



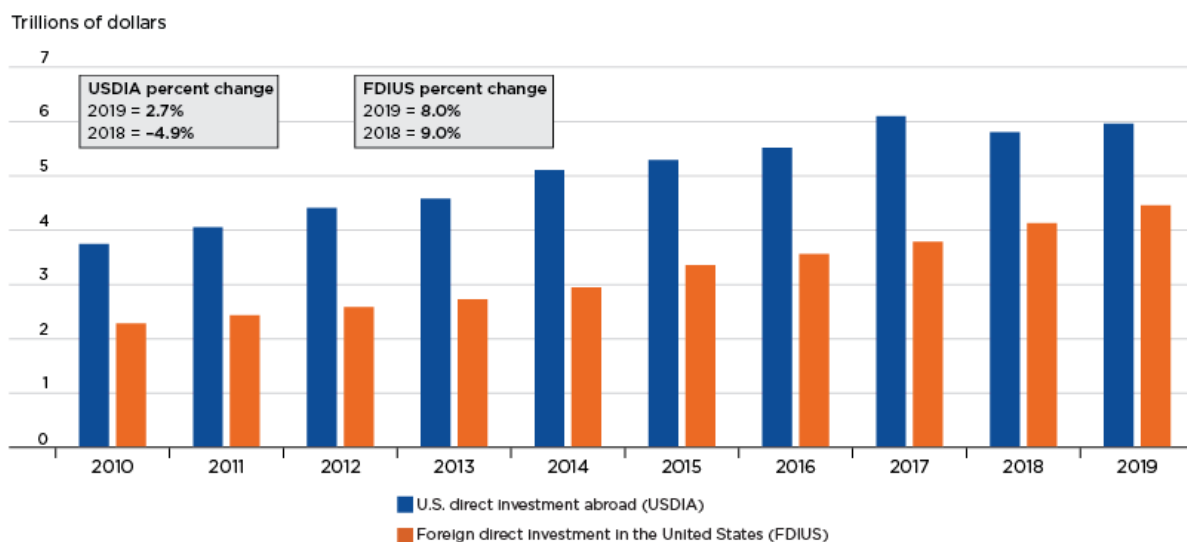
Visual Essay

Direct Investment by Country and Industry for 2019

The Bureau of Economic Analysis (BEA) recently released statistics on [direct investment by country and industry for 2019](#). These statistics cover both U.S. direct investment abroad (USDIA, or outward investment) and foreign direct investment in the United States (FDIUS, or inward investment). The statistics cover positions (or cumulative stock of investment), financial transactions, and income, as well as their components, and are obtained from mandatory surveys of direct investment conducted by BEA.

The following charts present highlights of BEA's direct investment by country and industry statistics for 2019. Much more detail, including additional data items, can be found on the [BEA website](#).

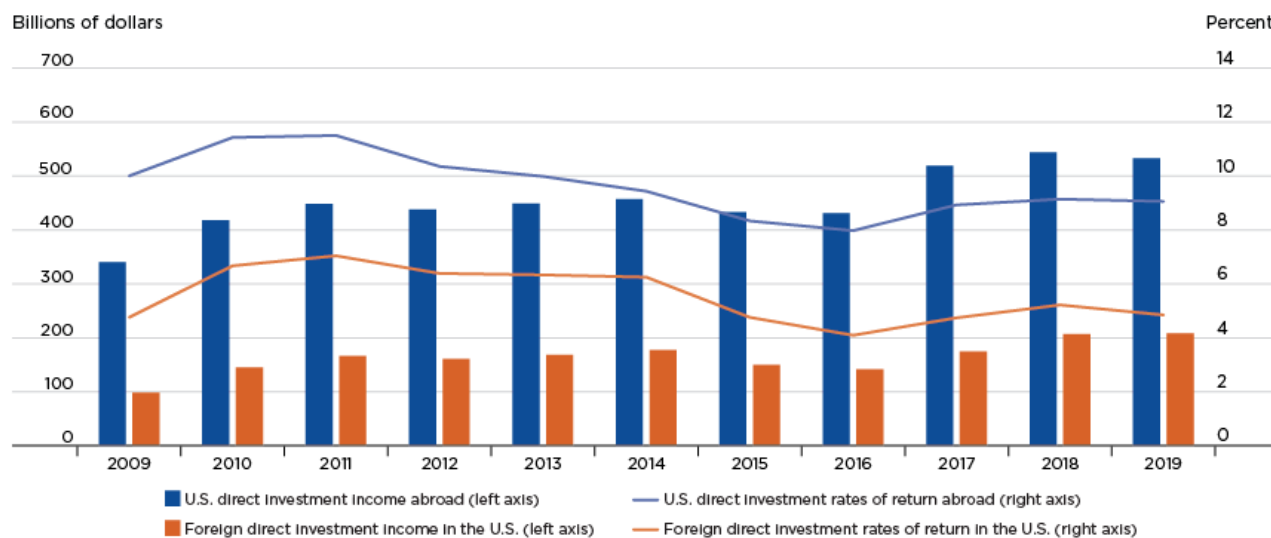
Chart 1. Direct Investment Positions, 2010–2019



