

CHAPTER I

# GLOBAL INVESTMENT TRENDS AND PROSPECTS



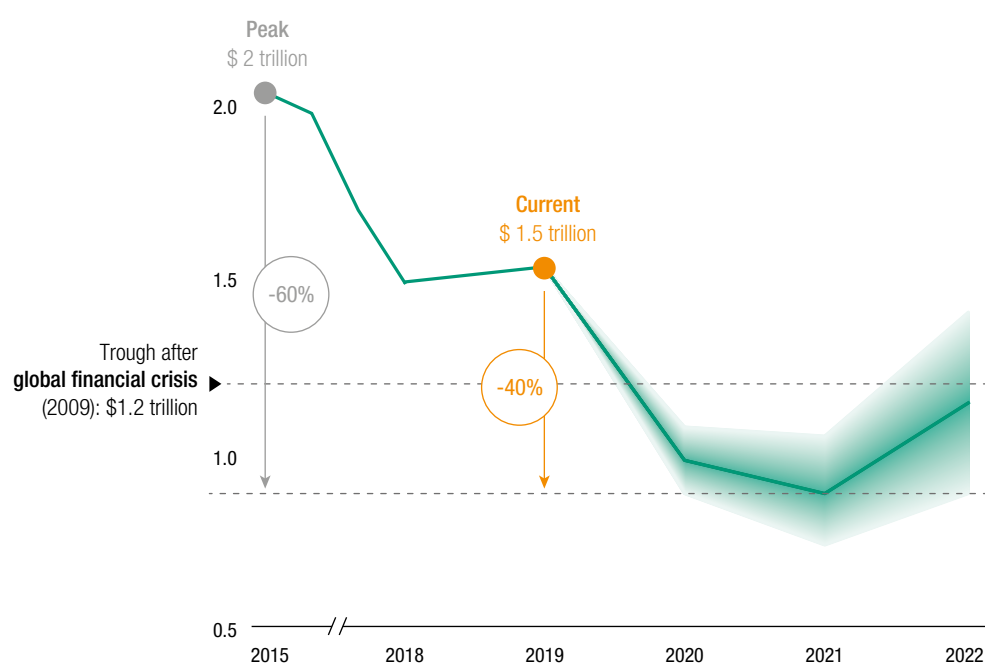
# A. FDI AND THE COVID-19 CRISIS

**The COVID-19 crisis will cause a dramatic drop in foreign direct investment (FDI) in 2020 and 2021.** It will have an immediate negative impact in 2020, with a further deterioration in 2021 (figure I.1). Global FDI flows are forecast to decrease by up to 40 per cent in 2020, from their 2019 value of \$1.54 trillion. This would bring FDI below \$1 trillion for the first time since 2005. FDI is projected to decrease by a further 5 to 10 per cent in 2021.

In relative terms the projected fall is expected to be worse than the one experienced in the two years following the global financial crisis. At their lowest level (\$1.2 trillion) then, in 2009, global FDI flows were some \$300 billion higher than the bottom of the 2020 forecast. The downturn caused by the pandemic follows several years of negative or stagnant growth; as such it compounds a longer-term declining trend. The expected level of global FDI flows in 2021 would represent a 60 per cent decline since 2015, from \$2 trillion to less than \$900 billion.

**The outlook beyond 2021 is highly uncertain.** A U-shaped trajectory, with a recovery of FDI to its pre-crisis trend line before 2022, is possible but only at the upper bound of the expectations. Economic and geopolitical uncertainty look set to dominate the investment landscape in the medium term. At the lower bound of the forecast, further stagnation in 2022 will leave the value of global FDI well below the 2019 level. The trend in FDI could enter a phase of gradual stabilization at a structurally lower level than before the crisis.

**Figure I.1.** Global FDI inflows, 2015–2019 and 2020–2022 forecast  
(Trillions of dollars)



Source: UNCTAD.

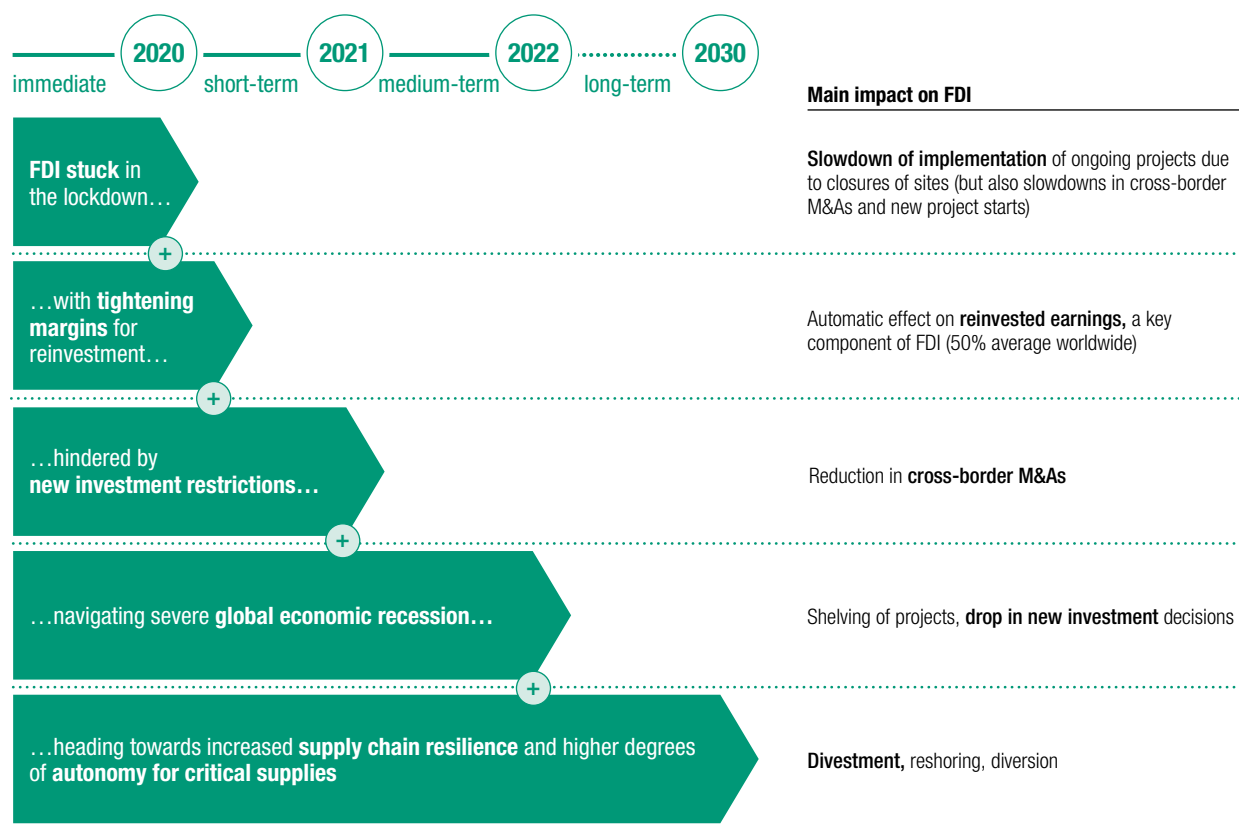
# 1. The impact of the pandemic on FDI

**The COVID-19 crisis has had immediate effects on FDI and will have potentially lasting consequences.** The sudden and simultaneous interaction of supply- and demand-side shocks, combined with policy reactions to the crisis around the world, is triggering a series of effects on FDI (figure I.2). The impact will be felt with exceptional vehemence in 2020 when the cumulative effect across all transmission mechanisms is strongest.

*Immediate impacts: FDI stuck in the lockdown.* The physical closure of places of business, manufacturing plants and construction sites to contain the spread of the virus causes immediate delays in the implementation of investment projects. Some investment expenditures continue (e.g. the fixed running costs of projects), but other outlays are blocked entirely.

Announcements of greenfield projects are also delayed. Similarly, many mergers and acquisitions (M&As) are temporarily suspended. Like greenfield projects, M&As are generally long-term commitments to overseas markets. Nevertheless, completions of already announced M&A transactions have been running into delays that could result in cancellations (table I.1). Regulators in the United States and in Europe have reported delays in approval processes for some of the world's biggest planned mergers, including the acquisition of Deliveroo (United Kingdom) by Amazon (United States) and the acquisition of Embraer (Brazil) by Boeing (United States). Financial markets have been pricing down the stocks of firms that had been the subject of takeover plans or that have been affected by delays in regulatory approval for a merger.

**Figure I.2. Impact of the pandemic on FDI: transmission mechanisms**



Source: UNCTAD.

**Table I.1. Examples of M&A transactions cancelled for pandemic-related reasons**

Alimentation Couche-Tard Inc – Caltex Australia Ltd	On 20 March 2020, Alimentation Couche-Tard (Canada) withdrew its plans to acquire the share capital of Caltex Australia, a Sydney-based petroleum refinery operator, for an estimated \$5.9 billion. Couche-Tard halted the operations over uncertainties about the economic outlook due to the pandemic, amid a demand shock on jet fuel, one of Caltex's core businesses.
Public Storage, Inc – National Storage REIT	On 18 March 2020, Public Storage (United States) withdrew its plans to acquire the share capital of National Storage REIT (Australia) for an estimated \$1.2 billion. National Storage REIT stated the bidder had decided not to pursue the takeover because of market conditions arising from the pandemic.
Asia Pacific Village Group Ltd – Metlifecare Ltd	On 27 April 2020, Pacific Village Group, a unit of EQT Holdings Cooperatief (Netherlands), withdrew its agreement to acquire the share capital of Metlifecare (New Zealand) in a \$1 billion deal. EQT stated that a significant decline in Metlifecare's value due to the pandemic was the main reason for termination.
HOT Telecommunication Systems Ltd – Partner Communications	On 31 March 2020, HOT Telecommunication Systems, a subsidiary of NextAlt SARL (Luxembourg), withdrew its tender offer for the share capital of Partner Communications (Israel) for \$900 million. HOT's parent company Altice (Luxembourg) said the declines in the financial markets and the ongoing crisis had caused difficulties in raising financial resources for the deal.
Melco Resorts & Entertainment Ltd – Crown Resorts	On 6 February 2020, Melco Resorts & Entertainment (Hong Kong, China) announced that due to the pandemic and the Macao, China decision to lock down casinos, it would drop investment plans in Crown Resorts (Australia), in a transaction worth \$600 million.
Alphatec Holdings Inc – EOS Imaging SA	On 24 April 2020, Alphatec Holdings (United States) withdrew its tender offer for a stake in EOS Imaging (France) for just over \$100 million. According to Alphatec, the termination resulted from their assessment of the economic impact of the pandemic on EOS.

Source: UNCTAD, based on cross-border M&A database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

*Short-term impacts: tightening margins for reinvestment and new investment restrictions.* Foreign affiliates are facing exceptionally challenging operational, market and financial conditions. Their profits are expected to plummet in 2020. The vast majority of the top 5,000 largest multinational enterprises (MNEs) revised their earnings expectations for 2020 between February and May, with the average downward revision surpassing 35 per cent (table I.2). With reinvested earnings accounting for more than 50 per cent of FDI flows, on average, the impact of lower foreign affiliate profits on global FDI could be severe.

