
Foreign
Direct
Investment in
the United
States,
Preliminary
4th Quarter
2020

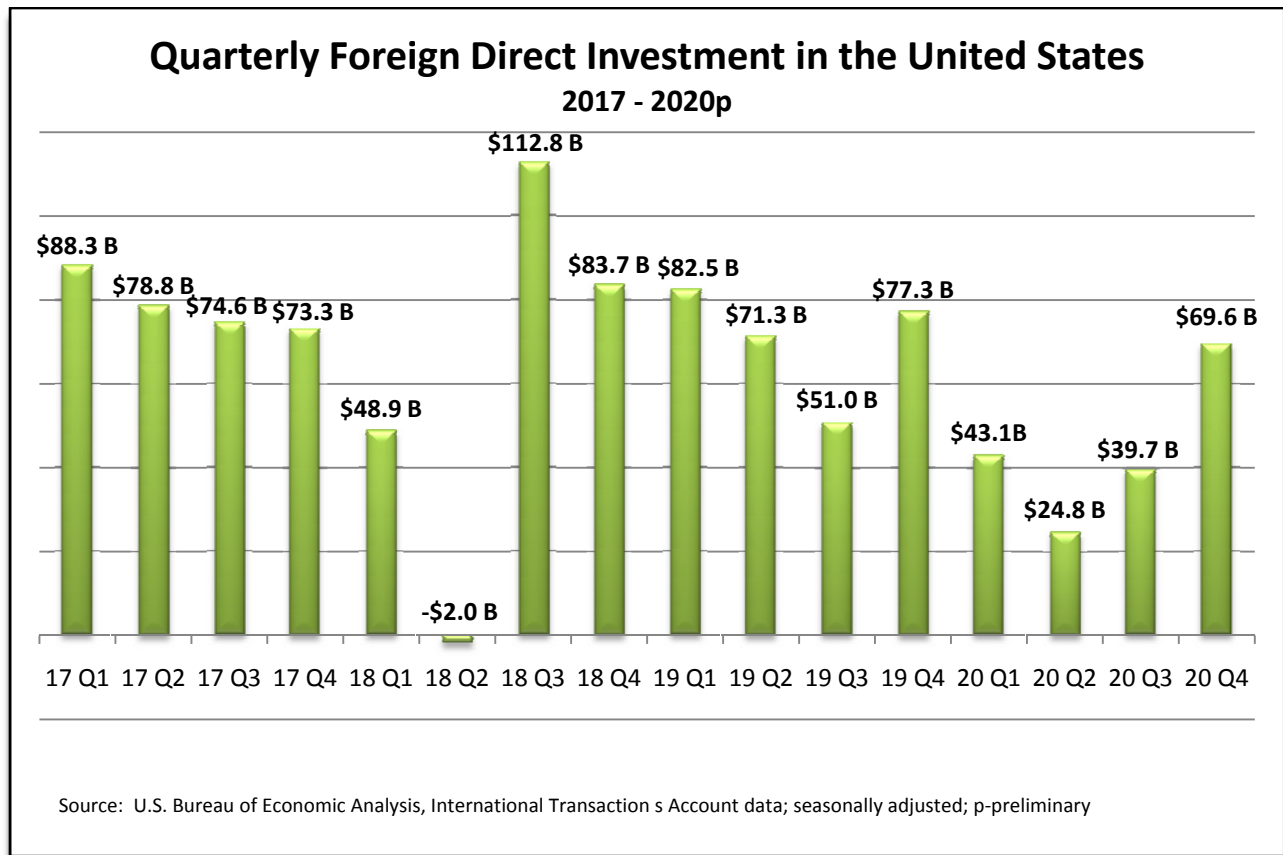
Global Business
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FOREIGN DIRECT INVESTMENT IN THE UNITED STATES

