
UNITED STATES DEPARTMENT OF
COMMERCE
NEWS

WASHINGTON, D.C. 20230

BUREAU OF
ECONOMIC ANALYSIS

FOR WIRE TRANSMISSION 10:00 A.M. THURSDAY, OCTOBER 19, 1978

L.A. Lupo: 523-0507

BEA 78-75

CAPITAL SPENDING OF U.S. COMPANIES' FOREIGN AFFILIATES
TO SHOW STRONG INCREASES IN 1978 AND 1979

Majority-owned foreign affiliates of U.S. companies plan a 16-percent increase in capital expenditures in 1979, to \$36.8 billion, after a 15-percent increase this year, according to a survey conducted by the Bureau of Economic Analysis, U.S. Department of Commerce. In 1977, spending increased 11 percent, equal to the compound growth rate of the preceding 10 years.

These estimates are in current dollars, and encompass both changes in the value of the dollar vis-a-vis foreign currencies, and changes in prices of goods and services used in the affiliates' capital projects. Such changes probably now account for more, and changes in constant-dollar capital expenditures for less, of spending changes than in the preceding 10 years.

Petroleum affiliates plan a 21-percent increase in 1979, to \$12.3 billion, after a 9-percent increase this year. The stepped-up spending is mainly in developed countries, and reflects spending increases in the North Sea area to develop oil fields and to bring petroleum on-shore, and a large increase in Canada, after a decline this year. Developing countries show slower growth, in part reflecting the tapering off of expenditures on some large projects. Spending by international tanker affiliates will increase 31 percent, to \$0.7 billion, reflecting natural gas tanker construction and a modest recovery in the petroleum tanker market due to increased demand by importing countries.

Manufacturing affiliates plan a 15-percent increase, to \$17.4 billion, after a 19-percent increase this year. The largest increases are planned in rubber (25 percent), chemicals (24 percent), nonelectrical machinery (19 percent), and electrical machinery (19 percent).

Many European countries plan smaller increases than this year, when planned increases are large. In Canada, particularly large increases are planned in chemicals, nonelectrical machinery (especially computers), and transportation equipment. In Japan, affiliates plan large increases in nonelectrical machinery and transportation equipment. In Brazil, planned increases are large and widespread among industries.

Mining and smelting affiliates plan a 22-percent increase in 1979, after a decline this year. Most of the expansion will be in: Australia, for coal and bauxite projects; South Africa, mainly for projects involving uranium; and Canada, for iron ore and potash.

Trade affiliates plan a 14-percent increase, mainly in Brazil; the increase is about the same as this year. Affiliates in other industries--agriculture, public utilities, transportation, construction, and finance and other services--plan a 9-percent increase, after much larger increases this year; two-thirds of the increase is in Canada and "other" Europe.

