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Foreign direct investment: which countries get the most?

The amount being directly invested worldwide grew by 9% in 2013 but the world may face a sizeable gap when it comes to assuring sustainable development

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A new report by the United Nations Conference on Trade and Development (UNCTAD) has shown that Foreign direct investment (FDI) inflows grew year-on-year to $1.45tn in 2013. It expects that to rise to $1.6tn in 2014, $1.75tn in 2015 and $1.85 tn in 2016.

Before we go any further, let's just give the World Bank's definition of FDI outflows and inflows:

FDI net inflows are the value of inward direct investment made by non-resident investors in the reporting economy. FDI net outflows are the value of outward direct investment made by the residents of the reporting economy to external economies.

Flows to developing countries reached a record high of $778bn, which makes them worth 54% of the worldwide amount. This meant that for the second-year-running, developing countries took more investment than developed ones, which with $566bn had a historically low share of 39% despite showing growth on 2012.

One of the other key areas the report looks at is how these figures fit into the Sustainable development goals that the UN are currently formulating. It estimates that there is set to be a $2.5tn year-on-year shortfall in many of the key areas that the goals will identify.

Which countries and regions rank top and bottom for investment received?

Asia retains its place as the continental grouping with the most FDI, with its $426bn inflows making it worth almost 30% of worldwide investment. Most of this was due to rising investment in China, the Republic of Korea and Taiwan.

FDI to the EU began to grow again with its member countries receiving $246bn, an increase of 14% on 2012. However, the EU still received less than 30% of what it was getting in its peak year 2007.

Although Latin America and the Caribbean saw overall positive growth in FDI inflows, it was mostly due to Central American growth despite a 6% decline in South America.

The chart below looks at the top host countries for FDI in 2013. United States stays as the top country with £188bn investment after growth of 17%.

Other countries showing growth in inflows included Russia (up 57%), Spain (up 52%) and Mexico (up 117%). The UK was down 20% on 2012, which goes against the general growth in the European region.

Italy, grew by a massive 1,174% year-on-year, which was partially down to a return to normal levels after a huge drop off in investment in 2012.

Which countries are the biggest investors?

As well as including the amount invested in the country, the report also looks at the amount spent by companies and bodies in each country. These are called FDI outflows and despite a decline of 14.5%, North America remains the top region for outward investment for a second year with $381bn.

Continued growth of outward investment in Asia, saw it start to catch up on North America. FDI outflows from China grew to $101bn in 2013 and are expected to surpass its inflows within three years.

Sustainable development gap projection

The United Nations are currently formulating the Sustainable development goals (SDGs), which will replace the Millenium development goals following the latter's target date being reached in 2015.

The report has looked at several of the key areas that the SDGs are likely to target and estimated a total annual investment ranging between $3.3tn to $4.5tn is required for developing countries to meet their sustainability needs between 2015 and 2030, as the report says these are:

Mainly for basic infrastructure (roads, rail and ports; power stations; water and sanitation), food security (agriculture and rural development), climate change mitigation and adaptation, health, and education.

They estimate that current levels of investment are at $1.4tn, giving an annual investment gap of $2.5tn. That's public and private funding, so not just the FDIs we have been talking about earlier in the report.

Part of the burden could be alleviated by increases in that private sector investment, as if that stays at current growth rates the report says that would imply a "nine-fold increase in public sector funding requirements by 2030" - obviously not a viable target.

Several areas where increased private investment opportunities could come are identified in the graph below

Climate change mitigation, power, transport, water and sanitation are identified as areas with room for growth while others such as education and healthcare are more problematic.

We've put the data for all current FDI inflows and outflows in the spreadsheet below. Can you do anything with this data? Let us know.

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