
Transatlantic Business & Investment Council (TBIC)

Quarterly: Transatlantic Foreign Direct Investment Analysis & Trends

3rd Quarter 2023
[Data for Q1 2023]

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 Q1 2023 and partially revised data (r) for Q4 2022, as recently released by the [U.S. Bureau of Economic Analysis \(BEA\)](#). With \$109.3 billion worth of investment, first quarter preliminary FDI inflows grew significantly from inflows in Q4 2022, which were only slightly revised to \$76.2 billion. Of this \$109.3 billion in Q1 2023 FDI inflows, approximately \$27.5 billion were in the manufacturing sector, or roughly, 25%.

Within manufacturing, increases in FDI inflows were observed from Q4 2022 to Q1 2023 in the food and machinery sectors, while transportation equipment experienced a relatively modest decline in FDI. Investment in the food sector rebounded from its Q4 2022 decline of \$1.3 billion, increasing to \$2.7 billion in Q1 2023. Investments in the machinery sector continue to lead all sectors with \$3.7 billion in absolute value in Q1 2023, having rebounded from a \$4.9 billion decline in Q4 2022. Preliminary numbers for the transportation equipment sector suggest a decrease in inflows of approximately \$700 million from Q4 2022 to Q1 2023, with the absolute value at near zero for the quarter.

In preparation for our upcoming trip to the IAA Mobility Show in Munich in September, this issue includes a time series focusing on German foreign direct investment into the United States. Germany's stock of FDI in the United States amounted to \$431.4 billion in 2022. Germany, as Europe's largest country and strongest economy, is the fifth largest foreign direct investor into the United States. Germany's economic strengths lie in its high quality of life, highly skilled labor force, and its investments in digital and scientific research. Furthermore, Germany occupies a strategically advantageous position between Eastern and Western Europe, serving often as an economic bridge between the regions for investors. Owing to Germany's high value-added manufacturing capacities, it is seen as an innovative country with a penchant for producing engineered products of superior quality. A significant portion of German FDI into the United States is in the automotive industry, which German companies largely dominate on the global scale.

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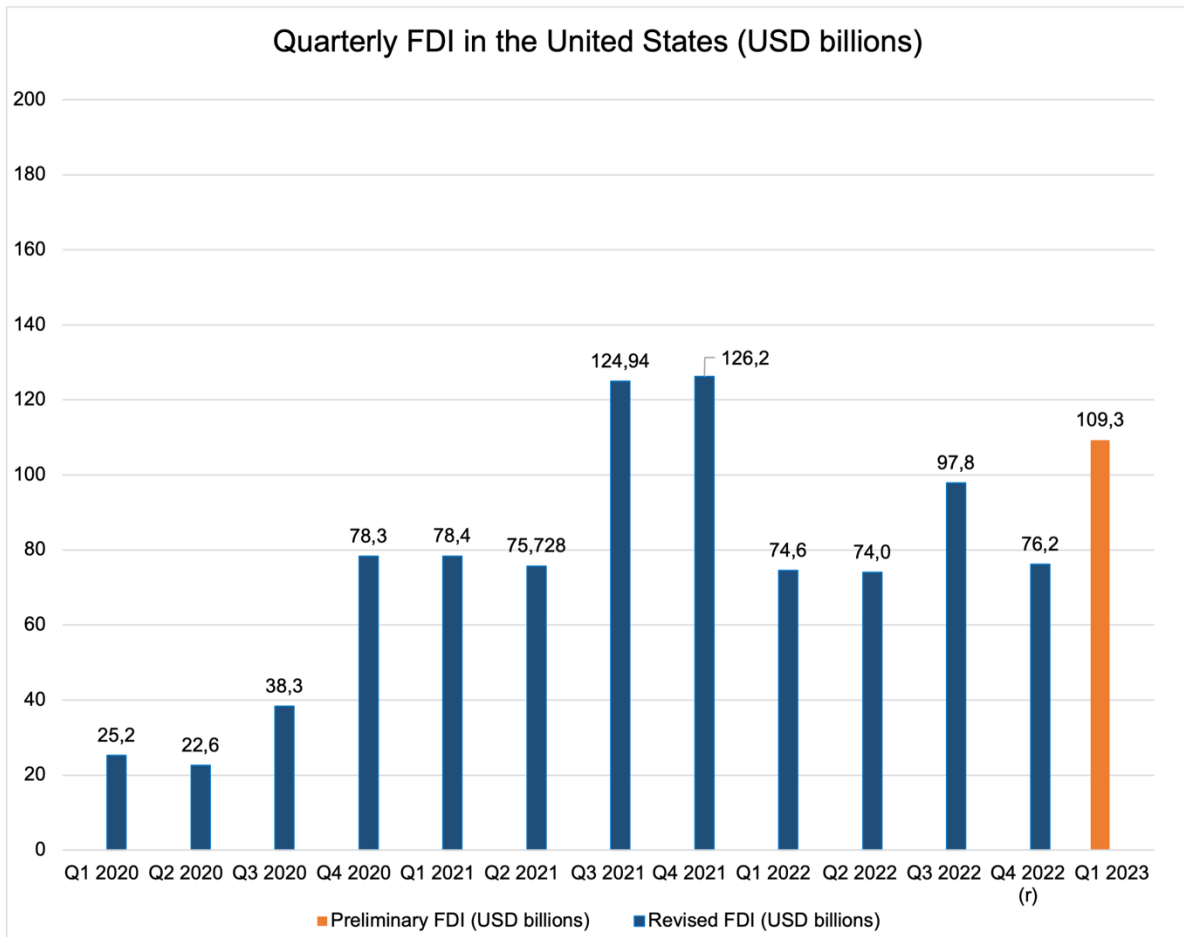


