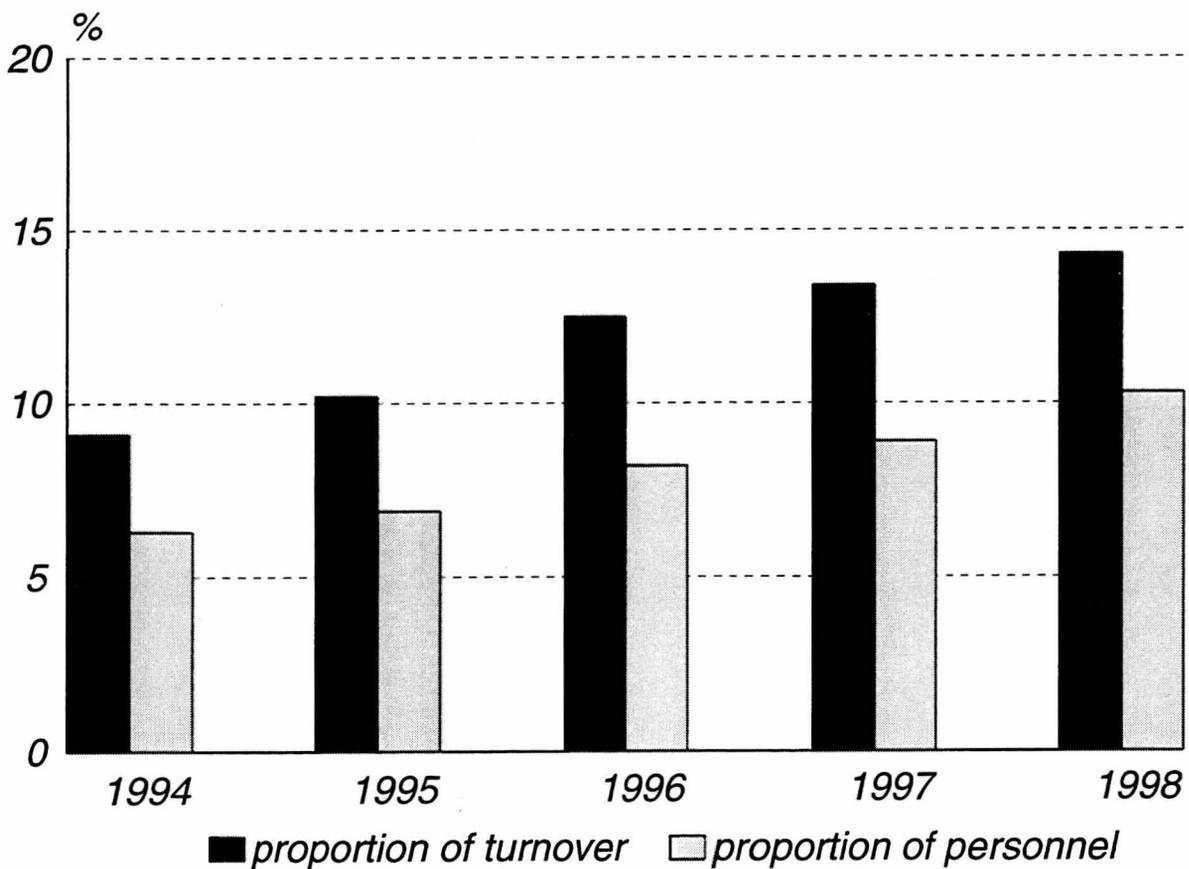


Foreign-owned enterprises in Finland

1998

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Contribution of foreign-owned enterprises to the Finnish business sector in 1994-1998



1. STATISTICS ON FOREIGN-OWNED ENTERPRISES

General

Statistics Finland has surveyed foreign ownership in enterprises operating in Finland from 1994 onwards. This task is connected to a pilot project¹ initiated by Eurostat, the Statistical Office of the European Communities, which aims to create harmonised statistical practices on foreign ownership in the EU Member States.

Information on enterprises directly owned from abroad is based on data collected by the Bank of Finland on foreign direct investments made in Finnish enterprises. Their affiliates were searched from Statistics Finland's enterprise group register and by using some other sources. In this way cases of indirect ownership were also entered in the statistics. The Bank of Finland data were supplemented by following corporate acquisitions.

The indicators describing the operation of enterprises were produced from Statistics Finland's Structural Business Statistics database, which contains the financial statement data of Finnish enterprises. The data on large companies were obtained by direct inquiry and on small enterprises from the Tax Administration's business taxation material.

Foreign ownership and control

Foreign-owned enterprises in the statistics are those where over 50 per cent of the vote is directly or indirectly in the control of a foreign owner². The nature of this ownership must be a direct investment made to create an economic relationship and to acquire control for the owner enterprise. The decision-making power of these enterprises thus lies with one or several foreign parties that also aim to use this power.

According to the definition above, the statistics do not classify as foreign-owned those enterprises in which foreigners own the majority of the capital stock, but in which foreign ownership is dispersed to a large and heterogeneous group of international portfolio investors.

Portfolio investors cannot and do not even plan to influence the operation of the actual enterprise but expect an increase in value and dividends for their investments. In practice, a foreign-owned enterprise seldom has more than one foreign controlling owner.

When the owner country was being determined, every attempt was made to find out the ultimate beneficial owner, the original source for the chain of owners of the enterprise. If an enterprise operating in Finland is owned by a Swedish enterprise but it belongs to a U.S. group, the country of origin is then the United States. The ultimate beneficial owner concept is used so as to allocate foreign ownership correctly. In addition, those cases are excluded from the statistics where a Finnish owner owns a Finnish enterprise through an enterprise registered abroad.

