

An Ownership-Based Disaggregation of the U.S. Current Account, 1982–97

THIS REPORT UPDATES the presentation of an ownership-based disaggregation of the current-account portion of the U.S. international transactions accounts (balance of payments).¹

The Bureau of Economic Analysis (BEA) developed this presentation in the first half of the 1990's in response to increased demands for a supplement to the existing international transactions presentation that would provide additional information about ownership.² These demands arose from the increased interdependence of world economies as a result of the more prominent role of multinational companies in international markets and as commercial agreements increasingly covered not only cross-border sales but also sales through locally established affiliates.

Like the traditional international transactions accounts, the ownership-based disaggregation is organized by residency, but it disaggregates current-account transactions to show additional information on ownership and on sales through overseas affiliates. Essentially a different way of presenting the same information, the ownership-based disaggregation is fully consistent conceptually with the traditional accounts and could be viewed as a "satellite" of those accounts.³

The estimates for 1982–96 have been revised to incorporate the latest estimates of U.S. international transactions, and the estimates for 1996 have been revised to incorporate the latest estimates of the financial and operating data of foreign-owned affiliates in the United States and of U.S.-owned affiliates abroad; new estimates are presented for 1997. In addition, the table

reflects the changes that were made to the U.S. international transactions accounts in last summer's annual revision: A small part of unilateral transfers has been reclassified to the new capital account, and, beginning with 1986, compensation of employees has been reclassified from the services account to the income account.⁴

In the standard presentation of the current-account estimates, U.S. sales to foreigners consist only of the goods and services that are delivered to foreign markets directly from the United States (shown in line 3 of table 1). In the ownership-based presentation, U.S. international "sales" (line 2) also include the income that is received by U.S. companies from the sale of goods and services by their subsidiaries abroad (line 8). Similarly, in the ownership-based presentation, U.S. international "purchases" (line 22) includes the income that is paid by foreign-owned firms in the United States to their foreign owners, as well as the goods and services that are delivered to the U.S. market from abroad. These additions, which raise the value of total U.S. sales and purchases, provide a more comprehensive basis for assessing the effect of net "overseas" sales on the U.S. economy.

In the table, the balance on goods, services, and net receipts from sales by affiliates (line 43) shows the net result of the active participation of U.S. companies in international markets. In every year, this balance has been more favorable than either the balance on goods and services or the balance on current account; in 1997, this balance was -\$35.5 billion, compared with -\$104.7 billion for the balance on goods and services.

The ownership-based presentation highlights the role of multinational corporations' (MNC's) overseas operations by showing subtotals (lines 2 and 22) that group the income received by MNC's from sales by their overseas affiliates with the shipments of goods and sales of services from domestic providers. Like the standard presentation, the ownership-based presentation distinguishes between these two methods of servicing international markets, which have different effects on the domestic economy. For example, because of the high labor content in professional services, the domestic economy is affected differently, depending on whether a U.S. accounting or engineering firm decides to serve its European clients from its U.S. offices or from those of its local affiliate; if the client is served from its U.S. office, the entire value of the service accrues to the U.S. economy, but if the client is served by its local affiliate, then only the net U.S.

1. For a review of the sources and methods used to prepare the disaggregated estimates, see Obie G. Whichard and Jeffrey H. Lowe, "An Ownership-Based Disaggregation of the U.S. Current Account, 1982–93," *SURVEY OF CURRENT BUSINESS* 75 (October 1995): 52–61. For a general review of the issues relating to ownership relationships in international transactions, see J. Steven Landefeld, Obie G. Whichard, and Jeffrey H. Lowe, "Alternative Frameworks for U.S. International Transactions," *SURVEY* 73 (December 1993): 50–61.

2. Among those calling for more information on ownership was a National Academy of Sciences study panel. See National Research Council, Panel on Foreign Trade Statistics, *Behind the Numbers: U.S. Trade in the World Economy*, ed. Anne Y. Kester (Washington, DC: National Academy Press, 1992).

3. As described in the *System of National Accounts*, satellite accounts are accounts that augment the central national accounts by "expanding" the analytical capacity of national accounting for selected areas...in a flexible manner, without overburdening or disrupting the central system"; they may introduce additional information, alternative accounting frameworks, or "complementary or alternative concepts," while maintaining linkages to the central accounts. See Commission of the European Communities, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, and World Bank, *System of National Accounts, 1993* (Brussels/Luxembourg, New York, Paris, and Washington, DC, 1993): 489.