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As such, this issue also includes our spotlight analysis of the E-Mobility sector, which is growing rapidly on both sides of the Atlantic. To get the full experience of how Germany's largest E-Mobility players are transforming the sector and the opportunities for attracting innovation and investment to your community, feel free to explore our upcoming IAA Mobility Show visit in September in Munich.

Foreign Direct Investment in the United States: Key Figures



Source: Bureau of Economic Analysis (BEA), U.S. International Transactions, Fourth Quarter 2022, June 2023.

In the recently published data from the [Bureau of Economic Analysis](#), the FDI inflows for the fourth quarter of 2022 were revised upward from \$84.9 to \$97.8 billion.

Preliminary data for the first quarter of 2023 project an inward investment volume of \$109.3 billion, an increase of over \$33 billion, and the highest figures since Q3 and Q4 of 2021. These figures reflect a strong start to the calendar year 2023 – the strongest, in fact, since the COVID-19 pandemic, possibly signaling a rebound in investment and reflecting an [atmosphere of general optimism](#) among European investors towards the American market.

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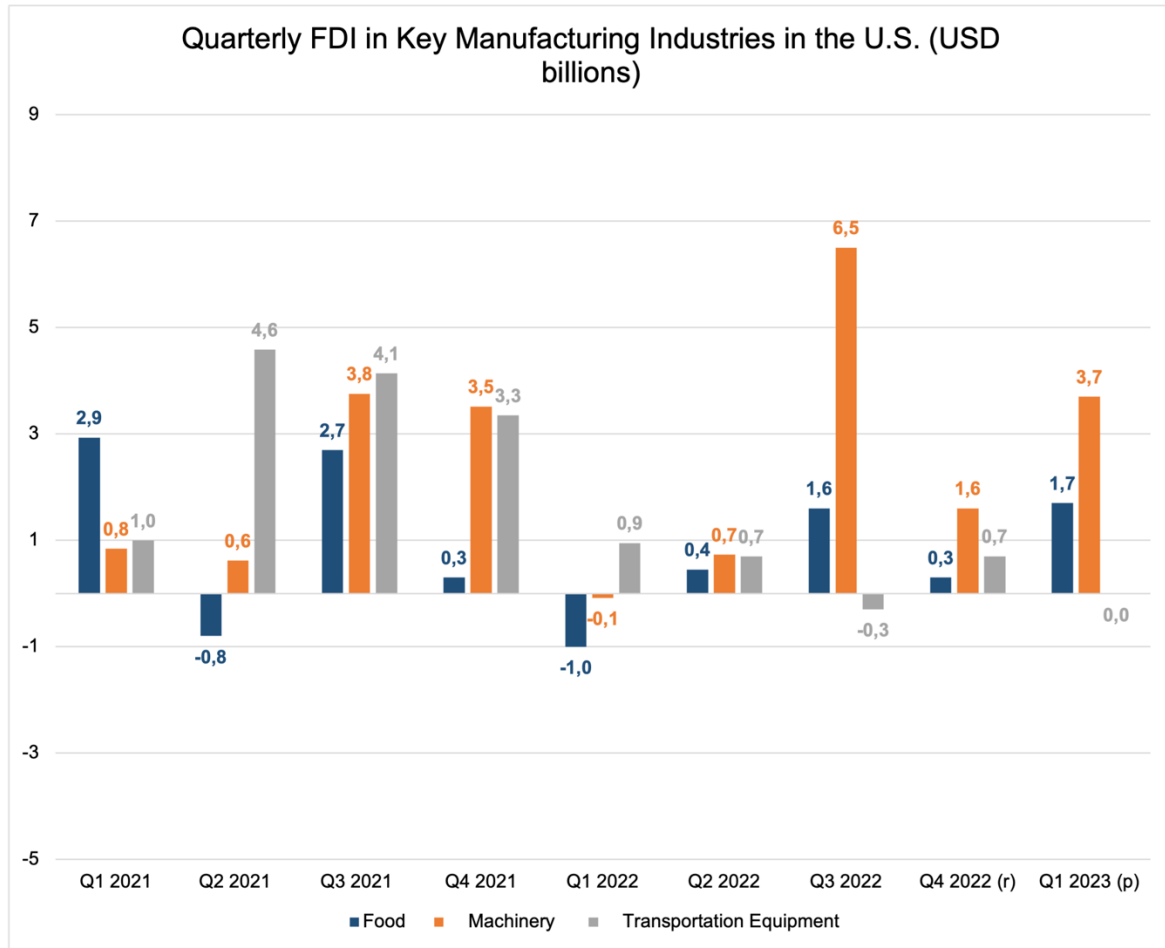
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U.S. FDI Flows by Key Industry Sector



