

FDI Position and Performance

COVID-19 pandemic has reflected on FDI in the world and our expectation regarding FDI trend in B&H. Global FDI in 2020 fell by 42% according the first UNCTAD full-year assessment for foreign direct investment in 2020 (Global Investment Trends Monitor, 24 January 2021).

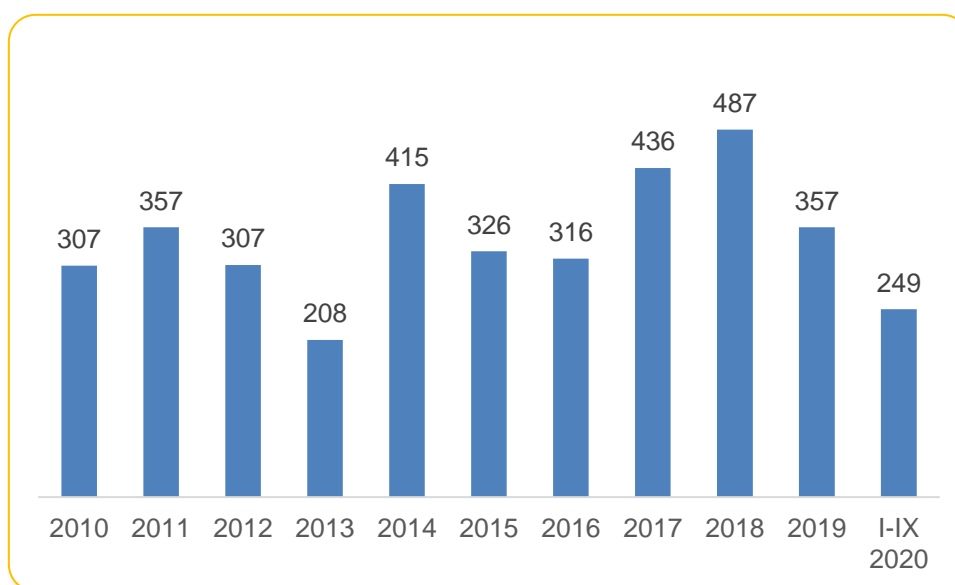
According to Central bank of B&H preliminary data for the first nine months of 2020, FDI inflow in Bosnia and Herzegovina decreased by 34% comparing to the same period of 2019.

Looking ahead, the global FDI trend is expected to remain weak in 2021 as a result of the COVID-19 pandemic. Foreign direct investment in less-developed countries as B&H is, will be additionally under severe pressure.

Success stories of foreign investors confirm that Bosnia and Herzegovina is favourable destination for foreign investment, and that we could be optimistic concerning the FDI inflows in the coming period. The expectation that FDI levels will be increased in Bosnia and Herzegovina, were based on on-going projects, the investment opportunities, intention of privatization many strategic companies and interest of foreign investors for potential projects. Based on data published in the Global Situation Trends Facts & Figures report in 2019, Bosnia & Herzegovina is the number 6 country globally in jobs created per 1 million inhabitants and on position 3 for export driven investment.

While the preliminary data for 2019 indicated that foreign investment growth will continue and achieve a record amount in previous ten years, the final data has shown the decrease compared to 2018. The publication of 2019 data includes the revisions for the previous two years as well. FDI in 2018 is the largest annual FDI inflow in the last decade.

Flow of FDI in Bosnia and Herzegovina, by years, million EUR



Source: Central Bank of B&H (CBBH), January 2021

In 2007 B&H attracted 1.3 billion EUR which is absolutely the highest amount recorded till now, mainly thanks to the privatization of certain large state-owned enterprises. In 2008 FDI inflow (684 million EUR), without the expected privatization, can be considered as satisfied, especially if we take into account its positive structure (investment in production sector and high contribution of Greenfield investments).

In 2009 the global economic crisis hit the inflow of FDI. Slight progress was achieved in 2010 and 2011. Unfortunately, despite promising expectations, foreign direct investment in 2012 and 2013 did not have a positive trend, mainly caused by slow economic recovery globally, which also reflected on investment worldwide.

FDI in 2014 was 415 million EUR, which is 99.2% higher than in 2013. It was the highest annual amount of foreign direct investment recorded in period from 2009 to the data revisions for the last years. FDI in 2015 was 326 million EUR, with decrease of 21.5% compared to 2014. Unfortunately, a negative trend of FDI inflow continued in 2016 also and direct foreign investment decreased 2.9% and amounted to 316 million EUR.

In 2017 and 2018 the negative FDI trend has stopped. Based on revised data, FDI for 2017 was 436.4 million EUR (853.6 million BAM) and increase by 38% compared to 2016. FDI in 2018 increased by 11.5% compared to 2017 and amount of EUR 487 million represents the highest annual amount of FDI since 2009.

