



**EU - Gulf Cooperation Council (GCC) Dialogue on Economic
Diversification**

**EU – GCC Dialogue on Economic Diversification
Gulf Cooperation Council (GCC) countries**

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Bahrain Foreign Direct Investment with world partners and EU27

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**EU-GCC Dialogue on Economic Diversification
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Introduction

This report provides the analysis on Bahrain inward and outward foreign direct investment (FDI) flows and stocks with the world partners (2016-2021), with EU27 as a region and with individual Member States (2016-2021). The analysis of EU27 outward FDI flows and stocks with the GCC region is included. The analysis is based on Eurostat data last updated February 9, 2023, retrieved March 8, 2023 and UNCTAD data, retrieved January 23, 2023.

FDI refers to the flow of capital between countries. According to the United Nations Conference for Trade and Development (UNCTAD), FDI is 'investment made to acquire lasting interest in enterprises operating outside of the economy of the investor.' FDI statistics measure two different concepts – flows and stocks: Flows measure annual levels of investment on a net basis. Stocks record the total book value of all existing FDI, inward or outward. The outward FDI stock is the value of the resident investors' equity in and net loans to enterprises in foreign economies. The inward FDI stock is the value of foreign investors' equity in and net loans to enterprises resident in the reporting economy. FDI flows are transactions recorded during the reference period (typically year or quarter). FDI stocks are the accumulated value held at the end of the reference period (typically year or quarter).

In 2021, Bahrain inward FDI flows from all world partners reached 1.5 billion EUR, while outward FDI flows were close to 0.05 billion EUR. FDI stocks in Bahrain from all world partners reached 29.5 billion EUR and Bahrain outward FDI stocks to all partners were close to 17 billion EUR.

In 2021, EU27 FDI flows to world partners reached 98.8 billion EUR and FDI flows to EU27 from world partners -219.2 billion EUR. EU27 FDI stocks to world partners were 16,642 billion EUR and world partners' FDI stocks into EU27 reached 14,051.4 billion EUR.

EU27 FDI flows to Bahrain increased in 2021 to 128.3 million EUR from 58.6 million EUR in 2020. EU27 inward FDI flows from Bahrain decreased in 2021 to -940.3 million EUR from -133 million EUR in 2020.

In 2021, FDI stocks from Bahrain into the EU27 amounted to 406.2 million EUR, a significant decrease from 1,420.3 million EUR in 2020. The FDI stocks from the EU27 into Bahrain increased from 1,184.6 million EUR in 2020 to 1,420.8 million EUR in 2021.

According to Bahrain Economic Development Board and the Ministry of Industry, Commerce and Tourism, Bahrain offers a number of incentives for foreign investors, including 100% ownership of a company established in Bahrain for most business activities, no restrictions on capital repatriation, currency exchange or transfer of dividends, and easy financing mechanisms, amongst other incentives.

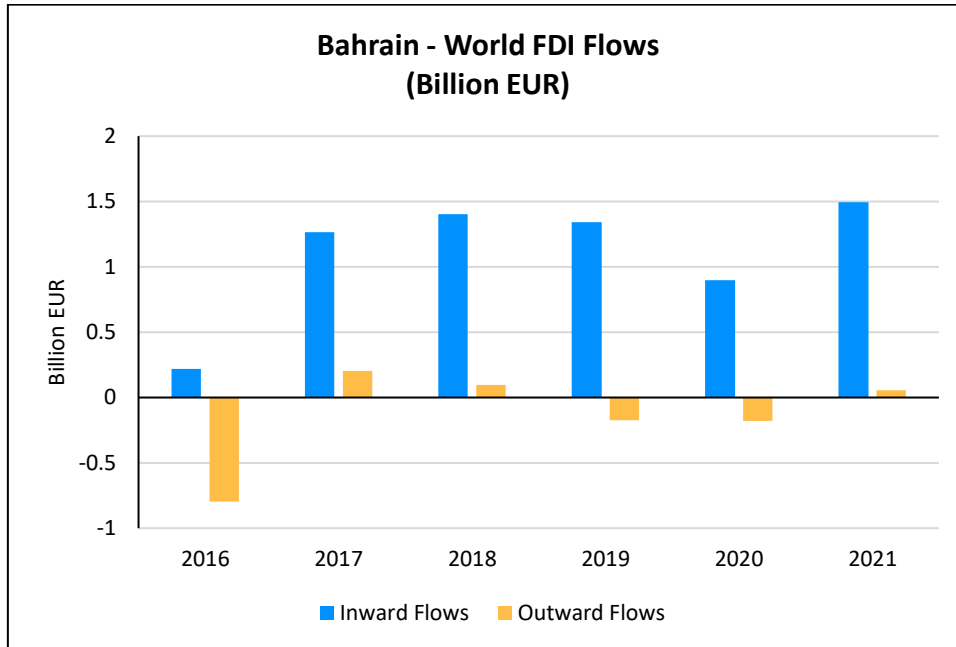
The report is structured as follows. Section 1 provides the FDI between Bahrain and the world partners for 2016-2021. Section 2 includes the trends in FDI between the EU27 and GCC region for 2016-2021 and details for 2021, the most current year for which data are available. Section 3 provides the details of EU27 and Bahrain FDI at region level for 2016-2021. Section 4 includes details of FDI flows and stocks between Bahrain and individual EU27 Member States for 2016-2021. Section 5 presents a brief overview of incentives offered by the country's investment authorities. The EU-GCC Dialogue on Economic Diversification project has produced a number of policy papers and reports that assess Bahrain current business and regulatory environments and provide recommendations on areas where the EU expertise and knowledge can assist Bahrain in increasing economic competitiveness.¹

¹ A number of policy papers and reports have been published on the websites of the EU delegations to GCC, on the EU-GCC Dialogue on Economic Diversification Project page. In addition, reports that are not for public disclosure are available to the project stakeholders by contacting the authors.

1 Bahrain – World FDI Flows and Stocks

Figure 1 provides Bahrain inward FDI flows from all Bahrain partners (inward flows) and outward FDI flows to all partners (outward flows) in billions of EUR.

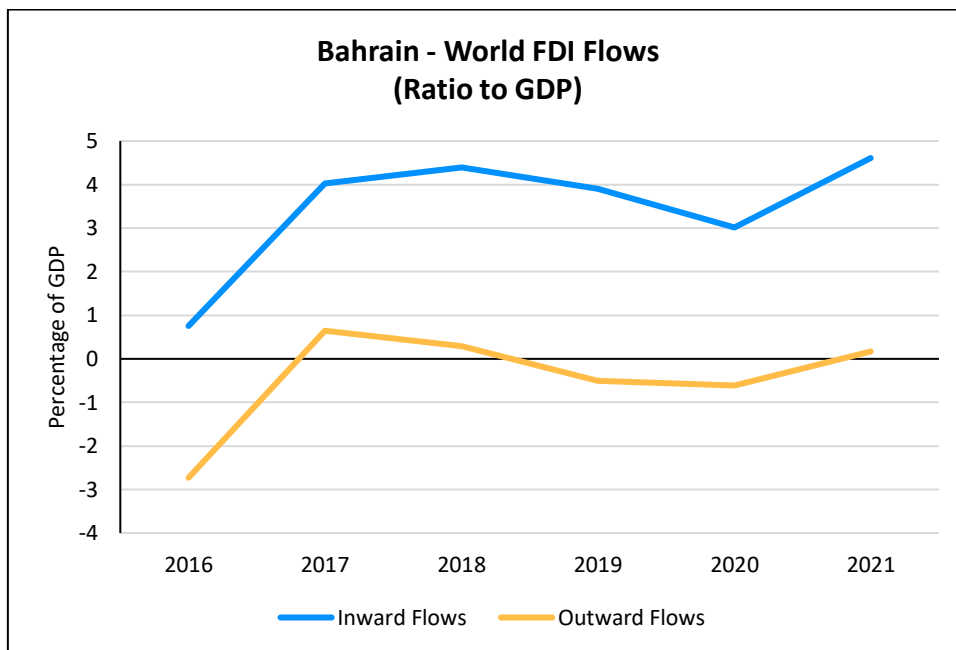
Figure 1 Bahrain Inward and Outward FDI Flows, 2016-2021



Source: UNCTAD data

Figure 2 provides Bahrain inward FDI flows from all Bahrain partners (inward flows) and outward FDI flows to all partners (outward flows) as percentage of Bahrain GDP.

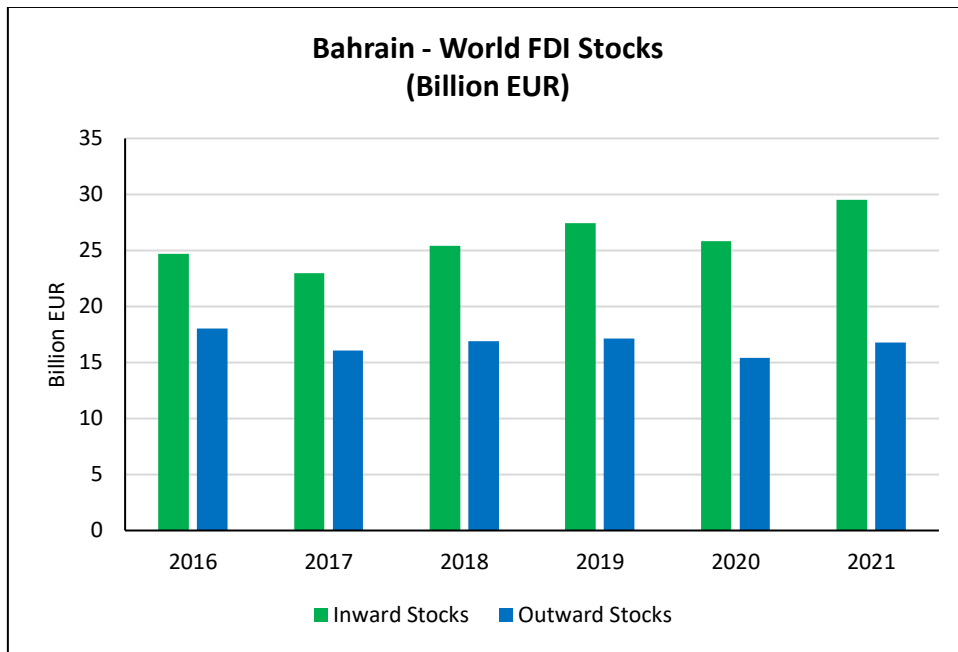
Figure 2 Bahrain Inward and Outward FDI Flows, 2016-2021



Source: UNCTAD data

Figure 3 provides Bahrain inward FDI stocks from all Bahrain partners (inward stocks) and outward FDI stocks in all partners' economies (outward stocks).

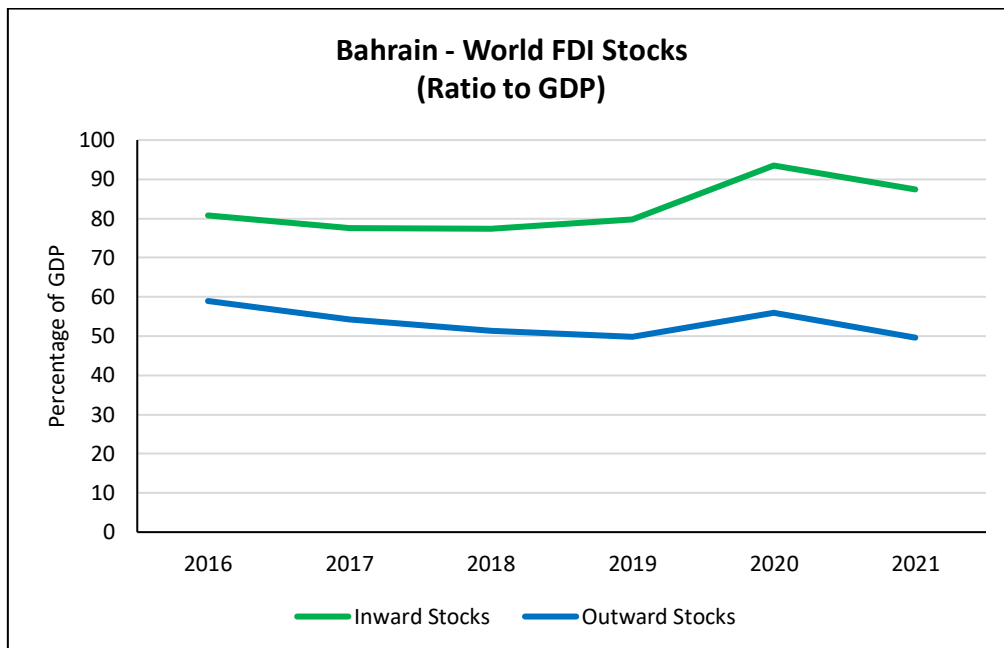
Figure 3 Bahrain Inward and Outward FDI Stocks (Billion EUR), 2016-2021



Source: UNCTAD data

Figure 4 provides Bahrain inward FDI stocks from all Bahrain partners (inward stocks) and outward FDI stocks in all partners' economies (outward stocks) as percentage of Bahrain GDP.

