

1 Results of the 2018 survey and developments in selected indicators

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1.1 Main results

The following analysis covers the year 2018, for which final data are already available. Regarding more recent developments, it should be noted that the COVID-19 pandemic caused global FDI flows to drop by a dramatic –49% in the first half of 2020, according to the United Nations Conference on Trade and Development (UNCTAD).

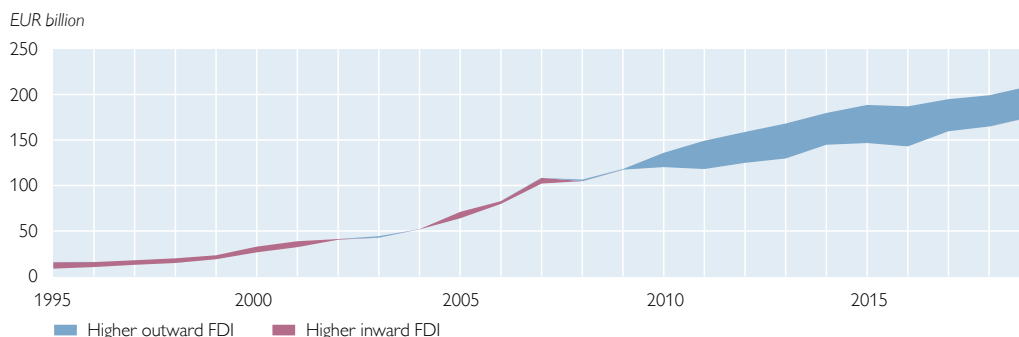
When compiling the data for Austria, we saw a decline in reports to the OeNB above all during the first lockdown in March and April 2020. This ties in with considerably fewer direct investment cases identified by the OeNB’s media monitoring activities. That said, the international trend toward an increasing number of scheduled deals being canceled or postponed did not surface on a relevant scale in Austria. In fact, the number of reports was up again in the second half of 2020. Moreover, capital market prices recovered after their steep fall recorded in March 2020, which is why FDI stocks are unlikely to suffer a dramatic “corona impact.” On the other hand, revenues and, as a consequence, reinvested earnings are expected to have seen a significant drop in 2020.²

The survey of Austrian enterprises’ FDI stocks at end-2018 revealed a small increase in both foreign direct investment in Austria (inward FDI) and Austrian direct investment abroad (outward FDI). On December 31, 2018, inward FDI stocks amounted to EUR 164.9 billion (+3.3%) and outward FDI stocks were EUR 199.1 billion (+2.2%). These are the highest levels ever recorded (see chart 1).

The figures for 2019 shown in chart 1 are carryover estimates derived from the 2018 FDI survey results, which also take into account reported transactions as well as price and exchange rate changes for 2019.

Chart 1

Austria’s outward and inward FDI stocks



Source: OeNB.

Note: Data for 2019 are preliminary.

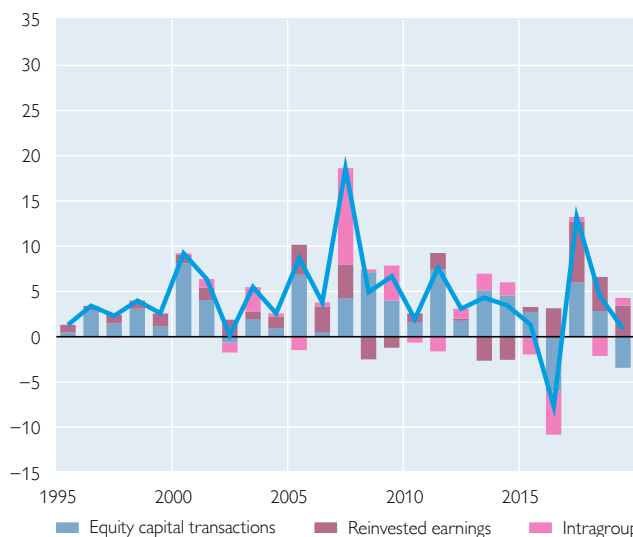
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² <https://unctad.org/pressmaterial/unctadglobalinvestmenttrendsmontorndeg36>.

