
Foreign
Direct
Investment in
the United
States,
Preliminary
1st Quarter
2021

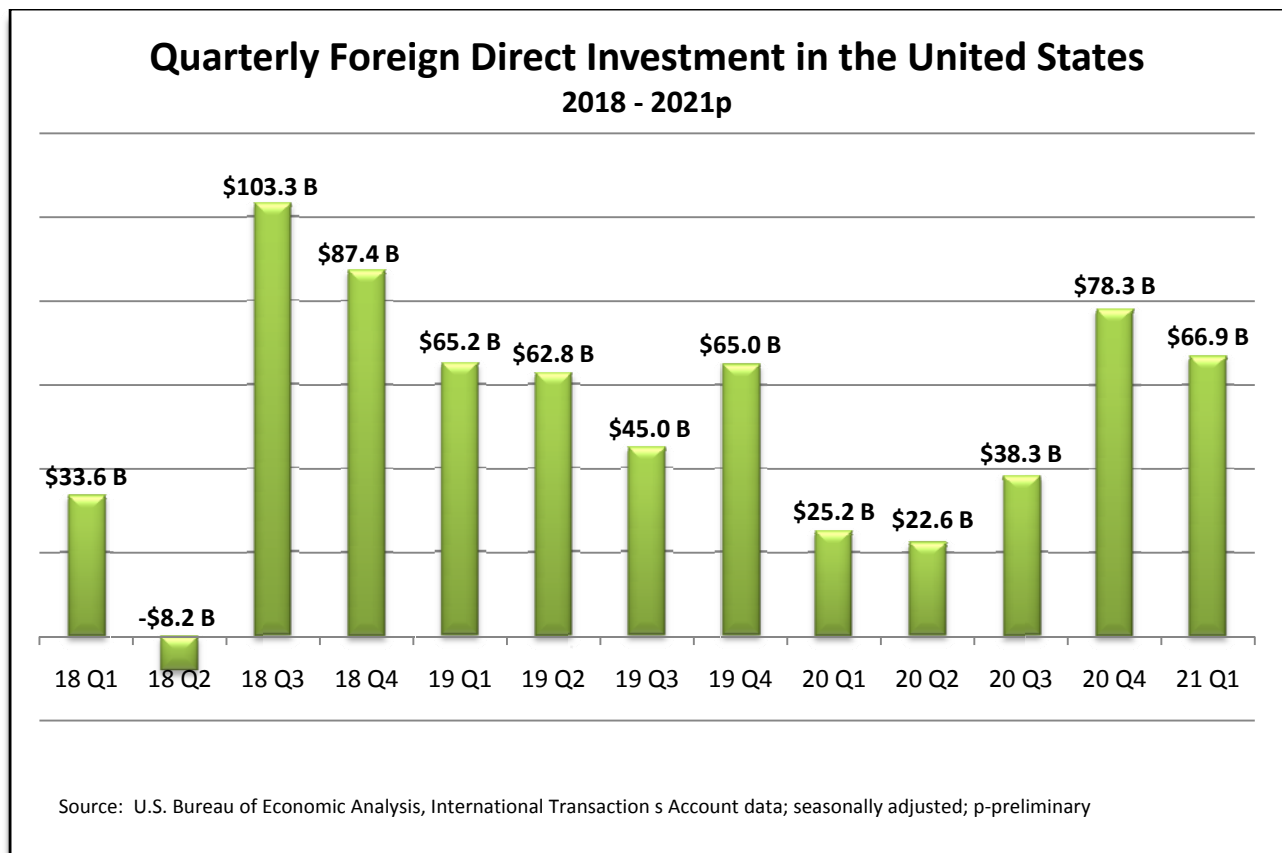
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FOREIGN DIRECT INVESTMENT IN THE UNITED STATES

