

Book presentation “Focus on External Trade 2016/2017”

Foreign Direct Investment: Trends, Drivers, Limiting Factors; OeNB, 20 June 2017

# Recent FDI trends in Central, East and Southeast Europe (CESEE)

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## Main FDI trends in 2016

Based on the updated wiiw FDI database and wiiw FDI Report

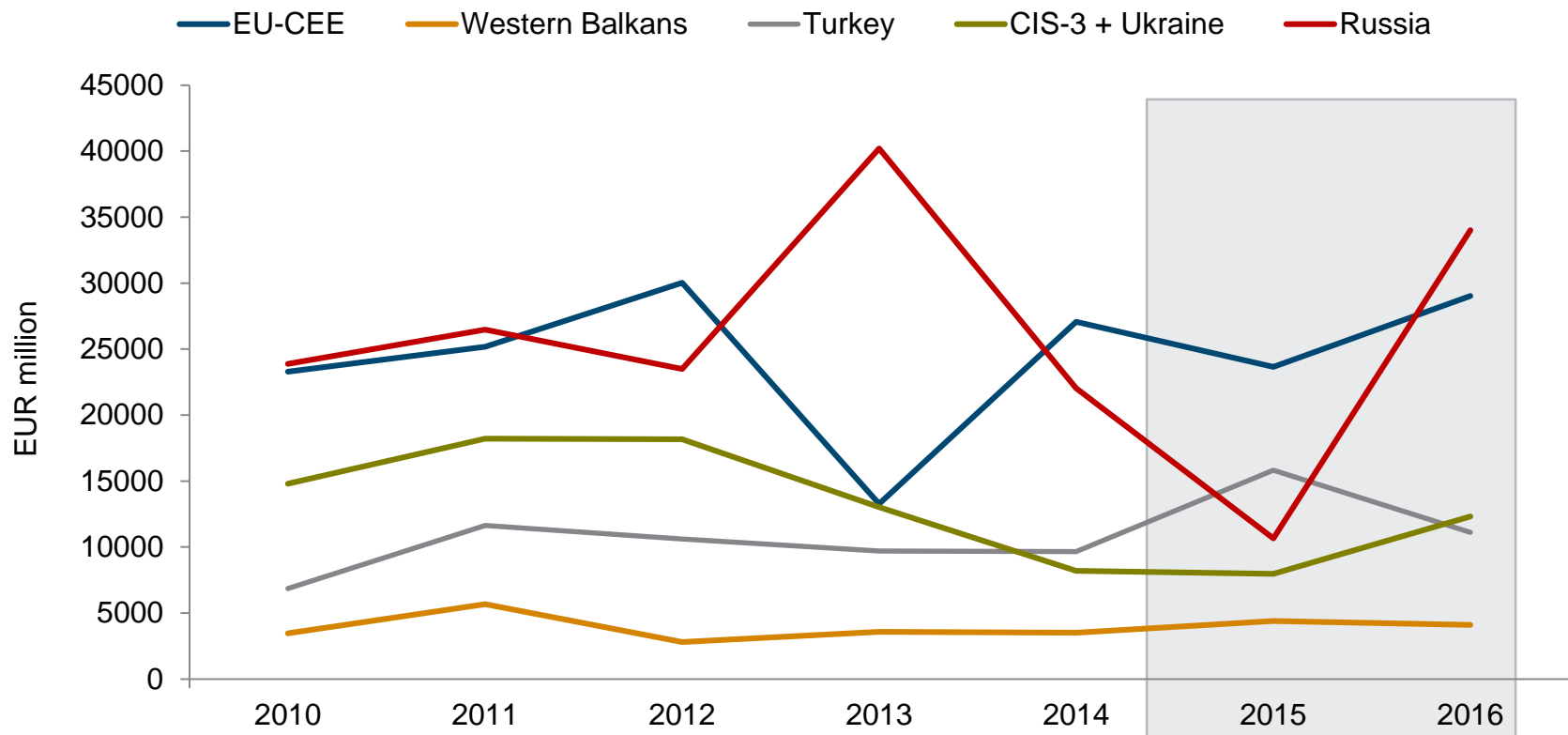
<https://wiiw.ac.at/recovery-amid-stabilising-economic-growth-p-4223.html>

