

EMBARGOED UNTIL RELEASE AT 8:30AM EDT, TUESDAY, JUNE 5, 2007

Lawrence McNeil: (202) 606-9860

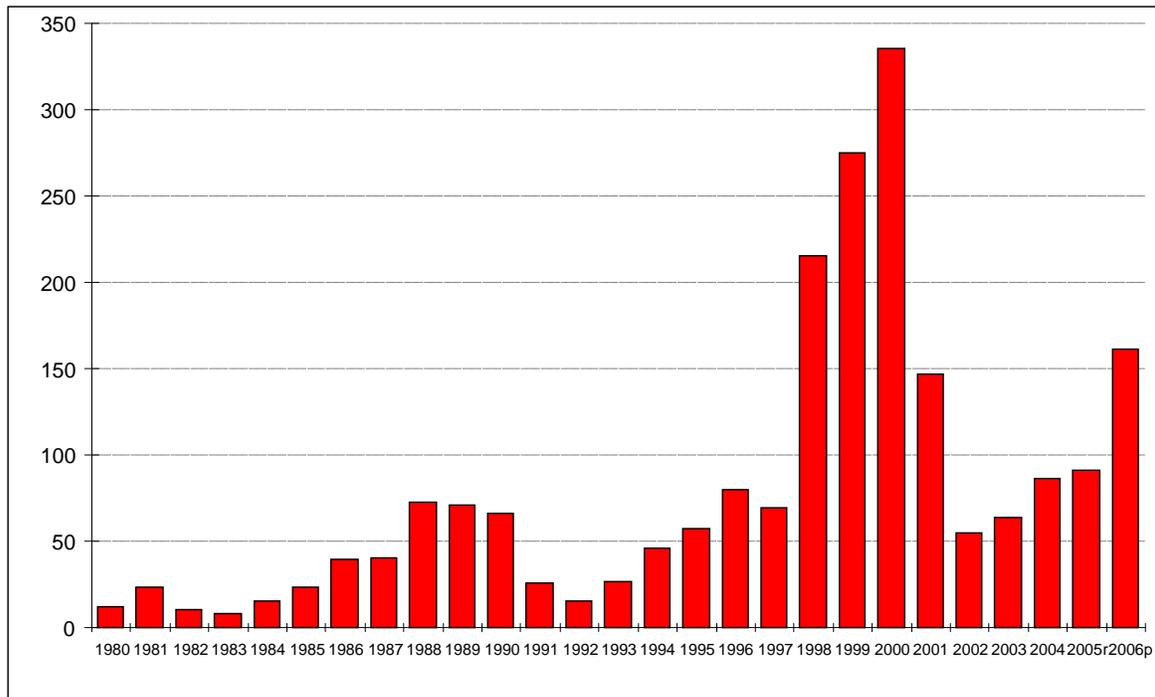
BEA 07-23

**Foreign Direct Investors' Outlays to Acquire or Establish
U.S. Businesses Increased in 2006**

Outlays by foreign direct investors to acquire or to establish U.S. businesses were \$161.5 billion in 2006, up substantially from \$91.4 billion in 2005. Outlays in 2006 were the fourth largest recorded and the highest since 2000, when new investment outlays were at a historical peak of \$335.6 billion.

**Outlays for New Investment in the United States
by Foreign Direct Investors, 1980-2006**

Billion \$



p – Preliminary

r – Revised

This news release is available on BEA's website at <http://www.bea.gov/newsreleases/rels.htm>.

Outlays increased substantially in manufacturing and finance (except depository institutions) and insurance. Together, these two sectors accounted for half of total investment outlays in 2006. Outlays were also sizable in several other sectors, including real estate and rental and leasing, information, depository institutions, and wholesale trade.

Outlays from investors in most major geographic areas increased. By far the largest increase was attributable to European investors, whose outlays grew by \$53 billion. Overall, outlays from Europe accounted for approximately two-thirds of the worldwide total. Investments from the Middle East, Asia and Pacific, and Latin America also rose considerably. Outlays from Canada declined further following a sharp decline in 2005.

