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

2^{nd} Quarter 2021

[Data for Q4 2020 + Year 2020]

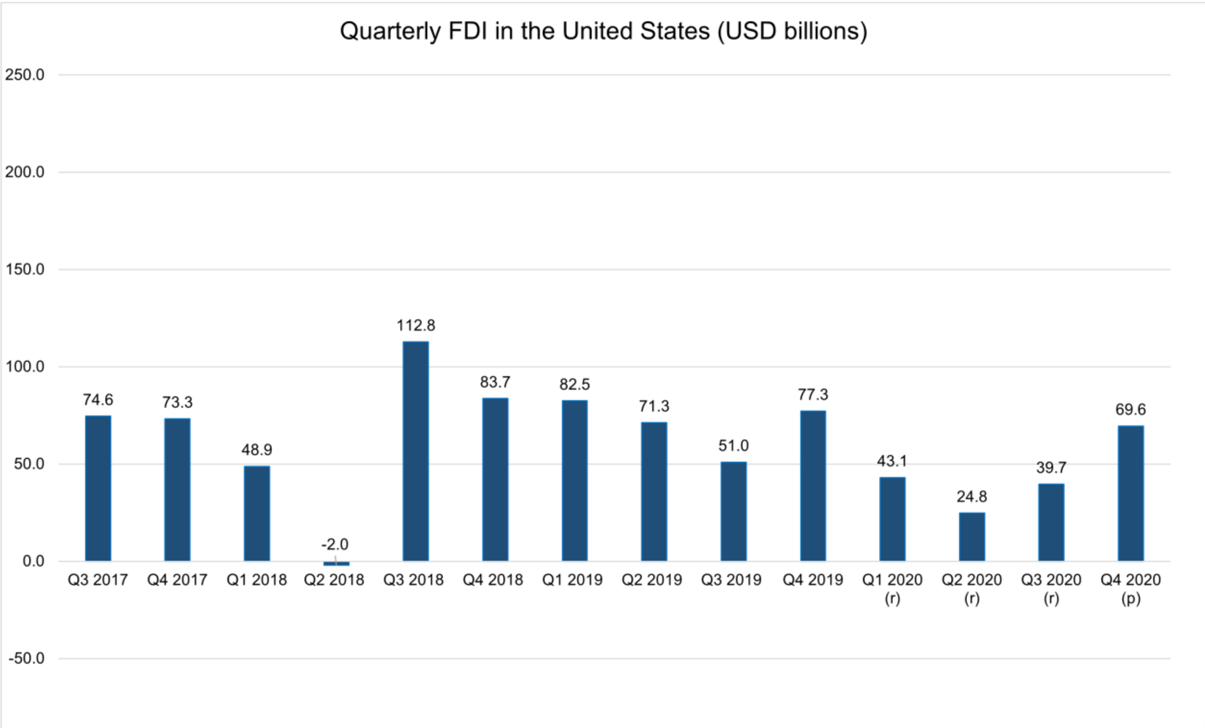
The Transatlantic Business & Investment Council (TBIC) is the official European representative of selected counties, cities and corporations from over 30 U.S. States. It is our mission to promote transatlantic trade and investment. To that end, the TBIC bridges the gap between Economic Development Organizations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

This edition of our Quarterly includes the analysis of the newly published preliminary (p) data for Q4 2020 and partially revised data (r) for Q3, Q2 and Q1 2020, as recently published by the U.S. Bureau of Economic Analysis (BEA). The final quarter of 2020 proved to be the strongest of the year with an FDI inflow of almost USD 70 billion. Nonetheless, FDI in the U.S. in all of 2020 came in at USD 177.1 billion, making it the weakest year over the past decade. The global economic disruptions due to COVID-19 are still visible across all industries. Direct investment in the two key manufacturing industries Food and Machinery has only seen a minor rise from Q3 to Q4 2020 and is relatively low compared to the previous year. After one of its most challenging quarters at the beginning of 2020, the Transportation sector became the strongest manufacturing industry this year with investments of around USD 3.5 billion in the last two quarters. Our European source countries, except for Switzerland, show a strong growth in FDI inflow in the last quarter of 2020, with UK's FDI showing an increase of almost USD 10 billion from Q3 to Q4 2020. Besides the FDI analysis, this edition of the TBIC Quarterly also includes our latest spotlight article: Virtual Trade Shows – Here to Stay?

