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Kearney, Chicago

World recalibrating

The 2026 FDI Confidence Index®

Business leaders are rebalancing their investment strategies toward innovation leaders and production hubs while navigating rising geopolitical tension and expanding industrial policy.

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The Global Business Policy Council, part of the Kearney Foresight network, is a leading voice on business-environment research and policy. Since its first CEO Retreat in 1992, the Council has provided strategic foresight services for the world's top executives and government officials. Through public-facing thought leadership, exclusive global forums, and advisory services, the Council helps decipher complex geopolitical, economic, social, and technological shifts, creating clarity for CEOs and government leaders around key developments and trends for immediate impact and lasting advantage.

Our 2026 FDI Confidence Index® captures investor sentiment in a world defined by mounting uncertainties and a growing need to adjust investment approaches. While a strong majority of executives indicate plans to increase foreign direct investment over the next three years, the operating environment is being reshaped by intensifying geopolitical volatility, expanding industrial policy, and accelerating technological competition. Our survey, conducted in January 2026, reflects a business community that is both actively pursuing emerging opportunities and attentive to mounting complexities and risks.

The rankings underline the degree and scope of these changes. For the 14th consecutive year, the United States remains the top-ranked investment destination, supported primarily by its leadership in tech innovation, but its absolute score reveals a noteworthy decline from previous years. Canada retains its second-place position and sees significant gains in investor sentiment overall. Japan rises to third, and China climbs to fourth—both reflecting a strong showing from Asia. Notably, Asia claims the largest share of ranked markets for the first time in more than a decade, while middle powers¹ such as Singapore and Saudi Arabia register significant gains.

These shifts are emblematic of a broader realignment of global capital. While global FDI flows have been volatile, recent data shows increasing investment concentration in developing Asia and nearshoring hubs. Indeed, according to the United Nations Conference on Trade and Development (UNCTAD) [2025 World Investment Report](#), FDI flows to ASEAN markets reached a record \$225 billion in 2024. This suggests that investors could be strategically reallocating capital toward markets combining innovation capacity, growth potential, and geopolitical relevance in an increasingly multipolar world.

Our emerging market rankings likewise reflect this adjustment. China, the United Arab Emirates, and Saudi Arabia lead the Emerging Markets Index for the third consecutive year, while Thailand and Malaysia post notable gains amid continued supply chain diversification. New entrants and returning markets reshape the lower ranks, underscoring shifting investor perceptions in a fragmented global economy.

This year's findings also reveal a shift in what drives investment decisions. Technological and innovation capabilities now ranks as the most important factor influencing FDI intentions, surpassing efficiency of legal and regulatory processes and domestic economic performance. In an era defined by relentless advances in artificial intelligence and digital infrastructure, markets that demonstrate leadership in innovation are increasingly viewed as more desirable investment destinations. Indeed, investors cite technological innovation as the strongest or tied as the strongest reason to invest in 10 out of 25 markets on the main Index. Investors are recalibrating accordingly, directing capital toward ecosystems that they believe can sustain technological advantage.

At the same time, risk remains elevated. Investors cite rising geopolitical tensions as the most likely development to occur over the coming year, followed by commodity price volatility and political instability in advanced economies. Indeed, growing regional conflict in the Middle East and subsequent energy market disruption validate these concerns. Yet rather than retreating in the face of risk, investors told us in January they are recalibrating.. They are diversifying geographically, reassessing exposure, and weighing how political and regulatory dynamics influence long-term returns.

The resurgence of economic security, and the proliferation of industrial policies, are critical elements shaping the recalibration. Governments are intervening more actively to strengthen competitiveness, resilience, and national security, with significant implications for investment volumes and flows. A strong majority of investors view industrial policy as “extremely” or “very” important in determining where and how they make foreign investment. While they see opportunities to align with national industrial policy priorities, investors also recognize business risks created by competing industrial policies across borders. A plurality cite the need to engage in strategic foresight and scenario planning to respond to the implementation of new tariffs and related policies.

Taken together, the many elements highlighted in this 2026 FDI Confidence Index® do indeed suggest a world recalibrating. This is an environment in which capital continues to flow, but with greater selectivity, strategic alignment, and sensitivity to geopolitical risk. Globalization is not reversing entirely, nor is it proceeding unchanged. Instead, investors are repositioning in response to structural shifts in technology, policy, and power.

As always, we welcome your views and feedback on this year's Index.



Erik R. Peterson

Partner and managing director
Global Business Policy Council
Kearney

¹ While there is no single definition of a “middle power,” they are increasingly pointed to as markets that are neither great powers nor small states, but still exercise meaningful influence in international politics and generally abide by global rules and norms.

Executive summary

For the 14th year in a row, the United States ranks 1st on the Index. Although its overall score and investor optimism declined markedly year over year, it nevertheless remains the most attractive market, supported by technological leadership and resilient economic performance. Canada is closing the gap with the United States, seeing its overall score rise while retaining second place for the fourth straight year, underpinned by strong natural resources and stable fundamentals. Japan rises to third, leading Asia on the strength of innovation and targeted investment incentives, while China climbs to fourth. Notably, Asia claims the largest share of ranked markets for the first time in 13 years. Developed markets still dominate, but their share has edged down as fragmentation reshapes global investment flows.

Emerging-market performance remains dynamic, with increased overlap between the global and emerging market rankings. China, the United Arab Emirates, and Saudi Arabia lead the emerging market ranking for the third consecutive year. Thailand and Malaysia make notable gains, reflecting continued China+1 supply chain diversification and growing middle-power appeal. New entrants such as Bahrain reshape the lower ranks, while South Africa slips five positions amid mining sector contraction. Overall optimism toward emerging markets has modestly improved year over year.

Technological and innovation capabilities emerge as the most important factor for investors when determining where to make foreign direct investments this year. Tech capabilities overtake efficiency of legal and regulatory processes and domestic economic performance, reflecting surging global investment in AI and digital infrastructure, including record levels of FDI in data centers. While ease of doing business and economic fundamentals remain crucial, investor enthusiasm is increasingly centered on markets that demonstrate leadership in innovation and advanced technologies.

Key risks center on rising geopolitical tensions and political instability in developed markets, underscoring investor concern about heightened global uncertainty. Investors anticipated a rise in geopolitical tensions, viewing it as one of the most likely developments to occur over the next year, followed by commodity price increases and political instability in a developed market. Perceptions of geopolitical neutrality are increasingly shaping risk assessments. Still, investors appear willing to tolerate risk where technological strength and economic resilience offer long-term opportunity.

The intensification of government market interventions through industrial policy efforts—the focus of a special section in this year’s report—is reshaping the investment landscape, and investors recognize both the opportunities and the risks surrounding it. Eighty-four percent of investors say industrial policy is “extremely” or “very” important in FDI decision-making. And a majority (57 percent) believe that industrial policy has a positive impact on their company’s business performance. However, this largely depends on which tools are deployed. Infrastructure development, tax incentives, and subsidies are regarded by investors as the most effective tools of industrial policy, while enthusiasm for tariffs and export controls is low. Nevertheless, investors are confident they are prepared for this new era, with 86 percent expressing high confidence in their ability to effectively manage industrial policy-related compliance and regulatory risks, and a plurality citing the use of scenario planning and strategic foresight tools to navigate tariffs and other industrial policies.

The 2026 Foreign Direct Investment Confidence Index

Undercurrents of geopolitical, social, and economic instability were swirling below what, on paper, looked like a relatively stable global economic outlook at the start of the year. As of early February 2026, Oxford Economics projected 3.0 percent global growth for 2026 and average growth of 2.9 percent over the next three years. This unspectacular, albeit steady, outlook is perhaps why 70 percent of survey respondents had a marginally more optimistic view of the global economy than a year ago, up 2 percent from 2025. And despite concerns about rising geopolitical risk and growing uncertainties associated with competing industrial policies, 88 percent of investors indicated plans to increase their FDI in the next three years, representing a four-point increase from last year. As the following results suggest, this optimism was likely grounded in enthusiasm about upcoming opportunities in R&D and AI in the usual “safe bet” markets, as well as interest in fast-growing middle powers in Asia and beyond.

Yet the onset of conflict in the Middle East since our survey was in the field has likely rattled foreign investors. As of March 2026, Oxford Economics has downgraded growth projections for 2026 to just 2.6 percent, and uncertainty remains high. The Middle East is expected to be much more deeply affected. The United Arab Emirates could see a substantial near-term economic hit, particularly via tourism and aviation, but this could rebound quickly if regional conflict stabilizes. Saudi Arabia is projected to be comparatively less affected, as it can divert some oil exports via alternative pipelines and benefits from continued public sector-led investment that supports domestic activity. The ultimate impact of these events on inbound FDI to the region will depend on the scope, scale, and duration of these hostilities.

Despite growing uncertainties, 88 percent of investors indicate plans to increase their FDI in the next three years.

Rankings

World rankings

Though developed markets continue to represent the lion's share of our main Index this year, with 17 out of the top 25 positions, they occupy two fewer than last year (see figure 1 on page 5 and figure 2 on page 6). The top 10 markets also saw some reshuffling, with China climbing two positions to 4th and Italy and Australia dropping out to make way for Singapore at 8th and Saudi Arabia at 10th. The United States, Canada, Japan, and Germany remain in the top five, while the United Kingdom drops to 6th. Notably, "middle powers" are making a big splash on the Index this year, with Singapore jumping from 15 to 8 and Saudi Arabia in the top 10 for the first time ever. Further, South Korea moves up three ranks, and Brazil, Mexico, Thailand, Malaysia, and India all ascend or re-enter the rankings.

For the 14th consecutive year, the United States takes the top position on the Index. Though its overall score has dropped to its lowest level since 2022 and optimism about its outlook has declined significantly (see optimism rankings below), it continues to be the most appealing market for investors based primarily on its high level of technological innovation (43 percent) and economic performance (37 percent) (see figure 3 on page 7). The United States overwhelmingly leads the world in private AI investment, having attracted \$470.9 billion in AI investment since 2013, according to Stanford University's [2025 AI Index](#). Further, it has demonstrated economic resilience through much of the past year and is expected to grow 2.4 percent in 2026 on the back of a stabilizing labor market and strong productivity growth.²

Closing the gap with the United States is Canada, with a score that rises from 2.0932 last year to 2.1373 this year, keeping Canada in second for the fourth consecutive year. Investors are particularly bullish on the market's natural resources (28 percent). Indeed, in Q3 2025, oil and gas giant Canadian Natural Resources achieved [record production levels](#) of 1.62 million barrels of oil equivalent per day, up 19 percent year over year as a result of acquisitions and robust operations. Survey respondents also point to Canada's technological innovation (28 percent) as a key factor driving their interest in the market. Shortly before our survey was fielded, the [Canada 2025 budget](#) proposed \$925.6 million in funds over the next few years to support "sovereign public AI infrastructure," a development that may have informed this result.

