

**CORRIGENDUM** - First released on 27 April 2017, this publication has been updated to reflect corrected data for the Netherlands which also impacted the EU, OECD and World aggregates.

## FDI falls 7% in 2016, despite a healthy second half

- **Global FDI flows decreased by 7%** to USD 1 625 billion in 2016 compared to 2015. Despite recovering well from a weak second quarter, FDI flows failed to reach 2015 levels.
- **Inflows to the EU increased by 22%**, boosted by inflows to the United Kingdom largely due to Anheuser-Busch InBev acquiring SABMiller in Q4. Inflows to the OECD area increased more modestly by just 6%, mostly due to disinvestments from Switzerland.
- **FDI inflows to G20 countries increased by 21%**. Inflows to OECD G20 countries increased by 48%, but inflows to non-OECD G20 countries fell 18%, largely due to a decline in FDI flows to China.
- **China became a net outward direct investor for the first time in 2016.**
- **Outflows from the OECD area and the EU decreased by 9% and 10% respectively**, partly driven by flows from Ireland and Switzerland, which dropped from record levels in 2015.
- **OECD area FDI flows of resident special purpose entities (SPEs) decreased** in 2016 to negative levels for the first time since 2005, partly due to decreases in flows to and from Luxembourg SPEs.
- **Rates of return on inward and outward FDI continued the decline** started in 2011 as the downturn in commodities hurts mining and quarrying.

### In this issue

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### Find latest FDI data online

Detailed FDI statistics by partner country and by industry are available from **OECD's online FDI database** (see pre-defined queries). Find detailed information on inward and outward FDI flows, income and positions by main destination or recipient country, and by industry sector, as well as detailed information for resident SPEs and information on inward FDI positions by ultimate investing country. New data for 2015 became available in January 2017.

## 1 Recent developments

In 2016, global FDI flows<sup>1</sup> decreased by 7% to USD 1 625 billion in comparison to 2015, above levels recorded between 2009 and 2014 and comparable to 2008. However, they remained below their pre-crisis peak, representing 2.2% of global GDP compared to 3.6% in 2007. The United Kingdom recorded the highest level of FDI inflows since 2005 (USD 254 billion), largely due to Anheuser-Busch InBev acquiring SABMiller in the last quarter of the year.<sup>2</sup> The United States continued to receive large inflows in 2016 with financial and corporate restructuring<sup>3</sup> still playing a role, although reduced compared to 2014 and 2015 (see FDI in Figures – April 2016). These gains were offset by decreases in FDI flows to Hong-Kong (China), Ireland and Switzerland, down from record levels in 2015, and declines in FDI flows to China for the third consecutive year.

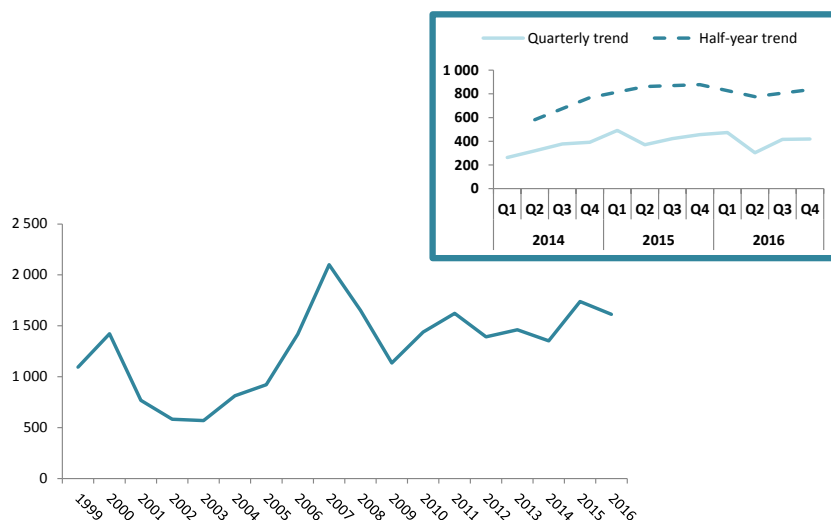
<sup>1</sup> By definition, inward and outward FDI worldwide should be equal. However, in practice, there are statistical discrepancies between inward and outward FDI. Unless otherwise specified, references to 'global FDI flows' refer to the average of these two figures.

<sup>2</sup> [www.bloomberg.com/news/articles/2016-09-28/sabmiller-investors-give-go-ahead-for-103-billion-megabrew-deal](http://www.bloomberg.com/news/articles/2016-09-28/sabmiller-investors-give-go-ahead-for-103-billion-megabrew-deal)

<sup>3</sup> [www.genengnews.com/gen-news-highlights/shire-baxalta-complete-32b-merger/81252788](http://www.genengnews.com/gen-news-highlights/shire-baxalta-complete-32b-merger/81252788).

