

# EU Foreign Direct Investment in 2003

## Inflows and outflows close to balance

### FDI to the US recovered

## Statistics in focus

### ECONOMY AND FINANCE

20/2005

#### Balance of payments

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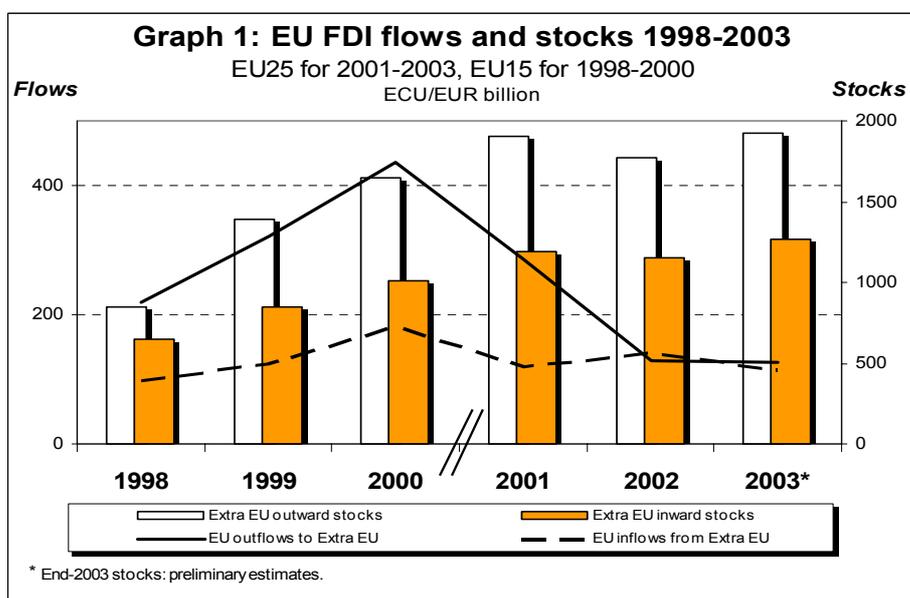
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This article gives an overview of EU Foreign Direct Investment (FDI) statistics for annual flows, stocks at year-end and annual income, for the period 1998-2003. The data presented here incorporate a major revision for the period 1999-2003<sup>1</sup>. EU FDI outflows remained stable in 2003 with respect to 2002, while EU FDI inflows decreased (-19%). EU income earned from FDI in extra-EU countries also decreased with respect to 2002 (-6%), while FDI income paid by the EU to extra-EU countries decreased even more (-15%). This article also presents data on FDI stocks and flows by main kind of activity, from which it emerges that investment in services activities plays a dominant role. Data by kind of activity are available only for the EU15.

### In 2003 EU FDI flows to extra-EU countries remained stable

2003 was a year of stationary outward FDI flows with respect to 2002, after two consecutive years of decreased FDI outflows. At EUR 126.2 bn (1.3% of GDP), 2003 EU FDI outflows to extra-EU countries were only 1% lower than in 2002 (EUR 127.7 bn, 1.3% of GDP). Inflows of FDI from extra-EU countries were EUR 113 bn (1.2% of GDP), 19% lower than in 2002 (EUR 140 bn, 1.5% of GDP). 2002 was the only year, in the period covered here, in which the EU outflows were lower than the EU inflows. In 2003 the EU outflows were again higher (EUR 126.2 bn against EUR 113 bn for the inflows), but the difference between EU outflows and EU inflows remained low in comparison with previous years (1998-2001).



Preliminary estimates for total EU FDI stocks at end-2003 are also presented in graph 1 above, while data for stocks up to end-2002 with further detail by partner country and by kind of activity are presented in the rest of this publication<sup>2</sup>.

<sup>1</sup> The detailed data on which the present article draws were published in Eurostat database in December 2004. The revision derived from the inclusion of investment operated through financial holding companies located in the EU that were previously only partially covered. Preliminary and less detailed data for EU25 2003 flows, which did not include the revision mentioned, were released in July 2004. Series for FDI now contains data for 1992-2003 with detail by partner country and kind of investment (equity capital, loans and reinvested earnings). Data by kind of activity and by main partner are available for the period 1992-2002. Data for FDI income cover 1995-2003 and data for FDI stocks go from end 1994 to end 2002. Intra-EU data used in this publication are the average between outward and inward data as supplied by Member States.

<sup>2</sup> See pages 4-6. For the relation between FDI flows and stocks, see the methodological note on page 7.



## Recovery of EU investment to the US in 2003

In 2003 the EU25 invested virtually the same amount of FDI capital as in 2002. As can be seen in **Table 1**, however, the geographic distribution of investment changed. 2003 marked the recovery of EU FDI to **North America**, which were EUR 56 bn as compared to a disinvestment of EUR -8 bn in 2002. This high increase was due to the **US**, which at EUR 54 bn was the most important destination and represented 43% of extra-EU FDI in 2003. FDI to **Africa** also increased to EUR 8 bn (EUR 3 bn in 2002) and attained the highest share recorded in the period (6%). EU FDI to **Europe** (non-EU) stood at EUR 52 bn (16 bn more than in 2002) with a share of

41%. In particular, EUR 8 bn (6%) were invested in **Russia**. On the other hand, FDI flows to **Central America** decreased from EUR 52 bn to -2 bn. FDI flows to **Asia** contracted from EUR 30 bn to EUR 14 bn and flows to **Oceania** decreased as well from EUR 7 bn to EUR -2 bn.

