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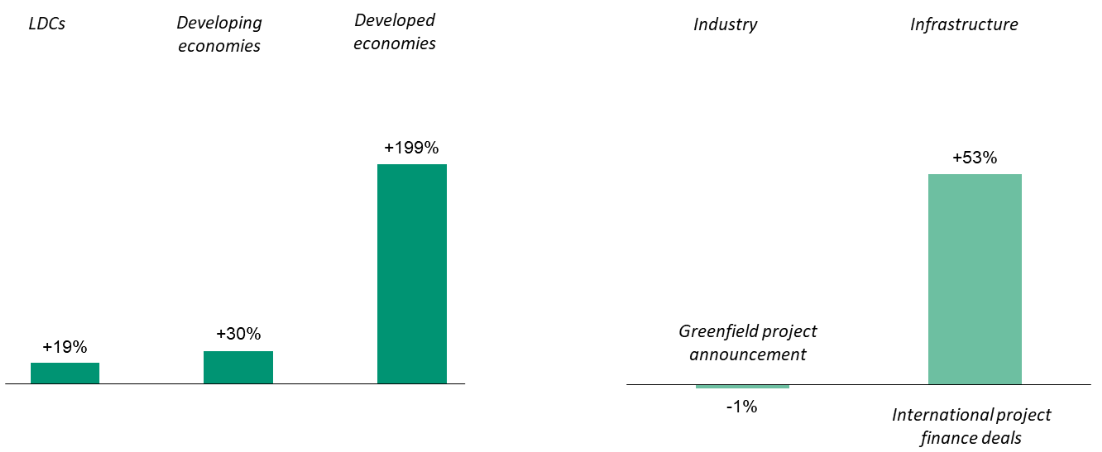
Global FDI rebounds strongly in 2021, but recovery highly uneven

Infrastructure finance up due to stimulus; greenfield projects in industry still weak

HIGHLIGHTS

- *Global foreign direct investment (FDI) flows showed a strong rebound in 2021, up 77% to an estimated $1.65 trillion, from $929 billion in 2020, surpassing their pre-Covid-19 level.*
- *Developed economies saw the biggest rise by far, with FDI reaching an estimated $777 billion in 2021 – three times the exceptionally low level in 2020.* In Europe, more than 80% of the increase in flows was due to large swings in conduit economies. Inflows in the United States more than doubled, with the increase entirely accounted for by a surge in cross-border mergers and acquisitions (M&As).
- *FDI flows in developing economies increased by 30% to nearly $870 billion,* with a growth acceleration in East and South-East Asia (+20%), a recovery to near pre-pandemic levels in Latin America and the Caribbean, and an uptick in West Asia. Inflows in Africa also rose. Most recipients across the continent saw a moderate rise in FDI; the total for the region more than doubled, inflated by a single intra-firm financial transaction in South Africa in the second half of 2021.
- *Of the total increase in global FDI flows in 2021 ($718 billion), more than $500 billion, or almost three quarters, was recorded in developed economies.* Developing economies, especially the least developed countries (LDCs) saw more modest recovery growth (figure 1).

Figure 1. Uneven recovery growth
(Growth rates for FDI by region and for investment projects by sector, 2021 vs 2020)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics) for FDI, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield FDI projects and Refinitiv SA for international project finance deals.
Note: FDI data in this Trends Monitor are estimated based on partial-year quarterly data. Greenfield project data is estimated based on eleven months.

