
Foreign Direct Investment in the United States

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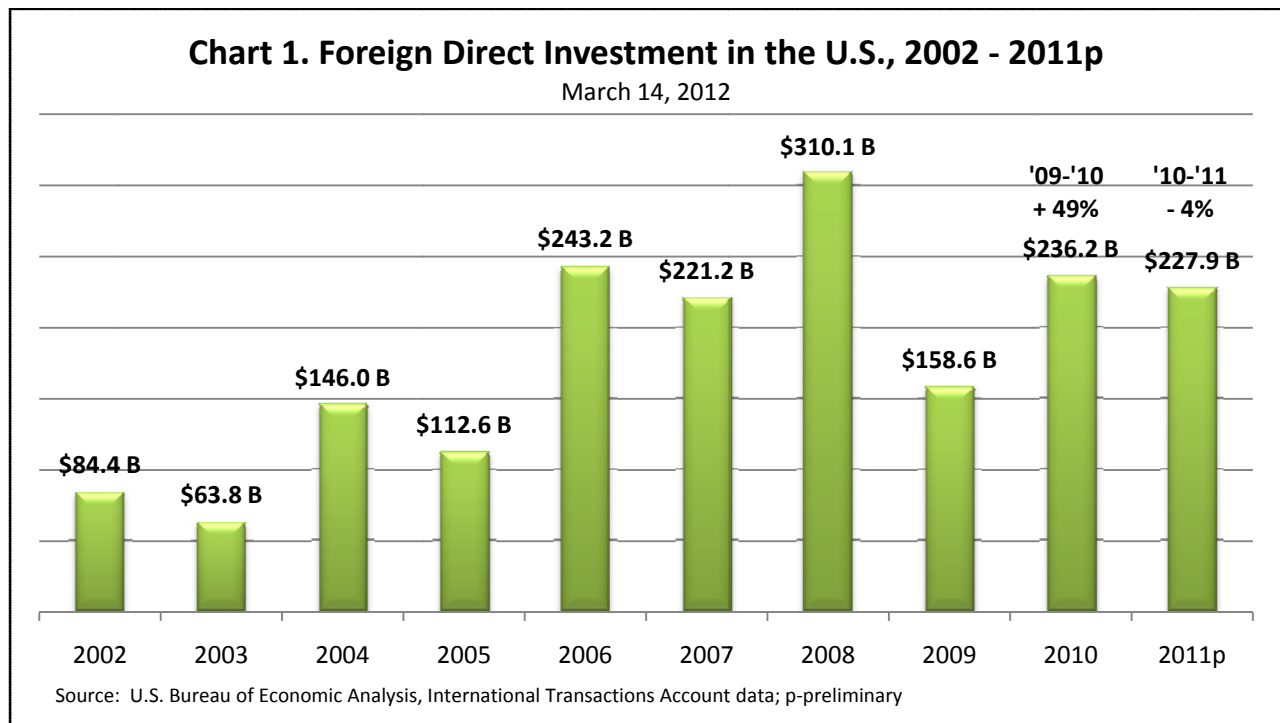
March 14, 2012

FOREIGN DIRECT INVESTMENT IN THE UNITED STATES

Key Findings

Foreign Direct Investment in the United States, 2002-2011¹

- Foreign direct investment in the United States (FDIUS)² in 2011 totaled \$227.9 billion, a decrease of 4% compared to \$236.2 billion in 2010 (see chart 1).
- Equity flows dropped to \$82.9 billion in 2011, from \$114.7 billion in 2010.
- Reinvested earnings remained almost unchanged at \$93.6 billion in 2011, from \$93.7 billion in 2010.
- Foreign direct investment in the United States reached a record high for the decade of \$310.1 billion in 2008.



Analysis and Background

As the world's premier investment location, more than twice as much foreign direct investment flowed to the United States as second ranked China in 2010, according to the United Nation's *2011 World Investment Report*. Yet, the U.S. share of total world stock in foreign direct investment dropped to 18% in 2010, down significantly from 37% a decade earlier as worldwide competition for foreign investment dollars has increased and multinational companies

¹ The U.S. Bureau of Economic Analysis released the most recent foreign direct investment statistics on March 14, 2012. These are preliminary and subject to revision.

