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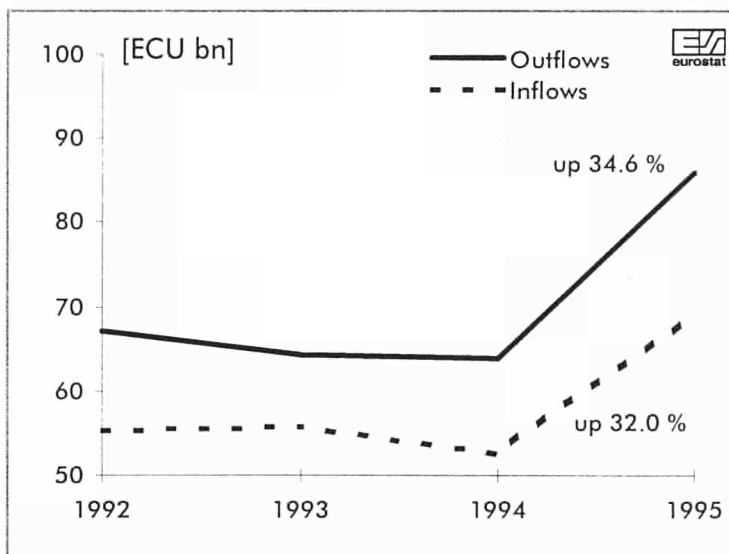
European Union Direct Investment Flows

First results of 1995 figures

Foreign direct investment (FDI) statistics give information on one of the major aspects of globalisation. FDI (for definition see box on page 4) is a supplement or an alternative to international trade in goods and services. Within the Balance of Payments statistics Eurostat maintains a FDI data base that comprises harmonised and thus comparable data on inward and outward FDI flows for the European Union, its Member States, the United States and Japan. It gives the geographical breakdown for the three FDI components: equity capital, other capital and reinvested earnings. For the sum of equity and other capital it provides users also with detailed data by sector of activity. The first results for the FDI flows in equity and other capital for 1995 are presented hereafter.

1995 brought a strong increase in both FDI inflows (+ 32.0%) and FDI outflows (+ 34.6%) for the European Union (figure 1 and table 1). Thus, the shallow downward trend observed for both flows between 1992 and

Figure 1: Total FDI outflows and inflows for EU 15



1994 was significantly broken. With ECU 86 bn 1995 outflows were 16.6 bn higher than the inflows. As these figures comprise the flows between the Member states and between the Member states and non EU countries FDI flows between EU and the rest of the world are isolated in figure 2.

FDI inflows from the rest of the world into EU 15 and outflows from EU 15 to the rest of the world developed towards fairly equal values in 1995. However, with ECU 34.4 bn of EU capital invested abroad the extra EU outflows remained 0.4 bn above the extra EU inflows. Thus the EU remained a net exporter of FDI capital. After

a net import of 4.9 bn in 1992 there followed a change to net export of EU 15 FDI capital in 1993 (2.7 bn). Over a 1.6 bn net export of FDI capital in 1994 it came close to balance in 1995.

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Figure 2: FDI outflows and inflows between EU 15 and the rest of the world

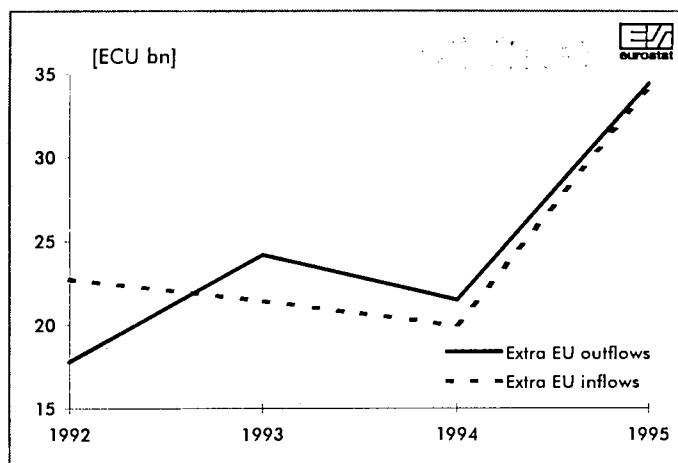
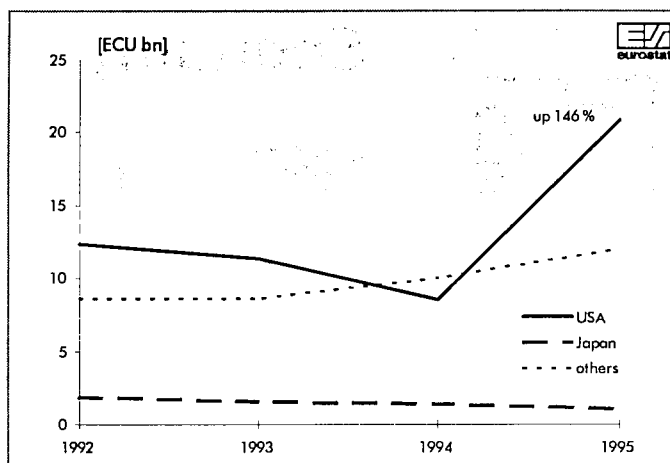