In terms of rate of growth of outward stocks (**graph 2**), three European countries (Russia, Romania and Bulgaria) and two African countries (Morocco and Egypt) recorded the highest five results. On the other hand, Argentina was the country with the highest negative rate of growth (-10%).

**Table 1: Main destinations of EU outward FDI flows 1998-2003**

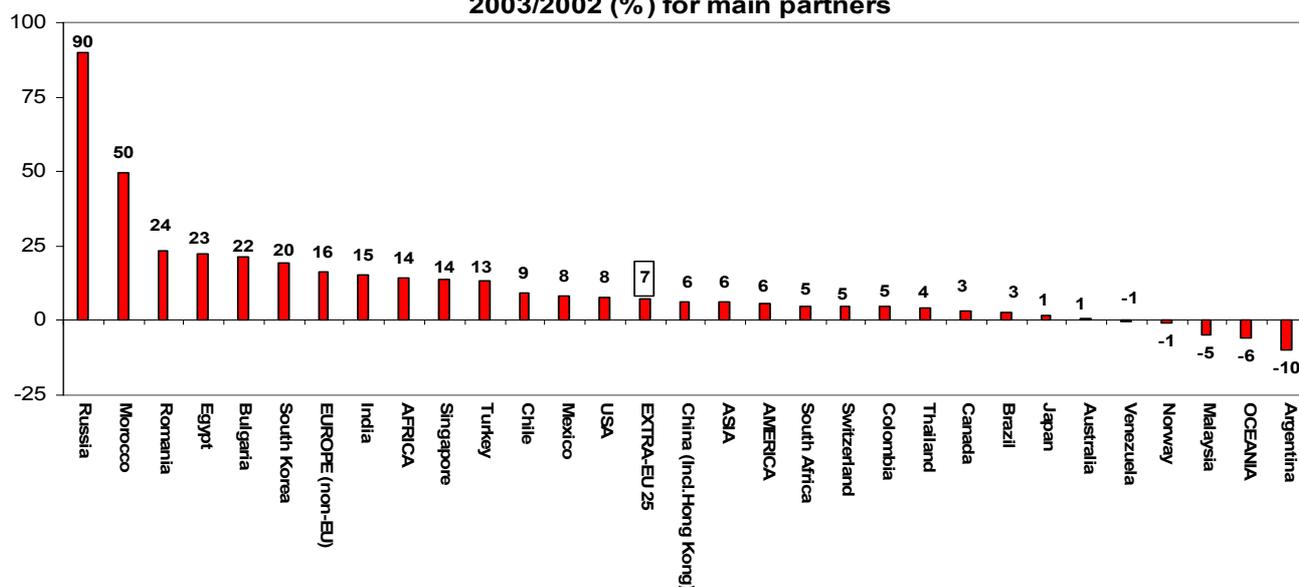
EU25 for 2001-2003, EU15 for 1998-2000.  
ECU/EUR billion and % of extra-EU(\*)

	1998		1999		2000		2001		2002		2003	
	ECU	%	EUR	%								
<b>Extra EU of which:</b>	<b>218.8</b>	<b>100.0</b>	<b>320.3</b>	<b>100.0</b>	<b>435.7</b>	<b>100.0</b>	<b>286.4</b>	<b>100.0</b>	<b>127.7</b>	<b>100.0</b>	<b>126.2</b>	<b>100.0</b>
<b>OECD (non-EU)</b>	<b>172.9</b>	<b>79.0</b>	<b>238.5</b>	<b>74.5</b>	<b>333.6</b>	<b>76.6</b>	<b>155.2</b>	<b>54.2</b>	<b>45.8</b>	<b>35.9</b>	<b>69.7</b>	<b>55.2</b>
<b>Europe (non-EU) of</b>	<b>41.2</b>	<b>18.8</b>	<b>38.8</b>	<b>12.1</b>	<b>103.9</b>	<b>23.8</b>	<b>25.8</b>	<b>9.0</b>	<b>35.9</b>	<b>28.1</b>	<b>52.3</b>	<b>41.4</b>
Switzerland	20.5	9.4	9.5	3.0	61.0	14.0	7.6	2.7	27.5	21.5	10.7	8.5
Norway	3.4	1.6	4.4	1.4	8.3	1.9	2.7	0.9	1.4	1.1	-0.3	-0.2
Acceding Countries	9.8	4.5	13.0	4.1	21.1	4.8	:	:	:	:	:	:
Russia	0.3	0.1	1.3	0.4	2.0	0.5	2.6	0.9	1.3	1.0	8.1	6.4
Candidate Countries	1.6	0.7	1.8	0.6	2.3	0.5	4.4	1.5	2.7	2.1	2.3	1.8
<b>Africa</b>	<b>3.5</b>	<b>1.6</b>	<b>4.6</b>	<b>1.4</b>	<b>7.9</b>	<b>1.8</b>	<b>9.3</b>	<b>3.2</b>	<b>2.9</b>	<b>2.3</b>	<b>7.7</b>	<b>6.1</b>
<b>North America of which:</b>	<b>133.3</b>	<b>60.9</b>	<b>195.4</b>	<b>61.0</b>	<b>220.7</b>	<b>50.7</b>	<b>146.4</b>	<b>51.1</b>	<b>-8.0</b>	<b>-6.3</b>	<b>56.3</b>	<b>44.6</b>
USA	128.7	58.8	191.4	59.8	182.1	41.8	139.2	48.6	-8.9	-7.0	53.7	42.6
Canada	4.6	2.1	3.9	1.2	38.5	8.8	7.2	2.5	0.8	0.6	2.6	2.1
<b>Central America</b>	<b>5.9</b>	<b>2.7</b>	<b>6.9</b>	<b>2.2</b>	<b>21.1</b>	<b>4.8</b>	<b>23.7</b>	<b>8.3</b>	<b>52.1</b>	<b>40.8</b>	<b>-2.0</b>	<b>-1.6</b>
<b>South America of which:</b>	<b>23.5</b>	<b>10.7</b>	<b>34.7</b>	<b>10.8</b>	<b>32.3</b>	<b>7.4</b>	<b>22.8</b>	<b>8.0</b>	<b>2.8</b>	<b>2.2</b>	<b>0.9</b>	<b>0.7</b>
Brazil	18.1	8.3	11.8	3.7	20.9	4.8	9.8	3.4	3.4	2.7	1.2	1.0
Argentina	3.4	1.6	16.6	5.2	5.5	1.3	5.2	1.8	0.5	0.4	-2.1	-1.7
<b>Asia of which:</b>	<b>9.9</b>	<b>4.5</b>	<b>26.0</b>	<b>8.1</b>	<b>17.7</b>	<b>4.1</b>	<b>57.1</b>	<b>19.9</b>	<b>30.4</b>	<b>23.8</b>	<b>13.5</b>	<b>10.7</b>
Japan	0.7	0.3	8.7	2.7	6.7	1.5	-9.4	-3.3	10.2	8.0	0.7	0.6
China (incl. Hong Kong)	3.0	1.4	4.2	1.3	-1.7	-0.4	51.1	17.8	6.0	4.7	4.8	3.8
South Korea	3.0	1.4	3.6	1.1	4.3	1.0	1.1	0.4	1.7	1.3	2.6	2.1
<b>Oceania of which:</b>	<b>1.0</b>	<b>0.5</b>	<b>2.0</b>	<b>0.6</b>	<b>5.6</b>	<b>1.3</b>	<b>-1.6</b>	<b>-0.6</b>	<b>7.2</b>	<b>5.6</b>	<b>-2.4</b>	<b>-1.9</b>
Australia	1.1	0.5	1.8	0.6	5.5	1.3	2.5	0.9	6.9	5.4	0.3	0.2

