

19 September, 2014

Globalization Statistics

2008-2012

**Foreign affiliates in Portugal with positive returns in 2012.
Germany became the main country of origin of capital control in terms of GVA.**

Foreign affiliates in Portugal represented only 1.4% of the total non-financial companies in 2012, accounting however for a significant part of the turnover and GVA of the companies (21.8% and 19.9% respectively).

The majority of foreign affiliates (80.6% of companies and 78.5% of the GVA) were controlled by entities based in Europe, with Spain leading the origin of capital control (26.2% of the foreign affiliates). Foreign affiliates of German companies were, however, those whose weight in GVA most increased between 2008 and 2012 (from 15.0% of the total to 17.7%). Germany became, as such, the most economically relevant country of origin of capital control in resident foreign affiliates.

Foreign affiliates showed higher survival rates than domestic companies. Over 85% of the foreign affiliates born in 2008 still existed in 2012, while for domestic companies this rate was only 58.4%. The share of high growth companies (HGC) in GVA was lower in foreign affiliates than in domestic companies, having also decreased between 2008 and 2012. The weight of exporting companies in the GVA, on the other hand, increased, being higher in foreign affiliates (especially based in Extra-EU countries) than in domestic companies. The main indicators have decreased since 2008.

This decrease was less sharp on the persons employed and GVA of foreign affiliates than of domestic companies.

Statistics Portugal disseminates, in this Press Release, the main results on the Foreign Affiliates Statistics (FATS) in Portugal in 2012. The revision of the series for the years before 2011, made viable the analysis of the trend in recent years of these companies in Portugal.

In the first part, the main statistical data of foreign affiliates in Portugal in 2012 are presented, followed by an overview of the period 2008-2012, characterizing the evolution of non-financial foreign affiliates. In the third part, the geographic dimension of the ownership of foreign affiliates in Portugal is explored and, finally, a comparative analysis with the Member-States of the European Union is presented.

FOREIGN AFFILIATES IN PORTUGAL IN 2012

Foreign affiliates in Portugal accounted, in 2012, for a significant part of the turnover and GVA of non-financial companies, representing, however, only 1.4% of the total companies.

**FOREIGN AFFILIATES GENERATED
OVER 1/5 OF THE TOTAL TURNOVER**

Foreign affiliates employed, on average, 66.5 persons per company, comparing to just 6.8 persons in domestic companies. Over 6% of the foreign affiliates were large companies, employing about 2/3 of the persons employed in foreign affiliates and accounting for 63.8% of their turnover and 61.6% of the GVA.

The majority of foreign affiliates (52.2% of the companies and 79.4% of the turnover) either belonged to the *distributive trade* or the *manufacturing and energy* sectors.

>> **Figure 1 – Main economic indicators of companies (2012)**

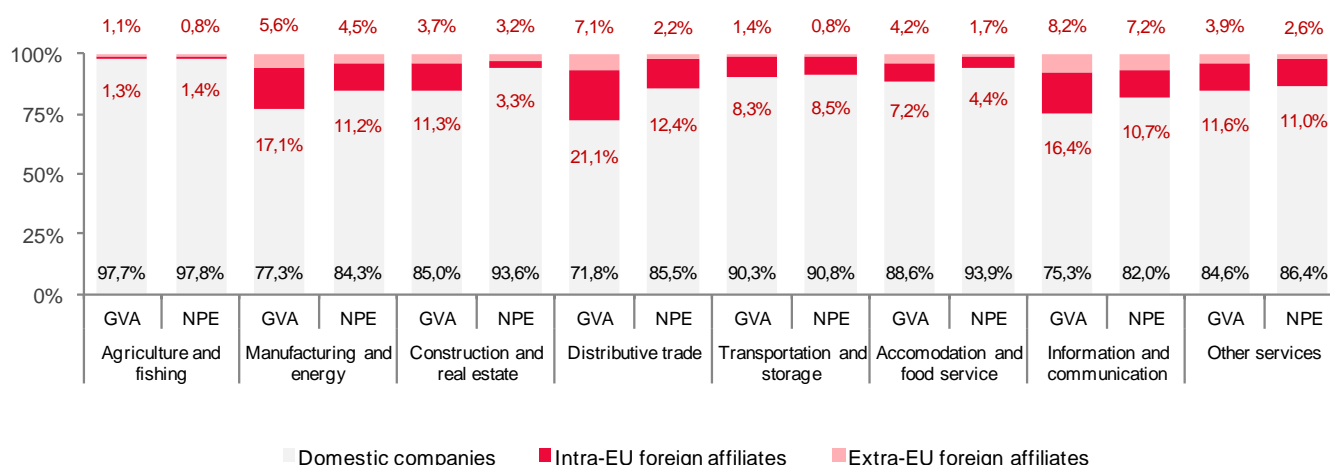
	Companies		Persons employed		Personnel costs		Turnover		GVA	
	Nº	Weight (%)	Nº	Weight (%)	10 ⁶ Euros	Weight (%)	10 ⁶ Euros	Weight (%)	10 ⁶ Euros	Weight (%)
Total non-financial companies	353 611	-	2 695 317	-	46 181	-	310 680	-	70 038	-
Domestic companies	348 522	98,6	2 356 793	87,4	37 862	82,0	243 075	78,2	56 085	80,1
Foreign affiliates	5 089	1,4	338 524	12,6	8 318	18,0	67 605	21,8	13 953	19,9
Foreign affiliates										
<i>Country of capital ownership</i>										
Intra-EU foreign affiliates	3 831	75,3	258 806	76,5	5 993	72,0	52 772	78,1	10 398	74,5
Extra-EU foreign affiliates	1 258	24,7	79 718	23,5	2 326	28,0	14 833	21,9	3 555	25,5
<i>Size</i>										
Large	310	6,1	226 678	67,0	4 964	59,7	43 135	63,8	8 592	61,6
SME	4 779	93,9	111 846	33,0	3 355	40,3	24 470	36,2	5 362	38,4
<i>Business sector</i>										
Agriculture and fishing	65	1,3	1 075	0,3	15	0,2	79	0,1	16	0,1
Manufacturing and energy	936	18,4	102 005	30,1	2 612	31,4	23 502	34,8	4 918	35,2
Construction and real estate	851	16,7	20 710	6,1	528	6,3	2 878	4,3	1 028	7,4
Distributive trade	1 722	33,8	83 965	24,8	2 465	29,6	30 153	44,6	3 676	26,3
Transportation and storage	259	5,1	13 724	4,1	336	4,0	2 722	4,0	563	4,0
Accommodation and food service	149	2,9	12 312	3,6	203	2,4	638	0,9	270	1,9
Information and communication	267	5,2	13 429	4,0	600	7,2	2 858	4,2	1 228	8,8
Other services	840	16,5	91 304	27,0	1 560	18,8	4 776	7,1	2 255	16,2

