

## EU27 Foreign Direct Investment

# EU27 investment in the rest of the world down by 30% in 2008

## Investment in EU27 down by 60%

In 2008, **EU27** FDI<sup>1</sup> (foreign direct investment) in extra-EU27 countries (outflows) fell by 28%, from 496 billion euro in 2007 to 354 bn in 2008, while FDI into the **EU27** from the rest of the world (inflows) decreased by 57%, from 400 bn to 173 bn. In 2008, intra-**EU27**<sup>2</sup> FDI flows dropped by 42% compared with 2007.

In 2008 the **EU27** invested 149 bn euro in the **USA**, compared with 171 bn in 2007. **EU27** investments also fell in **Offshore financial centres**<sup>3</sup> (from 130 bn to 43 bn) and **Canada** (from 42 bn to 9 bn). Investments grew with **Switzerland** (from 24 bn to 33 bn) and **Russia** (from 16 bn to 22 bn), and remained nearly stable with **Hong Kong** (from 8 bn to 7 bn).

The **USA** invested 45 bn euro in the **EU27** in 2008, compared with 194 bn in 2007. Investments in the **EU27** also fell from **Offshore financial centres**<sup>3</sup> (from 124 bn to 45 bn), **Switzerland** (from 20 bn to 5 bn), **Japan** (from 19 bn to 4 bn) and **India** (from 10 bn to 2 bn), while investments from **Canada** (from 14 bn to 18 bn) and **Brazil** (from 2 bn to 7 bn) rose.

Despite its growing importance in trade in goods, **EU27** FDI flows with **China** (excluding Hong Kong) remained modest in 2008, with **EU27** investment of 5 bn euro in **China** and **Chinese** investment of 0.1 bn in the **EU27**.

These figures<sup>4</sup>, published by **Eurostat, the Statistical Office of the European Communities**, come from the first FDI results for 2008.

### Luxembourg, France and the United Kingdom main actors in extra-EU27 FDI flows

**Luxembourg**, with outflows of 83 bn euro, a 23% share of the EU27 total, was the largest investor in extra-EU27 in 2008, followed by **France** (58 bn or 16%) and the **United Kingdom** (52 bn or 15%). **Luxembourg** (76 bn or 44% of the EU27 total), was also the main recipient of FDI inflows from extra-EU27, ahead of the **United Kingdom** (45 bn or 26%) and **France** (25 bn or 15%). The role of **Luxembourg** in EU FDI is mainly explained by the importance of its financial intermediation activity<sup>5</sup>.

In 2008, the **EU27** was a net investor in the rest of the world, with outflows higher than inflows by 182 bn euro (1.5% of GDP). In 2007 outflows were also higher than inflows, by 96 bn (0.8% of GDP). Among the EU Member States, **France** was the largest net investor outside the EU27 in 2008, with net investment of 33 bn, followed by **Germany** (27 bn) and **Spain** (25 bn). With inflows higher than outflows by 9 bn, the **Netherlands**<sup>6</sup> was the largest net recipient of FDI from extra-EU27.

### France main actor in intra-EU27 FDI

**France** (92 bn euro), **Germany** (71 bn) and the **Netherlands** (37 bn) were the main investors inside the EU27 in 2008. **France** (55 bn) was also the main recipient of investments from intra-EU27, followed by **Spain** (40 bn) and **Belgium** (34 bn).

