



UNITED NATIONS

UNCTAD Global Investment Trends Monitor

No. 1

Second and Third Quarters of 2009

Geneva: 1 December 2009

HIGHLIGHTS

- Global FDI flows experienced a rebound during the second quarter of 2009, as compared to those in the first quarter of 2009. UNCTAD's Global FDI Quarterly Index rose from 70 to 115.
- This rebound was reflected in G20 economies,¹ with a 38% increase in FDI inflows as compared to the first quarter of 2009.
- However, seen in perspective, global FDI flows remained much lower than those witnessed during the corresponding period of 2008. The Global FDI Quarterly Index in the second quarter of 2009 was 45 points lower than that a year ago.
- Initial indicators for the third quarter of 2009 show no signs of a further pick-up in FDI flows.
- Overall, global FDI for 2009 as a whole is likely to remain sluggish and significantly lower than in 2008, despite gradual improvement in world business outlook.

Global FDI Quarterly Index
(2005 = 100)

2008 Q2	159.6
2008 Q3	132.9
2008 Q4	136.2
2009 Q1	69.6
2009 Q2	114.5

Introduction

In order to provide the international investment community with a timely periodic assessment of global FDI flows, UNCTAD's Investment and Enterprise Division has launched today the **Global Investment Trends Monitor (GITM)**. The Monitor will be released every quarter of the year (in mid-January, mid-April, mid-July and mid-October). Each issue of the Monitor will provide 1) FDI

trends for the latest quarter for which definite data are available, as well as 2) an early indication of trends for the quarter ending just prior to the publication of the Monitor. In order to present the global investment trends clearly, with a view to user requirements, UNCTAD has developed the Global FDI Quarterly Index. This index is based on quarterly data of FDI inflows for 67 countries and economies,² which together

account for roughly 90% of global FDI flows. The index has been calculated from the year 2000 onwards and calibrated such that the average of quarterly flows in 2005 is equivalent to 100.

The current inaugural issue of the Monitor covers global FDI trends in the second quarter of 2009 and also FDI estimates for the third quarters of 2009.

Second quarter of 2009: a rebound in FDI inflows

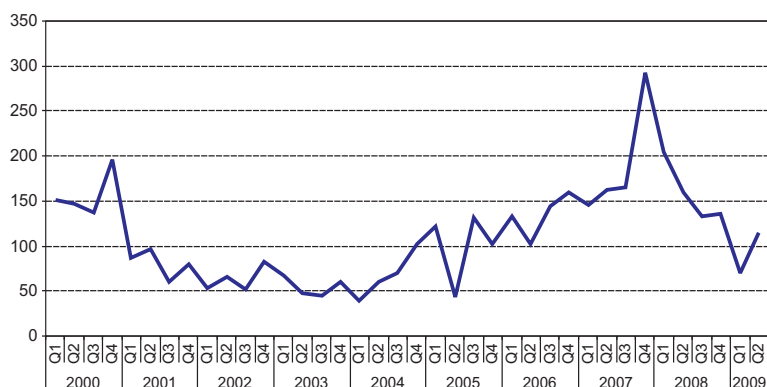
Global FDI flows has registered a pick-up during the second quarter of 2009, indicating a possible end to the sharp decline seen over the previous 5 quarters. UNCTAD's Global FDI Quarterly Index rose 45 points (from 69.6 to 114.5) in the second quarter as compared

to the first quarter of 2009 (figure 1).

For G20 countries as a whole, a strong rebound was observed, with a 38% increase in FDI Inflows as compared to the first quarter of 2009 (figure 2). However, this rebound was not uniform. For example, the pick-up in the

second quarter was particularly marked in some European Union economies such as France, Germany, Spain, Ireland and Sweden, while flows remained relatively low in economies such as the United States or, in a few cases, even declined (e.g. the United Kingdom). In emerging

Figure 1. Global FDI Quarterly Index, 2000 Q1–2009 Q2
(Base 100: average of quarterly FDI flows worldwide in 2005)

