

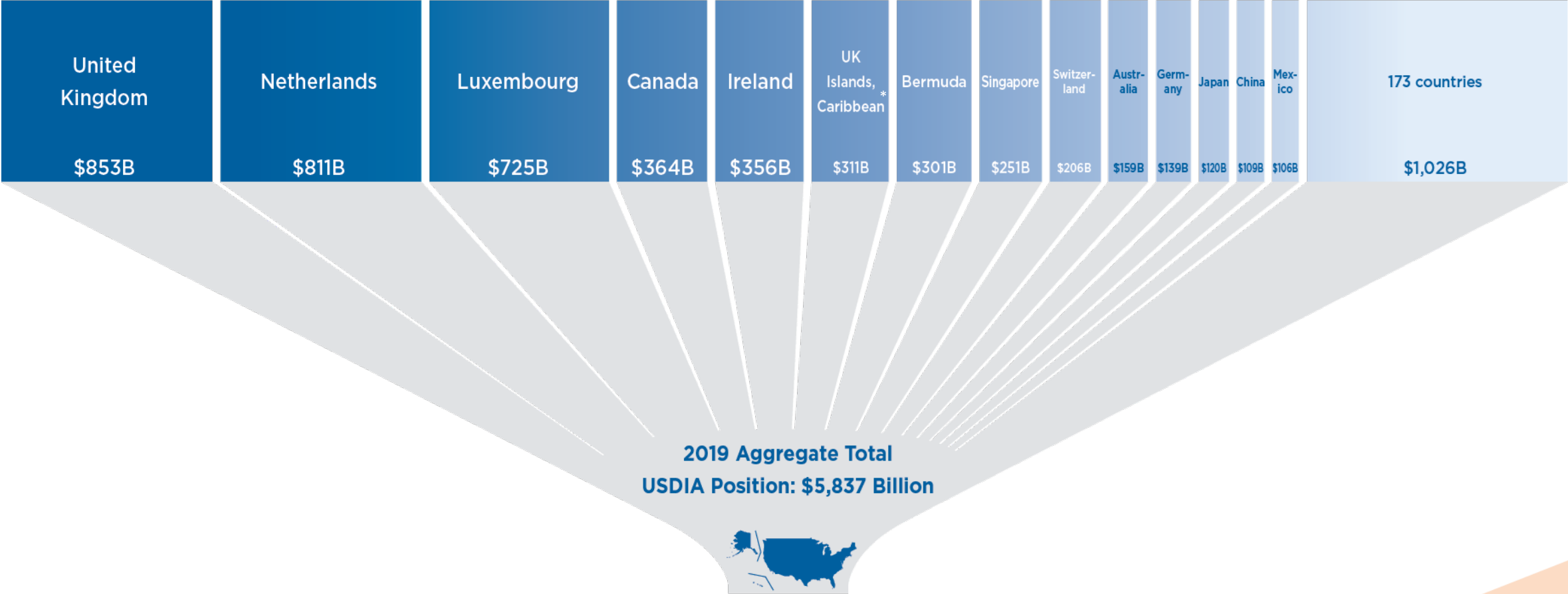
Experimental Ultimate Host Economy Statistics for U.S. Direct Investment Abroad

Advisory Committee Meeting, October 13, 2023



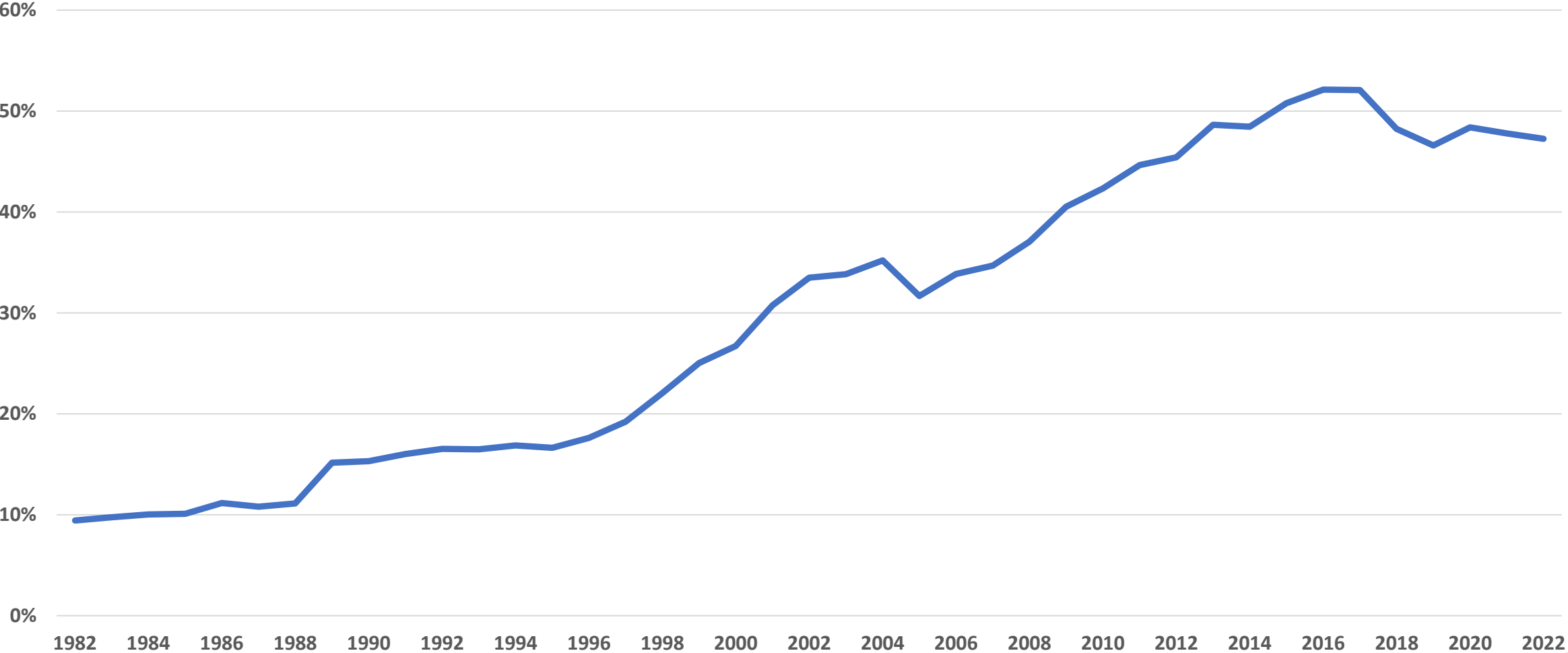
- Are there other questions related to Ultimate Host Economy (UHE) that we should explore?
 - Additional methods to attempt?
- Of the six methods for calculating UHE that we explored, do you think that we selected the correct three to further pursue?
- Which method do you prefer? Which method meets your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