Transactions by components

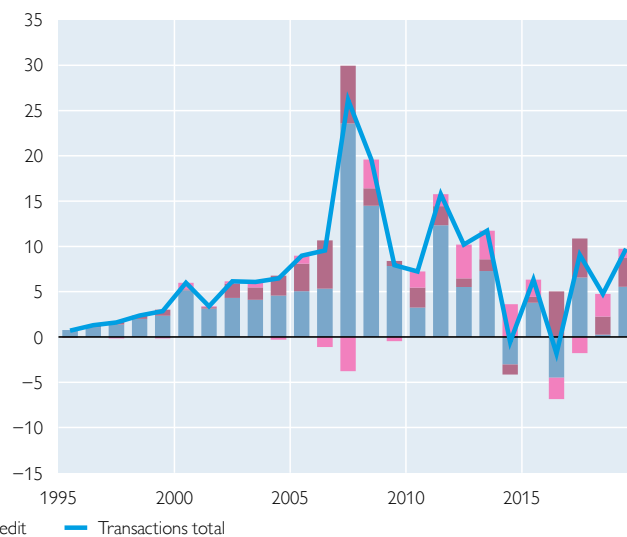
Components of inward DI

EUR billion



Components of outward DI

EUR billion



Source: OeNB.

Note: Data for 2019 are preliminary.

The final (year-end) data for 2019 will be only be available in September 2021. Both outward and inward FDI stocks are expected to have increased by around EUR 10 billion each in 2019, as implied by available reported transactions and profit estimates. Mirroring the state of data collection, the stocks presented in this section and in “Tables and maps” refer to the end of 2018.

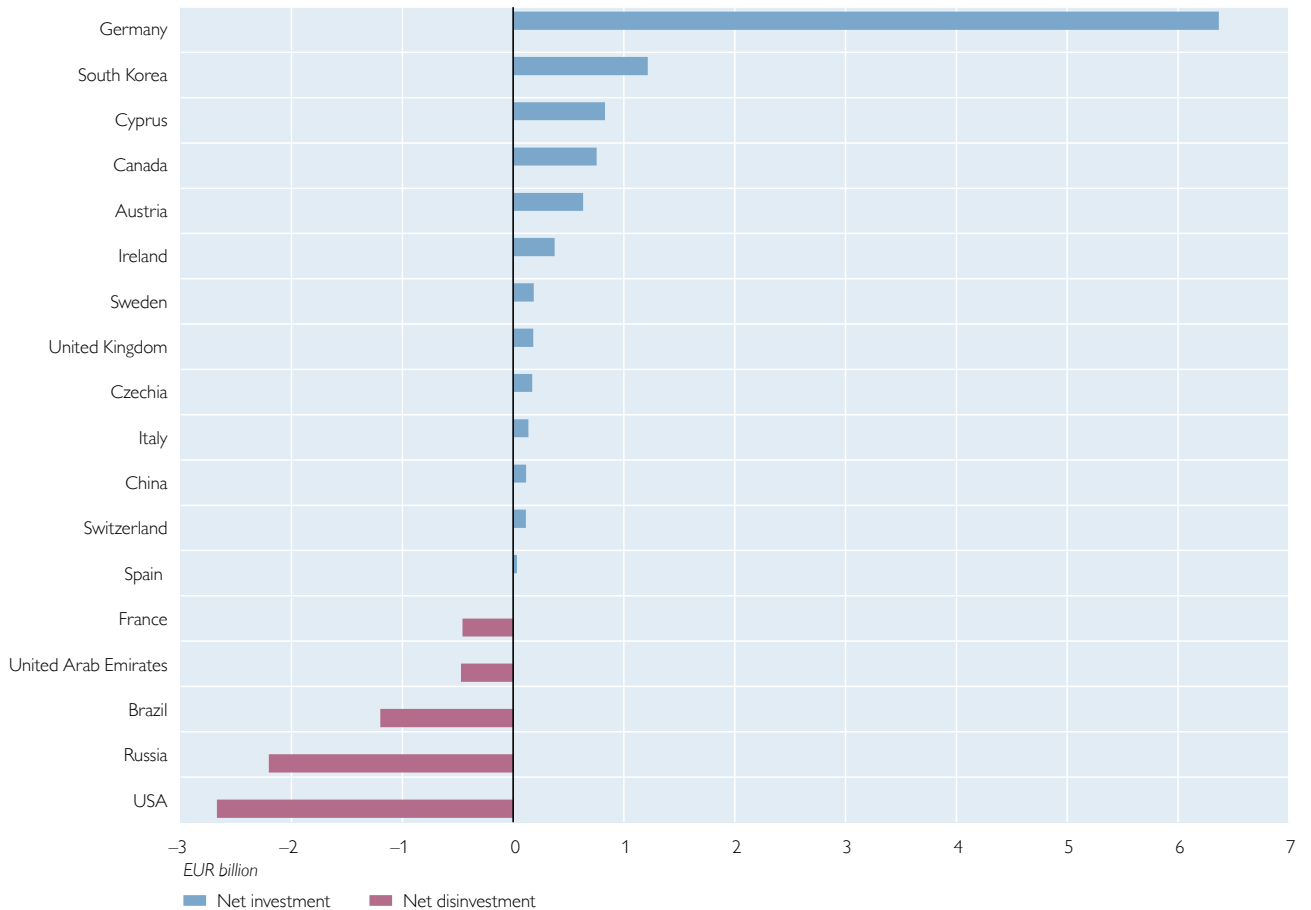
Net FDI stocks (i.e. outward FDI minus inward FDI) amounted to EUR +34.2 billion on December 31, 2018, slightly less than in the previous year (EUR +35.3 billion). This gap between outward and inward FDI has been visible since 2011, its size has so far changed only marginally. Both outward and inward FDI have been on a relatively stable growth path for several years; only in 2016 did we see a temporary slump.³

