

Economic Performance of Czech Enterprises under the Control of Subjects from War-Affected European Countries and Their Comparison with Western and V4 Controlling Countries

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Abstract

The article deals with the evaluation of the economic performance of domestic enterprises under foreign control, especially by subjects from Eastern European countries currently involved in the war conflict in Ukraine, through several key indicators monitored by Inward Foreign Affiliates Statistics (IFATS) and compiled by the Czech Statistical Office (CZSO). The war conflict in Ukraine raises, among other, questions about the effects of sanctions against aggressor countries. IFATS could serve as one possible source for evaluation of their impact with new data coming in the future. In the article, selected data from the IFATS database will be compared for the economy as a whole and according to the specific prevailing economic activities as well. Although the contribution of enterprises controlled by subjects from both aggressor countries and Ukraine to the Czech economy is quite marginal, the latter ones are among the most represented in terms of their number that is still growing. However, their economic importance grows much slower.

Keywords

Foreign affiliates, foreign control, business statistics, economic performance indicators, ultimate controlling institutional unit

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INTRODUCTION

The recent emergence of war conflict in Ukraine, launched by the Russian Federation with the support of Belarus, has provoked discussions, not only in Europe, on the imposition of sanctions and other restrictions against these countries. Among them, to large extent, there are also sanctions having an economic impact on specific persons and enterprises both in the territory of aggressors and in the Czech Republic, where many enterprises owned and controlled by economic entities from the above countries operate.

Economic sanctions can have an impact primarily on employment, but also on the import and export of goods and services, which goes hand in hand with foreign investments that play an important role in the Czech economy. This is also evidenced by data of inward foreign affiliates statistics (hereinafter IFATS), which monitors selected variables (indicators) on domestic enterprises broken down by country of residence of the ultimate owner and by prevailing business activity. Thus, as one of the tools for monitoring and measuring globalization, IFATS makes it possible to compare the behaviour and especially the economic performance and the degree of influence of domestic enterprises under the control of domestic and foreign owners in the economy. Thanks to this fact, in the context of the current situation in Eastern Europe, it will be possible to monitor and evaluate the possible and real effects of the above-mentioned sanctions on enterprises based in the Czech Republic. The main goal of the article is the evaluation of economic performance of domestic enterprises under the control of subjects from the European countries involved in the war conflict. For clearer setting in the framework of the issue, the most important countries for the Czech economy as well as members of the Visegrad group (V4), being the closest partners with common interests within the European integration, are also selected for this analysis. Such evaluation can then serve as a starting point for evaluating the impact of sanctions on aggressor countries, or other phenomena with new data available.

Although the number of domestic (non-financial) enterprises, directly or indirectly controlled by foreign entities, is very low (approximately 2% of all domestic enterprises), their economic importance for the Czech Republic is indisputably great. One of the greatest values that foreign owners bring to the Czech economy can be considered knowledge in the form of new technologies, production and business knowledge and procedures, work organization and management (Šmíd and Lojka, 2015). In this way, they also contribute to increasing of the productivity of the domestic economy. Their primary goal is to appreciate their capital. Therefore, it is not surprising that they sent their foreign ultimate owners dividends of CZK 232 billion in 2020 representing 57% of the total value of dividends paid by Czech (non-financial) enterprises. Foreign-controlled enterprises invested almost CZK 250 billion in the Czech Republic in 2020 (latest available data) representing the share of 35.5% of total gross investment in tangible goods (hereinafter investments), generated value added at factor cost (hereinafter value added) of CZK 1.26 trillion (share of 42.3%) and employed more than 1 million persons (28.5%). The year 2020 was affected by the global coronavirus pandemic. For that reason, between 2019 and 2020 there was a decrease in value of investments from 38.9% and value added from 42.7%. The relative share of number of persons employed did not change significantly. However, each industry was affected by the pandemic with different force. Foreign-controlled enterprises as a whole represent an important part of the Czech economy, but in the case of finer geographical breakdown according to where the actual control of the enterprise is carried out from, their performance does not always necessarily correlate with their number. Foreign investors are important especially in larger enterprises whose economic importance far exceeds their number (Ernest, 2014).

The first chapter introduces FATS as one of the official statistics focused on the issue of globalization and its subset, IFATS, which monitors domestic enterprises under the control by non-resident subjects. Besides the methodology of IFATS, overall findings both at national and international level are presented. They are based on the comparison of values of several key variables which make part of the CZSO database that has been published since 2020. The second chapter presents a closer look at the development

of values of key variables regarding the prevailing economic activities according to sections and divisions of CZ-NACE Rev. 2 classification in order to find out where the countries concentrated their interest and assess the economic performance in more detail.

