Capturing the Flag 2013

Foreign Direct Investment in Indiana

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June 2013

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Table of Contents

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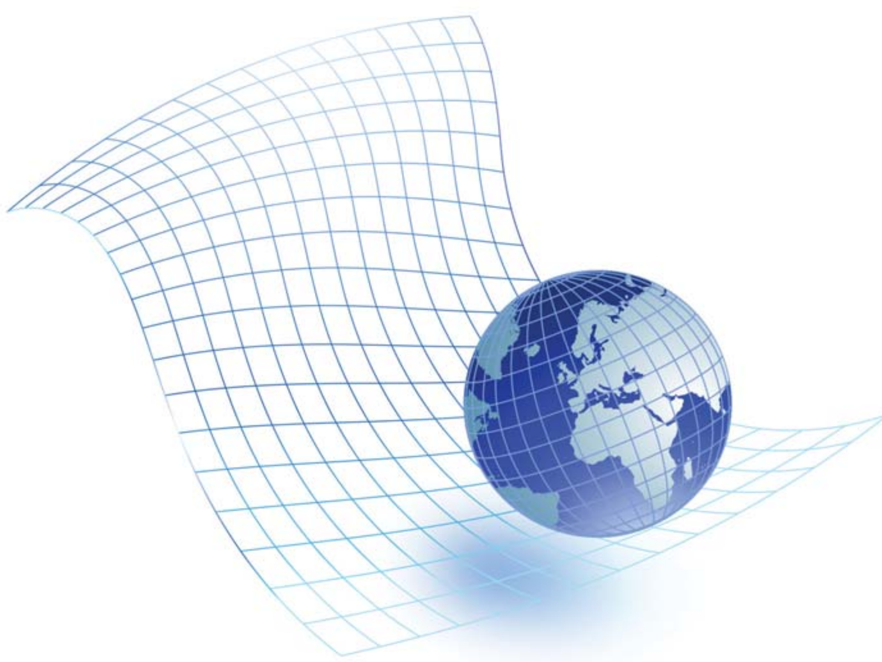
Executive Summary

There are now three certainties: death, taxes and globalization. The degree and depth of a region's relationship to the rest of the world can be measured by its imports, exports and foreign direct investment (FDI). Exports are critical to the economy due to their ripple effects and employment effects. FDI also contributes financially to the state's economy and often provides job opportunities for local residents. This report analyzes recent data on FDI, defined broadly to include changes in company ownership across country borders, as well as "real-time" FDI announcements made between 2010 and 2012 for planned investments in new and expanded plant and equipment.

Key Findings

- In 2010, nearly 5.7 million U.S. workers were employed by majority-owned U.S. affiliate (MOUSA) enterprises, with 133,600 of these workers in Indiana. Indiana ranked 14th in the nation in MOUSA employment.
- Japan and the United Kingdom were the largest sources of MOUSA employment in Indiana. Nationally, the U.K., Japan and Germany were the top three countries with MOUSA employment.
- Roughly 5.7 percent of Indiana private employment was in MOUSAs in 2010, a tenth of a percentage point greater than the year before. The manufacturing industry captured the largest share of MOUSA employment nationally—37.7 percent. In Indiana, 63.2 percent of MOUSA employment was in manufacturing. The 84,400 manufacturing jobs account for 3.6 percent of the state's private employment.
- Between 2010 and 2012, there were 4,347 FDI announcements for the country as a whole, valued at $170.9 billion with 365,270 expected jobs. Indiana had 143 FDI announcements valued at $4.7 billion. These investments are projected to create a total of 12,400 jobs, or about 4,100 new jobs per year.
- The automobile and components industries captured the largest share of Indiana's expected FDI jobs at 5,600 new positions, 45.1 percent of the total anticipated FDI jobs announced between 2010 and 2012. This averages over 1,850 new jobs in manufacturing per year.
- Manufacturing remained the most popular business activity for foreign investment in Indiana, comprising 74 percent of all expected jobs compared to 44.8 percent nationally.



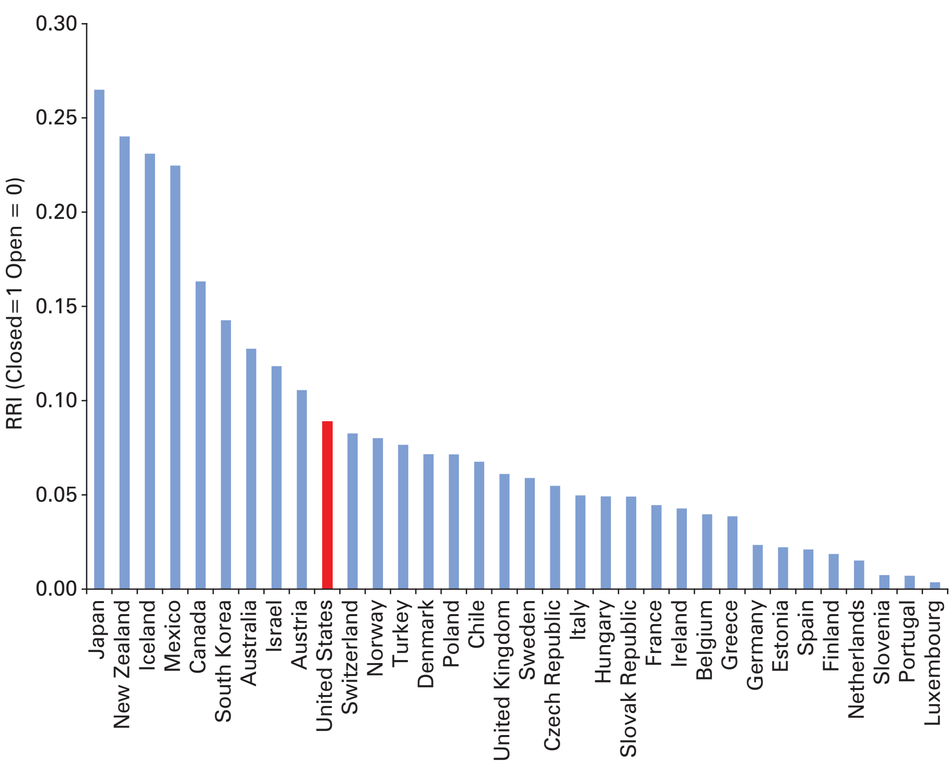
Global FDI Environment

Foreign direct investment (FDI) can be a significant contributor to the local economy. Yet FDI's contributions have different roles in advanced and developing countries. In advanced countries, the contribution might be related to local employment whereas in transitioning countries, FDI contributes to knowledge creation and low-skilled employment, since many transitioning countries have limited human capital resources. Due to this limited access to resources, transitioning countries tend to attract industries that do not need highly technical skills.

The financial crisis or the "Great Recession" in 2008 certainly hindered foreign investment, due to the financial resource constraints as well as the uncertainty it created. Today, this uncertainty is still evident in the struggle of advanced countries to generate significant economic growth. Projections by World Economic Outlook (WEO) indicate that the global economy will grow by 3.6 percent in 2013, a marginal increase from the 3.3 percent in 2012. This report looks at global, U.S. and Indiana FDI activity in the past decade.

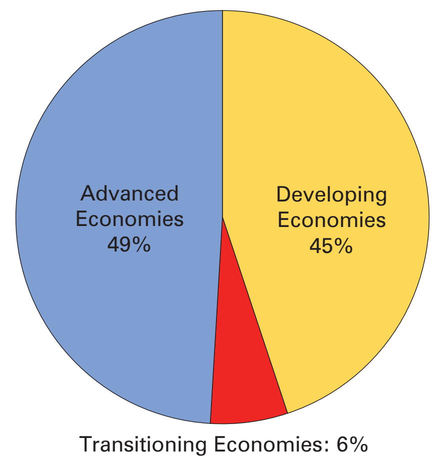
Prior to the financial crisis, worldwide FDI activity was growing exponentially with 2007's banner year of $1.9 trillion. The recession put a significant downward pressure on FDI as investors and businesses lost confidence in the economy. Advanced countries were the primary casualties from the crisis; however, the impact of the crisis gradually spilled over to the transitioning and developing countries. During 2011, the majority of FDI activity rebounded nicely and the details of the rebound are detailed in this section. The United States ranked 22nd among the 56 countries in the Organization for Economic Cooperation and Development's (OECD) 2012 Regulatory Restrictiveness Index (RRI), which measures each country's openness to foreign direct investment (see **Figure 1**).

Figure 1: FDI Regulatory Restrictiveness Index of OECD Countries, 2012



Source: Organization for Economic Cooperation and Development

Figure 2: FDI Inflows as a Percent of World FDI Inflows, 2011



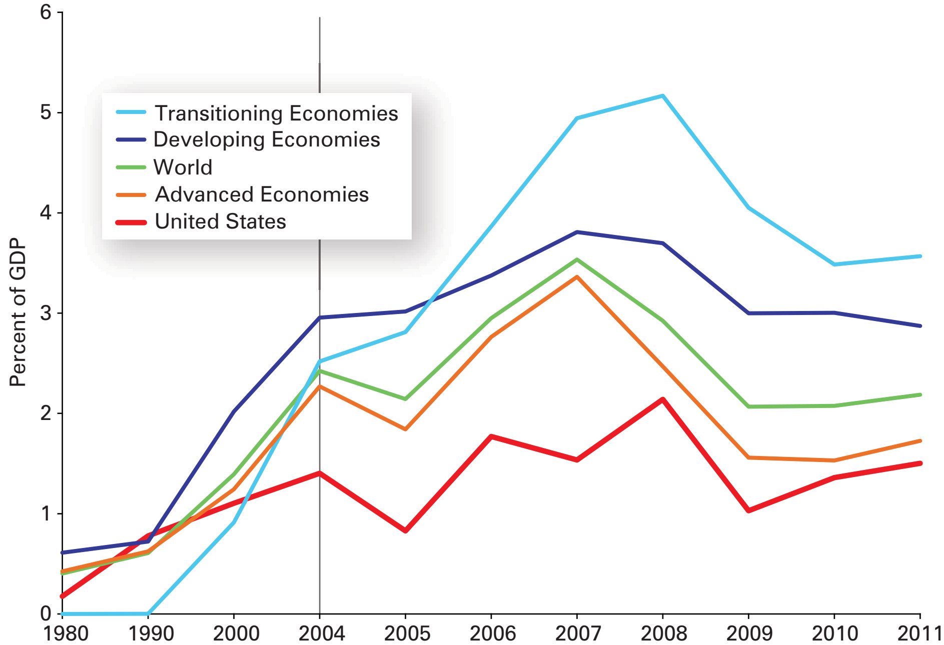
Source: UNCTAD World Investment Report for 2012

FDI Inflow

According to the United Nations Conference on Trade and Development (UNCTAD) 2012 World Investment Report, the FDI inflows around the world increased around 16 percent in 2011. FDI activity was nearly evenly split between advanced (49 percent) and developing (45 percent) economies, with the remainder captured by transitioning economies (6 percent), as shown in **Figure 2**.

