



## FOREIGN DIRECT INVESTMENT 2024

### INTRODUCTION

This report provides an overview of the main developments in foreign direct investment (FDI) statistics<sup>1</sup> for 2024<sup>2</sup>, as published by the Statistics Department of the Central Bank of Cyprus (CBC).

The CBC compiles FDI statistics in accordance with the International Monetary Fund's (IMF) Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6) and the European System of Accounts, 2010 (ESA 2010). Data compiled on the basis of BPM6 methodology, which covers the period from 2008<sup>3</sup> onwards, is based on the current residency definition of Cyprus, for statistical purposes<sup>4</sup>, and includes, inter alia, data of "special purpose entities" (SPEs)<sup>5</sup>, which are registered in Cyprus and thus classified, by definition, as residents. In order to present FDI statistics in a more objective manner for Cyprus, however, this report also presents

some supplementary series, adjusted for the impact of SPEs, that is, treating them as non-residents.

Moreover, the said report – for the first time – includes analysis on annual inward FDI positions according to the ultimate investing economy. Standard FDI statistics are compiled by immediate investing economy while analysis by ultimate investing economy shows the "true" origin of FDI.

FDI plays an important role in the global economy. According to the Organisation for Economic Co-operation and Development (OECD), FDI is a key driver of international economic integration and, with the right policy framework, it can maintain financial stability, promote economic development and enhance economic well-being. Likewise, the importance of FDI in the economy of Cyprus is significant and has been increasing over the years.

The key points of this analysis are summarised as follows:

<sup>1</sup> For more information on the definition and scope of FDI statistics please refer to the Appendix.

<sup>2</sup> Comprehensive annual FDI statistics are transmitted to Eurostat nine months after the end of the reference year and usually released within the following two months.

<sup>3</sup> In the content of Macroeconomic Imbalance Procedure, starting from 2004, the CBC estimated time series for the period 2004-2007 in BPM6 format for the main external statistics indicators.

<sup>4</sup> Please refer to the Appendix for the definition of "resident" for statistical purposes.

<sup>5</sup> Please refer to the Appendix for the criteria under which an entity is considered an SPE.

	2023	2024
<b>Net FDI stock</b>	-34.856,7	-41.864,0
<b>Net FDI stock (when treating SPEs as non residents)</b>	-42.696,2	-50.280,9
<b>Net FDI transactions</b>	-10.357,9	-5.111,2
<b>FDI returns</b>		
Inward FDI returns (%)	6,7	7,8
Outward FDI returns (%)	6,7	7,8

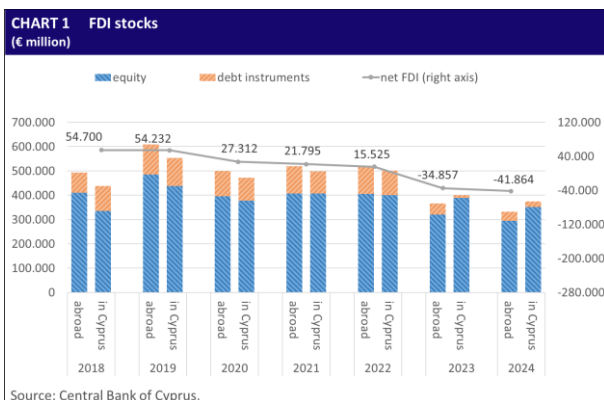
Source: Central Bank of Cyprus.

- Net FDI stock decreased further, thus remaining in negative territory<sup>6</sup> in 2024 (i.e. inward FDI stock exceeded outward FDI stock).
- Net FDI transactions remained negative for the sixth consecutive year in 2024.
- Outward and inward FDI returns remained steady in 2024.
- FDI stock invested in/from Cyprus, originated mainly from/to Europe.
- Most of the FDI invested in/from Cyprus was related to the tertiary sector, in particular “financial and insurance activities”.
- Net FDI stock when treating SPEs as non-residents dropped in 2024, whilst remaining in negative territory (i.e. adjusted inward FDI stock exceeded adjusted outward FDI stock).

**FOREIGN DIRECT INVESTMENT**

**Stocks**

The **net FDI stock** of Cyprus decreased further in 2024, thus still remaining negative. More specifically, in 2024, net FDI stock reached -€41.864,0 million, compared with -€34.856,7 million, in 2023 (**Chart 1**). This occurred due to the fact that the decline in outward FDI was more pronounced than the decline in inward FDI.