On the policy side, in parallel with temporary trade restrictions taken in some countries to prevent shortages of critical medical supplies during the pandemic, several governments have taken measures to avoid fire sales of domestic firms during the crises, introducing new screening requirements and investment restrictions. For example, the European Union (EU) brought out guidance concerning investment from non-member economies for the protection of member States' strategic assets; Australia introduced investment reviews to protect national interest and local assets from acquisition.

*Medium-term effects: navigating a global economic recession.* Already in the early stages of the pandemic, macroeconomic forecasts for 2020 were revised down into negative territory. Current expectations are for a modest and highly uncertain recovery of GDP in 2021 if economic activity picks up with the support of policy stimulus (IMF, 2020a). A deep contraction of demand will have strongly negative effects on international production. Uncertainty about economic prospects will dampen new investment plans. Financial distress and liquidity issues limit the room for maneuver for many businesses, which during this crisis are forced to divert any funds available for investment to working capital. Depending on the severity of the recession, ongoing or announced projects that were initially delayed due to the lockdown measures could be shelved indefinitely.

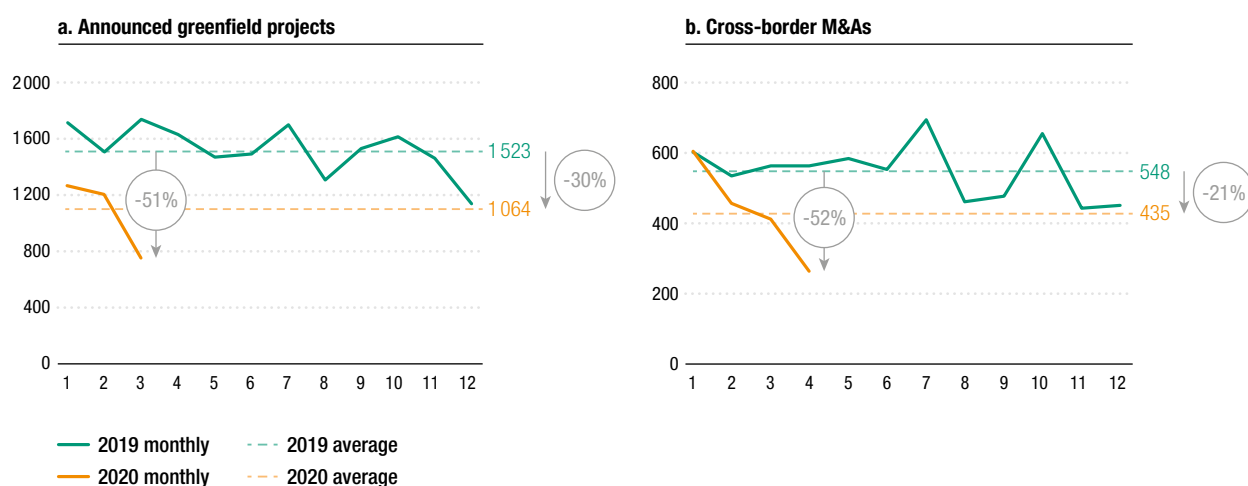
Over the two critical years 2020 and 2021, the demand shock will be the biggest factor pushing down FDI. Although in general the trend in FDI reacts to changes in GDP growth with a delay, the exceptional combination of the lockdown measures and the demand shock will cause a much faster feedback loop on investment decisions. The demand contraction will hit FDI in 2020 and then fully unfold in 2021.

*Long-term effects: heading towards supply chain resilience and secure access to critical supplies.* The pandemic will drive MNEs to consider options to achieve greater supply chain resilience and could lead to a policy push for a higher degree of national or regional self-sufficiency in the production of critical supplies – which may extend to broader strategic industrial capacity. Tighter restrictions on international trade and investment have already emerged as a result of the pandemic (see chapter III.B). The trend towards rationalization of international operations, reshoring, nearshoring and regionalization looks likely to accelerate, leading to downward pressure on FDI (see chapter IV).

**Early indicators – FDI projects in the first months of 2020 – are showing sharp declines.** The numbers of announced greenfield projects in March and cross-border M&A deals in April decreased by over 50 per cent compared with the 2019 monthly average (figure I.3).

Earnings revisions are a preliminary warning of the potential impact of the pandemic on FDI through reinvested earnings. Earnings forecasts for fiscal year 2020 of the top 5,000 (listed) MNEs show average downward revisions since the outbreak of -36 per cent (table I.2). Services industries directly affected by the lockdown are among the most severely hit, particularly accommodation and food service activities (-94 per cent) and transportation and storage (-63 per cent, with passenger airlines taking crippling losses) (table I.2, column i). Commodity-related industries are expected to suffer from the combined effect of the pandemic and plummeting oil prices, with downward earnings revisions of -70 per cent in the extractive industries. In manufacturing, some industries that are global value chain (GVC) intensive, such as automotive and textiles, were hit early on by supply chain disruptions. Because of their cyclical nature they are vulnerable to both supply and demand shocks; their revised earnings stand at half their original forecast. Overall, industries that are projected to lose 30 per cent or more of earnings together account for almost 70 per cent of FDI projects (table I.2, columns ii and iii).

**Figure I.3. | Announced greenfield projects and cross-border M&A deals, monthly and average number, 2019 and early 2020**



Source: UNCTAD, cross-border M&A database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)) and information from the Financial Times Ltd, fDi Markets ([www.fDimarkets.com](http://www.fDimarkets.com)) for announced greenfield projects.  
 Note: Numbers of announced greenfield projects are as of March 2020; numbers of cross-border M&A deals are as of April 2020.

Table I.2.

## Top 5,000 MNEs average earnings revisions, number of announced greenfield projects and cross-border M&As, by industry, 2019 and early 2020 (Per cent)

Industry	Pandemic impact on industry performance	Importance of industry for FDI projects, 2019		Pandemic impact on FDI projects, early 2020	
	(i) Average earnings revision as of May 11	(ii) Share in number of announced greenfield projects, 2019	(iii) Share in number of cross-border M&A deals, 2019	(iv) Number of greenfield projects, growth rate, monthly average, Q1 2020 vs all 2019	(v) Number of cross-border M&A deals, growth rate, monthly average, January-April 2020 vs all 2019
<b>Total</b>	<b>-36</b>	<b>100</b>	<b>100</b>	<b>-30</b>	<b>-21</b>
<b>Primary</b>	<b>-65</b>	<b>1</b>	<b>7</b>	<b>-29</b>	<b>-9</b>
Mining, quarrying and petroleum	-70	-	5	-40	-7
Agriculture, forestry and fishing	-1	-	1	-17	-16
<b>Manufacturing</b>	<b>-34</b>	<b>45</b>	<b>21</b>	<b>-38</b>	<b>-22</b>
Motor vehicles and other transport equipment	-50	6	1	-41	-25
Textiles, clothing and leather	-49	8	1	-54	-24
Basic materials	-47	10	7	-38	-18
Machinery and equipment	-39	5	2	-26	-28
Other manufacturing	-28	4	2	-34	-10
Computer, electronic, optical products and electrical equipment	-20	7	4	-31	-40
Food, beverages and tobacco	-15	3	3	-21	-35
Pharmaceuticals, medicinal chemicals and botanical products	-14	2	2	-51	13
<b>Services</b>	<b>-35</b>	<b>54</b>	<b>72</b>	<b>-23</b>	<b>-21</b>
Accommodation and food service activities	-94	3	2	-49	-11
Transportation and storage	-63	4	4	-25	-18
Other services	-44	3	7	-48	-35
Business activities	-32	11	23	-20	-12
Information and communication	-31	18	11	-22	-29
Trade	-28	4	8	-33	-11
Financial and insurance activities	-23	6	13	-17	-33
Construction	-21	2	2	-20	-17
Electricity, gas, water and waste management	-16	3	3	2	-25

Source: UNCTAD, based on data from Refinitiv SA. Cross-border M&A database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)) and information from the Financial Times Ltd, fDi Markets ([www.fDimarkets.com](http://www.fDimarkets.com)) for announced greenfield projects.

Note: Earning revisions are based on the top 5,000 public companies with at least one earnings forecast revision for fiscal year 2020 since February 1. A few outliers at the extremes were excluded.

Early indicators confirm the link between earnings impact and FDI. Industries with the largest downward revisions show the biggest drops in new investment projects. In the first months of 2020, industries accounting for 90 per cent of projects in 2019 experienced an average decline of more than 20 per cent in the number of newly announced greenfield projects. The decline is less widespread for cross-border M&As, but equally significant (table I.2, columns iv and v).

## 2. Global and regional FDI forecasts

UNCTAD forecasts show a sharp decline in global FDI in 2020 and 2021, to a level about 40 per cent lower than in 2019 (see figure I.1). Even before the outbreak of COVID-19, UNCTAD's model forecasts a stagnant trend (-3 per cent in 2020 and +1 per cent in 2021) as a result of political and trade tensions and an overall uncertain macroeconomic outlook.

This projection is subject to significant uncertainty. The exogenous shock of the pandemic adds to the usual volatility of FDI. The range forecast for FDI through 2020 is between -30 and -40 per cent and for 2021 between -30 and -50 per cent. The main factor that will determine the severity of the drop is the development of the health emergency. Another key element of uncertainty will be the extent of the economic damage and the effectiveness of extraordinary measures that governments around the world are implementing to support businesses and households. Specific trade and investment policies in response to the crisis will also critically affect investor confidence and investment decisions.

The projections for the underlying FDI trend – an UNCTAD indicator designed to capture the long-term dynamics of FDI by netting out fluctuations driven by one-off transactions and volatile financial flows – indicate a milder but still substantial decline in 2020 (-12 per cent). The underlying trend is expected to start a recovery in 2021. The forecasts for the underlying trend in 2020-2021 can be interpreted as the more systemic effect of the pandemic and the economic crisis, after discounting the temporary shock.

The widening range of the forecast beyond 2021 depicted in figure I.1 recognizes that the results of the forecasting model can reflect only current projections of underlying fundamental variables and cannot account for the uncertainty surrounding the development of the health and economic crises, particularly over the medium and longer terms. The lower bound reflects the result of the forecast for FDI inflows for 2022, following an L-shaped pattern, with the FDI value substantially aligned with the central forecast of 2021; in other words, these prospects do not show any rebound over the next three years. In addition, a U-shaped trajectory is presented as an upper bound for 2022. This scenario is based on the assumption that the aggregate FDI inflows will ultimately revert to the underlying FDI trend projections once the COVID-19 shock is fully absorbed (box I.1).

### Box I.1. UNCTAD's forecasting model

For this edition of the *World Investment Report*, UNCTAD substantially revised and upgraded its FDI forecasting model. Similar to the previous model (*WIR11*, box I.3), the new model employs panel econometric techniques to forecast FDI. These techniques consider the effects of relevant variables across countries simultaneously. However, the new approach introduces two innovations.