1 FOREIGN AFFILIATES STATISTICS

Foreign affiliates statistics (FATS) as relatively new statistics, compiled in accordance with the Regulation (EC) No 716/2007 of the European Parliament and of the Council on Community Statistics on the structure and activity of foreign affiliates (European Union, 2007), focuses on the monitoring of the impact of the globalization. It measures the degree of influence of foreign-controlled enterprises in a specific economy and quantifies who controls such enterprises. Therefore, it allows to compare the behaviour and performance of enterprises under domestic (national) and foreign control through a set of variables. European Commission (2012) provides the definition of foreign affiliate. It shall mean an enterprise resident in the compiling country over which an institutional unit not resident in the compiling country has control, or an enterprise not resident in the compiling country over which an institutional unit resident in the compiling country has control. Based on such definition, inward and outward FATS are distinguished.

1.1 Inward foreign affiliates statistics

From the Czech Republic's point of view, IFATS, compiled by the CZSO, monitors performance of enterprises domiciled in the Czech Republic that are controlled by any of the subjects domiciled abroad. Outward foreign affiliates statistics (OFATS), compiled by the Czech National Bank, describes the performance of affiliates residing outside the Czech Republic being under the control of subjects residing in the Czech Republic. Apart from many other statistics, IFATS does not rely on its own survey, but it relies on the data on structural business statistics (SBS) and research and development statistics (R&D). It describes the same part of economy as SBS, but it represents its extension in terms of the division of enterprises according to the origin of subject that controls (directly or indirectly) and manages such enterprises. Control is realized by holding more than a half of the voting rights or shares, or the largest share of voting rights and shares in cases of effective minority control, when none of the subjects holds more than a half (European Commission, 2012).

There are 12 variables overarching IFATS as subset of SBS, 10 of which are compiled annually and 2 (R&D indicators) are compiled biennially in accordance with the Regulation (EC) No 250/2009 implementing Regulation (EC) No 295/2008 of the European Parliament and of the Council as regards, inter alia, the definitions of characteristics (European Commission, 2009). This analysis is based on the following ones:

- Number of enterprises;
- Value added at factor cost (hereinafter also referred as value added);
- Gross investment in tangible goods (hereinafter also referred as investments);
- Number of persons employed.

IFATS indicators are compiled from annual business statistics data, therefore they are not in methodological consistency with macroeconomic data, e.g. national accounts (CZSO, 2022). On the other hand, they are fully internationally methodologically comparable. Methods ensuring the protection of confidential data are applied to the published data in accordance with Act No 89/1995 Coll., on the State Statistical Service, as amended, and internal regulations of the CZSO.

1.2 Methodology of IFATS

Ultimate ownership represents the main core of IFATS and is based on so-called UCI concept (Ultimate controlling institutional unit of a foreign affiliate). European Commission (2012) provides the definition of UCI. It shall mean the institutional unit, proceeding up a foreign affiliate's chain of control, which is not

controlled by another institutional unit. Identification of UCI (legal entity or natural person) is the key factor to determine the country from which the control of a particular enterprise is carried out. UCI concept relies on the concept of residency, i.e. the place of residency of the UCI should be the country of registration in the case of legal entities and the country of residence in the case of natural persons acting as UCIs (not the country according to the nationality of the natural person, although they are often the same). There are several types of entities that cannot be assigned as UCI. They include countries, regions, cities or municipalities, trust funds or trust funds administrators, foundations and so-called empty shells. Empty shells, most often set up for tax or legal reasons, are represented by heads of groups of enterprises that are purely formal and serve only to optimize a group structure where no real business activity takes place. Therefore, such a head cannot be identified as UCI. Empty shells usually lack substantial physical presence and significant business activities. They are very often located in tax havens and offshore financial centers (e.g. Cyprus, Seychelles, etc.). Determination of UCIs requires step-by-step analysis of control relationships up the ownership chain in the enterprise groups using appropriate data sources such as Business register, EuroGroups register, annual reports or sources available on the Internet. There is no uniform procedure in the UCI identification, so a significant degree of freedom is given to the Member States in this respect.

Population of IFATS consists of subjects belonging to institutional sectors S.11 – Non-financial corporations, S.12 – Financial corporations, and S.14 – Households (S.142 Own-account workers). However, there is a difference between these groups of subjects from the perspective of ultimate ownership as own-account workers are not controlled or owned by anybody in the control chain of enterprises and therefore cannot be considered foreign-controlled. The decisive factor is the location where they have their business registered. Therefore, they are automatically assigned being under domestic control.

IFATS is compiled in accordance with FATS Recommendations Manual (European Commission, 2012) that defines the way in which data is broken down according to the country of residence of ultimate owners (geographical breakdown set by ISO 3166-1 standard) and according to the prevailing economic activity (activity breakdown set by CZ-NACE classification). As well as SBS, IFATS includes mainly market activities classified into sections B to N (except for K) and division S95. The data for section K is also collected by IFATS, but due to the specifics of financial entities (typically different accounting methods), the range of variables compiled is much more limited.