Figure 3: Breakdown of FDI inflows to EU 15 from the rest of the world



A further breakdown of the FDI inflows, focusing on flows from the United States and Japan in extra EU inflows, reveals that the strong 1995 upturn in total inflows from outside the EU was predominantly induced by the exceptional increase of FDI from the United States in the EU (figure 3).

While FDI flows from Japan continued the falling trend in 1995 (-21.4%), the United States FDI in the EU grew by 146%. Although other EU partners increased their FDI in the EU by 20%, the United States expanded their share in extra EU inflows: nearly two out of three ECU of FDI flowing into the European Union in 1995 came from the United States.

Also for the outflows of FDI from the EU to partner countries (figure 4) the United States gained strongly in 1995, after encountering a drop in 1994. They attracted 49% of the EU investment outside the EU. Like it was already the case in 1993 there was a disinvestment of EU FDI in Japan in 1995, while outflows to other countries continued their upward trend by growing 23.6%.

Seven out of twelve Member States increased FDI outflows

between 1994 and 1995, whereas for the inflows eight Member States showed an upturn. Belgium and Luxembourg saw a nearly sevenfold increase of FDI outflows, followed by Portugal and the United Kingdom where they were more than doubled. The strongest rate of increase for inflows materialised in the United Kingdom, with more than a threefold rise between 1994 and 1995, while Italy, the Netherlands and Sweden recorded an upturn in FDI inflows to about double the 1994 value.

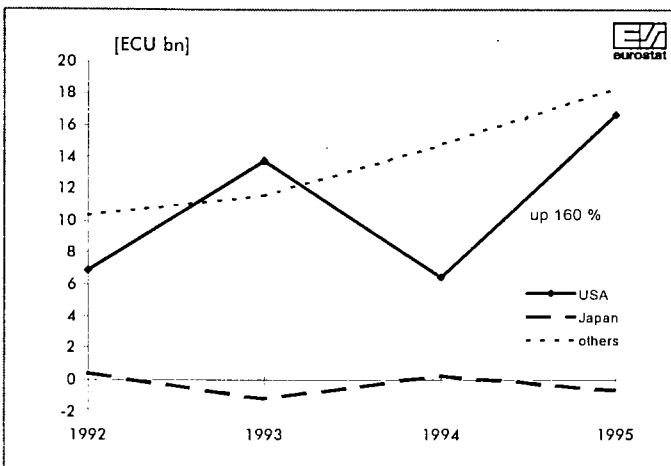
In absolute terms it is Germany (+ ECU 11.6 bn), the United Kingdom (+ 8.1 bn) and Belgium and Luxembourg (+ 5.8 bn) that saw the strongest increases of outflows in 1995. Strongest upturns in absolute inflows took place in the United Kingdom (+ 7.6 bn), Sweden (+ 4.6 bn) and the Netherlands (+ 4.4 bn).

The highest total outflows in absolute terms were recorded for Germany, the United Kingdom and the Netherlands, covering 58% of the EU total. For inflows the United Kingdom and France were in the lead, followed by Sweden, attracting together 38% of FDI inflows in the EU.

Table 1: FDI - European Union 1992-1995

	Outflows to the world					Inflows from the world				
	[ECU million]					[ECU million]				
	1995	1994	1993	1992	Change 94-95	1995	1994	1993	1992	Change 94-95
EU	85954	63858	63923	67107	34.6%	69330	52508	55349	55492	32.0%
B/L	6840	1017	3542	8742	572.6%	7117	7014	9200	8742	1.5%
DK	2343	3335	1076	1729	-29.8%	3196	4130	1424	785	-22.6%
D	25616	14052	13863	14377	82.3%	7426	5780	3070	1843	28.5%
EL	:	:	:	:	:	:	:	:	:	:
E	2702	3562	2107	961	-24.1%	4788	8244	6127	6365	-41.9%
F	8181	9177	10393	14521	-10.9%	10218	9262	10450	12307	10.3%
IRL	:	:	:	:	:	:	:	:	:	:
I	4384	4302	6174	4375	1.9%	3683	1883	3202	2442	95.6%
NL	9237	12137	9818	10780	-23.9%	7906	3848	6259	5254	105.5%
A	:	:	:	:	:	:	:	:	:	:
P	530	239	83	529	121.9%	506	1057	1297	1486	-52.1%
FIN	898	3422	2160	1304	-73.8%	281	1099	719	436	-74.4%
S	4247	2860	1323	733	48.5%	8741	4136	2287	700	111.4%
UK	15085	6984	9124	6869	116.0%	10834	3258	7476	11768	232.5%

Figure 4: Breakdown of FDI outflows from EU 15 to the rest of the world



Since 1992 Eurostat looks more closely at the major partners. The figures 5 to 8 show the flows from 1992 to 1995 as seen from the EU point of view.

