

The source of heterogeneous externalities: evidence from foreign multinationals in the UK

Article

Supplemental Material

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Heterogenous Externalities. Evidence from foreign multinationals in the UK

ONLINE APPENDIX

Table A.1: Descriptive statistics and correlations – First stage

Variable	Obs	Mean	Std. Dev	Min	Max	1	2	3	4	5	6	7
Dependent variable												
1 TFP-GO (WRDG)	59,693	15.87	1.17	-0.77	22.62	1						
Independent variables												
2 Foreign assets	59,693	22.87	2.23	0	29.06	0.04	1					
3 Domestic Assets	59,693	24.13	1.95	17.43	29.69	0.03	0.90	1				
4 Foreign-owned	59,693	0.26	0.44	0	1	0.13	0.09	0.08	1			
5 Age	59,693	3.13	0.85	0	5.03	0.07	-0.01	-0.01	0.00	1		
6 Firm size dummy: Medium	59,693	0.37	0.48	0	1	0.09	-0.02	-0.02	0.01	0.01	1	
7 Firm size dummy: Large	59,693	0.17	0.38	0	1	0.59	0.09	0.08	0.16	0.09	-0.35	1

Table A.2: Descriptive statistics and correlations – Second stage

	Obs	Mean	Std. dev	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Dependent variable																		
Foreign assets parameter																		
1 $(\hat{\beta}_i)^{\#}$	10,828	0.0002	0.0776	1														
Independent variables																		
<i>Firm characteristics</i>																		
2 Foreign-owned	10,828	0.2357	0.4244	0.043	1													
3 Age	10,828	3.2706	0.7182	-0.006	-0.019	1												
4 Size dummy: Medium	10,828	0.3284	0.4697	0.030	0.021	0.015	1											
5 Size dummy: Large	10,828	0.1540	0.3610	0.270	0.145	0.083	-0.298	1										
6 No. patents	10,828	0.7090	1.4608	0.082	0.050	0.256	0.014	0.241	1									
7 K/L ratio	10,828	3.0573	1.3901	0.069	0.072	-0.034	0.115	0.334	0.079	1								
8 ROA	10,828	0.0576	0.1853	0.056	-0.030	0.080	-0.004	-0.001	-0.003	-0.084	1							
9 Share foreign subsidiaries	10,828	0.0829	0.2456	0.093	0.069	0.057	0.038	0.200	0.145	0.109	0.021	1						
10 No. of foreign countries	10,828	0.5091	0.4230	0.101	0.076	0.067	-0.074	0.119	0.109	0.001	0.021	0.427	1					
11 labour productivity	10,828	5.1144	0.8242	0.209	0.216	-0.031	0.073	0.218	0.019	0.183	0.149	0.050	0.064	1				
<i>Regional characteristics</i>																		
12 Patents per employee	10,828	0.0052	0.0048	0.002	-0.009	0.023	0.021	-0.036	0.047	-0.015	0.001	-0.004	-0.013	-0.045	1			
13 GVA per employee	10,828	10.4912	3.5717	0.090	-0.010	0.232	0.114	0.062	0.060	0.017	0.037	0.021	-0.016	0.018	0.173	1		
14 Specialisation index	10,828	3.4352	6.6076	0.019	-0.024	0.014	-0.002	0.091	0.036	-0.008	0.000	0.010	0.011	-0.042	0.161	0.080	1	
15 Industry diversity	10,828	2.3414	0.6055	0.017	-0.007	-0.037	0.017	-0.029	0.007	0.009	0.014	0.001	0.010	-0.025	0.219	0.036	0.127	1

[#]The dependent variable is the predicted firm-specific coefficients associated with the variable Foreign Assets from Mod. 2 in Table 3.

