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Yield on U. S. Foreign Investment, 1920-1953 Stephen H. Axilrod

A relatively low rate of return on foreign investment, as compared with either domestic yields or the risks of foreign investment, has often been cited as a limitation on the outflow of private long-term United States capital. As a step toward evaluating this proposition, calculations of the yield on outstanding United States foreign investments during the 1920-1953 period are made in this paper; it is shown that yields on these investments have been fairly high over the whole period, and in the post-World War II period have been substantially higher than comparable domestic investments. A relatively high yield on existing investments, however, does not necessarily indicate that prospective foreign investments would be equally profitable. And even if prospective foreign investments should, as is likely, yield more than similar domestic investments, there would remain important deterrents to an accelerated international flow of investment funds which, as will be discussed, are related not to objective economic considerations (such as prices, wages, and productivity) but to policies and attitudes of foreign governments.

The average yield on foreign investment in the post-World War II period has been considerably higher than during the 1920's. The rise in yields since the early period, after a sharp decline in depression years, has, however, reflected diverse movements in the rate of return to the two main components (differentiated as to form of investment) of over-all foreign investment. As detailed in the second section of the paper, there has been a substantial rise in the yield on United States direct investments abroad, largely representing investment in branches and subsidiaries of United States companies, since the early period; on the other hand, yields on portfolio capital, largely representing foreign bonds and securities, have declined over the period. 1/

Direct investments, which amounted to about 60 per cent of outstanding foreign investment in 1920, now represent almost 75 per cent of all long-term investments abroad. In the third section of the paper, yields on foreign direct investments are compared with rates of return on domestic investment.

1/ Foreign investments are classified according to figures presented by the U. S. Department of Commerce; direct investments are at book value and portfolio investments at market value. Direct investments represent (1) United States equity in foreign-incorporated companies in which American investors have an important voice in management and (2) investments in and advances to foreign branches of American companies. All other long-term capital abroad -- including stocks, foreign dollar bonds, foreign currency bonds, real estate, and bank loans of over one-year maturity -- is termed portfolio investment.

Table 1
Yield on U. S. Foreign Investment

Type of investment, and period	Current rate of return	Rate of return adjusted for change in capital values
Total		
1920-1953	6.8%	6.4%
1920-1930	6.1	6.5
1931-1939	3.8	1.2
1940-1945	4.5	5.7
1946-1953	11.2	11.1
Portfolio		
1920-1953	4.1	2.9
1920-1930	5.3	4.5
1931-1939	4.0	-0.2
1940-1945	3.0	5.5
1946-1953	3.3	2.9
Direct		
1920-1953	8.6	8.6
1920-1930	6.9	8.2
1931-1939	3.7	2.0
1940-1945	5.3	5.9
1946-1953	15.0	15.0

Note: The yields on foreign direct and portfolio investments are calculated in two ways. By the first method current income receipts are compared with outstanding investments (column I of the appended table and first column of Table 1). In addition to the effect of current income receipts on yields, the second method allows for the influence of variations in the capital value of outstanding investments on the rate of return over the period in question by considering such variations as a loss or gain in income (column J of appended table and second column of Table 1). Variations may occur through changes in the market price of portfolio investments, through the effect of exchange rate variations on the book value of direct investments and on the dollar value of foreign currency securities, and through the effect of liquidation losses upon direct investments. This adjusted rate of return is particularly useful for evaluating investor experience with portfolio investments where there is continuous market appraisal of outstanding securities. Direct investments, however, largely take the form of flows through home office and intercompany accounts and there is no continuing valuation of these assets on the basis of market supply and demand conditions. Therefore, the second technique when applied to direct investments does not yield results completely comparable to those obtained by adjusting the return on portfolio investments.

Pattern of investment flows

Foreign investment yields are calculated for the 1920-1953 period as a whole and for four shorter periods -- the twenties, the thirties, World War II, and the postwar period -- marking different phases of investment experience, as may be seen in the appended table.

