

**The 50 U.S. States:
European-Related
Jobs, Trade and
Investment**



America's highly diversified economy – whether goods or services – combined with its wealthy consumers, sets it apart from the rest and is one key reason why the United States remains the global leader in attracting foreign capital.

The odds of a U.S. recession in 2023 are relatively high due to the Federal Reserve's fight against inflation and attendant tightening of monetary policies. Since March 2022, the Federal Reserve has raised the federal funds rate eight times, precipitating a broad slowdown in U.S. economic activity, notably among more credit-sensitive sectors like real estate and construction.

That said, two points are worth highlighting. First, U.S. recessions are not uncommon – starting with the economic downturn in 1945, the U.S. economy has experienced 13 different recessions since World War II. Recessions are part of the economic life of a dynamic economy. Most analysts believe any U.S. recession in 2023 will be brief and fairly shallow, before rebounding in the latter part of the

year. Second, notwithstanding periodic cyclical slowdowns, the U.S. economy remains one of the most dynamic and resilient economies in the world. No country produces as much output (more than \$25 trillion in 2022) with so few people (less than 5% of the world population) than the United States. The United States is not only large, it is wealthy, with a per capita income of over \$70,000 in 2022. According to the latest Federal Reserve *Flow of Funds* data, U.S. household net worth totaled a staggering \$143 trillion at the end of 2022. It is these attributes that attract European firms to invest in the United States.

Another reason: the U.S. economy is also extraordinarily diversified, which gives European firms wide breadth in terms of participating in and leveraging the U.S. market. From agriculture to aerospace, and everything in between, the United States remains a global leader and a prime market for non-U.S. firms. Energy, education, health care, life sciences, biotechnology, finance, manufacturing, steel, R&D, entertainment, transportation, social media – pick your sector, and there's a good chance there is a mature or budding firm in the United States. America's highly diversified economy – whether goods or services – combined with its wealthy consumers, sets it apart from the rest and is one key reason why the United States remains the global leader in attracting foreign capital.

Drivers of foreign investment into the U.S.



Large and wealthy consumer base



Skilled workforce



Rule of law and strong institutions



Advanced technological readiness



World-class higher education



University-industry R&D partnerships



Entrepreneurship culture



Respect for intellectual property

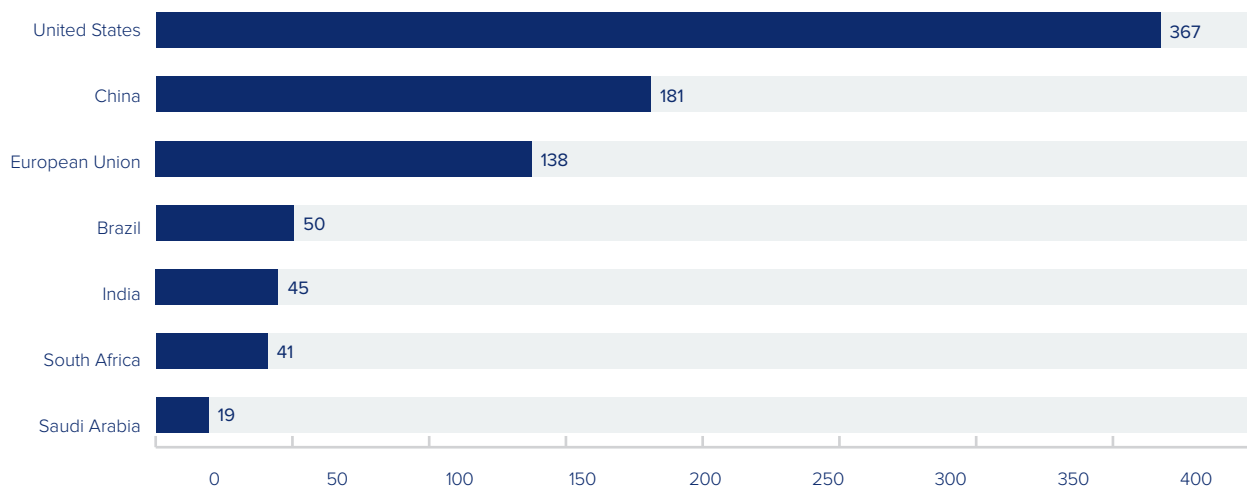


Stable and supportive business environment

To this point, according to the latest figures from the UN, foreign direct investment (FDI) inflows to the United States, after falling sharply in 2020 due to the pandemic-induced global recession, rebounded sharply in 2021, totaling a record \$357 billion. In 2021, foreign companies invested twice as much in the United States (\$367 billion) as they did in China (\$181 billion) (Table 1). The United States has ranked number one in the world for FDI inflows for 16 consecutive years.