- Global FDI declined (-2%) but inflows in CESEE increased (+45%)
  - Balance of payments statistics, directional principle against revised 2015 data; methodology uneven
- Economic growth stabilised or improved in CESEE and its main investors
- FDI stock by investing countries: increasing role of the Netherlands (tax optimisation)
- FDI stock by activities: manufacturing or finance (capital intensity)
- Greenfield investments also down globally, but up in CESEE
  - Higher number of projects in manufacturing and services; higher amounts of capital in oil and gas exploration and energy generation
- Austria keeps rank 3 as investor in the region

## Increasing FDI inflows in CESEE, but high volatility by region

FDI inflows in 2016 up by 45% against 2015:

EU-CEE +23%, Western Balkans -7%, Turkey -30%, CIS-3 and Ukraine +54%, Russia +219%

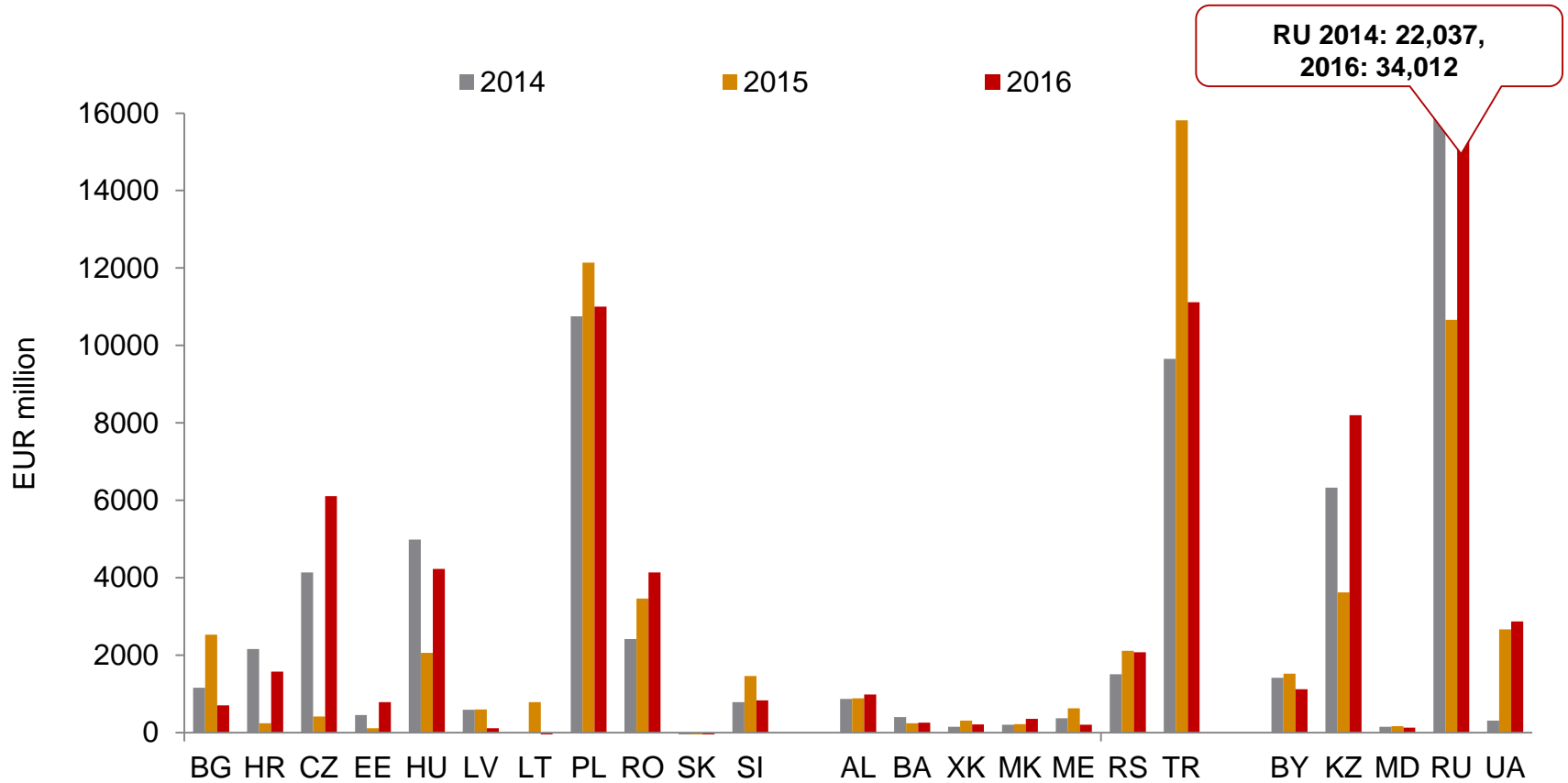


EU-CEE: European Union - Central and Eastern Europa. CIS-3: Belarus, Kazakhstan, Moldova.

