An Ownership-Based Framework of the U.S. Current Account, 2015

This report updates the supplemental ownership-based framework of the current account of the U.S. international transactions accounts (ITAs) prepared by the Bureau of Economic Analysis (BEA). The supplemental presentation includes the same major elements as the standard current-account presentation: trade in goods and services as well as receipts and payments of both primary income and secondary income. Primary income generally represents income that results from the production of goods and services or the provision of financial assets; it includes income on foreign investment and compensation of employees. Secondary income represents all other income (also known as current transfers); it includes, for example, foreign aid and remittances. As in the standard presentation, transactions are defined as international when they occur between a U.S. resident and a nonresident. The residency of an affiliate of a multinational enterprise (MNE) depends on the country where the affiliate’s operations are located, not on the country of its owner.

The ownership-based framework goes beyond the standard presentation of the current account, highlighting the important role that MNEs play in international transactions. First, it recognizes that direct investment income results from the MNE’s active role in decisions about the production of goods and services by its affiliates. Under the ownership-based framework, direct investment income is renamed “net receipts or payments of direct investment income resulting from sales by affiliates” to distinguish this income from the other, more passive types of investment income included in the current account, such as dividends and interest on foreign stocks and bonds. Second, this framework shows that these receipts and payments are the result of substantial sales of goods and services and purchases of labor and other inputs. Third, it disaggregates trade in goods and services to show trade with affiliated foreigners separately from trade with unaffiliated foreigners.

This report includes new summary statistics on the major current-account aggregates for 2015, revised and more detailed statistics for 2014, and revised statistics for earlier years. The updated statistics in this report through 2015 reflect the 2016 annual revision of the ITAs, which incorporates newly available and revised source data and improved estimation methodologies. In addition, the updated statistics reflect preliminary results from both the 2014 Benchmark Survey of U.S. Direct Investment Abroad (“outward” direct investment) and the 2014 Annual Survey of Foreign Direct Investment in the United States (“inward” direct investment) as well as the revised results from both the 2013 Annual Survey of U.S. Direct Investment Abroad and the 2013 Annual Survey of Foreign Direct Investment in the United States.

A technical note that presents information on the conceptual basis of the ownership-based framework is available on BEA’s Web site.

The following are highlights of the updated statistics in table A.5

- In 2015, U.S. receipts from exports of goods and services and net income receipts of U.S. parents from sales by foreign affiliates were $2,682.8 billion, consisting of exports of goods and services of $2,261.2 billion and net income receipts of U.S. parents from sales by their foreign affiliates of $421.6 billion. U.S. payments for imports of goods and services and net income payments to foreign parents resulting from sales by U.S. affiliates were $2,917.7 billion, consisting of imports

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1. The statistics for 1982–2015 are available on BEA’s Web site. For details about data sources for the statistics, see “Data Sources.”


Kassu W. Hossiso prepared this report.
of goods and services of $2,761.5 billion and net income payments to foreign parents from sales by their U.S. affiliates of $156.2 billion.

- In 2015, the deficit on goods, services, and net income receipts from sales by affiliates (U.S. parents’ income receipts from foreign affiliates less U.S. affiliates’ income payments to foreign parents) was $235.0 billion, less than the more narrowly defined deficit on trade in goods and services, which was $500.4 billion. The ownership-based deficit was smaller because receipts of income by U.S. parents resulting from sales by their foreign affiliates were larger than payments of income to foreign parents from sales by their U.S. affiliates.

- In 2015, the deficit on goods, services, and net income receipts was $235.0 billion, up from $201.2 billion in 2014.

Table A. Ownership-Based Framework of the U.S. Current Account, 2004–2015—Continues

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<tbody>
<tr>
<td>1</td>
<td>Exports of goods and services and income receipts (international transactions accounts) (ITAs) table 1.2, line 1)</td>
<td>1,969.0</td>
<td>2,221.0</td>
<td>2,562.0</td>
<td>2,750.0</td>
<td>3,250.0</td>
<td>3,566.0</td>
<td>3,867.0</td>
<td>4,067.0</td>
<td>4,095.0</td>
<td>4,138.0</td>
<td>4,164.0</td>
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<td>2</td>
<td>Less: Adjustment to convert direct investment receipts to a directional basis (ITA table 4.2, line 8)</td>
<td>1.3</td>
<td>0.6</td>
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<td>3</td>
<td>Equals: Exports of goods and services and income receipts, directional basis</td>
<td>1,967.7</td>
<td>2,216.6</td>
<td>2,556.4</td>
<td>2,749.4</td>
<td>3,249.4</td>
<td>3,559.4</td>
<td>3,860.4</td>
<td>4,059.4</td>
<td>4,094.4</td>
<td>4,137.4</td>
<td>4,163.4</td>
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... (Continued)
4. In principle, purchases of services from the United States should include both purchases from the U.S. parent and purchases by the subsidiary. For U.S. affiliates, data on sales to other affiliates of the same parent are unavailable. Because U.S. affiliates are generally required to report to BEA on a fully consolidated basis, most of these sales are eliminated through consolidation, and the remaining amount is thought to be negligible. Other foreign content (purchases from foreign persons by foreign affiliates) is overstated to the extent that it includes U.S. exports that are embodied in goods and services purchased by foreign affiliates from foreign suppliers.

7. Other foreign content (purchases from foreign persons by foreign affiliates) is overstated to the extent that it includes U.S. exports that are embodied in goods and services purchased by foreign affiliates from foreign suppliers.
accounted for 35.8 percent of U.S. receipts (line 3 in table A) in 2014, up from 30.4 percent in 1982, and they accounted for 32.7 percent of U.S. payments (line 37) in 2014, up from 27.4 percent in 1982 (chart 1). These patterns may reflect the growing complexity of U.S. international transactions, such as the rise of global value chains and corporate inversions, which leads to an increased need for coordination and cooperation, such as that provided within an MNE structure. Direct investment income receipts as a share of total receipts increased from 8.0 percent in 1982 to 14.1 percent in 2014, whereas the share attributable to intrafirm exports of goods and services decreased from 22.3 percent in 1982 to 21.8 percent in 2014. Direct investment income payments as a share of total payments increased from less than 1 percent in 1982 to 4.8 percent in 2014, and the share attributable to intrafirm imports of goods and services increased from 26.8 percent in 1982 to 27.9 percent in 2014.

By type of affiliation, the share of receipts attributable to intrafirm exports of goods and services to foreign affiliates of U.S. parents decreased from 15.1 percent in 1982 to 14.8 percent in 2014 (the latest year for which detailed statistics are available), while the share attributable to foreign parent groups of U.S. affiliates increased from 7.2 percent in 1982 to 7.0 percent in 2014. The share of payments attributable to intrafirm imports of goods and services from foreign affiliates of U.S. parents increased from 11.8 percent in 1982 to 12.3 percent in 2014, whereas the share attributable to imports of goods and services from foreign parent groups of U.S. affiliates increased from 15.0 percent in 1982 to 15.6 percent in 2014.

6. The statistics on U.S. international transactions for 1982–1998 exclude secondary income receipts and payments (or current transfers) in total U.S. receipts and payments because secondary income for 1982–1998 was presented on a net basis.

7. For more information, see Jessica M. Hanson, Howard I. Krakower, Raymond J. Mataloni Jr., and Kate L.S. Pinard, “The Effects of Corporate Inversions on the International and National Economic Accounts,” Survey 95 (February 2015).

8. The shares are calculated using the statistics from “Ownership-Based Framework of the Current Account for 1982–2015” that are available on BEA’s Web site.