Table A.3: Estimating the effect of foreign presence on the productivity of local firms using RPMs, alternative specifications

	TFP-GO				TFP-GO (TTWA)						TFP-VA			
	ME (no subsidiaries)		ME random slope (no subsidiaries)		Balanced sample		ME random slope		ME random slope (no subsidiaries)		ME random slope		ME random slope (no subsidiaries)	
	Mean	Std. dev	Mean	Std. dev	Mean	Std. dev	Mean	Std. dev	Mean	Std. dev	Mean	Std. dev	Mean	Std. dev
Foreign Assets	0.0087* (0.0046)		0.0044 (0.0058)	0.1106*** (0.0069)	0.0006 (0.0049)	0.1742*** (0.0049)	-0.0075* (0.0042)	0.1223*** (0.0046)	-0.003 (0.0039)	0.0359*** (0.0037)	0.0026 (0.0055)	0.1083*** (0.0060)	0.0028 (0.0074)	0.0824*** (0.0079)
Domestic Assets	0.0342*** (0.0107)		0.0398*** (0.0112)		0.0139* (0.0085)		-0.0171** (0.0072)		0.0017 (0.0094)		0.0114 (0.0112)		0.0311** (0.0156)	
Foreign-owned	0.0404*** (0.0081)		0.0408*** (0.0081)		0.0159** (0.0064)		0.0219*** (0.0062)		0.0395*** (0.0081)		0.0006 (0.0082)		0.0245** (0.0109)	
Age	0.0592*** (0.0096)		0.0560*** (0.0095)		0.0953*** (0.0093)		0.0768*** (0.0070)		0.0548*** (0.0094)		0.0377*** (0.0070)		0.0400*** (0.0099)	
Firm size: Medium	0.2953*** (0.0068)		0.2949*** (0.0068)		0.2508*** (0.0053)		0.2705*** (0.0052)		0.2982*** (0.0067)		0.2082*** (0.0068)		0.2080*** (0.0091)	
Firm size: Large	0.6244*** (0.0138)		0.6188*** (0.0138)		0.5639*** (0.0097)		0.6182*** (0.0096)		0.6248*** (0.0138)		0.5280*** (0.0122)		0.4874*** (0.0186)	
Year (time trend)	-0.0005 (0.0014)		-0.0011 (0.0014)		0.0013 (0.0011)		0.0031*** (0.0010)		0.0022* (0.0012)		-0.0028** (0.0014)		-0.0045** (0.0019)	
Constant	15.8852*** (2.5566)	0.7728*** (0.0077)	16.9463*** (2.6180)	2.3618*** (0.1632)	13.2079*** (2.0429)	3.8303*** (0.1132)	10.2851*** (1.8341)	2.6267*** (0.1081)	11.6697*** (2.3661)	0.4864*** (0.0842)	17.6800*** (2.5540)	2.1807*** (0.1479)	20.6227*** (3.5436)	1.6453*** (0.1993)
Industry fixed effects (NACE 2-digit code)	yes		yes		yes		yes		yes		yes		yes	
Regional fixed effects (NUTS-3, or TTWA)	yes		yes		yes		yes		yes		yes		yes	
Random Effect parameters														
Firm individual level														
Corr (Foreign Assets; cons)			-0.9557*** (0.0059)		-0.9785*** (0.0013)		-0.9536*** (0.0038)		-0.4151** (0.1573)		-0.9580*** (0.0049)		-0.9342*** (0.0135)	
Std dev (Residual, Total)	0.2583*** (0.0012)		0.2543*** (0.0012)		0.2483*** (0.0009)		0.2628*** (0.0009)		0.2577*** (0.0012)		0.3627*** (0.0012)		0.3626*** (0.0017)	
Log likelihood	-13176.807		-13041.512		-20323.9		-27619.2		-13047.4		-40793.3		-21031.7	
Number of observations	31231		31231		51422		59693		31231		58947		30749	

Note: The dependent variable is total factor productivity (in gross-output or value added) of firm i at time t . Standard errors in parenthesis below point estimates. Asterisks denote confidence levels: * $p < 0.10$, ** $p < 0.05$ and *** $p < 0.01$. The random parameter model is estimated using the `mixed` package (StataCorp 2013) in Stata 14 and 16, with the `covariance(unstructured)` option which allows for all variances and covariances to be distinct, and the correlation between random slopes and intercept. The subsample of firms with no (domestic and international) subsidiaries is also estimated. The regional unit is NUTS-3, except for the final model using travel-to-work areas (TTWA).

