

# Single Market Scoreboard

## *Integration and Market Openness*

### Foreign Direct Investment

*(Reporting period: 2015 – 2016)*



## About

Foreign Direct Investment (FDI) is a key driver of competitiveness and economic development. Information on its evolution over time provides an indication of an EU Member State's external competitiveness and the effectiveness of economic, trade and investment policies.

### Foreign Direct Investment (FDI)

FDI is a category of cross-border investment in which an investor resident in one Member State establishes a lasting interest in and significant degree of influence over (ownership of **10% or more of the voting power**) a business resident in another.

### *More detail and analysis*

[Annual report on Single Market Integration and Competitiveness](#) 

[European Semester Country Reports](#)

The indicators show the volume of:

- inward and outward FDI **flows** during a given year
- inward and outward FDI **stock** at a given point in time.

They reflect:

- the relative attractiveness of investment in the country
- the relative investment position of the country
- the size of the economy
- overall levels of openness, competition and integration in international value chains.

Data on FDI flows are on a **net basis** (credits less debits between direct investors and their foreign affiliates).

**Negative FDI flow data** indicate reverse investment or disinvestment in which at least 1 of the 3 components of FDI (equity capital, reinvested earnings or intra-company loans) is negative and not offset by positive amounts of the remaining components.

**Changes** in flow and stock data over time could reflect changes in the framework and investment conditions in the country and/or abroad due to policy measures taken to strengthen incentives for or reduce barriers to investment.

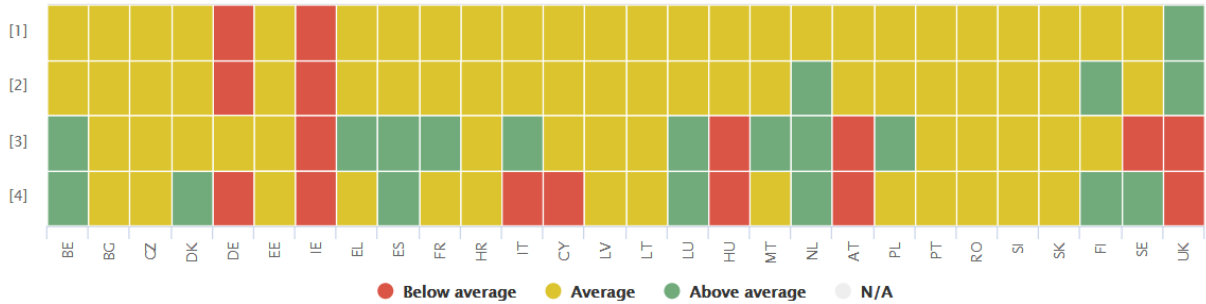
The UNCTAD data for FDI used in this report are based on the directional principle and exclude investment through resident Special Purpose Entities (SPEs). For further detail on the concept and methodology, see: [http://unctad.org/en/Docs/diaeia20091\\_en.pdf](http://unctad.org/en/Docs/diaeia20091_en.pdf)

# Performance

The indicators set out below reflect the different Member State's FDI performance, in terms FDI stocks and flows relative to overall FDI, and their changes over time.

All indicators are based on official statistics from UNCTAD (based on the directional principle). The data are available on [UNCTAD FDI/TNC database](#).

