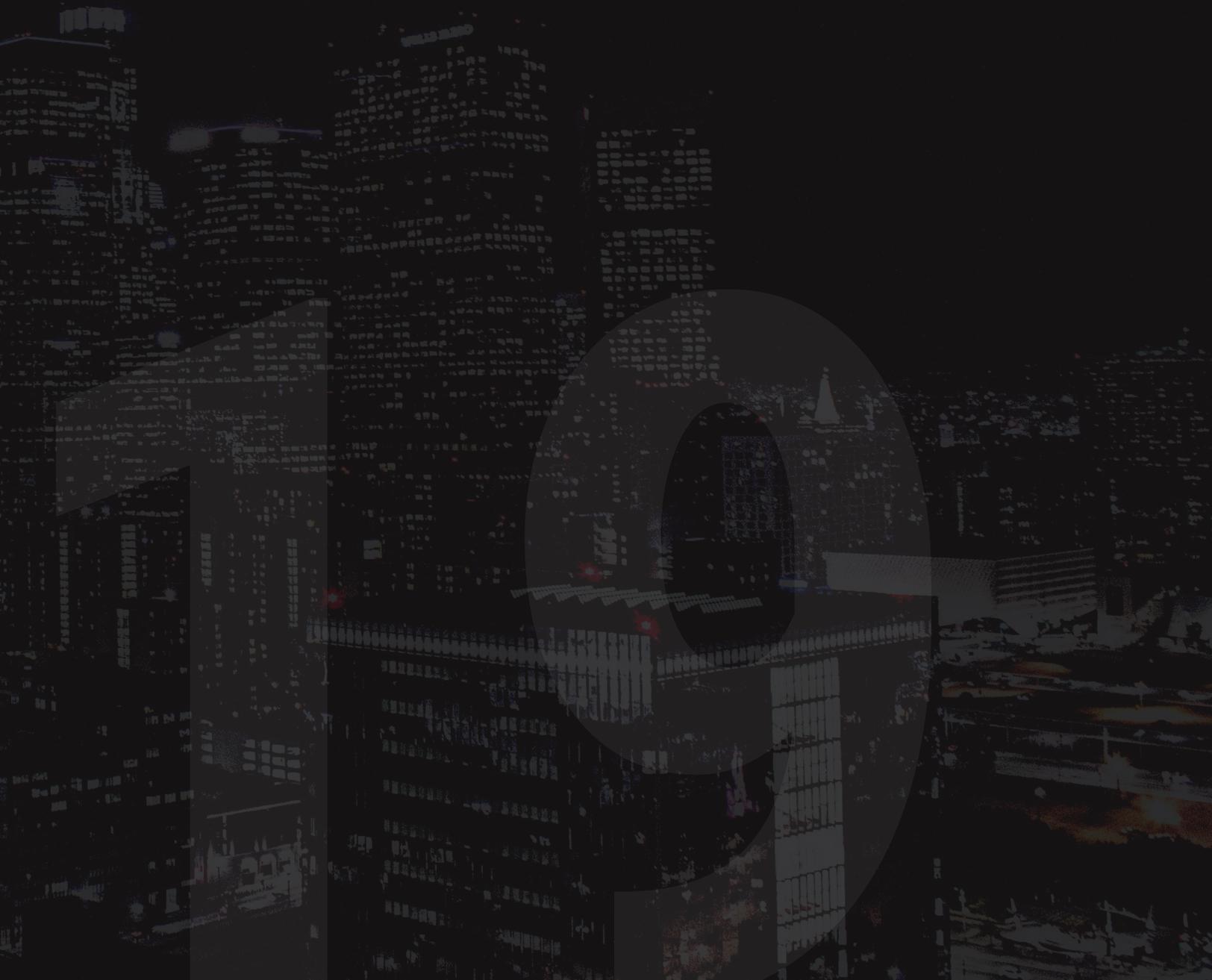




FDI Report: City of Los Angeles



The Overview

The international trade landscape in 2019 remains as fraught as 2018. This year, however, firm deadlines will give a clearer indication of contours of international trade and investment in 2020 and beyond.