Source: Bureau of Economic Analysis (BEA), Foreign Direct Investment in the United States: Country and Industry Detail for Financial Transactions, June 2023.

The newly released BEA preliminary data for Q1 2023 shows modest increases in net FDI flows in the food and machinery sectors, with a small decrease in the transportation equipment sector compared to Q4 2022. In Q1 2023, investment flows in the food sector rose by roughly \$1.4 billion from the previous quarter and investment flows in the machinery sector grew by approximately \$2.1 billion. Transportation equipment investments declined by \$700 million, bringing their total net flows to roughly zero for Q1 2023.

After declining since Q3 2022, the machinery sector's FDI inflows in Q1 2023 increased again to lead in terms of absolute numbers, with roughly \$3.7 billion in total investments in Q4. This is comparable to the sector's performance in the latter half of 2021.

Similar to the machinery sector, investment flows in the food sector rebounded to levels comparable to Q3 2022. Q1 2023 data for the transportation sector are consistent with the

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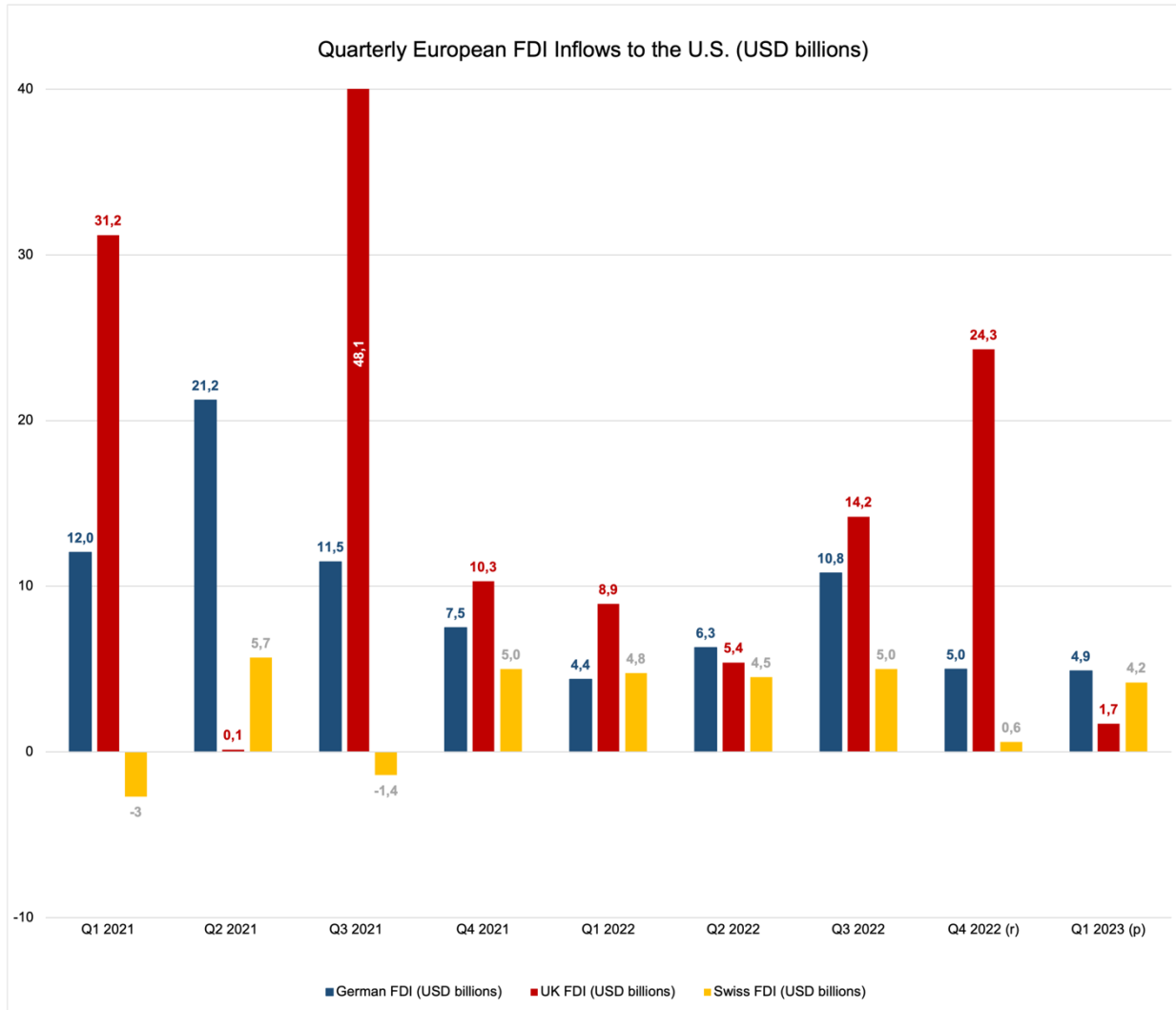


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sector's low levels of investment observed throughout 2022; the transportation sector has yet to return to 2021 levels in which per-quarter investments of over \$3 billion were regularly observed.

U.S. FDI Inflows by Key European Source Countries



Q1 2023 data reflect diverse results for three major European sources of FDI into the U.S., namely, Germany, the United Kingdom, and Switzerland. German FDI into the U.S. hardly changed from Q4 2022 to Q1 2023, dipping only from \$5.0 billion to \$4.9 billion. UK FDI declined significantly from \$24.3 billion to \$1.7 billion in Q1 2023. Finally, Swiss FDI rose relatively significantly from \$0.6 billion to \$4.2 billion, according to the most recent figures.

