

wiiw FDI Report 2017

# FDI in Central, East and Southeast Europe: Recovery amid Stabilising Economic Growth

Gábor Hunya

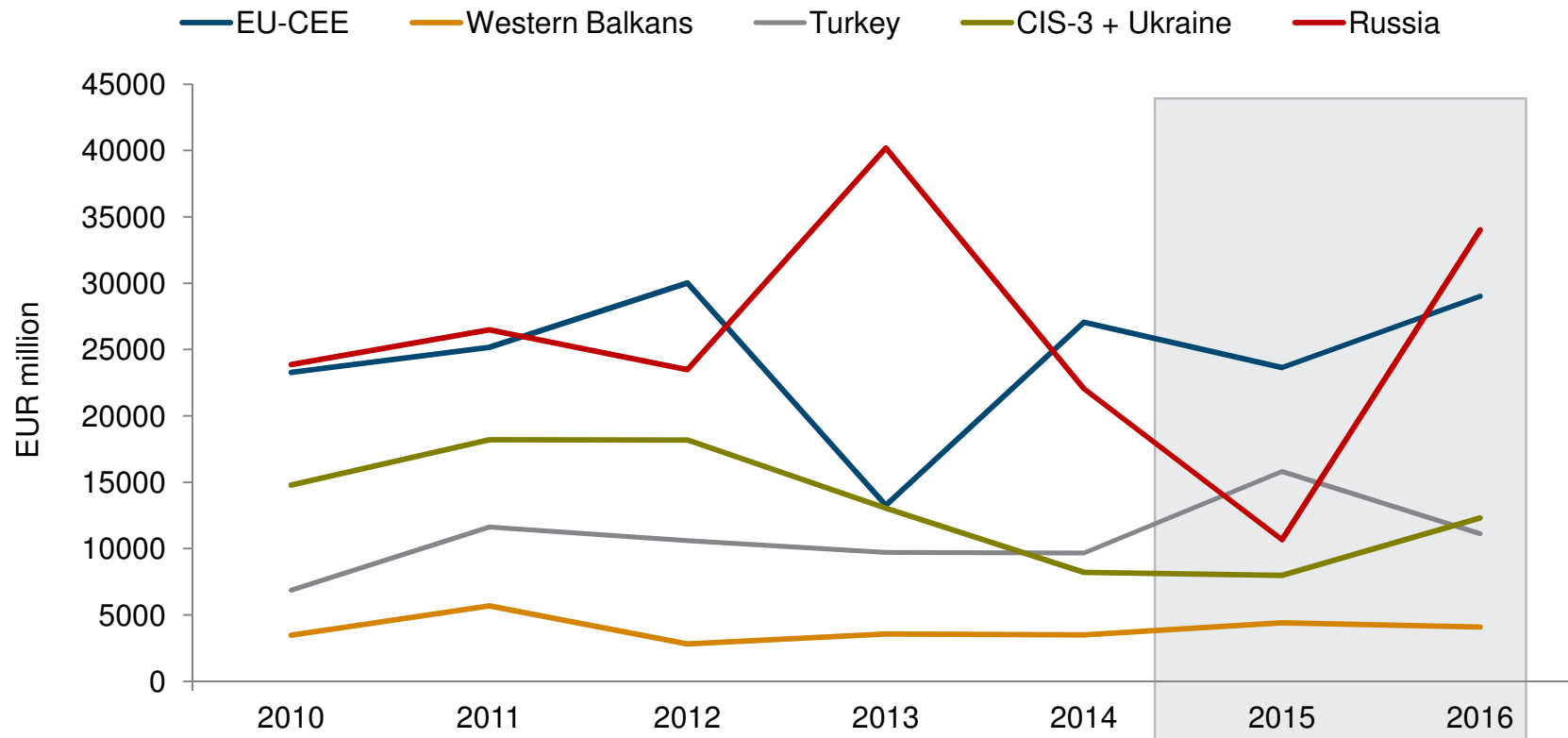
## Main FDI trends in 2016

- Global FDI declined but inflows in CESEE increased
  - Balance of payments statistics, directional principle against revised 2015 data; methodology uneven
- Economic growth stabilised or improved in CESEE and its main investors
- As EU transfers were down, FDI became more prominent in financing investments in 2016
- 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%

