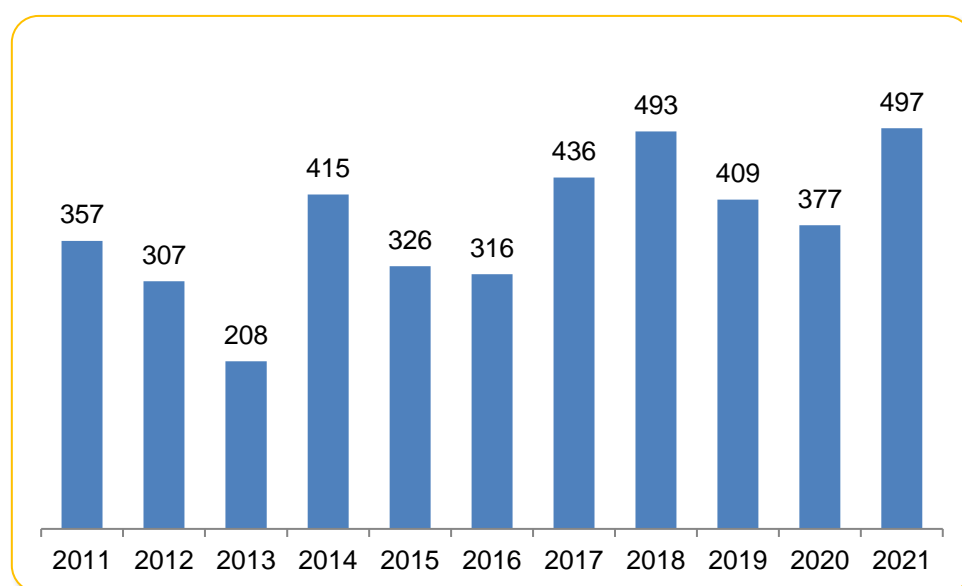


FDI Position and Performance

In 2021, according to the Central Bank of B&H, foreign direct investments (FDI) in Bosnia and Herzegovina (B&H) amounted to 496.6 million EUR (or 971.2 million BAM). FDI increased by 32% in the previous year, with the highest amount since 2009.

Covid-19 pandemic had a negative impact on investments all over the world, including Bosnia and Herzegovina. Increase of FDI last year confirmed that the crisis can also be an opportunity.

Flow of FDI in B&H, million EUR



Source: Central Bank of B&H (CBBH), August 2022

In 2007 B&H attracted 1.3 billion EUR that 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, could be considered as satisfying, especially if we take into account its positive structure (investment in production sector and high contribution of Greenfield investments).

The global economic crisis significantly affected the decrease of foreign investments in 2009. In the period from 2010 to 2020, the trend of FDI inflows is variable and unequal. The annual average inflow of FDI for the previous five years was 442 million EUR.

The COVID-19 pandemic affected direct foreign investments in B&H, with a decline registered in the last quarter of 2019 and in 2020. Decrease of FDI in 2020 was -7.8%. Despite global conditions, the stable amount of foreign direct investment in 2020 stimulated by reinvestment and a significant increase in 2021 confirm the expected growth of FDI in Bosnia and Herzegovina (B&H).

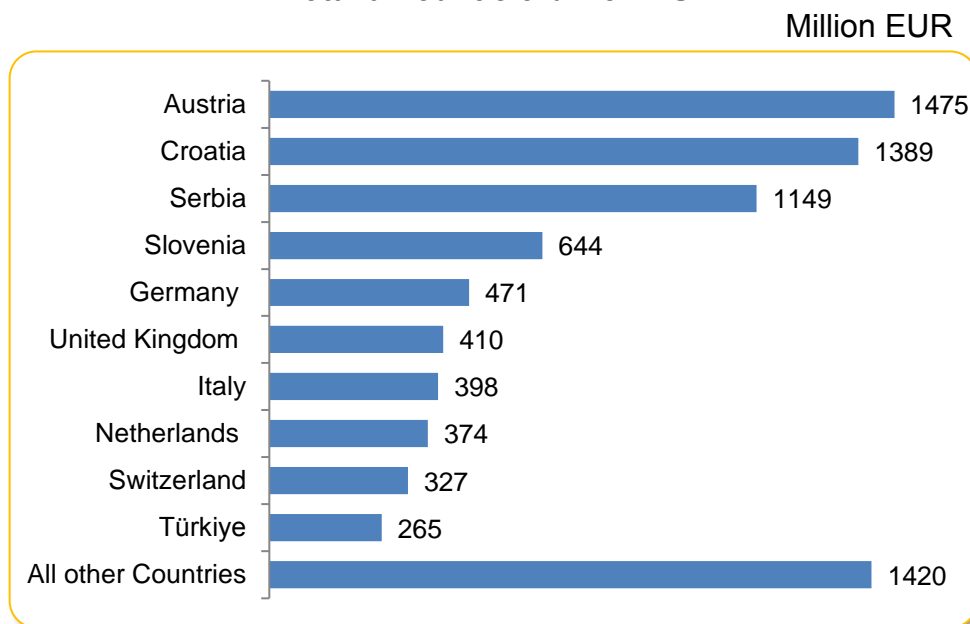
FDI Stock till December 2021

Total amount of Foreign Direct Investment (FDI) in Bosnia and Herzegovina was 8.3 billion EUR (8,322 million EUR). In the structure of FDI, for the period May 1994 till December 2021, equity and reinvested earnings were 7.2 billion EUR (7,175 million EUR) and other capital was 1.1 billion EUR (1,147 million EUR).

