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

1st Quarter 2020

[Data for Q3 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 third quarter in 2019 as well as updated numbers for the second quarter 2019 as recently published by the [U.S. Bureau of Economic Analysis \(BEA\)](#). With USD 33.9 billion, direct investment into the United States (including equity & debt instruments) in the third quarter of 2019 has declined in comparison to the two previous quarters. Together with a revised number for the second quarter, up from USD 64.2 to 75.1 billion, total FDI in the first three quarters of 2019 in the U.S. amounted to roughly USD 195 billion, yet still showing an increase of 6.2% compared to the same period in 2018. Direct investment in the two key manufacturing industries of Food and Machinery has risen in the third quarter of 2019 compared to Q2 2019, while FDI in the Transportation sector slightly decreased. With regards to European source countries, it is noteworthy that Germany remained a top source for European FDI in the United States throughout the first three quarters of 2019 despite slowing growth of the domestic economy. Moreover, this edition's spotlight article takes a closer look at the economies of Turkey and Israel.

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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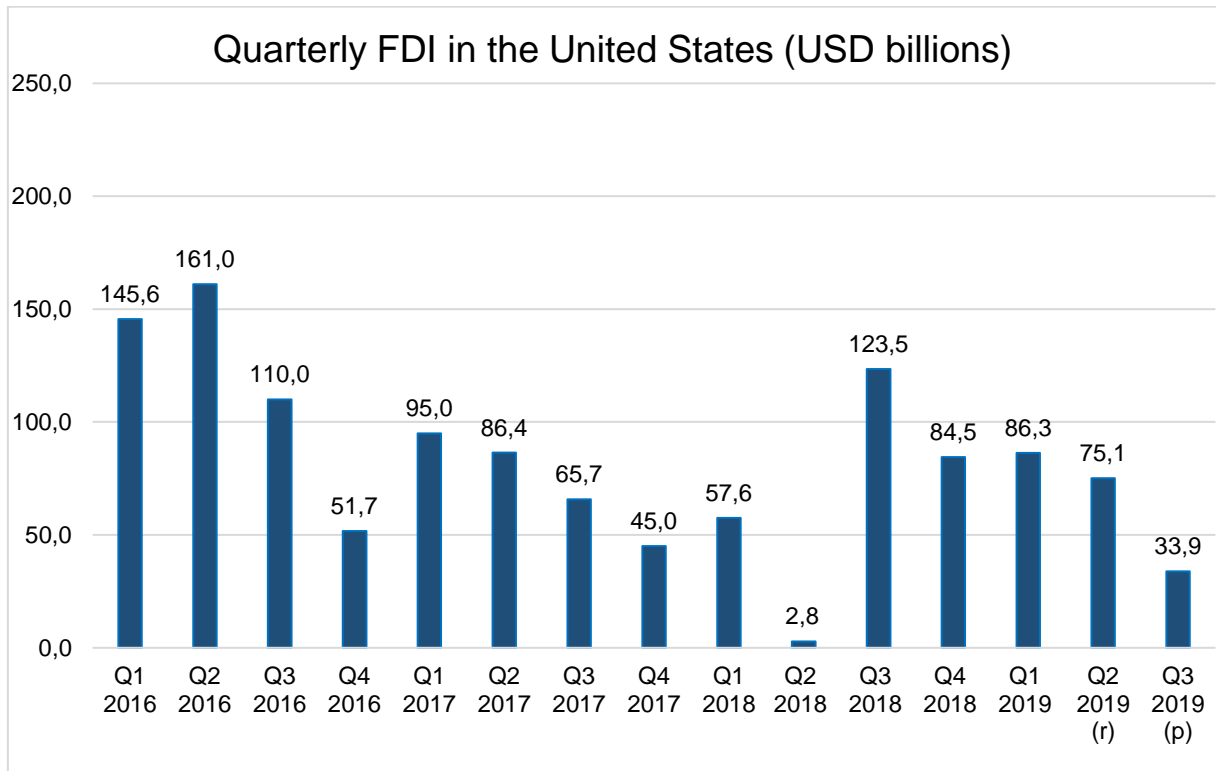


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Foreign Direct Investment in the United States: Key Figures

- In the newly published data for the third quarter 2019, FDI inflows in the second quarter of 2019 were revised upwards from USD 64.2 billion to 75.1 billion. Meanwhile, the data for Q3 2019 showed an inflow of USD 33.9 billion. The comparison of the first three quarters of 2019 with the previous year's figures thus indicates a return of investment stability after the 2018 low.
- Total investment in the United States in the first three quarters of 2019 stands at USD 195.3 billion – an increase of 6.2% compared to Q1-Q3 2018. This trend is in accord with projections by the United Nations Conference on Trade and Development (UNCTAD). For 2019, UNCTAD projected only a moderate increase in direct investments in the developed world, indicating disruptive global trends such as escalating trade tensions and increasing protectionist policies.¹



Source: Bureau of Economic Analysis (BEA), U.S. International Transactions, Third Quarter 2019, December 2019.