U.S. Bureau of Economic Analysis

- The U.S. direct investment abroad position increased \$158.6 billion, or 2.7 percent, to \$5.96 trillion at the end of 2019, reversing the decrease seen in 2018 when there were record repatriation of previously earned foreign profits as a result of the Tax Cuts and Jobs Act (TCJA). (See BEA's [FAQ](#) on the topic.)
- The foreign direct investment position in the United States increased \$331.2 billion, or 8.0 percent, to \$4.46 trillion at the end of 2019 from \$4.13 trillion at the end of 2018.

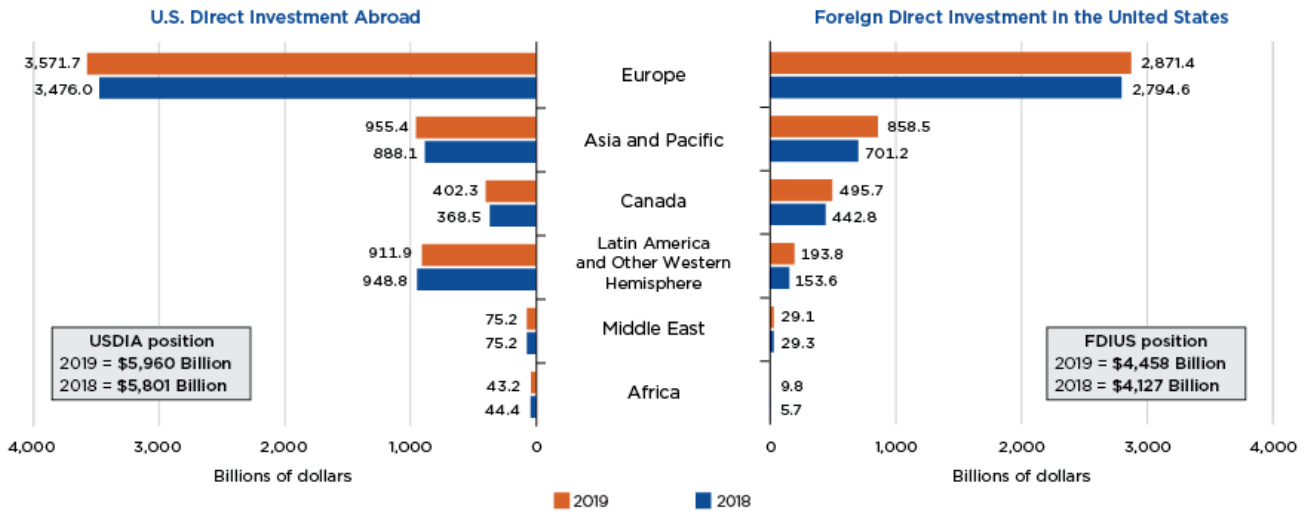
Chart 2. Direct Investment Income and Rates of Return



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- In 2019, U.S. multinational enterprises (MNEs) earned \$532.7 billion on their investments abroad, a 2 percent decrease from \$544.0 billion earned in 2018.
- Foreign MNEs earned \$208.1 billion on their U.S. investments in 2019, up slightly from \$206.5 billion earned in 2018.
- The rate of return for outward investment was 9 percent in 2019, while the inward rate of return was 5 percent. Both rates of return were slightly below their 10-year averages in 2019