As the second largest city in the United States, the City of Los Angeles has chosen to take an increasingly proactive approach to international trade, investment and relations in the context of this country-level uncertainty. In August 2017, Mayor Eric Garcetti appointed Ambassador Nina Hachigian, former U.S. ambassador to the Association of Southeast Asian Nations (ASEAN), as Deputy Mayor for International Affairs. The Office of International Affairs has been tasked with reaffirming Los Angeles' status as a global leader with an eye toward the 2028 Olympics and Paralympics and more vigorously asserting Los Angeles as a global leader.

In an unexpected turn in March of this year, the European Council and UK Government agreed to postpone Brexit to October 31 at the latest. The USMCA (the United States Mexico Canada Agreement) remains unratified by the US Congress despite executive agreement to the deal from all three governments at the G20 Buenos Aires summit in November. The Trump Administration made overtures as late as December 2018 of a unilateral US withdrawal from NAFTA without Congress's approval of the new replacement agreement. Finally, the expected slowdown of the Chinese economy is occurring as U.S. and Chinese trade representatives continue to struggle to resolve ongoing trade disagreements. Across the globe, policymakers are grappling with key trade decisions affecting billions of people, their businesses and their households.



As one of the partners in Mayor Garcetti's globally-focused initiatives, the World Trade Center Los Angeles (WTCLA) serves to promote foreign investment in Los Angeles, provide business assistance to companies seeking to locate or expand locally, and support local businesses looking to export goods and services.

Per its efforts to increase intelligence surrounding foreign direct investment (FDI) in Southern California at large, WTCLA annually publishes its signature Foreign Direct Investment in Southern California report, currently in its fourth edition. Reflecting on the City of Los Angeles's efforts to promote its global mindset, WTCLA now presents the first edition of Foreign Direct Investment in the City of Los Angeles.

FDI in the City of Los Angeles (the City) closely resembles the County of Los Angeles in terms of top direct investment partners as measured by jobs attributed to foreign owned establishments from those respective countries. Within the City of Los Angeles, the top five sources of FDI in 2018 are the United Kingdom, Japan, Canada, France and Switzerland. In total, the stock of 2018 FDI accounted for over 48,400 jobs within the City where 991 entities paid over \$81 billion in wages. Since 2016, FDI in terms of jobs has declined in the City by 26 percent and in terms of firms by 1.6 percent. However, much of this might be attributable to firms moving elsewhere in the County and Southern California region. Moreover, FDI by job count grew by over 1,000 between 2017 and 2018, suggesting the City's new programmatic focus on international affairs might be paying some dividends.

Over the three years this report provides estimates for the territories and countries whose companies located to the City the most were the Cayman Islands¹, Belgium, Australia, Hong Kong and Israel, all of which showed growth greater than 14 percent. In terms of jobs, Belgium saw an almost 4,000 percent increase between 2016 and 2018. This is attributed to LA-based and Belgium-owned Golden Road Brewery's expansion throughout the Los Angeles market. China had the second largest gain in jobs over this period at almost 310 percent, which brings the total number of employees of Chinese-owned businesses in the City to 1,753. An influx of real estate projects in the area was a contributing growth factor since 2016. The last three territories and countries that round out the top 5 are Israel, Hong Kong, and France.

There is diverse representation in terms of the average wage paid per employee from source nation countries. Indian foreign owned enterprises (FOE) lead with an average annual salary of \$122,808, with FOEs from the Netherlands in close second with \$121,390. From here, Canadian and Luxembourg FOEs both pay an average annual salary of around \$100,000. The average of all salaries that stem from international businesses is \$81,363, well above the median household income of \$54,501 within the City. On average, international companies pay about \$15,000 more per employee than their domestic counterparts. This gap is slightly higher than what we would expect to see across the rest of the United States. So while this outcome can explain some of the difference, there is still around \$11,000 that is not explained by this economic reality. Whatever additional factors are contributing to this result, it is clear that workers employed by international companies in the City of Los Angeles are benefiting greatly.

