

Capturing the Flag:

Foreign Direct Investment in Indiana



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Indiana

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Executive Summary

Exports and foreign direct investment (FDI) are two ways to measure the scope and degree of a region's globalization. Exports are critical to the economy due to their ripple effects and employment effects.¹ FDI also contributes financially to the state's economy and often provides job opportunities for local residents. This report analyzes recent historical data from the Bureau of Economic Analysis on FDI trends nationally, in the Midwest and Indiana, as well as "real-time" FDI announcements made between 2009 and 2011 for planned investments in new and expanded plant and equipment.

“The automobile and components industries captured the largest share of Indiana's expected FDI jobs at 3,670 new positions, comprising a third of all anticipated FDI jobs.”

Key Findings

- In 2009, nearly 5.3 million U.S. workers were employed by majority-owned U.S. affiliate (MOUSA) enterprises, with 131,400 of these workers in Indiana. Reflecting the effects of the Great Recession, these employment figures are lower than in 2007.
- Japanese countries were the largest source of MOUSA employment and the announced FDI employment for Indiana. Nationally, European countries were the primary source of MOUSA employment.
- Roughly 5 percent of all U.S. private employment was in MOUSAs, with a slightly higher share in Indiana (5.6 percent). The manufacturing industry captured the largest share of MOUSA employment nationally (37.2 percent), in the Midwest (29.9 percent) and in Indiana (62.2 percent).
- Indiana's MOUSA employment share of total private employment was higher than the nation's in the manufacturing, wholesale trade and information industries.
- Between 2009 and 2011, the nation had 4,080 FDI announcements valued at \$182.8 billion with 352,460 expected jobs. Indiana had 136 verified FDI announcements valued at \$5.1 billion and projected to create 11,800 jobs.
- The automobile and components industries captured the largest share of Indiana's expected FDI jobs at 3,670 new positions, comprising a third of all anticipated FDI jobs.
- Manufacturing remained the most popular business activity for foreign investment in Indiana, comprising 75 percent of all expected jobs compared to 41.6 percent nationally. ■

¹ For an example of the economic effects of exports, see "Cultivating Trade: The Economic Impact of Indiana's Agricultural Exports" at www.ibrc.indiana.edu/studies/CultivatingTrade2012.pdf.

FDI in the United States and Indiana

Exports are critical to the Indiana economy, but the investment of foreign entities in Indiana’s business enterprises is also important.² These investments contribute financially to the state’s economy and often provide jobs to Hoosiers. Because the subject of foreign investment has its own vocabulary, it may be helpful to know a few common terms in the foreign direct investment (FDI) field.³

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 recent 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 the data and references in this report are for majority-owned U.S. affiliates (MOUSAs).

FDI data from the Bureau of Economic Analysis (BEA) cover U.S. businesses newly acquired or established by foreign direct investors. Due to changes in the data collected by the BEA, state-level

² A report on the inbound effects of FDI flows into the United States is available at www.whitehouse.gov/sites/default/files/microsites/cea_fdi_report.pdf.

³ These definitions are from the Bureau of Economic Analysis glossary at www.bea.gov/glossary/glossary.cfm.

“In 2009, the United States had nearly 5.3 million workers employed at enterprises where a foreign investor or company had at least a 50 percent stake.”

breakdowns are no longer available for U.S. affiliate manufacturing employment; gross property, plant and equipment; and commercial property (2007 is the last year for these components). Likewise, beginning with the 2007 data, BEA changed its reporting from solely non-bank MOUSA firms to include bank MOUSA firms; thus the data series for all MOUSA firms is short, covering only three years, from 2007 through 2009.

Foreign Direct Investment Activity

In 2009, the United States had nearly 5.3 million workers employed at enterprises where a foreign investor or company had at least a 50 percent stake, otherwise known as a MOUSA. Slightly more than 23 percent of these MOUSA workers were employed in the Midwest. In 2009, Indiana ranked 14th among states (same as 2008), with 131,400 workers employed at MOUSA firms (see **Table 1**). From 2007 to 2009, MOUSA employment declined in the U.S. by 5.5 percent, a trend mirrored in most Midwestern states except Missouri and Iowa (which saw increases of 3.8 percent and 1.1 percent, respectively).

Table 1: MOUSA Employment in Midwestern States, 2009

Geography	MOUSA Employment (in thousands)	Change since 2007	U.S. Rank
United States	5,279.7	-5.5%	n/a
Illinois	250.8	-10.6%	5
Ohio	211.2	-11.3%	8
Michigan	134.8	-11.7%	13
Indiana	131.4	-11.9%	14
Tennessee	116.3	-16.5%	15
Minnesota	92.2	-6.1%	20
Kentucky	87.0	-6.4%	21
Missouri	85.5	3.8%	22
Wisconsin	74.6	-9.0%	25
Iowa	46.0	1.1%	29

Source: Bureau of Economic Analysis

The Origin of FDI

European countries accounted for 52.2 percent of the nation’s MOUSA employment in 2009 followed by “other countries” (such as Middle East and Latin American countries) at 26.3 percent and Japan (12.5 percent). The Midwest, as a whole, followed similar trends with a slightly stronger presence from Japan and other countries compared to the nation, and less from Europe and Canada. At the individual country level, Japan held the largest share of MOUSA employment in Indiana

at 26.9 percent (35,300 jobs). In the U.S. and Midwestern states, the United Kingdom was the dominant European country creating FDI jobs. Among Indiana's neighboring states, Illinois had the largest employment presence from France and the United Kingdom (see **Figure 1**).

FDI Investment

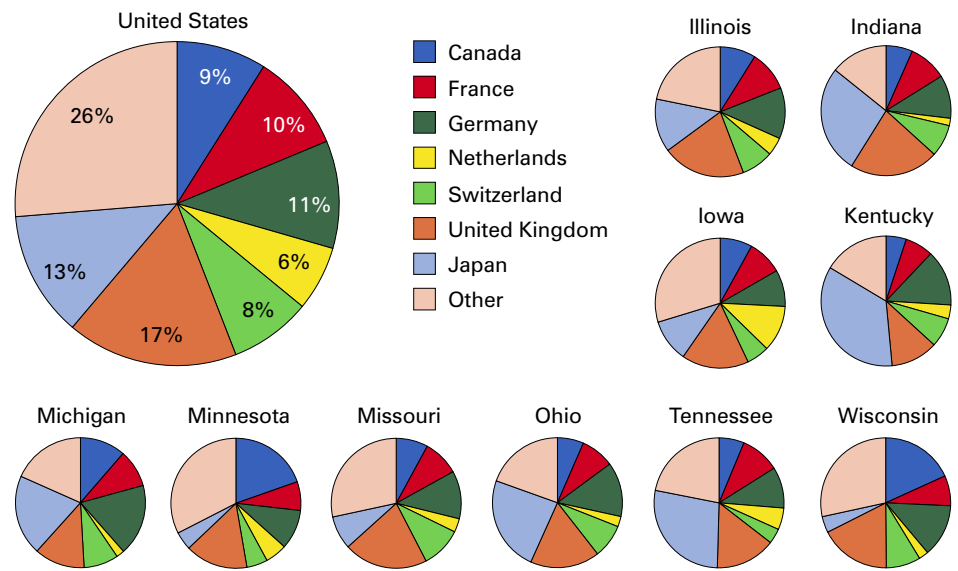
Gross property, plant and equipment (PPE) is another measure for the volume of FDI in a given area. Unfortunately, BEA ended its state-level PPE reporting in 2007 and now produces these data only for the nation. In 2009, MOUSA companies invested nearly \$1.5 trillion nationally in PPE, a 13.2 percent increase from 2008. **Figure 2** shows that the manufacturing industry captured the largest share of PPE investment at 45.2 percent, followed distantly by other industries and wholesale trade (21.8 percent and 12.3 percent, respectively). Since 2007, the value of PPE increased by double digits for most industries; wholesale trade, however, experienced a 31.4 percent decrease. The manufacturing sector had the strongest growth at 32.6 percent, and retail trade the smallest increase at 4.7 percent.