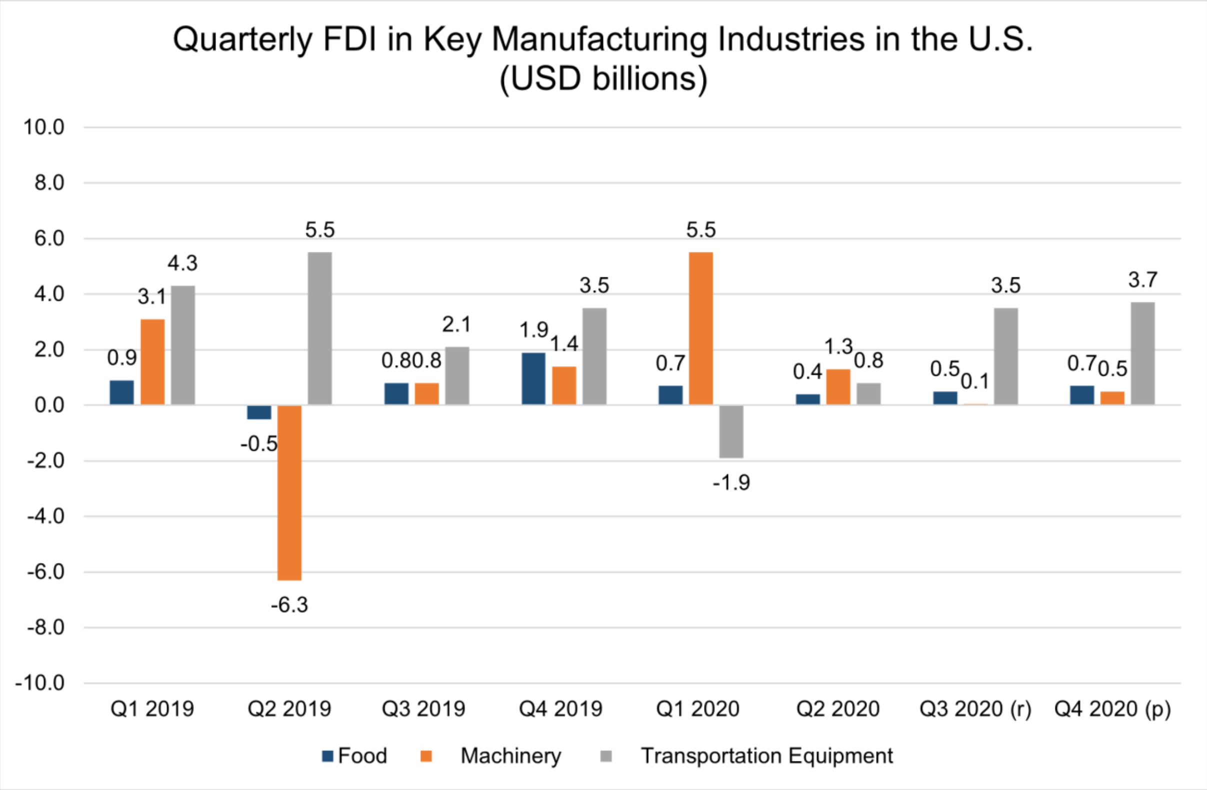
In this analysis, the TBIC corroborates relevant country data with its own experience of working at the frontier of transatlantic investments: the TBIC regularly visits key markets in Europe that have become drivers of FDI in the United States as part of Delegation Trips offered exclusively to our members. 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. All TBIC trips and events have been transformed into virtual formats for the time of transatlantic travel restrictions. To find out more, please click here.

Foreign Direct Investment in the United States: Key Figures

- In the newly published data for Q4 2020, FDI inflows for the whole year were revised: Q1 2020 and Q2 2020 were both slightly revised upwards from USD 42.5 to 43.1 billion and USD 23.3 to 24.8 billion, respectively, while Q3 2020 was revised downwards from USD 44.2 to 39.7 billion. Meanwhile, the preliminary data for Q4 2020 shows an FDI inflow of USD 69.6 billion, making it the strongest quarter of 2020.
- Nevertheless, the consequences of the worldwide pandemic are clearly reflected in the total FDI inflow for the year 2020, which amounts to USD 177.1 billion - USD 105 billion less than the total FDI amount in 2019, making it the weakest year of the past decade.
- UNCTAD (United Nations Conference on Trade & Development) reported that COVID-19 related lockdowns delayed many investment projects worldwide in 2020, ultimately resulting in lower FDI throughout the year.[1] The last quarter of 2020 indicates that inbound FDI to the U.S. are stabilizing. With recent changes, namely the widespread distribution of vaccines, investment projects are expected to resume, resulting in a possible recovery within 2021 and return to pre-pandemic numbers starting in 2022.