- *Investor confidence is strong in infrastructure sectors* (figure 1), supported by favourable long-term financing conditions, recovery stimulus packages, and overseas investment programmes. International project finance deals were up 53% in number and 91% in value, with sizeable increases in most high-income regions and in Asia and Latin America and the Caribbean.
- *In contrast, investor confidence in industry and global value chains remains weak.* Greenfield investment project announcements were practically flat (-1% in number, +7% in value). The number of new projects in GVC-intensive industries (e.g. electronics) fell further.
- *Other trends by sector:*
  - Greenfield investment activity remains 30% below pre-pandemic levels on average across industrial sectors. Only information and communication (digital sector) has fully recovered.
  - Project finance in infrastructure now exceeds pre-pandemic levels across most sectors. Project numbers are up most in renewable energy and industrial real estate.
  - The boom in cross-border M&As is most pronounced in services. The number of deals in information and communication increased by more than 50% to a quarter of the total.
- *Trends in selected economies:*
  - FDI in the United States – the largest host economy – increased by 114% to $323 billion; cross-border M&As almost tripled in value to $285 billion.
  - FDI in the European Union was up 8%; flows in the largest economies remained well below pre-pandemic levels.
  - China saw a record $179 billion of inflows – a 20% increase – driven by strong services FDI.
  - Brazil saw FDI double to $58 billion from a low level in 2020; inflows remained just below pre-pandemic levels.
  - ASEAN resumed its role as an engine of growth for FDI in Asia and globally, with inflows up 35% and increases across most members.
  - Flows to India were 26% lower, mainly because large M&A deals recorded in 2020 were not repeated.
  - Inflows to Saudi Arabia quadrupled to $23 billion, in part due to an increase in cross-border M&As.
  - Flows to South Africa jumped to $41 billion (from $3 billion in 2020) due to the $46 billion share swap between the South African multinational Naspers and its Dutch-listed investment unit Prosus.

- *The recovery of investment flows to SDG-relevant sectors in developing economies, which suffered significantly during the pandemic with double-digit declines across almost all sectors, remains fragile*. The combined value of announced greenfield investments and project finance deals rose by 55%, but mostly because of a small number of very large deals in the renewables sector. The number of SDG-relevant investment projects in developing economies rose by only 11%. Renewable energy and utilities continue to be the strongest growth sectors, especially through international project finance.
- *In LDCs, the trend in SDG-relevant investment is less favourable.* SDG investment project numbers in LDCs declined by a further 17%, after the 30% fall in 2020. Total project values increased by about 20% due to a single large renewable energy project.
- *Looking at investment trends in LDCs through the lens of productive capacity development highlights structural weaknesses and shows that several sectors have been hard hit by the pandemic.* Investment projects important for private sector development and structural change have partly dried up – exacerbating the downturn in natural capital (extractive) projects, traditionally an important part of investment in many LDCs.
- *The outlook for global FDI in 2022 is positive.* The 2021 rebound growth rate is unlikely to be repeated. The underlying trend – net of conduit flows, one-off transactions and intra-firm financial flows – will remain relatively muted, as in 2021. International project finance in infrastructure sectors will continue to provide growth momentum. The protracted duration of the health crisis with successive new waves of the pandemic continues to be a major downside risk. The pace of vaccinations, especially in developing countries, as well as the speed of implementation of infrastructure investment stimulus, remain important factors of uncertainty. Other important risks, including labour and supply chain bottlenecks, energy prices and inflationary pressures will also affect results.

Table 1. FDI inflows and cross-border M&As, 2019–2021
(Billions of dollars)

Region / economy	FDI 2019	FDI 2020	FDI 2021*	FDI 2020–2021 Growth rate (%)	Net cross-border M&A sales 2019	Net cross-border M&A sales 2020	Net cross-border M&A sales 2021	Net cross-border M&A sales 2020–2021 Growth rate (%)
World	**1 473**	**929**	**1 647**	**77**	**507**	**475**	**710**	**49**
Africa	**45**	**39**	**97**	**147**	**6**	**3**	**- 2**	**..**
North Africa	14	10	9	-13	1	0	- 1	..
Sub-Saharan Africa	32	29	88	200	5	3	- 1	..
Americas	**431**	**259**	**531**	**105**	**210**	**118**	**321**	**173**
Latin America and the Caribbean	156	84	147	75	24	8	8	-1
North America	275	174	383	120	187	110	313	**185**
Asia	**559**	**588**	**696**	**18**	**66**	**82**	**104**	**26**
Central Asia	8	6	10	59	0	0	0	1276
East Asia	256	315	358	14	20	28	5	-82
South-East Asia	181	136	184	35	10	- 5	50	..
South Asia	59	71	54	-24	15	28	8	-72
West Asia	55	60	90	49	22	31	41	31
Oceania	**45**	**23**	**18**	**-22**	**25**	**12**	**31**	**159**
Europe	**392**	**20**	**305**	**1 450**	**200**	**260**	**257**	**-1**
EU	451	153	165	8	114	188	139	-26
Other Europe	- 59	- 133	140	..	86	72	118	64
Memorandum								
Developed economies	752	260	777	199	428	389	614	58
Developing economies	721	669	870	30	79	86	96	11
LDCs	24	24	28	19	0	0	- 2	..