More analytically, **Chart 1** shows that:

- Outward FDI stock reached €331.752,1 million in 2024, compared with €366.000,2

million in 2023. The said drop was mainly attributed to the decrease in equity instruments. Similarly, debt instruments also registered a decrease. The majority of outward FDI stock in 2024 comprised of equity (89%) and, to a lesser extent, debt instruments (11%). The composition of outward FDI does not change much over time with equity always remaining the main instrument of this category.

- Inward FDI stock amounted to €373.616,1 million in 2024, compared with €400.857,0 million in 2023. This development was due to the decrease in equity since debt instruments have slightly increased. As regards the composition of inward FDI in 2024, it comprised of 94% equity and 6% debt instruments. Similar to outward FDI, the composition of inward FDI does not change much over time with the equity share of inward FDI remaining the main component.

The similarities between inward and outward FDI with regard to their changes, are attributed to the large share of SPEs in both, inward and outward FDI stock. In particular, since these entities have no or little interaction with the domestic economy, their assets vis-à-vis non-residents are very similar to their corresponding liabilities. Consequently, any movements in SPEs assets are reflected in their liabilities and vice versa. It should be noted that movements in SPEs assets and/ or liabilities can also affect functional investment categories other than FDI, such as portfolio investment and other investment, although, they mainly relate to FDI.

As regards the changes recorded in FDI stocks over consecutive years, these are attributed not only to transactions but also to changes arising from:

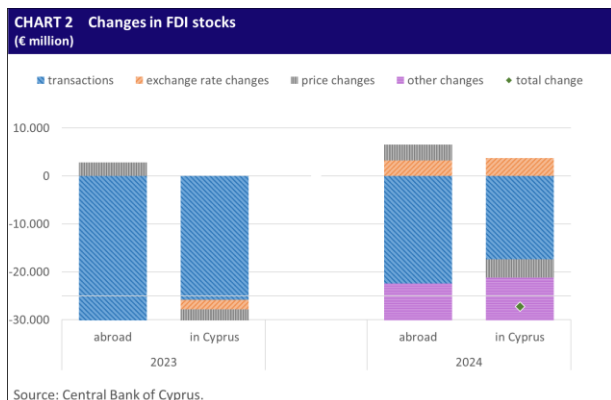
- Exchange rate fluctuations;
- Other price changes; and
- other changes in volume (e.g. reclassifications, write-offs, etc.).

<sup>6</sup> More information on the meaning of sign convention is provided in the Appendix.

Although over the long run changes in FDI stocks seem to be primarily determined by FDI transactions, in the short run they can also be determined by the aforementioned changes, which, in some cases, dominate FDI transactions.

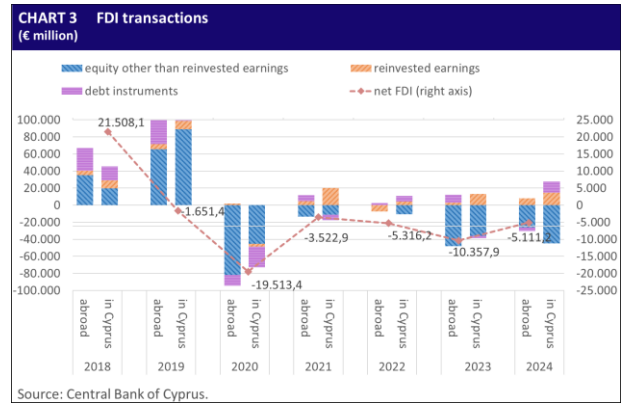
As regards the decrease in outward FDI stocks in 2024, this was mainly driven by transactions and, to a lesser extent, by other changes in volume. Exchange rate changes and price changes were positive and mitigated the above decrease. Similarly, the decrease in inward FDI stocks in 2024 was mainly driven by transactions and, to a much lesser extent, by other changes in volume and price changes. Exchange rate changes were positive for inward FDI stocks and lessen the above decline. (Chart 2).

As noted above, over the long term, transactions are the main drivers of changes in FDI stocks. Specifically, the ratio of outward FDI transactions during the 2018–2024 period to the corresponding change in outward FDI stock between the end of 2018 and the end of 2024 stands at 68.5%. This indicates that total transactions over this period account for more than half of the observed change in stocks. The respective ratio of inward FDI is similar at 51,6%.



**Transactions**

Net FDI transactions remained negative in 2024. In particular, net FDI transactions in 2024 were recorded at -€5.111,2 million, following negative net outward FDI transactions which surpassed the negative net inward FDI transactions (Chart 3).



