

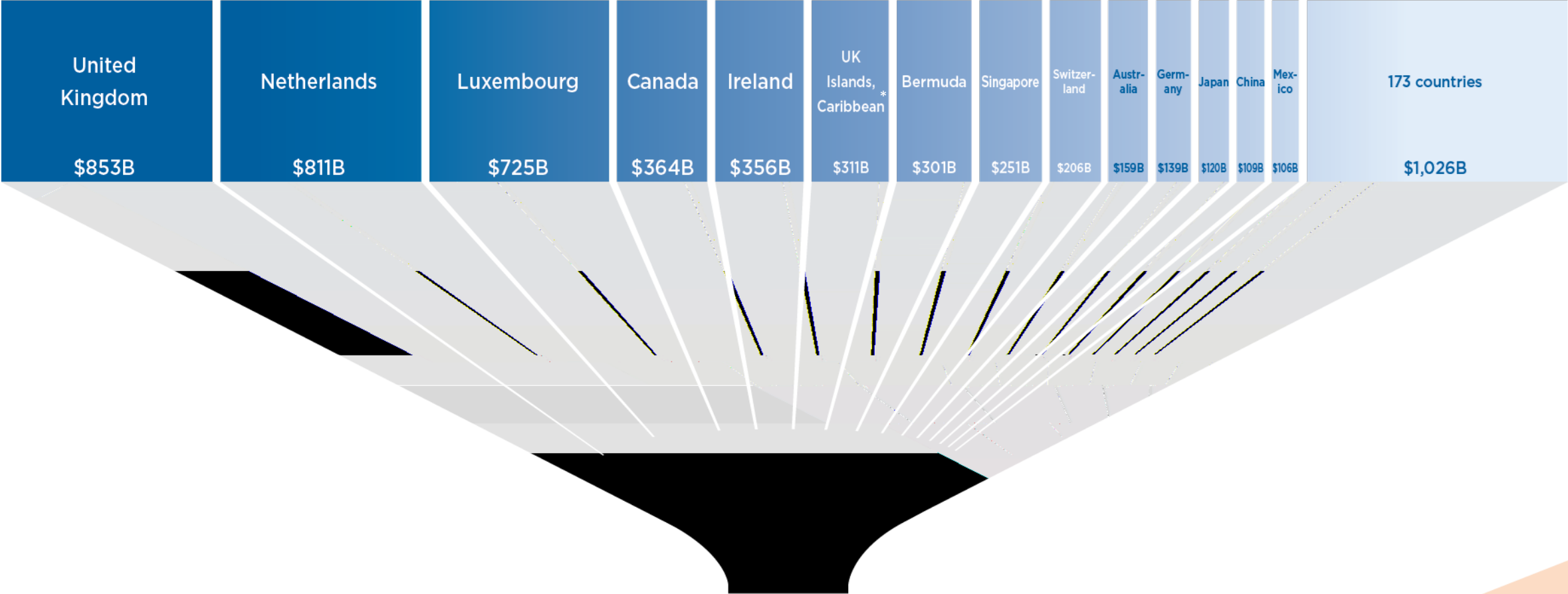
# Experimental Ultimate Host Economy Statistics for U.S. Direct Investment Abroad