Source: Statistics Portugal, IBAS

**28.2% OF THE GVA IN THE
DISTRIBUTIVE TRADE COMPANIES
GENERATED BY FOREIGN
AFFILIATES**

In 2012, foreign affiliates had more relevance (28.2% of the GVA and 14.6% of the persons employed) in the *distributive trade* sector. This sector also showed the highest percentage of GVA generated by Intra-EU foreign affiliates (21.1%), while the *information and communication* sector had the highest weight of Extra-EU foreign affiliates in the total GVA (8.2%).

>> **Figure 2 – Weight of Intra-EU and Extra-EU foreign affiliates in GVA and persons employed by business sector (2012)**



Domestic companies Intra-EU foreign affiliates Extra-EU foreign affiliates

Source: Statistics Portugal, IBAS

**FOREIGN AFFILIATES WITH
POSITIVE RETURNS IN 2012**

Foreign affiliates showed, in 2012, an equity ratio and a current liquidity ratio both slightly above the observed in domestic companies. As for economic ratios, foreign affiliates proved to be more resilient, managing to obtain positive returns in a difficult year for non-financial companies.

A lower investment rate in foreign affiliates, comparing to domestic companies, was observed. However, the net investment per unit was 14 times higher on foreign affiliates than on domestic companies. The expenditure in research and development (R&D) as percentage of GVA, was less than half in foreign affiliates than in domestic companies (0.4% and 0.9%). The investment in R&D per unit was, nonetheless, 7 times higher on foreign affiliates.

>> **Figure 3 – Main ratios of companies (2012)**

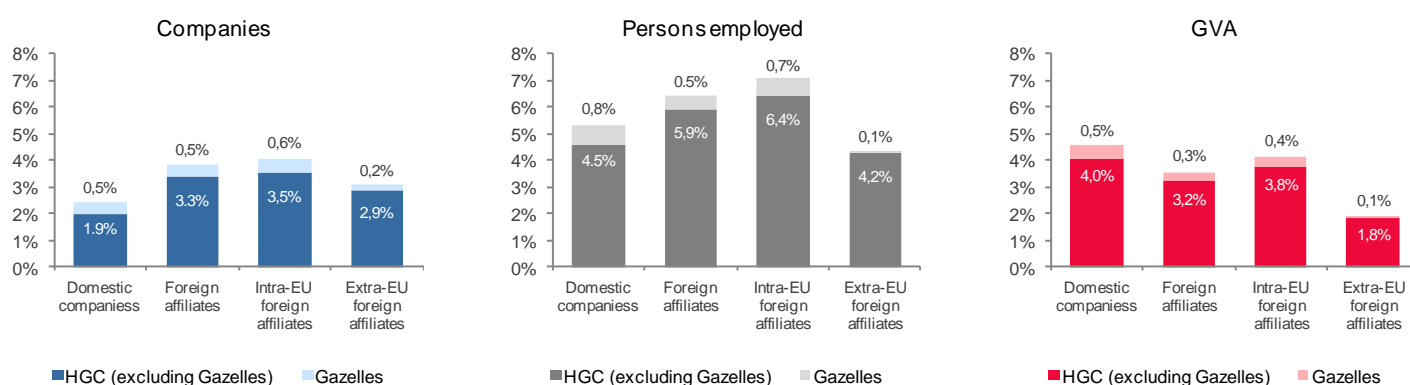
	Investment		Financial		Economic			
	Investment rate	R&D expenditure (% of GVA)	Equity ratio	Current liquidity	Apparent labour productivity	Net profit per company	Return on sales	Return on equity
	%	%	Value	Value	10 ³ Euros	10 ³ Euros	%	%
Total non-financial companies	15,2	0,8	0,28	1,19	26,0	-2,6	-0,3	-0,7
Domestic companies	15,7	0,9	0,27	1,19	23,9	-3,8	-0,5	-1,1
Foreign affiliates	13,1	0,4	0,31	1,21	40,4	75,5	0,6	1,7
Foreign affiliates								
Country of capital ownership								
Intra-EU foreign affiliates	12,7	0,4	0,29	1,16	39,7	42,7	0,3	1,0
Extra-EU foreign affiliates	14,3	0,2	0,37	1,36	42,8	175,3	1,5	4,1