Chart 3. Direct Investment Positions, 2018–2019

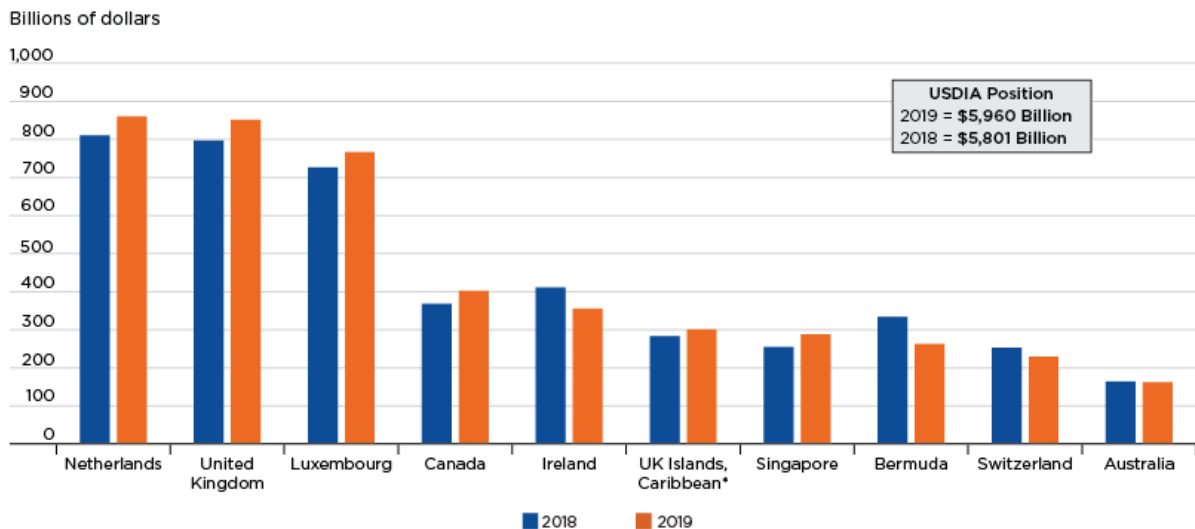


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- Europe was the largest source and destination of U.S. direct investment, accounting for 60 percent of U.S. direct investment position abroad and 64 percent of foreign direct investment position in the United States.
- Foreign direct investment in the United States increased from every region, with the largest increase from the Asia and Pacific region.
- The value of U.S. direct investment in Europe, Asia and Pacific, and Canada increased in 2019. Investment in Latin America and Other Western Hemisphere and Africa decreased, while investment in the Middle East remained unchanged.

U.S. Direct Investment Abroad

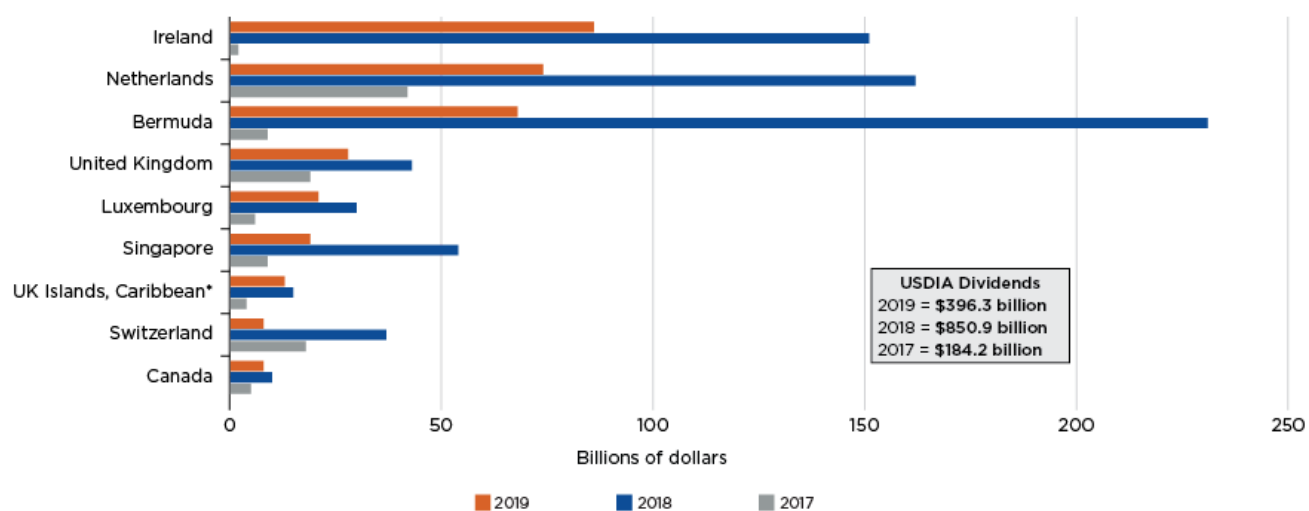
Chart 4. Top Ten Host Countries for U.S. Direct Investment Position Abroad, 2018–2019



* Includes British Virgin Islands, Cayman Islands, Montserrat, and Turks and Caicos Islands
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- The top 10 host countries accounted for 75 percent of the stock of U.S. direct investment abroad in 2019.
- The U.S. direct investment position abroad remained the largest in the Netherlands at \$860.5 billion, followed by the United Kingdom (\$851.4 billion) and Luxembourg (\$766.1 billion).
- Canada (\$402.3 billion) moved up one position from 2018 to be the fourth largest host economy, moving Ireland (\$354.9 billion) into fifth.

