

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS

WASHINGTON, D.C. 20230

Social and Economic
Statistics Administration

BUREAU OF
ECONOMIC ANALYSIS

FOR RELEASE 10:00 A.M. THURSDAY, AUGUST 30, 1973

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BEA 73-59

FOREIGN DIRECT INVESTMENTS IN THE UNITED STATES IN 1972

The value of foreign direct investments in the United States increased \$708 million in 1972 to \$14,363 million at yearend, according to the Bureau of Economic Analysis, an agency of the Commerce Department's Social and Economic Statistics Administration. The increase in investment resulted from reinvested earnings of \$548 million and net capital inflows of \$160 million. New investments resulted in inflows of \$302 million while outflows of \$142 million were recorded in other capital accounts, mostly intercompany.

The \$160 million net capital inflow to foreign-owned U.S. affiliates in 1972 followed a 1971 capital outflow of \$115 million, a favorable swing of \$275 million. Capital flows with Japan showed a favorable swing of \$570 million from 1971 to 1972, which more than accounted for the total improvement as net capital inflows from other countries declined \$295 million from 1971 to 1972.

The \$302 million inflow for new investments in 1972 was not particularly large by recent standards, but it was noteworthy that new investments by Japanese firms rose to a record \$105 million from only \$19 million in 1971. The previous high for new investment inflows from Japan was \$74 million in 1968. Most of the Japanese investments in 1972 took place during the third and fourth quarters and represented the acquisition of additional shares in U.S. trade affiliates.

Capital flows with Japan other than for new investments moved even more favorably--from an outflow of \$531 million in 1971 to an outflow of only \$47 million in 1972. There was a large increase in the first quarter of 1972 in U.S. trade affiliates' claims on their Japanese parents, but these capital outflows were substantially reversed during the remainder of the year. The large outflows in 1971, and perhaps those in the first quarter of 1972, were apparently associated with anticipations of the appreciation of the yen that occurred in 1971 and 1972.

There was a net capital inflow from Western Europe of only \$5 million in 1972 compared with \$236 million in 1971. New investments dropped from \$217 million to \$112 million and other capital flows deteriorated from an inflow of \$20 million in 1971 to an outflow of \$107 million in 1972. Foreign exchange market uncertainties may have contributed to this swing. The reported outflows were related to intercompany transactions and were concentrated in countries whose currencies appreciated against the dollar.

Earnings of foreign direct investments in the United States totaled \$1,233 million in 1972, up 11 percent from the 1971 total of \$1,110 million. Branch earnings accounted for most of the increase, rising from \$232 million in 1971 to \$316 million in 1972. Earnings of affiliates in the petroleum, insurance, and banking industries showed above average gains.

Income paid to foreign owners by their U.S. affiliates totaled \$719 million in 1972, an increase of 16 percent from 1971. Most of the increase resulted from the sharp rise in branch earnings, but dividends on common stock also showed a substantial increase.

Full details are given in "Foreign Direct Investments in the United States in 1972," in the August 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. 20402, at an annual subscription price of \$20, including weekly supplements; single copy, \$2.25.

Foreign Direct Investments in the United States, Selected Data Items, Countries, and Industries

(Millions of dollars)