The change in both inward and outward FDI stocks as at end-2018 is mainly due to transactions. In the case of inward FDI, transactions accounted for +EUR 4.5 billion, while other changes totaled only +EUR 0.8 billion. The picture looks very similar for Austrian FDI abroad, with net investment making up +EUR 4.8 billion and changes excluding transactions accounting for –EUR 0.5 billion. Chart 2 shows FDI transactions broken down by components.

³ The declines in outward and inward FDI in 2016 are above all due to the reorganization of UniCredit, which withdrew from its Austrian subsidiary the responsibility for the largest part of its Eastern European business. This withdrawal resulted in about –EUR 10.0 billion each on both sides of the direct investment statistics.

Inward FDI in Austria – transactions

By regions (headquarters) in 2018



Source: OeNB.

Like in many previous years, reinvested earnings once again were an important driver of the increase in stocks, adding +EUR 3.8 billion to inward FDI and +EUR 2.0 billion to outward FDI. The remaining part of transaction-based increases came from intragroup credit in the case of outward FDI and from new equity capital for inward FDI.

1.2 Foreign direct investment in Austria (inward FDI)

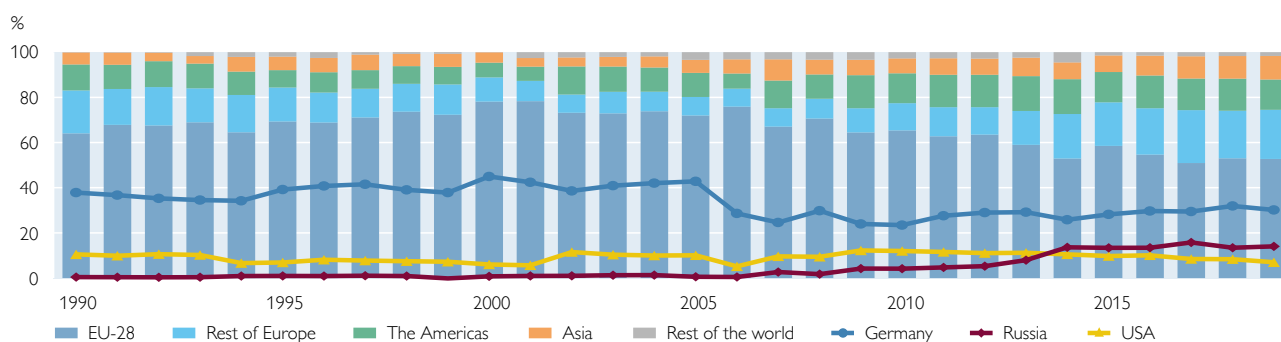
The Austrian FDI statistics break down inward FDI by countries where groups are headquartered. In many cases, this region is not equivalent to the region where the direct parent company is resident. Often, for instance, an Austrian company's direct parent is resident in the Netherlands while the group is headquartered in a region outside Europe.