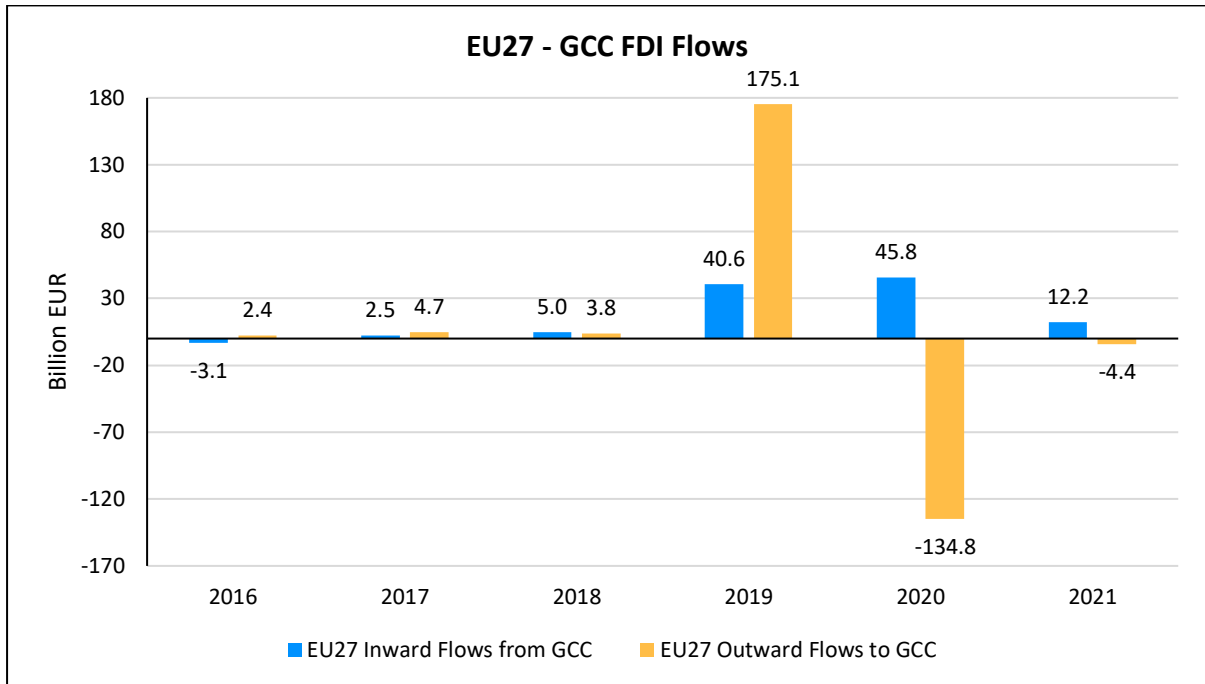
Figure 4 Bahrain Inward and Outward FDI Stocks (ratio to GDP), 2016-2021



Source: UNCTAD data

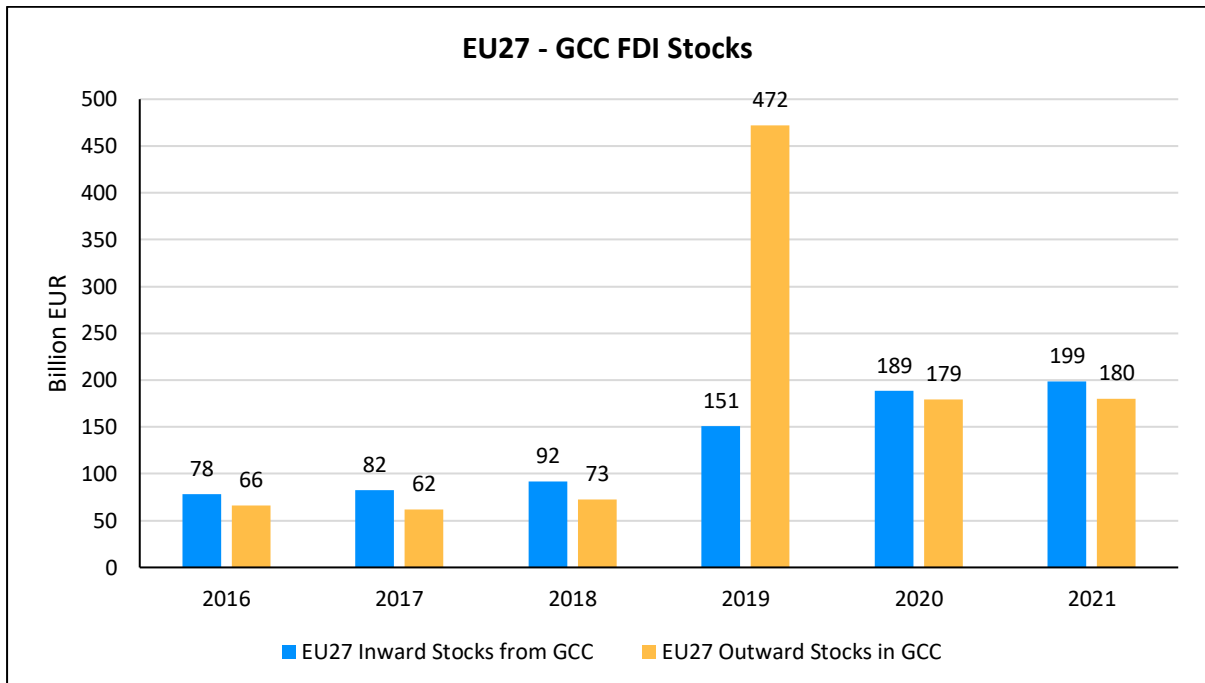
2 EU27 – GCC Foreign Direct Investment

Figure 5 EU27 – GCC FDI Flows, 2016-2021



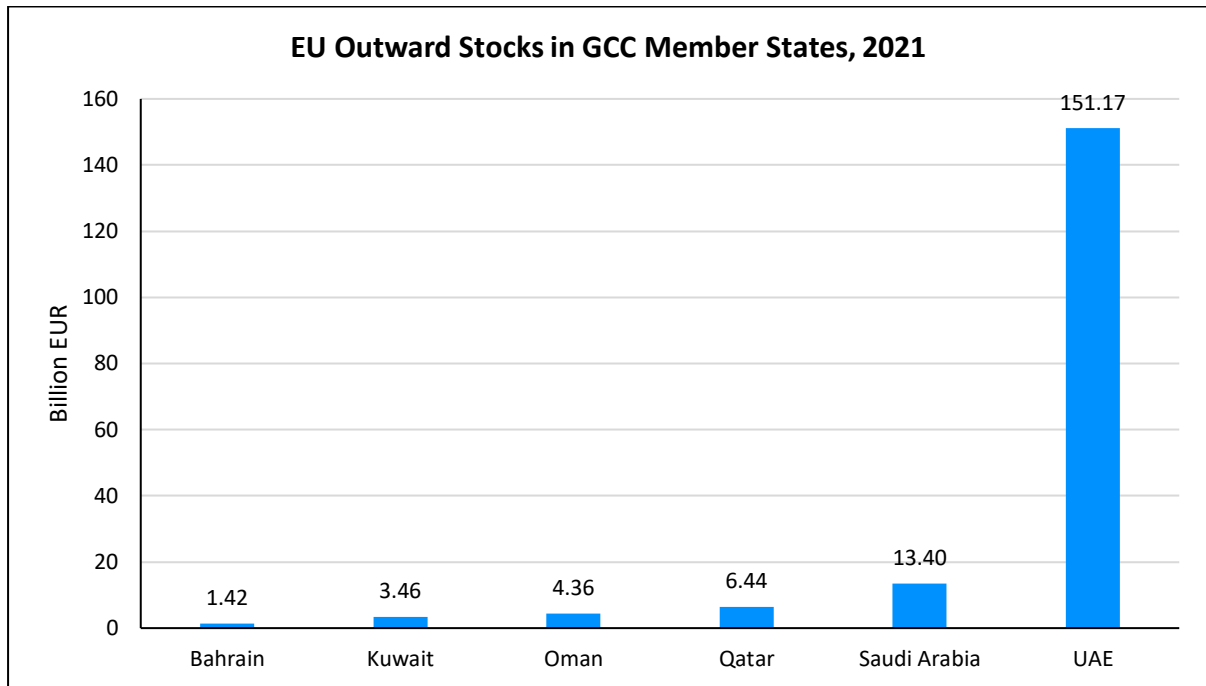
Source: Eurostat data

Figure 6 EU27 – GCC FDI Stocks, 2016-2021



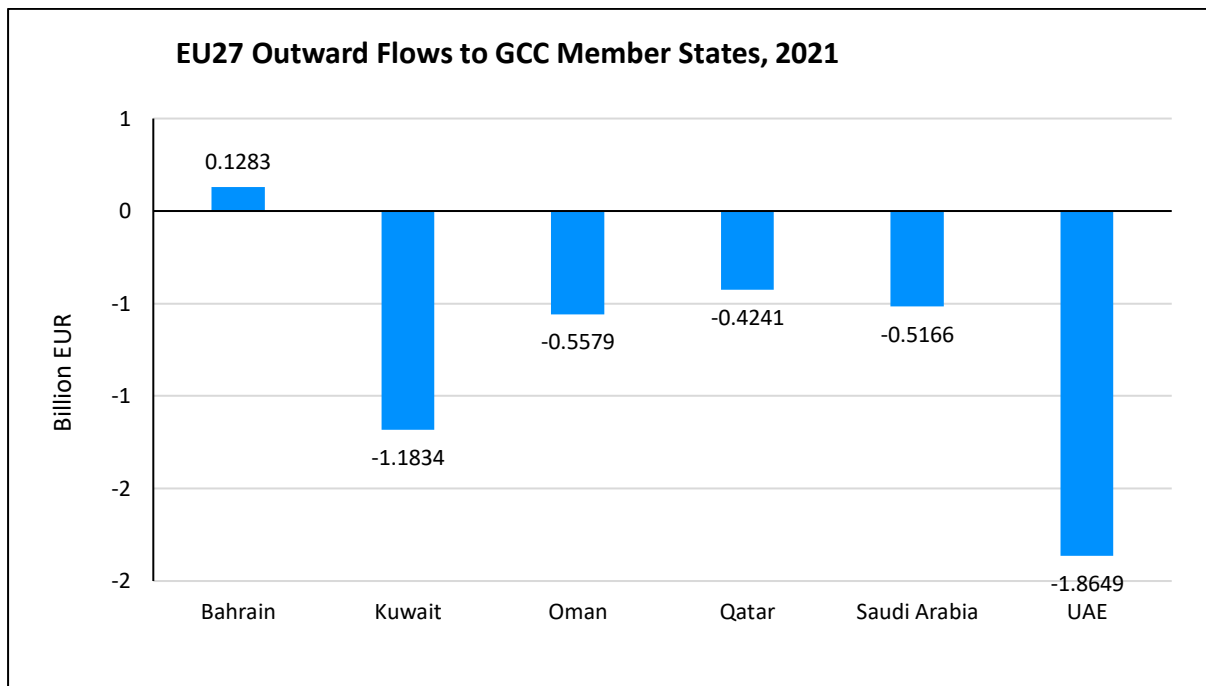
Source: Eurostat data

Figure 7 EU27 Outward FDI Stocks in GCC Member States, 2021



Source: Eurostat data

Figure 8 EU27 Outward FDI Flows to GCC Member States, 2021

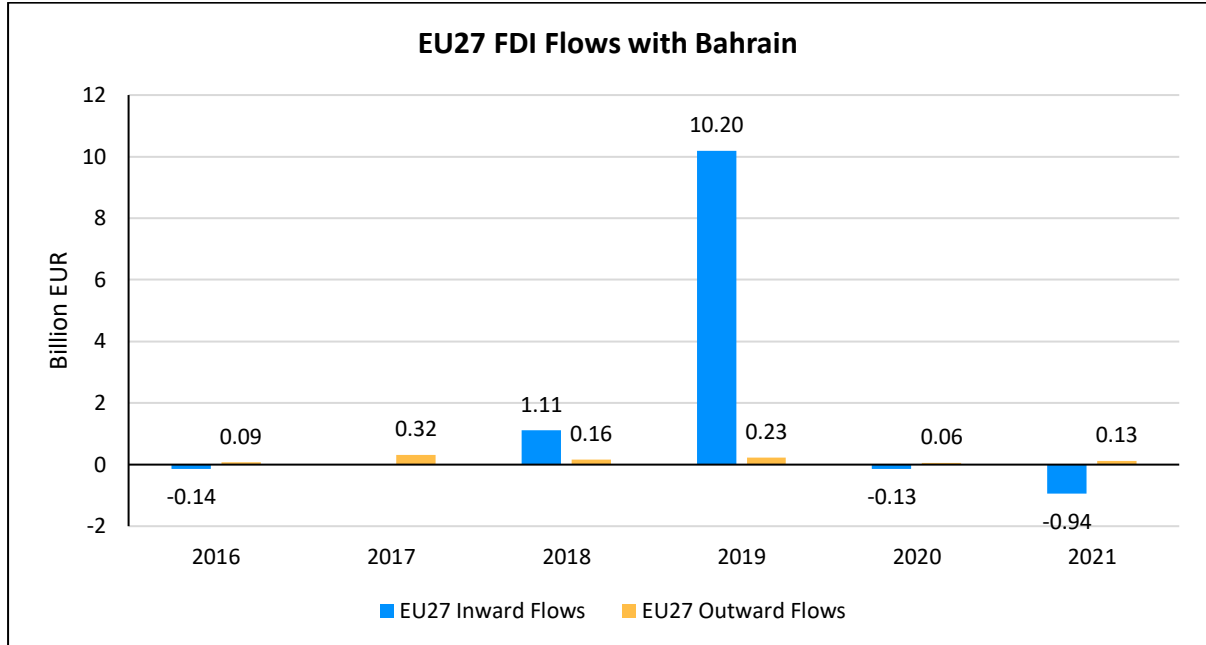


Source: Eurostat data

3 EU27 – Bahrain Foreign Direct Investment

Figure 9 provides EU27 inward FDI flows from Bahrain (inward flows) and outward FDI flows to Bahrain (outward flows).