NOTE.—This report was prepared by Jeffrey H. Lowe.

4. For the details, see Christopher L. Bach, "U.S. International Transactions, Revised Estimates for 1982–98," *SURVEY* 79 (July 1999): 60–74.

receipt of investment income resulting from the sale accrues to the U.S. economy.

Additional information on ownership relationships is provided by the disaggregation of trade in goods and in services into trade between affiliated parties (that is, trade within MNC's) and trade between unaffiliated parties. Trade within MNC's is disaggregated into trade between U.S. parent companies and their foreign affiliates and trade between U.S. affiliates of foreign companies and their foreign parent groups. For receipts and payments of direct investment income, the table shows how the income is derived from the production and sales of affiliates.⁵ To highlight the links between the income and the activities that

produce it, the income is designated "net receipts or payments of direct investment income resulting from sales by affiliates."

In addition to providing an alternative disaggregation of current-account transactions, [table 1](#) provides, in addenda, supplemental information on the U.S. and foreign content of affiliates' output that assists in describing affiliate operations and analyzing the role of direct investment as a vehicle for supplying international markets. For both foreign and U.S. affiliates, output sold (or added to inventory) is broken down between U.S. content and foreign content; the source of the content is then broken down between the affiliates' own value added and other content.

Table 1 follows. 

5. These detailed estimates can be provided only for nonbank affiliates.

Table 1.—Ownership-Based Disaggregation of the U.S. Current Account, 1982–97

[Billions of dollars]

