

Cautious optimism: the 2023 FDI Confidence Index[®]

Executive summary

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Survey results reflect continued optimism among investors ...

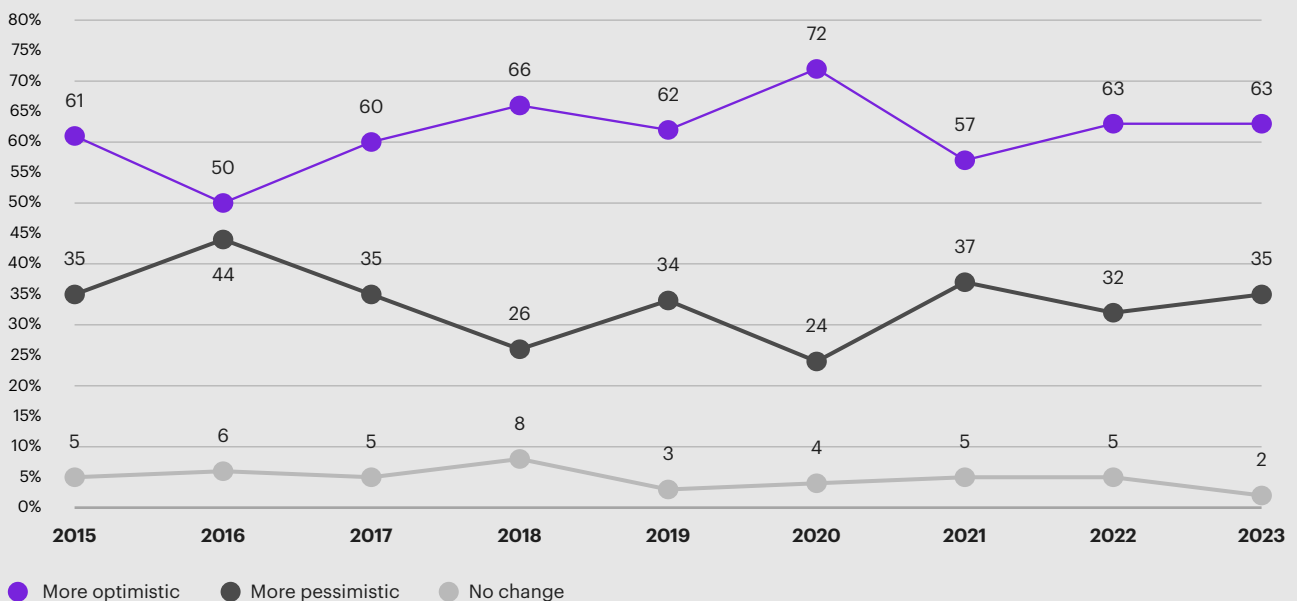
More than three-quarters (82 percent) said they are planning to increase their FDI in the next three years—up marginally from 76 percent last year. Further, 86 percent cited FDI as more important for their corporate profitability and competitiveness in the next three years, up slightly from 83 percent in 2022. And investor perspectives on the outlook for the global economy were generally aligned with last year's results. While levels of pessimism ticked up slightly from 32 to 35 percent, nearly two-thirds of investors (63 percent) remained more optimistic than pessimistic about the global economy—precisely the same level as last year (see figure 1).

... yet this positive sentiment is tempered by concern about downsides.

Investors see commodity price increases, heightened geopolitical tensions, and political instability in an emerging market as the most likely risks this year. These anticipated developments are likely attributable to the ongoing Russia-Ukraine conflict and the continuing effects of the pandemic, including commodity price volatility and high inflation. Indeed, global inflation reached a striking 7.8 percent in 2022 and, while currently declining, is still anticipated to remain above 5 percent in 2023. And energy prices increased to unprecedented levels, especially in Europe.

Figure 1
Investors expressed the same level of optimism in 2023 as in 2022

Compared with a year ago, how has your view on the global economy changed? (percent)



