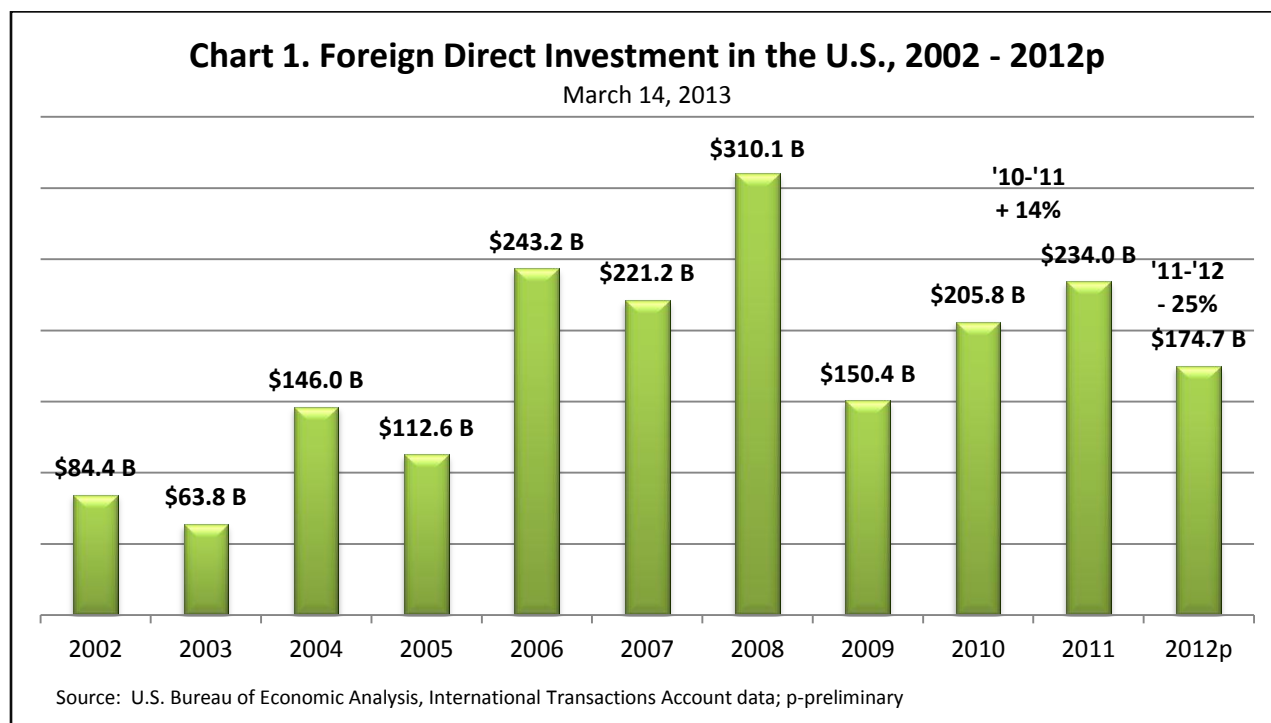

Foreign
Direct
Investment
in the
United
States
2012
Preliminary
Data

Organization for
International
Investment (OII)

March 20, 2013

Key Findings: Foreign Direct Investment in the United States, 2002-2012¹

- Foreign direct investment in the United States (FDIUS)² in 2012 totaled \$174.7 billion³, a decrease of 25% compared with \$234.0 billion in 2011. Although a solid year in the context of the past decade, it was the lowest since 2009 (see Chart 1).
- Foreign direct investment in the United States reached a record high for the decade of \$310.1 billion in 2008.
- Reinvested earnings (i.e., the reinvestment of profits by foreign affiliates to further finance their U.S. operations) increased 18% to \$102.7 billion in 2012, from \$87.4 billion in 2011.
- Traditional sources of investment (e.g., the European Union, Japan, and Canada) remain dominant, with eight nations accounting for nearly three-quarters of all FDIUS in 2012. The Netherlands was the largest source of FDIUS last year at \$24.3 billion, followed by France, Japan, the United Kingdom, and Canada.
- The largest industry by inward investment in 2012 was manufacturing at \$83.4 billion, ahead of wholesale trade, information, and finance and insurance.
- The information sector was the fastest growing industry for FDIUS, expanding from \$568 million in 2011 to \$12.9 billion in 2012.