Target group

The Structural Business Statistics include only independent business enterprises operating in Finland which were in operation during the year in question and which are liable to submit financial statements in Finland. For this reason, *the statistics do not cover business branches of foreign enterprises operating in Finland.*

In a specified year those enterprises that fulfil the conditions for foreign ownership on the last day of the year in question are classified as foreign-owned. The figures for all enterprises that have changed into foreign ownership during the year are recorded in total under foreign-owned enterprises for that year. Correspondingly, enterprises having turned into Finnish-owned ones are removed from this group.

The industrial classification used in this review follows Standard Industrial Classification SIC 1995³, which is based on the EU's industrial standard.

¹ FATS (Foreign Affiliates Trade Statistics).

² The control may also be divided between several parties if they operate as a consortium or in close co-operation.

³ Standard Industrial Classification 1995, Statistics Finland, Handbooks 4. Helsinki 1999.

2. FOREIGN OWNERSHIP IN FINNISH BUSINESSES IN 1994 - 1998

Foreign ownership growing fast

The globalisation of the economic life has also influenced Finnish business activities. The proportion of foreign owners in the Finnish business sector has grown fast with the liberalisation of foreign capital flows and the Finnish EU membership. In the last decade the establishment of foreign enterprises in Finland mostly took place by corporate acquisitions.

When measuring foreign ownership by the proportion of foreign-owned enterprises in the total turnover of businesses, it went up from about nine per cent in 1994 to over 14 per cent in 1998. Measured by the number of personnel, the rise was equally fast: the corresponding proportion was good six per cent in 1994 and over ten per cent in 1998. The value added produced by foreign-owned enterprises rose at the same time from eight to 12 per cent of the total value added. Foreign ownership has thus grown at the rate of about one percentage point per year. The number of enterprises recorded as foreign-owned grew from over one thousand in 1994 to almost 1,500 in 1998. Of these enterprises, 77 per cent were directly owned from abroad and the remaining 23 per cent were their affiliates.

Almost one fifth of trade turnover produced in foreign-owned enterprises

Foreign ownership has grown steadily in most branches of industry. The relative proportion of foreign-owned enterprises in the turnover of the respective industry has been largest in trade. In 1998 it had risen to almost 19 per cent. In manufacturing the corresponding figure was good 13 per cent and in business services good 15 per cent. Measured by the number of personnel, the proportion of foreign ownership was slightly higher both in manufacturing and business services. Figures 1a – 1c show the development of foreign ownership in main industries.

Foreign ownership grew considerably in construction, and hotels and restaurants in 1998. In construction it rose to almost 14 per cent of the turnover of the industry. In hotels and restaurants foreign ownership has remained small throughout the 1990s, but after 1998, 11 per cent of the turnover and almost 14 per cent of the personnel belonged to foreign owners in this industry as well.

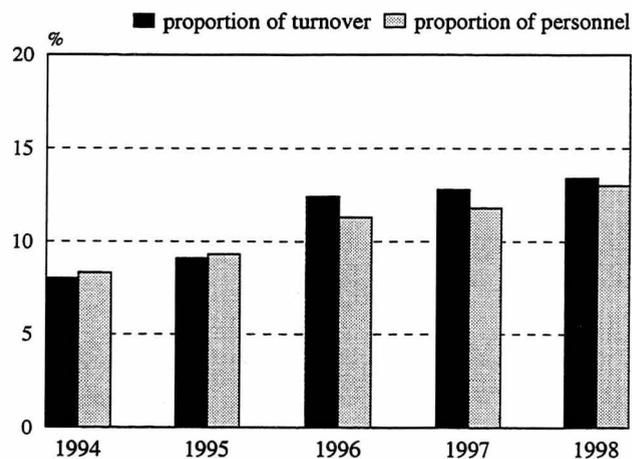


Figure 1a. Foreign ownership in manufacturing in 1994-1998.

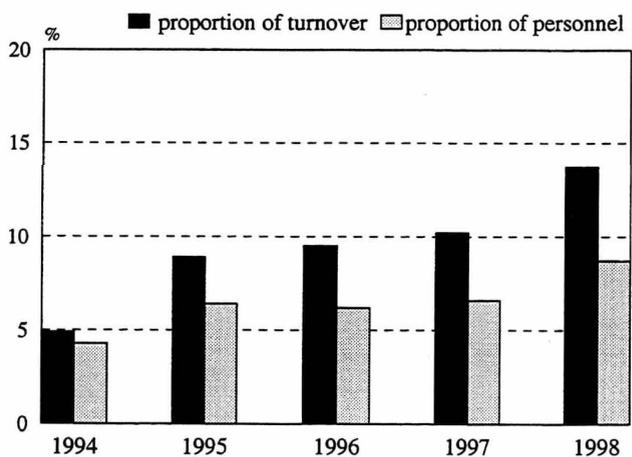


Figure 1b. Foreign ownership in construction in 1994-1998.

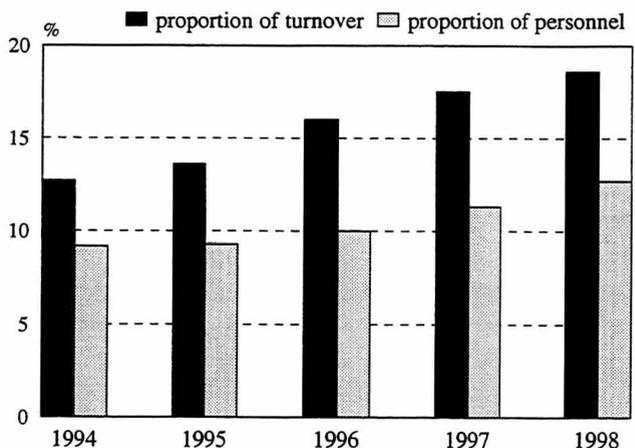


Figure 1c. Foreign ownership in trade in 1994-1998.

