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Foreign  
Direct  
Investment in  
the United  
States,  
*Preliminary*  
*3rd Quarter*  
*2020*

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Global Business  
Alliance

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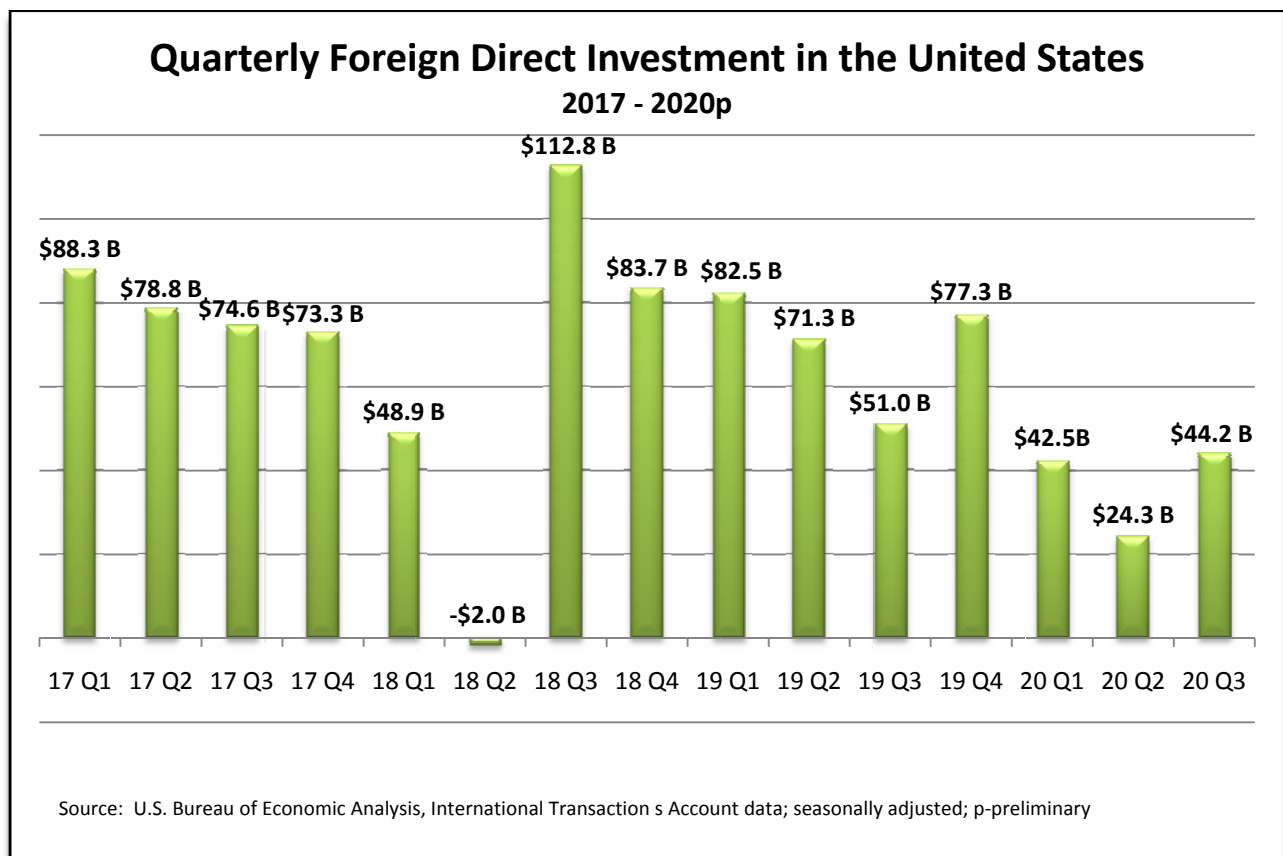
December 18, 2020