Despite the United States and Canada claiming the top two ranks, Asia clinches the largest share of markets on this year's Index with 10 of the top 25. This marks the first time in 13 years European markets have not had the largest share. Of the 10 Asian markets on the list, Japan ranks the highest (3rd), up one from 4th last year. Survey respondents (43 percent) cite Japan's technological innovation as a primary reason to invest in the market. They were likely buoyed by the 2025 Japan External Trade Organization (JETRO) launch of a [subsidy program](#) that provides financial support to foreign and foreign-affiliated companies to conduct feasibility studies and implement innovative technologies in priority sectors such as semiconductors, life sciences, decarbonization, and mobility. China also makes gains, rising from 6th to 4th. The market is likely benefitting from a shifting global order in which economies from Canada to Kenya are increasingly seeking trade alliances beyond the United States. Further, China's leadership in AI, along with the scale of its domestic market, are highly appealing to foreign investors.

Beyond the top five, Singapore makes a notable jump from 15th to 8th, its highest rank since 2012, when it was 7th. Singapore's ascension this year is perhaps the strongest signal of increasing "middle power" appeal given its general neutrality in an era of growing geopolitical turbulence. Chinese companies in particular are increasingly [setting up](#) their international headquarters in the city-state to mitigate geopolitical risk. Indeed, China's investments in Singapore accounted for around 50 percent of the market's total business expenditure in 2025, up from 15 percent in 2024.

² US: Oil shock unlikely to knock economy off course, Oxford Economics, March 11, 2026

Figure 1

Developed markets account for 17 of the 25 spots on this year's Index—two fewer than last year

FDI Confidence Index®

2025	2026		
1	1	United States	2.2431
2	2	Canada	2.1373
4	3	Japan	2.134
6	4	China (including Hong Kong)	2.1097
5	5	Germany	2.1056
3	6	United Kingdom	2.0748
7	7	France	2.0249
15	8	Singapore	1.9679
9	9	United Arab Emirates	1.9678
13	10	Saudi Arabia	1.9665
14	11	South Korea	1.9564
10	12	Australia	1.9557
8	13	Italy	1.917
12	14	Switzerland	1.8447
11	15	Spain	1.8421
16	16	New Zealand	1.7949
17	17	Sweden	1.7787
21	18	Brazil	1.7561
25	19	Mexico	1.7398
-	20	Thailand	1.7337
-	21	Malaysia	1.714
24	22	India	1.6923
20	23	Denmark	1.6903
23	24	Taiwan (China)	1.688
-	25	Austria	1.6805

● Developed markets ● Emerging markets

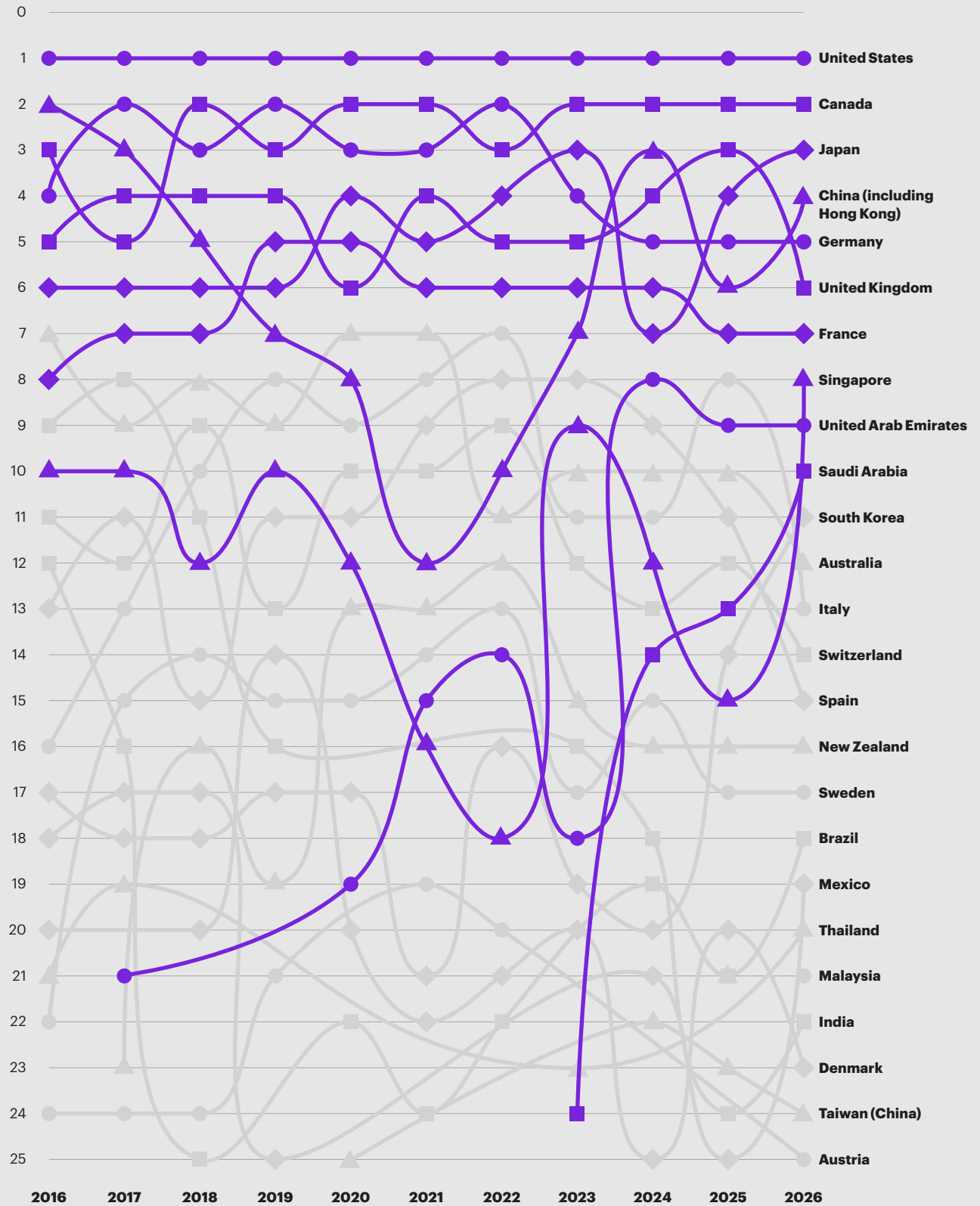
Note: Emerging markets are classified according to the IMF's country classification.

Source: 2026 Kearney Foreign Direct Investment Confidence Index

Figure 2

Middle powers Singapore and Saudi Arabia ascend to the top 10 in this year's Index

FDI Confidence Index®



Source: 2026 Kearney Foreign Direct Investment Confidence Index

Figure 3

Survey respondents identify the strongest reasons for investing in each market

FDI Confidence Index®

Q. For each market you plan to invest in, which of the following are the top two areas you find the **strongest areas or strongest reasons for investment**? Please select the top two strongest factors for investing in each market.

Market	Tech innovation (%)	Ease of doing business (%)	Transparent governance/ lack of corruption (%)	Infrastructure quality (%)	Talent/skill of labor pool (%)	Economic performance (%)	Natural resources (%)	None (%)
United States	43	18	16	26	21	37	18	0
Canada	28	24	25	25	23	25	28	1
Japan	43	19	18	26	26	31	15	0
China (including Hong Kong)	38	19	20	27	26	34	15	0
Germany	32	23	21	25	27	29	18	0
United Kingdom	36	24	21	24	21	31	18	1
France	27	25	21	25	27	32	20	0
Singapore	34	28	25	21	26	30	14	0
United Arab Emirates	25	28	19	27	22	30	24	0
Saudi Arabia	27	27	18	24	21	33	28	0
South Korea	36	23	20	29	25	27	17	0
Australia	24	26	23	28	20	29	28	1
Italy	25	28	23	24	22	27	23	1
Switzerland	27	26	26	24	24	30	19	0
Spain	26	24	22	27	27	27	19	1
New Zealand	26	23	22	25	28	27	25	1
Sweden	26	25	26	24	23	31	19	1
Brazil	26	27	15	22	22	28	32	1
Mexico	23	31	20	18	28	25	24	2
Thailand	20	31	21	24	29	26	21	0
Malaysia	23	31	21	23	25	26	25	0
India	26	23	16	21	40	28	22	0
Denmark	26	24	27	27	18	25	24	1
Taiwan (China)	32	23	22	23	29	25	21	1
Austria	26	22	24	24	24	24	24	1

Source: 2026 Kearney Foreign Direct Investment Confidence Index

Beyond the top 10, South Korea jumps three spots from 14th to 11th, and Australia drops marginally from 10th to 12th, with investors citing their technological innovation (36 percent) and economic performance (29 percent) as the strongest reasons to invest in each, respectively. New Zealand maintains its rank of 16th, while Thailand (20th) and Malaysia (21st) re-enter the Index after last appearing in 2023 and 2014, respectively. India jumps two places from 24th to 22nd, with survey respondents (40 percent) overwhelmingly citing the talent and skill of its labor pool as the strongest reason to invest there. And Taiwan (China) descends just marginally to 24th from 23rd last year.

Europe sees the second-largest share of the top 25 markets this year, with nine economies, two fewer than last year. As mentioned, this is the first year since 2013 that Europe has not held the largest share of the markets on the Index. While Germany and France hold steady this year at 5th and 7th, respectively, the United Kingdom drops from 3rd to 6th—its lowest rank since 2020. This drop may be attributable to the [uncertainty](#) surrounding the UK government's budget at the end of 2025. Italy also posts a notable drop from 8th to 13th, likely reflecting both displacement on account of the rise of Asian nations such as Singapore and South Korea on the Index, as well as [recurring labor strikes](#) last year. And in the lower half of the Index, four out of the five remaining European markets—Switzerland (14th), Spain (15th), Sweden (17th), and Denmark (23rd)—either maintain or see a decrease in rank year over year. Finally, Norway and Belgium drop off the rankings, as Austria rejoins at 25th after a three-year hiatus. While the decline of several European markets reflects growing competition in the rankings, investors consistently highlight European technology innovation capacity, economic performance, and talent as key factors driving their investments there.

Four markets in the Americas region are on the Index this year, the same share as last year. Following the United States and Canada, Brazil and Mexico both make notable jumps, from 21st to 18th and 25th to 19th, respectively. These increases reflect ongoing government efforts to bolster ease of doing business, a factor that investors value highly in both Brazil (27 percent) and Mexico (31 percent). To that end, in September 2025, the Brazilian Ministry of Development, Industry, Trade and Services established an [online single window](#) to facilitate and expand foreign investment by centralizing investor documentation and services. And in July of last year, Mexico introduced the [National Law for the Elimination of Bureaucratic Procedures](#), which is designed to facilitate faster and more transparent access to government services for both individuals and businesses.