¹ The U.S. Bureau of Economic Analysis (BEA) released the most recent foreign direct investment statistics on March 14, 2013.

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

³ FDIUS data for 2012 are preliminary and subject to sometimes large revisions as BEA gathers more information from survey respondents.

Analysis and Background

The 25% decrease in FDIUS between 2011 and 2012 comports with recent worldwide investment flows as reported by the United Nations Conference on Trade and Development (UNCTAD) *World Investment Report (WIR) 2012*. UNCTAD predicted a slowing of global foreign direct investment in 2012. Looking forward, UNCTAD forecasts moderate rises in FDI in 2013 and 2014.

However, any future trends in FDIUS are subject to foreign investors' concerns about the macroeconomic climate and financial conditions in the United States and worldwide economic developments. In the United States, foreign direct investment composes a sizable share of total business investment. In 2012, inbound investment amounted to 11% of all nonresidential domestic investment, compared with 19% in 2008, the beginning of the most recent recession. These investments support more than 5 million well-paid insourced jobs and contribute to the health of the U.S. economy.

As the world's premier investment location, twice as much foreign direct investment flowed to the United States as second ranked China in 2011, according to the WIR. Yet, the U.S. share of total world stock in foreign direct investment dropped to 17% in 2011, shrinking from 37% in 2000 because global competition for foreign investment dollars has increased and multinational companies have expanded investments in often faster growing developing markets. For the second year in a row, more than half of all foreign direct investment in 2011 flowed to emerging markets such as China, India, and Brazil.

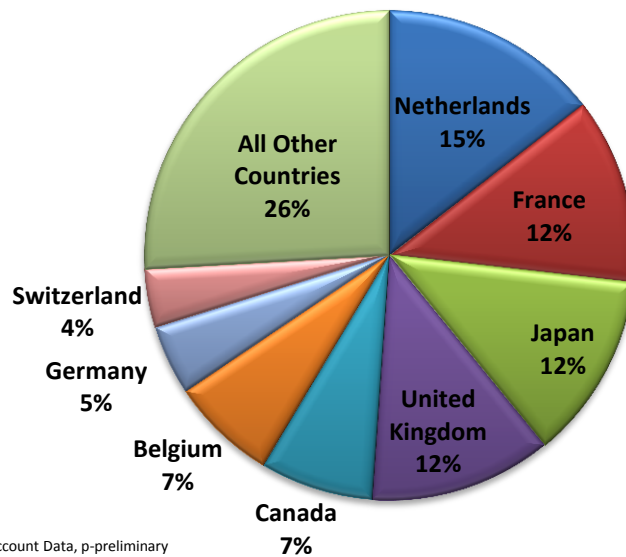
Data from the WIR also reveal that due to global market uncertainties, multinational companies have favored holding onto cash rather than investing in capital expenditures. Renewed instability in financial markets may encourage companies to continue to hold cash in the short term. However, if markets improve in the future, the opportunity will exist for a surge of FDI from held cash, which the United Nations estimates at more than \$5 trillion.

FDIUS by Share of Major Countries, 2012

- The Netherlands led in FDIUS in 2012 at \$24.3 billion, followed by France and Japan at \$20.6 billion each (see Chart 2).
- The United Kingdom, Canada, Belgium, Germany, and Switzerland also ranked among the leading foreign investor countries in 2012.
- Together, these eight countries represented nearly three-quarters of all foreign direct investment in the United States in 2012.

**Chart 2. Leading Countries by Foreign Direct Investment
in the United States, 2012p**

March 14, 2013



International Transactions Account Data, p-preliminary
Source: U.S. Bureau of Economic Analysis,

