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PLANT AND EQUIPMENT EXPENDITURES BY
FOREIGN AFFILIATES OF U.S. CORPORATIONS,
1967-69

Plant and equipment expenditures by foreign affiliates of U.S. corporations are expected to rise 5 percent in the current year and an additional 4 percent in 1969, the Department of Commerce announced today. These increases follow a 7 percent rise in 1967 which brought total outlays in that year to \$9.2 billion. The 1967 increase was slightly smaller than the rise projected last December and represents a significant slowdown from the 20 percent advance recorded in both 1964 and 1965 and the 16 percent rise in 1966.

These data are based on reports received in June and July of this year by the Department's Office of Business Economics from about 500 major U.S. corporations with foreign affiliates. The sample results are adjusted to reflect foreign plant and equipment expenditures by all U.S. corporations.

Year-to-year changes are computed by comparing the estimate for a given year with that made in the corresponding period of the preceding year, on the assumption that the estimates are based on similar types of information available to corporate officials responding to the questionnaires. For example, the 4 percent rise for 1969 is based on a comparison of column A, 1969, with column A, 1968.

Industry patterns

The slower growth is attributable primarily to the leveling off of expenditures in manufacturing. Spending by manufacturers had risen about 30 percent in both 1964 and 1965, and 18 percent in 1966. However, no increase was recorded for 1967 and none is now projected for either 1968 or 1969.

More

Within manufacturing, two significant reversals of trend are suggested by the current data. The chemical industry is planning little increase in expenditures this year and a drop of almost 20 percent for 1969, after steady growth through 1967. In the transportation equipment industry, expenditures declined in 1967 and are expected to decrease again this year. For 1969, however, first estimates indicate a new surge in investment, much of it concentrated in Canada.

The petroleum industry, with a rise in expenditures of \$0.5 billion or 19 percent in 1967, realized its largest gain on both a dollar and percentage basis since 1957 when the plant and equipment survey was initiated. With rising expenditures concentrated primarily in Europe, Africa, and the Far East, petroleum affiliates accounted for better than four-fifths of the 1967 spending increase for all areas and industries. For 1968, outlays are expected to increase 9 percent, while no further advance is presently planned for 1969.

The mining industry shows a consistently high growth rate in capital investment over the 3-year period covered by the current survey. The 14 percent rise in 1967, however, was well below the 1966 rate of advance and somewhat lower than previously projected. The larger increases scheduled for 1968 and 1969 suggest that some expenditures initially planned for 1967 may have been deferred.

In other industries, including public utilities and trade, expenditures are expected to rise 25 percent in 1969 after steady but considerably smaller increases in 1967 and 1968.

Geographic patterns

Canada was the only major area of the world in which foreign affiliates reduced capital expenditures in 1967, following a large increase in 1966. The decline, concentrated almost entirely in manufacturing industries, is expected to continue at the same rate this year, but increased spending in all major industries is projected for 1969. Canada's share of total plant and equipment expenditures was a steady 25 percent from 1960-1965 and rose to 27 percent in 1966. For 1967, its share was reduced to 24 percent and, if current estimates materialize, it will reach a new low of 21-1/2 percent in 1968.

In Europe, a significant expansion in the petroleum industry was the prime factor in the 12 percent rise in 1967; however, this was a drop by nearly half from the rates of growth for this area recorded in 1965 and 1966. This year, cut-backs in expenditures by both petroleum and manufacturing affiliates are expected to reduce capital investments in Europe by 4 percent. In 1969, expenditures are projected to remain approximately at the 1968 level.

Led by rising investments in the mining industry, expenditures in Latin America are expected to increase substantially in both 1968 and 1969, following the 15 percent rise in 1967. Although the 1967 and 1968 advances are below the estimates made last December, Latin America's share of total plant and equipment expenditures is moving steadily upward, from 13 percent in 1966 to a projected 18 percent for 1969.

In all other areas, where a large share of U.S. investments is in the petroleum industry, outlays rose 11 percent in 1967. A further rise of 21 percent--well above previous estimates--is expected for the current year. Total expenditures will change little in 1969, with reductions in petroleum offsetting increases in all other industries.

Expenditures by foreign affiliates are shown in the accompanying tables.

Additional detail will be included in the September issue of the Survey of Current Business, the monthly publication of the Office of Business Economics.

The Survey of Current Business is available from Field Offices of the Department of Commerce, or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at an annual subscription price of \$6.00, including weekly supplements; single copy 45 cents.

Table 1.--Percent Change in Plant and Equipment Expenditures
by Foreign Affiliates of U.S. Corporations, 1965-69

	Actual		Projected	
	1965-66	1966-67	1967-68	1968-69
Total	16	7	5	4
Mining and smelting.	25	14	18	27
Petroleum.	11	19	9	-1
Manufacturing.	18	-2	-2	1
Other industries	14	10	10	25
Canada	28	-6	-5	7
Latin America.	2	15	19	12
Europe	23	12	-4	1
Other areas.	3	11	21	0

Table 2.--Plant and Equipment Expenditures by Foreign Affiliates of U.S. Companies,
by Area and Industry - Summary of Surveys^{1/}

(Millions of dollars)

