

# CAPTURING THE FLAG 2014



## FOREIGN DIRECT INVESTMENT IN INDIANA



**KELLEY SCHOOL OF BUSINESS**

INDIANA UNIVERSITY

Indiana Business Research Center

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# Capturing the Flag 2014

Foreign Direct Investment in Indiana

September 2014

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# Executive Summary

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**W**e live in a global world, it was once quipped. 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 jobs for local residents. This report analyzes recent FDI data from the United Nations, the Organization for Economic Cooperation and Development (OECD) and the U.S. Bureau of Economic Analysis (BEA). FDI is defined broadly to include changes in company ownership across country borders, as well as "real-time" FDI announcements made between 2011 and 2013 for planned investments in new and expanded plant and equipment.

## Key Findings

- In 2011, nearly 5.6 million U.S. workers were employed by majority-owned U.S. affiliate (MOUSA) enterprises, with 144,900 of these workers

in Indiana. Indiana ranked 14th in the nation in MOUSA employment.

- Since 2009, all Midwestern states made gains in MOUSA employment. Indiana added 9.7 percent more MOUSA employees in this three-year period.
- Six percent of Indiana private employment was in MOUSAs in 2011, a 6.5 percent increase from the year before. The manufacturing industry captured the largest share of MOUSA employment nationally—36.9 percent. In Indiana, 63.7 percent of MOUSA employment was in manufacturing. The 92,300 manufacturing jobs accounted for 3.8 percent of the state's private employment.
- Between 2011 and 2013, there were over 4,450 FDI announcements for the U.S. as a whole, valued at \$160 billion with 362,000 anticipated

jobs. Indiana had 129 FDI announcements valued at more than \$5 billion. These investments were projected to create nearly 13,700 jobs, or almost 4,600 new jobs on an annual basis.

- The automobile and components industries captured the largest share of Indiana's expected FDI jobs with more than 7,000 new positions—about 52 percent of the total anticipated FDI jobs announced between 2011 and 2013. This averaged over 2,300 new jobs in manufacturing per year.
- Manufacturing remained the most popular business activity for foreign investment in Indiana. Over 76 percent of all announced new jobs were manufacturing related in the Hoosier state, whereas new FDI jobs in manufacturing averaged 41 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; however, 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.

Prior to the financial crisis, worldwide FDI activity was exploding

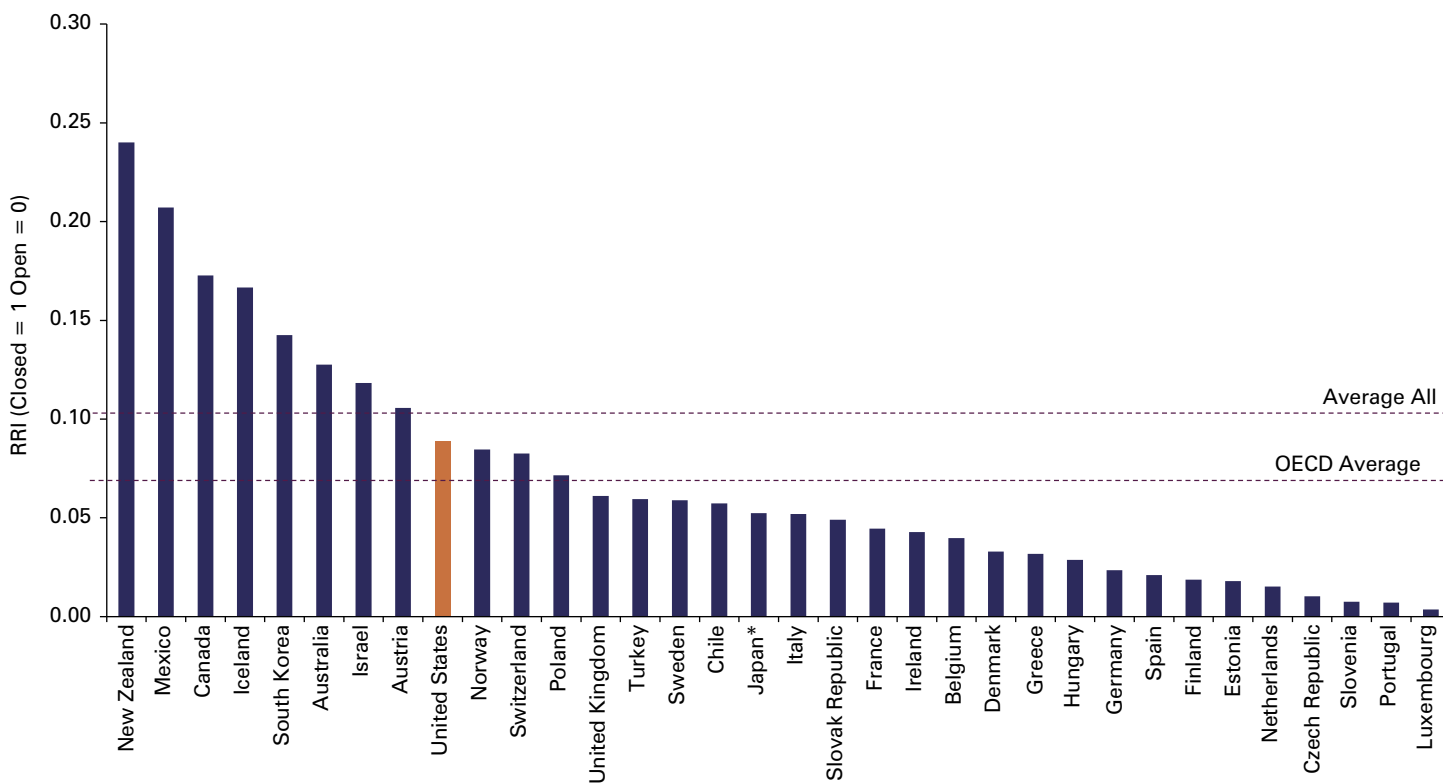
with 2007's banner year of \$1.9 trillion. As could be expected, the Great Recession hindered foreign investment, due to the financial resource constraints, as well as by the uncertainty generated by the crisis. Advanced countries were the primary casualties from the crisis; however, the impact gradually spilled over to the transitioning and developing countries. Today, the uncertainty still exists as advanced countries struggle to generate significant economic growth. Projections by World Economic Outlook (WEO) indicated that the global economy grew by 3.6 percent in 2013, a marginal increase from the 3.3 percent in 2012.

According to the United Nations Conference on Trade and Development (UNCTAD), FDI inflows to the United States during 2012 decreased from the previous year. FDI outflows from the U.S., on the other hand, continued to rise. The United States ranked 23rd among the 58 countries in the OECD's 2013 Regulatory Restrictiveness Index, which measures each country's openness to foreign direct investment (see **Figure 1**).

## FDI Inflow

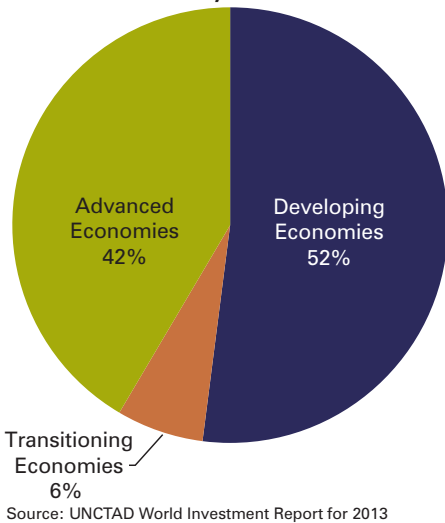
According to the United Nations, FDI inflows around the world decreased in 2012 by about 18 percent. Slightly more than half of FDI activity in

**Figure 1: Regulatory Restrictiveness Index of OECD Countries, 2013**



\*Japan's score has been revised following a clarification by the Japanese authorities.  
 Note: Closed = 1 and Open = 0; Data as of September 2013.  
 Source: Organization for Economic Cooperation and Development