Source: wiiw FDI Database.

# Increasing inflows in HR, CZ, HU, RO, AL, MK, KZ, RU, UA

FDI inflows, EUR million, 2014-2016

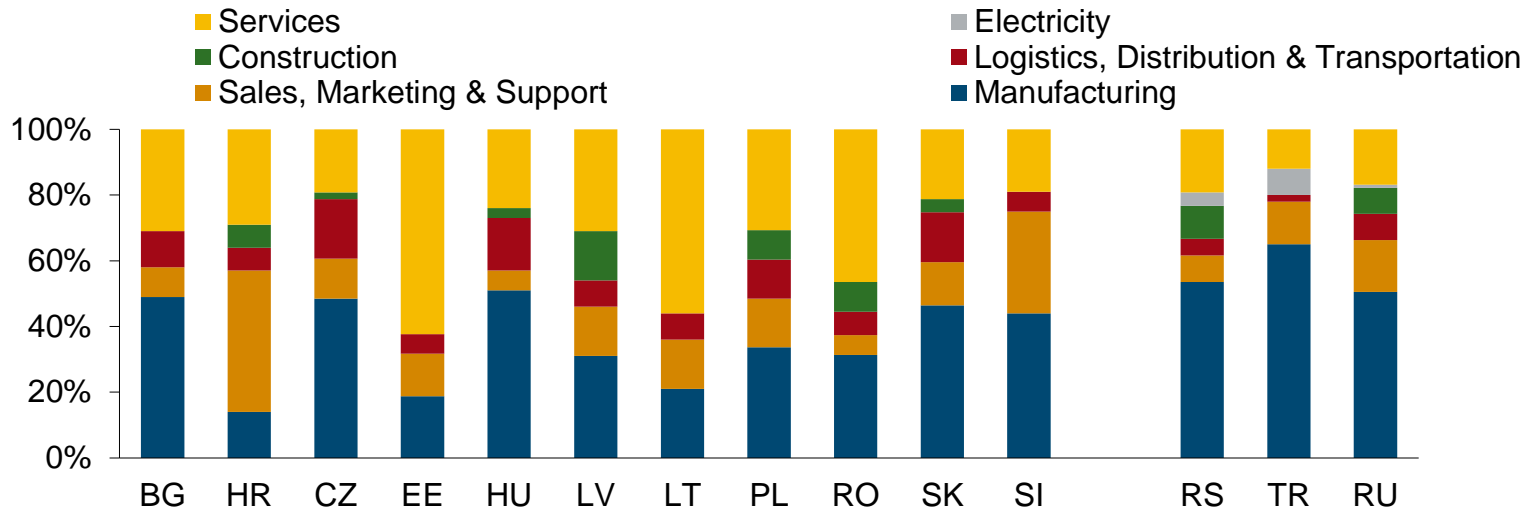


LT 2014: -18; 2016: -188. SK 2014: - 386; 2015: -176; 2016: -267.

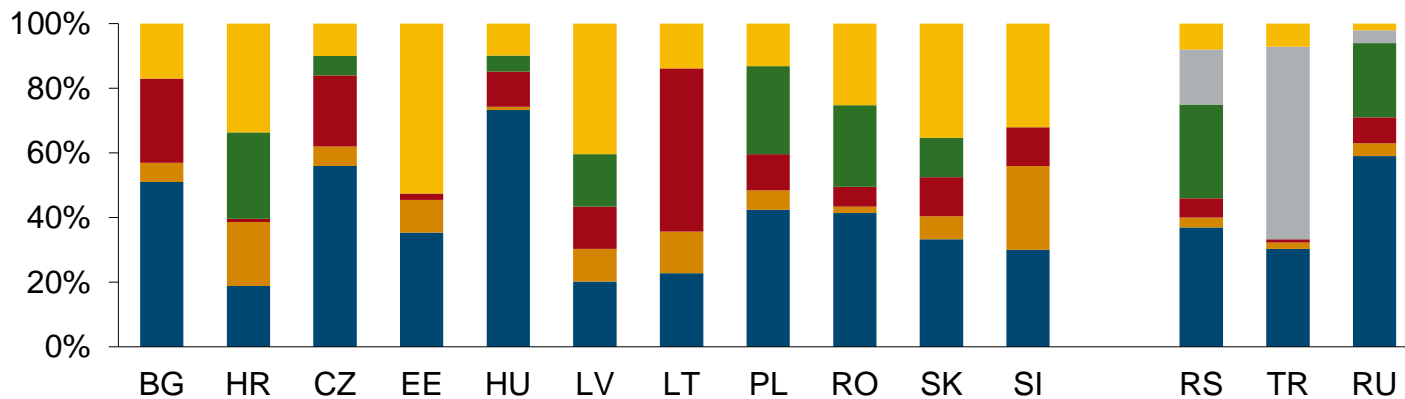
Source: wiiw FDI Database.

