Foreign direct investment - flows

Data extracted in July 2019.
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Globalisation patterns in EU trade and investment is an online Eurostat publication presenting a summary of recent European Union (EU) statistics on economic aspects of globalisation, focusing on patterns of EU trade and investment.

As with domestic investment, flows of foreign direct investment (FDI) can exhibit a very high degree of volatility from one year to the next. These changes may be linked to global economic fortunes, sector-specific developments, or the individual situations of enterprises considering foreign investments. The information presented in this article examines flows of FDI between the EU-28 and non-member countries.

Recent developments in EU-28 FDI flows

From a peak in 2015, the EU-28’s flows of direct investment declined sharply in 2016 and again in 2017. This development was observed for flows of EU-28 FDI destined for abroad (outward flows), as well as direct investment flows coming into the EU-28 (inward flows). The reductions in 2016 and in 2017 in inward flows resulted from substantially lower levels of equity and debt flows, while reinvested earnings fell in 2016 but rebounded in 2017. For outward flows, reinvested earnings were stable in 2016 and increased in 2017; however these changes were outweighed by large falls in equity flows in both years and also by a fall in debt flows in 2016 and negative debt flows in 2017.

The two analyses presented in this article — one by partner country and one by activity — are based on the latest data available: for the analysis by partner country the most recent reference period is 2017, while for the analysis by activity the latest data available are for 2016. As noted above, the level of FDI flows was considerably lower in 2017 than in 2016.

EU-28 FDI investment partners

In 2017, a sizeable proportion of the EU-28’s outward flows of FDI were destined for the United States (EUR 92.1 billion), while the flows of FDI destined for Bermuda (EUR 53.9 billion) and Barbados (EUR 39.4 billion) were clearly larger than for any other destinations. The value of the EU-28’s direct investment flows to the Isle of Man, Hong Kong, Switzerland, Iceland and Mexico stood within the range of EUR 12-20 billion (see Figure 1).

In 2017, the countries that were the biggest origins of inward investment in the EU-28 were offshore financial centres: the four largest origins of FDI inflows were the Cayman Islands (EUR 83.9 billion), Bermuda (EUR 76.0 billion), Hong Kong (EUR 51.8 billion) and Barbados (EUR 47.7 billion) and the EU-28 was a net recipient of FDI from all four of these countries. In fact, the EU-28 was a net recipient of FDI from 9 out of the 10 largest investors in the EU-28, the exception being the Isle of Man. The EU-28 was a net investor in 4 of the top 10 destinations for its outward investment flows in 2017, namely the United States, the Isle of Man, Iceland and Mexico.
EU-28 FDI flows by activity

In 2016, financial and insurance activities accounted for the highest share of both inward and outward flows of EU-28 FDI.

In 2016, the largest flows of outward FDI from the EU-28 to non-member countries were recorded for financial and insurance activities (EUR 171.4 billion), manufacturing (EUR 78.3 billion) and mining and quarrying (EUR 65.2 billion). Financial and insurance activities also recorded the highest value of inward investment flows into the EU-28 (EUR 237.9 billion in 2016), followed by professional, scientific and technical activities (EUR 83.5 billion), while distributive trades, information and communication services, and administrative and support service activities received inward investment in the range of EUR 11-18 billion (see Figure 2).
Figure 2: Extra-EU foreign direct investment flows, by economic activity, EU-28, 2016 (billion EUR)

Source: Eurostat (bop_fdi6_flow)

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