As regards outward FDI transactions in 2024, these reached -€22.466,8 million (Chart 3), of which, -€26.107,7 million was equity other than reinvested earnings and -€4.471,6 million was debt instruments. Contrary to other components, reinvested earnings were positive and reached €8.112,5.

Inward FDI transactions reached -€17.355,6 million in 2024, of which, -€44.757,4 million was equity other than reinvested earnings. On the other hand, reinvested earnings (€14.278,7 million) and debt instruments (€13.123,1 million) were both positive and moderated the above decrease. (Chart 3).

**Income**

Net income from FDI remained negative in 2024 (i.e. inward FDI income exceeded outward FDI income). More specifically, net FDI income was recorded at -€3.427,9 million in 2024, down from -€2.621,8 million in the previous year.

As regards income from outward FDI, this reached €25.869,3 million in 2024, compared with €24.394,8 million in 2023 (Chart 4). The said increase was mainly due to the higher income from reinvested earnings despite the decrease in income from equity other than reinvested earnings (dividends). Income from debt instruments remained at a similar level as the previous year.



Income from inward FDI amounted to €29.297,2 million in 2024, compared with €27.016,5 million in 2023 (Chart 4). Similarly to income from outward FDI, the increase was attributed to the income from reinvested earnings while in this case the income from equity other than reinvested earnings (dividends) also contributed to the said increase. The income from debt instruments remained at a similar level as the previous year.

Consequently from the aforementioned analysis, where overall income in 2024 appears increased compared with 2023, profitability (rate of return) in 2024 strengthened for both outward and inward FDI. More specifically, the rate of return stood at 7,8% for both outward FDI and inward FDI in 2024, while the respective return in 2023 was recorded at 6,7% for both outward and inward investment (Chart 4).

It should be noted that the rates of return of outward and inward FDI are very similar over time as, not only do they move together, but they are also almost identical in levels. There is almost perfect correlation between the two rates of return over 2018 – 2024, with the annual differential average being at 0,1% in absolute terms.

A possible explanation lies in the large contribution of SPEs in Cypriot FDI, and the fact that these entities have similar inward and outward income due to the structure of their financial assets and liabilities.

Regional analysis

The Cyprus FDI stock, both inward and outward, is dispersed in all continents, with Europe being the dominant partner (Table 2).

Outward FDI stock destined to Europe amounted to €202.635,9 million in 2024, down from €227.570,2 million in 2023 (Table 2). The second most important continent, in terms of value, was America, with an outward investment value of €60.040,4 million, down from a respective amount of €67.374,5 million in 2023. It should be noted that there is an amount of €53.784,5 million which refers to unallocated data (i.e. data that cannot be allocated to a specific country) in 2024. As regards the euro area and the European Union, the share of FDI destined to those groups in 2024 amounted to 18,1% and 22,2%, respectively.

Concerning inward FDI, this is also mostly channelled from Europe and, to a much lesser extent, from America. More specifically, inward FDI stock from Europe reached €295.287,2 million in 2024, down from €321.342,4 million in 2023 (Table 2). Inward FDI stock from America (the second most important continent as regards inward FDI) was recorded at €73.150,9 million, thus decreasing slightly from €74.117,6 million in 2023. The unallocated part in 2024 was the negative amount €14.389,2 million, indicating that inward assets outweigh inward liabilities.

Table 2: FDI stock by region  
€ million

	Abroad		In Cyprus	
	2023	2024	2023	2024
<b>By continent</b>				
Europe	227.570,2	202.635,9	321.342,4	295.287,2
America	67.374,5	60.040,4	74.117,6	73.150,9
Africa	3.494,6	3.400,2	7.209,0	7.342,4
Australia, Oceania and polar regions	225,2	259,6	4.263,7	4.061,6
Asia	14.567,3	11.567,9	8.682,3	8.163,1
Unallocated	52.768,4	53.848,0	-14.758,0	-14.389,2
<b>Selected groups</b>				
EU27	94.593,8	73.688,0	147.825,1	132.616,5
EA	80.129,8	60.002,9	137.178,0	122.999,5
OECD	127.836,8	108.976,7	196.891,8	178.640,4
<b>Selected countries</b>				
United Kingdom	17.282,4	18.262,6	12.452,5	13.959,2
Germany	3.645,8	3.707,8	-1.745,4	5.420,1
Luxemburg	52.227,5	34.229,1	91.494,6	73.851,5
Greece	-1.935,6	-2.776,0	4.496,7	6.031,9
Netherlands	10.386,5	10.893,3	19.049,1	20.859,1
Russian Federation	91.633,2	86.081,6	90.632,8	85.659,0
United States	11.711,7	12.675,0	24.878,8	26.209,7

Source: Central Bank of Cyprus.