Figure 1 shows global FDI flows from 1999 to 2016 and includes a focus on 2014-2016 quarterly and half year trends.<sup>4</sup> Quarterly analysis of global FDI flows is complicated by the volatility of the flows, which are often affected by a few very large deals during a specific quarter. High levels of FDI flows were recorded in each quarter of 2016 except Q2, which saw a drop largely due to disinvestments affecting selected EU countries (see FDI in Figures - October 2016). Apart from a weak Q2, quarterly FDI flows in 2016 were higher than the levels recorded in each quarter of 2013 and 2014 and comparable to 2015 (above USD 400 billion). Looking at half-year values, FDI flows in the second half of 2016 were 9% higher than in the first half but remain 3% below the levels recorded in the second half of 2015.

**Figure 1: Global FDI flows, 1999-2016 (USD billion)**



Source: OECD International Direct Investment Statistics database

## Inflows

**By region**, FDI flows into the **OECD** area increased by 6%, from USD 1 032 billion to USD 1 092 billion, in 2016 (Figure 2). FDI flows into the OECD area accounted for 62% of global FDI inflows, up from 55% in 2015 and 43% in 2014. Inflows to the United States and the United Kingdom, combined with declines in flows to Hong Kong (China) and China, largely accounted for the increased share of the OECD area.

FDI flows into **EU** countries increased by 22% (from USD 478 billion to USD 582 billion), reaching their highest level since the beginning of the financial crisis. This is largely due to increased flows to the United Kingdom, partly offset by decreased flows to Ireland which reached record levels in 2015.

FDI inflows to **G20** economies as a whole increased by 21%, from USD 984 billion to USD 1 193 billion. G20 sub-groups, however, showed diverging trends: while flows to **OECD G20** economies increased by 48%, they were partly offset by an 18% drop in flows to **non-OECD G20** economies.

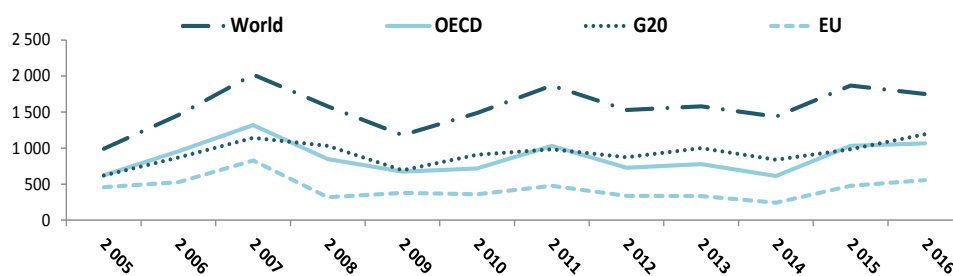
Record levels of flows (USD 147 billion) in Q4 made the United Kingdom the largest recipient of FDI inflows worldwide in that quarter and the second largest recipient of FDI worldwide in 2016, after the United States and before China.<sup>5</sup>

<sup>4</sup> The measure was constructed using FDI statistics on a directional basis whenever available, supplemented by measures on an asset/liability basis when needed. See Notes for tables 1 and 2 on page 12 for details. Data are as of 15 April 2017.

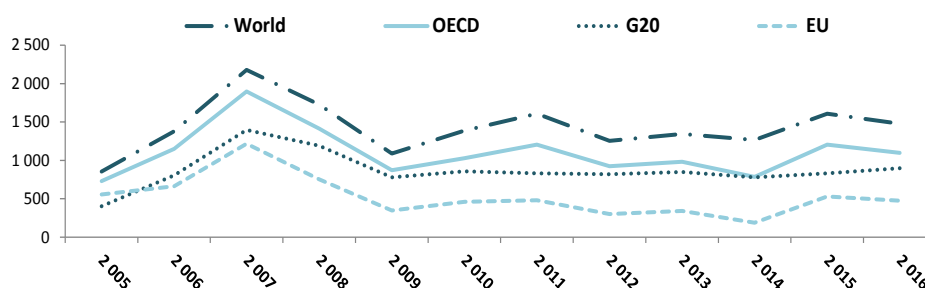
<sup>5</sup> Hong-Kong, China and Singapore are not listed as major FDI sources and recipients because these economies are not the ultimate destinations or sources of a significant amount of their flows.

**Figure 2: FDI flows, 2005-2016 (USD billion)**

**FDI inflows**



**FDI outflows**



Source: OECD International Direct Investment Statistics database and IMF.

The **6% increase in OECD area FDI inflows in 2016** was driven by large flows to the United Kingdom, mostly as a result of Anheuser-Busch InBev acquiring SABMiller in Q4, and to a lesser extent by increased flows to the United States (from USD 353 billion to USD 396 billion), the Netherlands (from USD 69 billion to USD 92 billion, excluding investments in SPEs), Australia (from USD 22 billion to USD 42 billion<sup>6</sup>), Japan (from USD -2 billion to USD 11 billion), Sweden (USD 6 billion to USD 20 billion), Belgium (from USD 21 billion to USD 33 billion) and Luxembourg (from USD 16 billion to USD 27 billion, excluding investments in SPEs). These increases were partly offset by significant declines in Ireland and Switzerland, down from record levels reached in 2015; FDI flows to Ireland dropped from USD 188 billion to USD 22 billion, while FDI flows to Switzerland dropped from USD 70 billion to negative levels (at USD -17 billion).<sup>6</sup> Inflows also decreased, but to a lesser extent, to Canada (from USD 42 billion to USD 34 billion), Germany (from USD 21 billion to USD 15 billion), France (from USD 40 billion to USD 34 billion) and Mexico (from USD 33 billion to USD 27 billion). FDI flows to Norway dropped from USD 6 billion to negative levels (at USD -15 billion).

