

Uncertainty and FDI Adjustments

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This paper has two objectives. First, we document the global FDI patterns using detailed firm-project-level data from January 2015 to December 2023. In particular, we track the changes in the number (extensive margins) and the capital and employment size (intensive margins) of FDI projects across countries and sectors. Second, we examine the linkage between these changes in FDI and the rising economic and political uncertainty. Unlike previous studies that focused on realized FDI projects or at sectoral-country level, often with time delays, our analysis is based on firms' announced greenfield investments. While there is a possible discrepancy between intention and actual investments, they indicate firms' early considerations and planned responses to uncertainty, allowing us to assess its potential influence. We find a positive association between uncertainty in host markets and the number of FDI projects. In contrast, the scale of the projects in terms of employment size and capital investment decreased.