*Econometric technique.* Forecasting is based on dynamic panel econometric techniques, particularly the system generalized method of moments (system GMM) of Arellano and Bover (Arellano and Bover, 1995; Blundell and Bond, 1998). Dynamic panel econometric techniques address the heterogeneous nature of FDI across countries and FDI dynamics across time. Compared with the previous approach employing panel estimated generalized least square (panel EGLS), system GMM is more suited to deal with endogeneity issues caused by the inclusion of lagged FDI and other endogenous variables.

*Underlying FDI trend.* System GMM forecasting is not only applied to FDI inflows but also to the underlying FDI trend, which is a smoothed version of the FDI time series. It removes large fluctuations, typically driven by one-off factors such as megadeals and volatile financial flows, with the aim of capturing the more structural nature of FDI. Analytically, the underlying FDI trend discounts flows through typical conduit locations and smooths the FDI components related to M&As and intracompany loans through moving average techniques. The forecast for the underlying FDI trend complements the standard FDI forecast by providing an indication of the long-term future dynamics of FDI.

Forecasts of FDI inflows and the underlying FDI trend are based on past values of FDI (autoregressive term) and the projection of GDP and trade for 2020 to 2022. GDP and trade projections for 2020 and 2021 are from the IMF World Economic Outlook of April 2020 (IMF, 2020a) and the WTO (April 2020), respectively. To simulate the prospects for 2022, it is assumed that GDP and trade revert to the levels forecast before the pandemic.

Future UNCTAD research aims to explore additional forecasting domains, in addition to panel econometrics, including time series analysis and spatial econometrics.

*Source:* UNCTAD. Details on the new UNCTAD forecasting model, including a comparison between different econometric techniques, a statistical analysis of the FDI underlying trend and a discussion of future directions appear in a background paper (Vujanovic, Casella and Bolwijn, forthcoming).

Table I.3.

**FDI inflows and projections, by group of economies and region, 2017–2019, and forecast 2020** (Billions of dollars and per cent)

Group of economies/region	2017	2018	2019	Projections
				2020
<b>World</b>	<b>1 700</b>	<b>1 495</b>	<b>1 540</b>	<b>920 to 1 080</b>
<b>Developed economies</b>	<b>950</b>	<b>761</b>	<b>800</b>	<b>480 to 600</b>
Europe	570	364	429	240 to 300
North America	304	297	297	190 to 240
<b>Developing economies</b>	<b>701</b>	<b>699</b>	<b>685</b>	<b>380 to 480</b>
Africa	42	51	45	25 to 35
Asia	502	499	474	260 to 330
Latin America and the Caribbean	156	149	164	70 to 100
<b>Transition economies</b>	<b>50</b>	<b>35</b>	<b>55</b>	<b>30 to 40</b>
<i>Memorandum: annual growth rate (per cent)</i>				
<b>World</b>	<b>-14</b>	<b>-12</b>	<b>3</b>	<b>(-40 to -30)</b>
<b>Developed economies</b>	<b>-25</b>	<b>-20</b>	<b>5</b>	<b>(-40 to -25)</b>
Europe	-16	-36	18	(-45 to -30)
North America	-40	-2	0	(-35 to -20)
<b>Developing economies</b>	<b>7</b>	<b>0</b>	<b>-2</b>	<b>(-45 to -30)</b>
Africa	-10	22	-10	(-40 to -25)
Asia	7	-1	-5	(-45 to -30)
Latin America and the Caribbean	14	-5	10	(-55 to -40)
<b>Transition economies</b>	<b>-25</b>	<b>-31</b>	<b>59</b>	<b>(-45 to -30)</b>

Source: UNCTAD, FDI/MNE database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

Note: Projections are based on UNCTAD's forecasting model (box I.1) and expert judgement. Numbers are rounded.

All regions and economic groupings will see negative FDI growth rates in 2020 (table I.3). Developed economies as a group are projected to see a decline of between -25 and -40 per cent. FDI in Europe will fall most (-30 to -45 per cent relative to 2019), as the vehemence of the virus adds to economic fragility in several large economies. Due to the economic integration of investment and trade within the EU, shocks in individual countries will easily propagate within the region.

Developing economies as a group are expected to see a larger decrease in the range of 30 per cent to 45. Developing economies appear more vulnerable to this crisis (contrary to the situation after the global financial crisis, which had a much stronger effect on FDI to developed countries). Their productive and investment footprints are less diversified and thus more exposed to systemic risks. Dependence on commodities for Latin America and the Caribbean and Africa and on GVC-intensive industries for Asia push these regions to the frontline of the crisis from an FDI perspective. Political responses and support measures – critical at this juncture to limit the depth of the crisis and initiate a recovery – are likely to be significantly weaker in these regions than in developed economies because of their tighter fiscal space. Longer term, developing economies may be further penalized by the trend towards re-shoring or regionalization of international production, which could accelerate in response to the COVID-19 crisis.



Projections indicate that FDI in developing Asia, normally the growth engine of FDI worldwide, will decrease by 30 to 45 per cent. While early indicators suggest that the region has already initiated an investment recovery after the shock of the early outbreak of the virus in China, the dependence on GVC-related investment leaves international production and FDI in Asia highly exposed to economic and policy trends in developed economies.

Latin America and the Caribbean is expected to experience the largest decline, with a projected drop in FDI of between 40 and 55 per cent in 2020. Much of FDI in the region is concentrated in extractive industries, which make up a significant share of total FDI in Argentina, Brazil, Chile, Colombia and Peru. The combination of collapsing oil prices and the demand shock due to the pandemic affecting prices of most commodities is driving down FDI forecasts in this region more than elsewhere. Relatively weak starting conditions due to structural vulnerabilities and political uncertainty also make the region more exposed to the shock. GDP forecasts for 2020 from the International Monetary Fund (IMF, 2020a), used as an input in UNCTAD's forecasting model, project a decrease of -5 per cent for Latin America and the Caribbean, against a slight change of +1 and -2 per cent for Asia and Sub-Saharan Africa, respectively.

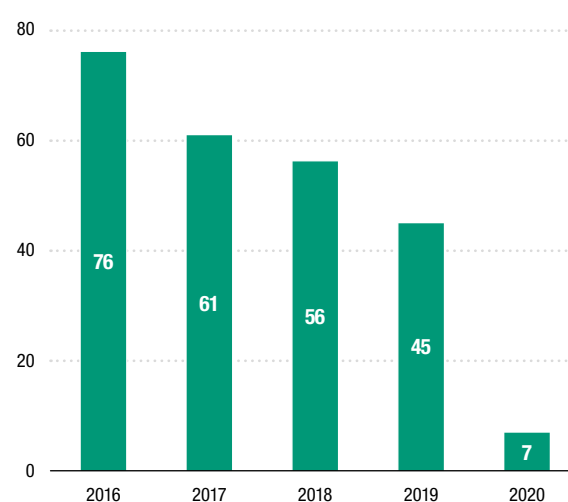
Africa is expected to see a decline of FDI between 25 and 40 per cent in 2020. Despite early concerns about the potential spread of COVID-19 in Africa, the continent appears to have been spared the initial outbreak seen in other parts of the world. Although it also suffers from structural vulnerabilities and commodity dependence, recent macroeconomic indicators show a relatively more solid growth path than in other regions. The ongoing regional cooperation, including through the African Continental Free Trade Area, may also prove instrumental in designing regionally coordinated responses to the crisis and supporting regional trade and FDI.

FDI flows to transition economies are expected to fall by 30 to 45 per cent. In natural-resource-based projects, prospects are being revised downward as demand for commodities weakens and the price of oil, one of the main exports from several economies in transition, remains depressed. Export-oriented production for GVCs, e.g. in special economic zones, will also be heavily affected.

### 3. IPA expectations

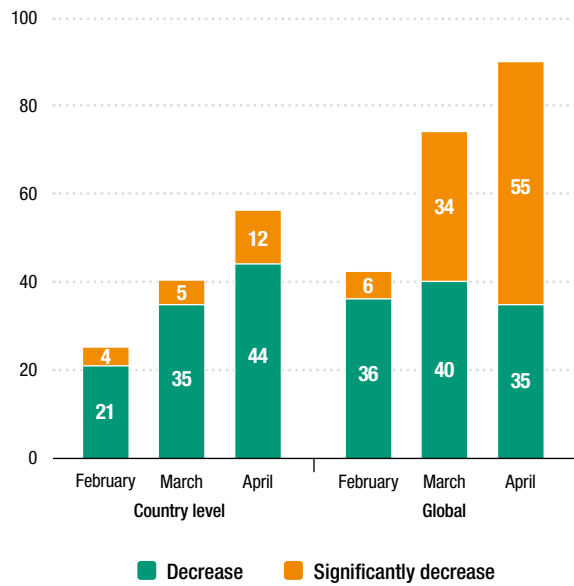
The pandemic has led IPAs to drastically lower their expectations for the attraction of new FDI projects. Their expectations for FDI flows had already been on a downward trajectory since 2016; they have now dropped precipitously (figure I.4). There is some variance in IPA perceptions of the impact of the pandemic on investment prospects, with heavily affected countries such as Italy reporting an

**Figure I.4.** IPAs expecting an increase in FDI flows, 2016–2020  
(Per cent of respondents)



Source: UNCTAD IPA Surveys (2016–2020).  
Note: Percentages reflect survey result of each year.

**Figure I.5.** IPAs expecting a decrease in country-level and global FDI flows, 2020  
(Per cent of respondents)



Source: UNCTAD IPA Survey (2020).

expected 40 per cent drop in investment and other countries, less hard-hit by the outbreak, expecting no significant change in investment.

IPA expectations in 2020 grew progressively dimmer between February, when the survey launched, and April, when the survey closed (figure I.5).<sup>1</sup> The impact of the pandemic is also apparent in the industries characterized as relatively more promising for FDI promotion. IPAs around the world expect that information and communication, food and beverage, agriculture and pharmaceuticals are more likely to still yield investment projects. Pharmaceuticals is not traditionally ranked high for investment prospects, but many IPAs now expect it to become more important.

## B. 2019 FDI TRENDS

Global FDI flows rose modestly in 2019, following the sizable declines registered in 2017 and 2018. At \$1.54 trillion, inflows were 3 per cent up (figure I.6). They remained below the average of the last 10 years and some 25 per cent off the peak value of 2015. The rise in FDI was mainly the result of higher flows to developed economies, as the impact of the 2017 tax reforms in the United States waned. Flows to transition economies also increased, while those to developing economies declined marginally. FDI stock increased by 11 per cent, reaching \$36 trillion, on the back of rising valuations in global capital markets and higher MNE profitability in 2019.

### 1. FDI by geography

#### a. FDI inflows

**FDI flows to developed economies rose by 5 per cent, to \$800 billion, from their revised level of \$761 billion in 2018.** The increase occurred despite weaker macroeconomic performance and policy uncertainty for investors, including trade tensions and Brexit.