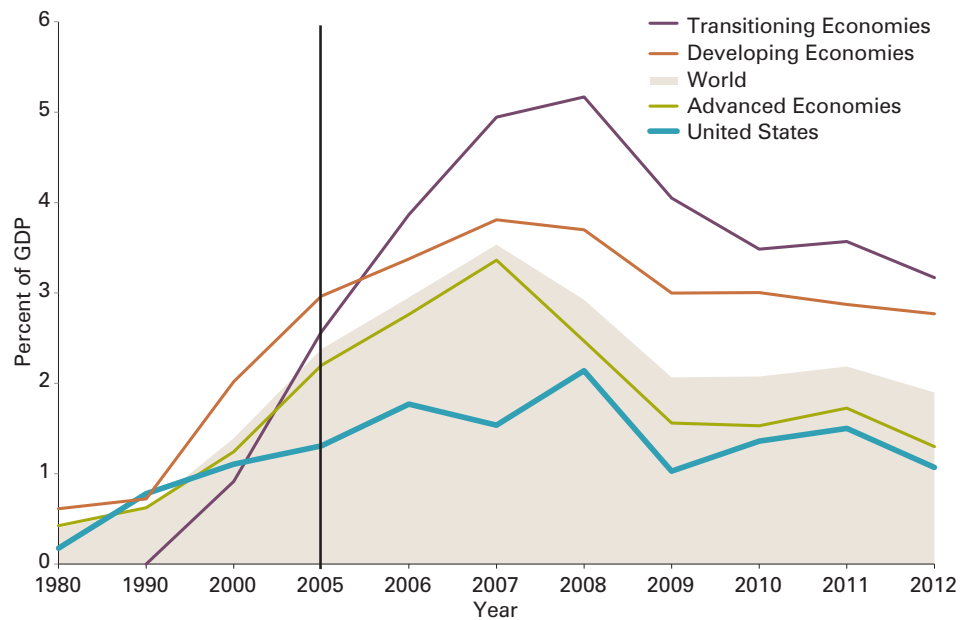
**Figure 2: FDI Inflows as a Percentage of World Inflows, 2012**



2012 was concentrated in developing economies, whereas advanced economies made up 42 percent of all FDI inflows, and transitioning economies accounted for 6 percent, as shown in **Figure 2**.

The influence that FDI inflows have on a nation's GDP depends on its economic starting point. **Figure 3** shows that FDI inflows occupied 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 compared to 3 percent of the world's GDP. Since the crisis, its share of GDP has declined but remains higher than all other

**Figure 3: FDI Inflows as a Percentage of GDP, 1980 to 2012**



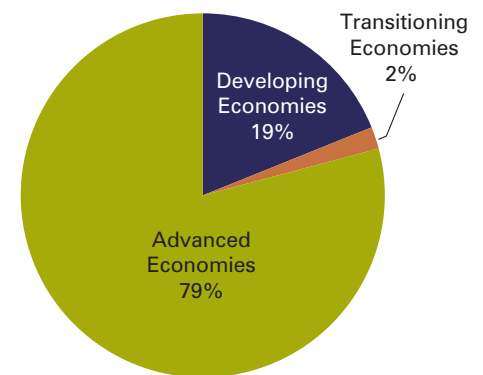
economies. For 2012, the United States' FDI inflow accounted for 1.1 percent of GDP, compared to 1.3 percent for the advanced economies, 3.2 percent for transitioning economies and 2.8 percent for advanced economies.

### FDI Outflow

Overall, FDI outflows rose again in the advanced economies in 2012. Advanced economies accounted for 79 percent of total FDI outflows, compared to 19 percent and 2 percent from developing and transitioning economies, respectively (see **Figure 4**). However, advanced economies accounted for a reduced proportion of total world FDI outflows than in the previous year.

**Figure 5** presents the FDI outflow trend for the last couple of decades. Since 1980, all countries experienced increased activity, which was likely due to nations becoming more integrated. During 2012, developing economies had an increase in FDI outflows, while advanced and transitioning countries declined. FDI

**Figure 4: FDI Outflows as a Percentage of World FDI Outflows, 2012**



Source: UNCTAD World Investment Report for 2013

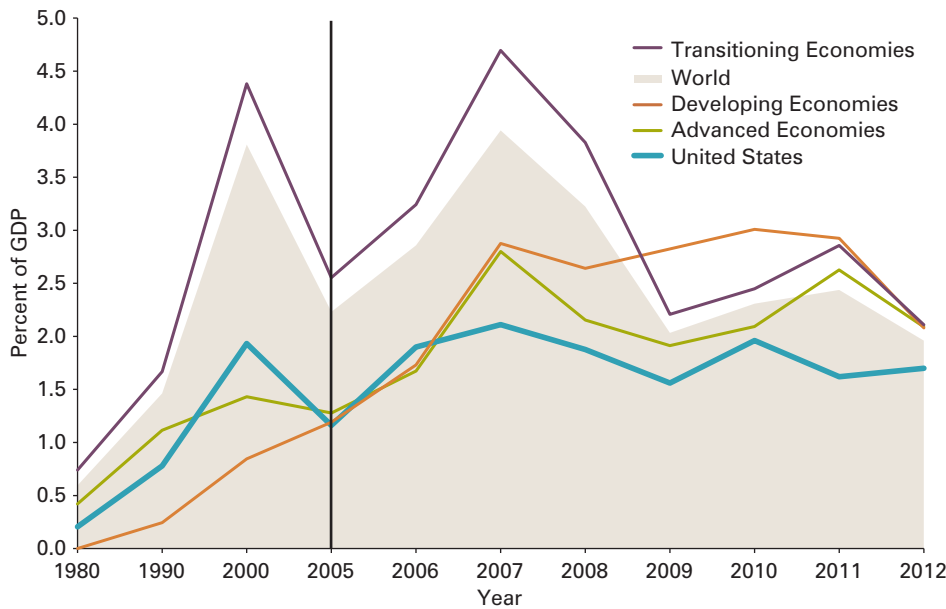
outflows from the U.S. were slightly higher than world FDI outflow—2.1 percent of GDP compared to 2 percent of GDP worldwide.

### FDI Activity in the U.S.

Historically, the United States' FDI outflow stock has outpaced inflow

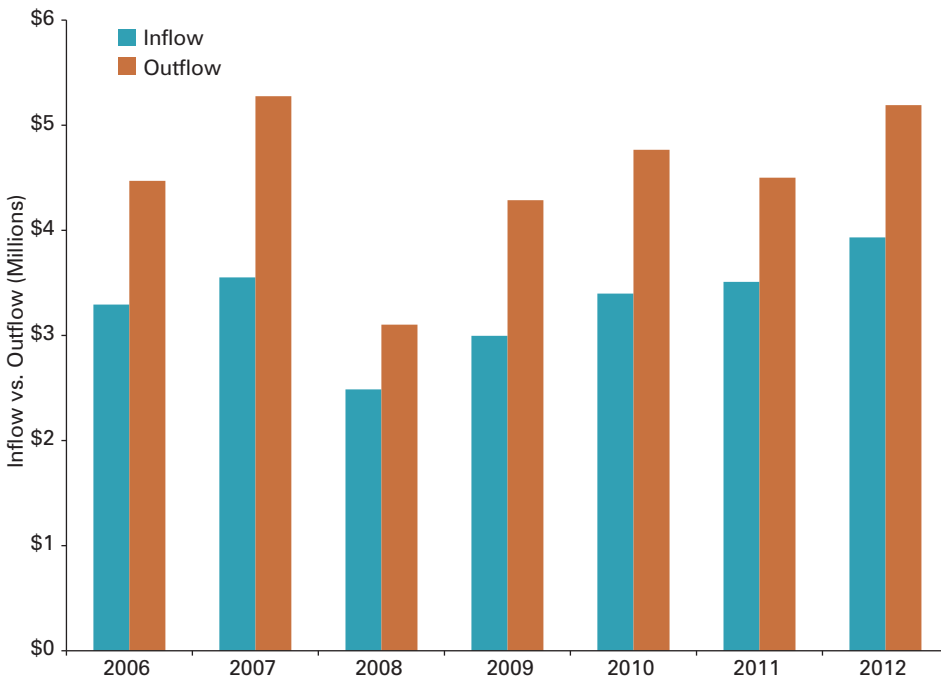
*“The influence that FDI inflows have on a nation's GDP depends on its economic starting point.”*

**Figure 5: FDI Outflows as a Percentage of GDP, 1980 to 2012**



Source: UNCTAD World Investment Report for 2013

**Figure 6: United States Inward and Outward Foreign Direct Investment Stock, 2006 to 2012**



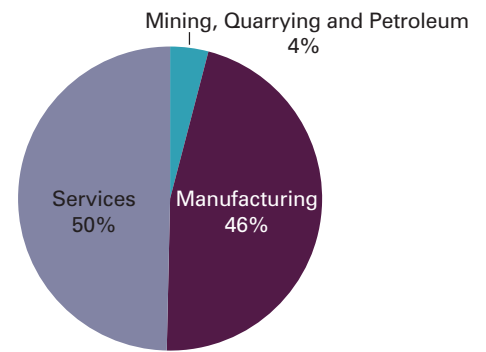
Source: UNCTAD World Investment Report for 2013

stock, a trend that did not change in 2012 (see **Figure 6**). Compared to 2011, 2012 saw an increase in both FDI outflow and FDI inflow stock,

valued at \$5.2 trillion and \$3.9 trillion, respectively. The financial crisis had a sizable impact on FDI flows for the United States, but they

*“The financial crisis had a sizable impact on FDI flows for the United States, but they have since rebounded nicely.”*

**Figure 7: World FDI Resulting from Mergers and Acquisitions by Sector, 2012**



Source: UNCTAD World Investment Report for 2013

have since rebounded nicely. In 2012, FDI inflow stock finally exceeded 2007 levels while FDI outflow stock was rapidly approaching the 2007 value.

