Foreign direct investment (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.

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.

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

They reflect:

- the relative attractiveness of foreign direct investment in the country, or direct investment of the country abroad
- the relative level of foreign direct investment position in the country, or the relative level of direct investment positions of the country abroad
- 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.

**FDI positions** between the beginning and the end of a given year (n) may change either due to:

- transactions that occurred during year n,
- other valuation changes (exchange rate changes or price valuation changes occurring when trying to value at market prices), or
- other volume changes.

A common issue affecting the latter is, for a given economic entity, the reclassification of its portfolio positions (ownership < 10%) to direct investment statistics if, during the year, this entity acquires additional shares "pushing" its ownership above the 10% thresholds.

**Performance**

The indicators set out below reflect each Member State's FDI performance, presenting intra- and extra-EU FDI stocks and flows relative to intra- and extra-EU FDI, and how they change over time.

*All indicators are based on official statistics from Eurostat (based on the directional principle). The data are available on Eurostat database (except for FDI inflows in 2017 to Cyprus and Romania, for which DG GROW estimates have been used).*
The bands were set on the basis of 2 factors:

- qualitative policy judgment
- recent data for individual countries.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Below average</th>
<th>Average</th>
<th>Above average</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>[1] Change in inward intra-EU FDI flows</td>
<td>&lt; -5 ppts</td>
<td>-5 ... 5 ppts</td>
<td>&gt; 5 ppts</td>
<td></td>
</tr>
<tr>
<td>[2] Change in outward intra-EU FDI flows</td>
<td>&lt; -5 ppts</td>
<td>-5 ... 5 ppts</td>
<td>&gt; 5 ppts</td>
<td></td>
</tr>
<tr>
<td>[3] Change in inward intra-EU FDI stocks</td>
<td>&lt; 0 ppts</td>
<td>0 ppts</td>
<td>&gt; 0 ppts</td>
<td></td>
</tr>
<tr>
<td>[4] Change in outward intra-EU FDI stocks</td>
<td>&lt; 0 ppts</td>
<td>0 ppts</td>
<td>&gt; 0 ppts</td>
<td></td>
</tr>
<tr>
<td>[5] Change in inward extra-EU FDI flows</td>
<td>&lt; -5 ppts</td>
<td>-5 ... 5 ppts</td>
<td>&gt; 5 ppts</td>
<td></td>
</tr>
<tr>
<td>[6] Change in outward extra-EU FDI flows</td>
<td>&lt; -5 ppts</td>
<td>-5 ... 5 ppts</td>
<td>&gt; 5 ppts</td>
<td></td>
</tr>
<tr>
<td>[7] Change in inward extra-EU FDI stocks</td>
<td>&lt; 0 ppts</td>
<td>0 ppts</td>
<td>&gt; 0 ppts</td>
<td></td>
</tr>
<tr>
<td>[8] Change in outward extra-EU FDI stocks</td>
<td>&lt; 0 ppts</td>
<td>0 ppts</td>
<td>&gt; 0 ppts</td>
<td></td>
</tr>
</tbody>
</table>
A Member State’s **performance across all 8 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 average of these scores:

- ≤ 1.6,
- 1.6 ... 2.5,
- ≥ 2.6.

“**Performance**” measures the changes in a country’s shares of inward and outward intra- and extra-EU FDI flows and stocks as a share of total intra- and extra-EU inward and outward FDI, and the extent to which these shares changed between 2016 and 2017.

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 EU countries' 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 intra-FDI flows**

Change (2016–2017) in the share of inward intra-EU FDI flows to a country, as a share of total inward intra-EU FDI flows, in percentage points.

Increases or decreases indicate changes in a country’s relative attractiveness for EU investors compared to EU peers. They could also 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 intra-EU FDI flows

Change (2016–2017) in the share of a country’s outward intra-EU FDI flows, as a share of total intra-EU outward FDI flows, in percentage points.

Increases or decreases indicate changes in the relative investment position of the country, compared to EU peers. They could also reflect policy measures taken abroad that have strengthened incentives or reduced barriers for investment.
Indicator [3]: Change in inward intra-EU FDI stocks

This indicator shows the change in inward intra-EU FDI stocks in a country as a proportion of total intra-EU inward FDI stocks from 2016 to 2017, expressed in percentage points. It shows whether the level of EU foreign direct investment capital located in the country has been strengthened or narrowed 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 businesses resident in the reporting economy.
This indicator shows the change in the share of a country's outward intra-EU FDI stocks over total intra-EU outward FDI stocks between 2016 and 2017, in percentage points. It shows changes in the country's relative level of intra-EU direct investment position compared to other EU countries. Values may reflect changes in the investment framework and in investment conditions abroad arising from policy measures to boost incentives or reduce barriers to investment.
Indicator [5]: Change in inward extra-EU FDI flows

Change (2016–2017) in the share of inward extra-EU FDI flows to a country, as a share of total extra-EU inward FDI flows, in percentage points.