The Middle East and North Africa region retains two globally ranked markets: the United Arab Emirates and Saudi Arabia, both of which are in the top 10. The United Arab Emirates holds firm at 9th, while Saudi Arabia jumps from 13th to 10th. Economic performance continues to be the strongest draw for investors in the UAE (30 percent). The market saw robust output growth of 5.5 percent in 2025, according to Oxford Economics projections. Further, the market continues to make great strides in reducing regulatory hurdles and providing incentives for foreign investors. For example, to provide foreign investors with incentive-based financial packages, the UAE launched a \$10 billion [National Investment Fund](#) in November of last year to support implementation of its National Investment Strategy 2031. And Saudi Arabia has gained remarkable momentum since first joining the main Index at 24th in 2023. Continued commitment to its Vision 2030 strategy, which aims to diversify its economy away from oil, is clearly appealing to investors and bolstering output growth. In December of 2025, net FDI inflows reportedly reached SR 24.9 billion ([about \\$6.6 billion](#)) in the third quarter of 2025, representing a 34.5 percent increase year over year. As previously mentioned, the rapid onset of the conflict in the Middle East is likely to weigh on the short-term FDI prospects for both the United Arab Emirates and Saudi Arabia. However, the strong economic fundamentals and infrastructure/technological assets in each could shield the markets from longer-term capital flight, depending on the [duration of the conflict](#).

Global market optimism rankings

Though average net optimism on the three-year economic outlook (27 percent) this year is very similar to the average level last year (26 percent), there is notable movement in net optimism rankings on a market-by-market basis (see figure 4 on page 10).

The United States, for example, sees a net optimism score of 26 percent this year. This reflects a striking 17-point decline from last year, when it saw the highest optimism score and rank of all markets on the Index. Survey respondents could have been rattled this year by the extended government shutdown and tariff-related uncertainties—both of which [dragged down the annual growth rate](#) in Q4 2025 to 0.7 percent. New Zealand also sees a sharp decline, moving from 25 percent to 0 this year. Though easing monetary policy is expected to support the market's 2026 growth outlook, a weak housing market, high cost of living, and slowing population growth are creating [economic headwinds](#).

The most significant increase in net optimism is in Taiwan (China), which soars 20 points to 37 percent this year. Likewise, Germany jumps 10 points to 39 percent. These improvements are likely attributable to the strong economic recovery of each market in 2025. Taiwan (China) saw a noteworthy estimated growth rate of 8.6 percent last year, marking its fastest expansion in 15 years as its tech-heavy economy benefited from surging [global AI demand](#). And Germany grew at 0.4 percent last year, [rebounding from two years of contraction](#), thanks to increased government and consumer spending.

The United Arab Emirates, Japan, and Canada see the highest net optimism scores this year, at 42 percent, 41 percent, and 39 percent, respectively, having all either maintained or improved upon their net optimism scores on a year-over-year basis—once again demonstrating the appeal of middle powers in a recalibrating world.

Emerging market rankings

China, the United Arab Emirates, and Saudi Arabia lead our fourth-annual Emerging Markets Index for the third consecutive year (see figure 5 on page 11). Overlap between the global rankings and the emerging market rankings this year is significant and includes China, the United Arab Emirates, Saudi Arabia, Brazil, Mexico, Thailand, Malaysia, and India. The Americas, Asia Pacific, and the Middle East and Africa each have seven markets represented, while Europe has four.

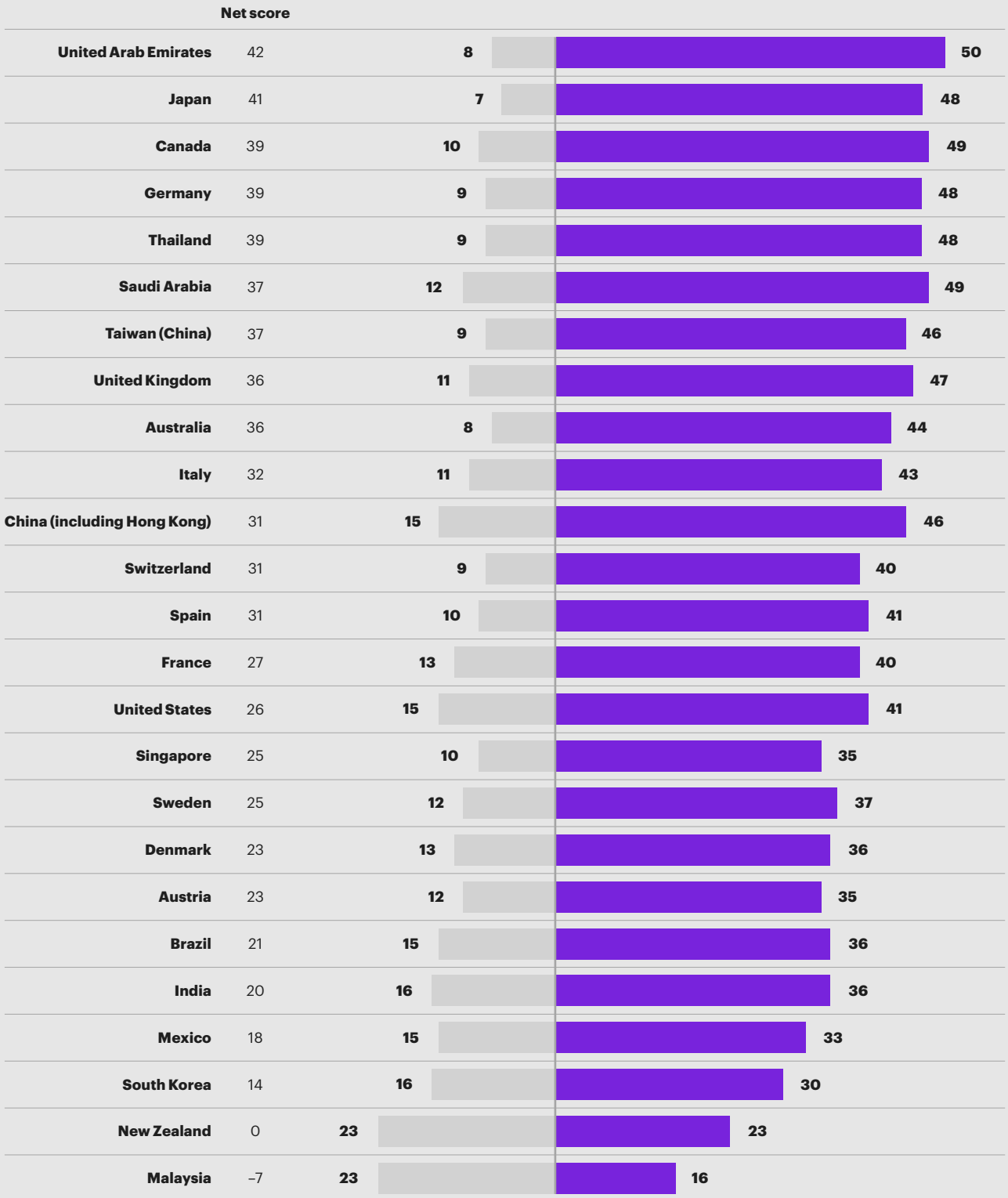
While the top five markets remain relatively stable this year, Thailand and Malaysia make a notable jump from 10th to 6th and 11th to 7th, respectively, likely owing to the persistence of China+1 supply chain diversification strategies (see figure 6 on page 12). Other markets that make noteworthy gains are Vietnam and Peru, rising from 19th to 16th, and 24th to 21st, respectively. Vietnam is positioning itself as a hub in Asia's semiconductor supply chain and investing in high-quality human resources is a key component of this ambition. Indeed, the Vietnamese government aims to train at least [50,000 semiconductor professionals](#) by 2030 through coordinated efforts with businesses and universities. And Peru's three-rank improvement may be attributable to the May 2025 launch of a [deregulation package](#) to boost the competitiveness and efficiency of the market's investment climate.

Other markets see their rankings slide. India moves down from 5th to 8th as several peer emerging markets, including Malaysia and Thailand, improve their rankings. South Africa drops from 7th to 12th this year. Given that investors overwhelmingly cite the market's natural resources as the strongest reason to invest there (36 percent), they were likely concerned when South Africa's mining sector experienced its first production decline in nine months as of November 2025, [contracting by 2.7 percent](#) year over year (see figure 7 on page 13). Indeed, domestic political uncertainty, infrastructure issues, increasing operational costs, and global trade tensions have all converged to impact demand for South African mineral exports. And Hungary drops from 17th to 20th, perhaps owing to investor concerns about the year-over-year [decline](#) to \$5.7 billion from \$6.7 billion in its 2024 FDI inflows.

Figure 4

Investors are most optimistic about the three-year economic outlook for the United Arab Emirates, Japan, and Canada

Optimism ranking (Percent)



● More pessimistic ● More optimistic

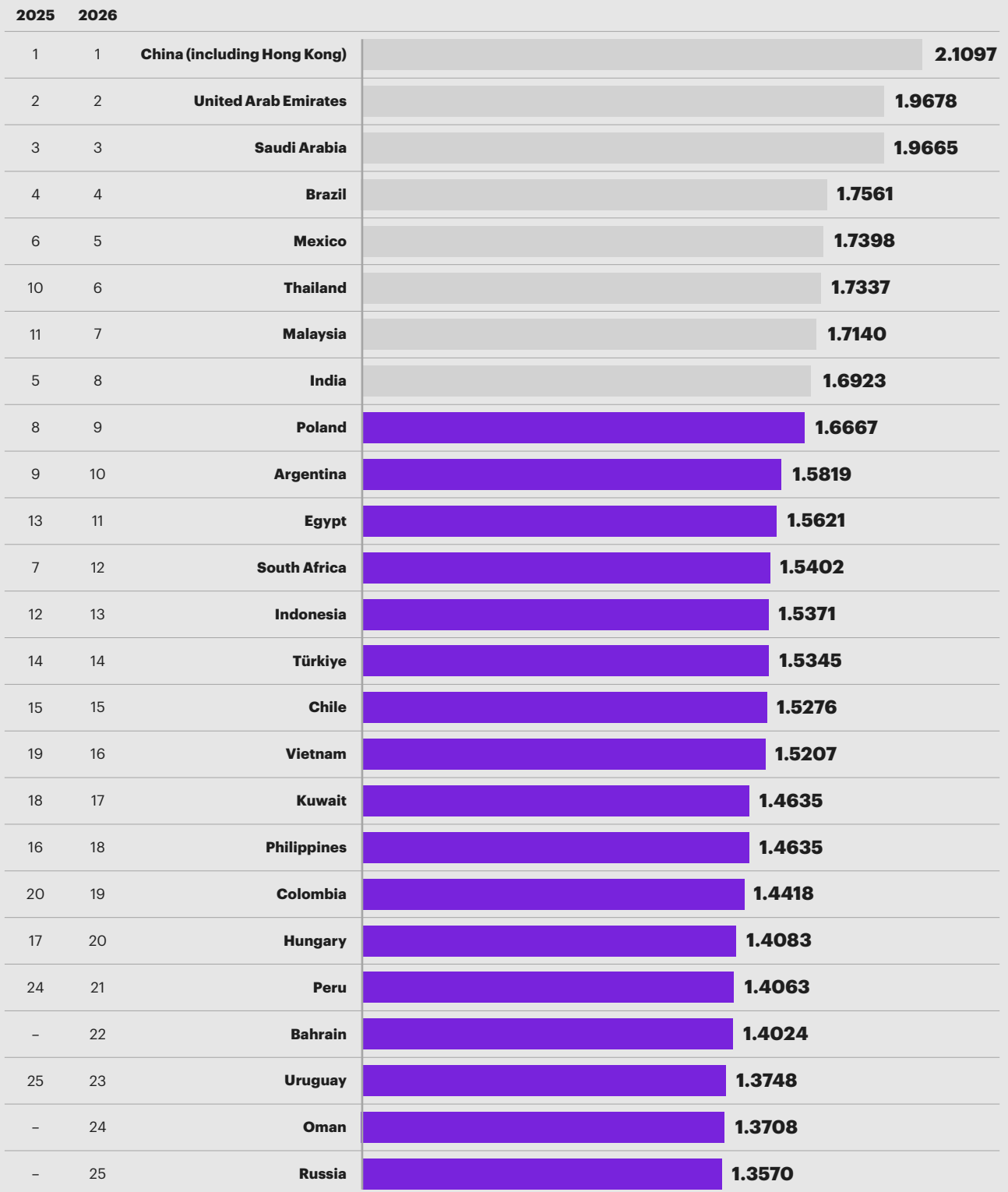
Note: Markets are listed in descending order of the net score (more optimistic – more pessimistic). Numbers do not add up to 100 because remaining respondents selected “about the same.”

