THE fDi REPORT 2014
Global greenfield investment trends

fDi Intelligence
GLOBAL INSIGHT FROM THE FINANCIAL TIMES LTD

Executive summary

The **fDi** Report is the authoritative annual review of greenfield FDI provided by **fDi** Intelligence. This year's issue of the report focuses for the first time on the capital investment announced by foreign investors rather than the number of FDI projects. A focus on capital investment provides a strong indicator of how foreign investors are responding to the nascent world economic recovery.

The headline finding of the report is that greenfield FDI started to recover in 2013 with a 10.94% growth in FDI from $557.58bn in 2012 to $618.62bn. The growth in greenfield capital investment by foreign investors in 2013 exactly matches the growth in official FDI flows, with the UN Conference on Trade and Development (Unctad) recording 11% growth in FDI flows in 2013 with $1460bn of FDI. While data on greenfield FDI and general FDI flows (which include M&A and other types of investment) are methodologically quite different, the 11% growth recorded in both measures of FDI indicates a high level of confidence that growth has resumed in both long-term capital flows and productive investment by foreign investors.

The growth in FDI in 2013 was, however, unevenly distributed across regions of the world. Latin America and the Caribbean was the best performing region when it comes to growth in FDI, with a doubling in 2013 to $139.81bn. More than half of the absolute increase in FDI in Latin America and the Caribbean was accounted for by a $40bn infrastructure project announced in Nicaragua by a Hong Kong-led consortium. The Middle East recorded the second largest increase in FDI in 2013 with $46.8bn of greenfield FDI, 43.68% higher than in 2012. Africa also recorded growth in FDI of 10.76%, reaching $51.98bn in 2013. North America recorded a slight decline in FDI in 2013 (a 1.36% fall) while FDI in Asia-Pacific fell by 4.67% and in Europe declined by 12.08%. Overall, Asia-Pacific and Latin America and the Caribbean attracted the highest volume of FDI in 2013.

China and the US remained the top countries in the world for FDI, which has been the case for the past decade. However, FDI in both China and the US fell slightly in 2013, as it did in most of the world's major economies. Growth of FDI in 2013 came mainly in small and medium-sized emerging and frontier markets, most notably Nicaragua, Myanmar, Vietnam, Iraq, Jordan, Colombia, Peru and Mozambique.

An indicator of world economic recovery is that FDI in the hotels and tourism sector increased by 36.3% in 2013 while FDI in building and construction materials increased by 88.39%. Overall, coal, oil and natural gas remained the largest sector for FDI, followed by communications, which was the fastest growing sector for FDI in 2013 and is the subject of a special feature later in this report.

The **fDi** Report also has a special feature on the location determinants of foreign investment, to provide insight into what is driving the recovery in FDI. The analysis of location determinants draws on both anecdotal evidence on location motives, collected from foreign investors, and statistical analysis. The results clearly demonstrate that FDI was primarily market-seeking, which strongly suggests that the growth in FDI in 2013 is linked to expectations of market growth as economic recovery takes place. The analysis also shows the importance of the regulatory and business climate, including tax rates and skilled workforce availability, in attracting FDI.

In terms of our expectations for the coming years, **fDi** Intelligence expects growth in the FDI market to accelerate in 2014 and record solid annual growth over the next five years. We expect countries that are beating economic growth forecasts and which have strong economic fundamentals and political stability to record the fastest growth of FDI in 2014.

Global overview

In 2013, greenfield FDI showed signs of recovery, increasing by an estimated 10.94% from $557.58bn in 2012 to $618.62bn. The number of FDI projects declined slightly in 2013, decreasing by 6.36% to 11,691. Job creation also fell, by 3.84% to 1,532,602. China was the highest ranked country globally, with $64.14bn-worth of FDI announced in 2013.

Top destination regions for FDI

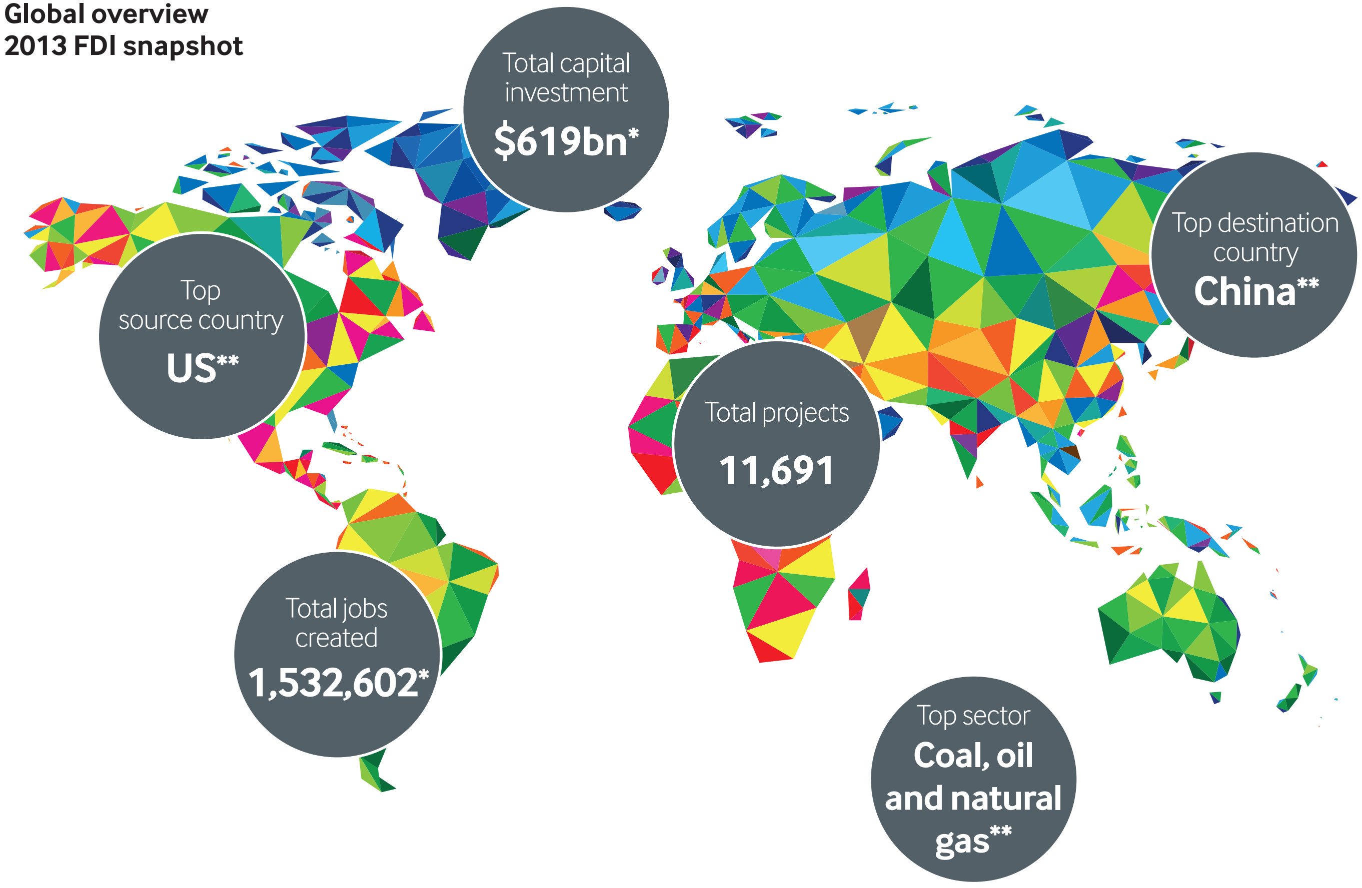
Asia-Pacific remained the leading destination for FDI in 2013, with projects recorded bringing capital investment to $184.67bn.

FDI into Europe declined in 2013, falling 12.08% to $137.26bn on the back of a 6% decline in project numbers to 4166. The UK remains the leading destination for FDI in Europe, with 796 projects recorded at a total value of $26.51bn, accounting for almost 20% of FDI in the region. Turkey continues to increase its market share, accounting for 6.69% of total FDI in Europe with $9.19bn-worth of projects announced in 2013. This increase has pushed Turkey up the European rankings table to fourth from seventh in 2012.

Both the Middle East and Latin America and the Caribbean recorded strong growth in greenfield FDI in 2013. FDI into the Middle East increased in 2013 by 43.68%, with major growth in Iraq and Jordan. Nicaragua attracted the biggest project in the world in 2013, a $40bn waterway, significantly contributing to

10.94% Increase in capital investment in global greenfield FDI in 2013

Global overview
2013 FDI snapshot



Source: fDi Markets
*estimates
**by capital investment

the doubling of FDI in the region to $139.81bn. Mexico also saw strong growth in greenfield FDI, though Brazil's figures were flat.

