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

## 2<sup>nd</sup> Quarter 2019

[Data for Q4 2018 & year 2018]

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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 fourth quarter and year for 2018, as recently published by the [U.S. Bureau of Economic Analysis \(BEA\)](#). As regards overall net direct investment into the United States (including equity & debt instruments), the year 2018 finished on a stronger note after the slump in investment in the second quarter, with influx of direct investment in the U.S. amounting to USD 88.3 billion. This brings the total number for the year 2018 to investments of USD 270 billion – making 2018 the fifth strongest year in a decade. European FDI, as measured by three key markets (Germany, the United Kingdom and Switzerland), fell in the last quarter of 2018, with only Germany maintaining its investment levels from previous quarters. We also provide up to date FDI data for the NAICS-based industry segments of Food, Machinery and Transportation, as well as a closer look at this year's Hannover Messe trade show and its partner country Sweden.

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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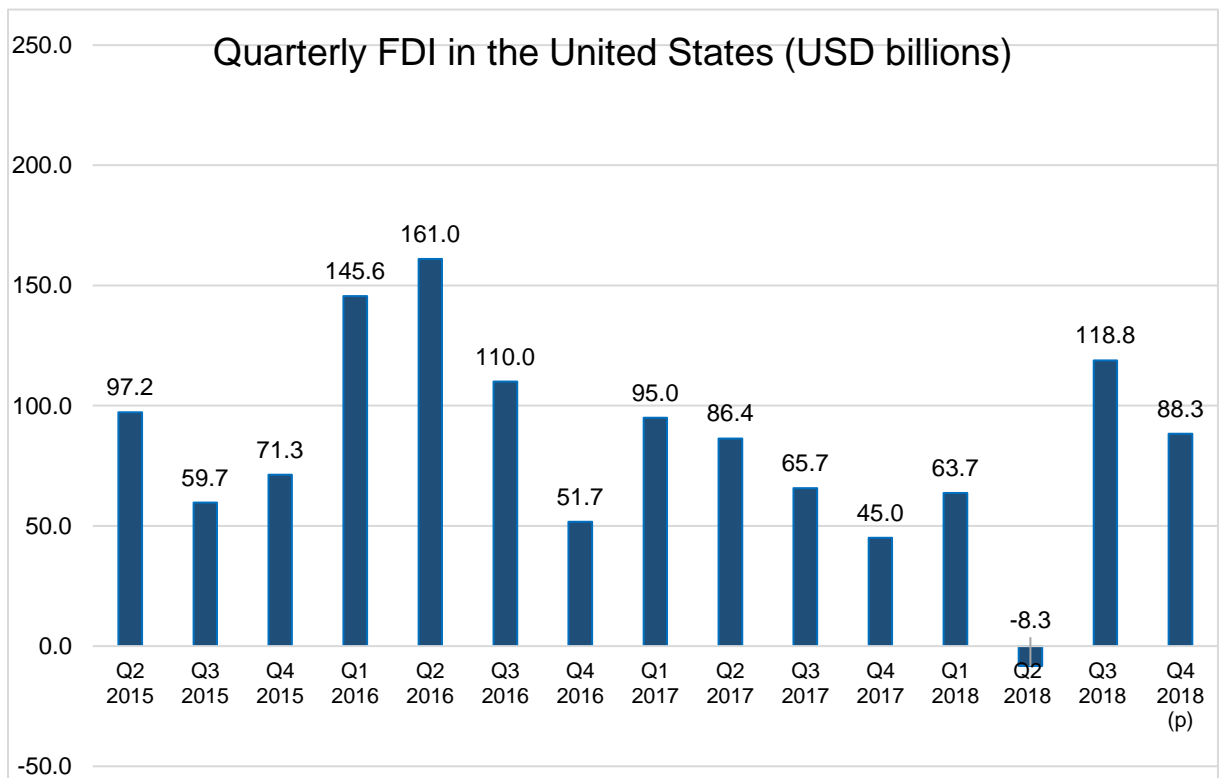


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## Foreign Direct Investment in the United States: Key Figures

- In the newly published data for the fourth quarter 2019, FDI inflows in the third quarter were slightly revised upwards from USD 116.3 billion to USD 118.3 billion.
- The preliminary data for the fourth quarter of 2018 also shows a stronger result with an inflow of USD 88.3 billion, after the slump in the first two quarters of 2018. Consequently, Q3 and Q4 2018 mark the best results for FDI inflows into the United States since Q1 2017 but fall still short of the record numbers seen in 2015 and 2016.
- With total FDI in the United States amounting to USD 270 billion, 2018 marks the fifth strongest year in the last decade.



