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Dave Galler: 523-0632

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FOREIGN AFFILIATES OF U.S. FIRMS PLAN A 10 PERCENT INCREASE IN 1978
CAPITAL SPENDING

Majority-owned foreign affiliates of U.S. firms plan to increase capital expenditures 10 percent in 1978, to \$31.6 billion, following a 10 percent increase last year, according to the Commerce Department's Bureau of Economic Analysis. The 1978 increase is widespread among countries and industries, and partly reflects expectations for continued moderate economic growth abroad.

Petroleum affiliates plan a 12 percent increase in 1978, to \$11.7 billion, compared with 17 percent in 1977. The increase is accounted for mainly by affiliates engaged in exploration and development in the North Sea area and in several African countries. Large increases are also planned in Germany, France, Brazil, and the Caribbean area, where affiliates are primarily engaged in refining and distribution. The increases are partly offset by reduced spending by international tanker affiliates.

Manufacturing affiliates plan to increase expenditures 13 percent in 1978, to \$13.7 billion, compared with an 11 percent increase in 1977. The most rapid increases are planned in "other" manufacturing (23 percent), transportation equipment (20 percent), food products (18 percent), and paper and allied products (17 percent). Much of the increase is concentrated in Europe, particularly in Germany where spending will increase by almost one-third. In Canada, spending growth will slow to 6 percent, partly reflecting a decrease by transportation equipment affiliates.

Mining and smelting affiliates plan little change in spending this year, following a 24-percent decrease in 1977. Decreases in Canada and Peru will be offset by an increase in Australia. Trade affiliates plan an 11 percent decrease, to \$1.9 billion. The decrease is mainly in France, reflecting completion of major expansion projects by affiliates in retail trade. Affiliates in "other industries"--agriculture, public utilities, transportation, construction, and finance and other services--plan a 12 percent increase, to \$3.6 billion.

Additional details will appear in the March SURVEY OF CURRENT BUSINESS, the monthly publication of the Bureau of Economic Analysis. The SURVEY is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. First class mail: annual subscription \$31.00 domestic; single issue \$.75 domestic. Second class mail: annual subscription \$19.00 domestic, \$23.75 foreign; single copy \$1.60 domestic, \$2.00 foreign.

Table 1.--Capital Expenditures by Majority-Owned Foreign Affiliates of U.S. Companies

