
Slowdown signs - UNCTAD sees global FDI falling by 30pct in 2009

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Painting a grim picture on cross border investments, United Nations Conference on Trade & Development has said that global Foreign Direct Investment flows will shrink by 30% in 2009 and recover only marginally during 2010.

UNCTAD, in a report, said that "FDI inflows will fall from about USD 1.7 trillion in 2008 to below USD 1.2 trillion in 2009. Recovery is expected to be slow in 2010, reaching no more than USD 1.4 trillion, but gathering momentum in 2011 to approach USD 1.8 trillion."

UNCTAD said that a major contributing factor to the decline in global FDI flows has been growing divestments by trans nationals worldwide. It added that since mid 2008, these divestments, which can take the form of repatriated investments, reverse intra-company loans, or repayments of debt to parent firms, have exceeded gross FDI flows in a number of countries.

The report said FDI inflows declined in the developed countries, where the financial crisis originated, while in developing countries and the transition economies of South East Europe and the Commonwealth of Independent States continued to rise last year. It added that "The crisis has changed the FDI landscape, with a surge in the developing and transition economies' share in global FDI flows to 43% in 2008."

(Sourced from www.business-standard.com)

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