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FOREIGN AFFILIATES OF U.S. FIRMS EXPECT SMALL INCREASE IN PLANT AND EQUIPMENT OUTLAYS

The rate of increase of plant and equipment expenditures by U.S.-owned foreign affiliates is expected to fall this year but will accelerate slightly in 1973, according to the Bureau of Economic Analysis of the Commerce Department's Social and Economic Statistics Administration. The most recent survey of affiliates' spending plans, taken in June 1972, indicates that outlays are expected to rise 4 percent this year following an increase of 14 percent in 1971. First estimates for 1973 indicate an increase of 6 percent. For the three years 1971-73, petroleum industry affiliates show high rates of expansion each year while expenditures by manufacturing affiliates display very little growth.

Petroleum affiliates expect to increase capital spending 10 percent in 1972 and 13 percent in 1973, following a record 25-percent increase in 1971 which brought outlays to $4.7 billion. Large increases in expenditures for exploration and production are planned this year and next in Saudi Arabia and Canada while spending in Libya and Venezuela is expected to decrease somewhat. Increases in petroleum expenditures in 1973 will also reflect expansion of refining facilities in Japan and heavy new investment in tanker fleets. Overall, the substantial growth in petroleum spending is primarily related to the need to extract, refine, transport, and market an increasing volume of petroleum products in response to the world's mounting energy requirements.

Expenditures by manufacturing affiliates are expected to show little change in 1973, following increases of 2 percent this year and 5 percent in 1971. A cutback in spending by manufacturing affiliates in the United Kingdom this year is expected to be more than offset by gains in Canada, Latin America, and France. The slower pace of manufacturing expansion, following rapid growth in 1969 and 1970, may reflect under-utilization of plant capacity resulting from the slowdown in economic activity in many developed countries beginning in 1970. Signs of an upswing in economic activity abroad are becoming more evident, and once excess capacity is absorbed, spending may accelerate.

Mining affiliates expect outlays to fall 4 percent this year and to increase only slightly in 1973, following two years of extraordinary growth. As in manufacturing, spending plans for affiliates in mining appear to have been affected by overcapacity.

Additional detail will be included in the September issue of the Survey of Current Business, the monthly magazine of the Bureau of Economic Analysis. The Survey is available from Field Offices of the Department of Commerce, or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20202, at an annual subscription price of $9, including weekly supplements, single copy, $1.

Table 1.--Estimates of Plant and Equipment Expenditures by Foreign Affiliates of U.S. Corporations, Actual and Projected, by Percent Change and Amount

	(Percent change)								(Billions of dollars)								
	Actual				Current projections for:1/		Prior projections for:2/		Actual					Current projections for:1/		Prior projections for:2/	
	1968	1969	1970r	1971r	1972	1973	1971	1972	1967	1968	1969	1970	1971	1972	1973	1971	1972
Total----------------------------	1	15	21	14	4	6	9	7	9.3	9.4	10.8	13.0	14.8	15.4	16.3	14.2	15.2
By industry																	
Mining and smelting--------------	12	9	22	25	-4	2	21	2	.9	1.0	1.1	1.4	1.7	1.7	1.7	1.7	1.7
Petroleum------------------------	10	10	5	25	10	13	23	8	3.0	3.3	3.6	3.8	4.7	5.2	5.9	4.7	5.1
Manufacturing--------------------	-7	19	31	5	2	0	-1	7	4.5	4.2	5.0	6.5	6.8	6.9	6.9	6.4	6.8
Chemicals-------------------	0	-9	16	14	-4	-5	4	0	1.2	1.2	1.1	1.3	1.5	1.4	1.3	1.3	1.3
Machinery-------------------	-7	32	43	6	9	3	-3	9	1.1	1.0	1.3	1.9	2.0	2.2	2.3	1.8	2.0
Transportation equipment-----	-22	29	33	-15	11	-4	-16	2	.8	.6	.8	1.1	.9	1.0	1.0	.9	.9
Other manufacturing----------	-6	27	31	9	-4	1	4	10	1.4	1.3	1.7	2.2	2.4	2.3	2.3	2.3	2.6
Other industries-----------------	3	23	30	11	7	11	4	12	.8	.8	1.0	1.4	1.5	1.6	1.8	1.4	1.6
By area																	
Canada---------------------------	-5	10	17	8	9	7	8	10	2.2	2.1	2.3	2.7	3.0	3.2	3.5	3.0	3.2
Latin American Republics and other Western Hemisphere--------	29	12	5	-6	6	6	-12	-3	1.3	1.6	1.8	2.0	1.8	1.9	2.0	1.7	1.7
Europe---------------------------	-14	20	33	16	0	2	7	7	3.6	3.1	3.7	5.0	5.7	5.8	5.9	5.4	5.7
United Kingdom---------------	-8	27	22	9	-14	8	4	7	1.0	.9	1.2	1.4	1.5	1.3	1.4	1.5	1.6
European Economic Community--	-19	20	42	18	4	0	8	6	2.1	1.7	2.1	2.9	3.4	3.6	3.6	3.2	3.3
Other------------------------	-4	4	18	19	10	2	11	10	.5	.5	.5	.7	.8	.9	.9	.7	.8
Australia, New Zealand, and South Africa-------------------------	4	16	32	26	5	-10	20	-5	.7	.7	.8	1.0	1.3	1.3	1.2	1.2	1.2
Japan----------------------------	29	6	39	40	-6	23	16	18	.3	.4	.5	.6	.9	.8	1.0	.7	.8
Other Areas----------------------	20	20	4	21	10	16	29	17	1.1	1.4	1.6	1.7	2.1	2.3	2.7	2.2	2.6
By OFDI schedule																	
All schedules3/------------------	3	16	21	15	3	5	9	7	7.0	7.2	8.4	10.3	11.8	12.2	12.8	11.2	12.0
Schedule A-------------------	24	17	8	11	1	12	19	1	2.0	2.4	2.9	3.2	3.4	3.5	3.9	3.5	3.5
Schedule B-------------------	8	14	24	17	3	5	8	14	2.4	2.6	2.9	3.6	4.2	4.4	4.6	3.9	4.4
Schedule C-------------------	-16	18	34	17	4	0	10	5	2.7	2.2	2.6	3.5	4.1	4.3	4.4	3.8	4.0

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1/ Based on results of the survey taken in June 1972.

2/ Based on results of the survey taken in December 1971, as published in March 1972; no adjustments have been made to reflect information received subsequent to the publication.

3/ Does not include Canada.

Note: Projections are corrected for systematic bias.