Industrially, FDI in the City is estimated to be the most concentrated in financial activities², professional services and hospitality, with 12,030, almost 7,800 and 5,530 jobs in each sector, respectively. Sectors that grew most in terms of FDI between 2017 and 2018 were hospitality, information and wholesale trade.

¹ FDI jobs attributed to the Cayman Islands are reported as such since the ultimate global business registry is in this British Overseas Territory.

² The Sectors listed correspond with the Bureau of Labor Standards North American Industry Classification System (NAICS). The "Financial Activities" supersector includes Real Estate, Rental and Leasing and Finance and Insurance sectors.

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Methodology

The following sections of this report will look more closely at both FDI and FOEs at the county level. This type of data at the county level is not published by the BEA, hence other sources of data are consulted here.

The primary data source used in this analysis is Dun & Bradstreet (D&B). This private provider of firm level data provides local employment estimates for entities with ultimate ownership in a foreign nation. The data was retrieved in February of 2019.

While this report uses the broad term foreign direct investment, it should be noted that the D&B data does not indicate whether the domestic firm was acquired by a foreign entity, or whether it was a firm that was newly established with a foreign investment. The data also do not indicate when the investment (whether acquisition or greenfield) may have occurred. Hence the estimated jobs cannot be interpreted as the result of foreign investment in the current year. Rather, the terminology used herein refers to jobs of foreign-owned enterprises, or FOE jobs, where the share of foreign ownership meets the ten percent threshold.

Further, it should not be assumed that FOE jobs are dependent on foreign investment or have been created by foreign investment as it cannot be concluded that the absence of such investment would have meant the loss of these jobs.

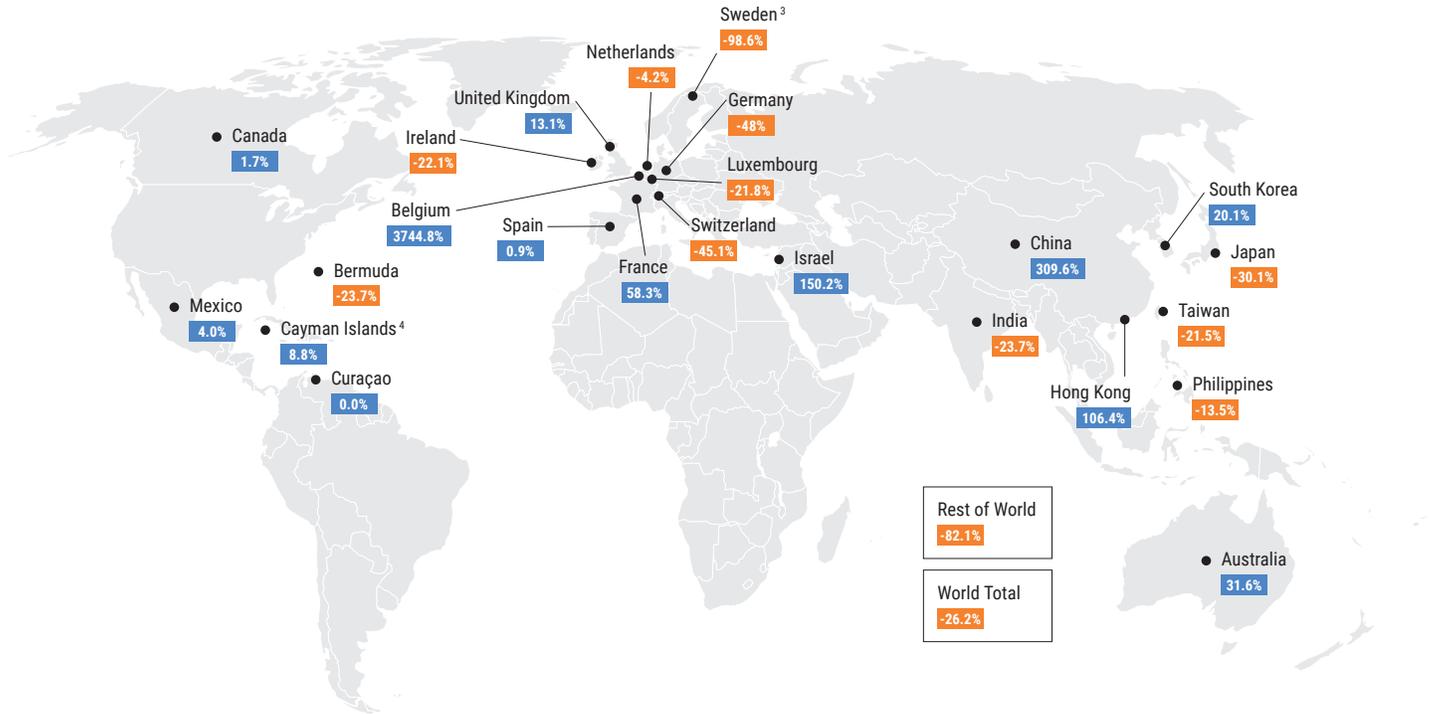
Since firms acquired by a foreign entity or established by foreign investment operate in the domestic labor market, this report assumes workers employed by these firms are paid domestic market wages. Wages were therefore calculated using 2018 annual wage estimates from the Quarterly Census of Employment and Wages (QCEW) produced by the Bureau of Labor Statistics (BLS). These wage estimates differ between industries; average wages for workers employed by FDI attributed to different countries will therefore differ in accordance to the variations in the industry concentration of that investment.