Source: 2023 Kearney Foreign Direct Investment Confidence Index

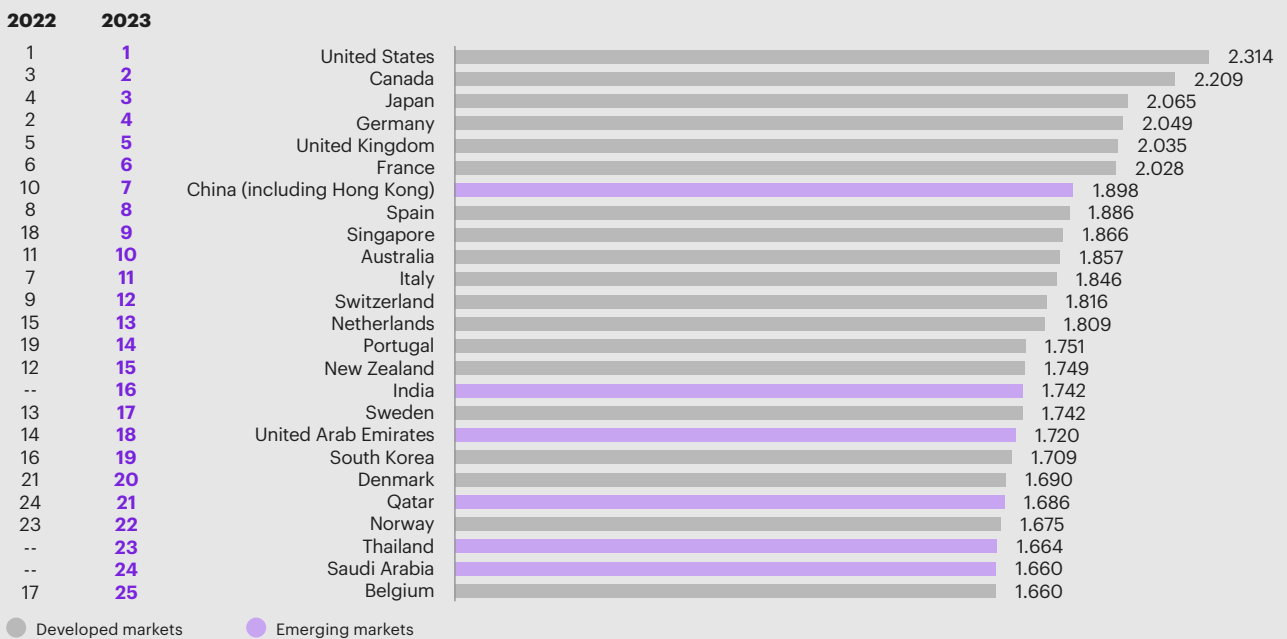
The United States takes the top ranking for the 11th consecutive year.

Canada reclaims the second position after falling to third in 2022, and Japan jumps to third from last year's fourth-place ranking. Germany drops two spots to fourth, likely reflecting the economic and energy challenges it has faced due to the geopolitical crisis in Eastern Europe. The United Kingdom maintains the fifth position, with France following closely behind. China jumps from 10th to 7th, perhaps attributable to signs of recovering economic activity following the reversal of zero-COVID policies in late 2022. Overall, this year's survey once again demonstrated investor preference for developed markets, which accounted for 19 out of 25 of the countries on the Index (see figure 2).

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Figure 2
Developed markets account for 19 of the 25 spots on the Index

World rankings



Source: 2023 Kearney Foreign Direct Investment Confidence Index

For the first time in the 25-year history of the FDI Confidence Index®, we are introducing an exclusive ranking for emerging markets.

This list is intended to give business leaders insights into which emerging markets are most appealing to investors. China, India, the United Arab Emirates, Qatar, Thailand, and Saudi Arabia hold the top six positions; they are also the only emerging markets included in the world rankings. Beyond these top six, Latin America makes a strong showing, with Brazil, Mexico, and Argentina taking the 7th, 8th, and 9th positions, respectively. Southeast Asia also performs strongly, with Malaysia, Indonesia, the Philippines, and Vietnam taking the 10th through 13th positions, respectively (see figure 3).

The top three emerging markets are China, India, and the United Arab Emirates.

Figure 3
Brazil, Mexico, and Argentina top the ranks of emerging markets that did not make the main Index, followed by four Southeast Asian countries