As Table 2 depicts, no country has attracted more FDI this century than the United States, taking in roughly \$5 trillion cumulatively since 2000, more than the total for the next two countries (China and the UK) combined. On an aggregate basis, the U.S. attracted roughly 17% of total global foreign direct investment between 2000 and 2021. China was a distant second, with a global share of 7.8% followed by the U.K. (5.9%).

Multiple factors underpin America's dominance in foreign investment flows. First, as we have mentioned, is America's large and wealthy consumer base, with a population of roughly 335 million and per capita income of over

Table 1. FDI Inflows (\$Billions)

Source: United Nations Conference on Trade and Development (UNCTAD). Data for 2021.

\$70,000. Second, the United States boasts a hypercompetitive and dynamic economy, driven by strong institutions, advanced technological readiness, world-class universities, a strong capacity and culture of entrepreneurship, and a dense web of university-industry collaborative activities in research and development (R&D). The ability to attract R&D from companies abroad is important to the innovative culture of the U.S. economy. R&D performed by affiliates of foreign companies accounts for roughly 15% of total R&D conducted by all businesses in the United States. European companies account for two thirds of foreign-funded R&D in the United States.

Additionally, European companies investing in the United States gain access to a desirable pool of skilled, flexible, and productive labor. We estimate that U.S. jobs supported directly by affiliates of foreign companies totaled 8 million in 2021, or about 6% of total private industry employment in the United States. European companies accounted for 61% of that figure, or nearly 5 million jobs.

Meanwhile, transparent rule of law, sophisticated accounting, auditing, and reporting standards, secure access to credit, ease of entrepreneurship, and respect for intellectual property rights have all contributed to the stable and supportive business environment in the United States.



Jobs directly supported by European companies in the U.S.
(2021 estimate)

5 million

Table 2. Cumulative Investment Inflows 2000-2021 rankings

Rank	Economy	Cumulative Flows (\$Billions)	Percent of World Total
1	United States	4,957.3	16.8
2	China	2,313.1	7.8
3	United Kingdom	1,743.3	5.9
4	Hong Kong	1,662.8	5.6
5	Singapore	1,056.1	3.6
6	Germany	1,002.0	3.4
7	Brazil	993.8	3.4
8	Canada	923.6	3.1
9	Ireland	831.9	2.8
10	Australia	744.7	2.5

Source: United Nations Conference on Trade and Development (UNCTAD). Data as of January 2023.

European firms maintained their dominant foreign investment position in the United States in 2022.

Total European FDI stock in the U.S. (2021)

\$2.9 trillion



64%

of total FDI in the U.S.

Europe’s Stakes in the United States

European firms maintained their dominant foreign investment position in the United States in 2022. In the first three quarters of the year, FDI inflows from Europe represented over 50% of total U.S. inflows. FDI inflows from Europe receded from the robust levels of 2021, declining to \$121 billion in the January-September 2022 period. Annualizing data for the first nine months of last year, U.S. FDI inflows from Europe are estimated to come in at \$170 billion of new investment in 2022, compared with \$267 billion in 2021.

Investment inflows from individual European countries to the United States in 2022 was generally downward. Some countries posted growth in FDI flows; others saw a pullback. The traditional European leaders in terms of FDI inflows to the U.S. – the Netherlands, Germany, the United Kingdom, Ireland, and Italy – posted year-over-year decreases last year, while investment from France rebounded.

In 2023, we expect FDI inflows to the U.S. to “normalize” and trend higher in part due to the incentives in the U.S. Inflation Reduction Act, which strongly encourages U.S. in-country production via tax credits and subsidies. Domestic content requirements around renewable energy have run afoul of EU policymakers but have nevertheless captured the attention of European multinationals looking to expand their footprint in the massive U.S. market. U.S.-EU discussions are ongoing to determine how and whether products imported from Europe may be able to benefit from at least some of these provisions.