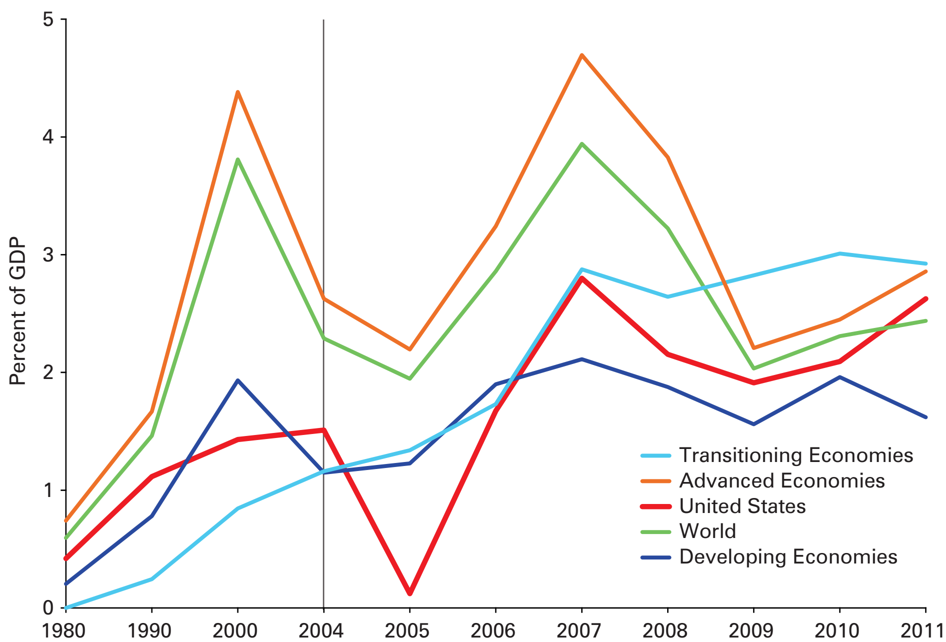
A nation's FDI inflow influence on its GDP depends on the economic starting point. **Figure 3** shows that FDI inflow occupies a larger share of transitioning countries' GDP than in advanced or developing economies. Prior to the financial crisis, transitioning economies' FDI inflow comprised 5 percent of its GDP

Figure 3: FDI Inflows as a Percent of GDP, 1980 to 2011



Source: UNCTAD World Investment Report for 2012

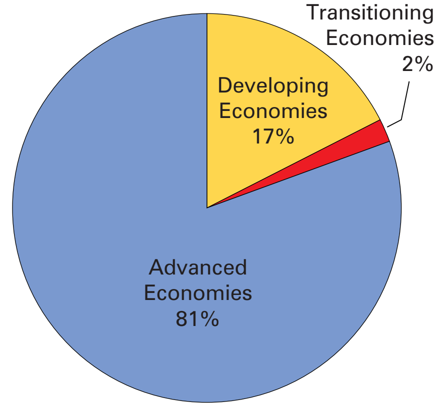
Figure 5: FDI Outflows as a Percent of GDP, 1980 to 2011



Source: UNCTAD World Investment Report for 2012

compared to 3 percent of the world's GDP. Since the crisis, its share of GDP has declined but remains higher than all other economies. For 2011, the United States' FDI inflow accounted for 1.5 percent of GDP, compared to 1.7 percent for the advanced economies, 3.6 percent for transitioning economies and 2.9 percent for advanced economies.

Figure 4: FDI Outflows as a Percent of World FDI Outflows, 2011



Source: UNCTAD World Investment Report for 2012

FDI Outflow

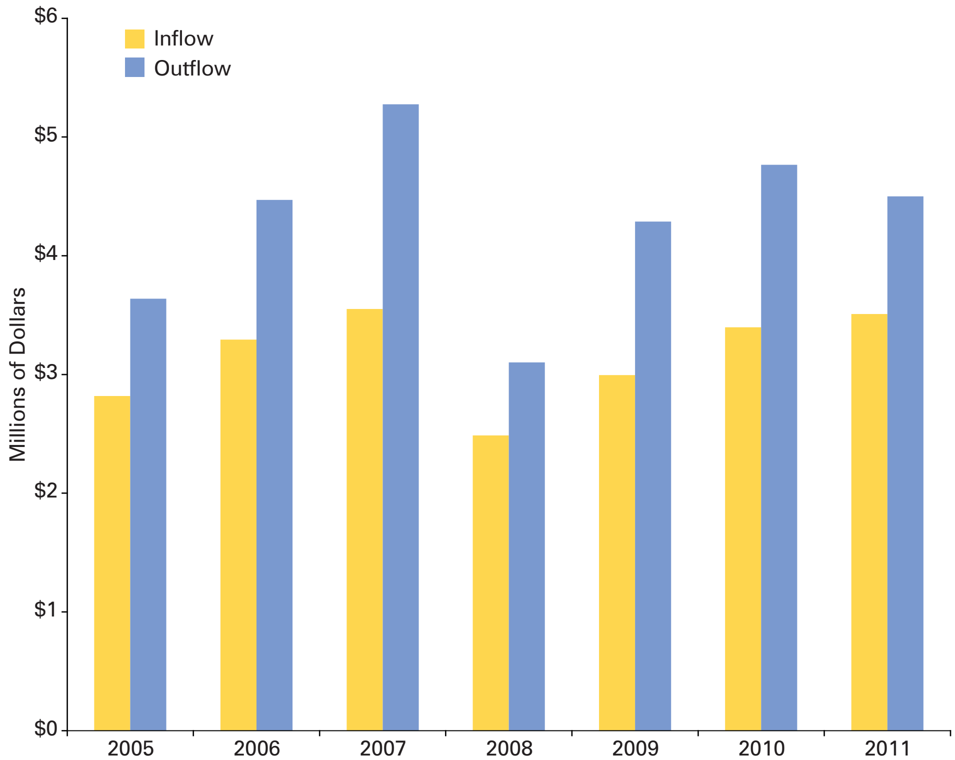
FDI outflows from advanced countries rose sharply in 2011—accounting for more than 80 percent of total FDI output, compared to 17 percent and 2 percent from developing and transitioning economies, respectively (see **Figure 4**). The sharp rise may have been attributed to concern about the global economic situation; however, other factors may have played a part. Many multinational corporations (MNCs) reduced their reinvestment in the U.S., increased their cash holding and increased their mergers and acquisitions (M&As) in Europe,[1] which likely caused a reduction in FDI outflow from China.[2]

Figure 5 presents the FDI outflow trend in the last couple of decades. Since 1980, all countries have experienced increased activity, which is likely due to the globalization effect. During 2011, developing and transitioning economies had a decline in FDI outflow, whereas advanced countries had an increase in FDI outflow. FDI outflow from the U.S. was slightly higher than

[1] World Investment Report 2012

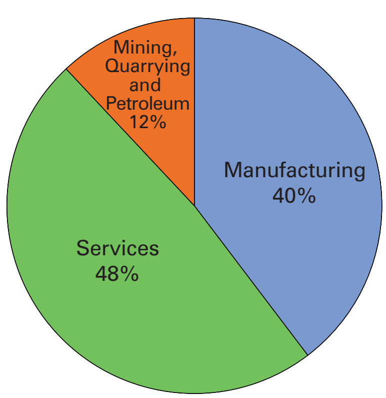
[2] Mark Thompson, "Chinese FDI Outflows in Decline in 2012", fDiIntelligence, December 14, 2012, www.fdiintelligence.com/Trend-Tracker/Chinese-FDI-outflows-in-decline-in-2012.

Figure 6: U.S. FDI Inflows from the World and Outflows to the World, 2005 to 2011



Source: UNCTAD World Investment Report for 2012

Figure 7: World FDI Resulting from Mergers and Acquisitions by Sector, 2011



Source: UNCTAD World Investment Report for 2012

world FDI outflow—2.6 percent of GDP compared to 2.4 percent of GDP worldwide.

FDI Activity in the U.S.

Historically, the United States' FDI outflow has outpaced inflow, a trend that did not change in 2011 (see **Figure 6**). Compared to 2010, 2011 saw a slight decline in outflow and a marginal increase in FDI inflow, valued at $4.5 million and $3.5 million, respectively. The financial crisis had a sizable impact on FDI flows for the United States, but has since rebounded nicely. However, FDI activity has not yet reached 2007 levels.

Mergers and Acquisitions

The most prominent method of foreign investment activity used by corporations are mergers and acquisitions (M&As). In 2011, M&As increased 53 percent to $526 billion from $344 billion in 2010. The largest share in total value of cross-border M&As was in the services sector (48 percent), as shown in **Figure 7**.

Within the services sector, the financial services sector was responsible for more than half of the value of cross-border M&As (58.7 percent), followed by transport, storage and communication (17.8 percent) and business services (12.6 percent), as shown in **Figure 8**. Chemicals and chemical products were responsible for more than 40 percent of the value of M&As in the manufacturing sector, followed by the food, beverages and tobacco sector (13.1 percent). The third highest valued manufacturing sector was electrical and electronic equipment, accounting for 9.4 percent of M&A activity.

FDI in the United States, Midwest and Indiana

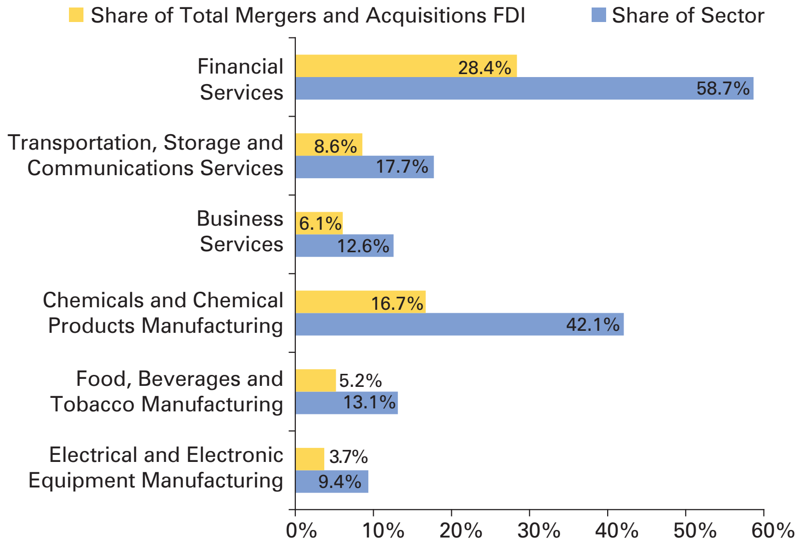
FDI contributes to the state's economy and often provides jobs to Hoosiers. Because the subject of foreign investment has its own vocabulary, it may be helpful to know a few common terms.