Should these preliminary results hold, the UK would be the smallest source of FDI observed of these three countries in Q1 2023, something which has not occurred since Q2 2021. Germany would occupy a leading role as a source of FDI for the quarter, which last occurred in Q2 2022. Switzerland's FDI inflow of \$4.2 billion, while lower than figures

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usually observed for Germany and the United Kingdom, would be consistent with its levels observed throughout most of 2021 and 2022.

Overall, the figures from Q1 2023 reflect a low level of FDI from these three European countries for Q1 2023, as compared to previous quarters; in Q1 2023, only \$10.8 billion was invested by these three European countries, while in Q4 2022 \$29.9 billion was invested across the board.

Historical Series – German FDI Inflows to the U.S.

Germany has a long history as a foreign direct investor into the United States dating back to the 19th century. German investors have traditionally been attracted to the U.S. due to its large and stable market, skilled workforce, and favorable business climate.

The largest German investments in the U.S. include those made by companies such as Siemens, BMW, Volkswagen, and BASF. Siemens, a global technology powerhouse, has invested over \$40 billion in the U.S. since the 1980s, with a particular focus on the energy and infrastructure sectors. BMW, a leading luxury carmaker, operates a manufacturing plant in South Carolina and has invested over \$9 billion. Furthermore, [BMW has announced a \\$1.7 billion investment](#) into building electric vehicles at its Spartanburg, SC plant. Volkswagen has invested over \$7 billion, with a focus on manufacturing facilities in Tennessee and Virginia. BASF, a leading chemical company, has invested over \$5 billion, with a focus on expanding its manufacturing and research capabilities.