In transport and financial intermediation foreign ownership has remained low and the rate of growth slow. Four per cent of the total personnel of transport and two per cent of the total financial intermediation personnel were employed by foreign-owned enterprises in 1998.

Turnover and personnel doubled in four years

In 1998 foreign-owned enterprises collected a turnover of over FIM 180 billion and employed about 127,000 persons. Their joint value added was FIM 44 billion, which is over two times the amount in 1994. In addition, their turnover more than doubled in four years and the growth in the number of personnel was almost equal to that. The development of the value added of foreign-owned enterprises and of the proportion relative to the value added of the total business activity is shown in Figure 2.

In 1998 foreign-owned enterprises accumulated the most turnover from the trade industry, FIM 80 billion. These about 700 enterprises accrued 19 per cent of the value added of the industry, or about FIM 12 billion. In manufacturing their turnover rose to almost FIM 70 billion and the value added to over FIM 22 billion in 1998, while the corresponding amounts were FIM 31.5 billion and FIM 10 billion in 1994. About 360 foreign-owned enterprises operated in manufacturing in 1998. The turnover of foreign-owned enterprises in construction, transport and business services was in each close to FIM 10 billion (Table 1).

In relative terms, the growth in foreign ownership has been strongest in construction, and in hotels and restaurants. Foreign ownership in these industries was still low in 1994.

Half of foreign-owned enterprises' personnel in manufacturing

Foreign-owned enterprises in manufacturing employed around 58,000 persons, which is almost one half of the personnel of all foreign-owned enterprises in 1998. In trade their number was about 29,000, in business services over 15,000 and in construction good 9,000. In all, 6,000 persons were employed by transport and 7,000 by restaurants and hotels, where the relative proportion of foreign ownership measured by personnel was highest.

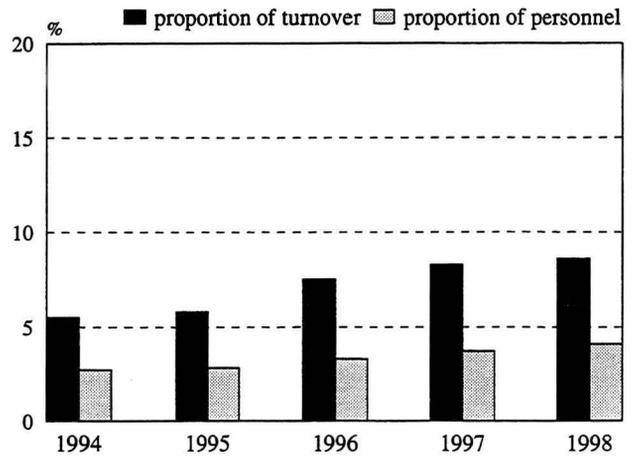


Figure 1d. Foreign ownership in transport in 1994-1998.

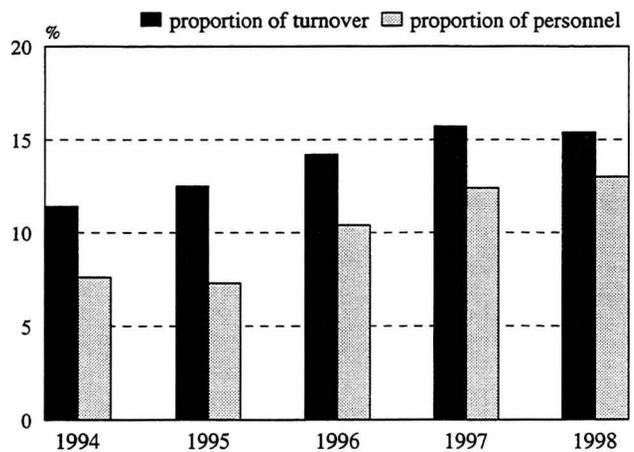


Figure 1e. Foreign ownership in business services in 1994-1998.

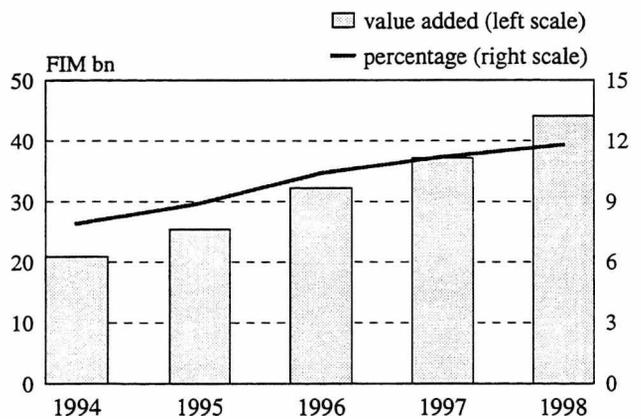


Figure 2. Value added of foreign-owned enterprises in 1994-1998.

Table 1. Turnover, value added and number of personnel of foreign-owned enterprises by industry and their proportion of the respective industry in 1994-1998.