Project numbers and resulting capital investment in North America declined 0.77% and 1.36%, respectively. Ontario was the top state in the region with $7.23bn invested in 2013. Quebec and North Carolina were the two fastest growing states, with respective investments of $3.93bn and $1.88bn.

Africa performed well in 2013, attracting $51.98bn in inward capital investment, compared with $46.92bn in 2012. This increase of 10.76% is a positive story for Africa, which appears to be rebounding from a drop in inward FDI in 2012 from its $70.92bn level in 2011.

Top source regions for FDI

Western Europe was the top source region for FDI in 2013. It accounted for 34.94% of all announced outward FDI in the year and also experienced a 10.38% increase on 2012. However, the number of FDI projects from the region decreased in 2013, by 3.48% to 5269. Total estimated FDI from western Europe, excluding intra-western Europe FDI, increased 13% on 2012 to $176.4bn.

Asia-Pacific remains a strong source for outward FDI despite a 1.9% decline in outward capital investment. In 2012, the region accounted for 32.5% of the global total of $557.58bn. However, in 2013 it accounted for 28.77% of the global total of $618.54bn, down 3.73% on the previous year.

Estimated capital investment from North America increased by 9.57% in 2013 and the region maintained a global market share of about 20%. However, the region experienced a 10.22% decline as a source region for FDI projects, with outward project numbers coming in at 2951 in 2013 compared with 3287 in 2012.

10.76% Increase in capital investment in African greenfield FDI in 2013

FDI coming out of Africa more than doubled in 2013. The number of outward projects from the region also increased, by 20.47% in 2013 from 171 in 2012 to 206 in 2013. The number of outward projects from Africa is the highest recorded since **fDi** Markets began recording in 2003.

Sector analysis

Coal, oil and natural gas; communications; business services; renewable energy; and real estate were the top five sectors by capital investment in 2013, accounting for 47.26% of FDI globally. Of the top five sectors, real estate was the only one to record a decline, by 27.03% to $46.74bn.

FDI activity in construction picked up, with hotels and tourism increasing by 36.3% to $18.98bn in 2013 and building and construction materials increasing by 88.39% to $9.69bn.

In 2013, **fDi** Markets recorded 762 investments in the communications sector totalling $61.59bn. This represents an increase of 82.2% on 2012 and the highest ever capital investment figure for the communications sector since **fDi** Markets began measuring such statistics in 2003.

About the data

The report is based on the **fDi** Markets database of The Financial Times Ltd, which tracks greenfield investment projects. It does not include mergers and acquisitions or other equity-based or non-equity investments. Only new investment projects and significant expansions of existing projects are included. **fDi** Markets is the most authoritative source of intelligence on real investment in the global economy, and the only source of greenfield investment data that covers all countries and industries worldwide. Retail projects have been excluded from this analysis but are tracked by **fDi** Markets.

The data presented includes FDI projects that have either been announced or opened by a company. The data on capital investment and job creation is based on the investment the company is making at the time of the project announcement or opening. As companies can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency, the data used in this report is different to the official data on FDI flows. The data from **fDi** Markets is more accurate and a real-time indicator of the real investment companies are making in their overseas subsidiaries.

The data shown includes estimates for capital investment and job creation derived from algorithms (patent pending) when a company does not release the information.

Note that the investment projects tracked by **fDi** Markets are being constantly updated and revised based on new intelligence being received and the underlying algorithms are constantly improving their accuracy over time. The data presented in this report may therefore differ slightly from the real-time data available at **www.fdimarkets.com**.

The World Bank, Unctad, the Economist Intelligence Unit and more than 100 governments around the world as well as major corporations use the data as the primary source of intelligence on greenfield investment trends.

Asia-Pacific

FDI projects into Asia-Pacific

FDI into Asia-Pacific declined by 4.67% in 2013, with $184.67bn of announced investments recorded in the region. While China still leads Asia-Pacific in 2013 with an estimated FDI total value of $64.14bn and a dominant 34.73% market share, announced FDI into the country declined slightly, while several other countries in the region recorded very strong growth. Vietnam almost tripled its FDI in 2013, from $5.34bn in 2012 to $15.31bn. As the country continues its integration into the global economy, its open-market policies have become increasingly effective in attracting international investors. FDI in Myanmar grew from $1.54bn in 2012 to $13.22bn in 2013, resulting in a 7.16% market share of all capital investment into Asia-Pacific. Myanmar continues to benefit from political and economic reform in the wake of its democratic elections in 2010.

Capital investment into India almost halved throughout 2013. In contrast, in 2013, Japan experienced an impressive rise in FDI from $3.84bn to $8.91bn, displaying a 4.83% market share of all FDI in the region. Among the significant boosts to the Japanese capital investment figures, US-based SanDisk and Japan's Toshiba plan to invest $4bn to build a new chip manufacturing site at their existing complex in the city of Yokkaichi.

FDI projects out of Asia-Pacific

Many countries in Asia-Pacific experienced a decline in outward FDI in 2013, with the region itself recording a 1.94% drop in FDI to $177.91bn. India, South Korea and Malaysia, which were among the strong performers previously, all recorded lower figures than in 2012. While India suffered a drop in its market share of all FDI leaving Asia-Pacific from 12.93% to 7.6%, the country's share of

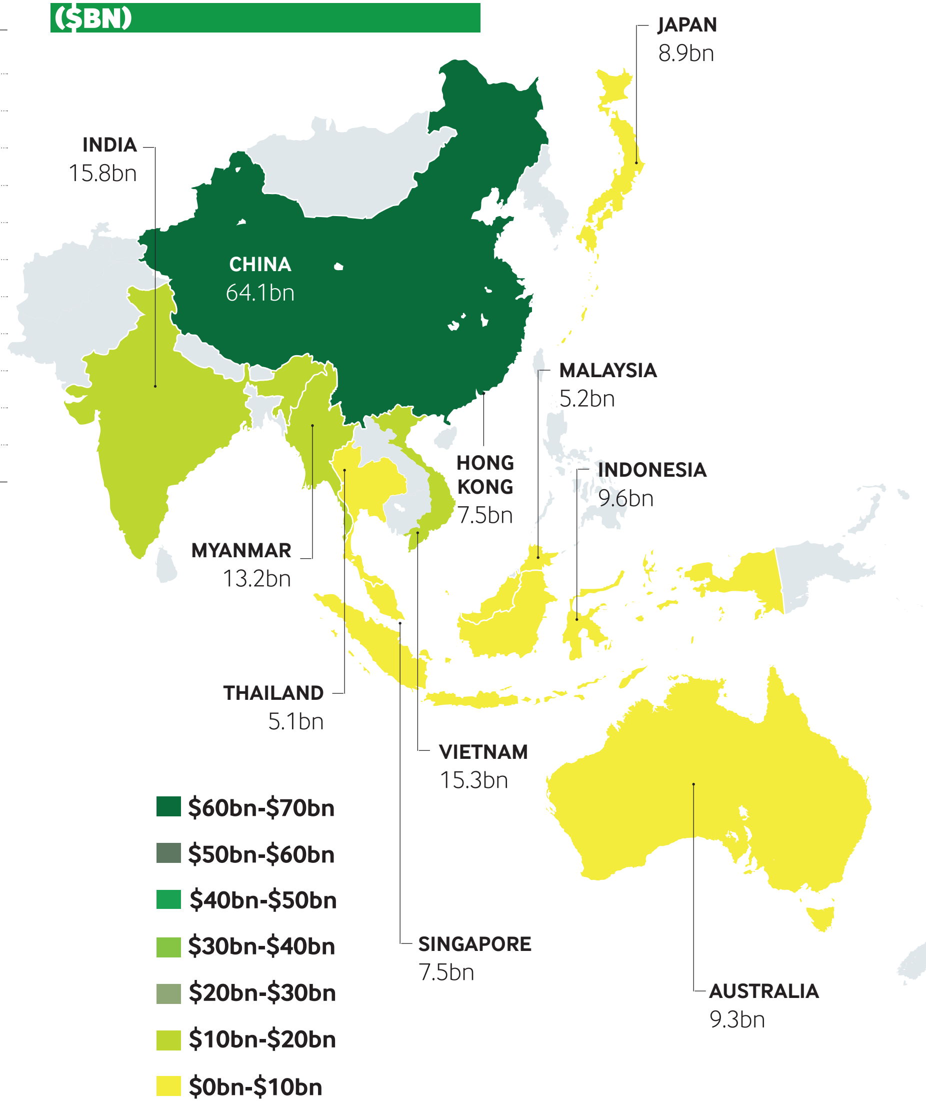
Table 1

FDI INTO ASIA-PACIFIC BY MARKET SHARE 2013

Country	Market share
China	34.73%
India	8.57%
Vietnam	8.29%
Myanmar	7.16%
Indonesia	5.21%
Australia	5.01%
Japan	4.83%
Singapore	4.07%
Malaysia	2.80%
Thailand	2.78%
Other	16.55%
Total	**100%**

Source: **fDi** Markets

FDI INTO ASIA-PACIFIC BY CAPITAL INVESTMENT 2013 ($BN)



▶ **This map shows the percentage change on 2012**

Source: **fDi** Markets

total outward projects remains substantial for the region at 12.2%, the third highest among its neighbours. Thailand more than doubled its FDI overseas in 2013, rising from $1.95bn in 2012 to $4.27bn in 2013. Project numbers increased by 32.43% and job creation almost tripled in volume to more than 15,000. The country's market share of outbound FDI remains relatively modest in the region, with an increase from 1.08% to 2.4%.