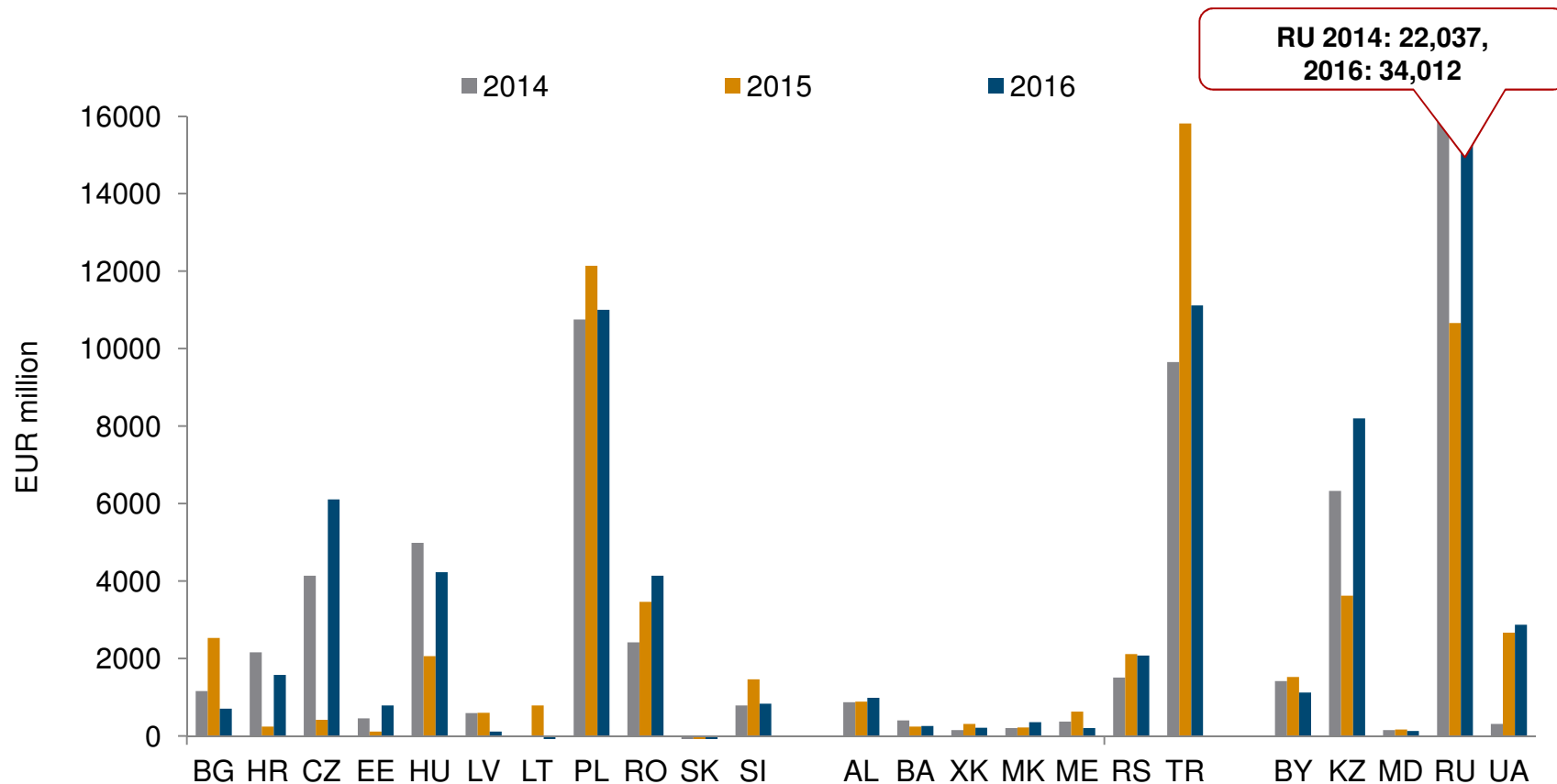


EU-CEE: European Union - Central and Eastern Europa. CIS-3: Belarus, Kazakhstan, Moldova.