**Mergers and Acquisitions**

The most prominent method of foreign investment activity used by corporations are mergers and acquisitions (M&As). In 2012, M&As decreased 44.5 percent to \$308 billion from \$555 billion in 2011. The services sector accounted for half of the total value of cross-border M&As, as shown in **Figure**

7. Key differences between 2011 and 2012 M&A activity included mining, quarrying and petroleum accounting for only 4 percent of M&As in 2012, as opposed to 12 percent in 2011, while manufacturing M&As increased by 6 percentage points.

Within the services sector, financial services were responsible for more than two-thirds of the value of cross-border M&As (69.5 percent), followed by trade (14.1 percent) and business services (13.7 percent), as shown in **Figure 8**. Consolidations and expansions within the financial industry often are large banks acquiring smaller banks in order to increase market share.

Chemicals and chemical products were responsible for more than 30 percent of the value of M&As in the manufacturing industry, followed by the food, beverages and tobacco industry (24.6 percent). The third highest-valued manufacturing sector was electrical and electronic equipment, which accounted for 13.2 percent of M&A activity in manufacturing.

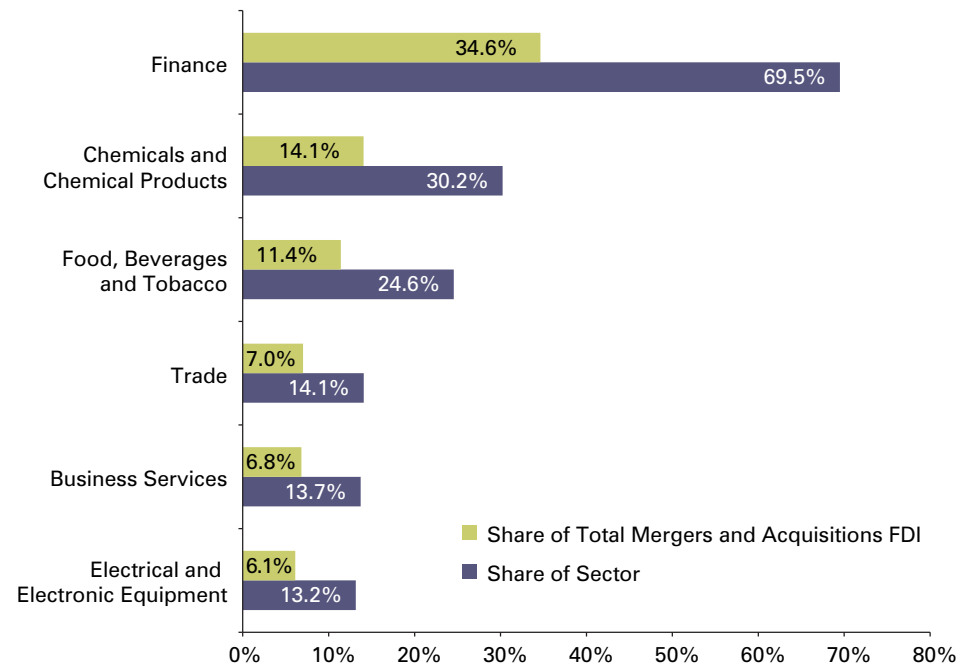
### FDI in the United States, Midwest and Indiana

In this section, data from the BEA turns our attention closer to home: to the Midwest and Indiana. 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,

**Figure 8: Mergers and Acquisitions in the Top Three Industries within the Services and Manufacturing Sectors, 2012**



Source: UNCTAD World Investment Report for 2013

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, data referenced in this report are for majority-owned U.S. affiliates (MOUSAs).

FDI contributes to the state’s economy and provides jobs to Hoosiers. Between 2009 and 2011, all Midwestern states saw increases in MOUSA employment. While the percentage of MOUSA employment remained the same, the increase in total jobs is a positive sign for foreign investment in these states.

In 2011, majority-owned U.S. affiliates produced a value-added \$736 billion in goods and services, and employed 5.6 million U.S. workers, or 4.1 percent of private sector employment.<sup>1</sup> In the Midwest,

<sup>1</sup> U.S. Department of Commerce and the President’s Council of Economic Advisors, “Foreign Direct Investment in the United States,” October 2013, [www.whitehouse.gov/sites/default/files/2013fdi\\_report\\_-\\_final\\_for\\_web.pdf](http://www.whitehouse.gov/sites/default/files/2013fdi_report_-_final_for_web.pdf).

*“Between 2009 and 2011, all Midwestern states saw increases in MOUSA employment.”*

1.34 million jobs were from MOUSA employers, comprising 24 percent of national MOUSA employment.

Approximately 11 percent of these Midwestern MOUSA jobs were located in Indiana (144,900), ranking Indiana 14th nationally for MOUSA employment. Of its Midwestern peers, only Illinois, Ohio, and Michigan had a higher MOUSA employment than Indiana. Between 2009 and 2011, the U.S. and all Midwestern states experienced

**Table 1: MOUSA Employment in Midwestern States, 2011**

U.S. Rank	Geography	MOUSA Employment (in thousands)	Change since 2009
n/a	United States	5,640.7	6.6%
4	Illinois	268.3	6.6%
8	Ohio	220.2	3.6%
12	Michigan	177.5	27.8%
14	Indiana	144.9	9.7%
15	Tennessee	123.9	3.4%
20	Minnesota	93.9	1.2%
21	Kentucky	92.2	7.2%
22	Missouri	88.3	5.1%
24	Wisconsin	86.0	18.3%
29	Iowa	49.2	8.4%

Source: Bureau of Economic Analysis

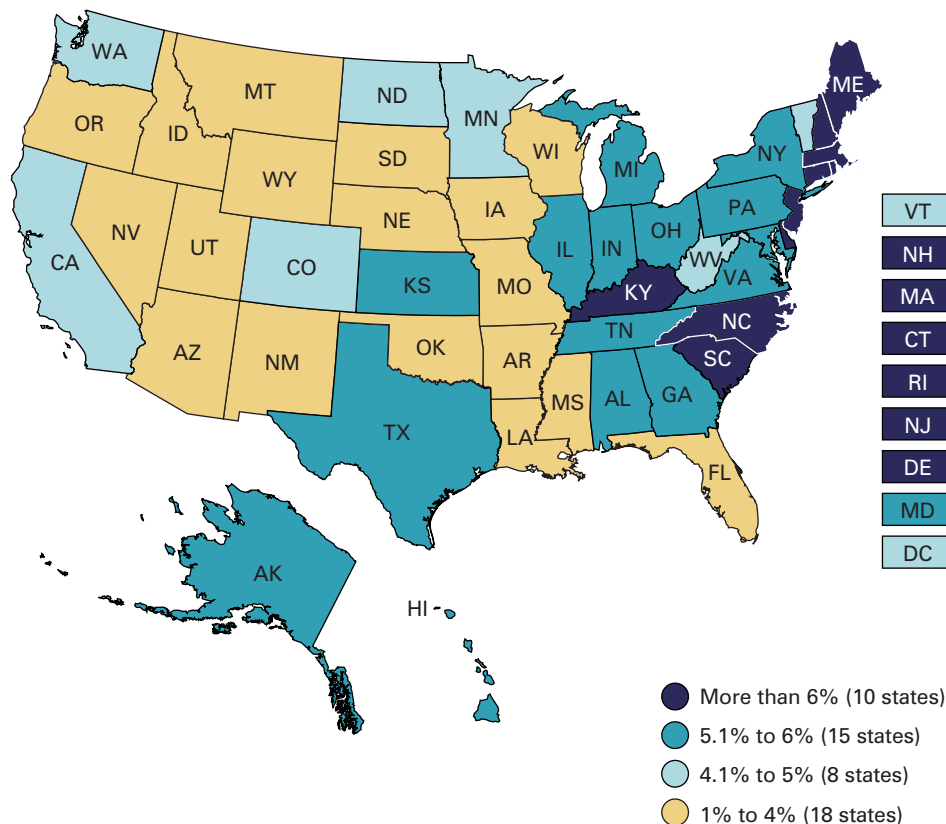
*“Indiana experienced the third-largest increase in MOUSA employment (9.7 percent) in the Midwest.”*

increases in MOUSA employment (see **Table 1**). Indiana experienced the third-largest increase in MOUSA employment (9.7 percent) in the Midwest.

