THE fDi REPORT 2012

Global greenfield investment trends

fDi Intelligence
GLOBAL INSIGHT FROM THE FINANCIAL TIMES LTD

FT Business
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Executive summary

The year 2011 was a challenging one for the global FDI market. Natural disasters in Asia-Pacific and economic and political instability in Europe, north Africa and the Middle East led many companies to put on hold their FDI plans, leading to a sharp decline in FDI in many countries. North America, with brighter economic prospects and a 'shale rush', achieved solid FDI growth. Likewise, companies continued to be attracted to the investment opportunities in Africa and Latin America, with 20%-plus growth in FDI in each region. Brazil was again the star performer, with a 38% increase in FDI projects.

Renewable energy was the fastest growing sector for FDI in 2011, despite the challenges facing the sector which are discussed in our sector focus. Renewable energy became the leading sector for capital investment in Europe in 2011, and was the second largest sector in North America.

The **fDi** Report 2012 also has a focus on expansion investment. The report uncovers how expansions are becoming a much more important element of the FDI market. In 2011, almost one in five FDI projects was an expansion project, and the report shows that expansions are particularly important for extraction, manufacturing, and front- and back-office projects.

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 (M&A) 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.

Global overview

Against the backdrop of another tumultuous year for the world economy, foreign investors have remained cautiously optimistic with slow but solid growth in FDI. The number of FDI projects increased by 5.6% in 2011, faster than the 3% increase in 2010. In total, **fDi** Markets recorded 13,718 FDI projects in 2011.

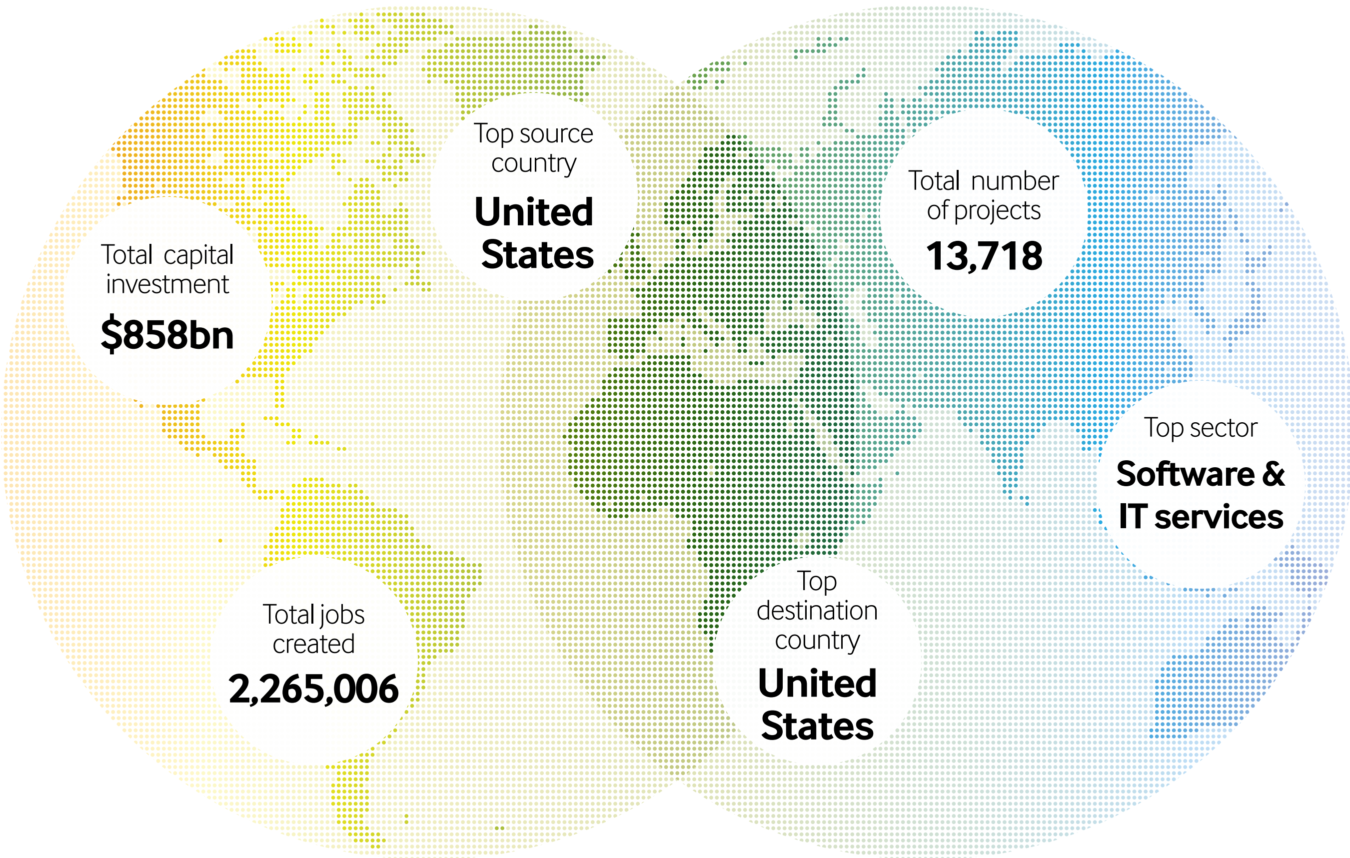
After declining by 14.5% in 2010, the estimated capital investment associated with FDI projects grew by 1.2% in 2011 to $860bn, indicating the beginning of a recovery in more capital-intensive sectors. The same pattern was seen in employment, with estimated direct job creation from FDI increasing by 2.5% in 2011 to 2.27 million, following a 3.5% decline in 2010.

Despite the political upheaval in north Africa, Africa as a whole was the growth hotspot in 2011, with a 24% increase in FDI projects recorded. In contrast, Europe was the only region to experience a decline in the number of FDI projects in 2011. With Europe holding back recovery, the FDI market still has some way to go to reach the pre-recession peak of 15,489 FDI projects.

Latin American countries perform strongly

A big winner for FDI in 2011 was Brazil and its neighbours in Latin America. A long-touted success story, Brazil has been steadily attracting more FDI projects since 2007. Last year was a record year for FDI projects in Brazil, and capital investment also grew by 48%. However, as a source country for FDI, Brazil still accounts for less than 1% of global FDI projects and 0.5% of global capital invested.

Global Figures
2011 FDI Snapshot



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

Brazil's neighbours are also benefiting from the growing interest in the region: Argentina Colombia, and Uruguay each achieved growth in FDI project numbers in 2011. Overall, the number of FDI projects in Latin America grew by 22% in 2011, just behind the 24% growth in Africa, and accounted for 10% of global FDI projects.

India and China also had a strong performance in 2011, achieving an increase in capital investment of 15% and 3%, respectively, as well as an increase in project numbers.

Russia experienced a small decrease in FDI project numbers and capital investment, although outward FDI projects from Russia grew marginally by 3%.

Canada and Australia booming source countries for FDI

Ranked sixth in the world as a source of FDI, Canada is growing rapidly in importance as a global investor, establishing 41.9% more projects overseas in 2011 than in 2010. Capital investment from Canadian companies overseas grew even more, by an estimated 59.4% in 2011. Australian companies also ramped up their investment overseas, establishing 20.5% more FDI projects in 2011 than in 2010, with a 52.8% growth in job creation overseas compared to 2010.

Sector highlights

The top five sectors in terms of project numbers all experienced growth in 2011. Software and IT remained the leading sector for global FDI projects, with a very strong 18% increase in project numbers. The top three sectors, which also include business and financial services, accounted for 34.7% of global FDI projects in 2011.

Metals was the leading sector worldwide when ranked by capital investment, with an estimated $111.65bn of FDI in 2011. Metals replaced the coal, oil and natural gas sector in the number one spot – a position it had maintained since **fDi** Markets began tracking FDI in 2003. The number of FDI projects in the metals sector grew by 17.8% in 2011.

Renewable energy was one of the fastest growing sectors in 2011, with the number of FDI projects increasing by 20% and with capital investment increasing by 40.7%. Renewable energy was the third largest sector for capital investment, after metals and coal, oil and natural gas.

20% The percentage of increased FDI projects in the renewable energy sector in 2011

The automotive sector also had a good year in 2011, with FDI project numbers growing by 12.8%. Capital investment associated with these projects reached an estimated $63bn in 2011 and job creation accounted for 13% of the global total. China, India and the US attracted more than 38% of these projects.

