

EU FDI with extra-EU down by nearly 40% in 2001

First results FDI 2001

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BALANCE OF PAYMENTS

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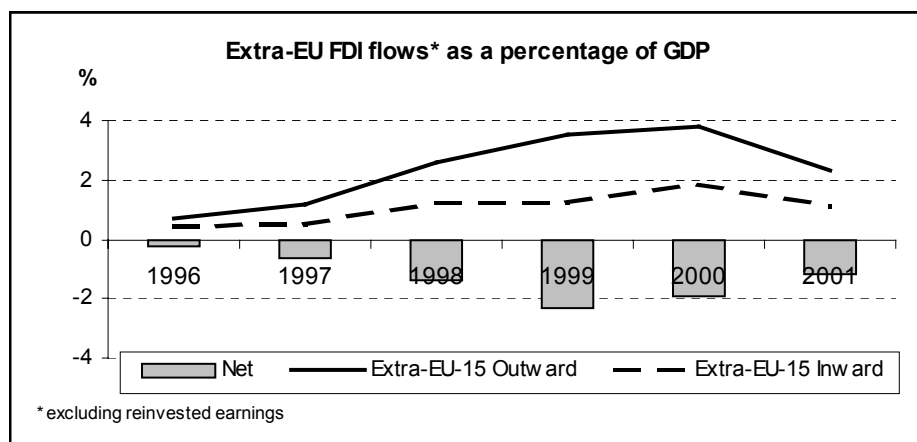
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Foreign Direct investment (FDI) statistics give information on one of the major aspects of globalisation. Unlike traditional cross-border trade in goods and services, FDI (for definition see page 3) reflects the objectives of establishing a long term engagement in a particular market. Eurostat maintains an FDI database which contains harmonised and thus comparable data on inward and outward FDI positions, flows and income for the European Union, its Member States and major FDI partners. This article presents preliminary estimates of EU FDI flows for 2001 as well as revised data for 2000.

In 2001 EU FDI flows were as high as in 1998

After the historically high investment of 2000, flows of EU FDI¹ with extra-EU countries strongly decreased in 2001, according to preliminary data. With EUR 202 Bn (2.3% of EU GDP), outflows were 37% lower than in 2000. Inflows stood at EUR 97 Bn (1.1% of EU GDP), that is -39% compared with 2000 revised data². Following four years of strong growth in EU FDI flows, 2001 results were very close to values recorded in 1998 for both inward and outward FDI.



In 2001, the EU continued to be a net investor in the rest of the world, although the difference between flows of FDI abroad and flows of FDI from abroad reduced to 1.2% of GDP as compared to the 1.9% recorded in 2000.

¹ FDI flows presented here **do not include reinvested earnings**. In comparing 2001 and 2000 data, it should be kept in mind that 2001 data are preliminary estimates, while data for 2000 are semi-final. Data for intra-EU FDI flows in 2001 will be published in October 2002. Preliminary estimates for 2001 intra-EU aggregate indicate that the decrease of FDI flows affected intra-EU investment as well as extra-EU. However, preliminary results for intra-EU FDI are no longer released by Eurostat as they were in the past two years subject to very high rates of revision.

² Data for inward FDI 2000 presented here incorporate an overall revision of 5.3% of the extra-EU aggregate, as compared with the detailed data 1992-2000 published in Eurostat's database NewCronos (Economy and Finance/bop/fdi/fdinew. See also the EU FDI Yearbook, 2001 ed). The major differences between the two sets of data is for Germany among declaring countries and for Japan among partner countries. 2000 investment coming from the USA is instead substantially revised downward, owing mainly to revised inward flows declared by the UK with the USA. Revisions of outward FDI data were of a lower magnitude (-1.3% for the EU aggregate as compared with the detailed data for 2000). The preliminary estimates for 2001 and the revised 2000 flows presented here are also published in NewCronos, Economy and Finance/bop/fdi/fdipre.



