

# Strong growth in FDI among EU Member States

*First results FDI 1999*

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Statistics  
in focus

ECONOMY AND  
FINANCE

THEME 2 – 28/2000

BALANCE OF PAYMENTS

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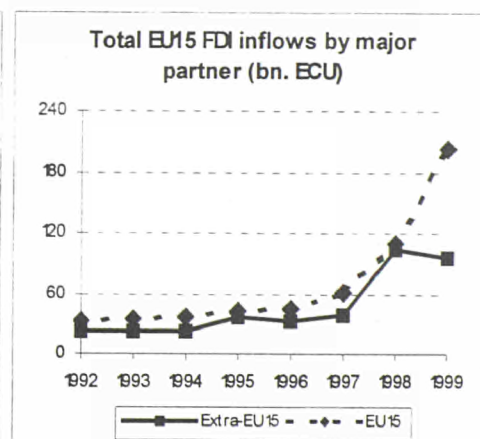
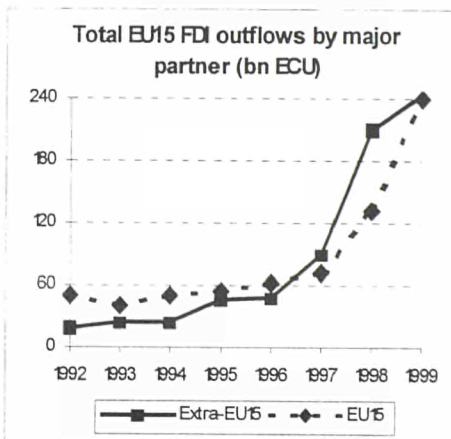
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Foreign direct investment (FDI) statistics give information on one of the major aspects of globalisation. Unlike traditional cross border trade in goods and services, FDI (for definition see page 3) reflects the objectives of establishing a more strategic and 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 1999 as well as revised data for 1998.

The year 1999 was another one of strong growth for EU's FDI accounts. At close to 500 bn. ECU, total outflows rose more than 40% in 1999. Direct investments into the European Union also progressed considerably reaching nearly 300 bn. ECU (with a growth of 27%), resulting in an EU net capital outflow of more than 200 bn. ECU, an absolute record level.

### Intra-EU FDI are growing faster than Extra-EU FDI...

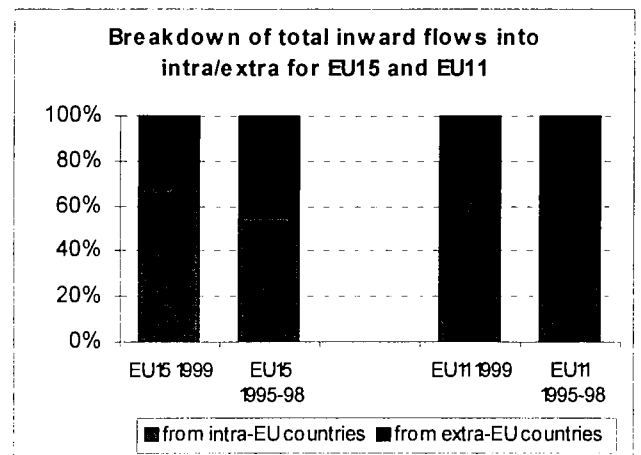
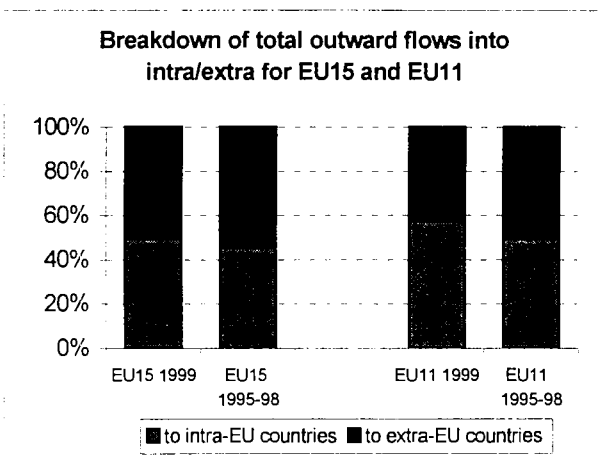


As shown in the figures above, an important characteristic of this development is that it was the intra-EU flows among the 15 Member States which pulled the weights. This phenomenon was particularly outspoken in the in-going investments. Due to a 7% drop in inflows from Extra-EU countries combined with a 80% growth in Intra-EU flows, about two thirds of all inflows in 1999 came from the 15 Member States, a trend that was even more pronounced for the 11 countries of the Euro-zone (see figure below for 1995-98).