Top 20 Countries by FDIUS, 2012

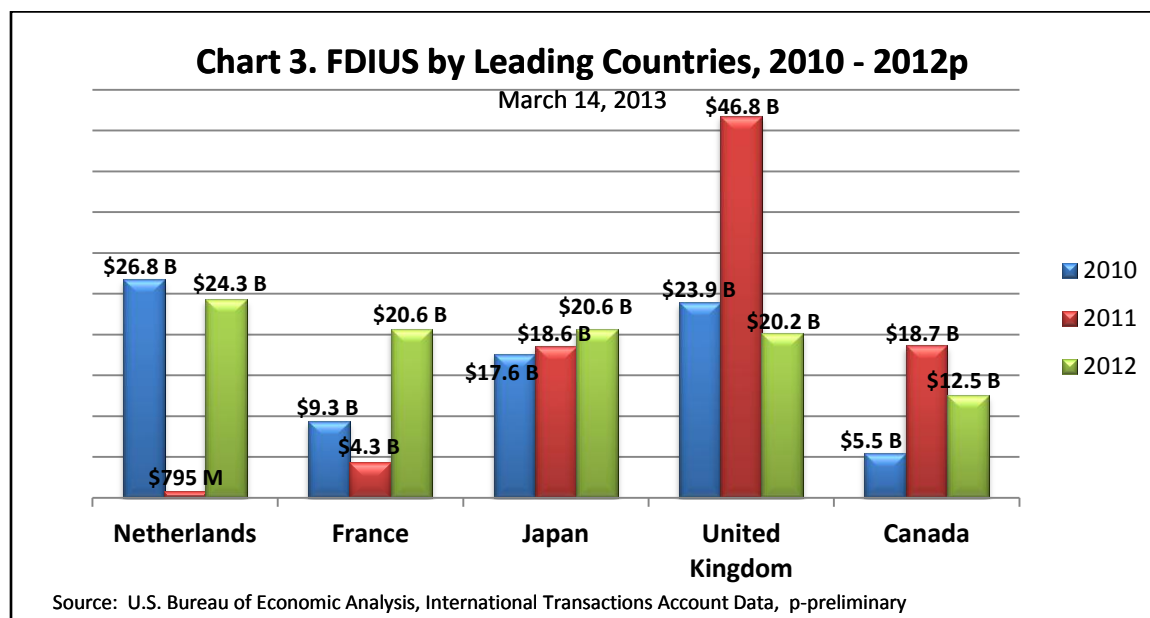
- The Netherlands was not only the largest investor in the United States last year, its investment surged by nearly 3,000 percent, posting the fastest growth rate among the top 20 FDIUS investors between 2011 and 2012 (see Table 1).
- French investment also increased sharply in 2012, rising nearly 400% over the previous year.
- Of the top 20 countries, South Korea, Mexico, Belgium, Japan, and Sweden each increased their investments in the United States in 2012 from a year earlier.

Rank	Country	2011	2012*	% Change
	World	\$233,988	\$174,680	-25%
1.	Netherlands	\$795	\$24,343	2,962%
2.	France	\$4,281	\$20,640	382%
3.	Japan	\$18,598	\$20,572	11%
4.	United Kingdom	\$46,788	\$20,198	-57%
5.	Canada	\$18,661	\$12,485	-33%
6.	Belgium	\$10,297	\$11,828	15%
7.	Germany	\$13,912	\$7,681	-45%
8.	Switzerland	\$20,875	\$6,468	-69%
9.	Ireland	-\$2,158	\$5,902	n/a
10.	U.K. Islands, Caribbean	\$12,229	\$4,891	-60%
11.	South Korea	\$3,594	\$4,853	35%
12.	Luxembourg	\$21,548	\$4,326	-80%
13.	Australia	\$17,446	\$4,131	-76%
14.	Mexico	\$2,491	\$3,274	31%
15.	Sweden	\$2,979	\$3,188	7%
16.	Spain	\$6,215	\$2,742	-56%
17.	Italy	\$3,266	\$2,205	-32%
18.	Singapore	\$2,546	\$1,257	-51%
19.	Hong Kong	\$491	\$1,118	128%
20.	Norway	\$6,810	\$768	-89%

*2012 data are preliminary
Source: Bureau of Economic Analysis, U.S. International Transactions Accounts

