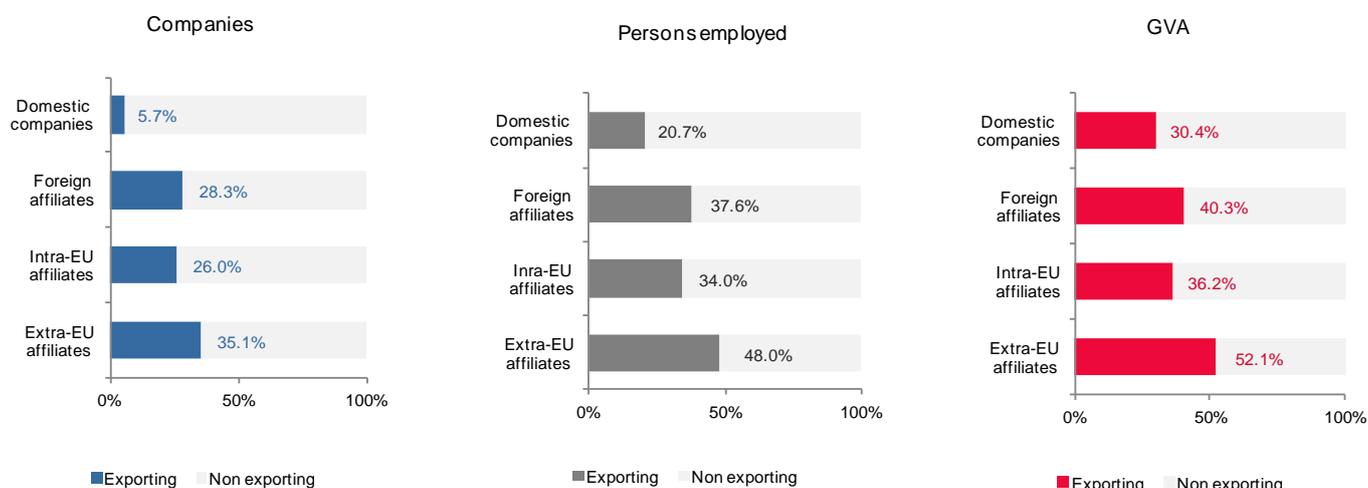
	Economic															
	Apparent labour productivity				GVA/Wages				Return on sales				Return on equity			
	2013	2014 (Pr)	Var. 12/13	Var. 13/14	2013	2014 (Pr)	Var. 12/13	Var. 13/14	2013	2014 (Pr)	Var. 12/13	Var. 13/14	2013	2014 (Pr)	Var. 12/13	Var. 13/14
	10 ³ Euros		%		Valor		%		%		p.p.		%		p.p.	
Total non financial companies	26.6	27.1	2.5	1.9	2.05	2.09	2.6	1.9	1.4	1.6	1.5	0.2	2.8	3.4	3.1	0.6
Domestic companies	24.3	24.7	2.8	1.8	2.00	2.03	2.8	1.7	1.3	1.5	1.7	0.2	2.5	2.9	3.3	0.4
Foreign affiliates	40.7	41.6	0.4	2.4	2.24	2.31	1.8	2.8	1.6	2.0	0.9	0.4	4.5	5.7	2.4	1.2
	<i>Foreign affiliates</i>															
<i>Country of capital ownership</i>																
Intra-EU	40.5	41.7	2.8	3.1	2.35	2.40	2.8	1.9	1.5	2.0	0.9	0.5	4.2	5.7	2.5	1.5
Extra-EU	41.2	41.4	-6.1	0.5	1.99	2.08	-0.8	4.6	1.9	2.1	0.8	0.2	5.4	5.9	2.1	0.5
	Investment								Financial							
	Investment rate				R&D expenditure (% of GVA)				Equity ratio				Current liquidity			
	2013	2014 (Pr)	Var. 12/13	Var. 13/14	2013	2014 (Pr)	Var. 12/13	Var. 13/14	2013	2014 (Pr)	Var. 12/13	Var. 13/14	2013	2014 (Pr)	Var. 12/13	Var. 13/14
	%		p.p.		%		p.p.		Value		%		Value		%	
Total non financial companies	16.6	17.2	1.1	0.6	0.7	0.7	-0.1	0.1	0.30	0.30	2.6	-0.5	1.27	1.25	4.7	-1.4
Domestic companies	17.6	18.1	1.3	0.4	0.7	0.7	-0.2	0.0	0.31	0.29	8.2	-5.1	1.28	1.27	5.5	-0.9
Foreign affiliates	12.9	14.1	0.3	1.2	0.6	0.8	0.3	0.1	0.31	0.31	-0.9	0.0	1.23	1.18	1.0	-3.9
	<i>Foreign affiliates</i>															
<i>Country of capital ownership</i>																
Intra-EU	13.8	14.8	1.7	1.0	0.7	0.9	0.3	0.2	0.30	0.29	0.3	-1.6	1.18	1.14	-0.0	-3.2
Extra-EU	10.4	12.3	-3.6	1.9	0.3	0.3	-0.0	0.0	0.37	0.36	2.3	-1.5	1.39	1.30	4.6	-6.1