(\*) The sum of continents does not always equal total extra-EU because of not allocated flows. Parts may be higher than totals because of disinvestment.

\*\* Candidate countries: Bulgaria, Romania and Turkey

**Graph 2: Estimated growth rate\* of EU FDI outward stocks 2003/2002 (%) for main partners**



\* The growth rate of stocks is estimated with the ratio between 2003 flows and end-2002 stocks

## North American and non-EU European countries had 93% of FDI inflows in 2003

In 2003, extra EU countries invested in the EU less than in 2002 (EUR 113 bn in 2003 compared to EUR 140 bn in 2002). This decline is due to the strong fall in investment from **Central America**, from EUR 42 bn to a disinvestment of EUR -0.2 bn. The structure of FDI flows continued to be dominated by developed countries. **OECD countries** (non-EU) in fact represented 76% in 2003, while the remaining share (24% in 2003) was made up, for the most part, by investment coming from **financial centres** (a large number of small countries specialised in financial

intermediation), located in Central America, Far East Asia, Oceania and non-EU Europe<sup>3</sup>. **European countries** (non-EU) represented 41% and **Switzerland** in particular recorded increased FDI flows, ranking as the second main investor with a share of 16%. Among OECD countries, the **US** invested EUR 50 bn in 2003 and remained by far the most important investor with 45% of total flows invested in the EU from abroad. **Canada** and **Japan** were the third and fourth biggest investors with a share of 7% and 4% respectively.

**Table 2: Main foreign investors in the EU. Inward FDI flows 1998-2003**

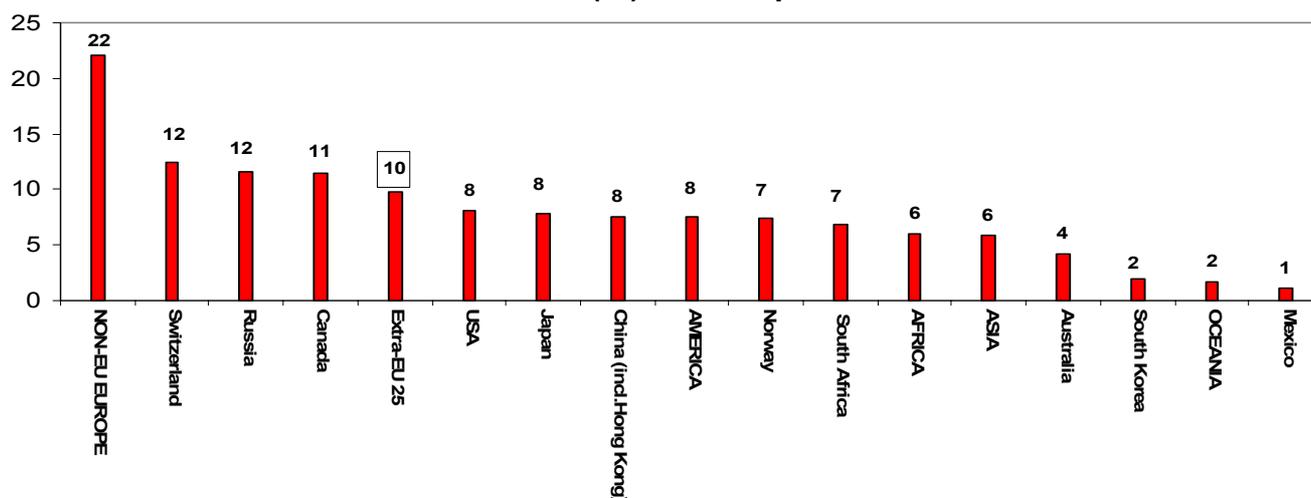
EU25 for 2001-2003, EU15 for 1998-2000.  
ECU/EUR billion and % of extra-EU(\*)

