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

4th Quarter 2022

[Data for Q2 2022]

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

This latest issue of our quarterly features an analysis of the newly published preliminary (p) data for Q2 2022 and partially revised data (r) for Q1 2022, as recently released by the [U.S. Bureau of Economic Analysis \(BEA\)](#). With \$71.9 billion worth of investment, second quarter FDI inflows were almost as strong as the inflows of Q1 2022, which, according to the latest revised figures, came up to \$74.6 billion. The majority of FDI inflows in the second quarter of this year went into manufacturing activities (\$21.3 billion), followed by real estate and rental and leasing (\$11.3 billion) and other industries (\$9.8 billion).

Within manufacturing, our focus sectors food and machinery experienced an increased inflow of FDI in the second quarter compared to Q1 whereas investment inflows in the transportation equipment sector were slightly lower than in the first quarter according to the preliminary numbers. Investment in the food sector amounted to \$448 million, an increase from the negative figures in the previous quarter. Investment in the machinery sector was higher with \$726 million (- \$85 million in Q1 2022), though compared to Q3 (\$3.75 billion) and Q4 2021 (\$3.5 billion) overall investment inflows in this sector are abating somewhat. Preliminary numbers for the transportation equipment sector suggest a decline in inflows of \$257 million from the first to the second quarter of this year.

This edition also includes a time series focusing on Israeli foreign direct investment to the United States. The "[Start-Up Nation](#)"'s stock of FDI in the United States amounted to [\\$27.7 billion](#) in 2021. While the overall stock is comparatively small when considering the [\\$636.5 billion stock invested by Germany](#) to date, Israel (population: 9.2 million) fares well among countries with a similar number of inhabitants, for example Greece (10.7 million inhabitants, [FDI stock in the U.S.: \\$1.5 billion](#) (2021)). Israel's strength lies in its heavy investment in education and scientific research. Thanks to the resulting tech innovation ecosystem, Israel has the third most companies listed on the NASDAQ today.

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

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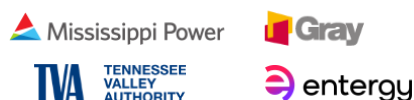
have become drivers of FDI in the United States as part of delegation trips offered exclusively to our members. These trips feature meetings with decision-makers from companies looking to invest in the United States as well as key multipliers from diplomatic missions and industry associations. In November, we will again welcome our U.S. members to facilitate meaningful and fruitful connections with prospective investors from Israel.

In addition to our FDI analysis, this edition features our latest spotlight article on Switzerland's economy and provides an in-depth look on some of the key economic indicators as well as the country's key industries.

