



NBP

Narodowy Bank Polski

Marcin Humanicki / Economic Analysis Department

Foreign direct investment in commercial real estate: Poland vs OECD countries

Recent trends in the real estate market and its analysis – 2017 edition

Zalesie Górne / 23 November 2017



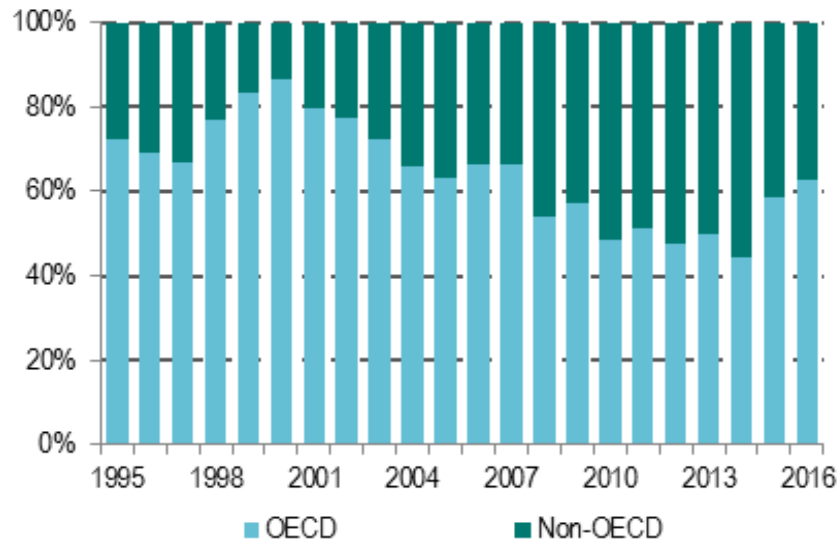
Motivation

- **Firstly**, analyze the evolution of inward FDI stock in Poland over the period 1998-2012 with the emphasis on commercial real estate.
- **Secondly**, study how Poland differs in terms of sectoral structure of inward FDI with the OECD countries (regional peers from CEE and developed economies).
- **Thirdly**, assess Poland's FDI attractiveness relative to the OECD.
- **Finally**, prepare the background for the further research on impact of FDI in real estate on economic growth in Poland.

Data used in the analysis

- **Source:** *OECD International Direct Investment Statistics (database)*
- **Classification:** *3rd edition Benchmark Definition of FDI (previous one)*
- **Variable of interest:** *inward FDI stock*
- **Sector of interest:** *real estate, renting and business activities (broad category) due to limited availability of data for its subsector *real estate**
- **Time period:** *annual data for the period 1998-2012*
- **Reference group of countries:** *OECD and its members*

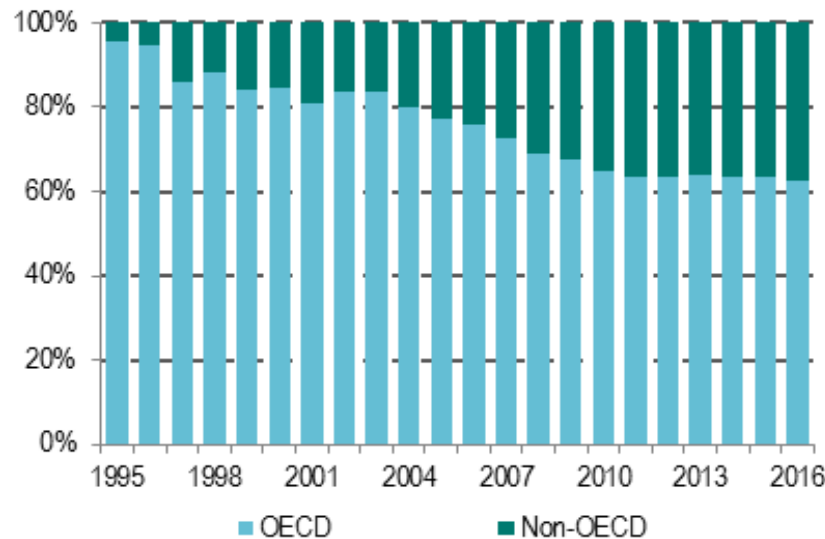
OECD remains the main destination for FDI, but the distribution is changing



