

Foreign Affiliate Trade Statistics: Data Sources and Compilation

Kevin Barefoot

U.S. Bureau of Economic Analysis

International Seminar on Trade and Tourism Statistics

Jakarta, Indonesia

October 7-10, 2013



Outline

- History of U.S. FATS program
- Changes made to improve statistics for services overall
- Changes made for specific types of services
 - Insurance
 - Wholesale & retail trade
 - Banking

United States Data on Operations of MNCs

- First collected MNC operations data for 1950 covering outward investment
- Collection became more regular and detailed in the late 1970s/ early 1980s
- Authority: International Investment and Trade in Services Survey Act
 - Surveys are mandatory
 - Data are confidential
- Subject to Paperwork Reduction Act

The slide features a blue header with the BEA logo in the top right corner. The logo consists of a stylized 'BEA' acronym above the text 'BUREAU OF ECONOMIC ANALYSIS' and 'U.S. DEPARTMENT OF COMMERCE'. The background of the header includes a bar chart with various numerical values and state names like 'New Hampshire', 'Rhode Island', 'Vermont', 'Massachusetts', 'Delaware', 'District of Columbia', 'Maryland', and 'New Jersey'.

Adaptation to Services Needs

- Adapted our existing MNC data collection program for services beginning in 1980's
- Manual on Statistics of International Trade in Services (MSITS 2010) recommends classification by industry
- Product classification is a long-term goal
- As a step towards product classification
 - BEA broke sales out into goods, services, and investment income
 - Also, sales of services broken out by destination

The top banner features the BEA logo on the right, which includes the text 'BEA BUREAU OF ECONOMIC ANALYSIS U.S. DEPARTMENT OF COMMERCE'. The background of the banner is a blue gradient with a faint bar chart and various numerical values. The main title 'Sales Breakout' is centered in a large, white, serif font.

Sales Breakout

- Breakout between goods and services
 - Goods-producing industries can be important suppliers of services
 - For example, U.S. affiliates classified in manufacturing sector were third largest suppliers of services in 2010
- Breakout between services and investment income needed for industries where investment income is included in revenues, such as finance and insurance

United States Inward FATS Questionnaire

PART II – FINANCIAL AND OPERATING DATA OF U.S. AFFILIATE – Continued

Section C — DISTRIBUTION OF SALES OR GROSS OPERATING REVENUES

Distribute sales or gross operating revenues among three categories — sales of goods, sales of services, and investment income. For the purpose of this distribution, "goods" are normally outputs that are tangible and "services" are normally outputs that are intangible. When a sale consists of both goods and services and cannot be unbundled (i.e., the goods and services are not separately billed), classify the sales as goods or services based on whichever accounts for a majority of the value. Give best estimates if actual figures are not available.

NOTE — BEFORE COMPLETING THIS SECTION, PLEASE SEE THE INSTRUCTIONS FOR ITEMS 45 THROUGH 50 ON PAGE 25. Insurance companies also see page 26, V.A. for special instructions.

Utilities and Oil & Gas Producers and Distributors — To the extent feasible, revenues are to be allocated between sales of goods and sales of services. Revenues earned from the sale of a product (e.g., electricity, natural gas, oil, water, etc.) are to be reported as sales of goods. Revenues earned from the distribution or transmission of a product (e.g., fees received for the use of transmission lines, pipelines, etc.) are to be reported as sales of services.

		Bil.	Mil.	Thous.	Dols.
45. TOTAL SALES OR GROSS OPERATING REVENUES, EXCLUDING SALES TAXES — Equals item 35, and also sum of items 46 through 48	2243	1			000
46. Sales of Goods	2244	1			000
47. Investment income included in gross operating revenues. Include ALL interest and dividends generated by finance and insurance subsidiaries or units.	2245	1			000
48. Sales of Services, Total — Sum of items 49 and 50	2246	1			000
49. To U.S. persons or entities	2247	1			000
50. To foreign persons	2257	1			000

United States Outward FATS Questionnaire

Part II — FINANCIAL AND OPERATING DATA OF MAJORITY-OWNED FOREIGN AFFILIATE — Continued

Section B — Distribution of Sales or Gross Operating Revenues — See *Additional Instructions* for Part II, Section B, on page 10 at the back of this form.