Source: wiiw FDI Database.

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

FDI inflows, EUR million, 2014-2016

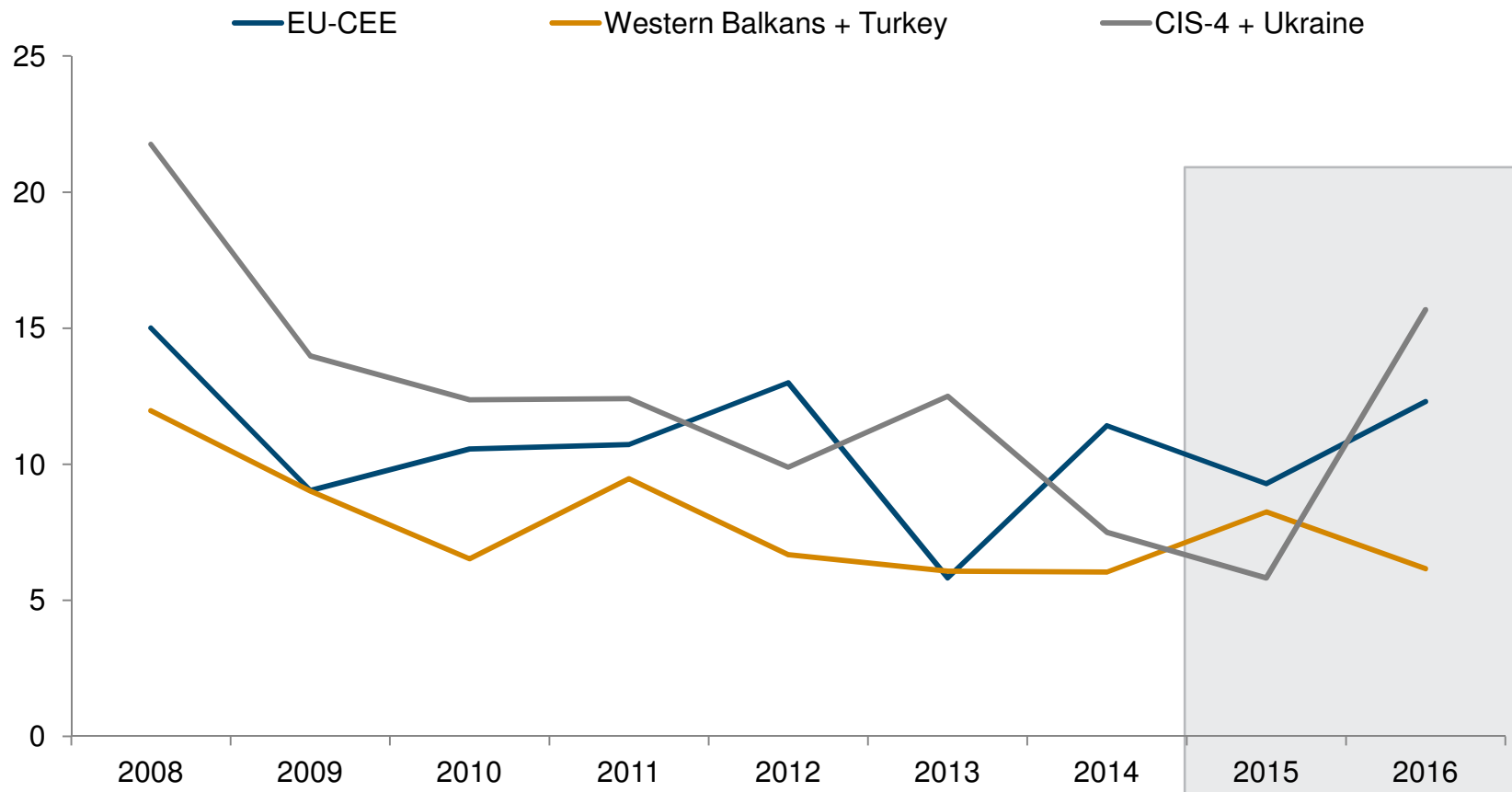


LT 2014: -18; 2016: -188. SK 2014: - 386; 2015: -176; 2016: -267.

Source: wiiw FDI Database.