*Advisory Committee Meeting, October 13, 2023*



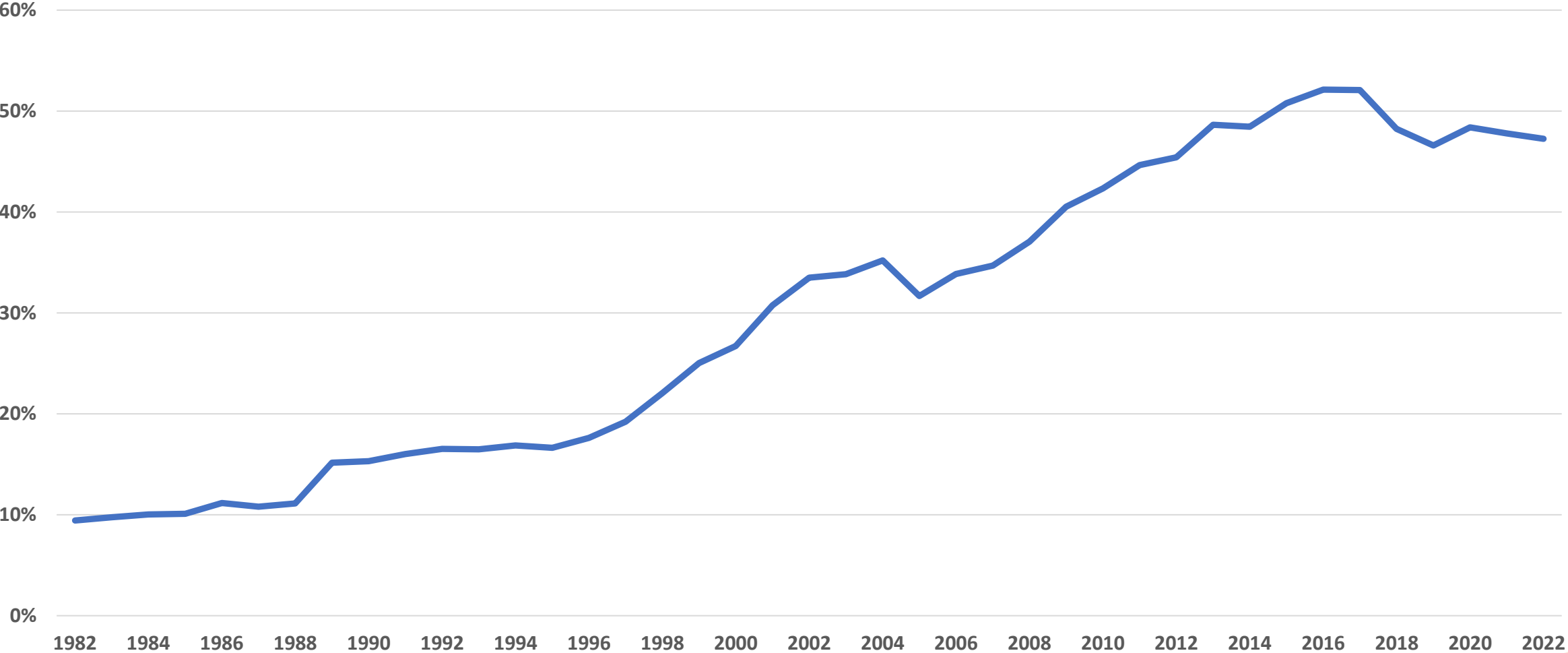
- Are there other questions related to Ultimate Host Economy (UHE) that we should explore?
  - Additional methods to attempt?
- Of the six methods for calculating UHE that we explored, do you think that we selected the correct three to further pursue?
- Which method do you prefer? Which method meets your needs?