There were substantial net outflows of portfolio capital, largely representing investments in foreign dollar bonds, during each year of the twenties, and the last large outflow occurred in 1930. In each year from 1931 through 1939, there were net inflows on portfolio account. There was some recovery in the outflow of portfolio capital during the war and a more substantial recovery in the postwar period. The net outflow is still small relative to the twenties, however, largely because of a sharp decline in new issues of foreign dollar bonds.

Direct investments show a broadly similar pattern in the four periods. Moderate outflows during the twenties, when direct investment flows were smaller than portfolio investment flows, were followed by reduced and relatively insignificant net outflows during the thirties. Wholly as a result of re-invested earnings, direct investments abroad rose moderately during the war. And in the postwar period direct investment flows recovered to a considerably higher rate than during the twenties and have become relatively much more important than portfolio capital.

Yield on foreign investment

Rates of return in the four periods have followed a pattern similar to that for investment flows. As would be expected, yields have been high during periods of heavy investment abroad and have been low when investment has been small or when there has been net disinvestment.

On the basis of the adjusted rate of return, large portfolio investments during the twenties yielded 4.5 per cent, and this yield turned very slightly negative in the thirties when income payments from abroad and net repatriations of investments were not sufficient to offset depreciation of outstanding investments. A rise in the market value of foreign securities, largely Canadian, during the war mostly accounted for the rise in yields to 5.5 per cent over that period. In the postwar period portfolio investments yielded about 3 per cent. The lower yield in the postwar period compared with the twenties is consistent with the trend in interest rates on domestic governmental and corporate bonds.

The relation of the adjusted rate of return to the current rate of return reflects variations in market values. Although aggregate income payments during the thirties were fairly well maintained relative to the twenties so that the current yield fell only to 4 per cent, sharp declines in market values turned the adjusted yield negative. Though at a more moderate tempo, there were reverse movements during the war period. An adjusted rate somewhat below the current rate in the postwar years is explained by the fact that the 1949 devaluations reduced the dollar value of outstanding foreign currency securities by somewhat more than recovery in prices raised the value of outstanding foreign dollar bonds.1/

The adjusted rates of return indicate what investors as a group received during each of the four periods. Considering their experience over the whole 1920-1939 period, covering a full cycle of boom and depression, their rate of return was about 2.5 per cent. By including the war and postwar periods, when prices had recovered somewhat, holders of portfolio capital showed a rate of return since 1920 of near 3 per cent.

The adjusted yield on direct investments during the twenties was over 8 per cent, reflecting not only the relationship between current income receipts and the value of investment but also some appreciation of exchange rates. In addition, it is probable that the amount by which the difference between values outstanding at the beginning of 1920 and the end of 1930 varies from the net outflow of investment during the period reflects a substantial statistical discrepancy. If this discrepancy were eliminated, the yield during the period would be lower than 8 per cent, probably in the order of 6-7 per cent, or approximately the same as the current rate of return during the period.

The decline in direct investment flows during the thirties was accompanied by an equally sharp reduction to 2 per cent in the adjusted yield on investment. Despite a net outflow of investment, the book value of direct investment declined from 1930 to 1939 largely as a consequence of exchange depreciations during the early thirties and perhaps, again, some variations in reporting. After some recovery in yields during the war, the rate of return turned sharply upwards to 15 per cent during the postwar period. The data imply that the postwar yield is almost wholly attributable to the relationship of current incomes to book values as exchange fluctuations have apparently had little influence on the valuation of outstanding investments.

The yields on total U. S. long-term foreign investment during the four periods followed a pattern similar to that for its components, as may be seen from Table 1.

Comparison of domestic and foreign direct investments

The yield on aggregate direct investments abroad in the postwar period may be compared with the yield on domestic investments, as shown in Table 2. In the following tabulation the rate of return on domestic investment is calculated by taking profits net of taxes as a percentage of net worth; in column (A) calculations are made for 300 large non-financial corporations in various fields of activity, while in column (B) calculations are based on figures for all corporations. This method is

1/ According to U. S. Department of Commerce figures.

most nearly comparable to the return on foreign direct investment, which is calculated for this comparison by taking income receipts (net of foreign taxes)1/ as a percentage of outstanding investment. Figures on outstanding foreign investment, however, in addition to representing American interest in the net worth of foreign companies and branches, also include American interest in the liabilities of these companies. A bias tending to decrease the computed yield on foreign investment relative to domestic investment is therefore present.

