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CORPORATE CAPITAL FLOWS IN THE THIRD QUARTER, 1972

Net corporate capital outflows of \$755 million were recorded in the third quarter, according to the Bureau of Economic Analysis, an agency of the Commerce Department's Social and Economic Statistics Administration. The moderate outflow reversed the inflow recorded in the second quarter and resulted in a deterioration of \$1,570 million. Direct investment outflows rose sharply from the low second quarter figure; net corporate borrowing overseas, although substantial, fell \$410 million from the second quarter; and corporate claims other than direct investment rose \$250 million, about double the increase recorded in the previous quarter. Despite the large deterioration in the third quarter, net corporate capital outflows for the first three quarters of 1972 were well below those for the comparable period in 1971.

Direct investment outflows were \$1,130 million in the third quarter compared with only \$100 million in the second. The increase was largely the result of reversals of second quarter inflows from Canada and, to a lesser extent, from the United Kingdom.

Corporate foreign borrowing was \$625 million in the third quarter, although below the record \$1,040 million of the previous quarter. New issues of securities sold abroad by U.S. corporations fell to \$370 million from \$765 million in the second quarter. Other long-term corporate borrowing totaled \$245 million in the third quarter, virtually unchanged from the second. The major portion of these other long-term funds was raised in Japan, the first substantial U.S. corporate borrowings there.

For the first three quarters of 1972, net corporate capital outflows were \$1.1 billion, \$2.9 billion less than in the same period of 1971. Direct investment outflows were \$1.5 billion below those for the first three quarters of 1971, while total corporate foreign borrowing rose \$1.2 billion. Reduced direct investment flows may have reflected the much smaller increase this year in foreign affiliates' plant and equipment spending (part of which is usually financed by direct investment outflows), most recently estimated at 4 percent, compared to the 14 percent increase registered in 1971. The sharply increased corporate borrowing in 1972 is partly related to improved credit market conditions in Europe. In addition, the relative stability of exchange markets in 1972 has probably helped to reduce corporate capital outflows this year compared to 1971.

Additional detail will be included in the December issue of the Survey of Current Business. 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. 20402, at an annual subscription price of \$20, including weekly supplements, single copy, \$2.25.

Net Change in U.S. Corporate Foreign Assets and Liabilities ^{1/}
(Millions of dollars seasonally adjusted)

Credits (+); debits (-)	1971	1971				1972			Change: 1972 II-III	January-September		
		I	II	III	IV	I	II ^r	III ^p		1971	1972	Change: 1971-72
Direct investment.....	-4,765	-1,290	-1,277	-1,410	-788	-1,266	-100	-1,132	-1,032	-3,977	-2,498	1,479
Corporate foreign borrowing, total.....	1,489	99	347	350	693	305	1,039	627	-412	796	1,971	1,175
New issues of securities sold abroad by U.S. corporations ^{2/} ...	1,173 ^{5/}	317	263	225	368 ^{5/}	296	766	372	-394	805	1,434	629
Other long-term liabilities.....	303	206	72	-117	142	-73	238	245	7	161	410	249
Short-term liabilities ^{3/}	13	-424	12	242	183	82	35	10	-25	-170	127	297
Direct investment net of corporate foreign borrowing ^{4/}	-3,276	-1,191	-930	-1,060	-95	-961	939	-505	-1,444	-3,181	-527	2,654
Other corporate claims, total.....	-1,136	-309	-107	-320	-400	-168	-123	-249	-126	-736	-540	196
Long-term.....	-109	-33	-11	-31	-34	-78	-71	-10	61	-75	-159	-84
Short-term, nonliquid ^{3/}	-521	-98	-159	-126	-138	50	63	-121	-184	-383	-8	375
Short-term, liquid.....	-506	-178	63	-163	-228	-140	-115	-118	-3	-278	-373	-95
Total net corporate capital flow.....	-4,412	-1,500	-1,037	-1,380	-495	-1,129	816	-754	-1,570	-3,917	-1,067	2,850

^r Revised.

^p Preliminary.

1. Excludes claims and liabilities of U.S. banking and brokerage institutions.
2. Excludes funds obtained abroad by U.S. corporations through bank loans and other credits and also excludes securities issued by subsidiaries incorporated abroad. However, securities issued by finance subsidiaries incorporated in the Netherlands Antilles are treated as if they had been issued by U.S. corporations to the extent that the proceeds of such issues are transferred to U.S. parent companies.
3. Excludes brokerage transactions.
4. Corporate foreign borrowing may not be entirely related to direct investment but may also include funds borrowed to finance trade or for domestic use. The amount of such non-direct investment related borrowing cannot be disaggregated.
5. Includes \$11 million of proceeds from a new issue of stock sold abroad by a U.S. corporation.

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