The US market remained by far the main destination of EU foreign direct investors with an average share of 45% between 1992 and 1995 (table 2). Outflows from the EU to the United States rose to ECU 16.7 bn in 1995, a rise of 140% compared to 1992.

The average share of outflows from the EU to Japan was -1% between 1992 and 1995, representing an annual disinvestment of ECU 0.3 bn.

Outflows to the rest of the world rose from 10.4 bn in 1992 to 18.3 bn in 1995, while the share decreased from 59% to 53%.

The strong FDI links between the EU and the United States are also confirmed by the amount of US investment made into the EU. Over the period 1992 - 1995, the US was the first contributor to Extra-EU 15 inflows with an average share of 54% (table 3). In 1995, 62% (ECU 20.9 bn) of Extra-EU 15 inflows came from the US, against 43% in 1994, 53% in 1993 and 54% in 1992.

During the same period, Japanese FDI flows into EU never exceeded 8% of the Extra-EU 15 inflows.

The increasing significance of the rest of the world can be observed for inflows. From 1992 to 1994, the share rose from 38% to 50% of Extra-EU 15 inflows. In 1995 the share fell back to 35%, although FDI increased in absolute figures by 2 bn.

The net inflows (table 4) from the US into the EU averaged ECU 2.3 bn over the period 1992 - 95. 1993 was an exception with a net outflow of 2.5 bn. In 1994 it switched into a net inflow of 2.1 bn and grew to 4.2 bn in 1995.

The EU recorded a net inflow from Japan each year, with an average of ECU 1.8 bn.

EU net outflows to the rest of the world rose yearly over the period. In 1992 the net outflow was ECU 1.8 bn. In 1995 it was 6.3 bn. The average net outflows between 1992 and 1995 amounted to 4.0 bn.