Source: Bureau of Economic Analysis (BEA), U.S. International Transactions, Fourth Quarter 2020, March 2021.
1 United Nations Conference on Trade and Development (UNCTAD), Investment Trends Monitor 2020, January 2021.

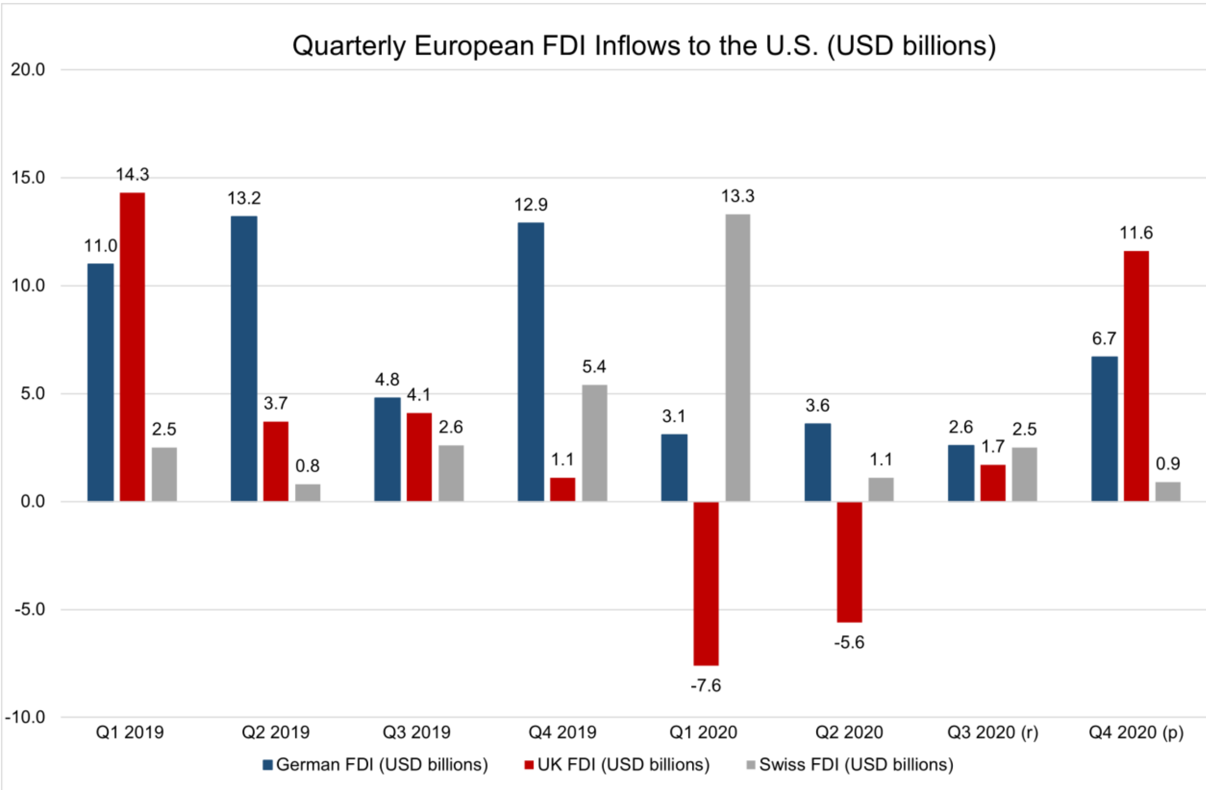


Source: Bureau of Economic Analysis (BEA), Foreign Direct Investment in the United States: Country and Industry Detail for Financial Transactions, March 2021.

