Taking Account...

BEA Releases Summary Estimates of MNC Activity

Worldwide employment growth by U.S. multinational companies (MNCs) picked up in 2007, according to summary statistics of MNC activity released in April by the Bureau of Economic Analysis (BEA). In addition, worldwide capital expenditures growth accelerated.

Worldwide employment by U.S. MNCs increased 3.3 percent in 2006, to 31.3 million workers, following a 1.4 percent increase in 2005. Domestic employment by U.S. parent companies increased 2.7 percent, to 21.9 million workers, following a 0.8 percent increase. Employment by U.S. parents accounted for almost one-fifth of total U.S. employment in private industries. Employment abroad by majority-owned foreign affiliates of U.S. MNCs increased 4.7 percent, to 9.4 million workers, following a 3.0 percent increase.

Worldwide capital expenditures by U.S. MNCs increased 17.8 percent in 2006, to $547.6 billion, following an increase of 7.2 percent in 2005. Capital expenditures in the United States by U.S. parents increased 16.5 percent, to $394.2 billion, following an increase of 9.0 percent. Capital expenditures abroad by majority-owned foreign affiliates increased 21.3 percent, to $153.4 billion, following a 2.4 percent increase.

Sales by U.S. parent companies increased 7.5 percent in 2006, following a 9.1 percent increase in 2005. Sales by majority-owned foreign affiliates increased 10.3 percent, following a 12.6 percent increase.

Employment in the United States by majority-owned U.S. affiliates of foreign MNCs increased 1.8 percent in 2006, to 5.3 million workers, following an increase of 0.9 percent in 2005. Employment by affiliates accounted for 4.5 percent of total U.S. employment in private industries. Capital expenditures by these affiliates increased 20.2 percent in 2006, to $141.2 billion, following a 4.5 percent increase in 2005. Sales by affiliates increased 10.8 percent, to $2,764.4 billion, following an 8.8 percent increase.

Impact of 2008 Federal Budget on BEA

The 2008 Consolidated Appropriations Act provides BEA $77.5 million in funding for fiscal year 2008, which began on October 1, 2007. The main effects on BEA are as follows:

- The budget provides incremental funding to produce metropolitan area gross domestic product (GDP) estimates on a regular basis and to develop methods for further accelerating the availability of regional data.
- The budget does not provide funding for the research and development satellite account requested in the President's budget; the work outlined in the budget will not move forward in fiscal year 2008.
- The budget also does not provide full funding for BEA's existing programs.

In order to align base programs with the new budget, BEA will do the following:

- Raise reporting thresholds and reduce the level of detail collected in BEA's surveys of the operations of MNCs.
- Eliminate the survey of new direct investment in U.S. companies by foreign companies (BEA will continue to collect data on total direct investment flows).
- Eliminate the benchmark capital flow tables.
- Reduce industry detail in BEA's county data from the North American Industry Classification System subsector level to the sector level.
- Eliminate the annual reconciliation of Internal Revenue Service taxable income and national income and product accounts personal income and the annual table showing personal taxes on the basis of liabilities.
- Eliminate the production of GDP statistics on a seasonally unadjusted basis.

BEA recognizes these actions are not desirable for its data users. Careful consideration was given in determining the statistical programs to be reduced. Three criteria were used to determine BEA's core statistics: (1) statistics that feed into the estimation of gross domestic product and related statistics, (2) statistics required by law, or (3) statistics required for the administration of federal programs.

As plans on these programmatic reductions progress, BEA will provide more information to its data users.