

Explanatory notes

What is foreign direct investment?

Foreign direct investment (FDI) is a category of cross-border equity investment in which the aim of the direct investor is to exert considerable influence on or control over the management of the direct investment enterprise. Cross-border holdings of the capital and reserves of enterprises, branches and permanent establishments are regarded as FDI where at least 10% of the shares or voting rights are directly attributable to the investor, or, taken together, more than 50% of the capital shares or voting rights are directly and indirectly attributable to the investor. With respect to FDI in the reporting country, a direct investment relationship also exists if a group of related enterprises have a joint holding of 10% or more in an enterprise in the reporting country. When it comes to longer chains of ownership, determining whether a direct investment relationship exists depends on the method used. According to the direct influence/indirect control method (DIIC),¹ all enterprises in a continuous chain of majority ownership (“dependent enterprises”), all enterprises in which an investor directly owns 10% or more of the shares or voting rights. The German FDI statistics are based on the DIIC with the exception of the lattermost type of majority ownership, which is not included in the German definition.

The German FDI statistics generally observe the concepts and requirements set down in the sixth edition of the International Monetary Fund’s (IMF) Balance of Payments and International Investment Position Manual, Sixth Edition, 2009 (BPM6) and the OECD’s Benchmark Definition of Foreign Direct Investment, Fifth Edition, 2025.

The Bundesbank publishes a range of FDI statistics in order to meet users’ various analytical needs and respective international organisations’ reporting requirements. Data on FDI are included in three statistics: The financial account – as a sub-account of the Balance of payments – contains the transactions on a monthly basis market values. The international investment position (i.i.p.) shows the stocks at the end of each quarter. The FDI stock survey points to the end of the year on the basis of corporate financial statements. These results can still be presented in accordance with the asset/liability (A/L) principle or the extended directional principle (xDP). In more in-depth analyses, a distinction is also made between immediate and ultimate FDI. The next section provides more detail about the sub-

sets of statistics available and the concepts they are based on. The final section of the methodological notes includes a summary table listing the data provided by individual FDI statistics, specifying the available breakdowns of each (granularity).

Stocks and transactions

The stock statistics for German FDI include the FDI stock statistics and FDI in the international investment position (i.i.p.). Both statistics are point-in-time, but sometimes follow different methodological concepts (see below) and thus provide different ways of looking at direct investment.

The FDI stock statistics are based on reports by domestic enterprises and individuals on “residents’ assets abroad” and “non-residents’ assets in the reporting country”, which have to be submitted to the Bundesbank once a year.

The Foreign Trade and Payments Act and the Foreign Trade and Payments Regulation provide reporting thresholds for the reporting of direct investment entities. For German publications, FDI stocks are calculated from the (share of) equity (nominal capital, capital and revenue reserves, retained earnings/accumulated losses brought forward and annual result) and the credit relationships between investors and affiliated enterprises. As far as credit relationships are concerned, loans between financial intermediaries (banks and financing institutions) do not count as FDI.

The i.i.p.² records FDI stocks, amongst other things, on a quarterly basis; these are based on various sources of primary statistical data. The main source for equity capital is the annual FDI stock statistics. However, data on the intra-year quarters must be supplemented by extrapolating transactions from the balance of payments. The same

¹ An overview of the internationally recognised methods can be found in the Annex to the Organisation for Economic Cooperation and Development’s (OECD) Benchmark Definition of Foreign Direct Investment, Fifth Edition 2025 (Annex 4, pp. 164 ff.).

² The international investment position (i.i.p.) represents those at market prices measured financial assets and liabilities between residents and non-residents at the end of the respective quarter of which: The i.i.p. thus provides information on both the amount and The structure of financial assets held abroad by residents; As well as financial assets held by non-residents in Germany. The net international investment position in the Ratio to GDP is a key indicator in the EU procedure A macroeconomic imbalance (Macroeconomic Imbalance procedure: MIP).

applies to the current quarters of the i.i.p., for which no FDI stock statistics are yet available. Since the results of the FDI stock statistics are compiled from balance sheets, the data are available only with a lag of 16 months after year-end. Therefore, the i.i.p. data at the current edge are estimated using transaction reports from the balance of payments and are subsequently revised using the collected stock data.

Moreover, data on cross-border real estate as well as construction work for construction sites existing for more than one year are added from the balance of payments. As described above, equity capital is calculated at book value from the balance sheets of the investment enterprises. Shareholdings in direct investment enterprises listed on stock exchanges, by contrast, are recorded at the listed price.

All direct investment loans in the i.i.p., i.e. long and short-term intra-group loans and trade credits, are based on the monthly stock statistics on the external position of non-banks.

FDI transactions are recorded in the balance of payments³. The purpose of the balance of payments is to provide a systematic breakdown of all economic transactions between residents (natural and legal persons resident in Germany) and non-residents (natural and legal persons resident abroad) within a given period (month, quarter, year). Only direct relationships can be reported here.

The Foreign Trade and Payments Act and the Foreign Trade and Payments Ordinance also set exemption limits for the primary statistical reporting requirement for the balance of payments (reported transactions). They apply to direct investment reported as transactions.

Long-term trade credits as well as short-term loans and trade credits are derived from the monthly stock statistics on the external position of non-banks. Information on reinvested earnings is also derived. Reinvested earnings comprise the part of the annual result which stems from the ordinary operations of the investment enterprise and which exceeds the (share of) distributions paid. Thus, methodologically speaking, reinvested earnings represent an implied reinvestment of financial resources. They are determined on the basis of the FDI stock statistics and allocated to the year in which the earnings were realised.

