

Foreign Direct Investment

- Germany remains attractive to foreign investors
- USA overtakes China as the E&E Industry’s biggest investment location abroad

Berlin (GTAI) - Germany attracted more than 3,800 foreign direct investment (FDI) projects in 2017, according to the federal economic development agency Germany Trade & Invest (GTAI).

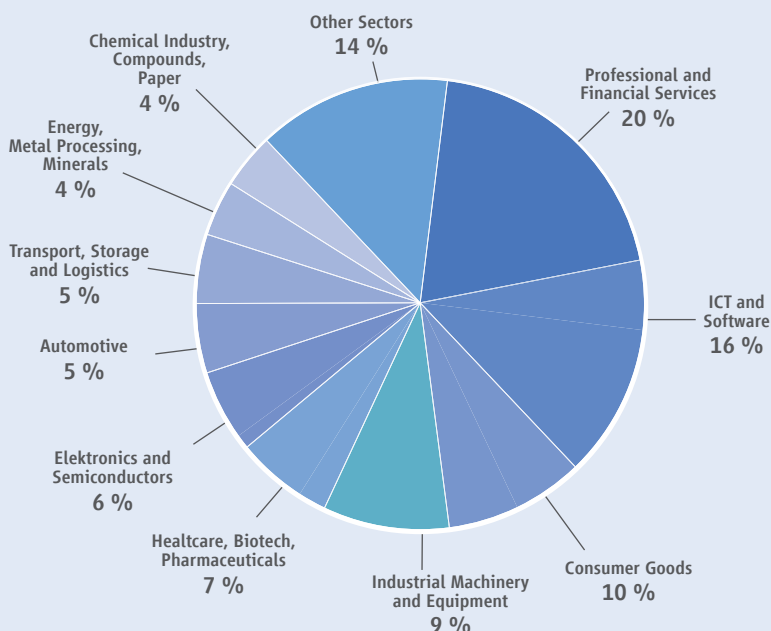
Together with the 16 federal states, GTAI registered more than 1,910 projects in new settlements, corporate expansions and relocations. This solidifies the positive trends in recent years (2016: 1,944 projects; 2015: 1,921 projects).

The USA was the top investor with 276 new projects, followed by China with 218. Those two were followed by Switzerland (204), the UK (152) and the Netherlands (124). The bulk – more than 40 percent – of all the projects were from the EU. Moreover, there were more than 1,900 mergers or acquisitions. The companies involved in the projects have revealed their likely job creation numbers, which will total more than 29,000.

The most popular sectors for investment in 2017 were corporate and financial services (20%), followed by ICT and software (16%). Electronics ranks at number 6 of the sectors (6%), behind consumer goods (10%), machinery & equipment (9%), and health sciences (7%). An encouraging sign is the fact that 19% of the companies are looking at Germany as a production and / or research location.

Greenfield & Expansion Projects by Industry

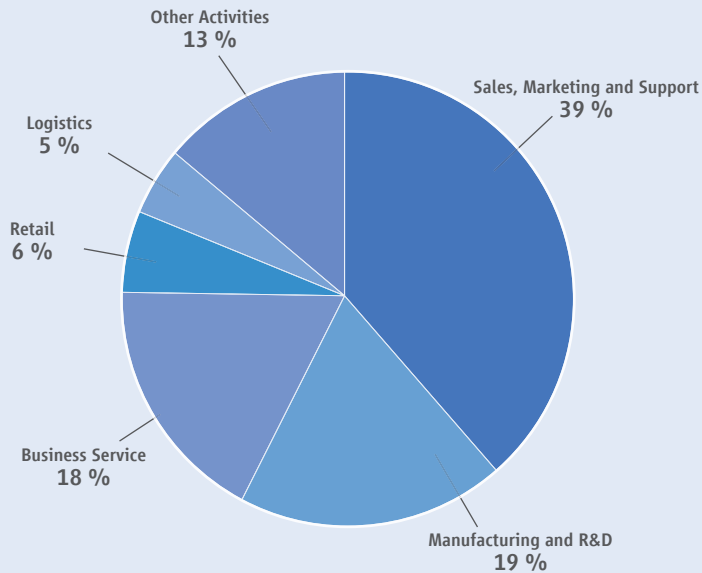
Share in the total number of projects in Germany, 2017



Source: GTAI 2018, Economic Development Agencies of the German Federal States 2018

Greenfield & Expansion Projects by Business Activity

Share in the total number of projects in Germany, 2017



Source: GTAI 2018, Economic Development Agencies of the German Federal States 2018