Source: Statistics Portugal, IBAS

High growth companies (HGC) represented 3.9% of the foreign affiliates (with 10 plus employees), while only 2.5% achieved this level of growth in domestic companies. Nonetheless, HGC weighted more in the domestic companies' GVA (4.5%) than in foreign affiliates (3.5%).

LARGER SHARE OF HIGH GROWTH COMPANIES IN FOREIGN AFFILIATES BUT WITH A LOWER WEIGHT IN GVA

>> **Figure 4 – High growth companies and gazelles (2012)**

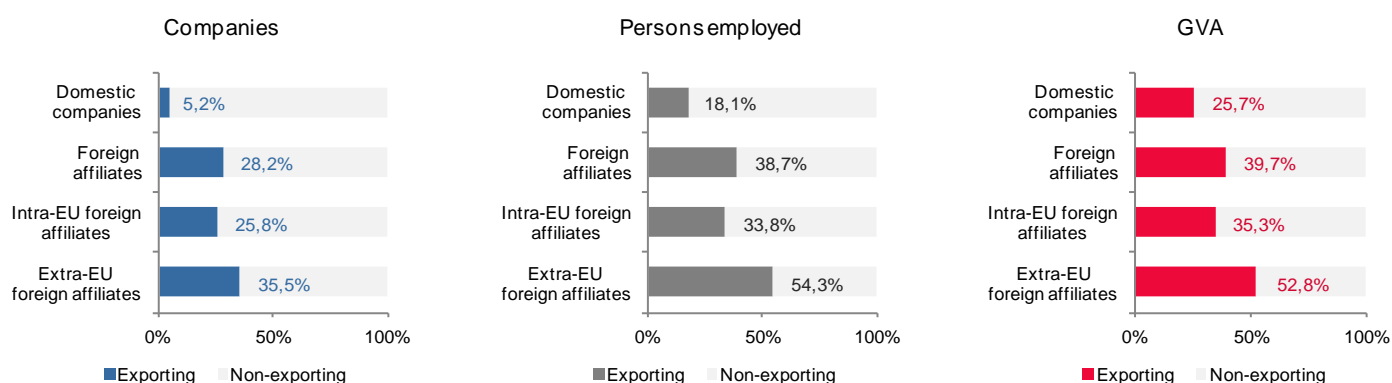


Source: Statistics Portugal, IBAS

Exporting companies constituted a more significant part of the number, GVA and persons employed in foreign affiliates (28.2%, 38.7% and 39.7% respectively) comparing to domestic companies (5.2%, 18.1% and 25.7%). Foreign affiliates with decision center located in an Extra-EU country, showed an even more pronounced exporting profile, with more than half of the persons employed and GVA coming from exporting companies.

FOREIGN AFFILIATES MORE EXPORTING THAN DOMESTIC COMPANIES

>> **Figure 5 – Exporting companies (2012)**



Source: Statistics Portugal, IBAS

ECONOMIC ACTIVITY OF FOREIGN AFFILIATES IN 2008-2012

FOREIGN AFFILIATES SURVIVED MORE THAN DOMESTIC COMPANIES

Birth and death rates were lower in foreign affiliates than in domestic companies. The slow pace of the birth of foreign affiliates was, partly, balanced by lower death rates and highest survival rates. In effect, 85.4% of the foreign affiliates born in 2008 still existed in 2012, while only 58.4% of the domestic companies survived.

Among foreign affiliates, higher birth rates and lowest death rates were observed in Extra-EU than in Intra-EU affiliates.