The real estate sector continued to stagnate, with an 11.5% decline in FDI project numbers in 2011, ranking 15th – its weakest performance since 2005. Capital investment and jobs also continued to fall in the sector in 2011.

Why the market did not recover further in 2011?

The global economy experienced four major shocks in 2011, which had a negative impact on corporate investment plans.

First, the Arab Spring created high levels of political uncertainty and investment risk in several countries in north Africa and subsequently the Middle East.

Second, the earthquake, tsunami and nuclear disaster in Japan had a major impact on the Japanese economy and global supply chains.

Third, the massive flooding in Thailand, a leading country for FDI, forced many companies to postpone their investment plans in the country and also disrupted global supply chains.

Fourth, the European debt crisis added to global risk and uncertainty and reduced economic growth in Europe to near zero.

The outcome of these four shocks can be can be clearly seen in FDI statistics for 2011. **fDi** Markets recorded a 29% decline in the number of FDI projects investing in Egypt, a 25% decline in Japan, a 35% decline in Thailand and a 22% decline in projects investing in Italy. With production and supply chains severely damaged domestically, Japan and Thailand-based companies accelerated their outward FDI overseas with growth in outward FDI projects in 2011 of 6% and 45%, respectively.

Asia-Pacific

FDI projects into Asia-Pacific

China, India and Singapore attracted 57% of FDI projects in Asia-Pacific in 2011. India was the strongest performing country with a 21% growth in FDI projects in 2011, following just 1% growth in 2010. The impact of the natural disasters in Japan and Thailand is clearly evident in the sharp decline in FDI in both countries. Hong Kong had a strong year, with its number of projects growing by 6%, after a 21% drop in 2010.

In terms of the size of projects, Indonesia, Pakistan and South Korea and each recorded growth in capital investment in 2011 of more than 70% after securing large-scale investment projects. Examples include Cyprus-based Solway Group announcing a $3bn nickel smelting plant in Indonesia, and United Arab Emirates-based Al Ghurair Group announcing plans to develop a $700m oil refinery in Pakistan. The top-performing country for attracting new jobs was China, which saw just over 340,000 jobs created as a result of inward FDI.

FDI projects out of Asia-Pacific

Analysing FDI overseas, Japan, India and China accounted for more than 60% of FDI projects from Asia-Pacific countries in 2011. Japan remained the dominant outward investor, establishing more FDI projects overseas than India and China combined. Japan's position is even more important when the size of projects is considered, with Japanese companies creating nearly 300,000 jobs overseas; 40% of total overseas job creation generated by Asia-Pacific countries.

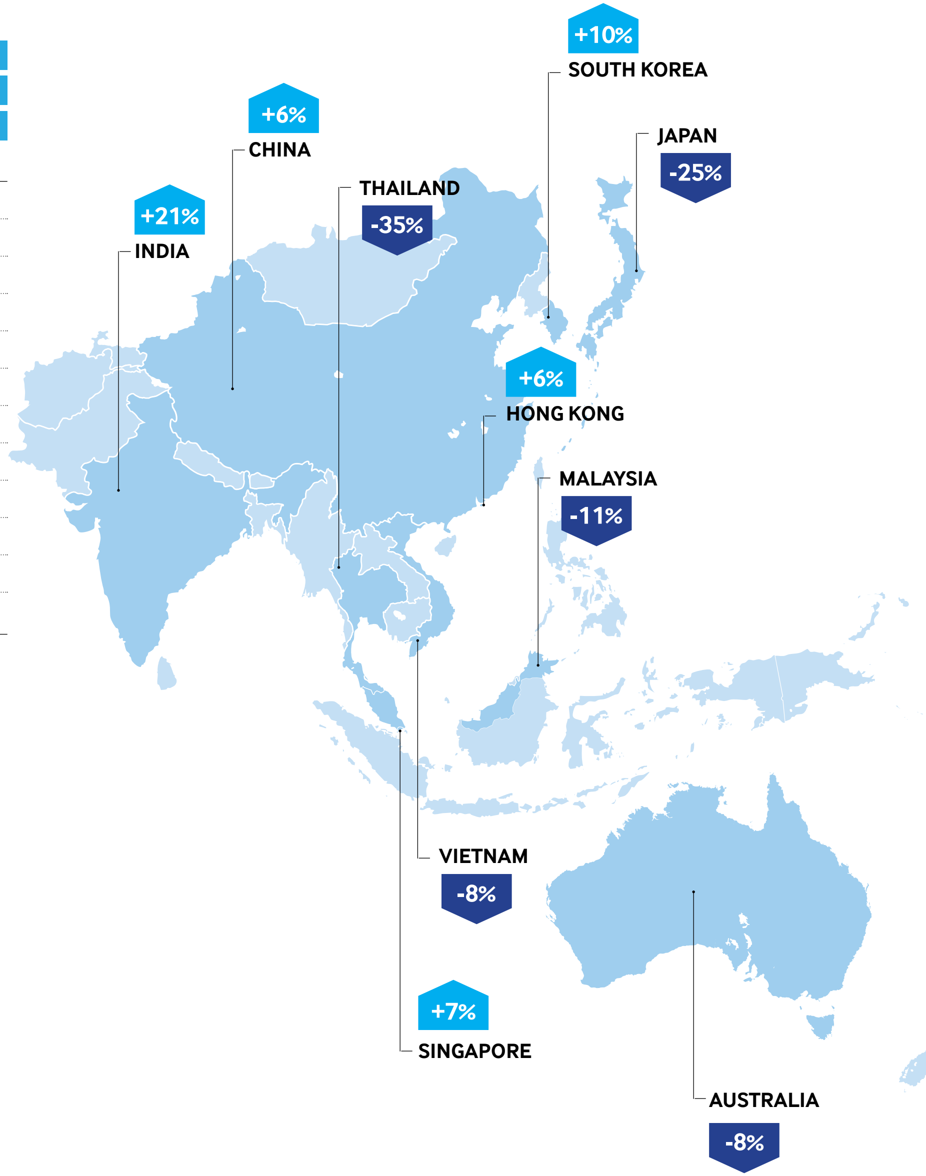
Of the major investing countries, Hong Kong and Australia recorded the fastest growth in outward FDI projects, with percentage growth rates of 23% and 21%, respectively.

Table 1

TOP 10 DESTINATION COUNTRIES IN ASIA-PACIFIC IN 2011

Country	No of projects
China	1270
India	869
Singapore	346
Australia	289
Hong Kong	203
Vietnam	159
Malaysia	159
Thailand	134
Japan	120
South Korea	116
Other	665
Total	**4330**

Source: **fDi** Markets



▶ **This map shows the percentage change on 2010**

Source: **fDi** Markets

In Thailand, flooding over the monsoon season seems to have encouraged domestic companies to invest overseas. In terms of capital investment overseas, Indian, Hong Kong and Vietnamese companies each increased their outward FDI by more than 70% in 2011.

Capital investment by sector in 2011

Metals and minerals was the largest sector for FDI, with an estimated $46bn of capital investment tracked by **fDi** Markets in Asia-Pacific in 2011. With a 54% decline in capital investment in coal, oil and natural gas, the sector moved down into second place. In contrast, FDI in renewable energy grew rapidly, with a 59% in project numbers and 77% increase in jobs creation in the sector in 2011. In total, an estimated $6.93bn of FDI was announced in Asia-Pacific's renewable energy sector in 2011.

Software and IT services, while not appearing in the top sectors in terms of capital investment, had a strong year in terms of project numbers, with a 27% increase, and in job creation with nearly 60,000 new software and IT services jobs created by FDI in the region in 2011.

