FDI IN FIGURES – LATIN AMERICA

May 2019

FDI to Latin America down by 6% in 2018

- In 2018, FDI flows to major Latin American (LAC) economies decreased by 6% to USD 137 billion, falling to their second-lowest level since 2009.
- Brazil confirmed its ranking as the first LAC destination, with inflows in excess of USD 61 billion (although down 9% from 2017). Second-ranked Mexico attracted roughly half as much (USD 31.6 billion, -2%), while Argentina and Chile managed to increase inflows by 6% and 5%, respectively.
- Against the background of the persistent fall in global FDI flows, however, the LAC region saw its share of the world total increase from 9% to 11%. In the G20, the share of the three LAC members (Argentina, Brazil and Mexico) remained stable at 11%.
- FDI outflows registered an 81% fall, driven by major divestment by Brazil. Investors from Mexico, Colombia, and Uruguay were responsible for the bulk of LAC outflows in 2018.

Regional developments

In 2018, global FDI flows1 decreased by 27% compared to 2017, to USD 1 097 billion. This represents 1.3% of global GDP, the lowest level since 1999 (Figure 1) (see FDI in Figures – April 2019). The drop was largely due to the 2017 US tax reform, which prompted US parent companies to repatriate large amounts of earnings held with foreign affiliates (see FDI in Figures – July 2018 and FDI in Figures – October 2018). The impact of these repatriations on the foreign operations of US MNES is likely to be minimal in the short term because they involve the sale or disposal of financial, as opposed to real, assets. FDI flows into the OECD area decreased by 24% in 2018, to USD 625 billion while FDI outflows decreased by 40% to USD 585 billion.

In this context, FDI flows to major Latin American and Caribbean (LAC) countries2 fell less than at the global and OECD levels in 2018, by 6% to USD 137 billion (Figure 23). This was the second-lowest level recorded since 2009, at the height of the financial crisis. As a share of GDP, FDI inflows remained stable at 2.9%, being particularly high in smaller economies such as Costa Rica (4.5%) and Uruguay (4%) (Figure 3).

LAC participation in global FDI inflows rose from 6.7% in 2015 to 10.5% in 2018, but this was the result of a decrease in global FDI inflows since 2015, rather than an increase in inflows to LAC. In the G20, the combined share of the three LAC members (Argentina, Brazil, and Mexico) remained stable at 11%.

As far as outward FDI flows are concerned, 2018 was marked by the large drop in Brazil (USD -13 billion, compared with USD 16.7 billion in 2017) that drove the LAC total to a -81% contraction.

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1 By definition, inward and outward FDI worldwide should be equal, but in practice, there are statistical discrepancies. Unless otherwise specified, references to ‘global FDI flows’ refer to the average of these two figures.
2 Including Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, and Uruguay (LAC 11), which together account for 89% of the total LAC GDP in 2018 (IMF WEO estimates).
3 Full-year figures are not yet available for Bolivia and Paraguay; the average of the first three quarters was used for the fourth quarter.
Country developments

In 2018, Brazil confirmed its ranking as the first LAC destination, a position it has held since 2007. Inflows were in excess of USD 61 billion (although down 9% from 2017 and below the post-crisis average of USD 68 billion). Second-ranked Mexico attracted roughly half as much FDI inflows as Brazil (USD 31.6 billion, -2%, and exactly in line with the post-2010 average) and Argentina reclaimed its third place (never achieved since the 1990s) at the expenses of Colombia (-20%). Argentina and fifth-ranked Chile managed to increase inflows by 6% and 5%, respectively.

The best-performing LAC country in 2018 was Ecuador, with FDI inflows rising by 127% and reaching USD 1.4 billion, twice as large as the post-crisis average. Political uncertainty penalized Peru, where the 2018 data were the second lowest since 2008. Roughly in line with the average were Costa Rica, Uruguay, and Paraguay, while Bolivia remained below.
As a share of GDP, the LAC reading remained stable at 2.9%. In terms of this metrics, FDI plays an important role in small economies such as Costa Rica (4.5%) and Uruguay (4%) and a minor one in equally small economies such as Ecuador (1.3%) and Paraguay (1.2%). FDI inflows in 2018 equaled 3.2% of GDP in Brazil, 2.6% in Mexico and Argentina, 2.4% in Chile.

The repercussions of the lava jato corruption led many Brazilian multilatinas to retrench, with FDI outflows experiencing a dramatic USD 30 billion year-on-year switch. In this environment, Mexico was the largest investor (USD 6.9 billion), followed by Colombia (USD 5.1 billion) and Uruguay (USD 3.3 billion). Chilean companies invested overseas in 2018 less than a fourth of their average post-crisis outlays, while for their Argentine peers 2018 was the most active year since 2006.

**Figure 3: FDI flows in LAC countries, as a share of GDP**

![Figure 3: FDI flows in LAC countries, as a share of GDP](image)

Notes: See Table 1 for detailed figures. Full-year figures are not yet available for Bolivia and Paraguay; the average of the first three quarters was used for the fourth quarter. * Data is on asset/liability basis as opposed to directional basis. Source: OECD International Direct Investment Statistics database and IMF.

