

## INTERNATIONAL INVESTMENT ACTIVITY COLLAPSES IN 2009, MAJOR EMERGING ECONOMIES SUFFER THEIR FIRST SHARP DECLINES

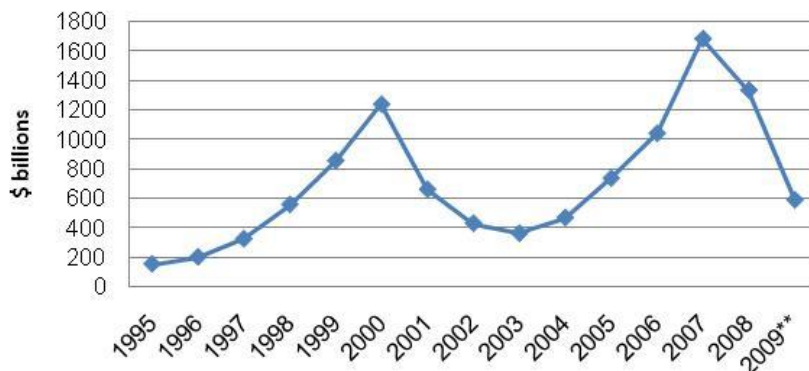
International mergers and acquisitions are on track to decline by 56% in 2009 over 2008, which would represent the largest year-on-year decline in recent history (see figure 1).

Much of this decline was due to the 60% decline in M&A activity by firms based in the OECD area, from over \$1 trillion to \$454 billion (see figure 2).

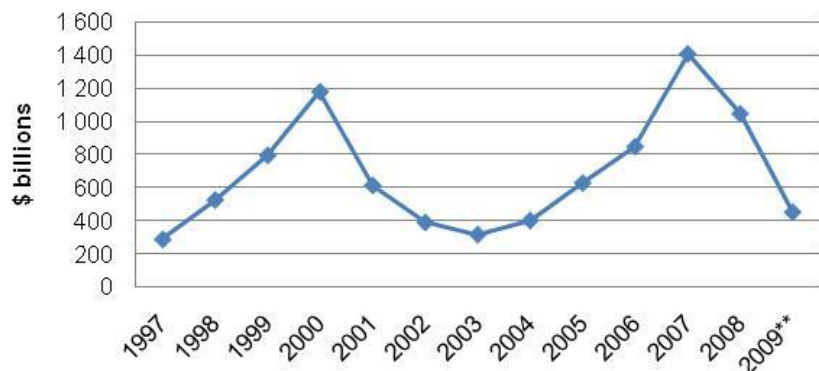
However, it was also due to the fact that major emerging economies, which enjoyed strong international

*Continued on page 2*

**Figure 1. International mergers and acquisitions, world**



**Figure 2. International M&A activity by firms based in the OECD**



\*\* Forecast based upon completed international M&A through 26 November 2009.  
Source: Dealogic.

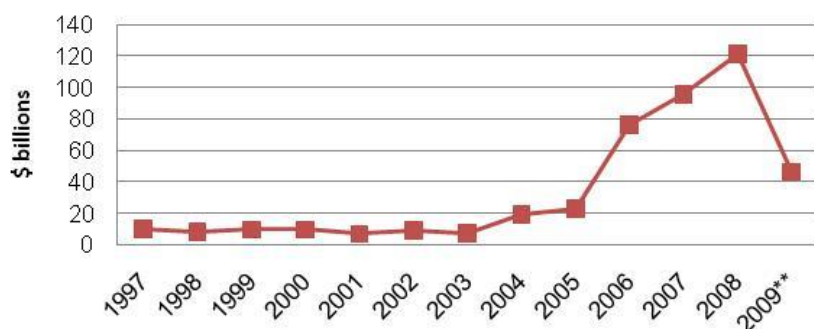
## INTERNATIONAL INVESTMENT ACTIVITY COLLAPSES IN 2009 *continued...*

investment performance in 2008, suffered their first sharp declines in 2009 with respect to both outward and inward M&A activity.