Table 2

TOP 10 SOURCE COUNTRIES FROM ASIA-PACIFIC IN 2011

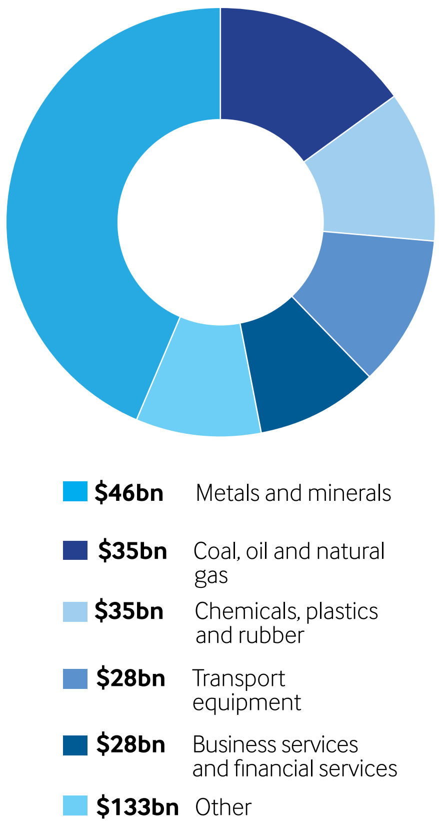
Country	No of projects	% change
Japan	961	6%
India	399	11%
China	395	13%
Australia	211	21%
South Korea	192	-22%
Taiwan	145	-19%
Singapore	110	4%
Hong Kong	107	23%
Malaysia	61	-10%
Thailand	48	45%
Other	138	-1%
Total	**2767**	**4%**

Source: **fDi** Markets

Graph 1

FDI INTO ASIA-PACIFIC BY SECTOR 2011

Capital investment $bn



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

Recent major projects

- **China-based Zhejiang Hengyi Group** is set to invest $6bn in Brunei in a two-stage project which will result in the establishment of an oil refinery and associated infrastructure. and is expected to create 2000 jobs.
- **Japan-based Daikin** plans to spend $215.1m to build a household air-conditioner factory in Suzhou, China. It will become the company's largest production base and will employ about 4000 members of staff, with an annual output capacity of 1.5 million units in the first year.
- **Grace Vina**, a South Korea-based textile company, has built a $5m garment factory in Vietnam. Employing 3000 workers, it has an annual capacity of 26.9 million products.
- **Japan-based Canon** will set up a new $659m manufacturing plant in Taiwan. The factory, which will produce digital single-lens-reflex cameras, will begin construction in August 2011 and will be completed in July 2012. It will create between 3000 and 4000 jobs and is one of two new plants to be set up in the country.

Europe

FDI projects into Europe

The number of FDI projects in Europe declined by 3% in 2011, with a mixed performance across countries. The UK experienced solid growth in FDI, reinforcing its position as the leading FDI location in Europe. As well as a 13% increase in recorded FDI project numbers, capital investment in the UK increased by 48% and FDI job creation by 33%. However, in terms of total job creation, FDI in Russia generated the highest number of new jobs, with 89,047 jobs created in 2011 compared to 66,817 in the UK. This was despite a decline in FDI in Russia in 2011.

A selection of small and medium-sized economies in Europe performed strongly. Ireland, the Netherlands, Serbia and Romania all achieved a significant growth in inward FDI. While the Netherlands was the best performer, with 29% growth in FDI projects in 2011, estimated job creation from FDI in the Netherlands actually fell by 13% as the average project size declined. In contrast, job creation in Ireland grew by 13% and capital investment by 78%. Positioned outside the top 10, Belgium was among the countries that experienced a contrast, with a 43% decline in the number of recorded FDI projects in 2011.

FDI projects out of Europe

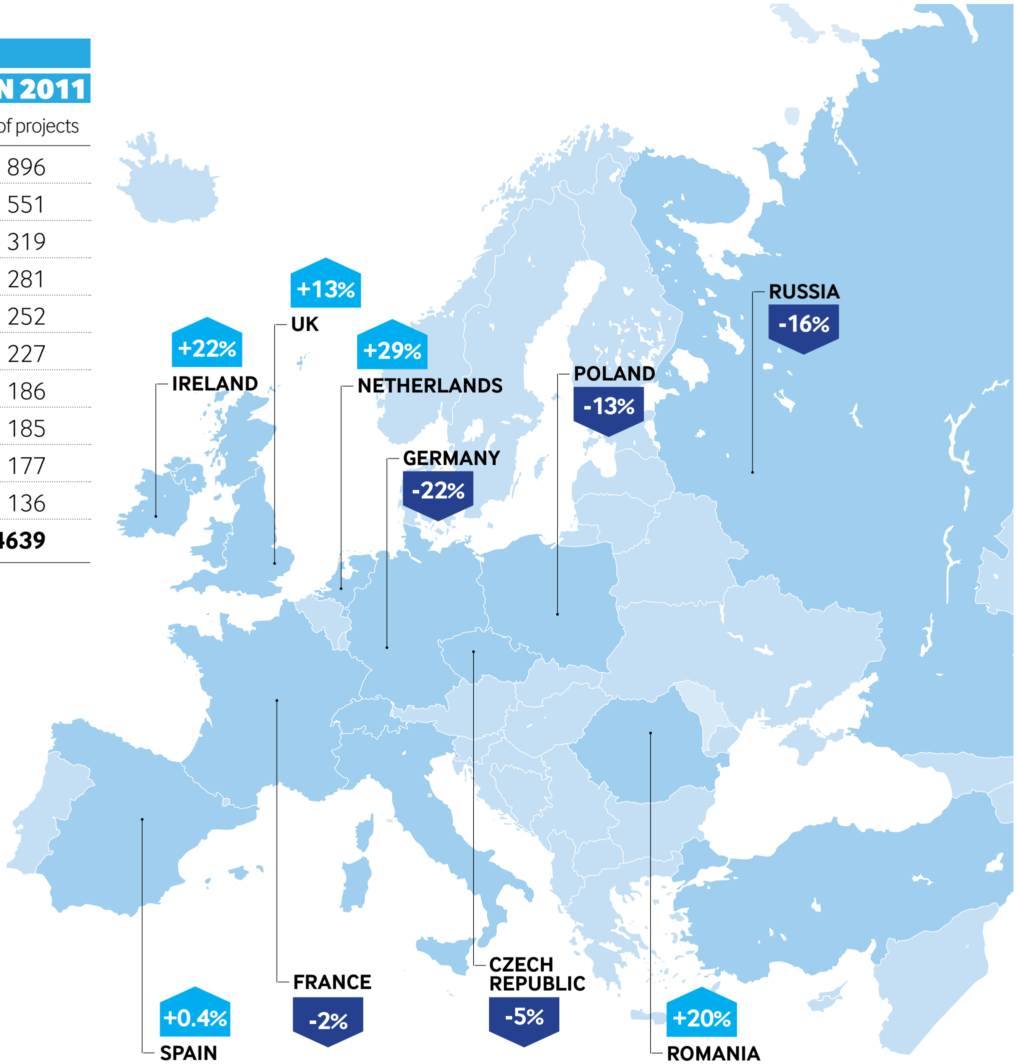
In terms of investment overseas, the UK retained its position as the leading European investor measured by the number of FDI projects established overseas in 2011, closely followed by Germany. German companies, however, created a higher number of jobs overseas, with 180,830 created by German companies in 2011 and 155,987 by UK companies. The number of FDI projects overseas from France and Russia increased slightly in 2011. FDI from Spain created 19% fewer jobs and 28% lower capital investment than in 2010. Ireland and Denmark also saw growth in

Table 3

TOP 10 DESTINATION COUNTRIES IN EUROPE IN 2011

Country	No of projects
UK	896
Germany	551
Russia	319
France	281
Spain	252
Poland	227
Ireland	186
Netherlands	185
Romania	177
Czech Republic	136
Total	**4639**

Source: fDi Markets



▶ **This map shows the percentage change on 2010**

Source: fDi Markets

the number of outward FDI projects by 20% and 21%, respectively. Capital investment made by Danish companies overseas increased from an estimated $3.4bn in 2010 to nearly $8bn in 2011. Major Danish investors included Grundfos, a manufacturer of pipes and pumps, investing in a €50m manufacturing facility in Serbia, and Lego announcing plans to boost capacity at its Nyiregyhaza plant in Hungary with an investment of $94m.

Capital investment by sector in 2011

The largest sector for FDI in Europe in 2011 was renewable energy. Capital investment in renewable energy almost doubled in 2011, reaching an estimated $40bn and accounting for one-third of estimated capital investment in Europe. In contrast, capital investment in the coal, oil and natural gas sector fell by 36%, with estimated investment of $13bn. The transport equipment sector also saw a large decline in FDI in 2011, with a 25% drop in capital investment.

In terms of job creation, the real estate, hotel and tourism sector remained the leading sector for job creation, despite continued decline in FDI in the sector, followed by transport equipment. The life sciences sector also saw a major decline in job creation of 37%.