Table 2
Rates of Return on Foreign and Domestic Investments

Year	Foreign	Domestic (A)	Domestic (B)
1946	12.4%	7.1%	9.4%
1947	15.0	10.1	10.8
1948	17.1	12.9	10.9
1949	14.5	10.8	8.5
1950	15.0	12.8	11.2
1951	17.1	10.8	9.0
1952	15.5	9.9	n.a.
1953	13.1	10.4	n.a.

Note: Column (A) represents domestic yields based on data on 300 large nonfinancial corporations published by the Board of Governors of the Federal Reserve System; column (B) represents domestic yields of all corporations based on Statistics of Income published by the U. S. Treasury Department. This series includes financial corporations, as well as certain others such as agricultural and mining corporations, which are not represented in column (A); the generally lower yields in this series, however, are attributable to lower yields (net profits as a percentage of net worth) in small compared with large corporations, as well as to the fact that certain industries (and industry subgroups) are not included in the sample of large corporations.

At this point it should be noted that current income receipts on foreign direct investments include reinvested earnings, a certain amount of which may have been retained abroad because of transfer restrictions imposed by the foreign country, as well as small amounts of dividends declared but not remitted because of exchange control or other reasons. There is, in other words, some difference, representing involuntary investment abroad, between the earned yield on foreign investments and that portion of earnings which is realisable in the

1/ Before deducting U. S. taxes, however. In a Department of Commerce publication, Foreign Investments of the United States (Census of 1950) it has been estimated that the net U. S. corporate tax liability, after foreign tax credit was only $75 million on $1.2 billion of profits and dividends from foreign direct investments.

investor's own currency at his own volition. Although the available data do not provide a good basis for estimating the amount of involuntary investment, usually held as cash balances abroad or perhaps invested in plant and equipment, it is thought that, at least in 1951 and 1952, such investment was relatively small.1/

Rates of return on foreign investments are consistently higher than on domestic investment throughout the period. Although comparability of industry breakdowns between domestic and foreign investments is limited, yields on foreign investment are apparently higher for each field of industrial activity, with the exception of public utilities, as may be seen from data for 1950 and 1951 presented in Table 3.

The higher yields on foreign investment in each industry include a return for the additional risks of investing abroad. These risks cover a number of contingencies which may be considered, first, from the point of view of the foreign plant's internal organization and, second, from the point of view of the foreign investor's relationship to the foreign government. In the first case, for example, difficulties related to labor supply and relations in foreign countries and other special administrative problems may lead to unexpected and costly delays in production. In the second case, there are such risks as the possibility of expropriation without adequate compensation, the possibility that some portion of earned profits may have to be retained abroad involuntarily, and the possibility of discrimination in favor of domestically-owned firms. In addition to a larger return because of risk, the higher yields on foreign investment include variations in plant sizes and types of activity within a given industry group in foreign compared with domestic business, as well as an additional foreign yield needed to cover certain additional administrative expenses (e.g., additional legal and tax matters) incurred in the investor's own country as a result of investments abroad.

Although the preceding analysis indicates that existing foreign investments yield a substantially higher return than domestic ones, this does not necessarily imply that a reluctance on the part of United States

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1/ Reinvested earnings of branches and subsidiaries, which amounted to an estimated $900 million out of total 1951 earnings of $2.2 billion and to about $1.2 billion out of 1952 earnings of $2.3 billion, would include the bulk of involuntary investment. In an article, "American Foreign Investments in 1951 and 1952," Survey of Current Business, September 1952, it is noted that "Investments in manufacturing, especially in Latin America, may have consisted to a considerable extent of the accumulation of cash balances in 1951 and 1952 as a result of the blocking of remittances to the parent companies" (p. 8). Such investments are small relative to the total. In another article, Pizer, S. and Cutler, F., "Income on United States Foreign Investments," Survey of Current Business, December 1953, it is noted that "On the whole, the available data indicate that the greater part of undistributed profits in 1952 was retained abroad to facilitate the long-term development of the foreign enterprises" (p. 11).