# U.S. direct investment position abroad — Where does it go?

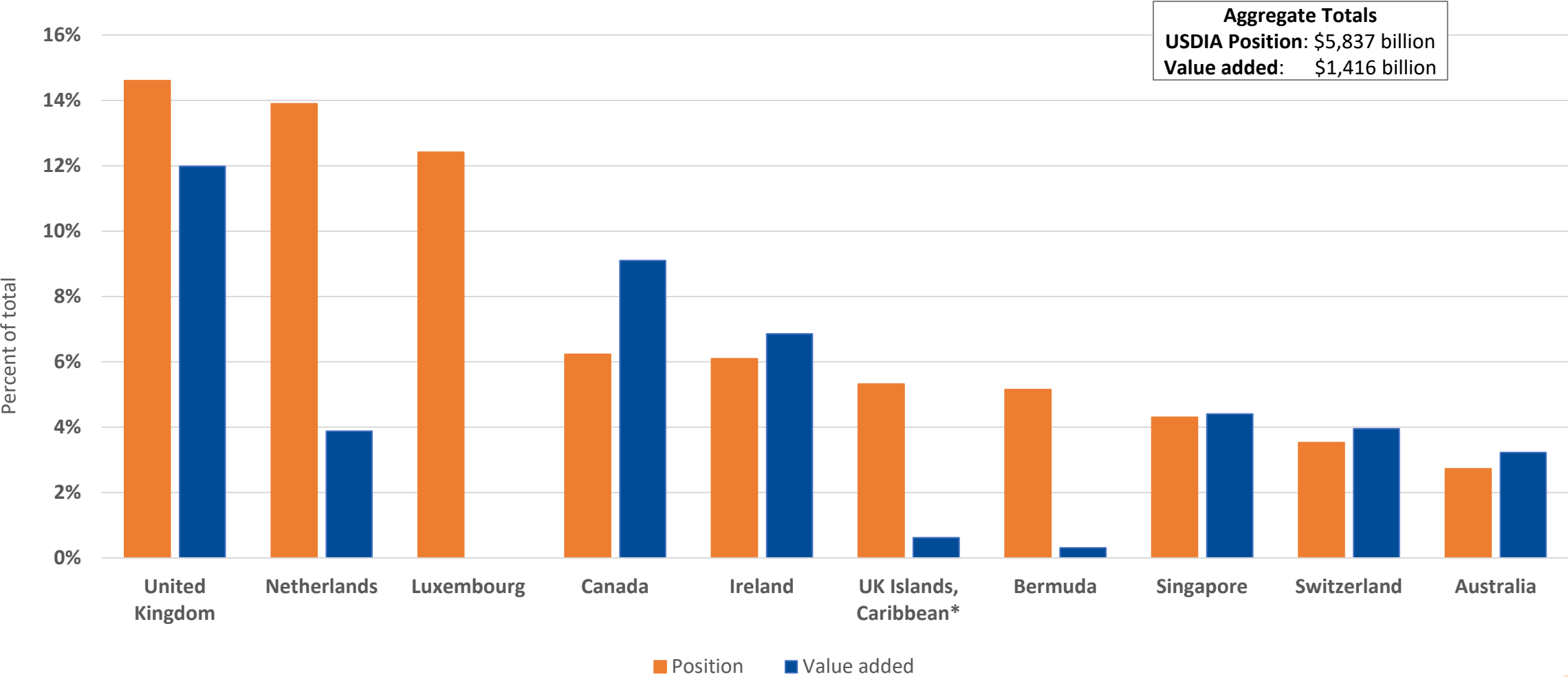


\* Includes British Virgin Islands, Cayman Islands, Montserrat, and Turks and Caicos Islands

# Holding Companies as a share of USDIA position



# U.S. MNE outward position and value added by country, 2019



\* Includes British Virgin Islands, Cayman Islands, Montserrat, and Turks and Caicos Islands

# How do you do it?



# Ultimate host economy (UHE): position reallocation methods



Method:	Push Down	Financial Structure	Apportionment
Sub-type	First Operating Affiliate	Passthrough with Ownership Chains	Employment / Fixed Capital / Sales
	Last Affiliate	Parent's Equity Share of Affiliate's Assets (PESAA)	
	Hybrid: Passthrough-Apportionment		

- **First operating affiliate**

- Position reallocated from directly-owned holding companies to first non-holding company affiliate in ownership chain
  - Regardless of the number or size of affiliates further down the chain
- If the first entity is not a holding company, the position is not reallocated
- Method recommended by Balance of Payments Manual update

- **Last affiliate**

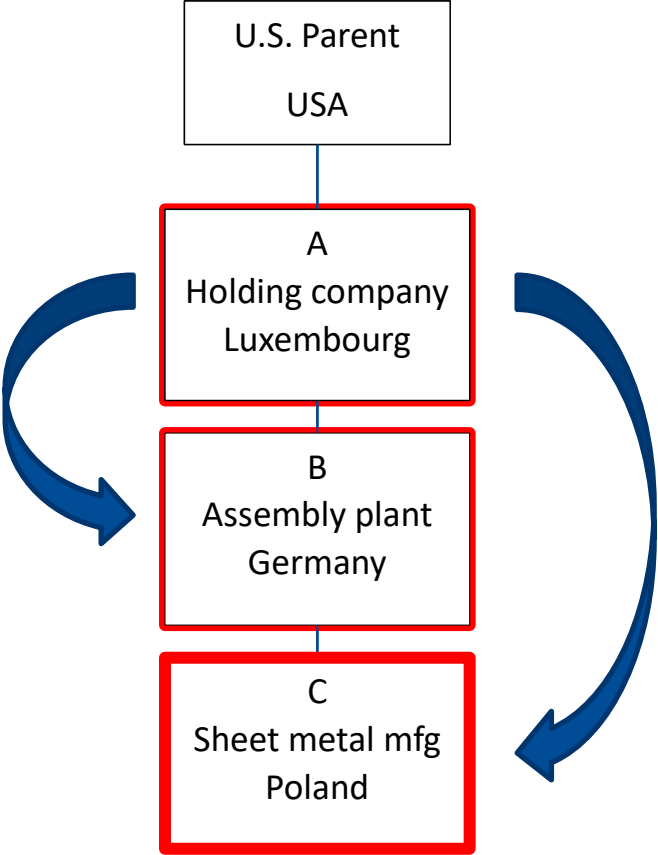
- Position reallocated from directly-owned companies to last affiliate in the ownership chain
  - Regardless of size or industry of intermediate affiliates