Increases or decreases indicate changes in a country’s relative attractiveness for investors compared to EU peers. They 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 [6]: Change in outward extra-EU FDI flows**

Change (2016–2017) in the share of a country’s outward extra-EU FDI flows, as a share of total extra-EU outward FDI flows, in percentage points.

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

<table>
<thead>
<tr>
<th>Country</th>
<th>Change 2016–2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>NL</td>
<td>-200 ppts</td>
</tr>
<tr>
<td>UK</td>
<td>-150 ppts</td>
</tr>
<tr>
<td>BE</td>
<td>-100 ppts</td>
</tr>
<tr>
<td>AT</td>
<td>-50 ppts</td>
</tr>
<tr>
<td>DE</td>
<td>0 ppts</td>
</tr>
<tr>
<td>IT</td>
<td>50 ppts</td>
</tr>
<tr>
<td>SE</td>
<td>100 ppts</td>
</tr>
<tr>
<td>FR</td>
<td>150 ppts</td>
</tr>
<tr>
<td>EL</td>
<td>200 ppts</td>
</tr>
<tr>
<td>HR</td>
<td></td>
</tr>
<tr>
<td>RO</td>
<td></td>
</tr>
<tr>
<td>BG</td>
<td></td>
</tr>
<tr>
<td>SK</td>
<td></td>
</tr>
<tr>
<td>LT</td>
<td></td>
</tr>
<tr>
<td>CZ</td>
<td></td>
</tr>
<tr>
<td>LV</td>
<td></td>
</tr>
<tr>
<td>PT</td>
<td></td>
</tr>
<tr>
<td>EE</td>
<td></td>
</tr>
<tr>
<td>SI</td>
<td></td>
</tr>
<tr>
<td>MT</td>
<td></td>
</tr>
<tr>
<td>PL</td>
<td></td>
</tr>
<tr>
<td>IE</td>
<td></td>
</tr>
<tr>
<td>CY</td>
<td></td>
</tr>
<tr>
<td>FI</td>
<td></td>
</tr>
<tr>
<td>ES</td>
<td></td>
</tr>
<tr>
<td>DK</td>
<td></td>
</tr>
<tr>
<td>HU</td>
<td></td>
</tr>
<tr>
<td>LU</td>
<td></td>
</tr>
</tbody>
</table>
Indicator [7]: Change in inward extra-EU FDI stocks

This indicator shows the change in inward extra-EU FDI stocks in a country as a proportion of total extra-EU inward FDI stocks from 2016 to 2017, expressed in percentage points. It shows whether the level of extra-EU foreign direct investment located in the country has been strengthened or narrowed 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.
This indicator shows the change in the share of a country’s outward extra-EU FDI stocks over total extra-EU outward FDI stocks between 2016 and 2017, in percentage points. It shows changes in the country’s relative level of extra-EU direct investment position compared to other EU countries. Values may reflect changes in the investment framework and in investment conditions abroad arising from policy measures to boost incentives or reduce barriers to investment.
Facts and Figures

Inward intra-EU FDI flows – levels

This indicator measures the share of inward intra-EU FDI flows to a country over total intra-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.
This indicator measures the share of outward intra-EU FDI flows of a Member State over total intra-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 intra-EU FDI stocks – levels

This indicator measures the share of inward intra-EU FDI stocks in a Member State over total intra-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.
This indicator measures the share of outward intra-EU FDI stocks of a Member State over total intra-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.

### Inward extra-EU FDI flows – levels
This indicator measures the share of inward extra-EU FDI flows to a country over total extra-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.

---

This indicator measures the share of outward extra-EU FDI flows to a Member State over total extra-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 into 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 extra-EU FDI stocks – levels

This indicator measures the share of inward extra-EU FDI stocks in a Member State over total extra-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 extra-EU FDI stocks – levels
This indicator measures the share of outward extra-EU FDI stocks to a Member State over total extra-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 hand, FDI flows are influenced by factors such as taxation and corporate transfers.

Low FDI continues to be one of the main reasons why investment in the EU overall is still below long-term trends. This is because 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, while thanks to favourable financing conditions, investment is picking up. However, volatile FDI flows cannot compensate for 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 EU seeks to boost investment using the following instruments:

- **Investment Plan for Europe** — mobilising finance for additional investment through the European Fund for Strategic Investments and improve framework conditions.
- **European Semester** — providing economic surveillance of EU countries to promote structural reforms at national level and across the euro area, to improve investment conditions, promote competition in product markets and foster positive spillovers.
- **Single market strategy** — removing unnecessary barriers to the free movement of goods and services. This will deepen the Single Market and support investment and innovation.
Renewed industrial policy strategy — promoting industrial competitiveness, production and employment, developing strategic value chains and fostering technology adoption, modernisation and the transformation of industry.

Capital Markets Union — reducing 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 — making 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.