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GLOBAL FOREIGN DIRECT INVESTMENT FALLS FOR THE SECOND CONSECUTIVE YEAR POSING ACUTE CHALLENGES FOR DEVELOPING COUNTRIES

UN Trade and Development alerts that uncertainty is affecting global investment and warns of the impact for developing countries of sharp decline in SDG investments

Geneva, 19 June 2025 – Global foreign direct investment fell by 11%, marking the second consecutive year of decline and confirming a deepening slowdown in productive capital flows, according to the World Investment Report 2025, released today by UN Trade and Development (UNCTAD). Although global foreign direct investment (FDI) rose by 4% in 2024 to $1.5 trillion the increase is the result of, among other factors, volatile financial conduit flows through several European economies, which often serve as transfer points for investments.

This year's report comes ahead of the Fourth International Conference on Financing for Development (FFD4), where global leaders will address the widening gap between capital flows and development needs. The findings underscore the urgency of reshaping investment and finance systems to support inclusive and sustainable growth.

Investment dropped sharply across developed economies, particularly in Europe. In developing countries, inflows appeared broadly stable – but this concealed a deeper crisis: in too many economies, capital is stagnating or bypassing entirely the sectors that matter most – infrastructure, energy, technology, and the industries that drive job creation.

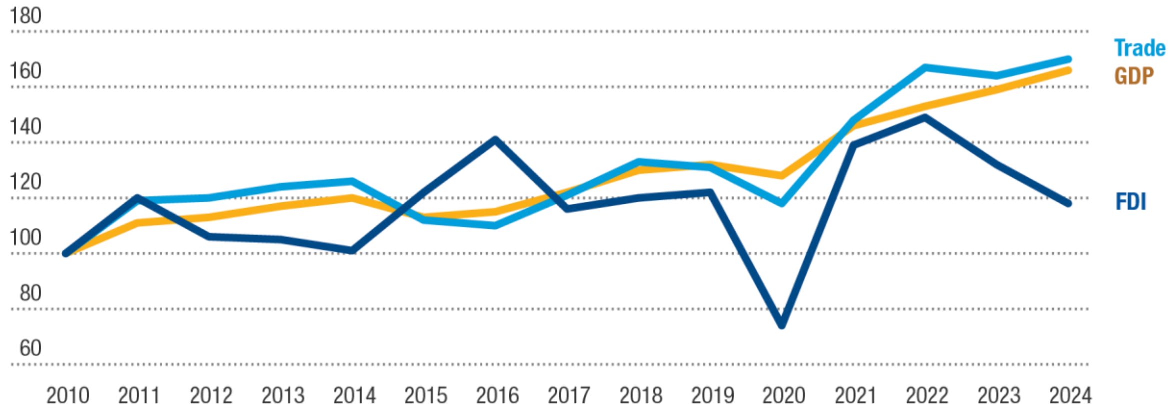
"Too many economies are being left behind not for lack of potential – but because the system still sends capital where it's easiest, not where it's needed," said UN Trade and Development Secretary-General Rebeca Grynspan. "But we can change that. If we align public and private investment with development goals and build trust into the system, domestic and international markets will bring scale, stability and predictability, and today's volatility can become tomorrow's opportunity."

Fragmentation and volatility continue to distort investment flows

The investment landscape in 2024 was shaped by geopolitical tensions, trade fragmentation, and intensifying industrial policy competition. These dynamics, combined with elevated financial risk and uncertainty, are redrawing global investment maps and eroding long-term investor confidence.

Multinational companies increasingly prioritized short-term risk management over long-term strategies, particularly in sectors sensitive to national security, supply chain reconfiguration, and shifting trade policies.

Figure 1. FDI is losing pace with GDP and trade.
FDI, GDP and trade indexed, 2010 = 100



