
Foreign
Direct
Investment in
the United
States,
Preliminary
3rd
Quarter
2017

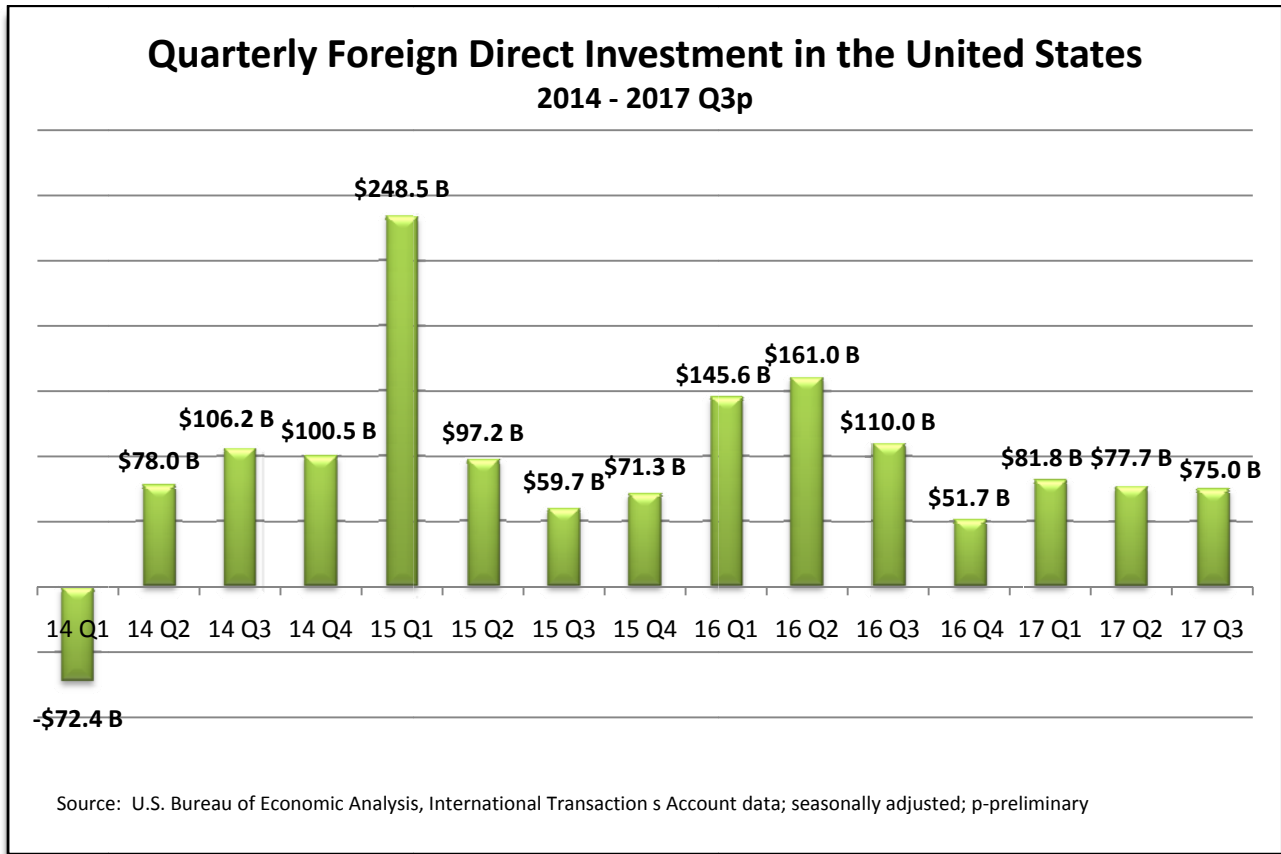
Organization for
International
Investment

