

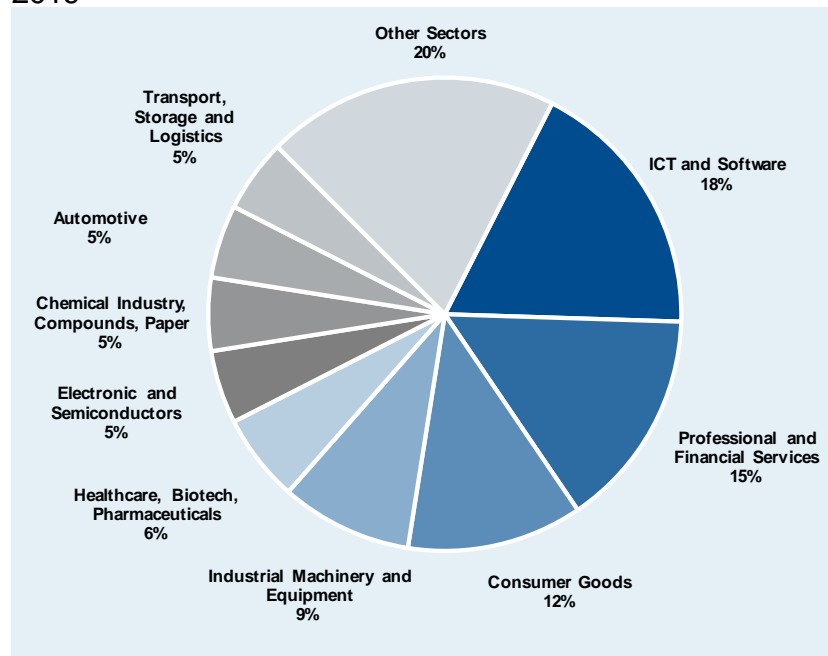
Foreign Direct Investment (FDI)

Edition August 2020

FDI stocks in Germany

– FDI stocks by industry

Greenfield & expansion projects by industry 2019



Source: GTAI 2020, Economic Development Agencies of German Federal States 2020

In cooperation with the federal economic development agencies the GTAI registered a total of 1,851 foreign investment projects in new settlements, corporate expansions and relocations in Germany last year. This corresponds to a decrease of 10 percent (compared to the pre-year level). Nevertheless, the number of planned jobs rose significantly – from 24,000 (2018) to 42.000 (2019).

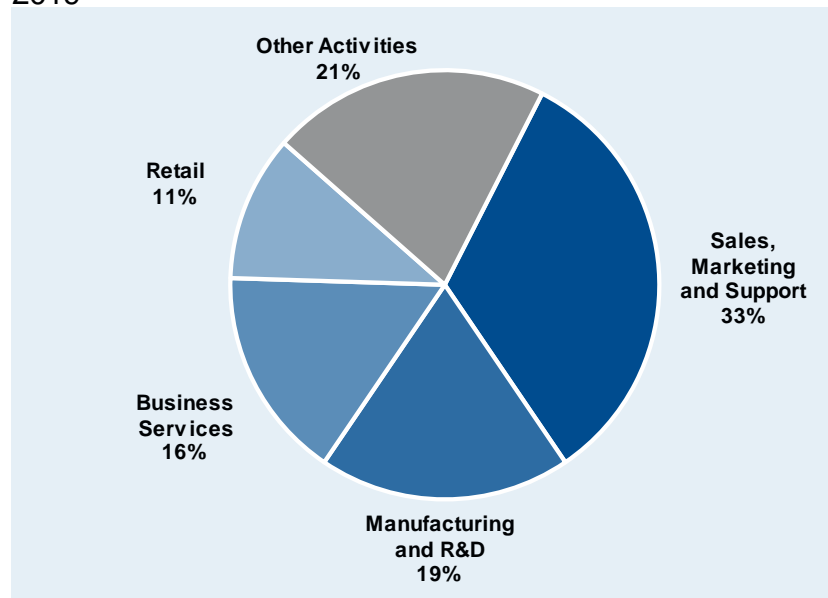
The USA was the top investor with 302 new projects. It follows the United Kingdom (185), which is among the top three investor countries for the first time. Switzerland (184) and China (154) were 3rd and 4th, ranking directly in front of the Netherlands (113).

