



## RECENT TRENDS IN FOREIGN DIRECT INVESTMENT IN OECD COUNTRIES

11 April 2006

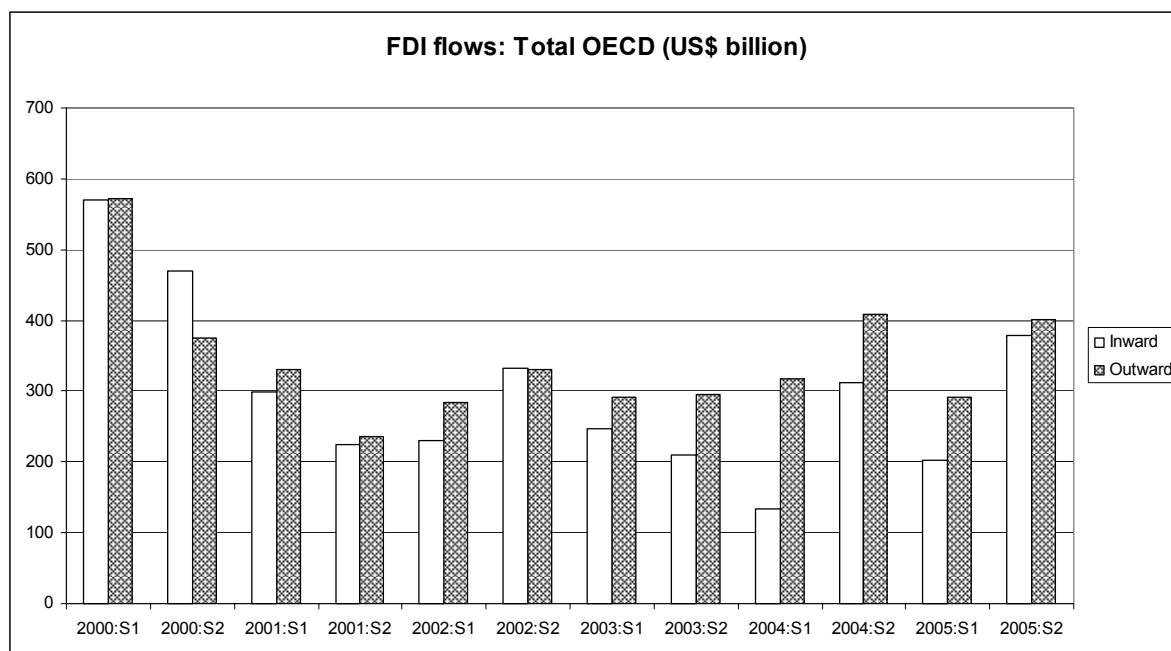
*This note was prepared by the OECD Investment Division as an update and complement to the report on Trends and Recent Developments in Foreign Direct Investment which was published by the OECD in June 2005 [ [www.oecd.org/daf/investment/statistics](http://www.oecd.org/daf/investment/statistics) ].*

## RECENT TRENDS IN FOREIGN DIRECT INVESTMENT IN OECD COUNTRIES

Foreign direct investment (FDI) inflows to OECD countries in the second half of 2005, estimated at 379 billion US dollars (USD), reached their highest level since 2000. Outflows, at USD 401 billion in 2005:S2, also picked up from a low level in the previous half-year, but nevertheless stood at a level comparable with what had been registered in the previous years.

With data for only two countries missing the OECD total inflows for the year 2005 have been estimated at USD 584 billion, which is high by past standards. Total outflows were around 696 billion USD, or a non-trivial decline from 2004.

OECD countries remain major net exporters of direct investment capital. In 2005 net outflows stood at USD 112 billion. This is below the historically high net outflows of USD 294 billion in 2004, but still sizable compared with the figures of the previous decade.



Source: OECD Main Economic Indicators.

The largest individual recipients of inward FDI in the second half of 2005 were the United Kingdom and United States (Table 1). The United Kingdom, which had already recorded strong FDI inflows in the first half of the year, attracted an additional USD 112 billion in 2005:Q2. This reflects, among other things, sizeable cross-border mergers and acquisitions. In third place, the Netherlands received USD 29 billion in the second half of the year, followed by France (USD 24 billion) and Canada (USD 23 billion).

