

# Foreign Direct Investment in the United States for 2012–2015

## Detailed Historical-Cost Positions and Related Financial Transactions and Income Flows

This article presents detailed statistics on direct investment positions and related financial transactions and income flows for foreign direct investment in the United States, or “inward” direct investment. In this article, the statistics are presented on a directional basis by country and industry. On this basis, direct investment claims and liabilities are classified according to whether the direct investor is a U.S. resident or a foreign resident. On this basis, inward direct investment is the net claims of a foreign parent on its U.S. affiliates.<sup>1</sup>

A set of 17 tables accompany this article:

- Table 1 presents the direct investment positions and rates of return at historical cost, current cost, and market value.
- Table 2 presents the positions and related financial transactions and income flows for 2004–2015 at historical cost and with adjustments to current-period prices consistent with the valuation used in the international investment position (IIP) accounts and international transactions accounts.
- Tables 3–16 present direct investment positions and international transactions by country of foreign parent, by industry of affiliate, and by account. Table 16 presents statistics that are classified by country of foreign parent or by country of other members of the foreign parent group that have direct transactions and positions with the U.S. affiliate, and by country of ultimate beneficial owner (UBO).
- Table 17 provides a breakdown of the foreign direct investment position in the United States by industry of UBO. It shows the value of investments owned by private entities (businesses and individuals, estates, and trusts) and the value owned by foreign governments and government-related entities.

Except for tables 1 and 2, positions are presented on a historical-cost basis only rather than on a market-value or current-cost basis, because detailed statistics by country and industry are only available on a historical-cost basis.

1. For a discussion of the two bases for classifying direct investment—the directional basis and the asset/liability basis—see Derrick T. Jenniges and James J. Fetzer, “Direct Investment Positions for 2015: Country and Industry Detail,” *SURVEY OF CURRENT BUSINESS* 96 (July 2016).

Definitions of key terms in the tables and text can be found in the glossary to *U.S. International Economic Accounts: Concepts and Methods* on the Bureau of Economic Analysis (BEA) Web site. Detailed statistics on inward direct investment positions and related financial transactions and income inflows for 1980–2015 are also available on BEA’s Web site.

The direct investment statistics presented in this article complement the statistics presented in two articles about changes in the international transactions accounts and the direct investment position in the July 2016 *SURVEY* by providing more detail by country, by industry, and by account.<sup>2</sup> The statistics on foreign direct investment in the United States presented in these three articles incorporate the results of BEA’s most recent benchmark survey of foreign direct investment in the United States, which provided data for 2012; the previous benchmark survey provided data for 2007. For 2013–2015, the statistics also reflect the incorporation of new or revised data from BEA’s quarterly and annual surveys of foreign direct investment in the United States.

The statistics in this article differ from some of the counterpart statistics in the IIP accounts and international transactions accounts.<sup>3</sup>

- The estimates are presented at historical cost. The aggregate statistics on the direct investment position in the IIP accounts are presented at market value and at historical cost.
- Direct investment position statistics in tables 1 and 2 in this article are presented on a directional basis, which differs from the presentation of direct investment position statistics in IIP tables 1.1 and 1.2, which are presented on an asset/liability basis. In the IIP statistics, the adjustments to convert direct investment position statistics from the directional basis to the asset/liability basis are presented in IIP table 2.1.
- The estimates are presented without a current-cost

2. See C. Omar Kebbeh and Eric Bryda, “Annual Revision of the U.S. International Transactions Accounts,” *SURVEY* 96 (July 2016) and Jenniges and Fetzer.

3. See Elena L. Nguyen, “The U.S. Net International Investment Position at the End of the First Quarter of 2016, Year 2015, and Annual Revisions,” *SURVEY* 96 (July 2016) and Thomas Anderson and Christopher Steiner, “U.S. International Transactions: First Quarter of 2016,” *SURVEY* 96 (July 2016).

adjustment (except for the estimates in tables 1 and 2).<sup>4</sup> In the international transactions accounts, the statistics on direct investment income and direct investment financial transactions are presented with a current-cost adjustment.

## Revisions

The revised statistics on the foreign direct investment position at yearend, financial flows, and income for 2012–2015 reflect the incorporation of the results for the 2012 Benchmark Survey of Foreign Direct Investment in the United States as well as BEA's quarterly and annual surveys of foreign direct investment in the United States. (For additional information, see "Methodology for Incorporating Inward Benchmark Survey Data.")