1. **Foreign direct investment (FDI)** is the category of international investment that reflects the objective of obtaining a lasting interest by an investor in one economy in an enterprise resident in another economy. The lasting interest implies that a long-term relationship exists between the investor and the enterprise, and that the investor has a significant influence on the way the enterprise is managed. Such an interest is formally deemed to exist when a direct investor owns 10% or more of the voting power on the board of directors (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise). FDI flows presented here include re-invested earnings. The revised 2007 annualised quarterly balance of payments data used as a basis for the growth rates of the EU aggregates in this Release are not yet available at Member State level. 2008 data are preliminary estimates. Updated detailed figures will be released by the end of 2009.
2. There is a statistical discrepancy between intra-EU inflows and outflows for both 2007 and 2008. The annual rate of change has been calculated based on the average of inflows and outflows.
3. Offshore Financial Centres (OFC) is an aggregate used in Eurostat FDI data which includes 38 countries. As examples, the aggregate contains European financial centres, such as Liechtenstein, Guernsey, Jersey, the Isle of Man, the Faroe Islands, Andorra and Gibraltar; Central American OFC such as Panama and Caribbean islands like Bermuda, the Bahamas, the Cayman Islands and the Virgin Islands; and Asian OFC such as Bahrain, Hong-Kong, Singapore and Philippines.
4. The figures presented are based on quarterly data received up until 25 April 2009 from the Member States. They include new data, in particular from the United Kingdom, compared with those published in News Release 55/2009 of 22 April 2009. Data for the EU aggregate takes into account confidential data, estimates for Member States missing data and data for Special Purpose Entities (SPEs), that are additionally collected by Eurostat and the ECB from Member States not including SPEs' FDI in national data. This ensures adherence to international standards, exhaustiveness of the EU aggregates and explains why the total of Member States' flows differs from the EU aggregates. SPEs are mainly financial holding companies, foreign-owned, and principally engaged in cross-border financial transactions, with no or negligible local activity in the Member State of residence.
5. SPEs account for approximately 85-90% of Luxembourg's FDI inflows and outflows.
6. Data exclude investments carried out via resident SPEs.

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### EU27 FDI flows: 2008 preliminary results by main partner, billion euro