Table 4

TOP 10 SOURCE COUNTRIES FROM EUROPE IN 2011

Country	No of projects	% change
UK	1359	12%
Germany	1237	7%
France	647	3%
Spain	423	-0.9%
Switzerland	390	-12%
Netherlands	371	-4%
Italy	249	-0.7%
Sweden	237	-6%
Ireland	168	21%
Austria	166	-19%
Other	1010	0.08%
Total	**6383**	**2%**

Source: **fDi** Markets

Graph 2

FDI INTO EUROPE BY SECTOR 2011

Capital investment $bn

- **$42bn** Other
- **$41bn** Renewable energy
- **$26bn** Real estate, hotels and tourism
- **$22bn** Transport equipment
- **$18bn** Business and financial services
- **$18bn** Software, IT and communications

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

Recent major projects

- **Dow Europe** has signed a $1bn joint-venture agreement with Aksa Akrilik Kimya in Turkey to manufacture carbon fibre and will create 1000 jobs.
- **Germany-based Daimler** has expanded its manufacturing plant in Vitoria, Spain, investing $1.34bn in adapting production lines that has created 300 new jobs.
- **China-based Great Wall Motors** has invested $383m in a full-cycle auto plant in Grebenkino, Russia, creating 3500 jobs.
- **Italian textiles manufacturer Benetton** has invested $59.24m in a factory in Nis, Serbia, creating 2700 jobs.
- **Toyota Motor Manufacturing UK** is creating 1500 new jobs at its Burnaston plant in Derbyshire, with a $155.35m investment into the production of family-sized hatchbacks.

North America

FDI projects into North America

Four states/provinces attracted 33 % of FDI into North America in 2011. California was the leading state for FDI in North America, attracting 12% of inward FDI projects in 2011, followed by New York (8%), Ontario (7%) and Texas (6%). The fastest growing of the top 15 states/provinces for FDI in 2011 were Alberta, New Jersey, Massachusetts and Pennsylvania.

FDI projects out of North America

While California was the leading state in North America for outward FDI, with 629 projects in 2011, of the top 15 outward investors, Ontario recorded the fastest growth in outward FDI in 2011, with a 50% growth in project numbers.

Quebec also saw a substantial increase in outward FDI with a 33% increase in FDI projects in 2011. Washington, Georgia, Florida, Texas and New Jersey also all saw strong growth in outward FDI.

Capital investment by sector in 2011

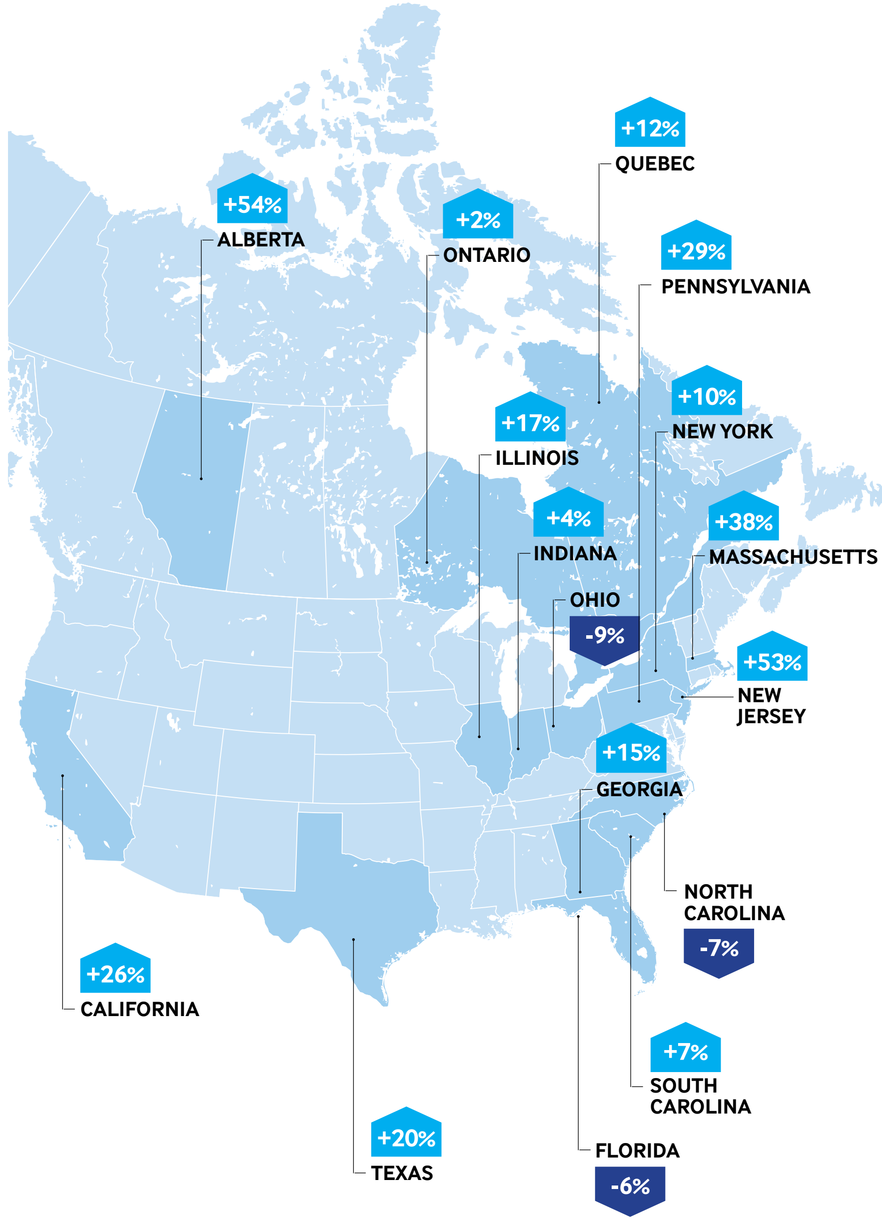
Coal, oil and natural gas and renewable energy were the top two sectors for FDI in 2011, accounting for 34% of capital investment in North America. The ranking is reversed from 2010, when renewable energy was the leading sector followed by coal, oil and natural gas. Focus on investment opportunities in shale gas and oil is the main factor behind the change in ranking, which saw the sector increase its capital investment in North America by nearly 300% in 2011.

Table 5

TOP 10 DESTINATION STATES IN NORTH AMERICA IN 2011

State/province	No of projects
California	229
New York	150
Ontario	135
Texas	115
Florida	69
North Carolina	66
Georgia	62
Massachusetts	58
Illinois	55
Ohio	52
Indiana	50
South Carolina	44
New Jersey	41
Pennsylvania	40
Alberta	37
Quebec	37
Other	652
Total	**1892**

Source: fDi Markets



▶ **This map shows the percentage change on 2010**

Source: fDi Markets

Chemicals, plastics and rubber was the third leading sector for FDI into North America in 2011, due to strong growth in chemicals and rubber. The rubber sector grew by more than 300% in capital investment from 2010, while the chemicals sector witnessed a more than 100% increase in capital investment from 2010.

FDI in the metals and minerals sector fell from $11bn capital investment in 2010 to about $6bn in 2011.

Table 6

TOP 10 SOURCE STATES FROM NORTH AMERICA IN 2011

Country	No of projects	% change
California	629	10%
New York	488	-0.4%
Ontario	244	50%
Texas	195	28%
Illinois	188	8%
Massachusetts	164	15%
Michigan	149	10%
Connecticut	129	-2%
New Jersey	127	28%
Pennsylvania	102	2%
Ohio	101	-4%
Florida	100	-4%
Washington	96	41%
Georgia	91	40%
Quebec	73	33%
Other	839	16%
Total	**3715**	**14%**

Source: **fDi** Markets

Graph 3

FDI INTO NORTH AMERICA BY SECTOR 2011

Capital investment $bn

$16bn Coal, oil and natural gas

$12bn Renewable energy

$11bn Chemical, plastics & rubber

$7bn Transport equipment

$6bn Metal and minerals

$30bn Other

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

Recent major projects

- **Canadian solar energy company Morgan Solar** has received a $3.3bn loan which it will use to set up a manufacturing facility in California, creating 105 new jobs.
- **Mineral company K+S Aktiengesellschaft** will invest $3.2bn to develop a potash mine in Saskatchewan, Canada, which will employ 300 people when completed.
- **Chrysler Group** plans to invest at least $365m to expand and improve its assembly complex in Toledo, Ohio, adding more than 1105 jobs.
- **Kia Motors Manufacturing Georgia** has hired more than 1000 new workers and invested $100m at its plant in West Point, Georgia.
- **Bridgestone Americas Tire Operations** plans to invest about $900m to construct a new factory to produce tyres in Graniteville, South Carolina. The factory will employ 550 staff.