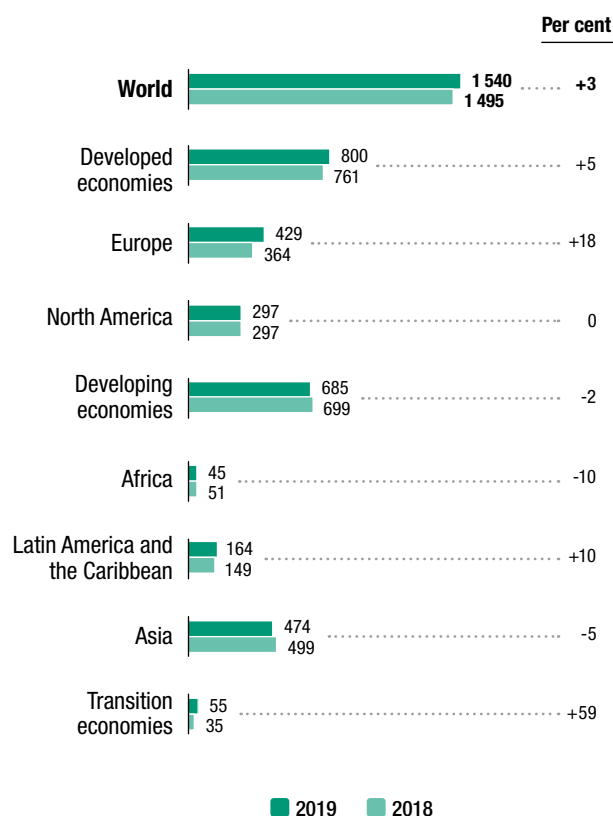
The trend was mainly driven by FDI dynamics in *Europe*, where inflows increased by 18 per cent to \$429 billion. Several European countries experienced strong volatility. For example, flows to Ireland reached \$78 billion in 2019, from -\$28 billion in 2018. FDI in some of the larger economies decreased. Inflows halved in Germany and fell slightly in France and the United Kingdom.

Flows remained flat in *North America*, at \$297 billion (figure I.6). Despite a slight decline of FDI in the United States (-3 per cent), that country remained the largest recipient of FDI (figure I.7). Declining FDI flows were also registered in Australia, mainly due to a decrease in the value of cross-border M&As.

**FDI flows to developing economies declined marginally, by 2 per cent, to \$685 billion.** Since 2010, flows to developing economies have been relatively stable, hovering within a much narrower range than those to developed countries, at an average of \$674 billion.

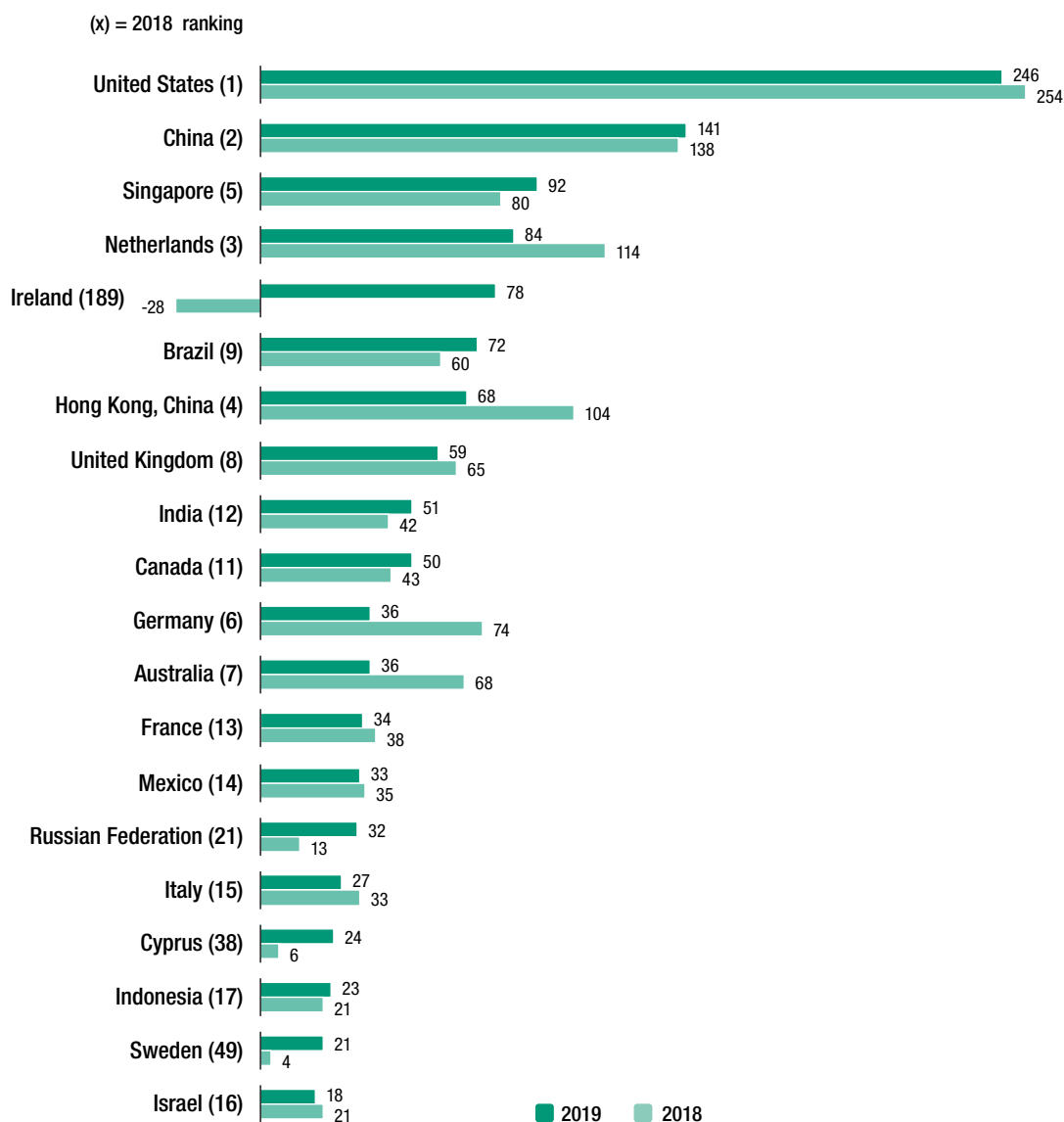
The slump in FDI flows to *Africa* in 2019, by 10 per cent to \$45 billion, was due to more moderate economic growth and dampened demand for commodities. This reduced flows to countries with relatively more diversified FDI inflows (e.g. South Africa, Morocco and Ethiopia) as well as flows to

**Figure I.6. FDI inflows, by region, 2018 and 2019**  
(Billions of dollars and per cent)



Source: UNCTAD, FDI/MNE database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

**Figure I.7. | FDI inflows, top 20 host economies, 2018 and 2019** (Billions of dollars)



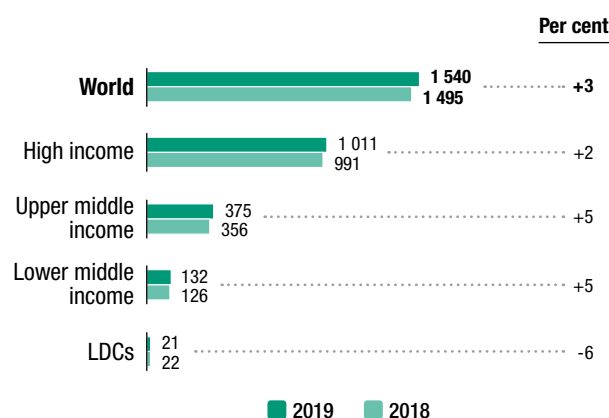
Source: UNCTAD, FDI/MNE database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

commodity-exporting economies (e.g. Nigeria, the Sudan). Few countries received higher inflows in 2019. Flows to Egypt – the largest recipient of FDI in Africa – increased by 11 per cent to \$9 billion. In 2019, FDI flows into *developing Asia* declined by 5 per cent, to \$474 billion. Despite the decline, it remained the largest FDI recipient region, hosting more than 30 per cent of global FDI flows. The decline was driven primarily by a 34 per cent fall in Hong Kong, China. The largest five recipients were China, Hong Kong, China, Singapore, India and Indonesia. With reported inflows reaching an all-time high, China continued to be the second largest FDI recipient after the United States. FDI flows to *Latin America and the Caribbean* (excluding financial centres) increased by 10 per cent to \$164 billion. FDI rose in Brazil, Chile, Colombia and Peru, much of it in commodities, although investment in utilities and services increased as well. In 2019, Latin America and the Caribbean also became a hotspot for FDI in renewable energy. *Transition economies* saw FDI inflows increase by 59 per cent, to \$55 billion, prompted by a recovery of FDI in the Russian Federation, an uptick in Ukraine following two years of decline and an increase in newly liberalizing Uzbekistan.

The uptick in global FDI flows hides significant differences between economic groupings. In 2019, the least developed countries (LDCs) were the only grouping that saw a fall in FDI flows, by 5.7 per cent (figure I.8).

FDI flows to structurally weak, vulnerable and small economies remained stable overall, declining by only 1 per cent: flows to LDCs fell moderately (by 6 per cent to \$21 billion); flows to landlocked developing countries (LLDCs) fell only marginally (by 1 per cent, to \$22 billion), while flows to small island developing States (SIDS) rose by 14 per cent, to \$4.1 billion (table I.4).

**Figure I.8. FDI inflows, by income group, 2018 and 2019**  
(Billions of dollars and per cent)



Source: UNCTAD, FDI/MNE database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

Note: Income groups follow the classification by United Nations Statistics Division based on income per capita, except for the group of LDCs, which follows the UN-OHRLS list.

**Table I.4. FDI flows, by region, 2017–2019** (Billions of dollars and per cent)

Region	FDI inflows			FDI outflows		
	2017	2018	2019	2017	2018	2019
<b>World</b>	<b>1 700</b>	<b>1 495</b>	<b>1 540</b>	<b>1 601</b>	<b>986</b>	<b>1 314</b>
Developed economies	950	761	800	1 095	534	917
Europe	570	364	429	539	419	475
North America	304	297	297	379	-41	202
Developing economies	701	699	685	467	415	373
Africa	42	51	45	12	8	5
Asia	502	499	474	417	407	328
East and South-East Asia	422	416	389	367	345	280
South Asia	52	52	57	11	12	12
West Asia	28	30	28	39	50	36
Latin America and the Caribbean	156	149	164	38	0.1	42
Oceania	1	1	1	0.1	-0.3	-1
Transition economies	50	35	55	38	38	24
<b>Structurally weak, vulnerable and small economies<sup>a</sup></b>	<b>40</b>	<b>39</b>	<b>39</b>	<b>6</b>	<b>2</b>	<b>0.4</b>
LDCs	21	22	21	2	1	-1
LLDCs	26	22	22	4	1	0.5
SIDS	4	4	4	0.3	0.3	1
<i>Memorandum: percentage share in world FDI flows</i>						
Developed economies	55.9	50.9	52.0	68.4	54.1	69.8
Europe	33.5	24.3	27.9	33.7	42.5	36.1
North America	17.9	19.9	19.3	23.7	-4.1	15.3
Developing economies	41.2	46.8	44.5	29.2	42.0	28.4
Africa	2.4	3.4	2.9	0.8	0.8	0.4
Asia	29.5	33.3	30.8	26.0	41.2	24.9
East and South-East Asia	24.8	27.8	25.2	22.9	34.9	21.3
South Asia	3.0	3.5	3.7	0.7	1.2	0.9
West Asia	1.6	2.0	1.8	2.4	5.1	2.7
Latin America and the Caribbean	9.2	10.0	10.7	2.4	0.01	3.2
Oceania	0.1	0.1	0.1	0.01	-0.03	-0.1
Transition economies	2.9	2.3	3.6	2.4	3.8	1.8
<b>Structurally weak, vulnerable and small economies<sup>a</sup></b>	<b>2.4</b>	<b>2.6</b>	<b>2.5</b>	<b>0.4</b>	<b>0.2</b>	<b>0.03</b>
LDCs	1.2	1.5	1.4	0.1	0.1	-0.04
LLDCs	1.5	1.5	1.4	0.2	0.1	0.04
SIDS	0.2	0.2	0.3	0.02	0.04	0.1

Source: UNCTAD, FDI/MNE database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

Note: LDCs = least developed countries, LLDCs = landlocked developing countries, SIDS = small island developing States.