1.3 Overall findings

Foreign control of enterprises in the Czech Republic originates mainly from EU Member States (66% of all foreign-controlled enterprises in 2020). In 2020 such enterprises generated almost 27% of total domestic value added, employed almost a quarter of all persons employed and realized 24% of all investments. The greatest number of enterprises is controlled from Germany, as the most important trading partner of the Czech Republic. Control from the territory of our western neighbour is carried out in approximately 16% of enterprises owned by foreign subjects. These enterprises generated CZK 443 billion of value added (35.1% share in all foreign-controlled enterprises), employed over 346 thousand persons (32.8%) and invested CZK 90.5 billion (36.6%).

Other important foreign investors include the USA (13% share in value added and number of persons employed, in investments almost 9%). It is followed by France, whose control helped domestic enterprises to shares around 6% in terms of the indicators monitored. Regarding the number of foreign-controlled enterprises (almost 20 thousand), Eastern and Southeastern European countries come to the forefront. Specifically, it concerns Ukraine with 7.5% share. When looking at the key indicators, it significantly falls behind (0.21% share in value added, 0.37% in investments and 0.57% in number of persons employed). In case of the Russian Federation, whose subjects controlled 4.6% of Czech enterprises under foreign control, the values of other indicators are only slightly higher, as indicated in Table 1. It shows that enterprises controlled from Belarus make up insignificant part of IFATS with shares in the order

of 1 to 2 hundredths of a percentage point. If we added up the shares of the Russian Federation and Belarus, it would not even reach 1% of the total in the case of investments and number of persons employed. In the case of value added, the common share slightly exceeds 1%.

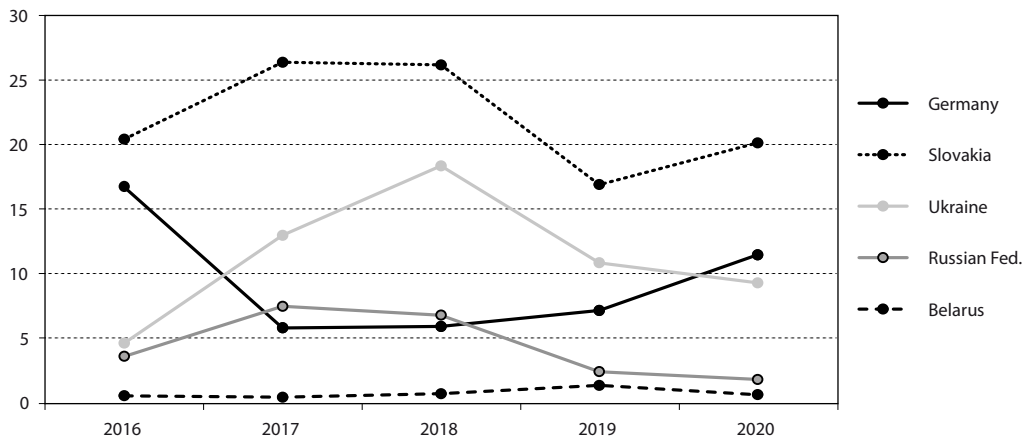
Table 1 Share of foreign-controlled enterprises by country of UCI and key IFATS variables in all foreign-controlled enterprises (in %)

Reference year	Variable	Country of UCI								
		Germany	USA	France	Slovakia	Poland	Hungary	Ukraine	Russian Fed.	Belarus
2018	VAFC	36.05	13.15	5.99	2.23	2.24	0.20	0.13	0.87	0.01
	GITG	36.50	9.09	5.99	1.84	3.20	0.44	0.11	0.65	0.00
	NPE	32.86	13.01	5.90	3.91	2.00	0.13	0.34	0.88	0.01
2019	VAFC	35.24	13.94	5.95	2.38	1.76	0.27	0.24	0.96	0.01
	GITG	39.91	8.46	6.34	2.20	2.59	0.44	0.20	0.87	0.01
	NPE	32.78	12.88	5.94	3.84	2.03	0.18	0.60	0.89	0.01
2020	VAFC	35.13	13.67	6.04	2.40	1.25	0.79	0.21	1.11	0.02
	GITG	36.58	8.71	6.72	1.92	3.02	0.43	0.37	0.93	0.01
	NPE	32.80	12.54	6.02	3.76	2.08	0.50	0.57	0.97	0.01

Note: VAFC – Value Added at Factor Cost, GITG – Gross Investment in Tangible Goods, NPE – Number of Persons Employed.
Source: Own construction based on CZSO's data