With more than 40 Percent the majority of the projects came from the EU. In addition to the 1.851 projects in new settlements, corporate expansions and relocations, 419 M&A projects were realised (only those cases are counted in which more than 50 Percent of a corporation were bought).

FDI stocks in Germany

– FDI stocks by business activity

Greenfield & expansion projects by business activity
2019



Source: GTAI 2020, Economic Development Agencies of German Federal States 2020

The most popular sectors for investment in 2019 were ICT and software (18%), followed by corporate and financial services (15%). Electronics ranked 6th (5%), behind consumer goods (12%), machinery & equipment (9%) and health sciences (6%). A positive sign is the fact that 19% of the companies use Germany as a production and/or research location.

These figures show once again, how attractive Germany is as an investment location to foreign companies. Moreover, FDI is important for job creation. According to recent figures, more than 70,000 foreign companies are currently invested in Germany (Volume of €504bn), creating more than three million jobs.

Foreign Direct Investment

– FDI stocks in Germany

Continuous growth of FDI stocks

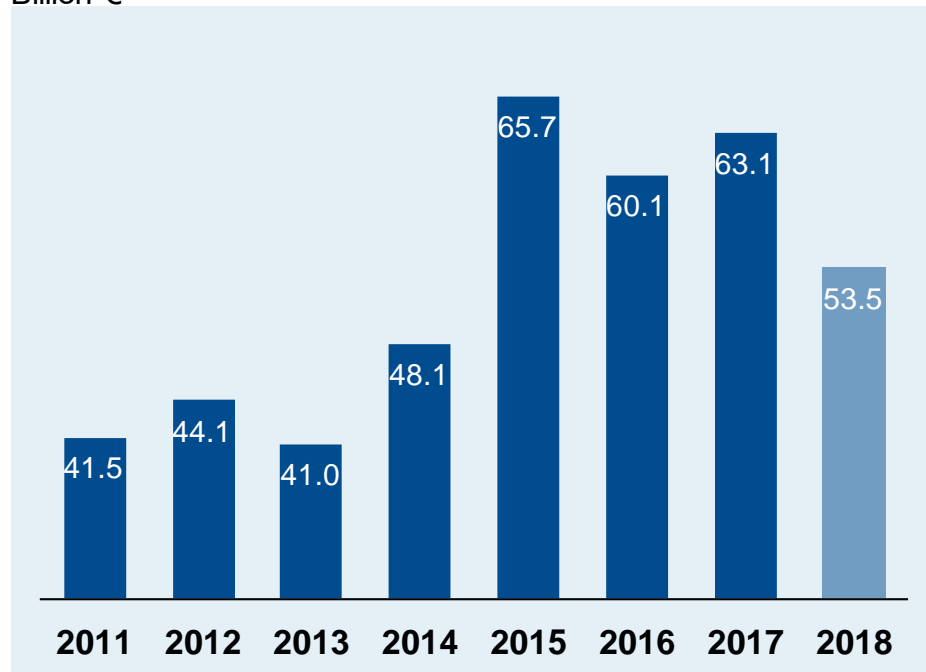
Foreign direct investment in Germany steadily increased in recent years. In 2011 FDI stocks amounted to about €402 billion, growing to more than €540 billion in 2018 – the latest available datapoint. Considering the origin of these stocks, €320 billion (i.e. just under 60% of FDI stocks in Germany) come from EU member states. The United States hold €99 billion (18%). More than €50 billion (9%) originate in East Asian countries.

Internationally, Germany ranks 8th in terms of these FDI stocks, according to recent surveys of UNCTAD.

German electric industry

– Stock of foreign direct investment abroad

Billion €



Source: Deutsche Bundesbank and ZVEI's own calculations

Compared to pre-year level the German electric industry's stock of foreign direct investment (FDI) fell by 15.2% in 2018 – the decrease was amplified by an upward revision of the 2017 figures. FDI stocks amounted to €53.5 billion, which is also less than in 2015 and 2016.

