

Foreign Direct Investment to Acquire or Establish U.S. Businesses in 2000¹

Foreign direct investors' spending to acquire or establish U.S. businesses increased 17 percent to \$320.9 billion in 2000, according to preliminary estimates by the U.S. Bureau of Economic Analysis. Investment spending increased 28 percent to \$275.0 billion in 1999 after more than tripling in 1998.

The strong growth of the U.S. economy relative to other major industrial economies, coupled with soaring merger and acquisitions activities worldwide, has resulted in unprecedented levels of foreign direct investment establishing new businesses in the United States during the last 3 years. Particularly large acquisitions have been evident in industries where large companies predominate, such as in sectors involving petroleum, motor vehicles, food manufacturing, telecommunications, and financial services. In both the telecommunications and financial services industries, deregulation and rapid technological change during the latter half of the 1990's increased incentives for business consolidations.

European investors accounted for 75 percent of total investment spending during 1998-2000; up from 64 percent in 1995-97. Spending by British investors, investors from any other country. Spending by investors from the Netherlands, at \$47.9 billion, ranked sec-

ond. In Asia and Pacific, about three-fourths of the increase in outlays was accounted for by investors from Japan; investors from Singapore also contributed to the increase.

Outlays in 1992-2000

Table 1 shows investment outlays for the period 1992 to 2000, and table 2 shows distribution of investment outlays by size for the same period. By industry, outlays in 2000 (table 3) increased sharply in manufacturing (to \$144.9 billion from \$73.1 billion in 1999) and in professional, scientific, and technical services (to \$32.0 billion from \$9.4 billion). Within manufacturing, the largest increases were in food, petroleum, and computers and electronic products. Outlays decreased in information services, but at \$62.2 billion, they remained substantial. Within the information services category, outlays were largest in broadcasting and telecommunications and in information and data processing services, says the BEA report released in June 2001.

¹ This article was excerpted largely from the U.S. Department of Commerce, Bureau of Economic Analysis, "Foreign Direct Investors' Spending to Acquire or Establish U.S. Businesses Increased to \$321 Billion in 2000," *BEA 01-16*, June 6, 2001, found at Internet address <http://www.bea.doc.gov/bea/newsrel/fdi00.htm>, retrieved June 12, 2001.

Table 1
Investment Outlays, 1992-2000

(Million dollars)

Year	Outlays
1992	15,333
1993	26,229
1994	45,626
1995	57,195
1996	79,929
1997	69,708
1998	215,256
1999r	274,956
2000p	320,858

p=Preliminary.

r=Revised.

Source: U.S. Bureau of Economic Analysis, found at Internet address <http://www.bea.doc.gov/bea/newsrel/fdi00.htm>, retrieved July 11, 2001.

Table 2
Distribution of investment outlays by size, 1992-2000

(Percent)

	1992	1993	1994	1995	1996	1997	1998	1999r	2000p
Total outlays	100	100	100	100	100	100	100	100	100
\$5 billion or more	0	0	0	(D)	0	0	55	55	48
\$2 billion - \$4.999 billion	0	(D)	27	18	29	12	11	16	20
\$100 million - \$1.999 billion	42	51	51	48	55	67	27	24	28
Less than \$100 million	58	(D)	22	(D)	16	21	7	5	4

(D)=Suppressed to avoid disclosure of data of individual companies.

p=Preliminary.

r=Revised.

Source: U.S. Bureau of Economic Analysis, found at Internet address <http://www.bea.doc.gov/bea/newsrel/fdi00.htm>, retrieved July 11, 2001

Table 3
Investment Outlays by Industry of U.S. Business Enterprise, 1998-2000
(Million dollars)

	1998	1999r	2000p
All industries	215,256	274,956	320,858
Manufacturing	149,243	73,122	144,871
Food	1,286	859	(D)
Beverages and tobacco products	442	1,417	4,121
Petroleum and coal products	67,658	158	(D)
Chemicals	3,627	5,703	14,060
Plastics and rubber products	1,434	3,682	2,540
Nonmetallic mineral products	900	3,175	6,539
Primary metals	2,454	2,542	321
Fabricated metal products	532	1,388	467
Machinery	5,220	13,941	1,048
Computers and electronic products	17,861	30,601	43,945
Electrical equipment, appliances, and components	136	4,247	8,287
Transportation equipment	37,177	2,786	2,700
Other	10,516	2,667	6,643
Wholesale trade	3,321	(D)	7,486
Retail trade	1,153	3,458	(D)
Information	13,399	90,855	62,198
Publishing industries	9,856	(D)	9,387
Motion pictures and sound recording industries	36	(D)	(D)
Broadcasting and telecommunications	2,841	0	(D)
Information services and data processing services	667	(D)	12,502
Depository institutions	1,563	(D)	(D)
Finance (except depository institutions) and insurance	21,057	46,380	44,117
Real estate and rental and leasing	6,299	5,206	3,197
Professional, scientific, and technical services	4,289	9,366	31,999
Other industries	14,932	32,680	23,283