>> Figure 6 – Main demographic indicators of companies (2008-2012)

Origin	Birth	Birth rate	Death rate	Survivals				
				2008	2009	2010	2011	2012
		%		Nº				
Domestic companies	2012 ¹	7,6	8,9	-	-	-	-	26 629
	2011 ²	8,4	9,9	-	-	-	29 758	26 911
	2010	7,2	8,3	-	-	25 469	23 992	20 039
	2009	7,4	8,4	-	26 841	24 166	20 968	17 862
	2008	8,7	7,8	31 518	28 716	25 054	21 469	18 414
Foreign affiliates	2012 ¹	1,4	8,3	-	-	-	-	72
	2011 ²	2,6	5,2	-	-	-	139	133
	2010	1,6	3,0	-	-	88	88	83
	2009	3,4	3,0	-	183	175	168	152
	2008	6,5	2,7	357	350	336	327	305
Intra-EU foreign affiliates	2012 ¹	1,3	8,6	-	-	-	-	49
	2011 ²	2,7	5,1	-	-	-	107	103
	2010	1,4	3,0	-	-	56	56	53
	2009	3,7	3,1	-	152	145	140	127
	2008	4,9	2,9	202	198	186	179	162
Extra-EU foreign affiliates	2012 ¹	1,8	7,4	-	-	-	-	23
	2011 ²	2,4	5,7	-	-	-	32	30
	2010	2,4	2,8	-	-	32	32	30
	2009	2,3	2,8	-	31	30	28	25
	2008	11,4	2,2	155	152	150	148	143

¹⁾ Death rate in this year is estimated

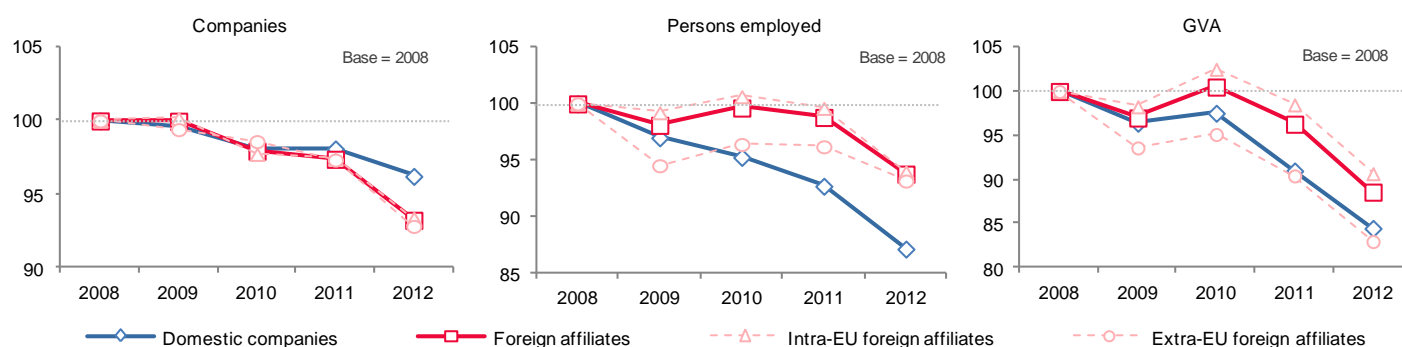
²⁾ Death rate in this year is provisional

Source: Statistics Portugal, IBAS

Non financial companies' main economic indicators presented, from 2008 onwards, an overall downward trend. Foreign affiliates followed the same trend, sharper than in domestic companies in the decrease of the number of companies but less in the persons employed and GVA.