# Differences in specialisation in manufacturing or services

Share of main activities in the number of greenfield projects, in %, 2016



Share of main activities in the capital investments of greenfield projects, in %, 2016

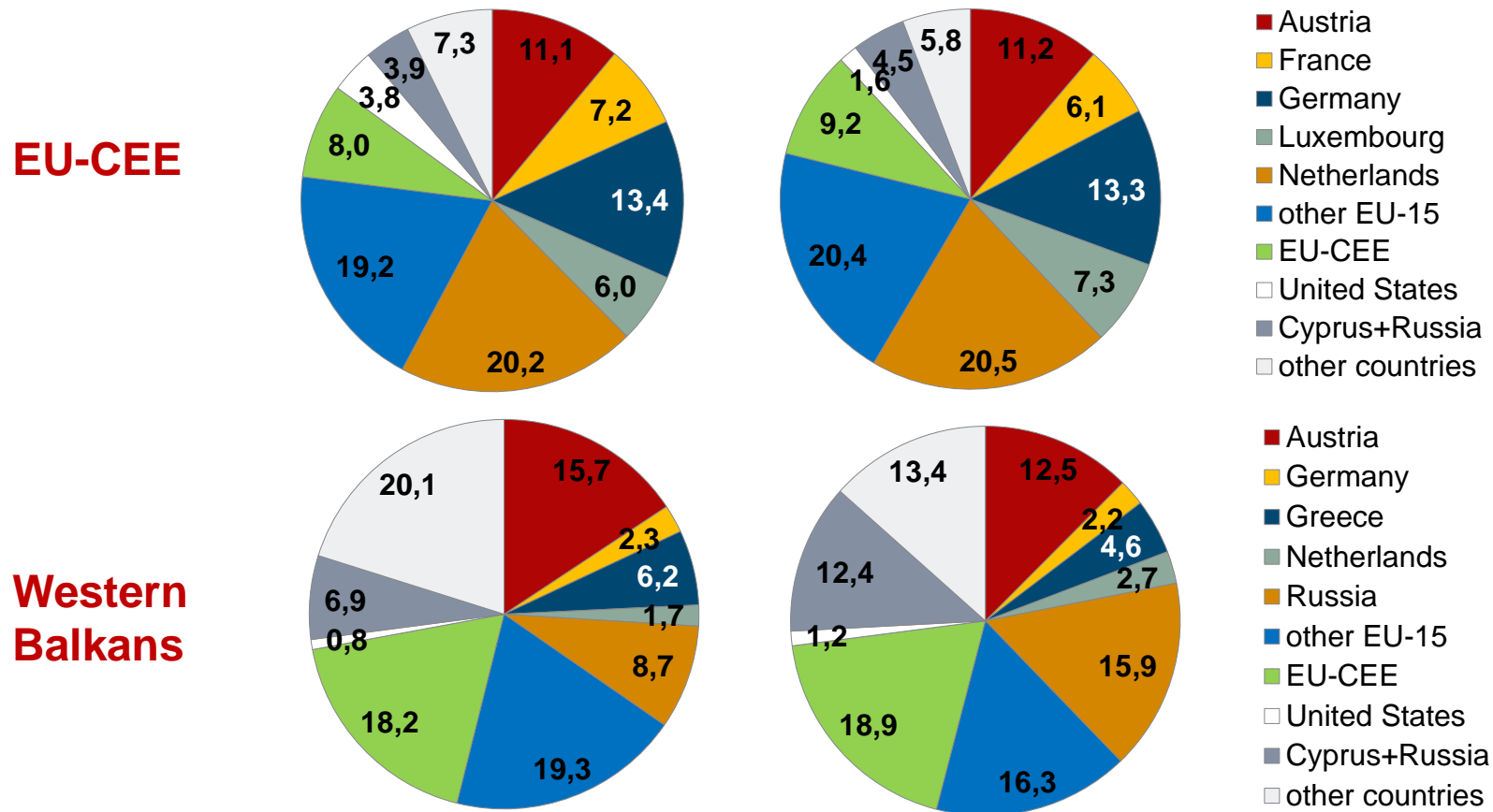


Remark: Excluding mining and recycling.