FIM mn	1994	%	1995	%	1996	%	1997	%	1998	%
Manufacturing (SIC C,D,E)										
Turnover	31 515	(8.0)	39 506	(9.1)	56 477	(12.4)	62 797	(12.8)	69 373	(13.4)
Value added	10 208	(8.3)	13 049	(9.3)	17 139	(12.2)	20 103	(13.1)	22 406	(13.0)
Personnel	32 620	(8.3)	39 266	(9.3)	48 861	(11.3)	51 212	(11.8)	58 144	(13.0)
Construction (SIC F)										
Turnover	2 073	(4.9)	4 289	(8.9)	5 119	(9.5)	6 167	(10.2)	9 775	(13.6)
Value added	537	(4.3)	1 113	(7.2)	1 359	(7.3)	1 447	(7.0)	2 275	(9.1)
Personnel	2 941	(4.3)	4 940	(6.4)	5 373	(6.2)	6 161	(6.6)	9 290	(8.7)
Trade (SIC G)										
Turnover	41 195	(12.7)	45 241	(13.6)	59 531	(16.0)	69 566	(17.5)	80 243	(18.6)
Value added	6 841	(14.3)	7 509	(14.6)	8 672	(16.2)	9 704	(17.1)	11 677	(19.1)
Personnel	17 358	(9.2)	17 857	(9.3)	21 322	(10.0)	24 101	(11.3)	28 707	(12.7)
Hotels and restaurants (SIC H)										
Turnover	139	(0.9)	194	(1.1)	629	(3.1)	669	(3.3)	2 295	(10.8)
Value added	67	(1.0)	99	(1.3)	325	(3.9)	353	(4.0)	1 168	(12.2)
Personnel	617	(1.7)	537	(1.3)	1 912	(4.2)	1 968	(4.4)	6 619	(13.6)
Transport (SIC I)										
Turnover	3 661	(5.5)	4 091	(5.8)	6 184	(7.5)	7 443	(8.3)	8 652	(8.5)
Value added	1 284	(3.7)	1 154	(3.4)	1 499	(3.7)	1 640	(3.9)	1 737	(3.8)
Personnel	3 461	(2.7)	3 601	(2.8)	4 560	(3.3)	5 254	(3.7)	6 012	(4.0)
Financial intermediation (SIC J)										
Turnover	
Value added	
Personnel	471	(0.9)	366	(0.8)	549	(1.2)	704	(1.6)	687	(1.9)
Business services (SIC 72,74)										
Turnover	3 981	(11.4)	5 006	(12.5)	6 187	(14.2)	7 290	(15.7)	9 281	(15.4)
Value added	1 645	(9.0)	1 878	(8.7)	2 527	(10.8)	3 077	(12.2)	3 839	(11.5)
Personnel	5 908	(7.6)	6 701	(7.3)	10 893	(10.4)	12 869	(12.4)	15 436	(13.0)
Other industries										
Turnover	817	(1.8)	1 232	(3.6)	1 277	(2.5)	1 776	(3.2)	1 927	(3.0)
Value added	353	(1.6)	643	(3.8)	674	(2.6)	834	(3.3)	964	(3.6)
Personnel	1148	(1.5)	1500	(1.7)	1797	(1.8)	1 596	(1.6)	2 232	(2.4)
Total										
Turnover*	83 381	(9.1)	99 559	(10.2)	135 404	(12.5)	155 708	(13.4)	181 546	(14.3)
Value added*	20 935	(7.9)	25 445	(8.9)	32 195	(10.4)	37 158	(11.2)	44 066	(11.8)
Personnel	64 524	(6.3)	74 768	(6.9)	95 267	(8.2)	103 865	(8.9)	127 127	(10.3)

* does not include financial intermediation

.. = information not available

Significant foreign ownership in the metal and chemical industries and in wholesale trade

Within manufacturing foreign ownership is mainly centred on the metal and chemical industries. In both industries the proportion of foreign ownership measured both by turnover and personnel was around 20 per cent. In these industries 239 foreign-owned enterprises employed a total of 46,000 persons in 1998, which is 80 per cent of all personnel of manufacturing enterprises under foreign ownership. Foreign ownership was also considerable in the manufacture of mineral products, where almost 40 per cent of the turnover belonged to foreign owners. Of other manufacturing industries, foreign ownership was significant only in mining and quarrying, and the textile industry.

In the trade industries foreign ownership was large in wholesale trade, sale of motor vehicles and commission trade. In 1998 a total of 588 foreign-owned enterprises operated in wholesale trade, where almost 30 per cent of the total personnel of wholesale trade worked at that time. In the sale of motor vehicles the corresponding figure was about 10 per cent, but over 20 per cent of the turnover in this industry belonged to foreign-owned enterprises. Retail trade is still very much under Finnish control, as only two per cent of the turnover in the industry was generated by foreign-owned enterprises. Of hotel personnel eight per cent and of restaurant personnel 16 per cent belonged to foreign-owned enterprises in 1998.

In transport foreign ownership was mainly concentrated on supporting and auxiliary transport activities, in which foreign-owned enterprises accounted for 25 per cent of the turnover. In land, water and air transport and in post and telecommunications foreign ownership was small, under three per cent in all four industries measured by the number of personnel.

Financial intermediation and insurance were almost completely controlled by Finnish owners. In 1998 foreign ownership in financial intermediation was mainly found in activities auxiliary to financial intermediation, in which 16 per cent of the personnel worked for foreign owners.

In business services, foreign owners were significant in investigation and security activities, advertising, computer and related activities, and industrial cleaning. Over one half of the turnover in investigation and security activities was accumulated by foreign-owned companies in 1998.

Table 2. Industries with significant foreign ownership, measured by personnel in 1998. (% of total personnel)

SIC		%
746	Investigation and security activities	56
512 – 517	Wholesale trade	29
26	Manufacture of mineral products	27
747	Industrial cleaning	24
27 – 35	Metal industry	20
23 – 25	Chemical industry	20
72	Computer and related activities	17
67	Activities auxiliary to financial intermediation	16
553 – 555	Restaurants	16
63	Supporting and auxiliary transport activities	14

Table 3. Industries with significant foreign ownership, measured by turnover in 1998. (% of total turnover)

SIC		%
746	Investigation and security activities	51
26	Manufacture of mineral products	39
744	Advertising	28
512 – 517	Wholesale trade	26
72	Computer and related activities	26
63	Supporting and auxiliary transport activities	25
23 – 25	Chemical industry	23
50	Sale of motor vehicles	23
27 - 35	Metal industry	20
747	Industrial cleaning	20

Foreign-owned enterprises amassed 28 per cent of the turnover in advertising and 26 per cent in computer and related activities. In industrial cleaning the figure was about 20 per cent.