Source: UNCTAD, World Investment Report 2025

Uneven resilience across regions

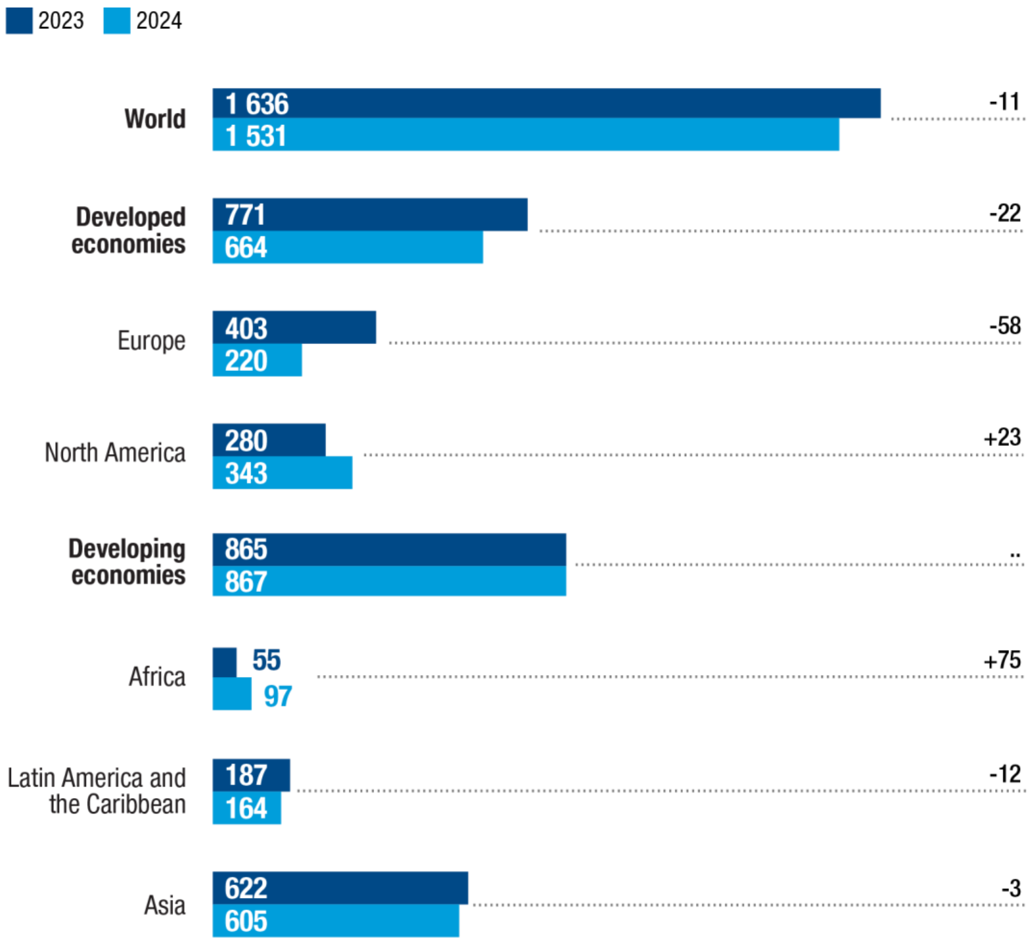
The decline was driven largely by a 22% drop in FDI to developed economies, including a 58% plunge in Europe. North America bucked the trend with a 23% increase, led by the United States.

In developing economies, regional trends diverged:

- **Africa** saw FDI rise 75%, driven by a single large project in Egypt. Excluding that, inflows still rose 12%, supported by investment facilitation and regulatory reform.
- **Asia** remained the top recipient, despite a modest 3% decline. Countries in Southeast Asia posted a 10% rise, reaching $225 billion — the second-highest level on record.
- **Latin America and the Caribbean** experienced a 12% decline in total flows, though greenfield project announcements rose in key markets such as Argentina, Brazil, and Mexico.
- The **Middle East** maintained strong inflows, bolstered by economic diversification in the Gulf region.