Michigan and Wisconsin reported the steepest MOUSA employment increases at 27.8 percent and 18.3 percent, respectively. In July 2011, Fiat bought the Chrysler shares held by the United States Treasury. With the purchase, Chrysler became foreign owned, which explains Michigan’s large increase in FDI. With Michigan receiving federal approval to house an EB-5 immigrant investor regional center, look for more foreign direct investment to come to the state in future years.<sup>2</sup>

In 2011, 6 percent of Indiana’s total private sector employment worked in MOUSA firms (see **Figure 9**). Compared to 2010 figures, the number of Hoosiers working for MOUSA firms increased by 6.5 percent. One reason for the substantial increase in Indiana comes from Fiat’s acquisition of Chrysler, which caused the employees of its Kokomo plant to become MOUSA workers. Among the Midwestern states, only Kentucky had a higher

**Figure 9: MOUSA Employment as Percent of Total Private Employment, 2011**

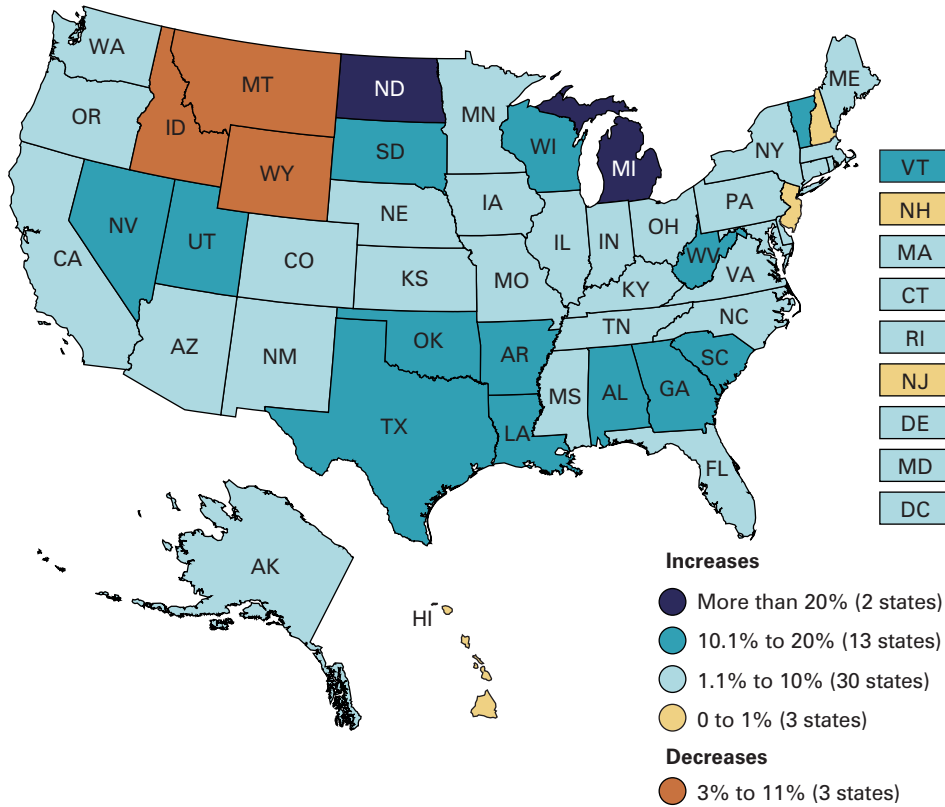


Source: Bureau of Economic Analysis

<sup>2</sup> Jonathan Oosting, “Michigan Only 2nd State to Welcome Immigrant Investors with Statewide EB-5 Visa Center,” MLive.com, April 9, 2014, www.mlive.com/lansing-news/index.ssf/2014/04/michigan\_wins\_federal\_approval.html.

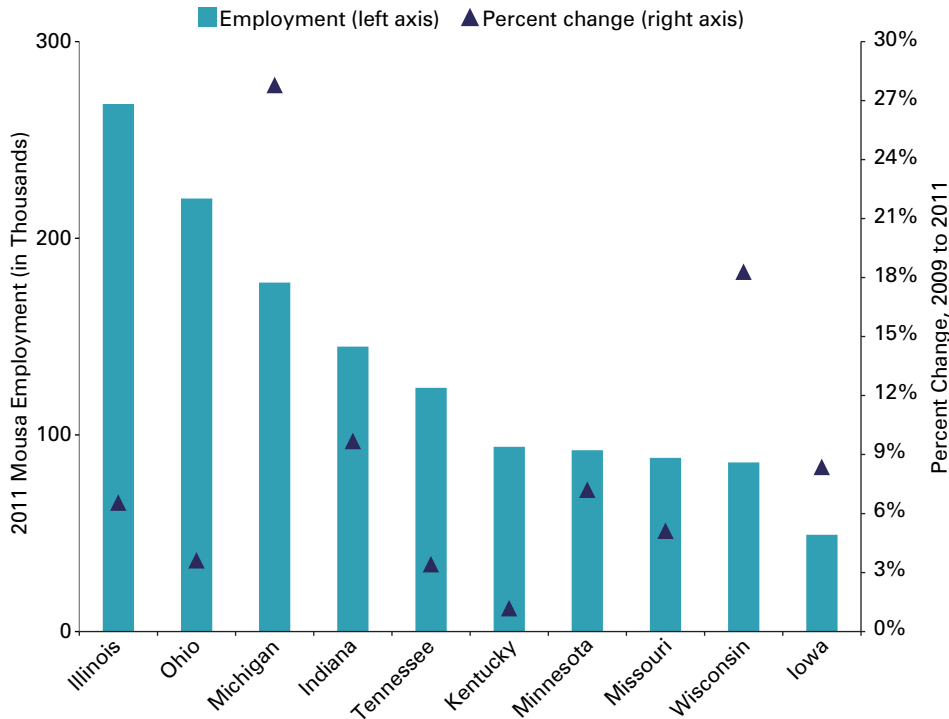


Figure 10: Percent Change in MOUSA Employment, 2009 to 2011



Source: Bureau of Economic Analysis

Figure 11: MOUSA Employment Trends in the Midwest, 2009 to 2011



Source: Bureau of Economic Analysis

“Manufacturing remains a dominant sector for MOUSA employment in the United States and Midwest.”

share of MOUSA employment at 6.3 percent.

The recovery from the Great Recession has been very different across states. **Figure 10** presents changes in MOUSA employment across states between 2009 and 2011. Virtually all states had increases in MOUSA employment during this time frame, with only Idaho, Montana and Wyoming declining.

In the Midwest, Michigan had the largest MOUSA employment gain with 36,800 added jobs, followed by Illinois, which gained about 16,500 MOUSA jobs. However, since Illinois has the highest MOUSA employment to begin with, this gain only resulted in a 6.6 percent increase, which was less than five other states in the region (see **Figure 11**).

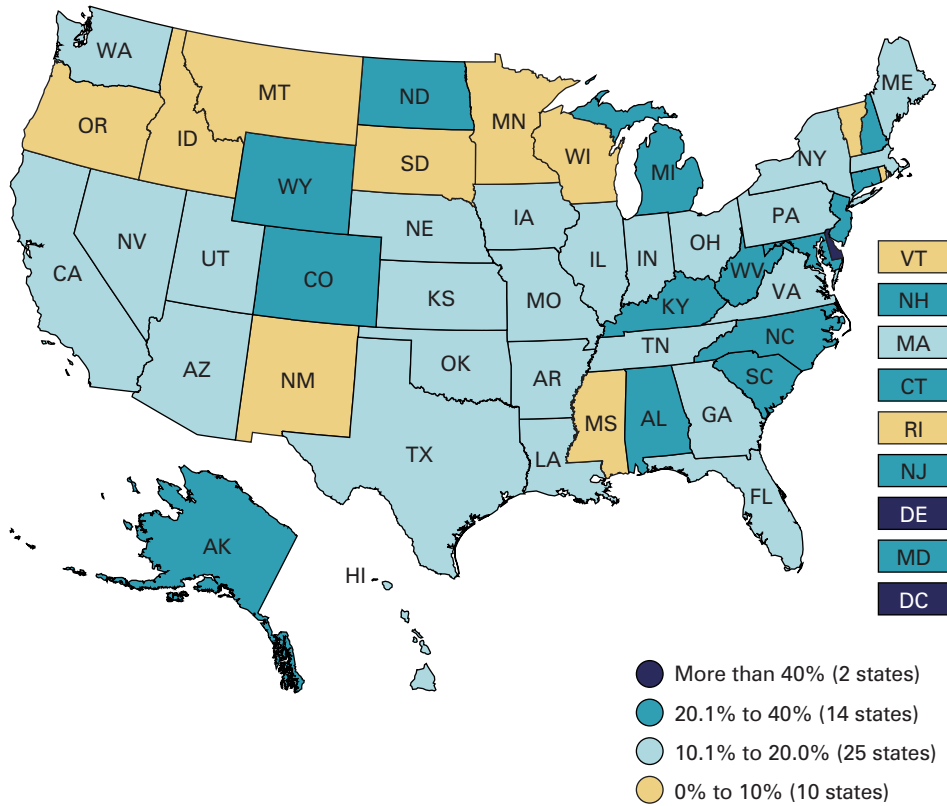
**FDI by Industry**

MOUSA investment can be measured in dollars or the number of jobs created. Employment is a better measure of investment compared to dollar amount.