In the largest inward FDI transaction recorded in 2018, the setting was relatively straightforward, however: The German property group Vonovia bought

the Austrian BUWOG AG⁴ for around EUR 5 billion (see chart 3). Owing to this deal in addition to several smaller increases in German investments in Austria, Germany easily headed the list of investor countries in the reporting year, with net transactions worth +EUR 6.4 billion. South Korea was also among the countries that significantly expanded their FDI in Austria in 2018, accounting for an increase of +EUR 1.2 billion, EUR 1.1 billion of which were due to the takeover of Lower Austria-based lighting supplier ZKW by LG Electronics.⁵

Chart 4

Regional breakdown of inward FDI (stocks)



Source: OeNB.

Note: Data for 2019 are preliminary.

Table 1

Income on direct FDI in Austria

Jahr	Year-end stocks	Income on equity	Interest on intercompany lending	Total income	Performance
	EUR billion	EUR billion	EUR billion	EUR billion	%
2006	82.8	6.4	-0.1	6.2	8.8
2007	108.4	8.1	0.5	8.6	10.4
2008	104.8	2.4	0.7	3.1	2.9
2009	117.4	4.8	1.1	5.9	5.7
2010	120.2	6.1	0.7	6.8	5.8
2011	118.1	7.8	0.8	8.6	7.2
2012	124.8	8.3	0.6	8.9	7.5
2013	129.7	6.4	0.6	7.0	5.6
2014	144.8	6.2	0.7	7.0	5.4
2015	146.7	8.3	0.4	8.7	6.0
2016	142.9	10.4	0.4	10.8	7.4
2017	159.6	13.6	0.4	14.0	9.8
2018	164.9	13.4	0.2	13.6	8.5
2019	175.1	11.5	0.1	11.5	7.0

Source: OeNB.

⁴ <https://www.derstandard.at/story/2000075960804/vonoviaangebotfuerbuwogerverfolgreich>.

⁵ <https://noe.orf.at/v2/news/stories/2909340/>.

Investments from Cyprus, Austria and Canada accounted for increases of between +EUR 0.5 billion and +EUR 1.0 billion. In the case of Canada, the increases were mainly shifts from bank loans to intragroup funding, however.

In the balance of payments statistics, such increases in FDI are offset by declines in “Other investment”. Austria featuring as a country investing in Austria may seem implausible at first glance, but this is possible because – as mentioned above – the inward FDI statistics provide for a breakdown by country of group headquarters rather than by the direct investors’ country of residence. Given several such cases of round tripping, Austria was in fact the 9th largest investor country in Austria in terms of stocks in 2018.

The largest net disinvestment was attributable to the USA (–EUR 2.7 billion), the main reason for which was a big deal in telecommunications: The German group T-Mobile (Magenta) bought the TV and broadband company UPC Austria for EUR 1.9 billion;⁶ UPC Austria used to be part of the multinational telecommunications group Liberty Global headquartered in Denver, Colorado, and therefore was assigned to the USA in the FDI statistics. Apart from that, Russian and Brazilian groups also accounted for relatively large disinvestments. However, these were not the result of high-profile mergers & acquisitions but technical effects like shifts in reserves through Austrian group enterprises or the distribution of profits that had been held in Austria.

