NEWS RELEASE

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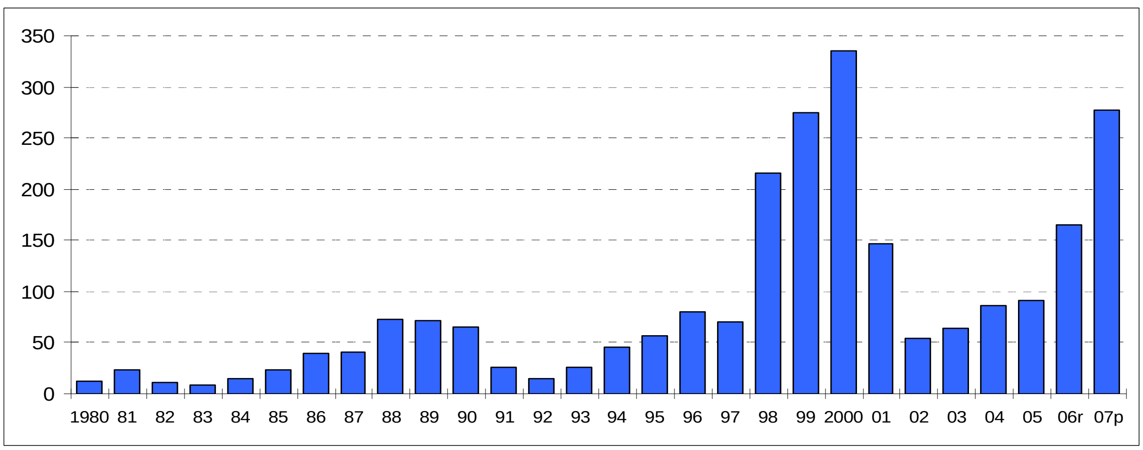
Y. Louise Ku-Graf: (202) 606-9894 BEA 08-23

Foreign Direct Investors' Outlays to Acquire or Establish U.S. Businesses Increased in 2007

Outlays by foreign direct investors to acquire or to establish U.S. businesses increased sharply in 2007 after also increasing strongly in 2006. Outlays reached $276.8 billion in 2007, the second largest recorded and the highest since 2000, when new investment outlays peaked at $335.6 billion.

Outlays for New Investment in the United States by Foreign Direct Investors, 1980-2007

Billion $



p – Preliminary
r – Revised

NOTE.—Outlays consist of expenditures by foreign investors to acquire or establish U.S. business enterprises (U.S. affiliates) in which they own at least 10 percent of the voting securities, or the equivalent. Outlays differ from financial flows for foreign direct investment in the United States as recorded in the international transactions accounts (balance of payments). Unlike financial flows, outlays can reflect domestic as well as foreign sources of funding and are limited to transactions involving new U.S. affiliates. Financial flows, in contrast, include financing of both existing and new U.S. affiliates and reflect sell-offs and other subtractions from investment as well as additions.

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Outlays increased most substantially in manufacturing, which accounted for nearly half of total investment outlays in 2007. Outlays were also sizable in "other industries" (mostly in transportation and warehousing, utilities, and mining), finance (except depository institutions) and insurance, real estate and rental and leasing, and depository institutions.

Outlays by investors from most major geographic areas increased. Outlays from Europe increased substantially. Overall, the outlays from Europe accounted for more than half of the worldwide total. Outlays from Canada, Asia and Pacific, and the Middle East also rose considerably.

Outlays in 2007

In 2007, as in previous years, most outlays by foreign direct investors were to acquire existing U.S. businesses. These outlays totaled $255.0 billion, compared with $21.9 billion in outlays to establish new U.S. businesses. Outlays made by, or through, existing U.S. affiliates were $174.5 billion, compared with $102.3 billion in outlays made directly by foreign investors.

By industry, outlays in manufacturing more than doubled to $135.2 billion in 2007 from $56.3 billion in 2006. Within manufacturing, the largest increase was in chemicals; nearly half of the 2007 outlays in chemicals were to acquire pharmaceuticals and medicines manufacturers. Outlays also increased substantially in transportation equipment (mostly for acquisitions of motor vehicle parts manufacturers), primary metals (mostly for acquisitions of companies manufacturing steel products), and machinery (mostly for acquisitions of manufacturers of engines, turbines, and power transmission equipment). Outlays in retail trade, depository institutions, real estate, and "other industries" also increased. In retail trade, most of the outlays were to acquire food and beverage stores, health and personal care stores, and clothing and clothing accessories stores. In "other industries," most of the outlays were in transportation and warehousing, utilities, and mining.

By country of ultimate beneficial owner, outlays by European investors increased 37 percent to $146.5 billion in 2007, and accounted for more than half of total outlays. Outlays in manufacturing, depository institutions, retail trade, and "other industries" fueled much of the growth. The increase in spending by European investors was more than accounted for by British investors; most of the 2007 outlays by British investors were in manufacturing. Outlays by Canadian investors more than tripled, reflecting stepped-up investments in manufacturing, finance (except depository institutions) and insurance, and "other industries," particularly in transportation and warehousing. Outlays by investors from the Asia and Pacific region rose substantially in 2007, as outlays by investors from Australia, Singapore, and Korea increased significantly. Outlays by investors from Australia in the real estate and rental and leasing industry more than tripled. Outlays from the Middle East also rose substantially, reflecting higher spending from Saudi Arabia and the United Arab Emirates. In 2007, more than half of the outlays by investors from the Middle East were in manufacturing.