Europe continues to have an outsized investment presence in the United States, as reflected by its FDI position, which is a more stable metric of foreign investment in the United States. In terms of foreign capital stock in the United States, Europe again leads the way. The region accounted for 64% of the total \$5 trillion of foreign capital sunk in the United States as of 2021. Total European investment stock in the United States of \$3.2 trillion was over three times the level of comparable investment from Asia.

The Netherlands was the largest European investor in the United States, based on FDI on a historic cost basis, with total FDI stock in the United States totaling \$630 billion in 2021. The United Kingdom ranked second in Europe (\$512 billion), followed by Germany (\$403 billion)

Table 3. European Foreign Direct Investment and Income in the United States (\$ Billions)



Sources: Bureau of Economic Analysis. Data as of January 2023.

and Switzerland (\$282 billion). Many firms from these countries are just as embedded in the U.S. economy as in their own home markets. Only Japan has a greater investment footprint in the U.S. than the major producers of Europe.

Whether Swiss pharmaceutical corporations, German auto manufacturers, or British services providers, European firms' commercial links to America have driven corporate sales and profits higher in recent decades. European firms in the United States earned record income in 2021 in a spectacular rebound from pandemic year 2020. Things leveled off somewhat in 2022, but European firms still earned roughly \$151 billion in the United States. Through the first nine months of 2022, European affiliate income earned in the United States declined to \$113 billion. Taking the long view, affiliate earning levels for most European firms are significantly higher today than they were at the start of the century. As European firms have built out their U.S. operations, the payoff has been rising affiliate earnings in one of the largest markets in the world.

Table 3 highlights this connection between European investment in the United States and European affiliate earnings. The two metrics are highly correlated – the greater the earnings, the greater the likelihood of more capital investment, and the more investment, the greater the upside for potential earnings and affiliate income. The bottom line is that Europe's investment stakes in the United States have paid handsome dividends over the years, notably since the Great Recession, given the growth differential between the United States and Europe. These higher earnings in the United States have also allowed these companies to succeed more back home in Europe – including both by expanding their operations and hiring more workers.

Europe's Stakes in America's 50 States

European firms can be found in all 50 states, and in all economic sectors – manufacturing and services alike. The employment impact of European firms in the United States is quite significant. Table 4 provides a snapshot of state employment supported directly by European affiliates across the United States. It is important to note that the chart represents only those jobs that have been directly created by European investment, and thus underestimates the true impact on U.S. jobs of America's commercial ties to Europe. Jobs tied to exports and imports of goods and services are not included, nor are many

Table 4. Ranking of Top 20 States by Jobs Supported Directly By European Investment (Thousands of employees)

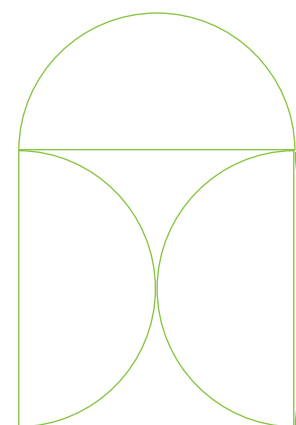
U.S. State	2018	2019	2020
California	487.0	474.2	473
Texas	399.5	399.0	393
New York	364.6	360.3	361
Pennsylvania	233.5	237.7	245
Illinois	243.1	227.4	228
Florida	229.5	227.6	224
Michigan	206.1	201.6	205
North Carolina	198.4	198.6	203
New Jersey	205.0	202.9	199
Ohio	172.6	172.6	169
Massachusetts	168.3	167.9	165
Georgia	164.2	161.2	160
Virginia	154.4	156.1	149
Indiana	126.8	126.6	118
Tennessee	112.3	113.9	116
South Carolina	111.3	109.6	112
Minnesota	93.7	97.1	98
Missouri	90.1	87.1	95
Maryland	87.8	90.0	90
Connecticut	87.5	86.4	89

Source: Bureau of Economic Analysis.
Data as of January 2023.

other jobs created indirectly through suppliers or distribution networks and related activities.

In general, the presence of European affiliates in many states and communities across the United States has helped to improve America's job picture. The more European firms embed in local communities around the nation, the more they tend to generate jobs and income for U.S. workers, increase sales for local suppliers and businesses, expand revenues for local communities, and encourage capital investment and R&D expenditures for the United States.

European firms can be found in all 50 states, and in all economic sectors – manufacturing and services alike.