Table 2 lists the industries where the proportion of foreign-owned enterprises in total personnel was largest in the industry in 1998. Table 3 gives a similar list according to the proportion of turnover.

Foreign-owned enterprises clearly larger than average

Foreign ownership is clearly centred on larger enterprises than average. The average turnover of foreign-owned enterprises was FIM 125 million in 1998 and the number of personnel 85, while the corresponding figures for the whole group of enterprises were six million and six persons.

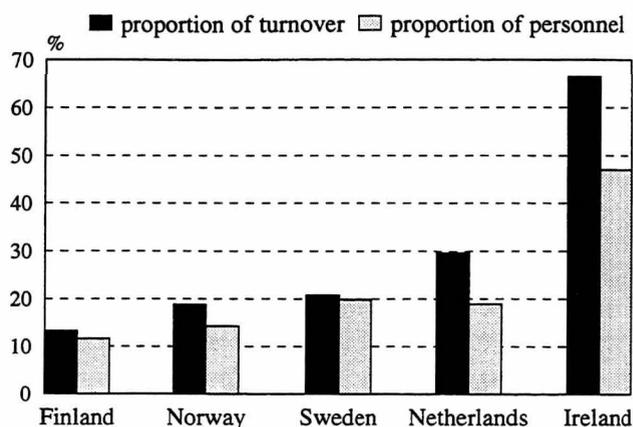
The proportion of foreign-owned enterprises has risen relatively most in the largest size categories. The proportion of foreign-owned enterprises in enterprises employing more than 100 persons was as much as about 20 per cent in 1998. In contrast, in enterprises with less than ten employees this proportion has remained at only two percentage decimal points. Of all Finnish enterprises clearly less than one per cent is under foreign control. Table 4 shows the number of foreign-owned enterprises by size category in 1994-1998.

Foreign ownership in Finnish enterprises still low by international comparison

Although foreign ownership in Finnish business activities has risen briskly in the last few years, it is not particularly substantial by international comparison. When compared to foreign ownership in other European countries, Finland's position is still at the tail end. In Sweden, for example, about 4,000 foreign-owned enterprises employed good 330,000 persons, which is 15 per cent of the personnel in the whole enterprise sector (Source: NUTEK, Swedish Board for Industrial and Technical Development).

Table 4. Number of foreign-owned enterprises by size category and their proportion of enterprises in their size category in 1994-1998.

Size category of personnel	1994	%	1995	%	1996	%	1997	%	1998	%
0 - 9	402	(0.2)	420	(0.2)	411	(0.2)	409	(0.2)	489	(0.2)
10 - 19	185	(3.5)	191	(3.3)	230	(3.7)	232	(3.6)	258	(3.6)
20 - 49	193	(6.4)	217	(6.4)	254	(7.0)	271	(7.2)	307	(7.5)
50 - 99	107	(10.9)	105	(9.8)	125	(11.0)	136	(11.5)	173	(13.8)
100 - 199	68	(13.6)	79	(13.8)	108	(17.9)	111	(18.0)	122	(18.7)
200 - 499	57	(15.7)	62	(15.2)	70	(16.9)	78	(19.2)	93	(22.6)
500 -	22	(10.7)	24	(11.1)	31	(12.9)	37	(15.5)	49	(19.5)
Total	1 034	(0.5)	1 098	(0.5)	1 229	(0.6)	1 274	(0.6)	1 491	(0.7)



Source: OECD

Figure 3. Foreign ownership in the manufacturing industry (SIC D) in certain European countries in 1996.

Figure 3 compares foreign ownership in the Finnish manufacturing industry to the situation of other small European countries in 1996. In Norway and Sweden foreign ownership of the manufacturing industry measured by turnover was then around 20 per cent, while in Finland this figure was just 13 per cent.

The Netherlands and Ireland have attracted an especially large number of foreign owners. In Ireland foreign-owned enterprises accounted for as much as 66 per cent of the turnover of the manufacturing industry and in the Netherlands for 30 per cent in 1996. Measured by personnel, these figures were 47 per cent in Ireland and 19 per cent in the Netherlands.

3. FOREIGN OWNERS BY OWNER COUNTRY IN 1998

The ultimate beneficial owners of foreign-owned enterprises operating in Finland in 1998 came from as many as 28 different home countries. The majority of these countries were European. For more than 60 per cent of the personnel of foreign-owned companies the owner was from a European Union member country. The remaining 40 per cent divided evenly between other European countries and countries outside Europe (Figure 4a).

Sweden, the United States and Switzerland the most significant owner countries

Sweden was the most important owner country of foreign businesses in Finland throughout the 1990s. In 1998 the personnel of Swedish-owned enterprises accounted for 30 per cent of all enterprises in foreign ownership, while the figure for the next biggest owner country, the United States, was 15 per cent. The third biggest owner was Switzerland with about 11 per cent (Figure 4b).

Danish and Norwegian enterprises were also significant owners in Finland, and measured by personnel, almost one half of foreign owners of Finnish enterprises were concentrated in Nordic countries. Nordic owners employed about 59,000 persons in Finland in 1998.

Table 5 shows the breakdown of foreign ownership by owner country in different industries in 1998. Ownership is measured by the number of personnel. The table shows that the input of Swedish owners is strong in all main industries. They are clearly the most important owner group in manufacturing, construction, trade and transport. In construction the proportion of Swedes was close to 70 per cent and in transport 50 per cent. In trade their proportion was about 30 per cent. In 1998 a total of 489 enterprises were owned by Swedes, employing about 39,000 persons.

