



FDI Flows Between the United States and the Western Cape

6 September 2021

Table of Contents

1. Introduction 3

2. FDI from the United States to the Western Cape 3

3. FDI from the Western Cape to the United States 7

4. Conclusion 9

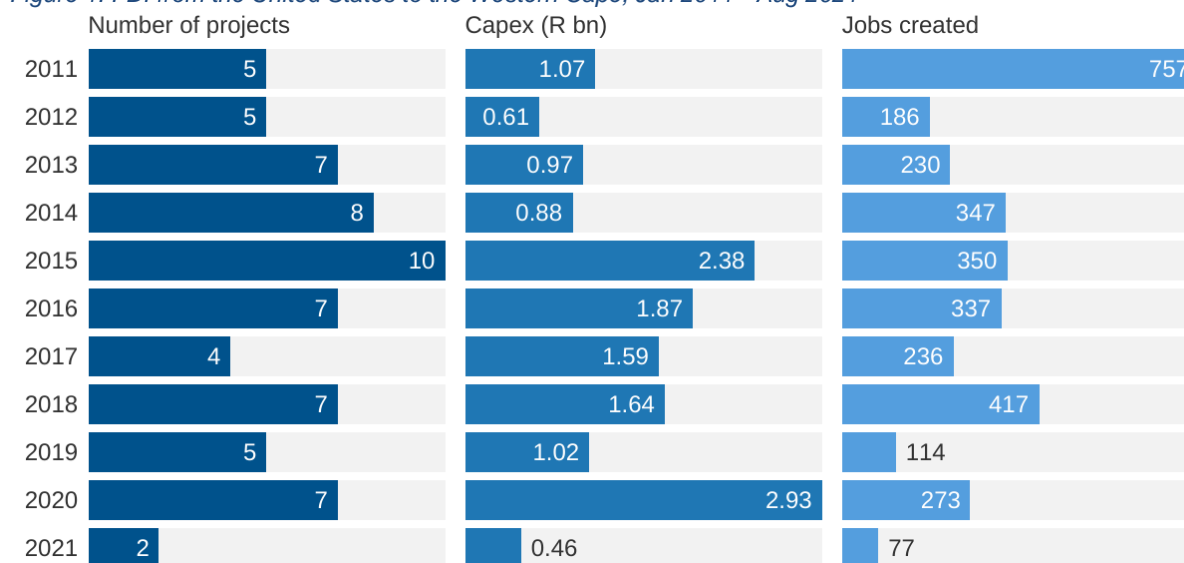
1. Introduction

The report examines Foreign Direct Investment (FDI) trends between the United States and the Western Cape between January 2011 and August 2021.

2. FDI from the United States to the Western Cape

Between January 2011 and August 2021, the Western Cape recorded a total of 67 FDI projects by American companies. These projects generated a total capital investment of ZAR 15.42bn, which is an average investment of ZAR 230.16m per project. During the period, a total of 3,324 jobs were created. The largest number of projects (10 projects) was announced in 2015. Moreover, average capital investment peaked in 2020, while average job creation peaked in 2011