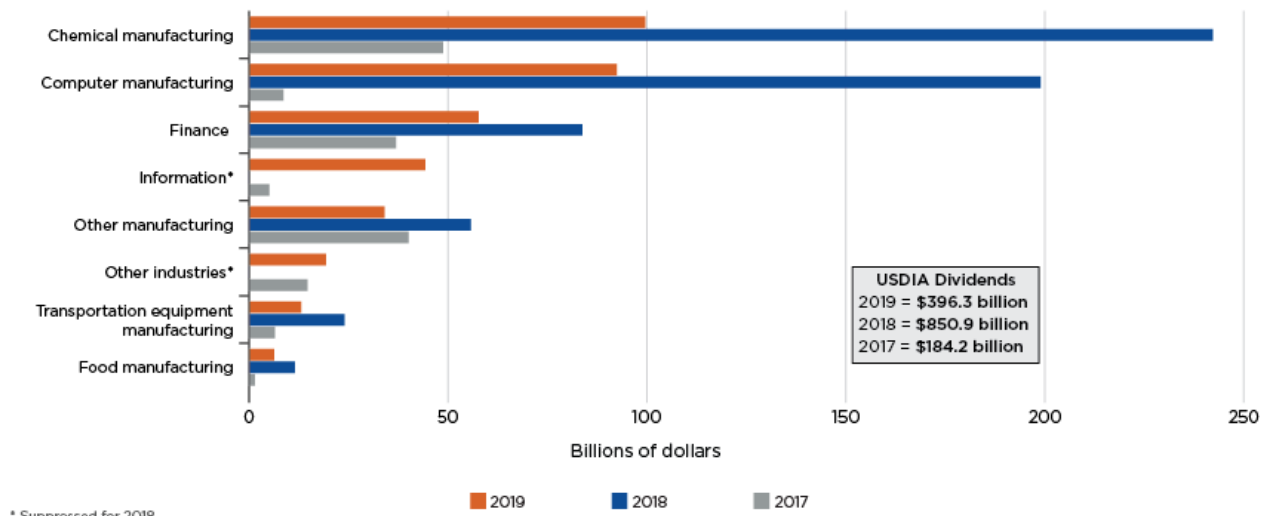
Chart 5. U.S. Direct Investment Abroad Dividends by Country of Affiliate, 2017-2019



* Includes British Virgin Islands, Cayman Islands, Montserrat, and Turks and Caicos Islands
 U.S. Bureau of Economic Analysis

- The TCJA generally eliminated taxes on dividends, or repatriated earnings, to U.S. multinationals from their foreign affiliates beginning in 2018.
- In 2019, U.S. multinationals repatriated \$396.3 billion from their affiliates abroad. This is a decrease of \$454.6 billion from the record repatriations in 2018 of \$850.9 billion but still more than twice the average annual dividends from the 10 years prior to the TCJA.
- By country, more than half of the dividends in 2019 were repatriated from affiliates in three countries: Ireland (\$85.8 billion), the Netherlands (\$74.3 billion), and Bermuda (\$67.9 billion).

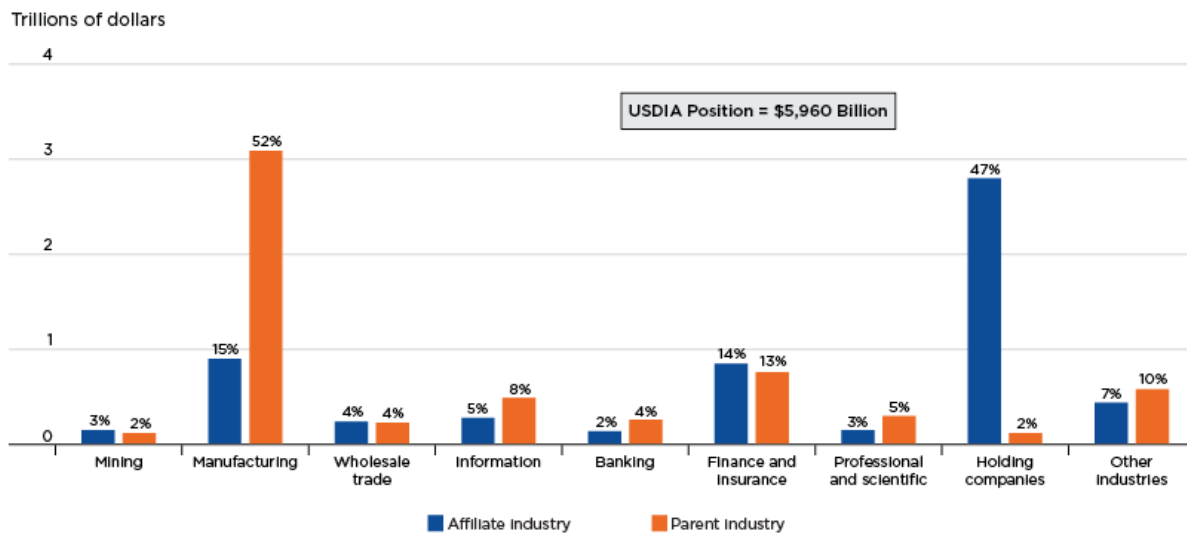
Chart 6. U.S. Direct Investment Abroad Dividends by Industry of U.S. Parent, 2017–2019



