Foreign Direct Investment in the United States, *Preliminary 3rd Quarter 2019*

Organization for International Investment

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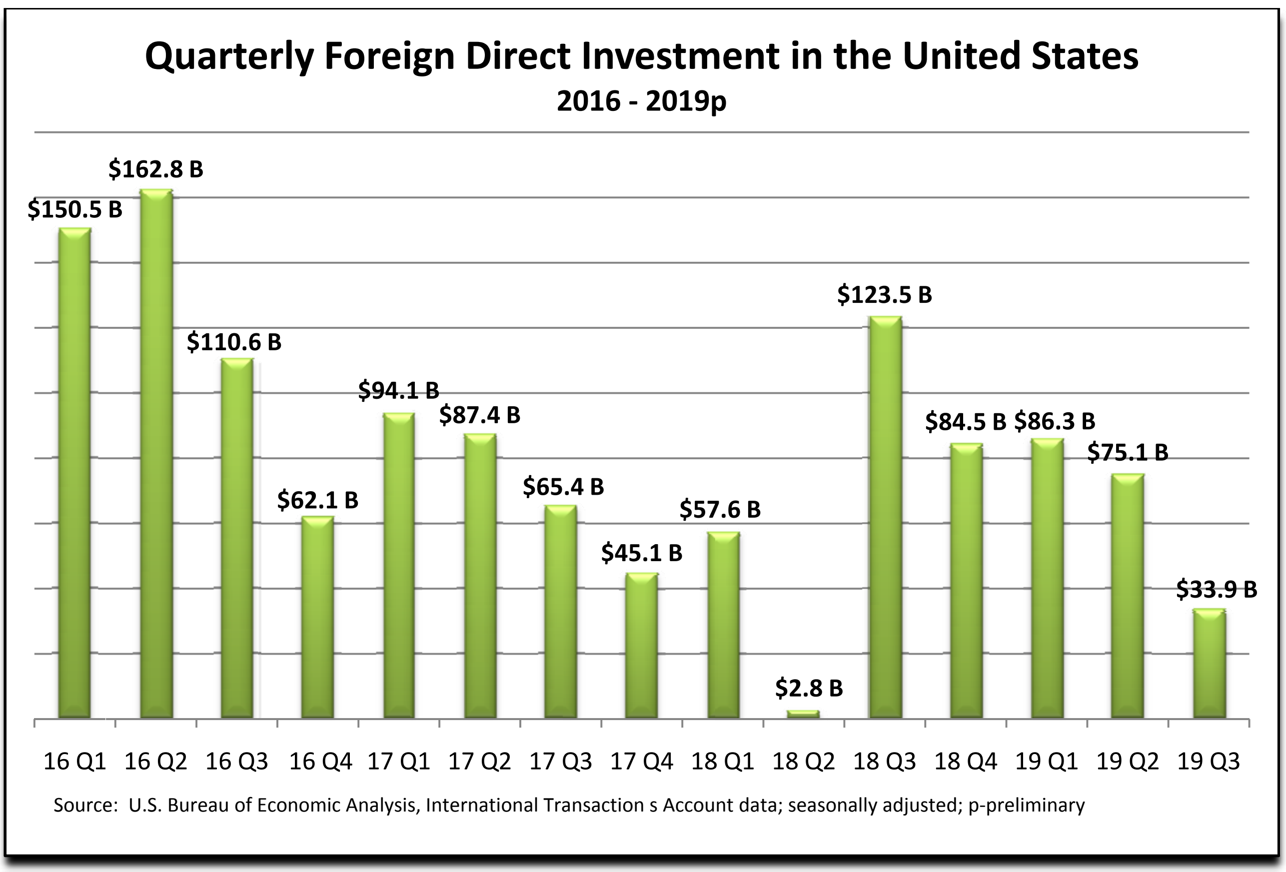
FOREIGN DIRECT INVESTMENT IN THE UNITED STATES

