

EAGLEs Flash



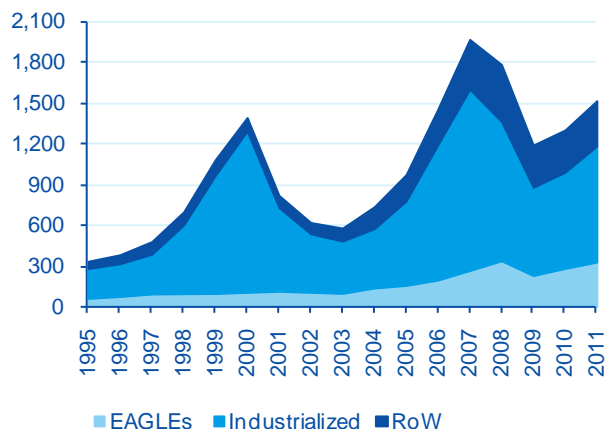
FDI inflows towards the EAGLEs on the way to set a new record in 2012

Only the EAGLEs have fully recovered pre-crisis levels

World FDI inflows increased by 16.5% in 2011 according to the latest World Investment Report¹. However, they are still below the peak they reached in 2007. This general picture applies to industrialized economies², which had the largest growth rate last year (20.6%), but where inflows are around two thirds of pre-crisis levels. The EAGLEs clearly outperform as they recovered 2008 peak records. The natural resources boom in recent years and the better economic performance of emerging economies are behind these developments.

Chart 1

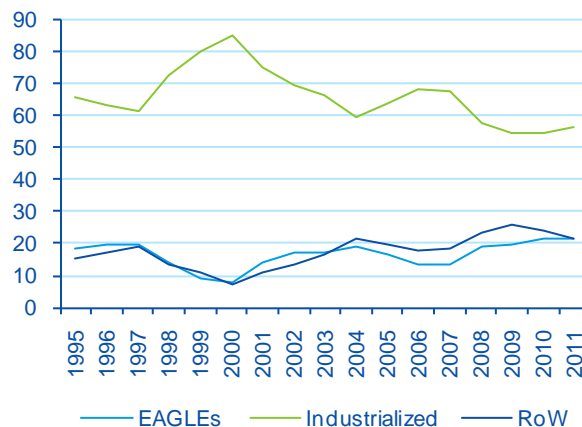
World FDI inflows (billions of dollars)



Source: UNCTAD and BBVA Research

Chart 2

World FDI inflows (% share of total flows)



Source: UNCTAD and BBVA Research

Potential for further reallocation towards the EAGLEs is still very large

Although industrialized economies have lost a significant share in FDI inflows, and in spite of the deep economic crisis, they still attract more than half of the World aggregate. When comparing FDI allocation with economic growth since the mid 90s it is clear that EAGLEs are underweighted; their average share of FDI flows was only 16% compared with their contribution to World growth, almost 50%³. Since we see the growth differential robust in the long-term, the FDI gap should continue narrowing. One area of special interest is infrastructure, in which many EAGLEs still show quantity and quality shortages when compared with the G7. Other emerging sector set to attract FDI is tourism, in a context of booming domestic middle classes and increasing interest from travellers in developed countries⁴.

1: For more information click on [http://unctad.org/en/Pages/DIAE/World Investment Report/WIR2012_WebFlyer.aspx](http://unctad.org/en/Pages/DIAE/World%20Investment%20Report/WIR2012_WebFlyer.aspx)

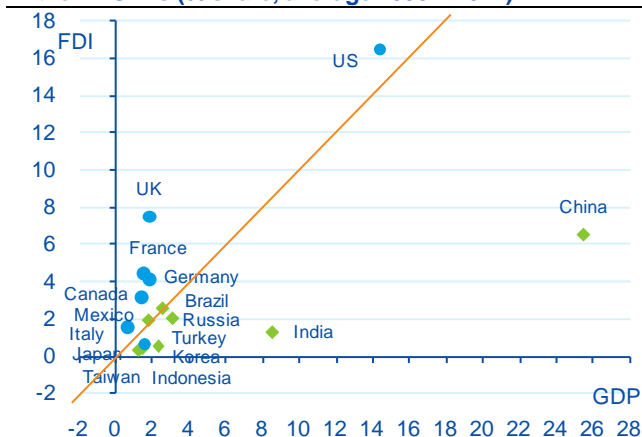
2: G7 countries, other Euro Zone members, Nordic countries, Switzerland, Israel, Singapore, Hong Kong, Australia and New Zealand.

3: Among the EAGLEs, Brazil and Mexico seem to have an adequate share of FDI inflows. China and India seem to be most underweighted

4: For more information click on http://www.bbva.com/research/KETD/fbin/mult/120605_EAGLEs_Flash_Tourism_in_2011_tcm348-332242.pdf?ts=882012

Chart 3

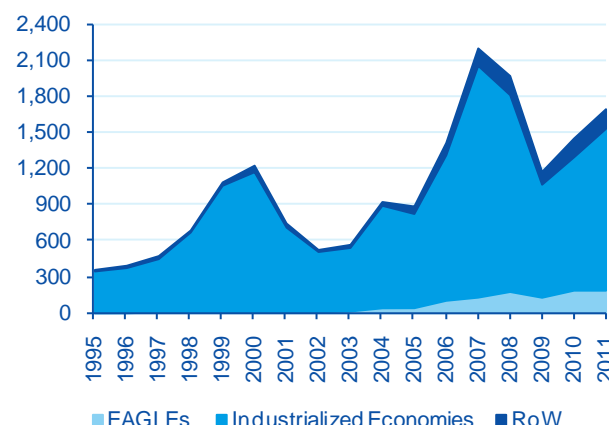
FDI inflows and contribution to GDP growth in the EAGLEs (% share, average 1995 – 2011)



Source: UNCTAD and BBVA Research

Chart 4

World FDI outflows (billions of dollars)



Source: UNCTAD and BBVA Research

New emerging companies and yield seeking to drive also a reallocation of FDI providers

Industrialized economies were the source of almost 80% of total FDI outflows in 2011. EAGLEs have gained relevance in recent years, although their current role is still small. China is the second World largest creditor, after Japan and over Germany⁵, and Sovereign Wealth Funds (SWF) from commodity exporters have been accumulating considerable amounts of assets. However their investment policies have been focused on holding liquid assets, which currently have very low yields. On the other hand, EAGLEs corporations have grown enough to become world players and their relevance and number is expected to increase in the near future⁶. Both a rebalancing in China's and SWFs portfolios and direct penetration of EAGLEs companies in foreign markets should increase the share of FDI outflows from these countries to the rest of the world.

5: For more information about this check http://www.bbva.com/KETD/fbin/mult/EW_International_Investment_Position_final_version_tcm348-286577.pdf?ts=782012

6: For more information about this check http://www.bbva.com/KETD/fbin/mult/120724_EAGLEs_Flash-Fortune_500_tcm348-346707.pdf?ts=782012

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