
Transatlantic Business & Investment Council (TBIC) Quarterly: Transatlantic Foreign Direct Investment Analysis & Trends

3rd Quarter 2019

[Data for Q1 2019]

The Transatlantic Business & Investment Council (TBIC) is the official European representative of selected counties, cities and corporations from over 30 U.S. States. It is our mission to promote transatlantic trade and investment. To that end, the TBIC bridges the gap between Economic Development Organizations (EDOs) and European investors looking to enter or expand in the U.S. market.

In this edition of our Quarterly, we analyze data for the first quarter 2019 as well as updated numbers for the year 2018 as recently published by the [U.S. Bureau of Economic Analysis \(BEA\)](#). Overall net direct investment into the United States (including equity & debt instruments) for the year 2019 starts on a strong note with direct investment amounting to USD 79.5 billion. Data on FDI in the United States for the year 2018 was revised slightly upwards for Q2 2018, although the total investment in the U.S. remained largely unchanged from the data for Q4 2018, making the year still the fifth strongest in a decade. When it comes to investment from individual source-countries, German investments into the United States in particular performed particularly well in Q1 2019 with USD 14 billion. The three NAICS-based industry sectors Food, Machinery and Transportation also all showed positive investments in the first quarter, underlining the positive overall trend. You can learn more about one of these crucial industry sectors, Transportation, in our spotlight article on the German automotive industry.

In this analysis, the TBIC corroborates relevant country data with its own experience of working at the frontier of transatlantic investments: the TBIC regularly visits key markets in Europe that have become drivers of FDI in the United States as part of Delegation Trips offered exclusively to members. These trips feature meetings with decision-makers from companies looking to invest in the United States as well as key multipliers from diplomatic missions and industry associations. To find out more, please click [here](#).

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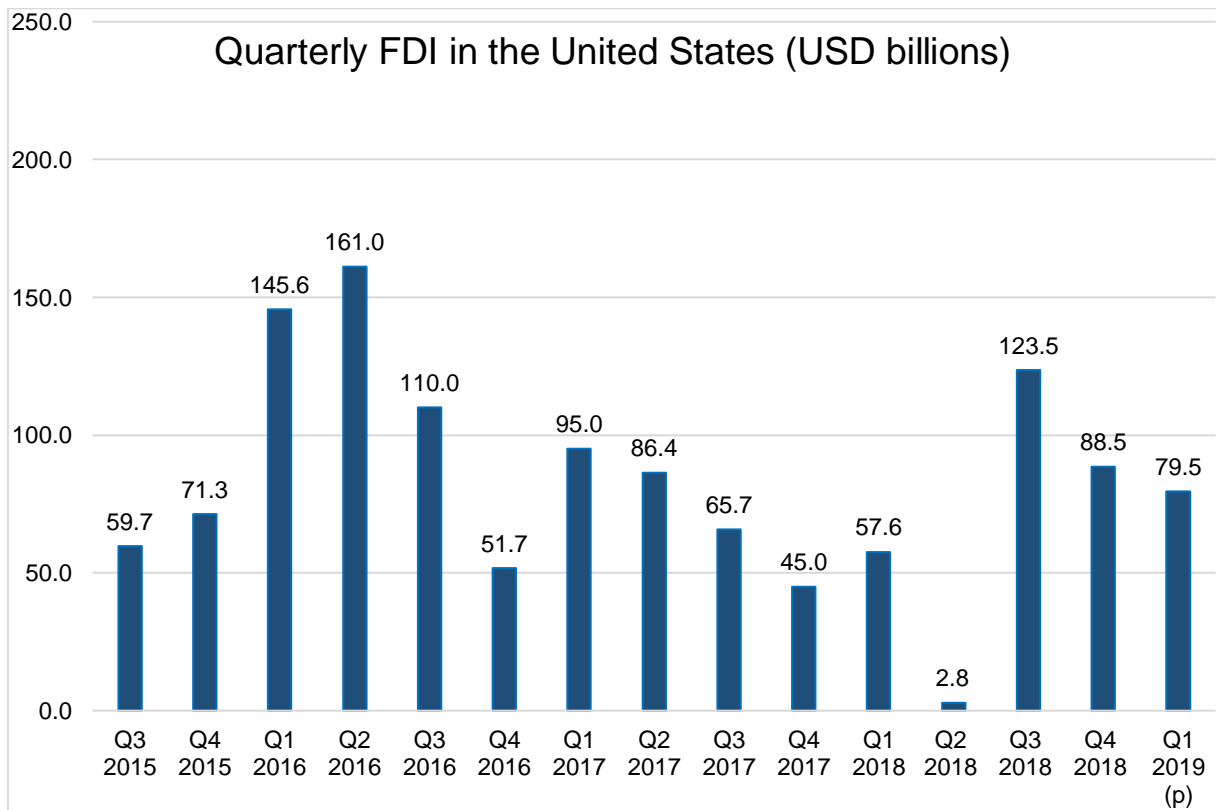