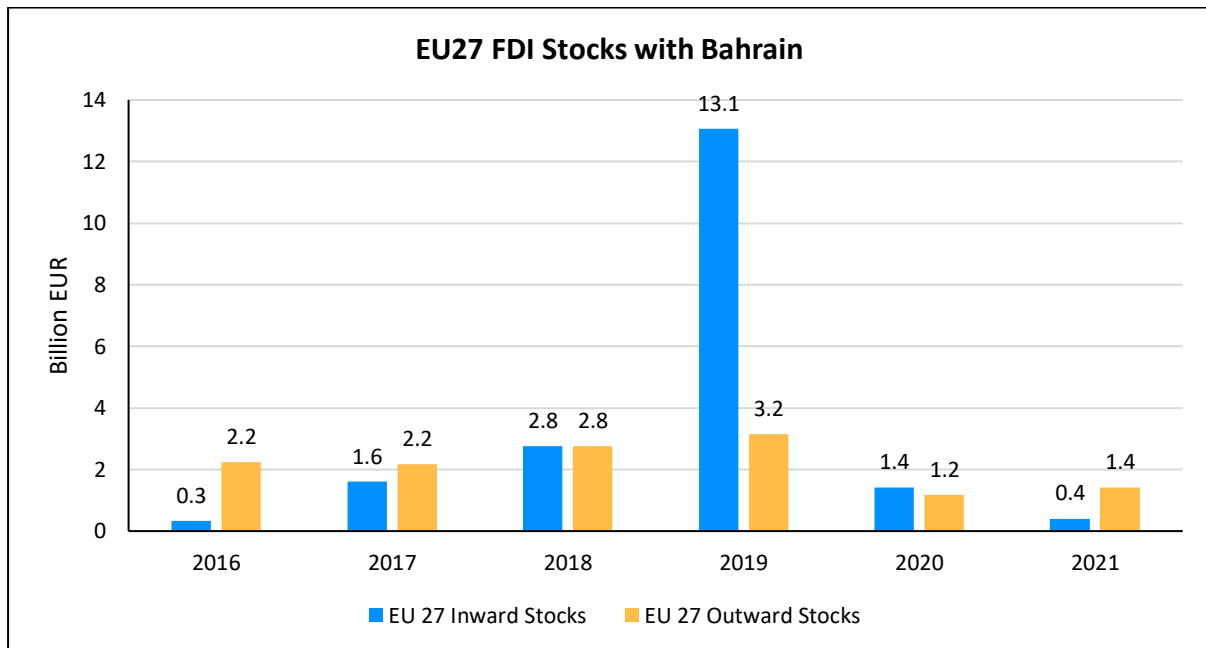
Figure 9 EU27 – Bahrain Inward and Outward FDI Flows, 2016-2021



Source: Eurostat data

Figure 10 provides EU27 inward FDI stocks from Bahrain (inward stocks) and outward FDI stocks in Bahrain (outward stocks).

Figure 10 EU27 – Bahrain Inward and Outward FDI Stocks, 2016-2021



Source: Eurostat data

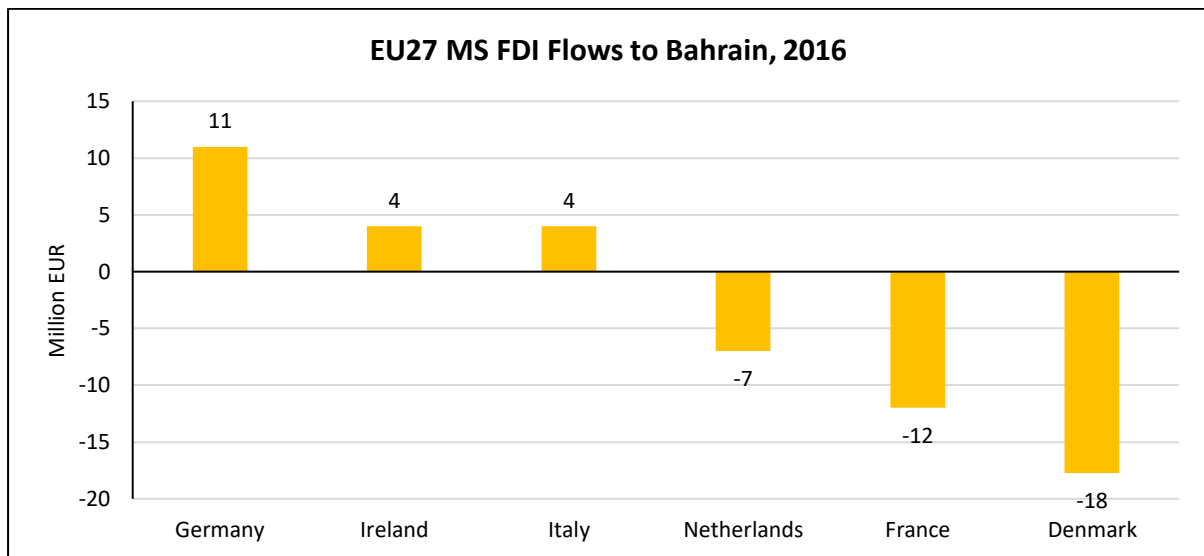
4 EU27 Member States – Bahrain Foreign Direct investment 2016-2021

This section presents FDI Flows and Stocks for 2016-2021 for EU Member States to Bahrain and from Bahrain to EU Member States. The figures include all EU Member States for which Eurostat data is available and for the Member States who invested in Bahrain the respective year. For each figure, it is specified which Member States did not report data.

4.1 EU27 Member States FDI to Bahrain

4.1.1 EU27 Member States FDI Flows to Bahrain

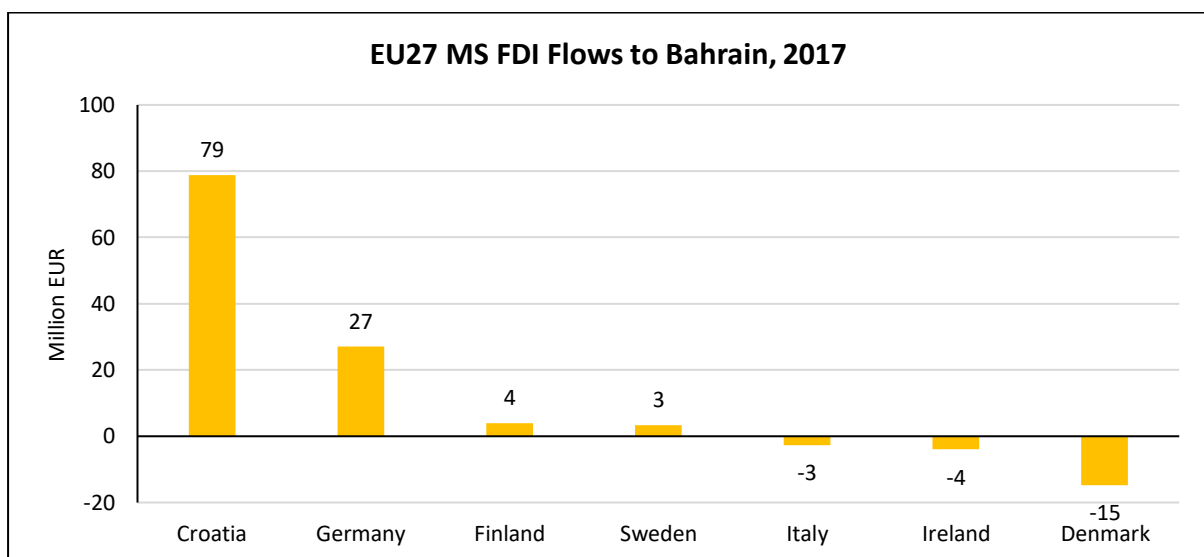
Figure 11 EU27 Member States FDI Flows to Bahrain, 2016



Source: Eurostat data

Note: Data not available for Austria, Cyprus, Finland, Luxembourg, Malta, Spain.

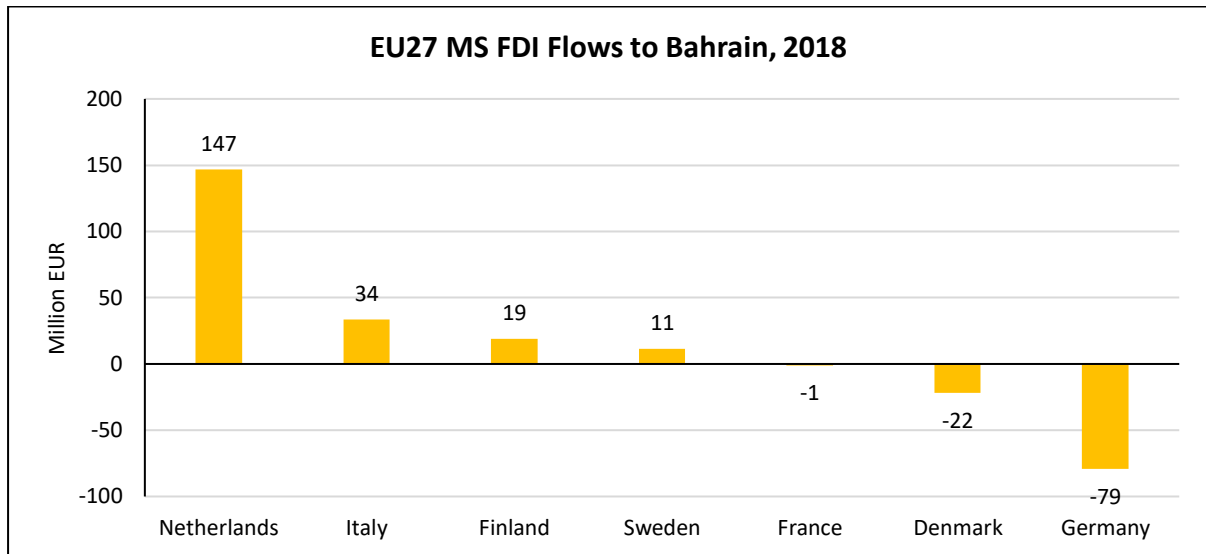
Figure 12 EU27 Member States FDI Flows to Bahrain, 2017



Source: Eurostat data

Note: Data not available for Austria, Belgium, Cyprus, Czechia, France, Luxembourg, Malta, Netherlands, Spain.