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics) for FDI and cross-border M&A database (www.unctad.org/fdistatistics) for M&As.
Note: FDI data in this Trends Monitor are based on quarterly data derived from the (extended) directional principle. For a few countries the asset/liability principle was used for estimation. The data excludes Caribbean offshore financial centres. The regional classification follows the new M49 standard of the Statistical Division of the United Nations Secretariat.

Table 2. Announced greenfield projects and international project finance deals, 2019–2021
(Number)

Region / economy	Greenfield projects 2019	Greenfield projects 2020	Greenfield projects 2021	Greenfield projects 2020–2021 Growth rate (%)	International project finance deals 2019	International project finance deals 2020	International project finance deals 2021	International project finance deals 2020–2021 Growth rate (%)
World	**18 261**	**13 219**	**13 049**	**-1**	**1 260**	**1 199**	**1 840**	**53**
Africa	**1 063**	**570**	**531**	**-7**	**143**	**81**	**101**	**25**
North Africa	310	133	137	3	14	6	17	183
Sub-Saharan Africa	753	437	394	-10	129	75	84	12
Americas	**4 244**	**3 012**	**3 170**	**5**	**373**	**344**	**525**	**53**
Latin America and the Caribbean	1 832	1 046	1 128	8	150	153	249	63
North America	2 412	1 966	2 042	4	223	191	276	45
Asia	**4 825**	**2 982**	**3 125**	**5**	**245**	**261**	**401**	**54**
Central Asia	121	42	43	1	19	16	21	31
East Asia	1 481	884	901	2	39	58	94	62
South-East Asia	1 316	755	765	1	94	113	118	4
South Asia	786	451	418	-7	35	48	121	152
West Asia	1 121	850	999	18	58	26	47	81
Oceania	**522**	**388**	**398**	**3**	**70**	**77**	**117**	**52**
Europe	**7 607**	**6 267**	**5 824**	**-7**	**429**	**436**	**696**	**60**
EU	5 376	4 748	4 275	-10	305	338	493	46
Other Europe	2 231	1 519	1 549	2	124	98	203	107
Memorandum								
Developed economies	10 976	8 972	8 624	-4	659	699	1 110	59
Developing economies	7 285	4 247	4 426	4	601	500	730	46
LDCs	368	190	146	-23	119	74	63	-15

Source: UNCTAD, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield FDI projects and Refinitiv SA for international project finance deals.

Table 3. Announced greenfield projects, by sector and selected industries, 2019–2021

(Billions of dollars, number and per cent)

Sector/industry	Value (Billions) 2019	2020	2021	2020–2021 Growth rate (%)	Number 2019	2020	2021	2020–2021 Growth rate (%)
Total	846	569	610	7	18 261	13 219	13 049	-1
Primary	21	11	13	18	151	100	91	-9
Manufacturing	402	240	260	9	8 180	5 251	4 972	-5
Services	422	319	337	6	9 930	7 868	7 987	2
Top 10 industries in value terms								
Information and communication	66	82	100	22	3 332	2 958	3 404	15
Electronics and electrical equipment	53	46	95	108	1 201	878	872	-1
Electricity and gas supply	113	99	87	-12	560	530	448	-15
Construction	66	35	47	35	437	321	307	-5
Transportation and storage	43	27	32	20	764	636	656	3
Automotive	62	33	32	-5	1 022	571	638	12
Chemicals	47	40	28	-31	752	452	406	-10
Trade	22	23	24	2	688	576	605	5
Food, beverages and tobacco	21	17	19	11	555	431	392	-9
Pharmaceuticals	14	15	19	24	449	360	338	-6

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

Table 4. Announced international project finance deals, selected industries, 2019–2021

(Billions of dollars, number and per cent)

Sector/industry	Value (Billions of dollars) 2019	2020	2021	2020–2021 Growth rate (%)	Number 2019	2020	2021	2020–2021 Growth rate (%)
Total	655	461	881	91	1 260	1 199	1 840	53
Top 10 industries by number								
Renewable energy	176	195	432	121	704	749	1 090	46
Industrial real estate	21	49	104	110	54	45	127	182
Residential/commercial real estate	21	13	25	93	65	43	119	177
Oil and gas	159	51	110	115	84	68	92	35
Mining	40	16	30	80	80	58	88	52
Energy	50	34	65	93	105	75	87	16
Telecommunication	67	40	50	25	33	51	78	53
Transportation infrastructure	85	41	36	-11	71	50	73	46
Petrochemicals	18	13	17	30	14	19	29	53
Water and sewerage	6	4	4	8	20	22	19	-14

Source: UNCTAD, based on data from Refiniv SA.