Table A.4: Estimating the effect of foreign presence on the productivity of local firms using RPMs, single plant firms

	TFP-GO		TFP-GO (TTWA)		TFP-VA	
	ME random slope		ME random slope		ME random slope	
	Mean	Std. dev	Mean	Std. dev	Mean	Std. dev
Foreign Assets	-0.0034 (0.0077)	0.1386*** (0.0088)	-0.0170** (0.0074)	0.1350*** (0.0082)	0.002 (0.0095)	0.0812*** (0.0108)
Domestic Assets	0.0540*** (0.0144)		0.0056 (0.0126)		0.0286 (0.0202)	
Foreign-owned	0.0427*** (0.0108)		0.0398*** (0.0107)		0.0403*** (0.0146)	
Age	0.0220* (0.0117)		0.0221* (0.0119)		0.0330*** (0.0123)	
Firm size: Medium	0.2713*** (0.0086)		0.2657*** (0.0085)		0.1980*** (0.0118)	
Firm size: Large	0.5461*** (0.0191)		0.5351*** (0.0189)		0.4355*** (0.0262)	
Year (time trend)	0.0043** (0.0018)		0.0093*** (0.0018)		0.0006 (0.0025)	
Constant	6.2376* (3.4450)	2.9484*** (0.2013)	-2.3403 (3.3028)	2.8916*** (0.1875)	10.3192** (4.7153)	1.6269*** (0.2716)
Industry fixed effects (NACE 2-digit code)	Yes		Yes		Yes	
Regional fixed effects (NUTS-3, or TTWA)	Yes		Yes		Yes	
Random Effect parameters						
Corr (Foreign Assets; cons)	-0.9748*** (0.0034)		-0.9735*** (0.0034)		-0.9395*** (0.0172)	
Std dev (Residual, Total)	0.2381*** (0.0016)		0.2358*** (0.0016)		0.3522*** (0.0022)	
Log likelihood	-15803.44***		-15670.28***		-17391.62***	
Number of observations	17070		17070		16828	

Note: The dependent variable is total factor productivity (in gross-output or value added) of firm i at time t . Standard errors in parenthesis below point estimates. Asterisks denote confidence levels: * $p < 0.10$, ** $p < 0.05$ and *** $p < 0.01$. The random parameter model is estimated using the `mixed` package (StataCorp 2013) in Stata 14 and 16, with the `covariance(unstructured)` option which allows for all variances and covariances to be distinct, and the correlation between random slopes and intercept. Single plant firms are identified following the three criteria proposed by Graham (2007, 2009): 1) we remove firms that record more than one UK trading address; 2) we remove firms that have a registered office address that is different from their main trading address; 3) we keep only those firms that do not have (national or international) subsidiary company. The regional unit is NUTS-3, except for the final model using travel-to-work areas (TTWA).

Table A.5: Estimating the effect of foreign presence on the productivity of local firms using RPMs, size as a continuous variable.

