FOREIGN DIRECT INVESTMENT

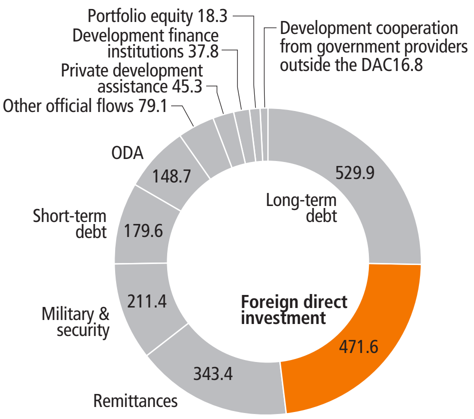
US$471.6 billion in 2011

Foreign direct investment (FDI) is the second largest resource flow to developing countries in aggregate, and investments in developing countries have grown rapidly over the last two decades.

- FDI is highly concentrated: 10 countries account for 70% of all receipts by developing countries.
- Profits on FDI from developing countries are large – equivalent to 90% of new FDI in 2011.
- The value of FDI for poverty reduction is determined by the types of investments being made; however, data on this is poor.
- FDI is likely concentrated in a few key sectors, including infrastructure, metals and extractives.

FDI and other resource flows to developing countries

US$ billions, 2011



What is FDI?

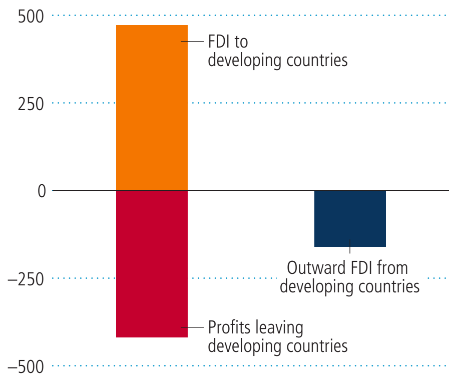
FDI is the net inflows of foreign investments that acquire a lasting management interest in an enterprise based in a developing country. Net figures subtract disinvestments from new investments.

The strength and nature of FDI's impact depend on many factors, including the size, type, sector and location of the investment; the length of the project; the way in which it is financed; the motivation behind the investment; and policies and context in the destination country. FDI can have both positive and negative impacts, and it is not homogeneous: investments may be diverse and have conflicting impacts.

Inflows and outflows

Profits leaving developing countries are significant

US$ billions, 2011

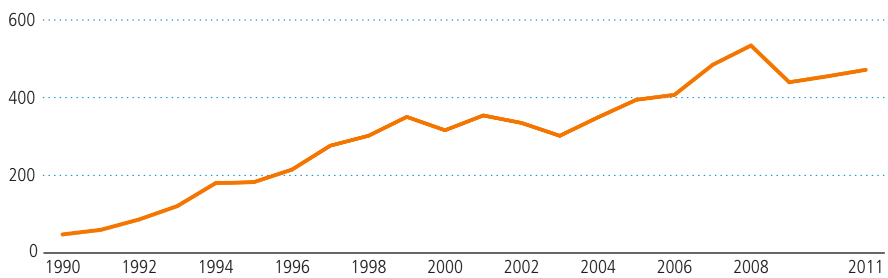


a. An unknown proportion of outward FDI from developing countries goes to other developing countries.

How much is there?