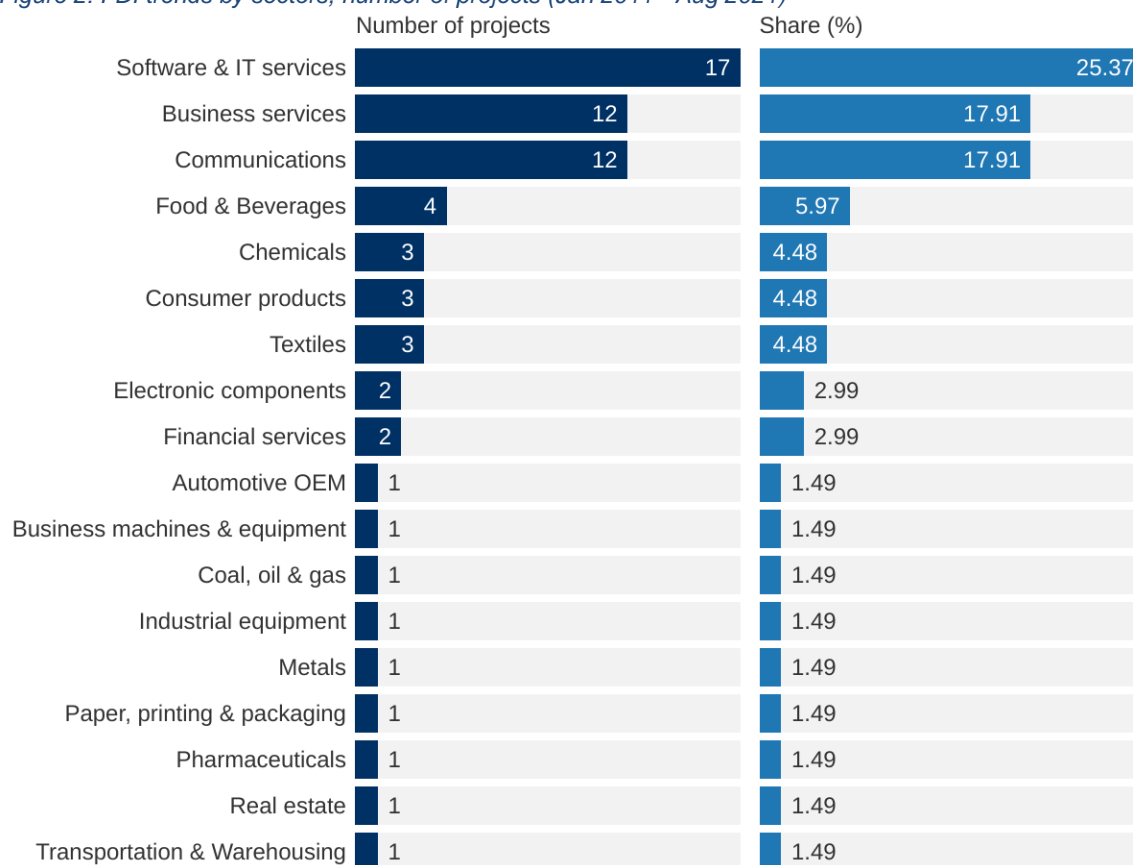
Figure 1: FDI from the United States to the Western Cape, Jan 2011 - Aug 2021



Source: FDI Intelligence (2021)

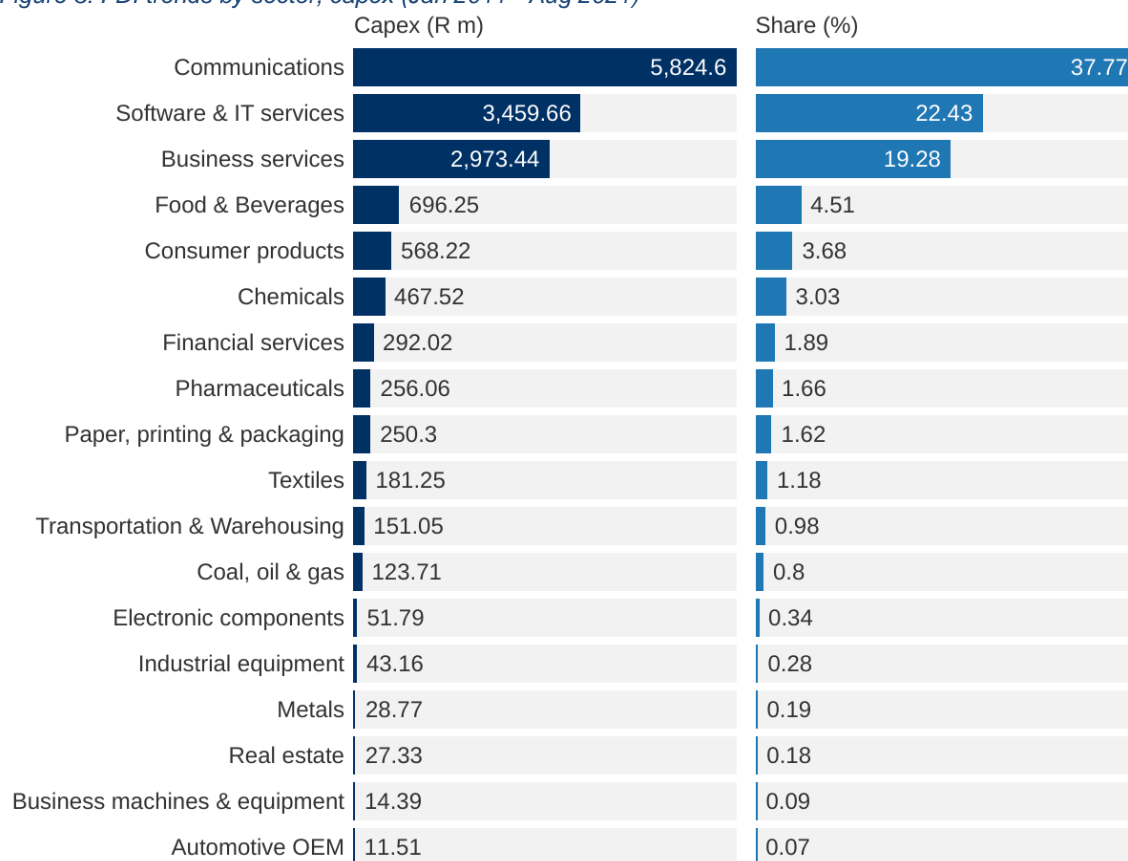
On the basis of the number of FDI projects, software and information technology (25.37%); business services (17.91%) and communications (17.91%) were the top three industries between January 2011 and August 2021 as shown in Figure 2. Out of a total of 18 sectors, the top five account for the majority of projects. In terms of the amount of capex, FDI from the US to the Western Cape was concentrated in the communications industry, which accounted for 37.77% of total capex as depicted in Figure 3 below.

