

# EU FDI with Extra-EU decreased again in 2002

First results FDI 2002

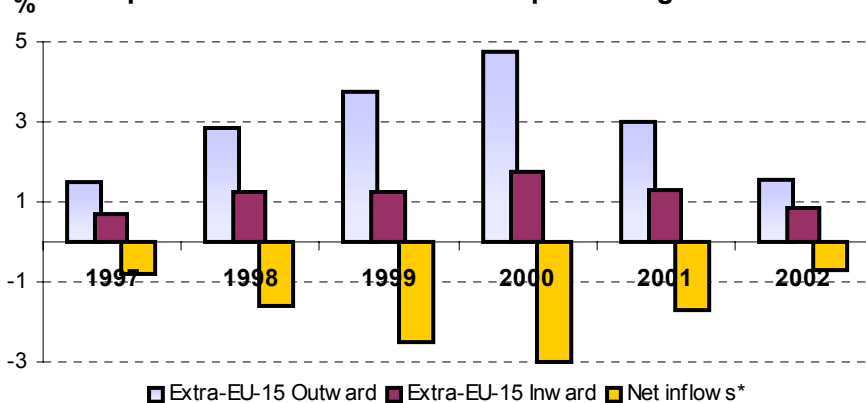
Paolo Passerini

Flows of EU FDI<sup>1</sup> with Extra-EU countries strongly contracted in 2002 for the second consecutive year, according to preliminary data. As in 2001, FDI inflows decreased less than FDI outflows. Although the US maintained its traditional position of main EU partner, FDI with the US fell more than the average. The decrease in FDI flows in 2002 involved the great majority of Member States.

## Inflows (- 35%) fell less than outflows (- 48%)

At EUR 140 billion in 2002 (1.5% of EU GDP), investment by the EU in the rest of the world (outflows) was 48% lower than in 2001. Investment by the rest of the world in the EU (inflows) was EUR 76 billion (0.8% of EU GDP), 35% down. In 2001 outflows fell by 34% and inflows by 22%, with respect to 2000, according to the revised data now available for 2001. Revisions to 2001 data implied a reduction in the rate of decrease on 2000 flows previously estimated<sup>2</sup>.

Graph 1: Extra-EU FDI flows as a percentage of GDP



(\*) Net inflows equal inflows minus outflows

In 2002, the EU continued to be a net investor in the rest of the world, with outflows higher than inflows. Net investment, however, fell to EUR 64 billion (0.7% of GDP) in 2002, as compared to EUR 151 billion (1.7% of GDP) in 2001.

<sup>1</sup> FDI flows presented here include reinvested earnings. In comparing 2002 and 2001 data, it should be kept in mind that 2002 data are preliminary estimates, while data for 2001 are semi-final. Separate data for Luxembourg and Belgium are available for the year 2002 for the first time. For years before 2002, data are available only for the Belgium-Luxembourg Economic Union.

<sup>2</sup> Outflows data presented here for 2001 imply an upward revision by 14%. Inflows were revised downward by 1% as compared with the figures published in the *Statistics in Focus "Fall in FDI in 2001: EU-15 as main actor"*, Theme 2 - 12/2003, April 2003. The reader is referred to this source for data before 2001. Regarding the size of revisions by Member State, countries with the most significant revised data were, for outflows, the United Kingdom (+84%), Denmark (+42%) and Portugal (-25%); for inflows, Denmark (+63%), BLEU (+43%) and the United Kingdom (-40%). The preliminary estimates for 2002 and the revised 2001 flows presented here are also published in *NewCronos, Economy and Finance/bop/fdi/fdipre*.

