

UNCTAD'S WORLD INVESTMENT REPORT 2025

NEWS: The United Nations Conference on Trade and Development (UNCTAD) released its World Investment Report 2025, highlighting global trends in Foreign Direct Investment (FDI) for the years 2023 and 2024.

WHAT'S IN THE NEWS?

Global Economic and Investment Context

- The global economy in 2024–25 is experiencing stress due to geopolitical conflicts (like the Ukraine war and Middle East tensions), tight financial conditions, and uncertainty around US economic policies.
- These challenges are further aggravated by rising global debt levels, slowing GDP growth, and structural shifts in global trade and investment patterns.

Global FDI Trends (2024–2025)

- Global Foreign Direct Investment (FDI) declined by 11% in 2024, marking the second consecutive year of contraction.
- The outlook for 2025 remains weak due to ongoing geopolitical tensions and cautious investor sentiment.
- The United States remained the top destination for FDI, receiving \$279 billion in inflows in 2024.

Regional Distribution of FDI

- In Developing Asia, FDI fell by 3%, with China seeing a sharp 29% decline in inflows.
- Southeast Asia (ASEAN) was a bright spot, attracting \$225 billion—up 10% from the previous year.
- North America saw a 23% increase in FDI, driven by corporate mergers and strategic investments.
- Africa received a record-high \$97 billion, a 75% increase, although from a lower base.
- Europe witnessed a significant drop in FDI inflows, reflecting broader economic and geopolitical instability.
- FDI distribution remains highly concentrated, with just 10 developing countries accounting for 75% of total FDI inflows among this group.

Sectoral Investment Trends

- Sectors experiencing a decline include infrastructure (-35%), renewable energy (-31%), water and sanitation (-30%), and agrifood (-19%).
- High-growth sectors include semiconductors (+140%), digital economy (+107%), and health & education (+25%).
- Greenfield investment projects rose by 3%, showing some resilience.
- Cross-border mergers and acquisitions (M&A) increased by 14%, reflecting ongoing corporate restructuring.

Slump in International Project Finance (IPF)

- The value of international project finance declined by over 40% between 2021 and 2024.
- Least Developed Countries (LDCs) were disproportionately affected due to their heavier dependence on external finance for development needs.

Digital Economy: Leading Investment Growth

- The digital economy is currently the only sector experiencing sustained growth in FDI.
- Tech companies now generate over 20% of total revenues among the world's Top 100 multinational enterprises, underscoring a global pivot toward digital transformation.

Decline in SDG-related Investments

- Investment in Sustainable Development Goal (SDG) sectors in developing countries dropped by 25–33%.
- This is concerning as it threatens progress on global climate, health, infrastructure, and inclusive development goals.

India's FDI Performance

- India received \$28 billion in FDI in 2024, maintaining the same level as in 2023.
- Despite the stagnation, India moved up one position in the global FDI ranking, from 16th to 15th.
- While global FDI fell by 11%, India's inflow remained stable, indicating relative resilience.
- According to DPIIT, India's FDI equity inflows in FY25 reached \$50 billion, marking a 13% increase.
- RBI data shows net FDI (after excluding repatriation) at \$29 billion in FY25.

Greenfield and Project Finance Trends in India

- India ranked 4th globally in greenfield project announcements, the same position as in 2023.
- Capital expenditure commitments surged by over 25%, reaching \$110 billion—accounting for nearly one-third of all greenfield investments in Asia.
- India slipped from 2nd to 5th place globally in International Project Finance (IPF) deals, registering 97 projects in 2024.

Sectoral Developments in India

- India remains a top destination for industrial and manufacturing investments.
- However, large-scale infrastructure investments have slowed, as seen in the fall in IPF rankings.

- Key developments include Microsoft's \$3 billion investment to expand AI and cloud infrastructure, and Walt Disney's exit through a \$3 billion merger of Star India with Viacom18.
- Several international pharmaceutical assets were acquired by Indian companies, indicating growing domestic consolidation.

India's Position in Developing Asia

- India has emerged as the top FDI recipient in Asia by capital expenditure.
- Along with Brazil and Chile, India now hosts over 30% of all international projects in developing economies, reinforcing its importance in the Global South.

About the World Investment Report

- The World Investment Report is published annually by UNCTAD and analyses global FDI trends and their implications for development.
- It includes rankings of top transnational corporations, analysis of global value chains, and special thematic studies on emerging investment patterns.
- The report also offers policy recommendations to strengthen the role of FDI in achieving sustainable and inclusive development.

UN Trade and Development

- UNCTAD is a **permanent intergovernmental body** established in **1964** by the **United Nations General Assembly**.
- It functions as part of the **UN Secretariat** and the **United Nations Development Group**.
- Located in **Geneva, Switzerland**.
- UNCTAD reports to the **UN General Assembly** and the **Economic and Social Council (ECOSOC)**.
- It works to integrate developing countries into the world economy through **trade, investment, finance, and technology**.

Key Reports Published by UNCTAD

- World Investment Report
- Commodities and Development Report
- Digital Economy Report
- Economic Development in Africa Report
- Handbook of Statistics
- Least Developed Countries Report
- Review of Maritime Transport
- Technology and Innovation Report

- Trade and Development Report

Source: https://www.business-standard.com/finance/news/india-retains-top-spot-in-greenfield-fdi-flows-despite-global-decline-125061900995_1.html