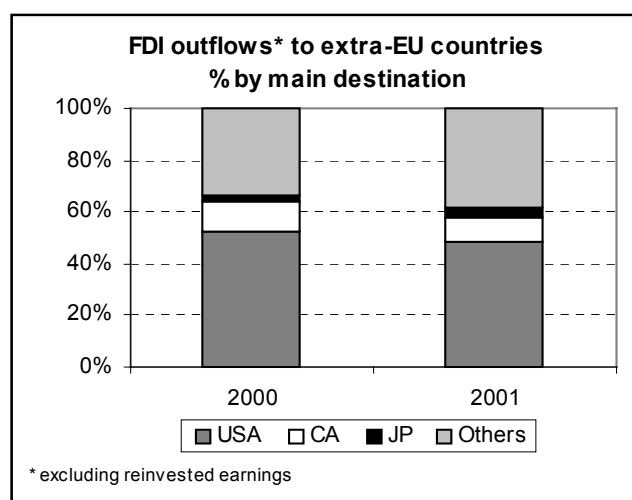
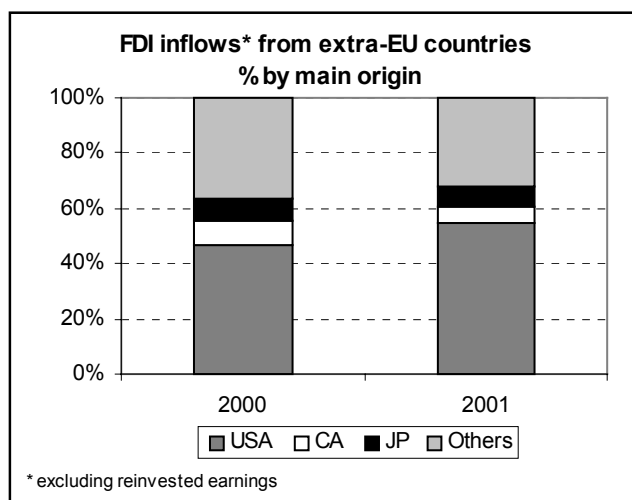
The USA was the main partner, whilst EU FDI to Japan increased in 2001

In 2001, the breakdown of EU FDI by main partner country was relatively stable with respect to previous years.

The USA was still the EU's main partner, with a share close to half of extra-EU FDI abroad. On the other hand, 55% of investment from non-member countries in the EU came from the USA.

In 2001, Japan accounted for 8% of inflows to the EU and 4% of EU outflows, as compared with 7% and 2% in 2000, respectively. Contrary to the general negative trend, 2001 EU outflows to Japan rose by 30% with respect to the year before.

FDI with Canada instead fell in 2001, both in absolute value and as a share of total extra-EU. In 2001, Canada accounted for 6% of inflows and 9% of outflows.



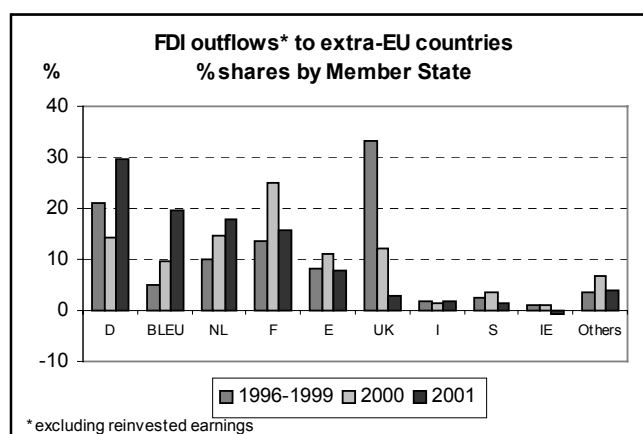
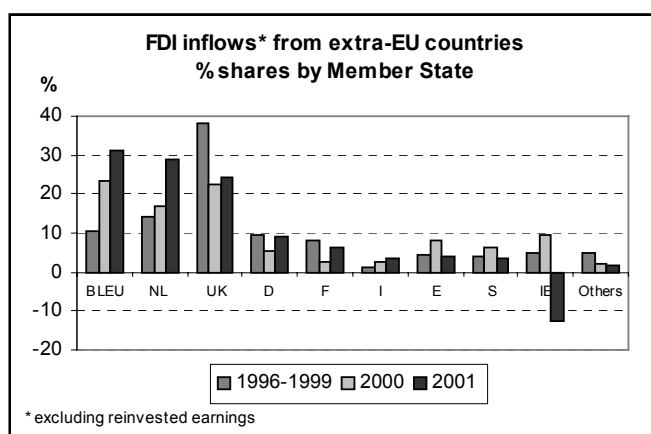
The fall in FDI was widespread among EU Member States

2001 FDI figures still reflect the fact that direct investment activity with extra-EU countries is unequally distributed within the European Union. However, reduced FDI flows were recorded for the vast majority of Member States. The only countries having positive growth rates on both inward and outward investment were Germany and Greece. Ireland recorded a disinvestment in both directions, but the withdrawal of capital from FDI stocks invested in Ireland was particularly high (EUR 12 Bn).