Manufacturing remains a dominant sector for MOUSA employment in the United States



**Figure 14: MOUSA Manufacturing Employment as a Percent of Total Private Manufacturing Employment, 2011**

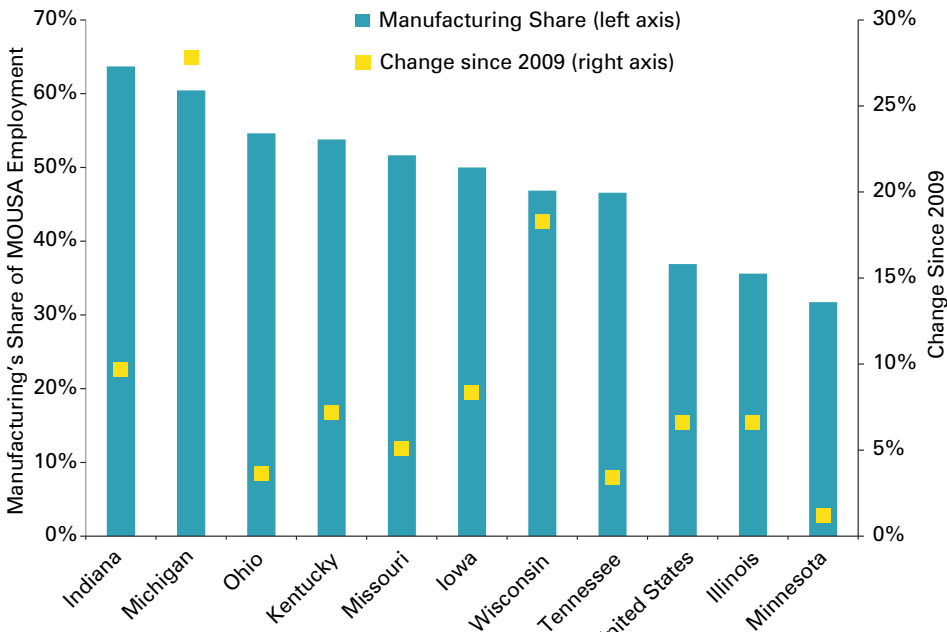


Source: Bureau of Economic Analysis

states, only Kentucky and Michigan surpassed Indiana. Tennessee and Ohio were close behind with 19 percent and 18.8 percent, respectively.

Among Midwestern states, Indiana continued to have the highest share of MOUSA employment in manufacturing at 63.7 percent. Since 2009, MOUSA manufacturing jobs increased by 9.7 percent in the Hoosier State. In the other Midwestern states, the concentration of manufacturing-related MOUSA employment ranged from 31.7 percent to 60.5 percent (see **Figure 15**). All Midwestern states experienced increases in manufacturing's share of MOUSA employment. 🌐

**Figure 15: Share of Manufacturing Jobs of All MOUSA Employment in the Midwest, 2011**



Source: Bureau of Economic Analysis

**Table 2: Employment of MOUSAs by Sector of Affiliate and Percentage of Private Sector, 2011**

Geography	Indicator*	All 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	5,640.7	2,081.3	546.6	488.5	242.3	409.1	40.5	290.0	1,542.4
	Percent of Jobs	5.1%	17.3%	9.5%	3.2%	9.0%	7.0%	2.0%	3.6%	2.7%
Illinois	Jobs	268.3	95.5	27.9	14.8	11.1	23.5	1.1	22.2	72.3
	Percent of Jobs	5.5%	16.6%	9.6%	2.5%	11.0%	8.1%	1.5%	6.3%	2.9%
Indiana	Jobs	144.9	92.3	12.9	5.5	5.7	1.6	0.2	2.2	24.4
	Percent of Jobs	6.0%	19.9%	11.2%	1.8%	16.4%	1.6%	0.6%	2.2%	2.0%
Iowa	Jobs	49.2	24.6	2.4	1.3	3.0	8.0	D	0.8	9.1
	Percent of Jobs	4.0%	12.0%	3.6%	0.7%	10.7%	9.1%	N/A	1.8%	1.5%
Kentucky	Jobs	92.2	49.6	14.8	2.4	2.0	1.5	0.1	1.7	20.0
	Percent of Jobs	6.3%	23.3%	20.6%	1.2%	7.5%	2.2%	0.6%	2.5%	2.6%
Michigan	Jobs	177.5	107.3	12.8	4.8	5.2	4.4	0.3	7.2	35.5
	Percent of Jobs	5.3%	21.1%	8.3%	1.1%	9.8%	3.1%	0.6%	3.1%	2.1%
Minnesota	Jobs	93.9	29.8	8.6	3.8	13.7	8.1	0.2	4.5	25.3
	Percent of Jobs	4.1%	9.9%	6.8%	1.4%	25.5%	5.9%	0.5%	3.5%	2.1%
Missouri	Jobs	88.3	45.6	6.7	3.5	3.1	2.2	0.1	3.7	23.4
	Percent of Jobs	4.0%	18.3%	5.8%	1.2%	5.2%	1.7%	0.3%	3.0%	1.9%
Ohio	Jobs	220.2	120.3	13.3	14.5	5.8	5.6	0.6	9.4	50.7
	Percent of Jobs	5.1%	18.8%	6.1%	2.6%	7.6%	2.5%	1.0%	4.0%	2.2%
Tennessee	Jobs	123.9	57.7	18.4	6.3	3.1	2.8	0.2	3.0	32.4
	Percent of Jobs	5.5%	19.0%	15.6%	2.0%	7.1%	2.7%	0.6%	2.8%	2.8%
Wisconsin	Jobs	86.0	40.3	5.5	3.0	2.3	7.9	0.1	1.5	25.4
	Percent of Jobs	3.7%	9.1%	4.8%	1.0%	4.9%	5.8%	0.4%	1.6%	2.2%
Total Midwest		1,344.4	663.0	123.3	59.9	55.0	65.6	2.9	56.2	318.5

\* Jobs data are in thousands.

"D" reflects nondisclosed data (more than zero and fewer than 50 employees).

Note: Values greater than 10 percent are highlighted.

Source: Bureau of Economic Analysis

# FDI Announcements, 2011 to 2013

The previous sections presented data from the United Nations, OECD and the U.S. Bureau of Economic Analysis to report documented FDI investments throughout the world and United States. At the time of this report, 2011 was the most recent data year available from BEA. In order to obtain a more “real-time” measure of FDI, the IBRC subscribes to an investment tracking service, fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com)), to track future, anticipated FDI flows. 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—such as Fiat purchasing Chrysler—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, however. Once an announcement is made, fDi Markets 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 a great source for ongoing FDI activity.

To ensure that Indiana’s FDI announcements as reported by fDi Markets are accurate, the IBRC reviews each Indiana-located announcement. (Other states’ announcements are not reviewed due to the immensity of the task.) The remainder of this report will cite the announcements for Indiana greenfield and expansion investments that have been double-checked.

In addition, because FDI announcements and the realized FDI flows 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.

## 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, along with the expected number of new jobs associated with the investments. Nationally, 13,962 projects were announced between 2011 and 2013, with 68 percent being intrastate investments made by U.S. businesses. This was a noticeable change from the 2009-2011 time period, where 91.5 percent of all U.S. announced projects were intrastate investments by U.S. businesses.

Within the Midwest and Indiana, approximately 28 percent of all announcements between 2011 and 2013 were made by foreign-based companies (see **Table 3**). This section focuses solely on direct investments from foreign countries as reported by fDi Markets.

Of the foreign-origin FDI announcements between 2011 and 2013, 4,463 announcements were made in the U.S. with an estimated value of \$163.8 billion and 361,906 anticipated jobs. The Midwest captured 19 percent of the nation’s FDI announcements with 868 reported investments valued at

**Table 3: Foreign Direct Investment by Region, 2011 to 2013**

Region	Total Deals	Foreign Deals	Value (in millions)	Jobs
U.S.*	13,962	4,463	\$163,804	361,906
Midwest*	3,023	868	\$26,913	87,192
Illinois	506	159	\$3,924	13,193
Ohio	493	139	\$3,795	14,239
Indiana*	455	129	\$5,203	13,685
Michigan	363	123	\$3,721	15,569
Tennessee	311	103	\$4,091	13,042
Kentucky	266	84	\$1,980	6,750
Minnesota	191	44	\$754	2,385
Missouri	181	38	\$822	3,617
Wisconsin	157	32	\$807	3,645
Iowa	100	17	\$1,817	1,067

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

\$26.91 billion and 87,192 anticipated jobs.