# FDI inflow increased in comparison with total investment

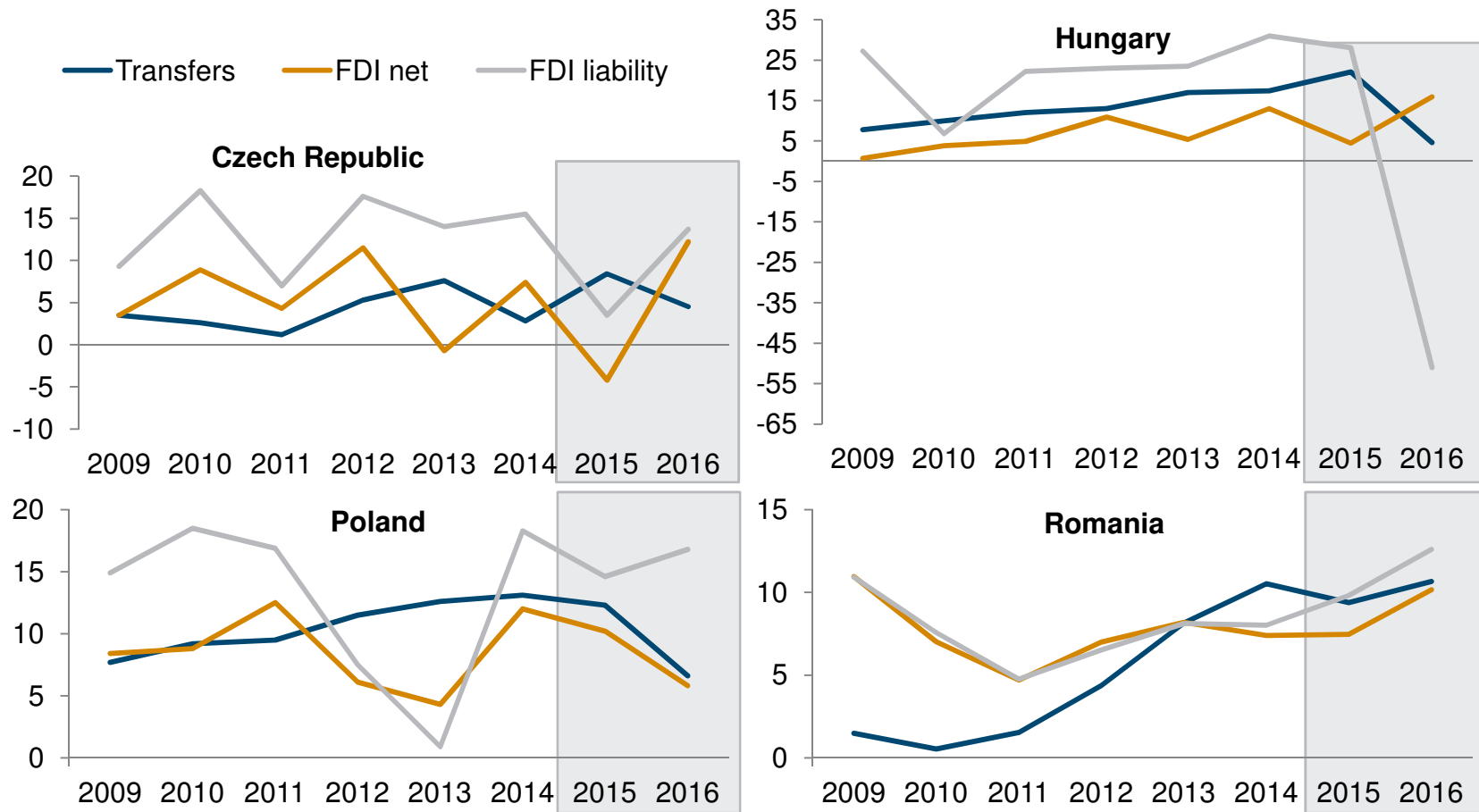
FDI inflows in % of GFCF, 2008-2016



Source: wiiw FDI Database and wiiw Annual Database.

