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

4th Quarter 2019

[Data for Q2 2019]

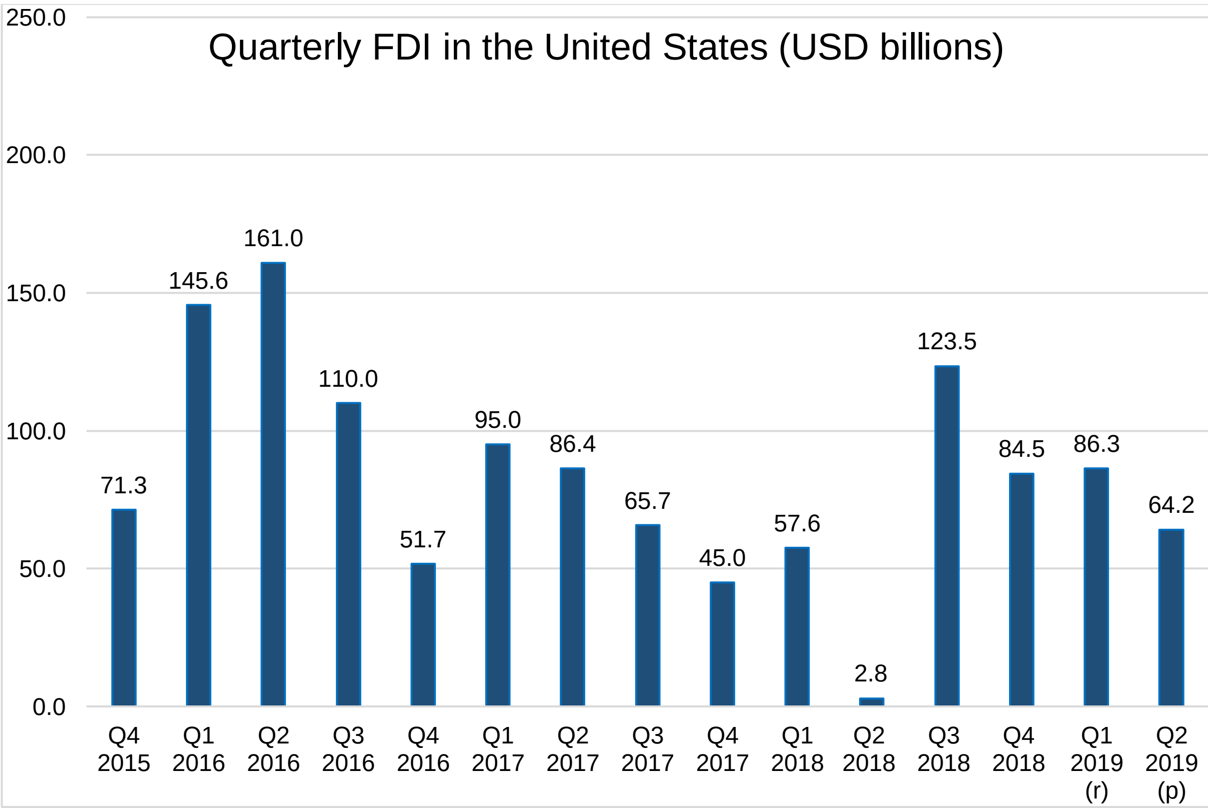
The Transatlantic Business & Investment Council (TBIC) is the official European representative of selected counties, cities and corporations from over 30 U.S. States. It is our mission to promote transatlantic trade and investment. To that end, the TBIC bridges the gap between Economic Development Organizations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

In this edition of our Quarterly, we present data for the second quarter in 2019 as well as updated numbers for the first quarter 2019 as recently published by the U.S. Bureau of Economic Analysis (BEA). With USD 64.2 billion, direct investment into the United States (including equity & debt instruments) in the second quarter of 2019, the year started on a comparatively strong trend. Together with a revised number for the first quarter, up from USD 79.5 to 86.3 billion, total FDI in 2019 in the U.S. amounted to roughly USD 150 billion – compared to a sluggish start of USD 60 billion in the same period in 2018. Direct investment in the three key manufacturing industries of Food, Machinery, and Transportation fell in the second quarter of 2019 compared to Q1 2019. With regards to European source countries, it is noteworthy that Germany remained a top source for European FDI in the United States in the first quarters of 2019. Moreover, this edition's spotlight article takes a closer look at the European food-processing industry landscape – the largest manufacturing sector of the EU.