European countries—mostly from the European Union—have provided the majority of PPE investment in the U.S. (60 percent and 53.8 percent shares, respectively). Asian and Pacific countries are the second largest region investing in the United States, with 20.4 percent of the total value of PPE invested in 2009. Since 2007, the strongest growth in PPE value came from Middle Eastern (31.4 percent growth) and European countries (20.9 percent growth). Despite the high growth rate, the Middle East currently comprises a small share (3.1 percent) of total PPE value.

FDI Employment

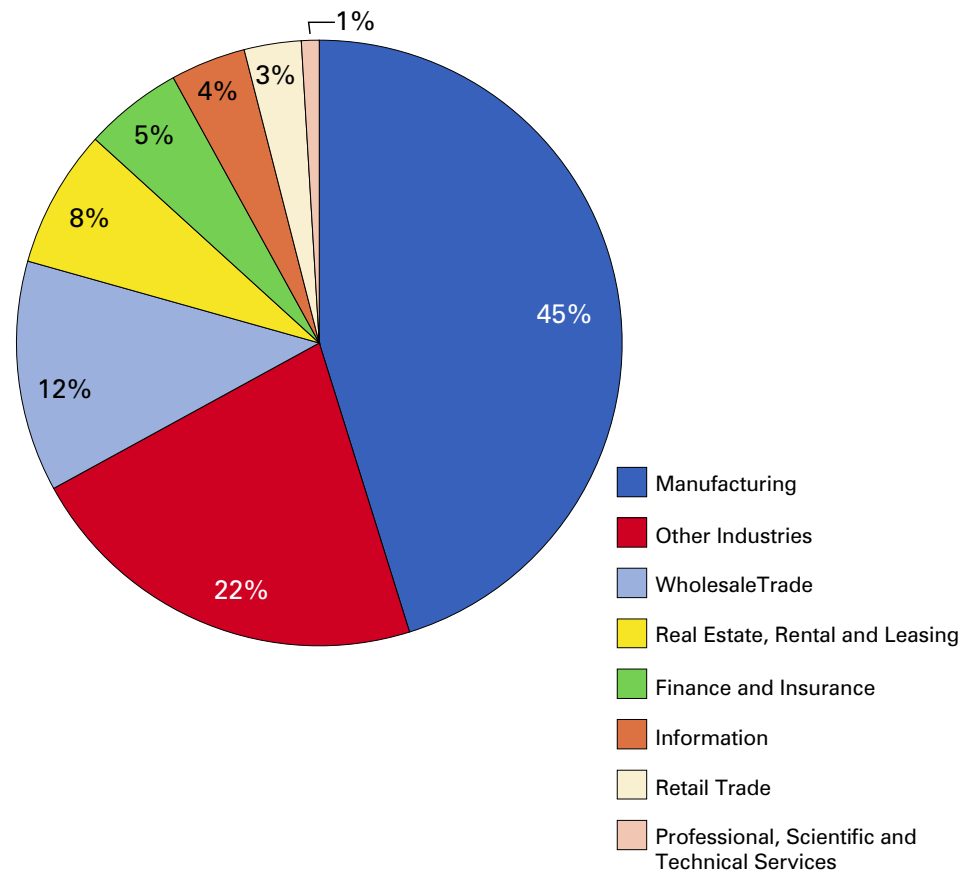
The Great Recession began in December 2007 and ended in June

Figure 1: Midwestern States' MOUSA Employment by Source, 2009



Source: Bureau of Economic Analysis

Figure 2: Value of Gross Property, Plant and Equipment, United States, 2009



Source: Bureau of Economic Analysis

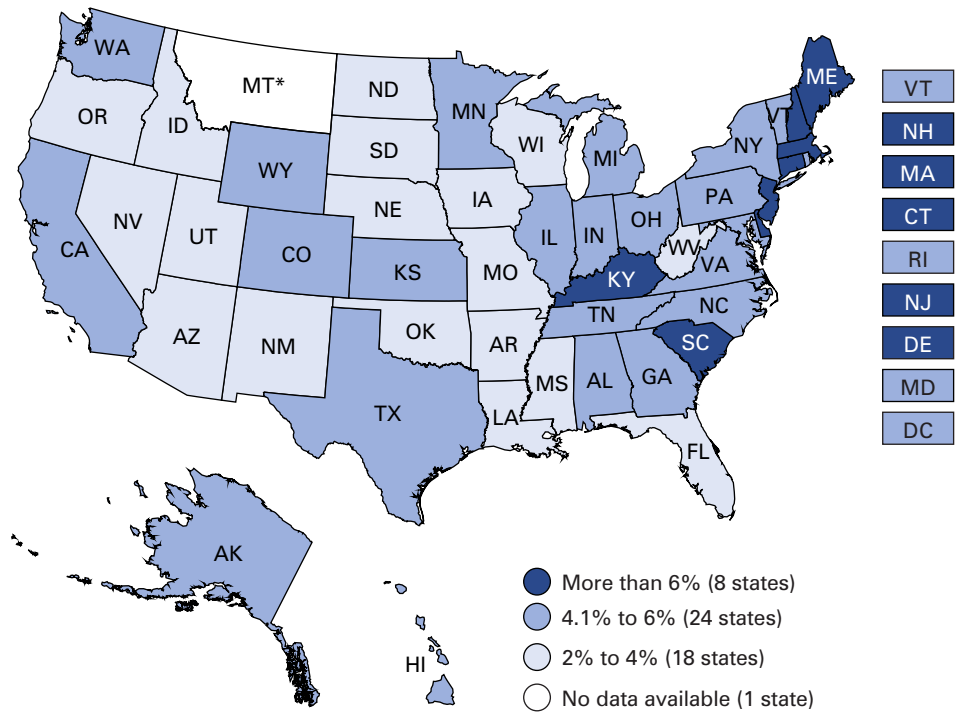
“With 131,400 Hoosier workers, MOUSA firms accounted for 5.6 percent of Indiana’s total private sector employment.”

2009. One would expect declines in foreign-owned firm employment during this time period. Indeed, the MOUSA employment rolls declined nationally by 5.5 percent (308,500 workers), leaving nearly 5.3 million American workers employed by a MOUSA in 2009—about 5 percent of total private employment.

With 131,400 Hoosier workers, MOUSA firms accounted for 5.6 percent of Indiana’s total private sector employment (see **Figure 3**). The state ranked 12th nationally and its MOUSA employment share was above the national average of 4.9 percent. Furthermore, among its Midwestern neighbors, only Kentucky MOUSAs had a higher share of total private employment.

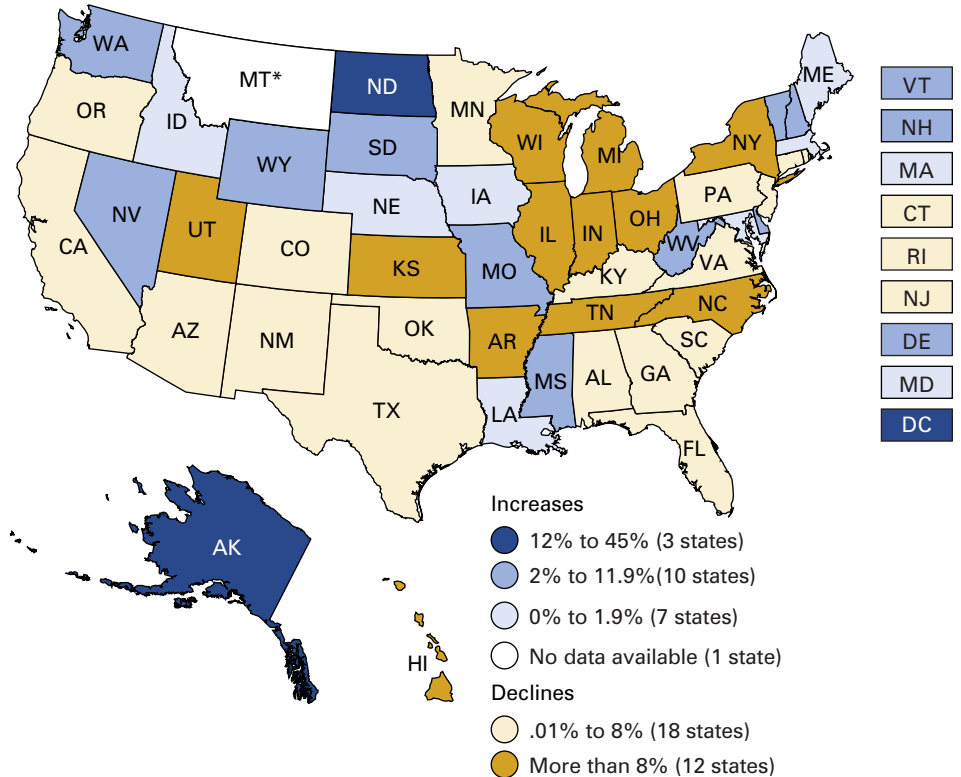
Each state was affected differently by the recession, as MOUSA employment changes between 2007 and 2009 show (see **Figure 4**). Over half of the states had declines in MOUSA employment (30 states), two had no change and 18 experienced employment gains. North Dakota (45.3 percent), the District of Columbia (21.5 percent) and Alaska (12.3 percent) had the largest MOUSA employment growth. On the other end of the spectrum, Tennessee had the largest MOUSA