Geographical distribution of FDI flows

Note: data presented according to FDI Benchmark Definition 3rd edition

Source: OECD International Direct Investment Statistics (database)



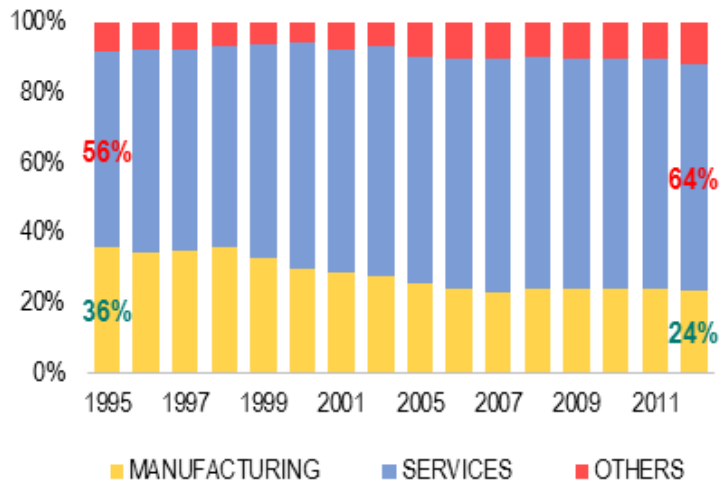
Geographical distribution of FDI stocks

Note: data presented according to FDI Benchmark Definition 3rd edition

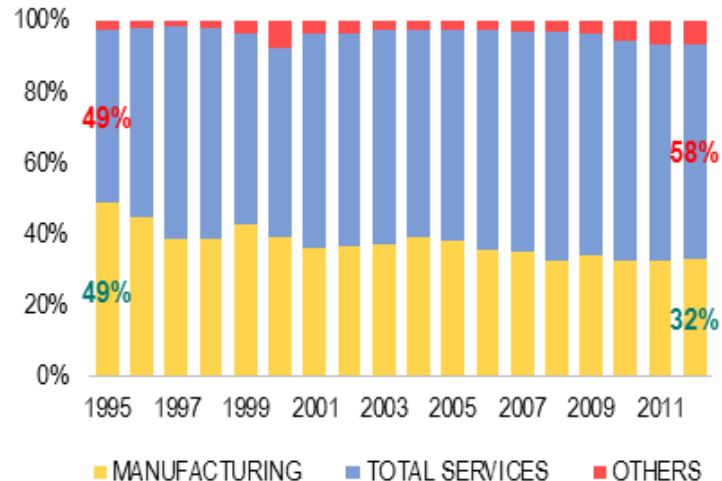
Source: OECD International Direct Investment Statistics (database)

Global FDI is shifting towards services and Poland has followed this path

OECD-21



Poland



Inward FDI stock by sector (% of total FDI)

Note: data presented according to FDI Benchmark Definition 3rd edition

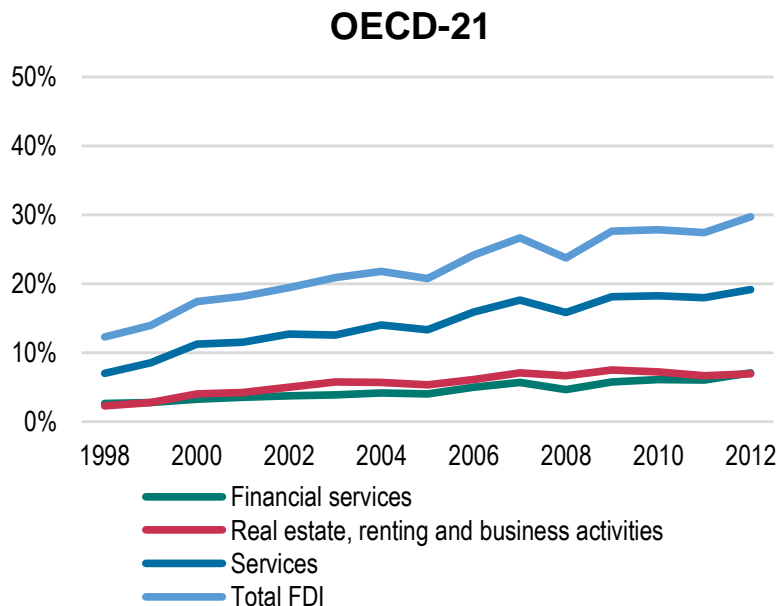
Source: OECD International Direct Investment Statistics (database)

