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EU25 FDI

2001-2003 data

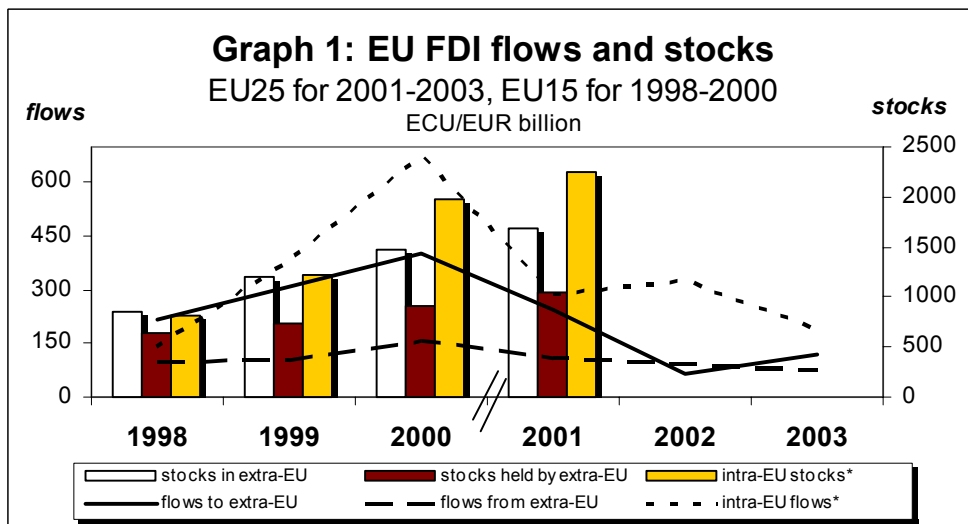
This short article presents data for Foreign Direct Investment (FDI) flows and stocks of the EU25, detailed by main partner country or zone¹. EU15 data for 1998-2000 are also shown in graph 1, to give the reader a reference for the evolution of EU FDI flows over a longer period.

In 2001-2003, growth of EU FDI stocks slowed down compared to previous years. In 2003, the EU25 was a net investor abroad. The new 10 Member States were net recipients of FDI and the larger part of incoming investment came from EU15 Member States. In 2003, the United Kingdom was the largest net investor and Ireland was the largest net recipient of FDI flows.

Growth of EU FDI stocks slowed down since 2001²

At the end of 2001, EU25 outward stocks in extra-EU countries were EUR 1691 billion. Inward stocks held by extra-EU countries were EUR 1041 billion, giving net FDI assets of EUR 650 billion for the EU25. Intra-EU25 FDI stocks were EUR 2251 billion.

2001 was a year of strong contraction for FDI flows, after four years of fast growth. A downward trend characterised also 2002 and 2003 flows, although with different specific patterns. Inward FDI flows fell in both years by 15%, to reach EUR 77 billion in 2003. Outward flows fell from EUR 242 billion in 2001 to EUR 65 billion in 2002, to recover in 2003 when EU25 investment abroad was EUR 118 billion. Finally, intra-EU25 FDI flows rose 12% in 2002 compared to 2001, and fell by 41% in 2003.



*Intra-EU data are the average of outward and inward data as supplied by Member States.

¹ Data for inward and outward FDI flows of the EU25 are now available for 2001-2003, while the latest data available on FDI stocks are end-2001. In May 2004 Eurostat published for the first time FDI data for the EU25 for FDI flows of 2001 and 2002 and for end-2001 stocks, broken down by main partner country or zone. Data for 2003 EU25 FDI flows with main partners were published in July 2004 (see Eurostat news release published on 29 July 2004), together with revised data for 2002 flows. 2003 data are preliminary estimates subject to revisions. Series for the EU25 as reporter start in 2001, i.e. three years before the year of the enlargement. Series for the EU25 FDI by kind of activity will be released at end-2005. Before reference year 2001, only series for the EU15 as reporter are available. For accessing the complete FDI data base, the reader is referred to the addresses and information given on page 4.

² FDI flows represent the new investment of the year and as such are a proxy for the annual rate of growth of FDI stocks. The value of stocks at end-year is however affected not only by flows, but also by changes in prices and exchange rates or other changes in the volume of FDI stocks.



In 2003 the EU25 was a net investor abroad by EUR 41 billion

In 2003, the EU25 was a **net investor abroad**. The difference between outward investment and inward investment was EUR 41 billion, which compares to net inflows of EUR 26 billion in 2002 and net outflows of EUR 138 billion in 2001.

In 2003, the EU15 Member States accounted for 99% of outward FDI to extra-EU countries, and for 97% of inward FDI from extra-EU countries. The **shares** of EU15 Member States and new Member States remained substantially stable over the period considered.

The **United States**, received 42% of extra-EU FDI in 2003, and supplied 23% of investment into the EU25 from the rest of the world. For outward investment, 2003 marked a recovery of EU FDI in the United States, after the disinvestment recorded in 2002.

Excluding the United States, EU25 FDI to **other extra-EU countries** was stable in 2003 compared to 2002, while FDI from other extra-EU countries increased by 45%. In particular, FDI from and to Canada increased strongly in 2003, compared to the year before.

The EU25 was a **net** recipient of FDI from both Canada and Japan, while it was a net investor in the United States.