Figure 3: MOUSA Employment as Percent of Total Private Employment, 2009



*Montana’s 2009 MOUSA employment was suppressed.
Source: Bureau of Economic Analysis

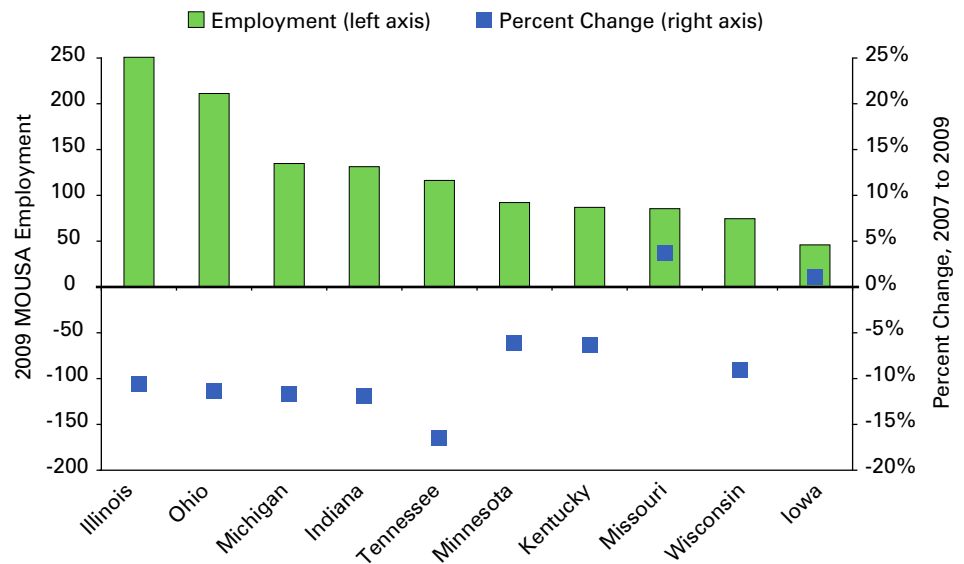
Figure 4: Percent Change in MOUSA Employment, 2007-2009



*Montana’s 2009 MOUSA employment was suppressed.
Source: Bureau of Economic Analysis

“Midwestern states lost 131,000 MOUSA jobs (-9.6 percent). Indiana had the fifth highest job loss in the region at 17,700 workers.”

Figure 5: MOUSA Employment Trends in the Midwest, 2007-2009



Source: Bureau of Economic Analysis

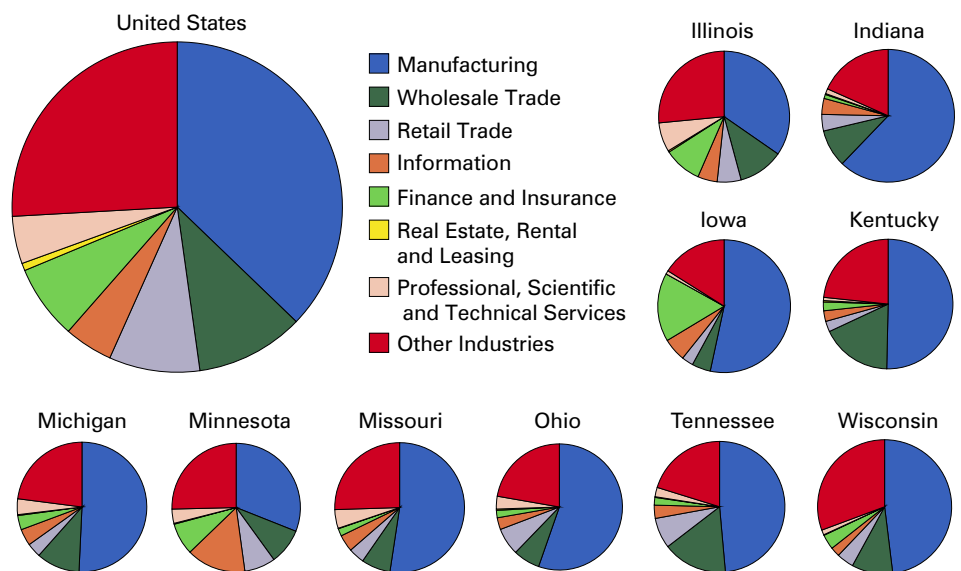
employment loss, falling 16.5 percent. Indiana wasn't far behind with its 11.9 percent decline, placing it 47th among all states in MOUSA employment change.

Midwestern states lost 131,000 MOUSA jobs (-9.6 percent). Indiana had the fifth highest job loss in the region at 17,700 workers. Only Missouri and Iowa gained MOUSA jobs during the recession, albeit slightly. As expected, Tennessee had the greatest percent decline in MOUSA employment, yet Illinois lost the greatest number of jobs at 29,700 (see **Figure 5**).

FDI by Industry

The significance of MOUSA investment can be gauged by dollars or employment. Employment may be a better measure of FDI as job totals are not subject to inflation or deflation. Moreover, accounting for changes in the value of the dollar against other currencies and keeping track of net changes in the capital stock—that is, accounting for new investment flows and depreciation—can be tricky. On the other hand, the value of a job is not directly affected by changes in exchange rate, nor do most jobs “depreciate” or suffer a

Figure 6: Share of MOUSA Employment by Industry, 2009



Source: Bureau of Economic Analysis

reduction in wages. For this reason, this section reports the structure of MOUSA employment by industry.

FDI-related employment spans multiple industries, with manufacturing remaining dominant at the national, regional and state levels in 2009 (see **Figure 6**). Beyond manufacturing, the second-largest industry category employing

U.S. workers is “other industries” at 26 percent. Indiana follows a similar trend with manufacturing constituting 62.2 percent of total MOUSA employment, with “other industries” comprising 18 percent, and wholesale and retail trade at 9 percent and 4 percent, respectively.

More broadly, foreign-owned businesses in Indiana represented

5.6 percent of the state's total private industry employment in 2009 (see **Table 2**). Indiana's share was greater than the nation as a whole (4.9 percent) and surpassed all neighboring states except Kentucky. MOUSAs accounted for 18.5 percent of Indiana's total manufacturing employment compared to 16.6 percent for the nation. Other industries where Indiana's concentration of MOUSA employment was greater than the

nation's include wholesale trade and information.

European countries are a major source for FDI in the United States and Indiana. Nation-of-origin data provide insights as to the industries in which countries invest, and as expected European Union countries were heavyweights in nearly every category. The other countries' dominant investment was in professional, scientific and technical services (43.6 percent) and Japan invested heavily in wholesale trade

industries (42 percent). Data at the state level are not available beyond 2007.