As already mentioned above, it is not appropriate to evaluate the importance of foreign owners according to the number of enterprises they control, since many enterprises with very little economic importance operate in the Czech Republic. An alternative option may be rather monitoring the development trend of the number of newly established and defunct enterprises. It shows how the level of scope of individual countries develops in our economy. Based on such characteristic, we find the share of number of enterprises controlled by Ukrainian and Slovak subjects slowly but surely increasing at the expense of German subjects, whose representation in our country is slowly decreasing over time (Zeman, 2022). On the contrary, in the case of the Russian Federation and Belarus the shares do not increase significantly and maintain rather stable trend. Figure 1 depicts the number of newly established enterprises under

Figure 1 Share of newly established enterprises under foreign control of selected countries in all newly established foreign-controlled enterprises (in %)



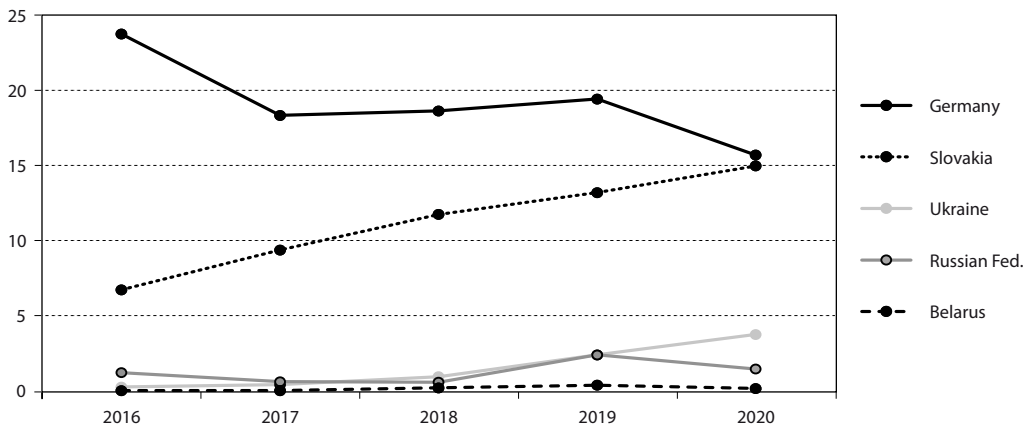
Source: Own construction

the control of selected countries, i.e. those that did not yet exist in the previous reference year. It is evident that enterprises controlled from Slovakia dominate over enterprises controlled from Germany and Ukraine.

Figure 2 shows the number of enterprises that have ceased to exist in the given period (e.g. value in 2020 represents enterprises defunct between 2019 and 2020 and thus did not enter the IFATS population in 2020). We can see the most of defunct enterprises were controlled from Germany and further from Slovakia with constantly increasing trend. Ukraine and the Russian Federation follow with greater distance. The net change in the number of newly established enterprises, i.e. after adjustment by defunct enterprises, we find there has been a decrease in the number of enterprises controlled by German subjects, while the ones controlled by Slovak and Ukrainian subjects experienced an increase.

However, the resulting number of foreign-controlled enterprises is determined not only by the number of newly established and the defunct ones. Another factor affecting this indicator is year-on-year change of UCI, either between the Czech and foreign one, or between two foreign ones. In this respect, the data speaks in favour of Ukraine, as between 2019 and 2020 there was a change of UCI towards Ukraine in 147 cases and in the opposite direction in 78 cases. This results in 69 more enterprises controlled from Ukraine being the most of all countries. For comparison, in the case of Germany there was a net increase of -31 enterprises, in the case of Slovakia 3 enterprises, in the case of Belarus 2 enterprises and in the case of the Russian Federation 18 enterprises.

Figure 2 Share of defunct enterprises under foreign control of selected countries in all defunct foreign-controlled enterprises (in %)