Source: <http://www.fdimarkets.com>.

# Rank 1 for the Netherlands on account of tax optimisation; stable rank 3 for Austria with about 7.3% of the stocks in CESEE

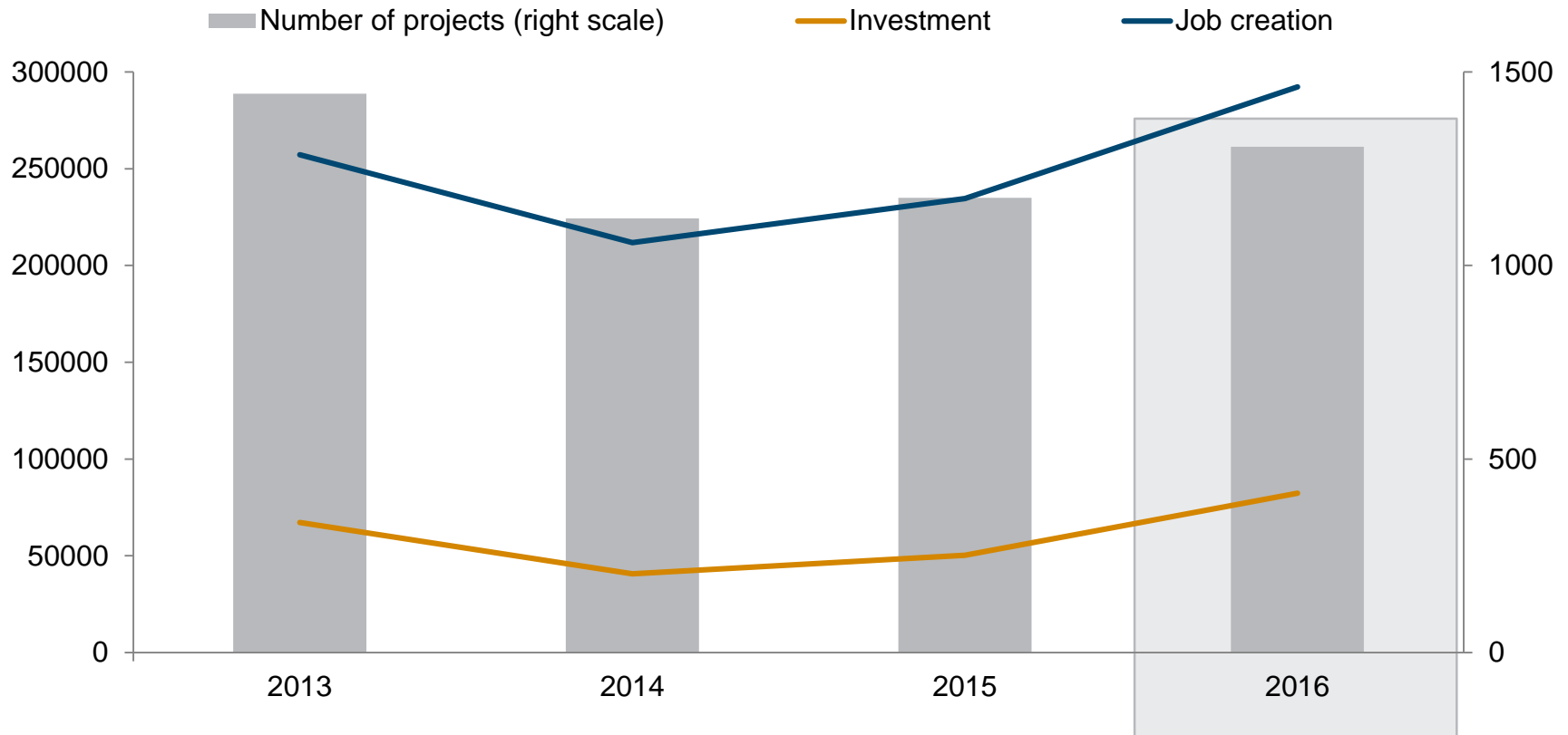
Inward FDI stock in **EU-CEE** and **Western Balkans** by major home countries, in %, 2010 and 2015