## 1. By indicator

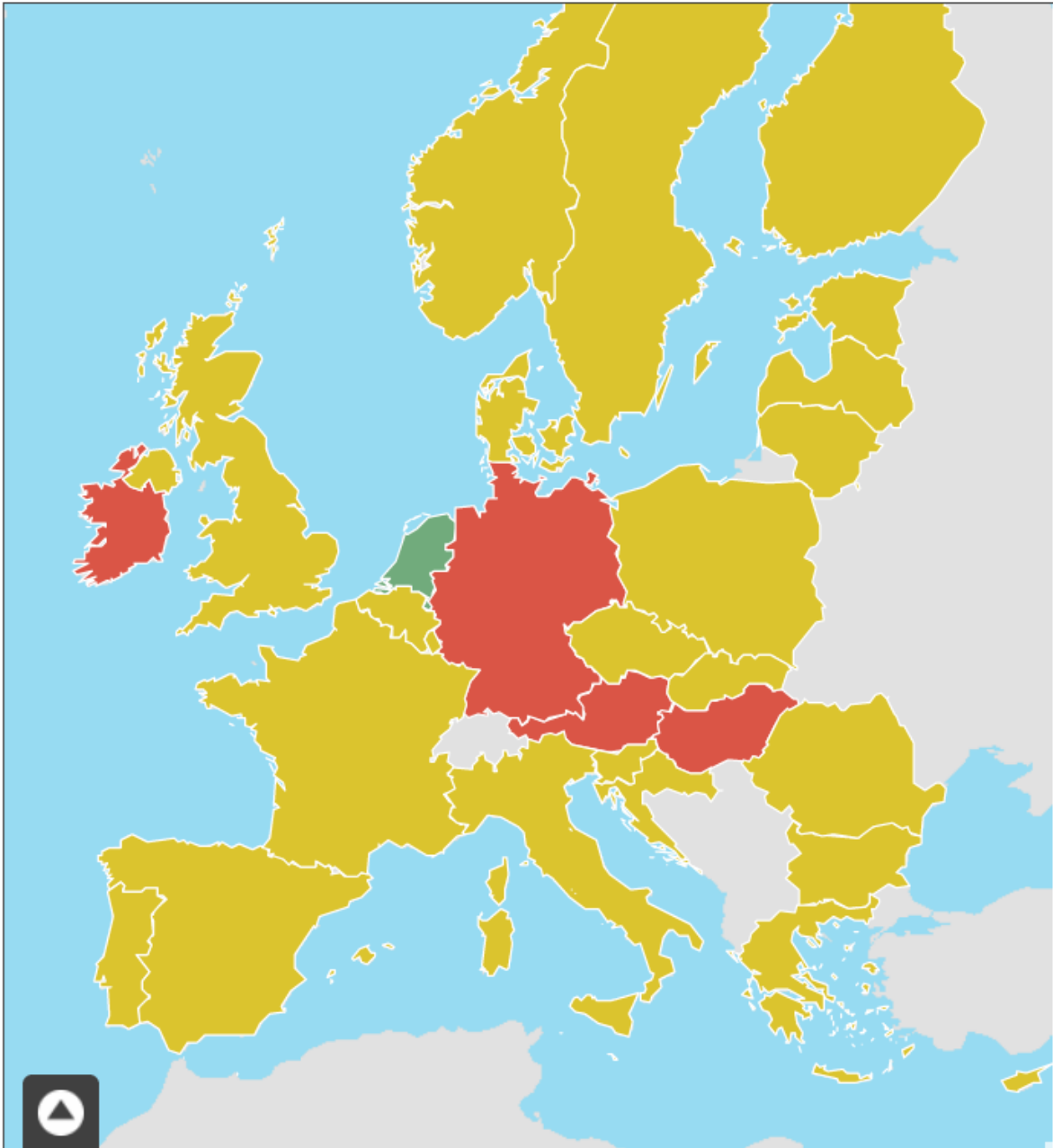


The bands have been set on the basis of 2 factors:

- qualitative policy judgment
- recent data for individual countries.

[1] Change in inward FDI flows	<-5 ppts	-5 — 5 ppts	>5 ppts
[2] Change in outward FDI flows	<-5 ppts	-5 — 5 ppts	>5 ppts
[3] Change in inward FDI stocks	<0 ppts	0 ppts	>0 ppts
[4] Change in outward FDI stocks	<0 ppts	0 ppts	>0 ppts

## 2. Overall (all 4 indicators combined)



Leaflet | Credit: EC-GISCO, © EuroGeographics for the administrative boundaries

A Member State's **performance across all 4 indicators** is calculated by scoring each indicator in chart 1 as follows:

RED = 1, YELLOW = 2 and GREEN = 3.