|                | Outward flows to: |              |              |            |             |             |            |            |            |            |             |             | Inward flows from: |              |             |             |             |             |            |            |            |            |            |             |
|----------------|-------------------|--------------|--------------|------------|-------------|-------------|------------|------------|------------|------------|-------------|-------------|--------------------|--------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|------------|-------------|
|                | Intra-EU27        | Extra-EU27   | of which:    |            |             |             |            |            |            |            |             |             | Intra-EU27         | Extra-EU27   | of which:   |             |             |             |            |            |            |            |            |             |
|                |                   |              | USA          | Canada     | Switzerland | Russia      | Japan      | China      | Hong Kong  | India      | Brazil      | OFC         |                    |              | USA         | Canada      | Switzerland | Russia      | Japan      | China      | Hong Kong  | India      | Brazil     | OFC         |
| <b>EU27*</b>   | <b>434.2</b>      | <b>354.4</b> | <b>149.2</b> | <b>9.1</b> | <b>32.9</b> | <b>21.6</b> | <b>5.5</b> | <b>4.5</b> | <b>7.4</b> | <b>0.9</b> | <b>-3.4</b> | <b>43.4</b> | <b>321.2</b>       | <b>172.7</b> | <b>44.6</b> | <b>18.0</b> | <b>5.0</b>  | <b>-0.4</b> | <b>3.5</b> | <b>0.1</b> | <b>0.7</b> | <b>2.4</b> | <b>6.9</b> | <b>45.0</b> |
| Belgium        | 35.4              | 11.2         | 2.1          | 1.5        | -0.4        | 1.2         | 0.8        | 0.4        | 2.1        | -          | 1.8         | 3.5         | 34.4               | 6.4          | 0.3         | 0.4         | 0.3         | -           | 0.6        | 0.2        | 0.2        | -          | -          | 1.1         |
| Bulgaria       | 0.4               | 0.1          | -            | -          | -           | -           | -          | -          | -          | -          | :           | -           | 5.4                | 0.7          | 0.1         | -           | 0.1         | 0.3         | -          | -          | -          | -          | :          | 0.2         |
| Czech Republic | 1.2               | 0.1          | -            | -          | -           | -           | -          | -          | -          | -          | -           | -           | 6.4                | 1.0          | 0.2         | -           | 0.3         | -           | -          | -          | -          | -          | 0.1        | 0.3         |
| Denmark        | 15.1              | 3.6          | 2.4          | -          | 1.2         | 0.1         | 0.1        | 0.1        | 0.1        | -          | 0.2         | 1.4         | 6.3                | 1.2          | 1.5         | -0.7        | -0.7        | -           | -          | 0.1        | -          | -          | 0.6        | 0.3         |
| Germany        | 71.1              | 35.7         | 12.6         | 2.7        | 1.8         | 3.6         | 2.3        | 0.8        | 0.2        | 1.2        | -0.4        | 3.2         | 8.0                | 9.1          | 6.7         | -0.1        | 0.5         | 0.4         | 1.2        | -          | 0.1        | -          | -0.1       | 0.7         |
| Estonia        | 0.7               | -0.1         | -            | -          | -           | -0.1        | :          | -          | :          | -          | -           | -           | 1.1                | 0.2          | -           | -           | -           | 0.1         | -          | -          | -          | -          | -          | -           |
| Greece         | 0.8               | 1.0          | 0.6          | -          | -           | -           | -          | -          | 0.1        | -          | -           | 0.1         | 0.7                | 2.8          | 0.1         | -           | -           | -           | -          | -          | -          | -          | -          | 0.1         |
| Spain          | 23.9              | 28.9         | 9.6          | 0.2        | 1.4         | 0.3         | 0.1        | 0.2        | 0.8        | 0.2        | 2.5         | 1.0         | 40.4               | 4.4          | -           | 0.1         | 0.3         | 0.5         | 0.1        | -          | 0.1        | -          | 0.1        | 1.3         |
| France         | 92.2              | 58.0         | 17.6         | 1.0        | 6.9         | 3.2         | 2.4        | 0.9        | 1.2        | 0.4        | 2.5         | 3.6         | 54.8               | 25.4         | 12.1        | 0.6         | 5.6         | 0.1         | 1.3        | -0.1       | 0.2        | -          | 0.1        | 1.9         |
| Ireland        | 5.0               | 4.0          | 1.3          | 0.1        | -           | -           | :          | :          | :          | :          | :           | 2.6         | 2.1                | -10.5        | -13.3       | -           | 2.2         | 0.2         | -0.3       | -0.1       | -0.1       | -          | -          | 2.8         |
| Italy          | 28.3              | 2.8          | 1.1          | 0.1        | -0.3        | 0.1         | -          | 0.3        | -          | 0.1        | 0.2         | 0.1         | 8.8                | 0.3          | -1.3        | 0.1         | 0.6         | 0.1         | 0.1        | -          | 0.1        | -          | 0.2        | 0.3         |
| Cyprus         | 0.3               | 0.7          | -            | -          | -           | 0.4         | -          | -          | -          | -          | -           | -           | 0.7                | 0.7          | -           | -           | -           | 0.2         | -          | -          | -          | -          | -          | 0.1         |