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.

have expanded investments in developing economies. For the first time, in 2010, more than half of all foreign direct investment flowed to transitional and developing economies, including China, India, and Brazil. Bolstering investment-friendly policies is one way to encourage continued strong foreign investment in the United States.

Largely reflecting caution by firms in their investment decisions amid the current global economic and financial crisis, recent foreign investment flows into the United States remained almost unchanged in 2011 from the previous year. Because preliminary U.S. government foreign direct investment statistics are often revised upward, the small 2011 decline could be changed to a gain in future revisions. Last year's drop followed an increase in inward direct investment of almost 50% in 2010, rebounding from its economic crisis low in 2009. Every year, foreign direct investment comprises a sizable share of total business investment in the United States, amounting to 15% of all nonresidential domestic investment in 2011. These investments support more than 5 million well-paid insourced jobs and contribute to the health of the U.S. economy.

Foreign Direct Investment in the United States by Share of Major Countries

- Belgium was the leading foreign investor in the United States in 2011 (see chart 2), investing \$43.8 billion last year, followed by Switzerland at \$29.2 billion and Luxembourg at \$19.4 billion.
- Japan, Canada, the Netherlands, and Germany also ranked among the leading foreign investor countries in 2011.
- Together, these seven countries represented 72% of all foreign direct investment in the United States in 2011.



Top 20 Countries by Foreign Direct Investment in the United States, 2011

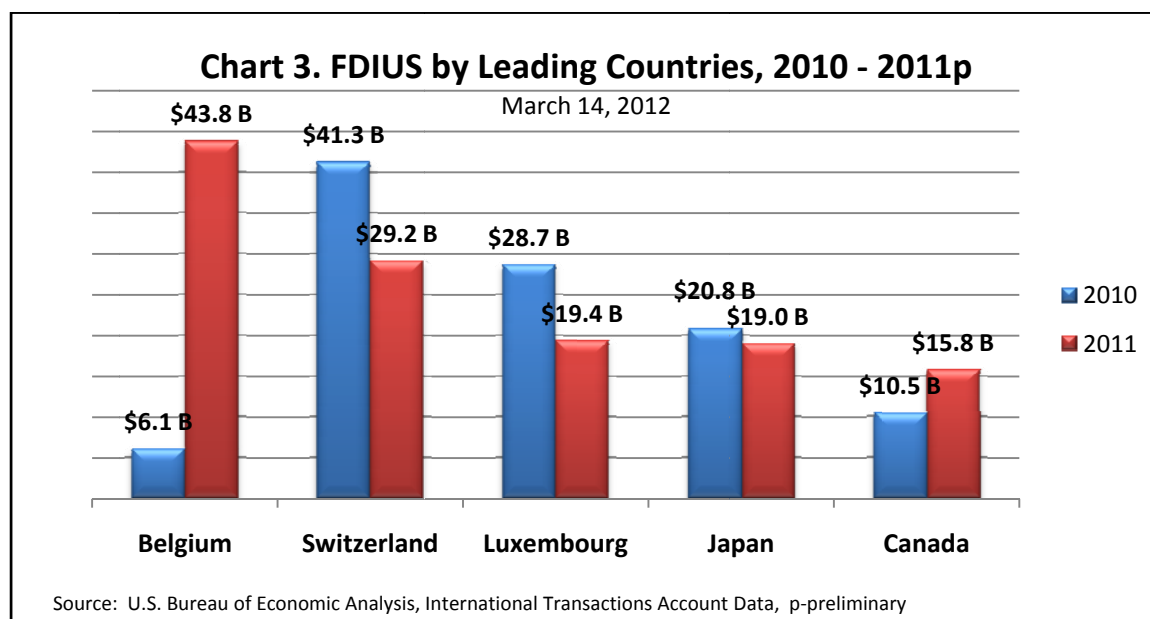
- Belgium was not only the largest investor in the United States last year, its investment surged by more than 600% over 2010 (see table 1).
- Of the top 20 investors, Norway posted the fastest growth rate, increasing almost 1900% between 2010 and 2011.
- Italian investment also increased sharply in 2011, rising more than 440% over the previous year.

