

Other expense, net decreased \$7.3 million as compared to 2019, due to a \$12.4 million increase in gains from transactions in currencies other than our sites' functional currencies, partially offset by a \$3.8 million increase in losses from foreign exchange contracts. The net change was primarily due to the foreign currency exchange rate movements in the Canadian dollar, Mexican peso, Euro and Brazilian real in relation to the U.S. dollar during the year ended December 31, 2020, as compared with the same period in 2019.

Other expense, net decreased \$2.0 million in 2019, due to a \$7.6 million decrease in losses from transactions in currencies other than our sites' functional currencies, partially offset by a \$3.3 million increase in losses from foreign exchange contracts. The net change was primarily due to the foreign currency exchange rate movements in the Euro, Indian rupee, Singapore dollar and Mexican peso in relation to the U.S. dollar during the year ended December 31, 2019, as compared with the same period in 2018.

Tax Expense and Tax Rate

	2020	2019	2018
	(Amounts in millions, except percentages)		
Provision for income taxes	\$ 60.0	\$ 75.5	\$ 46.6
Effective tax rate	32.1 %	23.4 %	29.8 %

Our effective tax rate of 32.1% for the year ended December 31, 2020 increased from 23.4% in 2019 primarily due to the establishment of a valuation allowance against certain deferred tax assets given the current and anticipated impact to the Company's operations resulting from the COVID-19 pandemic and the distressed oil prices. The 2020 effective tax rate differed from the federal statutory rate of 21% primarily due to the establishment of a valuation allowance described above. The 2019 effective tax rate differed from the federal statutory rate of 21% primarily due to state tax and foreign audit assessments, partially offset by the net impact of foreign operations. The 2018 effective tax rate differed from the federal statutory rate of 21% primarily due to the net impact of foreign operations, including losses in certain foreign jurisdictions for which no tax benefit was provided.

Our effective tax rate is based upon current earnings and estimates of future taxable earnings for each domestic and international location. Changes in any of these and other factors, including our ability to utilize foreign tax credits and net operating losses or results from tax audits, could impact the tax rate in future periods. As of December 31, 2020, we have foreign tax credits of \$35.9 million, expiring in 2026 and 2028-2030 tax years, against which we recorded a valuation allowance of \$35.9 million. Additionally, we have recorded other net deferred tax assets of \$30.5 million, which relate to net operating losses, tax credits and other deductible temporary differences that are available to reduce taxable income in future periods, most of which do not have a definite expiration. Should we not be able to utilize all or a portion of these credits and losses, our effective tax rate would increase.

Net Earnings and Earnings Per Share

	2020	2019	2018
	(Amounts in millions, except per share amounts)		
Net earnings attributable to Flowserve Corporation	\$ 116.3	\$ 238.8	\$ 104.5
Net earnings per share — diluted	\$ 0.89	\$ 1.81	\$ 0.80
Average diluted shares	131.1	131.7	131.3

Net earnings in 2020 decreased by \$122.5 million to \$116.3 million, or to \$0.89 per diluted share, as compared with 2019. The decrease was primarily attributable to a decrease in operating income of \$136.3 million and a \$6.6 million increase in interest expense, net, partially offset by a \$7.3 million decrease in other expense, net and a \$15.5 million decrease in tax expense.

Net earnings in 2019 increased by \$134.3 million to \$238.8 million, or to \$1.81 per diluted share, as compared with 2018. The increase was primarily attributable to an increase in operating income of \$158.9 million, a \$2.0 million decrease in other expense, net and a \$5.1 million decrease in interest expense, net, partially offset by a \$28.9 million increase in tax expense.