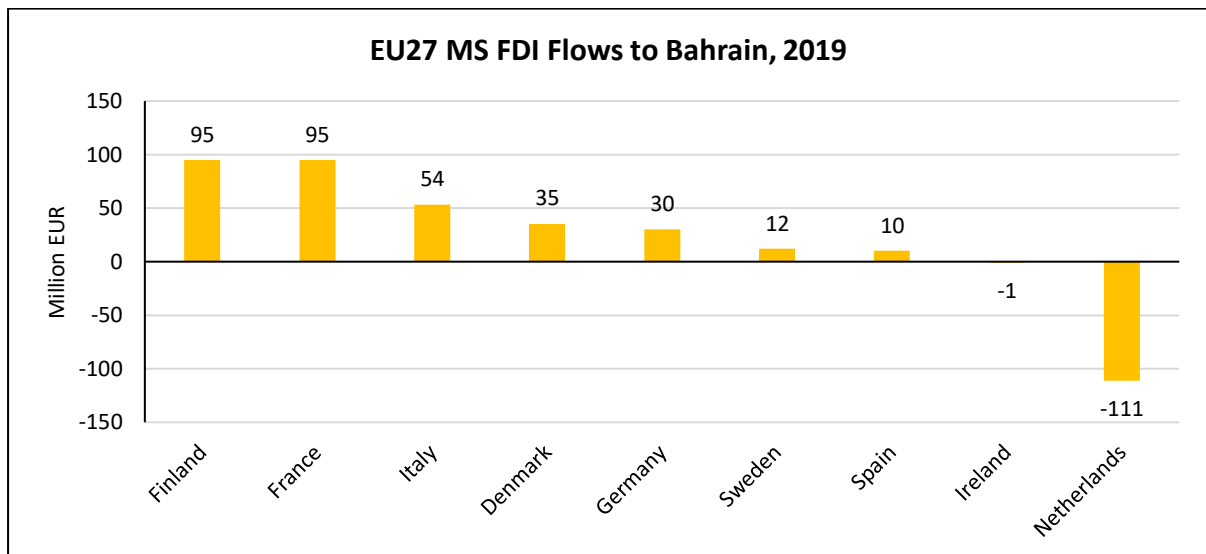
Figure 13 EU27 Member States FDI Flows to Bahrain, 2018



Source: Eurostat data

Note: Data not available for Austria, Belgium, Cyprus, Czechia, Ireland, Luxembourg, Malta.

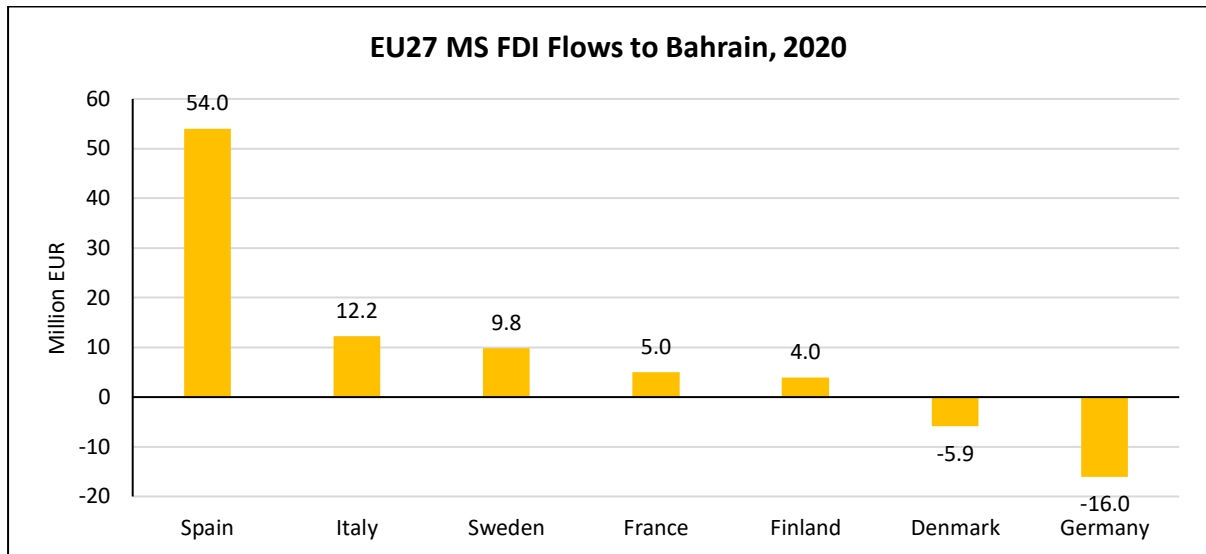
Figure 14 EU27 Member States FDI Flows to Bahrain, 2019



Source: Eurostat data

Note: Data not available for Austria, Belgium, Cyprus, Czechia, Greece, Luxembourg, Malta.

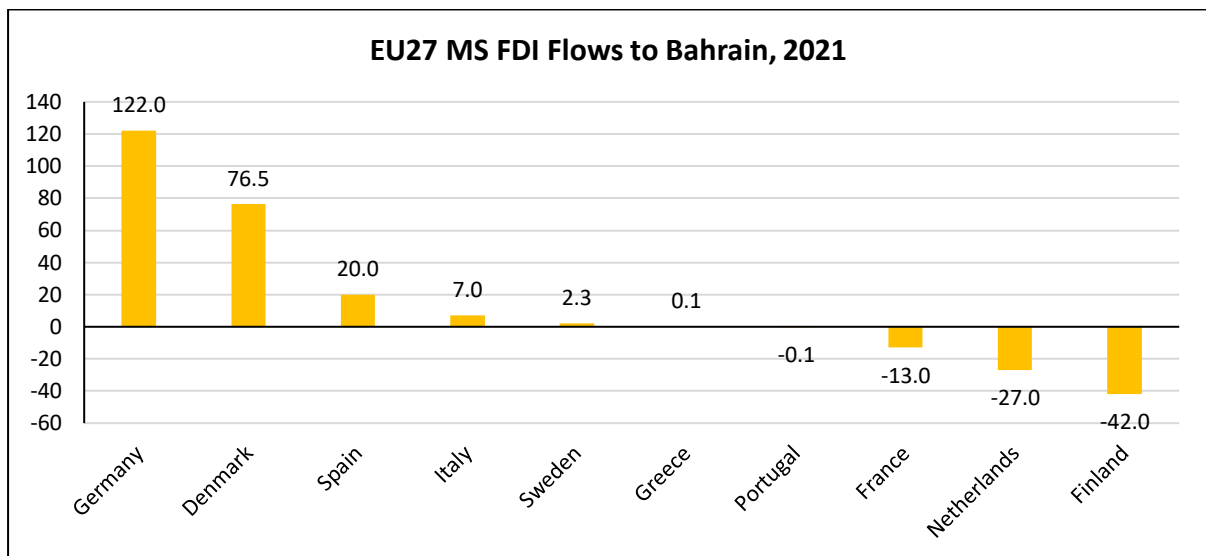
Figure 15 EU27 Member States FDI Flows to Bahrain, 2020



Source: Eurostat data

Note: Data not available for Austria, Belgium, Cyprus, Czechia, Greece, Ireland, Luxembourg, Malta.

Figure 16 EU27 Member States FDI Flows to Bahrain, 2021

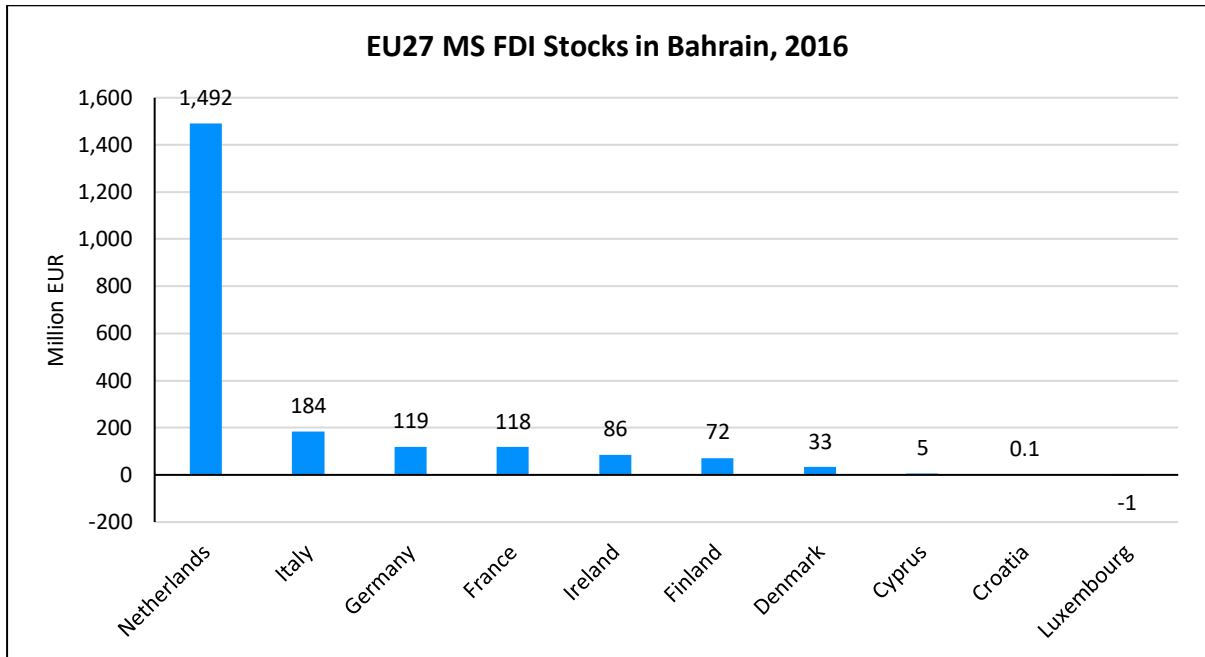


Source: Eurostat data

Note: Data not available for Austria, Belgium, Cyprus, Czechia, Ireland, Luxembourg, Malta.

4.1.2 EU27 Member States FDI Stocks in Bahrain

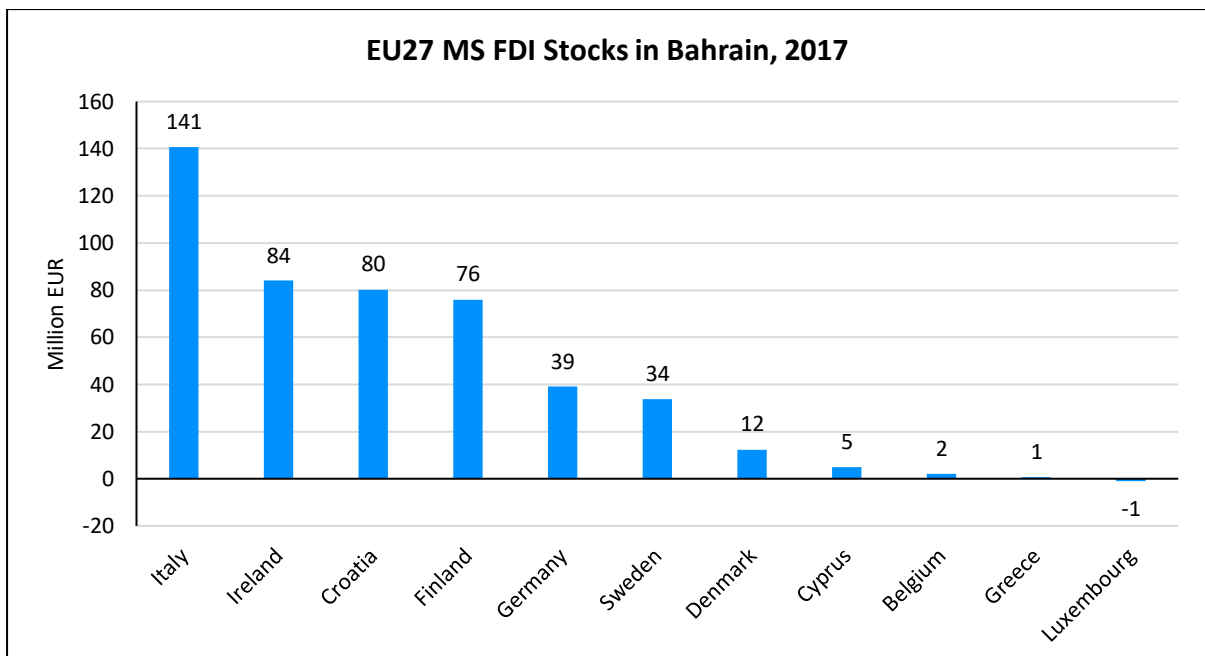
Figure 17 EU27 Member States FDI Stocks in Bahrain, 2016



Source: Eurostat data

Note: Data not available for Austria, Malta, Spain, Sweden.