Examining financial flows by component--equity capital, reinvestment of earnings, and intercompany debt--can shed further light on FDI developments within the OECD (Figure 3).<sup>7</sup> As observed for total inflows, **FDI equity flows in OECD countries increased by 7% in 2016**. Equity capital flows represented 1.7% of OECD area GDP in 2016, compared to 1.6% in 2015, slightly below their pre-crisis peak level of 1.9% of GDP. They represented 74% of total OECD area inflows, a level

<sup>6</sup> Asset/liability based figure for 2016 compared to directional figure for 2015

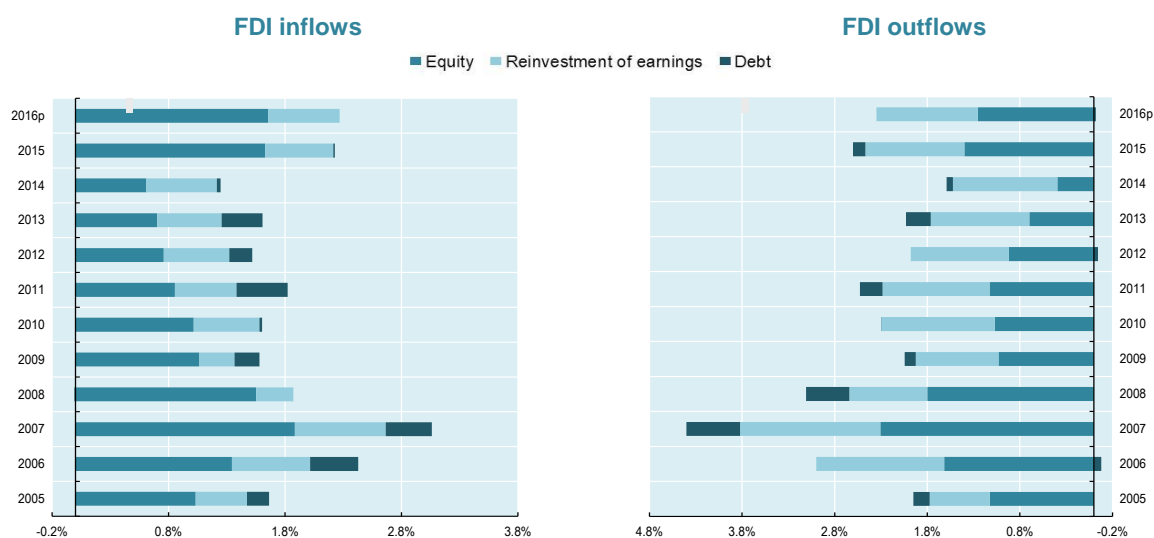
<sup>7</sup> OECD FDI equity, reinvestment of earnings and debt flows are estimated using FDI instruments reported by OECD countries, on directional basis or asset/liability basis in accordance to total FDI flows series included in Table 1 on page 10. For OECD countries who did not report FDI aggregates by instrument on directional basis, instruments were estimated using equity and reinvestment of earnings reported on asset/liability. For OECD countries who did not report FDI instruments to the OECD, instruments were estimated using data on instruments available from the IMF BOP database; or by using instrument shares observed in non-revised data for historical years. Missing instruments for 2016 were collected from national sources websites directly when available, or were estimated by distributing total FDI equally among instruments. For more information on FDI components, please see the notes on page 12.

comparable to 2015 but higher than the average 47% observed from 2011-2014. Equity flows to the United States, the United Kingdom and Ireland accounted for 77% of total equity flows in the OECD in 2016. Large increases in equity flows to the United Kingdom and the United States as compared to 2015 were partly offset by decreases to Switzerland, which recorded net disinvestments after record levels of equity flows in 2015, and, to a lesser extent, to Canada where equity inflows were halved.

**Reinvestment of earnings in foreign affiliates resident in OECD countries increased by 6% in 2016.**<sup>7</sup> Reinvestment of earnings represented 0.6% of OECD area GDP, a level comparable to 2015 and slightly below the 0.8% of GDP observed in 2007. They represented 26% of total OECD area inflows as in 2015, as compared to 49% in 2014. Reinvestment of earnings in foreign affiliates in the United States and Ireland decreased by 13% and 18%, respectively. However, they accounted for 25% and 12%, respectively, of total reinvestment of earnings of foreign affiliates in OECD countries. Those decreases in reinvestment of earnings were partly offset by increases in reinvestment in foreign affiliates in the Netherlands (excluding reinvestment of earnings in resident SPEs) and Sweden, where they more than doubled, and in the United Kingdom, where they increased by 48%.