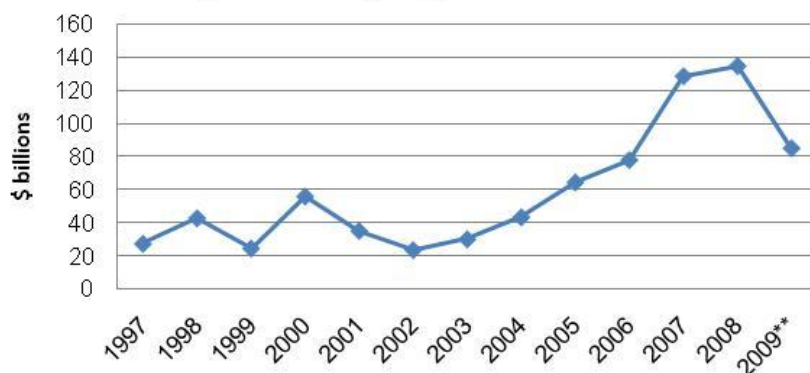
Between 2007 and 2008, international M&A activity by firms based in Brazil, China, India, Indonesia,

Russia, and South Africa increased by 30%, from \$96 billion to \$121 billion. Between 2008 and 2009 this activity fell by 62% to \$46 billion (see figure 3). And while M&A activity into these countries increased by 5% between 2007 and 2008, it is on track to decline by almost 40% this year (see figure 4). ►

**Figure 3. International M&A activity by firms based in 6 major emerging economies\***



**Figure 4. International M&A into 6 major emerging economies\***



\* Brazil, China, India, Indonesia, Russia, and South Africa.

\*\* Forecast based upon completed international M&A through 26 November 2009.

Source: Dealogic.

These latest international investment figures have confirmed that the slight improvement seen in the second quarter FDI data reported by OECD countries could not be sustained (see figure 5). Indeed, despite the slight uptick in Q2, OECD FDI inflows and outflows for the first half of 2009 were both down by over 40% over the first half of 2008 (see table).

As such, the current trend continues to support our previous forecast for sharp declines in both FDI inflows and outflows in 2009, with inflows on track to tumble to \$600 billion and outflows to possibly dip below \$1 trillion (see Investment News Issues 10 and 11, June and October 2009, respectively).■

**For further reading on this topic:**

[www.oecd.org/daf/investment](http://www.oecd.org/daf/investment)

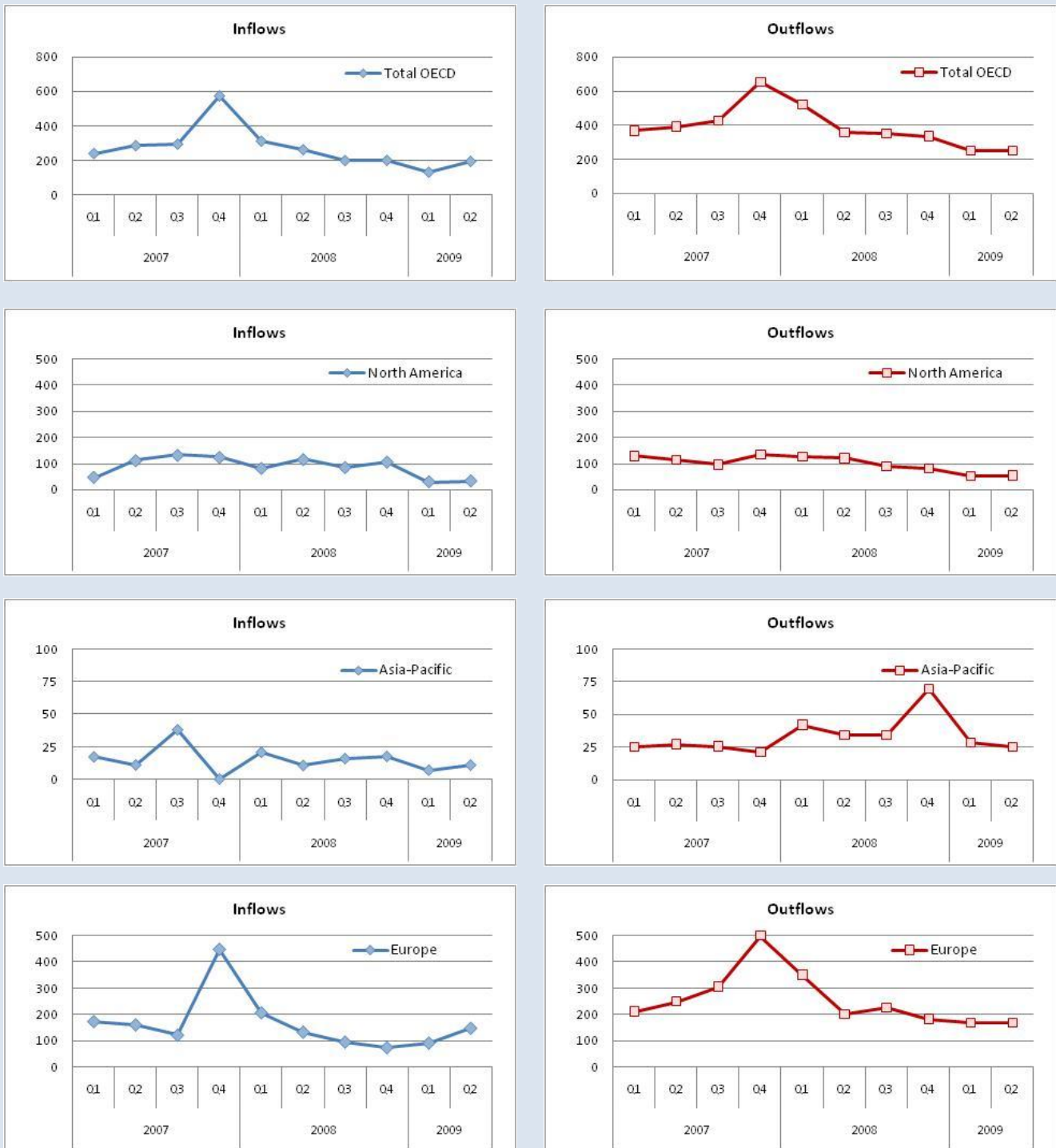
### OECD FDI inflows and outflows, 2008-2009 (\$ billions)