Source: 2026 Kearney Foreign Direct Investment Confidence Index

Figure 5

China, the UAE, and Saudi Arabia are the top three emerging markets for the third consecutive year

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● On main Index ● Only on Emerging Markets Index

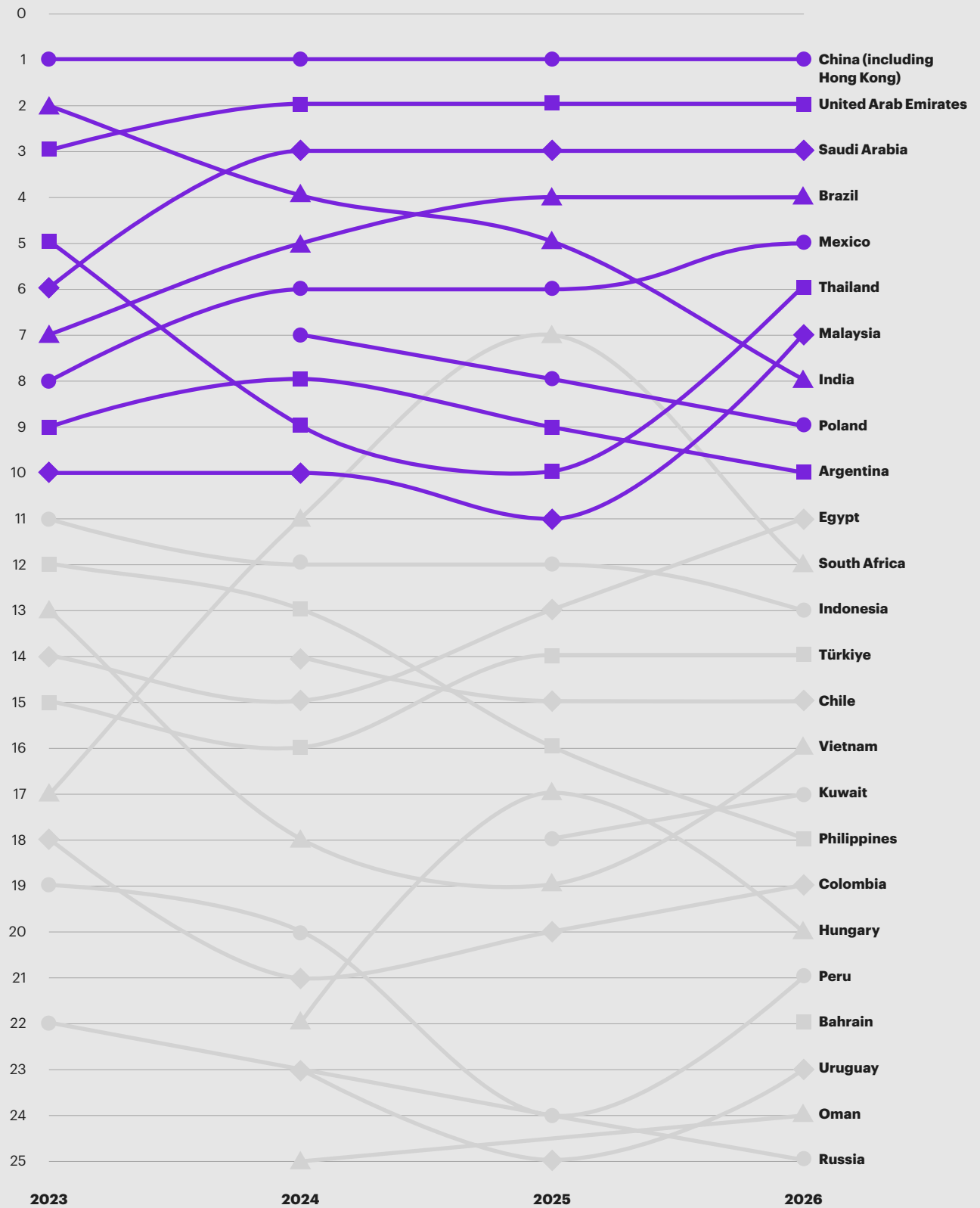
Note: Emerging markets are classified according to the IMF's country classification.

Source: 2026 Kearney Foreign Direct Investment Confidence Index

Figure 6

Southeast Asian markets Thailand and Malaysia climb up the rankings

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Source: 2026 Kearney Foreign Direct Investment Confidence Index

Figure 7

Survey respondents identify the strongest reasons for investing in each emerging market

Emerging Markets Index

Q. For each market you plan to invest in, which of the following are the top two areas you find the **strongest areas or strongest reasons for investment**? Please select the top two strongest factors for investing in each market.

Market	Tech innovation (%)	Ease of doing business (%)	Transparent governance/ lack of corruption (%)	Infrastructure quality (%)	Talent/skill of labor pool (%)	Economic performance (%)	Natural resources (%)	None (%)
China (including Hong Kong)	38	19	20	27	26	34	15	0
United Arab Emirates	25	28	19	27	22	30	24	0
Saudi Arabia	27	27	18	24	21	33	28	0
Brazil	26	27	15	22	22	28	32	1
Mexico	23	31	20	18	28	25	24	2
Thailand	20	31	21	24	29	26	21	0
Malaysia	23	31	21	23	25	26	25	0
India	26	23	16	21	40	28	22	0
Poland	24	30	22	21	25	24	26	1
Argentina	25	25	24	23	22	25	29	1
Egypt	25	28	22	20	24	27	25	1
South Africa	19	22	22	25	23	24	36	0
Indonesia	21	25	19	21	28	27	28	0
Türkiye	19	24	24	24	30	31	20	1
Chile	21	25	22	20	27	23	31	1
Vietnam	24	26	22	16	34	29	20	1
Kuwait	24	26	22	28	16	26	31	0
Philippines	25	25	22	12	32	27	28	2
Colombia	24	27	22	19	25	22	31	0
Hungary	28	25	22	20	28	24	17	2
Peru	19	24	21	21	22	26	32	0
Bahrain	23	27	22	27	22	20	23	2
Uruguay	18	32	19	17	25	28	28	1
Oman	26	25	23	25	23	23	24	1
Russia	24	25	21	22	25	27	24	0

Source: 2026 Kearney Foreign Direct Investment Confidence Index

Emerging market optimism rankings

Overall, average net optimism for emerging markets is around 4 percentage points higher than last year, and investors are still more optimistic than pessimistic about the three-year economic outlook for the vast majority (22 out of 25) of markets on the list (see figure 8 on page 15).

When our survey was fielded, investors were most optimistic about the outlook for United Arab Emirates (42 percent), Thailand (39 percent), and Saudi Arabia (37 percent) this year. Last year, the United Arab Emirates, Saudi Arabia, and China took the top three optimism rankings. While the expansion of conflict in the Middle East may create headwinds in the short-term, the investor optimism for the United Arab Emirates and Saudi Arabia reflect strong economic fundamentals in these markets and belief in the capacity for recovery over the three-year horizon. Thailand edging ahead of China into the top three in economic optimism could reflect investor enthusiasm about tourism in the market. Indeed, Bangkok once again ranks as the world's top city for international arrivals (30 million) in Euromonitor's [Top 100 City Destinations Index 2025](#). And Thailand's [unemployment rate](#) fell to 0.76 percent in Q3 2025, its lowest level since Q4 2014. This was likely appealing to investors, especially given that they rank the talent/skill of its labor pool (29 percent) so highly.

Average net optimism for emerging markets is around 4 percentage points higher than last year.

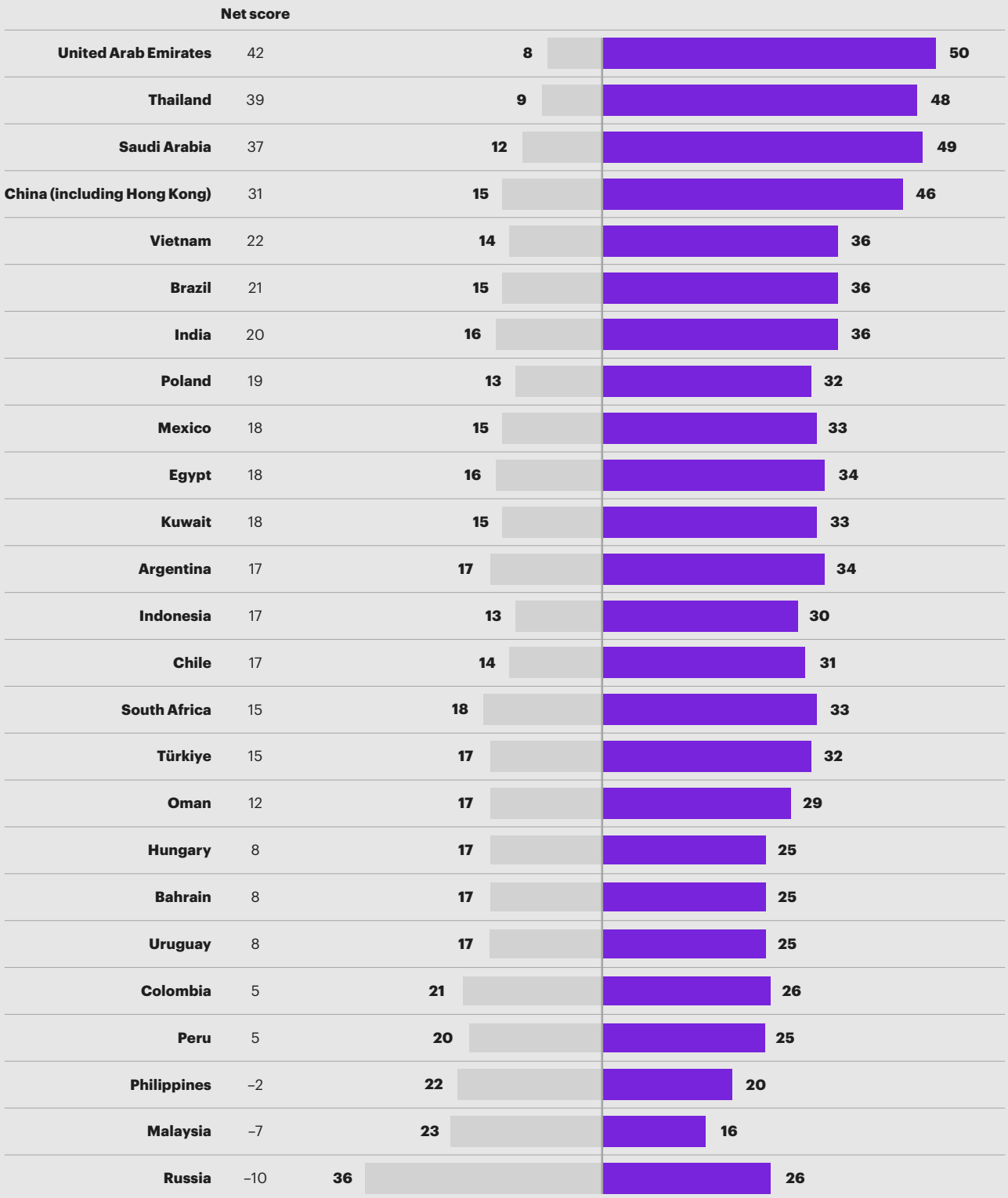
Technological and innovation capabilities are cited as the most important overall factors in determining investment intentions

