

# **COVID-19 AND THE IMPACT ON FOREIGN DIRECT INVESTMENT**

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It is no news that the **COVID-19** has already impacted the everyday life of millions of people all around the world. From the most affected countries, where people have been living in quarantine and most business and industry are closed, to the least affected countries, which praise on social distancing and are suffering with the cancelation or postponement or pretty much any gathering event.

What apparently is also no news to anyone is that economy is also taking a big hit due to circumstances that people are constricted to face in light of the spreading of the epidemic. Here are some more details about the economic scenario and, in particular, the impact that **foreign direct investment** is likely to suffer as a consequence of the current situation.

On 8 March 2020, the United Nations Conference on Trade and Development (UNCTAD) has released a special issue publication regarding the monitoring of Investment Trends all around the world and how the might be affected by the **COVID-19** (more details at [https://unctad.org/en/PublicationsLibrary/diae\\_gitm34\\_coronavirus\\_8march2020.pdf](https://unctad.org/en/PublicationsLibrary/diae_gitm34_coronavirus_8march2020.pdf))

Here is some of the information shared:

- **Downward pressure of -5%** (compared to previous forecasts projecting marginal growth in the FDI trend for 2020-2021) in case of a short-term stabilization of the situation.
- **Downward pressure of -15%** (compared to previous forecasts projecting marginal growth in the FDI trend for 2020-2021) in case of continuation of effects throughout the year 2020.
- More than **2/3** of the multinational enterprises (MNEs) in UNCTAD's Top 100, at the date of 8 March 2020, had already issued **statements on the impact of Covid-19** on their business.
- On average, the top 5000 MNEs have estimated a **9% downward revision of 2020 earnings**. Hardest hits being the **automotive industry (-44%)**, **airlines (-42%)** and **energy and basic materials industries (-13%)**.
- **Developing countries and emerging economics** are the ones most at risk, where a downwards of **16%** in foreign investment is expected.

- Data for February show a significant drop in the completion rate of **cross-border acquisitions** (**\$10 billion below** the normal monthly values of \$40-50 billion).

The situation also seems of particular concern to some of the countries that were most affected by the disease.

After an increase of 4% per cent in January, foreign direct investment into **China** shrank by a quarter in February 2020. According to the head of the foreign investment department of the Chinese Ministry of Commerce, investment into China **fell 25,6% per cent in February 2020** in yuan terms when compared to the data from a year ago.

According to the data provided by Trading Economics and last updated on March 2020, Foreign Direct Investment in **Italy** had already decreased by **-3438 EUR Million in December of 2019**.

Foreign direct investment into **India** has **decreased marginally by 1,4%** to USD 10.67 billion during October-December period of 2019-20, according to their government data.

At the same time certain industry face what is probably their most challenging scenario in years, if not decades, certain FDI industries instead are predicted to be able to grow and “benefit” from the **COVID-19** crisis.

In particular, and according to specialists in Foreign Direct Investment, sectors such as **e-commerce**, **cybersecurity**, **renewable energy**, **healthcare** and **biotechnology**.

In fact, according to FDI Intelligence, companies of **digital technology** that provide software and IT services, for instance, have produced more than half of the investment signal tracked by foreign investment monitor FDI Markets in the first two weeks of March.

Even though only time will tell the actual impact the **COVID-19** will have on Foreign Direct Investment, the predictions (apart from the above mentioned industries that are likely to benefit from the situation) are far from ideal and in fact extremely concerning.

The spread of information and the learning from others countries experiences, however, seems vital at the moment to allow governments to prepare and plan for measures that will be able to mitigate the damage that, at this point, is a certainty for the world economy.

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I nostri contributi di informazione e aggiornamento sulla crisi del Covid-19 e sulle sue implicazioni sono uno sforzo collettivo dello Studio ed una iniziativa di servizio. Per sottolinearlo, gli autori hanno rinunciato ad indicare il proprio nome in calce ai singoli lavori. Il presente articolo ha esclusivamente finalità informative e non costituisce parere legale.

*Our contributions of information and update on the Covid-19 crisis and its implications constitute a collective effort of the Firm and an initiative of service. For such reason, the authors decided not to sign individually their works and articles.  
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