
Foreign
Direct
Investment in
the United
States,
Preliminary
2016

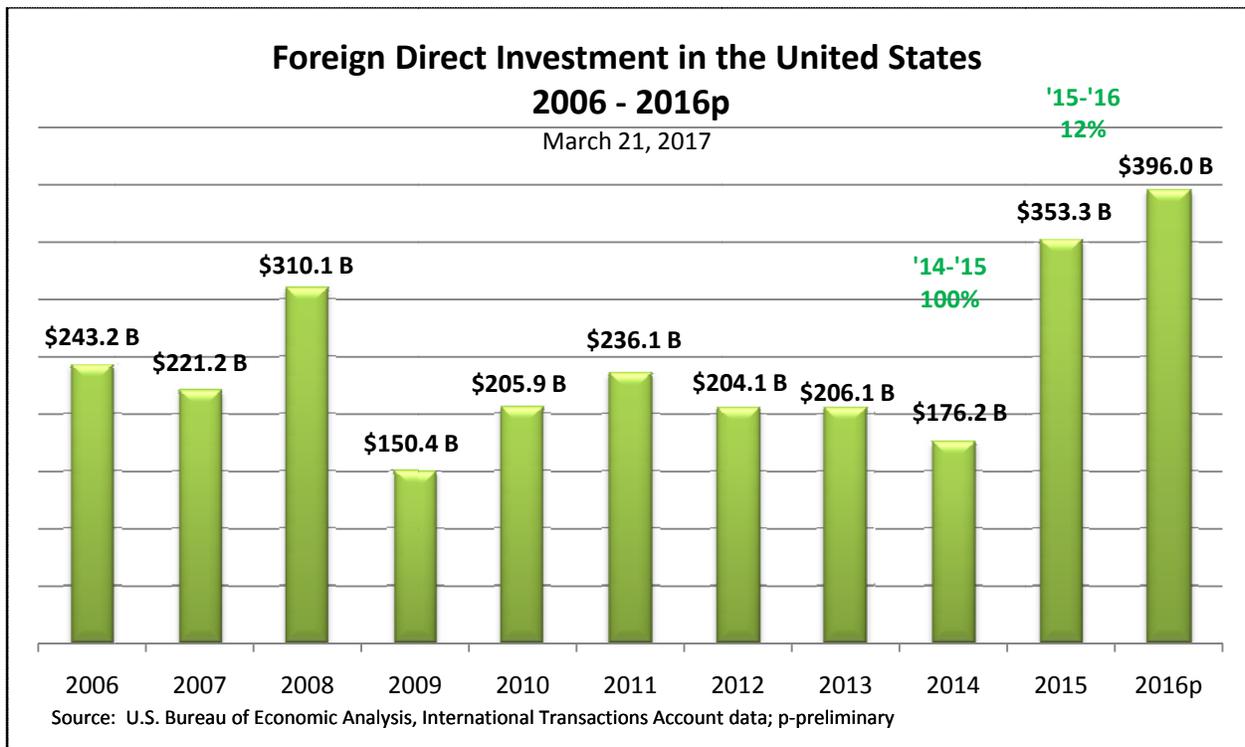
Organization for
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FOREIGN DIRECT INVESTMENT IN THE UNITED STATES

Foreign Direct Investment in the United States, 2006-2016¹

- Foreign direct investment in the United States (FDIUS)² totaled \$396 billion in 2016, rising 12 percent over 2015.
- Inflows of foreign direct investment reached a new record level in 2016 (see chart below), breaking the previous record level of \$353 billion just set in 2015.
- Equity flows made up two-thirds of the investment at \$268 billion, while reinvestment of earnings totaled \$72 billion.
- Manufacturing received \$209 billion in foreign investment in 2016, outpacing finance and insurance, information, and professional, scientific, and technical services.
- Chemicals represented nearly half of FDIUS among manufacturing segments at \$102 billion, followed by transportation equipment at \$30 billion in 2016.
- FDIUS flows are subject to large revisions and can fluctuate greatly from year to year. 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 2016 foreign direct investment statistics on March 21, 2017.

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

At \$396 billion in 2016, investments by international companies in the United States broke the previous record of \$353 billion in 2015. These investments benefit the American economy in myriad ways. International firms build new factories across the United States, buoy their well established U.S. operations, fund American research and development activities, and employ millions of Americans in well-paying jobs.

Foreign direct investment in the United States in 2016 rose 12 percent from \$353 billion in 2015. Equity inflows of \$268 billion in 2016 made up the majority, while reinvestment of earnings totaled \$72 billion.

Taken together, foreign investment supports millions of American jobs (6.4 million insourced jobs in 2014) and contributes to the overall health of the U.S. economy. It boosts local capital formation, adds to a competitive business environment, and enhances domestic productivity.

The rise in 2016 to a new level of FDIUS is remarkable, given that globally, foreign direct investment flows declined last year. According to preliminary data from the United Nations Conference on Trade and Development (UNCTAD), foreign investment worldwide dropped 13 percent, from \$1.8 billion in 2015 to \$1.5 billion in 2016. The United States held its number one position in 2016 as the world's preferred investment location, with more than twice the investment dollars of second-ranked United Kingdom. Looking ahead, UNCTAD forecasts worldwide FDI to increase in 2017 and continue to grow in 2018, possibly topping \$1.8 trillion.

Cumulatively, the United States remains the top choice for international investment, but its share of worldwide investment fell to 22 percent in 2015 (the most recent year available) from 37 percent in 2000, largely due to increased competition from other countries.

Looking at foreign direct investment more broadly, foreign 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 foreign investors, the United States has become an important global export platform. Good domestic energy resources and low energy prices also draw foreign investors to the United States.

Whether the United States will retain its status as the world's most attractive investment location hinges mainly on future macroeconomic developments and changing financial conditions. For the fourth year in a row, in 2016, A.T. Kearney's *FDI Confidence Index* ranked the United States as the world's top market.