Manufacturing Employment

In 2009, 37.2 percent of all FDI-related employment in the U.S. was in manufacturing, with the Midwest capturing 29.9 percent of all manufacturing-related FDI employment. Since 2007, manufacturing-related MOUSA employment has increased by 0.5 percentage points. In Indiana, 62.2

Table 2: Employment of MOUSAs by Industry of Affiliate, 2009

Geography	Indicator*	All Private Industries	Manufacturing	Wholesale Trade	Retail Trade	Information	Finance and Insurance	Real Estate and Rental and Leasing	Professional, Scientific, and Technical Services	Other Industries
United States	Jobs	5,279.7	1,963.8	560.1	469.4	251.5	383.9	38.3	245.4	1,367.2
	Percent of Jobs	4.9%	16.6%	10.0%	3.2%	9.0%	6.6%	1.9%	1.5%	2.8%
Illinois	Jobs	250.8	86.9	28.0	14.8	12.1	23.5	0.9	18.1	66.5
	Percent of Jobs	5.2%	15.1%	9.6%	2.5%	11.4%	24.2%	1.2%	2.3%	2.8%
Indiana	Jobs	131.4	81.7	12.0	5.3	5.1	1.3	0.3	1.6	24.1
	Percent of Jobs	5.6%	18.5%	10.4%	1.7%	13.6%	1.3%	0.9%	0.6%	2.3%
Iowa	Jobs	46.0	24.6	2.1	1.3	2.6	7.7	0	0.4	7.4
	Percent of Jobs	3.8%	12.1%	3.1%	0.7%	8.6%	8.7%	D	0.3%	1.4%
Kentucky	Jobs	87.0	43.8	15.4	2.3	2.3	1.9	0.3	0.7	20.3
	Percent of Jobs	6.0%	20.6%	21.3%	1.1%	8.5%	2.7%	1.6%	0.4%	3.0%
Michigan	Jobs	134.8	68.3	14.6	4.8	5.6	4.8	0.3	5.3	30.9
	Percent of Jobs	4.2%	14.7%	9.5%	1.1%	9.9%	11.3%	0.6%	1.1%	2.1%
Minnesota	Jobs	92.2	28.6	8.3	7.2	13.8	7.4	0.2	3.3	23.4
	Percent of Jobs	4.1%	9.5%	6.6%	2.6%	25.0%	19.9%	0.6%	1.1%	2.1%
Missouri	Jobs	85.5	44.8	6.2	3.4	3.6	1.6	0.1	4.0	21.8
	Percent of Jobs	3.8%	17.7%	5.2%	1.1%	5.7%	6.1%	0.3%	1.3%	2.0%
Ohio	Jobs	211.2	116.9	14.5	14.8	6.4	4.0	0.7	6.9	47.0
	Percent of Jobs	4.9%	18.6%	6.6%	2.6%	7.9%	20.4%	1.2%	1.1%	2.2%
Tennessee	Jobs	116.3	56.5	18.6	8.8	3.8	2.2	0.2	2.7	23.5
	Percent of Jobs	5.3%	18.3%	15.4%	2.9%	8.1%	29.7%	0.6%	0.9%	2.2%
Wisconsin	Jobs	74.6	35.9	7.4	3.1	1.7	2.7	0.1	0.9	22.9
	Percent of Jobs	3.2%	8.2%	6.4%	1.0%	3.5%	7.6%	0.4%	0.3%	2.1%

* Majority-owned affiliate job data are in thousands.

D represents suppressed data.

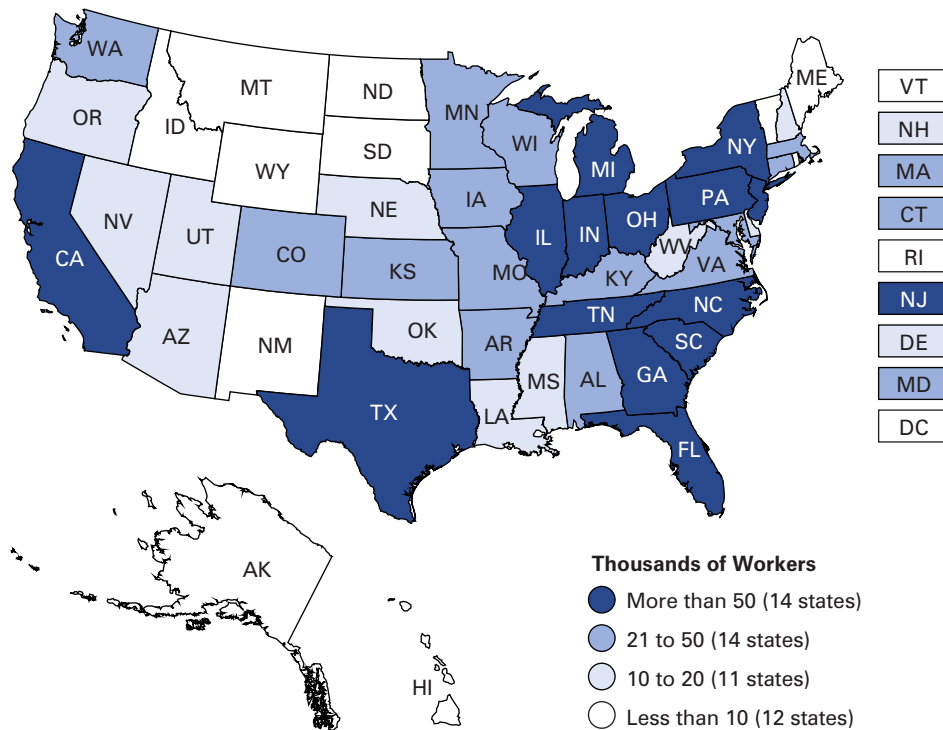
Source: Bureau of Economic Analysis and Bureau of Labor Statistics

Table 3: Country's Share of FDI Employment by Industry in the U.S., 2009

	Canada	France	Germany	Netherlands	Switzerland	United Kingdom	Japan	Other	European Union*
All Industries	9.0%	9.7%	10.7%	6.5%	8.2%	17.1%	12.5%	26.3%	57.5%
Manufacturing	7.7%	8.9%	12.9%	5.1%	9.1%	13.6%	14.9%	27.9%	54.3%
Wholesale Trade	4.4%	6.4%	11.0%	3.2%	1.8%	7.2%	42.0%	24.0%	36.5%
Retail Trade	9.0%	2.4%	10.7%	D	D	13.8%	7.0%	D	D
Information	14.3%	5.6%	26.1%	7.4%	0.2%	25.8%	8.4%	12.0%	71.4%
Finance and Insurance	16.8%	9.9%	6.3%	7.7%	15.7%	20.2%	5.9%	17.6%	D
Real Estate and Rental and Leasing	34.5%	D	3.4%	1.6%	0.5%	37.3%	5.2%	D	45.7%
Professional, Scientific, and Technical Services	14.1%	14.2%	1.0%	3.5%	1.6%	15.9%	6.1%	43.6%	46.4%
Other Industries	7.9%	D	8.0%	D	D	24.5%	2.9%	25.6%	D

*The European Union includes 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 represents suppressed data
 Source: U.S. Bureau of Economic Analysis

Figure 7: MOUSA Manufacturing Employment, 2009



Source: Bureau of Economic Analysis

percent of total MOUSA employment was in the manufacturing sector, the second-highest percentage nationally (following Arkansas).

In 2009, MOUSAs supported 81,700 manufacturing jobs in Indiana (see **Figure 7**). These jobs represented 18.5 percent of total