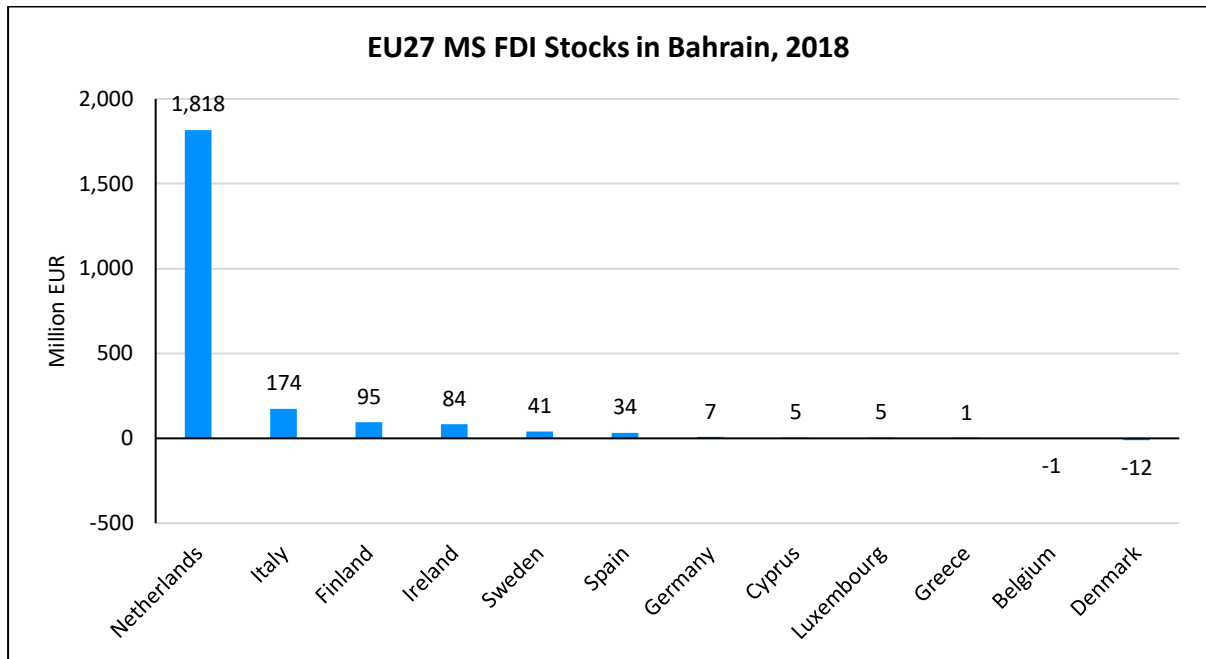
Figure 18 EU27 Member States FDI Stocks in Bahrain, 2017



Source: Eurostat data

Note: Data not available for Austria, Czechia, France, Malta, Netherlands, Spain.

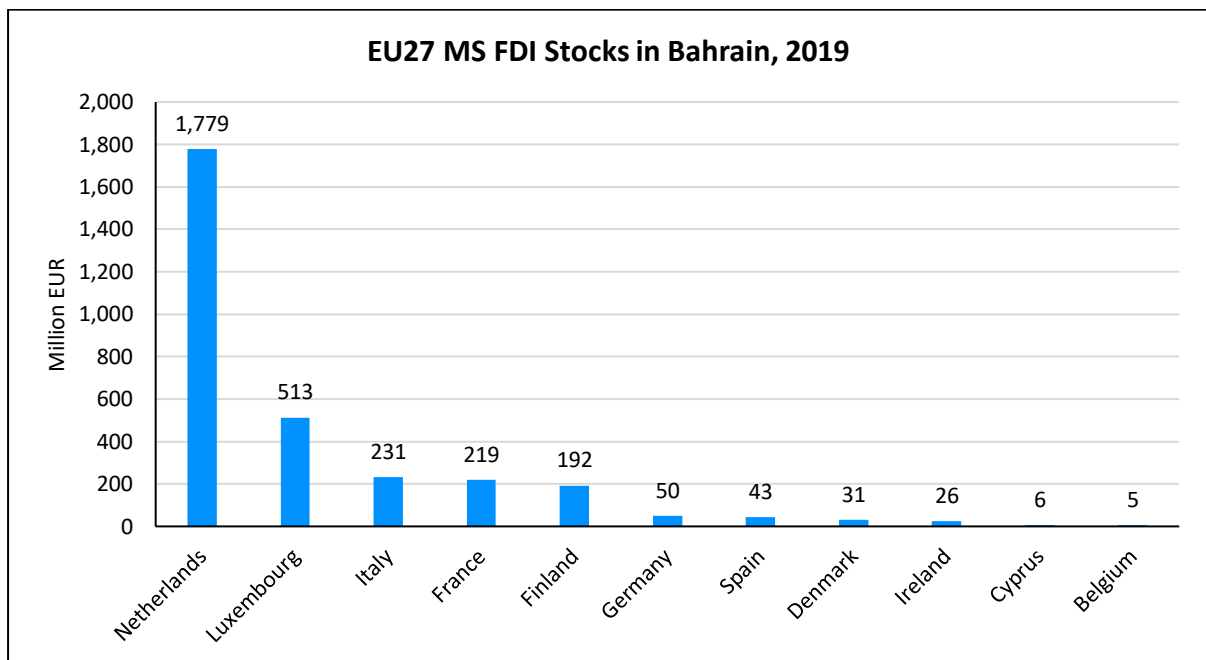
Figure 19 EU27 Member States FDI Stocks in Bahrain, 2018



Source: Eurostat data

Note: Data not available for Austria, Czechia, France, Malta.

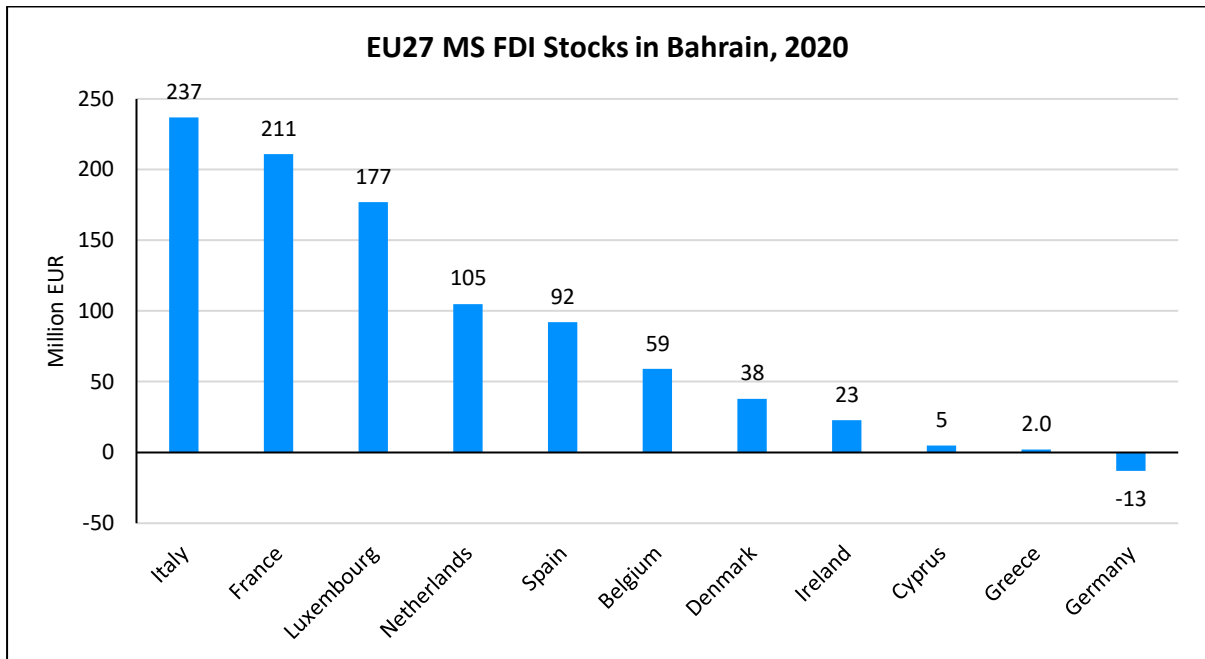
Figure 20 EU27 Member States FDI Stocks in Bahrain, 2019



Source: Eurostat data

Note: Data not available for Austria, Czechia, Greece, Malta, Portugal, Sweden.

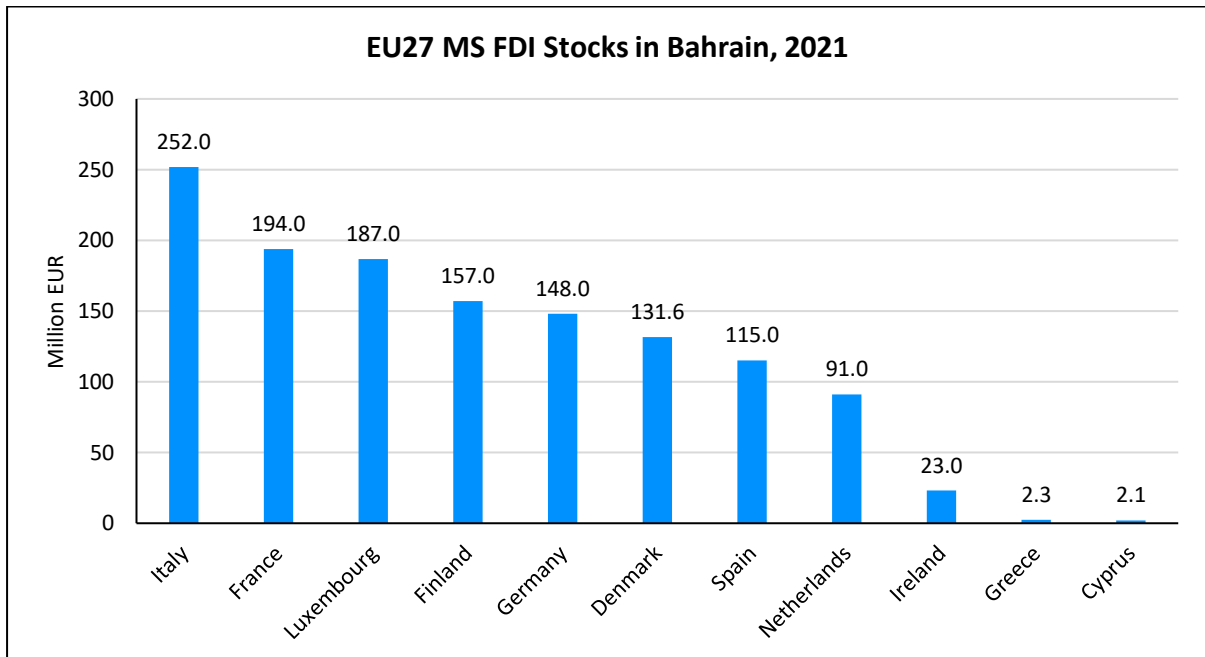
Figure 21 EU27 Member States FDI Stocks in Bahrain, 2020



Source: Eurostat data

Note: Data not available for Austria, Finland, Malta, Sweden.

Figure 22 EU27 Member States FDI Stocks in Bahrain, 2021



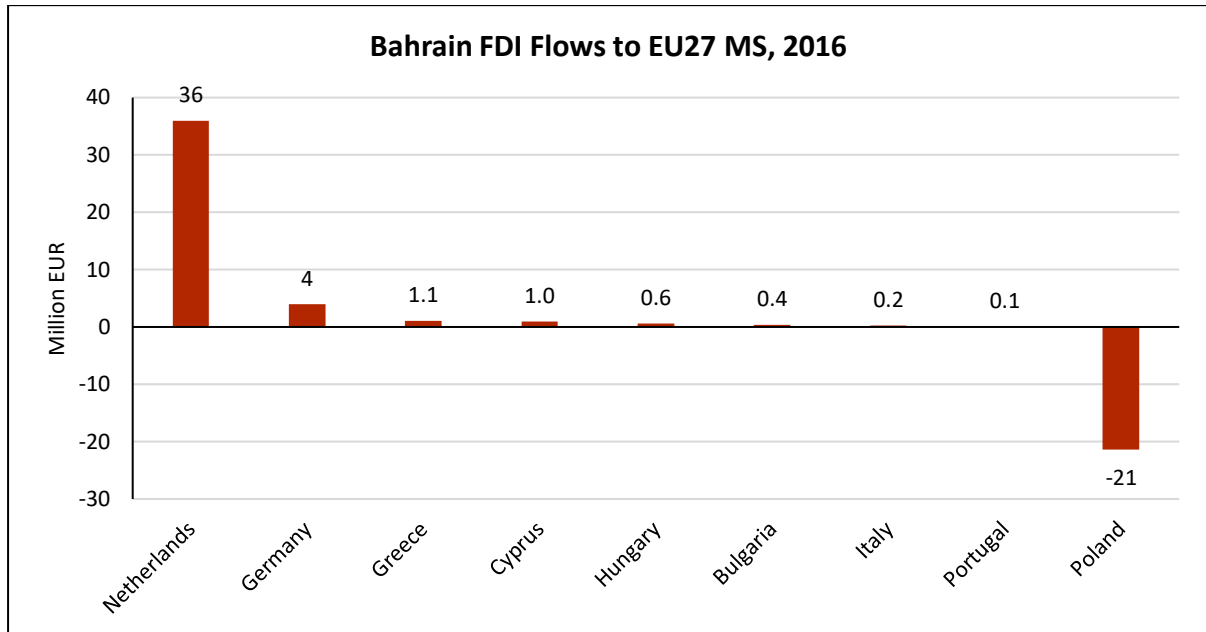
Source: Eurostat data

Note: Data not available for Austria, Belgium, Malta, Sweden.