	1998		1999		2000		2001		2002		2003	
	ECU	%	EUR	%								
<b>Extra EU of which:</b>	<b>96.4</b>	<b>100.0</b>	<b>122.8</b>	<b>100.0</b>	<b>180.1</b>	<b>100.0</b>	<b>120.1</b>	<b>100.0</b>	<b>139.8</b>	<b>100.0</b>	<b>113.2</b>	<b>100.0</b>
<b>OECD (non-EU)</b>	<b>87.2</b>	<b>90.5</b>	<b>92.0</b>	<b>74.9</b>	<b>141.9</b>	<b>78.8</b>	<b>87.9</b>	<b>73.2</b>	<b>76.1</b>	<b>54.4</b>	<b>86.5</b>	<b>76.4</b>
<b>Europe (non-EU) of</b>	<b>19.8</b>	<b>20.5</b>	<b>20.4</b>	<b>16.6</b>	<b>29.3</b>	<b>16.3</b>	<b>17.5</b>	<b>14.6</b>	<b>19.0</b>	<b>13.6</b>	<b>46.7</b>	<b>41.3</b>
Switzerland	17.3	17.9	9.1	7.4	19.8	11.0	7.4	6.2	7.6	5.4	18.6	16.4
Norway	1.6	1.7	0.5	0.4	6.6	3.7	1.4	1.2	5.2	3.7	2.2	1.9
Acceding Countries	0.2	0.2	0.5	0.4	1.1	0.6	:	:	:	:	:	:
Russia	-0.3	-0.3	0.1	0.1	0.4	0.2	0.7	0.6	0.2	0.1	0.5	0.4
Candidate Countries	0.2	0.2	0.1	0.1	0.4	0.2	0.4	0.3	-0.2	-0.1	1.7	1.5
<b>Africa</b>	<b>0.8</b>	<b>0.8</b>	<b>0.0</b>	<b>0.0</b>	<b>1.3</b>	<b>0.7</b>	<b>3.4</b>	<b>2.8</b>	<b>3.0</b>	<b>2.1</b>	<b>0.8</b>	<b>0.7</b>
<b>North America of</b>	<b>63.9</b>	<b>66.3</b>	<b>78.2</b>	<b>63.7</b>	<b>94.5</b>	<b>52.5</b>	<b>68.4</b>	<b>57.0</b>	<b>54.6</b>	<b>39.1</b>	<b>58.6</b>	<b>51.8</b>
USA	54.9	57.0	76.0	61.9	79.9	44.4	61.1	50.9	52.1	37.3	50.4	44.5
Canada	9.0	9.3	2.2	1.8	14.6	8.1	7.3	6.1	2.5	1.8	8.2	7.2
<b>Central America</b>	<b>5.9</b>	<b>6.1</b>	<b>8.1</b>	<b>6.6</b>	<b>7.4</b>	<b>4.1</b>	<b>9.3</b>	<b>7.7</b>	<b>41.9</b>	<b>30.0</b>	<b>-0.2</b>	<b>-0.2</b>
<b>South America</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>-0.1</b>	<b>0.7</b>	<b>0.4</b>	<b>1.3</b>	<b>1.1</b>	<b>4.0</b>	<b>2.9</b>	<b>0.0</b>	<b>0.0</b>
<b>Asia of which:</b>	<b>3.2</b>	<b>3.3</b>	<b>7.1</b>	<b>5.8</b>	<b>24.1</b>	<b>13.4</b>	<b>21.8</b>	<b>18.2</b>	<b>17.3</b>	<b>12.4</b>	<b>6.9</b>	<b>6.1</b>
Japan	2.1	2.2	3.4	2.8	17.1	9.5	8.3	6.9	8.8	6.3	4.7	4.2
China (incl. Hong	0.1	0.1	0.5	0.4	2.2	1.2	6.2	5.2	2.4	1.7	1.2	1.1
South Korea	0.5	0.5	0.0	0.0	0.1	0.1	-0.3	-0.2	-0.2	-0.1	0.1	0.1
<b>Oceania of which:</b>	<b>1.3</b>	<b>1.3</b>	<b>0.2</b>	<b>0.2</b>	<b>2.8</b>	<b>1.6</b>	<b>0.9</b>	<b>0.7</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
Australia	1.4	1.5	0.6	0.5	2.7	1.5	1.1	0.9	0.1	0.1	0.6	0.5

(\*) The sum of continents does not always equal total extra-EU because of not allocated flows. Parts may be higher than totals because of disinvestment.

\*\* Candidate countries: Bulgaria, Romania and Turkey

**Graph 3: Estimated growth rate\* of EU FDI inward stocks 2003/2002 (%) for main partners**



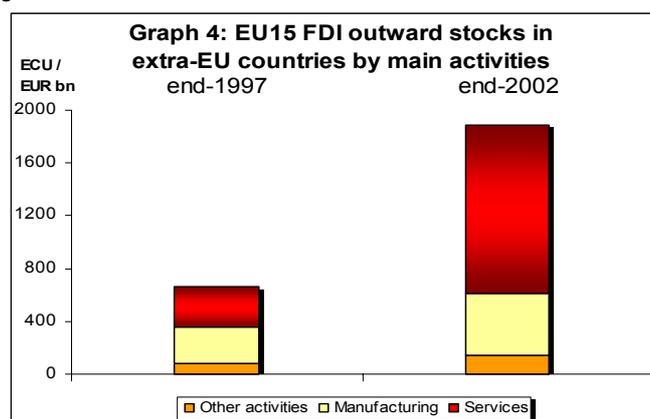
\* The growth rate of stocks is estimated with the ratio between 2003 flows and end-2002 stocks

<sup>3</sup> The interested reader is referred to the data published in NewCronos for more detail.