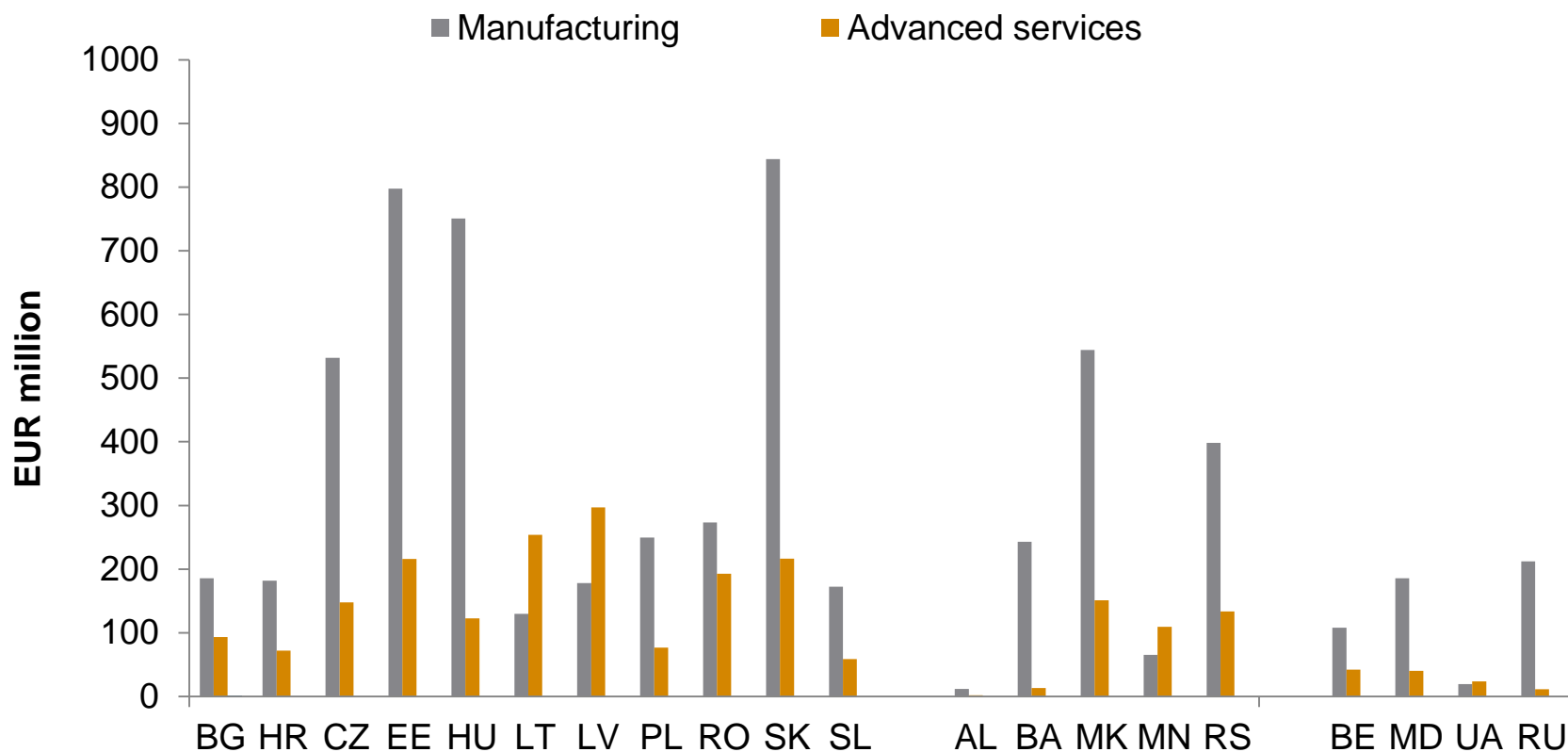
Source: wiiw FDI Database.

# More greenfield projects and higher capital investment

Greenfield FDI projects 2013-2016: number of projects, announced capital investment in EUR million and number of jobs to be created



## Greenfield FDI in manufacturing and advanced services in the CESEE per inhabitant, 2013-2016 cumulated, EUR





## Outlook for 2017

- Stronger economic growth and more FDI expected, but not in all CESEE countries
- FDI will increase in EU-CEE and the WB as local economies are recovering further and European companies invest more
- First-quarter FDI inflows not particularly high – may not be of much relevance
- More new greenfield projects, first of all in HU, PL, RO and RS
- No risk reduction expected in MD, RU and UA, thus FDI will hardly increase
- EU-CEE and parts of WB remain targets of production and services outsourcing despite rising wages and occasional labour shortages – room for productivity improvement