This year, technological and innovation capabilities (18 percent) soar to the top of the list of most important overall factors to survey respondents in determining where they make their foreign direct investment. Efficiency of legal and regulatory processes and ease of moving capital into and out of the market tie for the second most important factor (14 percent), and domestic economic performance follows (13 percent) (see figure 9 on page 16). Last year, efficiency of legal and regulatory process and domestic economic performance tied (16 percent) for the most important factor for investors when choosing where to make their foreign direct investment, with technological and innovation capabilities following at 15 percent. Given the massive gains in AI technology and development over the past few years, investors clearly see value and growth opportunity in the field. This is evidenced by recent UNCTAD data indicating that data centers, which are crucial for training and running AI models, have become major recipients of global investment. Indeed, foreign direct investment in the sector exceeded an estimated [\\$270 billion](#) in 2025, with data centers accounting for more than one-fifth of global greenfield project values. Taken together, this suggests that innovation ecosystems are increasingly serving as anchors of long-term investment attractiveness.

Figure 8

Among emerging markets, investors are most optimistic about the three-year economic outlook for the United Arab Emirates, Thailand, and Saudi Arabia

Optimism ranking (Percent)



● More pessimistic ● More optimistic

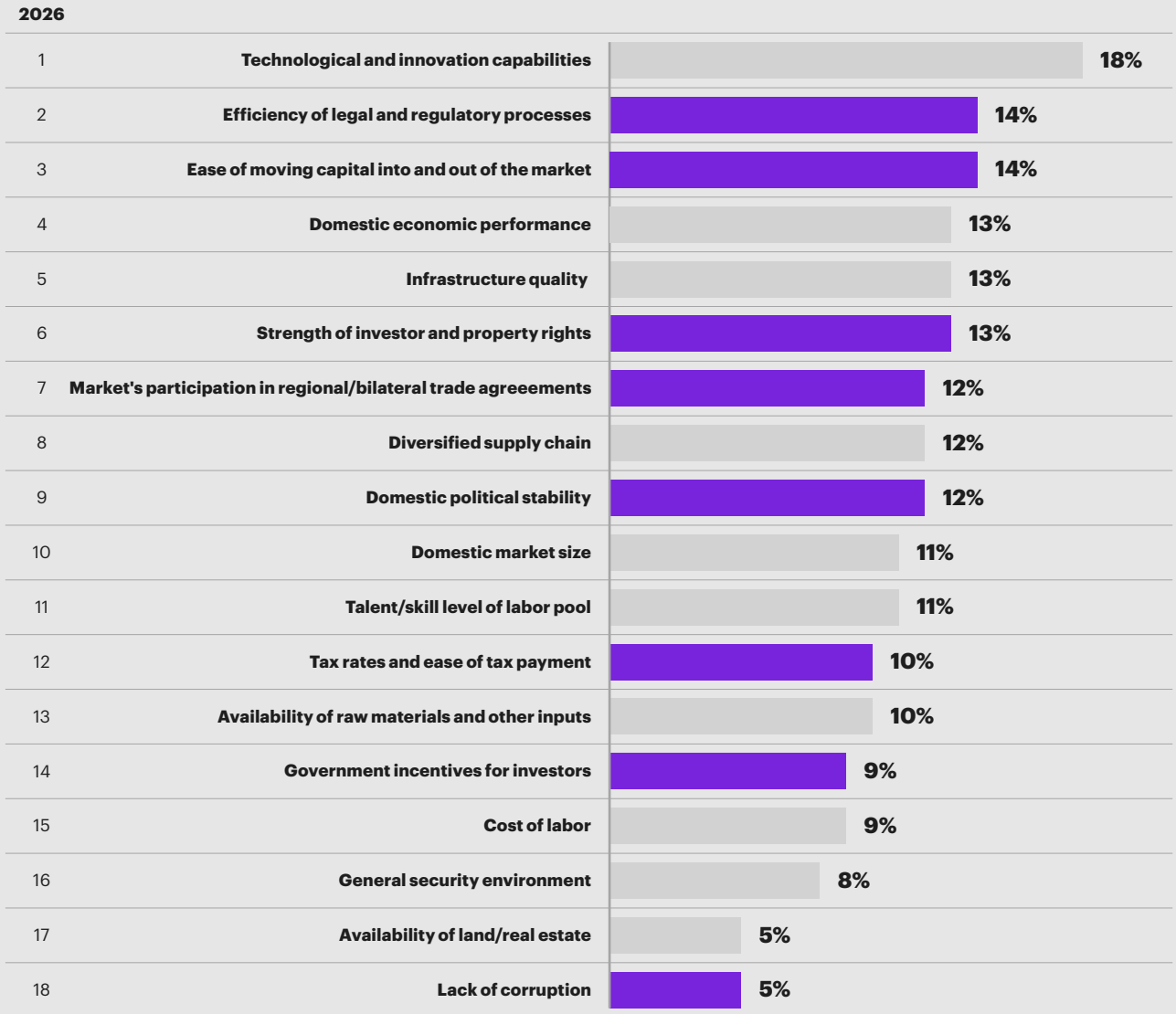
Note: Markets are listed in descending order of the net score (more optimistic – more pessimistic). Numbers do not add up to 100 because remaining respondents selected “about the same.”

Source: 2026 Kearney Foreign Direct Investment Confidence Index

Figure 9

Technological and innovation capabilities are seen as the most important factors in determining investment intentions

From those factors that you selected, which are the most important overall factors to your company when choosing where to make FDI?



● Market asset and infrastructure factors ● Governance and regulatory factors

Source: 2026 Kearney Foreign Direct Investment Confidence Index

Risks and likely developments

This year, investors cite a rise in geopolitical tensions (36 percent) as the most likely development/risk to occur, followed by both a rise in commodity prices and political instability in a developed market (30 percent, each; see figure 10 on page 18). Last year, investors saw a rise in commodity prices as the most likely development over the coming year (38 percent), followed by an increase in geopolitical tensions (35 percent) as the second most likely development. In terms of ranking, political instability in a developed market came in as the fourth most likely risk last year at 26 percent and has moved up to a tied rank of two. When the survey was in the field in January, there was incredible instability in the global operating environment that likely drove a rise in geopolitical tensions to the top of the rankings. Military operations took place in Venezuela, Iran protests were growing, and conversations about the United States potentially using force to acquire Greenland were dominating the headlines. These factors likely contributed to greater concerns over increased political instability in both developed and emerging markets, and rising commodity prices, which often occurs amid conflict-induced supply chain disruptions, as in the current Middle East conflict.

Industrial policy reshapes the investment landscape

Amid rising geopolitical volatility, national and economic security concerns, and accelerating climate change, markets, investors, and businesses are increasingly focusing on building self-sufficiency through industrial policy. Indeed, government intervention is increasingly shaping investment outcomes. It is for this reason that we chose to shine a spotlight on investor perceptions of industrial policy this year. Subsidies, infrastructure spending, and R&D support are being deployed alongside tax incentives, tariffs, and export controls, as both growth-oriented and protectionist state intervention actions rise. According to [Global Trade Alert](#), new interventions in 2025 were 262 percent higher compared with the number of new interventions recorded in 2019.

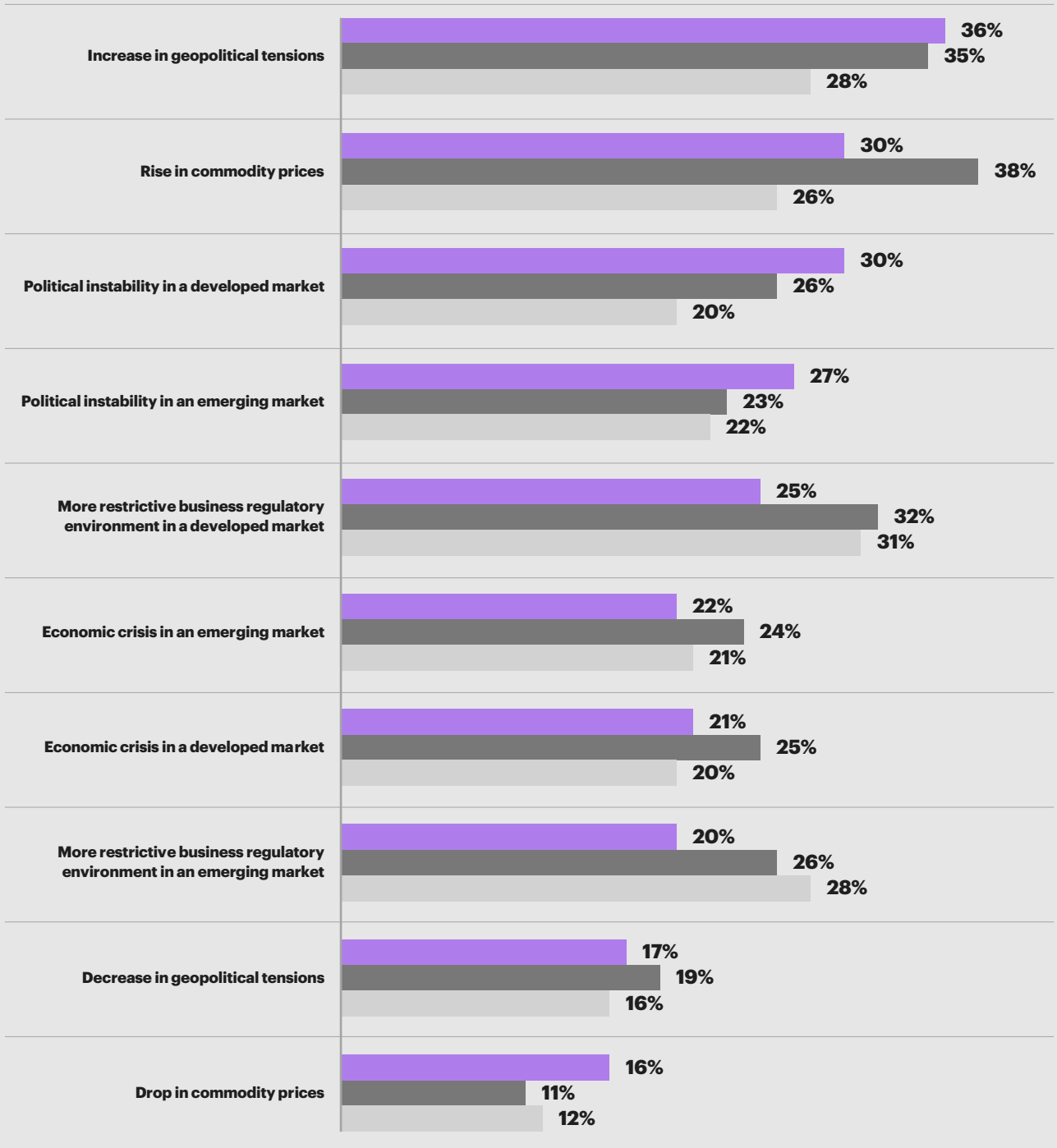
Industrial policy's resurgence is not just making headlines; it is reshaping the business environment and binding investment decisions more closely to government priorities. This thematic section explores how industrial policy is influencing investor strategy and shaping foreign direct investment decisions. By analyzing investor sentiment, identifying which policy tools are viewed most favorably, and exploring expectations for where industrial strategy is headed, this analysis aims to shed light on the evolving interplay between investors and government actors.

