



UNCTAD Global Investment Trends Monitor Report

For Prelims: [Foreign Direct Investment](#), [United Nations Conference on Trade and Development \(UNCTAD\)](#), Global Investment Trends Monitor for 2024, [Department for Promotion of Industry and Internal Trade](#), Sustainable Development Goals (SDGs).

For Mains: Global FDI Trends, India's Foreign Direct Investment (FDI), FDI's role in the development.

[Source: UNCTAD](#)

Why in News?

The [United Nations Conference on Trade and Development \(UNCTAD\)](#) has released its **Global Investment Trends Monitor for 2024**, reporting an **8% decline** in global **Foreign Direct Investment (FDI)**.

- This threatens funding for critical sectors like **infrastructure** and **renewable energy** which are essential for achieving the [Sustainable Development Goals \(SDGs\)](#).

United Nations Conference on Trade and Development (UNCTAD)

- **About:**
 - It is the **leading institution** of the UN established in 1964, that is **focused on trade and development** of developing countries.
 - It **provides expertise and policy advice** on issues related to trade, investment, finance, and technology transfer to promote sustainable development.
- **Headquarters:** Geneva, Switzerland.
- **Structure:** It is a **part of the UN Secretariat**, reports to the **General Assembly** and Economic and Social Council; has its own membership, leadership, and budget.
- **Flagship Reports:**
 - [Trade and Development Report](#)
 - [World Investment Report](#)
 - Digital Economy Report
 - [Technology and Innovation Report](#)

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What are the Key Highlights of the Global Investment Trends Monitor for 2024 Report?

▪ Global FDI Trends:

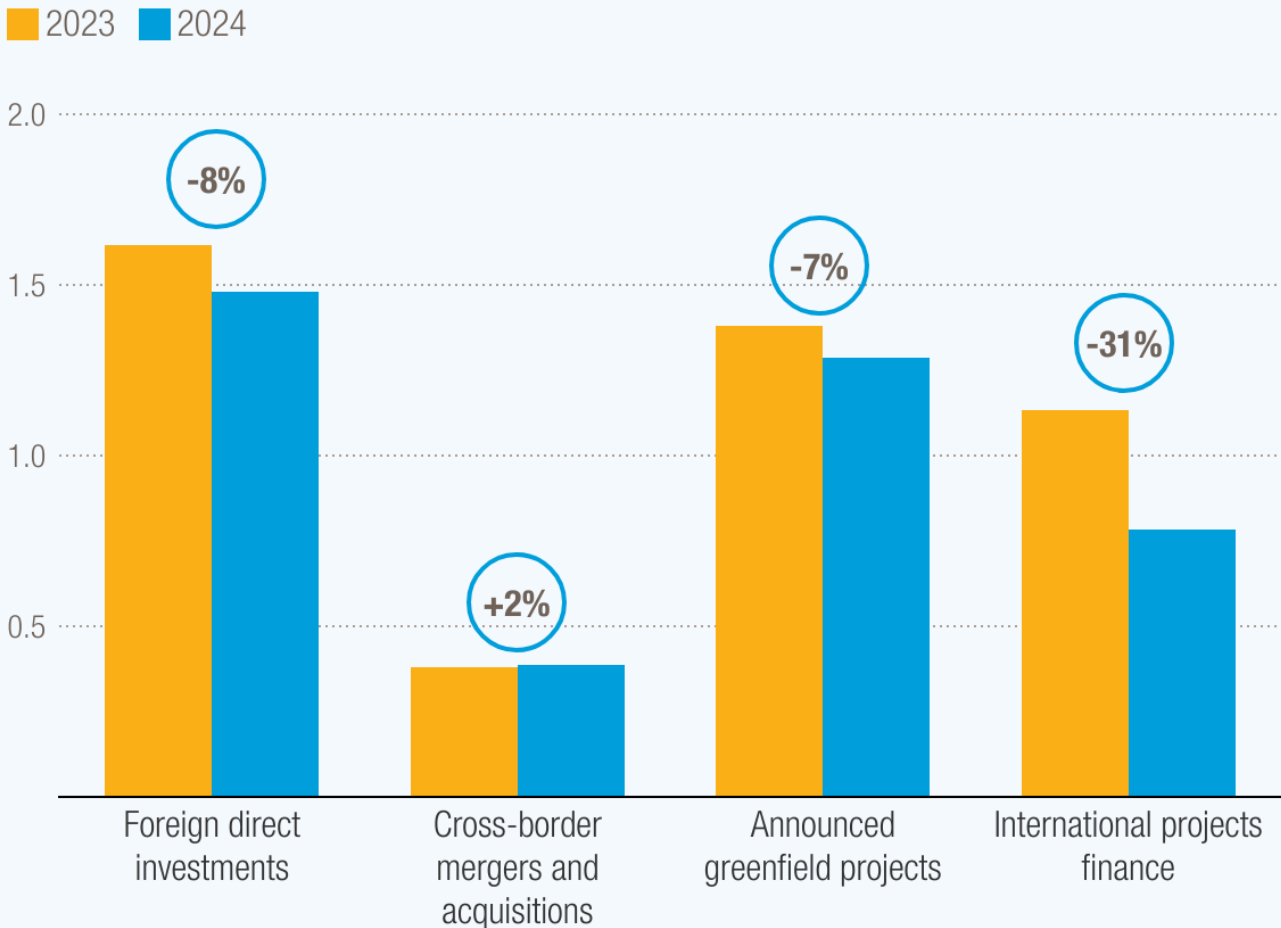
- **Global FDI:** Global **Foreign Direct Investment (FDI)** flows increased by 11% reaching about **USD 1.4 trillion in 2024**. However, when **excluding flows through European conduit economies, FDI decreased by around 8%**.
 - Conduit economies are countries that **allow financial flows to be diverted to other countries** for **tax avoidance**. **Eg:** Ireland, Luxembourg, the Netherlands, Switzerland and the UK.
- **Developed Economies:** FDI into developed economies **surged by 43%**, driven primarily by multinational transactions passing through **conduit economies**.
 - However, excluding these transactions, FDI into developed economies fell by **15%**.