Since then, Germany has become the United States' fifth-largest trading partner (2020). German companies have invested heavily, with a particular focus on research and development (R&D) and innovation. Many German companies have established R&D centers to take advantage of the country's highly skilled workforce and favorable business environment. In addition, German companies have formed strategic partnerships with U.S. firms to jointly develop new technologies and products. Geographically, German-U.S. trade is focused particularly the Midwest and Southeast. This is due to the concentration of automotive and manufacturing industries in these regions, as well as the availability of skilled labor and infrastructure. Of particular importance are Germany's "hidden champions" - small and medium-sized companies that dominate niche markets and are often leaders in their industries. Many of these hidden champions are active in German-US trade, providing innovative products and services to American customers. Examples of these companies include [Wacker Chemie](#), a leading producer of silicones and polymer products, and [Festo](#), a global leader in automation technology.

Of Germany's largest companies involved in transatlantic trade and investment, its [automotive manufacturers](#) have long taken center stage. To find out more about how German FDI, including investments made by "hidden champions" is fueling innovation in the American E-Mobility sector, check out this Quarterly edition's spotlight article below!

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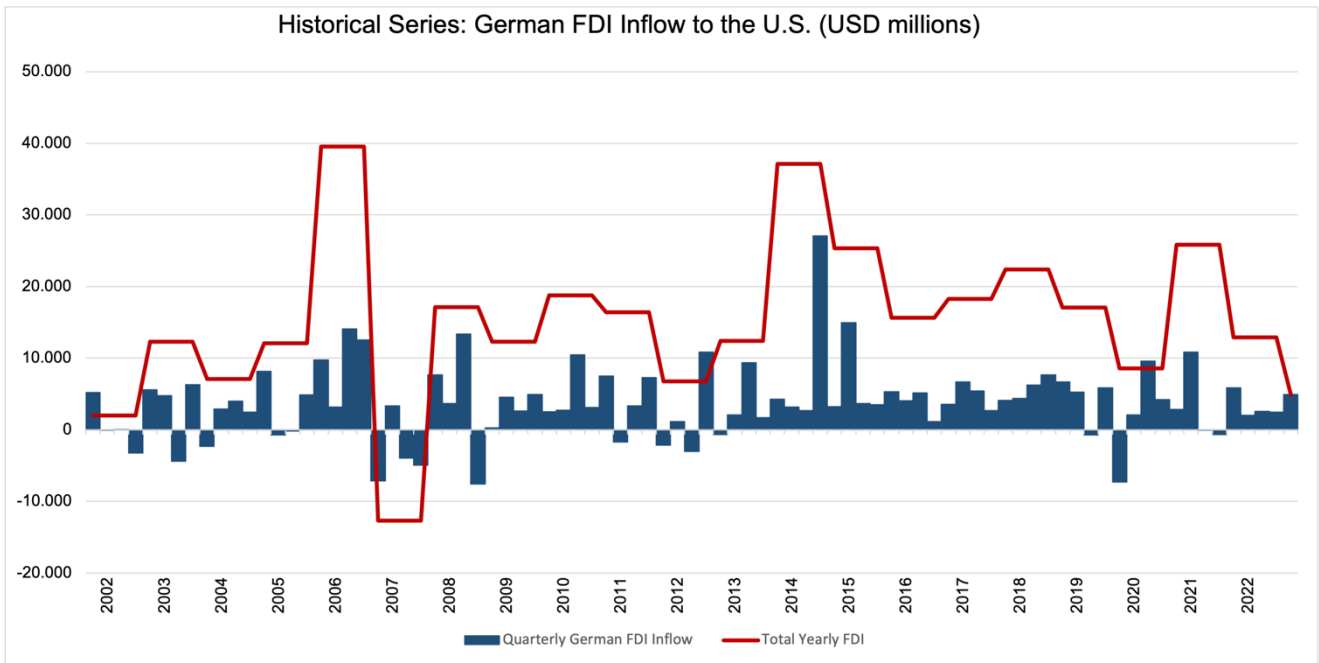


