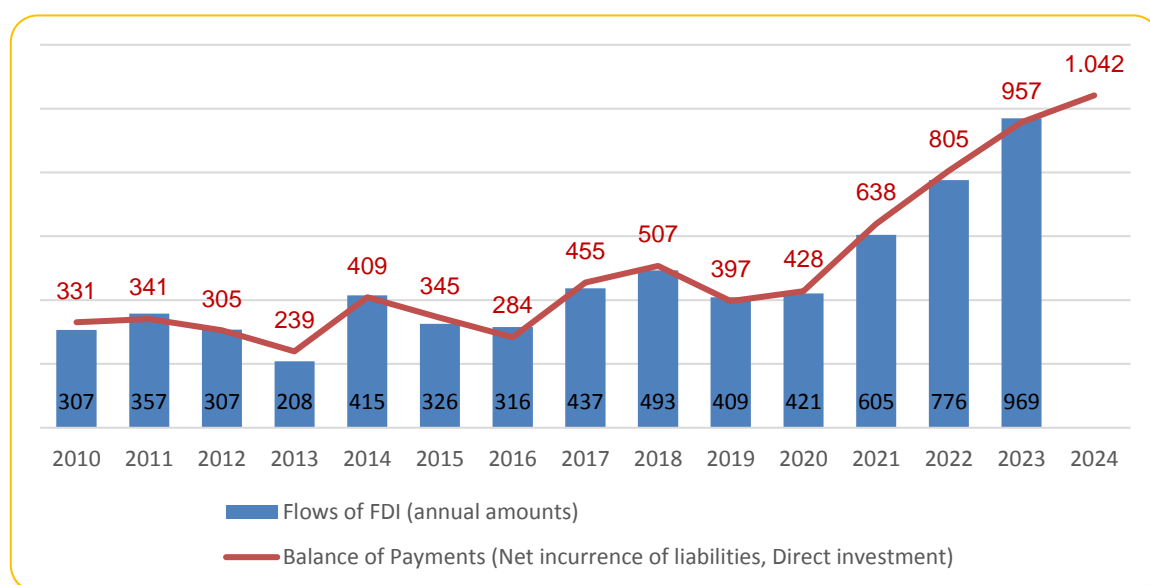


FDI Position and Performance

The Foreign Direct Investment (FDI) in Bosnia and Herzegovina (B&H) has shown positive trends. According to the first available data from the Central Bank Bosnia and Herzegovina (CBBH) within the balance of payments (with estimated reinvestment of earnings), FDI continued to grow in 2024. Net incurrence of liabilities within Direct investment in 2024 reaching 1,042 million EUR (or 2,036.8 million KM), reflecting an 8.8% increase compared to 2023. Notably, reinvested earnings contributed significantly, accounting for 61.5% of the total FDI for the year (640 million EUR).

Annual amounts of FDI, flows and balance of payments, million EUR



Source: Central Bank of B&H

Due to differences in data collection methodologies, the figures reported in the balance of payments and FDI statistics are not identical, but they can certainly confirm the trend. For a more in-depth analysis of foreign investment in 2024, we will also require the official FDI data, which are expected to be released in August 2025.

