

## **12<sup>th</sup> Conference ACN, June 2008, Session 4 ( Thursday June 5 afternoon)**

### **Session 4 : Globalisation, statistics and National Accounts**

#### **Globalisation and the measure of property income between France and the rest of the world : the case for dividends.**

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The balance of payments delivers data on the flow of income received by residents or transferred to non residents. These data are incorporated in the national accounts. In the case of non financial corporations, and taking into account their size, most of them are among the CAC 40 (i.e: the 40 largest listed companies on the French stock market). Thus, it is quite easy to obtain data on the net profit of those companies. The question is how to interpret the income of "French" companies. In terms of principles, the income of French companies originates from their activities in France and abroad. Among the latter, the balance of payments data show the revenues of their foreign subsidiaries. However, the data is biased because part of the profits generated by French multinationals is not captured because of the difficulty to measure the revenues of foreign subsidiaries. Indeed, when comparing the net revenues of resident non financial corporations coming from foreign subsidiaries to the total "profits" of "French" multinationals, the former represent only 32% of the latter in 2005. This confirms an underestimation of the revenues received from the rest of the world in the national accounts. The gap is significant. Is it increasing and how should we interpret it? What role plays in this the distribution of dividends?

In the same order of idea, the concept of residence, adopted by national accountants as well as by balance of payments statisticians, can give rise to misinterpretation when used to measure the ownership of enterprises by non-residents. Indeed, one can observe that the ownership by non residents of 36 of the resident corporations among the CAC 40, increases from 36% to 46% between 1997 and 2006. But this phenomenon results less from an active behaviour of non residents than from the fact that, when resident corporations buy non resident corporations, French shares are issued as a counterpart of the deletion of foreign shares. In other terms, if a non resident owns a non resident firm which is then bought by a French multinational, the non resident now owns a "French" share. The increase in the foreign detention of French shares is thus essentially the result of the development of French firms abroad.