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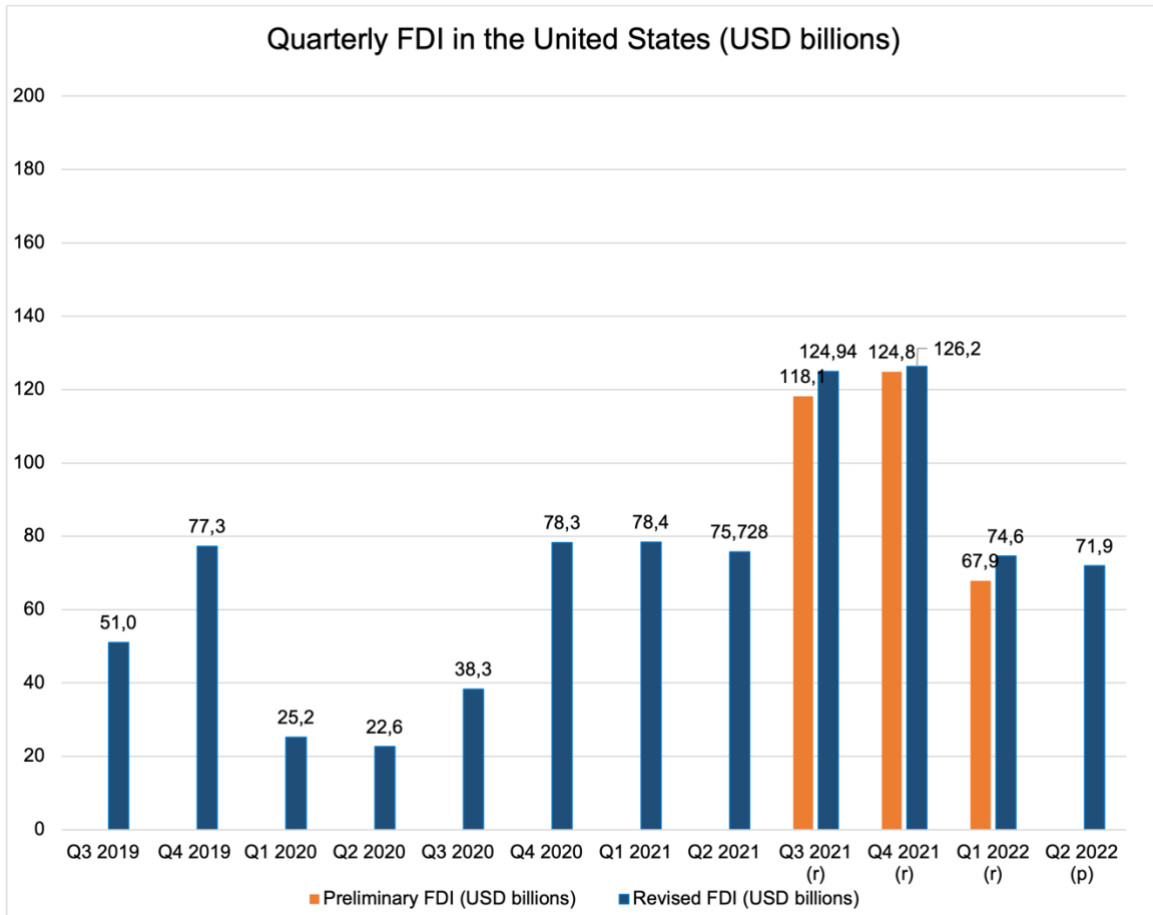
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Foreign Direct Investment in the United States: Key Figures



Source: Bureau of Economic Analysis (BEA), U.S. International Transactions, Second Quarter 2022, September 2022.

- In the recently published data of the [Bureau of Economic Analysis](#), the FDI inflows for the first quarter of 2022 were revised upward from \$67.9 to \$74.6 billion.
- Meanwhile, the preliminary data for the second quarter of 2022 projects a volume of inward investment of \$71.9 billion, the lowest quarterly volume since Q3 2020. However, on a year-to-year basis, FDI inflows in Q2 2022 were only approximately five percent lower than in Q2 2021. After FDI inflows bounced back in the second half of 2021, outperforming pre-pandemic FDI figures, inward FDI now appears to have stabilized around a value of \$70 billion per quarter.
- According to FDI intelligence, FDI in renewables is expected to continue its boom this year. Between 2011 and 2021, greenfield FDI in renewable energy (\$83.3 billion) in the United States outperformed greenfield FDI in any other sector. This trend is set to last. Worldwide, 327 renewable energy projects with a [total investment volume of \\$132.2 billion](#) were announced in the first seven months of this year, the second highest amount to date (in 2019, announced renewable energy FDI projects amounted to \$138.3 billion).