The ultimate beneficial owner is the investor, proceeding up a U.S. affiliate's ownership chain, beginning with the foreign parent, that is not owned more than 50 percent by another investor. The data on new investment outlays are classified by country based on the location of the UBO; thus, they are shown against the country of the investor that ultimately owns or controls the affiliate, even though the investor may have channeled the funds for the investment though another country, such as a financial center.

The estimates of outlays for 2007 are preliminary. The estimates of outlays for 2006 have been revised up 3 percent from the preliminary estimates published last year.

Employment and assets of newly acquired or established businesses

U.S. businesses that were newly acquired or established by foreign direct investors employed 487,600 people, more than double the 223,400 people employed by businesses that were newly acquired or established in 2006. Manufacturing and retail trade—with 147,500 and 143,600 employees, respectively—accounted for the largest shares of employment. Combined, these industries accounted for 60 percent of total employment by U.S. businesses that were newly acquired or established by foreign direct investors. Professional, scientific, and technical services accounted for 29,500 employees. The total assets of newly acquired or established businesses were $455.9 billion, up from $375.8 billion in 2006. Total assets of the firms acquired or established differ from outlays. Because assets can be financed not only by funds from foreign direct investors but also by funds from other owners and lenders, assets of the newly established or acquired U.S. affiliates generally will exceed the related investment outlays.

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Estimates in this report are based upon a Bureau of Economic Analysis survey that covers (1) existing U.S. business enterprises in which foreign investors acquired, either directly or through their U.S. affiliates, at least a 10 percent ownership interest and (2) new U.S. business enterprises established by foreign investors or their U.S. affiliates, also using the 10 percent ownership interest threshold.

Additional details on the new investments by foreign investors in 2007 will appear in the June issue of the *Survey of Current Business*, the monthly journal of the Bureau of Economic Analysis.

Discontinuation of New Investment Series

In order to align its programs with available funding, BEA is eliminating the survey of new foreign direct investment in the United States. The last release in this series, which will present data on new investment by foreign direct investors in 2008, will be in June 2009. BEA will continue to collect extensive data on foreign direct investment in the United States, but it will no longer be able to separately identify the portion accounted for by investments in newly acquired or established U.S. affiliates.

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Table 1. Investment Outlays by Type of Investment and Investor, 1992–2007

[Millions of dollars]

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 r	2007 p
Total outlays	**15,333**	**26,229**	**45,626**	**57,195**	**79,929**	**69,708**	**215,256**	**274,956**	**335,629**	**147,109**	**54,519**	**63,591**	**86,219**	**91,390**	**165,603**	**276,835**
By type of investment:																
U.S. businesses acquired	10,616	21,761	38,753	47,179	68,733	60,733	182,357	265,127	322,703	138,091	43,442	50,212	72,738	73,997	148,604	254,972
U.S. businesses established	4,718	4,468	6,873	10,016	11,196	8,974	32,899	9,829	12,926	9,017	11,077	13,379	13,481	17,393	16,999	21,863
By type of investor:																
Foreign direct investors	4,058	6,720	13,628	11,927	32,230	13,899	120,828	120,878	105,151	23,134	13,650	27,866	34,184	40,304	44,129	102,339
U.S. affiliates	11,275	19,509	31,999	45,268	47,699	55,809	94,428	154,078	230,478	123,975	40,869	35,725	52,035	51,086	121,474	174,496

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Source: U.S. Bureau of Economic Analysis

Table 2. Distribution of Investment Outlays by Size, 1992–2007

[Percent]

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 r	2007 p
Total outlays	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
$5 billion or more	0	0	0	(D)	0	0	55	55	48	30	(D)	(D)	(D)	0	18	22
$2 billion — $4.999 billion	0	(D)	27	18	29	12	11	16	20	22	18	(D)	13	28	30	28
$100 million — $1.999 billion	42	51	51	48	55	67	27	24	27	40	45	43	47	59	45	48
Less than $100 million	58	(D)	22	(D)	16	21	7	5	5	9	(D)	12	(D)	13	7	2

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D Suppressed to avoid disclosure of data of individual companies.
Source: U.S. Bureau of Economic Analysis

Table 3. Investment Outlays by Industry of U.S. Business Enterprise, 2004–2007

[Millions of dollars]