FOREIGN AFFILIATES' MAIN ECONOMIC INDICATORS FOLLOWED A DOWNWARD TREND BETWEEN 2008 AND 2012

>> **Figure 7 – Index of evolution of the main economic indicators (2008-2012)**

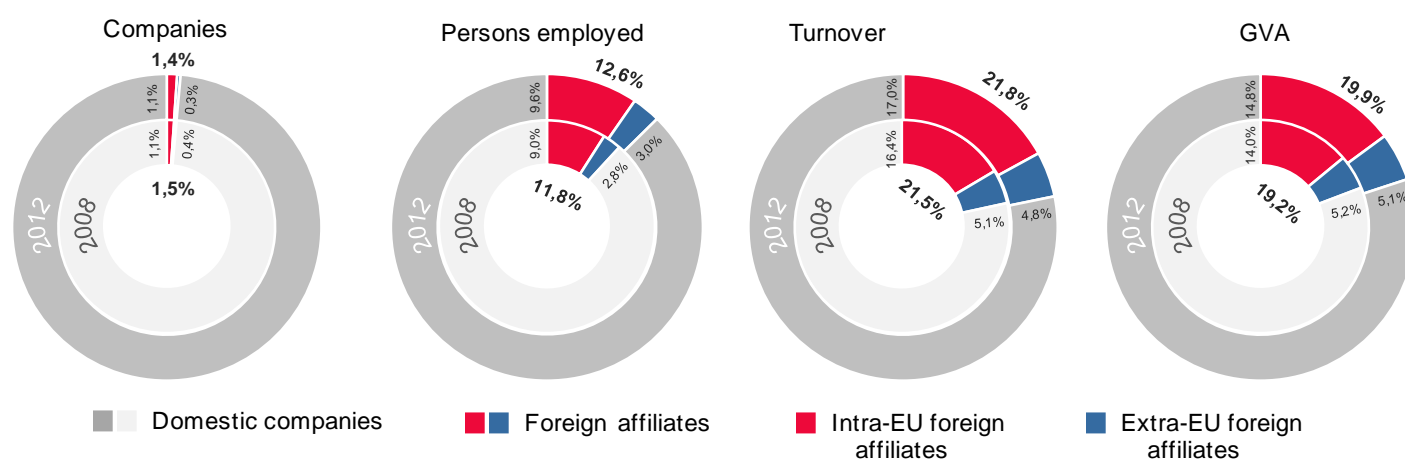


Source: Statistics Portugal, IBAS

The share of foreign affiliates in the total non-financial companies (1.4%) has not changed much between 2008 and 2012, just as the share of Intra-EU (1.1%) and Extra-EU (0.3%) foreign affiliates. Regarding other economic indicators, a slight increase in the importance of foreign affiliates was observed, a result of a smaller decrease of these indicators, comparing to domestic companies.

THE WEIGHT OF FOREIGN AFFILIATES IN THE NON-FINANCIAL SECTOR HAS VARIED LITTLE SINCE 2008

>> **Figure 8 – Weight of foreign affiliates in companies' main economic indicators (2008-2012)**



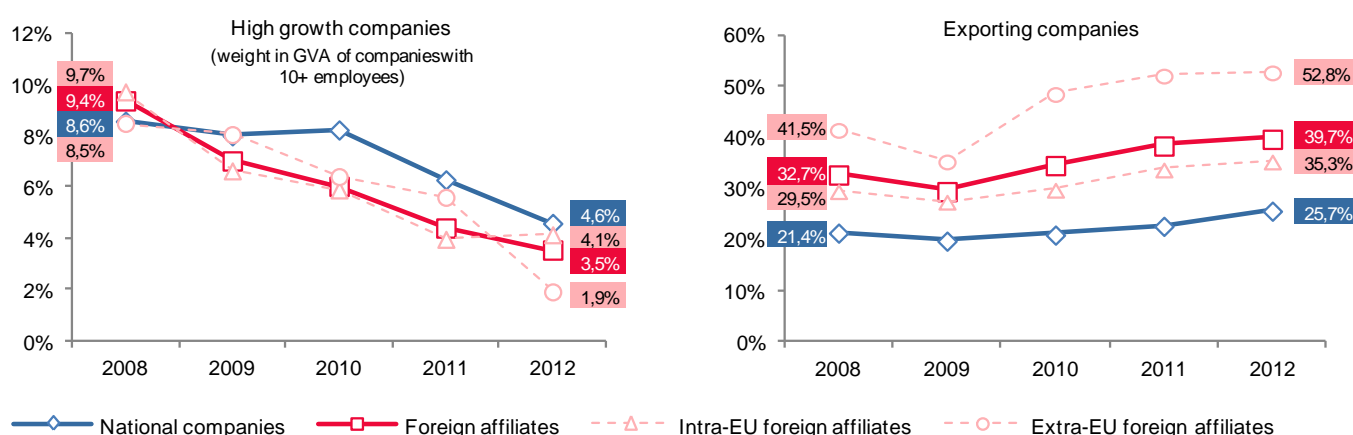
Source: Statistics Portugal, IBAS

**WEIGHT OF EXPORTING
COMPANIES INCREASED
BETWEEN 2008 AND 2012**

The contribution of high growth companies to the foreign affiliates' GVA, decreased to less than half of the figures in 2008 (9.4% to 3.5%), following the trend observed in domestic companies between 2008 and 2012.

The opposite occurred with exporting companies, with an increase of their share in the foreign affiliates' GVA, following again the trend observed in domestic companies.

>> Figure 9 – Weight of high growth companies and exporting companies in the total companies' GVA (2008-2012)



Source: Statistics Portugal, IBAS

THE ORIGIN OF CAPITAL CONTROL IN FOREIGN AFFILIATES

In 2012, most foreign affiliates (80.6% of companies and 78.5% of the GVA) were controlled by entities originating from the European continent, followed by those with the decision center located in the American continent (15.0% of companies and 17.0% of the GVA). The remaining continents accounted for less than 5% of both the number of foreign affiliates and of their GVA.