# EU transfers declined, role of FDI increased in investment financing in 2016

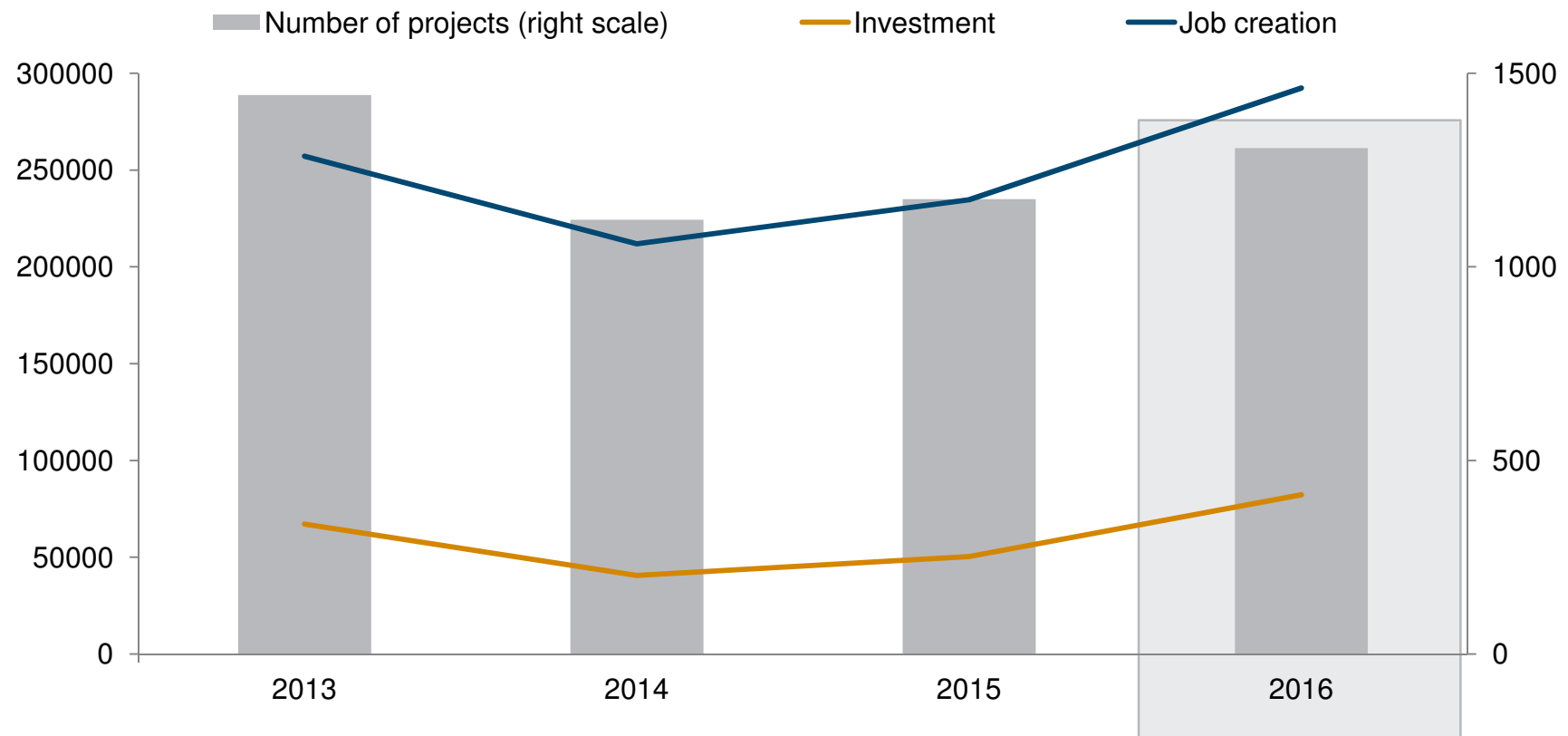
Transfers on capital account, FDI net, and FDI liabilities in % of GFCF



Source: wiiw Annual Database.