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

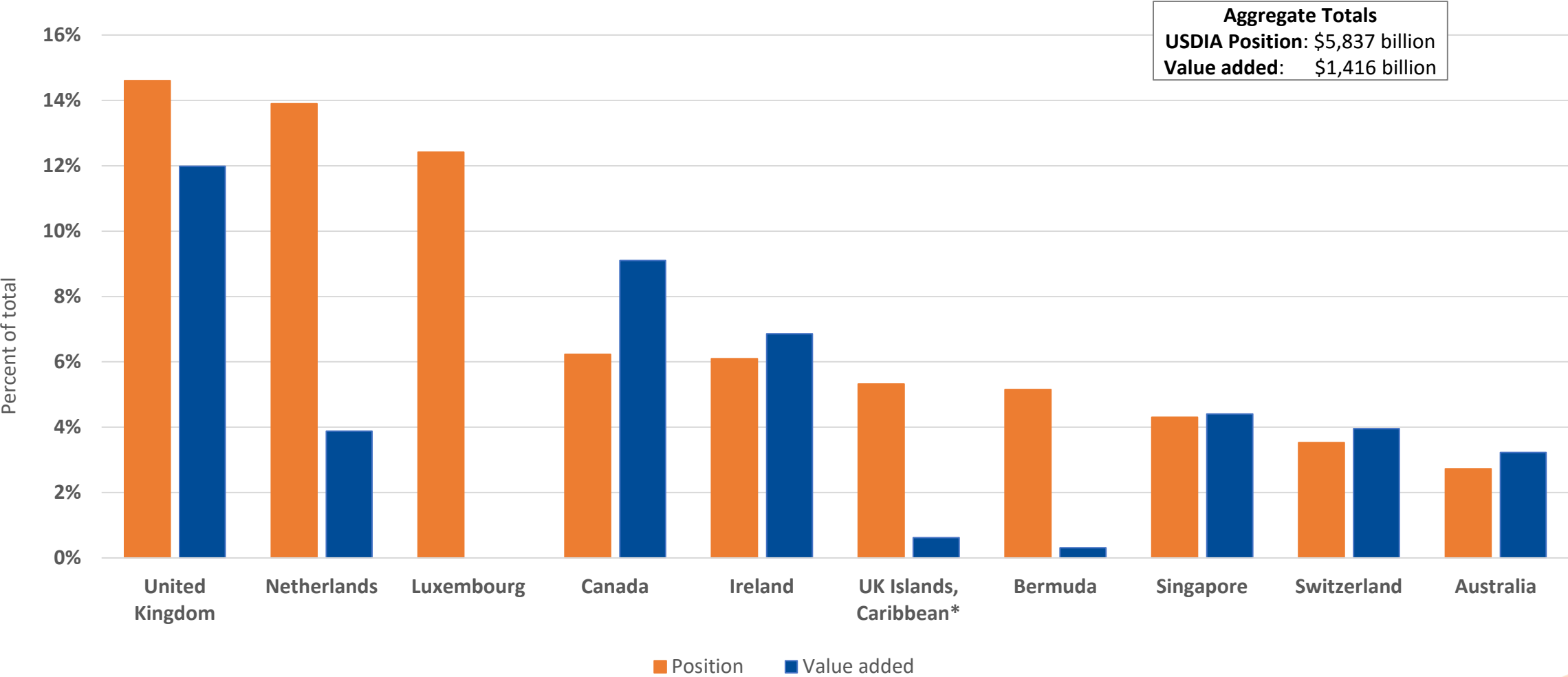


* Includes British Virgin Islands, Cayman Islands, Montserrat, and Turks and Caicos Islands