Latin America and Caribbean

FDI projects into Latin America and Caribbean

Brazil attracted more than one-third of FDI in Latin America and the Caribbean. While Argentina recorded the fastest growth in inward FDI in 2011, Brazil dominated FDI in the region, attracting 491 projects; 36% of the total number in Latin America and the Caribbean. The number of FDI projects in Brazil grew by 38% in 2011 – the fastest growth recorded by any of the world's largest economies – and was the highest absolute number ever recorded in Brazil since **fDi** Markets began recording FDI data in 2003. Most countries in Latin America and the Caribbean saw a growth in FDI projects in 2011, with the region as a whole increasing its global share of FDI to 10%, from 9% in 2010 and only 5% in 2006.

FDI projects out of Latin America and Caribbean

Latin American and the Caribbean FDI overseas slowed down in 2011. The number of FDI projects established overseas by Latin American and Caribbean companies fell by 6%, compared with 10% growth in 2010. Brazil is the leading outward investor from the region, followed by Mexico, Chile and Bermuda. Outward FDI from Mexico did not grow in 2011, while Chile saw a 16% growth in overseas FDI projects. Financial services company Banco Falabella was the leading outward investor from Chile, accounting for 26% of all outward investment projects from the country, all of which entered the Colombian market.

Capital investment by sector in 2011

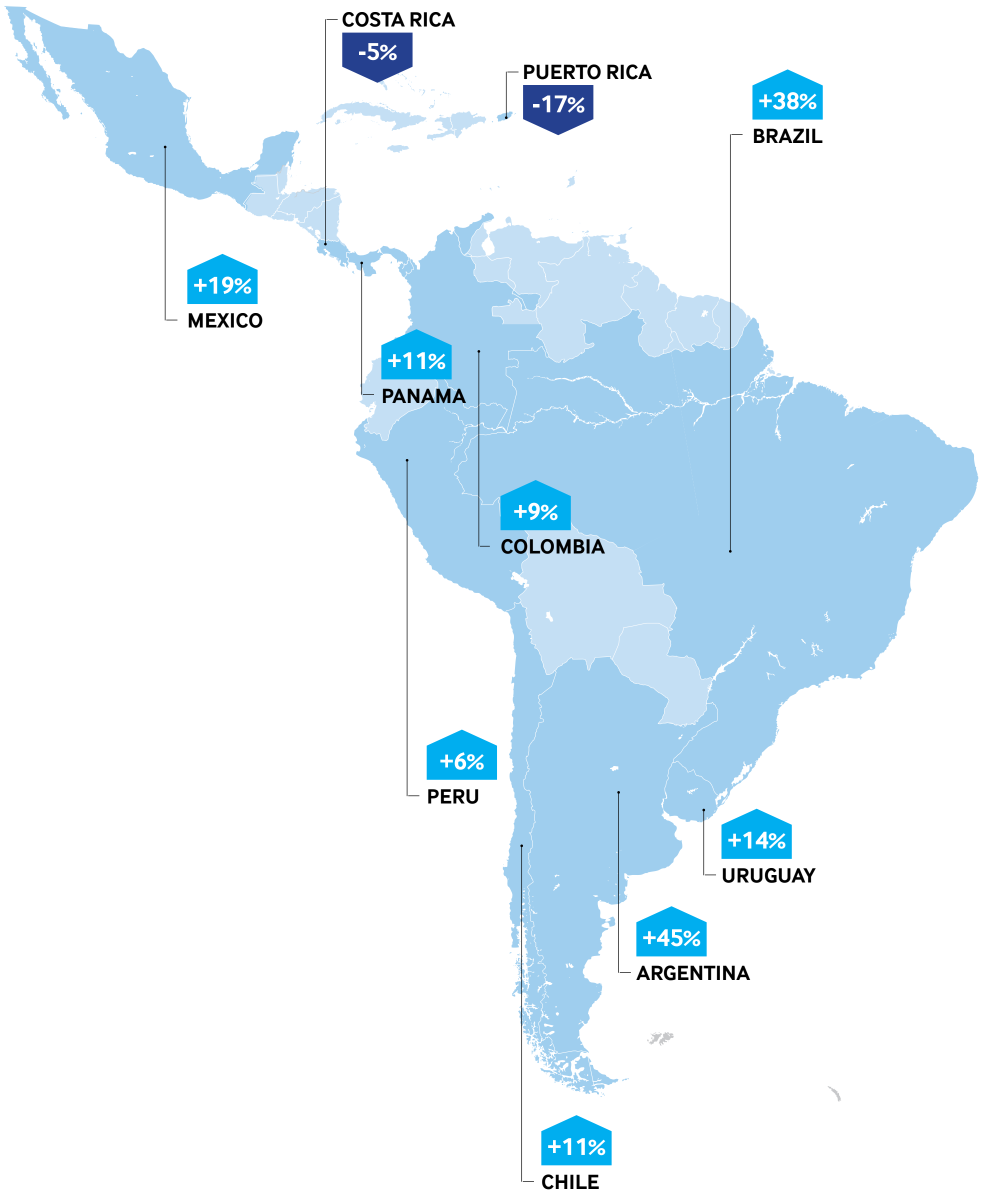
Software, IT services and communications was the leading sector for FDI in Latin America and the Caribbean in 2011, with

Table 7

TOP 10 DESTINATION COUNTRIES IN LATIN AMERICA AND CARIBBEAN IN 2011

Country	No of projects
Brazil	491
Mexico	267
Argentina	141
Colombia	114
Chile	62
Peru	52
Panama	42
Costa Rica	36
Uruguay	25
Puerto Rico	15
Other	119
Total	**1364**

Source: **fDi** Markets



▶ **This map shows the percentage change on 2010**

Source: **fDi** Markets

an estimated $36bn of FDI. The sector also was number one in terms of the number of FDI projects. Major projects were seen in information and communication technology infrastructure, with both Telecom Italia and Spain-based Telefonica investing $2.5bn in Brazil and Chile, respectively, to deploy their fibre-optic networks and expand their wireless capabilities.

Metals and minerals was the second largest sector for FDI in Latin America and the Caribbean, with an estimated $32bn of capital investment. Investors are attracted to the huge natural resources and the growing demands from final manufacturers, especially in transport equipment, which was the third leading sector with an estimated $14bn of capital investment in 2011.

The coal, oil and natural gas sector saw a major decline of 71% in capital investment in Latin America and the Caribbean in 2011, with $6bn of investment compared to $21bn in 2010.

Table 8

TOP 10 SOURCE COUNTRIES FROM LATIN AMERICA AND CARIBBEAN IN 2011

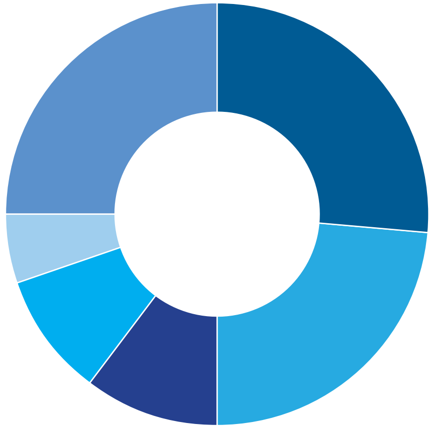
Country	No of projects	% change
Brazil	81	11%
Mexico	42	0%
Chile	37	16%
Bermuda	35	-39%
Argentina	22	16%
Colombia	13	0%
Venezuela	10	0%
Cayman Islands	9	29%
Panama	6	-40%
Jamaica	4	300%
Other	15	-29%
Total	**274**	**-6%**

Source: **fDi** Markets

Graph 4

FDI INTO LATIN AMERICA AND CARIBBEAN BY SECTOR 2011

Capital investment $bn



- **$36bn** Software, IT services and communications
- **$32bn** Metals and minerals
- **$14bn** Transport equipment
- **$13bn** Renewable energy
- **$7bn** Food, beverages and tobacco
- **$34bn** Other

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

Recent major projects

- **Hansae Nicaragua** plans to invest $25m at its site in Masaya, Nicaragua, creating 6000 jobs.
- **Japan-based Honda** plans to set up a new manufacturing plant in Guanajuato in Mexico, investing $800m and creating 3200 jobs.
- **Japan-based Nissan** is planning to construct a new plant in Aguascalientes, Mexico, investing $2bn in the facility, which will eventually employ 3000 workers.
- **Nissan Motor** is planning to invest $1.5bn to build a factory in Brazil that will create as many as 2000 new jobs. The plant will have the capacity to manufacture 220,000 cars per year.
- **Switzerland-based Nestlé** is planning to set up a new production centre in Veracruz, Mexico. The company intends to invest an estimated $700m and create 600 direct jobs

Middle East and Africa

FDI projects into Middle East and Africa

The number of FDI projects in the Middle East and Africa (MEA) region grew by 16% in 2011. Capital investment was down slightly by 1% and job creation up by 3%. The top 10 countries for FDI attracted 64% of projects and capital investment, and 54% of jobs created.