China and Australia managed to maintain steady outgoing streams of FDI, with incremental rises of 4.29% and 5.77%, respectively, while Japan mirrored its strong inward investment performance in 2013 with an increase from $41.51bn to $50.04bn. It needs to be highlighted that Hong Kong's meteoric figures indicating total outward FDI of $48.18bn can be overwhelmingly attributed to a $40bn mega project destined for Nicaragua.

Asia-Pacific FDI by sector

Coal, oil and natural gas is the leading sector for FDI in Asia-Pacific, almost doubling in 2013 from $13.23bn to $24.89bn. The region attracted mega projects including a $9.85bn fossil fuel-fired power station investment by a Mitsubishi-led joint venture involving Thailand-based Electricity Generating and Italian-Thai Development, and a $9bn petroleum refinery project instigated by a joint venture involving Kuwait Petroleum and partners from Japan and Vietnam.

Within the other top five sectors – real estate, hotels and tourism; business and financial services; transport equipment; and chemicals, plastic and rubber – each experienced varying decreases in FDI in 2013. Business and financial services endured an investment decline of 21.69%, the sharpest fall of the top sectors in Asia-Pacific.

Chemicals, plastics and rubber experienced a decline in FDI of 8.82% in 2013 to $17.14bn, narrowly managing to stay within the top five Asia-Pacific sectors and ensuring it remains a key component within the region. A steady increase of 4.29% in project volume of FDI during 2013 indicates investors will initiate projects in the sector, albeit at a lesser overall value.

Table 2

FDI OUT OF ASIA-PACIFIC BY CAPITAL INVESTMENT 2013 ($BN)

Country	Capital investment	Market share
Japan	50.04	28.13%
Hong Kong	48.18	27.08%
China	18.97	10.67%
India	13.52	7.60%
Singapore	12.48	7.01%
South Korea	8.59	4.83%
Australia	8.35	4.69%
Taiwan	5.14	2.89%
Thailand	4.27	2.40%
Malaysia	2.56	1.44%
Other	5.82	3.26%
Total	**177.91**	**100%**

Source: **fDi** Markets

Graph 1

FDI INTO ASIA-PACIFIC BY SECTOR 2011

Capital investment $bn

Source: **fDi** Markets
Note: includes estimates

Recent major projects

- **Germany-based Daimler** plans to invest €2bn in the construction of a manufacturing plant in China. The factory, which is expected to be completed in 2014, will double the company's current output in the country to 200,000 cars per year.
- **Japan-based Mitsubishi Corporation** is to build a $9.85bn fossil fuel fired power station in Myanmar through a joint venture with Thailand-based Electricity Generating and Italian-Thai Development. It will be located at Dawei Special Economic Zone.
- **Kuwait Petroleum** plans to develop a new $9bn petrochemical refining plant in the Tinh Gia district Vietnam. Involving partner firms from Kuwait, Japan and Vietnam, the project is expected to meet 40% of the fuel demand in Vietnam.
- **US-based SanDisk and Japan-based Toshiba** are to invest $4bn to build a new chip-manufacturing site at their complex in Yokkaichi, Japan. The new facility represents an overall site capacity increase of 20%.

Europe

FDI projects into Europe

FDI into Europe declined in 2013. The region received $137.26bn-worth of investments, representing a 12.08% decrease in comparison with 2012. In 2013, the top 10 countries accounted for 72.64% of foreign capital investment into Europe.

The UK was the leading country in Europe with $26.51bn of FDI announced in the county in 2013. The country's market share declined from 26.31% in 2012 to 19.31% in 2013, however, the number of FDI projects into the country remained relatively stable. The Netherlands recorded a growth in FDI of from $3.7bn to $6.87bn, and replaced Serbia in the top 10 countries. This follows Serbia's 23.34% decrease in FDI from $4.13bn to $3.17bn.

In terms of FDI projects, none of the top 10 countries recorded a growth in project numbers in 2013, with the exception of Ireland (0.68%). Germany climbed three places to fifth position in regards to the number of jobs created in Europe with FDI in the country creating 23,836 jobs in 2013, an increase of 33.62%.

FDI projects out of Europe

FDI out of Europe increased in 2013. A total of $246.99bn-worth of investments out of Europe was recorded, representing a 16.79% increase in comparison with 2012. In 2013, the top 10 countries accounted for 81.27% of capital investment out of Europe.

Germany, the UK and France remained the three leading sources of outward FDI in 2013, mirroring capital investment recordings in 2012. Germany invested a total sum of $42.59bn in FDI in 2013, ranking it the top source country from Europe. Italy and Spain, which ranked in fourth and fifth place in 2012, switched positions

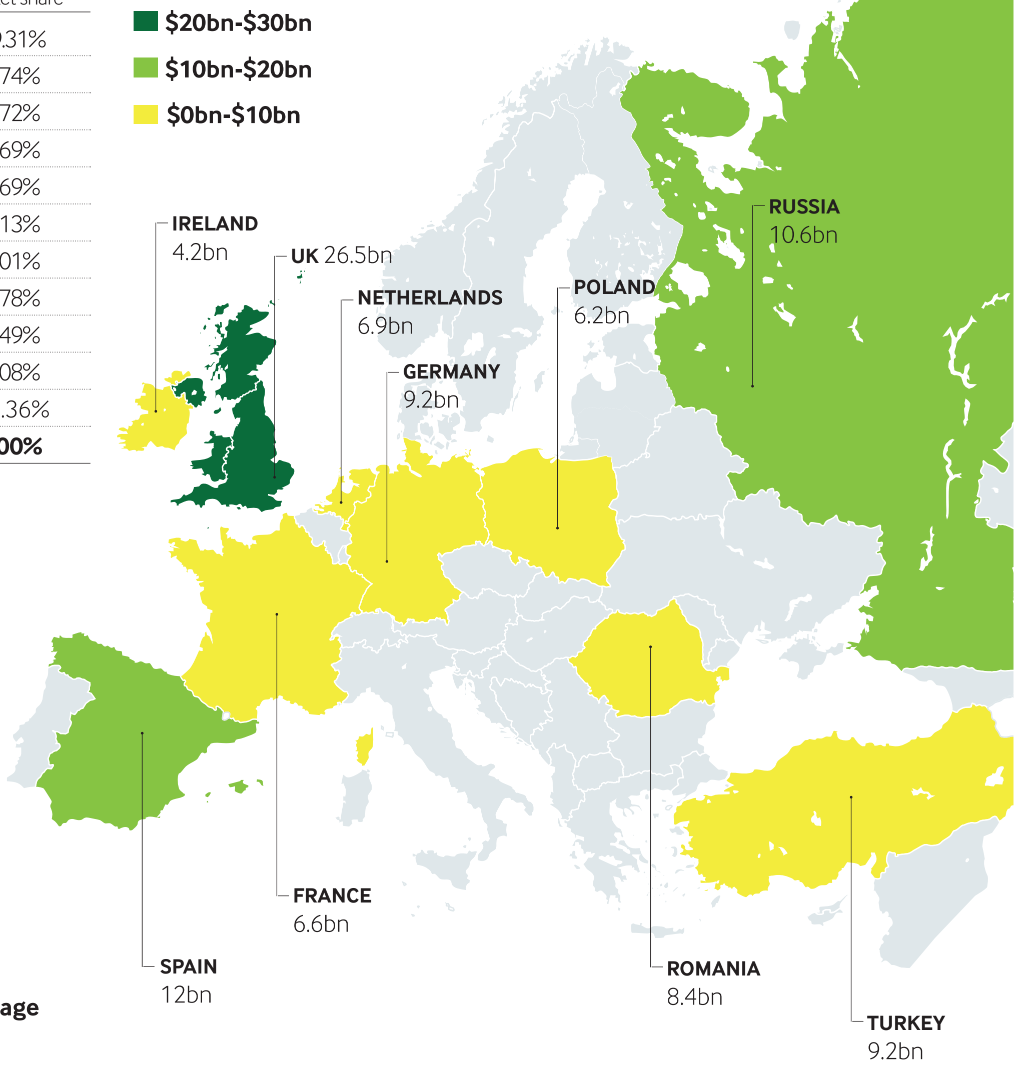
Table 3

FDI INTO EUROPE BY MARKET SHARE 2013

Country	Market share
UK	19.31%
Spain	8.74%
Russia	7.72%
Turkey	6.69%
Germany	6.69%
Romania	6.13%
Netherlands	5.01%
France	4.78%
Poland	4.49%
Ireland	3.08%
Other	27.36%
Total	**100%**