1. **U.S. Affiliate:** a U.S. business enterprise where a single foreign person or entity owns or controls, directly or indirectly, 10 percent or more of the voting securities of an incorporated U.S. business enterprise or an equivalent interest in an unincorporated U.S. business enterprise.
2. **Majority-Owned U.S. Affiliate (MOUSA):** a U.S. affiliate where the combined ownership of all foreign parents exceeds 50 percent.

Due to a shift in the emphasis in how foreign investment is measured, the better measure of foreign participation in the economy is to track the finance and operations of majority-owned affiliates, rather than "all affiliates." Unless otherwise specified, all of the data and references in this report are for majority-owned U.S. affiliates (MOUSAs).

In 2011, majority-owned U.S. affiliates produced $670 billion in goods and services, employed 5.7 million U.S. workers and invested $40.5 billion in research and

Figure 8: Mergers and Acquisitions in the Top Three Sectors in Services and Manufacturing Industries, 2011



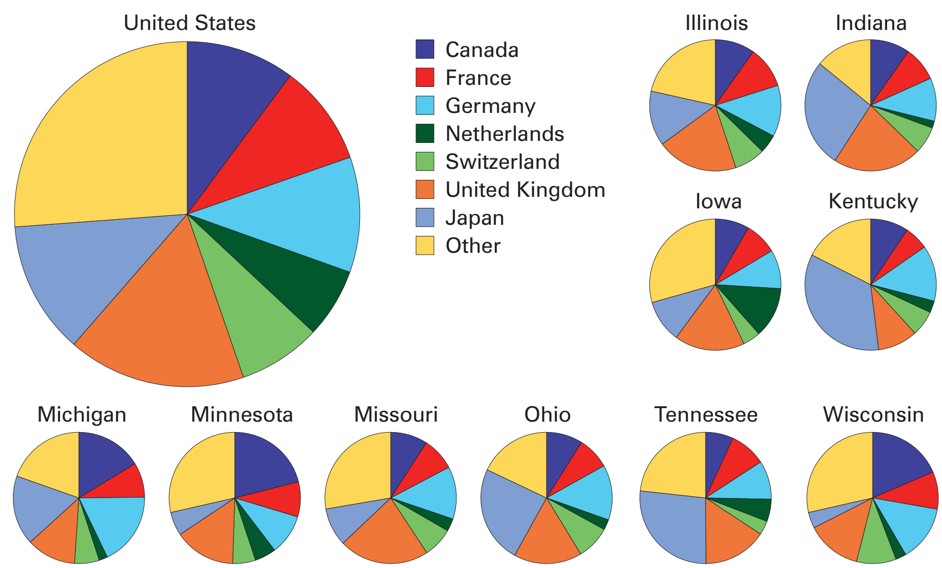
Source: UNCTAD World Investment Report for 2012

Table 1: MOUSA Employment in Midwestern States, 2010

U.S. Rank	Geography	MOUSA Employment (in thousands)	Change since 2008
n/a	United States	5,270.4	-6.5%
5	Illinois	245.9	-10.0%
8	Ohio	206.5	-10.0%
12	Michigan	141.7	-5.7%
14	Indiana	133.6	-4.8%
15	Tennessee	112.5	-13.3%
20	Kentucky	89.5	-5.7%
21	Minnesota	89.3	-7.9%
23	Missouri	79.9	-13.8%
25	Wisconsin	76	-7.3%
29	Iowa	43.9	-10.0%

Source: Bureau of Economic Analysis

Figure 9: Midwestern States MOUSA Employment by Source, 2010



Source: Bureau of Economic Analysis

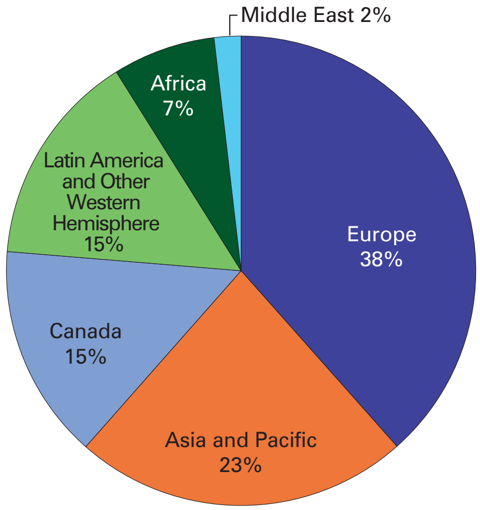
development.[3] In 2010, 1.2 million Midwestern jobs were from MOUSA employers, comprising 23 percent of national MOUSA employment (nearly 5.3 million workers). Approximately 11 percent of these Midwestern MOUSA jobs were located in Indiana (133,600), ranking Indiana 14th nationally for MOUSA employment. Of its Midwestern peers, only Illinois, Ohio and Michigan had a greater number of MOUSA employment than Indiana.

Between 2008 and 2010, nearly all Midwestern states experienced a sharper decline in MOUSA employment than the U.S. (see **Table 1**). Among all Midwestern states, Indiana experienced the smallest decline in MOUSA employment (-4.8 percent) followed by Michigan and Kentucky (-5.7 percent). Missouri and Tennessee reported the steepest MOUSA employment changes at -13.8 percent and -13.3 percent, respectively.

European countries accounted for more than half of the nation's 2010 MOUSA jobs. The top three countries with MOUSA employment in the U.S. were the United Kingdom (17 percent), Japan (12 percent) and Germany (11 percent). Within the Midwest, MOUSA employment followed a similar pattern with its employers located in Europe, Asia/Pacific countries and Canada. Japan and the U.K. were the largest sources of employment in Indiana, followed by Germany and Canada (see **Figure 9**). Japan is also the largest source of employment for Kentucky (34.4 percent), Tennessee (26.8 percent) and Ohio (24 percent). A majority of Wisconsin's MOUSA employment came from other countries (28.6

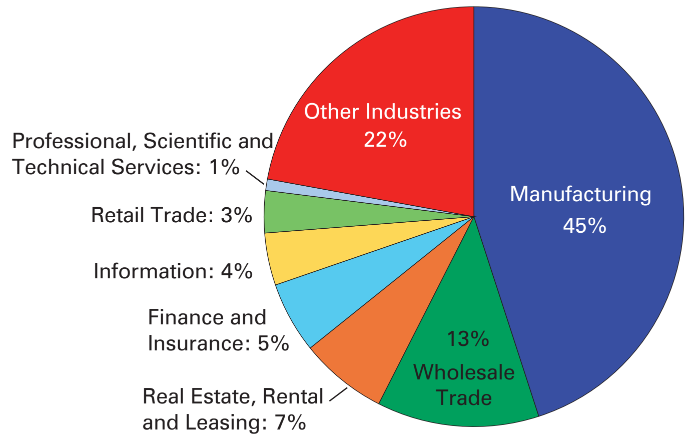
[3] "U.S Inbound Foreign Direct Investment," Executive Office of the President Council of Economic Advisers, June 2011, www.whitehouse.gov/sites/default/files/microsites/cea_fdi_report.pdf.

Figure 10: Value of Property, Plant and Equipment by Country, 2010



Source: Bureau of Economic Analysis

Figure 11: Value of Property, Plant and Equipment by Industry, 2010



Source: Bureau of Economic Analysis

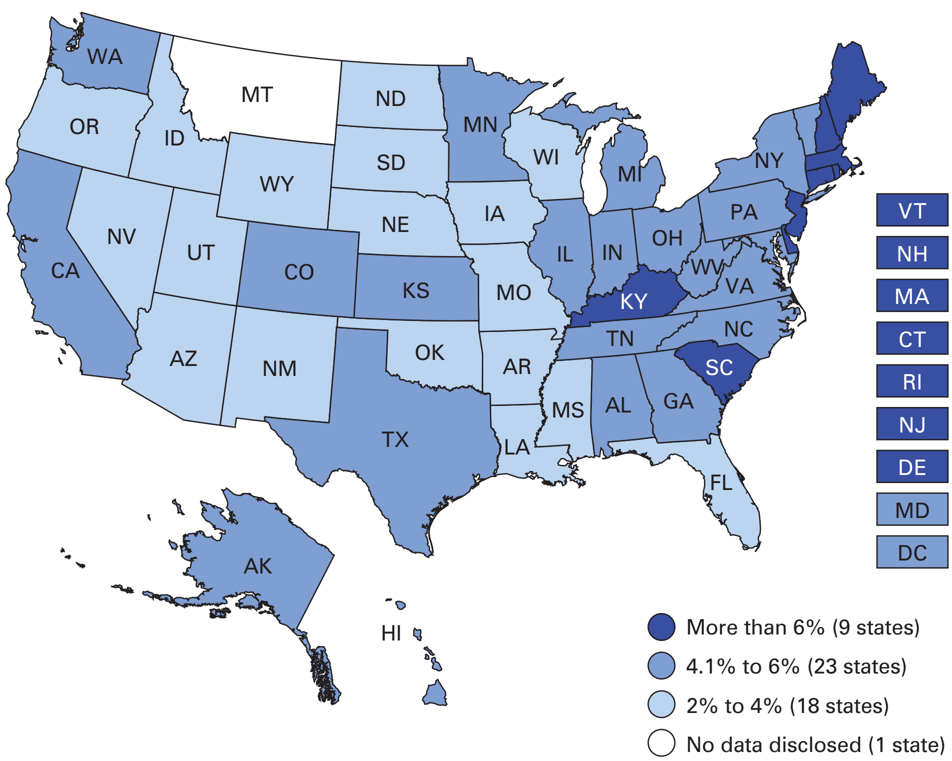
percent) followed by Canada (18.6 percent), Germany (13.8 percent) and the U.K. (13.6 percent).

In addition to employment, FDI investments provide capital for production plants and research and development facilities. **Figure 10** presents investment in property, plant and equipment (PPE) by region. European countries have the largest investment in PPE in the U.S. (38 percent), followed by the Asia-Pacific region (23 percent). Latin America (and other countries in the Western hemisphere) and Canada have similar levels of investment (11 percent). Middle Eastern countries have the lowest rate of investment in the United States (2 percent). Of the European countries, the European Union countries were responsible for the majority of the PPE investment in the U.S.

MOUSA firms had $11.8 trillion in assets, $3 trillion in sales and $649 billion in value added goods and services in the U.S. in 2010. **Figure 11** shows that manufacturing affiliates are major holders of PPE in the U.S. (45 percent) followed by wholesale trade (13 percent).