Table 1. Foreign Direct Investment by Leading Countries 2010 and 2011*				
March 14, 2012 (in millions of dollars)				
Rank	Country	2010	2011*	% Change
	World	\$228,249	\$219,957	-4%
1	Belgium	\$6,051	\$43,758	623%
2	Switzerland	\$41,268	\$29,151	-29%
3	Luxembourg	\$28,692	\$19,433	-32%
4	Japan	\$20,785	\$19,031	-8%
5	Canada	\$10,488	\$15,809	51%
6	Netherlands	\$10,821	\$15,077	39%
7	Germany	\$20,052	\$14,878	-26%
8	Australia	\$8,789	\$11,350	29%
9	Norway	\$513	\$10,140	1,877%
10	U.K. Islands, Caribbean	\$1,266	\$9,452	647%
11	Spain	\$2,731	\$5,944	118%
12	France	\$19,452	\$5,175	-73%
13	Brazil	\$2,680	\$3,739	40%
14	Italy	\$666	\$3,615	443%
15	South Korea	\$1,567	\$2,529	61%
16	Mexico	\$1,152	\$2,445	112%
17	Sweden	\$5,334	\$1,628	-69%
18	India	\$861	\$1,283	49%
19	Venezuela	\$356	\$1,050	195%
20	Denmark	\$1,895	\$679	-64%

*2011 data are preliminary
Source: Bureau of Economic Analysis, U.S. International Transactions Accounts

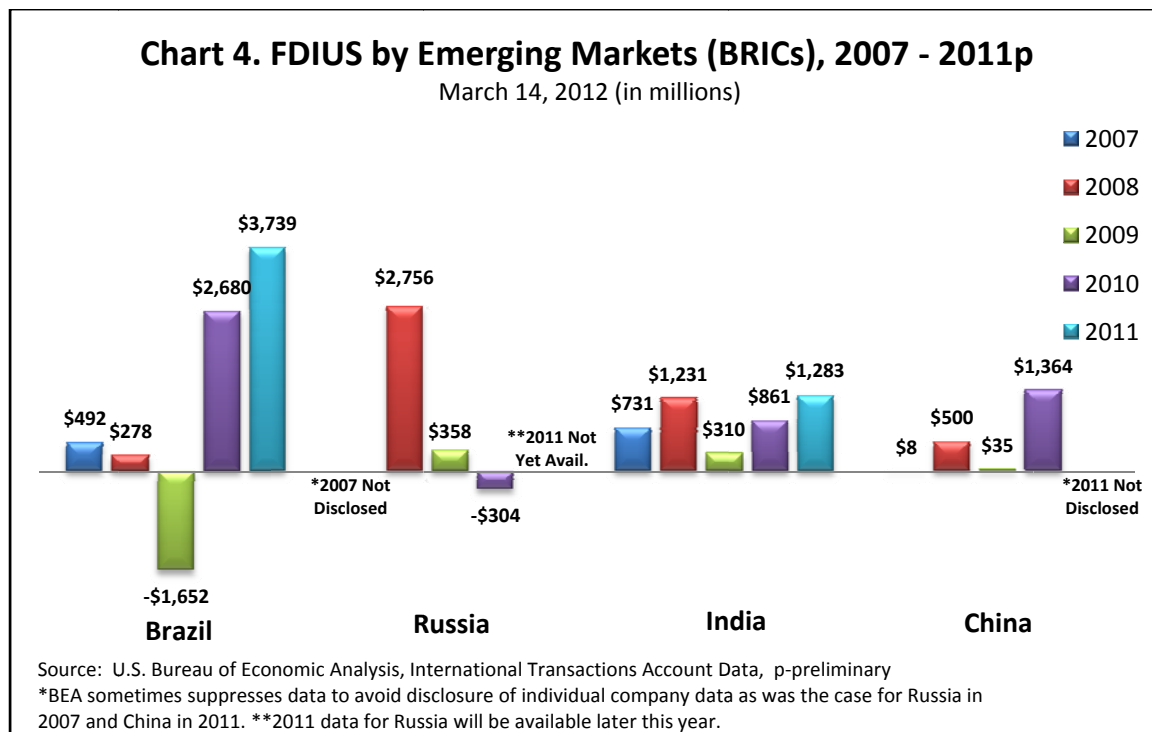
Top 5 Countries by Foreign Direct Investment in the United States, 2010 - 2011