SECTION 1

Changes in Foreign-owned Establishments by Source Nation between 2016-2018, City of Los Angeles

Jobs

World Map
Percentage Change in Number of Jobs



Rank	Country	2018	2017	2016
1	United Kingdom	7,943	7,813	7,026
2	Japan	6,254	6,336	8,946
3	Canada	5,079	5,105	4,996
4	France	4,638	3,183	2,929
5	Switzerland	3,900	4,041	7,110
6	Australia	2,883	2,436	2,190
7	Netherlands	2,418	2,636	2,523
8	South Korea	2,314	2,203	1,927
9	Spain	2,007	2,001	1,989
10	China	1,753	1,915	428
11	Cayman Islands	1,390	1,296	1,277
12	Israel	1,301	1,300	520
13	Belgium	1,115	30	29
14	Germany	906	1,555	1,741
15	Taiwan	805	844	1,026

Rank	Country	2018	2017	2016
16	Ireland	582	695	747
17	Mexico	542	559	521
18	Curaçao	500	500	500
19	Luxembourg	315	870	403
20	Bermuda	264	337	346
21	Hong Kong	194	126	94
22	Sweden	183	186	13,201
23	Philippines	166	188	192
24	India	142	164	186
25	Rest of World	849	1,058	4,752
Total		48,443	47,377	65,599

³ The decline of Swedish FDI jobs is attributed to the loss of a single establishment between 2016 and 2017 according to the data from Dun & Bradstreet.