**Negative intercompany debt flows were recorded in the OECD area in 2016.**<sup>7</sup> Although intercompany debt flows are the most volatile component of FDI, they have been positive since 2005, with the exception of 2008 when the financial crisis started. However, the situation varies across countries. The switch to negative inflows was largely due to significant negative intercompany debt flows recorded in Ireland, at USD -124 billion, corresponding mostly to affiliates in Ireland reimbursing loans to their foreign parents. In Canada, France, Hungary, Luxembourg and Sweden, intercompany debt flows remained negative. They increased from negative levels to USD 16 billion in Italy and to USD 14 billion in the Netherlands (excluding debt flows in SPEs), and they increased by 6% in the United States (to USD 55 billion).

**Figure 3: OECD area FDI flows by instruments, 2005-2016 (as a share of GDP)**



Notes: p: preliminary estimates. OECD area FDI equity, reinvestment of earnings and debt flows are estimated using FDI instruments reported by OECD countries, on directional basis or asset/liability basis in accordance to total FDI flows series included in Table 1 on page 10. For OECD countries who did not report FDI aggregates by instrument on directional basis, instruments were estimated using equity and reinvestment of earnings reported on asset/liability. For OECD countries who did not report FDI instruments to the OECD, instruments were estimated using data on instruments available from the IMF BOP database; or by using instrument shares observed in non-revised data for historical years. Missing instruments for 2016 were collected from national sources websites directly when available, or were estimated by distributing total FDI equally among instruments.

Source: OECD International Direct Investment statistics database

**The 18% drop in FDI inflows to non-OECD G20 countries**, was due to a drop of 84% to Indonesia (to USD 2.7 billion) largely due to equity disinvestments recorded in the fourth quarter of the year; of 42% to Argentina (to USD 6.8 billion); of 30% to China (to USD 171 billion); and of 9% to Brazil (to USD 59 billion). FDI inflows to Saudi Arabia were USD 5.4 billion in the first three quarters of 2016, 13% below their level of a year earlier. In contrast, FDI inflows to Russia almost tripled (from USD 13 billion to USD 37 billion), they increased by 31% in South Africa (to USD 2.3 billion), and remained stable to India at around USD 44 billion. In Russia, the increase was largely due to equity inflows recovering from disinvestments (from USD -0.5 billion in 2015 to USD 19 billion in 2016).

## FDI Outflows

**By region, FDI outflows from the OECD area declined by 9% in 2016** (to USD 1 096 billion), driven by decreases in outflows from Ireland and Switzerland. OECD area FDI outflows accounted for 74% of global FDI outflows, a level comparable to previous periods except in 2014 when the share dropped to 62% (Figure 2).

**EU** outflows decreased by 10% (from USD 531 billion to USD 476 billion), partly driven by FDI flows from Ireland and Switzerland which dropped from record levels recorded in 2015.

FDI outflows from **G20 economies** increased by 8%, from USD 831 billion to USD 898 billion. Within the G20 economies, FDI outflows increased by 10% in G20 OECD economies and increased more modestly, by 2%, in G20 non OECD economies, mainly driven by increases from China. The United States remained by far the largest source of FDI worldwide, followed by China, the Netherlands (excluding investments from SPEs) and Japan.<sup>5</sup> For the first time, China became a net outward direct investor.

The **9% decrease in outflows from the OECD area** was driven by decreases in Ireland (from USD 166 billion to USD 45 billion) and Switzerland (from USD 104 billion to USD 40 billion<sup>6</sup>), but there were also strong declines (more than USD 10 billion) in investment flows from Germany (from USD 81 billion to USD 40 billion), Luxembourg (from USD 50 billion to USD 32 billion excluding resident SPEs), Belgium (from USD 30 billion to USD 18 billion), Austria (USD 10 billion to USD -1.8 billion), Mexico (from USD 11 billion to USD -0.8 billion), and in Norway (from USD 20 billion to USD 6 billion). Outflows from the United States remained stable (USD 318 billion compared to USD 322 billion in 2015). Partly offsetting were increases in outflows from the United Kingdom although they remained negative for the fourth consecutive year (at USD -13 billion compared to USD -82 billion in 2015). FDI outflows in the Netherlands (excluding from resident SPEs) and Japan increased by, respectively, 26% and 13%, hitting their highest levels since 2005 at USD 174 billion and USD 145 billion, respectively. In other countries, outflows increased by more than USD 10 billion in Australia (from USD -17 billion to USD -0.2 billion<sup>6</sup>); in Finland (from USD -16 billion to USD 13 billion<sup>6</sup>); and in France (from USD 38 billion to USD 52 billion).

As observed for total outflows, **equity investment flows from OECD countries decreased by 9% in 2016**.<sup>7</sup> Outward equity capital flows represented 1.3% of OECD area GDP in 2016, compared to 1.4% in 2015 and well below their pre-crisis peak level when they accounted for 2.3% of OECD area GDP. They represented 54% of total OECD area outflows, a level which is comparable to 2015 and which contrasts with the declining trend observed since the start of the financial crisis: while equity capital outflows represented more than 50% of total outflows in 2008, their share decreased continuously and they represented only 25% of total outflows in 2014. There were strong declines in equity outflows from Ireland and Switzerland from record levels in 2015 (they dropped from USD 126 billion and USD 57 billion to USD 47 billion and USD -4 billion) and to a lesser extent from Norway (from USD 24 billion to USD -6 billion) and Germany (from USD 64 billion to USD 54 billion). This development was partly offset by increases in equity outflows from Luxembourg (excluding investment from SPEs), the Netherlands (excluding investment from SPEs), the United Kingdom and

the United States where equity outflows from each country increased by around USD 20 billion (although they remained negative for the United Kingdom).