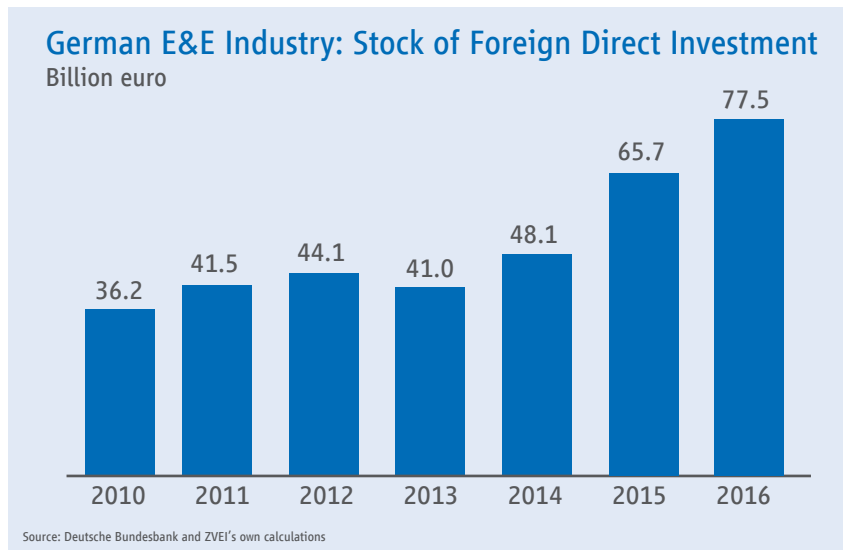
These figures reinforce the attractiveness of Germany as an investment location to foreign companies, as well as the importance of FDI in job creation. According to recent figures, some 70,000 foreign companies are invested in Germany currently, with investments worth some €497 billion. As a result, around three million people can thank FDI projects for their jobs

FDI Stocks in Germany Grow Continuously

Foreign direct investment steadily increased in recent years due to this increasingly rapid development of new investments. In 2011, FDI stocks amounted to about €402 billion, in 2016 – the latest available data point – this figure has grown to more than €497 billion. €299 billion of these stocks originate in EU countries, which therefore hold 60 percent of FDI

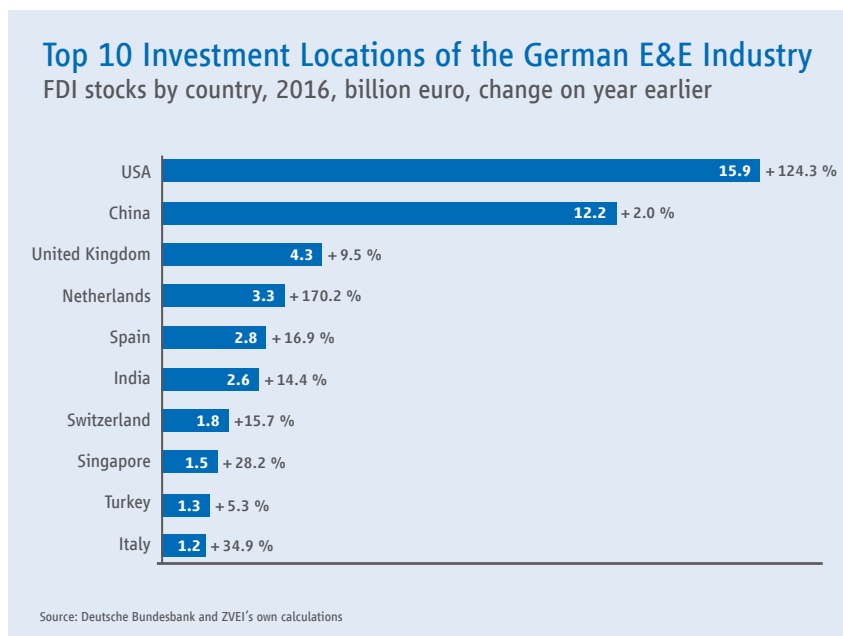
stocks in Germany. The United States hold €87 billion or 17 percent and East Asian countries hold more than €42 billion or around 9 percent. Internationally, Germany ranks 10th in terms of these “FDI stocks”, according to the surveys of UNCTAD.

FDI Stock of the German E&E Industry Increases Substantially



According to calculations by the ZVEI - German Electrical and Electronic Manufacturers' Association, the German Electrical and Electronic (E&E) Industry's stock of foreign direct investment (FDI) in the recent reporting period 2016 increased by 18.0 percent compared to (the revised figure of) 2015 to €77.5 billion. The number of German electric companies with investment stocks abroad went up as well, namely from 388 to 392.