The total inward direct investment position at historical cost for all areas was revised downward \$19.3 billion for 2012, revised downward \$26.9 billion for 2013, revised upward \$12.2 billion for 2014, and revised down-

4. The current-cost adjustment is an adjustment to earnings that converts depreciation reported for financial accounting purposes to a measure more consistent with economic accounting principles.

ward \$18.2 billion for 2015 (table A).<sup>5</sup> The revision for 2012 is due to downward revisions to other changes in position, which were partly offset by upward revisions to financial transactions.<sup>6</sup> The revision for 2013 is largely

5. Revisions to positions can result from financial transactions, from other changes in position excluding financial transactions, or from revisions to positions (if any) in the previous year.

6. Other changes in position include currency-translation adjustments, capital gains and losses, and other changes in volume and valuation.

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The statistics are based on data from BEA's quarterly survey of transactions between U.S. affiliates and their foreign parents. The survey was conducted under the supervision of Peter J. Fox, working with Akecia P. Griffin, Susan M. LaPorte, Gazala I. Merchant, and Helen P. Yiu. Computer programming for data estimation and tabulation was provided by Karen E. Poffel, Paula D. Brown, and Daniel W. Powell.

**Table A. Foreign Direct Investment in the United States: Comparison of Previously Published and Revised Estimates by Area, 2012–2015**

(Millions of dollars)

By area:	Direct investment position on a historical-cost basis			Financial transactions without current-cost adjustment (inflows (+), outflows (-))			Income without current-cost adjustment		
	Previously published	Revised	Revision	Previously published	Revised	Revision	Previously published	Revised	Revision
2012									
<b>All areas</b> .....	<b>2,604,033</b>	<b>2,584,708</b>	<b>-19,326</b>	<b>188,427</b>	<b>199,034</b>	<b>10,607</b>	<b>163,969</b>	<b>160,328</b>	<b>-3,640</b>
Canada.....	219,822	214,314	-5,508	16,398	17,326	927	12,417	11,932	-485
Europe.....	1,830,192	1,836,716	6,524	137,934	156,994	19,060	120,899	120,117	-782
Of which:									
United Kingdom.....	463,664	485,785	22,121	25,310	39,640	14,331	29,510	29,388	-122
Latin America and Other Western Hemisphere.....	95,212	83,525	-11,686	5,143	-863	-6,006	7,396	5,712	-1,684
Africa.....	3,726	3,761	35	239	-72	-311	50	39	-11
Middle East.....	20,785	18,374	-2,410	873	-681	-1,555	386	269	-117
Asia and Pacific.....	434,296	428,016	-6,280	27,839	26,330	-1,508	22,821	22,260	-561
2013									
<b>All areas</b> .....	<b>2,754,704</b>	<b>2,727,825</b>	<b>-26,880</b>	<b>211,501</b>	<b>201,393</b>	<b>-10,108</b>	<b>164,529</b>	<b>168,235</b>	<b>3,706</b>
Canada.....	235,247	222,989	-12,258	24,153	14,933	-9,220	16,134	15,540	-593
Europe.....	1,894,777	1,901,471	6,694	120,814	114,304	-6,510	116,613	120,582	3,969
Of which:									
United Kingdom.....	501,241	510,795	9,553	35,895	32,023	-3,872	28,679	30,288	1,609
Latin America and Other Western Hemisphere.....	116,031	100,482	-15,549	16,726	16,254	-473	7,754	7,645	-109
Africa.....	2,317	1,635	-682	463	207	-256	98	-100	-198
Middle East.....	22,073	17,944	-4,129	1,775	1,222	-553	382	-406	-788
Asia and Pacific.....	484,259	483,304	-955	47,570	54,473	6,903	23,549	24,974	1,426
2014									
<b>All areas</b> .....	<b>2,901,059</b>	<b>2,913,304</b>	<b>12,245</b>	<b>106,614</b>	<b>171,601</b>	<b>64,987</b>	<b>163,900</b>	<b>174,814</b>	<b>10,914</b>
Canada.....	261,247	257,142	-4,105	21,116	28,363	7,247	12,347	13,976	1,629
Europe.....	1,977,215	1,983,202	5,987	29,807	59,125	29,318	110,781	121,843	11,062
Of which:									
United Kingdom.....	448,548	458,727	10,179	-102,440	-95,814	6,625	25,236	27,778	2,542
Latin America and Other Western Hemisphere.....	127,032	119,962	-7,070	15,160	14,325	-836	11,532	9,515	-2,017
Africa.....	2,321	853	-1,468	205	507	302	-74	-56	18
Middle East.....	20,338	16,691	-3,647	-2,084	-1,591	493	622	303	-320
Asia and Pacific.....	512,906	535,454	22,549	42,409	70,872	28,463	28,693	29,233	541
2015 <sup>1</sup>									
<b>All areas</b> .....	<b>3,152,353</b>	<b>3,134,199</b>	<b>-18,154</b>	<b>379,893</b>	<b>348,402</b>	<b>-31,491</b>	<b>139,734</b>	<b>151,336</b>	<b>11,602</b>
Canada.....	268,972	268,972	0	28,191	25,029	-3,161	14,759	16,097	1,338
Europe.....	2,162,845	2,162,845	0	297,234	267,414	-29,819	93,542	102,276	8,734
Of which:									
United Kingdom.....	483,841	483,841	0	10,561	18,051	7,490	9,729	10,071	341
Latin America and Other Western Hemisphere.....	118,796	118,796	0	9,138	12,184	3,046	6,619	8,797	2,178
Africa.....	707	707	0	-57	519	576	-109	-48	61
Middle East.....	18,468	18,468	0	1,987	2,227	240	660	578	-82
Asia and Pacific.....	564,411	564,411	0	43,402	41,029	-2,373	24,263	23,636	-627

