

Services Supplied Through Affiliates: Definition

U.S. international services delivered via the channel of direct investment consist of (1) services supplied to local and other foreign markets by foreign affiliates of U.S. multinational companies (MNCs), and (2) services supplied to the U.S. market by U.S. affiliates of foreign MNCs.

Services supplied through affiliates corresponds to sales of services reported by multinational companies for industries other than wholesale and retail trade, insurance, and banking, for which adjustments are made to sales of services to better measure services output. For wholesalers and retailers, services supplied includes an estimate of the distributive services affiliates provide by selling goods or by arranging for their sales. For insurance, services supplied consists of BEA's estimate of premiums remaining after provision for expected or "normal" losses and a measure of premium supplements, which represent income earned on funds insurers hold on behalf of policy holders.¹ For banks, services supplied include explicit fees and commissions and an estimate of the value of implicit services provided by banks, often referred to as financial intermediation services indirectly measured.^{2,3}

Sales of services are defined as sales of intangible outputs and, therefore, generally include sales by establishments in the following industry sectors: utilities; transportation and warehousing; information; finance and insurance; real estate and rental and leasing; professional, scientific, and technical services; management of companies and enterprises; administrative and support, waste management, and remediation services; educational services; health care and social assistance; arts, entertainment, and recreation; accommodation and food services; other services (except public administration); and public administration. Additionally, the sales of establishments that provide support activities for agriculture, forestry, fishing, and hunting or mining are typically intangible. Sales of tangible outputs are classified separately as goods sales and generally include sales by establishments in manufacturing; mining (except support activities); agriculture, forestry, fishing, and hunting (except support activities); wholesale and retail trade; and construction. In cases where a sale consists of both tangible goods and intangible services that cannot be unbundled, sales are classified based on whichever accounts for the majority of value.

Although intangible outputs are typically associated with activities in certain industries, affiliates in any industry can be providers of services because the classification of an affiliate reflects the affiliate's primary industry of sales. Affiliates classified in industries that typically produce goods may have secondary activities in services industries. For example, an affiliate classified in manufacturing may have secondary service activities in wholesale trade or in repair and maintenance.

¹ For more detailed information about the computation of services supplied for affiliates in wholesale and retail trade and in insurance, see the section "Revisions and Improvements" in [Jennifer Koncz and Anne Flatness, Survey of Current Business 88 \(October 2008\): 34.](#)

² The value of implicit services provided by banks is measured by the implicit fees they earn by offering lower interest rates on deposits than they charge on loans.

³ For more detailed information about the computation of services supplied for affiliates in banking, see the section "Revisions and Improvements" in [Jennifer Koncz-Bruner and Anne Flatness, Survey of Current Business 89 \(October 2009\): 37.](#)