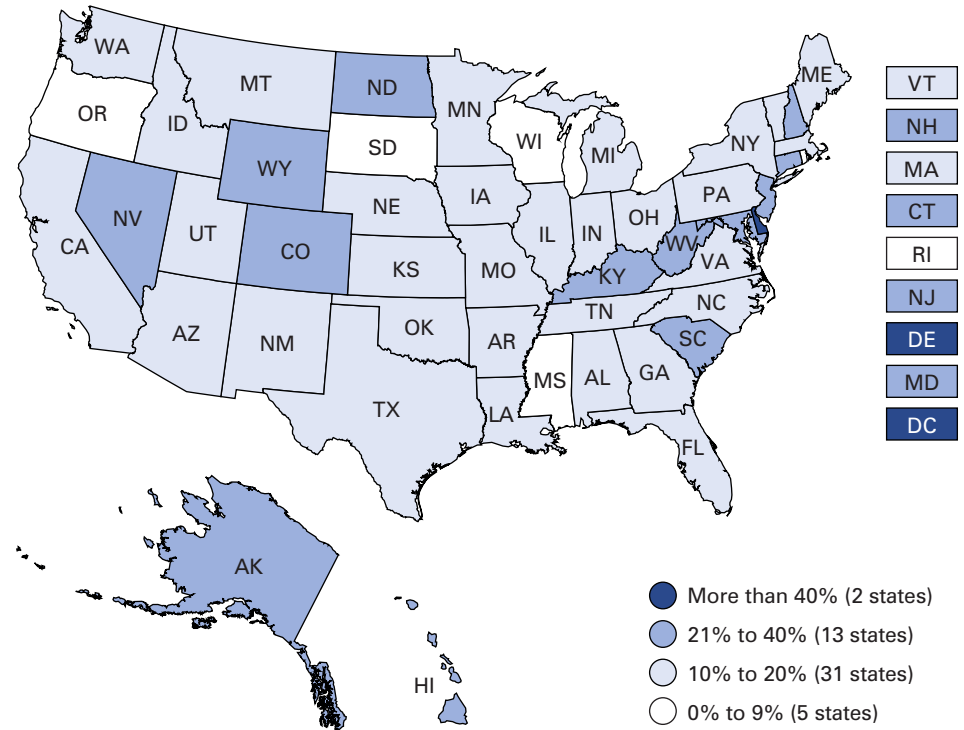
“In 2009, MOUSAs supported 81,700 manufacturing jobs in Indiana. These jobs represented 18.5 percent of total private manufacturing employment in the state.”

private manufacturing employment in the state (see **Figure 8**). This share of manufacturing employment exceeded the U.S. percentage of 16.6

percent and, among neighboring states, was surpassed by only Kentucky and Ohio. These figures illustrate that, compared to other regions of the country, manufacturing dominates MOUSA employment in the Midwest.

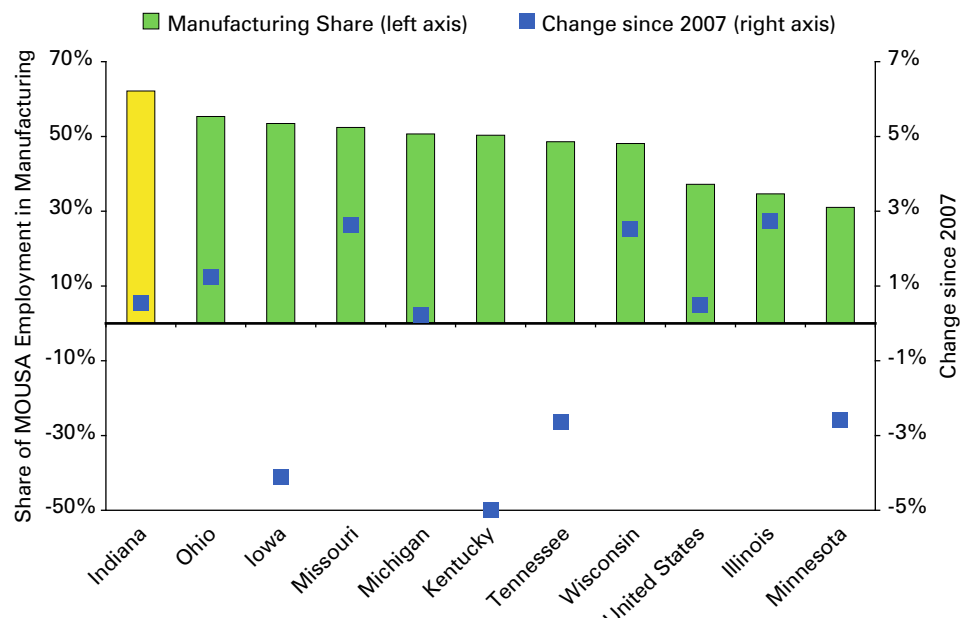
Among Midwestern states, Indiana had the highest share of MOUSA employment in manufacturing at 62.2 percent, an increase of half a percentage point since 2007. By comparison, the other Midwestern states' concentration of manufacturing-related MOUSA employment ranged from 31 to 55 percent (see **Figure 9**). Collectively, the Midwestern states had a decline in manufacturing's share of MOUSA employment, despite more than half of the states experiencing share growth. These statistics show that in recent years Indiana has become more attractive to foreign direct investors—particularly in manufacturing as it continues to capture one of the largest shares of MOUSA manufacturing employment among states over time. ■

Figure 8: MOUSA Manufacturing Employment as a Percent of Total Private Manufacturing Employment, 2009



Source: Bureau of Economic Analysis

Figure 9: Share of Manufacturing Jobs of All MOUSA Employment in Midwest, 2009



Source: Bureau of Economic Analysis

FDI Announcements, 2009 to 2011

The previous chapter focused on BEA data for realized FDI investments throughout the United States. At the time of this writing, 2009 was the last year of data available. In order to get closer to a “real-time” measure of FDI, the IBRC uses an investment tracking service, fDi Markets (www.fdimarkets.com), to determine potential foreign direct investments in the U.S. from 2009 through 2011. This service tracks foreign direct investment announcements (through media releases) and often includes projected investment values and 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 years before the investment is fully realized, if the project is realized at all. Additionally, an important difference compared to 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 more current sense of FDI activity. Still, one must exercise caution when using and interpreting fDi Markets data. As an announcement is made, fDi Markets uploads the data, thus enhancing its timeliness, but subsequent announcements or adjustments to that particular announcement may not be reflected in the database. Additionally, if investment or employment values are not announced explicitly, fDi Markets estimates these values with varying degrees of accuracy. Despite these inherent shortcomings, fDi Markets is our best source for current FDI activity. To provide a more accurate view of Indiana’s FDI announcements, the IBRC

“In the Midwest and Indiana, however, over a quarter of the announcements were made by foreign-based companies.”

Table 4: Foreign Direct Investment by Region, 2009 to 2011

Region	Total Deals	Foreign Deals	Foreign Deals	
			Value (in Millions)	Jobs
U.S.	48,108	4,081	\$182,768	352,458
Midwest	2,884	799	\$38,387	78,598
Ohio	538	158	\$7,606	14,033
Illinois	474	156	\$5,509	9,195
Indiana*	483	136	\$5,111	11,799
Michigan	240	86	\$3,382	11,511
Tennessee	298	78	\$6,758	14,213
Kentucky	284	62	\$1,191	4,675
Wisconsin	162	43	\$6,093	6,917
Missouri	173	36	\$928	2,906
Minnesota	135	27	\$1,103	2,028
Iowa	98	17	\$707	1,321

* Indiana’s data have been verified, yielding more conservative estimates, whereas the other states’ data represent unverified fDi Markets reported figures. This is also reflected in the Midwest and U.S. totals.
Source: fDi Markets

investigated each announcement to provide a more accurate estimated capital investment or employment figure.

FDI Announcements in the United States, Midwest and Indiana as Reported by fDi Markets

Every year states announce forthcoming investments made by companies moving to or expanding within their borders as well as the expected new jobs needed to support the business. Nationally, between

2009 and 2011, the majority (91.5 percent) were intrastate investments made by U.S. businesses. In the Midwest and Indiana, however, over a quarter of the announcements were made by foreign-based companies (see **Table 4**). This section of the report focuses solely on direct investments from foreign countries.