Holding Companies as a share of USDIA position

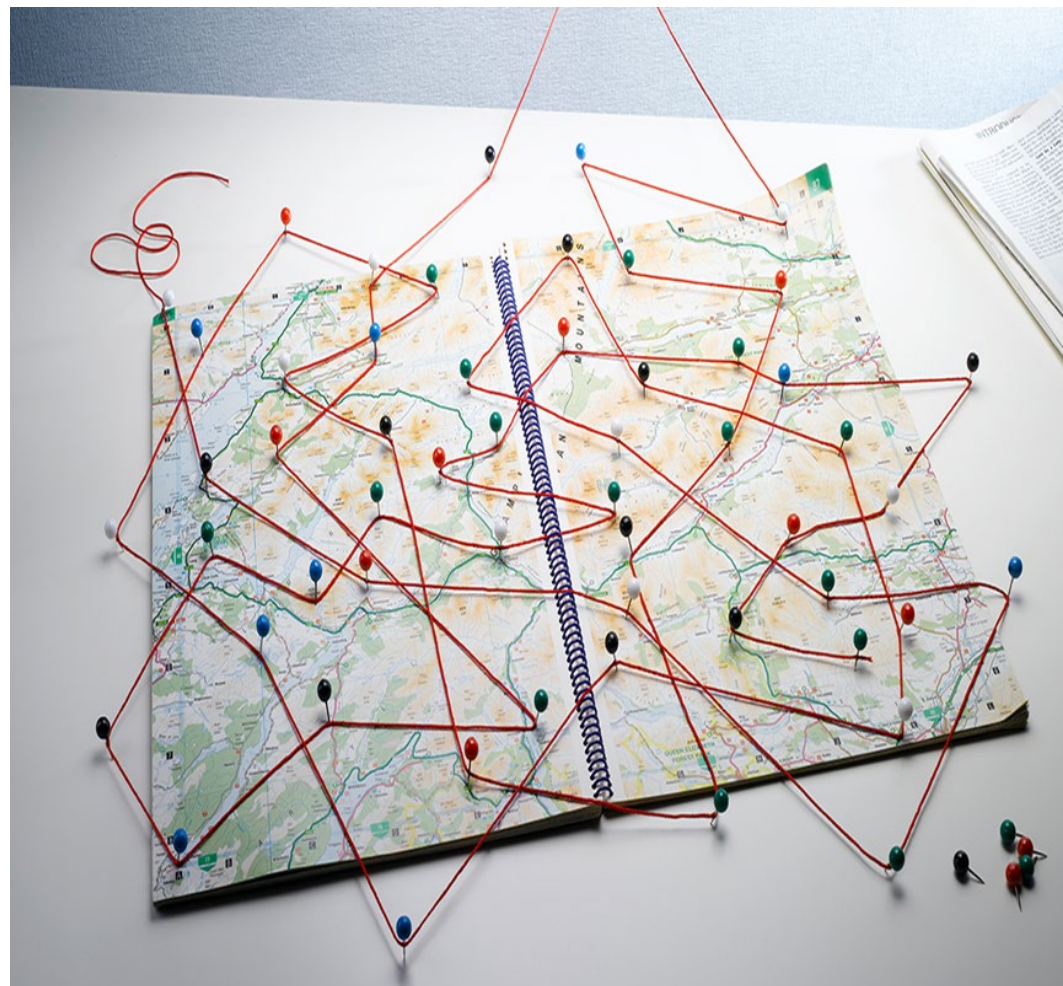


U.S. MNE outward position and value added by country, 2019



* 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

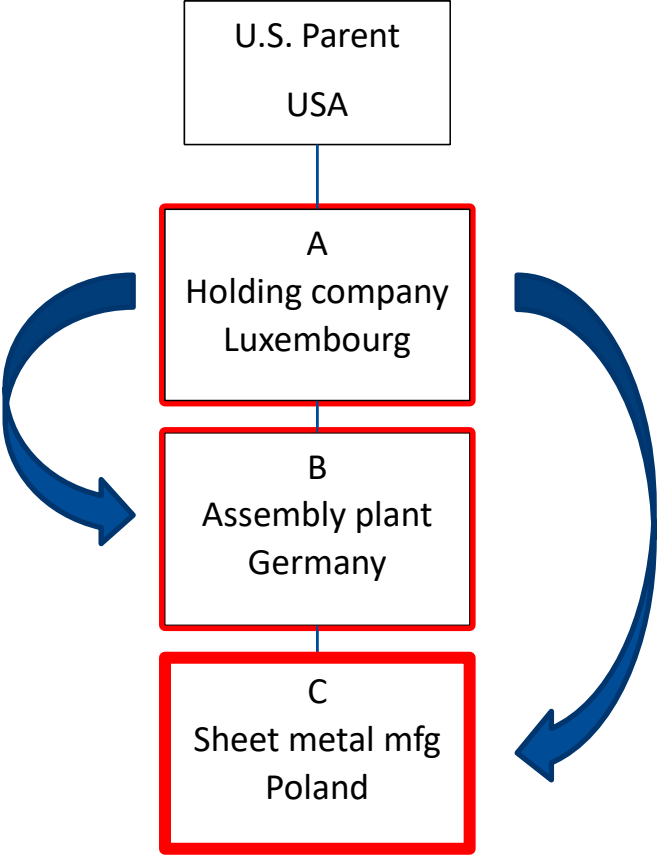
- **Last affiliate**

- 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

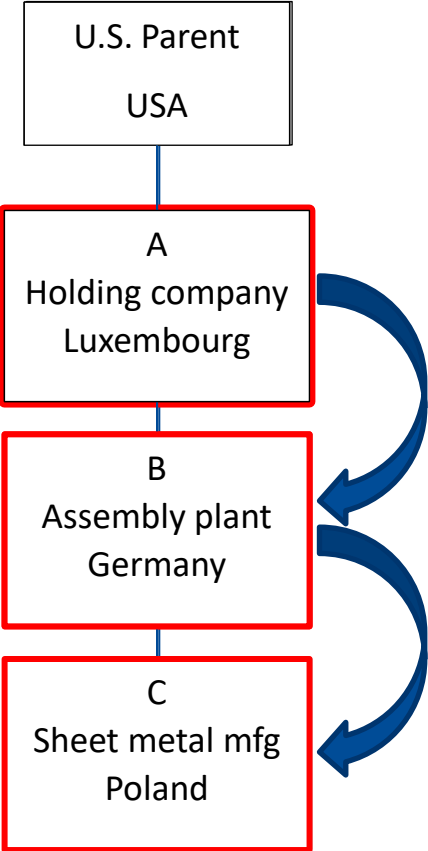