* Suppressed for 2018
U.S. Bureau of Economic Analysis

- By industry, U.S. multinationals in chemical manufacturing (\$99.6 billion) and computers and electronic products manufacturing (\$92.5 billion) repatriated nearly half of all dividends in 2019.

Chart 7. U.S. Direct Investment Position Abroad, by Industry of Affiliate and by Industry of Parent, 2019

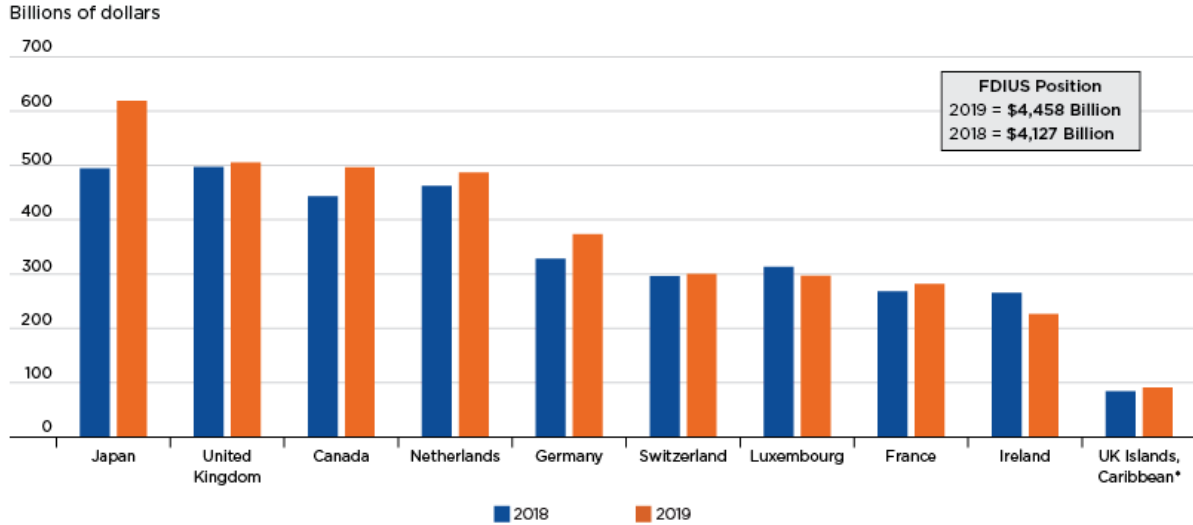


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- U.S. parent companies invest in a variety of industries, but nearly half of the overall U.S. direct investment position abroad is in holding companies. These companies own other foreign affiliates that operate in a variety of industries.
- By industry of the U.S. parent, investment by manufacturing multinationals accounted for 51.9 percent of the position, followed by MNEs in finance and insurance (12.8 percent).