In 2010, 133,600 Hoosiers worked in MOUSA firms, accounting for 5.7 percent of Indiana's total private sector employment (see **Figure 12**). Since 2009, there was a slight increase in the quantity of Hoosiers working for MOUSA firms (1.1 percent). Among the Midwestern

Figure 12: MOUSA Employment as Percent of Total Private Employment, 2010



Source: Bureau of Economic Analysis

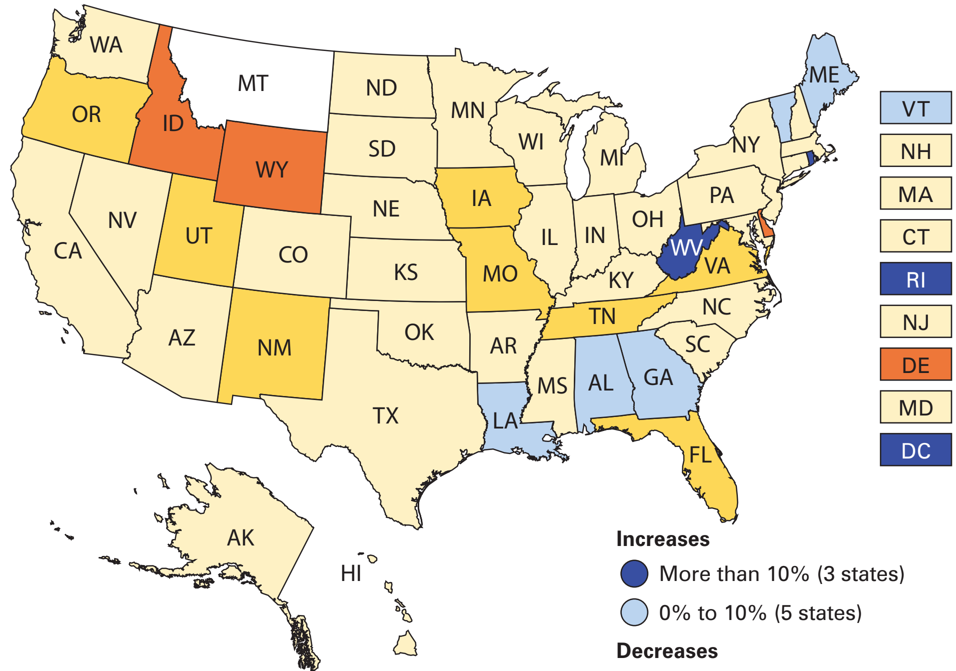
> *In 2010, 133,600 Hoosiers worked in majority-owned U.S. affiliate firms, accounting for 5.7 percent of Indiana's total private sector employment.*

states, only Kentucky had a higher share of MOUSA employment at 6.2 percent.

The recovery from the Great Recession has been very different across states. **Figure 13** presents changes in MOUSA employment across states between 2008 and 2010. A majority of the states had declines in MOUSA employment during this time (41 states). On the contrary, Rhode Island and the District of Columbia had double-digit growth during this period (18.2 and 25.6 percent, respectively).

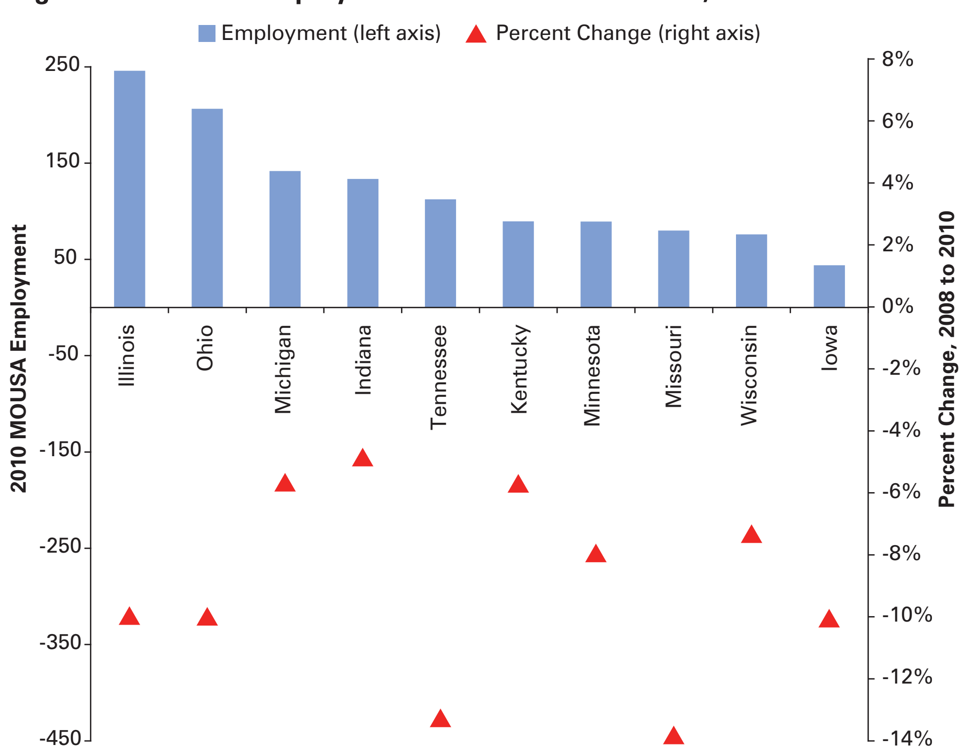
Between 2008 and 2010, all of the Midwestern states had MOUSA job losses (see **Figure 14**). Missouri had the largest MOUSA employment loss on a percentage basis at -13.8 percent, followed by Tennessee which lost 112,500 MOUSA jobs for a 13.3 percent decline. Indiana had the smallest job decline among its neighbors at 4.8 percent. Michigan and Kentucky each declined by 5.7 percent.

Figure 13: Percent Change in MOUSA Employment, 2008 to 2010



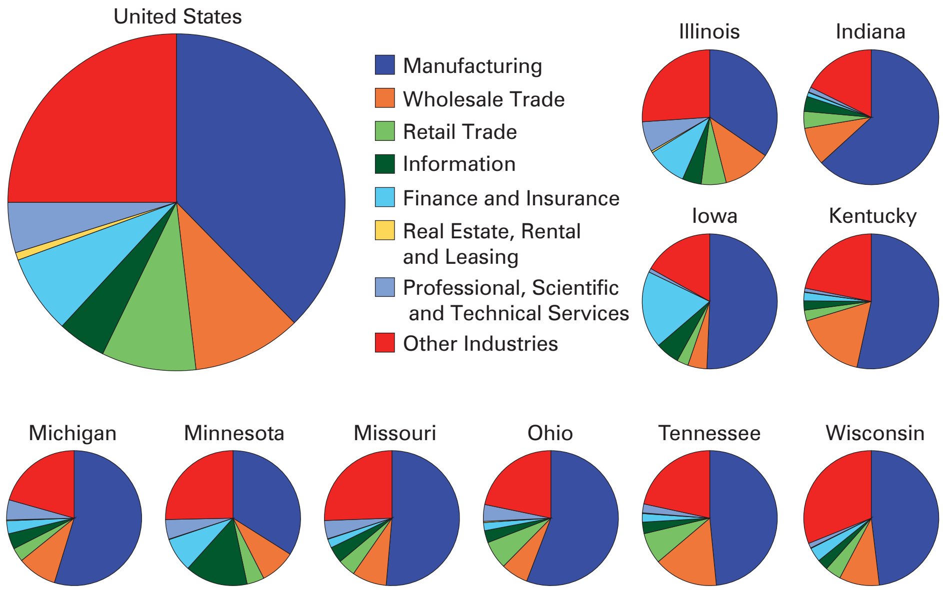
Source: Bureau of Economic Analysis

Figure 14: MOUSA Employment Trends in the Midwest, 2008 to 2010



Source: Bureau of Economic Analysis

Figure 15: Share of MOUSA Employment by Industry, 2010



Source: Bureau of Economic Analysis

> *Manufacturing, wholesale trade and information were the three industries where the percent of MOUSA employment in Indiana was greater than the nation.*

FDI by Industry

MOUSA investment can be measured by dollar amount or the number of jobs created. Employment is a better measure of investment compared to dollar amount. FDI-related employment extends over many industries, yet manufacturing remains a dominant sector for the United States and Midwestern states. In the United States, manufacturing accounts for 37.7 percent of total MOUSA employment (see **Figure 15**).

Manufacturing employment accounts for 44.8 percent of all MOUSA jobs in the Midwestern states. Beyond manufacturing, the second-largest industry category employing U.S. workers was the "other industries" category—primarily transportation and warehousing, utilities, accommodation and mining—at 25 percent. Indiana's FDI-related employment follows similar trends, with manufacturing accounting for 63.2 percent of total MOUSA employment and "other industries" comprising 17.7 percent. Rounding out the top five industries were wholesale trade (9.1 percent), retail trade (5.4 percent) and information (4.8 percent).

Nationally, the largest MOUSA employment industries were manufacturing (37.7 percent) followed by other industries (25.0 percent) and wholesale trade (10.5 percent). Real estate, rental and leasing was the smallest sector, accounting for 0.7 percent of MOUSA employment. In the Midwest, nearly half of the MOUSA jobs were in the manufacturing sector. Of these Midwestern manufacturing MOUSA jobs, 47.9 percent of the jobs were in Ohio, Illinois and Indiana. Within Indiana, 63.2 percent of all MOUSA employment was in manufacturing.

Foreign-owned businesses in Indiana represented 5.7 percent of the state's total private industry employment in 2010 (see **Table 2**). Indiana's share was greater than the nation as a whole (4.9 percent) and all Midwestern states except Kentucky. MOUSAs accounted for 18.9 percent of Indiana's total manufacturing employment compared to 17.2 percent for the nation. Wholesale trade and information were the other two industries where MOUSA employment in Indiana was greater than the nation. The strengthening share of MOUSA employment in the other industries category may be reflective of increased diversity in FDI investment.

Table 3 shows the breakdown of FDI-related employment in the U.S. by industry and country. Due to the European Union's (EU) prominence in MOUSA employment, it is no surprise that they hold large shares of employment in the manufacturing, information, finance and insurance, and rental and leasing industries.

In 2010, Indiana had 133,600 MOUSA-supported jobs, of which 84,400 were manufacturing related (see **Figure 16**).