	TFP-GO (total sample) ME random slope		TFP-GO (firms with no subsidiaries) ME random slope		TFP-GO (balanced) ME random slope		TFP-GO (single firms) ME random slope		TFP-GO (total sample, TTWA) [#] ME random slope		TFP-VA (total sample) ME random slope	
	Mean	Std. dev	Mean	Std. dev	Mean	Std. dev	Mean	Std. dev	Mean	Std. dev	Mean	Std. dev
Foreign Assets	-0.0013 (0.0040)	0.1194*** (0.0042)	0.0051 (0.0053)	0.1059*** (0.0061)	-0.0004 (0.0042)	0.1369*** (0.0042)	0.0009 (0.0070)	0.1239*** (0.0078)	-0.0089*** (0.0035)	0.0825*** (0.0041)	0.0036 (0.0054)	0.1027*** (0.0061)
Domestic Assets	0.012 (0.0075)		0.0381*** (0.0101)		0.0075 (0.0075)		0.0526*** (0.0131)		-0.0086 (0.0064)		0.007 (0.0111)	
Foreign-owned	0.0477*** (0.0056)		0.0612*** (0.0073)		0.0399*** (0.0057)		0.0708*** (0.0098)		0.0475*** (0.0056)		0.0227*** (0.0081)	
Age	0.0223*** (0.0059)		0.0061 (0.0086)		0.0198** (0.0079)		-0.0135 (0.0108)		0.0231*** (0.0059)		0.0217*** (0.0070)	
Size (no. employees)	0.5666*** (0.0037)		0.5640*** (0.0056)		0.5619*** (0.0039)		0.5393*** (0.0078)		0.5661*** (0.0037)		0.2835*** (0.0049)	
Year (time trend)	0.0040*** (0.0009)		0.0026** (0.0013)		0.0054*** (0.0010)		0.0043** (0.0017)		0.0062*** (0.0009)		0.0016 (0.0014)	
Constant	5.2610*** (1.7380)	2.6300*** (0.0996)	7.4001*** (2.3557)	2.2788*** (0.1438)	2.552 (1.7923)	3.0536*** (0.0976)	4.1387 (3.1337)	2.6541*** (0.1803)	1.5611 (1.6057)	1.7471*** (0.0999)	7.6881*** (2.5079)	2.1102*** (0.1488)
Industry fixed effects (NACE 2-digit code)	yes		yes		yes		yes		yes		yes	
Regional fixed effects (NUTS- 3, or TTWA)	yes		yes		yes		yes		yes		yes	
Random Effect parameters												
Corr (Foreign Assets; cons)	-0.9683*** (0.0025)		-0.9612*** (0.0048)		-0.9778*** (0.0015)		-0.9728*** (0.0037)		-0.9315*** (0.0076)		-0.9531*** (0.0060)	
Std dev (Residual, Total)	0.2373*** (0.0008)		0.2298*** (0.0011)		0.2241*** (0.0008)		0.2177*** (0.0014)		0.2388*** (0.0008)		0.3591*** (0.0012)	
Log likelihood	-64957***		-33173***		-54390***		-17377***		-64734***		-68975***	
Number of observations	59693		31231		51422		17070		59693		58947	

Note: The dependent variable is total factor productivity (in gross-output or value-added) of firm i at time t . Standard errors in parenthesis below point estimates. Asterisks denote confidence levels: * $p < 0.10$, ** $p < 0.05$ and *** $p < 0.01$. The random parameter model is estimated using the `mixed` package (StataCorp 2013) in Stata 14 and 16, with the `covariance(unstructured)` option which allows for all variances and covariances to be distinct, and the correlation between random slopes and intercept. The model is estimated on the total sample, the subsample of firms with no (domestic and international) subsidiaries, and the subsample of single plant firms. Single plant firms are identified following the three criteria proposed by Graham (2007, 2009): 1) we remove firms that record more than one UK trading address; 2) we remove firms that have a registered office address that is different from their main trading address; 3) we keep only those firms that do not have (national or international) subsidiary company. [#]The regional unit is NUTS-3, except this specification which uses travel-to-work areas (TTWA).

Table A.6: Heterogeneity in the Foreign Assets parameter. OLS regressions, alternative specifications.

