

# WHAT MIGHT ATTRACT FDI IN THE CEE-5 COUNTRIES? A PANEL DATA APPROACH

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## Abstract

Considering the importance of FDI inflows in the transition to a market economy and in the achievement of economic growth, the main aim of this study was to identify some macroeconomic determinants of FDI net inflows in some Central and Eastern European countries known as CEE-5 countries (Poland, Hungary, Czech Republic, Bulgaria and Romania). According to panel data models, GDP per capita growth and the variations in inflation and export explained the FDI net inflows in the CEE-5 countries in the period 2005-2016. In Poland, Romania, Czech Republic and Bulgaria, FDI was explained by GDP per capita growth, cost of business start-up procedures, changes in inflation and corruption index. The variation in exports and cost of business start-up procedures in the CEE-5 countries were enhanced by FDI inflows. The presence of FDI is a cause for total tax rate, cost of business start-up procedures and variation in inflation rate in Poland, Romania, Czech Republic and Bulgaria.

**Keywords:** FDI, labour force, Granger causality, panel data

**JEL classification:** C51, C53, E22