<sup>a</sup> Without double counting countries that are part of multiple groups.

## b. FDI outflows

**Investment by MNEs based in developed economies increased significantly** as the large-scale repatriations in 2018 of accumulated foreign earnings by United States MNEs waned and their outflows turned positive. In 2019, MNEs from developed economies invested \$917 billion abroad – a 72 per cent increase from the previous year. This increase notwithstanding, their level of FDI remained relatively low, at only about half of the 2007 peak. Outflows from developing and transition economies declined. These trends resulted in a significant shift in the overall share of developed economies in world FDI outflows, from 54 per cent in 2018 to 70 per cent in 2019.

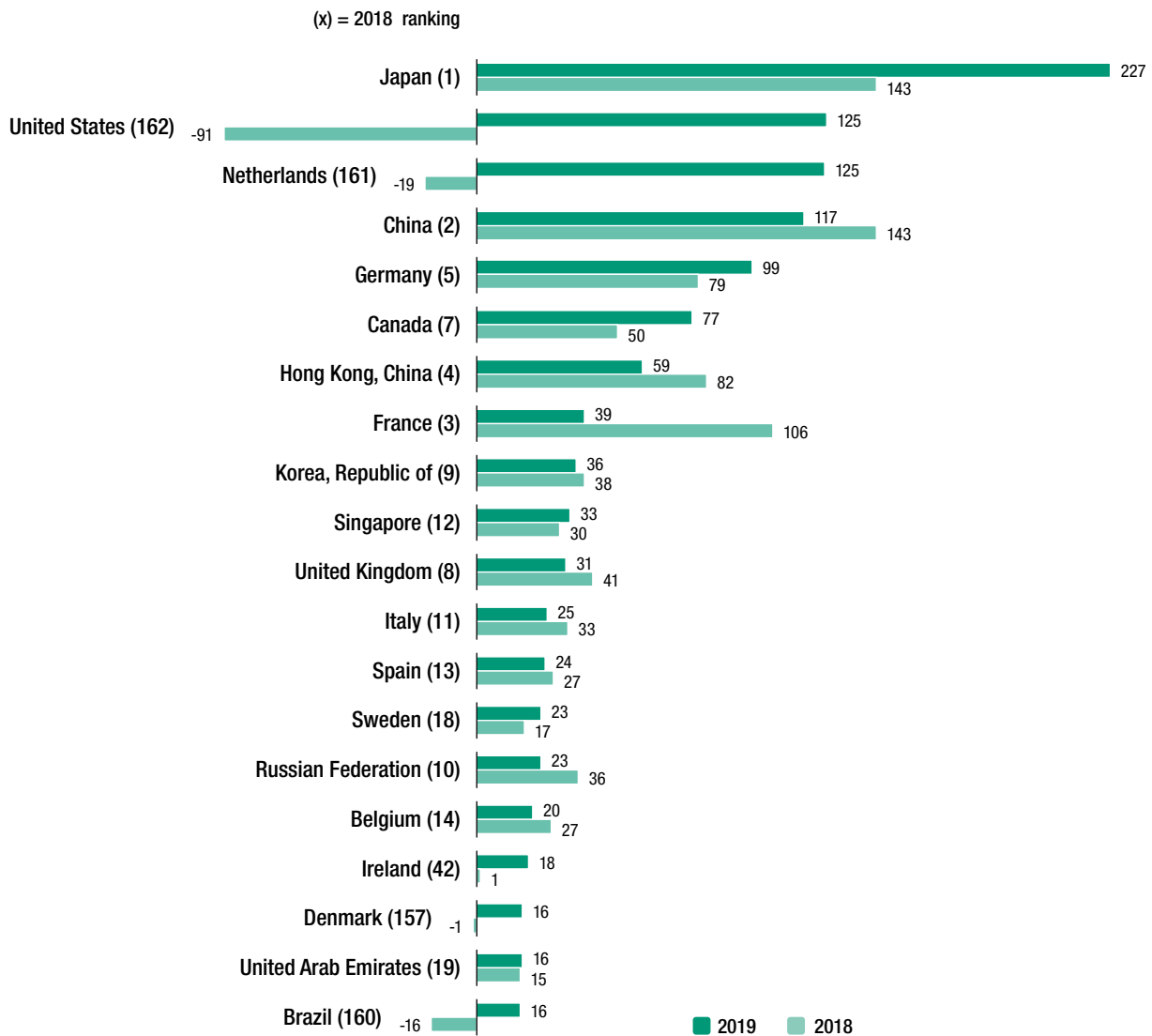
Outflows from MNEs in Europe rose by 13 per cent, mainly due to large investments by MNEs based in the Netherlands, and a doubling of reinvested earnings by German MNEs abroad. In contrast, outflows from France and Switzerland, which both recorded large outflows in 2018, declined in 2019 by 63 per cent and 82 per cent, respectively. Investment by MNEs based in *North America* reached \$200 billion. Outflows from the United States turned positive (mostly in the form of reinvested earnings) after falling to -91 billion in 2018 when firms repatriated funds as a result of tax reforms. Investment by Canadian MNEs jumped by 54 per cent. Japan remained the largest investor in the world (figure I.9). Investments by *Japanese* MNEs rose by 58 per cent to a record \$227 billion, due to a spike in cross-border M&As (reaching \$104 billion from \$36 billion in 2018, including a large megadeal). Japanese MNEs doubled their investments in Europe and North America.

**Investment activity abroad by MNEs from developing economies declined by 10 per cent, reaching \$373 billion.** Outflows from *developing Asia* fell by 19 per cent as outflows from China declined for the third consecutive year. Chinese M&A purchases abroad decreased to the lowest level of the past 10 years. The decrease was attributed to continued restrictions on outward investment, geopolitical tensions and a challenging global trade and investment policy environment. Outflows fell also from Hong Kong, China and the Republic of Korea. Outflows from Singapore and Malaysia – traditionally the largest investors from South-East Asia – increased.

Outward investment by *Latin American* MNEs increased sharply in 2019, to \$42 billion, mostly driven by a reduction of negative outflows that dampened the totals in previous years. The biggest increases were registered in Brazil, Mexico and Chile. Brazilian companies, in particular, appear to have suspended their practice of collecting funds through foreign affiliates to finance operations at home, because of the falling domestic interest rate.

**FDI outflows from economies in transition declined by 37 per cent, to \$24 billion, in 2019.** As in previous years, the Russian Federation accounted for almost all outward FDI. Russian MNEs remained cautious about foreign expansion, especially in developed-market economies, in which they face increasing restrictions in access to international finance and technology, as well as international sanctions.

**Figure I.9. | FDI outflows, top 20 home economies, 2018 and 2019** (Billions of dollars)

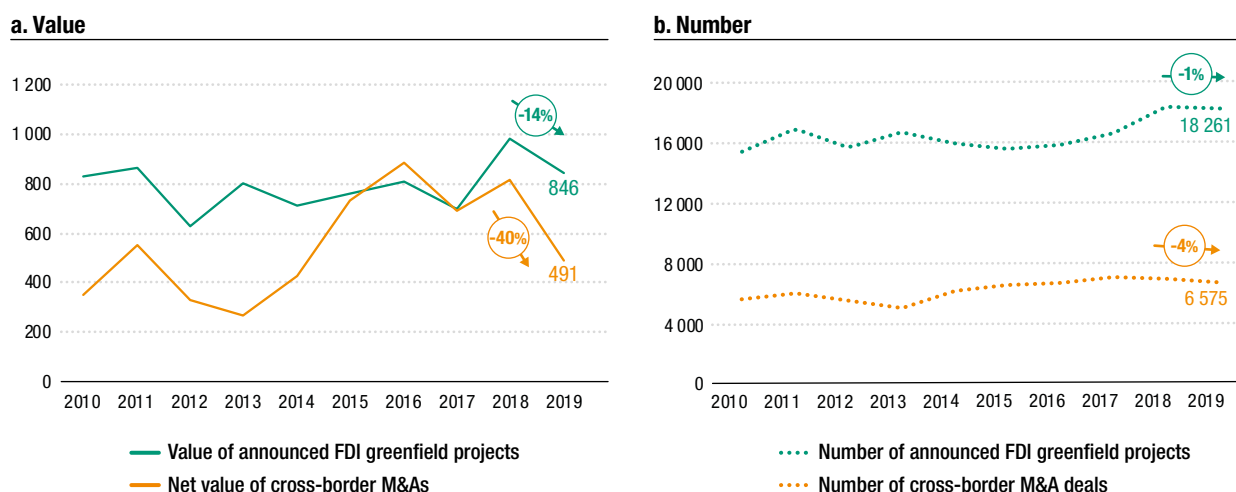


Source: UNCTAD, FDI/MNE database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

## 2. Trends in greenfield investment projects and cross-border M&As by sector

In 2019, the values of net cross-border M&As and announced greenfield projects decreased (figure I.10). The value of greenfield projects decreased by 14 per cent to \$846 billion. A lower average project size was the main driver, as investment activity measured by the number of projects fell by only 1 per cent. The value of net cross-border M&As fell by 40 per cent to \$491 billion, the lowest level in the last five years. The decrease was mainly due to the lack of large deals, as the number of deals declined only by 4 per cent.

**Figure I.10. Value and number of cross-border M&As and announced greenfield FDI projects, 2010–2019** (Billions of dollars and number)



Source: UNCTAD, cross-border M&A database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)) and information from the Financial Times Ltd, fDi Markets ([www.fDimarkets.com](http://www.fDimarkets.com)) for announced greenfield projects.

### a. Greenfield investment trends

The total value of announced greenfield projects in the primary sector halved to \$21 billion (table I.5), mostly due to a decline in mining and quarrying, to \$19 billion – the lowest level recorded since 2003.