**Table 1. Inward Foreign Direct Investment, bn. US\$**

	2003	2004	2005	2005:Q1	2005:Q2	2005:Q3	2005:Q4
Australia	9.7	42.0	-36.8	3.6	-47.4	3.2	3.3
Austria	7.1	4.0	..	1.3	2.2	1.0	..
Belgium	33.4	42.1	23.7	7.3	-1.7	1.2	16.5
Canada	6.3	6.3	33.0	6.0	3.9	10.2	13.2
Switzerland	16.6	0.7	..	-1.4	2.3	1.5	..
Czech Republic	2.1	5.0	11.0	1.4	5.7	2.2	1.7
Germany	26.9	-15.1	32.6	3.9	7.5	1.1	19.6
Denmark	2.9	-9.3	5.0	0.2	-1.0	1.9	3.7
Spain	25.9	16.7	18.8	5.6	1.9	4.0	7.2
Finland	3.3	3.5	4.6	2.7	0.0	1.2	0.8
France	42.5	24.3	49.8	14.1	11.6	11.7	12.5
United Kingdom	27.4	77.7	164.5	28.3	23.3	114.8	-2.5
Greece	0.7	1.4	0.6	0.5	0.4	-0.4	0.2
Hungary	2.2	4.7	6.7	1.4	1.6	0.6	3.1
Ireland	22.8	11.2	-22.8	7.9	0.5	-14.9	-14.9
Iceland	0.3	0.6	2.3	0.1	0.1	0.0	2.2
Italy	16.4	16.8	15.7	3.3	2.8	2.0	7.5
Japan	6.4	8.0	2.7	3.6	0.8	2.5	-3.7
Luxembourg	90.2	77.3	29.3	6.5	0.4	4.3	17.6
Netherlands	21.7	0.4	40.8	1.0	10.5	19.5	9.2
Norway	3.5	2.5	3.4	0.2	1.5	-3.8	5.4
New Zealand	3.7	2.6	1.6	0.6	1.1	-0.5	0.5
Portugal	6.6	1.6	3.1	1.6	1.0	0.5	0.1
Sweden	5.0	12.6	13.7	5.0	0.2	3.4	5.1
United States	67.1	106.8	128.6	33.9	17.0	50.4	27.3
Korea	3.5	9.2	4.3	0.4	2.3	0.7	0.9
Mexico	11.7	18.2	17.8	4.9	4.0	5.0	3.8
Poland	4.1	12.4	8.7	2.9	1.4	2.2	2.2
Slovakia	0.6	1.1	1.9	0.1	1.0	0.4	0.4
Turkey	1.7	2.7	9.7	0.7	0.4	2.7	5.9
<b>Total<sup>1</sup></b>	<b>446.5</b>	<b>488.0</b>	<b>583.5</b>	<b>148.0</b>	<b>55.0</b>	<b>228.0</b>	<b>..</b>

Sources: OECD Balance of Payments Statistics and OECD International Investment Statistics. Discrepancies between quarterly and annual figures can occur.

<sup>1</sup> 2005 annual total is estimated using extrapolated 2005:Q4 figures for Austria and Switzerland.

Source: OECD International Direct Investment Database; Main Economic Indicators; national sources.

Note: Figures are based on balance of payments statistics. Data for the latest 1½ years are mostly still provisional.

The country-specific outward investments in 2005:S2 are hard to interpret owing to a couple of data abnormalities. The United States' outflows turned sharply negative in the second half of the year, reflecting changes in corporate taxation that induced US-based multinational enterprises to withdraw large amounts of capital from their foreign subsidiaries. Conversely, the Netherlands' 2005:S2 outflows were huge, mostly because of the reclassification of one large transaction within the balance of payments. Looking beyond this, the largest outward investor in the second half of the year was France (USD 67 billion) followed by the United Kingdom (USD 45 billion) and Italy (USD 32 billion). In fourth place Japan, traditionally a large outward investor due to its current account surpluses, recorded direct investment outflows of USD 27 billion in 2005:S2.

**Table 2. Outward Foreign Direct Investment, bn. US\$**

	2003	2004	2005	2005:Q1	2005:Q2	2005:Q3	2005:Q4
Australia	14.3	17.8	-40.4	2.5	-53.4	5.3	5.3
Austria	6.8	7.3	..	1.9	1.5	2.3	..
Belgium	36.9	33.5	22.9	4.5	7.1	8.0	3.5
Canada	21.5	47.5	31.2	8.2	6.1	9.9	7.1
Switzerland	15.1	14.7	..	6.4	10.3	12.6	..
Czech Republic	0.2	1.0	0.9	0.0	0.1	0.4	0.3
Germany	-3.6	1.9	45.6	21.1	21.6	9.0	-4.8
Denmark	1.3	-10.2	7.9	3.0	-1.5	5.3	1.1
Spain	23.4	49.5	32.0	11.9	7.5	3.3	9.5
Finland	-2.6	-1.1	2.7	3.1	0.1	0.3	-0.6
France	53.2	47.8	99.2	23.8	7.3	19.8	47.2
United Kingdom	66.7	96.3	101.1	45.9	10.3	21.2	24.3
Greece	0.0	0.6	1.4	0.4	0.3	0.5	0.2
Hungary	1.6	1.1	1.3	0.5	0.9	-0.1	0.0
Ireland	3.5	15.8	12.9	6.3	1.6	2.2	3.1
Iceland	0.4	2.6	6.7	0.4	1.7	1.2	3.4
Italy	9.1	19.3	41.3	4.9	3.3	5.1	27.0
Japan	28.8	30.6	45.5	9.8	8.3	12.9	14.2
Luxembourg	101.1	81.7	37.6	5.6	2.9	5.5	22.7
Netherlands	37.8	17.3	123.1	-2.6	5.5	107.3	10.4
Norway	2.1	3.7	14.5	1.3	4.5	-1.3	9.8
New Zealand	-0.1	0.8	1.3	-0.8	0.8	0.4	0.9
Portugal	7.3	7.1	1.1	0.5	1.1	-0.3	-0.1
Sweden	21.3	21.0	26.0	9.5	7.8	4.7	4.4
United States	140.6	252.0	21.5	31.6	29.3	-21.3	-18.0
Korea	3.4	4.7	4.3	1.1	1.1	1.1	1.0
Mexico	1.8	3.5	5.2	2.5	1.2	1.3	0.1
Poland	0.2	0.8	1.1	0.1	0.7	0.1	0.2
Slovakia	0.0	-0.2	0.1	0.0	0.0	0.0	0.1
Turkey	0.5	0.9	1.0	0.1	0.3	0.3	0.3
Total <sup>1</sup>	596.9	782.0	695.8	204.0	88.0	217.0	..

Sources: OECD Balance of Payments Statistics and OECD International Investment Statistics. Discrepancies between quarterly and annual figures can occur.

<sup>1</sup> 2005 annual total is estimated using extrapolated 2005:Q4 figures for Austria and Switzerland.

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