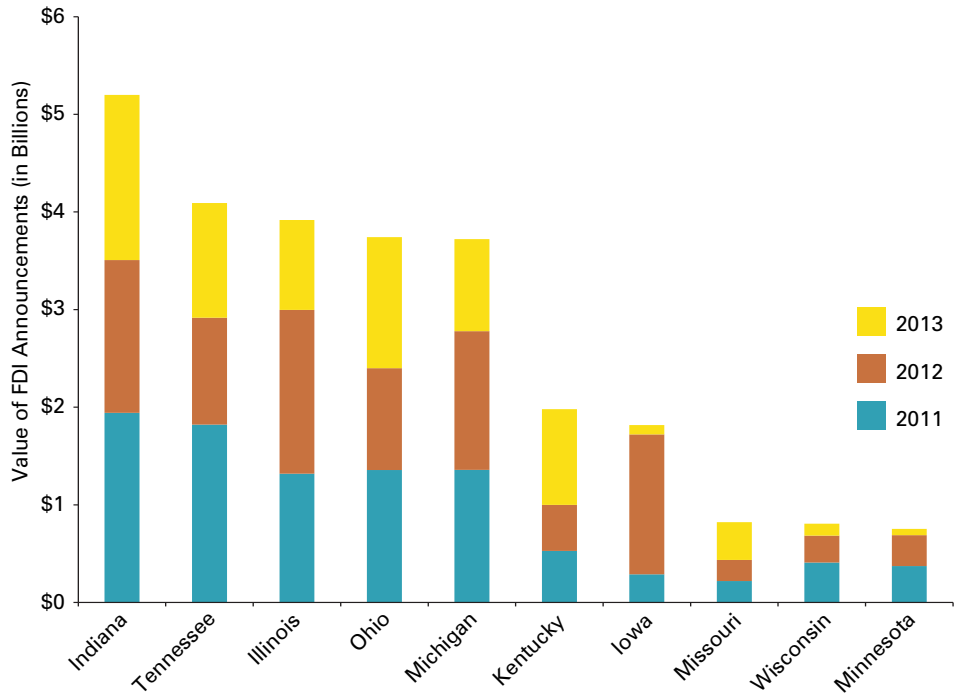
The fDi Market data source estimates capital investments and jobs if one of the two is not reported in the original announcement. As a result, the IBRC double-checked Indiana's announcements to verify the estimated figures. Not all estimates could be vetted, however. The verified figures showed that Indiana had 129 announcements between 2011 and 2013 valued at \$5.2 billion and an anticipated 13,685 jobs.

As **Figure 16** demonstrates, Indiana's anticipated dollar-value of FDI announcements places it first among all Midwestern states. Examining the year-to-year activity, Indiana's capital investment related to FDI remained fairly constant over the last three years. Kentucky had a significant increase, while Iowa had a significant decrease in 2013.

Between 2011 and 2013, Indiana's top four capital investment announcements came from Fatima Fertilizer, Honda, Toyota Motor Company and Subaru Automotive. These four sources accounted for approximately one-third of the dollars invested. The number of jobs to be created from these announcements adds up to almost 20 percent of the projected employment. Fatima Fertilizer's announcement in January 2013 promised approximately \$479.2 million in capital investment, while creating 309 new jobs. Toyota Motor Company's 2012 announcement stated substantial capital investment and 400 anticipated jobs. Toyota has made a total of three announcements within Indiana between 2011 and 2013, accounting for \$448 million in capital investment and 640 anticipated jobs.

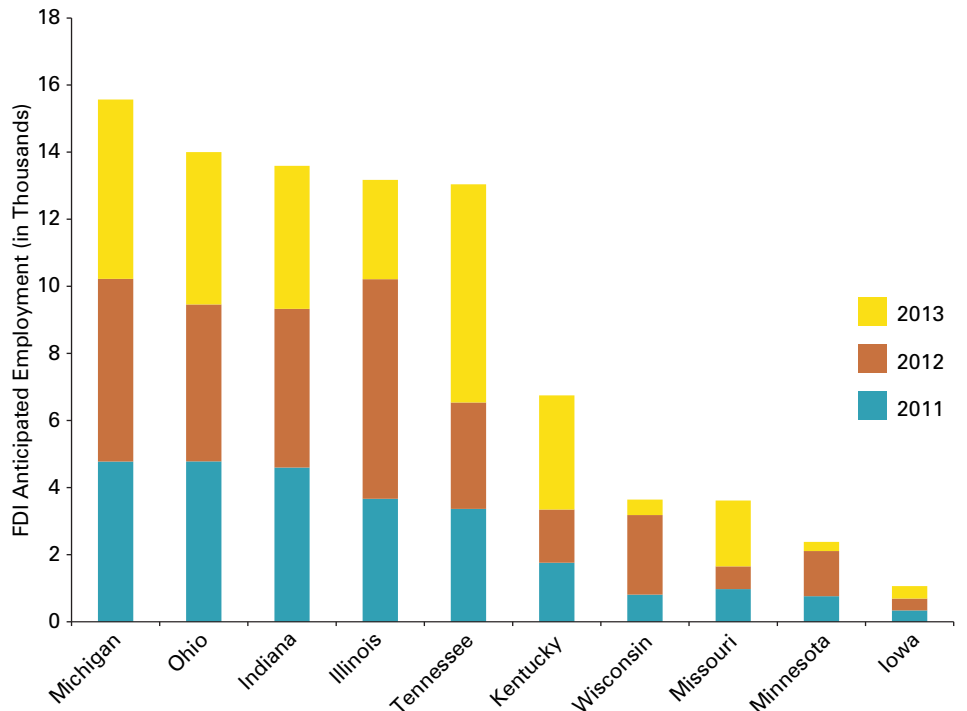
From the job creation perspective, Indiana ranked third among the Midwestern states in attracting FDI jobs (see **Figure 17**). Five Midwestern states were closely bunched in terms of job creation. Between 2011 and 2013, Michigan

**Figure 16: Expected Value of Capital Investment, 2011 to 2013**



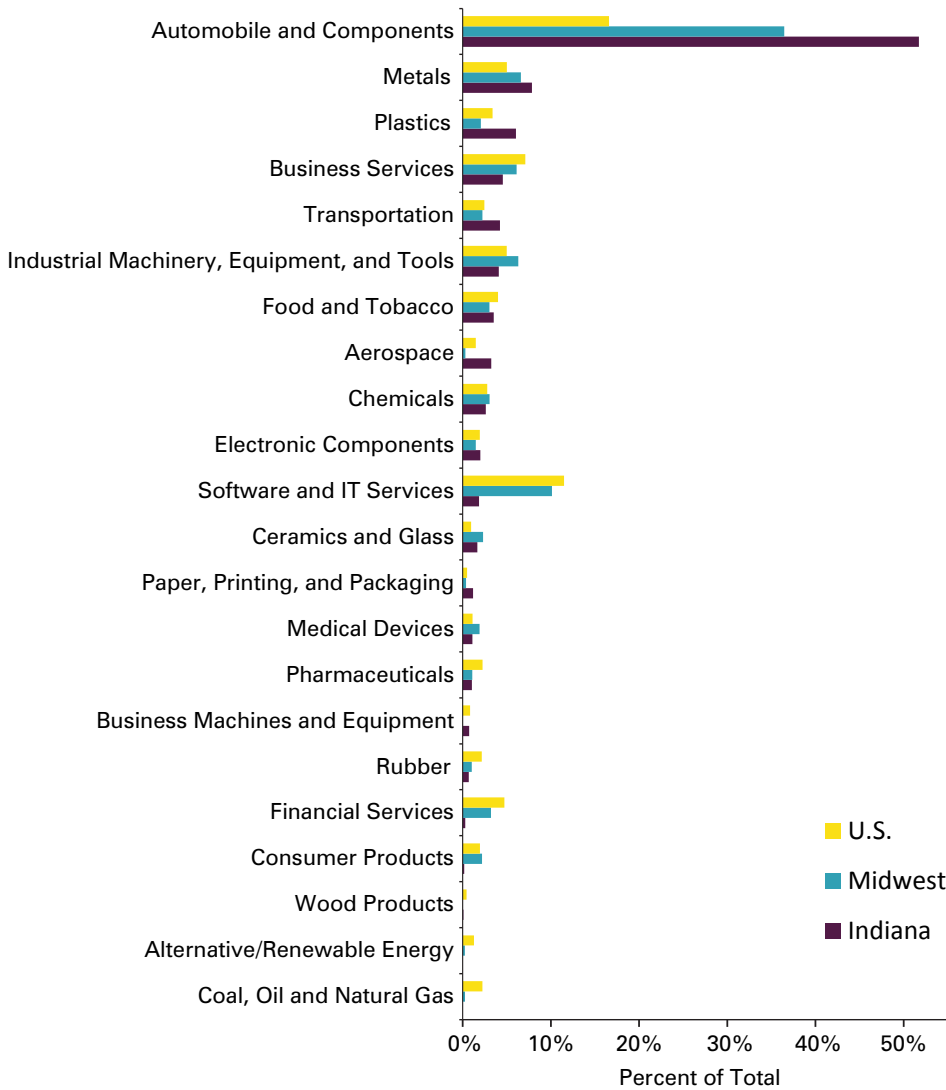
Source: fDi Markets

**Figure 17: Expected Number of Jobs Related to FDI Project Announcements, 2011 to 2013**



Source: fDi Markets

**Figure 18: FDI Project Announcement (Expected) Employment by Industry Sector, 2011 to 2013**



Source: fDi Markets

and Ohio were the only states in the region to attract more employment than Indiana, whereas Tennessee and Illinois fell right behind the Hoosier State in terms of FDI anticipated employment.