Presentation methods for FDI statistics: asset/liability principle and extended directional principle

Two ways of analysis foreign direct investment (FDI) have become established internationally; they are most frequently referred to as the asset/liability principle and the extended directional principle. In German FDI statistics, the two presentation forms differ only in terms of debt instruments, i.e. the credit transactions between affiliated enterprises. The presentation of equity (irrespective of whether transactions or stocks are concerned), is identical for both presentation principles.⁴ The **extended directional principle (xDP) focuses on the direction of the original FDI**. Capital flows from the direct investor to the direct investment enterprise are considered the “normal” direction, while investments in the opposite direction are termed “reverse investments”. **For this reason, loans from the investment enterprise to the investor are deducted from the loans from investors to the investment enterprises**. The way in which loans between fellow enterprises are recorded in the statistics depends on the domicile of the group’s headquarters. If the group’s headquarters are domiciled in Germany, all debt positions between resident and non-resident fellow enterprises are recorded as German outward FDI. For group headquarters domiciled abroad, debt positions are recorded as inward FDI in Germany.

Intra-group loans are also shown in the asset-liability principle (ALP). Both the credit claims of German shareholders on their foreign affiliated enterprises as well as loans from German direct investment enterprises to their foreign investors are shown under claims on affiliated enterprises abroad. Conversely, loans from foreign shareholders to German investment enterprises and loans from foreign direct investment enterprises to their German shareholders are categorised as liabilities to foreign affi-

³ The balance of payments captures all economic transactions between residents and non-residents within a given period of time, thus showing the multi-layered external linkages of an economy with the rest of the world. It is an important component of the consolidated balance of payments of the euro area and the European Union. At the national and international level, the balance of payments provides important information on the external linkages of the economic area under review to the authorities responsible for monetary and economic policy as well as to associations, enterprises and academia.

⁴ In contrast to debt instruments, for equity it is assumed that a direct investment enterprise does not have an equity stake in the direct investor. Because of this assumption, both presentation methods lead to the same result.

ated companies. Both forms of representation, extended direction principle and presentation by assets and liabilities; stand side by side on an equal footing. The main factor Rather, the choice of presentation is based on the question: Which are answered by the relevant data target: When looking at **real economic relationships, it is preferable to use the extended directional principle**, as this offsets intra-group loans to be used. If, however, **the focus is on international financial linkages, Germany's claims and liabilities vis-à-vis the are presented more adequate abroad**, as gross figures are shown here to be used.

Analytical differences regarding country allocation: immediate FDI and ultimate concepts

Direct investment relationships frequently have longer chains of ownership across multiple countries. The standard international format for presenting FDI is by immediate country of the direct investor (for FDI in the reporting country) or the direct investment enterprise (for domestic FDI abroad). One alternative of additional analytical benefit is presentation using ultimate concepts. Applying this method, regional presentation is expanded either "upwards" or "downwards" along the chain of ownership for both FDI in the reporting country and domestic FDI abroad. With respect to FDI in the reporting country, investments are presented according to the country of the uppermost direct investor or the group headquarters (Ultimate Controlling Parent (UCP) or Ultimate investing Economy (UIE)).

Domestic FDI abroad can be presented according to the country of the ultimate investment object (ultimate host economy: UHE). Holding companies or Special Purpose Vehicles have, for example: The task of procuring capital, however, does not fulfil a productive purpose. However, the latter is more appropriate for the analysis. The value of direct investment is therefore measured via the **first operating unit**. Consolidation thus makes it possible to "look through" the dependent holding companies and thereby identify the region or sector where the actual investment object is located without counting the employed capital multiple times.

Overview of data provided by different sets of FDI statistics and a list of abbreviations

Overview of the data supply in the field of direct investment

Periodicity	Stock statistics	International investment position	Balance of Payments (transaction values)		
	annually	quarterly	monthly	quarterly	annually
Publication	Direct investment statistics/ further tables	International investment position and external debt	Balance of payments		Direct investment statistics
Presentation principles					
xDP	✓	–	–	–	✓
ALP	–	✓	✓	✓	✓
Breakdown					
Countries	✓	✓	✓	✓	✓
Sectors	–	✓	✓	✓	–
economic activity	✓	–	–	–	✓
Countries x sectors	–	–	–	–	–
countries x economic activity	✓	–	–	–	–
Federal states	✓	–	–	–	–
OFATS (key indicators)	✓	–	–	–	–
Concepts					
immediate (IHE/IIE/IRSA)	✓	✓	✓	✓	✓
ultimate host economy (UHE/ URSA)	✓	–	–	–	–
ultimate resident (UIE)	✓	–	–	–	–

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List of abbreviations

Abbreviations	Meaning german	Meaning englisch
xDP	erweitertes Richtungsprinzip	Extended Directional Principle
ALP	Asset Liability Prinzip	Asset Liability Principle
IHE	direktes ausländisches Investitionsobjekt	immediate host economy
UHE	erste operative Einheit (im Ausland)	ultimate host economy (abroad)
IIE	direkter ausländischer Investor	immediate investing economy
IRSA	direktes inländisches Investitionsobjekt	immediate resident sector/activity
URSA	erste operative Einheit (im Inland)	ultimate resident sector/activity (domestic)
UIE	Konzernspitze des Investors	ultimate investing economy

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