

1 Results of the 2019 survey and recent developments in selected indicators

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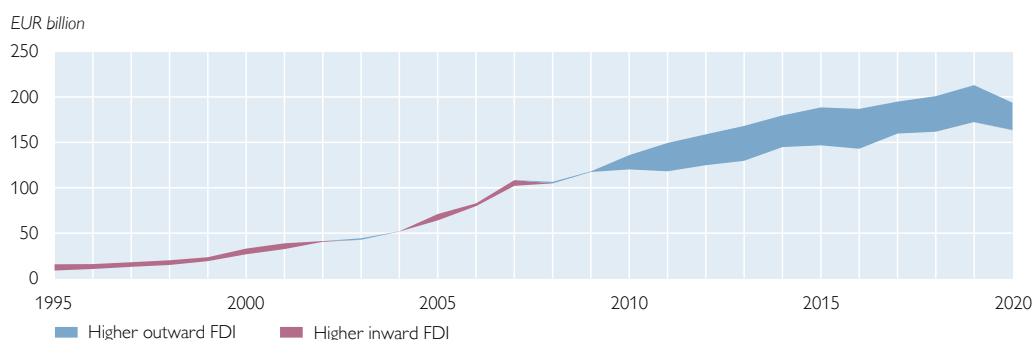
1.1 Main results and current developments

In the 2019 annual survey on FDI, i.e. the last survey taken before the outbreak of the COVID-19 pandemic in Europe, Austrian FDI reached new highs. On December 31, 2019, the stocks of FDI in Austria (inward FDI) amounted to EUR 172.4 billion, and Austrian direct investment abroad (outward FDI) came to EUR 213.0 billion (chart 1). Both 2019 figures exceeded the stocks at year-end 2018 by no less than some 6% each. For the year 2020, only preliminary figures are currently available; they are based on carryover estimates, reported transactions, calculations of price and exchange rate changes as well as profit estimates. The preliminary figures for the first year of the pandemic show a distinct decline in stocks, both in outward and in inward FDI, with the direct pandemic-related impact having been just one of several factors driving the decline. For instance, the particularly marked contraction of the stock of outward FDI is, among other things, traceable to the euro's 2020 rally against other major currencies.² Restructurings of some multinational enterprises (MNEs) likewise reduced FDI stocks. Given the long lead time involved, the pandemic did not really figure in these transactions and relocations of MNE units.

The COVID-19 pandemic did, however, for instance result in lower new investment activity. On the one hand, above all in the spring and summer of 2020, when uncertainty was highest, envisaged investment projects were stopped or postponed. On the other hand and what is likely to be more strongly related to the pandemic, profits contracted in 2020, while losses partly expanded. As profit distributions were not reduced by and large against previous years, reinvested earnings

Chart 1

Austria's outward and inward FDI stocks



Source: OeNB.

Note: Data for 2020 are preliminary.

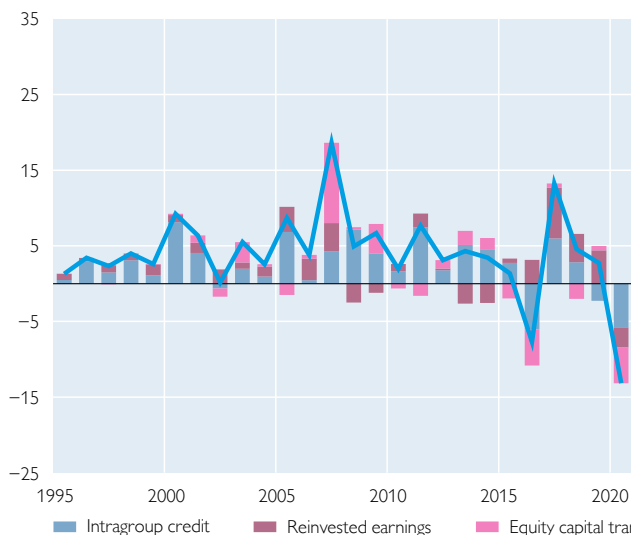
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² For details, see table 2 in section 1.3. "Austrian direct investment abroad (outward FDI)".

