

World Investment Report, 2022

June 11, 2022

In news—The United Nations Conference on Trade and Development (UNCTAD) has recently launched the World Investment Report 2022.

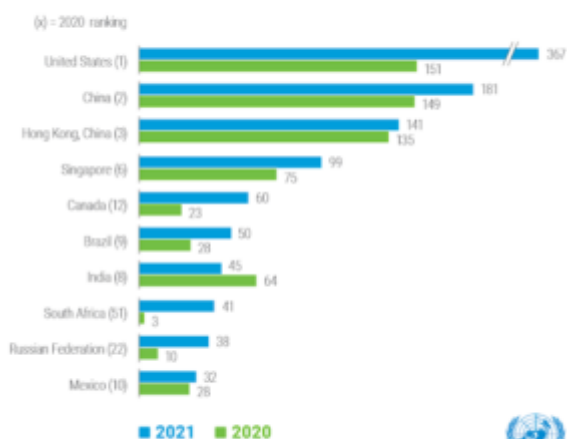
About the report-

- As per the report, indicates that **foreign direct investment (FDI) recovered to pre-pandemic levels in 2021 reaching nearly \$1.6 trillion but this course is unlikely to be sustained in 2022.**
- **Sustainability themed investment products in global financial markets rose by 63% from 2020** and governments around the world seek to develop regulatory frameworks for sustainable finance.
- It has said that **in 2022 the business and investment climate has changed dramatically as the war in Ukraine** results in a triple crisis of high food and fuel prices and tighter financing.
- **Other factors clouding the FDI horizon include** renewed pandemic impacts, the likelihood of more interest rate rises in major economies, negative sentiment in financial markets and a potential recession.
- Despite high profits, investment by multinational companies in new overseas projects were still one-fifth below pre-pandemic levels and for developing countries, the value of greenfield announcements stayed flat.
- UNCTAD foresees that the growth momentum cannot be sustained and that **global FDI flows in 2022 will likely move on a downward trajectory, at best, remaining flat.**
- While the recovery benefitted all regions, **almost three-quarters of the growth was concentrated in developed economies as FDI flows rose 134 per cent and multinational companies posted record profits.**
- **Flows to developing economies rose 30 per cent to \$837 billion** – the highest level ever recorded – largely due

to strength in Asia, a partial recovery in Latin America and the Caribbean and an upswing in Africa.

- **The share of developing countries in global flows remained just above 50 per cent.**

FDI inflows, top 10 host economies, 2020 and 2021 (Billions of dollars)



Source: UNCTAD World Investment Report 2022.

FDI inflow to India-

- According to UNCTAD, **India jumped one position to 7th among the top recipients of FDI in the last calendar year (2021)** despite FDI inflows into the country declining.
- FDI inflows into India declined to \$45 billion in 2021 from \$64 billion in the preceding year.
- **Among the top 10 host economies, only India saw a decline in its inflows.** However, outward FDI from India rose 43 per cent to \$15.5 billion in 2021.
- Though flows into India declined to \$45 billion. A flurry of new international projects were announced. The largest number of projects (23) was in renewables.
- Large projects include the construction in India of a steel and cement plant for \$13.5 billion by ArcelorMittal–Nippon Steel (Japan) and the construction of a new car manufacturing facility by Suzuki Motor (Japan) for \$2.4 billion.

About UNCTAD-

- The United Nations Conference on Trade and Development (UNCTAD) **is the UN's leading institution dealing with trade and development.**
- It is a **permanent intergovernmental body established by the United Nations General Assembly in 1964.**
- It is **part of the UN Secretariat** and has a membership of 195 countries, one of the largest in the UN system.
- It **supports developing countries to access the benefits of a globalized economy** more fairly and effectively.
- It **provides economic and trade analysis, facilitates consensus-building** and offer technical assistance to help developing countries use trade, investment, finance and technology for inclusive and sustainable development.