

Chapter 1 Inward FDI Trends in the World



Chapter 1 provides an overview of inward FDI in the world and discusses the recent trends by region.

Section 1. Global Inward FDI Flow in 2022



According to the United Nations Conference on Trade and Development (UNCTAD), global FDI in 2022 decreased by 12.4% from the previous year to 1,294.7 billion dollars (based on the directional principle). Although it recovered in 2021 to the level before the spread of COVID-19, the recovery trend did not stabilize or expand in 2022. As a special note by country and region, of developed economies, Europe experienced a significant decrease and turned into an outflow. On the other hand, it increased in Japan by 31.9% (Chart 1-1).

Chart 1-1: Trends in Global Inward FDI Flow (Million US dollars, %)

Country/Region	2020	2021	2022	2022 Growth rate (YoY)
World	961,983	1,478,137	1,294,738	-12.4
Developed Economies	315,461	597,243	378,320	-36.7
Japan	10,703	24,652	32,509	31.9
Korea	8,765	22,060	17,996	-18.4
Israel	23,109	21,486	27,760	29.2
Europe	132,537	50,711	-106,770	*
European Union	115,623	152,381	-124,948	*
Germany	56,204	46,468	11,053	-76.2
France	11,359	30,885	36,413	17.9
United Kingdom	58,237	-71,174	14,093	*
Russia	10,410	38,639	-18,681	*
North America	122,766	453,439	337,690	-25.5
United States	95,882	387,780	285,057	-26.5
Developing Economies	646,522	880,894	916,418	4.0
East Asia	284,850	333,522	323,561	-3.0
China	149,342	180,957	189,132	4.5
Hong Kong	134,710	140,186	117,725	-16.0
Singapore	72,903	131,151	141,211	7.7

Note: Figures for Japan in the chart are calculated by UNCTAD based on the directional principle. The data do not correspond to those in Chart 2-1. See "Measurement Principles." The marks of * in the chart show that one of the comparison data is negative and therefore growth rate is not applicable.

Source: UNCTAD data. Classification is also as defined by UNCTAD

[Column] Measurement Principles



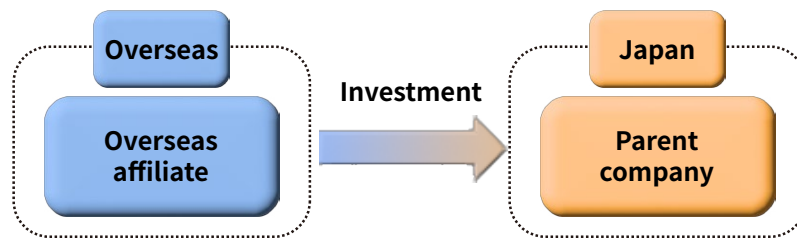
1. Asset and Liability Principle

Investments from Japan to overseas are classified as "assets" (outward FDI), while those from overseas to Japan are classified as "liabilities" (inward FDI). In the chart below, "Investment" is recorded as inward FDI.

2. Directional Principle

Investments of a Japanese parent company in an overseas affiliate are classified as "outward FDI," and investments of an overseas parent company in a Japanese affiliate are classified as "inward FDI."

In the chart below, "Investment" is not recorded as inward FDI but is regarded as a recovery of the Japanese parent company's investment (negative outward FDI).



Source: Bank of Japan (BOJ) website, JETRO Global Trade and Investment Report

Section 2. Global Greenfield Investment in 2022



Looking at the global greenfield investment on an announced basis, it is clear that investment orientation is expanding. According to United Nations Conference on Trade and Development (UNCTAD), the value of greenfield investment announced in 2022 increased by 64.2% over the previous year. In particular, investment in emerging countries and regions approximately doubled and performed well. A number of investment projects in Africa were announced, and South Asia also saw significant growth, driven by India. Among developed countries, investment in the U.S. was strong, and North America also saw growth. On the other hand, investment in East Asia (excluding Japan and Korea) decreased to about 60% of the previous year (Chart 1-2).

Chart 1-2: Trends in Global Greenfield Investment (announced basis) (Million US dollars, %)

Country/Region	2020	2021	2022	2022 Growth rate (YoY)
World	603,933	738,636	1,212,651	64.2
Developed economies	333,356	465,124	639,446	37.5
Europe	211,410	295,950	361,860	22.3
North America	86,657	118,863	184,722	55.4
Other developed economies	35,289	50,311	92,863	84.6
Developing economies	270,577	273,512	573,205	109.6
Asia	169,868	156,429	275,369	76.0
East Asia	39,143	40,560	23,801	-41.3
South-East Asia	68,584	64,085	86,570	35.1
South Asia	25,138	19,048	80,584	323.1
Latin America and the Caribbean	64,668	64,808	101,679	56.9
Africa	36,040	52,220	194,903	273.2

Note: Japan and Korea are classified as "Other developed economies," not as "East Asia,". Data refer to estimated value of capital investment. Data exclude financial centers in the Caribbean.