Figure 2: FDI trends by sectors, number of projects (Jan 2011 - Aug 2021)



Source: FDI Intelligence (2021)

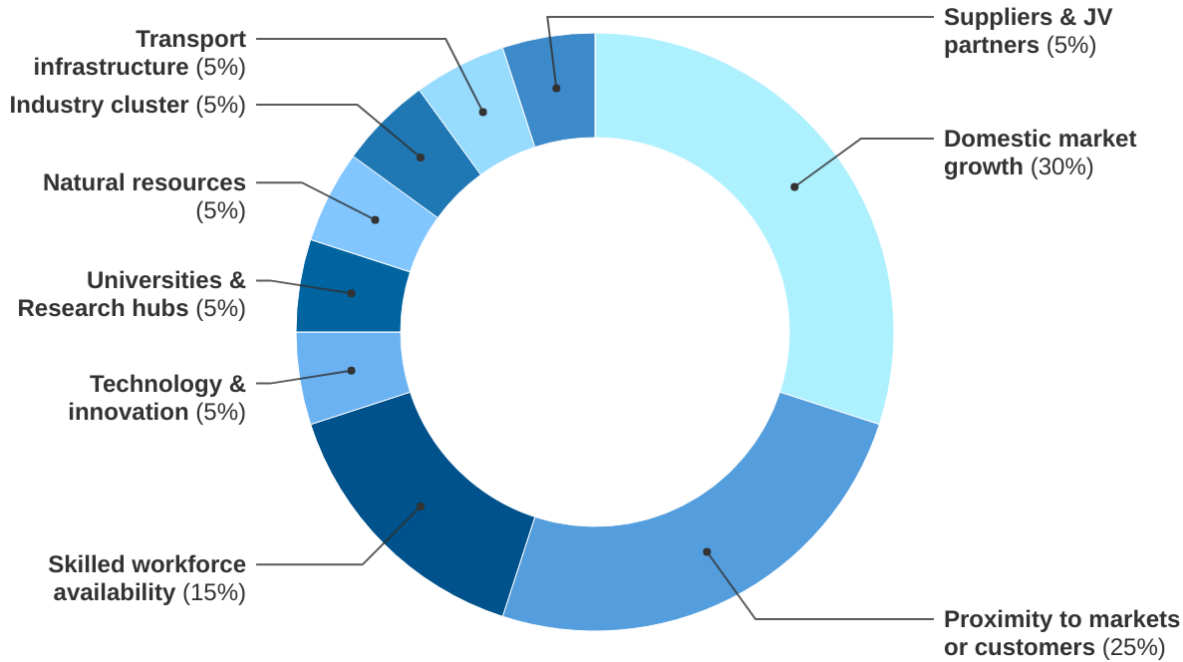
Figure 3: FDI trends by sector, capex (Jan 2011 - Aug 2021)



Source: FDI Intelligence (2021)

Figure 4 presents the motives cited by US investors in the Western Cape. Domestic market growth (30%) was the top motive cited by US companies investing in the Western Cape, followed by proximity to markets (25%) and skilled workforce availability (15%).