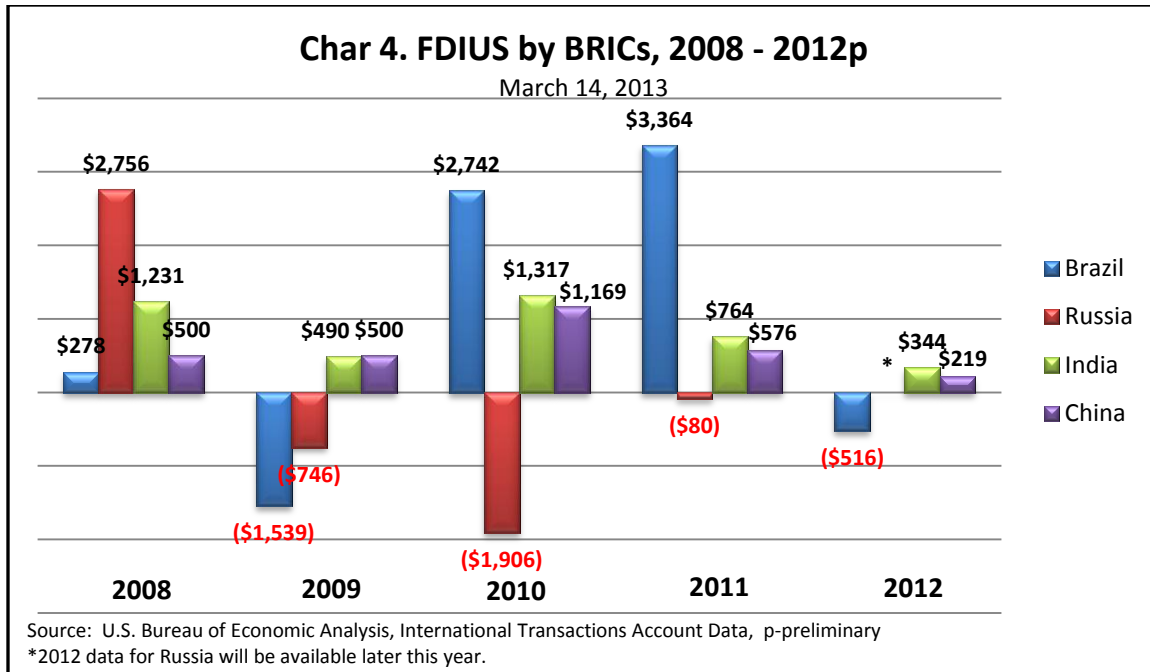
Top 5 Countries by FDIUS, 2011 - 2012

- Of the top five countries by U.S. inbound direct investment in 2012, the Netherlands, France, and Japan each invested more in 2012 than in 2011 (see Chart 3).
- The United Kingdom and Canada invested less in 2012 than in 2011, with their respective investments dropping by 57% and 33%.



FDIUS by Brazil, Russia, India, and China (BRICs), 2008-2012

- Investment inflows from the large emerging markets of Brazil, India, and China were down last year compared with 2011.
- Brazil posted a modest disinvestment in 2012, while India and China had small investments of \$344 million and \$219 million, respectively (see Chart 4).
- India's investment inflows peaked in 2010 at \$1.3 billion and totaled \$1.2 billion in 2008. In other recent years, investment was less than \$800 million.
- China's inbound investment rose to \$1.2 billion in 2010, the highest over the past five years. In the other years, China's U.S. investment inflows did not exceed \$600 million.
- Disinvestment, or net negative financial inflows, occurs when flows from U.S. affiliates to their parent companies are greater than flows from parents to affiliates. Net negative flows may be due to reductions of equity (selloffs) in their affiliates by parents, distributions of earnings by affiliates to their parents, or net loan payments from affiliates to parents.



FDIUS by Region, 2012

As in previous years, Europe was the largest regional investor in the United States, representing 68% of all foreign direct investment in 2012 (see Table 2). The Asia and Pacific region and Latin America and other Western Hemisphere countries composed 20% and 4%, respectively, of total foreign direct investment in the United States in 2012.

Region	2012*	Percent of Total Foreign Direct Investment
Europe	\$113,204	68%
European Union (27)	\$105,915	63%
Asia and Pacific	\$32,963	20%
Latin America & Other Western Hemisphere	\$7,252	4%
Middle East	\$901	0.5%
Africa	\$815	0.5%

*2012 data are preliminary
Source: Bureau of Economic Analysis, International Transaction Accounts

FDIUS by Industry, 2011-2012

U.S. manufacturing remains the dominant industrial sector for foreign firms.