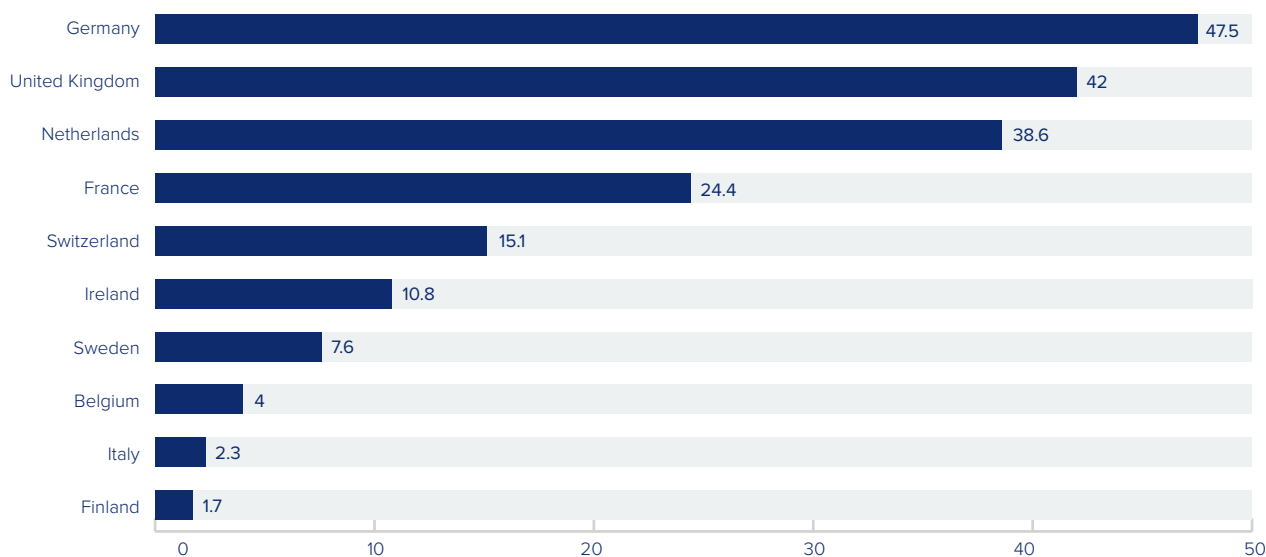
European affiliate earnings in the U.S. (2022 estimate)
\$151 billion

Deep investment ties with Europe have also boosted U.S. trade. Table 5 illustrates the export potential of European affiliates operating in the United States. As a point of reference, in any given year, foreign affiliates based in the United States and exporting from there typically account for one-fourth of total U.S. merchandise exports. The bulk of these exports are intra-firm trade, or trade between the affiliate and its parent company. In 2020, the last year of available data, U.S. exports shipped by all majority-owned foreign affiliates totaled \$347 billion, with European affiliates accounting for 57% of the total. German companies exported more than \$47 billion in exports made in the U.S.A., while British and Dutch firms exported \$42 billion and \$38 billion, respectively.

Wholesale trade, transportation equipment, and chemical manufactures represented the largest categories of exports by affiliates to markets outside the United States. In the end, the more European affiliates export from the United States, the higher the number of jobs for U.S. workers and the greater the U.S. export figures.

Every U.S. state maintains cross-border ties with Europe, with various European countries serving as key export markets for many U.S. states, a dynamic that creates and generates growth in the United States. Table 6 ranks the top 20 state goods exporters to Europe in 2021, the last year of full-year state data. Texas ranked number one, followed by California, New York, and New Jersey. Overall, U.S. goods exports to Europe were up 16% in 2021; they rose again substantially by 27.3% in 2022.

Table 5. U.S. Exports of Goods Shipped by European Companies Operating in the United States (\$Billions)



Source: Bureau of Economic Analysis.
Data for 2020.

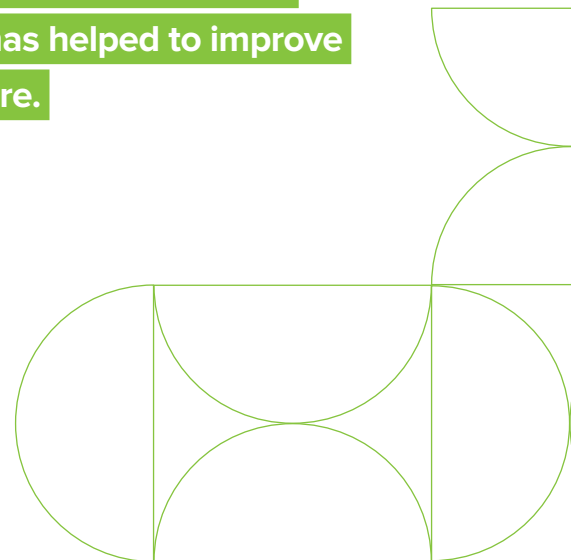
Table 6. Ranking of Top 20 U.S. States Total Goods Exports to Europe, By Value