The share of inward FDI stock from the euro area and the European Union is much higher than the respective share of outward FDI in 2024, as it accounted for 35,5% and 22,2%, respectively.

The outward FDI stock of Cyprus in 2024 was dispersed to at least 146 countries, whilst inward FDI stock was channelled to Cyprus from at least 176 countries<sup>7</sup>. Of these, 139 are common to both outward and inward FDI stock.

Although the number of partner countries for both inward and outward FDI stock is large, there is a high concentration in a small number of countries. More specifically, the top 10 countries responsible for each of inward and outward FDI stock accounted for more than 60,6% of the total allocated stock, with Russia being the top partner for both outward and inward FDI.

When examining FDI from the ultimate investing economy perspective, the distribution across continents remains broadly similar (Table 3). Europe is the predominant continent amounting to €212.867,4 million in 2024, down from €233.876,6 million in 2023. America follows with €87.284,2 million in 2024 compared with €99.475,3 million in 2023. It is noteworthy that Asia shows a relatively higher share when viewed from the ultimate investing economy perspective compared with the corresponding figures for inward FDI based on the immediate investor’s country.

	In Cyprus	
	2023	2024
<b>By continent</b>		
Europe	233.876,6	212.867,4
America	99.475,3	87.284,2
Africa	2.929,2	3.506,8
Australia, Oceania and polar regions	3.912,8	3.912,7
Asia	24.890,2	22.568,1
Unallocated	35.772,9	43.477,0

Source: Central Bank of Cyprus.

<sup>7</sup> It should be noted that the actual number of countries might be higher because some FDI stock is not allocated to a specific country.

At the country level, Russia, the United States, Luxembourg and the United Kingdom are the main countries investing in Cyprus when considering ultimate investing economy.

**Analysis by economic activity**

As regards outward FDI, this is mainly channelled to the tertiary sector (Table 4). Specifically, outward FDI stocks to the tertiary sector in 2024 amounted to €216.010,3 million, compared with €255.597,5 million in the previous year. Most of the investments in the tertiary sector are directed to the financial and insurance activities. The primary and secondary sectors reached €55.593,4 million in 2024, up from €47.682,9 million in 2023. It should be noted that an amount of €60.148,4 million in outward investment in 2024 remains unallocated (i.e. it cannot be allocated to a specific economic activity).

Most of Cyprus’s inward FDI stock was channelled to the tertiary sector (i.e. services). In particular, inward FDI stock channelled to the tertiary sector in 2024 amounted to €367.348,8 million, down from €395.197,3 million in 2023. Most of the investments in the tertiary sector are directed to the financial and insurance activities. This reflects Cyprus’s specialisation in the provision of financial services. Concerning the primary and secondary sectors, these totalled €508,4 million in 2024, compared with €611,8 million in 2023.

	Abroad		In Cyprus	
	2023	2024	2023	2024
Primary and secondary sectors	47.682,9	55.593,4	611,8	580,4
Tertiary sector	255.597,5	216.010,3	395.197,3	367.348,8
of which				
Financial and insurance activities	196.748,2	162.964,4	352.647,7	319.175,4
Transportation and storage activities	5.623,1	3.057,3	10.602,8	10.669,1
Real estate activities	13.144,4	12.643,0	15.404,7	17.972,5
Unallocated by sector	62.719,8	60.148,4	5.047,8	5.687,0

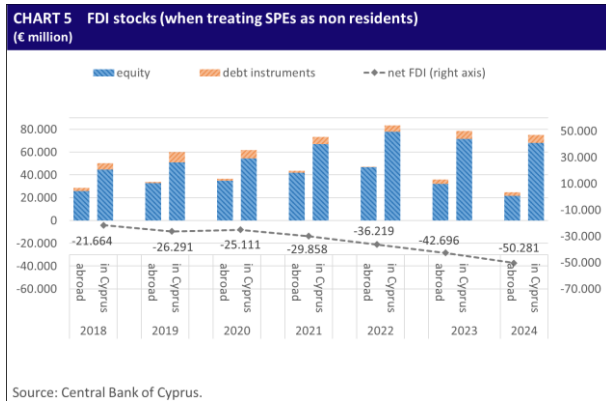
Source: Central Bank of Cyprus.

