

## Chinese Investment in Australia (CHIA) Data 2014-2018

***CHIA today releases its data for Chinese investment in Australia for 2018. The data is available at [chia.eaber.org/data](http://chia.eaber.org/data)***

CHIA has now produced five years of data, covering the calendar years 2014 to 2018. The key statistics from the CHIA Database are set out in this paper. Comparison is made with data from other sources of Chinese direct investment activity in Australia and globally.

CHIA data present information that did not previously exist. While CHIA data may look similar to those from other sources of data about Chinese investment in Australia, the crucial difference between those statistics and these from CHIA is that CHIA data are verifiable. CHIA data are publicly available at the transaction level, which means you can reproduce the statistics and create purpose-suited data from the CHIA database.

The aim of CHIA is to create data that fit with a contemporary understanding of international investment. The database is built on two fundamental principles. The first is that investment is defined by 'who' the investor is, not where the funds last came from. This means that CHIA data measures investment that is ultimately owned in China, though it may have entered Australia via other places, for example, from Hong Kong. The second is that these data provide a clear picture of the investment activity, not the means through which the investment occurred. This means that CHIA data measures the activity of Chinese investors, not cross-border flows. Though international investment may be facilitated through complicated structures and multiple subsidiaries around the world, CHIA data concisely links Chinese investors with their equity-based participation in business in the Australian economy. From these two principles, there are three key conceptual distinctions that set CHIA apart from other sources of data on Chinese direct investment in Australia.

**1. CHIIA defines the source of investment (that is, China) by ‘who’ the investor is, not where the funds last came from.**

CHIIA defines the source of investment by ‘ultimate beneficial control’ (UBC). This approach is shared with The American Enterprise Institute’s China Global Investment Tracker series, The University of Sydney–KPMG series (all are listed in the same row of Chart 1). This differs from the ABS balance of payment and national accounts foreign investment statistics, which define the source of investment by ‘immediate origin’.

**Chart 1: Conceptual distinctions**

		<i>Date of investment</i>	
		Dated by <b>contracting</b> <sup>1</sup>	Dated by <b>realisation</b>
<i>Geographic source of investment</i>	Source of investment by <b>immediate beneficial control (IBC)</b>	-	ABS
	Source of investment by <b>ultimate beneficial control (UBC)</b>	AEI China Global Investment Tracker University of Sydney–KPMG	CHIIA

This difference has one important implication. The CHIIA data measures investment which is ultimately owned in China no matter what its geographic pathway to Australia.

**2. CHIIA adopts the concept of the ‘ultimate origin’ of investment**

In balance of payments and national accounts data, foreign investment is ‘foreign’ if it crosses a border – no matter who is undertaking the investment. CHIIA does not require investment to cross a border. This means CHIIA records investment activity by Chinese subsidiaries in Australia, while other FDI series may not.

**3. CHIIA defines transactions as occurring when the investment is realised, not when contracts are signed.**

This approach is shared by the ABS and CHIIA, as described in Chart 1. The China Global Investment Tracker and the University of Sydney–KPMG instead record investments by date of contracting.

These three technical distinctions, and the choice to publish CHIIA data at the transaction level, mean that CHIIA data fill an important gap in the existing information about Chinese investment in Australia.

CHIIA is the only source of data on Chinese investment in Australia, public or private, which defines investment by ‘who’ the investor is and when the identified investment is realised. These technical distinctions are important. The immediate source does not necessarily reflect ultimate ownership of investment. Announced investments may not be realised. CHIIA data is therefore materially different from other sources, providing a new perspective on Chinese investment in Australia.

<sup>1</sup> Contracting here means the date at which the contracts for the change of ownership are signed. Realisation means the date at which that contract is settled.