The United Arab Emirates attracted the highest number of projects, while Saudi Arabia attracted the most capital investment, which grew by 40% in 2011 to just over $14bn. However, this is still far below the $42bn in capital investment recorded in Saudi Arabia in 2008. South Africa was the best performing country in the region in 2011, with a 57% increase in project numbers, 87% growth in capital investment, and a 28% rise in jobs created, making it the leading country in the region for job creation.

The political turmoil of 2011 led to some dramatic changes in the volume of FDI in the countries most affected by the Arab Spring uprisings. The number of FDI projects in Libya and Yemen declined by 80%, in Egypt by 29%, in Syria by 26% and in Tunisia the number of FDI projects fell by 14%.

FDI projects out of Middle East and Africa

Companies from the MEA region invested in 10% more projects overseas in 2011 than 2010, accounting for 4% of global FDI projects. Despite the growth, the number of overseas FDI projects from MEA companies was still only 71% of the volume recorded in 2008.

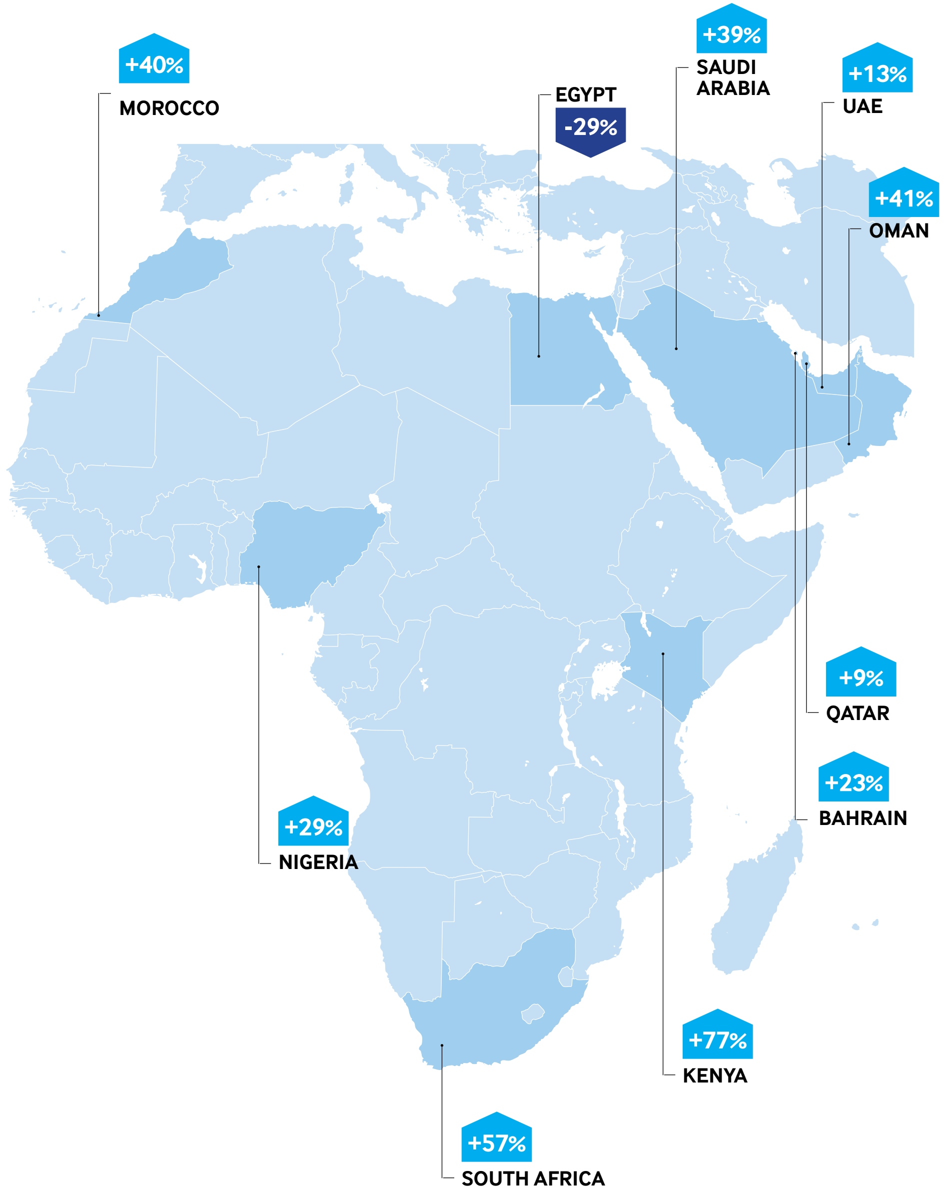
The growth in projects led to a small increase in capital investment of 0.4% but a decline in the number of jobs created by 6%. UAE-

Table 9

TOP 10 DESTINATION COUNTRIES IN MIDDLE EAST AND AFRICA IN 2011

Country	No of projects
UAE	328
South Africa	154
Saudi Arabia	135
Morocco	70
Qatar	59
Kenya	55
Bahrain	48
Oman	48
Nigeria	45
Egypt	44
Other	544
Total	**1530**

Source: **fDi** Markets



▶ **This map shows the percentage change on 2010**

Source: **fDi** Markets

based companies remained most active in FDI overseas, although the number of their projects declined by 3% in 2011 and capital investment overseas declined by 43%. This was largely due to continued decline in real estate FDI, with UAE companies investing in 57% fewer real estate projects in 2011 than 2010.
South African companies were the second most active in investing, with a strong growth of 25% more projects overseas, 93% more capital investment and 65% more job creation in 2011.
While starting from a low volume, companies from Qatar, Mauritius, Togo and Botswana established their highest number of FDI projects overseas in 2011 since **fDi** Markets began recording FDI in 2003.

Capital investment by sector in 2011

Given the vast natural resources of the MEA region, coal, oil and natural gas was the leading sector for FDI, with an estimated $35bn capital investment in 2011. However, capital investment growth declined by 17% during 2011. The second leading sector in 2011 was the metals and minerals sector, with $27bn of investment, a 67% increase on 2010.

In terms of project numbers, financial and business services was the top sector, accounting for 33% of all projects recorded in the MEA region, with growth of 3% in 2011. In terms of jobs created, metals and minerals was the leading sector with an estimated 57,000 jobs created and with very strong jobs growth of 38% in 2011. The sector accounted for more than one-quarter of all jobs created by FDI in the MEA region in 2011.

The fastest growing sector for FDI in the region was the food, beverages and tobacco sector, with a 49% increase in FDI project numbers, a 140% increase in jobs created, and a 200% increase in capital investment.

The weakest performing sector in 2011 was again the real estate, hotels and tourism sector, with a 36% decline in FDI projects and 40% decline in capital investment in 2011.