Additional information will appear in the October SURVEY OF CURRENT BUSINESS, the monthly journal 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. 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 plans ^{1/}		Earlier plans ^{2/}		Actual expenditures				Latest plans ^{1/}		Earlier plans ^{2/}		
	1974	1975	1976 ^{r/}	1977 ^{1/}	1978	1979	1977	1978	1973	1974	1975	1976 ^{r/}	1977 ^{1/}	1978	1979	1977	1978
Total-----	23	6	-8	11	15	16	10	10	20.5	25.3	26.8	24.7	27.5	31.8	36.8	28.7	31.6
By industry																	
Mining and smelting-----	-2	9	-21	-33	-6	22	-24	1	1.1	1.1	1.2	.9	.6	.6	.7	.7	.7
Petroleum-----	23	13	-11	18	9	21	17	12	6.4	7.8	8.9	7.9	9.3	10.2	12.3	10.4	11.7
Manufacturing-----	26	-3	-4	16	19	15	11	13	9.2	11.6	11.3	10.9	12.7	15.2	17.4	12.2	13.7
Food products-----	24	-8	(*)	25	31	10	25	18	.6	.7	.7	.7	.9	1.1	1.2	.8	1.0
Paper and allied products-----	40	-21	-15	18	48	-9	28	17	.6	.9	.7	.6	.7	1.0	.9	.7	.8
Chemicals and allied products-----	54	25	10	-11	2	24	-15	9	1.4	2.1	2.5	2.7	2.4	2.5	3.1	2.3	2.5
Rubber products-----	6	3	-22	-15	7	25	-4	10	.3	.4	.4	.3	.3	.3	.4	.4	.5
Primary and fabricated metals-----	-14	-5	-1	5	1	-12	-17	-23	.8	.7	.7	.7	.7	.7	.6	.6	.4
Machinery, except electrical-----	19	-10	-4	36	18	19	26	14	2.6	3.1	2.8	2.7	3.6	4.3	5.1	3.4	3.8
Electrical machinery-----	26	-23	-9	22	13	19	16	4	.9	1.1	.9	.8	1.0	1.1	1.3	1.0	1.0
Transportation equipment-----	29	-11	-4	35	41	15	27	20	1.2	1.6	1.4	1.4	1.8	2.6	3.0	1.8	2.1
Other-----	30	10	-14	19	17	14	17	23	.8	1.1	1.3	1.1	1.3	1.5	1.7	1.3	1.5
Trade-----	26	4	-32	10	15	14	23	-10	1.7	2.1	2.4	1.6	1.8	2.0	2.3	2.2	1.9
Other-----	27	13	9	-8	23	9	-5	12	2.0	2.6	3.1	3.3	3.1	3.8	4.1	3.2	3.6
By area																	
Developed countries-----	26	5	-5	15	14	16	13	12	14.2	17.8	18.8	17.8	20.4	23.3	27.1	21.2	23.7
Canada-----	32	-9	11	10	1	22	5	1	4.2	5.5	5.0	5.6	6.2	6.2	7.5	5.9	5.9
Europe-----	23	14	-11	18	20	15	15	17	8.3	10.2	11.7	10.5	12.4	14.9	17.1	13.2	15.5
European Communities (9)-----	21	13	-11	21	21	15	14	18	7.3	8.8	9.9	8.8	10.7	12.9	14.8	11.4	13.4
France-----	10	22	-37	22	6	14	21	-8	1.3	1.5	1.9	1.2	1.5	1.6	1.8	1.5	1.4
Germany-----	21	-9	-9	5	37	6	4	25	1.9	2.3	2.1	1.9	2.0	2.7	2.9	2.0	2.5
United Kingdom-----	14	37	-1	32	25	20	22	25	2.4	2.7	3.6	3.6	4.7	5.9	7.1	5.5	6.9
Other-----	39	(*)	-6	14	5	11	4	12	1.6	2.4	2.3	2.2	2.5	2.7	3.0	2.3	2.6
Other-----	36	22	-8	6	15	15	17	11	1.0	1.4	1.8	1.6	1.7	2.0	2.3	1.9	2.1
Japan-----	30	-8	-18	20	23	14	43	1	.6	.8	.8	.6	.8	.9	1.1	.8	.8
Australia, New Zealand, and South Africa-----	20	(*)	-15	9	16	9	19	12	1.0	1.2	1.2	1.0	1.1	1.3	1.4	1.3	1.4
Developing countries-----	28	18	-19	9	25	16	9	12	4.2	5.4	6.4	5.1	5.6	7.0	8.1	5.9	6.6
Latin America-----	27	1	-14	-2	27	25	-7	13	2.3	2.9	3.1	2.6	2.6	3.3	4.1	2.7	3.1
Other Africa-----	38	22	-18	28	37	21	31	24	.4	.6	.7	.6	.7	1.0	1.2	.8	1.0
Middle East-----	8	55	-17	31	-3	-6	35	-4	.8	.8	1.3	1.1	1.4	1.4	1.3	1.4	1.4
Other Asia and Pacific-----	51	20	-35	2	57	10	14	21	.7	1.1	1.3	.8	.8	1.3	1.5	.9	1.1
International and unallocated-----	-2	-23	5	-17	-5	14	-11	-12	2.1	2.0	1.7	1.8	1.5	1.4	1.6	1.6	1.4

* Less than 0.5 percent (+).

r. Revised.

1. Based on the BEA survey taken in June 1978.

2. Based on the BEA survey taken in December 1977.