



NEWS RELEASE



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Summary Estimates for Multinational Companies: Employment, Sales, and Capital Expenditures for 2005

U.S. multinational companies (MNCs) employed 30.5 million workers worldwide in 2005, of which 21.5 million were employed in the United States by U.S. parent companies and 9.1 million were employed abroad by their majority-owned foreign affiliates. The employment in the United States by U.S. parents accounted for almost one-fifth of total U.S. employment in private industries. Worldwide capital expenditures by U.S. MNCs totaled \$478.1 billion; capital expenditures in the United States by U.S. parents accounted for \$340.8 billion and capital expenditures abroad by majority-owned foreign affiliates accounted for \$137.3 billion. Sales by U.S. parent companies totaled \$7,606.1 billion, and those by majority-owned foreign affiliates totaled \$3,761.9 billion.

Majority-owned U.S. affiliates of foreign MNCs employed 5.1 million workers in 2005, accounting for 4.5 percent of total U.S. employment in private industries. Capital expenditures by these affiliates totaled \$120.9 billion and their sales totaled \$2,507.6 billion.

Worldwide employment by U.S. MNCs increased 1.8 percent in 2005, following a 2.2-percent increase in 2004. Employment in the United States by U.S. parent companies increased 1.1 percent, following a 0.6-percent increase. Employment abroad by the majority-owned foreign affiliates of U.S. MNCs increased 3.6 percent, following a 6.1-percent increase. Employment in the United States by majority-owned U.S. affiliates of foreign MNCs decreased 0.7 percent in 2005, following a 2.0-percent decrease in 2004.

Worldwide capital expenditures of U.S. MNCs increased 15.2 percent in 2005, following a decrease of 2.4 percent in 2004. The increase reflected a 15.3-percent increase in capital spending in the United States by U.S. parent companies, following a decrease of 6.3 percent; capital spending abroad by majority-owned foreign affiliates increased 14.9 percent, following a 9.0-percent increase. For majority-owned U.S. affiliates of foreign MNCs, capital expenditures increased 7.1 percent in 2005, following a 3.5-percent increase in 2004.

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Sales by U.S. parent companies increased 8.7 percent, following a 6.9-percent increase in 2004, and sales by majority-owned foreign affiliates increased 14.4 percent, following a 14.8-percent increase. Sales by majority-owned U.S. affiliates of foreign MNCs increased 8.8 percent, following an increase of 8.6 percent.

Employment in the United States by U.S. parent companies accounted for 70 percent of the worldwide employment of U.S. MNCs in 2005, down from 71 percent in 2004. The U.S.-parent share of the worldwide capital expenditures of U.S. MNCs in 2005 was 71 percent, the same share as in 2004.

The U.S.-parent share of MNC activity can change for a number of reasons, and the changes do not uniformly correspond to either additions to, or subtractions from, employment and capital expenditures in the United States. Examples of factors other than production shifting that might be associated with a change in the parent and affiliate shares of MNC activity include different rates of economic growth in the United States and in specific markets where investment is occurring abroad, or the creation of new market opportunities abroad that cannot be served by exports from the United States. Additional discussion of data and analytical considerations may be found in "A Note on Patterns of Production and Employment by U.S. Multinational Companies," in the March 2004 issue of the *Survey of Current Business*.

Revisions.--The MNC estimates for 2004 presented in this release supercede preliminary estimates that were released in the second half of 2006. For U.S. parent companies, the estimates of employment were revised down 0.6 percent, the estimates of capital expenditures were revised down 4.3 percent, and the estimates of sales were revised up 0.7 percent. For majority-owned foreign affiliates, the estimates of employment were revised up 1.5 percent, the estimates of capital expenditures were revised down 2.9 percent, and the estimates of sales were revised up 1.5 percent. For majority-owned U.S. affiliates of foreign MNCs, the estimates of employment were revised up 0.5 percent, the estimates of capital expenditures were revised up 4.4 percent, and the estimates of sales were revised up 0.1 percent. The upward revision for capital expenditures by majority-owned U.S. affiliates was largely due to late reports for newly acquired affiliates, including companies in automotive equipment rental and leasing (see definition of capital expenditures in the technical note).