Only in business services Swedish ownership remained clearly second after Danish, measured by personnel. About 6,000 persons employed by Danish-owned business service enterprises accounted for almost 40 per cent of all personnel of foreign-owned enterprises in the sector.

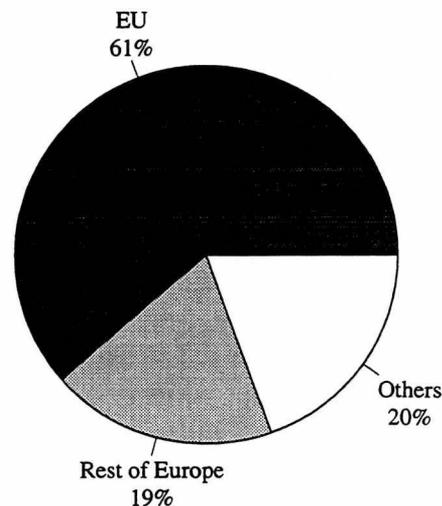


Figure 4a. Foreign ownership by owner area in 1998, proportion of personnel.

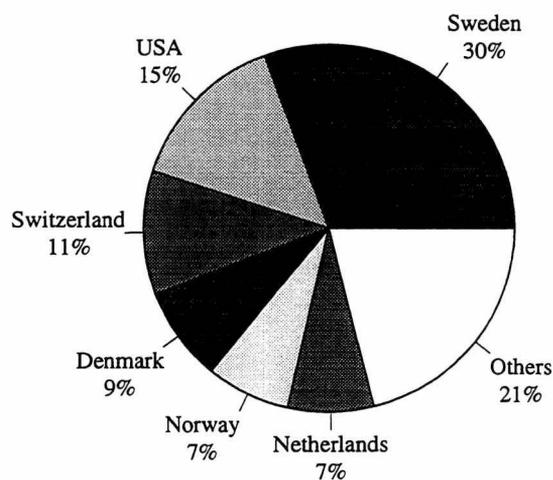


Figure 4b. Foreign ownership by the owner's home country in 1998, proportion of personnel.

U.S. ownership is mostly centred on manufacturing, trade and business services. About one half of the personnel of 253 U.S.-owned enterprises, which was almost 19,000 in 1998, were employed in the manufacturing industry. In trade the United States accounted for 16 per cent of foreign ownership measured by personnel and for 20 per cent measured by turnover. Measured by turnover, the United States with 30 per cent was visibly the most important owner country in business services.

Table 5. Personnel of foreign-owned enterprises by owner country in 1998.

Owner country	All industries	Manufacturing	Construction	Trade	Transport	Business services
	%	%	%	%	%	%
Sweden	38 652 (30.4)	12 235 (21.0)	6 240 (67.2)	8 532 (29.7)	2 982 (49.6)	3 731 (24.2)
USA	18 595 (14.6)	9 739 (16.8)	- -	4 575 (15.9)	298 (4.9)	2 151 (13.9)
Switzerland	13 562 (10.7)	9 427 (16.2)	2 045 (22.0)	1 577 (5.5)	160 (2.7)	261 (1.7)
Denmark	10 771 (8.5)	2 265 (3.9)	403 (4.3)	1 151 (4.0)	230 (3.8)	6 077 (39.4)
Norway	9 430 (7.4)	8 991 (15.5)	- -	289 (1.0)	122 (0.8)
Netherlands	9 176 (7.2)	3 417 (5.9)	4 221 (14.7)	548 (9.1)	382 (2.5)
United Kingdom	6 922 (5.4)	4 563 (7.8)	1 059 (3.7)	833 (13.8)	232 (1.5)
Germany	5 809 (4.6)	2 080 (3.6)	3 469 (12.1)	103 (1.7)	116 (0.8)
France	4 905 (3.9)	1 697 (2.9)	- -	740 (2.6)	681 (11.3)	391 (2.5)
Japan	4 507 (3.5)	1 055 (1.8)	- -	1 573 (5.5)	- -	1 780 (11.5)
Others	4 798 (3.8)	2 675 (4.6)	125 (1.3)	1 521 (5.1)	193 (1.2)

... = information classified

Swiss owners were mostly found in manufacturing and construction. About 14,000 persons had a Swiss employer and over 11,000 of them worked in the industries of manufacturing and construction. Danish ownership was mainly focused on business services, while Norwegian ownership was almost entirely in manufacturing. Ownership of Dutch enterprises was significant mostly in trade but they also employed good 3,000 persons in manufacturing.

Besides the United States, Japan was the only significant owner country outside Europe. The proportion of Japanese owners was strong in business services, where they accounted for 20 per cent of total foreign ownership measured by turnover and for about 12 per cent measured by personnel. Other important owner countries in 1998 were the United Kingdom, Germany and France.

Swedish-owned enterprises collected a turnover of FIM 52 billion in 1998

Measured by turnover, the order of the most significant owner countries changes with the Netherlands taking the fourth position and Japan the fifth. Denmark sinks as low as the tenth largest owner country (Table 6). The turnover of Swedish-owned enterprises was about FIM 52 billion in 1998, which was about 29 per cent of the turnover of all enterprises under foreign control.

U.S.-owned enterprises accumulated a turnover of nearly FIM 34 billion, Swiss-owned good FIM 17 billion and the Dutch about FIM 16 billion. The total turnover of both Japanese and Norwegian-owned enterprises was also over FIM ten billion, followed by the total turnover of good FIM nine billion for the United Kingdom and Germany. Measured by turnover, Russia with its around FIM seven billion turnover is also among the ten most significant owner countries.