Outlays in 2006

In 2006, as in previous years, outlays by foreign direct investors to acquire existing U.S. businesses (at \$147.8 billion) were significantly larger than outlays to establish new U.S. businesses (at \$13.7 billion). Outlays made by, or through, existing U.S. affiliates of foreign investors were \$110.6 billion, more than twice the \$50.9 billion in outlays made directly by foreign investors.

Outlays in manufacturing increased to \$56.6 billion from \$34.0 billion in 2005. The largest increases within manufacturing were in computers and electronic products (mostly for acquisitions of communications equipment manufacturers) and in chemicals (mostly for acquisitions of pharmaceuticals and medicines manufacturers). Outlays in finance (except depository institutions) and insurance increased sharply to \$25.3 billion from \$5.5 billion in 2005. Outlays in “other industries” more than doubled to \$31.2 billion in 2006, the most sizable of which were in transportation and warehousing, mining, and health care and social assistance.

By country of ultimate beneficial owner, outlays by European investors almost doubled, increasing to \$109.9 billion from \$56.4 billion in 2005. Outlays in manufacturing and the nonbank finance and insurance sectors fueled much of the growth. Expenditures by investors from Germany, France, Switzerland, and Spain grew substantially. German investment of \$22.7 billion was the highest among individual countries, followed by British investment of \$21.9 billion. Stepped-up investment from Japan and Australia contributed to a rise in overall investment from the Asia and Pacific region, while higher investment from Israel contributed to increased investment from the Middle East.

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 through another country, such as a financial center.

The estimates of outlays for 2006 are preliminary. The estimate of outlays for 2005 has been revised up 5 percent from the preliminary estimate published last year.

Employment and assets of newly acquired or established businesses

Newly acquired or established businesses employed 215,300 people in 2006, down 9 percent from 235,900 in 2005. The movement of employment and outlays in opposite directions occurred as new investments became more concentrated in industries with relatively low employment and relatively high acquisition values. Manufacturing accounted for the largest share of employment, with 91,400 employees. The total assets of newly acquired or established businesses were \$356.5 billion, up considerably from \$181.8 billion in 2005.

* * *

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 direct investors in 2006 will appear in the June issue of the *Survey of Current Business*, the monthly journal of the Bureau of Economic Analysis.

* * *

BEA's national, international, regional, and industry estimates; the *Survey of Current Business*; and BEA news releases are available without charge on BEA's website at www.bea.gov. By visiting the site, you can also subscribe to receive free e-mail summaries of BEA releases and announcements.

Table 1. Investment Outlays by Type of Investment and Investor, 1992-2006

[Millions of dollars]

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 ^r	2006 ^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	161,533
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	147,827
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	13,706
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	50,906
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	110,627

p Preliminary

r Revised

Source: U.S. Bureau of Economic Analysis

Table 2. Distribution of Investment Outlays by Size, 1992-2006

[Percent]

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 ^r	2006 ^p
Total outlays	100	100													
\$5 billion or more	0	0	0	(D)	0	0	55	55	48	30	(D)	(D)	(D)	0	19
\$2 billion - \$4.999 billion	0	(D)	27	18	29	12	11	16	20	22	18	(D)	13	28	23
\$100 million - \$1.999 billion	42	51	51	48	55	67	27	24	27	40	45	43	47	59	54
Less than \$100 million	58	(D)	22	(D)	16	21	7	5	5	9	(D)	12	(D)	13	4

p Preliminary

r Revised

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, 2003-2006

[Millions of dollars]

