Foreign direct investment (FDI) statistics

Unit G4 – International transactions
Summary of the presentation

- What is foreign direct investment?
- Methodological framework
- Implementation at national level
- Basic data request breakdown
- Stocks versus flows
What is foreign direct investment?

- Foreign direct investment (FDI) is a category of cross-border investment associated with a resident in one economy (direct investor) having control or a significant degree of influence on the management of an enterprise that is resident in another economy (direct investment enterprise).
- The direct investor has the intention to obtain a lasting interest in the direct investment enterprise.
- International investment is classed as FDI when the direct investor owns 10% or more of the voting power in the direct investment enterprise.
Methodological framework

- Existing methodology based on the OECD Benchmark Definition of FDI, 3rd edition (BD3).

- Detailed instructions on the data requests outlined in the Eurostat Balance of Payments Vademecum (last version updated in November 2010).

- Framework Regulation for data transmission: 184/2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment.

Implementation at national level

- Data sources:
  - Surveys are the main source.
  - Mixed systems, using direct reporting/surveys and settlement systems are used by a minority of countries.

- Data compilers:
  - National central banks.
  - National statistical institutes.
Basic data request breakdown 1/2

Two types of FDI (according to direction):

- **Inward**: positions/flows of partner countries to the reporting country
- **Outward**: positions/flows of the reporting country to partner countries

Three types of data:

- **Capital flows** (equity, other capital, reinvested earnings)
- **Stocks at the end of the year** (equity and reinvested earnings, other capital)
- **Income flows** (dividends, reinvested earnings, interest)
Basic data request breakdown

Geographical breakdown:
- By partner country: more details requested for main partner countries.
- By economic zones (OECD, NAFTA, ASEAN, OPEC, etc).

By economic activity:
- Based on the NACE classification (equivalent to ISIC).
Stocks versus flows 1/2

- Stocks (or positions) allow a structural analysis of foreign investments in the host economy and investment of the home economy in foreign countries.
  - Show the positions at a certain point in time (end of year or quarter)
  - Include the accumulation of investments over time but also exchange rates movements and other price changes resulting from holding gains or losses.
  - Allow measuring long-standing economic links between countries.
  - Detailed breakdowns by industry sector and partner country are more easily available because they are less likely to be susceptible to statistical confidentiality constraints.
Flow (or transactions) provide an indicator about the attractiveness of the economies.

- Show the net inward and outward investments with assets and liabilities in a given reference period (year, quarter).
- Provide information to monitor recent economic developments.
- Are subject to more volatility and requires additional information to be properly interpreted.
- Confidentiality problems may appear, particularly when going into details by industry sector and partner country.
Data example: Stocks

EU-27 FDI Stocks (partner Extra-EU-27, million EUR)
Data example: Flows

EU-27 FDI Flows (partner Extra-EU-27, million EUR)
Thank you for your attention