Source: Statistics Portugal, IBAS

In 2014, exporting foreign affiliates were significantly more representative when considering total units, GVA and persons employed in the total of foreign affiliates (28.3%, 37.6% and 40.3% respectively) compared to domestic companies (5.7%, 20.7% and 30.4% respectively). Affiliates with capital control in one of the Extra-EU countries presented an even higher exporting profile with almost half the number of persons employed and with more than half of the GVA of these societies belonging to companies with an exporting profile.

**FOREIGN AFFILIATE COMPANIES
EXPORTED MORE THAN DOMESTIC
COMPANIES**

>> **Figure 4 – Exporting companies (2014)**

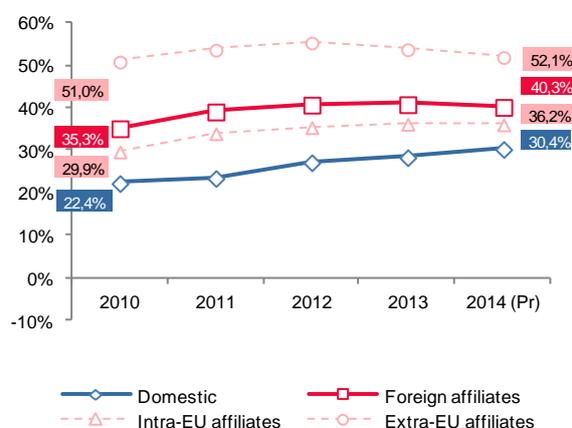


Source: Statistics Portugal, IBAS

WEIGHT OF EXPORTING AFFILIATE COMPANIES INCREASED FROM 2010 TO 2014

In the last five years, the weight of exporting foreign affiliates went from 35.3% to 40.3%, essentially sustained by the growth of Intra-EU affiliates, which in GVA terms went from 29.9% to 36.2%.