Table 3
Yields on U. S. Domestic and U. S. Foreign Direct Investments, by Industry, 1950 and 1951
(In millions of dollars)

	Foreign investments			Yield on domestic investments
	Value outstanding	Earnings	Yield	
	1950			
All industries	11,788	1,766	15.0%	11.2%
Agriculture	589	115	19.5	12.0
Mining and smelting	1,129	148	13.1	8.1
Petroleum	3,390	627	18.5	11.5
Manufacturing	3,831	637	16.6	14.1
Public utilities	1,425	41	2.9	6.1
Trade	762	117	15.4	11.9
Other	662	81	12.2	10.3
	1951			
All industries	13,089	2,236	17.1	9.0
Agriculture	642	140	21.8	9.1
Mining and smelting	1,317	220	16.7	6.4
Petroleum	3,703	896	24.2	11.5
Manufacturing	4,352	696	16.0	10.4
Public utilities	1,431	43	3.0	5.4
Trade	883	143	16.2	8.3
Other	762	98	12.9	9.6

Note: Foreign yields based on U. S. Department of Commerce figures. Domestic yields based on U. S. Treasury Department, Statistics of Income. Net profits for the petroleum group, as shown in Treasury data, have been increased by making an adjustment to the reported depreciation and depletion allowances.

businesses to invest large additional sums abroad is "irrational." To illustrate, the relationship of earned yield abroad to restrictions on remittances, which are fairly prevalent, might be considered. Many contemplated foreign investment projects may have been discarded, even though the prospective earned yield was higher than on domestic projects, because the foreign project involved a country where, for example, limitations on profit remittances did not permit the investor to realize a sufficient portion of this earned yield in his own currency. On the other hand, even if there were no restrictions on profit remittances, a particular foreign project, because of governmental instability or an unfavorable attitude on the part of the populace in the foreign country, may still entail risks so high that it would not be compensated by the earned yield. Thus a prospective earned yield on foreign investments higher than domestic yields may be considered a necessary, but not a sufficient, condition to the international flow of capital.

APPENDIX A

Yield on U. S. Foreign Investment 1/
(In billions of dollars)

Type of investment, by period	(A) Outstanding, Start of period	(B) Net outflow of investment	(C) Outstanding, end of period	(D) Fluctuations in market value and other factors 2/	(E) Income receipts	(F) Outstanding, annual average 3/	(G) Income receipts annual average	(H) Income adjusted for changes in capital value, annual average	(I) Current rate of return	(J) Adjusted rate of return
	U. S. investment experience					Calculation of rate of return				
				(C-A-B)				(D+E)	(G/F)	(H/F)
Total										
1920-1953	6.50	18.82	22.13	-1.88	30.13	13.05	.89	.83	6.8%	6.4%
1920-1930	6.50	8.22	15.20	.48	7.30	10.85	.66	.71	6.1	6.5
1931-1939	15.20	-1.24	10.80	-3.16	4.48	13.00	.50	.15	3.8	1.2
1940-1945	10.80	1.25	4/12.98	.93	3.16	11.89	.53	.68	4.5	5.7
1946-1953	4/11.67	10.59	22.13	-.13	15.19	17.01	1.90	1.88	11.2	11.1
Portfolio										
1920-1953	2.60	5.21	5.92	-1.89	6.99	5.12	.21	.15	4.1	2.9
1920-1930	2.60	5.05	7.20	-.45	2.84	4.90	.26	.22	5.3	4.5
1931-1939	7.20	-1.38	3.80	-2.02	1.96	5.50	.22	-.01	4.0	-0.2
1940-1945	3.80	.50	4.98	.68	.78	4.39	.13	.24	3.0	5.5
1946-1953	4.98	1.04	5.92	-.10	1.42	5.53	.18	.16	3.3	2.9
Direct										
1920-1953	3.90	13.61	16.21	.01	23.13	7.93	.68	.68	8.6	8.6
1920-1930	3.90	3.17	8.00	.93	4.46	5.95	.41	.49	6.9	8.2
1931-1939	8.00	.14	7.00	-1.14	2.52	7.50	.28	.15	3.7	2.0
1940-1945	7.00	.75	4/8.00	.25	2.38	7.50	.40	.44	5.3	5.9
1946-1953	4/6.69	9.55	16.21	-.03	13.77	11.48	1.72	1.72	15.0	15.0

