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Increased FDI flows for the EU in 2005

Outflows to extra-EU were 19% higher than in 2004. Inflows from extra-EU up by 23%, intra-EU flows increased by 81%.

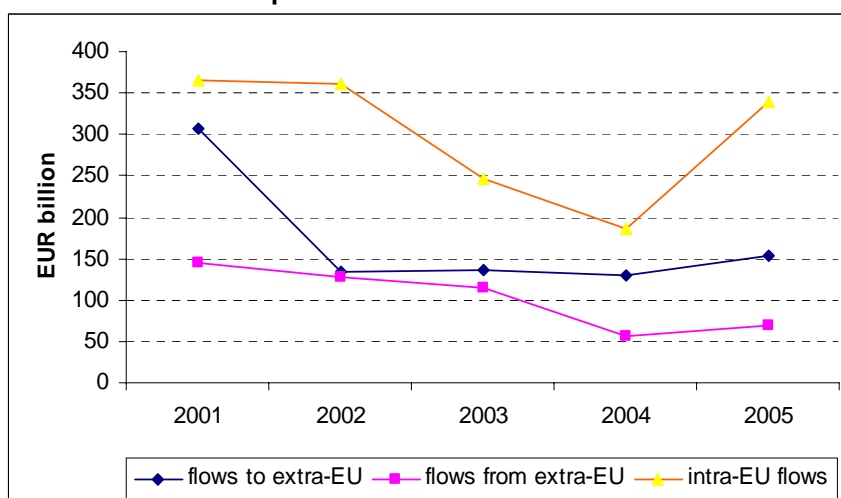
This short article presents data for Foreign Direct Investment (FDI) flows of the EU-25, detailed by main partner country or zone¹. In 2005, EU25 FDI in extra-EU-25 countries (outflows) were EUR 153 billion, 19% higher than in 2004 (EUR 129 billion). FDI inflows from extra-EU-25 increased from EUR 57 billion in 2004 to EUR 70 billion in 2005, an increase of 23%. The USA was both the most important destination and investor country in 2005. In 2005, intra-EU² FDI flows amounted to EUR 340 billion, an increase of 81% from 2004.

EU FDI flows picked up again in 2005

The preliminary data for 2005 show that the downward trend in EU FDI flows since 2001 was reversed in 2005. After a significant 56% drop in outward FDI between 2001 and 2002 (from EUR 306 billion to EUR 134 billion), the FDI outward flows remained fairly stable around EUR 130 billion during 2002-2004. Increased flows especially from Italy, France and Belgium to extra-EU destinations contributed to the 19% increase in the EU FDI outward flows.

FDI flows into the EU from abroad decreased 61% between 2001 and 2004 (from EUR 146 billion to EUR 57 billion). In 2005 the FDI inward flows of EUR 70 billion reversed the trend, but the level remained at less than 50% of the 2001 level. Increased extra-EU investments especially to France, Sweden and Germany affected the rise in the inward FDI flows.

Graph 1: EU FDI flows 2001-2005



¹ Data for inward and outward FDI flows of the EU-25 are now available for 2001-2005. Data for EU-15 are available for reference years 1992 - 2005. The data presented here were published in July 2006. The 2005 data are preliminary estimates subject to revisions. Revised data will be released in the Eurostat FDI data base at the end of 2006. Please refer to the information on page 4 for access to the complete FDI data base.

² calculated as an average between outward and inward data as supplied by the Member States



In 2005 the EU-25 was a net investor abroad by EUR 83 billion

The EU-25 was a net investor abroad in 2005. The difference between outward investment and inward investment was EUR 83 billion, the highest since 2001 and almost EUR 10 billion higher than in 2004. Out of the main partners available, the highest net investment was recorded for the USA at EUR 9 billion.

In 2005, the EU-15 Member States accounted for 98% of the outward FDI flows to extra-EU-25 countries and 94% of the inward flows from extra-EU countries. FDI inflows from extra-EU-25 countries to the new Member States increased by one billion euros in 2004 (from EUR 3 billion in 2003) and remained stable at EUR 4 billion during 2004 and 2005. FDI inflows from extra-EU-25

countries to EU-15 increased, reaching EUR 66 billion in 2005 (increase of 25% from 2004).

EU FDI flows to the USA, the main destination country in 2005, were EUR 26 billion, up from EUR 7 billion in 2004. The USA was also the largest investor country in 2005 with FDI inward flows of EUR 18 billion to the EU.

There was an 81% increase in intra-EU FDI flows*, reaching EUR 340 billion in 2005 (EUR 187 billion in 2004). This increase was largely due to increased flows between EU-15 Member States. FDI flows from EU-15 to the new Member States continued their increase, reaching EUR 22 billion in 2005.