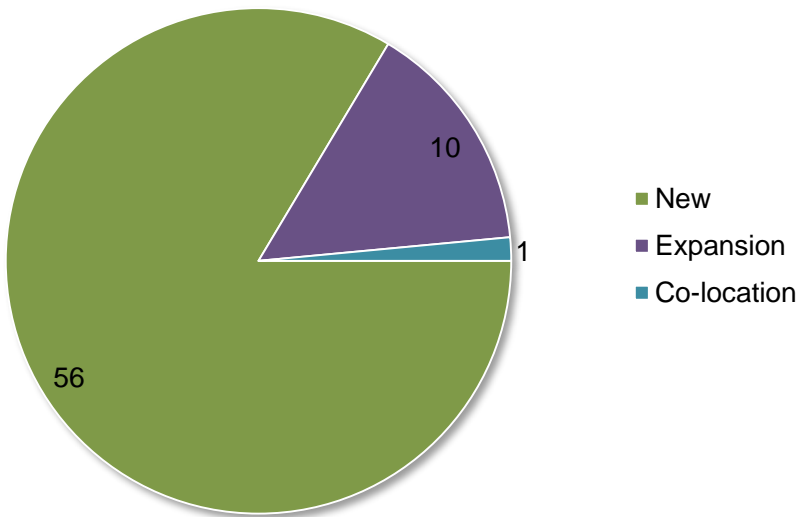
Figure 4: Motives and determinants



Source: FDI Intelligence (2021)

In terms of project type, 83.6% of projects are new investments as Figure 5 demonstrates. New projects have an average capital investment of ZAR 214.34 million and job creation of 40 per project.

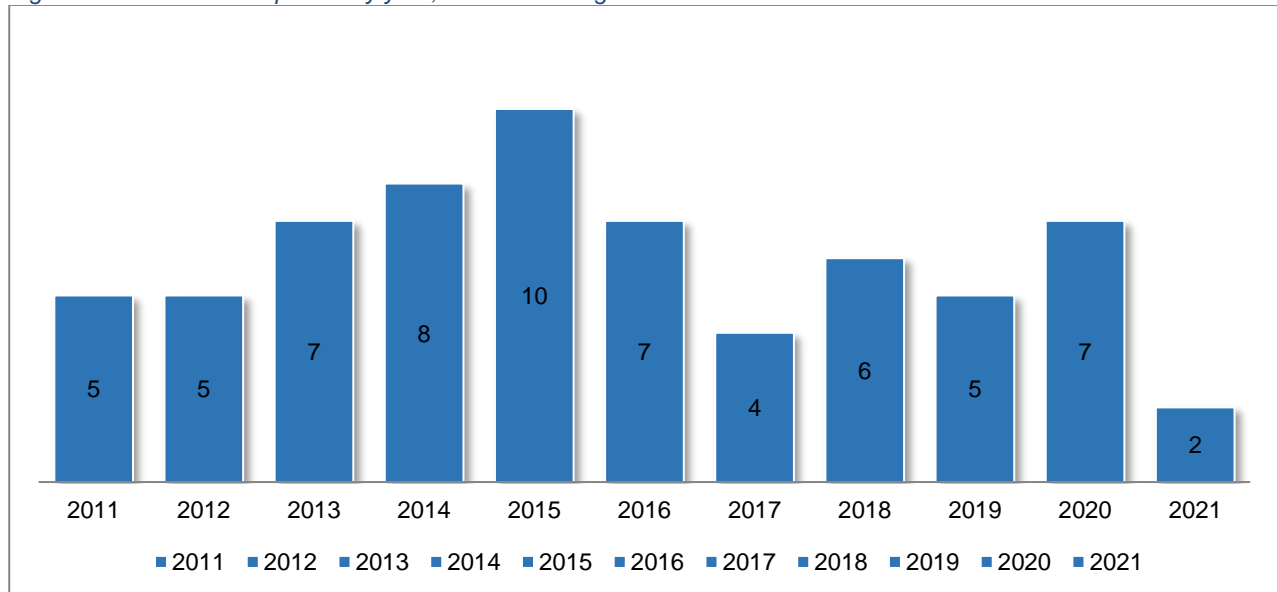
Figure 5: Project type, Jan 2011 - Aug 2021



Source: FDI Intelligence (2021)

A total of 61 companies from United States invested in Western Cape between January 2011 and August 2021, out of a total 76,929 companies investing in FDI globally. The highest number of US companies investing in the Western Cape was recorded in 2015 as can be seen in Figure 6.