Recognizing that the data presented in this chapter includes estimated data from fDi Markets for cases where the expected capital investment or employment was not reported in the original

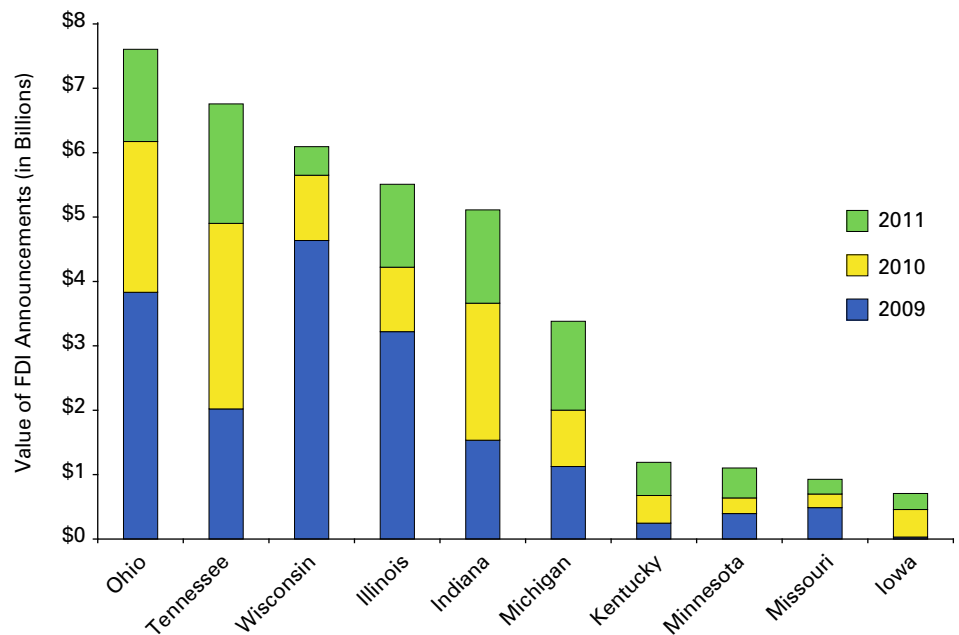
announcement, the IBRC researched the Indiana announcements to corroborate the estimated figures.⁴ Although not all estimates could be vetted, the revised figures show Indiana had 136 announcements over this three-year period valued at \$5.1 billion with an anticipated 11,800 jobs. The fDi estimates had over-reported Indiana's capital investment by \$0.7 billion and 1,000 employees. The remainder of this report will cite Indiana's revised announcement figures.

Between 2009 and 2011, 4,081 FDI announcements were made in the U.S. with an estimated value of \$182.8 billion and 352,460 anticipated jobs. The Midwest captured 19.6 percent of the nation's FDI announcements with 799 reported investments valued at \$38.4 billion and 78,600 anticipated jobs. Seventeen percent of the FDI within the Midwest was earmarked for Indiana, with an estimated value of \$5.1 billion and the anticipated creation of 11,799 jobs. As **Figure 10** illustrates, this expected value places Indiana fifth among its Midwestern neighbors with Ohio, Tennessee and Wisconsin capturing the highest levels of investments at \$7.6 billion, \$6.8 billion and \$6.1 billion, respectively. With respect to employment, Indiana ranked third among Midwestern states behind Tennessee and Ohio (see **Figure 11**). Beyond the Midwest, Indiana's total estimated investments and job announcements ranked ninth and 10th, respectively.

In terms of dollar-value of the investment, the top three FDI announcements between 2009 and 2011 for Indiana came from British Petroleum (BP), Energias de Portugal (EDP) and Toyota Motor Company. Forty percent of the state's projected capital investment

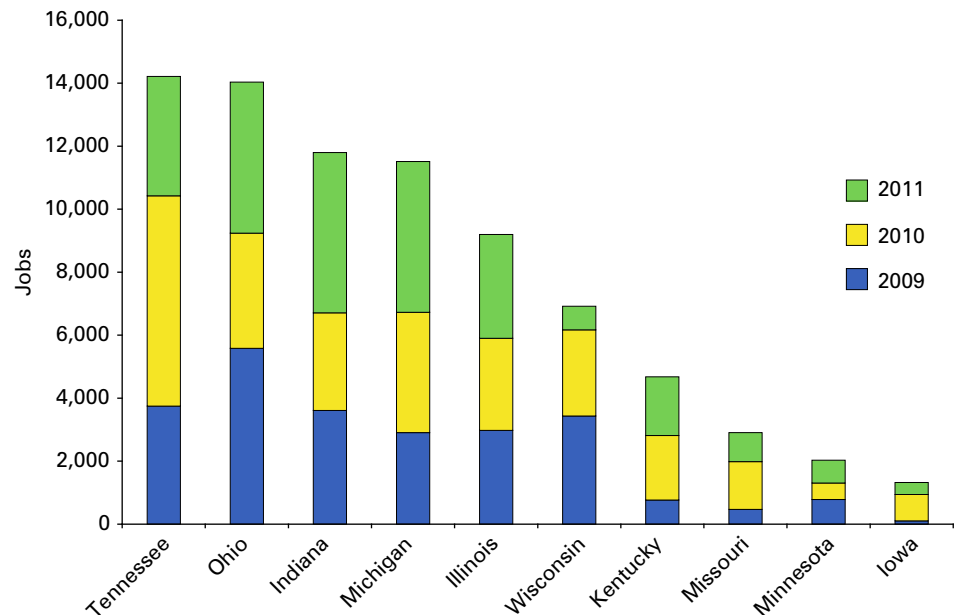
⁴ Research was done by searching press releases and news stories about companies' investments within Indiana with a focus on confirming/denying the fDi reported employment and capital figures.

Figure 10: Expected Value of FDI Project Announcements, 2009-2011



Source: fDi Markets

Figure 11: Expected Number of Jobs Related to FDI Project Announcements, 2009-2011



Source: fDi Markets

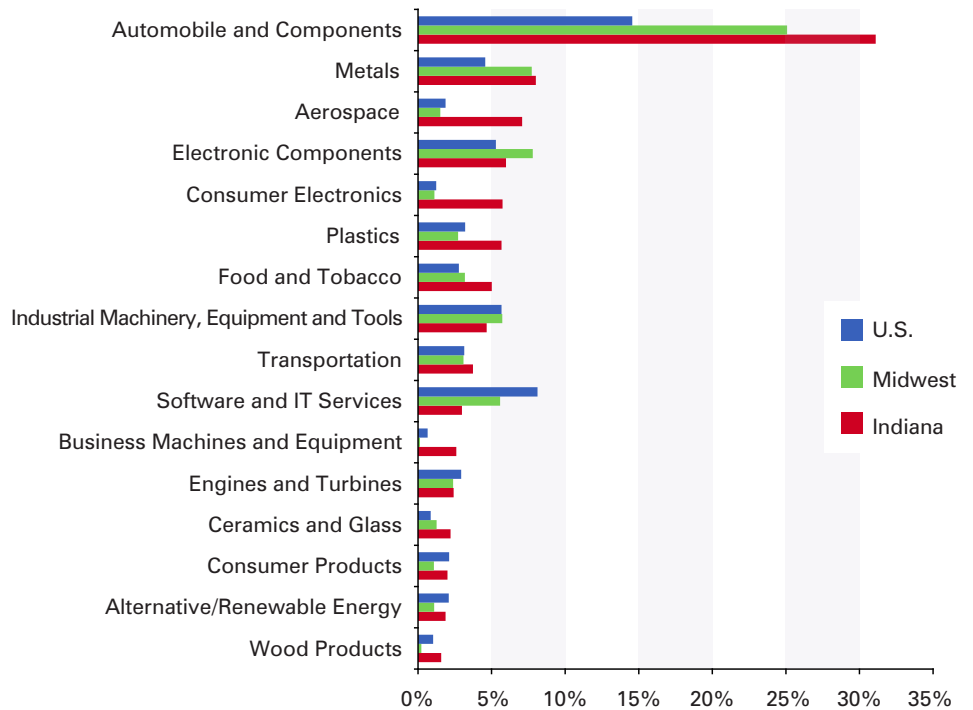
can be attributed to these three announcements, yet only 1 percent of all expected jobs. This is primarily due to these companies' plans to

invest heavily in plant, property and equipment with few or no plans to employ additional workers. These announcements were made between

July 2009 and February 2010; however, BP and Toyota have made numerous other investments over the past eight years. Since 2003, BP has announced six investments in Indiana, the largest being the \$3.8 billion Whiting Refinery revitalization project. This project included both upgrading existing assets and adding new assets to allow better utilization of heavier oil crudes. The second-largest announcement came from EDP in 2010 to invest in wind farms in west-central Indiana. This single announcement estimated investments of \$616 million and the creation of 41 jobs. Rounding out the top three announcements, Toyota Motor Company announced an investment plan of \$500 million in Princeton during 2009 to retool the plant and no plans to create additional jobs. Toyota opted to use the retooling time to further train its employees and increase plant efficiencies. Since 2003, Toyota has made nine investment announcements totaling nearly \$1 billion and creating 1,855 jobs.