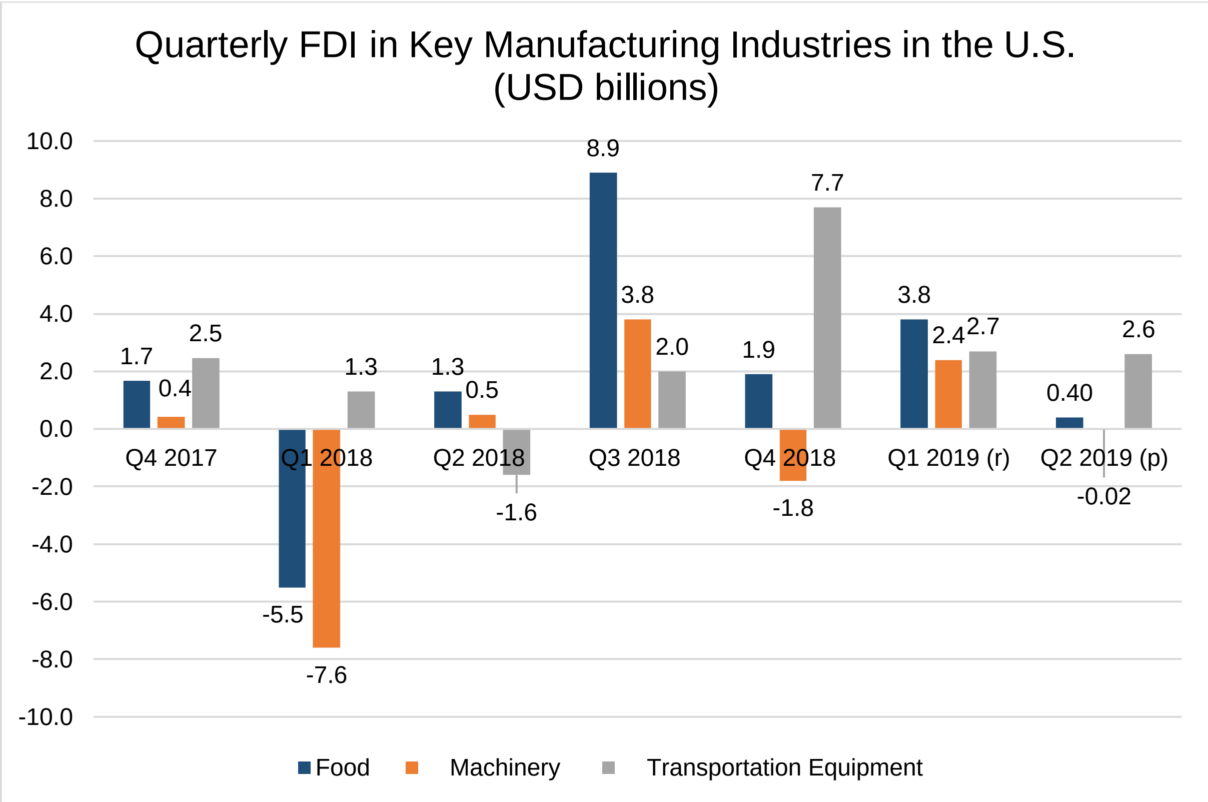
In this analysis, the TBIC corroborates relevant country data with its own experience of working at the frontier of transatlantic investments: the TBIC regularly visits key markets in Europe that have become drivers of FDI in the United States as part of Delegation Trips offered exclusively to members. 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 or join the TBIC Annual Meeting & Conference in Richmond, VA, on November 11th & 12th to discuss this issues and network with our experts and members!