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TECHNICAL NOTE

For the fourth consecutive year, the Bureau of Economic Analysis is releasing advance summary estimates of employment, sales, and capital expenditures by U.S.

parent companies, by their foreign affiliates, and by U.S. affiliates of foreign MNCs. Estimates based on more complete source data, including country and industry detail, will be released later this year.

The estimates presented in this release were constructed from data collected by BEA in two distinct surveys of MNC operations: (1) a survey of U.S. MNCs that covers the operations of both U.S. parent companies and their foreign affiliates, and (2) a survey of the operations of U.S. affiliates of foreign MNCs. Because a U.S. parent company may itself be foreign-owned, there is some overlap between the data on U.S. parent companies and on U.S. affiliates; thus, to avoid duplication, data on U.S. parents and U.S. affiliates should not be added together to produce U.S. totals.

The estimates presented here pertain to nonbank U.S. parent companies and their majority-owned nonbank foreign affiliates, and to majority-owned nonbank U.S. affiliates of foreign MNCs. Data on all nonbank U.S. and foreign affiliates, including affiliates that are not majority-owned, will be presented in the *Survey of Current Business* later this year. (In these data series, “affiliates” are defined as businesses in which an investor of another country holds at least 10-percent ownership.)

The most recent data show that nonbank foreign affiliates that were not majority-owned employed 1.4 million workers, and nonbank U.S. affiliates that were not majority-owned employed 0.4 million workers, in 2004. Data on bank parents and affiliates are currently collected only in benchmark surveys, which are conducted once every five years. To close this gap in coverage, BEA is proposing to extend the coverage of its annual surveys of MNC operations to include banks, with an annual time series of data beginning for 2007.

Based on data from the 1999 Benchmark Survey of U.S. Direct Investment Abroad (the 2004 benchmark covered banks, but the results released to date have covered only nonbanks), U.S. bank parents employed 1.0 million workers, and foreign affiliates of U.S. bank parents, plus bank affiliates of U.S. nonbank parents, together employed 0.2 million workers. (Data for U.S. parents and foreign affiliates in banking will be included in the presentation of final results from the 2004 benchmark survey.) The most recent data on U.S. affiliates in banking cover the benchmark-survey year 2002: These data show that U.S. affiliates that were banks employed 0.1 million workers in 2002. For both U.S. bank affiliates of foreign companies and foreign bank affiliates of U.S. companies, almost all of the employment was by majority-owned affiliates.

For both U.S. MNCs and U.S. affiliates of foreign MNCs, the estimates of employment cover the total number of full-time and part-time employees on the payroll at the end of the year. The estimates of sales cover gross sales minus returns, allowances

and discounts, or gross operating revenues. The estimates of capital expenditures cover total expenditures on property, plant, and equipment (that is, expenditures for land and depreciable structures and equipment); they are gross of any sales, retirements, or transfers of previously owned tangible assets. Capital expenditures include spending for equipment that is leased or rented to others, which in some industries—such as automotive equipment rental and leasing—can be very large (the value of sales, retirements, or transfers in these industries also can be very large).

In addition to presenting data collected directly in its surveys of MNC operations, BEA uses data collected on costs incurred and profits earned in production to estimate the value added of U.S. parent companies, of majority-owned foreign affiliates, and of majority-owned U.S. affiliates of foreign companies. Value added estimates indicate the contribution of parents or affiliates to gross domestic product in the United States or in foreign host countries. The latest estimates of the value added of U.S. parent companies and majority-owned foreign affiliates, which cover the year 2004, are presented in "Operations of U.S. Multinational Companies: Preliminary Results from the 2004 Benchmark Survey," in the November 2006 issue of the *Survey of Current Business*. The latest estimates of the value added of majority-owned U.S. affiliates of foreign companies, which also cover 2004, are presented in "U.S. Affiliates of Foreign Companies: Operations in 2004," in the August 2006 issue of the *Survey*.

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Summary BEA estimates are available on recorded messages at the time of public release at the following telephone numbers

(202) 606-5306 Gross domestic product
(202) 606-5303 Personal income and outlays

BEA's national, regional, international, and industry estimates, the *Survey of Current Business*, and BEA news releases are available on BEA's Web site at www.bea.gov. By visiting the site, you can also subscribe to receive free e-mail summaries of BEA releases and announcements.