From the job-creation perspective, the top three FDI announcements were announced by Honda and Fronius in 2011 and by Comlux in 2009. These three deals combined expect to create 1,992 jobs, or 11 percent of all FDI announced jobs. Honda's FDI announcement that it would create an additional 1,000 jobs stems from adding a second shift to ramp up production of the 2012 Civic Natural Gas vehicle. Fronius announced its plan to launch its U.S. headquarters in Portage, Indiana, creating 512 new jobs. In 2009, Comlux announced its intention to expand its Indianapolis operations, creating 480 additional jobs. Among Midwestern states, Indiana ranked fifth in average jobs per announcement (87). Tennessee and Wisconsin led the Midwest in average jobs per announcement at 182 and 161 jobs, respectively. Tennessee's high average is a result

Figure 12: FDI Project Announcement Employment by Industry Sector, 2009-2011



Source: fDi Markets

of several automotive manufacturing announcements by Nissan, Volkswagen and their suppliers. Wisconsin's high average can be attributed partly to the estimated 2,400 jobs announced by Enbridge Energy in 2009 and the 1,450 estimated jobs by Marinette Marine in 2010. These were among the top 20 largest job announcements nationwide between 2009 and 2011.

FDI Announcements by Industry

Nationally, the top three industries capturing foreign capital investments were the communications (\$13.4 billion), automobile and components (\$12.4 billion) and real estate (\$10.3 billion) industries. Within Indiana, the top three investments by capital were in the alternative energy (\$1.2 billion), coal/oil/natural gas (\$894.8 million) and the automobile and components industries (\$871.9 million). In the other Midwestern states, the coal/oil/natural gas,

chemicals and the metal industries were the top three future recipients of foreign capital investment flows of \$8.9 billion, \$2.9 billion and \$2.8 billion, respectively. As noted earlier, these large capital investments do not always correlate to large expected employment figures.

Figure 12 shows that Indiana's top FDI-employment industries were automobiles and components (3,670 jobs, or 31.1 percent of the total) followed by metals (945 jobs, 8 percent) and aerospace (845 jobs, 7.1 percent). The state can expect new jobs resulting from the 41 FDI deals announced in the automotive industry between 2009 and 2011. The single largest auto-related deal was Honda's announcement in 2011 for 1,000 jobs—27.2 percent of the auto-related jobs.

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 across industries. The expected 50,000 jobs related to auto-sector FDI deals between 2009 and 2011 account for 14.2 percent of the U.S. total. Among the top destination states for auto sector FDI, Indiana had the fifth highest projection of auto-related jobs behind Alabama, Tennessee, Michigan and Georgia (see **Figure 13**).⁵ Indiana's auto-related share of total FDI job announcements was seventh among all states—with more than half of all FDI job announcements auto-related in Hawaii, Idaho and Alabama.

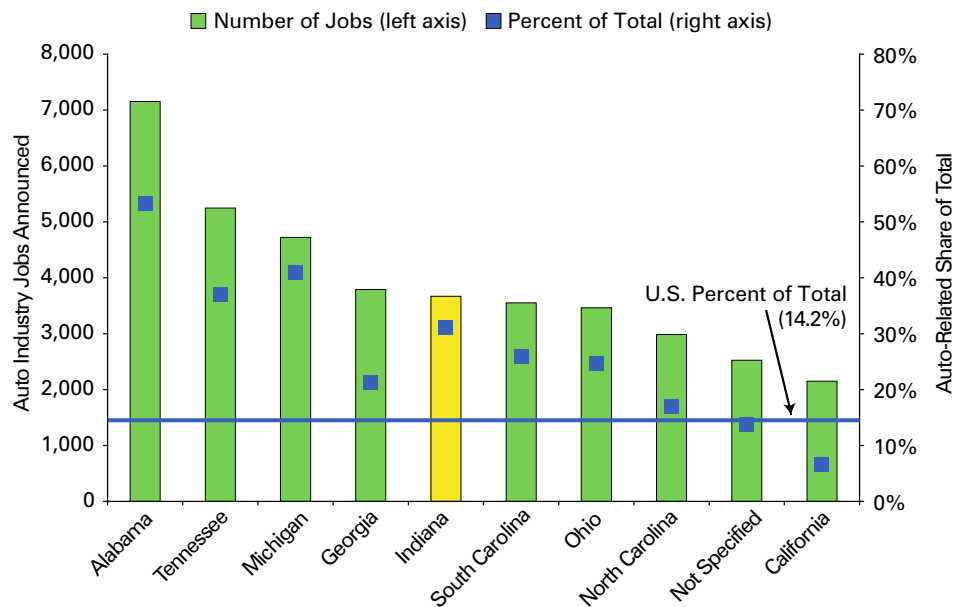
In Indiana, the Great Recession certainly affected the FDI announcement volume—even in the automobile and components industry—creating some volatility in the past five years. Indiana has had announcements ranging from a high of 4,350 jobs in 2006 to a low of 229 jobs in 2008. The U.S. followed a similar trend with 2008 being a soft year for FDI job announcements. Since 2008, the state's FDI-related job announcements in the automobile and components industry have continued to grow along with year-over-year increases in the total number of FDI announcements. **Figure 14** breaks out Indiana's job announcements by industry in 2011. The auto industry continues to capture the largest share.

FDI Announcements by Business Activity

Nearly 74 percent of the FDI-related jobs announced in Indiana between 2009 and 2011 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

⁵ Indiana's rankings against other states may suffer slightly from the more conservative FDI announcement data used for Indiana. IBRC analysts scrub the fDi Markets data for Indiana, removing errant records—e.g., counting a plant retooling as a plant expansion—but the IBRC analysts do not scrub the data for other states.

Figure 13: Automotive Industry FDI Employment Announcements and Share of Total, 2009-2011

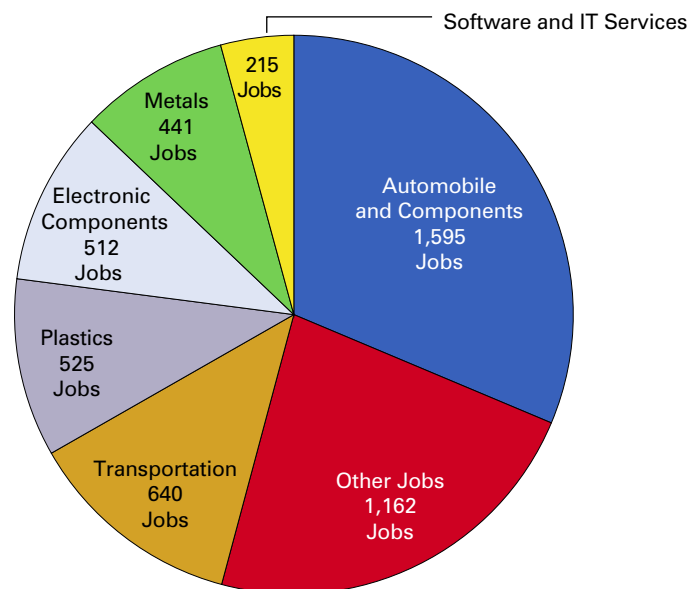


Source: fDi Markets

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.