As for outward flows, Extra-EU flows grew by 16% compared to the 80% increase in Intra-EU flows, thereby also switching focus towards the 15 EU markets.

The 11 countries in the Euro-zone appear (at least in terms of outward flows) to be relatively more focused on markets within the Union compared to EU15 as a whole (see figure below).

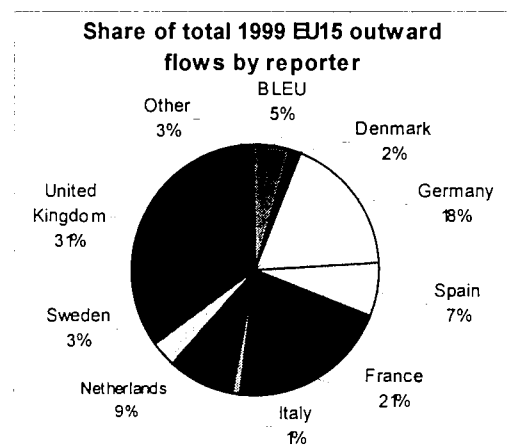
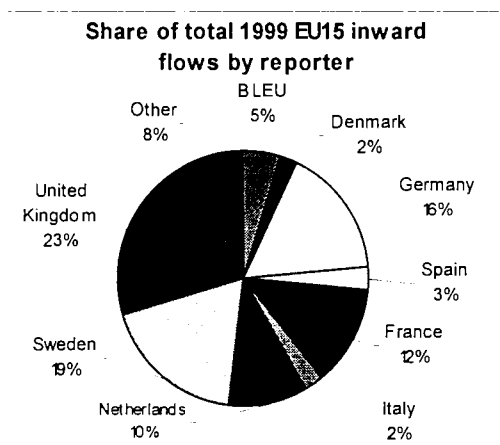




### FDI continuously most important in Northern EU Member States

The United Kingdom, France, and Germany made-up the main contributors of total EU outward flows in 1999. France and the United Kingdom increased their share in total outflows compared to previous years, while Germany and the Netherlands contributed less to overall outflows in 1999 compared to the years before.

As regards inward flows, particularly high FDI was made in Sweden and Ireland during 1999, but investments into the German market also rose significantly. On the other hand, the share in total inflows for France and the Netherlands fell during the course of last year.



The 1999 figures reflect the fact that FDI inflows have had different economic importance throughout the Union. Countries where FDI inflows appear to have had the highest economic weight includes the BENELUX countries, Sweden, United Kingdom and Ireland, while especially ingoing direct investments appear to have less economic momentum in countries such as Italy and Germany.

For almost all Member States (major exception being Finland) the importance of direct investments grew significantly during recent years. In 1999 the ratio "FDI outflows to GDP" reached 12% in the UK and in the Netherlands and 8% in France. The figure below highlights the size of the 1999-inflows to Sweden and Ireland.

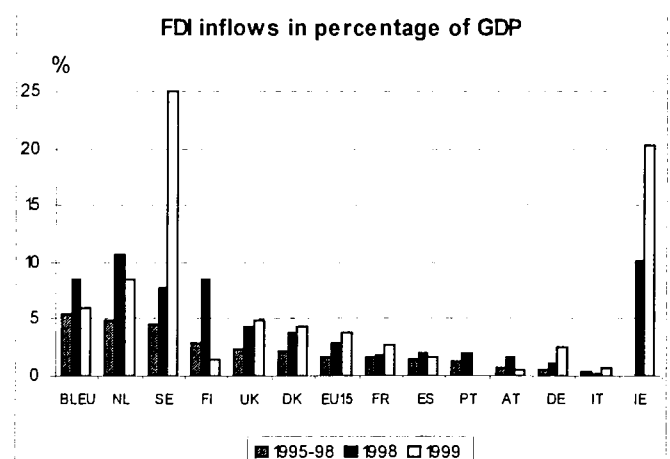
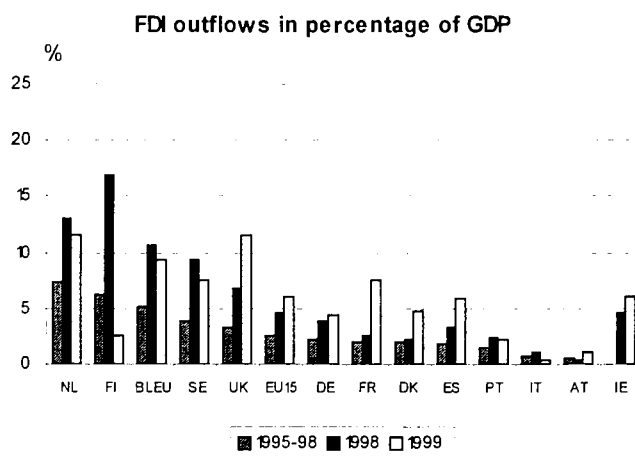