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Source: U.S. Bureau of Economic Analysis, found at Internet address
<http://www.bea.doc.gov/bea/newsrel/fdi00.htm>, retrieved July 11, 2001.

Table 4
Investment Outlays by Country of Ultimate Beneficial Owner, 1998-2000¹
(Million dollars)

	1998	1999r	2000p
All countries	215,256	274,956	320,858
Canada	22,635	9,271	27,536
Europe	170,173	196,288	244,705
France	14,493	23,750	26,508
Germany	39,873	21,514	16,887
Netherlands	19,009	22,265	47,909
Switzerland	4,525	7,512	22,485
United Kingdom	84,995	109,226	107,666
Other Europe	7,278	12,021	23,250
Latin America and Other Western Hemisphere	11,354	33,046	13,072
South and Central America	920	1,622	(D)
Other Western Hemisphere	10,433	31,424	(D)
Africa	212	(D)	(D)
Middle East	2,810	848	(D)
Asia and Pacific	7,329	15,100	33,278
Australia	(D)	(D)	(D)
Japan	4,862	11,696	25,343
Other Asia and Pacific	(D)	(D)	(D)
United States ²	743	(D)	(D)

(D)=Suppressed to avoid disclosure of data of individual companies.

p=Preliminary.

r=Revised.

¹ For investments in which more than one investor participated, each investor and each investor's outlays are classified by country of each ultimate beneficial owner.

² The United States is shown as the country of ultimate beneficial owner for businesses newly acquired or established by foreign investors that are, in turn, ultimately owned by persons located in the United States.

Source: U.S. Bureau of Economic Analysis, found at Internet address <http://www.bea.doc.gov/bea/newsrel/fdi00.htm>, retrieved July 11, 2001.

Table 5
Selected operating data of U.S. businesses acquired or established, by industry of U.S. business enterprise, 1999-2000

	1999r					2000p				
	Total assets	Sales	Net income	Employees	Land owned ¹	Total assets	Sales	Net income	Employees	Land owned ¹
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Thousands</i>	<i>Hectares</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Thousands</i>	<i>Hectares</i>
All industries	454,012	124,253	895	602.7	582,642	446,838	142,315	7,454	645.5	310,301
Manufacturing . . .	73,715	42,219	-912	210.4	92,156	143,857	57,515	3,724	173.2	207,939
Wholesale trade .	4,098	11,886	-229	45.2	1,089	6,163	12,579	239	27.2	570
Retail trade	5,807	10,099	-23	55.5	(D)	6,831	8,508	-62	69.5	(D)
Information	40,257	12,276	221	47.2	50	41,235	13,063	-345	47.7	1,392
Depository	111,205	(D)	20	J	235	11,506	(D)	(D)	G	(D)
institutions										
Finance (except . .	164,780	13,448	2,309	29.5	1,239	175,930	19,337	2,307	41.9	116
depository										
institutions) and										
insurance										
Real estate	6,604	(D)	67	I	4,401	4,741	(D)	(D)	G	4,506
and rental and										
leasing										
Professional,	3,273	2,196	-194	15.4	(D)	30,351	9,738	628	70.8	(D)
scientific, and										
technical										
services										
Other industries . .	44,272	20,310	-362	179.5	482,066	26,224	19,967	790	210.9	95,088

(D)=Suppressed to avoid disclosure of data of individual companies.

p=Preliminary.