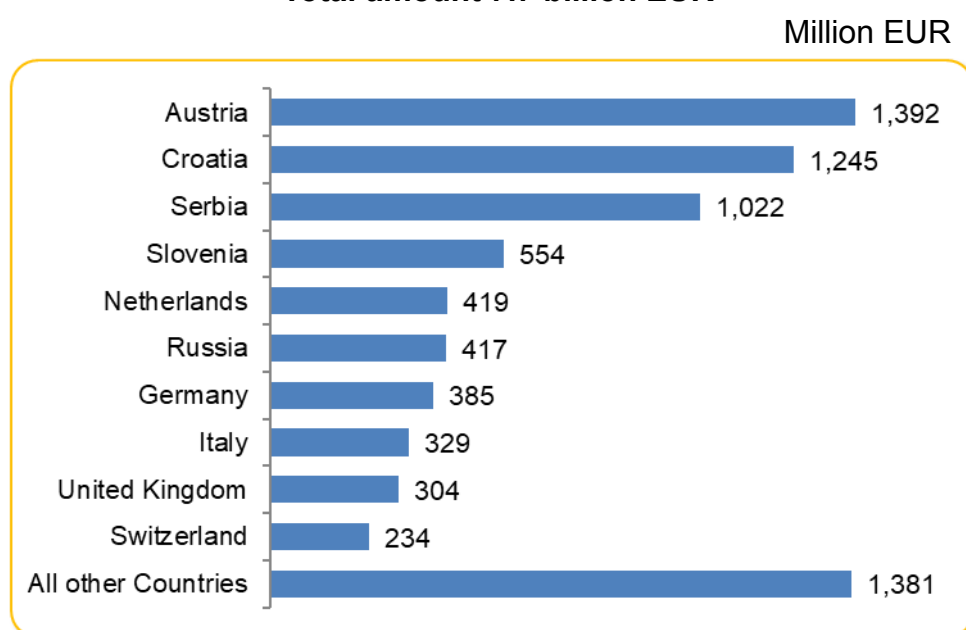
Foreign direct investments for 2019 amounted to 357 million EUR (or 699 million BAM), that is 26.6% lower compared to 2018.

FDI Stock till December 2019

Total amount of Foreign Direct Investment (FDI) in Bosnia and Herzegovina was 7.7 billion EUR (7,681 million EUR). In the structure of FDI, for the period May 1994 till December 2019, equity and reinvested earnings were 5.9 billion EUR (5,877 million EUR) and other capital was 1.8 billion EUR (1,804 million EUR).

According to the FDI Stock by countries the largest share still refers to Austria (1.4 billion EUR), Croatia (1.2 billion EUR), Serbia (1.0 billion EUR) and Slovenia (554 million EUR).

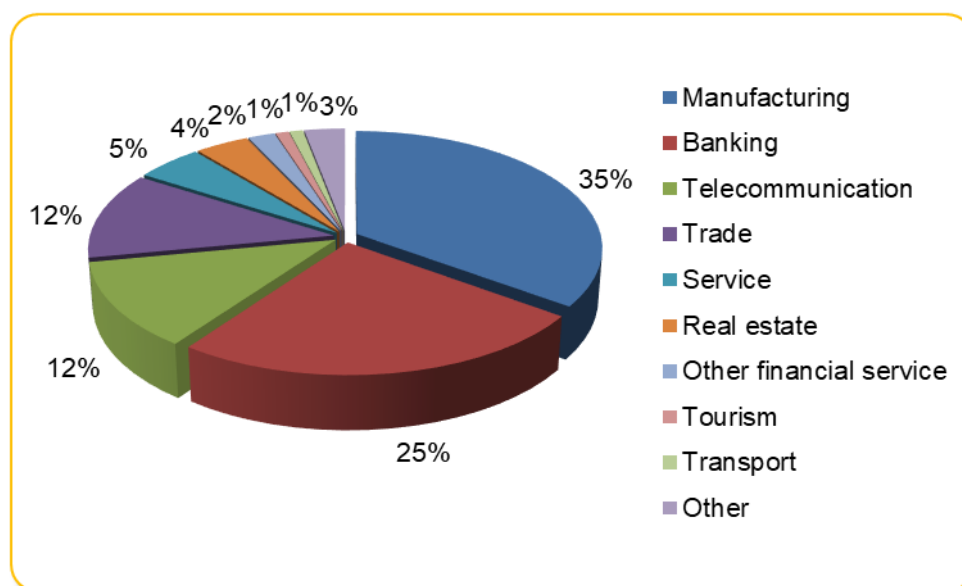
Top investor countries in B&H, May 1994 - December 2019 Total amount 7.7 billion EUR



Source: Central Bank of B&H (CBBH), September 2020

Due to the good reputation and long industrial tradition of Bosnia and Herzegovina, the manufacturing sector received the largest amount of FDI (35%). A significant share of investment has been in banking sector (25%).

FDI Stocks by Industry (%) May 1994 - December 2019



Source: Central Bank of B&H (CBBH), September 2020

Foreign Investment in B&H in 2019

According to the official data of Central bank of B&H foreign direct investment in 2019 was 357 million EUR (or 699 million BAM). In the structure of foreign direct investment: 109.8 million EUR was equity, reinvested earnings were 196.2 million EUR, while the other capital was 52.4 million EUR. Equity was significantly lower in 2019 (by 60%), while retained earnings was slightly lower, compared with the previous year.

Lower inflows of investments were caused, among other things, by increased dividend payments in the last quarter of 2019, as well as the acquisitions of foreign owned companies by local companies.

Main investors countries in B&H in 2019 as well as in 2018 were Russia and Croatia (Russia 107.9 million EUR, Croatia 59.8 million EUR). The following countries also registered significant capital increases in 2019: United Kingdom (43.5 million EUR), Austria (31.2), Luxembourg (14.3), Saudi Arabia (11.2) and Slovenia (10.2).

According the activities, the biggest share of FDI in 2019 has been in: Manufacture of coke and refined petroleum products (103.3 million EUR) and Financial service activities – banking (78.7 million EUR) followed by: Wholesale trade (47), Electricity, gas, steam and air conditioning supply (38.8), Mining of metal ores (20), Manufacture of chemicals and chemical products (14.3), Manufacture of wearing apparel (11.9), Construction of buildings (11.6 million EUR).