- Of the top five countries by U.S. inbound direct investment in 2011, only Belgium and Canada invested more last year than in 2010 (see chart 3).
- Canada increased its investment to the United States to \$15.8 billion in 2011, a rise of 51% from \$10.5 billion in 2010.
- Switzerland, Luxembourg, and Japan all invested less in 2011 than in 2010, with their respective U.S. direct investments down by 29%, 32%, and 8%.



Foreign Direct Investment in the United States by the Emerging Economies of Brazil, Russia, India, and China (BRICs), 2007- 2011

- Investment inflows from large emerging markets like India and Brazil rose over the past year. Brazil was the largest emerging market investor at \$3.7 billion in 2011 (see chart 4).
- India's investment inflows rose annually over the past five years, peaking at \$1.3 billion in 2011.
- The U.S. government did not disclose Chinese investment to the United States in 2011 to avoid revealing the identity of individual companies. However, Chinese direct investment in the United States was \$1.4 billion in 2010.
- 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.



Foreign Direct Investment by Region

Europe was the largest regional investor in the United States, representing 65% of foreign direct investment in 2011 (see table 2). The Asia and Pacific region and Latin America and other Western Hemisphere countries comprised 19% and 7%, respectively, of total foreign direct investment in the United States in 2011.

Region	2011*	Percent of Total Foreign Direct Investment
World	\$219,957	
Europe	\$142,067	65%
European Union (27)	\$105,070	48%
Asia and Pacific	\$40,754	19%
Latin America & Other Western Hemisphere	\$16,305	7%
Middle East	\$2,777	1%
Africa	\$2,244	1%

*2011 data are preliminary
Source: Bureau of Economic Analysis, International Transaction Accounts

Foreign Direct Investment by Industrial Sector

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

- Manufacturing industry investment totaled \$83.8 billion in 2011, up slightly from \$83.2 billion in 2010 (see table 3).
- Wholesale trade also attracted considerable foreign direct investment in 2011 at \$34.2 billion, down from \$45.3 billion in 2010.
- Depository institutions and retail trade investment each more than doubled between 2010 and 2011, up by 141% and 135%, respectively.

Industry	2010	2011*	2010-11 % change
Manufacturing	\$83,224	\$83,824	1%
Wholesale Trade	\$45,292	\$34,177	-25%
Depository Institutions	\$7,466	\$17,991	141%
Finance & Insurance	\$42,029	\$7,328	-83%
Professional, Scientific, and Technical Services	\$5,202	\$6,684	28%
Retail Trade	\$1,384	\$3,254	135%
Real Estate and Rental and Leasing	-\$1,080	\$2,062	n/a
Information	\$7,341	\$1,669	-77%
Other Industries	\$37,391	\$62,968	68%
*2011 data are preliminary Source: U.S. Bureau of Economic Analysis			

Foreign Direct Investment by Manufacturing Sectors

Within the manufacturing sector, nearly 60% of the \$83.8 billion in foreign direct investment was in chemicals in 2011 (\$49.5 billion), followed by a 6% share in primary and fabricated metals at \$4.7 billion (see table 4).

Table 4. Foreign Direct Investment in the U.S. Manufacturing Industry 2010-2011*			
March 14, 2012 (in millions of dollars)			
	2010	2011*	2010-11 % change
Manufacturing Total	\$83,224	\$83,824	1%
Chemicals	\$32,845	\$49,505	51%
Primary & Fabricated Metals	\$608	\$4,733	678%
Transportation Equipment	\$9,523	\$3,917	-59%
Machinery	\$899	\$3,499	289%
Food	\$13,446	\$2,545	-81%
Computers & Electronic Products	\$621	\$1,729	178%
Electrical Equipment, Appliances, & Components	\$487	\$184	-62%
Other Manufacturing	\$24,795	\$17,712	-29%

*2011 data are preliminary
Source: U.S. Bureau of Economic Analysis