

US Direct Investment Abroad

In July 2010 the US Bureau of Economic Analysis published the revised direct investment positions for 2008 and the preliminary figures for 2009. In 2008 US investment abroad, valued at historical-cost (the book value of US direct investors' equity in, and net outstanding loans to, their foreign affiliates), grew 9 percent worldwide, up from 8 percent growth in 2008, but still below the average annual growth rate of 13 percent in 1997-2007.

Positions in the Netherlands and the UK were the largest – each accounting for about 13 percent of the total. The position in the Netherlands was \$471.6 billion, and the position in the UK was \$471.4. For the Netherlands, most of the position increase was accounted for by holding companies, which likely invested the funds in other countries or industries. The positions in Canada and Bermuda were the next largest – each accounting for 7 percent of the world total.

The Netherlands has become a clear leader within Europe of holding activities, with 41% of holding activities of US companies in Europe - more than three times that of the UK, almost thrice that of Luxembourg, and over four times that of Switzerland.

The US direct investment position in Europe rose \$145.0 billion in 2009. The largest component of the increase was reinvested earnings, which accounted for 86 percent of the increase. The largest increase was in the Netherlands - \$44.8 billion (just over 30 percent of the position increase in Europe).

U.S. Direct Investment in the Netherlands

(2008 figures revised; 2009 figures are preliminary)
(billions of dollars, historical-cost basis)

	1999	2003	2004	2005	2006	2007	2008	2009
Total Europe	627.75	976.89	1,180.13	1,210.68	1,397.70	1,659.50	1,831.25	1,976.22
Total NL	121.3	186.37	219.38	240.21	280.51	389.43	426.76	471.57
Total NL minus holding companies	43.66	72.81	84.84	84.42	88.12	125.84	129.9	139.95
Mining	2.19	3.35	3.32	2.77	2.59	3.53	5.76	5.86
Manufacturing (total)	20.85	26.87	26.97	25.29	28.36	26.01	27.85	30.67
of which: food	2.58	7.71	4.88	5.50	d	d	1.41	1.36
chemicals	12.44	11.55	12.25	8.82	9.22	3.96	4.45	4.68
metals	0.68	2.33	2.69	2.63	2.76	0.99	0.45	0.60
machinery	0.61	0.95	1.31	1.19	1.29	1.28	1.65	2.09
computer/electronic product	1.68	1.12	1.67	1.52	1.59	1.98	1.28	1.07
electrical eqpt/components	0.21	0.52	-0.21	1.47	2.27	d	d	12.22
transportation eqpt	0.22	1.22	0.73	-0.2	-0.32	-0.19	-0.74	-0.12
other mfg*		2.01	3.65	41.18	d	5.32	d	8.76
Wholesale Trade	13.64	12.59	11.96	10.83	8.92	13.53	15.14	19.82
Information	2.41	3.52	4.30	4.55	6.15	8.88	11.33	12.66
Banking	0.06	0.03	d	d	d	d	d	d
Finance & Insurance	1.31	23.61	30.38	32.68	33.18	49.64	47.03	50.35
Professional Services	1.12	1.09	1.94	1.90	2.69	3.37	3.8	5.66
Nonbank Holding Companies	77.64	113.56	134.54	155.79	192.39	263.59	296.86	331.62
Other industries	d	1.76	d	d	d	d	d	d

	1999	2003	2004	2005	2006	2007	2008	2009
Direct investment position in NL holding companies as a percentage of NL total	64%	60.9%	61.3%	64.8%	68.6%	67.7%	69.6%	70.3%
US investment position in NL as % of total US in Europe	19.3%	19.1%	18.6%	17.2%	20.1%	23.5%	23.3%	23.9%

d = suppressed to avoid disclosure of data of individual companies

Source: U.S. Department of Commerce, Bureau of Economic Analysis, July 2010

* not defined previous to 2003

Holding Companies in the Data on US Direct Investment Abroad:

For the past 25-30 years, US parent companies have funneled an increasing share of their direct investments abroad through holding company affiliates. Foreign affiliates classified as holding companies accounted for 36% of the US direct investment position abroad in 2009. In 1982, this figure was 9% and by 2000 the figure grew to well over 25%. The upward trend of the holding company share is part of a broader trend of indirect ownership in which US parents own foreign affiliates that, in turn, own other foreign affiliates. One consequence of the rising use of indirect ownership arrangements is that US direct investment abroad estimates of the position and related flows show industry and country patterns that are increasingly different from the industries and countries in which the production and sales of goods and services by foreign affiliates occurs.

A comparison of the statistics on the outward direct investment position with the statistics on the assets and the net property, plant and equipment (PP&E) of foreign affiliates for 2007 (the latest year for which detailed operations estimates are available) illustrates the differences in distribution between the position statistics and the statistics of the operations. In that year, manufacturing's share of the outward position, 17%, was similar to its 12% share of assets, but much lower than its 35% share of the PP&E of the foreign affiliates in manufacturing. By country, the share of the direct investment position accounted for by the Netherlands was 14%, compared with a 9% share of assets and a 2% share of PP&E.