Last affiliate method



- 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



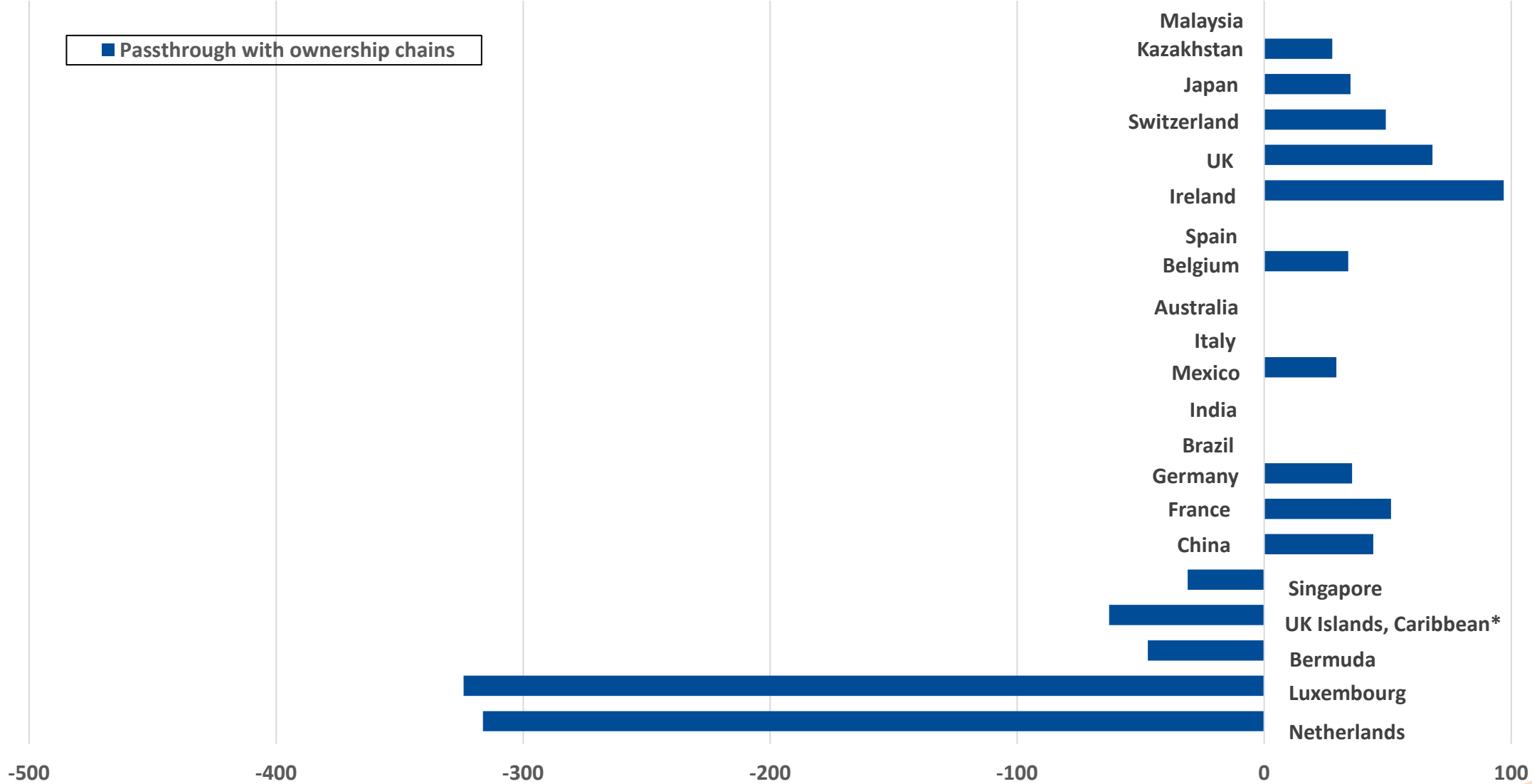
- Apportionment: Employment / Fixed capital / Sales
 - Least data-intensive method
 - Can be calculated using BEA's published position and activities statistics
 - Results may be biased depending on the metric used

