
Foreign
Direct
Investment in
the United
States,
Preliminary
3rd Quarter
2018

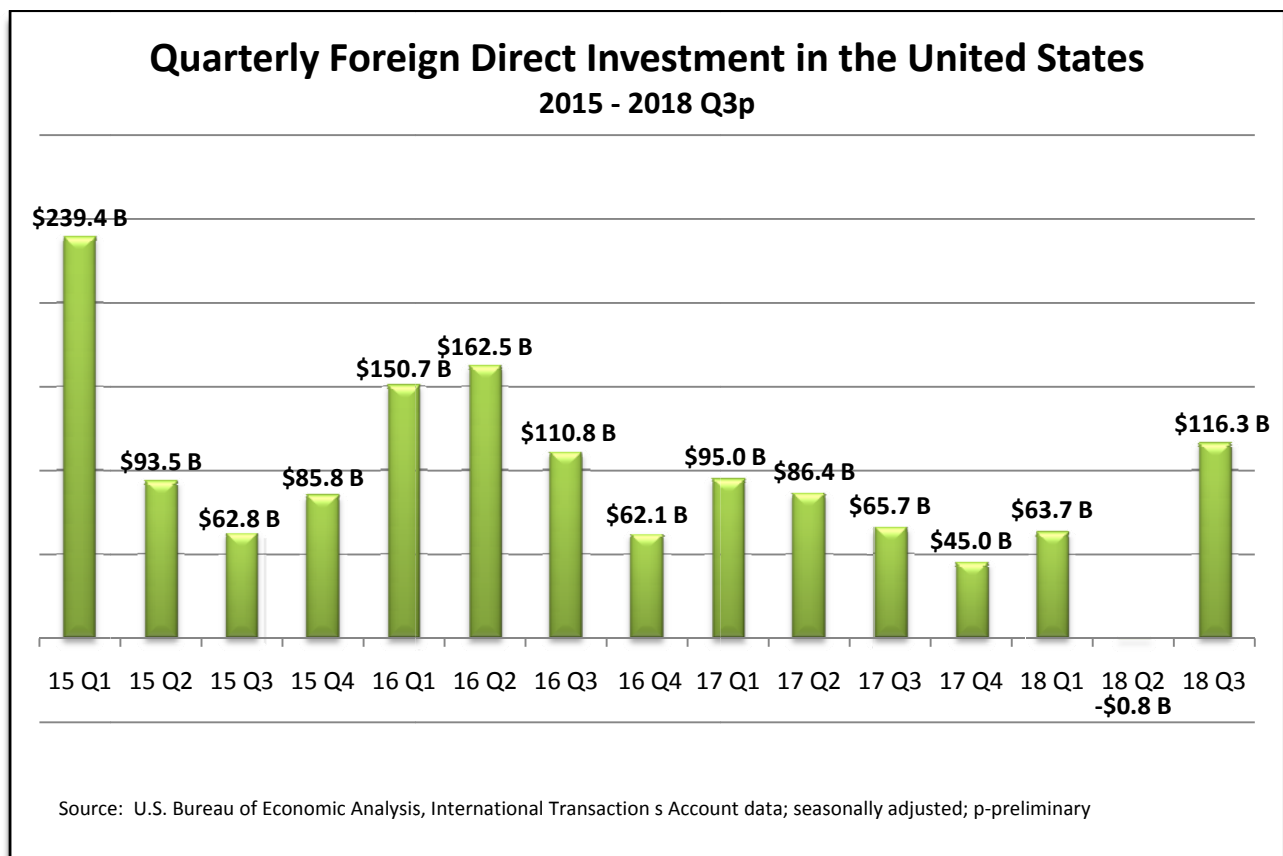
Organization for
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FOREIGN DIRECT INVESTMENT IN THE UNITED STATES

