Global Investment Trend Monitor Report: UNCTAD

Why in News

According to the recently released **Global Investment Trend Monitor Report** by the **United Nations Conference on Trade and Development (UNCTAD)**, India was among the top 10 recipients of **Foreign Direct Investments (FDI)** in 2019.

Key Highlights

- **Global Trend:** The global FDI marked a **decline by 1%** from revised $1.41 trillion (in 2018) to $1.39 trillion (in 2019). This was against the backdrop of **weaker macroeconomic performance and policy uncertainty** for investors in the midst of **ongoing trade tensions.**
  - Developing economies continued to attract more than half of global FDI flows, whereas, the **FDI flows to developed countries decreased** further by **6%**.
    - Despite this, the **United States remained the largest recipient of FDI,** followed by **China** and **Singapore.**
- **Regional & India: South Asia** recorded a **10% increase** in FDI and this growth was driven by **India** marking a 16% increase in FDI inflows.
  - India attracted $49 billion FDI inflows in 2019 as compared to $42 billion (in 2018). The majority of this went into **services industries,** including Information Technology.
  - Inflows into **Bangladesh and Pakistan** declined by 6% and 20%, respectively.
- **Mergers & Acquisitions:** Also, according to the report, **cross-border Mergers & Acquisitions (M&As)** decreased by 40% in 2019 (the lowest level since 2014). The underlying reasons for this fall were **sluggish Eurozone growth and** Brexit.
  - The fall in global cross-border M&As sales was deepest in the **services sector** (56% decline), followed by **manufacturing** (19% decline) and **primary sector** (14% decline).
- **Future Projections:** However, UNCTAD expects **FDI flows to rise** moderately in 2020, as according to current projections, the global economy is set to improve from its weakest performance since the global financial crisis in 2009.
  - The **GDP growth, gross fixed capital formation and trade** are projected to rise, at the global level (especially in many large emerging markets).
  - Such an improvement in macroeconomic conditions could prompt **Multinational Enterprises (MNEs)** to resume investments in productive assets (provided their easy access to cheap money).
  - However, significant risks persist, including **high debt accumulation** among emerging and developing economies, **geopolitical risks** and concerns about a further shift towards **protectionist policies.**

Source: BL