**Earnings reinvested by OECD area parents in their foreign affiliates abroad increased by 4% in 2016.**<sup>7</sup> They represented 1.1% of OECD area GDP, a level comparable to 2015 and slightly below 1.5% of GDP observed in 2007. Reinvestment of earnings represented 47% of total OECD area outflows as compared to 41% in 2015 and 71% in 2014. Reinvestment of earnings increased from less than USD 1 billion to USD 13 billion in the United Kingdom; they more than doubled in Australia (to USD 11 billion) and Sweden (to USD 16 billion) and increased by one third in Germany and Ireland (to USD 15 billion for both countries). In contrast, reinvestment of earnings decreased by 35% from Switzerland (to USD 23 billion). They decreased by 2% from the United States (to USD 299 billion) but represented 58% of total earnings reinvested in foreign affiliates of OECD area parents.

**As for inflows, negative intercompany debt outflows were recorded from the OECD in 2016.**<sup>7</sup> This was also the case in 2006 and 2012. However the situation varies across countries. The development in 2016 was partly due to large negative intercompany debt outflows recorded from Germany (at USD -28 billion), Ireland (at USD -17 billion), Luxembourg (at USD -20 billion) and the United States (at USD -15 billion) while they were positive in 2015. The situations in Germany and the United States were largely due to foreign affiliates extending loans to their German and US parents, while in Ireland it was mostly due to movements of loans between fellow enterprises.

**In the non-OECD G20 economies,** FDI outflows increased more modestly than in the OECD G20 economies--by 2% compared to 8%--driven by FDI outflows from China, which increased by 25% to USD 217 billion. FDI outflows from Argentina remained stable (at around USD 0.9 billion) while they dropped from the other countries: by 41% from South Africa (to USD 3.4 billion); by 32% from India (to USD 5 billion); by 4% from Russia (to USD 27 billion) and there were negative outflows from Brazil and Indonesia (at around USD -12 billion for both countries). While in Indonesia the situation was due to disinvestment in equity, there was negative intercompany debt flows recorded from Brazil.

## 2

### FDI in resident special purpose entities (SPEs)

SPEs are entities with little or no physical presence or employment in the host country but that provide important services to the MNE in the form of financing or of holding assets and liabilities. MNEs often channel investments through SPEs in one country before they reach their final destination in another country. By excluding investment into resident SPEs, countries have a better measure of FDI into their country that is likely to have a real impact on their economy.<sup>8</sup>

FDI positions excluding resident SPEs are available for 17 OECD countries: SPEs are not significant in Korea, Chile, Poland, Norway, Estonia and Belgium, accounting for less than 5% of FDI in these economies, while resident SPEs in Luxembourg, the Netherlands, Hungary, Austria, Iceland and the United Kingdom account for 25% or more of their inward FDI. SPEs play smaller, but still significant, roles in investment for Switzerland, Denmark, Portugal, Sweden and Spain. Overall, FDI positions in SPEs hosted by these 17 countries represent 57% of their total inward FDI position at end 2016.

FDI flows in and from SPEs are volatile due to the role SPEs play in the internal financing of MNEs and can be particularly affected by individual large deals. Figure 4 shows annual trends of FDI inflows and outflows to and from SPEs of 7 OECD countries which reported the information for 2005-2016.

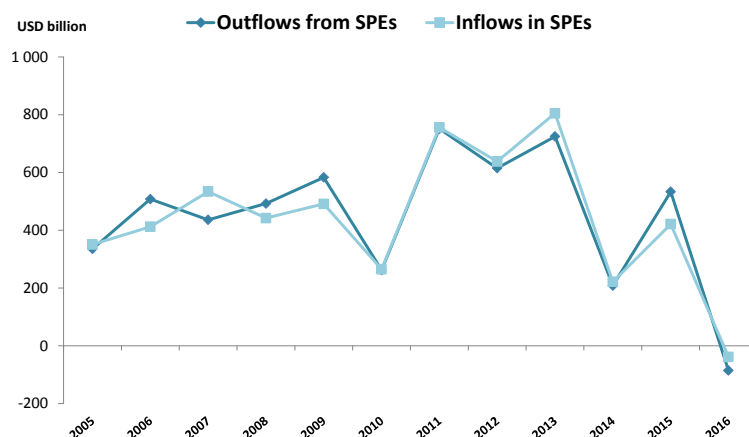
<sup>8</sup> For more details, see the [OECD note on how MNEs channel investments through multiple countries](#).