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Foreign Direct Investment in the United States: Key Figures

- In the newly published data for the first quarter 2019, FDI inflows in the fourth quarter of 2018 were revised slightly upwards from USD 88.3 billion to USD 88.5 billion. Additionally, the data for the year 2018, as had been presented in the last Quarterly, was also revised. Consequently, Q2 2018 was revised upwards from an outflow of USD 800 million to an inflow of USD 2.8 billion. The overall number for FDI in the United States for the year remained relatively unchanged, at USD 268 billion, still making it the fifth strongest year in the last decade.
- The preliminary data for the first quarter of 2019 show an inflow of USD 79.5 billion, which constitutes a stronger opening for the year compared to USD 57.6 billion in 2018, but slightly lower than Q1 2017 with USD 95 billion and significantly below the influx of investment in the peak years of 2016 and 2015, with USD 145.6 and 248.50, respectively.



Source: Bureau of Economic Analysis (BEA), U.S. International Transactions: First Quarter and Annual Update, June 2019.

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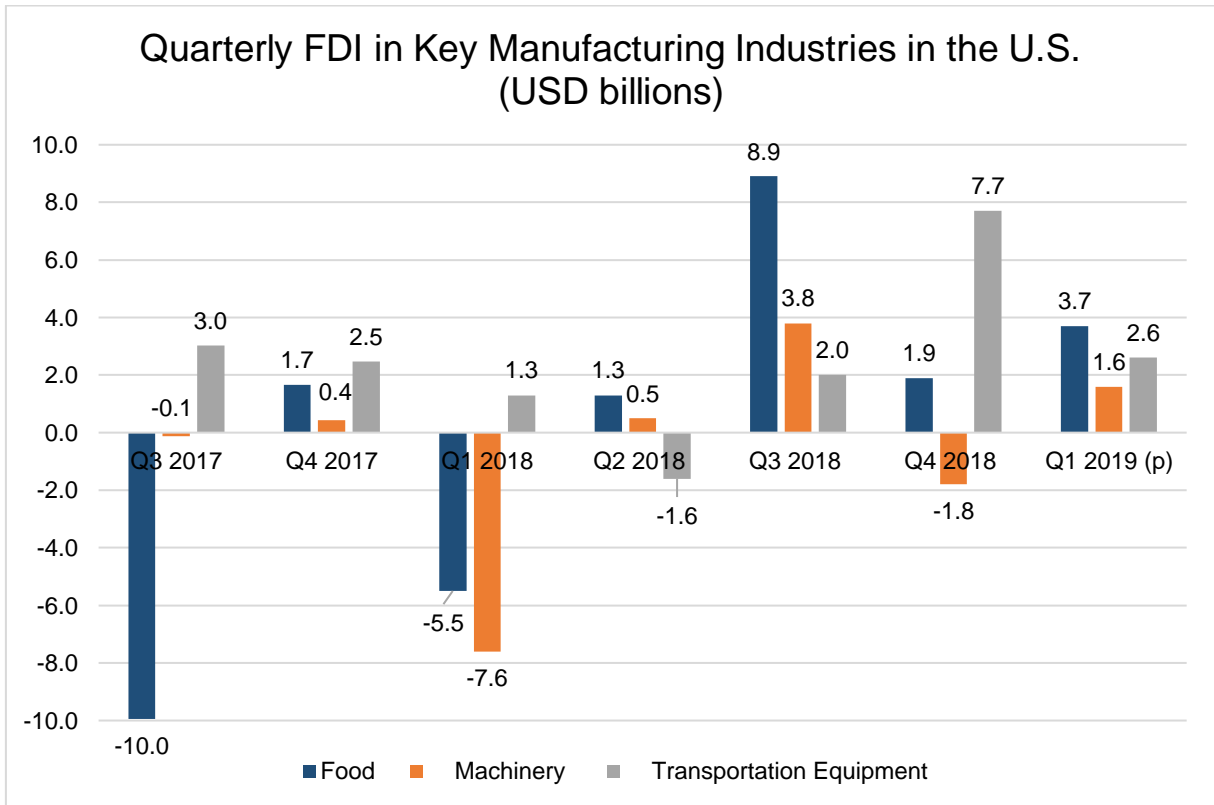