For footnotes, see next page.

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FOOTNOTES TO APPENDIX A

1/ Reinvested earnings of subsidiaries are excluded from figures on investment flows and income payments in the period 1931-1939 when no adequate data are available; it is thought that such earnings were small during the period as a whole.

2/ Fluctuations in market value affect portfolio investments only. Other factors include the effect of exchange fluctuations on the book value of direct investments and on the dollar value of foreign currency securities as well as adjustments for losses on liquidation of direct investments.

3/ The annual average for the three periods before 1946 is an average of the values outstanding at the beginning and end of periods; annual figures for outstanding investments are not available for most of those years. Annual average for the postwar period is an average of values outstanding each year. The annual average amount outstanding in the whole 1920-1953 period is a weighted average of amounts outstanding in the four component periods.

4/ Part of this discrepancy represents writing-off of investments in Eastern European countries and part reflects a discontinuity in the series. Postwar figures have recently been revised downwards on the basis of 1950 Census of Foreign Private Direct Investments of the United States; prewar figures have not been revised.

Note: Based on Department of Commerce data. Portfolio investments at market values; direct investments at book values. Data for various years not completely comparable because of different sources and methods.

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Nancy J. Smith

Foreign Investment in U. S. Corporate Stocks

During 1954 net purchases of U. S. corporate stocks by foreigners amounted to $134 million, higher than in any postwar year. This paper will compare foreign with domestic activity in U. S. stocks and will show that in spite of the increase in volume, foreign purchases remained relatively small in comparison with other factors affecting the U. S. stock market. In addition the country distribution of ownership of foreign-held stocks, the total value of which at the end of 1954 is estimated at almost $5 billion, will be discussed.

On balance, foreigners sold U. S. stocks in each postwar year through 1949, in amounts of from $20 to $150 million a year. The highest net sales (around $150 million) were in 1947 and 1948. In 1950, however, purchases and sales were about equal, and there have been net purchases each year since. Before 1954, net foreign purchases were the highest in 1951 ($120 million) and the lowest in 1952 ($1 million). Monthly net stock transactions by foreigners for the years 1951-1954 are shown in the following table.

Table I

Net Foreign Purchases or Sales (-) of Domestic Stocks, Monthly - 1951-1954 1/
(In millions of dollars)

	1951	1952	1953	1954
January	3	10	18	1
February	5	-11	13	-4
March	9	--	2	1
April	14	--	-6	16
May	10	-9	-7	17
June	3	-1	4	13
July	4	6	4	15
August	9	5	4	--
September	23	-19	10	15
October	28	3	5	2
November	--	10	5	39
December	12	7	3	19
Year	120	1	55	134

1/ Based on monthly statistics of foreign transactions in U. S. and foreign securities, as reported by U. S. brokers and dealers.

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The net movement of foreign funds into U. S. stocks in 1954 was irregular. It began in April and was sustained at around $15 million monthly through July and in September, but was negligible in August and October. In November, a new high was reached, when foreign net purchases amounted to $39 million. This was followed by a decline to $19 million in December, a rate however still higher than the monthly average for 1954 or previous postwar years.