	2003	2004	2005 ^r	2006 ^p
All industries	63,591	86,219	91,390	161,533
Manufacturing	10,750	18,251	34,036	56,582
Food	2,516	2,146	1,646	683
Beverages and tobacco products	(D)	(D)	(D)	1,366
Textiles, apparel, and leather products	(D)	(D)	(D)	4,387
Paper	(D)	120	(D)	226
Printing and related support activities	(D)	(D)	(D)	(D)
Petroleum and coal products	(D)	(D)	225	0
Chemicals	1,164	4,751	9,598	14,783
Plastics and rubber products	498	84	1,636	(D)
Nonmetallic mineral products	(D)	153	388	1,012
Primary metals	91	(D)	4,877	2,448
Fabricated metal products	123	(D)	111	952
Machinery	122	642	382	1,629
Computers and electronic products	2,125	2,934	3,596	17,950
Electrical equipment, appliances, and components	139	(D)	747	2,222
Transportation equipment	225	1,199	5,942	1,446
Other	462	969	4,663	7,047
Wholesale trade	1,086	(D)	3,489	8,002
Retail trade	941	3,073	1,262	1,158
Information	9,236	4,315	8,487	9,503
Publishing industries	1,431	1,274	2,555	3,834
Motion picture and sound recording industries	278	(D)	(D)	(D)
Telecommunications	(D)	(D)	(D)	4,680
Other	(D)	2,783	2,085	(D)
Depository institutions	4,864	(D)	7,973	9,270
Finance (except depository institutions) and insurance	23,511	26,234	5,529	25,347
Real estate and rental and leasing	2,817	6,335	8,756	15,669
Professional, scientific, and technical services	1,955	(D)	6,407	4,821
Other industries	8,429	10,121	15,453	31,181

p Preliminary

r Revised

D Suppressed to avoid disclosure of data of individual companies.

Source: U.S. Bureau of Economic Analysis

Table 4. Investment Outlays by Country of Ultimate Beneficial Owner, 2003-2006

[Millions of dollars]

	2003	2004	2005 ^r	2006 ^p
All countries	63,591	86,219	91,390	161,533
Canada	9,157	31,502	13,640	12,012
Europe	39,024	43,815	56,416	109,858
France	2,955	6,415	5,608	19,682
Germany	8,830	4,788	7,239	22,683
Netherlands	1,077	461	2,609	5,463
Switzerland	649	6,505	2,332	14,625
United Kingdom	20,373	23,288	30,420	21,880
Other Europe	5,140	2,358	8,206	25,524
Latin America and Other Western Hemisphere	1,607	2,629	5,042	9,130
South and Central America	182	1,382	980	1,215
Other Western Hemisphere	1,425	1,247	4,062	7,916
Africa	(D)	(D)	(D)	(D)
Middle East	1,738	1,318	5,068	12,436
Asia and Pacific	11,469	6,015	10,924	17,526
Australia	9,032	3,850	4,713	6,866
Japan	1,544	1,027	4,245	8,719
Other Asia and Pacific	893	1,139	1,966	1,942
United States ¹	(D)	(D)	(D)	(D)

p Preliminary

r Revised

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, 2005-2006

	2005 ^r					2006 ^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	181,846	67,141	3,060	235.9	34,471	356,541	79,264	3,137	215.3	1,389,995
Manufacturing	47,529	36,348	1,911	96.3	13,790	74,153	34,573	1,187	91.4	9,692
Wholesale trade	5,095	7,307	160	19.6	200	5,330	5,166	494	10.9	10,718
Retail trade	1,907	2,154	61	10.3	94	1,487	2,167	16	6.3	(D)
Information	12,086	4,881	-103	8.5	(D)	12,163	3,420	133	11.7	(D)
Depository institutions	48,950	2,660	348	14.2	255	104,628	4,386	876	18.4	332
Finance (except depository institutions) and insurance	21,828	1,632	232	5.7	3	99,898	10,590	-570	12.9	65
Real estate and rental and leasing	16,577	1,389	161	2.3	7,847	14,859	2,720	79	0.9	7,761
Professional, scientific, and technical services	6,382	2,531	-36	16.1	(D)	4,880	405	-22	2.4	(D)
Other industries	21,491	8,239	325	62.9	12,276	39,142	15,836	943	60.3	1,360,464

p Preliminary

r Revised

D Suppressed to avoid disclosure of data of individual companies.

1. One hectare equals 2.471 acres. Thus, for all industries, acres of land owned in 2005 were 85,178, and in 2006 were 3,434,678.

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