The colours on the map thus represent the **sum of these scores**:

>10.2 6.2 – 10.1 <6.1

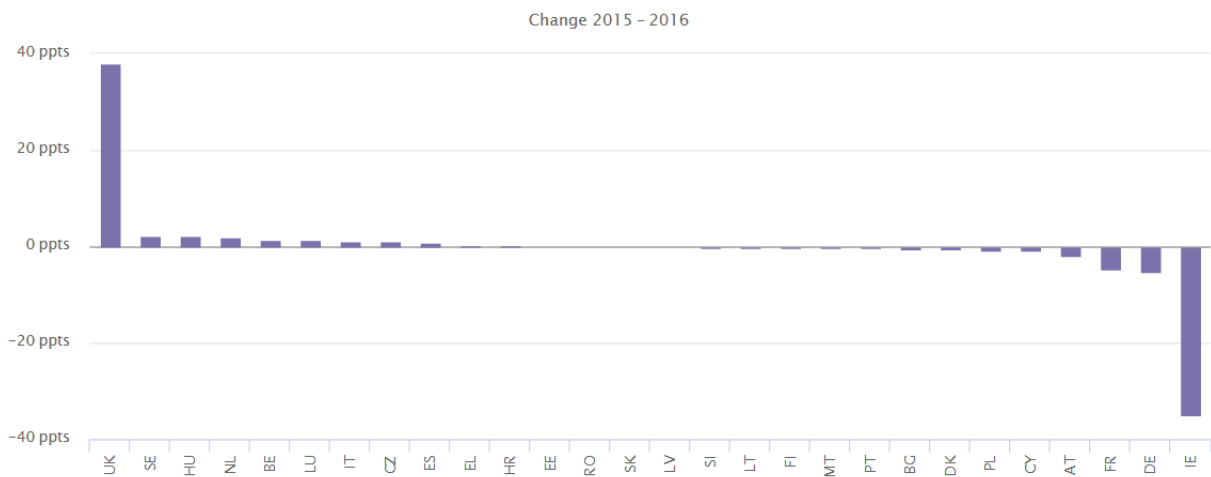
'Performance' measures the changes in a country's shares of inward and outward FDI flows and stocks as a share of total EU inward and outward FDI and the extent to which these shares have changed between 2015 and 2016.

The underlying single indicators are shown below. They indicate changes in the relative attractiveness or performance of a country compared to EU peers.

**⚠️** *This is only a partial view of Member States' trade integration performance and prospects.*

*Changes in these indicators are caused not just by national implementation of Single Market Policies and laws, but by other factors, including general economic developments in the EU and globally.*

**Indicator [1]: Change in inward FDI flows**



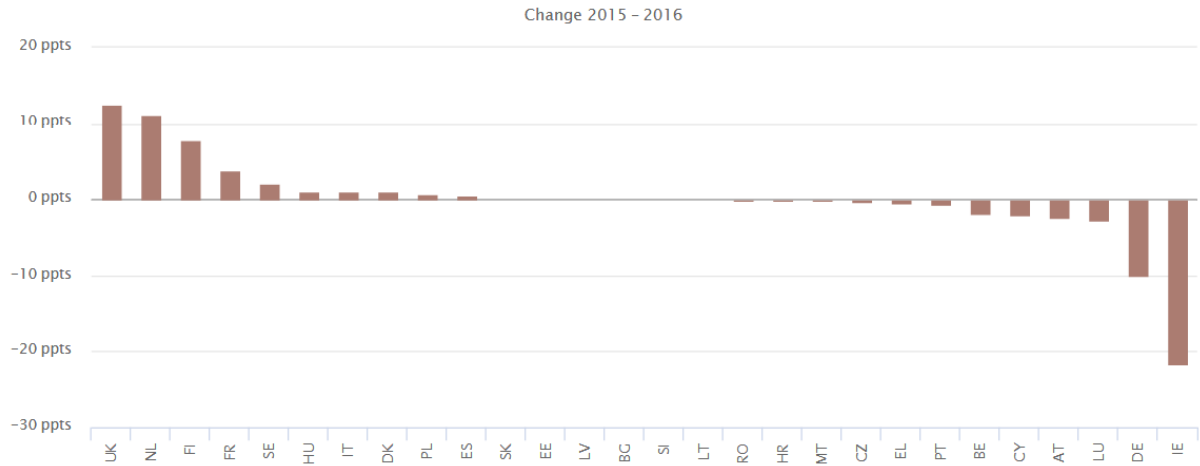
Change (2015-16) in the share of inward FDI flows to a country, as a share of total EU inward FDI flows, in percentage points.