Foreign Direct Investment in the United States: Key Figures

- In the newly published data for the second quarter 2019, FDI inflows in the first quarter of 2019 were revised upwards from USD 79.5 billion to USD 86.3 billion. Meanwhile, the data for Q2 2019 showed an inflow of 64.2 billion.
- Total investment in the United States in the first two quarters of 2019 thus stands at USD 150.5 billion – an increase of 150% compared to the first two quarters of 2018. This trend seems to be in line with projections by the United Nations Conference on Trade and Development (UNCTAD) that 2019 will see a rebound of direct investments in the developed world after the historical low of 2018, mainly driven by a 41 percent jump in future greenfield announcements in 2018 versus 2017.[1]

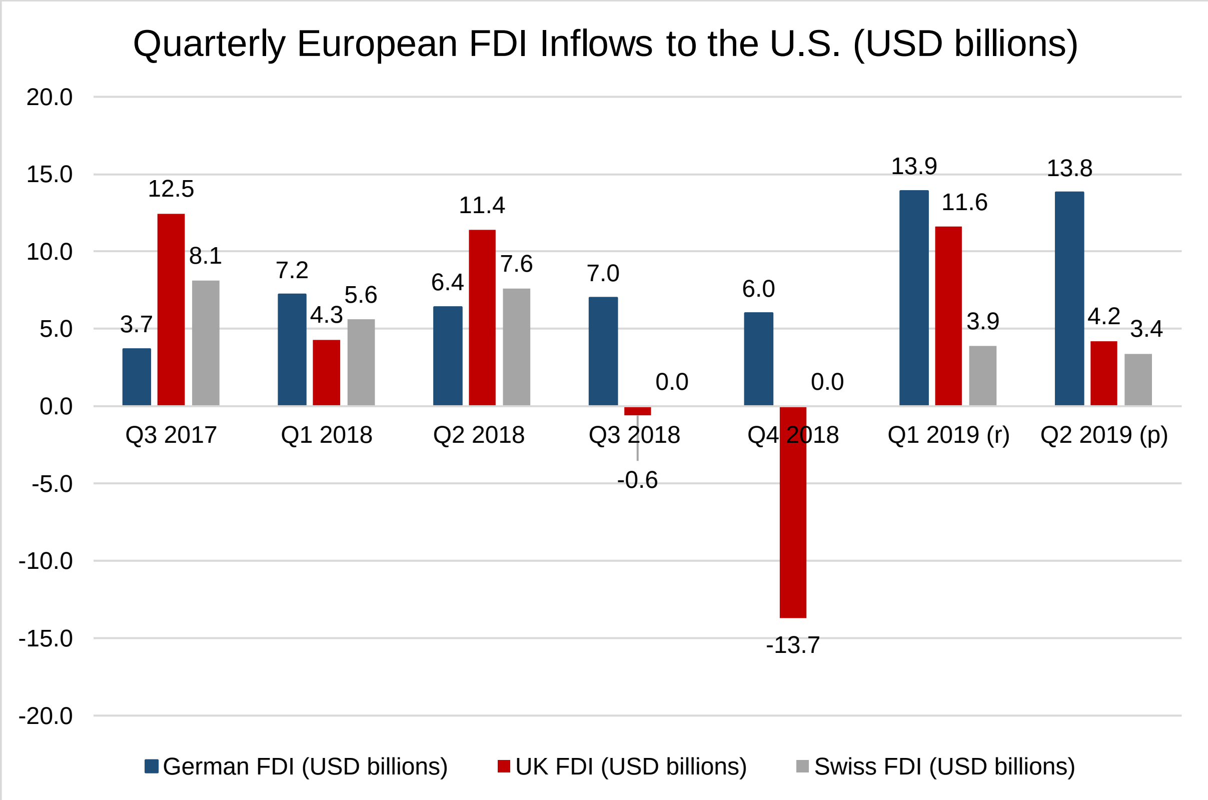


Source: Bureau of Economic Analysis (BEA), U.S. International Transactions, Second Quarter 2019, September 2019.
[1] United Nations Conference on Trade and Development (UNCTAD), World Investment Report 2019, June 2019.



