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INVESTMENT TRENDS MONITOR

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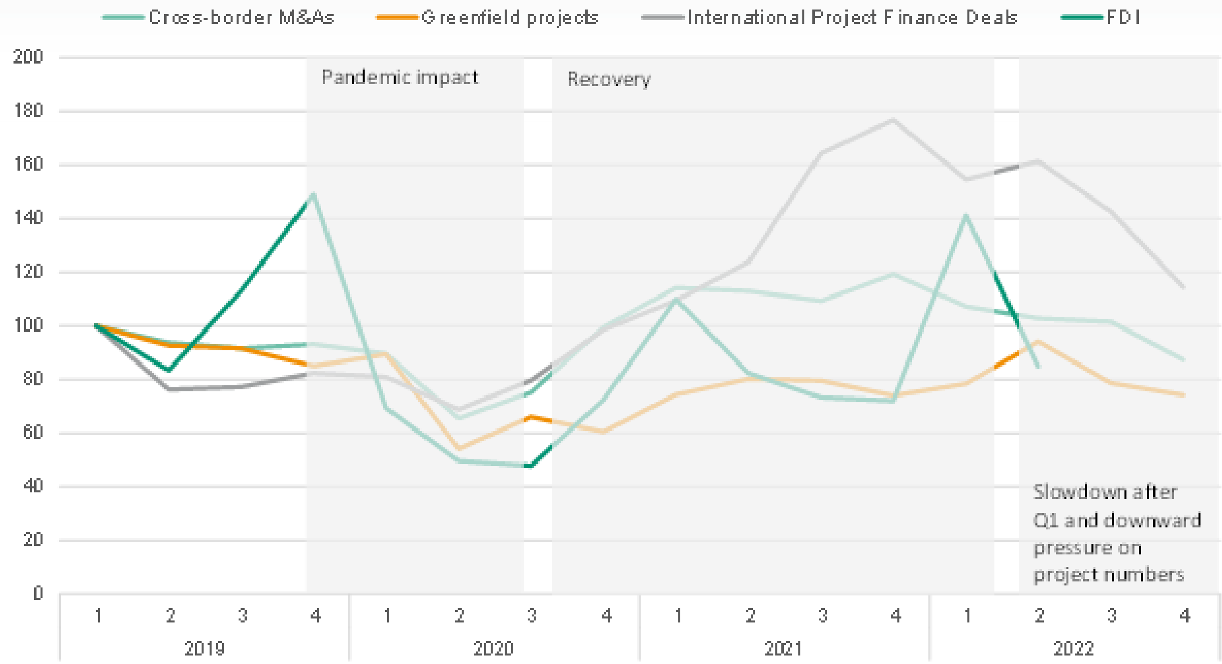
Global FDI momentum weakened in 2022 with downward pressure on projects after Q1. Decline expected for 2023.

HIGHLIGHTS

- *The multitude of crises on the global stage – the war in Ukraine, food and energy prices, financial turmoil and debt pressures – inevitably affected global foreign direct investment (FDI) in 2022.* New investment project numbers, including greenfield announcements, international project finance (IPF) deals, and cross-border mergers and acquisitions (M&As), all shifted in reverse after Q1 (figure 1).
- *Project finance and M&As were especially affected by deteriorating financing conditions, rising interest rates and growing uncertainty in financial markets.* Cross-border M&A sales were 6% lower worldwide and more than 50% lower in the United States, the largest M&A market. International project finance values were more than 30% lower in 2022.

Figure 1. Investment trends, 2019 – 2022 (Indexed, 2019: Q1=100)



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 projects and Refinitiv SA for international project finance.

Note: Project data for 2022 in this monitor are preliminary; greenfield data is estimated based on 11 months. Full-year FDI data, normally presented in the January monitor, are not included because of significant ongoing revisions for 2021 and incomplete 2022 availability – 2022 FDI data will be included in the *World Investment Report 2023*.

- *Preliminary data on greenfield project announcements in 2022 still show growth of 6% due to continued momentum in the first part of the year.* Values increased significantly (+54%) because of several megaprojects and a shift from project to corporate financing in the renewables sector leading to an increase in average project size. (Due to changing financing conditions in 2022, international project finance, normally the preferred financing option for large projects, partly gave way to financing by individual firms leading to a shift from IPF to greenfield.)