	Percent change from preceding year								Billions of dollars								
	Actual expenditures				Latest ^{1/} plans		Earlier ^{2/} plans		Actual expenditures				Latest ^{1/} plans		Earlier ^{2/} plans		
	1973	1974	1975	1976	1977	1978	1977	1978	1972	1973	1974	1975	1976	1977	1978	1977	1978
Total-----	22	23	6	-3	10	10	12	12	16.7	20.5	25.3	26.8	26.0	28.7	31.6	29.1	32.8
By industry																	
Mining and smelting-----	4	-2	9	-24	-24	1	-9	57	1.1	1.1	1.1	1.2	.9	.7	.7	.8	1.3
Petroleum-----	24	23	13	(*)	17	12	12	15	5.2	6.4	7.8	8.9	8.9	10.4	11.7	10.0	11.5
Manufacturing-----	28	26	-3	-3	11	13	14	8	7.2	9.2	11.6	11.3	11.0	12.2	13.7	12.6	13.6
Food products-----	30	24	-8	-5	25	18	27	-1	.4	.6	.7	.7	.7	.8	1.0	.8	.8
Paper and allied products-----	2	40	-21	-20	28	17	29	20	.5	.6	.9	.7	.6	.7	.8	.7	.9
Chemicals and allied products-----	9	54	25	9	-15	9	-16	8	1.2	1.4	2.1	2.5	2.7	2.3	2.5	2.3	2.5
Rubber products-----	-4	6	3	16	-4	10	8	9	.3	.3	.4	.4	.5	.4	.5	.5	.5
Primary and fabricated metals-----	33	-14	-5	2	-17	-23	10	-24	.6	.8	.7	.7	.7	.6	.4	.7	.6
Machinery, except electrical-----	39	19	-10	-5	26	14	27	15	1.9	2.6	3.1	2.8	2.7	3.4	3.8	3.4	3.9
Electrical machinery-----	42	26	-23	-8	16	4	20	18	.6	.9	1.1	.9	.8	1.0	1.0	1.0	1.2
Transportation equipment-----	33	29	-11	-3	27	20	29	1	.9	1.2	1.6	1.4	1.4	1.8	2.1	1.8	1.8
Other-----	26	30	10	-16	17	23	21	12	.7	.8	1.1	1.3	1.1	1.3	1.5	1.3	1.4
Trade-----	19	26	4	-25	23	-10	22	14	1.4	1.7	2.1	2.4	1.8	2.2	1.9	2.1	2.4
Other-----	15	27	13	11	-5	12	5	8	1.8	2.0	2.6	3.1	3.4	3.2	3.6	3.6	3.9
By area																	
Developed countries-----	20	26	5	(*)	13	12	15	10	11.8	14.2	17.8	18.8	18.8	21.2	23.6	21.6	23.7
Canada-----	21	32	-9	10	5	1	7	13	3.5	4.2	5.5	5.0	5.6	5.9	5.9	6.0	6.8
Europe-----	22	23	14	-2	15	17	17	7	6.8	8.3	10.2	11.7	11.5	13.2	15.5	13.5	14.4
European Communities (9) ^{3/} -----	22	21	13	(*)	14	18	18	7	6.0	7.3	8.8	9.9	10.0	11.4	13.4	11.7	12.6
France-----	18	10	22	-36	21	-8	23	15	1.1	1.3	1.5	1.9	1.2	1.5	1.4	1.5	1.8
Germany-----	16	21	-9	-7	4	25	13	7	1.6	1.9	2.3	2.1	2.0	2.0	2.5	2.2	2.3
United Kingdom-----	43	14	37	25	22	25	20	8	1.7	2.4	2.7	3.6	4.5	5.5	6.9	5.4	5.9
Other-----	9	39	(*)	-2	4	12	15	(*)	1.6	1.6	2.4	2.3	2.2	2.3	2.6	2.6	2.6
Other-----	24	36	22	-11	17	11	14	4	.8	1.0	1.4	1.8	1.6	1.9	2.1	1.8	1.9
Japan-----	1	30	-8	-27	43	1	25	24	.6	.6	.8	.8	.6	.8	.8	.7	.9
Australia, New Zealand, and South Africa-----	10	20	(*)	-12	19	12	32	14	.9	1.0	1.2	1.2	1.1	1.3	1.4	1.4	1.6
Developing countries-----	12	28	18	-15	9	12	11	23	3.8	4.2	5.4	6.4	5.4	5.9	6.6	6.0	7.4
Latin America-----	19	27	1	-5	-7	13	(*)	22	2.0	2.3	2.9	3.1	2.9	2.7	3.1	2.9	3.5
Other Africa-----	9	38	22	-11	31	24	20	35	.4	.4	.6	.7	.6	.8	1.0	.8	1.0
Middle East-----	11	8	55	-18	35	-4	28	29	.7	.8	.8	1.3	1.1	1.4	1.4	1.4	1.8
Other Asia and Pacific-----	-1	51	20	-37	14	21	24	9	.7	.7	1.1	1.3	.8	.9	1.1	1.0	1.1
International and unallocated-----	93	-2	-23	6	-11	-12	-18	13	1.1	2.1	2.0	1.7	1.8	1.6	1.4	1.5	1.7

* Less than 0.5 percent (\pm).

1. Based on the BEA survey taken in December 1977. The 1977 figure is the fourth estimate of 1977 plans, the 1978 figure is the second estimate of 1978 plans.

2. Based on the BEA survey taken in June 1977, as published in the September 1977 SURVEY OF CURRENT BUSINESS; information received after publication was not incorporated.

The 1977 figure is the third estimate of 1977 plans, the 1978 figure is the first estimate of 1978 plans.

3. The European Communities (9) was established in 1973. Estimates for 1972 are the sum of estimates for the European Communities (6), Denmark, Ireland, and the United Kingdom.