Increases or decreases indicate changes in a country's relative attractiveness for investors, compared to EU peers, and could reflect policy measures that have strengthened incentives or reduced barriers for investment.

**FDI flows**

FDI flows record the value of cross-border transactions related to direct investment during a given period of time. Financial flows consist of equity transactions, reinvestment of earnings, and intercompany debt transactions.

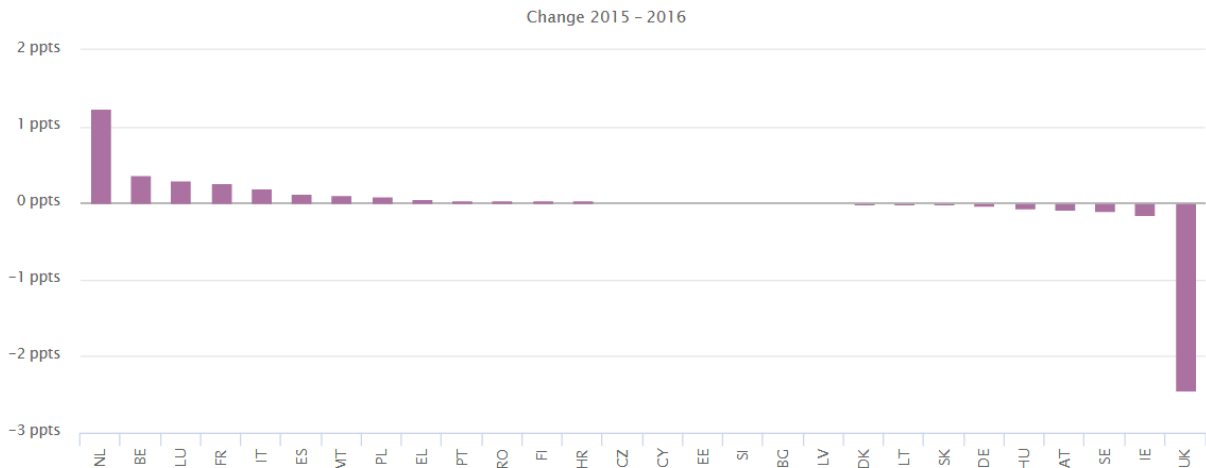
### Indicator [2]: Change in outward FDI flows



Change (2015-16) in the share of a country's outward FDI flows, as a share of total EU outward FDI flows, in percentage points.

Increases or decreases indicate changes in the relative investment position of the country, compared to EU peers, and could reflect policy measures taken abroad that have strengthened incentives or reduced barriers for investment.

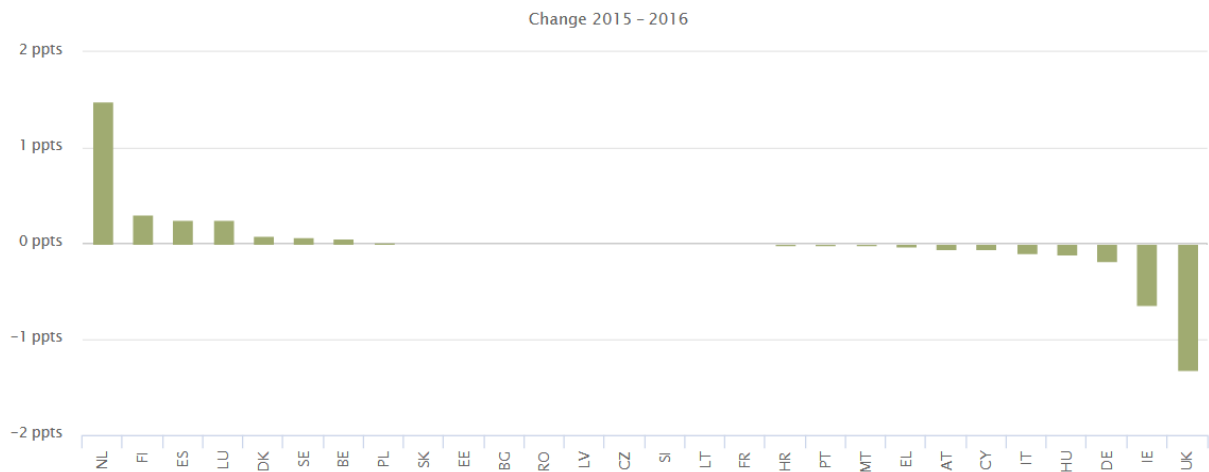
### Indicator [3]: Change in inward FDI stocks