Foreign Direct Investment in the United States

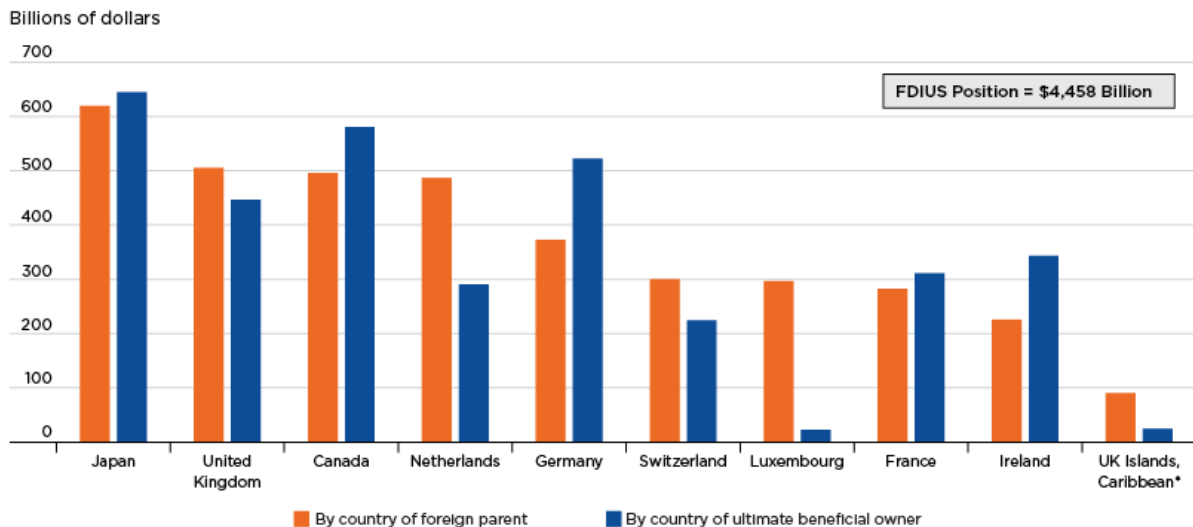
Chart 8. Top Ten Investing Countries for Foreign Direct Investment in the United States, 2018-2019



* Includes British Virgin Islands, Cayman Islands, Montserrat, and Turks and Caicos Islands
U.S. Bureau of Economic Analysis

- The top five investing countries accounted for more than half of the foreign direct investment position in the United States. The top 10 investing countries accounted for 84 percent.
- Japan moved up one position from 2018 to be the top investing country in 2019, with a position of \$619.3 billion, moving the United Kingdom to second, with \$505.1 billion.
- Canada and the Netherlands switched places as the third and fourth largest investing countries, with \$495.7 billion and \$487.1 billion, respectively.

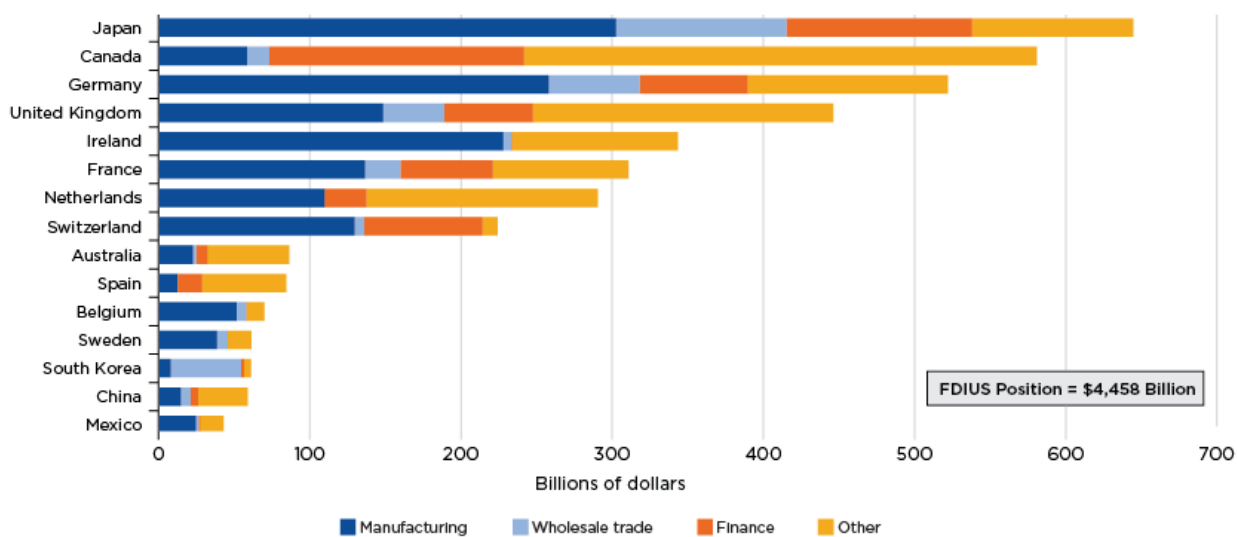
Chart 9. Foreign Direct Investment Position in the United States by Country of Foreign Parent and of the Ultimate Beneficial Owner, 2019



* Includes British Virgin Islands, Cayman Islands, Montserrat, and Turks and Caicos Islands
U.S. Bureau of Economic Analysis

- Multinational enterprises can have complex ownership structures. To provide a more complete picture of these structures, BEA produces two sets of statistics on the ownership of foreign direct investment in the United States. The first, by country of foreign parent, focuses on the country of the immediate investor. The second, by country of the ultimate beneficial owner (UBO), shows where the ultimate owner of the U.S. affiliate is located.
- Multinationals from Japan tend to own their U.S. affiliates directly, and the Japanese position by country of foreign parent, \$619.3 billion, and by country of UBO, \$644.7 billion, are close.
- Investments by German multinationals tend to pass through other entities in the ownership chain before entering the United States. The German position by country of foreign parent, \$372.9 billion, is less than by country of UBO, \$522.0 billion.
- Entities in some countries, including Luxembourg and the Netherlands, act as pass-through entities for multinationals based in other countries. The Luxembourg position by country of foreign parent, \$297.1 billion, is much greater than the position by country of UBO, \$22.8 billion.