- The new dataset for Q4 2020 also contains revised numbers for the previous quarter: all three sectors were revised downwards. The Food sector was corrected from USD 1.7 billion to USD 500 million, and the Machinery sector had to be adjusted from USD 2.6 billion to less than USD 100 million, while the Transportation sector shows a downwards revision from USD 4.1 billion to 3.5 billion.
- The fourth quarter of 2020 shows a slight investment increase compared to Q3 2020: FDI in the Food sector rose from USD 500 million in Q3 2020 to USD 700 million in Q4 2020, while the Machinery sector showed an increase from USD 100 million in Q3 to USD 500 million in Q4 and FDI in the Transportation sector increased from USD 3.5 billion in Q3 to USD 3.7 billion in Q4.
- Looking at the whole year of 2020, data shows that the worldwide COVID-19 pandemic negatively impacted all industries. All sectors, except for the Transportation sector, which after a negative outflow in Q1 2020 slowly climbed to USD 3.7 billion in Q4, experienced declining FDI flows and only minimal inflow throughout the year.

Below, we have updated the U.S. FDI flow data for Germany, the United Kingdom (UK) and Switzerland from our last Quarterly with the most recent data on the fourth quarter of 2020:

- The numbers for Q3 2020 have been revised downwards for our three source countries: German FDI was revised down by USD 1.5 billion from USD 4.1 to 2.6 billion and UK FDI was revised from an outflow of USD 2.6 billion to an outflow of USD 1.7 billion, while Swiss FDI was only slightly revised downwards from USD 2.6 to 2.5 billion.
- With the exception of Swiss FDI, Q4 2020 showed an increased inflow of European FDI. While German FDI inflow more than doubled from USD 2.6 billion in Q3 to USD 6.7 billion in Q4, FDI from the UK in the last quarter of 2020 showed an increase of almost USD 10 billion, compared to the previous quarter (USD 11.6 billion in Q4 and USD 1.7 billion in Q3). Swiss FDI decreased from USD 2.5 billion in Q3 to USD 900 million in Q4 2020.



Source: Bureau of Economic Analysis (BEA), Foreign Direct Investment in the United States: Country and Industry Detail for Financial Transactions, March 2021.

Spotlight Article: Virtual Trad Shows – Here to Stay?

Virtual trade shows, virtual delegation trips, virtual fam tours – the Covid-19 pandemic forced the world to get creative online. Virtual formats to the extent that we use them now were still hard to imagine at the beginning of 2020. However, they seem to be the only safe and reliable way to uphold and facilitate business relations during the global pandemic. This article sheds light on the development of virtual formats – from the transition from personal to virtual, examples of success stories and the question whether and to what scale these will last in a post-Covid world.

At the end of 2019 the first cases of SARS-CoV-2 appeared in China. The until then unknown respiratory disease spread around the world within months and resulted in a global pandemic, with over 111.9 million people infected in more than 190 countries until today. More than 2.4 million people have died. As the novel coronavirus continued to spread, countries around the world put their citizens on various forms of lockdown. While some restrictions got lifted during the summer, now, in early 2021, especially Europe stays in various forms of lockdown. German restaurants and bars have been closed since November, private gatherings are limited, and certain states have imposed curfews. Overwhelmed by the worldwide Covid-19 spread, important events got cancelled. According to Statista, about 820 trade shows in 2020 were cancelled or postponed in Germany alone. One prominent example is Hannover Messe: originally scheduled for April 2020, it first got postponed to July, but eventually had to be cancelled for the first time in 73 years. While the organizers of the event offered a two-day digital event instead ("Hannover Messe Digital Days"), other events like the Farnborough International Air Show 2020 as well as its sister event Paris International Air Show in 2021 got cancelled without offering virtual alternatives. The SelectUSA Summit was postponed to June 2021, however for the first time in its history, the Summit will now be moved to the virtual realm.