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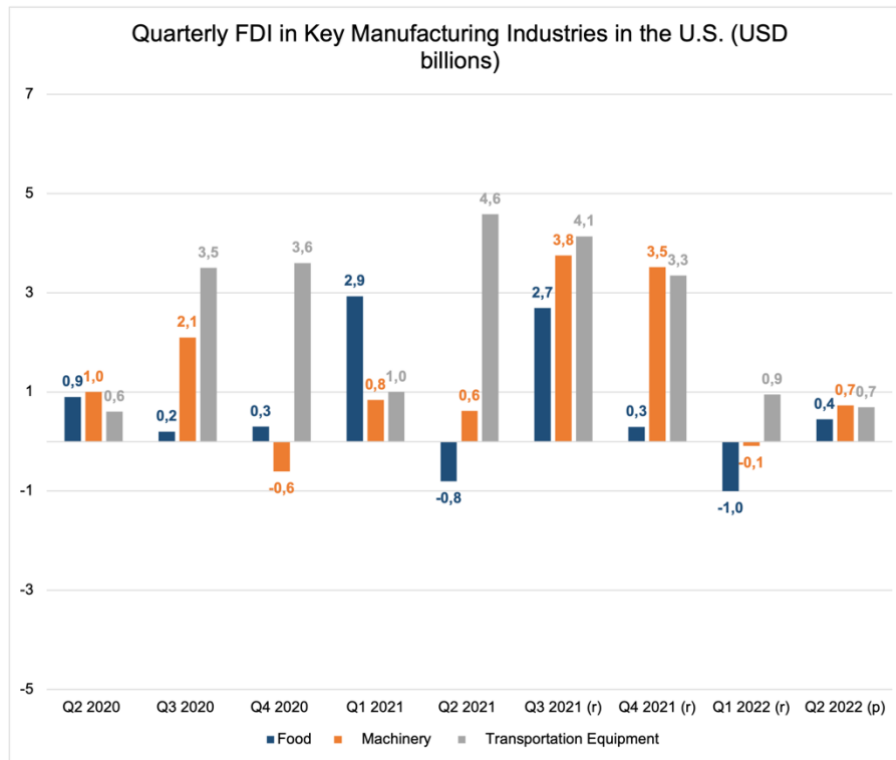


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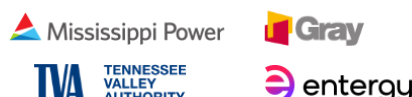
Source: Bureau of Economic Analysis (BEA), Foreign Direct Investment in the United States: Country and Industry Detail for Financial Transactions, September 2022.

- The newly released BEA preliminary data for Q2 2022 shows an upward trend in net FDI flows in the food and machinery sectors compared to Q1 2022. In Q2, investment flows in the food sector were higher by an absolute amount of \$1.48 billion compared to the previous quarter while investment flows in the machinery sector rose by \$800 million. Transportation equipment investments were \$257 million lower than in Q1.
- While investment in the transportation equipment sector outperformed that in the machinery and food sectors in the previous quarters, in the second quarter 2022, the machinery sector was the leading industry in terms of absolute numbers.
- Investments in the food industry went from contraction during the first quarter of 2022 to modest growth in Q2. In the past two years, the sector’s best performance was recorded in the first quarter of last year, with an inflow of \$2.9 billion.