Distribute sales or gross operating revenues among three categories – sales of goods, sales of services, and investment income. For the purpose of this distribution, "goods" are normally economic outputs that are tangible and "services" are normally economic outputs that are intangible. When a sale consists of both goods and services and cannot be unbundled (i.e., the goods and services are not separately billed), classify the sales as goods or services based on whichever accounts for a majority of the value. Give best estimates if actual figures are not available. Insurance companies also see **Special Instructions, B.3.d. and e., page 12.**

47. Sales or gross operating revenues, excluding sales taxes	TOTAL Column (1) equals the sum of columns (2) through (7)		Local sales		Sales to U.S.		Sales to other countries		
			To other foreign affiliates of the U.S. Reporter(s)	To unaffiliated customers	To U.S. Reporter(s)	To unaffiliated customers	To other foreign affiliates of the U.S. Reporter(s)	To unaffiliated customers	
			(2)	(3)	(4)	(5)	(6)	(7)	
a. Column (1) equals item 34.	(1)								
b. Each column of line 47 equals the sum of items 48, 49 and 50.	Bil.	Mil.	Thous.	Dols.					
2054	\$			\$		\$		\$	
• BY TYPE	1			2	3	4	5	6	7
48. Sales of goods	2055								
49. Sales of services	2056								
50. Investment income	2057								



Presentation of Data on Services Sold Through Affiliates

- In 1990, began annual presentation that combines data on cross-border (resident/nonresident) trade with data on sales of services through affiliates
- Data on sales of services through affiliates
 - Excluded U.S. cross-border trade, which is recorded in the BOP
 - Covered sales of services only
 - U.S. affiliates: Sales in the United States
 - Foreign affiliates: Sales to foreign persons
 - Covered nonbank majority-owned affiliates only



Measurement Issues

- For services, sales close to output for most industries
 - Exceptions: insurance, wholesale and retail trade, financial intermediaries (banks)
- To address this issue, BEA:
 - Initiated new data collections
 - Developed new methodologies
 - Identified and used data from outside sources
- Named measure “services supplied” to distinguish it from “sales of services” measure it replaced

Insurance Services Sold through Affiliates

- Was measured as services-related operating revenues
 - Mainly premiums
- Recent improvements
 - Allowance for “normal” losses paid
 - Premium supplements
- “*Normal*” losses (a proxy for insurers’ expectations) from premiums earned
 - To construct this, BEA collected:
 - Premiums earned
 - Losses paid



Insurance Services: Premium Supplements

- Premium supplements are the investment income that insurers (other than life insurance) earn on funds they hold on policyholders behalf, called technical reserves
- Use data collected by BEA surveys on investment income
- Use data on the domestic insurance industry to calculate the share of investment income from technical reserves in insurers' total investment income
- Apply this share to affiliates' investment income to derive estimate of premium supplements

The slide features a blue header with the BEA logo in the top right corner. The logo includes the text 'BEA BUREAU OF ECONOMIC ANALYSIS U.S. DEPARTMENT OF COMMERCE'. The background of the header shows a stylized bar chart with various state names listed on the left, such as 'New Hampshire', 'Rhode Island', 'Vermont', 'Massachusetts', 'Delaware', 'Maryland', and 'New Jersey'. The main title 'Services from Wholesale and Retail Trade' is written in large white font across the top.