Table 1: EU-25 FDI flows

EUR billion					
	2001	2002	2003	2004	2005
Outward flows to extra-EU-25	306.1	133.9	135.5	128.9	152.5
from EU-15	305.3	133.7	134.1	127.3	149.8
from new Member States	0.9	0.2	1.4	1.7	2.7
<i>of which to:</i>					
United States	158.7	2.7	47.1	7.2	26.1
Switzerland	7.1	24.2	13.0	-15.8	5.9
Japan	-8.9	10.2	5.8	4.7	-1.2
Canada	5.8	1.4	5.9	1.6	9.3
Inward flows from extra-EU-25	145.9	126.6	115.4	56.9	69.8
to EU-15	142.1	123.4	112.4	52.8	65.9
to new Member States	3.7	3.2	3.0	4.0	3.9
<i>of which from:</i>					
United States	79.6	57.6	47.6	15.3	17.5
Switzerland	9.9	10.5	19.2	14.6	7.3
Japan	8.8	8.3	3.1	6.5	4.2
Canada	5.6	4.0	12.2	-2.5	6.9
Net outward flows (outward minus inward)	160.3	7.3	20.1	72.1	82.8
from EU-15	163.2	10.3	21.7	74.4	84.0
from new Member States	-2.9	-3.0	-1.5	-2.3	-1.2
<i>of which to:</i>					
United States	79.1	-54.9	-0.5	-8.1	8.6
Switzerland	-2.9	13.7	-6.3	-30.4	-1.4
Japan	-17.7	1.9	2.8	-1.8	-5.3
Canada	0.2	-2.6	-6.3	4.1	2.3
Intra-EU-25 flows (*)	365.5	361.1	247.0	187.0	339.4
From EU-15 to new Member States	17.8	13.0	7.9	14.2	22.1
From new Member States to EU15	1.1	1.3	0.7	4.3	8.3
Between EU-15 Members	346.2	345.8	237.4	167.0	307.8
Between 10 new Member States	0.4	0.9	0.6	1.5	1.2

(*) Intra-EU data are the average between outward and inward data as supplied by the Member States

NB: minus sign stands for disinvestment

In 2005 the Netherlands was the largest net investor, the United Kingdom the largest net recipient of FDI

Table 2 presents the FDI inflows and outflows with the rest of the world per Member State in 2005. The net flows have been calculated as outward FDI flows minus inward flows. Member States having a positive value are *net investors* in the rest of the world, whereas a negative value indicates that the Member State was a *net recipient* of FDI funds in 2005.

The Netherlands was the largest net investor in 2005 (EUR 62 billion), followed by France (EUR 40 billion) and Ireland (EUR 36 billion). The largest net recipient of FDI flows in 2005 was the United Kingdom (EUR 51 billion), the next largest net FDI recipients were from the new Member States, Czech Republic with EUR 8 billion and Poland with EUR 5 billion.

The values in table 2 are influenced by the size of the economy. To remove the size effect, the net FDI outflows can be divided by the GDP. Luxembourg's net FDI outflows (EUR 8 billion) were 28% of GDP in 2005 and the highest among the EU countries, compared with 12% of GDP for the Netherlands and 2% for France.

Table 2: Net FDI outflows with the rest of the world in 2005 by Member State in bn EUR

	Outflows	Inflows	Net*
Belgium	21.4	22.4	-1.1
Czech Republic	0.7	8.8	-8.1
Denmark	6.3	4.0	2.3
Germany	36.7	26.3	10.4
Estonia	0.5	2.2	-1.7
Greece	0.8	-0.2	1.0
Spain	31.2	18.5	12.7
France	79.9	40.0	39.8
Ireland	10.9	-25.0	35.9
Italy	33.4	15.7	17.7
Cyprus	0.3	0.9	-0.6
Latvia	0.1	0.5	-0.4
Lithuania	0.3	0.8	-0.5
Luxembourg	64.9	56.8	8.1
Hungary	1.0	5.2	-4.2
Malta	0.0	0.6	-0.6
Netherlands	97.2	35.6	61.6
Austria	7.5	7.2	0.3
Poland	1.2	6.6	-5.3
Portugal	0.9	2.5	-1.6
Slovenia	0.5	0.4	0.0
Slovakia	0.1	1.7	-1.6
Finland	2.2	3.7	-1.5
Sweden	21.1	11.0	10.1
United Kingdom	81.3	132.3	-51.0

* Outward flows minus inward flows

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

Foreign Direct Investment (FDI) is the category of international investment made by an entity resident in one economy (*direct investor*) to acquire a lasting interest in an enterprise (incorporated or unincorporated) operating in another economy (*direct investment enterprise*). The lasting interest is deemed to exist if the direct investor acquires at least 10% of the equity capital of the direct investment 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, while income paid to foreign owners of inward FDI stocks is recorded among debits.

Further information:

Data: [EUROSTAT Website/Home page/Economy and finance/Balance of payments - International transactions/European Union direct investments/FDI structural indicators](#)

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