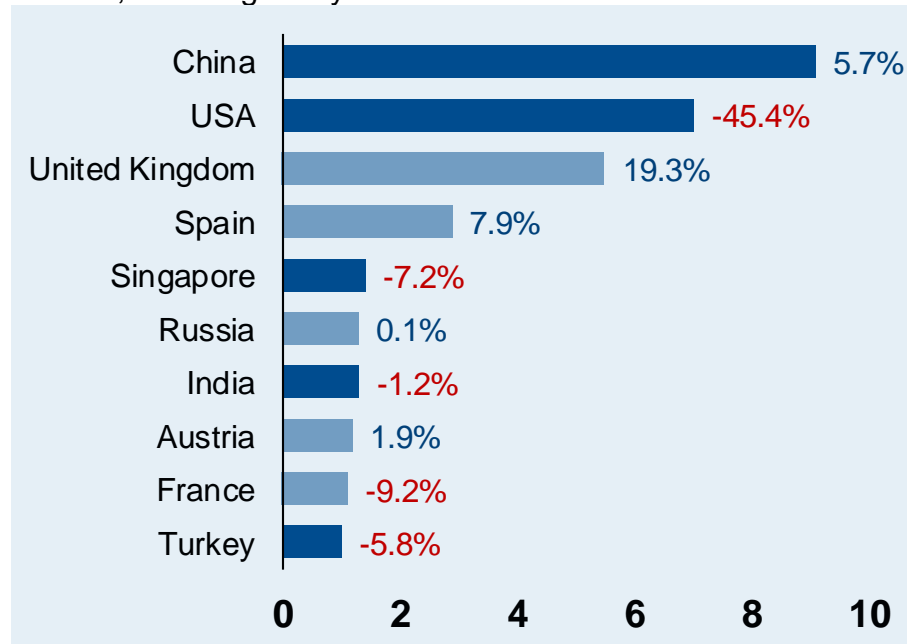
However, currency fluctuations play an important role. That means a depreciation of the Euro against a foreign destination's currency leads – ceteris paribus – to a higher valuation of FDI stocks in Euro (and vice versa).

The number of German electric companies with investment stocks abroad went up slightly in 2018, namely from 408 to 415.

German electric industry

– Top 10 investment locations

Top 10 investment location, 2018,
billion €, % change on year earlier



Source: Deutsche Bundesbank and ZVEI's own calculations

China is – for the first time since 2015 – the biggest investment location of the German electric industry, with FDI stocks increasing by 5.7% (compared to pre-year level) to €9.1 billion in 2018. On the contrary, FDI stocks in the USA, which is now in 2nd position, plummeted by 45,4% to €7.0 billion.

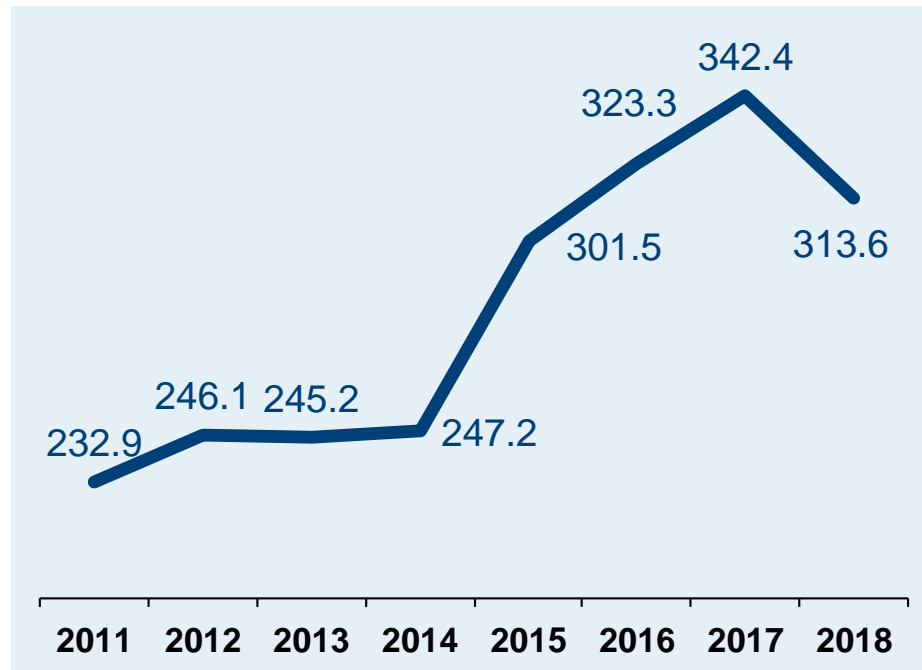
The United Kingdom (+19.3% to €5.5bn) and Spain (+7.9% to €2.9bn) follow in 3rd and 4th place. While for the Netherlands, which was 4th last year, no FDI stocks were reported. The increase in UK was the biggest among the top 10 investment locations.