That virtual tools can facilitate the way we work becomes evident when we think of all the Zoom, Microsoft Teams or Go to Meetings that we've recently been part of. Microsoft Teams added 95 million users in 2020. From March to June 2020, Microsoft Teams noticed 894 percent growth – a result of the pandemic. While these tools might present themselves as an alternative to some in-person meetings in the future, the question is whether online concepts for trade shows might last as well. Hannover Messe stays digital in 2021 and offers new features such as exhibitor live streaming, matchmaking, business dating, and new opportunities for digital product presentation. That formats like this can succeed was shown by the successful implementation of virtual.MEDICA and virtual.COMPAMED in 2020. While MEDICA is the world's leading medical trade fair, COMPAMED represents the industry's number one platform for the suppliers of the medical technology industry. Forced to take place entirely online and despite a very short registration period, over 1,500 exhibitors from 63 nations took part. They displayed a huge variety of innovative products in their online showrooms and presented live programs for the healthcare community in over 100 web sessions, which hosted 300 participants at their peak. Over 45,000 professional visitors (including the TBIC) from 169 nations participated in the virtual program and extensive networking. This is but one example that shows that digital working models and exhibition concepts have now taken on a leading position in many companies' strategies.

Showcasing at an online trade show has advantages: it is cheaper than attending a traditional trade show since a virtual booth is usually less expensive and one can save travel costs, as well as time, by attending a virtual event. Also, attendance is possible from everywhere, which can result in a broader audience. Due to matchmaking as well as group chats, lead generation tracking gets easier. However, the transition to virtual creates challenges and disadvantages, too. Moving to the digital realm brings its own set of operational and logistical issues for exhibitors. They are technology dependent. While there are many opportunities for attendees to engage with speakers and content, there are fewer to interact with one another. This can be mitigated with live attendee chat and social networking events, but interaction with other attendees offline is limited. Also, online attendees are more easily distracted by business needs, co-worker interruptions, or multi-tasking in another browser. And above all, it is impersonal: communication over chat is not as rich as in-person dialogue that enables prospects to put a face to a brand.

In a survey in Germany, companies from all industries were asked whether they saw virtual trade shows as an alternative tool for in-person fairs. Only 11.7% said they were trying to compensate cancelled events with virtual ones. Meanwhile, 67.2% do not see virtual shows as a permanent alternative to regular trade shows. At the same time, 21,1% stated that they regard virtual trade shows as an addition to in-person shows. Looking ahead to a post-Covid-19 world, 35 out of 128 companies surveyed by Deutscher Fachverlag and the Business Target Group believed that trade shows will take place in their usual form again. 32 companies voiced their belief that virtual alternatives will become more prevalent. It seems that companies are still trying to figure out what a future business model could look like. One trend certainly could go to hybrid events. A German study among companies from the IT and digital sectors shows that 78% of these companies see virtual trade shows as relevant in the future. Another 70% give importance to hybrid events and only 39% favor in-person shows. Given that their business is booming, this might not come as a surprise.

While Hannover Messe 2021 still has to take place virtually, MEDICA and COMPAMED are planned as in-person events for the second half of the year. Dr. Thomas Dietrich, Executive Director of the IVAM, the Association for Microtechnology that organized a high-tech forum at the COMPAMED trade show, sums up what many believe: “I think it’s very sensible to encourage more virtual meetings during the corona pandemic. However, meeting in person at trade fairs and conferences remains essential for creating long-term business relationships that are built on trust, and this is simply irreplaceable. This is why we’re already looking forward to seeing our customers again in person at COMPAMED 2021 in Düsseldorf.”

It seems that virtual trade fairs are not only a viable format for networking and sales in times of the Covid-19 crisis. Nevertheless, personal interactions will likely remain an essential element of trust in a business partnership. The way to go in the future might therefore be one to benefit from the advantages of both worlds. This may result in more hybrid forms of virtual trade shows. Whatever the future holds, TBIC will take place in virtual, hybrid and in-person trade shows and events to offer our members the best services available.

Imprint:

Transatlantic Business & Investment Council (TBIC), LP

www.TBIC-fdi.com
info@TBIC-fdi.com

European Office
Kurfuerstendamm 29
10719 Berlin
Germany
+49 30 5461 1947

U.S. Office
1201 Peachtree Street N.E.
Building 400
Suites 100, 200, 300
Atlanta, GA 30361
USA
+1 404 910 4057

TBIC Representation Nordics
c/o CNR-Consulting, IVS
Fruebjergvej 3, Symbion
2100 Copenhagen
Denmark
nytoft@TBIC-fdi.com
+45 4160 9119

Editor:

Transatlantic Business & Investment Council (TBIC), LP
European Office:
Kurfuerstendamm 29
10719 Berlin
Germany
Tel. (Int.): +49 30 5488 4986
Fax: +1 844 692 7288
info@TBIC-fdi.com
www.TBIC-fdi.com