Comparison of foreign and domestic activity

In assessing the importance of foreign activity in stock transactions, one indication may be the percentage of foreign net purchases to total trading on the stock exchanges. Since most foreign-held stocks are listed on the New York Stock Exchange, total trading on this exchange seems a reasonable basis for comparison. In November 1954, when almost one-third of the year's net purchases by foreigners were recorded, these net purchases amounted to 1.5 per cent of the value of stocks traded on the New York Stock Exchange. Foreigners have participated in total trading to this extent in several scattered months in other years, as shown below. For the year 1954 as a whole, foreign net purchases were a smaller percentage of total trading than in 1951, but higher than in any other year.

Table II

Foreign Net Purchases as Percentage of Total Trading on the New York Stock Exchange

Period	Total trading (Millions	Foreign net purchases of dollars)	Per cent foreign to total
Calendar years:			
1951	18,212	120	.7
1952	14,761	1	--
1953	14,248	55	.4
1954	24,262	134	.6
Selected periods:			
1951 - September	1,445	23	1.6
October	1,714	28	1.6
1953 - January	1,417	18	1.3
1954 - Jan.-June (monthly average)	1,676	7	.4
July-Sept. (monthly average)	2,139	10	.5
Oct.-Dec. (monthly average)	2,601	20	.8
October	2,031	2	.1
November	2,577	39	1.5
December	3,195	19	.6

Increased foreign interest in U. S. corporate stocks in 1954 was also evident as measured by gross transactions as shown by Table III. Total purchases and sales for foreigners were 85 per cent higher in dollar value than in 1953. Part of this increase is related to the net gain in stock prices over the year (41 per cent according to Standard and Poor's composite weekly index). Such a rise in volume also shows an increase in the turnover of foreign-held American shares somewhat parallel to the increase that occurred in total turnover on U. S. exchanges. As the value of total transactions on the exchange mounted, foreign transactions continued to account for around the usual 4 per cent of the total, with a tendency to rise toward a 5 per cent ratio in the last quarter of 1954.

Table III

Market Value of Transactions in U. S. Stocks -- Percentage of Foreign to Total Activity 1/
(In millions of dollars)

Period	Total trading on N.Y. Stock Exchange (a)	Foreign purchases of U.S. stocks (b)	Foreign sales of U.S. stocks (c)	Total foreign transactions (b+c)	Percentage of foreign to total transactions (b+c)/(2a)
1951-year	18,212	740	620	1,360	3.7
1952-year	14,761	650	649	1,299	4.4
1953-year	14,248	589	534	1,123	3.9
1954-year	24,262	1,116	981	2,097	4.3
1954-January	1,296	47	46	93	3.6
February	1,458	60	64	124	4.3
March	1,751	76	75	151	4.3
April	1,879	92	76	168	4.5
May	1,846	93	76	169	4.6
June	1,823	85	72	157	4.3
July	2,144	97	82	179	4.2
August	2,410	86	86	172	3.6
September	1,852	84	69	153	4.1
October	2,031	93	91	184	4.5
November	2,577	141	102	243	4.7
December	3,195	162	142	304	4.8

1/ For this comparison transactions on the New York Stock Exchange are used to represent total activity. It has been estimated that over 80 per cent of foreign-held stocks are listed on this exchange. Therefore, on the basis of this calculation, the trend should be representative, although the absolute percentages may be a little high.

In attempting to judge the foreign influence on the rising market in 1954, two further comparisons may be noted. First, while foreigners took $134 million of stocks out of the market in 1954, net new public issues of preferred and common stock amounted to over $1.5 billion. During November, however, net new public issues amounted to $60 million, while foreign net purchases of stock were $39 million. As another indication of the relative magnitude of foreign purchases, a comparison may be made with the rise in total credit to purchase or carry stock, which is mainly a reflection of domestic net purchases on credit. During 1954 such credit extended by banks and brokers rose by $1 billion, while foreign net purchases were $134 million. In November, when foreign net purchases were $39 million, the net rise in stock market credit was $150 million.

