

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

BUREAU OF  
ECONOMIC ANALYSIS

FOR WIRE TRANSMISSION: 10:00 A.M., EDT, THURSDAY, SEPTEMBER 28, 1989

Raymond J. Mataloni, Jr.: (202) 523-3451

BEA 89-44

CAPITAL SPENDING BY FOREIGN AFFILIATES UP SLIGHTLY IN 1990  
FOLLOWING 2 YEARS OF DOUBLE-DIGIT GROWTH

Majority-owned foreign affiliates of U.S. companies plan to increase capital expenditures 2 percent, to \$49.9 billion, in 1990, following increases of 15 percent in 1989 and 24 percent in 1988, according to the Commerce Department's Bureau of Economic Analysis (BEA).

The planned deceleration in 1990 is widespread by industry and area, and it may reflect firms' cautious expectations of future worldwide economic growth. In the face of economic uncertainty, firms--attempting to maintain flexibility by holding more liquid assets in their portfolios and assuming less debt--may postpone capital spending plans. It should be emphasized, however, that these projections are the first of a series of five estimates for 1990. Recent experience has shown that subsequent estimates of spending may be significantly higher; for example, current spending plans for 1988 and 1989 have been revised upward by 27 and 11 percent, respectively, compared to the first projections for those years.

-more-

The large increases in 1988-89 reflect, in part, the worldwide need to increase industrial capacity, which has been almost fully utilized in recent years.

Affiliates in developed countries plan to increase expenditures 2 percent in 1990, to \$38.7 billion, following an 11-percent increase in 1989. In developing countries, affiliates plan to increase expenditures 1 percent, to \$10.6 billion, following a 31-percent increase.

Petroleum affiliates plan a 6-percent spending increase, to \$14.8 billion, following a 5-percent increase. In developed countries, affiliates plan a 7-percent increase, to \$9.9 billion, in contrast to a 4-percent decrease in 1989. Much of the turnaround reflects new oil exploration off the coast of Newfoundland and reconstruction projects following a series of accidents on oil and gas platforms in the North Sea. In developing countries, affiliates plan to increase spending 8 percent, to \$4.6 billion, following a 33-percent increase. In both years, the increases are mainly in Southeast Asia, possibly in response to new government incentives for petroleum extraction and refining.

Manufacturing affiliates plan to increase spending 2 percent in 1990, to \$25.4 billion, following a 21-percent increase this year. Increases are planned in all manufacturing industries except electronic machinery and "other manufacturing"; however, with the exception of primary and fabricated metals, the increases are smaller than in 1989.

The largest increase in 1990 is planned by affiliates in primary and fabricated metals, mostly for the construction of aluminum smelters in Canada. These projects reflect the recent rise in demand for aluminum products and the availability of inexpensive hydroelectric power. Smaller increases are planned in nonelectrical machinery, food products, chemicals, and transportation equipment.

The largest decrease is planned by affiliates in "other manufacturing." This decrease reflects the completion of expansion projects by firms producing fiberglass and paper products. Affiliates in electronic machinery plan a small decrease, partly as a result of a cancelled project in Asia.

Manufacturing affiliates in developed countries plan to increase spending 3 percent, to \$20.9 billion, following a 20-percent increase in 1989. In developing countries, affiliates plan to increase spending 2 percent, to \$4.5 billion, following a 29-percent increase.

Affiliates in all other industries combined plan to decrease spending 3 percent, to \$9.7 billion, following a 14-percent increase. Decreases are widespread among industries; the largest decrease is in services.

Additional details will appear in the September issue of the Survey of Current Business, a monthly journal of the BEA. 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 \$43.00. Foreign airmail delivery rates available upon request. Second class mail: annual subscription \$18.00 domestic, \$22.50 foreign; single issue \$6.50 domestic, \$8.13 foreign.

\* \* \*

The next release on capital expenditures by majority-owned foreign affiliates will be in March 1990.

\* \* \*

Four telephone lines carry short recorded messages providing BEA estimates immediately upon their release.

(202) 898-2450 Leading indicators  
 2451 Gross national product  
 2452 Personal income and outlays  
 2453 The most recently released of the following  
 quarterly series:  
 Merchandise trade, balance of payments basis, or  
 Summary of international transactions.

\* \* \*

This and other news releases are available electronically at the time of public release through the Commerce Department's Economic Bulletin Board at a nominal charge to users. For information, call (202) 377-1986.