| Latvia         | 0.1               | 0.1          | -            | -          | -           | -           | -          | -          | -          | -          | -           | -           | 0.7                | 0.2          | -           | -           | -           | 0.1         | -          | -          | -          | -          | -          | -           |
| Lithuania      | 0.2               | -            | -            | -          | -           | -           | -          | -          | -          | -          | -           | -           | 0.9                | 0.3          | -           | -           | -           | 0.1         | -          | -          | -          | -          | -          | -           |
| Luxembourg     | -11.7             | 82.8         | 8.6          | 0.7        | 36.2        | 0.5         | 0.1        | 0.1        | 0.2        | -          | 0.3         | 20.4        | -20.8              | 75.8         | 3.8         | 3.5         | 0.8         | -2.1        | -          | -          | 0.3        | -          | 0.2        | 29.7        |
| Hungary        | 20.7              | 9.6          | -1.3         | -0.1       | 8.4         | 0.2         | -          | -          | -          | -          | -0.1        | -0.1        | 22.5               | 10.4         | 1.4         | 4.6         | 0.3         | -0.9        | 0.1        | -0.1       | 0.1        | -          | 0.5        | 4.5         |
| Malta          | 0.2               | -            | -            | -          | -           | :           | -          | :          | :          | :          | -           | -           | 0.3                | 0.4          | -           | -           | -           | :           | -          | :          | -          | :          | :          | 0.1         |
| Netherlands**  | 36.5              | 2.8          | 5.6          | 5.1        | 1.7         | 2.0         | 0.1        | 0.8        | 0.8        | 0.1        | -15.7       | 5.4         | -14.3              | 11.9         | 6.4         | -           | 0.8         | -           | 0.5        | 0.1        | 0.1        | -          | -          | 0.9         |
| Austria        | 11.3              | 8.4          | 0.2          | 0.4        | 0.1         | 1.4         | -          | 0.1        | -          | -          | 0.2         | 0.8         | 11.3               | -1.8         | -1.6        | -           | -1.0        | 0.1         | -          | -          | -          | -          | 0.1        | 0.2         |
| Poland         | 1.5               | 0.8          | 0.1          | -          | 0.3         | 0.1         | -          | -          | -          | -          | -           | -           | 10.1               | 0.9          | 0.9         | 0.1         | -0.4        | -           | 0.1        | 0.1        | -0.1       | -          | -          | 0.2         |
| Portugal       | 0.8               | 0.7          | 0.1          | -          | -           | -           | -          | -          | :          | -          | 0.6         | 1.1         | 1.1                | 1.3          | -           | 0.7         | -           | -           | -          | -          | :          | -          | 0.1        | 0.3         |
| Romania        | -0.2              | -            | -            | -          | -           | -           | -          | -          | -          | -          | -           | -           | 8.1                | 0.8          | 0.1         | -           | 0.1         | -           | -          | -          | -          | -          | -          | 0.1         |
| Slovenia       | 0.2               | 0.8          | -            | -          | -           | 0.2         | -          | -          | -          | -          | -           | -           | 1.0                | 0.2          | -           | -           | 0.2         | -           | -          | -          | -          | -          | -          | -           |
| Slovakia       | 0.2               | -            | -            | -          | -           | -           | -          | -          | -          | -          | -           | -           | 3.1                | -0.7         | -0.1        | -           | -           | -           | -0.1       | -          | -          | -          | -          | -           |
| Finland        | 0.5               | 0.6          | 4.1          | -          | :           | 0.6         | -          | -0.3       | -          | 0.1        | -           | 0.2         | -2.3               | -0.6         | -0.1        | -           | -           | -0.1        | -          | -          | -          | -          | -          | 0.1         |
| Sweden         | 15.1              | 12.4         | 5.8          | -0.4       | 1.4         | 1.1         | 0.1        | 0.2        | -0.3       | 0.3        | -0.3        | 1.3         | 29.3               | -1.3         | -3.4        | 0.9         | 0.6         | -0.3        | 0.7        | -          | -          | -          | -          | 3.4         |
| United Kingdom | 25.2              | 52.2         | 34.8         | -0.3       | :           | :           | -0.7       | 0.6        | 2.4        | 0.2        | 1.3         | -0.3        | 21.4               | 45.3         | 21.0        | 7.3         | -8.0        | :           | 1.3        | :          | :          | :          | -          | 26.7        |

OFC Offshore Financial Centres

Minus sign stands for disinvestment.

\* Data for EU aggregates take into account confidential data, estimates for Member States missing data and data for Special Purpose Entities (SPEs) that in some cases are additionally collected by Eurostat and the ECB from Member States not including SPEs FDI in national data (see footnote 4).

\*\* Data excluding SPEs

: Data is confidential or not available

- Less than 50 million euro