Table 6. Turnover of foreign-owned enterprises by owner country in 1998.

Owner country	Number of enterprises	Turnover* (FIM mn)	%
Sweden	489	52 109	28.7
USA	253	33 602	18.5
Switzerland	86	17 265	9.5
Netherlands	110	16 053	8.8
Japan	31	11 368	6.3
Norway	68	10 312	5.7
United Kingdom	92	9 605	5.3
Germany	115	9 177	5.1
Russia	22	6 986	3.8
Denmark	120	6 131	3.4
Others	105	8 938	4.9

* does not include financial intermediation

Swedish ownership in Finnish business activities has grown fast in the last few years. The total number of personnel in Swedish-owned enterprises has almost doubled in four years, from good 21,000 in 1994 to approximately 39,000 in 1998. This growth is visible in Figure 5, which describes the trend in the total number of personnel in Swedish-owned enterprises.

Finnish ownership increases in Sweden

In the last decade Finnish enterprises made considerable direct investments in Sweden. In 1998 Finland became, after the United States, the second largest foreign-owner in Swedish business activities. At the time the total number of personnel in Finnish-owned enterprises in Sweden was about 45,000, which is more than that of Swedish-owned enterprises in Finland.

In 1997 Finnish ownership in Sweden was clearly larger than Swedish ownership in Finland, measured both by personnel and turnover. A total of 348 Finnish-owned enterprises in Sweden accumulated a turnover of FIM 47 billion and employed nearly 34,000 persons. The turnover does not include financial intermediation.

Finnish ownership in Sweden is mostly concentrated on the manufacturing industries, while Swedish ownership in Finland is more evenly divided between all industries (Table 7).

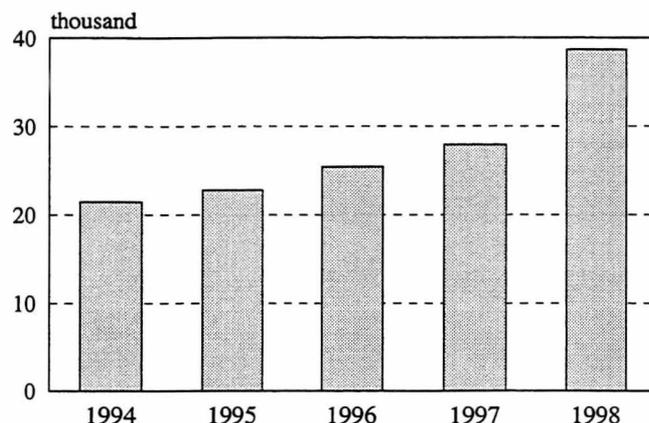


Figure 5. Personnel of Swedish-owned enterprises in 1994-1998.

In the Swedish manufacturing industry good 20,000 persons were employed by Finnish owners, which was about 60 per cent of the personnel of all Finnish-owned enterprises in Sweden in 1997. In 1998 the number of personnel rose close to 29,000.

In addition to manufacturing, Finnish ownership was considerable in financial intermediation, where Swedish ownership in Finland is very small. Other sectors with significant Finnish owners were business services and trade, while construction and transport, where Swedish ownership in Finland is large, have attracted very few Finnish owners.

Table 7. Finnish-owned enterprises in Sweden and Swedish-owned enterprises in Finland. Comparison by industry in 1997.

Industry	Finnish ownership in Sweden*		Swedish ownership in Finland	
	Personnel	Turnover (FIM mn)	Personnel	Turnover (FIM mn)
Manufacturing	20 495	28 265	9 842	11 167
Construction	111	226	3 471	4 487
Trade	2 853	15 208	7 785	19 057
Financial intermediation	6 748	..	270	..
Transport	782	661	2 908	4 340
Business services	1 409	2 287	3 343	1 886
Other industries	1 287	666	311	446
Total	33 685	47 313	27 930	41 383

.. = information not available

* Source: Statistics Sweden

4. PROFITABILITY OF FOREIGN-OWNED ENTERPRISES

The following describes the combined profitability of the foreign-owned group of enterprises compared to other enterprises by using net profit and return on investment as measurements. The return on investment can also be used to estimate whether foreign capital is used more efficiently than national capital.

More return on capital invested in foreign-owned enterprises

The net profit and return on investment of foreign-owned enterprises are compared to Finnish national enterprises in Figures 6a and 6b. All enterprises operating in Finland are included, except for financial intermediation. In all three years the combined net profit of foreign-owned enterprises in relation to turnover has been clearly lower than that of national enterprises. At the same time, the return on investments made in these enterprises was higher than that of national enterprises.

In 1998 the difference in the net profit of foreign and Finnish-owned enterprises was considerable: the net profit of foreign-owned enterprises was 3.4 per cent of the turnover, while it was over seven per cent in other enterprises. The difference in the return on investment narrowed down in favour of Finnish-owned enterprises. In 1997 the return on investment made in foreign-owned enterprises was still 20 per cent and that of others 12 per cent, but in 1998 the return of foreign-owned enterprises fell to 16 per cent and that of Finnish-owned enterprises rose to 13 per cent.

The higher return on investment of foreign-owned enterprises indicates that foreign-owned enterprises needed relatively less capital for the profit they make than Finnish-owned enterprises. Capital invested in them was used more efficiently.

The profitability of Finnish-owned enterprises improved in all three years, measured both by net profit and return on investment, while the profitability of foreign-owned enterprises started to fall noticeably in 1998. This was partly caused by considerable investments made in production by foreign-owned enterprises that year. In addition, enterprises that changed into foreign ownership in 1998 were, on average, less profitable than other foreign-owned enterprises.