Figure 6: Number of companies by year, Jan 2011 - Aug 2021



Source: FDI Intelligence (2021)

The top 10 companies accounted for a combined total of 16 projects (23.9% of projects). Within the past 12 months, two of the top 10 companies have announced projects, with Amazon.com being the top investor for this period with one projects.

Table 1: Top 10 companies: number of projects, Jan 2011 - Aug 2021

Company name	No of projects	Global projects	% of global projects	Projects in last 12 mths
Amazon Web Services (AWS)	4	133	3	0
Amazon.com	3	1,334	0	1
Flowcrete	2	10	20	0
Thomson Reuters	1	29	3	0
Trimble Navigation	1	11	9	0
Harvard University	1	6	17	0
Massmart	1	23	4	1
Morningstar	1	3	33	0
Avient Corporation	1	38	3	0
Converse	1	24	4	0

Source: FDI Intelligence (2021)

Out of a total of 40 source cities, the top five account for more than one-third of projects. Seattle and New York are the top source cities, each accounting for one-eighth of projects tracked as Table 2 shows. Seattle has generated the highest number of total jobs and greatest investment with a total of 1 243 jobs and ZAR 3.03bn investment. Mountain View and Seattle have the largest project size on average in terms of investment and jobs creation, respectively.

Table 2: FDI trends by source city, Jan 2011 - Aug 2021

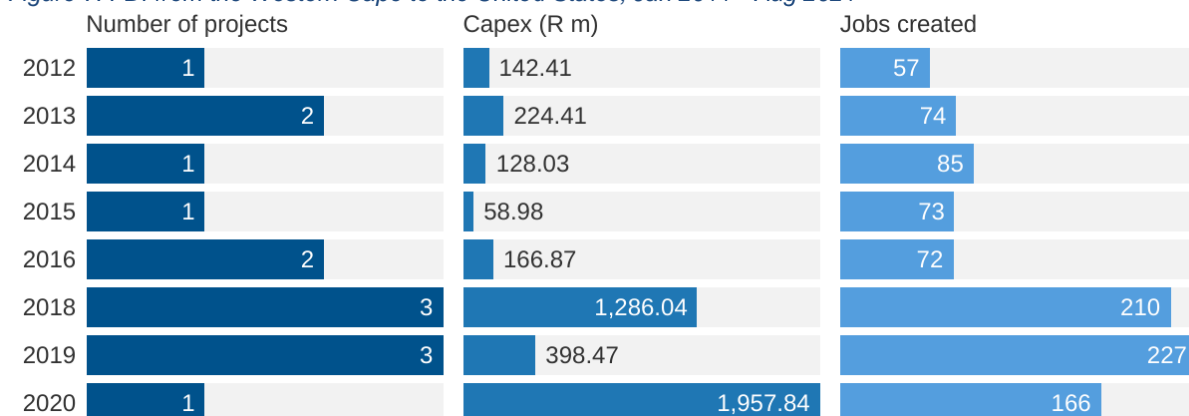
Source city	Projects		Companies		Jobs Created	Capital Investment (ZAR m)
	No.	%	No.	%		
YC (NY)	8	11.94	8	13.56	217	1,408.30
Seattle (WA)	8	11.94	3	5.08	1,243	3,025.20
Palo Alto (CA)	4	5.97	4	6.78	80	175.50
Atlanta (GA)	2	2.99	2	3.39	25	385.50
Bentonville (AR)	2	2.99	2	3.39	276	430.10
Houston (TX)	2	2.99	2	3.39	26	194.20
Irving (TX)	2	2.99	2	3.39	84	374.00
Los Angeles (CA)	2	2.99	2	3.39	88	128.00
Medina (OH)	2	2.99	1	1.69	31	260.40
Mountain View (CA)	2	2.99	2	3.39	74	2,150.60
San Francisco (CA)	2	2.99	2	3.39	109	762.40
Sunnyvale (CA)	2	2.99	2	3.39	74	135.20
Washington, DC	2	2.99	2	3.39	46	142.40
Ann Arbor (MI)	1	1.49	1	1.69	9	83.40
Beaverton (OR)	1	1.49	1	1.69	51	60.40
Boca Raton (FL)	1	1.49	1	1.69	16	310.70
Cambridge (MA)	1	1.49	1	1.69	16	310.70
Chicago (IL)	1	1.49	1	1.69	16	310.70
Cleveland (OH)	1	1.49	1	1.69	51	207.10
Commerce (CA)	1	1.49	1	1.69	8	28.80
Other source cities	20	29.85	20	33.90	745	3,465.40
Total	67	100.00	61	103.39	3,324	15,421.00