¹ United Nations Conference on Trade and Development (UNCTAD), World Investment Report 2019, June 2019.

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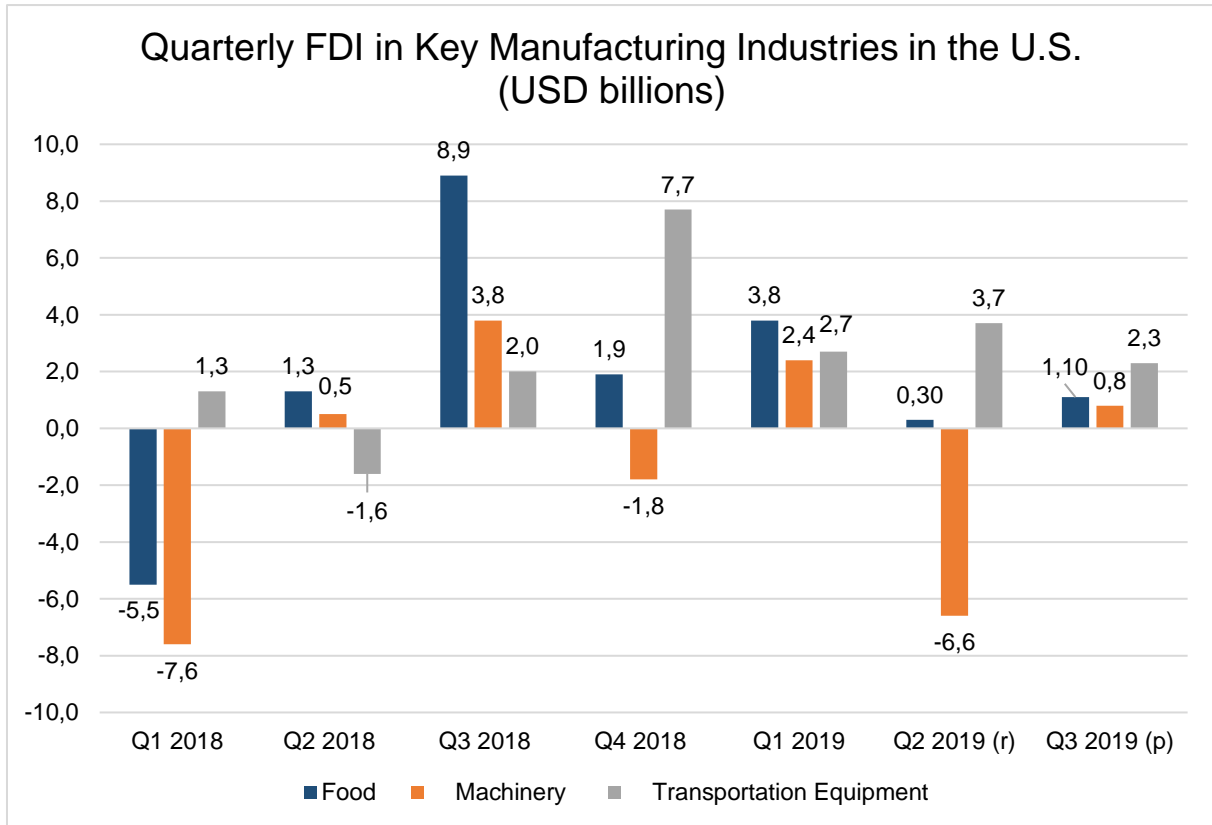


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Source: Bureau of Economic Analysis (BEA), Foreign Direct Investment in the United States: Country and Industry Detail for Financial Transactions, December 2019.

