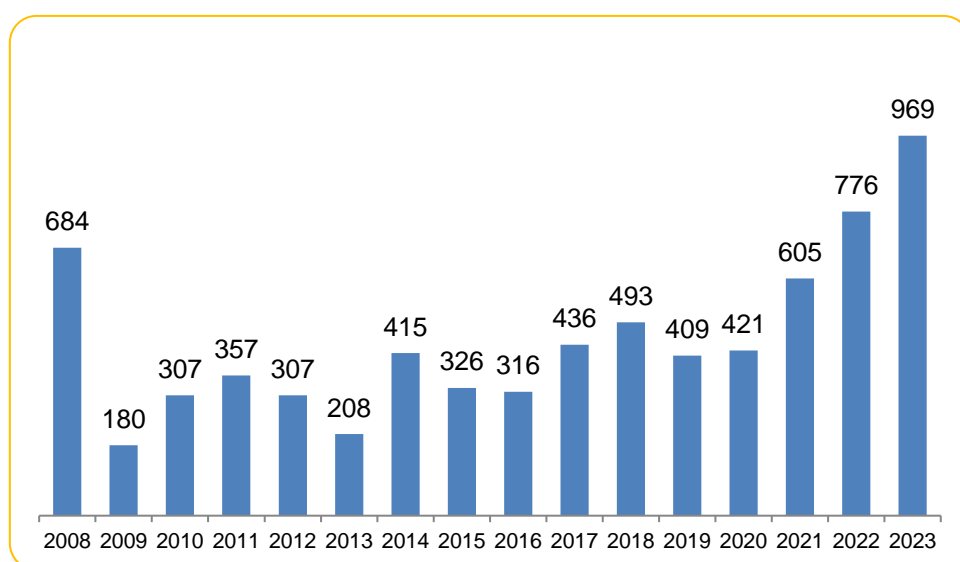


FDI Position and Performance

In 2023, according to the Central Bank of B&H (CBBH), foreign direct investments (FDI) in Bosnia and Herzegovina (B&H) amounted to 969.2 million EUR (or 1,895.6 million BAM). FDI increased by 24.9% in the previous year, with the highest amount since 2007.

Based on the positive indicator of a significant increase in foreign direct investment (FDI) since 2021, as well as the first preliminary data for Q1 2024, we hope that the growth of FDI in Bosnia and Herzegovina will continue. According preliminary data within balance of payment, for the January - March 2024, FDI increased by 4.0% compared with the same period previous year.

Flow of FDI in B&H, million EUR



Source: Central Bank of B&H

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 average annual amount of FDI for the previous five years is EUR 636 million and has increased compared to the ten-year average, which was EUR 516 million.

As already stated, a significant growth of direct foreign investments was registered since 2021, and in 2023, the largest amount of FDI was registered from 2007.

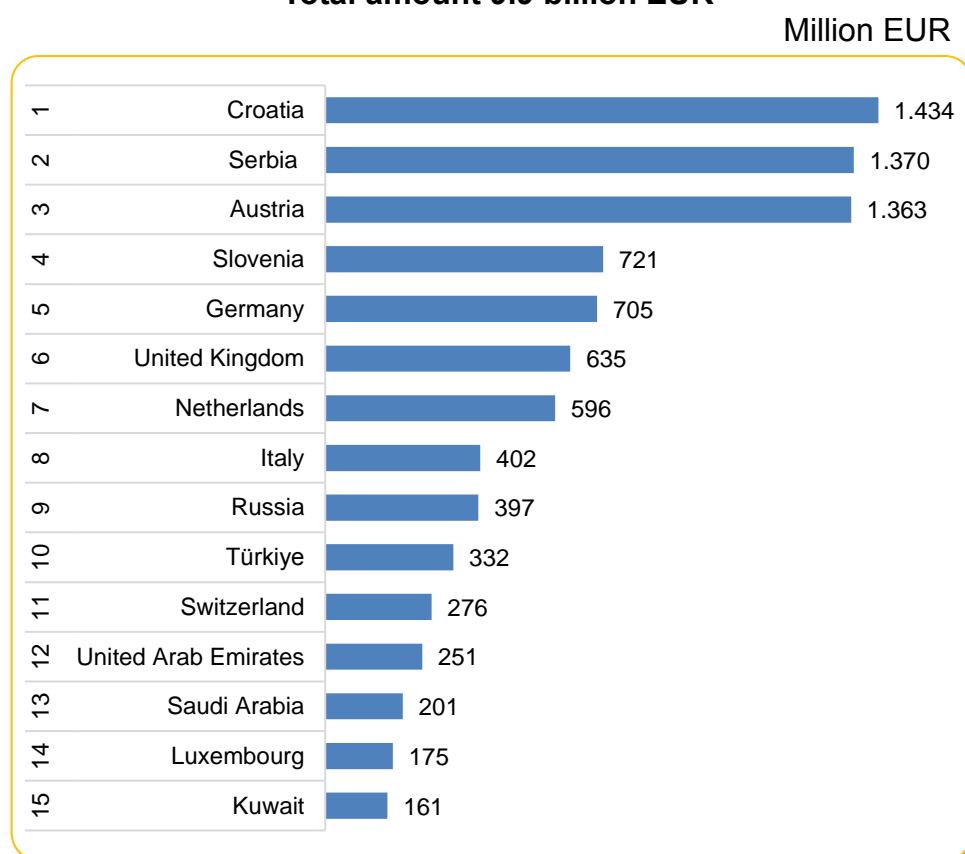
FDI Stock - December 2023

Total amount of Foreign Direct Investment (FDI) in Bosnia and Herzegovina was 9.9 billion EUR (9,928 million EUR). In the structure of FDI, for the period May 1994 till December 2023, equity and reinvested earnings were 8.1 billion EUR (8,051 million EUR) and other capital was 1.9 billion EUR (1,877 million EUR).