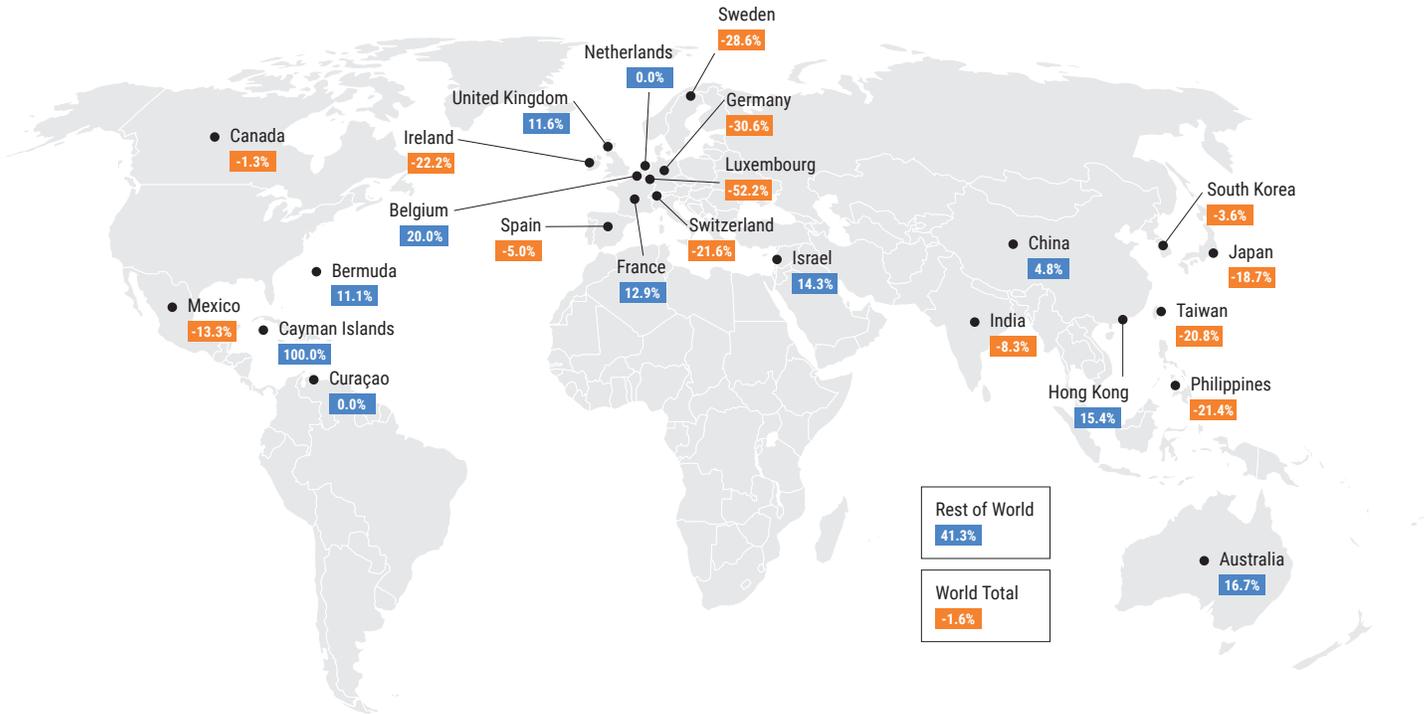
⁴ See footnote 1

SECTION 1

Changes in FOE's by Source Nation between 2016-2018, City of Los Angeles

Firms

World Map
Percentage Change in Number of Firms



Rank	Country	2018	2017	2016
1	United Kingdom	135	135	121
2	Japan	174	208	214
3	Canada	79	91	80
4	France	79	66	70
5	Switzerland	40	46	51
6	Australia	42	40	36
7	Netherlands	22	27	22
8	South Korea	53	59	55
9	Spain	19	21	20
10	China	22	30	21
11	Cayman Islands	12	6	6
12	Israel	16	18	14
13	Belgium	6	5	5
14	Germany	43	63	62
15	Taiwan	19	21	24