Based on CBBH data, till December 2021, Federation of B&H participates in total FDI with 62.8% (5,226 million EUR), Republic of Srpska 34.4% (2,861 million EUR) and Brčko District with 0.9% (78.8 million EUR).

According to the FDI Stock by countries the largest share still refers to Austria (1.5 billion EUR), Croatia (1.4 billion EUR), Serbia (1.2 billion EUR) and Slovenia (0.6 billion EUR). European countries are still the most important investors in Bosnia and Herzegovina. Investments from EU-27 countries amounted to 63% of total FDI in B&H.

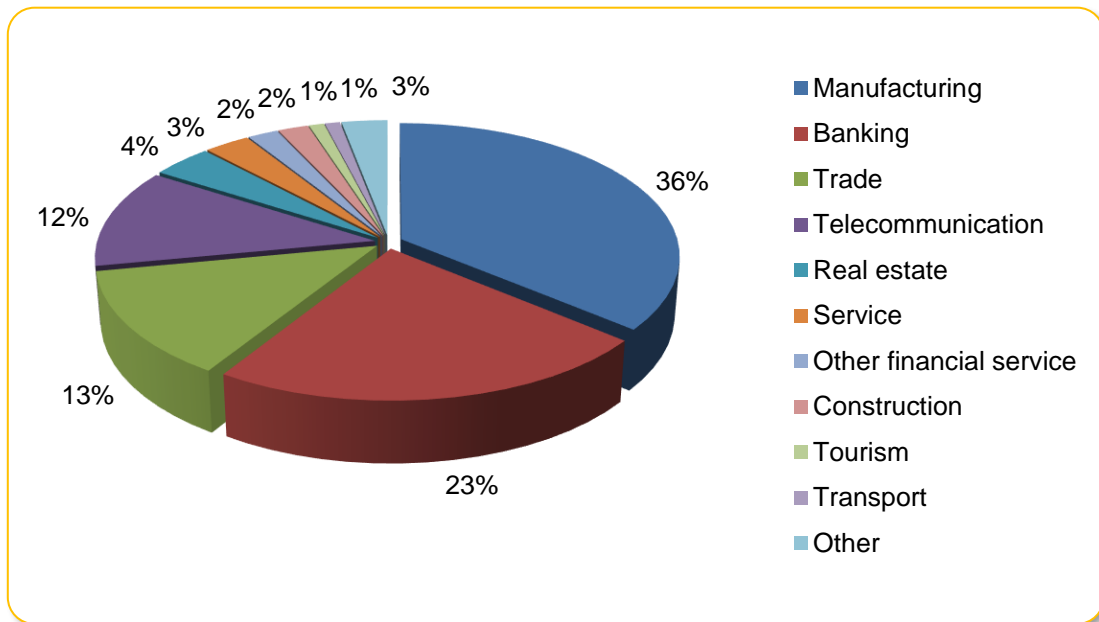
Top investor countries in B&H, May 1994 - December 2021 Total amount 8.3 billion EUR



Source: Central Bank of B&H (CBBH), August 2022

Out of total foreign direct investments, 36% have been invested within the production (primary, industrial and electricity production), followed by the banking sector with 23%, trade 13% and telecommunications 12%.

FDI Stocks by Industry (%) May 1994 - December 2021



Source: Central Bank of B&H (CBBH), August 2022

Foreign Direct Investment in B&H in 2021

According to the official data of Central bank of B&H foreign direct investment in 2021 were 497 million EUR (or 971 million BAM) in Bosnia and Herzegovina.

The increase of FDI by 32% in 2021 and the highest amount since 2009 is a positive indicator. According to the Central Bank of B&H "The inflows of investment can be considered encouraging, as they are higher by 250 million than in 2020. The growth trend of reinvested earnings of the existing companies with foreign investments from 2020 continued in 2021 as well. However, reinvested earnings had a lower share (54%) in the total flows, as a significant increase of investment in the form of ownership shares was recorded, while other capital decreased at the same time."

Main investor countries in B&H in 2021 were: Switzerland (107.8 million EUR), Turkiye (75.2 million EUR and United Kingdom (64.5 million EUR). The following countries also registered significant capital increases: Austria (49.1), Croatia (41.9) Serbia (40.6), Germany (39.3 million EUR), Slovenia (36.2) and Italy (30.0 million EUR).

Based on CBBH data, by activities, most investments were realized in the area of retail

trade in the amount of 88.4 million EUR, followed by the area of production of finished metal products 58.4 million EUR and the area of base metal production 52.5 million EUR. Significant capital increases has been registered also for: Electricity, gas, steam and air conditioning supply (42.3), Wholesale trade (39.9) and Manufacture of paper and paper products (32.9 million EUR).

The increase of foreign direct investment encouraged by reinvestment confirms the positive business and expansion of the capacity of existing foreign investors, which is certainly a good indicator for potential investors.

Reasons that creates positive expectations of FDI levels growth in Bosnia and Herzegovina were made upon on-going projects, the investment opportunities, intention of privatization many strategic companies and interest of foreign investors for potential projects. Success stories of foreign investors confirm that Bosnia and Herzegovina is favorable destination for foreign investment, and that we could be optimistic in terms of the FDI inflows in the coming period.

September 2022