Transactions by components

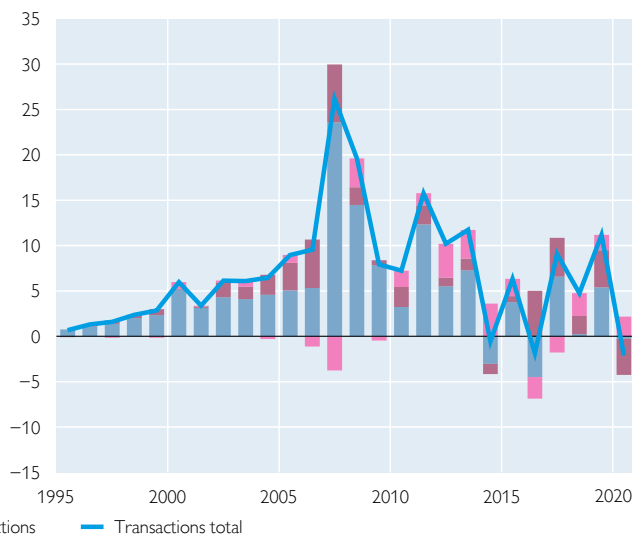
Components of inward FDI

EUR billion



Components of outward FDI

EUR billion



Source: OeNB.

Note: Data for 2020 are preliminary.

turned negative in 2020.³ This effect becomes clearly evident in the breakdown of FDI transactions by components (chart 2), with reinvested earnings dipping into negative territory both for outward and for inward FDI.

It is already the second time in the recent past – after the decline in 2016 – that inflows in equity capital transactions posted a negative balance from new investment and disinvestment. This development was largely due to *OMV's* acquisition of *Borealis* in 2020,⁴ which was reflected in statistics as disinvestment, and to several disinvestments of US multinationals. Another major factor driving the negative balance was intragroup lending. A number of larger, new intragroup loans were extended by Austrian companies to their foreign parent companies, which in line with international statistics manuals classify as inward FDI disinvestments.⁵ The components of outward FDI transactions showed balanced-out equity transactions, negative reinvested earnings on account of the worsened profit situation in 2020 and a slight increase in intragroup credit.

Signs have been mounting in 2021 that FDI stocks are set to rebound after having decreased in 2020. This trend is likely to be more pronounced for outward than for inward FDI. In both cases this is driven by companies' improved profitability and positive balances from equity transactions and intragroup lending.

³ Reinvested earnings result from annual profits minus profit distributions.

⁴ <https://www.handelsblatt.com/unternehmen/industrie/oelindustrie-milliarden-deal-omv-uebernimmt-petrochemiekonzern-borealis/25632800.html?ticket=ST-8254290-0yRZjQ4eWFEV5a7E32Ys-ap4>.

⁵ We apply the extended directional principle according to the OECD Benchmark Definition of Foreign Direct Investment – 4th Edition. <https://www.oecd.org/investment/fdibenchmarkdefinition.htm>.

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. Chart 3 depicts a regional breakdown of transactions for the reporting year 2019. Japanese investors accounted for the most sizable net investments in Austria (+EUR 1.4 billion).

These activities include the acquisition of Styria-based *AHT Cooling Systems* by the Japanese *Daikin group*.⁶ AHT's previous owner was based in the United Kingdom. In the regional aggregate, this transaction hence resulted in net disinvestments vis-à-vis the UK (–EUR 0.8 billion). Besides, larger net investments were registered from the EU countries Luxembourg (+EUR 1.1 billion), Germany (+EUR 0.7 billion) and France (+EUR 0.3 billion). Net inflows from outside the EU came

Chart 3

Inward FDI in Austria – transactions

By regions (headquarters) in 2019

EUR billion



Source: OeNB.

⁶ https://www.kleinezeitung.at/wirtschaft/5580149/Rottenmann_AHT-Cooling_EU-genehmigt-Uebernahme-durch-Daikin.

from Switzerland (+EUR 0.6 billion), South Africa (+EUR 0.5 billion) and Russia (+EUR 0.5 billion).

US investors accounted for the largest net disinvestments, most prominently the sale of *BAWAG* shares by the US investor *Cerberus*.⁷ *Cerberus* had snapped up the troubled bank in 2007, i.e. before *Lehman Brothers* collapsed, with a view to rapidly making the bank profitable again and selling it off at profit. However, it was not before 2017 that *BAWAG* went public, and in 2019, *Cerberus* withdrew as *BAWAG*'s major shareholder. Among all countries investing in Austria, the country accounting for the second largest disinvestments in 2019 was Austria itself. This is attributable to the phenomenon of round-tripping, where Austrian investors are holding stakes in domestic companies via foreign entities. Such entities paid out high dividends in 2019, which in statistics translate into disinvestments.