December 19, 2017

FOREIGN DIRECT INVESTMENT IN THE UNITED STATES

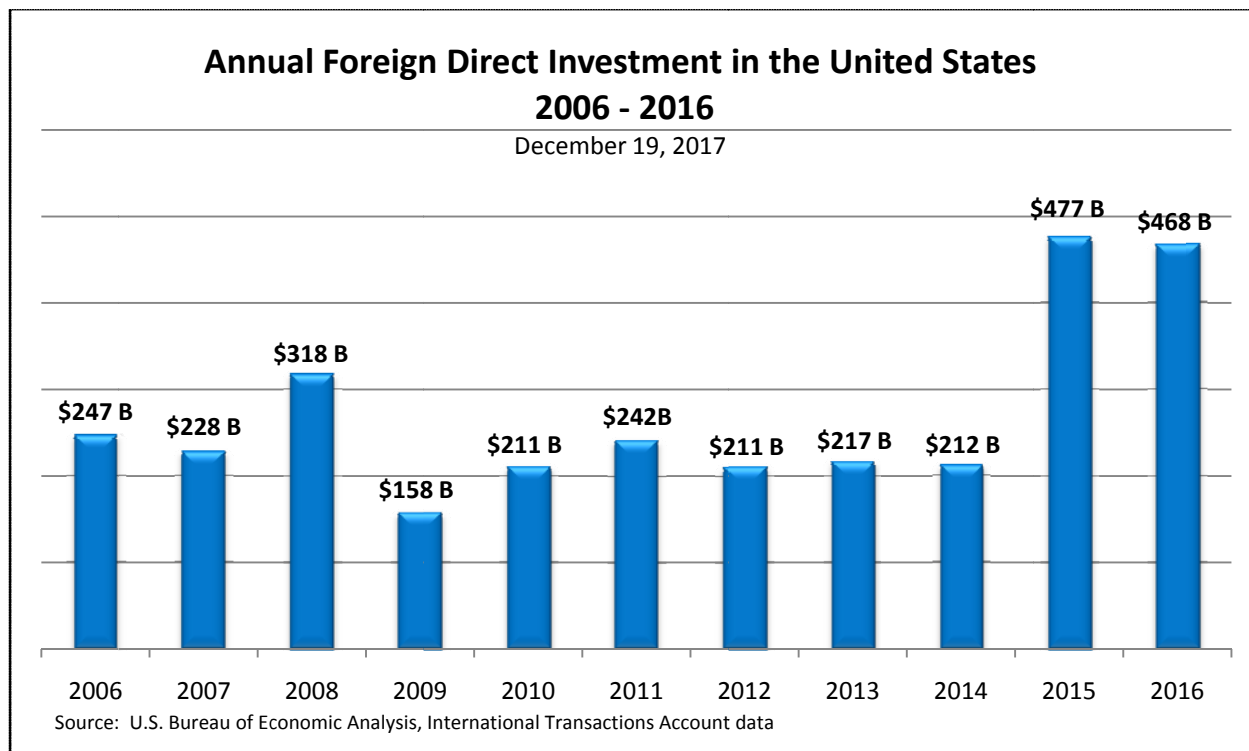
Foreign Direct Investment in the United States, 2014-2017¹

- Foreign direct investment in the United States (FDIUS)² totaled \$75.0 billion in the third-quarter 2017, a slight three percent decrease from second-quarter 2017.
- The FDIUS flows this past quarter were just below average compared to quarters in recent years. Equity flows made up some 60 percent of the investment at \$44 billion, while reinvestment of earnings totaled \$25 billion.
- The first three quarters this year followed two record-breaking years of FDIUS recorded in 2015 and 2016, at \$477 billion and \$468 billion, respectively.
- Quarterly FDIUS flows are subject to large revisions and can fluctuate greatly from quarter to quarter. While the United States remains an attractive investment location, global competition for foreign investment dollars is increasing as more developing countries position themselves as investment destinations.



¹ The U.S. Bureau of Economic Analysis released preliminary 3rd quarter 2017 foreign direct investment statistics on December 19, 2017.

² Foreign direct investment in the United States measures equity capital flows, reinvestment of earnings, and debt instruments between U.S. affiliates and their parents abroad.



Analysis & Context

Third-quarter 2017 foreign direct investment flows in the United States were slightly below average for the past few years at \$75 billion, following record-breaking years in 2015 and 2016. FDIUS for both years approached nearly half a trillion dollars. Investments by international companies in the United States beat the previous records of \$320 billion and \$318 billion during the prosperous years of 2000 and 2008.

It is unlikely that 2017 FDIUS flows will come close to approaching the nearly half-trillion dollars invested in 2015 and 2016 once data for the full year are made available. However, FDIUS for the first three quarters of 2017 have already totaled nearly \$235 billion, which means inward investment this year is on track to surpass each of the six years prior to 2015.

These investments benefit the American economy as international firms build new factories across the United States, buoy their well established U.S. operations, fund American research and development activities, and employ more than 6.8 million Americans in well-paying jobs.

While inward foreign direct investment flows in 2016 were good for the United States, worldwide, global inward FDI dropped two percent to \$1.75 trillion. In its 2017 *World Investment Report*, the United Nations Conference on Trade and Development (UNCTAD) projected a 'modest recovery' in global FDI flows in 2017-2018.

Looking at foreign direct investment more broadly, foreign companies invest in the United States for many reasons. A list of positive factors include the large U.S. market, world-class research universities, a stable regulatory regime, and a solid infrastructure that allows businesses to easily

access the U.S. market. For certain foreign investors, the United States has become an important global export platform. Good domestic energy resources and low energy prices also draw foreign investors to the United States.

Whether the United States will retain its status as the world's most attractive investment location hinges mainly on future macroeconomic developments and changing financial conditions. For the fifth year in a row, in 2017, A.T. Kearney's *FDI Confidence Index* ranked the United States as the world's top market.