- *Investment trends in selected economies in 2022:*
  - In the United States, the value of M&A sales, which normally accounts for a large share of its FDI inflows, fell by 53%.
  - In Europe, new greenfield project announcements were down (-15%), with declines across most large economies with the exception of Italy (+11%).
  - China reported a decline in the number of new greenfield project announcements of 31%, although international project finance numbers were up (+11%).
  - India was the rare exception to the overall gloomy trend, with a doubling of new greenfield project announcements and a 34% increase in international project finance deals.
  - ASEAN economies reported sharply lower cross-border M&A sales (-74%), which may result in lower FDI values for the year, but new greenfield project announcements remained strong (+21%).
  - In Brazil, the number of new greenfield announcements increased by about one third, but international project finance deals were down by 17%.

- *The sectoral distribution of greenfield megaprojects announced in 2022 illustrates key trends in cross-border investment* (table 1). Three of the 10 largest announcements concerned chip factories, in response to global shortages and supply chain restructuring trends. Six of the top 10 project announcements were in renewables, with four announcements in Egypt showing how COP27 motivated several investors to announce large projects.

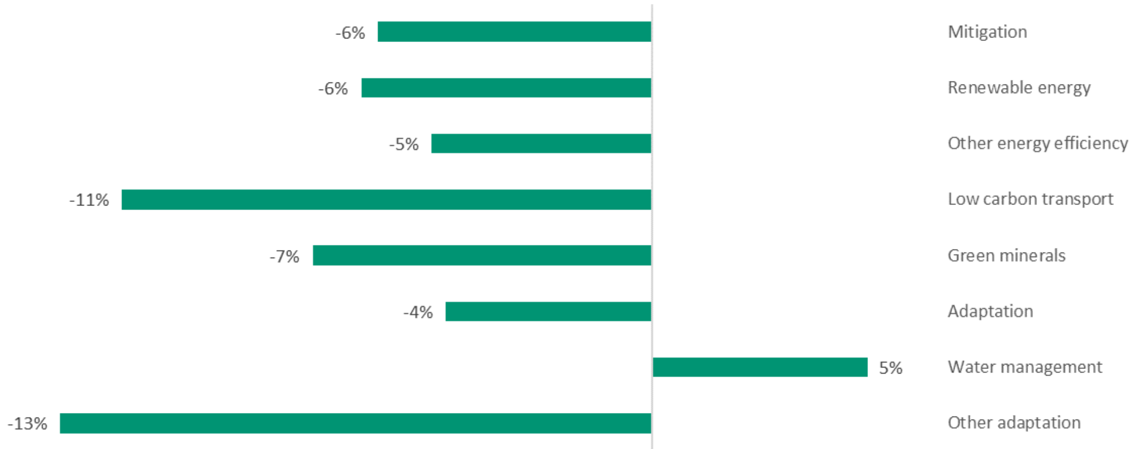
Table 1. Largest greenfield projects announced in 2022

Host economy	Industry segment	Parent company	Home economy	Estimated capex (Millions of dollars)
United States	Semiconductors	Taiwan Semiconductor Manufacturing (TMSC)	Taiwan, Province of China	28 000
South Africa	Real estate	URB	United Arab Emirates	20 000
India	Semiconductors	Vedanta Resources	United Kingdom	19 500
Ireland	Semiconductors	Intel	United States	13 366
Egypt	Renewable energy	ACME Group (ACME Cleantech Solutions)	India	13 000
United Kingdom	Renewable energy (wind)	Marubeni	Japan	12 240
Egypt	Renewable energy	Globeleq Generation	United Kingdom	11 000
Egypt	Renewable energy (wind)	Mubadala Investment Company	United Arab Emirates	10 815
Morocco	Renewable energy	Eren Groupe	Luxembourg	10 280
Egypt	Renewable energy	Fortescue Metals Group	Australia	10 000

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

- *While the higher number of greenfield megaprojects in renewables is encouraging, international project finance in the sector – the bulk of climate change mitigation investment in recent years – is suffering.* IPF numbers in renewables declined by 5% and values by almost 40%. As a result, overall international investment in climate change mitigation and adaptation shrank by more than 9% in terms of announced values and by 6% in project numbers (figure 2). In contrast, several large projects in extractive industries, coal, oil and gas, were announced against the backdrop of the ongoing energy crisis.

