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U.S. DIRECT INVESTMENT POSITION ABROAD NEARS $170 BILLION AT YEAREND 1978

The U.S. direct investment position abroad increased 12 percent, to $168.1 billion at yearend 1978, following an increase of 10 percent in 1977, according to the Bureau of Economic Analysis, U.S. Department of Commerce. The position is the net book value of U.S. direct investors' equity in, and outstanding loans to, their foreign affiliates.

The position increased 6 percent in petroleum, 12 percent in manufacturing, and 16 percent in "other" industries. By area, it increased 12 percent in developed countries and 17 percent in developing countries, and declined 4 percent in "international and unallocated."

Additions to the position consist primarily of equity and intercompany account outflows to foreign affiliates and reinvested earnings of incorporated foreign affiliates. Net equity and intercompany account outflows declined 18 percent in 1978, to $4.6 billion. Inflows from the sale by U.S. direct investors of two large petroleum affiliates in Canada and several automobile- and petrochemical-manufacturing affiliates in Europe contributed to the decline.

Reinvested earnings increased 66 percent, to $12.1 billion; earnings of incorporated affiliates increased 36 percent and the reinvestment ratio--the fraction of these earnings reinvested--increased from 0.50 to 0.61. Reinvested earnings increased 46 percent in petroleum, 80 percent in manufacturing, and 54 percent in "other" industries. For all three industries, increases were particularly large in developed countries.

U.S. parent companies' income from their foreign affiliates--the return on the direct investment position--increased 28 percent, to $25.7 billion. A large share of the increase was from nonpetroleum affiliates in developed countries--notably Japan and several European countries--against whose currencies the U.S. dollar depreciated significantly in 1978.

Fees and royalties increased 27 percent, to $4.8 billion. Almost one-half of the increase was in royalties, license fees, and other fees for the sale or use of intangible property.

Additional details will be published in the August issue of the 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 (domestic only): annual subscription $35.00, single issue $2.40. Foreign airmail delivery rates available upon request. Second class mail: annual subscription $22.00 domestic, $27.50 foreign; single issue $1.90 domestic.

U.S. Direct Investment Abroad, 1976-78

(Millions of dollars)

	Position at yearend			Addition to position		Equity and intercompany account outflows (inflows (-)) 1/		Reinvested earnings of incorporated affiliates 2/		Income 3/		Fees and royalties	
	1976	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978
All areas	136,809	149,848	168,081	13,039	18,233	5,612	4,606	7,286	12,063	20,081	25,656	3,793	4,806
Petroleum	28,775	31,420	33,302	2,645	1,882	1,792	-317	1,012	1,473	5,658	5,846	420	482
Manufacturing	61,161	66,033	74,207	4,872	8,174	1,282	1,533	3,545	6,398	7,462	10,810	2,346	2,814
Other	46,872	52,395	60,572	5,522	8,178	2,537	3,390	2,729	4,193	6,960	9,000	1,027	1,510
Developed countries	100,304	108,225	120,741	7,921	12,516	2,901	2,316	5,008	8,989	11,885	16,382	3,045	3,854
Petroleum	22,912	24,851	26,415	1,938	1,564	1,357	-110	653	1,034	2,107	2,541	180	235
Manufacturing	49,766	53,709	60,135	3,943	6,426	1,218	1,077	2,711	5,178	6,089	8,874	2,185	2,610
Other	27,625	29,665	34,191	2,040	4,526	327	1,349	1,644	2,777	3,689	4,967	680	1,009
Canada	33,838	35,200	37,280	1,362	2,081	-248	-549	1,707	1,881	3,161	3,435	672	727
Petroleum	7,119	7,660	8,247	541	587	-5	-431	611	557	966	976	36	38
Manufacturing	15,965	16,696	17,625	731	930	38	87	655	776	1,251	1,457	488	538
Other	10,754	10,844	11,408	90	564	-281	-205	441	548	944	1,003	149	151
Europe	55,139	60,930	69,669	5,791	8,739	2,920	2,445	2,845	6,000	7,301	10,647	1,860	2,431
Petroleum	12,726	13,947	14,719	1,221	772	1,325	397	-98	276	829	1,130	121	174
Manufacturing	28,788	31,672	36,426	2,884	4,754	1,039	875	1,865	3,809	4,308	6,376	1,336	1,628
Other	13,625	15,311	18,524	1,686	3,213	556	1,173	1,078	1,914	2,165	3,141	403	628
Other	11,327	12,095	13,792	768	1,697	230	420	457	1,108	1,422	2,300	512	696
Petroleum	3,068	3,244	3,449	176	205	36	-75	140	201	313	435	23	23
Manufacturing	5,013	5,342	6,084	328	742	141	115	191	592	530	1,041	361	443
Other	3,246	3,510	4,259	264	749	52	380	126	315	579	823	128	230
Developing countries	29,313	34,462	40,466	5,150	6,003	2,766	2,706	2,269	2,909	7,942	8,929	704	881
Petroleum	2,690	3,520	4,525	830	1,005	428	446	485	426	3,497	3,230	226	216
Manufacturing	11,395	12,324	14,071	929	1,747	64	456	834	1,219	1,373	1,936	160	204
Other	15,227	18,618	21,869	3,391	3,251	2,274	1,805	950	1,264	3,072	3,764	318	461
Latin America	23,934	28,110	32,509	4,176	4,399	2,422	2,109	1,582	2,097	3,988	4,866	337	361
Petroleum	2,932	3,489	3,661	557	172	292	42	271	190	623	527	89	37
Manufacturing	9,275	10,063	11,644	788	1,581	80	472	678	1,012	1,102	1,571	123	132
Other	11,727	14,557	17,204	2,831	2,646	2,050	1,595	632	895	2,263	2,769	125	192
Other	5,379	6,353	7,957	974	1,604	344	597	688	812	3,954	4,063	367	520
Petroleum	-242	31	864	273	833	136	404	215	236	2,874	2,703	137	179
Manufacturing	2,120	2,261	2,427	141	166	-16	-16	156	207	271	365	37	73
Other	3,501	4,061	4,666	560	605	225	209	317	369	809	995	193	268
International and unallocated	7,192	7,160	6,874	-32	-286	-55	-417	9	165	254	345	44	71

1. Net change in U.S. parents' capital stock (including additional paid-in capital) in, and intercompany account balances with, incorporated foreign affiliates, and in their claims on the net assets of unincorporated foreign affiliates.
2. U.S. parents' shares in the earnings of incorporated foreign affiliates (net of foreign income taxes), less their shares in the gross dividends of these affiliates.
3. U.S. parents' shares in the earnings of foreign affiliates (net of foreign income taxes), plus net interest on intercompany accounts, less withholding taxes on dividends and interest.