Services from Wholesale and Retail Trade

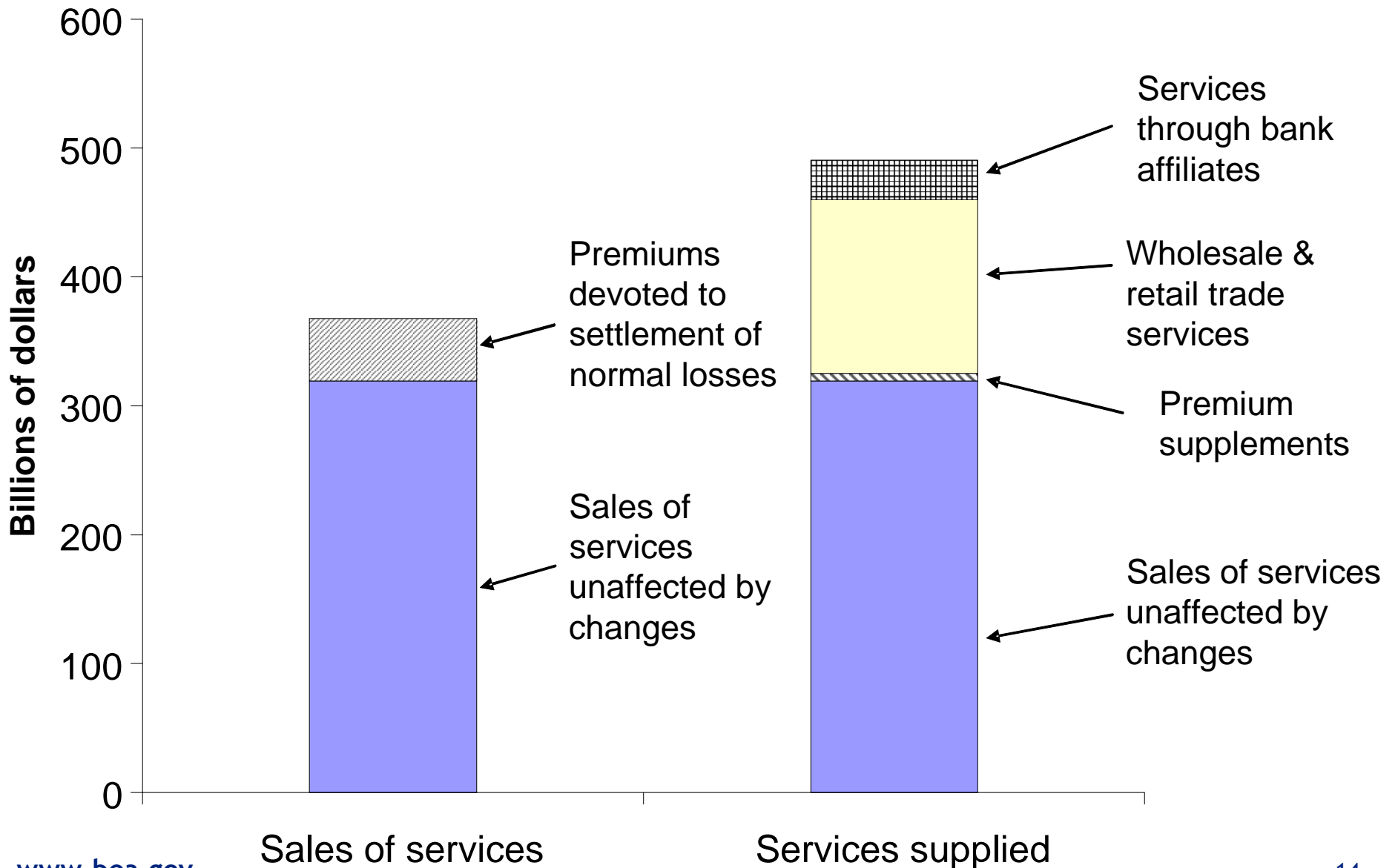
- Was measured as total sales, including the value of the goods sold
- Now measured as trade margins
 - Sales of goods less cost of goods resold
- To construct cost of goods resold, BEA collected:
 - Goods purchased for resale
 - Beginning- and end-of-year inventories of goods for resale
- For years without BEA survey data, update based on changes in trade margins for domestic wholesale and retail trade industries

The header features a blue background with a bar chart on the left showing data for various states like New Hampshire, Rhode Island, Vermont, Massachusetts, Delaware, District of Columbia, Maryland, and New Jersey. The chart has numerical values above the bars. On the right, the BEA logo is displayed, which includes the text 'BEA BUREAU OF ECONOMIC ANALYSIS U.S. DEPARTMENT OF COMMERCE'.

Financial Services

- BEA closed significant data gap by covering bank affiliates annually
 - Beginning with 2007 for U.S. affiliates and with 2008 for foreign affiliates
- Now covers implicit as well as explicit services supplied
 - Explicit—fees and services charges
 - Implicit—financial intermediation services indirectly measured (FISIM)

Comparison of Sales of Services to Services Supplied for U.S. Affiliates of Foreign MNCs, 2002



Conclusions

- Breaking out sales into goods, services and investment income is a first step to long term goal of providing product detail for services
- Sales not a good measure of output for 3 industries
 - Need to deduct losses paid and add premiums supplements to measure insurance services
 - Need to identify distributive services provided by wholesalers and retailers measured by trade margins
 - Need to measure implicitly charged services provided by banks
- BEA closed significant data gap by covering bank affiliates



Questions or Comments?

- Please direct any questions or comments to:
 - Kevin Barefoot
(kevin.barefoot@bea.gov)