Figure 2. Climate change investment trend, 2022 vs 2021, greenfield project announcements and international project finance deals (project numbers)



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

- *Looking at SDG investment sectors beyond climate change mitigation and adaptation, the recovery after the 2020 slump remains fragile.* In developing countries, the number of projects across all SDG sectors (including sustainable infrastructure, food security, water and sanitation (WASH), and health, among others) increased by just 3% while values shrank slightly. The increase in numbers was due mostly to relatively small greenfield projects in transportation. International investment in agriculture and agribusiness, including fertilizers, remained stagnant at low levels.
- *The outlook for global FDI in 2023 appears weak, with a significant number of economies around the world expected to enter a recession*. Negative or slow growth in many economies, further deteriorating financing conditions, investor uncertainty in the face of multiple crises and, especially in developing countries, increasing risks associated with debt levels will put significant downward pressure on FDI.

Table 2. Announced greenfield projects and international project finance deals, 2020–2022
(Number of projects)

Region / economy	Greenfield projects 2020	2021	2022	2021–2022 Growth rate (%)	International project finance deals 2020	2021	2022	2021–2022 Growth rate (%)
World	**13 370**	**15 243**	**16 095**	**6**	**1 342**	**2 349**	**2 343**	**0**
Developed economies	**9 086**	**10 286**	**9 862**	-4	**792**	**1 391**	**1 438**	3
Europe	6 363	7 422	6 533	-12	470	865	960	11
European Union	4 834	5 804	4 919	-15	360	607	522	-14
Other Europe	1 529	1 618	1 615	0	108	251	241	-4
North America	1 981	2 067	2 431	18	186	316	306	-3
Other developed economies	742	797	898	13	136	210	172	-18
Developing economies	**4 284**	**4 957**	**6 233**	**26**	**550**	**958**	**905**	**-6**
Africa	571	547	745	36	93	132	152	15
North Africa	133	143	253	77	13	25	31	24
Other Africa	438	404	492	22	80	107	121	13
Asia	2 660	3 181	4 198	32	243	470	519	10
Central Asia	42	53	43	-19	16	23	19	-17
East Asia	582	672	520	-23	32	83	85	2
South-East Asia	758	847	1 022	21	116	151	219	45
South Asia	459	505	1 000	98	50	154	169	10
West Asia	819	1 104	1 612	46	29	59	27	-54
Latin America and the Caribbea	1 053	1 227	1 286	5	211	348	231	-34
South America	574	631	649	3	177	292	184	-37
Central America	457	568	614	8	27	37	37	0
Caribbean	22	28	23	-18	7	19	10	-47
Oceania		2	4	100	3	8	3	-63

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. Value of cross-border M&A sales, 2020–2022
(Billions of dollars)

Region / economy	Net cross-border M&A sales 2020	2021	2022	2021–2022 Growth rate (%)
World	**475**	**737**	**697**	**-6**
Developed economies	**389**	**624**	**591**	**-5**
Europe	260	271	354	30
European Union	188	142	130	-8
Other Europe	72	129	224	73
North America	109	309	150	-52
Other developed economies	20	44	87	100
Developing economies	**86**	**113**	**106**	**-6**
Africa	3	- 1	9	..
North Africa	0	0	4	..
Other Africa	3	- 2	5	..
Asia	75	100	84	-17
Central Asia	0	0	0	-95
East Asia	31	11	30	180
South-East Asia	- 5	50	13	-74
South Asia	28	8	5	-46
West Asia	21	31	36	16
Latin America and the Caribbean	8	8	14	70
South America	6	5	4	-19
Central America	3	1	9	1248
Caribbean	- 1	3	1	-53

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

Table 4. Announced greenfield projects, by sector and selected industries, 2020–2022
(Billions of dollars, number and per cent)

Sector/industry	Value (Billions) 2020	2021	2022	2021–2022 Growth (%)	Number 2020	2021	2022	2021–2022 Growth (%)
Total	579	705	1 084	54	13 370	15 243	16 095	6
Primary	11	13	71	434	100	101	107	6
Manufacturing	239	313	407	30	5 289	5 905	5 328	-10
Services	329	379	606	60	7 981	9 237	10 660	15
Top 10 industries in value terms								
Electricity and gas supply	109	116	291	152	549	505	507	0
Electronics and electrical equipment	48	137	181	32	888	1 097	1 072	-2
Information and communication	85	105	114	8	2 993	3 867	4 685	21
Extractive industries	9	12	70	510	41	58	81	40
Automotive	33	49	67	36	321	331	187	-44
Transport and storage	27	34	56	65	642	761	914	20
Construction	35	36	54	49	578	714	620	-13
Finance and insurance	8	12	30	145	215	225	190	-16
Chemicals	35	23	24	4	451	453	427	-6
Basic metals and metal products	19	16	23	44	735	724	967	34