>> **Figure 5 – Exporting companies (2014)**



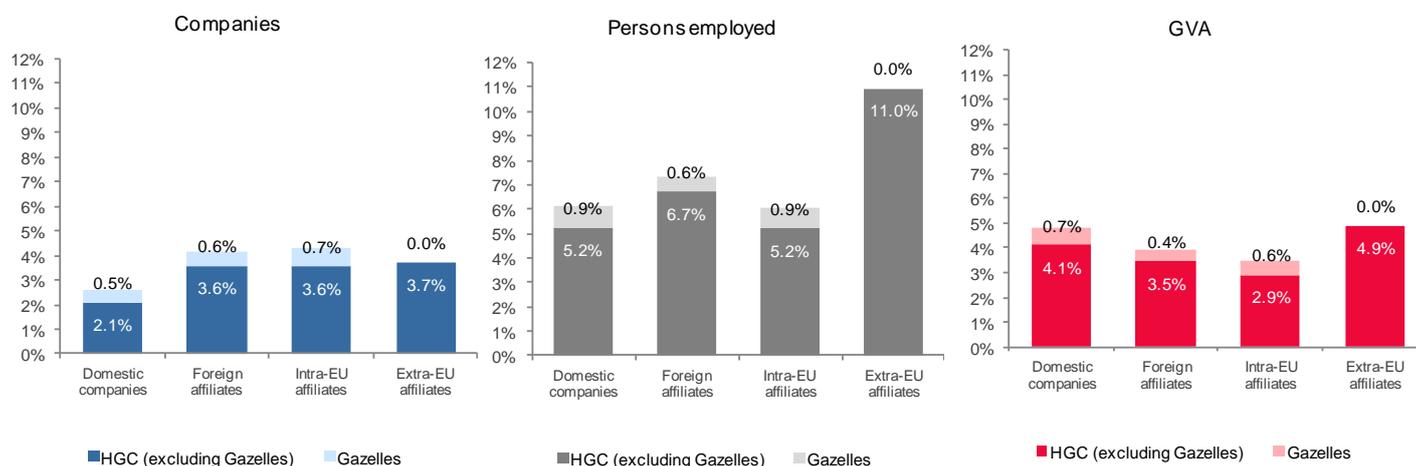
Source: Statistics Portugal, IBAS

LARGER SHARE OF COMPANIES AND PERSONS EMPLOYED IN FOREIGN AFFILIATE COMPANIES BUT WEIGHTING LESS IN GVA TERMS

In 2013¹, high growth companies (HGC) represented 3.6% of foreign affiliates (with 10 plus employees) and 6.7% of persons employed, figures above those of domestic companies (2.1% and 5.2% respectively). However, in domestic companies, HGC stood for greater financial weight, generating 4.1% of the GVA (vis-à-vis 3.5% in foreign affiliates).

¹ Last available year.