This indicator shows the change in inward FDI stocks in a country as a proportion of total EU inward FDI stocks from 2015 to 2016, expressed in percentage points. It shows whether investment in the country has become more or less attractive by comparison with other EU countries. Such a shift could reflect changes in the country's investment conditions resulting from measures designed to boost incentives or reduce barriers to investment.

**FDI stocks**

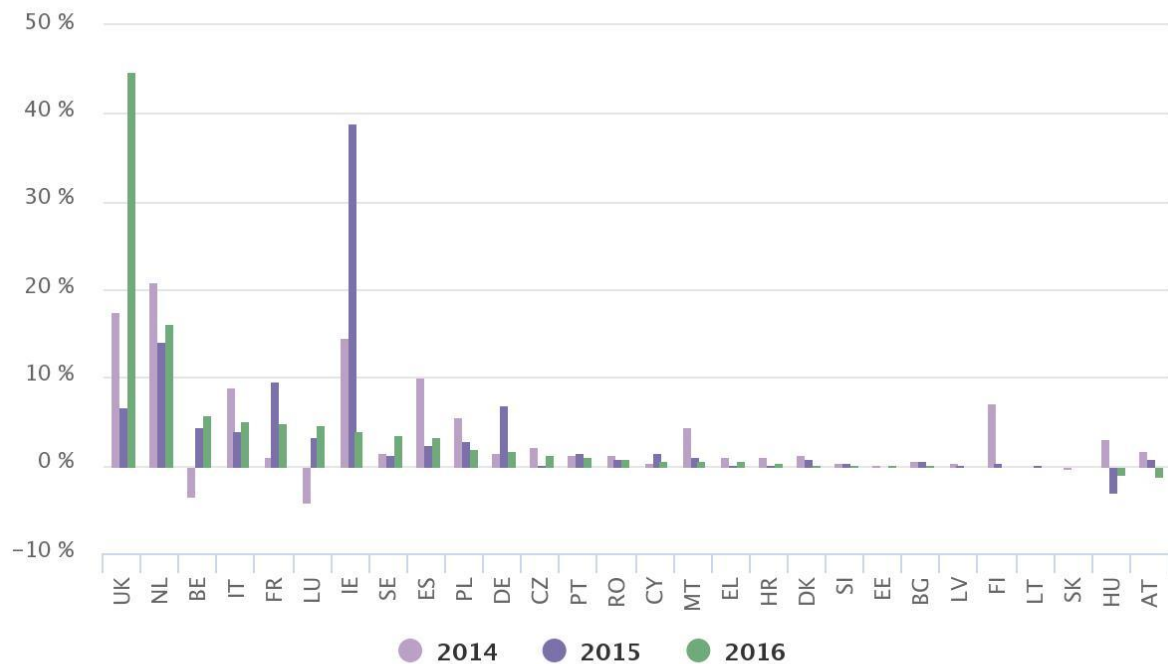
FDI stocks measure **total direct investment** at a given point in time. The **outward FDI stock** is the value of the resident investors' equity in and net loans to enterprises in foreign economies. The **inward FDI stock** is the value of foreign investors' equity in and net loans to enterprises resident in the reporting economy.

**Indicator [4]: Change in outward FDI stocks**

This indicator shows the change in the share of a country's outward FDI stocks over total EU outward FDI stocks between 2015 and 2016, in percentage points. It shows changes in the country's relative investment position compared to other EU countries. Values may reflect changes in the framework and in investment conditions abroad arising from policy measures to boost incentives or reduce barriers to investment.