Inward FDI stock by sector (% of total FDI)

Note: data presented according to FDI Benchmark Definition 3rd edition

Source: OECD International Direct Investment Statistics (database)

Growing importance of the financial and real estate services in the OECD



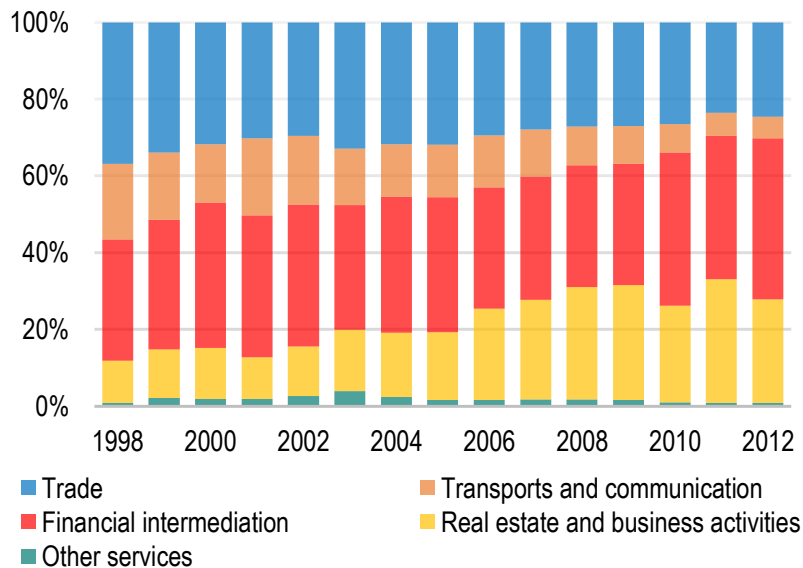
- Non-tradable nature of many services causes that the only way to serve foreign markets is through market-seeking FDI
- Lower entry barriers due to a removal of many capital controls

Inward FDI stock in the services (% of GDP)

Note: data presented according to FDI Benchmark Definition 3rd edition

Source: OECD International Direct Investment Statistics (database)

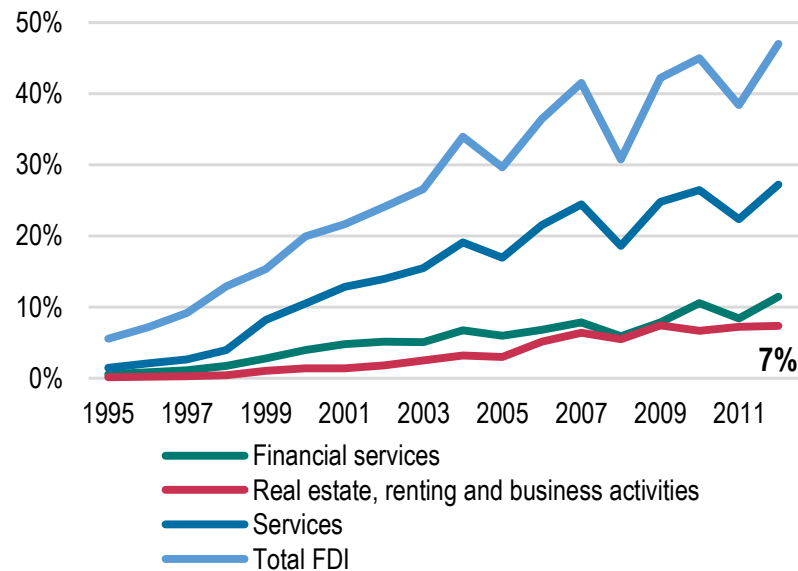
Within the services in Poland, the role of real estate sector has increased