Source: **fDi** Markets

FDI INTO EUROPE BY CAPITAL INVESTMENT 2013 ($BN)



▶ **This map shows the percentage change on 2012**

Source: **fDi** Markets

in 2013, with Spain investing $20.98bn in FDI in 2013 moving it to fourth place. Italy, which moved to fifth place, was the only top 10 country to experience a fall in outward FDI, recording a decrease of 6.83%. Denmark and Ireland fell out of the top 10 source countries following decreases of 14.15% and 45.09% in FDI, respectively. New entries to the top 10 were Russia and Turkey. FDI from Russia almost quadrupled in 2013 to $16.11bn.

Iceland recorded an outward FDI increase from $43.9m to $4.21bn in 2013 on the back of Reykjavik Geothermal's $4bn energy project in Ethiopia, which was the county's largest outward investment. All other overseas projects from Iceland had a capital investment of less than $100m.

The top country in terms of the number of projects overseas in 2013 was the UK, with 1224 projects. Germany was the leading country for job creation overseas, with 126,812 jobs recorded in 2013.

European FDI by sector

In 2013, ICT was the largest sector for FDI into Europe, up from third place in 2012, representing 18.08% of the total capital investment into the region. Real estate, hotels and tourism dropped from first to third place in 2013 with a 43.84% decrease. In the same year, coal, oil and natural gas slipped out of the top five sectors to ninth position, suffering a significant decrease of 63.99%. Despite engines, turbines and machinery not entering the top five, this sector recorded a large growth in FDI, more than doubling investment to $7.8bn in 2013.

Table 4

FDI OUT OF EUROPE BY CAPITAL INVESTMENT 2013 ($BN)

Country	Capital investment	Market share
Germany	42.59	17.24%
UK	34.90	14.13%
France	23.83	9.65%
Spain	20.98	8.50%
Italy	17.63	7.14%
Switzerland	16.49	6.68%
Russia	16.11	6.52%
Netherlands	13.17	5.33%
Sweden	8.33	3.37%
Turkey	6.69	2.71%
Other	46.27	18.73%
Total	**246.99**	**100%**

Source: **fDi** Markets

Graph 2

FDI INTO EUROPE BY SECTOR 2013

Capital investment $bn

$24.8bn ICT

$19.3bn Renewable energy

$17.4bn Real estate, hotels and tourism

$13.3bn Business and financial services

$10.8bn Transportation, warehousing and storage

$51.6bn Other

Source: **fDi** Markets,
Note: includes estimates

Recent major projects

- **US-based global energy giant General Electric** plans to establish a new wind turbine manufacturing facility in Turkey. The company is investing $5bn and the production centre will have an annual capacity of 3000 megawatts.
- **US-based software giant Microsoft** is planning to establish a $2.7bn data centre at an industry site in Noord-Holland, the Netherlands. It will cover 16 hectares of ground.
- **China-based real estate developer ABP (China) Holding Group** is to invest $1.6bn in London to transform a 14-hectare site at Royal Albert Dock into a business district. The project will be built in five phases, with plans for about 300 office buildings. Construction is expected to start in 2014 and it could be completed by 2025.
- **China-based property conglomerate Dalian Wanda Group** is planning a new luxury hotel and development in London, UK. The £700m location will be the first Chinese luxury hotel outside of China's mainland and will cater to the country's outbound travel market.

North America

FDI projects into North America

FDI into North America declined by 1.36% in 2013, with the region attracting $58.06bn over the year compared with $58.86bn in 2012. The number of projects in 2013 decreased by 0.77%, falling from 1693 to 1680, and job creation rose by 4.48%, up from 135,385 new jobs in 2012 to 141,452 in 2013.

Ontario was the leading state/province in North America in 2013, attracting $7.23bn in FDI, accounting for more than one-tenth of FDI in North America. Capital investment into Ontario more than doubled compared with 2012, despite a 23.81% decline in the number of projects and a 20.97% fall in the number of jobs created. The top five states for capital investment accounted for 44.97% of the total market share of FDI into North America in 2013. Ontario accounted for 12.46% of the FDI into the region in 2013, followed by Texas (11.4%), California (8.65%), Quebec (6.77%) and Louisiana (5.69%). Texas was the only state in the top five to experience a decline in FDI, falling 31.93% compared with its 2012 figure.

Of the top 15 states/provinces in North America, the fastest growing in terms of capital investment from announced FDI projects were Quebec (321.44%), North Carolina (133.26%), Oklahoma (130.98%) and Georgia (125.10%). The leading state in terms of FDI projects remained unchanged from 2012; California attracted 206 projects in 2013, 24.76% higher than the second highest state, New York. California was also the leading state in terms of job creation, recording 14,263 new jobs in 2013, a 48.76% increase on 2012 and accounting for 10.08% of total FDI job creation in North America.

FDI projects out of North America

North American outbound FDI increased by 9.57% in 2013, with $127.26bn recorded. There was a 10.22% decrease in the number

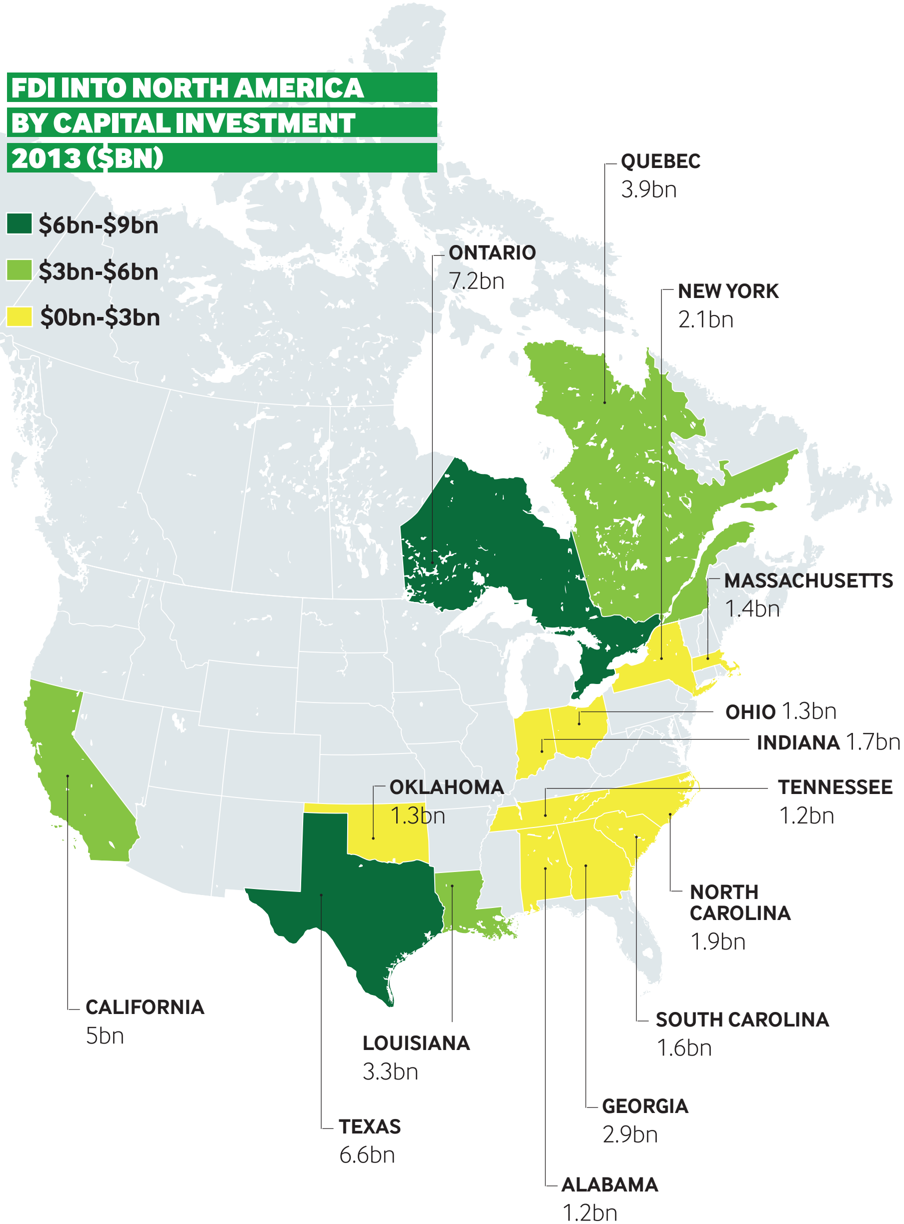
Table 5

FDI INTO NORTH AMERICA BY MARKET SHARE 2013

State/Province	Market share
Ontario	12.46%
Texas	11.40%
California	8.65%
Quebec	6.77%
Louisiana	5.69%
Georgia	5.04%
New York	3.53%
North Carolina	3.23%
Indiana	2.91%
South Carolina	2.67%
Massachusetts	2.47%
Ohio	2.31%
Oklahoma	2.16%
Tennessee	2.02%
Alabama	1.98%
Other	26.71%
Total	**100%**