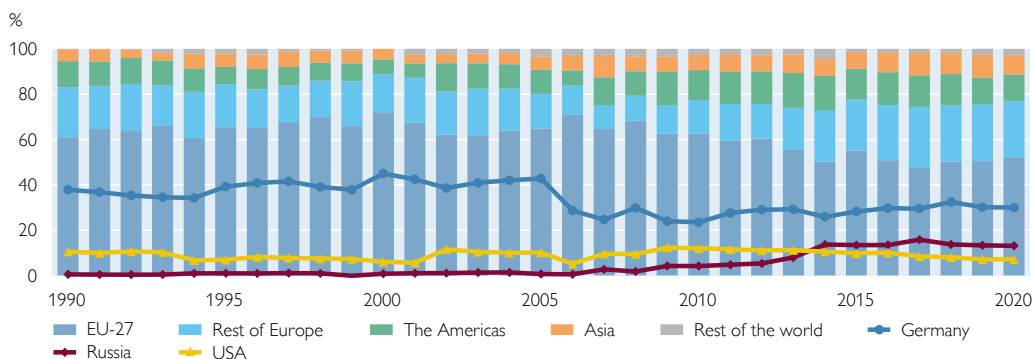
Chart 4 sheds light on FDI in Austria from a longer-term perspective, breaking down stock data by regions from the beginning of the 1990s. Following its withdrawal from the EU, the UK is no longer part of the EU aggregate, and now falls into the “rest of Europe” aggregate.⁸

Even without the UK, the EU (now EU-27) continued to be the most important region of origin of inward FDI for Austria. According to the most recent – i.e. 2019 survey – data, every other euro invested in Austria came from another EU member state (50.4%). The largest share in this overall aggregate, namely 30.1%, continued to be held by Germany. The second most important region of origin of inward FDI is the rest of Europe aggregate (25.2%), in which Russian investors hold a considerable share (13.3%). The market share of the Americas region dropped year on year in 2019 – among other things because *Cerberus* sold its *BAWAG* shares – and at 11.8% was almost on a par with Asia (10.1%). With shares of less than 3% each, other regions still did not play a significant role in terms of inward FDI.

The income generated in 2019 on equity stakes held by foreign investors in Austria developed more or less along the lines of the previous year (table 1). It

Chart 4

Regional breakdown of inward FDI (stocks)



Source: OeNB.

Note: Data for 2020 are preliminary.

⁷ [https://www.diepresse.com/5718162/cerberus-stiess-anteile-ab-bawag-mehrheitlich-in-streubesitz.](https://www.diepresse.com/5718162/cerberus-stiess-anteile-ab-bawag-mehrheitlich-in-streubesitz/)

⁸ This classification applies to the entire time series (in line with a backward perspective of the current country aggregate).

Table 1

Income on inward FDI in Austria

| Year | Year-end stocks | Income on equity | Interest on intragroup credit | Total income | Performance |
|------|-----------------|------------------|-------------------------------|--------------|-------------|
| | 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 | 161.7 | 13.4 | 0.2 | 13.6 | 8.5 |
| 2019 | 172.4 | 13.9 | 0.0 | 13.8 | 8.5 |
| 2020 | 163.7 | 4.2 | 0.0 | 4.2 | 2.4 |

Source: OeNB.

Note: Data for 2020 are preliminary.

consisted predominantly of income on equity shares, whereas interest income on intragroup credit hardly played a role. The overall yield on invested capital amounted to +8.5%.

The 2020 picture differs substantially, with many companies likely to have faced markedly lower earnings or even losses. In the time series, 2020 is most similar to the year 2008, when the financial crisis was most rampant. Back then, foreign investors' yield on their Austrian investments ran to a meager +2.9%. Most recent estimates project a yield of +2.4% for 2020, but this projection is surrounded with a much higher degree of uncertainty than those in previous years.