### OECD and LAC

Figure 5 shows the share of LAC region in each OECD country’s total outward FDI positions at-end 2007 and at-end 2017. The LAC region represented 4% of OECD outward FDI positions at-end 2017. It represented respectively 45%, 13%, 30% of outward FDI positions of Chile, Mexico and Spain and more than 4% of outward FDI positions of six other OECD countries: Portugal (6.4%), the Netherlands (5.9%, excluding from resident Special Purpose Entities), Canada (5.8%), Italy (5.7%), Norway (4.2%), and the United States (4.1%).

While the share of LAC in total OECD outward FDI positions remained stable between 2007 and 2017 (at around 4%), the situation varies across countries. It has decreased by more than 0.5 points for five OECD countries: Mexico (from 24% to 13%), Chile (from 50% to 45%), the United States (from 7% to 4%) and Switzerland (from 4% to 2%). In contrast, it has increased by more than 0.5 points for fifteen OECD countries, and by more than 1 point for ten countries: Spain (from 19% to 30%), Italy (from 2.3% to 5.7%), the Netherlands (from 2.9% to 5.9% excluding from resident SPEs), Poland (from 0.03% to 0.39%).

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4 See notes to Figure 5 for more details.

5 Bilateral outward FDI positions for 2007 are not available for Mexico, hence 2009 was used instead.
1.8%), Portugal (from 4.6% to 6.4%), Norway (from 2.6% to 4.2%), the Slovak Republic (from 0% to 1.2%), Korea (from 2.5% to 3.6%), the United Kingdom (from 1.2% to 2.2%), and Belgium (from 0.1% to 1.1%).

**Figure 5: OECD outward FDI positions in LAC, 2007 versus 2017**

Notes: The LAC aggregate for each OECD country was approximated, using outward FDI positions vis-à-vis ‘South America’ plus Costa Rica and Mexico when available, as reported to the OECD. If the ‘South America’ aggregate was not reported or confidential, it was approximated using single South American countries when sufficient availability. 2007 corresponds to BMD3 methodology while 2017 corresponds to BMD4, except for Estonia, France and Latvia for which both years correspond to BMD4. * Resident SPEs are excluded. ** Bilateral outward FDI positions for 2007 are not available or not publishable for Luxembourg, Mexico and New Zealand so 2009, 2012 and 2008 were used instead respectively for each country. 2017 bilateral outward positions in LAC could not be approximated for New Zealand due to too many confidentiality restrictions so 2014 proxy was used instead.

Source: OECD International Direct Investment Statistics database and IMF

**Find latest FDI data online**

Detailed FDI statistics by partner country and by industry are available from OECD’s online FDI database (see pre-defined queries). Find detailed information on inward and outward FDI flows, income and positions by main destination or source country, and by industry sector, as well as detailed information for resident SPEs and information on inward FDI positions by ultimate investing country. New data for 2017 are available since December 2018.
## Table 1

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<th>Year</th>
<th>LAC(1)</th>
<th>Argentina(2)</th>
<th>Bolivia(3)</th>
<th>Brazil(4)</th>
<th>Chile(5)</th>
<th>Colombia(6)</th>
<th>Costa Rica(7)</th>
<th>Ecuador(8)</th>
<th>Mexico(9)</th>
<th>Peru(10)</th>
<th>Uruguay(11)</th>
<th>G20 countries(12)</th>
<th>G20-OECD countries(13)</th>
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<td>1,750</td>
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<td>760,456</td>
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### Footnotes
1. Source: OECD and IMF.
2. OECD Directorate for Financial and Enterprise Affairs - Investment Division.

## Table 2

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<th>Brazil(4)</th>
<th>Chile(5)</th>
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<th>Costa Rica(7)</th>
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<th>Uruguay(11)</th>
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<td>649,389</td>
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### Footnotes
1. Source: OECD and IMF.
2. OECD Directorate for Financial and Enterprise Affairs - Investment Division.
Notes for tables 1 and 2

Data are updated as of 29 April 2019.

Table 1 and 2 show FDI statistics at the aggregate level on directional basis except for selected countries for which the asset/liability series is used (see note 2). For more information on the two presentations for FDI, see Asset/liability versus directional presentation. FDI terms are defined in the FDI Glossary.

1. **OECD, European Union (EU28), World, G20 aggregates:**

   FDI outward and inward flows (Table 1) and positions (Table 2) were published on 29 April 2019 as part of FDI in Figures – April 2019. FDI flows and positions for OECD and G20 countries are available in FDI in Figures – April 2019.


   World, OECD, EU and G20 totals for FDI positions are based on available FDI data at the time of update as reported to OECD and IMF for the year ended or the latest available year.

   By definition, inward and outward FDI worldwide should be equal. However, in practice, there are statistical discrepancies between inward and outward FDI.

2. **Data series on asset/liability basis:** The data series is on asset/liability basis, as opposed to directional basis, for Argentina, Bolivia, Colombia, Costa Rica, Ecuador, Paraguay, Peru, and Uruguay.

3. **LAC aggregate:** FDI flows are based on available data at the time of update as reported to the OECD and IMF. Missing data for 2018 were collected from national sources websites. Data for 2018 for Bolivia and Paraguay were estimated using the available data for the first three quarters and estimating the fourth quarter with the average of the first three quarters.

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