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Source: Bureau of Economic Analysis (BEA), Foreign Direct Investment in the United States: Country and Industry Detail for Financial Transactions, June 2019.

- In the newly published data for Q1 2019, the data for 2018 has been revised to reflect a weaker first half of the year and a stronger performance of these sectors towards the end of the year, which persisted into the first quarter 2019. While the numbers for the Machinery sector remained unchanged, both the Food and Transportation Equipment sectors saw upwards revisions, with Transportation standing out with a significant revision from USD 1.9 billion to 7.7 billion in the last quarter of 2018.
- The first quarter of 2019 shows a continuation of this positive trend, with all three sectors simultaneously registering an influx of investment for the first time since Q1 2017. Investment in the Food sector stood at USD 3.7 billion, an increase of 51% from USD 1.9 billion in Q4 2018.
- FDI in the Machinery sector recovered from a net outflow of USD 1.8 billion in Q4 2018 to an inflow of USD 1.6 billion in the first quarter of 2019.
- Investments in the Transportation Equipment sector, including all vehicle and aviation manufacturers and suppliers, fell in comparison to the strong result of USD 7.7 in Q4 2018 to USD 2.6 billion in the first quarter of 2019.

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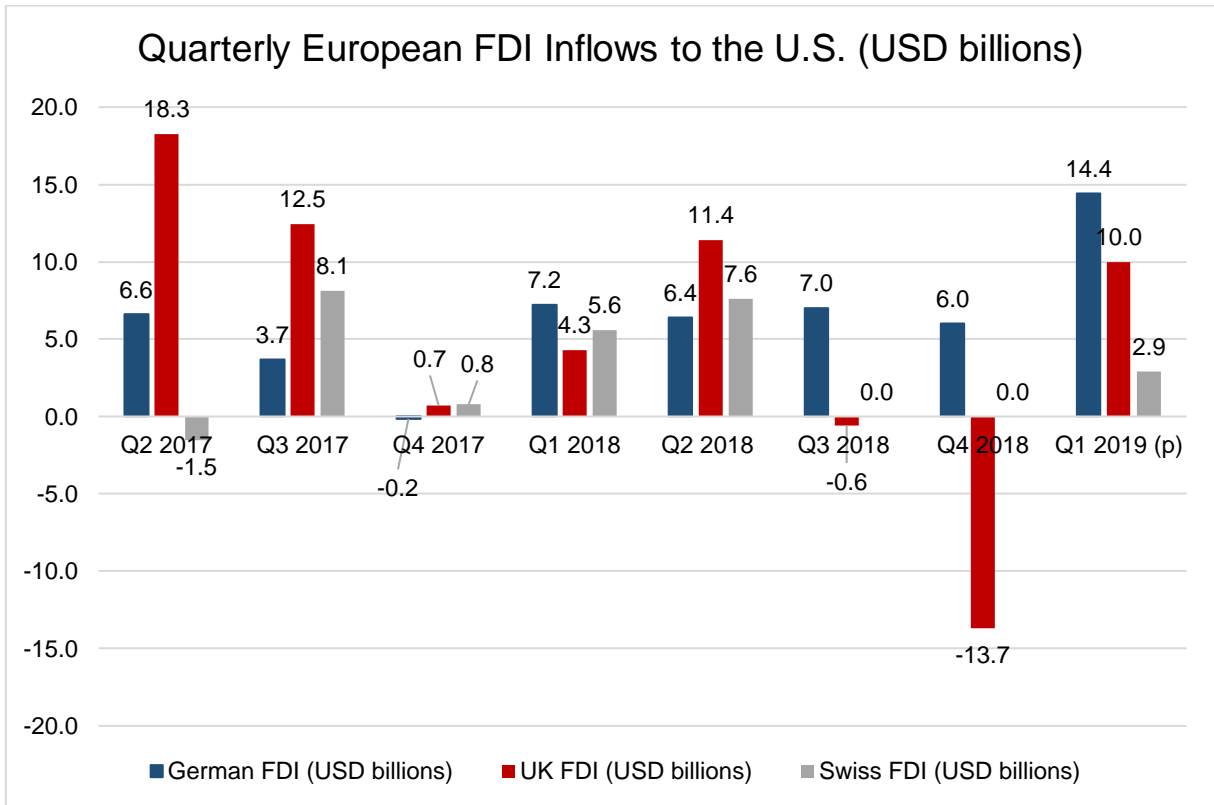