	TFP-VA		TFP-GO (TTWA)		TFP-GO (balanced)		TFP-GO (no subsidiaries)		TFP-GO (single plants)		TFP-GO (tot sample, size as continuous)	
	mod_6	mod_7	mod_6	mod_7	mod_6	mod_7	mod_6	mod_7	mod_6	mod_7	mod_6	mod_7
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<i>Firm characteristics</i>												
Foreign-owned	0.0011 (0.0013) ([0.4195])	-0.0069*** (0.0013) ([0.0000])	0.0028** (0.0014) ([0.0478])	-0.0018 (0.0014) ([0.2048])	0.0017 (0.0024) ([0.4779])	-0.0035 (0.0024) ([0.1446])	-0.0004 (0.0016) ([0.8095])	-0.0083*** (0.0015) ([0.0000])	-0.0041 (0.0029) ([0.1569])	-0.0135*** (0.0029) ([0.0000])	0.0096*** (0.0017) ([0.0000])	-0.0040** (0.0016) ([0.0140])
Age	-0.0068*** (0.0009) ([0.0000])	-0.0055*** (0.0008) ([0.0000])	-0.0039*** (0.0009) ([0.0000])	-0.0029*** (0.0008) ([0.0000])	-0.0101*** (0.0018) ([0.0000])	-0.0090*** (0.0018) ([0.0000])	-0.0079*** (0.0011) ([0.0000])	-0.0063*** (0.0010) ([0.0000])	-0.0114*** (0.0021) ([0.0000])	-0.0097*** (0.0020) ([0.0000])	-0.0085*** (0.0011) ([0.0000])	-0.0066*** (0.0011) ([0.0000])
Size dummy: Medium	0.0198*** (0.0013) ([0.0000])	0.0156*** (0.0013) ([0.0000])	0.0167*** (0.0013) ([0.0000])	0.0134*** (0.0013) ([0.0000])	0.0159*** (0.0024) ([0.0000])	0.0128*** (0.0024) ([0.0000])	0.0279*** (0.0016) ([0.0000])	0.0222*** (0.0015) ([0.0000])	0.0314*** (0.0030) ([0.0000])	0.0252*** (0.0030) ([0.0000])		
Size dummy: Large	0.0609*** (0.0019) ([0.0000])	0.0507*** (0.0018) ([0.0000])	0.0547*** (0.0019) ([0.0000])	0.0477*** (0.0019) ([0.0000])	0.0734*** (0.0034) ([0.0000])	0.0671*** (0.0034) ([0.0000])	0.0761*** (0.0026) ([0.0000])	0.0655*** (0.0026) ([0.0000])	0.0717*** (0.0053) ([0.0000])	0.0557*** (0.0052) ([0.0000])		
No. patents	0.0021*** (0.0004) ([0.0000])	0.0024*** (0.0004) ([0.0000])	0.0024*** (0.0004) ([0.0000])	0.0025*** (0.0004) ([0.0000])	0.0020*** (0.0007) ([0.0062])	0.0022*** (0.0007) ([0.0021])	-0.0002 (0.0006) ([0.7291])	0.0003 (0.0005) ([0.5132])	0.0007 (0.0011) ([0.5221])	0.0014 (0.0011) ([0.1882])	0.0017*** (0.0005) ([0.0017])	0.0003 (0.0005) ([0.5669])
K/L ratio	-0.0067*** (0.0004) ([0.0000])	-0.0078*** (0.0004) ([0.0000])	-0.0036*** (0.0005) ([0.0000])	-0.0044*** (0.0005) ([0.0000])	-0.0050*** (0.0008) ([0.0000])	-0.0059*** (0.0008) ([0.0000])	-0.0049*** (0.0005) ([0.0000])	-0.0054*** (0.0005) ([0.0000])	-0.0062*** (0.0010) ([0.0000])	-0.0068*** (0.0010) ([0.0000])	0.0009* (0.0005) ([0.0884])	-0.0027*** (0.0005) ([0.0000])
ROA	0.0488*** (0.0030) ([0.0000])	0.0338*** (0.0029) ([0.0000])	0.0165*** (0.0029) ([0.0000])	0.0063** (0.0029) ([0.0313])	0.0125* (0.0066) ([0.0604])	0.0039 (0.0066) ([0.5541])	0.0252*** (0.0038) ([0.0000])	0.0086** (0.0037) ([0.0196])	0.0389*** (0.0072) ([0.0000])	0.0171** (0.0072) ([0.0170])	0.0300*** (0.0038) ([0.0000])	0.0041 (0.0036) ([0.2495])
Share foreign subsidiaries	0.0093*** (0.0026) ([0.0002])	0.0115*** (0.0024) ([0.0000])	0.0006 (0.0024) ([0.8003])	0.0033 (0.0024) ([0.1671])	-0.0045 (0.0045) ([0.3132])	-0.0023 (0.0044) ([0.6098])					0.0016 (0.0033) ([0.6200])	-0.0017 (0.0031) ([0.5763])
No. of foreign countries	0.0082*** (0.0014) ([0.0000])	0.0065*** (0.0014) ([0.0000])	0.0128*** (0.0014) ([0.0000])	0.0115*** (0.0014) ([0.0000])	0.0024 (0.0026) ([0.3546])	0.001 (0.0025) ([0.6965])					0.0156*** (0.0019) ([0.0000])	0.0119*** (0.0017) ([0.0000])
Labour productivity		0.0230*** (0.0007) ([0.0000])		0.0131*** (0.0007) ([0.0000])		0.0143*** (0.0013) ([0.0000])		0.0200*** (0.0008) ([0.0000])		0.0228*** (0.0016) ([0.0000])		0.0362*** (0.0009) ([0.0000])
No. employees (log)											0.0259*** (0.0007) ([0.0000])	0.0340*** (0.0007) ([0.0000])
<i>Regional characteristics</i>												
Patents per employee	0.0665 (0.1447) ([0.6460])	0.062 (0.1377) ([0.6525])	0.1609 (0.1353) ([0.2346])	0.0691 (0.1337) ([0.6040])	-0.5019** (0.2413) ([0.0375])	-0.4850** (0.2413) ([0.0431])	0.2406 (0.1681) ([0.1524])	0.263 (0.1601) ([0.1005])	0.3913 (0.2969) ([0.1877])	0.3401 (0.2881) ([0.2380])	-0.0519 (0.1793) ([0.7721])	0.0393 (0.1672) ([0.8144])
GVA per employee	0.0016 (0.0010) ([0.1002])	0.0030*** (0.0009) ([0.0015])	-0.0002 (0.0009) ([0.8610])	0.0009 (0.0009) ([0.2922])	0.0062*** (0.0017) ([0.0003])	0.0067*** (0.0017) ([0.0001])	0.0007 (0.0011) ([0.5665])	0.001 (0.0011) ([0.3510])	-0.0027 (0.0022) ([0.2142])	-0.0018 (0.0021) ([0.3853])	0.0011 (0.0012) ([0.3742])	0.0033*** (0.0011) ([0.0043])
Specialisation index	-0.0002* (0.0001) ([0.0501])	-0.0001 (0.0001) ([0.2557])	-0.0003** (0.0001) ([0.0121])	-0.0002* (0.0001) ([0.0505])	-0.0008*** (0.0002) ([0.0000])	-0.0008*** (0.0002) ([0.0000])	-0.0002 (0.0001) ([0.1650])	-0.0001 (0.0001) ([0.3446])	-0.0001 (0.0002) ([0.5048])	-0.0001 (0.0002) ([0.8020])	-0.0006*** (0.0001) ([0.0000])	-0.0008*** (0.0001) ([0.0000])
Industry diversity	0.001 (0.0010)	0.001 (0.0009)	0.0033*** (0.0010)	0.0037*** (0.0010)	0.0037** (0.0017)	0.0041** (0.0017)	0.0023** (0.0011)	0.0032*** (0.0011)	0.0061*** (0.0022)	0.0075*** (0.0021)	0.0039*** (0.0012)	0.0048*** (0.0012)

