
Foreign
Direct
Investment in
the United
States,
Preliminary
3rd Quarter
2021

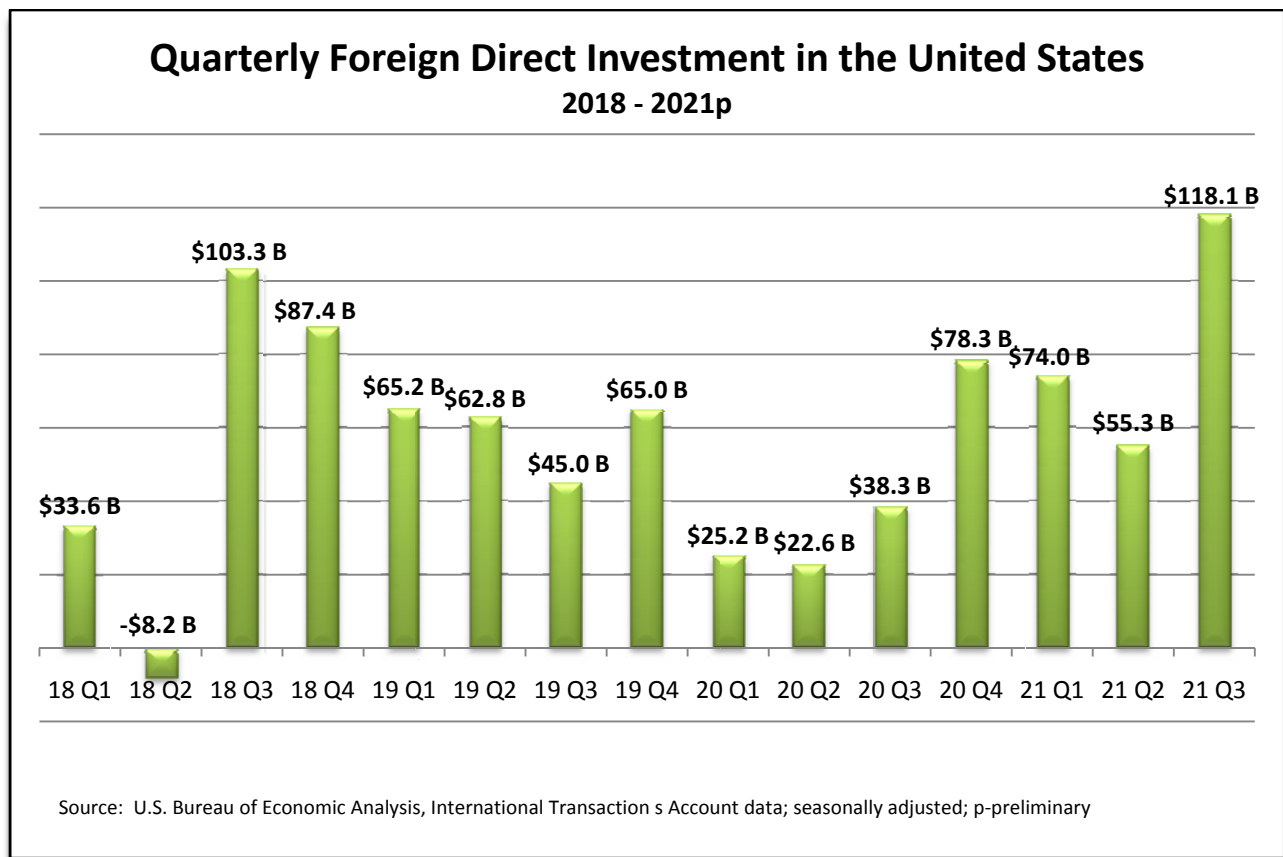
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FOREIGN DIRECT INVESTMENT IN THE UNITED STATES