Before the CHIIA database was constructed, there were two main official sources that measured Chinese investment in Australia, both included in Table 1. The first was the Foreign Investment Review Board’s (FIRB) Australian Government Foreign Investment Approvals dataset. These data are based on approvals for proposed (rather than actual) investments above certain thresholds. Approved investment is larger than realised investment, which is what CHIIA measures. The second is the ABS series, which measures Chinese investment that comes directly from the Chinese mainland. But much Chinese investment comes through Hong Kong and other global financial centres or may be funded from local sources. This results in an underestimation of Chinese investors’ presence in the Australian economy.

Other Chinese investment data which are the product of commercial or research initiatives are not publicly accessible and only provide partial information.

**Table 1: Measures of Chinese Investment in Australia (A\$ billions), 2014–2018**

	CHIIA	FIRB <sup>2</sup>	ABS	USyd-KPMG	AEI Tracker
<b>2014</b>	5.7	27.7	9.9	9.3	11.2
<b>2015</b>	11.0	46.6	2.9	13.6	14.1
<b>2016</b>	15.8	47.3	2.0	15.5	8.2
<b>2017</b>	9.6	38.9	0.9	13.3	7.5
<b>2018</b>	4.8	23.7	3.5	8.2	4.2

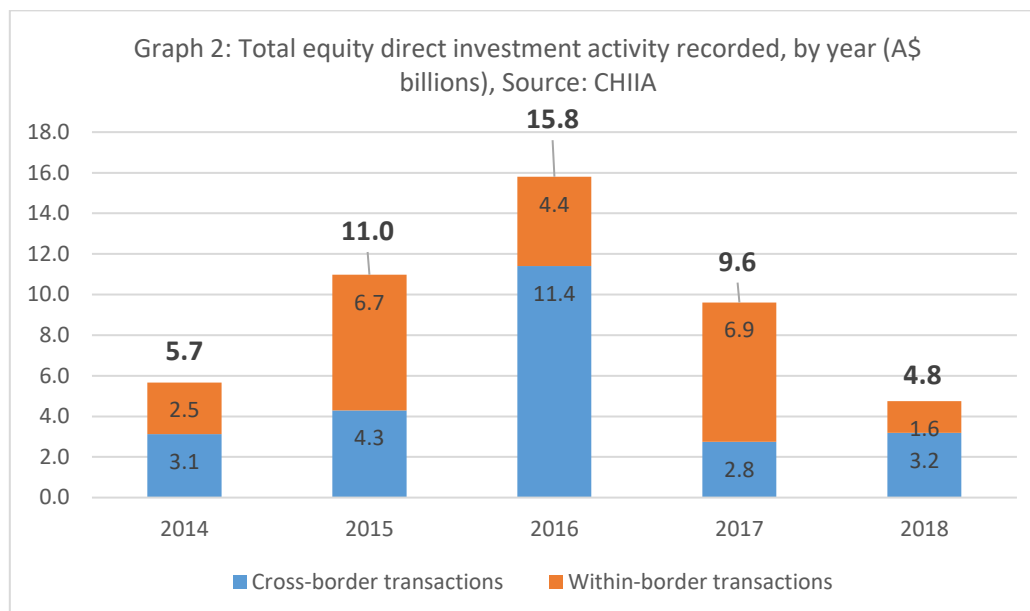
CHIIA data are publicly available for each transaction. This provides an unprecedented level of access and depth to analysts and the interested public. CHIIA data is comprehensive and measures almost 50 different dimensions of Chinese direct investment in Australia by ultimate beneficial control. It provides information on the basic facts of each transaction and the defining characteristics of the investors and their ultimate parent companies.

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<sup>2</sup> Note the FIRB data is published by financial years, while all other sources are published by calendar years. In this table, the earlier financial year aligns with the calendar year. For example, the FIRB 2013-14 Annual report figure is used in the 2014 line of this table.

## What the CHIA data reveals

CHIA data shows that the aggregate level of Chinese investment<sup>3</sup> within Australia nearly tripled between 2014 and 2016, as shown in Chart 2. Since the peak of \$15.8 billion in 2016, the aggregate level has fallen by almost half each year.