Table: Outward and inward FDI flows 1998-99, breakdown by major source and destination (equity and other capital, mio. ECU)

1999	Outward flows to						Inward flows from					
	World	EU	Non-EU	USA	Japan	Canada	World	EU	Non-EU	USA	Japan	Canada
<b>EU15</b>	490 260	240 037	243 180	160 850	3 206	777	299 737	203 824	95 664	68 354	2 613	2 337
BLEU	23 397	22 083	1 352	138	-4	-1 232	14 888	12 709	4 839	2 164	62	133
DENMARK	7 706	4 707	2 999	525	0	27	6 993	4 721	2 273	1 574	27	0
GERMANY	87 769	54 928	32 841	21 211	535	1 215	49 238	37 113	12 125	8 930	525	-40
GREECE	:	:	:	:	:	:	:	:	:	:	:	:
SPAIN	33 240	5 391	27 849	1 115	18	-234	8 781	6 858	1 922	1 426	-63	23
FRANCE	101 385	:	:	:	:	:	36 722	:	:	:	:	:
IRELAND	5 085	1 510	3 577	:	:	:	17 197	5 870	11 327	:	:	:
ITALY	4 587	3 827	759	338	-21	-74	7 082	4 505	2 590	584	182	3
NETHERLANDS	42 788	24 538	18 250	9 960	6	317	31 326	19 303	12 023	10 209	-76	88
AUSTRIA	1 997	485	1 512	174	-1	21	1 125	683	442	98	27	92
PORTUGAL	2 346	-1 954	4 301	37	0	13	-45	-94	50	81	7	16
FINLAND	3 178	2 589	589	336	0	34	1 832	1 798	34	-219	0	0
SWEDEN	17 074	5 312	4 710	3 078	-6	-127	55 937	47 132	5 885	5 874	-145	93
UNITED KINGDOM	157 643	52 763	104 880	104 074	2 392	44	65 380	44 775	20 605	24 848	1 714	1 594

1998	Outward flows to						Inward flows from					
	World	EU	Non-EU	USA	Japan	Canada	World	EU	Non-EU	USA	Japan	Canada
<b>EU15</b>	346 689	132 743	209 032	128 676	571	3 849	217 583	110 704	102 804	59 373	1 592	8 899
BLEU	25 426	18 324	7 236	1 765	61	1 819	20 307	13 691	4 731	4 180	-87	144
DENMARK	3 534	3 374	160	-560	40	13	6 001	1 600	4 400	3 574	0	0
GERMANY	75 114	22 091	53 022	40 242	326	105	19 511	16 193	3 318	3 451	107	-339
GREECE	:	:	:	:	:	:	:	:	:	:	:	:
SPAIN	16 921	5 241	11 679	608	-2	625	10 541	9 493	1 049	612	-46	7
FRANCE	34 334	15 753	18 581	6 417	60	212	24 577	19 684	4 894	3 882	103	290
IRELAND	3 489	1 126	2 363	1 785	0	9	7 663	4 382	3 280	3 988	17	36
ITALY	10 787	5 667	5 120	1 777	70	118	2 332	2 125	200	-258	69	7
NETHERLANDS	45 877	19 774	26 103	12 666	34	778	37 491	15 055	22 436	7 794	288	8 836
AUSTRIA	2 108	1 282	825	-6	15	2	3 178	3 472	-294	50	-74	0
PORTUGAL	2 353	951	1 401	62	0	0	1 987	491	1 496	710	4	1
FINLAND	19 326	18 154	1 172	871	26	63	9 751	9 508	244	204	159	2
SWEDEN	20 053	9 519	5 509	2 225	21	179	16 610	12 950	1 522	612	-91	200
UNITED KINGDOM	85 909	10 928	74 981	60 290	-81	-90	55 252	849	54 403	29 969	1 126	-378

EU15 aggregate includes estimations for Greece for 1998-99 and partly France and Ireland in 1999

## ➤ 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).



# Further information:

## ➤ Reference publications

Title **European Union Direct Investment Yearbook 1999**  
 Catalogue No CA-26-99-425-EN-C Price EUR 30

## ➤ Databases

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