Announced greenfield projects in manufacturing decreased by 14 per cent to \$402 billion. Despite the decline in extractive industries, announced investments in the manufacturing of coke and refined petroleum products rose by 12 per cent, to \$94 billion. The top five deals were announced in this industry. For example, Sri Lanka's State-owned Board of

**Table I.5.**

### Value and number of announced FDI greenfield projects, by sector and selected industries, 2018–2019

Sector/industry	Value (\$ billions)		Growth rate (%)	Number		Growth rate (%)
	2018	2019		2018	2019	
<b>Total</b>	<b>982</b>	<b>846</b>	<b>-14</b>	<b>18 359</b>	<b>18 261</b>	<b>-1</b>
<b>Primary</b>	46	21	-53	205	151	-26
<b>Manufacturing</b>	468	402	-14	8 659	8 180	-6
<b>Services</b>	469	422	-10	9 495	9 930	5
<i>Top 10 industries in value terms:</i>						
Electricity, gas, steam and air conditioning supply	92	113	23	430	560	30
Coke and refined petroleum products	84	94	12	88	109	24
Construction	112	66	-41	484	437	-10
Information and communication	76	66	-13	3 193	3 332	4
Motor vehicles and other transport equipment	74	62	-16	1 176	1 022	-13
Computer, electronic, optical products and electrical equipment	61	53	-13	1 243	1 201	-3
Accommodation and food service activities	49	49	1	462	478	3
Chemicals and chemical products	83	47	-43	835	752	-10
Transportation and storage	44	43	-3	788	764	-3
Financial and insurance activities	24	24	-3	997	1 028	3

Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets ([www.fDimarkets.com](http://www.fDimarkets.com)).



Investment signed a \$24 billion deal with Hambantota Oil Refinery, an affiliate of Sugih Energy (Singapore), to operate an oil refinery at the Magapura Mahinda Rajapakse Port. Sherwood Energy (China) concluded an agreement with the Russian Federation's Far East Agency for Investment and Export Support to develop a gas project with an estimated value of \$11 billion.

## b. Cross-border M&A trends

Cross-border M&A sales in developed countries declined by 40 per cent in 2019, to \$411 billion. Amid sluggish Eurozone growth and Brexit, European M&A sales halved to \$190 billion. Deals targeting United States companies, at \$157 billion, remained significant – accounting for 32 per cent of the value of total cross-border M&As. In developing and transition economies, net M&A sales declined by 37 per cent, to \$80 billion. The decline of cross-border M&As in 2019 was much stronger than the 14 per cent decrease in total M&A activity (including domestic deals) worldwide, continuing the trend of the last few years in the relative unpopularity of cross-border expansions and consolidations through deals. The fall in global cross-border M&As sales was deepest in the services sector, followed by the manufacturing sector (table I.6).

In the primary sector, the largest deal was the acquisition of gold mining company Goldcorp (Canada) by Newmont (United States) for \$9.9 billion. In manufacturing, net M&A sales targeting chemical and chemical products returned to prior values, at \$35 billion, after large megadeals in 2018 (\$119 billion). In contrast, the value of deals in the pharmaceutical industry almost doubled, to \$98 billion. This included the largest deal recorded in any industry in 2019, in which Takeda (Japan) acquired the share capital of Shire (Ireland) for \$60 billion. In services, net cross-border M&A sales fell by 54 per cent to \$215 billion. The largest divestment in 2019 was a \$36 billion IPO of Myriad, an affiliate of Nasper (South Africa) in the Netherlands.

**Table I.6. Value and number of net cross-border M&As, by sector and selected industries, 2018–2019**

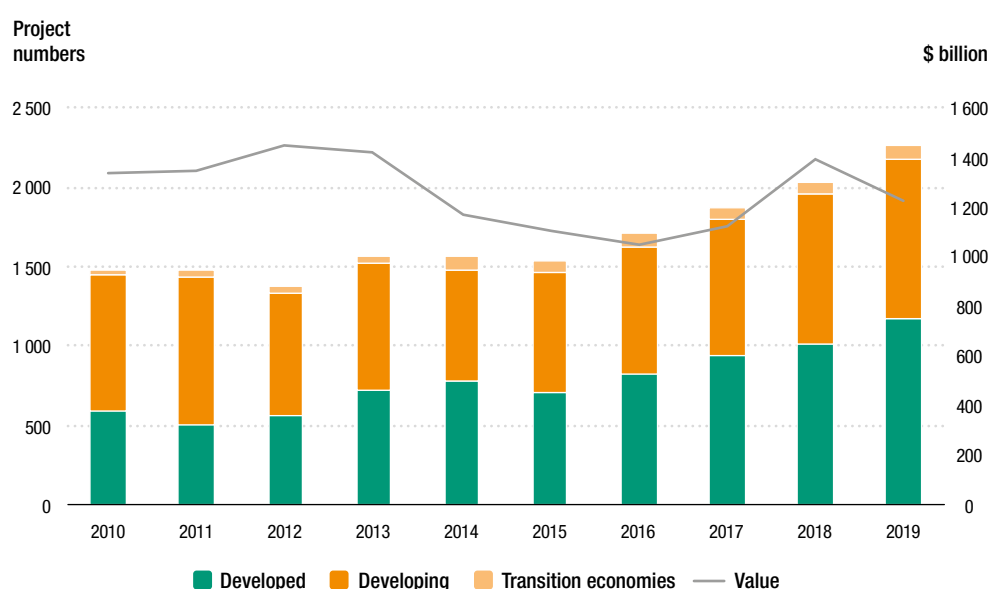
Sector/industry	Value (Billions of dollars)		Growth rate (%)	Number		Growth rate (%)
	2018	2019		2018	2019	
<b>Total</b>	<b>816</b>	<b>491</b>	<b>-40</b>	<b>6 821</b>	<b>6 575</b>	<b>-4</b>
<b>Primary</b>	39	34	-14	406	410	1
<b>Manufacturing</b>	307	243	-21	1 599	1 531	-4
<b>Services</b>	470	215	-54	4 816	4 634	-4
<i>Top 10 industries in value terms:</i>						
Pharmaceuticals, medicinal chemicals and botanical products	58	98	70	182	180	-1
Business activities	87	66	-24	1 327	1 156	-13
Financial and insurance activities	108	48	-55	599	565	-6
Chemicals and chemical products	119	35	-71	158	152	-4
Mining, quarrying and petroleum	38	32	-16	329	336	2
Information and communication	116	21	-82	1 173	1 210	3
Computer, electronic, optical products and electrical equipment	42	21	-51	257	264	3
Transportation and storage	46	20	-57	229	249	9
Food, beverages and tobacco	55	19	-65	205	177	-14
Trade	35	13	-62	501	509	2

Source: UNCTAD, cross-border M&A database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

### 3. Project finance

**Project finance is a significant part of cross-border investment flows.** Most of it concerns investment in infrastructure (box I.2). As such, it is an important form of finance for SDG-relevant investment. In 2019 the total number of project finance transactions announced grew by 11 per cent to almost 2,300, for a total value of \$1.2 trillion (figure I.11). About one-third of projects were cross-border. The number of project finance deals announced yearly has risen by almost 50 per cent since 2015, from an average of 1,500 projects in the period 2010–2015 to last year. This growth has been driven mainly by increases in projects in renewable energy and in developed countries. The value of projects declined in 2014–2016 and only partly recovered in the next three years, to an average of \$1.25 trillion. The decline in average size was particularly significant in power generation (including both fossil fuel and renewables) and in mining, and for projects in developing economies.

**Figure I.11. Project financing globally, 2010–2019**  
(Number of projects and billions of dollars)



Source: UNCTAD, based on Refinitiv SA.

Note: All announced projects excluding cancelled; all industries by date of announcement. The value of the project is estimated for about a third of cases.

#### Box I.2. Definitions and data on project finance

Project finance can be purely domestic or international. It is a form of FDI when foreign sponsors participate in the equity of a project company at shares of more than 10 per cent. The project company set up to carry out the project is usually financed with a loan structure that relies primarily on the project's cash flow for repayment, with the project's assets, rights and interests held as secondary collateral. The financing of the project company can involve a combination of MNEs and commercial lenders, as well as public sector partners, such as bilateral and multilateral donors, regional development banks and export credit agencies.

The data set used in this section, based on project finance data from Refinitiv SA, records deals starting from their announcement date; all project details are constantly updated with reference to this date. For the most recent projects, then, many details – including cost information – are not yet available. This information is estimated on the basis of the year of announcement, industry, country of project, and foreign or domestic sponsor. Announced projects give a more accurate and forward-looking overview of this form of investment, without including only completed projects, as in the case of the World Bank's Private Participation in Infrastructure database. The Refinitiv project database also covers all countries, all industries and all types of projects, both with and without public participation.

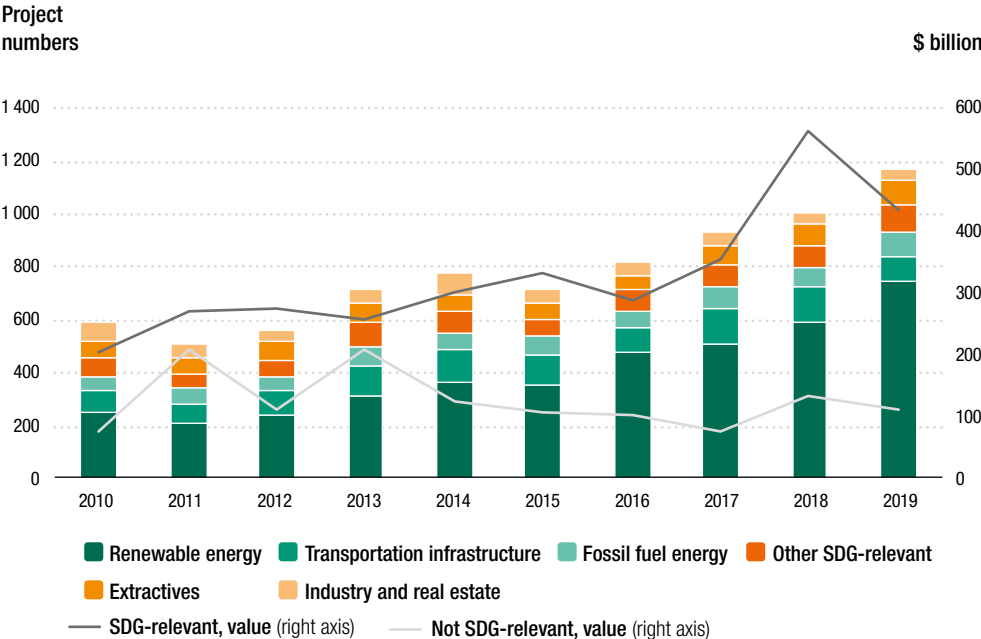
Source: UNCTAD.

**The share of cross-border projects varies by industry.** Mining is the most international industry, as more than half of all projects are sponsored by foreign companies, followed by oil and gas and industrial projects, of which 45 and 40 per cent, respectively, have foreign sponsors. Power generation projects attract a slightly smaller share, with renewables involving foreign companies in almost 40 per cent of cases. Infrastructure projects (hospital and school construction, transport, water and sewerage) and real estate construction are mostly domestic projects, with only 20 per cent involving foreign sponsors.

**Across industries, international projects tend to be bigger.** There are important exceptions where non-financial considerations come into play, such as the need for technology and know-how in renewables and telecommunication or the importance of local stakeholders in other SDG-relevant infrastructure projects. For international projects in developed economies, the top investors are from the United States (15 per cent of all foreign investors), the United Kingdom (12 per cent) and Germany (8 per cent) (figure I.12). By contrast, top investors in developing economies are from Spain (12 per cent) – mainly for energy and construction projects in Latin America – the United States (9 per cent) and China (8 per cent). The number of projects sponsored by Chinese MNEs in developing economies has been increasing in the last five years; the focus is on transport infrastructure and power generation, not only in Asian neighbors but also in Africa and in Latin America and the Caribbean.