# UHE: push down methods

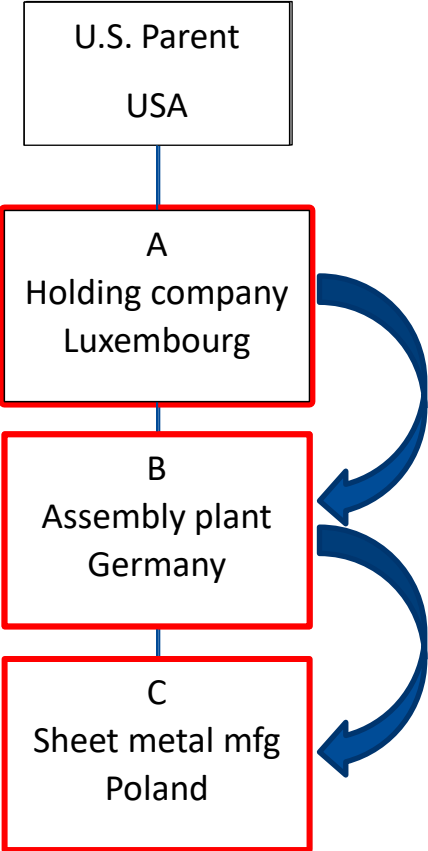
First-operating method

Last affiliate method



- Passthrough with Ownership Chains
  - Builds on Borga and Caliandro (2018) passthrough approach
  - Data intensive
  - Position remaining in affiliate equals equity received from parent *less* equity that passes through to other affiliates down the ownership chain
  
- Parent's Equity Share of Affiliate's Assets (PESAA)
  - Data intensive
  - Challenged by negative equity and unusual ownership structures
    - Creates larger than necessary country and industry changes

# UHE: financial structure methods



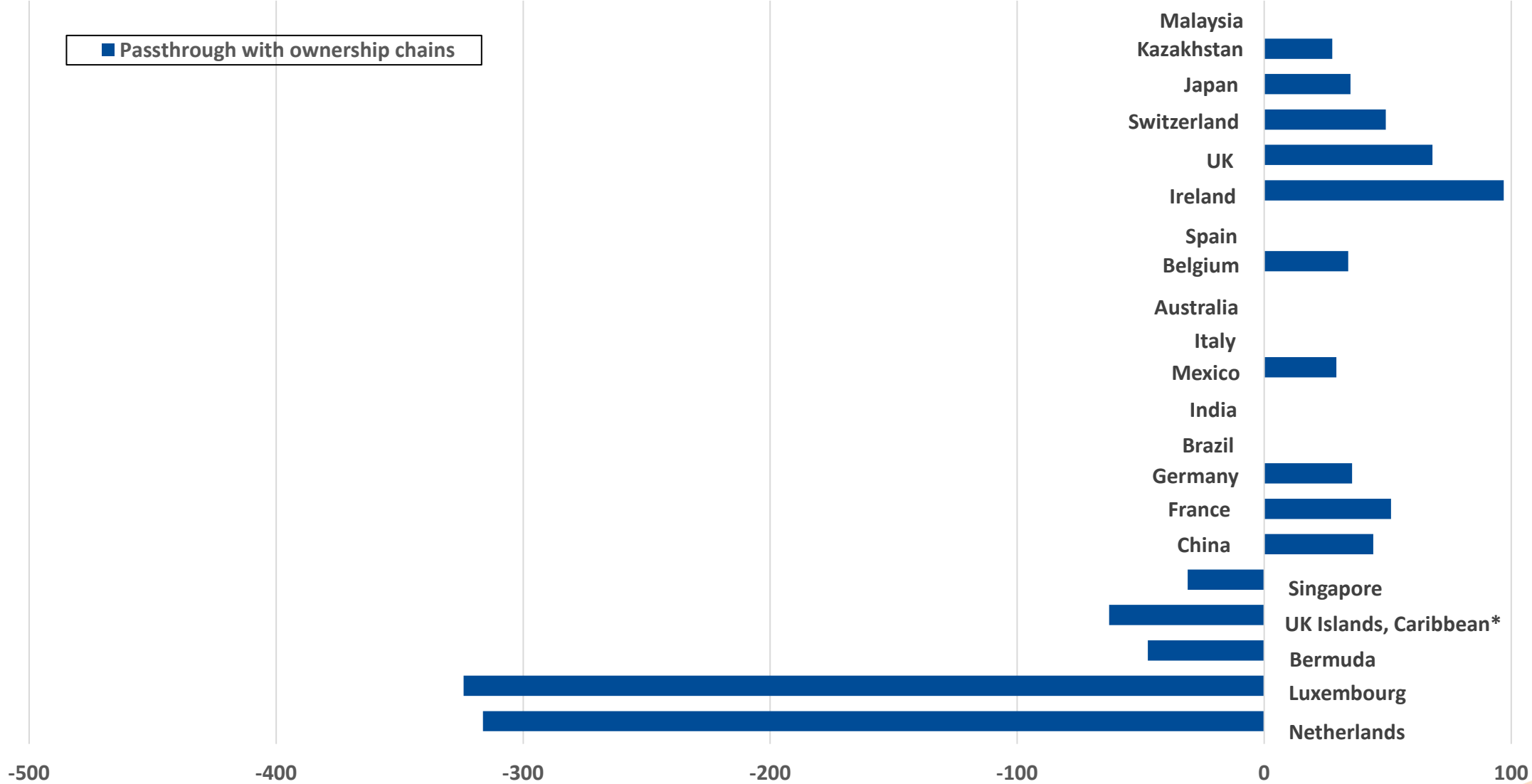
- Apportionment: Employment / Fixed capital / Sales
  - Least data-intensive method
  - Can be calculated using BEA's published position and activities statistics
  - Results may be biased depending on the metric used
  