>> **Figure 6 – Weight of high growth companies and gazelles (2013)**



Source: Statistics Portugal, IBAS

ORIGIN OF CAPITAL CONTROL OF FOREIGN AFFILIATES

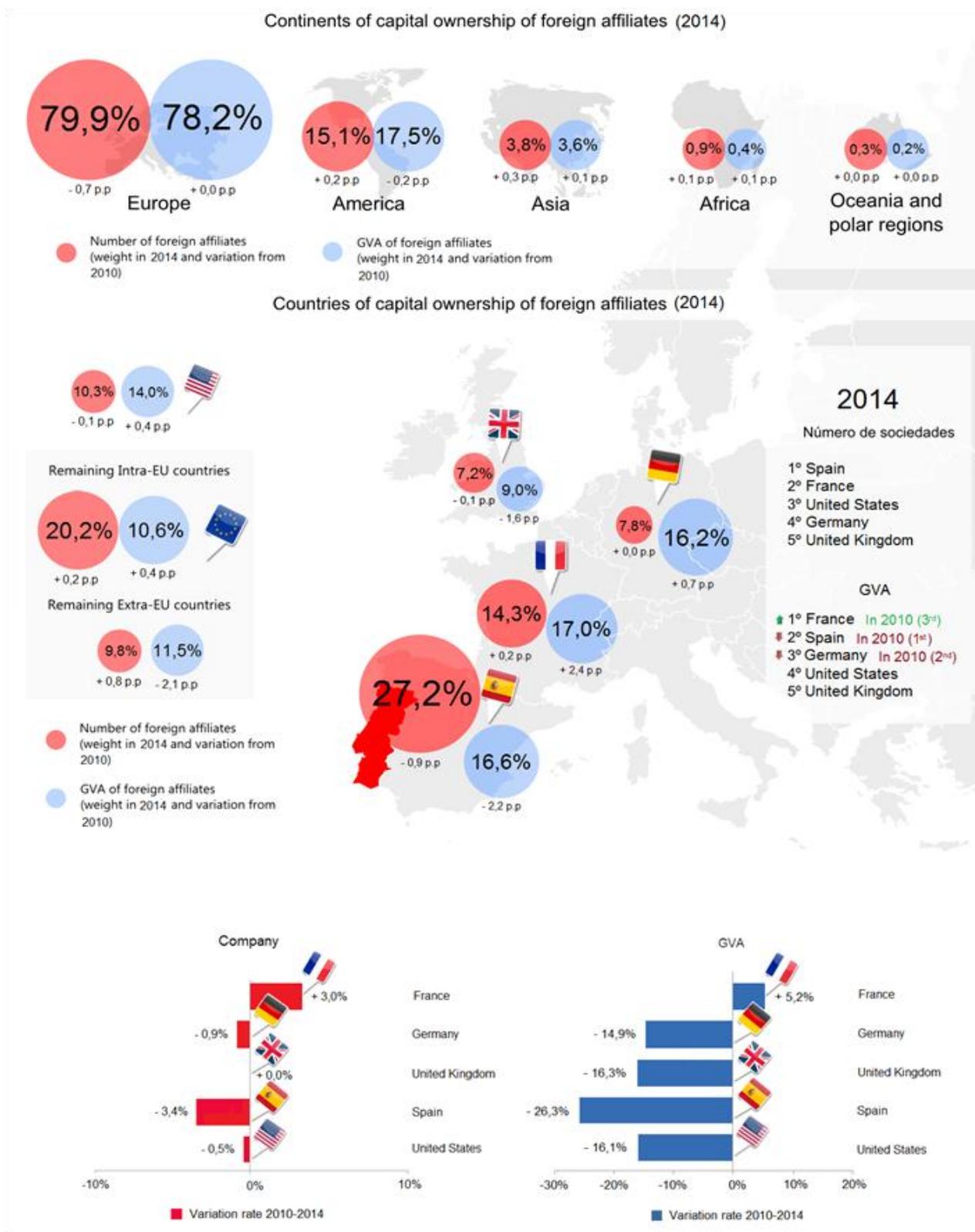
In 2014, most foreign affiliates (79.9% of the number of affiliates and 78.2% of the GVA) were controlled by companies based in one of the countries of the European continent, closely followed by affiliates with their centre of decision in one of the American countries (15.1% of affiliates and 17.5% of GVA). The remaining continents represented about 5% of both the number of foreign affiliates and of the GVA generated by the latter.

Amongst the ten most relevant countries in number of foreign affiliates and GVA, only the USA and Brazil were not European countries. The most representative country in what concerns the number of foreign affiliates in 2014 was Spain with 27.2% of the total of foreign affiliates in Portugal (less 0.9 p.p. compared to 2013). However, in terms of representativeness of GVA, the most important country of origin of capital control of foreign affiliates was France with 17.0% of GVA (EUR 2.6 billion).

Spain, Germany and France were responsible for almost 50% of the GVA generated by the total of foreign affiliates in Portugal. Companies with capital control originated in the former countries represented, as a whole, 49.3% of the total of foreign affiliates in Portugal. In either number of companies and in GVA, the most representative countries of origin of capital control stood the same between 2010 and 2014, only recording slight rank position changes. The most relevant change was related to the growth in relative weight of France towards other countries, namely Germany which in 2013 held control of the biggest parcel of GVA generated by foreign affiliates in Portugal.