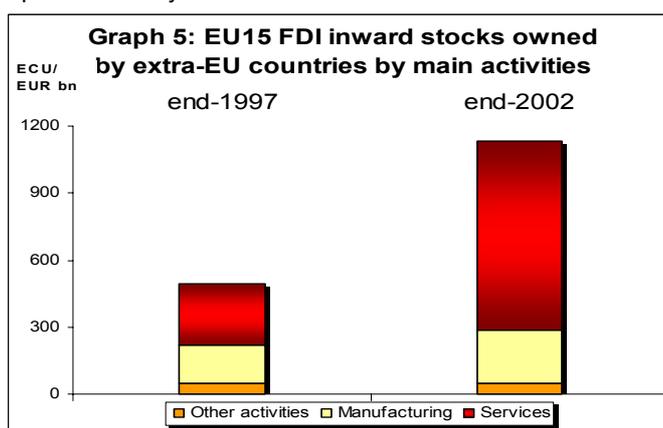
## Services prevail among the activities chosen for FDI

Since 1998, investment in **services**<sup>4</sup> gained regularly in relative importance in both inward and outward EU FDI with extra-EU countries. Correspondingly, the share of **manufacturing** activities constantly decreased.

EU FDI assets (**outward FDI stocks**) invested in services were ECU 311 bn at the end of 1997 and became EUR 1280 bn at the end of 2002, with the share of services in total FDI assets growing from 47% to 68%. During the same period, FDI assets in manufacturing rose from ECU 276 bn to EUR 462 bn and their share fell from 41% to 24%. The share of "other activities"<sup>5</sup> decreased slightly from 12% to 8%, with a growth in absolute terms from ECU 80 bn to EUR 146 bn.

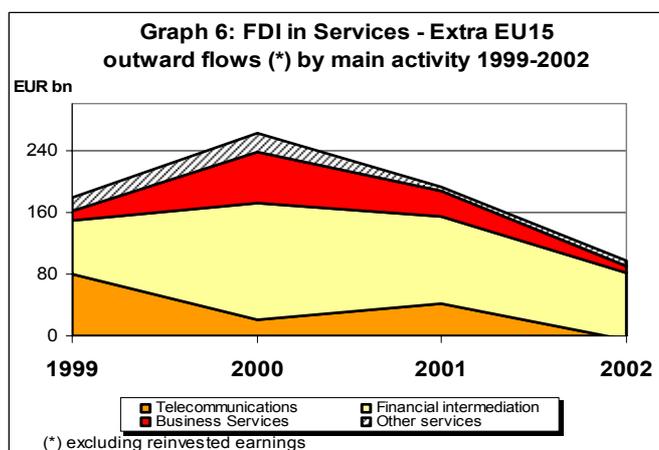


Data for EU **inward FDI stocks** show a similar picture, although on a reduced scale and with an even more important role played by services. FDI inward stocks in services grew from ECU 277 bn at the end of 1997 (56% of the total) to EUR 851 bn in 2002 (75% of the total). The growth of manufacturing activities was from ECU 168 bn to EUR 239 bn, but their weight fell from 34% to 21% of the total. Finally, the group of "other activities" totalled ECU 51 bn at end-1997 (10% of the total) and EUR 46 bn at end-2002, when it represented only 4% of total inward FDI stocks.

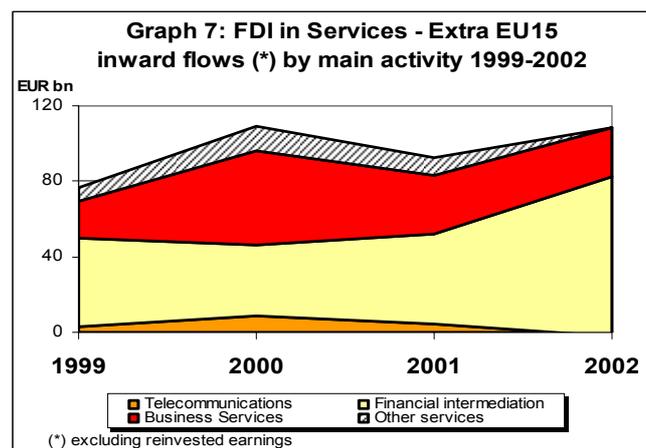


The following two graphs present the detail of FDI annual flows in **services by main activity**. It emerges that there was a strong decrease (-49%) in **outward FDI flows** in services (from EUR 192 bn in 2001 to EUR 97 bn in 2002), while there was an increase (16%) in the **inward FDI flows** in services (from EUR 93 bn in 2001 to EUR 108 bn in 2002).

For outward FDI flows, the services' main activity was *financial intermediation* and to a lesser extent *business services*. It is interesting to point out the decrease of outward FDI in *telecommunications* from EUR 79 bn in 1999 to a disinvestment of -5 bn in 2002. In 1999 telecommunications were the activity with the highest FDI outward flows, representing 44% of FDI in total services.



Inward FDI flows in services were for their part dominated by *business services* and *financial intermediation*. The weight of these activities in total services was above 80% in all years between 1999 and 2002 with a peak in 2002, when, due to disinvestment recorded in telecommunications and other services, the sum of these two categories was higher than total inward flows in services.