FDI in developing countries has grown an average of 11.7% a year since 1990

US$ billions, 1990–2011

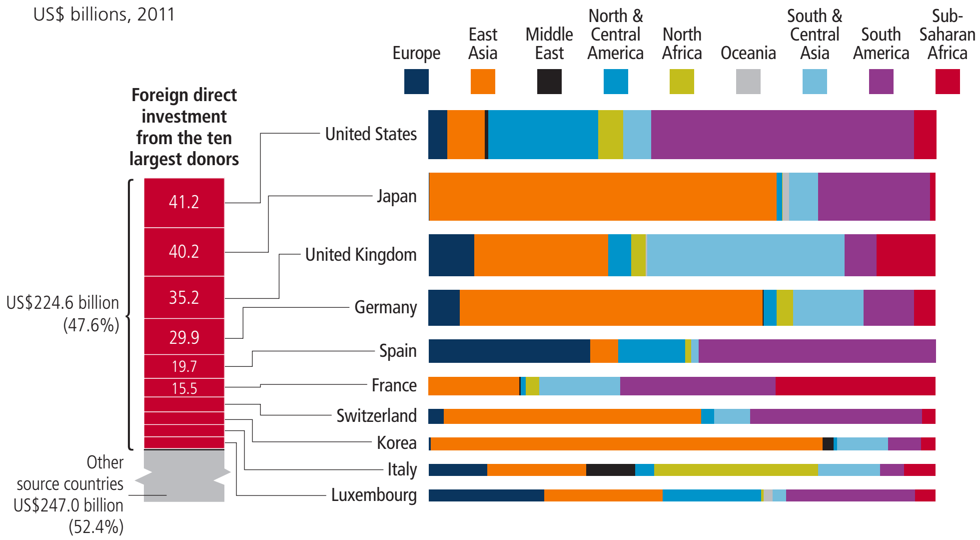


Foreign direct investment in developing countries has grown rapidly. In 2011, 36% of global FDI – or US$471.6 billion – was made in developing countries. Profits on FDI leaving developing countries were equivalent to almost 90% of new investments in developing countries. This ratio has jumped since the global economic crisis, having averaged between 45% and 75% earlier in the 2000s.

Who provides foreign direct investment?

Ten OECD countries account for almost half of all FDI in developing countries

US$ billions, 2011



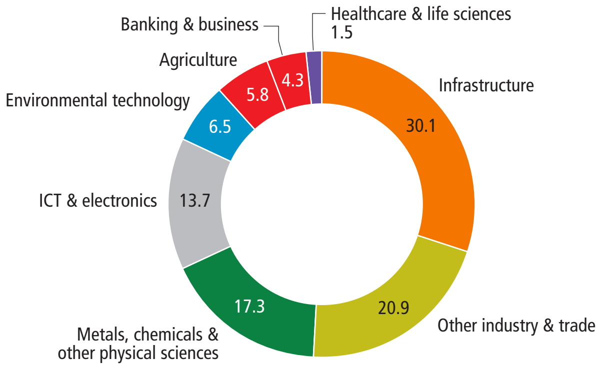
Note: Data limitations mean that non-OECD source countries are excluded from this data. This figure mixes bilateral FDI data from the OECD with UNCTAD data on total FDI, so proportions from other source countries are estimates.

The United States is the largest investor in developing countries, followed by Japan and the United Kingdom. The investment profiles of the largest investors are quite different: The United States and Japan invest most in countries that are geographically close (South America and East Asia); the United Kingdom invests most in South and Central Asia. Outward investments from developing countries totalled US$160.1 billion, though data limitations mean it is not possible to quantify exactly how much of this is invested in other developing countries. China (US$65.2 billion), Malaysia (US$15.3 billion) and India (US$14.8 billion) were the largest sources of FDI from developing countries in 2011.

What kinds of investments are being made?

Infrastructure is the largest FDI sector

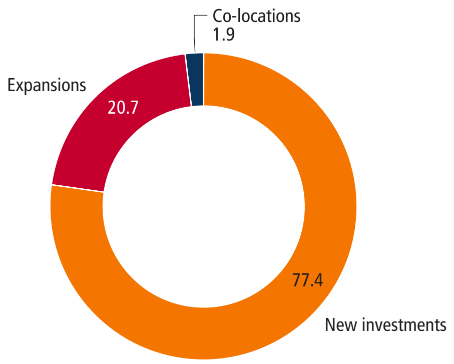
% of FDI to developing countries, 2011



Note: Data is based on announcements of planned investments, not actual recorded flows.

The majority of FDI goes towards new investments

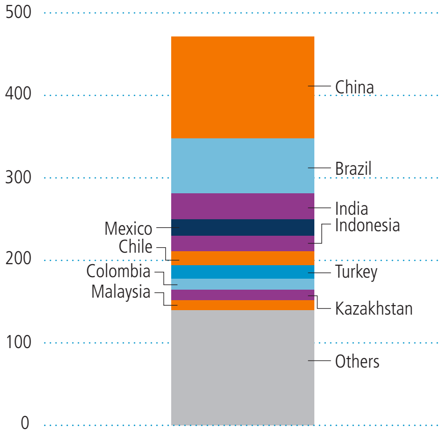
% of FDI to developing countries, 2011



Note: Data is based on announcements of planned investments, not actual recorded flows.