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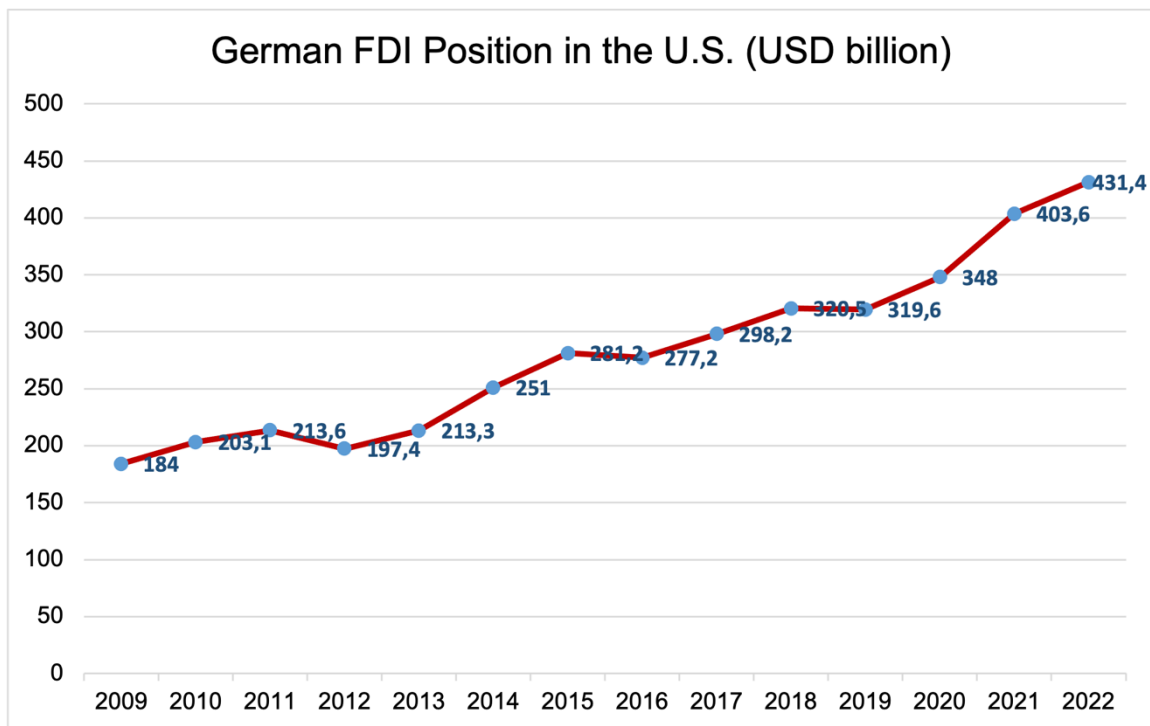


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Source: Bureau of Economic Analysis (BEA), Foreign Direct Investment in the United States: Country and Industry Detail for Financial Transactions, June 2023.



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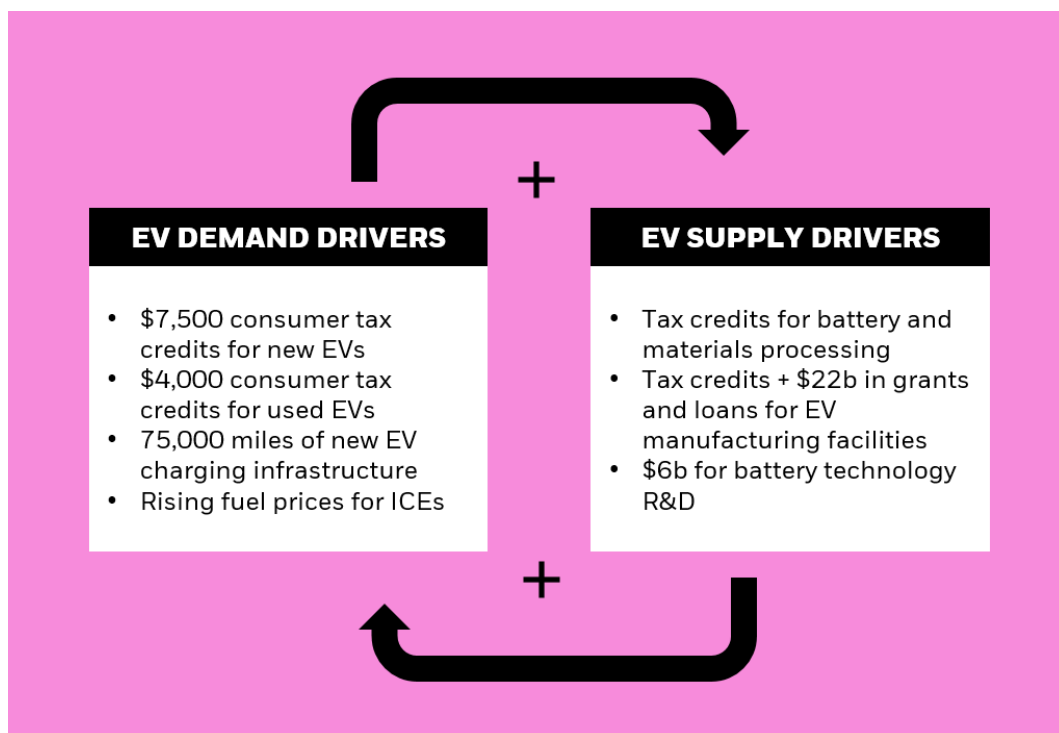