Source: **fDi** Markets

FDI INTO NORTH AMERICA BY CAPITAL INVESTMENT 2013 ($BN)



▶ **This map shows the percentage change on 2012**

Source: **fDi** Markets

of projects, and an increase of 8.38% in the number of jobs created.

California was the leading state for outward FDI, retaining its leading position from 2012. The state recorded $22.61bn, a 17.77% market share of total outward capital investment from North America.   The top three states accounted for almost one-third of outward FDI in 2013. California was followed by Connecticut, which accounted for 9.13% of North American outward FDI, and Washington with 6.27%. The fastest growing of the top 15 source states was Washington, which experienced a 312.07% increase in outward FDI. By contrast, British Columbia experienced a 56.94% decrease in outward FDI.

The top state in terms of the number of outbound projects recorded was California, with 539, a 1.32% increase from 2012. California was also the leading state for outbound job creation, with 51,663 jobs recorded, representing a 27.1% increase from 2012.

North American FDI by sector

In 2013, ICT with $13.8bn and chemicals, plastics and rubber with $9.78bn were the top two sectors for FDI in North America. Collectively, these two sectors accounted for 40.61% of capital investment in the region.

Of the top 10 sectors, the wood, paper and apparel sector experienced the largest increase on 2012. Investment rose from $420m in 2012 to $1.6bn in 2013. Job creation almost tripled in the sector and project numbers increased 41.67%.

Electronic components and semiconductors had the most significant decline FDI in terms of capital investment, falling 92.39%, from $4.94bn in 2012 to $370m in 2013. Job creation decreased by 76.17% and the number of projects fell 37.5% compared with 2012 levels.

Table 6

TOP SOURCE STATES FROM NORTH AMERICA IN 2013 ($BN)

State/Province	Capital investment	Market share
California	22.61	17.77%
Connecticut	11.62	9.13%
Washington	7.98	6.27%
Ontario	7.74	6.09%
New York	7.63	5.99%
Colorado	7.33	5.76%
Texas	7.21	5.66%
Florida	5.74	4.51%
Michigan	5.57	4.38%
Illinois	5.53	4.35%
Virginia	3.63	2.85%
New Jersey	2.93	2.30%
British Columbia	2.70	2.12%
Pennsylvania	2.69	2.11%
Ohio	2.39	1.88%
Other	23.96	18.83%
Total	**127.26**	**100%**

Source: **fDi** Markets

Graph 3

CAPITAL INVESTMENT INTO NORTH AMERICA BY SECTOR

Capital investment $bn

$13.8bn ICT

$9.8bn Chemicals, plastics and rubber

$7.5bn Transport equipment

$4.6bn Renewable energy

$3.9bn Metals and minerals

$18.4bn Other

Source: **fDi** Markets
Note: includes estimates

Recent major projects

- **Steel pipe manufacturer Tenaris, a subsidiary of Italy-based Techint,** is investing $1.3bn and building a new steel pipe manufacturing facility in Matagorda County, Texas. The 92,905-square-metre facility will create 600 new jobs and produce 600,000 tonnes of pipe annually.

- **Ericsson Canada, a subsidiary of Sweden-based telecommunications provider Ericsson,** plans to establish a new $1.16bn global technology centre in Vaudreuil-Dorion, Canada. The 40,000-square-metre facility will be operational in the first quarter of 2015 and will enable the development and verification of technology and cloud-based services.

- **Natgasoline, a subsidiary of Egypt-based Orascom Group,** has announced it will invest $1bn in opening a methanol production facility in Beaumont, Texas. The company plans to create 240 jobs at the facility, which is expected to be operational in 2016 and will have a capacity of 5000 metric tonnes per day.

Latin America and the Caribbean

FDI projects into Latin America and the Caribbean

In 2013, FDI into Latin America and Caribbean more than doubled from $69.37bn in 2012 to $139.81bn. Project numbers increased 10.18% from 1198 to 1320, and the region also experienced a 20.54% increase in jobs created.

With an estimated $40.51bn of FDI announced in the country, Nicaragua was the leading location in 2013 in Latin America and the Caribbean, replacing Brazil, due to the $40bn waterway being constructed by Hong Kong Nicaragua Canal Development Investment as an alternative to the Panama Canal. FDI into Brazil declined by 3.31% in 2013 to $27.32bn, following a decline in the number of FDI projects. Brazil was the only country in the top 10 to witness a decline in project numbers, dropping to 327 recorded projects in 2013. FDI into Mexico increased 48.5% to $22.47bn in 2013. The top three countries for capital investment in Latin America – Nicaragua, Brazil and Mexico – collectively account for almost 65% of FDI into the region in 2013.

Colombia increased its FDI five-fold to $10.58bn in 2013 with the number of FDI projects increasing 12.38% to 118. In comparison, FDI into Chile and Argentina fell by 1.84% and 29.64%, respectively, to $9.7bn and $4.16bn. Of the top 10 countries, in terms of capital investment, six increased their markets share of FDI in the region in 2013, with Nicaragua accounting for 28.97% of FDI into Latin America and the Caribbean, followed by Colombia (7.57%), Peru (4.34%), Dominican Republic (1.85%), Puerto Rico (1.74%) and Venezuela (1.35%).

Table 7

FDI INTO LATIN AMERICA AND THE CARIBBEAN BY MARKET SHARE 2013

Country	Market share
Nicaragua	28.97%
Brazil	19.54%
Mexico	16.07%
Colombia	7.57%
Chile	6.94%
Peru	4.34%
Argentina	2.98%
Dominican Republic	1.85%
Puerto Rico	1.74%
Venezuela	1.35%
Other	8.65%
Total	**100%**

Source: fDi Markets

FDI INTO LATIN AMERICA AND THE CARIBBEAN BY CAPITAL INVESTMENT 2013 ($BN)

▶ This map shows the percentage change on 2012

Source: fDi Markets

FDI projects out of Latin America and the Caribbean

Outbound FDI from Latin American companies in 2013 almost doubled from $9.05bn in 2012 to $17.53bn. In comparison with 2012, the number of projects recorded also increased, by 16.92% to 228, with job creation continuing the trend increasing 35.88% to 40,842. Brazil remained the top country for outward FDI, investing a total of $6.38bn outside its borders in 2013, accounting for more than one-third of capital investment from the region.

The top three source countries, Brazil, Mexico and Bermuda, all more than doubled their outbound capital investment in 2013, accounting for more than 70% of FDI from the region. Within the top 10, Argentina and Guatemala were the only two countries to witness a decline in FDI overseas, investing $1.37bn and $190m, a decline of 1.53% and 2.03%, respectively.

FDI from Chile and Colombia almost doubled in 2013 to $1.09bn each.

Latin America and the Caribbean FDI by sector

The top three sectors in Latin America and the Caribbean in 2013 were business and financial services with FDI worth $48.19bn, ICT with $17.04bn and renewable energy with $13.28bn. Together, these three sectors accounted for 56% of FDI in Latin America and the Caribbean.

Of the top five sectors, transport equipment was the only sector to witness a decline in 2013, with FDI figures falling 4.19% from $12.23bn to $11.72bn. This was despite an increase in project numbers by 7.03%. Business and financial services and coal, oil and natural gas were the fastest growing sectors.