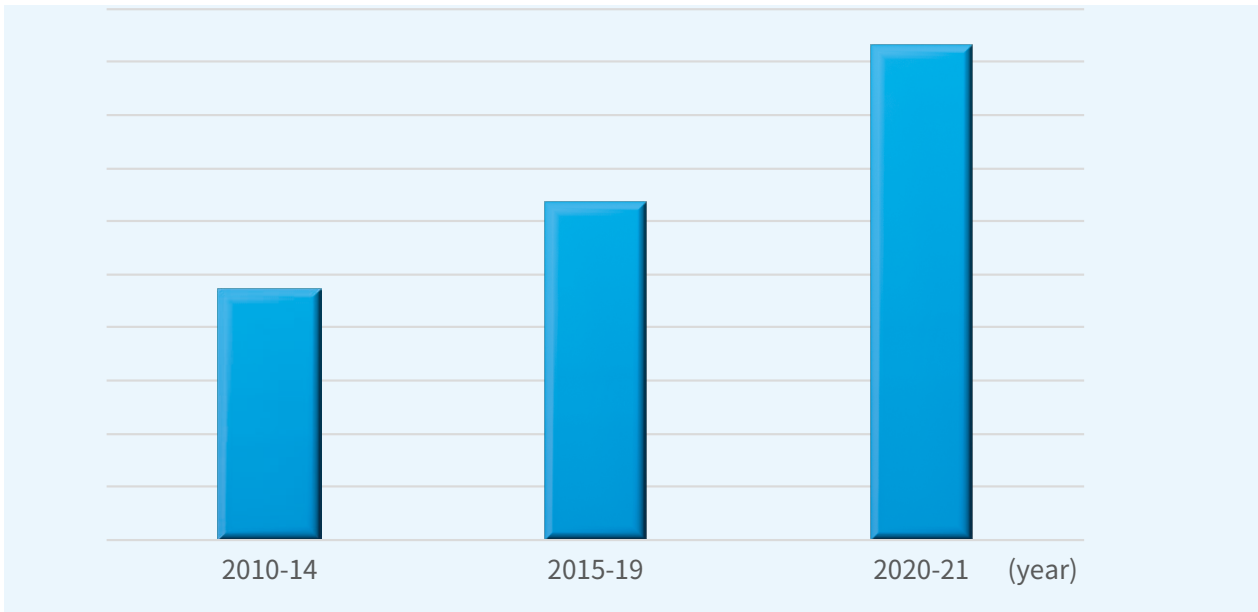
Source: UNCTAD data. Classification is also as defined by UNCTAD

Section 3. Responses of Global Companies to Geopolitical Risks



As international policy directions have been increasingly fragmented (Chart 1-3), geopolitical risks are rising and companies are getting more interested in reshoring. According to a survey by the International Monetary Fund (IMF), a rapid increase in interest in reshoring was particularly seen from 2019 to 2020 and from 2021 to 2022 (Chart 1-4). According to this survey, comparing companies that mention reshoring in their earnings calls with those that do not, statistically significant differences were found in profitability, percentage of intangible assets, sales, and number of employees, with particularly large differences in profitability and number of employees, showing that companies with higher productivity are more interested in reshoring.

Chart 1-3: Foreign Policy Distance Index



Note: Index based on the difference in voting behavior of the United States and China at the UN General Assembly. The higher the number, the greater the difference in voting behavior.
 Source: IMF Global Financial Stability Report (April 2023), Häge (2011)

Chart 1-4: Growing Interest in Reshoring



Note: The geopolitical risk index shows interest in reshoring and is measured by the frequency of references to "reshoring," "friendshoring," and "nearshoring" in earnings calls.
 Source: IMF World Economic Outlook (April 2023), Hassan and others (2019), NL Analytics