Industrial policy's resurgence is reshaping the business environment and binding investment decisions more closely to government priorities.

Figure 10

Investors expect to see an increase in geopolitical tensions, a rise in commodity prices, and political instability in a developed market

What developments from among the following do you think are more likely to occur in the next year?



● 2024 ● 2025 ● 2026

Sources: 2026 Kearney Foreign Direct Investment Confidence Index, 2025 Kearney Foreign Direct Investment Confidence Index, 2024 Kearney Foreign Direct Investment Confidence Index

Investors see opportunities in industrial policy while bracing for risk

Investors recognize industrial policy as an important factor in making FDI decisions: 84 percent say industrial policy is “extremely” or “very” important. Respondents from information technology, heavy industry and telecommunications sectors to healthcare/pharmaceutical firms reported industrial policy as very important to where they make foreign direct investments. (see figure 11 on page 20). Recent industrial policy action has targeted these industries. China’s massive investments through Made in China 2025, for example, were designed to comprehensively [upgrade Chinese industry](#), and newer [phases](#) of this initiative focus on transforming the industrial base, with ongoing implications for heavy industry. Information technology firms are impacted by the deployment of large-scale subsidies, tax incentives, export controls, and localization requirements applied to the sector. For example, exports of hardware, software, and security tools by American technology conglomerate Cisco Systems are [limited by export controls](#), but the firm also benefits from [tax credits and grants](#). Following COVID-19-driven efforts to enhance domestic healthcare manufacturing, investors in the healthcare and pharmaceutical sectors continue to closely track industrial policy. [Recent initiatives](#) in the EU address health data, R&D, procurement and stockpiling, while Japan’s healthcare industrial policy emphasizes national security, and Saudi Arabia has incorporated health sector transformation into broader Vision 2030 goals, all of which underscore the broad range of industrial policies shaping the sector.

Industrial policy trends are viewed as net positive but not universal. A majority (57 percent) of investors say that industrial policy has a positive impact on their company’s business performance. Optimism is strongest in Asia Pacific (63 percent), solid in Europe (57 percent), and most mixed in the Americas (51 percent) where investors recognize opportunities alongside risks. Nearly four out of five (78 percent) investors agree that industrial policy boosts domestic competitiveness, suggesting broad confidence in industrial policy outcomes at a national level as well as at a business level.

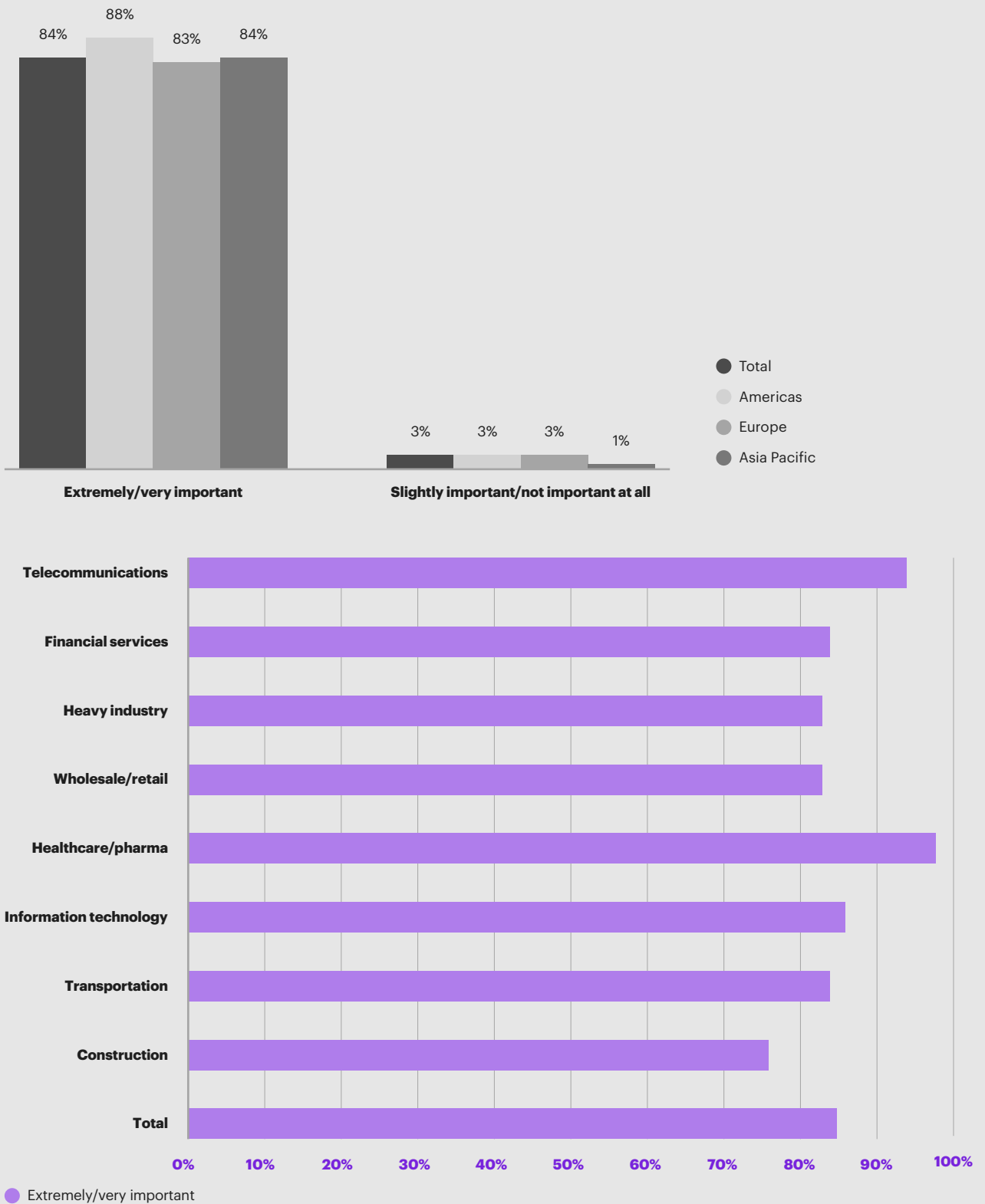
Technology is at the heart of this momentum, as a key driver of both domestic competitiveness and investor returns. The surge in tech-driven industrial subsidies after 2020, which include major semiconductor and battery incentive programs across [Japan](#), [South Korea](#), and [India](#), the [CHIPS and Science act](#) in the United States, and the [EU Green Deal Industrial Plan](#) subsidizing green tech, appears to have reinforced investor enthusiasm. Almost three-quarters of investors see industrial policies targeting technology as positively impacting their global investment plans. Americas-based firms see tech-targeted industrial policy as a competitive lever, and Asia Pacific investors are also highly aligned with technology-driven industrial policy, viewing it as a central driver of growth and competitiveness.

Alongside this optimistic sentiment, investors also see risk in the proliferation of industrial policies. Nearly nine in 10 respondents perceive at least moderate business risk stemming from competing national industrial policies. Forty-two percent rate the risks as high or extremely high, while only 11 percent rate the risks as low or very low, a 31-point differential. Investors recognize that industrial policy carries risk, though perceptions of the magnitude of risk vary. As explored below, the types of industrial policy tools that are deployed and how these policies are implemented also plays a significant role in their risk perceptions.

Figure 11

When determining where to make their FDI, 84 percent of investors view industrial policy as an extremely or very important factor

To what extent is industrial policy (e.g., subsidies, incentives, trade restrictions) a factor in determining where your company makes foreign direct investments?