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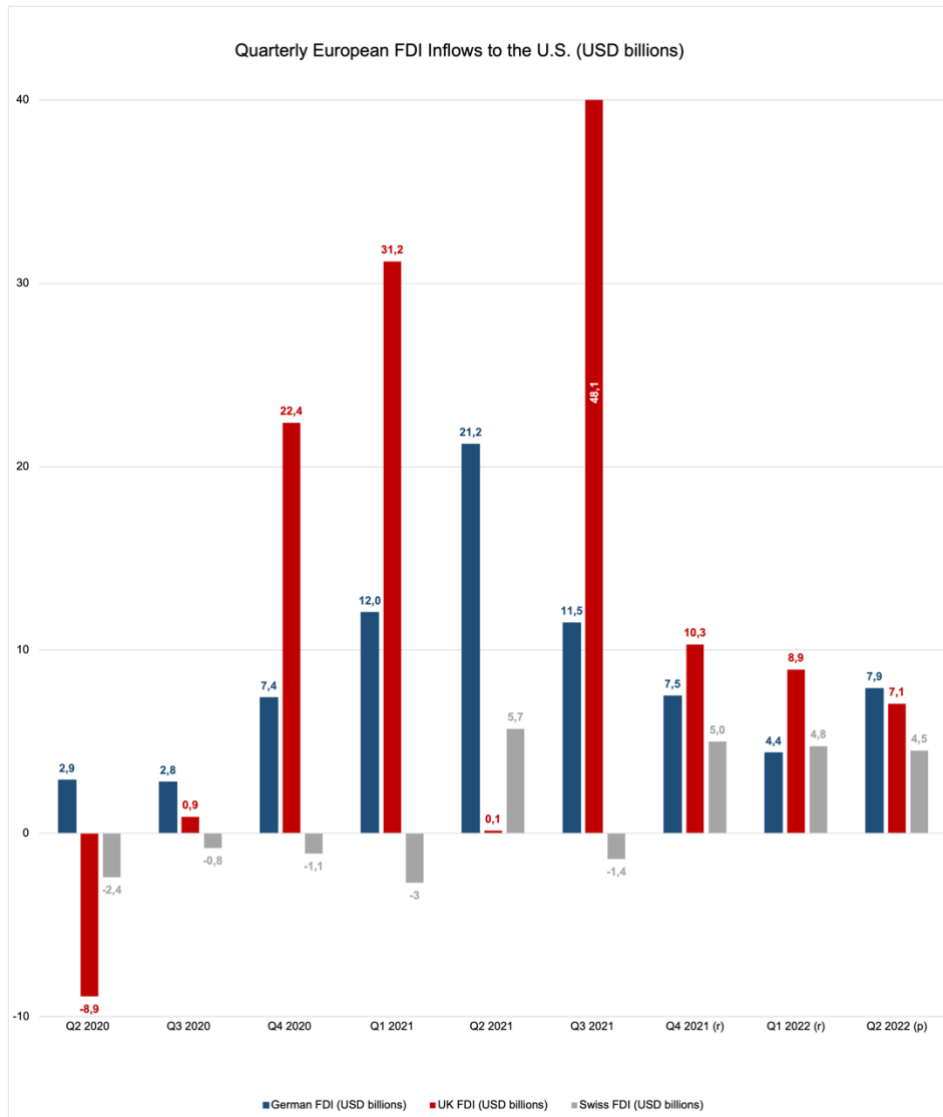


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Source: Bureau of Economic Analysis (BEA), Foreign Direct Investment in the United States: Country and Industry Detail for Financial Transactions, September 2022.

- Quarterly inflows from Germany, the United Kingdom and Switzerland for Q1 2022 were revised by the BEA. British FDI was corrected upwards from \$8.6 to \$8.9 billion. German and Swiss FDI were adjusted downward, from \$7.2 to \$4.4 billion for the former and \$5.3 to \$4.8 billion for the latter.
- German FDI is expected to outperform its Q1 value of \$4.4 billion and reach \$7.9 billion in the second quarter of 2022. FDI inflows from Europe’s largest economy are thus on an upward trajectory again after the decline recorded in the past year.
- FDI from the United Kingdom appears to be on a downward trajectory. After exceptionally high investment in Q3 2021, preliminary numbers suggest FDI flows from the United Kingdom have continued to decline to an estimated \$7.1 billion in Q2 2022.