Section 4. Changes in Global Investment Destinations due to Geopolitical Risks

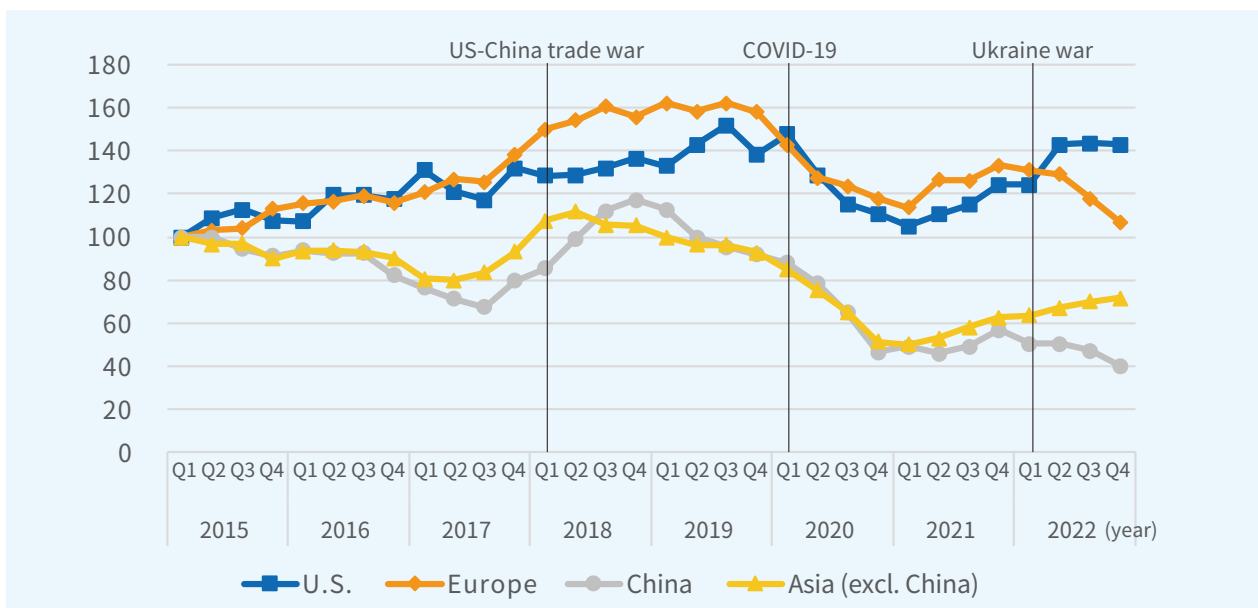


According to the survey by the International Monetary Fund (IMF), the number of investment destinations in strategic sectors (announced basis) has been on a downward trend since 2019, which is particularly significant in Asia. A slight recovery trend, however, is seen in Asia, with the exception of China (Chart 1-5).

An analysis by IMF of the investment sources and destinations by region based on the number of cases suggests that China is falling significantly both as an investor and as an investee. With the exception of Emerging Europe, the analysis suggests that the importance as an investment destination from all regions has decreased (Chart 1-6).

This situation may have a major impact on companies' investment strategies in Japan.

Chart 1-5: Investment in Strategic Sectors^{*1} in selected country^{*2}



Note *1: Chemicals, Pharmaceuticals, batteries, electronic devices and components, measuring instruments, automobiles, resources, etc.

Note *2: Based on the number of investments. Four-period moving averages with the 2015 Q1 as 100.

Source: IMF World Economic Outlook (April 2023), "fDi Markets" (Financial Times)

Chart 1-6: Changes in Investment Destinations by Region
(Comparison of Q2 2020 to Q4 2022 and Q1 2015 to Q1 2020)

		Destination Countries/Regions							(Unit: % point) <Legend>
		U.S.	Americas (excl. U.S.)	Advanced Europe	Emerging Europe	Asia (excl. China)	China	Rest of the world	
Source Countries/Regions	U.S.	—	9.2	0.6	19.4	2.3	-40.6	21.6	30 or over
	Americas (excl. U.S.)	18.6	27.3	14.9	34.0	5.9	-13.3	27.6	20~ less than 30
	Advanced Europe	7.5	-11.7	9.3	-0.9	-9.8	-19.7	8.6	10~ less than 20
	Emerging Europe	27.6	2.9	9.9	18.1	-22.3	13.9	-11.5	0~ less than 10
	Asia (excl. China)	-3.2	-8.7	-11.7	-2.4	-23.7	-49.2	-4.4	less than 0~-10
	China	-22.1	-6.9	-17.8	-31.3	-44.3	—	-31.9	less than -10~-20
	Rest of the world	26.4	7.1	5.3	11.4	-3.7	-24.7	18.6	less than -20

Note: Deviation from the change in the overall number of greenfield investments (aggregate change, -19.5%) between the two comparative periods. Note that Japan is not included here.

Source: IMF World Economic Outlook (April 2023), "fDi Markets" (Financial Times)