- Hybrid: Passthrough-apportionment
  - Less data-intensive than financial structure methods
  - Uses Borga and Caliandro (2018) passthrough approach without ownership chain information
  - Position reallocated using aggregated country and industry results from passthrough calculations

# UHE: BEA's preferred methods



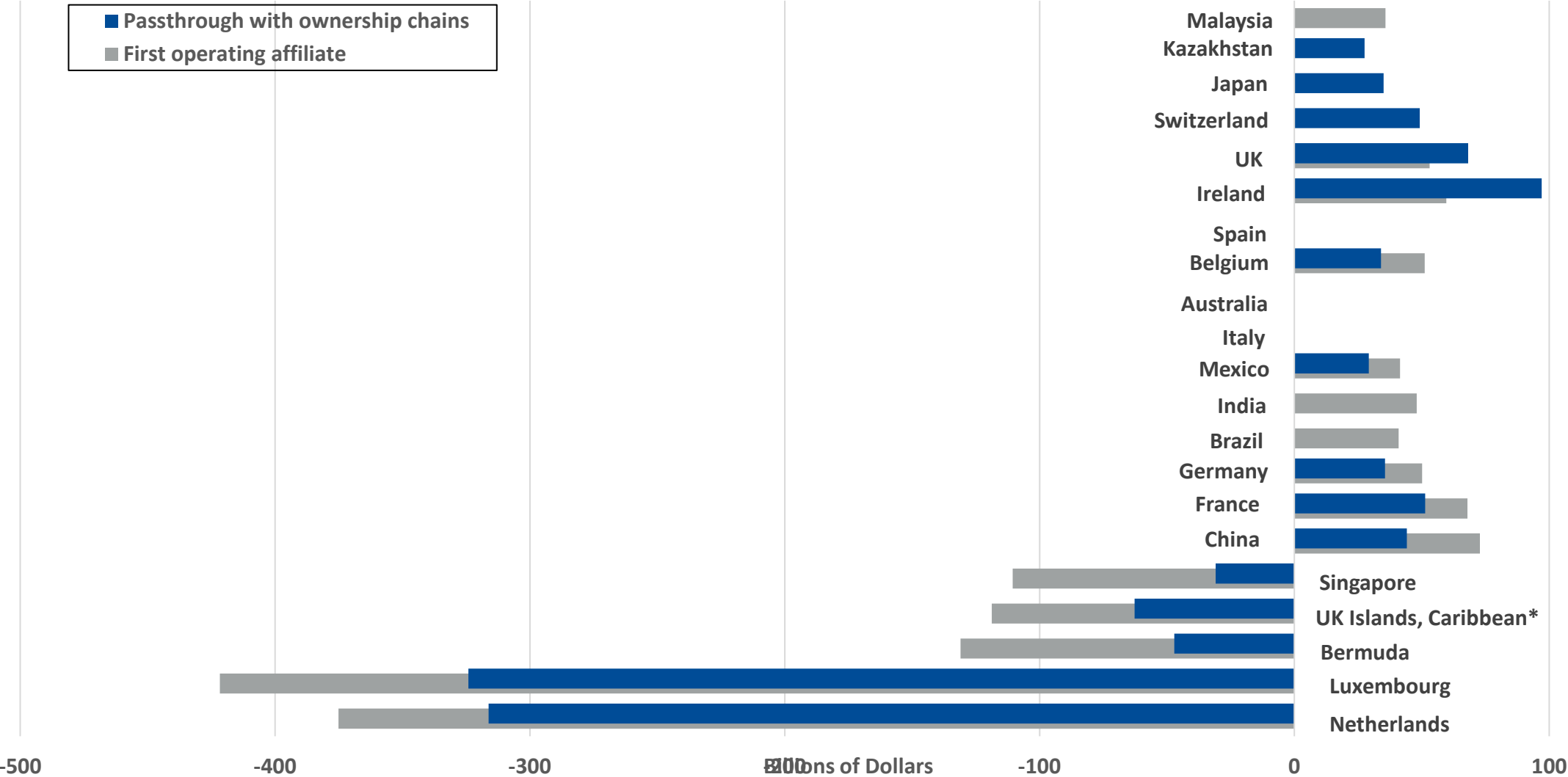
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# UHE results: largest reallocations by country, by method