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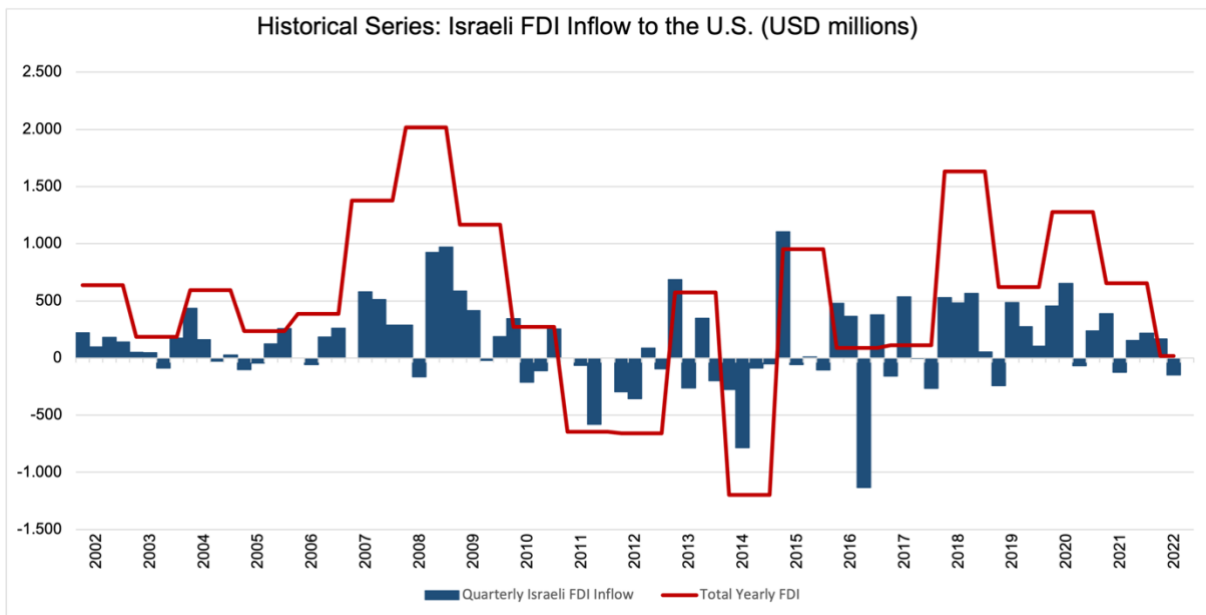


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This marks the first time since the third quarter of 2020 that German FDI outperforms FDI from the UK. Meanwhile, Swiss FDI seems to have stabilized around the \$5 billion mark since Q4, 2021 after two volatile years that saw investment flows fluctuate by large margins from quarter to quarter.

- Taken together, the quarterly investment flows in the first half of this year show the United Kingdom continues to rank first among the three countries with a total investment of \$16 billion in the first six months, which is to be expected given its outsized role in international finance. Germany ranked second with \$12.3 billion in investment flows followed by Switzerland with \$9.26 billion.



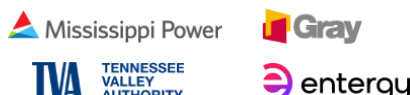
Source: Bureau of Economic Analysis (BEA), Foreign Direct Investment in the United States: Country and Industry Detail for Financial Transactions, September 2022.

- The graph above features our fourth time series, dedicated to the development of Israeli foreign direct investments to the United States. While FDI inflows from Israel to the U.S. are not ranking among the top 15, economic heavyweights like [Check Point Software Technologies Ltd.](#) (Tel Aviv, Israel) and [NICE Ltd.](#) (Ra'anana, Israel) are listed on the NASDAQ and have a sizeable presence in the United States. NICE, a contact center software specialist, has offices in eight U.S. states. Cybersecurity market leader Check Point is present in 18 states and has its American headquarters in San Carlos, CA. Other Israeli high-tech companies listed on NASDAQ or NYSE include [JFrog](#), [Lemonade](#), [Neogames](#) and [Nanox](#). As such, it is no surprise that the largest share of Israeli FDI in the U.S. flows into Software & IT services, followed by medical devices, industrial equipment, and communications.