- 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

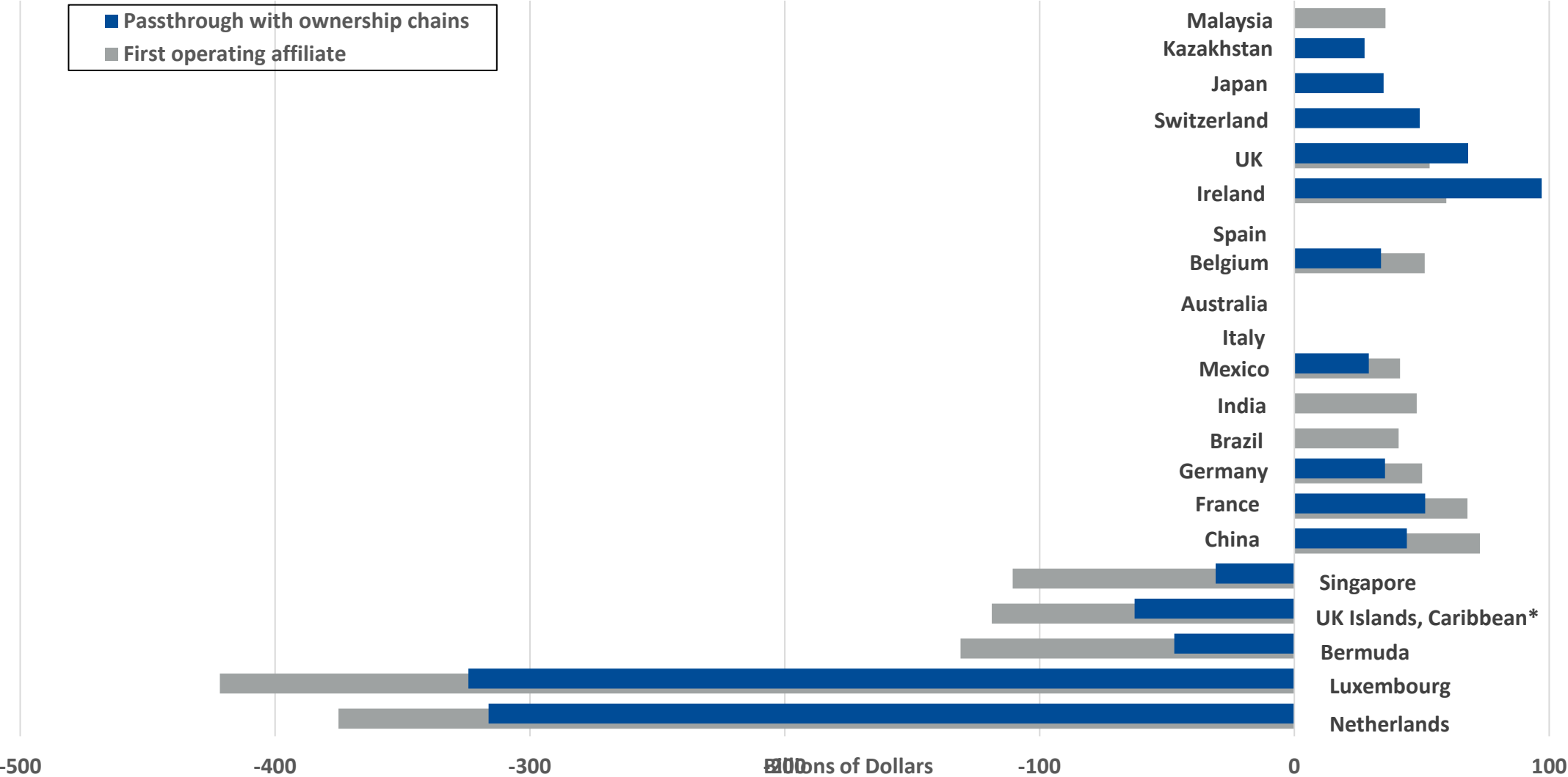
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UHE results: largest reallocations by country, by method