Source: Bureau of Economic Analysis (BEA), U.S. International Transactions: Fourth Quarter and Year 2018, March 2019.

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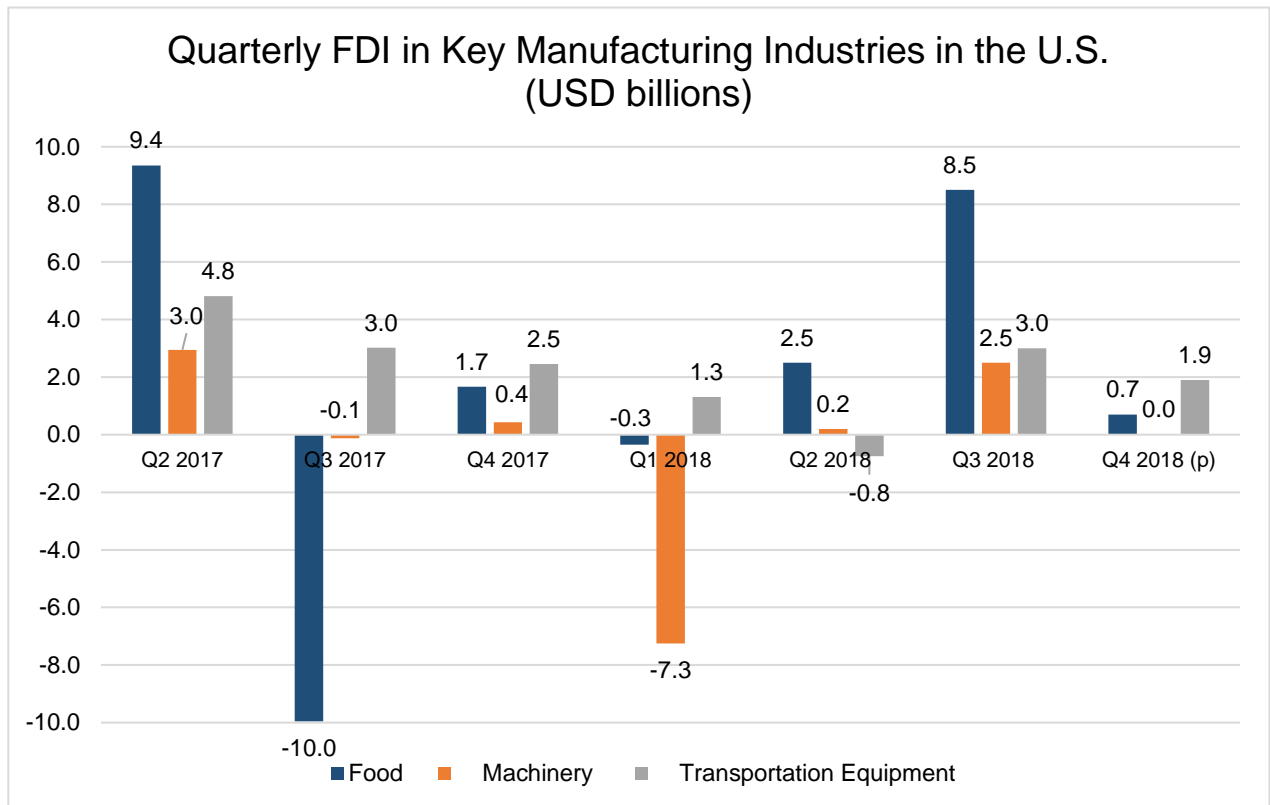


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Source: Bureau of Economic Analysis (BEA), Foreign Direct Investment in the United States: Country and Industry Detail for Financial Transactions, March 2019.