**IMPACT OF SPEs ON FDI STATISTICS**

The presence of SPEs (i.e. the treatment of SPEs as residents) in FDI statistics distorts the picture portrayed by the said statistics. This is due to the fact that their transactions and positions in their entirety are “cross border”. The analysis in this section treats SPEs as non-residents so as to

remove the impact those entities have on FDI statistics.

When treating SPEs as non-residents, net FDI stock in Cyprus decreases further (**Chart 5**). More specifically, in 2024 net FDI stock reached -€50.280,9 million, compared with -€42.696,2 million, in 2023.



Outward FDI stock reached €24.702,8 million in 2024 while inward FDI stock was recorded at €74.983,6 million the same year. It is evident that the data treating SPEs as non-residents show substantially lower stocks when compared with data treating them as residents.

Similar to the case when SPEs are treated as residents, most of the inward FDI stock is channelled to the tertiary sector. Specifically, inward FDI stock channelled to the tertiary sector in 2024 amounted to €70.148,9 million (**Table 5**) while inward FDI to primary and secondary sectors totalled €580,4 million.

**Table 5: FDI stock by economic activity (when treating SPEs as non residents)**  
€ million

	Abroad		In Cyprus	
	2023	2024	2023	2024
Primary and secondary sectors	1.699,1	1.589,7	611,8	580,4
Tertiary sector	25.214,6	13.751,0	74.455,2	70.148,9
Unallocated by sector	9.072,3	9.361,5	3.615,1	4.254,3

Source: Central Bank of Cyprus.

As regards outward FDI, this is mainly channelled to the tertiary sector (€13.751,0 million in 2024) and, to a lesser extent, to the primary and secondary sectors (€1.589,7 million in 2024). An amount of €9.361,5 million remains unallocated.

## APPENDIX: SOURCES AND DEFINITIONS/ GLOSSARY

### Sources

FDI data are compiled using various sources as follows:

- *Survey on External Financial Statistics* conducted by the CBC on a quarterly basis, which collects information on stocks, transactions and income from investments. The aforementioned survey collects data for all types of investments and not only for the FDI category, giving the opportunity to gather comprehensive data for each specific company.
- Annual financial statements of resident entities.
- Data collected from a number of sources (other direct surveys to entities, mirror data, data from the “Department of land and surveys”, international transactions reporting system-ITRS for earlier years), which are mainly used for the compilation of the real estate assets and liabilities.
- Data from the *Shipowning Survey* conducted by the CBC, in collaboration with the Statistical Service of Cyprus, on an annual basis. These data are reported in aggregate form by the audit firms that represent those companies and they include statistics on resident entities which are the economic owners of ships.

### Definitions/ glossary

The definitions used for the FDI data for Cyprus are in line with the definitions used in the IMF’s Balance of Payments and International Investment Position Manual, 6th Edition (BPM6) and the OECD Benchmark Definition of Foreign Direct Investment, fourth edition (BD4).

#### Foreign direct investment (FDI)

FDI is a category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment

enterprise) that is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the enterprise. The direct or indirect ownership of 10% or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is evidence of such a relationship. An exception to the above rule are the issues and holdings of investment funds shares which are considered portfolio investment, irrespective of the percentage holdings.

#### Foreign direct investor

A foreign direct investor is an entity (an institutional unit) resident in one economy that has acquired, either directly or indirectly, at least 10% of the voting power of a corporation (enterprise), or equivalent for an unincorporated enterprise, resident in another economy.

#### Foreign direct investment enterprise

A foreign direct investment enterprise is an enterprise resident in one economy and in which an investor resident in another economy owns, either directly or indirectly, 10% or more of its voting power if it is incorporated or the equivalent for an unincorporated enterprise.

#### Ultimate investing economy

The ultimate investing economy is a geographical allocation determining the location of the ultimate source of control of the positions of inward FDI for a reporting economy.

#### Equity capital

Equity consists of all instruments and records that acknowledge claims on the residual value of a corporation or quasi-corporation, after the claims of all creditors have been met. Equity is treated as a liability of the issuing institutional unit (a corporation or other unit). It comprises: i) equity/participation in branches; ii) all shares in subsidiaries and associates (except non-participating, preferred shares that are treated as debt securities and included under direct

investment, debt instruments); and iii) other contributions of an equity nature.

### Debt instruments

Debt instruments are those instruments that require the payment of principal and/or interest at some point(s) in the future. For FDI purposes, debt instruments consist of deposits, debt securities, loans, trade credits and other accounts receivable/payable which are transacted between companies with an FDI relationship. There are some exceptions in case of transactions in debt instruments between certain financial companies in which case they fall in a category different than FDI.