## Facts and Figures

### Inward FDI flows – levels



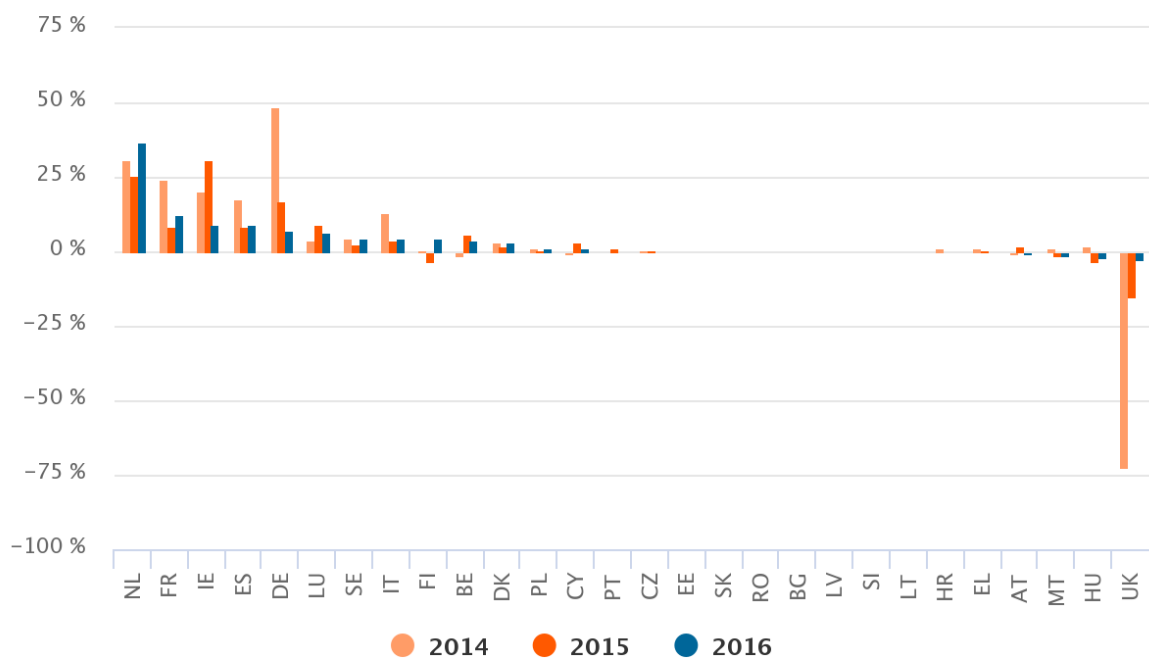
This indicator measures the share of inward FDI flows to a country over total EU inward FDI flows. It reflects:

- the relative attractiveness of investment in the country
- the size and growth of the economy
- overall levels of openness, competition and integration into international value chains.

Negative values show net reductions in liabilities. The indicator, which reflects flow data, is volatile and may change significantly from one year to the next.