Line	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	
1	Exports of goods and services and income receipts (IT table 1, line 1)	366.9	356.2	400.1	387.8	406.1	456.2	567.3	649.9	708.1	729.5	748.4	776.4	868.0	1,005.7	1,074.4	1,197.2
2	Receipts resulting from exports of goods and services or sales by foreign affiliates	304.6	297.9	326.6	324.7	345.9	394.3	489.0	550.6	602.4	639.0	709.5	779.9	889.5	953.1	1,054.3	
3	Exports of goods and services	275.2	266.1	291.1	289.1	308.8	347.8	430.3	488.3	536.1	580.0	615.9	641.8	702.1	793.5	849.8	938.5
3a	Goods, balance of payments basis (IT table 1, line 3)	211.2	201.8	219.9	215.9	223.3	250.2	320.2	362.1	389.3	416.9	440.4	456.8	502.4	578.8	612.1	679.7
3b	Services (IT table 1, line 4)	64.1	64.3	71.2	73.2	85.4	97.6	110.0	126.2	146.8	163.0	175.6	185.0	199.7	217.6	237.7	258.8
4	To unaffiliated foreigners	193.3	183.9	196.5	189.7	211.3	245.9	305.4	341.4	381.3	412.0	428.7	448.2	472.5	540.2	579.7	640.4
4a	Goods	139.0	129.8	136.1	128.2	140.4	164.7	214.4	238.4	261.5	277.6	285.6	295.7	313.0	365.9	389.5	433.8
4b	Services	54.3	54.0	60.3	61.6	70.9	81.2	91.0	103.0	119.9	134.4	143.1	152.5	159.6	174.3	190.3	206.5
5	To affiliated foreigners	81.9	82.2	94.6	99.4	97.5	101.9	124.9	147.0	154.7	168.0	187.2	193.6	229.5	253.2	270.1	298.2
5a	Goods	72.2	72.0	83.8	87.8	83.0	85.5	105.8	123.7	127.8	139.3	154.8	161.1	189.4	209.9	222.6	245.9
5b	Services	9.8	10.3	10.8	11.6	14.6	16.4	19.1	23.3	26.9	28.6	32.5	32.5	40.1	43.3	47.5	52.3
6	To foreign affiliates of U.S. companies	55.4	58.0	65.6	71.3	72.7	79.7	95.4	109.2	112.5	120.6	131.4	139.6	170.8	187.1	198.6	223.6
6a	Goods	47.1	49.4	56.7	61.9	61.1	66.4	79.4	89.4	90.1	97.1	106.0	113.8	138.3	152.7	161.8	183.1
6b	Services	8.3	8.6	8.9	9.5	11.6	13.3	16.0	19.7	22.4	23.5	25.4	25.8	32.6	34.4	36.8	40.5
7	To foreign parent groups of U.S. affiliates	26.5	24.3	29.0	28.0	24.9	22.2	29.4	37.8	42.2	47.4	55.8	54.0	58.7	66.2	71.5	74.6
7a	Goods	25.0	22.6	27.1	25.9	21.9	19.1	26.4	34.3	37.8	42.2	48.8	47.4	51.1	57.2	60.8	62.8
7b	Services	1.5	1.7	1.9	2.1	3.0	3.1	3.0	3.5	4.5	5.1	7.1	6.7	7.5	8.9	10.7	11.8
8	Net receipts by U.S. companies of direct investment income resulting from sales by their foreign affiliates (IT table 1, line 14)	29.4	31.8	35.5	35.6	37.1	46.5	58.7	62.3	66.3	59.1	58.0	67.7	77.9	96.0	103.3	115.8
9	Nonbank affiliates	26.0	28.7	32.6	33.6	35.8	46.2	57.0	62.0	65.9	58.8	64.0	74.0	92.7	100.0	112.4	
10	Sales by foreign affiliates	935.8	886.3	898.6	895.5	928.9	1,052.8	1,194.7	1,284.9	1,493.4	1,541.6	1,574.1	1,570.6	1,757.4	2,040.7	2,233.7	2,356.4
11	Less: Foreign affiliates' purchases of goods and services from the United States	65.0	66.1	75.3	79.1	82.6	92.2	110.9	122.3	128.8	138.8	147.4	157.6	192.0	212.3	230.9	256.2
12	Less: Costs and profits accruing to foreigners	721.3	668.4	668.3	659.4	675.5	752.9	840.9	907.6	1,064.8	1,098.6	1,106.4	1,088.6	1,199.4	1,378.6	1,508.7	1,555.7
13	Compensation of employees of foreign affiliates	111.7	102.8	100.7	102.4	117.6	136.1	151.5	165.8	184.8	196.1	201.5	201.1	224.3	240.8	252.6	261.2
14	Other	609.6	565.6	567.6	557.1	557.9	616.8	689.4	741.8	880.0	902.4	904.9	887.5	975.1	1,137.8	1,256.1	1,294.4
15	Less: Sales by foreign affiliates to other foreign affiliates of the same parent	123.4	123.0	122.4	123.3	135.1	161.5	185.9	193.0	233.9	245.4	264.5	260.4	292.0	357.1	394.1	432.1
16	Bank affiliates	3.4	3.1	2.9	2.0	1.4	0.4	1.8	0.2	0.4	0.3	2.2	3.7	3.9	3.2	3.3	3.4
17	Other income receipts	62.3	58.3	73.5	63.1	60.1	61.9	78.3	99.3	105.8	90.5	74.5	66.9	88.1	116.2	121.3	142.9
18	Other private receipts on U.S.-owned assets abroad (IT table 1, line 15)	58.2	53.4	68.3	57.6	52.8	55.6	70.6	92.6	94.1	81.2	66.0	60.4	82.4	109.8	115.0	137.5
19	U.S. Government receipts (IT table 1, line 16)	4.1	4.8	5.2	5.5	6.4	5.3	6.7	5.7	10.5	8.0	7.1	5.1	4.1	4.7	4.6	3.6