The fall in the aggregate value of investment has been accompanied by a conspicuous drop in the number of large investments (those involving at least A\$100 million). Table 2 shows the number of investments recorded by size in the CHIA Database.

**Table 2: Number of investments by size**

A\$, millions	2014	2015	2016	2017	2018
0-10	10	17	25	14	22
11-20	5	8	8	12	13
21-30	5	9	5	6	4
31-50	4	10	11	5	5
51-99	6	7	16	9	2
100+	11	21	25	23	10
N/A	0	2	0	0	1
<b>Total</b>	<b>41</b>	<b>74</b>	<b>90</b>	<b>69</b>	<b>57</b>

CHIA data documents the full range of investments by size. These data expand on the similar transaction-level data published by the China Global Investment Tracker, which only includes large investments<sup>4</sup>. CHIA data shows that large investments disproportionately contribute to the total investment value. Across the five years of data, these large investments contribute 87 per cent of the total investment value while only accounting for 27 per cent of the number of individual

<sup>3</sup> CHIA records the equity component of Chinese direct investment by ultimate beneficial control. For brevity's sake, this is simply referred to as 'investment' for the remainder of this paper.

<sup>4</sup> Both CHIA and the Tracker define 'large' as \$100 million. However, this figure is in Australian dollars for CHIA and American dollars for the Tracker. Thus, changes in the exchange rate cause a slight, but easily observable difference between the group of 'large' investments counted across both databases each year.

transactions. This disproportionate contribution of large transactions in each year of CHIA data means that large transactions drive aggregate investment value.

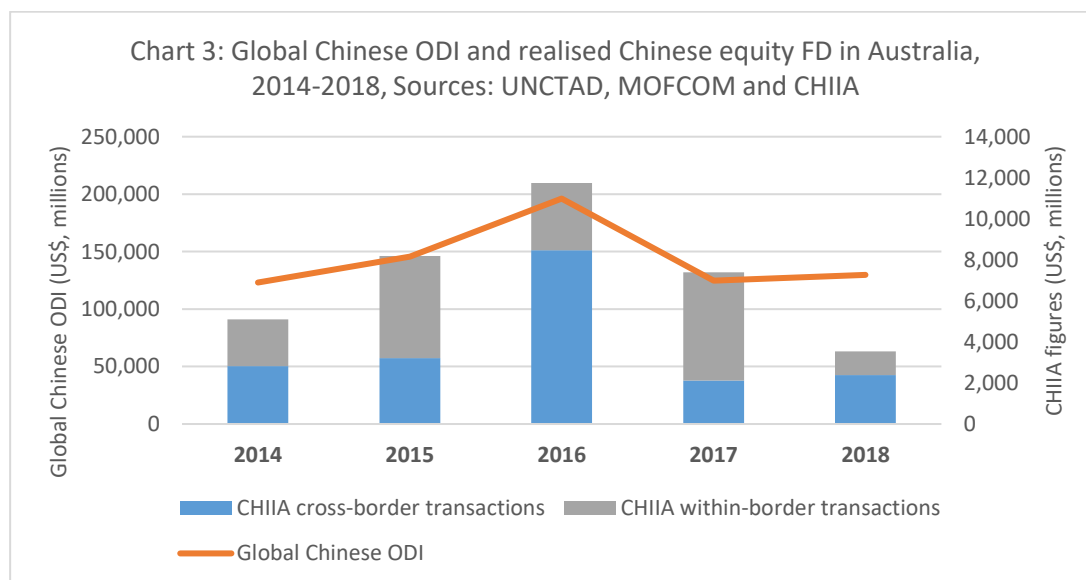
CHIA data also shows that these large investments tend to be concentrated in one or two sectors, in each year. The key sectors of interest change across years but the concentration is fairly consistent. Concentration and lumpiness are not an unusual feature investment data. Table 3 reports the share of annual investment received by each sector as recorded by the CHIA Database. The cells in Table 3 which are highlighted in yellow are the sector which received the highest proportion of investment in that year. The cells in Table 3 with the dashed border are those sectors which received the highest number of large investments in that year. The two yellow cells without dashed borders both received the second highest number of large investments in that year.