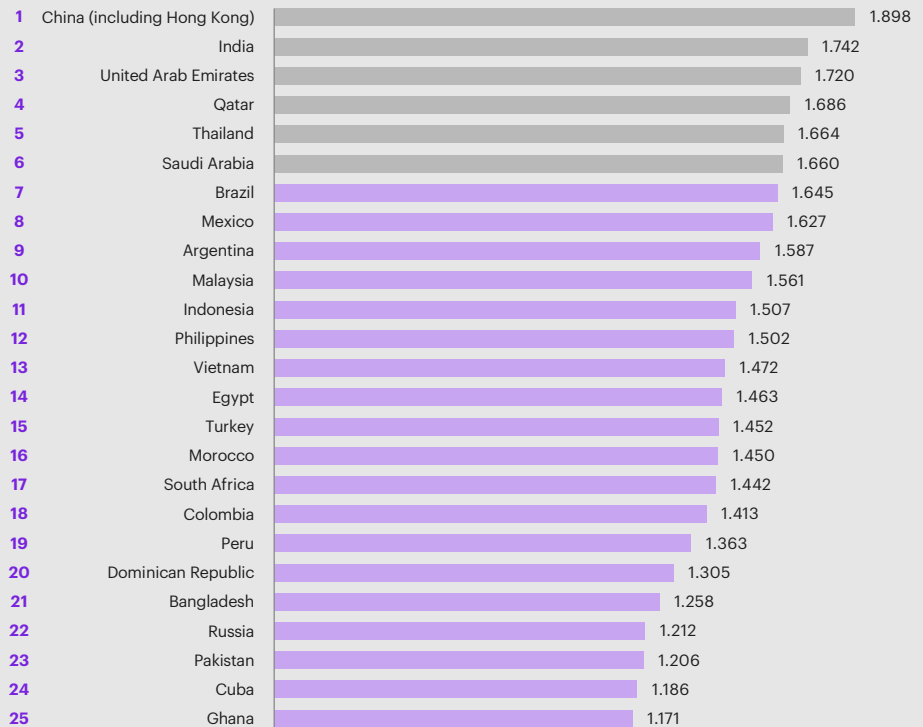
Emerging market rankings

- World rankings
- Emerging market rankings

Notes: Emerging markets are classified using the World Bank’s country classification system. For our purposes, emerging markets are considered any markets that fall below the “high income” category.

Source: 2023 Kearney Foreign Direct Investment Confidence Index

2023



This year's thematic section results suggest that business leaders believe globalization is and will remain the central force in foreign direct investment ...

A distinct majority of respondents (66 percent) anticipate an increase in globalization in the next three years; by contrast, only 23 percent expect a decrease. Those anticipating an expansion of globalization cite a combination of connected digital infrastructure alongside growing trade opportunities and limited trade barriers as the primary driving forces. This is likely the result of the striking proliferation in digital trade and services, especially for telecom and IT, that took place during the pandemic and the rebound in trade writ large beginning in 2021 (see figure 4).

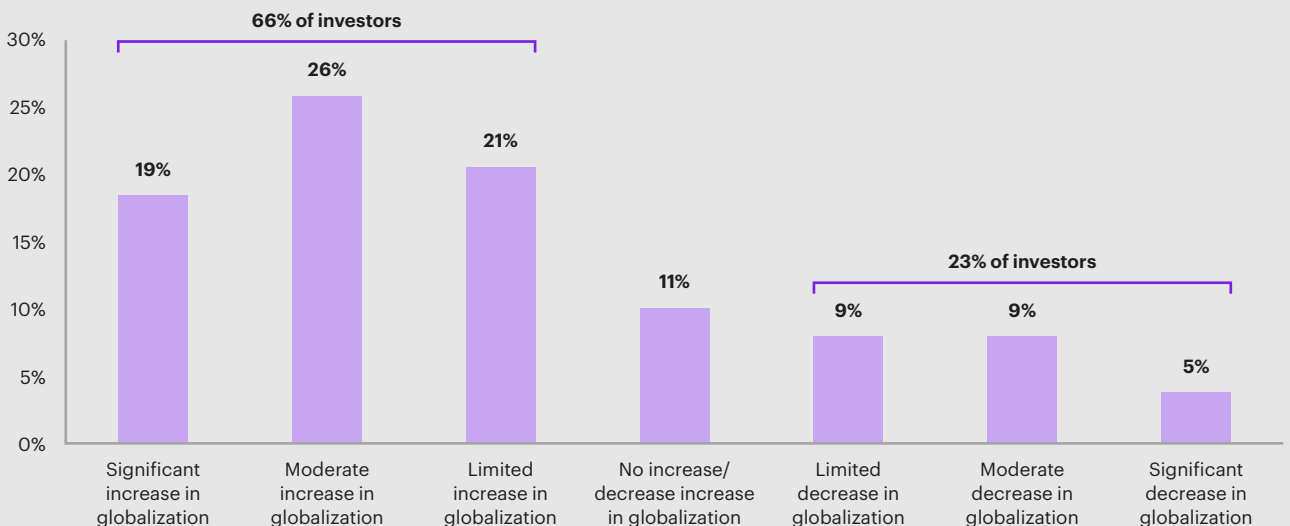
... but investors acknowledge that globalization is changing.

While investors believe in the benefits of globalization and expect it to strengthen, they also anticipate more regionalization over the next three years and that national governments will pursue strategies to increase self-sufficiency. Nevertheless, respondents expect FDI to increase. Roughly half indicated they intend to expand their global investment postures. These figures clearly reflect an awareness that while globalization will continue, its nature may shift as regionalization and self-sufficiency efforts proliferate.

Figure 4

Two-thirds of investors anticipate an increase in globalization over the next three years, while nearly one quarter expect a decrease

How would you characterize the state of globalization over the next three years?
Do you believe globalization is increasing, decreasing, or staying the same? (percent)



Source: 2023 Kearney Foreign Direct Investment Confidence Index

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