

Worldwide Activities of U.S. Multinational Enterprises: Preliminary Results From the 2014 Benchmark Survey

Improvements in Coverage

Statistics on the 2014 activities of U.S. multinational enterprises (MNEs) are based on the preliminary results from the 2014 Benchmark Survey of Direct Investment Abroad. Benchmark surveys are conducted every 5 years and are BEA's most comprehensive surveys of U.S. direct investment abroad, in terms of both the number of companies covered and the amount of information gathered. For this benchmark survey, there was an increase in the number of reporting enterprises that increased the measures of MNE activity.

The 2013–2014 changes in the measures of the activities of MNEs, such as value added and employment, can be derived as the net effect of changes that result from several factors: (1) parents entering the MNE universe by acquiring or establishing their first foreign affiliate (parent births), (2) foreign affiliates entering the MNE universe by being newly acquired or established (foreign affiliate births), (3) changes in the existing operations of parents and affiliates, (4) parents and affiliates leaving the MNE universe because they were sold or liquidated (parent and affiliate deaths), and (5) *other changes*, which primarily reflect improvements in coverage from the benchmark survey (table I and chart). *Other changes* more than accounted for the overall change in U.S. MNE value added and employment in 2014, meaning that there was a net decrease in these measures of MNE activities resulting from what might be called actual business activity (births, deaths, and changes in ongoing operations) in 2014.

Other changes occur in all years, but are especially large in benchmark survey years because of BEA's concerted efforts to ensure complete coverage in benchmark years, including outreach to potential respondents, sharing of survey sample frame information by other government agencies, and mining of commercial datasets. The impact of *other changes* on the 2013–2014 change is large compared with the impact in previous benchmark survey years, but there is mixed evidence as to whether it is unusually large. To compare the impact of *other changes* in 2014 with the impact in earlier years, the data points can be normalized by dividing them over the prior year level for that measure of MNE activity. For example, in 2014, *other changes* represented 10.2 percent of the level of MNE value added in 2013 and 13.8 percent of the level of MNE employment in 2013 (table II).¹ These impacts are larger than the mean impact for earlier benchmark survey years and larger than the impact for any earlier individual bench-

1. For comparability with *other changes* in the preliminary 2014 statistics, *other changes* for the other benchmark surveys are calculated using preliminary data. Prior-year levels are from revised statistics.

mark survey year. The 10.2 percent impact on value added is beyond two standard deviations of the historical impacts and is thus considered unusually large. The 13.8 percent impact on employment is within two standard deviations of the historical impacts and is thus not considered unusually large. In principle, BEA could seek to anticipate benchmark improvements in coverage by scaling up statistics in annual survey years to reflect an estimate for U.S. parents and their foreign affiliates that will come to BEA's attention in the next benchmark year. BEA has not done this in the past, in part because it would be difficult to provide an accurate prediction of the effect and would be difficult to distribute the estimated activity across industry, country, and the various measures of MNE activity.

Data users should be aware that the increase in most activities from 2013 to 2014 appears to largely reflect the influx of companies that were already in the direct investment universe into BEA's direct investment sampling frame. Rather than comparing 2014 activity levels to past nonbenchmark-year levels, comparisons of 2014 distributions of activities with past nonbenchmark-year distributions may prove to be more informative. For instance, a comparison of European affiliates' share of MOFA value added in 2014 with the same share in 2013 would be entirely legitimate to the extent that European affiliates are proportionately represented in the MNEs that were belatedly recognized to belong to the direct investment universe.

**Table I. Sources of Change in the Value Added and Employment
of U.S. Multinational Enterprises (MNEs), 2013–2014**

Line		Value added (Millions of dollars)	Thousands of employees	Number of enterprises (or affiliates) ¹
U.S. MNEs				
1	Level for 2013 ^r	4,882,107.0	35,767.8	28,808
2	Total change	415,196.0	4,594.0	8,094
3	New parents or affiliates	21,631.2	284.6	998
4	Changes in existing operations ³	-45,746.9	-28.0	-155
5	Sales or liquidations	-59,163.3	-613.5	-2,290
6	Other changes, including benchmark revisions ⁵	498,475.0	4,950.9	9,541
7	Level for 2014 ^p	5,297,303.0	40,361.8	36,902
Parents				
8	Level for 2013 ^r	3,487,281.0	23,348.8	2,200
9	Total change	322,984.0	3,210.9	1,939
10	New parents ²	16,039.2	120.6	85
11	Changes in existing operations ³	-34,444.1	-134.1	-78
12	Parents departing the universe ⁴	-46,273.8	-389.2	-35
13	Other changes, including benchmark revisions ⁵	387,662.7	3,613.6	1,967
14	Level for 2014 ^p	3,810,265.0	26,559.7	4,139
MOFAs				
15	Level for 2013 ^r	1,394,826.0	12,419.0	26,608
16	Total change	92,212.0	1,383.1	6,155
17	New affiliates	5,591.9	163.9	913
	Of which:			
18	Acquired by US parents	3,537.1	54.6	261
19	Established by US parents	2,054.8	109.3	652
20	Changes in existing operations ³	-11,302.8	106.1	-77
21	Sales or liquidations of foreign affiliates	-12,889.5	-224.3	-2,255
22	Other changes, including benchmark revisions ⁵	110,812.4	1,337.3	7,574
23	Level for 2014 ^p	1,487,038.0	13,802.1	32,763

MOFAs Majority-owned foreign affiliates

1. Counts of affiliates or parents include only those with affiliates that have assets, sales, or net income (+/-) greater than \$25 million; all other data are all parents.

2. Parents that established or acquired their first affiliate in 2014.

3. Includes changes resulting from parents or affiliates acquiring, establishing, selling, or liquidating parts of their consolidated operations. This also includes *other changes* in existing operations, such as changes in sales and employment. BEA generally requires survey respondents to fully consolidate their U.S. parent operations, but does not generally permit survey respondents to consolidate affiliate operations unless they are in the same country and the same industry or are integral parts of a single business operation.

4. Parents that sold or liquidated their last foreign affiliate and those that went out of business in 2014.

5. Changes that could not be allocated, such as the addition of parents and affiliates to the survey universe that were required to report on earlier surveys but did not. For example, line 6 is calculated as the difference between line 2 and the sum of lines 3–5.

**Table II. Improvements in Coverage: Value Added and Employment
of U.S. Multinational Enterprises (MNEs), 1994–2014 ¹**

Year	Other changes, current year ²	Level, prior year	Other changes as a percentage of prior-year level
U.S. MNE value added			
1994	n.a.	n.a.	n.a.
1999	149,329	2,100,773	7.1
2004	189,045	2,655,903	7.1
2009	316,838	3,740,989	8.5
2014	498,475	4,882,107	10.2
Mean			7.6
Standard deviation			0.8
U.S. MNE employment			
1994	1,796	24,222	7.4
1999	2,150	26,593	8.1
2004	n.a.	n.a.	n.a.
2009	3,623	32,737	11.1
2014	4,951	35,768	13.8
Mean			8.9
Standard deviation			1.9

1. For comparability, *other changes* are calculated using preliminary data. Prior-year levels are revised statistics.

2. See footnote 5 in table I.

Chart. Sources of Change in the Value Added and Employment of U.S. Multinational Enterprises (MNEs), 2013–2014