	2004	2005	2006 r	2007 p
All industries	**86,219**	**91,390**	**165,603**	**276,835**
Manufacturing	**18,251**	**34,036**	**56,330**	**135,194**
Food	2,146	1,646	1,857	(D)
Beverages and tobacco products	(D)	(D)	4,668	2,479
Textiles, apparel, and leather products	(D)	(D)	(D)	190
Paper	120	(D)	(D)	3,316
Printing and related support activities	(D)	(D)	(D)	0
Petroleum and coal products	(D)	225	0	(D)
Chemicals	4,751	9,598	12,335	57,764
Plastics and rubber products	84	1,636	86	4,287
Nonmetallic mineral products	153	388	1,439	(D)
Primary metals	(D)	4,877	4,598	12,812
Fabricated metal products	(D)	111	884	4,289
Machinery	642	382	1,827	9,603
Computers and electronic products	2,934	3,596	(D)	8,795
Electrical equipment, appliances, and components	(D)	747	1,660	7,900
Transportation equipment	1,199	5,942	1,267	10,064
Other	969	4,663	6,562	9,694
Wholesale trade	**(D)**	**3,489**	**8,273**	**6,046**
Retail trade	**3,073**	**1,262**	**1,295**	**8,359**
Information	**4,315**	**8,487**	**10,341**	**9,694**
Publishing industries	1,274	2,555	5,068	3,911
Motion picture and sound recording industries	(D)	(D)	(D)	0
Telecommunications	(D)	(D)	4,308	3,562
Other	2,783	2,085	(D)	2,220
Depository institutions	**(D)**	**7,973**	**7,547**	**15,255**
Finance (except depository institutions) and insurance	**26,234**	**5,529**	**33,776**	**24,251**
Real estate and rental and leasing	**6,335**	**8,756**	**12,441**	**20,631**
Professional, scientific, and technical services	**(D)**	**6,407**	**8,923**	**9,984**
Other industries	**10,121**	**15,453**	**26,677**	**47,422**

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Source: U.S. Bureau of Economic Analysis

Table 4. Investment Outlays by Country of Ultimate Beneficial Owner, 2004–2007

[Millions of dollars]

	2004	2005	2006 r	2007 p
All countries	**86,219**	**91,390**	**165,603**	**276,835**
Canada	**31,502**	**13,640**	**12,121**	**41,072**
Europe	**43,815**	**56,416**	**106,732**	**146,471**
France	6,415	5,608	18,140	17,090
Germany	4,788	7,239	20,514	13,999
Netherlands	461	2,609	4,769	8,886
Switzerland	6,505	2,332	12,401	3,531
United Kingdom	23,288	30,420	26,261	67,524
Other Europe	2,358	8,206	24,648	35,440
Latin America and Other Western Hemisphere	**2,629**	**5,042**	**(D)**	**6,692**
South and Central America	1,382	980	2,273	5,624
Other Western Hemisphere	1,247	4,062	(D)	1,067
Africa	**(D)**	**(D)**	**(D)**	**97**
Middle East	**1,318**	**5,068**	**11,755**	**27,408**
Asia and Pacific	**6,015**	**10,924**	**15,759**	**36,933**
Australia	3,850	4,713	5,650	15,222
Japan	1,027	4,245	8,350	8,541
Other Asia and Pacific	1,139	1,966	1,758	13,170
United States [1]	**(D)**	**(D)**	**(D)**	**18,163**

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D Suppressed to avoid disclosure of data of individual companies.
1. The United States is the country of ultimate beneficial owner for businesses newly acquired or established by foreign investors that are ultimately owned by persons located in the United States.
NOTE. For investments in which more than one investor participated, each investor and each investor's outlays are classified by the country of each individual ultimate beneficial owner.
Source: U.S. Bureau of Economic Analysis

Table 5. Selected Operating Data of U.S. Business Enterprises Acquired or Established, by Industry of U.S. Business Enterprise, 2006–2007

	2006 r					2007 p				
	Millions of dollars			Thousands of employees	Hectares of land [1]	Millions of dollars			Thousands of employees	Hectares of land [1]
	Total assets	Sales	Net income			Total assets	Sales	Net income		
All industries	**375,772**	**80,157**	**2,912**	**223.4**	**(D)**	**455,865**	**179,107**	**7,694**	**487.6**	**364,025**
Manufacturing	89,246	30,828	1,283	85.2	10,535	169,684	94,792	4,618	147.5	318,596
Wholesale trade	7,395	9,267	413	15.8	(D)	7,496	7,103	170	14.4	171
Retail trade	1,589	2,264	164	6.8	(D)	16,537	30,099	61	143.6	714
Information	16,290	4,841	–5	15.3	(D)	10,311	4,949	46	10.0	120
Depository institutions	93,501	3,575	872	15.0	270	67,960	3,192	588	14.4	299
Finance (except depository institutions) and insurance	103,764	9,398	–855	11.9	(D)	81,045	7,928	1,011	16.0	15
Real estate and rental and leasing	17,406	2,648	8	1.5	7,595	30,781	2,758	387	2.2	12,758
Professional, scientific, and technical services	8,067	1,978	200	10.5	(D)	11,404	4,763	–93	29.5	32
Other industries	38,512	15,357	831	61.3	(D)	60,648	23,524	908	110.0	31,320

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1. One hectare equals 2.471 acres. Thus, for all industries, acres of land owned in 2007 was 899,506.

NOTE. For newly acquired businesses, the data cover the most recent financial reporting year preceding acquisition. For newly established businesses, the data are projections for the first full year of operations.
Source: U.S. Bureau of Economic Analysis