Spotlight Article: The E-Mobility Industry on Both Sides of the Atlantic

As a leader in the global e-mobility sector, Europe is home to some of the world's foremost automotive manufacturers like Volkswagen, BMW, and Mercedes-Benz. Many of these companies have recently been upping their investment footprint in the U.S., due to the growing attraction of the American market.

Europe's automakers are gazing across the Atlantic at a wealth of new opportunities created under the Biden Administration including the Inflation Reduction Act (IRA), which boosts federal incentives in battery and fuel cell technology and provides direct tax breaks to purchasers of electric vehicles, and the CHIPS & Science Act, which is bringing the production of semiconductors – a much needed input in electric vehicles manufacturing – back to U.S. shores.

Both pieces of legislation are leading the charge in the growth of America's e-mobility sector, which has been on an upward trajectory for decades. More than half of all automotive sales in the U.S. will be electric vehicles by 2030, according to a [recent report from Bloomberg](#). Currently, the U.S. sits at a 5% electric vehicle rollout – below the global average of 9% – but with the \$7,500 consumer credit and the battery cell incentives enshrined in the IRA, the U.S. will likely pass the global average by 2026.



Source: iShares by Blackrock, 2023

Importantly, the U.S. has also accelerated the build-out of its charging infrastructure in recent years; there are now more than [130,000 electric vehicle charging stations](#) across the U.S. with plans in place by the federal government to expand this to over 500,000 by 2030.

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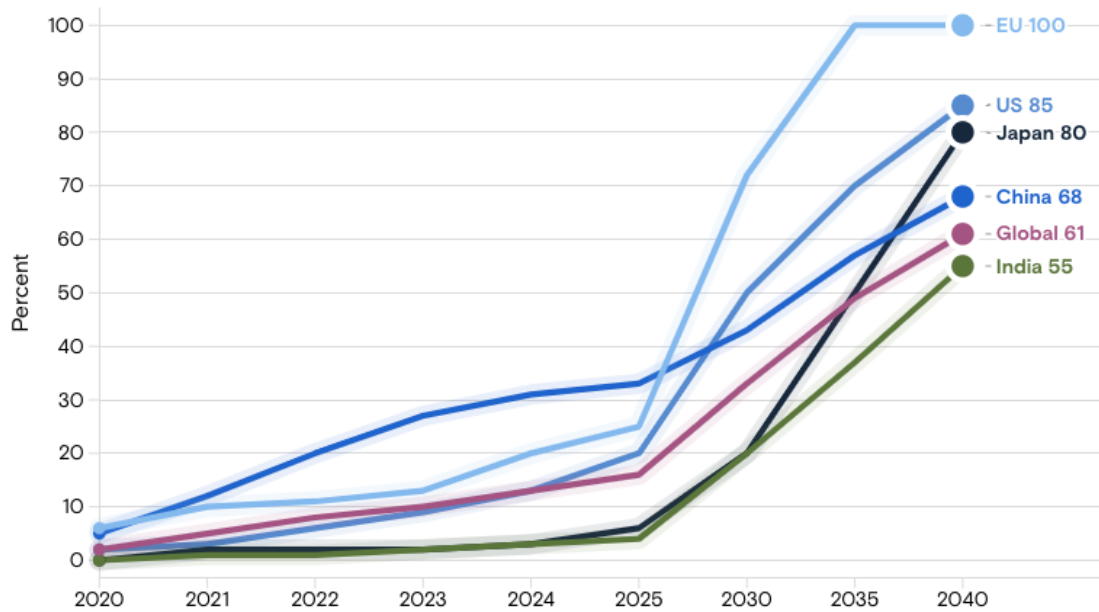
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Naturally, the installation of charging stations corresponds to increases in projected sales of electric vehicles in the U.S., [which go up every year](#). Now, with the tax credits for renewable energy and electric vehicles inputs like batteries manufacturers enshrined in the Inflation Reduction Act, this is set to continue its upward trajectory. Currently, three of the top five producers of electric vehicles in the world are [U.S.-based companies](#): Tesla, NIO, and Rivian.