Within Indiana, the top three FDI job announcements in 2013 were made by Subaru, Chrysler and Fatima Fertilizer. These three deals combined are expected to create 1,609 jobs or about 12 percent of all FDI announced jobs in Indiana between 2011 and 2013. Subaru’s announcement was for a plant expansion that would create an

additional 900 jobs to increase production of the Subaru Impreza, starting in 2016. The Fatima Fertilizer project is on the bubble, however. Indiana withdrew support for the project in May 2013, but as of April 2014, the state began to renegotiate the terms of the investment with the Pakistan-based company.

### FDI Announcements by Industry

Nationwide, the top three industries capturing foreign capital investments were coal, oil and natural gas (\$27.9 billion), automobile and components

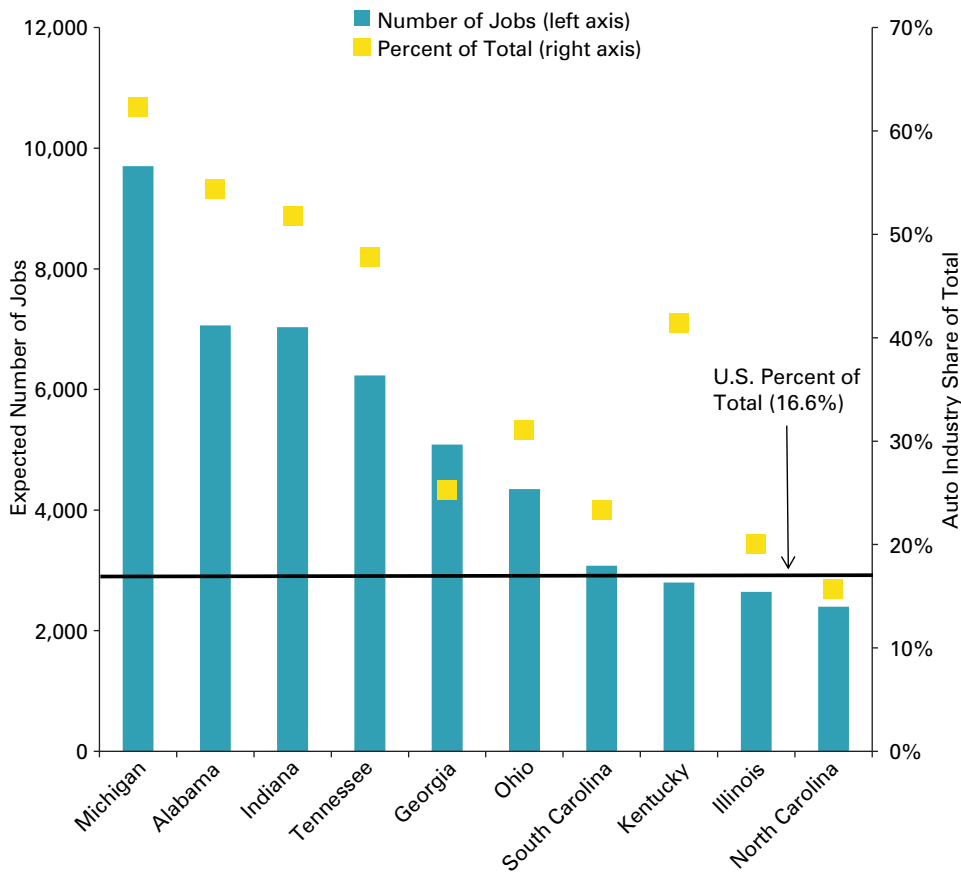
*“Indiana experienced a healthy rebound in the auto sector, with more than 2,300 anticipated jobs in 2013 alone.”*

(\$19.7 billion), and alternative/renewable energy (\$16.7 billion). Within Indiana, the top three capital investments were in the automobile and components (\$2.5 billion), chemicals (\$0.6 billion) and metals (\$0.4 billion) industries. Other Midwestern states followed a similar pattern for industry investments. The top three future industry recipients of FDI flows were the automobile components, chemicals and metals industries—with expected investment totals of \$10.1 billion, \$4.1 billion and \$2.3 billion, respectively. 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 18** shows that Indiana’s top FDI-employment industries were automobile and components (7,031 jobs, 51.7 percent of the total), metals (1,068 jobs, 7.9 percent), and plastics (820 jobs, 6 percent). Toyota, Chrysler and Subaru’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 states.

The auto industry also had the largest share of total FDI employment

**Figure 19: Automotive Industry FDI Employment Announcements and Share of the Total, 2011 to 2013**

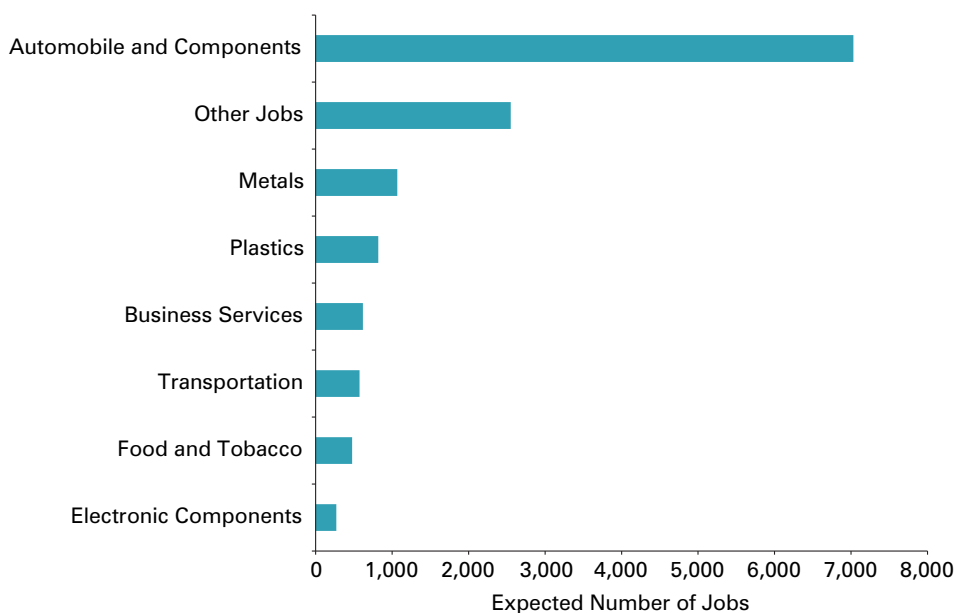


Source: fDi Markets

announcements nationally and in the Midwest. The expected 52,600 jobs related to auto sector FDI deals between 2011 and 2013 account for 16.6 percent of the total expected job announcements in the United States. Among the top destination states for auto sector FDI, Indiana had the third-highest projection of auto-related jobs behind Michigan and Alabama (see **Figure 19**). Indiana experienced a healthy rebound in the auto sector, with more than 2,300 anticipated jobs in 2013 alone.

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 20** presents Indiana's FDI employment announcements by industry sector. As expected, the automobile and components sector was the largest source of anticipated employment in Indiana.