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

- In the newly published data for Q2 2019, the data for the first quarter of 2018 has been slightly revised – with both the Food and Machinery sector down USD 100 million, and the Machinery sector facing a heavier downgrade to USD 1.6 from 2.4 billion.
- The second quarter of 2019 showed a decline across all sectors, excluding the Transportation sector. Investments in the Food sector fell from USD 3.8 billion to USD 400 million quarter-to-quarter.
- Direct investment in the Machinery sector fell even starker than investments in the Food industry, going from an inflow of USD 2.4 billion in Q1 to a slight outflow USD 200 million.
- The Transportation sector held steady, with USD 2.6 billion in the second quarter of 2019, trailing the results for Q1 2019 by only USD 100 million.



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

- With the publication of the data for Q2, the data for Q1 2019 have also been slightly revised for these three source countries: German FDI was revised downwards from USD 14.4 billion to 13.8 billion; FDI from the United Kingdom was revised from USD 11.6 billion to 10 billion; and direct investments from Switzerland were revised upwards from USD 2.9 to 3.9 billion.
- Overall, the second quarter of 2019 mirrored the data for the first quarter – thus also corresponding to the larger trend of a rebound in investment numbers in 2019 compared to the same period in 2018. German FDI in particular stands out, with a combined investment volume of USD 27.7 billion in the first two quarters compared to just USD 13.6 billion in the same period in 2018.

TBIC Spotlight Article: European Food Industry

This Spotlight Article provides an overview of Europe's largest manufacturing sector - the food and beverage industry. In terms of turnover, employment and added value the food industry continues to grow and dominate the European manufacturing sector.

In 2016, the food and beverage sector in Europe generated a turnover of EUR 1.1 billion (USD 1.2 billion). With a total turnover share of 15.2 percent, the sector is a major contributor to Europe's manufacturing industry as a whole and comes in ahead of the automotive industry, which shows a share of 14.1 percent. So far in 2019, the revenue in the food and beverage industry amounted to USD 33.2 million and the revenue is expected to show an annual growth rate of 8.8 percent by 2023. The food and drink industry in Europe is a highly diversified sector with many companies of different sizes. Small and medium-sized enterprises, which constitute 99.1 percent of European food and drink companies, generate almost 50 percent of the industry's turnover and value added. The 294,000 companies actively working in this sector employ about 4.6 million people, which makes the food and beverage sector one of Europe's leading employers. Not only the company size is diversified in this field. The food and beverage sector includes a variety of industries ranging from fruit and vegetable processing to dairy production and drinks.

The food and beverage industry ranks as one of the top manufacturing industries in most European Union (EU) member states. France, Germany, Italy, the UK and Spain are the largest EU food and drink producers by turnover. For the last ten years the international trade of the European food and beverage industry has been growing. In 2016, the EU ranked number one, with USD 113 billion, in export of food and beverage products, followed by the U.S. with USD 71 billion. As far as imports go, the EU ranked second with USD 80 billion, compared to the U.S. on number one with USD 99 billion. The steadily increasing trade surplus helped established the EU as the largest exporter of food and beverage products worldwide. The European food and beverage sector serves more than 200 export markets. Wine and spirits are the top export products. The U.S. is currently the EU's strongest export partner. In 2017, the export numbers were at EUR 20 million (USD 22.1 million), a 6 percent increase from the previous year. In most product categories, except for pork meat, infant food and concentrated milk, the U.S. was one of the top three destinations for EU exports between 2016 and 2017. Last year, the U.S. was the main destination for EU global exports in the food and beverage industry with a share of 16 percent of all exports and the trend is growing. Italy, for example, is one of Europe's leading packaging manufacturers. In 2018, the industry generated EUR 7.8 billion (USD 8.6 billion), a 9.4 percent increase from the previous year. One of their most promising export markets is the United States. The export numbers from 2018 show a 25 percent growth compared to 2017.

During the last decade, the overall share of FDI in the U.S. manufacturing industry has been growing. Nowadays it amounts to 40 percent, which makes the manufacturing sector the largest recipient for FDI in the United States. The food and beverage industry might only make up 6 percent of this sector but is the third-fastest growing recipient of manufacturing FDI at a rate of 13.2 percent annual growth. The demand for global food supplies, innovation and the persistent development of technologies, which continuously contribute to the growth of the food and beverage industry are also expected to further strengthen the food and beverage sector in the upcoming years.

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