FRANCE BECAME THE MAIN COUNTRY OF ORIGIN OF CAPITAL CONTROL IN TERMS OF THE GENERATED GVA

>> **Figura 7 – The origin of capital control in foreign affiliates (2010-2014)**



Source: Statistics Portugal, IBAS

Spain was one of the first three placed countries in terms of weight of GVA in six business sectors

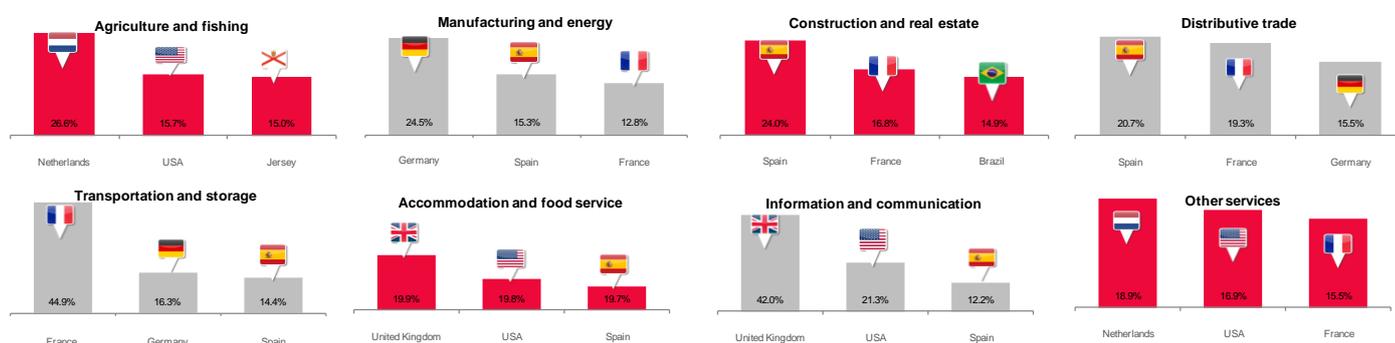
When considering a breakdown in sectors using GVA as the variable, Spain ranked in one of the three first places in six activity sectors and led in Construction and real estate (24.0%) and Distributive trade (20.7%).

In the remaining Intra-EU countries, France led the Transportation and storage sector with a 44.9% share and Germany ranked first in the Manufacturing and energy sector with 24.5% of the GVA.

Agriculture and fishing, although being led by The Netherlands with 26.6% of the GVA, had a strong presence of the Extra-EU countries which generated more than 30% of the GVA of the affiliates in this sector.

The UK had a leading role in the sectors of Information and communication (42.0%) and Accommodation and food service (19.9%).

>> **Figure 8 – Sector distribution of countries with capital ownership with higher shares of GVA (2014)**



Source: Statistics Portugal, IBAS

>> FOR ADDITIONAL INFORMATION

WEBSITE INDICATORS

- [Enterprises with mostly foreign capital by economic activity](#)
- [Proportion of enterprises with mostly foreign capital by economic activity](#)
- [Proportion of gross value added of enterprises with mostly foreign capital by economic activity](#)

PRESS RELEASES

- [GVA of non-financial enterprises increased 3.7%, in nominal terms, in 2014](#)
September 28, 2015
- [Enterprise Statistics - Final results for 2013: More enterprises, less business and less employment](#)
May 28, 2015
- [GVA of non-financial enterprises slightly increased and number of persons employed decreased](#)
September 26, 2014
- [Foreign affiliates in Portugal with positive returns in 2012. Germany became the main country of origin of capital control in terms of GVA](#)
September 19, 2014
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September 27, 2013
- [Foreign Affiliates in Portugal - 2005 - 2007](#)
October 30, 2009
- [Entrepreneurship in Portugal-Business Demography Indicators - 2004 - 2007](#)
June 26, 2009

PUBLICATIONS

- [Enterprises in Portugal - 2013](#)
- [Enterprises in Portugal - 2012](#)

Methodological note:

Statistics Portugal disseminates the main results on Foreign Affiliates Statistics (FATS) in Portugal for the reference year 2013. For the first time, preliminary data on FATS for the reference year 2014 are also disseminated.