Sectoral distribution of FDI in the services

Note: data presented according to FDI Benchmark Definition 3rd edition

Source: OECD International Direct Investment Statistics (database)



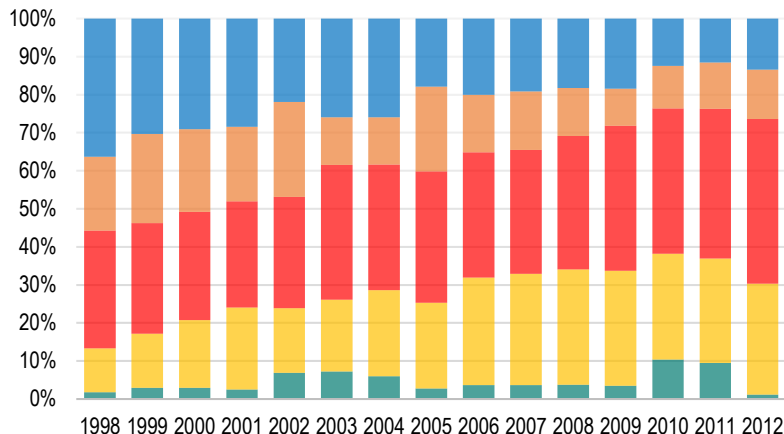
Inward FDI stock in the services (% of GDP)

Note: data presented according to FDI Benchmark Definition 3rd edition

Source: OECD International Direct Investment Statistics (database)

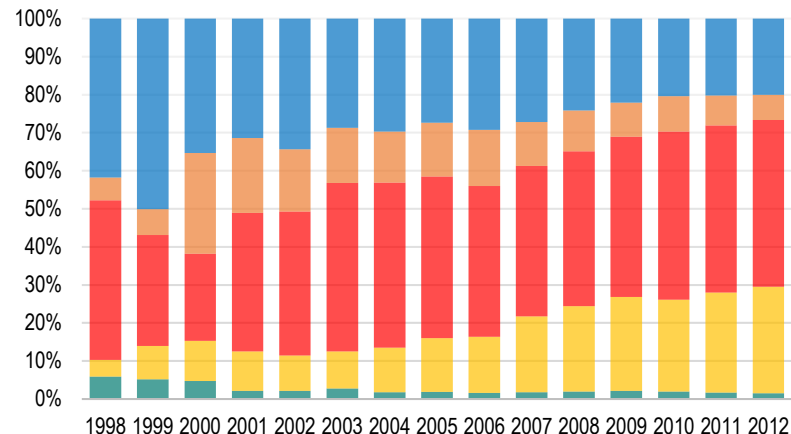
Poland, the Czech Republic and Slovakia show a similar pattern like ...

Czech Republic



- TRADE AND REPAIRS
- TRANSPORTS, STORAGE AND COMMUNICATION
- FINANCIAL INTERMEDIATION
- REAL ESTATE, RENTING AND BUSINESS ACTIVITIES
- OTHER SERVICES

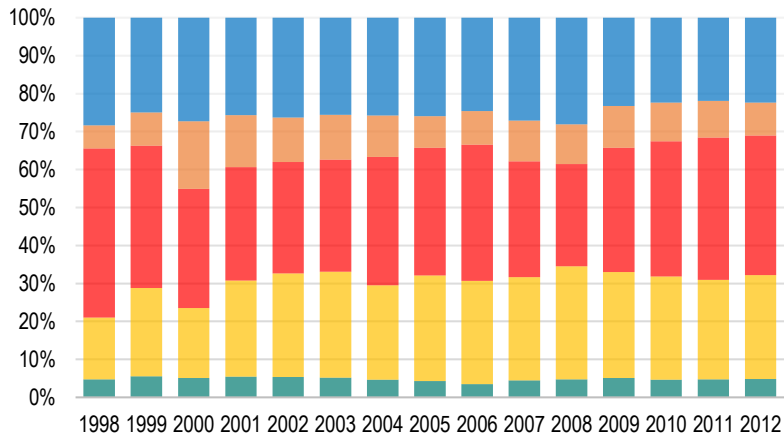
Slovakia



- TRADE AND REPAIRS
- TRANSPORTS, STORAGE AND COMMUNICATION
- FINANCIAL INTERMEDIATION
- REAL ESTATE, RENTING AND BUSINESS ACTIVITIES
- OTHER SERVICES