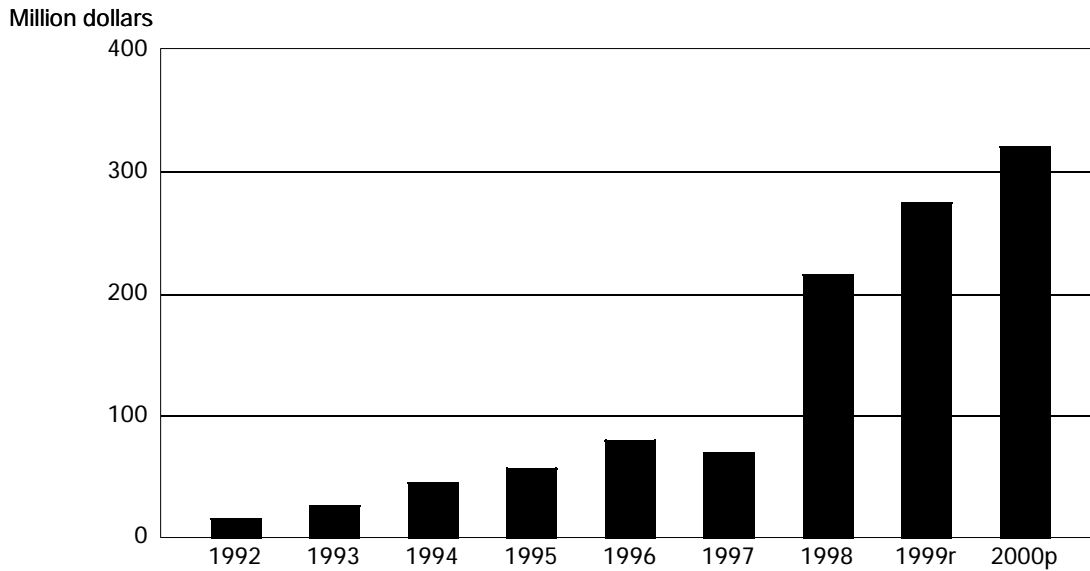
r=Revised.

¹ One hectare equals 2.471 acres. Thus, for all industries, the number of acres of land owned in 1999 and 2000 were 1,439,708 and 766,754, respectively.

Notes.—For newly acquired businesses, data cover the most recently completed financial reporting year. For newly established businesses, data are projections for the first full year of operations. Size ranges are given in employment cells that are suppressed. The size ranges are: A—1 to 499; F—500 to 999; G—1,000 to 2,499; H—2,500 to 4,999; I—5,000 to 9,999; J—10,000 to 24,999; K—25,000 to 49,999; L—50,000 to 99,999; M—100,000 or more.

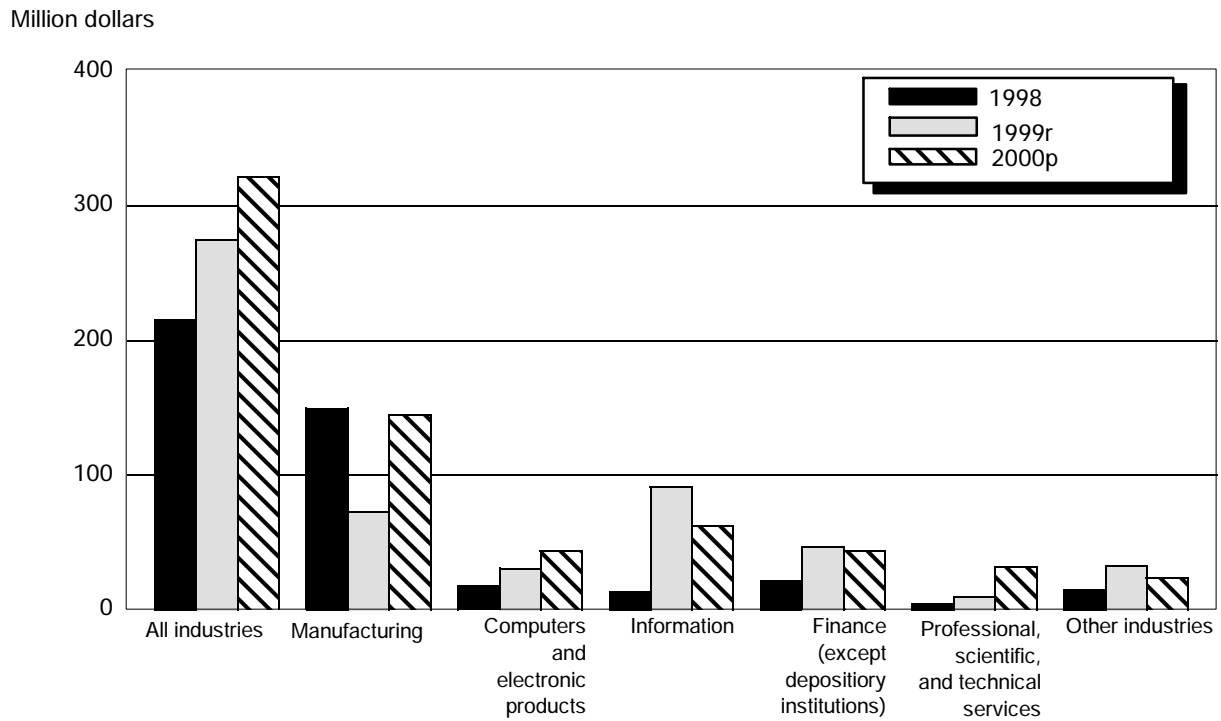
Source: U.S. Bureau of Economic Analysis, found at Internet address <http://www.bea.doc.gov/bea/newsrel/fdi00.htm>, retrieved July 11, 2001.

