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EU-25 FDI flows with the rest of the world continued to increase in 2006

This short article presents data for Foreign Direct Investment (FDI) flows of the EU-25, detailed by main partner country or zone¹. In 2006, EU25 FDI in extra-EU25 countries (outflows) were EUR 202 billion, 9% higher than in 2005 (EUR 186 billion). FDI inflows from extra-EU-25 increased from EUR 94 billion in 2005 to EUR 145 billion in 2006, an increase of 54%. The USA was both the most important destination and investor country in 2006. In 2006, intra-EU² FDI flows amounted to EUR 396 billion, a decrease of 6% from 2005.

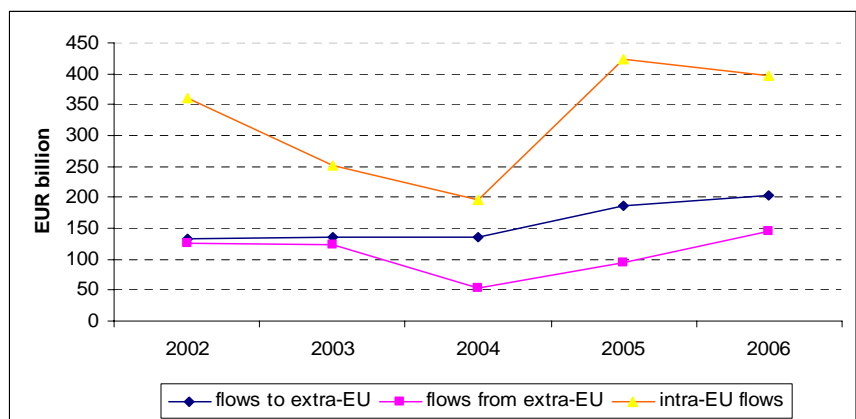
Increased flows with the rest of the world, but a drop in intra-EU-25 investments in 2006

The preliminary data for 2006 indicate that the upward trend in EU FDI outward flows which started in 2002 has continued since. Whereas EU FDI outward flows remained fairly stable at around EUR 130 billion during 2002-2004, they rose 36% between 2004 and 2005 and increased by a further 9% by end 2006. While investments from the United Kingdom decreased by EUR 20 bn, increased flows especially from Germany (EUR +20 bn), France (EUR +15 bn), and Italy (EUR +9 bn) to extra-EU destinations contributed to the 16 bn increase in the EU FDI outward flows.

FDI flows into the EU from abroad decreased 58% between 2002 and 2004 (from EUR 127 billion to EUR 53 billion). In 2005, FDI inward flows of EUR 94 billion reversed the trend, and inward investments rose to EUR 145 bn in 2006 (up by 54%). Extra-EU investments rose especially in United Kingdom, Germany and Ireland in 2006.

Intra-EU-25 flows remained at a high level (EUR 396 bn) in 2006, but decreased from the 2005 peak by 6%.

Graph 1: EU-25 FDI flows 2002-2006



¹ Data for inward and outward FDI flows of the EU-25 are now available for 2001-2006. Data for EU-27 are available for reference years 2005 - 2006. The data presented here were published in May 2007. The 2006 data are preliminary estimates subject to revisions. Revised data will be released in the FDI data base at the end of 2007. 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

EU-15 investments in New Member States³ increased by EUR 21 bn in 2006

From the EUR 396 bn total intra-EU-25 investment flows⁴, 89% were investments between the EU-15 countries. EU-15 investment flows to the New Member States reached EUR 46 bn, increasing in absolute terms by EUR 21 bn from 2005 and moving from a share of 6% to 11% of total intra-EU-25 flows.