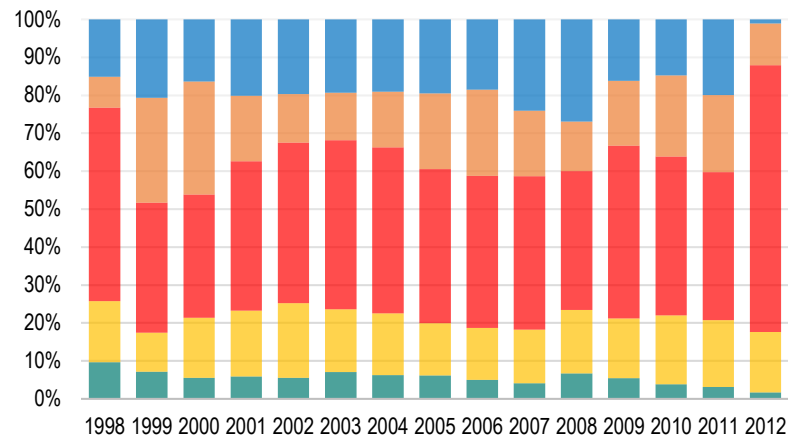
... developed countries (US, UK) representing anglo-saxon model

United States



- TRADE AND REPAIRS
- TRANSPORTS, STORAGE AND COMMUNICATION
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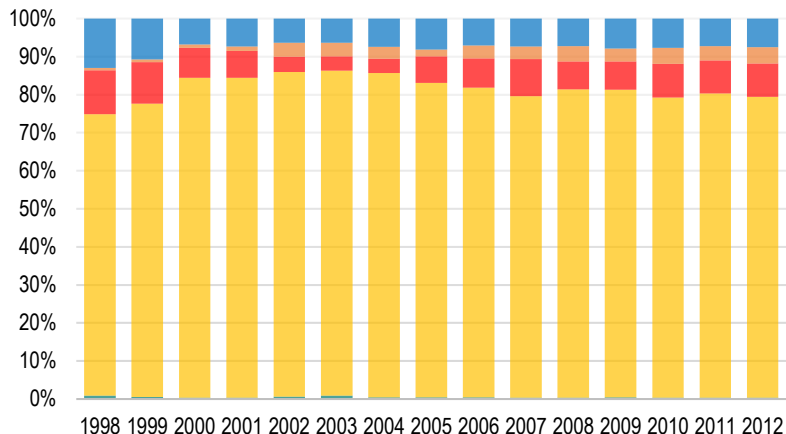
United Kingdom



- TRADE AND REPAIRS
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- REAL ESTATE, RENTING AND BUSINESS ACTIVITIES
- OTHER SERVICES

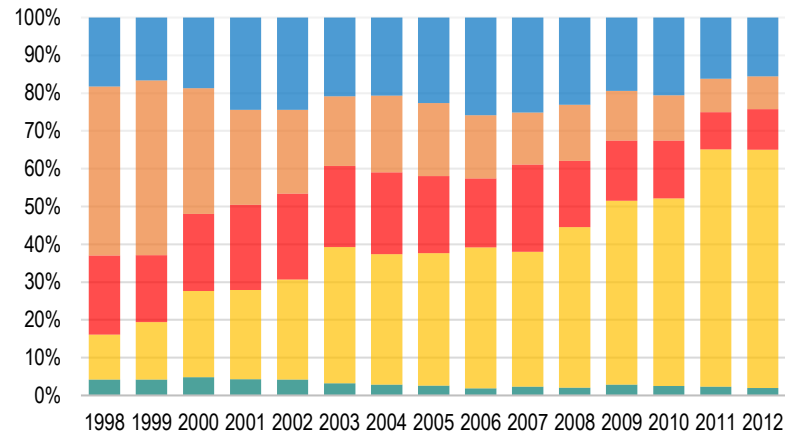
Germany and Hungary tend to show similar pattern (continental model)