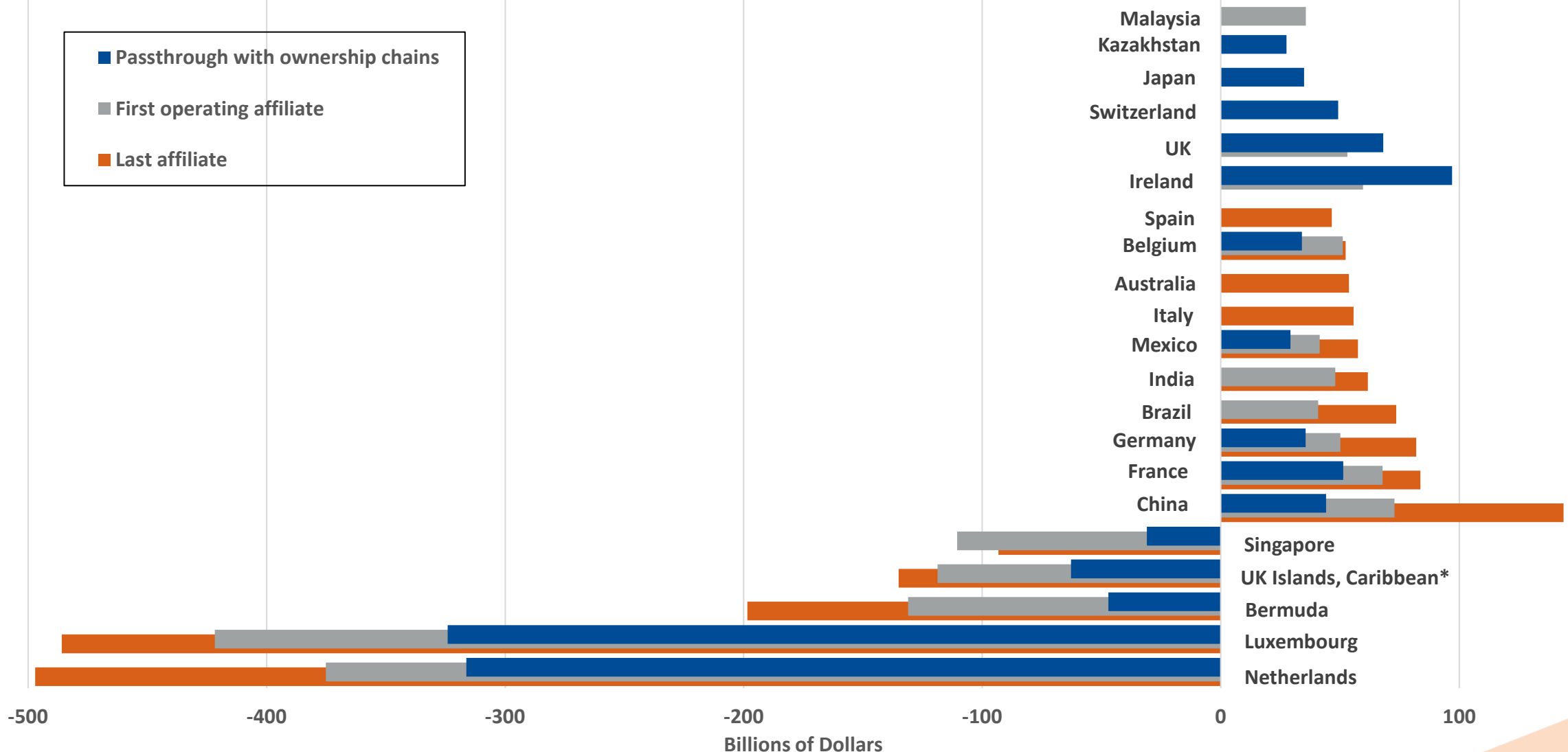
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UHE results: largest reallocations by country, by method



