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FOR WIRE TRANSMISSION: 8:30 A.M. EDT, FRIDAY, APRIL 16, 2010

BEA 10-14

Summary Estimates for Multinational Companies, 2008

NOTE: See the navigation bar at the right side of the news release text for links to data tables, contact personnel and their telephone numbers, and supplementary materials.

Summary Estimates for Multinational Companies:
Employment, Sales, and Capital Expenditures for 2006

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The following are advance summary estimates of the employment, capital spending, and sales activity of U.S. multinational companies (comprising both their U.S. and foreign operations) and the corresponding activity of foreign multinational companies in the United States.

U.S. multinational companies: U.S. and foreign operations

Worldwide employment by U.S. multinational companies (MNCs) decreased 0.4 percent in 2008, to 33.4 million workers, resulting from mostly offsetting changes in the United States and abroad. Employment in the United States by U.S. parent companies decreased 1.3 percent, to 22.9 million workers. On a comparable basis, total private-industry employment in the United States decreased 0.7 percent in 2008. The employment by U.S. parents accounted for almost one-fifth of total U.S. employment in private industries. Abroad, employment by the majority-owned foreign affiliates of U.S. MNCs increased 1.7 percent, to 10.5 million workers.

Worldwide capital expenditures by U.S. MNCs increased 4.1 percent in 2008, to \$708.2 billion. Capital expenditures in the United States by U.S. parent companies increased 2.3 percent, to \$519.7 billion. Capital expenditures abroad by their majority-owned foreign affiliates increased 9.1 percent, to \$188.5 billion.

Sales by U.S. parent companies increased 3.2 percent in 2008, to \$9,509.0 billion. Sales by their majority-owned foreign affiliates increased 10.9 percent, to \$5,520.2 billion.

Employment in the United States by U.S. parent companies accounted for 69 percent of the worldwide employment of U.S. MNCs in 2008, which was unchanged from 2007. The U.S.-parent share of the worldwide capital expenditures of U.S. MNCs in 2008 was 73 percent, down from 75 percent in 2007.

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*.

Foreign multinational companies: U.S. operations

Partly reflecting selloffs of foreign ownership shares in U.S. companies, employment in the United States by majority-owned U.S. affiliates of foreign MNCs decreased 1.0 percent in 2008, to 5.5 million workers. The employment by affiliates accounted for 4.7 percent of total U.S. employment in private industries, the same share as in 2007. Capital expenditures by these affiliates increased 0.3 percent in 2008, to \$190.7 billion. Sales by U.S. affiliates increased 1.6 percent, to \$3,406.5 billion.

Changes in the measures of activity of majority-owned U.S. affiliates of foreign companies may reflect a variety of factors, including not only changes in the operations of given firms, but also entries and exits from the universe of majority-owned U.S. affiliates. For example, the decline in employment by U.S. affiliates in 2008 partly reflected changes in ownership that resulted in exits of companies from the universe of majority-owned U.S. affiliates.

Revisions

The MNC statistics for 2007 presented in this release supercede preliminary statistics that were released in the second half of 2009. For U.S. parent companies, employment was revised down 0.7 percent, capital expenditures were revised up 2.9 percent, and sales were revised down 0.3 percent. For majority-owned foreign affiliates, employment was revised down 0.9 percent, capital expenditures were revised up 0.2 percent, and sales were revised down 0.5 percent. For majority-owned U.S. affiliates of foreign MNCs, employment was revised up 1.1 percent, capital expenditures were revised up 3.9 percent, and sales were revised up 2.3 percent.

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TECHNICAL NOTE

For the seventh consecutive year, the Bureau of Economic Analysis is releasing advance summary statistics of employment, sales, and capital expenditures by U.S. parent companies, by their foreign affiliates, and by U.S. affiliates of foreign MNCs. Statistics based on more complete source data, including country and industry detail, will be released later this year.

The statistics 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 statistics presented here pertain to U.S. parent companies and their majority-owned foreign affiliates, and to majority-owned U.S. affiliates of foreign MNCs. Statistics on all U.S. and foreign affiliates, including affiliates that are not majority-owned, will be released by BEA later this year. (In these 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 foreign affiliates that were not majority-owned employed 1.7 million workers, and U.S. affiliates that were not majority-owned employed 0.5 million workers, in 2007.

The statistics in this release cover banks as well as nonbanks. Before the release of the 2007 preliminary statistics on MNC operations last year, data on bank parents and affiliates were only available from benchmark surveys, which are conducted once every five years.

For both U.S. MNCs and U.S. affiliates of foreign MNCs, employment covers the total number of full-time and part-time employees on the payroll at the end of the year. Sales cover gross sales minus returns, allowances and discounts, or gross operating revenues. 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 indicates the contribution of parents or affiliates to gross domestic product in the United States or in foreign host countries. The latest statistics for the value added of U.S. parent companies and majority-owned foreign affiliates, which are for the year 2007, are presented in "Operations of U.S. Multinational Companies in 2007" in the August 2009 issue of the *Survey of Current Business*. The latest

statistics for the value added of majority-owned U.S. affiliates of foreign companies, which also are for 2007, are presented in "Operations of U.S. Affiliates of Foreign Companies: Preliminary Results From the 2007 Benchmark Survey," in the November 2009 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.

Chart 1. U.S.-Parent Share of Employment by U.S. Multinational Companies for Selected Years