<sup>4</sup> Services consist of the following activities: Trade, Hotels and restaurants, Transport, Telecommunications, Financial intermediation, Business services, Real estate services, Other services n.i.e. . Business services include Business and management consulting, Advertising, Computer activities, R&D.

<sup>5</sup> "Other activities" include Agriculture and fishing, Mining and quarrying, Electricity, gas and water, Construction, Not allocated.

## At the end of 2002 the EU was a net investor with EUR 616 bn of net FDI assets

**Table 3: EU FDI, Net bilateral stocks and flows with selected partners**

EU25 for 2001-2002, EU15 for 1997-2000. ECU/EUR billion

Partner	end-1997 net position	Annual net flows					end-2002 net position
		1998	1999	2000	2001	2002	
Extra-EU	171	122	198	256	166	-12	616
USA	30	74	115	102	78	-61	88
Japan	-24	-1	5	-10	-18	1	-9
EFTA <sup>(*)</sup>	-46	5	4	43	1	16	74
Other OECD	66	8	22	57	6	13	76
Others	144	36	51	64	99	18	387

Net assets and net outflows equal EU outward FDI stocks or flows minus EU inward FDI stocks or flows.

(\*) European Free Trade Association (Switzerland, Norway, Iceland, Liechtenstein).

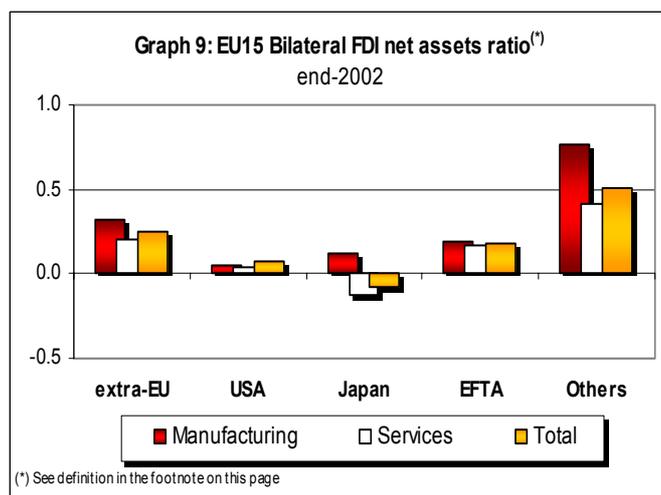
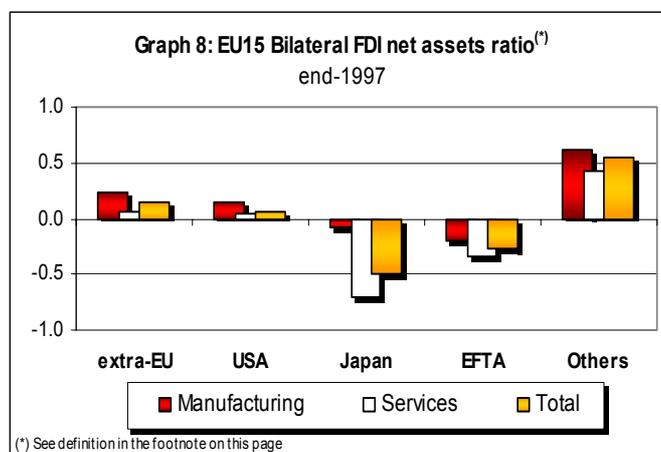
The EU has traditionally held a positive net position in **FDI stocks**, that is to say its outward stocks of FDI have always exceeded inward stocks of FDI. Net FDI assets have grown noticeably in the period covered here, going from ECU 171 bn at the end of 1997 to EUR 616 bn at the end of 2002.

Large **net flows** of FDI (the difference between outward FDI flows and inward flows) during the period 1998-2001, were the main cause of the increase in net assets. However, changes in net assets are also the effect of revaluations due to variations in prices and exchange rates, and to other changes in the volume of stocks.

Table 3 gives the values of EU net FDI assets and net FDI flows with main partners, for the period from end-1997 to end-2002. In 2002, inward FDI flows were higher than the outward FDI flows, and so the net flows went from ECU 122 bn (1.6% of EU GDP) in 1998 to EUR -12 bn in 2002 (-0.1% of GDP), with a maximum of EUR 256 bn in 2000 (2.9% of GDP). In 2003, EU net flows became positive again reaching EUR 13 bn (0.1% of GDP, see tables 1 and 2), but remained still on a very low level in relation to previous years.

Net FDI stocks can be further qualified in respect to the most important partners and to the most important classes of activities. Graphs 8 and 9 on this page show a **bilateral index**<sup>6</sup> (ranging from -1 to 1) calculated on EU FDI stocks at end-1997 and five years later. The index for total activity with extra-EU rose from 0.15 in 1997 to 0.25 in 2002, mainly as a result of increasing net assets in services (from 0.06 to 0.20). However, in 2002 the index for services was still lower than for manufacturing (0.32).

