

# 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, 3<sup>rd</sup> 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.
- Next methodological framework: OECD Benchmark Definition of FDI, 4th edition (BD4). To be implemented as from 2014 (reference year 2013).

# 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

2/2

## 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

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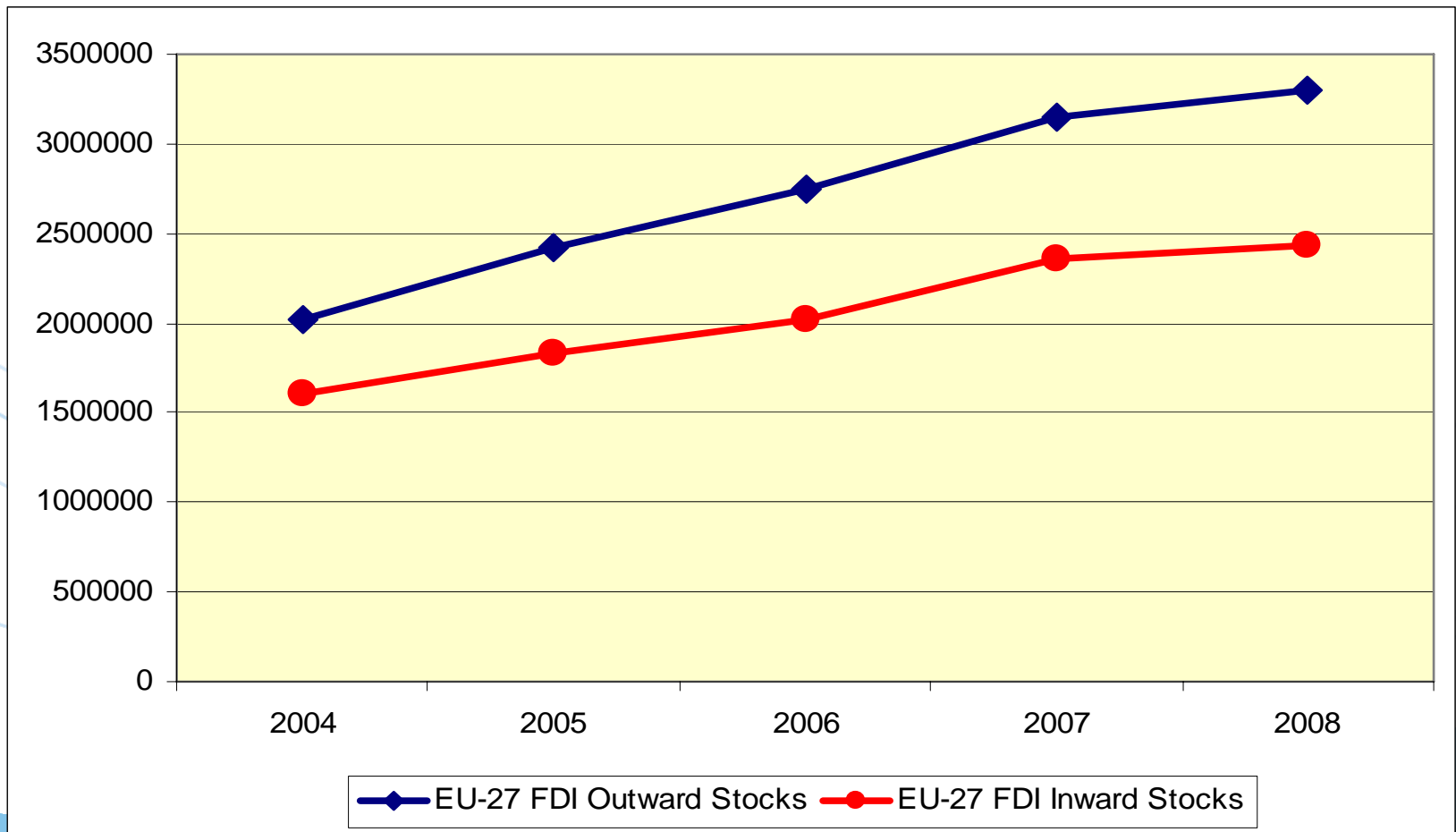
- Stocks (or positions) allow a structural analysis of foreign investments in the host economy and investment of the home economy in foreign countries.
  - Show the positions at a certain point in time (end of year or quarter)
  - Include the accumulation of investments over time but also exchange rates 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.