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Source: Bureau of Economic Analysis (BEA), Foreign Direct Investment in the United States: Country and Industry Detail for Financial Transactions, June 2019.

Above, we have updated the U.S. FDI flow data for Germany, the United Kingdom and Switzerland from our last Quarterly with the most recent data on the first quarter 2019:

- As with the overall data for investments in the United States and investment in specific industry sectors, the data for FDI from Germany, the United Kingdom and Switzerland for 2018 have been revised. The data for Germany in particular has been revised upwards for all quarters except Q1 2018, making 2018 one of the strongest years for FDI coming from Germany with a total of USD 26.6 billion – a trend that continued into 2019.
- In the first quarter of 2019, all three source-countries contributed to an influx of investment into the United States: USD 14.4 billion for Germany, USD 10 billion for the United Kingdom and USD 2.9 billion for Switzerland. As hinted at above, Q1 2019 was the strongest quarter for German FDI in the United States since Q2 2015 – one of the peak years for FDI in the United States.

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TBIC Spotlight Article: German Automotive Industry

In this spotlight article, we shed more light on the German automotive industry, which is recognized for its global leadership in high-tech automotive products and its excellence in engineering.

[Germany](#) is by some distance Europe's leading automotive production and sales market. It accounts for around 30 percent of all passenger cars manufactured and almost 20 percent of all new registrations. The country also boasts the continent's largest concentration of OEM plants: the German OEM market share in Western Europe was more than 52 percent in 2017. German automobile manufacturers produced over 16.4 million vehicles that same year. Sixteen of the world's 100 top automotive suppliers are German companies. Moreover, Germany's automotive sector is the country's most innovative, accounting for 35 percent of total German industry R&D expenditure in 2017. That same year, the automotive industry employed over 820,000 people, thus making an important contribution to the excellent labor market situation and to overall prosperity in Germany.

Figures provided by the [German Federal Ministry for Economic Affairs and Energy](#) show the high degree of internationalization of the German automotive industry. Roughly EUR 270 billion (USD 304 billion) of an overall turnover of EUR 423 billion (USD 473 billion) in 2017 was accounted for by foreign sales – an increase of six percent in comparison to the year before. While approximately 5.6 million cars were produced domestically, foreign production stood at 10.8 million in 2017. Automotive exports accounted for more than 16 percent of all German exports in 2017 – thus constituting the product group with the largest export share.

[Automotive suppliers](#) play an important role in the industry's value chain. In 2017 they increased their turnover by around four percent, earning EUR 79.6 billion, while those with foreign customers showed growth by over seven percent. Among the suppliers, the producers of electric and electronic motor vehicle equipment increased their turnover from the previous year by a massive 21 percent. Around 85 percent of German auto industry suppliers are medium-sized companies that are often family-owned.

The [United States](#) bought EUR 27.2 billion (USD 31 billion) worth of German vehicles and components in 2018, making it the largest export market for the German auto industry. Around 690,000 German vehicles sold in the U.S. in 2018 were imported from factories within the European Union, of which 470,000 came from German plants. However, according to the German [ifo institute](#), German exports could potentially be reduced by half in the long run, if the current U.S. administration imposed tariffs of up to 25 percent on car and auto part imports. The impact of the tariffs on the U.S. production facilities of German OEMs is currently hard to foresee, since these facilities are dependent on imported parts as well. The TBIC will continue to monitor the situation and will update you as soon as possible.

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