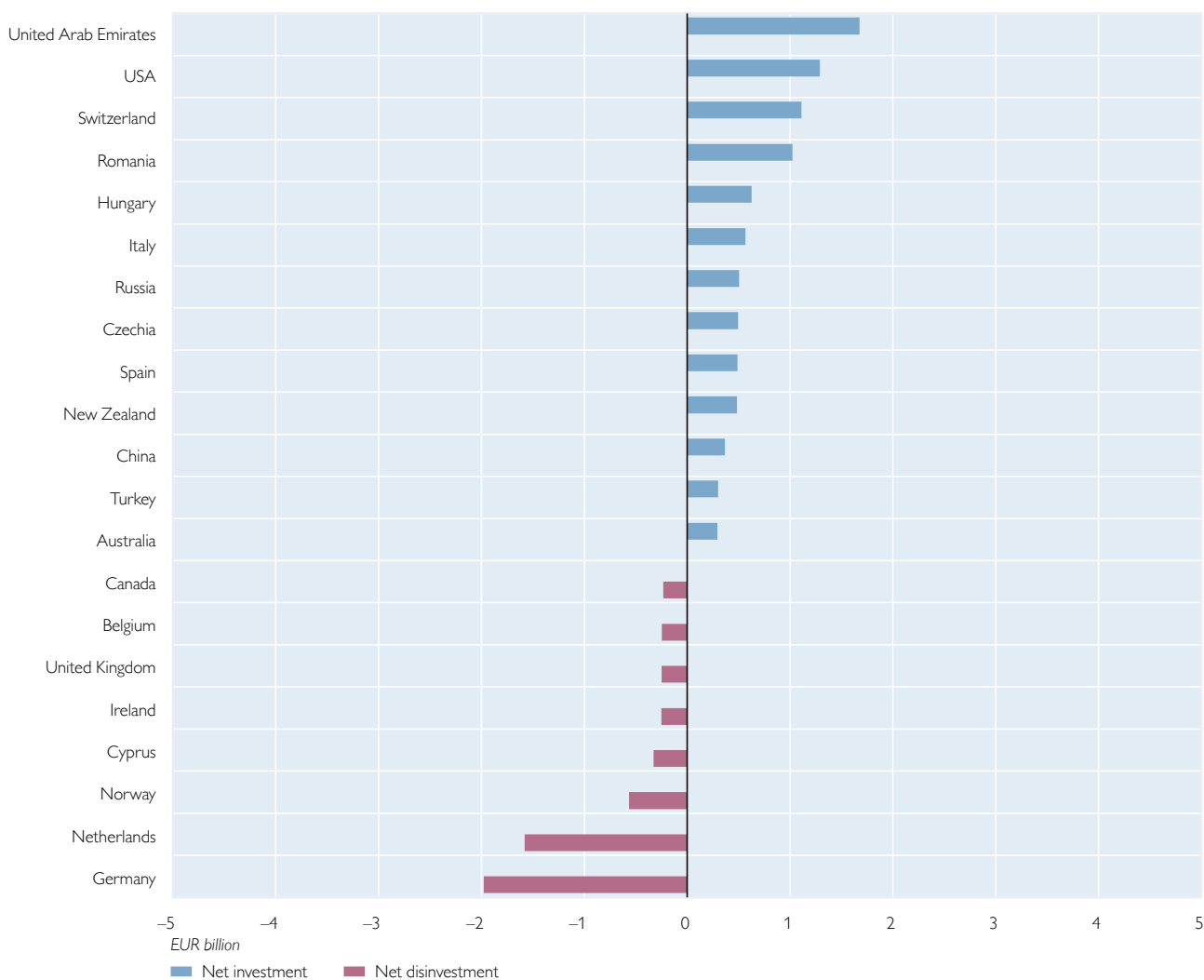
Taking a long-term view of inward FDI stocks by country groups (chart 4), we see that EU countries continue to be the most important group of investors, which even increased their share from 50.9% in 2017 to 53.0% in 2018 (also thanks to big investments from Germany), followed by the rest of Europe, whose share shrank from 23.4% to 21.1%. Of the remaining 25.9%, 14.2% were attributable to the Americas, 10.0% to Asia and 1.7% to the rest of the world. Turning to revenues, we see that investments in Austria proved quite profitable in 2018. Invested capital in the amount of EUR 159.6 billion (stocks at end-2017) generated earnings totaling EUR 13.6 billion, which corresponds to a yield of 8.5% and is significantly above the levels seen in the past few years. The revenues consisted almost exclusively of income from equity shares, whereas, contrary to previous years, interest income from intragroup credit hardly played a role at all (+EUR 0.2 billion).