In Singapore (Rank 5) stocks sagged by 7.2% to €1.4 billion, in Russia (Rank 6) they remained rather unchanged at €1.3 billion. The top 10 list is completed by India (-1.2% to €1.3bn), Austria (+1.9% to €1.2bn), France (-9.2% to €1.1bn) and Turkey (-5.8% to 1.0bn).

In comparison: The German manufacturing sector

– Stock of foreign direct investment abroad

Billion €



Source: Deutsche Bundesbank and ZVEI's own calculations

The FDI stocks abroad of the whole German manufacturing industry fell by 8.4% to €313.6 billion in 2018. So the decline was about half the size of that of the German electric industry.

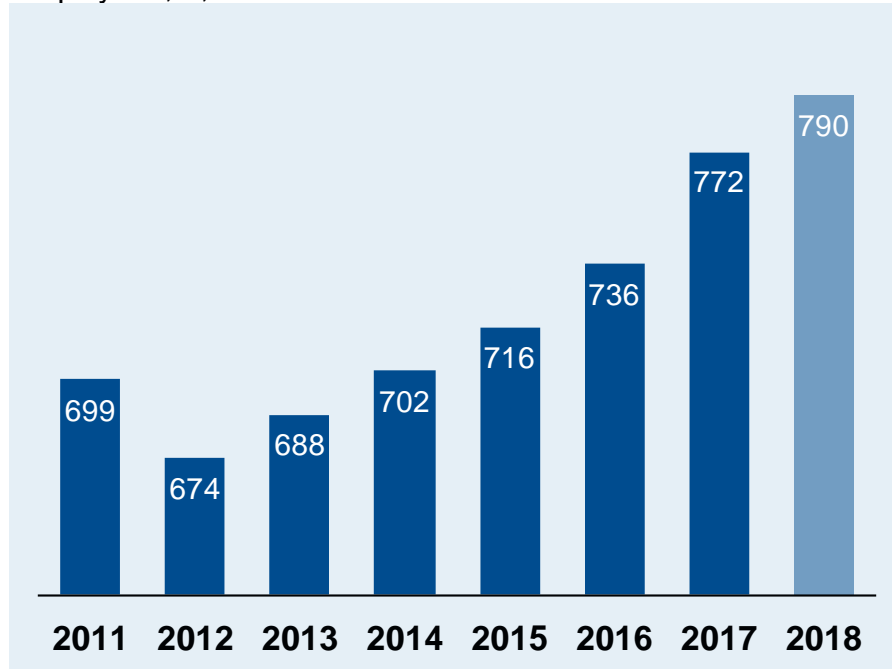
Accordingly, the electric industry's share in the total FDI stocks of the German manufacturing companies decreased to 17.1% in 2018. A year before it had come to 18.4%.

In comparison to the other large industrial sectors in Germany the electric industry ranks 3rd – behind the automotive industry (FDI stocks of €104.3bn, share of 33.3%) and the chemical and pharmaceutical industry (€80.7bn or 25.7%). The mechanical engineering industry is in 4th position with €33.5 billion, which corresponds to a share of 10.7%.