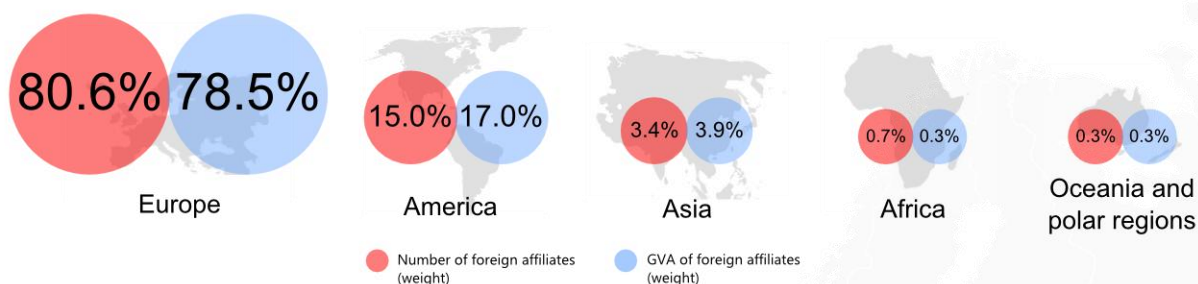
**GERMAN FOREIGN AFFILIATES
GAINED ECONOMIC IMPORTANCE
BETWEEN 2008 AND 2012**

Among the five main countries of origin of capital control (by number of companies and GVA), only the United States of America was not European. The most representative country, in terms of the number of foreign affiliates, was Spain, with 26.2% of all foreign affiliates in Portugal. In terms of GVA, the most representative country was Germany, whose companies generated 17.7% of all the GVA by foreign affiliates.

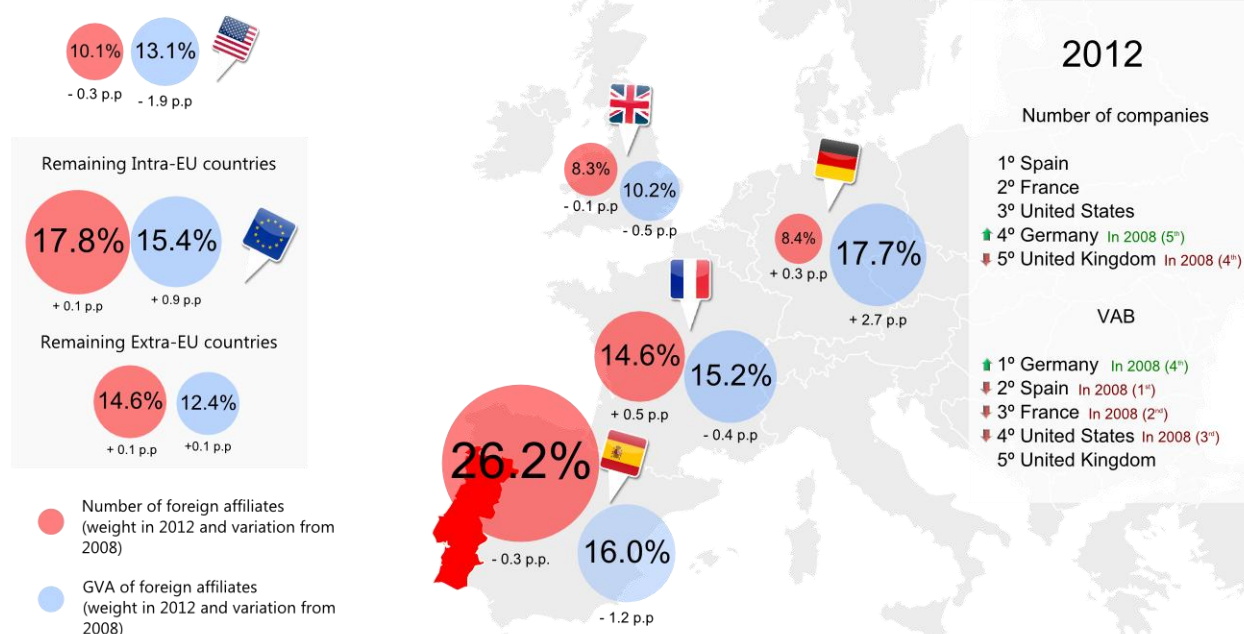
Both in terms of number of companies and GVA, the top five countries of origin of capital control stayed the same between 2008 and 2012 with some changes in their position. The most important is related to German foreign affiliates' weight in the GVA, from ranking 4th most important country in 2008 to the most important in 2012. This change reflects the increase in the GVA generated by these foreign affiliates during this period (+5.2%), and the reduction in the GVA of the major part of the remaining foreign affiliates, during the same period.

>> **Figure 10 – The origin of capital control in foreign affiliates (2008-2012)**

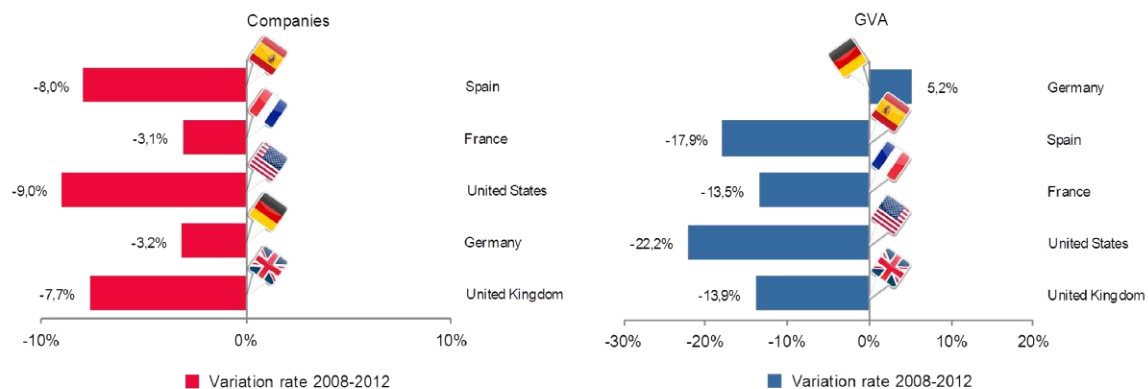
Continents of capital ownership of foreign affiliates (2012)