1.3 Austrian direct investment abroad (outward FDI)

Outward FDI did not show the large transactions in individual country aggregates that we saw in inward FDI. The number one target of outward FDI were the United Arab Emirates (+EUR 1.7 billion), driven by investments in oil fields near Abu Dhabi by OMV AG.⁷ Net transactions worth +EUR 1.3 billion in the USA cannot primarily be traced to one huge deal but are the result of the activities of various groups. Transactions also include reinvested earnings, which amounted to +EUR 0.2 billion for the USA. Increases of outward FDI of about EUR 1 billion were also recorded in Switzerland and Romania; all other countries account for significantly smaller shares.

⁶ <https://newsroom.magenta.at/2018/07/09/eukommissiongibtgrueneslichtfuerupcuebernahmehdurchtmobileaustria/>.

⁷ https://www.omv.com/de/news/adhocmeldungomvundadnocplanenvertragsunterfertigungfrdenerwerb_eines20-anteilsdurchomvanzweioffshorefelderninabudhabiendeapril2018.

Austrian outward FDI – transactions**By regions in 2018**

Source: OeNB.

The largest decline in Austrian FDI abroad (net disinvestment) was seen in Germany (–EUR 2.0 billion). Part of this decline was due to SIGMA Holding shifting equity investments to Switzerland, which, in turn, explains parts of the increase in FDI there.⁸

Exchange rate effects are another factor explaining changes in outward FDI stocks. As a rule, direct investment enterprises' equity capital as shown in the financial statements in domestic currency is converted into euro. Hence, an appreciation of, e.g., the US dollar leads to an increase in Austrian FDI stocks in the USA. This is what happened in 2018, so that on the back of a strong US dollar, Austrian FDI in the USA gained +EUR 0.8 billion in value (see table 2). Similarly

⁸ <https://www.diepresse.com/5251180/handelsbeteiligungensignaverlegtseinkompetenzzentrumnachzurich>.

