

5.4. FDI MONITOR: INFLOWS RISE ON ACCOUNT OF RUSSIA

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- › Total global FDI inflows were flat in 2019, at the previous year's level (USD 1.4 trillion).³¹ Inflows to the main destinations, – USA and China – remained at the 2018 level, while EU destinations of FDI showed huge diversity, on account of some major acquisitions and divestments. Globalisation seems to have reached its limit and FDI flows may shrink in the future. This is on account of US policies, as well as the new technologies becoming available under Industry 4.0, which will benefit the reshoring of production. Increased concern over health and environmental risks will intensify the situation.
- › FDI inflows into CESEE increased by an estimated 17% in 2019,³² against the revised 2018 data.³³ The recovery was mainly on account of Russia, where inflows increased threefold in 2019, against a very low level the previous year (Table 5.6). EU-CEE11 and Turkey received rather less than in the previous year, while inflows increased to WB6 and CIS3+UA.
- › We estimate that EU-CEE11 received rather less FDI in 2019 than in the previous year. The main difference compared with 2018 was that inflows to Hungary and Poland were most probably lower both nominally and in per capita terms (Figure 5.5). High divestments were recorded in Hungary in the first three quarters of the year, following the domestic takeover of foreign affiliates. Still, both countries are among the top FDI destinations in the region.
- › Rising wages and labour shortages had no significant short-term impact on FDI, although some production sites were closed down in several countries, in labour-intensive clothing, shoemaking and automotive component production. The remaining companies reinvested a larger share of their profits in labour-saving technologies.
- › The Western Balkans received only marginally more FDI in 2019 than in 2018, but the upward trend continued for the fourth consecutive year. Serbia has been the main host to new projects in manufacturing and export-oriented services. The other preferred target for such investments – North Macedonia – suffered a setback on account of its political instability. FDI in Turkey fell back to its lowest level since 2010, in line with investment activity generally.
- › The distribution of FDI stocks by economic activity has undergone important changes in some countries in recent years (Figure 5.6). Buoyant household demand increased the share of FDI in trade, transport and accommodation in Hungary, Poland and Romania, while the share of financial intermediation shrank in the wake of domestic takeovers. Manufacturing also maintained its leading position in the Czech Republic; the large increase in Hungary was due to a reclassification of car industry holdings. Rapidly increasing FDI in Albania occurred mainly in the energy sector, while in Russia mining claimed a rising share.

³¹ UNCTAD Investment Trends Monitor, January 2020.

³² FDI inflows for 2019 were estimated on the basis of data for the first three quarters of the year or, if not available, were calculated using the change in FDI liabilities in the first three quarters of 2019 against the same period in 2018. These are rough estimates, as the relationship is volatile both between FDI inflows and FDI liabilities and between sub-annual data of different years.

³³ The data for 2017 and 2018 have been revised since the autumn 2019 Forecast Report.

Table 5.6 / FDI inflow

EUR mn

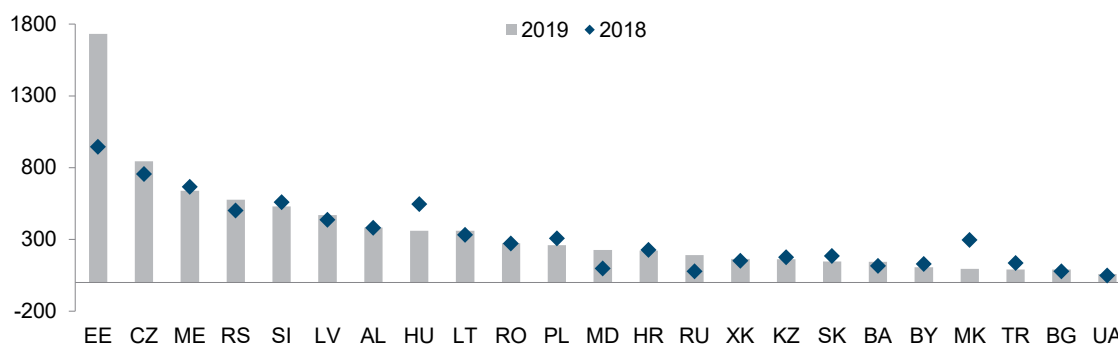
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EU-CEE11	23,577	25,527	30,100	13,425	26,449	25,270	36,052	36,249	37,083	35,400
WB6	3,473	5,675	2,806	3,577	3,487	4,450	4,198	4,896	6,289	6,500
TR	6,861	11,576	10,341	10,212	10,039	17,362	12,584	9,825	11,027	7,490
CIS3+UA	14,790	18,250	18,210	13,024	8,374	8,063	11,858	7,710	6,644	7,100
RU	23,875	26,476	23,483	40,196	22,037	10,664	33,568	22,990	11,222	28,000
CESEE23	72,575	87,505	84,941	80,434	70,387	65,808	98,261	81,669	72,265	84,500

Note: 2019 wiiw estimates. Data are based on Direct Investment Statistics (directional principle), excluding Special Purpose Entities (SPEs); for Hungary also excluding capital in transit and restructuring of asset portfolios.

Source: wiiw FDI Database incorporating national bank statistics.

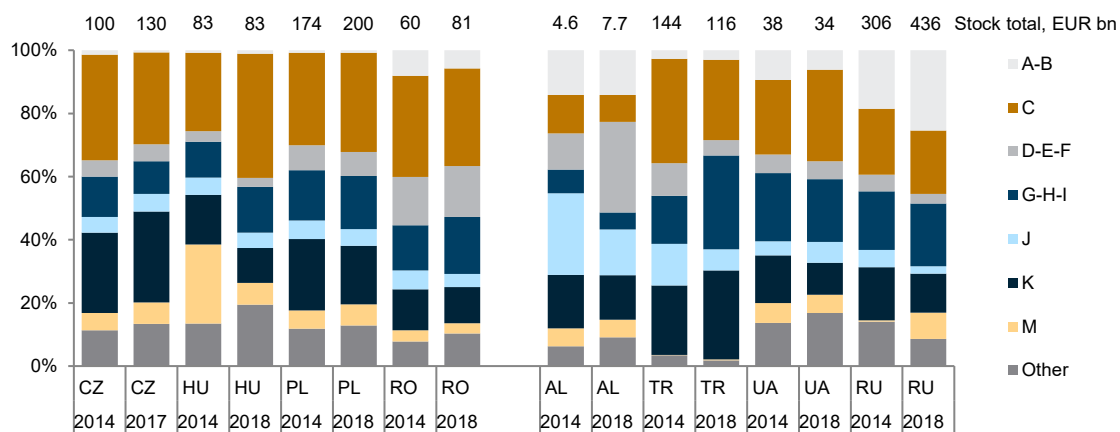
Figure 5.5 / FDI inflow per capita, 2018 and 2019

EUR mn



Note: 2019 wiiw estimates. Data are based on Direct Investment Statistics (directional principle), excluding Special Purpose Entities (SPEs); for Hungary also excluding capital in transit and restructuring of asset portfolios.

Source: wiiw FDI Database incorporating national bank statistics.

Figure 5.6 / Inward FDI stock by economic activities, 2014 and 2018

Note: NACE Rev. 2: A-B Agriculture+Mining, C Manufacturing, D-E-F Electricity+Water+Construction, G-H-I Trade+Transport+Accommodation, J Info-communication, K Finance, M Professional activities.

Source: wiiw FDI Database incorporating national bank statistics.