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FDI pledged to Korea total \$3.2 billion in Q1

The Ministry of Trade, Industry and Energy announced on April 11 that foreign direct investments (FDIs) pledged to Korea in the first quarter of this year decreased 35.7 percent year-on-year to USD 3.2 billion. The FDIs that actually arrived in Korea over the same period declined 15.9 percent to \$2.6 billion.

Key factors that contributed to the decrease of FDI commitments include a slowdown in global investment flows, a strong base effect, and tax reductions for foreign investors that expired at the end of last year.

Meanwhile, the proportion of new industries continued its growth as they accounted for 42.5 percent of the total FDI. This increasing trend suggests that foreign investors have a strong interest in Korea's latest technology such as secondary batteries and 5G networks. Continuous investments were also made in tech startups, including pharmaceuticals, cosmetics, and cloud computing.

The commitment to actualization ratio in the first quarter was 82.4 percent, about 20 percentage points higher than the same period last year. This suggests most of the investment projects are proceeding as planned.

The Ministry forecasts that global FDI flows would continue slowing down because of sustained risk factors such as the ongoing U.S.-China trade dispute and slower global economic growth. Amid this unfavorable external environment, the Ministry will strengthen incentives for foreign investments, engage in investor relations activities, and focus on FDIs that will contribute to innovation-led growth.

By country, new FDI commitments from the EU, the U.S., China, and Japan all decreased.

FDI pledged from the EU to Korea dropped 47.3 percent to \$987 million while that actually arrived increased 30.5 percent to \$1.5 billion. The European investment pledged to the manufacturing sector declined 66.9 percent to \$360 million, and that pledged to the service sector slid 25.3 percent to \$600 million. Noticeable investment was made in advanced logistics and new battery materials.

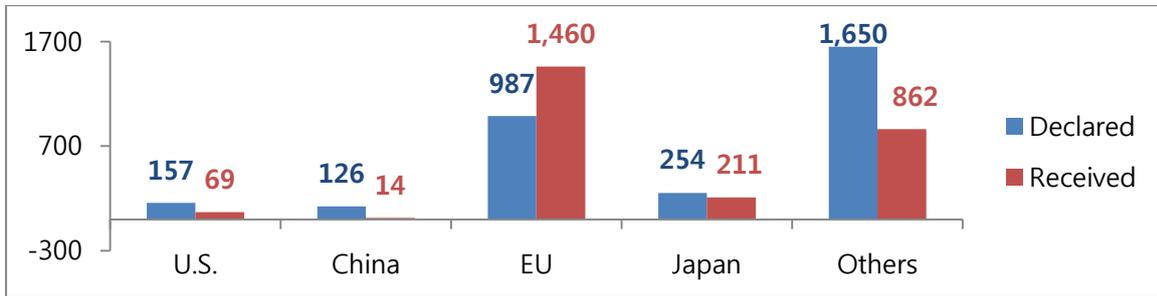
New FDI commitments from Japan went down 31 percent to \$254 million, and those arrived contracted 35.4 percent to \$211 million. The investment pledged to the manufacturing sector jumped 61.4 percent to \$120 million while that pledged to the service sector fell 55.5 percent to \$130 million. Pharmaceuticals and precision medical devices attracted more Japanese investment.

U.S. investment pledged to Korea decreased 78.7 percent to \$157 million while that arrived declined 92.3 percent to \$69 million. The manufacturing industry saw a pledged investment of \$20 million from American investors, which is 224.7 percent greater compared to the same period last year. Their investment pledged to the service industry, on the other hand, dropped 81.3 percent to \$140 million. Increases in investment were seen in business support and leasing as well as in transportation and warehousing.

Investment pledged from China shrank 88 percent to \$126 million and that arrived also fell 45.5 percent to \$14 million. China's pledged investment in the manufacturing sector contracted 62.2 percent to \$70 million while that in the service sector dropped 93.4 percent to \$50 million. Overall investment decreased, but cooperation improved in new industries such as wireless telecommunication device parts and data cloud management services.

< FDI trends by region in Q1 2019 >

Unit: USD millions



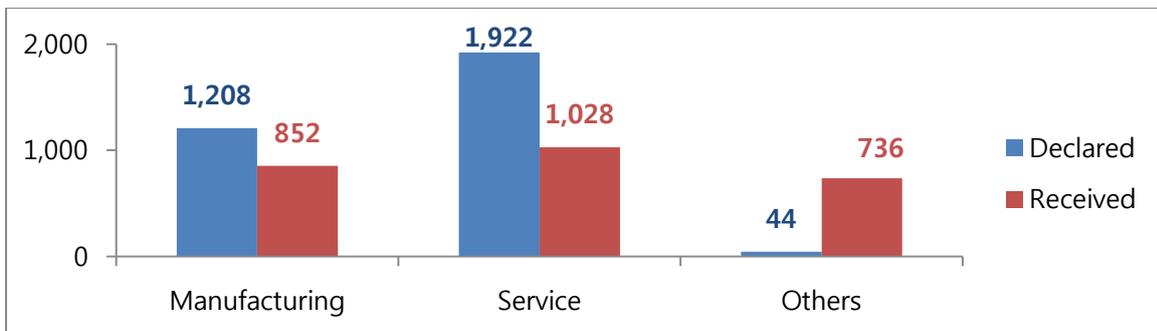
By industry, FDI pledges in both the manufacturing industry and the service industry saw decreases from the previous year. FDI arrivals in the manufacturing sector rose up, while those in the service industry slumped.

The manufacturing sector saw a pledged investment of \$1.2 billion, down 21.5 percent year-on-year. The FDI arrived, however, increased 41 percent to \$852 million. Industries that experienced growth were food, chemical engineering, pharmaceuticals, and machine equipment and precision medical devices. Those that experienced decreases were electrical and electronics, transportation machinery, and metal and processed metal products.

The service sector saw a pledged investment of \$1.9 billion, down 42.5 percent. The FDI arrived also decreased 58.8 percent to \$1 billion. Growth was experienced in wholesale and retail, business support and leasing, and R&D. Decreases were seen in real estate, information and communications, and finance and insurance.

< FDI trends by industry in Q1 2019 >

Unit: USD millions



Ministry of Trade, Industry and Energy (MOTIE)

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By type, greenfield investment accounted for 68.2 percent of the total FDI, while merger and acquisition (M&A) investments took up 31.8 percent.

Greenfield investment pledged to Korea dropped 39.1 percent to \$2.2 billion, and that arrived went down 38.4 percent to \$1.4 billion.

Greenfield investment pledged to the manufacturing industry decreased 17.5 percent to \$680 million, and that pledged to the service industry sank 44.8 percent to \$1.5 billion. While investment in wholesale and retail, pharmaceuticals, and R&D increased, that in real estate, information and communications, and finance and insurance decreased.

For M&A investment, foreign investors pledged \$1 billion, which is 26.8 percent less compared to the first quarter of last year. Meanwhile, M&A investment that arrived jumped 48.9 percent to \$1.2 billion.

M&A investment pledged to the manufacturing industry decreased 26.2 percent to \$530 million, and that pledged to the service industry fell 33 percent to \$440 million. Food, finance and insurance, and machine equipment and precision medical devices saw growth, but transportation machinery, information and communications, and accommodation and restaurants experienced declines.

< FDI trends by investment type in Q1 2019 >

Unit: USD millions

