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Foreign Direct Investors' Spending to Acquire or Establish
U.S. Businesses Increased to \$321 Billion in 2000

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. Spending increased 28 percent to \$275.0 billion in 1999 after more than tripling in 1998.

The unprecedented levels of new investment spending in the last 3 years have coincided with soaring worldwide merger and acquisition activity and with strong growth of the U.S. economy, particularly when compared with that of many of the other major industrialized countries. In these three years, foreign direct investors' spending was boosted by a number of especially large acquisitions. These new investments tended to be in industries in which large companies predominate, industries such as 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.

Investors from Europe accounted for 75 percent of total investment spending during 1998-2000; up from 64 percent in 1995-97. Spending by British investors, which accounted for over a third of total investment spending, was more than three times larger than spending by Netherlands investors, who spent the second largest amount.

Outlays in 2000

By industry, outlays in 2000 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 information,

outlays were largest in broadcasting and telecommunications and in information and data processing services.

By country of ultimate beneficial owner (UBO), outlays by investors from Canada, Europe, and Asia and Pacific increased. In Europe, most of the increase was accounted for by investors from the Netherlands, Switzerland, and "Other Europe," particularly Spain, Finland, and Belgium. Although spending by British investors was almost the same as in 1999, at \$107.7 billion, it was much larger than that by investors from any other country. 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 of the newly acquired or established businesses

U.S. businesses that were newly acquired or established by foreign investors in 2000 employed 646,000 people. The employees were largely accounted for by businesses in manufacturing (particularly computers and electronic products, food, and petroleum), in "other industries" (particularly employment services and investigation and security services), in professional, scientific, and technical services (particularly advertising and related services), and in retail trade.

The 1999 estimate of total outlays has been revised down 3 percent from the preliminary estimate published last year.

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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 2000 will appear in the June issue of the Survey of Current Business, the monthly journal of the Bureau of Economic Analysis.

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Table 1.--Investment Outlays, 1992-2000

Year	Outlays (millions) of dollars)
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

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.
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r Revised.

Source: U.S. Bureau of Economic Analysis

Table 3.--Investment Outlays by Industry of U.S. Business Enterprise, 1998-2000
 [Millions of 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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r Revised.

Source: U.S. Bureau of Economic Analysis

Table 4.--Investment Outlays by Country of Ultimate Beneficial Owner,
1998-2000 /1/
[Millions of 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)

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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

Table 5.--Selected Operating Data of U.S. Businesses Acquired or Established, by Industry of U.S. Business Enterprise, 1999-2000

	1999r					2000p				
	Millions of dollars			Thousands of employees	Number of hectares of land owned/1/	Millions of dollars			Thousands of employees	Number of hectares of land owned/1/
	Total assets	Sales	Net income			Total assets	Sales	Net income		
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 institutions.....	111,205	(D)	20	J	235	11,506	(D)	(D)	G	(D)
Finance (except depository institutions) and insurance.....	164,780	13,448	2,309	29.5	1,239	175,930	19,337	2,307	41.9	116
Real estate and rental and leasing.....	6,604	(D)	67	I	4,401	4,741	(D)	(D)	G	4,506
Professional, scientific, and technical services.....	3,273	2,196	-194	15.4	(D)	30,351	9,738	628	70.8	(D)
Other industries.....	44,272	20,310	-362	179.5	482,066	26,224	19,967	790	210.9	95,088

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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