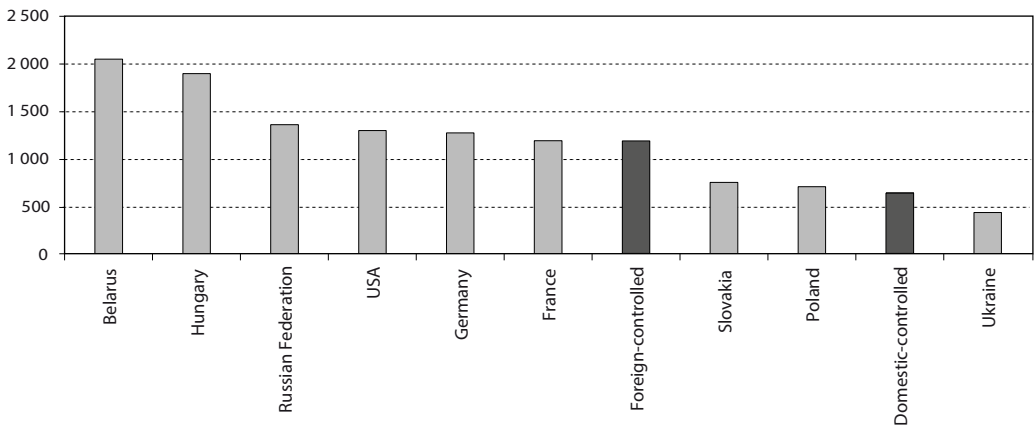


Source: Own construction

Labour productivity is also related to the economic performance of enterprises. It is not a part of the official set of IFATS indicators, but can be calculated as a share of value added in the number of persons employed. Figure 3 provides labour productivity by UCI countries in 2020. It also includes values calculated for the entire population of foreign-controlled and domestic-controlled enterprises. Quite interesting finding is that Belarus ranked highest with its productivity of more than CZK 2 million. Its high labour productivity was driven mainly by manufacture of wearing apparel (division C14 of CZ-NACE) and wholesale trade, except of motor vehicles and motorcycles (G46). Chapter 2 provides more detailed information on performance in CZ-NACE sections. Belarus is followed by Hungary as the highest ranked country from the V4 group, where 1 person employed generated value added of CZK 1.9 million. This ranking was the same as in 2018. In 2019, Hungary ranked first ahead of Belarus. Such results suggest a long-term trend with minimal productivity differences that fluctuate only slightly. As in 2019, third place from the group of the aforementioned countries belongs to the Russian Federation

with CZK 1.37 million and so it surpasses even the USA, Germany and France. Direct comparison of labour productivity between domestic- and foreign-controlled enterprises sounds more favourable for the latter one resulting in the difference of CZK 546 thousand. Slovakia and Poland ranked behind the foreign-controlled enterprises as a whole with productivity of CZK 761 and 717 thousand, respectively. One of the lowest labour productivity among foreign-controlled enterprises falls to Ukraine (only CZK 445 thousand). Such finding confirms that although there are many enterprises controlled by Ukrainian subjects in the Czech Republic (approximately 1.5 thousand), these are mostly small and insignificant for Czech economy, which corresponds to the generated value added.

Figure 3 Labour productivity by country of UCI (2020, thousands CZK)

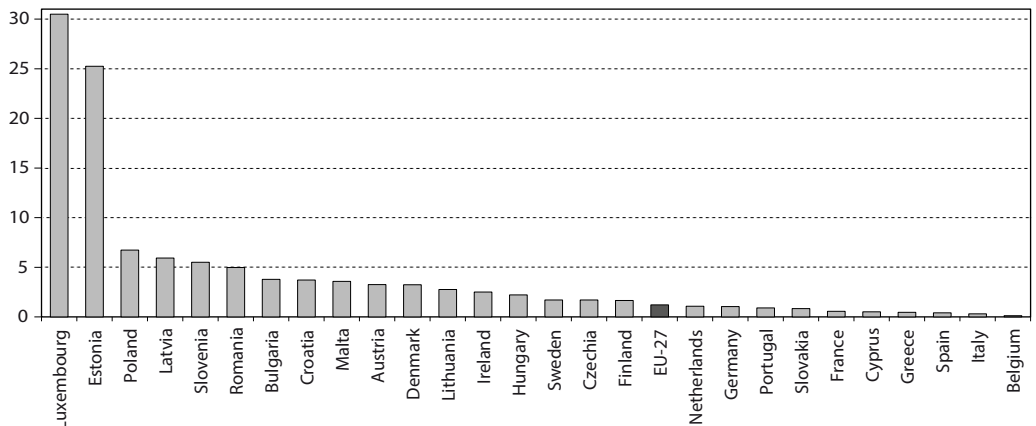


Source: Own construction based on CZSO's data

1.4 International comparison within European Union

At national level, we can observe very similar trend in the development of key IFATS indicators over a longer period. Eurostat publishes data in its database at relatively long interval of approximately 30 months after the end of reference year (Eurostat, 2022). The share of the number of foreign-controlled enterprises is provided in Figure 4. It is comparable across most of the EU Member States and in 2019

Figure 4 Share of number of foreign-controlled enterprises in total number of enterprises in EU countries (2019, in %)