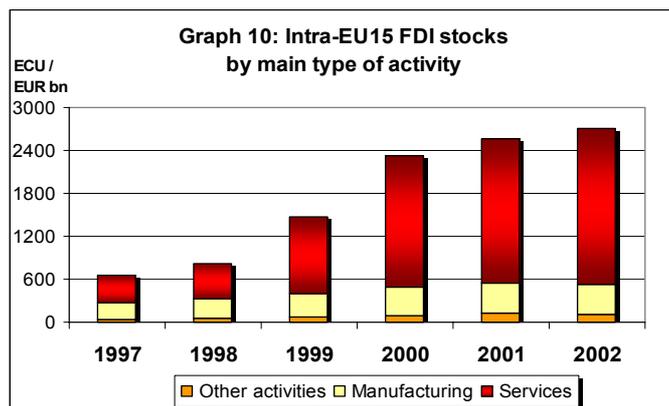
The index increased for the majority of the **main partners** considered here. Particularly noticeable were the reversal of the bilateral net assets ratio with EFTA countries (from -0.26 at end-1997 to +0.18 at end-2002) and the increase in the index with Japan in manufacturing activities (from -0.08 to 0.12).



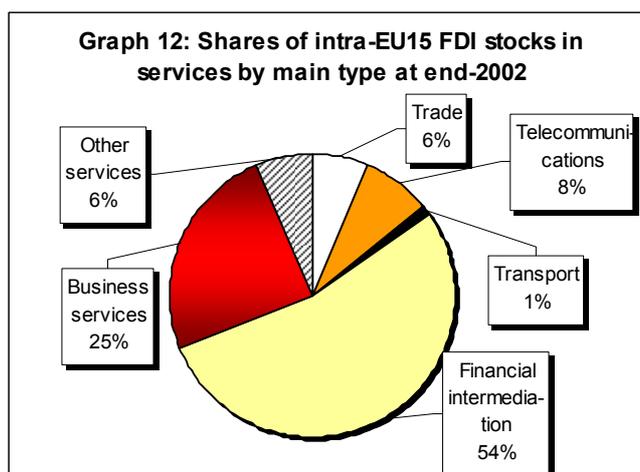
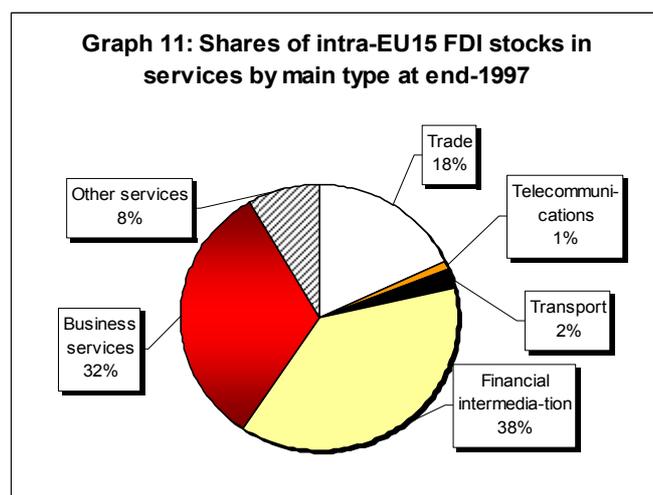
<sup>6</sup> The bilateral FDI net asset ratio is defined as  $(\text{Outward stocks} - \text{Inward stocks}) / (\text{Outward stocks} + \text{Inward stocks})$ . Therefore, for each partner and activity shown, EU net assets are expressed as a ratio of the level of total FDI stocks involved in the bilateral relationship. The ratio measures the extent to which reciprocal investments are balanced or not. It can go from +1 (with positive outward stocks and zero inward stocks) to -1 in the opposite case. In this form, the comparison is not affected by the size of the economies involved.

## Intra-EU FDI were also boosted by investment in services

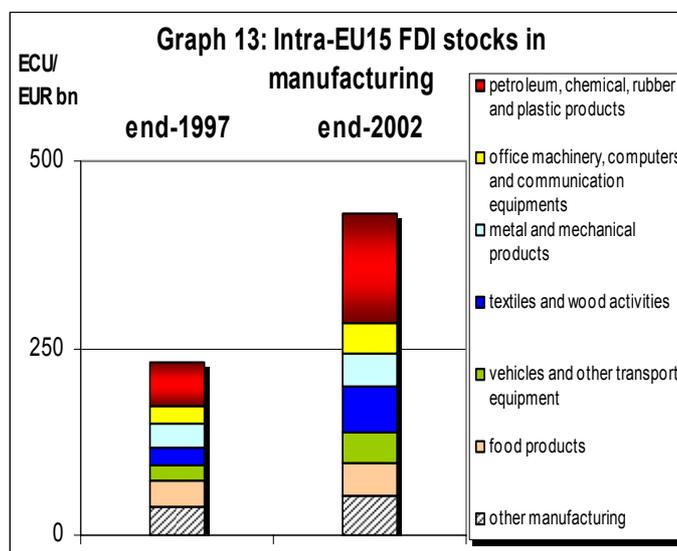
Between 1997 and 2002, intra-EU FDI grew on average faster than extra-EU FDI. Considering stocks, the ratio between end-2002 and end-1997 values was 4.2 for intra-EU, while for extra-EU it was 2.8 for outward stocks and 2.3 for inward stocks. Graph 10 shows the composition of **intra-EU FDI stocks by main type of activity**. It emerges that the weight of services in intra-EU stocks gained in importance during the period covered. At the end of 1997, intra-EU FDI stocks invested in services activities were 59% of the total and reached 80% at the end of 2002. The share of manufacturing fell from 35% to 16% over the same period, while stocks invested in other types of activities counted for 6% of the total at end-1997 and for 4% at end-2002.



Although intra-EU FDI stocks grew for all kind of **services** considered, the changed distribution of FDI stocks by kind of services (graphs 11 and 12), indicates that growth was stronger in *telecommunications* (from 1% at end-1997 to 8% at end-2002) and in *financial intermediation* (from 38% to 54%). Investment in the *trade* sector and in *business services* activities lost in relative importance, while the weight of *transport* decreased slightly.



