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Foreign  
Direct  
Investment in  
the United  
States,  
*Preliminary*  
*2nd Quarter*  
*2021*

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Global Business  
Alliance

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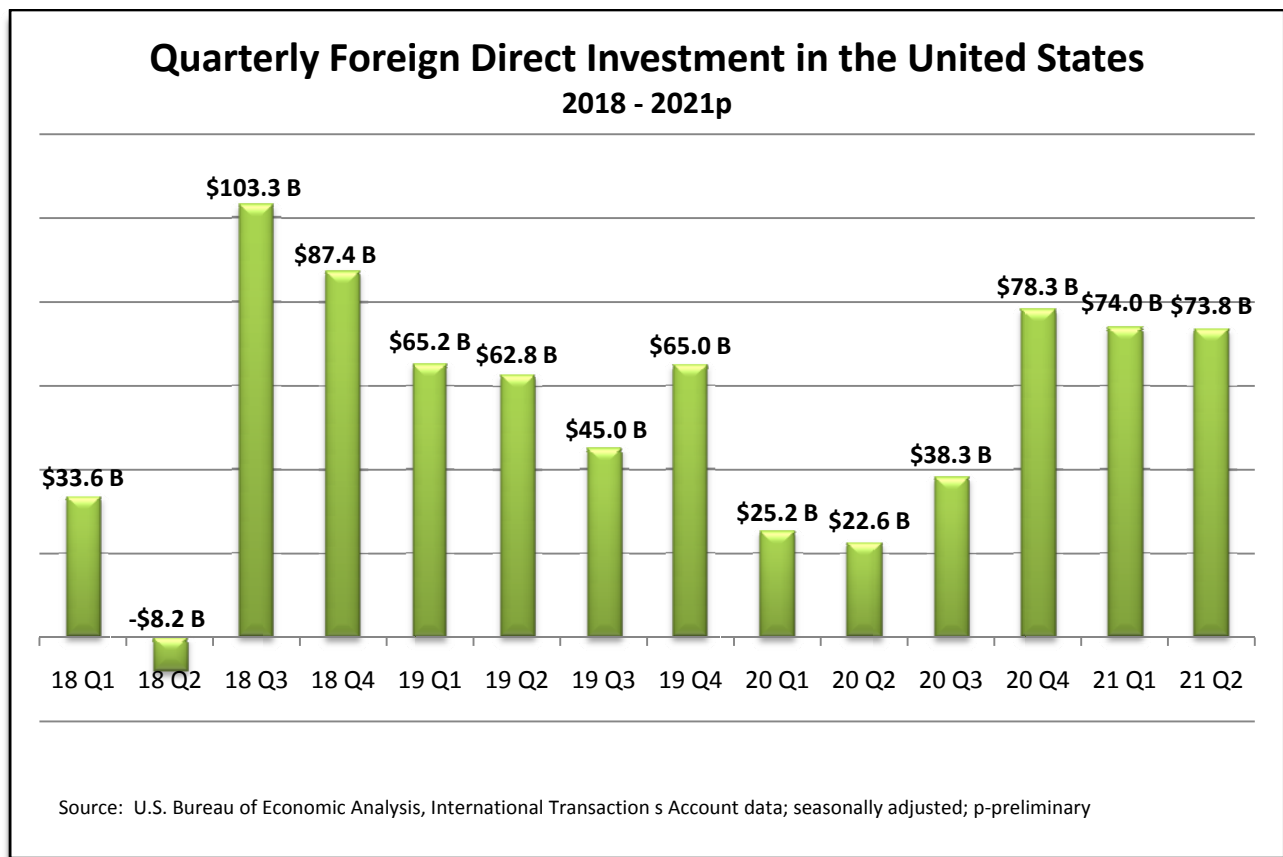
September 21, 2021