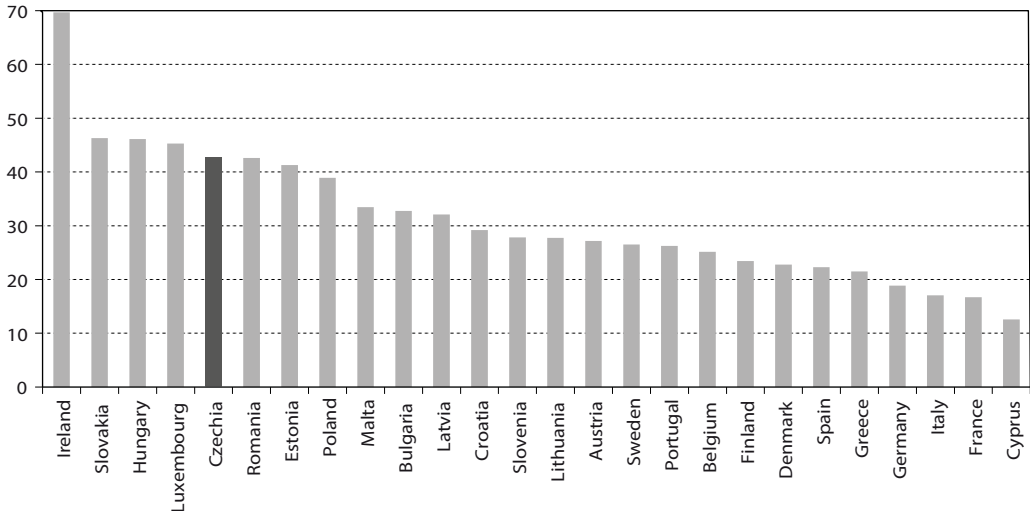


Source: Own construction based on Eurostat's data

(latest data available) ranged from 1 to 4%. The Czech Republic reached the share of 1.7%. The average for EU-27 Member States was 1.21%. Data for the United Kingdom has no longer been part of the publication outputs since the reference year 2018. Luxembourg with its share of more than 30% and Estonia with its share over 25% achieved exceptionally high values compared to the other countries. Poland with its share of 6.7% closes the top three with a greater distance. Countries mostly of Eastern and South-Eastern Europe follow with similar results. At the opposite end there are Southern European countries (Portugal, Spain, Italy and Cyprus), but our eastern neighbour Slovakia (0.83%) and our most important trade partners Germany and France (around 1%) as well.

The real importance of foreign-controlled enterprises should be measured mainly by value added generated by such enterprises in the economy. In this respect, the Czech Republic belongs into the group of Member States with unquestionably important role of foreign-controlled enterprises. This is evidenced by the fact that they generated almost 43% of value added, which ranks the Czech Republic in fifth place among EU Member States. Even greater value added was generated by foreign-controlled enterprises in Slovakia (46.3%) and Hungary (43.1%), which ranks them the second and third place, respectively. However, foreign-controlled enterprises play the most important role in Ireland (almost 70%). Figure 5 summarizes the data. The Netherlands is not part of the figure, as data on value added has been subjected to statistical confidentiality and could not be published. This fact also results in the absence of total EU-27 aggregate. In previous years the total share for EU-28 reached around 25% (Zeman, 2020a), so with the exclusion of the United Kingdom (27.5% in 2017) we can expect the overall share slightly lower.

Figure 5 Share of value added at factor cost generated by foreign-controlled enterprises in total value added at factor cost generated by enterprises in EU countries (2019, in %)



Source: Own construction based on Eurostat's data

The amount of investments and number of persons employed by foreign-controlled enterprises in individual Member States quite strongly correlate with the value added generated as IFATS data suggests. Therefore, it is not surprising that the highest share of investments was achieved by Ireland again (more than 80%). Almost 39% share of investments and 28.4% share of number of persons employed was recorded in the Czech enterprises under foreign control. Very similar shares were achieved by other V4 countries. Slovakia: 42.6% in investments and 28% in number of persons employed; Poland: 40.2%

in investments and 31.8% in number of persons employed; Hungary: 40.2% in investments and 25.1% in number of persons employed. Regarding Germany and France, the shares reached 14–15% in case of investments and 12–13% in case of number of persons employed.

2 CHARACTERISTICS OF ECONOMIC PERFORMANCE BY PREVAILING ECONOMIC ACTIVITY

The importance of foreign-controlled enterprises depends on the industry according to their prevailing economic activity (Zeman, 2020b). Manufacturing industry (section C of CZ-NACE classification) is the one, where foreign-controlled enterprises dominate for a long time. It received the most investments from abroad in 2020 as well (61.6% share of all investments by foreign-controlled enterprises in this section). The greatest share of value added was generated (59.4%) and the most of persons were employed (44.9%) here. The manufacture of motor vehicles, trailers and semi-trailers (division C29 of CZ-NACE) clearly dominates within the manufacturing industry with 27.7% of foreign-controlled enterprises' value added. Manufacturing industry is followed by information and communication (section J) with 44.7% of value added, 32.7% of investments and 35.3% of persons employed and then by wholesale and retail trade; repair of motor vehicles and motorcycles (section G) with 41.2% of value added, 32.6% of investments and 26.6% of persons employed.