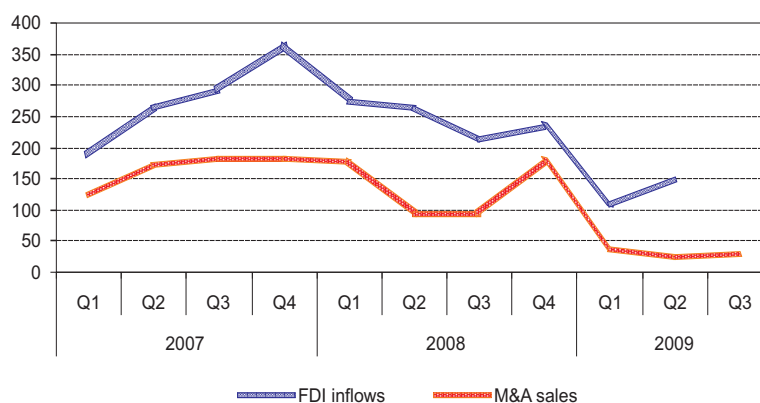


Source: UNCTAD.

economies, slight increases were observed in Brazil, India and the Russian Federation, while inflows remained practically unchanged in China.

Two factors, however, suggest that the pick-up in the second quarter of 2009 should be treated with some caution. First, the absolute level of FDI flows was considerably lower than that in the same period of 2008 (figure 1), which puts the

Figure 2. Quarterly FDI inflows and cross-border M&A sales for G20 countries, 2007 Q1–2009 Q3
(Billions of US dollars)



Source: UNCTAD.

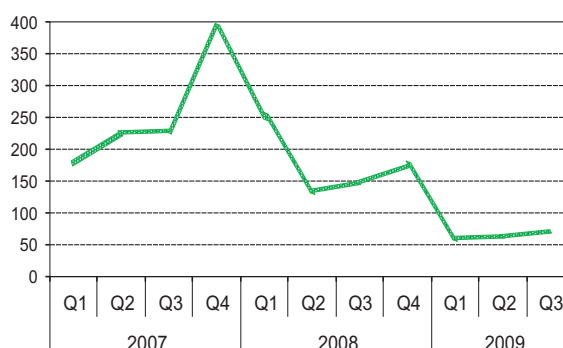
Note: Saudi Arabia is not included in FDI inflows due to unavailability of quarterly data.

Third quarter of 2009: no further rebound in FDI anticipated

Some initial indicators available for the third quarter underscore the above caution that a steady recovery of FDI growth might not yet be underway. In particular, cross-border global M&As – with which the equity component of FDI flows is strongly correlated – are relatively unchanged from the low level of activity witnessed in the second quarter (figure 3).

This picture was repeated among G20 economies, with M&A activity remaining flat at

Figure 3. Value of global cross-border M&As, 2007 Q1–2009 Q3
(Billions of US dollars)



Source: UNCTAD, cross-border M&A database.

around US\$ 30 billion; indeed at a level barely a third of that observed over the equivalent period last year (figure 2).

rebound in perspective. Second, this pick-up seems to be mostly attributable to an increase in intra-company flows and reinvested earnings, while equity flows remained unchanged, and at a low level. As equity flows are the FDI component, most directly related to TNCs' longer-term investments strategies, this suggests that companies remain cautious about their international expansion.

However, there was an increase in the number of large deals: nine cross-border M&As with a value of more than US\$3 billion were undertaken during the third quarter of 2009, as against only four during the previous quarter (annex 1).

Reinforcing the above assessment of a likely flat FDI picture in the third quarter of 2009, international greenfield investments – another

indicator of FDI activity – also showed little sign of pick-up

during the period. Indeed, they continued to decline for the fifth consecutive quarter following a peak in the second quarter of 2008 (figure 4).

Based on initial indications, FDI flows during the third quarter of 2009 are expected to show little increase as compared to the level in the second quarter; and, in consequence, they will remain far lower than those during the same period of the previous year.

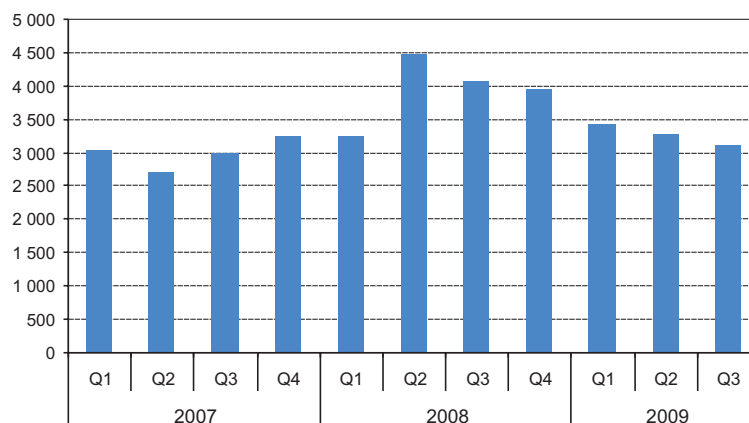
Nevertheless, various macroeconomic indicators provide signals that the overall environment for international investment is slowly improving. For instance, corporate profits of TNCs world-wide rose during the second and third quarters of 2009, thus reversing the sharp

drop observed at the end of 2008.