- **Developing Economies:** FDI flows to developing economies declined by 2% in 2024, following a 6% drop in 2023.



Foreign direct investments fell 8% in 2024

Global investment trends, 2024 vs 2023, billions of dollars



Source: UN Trade and Development (UNCTAD), based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and LSEG Data & Analytics.

▪ Regional Investment Trends:

◦ Developed Economies:

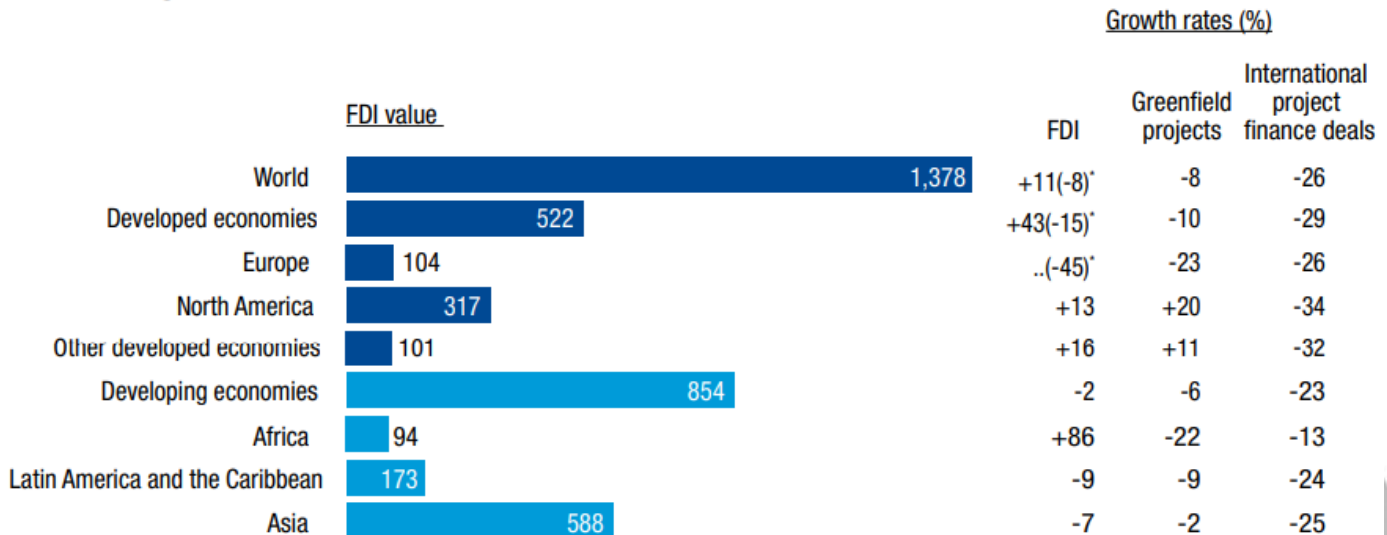
- FDI in Europe **dropped 45%** (excluding conduit economies) but **North America** saw a **13% rise**.
- **Greenfield project announcements in developed economies** fell by **10%**, but the value of greenfield projects rose by 15%, mainly due to semiconductor megaprojects.

◦ Developing Economies:

- **Greenfield investment announcements** decreased by **6%** in number.
 - **Africa and Asia** saw the **largest declines** in greenfield project numbers, with nearly 200 fewer projects in Africa and 150 fewer in Asia.
 - It also declined in **Latin America and the Caribbean**.