- Investment in manufacturing totaled \$83.4 billion in 2012, declining 8% from \$90.9 billion in 2011 (see Table 3).
- Wholesale trade also attracted considerable foreign direct investment in 2012 at \$17.3 billion, down from \$25.7 billion in 2011.
- The information sector was the fastest growing industry by far, expanding from \$568 million in 2011 to \$12.9 billion in 2012.

Table 3. FDIUS by Industry 2011-2012*				
March 14, 2013 (in millions of dollars)				
Industry	2011	2012*	2011-12 % Change	% of 2012 Total
Manufacturing	\$90,883	\$83,393	-8%	50%
Wholesale Trade	\$25,675	\$17,336	-32%	10%
Information	\$568	\$12,859	2,164%	8%
Finance & Insurance	\$8,539	\$10,815	27%	6%
Retail Trade	\$3,546	\$5,072	43%	3%
Professional, Scientific, and Technical Services	\$6,405	\$2,580	-60%	2%
Depository Institutions	\$17,931	\$1,628	-91%	1%
Real Estate and Rental and Leasing	\$1,879	\$651	-65%	0.4%
Other Industries	\$71,510	\$33,287	-53%	20%
*2012 data are preliminary Source: U.S. Bureau of Economic Analysis				

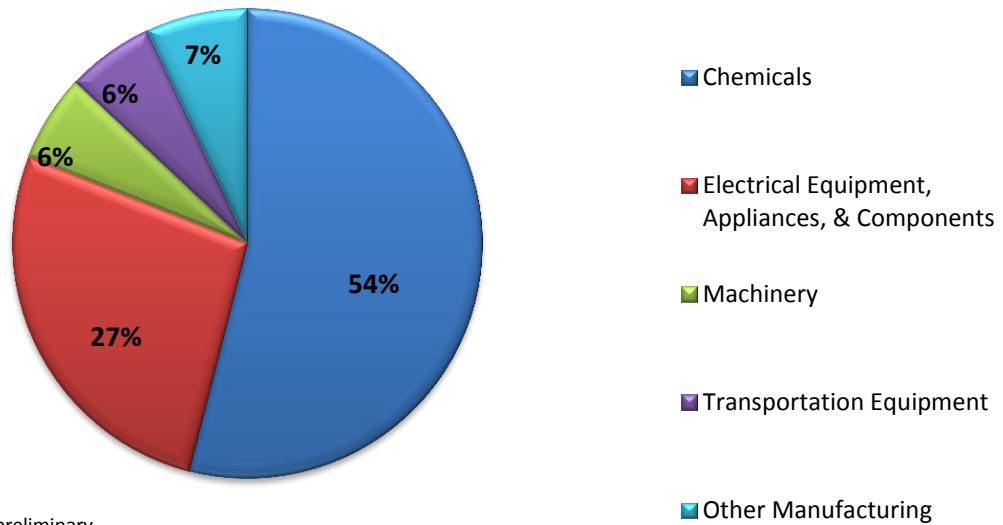
FDIUS in Manufacturing, 2011-2012

Within the manufacturing sector, chemicals made up over half of all FDIUS flows, followed by electrical equipment, appliances, and components at \$22.6 billion (see Table 4). The chemicals sector includes pharmaceuticals, cleaning compounds, paint, resins, and pesticides, but excludes petroleum products.

Table 4. Foreign Direct Investment in the U.S. Manufacturing Industry 2011-2012*			
March 14, 2013 (in millions of dollars)			
	2011	2012*	2011-12 % Change
Manufacturing Total	\$90,883	\$83,393	-8%
Chemicals	\$48,537	\$44,813	-8%
Electrical Equipment, Appliances, & Components	\$3,729	\$22,568	505%
Machinery	\$757	\$4,992	559%
Transportation Equipment	\$2,070	\$4,652	125%
Primary and Fabricated Metals	\$2,729	\$1,507	-45%
Computers & Electronic Products	\$3,206	-\$1,045	n/a
Food	\$1,693	-\$1,151	n/a
Other Manufacturing	\$28,163	\$7,056	-75%
*2012 data are preliminary Source: U.S. Bureau of Economic Analysis			

Chart 5. FDIUS by Manufacturing Sector, 2012*

March 14, 2013



*2012 data are preliminary

Source: U.S. Bureau of Economic Analysis