4.2 Bahrain FDI to EU Member States

4.2.1 Bahrain FDI Flows to EU Member States

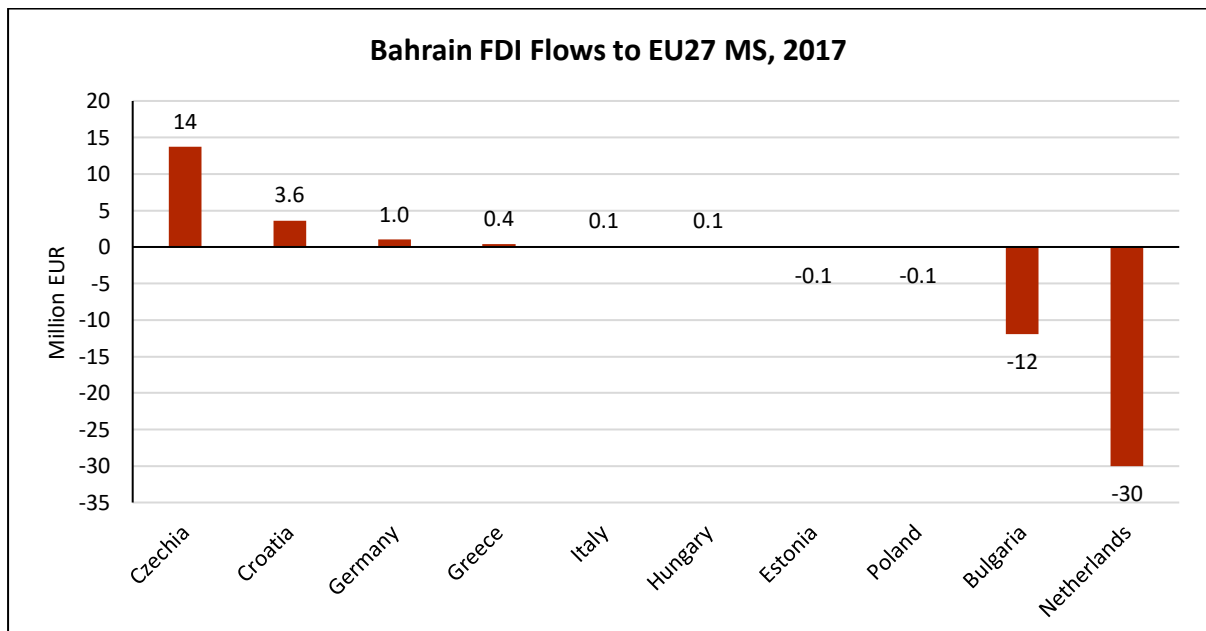
Figure 23 Bahrain FDI Flows to EU27 Member States, 2016



Source: Eurostat data

Note: Data not available for Austria, Belgium, Czechia, France, Ireland, Luxembourg, Malta, Romania, Spain.

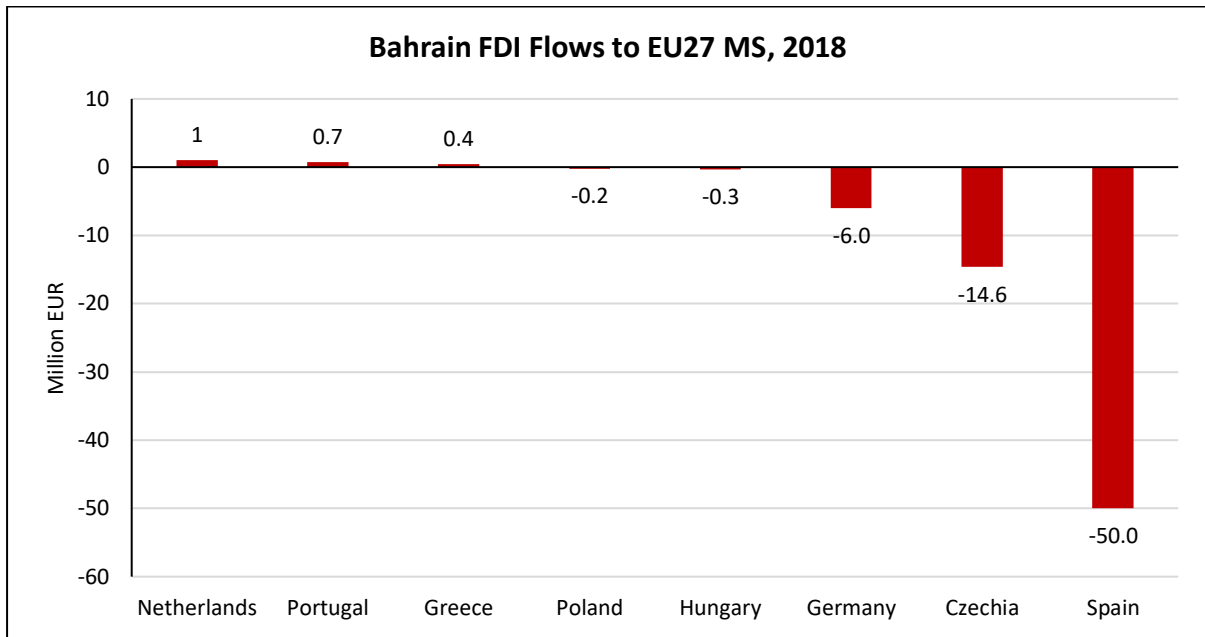
Figure 24 Bahrain FDI Flows to EU27 Member States, 2017



Source: Eurostat data

Note: Data not available for Austria, Belgium, Cyprus, France, Ireland, Luxembourg, Malta, Portugal, Romania, Spain.

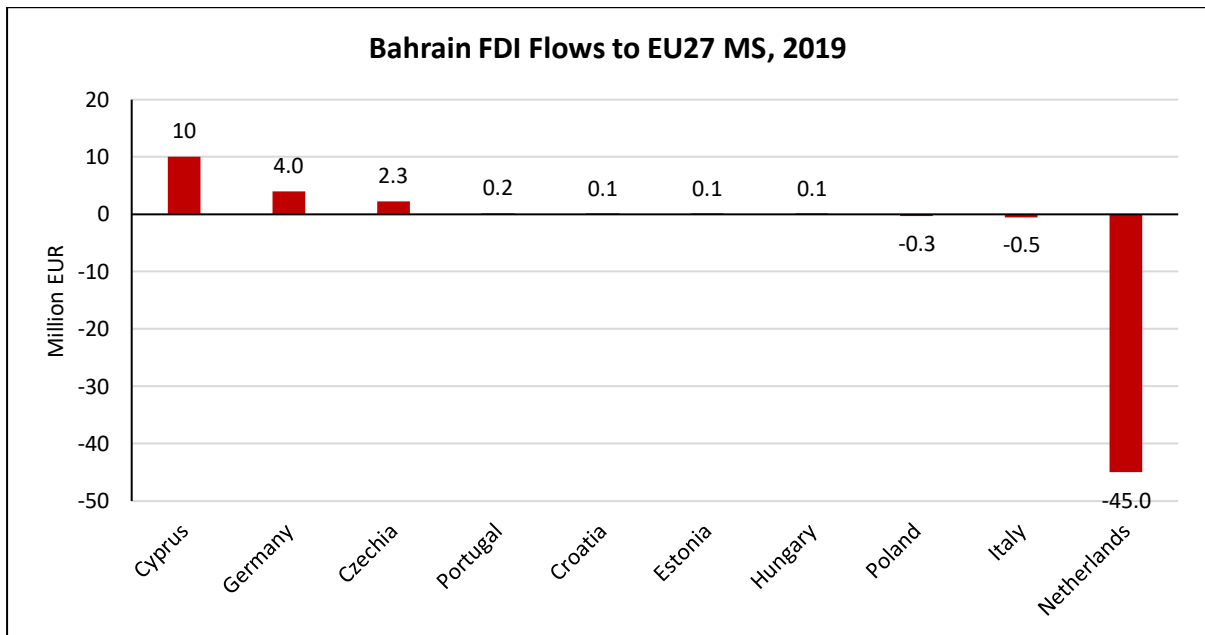
Figure 25 Bahrain FDI Flows to EU27 Member States, 2018



Source: Eurostat data

Note: Data not available for Austria, Belgium, Cyprus, France, Ireland, Luxembourg, Malta, Romania, Slovakia.

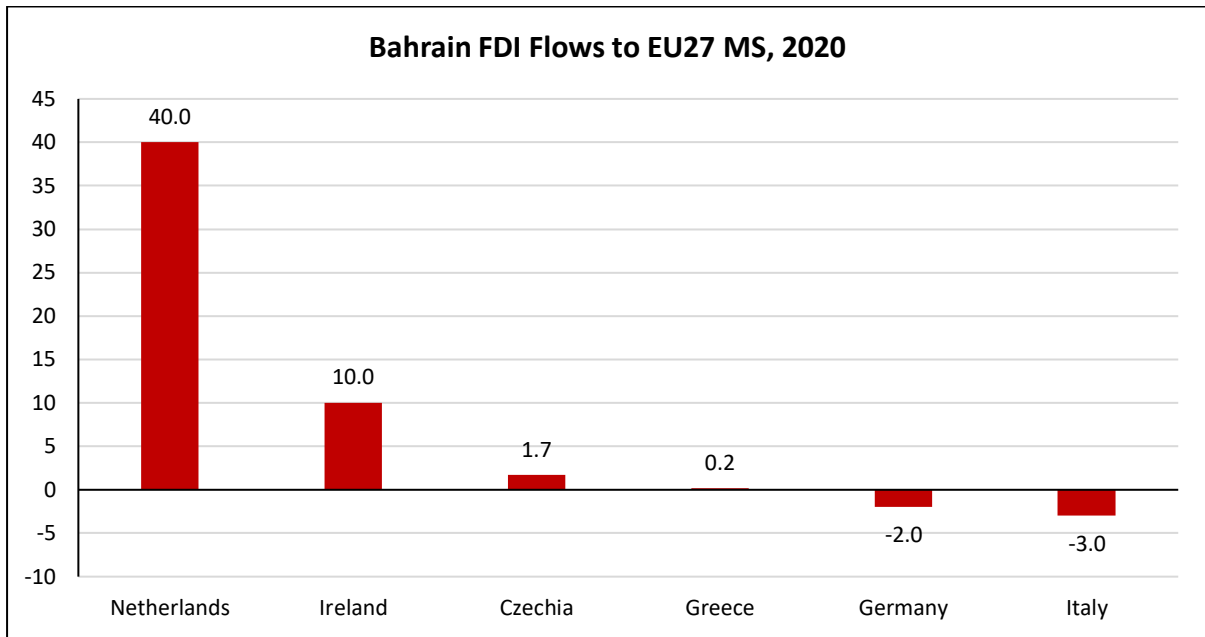
Figure 26 Bahrain FDI Flows to EU27 Member States, 2019



Source: Eurostat data

Note: Data not available for Austria, Belgium, France, Greece, Ireland, Luxembourg, Malta, Slovakia, Spain.

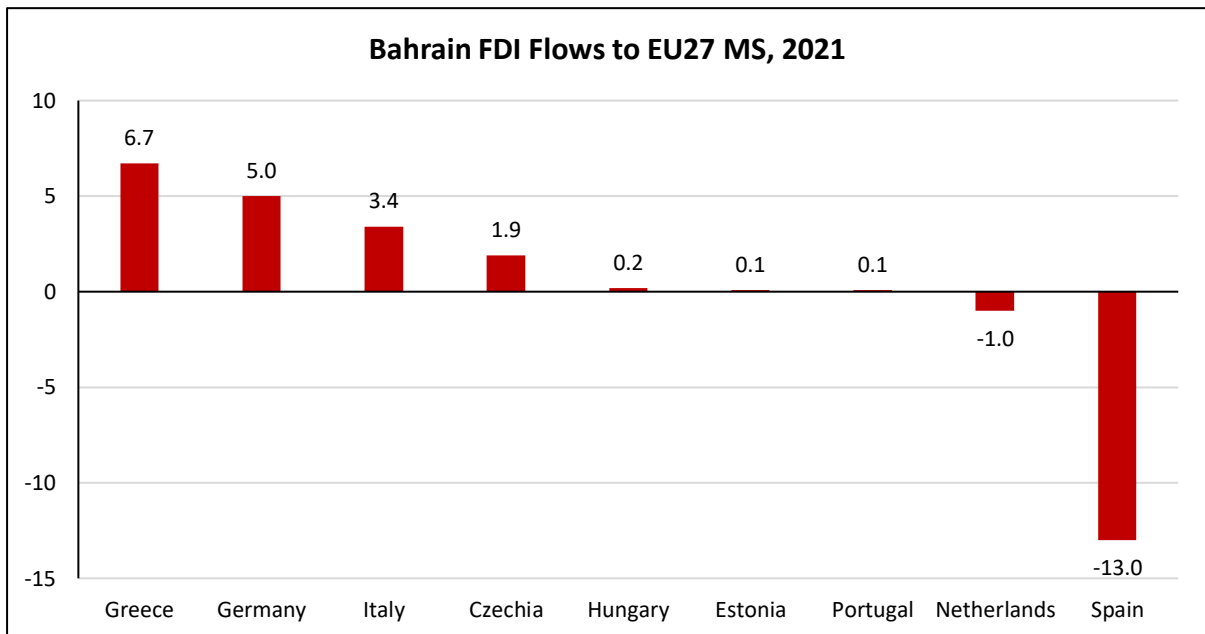
Figure 27 Bahrain FDI Flows to EU27 Member States, 2020



Source: Eurostat data

Note: Data not available for Austria, Belgium, Cyprus, France, Luxembourg, Malta, Portugal, Romania, Slovakia, Spain.