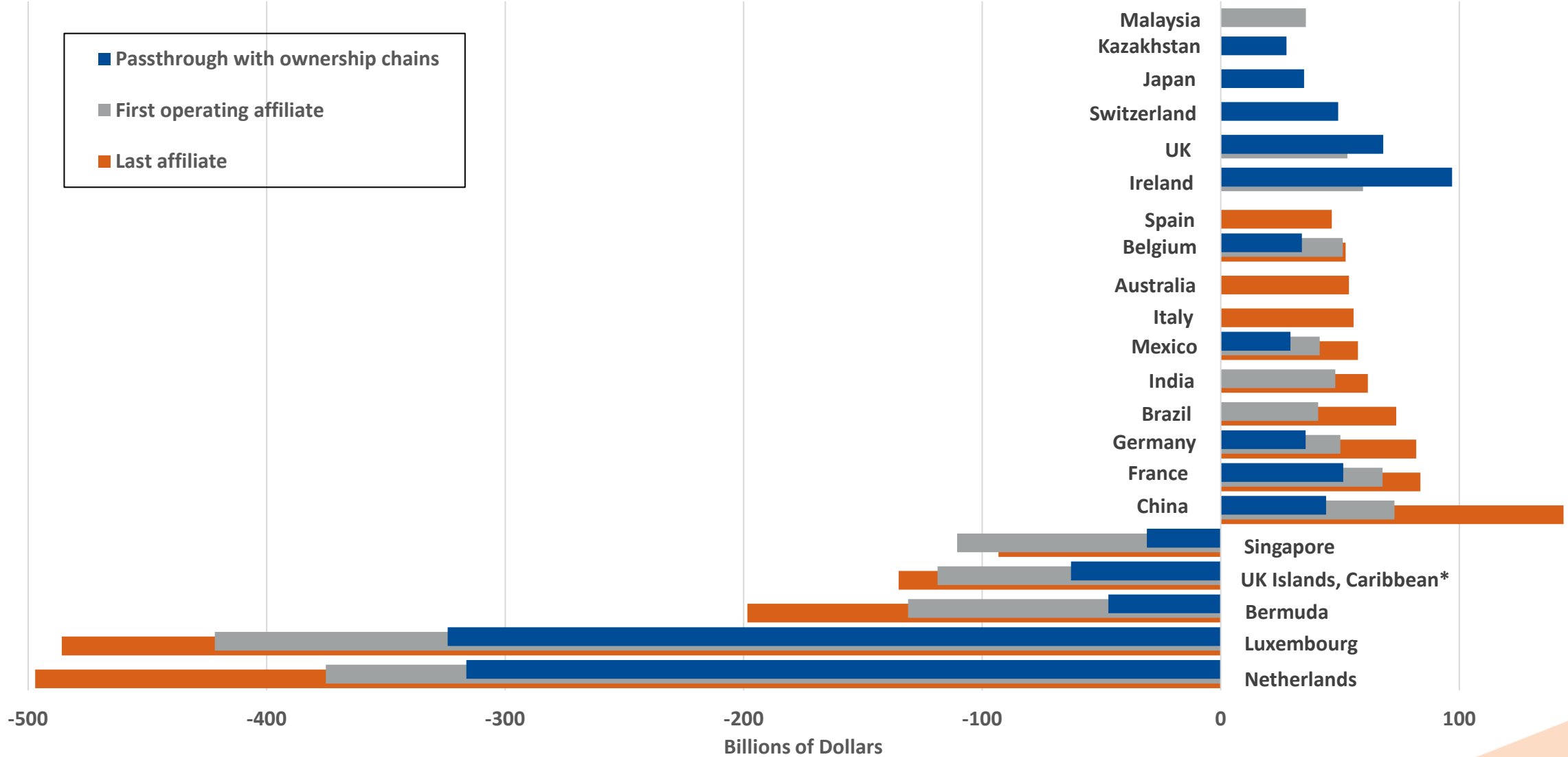
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# UHE results: largest reallocations by country, by method