| Table 1: EU25 FDI flows | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| EUR billion | | | | | |
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Outward flows to extra EU25 | 133.9 | 135.7 | 136.4 | 186.1 | 202.2 |
| from EU15 | 133.7 | 134.0 | 134.7 | 182.0 | 196.9 |
| from new Member States | 0.2 | 1.8 | 1.7 | 4.1 | 5.3 |
| <i>of which to:</i> | | | | | |
| Switzerland | 24.2 | 13.3 | -11.3 | 20.4 | 19.4 |
| Russian Federation | 2.5 | 7.7 | 5.9 | 9.7 | 4.3 |
| Canada | 1.4 | 5.4 | -2.6 | 12.5 | 21.7 |
| United States | 2.7 | 51.4 | 8.4 | 37.0 | 71.2 |
| Brazil | -1.4 | 2.1 | 5.2 | 7.3 | 5.3 |
| China | 6.4 | 7.0 | 14.2 | 8.5 | 8.0 |
| <i>of which Hong Kong</i> | 3.3 | 3.8 | 11.0 | 2.6 | 4.3 |
| Japan | 10.2 | 5.6 | 6.1 | 12.1 | -3.5 |
| India | 1.1 | 0.8 | 1.5 | 2.2 | 1.6 |
| Inward flows from extra EU25 | 126.6 | 123.5 | 53.1 | 94.3 | 145.0 |
| to EU15 | 123.4 | 120.6 | 49.2 | 90.5 | 139.4 |
| to new Member States | 3.2 | 3.0 | 3.9 | 3.8 | 5.6 |
| <i>of which from:</i> | | | | | |
| Switzerland | 10.5 | 20.7 | 15.6 | 18.4 | 5.8 |
| Russian Federation | 0.3 | 0.7 | 0.2 | 4.1 | 0.0 |
| Canada | 4.0 | 12.7 | -3.8 | 7.4 | 5.0 |
| United States | 57.6 | 51.9 | 9.3 | 19.1 | 47.7 |
| Brazil | 0.6 | -0.9 | 4.0 | 2.9 | 1.4 |
| China | 3.2 | 1.7 | 4.6 | 1.8 | 1.0 |
| <i>of which Hong Kong</i> | 2.9 | 1.4 | 4.7 | 1.4 | -1.1 |
| Japan | 8.3 | 4.0 | 7.5 | 6.1 | 10.5 |
| India | 0.1 | 0.6 | 0.0 | 0.6 | 0.1 |
| Net outward flows (outward minus inward) | 7.3 | 12.2 | 83.3 | 91.8 | 57.2 |
| from EU15 | 10.3 | 13.4 | 85.5 | 91.5 | 57.5 |
| from new Member States | -3.0 | -1.2 | -2.2 | 0.3 | -0.3 |
| <i>of which to:</i> | | | | | |
| Switzerland | 13.7 | -7.4 | -26.9 | 2.0 | 13.6 |
| Russian Federation | 2.1 | 7.0 | 5.7 | 5.6 | 4.3 |
| Canada | -2.6 | -7.3 | 1.2 | 5.1 | 16.7 |
| United States | -54.9 | -0.5 | -0.9 | 17.9 | 23.5 |
| Brazil | -2.0 | 3.0 | 1.2 | 4.5 | 4.0 |
| China | 3.3 | 5.2 | 9.6 | 6.7 | 7.0 |
| <i>of which Hong Kong</i> | 0.4 | 2.3 | 6.3 | 1.2 | 5.4 |
| Japan | 1.9 | 1.6 | -1.4 | 6.0 | -14.0 |
| India | 0.9 | 0.2 | 1.5 | 1.7 | 1.5 |
| Intra-EU25 flows (*) | 361.1 | 251.3 | 195.0 | 422.4 | 396.2 |
| From EU15 to new Member States | 6.1 | 4.0 | 15.2 | 25.3 | 45.8 |
| From new Member States to EU15 | 2.1 | 1.3 | 8.2 | 12.0 | -0.4 |
| Between EU15 Members | 345.8 | 242.9 | 173.0 | 389.3 | 355.3 |

(*) Intra-EU-25 data are the average between outward and inward data as supplied by the Member States.
NB: minus sign stands for disinvestment.

³ Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia. Bulgaria and Romania are not included, as they joined the EU in January 2007.

⁴ Intra-EU data are the average between outward and inward data as supplied by the Member States

In 2006, EU-25 was a net investor abroad by EUR 57 billion

The EU-25 was a net investor abroad in 2006. The difference between outward and inward investment was EUR 57 bn, dropping by 38% from the 2005 level. Out of the main partners available, the highest net investment was recorded for the USA at EUR 23 bn.

EU FDI flows to the USA (EUR 71 bn) and to Canada (EUR 22 bn), the main destination countries in 2006, increased from 2005 levels. For the other main partners, a decrease in investment flows was observed.

EU-25 investments in China remained fairly stable, declining from EUR 9 bn in 2005 to EUR 8 bn in 2006. Brazil received EUR 5 bn in EU-25 investments (EUR 7 bn in 2005). The largest decreases were recorded for Japan, moving from investments of EUR 12 bn in 2005 to a disinvestment of EUR -4 bn and for Russia, which received EU FDI worth EUR 4 bn in 2006 (EUR 10 bn in 2005).

In 2006, Spain was the largest net investor, the United Kingdom the largest net recipient of FDI

Table 2: Net FDI outflows with the rest of the world in 2006 by Member States in bn EUR

| | Outflows | Inflows | Net* |
|----------------|----------|---------|-------|
| Belgium | 49.9 | 57.0 | -7.1 |
| Czech Republic | 1.1 | 4.8 | -3.7 |
| Denmark | 6.5 | 5.6 | 0.9 |
| Germany | 63.3 | 34.2 | 29.1 |
| Estonia | 0.8 | 1.3 | -0.5 |
| Ireland | 17.6 | 10.2 | 7.4 |
| Greece | : | : | : |
| Spain | 71.5 | 16.0 | 55.5 |
| France | 86.7 | 58.0 | 28.7 |
| Italy | 33.0 | 29.9 | 3.1 |
| Cyprus | 0.6 | 1.2 | -0.6 |
| Latvia | 0.1 | 1.3 | -1.2 |
| Lithuania | 0.2 | 1.4 | -1.2 |
| Luxembourg | 65.0 | 77.3 | -12.3 |
| Hungary | 5.9 | 8.4 | -2.5 |
| Malta | 0.0 | 1.3 | -1.3 |
| Netherlands | 18.1 | 3.5 | 14.6 |
| Austria | 3.3 | 0.2 | 3.1 |
| Poland | 3.3 | 11.1 | -7.8 |
| Portugal | 2.8 | 5.9 | -3.1 |
| Slovenia | 0.6 | 0.3 | 0.3 |
| Slovakia | 0.3 | 3.3 | -3.0 |
| Finland | 0.0 | 3.0 | -3.0 |
| Sweden | 19.2 | 22.1 | -2.9 |
| United Kingdom | 63.6 | 110.9 | -47.3 |
| Bulgaria | 0.1 | 4.1 | -4.0 |
| Romania | 0.0 | 9.2 | -9.1 |

* Outward flows minus inward flows

: missing or confidential

Table 2 presents the FDI inflows and outflows with the rest of the world per Member State in 2006. 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 2006.

Spain was the largest net investor in 2006 (EUR 56 bn), followed by Germany and France (both EUR 29 bn). The largest net recipient of FDI flows in 2006 was the United Kingdom (EUR 47 bn), followed by Luxembourg (EUR 12 bn), Poland (EUR 8 bn) and Belgium (EUR 7 bn).

It should be noted that the absolute values in table 2 are influenced by the size of the economy.

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The methodological framework used is that of the OECD Benchmark Definition of Foreign Direct Investment Third Edition, a detailed operational definition fully consistent with the IMF Balance of Payments Manual, Fifth Edition, BPM5.

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 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.

FDI flows and positions are recorded according to the immediate host/investing country criterion.

Further information:

Data: [EUROSTAT Website/Home page/Economy and finance/Data](#)

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