Figure 28 Bahrain FDI Flows to EU27 Member States, 2021

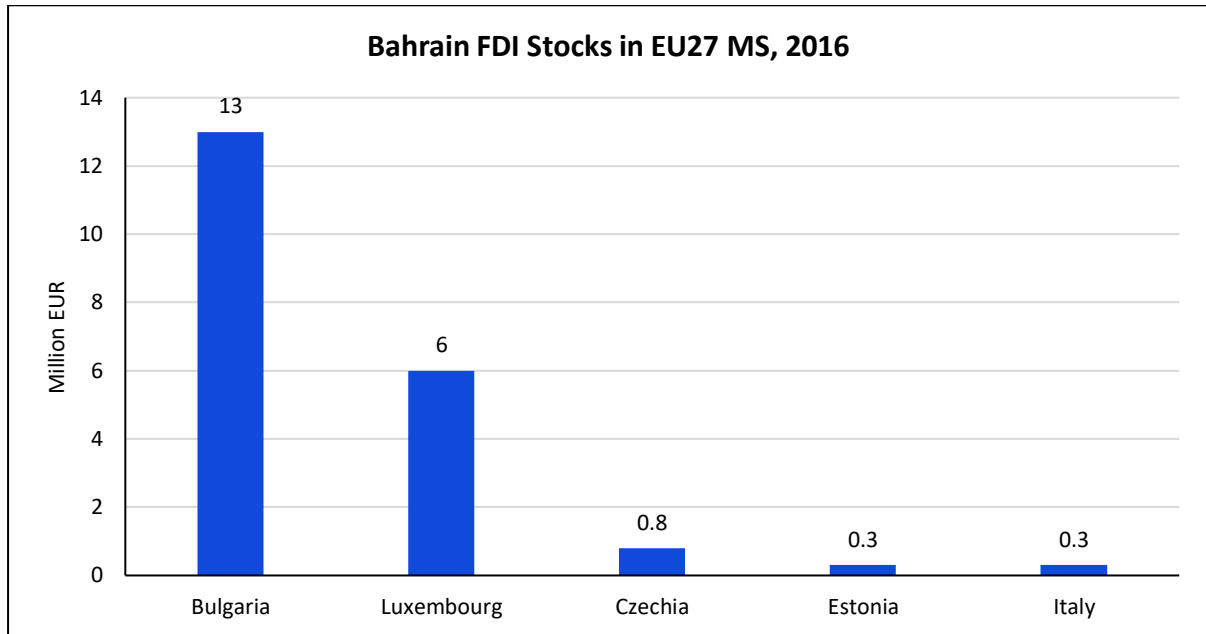


Source: Eurostat data

Note: Data not available for Austria, Belgium, Cyprus, France, Ireland, Luxembourg, Malta, Romania, Slovakia.

4.2.2 Bahrain FDI Stocks to EU Member States

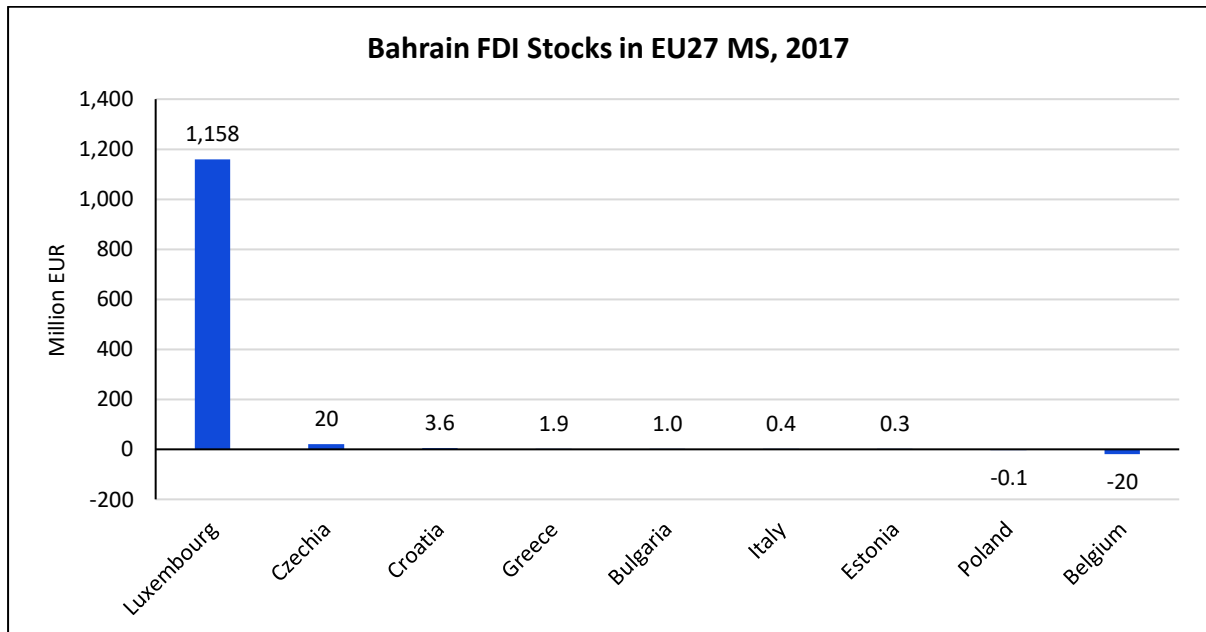
Figure 29 Bahrain FDI Stocks in EU27 Member States, 2016



Source: Eurostat data

Note: Data not available for Austria, Belgium, Cyprus, France, Germany, Hungary, Ireland, Malta, Netherlands, Portugal, Romania, Spain.

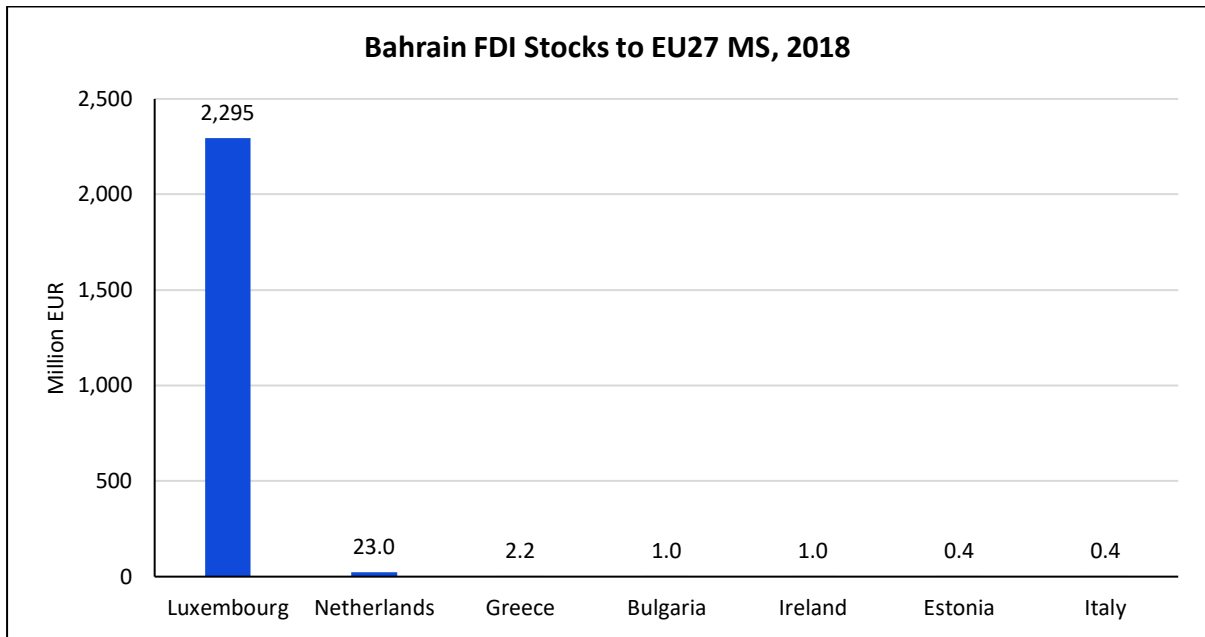
Figure 30 Bahrain FDI Stocks in EU27 Member States, 2017



Source: Eurostat data

Note: Data not available for Austria, Cyprus, France, Germany, Hungary, Ireland, Malta, Netherlands, Portugal, Romania, Spain.

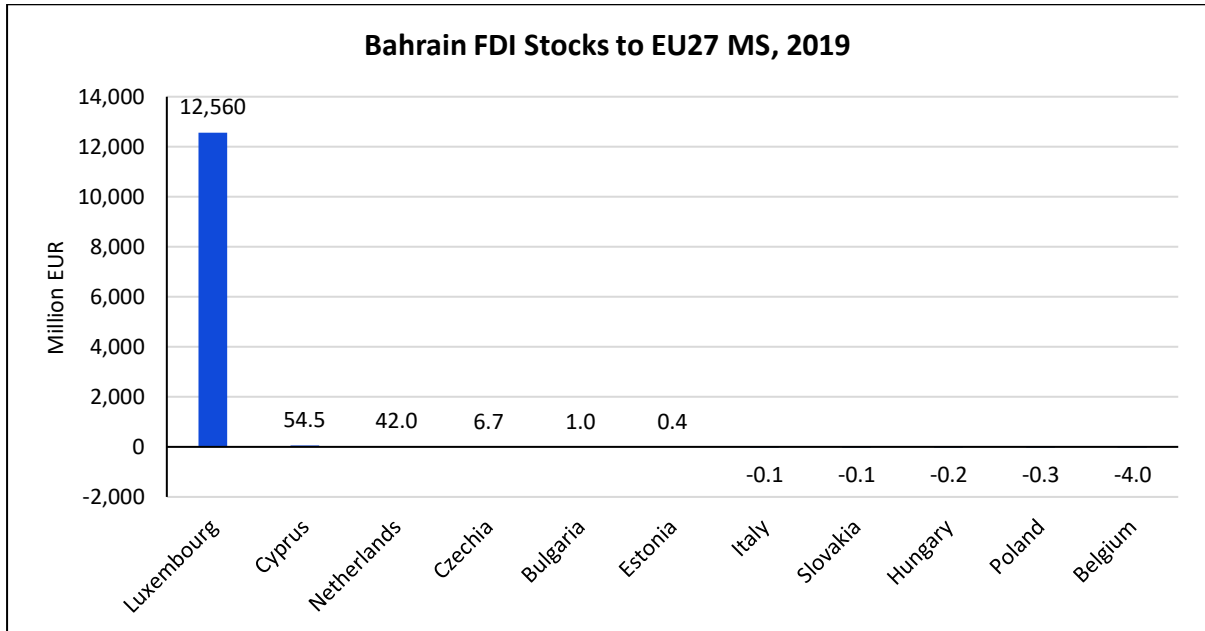
Figure 31 Bahrain FDI Stocks in EU27 Member States, 2018



Source: Eurostat data

Note: Data not available for Austria, Belgium, Cyprus, Czechia, France, Germany, Hungary, Malta, Portugal, Romania, Spain.