Table 2: Employment of MOUSAs by Sector of Affiliate and Percentage of Sector, 2010

Geography	Indicator*	All Private Industries	Manufacturing	Wholesale Trade	Retail Trade	Information	Finance and Insurance	Real Estate Rental and Leasing	Professional, Scientific and Technical Services	Other Industries
United States	Jobs	5,270.40	1,986.00	551.7	477.7	245.3	398.6	38.7	254.9	1,317.60
	Percent of Jobs	4.9%	17.2%	10.1%	3.3%	9.1%	6.9%	2.0%	3.4%	2.3%
Illinois	Jobs	245.9	85.1	28.1	14.7	11.2	23.6	1.1	17.9	64.1
	Percent of Jobs	5.2%	15.2%	9.8%	2.5%	11.0%	8.1%	1.5%	5.2%	2.3%
Indiana	Jobs	133.6	84.4	12.2	5.4	4.8	1.3	0.2	1.6	23.6
	Percent of Jobs	5.7%	18.9%	10.8%	1.8%	13.5%	1.3%	0.6%	1.7%	1.9%
Iowa	Jobs	43.9	22.2	2	1.2	2.5	8.1	D	0.4	7.4
	Percent of Jobs	3.6%	11.1%	3.0%	0.7%	8.7%	9.2%	0.0%	0.9%	1.2%
Kentucky	Jobs	89.5	47.7	15.1	2.3	2	1.8	0.1	0.8	19.5
	Percent of Jobs	6.2%	22.8%	21.1%	1.1%	7.6%	2.7%	0.6%	1.2%	2.5%
Michigan	Jobs	141.7	77.5	13.4	4.7	5.3	4.4	0.3	6.8	29.2
	Percent of Jobs	4.4%	16.4%	8.9%	1.1%	9.7%	3.1%	0.6%	3.1%	1.7%
Minnesota	Jobs	89.3	30.3	7.6	3.7	13.4	7.3	0.1	4.2	22.6
	Percent of Jobs	4.0%	10.4%	6.2%	1.3%	24.8%	5.4%	0.3%	3.4%	1.9%
Missouri	Jobs	79.9	41	6.6	3.4	3.1	1.7	0.1	3.5	20.4
	Percent of Jobs	3.6%	16.9%	5.7%	1.1%	5.2%	1.3%	0.3%	2.9%	1.7%
Ohio	Jobs	206.5	115.3	13.5	13.9	6	4	0.6	8.3	44.9
	Percent of Jobs	4.9%	18.6%	6.3%	2.5%	7.7%	1.8%	1.0%	3.6%	2.0%
Tennessee	Jobs	112.5	54.5	17.3	8.4	3.1	2.3	0.2	2.4	24.3
	Percent of Jobs	5.2%	18.2%	14.8%	2.7%	6.9%	2.2%	0.6%	2.2%	2.1%
Wisconsin	Jobs	76	36.5	7.3	2.9	2	2.6	0.1	0.9	23.6
	Percent of Jobs	3.3%	8.5%	6.5%	1.0%	4.3%	1.9%	0.4%	1.0%	2.0%
Total		1,129.30	546.8	108	58.3	51.4	55.3	2.7	46	260.1

*Majority-owned affiliate job data are in thousands.
"D" reflects nondisclosed data (more than zero and fewer than 50 employees).
Source: Majority-owned affiliate job data from the Bureau of Economic Analysis and private industry data from the Bureau of Labor Statistics (CES database)

Table 3: Country's Share of FDI Employment by Industry in the United States, 2010

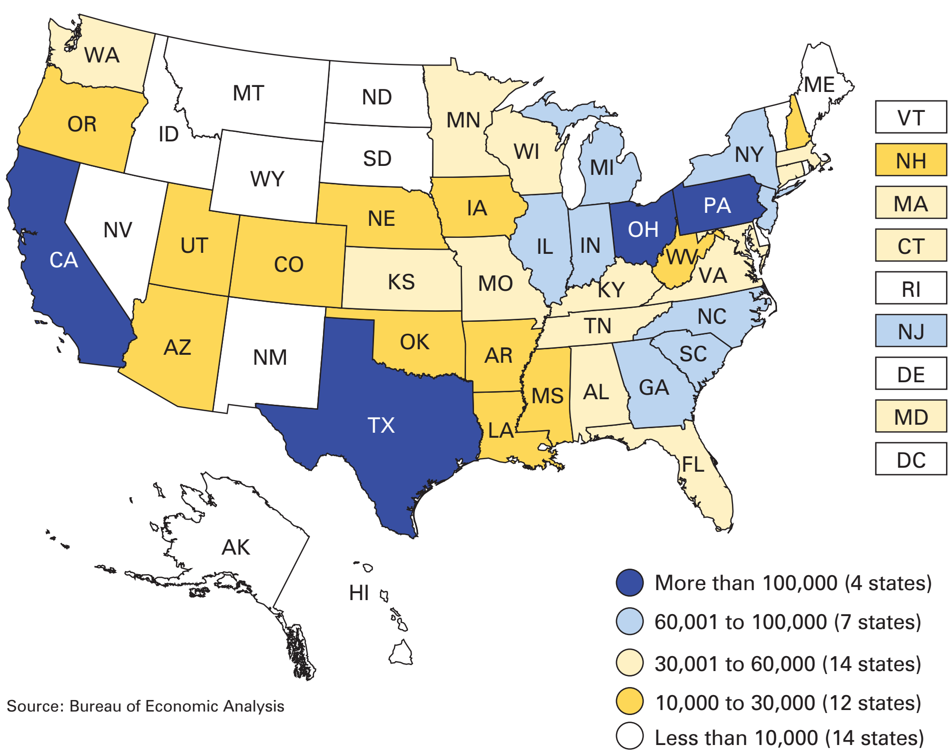
	All Countries (Share of Total Employment)	Canada	France	Germany	Netherlands	Switzerland	United Kingdom	Japan	Other	European Union**
All Industries	5,270.4*	10.2%	9.5%	10.8%	6.5%	7.7%	16.7%	12.4%	26.2%	57.0%
Manufacturing	37.7%	10.2%	9.0%	12.6%	5.3%	8.3%	12.4%	14.4%	27.8%	52.8%
Other Industries	25.0%	8.1%	D	8.7%	D	D	25.2%	2.9%	D	D
Wholesale Trade	10.5%	5.1%	4.1%	10.7%	3.4%	2.2%	7.2%	42.6%	24.7%	35.5%
Retail Trade	9.1%	9.0%	5.5%	10.6%	D	D	12.9%	6.5%	D	D
Finance and Insurance	7.6%	17.5%	9.6%	6.9%	7.2%	14.7%	18.8%	6.2%	19.2%	53.1%
Professional, Scientific and Technical Services	4.8%	14.4%	13.9%	1.3%	3.8%	2.2%	17.8%	5.9%	40.7%	D
Information	4.7%	14.8%	5.7%	26.2%	6.2%	0.2%	26.8%	9.0%	11.2%	69.0%
Real Estate and Rental and Leasing	0.7%	37.2%	D	3.1%	D	0.5%	33.6%	4.9%	14.7%	43.4%

*This employment number is in thousands.
**The European Union consists of 27 countries: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.
"D" reflects nondisclosed data (more than zero and fewer than 50 employees).
Source: Bureau of Economic Analysis and Bureau of Labor Statistics (CES Database)

This employment accounts for 18.9 percent of Indiana's private sector manufacturing employment. Indiana's figure is above the national percentage of 17.2 (see **Figure 17**). Among the neighboring states, only Kentucky surpassed Indiana. Ohio is close behind with 18.6 percent.

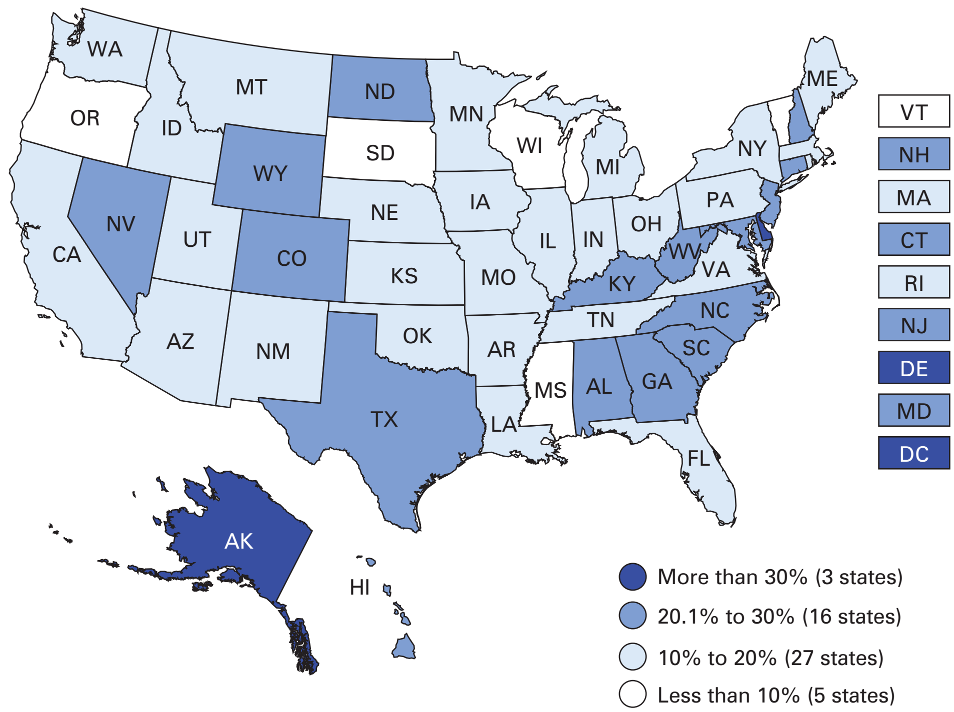
Among Midwestern states, Indiana continued to have the highest share of MOUSA employment in manufacturing at 63.2 percent, yet the number reflects a 4.8 percent reduction since 2008. In the other Midwestern states, the concentration of manufacturing-related MOUSA employment ranged from 33.9 percent to 55.8 percent (see **Figure 18**). All of the Midwestern states experienced declines in manufacturing's share of MOUSA employment.