Country distribution

Table IV shows that, as in previous years, the major net purchases of our stocks by foreigners in 1954 came from the United Kingdom and Switzerland, the former showing by far the largest gain over last year. Such a country breakdown is not a reliable indication as to the nationality of the actual purchaser, however, because many foreigners use the financial services of countries other than their own to execute transactions, which are statistically reported on the basis of the country of the dealer effecting the transaction. This is particularly true with respect to the United Kingdom and Switzerland. Transactions reported for Panama and Hong Kong are the largest for Latin America and Asia, reflecting operations conducted by local brokers for the account of foreigners from any part of the world.

Table IV

Net Foreign Purchases or Sales (-) of Domestic Stocks, by area or country
(In millions of dollars)

	1951	1952	1953	1954
Belgium	6	--	-4	3
France	10	5	5	11
Netherlands	-19	-23	-24	-35
Switzerland	59	41	37	56
United Kingdom	48	-28	35	79
Canada	-4	6	1	-15
Latin America	9	-2	-1	24
Asia	7	1	7	3
Other	4	1	-1	8
Total	120	1	55	134

The Office of Business Economics of the Department of Commerce recently published estimates of foreign holdings of U. S. domestic stocks through 1953. A condensed version of these figures, together with our own estimates for 1954 (based on net transactions and value change) are presented in Table V. The first date shown in the table is mid-1937, used as a representative prewar year, before net liquidation of holdings began. The prewar figure may be compared with year-end data for 1946 (the beginning of the postwar period), 1949 (the latest year when average stock prices approximated those in 1937), and the two most recent years. These latter figures especially reflect the great appreciation of stock prices -- 100 per cent since the end of 1949 and 40 per cent during the year 1954 alone. Such appreciation brought the value of foreigners' holdings at the end of 1954 to probably $1 billion above the mid-1937 level, in spite of the negative effect of actual net transactions over the period.

These estimates indicate that the total value of foreign holdings was reduced by 40 per cent between 1937 and 1949, but that by 1954 their value rose to above the 1937 level. Over the earlier 12-1/2-year period British holdings were reduced by $1 billion, and those of almost all other countries (the main exception being those in Latin America) declined somewhat. During the last five years, net purchases of over $300 million contributed to the recovery; but it is apparent that the major part of the increase was attributable to the appreciation of foreign holdings of over $2.3 billion since 1949. Such appreciation, together with net purchases, has brought Swiss holdings of our stocks up to over twice their 1937 value, and has enabled the British to regain over half the value of holdings which they relinquished between 1937 and 1949. On the other hand, the dollar value of the holdings of some other countries, such as Canada, has increased by less than the average appreciation, reflecting fairly consistent net sales of stocks over the entire period.

Table V

Estimated Foreign Holdings of Domestic Stocks, by area or country
(In millions of dollars)

Area or country	mid-year 1937	year-end 1946	year-end 1949	year-end 1953	year-end 1954
Belgium	n.a.	62	68	103	150
France	237	193	57	100	150
Netherlands	564	430	312	374	490
Switzerland	588	505	522	903	1,330
United Kingdom	1,482	418	450	744	1,120
Other Europe 1/	160 2/	138	139	218	300
Total Europe 1/	3,031	1,746	1,548	2,442	3,540
Canada	600	460	480	650	900
Latin America	42	174	173	245	370
Rest of world	137	60	39	63	90
Total	3,810	2,440	2,240	3,400	4,900

	1937–1946	1946–1949	1949–1953	1953–1954	
Net increase or decrease (-)	-1,370	-200	+1,160	+1,500)	+1,090 3/
Due to:					
Net transactions	-1,100	-315	+180	+135)	-1,100
Effect of price change	-270 4/	+115	+980	+1,365)	+2,190

n.a. Not available.
1/ Includes dependencies.
2/ Includes Belgium.
3/ Net total for 17-1/2-year period.
4/ Includes adjustments for stocks unaccounted for during the war years.

Source: 1937, 1946, 1949, 1953 - U. S. Department of Commerce, Foreign Commerce Weekly, August 16, 1954, pp. 17-18. 1954 - Federal Reserve estimate based on net transactions and average price change during 1954.