Constant	([0.3243]) 0.0042 (0.0113) ([0.7074])	([0.2588]) -0.1287*** (0.0115) ([0.0000])	([0.0014]) -0.0025 (0.0104) ([0.8141])	([0.0003]) -0.0785*** (0.0110) ([0.0000])	([0.0290]) -0.0392** (0.0198) ([0.0479])	([0.0175]) -0.1202*** (0.0211) ([0.0000])	([0.0490]) 0.0162 (0.0131) ([0.2171])	([0.0032]) -0.0957*** (0.0133) ([0.0000])	([0.0046]) 0.0527** (0.0251) ([0.0357])	([0.0004]) -0.0815*** (0.0261) ([0.0018])	([0.0016]) -0.1263*** (0.0146) ([0.0000])	([0.0000]) -0.3776*** (0.0150) ([0.0000])
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of observations	10788	10788	10828	10828	8371	8371	5950	5950	3303	3303	10828	10828
R-squared	0.1539	0.2341	0.1270	0.1545	0.0764	0.0887	0.1758	0.2521	0.1099	0.1622	0.1669	0.2755
R-squared adjusted	0.1509	0.2314	0.1239	0.1514	0.0722	0.0844	0.1708	0.2474	0.1001	0.1527	0.1641	0.2729

Note: The dependent variable is the predicted firm-specific coefficients associated with the variable Foreign Assets from Mod. 2 in Table 2. We use the post-estimation command `predict`, including `reffects` option within the `mixed` post-estimation and related `mixed` packages in Stata 14 and 16 (StataCorp 2013). Robust standard errors in parenthesis below point estimates are computed based on Hornstein and Greene (2012), p-values in square brackets below the standard errors. Asterisks denote confidence levels: *p<0.10, **p<0.05 and ***p<0.01.