Figure 16: MOUSA Manufacturing Employment, 2010



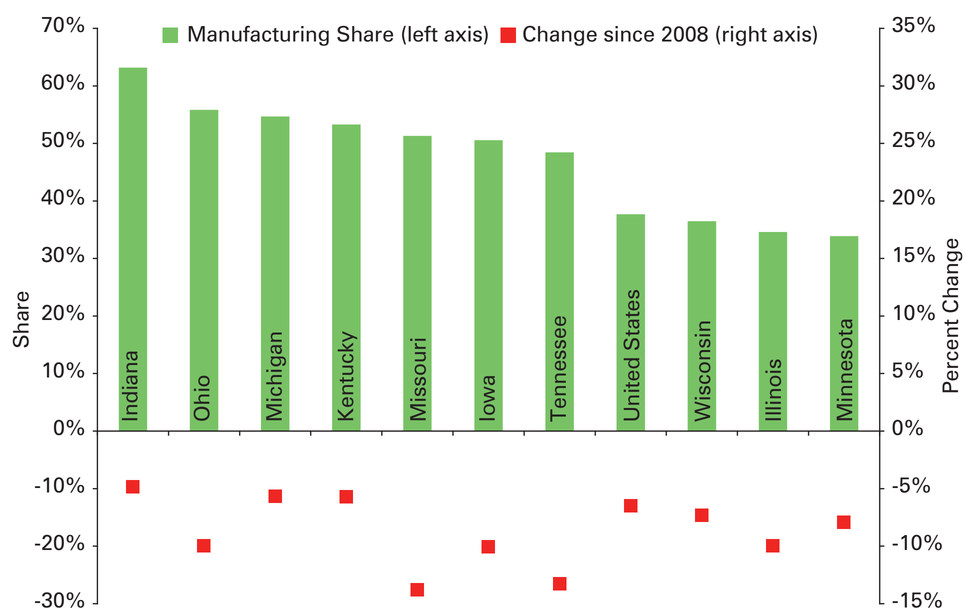
Source: Bureau of Economic Analysis

Figure 17: MOUSA Manufacturing Employment as a Percent of Total Private Manufacturing Employment, 2010



Source: Bureau of Economic Analysis

Figure 18: Share of Manufacturing Jobs of All MOUSA Employment in the Midwest, 2010



Source: Bureau of Economic Analysis

FDI Announcements, 2010 to 2012

The previous sections documented FDI investments throughout the world and United States. At the time of this report, 2010 was the most recent data available from BEA. In order to obtain a more "real-time" measure of FDI, the IBRC uses an investment tracking service, fDi Markets (www.fdimarkets.com), to track future FDI flows in the U.S. from 2010 to 2012. This service tracks FDI announcements (through press releases) and often includes projected investment values and the expected number of jobs that will be created. fDi Markets "counts" the FDI project the year it is announced with the understanding that it may take a number of years before the investment is fully realized—if at all. Another important difference from the BEA data is that fDi Markets collects data on greenfield and expansion projects only. Merger and acquisition transactions are not captured in the fDi Markets data.

Despite these caveats, fDi Markets does provide a sense of the current FDI activity. One must exercise caution when using and interpreting fDi Markets' data. Once an announcement is made, fDi is timely in uploading the data, but subsequent announcements or adjustments to a particular announcement may not be reflected in the database. Additionally, if explicit investment values or employment figures are not provided in the press release, fDi Markets estimates these values with varying degrees of accuracy. Despite all of these shortcomings, fDi Markets is still the best source for current fDi activity. To provide a more accurate view of Indiana's FDI announcements, the IBRC investigated each announcement to ascertain a more accurate estimated capital investment or employment figure. In addition, because FDI announcements and actualizations can fluctuate from year to year, especially for relatively small jurisdictions like a state, three years of FDI announcements are reported to smooth out volatility. To get a sense of new jobs annually, simply divide the fDi estimates by three.

Table 4: Foreign Direct Investment by Region, 2010 to 2012

Region	Total Deals	Foreign Deals	Foreign Deals Value (in millions)	Foreign Deals Jobs
U.S.	13,537	4,347	$170,930	365,271
Midwest	3,077	871	$29,848	85,295
Illinois	491	152	$3,943	13,049
Ohio	535	148	$4,910	13,526
Indiana*	497	143	$4,743	12,429
Michigan	279	110	$3,504	13,931
Tennessee	343	91	$5,748	13,547
Kentucky	290	83	$1,420	5,570
Minnesota	177	46	$1,042	2,603
Missouri	206	41	$675	3,186
Wisconsin	159	37	$1,768	5,881
Iowa	100	20	$2,095	1,573

* Indiana's data have been verified, yielding more conservative capital investments and higher employment figures, whereas other states' data represent unverified fDi Markets reported figures. This is also reflected in the Midwest and U.S. totals.
Source: fDi Markets and the Indiana Business Research Center

FDI Announcements in the United States, Midwest and Indiana

Each year, states eagerly announce forthcoming investments made by companies moving to or expanding within their borders as well as expected new jobs associated with the investment. Nationally, 13,537 FDI deals were announced between 2010 and 2012, with 68 percent being intrastate investments made by U.S. businesses. This is a noticeable change from the 2009-2011 time period where 91.5 percent of all U.S. FDI announcements were for intrastate investments by U.S. businesses. Within the Midwest and Indiana (during 2010 to 2012), approximately 30 percent of all announcements were made by foreign-based companies (see **Table 4**). This section focuses solely on direct investments from foreign countries.

Of the foreign-origin FDI announcements between 2010 and 2012, 4,347 announcements were made in the U.S. with an estimated value of $170.9 billion and 365,270 anticipated jobs. The Midwest captured 20 percent of the nation's FDI announcements with 871 reported investments valued at $29.9 billion and 85,165 anticipated jobs.

fDi Market estimates capital investments and jobs when they are not reported in the original announcement. As a result, the IBRC double-checked Indiana's announcements to verify the estimated figures.[4] Not all estimates could be vetted, however. The verified figures show that Indiana had 143 announcements between 2010 and 2012 valued at $4.7 billion and an anticipated 12,429 jobs. The fDi

[4] Research was done by searching press releases and news stories about companies' investments within Indiana with a focus on confirming or denying the fDi-reported employment and capital figures.

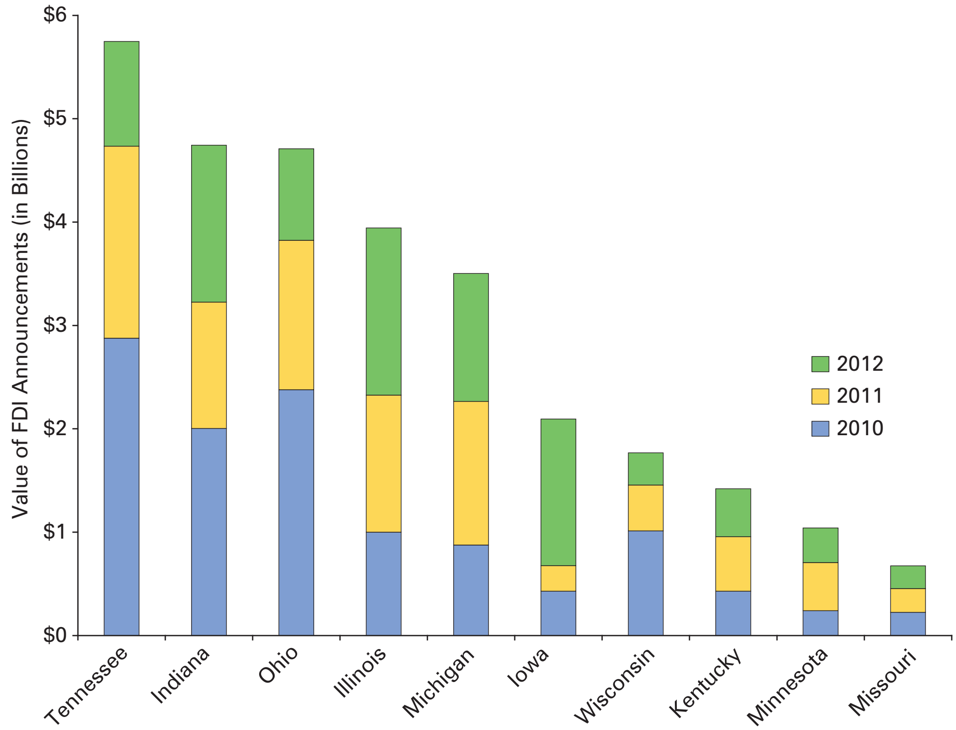
estimates had overestimated capital investments by $0.96 billion and underestimated employment by 65 employees. The remainder of this report will cite Indiana's double-checked announcement figures.

As **Figure 19** demonstrates, Indiana's anticipated FDI announcement value places it second among all Midwestern states, behind Tennessee and nearly tied with Ohio. Examining the year-to-year activity, Indiana's capital investment related to FDI remained constant over the last three years. Iowa and Illinois both had significant increases and Wisconsin had a significant decrease in 2012.

During 2010 to 2012, Indiana's top three announcements regarding capital investment came from British Petroleum (BP), Energias de Portugal (EDP) and Toyota Motor Company. Approximately 40 percent of the capital investment came from these sources. The investments from BP and EDP were from 2010 and their capital investment figures are impressive. That said, the number of jobs to be created is not—merely 1 percent of all announced employment. It's understandable considering BP's $3.8 billion announcement being for the Whiting Refinery revitalization project, which includes upgrading existing assets and adding new assets to allow better utilization of heavier crude oils. EDP's announcement of $616 million and 41 jobs were for the plans of building wind farms in west-central Indiana. Toyota Motor Company's 2012 announcement stated substantial capital investment and 400 anticipated jobs. Toyota has made a total of six announcements within Indiana between 2010 and 2012, accounting for $411.4 million in capital investment and 679 anticipated jobs.

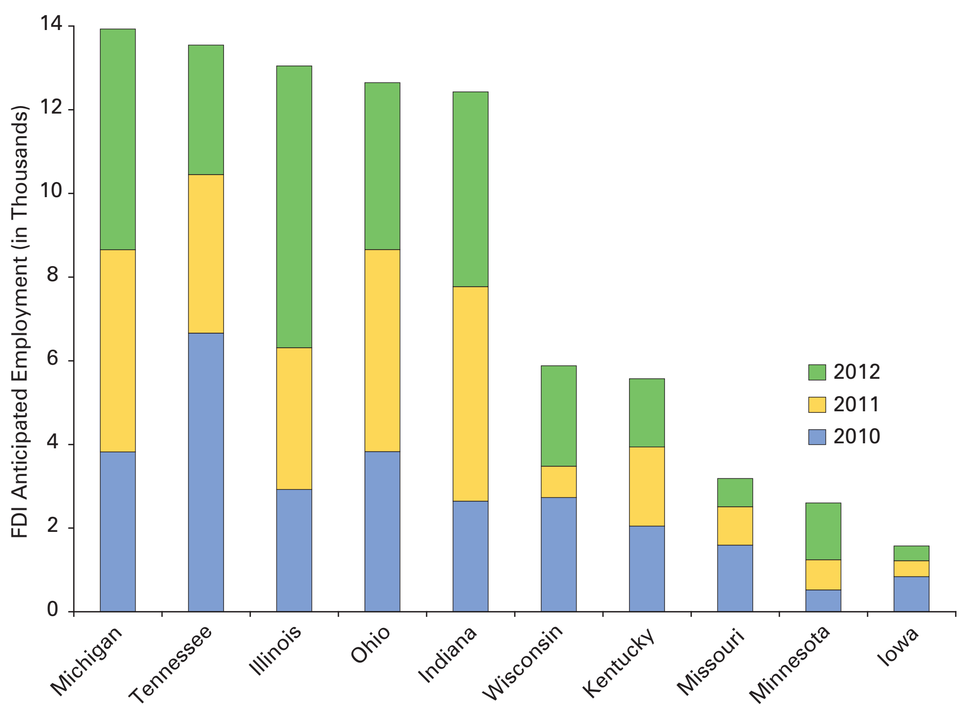
From the job creation perspective, Indiana ranked fifth among the Midwestern states in attracting FDI jobs (see **Figure 20**). While