- In the newly published data for Q4 2018, the data for Q3 has been marginally revised for the three key NAICS based industry sectors Food, Machinery, and Transportation. The data for the Food sector remained steady at USD 8.5 billion, making it the strongest inflow since Q2 2017. Data for the Machinery sector also remained relatively unchanged at USD 0.3 billion, or 300 million. Only investment in the Transportation sector was revised upwards from USD 1.2 billion to 3.0 billion – the strongest quarterly results since Q3 2017.
- For Q4 2018, investment in the Food sector in the United States amounted to USD 700 million, a substantial reduction by over 90% and the lowest number since the divestment of Q1 2018.
- FDI in the Machinery sector fell again from the USD 2.5 billion investment inflow in Q3 2018 to USD 10 million in Q4, the lowest number since Q1 2018, where FDI in the Machinery sector saw a divestment of USD 7.3 billion.
- Investments in the Transportation Equipment sector, including all vehicle and aviation manufacturers and suppliers, fell from Q3 to Q4 2018, from USD 8.5 billion to 0.7 billion – again, the lowest number for the year 2018.

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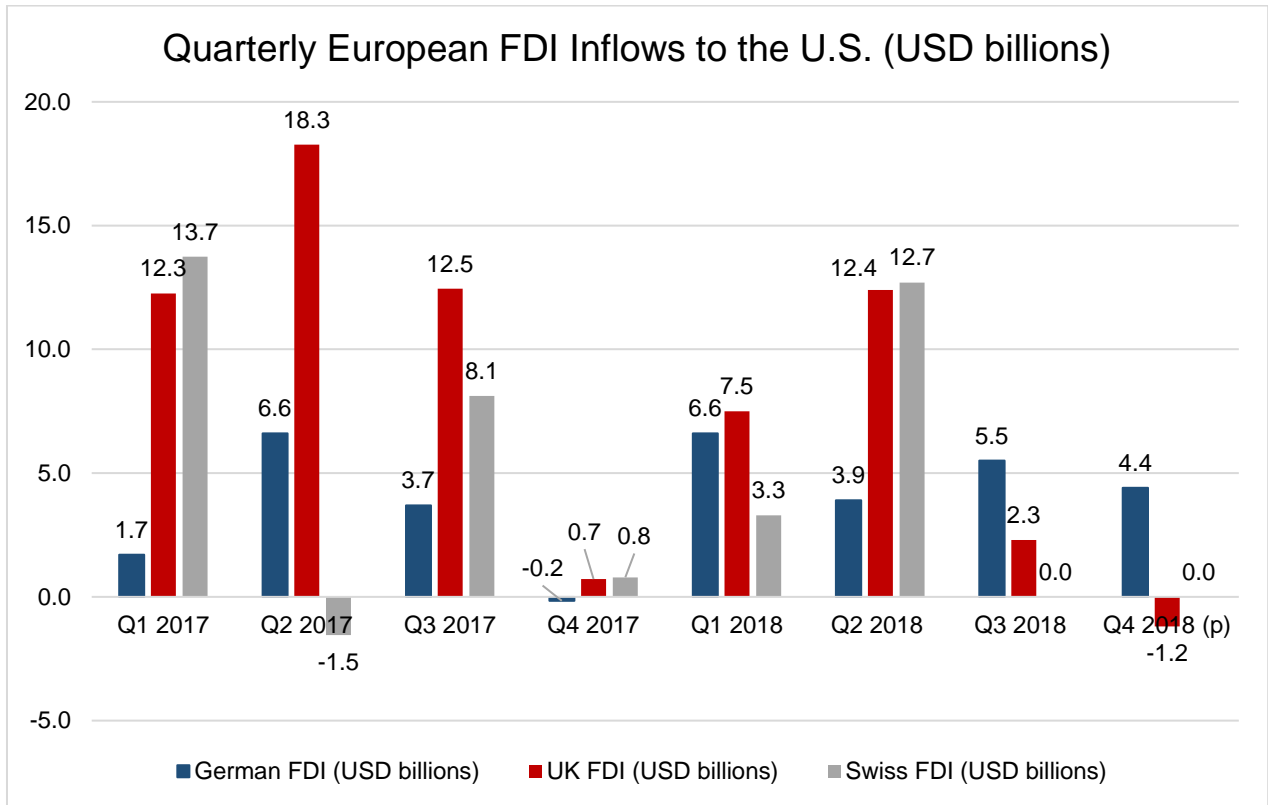


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Source: Bureau of Economic Analysis (BEA), Foreign Direct Investment in the United States: Country and Industry Detail for Financial Transactions, March 2019.