Area and industry	Book value at yearend			Net capital inflows						Earnings ^{1/}		Interest, dividends, and branch earnings ^{1/}		Reinvested earnings	
	1970	1971r	1972p	1971r			1972p			1971r	1972p	1971r	1972p	1971r	1972p
				Total	New investments ^{2/}	Other	Total	New investments ^{2/}	Other						
Total.....	13,270	13,655	14,363	-115	255	-370	160	302	-142	1,110	1,233	621	719	498	548
By area:															
Canada.....	3,117	3,339	3,612	85	6	79	123	84	39	218	264	88	115	137	150
Europe.....	9,554	10,086	10,441	236	217	20	5	112	-107	757	851	465	509	292	350
United Kingdom.....	4,127	4,438	4,581	206	119	87	4	23	-19	350	415	236	274	104	139
European Economic Community.....	3,555	3,761	3,874	65	85	-20	-65	83	-148	274	337	134	160	140	179
Belgium & Luxembourg.....	338	341	307	-17	---	-17	-50	---	-50	22	20	3	4	20	16
France.....	286	315	321	18	10	8	-18	5	-23	21	48	10	18	11	24
Germany.....	680	771	807	52	46	6	-25	36	-61	55	81	19	24	39	62
Italy.....	100	109	108	13	---	13	9	13	-4	-1	-5	5	6	-4	-10
Netherlands.....	2,151	2,225	2,331	-1	29	-30	19	29	-10	176	193	97	108	75	87
Other Western Europe.....	1,872	1,888	1,986	-35	12	-46	66	6	60	133	99	96	75	49	32
Sweden.....	208	229	254	21	2	19	25	4	21	10	4	11	3	---	---
Switzerland.....	1,545	1,537	1,595	-59	9	-68	29	2	27	118	92	83	70	48	29
Other.....	119	123	138	3	1	2	12	---	12	5	3	2	2	1	3
Japan.....	229	-230	-132	-512	19	-531	58	105	-47	92	75	40	64	53	40
Latin American Republics and other Western Hemisphere.....	248	315	298	60	3	57	-24	1	-25	36	42	28	30	8	7
Other.....	121	146	145	16	11	5	-2	---	-2	8	1	(*)	1	7	1
By industry:															
Petroleum.....	2,992	3,113	3,243	43	4	39	20	32	-12	203	235	116	124	78	110
Manufacturing.....	6,140	6,755	7,228	294	220	74	139	142	-3	512	537	217	204	318	334
Trade.....	994	512	523	-553	24	-577	-75	106	-181	130	141	50	70	71	86
Insurance.....	2,256 ^{3/}	2,352 ^{3/}	2,411 ^{3/}	81	---	81	56	---	56	185 ^{5/}	215 ^{5/}	185 ^{5/}	215 ^{5/}	---	---
Other finance.....	4/	4/	4/	-11	2	-13	-1	1	-2	62 ^{5/}	78 ^{5/}	39 ^{5/}	87 ^{5/}	26	4
Other.....	888	923	958	30	5	26	21	21	-1	18	27	14	19	5	14

r Revised. p Preliminary. *Less than \$500,000 (±).

1. "Earnings" represents the foreign share in corporate and branch earnings; "interest, dividends, and branch earnings" is the amount of earnings distributed after withholding taxes.

2. "New investments" consists of the first reported capital inflow to establish or acquire a new company or operation in the United States and the cost of acquisition of additional

shares of existing companies.

3. Includes market revaluation of securities held by insurance companies.

4. Included in "insurance".

5. Interest paid by agency banks in the United States to foreign home offices has been excluded from direct investment totals.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

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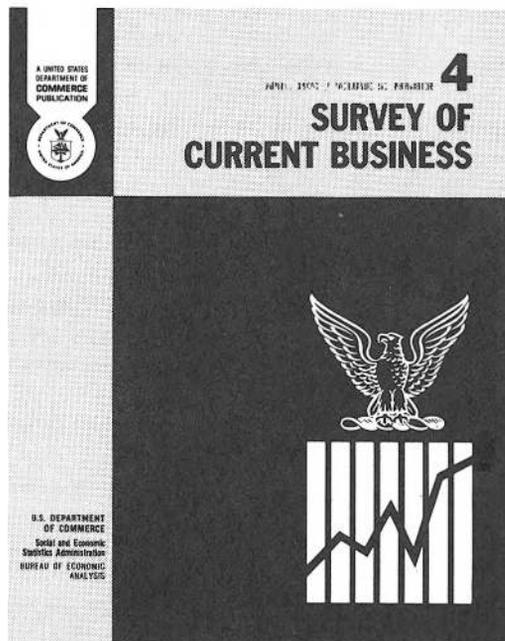
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