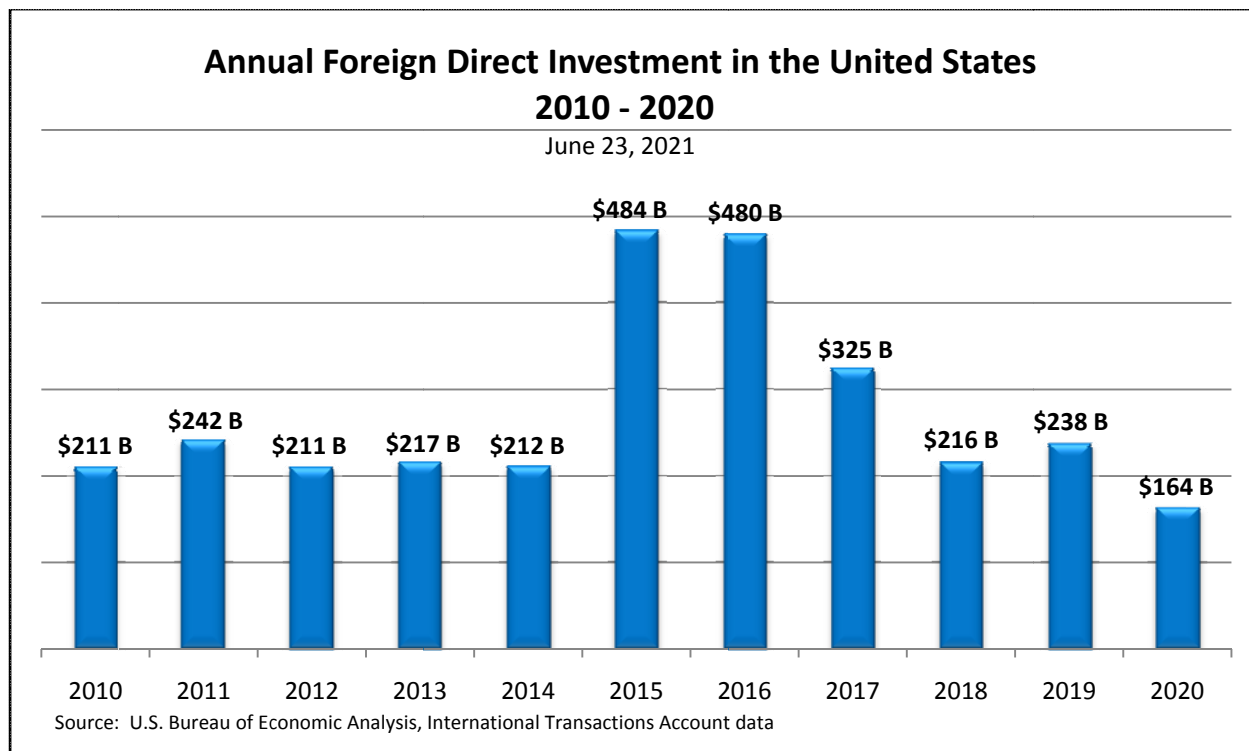
Foreign Direct Investment in the United States, 2018-2021¹

- Foreign direct investment in the United States (FDIUS)² totaled nearly \$67 billion in the first-quarter 2021. This is down 15 percent from the previous quarter.
- Net equity flows decreased from \$51 billion in fourth-quarter 2020 to \$29 billion in the last quarter.
- Reinvestment of earnings were up 23 percent to \$39 billion from the previous quarter.
- Foreign direct investment in the United States in 2020 was \$164 billion, making it the weakest year for FDIUS over the past decade. Two record-breaking years of FDIUS were recorded in 2015 and 2016, at \$484 billion and \$480 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 1st quarter 2021 foreign direct investment statistics on June 23, 2021.

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

First-quarter 2021 foreign direct investment flows in the United States totaled \$67 billion, a decrease of 15 percent from fourth-quarter 2020. However, it was one of the strongest quarters of the past three years. Equity flows were down at \$29 billion, while reinvestment of earnings increased slightly during the same time period. The past two quarters were strong compared to the previous three, during the height of the worldwide slowdown in overall business activity due to the COVID-19 pandemic.

Foreign direct investment in the United States in 2020 was \$164 billion, down 31 percent from 2019. It was the weakest year over the past decade. Globally, inward FDI fell 35 percent to \$1 trillion, according to the United Nations Conference on Trade and Development (UNCTAD) in its *World Investment Report 2021*. UNCTAD reported that lockdowns across the world due to COVID-19 delayed investment projects. The organization projects that global FDI will "bottom out" this year and then recover with an overall increase of 10-15 percent, with an additional increase of 15-20 percent expected in 2022.

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 7.8 million Americans in well-paying jobs.

UNCTAD further reported that the United States remained the number one FDI location in 2020, holding a very slim lead over China. 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. But for the ninth year in a row, A.T. Kearney ranked the United States as number one in its recently released *2021 Foreign Direct Investment Confidence Index*.