Figure 5: Major partners in 1992 in bn ECU

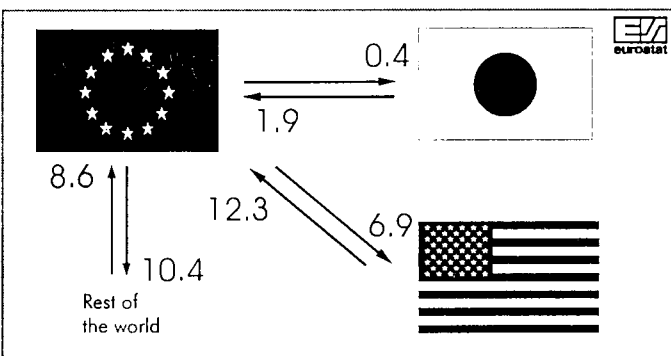


Figure 6: Major partners in 1993 in bn ECU

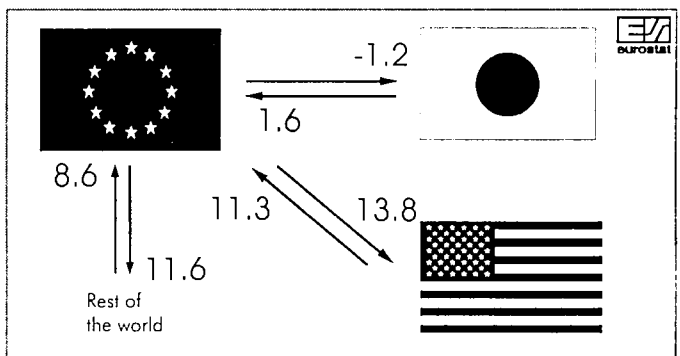


Figure 7: Major partners in 1994 in bn ECU

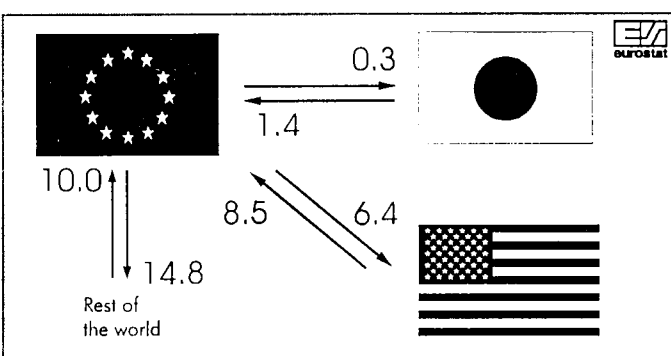


Figure 8: Major partners in 1995 in bn ECU

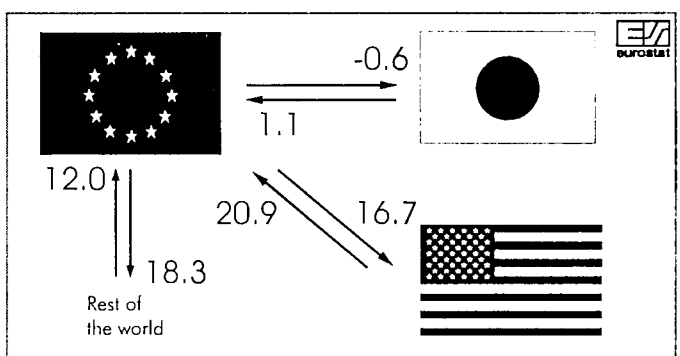


Table 2: EU 15 FDI with Major Partners

EU 15 [bn ECU]	Outflows				
	1992	1993	1994	1995	Average
United States	6.9	13.8	6.4	16.7	11.0
Japan	0.4	-1.2	0.3	-0.6	-0.3
Other	10.4	11.6	14.8	18.3	13.8
Extra EU 15	17.8	24.2	21.5	34.4	24.5
United States	39%	57%	30%	49%	45%
Japan	2%	-5%	1%	-2%	-1%
Other	59%	48%	69%	53%	56%
Extra EU 15	100%	100%	100%	100%	100%

Table 3: EU 15 FDI with Major Partners

EU 15 [bn ECU]	Inflows				
	1992	1993	1994	1995	Average
United States	12.3	11.3	8.5	20.9	13.3
Japan	1.9	1.6	1.4	1.1	1.5
Other	8.6	8.6	10.0	12.0	9.8
Extra EU 15	22.8	21.5	20.0	34.0	24.6
United States	54%	53%	43%	62%	54%
Japan	8%	7%	7%	3%	6%
Other	38%	40%	50%	35%	40%
Extra EU 15	100%	100%	100%	100%	100%

Table 4: EU 15 net FDI with Major Partners

EU 15 [bn ECU]	Net flows				
	1992	1993	1994	1995	Average
United States	-5.3	2.5	-2.1	-4.2	-2.3
Japan	-1.4	-2.8	-1.1	-1.7	-1.8
Other	1.8	3.0	4.8	6.3	4.0
Extra EU 15	-4.9	2.7	1.6	0.4	-0.1

The breakdown of EU 15 inflows into intra-EU (between Member states) and extra-EU components (from non-EU countries to the EU) allows to calculate the ratio between the two, indicating changes in relative importance of the two types of inflows (figure 9 and table 5).

Between 1992 and 1994 the intra-EU inflows gained importance, with about 1.6 ECU stemming from intra-EU inflows for each ECU of inflows from outside the Union. The strong increase in the attractiveness of the Union for non-EU investors brought this ratio down close to one in 1995, indicating a fairly equal relative importance of FDI inflows inside and from outside the European Union.

Figure 9: Intra inflows divided by extra inflows

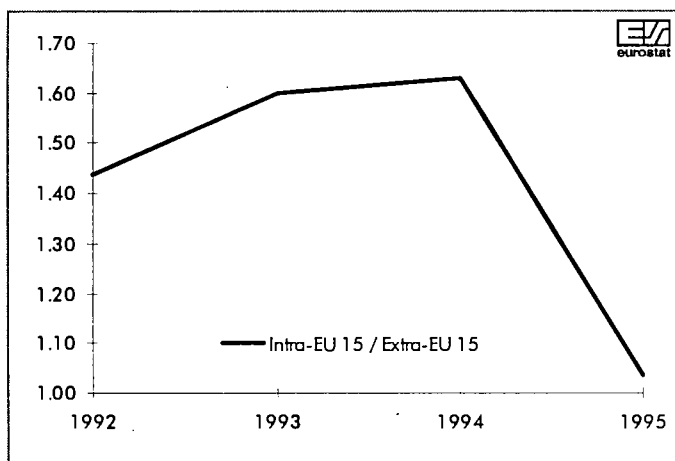


Table 5: Intra inflows divided by extra inflows

Inflows	1992	1993	1994	1995
Intra-EU 15 / Extra-EU 15	1.44	1.60	1.63	1.04

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).

This edition of Statistics in Focus is partly based on the **European Union Direct Investment Yearbook 1996**, which was compiled by the direct investment team at the Balance of Payments Unit at the Statistical Office of the European Communities (Eurostat).

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