With EUR 60 Bn and a share of 30%, Germany was the largest contributor to 2001 extra-EU FDI outflows, followed by Belgium/Luxembourg (20%), the Netherlands (18%) and France (16%). The United

Kingdom's contribution fell to less than EUR 6 Bn (3% of total EU FDI towards extra-EU countries and -85% compared to 2000). France and Spain followed a similar pattern with FDI to extra-EU countries falling by 61% and 56% respectively. The decrease was more moderate in the case of Italy (-20%) whose share however remained low, at 2% of the total EU.

Considering inflows from extra-EU countries, in 2001 Belgium/Luxembourg and the Netherlands had a share in the total EU of 31% and 29% respectively, followed by the United Kingdom with 24%. Apart from Ireland, the Member States that recorded the highest falls in FDI inflows with respect to 2000 were Denmark, Spain and Sweden.



EU FDI flows with Extra-EU countries, 2000 and 2001 by source and major destination

(excluding reinvested earnings, in EUR Mio)

Year: 2001	Outward flows to					Inward flows from				
	Share in total EU (%)	Extra-EU	USA	Japan	Canada	Share in total EU (%)	Extra-EU	USA	Japan	Canada
EU-15*	100	202 039	98 249	8 259	18 844	100	96 737	52 752	7 514	5 708
BELGIUM/LUX**	19.8	39 953	20 248	2 024	-113	31.2	30 140	15 220	-26	2 817
DENMARK	1.8	3 556	81	-40	40	0.5	497	429	54	27
GERMANY	29.5	59 566	49 169	362	49	9.2	8 935	5 455	-454	712
GREECE	0.2	449	195	0	15	0.1	135	37	0	1
SPAIN	7.8	15 820	2 475	291	25	3.8	3 702	1 514	76	13
FRANCE	15.6	31 500	14 700	400	300	6.1	5 900	4 200	200	-20
IRELAND	-0.6	-1 209	:	:	:	-12.5	-12 088	:	:	:
ITALY	1.7	3 490	889	-92	100	3.7	3 534	1 770	475	65
NETHERLANDS	17.9	36 140	23 374	-117	500	29.2	28 199	23 017	394	323
AUSTRIA	1.3	2 681	118	25	6	0.3	285	235	12	1
PORTUGAL	0.9	1 736	82	:	4	0.1	104	171	1	58
FINLAND	-0.3	-585	1 100	50	150	0.7	646	50	0	0
SWEDEN	1.5	3 009	2 563	157	267	3.4	3 300	273	20	894
UNITED KINGDOM	2.9	5 934	-16 162	5 216	16 992	24.2	23 448	9 349	6 067	2 279

Year: 2000	Outward flows to					Inward flows from				
	Share in total EU (%)	Extra-EU	USA	Japan	Canada	Share in total EU (%)	Extra-EU	USA	Japan	Canada
EU-15*	100	322 527	168 623	6 372	37 941	100	158 962	73 982	11 734	14 699
BELGIUM/LUX**	9.7	31 243	15 022	-1 081	313	23.6	37 507	14 030	-149	12 167
DENMARK	0.5	1 529	1 798	-54	174	1.6	2 522	1 650	27	27
GERMANY	14.3	46 278	27 571	3 182	195	5.3	8 425	974	860	347
GREECE	0.1	377	175	5	0	0.1	95	72	-5	-2
SPAIN	11.1	35 660	7 249	29	0	8.1	12 921	11 252	56	-10
FRANCE	24.9	80 200	32 400	2 500	32 000	2.5	4 000	3 200	100	100
IRELAND	1.2	3 716	:	:	:	9.6	15 279	:	:	:
ITALY	1.4	4 383	1 870	10	57	2.6	4 171	2 233	83	294
NETHERLANDS	14.7	47 444	34 595	178	1 010	17.1	27 186	17 878	4 997	60
AUSTRIA	0.8	2 629	555	-2	10	0.4	646	338	28	-12
PORTUGAL	1.6	5 065	383	0	-2	0.1	113	-24	2	32
FINLAND	3.9	12 733	4 355	78	455	0.2	370	-89	51	1
SWEDEN	3.6	11 700	3 713	198	-96	6.5	10 304	3 046	1 085	31
UNITED KINGDOM	12.3	39 570	36 925	1 326	3 825	22.3	35 422	18 434	4 597	2 043

* EU-15 aggregates with USA, Japan and Canada include estimates for Ireland

** Belgium-Luxembourg Economic Union

: Not available

➤ 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 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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For information on methodology

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 ORIGINAL: English. Carine Kuppel carried out the data processing and statistical analysis.

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