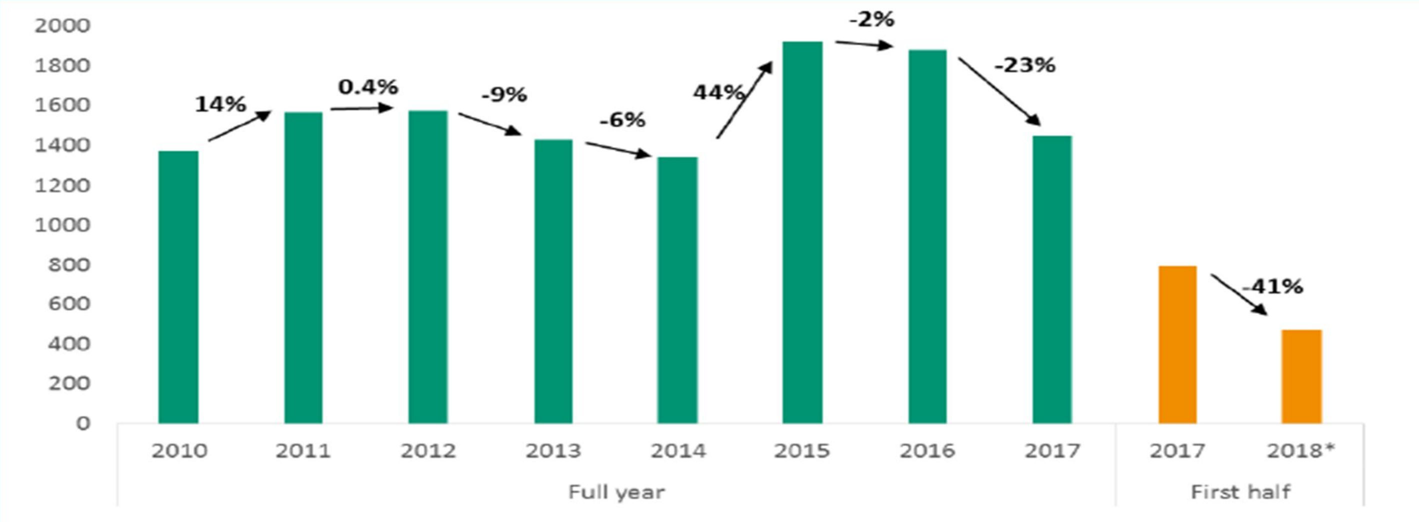
Global FDI fell by 41% in H1 2018: UNCTAD

According to UNCTAD's , Global Investment Trends Monitor**,** Global foreign direct investment (FDI) fell by 41% in the first half of 2018, to an estimated USD 470 billion, from USD 794 billion in the same period in 2017 mainly due to large repatriations by United States parent companies of accumulated foreign earnings from their affiliates abroad following tax reforms.

Global FDI flows and growth rates, 2013-17 and 2017:H1-2018:H1 (Billions of USD and per cent)



Source: PHD Research Bureau, compiled from UNCTAD, * Estimates, Note: Excluding Caribbean offshore financial centers

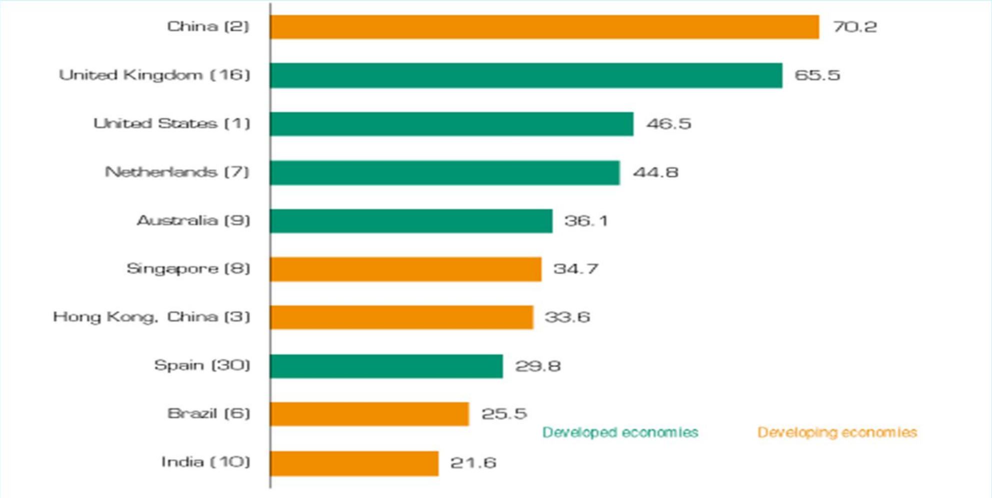
- The decline in FDI flows is in contrast with trends in cross border merger and acquisitions (M&As) and announced greenfield investments. M&A sales remained flat in the first half of 2018 at USD 371. Announced Greenfield projects- an indicator of future trends- recovered to USD 454 billion , an increase of 42% , from relatively low levels in the same period in 2017.
- The decline was largely concentrated in developed countries where FDI inflows fell sharply, by 69% to an estimated USD 135 billion, significantly affected by negative inflows in Ireland (-USD 81 billion) and Switzerland (-USD 77 billion). A strong decrease was also reported in the United States (-73%) to USD 46 billion. The greenfield investment recovery largely passed

over the developed countries, where the increase was less than 5%.

- FDI to developing economies declined only slightly in the first half of the year, to an estimated USD 310 billion, 4% lower than in the first half of 2017. The share of developing economies in global FDI reached 66%, a record.
- Among developing regions, flows remained almost flat in Africa and declined in developing Asia (-4%) and in Latin America and the Caribbean (-6%). China was the largest FDI recipient in the world; developing Asia remained the largest host region, accounting for 47% of global FDI in the first half of 2018.
- FDI to the transition economies declined further in the first half of 2018, by 18% to an estimated USD 25 billion, mainly due to a drop of FDI in natural-resource rich countries of the Commonwealth of Independent States (CIS).

As a result of the diverging regional FDI trends, the share of developing economies in global FDI flows increased to a record 66%. Half of the top 10 host economies continue to be developing economies. China became the largest recipient of FDI, attracting an estimated USD 70 billion in inflows in the first half of the year, followed by the United Kingdom – where FDI recovered from low 2017 levels, lifting inflows to USD 66 billion with a surge in intra-firm loans – and the United States (USD 46 billion).

Estimated FDI inflows: top 10 host economies, first half of 2018 (Billions of USD)



Source: PHD Research Bureau, compiled from UNCTAD
Note: FDI estimations in this Trends Monitor are based on quarterly FDI data derived from the (extended) directed principle. For a few countries data following the asset/liability principle was used for estimation.

- Flows to South-East Asia and South Asia rose by 18% to USD 73 billion and 13% to USD 25 billion, respectively. The rise in FDI in South-East Asia was driven by Singapore (USD 35 billion – despite profit repatriations reported by United States MNEs), Indonesia (USD 9 billion), and Thailand (USD 7 billion)

- **In South Asia, India attracted USD 22 billion of FDI flows, contributing to the sub region's 13% rise in FDI in the first half of the year.**

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