## More greenfield projects and higher capital investment

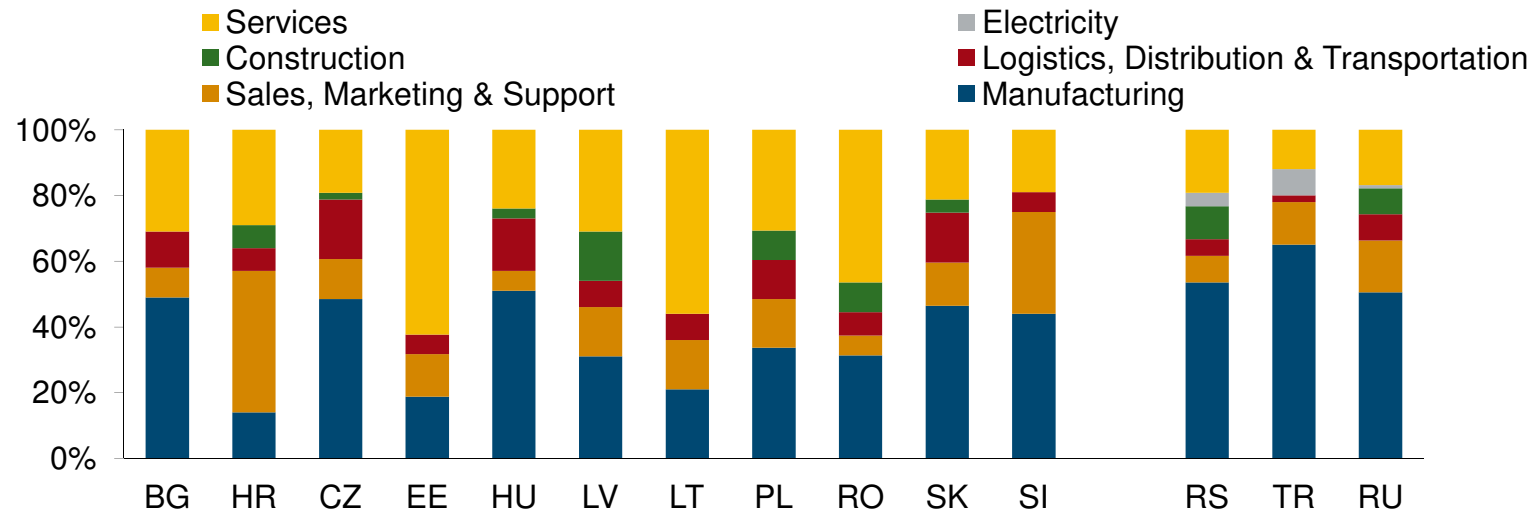
Greenfield FDI projects 2013-2016: number of projects, announced capital investment in EUR million and number of jobs to be created



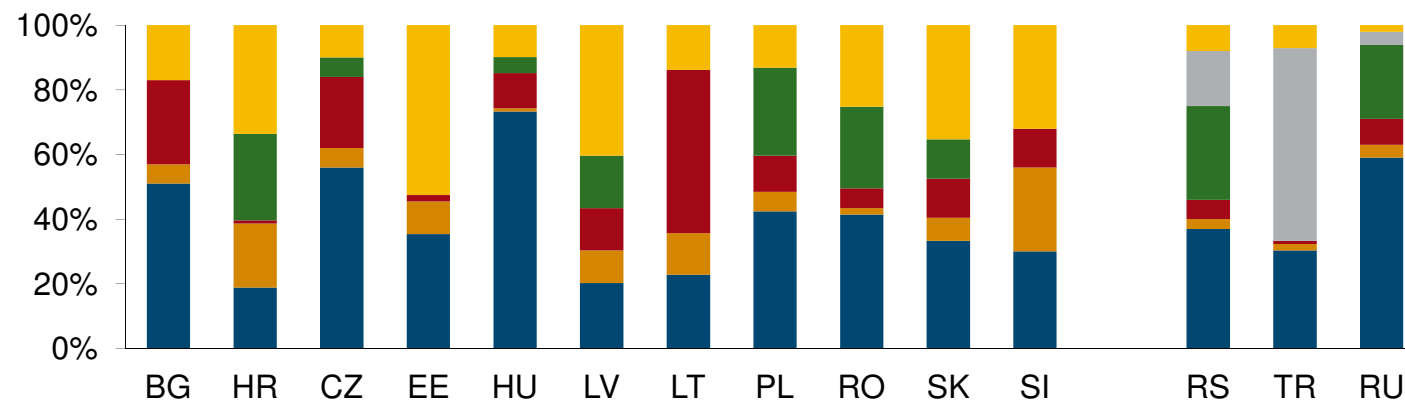
Source: <http://www.fdimarkets.com>.