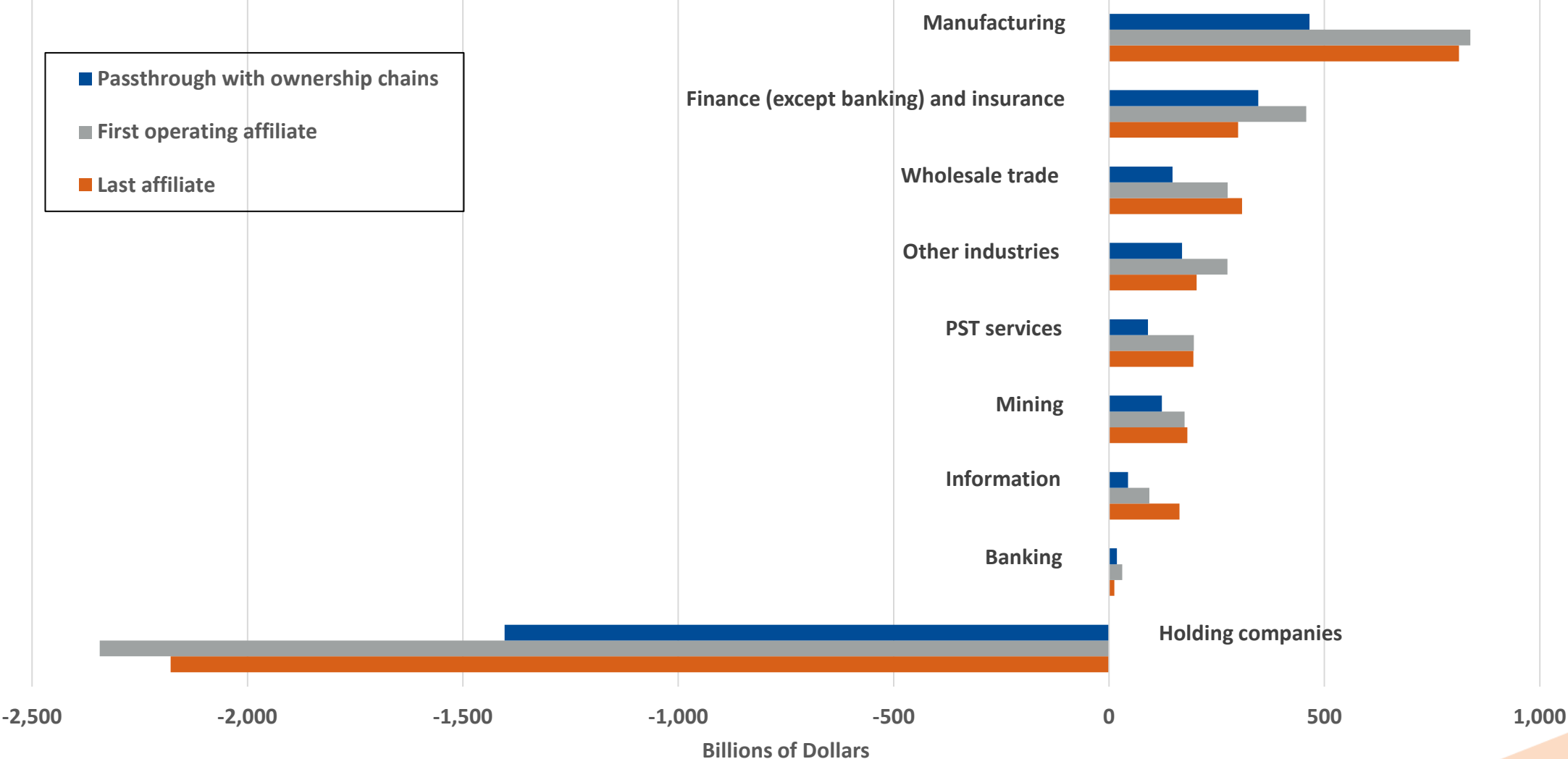
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UHE results: largest reallocations by country, by method