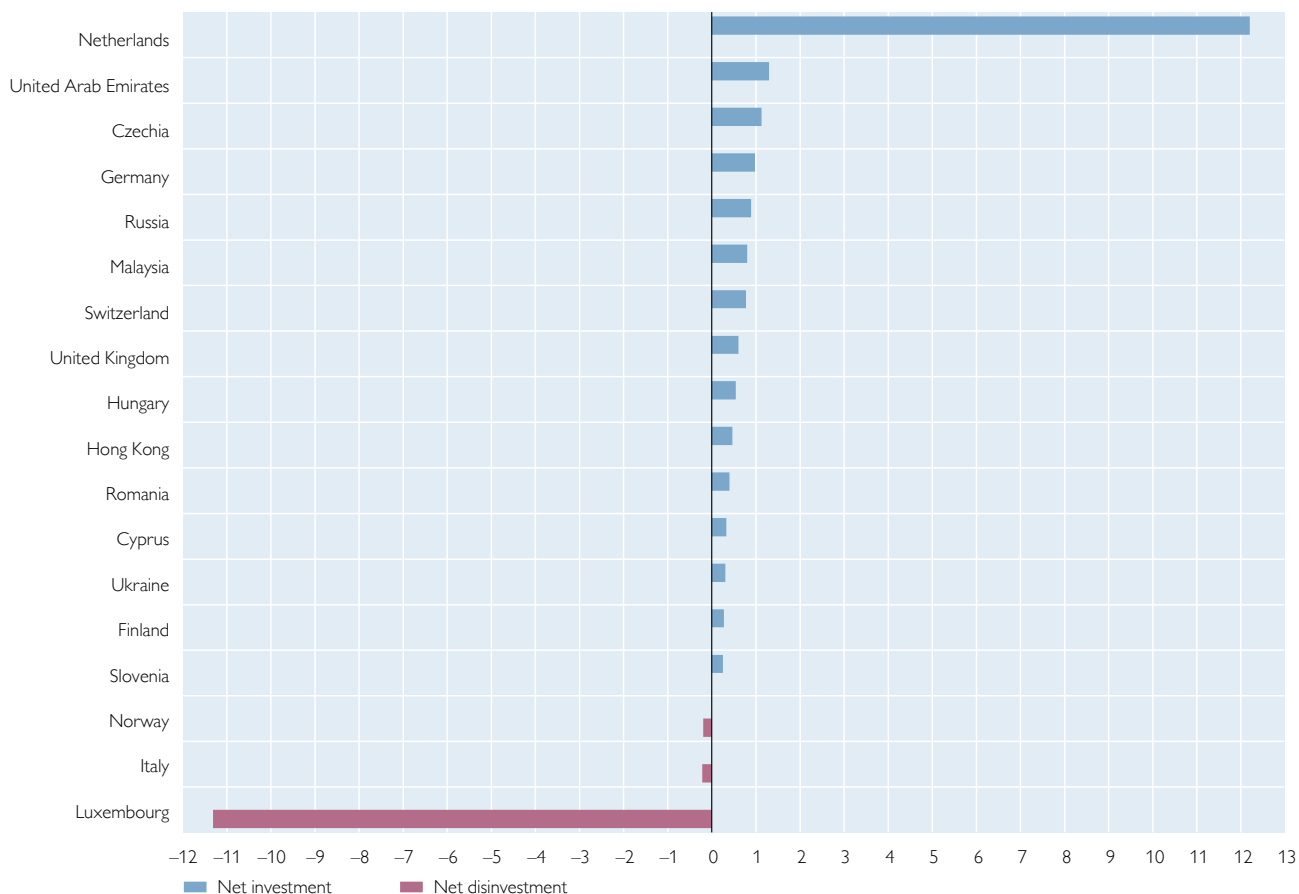
1.3 Austrian direct investment abroad (outward FDI)

Two countries that tend to play a special role in cross-border investments dominated Austrian direct investment abroad in 2019, namely the Netherlands and Luxembourg. When MNEs look for nonstandard solutions in structuring their groups, they often turn to these two countries. The Netherlands offer MNEs great flexibility in tax optimization⁹; Luxembourg likewise collects low taxes by European standards. In addition to several other investments and disinvestments, 2019 saw greater relocations from holding companies from Luxembourg to the Netherlands, which also affected some Austrian parent companies. As a result, Austrian FDI in the Netherlands increased by EUR 12.2 billion and disinvestments in Luxembourg came to -EUR 11.3 billion. All other net investments paled somewhat by comparison (chart 5), e.g. in the United Arab Emirates (+EUR 1.3 billion), Czechia (+EUR 1.1 billion) or Germany (+EUR 1.0 billion).

⁹ <https://www.faz.net/aktuell/wirtschaft/recht-steuern/steueroase-und-ewig-lockt-holland-12554976.html>.

Austrian outward FDI – transactions**By regions in 2019**

EUR billion



Source: OeNB.

Most Austrian outward investments in 2019 were once again much smaller than those seen during the Austrian FDI boom in the years before the 2008 financial crisis or in individual years thereafter (2011 and 2013). Instead of large takeovers of existing foreign enterprises or spectacular start-ups, capital was thus mostly invested in existing holdings.

That 2019 year-end stocks nevertheless rose markedly year on year, as mentioned earlier, was also due to exchange rate changes vis-à-vis the euro. Equity stakes are in most cases held in the local currency.¹⁰ If local currencies rally against the euro, the stocks of the respective Austrian outward FDI rise in value as well. This effect manifested itself in 2019, when the Russian ruble in particular appreciated sharply against the euro (table 2).