Germany



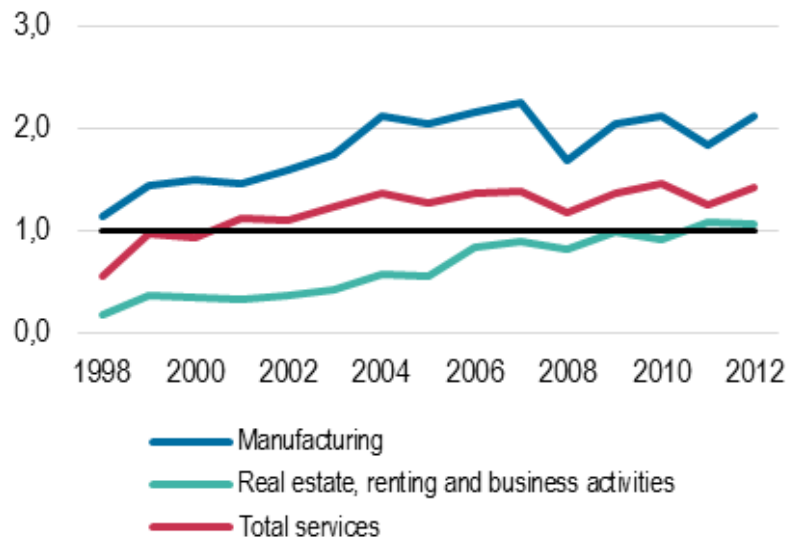
- TRADE AND REPAIRS
- TRANSPORTS, STORAGE AND COMMUNICATION
- FINANCIAL INTERMEDIATION
- REAL ESTATE, RENTING AND BUSINESS ACTIVITIES
- OTHER SERVICES

Hungary



- TRADE AND REPAIRS
- TRANSPORTS, STORAGE AND COMMUNICATION
- FINANCIAL INTERMEDIATION
- REAL ESTATE, RENTING AND BUSINESS ACTIVITIES
- OTHER SERVICES

Poland's FDI performance in real estate is strengthening, but remains weak relative to the OECD



Inward FDI Performance index

Source: own calculations based on UNCTAD's methodology

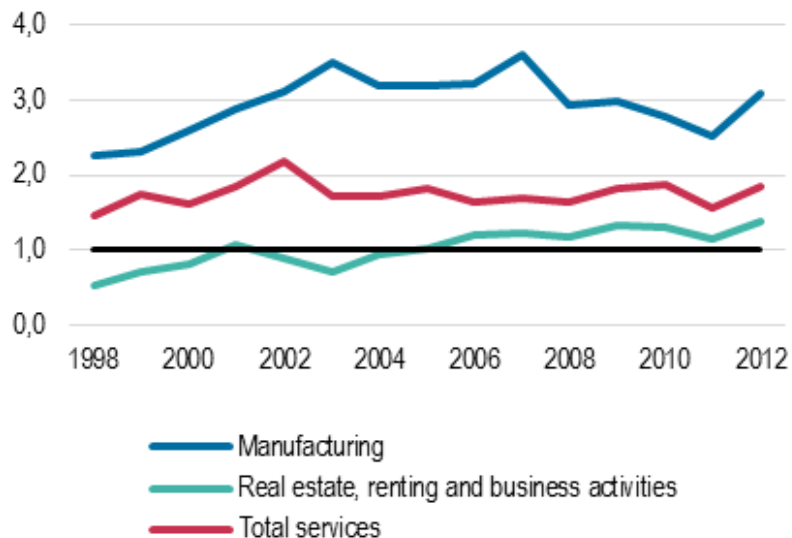
- We use UNCTAD's benchmarking tool called *Inward FDI Performance Index*
- FDI performance index is defined as:

$$\frac{FDI_i / FDI_{OECD}}{GDP_i / GDP_{OECD}}$$

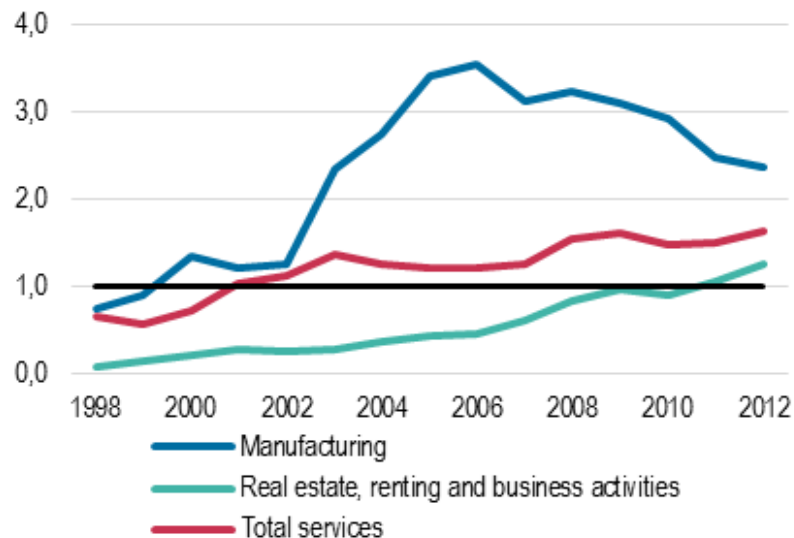
- Countries with a value higher than one attract more FDI than could be expected on the basis of their relative GDP size

Poland's FDI performance similar to that of its regional peers, but...

Czech Republic



Slovakia

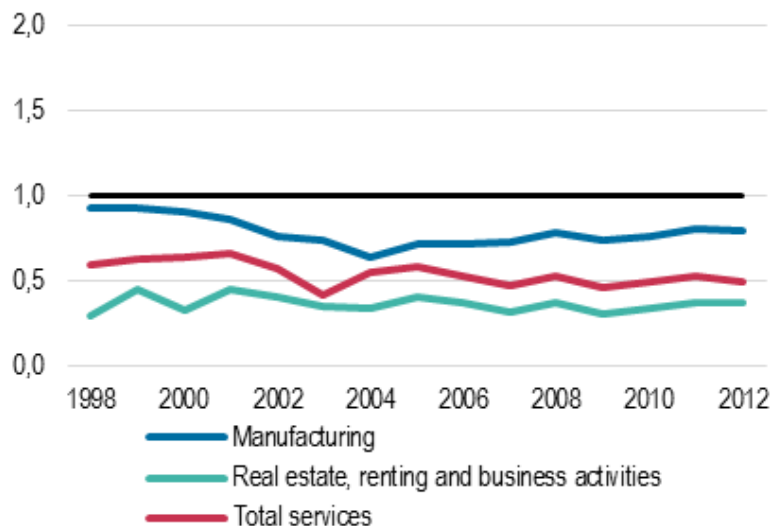


Inward FDI Performance index

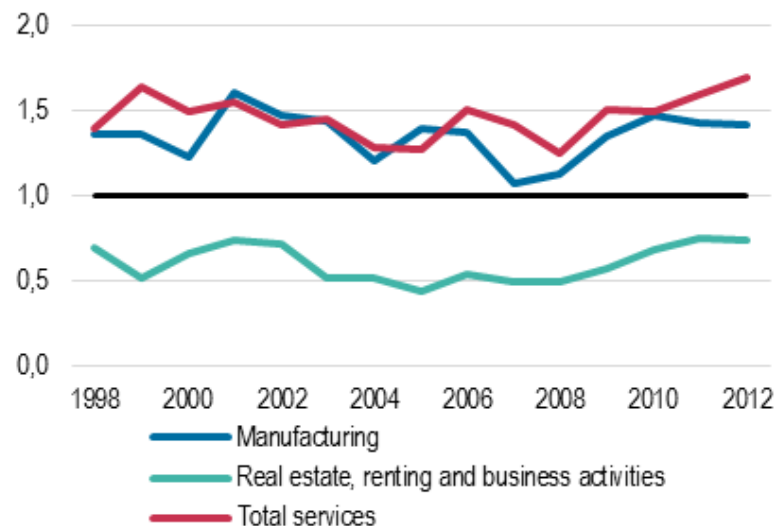
Source: own calculations based on UNCTAD's methodology

