

Investments in Latin America to drop for 3rd straight year

ECLAC forecasts a decline of 5% in the flow of foreign direct investments in 2017, after a drop of 7.9% in 2016. However, Brazil attracted more resources last year and in 2017's first half.

From the Newsroom*

São Paulo – The Economic Commission for Latin America and the Caribbean (ECLAC) made public this Wednesday (10) its annual report forecasting that foreign direct investment (FDI) in the region will continue to decline this year. The estimate is for a decrease of 5%, after the flow had dropped 7.9% in 2016. The volume of resources last year reached USD 167.04 billion.

According to ECLAC, the performance is the result of low commodities' prices, which inhibits investments in natural resource exploration, such as the mining sector. Plus, the organization mentions the low economic growth of several countries and the progress of the "digital economy", which attracts resources to more developed nations rather than developing countries, just as the United Nations Conference on Trade and Development (UNCTAD) showed in its 2017 World Investments Report.

According to ECLAC, Latin America and the Caribbean received 10% of global FDI flows in 2016, while from 2011 to 2014 they had accounted for 14%. The peak of resource flows in the region took place in 2011, with almost USD 207 billion.

Foreign Direct Investment has been an important factor in the development of export activities that are key to the growth of Latin America and the Caribbean, as well as for the creation of new sectors. But the big productivity gaps that persist in the region and the new technological scenarios that the fourth industrial revolution poses require new policies to harness the benefits of FDI in national processes of sustainable development," said ECLAC's Executive Secretary in a statement from the Santiago, Chile-based organization.

Going against the tide and in the middle of a recession, Brazil received more investments last year in comparison to 2015. In all, the country was targeted by USD 78.9 billion, or 47% of the regional total. Brazil is traditionally the region's main recipient and one of the world's largest.

The peak, however, took place in 2011, when the Brazilian economy attracted over USD 101 billion.

This year, the flow is continuing to increase. In the first six months, Brazil attracted USD 36.3 billion, against USD 33.8 billion in the same period of 2016, according to the Brazilian Central Bank (BC). However, the BC forecasts, for all of 2017, an inflow of USD 75 billion, less than what was registered in 2016.

Mexico comes in second place among the FDI recipients in the region. Last year, the country received USD 32.1 billion, 7.9% less than in 2015. Colombia, at third place, attracted USD 13.6 billion, an increase of 15.9% in the same comparison. Chile comes in fourth with USD 12.2 billion.

According to ECLAC, the new investments in the regions are concentrated in renewable energies, telecommunications and the auto industry. The largest part of the resources come from the United States and European Union.

On the other hand, investments by Latin American multinational companies abroad declined 50% last year, in comparison to 2015, to USD 24.6 billion.

***Translated by Sérgio Kakitani**

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