Source: 2026 Kearney Foreign Direct Investment Confidence Index

Infrastructure development, tax incentives, and subsidies are regarded as the most effective tools of industrial policy

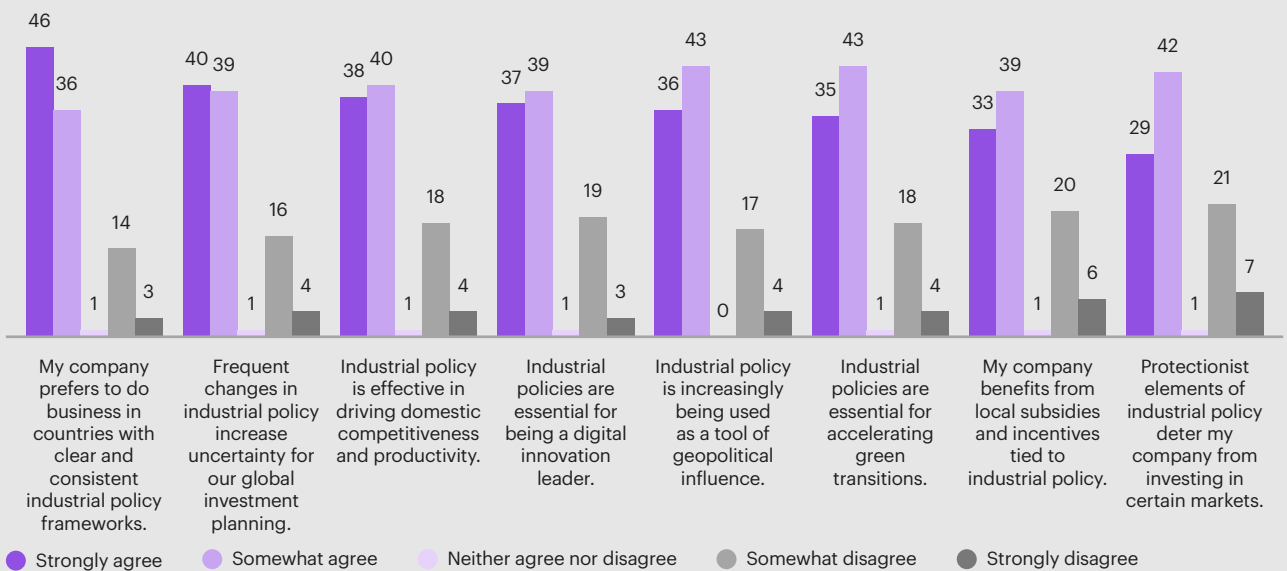
Much of investors' risk sensitivity to industrial policy is rooted in uncertainty. Seventy-nine percent say frequent changes in industrial policy increases uncertainty for their global investment planning. Predictability, grounded in clear and consistent industrial policy frameworks, is key to sustaining investor confidence and strengthening industrial policy outcomes (see figure 12).

How predictable and effectively industrial policy tools are deployed provides insight into how investors evaluate industrial policy in practice. Infrastructure development and tax incentives are the most positively viewed industrial policy tools (see figure 13 on page 22). Eighty percent of investors agree that infrastructure development is effective in achieving their domestic economic and security goals, with favorability for infrastructure-focused industrial policy reaching as high as 90 percent in the Americas and 88 percent in Asia Pacific. Canada, for example, has accelerated major infrastructure development through the [Building Canada Act](#) and provincial initiatives, streamlining approvals and committing hundreds of billions in investments. These measures are expected to drive significant growth across the [construction sector](#).

Figure 12

Executives view industrial policy as a driver of competitiveness and investment, especially when it is clear and consistent

For each statement, indicate how much you agree or disagree with the following statement.
(Percent)



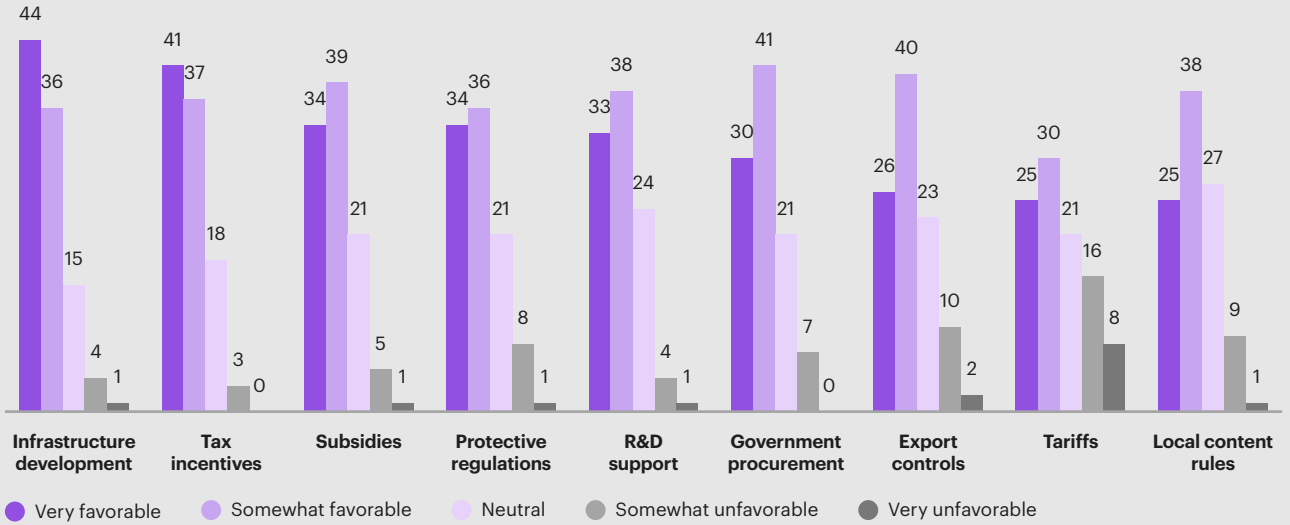
Source: 2026 Kearney Foreign Direct Investment Confidence Index

Figure 13

Infrastructure development and tax incentives are the most positively viewed industrial policy tools, while tariffs and local content rules are viewed least favorably

Rate your view on the effectiveness of the following specific tools of industrial policy in achieving their domestic economic and security goals.

(Percent)



Source: 2026 Kearney Foreign Direct Investment Confidence Index

Seventy-eight percent of investors view tax incentives as effective, second only to infrastructure development, with 41 percent describing them as “very favorable.” European respondents were more cautious about the overall effectiveness of industrial policy tools, but tax incentives garnered the most enthusiasm from the region, with 73 percent of Europeans viewing them as “favorable.” The United Kingdom’s government recently updated its [capital allowances framework](#) to [encourage long-term](#) business investment, introducing a first-year 40 percent tax allowance that allows businesses to write off costs of capital assets.

Asia Pacific investors show strong support for subsidies and demonstrate comfort with industrial policy tools. Roughly 80 percent of investors in the region view the effectiveness of subsidies somewhat favorably or very favorably. China’s growth model, in particular, has relied heavily on subsidies. A study by the Center for Strategic and International Studies conservatively estimated that China spent 1.7 percent of its GDP in 2019 on subsidies, equivalent to [\\$248 billion \(nominal exchange rate\)](#), while other estimates suggest levels as high as [4 to 6 percent](#) of the market’s GDP.

Investors view some industrial policy tools with comparatively more caution. Across regions, enthusiasm for tariffs and export controls was weak. Roughly a quarter (24 percent) of global investors view tariffs unfavorably. A February 2026 [Federal Reserve Bank of New York](#) found that the costs of US tariffs, for example, are borne primarily by US firms and consumers. Export controls also have downsides. As the [International Monetary Fund](#) has argued, they can risk triggering retaliatory actions and supply chain fragmentation, creating a downward spiral that disrupts access to critical goods and undermines global trade stability.

Investors believe they are prepared for a new era of industrial policy

Despite these concerns around downside risks, a strong majority of investors (91 percent) see aligning with national industrial policy as an opportunity. Further, nearly two-thirds anticipate that industrial policy will ultimately accelerate global FDI flows. [United Nations](#) research suggests that tailored, specific industrial policy applications can, in fact, support FDI, but it depends in large part on which [specific industrial policy tools](#) are in play. For example, tailored [interventions](#) specifically incentivizing foreign direct investments or easing flows by reducing bureaucratic measures, when crafted with specific markets in mind, can [maximize](#) benefits of FDI and increase flows.

Global companies also show strong confidence in their abilities to navigate changing industrial policies. Eighty-six percent of respondents express high confidence in their ability to effectively manage industrial policy-related compliance and regulatory risks (see figure 14 on page 24). Confidence is highest among CEOs and C-suite executives, as they show the highest “very well-prepared” responses. Forty-three percent of CEOs say they were “very well-prepared” to navigate industrial policies as opposed to 16 percent who report below the C-level or are on the board who said the same. This may suggest a potential execution gap between strategic intent and operational delivery.

In any case, investors indicate that their firms are taking concrete action to respond to industrial policies. Strategic foresight and scenario planning emerge as the primary tools for navigating industrial policy changes. Thirty-seven percent of investors claim they are engaging in strategic foresight and scenario planning to respond to the implementation of new tariffs, the top response, followed by 35 percent who are finding new suppliers. Roughly one-third are reconfiguring markets and investment locations to lower-tariff geographies or alternate end markets (see figure 15 on page 25).

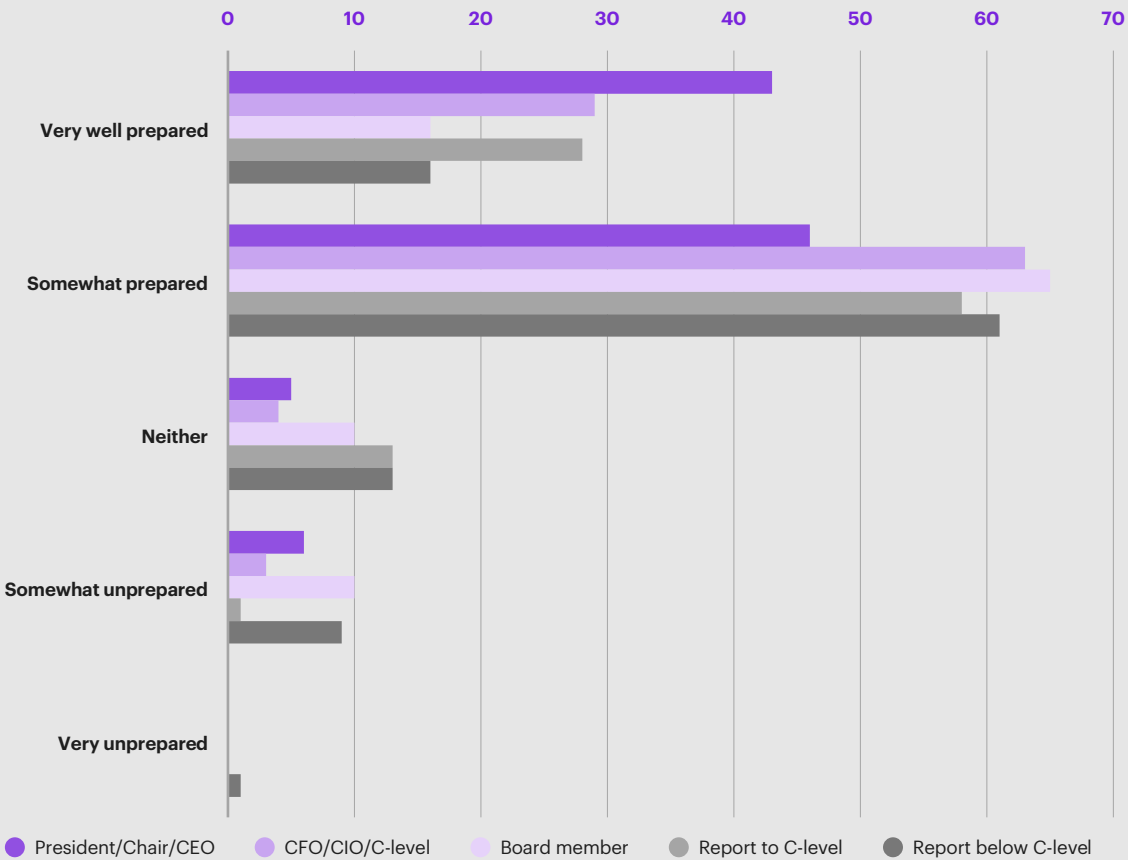
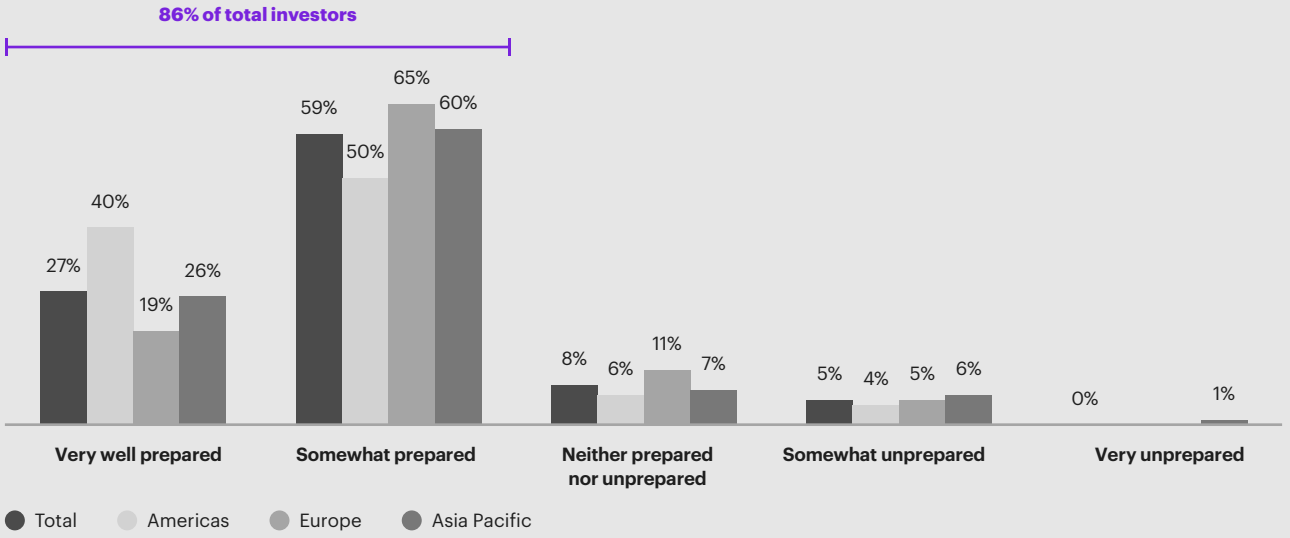
Responses vary meaningfully by industry. Heavy industry firms are more likely to make supply-chain adjustments, including finding new suppliers (45 percent) or alternative customers (42 percent). IT firms are responding strategically by rewiring their supply chains. Fifty-one percent report investing more in markets subject to lower tariffs, well above the average of 33 percent, and 41 percent report sourcing new suppliers.