Figure 19: Expected Value of Capital Investment, 2010 to 2012



Source: fDi Markets

Figure 20: Expected Number of Jobs Related to FDI Project Announcements, 2010 to 2012



Source: fDi Markets

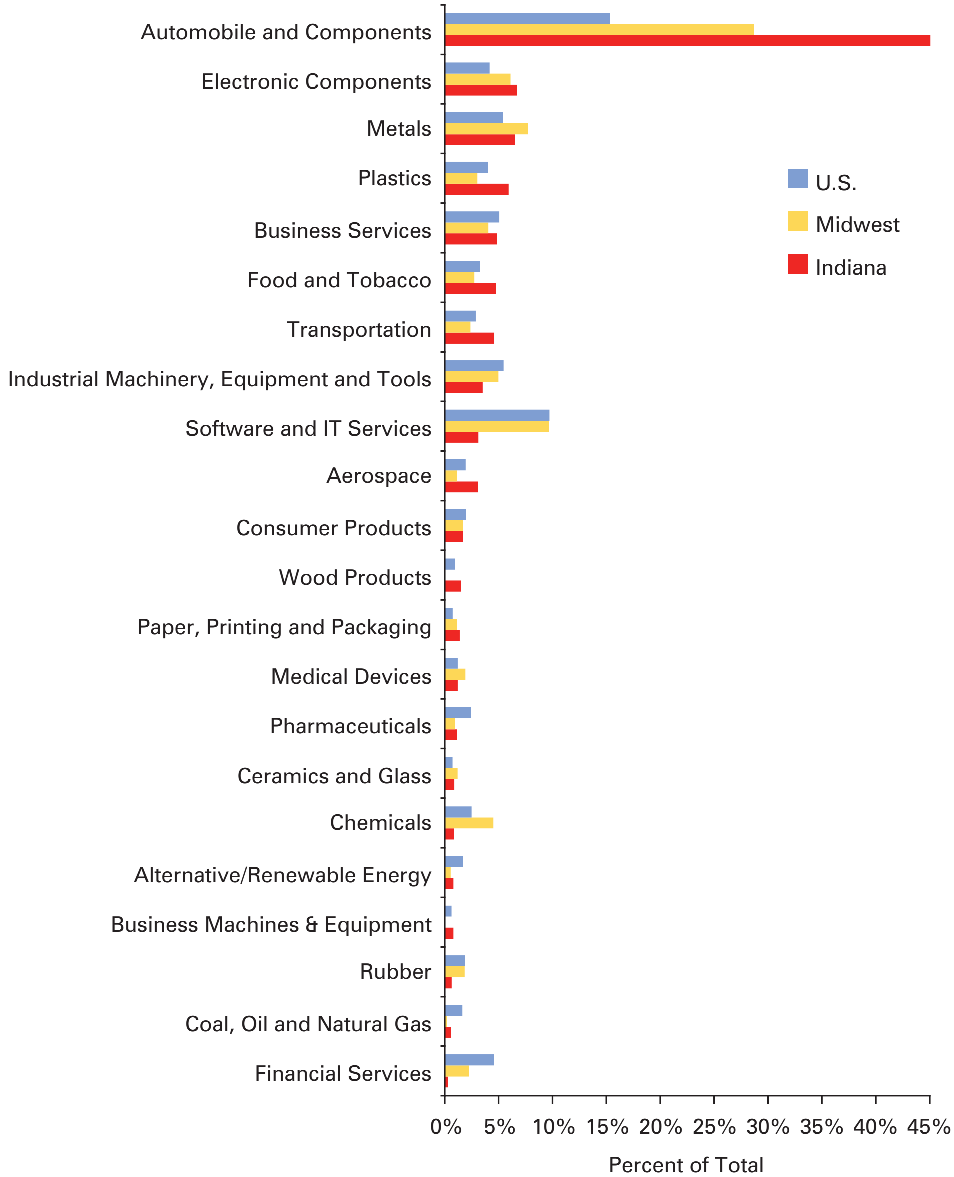
Wisconsin's total is lower than Indiana, Wisconsin had two large announcements by Infosys Technologies and Fincantieri to create 2,000 and 1,430 jobs, respectively. Tennessee has had several automotive manufacturing announcements by Nissan, Volkswagen and their suppliers.

Within Indiana, the top three FDI job announcements were made by Honda, Fiat and Teleperformance USA. These three deals combined are expected to create 2,450 jobs or 20 percent of all FDI announced jobs in 2012. Honda's announcement states that there would be an additional 1,000 jobs from adding a second shift to ramp up production of the 2012 Civic natural gas vehicle. Fiat announced their plans to open a new transmission plant in Tipton and hire 850 employees. Teleperformance USA announced expansion plans in mid-2012 to create 600 jobs at its call center in Hobart.

FDI Announcements by Industry

Nationally, the top three industries capturing foreign capital investments were the alternative/renewable energy ($32.6 billion), automobile and components ($17.7 billion) and coal, oil and natural gas ($13.4 billion). Within Indiana, the top three capital investments were in the automobile and components ($1.2 billion), coal, oil and natural gas ($0.9 billion), and alternative/renewable energy ($0.6 billion) industries. In the other Midwestern states, the top three future recipients of FDI were the automobile components, chemicals and metals industries with investment flows of $6 billion, $3.3 billion and $3.0 billion, respectively. As noted earlier, these large capital investments do not always correlate to large expected employment figures, with the only exception typically being in the automobile and components industry.

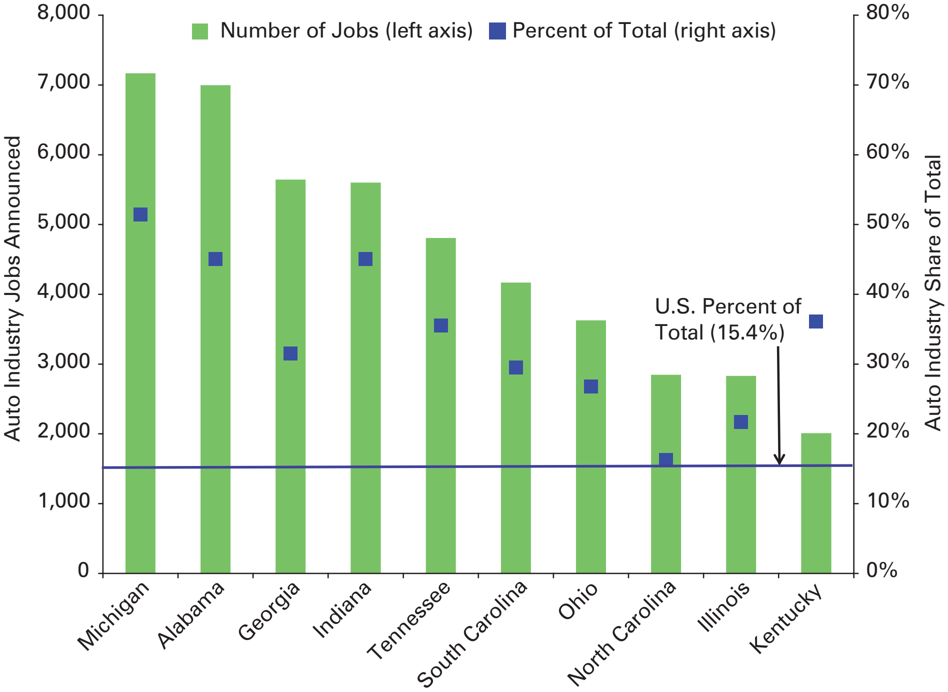
Figure 21: FDI Project Announcement Employment by Industry Sector, 2010 to 2012



Source: fDi Markets

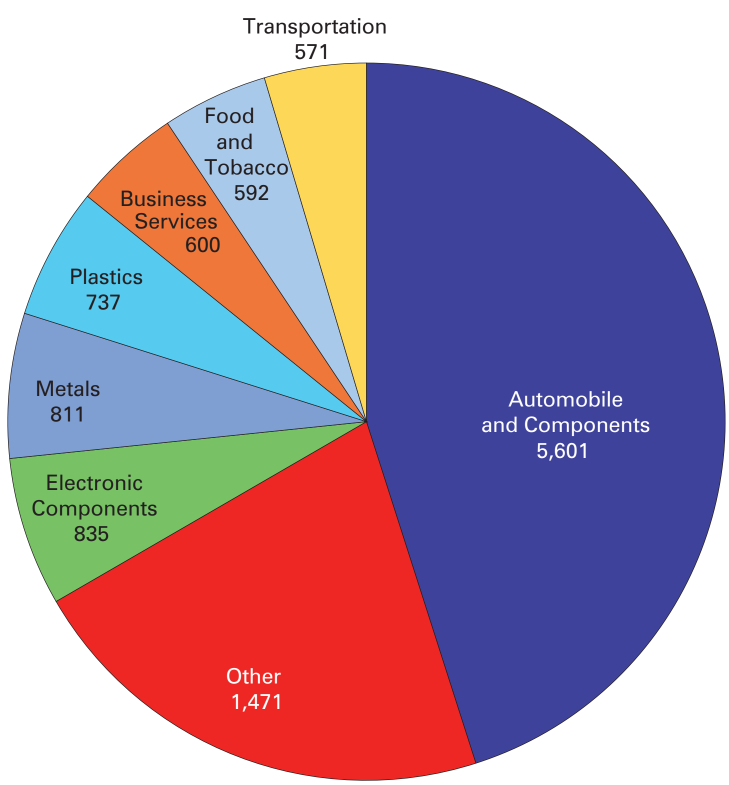
Figure 21 shows that Indiana's top FDI-employment industries were automobile and components (5,601 jobs, 45.1 percent of the total), electronic components (835 jobs, 6.7 percent) and metals (811 jobs, 6.5 percent). Toyota, Honda and Fiat's anticipated job investments—as well as the 48 other automobile and components industry announcements—certainly contributed to Indiana's employment dominance in this industry relative to other geographies. The auto industry also had the largest share of total FDI employment announcements nationally and in the Midwest; however, FDI job announcements were more evenly distributed. The expected 56,000 jobs related to auto sector FDI deals between 2010 and 2012 account for 15.4 percent of the U.S. total. Among the top destination states for auto sector FDI, Indiana had the fourth highest projection of auto-related jobs behind Michigan,

Figure 22: Automotive Industry FDI Employment Announcements and Share of Total, 2010 to 2012



Source: fDi Markets

Figure 23: Indiana FDI Employment Announcements by Industry, 2012



Source: fDi Markets

Alabama and Georgia (see **Figure 22**). Indiana has experienced a healthy rebound in the auto sector with 2012 being the best year of the 2010 to 2012 time period (more than 3,000 anticipated jobs)—almost twice the 2011 figure (1,595).