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

Table 5. Announced international project finance deals, selected industries, 2020–2022
(Billions of dollars, number and per cent)

Sector/industry	Value (Billions) 2020	2021	2022	2021–2022 Growth (%)	Number 2020	2021	2022	2021–2022 Growth (%)
Total	500	1 377	948	-31	1 342	2 349	2 343	0
Top 10 industries by number								
Renewable energy	211	705	411	-42	844	1 301	1 238	-5
Industrial real estate	54	187	161	-14	60	186	257	38
Residential/commercial real estate	22	43	47	9	62	190	209	10
Telecommunication	40	82	65	-21	49	93	110	18
Oil and gas	54	151	62	-59	72	123	97	-21
Power	29	51	48	-6	56	101	93	-8
Transportation infrastructure	42	54	40	-26	55	99	87	-12
Mining	22	42	49	16	72	125	78	-38
Petrochemicals	15	33	38	16	23	51	49	-4
Waste and recycling	3	4	8	123	13	16	36	125

Source: UNCTAD, based on data from Refiniv SA.

Table 6. Net cross-border M&A sales, by sector and selected industries, 2020–2022
(Billions of dollars, number and per cent)

Sector/industry	Value ($ Billions) (Billions of dollars) 2020	2021	2022	2021–2022 Growth rate (%)	Number 2020	2021	2022	2021–2022 Growth rate (%)
Total	475	737	697	-6	6 201	8 571	7 502	-12
Primary	25	27	124	364	658	623	369	-41
Manufacturing	228	246	142	-42	1 136	1 608	1 353	-16
Services	221	465	431	-7	4 407	6 340	5 780	-9
Top 10 industries in value terms								
Information and communication	80	135	158	17	1 248	2 045	1 749	-14
Extractive industries	24	25	123	394	528	420	211	-50
Finance and insurance	28	75	88	16	562	714	573	-20
Transportation and storage	7	53	41	-23	224	313	288	-8
Pharmaceuticals	56	73	36	-51	211	218	159	-27
Electronics and electrical equipment	40	39	29	-25	165	299	235	-21
Trade	18	64	26	-59	495	643	564	-12
Professional services	11	38	23	-39	447	666	715	7
Real estate	22	34	21	-37	327	409	333	-19
Food and beverages	86	10	21	116	136	197	152	-23

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

Table 7. Developing economies: investment in SDG sectors (announcements), 2020–2022
(Millions of dollars, number of projects and per cent change)

SDG-relevant sector	Greenfield projects				International project finance deals			
	2020	2021	2022	2021–2022 growth rate (%)	2020	2021	2022	2021–2022 growth rate (%)
Total								
Value	**97 144**	**104 544**	**229 614**	**120**	**127 861**	**367 694**	**205 448**	**- 44**
Number of projects	**1 153**	**1 289**	**1 403**	**9**	**378**	**598**	**548**	**- 8**
Power[a]								
Value	10 841	4 169	3 096	-26	22 566	23 767	13 269	- 44
Number of projects	22	20	11	-45	34	39	32	- 18
Renewable energy								
Value	33 977	39 085	145 071	271	73 491	284 206	145 934	- 49
Number of projects	191	145	154	6	292	433	382	- 12
Transport[b]								
Value	10 530	13 395	21 591	61	23 302	29 087	23 075	- 21
Number of projects	183	271	405	49	23	57	48	- 16
Telecommunication								
Value	25 300	25 835	21 762	-16	4 867	18 368	11 141	- 39
Number of projects	242	286	308	8	9	32	35	9
Water, sanitation and hygiene (WASH)								
Value	593	4 119	3 676	-11	1 420	1 141	6 082	433
Number of projects	7	19	14	-25	13	11	18	64
Food and agriculture								
Value	11 425	11 940	20 451	71	2 069	8 218	4 634	- 44
Number of projects	293	273	260	-5	4	10	20	100
Health								
Value	3 618	4 879	13 132	169	129	2 519	608	- 76
Number of projects	151	190	166	-13	2	8	5	- 38
Education								
Value	860	1 121	836	-25	18	389	705	81
Number of projects	64	85	86	1	1	8	8	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.

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