If we look at foreign control in individual CZ-NACE sections by countries of UCI, we find it concentrated in section C especially. For example, German, French and American owners centralized here the highest share of investments, employed the most of persons and their enterprises generated the most of value added. With the exception of value added, the same applies to enterprises under the control of Polish subjects (they generated the biggest value added in section G). However, if we were to express the data in the form of shares in all foreign-controlled enterprises, we would find out that enterprises of German subjects generated over half a share of value added (54.8%) and invested almost 77% in transportation and storage (section H). Enterprises of French UCIs generated the biggest share of value added (29.3%) in water supply; sewerage, waste management and remediation activities (section E) and employed 31% of persons. However, they invested the most (24.8%) in administrative and support service activities (section N). American subjects invested primarily in repair of computers and personal and household goods (division S95). Regarding the rest of key IFATS indicators, they achieved the highest shares in section J (34.7% of value added, 37.3% of persons employed).

V4 countries spread their business activities in the Czech Republic rather unevenly. Enterprises under the control of Slovak entities had the highest rate of representation, more than a quarter, in construction (section F). The same can be said about Hungarian subjects, but their share reached only slightly over 4%. Polish subjects controlled a fifth of foreign-controlled enterprises operating in mining and quarrying (section B). In terms of value added and number of persons employed, enterprises under the control from Slovakia reached the highest representation in section N (10.4% and 17.7%). A significant part of investments was brought in division S95 (27.4%). It is also worth mentioning that the significant share of investments in the construction sector (18.2%) was recorded. Approximately one-tenth of value added generated and 4.3% of persons employed in electricity, gas, steam and air conditioning supply (section D) belonged to Hungary-controlled enterprises. They achieved around 5% share of investments in professional, scientific and technical activities (section M). Enterprises controlled by Polish entities no longer have any significant representation among foreign-controlled enterprises at the level of CZ-NACE sections, but at the level of divisions, they dominate in manufacture of coke and refined petroleum products (division C19). Their importance is also reflected in manufacture of chemicals and chemical products (division C20), where they reached almost 52% share in investments and almost 30% in number of persons employed.

Although geographically Ukraine, the Russian Federation and Belarus represent countries close to each other, we cannot talk about closeness from the perspective of prevailing economic activity

of the enterprises controlled by them in the territory of the Czech Republic (Zeman, 2022). There are few dozens of Belarus-controlled enterprises in the Czech Republic. They participated mostly in section H of CZ-NACE in terms of their number (0.7%). In case of the other key indicators, the shares are negligible as well (around 0.1%). As shown in Table 2, regarding the structure, they spread their activities mainly in section G, where they generated the most of value added (85.7%), investments (78.4%) and employed the most of people (42.9%). However, the values themselves are very low, compared to other UCI countries. Enterprises under the control of subjects from the Russian Federation accounted for 11% of their number in accommodation and food service activities (section I). In the same section, they contributed almost 5% to investments and a little over 4% to the number of persons employed. 14.1% of all foreign-controlled enterprises participated directly in the accommodation division (I55). More than 5% of value added of all foreign-controlled enterprises was generated in section J. It corresponds in particular to the division of publishing activities (J58), where such enterprises generated almost 57% of section J's total value added and achieved the highest labour productivity. Although the highest share of investments belongs to section I (almost 5%), in terms of more detailed breakdown they belong to activities of head offices; management consultancy activities (division M70; 10.6%) and manufacture of computer, electronic and optical products (division C26; 9.2%).

Table 2 Structure of key IFATS variables by selected CZ-NACE sections (2020, in %)

UCI country	CZ-NACE	ENT	VAFC	GITG	NPE
Ukraine	C	10.0	40.1	46.5	66.9
	G	27.5	6.5	8.5	10.9
	J	6.8	41.9	2.9	2.3
	L	23.0	2.2	30.5	2.2
	M	13.6	2.7	5.3	3.4
	N	4.1	0.2	0.1	2.1
Russian Federation	C	9.4	5.6	3.3	6.0
	G	19.9	14.8	13.6	8.8
	J	3.2	1.7	0.5	0.8
	L	10.8	7.5	49.7	3.6
	M	20.1	14.7	10.8	10.2
	N	10.5	34.8	6.4	44.9
Belarus	C	3.0	1.1	0.0	0.9
	G	47.8	85.7	78.4	42.9
	J	7.5	0.8	0.0	4.9
	L	11.9	1.5	9.8	5.6
	M	9.0	1.5	11.1	2.0
	N	6.0	0.3	0.4	17.1

Note: ENT – Number of enterprises, VAFC – Value Added at Factor Cost, GITG – Gross Investment in Tangible Goods, NPE – Number of Persons Employed.