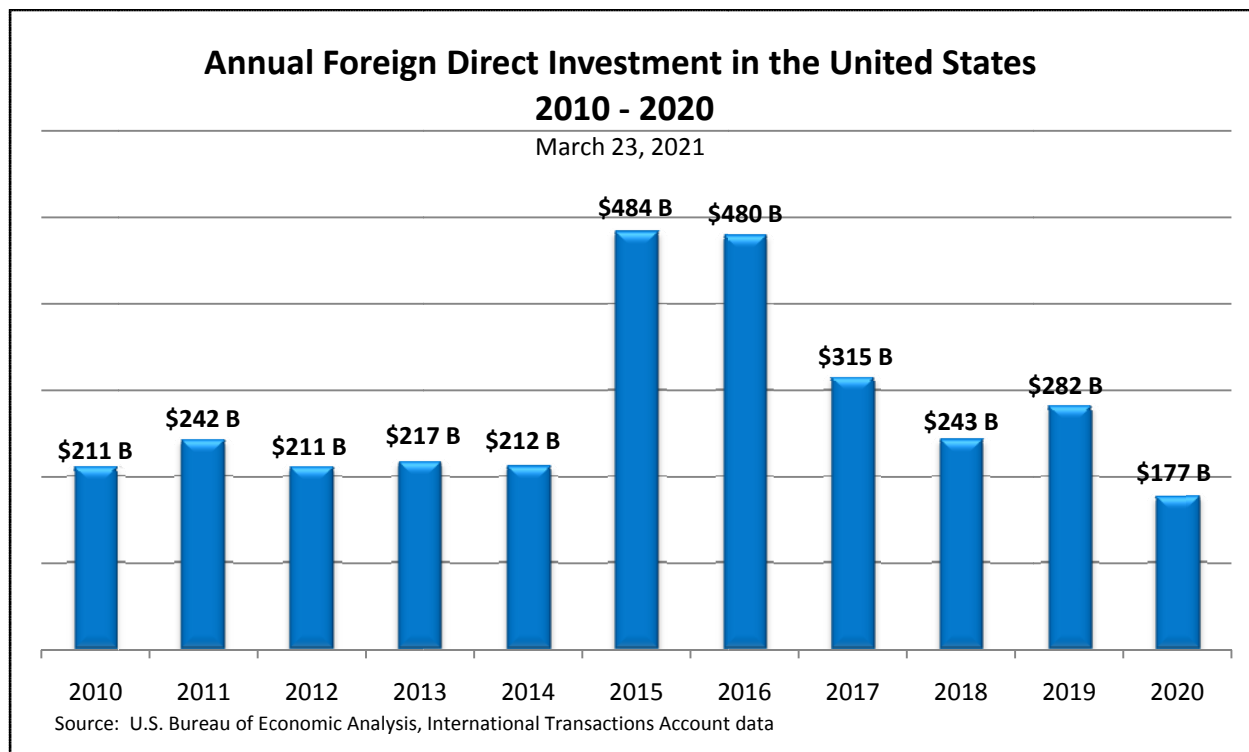
Foreign Direct Investment in the United States, 2017-2020¹

- Foreign direct investment in the United States (FDIUS)² totaled nearly \$70 billion in the fourth-quarter 2020. This is up 75 percent from the previous quarter.
- Net equity flows more than quadrupled from \$11.9 billion in third-quarter 2020 to \$53.4 billion in the last quarter. This was the strongest quarter for equity flows in the past two years.
- Reinvestment of earnings were up 13 percent to \$34 billion from the previous quarter.
- Foreign direct investment in the United States in 2020 was \$177 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 4th quarter 2020 foreign direct investment statistics on March 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

Fourth-quarter 2020 foreign direct investment flows in the United States totaled \$70 billion, an increase of 75 percent from third-quarter 2020. Equity flows were strong at \$53 billion, up substantially from the previous quarter. Reinvestment of earnings increased slightly during the same time period. Given the worldwide slowdown in overall business activity due to the COVID-19 pandemic, FDIUS flows finished the year strong after three fairly weak quarters.

Foreign direct investment in the United States in 2020 was \$177 billion, down 37 percent from 2019. It was the weakest year over the past decade, though not far below years at the beginning of the decade. Globally, inward FDI fell 42 percent to some \$860 billion, according to the United Nations Conference on Trade and Development (UNCTAD). UNCTAD reported that lockdowns across the world due to COVID-19 delayed investment projects. The organization projects that global FDI will drop an additional 5-10 percent this year, 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.