

Indicators of activity of multinationals' subsidiaries (FATS) in Romania

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Argument and Methodology

This approach constitutes the second part of the research on the presence of subsidiaries of multinational companies in the European Union, with Romanian features.

In terms of methodology, we apply the model with four variables from the first part of the research, seeking to identify:

- The share of FATS in total number of companies;
- The share of FATS turnover in total turnover;
- The share of FATS gross value added at cost of factors in total gross value added
- The share of FATS employees in total employees

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Identification of the values of the four variables will be done for each of the seven main sectors of the economy, according to the NIS approach, aligned to the European Union statistics.

Thus, we refer to:

- Mining and quarrying industry
- Manufacturing industry
- Production and supply of electric power, gas, hot water and air conditioning
- Water supply, sanitation, decontamination
- Constructions
- Trade
- Market services

The algorithm of ranking model of sectoral dependence on FATS remains the one used in the first part of our research.

The research used as a source of information the latest data published by NIS in the work Results and performance of businesses, edition 2016, with results in 2014. We verified that the NIS data coincide with those reported for Romania by Eurostat earlier this year.

Also in this section of the research, we present for the first time with the direct support of the President of NIS the gross result of the financial year for all FATS companies, as well as for each of the seven main sectors of the economy in 2014.

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a. Sectoral economic dependence on FATS companies in 2014

The share of FATS in total number of companies

Sector	Share of FATS, %
Electric and thermal power, gas	38.2
Mining and quarrying industry	13.4
Manufacturing industry	9.9
Water supply, sanitation, decontamination	6.7
Market services	6.2
Constructions	5.9
Trade	5.4

The share of FATS turnover in total turnover

Sector	Share of FATS, %
Mining and quarrying industry	72.6
Manufacturing industry	63.9
Electric and thermal power, gas	51.0
Trade	44.7
Water supply, sanitation, decontamination	38.7
Market services	37.7
Constructions	19.5

The share of FATS gross value added at cost of factors in total gross value added

Sector	Share of FATS, %
Mining and quarrying industry	70.6
Manufacturing industry	58.0
Market services	40.0
Trade	38.7
Electric and thermal power, gas	33.3
Water supply, sanitation, decontamination	26.1
Constructions	18.4

The share of FATS number of employees in total employees

Sector	Share of FATS, %
Mining and quarrying industry	52.3
Manufacturing industry	44.8
Market services	22.3
Trade	21.4
Water supply, sanitation, decontamination	13.9
Electric and thermal power, gas	13.5
Constructions	6.8

**Multi-criteria ranking of economic dependence of the main sectors of the economy
by the presence of subsidiaries of multinationals (FATS)**

Sector	Share of FATS number of companies, %	Points	Share of FATS turnover, %	Points	Share of FATS gross value added at cost of factors, %	Points	Share of FATS employees, %	Points	Total points
Mining and quarrying industry	13.4	2	72.6	1	70.6	1	52.3	1	5
Manufacturing industry	9.9	3	63.9	2	58.0	2	44.8	2	9
Electric and thermal power, gas	38.2	1	51.0	3	33.3	5	13.5	6	15
Market services	6.2	5	37.7	5	40.0	3	22.3	3	16
Trade	5.4	7	44.7	4	38.7	4	21.4	4	19
Water supply, sanitation, decontamination	6.7	4	35.7	6	26.1	6	13.9	5	21
Constructions	5.9	6	19.5	7	18.4	7	6.8	7	27

Our conclusions are:

Multi-criteria ranking clearly demonstrates the strong asymmetry of influence of FATS companies in key sectors of the Romanian economy. Thus, of the seven main sectors of national economy, the mining and quarrying industry and the manufacturing industry are largely dependent on the FATS companies. These two sectors concentrate almost half of turnover (40.6%), of gross value added at factor cost (46.0%) and more than half of the number of employees (52.4%) of all the FATS companies resident in Romania.

It should be emphasized that this dependence is achieved by only a number of **4895** FATS companies, representing **16.3%** of all FATS companies operating in Romania.