Countries of capital ownership of foreign affiliates (2012)



Number and GVA of foreign affiliates (2008-2012)



Source: Statistics Portugal, IBAS

INTERNATIONAL COMPARISON¹

The weight of foreign affiliates was, in 2011, greater in the total of the European Union (27 countries) than in Portugal, corresponding to 1.1% of the enterprises, 14.3% of the persons employed and 22.6% of the GVA of non-financial companies.

ALMOST HALF OF THE FOREIGN AFFILIATES' GVA IN THE EU WAS GENERATED IN THE UNITED KINGDOM, GERMANY AND FRANCE

The foreign affiliates assumed particular economic relevance in Ireland and Hungary, where over half of the GVA (56.2% and 51.9% respectively) was generated by foreign affiliates. Ireland stood out as an European base for a number of North American multinationals, namely in ICT, financial services and pharmaceutical industry, while a very significant part of the Hungarian GVA came from foreign affiliates in the automotive and electronic components manufacturing sectors.

A major part of the foreign affiliates in Member States of the European Union was concentrated in Germany, United Kingdom and France, with these three countries being responsible for almost half (48.9%) of the GVA generated by foreign affiliates in the Member States.

>> Figure 11 – Main economic indicators of foreign affiliates (2011)

Country	GVA			Turnover			Enterprises			Persons employed		
	10 ⁶ Euros	Weight (%) ↓	Weight EU-28	10 ⁶ Euros	Weight (%)	Weight EU-28	Nº	Weight (%)	Weight EU-28	Nº	Weight (%)	Weight EU-28
Ireland	49 292	56,2	3,6	178 442	55,2	2,6	3 302	2,2	1,4	248 849	22,7	1,3
Hungary	25 172	51,9	1,8	139 210	53,1	2,0	18 609	3,4	8,1	628 310	25,8	3,3
Estonia	2 504	43,8	0,2	12 198	46,7	0,2	732	25,1	0,3	86 726	38,0	0,5
Czech Republic	37 129	42,9	2,7	203 376	45,6	2,9	15 371	1,5	6,7	957 766	27,3	5,1
Luxembourg	8 082	42,4	0,6	57 939	42,9	0,8	8 632	29,6	3,8	97 221	40,0	0,5
Romania	19 692	40,8	1,4	101 705	43,4	1,5	11 527	2,8	5,0	841 056	22,0	4,5
Slovakia	12 728	38,2	0,9	82 454	52,2	1,2	4 092	1,0	1,8	372 972	25,0	2,0
Poland	51 897	35,1	3,7	245 001	36,9	3,6	6 528	9,1	2,8	1 345 005	25,4	7,1
Bulgaria	5 708	32,3	0,4	36 230	35,1	0,5	12 810	4,1	5,6	272 759	14,3	1,4
Latvia	2 448	30,1	0,2	16 004	36,5	0,2	4 147	5,2	1,8	97 520	18,2	0,5
Lithuania	3 421	29,8	0,2	22 691	36,3	0,3	3 124	2,4	1,4	118 067	14,7	0,6
Belgium	54 203	29,4	3,9	372 670	38,0	5,4	1 484	0,3	0,6	478 282	17,6	2,5
United Kingdom	284 775	29,3	20,5	1 331 006	37,8	19,3	20 044	1,2	8,7	3 309 991	18,7	17,6
Sweden	57 315	27,9	4,1	244 974	32,8	3,6	12 221	1,9	5,3	675 782	22,3	3,6
Netherlands	80 654	25,9	5,8	486 438	34,8	7,0	9 026	1,1	3,9	854 595	15,9	4,5
Austria	41 121	25,5	3,0	217 143	34,4	3,1	9 601	3,2	4,2	508 596	19,4	2,7
Denmark	29 259	24,6	2,1	107 429	24,6	1,6	3 730	1,7	1,6	327 926	20,5	1,7
EUROPEAN UNION (27 Countries)	1 387 133	22,6	-	6 900 217	27,4	-	229 204	1,1	-	18 823 895	14,3	-
Finland	18 151	20,9	1,3	73 399	19,5	1,1	2 775	1,2	1,2	217 884	15,1	1,2
PORTUGAL	14 285	19,7	1,0	69 990	21,4	1,0	5 070	0,6	2,2	337 597	10,7	1,8
Slovenia	3 435	19,2	0,2	19 287	24,1	0,3	4 380	3,7	1,9	83 387	14,2	0,4
Spain	86 661	18,7	6,2	426 726	23,8	6,2	9 608	0,4	4,2	1 265 610	11,1	6,7
Germany	251 008	18,1	18,1	1 188 133	21,3	17,2	27 717	1,3	12,1	2 698 787	10,3	14,3
France	144 453	16,3	10,4	733 344	20,3	10,6	20 166	0,8	8,8	1 730 709	10,9	9,2
Italy	95 021	14,1	6,9	486 789	16,7	7,1	12 556	0,3	5,5	1 111 167	7,5	5,9
Cyprus	771	9,1	0,1	2 761	10,4	0,0	316	0,7	0,1	12 644	5,3	0,1