Figure 1
Investment outlays, 1992-2000



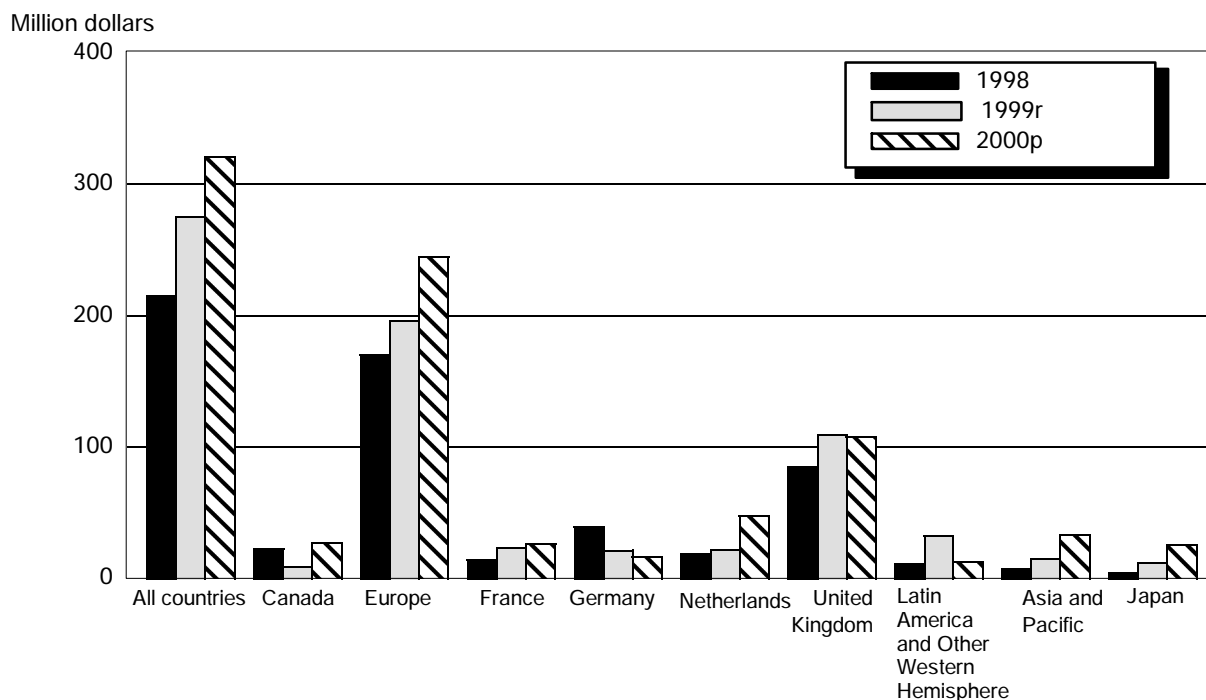
Source: U.S. Bureau of Economic Analysis.

Figure 2
Investment Outlays by Major Industry of U.S. Business Enterprises, 1998-2000



Source: U.S. Bureau of Economic Analysis.

Figure 3
Investment Outlays by Country of Ultimate Beneficial Owner (UBO), 1998-2000



Source: U.S. Bureau of Economic Analysis.

Table 4 shows that outlays by investors from Canada, Europe, and Asia and Pacific increased, as measured by country of ultimate beneficial owner (UBO). In Europe, most of the increase was accounted for by investors from the Netherlands, Switzerland, as well as the category of "Other Europe," in particular the countries of Spain, Finland, and Belgium. Spending by investors from the Netherlands, at \$47.9 billion, ranked second. In Asia and Pacific, about three-fourths of the increase in outlays was accounted for by investors

from Japan; investors from Singapore also contributed to the increase.

Employment Gains in Newly Acquired and Established Businesses

U.S. businesses that were newly acquired or established by foreign investors in 2000 employed 646,000