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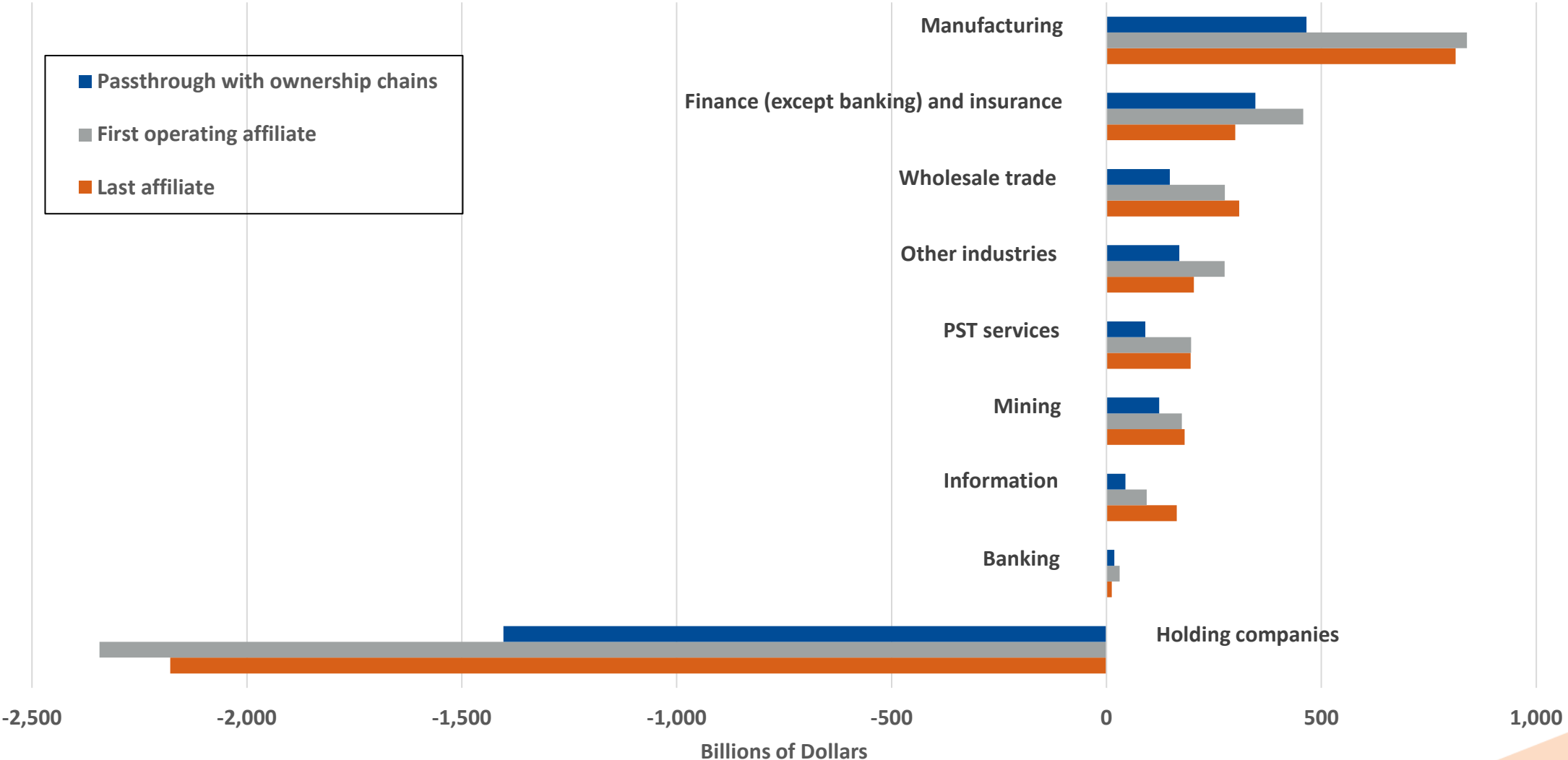
# UHE results: largest reallocations by country, by method