**There were disinvestments in SPEs in 2016, for the first time since 2005.** This development was due to significant decreases in investments in and from Luxembourg SPEs combined with disinvestments in SPEs of Austria, Belgium<sup>9</sup>, Hungary and the Netherlands. For the 10 countries who reported the information for 2016<sup>9</sup>, there were disinvestments in equity in and from those entities as well as negative intracompany debt flows. Reinvestment of earnings for inward investment to SPEs decreased by 4% from 2015, while there was negative reinvestment of earnings on outward investment from SPEs, as in 2013-2015, because the affiliates they hold paid dividends to the SPEs in excess of their earnings.

In 2016, investment flows in and from Luxembourg SPEs dropped to USD 11 billion and USD 18 billion, respectively, much lower than the levels between 2005 and 2015. The significant decline in FDI flows in Luxembourg SPEs was due to equity disinvestments in the last three quarters of 2016, combined with low levels of equity inflows in the first quarter. In contrast, intracompany debt flows increased to USD 67 billion in 2016 from negative levels recorded in 2015 while reinvestment of earnings in those entities remained very limited. Investment flows from Luxembourg SPEs dropped due to declines in both equity and intracompany debt outflows; equity outflows dropped to USD 37 billion and intracompany debt outflows were negative (at USD -19 billion) in 2016.

In 2016, there were disinvestments in and from SPEs located in Austria, Belgium<sup>9</sup>, Hungary and the Netherlands: FDI flows in and from Austrian SPEs dropped from around USD 2 billion to around USD -30 billion; FDI flows in and from Belgian SPEs were negative for the third consecutive year; FDI flows in and from Hungarian SPEs were negative for the second consecutive year; FDI flows in Dutch SPEs dropped from USD 58 billion in 2015 to USD -26 billion in 2016 while FDI outflows from those entities were negative for the second consecutive year (at USD -47 billion in 2016). FDI flows in and from SPEs located in Chile<sup>9</sup>, Denmark, Iceland<sup>9</sup>, Poland and Portugal did not exceed USD 1 billion.

**Figure 4: FDI inflows and outflows to and from OECD area SPEs, 2005-2016**



Notes: Includes FDI inflows and outflows in and from 7 OECD countries which reported the information for 2005-2016: Austria, Denmark, Hungary, Luxembourg, the Netherlands, Poland and Portugal.  
Source: OECD International Direct Investment statistics database

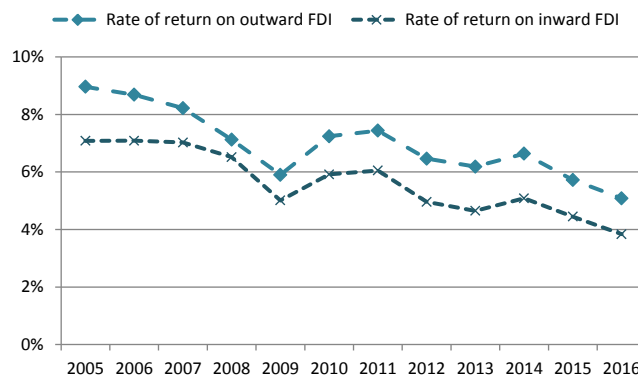
<sup>9</sup> FDI flows in and from Belgium, Chile and Iceland SPEs are not included in Figure 4, as data are only available for 2013-2016, 2009-2016 and 2013-2016 respectively.

# 3

## Spotlight on OECD FDI income receipts by industry

At end 2016, OECD area outward and inward FDI stocks were estimated at USD 19.8 trillion and USD 17.2 trillion, representing respectively 37% and 42% of OECD area GDP, as compared to 35% and 42% respectively in 2015. This section focuses on the profitability of FDI stocks over time, as reflected in rates of return on total funds invested. A simple rate of return is defined for the OECD area as the ratio between FDI income (income on equity and interest from debt) and FDI stocks. Figure 5 shows the rates of return on OECD area inward and outward FDI for 2005-2016. Rates of return on both inward and outward FDI fell during the financial crisis, then recovered and, since 2011, have been on a general downward trend. However, the experience of individual OECD countries has varied.

**Figure 5: OECD area rates of return on inward and outward FDI, 2005-2016**



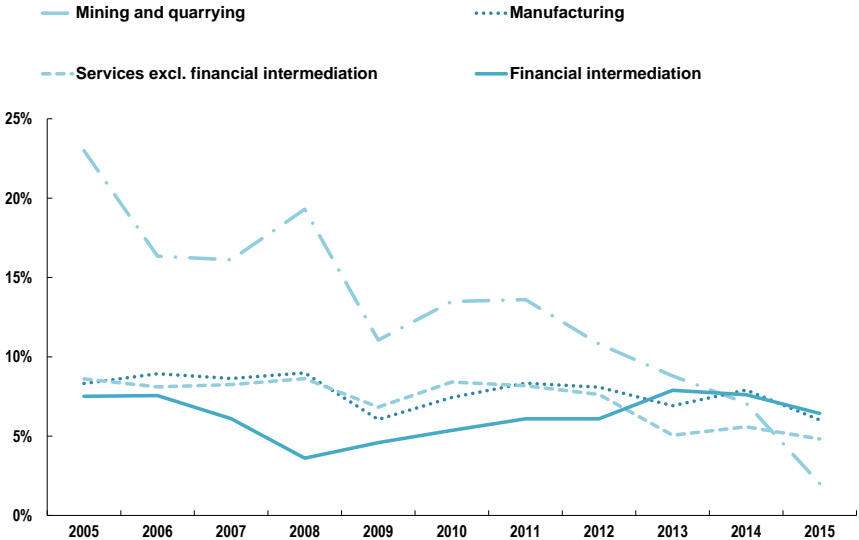
*Notes: Rates of return on inward/outward FDI are defined as the ratios between total income on inward/outward FDI and total inward/outward FDI positions. OECD area rates of return for 2016 were estimated using FDI positions and income for 2016 where available, on directional basis or asset/liability if the latter was not available. When FDI positions for 2016 were not yet available for selected OECD countries, estimates were used by adding FDI flows for 2016 to FDI positions at end 2015.*