Since the end of the Great Recession, IBRC researchers have seen a steady increase in FDI activity both nationally and within Indiana. Most noticeably, this gain has primarily been within the automobile and components sector; however, there has been a degree of diversification. **Figure 23** presents Indiana's FDI employment announcements by industry sector. As expected, the automobile and components was the largest source of anticipated employment in Indiana.

FDI Announcements by Business Activity

Approximately 74 percent of the FDI-related jobs announced in Indiana between 2010 and 2012 were in the manufacturing business activity. Business activity classifies FDI projects based on the primary task undertaken at a facility rather than on the type of product or service a company produces. An automotive industry FDI announcement, for instance, could be primarily involved in one of several activities including manufacturing, research and development, maintenance and servicing a customer service center, or a company headquarters.

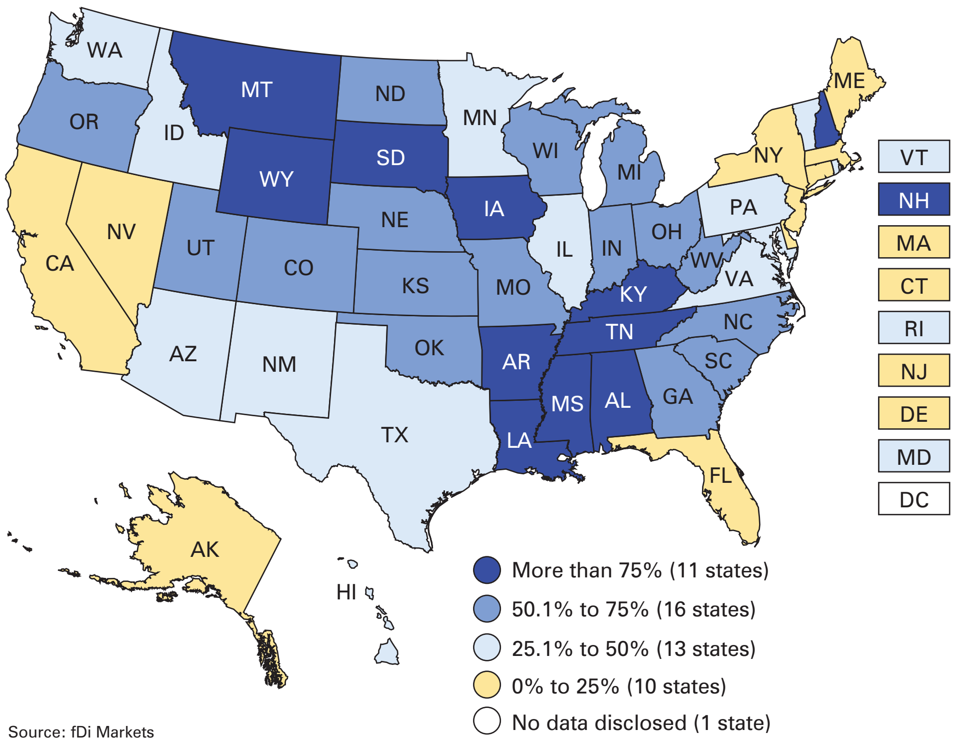
Among all states, Indiana had the highest number of manufacturing FDI project announcements (100) between 2010 and 2012, yet it was only eighth in the quantity of jobs associated with the manufacturing FDI announcements (9,150 jobs). Eight of the top 10 states with FDI manufacturing jobs were in either the Midwest or South—regions with higher concentrations of automotive manufacturing activity (see **Figure 24**).

Indiana certainly was not the only state to have a high concentration of the FDI employment announcements in manufacturing as its 74 percent placed it 13th among states. Nationally, manufacturing accounted for 44.8 percent of FDI job announcements.

Behind manufacturing, headquarters activities captured the second-largest share of FDI employment nationally, accounting for 11.5 percent of total job announcements over the three-year period. Sales, marketing and support came in third at 9.7 percent of total announced jobs. As **Figure 25** shows, employment associated with headquarters activity announcements was also Indiana's top non-manufacturing business activity. Between 2010 and 2012, 13 headquarters deals were announced in Indiana with a combined expected employment of 1,122.

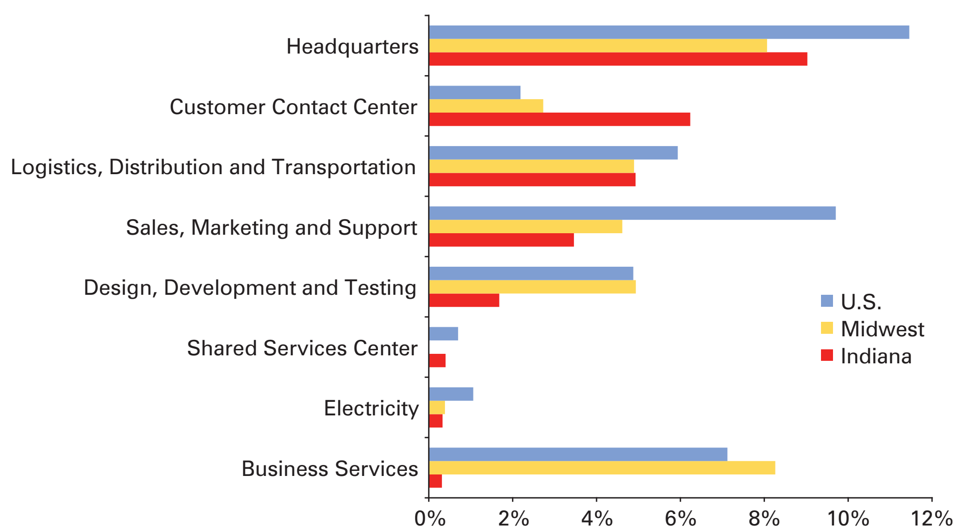
The third most popular business activity among the anticipated FDI jobs in Indiana was customer contact centers at 6.2 percent, which exceeded national and Midwestern shares of approximately 2 percent. Business services' activity was more prevalent in the other Midwestern states and the U.S. (8.3 percent and 7.1 percent, respectively) than in Indiana (0.3 percent).

Figure 24: Manufacturing FDI Employment Announcements as a Share of the Total, 2010 to 2012



Source: fDi Markets

Figure 25: Non-Manufacturing FDI Employment Announcements as a Share of Total, 2010 to 2012



Source: fDi Markets

FDI Announcements by Source Country

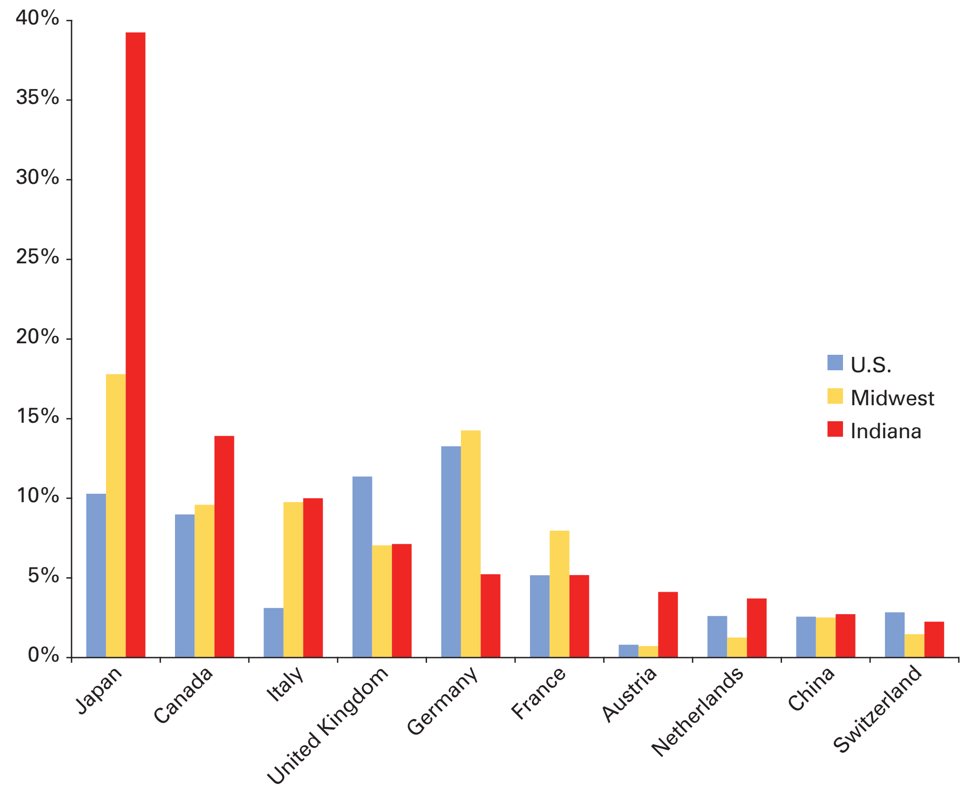
Japanese companies were a large source of FDI announced employment intentions for Indiana and the Midwest between 2010 and 2012. Approximately 40 percent of Indiana's announced FDI jobs came from Japan compared to 17.8 percent for the Midwest and 10.3 percent for the United States (see **Figure 26**).

Germany was the top source of employment announcements for the United States at 13.3 percent and was the Midwest's second-largest source at 14.3 percent. Rounding out the top five source countries that announced plans to invest in Indiana during 2010 to 2012 were Canada (13.9 percent), Italy (10 percent), the United Kingdom (7.1 percent) and Germany (5.2 percent).

Overall, these top five countries had 107 FDI announcements in Indiana within the past three years and expected employment of 9,388, comprising 75.5 percent of all announced Indiana FDI employment.

Approximately 40 percent of Indiana's announced FDI jobs came from Japan compared to 17.8 percent for the Midwest and 10.3 percent for the United States.

Figure 26: Share of Total Employment Announcements by Source Country, 2010 to 2012



Source: fDi Markets

Conclusion

FDI has long played an important role in Indiana's economy, particularly in the manufacturing sector. Since the Great Recession, FDI investments have rebounded nationally and within Indiana. The 2010 U.S. Bureau of Economic Analysis data show that Indiana's MOUSA manufacturing employment share is slightly higher than the nation's and the FDI announcement trend for 2010 to 2012 indicates that this trend will continue. The Midwest and Indiana remain attractive locations for manufacturing operations, especially for Japanese companies. Automobile and components manufacturing remain as the top industry capturing the manufacturing activity, further strengthening Indiana's dominance in this area.