The disseminated statistical data was obtained from the Integrated Business Accounts System (IBAS), which results from a business statistics integration process, based on administrative data, with a focus on the Simplified Business Information (IES). The resulting data are based in accounting information from enterprises and not subjected to statistical treatment inherent to the compilation of National Accounts. However, due to the implementation of 2010EAS in National Accounts which implied, amongst other, changes in the classification of the institutional sector of entities, affecting the boundaries of the business sector, there was a revision of statistical series on business statistics necessarily implying the revision of the statistical series on FATS.

In order to simplify, the expression "foreign affiliates" is randomly used throughout this press release.

In this study, only enterprises assuming the legal form of **companies** were considered, justified by the fact that, in the reference year 2014 all foreign affiliates in Portugal assumed this legal form.

Under the scope of this study, all companies from sections A to S (except K and O) of NACE-Rev.3 were considered. The sectors were aggregated in 8 larger groups: Agriculture and fishing (section A of NACE-Rev.3), manufacturing and energy (sections B to E), construction and real estate (sections F to L), distributive trade (section G), transportation and storage (section H), accommodation and food services (section I), information and communication (section J) and other services (sections M to S).

A **foreign affiliate** in Portugal is defined as an enterprise, based in Portugal, controlled by a non-resident institutional unit. By **control** it's understood the power to determine the general policy of a company, choosing, when necessary, their board of administration.

In what respects to the origin of capital control, it was considered as **Intra-EU** countries the 28 member states of the European Union with the exception of Portugal: Germany, Austria, Belgium, Bulgaria, Cyprus, Croatia, Denmark, Slovenia, Spain, Estonia, Finland, France, Greece, Netherlands, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, United Kingdom, Czech Republic, Slovak Republic, Romania and Sweden. All the remaining countries are considered **Extra-EU countries**.

The classification of large companies was based on the recommendation of the Commission of May 6th, 2003. As such, companies were considered to be large when observing one of the following criteria:

- 250 or more persons employed **or**;
- Turnover above 50 million Euros and total assets above 43 million Euros

The remaining companies were considered **SME**.

All companies with an annual average growth, measured in terms of number of employees, above 20% through a 3 year period, were considered to be **high growth companies**. As young high growth companies, **gazelles**, the subset of the first, with companies up to 5 years old, was considered.

In this study, companies were considered to be exporting companies when observing the following criteria

- Companies where at least 50% of the turnover originates from the export of goods, or;
- Companies where at least 10% of the turnover originates from the export of goods and the total value of exports is above 150.000€.

Economic and financial ratios:

Apparent labour productivity = $GVA / \text{Persons employed}$
Average net profit = $\text{Net profit} / \text{Number of companies}$
Average personnel cost = $\text{Personnel cost} / \text{Number of companies}$
Birth rate = $\text{Births of companies} / \text{Total companies} * 100$
Current liquidity = $\text{Current assets} / \text{Current liabilities}$
Death rate = $\text{Deaths of companies} / \text{Total companies} * 100$
Equity ratio = $\text{Total equity} / \text{Total assets}$
Investment rate = $\text{Gross fixed capital formation} / \text{GVA} * 100$
R&D expenditure (% of GVA) = $\text{Total investment in R\&D} / \text{GVA} * 100$
Return on equity = $\text{Net profit} / \text{Equity} * 100$
Return on sales = $\text{Net profit} / \text{Turnover} * 100$

Acronyms:

EU: European Union
GVA: Gross value added
HGC: High growth companies
ICT: Information and communication technologies
IBAS: Integrated Business Accounts System
NACE Rev.2: European Classification of Economic Activities, Revision 2
NPE: Number of persons employed
p.p: Percentual points
R&D: Research and development
SME: Small medium enterprise
USA: United States of America
Var. Rate: Variation rate

Information to users:

This and other information related with this study can be found on the official statistics' website: www.ine.pt