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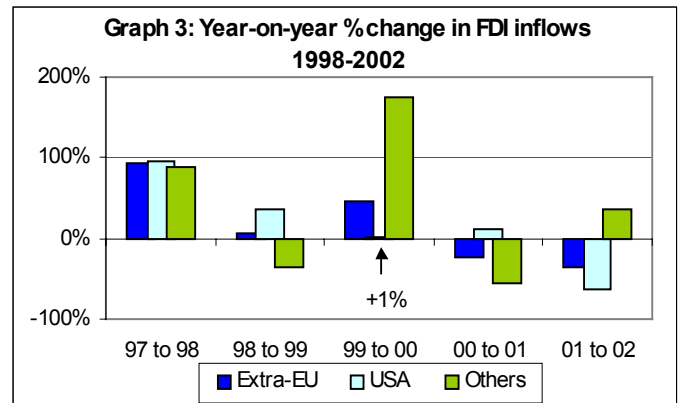
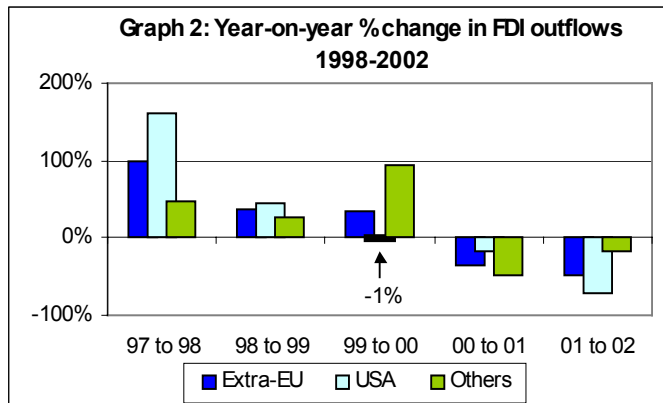


## EU FDI flows with the US fell strongly in 2002: - 70% for outflows and - 63% for inflows

In 2002, the United States was still the EU's main partner, receiving 33% of extra-EU investment from Member States, and supplying 42% of investment from non-EU countries in the EU. However, in 2002, the share of the US on total EU FDI flows was considerably lower than in previous years. Between 1997 and 2001 the US accounted for 52% of outflows and 59% of inflows on average.

Graphs 2 and 3 show the annual rates of growth of EU FDI outflows and inflows respectively, between 1998 and 2002.

The growth rate of FDI outflows to the US followed a sharply decreasing trend from the peak reached in 1998. The evolution of EU FDI to other non-EU countries was instead contained within a narrower range. Looking at inflows, data show that investment from the US followed a similar pattern as for outflows, though the fall of the rate of growth was less pronounced. FDI coming from other non-EU countries, on the other hand, alternated a year of growth and a year of decline. In 2002, excluding the US, EU FDI inflows rose by 17% with respect to 2001.



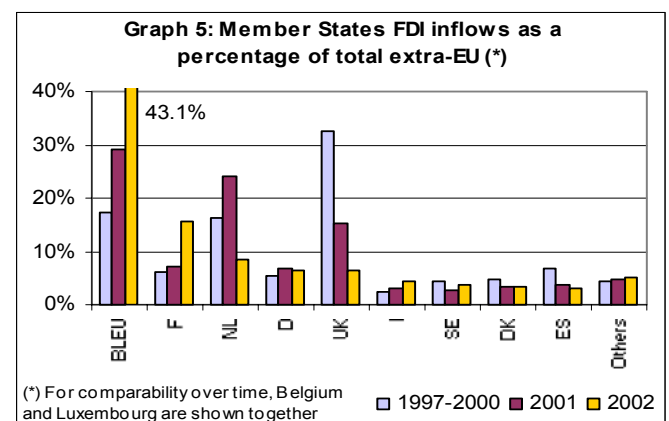
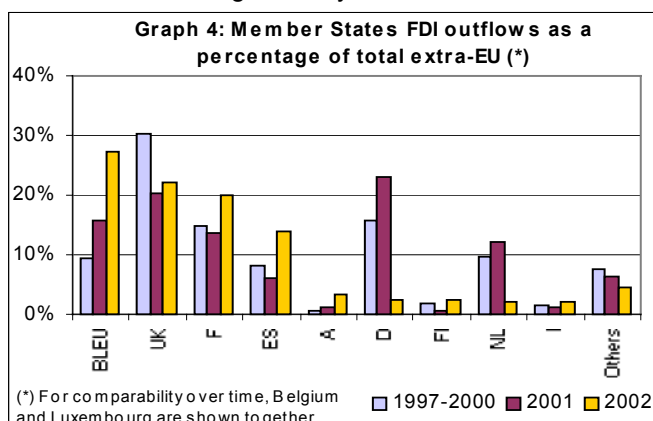
## The great majority of Member States recorded reduced FDI flows in 2002

In 2002, the sole Member State having increases for both inflows and outflows was Finland. France, Ireland, and Portugal recorded higher inflows than in 2001, while outflows from Spain and Austria increased. Portugal and Sweden recorded slight disinvestment towards extra-EU countries.