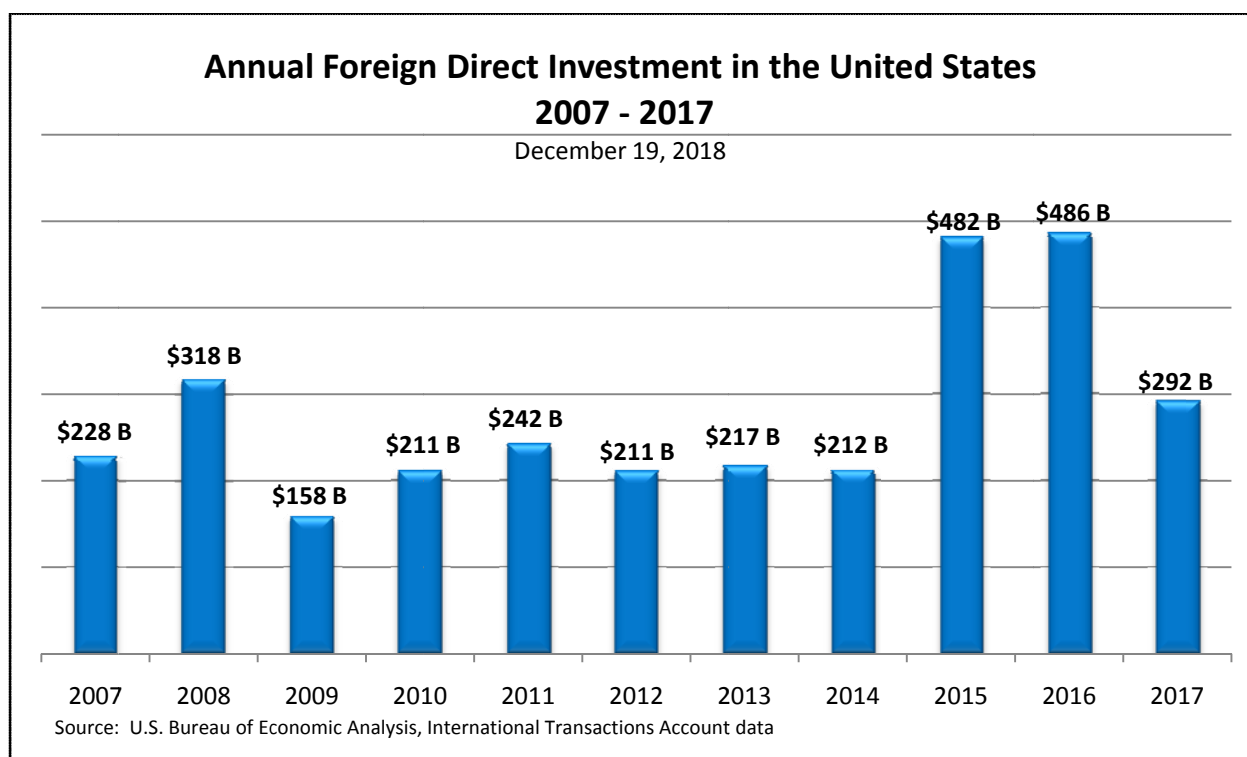
Foreign Direct Investment in the United States, 2015-2018¹

- Foreign direct investment in the United States (FDIUS)² totaled \$116.3 billion in the third-quarter 2018. This compares to FDIUS flows of -\$826 million (a divestment) in the previous quarter.
- Net equity flows made up \$79.1 billion in third-quarter 2018 inward investment.
- Reinvestment of earnings totaled \$38.3 billion in the third-quarter 2018, up 10 percent from the second quarter, very strong compared to recent quarters.
- Foreign direct investment in the United States amounted to \$292 billion for 2017. That was the fourth-strongest year for FDIUS over the past decade. However, it followed two record-breaking years of FDIUS recorded in 2015 and 2016, at \$482 billion and \$486 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 2018 foreign direct investment statistics on December 19, 2018.

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 2018 foreign direct investment flows in the United States registered \$116.3 billion, following a small divestment of less than \$1 billion in the second quarter. The second quarter was marked by unusually high sell-off and purchase activity, which suggests that some \$100 billion invested in the United States had transferred ownership abroad. Also in that quarter, U.S. affiliates paid off a record level of loans to their foreign parents. Following the rocky second quarter, foreign direct investment flows in third-quarter 2018 were the strongest in more than two years.

Foreign direct investment in the United States in 2017 was the fourth-strongest for the past decade, but was down 40 percent from 2016. This followed record-breaking years in 2015 and 2016; FDIUS for each year reached nearly half a trillion dollars.

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 7.1 million Americans in well-paying jobs.

Globally, inward FDI fell 23 percent to \$1.43 trillion in 2017 from the previous year, according to the United Nations Conference on Trade and Development (UNCTAD). The United States maintained its number one position in the world as a destination for FDI. UNCTAD projects that global FDI flows in 2018 will increase by just 10 percent, remaining well below the average over the past several years.

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 sixth year in a row, in 2018, A.T. Kearney's *FDI Confidence Index* ranked the United States as the world's top market.