Above, we have updated the FDI flow data from our last Quarterly with the most recent data on the fourth quarter 2018:

- Inward investment flows for Germany and Switzerland have been revised, while FDI data for Switzerland remained undisclosed to protect individual investments. Thus, German investments were revised upward from USD 4.3 billion to 5.5 billion. Meanwhile, FDI from the United Kingdom was revised downward from USD 5.1 billion to USD 2.3 billion.
- In the fourth quarter 2018, only German FDI remained positive, with an inflow of USD 4.4 billion. Direct investment from the United Kingdom saw a slight divestment of USD 1.2 billion. Data for Switzerland was again undisclosed, due to the possibility to identify single investments.
- Consequently, overall investment flows from these three source countries for the whole year 2018 amounted to USD 57.4 billion – excluding the undisclosed data for Switzerland in Q3/Q4 2018. Comparatively, 2018 was lower, but still close to the value for 2017 with USD 76.7 billion, which is closer to the historical averages than the peak years of 2015 and 2016, with 2016 alone seeing FDI inflows of USD 128.4 billion from Germany, the United Kingdom and Switzerland.

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## **TBIC Spotlight Article: Hannover Messe & Partner Country Sweden**

From April 1st to April 5th 2019, 6,500 exhibitors and over 215,000 visitors, frequenting 80 expert talks and conferences, exchanged more than 6.5 million contacts at this year's Hannover Messe in Hannover, Germany. With 60 percent of the 6,500 exhibitors coming from a total of 75 countries, the show has once again solidified its standing as the world's most important industrial goods exhibition.

The event has long made a name for itself as a global hotspot for Industry 4.0 technologies. Those technologies refer to a shift in production processes that started occurring due to the digitalization of manufacturing. Being called the fourth revolution in manufacturing, this transformation goes back to the enhancement of computers and automation with smart and autonomous systems fueled by data and machine learning. In short, it is the idea of smart factories in which machines are augmented with web connectivity and connected to a system that can visualize the entire production chain and make decisions on its own – without human involvement. Ultimately, it is the network of these machines that are digitally connected with one another and create and share information that results in the power of Industry 4.0. In line with that, 2019's lead theme *Integrated Industry – Industrial Intelligence* highlighted the potential of the interplay between automation and digital technology, IT platforms and artificial intelligence.

Collaboration, innovation and digital transformation were at the center of this year's partner country, too. Under the heading of "Sweden Co-Lab", more than 160 Swedish companies (making the Scandinavian country the show's 4<sup>th</sup> biggest exhibitor) presented themselves as world-class providers of smart industry solutions. With a GDP of USD 600 billion in 2017 and an annual growth rate of around 2.4% in 2018, Sweden is considered a booming economy. The country strongly focuses on exports with the top export partners being Germany, Norway and the United States. According to Hannover Messe, in terms of the number of startup companies with a market valuation of over USD 1 billion, Sweden is directly behind Silicon Valley and in general, investment levels are high. The country's industry is characterized by a relatively high proportion of large and well-known companies like AB Volvo (commercial vehicles), Vattenfall (energy) and Ericsson (telecommunication). Automotive, aircraft and aerospace industries represent the biggest industries in Sweden based on value added with a share of approximately 15 percent. Sweden sees both strong outward and inward investment, and with outward stocks amounting to 72 percent of GDP, Swedish FDI is more outward orientated. According to SelectUSA data, the total stock of Swedish Foreign Direct Investment in the United States amounted to USD 54.2 billion in 2017. Over the years, Sweden's FDI position in the U.S. has expanded significantly, from USD 44 billion in 2013. As with overall industrial activity and exports, the most significant industries for FDI (by number of projects) are: textiles, software & IT services, industrial machinery, consumer products, communications and business services. In total, Swedish FDI supported 211,900 jobs, contributed an investment of USD 700 million to R&D in the U.S., and expanded U.S. exports by USD 7.3 billion in 2016.

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