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Foreign Affiliates of U.S. Companies Plan a Smaller
Increase in Capital Spending in 1982

Majority-owned foreign affiliates of U.S. companies plan to increase 1982 capital expenditures 6 percent to \$53.3 billion, a slowdown from the 18-percent increase in spending planned this year, the Commerce Department's Bureau of Economic Analysis reports. In 1980, spending increased a record 30 percent.

Slowdowns in spending growth this year and next year are widespread by industry and area. They are largely in response to slack demand and continued high interest rates in most developed countries.

Petroleum affiliates plan to increase spending 14 percent, to \$21.5 billion, compared with a 28-percent increase this year. Much of the increase is in Canada, Australia, and "other Africa." Canadian affiliates plan to step-up spending 32 percent, to \$4.3 billion, after a 5-percent increase this year. The 1982 increase is mainly for improvement of downstream facilities, and is planned even though Canada's National Energy Program calls for both increased Canadian ownership of the domestic oil and gas industry and incentives to encourage exploration by Canadian-controlled companies. After doubling expenditures this year, Australian affiliates plan a 44-percent increase in 1982. The increases in both years are part of Australia's efforts to attain energy self-sufficiency. They are for development of both offshore and shale oil reserves. Increases in "other Africa"--particularly Nigeria, the Ivory Coast, and Cameroon--are mainly for continued exploration and development.

Elsewhere, British affiliates plan to maintain spending at \$4.9 billion in 1982. Norwegian affiliates plan a 16-percent increase, following a similar increase this year. In Latin America, a large increase is planned by affiliates in Trinidad and Tobago for development of offshore natural gasfields. International tanker affiliates plan to reduce spending 24 percent in 1982, because the decline in demand for Middle East crude oil has reduced demand for tankers.

Manufacturing affiliates plan to increase spending 2 percent, to \$22.7 billion, compared with a 14-percent increase in 1981. Smaller increases, or declines, are expected in all industries within manufacturing except electrical and nonelectrical machinery. After 3 years of rapid growth, affiliates in transportation equipment plan a 13-percent decline, to \$5.1 billion. The decline partly reflects near-completion of several projects to construct assembly and parts production facilities for the new "world cars". Plans for further expansion have been dampened by weak demand for autos.

In developed countries, manufacturing affiliates plan a 1-percent increase, to \$17.9 billion, following a 9-percent increase in 1981. The slowdown is particularly large in "other Europe", where affiliates plan no increase in 1982, following a doubling of expenditures this year. In developing countries, manufacturing affiliates plan a 5-percent increase, following a 34-percent increase in 1981. Most of the slowdown is in Latin America, particularly in Mexico.

Mining affiliates plan to increase spending 2 percent, following 3 years of sizable increases. Declines in spending in Canada and Chile will be offset by an increase in Australia. Trade affiliates plan a 10-percent increase, following a 6-percent increase this year. Most of the increase is in European countries, Japan, and Mexico. Spending by affiliates in finance (except banking), insurance, and real estate will be unchanged. Affiliates in "other industries"--agriculture, construction, transportation, communication, public utilities, and other services--plan to cut spending 9 percent, compared with a 7-percent increase this year.

Spending estimates for 1980-82 were derived from a BEA survey taken in June 1981. Estimates for 1977-79 were revised to incorporate the results of BEA's 1977 benchmark survey of U.S. direct investment abroad. Previously published estimates were linked to the 1966 benchmark survey. Estimates for all years are for majority-owned nonbank affiliates of nonbank U.S. parents. Beginning with these estimates of projected spending, adjustments for bias caused by systematic overpredicting or underpredicting of actual expenditures by reporters have been discontinued.

Additional details will be published in the October issue of the Survey of Current Business, a 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 \$46.00. Foreign airmail delivery rates available upon request. Second class mail: annual subscription \$22.00 domestic, \$27.50 foreign; single issue \$1.90 domestic, \$2.40 foreign.