Improving conditions will ultimately encourage companies to revise upward their international investment plans for 2010 onward. However, the recovery in economic

growth and profits remains fragile, especially because it has been boosted by what might prove to be a transitory impact of the special economic packages implemented by major economies. Thus it is likely that FDI flows will remain relatively weak until the end of this year.

Figure 4. Number of international greenfield projects, 2003 Q1–2009 Q3



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

¹ The term "G20" refers to the 19 individual members economies of the G20, excluding the European Union, which is the 20th member: The 19 individual members economies are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russian Federation, Saudi Arabia, South Africa, Turkey, United Kingdom, United States.

² These economies include Argentina, Austria, Australia, Azerbaijan, Belarus, Belgium, Brazil, Bulgaria, Canada, Cape Verde, Chile, China, Colombia, Cyprus, Czech Republic, Denmark, Ecuador, Estonia, Finland, France, Germany, Greece, Hong Kong (China), Hungary, Iceland, Israel, India, Indonesia, Ireland, Italy, Japan, Jordan, Kazakhstan, Republic of Korea, Latvia, Lithuania, Luxembourg, Malaysia, Malta, Mauritius, Mexico, Republic of Moldova, Netherlands, New Zealand, Norway, Panama, Philippines, Poland, Portugal, Romania, Russian Federation, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Taiwan Province of China, Thailand, Turkey, Uganda, Ukraine, United Kingdom, United States, Uruguay, Vanuatu, and Bolivarian Republic of Venezuela.



Annex 1. Major cross-border M&As in 2009 (January-September)
(Value of more than US \$3 billion)

Acquired company	Host economy	Target industry	Acquired company	Home economy	Value of transaction (\$bil)
1st quarter					
Genentech Inc	United States	Biological products	Roche Holding AG	Switzerland	50.0
British Energy Group PLC	United Kingdom	Electric services	Lake Acquisitions Ltd	United Kingdom	16.9
Puget Energy Inc	United States	Electric services	Padua Holdings LLC	United States	6.7
Somerfield Stores Ltd	United Kingdom	Grocery stores	Co-operative Group Ltd	United Kingdom	3.1
2nd quarter					
Endesa SA	Spain	Electric services	Enel SpA	Italy	13.5
Fortis Bank SA/NV	Belgium	Banks	BNP Paribas SA	France	12.8
Itinere Infraestructuras SA	Spain	Highway and street construction	Pear Acquisition Corporation SL	Spain	7.9
Distrigaz SA	Belgium	Natural gas transmission and distribution	ENI G&P Belgium SpA	Belgium	3.2
3rd quarter					
Nuon NV	Netherlands	Electric services	Vattenfall AB	Sweden	10.8
Essent NV	Netherlands	Combination utilities, nec	RWE AG	Germany	10.4
Addax Petroleum Corp	Switzerland	Crude petroleum and natural gas	Mirror Lake Oil & Gas Co Ltd	Canada	7.2
Macquarie Communications Infrastructure Group	Australia	Television broadcasting stations	Canada Pension Plan Investment Board	Canada	5.1
Thomson Reuters PLC	United Kingdom	Information retrieval services	Thomson Reuters Corp	United States	4.9
Cia Espanola de Petroleos SA (CEPSA)	Spain	Crude petroleum and natural gas	International Petroleum Investment Co(IPIC)	United Arab Emirates	4.4
Meriel Ltd	United States	Pharmaceutical preparations	Sanofi-Aventis SA	France	4.0
GCL Solar Energy Technology Holdings Inc	China	Semiconductors and related devices	GCL-Poly Energy Holdings Ltd	Hong Kong, China	3.8
Stiefel Laboratories Inc	United States	Pharmaceutical preparations	GlaxoSmithKline PLC	United Kingdom	3.6

Source: UNCTAD, cross-border M&A database.