While Indiana had the highest number of manufacturing FDI project announcements (95) between 2009 and 2011, it ranked fifth in the number of announced jobs (8,700). Nine of the top 10 states with FDI manufacturing jobs were in either the

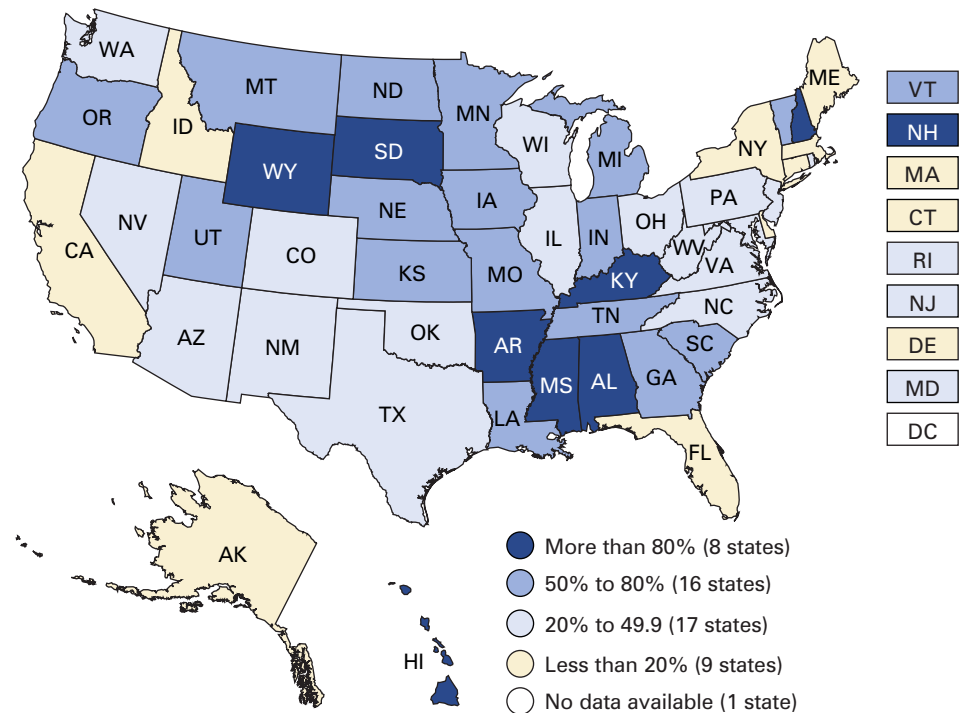
Figure 14: Indiana FDI Employment Announcements by Industry Sector, 2011



Source: fDi Markets

“Nine of the top 10 states with FDI manufacturing jobs were in either the Midwest or the South—regions where most of the nation’s automotive plants are located.”

Figure 15: Manufacturing FDI Employment Announcements as a Share of the Total, 2009-2011

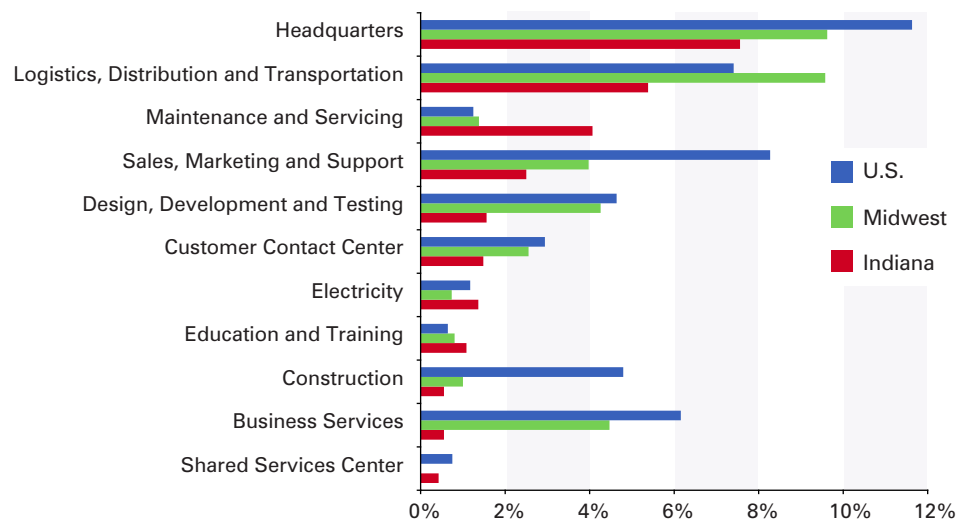


Source: fDi Markets

Midwest or the South—regions where most of the nation’s automotive plants are located. Indiana was not the only state to have heavy concentrations of manufacturing jobs (see **Figure 15**) as its 74 percent placed it at 14th place. Nationally, manufacturing represented 41.6 percent of FDI job announcements.

Headquarters activities captured the second-largest share of FDI employment nationally, accounting for 11.6 percent of total job announcements over the three-year period. Logistics, distribution and transportation activities ranked third at 7.4 percent of total announced jobs. As **Figure 16** indicates, employment linked to headquarters announcements was also Indiana’s top business activity after manufacturing. Between 2009 and 2011, 10 headquarters deals were announced in Indiana with a combined expected employment of 890. These jobs represent 7.6 percent of all Indiana FDI job announcements, less than the national and Midwest shares of 11.6 percent and 9.6 percent, respectively.

Figure 16: Non-Manufacturing FDI Employment Announcements as a Share of the Total, 2009-2011



Source: fDi Markets

In Indiana, the logistics, distribution and transportation activities garnered only 5.4 percent of the expected job announcements in the past three

years. However, the other Midwestern states exceeded the national share with a 9.6 percent employment share in this business activity.

FDI Announcements by Source Country

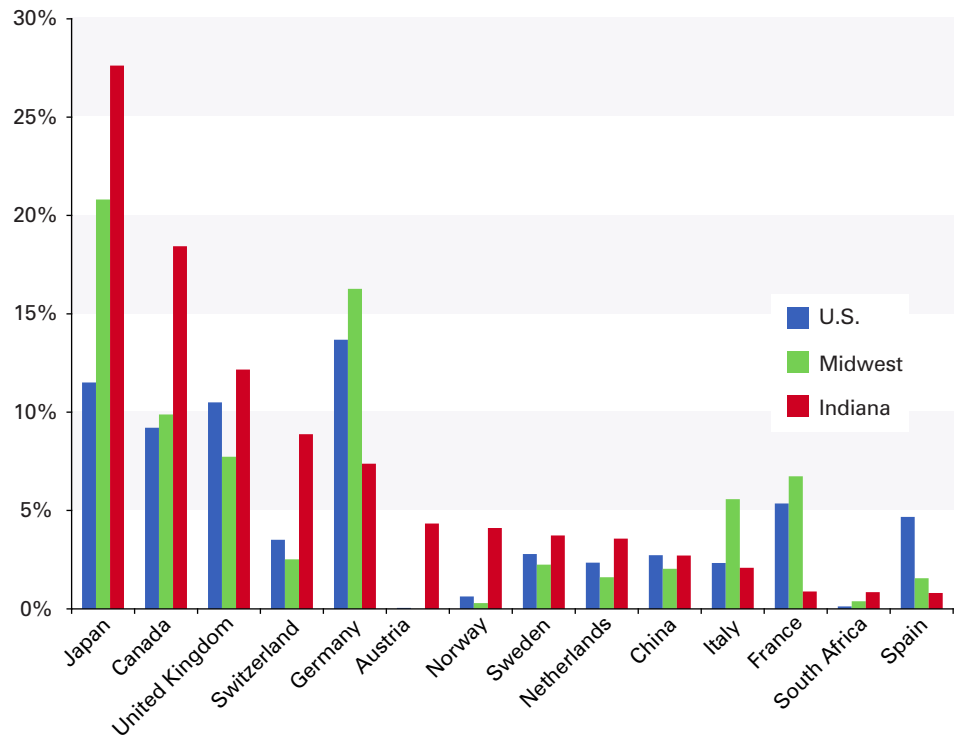
Japan was the largest source of FDI commitments in Indiana and the Midwest from 2009 through 2011. More than a quarter of Indiana's announced FDI jobs came from Japan compared to 11.5 percent for the United States (see **Figure 17**). Germany, in contrast, was the top source of employment announcements for the United States at 13.7 percent.

Rounding out the top five source countries that invested in Indiana from 2009 to 2011 are Canada (18.4 percent), the United Kingdom (12.2 percent), Switzerland (8.9 percent) and Germany (7.4 percent). Overall, these top five countries had 103 FDI announcements in Indiana within the past three years and expected employment of 8,788, comprising 75 percent of all announced Indiana FDI employment.

Conclusion

Foreign direct investment plays an important role in Indiana's economy, particularly in the manufacturing sector. U.S. Bureau of Economic Analysis data for 2009 show that Indiana's MOUSA manufacturing employment share was greater than the nation's, and FDI announcements between 2009 and 2011 indicate

Figure 17: Share of Total Employment Announcements by Source Country, 2009-2011



Source: fDi Markets

that this trend is continuing. The Great Recession certainly affected the volume of FDI announcements nationally, regionally and statewide, but not all states were negatively affected. The continued growth of FDI announcements in Indiana in

2011 indicates that the state is still an attractive destination for foreign investment, particularly in the automobile and components industry and the manufacturing business activity. ■