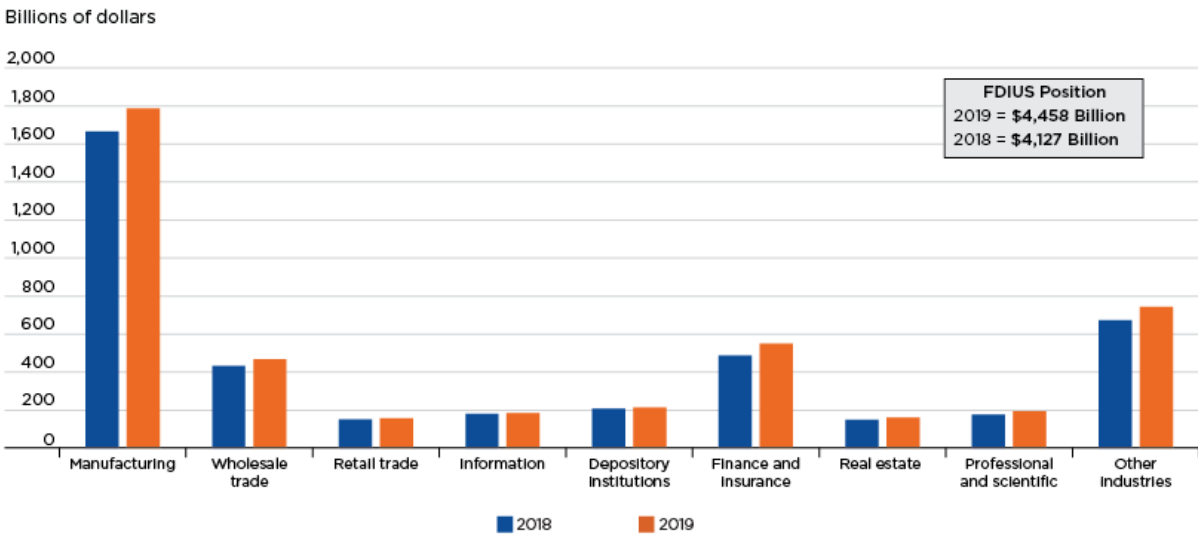
Chart 10. Foreign Direct Investment Position in the United States by Country of Ultimate Beneficial Owner and Industry of U.S. Affiliate, 2019



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- By country of UBO, the top 10 countries account for 80 percent of the foreign direct investment position in the United States. Japan had the largest position, with \$644.7 billion in 2019, followed by Canada (\$580.8 billion) and Germany (\$522.0 billion).
- Japanese and German multinationals primarily invest in the U.S. manufacturing sector, with manufacturing affiliates accounting for 46.9 percent and 49.4 percent of their investments, respectively.

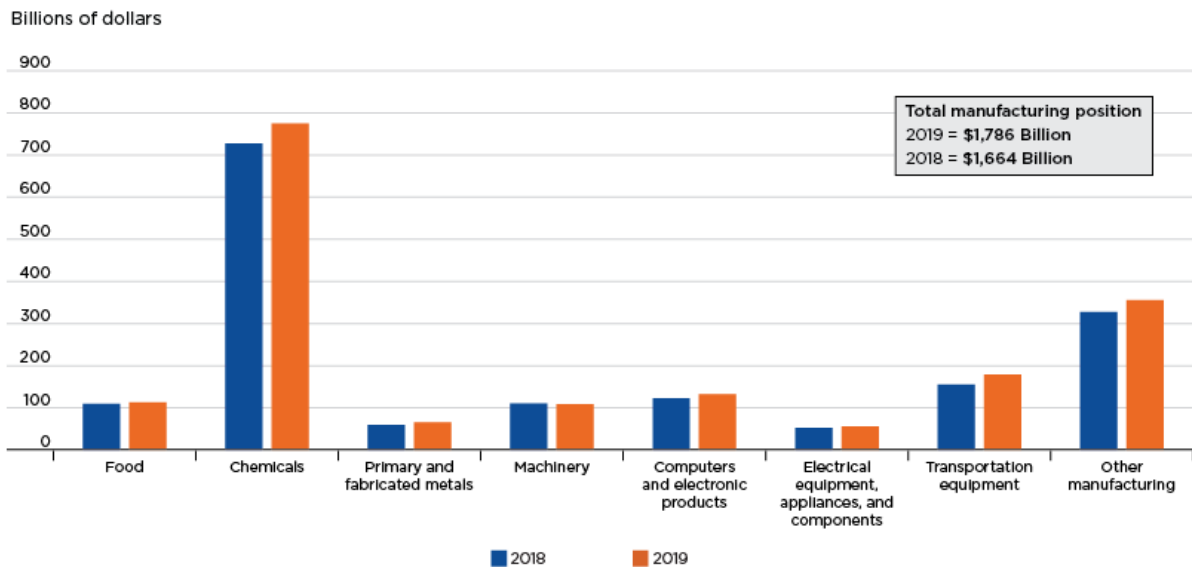
Chart 11. Foreign Direct Investment Position in the United States by Industry, 2018–2019