**Table 3: Investment by sector (percentage of annual investment), Source: CHIA Database**

Sectors (ANZSIC)	2014	2015	2016	2017	2018
Agriculture, Forestry and Fishing	1.4	2.6	6.0	0.3	0.1
Mining	34.7	12.2	12.9	47.4	11.0
Manufacturing	0.8	15.0	0.0	4.5	54.8
Electricity, Gas, Water and Waste Services	-	0.0	21.1	5.3	10.4
Construction	4.5	13.0	0.4	-	-
Wholesale Trade	-	0.1	-	-	-
Retail Trade	-	-	-	3.4	-
Accommodation and Food Services	15.7	6.8	0.3	1.9	-
Transport, Postal and Warehousing	16.1	4.6	25.7	-	-
Information Media and Telecommunications	15.9	-	-	-	-
Financial and Insurance Services	0.0	0.1	-	-	-
Rental, Hiring and Real Estate Services	6.9	42.5	20.1	20.5	23.7
Professional, Scientific and Technical Services	-	-	3.5	0.8	-
Administrative and Support Services	-	1.1	-	1.4	-
Public Administration and Safety	-	-	-	-	-
Education and Training	0.8	0.0	0.0	-	-
Health Care and Social Assistance	-	1.8	9.2	14.4	-
Arts and Recreation Services	-	0.2	0.8	-	-
Other Services	3.1	-	-	0.0	-

## How Australia fares compared with Chinese global direct investment

Chart 3 plots the global flows of Chinese ODI<sup>5</sup> against the CHIIA recorded investment in Australia. CHIIA figures are recorded on the right axis and global Chinese ODI flows on the left. CHIIA records the ultimate origin of the investors themselves, not their funds. However, it is expected that China is likely a significant source of funding for these Chinese investments in Australia. If that is the case, CHIIA shows that 5 per cent of total Chinese investment was realised in Australia over this period.



In the series on global Chinese ODI there is a clear and significant downturn following 2016<sup>6</sup>. The sudden reduction Chinese investment outflows after 2016 was likely affected by policy tightening within China<sup>7</sup>. The fall abated in 2018.

The CHIIA data shares the 2016 turning point with global FDI flows from China, but unlike the global series, investment in Australia continued to fall in 2018. There are a number of possible reasons for this divergence and the two-year fall documented by the CHIIA data. Three key reasons are highlighted here.

First, Australia-specific factors, such as change in the investment environment as well as factors the end of the investment phase in the mining boom and capital-city property booms.

Second, official FDI statistics report considerable year-to-year volatility in bilateral investment relationships.

Third, the divergence in 2018 between Chinese global and Australia-based investment could also be a product of statistical differences in the two series. MOFCOM measures investment flows as they leave China; CHIIA measures the realisation of equity FDI investments by Chinese investors in Australia. If investors typically transfer the funds from China within the same year investments are

<sup>5</sup> UNCTAD data is currently only available up to 2017. For completeness, the 2018 figure has been added from China's Ministry of Commerce, which is the original source of these official figures.

<sup>6</sup> The China Global Investment Tracker argues the global peak in Chinese ODI actually occurred in 2017. More information about this can be found here: <http://www.aei.org/publication/chinese-investment-still-rising-globally-tough-choices-for-the-us>

<sup>7</sup> Wang and Gao (2018) dub 2016 onwards as 'The regulated stage' in Chinese outbound investment, which follows 'The relaxed stage' from 2000-2016.

realised, then these series should be closely comparable. If this timing differs then making year-to-year comparisons is more difficult.

Summary tables of transactions by value and number for each year and whole period.