Source: Eurostat

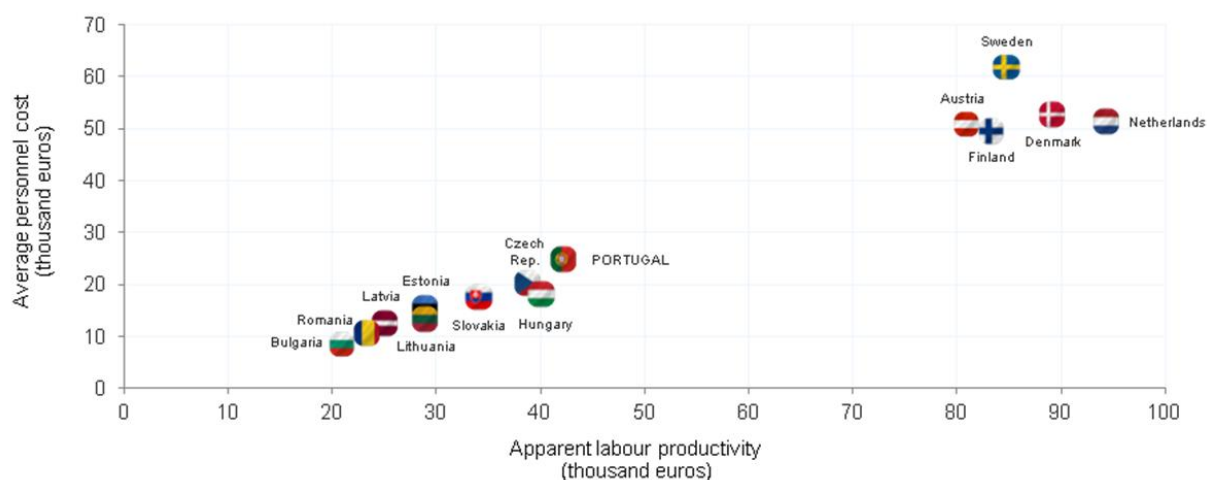
¹ Data of the inward foreign affiliates (Inward FATS) only available for 2011. To effects of international comparability of information, the total enterprises were considered, covering sections B to N and S95 from NACE Rev.2 (NACE Rev.2 Section K is only covered partially by the data on insurance services, credit institutions and pension funds).

**TWO EUROPEAN REALITIES
REGARDING PRODUCTIVITY AND
PERSONNEL COSTS OF THE FOREIGN
AFFILIATES**

Regarding the apparent labour productivity and the personnel costs among European countries, a potential correlation with the level of development of the economy is observed.

Two different realities exist among the European countries with available data. On one hand, countries with both an higher apparent labour productivity and average personnel costs, namely the Scandinavian countries (Sweden, Finland and Denmark), Austria and The Netherlands. On the other hand, countries that joined the EU later (from 2004) and Portugal, with lower values in both variables.

>> **Figure 12 – Apparent labour productivity and average personnel costs (2011)**



Source: Eurostat

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WEBSITE INDICATORS

- [Enterprises by geographic localization, economic activity and legal form](#)
- [Employees in enterprises by economic activity and legal form](#)
- [Gross value added of enterprises by economic activity and legal form](#)
- [Personnel expenses of enterprises by economic activity and legal form](#)
- [Equity of enterprises by economic activity and legal form](#)
- [Net profit of the period of enterprises by economic activity and legal form;](#)
- [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](#)

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Methodological note:

Statistics Portugal disseminates the main results on Foreign Affiliates Statistics in Portugal, in 2012. In the reference year 2011, for the first time, the data provided by the EuroGroups Register was included as a new source of information representing an improvement in the coverage of the population of foreign affiliates in Portugal in that year. This methodological change made impossible to compare the data with those of the previous years. Within this context, a revision of the data series between 2005 and 2010 was undertaken, allowing a comparison for a longer time series.

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). In this study, only enterprises assuming the legal form of **companies** were considered, justified by the fact that, in 2012, all foreign affiliates in Portugal assumed this legal form.

In this study, only companies from section A to S (except K and O) of NACE-Rev.2 were considered. The sectors were aggregated in 8 larger groups: Agriculture and fishing (section A of NACE-Rev.2), 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 27 member states of the European Union with the exception of Portugal: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, , Romania, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom. 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, of the 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 = $\text{Gross fixed capital formation} / GVA * 100$
R&D expenditure (% of GVA) = $\text{Total investment in R\&D} / GVA * 100$
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