
Foreign
Direct
Investment
in the
United
States,
Preliminary
2nd Quarter
2020

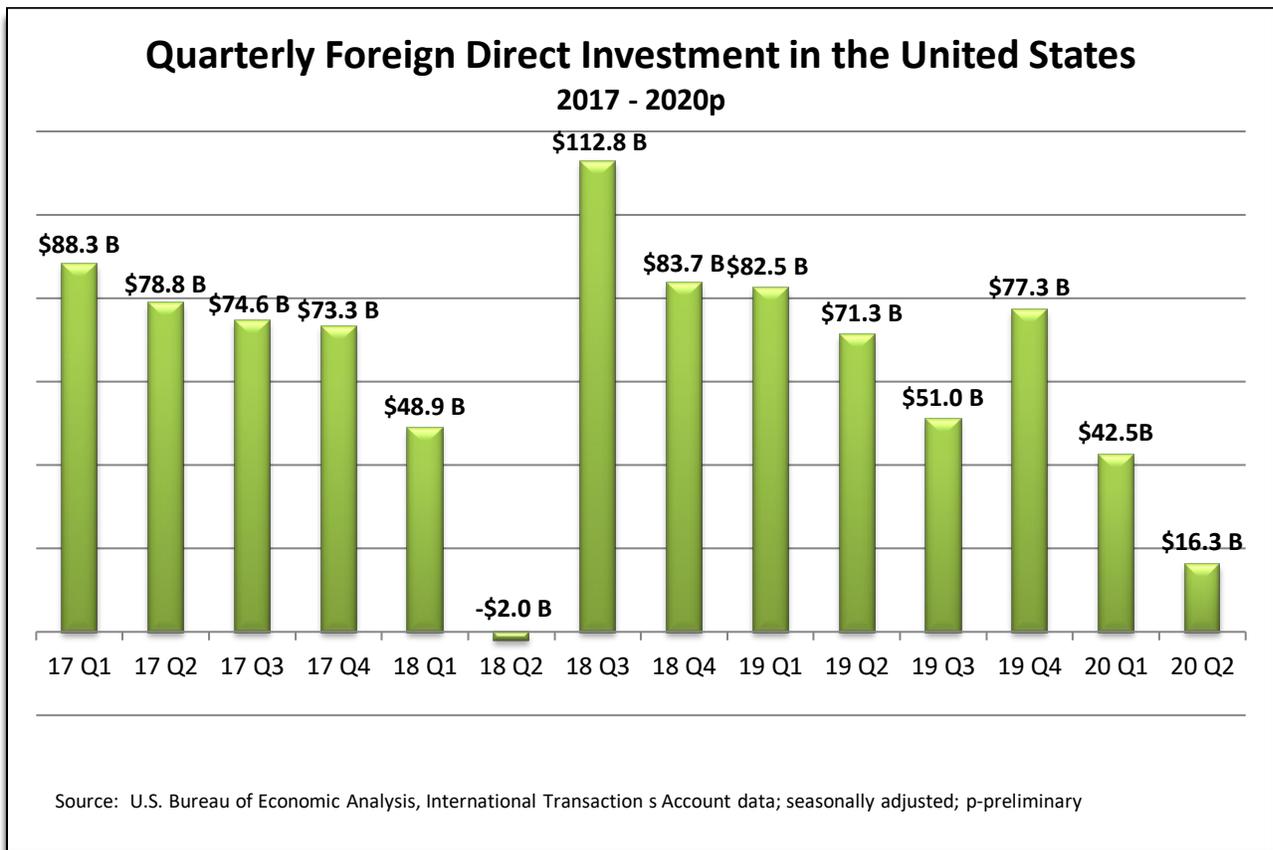
Global Business
Alliance

September 18, 2020

FOREIGN DIRECT INVESTMENT IN THE UNITED STATES

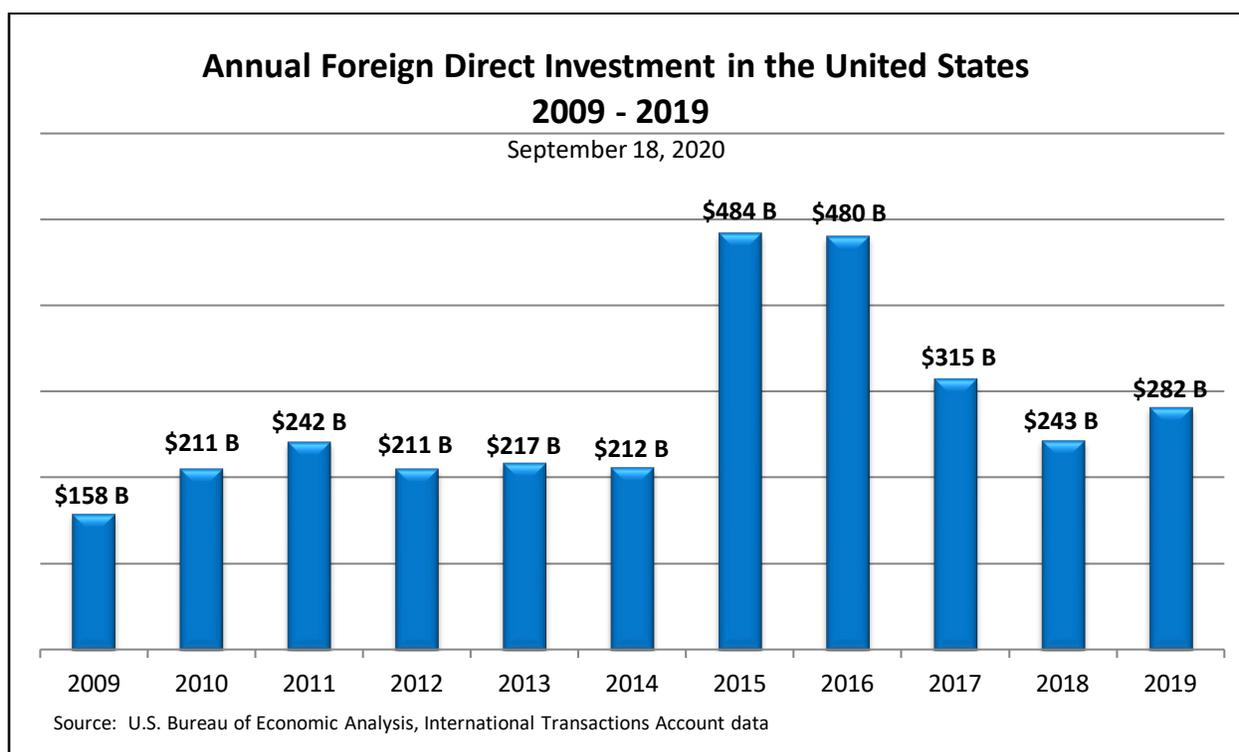
Foreign Direct Investment in the United States, 2017-2020¹

- Foreign direct investment in the United States (FDIUS)² totaled \$16.3 billion in the second-quarter 2020. This is down 62 percent from the previous quarter.
- Net equity flows decreased 43 percent to \$15.7 billion in second-quarter 2020 from the last quarter. Net equity flows this past quarter were at their second-lowest level over the past decade.
- Reinvestment of earnings were also down 38 percent from the previous quarter.
- Foreign direct investment in the United States in 2019 was \$282 billion, making it the fourth-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 \$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 2nd quarter 2020 foreign direct investment statistics on September 18, 2020.

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

Second-quarter 2020 foreign direct investment flows in the United States totaled \$16 billion, down 62 percent from first-quarter 2020. This compares to the past decade's average quarterly FDIUS flows of \$68 billion. Equity flows dropped 43 percent from the previous quarter, while reinvestment of earnings declined 38 percent during the same time period. By April 1, many business operations around the globe were either halted or severely reduced to thwart the spread of the global COVID-19 virus. The low FDIUS flows this past quarter reflect those impacts on business.

Foreign direct investment in the United States in 2019 was \$282 billion, making it the fourth-strongest year over the past decade. Globally, inward FDI was fairly flat, increasing just three percent from 2018 to \$1.5 trillion in 2019, 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 in 2019. In its annual *World Investment Report* released in June, UNCTAD projected a decrease of some 40 percent in 2020 of global FDI. UNCTAD predicted that global FDI will drop to less than \$1 trillion this year, followed by a smaller decrease in 2021, with a recovery not expected to begin until 2022, due to the COVID-19 pandemic, which will continue to have a profound impact on business operations worldwide.

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.