USA Overtakes China as the E&E Industry's Biggest Investment Location Abroad



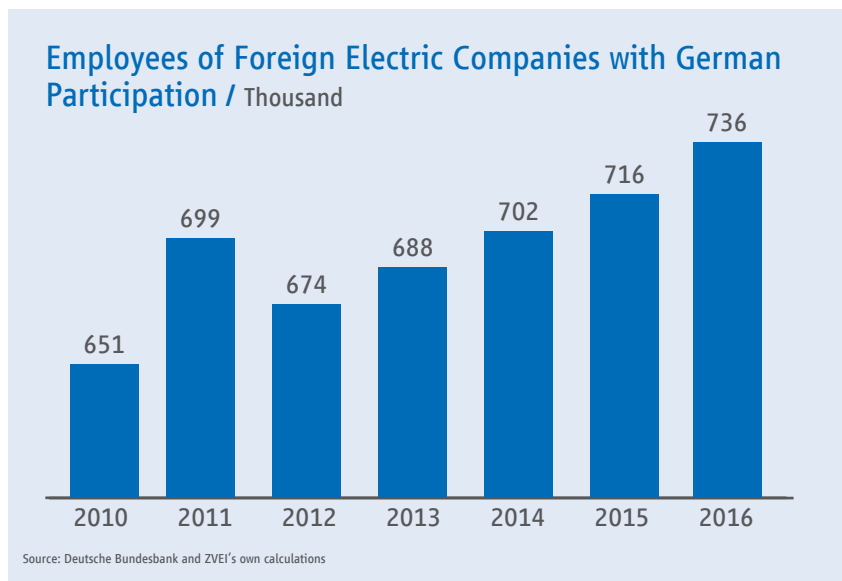
Measured in terms of the current FDI stock, the USA replaced China as the German E&E Industry's biggest investment location abroad in 2016. The People's Republic had held the leading position between 2012 and 2015. The FDI stock in the USA went up by 124.3 percent to €15.9 billion. China (+2.0% to €12.2 bn) and the United Kingdom (+9.5% to €4.3 bn) rank second and third. Among the top ten countries the USA, however, achieved only the second largest increase. The FDI stock in the Netherlands (fourth position in 2016) even picked up by 170.2% to €3.3 billion. Substantial growth rates could also be recorded for the sector's FDI stocks in Spain (+16.9% to €2.8 bn), India (+14.4% to €2.6 bn), Switzerland (+15.7% to €1.8 bn), Singapore (+28.2% to €1.5 bn), Turkey (+5.3% to €1.3 bn) and Italy (+34.9% to €1.2 bn). Meanwhile, Russia and France dropped out of the top ten.

Investment Stock of the German Manufacturing Sector also Grows Strongly

The German manufacturing industry as a whole registered a strong increase in investments abroad in 2016, too. Its stock of foreign direct investment picked up by 12.0 percent to €337.6 billion. With it, the E&E Industry's share in the total FDI stock of all German manufacturing companies climbed to 23.0 percent (2015: 21.8%). In comparison to the other large industrial

sectors the E&E Industry ranks second – behind the Automobile Industry (stock of €114.1 bn, share of 33.8%) and ahead of the Chemical and Pharmaceutical Industry (€72.6 bn or 21.5%) and the Mechanical Engineering Industry (€33.4 bn or 9.9%).

Number of Employees Abroad Picks up Again



The stock of German FDI in the E&E Industry abroad came to €70.2 billion in 2016, leaving it 10.4 percent higher than one year before. The foreign companies in which investments were made employed 736,000 people (+20,000 compared to 2015) and generated annual sales of €162.3 billion (+6.7 %). Please note that the difference between the stock of German FDI in the E&E Industry abroad and the FDI stock of the German E&E Industry is explained by the fact that both the German E&E Industry and other domestic industries make foreign investments not only in their own but also in other sectors at a time.

FDI Stock in the German E&E Industry on the Rise

The FDI stock of foreign investors in the German E&E Industry increased in 2016, too. It went up by 5.1 percent to €18.7 billion. The number of domestic companies in which foreign investments were made grew moderately to 846. The number of people employed by these companies, in contrast, declined by 4,000 to 290,000.