**Table 4. Summary of Chinese equity investment activity in Australia as recorded in CHIA (\$A, millions)**

	2014	2015	2016	2017	2018	Total
<b>Total equity transactions recorded</b>	<b>5,671.00</b>	<b>10,975.56</b>	<b>15,802.12</b>	<b>9,608.42</b>	<b>4,756.11</b>	<b>46,813.21</b>
Main dataset	3,129.90	10,975.56	15,802.12	9,608.42	4,756.11	46,813.21
<i>Cross-border transactions</i>	<i>2,541.10</i>	<i>4,297.56</i>	<i>11,398.15</i>	<i>2,753.20</i>	<i>3,194.08</i>	<i>24,772.89</i>
<i>Within-border transactions</i>	<i>5,671.00</i>	<i>6,678.00</i>	<i>4,403.97</i>	<i>6,855.22</i>	<i>1,562.03</i>	<i>22,040.32</i>
Supplementary dataset	-	-	-	-	-	-

**Table 5. Summary of Chinese equity investment activity in Australia as recorded in CHIA by number of transactions**

	2014	2015	2016	2017	2018	Total
<b>Total equity transactions recorded</b>	<b>47</b>	<b>82</b>	<b>102</b>	<b>75</b>	<b>61</b>	<b>367</b>
Main dataset	41	74	90	69	57	331
<i>Cross-border transactions</i>	<i>14</i>	<i>18</i>	<i>26</i>	<i>15</i>	<i>10</i>	<i>83</i>
<i>Within-border transactions</i>	<i>27</i>	<i>56</i>	<i>64</i>	<i>54</i>	<i>47</i>	<i>248</i>
Supplementary dataset	6	8	12	6	4	36



Summary tables of investment levels by sector of entity, for each year and whole period.

**Table 6. Total Chinese equity investment transactions in main dataset, by sector of entity receiving investment**

Sector (ANZSIC)	2014	2015	2016	2017	2018	Total
Agriculture, Forestry and Fishing	80.40	290.80	949.88	25.00	6.83	<b>1,352.91</b>
Mining	1,969.70	1,339.40	2,040.72	4,553.80	521.09	<b>10,424.71</b>
Manufacturing	47.50	1,641.46	4.60	429.17	2,608.65	<b>4,731.38</b>
Electricity, Gas, Water and Waste Services	-	3.80	3,338.90	513.00	493.20	<b>4,348.90</b>
Construction	254.60	1,428.00	57.80	-	-	<b>1,740.40</b>
Wholesale Trade	-	10.00	-	-	-	<b>10.00</b>
Retail Trade	-	-	-	326.20	-	<b>326.20</b>
Accommodation and Food Services	888.50	742.50	44.90	184.00	-	<b>1,859.90</b>
Transport, Postal and Warehousing	915.00	506.00	4,065.90	-	-	<b>5,486.90</b>
Information Media and Telecommunications	900.00	-	-	-	-	<b>900.00</b>
Financial and Insurance Services	1.60	12.00	-	-	-	<b>13.60</b>
Rental, Hiring and Real Estate Services	389.70	4,662.10	3,173.99	1,972.12	1,126.34	<b>11,324.25</b>
Professional, Scientific and Technical Services	-	-	549.72	81.00	-	<b>630.72</b>
Administrative and Support Services	-	116.50	-	135.00	-	<b>251.50</b>
Public Administration and Safety	-	-	-	-	-	-
Education and Training	46.00	2.00	6.80	-	-	<b>54.80</b>
Health Care and Social Assistance	-	200.00	1,448.91	1,386.03	-	<b>3,034.94</b>
Arts and Recreation Services	-	21.00	120.00	-	-	<b>141.00</b>
Other Services	178.00	-	-	3.10	-	<b>181.10</b>
<b>Total</b>	<b>5,671.00</b>	<b>10,975.56</b>	<b>15,802.12</b>	<b>9,608.42</b>	<b>4,756.11</b>	<b>46,813.21</b>

**Table 7. Cross-border Chinese equity investment transactions in main dataset, by sector of entity receiving investment**