- In the newly published data for Q3 2019, the data for the second quarter of 2019 has been revised – with the Food sector being slightly down by USD 100 million and the Machinery sector facing a heavy downgrade from USD -0.02 to -6.6 billion. The revised data on the Transportation sector shows for the second quarter of 2019 an increase of USD 1.1 billion from a previously predicted USD 2.6 to now 3.7 billion.
- The third quarter of 2019 showed an increase in the Food and Machinery sector by USD 0.8 billion and 7.4 billion, respectively. Numbers for the Transportation sector went down by USD 1.4 billion quarter-to-quarter.
- Investment in the Transportation sector held steady over the first three quarters of 2019, with USD 2.7 billion in the first, 3.7 billion in the second and a prognosed 2.3 billion investment in the third quarter of 2019, a total of 8.7 billion in the first three quarters of 2019. Thus, investment in the Transportation sector has increased by USD 0.6 billion compared with the same period of 2018.

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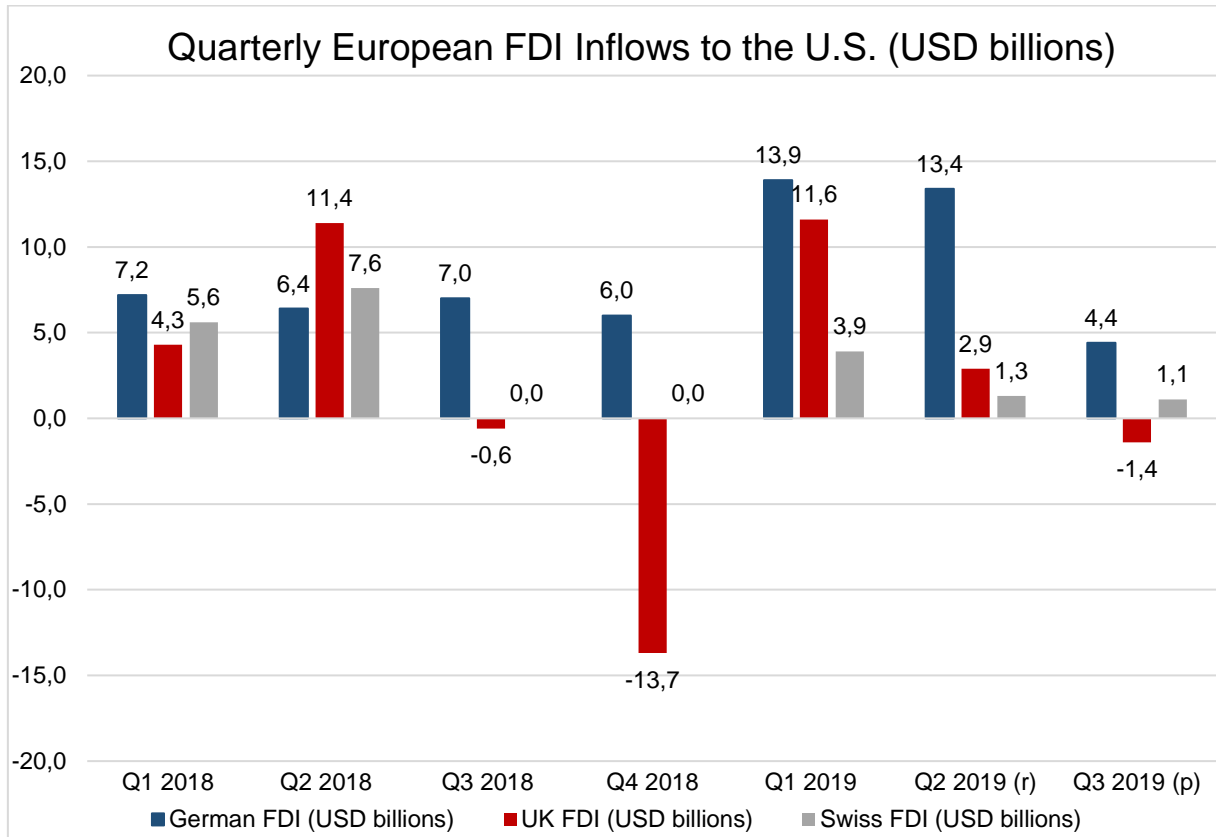


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Above, we have updated the U.S. FDI flow data for Germany, the United Kingdom and Switzerland from our last Quarterly with the most recent data on the third quarter 2019:

- With the publication of the data for Q3, the data for Q2 2019 have also been slightly revised downward for these three source countries: German FDI was revised downwards from USD 13.8 billion to 13.4 billion; FDI from the United Kingdom was revised from USD 4.2 billion to 2.9 billion; and direct investments from Switzerland were revised from USD 3.4 to 1.1 billion.
- Overall, the third quarter of 2019 shows a downturn in FDI in the U.S. across all three countries, being the weakest of the first three quarters 2019. However, it is noteworthy that German FDI has been relatively high as well as stable, despite a weakening of the domestic economy. Similar to Q1 and Q2 2019, German FDI (USD 4.4 billion) in the U.S. is considerably higher than British (USD -1.4 billion) as well as Swiss FDI (USD 1.1 billion).