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- In terms of trade, the U.S. is Israel's [second-largest export destination](#). 23 percent of the country's total exports of goods went to the U.S. in August 2022 compared to 27 percent that went to the European Union. While the U.S. does not rank as high (9 percent, August 2022) when it comes to imports, trend data indicates imports (excl. diamonds) from the U.S. rose by 15 percent at an annual rate between June and August of this year. Within Israel, the United States is the [largest foreign investor](#) with a direct investment position of \$37.6 billion by 2020.
- The high concentration of cutting-edge technology companies is the reason why Israel has been dubbed [Silicon Wadi](#) ("wadi" means "valley" in Hebrew). In 2021, [Forbes](#) reported Israel has transformed from a "start-up nation" to a "scale-up nation." While the country is known for founding the most tech companies per capita, the Israeli high-tech scene is visibly maturing. In June 2021 alone, there were six IPOs of Israeli tech start-ups with a combined value of \$38.5 billion. In addition, nine new [unicorns](#) emerged in the same month and startups raised approximately \$2.4 billion in venture capital according to Yaron Samid, founder of [TechAviv](#).
- Due to the country's small domestic market, the vast majority of Israeli startups develop a global vision from the start. Aware of the many opportunities that the Israeli tech landscape has to offer, the TBIC will organize a visit to leading companies and business executives in Israel to assist them in their expansion to the U.S. market. Contact us for more information.

Spotlight Article: Switzerland: Small Country – Big Economy

The Swiss economy provides ample opportunities for U.S. investors seeking to invest abroad and U.S. communities seeking to attract Swiss investors. Next to well-known large corporations such as ABB, Holcim, and Novartis, the Swiss economy's strength is its great number of innovative small-sized companies. Below we outline some of the macro and micro data at the heart of Switzerland's economic success.



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8.6 million people call Switzerland their home – approximately as many as live in the state of New Jersey. However, when it comes to economic might, Switzerland is punching far above its weight. According to [Presence Switzerland](#), in 2020, the country had the second highest per capita GDP worldwide with \$86,850. In comparison, neighboring Austria with 8.9 million inhabitants has a per capita GDP of [\\$53,268](#) and Germany's per capita GDP is at [\\$50,802](#). Credit Suisse's 2021 [Global Wealth Report](#) furthermore shows Switzerland has the highest mean wealth per adult of \$673,960, far ahead of the United States (\$505,420).

Why is Switzerland so rich? There is no one answer to this question though a variety of factors help explain the country's prosperity including its political stability and neutrality, innovative capacity, geographical location, education system, and open and liberal economy.

Switzerland's political system is unique. The *Schweizer Eidgenossenschaft* (Swiss Confederation) has the world's most extensive elements of direct democracy. Initiatives and referendums are a common occurrence, voters are asked to vote on political issues approximately [four times annually](#). Any Swiss citizen can propose a [popular initiative](#) but needs 100,000 valid signatures to get the petition on the ballot. Because every citizen is involved in policy-making this way, polarization is largely absent in Switzerland.

Another factor explaining the country's political stability is its consociationalism: The [Federal Council](#), Switzerland's federal government, consists of seven members from the four strongest parties in the Swiss Parliament. Decisions by the Federal Council are taken jointly, meaning a decision can only take effect permanently if reached by consensus. In addition, Switzerland has profited from its long-standing [neutrality](#) provided for in the federal constitution.

The [majority of Swiss GDP](#) is generated by the service sector (over 70 percent) followed by the industrial sector (25 percent). The service sector is dominated by banking, insurance, commodity trading and tourism. Chemicals and pharmaceuticals ([6.3 percent of GDP](#)) and machine, electrical engineering and metals (MEM) ([7 percent of GDP](#)) are the two main pillars of Switzerland's industry. The former is concentrated in north-western and central Switzerland (around Basel, Zug and Lucerne), employs more than [70,000 people](#) in the country and a further [338,000 globally](#) and makes up more than half of Switzerland's total exports.

The [MEM](#) sector is a lot larger in terms of employees with more than 800,000 people working for MEM companies within the country and abroad. MEM companies are distributed across Switzerland and do not have a regional focus. Almost 80 percent of MEM products are exported, more than half to the EU. The vast majority, 99 percent, of Swiss businesses are SMEs with less than 250 employees. These SMEs employ two-thirds of Switzerland's highly educated labor force of close to [5 million](#) people. Despite their small size, they operate globally and contribute decisively to Switzerland's 2021 total export volume of [\\$365.5 billion \(CHF 347.7 billion\)](#) with the majority going to the United States.