U.S. Bureau of Economic Analysis

- In 2019, 40.1 percent of the foreign direct investment position in the United States, or nearly \$1.8 trillion, was invested in the U.S. manufacturing industry.
- Finance and insurance was the second largest industry, with 12.3 percent, or \$549.7 billion, and wholesale trade was third at with 10.5 percent, or \$467.2 billion.

Chart 12. Foreign Direct Investment Position in the United States Manufacturing Industry, 2018–2019



U.S. Bureau of Economic Analysis

- Within manufacturing, the largest share of foreign direct investment was in chemicals, accounting for 43.4 percent of the total investment in the sector.
- Pharmaceutical manufacturing comprises two-thirds of the foreign direct investment position in chemical manufacturing.

Key Terms

- **Direct investment** is an investment by an entity resident in one economy that represents a lasting interest, defined as 10 percent or more voting ownership, in an enterprise resident in another economy.
- A **foreign affiliate** is a foreign business enterprise that is at least 10 percent owned by a single U.S. person or entity.
- A **U.S. parent** is a U.S. person or entity that owns 10 percent or more of a foreign business enterprise.
- A **U.S. affiliate** is a U.S. business enterprise that is at least 10 percent owned by a single foreign person or entity.
- A **foreign parent** is the first person or entity outside the United States in a U.S. affiliate's ownership chain that has a direct investment interest in the affiliate.
- The **ultimate beneficial owner (UBO)** is the person or entity, proceeding up a U.S. affiliate's ownership chain, beginning with the foreign parent, that is not owned more than 50 percent by another entity. The UBO ultimately owns or controls, and thus ultimately derives the benefits and assumes the risks from owning or controlling, an affiliate. The country of the UBO is often the same as that of the foreign parent, but it may be a different country or the United States.
- The **direct investment position** is the value of direct investors' equity in, and net outstanding loans to, their affiliates. Changes in the position result from financial transactions and other changes, including capital gains and losses, currency-translation adjustments, and other changes in volume and valuation, such as adjustments to book value from affiliates' current sale or purchase price.
- **Income** includes income on equity—whether profits or losses and whether distributed or reinvested—and net interest on debt.

Statistical Conventions

- BEA's direct investment statistics are primarily based on data reported in the Quarterly Survey of U.S. Direct Investment Abroad (BE-577) and the Quarterly Survey of Foreign Direct Investment in the United States (BE-605). Both surveys are conducted by BEA.
- The countries identified in this article reflect the location of the immediate counterpart, unless otherwise noted. The countries identified for the U.S. direct investment abroad position may not reflect the ultimate destination of the funds. Likewise, the countries identified for the foreign direct investment position in the United States may not reflect the ultimate source of the funds, which is often the ultimate beneficial owner.
- The direct investment positions in this article are valued at historical cost. Positions reflect the book value of direct investors' equity in, and net outstanding loans to, their affiliates. This valuation is derived principally from the accounting records of affiliates, which are primarily compiled under U.S. Generally Accepted Accounting Principles or International Financial Reporting Standards. This differs from the market value measure featured in the U.S. International Investment Position Accounts.
- This article presents statistics on a directional basis rather than the on the asset/liability basis featured in the U.S. International Transactions Accounts and the U.S. International Investment Position Accounts. On a directional basis, direct investment claims and liabilities are classified according to whether the direct investor is a U.S. resident or a foreign resident. U.S. direct investment abroad occurs between a U.S. parent and its foreign affiliates. Foreign direct investment in the United States occurs between a foreign parent and its U.S. affiliates. On an asset/liability basis, direct investment statistics are organized according to whether the investment relates to an asset or liability for U.S. parents or for U.S. affiliates of foreign parents.