- FDI in **Africa surged by 84%** to USD 94 billion, mainly driven by a large project in Egypt.
- **FDI in Central America has increased.**
- **FDI flows** to developing **Asia decreased by 7%**, with **China** experiencing a **29% decline**, while **ASEAN saw a 2% increase** and **India saw a 13% rise**.
 - **India experienced growth** in greenfield projects. The **international project finance** in India **dropped by 23% in number** and **33% in value**.

Figure 2
Regional investment trends, 2024 vs 2023



Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and LSEG Data & Analytics.

*Excluding conduit economies.

▪ SDG-Related Investments:

- Investments in **sectors related to the SDGs**, including **infrastructure, agrifood systems, and water and sanitation**, **decreased by 11%** in 2024.
- This drop could impact critical sectors such as **affordable and clean energy (SDG 7)**, **industry and infrastructure (SDG 9)**, and **water and sanitation (SDG 6)**.
- **Renewable energy project finance** slowed, with **international deals down 16%**, and **domestic finance down 60%**.

What are the Prospects for Global FDI in 2025 as per UNCTAD Report?

▪ Global FDI Outlook:

- Global FDI is expected to **grow moderately**, with the **US and EU seeing stronger growth**.
 - **US investment abroad has declined** as focus shifts to domestic projects, while **Chinese investment abroad has increased**.
- ASEAN, Eastern Europe, West Asia, North Africa, and Central America may benefit from global supply chain shifts.
- For **India**, **moderate FDI growth is expected in 2025**, driven by improved financing conditions, increased mergers and acquisitions (M&A), and ongoing reforms.

▪ Key Influencing Factors:


- FDI growth will depend on GDP, trade, inflation, market volatility, geopolitical dynamics, technology advancements, and policy changes.
- **Private equity** and **sovereign investors** will also play a significant role.

▪ Economic Growth:

- **Stable GDP growth** is expected with **improved projections** for **capital formation and trade**, benefiting global investments.
- **Lower interest rates** could reduce borrowing costs, boosting cross-border investments, especially in infrastructure.
- **Technology & Sector Trends:**
 - Investments in sectors like **AI, cloud computing, cybersecurity, and renewable energy (green hydrogen, electric vehicles)** are expected to **rise**.

What is Foreign Direct Investment (FDI)?

About:



FDI and FPI

Foreign Direct Investment (FDI)

- **About:**
 - Investment made by foreign entities/individuals in **businesses and assets** located in a different country
- **FDI Routes:**
 - **Automatic Route:**
 - ◆ No prior government approval required
 - ◆ Up to 100% allowed in non-critical sectors
 - **Government Approval:**
 - ◆ Necessary in certain sectors or for investments above specific thresholds
 - ◆ Administered by **Department for Promotion of Industry and Internal Trade (DPIIT)** and RBI
- **Examples of Approval via Auto and Govt Route:**
 - Banking (Private sector): up to 49% (auto) + above 49% and up to 74% (Govt)
 - Defence: up to 74% (auto) + above 74% (Govt)
 - Healthcare (Brownfield): up to 74% (auto) + above 74% (Govt)
 - Telecom Services: up to 49% (auto) + above 49% (Govt)
- **Foreign Investment Promotion Board (FIPB):**
 - Comes under Ministry of Finance
 - Responsible for processing FDI proposals - facilitated by **Foreign Investment Facilitation Portal (FIFP)**
 - Making recommendations for Government approval



Govt's prior approval is mandatory for FDI from countries sharing land border with India (China, Bangladesh, Pakistan, Bhutan, Nepal, Myanmar and Afghanistan)

- **India's Top 5 FDI Sources (FY 2022-23):**
 - Mauritius
 - Singapore
 - USA
 - Netherland
 - Japan
- **India's Top Sectors Attracting FDI (FY 2022-23):**
 - Services Sector
 - Computer Software & Hardware
 - Trading
 - Telecommunications
 - Automobile Industry

Foreign Portfolio Investment (FPI)

- **About:**
 - Investments made by foreign individuals, institutions, or funds in financial assets
 - Known as Fly by Night or Hot Money
- **Imp Features:**
 - **Purchase of financial assets** occur without gaining ownership
 - Passive investment approach
 - Investors earn returns through **dividends, interest, and capital appreciation**
- **Example:**
 - Stocks, Bonds etc.
- **Regulatory Body:**
 - Securities and Exchange Board of India (SEBI)