Table 8

FDI OUT OF LATIN AMERICA AND THE CARIBBEAN BY CAPITAL INVESTMENT 2013 ($BN)

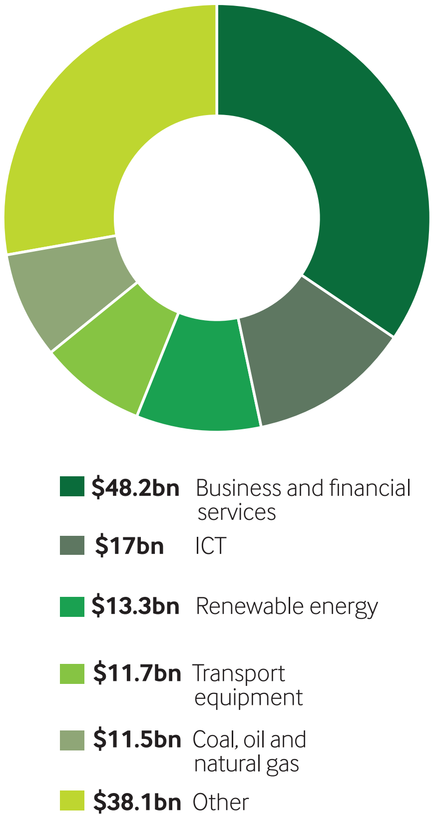
Country	Capital investment	Market share
Brazil	6.38	36.41%
Mexico	4.29	24.47%
Bermuda	1.94	11.08%
Argentina	1.37	7.84%
Chile	1.09	6.21%
Colombia	1.09	6.19%
Jamaica	0.44	2.54%
Honduras	0.37	2.10%
Guatemala	0.19	1.10%
Bahamas	0.10	0.55%
Other	0.26	1.51%
Total	**17.53**	**100%**

Source: **fDi** Markets

Graph 4

FDI INTO LATIN AMERICA AND CARIBBEAN BY SECTOR 2013

Capital investment $bn



Source: **fDi** Markets
Note: includes estimates

Recent major projects

- **Hong Kong-based Hong Kong Nicaragua Canal Development Investment will invest $40bn** to build the Inter-Oceanic Nicaragua Canal, a waterway through Nicaragua to connect the Caribbean Sea and Atlantic Ocean with the Pacific Ocean. The waterway will be a higher capacity alternative to the Panama Canal. The project is expected to be finished by 2024.
- **Acerias Paz del Rio, a mining company** and subsidiary of Brazil-based conglomerate Hejoassu Administracao, plans to operate a new metallurgical coal mine in the central area of Colombia. The project is estimated to cost $4bn and aims to produce 3 million tonnes of coal per year.
- **Minera Escondida, a subsidiary of Australia-based mining major BHP Billiton**, is to invest $1.97bn to establish a second desalination plant at its Escondida copper mine in the Atacama Desert in the Antofagasta region of Chile. This move is to meet growing demand of water from the site. The new facility will be commissioned in 2017.

Middle East and Africa

FDI projects into Middle East and Africa

FDI into the Middle East and Africa (MEA) increased in 2013 by 24.27%. Despite this increase, the number of projects in the region decreased by 8.59% and job creation declined by 12.98%.

Iraq has attracted the greatest increase in FDI, rising from $960m in 2012 to $14.96bn in 2013. In 2012 the country's market share of inward FDI was 1.21%; this increased to 15.14% in 2013, making it the leading location for FDI into the MEA region. UAE-based Emaar Properties' plans to establish a $3bn tourist project in the country contributed to this rise. Jordan also experienced a significant rise in FDI in 2013, primarily due to a $10bn nuclear power plant project. FDI entering Jordan increased from $1.26bn to $10.9bn in 2013. Jordan's market share of capital investment into the region also increased in 2013, reaching 11.03% from its 2012 total of 1.58%, despite seeing a 35.29% decrease in project numbers.

Due to widespread political and economic instability in Egypt, the country saw a substantial decline of inward FDI during 2013, falling from $9.66bn in 2012 to $2.93bn in 2013, a decrease of 69.65%. This decline had a resulting impact on the number of new jobs created, which decreased 65.45%.

FDI projects out of Middle East and Africa

An increase in outward FDI from the MEA region was observed during 2013. Recorded FDI grew 21.81% compared with 2012 to a total of $48.02bn. However, project numbers and job creation declined by 11.54% and 26.41%, respectively.

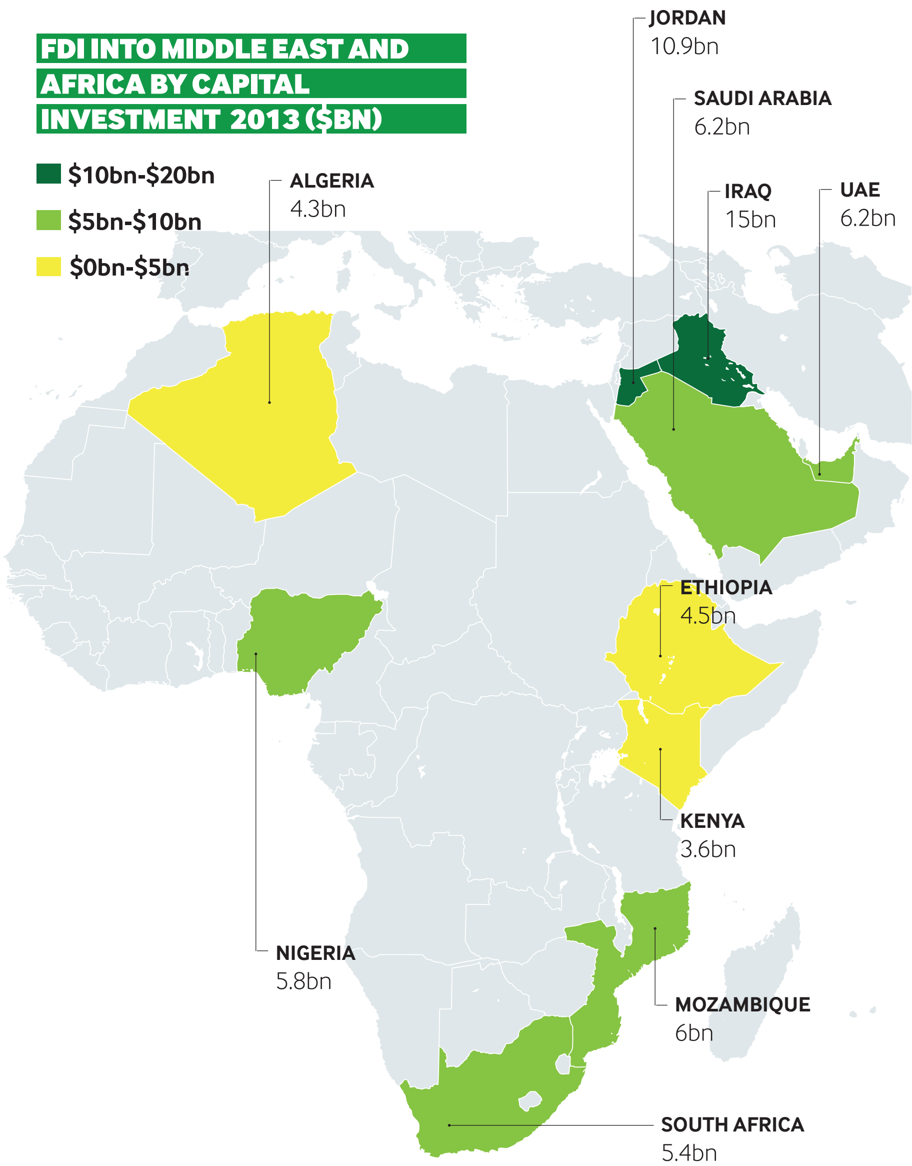
Table 9

FDI INTO MIDDLE EAST AND AFRICA BY MARKET SHARE 2013

Country	Market share
Iraq	15.14%
Jordan	11.03%
Saudi Arabia	6.31%
UAE	6.31%
Mozambique	6.09%
Nigeria	5.83%
South Africa	5.52%
Ethiopia	4.56%
Algeria	4.32%
Kenya	3.61%
Other	31.28%
Total	**100%**

Source: **fDi** Markets

FDI INTO MIDDLE EAST AND AFRICA BY CAPITAL INVESTMENT 2013 ($BN)



▶ **This map shows the percentage change on 2012**

Source: **fDi** Markets

The UAE remained the leading country in the MEA region for outward FDI, despite experiencing a slight decline of 1.05% when compared with 2012. During 2013, the UAE was responsible for $14.68bn of outward capital investment, accounting for 30.56% of all outward investment from the region. Kuwait recorded a substantial increase in its outward investment, recording $10.73bn of outward FDI in 2013 compared with the $1.1bn recorded during 2012.

Four of the top five leading source countries for FDI during 2013 experienced a shift when compared to 2012. While the UAE's position was unchanged, South Africa rose to third place from fifth and Israel fell two places. Qatar and Egypt both fell from the top five.