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# UHE results: reallocations by sector, by method

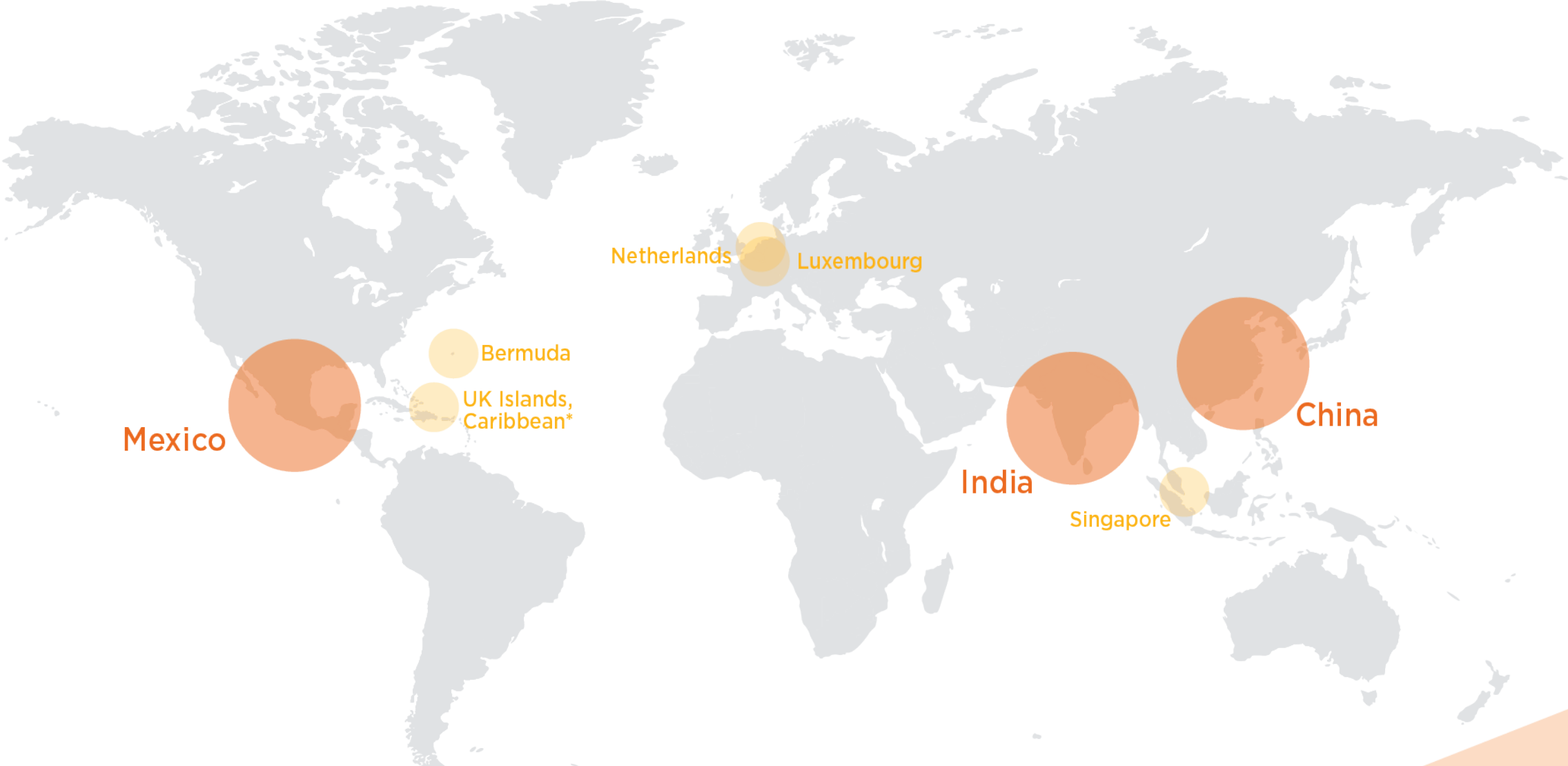


# UHE: in summary



\* Includes British Virgin Islands, Cayman Islands, Montserrat, and Turks and Caicos Islands

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### Feedback

- Solicit feedback from data users
- Present research at conferences and international working groups

### Decide

- Based on feedback, select method(s)
- Resolve minor outstanding methodological questions

### Advance

- Incorporate into production systems
- Include in annual Direct Investment by Country and Industry release

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