Table 1. Employment, Capital Expenditures, and Sales by Nonbank U.S. Multinational Companies, 1988-2005

	Thousands of employees			Millions of dollars				
	U.S. multinational companies	U.S. parents	Majority-owned foreign affiliates	Capital expenditures/1/			Sales/2/	
				U.S. multinational companies	U.S. parents	Majority-owned foreign affiliates	U.S. parents	Majority-owned foreign affiliates
1988	22,498.1	17,737.6	4,760.5	223,814	177,203	46,611	2,828,209	927,886
1989	23,879.4	18,765.4	5,114.0	260,488	201,808	58,680	3,136,837	1,019,966
1990	23,785.7	18,429.7	5,356.0	274,614	213,079	61,535	3,243,721	1,208,349
1991	23,345.4	17,958.9	5,386.5	269,221	206,290	62,931	3,252,534	1,242,635
1992	22,812.0	17,529.6	5,282.4	272,049	208,834	63,215	3,330,886	1,291,649
1993	22,760.2	17,536.9	5,223.3	271,661	207,437	64,224	3,480,778	1,275,775
1994	24,272.5	18,565.4	5,707.1	303,364	231,917	71,447	3,990,013	1,435,901
1995	24,499.7	18,576.2	5,923.5	323,616	248,017	75,599	4,235,578	1,693,836
1996	24,867.0	18,790.0	6,077.0	340,510	260,048	80,462	4,478,970	1,868,588
1997	26,358.0	19,878.0	6,480.0	398,037	309,247	88,790	4,886,330	1,972,515
1998	26,592.9	19,819.8	6,773.1	411,155	317,184	93,971	4,970,138	1,971,909
1999/3/	30,772.6	23,006.8	7,765.8	483,032	369,728	113,304	5,975,478	2,218,945
2000	32,056.6	23,885.2	8,171.4	506,950	396,313	110,637	6,695,166	2,507,433
2001	30,929.2	22,735.1	8,194.1	524,215	413,457	110,758	6,800,777	2,524,459
2002	30,373.2	22,117.6	8,255.6	443,388	333,113	110,275	6,337,779	2,515,641
2003	29,347.0	21,104.8	8,242.2	425,068	315,480	109,588	6,543,937	2,865,226
2004/4/	29,987.8	21,241.0	8,746.8	415,038	295,565	119,473	6,998,298	3,288,364
2005/5/	30,536.7	21,479.0	9,057.7	478,077	340,761	137,316	7,606,129	3,761,864
Percent change at annual rates:								
1988-2002	2.2	1.6	4.0	5.0	4.6	6.3	5.9	7.4
2002-2003	-3.4	-4.6	-0.2	-4.1	-5.3	-0.6	3.3	13.9
2003-2004	2.2	0.6	6.1	-2.4	-6.3	9.0	6.9	14.8
2004-2005	1.8	1.1	3.6	15.2	15.3	14.9	8.7	14.4

1. Total expenditures for property, plant, and equipment.

2. An MNC-wide total for sales is not provided because transactions among and within MNCs would be duplicated.

3. Break-in-series. (See the technical note on page 121 of the December 2002 issue of the *Survey of Current Business* for details.)

4. These estimates update those published in the November 2006 issue of the *Survey of Current Business*. (Those estimates, in turn, updated the advance summary estimates released on April 20, 2006.) Revised estimates based on more complete source data will be released later this year.

5. Advance estimates. Preliminary estimates based on more complete source data will be released later this year.

NOTE: The data presented in this table cover nonbank U.S. MNCs only. Bank parents and affiliates are not required to report in BEA's annual surveys of the operations of U.S. MNCs. Some limited data on the operations of bank parents and affiliates (including employment and sales) are reported in benchmark surveys of U.S. direct investment abroad conducted by BEA every five years. (See the Technical Note.)