Considering outflows, with EUR 35 billion and a 25% share of the EU total, Luxembourg<sup>3</sup> was the largest investor in extra-EU in 2002, followed by the United Kingdom (22%) and France (20%). The Germany's contribution fell to 2.5% in 2002 (it was 23% in 2001, see graph 4). The shares of the Netherlands and of Denmark also fell significantly.

In 2002, Luxembourg with EUR 27 billion was also the main recipient of FDI and had a share of 35% of total EU FDI inflows, followed by France (16%, see graph 5). The Netherlands and the United Kingdom recorded the highest falls in FDI inflows.

Considering net investment, with inflows higher than outflows by EUR 3.5 billion, Sweden was the largest net recipient of FDI capital from the extra-EU, closely followed by Belgium and the Netherlands. The United Kingdom was the main net investor with a net outflow of EUR 26 billion, followed by Spain and France, with EUR 17 billion and EUR 16 billion respectively.



<sup>3</sup> FDI include data on capital invested in or by non-banking financial companies (of which holding companies). This type of companies accounts for a high proportion of the FDI inflows and outflows of Luxembourg. Although a precise quantification is not possible, it appears reasonable to suppose that a large part of extra-EU FDI inflows going to Luxembourg are reinvested by these companies elsewhere in the EU; and that a large part of extra-EU outflows are channelled through Luxembourg from other EU Member States. FDI inflows of Luxembourg coming from other Member States were in fact EUR 107 billion, and Luxembourg FDI outflows to other Member States were EUR 128 billion in 2002. Total intra-EU FDI data for 2002 are published in NewCronos theme 2/bop/fdi/fdipe.

**EU FDI Flows with Extra-EU countries; 2002 and 2001 by source and major partner**  
(in EUR million)

2002	Outward flows to				Inward flows from			
	Extra-EU	USA	Japan	Canada	Extra-EU	USA	Japan	Canada
<b>EU-15*</b>	<b>140 407</b>	<b>45 812</b>	<b>-1 223</b>	<b>5 908</b>	<b>76 217</b>	<b>31 781</b>	<b>1 016</b>	<b>2 860</b>
<b>BELGIUM/LUX**</b>	<b>38 092</b>	18 357	150	1 855	<b>32 859</b>	9 102	1 529	879
<b>BELGIUM</b>	<b>2 752</b>	2 821	256	-794	<b>6 211</b>	593	547	-198
<b>LUXEMBOURG</b>	<b>35 340</b>	15 536	-106	2 649	<b>26 648</b>	8 509	982	1 077
<b>DENMARK***</b>	<b>1 736</b>	431	-135	-27	<b>2 692</b>	2 073	13	13
<b>GERMANY</b>	<b>3 445</b>	-832	271	-136	<b>4 930</b>	1 107	-42	-228
<b>GREECE</b>	<b>326</b>	82	0	0	<b>53</b>	40	0	0
<b>SPAIN***</b>	<b>19 703</b>	1 394	8	40	<b>2 447</b>	1 214	108	26
<b>FRANCE</b>	<b>28 287</b>	17 732	2 329	239	<b>11 893</b>	5 307	3 198	678
<b>IRELAND</b>	<b>2 245</b>	89	-217	4	<b>942</b>	62	-3 532	562
<b>ITALY</b>	<b>2 910</b>	1 160	57	36	<b>3 345</b>	1 472	270	19
<b>NETHERLANDS</b>	<b>2 966</b>	-10 199	125	452	<b>6 331</b>	6 095	-33	80
<b>AUSTRIA</b>	<b>4 616</b>	203	-8	13	<b>956</b>	352	10	10
<b>PORTUGAL</b>	<b>-292</b>	68	0	-1	<b>508</b>	155	-16	2
<b>FINLAND</b>	<b>3 231</b>	-1 300	0	200	<b>307</b>	400	0	50
<b>SWEDEN***</b>	<b>-575</b>	-428	18	18	<b>2 955</b>	1 438	9	-22
<b>UNITED KINGDOM</b>	<b>30 932</b>	17 800	-3 874	3 165	<b>4 909</b>	1 757	-499	789