To better understand what is behind the drop in rates of return, Figures 6 and 7 show the rates of return on OECD area outward and inward FDI respectively, by selected industry groups, from 2005 to 2015, the most recent year for which detail by industry is available. The calculations are based on FDI income receipts and payments and on outward and inward FDI stocks by industry reported to the OECD and exclude Belgium, Canada, Israel, Japan, Korea (inward only), Mexico, New Zealand, the Slovak Republic and Switzerland, which did not report FDI income by industry to the OECD area for the full period 2005-2015. Data for 2005-2012 is according to BMD3 methodology, while data for 2013-2015 uses information according to BMD4. Looking at outward FDI, it is clear that much of the decline in rates of return, particularly since 2011, is driven by mining and quarrying, which includes petroleum extraction; rates of return on OECD area outward FDI in the mining sector decreased from 14% to 2%, reflecting the downturn in commodities. Services, excluding financial intermediation, also contributed to the drop, with rates of return falling from 8% to 5%; rates of return on manufacturing have fluctuated up and down but fell from 8% to 6% between 2011 and 2015. Rates of return on financial intermediation fell during the financial crisis but recovered until 2013, when they began to decline slightly.

Looking at inward FDI, mining and quarrying again played a leading role with rates of return falling from 17% in 2008 to less than 2% in 2015. Services excluding financial intermediation also contributed to the drop, with rates of return falling from 8% in 2012 to 6% in 2015. Rates of return on manufacturing have been relatively stable at around 5% since 2010. Rates of return on inward FDI in financial intermediation initially recovered from the financial crisis but have declined slightly since 2010, falling from 6% to 5%.

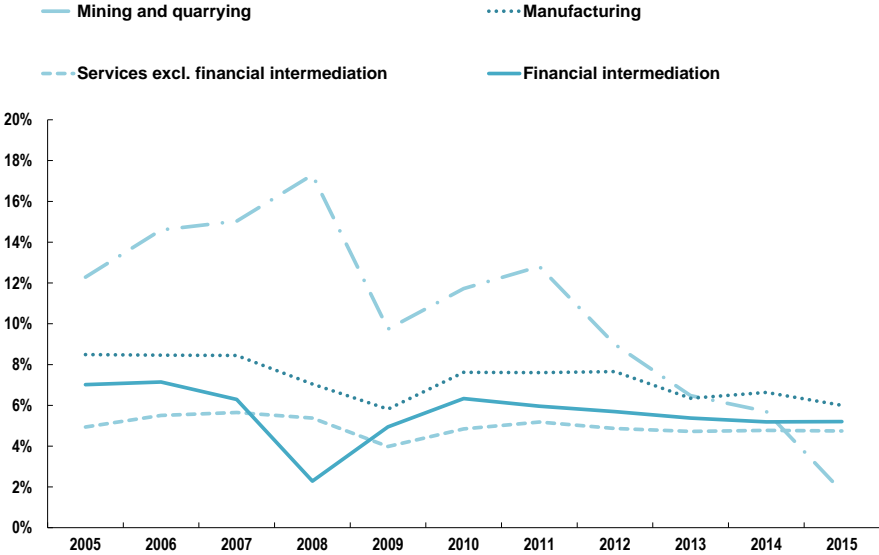


**Figure 6: OECD area rates of return on outward FDI by selected industry groups**



Notes: Excluding Belgium, Canada, Japan, New Zealand, the Slovak Republic and Switzerland which did not report FDI income on outward FDI by industry to the OECD for the whole 2005-2015 period. Data for 2005-2012 is based on BMD3 methodology.  
 Source: *OECD International Direct Investment statistics database*

**Figure 7: OECD rates of return on inward FDI by selected industry groups**



Notes: Excluding Belgium, Canada, Japan, Korea, New Zealand, the Slovak Republic and Switzerland which did not report FDI income on inward FDI by industry to the OECD for the whole 2005-2015 period. Data for 2005-2012 is based on BMD3 methodology.  
 Source: *OECD International Direct Investment statistics database*





## Notes for tables 1 to 2

Data are updated as of 15 April 2017.

p: preliminary data    |: break in series  
(A): asset/liability figure used for 2016 only

Tables 1 and 2 show FDI statistics at the aggregate level on a directional basis except for selected countries for which the asset/liability series is used (see note 2). Data for 2016 for Australia, Finland and Switzerland correspond to asset/liability figures, while data for earlier years correspond to directional figures. For more information on the two presentations for FDI, see [Asset/liability versus directional presentation](#). FDI terms are defined in the [FDI Glossary](#).