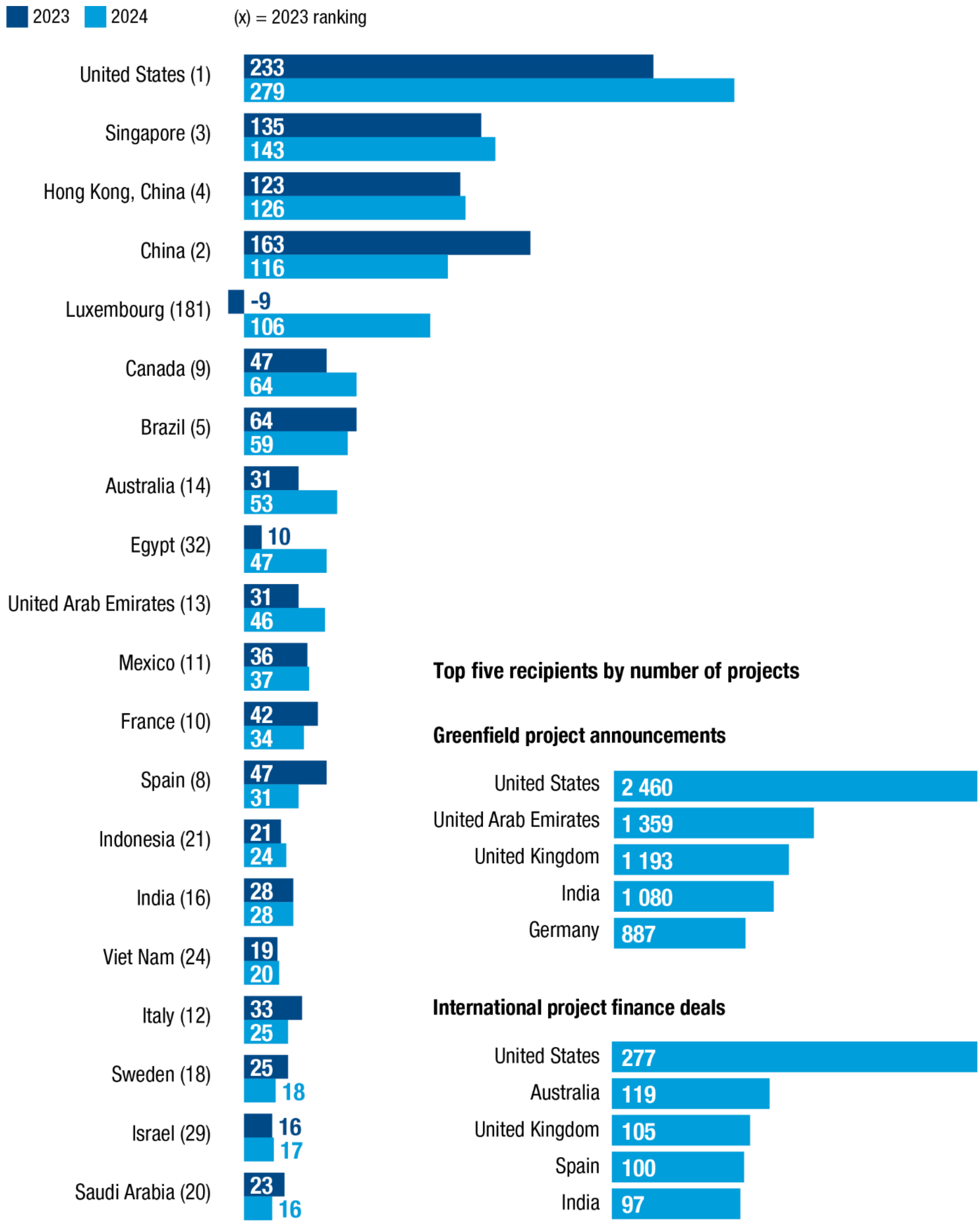
Among structurally vulnerable economies, FDI flows were mixed: inflows rose in least developed countries (+9%) and small island developing States (+14%) but fell 10% in landlocked developing countries. In all three groups, investment remained highly concentrated in just a few countries.

Figure 2: Foreign direct investment declined in several regions: Inflows by economic grouping and region
(Billions of dollars and percentage change)



Source: UNCTAD, World Investment Report 2025

Figure 3: Inflows declined in most developing economies in the top 20 recipients: Foreign direct investment inflows, top 20 host economies
(Billions of dollars)



Source: UNCTAD, World Investment Report 2025

Development-critical sectors face declining investment

While greenfield investment values held steady, international project finance - often key for infrastructure - fell by 26% in 2024. The drop was especially steep in sectors critical to achieving the Sustainable Development Goals: renewable energy (-31%), transport (-32%), and water and sanitation (-30%).

FDI in the digital economy grew 14%, led by Information and Communication technology (ICT)manufacturing, digital services, and semiconductors - but this growth remained heavily concentrated. Ten countries accounted for 80% of all new digital projects, leaving many developing economies excluded from the digital boom due to persistent infrastructure, regulatory, and skills gaps.

The report warns that current levels of investment fall far short of global needs. Closing the Sustainable Development Goals (SDG) financing gap alone would require an estimated $4 trillion per year in developing countries - a target that is becoming more distant.

A call for smarter capital and coordinated reform

As global investment patterns shift, UN Trade and Development warns that reversing the downturn requires not just more capital, but smarter capital - long-term, inclusive, and aligned with sustainable development. Nowhere is this more urgent than in the digital economy, where gaps in infrastructure, skills, and policy risk leaving many countries behind.

To help developing economies attract transformative FDI in digital industries, the report calls for bold reforms and coordinated action. UN Trade and Development proposes a multi-stakeholder agenda focused on seven priority areas:

- Improve **data and AI governance** to support sound digital development strategies.
- Develop **policy toolkits** tailored to digital investment needs in developing countries.
- Advance **global rules for digital trade and investment** through multilateral dialogue.
- Strengthen **digital infrastructure** via global partnerships and blended finance.
- Build **innovation ecosystems** and support university-industry collaboration.
- Enhance **digital skills** through targeted education, training, and entrepreneurship.
- Promote **responsible digital investment** by managing risks and advancing sustainability standards.

Only by reshaping the rules and incentives that guide global capital can countries unlock leapfrog opportunities, close the digital divide, and turn today's volatility into tomorrow's development gains.

About UN Trade and Development:

UN Trade and Development (UNCTAD) is dedicated to promoting inclusive and sustainable development through trade and investment. With a diverse membership, it empowers countries to harness trade for prosperity.

Note to Editors: Additional background information and quotes can be provided upon request.

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