2001	Outward flows to				Inward flows from			
	Extra-EU	USA	Japan	Canada	Extra-EU	USA	Japan	Canada
<b>EU-15*</b>	<b>267 945</b>	<b>154 097</b>	<b>-2 553</b>	<b>7 680</b>	<b>117 345</b>	<b>84 804</b>	<b>-1 019</b>	<b>5 152</b>
<b>BELGIUM/LUX**</b>	<b>41 878</b>	20 742	2 057	-81	<b>34 323</b>	15 226	44	2 818
<b>BELGIUM</b>	:	:	:	:	:	:	:	:
<b>LUXEMBOURG</b>	:	:	:	:	:	:	:	:
<b>DENMARK***</b>	<b>7 783</b>	1 543	-121	27	<b>4 066</b>	2 053	54	40
<b>GERMANY</b>	<b>61 491</b>	51 559	357	183	<b>7 852</b>	4 350	-213	761
<b>GREECE***</b>	<b>464</b>	193	-1	15	<b>77</b>	37	0	-1
<b>SPAIN***</b>	<b>15 919</b>	2 258	288	66	<b>4 383</b>	1 729	76	13
<b>FRANCE</b>	<b>36 220</b>	19 937	323	191	<b>8 306</b>	6 555	104	98
<b>IRELAND</b>	<b>3 070</b>	:	:	:	<b>291</b>	:	:	:
<b>ITALY</b>	<b>3 490</b>	889	-92	100	<b>3 534</b>	1 770	475	65
<b>NETHERLANDS</b>	<b>32 572</b>	22 589	-83	953	<b>28 144</b>	22 849	990	334
<b>AUSTRIA</b>	<b>3 283</b>	60	2	28	<b>1 067</b>	484	7	14
<b>PORTUGAL</b>	<b>1 521</b>	62	0	3	<b>324</b>	161	-14	58
<b>FINLAND</b>	<b>1 608</b>	1 216	59	242	<b>-389</b>	-77	-5	-23
<b>SWEDEN***</b>	<b>3 650</b>	2 896	154	150	<b>3 230</b>	276	18	1 355
<b>UNITED KINGDOM</b>	<b>54 234</b>	31 214	-6 794	5 551	<b>18 013</b>	14 783	812	204

\* the EU-15 aggregate contains estimates for reinvested earnings of Denmark, Spain, Sweden and Greece (only for 2001) that are not available at the Member State level. This implies a discrepancy between the EU aggregate and the sum of the Member State data.

\*\* Belgium-Luxembourg Economic Union

\*\*\* Data without reinvested earnings

: Not available

### ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

**Foreign Direct Investment (FDI)** Foreign Direct investment (FDI) statistics give information on one of the major aspects of globalisation. Unlike traditional cross border trade in goods and services, FDI reflects the objectives of establishing a more strategic and long term engagement in a particular market. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise, and a significant degree of influence by the investor on the management of the enterprise. Formally defined, a direct investment enterprise is an unincorporated or incorporated enterprise in which a direct investor owns 10% or more of the ordinary shares or voting power.

**FDI flows and positions:** Through direct investment flows, an investor builds up a foreign direct investment position that features on his balance sheet. This FDI position (sometimes called FDI stock) differs from the accumulated flows because of revaluation (changes in prices or exchange rates, and other adjustments like rescheduling or cancellation of loans, debt forgiveness or debt-equity swaps).

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Carine Kuppel carried out the data processing and contributed to the statistical analysis and writing of the report.

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