Sector (ANZSIC)	2014	2015	2016	2017	2018	Total
Agriculture, Forestry and Fishing	66.40	52.10	455.18	-	-	<b>573.68</b>
Mining	659.40	1,338.70	1,972.30	944.60	101.63	<b>5,016.63</b>
Manufacturing	29.50	1,501.46	4.60	415.97	2,608.65	<b>4,560.18</b>
Electricity, Gas, Water and Waste Services	-	3.80	3,033.90	-	483.80	<b>3,521.50</b>
Construction	-	1,150.00	55.00	-	-	<b>1,205.00</b>
Wholesale Trade	-	9.00	-	-	-	<b>9.00</b>
Retail Trade	-	-	-	311.30	-	<b>311.30</b>
Accommodation and Food Services	598.00	124.00	25.00	-	-	<b>747.00</b>
Transport, Postal and Warehousing	875.00	-	4,055.10	-	-	<b>4,930.10</b>
Information Media and Telecommunications	900.00	-	-	-	-	<b>900.00</b>
Financial and Insurance Services	1.60	-	-	-	-	<b>1.60</b>
Rental, Hiring and Real Estate Services	-	-	-	35.70	-	<b>35.70</b>
Professional, Scientific and Technical Services	-	-	322.02	81.00	-	<b>403.02</b>
Administrative and Support Services	-	116.50	-	65.00	-	<b>181.50</b>
Public Administration and Safety	-	-	-	-	-	-
Education and Training	-	2.00	-	-	-	<b>2.00</b>
Health Care and Social Assistance	-	-	1,355.05	899.63	-	<b>2,254.68</b>
Arts and Recreation Services	-	-	120.00	-	-	<b>120.00</b>
Other Services	-	-	-	-	-	-
<b>Total</b>	<b>3,129.90</b>	<b>4,297.56</b>	<b>11,398.15</b>	<b>2,753.20</b>	<b>3,194.08</b>	<b>24,772.89</b>

**Table 8. Within-border Chinese equity investment transactions in main dataset, by sector of entity receiving investment**

Sector (ANZSIC)	2014	2015	2016	2017	2018	Total
Agriculture, Forestry and Fishing	14.00	238.70	494.70	25.00	6.83	<b>779.23</b>
Mining	1,310.30	0.70	68.42	3,609.20	419.46	<b>5,408.08</b>
Manufacturing	18.00	140.00	-	13.20	-	<b>171.20</b>
Electricity, Gas, Water and Waste Services	-	-	305.00	513.00	9.40	<b>827.40</b>
Construction	254.60	278.00	2.80	-	-	<b>535.40</b>
Wholesale Trade	-	1.00	-	-	-	<b>1.00</b>
Retail Trade	-	-	-	14.90	-	<b>14.90</b>
Accommodation and Food Services	290.50	618.50	19.90	184.00	-	<b>1,112.90</b>
Transport, Postal and Warehousing	40.00	506.00	10.80	-	-	<b>556.80</b>
Information Media and Telecommunications	-	-	-	-	-	-
Financial and Insurance Services	-	12.00	-	-	-	<b>12.00</b>
Rental, Hiring and Real Estate Services	389.70	4,662.10	3,173.99	1,936.42	1,126.34	<b>11,288.55</b>
Professional, Scientific and Technical Services	-	-	227.70	-	-	<b>227.70</b>
Administrative and Support Services	-	-	-	70.00	-	<b>70.00</b>
Public Administration and Safety	-	-	-	-	-	-
Education and Training	46.00	-	6.80	-	-	<b>52.80</b>
Health Care and Social Assistance	-	200.00	93.86	486.40	-	<b>780.26</b>
Arts and Recreation Services	-	21.00	-	-	-	<b>21.00</b>
Other Services	178.00	-	-	3.10	-	<b>181.10</b>
<b>Total</b>	<b>2,541.10</b>	<b>6,678.00</b>	<b>4,403.97</b>	<b>6,855.22</b>	<b>1,562.03</b>	<b>22,040.32</b>

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All data used here was current as of 13 May,2018.

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