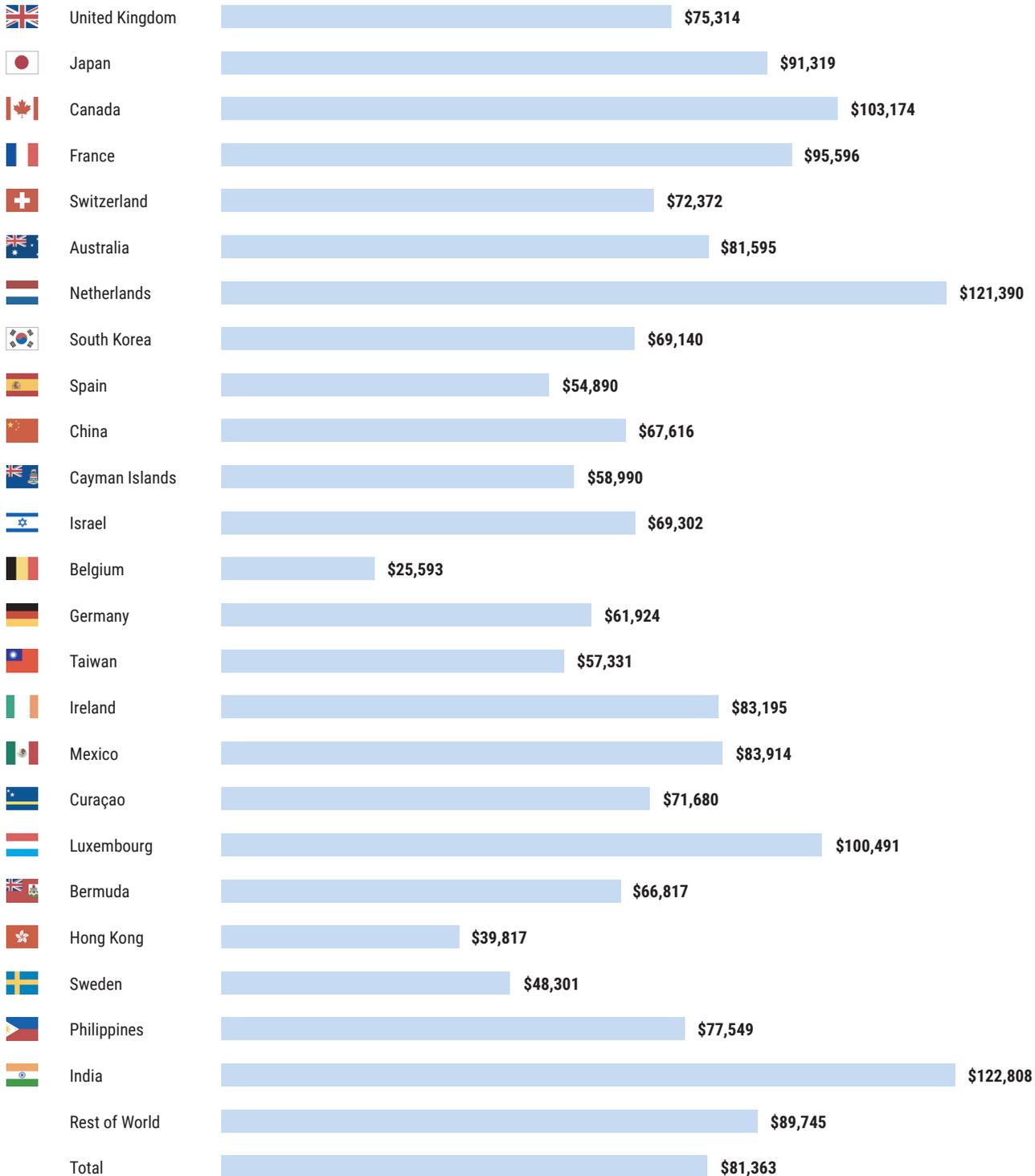
Rank	Country	2018	2017	2016
16	Ireland	7	7	9
17	Mexico	13	16	15
18	Curaçao	1	1	1
19	Luxembourg	11	24	23
20	Bermuda	10	9	9
21	Hong Kong	15	17	13
22	Sweden	5	6	7
23	Philippines	11	13	14
24	India	11	13	12
25	Rest of World	147	100	104
Total		992	1,042	1,008