Table 5. Net cross-border M&A sales, by sector and selected industries, 2019–2021

(Billions of dollars, number and per cent)

Sector/industry	Value (Billions of dollars) 2019	2020	2021	2020–2021 Growth rate (%)	Number 2019	2020	2021	2020–2021 Growth rate (%)
Total	507	475	710	**49**	**7 118**	**6 201**	**8 054**	**30**
Primary	37	25	15	**-41**	433	658	610	-7
Manufacturing	243	228	241	**5**	1 633	1 136	1 497	32
Services	227	221	454	**105**	5 052	4 407	5 947	35
Top 10 industries in value terms								
Information and Communication	25	80	134	67	1 312	1 248	1 928	54
Pharmaceuticals	98	56	73	31	186	211	211	0
Finance and insurance	49	28	73	162	619	562	675	20
Trade	16	18	63	255	575	495	607	23
Transportation and storage	19	7	53	652	282	224	297	33
Automotive	6	17	46	165	84	41	72	76
Professional services	22	11	41	268	506	447	629	41
Electronics and electrical equipment	21	40	37	-7	279	165	281	70
Real estate	37	22	32	42	436	327	380	16
Administrative and support services	14	6	28	411	306	206	276	34

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

Table 6. Developing economies: investment in SDG sectors (announcements), 2019–2021

(Millions of dollars, number and per cent)

SDG-relevant sector	Greenfield projects 2019	Greenfield projects 2020	Greenfield projects 2021	Greenfield projects 2020–2021 growth rate (%)	International project finance deals 2019	International project finance deals 2020	International project finance deals 2021	International project finance deals 2020–2021 growth rate (%)
Total								
Value	**133 874**	**89 646**	**94 359**	**5**	**151 116**	**103 703**	**205 285**	**98**
Number of projects	**1 686**	**1 141**	**1 164**	**2**	**396**	**342**	**476**	**39**
Power[a]								
Value	18 484	10 823	1 882	-83	27 174	21 414	31 730	48
Number of projects	45	22	17	-21	66	47	51	9
Renewable energy								
Value	40 880	28 013	34 853	24	33 782	57 038	145 152	154
Number of projects	241	184	141	-24	258	247	342	38
Transport[b]								
Value	25 921	10 857	12 046	11	30 920	17 230	14 783	-14
Number of projects	321	181	235	30	42	20	41	105
Telecommunication								
Value	18 285	23 822	24 454	3	56 784	7 311	10 927	49
Number of projects	303	242	277	15	11	12	22	83
Water, sanitation and hygiene (WASH)								
Value	1 819	598	4 186	600	2 147	334	147	-56
Number of projects	17	7	14	103	13	12	7	-42
Food and agriculture								
Value	21 700	11 186	11 421	2	240	350	568	62
Number of projects	428	290	250	-14	5	2	7	250
Health								
Value	5 556	3 536	4 682	32	68	9	1 978	..
Number of projects	256	152	165	8	1	1	5	400
Education								
Value	1 228	810	837	3		18	0	..
Number of projects	75	63	65	4		1	1	0

Source: UNCTAD, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield FDI projects and Refinitiv SA for international project finance deals.

[a] Excluding renewable energy.

[b] Transport services for greenfield projects and transport infrastructure for project finance.

Table 7. LDCs: FDI inflows and cross-border M&As, 2019–2021

(Millions of dollars and per cent)

Region / economy (number of countries)	FDI 2019	FDI 2020	FDI 2021*	FDI 2020–2021 Growth rate (%)	Net cross-border M&A sales 2019	Net cross-border M&A sales 2020	Net cross-border M&A sales 2021	Net cross-border M&A sales 2020–2021 Growth rate (%)
LDCs	**23 661**	**23 803**	**28 267**	19	**223**	**421**	**- 1 841**	..
LDCs_Africa (33)	13 710	14 552	23 379	61	197	417	- 1 794	..
LDCs_Asia (9)	9 789	9 204	4 888	-47	27	-	- 48	..
LDCs_Oceania (3)	33	9		..		4	2	-56
LDCs_Americas (1)	130	38		..				..