## Outward FDI flows – levels

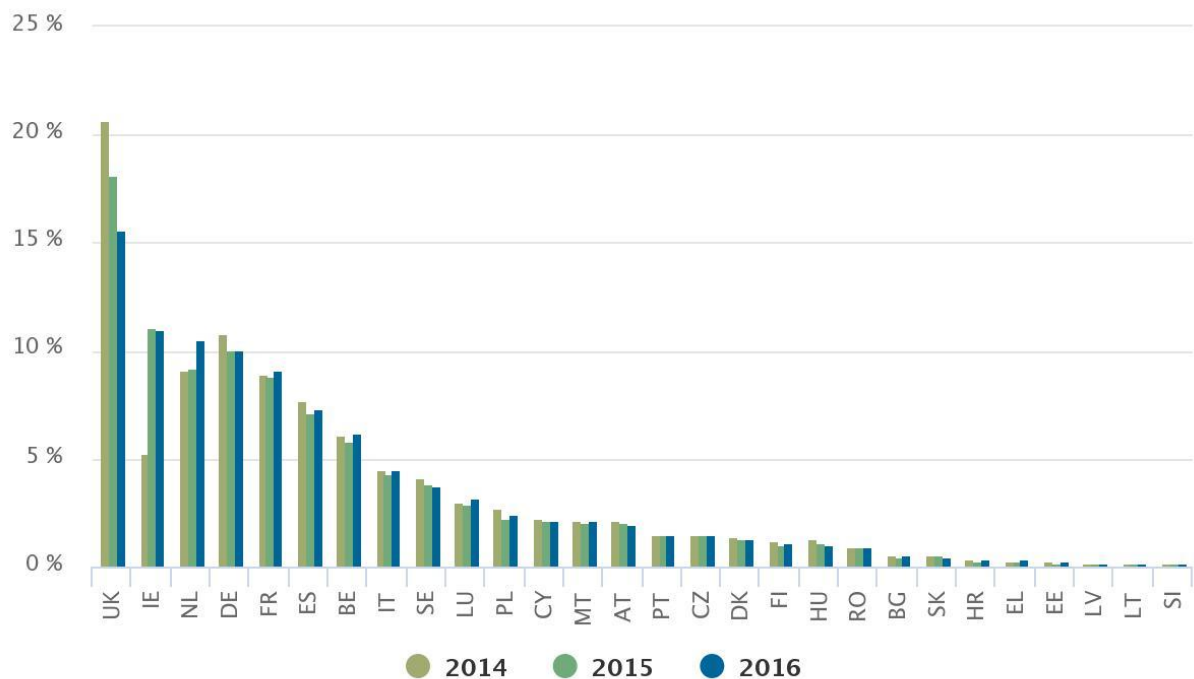


This indicator measures the share of outward FDI flows of a Member State over total EU outward FDI flows. It reflects:

- the relative investment position of the country
- the size of the economy
- overall levels of openness, competition and integration in international value chains.

Negative values show net increases in assets. The indicator, which reflects flow data, is volatile and may change significantly from one year to the next.