SECTION 1

Changes in FOE's by Source Nation between 2016-2018, City of Los Angeles

Wages

Bar Chart
Average Wage per Employee, 2018

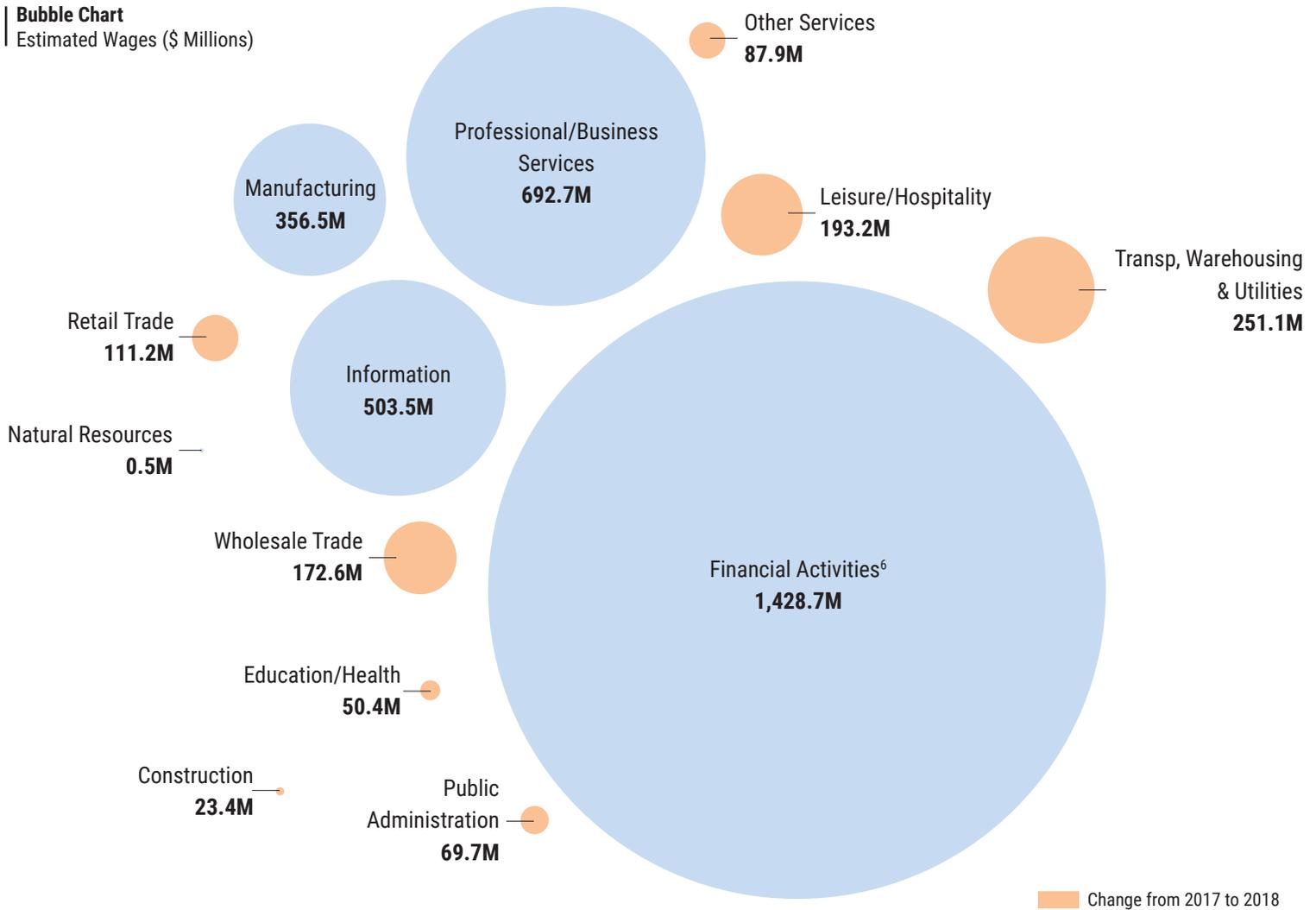


SECTION 2

Change in Firms and Jobs by Sector, 2017-18, City of Los Angeles

Sectors⁵

Bubble Chart
Estimated Wages (\$ Millions)



Sector	Jobs		Firms	
Natural Resources	6	0	2	0
Construction	368	39	13	-6
Manufacturing	4,974	-1,397	60	-5
Wholesale Trade	2,684	302	81	-10
Retail Trade	3,143	506	182	6
Transp, Warehousing & Utilities	4,101	-309	61	2
Information	3,871	831	80	-4

Sector	Jobs		Firms	
Financial Activities	12,030	213	184	-9
Professional/Business Services	7,796	-291	182	-11
Education/Health	1,121	-2	12	-1
Leisure/Hospitality	5,530	1,071	58	-1
Other Services	2,043	221	11	-1
Public Administration	776	-118	65	-11
Total	48,443	1,066	991	-51

⁵ See footnote 2
⁶ See footnote 2

Top 10 FDI Source Nation Rankings