¹⁰ The balance sheet currency differs from the local currency only in few cases, where the balance sheet currency is then used to calculate exchange rate effects.

Table 2

Exchange rate effects in outward FDI

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------|-------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Currency | EUR billion | | | | | | | | | | | | | | |
| 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 | -0.6 |
| 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 | 0.0 |
| CZK Czech koruna | 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 | 0.1 | -0.4 |
| 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 | -0.3 |
| NOK Norwegian krone | 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 | -0.1 |
| PLN Złoty | 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 | -0.3 |
| 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 | -1.6 |
| 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 | -0.5 |
| UAH 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 | -0.2 |
| 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 | 0.3 | -1.2 |

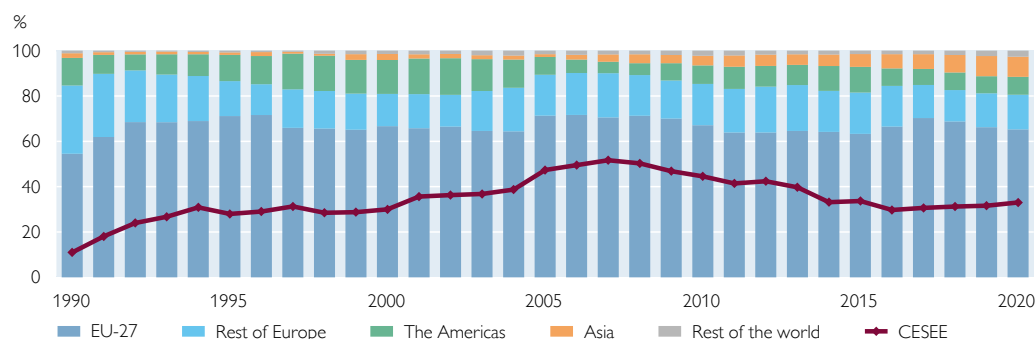
Source: OeNB.

A much more pronounced opposite effect was observed in 2020. Overall, Austrian investments abroad lost in value (–EUR 7.2 billion) given that the euro appreciated against all the relevant foreign currencies.

In terms of the market shares of Austrian outward FDI by target region, the following trends become evident: Over the course of the past four years, the Central, Eastern and Southeastern European (CESEE) region¹¹ gained in importance again compared with other target regions. When we factor in the estimate for 2020 stocks, the CESEE share rebounds to 33.0%. From its peak in 2007 (every other Austrian outward FDI euro was invested in CESEE) to 2016 (29.7%), the CESEE market share underwent a ten-year consolidation period (chart 6).

In recent years, outward FDI was again increasingly channeled into target regions outside of Europe. Put together, the Americas, Asia and the rest of the world accounted for a share of 19.5% in 2020, having again caught up with the 2002 value,

Chart 6

Regional breakdown of Austrian outward FDI (stocks)

Source: OeNB.

Note: Data for 2020 are preliminary.

¹¹ Central, Eastern and Southeastern Europe: Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czechia, Estonia, Hungary, Kosovo, Latvia, Lithuania, Moldova, Montenegro, North Macedonia, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Ukraine.

the highest reading of the time series. The gains recorded overseas contrasted with a declining share of Austrian outward FDI in Europe, which, at 80.5% (2020) nevertheless remained the number one target region by far.

Not surprisingly, the vastly differing conditions in 2019 and 2020 are reflected in the income on both outward FDI (table 3) and inward FDI. The profitability situation was sound in 2019, with Austrian outward FDI generating income in the amount of EUR 15.0 billion. This was an all-time high and translates into a return of investment of +7.7%. At +2.2%, the forecast for 2020 is much lower on account of the pandemic impact and about mirrors the income on inward FDI estimated for the same year.

Compared with inward FDI, 2019 interest income on intragroup lending related to outward FDI was somewhat higher at +EUR 0.4. Yet even the latter was negligibly small compared with the income from equity shares (+EUR 14.7 billion).

Table 3

Income on outward FDI

| Year | Year-end stocks | Income on equity | Interest on intragroup credit | 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 | 200.9 | 12.3 | 0.5 | 12.8 | 6.5 |
| 2019 | 213.0 | 14.7 | 0.4 | 15.0 | 7.7 |
| 2020 | 193.6 | 4.1 | 0.2 | 4.3 | 2.2 |

Source: OeNB.

Note: Data for 2020 are preliminary.