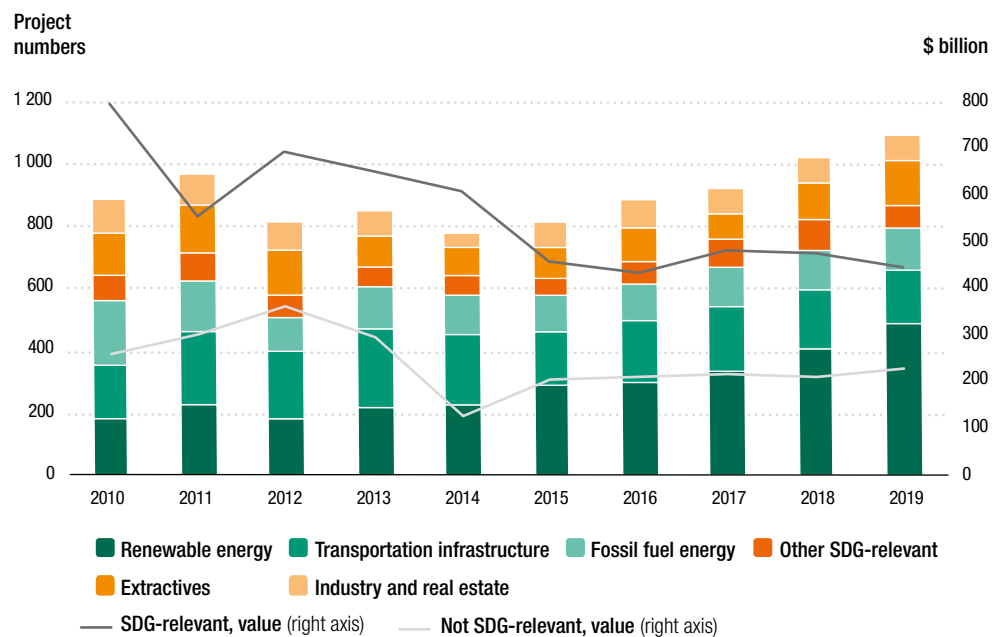
Most international sponsors are financial firms and institutional investors. Several non-financial international sponsors also participate in many projects, including top MNEs in the utilities sector (Engie from France, Enel from Italy, Iberdrola from Spain, RWE from Germany) and in the construction sector (Vinci from France, Atlantia from Italy, and Everbright and CRCC, both from China).

**Figure I.12. Project finance by sector, developed economies, 2010–2019**  
(Number of projects and billions of dollars)



Source: UNCTAD based on Refinitiv SA.  
 Note: Other SDG-relevant industries include education and health infrastructure, water and sanitation, agriculture and telecommunication. Total SDG-relevant investment includes renewable energy, transport infrastructure, fossil fuel energy and other SDG-relevant industries. Costs of projects are estimated for about one-third of the projects on the basis of year, industry, country of project, and foreign or domestic sponsor.

**Figure I.13. Project finance by sector, developing and transition economies, 2010–2019** (Number of projects and billions of dollars)



Source: UNCTAD based on Refinitiv SA.

Note: Other SDG-relevant industries include education and health infrastructure, water and sanitation, agriculture and telecommunication. Total SDG-relevant investment includes renewable energy, transport infrastructure, fossil fuel energy and other SDG-relevant industries. Costs of projects are estimated for about one-third of the projects on the basis of year, industry, country of project, and foreign or domestic sponsor.

**Over the last 10 years, investments in renewable energy have grown constantly, to make up more than 50 per cent of all investment projects globally in 2019.**

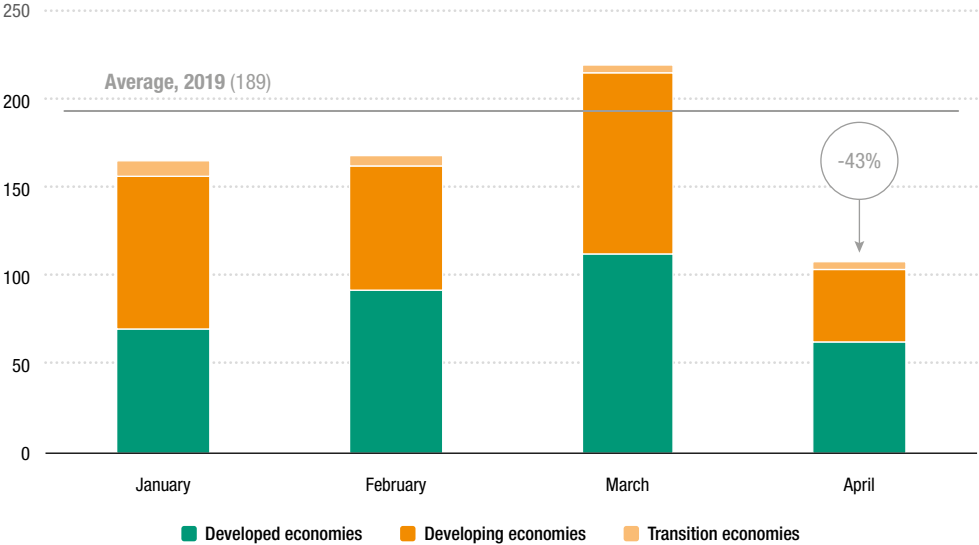
This preponderance is even more marked in developed economies, where the industry already represented more than 50 per cent of investment projects in 2015 and has driven the growth in the number of projects since then. In developing economies, investment in renewable energy projects has grown as well, from 20 per cent in 2010 to 44 per cent in 2019. In these countries investments in transport infrastructure are also important, representing more than 20 per cent of all projects over the decade, with a peak of about 30 per cent in 2013–2014, in part due to the launching of the Chinese Belt and Road Initiative (Figure I.13).

The overall decline in the average size of projects is driven by investments in renewable energy. The average cost of projects in the sector decreased during the decade by more than 30 per cent.<sup>2</sup> Renewables have thus entered a virtuous cycle of falling costs, expanding deployment and accelerating technological progress. According to the International Renewable Energy Agency, solar panel prices have fallen by about 80 per cent since 2010, while wind turbine prices have fallen by 30 to 40 per cent.

**The impact of the pandemic will result in new projects struggling to attract international financing.**

Many already announced projects have been delayed or halted and some cancelled to give priority to the crisis response. One of the first signs of the crisis to come was the decrease in new project announcements. Globally, that impact was visible in April 2020, with a drop of more than 50 per cent from March and more than 40 per cent from the monthly average in 2019, driven mostly by drops in developing economies (figure I.14). Transport infrastructure projects fell by almost 70 per cent from the 2019 monthly average; only fossil fuel energy fell farther, with a drop of 80 per cent. Renewable energy projects proved the most resilient, with only a 26 per cent drop, as key stakeholders in the industry remain committed to their long-term focus on supporting the transition to a low-carbon future.

**Figure I.14. Project finance, average monthly number, 2019 and January–April 2020**



Source: UNCTAD, based on Refinitiv SA.  
 Note: Data accessed on 3 May 2020.

# C. INTERNATIONAL PRODUCTION

## 1. Key indicators of international production

In 2019, international production continued to expand (table I.7). Estimated values for sales and value added of MNE foreign affiliates rose by 1.9 per cent and 7.4 per cent, respectively. Employment in foreign affiliates reached 82 million, an increase of about 3 per cent over the previous year. The rate of return on inward FDI generated by foreign affiliates in host economies continued its moderate decline to 6.7 per cent in 2019 from 7 per cent in 2018.

Table I.7.

**Selected indicators of FDI and international production, 2019 and selected years**

Item	Value at current prices (\$ billions)				
	1990	2005–2007 (pre-crisis average)	2017	2018	2019
FDI inflows	205	1 414	1 700	1 495	1 540
FDI outflows	244	1 452	1 601	986	1 314
FDI inward stock	2 196	14 484	33 218	32 944	36 470
FDI outward stock	2 255	15 196	33 041	31 508	34 571
Income on inward FDI <sup>a</sup>	82	1 027	1 747	1 946	1 953
Rate of return on inward FDI <sup>b</sup>	5.3	9.0	6.8	7.0	6.7
Income on outward FDI <sup>a</sup>	128	1 102	1 711	1 872	1 841
Rate of return on outward FDI <sup>b</sup>	8.3	9.6	6.2	6.4	6.2
Cross-border M&As	98	729	694	816	483
Sales of foreign affiliates	6 929	24 610	29 844	30 690 <sup>c</sup>	31 288 <sup>c</sup>
Value added (product) of foreign affiliates	1 297	5 308	7 086	7 365 <sup>c</sup>	8 000 <sup>c</sup>
Total assets of foreign affiliates	6 022	55 267	101 249	104 367 <sup>c</sup>	112 111 <sup>c</sup>
Employment by foreign affiliates (thousands)	27 729	58 838	77 543	80 028 <sup>c</sup>	82 360 <sup>c</sup>
<i>Memorandum</i>					
GDP <sup>d</sup>	23 522	52 428	80 606	85 583	87 127
Gross fixed capital formation <sup>d</sup>	5 793	12 456	20 087	21 659	21 992
Royalties and licence fee receipts	31	172	369	397	391

Source: UNCTAD.

Note: Not included in this table are the value of worldwide sales by foreign affiliates associated with their parent firms through non-equity relationships and of the sales of the parent firms themselves. Worldwide sales, gross product, total assets, exports and employment of foreign affiliates are estimated by extrapolating the worldwide data of foreign affiliates of MNEs from Australia, Austria, Belgium, Canada, Czechia, Finland, France, Germany, Greece, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Portugal, Slovenia, Sweden and the United States for sales; those from Czechia, France, Israel, Japan, Portugal, Slovenia, Sweden and the United States for value added (product); those from United Kingdom and the United States for assets; those from Czechia, Japan, Portugal, Slovenia, Sweden and the United States for exports; and those from Australia, Austria, Belgium, Canada, Czechia, Finland, France, Germany, Italy, Japan, Latvia, Lithuania, Luxembourg, Macao (China), Portugal, Slovenia, Sweden, Switzerland and the United States for employment, on the basis of three-year average shares of those countries in worldwide outward FDI stock.

<sup>a</sup> Based on data from 174 countries for income on inward FDI and 143 countries for income on outward FDI in 2019, in both cases representing more than 90 per cent of global inward and outward stocks.

<sup>b</sup> Calculated only for countries with both FDI income and stock data. The stock is measured in book value.

<sup>c</sup> Data for 2018 and 2019 are estimated based on a fixed-effects panel regression of each variable against outward stock measured in book value and a lagged dependent variable for the period 1980–2017.

<sup>d</sup> Data from IMF (2020a).