Table 2. U.S.-Parent Share of Selected Measures of the Operations of Nonbank U.S. Multinational Companies

[Percent]

	Employment	Capital expenditures
1988	78.8	79.2
1989	78.6	77.5
1990	77.5	77.6
1991	76.9	76.6
1992	76.8	76.8
1993	77.1	76.4
1994	76.5	76.4
1995	75.8	76.6
1996	75.6	76.4
1997	75.4	77.7
1998	74.5	77.1
1999	74.8	76.5
2000	74.5	78.2
2001	73.5	78.9
2002	72.8	75.1
2003	71.9	74.2
2004/1/	70.8	71.2
2005/2/	70.3	71.3

1. These estimates update those published in the November 2006 issue of the *Survey of Current Business*. (Those estimates, in turn, updated the advance summary estimates released on April 20, 2006.) Revised estimates based on more complete source data will be released later this year.

2. Advance estimates. Preliminary estimates based on more complete source data will be released later this year.

NOTE: A U.S.-parent share for sales is not provided because an MNC-wide total for sales would contain duplication resulting from transactions among and within MNCs.

Table 3. Employment, Capital Expenditures, and Sales by Majority-Owned Nonbank U.S. Affiliates of Foreign Companies, 1988-2005

	Thousands of employees	Millions of dollars	
		Capital Expenditures/1/	Sales
1988	3,119.0	42,355	739,128
1989	3,573.4	51,490	863,538
1990	3,841.7	61,812	995,013
1991	3,991.3	60,097	1,008,388
1992	3,903.9	52,787	1,049,942
1993	3,851.7	53,371	1,112,693
1994	3,954.0	60,317	1,210,837
1995	4,022.6	64,778	1,311,210
1996	4,155.6	77,890	1,423,715
1997	4,269.1	88,313	1,478,221
1998	4,669.5	109,365	1,622,946
1999	5,064.3	114,767	1,792,520
2000	5,656.5	112,986	2,051,878
2001	5,594.3	121,665	2,070,234
2002	5,425.4	111,373	2,030,962
2003	5,244.4	109,126	2,122,683
2004 /2/	5,141.5	112,915	2,304,949
2005 /3/	5,103.2	120,883	2,507,588
Percent change at annual rates:			
1988-2002	4.0	7.1	7.5
2002-2003	-3.3	-2.0	4.5
2003-2004	-2.0	3.5	8.6
2004-2005	-0.7	7.1	8.8

1. Total expenditures for property, plant, and equipment.

2. These estimates update those published in the August 2006 issue of the *Survey of Current Business*. (Those estimates, in turn, updated the advance summary estimates released on April 20, 2006.) Revised estimates will be released later this year.

3. Advance estimates. Preliminary estimates based on more complete source data will be released later this year.

NOTES: The data presented in this table cover nonbank affiliates only. Bank affiliates are not required to report in BEA's annual surveys of the operations of U.S. affiliates of foreign companies. (See the Technical Note.) Some limited data on the operations of bank affiliates (including employment and sales) are reported in benchmark surveys conducted by BEA every five years. The latest benchmark survey results cover the year 2002.

In contrast to the presentation in Table 1 for U.S. multinational companies (which includes data for U.S. parent companies), this table does not include data on foreign parent companies or totals for foreign multinational companies, because they are not covered in BEA's surveys.

Chart 1. U.S.-Parent Share of Employment by Nonbank U.S. Multinational Companies, 1988-2005

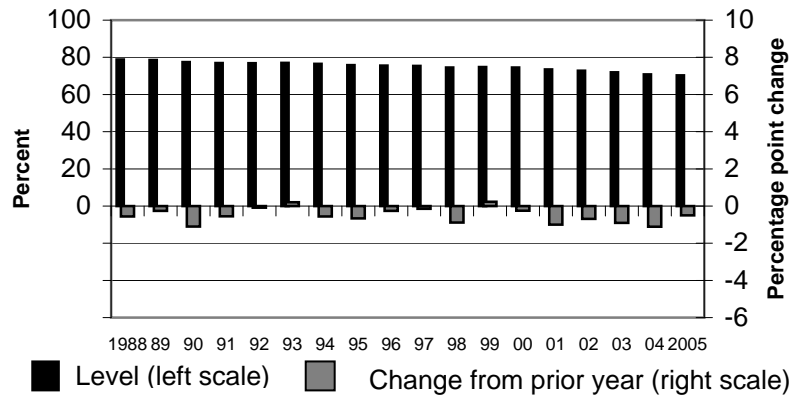


Chart 2. U.S.-Parent Share of Capital Expenditures by Nonbank U.S. Multinational Companies, 1988-2005