1. The only accounts for which 2015 statistics were previously available by country were financial transactions without current-cost adjustment and income without current-cost adjustment. The preliminary estimates of

the direct investment position for 2015 were first published in the April 2016 SURVEY OF CURRENT BUSINESS and were revised in the July 2016 SURVEY.

attributable to the 2012 downward revision to the position and downward revisions to financial transactions. The 2014 revision reflected an upward revision to financial transactions, which was partly offset by downward revisions to other changes in position and to the 2013 position. For 2015, the downward revision was attributable largely to downward revisions to financial transactions.

Income without current-cost adjustment was revised downward \$3.6 billion for 2012, upward \$3.7 billion for 2013, upward \$10.9 billion for 2014, and upward \$11.6 billion for 2015. The 2013 upward revision reflected upward revisions to income on equity and to net interest payments. The revisions for 2012, 2014, and 2015 were mainly attributable to revisions to income on equity.

### Methodology for Incorporating Inward Benchmark Survey Data

The statistics on the inward direct investment position, financial flows, and income for 2012–2015 incorporate the results of the 2012 Benchmark Survey of Foreign Direct Investment in the United States; the previous benchmark survey provided data for 2007. The revisions to the statistics for 2013–2015 also reflect the incorporation of new or revised data from quarterly and annual surveys of foreign direct investment in the United States.

Benchmark surveys are conducted every 5 years and cover virtually every U.S. business enterprise that was a U.S. affiliate of a foreign person.<sup>7</sup> In the 2012 survey, reports with information on affiliate direct investment positions and related financial and income flows were required for all U.S. affiliates with total assets, sales, or net income (or loss) greater than \$60 million for their 2012 fiscal year. To ensure that the statistics cover the universe of foreign direct investment in the United States, estimates for smaller affiliates for the direct investment position and related financial and income flows are based on information on operations that the smaller affiliates reported on a less detailed survey form (Form BE–12C).<sup>8</sup>

For nonbenchmark years, the statistics on the direct investment position and related financial and income flows are derived from data reported quarterly by all U.S. affiliates above a size-based exemption level and from estimates for the smaller affiliates. The estimates for affiliates that do not report in the quarterly surveys are derived by extrapolating data from the most recent benchmark survey or from a previous quarterly survey using changes in the data for a matched sample of affiliates that reported on the survey in both the previous and the current quarter.

7. For a detailed description of the methodology and final results from the survey, see *Foreign Direct Investment in the United States: Final Results From the 2012 Benchmark Survey* on BEA's Web site.

8. Affiliates that filed Form BE–12C accounted for a very small share of the data for all affiliates in terms of value: they accounted for 0.3 percent of the total assets, 0.9 percent of the sales, and 1.6 percent of the employment of all affiliates.

### Benchmarking the 2012 quarterly survey data

The benchmarking procedures compare the data reported in the 2012 quarterly surveys of foreign direct investment in the United States with the data reported in the 2012 benchmark survey to develop the most accurate statistics for 2012.