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

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TBIC Spotlight Article: Turkey and Israel

This spotlight article provides a short economic overview of **Turkey and Israel**, two countries that are often overlooked, but play an important role in the economic landscape of Europe. Turkey shines as one of the world's newly industrialized countries, while Israel has maintained its status of high growth and a diversified economy for the last decade. Though these countries might not be as well represented as Germany, Switzerland or other European countries in the U.S., they still show a lot of economic potential.

In 2018, **Israel**, which is currently home to 8.88 million people, was placed on rank [22 in the Human Development Index \(HDI\) ranking](#). The HDI is a statistical tool used to measure a country's overall achievement in its social and economic dimensions. With the 22nd place, Israel ranked higher than other European countries like France, Spain or Italy. Israel's economy is characterized by high standards of living, high technology and modern infrastructure which continue to give the country the status of one of the most advanced economies in the world. Its current [GDP is USD 369.7 billion](#), which is a 3.3 percent growth compared to the previous year. Overall, Israel can show a consistent economic growth rate throughout the last decade. This is in part due to its strong educational infrastructure, which positively influences Israel's economy. Israel's biggest industry is high technology, which is also the fastest growing industry in the country. Due to its well-developed manufacturing industry and large production capacity, the manufacturing sector is also a big contributor to the Israeli economy. Another big sector for Israel's economy is the diamond industry. Israel is one of the leading centers for diamond cutting and polishing in the world, with the U.S. being the largest market for Israeli diamonds.

Last year, [Israel exported USD 61.9 billion](#). Overall, exports constitute 29 percent of Israel's GDP. The country's main export product groups are gems, electrical machinery and equipment and pharmaceuticals, while the fastest-growing export industries are mineral fuels with 59.5 percent, miscellaneous chemical goods with 17.6 percent and electrical machinery and equipment with 14.2 percent. With 28 percent of total exports, [Israel's main trading partner is the United States](#).

For the last couple of years, Israel did not only maintain a strong trade relationship with the U.S., they also [invested in several FDI projects](#). Currently, Israel makes up about 16 percent of U.S. FDI. In 2018, the total stock of FDI from Israel to the U.S. amounted to USD 38.5 billion. The industries with the most Israeli FDI projects in the U.S. are software and IT services, plastics, communications, renewable energy, medical devices and consumer products. These projects currently support about 24,000 U.S. jobs.

Turkey, a country with a current population of 81.4 million and a [GDP of USD 769 billion](#), showed an impressive economic and social development in the last two decades. Even though the traditional agricultural sector still plays a significant role, accounting for over one fifths of total employment, industrial growth has been significant over the last two decades. Some of the biggest industries are textiles, food processing, automotive and electronics. During the last decade Turkey emerged as the fastest growing economy in Europe. In the last two years this

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growth has slowed down due to a currency and debt crisis.

Political turbulences caused by the government's transition to an executive presidency, blocked economic reforms that were needed to further sustain the economic growth of the country. Nonetheless, Turkey's economy has shown resilience and is expected to recover from it in the near future. The numbers for the second quarter of 2019 show a [1.2 percent growth](#).

In 2018, [Turkey exported USD 168 billion](#), a 7 percent increase from the previous year. These growing export numbers continue to have a positive influence on the country's overall economy. Last year, exports constituted 7.3 percent of the Turkish GDP. The country's top export categories are vehicles, which make up 15.9 percent of total exports, machinery with 9.4 percent and iron and steel with 6.9 percent. The latter is also the fastest-growing export category with a 40.6 percent growth from 2017 to 2018. The U.S. is one of Turkey's most important export countries. Besides Germany, the United Kingdom and the United Arab Emirates, the U.S. makes up a total share of [5.5 percent of exports](#). Consumer goods and transportation equipment are the largest export categories between Turkey and the U.S.

Last year, Turkey was the [ninth fastest-growing source of FDI in the United States](#). Over the last couple of years, Turkish FDI in the U.S. more than doubled from USD 1 billion in 2014 to USD 2.4 billion in 2018. Metals, textiles, consumer products, chemicals, business services as well as IT and software services are the top industry sectors of Turkish FDI projects in the United States.

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