Table 1.--Capital Expenditures by Majority-Owned Foreign Affiliates of U.S. Companies, 1977-82

	Percent change from preceding year					Billions of dollars					
	Actual expenditures			Latest plans <u>1/</u>		Actual expenditures				Latest plans <u>1/</u>	
	1978	1979	1980 <u>1/</u>	1981	1982	1977	1978	1979	1980 <u>1/</u>	1981	1982
Total -----	9	25	30	18	6	24.1	26.1	32.6	42.4	50.1	53.3
By industry											
Mining -----	-14	51	89	33	2	.5	.4	.7	1.3	1.7	1.7
Petroleum -----	7	16	34	28	14	8.9	9.5	11.0	14.8	19.0	21.5
Manufacturing -----	14	29	27	14	2	10.5	12.0	15.4	19.5	22.2	22.7
Food and kindred products -----	17	25	28	12	-2	.8	.9	1.2	1.5	1.7	1.7
Chemicals and allied products -----	-8	38	14	19	15	2.0	1.9	2.6	3.0	3.5	4.1
Primary and fabricated metals -----	7	11	37	27	19	.5	.6	.6	.9	1.1	1.3
Machinery, except electrical -----	22	31	18	-4	7	3.0	3.6	4.7	5.6	5.3	5.7
Electric and electronic equipment -----	23	26	24	8	9	.7	.9	1.1	1.4	1.5	1.6
Transportation equipment -----	18	54	49	34	-13	1.6	1.9	2.9	4.4	5.9	5.1
Other manufacturing -----	16	3	29	12	-1	1.8	2.1	2.2	2.8	3.2	3.2
Trade -----	9	37	25	6	10	2.1	2.2	3.1	3.8	4.0	4.4
Finance (except banking), insurance and real estate -----	-10	49	7	-12	(*)	.2	.2	.3	.3	.3	.3
Other industries -----	-6	22	28	7	-9	1.9	1.8	2.1	2.7	2.9	2.7
By area											
Developed countries -----	10	25	29	13	7	18.0	19.8	24.8	31.9	36.1	38.7
Canada -----	1	20	29	13	11	5.4	5.4	6.5	8.3	9.4	10.4
Europe -----	13	30	27	11	4	11.2	12.6	16.4	20.8	23.2	24.2
European Communities (9) <u>2/</u> -----	13	28	27	7	4	9.6	10.9	14.0	17.8	19.1	19.8
France -----	1	26	23	-3	5	1.4	1.4	1.8	2.2	2.1	2.2
Germany -----	34	28	17	1	2	2.0	2.6	3.4	3.9	4.0	4.0
United Kingdom -----	20	27	33	10	5	3.9	4.7	6.0	8.0	8.8	9.2
Other -----	-7	31	28	14	1	2.4	2.2	2.9	3.7	4.2	4.3
Other -----	9	42	26	35	8	1.5	1.7	2.4	3.0	4.1	4.4
Japan -----	32	15	42	(*)	13	.4	.6	.6	.9	.9	1.0
Australia, New Zealand, and South Africa --	20	7	40	37	18	1.0	1.2	1.3	1.8	2.5	3.0
Developing countries -----	16	20	38	36	9	4.8	5.5	6.6	9.0	12.2	13.4
Latin America -----	17	27	42	35	7	2.2	2.5	3.2	4.6	6.2	6.6
Other Africa -----	14	12	44	38	43	.7	.8	.9	1.3	1.8	2.5
Middle East -----	-10	-27	-10	-29	15	1.2	1.1	.8	.7	.5	.6
Other Asia and Pacific -----	56	52	47	54	-5	.7	1.1	1.7	2.5	3.8	3.7
International -----	-38	51	22	19	-29	1.3	.8	1.2	1.5	1.8	1.3
Addenda:											
European Communities (10) <u>3/</u> -----	---	---	---	---	4	---	---	---	---	19.2	19.9
OPEC <u>4/</u> -----	10	-2	13	28	17	1.7	1.9	1.9	2.1	2.7	3.2

* Less than 0.5 percent ($\frac{1}{2}$).

1. Based on the BEA survey taken in June 1981.
2. European Communities (9) consists of Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, Netherlands, and the United Kingdom.

3. European Communities (10) consists of European Communities (9) and Greece

4. OPEC consists of Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, Venezuela, and the United Arab Emirates.