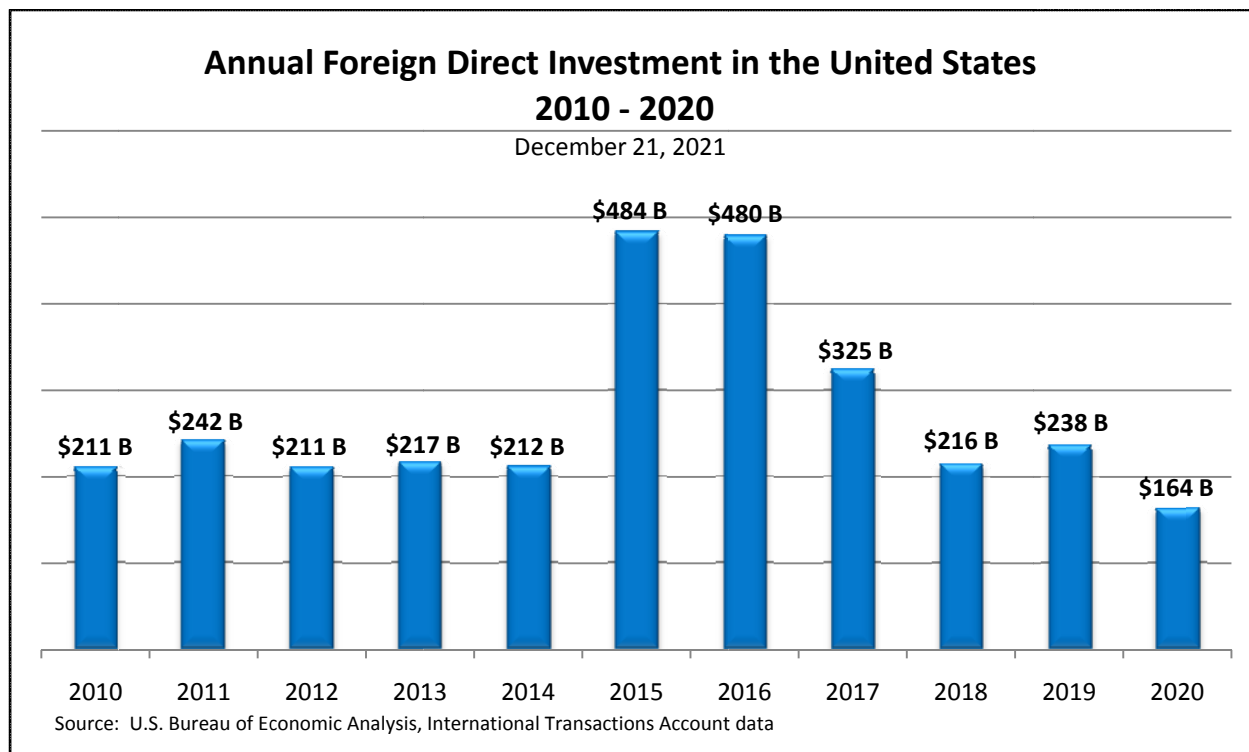
Foreign Direct Investment in the United States, 2018-2021¹

- Foreign direct investment in the United States (FDIUS)² totaled \$118 billion in the third-quarter 2021, the strongest quarter recorded since 2016.
- Net equity flows increased 55 percent to \$56 billion in third-quarter 2021 over the previous quarter.
- Reinvestment of earnings were also up slightly over second-quarter 2021 and at \$55 billion, accounted for nearly half 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.



¹ The U.S. Bureau of Economic Analysis released preliminary 3rd quarter 2021 foreign direct investment statistics on December 21, 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

Third-quarter 2021 foreign direct investment flows in the United States totaled \$118 billion. This marks the strongest quarter in five years. Both equity flows and reinvested earnings were up this past quarter. Equity flows and reinvestment of earnings each accounted for more than \$55 billion in FDIUS flows this past quarter.

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. Combined, the first three quarters of 2021 of FDIUS add up to nearly \$250 billion, potentially making for a very strong year for inward investment.

Globally, inward FDI fell 35 percent to \$1 trillion in 2020, 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. However, the organization has since reversed its pessimistic projections to show that 2021 worldwide FDI levels would exceed pre-pandemic levels.

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.