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics) for FDI and cross-border M&A database (www.unctad.org/fdistatistics) for M&As.

Table 8. LDCs: announced greenfield projects and international project finance deals, 2019–2021

(Number)

Region / economy (number of countries)	Greenfield projects 2019	Greenfield projects 2020	Greenfield projects 2021	Greenfield projects 2020–2021 Growth rate (%)	International project finance deals 2019	International project finance deals 2020	International project finance deals 2021	International project finance deals 2020–2021 Growth rate (%)
LDCs	**368**	**190**	**146**	**-23**	**119**	**74**	**63**	**-15**
LDCs_Africa (33)	279	138	109	-21	84	52	38	-27
LDCs_Asia (9)	89	52	25	-52	34	22	25	14
LDCs_Oceania (3)				..	1			..
LDCs_Americas (1)				..				..

Source: UNCTAD, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield FDI projects and Refinitiv SA for international project finance deals.

Table 9. LDCs: investment in SDG sectors (announcements), 2019–2021 (Millions of dollars, number and per cent)

SDG-relevant sector	Greenfield projects				International project finance deals			
	2019	2020	2021	2020–2021 growth rate (%)	2019	2020	2021	2020–2021 growth rate (%)
Total								
Value	**12 824**	**10 260**	**3 831**	**-63**	**23 927**	**33 468**	**49 029**	46
Number of projects	**114**	**84**	**62**	**-26**	**70**	**45**	**45**	0
Power[a]								
Value	1 483	3 452		..	7 893	3 680	1 829	-50
Number of projects	4	4		..	17	7	7	0
Renewable energy								
Value	2 030	3 204	842	-74	7 166	16 739	45 797	174
Number of projects	15	20	5	-73	40	31	29	-6
Transport[b]								..
Value	3 627	1 122	535	-52	6 232	12 504	674	-95
Number of projects	36	17	22	28	8	4	4	0
Telecommunication								
Value	255	1 906	1 682	-12	2 316		399	..
Number of projects	6	22	22	-1	3		2	..
Water, sanitation and hygiene (WASH)								
Value	61		148	..	179	545	192	-65
Number of projects	1		1	..	1	3	2	-33
Food and agriculture								
Value	4 812	470	456	-3	141			..
Number of projects	30	12	8	-36	1			..
Health								
Value	419	77	161	109				..
Number of projects	14	5	3	-35				..
Education								
Value	137	29	8	-74			138	..
Number of projects	8	4	1	-73			1	..

Source: UNCTAD, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield FDI projects and Refinitiv SA for international project finance deals.
[a] Excluding renewable energy.
[b] Transport services for greenfield projects and transport infrastructure for project finance.

Table 10. LDCs: investment in productive capacity (announcements), 2019–2021 (Millions of dollars, number and per cent)

Productive capacity-relevant sector	Greenfield projects				International project finance deals			
	2019	2020	2021	2020–2021 growth rate (%)	2019	2020	2021	2020–2021 growth rate (%)
Total								
Value	**33 779**	**16 692**	**8 869**	**-47**	**58 803**	**30 997**	**49 450**	**60**
Number of projects	**421**	**206**	**146**	**-29**	**80**	**62**	**55**	**-11**
Energy								
Value	3 483	6 651	842	-87	50 266	18 153	48 721	168
Number of projects	17	23	5	-76	64	46	43	-7
Human Capital								
Value	201	40	156	294		29	4	-87
Number of projects	10	5	2	-56	1	3	3	0
ICT								
Value	337	2 033	1 867	-8	2 114		0	..
Number of projects	19	31	32	2	3		2	..
Natural capital								
Value	11 214	3 063	1 352	-56	141			..
Number of projects	19	10	7	-35	1			..
Private sector development								
Value	1 377	839	443	-47				..
Number of projects	108	45	25	-44				..
Structural change								
Value	14 754	4 067	3 600		50	311	51	-84
Number of projects	232	92	71		3	5	3	-40
Transportion								
Value	2 413	0	610	..	6 232	12 504	674	-95
Number of projects	16	0	4	..	8	8	4	-50

Source: UNCTAD, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield FDI projects and Refinitiv SA for international project finance deals. For the methodology of calculating investment in productive capacity sectors please see *WIR21* chapter IV and UNCTAD's Productivity Capacities Index.

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