## 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.

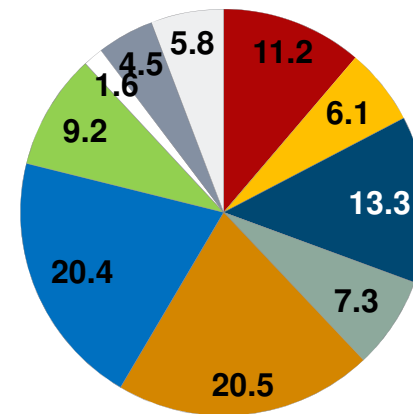
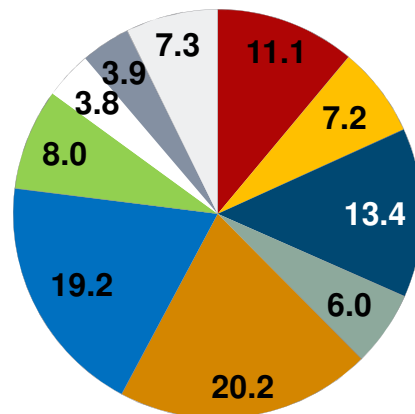
Source: <http://www.fdimarkets.com>.



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

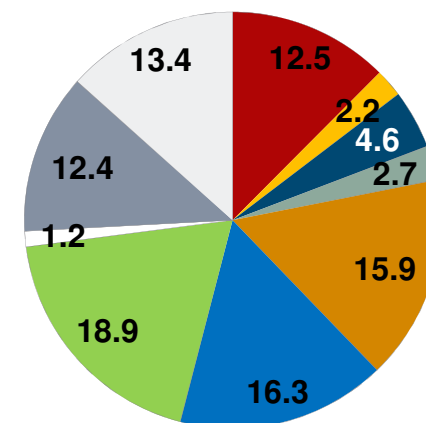
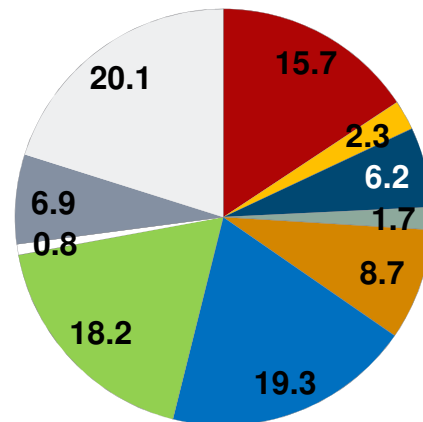
Inward FDI stock in EU-CEE and Western Balkans by major home countries, in %, 2010 and 2015

## EU-CEE



- Austria
- France
- Germany
- Luxembourg
- Netherlands
- other EU-15
- EU-CEE
- United States
- Cyprus+Russia
- other countries