FDI Stocks Can be Subject to Exchange Rate Effects

The Deutsche Bundesbank 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 be subject to – sometimes even large – exchange rate movements which means that a depreciation of the euro against the reporting currency alone – other things equal – induces an FDI increase (and vice versa). The euro, however, did not appreciate or depreciate significantly against the US dollar or the Chinese Renminbi in 2016

compared to the year before. In fact, the main positive impact on FDI growth came from real factors such as an expansion of local investment activities.

Foreign Direct Investment (FDI)

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.

Foreign Direct Investment

FDI Stocks at Year-End

	Unit	2013	2014	2015 ¹⁾	2016
Total German FDI	Billion €	916.8	984.2	1,055.2	1,113.8
<i>Change on year earlier</i>	%	-1.0	7.4	7.2	5.6
German FDI in the manufacturing sector abroad	Billion €	318.6	346.7	365.6	400.1
<i>Change on year earlier</i>	%	6.5	8.8	5.5	9.4
FDI of the German manufacturing sector	Billion €	245.4	247.2	301.5	337.6
<i>Change on year earlier</i>	%	-0.3	0.7	22.0	12.0
German FDI in the E&E Industry abroad	Billion €	55.0	61.2	63.6	70.2
<i>Change on year earlier</i>	%	6.0	11.3	3.9	10.4
Foreign E&E firms in which an investment was made	Number	1,547	1,569	1,653	1,702
<i>Change on year earlier</i>	%	1.8	1.4	5.4	3.0
Number of employees in these firms	1,000	688	702	716	736
<i>Change on year earlier</i>	%	2.1	2.0	2.0	2.8
Sales volume of these firms	Billion €	134.1	146.2	152.1	162.3
<i>Change on year earlier</i>	%	-2.4	9.0	4.0	6.7
FDI of the German E&E Industry abroad	Billion €	41.0	48.1	65.7	77.5
<i>Change on year earlier</i>	%	-7.1	17.3	36.6	18.0
German E&E firms that invested abroad	Number	349	369	388	392
<i>Change on year earlier</i>	%	0.3	5.7	5.1	1.0
Top ten target countries:					
USA	Billion €	5.0	4.8	7.1	15.9
<i>Change on year earlier</i>	%	-3.5	-5.0	48.0	124.3
China	Billion €	5.8	10.7	12.0	12.2
<i>Change on year earlier</i>	%	9.3	83.7	12.3	2.0
United Kingdom	Billion €	2.7	3.6	3.9	4.3
<i>Change on year earlier</i>	%	8.8	32.9	9.0	9.5
Netherlands	Billion €	<i>n.a.</i>	<i>n.a.</i>	1.2	3.3
<i>Change on year earlier</i>	%				170.2
Spain	Billion €	2.6	2.5	2.4	2.8
<i>Change on year earlier</i>	%	33.9	-3.0	-5.2	16.9
India	Billion €	1.5	1.9	2.3	2.6
<i>Change on year earlier</i>	%	-8.4	29.0	20.5	14.4
Switzerland	Billion €	1.3	1.4	1.6	1.8
<i>Change on year earlier</i>	%	9.0	7.8	13.1	15.7
Singapore	Billion €	0.8	0.9	1.1	1.5
<i>Change on year earlier</i>	%	5.0	20.9	25.4	28.2
Turkey	Billion €	1.1	1.4	1.2	1.3
<i>Change on year earlier</i>	%	-36.4	30.4	-12.5	5.3
Italy	Billion €	0.7	0.7	0.9	1.2
<i>Change on year earlier</i>	%	-33.3	2.8	26.1	34.9
Total FDI of foreign investors in Germany	Billion €	460.5	464.4	473.8	497.0
<i>Change on year earlier</i>	%	5.3	0.8	2.0	4.9
FDI of foreign investors in the German E&E Industry	Billion €	17.1	16.2	17.8	18.7
<i>Change on year earlier</i>	%	0.2	-5.1	9.9	5.1
German E&E firms into which an investment was made	Number	805	806	844	846
<i>Change on year earlier</i>	%	3.3	0.1	4.7	0.2
Number of employees in these firms	1,000	287	288	294	290
<i>Change on year earlier</i>	%	3.2	0.3	2.1	-1.4
Sales volume of these firms	Billion €	95.9	97.5	105.8	109.7
<i>Change on year earlier</i>	%	1.8	1.7	8.5	3.7

¹⁾ revised. Source: Deutsche Bundesbank and ZVEI's own calculations / © ZVEI • July 2018



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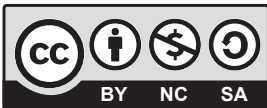
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