German electric industry

– Employees in foreign electric companies with German investors

Employees, 1,000



Source: Deutsche Bundesbank and ZVEI's own calculations

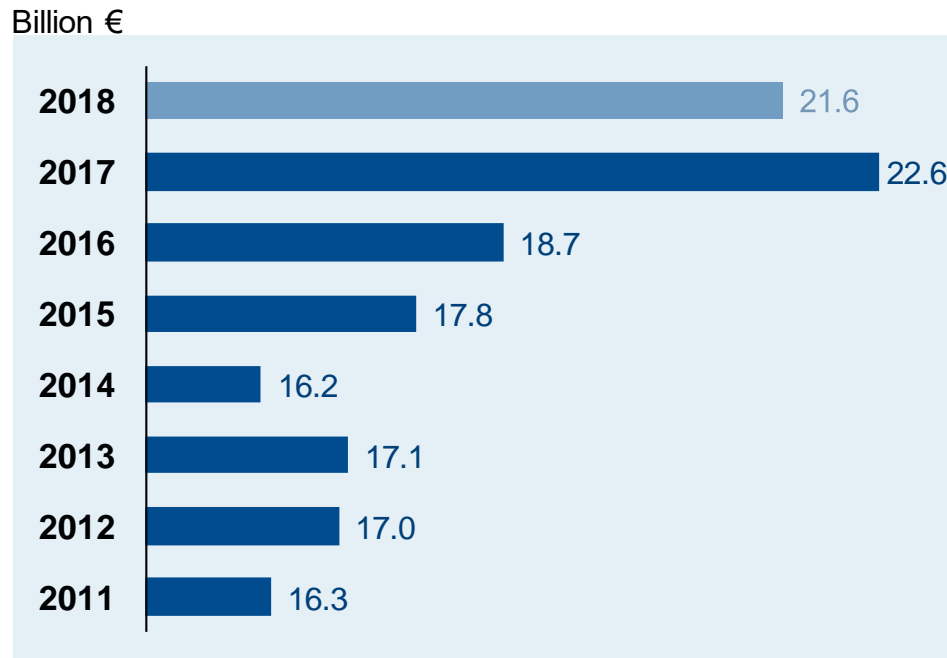
With a volume of €74.5 billion in 2018 the stock of German FDI in the electric industry abroad was 4.3% higher than the (revised) figure in the previous year.

The number of employees in the 1,704 foreign companies in which German investments were made increased to 790,000 (+18,000) in 2018. Since its low in 2012 the number of employees abroad has risen by 116,000. The companies that correspond to the German FDI stocks generated annual sales of €169.6 billion (+4.6%) in 2018.

The difference between the FDI stocks of the German electric industry and the German FDI stocks in the electric industry abroad comes from the fact that both the German electric industry and other domestic industries make foreign investments not only in their own but also in other sectors at a time.

German electric industry

– FDIs from foreign investors in the German electric industry



Source: Deutsche Bundesbank and ZVEI's own calculations

The FDI stocks of foreign corporations and investors in the German electric industry went down as well in 2018. The volume decreased by 4.4% to €21.6 billion.

Within the German electric industry the number of domestic companies with foreign investments also fell – from 888 to 870. The number of employees in these firms was compared to 2017 more or less constant (-0.3%). Their turnover growth was subdued (+0,4% to €118.5bn).

German FDI abroad

– FDI stocks at year-end

	Unit	2015	2016	2017*	2018
Total German FDI	Billion € %	1,055.2 (+7.2%)	1,152.7 (+9.2%)	1,206.5 (+4.7%)	1,276.9 (+5.8%)
German FDI in manufacturing sector abroad	Billion € %	365.6 (+5.5%)	391.5 (+7.1%)	403.6 (+3.1%)	417.1 (+3.3%)
FDI of the German manufacturing sector	Billion € %	301.5 (+22.0%)	323.3 (+7.2%)	342.4 (+5.9%)	313.6 (-8.4%)
German FDI in the electric industry abroad	Billion € %	63.6 (+3.9%)	68.4 (+7.5%)	71.4 (+4.4%)	74.5 (+4.3%)
• Foreign electric firms in which an investment was made	Number %	1,653 (+5.4%)	1,679 (+1.6%)	1,669 (-0.6%)	1,704 (+2.1%)
• Number of employees in these firms	1,000 %	716 (+2.0%)	736 (+2.8%)	772 (+4.9%)	790 (+2.3%)
• Sales volume of these firms	Billion € %	152.1 (+4.0%)	160.9 (+5.8%)	162.1 (+0.7%)	169.9 (+4.6%)
FDI of the German electric industry abroad	Billion € %	65.7 (+36.6%)	60.1 (-8.5%)	63.1 (+5.0%)	53.5 (-15.2%)
German electric firms that invested abroad	Number %	388 (+5.1%)	402 (+3.6%)	408 (+1.5%)	415 (+1.7%)

