

4.4. FDI MONITOR: INFLOWS UP IN THE EU-CEE11 AND THE WESTERN BALKANS; DOWN IN RUSSIA

by Gábor Hunya

- › Global FDI inflows fell by an estimated 19% in 2018 against the previous year,²³ mainly due to repatriation of accumulated US overseas earnings (negative inflows). FDI inflows into CESEE fell by around 12% in 2017 (revised data²⁴), and by another 9% (estimated)²⁵ in 2018. The decline was mainly on account of Russia, where inflows fell by 35% in 2018 (Table 4.7).
- › The EU-CEE11 area received about 4% more FDI in 2018 than in the previous year, but less than one year earlier. Investments throughout the region were stimulated by a robust growth of demand for goods and services both internally and externally, and also by labour shortages necessitating labour saving investments. But the main difference compared with 2017 was that inflows in Poland were less depressed by disinvestments.
- › Foreign subsidiaries in EU-CEE11 have increasingly struggled to find qualified staff, paid higher wages to those that they have found, and hired labour from other countries. Investments in technology have been made to make production less labour intensive. Production sites were closed down only in exceptional cases, mainly in labour-intensive clothing, shoemaking and automotive component production.
- › The Western Balkans received 6% more FDI in 2018, continuing the upward trend for the third consecutive year. Turkey suffered a decline of a similar magnitude. In the CIS3 and Ukraine it was the latter which suffered some decline, while the other three countries in the group received stable amounts.
- › Small open economies in the EU-CEE11 and the Western Balkans have been the top receivers of FDI in per capita terms, with Estonia receiving comfortably the most (Figure 4.7). Some CIS countries and other large economies such as Turkey and Ukraine have generally attracted the least investment relative to their size.
- › As of 2010, the stock of inward FDI in relation to GDP was highest in Montenegro, Bulgaria and Estonia, in the range of 80-100%. Kazakhstan and Serbia joined the leading group in 2017 (Figure 4.8). Other catching up countries were Albania and Poland, which received relatively high amounts of FDI while also posting relatively fast GDP growth. Along with Turkey and Russia, the least open countries to FDI are Slovenia and Belarus, outliers to the general FDI-based development path.
- › The future may bring less investment into EU-CEE11 as a consequence of the German slowdown and possible US duties on car imports. The Western Balkans may get some more projects in mining and energy, while FDI in the CIS is less dependent on global developments.

²³ UNCTAD Investment Trends Monitor, January 2019.

²⁴ 2016 and 2017 data have been only marginally revised compared with the Forecast Report / Autumn 2018

²⁵ 2018 FDI inflow data, according to directional principle, were estimated based on data for the first three quarters of the year, or if not available, calculated using the change in FDI liabilities in the first three quarters of 2018 against the same period in 2017. These are rough estimations as the relationship is volatile both between FDI inflows and FDI liabilities and between sub-annual data of different years.

Table 4.7 / FDI inflows in CESEE overtime

EUR mn

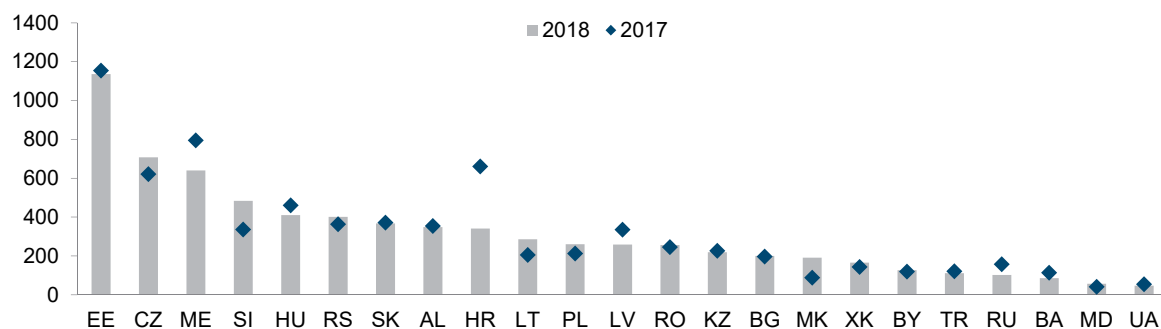
	2010	2011	2012	2013	2014	2015	2016	2017	2018
EU-CEE11	23,278	25,179	30,022	13,272	26,341	25,387	37,048	33,604	35,200
WB6	3,473	5,675	2,806	3,577	3,487	4,450	4,171	4,894	5,200
TR	6,861	11,576	10,341	10,212	9,875	16,225	12,054	9,668	9,000
CIS3+UA	14,790	18,250	18,210	13,024	8,309	7,877	11,575	7,664	7,400
RU	23,875	26,476	23,483	40,196	22,037	10,664	33,568	22,990	15,000
CESEE23	72,276	87,157	84,863	80,281	70,049	64,603	98,415	78,820	71,800

Note: Data are based on Direct Investment Statistics directional principle, excluding Special Purpose Entities (SPEs). wiiw estimates in 2018.

Source: wiiw FDI Database incorporating national bank statistics.

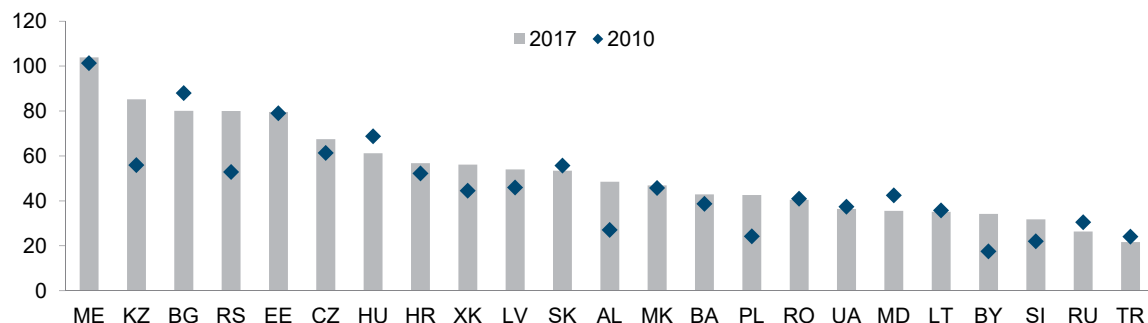
Figure 4.7 / FDI inflow per capita, 2017 and 2018

EUR



Note: Data are based on Direct Investment Statistics directional principle, excluding Special Purpose Entities (SPEs). wiiw estimates in 2018.

Source: wiiw FDI Database incorporating national bank statistics.

Figure 4.8 / FDI inward stock in % of GDP, 2010 and 2017

Note: Data are based on Direct Investment Statistics directional principle, excluding Special Purpose Entities (SPEs).

Source: wiiw FDI Database incorporating national bank statistics.