Based on CBBH data, according to the area, Federation of B&H participates in total FDI with 61.8% (6,134 million EUR), Republic of Srpska 37.0% (3,669 million EUR) and Brčko District with 1.3% (125 million EUR).

According to the FDI Stock by countries in December 2023 the largest share still refers to Croatia (1,434 million EUR), Serbia (1,370 million EUR) and Austria (1,363 million EUR). The following are the countries with invested capital over 500 million EUR: Slovenia (721 million EUR), Germany (705 million EUR), United Kingdom (635 million EUR) and Netherlands (594 million EUR).

Top investor countries in B&H, December 2023 Total amount 9.9 billion EUR

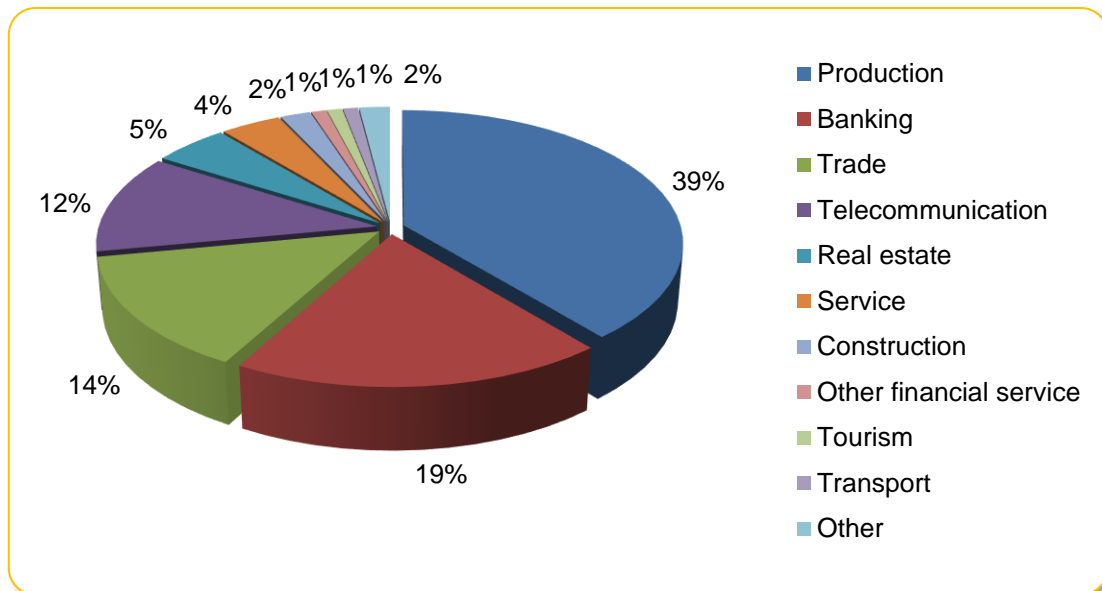


Source: Central Bank of B&H

European countries are still the most important investors in B&H. Investments from EU-27 countries amounted to 59.4% of total FDI in B&H (5.9 billion EUR).

Out of total foreign direct investments, 38.6% have been invested within the production (primary, industrial and electricity production), followed by the banking sector with 19.2%, trade 14.3% and telecommunications 11.7%.

FDI Stocks by Industry (%) December 2023



Source: according to the data Central Bank of B&H

Foreign Direct Investment in B&H in 2023

Based on official data of Central bank of B&H foreign direct investment in 2023 were 969.2 million EUR (or 1,895.6 million BAM) in Bosnia and Herzegovina.

The increase of FDI by 24.3% in 2023 and the largest amount of FDI is a positive indicator. Observing the structure of DSI, it is evident that the “reinvested earnings” or reinvestments of companies with foreign capital, as in previous years, were the most significant in the total amount, with a participation of 53%. In 2023, “other capital” with a participation of 32% also contributed to the increase, while “equity” with a participation of 15% are higher compared to the previous year.

Main investor countries in B&H in 2023 were: Russia (192.4 million EUR), Serbia (181.8) and Netherlands (121.5), followed by: Germany (104.7), Croatia (95.7 million EUR), Slovenia (88.6) and United Kingdom (76.2 million EUR), with invested capital exceeding 50 million EUR.

Based on CBBH data, **by activities**, most investments were realized in the area of Manufacture of coke and refined petroleum products (185.3 million EUR) and Financial service activities (with 155.6 million EUR), followed by the investments exceeding 50 million EUR: Telecommunications (147.7), Electricity, gas, steam and air conditioning supply (114.6), Wholesale trade (77.5) and Retail trade (71.3 million EUR).

According to the area in 2023 in Federation of B&H registered FDI amounted 419 million EUR (or participation 43.3% in the annual amount), FDI was 553 million EUR (57.1% share) in Republic of Srpska, and in Brčko District FDI was -3.2 million EUR (negative share).

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. 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.

European countries are still the most significant investors in Bosnia and Herzegovina, and in 2023, EU 27 countries invested 51% of the annual amount of foreign direct investment in BiH. We hope that the positive impact of "nearshoring" will continue in the coming years.

August 2024