better than that of developed countries following anglo-saxon model

United States



United Kingdom

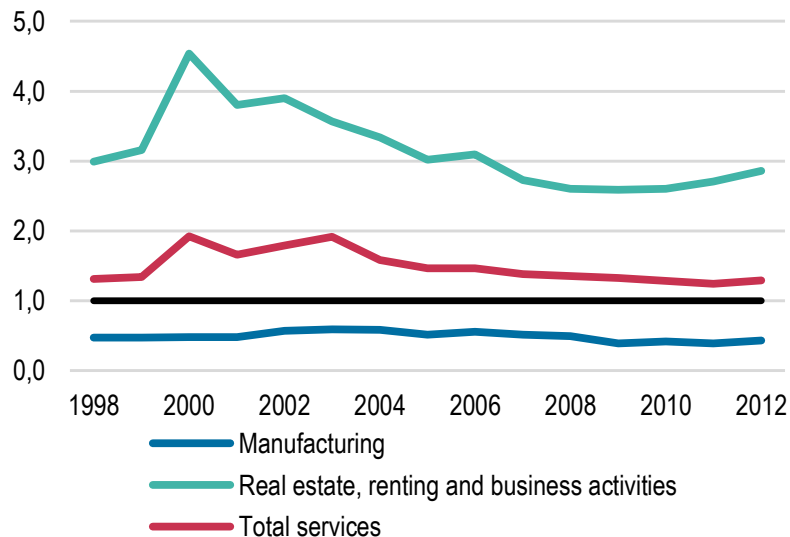


Inward FDI Performance index

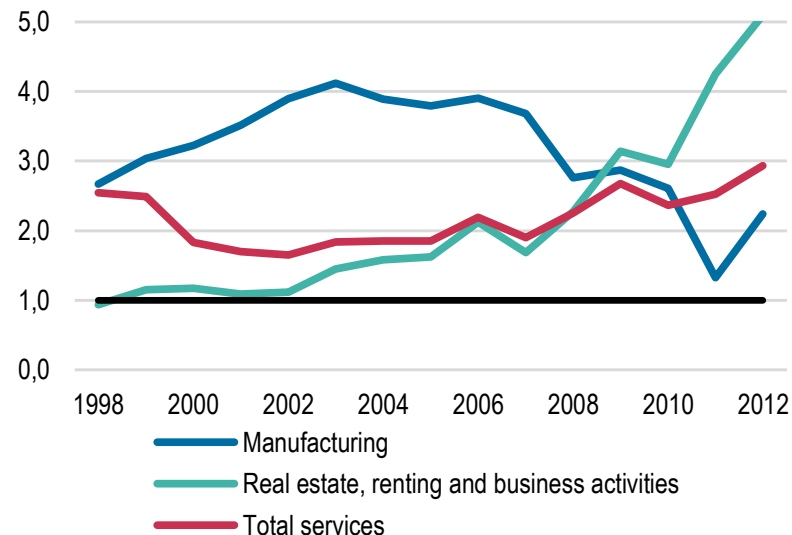
Source: own calculations based on UNCTAD's methodology

Germany and Hungary have a higher FDI performance in real estate sector

German



Hungary



Inward FDI Performance index

Source: own calculations based on UNCTAD's methodology

Main conclusions

- In terms of FDI's decomposition in the services and FDI's performance Poland tends to follow a similar pattern to that of **its regional peers** (the Czech Republic and Slovakia) and, to some degree, of **the developed countries representing the anglo-saxon** model (US, UK).
- Hungary tends to show a similar pattern as the core EU countries (Germany).
- The reason for such pattern should be studied further in the next paper.

Next step will be to...

- merge data on sectoral decomposition of FDI from 3rd and 4th OECD classifications
- extend the current analysis by examining the growth effects of FDI in real estate sector.

**Any comments, suggestions or questions
are welcome!**

We protect the value of money