For affiliates that reported in both surveys, the data from the quarterly surveys were reconciled with the data from the benchmark survey. Significant discrepancies were investigated and resolved, usually in favor of the benchmark survey data, which are generally considered more accurate because they are reported later than the quarterly survey data and after affiliates have prepared their annual financial statements. Additionally, because the benchmark survey data are more comprehensive, they can be more thoroughly cross-checked. As part of this reconciliation process, timing differences were resolved between the data from the benchmark survey that are reported on a fiscal year basis and the data from the quarterly surveys that are presented on a calendar year basis, which is the basis for compiling the U.S. international transactions accounts and the international investment position accounts of the United States. Affiliates whose fiscal year corresponded to the calendar year 2012 accounted for most of the foreign direct investment position and direct investment income for all affiliates.<sup>9</sup>

For affiliates whose fiscal year did not coincide with the calendar year, the sum of the quarterly survey data for the four quarters corresponding to the affiliate's 2012 fiscal year was reconciled with the fiscal year total reported in the benchmark survey. The calendar year estimates for these affiliates were derived as the sum of (1) the reconciled quarterly data for the quarters that were included in both fiscal year and calendar year 2012 and (2) the data from the quarterly survey for the calendar quarters that were not covered by the benchmark survey. The fiscal year data for the direct investment position, financial flows, and income are available in the publication of the results of the 2012 benchmark survey.

For affiliates that did not report in the benchmark survey but reported in the quarterly surveys, the data were not affected by the benchmarking process and continue to be included in the quarterly statistics.

For affiliates that reported in the benchmark survey but did not report in the quarterly surveys, the data from the benchmark survey were added to the quarterly statistics. The data from the benchmark survey for fiscal year 2012 were used as the estimates for calendar year 2012 and in general were distributed evenly among the four calendar quarters of the year.

For affiliates that the benchmark survey indicated had left the direct investment universe or had been consolidated with other affiliates since the 2007 bench-

9. The fiscal year end for 88 percent of reporters in the 2012 benchmark survey was December 31, 2012.

mark survey, and whose exit or consolidation had not already been captured by BEA's quarterly and annual surveys, the corresponding estimates were removed from the quarterly statistics. Also removed were data for affiliates that were estimated for 2012 based on reports from prior years but that did not file on either the benchmark survey or quarterly surveys for 2012.

### **Statistics for 2013–2015**

Universe statistics on the direct investment position and related financial and income flows for 2013–2015 were generally derived from (1) the data reported in the quarterly surveys for a given year by the affiliates that also reported in the 2012 benchmark survey, (2) the data reported in the quarterly surveys for a given year by affiliates that entered the direct investment universe since the 2012 benchmark survey and that met the reporting criteria for the quarterly survey, and (3) estimates for affiliates that did not report in the quarterly surveys for a given year.

The statistics on the direct investment position and related financial and income flows represent the universe of U.S. affiliates. To ensure coverage in nonbenchmark years that is as complete as that in the 2012 benchmark survey, estimates were prepared for affiliates that reported in the 2012 benchmark survey but did not report in the quarterly surveys for 2013 or later, either because they were exempt or because they failed to report. The estimates for affiliates that did not report

after 2012 were derived by extrapolating the data that were previously reported or estimated for 2012. Extrapolations were based on changes in the data reported in the subsequent quarters for a matched sample of affiliates. Information from other sources may also have been used in preparing the estimates. The universe statistics were derived by adding the estimates for these affiliates to the data for the affiliates that reported in the quarterly survey.

This imputation procedure was used for all data items except for intercompany debt investment and equity investment increases and decreases. BEA does not impute intercompany debt flows for nonreporters, because intercompany debt flows can be infrequent, can switch from inflows to outflows, and can vary considerably in size from quarter-to-quarter and thus, do not provide a good basis for imputation. The equity increases and decreases of nonreporting affiliates were estimated at the global level by using a ratio of current-quarter reported increases and decreases to the preceding-quarter equity position of all affiliates that reported in the current quarter. This ratio was multiplied by the equity position in the preceding quarter for affiliates that did not report in the current quarter. The result was added to the current quarter's reported flows to derive total equity increases and decreases. The estimated equity increases and decreases were then allocated to countries and industries based on their relative size in terms of equity position.