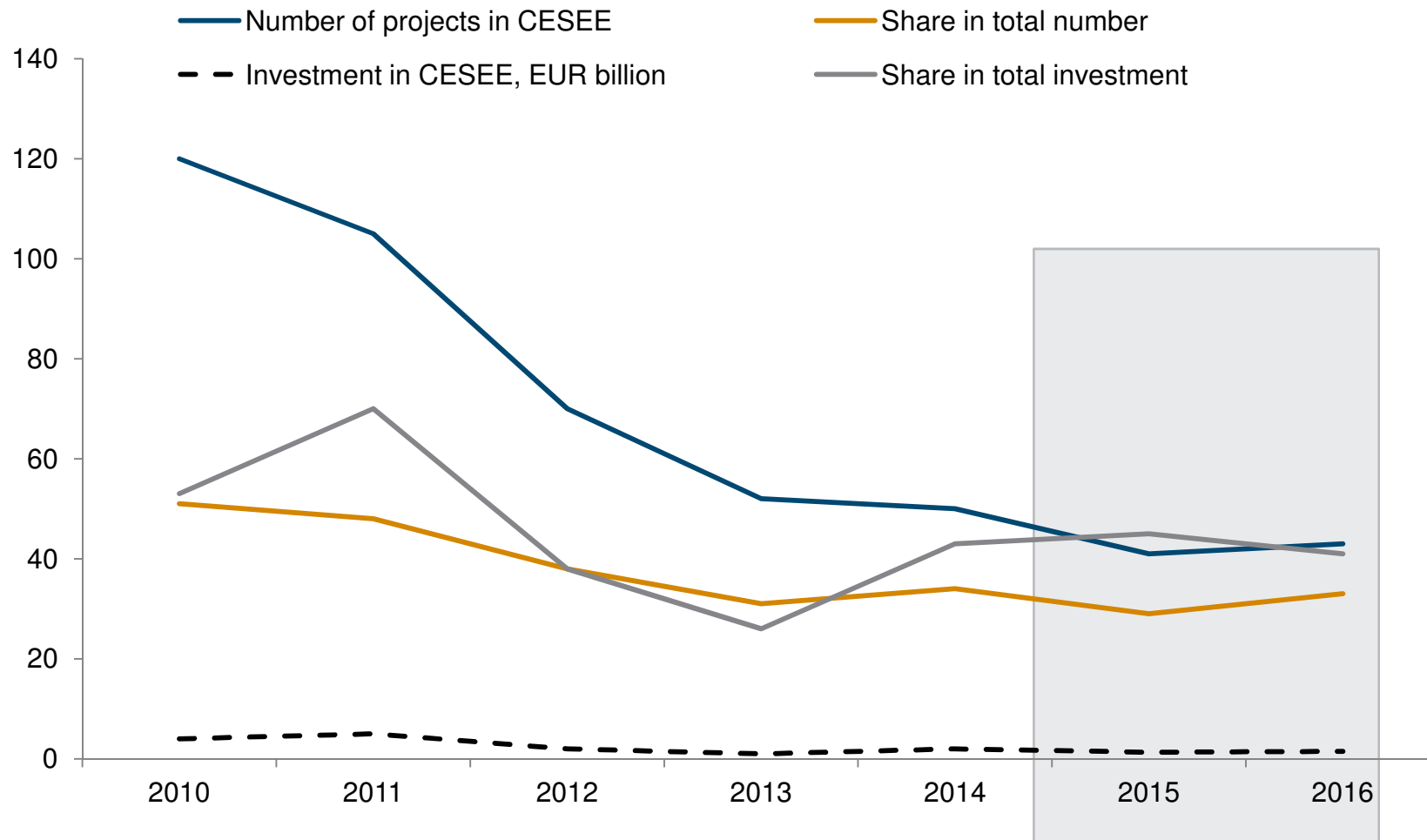
## Western Balkans



- Austria
- Germany
- Greece
- Netherlands
- Russia
- other EU-15
- EU-CEE
- United States
- Cyprus+Russia
- other countries

Source: wiiw FDI Database.

# Austrian greenfield projects in CESEE – modest recovery, but still only rank 8 or 9 in the region



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

## 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
- Also EU transfers will increase and support an investment recovery together with FDI in EU-CEE
- 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

## WIIW FDI REPORT 2017: FDI in Central, East and Southeast Europe: Recovery amid Stabilising Economic Growth

- 149 pages including 104 Tables and 9 Figures, analysis and methodological explanations
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Online access to the **wiiw FDI Database** via <https://data.wiiw.ac.at>

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## Country codes

AL	Albania	MK	Macedonia
BA	Bosnia and Herzegovina	PL	Poland
BG	Bulgaria	RO	Romania
CZ	Czech Republic	RS	Serbia
EE	Estonia	RU	Russia
HR	Croatia	SI	Slovenia
HU	Hungary	SK	Slovakia
KZ	Kazakhstan	TR	Turkey
LT	Lithuania	UA	Ukraine
LV	Latvia	XK	Kosovo
ME	Montenegro		
CESEE	Central, East and Southeast Europe		
CIS	Commonwealth of Independent States		
EU-CEE	European Union – Central and Eastern Europe		
WB	Western Balkans		