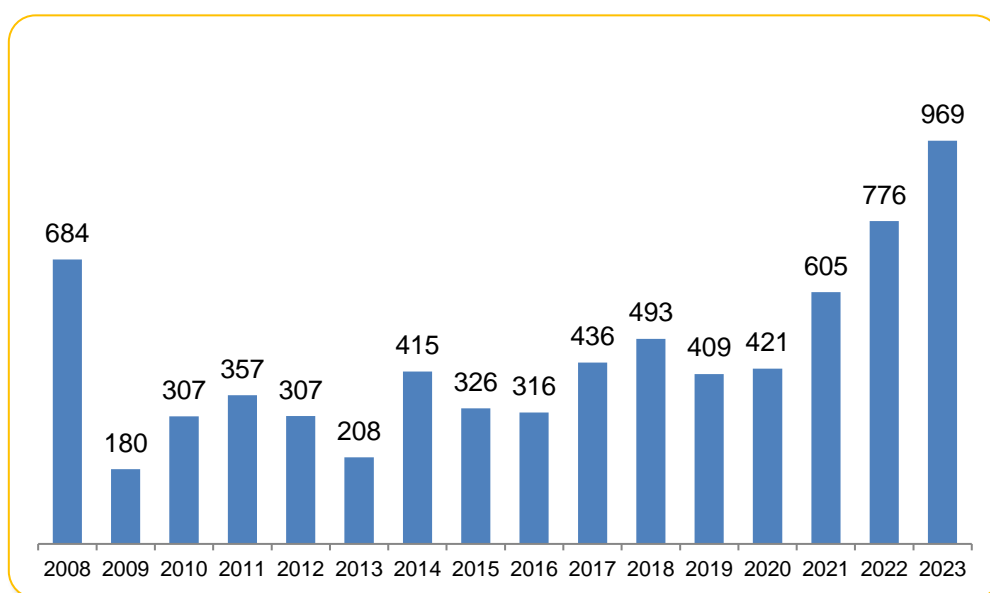
In 2023, according to the Central Bank of B&H (CBBH), foreign direct investments (FDI) in Bosnia and Herzegovina (B&H) amounted to 969.2 million EUR (or 1,895.6 million BAM). FDI increased by 24.9% in 2023, compared to previous year, with the highest amount since 2007.

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.

The COVID-19 pandemic did not cause a dramatic decline in foreign direct investment in Bosnia and Herzegovina, as was the decline in global FDI in 2020. A significant FDI decline in BiH was registered in 2019, given the negative amount in the fourth quarter of that year.

Flow of FDI in B&H, million EUR



Source: Central Bank of B&H

FDI growth was 43.7% in 2021 and 28.2% in 2022. In 2023, although the growth rate slowed to 24.9%, the highest amount of FDI in the past fifteen years was recorded.

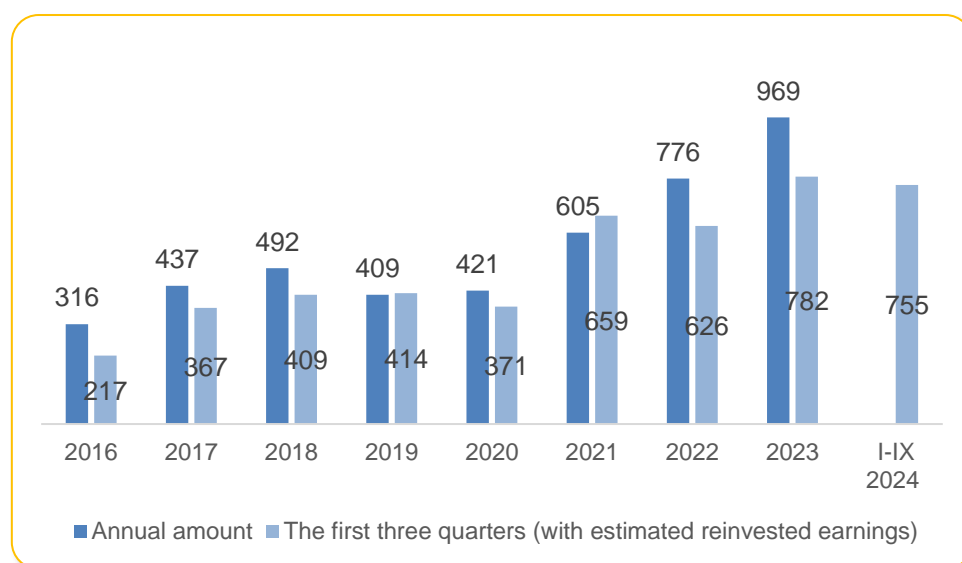
According to preliminary data of the Central Bank of B&H, with estimated reinvested earnings, **for the period January - September 2024, direct foreign investments amounted to 755.4 million EUR.**

With a note that preliminary data are subject to subsequent revisions, FDI in the first nine months of 2024 is -3.4% lower compared to the same period of the previous year. If we compare the amount of FDI for the first three quarters of 2024 with the average amount for the same period for the previous five years, then we have an increase in FDI of 32.5% (the average amount of FDI for the first three quarters in the period from 2019 to 2023 was 1,115 million KM).