In 2003, **intra-EU** investment was EUR 192 billion, of which EUR 7 billion went from the EU15 Member States to the 10 new Member States. This represented 4% of total intra-EU25 FDI, the same percentage recorded in 2002.

Table 1: EU25 FDI flows			
EUR billion			
	2001	2002	2003
Outward flows to extra-EU25	245.3	65.0	118.1
EU15 Members	241.4	64.8	116.6
10 New Members	3.9	0.2	1.5
<i>of which, to:</i>			
USA	141.9	-3.5	49.3
Japan	-4.2	8.2	-0.2
Canada	7.5	2.8	4.3
Inward flows from extra-EU25	107.5	91.4	77.2
EU15 Members	104.3	87.8	74.9
10 New Members	3.2	3.6	2.3
<i>of which, from:</i>			
USA	68.8	50.7	18.0
Japan	4.4	8.1	3.2
Canada	8.2	2.1	8.0
Net outward flows (outward minus inward)	137.8	-26.4	40.9
EU15 Members	137.1	-23.1	41.7
10 New Members	0.7	-3.3	-0.8
<i>of which:</i>			
USA	73.1	-54.2	31.3
Japan	-8.6	0.1	-3.4
Canada	-0.7	0.7	-3.7
Intra-EU25 flows (*)	288.5	324.4	191.7
From EU15 to New 10 Members	17.2	13.1	6.9
From 10 New Members to EU15	0.7	0.8	0.5
Between EU15 Members	270.3	309.6	183.7
Between 10 New Members	0.3	1.0	0.6

(*) Intra-EU data are the average between outward and inward data as supplied by Member States.
NB: minus sign stands for disinvestment.

In 2003 the United Kingdom was the largest net investor, Ireland the largest net recipient of FDI

Graph 2 shows data by Member State for total net FDI outward flows, that is to say the difference between outward FDI flows and inward FDI flows. Member States having positive values are **net investors** in the rest of the world, while a negative value indicates that the Member State is a **net recipient** of FDI funds. Data in graph 2 are in decreasing order referring to 2003 flows.

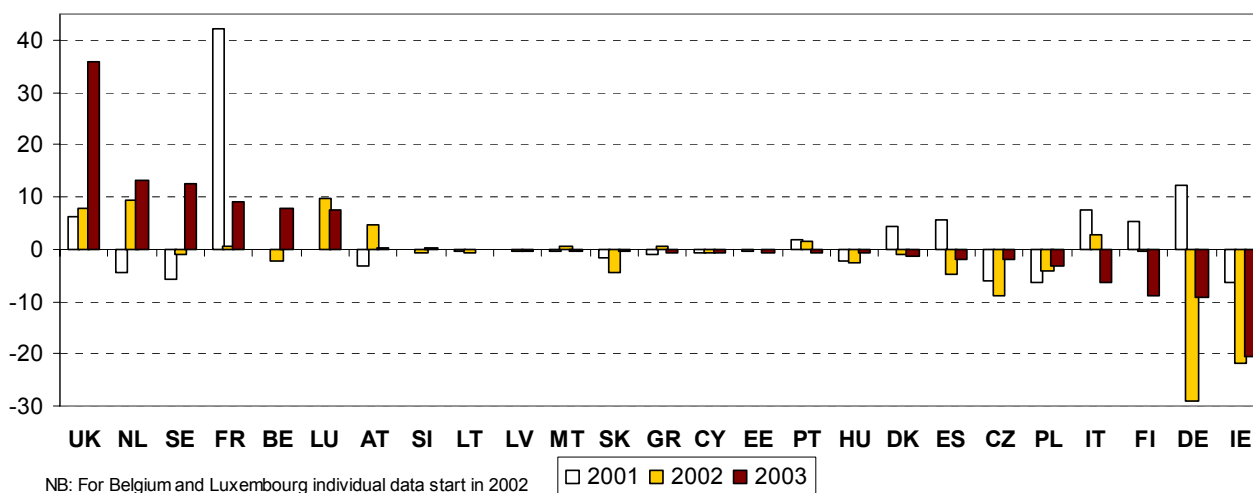
The **United Kingdom** was the largest net investor in 2003 (EUR 36 billion), followed by the **Netherlands** (13 billion) and **Sweden** (12 billion). On the other hand, Ireland was the largest net recipient of FDI in 2003 (EUR 21 billion). **Germany** and **Finland** followed with approximately EUR 9 billion of net inflows each.

The **10 new Member States** were always net recipients of FDI funds in all the three years considered, with the exception of small net investment abroad by **Slovenia** in 2003 and by **Malta** in 2002.

The absolute values used in graph 2 are influenced by the size of the economy. If the size-effect is removed, by for instance **dividing net FDI flows by GDP**, the picture changes considerably. Luxembourg³ net outflows (EUR 7 billion) were 32% of GDP in 2003, compared to 2% of GDP for the UK. For Ireland, net inflows of FDI in 2003 were 16% of GDP. For the group of the 10 new Member States, net inflows in terms of GDP were 4.8% in 2001, 5.0% in 2002 and fell to 1.9% in 2003.

Graph 2: Net FDI outflows by Member State with rest of the world

2001-2003, Billion EUR



➤ 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.

⁸ In Luxembourg, Financial intermediation represented 98% of inward flows and 94% of outward flows in 2001 (latest year available for the detail by activity).

Further information:

➤ **Databases**

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

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