**Figure 20: Indiana FDI Employment Announcements by Industry, 2013**



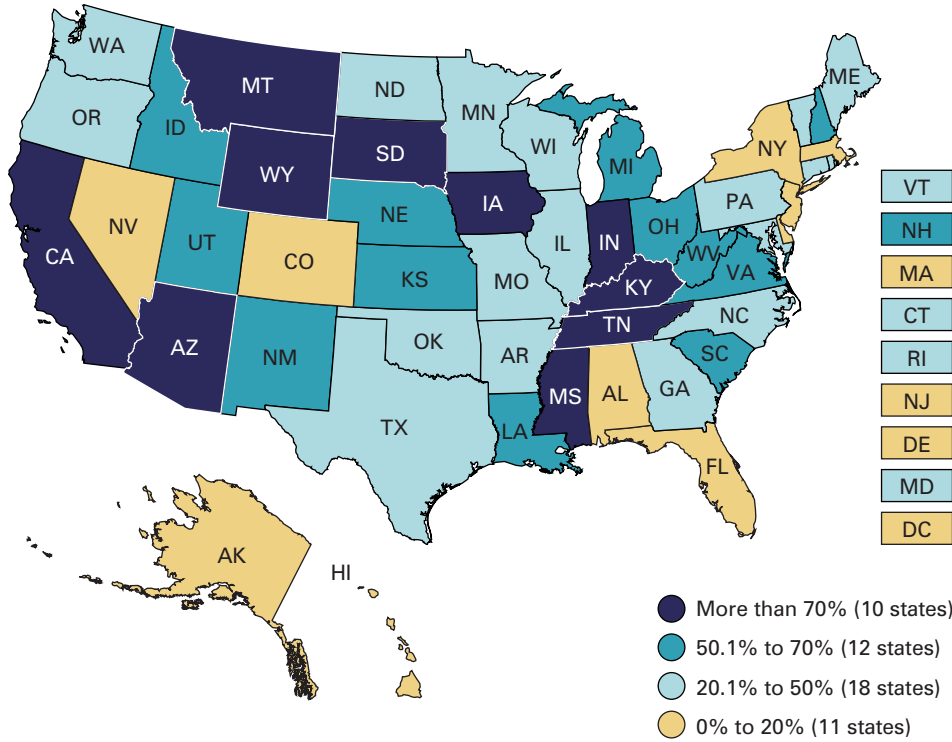
Source: fDi Markets

### FDI Announcements by Business Activity

While a company may be considered a manufacturer—for example, an automobile manufacturer—the company may locate business functions other than the production of goods in the state—for example, a finance service center or a distribution center. 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. Approximately 76.4 percent of the FDI-related jobs announced in

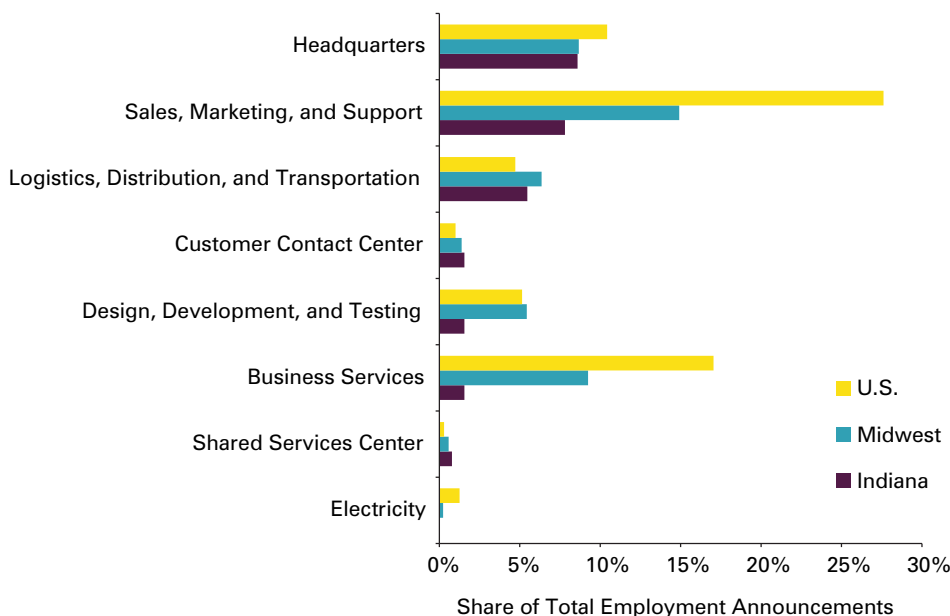


**Figure 21: Manufacturing FDI Employment Announcements as a Share of the Total, 2011 to 2013**



Source: fDi Markets

**Figure 22: Non-Manufacturing FDI Employment Announcements as a Share of the Total, 2011 to 2013**



Source: fDi Markets

*“Indiana ranked #1 in manufacturing project announcements and #8 in expected manufacturing jobs.”*

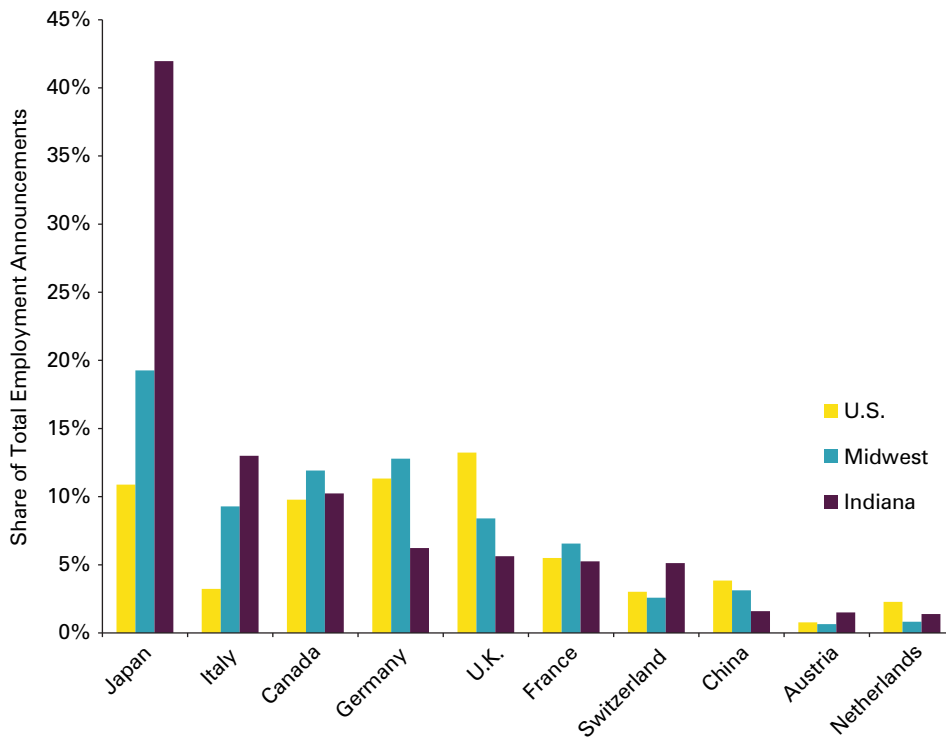
Indiana between 2011 and 2013 were in the manufacturing business activity.

Among all states, Indiana had the highest number of manufacturing FDI project announcements (92) between 2011 and 2013, yet it was only eighth in the quantity of jobs associated with the manufacturing FDI announcements (10,378 jobs). Indiana certainly was not the only state to have a high concentration of the FDI employment announcements in manufacturing as its 76.4 percent placed it ninth among states (see **Figure 21**). Nationally, manufacturing accounted for 40.9 percent of FDI job announcements.

After manufacturing, the next largest share of FDI employment nationally came from sales, marketing and support activities, accounting for 12.2 percent of total job announcements over the three-year period. Headquarters activities came in third at 11.1 percent of total announced jobs.

As **Figure 22** shows, employment associated with headquarters activity announcements was Indiana’s top non-manufacturing business activity. Between 2011 and 2013, 11 headquarters deals were announced

**Figure 23: Share of Total Employment Announcements by Source Country, 2011 to 2013**



Source: fDi Markets

*“Japanese companies were a large source of FDI announced employment intentions for Indiana and the Midwest between 2011 and 2013.”*

in Indiana with a combined expected employment of 757. The third most popular business activity among the anticipated FDI jobs in Indiana was sales, marketing and support activities at 7.8 percent, which is substantially lower than both national and Midwestern shares of the same activity. Business services’ activity was also more prevalent in the U.S. and the Midwest (17 percent and 9.2 percent, respectively) than in Indiana (0.2 percent).

### **FDI Announcements by Source Country**

Japanese companies were a large source of FDI announced employment intentions for Indiana and the Midwest between 2011 and 2013. Japan was the source of approximately 42 percent of Indiana’s announced FDI jobs compared to 19.3 percent for the Midwest and 10.9 percent for the United States (see **Figure 23**). Nationwide, the U.K.

was the top source of employment announcements at 13.2 percent.

Rounding out the top five source countries that announced plans between 2011 and 2013 to invest in Indiana were Italy (13 percent), Canada (10.2 percent), Germany (6.2 percent) and the United Kingdom (5.6 percent).

Italy has not traditionally been a large FDI source for Indiana; however, its increased profile comes from the announcement to expand Fiat Chrysler operations in Howard County. Overall, these top five countries had 94 FDI announcements in Indiana within the past three years and expected employment of 8,943, comprising 65.8 percent of all announced Indiana FDI employment. 

# Conclusion

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**F**DI 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 2011 U.S. Bureau of Economic Analysis data showed that Indiana's share of MOUSA

manufacturing employment as a percent of total MOUSA employment was significantly higher than the nation, and the FDI announcements for 2011 to 2013 indicated that manufacturing will continue to be a dominant sector in Indiana's FDI environment. 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. 🌐