Table 1.--Capital Expenditures by Majority-Owned Foreign Affiliates of U.S. Companies, 1985-90

	Percent change from preceding year								Billions of dollars							
	Actual expenditures				Most recent plans/1/		Earlier plans/2/		Actual expenditures				Most recent plans/1/		Earlier plans/2/	
	1986	1987	1988/1/	1989	1990	1988	1989	1985	1986	1987	1988/1/	1989	1990	1988	1989	
Total.....	-7	5	24	15	2	24	12	34.9	32.6	34.4	42.6	48.9	49.9	42.8	48.1	
By industry																
Petroleum.....	-30	2	36	5	6	36	3	13.7	9.6	9.8	13.3	14.0	14.8	13.3	13.7	
Manufacturing.....	10	5	19	21	2	21	17	14.9	16.4	17.2	20.4	24.8	25.4	20.8	24.5	
Food and kindred products.....	8	18	11	11	8	19	11	1.2	1.3	1.5	1.7	1.9	2.1	1.8	2.0	
Chemicals and allied products....	12	22	26	18	2	19	16	2.7	3.1	3.7	4.7	5.6	5.7	4.4	5.2	
Primary and fabricated metals....	8	-14	41	29	31	16	28	.9	.9	.8	1.1	1.5	1.9	.9	1.2	
Machinery, except electrical.....	-5	4	14	11	8	20	21	3.0	2.9	3.0	3.4	3.8	4.1	3.6	4.3	
Electric and electronic equipment.....	-4	22	23	11	-1	15	9	1.4	1.4	1.7	2.1	2.3	2.3	1.9	2.1	
Transportation equipment.....	26	-18	7	35	1	19	8	3.3	4.1	3.4	3.6	4.9	5.0	4.0	4.4	
Other manufacturing.....	14	11	24	29	-9	36	29	2.4	2.7	3.0	3.7	4.8	4.4	4.1	5.3	
Wholesale trade.....	10	1	21	4	-2	21	16	2.4	2.6	2.6	3.2	3.3	3.3	3.2	3.7	
Finance (except banking), insurance, and real estate.....	39	117	-23	26	-5	-25	7	.3	.5	1.0	.8	1.0	.9	.8	.8	
Services.....	(*)	26	24	21	-5	21	7	1.3	1.3	1.7	2.1	2.5	2.4	2.0	2.2	
Other industries.....	-4	-3	30	15	-3	26	19	2.3	2.2	2.1	2.8	3.2	3.1	2.7	3.2	
By area																
Developed countries.....	-2	9	24	11	2	24	9	25.5	25.0	27.3	33.9	37.7	38.7	33.9	37.1	
Canada.....	-4	-2	23	3	3	26	-1	6.8	6.6	6.5	7.9	8.2	8.5	8.2	8.1	
Europe.....	-4	13	22	12	4	22	12	16.2	15.6	17.7	21.5	24.2	25.0	21.6	24.2	
European Communities (12)/3/....	....	13	23	12	4	23	12	....	14.2	16.1	19.8	22.1	23.0	19.8	22.7	
France.....	17	15	2	7	(*)	7	15	1.7	2.0	2.3	2.4	2.6	2.6	2.5	4.3	
Germany, Federal Republic of.	14	-3	19	6	8	25	5	3.0	3.4	3.3	3.9	4.2	4.5	4.1	4.3	
United Kingdom.....	-20	25	39	10	4	32	11	6.2	5.0	6.2	8.6	9.5	9.9	8.2	9.1	
Other.....	....	11	13	22	3	16	19	....	3.8	4.3	4.8	5.9	6.0	4.9	5.9	
Other.....	....	15	10	15	-2	15	11	....	1.4	1.6	1.8	2.0	2.0	1.8	2.0	
Japan.....	8	11	52	34	1	47	38	1.0	1.1	1.2	1.8	2.4	2.5	1.7	2.4	
Australia, New Zealand, and South Africa.....	13	15	34	12	-8	23	-3	1.5	1.7	1.9	2.6	2.9	2.7	2.4	2.3	
Developing countries.....	-18	-8	18	31	1	24	23	8.9	7.3	6.7	8.0	10.5	10.6	8.4	10.3	
Latin America and Other Western Hemisphere.....	-11	-6	11	36	-7	18	27	3.9	3.4	3.3	3.6	4.9	4.6	3.8	4.8	
Other Africa.....	-32	-28	23	23	14	18	14	1.5	1.0	.7	.9	1.1	1.3	.9	1.0	
Middle East.....	-24	33	-22	31	10	-12	9	.5	.4	.5	.4	.5	.6	.5	.5	
Other Asia and Pacific.....	-19	-9	37	27	7	44	23	3.0	2.4	2.2	3.0	3.9	4.1	3.2	3.9	
International/4/.....	-25	7	94	-3	1	54	29	.5	.3	.4	.7	.7	.7	.6	.7	
Addenda:																
European Communities (10)/5/.....	-3	12	22	11	5	22	12	14.1	13.7	15.4	18.9	20.9	21.9	18.8	21.1	
OPEC/6/.....	-21	-36	21	38	13	43	16	2.0	1.6	1.0	1.2	1.7	2.0	1.5	1.7	

\* Less than 0.5 percent (+/-).

1. Based on BEA survey taken in June 1989.

2. Based on BEA survey taken in December 1988.

3. European Communities (12) comprises Belgium, Denmark, France, Germany (Federal Republic of), Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and the United Kingdom.

4. "International" consists of affiliates that have operations spanning more than one country and that are engaged in petroleum shipping, other water transportation, or oil and gas drilling.

5. European Communities (10) comprises European Communities (12) except Portugal and Spain.

6. OPEC comprises Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela.

Note.--Estimates are for majority-owned nonbank foreign affiliates of nonbank U.S. parents.