Source: FDI Intelligence (2021)

3. FDI from the Western Cape to the United States

A total number of 14 outward FDI projects were recorded from the Western Cape to the United States between January 2011 and August 2021. These projects generated about R4.36 billion capex and created 964 jobs.

Figure 7: FDI from the Western Cape to the United States, Jan 2011 - Aug 2021



Source: FDI Intelligence (2021)

Approximately 64% of FDI projects from the Western Cape to the United States were in the Software and IT services industry. Consumer products (44.87%) was the top industry in terms of the amount of capital expenditure.

Figure 8: FDI trends by sector: number of projects, Jan 2011 - Aug 2021

	Number of projects	Share (%)
Software & IT services	9	64.29
Business services	1	7.14
Consumer products	1	7.14
Financial services	1	7.14
Food & Beverages	1	7.14
Textiles	1	7.14

Source: FDI Intelligence (2021)

Figure 9: FDI trends by sector: capex, Jan 2011 - Aug 2021

	Capex (R m)	Share (%)
Consumer products	1,957.84	44.87
Software & IT services	1,224.19	28.06
Textiles	1,015.6	23.28
Business services	82	1.88
Food & Beverages	58.98	1.35
Financial services	24.45	0.56

Source: FDI Intelligence (2021)

A total number of 14 Western Cape companies invested in the US between January 2011 and August 2021.

Table 3: Western Cape companies investing in the United States, Jan 2011 - Aug 2021

Investing company	Number of projects	Capex (R m)	Jobs created
Aerobotics	1	128	85
Carry1st	1	142	57
Celebrity Services Africa (CSA)	1	82	17
Drive Revenue	1	142	57
Entersekt	1	128	85
Irdeto	1	142	57
Movile	1	142	57
Naspers	1	24	15
Origin Wine	1	59	73
RapidDeploy	1	128	85
Skynamo	1	128	85
Snapplify	1	142	57
Topwatch	1	1,958	166
Whistles	1	1,016	68

Source: FDI Intelligence (2021)

California received the highest number of FDI projects from the Western Cape, whereas the largest capital investment was recorded in North Carolina.

Table 4: FDI trends by destination state, Jan 2011 - Aug 2021

Destination State	Number of projects	Capex	Jobs created	Companies
California	4	377	174	4
New York	3	427	171	3
Georgia	2	256	170	2
Michigan	1	142	57	1
North Carolina	1	1,958	166	1
Texas	1	128	85	1
Not Specified	2	1,075	141	2
Total	14	4,363	964	14

Source: FDI Intelligence (2021)

4. Conclusion

In summary, between January 2011 and August 2021, the Western Cape recorded a total of 67 inward FDI projects from the US, with 2015 being the peak year. The key investing companies accounted for almost 20% of total projects. With a share of approximately 25%, software & IT services was the leading sector in terms of the number of projects whereas communications was the top sector on the basis of capex. During the same period, there were 14 outward FDI projects from the Western Cape to the United States. These projects generated about R4.36 billion capex and created 964 jobs.

DISCLAIMER:

Wesgro has taken every effort to ensure that the information in this publication is accurate. We provide said information without representation or warranty whatsoever, whether expressed or implied. It is the responsibility of users of this publication to satisfy themselves of the accuracy of information contained herein. Wesgro cannot be held responsible for the contents of the publication in any way.

© Wesgro, 2021