Table 10

TOP 10 SOURCE COUNTRIES FROM MIDDLE EAST AND AFRICA IN 2011

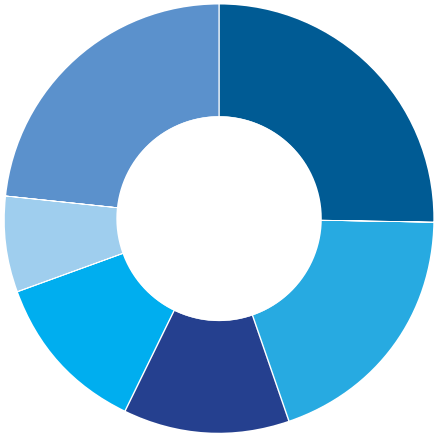
Country	No of projects	% change
UAE	169	-3%
South Africa	74	25%
Israel	72	-9%
Saudi Arabia	48	167%
Qatar	38	100%
Kuwait	29	16%
Bahrain	24	85%
Nigeria	18	38%
Kenya	17	-11%
Togo	15	275%
Other	75	-26%
Total	**579**	**10%**

Source: **fDi** Markets

Graph 5

FDI INTO MIDDLE EAST AND AFRICA BY SECTOR 2011

Capital investment $bn



$35bn Coal, oil and natural gas
$27bn Metals and minerals
$17bn Chemicals, plastics and rubber
$17bn Real estate, hotels and tourisms
$10bn Software, IT services and communications
$32bn Other

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

Recent major projects

- **Taiwan-based China Motor Corporation** has invested $1bn to establish a new manufacturing plant in Harrismith, South Africa, that will create 2500 jobs.
- **Canada-based Bombardier Aerospace** has invested $200m in a manufacturing facility in Morocco that will create 850 jobs.
- **India-based JBF Industries**, a manufacturer of polyester products, is investing $200m to establish a plant in Manama, Bahrain, creating 300 jobs.
- **Saudi Arabia-based Al Hamdi Group**, a mining company, is investing $1.4bn in a fertiliser factory in the Al Hasa area of Jordan, creating 350 jobs.
- **Switzerland-based Nestlé,** a provider of nutrition, health and wellness products, has opened a new manufacturing plant in Ogun state, Nigeria. The company invested $91.9m in the facility, creating 180 jobs.

Renewable energy

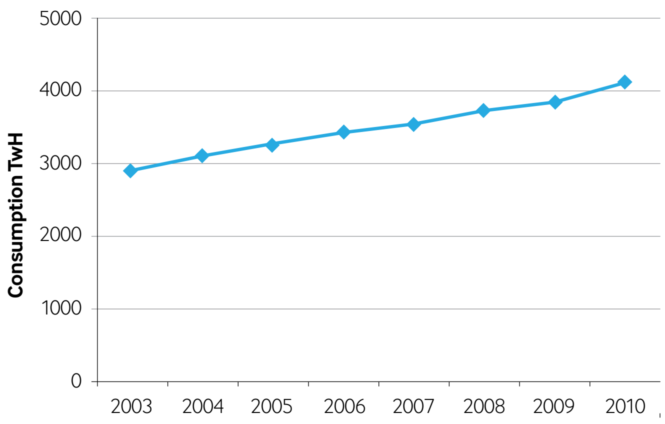
The fastest growing sector for FDI despite uncertainty facing the industry

Climate change, the depletion of natural resources and opportunities for renewable energy have been among the important global topics in the past decade. Years of large-scale government tax incentives and subsidies have encouraged rapid growth in the sector. However, in the wake of the global economic crisis, oil prices have fallen and government budgets have been slashed, reducing the incentives available to renewable energy companies. With demand for renewable energy under pressure and with huge growth in manufacturing capacity for the solar and wind industries in China, prices for key components have fallen dramatically leading to several bankruptcies of major renewable energy companies.

To understand more about the impact of renewable energy on FDI, we draw on **fDi** Markets, which has been tracking FDI in renewable energy since 2003. The first key finding is that the volume of FDI projects in renewable energy has increased nearly six-fold from 2003 to 2011 – the fastest growth of all sectors for FDI, reflecting the trend shown in Graph 6 of increasing levels of global renewable energy consumption. In 2011, FDI in renewable energy was an estimated $77bn. If we include the engines and turbines and solar components feeding the sector, total FDI in 2011 was an estimated $91bn. This is equivalent to almost 11% of global FDI and, as shown in the FDI by region sections of this report, renewable energy was the number one sector for FDI in Europe, number two in North America, and the fourth largest sector for FDI in Latin America.

Graph 6

GLOBAL RENEWABLE ENERGY CONSUMPTION (TwH), 2003-2010



Source: BP Statistical Review of World Energy June 2011
Note: Consumption is based on gross generation from renewable sources including hydroelectric, wind, geothermal, solar, biomass and waste, and not accounting for cross border electricity supply. TwH=Terawatt hours

Table 11

GROWTH IN FDI BY SECTOR IN 2011

Sector	% change
Renewable energy	19.9
Software and IT services	18.1
Metals	17.8
Automotive components	16.9
Plastics	14.1
Transportation	12.3
Business services	10.7
Financial services	9.6
Food and tobacco	9.5
Automotive OEM	8.7
Industrial machinery, equipment and tools	7.1
Chemicals	6.6
Consumer products	6.6
Semiconductors	6.5
Communications	4.0
Coal, oil and natural gas	-6.0
Real estate	-11.6
Pharmaceuticals	-16.0
Electronic components	-16.8
Hotels and tourism	-31.0

Source: **fDi** Markets

As Table 11 shows, despite the uncertainties facing the sector, with reduced government support and excess supply, FDI showed very strong growth in 2011. Renewable energy was the fastest growing sector worldwide for FDI in 2011 with 19.9% growth in the number of projects. Estimated job creation associated with these projects grew by 54%. In contrast, the number of projects in coal, oil and natural gas fell by 6% in 2011 with an overall decline of 54% from 2008-11.

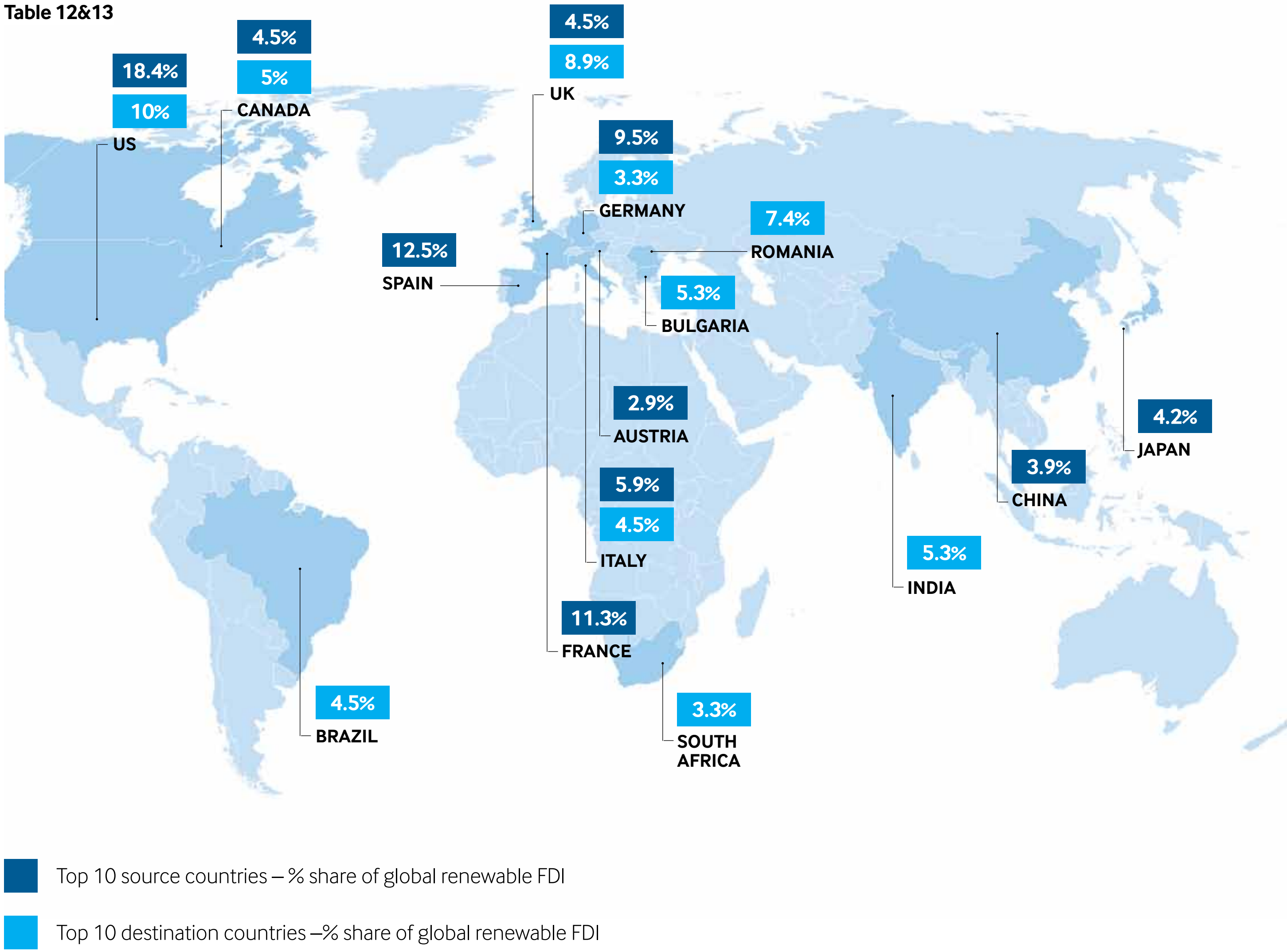
Leading countries for renewable energy

The US was the leading country for renewable energy FDI projects in 2011, attracting 11% of global FDI projects in the sector, followed by the UK with 9% of projects. Romania also had a very strong year, attracting 7% of global projects with key investments from Filasa International and Enel. Canada was also a strong performer, with much of the investment concentrated in Ontario. Ontario was the world's leading region for renewable energy projects in 2011.