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## FOREIGN DIRECT INVESTMENT IN THE UNITED STATES

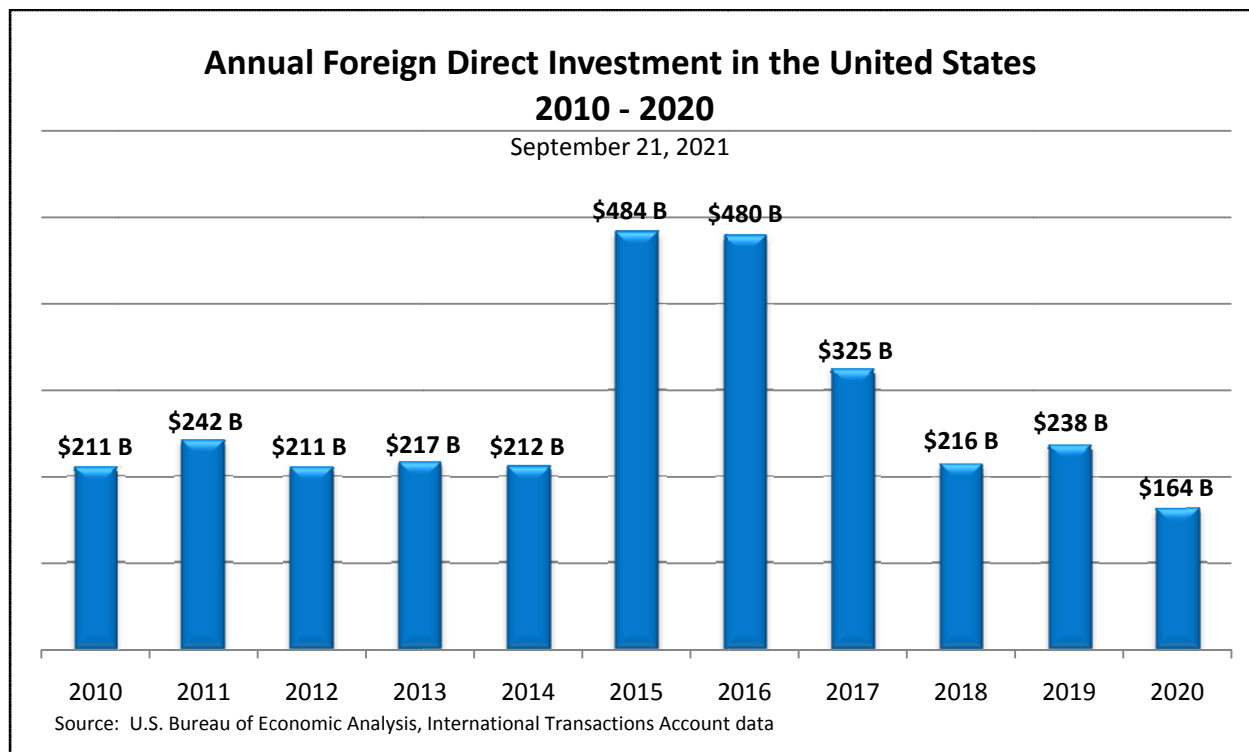
### Foreign Direct Investment in the United States, 2018-2021<sup>1</sup>

- Foreign direct investment in the United States (FDIUS)<sup>2</sup> totaled nearly \$74 billion in the second-quarter 2021, almost unchanged from the first quarter.
- Net equity flows increased nearly 20 percent to \$36 billion in second-quarter 2021 over the previous quarter.
- Reinvestment of earnings were also up nearly 20 percent over first-quarter 2021 and at nearly \$49 billion, accounted for the majority of FDIUS flows this past 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.



<sup>1</sup> The U.S. Bureau of Economic Analysis released preliminary 2nd quarter 2021 foreign direct investment statistics on September 21, 2021.

<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

Second-quarter 2021 foreign direct investment flows in the United States totaled \$74 billion. This marks the third quarter in a row when FDIUS flows exceeded \$70 billion. If these levels continue, 2021 could be a very strong year for inward investment. Both equity flows and reinvested earnings were up nearly 20 percent this past quarter. Reinvestment of earnings have accounted for the largest portion of FDIUS flows during the first half of 2021.

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 7.9 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.