Difference between FDI and FPI		
Features	FDI	FPI
Nature of Investment	Long-term	Short-term
Objective	Long-term presence in a foreign country	Earning quick returns on investments
Control	Significant (over the invested entity)	No or limited control
Investments in	Tangible assets (e.g., factories, buildings)	Financial assets (e.g., stocks, bonds)
Returns	Profits, Dividends, and Capital appreciation	Dividends, Interest, and Capital appreciation
Policy Regulations	Govt policies and sector-specific regulations	Flexible regulations and easier entry/exit
Impact on Economy	Job creation, technology transfer, and economic growth	Short-term liquidity and impact on stock market performance

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Types of FDI:

- **Greenfield Investment:** Creating **new business operations** from the ground up, offering high control and customization.
- **Brownfield Investment:** **Expanding through mergers, acquisitions, or joint ventures** by utilizing existing facilities.
 - While **control may be lower than in Greenfield investments**, it still allows

significant influence over operations.

▪ **FDI in India:**

- **Regulation:** FDI in India is governed by the [Foreign Exchange Management Act \(FEMA\), 1999](#), and is administered by the [Department for Promotion of Industry and Internal Trade \(DPIIT\)](#), under the Ministry of Commerce and Industry.
- **FDI Prohibition in India:** FDI is strictly prohibited in sectors like **atomic energy generation, gambling and betting, lotteries, chit funds, real estate**, and the **tobacco** industry.
- **Latest Data Related to FDI:** FDI inflows into India crossed **USD 1 trillion** between **April 2000 and September 2024**, totaling **USD 1,033.40 billion**.
 - From **2014 to 2024**, India attracted **USD 667.4 billion** in cumulative FDI, a **119% increase** from the **2004-2014** period.

What are the Opportunities and Challenges Related to FDI in India?

▪ **Opportunities for FDI in India:**

- **Large Market Size and Growth:** India's **1.4 billion population** drives high demand for both affordable and high value goods.
 - India is one of the fastest growing economies and its **GDP is projected to grow at 6.5% in 2025 and 2026 as per IMF**.
- **Favorable Demographics:** A **young workforce** (over **65% below 35 years**) provides a **relatively skilled and cheap labour** pool.
- **Government Initiatives:** Policies like "[Make in India](#)," "[Atmanirbhar Bharat](#)," and ease of doing business reforms streamlined requirements and made favourable destinations to attract FDI.
- **Strategic Location:** India's location acts as a **gateway** to the **emerging markets of South Asia, the Middle East, and Southeast Asia**.

▪ **Challenges in Attracting FDI:**

- **Regulatory Hurdles:** **Complex tax systems, inconsistent policies ([retrospective taxation](#))**, and **bureaucratic delays** hinder business operations.
- **Infrastructure Challenges:** Poor **infrastructure, particularly in rural and suburban areas**, limits ease of doing business.
- **Labor Laws:** **Rigid [labor laws](#) and low labor market flexibility** create challenges for businesses.

▪ **Expectations from Investors:**

- **Technology Transfer:** India seeks **foreign expertise and technology** in sectors like **manufacturing, healthcare, and renewable energy**.
- **Job Creation:** Investors are expected to create **employment opportunities** for India's growing workforce.
- **Sustainable Investments:** India encourages **green and sustainable investments** to meet its climate goals (e.g., [National Action Plan on Climate Change](#)).

Conclusion

India's **large market, economic growth, and favorable demographics** offer significant opportunities for FDI. While government initiatives like "**Make in India**" create a favorable environment, challenges such as **regulatory hurdles and infrastructure gaps remain**. India expects investors to contribute to **technology transfer, job creation, and sustainable growth**, which will support both economic and social development goals.

Drishti Mains Question:

Discuss the role of Foreign Direct Investment (FDI) in enhancing India's competitiveness and innovation ecosystem. How do improvements in global competitiveness influence FDI inflows?

Prelims

Q. With reference to Foreign Direct Investment in India, which one of the following is considered its major characteristic? (2020)

- (a) It is the investment through capital instruments essentially in a listed company.
- (b) It is a largely non-debt creating capital flow.
- (c) It is the investment which involves debt-servicing.
- (d) It is the investment made by foreign institutional investors in Government securities.

Ans: (b)

Q. Consider the following: (2021)

1. Foreign currency convertible bonds
2. Foreign institutional investment with certain conditions
3. Global depository receipts
4. Non-resident external deposits

Which of the above can be included in Foreign Direct Investments?

- (a) 1, 2 and 3
- (b) 3 only
- (c) 2 and 4
- (d) 1 and 4

Ans: (a)

Mains

Q. Justify the need for FDI for the development of the Indian economy. Why is there a gap between MOUs signed and actual FDIs? Suggest remedial steps to be taken for increasing actual FDIs in India. (2016)

PDF Reference URL: <https://www.drishtiias.com/printpdf/unctad-global-investment-trends-monitor-report>