Renewable energy – who's investing overseas?

Companies from the US remain the world's leading overseas investors in renewable energy, accounting for 18% of global projects in 2011. Major investors in 2011 included Duke Energy and Solar Reserve. Spain, France, and Germany were the next major overseas investors. German and Spanish companies have been leading global players in the sector for many years, while French FDI overseas is more recent. The number of renewable energy FDI projects by French companies overseas increased by nearly two-thirds in 2011, with major investors including Filasa International and Electricite de France. China also made it into the top 10 investors overseas, with **fDi** Intelligence expecting China to continue to move up the rankings as a major global investor in the sector.

Table 12&13



▶ **This map shows the top 10 source and destination countries for renewable energy FDI in 2011**

Source: **fDi** Markets

Expansions: a growing part of global FDI

Global trends in expansions

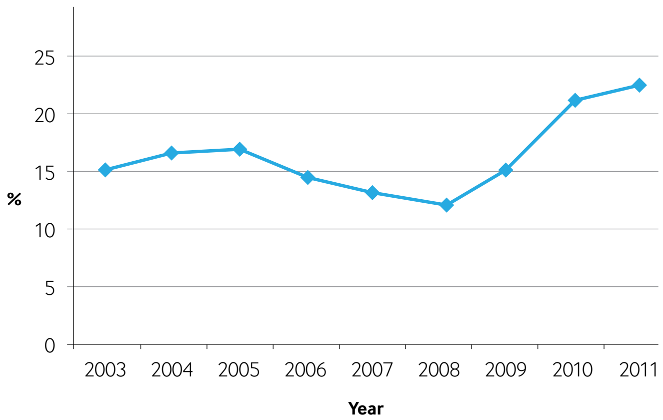
When making an investment decision to develop its operations through organic growth, a company has two main choices: set up a new operation or expand an existing one. For the first time, The **fDi** Report provides global data on the prevalence of expansions; showing the growing importance of expansions and how the role of such FDI varies significantly depending on the type of investment and destination country.

Graph 7 shows the share of expansions in FDI worldwide from 2003-11. Over the period 2004-08, expansions declined in importance from 17% of capital investment in 2004 to just 11% in 2008. This was a period of rapid growth in the FDI market, with many companies establishing their first operations in fast-growing emerging markets. Emerging market companies were also rapidly expanding and building their global footprints. As a result, expansions became relatively less important in global FDI.

Since 2008, the start of the global economic crisis, the reverse trend has been seen with expansions becoming more important for global FDI. In 2011, expansions accounted for 23% of global capital investment from FDI. In the period of global economic crisis, investors have shown a much stronger preference for expanding existing operations than at any time since **fDi** Markets began collating FDI data in 2003. Expanding existing operations has been seen as a lower-risk and lower-cost FDI strategy than establishing a new presence.

Graph 7

EXPANSIONS AS A PERCENTAGE OF TOTAL CAPITAL INVESTMENT IN FDI



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

Table 14

EXPANSIONS BY BUSINESS FUNCTION 2011

Business function	% of total no of projects
Extraction	45%
Manufacturing	39%
Front and back offices	28%
Headquarters	22%
Research, design and development	21%
Logistics, distribution and transportation	18%
ICT & internet infrastructure	15%
Business services	11%
Sales, marketing and support	7%
Electricity	5%
Construction	5%
Total	**19%**

Source: **fDi** Markets

Role of expansions for different FDI project types

Table 14 shows the proportion of global FDI projects which were expansions in 2011 for each main business activity. Expansions were most important for extraction projects, which are very capital-intensive projects requiring substantial re-investment over a period of many years for most projects. Expansions were also very important for manufacturing projects, with 39% of projects in 2011 being expansions. Manufacturing expansions accounted for 10% of all global FDI projects in 2011.

Expansions were also of high importance for front and back offices, indicating that many companies have already established their regional or global back- and front-office operations, with future investment decisions often involving expansion of existing operations. The business functions where expansions are least important are construction, electricity, and sales, marketing and support, where up to 95% of FDI involves new investment projects.

Importance of expansions by country

The role of expansions varies significantly across countries. Ireland has one of the highest proportion of expansions, as does Hungary. Both countries act as regional hubs for the manufacturing operations of global companies, which typically results in a higher proportion of expansions in FDI.

Countries with a long track record in attracting FDI, or with a high level of foreign acquisitions, also resulted in a higher share of expansions. Expansions in the US, the UK, Mexico and Canada accounted for around one-quarter of FDI projects. Countries which are relatively new to FDI and which are rapidly growing tended to have a small share of expansions in FDI. Indonesia, Turkey, Russia and Kenya all have below-average levels of expansions in FDI. Low-tax and entrepot economies, including Switzerland, UAE, Singapore and Hong Kong, also had a very low proportion of expansion in FDI, most likely due to their attractiveness for new companies due to low tax.

Table 15

EXPANSIONS FOR SELECTED DESTINATION COUNTRIES, 2011

Destination country	% of total no of projects
Ireland	49%
Hungary	39%
US	30%
UK	26%
Mexico	26%
Canada	25%
Germany	19%
Brazil	18%
China	17%
India	16%
Vietnam	15%
South Africa	15%
Indonesia	13%
Switzerland	13%
Turkey	12%
Russia	12%
UAE	12%
Singapore	11%
Hong Kong	10%
Kenya	9%
Global average	**16%**

Source: **fDi** Markets

Conclusions and implications

The shift of FDI to emerging markets continued to gather pace in 2011, with Africa and Latin America and the Caribbean recording the fastest growth in inward FDI. From a global perspective, FDI is largely market-seeking, which explains why the economic regions with the best economic growth prospects are attracting a larger share of global FDI. This trend is amplified by resource-seeking FDI, with Africa, Latin America and resource-rich countries in Asia attracting more investment.

As the case of North America shows, the shift in FDI to economic growth poles and resource-rich countries does not necessarily result in less FDI in the advanced economies; FDI in North America continued to grow in 2011. However, without strong economic growth or natural resources (such as vast shale oil and gas reserves in North America), there are fewer investment opportunities, leading to a decline in FDI. With limited natural resources, Europe is unlikely to achieve growth in FDI without solid economic growth.

The FDI forecasting unit at **fDi** Intelligence is predicting 4.4% growth in global FDI in 2012 as its positive scenario. This assumes that there are no major economic and political crises (for example, a Greek default), that Europe does not fall into recession, and that China's economic growth does not slow down below 7.5%. If any of these events take place, then our revised forecast for 2012 is a 1% to 2% growth in FDI. If multiple events take place, then the FDI market is likely to decline in 2012.

In the context of market uncertainty and, at best, slow growth in FDI in 2012, the focus on renewable energy and expansions are of particular importance. Renewable energy has become one the largest – and fastest growing – sectors for FDI. With the right government policies, environmental conditions and industry competitiveness, there continues to be very strong opportunities to attract FDI in this sector. With rapid take-up of cloud-based services, social media and mobile devices, we also expect strong growth of FDI in data centres in 2012, in particular green data centres, which utilise renewable energy for their power requirements.

The focus on expansions demonstrated the importance of expansion investment for FDI, in particular for extraction, manufacturing, and front-and back-office-type FDI. With slow growth in new FDI expected in 2012, expansion investment is likely to become even more important. For governments looking to stimulate the economy and generate employment, renewed emphasis on supporting existing investors is likely to be one of the key trends in investment promotion and economic development policy we see in 2012.

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