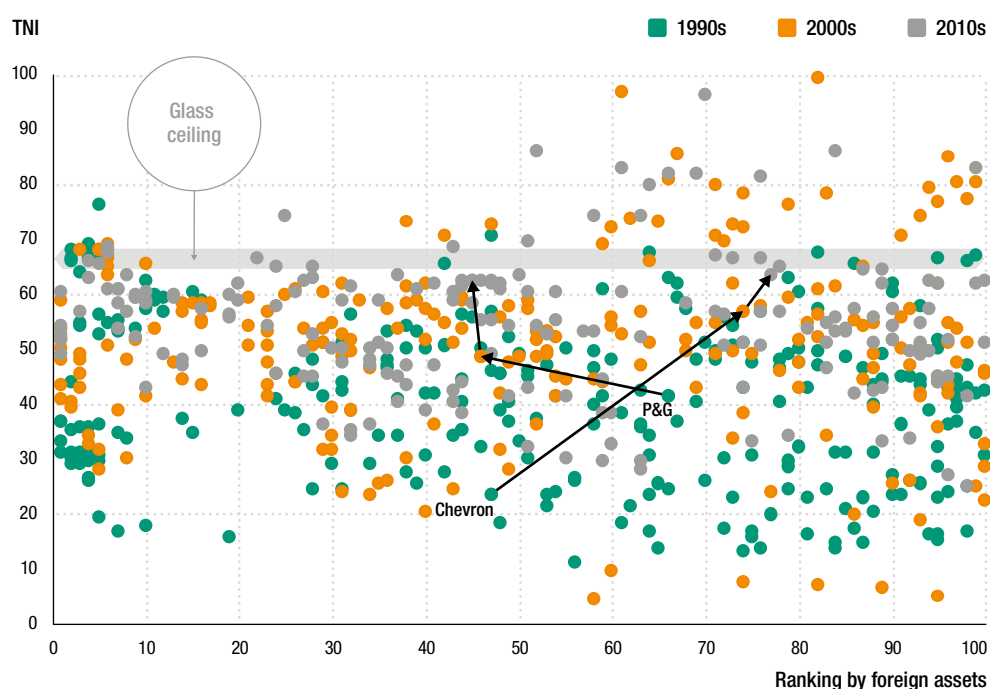
## 2. Internationalization trends of the largest MNEs

**In 2019, the internationalization rates of the top 100 MNEs remained flat.** Falling rates among heavy industrial MNEs were offset by increases among technology and telecommunication MNEs. Pharmaceutical companies also expanded operations abroad, with GlaxoSmithKline (United Kingdom) gaining 27 positions in the ranking as a result of deals concluded in 2018; namely the acquisition of its share of a joint venture with Novartis AG (Switzerland) for \$13 billion and the acquisition of Tesaro (United States) for \$4.3 billion. Other companies that made a significant increase in their foreign operations included Amazon.com (United States), which continued to enter new markets; Coca-Cola (United States), which expanded its production network in Africa and entered the European coffee market; pharmaceutical company Sanofi (France), which acquired biopharma companies in the United States; and the technology company Huawei (China), which continued to expand its global operations albeit at a slower rate than in 2018.

New MNEs in the top 100 ranking include construction company Vinci (France); gold mining company Barrick Gold (Canada), following two very active years of consolidating deals in the industry; and the parent of computer manufacturing firm Lenovo, Legend Holdings (China), through its activity of financing and entering joint ventures with successful tech start-ups. Among the companies that saw a sizable reduction of their operations abroad, resulting in their exiting the list, are several MNEs that merged in recent years, reconfigured their businesses, shed assets or split: DowDuPont (United States), Johnson Controls International (Ireland) and Reckitt Benckiser (United Kingdom).

**The average Transnationality Index (TNI) of the top 100 – the relative shares of their foreign assets, sales and employees – has stagnated in the last decade around 65 per cent, in line with a global loss of momentum for FDI (see chapter IV).** The stagnation is explained in part by the change in composition of the list, with new emerging-market entrants starting out at lower levels of internationalization. In addition, few MNEs in the top 100 have broken through the “glass ceiling” of transnationality (figure I.15).

**Figure I.15. Glass Ceiling of Transnationality for United States MNEs**



Source: UNCTAD.

**After reaching a peak of 15 companies in 2017, the number of tech and digital companies among the top 100 decreased to 13 in 2019.** Having dropped one tech firm in 2018, the group also dropped Oracle (United States) in 2019. However, the share of tech and digital MNEs in the total foreign sales of the top 100 still increased over the same period, from less than 17 per cent to more than 18 per cent, and their share in foreign assets increased from 10 per cent to 11 per cent (attesting to the asset-light nature of their foreign operations). The trend towards a stronger role for tech and digital firms in the top 100 thus continues. They included five emerging-market companies: Hon Hai (Taiwan Province of China), Samsung (Republic of Korea), Tencent (China), Huawei (China) and Legend Holding (China).

The new entries from China were among the fastest companies to internationalize their operations and pushed the industry average up. In contrast, Apple (United States) dropped 12 places in the ranking, after reducing its non-current assets<sup>3</sup> in China by over 30 per cent. The company asked manufacturing partners such as Hon Hai, Pegatron and Wistron (all Taiwan Province of China) to evaluate available options for diversifying their supply chain. The tech giant cited trade tensions but also more structural factors such as lower local demand, higher labour costs and the risk of overly centralizing production in one country.<sup>4</sup>

The stagnation in the number of tech MNEs is partly explained by two concurring strategies pursued by industry leaders. First, large tech MNEs have been consolidating their position in new technologies by buying successful start-ups. Second, they have been pursuing vertical integration, engaging in the creation of content for their platforms or expanding into retailing and other services. An example of the first strategy: in an effort to match competitors' lead in artificial intelligence (AI), in the past year Apple engaged in a number of small deals worth in total less than \$1 billion to acquire small AI companies. This trend has intensified during the pandemic, with tech companies using their abundant cash reserves to acquire smaller companies, many of them affected by the crisis. In May large tech MNEs announced 15 acquisitions against a monthly average in 2019 of fewer than nine. Examples of the second strategy include the bid by Amazon (United States) for food delivery company Deliveroo (United Kingdom), and the sizable expenditures by Apple and Alphabet (both United States) to set up streaming services, develop video games and produce TV shows and films. In addition, the pandemic could reinforce the dominant position of tech and digital companies as world consumers move to e-commerce solutions.

**The internationalization rate of companies from developing and transition economies increased by almost 2 per cent, with foreign assets and sales growing fastest** (table I.8). (The trend for MNEs from developing and transition economies relates to 2018, the latest available year of data.) The growth rate of foreign assets was driven by a group of Chinese and Korean companies, mostly in the technology industry. The growing role of Huawei (China) in global telecommunication networks is reflected in its more than tripling of foreign assets during 2017-2018. Technology groups Tencent and Legend (both China) increased their foreign assets by about 50 per cent each. LG Electronics (Republic of Korea) tripled its non-current assets in North America and Europe through various deals and projects, including the acquisition of ZKW (Austria), a manufacturer of motor vehicle electrical equipment, for \$1.2 billion. These investments brought the company back into the ranking after several years. Similarly, the IT group SK Holding (Republic of Korea) also increased its foreign assets significantly following efforts to vertically integrate the chipmaking business of its subsidiary SK Hynix and gain market share, including through a \$3 billion deal to buy a stake in Toshiba Memory (Japan). Companies that reduced or did not increase foreign operations fast enough during 2018 and fell out of the ranking include the food company BRF (Brazil), the health group MediClinic (South Africa), the oil company Petrobras (Brazil) and the conglomerate Sime Darby (Malaysia), which split into several smaller groups.



Heavy-industry MNEs remain preponderant in the ranking of MNEs from developing and transition economies, partly due to the significant presence of Chinese State-owned MNEs (SO-MNEs). Companies from China represented almost half (44) of the companies in the ranking with SO-MNEs, concentrated in the extractive (eight companies), utilities (seven) and metals (five) industries.

**The COVID-19 pandemic has affected all companies in the top 100 ranking.** Top MNEs in GVC-intensive industries were among the first affected by supply chain disruptions. All firms are now grappling with falling global demand. On average, the top 100 have seen earnings expectations for fiscal year 2020 revised downward by 39 per cent between February and May. Pharmaceutical and tech MNEs were the least affected. Three MNEs in these sectors actually revised earnings upwards: Takeda Pharma (Japan), NTT (Japan) and Microsoft (United States). The worst affected are extractives and automotive firms. Some MNEs, including Ford (United States) and Honda (Japan), have pulled or withheld earnings guidance because of the uncertainty created by the shutdown of plants and by the sharp drop in global demand. Nissan Motor and Hitachi (both Japan), which close their fiscal year at the end of March, have delayed the release of financial reports; Nissan anticipates a downward revision of more than 30 per cent with respect to February's forecast.

Table I.8.

**Internationalization statistics of the 100 largest non-financial MNEs, worldwide and from developing and transition economies**

(Billions of dollars, thousands of employees and per cent)

Variable	100 largest MNEs, global					100 largest MNEs from developing and transition economies		
	2017 <sup>a</sup>	2018 <sup>a</sup>	2018–2017 Change (%)	2019 <sup>b</sup>	2018–2019 Change (%)	2017 <sup>a</sup>	2018	Change (%)
<b>Assets</b> (billions of dollars)								
Foreign	9 139	9 335	2.1	9 535	2.1	2 434	2 581	6.1
Domestic	6 625	6 710	1.3	6 819	1.6	5 726	5 430	-5.2
Total	15 763	16 045	1.8	16 354	1.9	8 160	8 011	-1.8
Foreign as share of total (%)	58	58	0.2	58	0.2	30	32	2.4
<b>Sales</b> (billions of dollars)								
Foreign	5 366	5 916	10.3	5 796	-2.0	2 224	2 559	15.1
Domestic	3 539	3 919	10.8	3 870	-1.3	2 576	2 751	6.8
Total	8 904	9 836	10.5	9 666	-1.7	4 800	5 311	10.6
Foreign as share of total (%)	60	60	-0.1	60	-0.3	46	48	1.9
<b>Employment</b> (thousands)								
Foreign	9 750	9 604	-1.5	9 466	-1.4	4 691	4 693	5.8
Domestic	9 536	8 548	-10.4	9 049	5.9	9 118	9 248	1.4
Total	19 286	18 152	-5.9	18 515	2.0	13 808	14 211	2.9
Foreign as share of total (%)	51	53	2.4	51	-3.4	34	35	1.0

Source: UNCTAD.

Note: Data refer to fiscal year results reported between 1 April of the base year and 31 March of the following year. Complete 2019 data for the 100 largest MNEs from developing and transition economies are not yet available.

<sup>a</sup> Revised results.

<sup>b</sup> Preliminary results.

# NOTES

- <sup>1</sup> The World Association of Investment Promotion Agencies carried out a pulse survey of IPAs in the first week of April that confirmed UNCTAD's assessment. All respondents expected a decline in FDI, with a 20-30 per cent decline earmarked as the most likely scenario (25 per cent of respondents).
- <sup>2</sup> Considering only financed projects with confirmed values for the costs involved, without considering the size of the project.
- <sup>3</sup> Non-current assets include long-term investments, property, plant, equipment and intangible assets.
- <sup>4</sup> "Apple May Move 30% of its iPhone Production From China", *Fortune*, 19 June 2019.