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## FOREIGN DIRECT INVESTMENT IN THE UNITED STATES

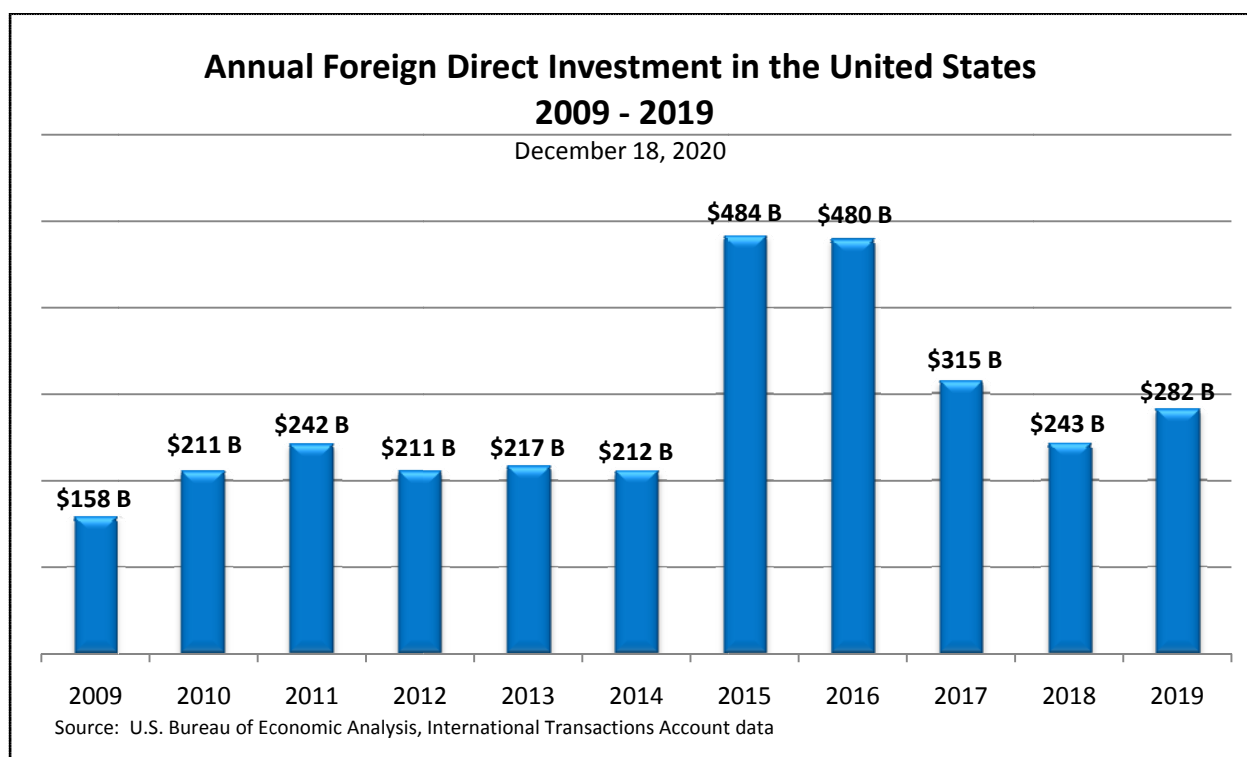
### Foreign Direct Investment in the United States, 2017-2020<sup>1</sup>

- Foreign direct investment in the United States (FDIUS)<sup>2</sup> totaled \$44.2 billion in the third-quarter 2020. This is up 81 percent from the previous quarter.
- Net equity flows were halved to \$10.5 billion in third-quarter 2020 from \$20.3 billion in the last quarter. Net equity flows this past quarter were at their lowest level over the past decade.
- Reinvestment of earnings were up nearly 200 percent from the previous quarter.
- Foreign direct investment in the United States in 2019 was \$282, 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.



<sup>1</sup> The U.S. Bureau of Economic Analysis released preliminary 3rd quarter 2020 foreign direct investment statistics on December 18, 2020.

<sup>2</sup> 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 2020 foreign direct investment flows in the United States totaled \$44 billion, an increase of 81 percent from first-quarter 2020. However, equity flows dropped nearly 50 percent from the previous quarter, making it the lowest quarter over the past decade. In contrast, reinvestment of earnings tripled during the same time period. As the Bureau of Economic Analysis noted in its press release today, all major categories in international current accounts increased this past quarter over second-quarter 2020 as trade and other business activities resumed after being postponed or restricted due to COVID-19. And while FDIUS was no exception, at 62 percent, this past third quarter was composed mostly of reinvested earnings rather than new equity flows.

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 October 2020 *Investment Trends Monitor*, UNCTAD reported a decrease of 49 percent in the first half of 2020 of global FDI compared to the 2019 6-month average. UNCTAD reported that lockdowns across the world due to COVID-19 delayed investment projects. The organization stated that the latest numbers are in line with its June predictions 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.

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.

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.