



# INVESTMENT TRENDS MONITOR



UNITED NATIONS  
UNCTAD

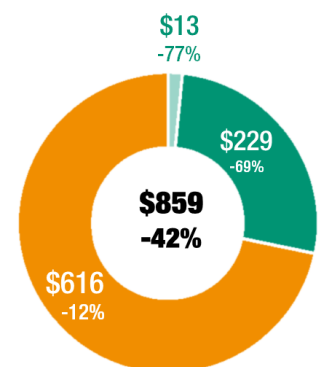
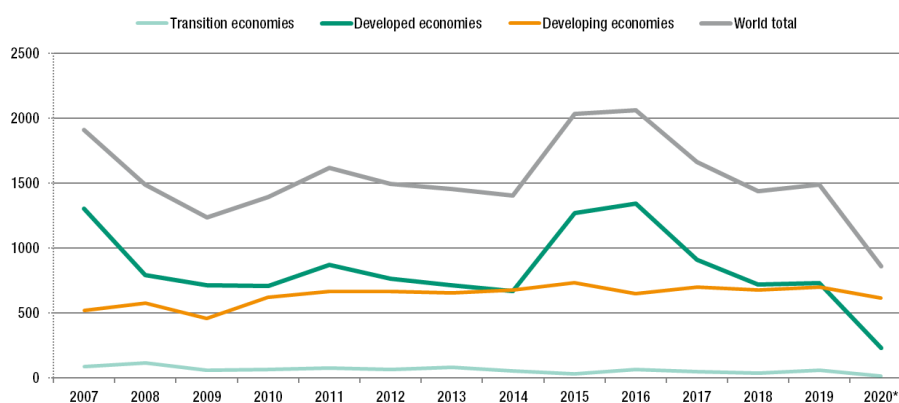
## GLOBAL FDI FLOWS DOWN 42% IN 2020

### Further weakness expected in 2021, risking sustainable recovery

#### H I G H L I G H T S

- Global foreign direct investment (FDI) collapsed in 2020, falling by 42% to an estimated \$859 billion, from \$1.5 trillion in 2019 (figure 1). FDI finished 2020 more than 30% below the trough after the global financial crisis in 2009.
- The decline was concentrated in developed countries, where FDI flows fell by 69% to an estimated \$229 billion. Flows to Europe dried up completely to -4 billion (including large negative flows in several countries). A sharp decrease was also recorded in the United States (-49%) to \$134 billion.
- The decline in developing economies was relatively measured at -12% to an estimated \$616 billion. The share of developing economies in global FDI reached 72% – the highest share on record. China topped the ranking of the largest FDI recipients.
- The fall in FDI flows across developing regions was uneven, with -37% in Latin America and the Caribbean, -18% in Africa and -4% in developing Asia. East Asia was the largest host region, accounting for one-third of global FDI in 2020. FDI to the transition economies declined by 77% to \$13 billion.

**Figure 1. FDI inflows: global and by group of economies, 2007–2020\***  
(Billions of US dollars)



Source: UNCTAD.  
\* Preliminary estimates.

- *Trends in selected economies:*
    - FDI in China, where the early phase of the pandemic caused steep drops in capital expenditures, ended the year with a small increase (+4%).
    - FDI in India rose by 13% boosted by investments in the digital sector.
    - FDI in ASEAN – an engine of FDI growth throughout the last decade – was down 31%.
    - The halving of FDI inflows to the United States was due to sharp drops in both greenfield investment and cross-border mergers and acquisitions (M&As).
    - FDI in the EU fell by two thirds, with major declines in all the largest recipients; flows to the United Kingdom fell to zero.
  
  - *Looking ahead, the FDI trend is expected to remain weak in 2021.* Data on an announcement basis, an indicator of forward trends, provides a mixed picture and point at continued downward pressure:
    - Sharply lower greenfield project announcements (-35% in 2020) suggest a turnaround in industrial sectors is not yet in sight.
    - Upticks in the fourth quarter of 2020 dampened earlier declines in newly announced international project finance deals (-2% for the full year). International investment in infrastructure sectors could thus prove stronger, also buoyed by economic support packages in developed countries.
    - Similarly, the 2020 decline in cross-border M&As (-10%) was cushioned by higher values in the last part of the year. Looking at M&A announcements, strong deal activity in technology and pharmaceutical industries is expected to push M&A-driven FDI flows higher.
  
  - *For developing countries, the trends in greenfield and project finance announcements are a major concern.* Although overall FDI flows in developing economies appear relatively resilient, greenfield announcements fell by 46% (-63% in Africa; -51% in Latin America and the Caribbean, and -38% in Asia) and international project finance by 7% (-40% in Africa). These investment types are crucial for productive capacity and infrastructure development and thus for sustainable recovery prospects.
  
  - Risks related to the latest wave of the pandemic, the pace of the roll-out of vaccination programmes and economic support packages, fragile macroeconomic situations in major emerging markets, and uncertainty about the global policy environment for investment will all continue to affect FDI in 2021.
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