Source: Deutsche Bundesbank and ZVEI's own calculations; * revised

German electric industry

– Top 10 investment locations

Top 10 investment locations	Unit	2015	2016	2017*	2018
1. China	Billion € %	12.0 (+12.3%)	9.5 (-20.8%)	8.6 (-9.4%)	9.1 (+5.7%)
2. USA	Billion € %	7.1 (+48.0%)	13.6 (+91.8%)	12.8 (-5.3%)	7.0 (-45.4%)
3. United Kingdom	Billion € %	3.9 (+9.0%)	4.2 (+7.7%)	4.6 (+10.0%)	5.5 (+19.3%)
4. Spain	Billion € %	2.4 (-5.2%)	1.9 (-21.0%)	2.7 (+41.4%)	2.9 (+7.9%)
5. Singapore	Billion € %	1.1 (+25.4%)	1.8 (+60.7%)	1.5 (-17.5%)	1.4 (-7.2%)
6. Russia	Billion € %	1.0 (-3.1%)	1.1 (+4.5%)	1.3 (+25.1%)	1.3 (+0.1%)
7. India	Billion € %	2.3 (+20.5%)	1.3 (-42.4%)	1.3 (-1.1%)	1.3 (-1.2%)
8. Austria	Billion € %	0.8 (-5.3%)	1.1 (+30.6%)	1.1 (+4.2%)	1.2 (+1.9%)
9. France	Billion € %	1.0 (-6.8%)	1.0 (-0.7%)	1.2 (+22.9%)	1.1 (-9.2%)
10. Turkey	Billion € %	1.2 (-12.5%)	1.2 (-7.4%)	1.1 (-3.2%)	1.0 (-5.8%)

Source: Deutsche Bundesbank and ZVEI's own calculations; * revised

FDI of foreign investors in Germany

– FDI stocks at year-end

	Unit	2015	2016	2017*	2018
Total FDI of foreign investors in Germany	Billion € %	473.8 (+2.0%)	506.3 (+6.9%)	536.6 (+6.0%)	540.3 (+0.7%)
FDI of foreign investors in the German electric industry	Billion € %	17.8 (+9.9%)	18.7 (+5.1%)	22.6 (+20.9%)	21.6 (-4.4%)
• German electric firms into which an investment was made	Number %	844 (+4.7%)	866 (+2.6%)	888 (+2.5%)	870 (-2.0%)
• Number of employees in these firms	1,000 %	294 (+2.1%)	293 (-0.3%)	301 (+2.7%)	300 (-0.3%)
• Sales volume of these firms	Billion € %	105.8 (+8.5%)	110.0 (+4.0%)	118.0 (+7.3%)	118,5 (+0.4%)

Source: Deutsche Bundesbank and ZVEI's own calculations; * revised

Foreign Direct Investment

– Definitions

According to the **definition** of the Organisation for Economic Co-operation and Development (OECD), foreign direct investment (FDI) is a category of cross-border investment by a resident company in one economy with the objective of establishing a lasting interest in an enterprise that is resident in another economy. The investor's motivation is a strategic long-term relationship with the enterprise abroad in order to ensure a significant degree of influence in its management. The lasting interest is evidenced when the investor owns at least ten percent of the voting power of the foreign company. The objectives of direct investment are thus different from those of portfolio investment which usually does not offer control over the business entity in which the investment is made.

The Deutsche Bundesbank (German central bank) determines the FDI stocks of German companies abroad and of foreign companies in Germany on an annual basis. This requires converting the foreign currency balance sheets of the investment objects abroad into the respective domestic currency at the end of the reporting period. Hence, FDI stocks can also and especially be subject to exchange rate fluctuations. This means that a depreciation of the euro against the reporting currency induces – ceteris paribus – an increase in the FDI stock (and vice versa). In the current reporting period 2018 the euro appreciated against the US dollar by 4.3% and against the Chinese renminbi by 2.3% compared to the year before, respectively. Hence, the main negative driver behind the decline in the FDI stocks in the United States came from real factors or fluctuations in stock prices, while the increase of FDI stocks in China would have been even higher without the currency effect.

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