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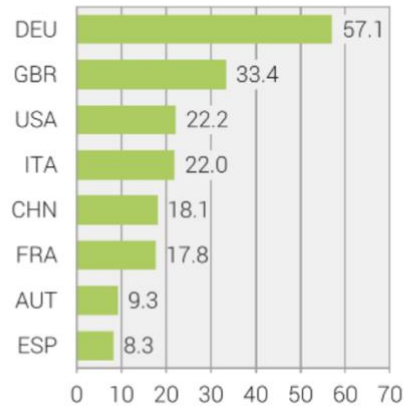


Swiss foreign trade, 2021

In CHF billions

Key trading partners

Imports

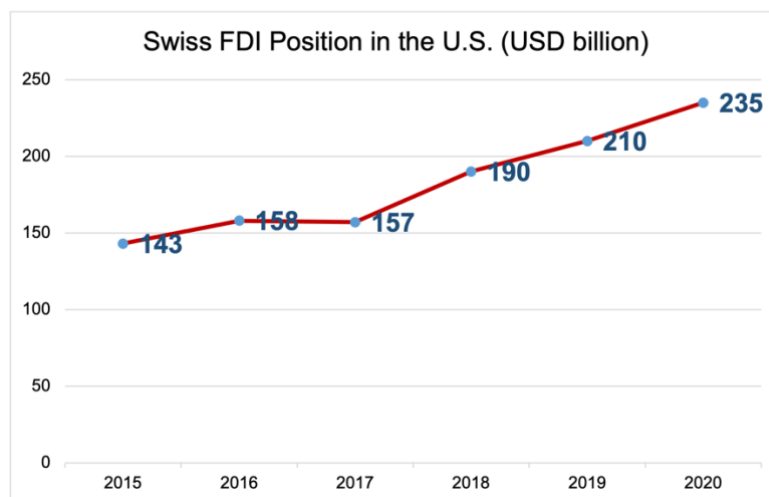


Exports



Source: Switzerland Federal Statistical Office, <https://www.bfs.admin.ch/bfs/en/home/statistics/industry-services/foreign-trade/balance-import-export.html>

Next to its traditional economic strengths, Switzerland is also one of the world's leading technology locations. [Key industries](#) include artificial intelligence, robotics, personalized health, blockchain and advanced manufacturing. These industries benefit from the country's high innovative capacity. In the past five years, Switzerland has ranked first in the World Intellectual Property Organization's [Global Innovation Index](#), ahead of Sweden, the United States and the United Kingdom. According to the Swiss government, more than 3 percent of its GDP are invested into R&D annually, making it one of the highest R&D investors in the world. This also extends to Swiss investment in the U.S.: In 2019, U.S. affiliates of majority Swiss-owned firms invested [\\$10.3 billion in innovative R&D](#).



Source: Bureau of Economic Analysis, June 2022

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In the United States, Switzerland was the [eighth largest source of FDI stock](#) and the sixth largest from Europe (2020) with a total of \$235 billion. As of 2019 Swiss FDI was supporting 490,600 jobs in the United States, making the country the [seventh largest foreign employer](#). In addition, with \$109,000 per year on average (2019), Swiss affiliates in the U.S. pay one of the highest average salaries. Well-known Swiss investors include [ABB](#), which has invested approximately \$14 billion since 2010 and employs 20,000 people in 25 states. Swiss food and beverage producer [Nestlé](#)'s footprint is even larger than ABB's with 30,000 employees across 31 states. But also many small companies like [Suhner](#) (750 employees) have a presence in the United States. If you are interested in Switzerland's economic footprint in your state, the Swiss Embassy in the U.S. provides [economic impact fact sheets](#) for each federal state.

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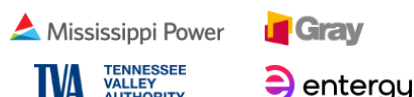
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