### Reinvested earnings

Reinvested earnings refer to earnings on equity accruing to direct investors less distributed earnings, proportionate to the percentage ownership of the equity owned by the direct investor(s).

### Inward direct investment

Inward direct investment is investment by a non-resident direct investor in a direct investment enterprise resident in the host economy; the direction of the influence by the direct investor is “inward” for the reporting economy. Also referred to as direct investment in the reporting economy.

### Outward direct investment

Outward direct investment is investment by a resident direct investor in a non-resident direct investment enterprise; the direction of the influence by the direct investor is “outward” for the reporting economy. Also referred to as direct investment abroad.

### Special purpose entity (SPE)

According to the “Final Report of the Task Force on SPEs”<sup>8</sup>, an entity is considered as an SPE if it meets the criteria listed below:

- It is resident in an economy, i.e. it is a formally registered and/or incorporated legal entity recognized as an institutional unit, with:
  - no or little employment up to maximum of five employees,
  - no or little physical presence and
  - no or little physical production in the host economy.
- It is directly or indirectly controlled by non-residents.
- It is established to obtain specific advantages provided by the host jurisdiction with an objective to:
  - grant its owner(s) access to capital markets or sophisticated financial services; and/or
  - isolate owner(s) from financial risks; and/or
  - reduce regulatory and tax burden; and/or
  - safeguard confidentiality of their transactions and owner(s).
- It transacts almost entirely with non-residents and a large part of their financial balance sheet typically consists of cross-border claims and liabilities.

### Signs

- Transactions: a positive sign denotes an increase in inward/outward FDI while a negative sign denotes a decrease in inward/outward FDI transactions.
- Income: income is usually shown with a positive sign which indicates an increase in inward/outward income. There are some exceptions with the most common being the realisation of net losses for an entity in a given period.
- Changes in stocks other than transactions (exchange rate, price and other changes): a positive sign represents an increase in the said changes while a negative sign represents a decrease.
- Stocks: stocks are usually depicted with a positive sign although there are some exceptions. The most common exception is negative stocks which arise due to accumulated losses of an entity (i.e. reserves of the entity turn negative and exceed the value of equity).

<sup>8</sup> Prepared by the Statistics Department of the International Monetary Fund.

**Definition of the Term “resident of Cyprus” for Statistical Purposes:**

"Resident" has the meaning assigned to it in the Definition of the Term "resident of Cyprus" for Statistical Purposes Directive, 2008;

In this directive:

(1) A **legal entity** is resident in the economic territory under whose laws the entity is incorporated or registered. This applies also to legal entities with little or no physical presence, e.g. investment funds (as distinct from their managers), securitisation vehicles, and some special purpose entities (SPEs). If the entity is not incorporated, it is considered to be resident in the country whose legal system governs the creation and continued existence of the entity.

The residence of the enterprise that owns a ship is determined by the criterion of economic ownership. Specifically, the economic ownership is the right of a natural or legal person to claim the benefits associated with the use of a vessel in the course of an economic activity by virtue of accepting the associated risks.

(2) A **natural person** is a resident in the country that has a centre of economic interest. A centre of economic interest exists when a unit engages and intends to continue engaging, either indefinitely or over a finite but long period of time, in economic activities and transactions on a significant scale in or from a location, dwelling, place of production or other premises within a territory.

For practical reasons, actual or intended location for one year or more is used as an operational threshold. However, the following are examples of **borderline cases** in the determination of residency:

- Students who go abroad to study full-time generally continue to be resident in the territory in which they were resident prior to studying abroad. This treatment is adopted even though their course of study may exceed a year.
- Patients who go abroad for medical treatment maintain their predominant centre of interest in the territory in which they were resident before they received the treatment, even if the treatment lasts one year or more.
- Crews of ships, aircraft, oil rigs, space stations or other similar equipment which operate outside a territory or across several territories are treated as being resident in their home country.
- National diplomats, peacekeeping and other military personnel, and other civil servants employed abroad in government enclaves, as well as members of their households are considered to be residents of the economic territory of the employing government.
- Staff of international organisations, including those with diplomatic status and military personnel are resident in the territory of their principal dwelling.
- Border workers, seasonal workers and other short-term workers who cross borders for a short period to undertake a job are considered residents in the economic territory in which they maintain a dwelling used by members of the household as their principal dwelling.