

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS
WASHINGTON, D.C. 20230

BUREAU OF
ECONOMIC ANALYSIS

FOR RELEASE 10:00 AM WEDNESDAY, AUGUST 25, 1976

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BEA 76-62

U.S. DIRECT INVESTMENT ABROAD IN 1975

The U.S. direct investment position abroad increased 12 percent in 1975, to \$133.2 billion, according to the Commerce Department's Bureau of Economic Analysis. The increase was 15 percent in 1974.

The position is the net book value of U.S. direct investors' equity in, and outstanding loans to, foreign affiliates. Its major components are cumulative net capital outflows and reinvested earnings.

Net capital outflows to foreign affiliates declined 18 percent in 1975, to \$6.3 billion. The decline reflected the worldwide recession, which reduced both affiliates' need for funds to finance receivables and inventories, and U.S. parents' ability or willingness to supply funds. Moderating the decline was a doubling of capital outflows to petroleum affiliates, primarily to affiliates in the Middle East and in the United Kingdom.

Reinvested earnings were \$8.2 billion, 5 percent higher than in 1974. There was a rise in reinvested earnings of petroleum affiliates, partly due to postponement of a dividend payment from 1975 to early 1976. A decline in reinvested earnings of manufacturing affiliates was moderated by an increase in those of manufacturers of transportation equipment.

Adjusted earnings--the return on the direct investment position--declined 31 percent, to \$17.6 billion. Petroleum affiliates accounted for almost all of the decline. Their earnings were cut by substantial increases in tax and royalty rates by petroleum-exporting host countries in late 1974 and, to a lesser extent, by a decline in demand for petroleum products resulting from high prices and sluggish economic conditions.

Balance of payments income from U.S. direct investment abroad was \$9.5 billion, down 47 percent. The decline was primarily in petroleum. Fees and royalties received from foreign affiliates increased 15 percent, to \$3.5 billion.

Additional details will be published in the August issue of the SURVEY OF CURRENT BUSINESS, a monthly publication of BEA. The SURVEY is available from most District Offices of the U.S. Department of Commerce, or the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 at an annual subscription price of \$48.30 including weekly supplements; single copy \$3.00.

U.S. Direct Investment Abroad, Selected Items

(Millions of dollars)

	Direct investment position at yearend		Net capital outflows		Reinvested earnings 1/		Adjusted earnings 2/		Balance of payments income 3/		Fees and royalties	
	1974	1975	1974	1975	1974	1975	1974	1975	1974	1975	1974	1975
Total-----	118,819	133,168	7,653	6,307	7,777	8,184	25,626	17,640	17,849	9,456	3,070	3,526
By area:												
Developed countries-----	83,025	91,139	5,273	2,883	5,526	5,149	10,418	9,725	4,892	4,576	2,388	2,741
Canada-----	28,404	31,155	643	482	2,214	2,227	3,394	3,445	1,180	1,218	541	566
Europe-----	44,782	49,621	3,793	2,265	2,768	2,525	5,713	5,154	2,945	2,628	1,428	1,722
Japan-----	3,319	3,328	439	-40	167	52	393	213	226	191	211	231
Australia, New Zealand, and South Africa-----	6,520	7,035	397	177	377	345	919	884	541	539	209	221
Developing countries-----	28,459	34,874	1,676	3,713	1,841	2,928	14,397	7,469	12,556	4,540	630	734
Latin America-----	19,491	22,223	2,208	1,347	1,109	1,462	3,145	3,066	2,036	1,603	341	389
Other-----	8,968	12,651	-532	2,366	732	1,466	11,252	4,403	10,520	2,937	289	345
International and unallocated-----	7,335	7,155	704	-288	410	107	811	446	401	339	51	52
By industry:												
Petroleum-----	30,195	34,806	1,200	2,803	1,719	2,001	13,453	5,658	11,714	3,657	291	350
Manufacturing-----	51,172	56,039	2,861	1,300	3,936	3,604	6,684	6,163	2,748	2,559	1,886	2,113
Other-----	37,452	42,323	3,592	2,204	2,122	2,579	5,509	5,819	3,387	3,240	893	1,063

1. Reinvested earnings consist of U.S. parents' shares in the earnings of incorporated foreign affiliates, less their shares in the gross dividends of these affiliates.
2. Adjusted earnings consist of U.S. parents' shares in the earnings of foreign affiliates; plus interest on intercompany debt credited to U.S. parents by foreign affiliates; less foreign withholding taxes on dividends and interest; and less dividends and interest on intercompany debt (after deducting U.S. withholding taxes) credited by U.S. parents to foreign affiliates.
3. Balance of payments income consists of amounts credited to U.S. parents by, less amounts credited by U.S. parents to, foreign affiliates of dividends and interest on intercompany debt, exclusive of withholding taxes; plus U.S. parents' shares in the earnings of unincorporated foreign affiliates.

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