Intra-EU FDI stocks in **manufacturing** grew from ECU 230 bn to EUR 431 bn between end-1997 and end-2002. The most important activities of the manufacturing sector, in terms of FDI, were *petroleum, chemical, rubber and plastic products*, increasing from 25% at end-1997 to 34% at end-2002. FDI in *textile and wood products* activities ranked second at end-2002 with 14% (10% at end-1997). *Food products, metal and mechanical products, production of office machinery, computers and communication equipment* and production of *vehicles and other transport equipment* each had a share of 10% at end-2002. Of these four activities, only the latter had a proportional increase (it was 8% at end-1997), while the others decreased slightly (they were 15%, 14% and 11% respectively at end-1997).

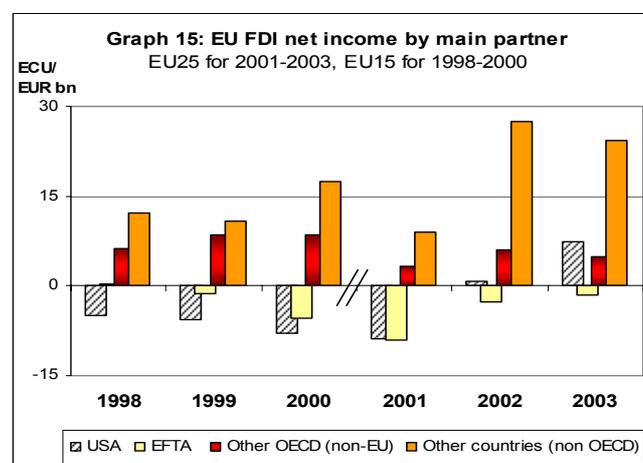
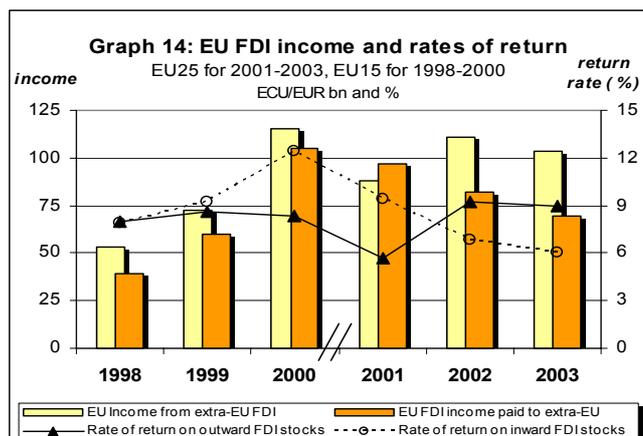


## In 2003 the EU had positive net income from FDI of EUR 34 bn

At EUR 104 bn, in 2003 EU **income earned** from FDI abroad decreased by 6% with respect to the previous year. **Income paid** to foreign owners of inward EU FDI was EUR 70 bn (-15% on 2002), giving a positive balance of EUR 34 bn (see graph 14, left scale). EUR 34 bn was the highest value ever recorded for EU net FDI **income**. In terms of GDP it was higher in 2003 compared to 1998 (0.35% against 0.2%).

2003 saw a slight decline in the **rate of return**<sup>7</sup> on EU outward FDI stocks, which reached 8.9% after a strong recovery in 2002. The rate of return earned by foreign owners of EU inward FDI stocks was 6.0%, which represented a minimum for the period considered. As shown in graph 14 (right scale), in the last two years the rate of return on EU outward FDI was higher than the rate of return on EU inward FDI.

Graph 15 gives the detail of **net FDI income by main partner**. Although the EU had positive net FDI position with the EFTA at the end of 2001 and at the end of 2002, the net income remained negative with this partner. This means that the rate of return of outward EU FDI in these countries was lower than the rate of return of EU inward FDI. At the same time, net income with the US became positive in 2002, while net income with other countries (OECD and non-OECD) was positive for the whole period covered.



### ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

**Foreign Direct Investment (FDI)** is the category of international investment that reflects the objective of obtaining a lasting interest by a resident entity in one economy in an enterprise resident in another economy. 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 (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise).

**FDI flows, stocks and income.** Through outward FDI flows, an investor country builds up FDI assets abroad (outward FDI stocks). Correspondingly, inward FDI

flows cumulate into liabilities towards foreign investors (inward FDI stocks). However, changes in FDI stocks differ from FDI flows because of the impact of revaluation (changes in prices and, for outward stocks, exchange rates) and other adjustments such as catastrophic losses, cancellation of loans, reclassification of existing assets or liabilities. FDI flows are components of the financial account of the Balance of Payments, while FDI assets and liabilities are components of the International Investment Position. Finally, FDI income consists of the income accruing to the direct investor from its affiliates abroad. Income earned from outward FDI is recorded among credits in the current account of the Balance of Payments. Income paid to foreign owners of inward FDI stocks is recorded among debits in the current account of the Balance of Payments.

<sup>7</sup> The FDI rate of return is measured here as (FDI income of year t) / (stock of FDI at the end of year t-1).

# ***Further information:***

## **Databases**

[EUROSTAT Website/Economy and finance/Balance of payments - International transactions/European Union direct investments](#)

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### **European Statistical Data Support:**

Eurostat set up with the members of the 'European statistical system' a network of support centres, which will exist in nearly all Member States as well as in some EFTA countries.

Their mission is to provide help and guidance to Internet users of European statistical data.

Contact details for this support network can be found on our Internet site: [www.europa.eu.int/comm/eurostat/](http://www.europa.eu.int/comm/eurostat/)

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