Middle East and African FDI by sector

In 2013, coal, oil and natural gas was the leading sector for FDI in the MEA region, attracting $29.14bn, a 52.01% increase when compared with 2012. The sector also recorded a 60.61% increase in the number of projects recorded and 9165 new jobs created compared with the 3885 jobs created in 2012.

The wood, paper and apparel sector witnessed the largest percentage increase, rising from a low of $200m in 2012 to $3.8bn in 2013. This sector experienced a successful 2013, also creating more than 12,000 new jobs when compared with the 2235 recorded in 2012. The real estate, hotels and tourism; ICT; renewable energy; business and financial services; building materials, ceramics and glass; and transportation, warehousing and storage sectors all finished 2013 with an increase in FDI compared with that recorded in 2012.

The leisure and entertainment sector recorded the largest decrease in capital investment, with the $1.68bn recorded in 2012 falling to $330m in 2013. Jobs created in this sector also fell, by 81.05%. The metals and minerals sector saw the greatest percentage decrease in recorded projects, from 59 in 2012 to 31 in 2013.

Table 10

FDI OUT OF MIDDLE EAST AND AFRICA BY CAPITAL INVESTMENT 2013 ($BN)

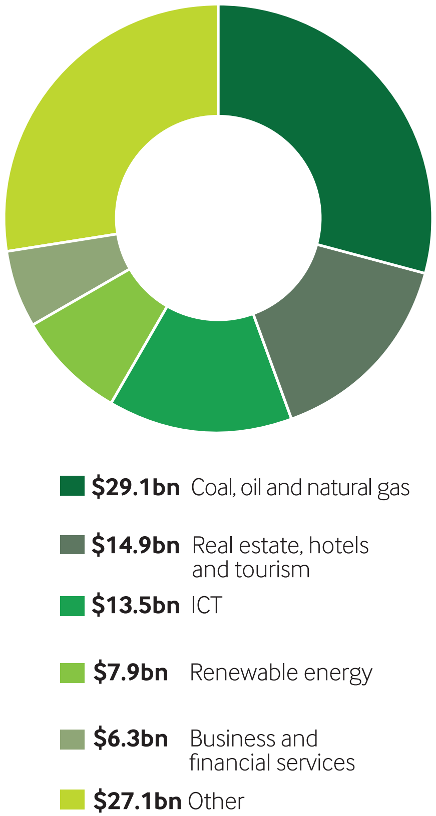
Country	Capital investment	Market share
UAE	14.68	30.56%
Kuwait	10.73	22.35%
South Africa	5.45	11.36%
Mauritius	3.25	6.77%
Israel	3.12	6.49%
Nigeria	3.06	6.37%
Saudi Arabia	1.50	3.13%
Qatar	1.46	3.04%
Egypt	1.12	2.33%
Bahrain	0.56	1.17%
Other	3.09	6.43%
Total	**48.02**	**100%**

Source: **fDi** Markets

Graph 5

FDI INTO MIDDLE EAST AND AFRICA BY SECTOR 2013

Capital investment $bn



Source: **fDi** Markets
Note: includes estimates

Recent major projects

- **Rusatom Overseas, a subsidiary of Russia-based nuclear power corporation Rosatom,** has been commissioned to construct the first nuclear power plant in Jordan. The new $10bn facility, to be located in the Amra region, will supply 12% of the country's energy supply needs by 2020. The plant will consist of two 1000-megawatt reactors.
- **Renault-Nissan, the automotive alliance between France-based Renault and Japan-based Nissan,** is to invest $542m to build a second production line at its facility in Tangier, Morocco. Scheduled to be operational in 2014, 1400 new jobs will be created. The expansion is the result of a public-private partnership between Morocco and the Renault group.
- **Iceland-based Reykjavik Geothermal,** a geothermal development firm, plans to establish a new power plant in Ethiopia. To be located in Corbetti Caldera, the $4bn plant is expected to have a capacity of 1000 megawatts. Reykjavik Geothermal will build and operate the plant, supplying power to the Ethiopian Electric Power Corporation under a 25-year contract.

Comms on the rise

Communications the fastest growing sector for FDI

While voice and data communications connectivity was once the highest requirement of telecoms companies, today the demand for cloud storage and data back-up among consumer users has brought another massive pool of consumers to the market, according to PricewaterhouseCoopers' Communications Review[1]. Communications providers are rushing to get the infrastructure in place to support this growing demand and companies such as Amazon and Apple are well placed and investing heavily.

This can be seen in FDI, when in 2013 **fDi** Markets recorded 762 investment projects in the communications sector with a total value of $61.59bn. This represents an increase of 82.2% on the 2012 spending and the highest capital investment figure for the communications sector since **fDi** Markets began recording such data in 2003. The sector appears to be a big winner in project numbers also. Globally there was a decline of 6.34% in the number of FDI projects. However, this trend was largely bucked by the communications sector, which experienced a rise of 12.2%.

Of the top 10 sub-sectors in the communications sector, all experienced growth in 2013, with the exception of navigational instruments and radio and TV broadcasting. The top three sub-sectors were wireless telecommunications, data processing and hosting, and wired telecommunications, which each saw strong growth in 2013. When combined, FDI in the top three sub-sectors totalled $50bn and accounted for 81% of FDI in the sector and 8% of total global FDI.

Wireless telecommunications experienced a 134.81% increase in capital expenditure to $20.88bn in 2013 and a 62% rise in project numbers to 197. As smartphones become standard issue, high-speed wireless internet is needed to support the data features

Table 11

CAPITAL INVESTMENT IN THE COMMUNICATIONS SECTOR BY SUB-SECTOR ($BN)

Sector	2012	2013	% change 2012-2013
Wireless telecommunications carriers	8.90	20.89	134.81%
Data processing, hosting and related services	13.84	17.07	23.29%
Wired telecommunications carriers	5.96	12.06	102.55%
Communications equipment	3.18	7.49	135.61%
Motion picture and sound recording industries	0.52	1.64	215.06%
Other telecommunications	0.38	1.54	309.27%
Radio and TV broadcasting	0.81	0.65	-19.25%
Satellite telecommunications	0.08	0.15	93.06%
Cable and other subscription programming	0.04	0.07	96.46%
Navigational instruments	0.12	0.04	-65.78%
Total	**33.80**	**61.59**	**82.22%**

Source: **fDi** Markets

Table 12

CAPITAL INVESTMENT IN THE COMMUNICATIONS SECTOR BY SUB-SECTOR ($BN)

Business activity	2013	% change 2012-2013
ICT and internet infrastructure	48.67	80.08%
Design, development and testing	8.67	277.58%
Sales, marketing and support	1.17	-32.20%
Headquarters	1.00	10.75%
Manufacturing	0.61	-27.55%
Logistics, distribution and transportation	0.52	130.99%
Research and development	0.26	51.82%
Technical support centre	0.21	62.09%
Business services	0.17	16.92%
Customer contact centre	0.17	106.63%
Shared services centre	0.07	-7.15%
Education and training	0.05	-21.60%
Maintenance and servicing	0.02	-56.44%
Recycling	0.00	-100.00%
Total	**61.59**	**82.22%**

Source: **fDi** Markets

of these and other portable devices currently in the market and telecommunications firms such as Telefonica are investing heavily in both 3G and 4G connectivity globally[2].

The functions of these projects are heavily grouped around the ICT and internet infrastructure business activity, as well as design, development and testing. This essentially shows that the current focus for communications companies is development and deployment. The ICT and internet infrastructure activity attracted $48.67bn of the $61.59bn invested in the sector, which appears to respond to the growth of sub-sectors that all require high levels of infrastructure deployment. The capital spent on ICT and internet infrastructure in 2013 was the highest recorded since **fDi** Markets began tracking and was supported by a 66.5% rise in project numbers to 328.

Interestingly, the capital investment into innovation-focused activities (design, development and testing and also research and development) increased to its highest level on record to $8.93bn, which is a 261.97% rise on its 2012 level and a 44.22% rise on its 2003 level. This trend looks likely to continue, with a PwC CEO survey finding that 41% of CEOs in the communications sector cited product development and innovations as their main driver of business growth by 2017[3].

Major projects in the sector have occurred in a number of sub-sectors, primarily communications equipment and data processing, hosting and related services. Canada attracted the largest two projects, with more than $5bn in telecoms R&D-related investment announced in 2013.