- Flows (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.

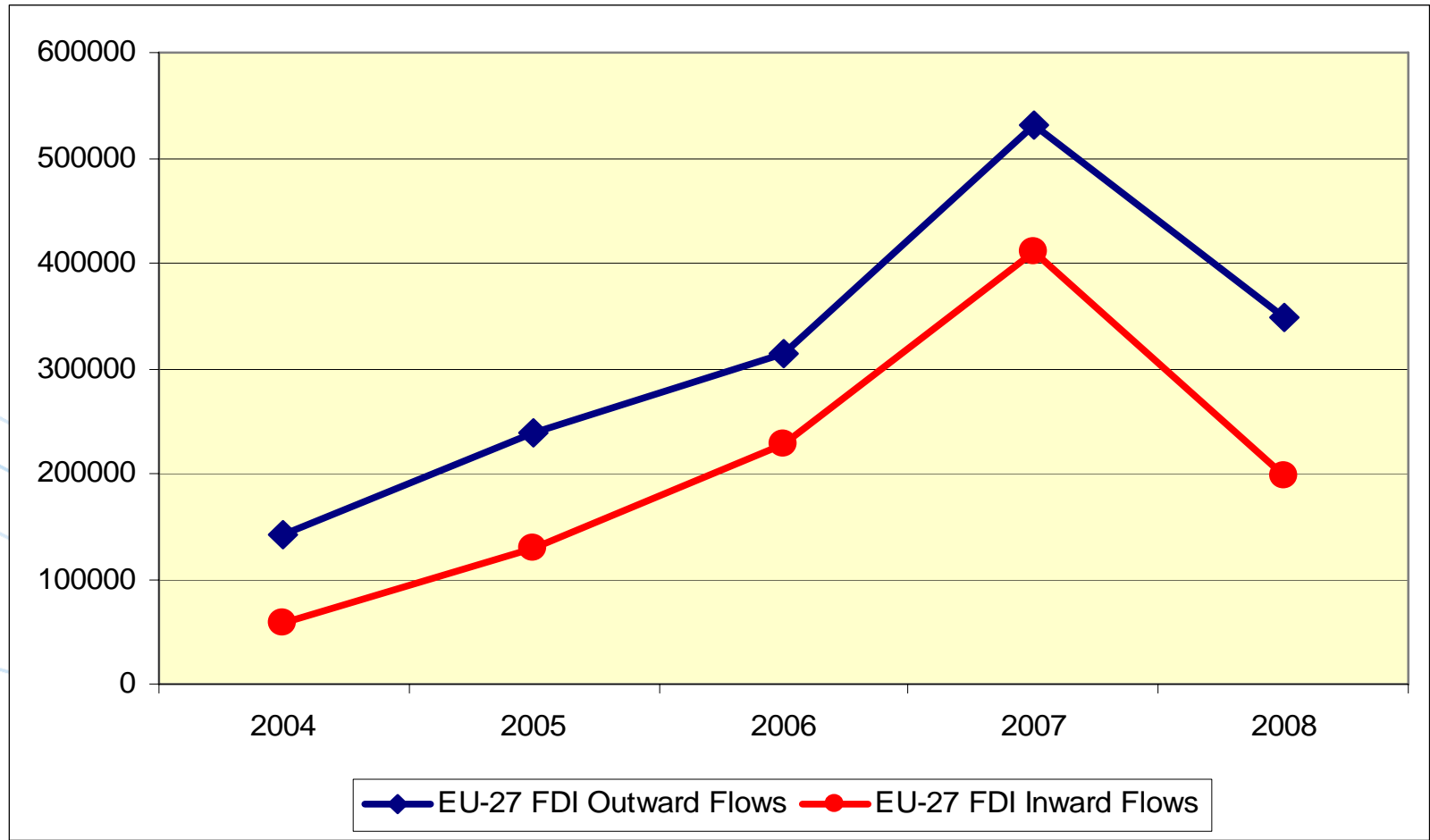
# Data example: Stocks

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**