|                   | Inflows              |                      |                      | Outflows             |                      |                      |
|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                   | 2008                 |                      | 2009                 | 2008                 |                      | 2009                 |
|                   | 1 <sup>st</sup> half | 2 <sup>nd</sup> half | 1 <sup>st</sup> half | 1 <sup>st</sup> half | 2 <sup>nd</sup> half | 1 <sup>st</sup> half |
| Australia         | 19                   | 29                   | 12                   | 24                   | 14                   | 18                   |
| Austria*          | 8                    | 6                    | 4                    | 17                   | 12                   | 1                    |
| Belgium           | 27                   | 35                   | 21                   | 46                   | 29                   | 14                   |
| Canada            | 22                   | 23                   | 0                    | 41                   | 38                   | 5                    |
| Czech Republic    | 5                    | 5                    | 2                    | 1                    | 1                    | 2                    |
| Denmark           | 8                    | 3                    | 7                    | 20                   | 9                    | 11                   |
| Finland           | -10                  | 2                    | 1                    | -6                   | 9                    | 1                    |
| France            | 60                   | 40                   | 37                   | 128                  | 77                   | 88                   |
| Germany           | 15                   | 6                    | 14                   | 115                  | 43                   | 36                   |
| Greece            | 4                    | 1                    | 2                    | 2                    | 1                    | 1                    |
| Hungary*          | 2                    | 4                    | 0                    | 0                    | 2                    | 1                    |
| Iceland           | 1                    | -1                   | 0                    | -3                   | -5                   | 0                    |
| Ireland           | -7                   | -13                  | 18                   | 3                    | 10                   | 9                    |
| Italy             | -6                   | 21                   | 15                   | 14                   | 29                   | 25                   |
| Japan             | 12                   | 2                    | 6                    | 47                   | 83                   | 35                   |
| Korea             | -1                   | 3                    | 1                    | 7                    | 6                    | 2                    |
| Luxembourg*       | 20                   | 6                    | 11                   | 7                    | 17                   | 19                   |
| Mexico            | 13                   | 9                    | 10                   | 0                    | 1                    | 3                    |
| Netherlands       | 36                   | -39                  | 10                   | 24                   | -4                   | 24                   |
| New Zealand       | 2                    | 1                    | 0                    | 0                    | 0                    | -1                   |
| Norway            | -5                   | 3                    | 6                    | 5                    | 22                   | 16                   |
| Poland            | 11                   | 6                    | 1                    | 3                    | 1                    | 1                    |
| Portugal          | 2                    | 2                    | 2                    | 1                    | 1                    | 1                    |
| Slovak Republic   | 1                    | 3                    | -1                   | 0                    | 0                    | 0                    |
| Spain             | 51                   | 20                   | 17                   | 39                   | 41                   | 18                   |
| Sweden            | 15                   | 26                   | 8                    | 13                   | 15                   | 7                    |
| Switzerland       | 13                   | 5                    | 8                    | 27                   | 58                   | 11                   |
| Turkey            | 10                   | 8                    | 4                    | 2                    | 1                    | 1                    |
| United Kingdom    | 78                   | 19                   | 51                   | 96                   | 43                   | 55                   |
| United States     | 162                  | 158                  | 51                   | 204                  | 128                  | 95                   |
| <b>Total OECD</b> | <b>570</b>           | <b>395</b>           | <b>321</b>           | <b>875</b>           | <b>679</b>           | <b>498</b>           |

\* Data exclude Special Purpose Entities.

Source: OECD International direct investment database.

**Figure 5. OECD FDI inflows and outflows, 2007-Q2 2009 by geographical zone (\$ billions)**



Source: OECD International direct investment database.