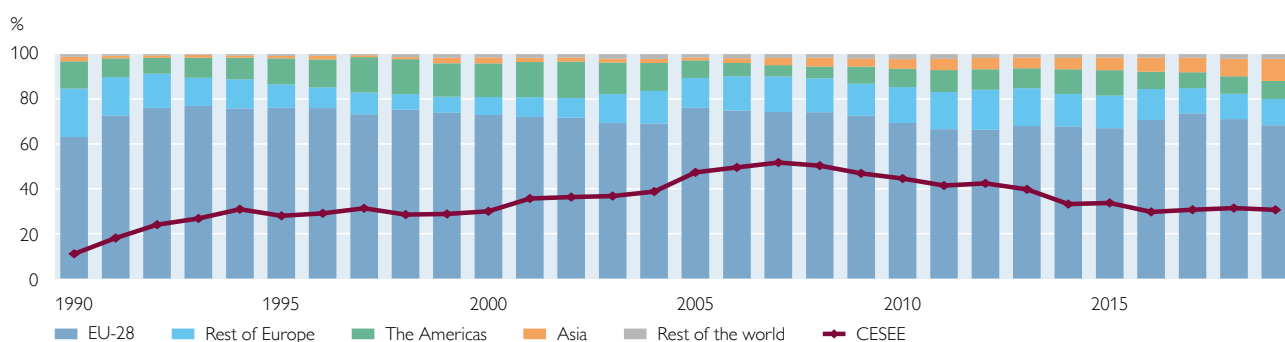
Table 2

Exchange rate effects in outward FDI

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EUR billion														
Currency														
AED UAE dirham	-0.0	-0.0	0.0	-0.0	0.1	0.0	-0.0	-0.1	0.3	0.3	0.1	-0.5	0.2	0.1
CHF Swiss franc	-0.1	-0.1	0.6	-0.0	0.9	0.2	0.0	-0.1	0.1	0.8	0.1	-0.7	0.6	0.3
CZK Czech crown	0.3	0.2	-0.0	0.1	0.5	-0.2	0.3	-0.9	-0.1	0.3	-0.0	0.6	-0.1	0.2
GBP Pound sterling	0.1	-0.4	-1.1	0.3	0.2	0.1	0.1	-0.1	0.4	0.4	-0.9	-0.3	-0.1	0.2
NOK Norwegian crown	-0.0	0.0	-0.0	0.0	0.0	0.0	0.0	-0.1	-0.2	-0.2	0.1	-0.2	0.0	0.0
PLN Polish zloty	0.1	0.2	-0.4	0.0	0.1	-0.4	0.4	-0.1	-0.1	0.0	-0.1	0.3	-0.2	0.0
RUB Russian ruble	-0.0	-0.1	-0.5	-0.2	0.3	-0.1	0.2	-0.8	-2.8	-0.4	1.1	-0.3	-0.6	0.8
TRY Turkish lira	-0.0	0.0	-0.0	0.0	-0.2	-0.7	0.2	-1.0	0.2	-0.5	-0.6	-0.4	-0.4	-0.1
UAH Ukrainian hryvnia	-0.1	-0.3	-1.7	-0.1	0.1	0.0	-0.0	-0.1	-0.5	-0.2	-0.0	-0.0	0.0	0.1
USD US dollar	-0.3	-0.3	0.2	-0.1	0.5	0.3	-0.2	-0.4	1.3	1.9	0.6	-0.9	0.8	0.2

Source: OeNB.

Chart 6

Regional breakdown of Austrian outward FDI (stocks)

Source: OeNB.

strong exchange rate effects were seen with regard to the Swiss franc (+EUR 0.6 billion). At the same time, investments in Russia and Turkey lost in value due to weak domestic currencies (–EUR 0.6 billion and –EUR 0.4 billion, respectively). Compared to some dramatic exchange rate effects seen over the past few years, e.g. for the Russian ruble in 2014 (–EUR 2.8 billion) or the US dollar in 2015 (+EUR 1.9 billion), those of 2018 remained limited.

Table 3

Income on outward FDI

Year	Year-end stocks	Income on equity	Interest on intercompany lending	Total income	Performance
	EUR billion				%
2006	79.8	7.7	-0.1	7.6	11.9
2007	102.1	10.6	-0.1	10.5	13.1
2008	106.5	7.5	0.0	7.5	7.4
2009	118.0	6.8	0.1	6.9	6.5
2010	135.9	9.3	0.1	9.4	8.0
2011	149.3	10.5	0.2	10.7	7.9
2012	158.8	10.4	0.3	10.7	7.2
2013	168.1	10.2	0.3	10.5	6.6
2014	179.7	8.4	0.3	8.6	5.1
2015	188.5	9.3	0.3	9.6	5.3
2016	186.9	13.4	0.6	13.9	7.4
2017	194.9	12.9	0.4	13.4	7.2
2018	199.1	12.3	0.5	12.8	6.5
2019	209.2	13.5	0.4	13.8	6.9

Source: OeNB.

Chart 6 provides a picture of outward FDI stocks over the long term. The OMV deal in Abu Dhabi was one major reason why Asia increased its share in Austrian outward FDI from 6.5% to 7.8% in 2018. According to preliminary data, this share increased further in 2019. As in the past, EU countries were the main target region for Austrian investments in 2018, accounting for 71% of outward FDI. The period of large Austrian FDI in CESEE,⁹ which peaked in 2007 (when every second Austrian FDI euro was invested in CESEE), has been over for several years now; meanwhile, CESEE's share has dropped to around 30% and remained at this level for some time. The USA continues to be a growth market for Austrian investors. Still, given that the increases in FDI in the country in 2016 and 2018 were about equivalent to those in US investment abroad, the share was stable at around 7% to 8%.

With invested capital amounting to EUR 199.1 billion at end-2017, Austrian investors' revenues reached +EUR 12.8 billion in 2018 (see table 3). This translates into a yield of 6.5%, which roughly corresponds to the average seen in the years since the financial crisis of 2008.

As is the case with inward FDI, income on outward FDI is mainly composed of income on equity (+EUR 12.3 billion) and only to a very small extent of interest income (+EUR 0.5 billion). The outlook for the years beyond 2018 for which solid data have yet to become available varies greatly: In 2019, revenues are expected to have been somewhat higher than those recorded in 2018, while 2020 – and this hardly comes as a surprise – will have seen a massive drop because of the COVID-19 pandemic.

⁹ Central, Eastern and Southeastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, Estonia, Kosovo, Croatia, Latvia, Lithuania, Moldova, North Macedonia, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Czechia, Ukraine, Hungary, Belarus.