The shift to electric vehicles is forecast to accelerate

Electric vehicle sales ratio (%)



Source: IHS Global Insight, Goldman Sachs Research

In Europe, [German electric vehicles manufacturers](#) lead the pack with Mercedes-Benz, Audi, Volkswagen, and BMW among the top five producers in the continent. Other European firms including Renault from France, Škoda from the Czech Republic, and Volvo from Sweden are emergent in recent years. Europe's e-mobility sector has grown exponentially in recent years, driven by government regulations aimed at reducing carbon emissions and promoting sustainable transportation. The demand for electric vehicles (EVs) is [rising rapidly in Europe](#), with a 76% increase in sales recorded between 2020 and 2021. This growth trend is expected to continue, with EVs expected to grow at a rate of [roughly 17%](#) over the next four years and generate over \$333 billion, with projections indicating that most of the revenue generated by European EV producers will be generated in China.

TBIC will attend the [IAA Mobility Show](#) in Munich in September to widen its network in the battery and mobility industries and to identify new prospects and leads with plans to expand in North America. Please feel free to reach out if you would like to get involved and join us.

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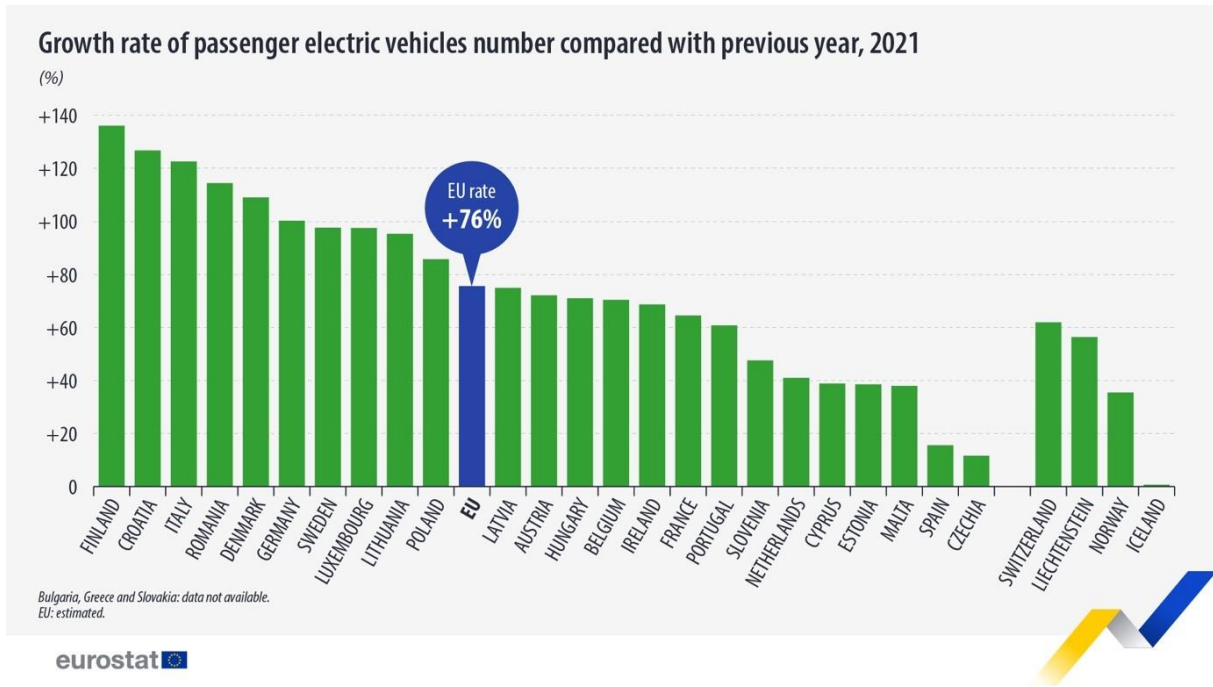


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Source: Eurostat

However, due to a combination of geopolitical tensions, high energy prices, and the growing attractiveness of the U.S. market due to growing demand, heightened supply chain resilience, and robust incentives including the Inflation Reduction Act (IRA), many European EV producers have begun shifting their focus to the U.S. market. Recent announcements of investments and plans to expand in the United States from European EV firms include [Volkswagen](#) and [Audi](#), as well as supplier and technology firms [ABB](#), [Siemens](#), [Exyte](#), and [Lanxess](#). These plans are expected to create hundreds of jobs and generate millions of dollars in revenue.

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