U.S. State	2021 (\$Billions)	2000 (\$Billions)	% Change from 2000	% Change from 2020
Texas	63.0	12.3	413	38
California	35.1	27.9	26	2
New York	29.1	15.3	90	29
New Jersey	16.0	2.8	473	29
Illinois	14.2	4.7	203	19
Louisiana	13.0	6.4	104	29
Pennsylvania	12.2	7.3	67	18
Massachusetts	11.8	13.1	-10	19
Utah	10.8	3.1	251	-2
Indiana	10.3	1.3	669	16
Georgia	9.9	3.3	201	-12
Florida	9.7	8.0	21	14
Washington	9.6	5.0	90	38
South Carolina	9.3	4.0	135	-10
Ohio	9.0	3.1	186	24
Kentucky	8.9	3.9	128	13
North Carolina	8.4	4.6	82	7
Tennessee	7.7	2.7	187	17
Michigan	6.9	5.0	37	-3
Connecticut	6.7	3.5	93	1
U.S. Total	386.0	187.4	106	16

Source: Foreign Trade Division, U.S. Census Bureau.
Data as of January 2023.

U.S. merchandise exports to Europe are still more than two and half times U.S. exports to China, as shown in Table 7. Forty-five of the fifty U.S. states exported more goods to Europe than China. New York's good exports to Europe were 8 times more than its goods exports to China. Texas exported three times more goods to Europe than to China. The largest Pacific coast state of California exported roughly twice as many goods to Europe as to China.

The presence of European affiliates in many states and communities across the United States has helped to improve America's job picture.





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states
export more
goods to Europe
than to China
(2021)

In addition, while these figures are significant, they actually underestimate Europe's importance as an export destination for U.S. states because they do not include U.S. state exports of services. This is a significant additional source of jobs and incomes for U.S. workers, with most U.S. jobs tied to services. Europe is by far the most important market in the world for U.S. services, and the United States consistently records a significant services trade surplus with Europe. Suffice it to say that if services exports were added to goods exports by state, the European market becomes even more important.

Appendix A highlights European-related jobs, trade, and investment for each of the 50 states.

Table 7. U.S. State Exports of Goods to Europe and China, 2021 (\$Millions)

U.S. State	Europe	China
Alabama	6,166	3,153
Alaska	1,150	1,381
Arizona	5,048	1,492
Arkansas	1,245	263
California	35,056	16,636
Colorado	1,785	921
Connecticut	6,739	1,257
Delaware	1,046	556
Florida	9,668	1,473
Georgia	9,883	4,189
Hawaii	19	11
Idaho	346	153
Illinois	14,199	3,500
Indiana	10,315	3,237
Iowa	2,958	925
Kansas	2,039	1,124
Kentucky	8,869	2,376
Louisiana	13,034	12,399
Maine	591	103
Maryland	6,067	1,271
Massachusetts	11,750	3,516
Michigan	6,887	2,748
Minnesota	4,784	2,406
Mississippi	2,304	715
Missouri	2,755	700
Montana	293	109
Nebraska	933	696
Nevada	3,804	1,243
New Hampshire	2,489	396
New Jersey	16,000	4,142
New Mexico	363	1,467
New York	29,110	3,613
North Carolina	8,388	4,075
North Dakota	298	65
Ohio	8,984	3,748
Oklahoma	1,445	221
Oregon	3,001	10,626
Pennsylvania	12,222	3,254
Rhode Island	1,180	148
South Carolina	9,307	4,602
South Dakota	188	130
Tennessee	7,744	2,948
Texas	62,997	21,636
Utah	10,768	963
Vermont	445	285
Virginia	4,962	3,180
Washington	9,564	12,063
West Virginia	1,503	1,234
Wisconsin	4,851	1,798
Wyoming	45	48
Total United States	385,965	151,442

Source: U.S. Census Bureau, Foreign Trade Division.
 Data as of January 2023.