1. PricewaterhouseCoopers, October 2013, Communication Review; Finding Opportunities in the Cloud. Available from: http://www.pwc.com/gx/en/communications/publications/communications-review/assets/pwc-communications-review-18-2.pdf
2. PricewaterhouseCoopers, March 2014, Communication Review; New Metrics for a Changing Industry. Available from: http://www.pwc.com/gx/en/communications/publications/communications-review/assets/communications-review-march-2014.pdf
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Table 13

MAJOR PROJECTS IN THE COMMUNICATIONS SECTOR IN 2013 BY CAPITAL INVESTMENT ($BN)

Project date	Investing company	Parent company	Source country	Destination country	Sub-sector	Industry activity	Capex ($bn)
Dec 2013	**Cisco Systems**	Cisco Systems	US	Canada	Communications equipment	Design, development and testing	4.00
Jun 2013	**Ericsson Canada**	Ericsson	Sweden	Canada	Communications equipment	Design, development and testing	1.16
Mar 2013	**Pinewood-Shepperton Studios**	Pinewood-Shepperton Studios	UK	US	Motion picture and sound recording industries	Design, development and testing	1.00
Sep 2013	**Microsoft**	Microsoft	US	Ireland	Data processing, hosting and related services	ICT and internet infrastructure	0.51
Apr 2013	**Etisalat Nigeria**	Emirates Telecommunications (Etisalat)	UAE	Nigeria	Wireless telecommunication carriers	ICT and internet infrastructure	0.50
Sep 2013	**Microsoft**	Microsoft	US	Finland	Data processing, hosting and related services	ICT and internet infrastructure	0.25
Oct 2013	**Huawei Technologies**	Huawei Technologies	China	UK	Communications equipment	Design, development and testing	0.20
Oct 2013	**DirecTV**	Liberty Media	US	Colombia	Radio and TV broadcasting	Design, development and testing	0.10
Nov 2013	**Equinix**	Equinix	US	UK	Data processing, hosting and related services	ICT and internet infrastructure	0.08
Feb 2013	**MTN Uganda**	MTN Group	South Africa	Uganda	Wireless telecommunication carriers	ICT and internet Infrastructure	0.07

Source: **fDi** Markets

Determinants of FDI

fDi Markets tracks the location motives for each FDI project where information is available from the company. In 2013, the location motives were recorded for 2898 FDI projects. The table below shows the percentage of investors citing each motive.

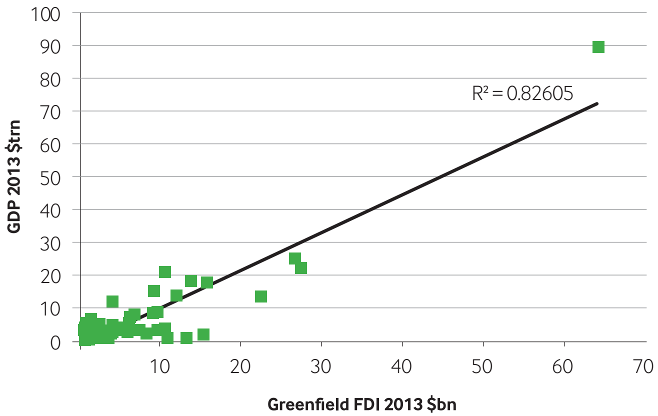
The percentages below show that FDI is primarily market seeking, with more than 45% of FDI projects driven by access to domestic markets and one-third of FDI projects driven by proximity to (regional) markets and customers.

The next most important motives cited in 2013 by investors were regulations/business climate (20.6% of investors) and skilled workforce availability (17.7%). Regulations/business climate includes the corporate tax environment, which in The **fDi** Report 2013 we showed to be highly correlated to FDI performance. It also includes economic and political stability, which has become a more important consideration for investors. Skilled workforce availability is important across all industries, while in ICT and technology sectors, a skilled workforce is by far the most important motive cited by companies.

To test the importance of market-seeking motives, GDP was taken as a proxy for market size to test the assumption that larger economies experience higher inflows of FDI. Data for 72 countries (accounting for more than 70% of FDI in 2013) was used. In the single-variant regression model we see a strong, positive correlation between GDP and FDI, with GDP explaining more than 80% of the variation in FDI. The model was statistically significant at the 95% confidence level.

Graph 7

RELATIONSHIP BETWEEN MARKET SIZE AND FDI PERFORMANCE IN 2013



Source: **fDi** Markets

The sample of 72 countries excluded the US, Japan, Germany, France and Italy, as these five countries significantly underperform in attracting FDI relative to what would be expected by size of their economies. Factors explaining this FDI underperformance include the difficulty in penetrating these markets due to the strength of local industry and/or a challenging business climate with slow economic growth. In addition, governments in these markets are generally less aggressive in promoting FDI with more of a focus on national champions and indigenous enterprises compared with many other countries.

Table 14

LOCATION MOTIVES FOR FDI IN 2013

Motive	Projects	% of projects
Domestic market growth potential	840	45.4%
Proximity to markets or customers	611	33%
Regulations/business climate	380	20.6%
Skilled workforce availability	328	17.7%
Infrastructure and logistics	158	8.5%
Industry cluster/critical mass	119	6.4%
Attractiveness/quality of life	89	4.8%
IPA or government support	75	4%
Technology or innovation	57	3.1%
Lower costs	47	2.5%
Other motive	**194**	**10.5%**

Source: **fDi** Markets
Note: Percentages can add up to more than 100% as one company can cite multiple motives for the same project.

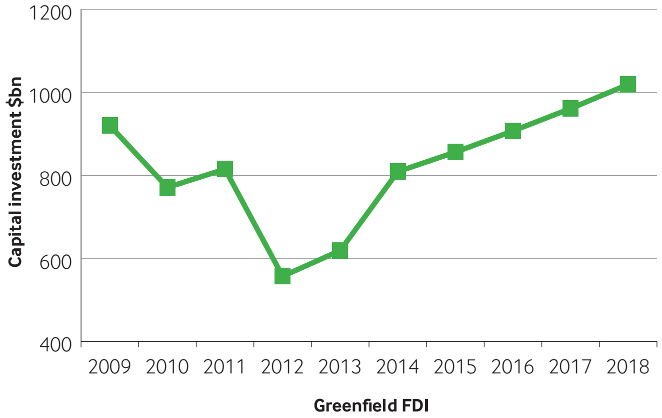
Forecasts

fDi Intelligence expects growth in greenfield FDI to accelerate in 2014 as the world's economic recovery strengthens. We expect particularly strong growth of FDI into the UK, with resurgent economic growth taking place. We also expect strong growth in major emerging markets that are revising upwards their growth projections and have strong economic fundamentals. Ones to watch in 2014 include Mexico, Poland and Malaysia, and we also expect FDI into India to rebound in 2014, notably in the same year that India replaces Japan as the world's third largest economy.

We expect solid growth in FDI to continue over the period 2015 to 2018, with North America one of the strongest performing regions, with substantial growth in chemicals and heavy industry FDI expected, driven by access to cheap shale gas. FDI in the Middle East and Africa should also grow strongly, driven by fast economic growth in Africa and recovery of the Middle East from the collapse in construction investment during the global financial crisis. Asia is expected to increasingly become a major greenfield investor overseas and the hype surrounding opportunities to attract Chinese FDI will become fact rather than fiction over the next five years.

Graph 8

GREENFIELD FDI, 2009-2018



Source: **fDi** Markets

Conclusions

The focus on capital investment trends in this issue of The **fDi** Report has revealed some important trends, with significant implications for policy-makers and corporate decision-makers.

First, the FDI market grew strongly in 2013 not only in terms of official FDI flows (which include M&A and other types of investment) but also in terms of greenfield capital investment. **fDi** Intelligence expects the growth in greenfield FDI to accelerate in 2014 and to continue to grow in subsequent years. Governments should expect the market to get bigger and increase their efforts to attract FDI and their performance targets.

Second, the growth in FDI in 2013 was particularly strong in small and medium-sized emerging and frontier markets. This suggests foreign investors are taking risks again with their FDI strategies and are focused on investing in growth markets with untapped potential. This trend is very positive for the role FDI can make in the coming years in the economic development of developing countries.

Third, several industries are showing a rebound in FDI, including the high-tech communications sector and large job-creating tourism and construction sectors. The growth in these industries provides opportunities for governments to attract both high-tech FDI that upgrades their digital infrastructure, which will help attract knowledge-based investment, and to attract tourism and construction industries, which many countries depend upon for job creation and export revenues.

Fourth, we have seen that FDI is primarily market-seeking and that the countries that foster a high-growth economy will attract FDI, which will further increase economic growth. Our pick of the major markets we expect to achieve the fastest growth in FDI in 2014 is driven primarily by their economic growth performance.

Fifth, we expect the countries of Asia, and China in particular, to emerge as major outward investors, which will provide opportunities not only for traditional host locations such as Africa but also developed economies. In particular, we expect the strength of Asia and China in capital-intensive industries to increasingly align with the FDI potential of North America. Governments in North America will increasingly look across the Pacific rather than across the Atlantic for the major FDI deals.

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