	1965	1966					1967					1968			1969
	E	A	B	C	D	E	A	B	C	D	E	A	B	C	A
All areas, total	7440	7305	8805	9039	8680	8640	9115	10069	10045	9466	9245	9785	10707	10520	10168
Mining and smelting	629	482	637	764	746	789	637	839	931	903	902	761	1067	1101	969
Petroleum	2277	2330	2689	2727	2629	2526	2937	3334	3295	3099	3018	3432	3641	3595	3385
Manufacturing	3884	3832	4796	4793	4553	4583	4803	5098	5035	4709	4513	4853	5200	4963	4894
Other industries	650	661	683	756	752	741	738	798	783	755	812	739	799	861	921
Canada, total	1847	1678	2076	2175	2263	2357	2081	2273	2360	2227	2208	2053	2229	2244	2206
Mining and smelting	212	173	244	278	266	297	188	274	332	306	310	240	375	401	286
Petroleum	503	358	426	552	609	649	570	600	650	625	636	616	670	681	668
Manufacturing	944	963	1199	1143	1156	1174	1132	1163	1122	1064	998	963	933	893	991
Other industries	188	184	207	202	231	237	191	237	256	233	264	234	251	269	261
Latin America, total	1073	933	1140	1238	1105	1092	1250	1434	1441	1339	1258	1601	1923	1715	1791
Mining and smelting	160	110	176	214	211	229	193	288	298	287	292	335	454	412	490
Petroleum	307	334	378	336	282	268	391	366	380	368	301	475	492	426	433
Manufacturing	459	346	452	518	462	451	516	624	591	526	484	642	775	659	636
Other industries	147	144	134	171	150	143	150	156	172	159	181	150	204	218	233
Europe, total	2639	2893	3545	3555	3345	3253	3691	4009	3970	3723	3637	3814	3932	3803	3858
Mining and smelting	4	8	6	5	8	6	3	11	6	6	8	9	8	10	7
Petroleum	603	776	972	873	873	778	940	1206	1140	1070	1049	1038	1066	1052	1047
Manufacturing	1860	1876	2341	2424	2220	2243	2485	2529	2582	2410	2344	2544	2616	2488	2528
Other industries	172	233	227	252	244	226	263	263	242	237	236	222	242	252	275
Other areas, total	1880	1802	2044	2072	1968	1938	2093	2352	2274	2177	2142	2317	2624	2759	2313
Mining and smelting	252	192	212	267	261	257	253	266	295	305	293	177	229	278	186
Petroleum	864	862	912	966	865	832	1036	1161	1125	1036	1032	1303	1414	1435	1237
Manufacturing	621	648	804	708	714	714	669	782	741	710	687	704	877	924	738
Other industries	143	100	116	131	128	135	135	142	114	127	130	134	104	122	152

Note. - Detail may not add to totals because of rounding.

1. A - Estimated in June of previous year

B - Estimated in December of previous year

C - Estimated in June of current year

D - Estimated in December of current year

E - Actual - Reported in June of following year

Source: U.S. Department of Commerce, Office of Business Economics

Table 3.--Estimates of Plant and Equipment Expenditures by Foreign Manufacturing Affiliates of U.S. Companies,
by Area and Industry - Summary of Surveys¹
(Millions of dollars)

	1965	1966					1967					1968			1969
	E	A	B	C	D	E	A	B	C	D	E	A	B	C	A
All areas, total	3884	3832	4796	4793	4553	4583	4803	5098	5035	4709	4513	4853	5200	4963	4894
Chemicals	861	835	1092	1161	1054	1035	1315	1381	1385	1269	1203	1360	1466	1420	1103
Machinery	882	925	1033	1057	1044	1044	1150	1205	1198	1149	1083	1212	1256	1204	1298
Transportation equipment	873	1067	1265	1119	1018	966	982	989	949	852	797	819	906	817	1018
Other manufacturing	1267	1005	1406	1456	1436	1537	1356	1523	1504	1439	1429	1461	1572	1523	1475
Canada, total	944	963	1199	1143	1156	1174	1132	1163	1122	1064	998	963	933	893	991
Chemicals	225	300	314	260	230	221	240	213	239	194	168	254	205	180	207
Machinery	114	142	170	148	161	186	155	174	194	192	189	153	164	155	184
Transportation equipment	224	238	283	275	271	255	270	278	250	247	236	176	223	203	265
Other manufacturing	381	283	432	460	494	513	468	497	439	432	404	380	341	355	336
Latin America, total	459	346	452	518	462	451	516	624	591	526	484	642	775	659	636
Chemicals	151	101	150	187	166	143	170	213	166	160	138	213	237	177	200
Machinery	66	51	63	61	61	65	65	78	80	80	78	83	93	93	107
Transportation equipment	73	69	81	108	75	72	118	120	108	86	88	105	143	143	109
Other manufacturing	168	125	158	162	160	171	163	213	237	200	180	241	302	246	220
Europe, total	1860	1876	2341	2424	2220	2243	2485	2529	2582	2410	2344	2544	2616	2488	2528
Chemicals	321	319	437	521	432	458	648	649	685	628	640	576	608	615	419
Machinery	582	606	664	712	692	662	793	821	801	755	710	847	862	838	882
Transportation equipment	458	618	775	646	594	564	495	480	476	417	379	448	417	348	516
Other manufacturing	499	333	465	545	502	560	551	579	619	609	615	674	728	687	712
Other areas, total	621	648	804	708	714	714	669	782	741	710	687	704	877	924	738
Chemicals	164	114	191	194	226	213	258	305	295	288	257	317	416	447	278
Machinery	120	127	137	136	131	132	137	132	122	122	107	129	137	118	125
Transportation equipment	118	142	126	89	78	75	99	111	115	102	94	91	123	123	128
Other manufacturing	219	264	350	289	279	294	175	234	208	198	229	167	201	236	208

Note. - Detail may not add to totals because of rounding.

1. A - Estimated in June of previous year
- B - Estimated in December of previous year
- C - Estimated in June of current year
- D - Estimated in December of current year
- E - Actual - Reported in June of following year

Source: U.S. Department of Commerce, Office of Business Economics