Main investor countries in B&H in period January – September 2024 were: Croatia (129.1 million EUR), Germany (122.8), Slovenia (98.9) and Austria (91.4 million EUR). In the first nine months of 2024, the EU-27 countries invested 73.5% or 555.5 million EUR in Bosnia and Herzegovina.

Based on CBBH data, **by activities**, most investments were realized in the area of Financial service activities (with 198.8 million EUR), Retail (111.9), Electricity, gas, steam and air conditioning supply (71.3) and Wholesale trade (67.8 million EUR).

Comparative overview of annual and first three quarters amounts within FDI flows, since 2016, million EUR



Source: Central Bank of B&H, FDI Flows, January 2025

According to the initial preliminary data from the Central Bank of Bosnia and Herzegovina (CBBH), there is hope that a significant amount of FDI will be recorded in 2024. Furthermore, based on UNCTAD data showing an increase in announced new FDI projects, it is expected that the positive effects of “nearshoring” in Bosnia and Herzegovina will continue.

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).

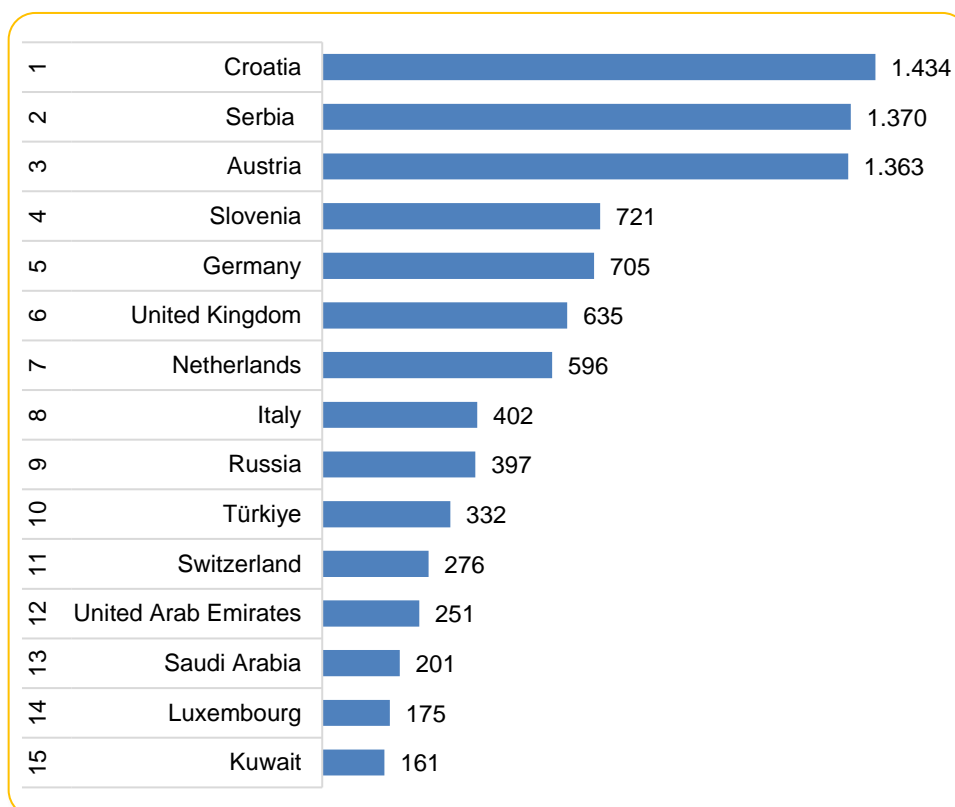
Based on CBBH data, according to the area, Federation of B&H participates in total FDI with 61.8% (6,134 million EUR), Republic of Srpska 37.0% (3,669 million EUR) and Brčko District with 1.3% (125 million EUR).