20	Compensation of employees (IT table 1, line 17)	n.a.	n.a.	n.a.	n.a.	0.9	1.0	1.0	1.2	1.3	1.4	1.4	1.5	1.8	1.8	1.8	1.8
21	Imports of goods and services and income payments (IT table 1, line 18)	356.0	377.6	474.1	484.1	530.5	594.8	664.2	721.7	759.6	735.0	763.2	823.2	950.5	1,083.8	1,161.5	1,298.7
22	Payments resulting from imports of goods and services or sales by U.S. affiliates	301.5	328.1	408.8	418.2	455.8	508.6	558.3	587.3	619.9	607.7	656.3	720.9	823.9	923.2	989.7	1,089.8
23	Imports of goods and services	299.4	323.9	400.2	411.0	448.6	500.6	545.7	579.8	616.0	609.4	652.9	711.7	800.0	891.0	954.1	1,043.3
23a	Goods, balance of payments basis (IT table 1, line 20)	247.6	268.9	332.4	338.1	368.4	447.2	477.4	498.3	491.0	536.5	589.4	668.6	749.6	803.3	876.4	953.8
23b	Services (IT table 1, line 21)	51.7	55.0	67.7	72.9	80.1	90.8	98.5	102.5	117.7	118.5	116.5	122.3	131.9	141.4	150.8	166.9
24	From unaffiliated foreigners	204.0	221.6	272.7	270.8	295.3	325.3	350.4	365.6	386.9	381.1	408.2	449.8	494.6	558.6	598.3	675.7
24a	Goods	156.4	170.5	209.2	202.3	220.0	241.2	259.3	272.7	280.6	275.3	304.8	341.5	379.1	436.1	468.5	533.5
24b	Services	47.5	51.1	63.5	68.5	75.3	84.1	91.1	92.9	106.3	105.8	103.4	108.2	115.5	126.6	129.8	142.2
25	From affiliated foreigners	95.4	102.3	127.5	140.1	153.3	175.2	195.3	214.3	229.1	228.3	244.7	262.0	305.9	332.4	355.8	367.6
25a	Goods	91.2	98.4	123.2	135.8	148.4	168.6	187.9	204.7	217.8	215.6	231.7	247.9	289.5	315.3	334.8	342.9
25b	Services	4.2	3.9	4.2	4.4	4.8	6.7	7.5	9.6	11.3	12.7	13.0	14.1	16.6	18.9	21.0	24.7
26	From foreign affiliates of U.S. companies	42.1	45.8	55.0	56.5	57.5	63.6	73.1	79.6	85.9	88.9	99.4	103.1	121.8	129.7	145.0	157.3
26a	Goods	39.3	43.6	52.8	54.0	55.0	60.4	69.5	74.7	80.3	83.5	93.9	97.1	114.9	122.3	137.2	147.4
26b	Services	2.8	2.2	2.2	2.4	2.5	3.2	3.6	4.9	5.6	5.4	6.0	7.0	7.4	7.8	9.9	9.9
27	From foreign parent groups of U.S. affiliates	53.4	56.4	72.5	83.7	95.7	111.6	122.2	134.7	143.2	139.4	145.3	158.9	184.1	202.7	210.8	210.3
27a	Goods	51.9	54.8	70.5	81.7	93.4	108.2	118.4	129.9	137.5	132.2	137.8	150.8	174.6	191.2	197.7	195.5
27b	Services	1.4	1.6	2.0	1.9	2.3	3.4	3.9	4.8	5.8	7.3	7.5	8.1	9.4	11.4	13.1	14.8
28	Net payments to foreign parents of direct investment income resulting from sales by their U.S. affiliates (IT table 1, line 31)	2.1	4.2	8.7	7.3	7.2	8.1	12.6	7.4	3.9	-1.7	3.3	9.1	23.5	32.2	35.6	46.6
29	Nonbank affiliates	1.4	3.4	8.0	5.9	5.9	7.8	11.1	7.0	5.4	-1.3	3.5	8.7	20.6	27.6	32.7	42.6
30	Sales by U.S. affiliates	518.1	536.6	593.6	633.0	672.0	744.6	886.4	1,056.6	1,175.9	1,185.9	1,232.0	1,329.4	1,443.5	1,544.6	1,667.6	1,717.2
31	Less: U.S. affiliates' purchases of goods and services from abroad	85.7	83.1	102.5	115.3	128.1	147.0	159.4	176.6	188.7	186.0	192.0	208.7	241.8	262.3	281.8	276.3
32	Less: Costs and profits accruing to U.S. persons	431.0	450.1	483.1	511.8	538.0	589.8	715.9	873.1	981.8	1,007.2	1,036.5	1,112.1	1,181.1	1,254.7	1,353.1	1,398.3
33	Compensation of employees of U.S. affiliates	61.5	66.8	73.2	79.9	86.5	96.0	119.6	144.2	163.6	176.0	182.1	193.0	200.6	206.4	220.6	230.0
34	Other	369.5	383.3	409.9	431.9	451.5	493.8	596.3	728.9	818.2	825.2	854.4	919.1	980.5	1,048.4	1,132.5	1,168.0
35	Less: Sales by U.S. affiliates to other U.S. affiliates of the same parent	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
36	Bank affiliates	0.7	0.8	0.7	1.4	1.3	0.2	1.5	0.5	-1.4	-0.5	-0.2	0.5	2.8	4.6	2.9	3.9
37	Other income payments	54.5	49.5	65.3	65.9	74.7	86.2	105.9	134.4	139.7	127.4	106.9	102.3	126.6	160.6	171.8	208.9
38	Other private payments on foreign-owned assets in the United States (IT table 1, line 32)	35.2	30.5	44.2	42.7	47.4	57.7	72.3	93.8	95.5	82.5	63.1	57.8	76.5	97.0	97.9	114.1