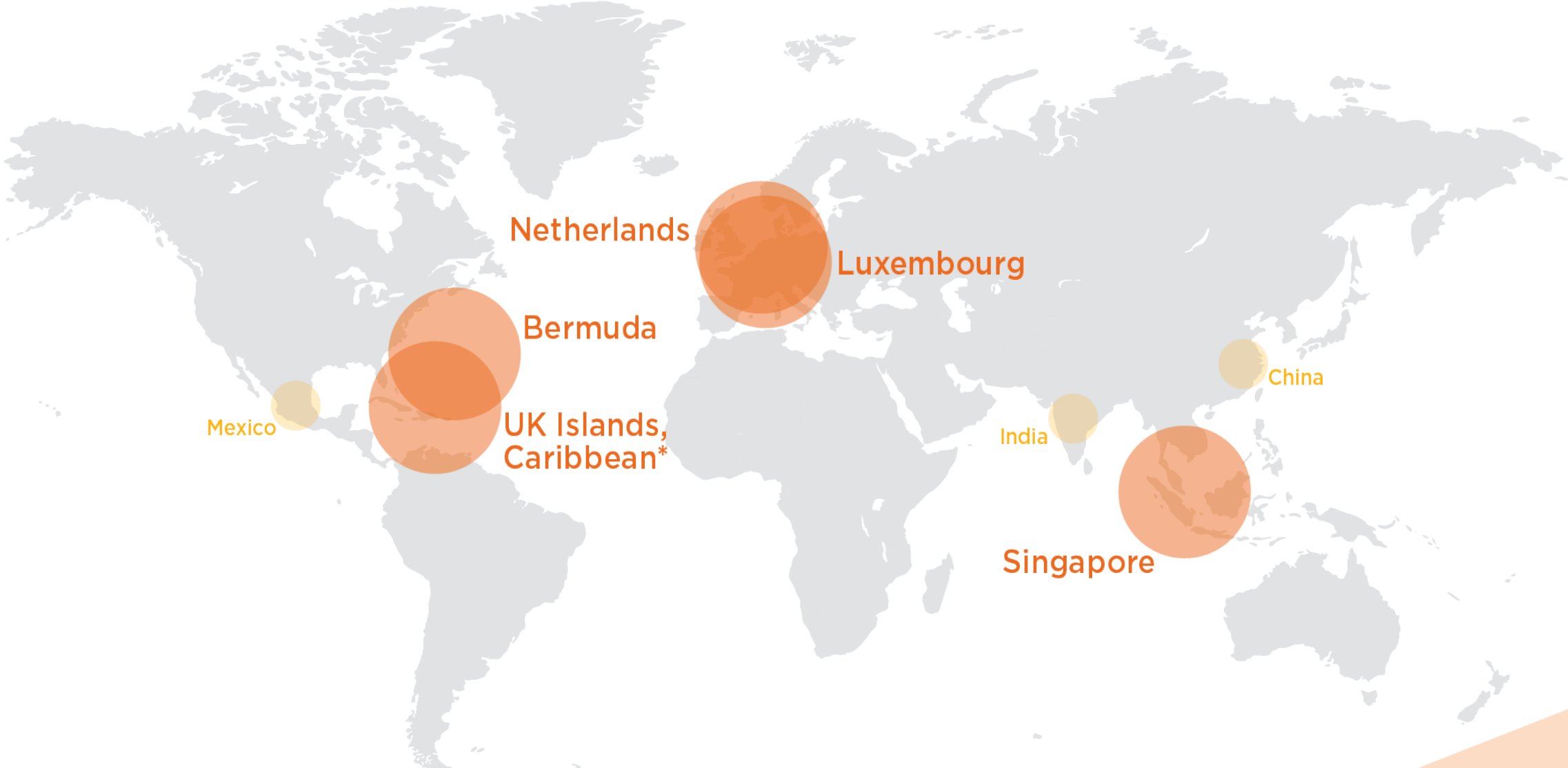


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UHE results: reallocations by sector, by method

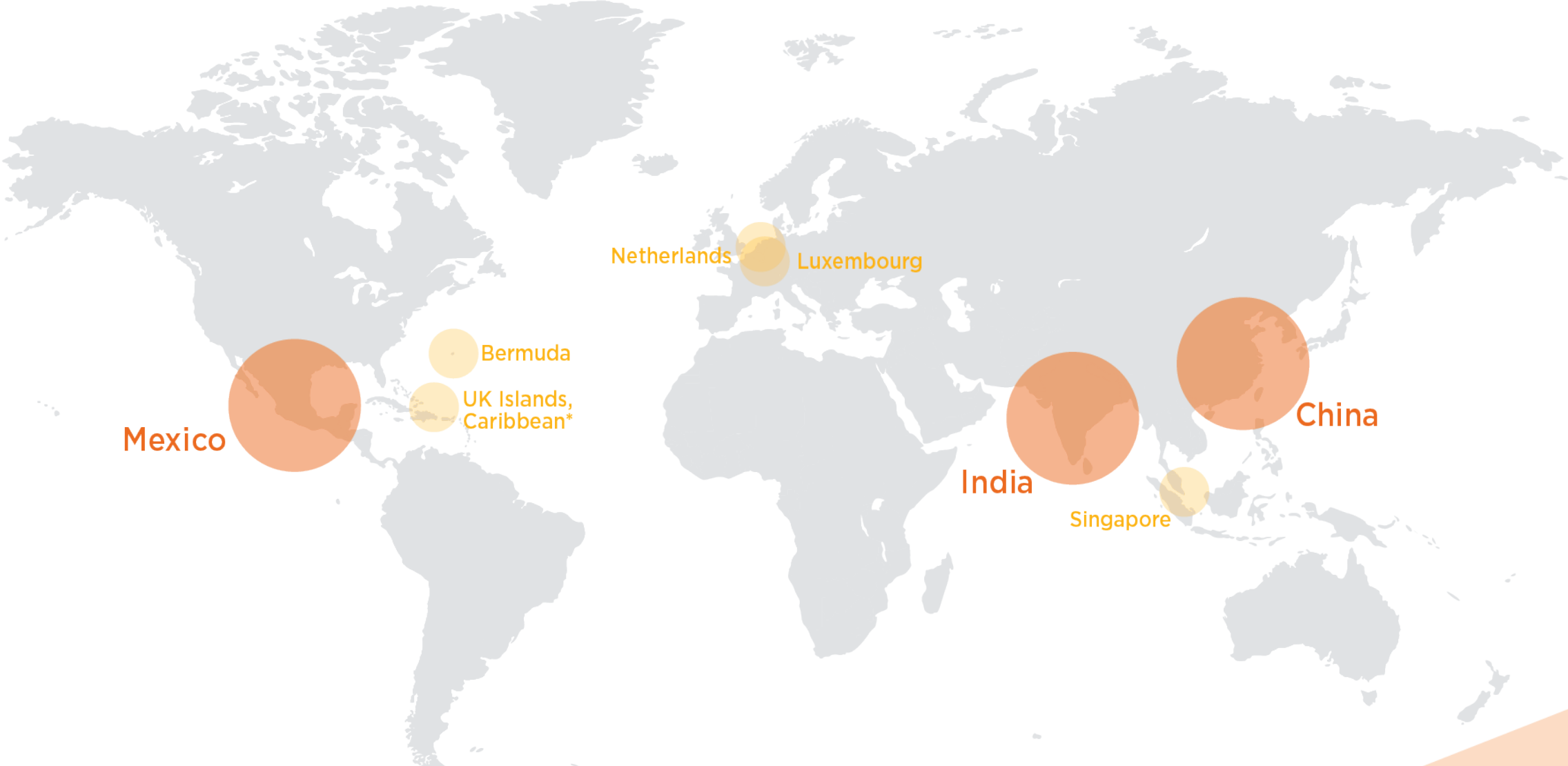


UHE: in summary



* 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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