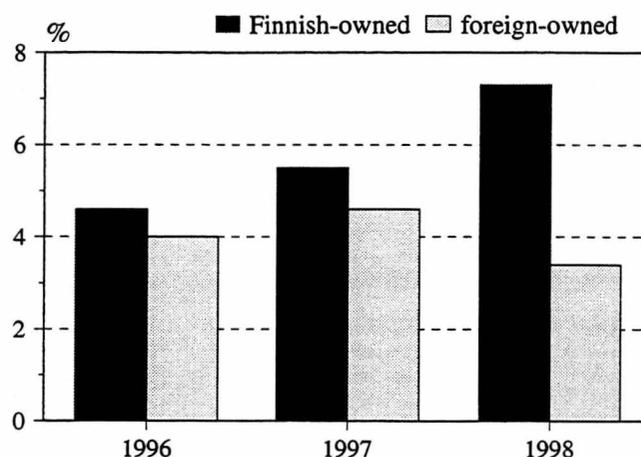


Figure 6a. Net profit in Finnish and foreign-owned enterprises in 1996-1998, % of turnover.

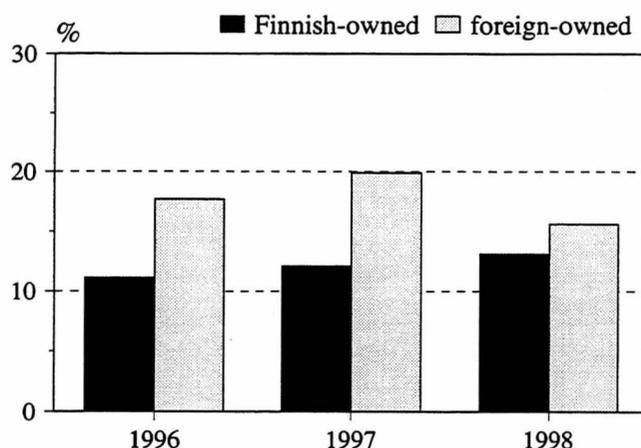


Figure 6b. Return on investment (%) in Finnish and foreign-owned enterprises in 1996-1998.

The foregoing examination illustrates the profitability of two groups of enterprises, those under foreign and Finnish ownership. This examination does not actually focus on enterprise-specific differences in the profitability of enterprises. It does not take into account the characteristics of foreign-owned enterprises, of which the most significant are their larger than average size and concentration on specific industries. In addition, large enterprises have an undue effect on the key figures in this examination.

To improve the examination, it is altered so as to eliminate the differences related to the enterprise size and industry of these two enterprise groups. Figure 8 examines three industries where foreign ownership is significant: metal industry, wholesale trade, and computer and related activities. In all these industries, foreign-owned enterprises accounted for over 20 per cent of the turnover in 1998. Only enterprises employing more than 20 persons are included.

Significant differences in computer and related activities

The measurements for profitability used in Table 8 are operating profit, net profit and return on investment. They were compared to the key figures of Finnish and foreign-owned median enterprises in 1996-1998. The results indicate that significant differences in the profitability of Finnish and foreign-owned enterprises are mainly found in computer and related activities.

In the metal industry and wholesale trade the return on investment has mostly been slightly higher for foreign-owned enterprises than for Finnish-owned ones. In 1998 the return on investment made in a Finnish-owned median enterprise was 18 per cent and that made in a foreign-owned counterpart 21 per cent.

In wholesale trade the difference in the return on investments made in median enterprises was very low. In these industries the differences in the operating profit and net profit between Finnish and foreign-owned enterprises were small.

In 1998 the distributions of the return on investment ratios of Finnish and foreign-owned enterprises differed both in the metal industry and wholesale trade so that the group of foreign-owned enterprises contained relatively more cases with an extreme value. There were thus relatively more very unprofitable and very profitable enterprises among foreign-owned enterprises than among Finnish-owned ones.

In computer and related activities, the operating profit and net profit of Finnish-owned enterprises were clearly greater than those of foreign-owned enterprises in all these years. In 1998 the operating profit of a Finnish-owned median enterprise was almost double compared to that of a foreign-owned median business. The return on investment was also clearly higher in a Finnish-owned enterprise in this industry in 1998: the return on investment made in a Finnish-owned median enterprise was almost 40 per cent, while the return of a foreign-owned median business was about 30 per cent.

Table 8. Profitability of Finnish and foreign-owned enterprises in certain industries in 1996-1998, comparison of the key figures of median enterprises. Enterprises with more than 20 employees included.

	1996		1997		1998	
	FI	FO	FI	FO	FI	FO
Metal industry (SIC 27-35)	(N=754)	(N=112)	(N=808)	(N=110)	(N=845)	(N=128)
Operating profit -%	6.8	6.8	7.4	7.0	6.5	5.9
Net profit -%	4.4	4.9	4.9	4.4	4.0	4.3
Return on investment-%	19.9	23.6	21.2	19.7	17.9	21.0
Wholesale trade (SIC 512-517)	(N=263)	(N=144)	(N=277)	(N=152)	(N=287)	(N=187)
Operating profit -%	3.6	4.3	4.0	4.9	3.8	3.8
Net profit -%	2.1	2.8	2.6	2.8	2.6	2.2
Return on investment-%	15.3	17.0	19.9	21.5	16.6	16.3
Computer and related activities (SIC 72)	(N=80)	(N=17)	(N=82)	(N=17)	(N=103)	(N=20)
Operating profit -%	6.6	3.3	7.5	5.1	8.9	4.6
Net profit -%	4.9	2.4	4.6	2.5	5.7	3.5
Return on investment-%	23.4	15.6	22.3	32.5	39.4	29.4

FI = Finnish-owned
FO = foreign-owned

SVT Suomen virallinen tilasto
Finlands officiella statistik
Official Statistics of Finland

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