The explanation is that these two sectors recorded the highest value of the ratio of the average number of employees / FATS company and non-FATS company (7.1 in the mining and quarrying industry and 7.4 in the manufacturing industry). The number of employees / FATS company is the largest of the seven economic sectors (165.1 in the mining and quarrying industry and 110.3 in the manufacturing industry). Careful analysis of dependence of the main economic sectors on FATS also captures the fact that in the 6 sectors where the share of FATS turnover exceeds 20% the leading companies are FATS:

- S.C. OMV Petrom SA in the mining and quarrying industry
- S.C. Automobile Dacia SA in the manufacturing industry
- E. ON Energie România in electric and thermal power, gas
- S.C. Orange România in market services
- S.C. OMV Marketing SRL in trade
- S.C: Apa Nova București SA in water supply, sanitation, decontamination.

In 2014, the constructions sector, with the lowest share of FATS, had a Romanian leading company: Compania Națională de Autostrăzi și Drumuri Naționale din România SA.

b. The gross results of financial year 2014 of the FATS companies

In 2014, the system of companies resident in Romania consisting of the seven sectors previously analyzed has recorded a gross profit of **34.5** billion Lei, at **3.13%** a rate relative to the total turnover.

The non-FATS resident companies recorded a gross profit of **26.3** billion Lei, at **4.60%** a rate relative to their turnover.

The FATS resident companies recorded a gross profit of **8.2** billion Lei, at **1.54%** a rate relative to their turnover.

For 2014, the gross profit distribution was:

- Non-FATS companies 76.5 %
- FATS companies 23.5 %.

Distribution by the 7 main sectors of the economy of the gross result for the FATS companies in 2014 was as follows:

Sector	Gross profit (+) / loss (-) billion lei	Gross profit rate / turnover, %	Gross loss rate / turnover, %
Mining and quarrying industry	+0.98	4.88	
Manufacturing industry	+5.77	2.95	
Electric and thermal power, gas	-1.42		5.05
Market services	+1.04	1.44	
Trade	+3.26	1.66	
Water supply, sanitation, decontamination	+0.20	3.94	
Constructions	-1.63		12.25

One may notice that from among the seven sectors, five are profitable. The highest losses (volume and loss rate) were recorded by the constructions sector, with the lowest dependency on FATS. The mining and quarrying industry and the manufacturing industry cumulates 82.3% of gross profit of the FATS companies and fully confirm the essential role they have in the Romanian economy.

The structure of exports of goods of Romania and, finally, external competitiveness, fundamentally depend on the FATS companies operating in these two sectors.

**Appendices with standard records with data processed from the NIS paper
“Rezultatele și performanțele întreprinderilor”, 2016 edition**

Appendix 1

The system of companies resident in Romania

No.	Name	Value
1	Total number of companies	469198
2	Total number of FATS companies	29958
3	Total number of FATS companies, % of total	6.4
4	Total turnover, Thousand Lei	1102923088
5	FATS turnover, Thousand Lei	531153457
6	FATS turnover, % of total	48.2
7	Gross value added at cost of factors, total, thousand Lei	253584598
8	FATS gross value added at cost of factors, total, thousand Lei	111776830
9	FATS gross value added, % of total	44.1
10	Total average number of employees	3794480
11	FATS average number of employees	1046906
12	FATS average number of employees, % of total	27.6
13	Average number of employees/company, total	8.1
14	Average number of employees/company, FATS	34.9
15	Index of average number of employees/company FATS/non-FATS	5.6

Appendix 2**Mining and quarrying industry**

No.	Name	Value
1	Total number of companies	1112
2	Total number of FATS companies	149
3	Total number of FATS companies, % of total	13.4
4	Total turnover, Thousand Lei	27649583
5	FATS turnover, Thousand Lei	20081280
6	FATS turnover, % of total	72.6
7	Gross value added at cost of factors, total, thousand Lei	15002445
8	FATS gross value added at cost of factors, total, thousand Lei	10587394
9	FATS gross value added, % of total	70.6
10	Total average number of employees	47022
11	FATS average number of employees	24602
12	FATS average number of employees, % of total	52.3
13	Average number of employees/company, total	42.3
14	Average number of employees/company, FATS	165.1
15	Index of average number of employees/company FATS/non-FATS	7.1

Appendix 3**Manufacturing industry**

No.	Name	Value
1	Total number of companies	48091
2	Total number of FATS companies	4746
3	Total number of FATS companies, % of total	9.9
4	Total turnover, Thousand Lei	306144724
5	FATS turnover, Thousand Lei	195671974
6	FATS turnover, % of total	63.9
7	Gross value added at cost of factors, total, thousand Lei	70489804
8	FATS gross value added at cost of factors, total, thousand Lei	40882807
9	FATS gross value added, % of total	58.0
10	Total average number of employees	1170199
11	FATS average number of employees	523718
12	FATS average number of employees, % of total	44.8
13	Average number of employees/company, total	24.3
14	Average number of employees/company, FATS	110.3
15	Index of average number of employees/company FATS/non-FATS	7.4