Financial flows consist of three components: equity capital, reinvestment of earnings, and intercompany debt. Equity capital is often associated with new investments, such as greenfield or M&As, even though it can also reflect extensions of capital or financial restructuring. Nevertheless, equity capital flows are often taken as a sign of the amount of new investments related to FDI. Reinvestment of earnings is the portion of earnings that the parent decides to reinvest in the affiliate rather than receive as a dividend and can be an important source of financing for affiliates. This component of financial flows tends to be the least volatile. Changes in the reinvestment of earnings reflect both changes in the earnings of affiliates and in the amount of earnings that parents choose to distribute. The reinvestment ratio is the share of earnings that the parent reinvests. It can be an indication of the parent's perception of investment opportunities available to the affiliate: if the parent sees the opportunity to make profitable investments in its affiliates, the parent might choose to reinvest more money in them. However, many other factors can influence the share of earnings reinvested. For example, if the parent is in need of cash, they might pay higher dividends. The third component of financial flows—intercompany debt—is the most volatile component of financial flows and is often driven by the short term financing needs within a company rather than larger overall macroeconomic phenomena. As such, intercompany debt is often the most difficult aspect of financial flows to explain.

Breaks in series were introduced in Table 1 to provide users with more complete historical series on FDI financial flows. These breaks in series correspond for most countries to the implementation of OECD Benchmark Edition 4th Edition (BMD4) except for Germany, for which the whole data series is according to BMD4, and the breaks in series correspond to a different recording of transactions between fellow enterprises. Data used before the breaks in series correspond to unrevised BMD3 FDI aggregates.

For data going back to 2005 in tables 1 and 2, (in Excel format), see [www.oecd.org/investment/statistics.htm](http://www.oecd.org/investment/statistics.htm).

### 1. OECD, European Union (EU28), World, G20 aggregates:

FDI outward and inward flows (Table 1) were compiled using directional figures when available. Missing quarterly directional figures were approximated using the ratio between annual asset liability and directional figures; or by distributing annual directional figures equally among the four quarters; or using unrevised historical data. When directional figures were not available and could not be approximated, asset liability figures were used.

FDI outward and inward stocks (Table 2) were compiled using directional figures when available. Missing directional figures were approximated using unrevised historical data. When directional figures were not available and could not be approximated, asset liability figures were used. Data for 2016 include positions at end 2016 or at end 2015 when 2016 data are not available.

Resident SPEs from Austria, Belgium (FDI positions only), Chile, Denmark, Hungary, Iceland, Luxembourg, Mexico, the Netherlands, Norway (FDI positions only), Poland, Portugal, Spain (FDI positions only), Sweden (FDI positions only) and Switzerland (FDI positions only) are excluded.

The European Union aggregate corresponds to member country composition of the reporting period: EU15 for data up to and including 2003, EU25 for data between 2004 and 2006, EU27 for data between 2007 and 2012 and EU28 starting from 2013.

- Data series on asset/liability basis:** The data series is on an asset/liability basis as opposed to directional basis for Israel, Korea, Norway (Table 1 only) and Spain (Table 1 only) and for the following non-OECD countries: India, Saudi Arabia and South Africa.
- World aggregate:** is based on available data at the time of update as reported to the OECD and IMF. Missing data for countries for Q3 and Q4 2016 were estimated using the overall growth rate observed between, respectively, Q2 2016 and Q3 2016 and Q3 2016 and Q4 2016. Growth rates were calculated from data for OECD countries, for non-OECD G20 countries, and for 50 non-OECD and non-G20 countries in Q3 and 15 non-OECD and non-G20 countries in Q4. World totals for FDI positions are based on available FDI data at the time of update as reported to OECD and IMF for the year ended or the latest available year. By definition, inward and outward FDI worldwide should be equal. However, in practice, there are statistical discrepancies between inward and outward FDI. Unless otherwise specified, references to "global FDI flows" refer to the average of these two figures.
- Special purpose entities (SPEs):** Information on resident SPEs for Estonia and Sweden (FDI flows only) is confidential. This information is not yet available separately for Canada, Ireland and Mexico. The information is available separately for Austria, Chile, Denmark, Hungary, Iceland, Korea, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom. However, the information is not displayed in the tables for all countries, due to limited availability of historical data or to differences in data vintages. Resident SPEs are not present or not significant in Australia, the Czech Republic, Finland, France, Germany, Greece, Israel, Italy, Japan, New Zealand, the Slovak Republic, Slovenia, Turkey, and the United States.
- The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
- Directional flows for Japan: only annual data reflect annual revisions, so the sum of quarters may not add up to the annual data.
- Data for 2016 Saudi Arabia corresponds to the first three quarters of the year.

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