

Foreign direct investment (fdi)

[Finance](#), [Investment](#)



Foreign Direct Investment (FDI) was 1.87 trillion dollars last year, down 23 percent to 1.43 trillion dollars last year. This decline is in stark contrast to other macroeconomic variables, such as GDP and trade, which made significant progress in 2017. The decline was partly due to a 22% drop in M&A value. However, the number of large-scale one-time transactions and realignment projects that inflated FDI in 2016 has decreased significantly. Investment in Greenfield, which represents future global foreign direct investment (FDI), fell 23 percent from 1.878 trillion dollars last year. This decline is in stark contrast to other macroeconomic variables, such as GDP and trade, which made significant progress in 2017. The decline was partly due to a 22% drop in M&A value. However, the number of large-scale one-time transactions and realignment projects that inflated FDI in 2016 has decreased significantly. The value of investment in Greenfield, an indicator of future trends, also fell 14 percent to 72 billion dollars.

The decline was concentrated in developed countries.

The FDI flow has decreased in developed countries and economies while maintaining a stable flow to developing countries. As a result, global FDI inflows increased last year and accounted for 47% of global FDI inflows in 2016.

The flow to developed countries has declined by more than a third to \$71.2 billion. This reduction can be explained by the high inflow reduction in the previous year due to mergers and acquisitions (M&A). As the value of these transactions significantly decreased, the U.S. flow decreased by 40% to \$275 billion, and the UK flow decreased from 92% to \$15 billion. Re-

investment revenues rose 26 percent as the Pentagon predicted tax cuts for the return of funds.

FDI inflows into developing countries approached 2016 level with \$6.7 billion and showed no sign of recovery since it fell 10 percent in 2016. FDI flows to Africa continue to fall, the flow to developing countries has stabilized, and the flow to Latin America and the Caribbean has increased somewhat.

The FDI flow to Southeast Europe and the Commonwealth of Independent States (CIS) dropped 27 percent last year to \$47 billion, the second lowest since 2005.

Half of the top 10 host countries are developing. The United States is the biggest beneficiary of FDI, and China made \$275 billion in revenue in the first half of 2017. France, Germany, and Indonesia showed considerable benefit from the list.

The best foreign investors are still mostly advanced countries. MNEs in these countries have only slightly reduced their overseas investment activities. Overseas investment flows from developed countries fell 3 percent in 2017 to \$1 trillion. The global FDI flow remained unchanged at 71%. The flow from developing countries fell from 6 percent to \$381 billion, mainly because the outflow from China fell for the first time in 15 years as a result of the 2015 capital outflow policy. The outflow from the transitional economy rose 59 percent to \$40 billion. FDI revenue is decreasing in all regions.

The negative FDI trend was caused by several factors. The form of asset lighting in overseas operations is causing structural changes in the FDI pattern. Another major factor is the decline in FDI's return over the past five years. Korea's FDI global profit rate decreased to 6.7 percent in 2017. While the average return on development and conversion economies is high, most areas are unaffected by this erosion. In Africa, for example, return on investment dropped from 12.3% in 2012 to 6.3% in 2017. This can be explained in part by the decline in prices during this period, particularly those that rely on the product's FDI. However, the broad nature of this decline suggests that structural factors that reduce financial and labor-cost financial opportunities in international projects also play a role.

International production is still expanding, but the rate of growth is slowing and the pattern of trade and exchange of goods, services and production factors is changing. The average annual growth rate of sales of foreign subsidiaries (1.5 percent), value added (1.5 percent), and employment (2.5 percent) over the past five years was all lower than in 2010. This is in line with the loss of growth momentum in the long-term FDI trend.