Appendix 4

Electric and thermal power, gas, hot water and air conditioning

No.	Name	Value
1	Total number of companies	1501
2	Total number of FATS companies	574
3	Total number of FATS companies, % of total	38.2
4	Total turnover, Thousand Lei	55120195
5	FATS turnover, Thousand Lei	28128637
6	FATS turnover, % of total	51.0
7	Gross value added at cost of factors, total, thousand Lei	17518606
8	FATS gross value added at cost of factors, total, thousand Lei	5830950
9	FATS gross value added, % of total	33.3
10	Total average number of employees	75426
11	FATS average number of employees	10160
12	FATS average number of employees, % of total	13.5
13	Average number of employees/company, total	50.3
14	Average number of employees/company, FATS	17.7
15	Index of average number of employees/company FATS/non-FATS	0.3

Appendix 5**Market services**

No.	Name	Value
1	Total number of companies	191315
2	Total number of FATS companies	11867
3	Total number of FATS companies, % of total	6.2
4	Total turnover, Thousand Lei	191943496
5	FATS turnover, Thousand Lei	72384461
6	FATS turnover, % of total	37.7
7	Gross value added at cost of factors, total, thousand Lei	78788136
8	FATS gross value added at cost of factors, total, thousand Lei	31512804
9	FATS gross value added, % of total	40.0
10	Total average number of employees	1218984
11	FATS average number of employees	272060
12	FATS average number of employees, % of total	22.3
13	Average number of employees/company, total	6.4
14	Average number of employees/company, FATS	22.9
15	Index of average number of employees/company FATS/non-FATS	4.3

Appendix 6**Trade**

No.	Name	Value
1	Total number of companies	176206
2	Total number of FATS companies	9573
3	Total number of FATS companies, % of total	5.4
4	Total turnover, Thousand Lei	439574152
5	FATS turnover, Thousand Lei	196488107
6	FATS turnover, % of total	44.7
7	Gross value added at cost of factors, total, thousand Lei	46400750
8	FATS gross value added at cost of factors, total, thousand Lei	17959857
9	FATS gross value added, % of total	38.7
10	Total average number of employees	842758
11	FATS average number of employees	180503
12	FATS average number of employees, % of total	21.4
13	Average number of employees/company, total	4.8
14	Average number of employees/company, FATS	18.9
15	Index of average number of employees/company FATS/non-FATS	4.7

Appendix 7

Water supply, sewerage, waste management. Decontamination activities

No.	Name	Value
1	Total number of companies	3160
2	Total number of FATS companies	213
3	Total number of FATS companies, % of total	6.7
4	Total turnover, Thousand Lei	14211860
5	FATS turnover, Thousand Lei	5079471
6	FATS turnover, % of total	35.7
7	Gross value added at cost of factors, total, thousand Lei	4434873
8	FATS gross value added at cost of factors, total, thousand Lei	1156384
9	FATS gross value added, % of total	26.1
10	Total average number of employees	84774
11	FATS average number of employees	11742
12	FATS average number of employees, % of total	13.9
13	Average number of employees/company, total	26.8
14	Average number of employees/company, FATS	55.1
15	Index of average number of employees/company FATS/non-FATS	2.2

Appendix 8**Constructions**

No.	Name	Value
1	Total number of companies	47813
2	Total number of FATS companies	2836
3	Total number of FATS companies, % of total	5.9
4	Total turnover, Thousand Lei	68279078
5	FATS turnover, Thousand Lei	13319527
6	FATS turnover, % of total	19.5
7	Gross value added at cost of factors, total, thousand Lei	20949984
8	FATS gross value added at cost of factors, total, thousand Lei	3846634
9	FATS gross value added, % of total	18.4
10	Total average number of employees	355317
11	FATS average number of employees	24121
12	FATS average number of employees, % of total	6.8
13	Average number of employees/company, total	7.4
14	Average number of employees/company, FATS	8.5
15	Index of average number of employees/company FATS/non-FATS	1.2