Source: Own construction based on CZSO's data

Enterprises controlled by Ukrainian entities, whose number is one of the highest in the Czech Republic, were concentrated quite evenly in several CZ-NACE sections with more than a fifth of them having construction as their prevailing business activity. Taking a closer look at the individual sections, we can see their representation was highest especially in services to buildings and landscape activities (division N81; 41.3%). Regarding investments, the highest share belongs to section N as well, but in employment activities (N78; 14%). In terms of value added and number of persons employed, Ukrainian enterprises bring their importance in other professional, scientific and technical activities (M74) with almost a fifth of persons employed (17.4%) and 22.2% of value added generated. However, in the other

divisions and entire sections, with the exception of construction, Ukraine-controlled enterprises play rather marginal role. Nor can we speak of significance in terms of labour productivity, although in a few divisions one can identify productivity an order of magnitude higher than in others. Such divisions include in particular information service activities (J63) and scientific research and development (M72). A comprehensive overview of individual representations of enterprises under control of Ukraine, the Russian Federation and Belarus is presented in Table 3. Some values could not be published, as they are result of calculation operations with values subject to statistical confidentiality.

Table 3 Share of foreign-controlled enterprises by country of UCI and CZ-NACE sections in all foreign-controlled enterprises (2020, in %)

UCI country	CZ-NACE	ENT	VAFC	GITG	NPE
Ukraine	Total	7.48	0.21	0.37	0.56
	B	2.38	i.d.	i.d.	i.d.
	C	3.93	0.02	0.02	0.06
	E	6.13	0.30	0.10	0.88
	F	20.27	1.09	1.49	3.79
	G	5.39	0.18	0.44	0.28
	H	7.81	0.29	0.13	0.54
	I	7.93	0.96	1.92	0.91
	J	4.08	0.04	0.06	0.09
	L	5.68	0.53	2.04	3.44
	M	11.36	0.69	3.19	1.33
N	14.99	1.93	0.42	4.05	
Russian Federation	Total	4.58	1.11	0.93	0.97
	C	2.55	0.86	0.82	1.19
	D	0.50	i.d.	i.d.	i.d.
	E	1.89	i.d.	i.d.	i.d.
	F	3.74	0.27	1.03	0.37
	G	4.55	0.42	0.69	0.58
	H	2.69	1.24	0.13	0.91
	I	10.99	1.37	4.79	4.31
	J	5.27	5.33	0.89	0.42
	L	7.42	0.82	3.14	3.68
	M	4.73	0.66	3.93	0.76
	N	3.55	0.06	0.02	0.32
S95	2.22	i.d.	i.d.	i.d.	
Belarus	Total	0.34	0.02	0.01	0.01
	C	0.06	i.d.	i.d.	0.00
	F	0.30	0.00	0.00	0.01
	G	0.58	0.12	0.04	0.03
	H	0.67	i.d.	i.d.	0.07
	I	0.18	i.d.	i.d.	i.d.
	J	0.43	0.00	0.00	0.01
	L	0.28	0.01	0.01	0.13
	M	0.23	0.01	0.05	0.01
N	0.38	0.00	0.00	0.04	

Note: ENT – Number of enterprises, VAFC – Value Added at Factor Cost, GITG – Gross Investment in Tangible Goods, NPE – Number of Persons Employed, i.d. – individual data (confidential).

Source: Own construction based on CZSO's data

CONCLUSION

Foreign-controlled enterprises represent a group of enterprises that play very important role in the Czech economy in terms of maintaining and developing economic growth. Inward foreign affiliates statistics allows to monitor several key indicators and evaluate behaviour and performance of enterprises according to the country from which the control is carried out. Currently, the focus is mainly on the countries involved in the war conflict in Ukraine and the related possible impact of sanctions on the Czech economy. Based on IFATS results, enterprises controlled by the Russian Federation and Belarus represent rather marginal part of economic performance as the value added of these two countries accounts for approximately 1.13% generated by foreign-controlled enterprises and about 1% of investments and number of persons employed as well. Above-average labour productivity was identified for both countries, but it is driven by only a few enterprises. Ukraine-controlled enterprises are abundantly represented in the Czech Republic, but their economic importance is not very significant, either. However, the number of these enterprises gradually increases every year (along with Slovak ones), especially at the expense of our most important trading partner, Germany. It will be appropriate to monitor whether such a trend will continue in the following years (with regard to the development of the war conflict) and how the development of value added and investments will look like. In the same way, possible further restrictions can be expected due to the predicted growing wave of coronavirus pandemic that can affect the behaviour of not only enterprises, but also consumers. Any restrictions imposed on the subjects from the Russian Federation could affect, although not as strongly, industry of accommodation and food service activities, where they invested the most and employed most of persons (in relation to all foreign-controlled enterprises). Information and communication activities could be another industry prone to sanctions' impacts as these enterprises generated the highest share of value added.

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