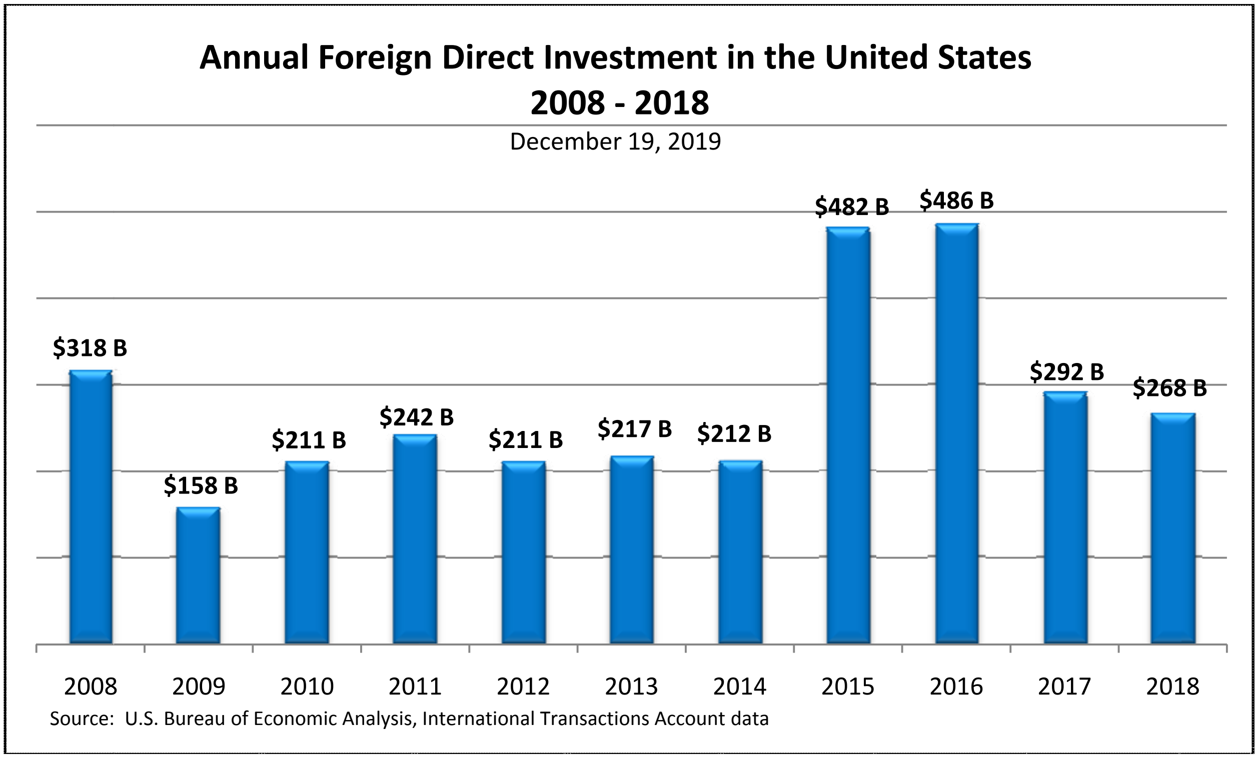
Foreign Direct Investment in the United States, 2016-2019[1]

- Foreign direct investment in the United States (FDIUS)[2] totaled $33.9 billion in the third-quarter 2019. This is down from FDIUS flows of $75.1 billion in the previous quarter. It is also the second-weakest quarter over the past few years.
- Net equity flows dropped significantly to $9.9 billion in third-quarter 2019 inward investment, down 70 percent from the second quarter.
- Reinvestment of earnings totaled $31 billion in the third-quarter 2019, down nearly 20 percent from the previous quarter.
- Foreign direct investment in the United States amounted to $268 billion for 2018, making it the fifth-strongest year for FDIUS over the past decade. However, it was dwarfed by 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 2019 foreign direct investment statistics on December 19, 2019.

[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 2019 foreign direct investment flows in the United States totaled $34 billion, down 55 percent from the second-quarter 2019. Foreign direct investment flows in third-quarter 2019 were the second-lowest over the past few years. Equity flows dropped 70 percent from the second quarter to just under $10 billion. Reinvestment of earnings also declined by nearly 20 percent during the same time period.

Foreign direct investment in the United States in 2018 was down eight percent from 2017 and down 45 percent from the record-breaking level attained in 2016.

Globally, inward FDI fell 13 percent to $1.3 trillion in 2018 from the previous year, according to the United Nations Conference on Trade and Development (UNCTAD)—this was the third consecutive drop.

The United States maintained its number one position in the world as a destination for FDI in 2018. But in its 2019 *World Investment Report*, UNCTAD also showed that America's share of FDI shrank from 25 percent in 2017 to 23 percent in 2018—that's the first drop since 2008. UNCTAD projects that global FDI flows in 2019 will make somewhat of a rebound, but below the average over the past several years.

Looking at foreign direct investment more broadly, international 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 international investors, the United States has become an important global export platform. Good domestic energy resources and low energy prices also draw international investors to the United States.

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 7.4 million Americans in well-paying jobs.

Whether the United States will retain its status as the world's most attractive investment location hinges on macroeconomic policy decisions, both in the United States and abroad. While U.S. tax reform generally improved U.S. economic competitiveness, recent trade policy actions have injected a tremendous level of uncertainty into the U.S. business climate for international companies.