Ten countries account for 70% of FDI to developing countries

US$ billions, 2011

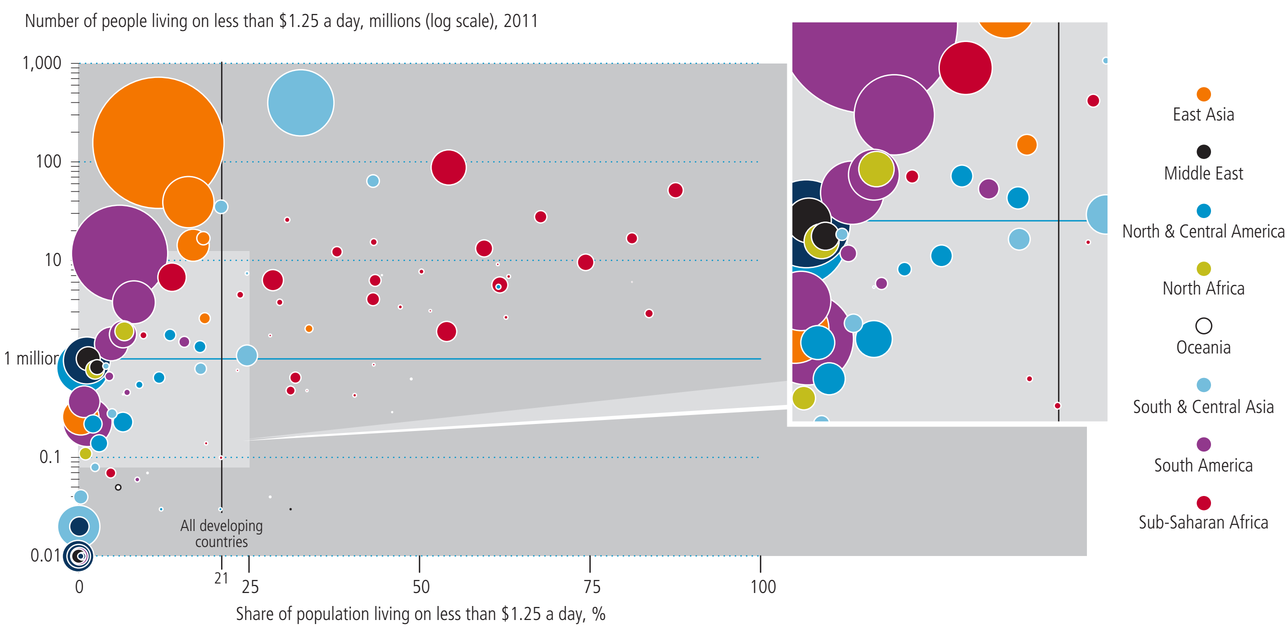


Information on the kinds of investments being made in developing countries is poor; the most comprehensive data is based on announcements of planned investments rather than actual recorded flows. Assuming there is no relationship between the sector or type of FDI and whether planned investments go ahead, almost half of FDI is for investments in infrastructure and metals, chemicals and physical sciences. Metals are the largest single sub-sector, followed by coal, oil and natural gas. Around three-quarters of FDI is for new investments, when a company sets up a new presence in a developing country.

FDI is highly concentrated: ten countries account for 70% of FDI received by developing countries. The largest recipient region was East Asia, with China alone receiving US$123.0 billion in 2011 (26% of the total to all developing countries). Brazil, India, Indonesia and Mexico were the next largest recipient countries. Several factors drive the destinations of FDI, and the size of the recipient country market is a key factor. Many of the largest recipients are countries with larger populations, and many of these countries also have large numbers of people living in poverty. Most FDI is received by countries with lower proportional poverty rates, however.

Foreign direct investment and poverty

Most FDI is received by countries with lower proportional poverty rates



Note: Bubble size indicates the proportion of total foreign direct investment to the country in 2011.

Note: Data is from UNCTADstat, fDi Intelligence, the World Bank and the OECD's FDI by partner database. Data in US$ is in 2011 prices. FDI is foreign direct investment. ICT is information and communication technology. OECD is the Organisation for Economic Co-operation and Development. UNCTAD is the United Nations Conference on Trade and Development.