Statement of Samuel Pizer

DATA ON U.S. PRIVATE CAPITAL OUTFLOWS

This statement has been prepared to describe for the committee the nature and sources of the data being collected on U.S. private investments abroad, and entering into our balance-of-payments accounts, and to indicate some of the chief characteristics of these outflows in recent years.

DESCRIPTION OF DATA AND SOURCES

In order to compile data on and analyze the flows of private capital entering the balance-of-payments accounts a wide variety of sources are drawn upon. Data on short-term capital flows, defined as those involving assets or claims payable on demand or with an original maturity of 1 year or less, are collected monthly from banking institutions by the Treasury, through the agency of the Federal Reserve banks.

Figures on these short-term banking claims are supplied for an extensive list of countries, and are subdivided into the following broad types: amounts payable in dollars, comprised of loans to banks and official institutions, loans to others, collections outstanding, and "other," and amounts payable in foreign currencies, divided into deposits and "other." These data are grouped and summarized in the upper panel of the appended table 1. Banks also report on their longer term bank loans, with a distribution by country, but not by type.

Data are collected quarterly, also by the Treasury and the Federal Reserve banks, on short-term claims and assets held by nonfinancial concerns. These also are reported by country and board types, and are summarized in the central panel of table 1.

These data on short-term assets are incorporated into the balance-of-payments accounts with only minor adjustments. In general, the change in the amount of assets reported to be outstanding from one period to the next is used as a measure of the capital outflow or inflow. Comparable data are collected on U.S. liabilities to nonresidents.

The principal types of long-term capital flows on which data are regularly collected are (1) transactions in foreign securities, (2) loans by banking institutions and nonfinancial concerns, and (3) direct investments in foreign branches or affiliated companies.

Data on transactions in foreign securities are reported monthly by banks, dealers in securities, and others, to the Treasury Department via the Federal Reserve banks. Information is obtained on the country from which foreign orders to buy or sell originated, or in which domestic orders are carried out, and the securities are differentiated as between stocks and bonds. These data are further subdivided in the balance-of-payments accounts, using information obtained from underwriters and others, so as to show new issues of foreign securities, amortizations, and transactions in outstanding securities. The monthly reported data do not identify the foreign securities being traded.

Data on long-term loans by banking and nonfinancial concerns are collected monthly as an adjunct to the forms used for collecting the short-terms data described above.

Data on capital and other transactions of U.S. companies with their foreign branches, subsidiaries, or associated companies, are collected directly from the companies by the Office of Business Economics of the Commerce Department. These data are collected quarterly, for the major items, and annually for certain additional items. Formerly collected from a sample of companies on a voluntary basis, these reports were made compulsory beginning with the first quarter of 1962, and now cover all sizable investments.

Direct-investment data are classified into country and industry groups, and the data obtained are regularly published in detail in the Survey of Current Business and in special reports such as U.S. Business Investments in Foreign Countries, as well as in summary form as part of the balance-of-payment statements.

In addition to compiling data on capital flows and income and other transactions related to these various types of investments, annual statements are prepared and issued showing their accumulated value. These amounts outstanding are shown in the appended table 2, together with a summarization of capital