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

Million EUR

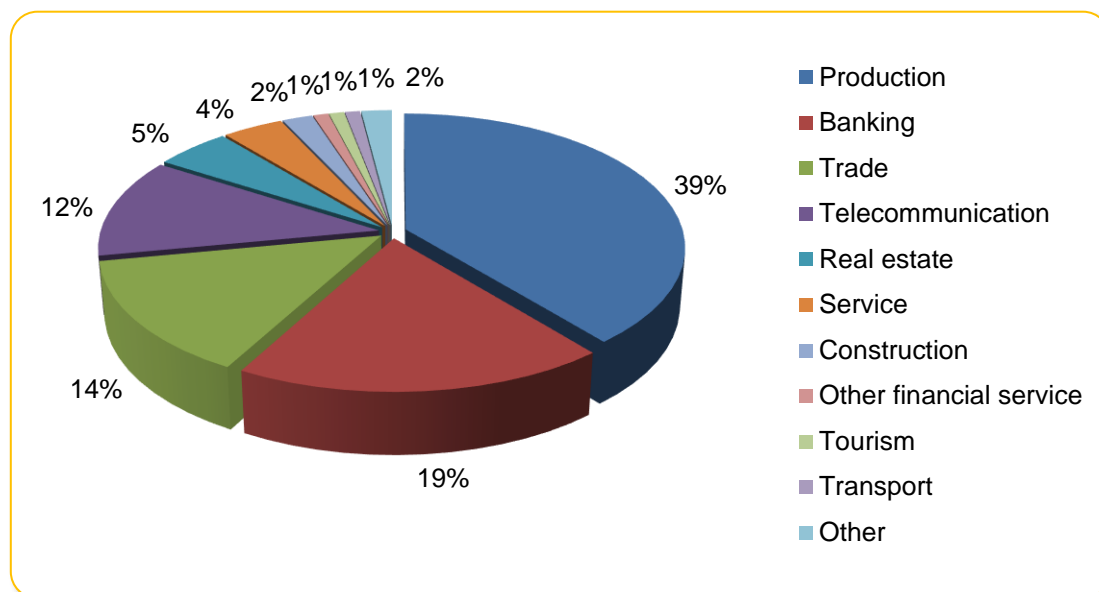


Source: Central Bank of B&H

European countries remain the most important investors in Bosnia and Herzegovina. Investments from the EU-27 countries accounted for 59.4% of total FDI in Bosnia and Herzegovina, amounting to 5.9 billion EUR.

Out of total foreign direct investments, 38.6% were directed towards production (including primary, industrial, and electricity production), followed by the banking sector with 19.2%, trade with 14.3%, and telecommunications with 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 24.3% increase in FDI in 2023, along with the highest recorded FDI amount, represents a positive indicator. Analyzing the structure of FDI, it is evident that “reinvested earnings,” or the reinvestment of profits by companies with foreign capital, remained the most significant component, accounting for 53% of the total. In 2023, “other capital,” with a share of 32%, also contributed to the increase, while “equity,” accounting for 15%, was 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. EU-27 countries, as the most significant investors in Bosnia and Herzegovina, invested 51.1% of the annual amount of FDI in B&H in 2023.

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 Production of chemicals and chemical products (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 in Republic of Srpska (57.1% share), and in Brčko District FDI was -3.2 million EUR (negative share).

The increase in foreign direct investment encouraged by reinvested earnings confirms positive business performance and capacity expansion among existing foreign investors, which is certainly a good indicator for potential investors. Success stories of foreign investors further demonstrate that Bosnia and Herzegovina is an attractive destination for foreign investment, supporting an optimistic outlook for FDI inflows in the coming period.

May 2025