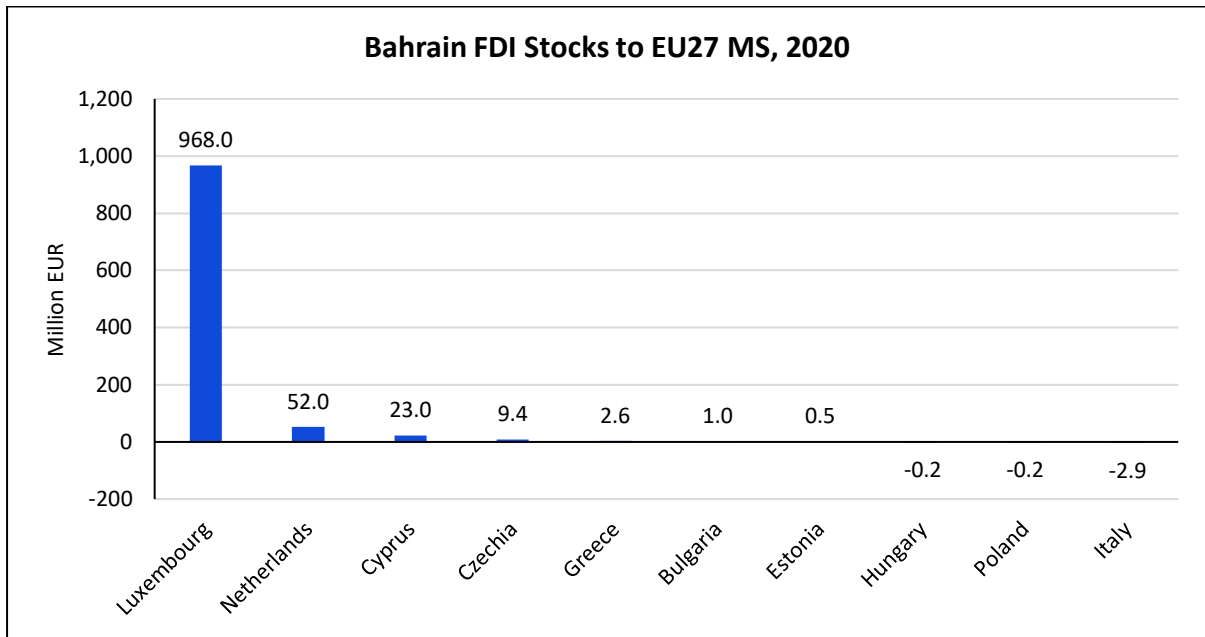
Figure 32 Bahrain FDI Stocks to EU27 Member States, 2019



Source: Eurostat data

Note: Data not available for Austria, France, Germany, Greece, Ireland, Malta, Portugal, Spain.

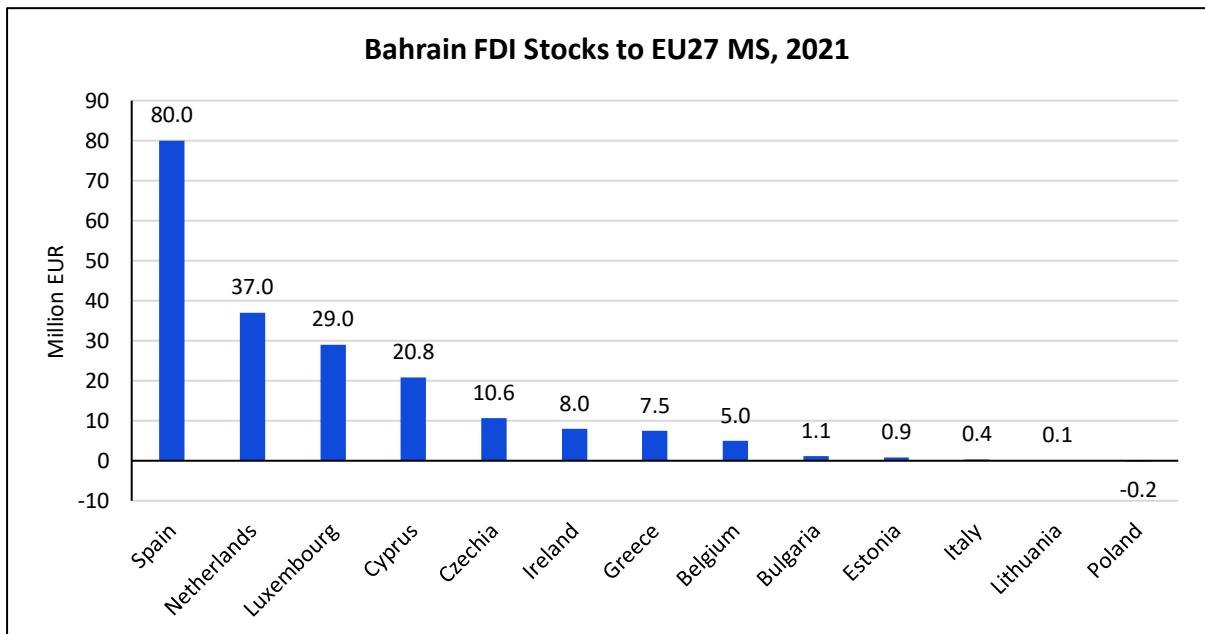
Figure 33 Bahrain FDI Stocks to EU27 Member States, 2020



Source: Eurostat data

Note: Data not available for Austria, Belgium, France, Germany, Ireland, Malta, Portugal, Romania, Slovakia, Spain.

Figure 34 Bahrain FDI Stocks to EU27 Member States, 2021



Source: Eurostat data

Note: Data not available for Austria, France, Germany, Malta, Portugal, Romania, Slovakia.

5 Investing in Bahrain

According to Bahrain Economic Development Board and the Ministry of Industry, Commerce and Tourism, Bahrain offers a number of incentives for foreign investors, as follows:

- No free zone restrictions: Bahrain is the only GCC state to permit freedom across all sectors and in which the entire country is effectively a free zone
- A foreigner can own 100% of a company established in Bahrain for most business activities.
- There are no restrictions on capital repatriation, currency exchange or transfer of dividends.
- The duty-free import of machinery and raw materials is possible.
- Easy financing mechanisms are available for projects.
- There is active participation of the private sector in industry activities.
- Liberalization and privatization processes exist in key sectors of the economy.
- Doing business in Bahrain costs approximately 40% less than in Qatar and Dubai.

Golden license for companies

On April 3, 2023, Bahrain announced the introduction of a “golden license” offering benefits to companies bringing large-scale investment projects to the Gulf state.

Companies with major investment and strategic projects that will create more than 500 jobs in Bahrain, or those with investment value exceeding \$50 million, will be eligible for the license.

The golden license will be offered to local and foreign businesses and benefits include prioritized allocation of land, infrastructure and services, easier access to government services and support from government development funds, the statement said.

Other advantages include integrated cooperation with various government departments, a designated account manager from Bahrain’s Economic Development Board, as well as potential review of existing laws or regulations where necessary and applicable.

Note: The scope of this report does not include the laws and regulations that govern the country’s foreign investment.

Annex 1 – USD to EUR exchange rates

For the analysis conducted in this study, the Eurostat and UNCTAD data have been used. The currency used to provide analysis is EUR.

Data are reported in the UNCTAD databases in USD. For the analysis in this report, data were converted using the exchange rates provided by the [European Central Bank](#).

FDI flows for each year have been converted using the average exchange rate for the year.

FDI stocks have been converted using the end of year exchange rate.

Table A 1 USD to EUR exchange rates

Year	USD to EUR End of year rate	USD to EUR Year average
2016	0.9487	0.9039
2017	0.8358	0.8870
2018	0.8731	0.8475
2019	0.8937	0.8933
2020	0.8149	0.8768
2021	0.8829	0.8460

Source: European Central Bank data

Annex 2 - Eurostat data collection and processing

Direct investment

Direct investment category encompasses all kind of cross-border investment made by an entity resident in one economy (direct investor) to acquire a lasting interest in an enterprise operating in another economy (direct investment enterprise). In practise, the lasting interest is deemed to exist through either immediate or indirect relationships. Once a direct investment relationship is established, most flows and positions between the entities, including loans and trade credit, are classified as direct investment. The only financial flows and positions excluded from FDI statistics are:

- Debt between selected affiliated financial corporations.
- Financial derivatives.

A **direct investor** is an entity or group of related entities that is able to exercise control or a significant degree of influence over another entity that is resident of a different economy. A direct investor can be an individual, a group of related individuals, an enterprise (incorporated or unincorporated, private or public), a group of related enterprises, a government body, an estate, trust or other societal organisations, or any of the combination above.

A **direct investment** enterprise is an entity subject to control or a significant degree of influence by a direct investor. A direct investment enterprise may be an incorporated enterprise (subsidiary or associate) or an unincorporated enterprise (branch).

Direct investment flows and positions data can be presented either according to the asset/liability or directional principle.

Directional principle: Organises the FDI data according to the direction of the direct investment relationship (or according to the status of the resident entity), either abroad or in the reporting economy. FDI data are classified under:

- Direct investment abroad (DIA) when the resident entity is the direct investor, and the non-resident entity is the direct investment enterprise.
- Direct investment in the reporting economy (DIRE) when the resident entity is the direct investment enterprise, and the non-resident entity is the direct investor.

Eurostat uses the directional principle for the compilation and dissemination of EU FDI aggregates.

FDI positions - stocks

FDI positions provide information on the total stock of investment (abroad and in the reporting economy) for a given reference date which is generally the end of the year. FDI positions data are useful for structural analysis of investment in the host economy, or investment in the investing (home) country, especially to establish the relative "FDI" importance/presence of an economy in another one. FDI positions data can be broken down by type of instrument, either equity or debt.

Equity positions cover all components of shareholders' funds, proportionate to the percentage of shares held. They include equity, contributed surplus, reinvestment of earnings, revaluations as well as any reserve accounts. Reinvestment of earnings apply only between a direct investor and a direct investment enterprise, therefore fellow enterprises are not concerned by this type of instrument. The recommended principle for the valuation of equity positions is the market valuation. Listed equity provides a good basis for the valuation of equity positions at market prices. For unlisted equity an approximation to market prices will be necessary and the international guidelines (OECD BD4 and IMF BPM6) offer some flexibility for national compilers in the choice of the valuation method, most widespread ones being the

"Own fund at book value", "Recent transaction price" or "Net asset value" methods. The latter is recommended especially for the valuation of equity in branches (unincorporated DIE).

Debt positions cover all payables and receivables between enterprises in a direct investment relationship arising from loans, deposits, debt securities, trade credits, financial leases and non-participating preferred shares. As a reminder, It should be pointed out that:

- Financial derivatives are excluded from direct investment statistics.
- All debts between selected types of affiliated financial corporations are excluded from direct investment statistics.

FDI positions between the beginning and the end of a given year (n) may change either due to transactions that occurred during year n, or due to other valuation changes (exchange rate changes or price valuation changes occurring when trying to value at market prices), or due to other volume changes. A common issue impacting the latter is, for a given economic entity, the reclassification of its portfolio positions (ownership < 10%) to direct investment statistics if, during the year, this entity acquires additional shares "pushing" its ownership above the 10% thresholds.

The reconciliation exercise on annual FDI data is not operated (and not asked) by Eurostat, therefore FDI financial transactions and FDI positions are shown separately without the other valuation changes components.

FDI flows - financial transactions components

FDI flows relate to direct investment transaction made during the period in the form of equity capital acquisitions, debt transactions (in most cases loans or trade credits between affiliated enterprises) or reinvestment of earnings.

Equity capital comprises equity in branches, all shares in subsidiaries and associates (except non-participating, preferred shares that are treated as debt securities and are included under other FDI capital).

Reinvestment of earnings consists of the direct investor's share (in proportion to equity participation) of earnings not distributed by the direct investment enterprise. Reinvestment of earnings is an imputed transaction of the financial section of the Balance of Payment recorded simultaneously (same amount) with the reinvested earnings transaction recorded in the primary income section of the Balance of Payment (see below). The logic underlying this simultaneous recording of two fictive transactions is that one describes the allocation of the whole profits in the company's reserves (reinvestment of earnings in the equity capital of the direct investment enterprises), the other one being the remaining part of profits not distributed to shareholders in the form of dividends, and which stays in the accounts of the direct investment enterprise.

Debt transactions cover all transactions between enterprises in a direct investment relationship arising from loans, deposits, debt securities, trade credits, financial leases and non-participating preferred shares. As a reminder, financial derivatives and all debts between selected types of affiliated financial corporations are excluded from direct investment statistics, as are transactions between affiliates in financial assets issued by an unrelated party. The official expression covering all debt transactions between enterprises in a direct investment relationship is "inter-company lending".

Data received from Member States

- FDI flows and income datasets (year n) that are not transmitted to Eurostat in millions of euros are converted using the yearly average exchange rates (year n) between the euro and corresponding national currencies.

- FDI positions datasets at end of year n that are not transmitted to Eurostat in millions of euros are converted using the exchange rates between the euro and corresponding national currencies observed at end of year n.

Time series on FDI flows, income and positions are reported according to the directional principle and under the new methodology from 2013 onwards.

FDI stocks refer to the end of the recording period; flows and income refer to the recording period. All FDI data are annual.

Aggregate data for the European Union are in general obtained as the sum of the respective Member States data. Member States data are in some cases confidential and therefore are not shown in datasets or tables published on Eurostat website.