Forty-three percent of CEOs say they were “very well-prepared” to navigate industrial policies.

Figure 14

At the global level, companies overwhelmingly believe they are ready to navigate industrial policy complexity, with very few signaling vulnerability

How prepared is your company to navigate the potential industrial policy developments identified in the next three years?



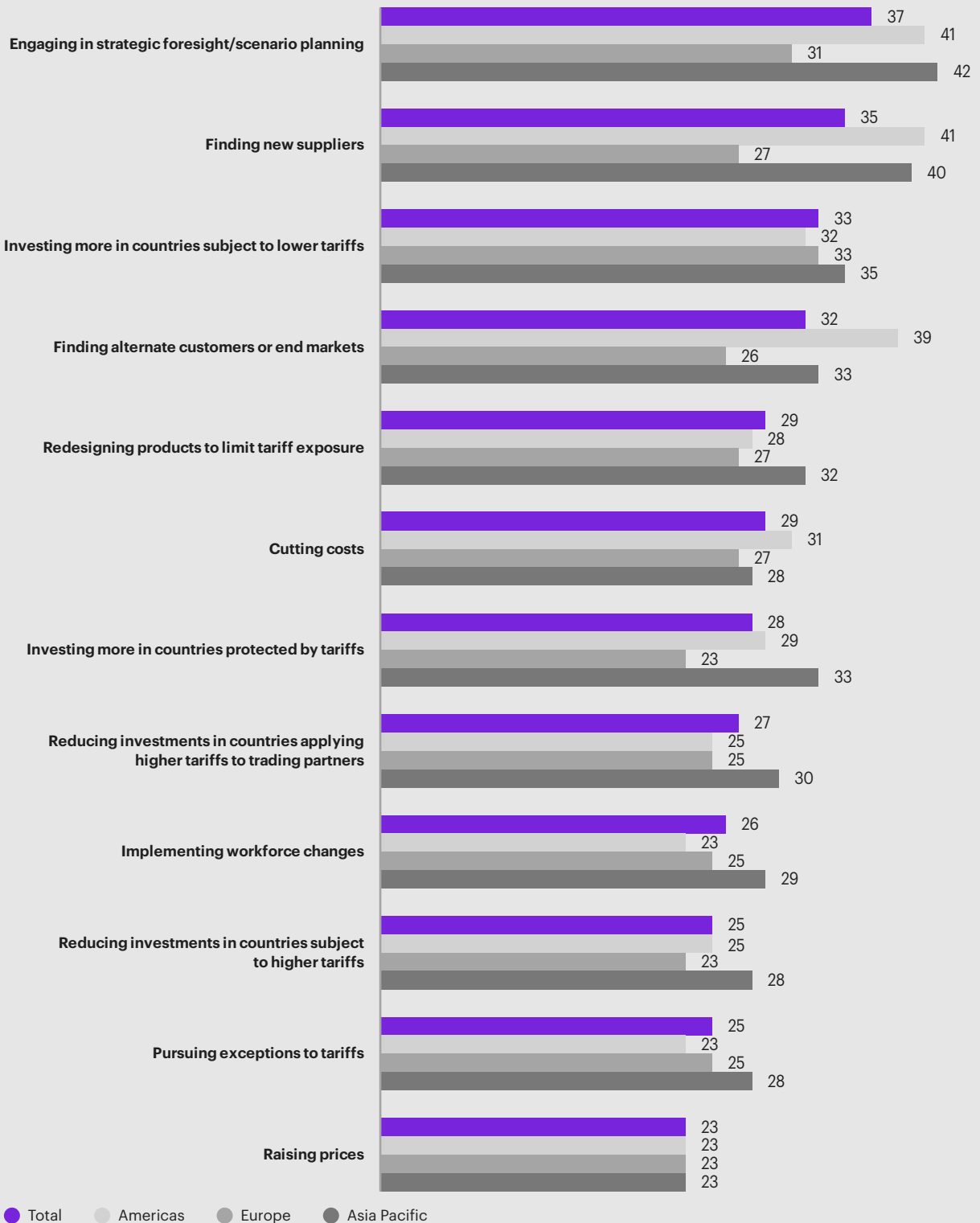
Source: 2026 Kearney Foreign Direct Investment Confidence Index

Figure 15

Companies are responding to tariffs primarily through strategic, structural adjustments rather than blunt responses, such as price increases

How is your company responding to the implementation of new tariffs impacting their business operations?
Select all that apply.

(Percent)



Source: 2026 Kearney Foreign Direct Investment Confidence Index

Conclusion and business implications

How businesses and investors recalibrate as they face undercurrents of geopolitical instability, social pressure, and economic volatility will determine FDI outcomes. Industrial policy is a response to these forces and is molding capital flows. Firms that can effectively position their responses to industrial policy shifts, by embracing a wider range of markets, moving beyond traditional markets, or embracing their technological and innovation capacity, will be best placed to capture future investment.

Explore opportunities in rising middle powers.

Geopolitical realignment is elevating the role of neutral “middle powers.” As developed market share of global FDI slightly declines, these destinations open an opportunity for investors. For multinational firms, establishing a presence in these markets can serve as a geopolitical hedge, and a gateway to emerging high-growth markets.

Showcase technological and innovation capabilities.

Competition for FDI is increasingly technology-driven. Markets and firms that can demonstrate innovation capacity will have an advantage in attracting capital. At a national level, this requires coherent, stable industrial policy frameworks that support R&D, digital infrastructure, and tech advancements. At a firm level, demonstrating technological advancement while pursuing industrial policy supports, such as R&D subsidies, can position firms ahead of competition.

Sustain strategic foresight beyond the C-suite.

Investors are confident in their industrial policy preparedness: 37 percent say they are engaging in strategic foresight and scenario planning, the top response, and 43 percent of CEOs say they were “very well-prepared” to navigate industrial policies. Maintaining this confidence will require continuous investment in strategic planning, embedding scenario modeling, risk assessments, and supply chain stress testing into institutional functions. More critically, foresight must go beyond the executive suite. While CEOs and C-level leaders report strong confidence, this sentiment declines at lower organization levels. Firms that embed strategic foresight throughout their organizations will be best prepared to navigate industrial policy shifts as well as other exogenous shocks.

Advocate for investment-oriented industrial policies.

Businesses and investors have a role in shaping the policy environment. Constructive engagement with government can steer industrial policy toward investment-oriented outcomes, prioritizing tools that benefit investments rather than hurt them. Policies grounded in clear incentives, infrastructure development, and consistent frameworks are more likely to sustain and expand FDI inflows. Firms that actively participate in policy dialogue can help ensure industrial strategies crowd in private capital rather than constrain it.

In a fragmented global economy, FDI success will depend on strategic positioning. Firms that diversify geographically, align with evolving industrial policies, institutionalize foresight, and embrace technology will be best placed to capture global capital in a recalibrating world.

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Appendix

About the study

The Kearney FDI Confidence Index® is an annual survey of global business executives that ranks markets that are likely to attract the most investment in the next three years. In contrast to other backward-looking data on FDI flows, the FDICI provides unique forward-looking analysis of the markets that investors intend to target for FDI in the coming years. Since the FDICI's inception in 1998, the markets ranked on the Index have tracked closely with the top destinations for actual FDI flows in subsequent years.

The 2026 Kearney FDI Confidence Index® is constructed using primary data from a proprietary survey of 507 senior executives of the world's leading corporations. The survey was conducted in January 2026. Respondents include C-level executives and regional and business leaders. All participating companies have annual revenues of \$500 million or more. The companies are headquartered in 29 markets and span all sectors. Service-sector firms account for 55 percent of respondents, industrial firms for 35 percent, and IT firms for 10 percent.

The Index is calculated as a weighted average of the number of high, medium, and low responses to questions on the likelihood of making a direct investment in a select market over the next three years.

Index values are based on responses only from companies headquartered in foreign markets. For example, the Index value for the United States was calculated without responses from US-headquartered investors. Higher Index values indicate more attractive investment targets.

All economic growth figures presented in the report are the latest estimates and forecasts available from Oxford Economics unless otherwise noted. Other secondary sources include investment promotion agencies, central banks, ministries of finance and trade, relevant news media, and other major data sources.

For past editions of the FDI Confidence Index®, please go to:

www.kearney.com/service/global-business-policy-council/foreign-direct-investment-confidence-index/previous-indices

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