## Inward FDI stocks - levels

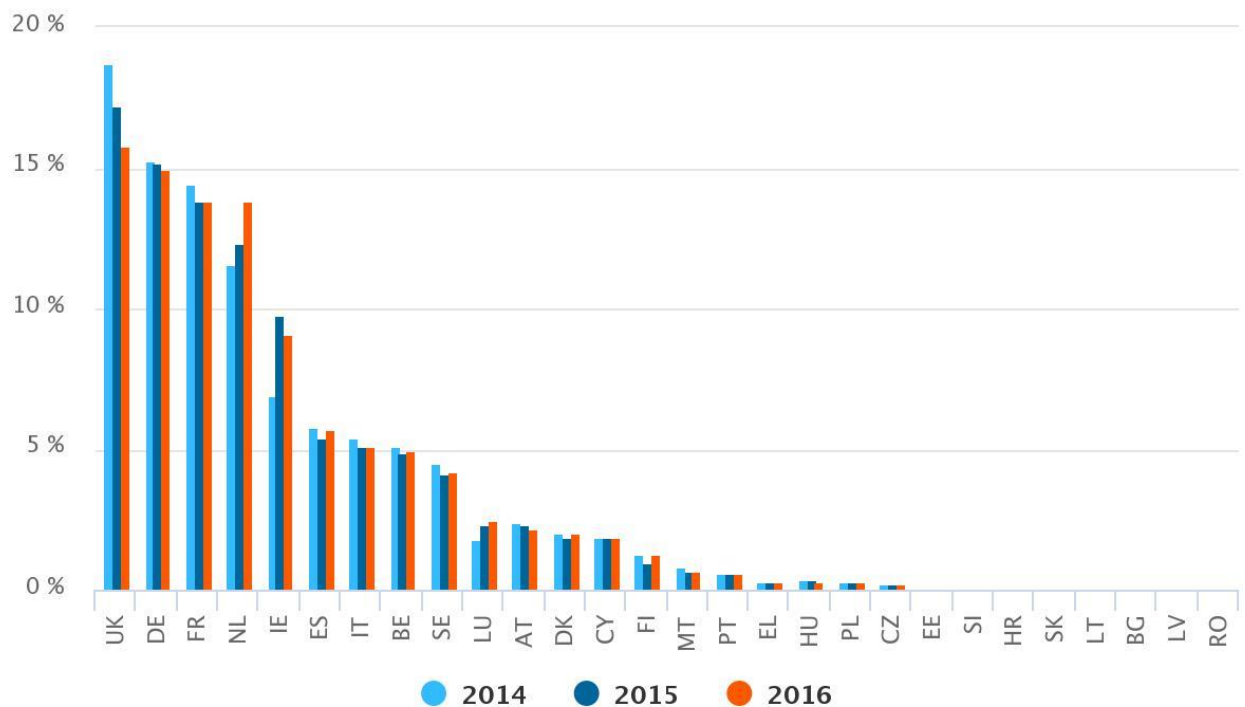


This indicator measures the share of inward FDI stocks in a Member State over total EU inward FDI stocks. It reflects:

- the relative attractiveness of investment in the country
- the size and growth of the economy
- overall levels of openness, competition and integration in international value chains.

The indicator is relatively stable and less volatile than indicators of flow data.

## Outward FDI stocks – levels



This indicator measures the share of outward FDI stocks of a Member State over total EU outward FDI stocks. It reflects:

- the relative investment position of the country
- the size of the economy
- overall levels of openness, competition and integration in international value chains.

The indicator is relatively stable and less volatile than indicators of flow data.

### *Changes in FDI*

Foreign direct investment (FDI) is key to internationalisation and integration in Europe. It is also one of the main components of total investment as measured by Gross Fixed Capital Formation. Inward FDI within the EU (between EU countries) can show indirectly that firms are setting up branches in other EU countries. It is considered a stable source of financing and is often associated with other benefits such as technology transfers or improvements in corporate governance. On the other, FDI flows are influenced by factors such as taxation and corporate transfers.

Compared to the flows observed before the crises 2008-2011 and notably to the fast catching up following the enlargement rounds of 2004 and 2007, inward and outward FDI flows fell significantly in all Member States except Luxembourg and Ireland, while the depth of the crisis and the length of the recovery period of FDI have varied across countries. Low FDI continues to be one of the main reasons why investment in the EU overall is still below long-term trends as EU economies did not manage to attract sufficient FDI to compensate for low domestic investment. However, during the recovery, FDI flows have developed at a relatively

stronger pace compared to the previous recovery, and with favourable financing conditions, investment is picking up. At the same time, volatile FDI flows cannot compensate overall investment and public investment in particular which still account for a relatively low proportion of GDP.

## Priorities

To improve investment performance in the EU further, **3 obstacles** need to be tackled:

1. Regulatory stability needs to be strengthened and unnecessary administrative burden needs to be reduced.
2. The remaining obstacles to access to finance, especially for small and medium sized firms and start-ups, need to be tackled and access to equity and venture capital improved.
3. Single Market barriers that restrict firms seeking to open branches or buy up companies in other EU countries may limit opportunities involving more than one EU country, expansion of new business models and investment.

The following instruments are being deployed:

- **Investment Plan** – to mobilise finance for additional investment through the European Fund for Strategic Investments and improve framework conditions
- **European Semester** – to promote structural reforms at national and euro area levels that improve investment conditions, promote competition in product markets and foster positive spill-overs.
- **Single Market Strategy** – to deepen the Single Market by removing unnecessary barriers to free movement of goods and services thus supporting investment and innovation.
- **Renewed Industrial Policy Strategy** – to promote industrial competitiveness, production and employment, develop strategic value chains and foster technology adoption, modernisation and transformation of industry.
- **Capital Markets Union** – to reduce fragmentation in financial markets, diversifying financing sources, boosting flows of capital between countries and improving access to finance for businesses, particularly small and medium-sized firms.
- **Better Regulation agenda** – to make EU-level regulation leaner and more consistent.
- **EU framework for FDI screening** – [the Commission proposal](#) to ensure that FDI remains a source of growth in the EU while protecting the EU's essential interests.