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Insights

FDI SCREENING IN THE EU: INSIGHTS FROM THE SIXTH ANNUAL REPORT

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Summary

On 14 October 2026, the European Commission published its sixth annual report on the screening of foreign direct investment (**FDI**) in the EU, providing valuable insights into FDI screening activities across the EU Member States.

We summarize below the key trends of this latest report and the implications for investors and businesses undertaking transactions in the EU.

Investors continue to favor M&A over greenfield investments

In 2025, FDI activity in the EU remained broadly stable, with the total number of transactions (including both greenfield investments and M&A transactions) increasing by just 0.2% compared with 2024. Beneath this headline figure, however, there was a notable divergence in investment patterns: foreign M&A activity increased by 4%, while greenfield investment fell by 4.3%.

This trend suggests that investors continue to favor acquisitions over new market entry projects, reflecting a preference for established businesses and potentially lower execution risk amid ongoing economic and geopolitical uncertainty.

The United States was the largest non-EU investor into the EU during the reporting period, accounting for about 30% of all deals, followed by the UK at 24%. Investment from certain other countries grew markedly from 2024, most notably from India (42% growth on 2024), the United Arab Emirates (37% growth), and Canada (23% growth).

Among Member States, Germany was the leading destination for foreign M&A investment, attracting 20% of all transactions, followed by France with 14%. Spain and Germany received the highest share of foreign greenfield investments, accounting for 19% and 16% of projects respectively.

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Why this matters: The continued shift towards M&A underscores investors' preference for acquiring existing businesses rather than undertaking greenfield projects, likely reflecting the certainty and speed of acquisitions amid heightened macroeconomic uncertainty.

EU FDI regimes: new entrants and key reforms

All 27 EU Member States now operate FDI screening regimes. Croatia, Greece and Cyprus were the latest jurisdictions to introduce screening mechanisms; the regime in Greece entered into force on 23 May 2025, followed by Croatia on 13 November 2025, and Cyprus on 2 April 2026. The establishment of FDI screening regimes across all Member States marks a significant milestone in the development of the EU's FDI screening framework.

In addition, during the reporting period, six Member States (Czechia, Lithuania, Luxembourg, Poland, Slovakia, and Spain) amended their screening legislation, with Bulgaria and Ireland enacting FDI screening laws that were previously adopted.

Why this matters: As FDI screening has become a feature of every EU Member State, transactions with an EU dimension are increasingly likely to require some form of FDI analysis, making early identification of filing requirements and associated timing implications essential.

The EU remains open to investment

In 2025, Member States reviewed 4,773 requests for authorization, a marked increase of 1,637 from 2024. Of these, 38% underwent formal screening, while approximately 62% were either exempt from screening or deemed ineligible under the applicable regimes.

As with the previous reporting period, these figures were significantly influenced by developments in Sweden. Following the entry into force of its FDI legislation in 2024, Sweden reported a substantial volume of notifications that ultimately did not require formal review. Excluding Swedish data, the picture looks markedly different: 65% of notified transactions underwent formal screening, while 35% did not.

Of the transactions that were formally screened in 2025:

- 87% were approved without conditions, a slight increase on 2024;
- Only 9% were subject to mitigating measures, which is the same as in 2024;
- 3% were withdrawn during the process, a modest decrease from 2024; and
- 1% were prohibited, consistent with the average in recent years.

The continued stability of these outcomes suggests that, notwithstanding the increasing number of filings, Member States are generally applying their screening regimes in a predictable manner.

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This is a positive development for deal certainty, although it remains to be seen whether these trends persist as newer regimes become more established and gain more enforcement experience.

In terms of sectors, manufacturing continued to dominate more detailed reviews. It accounted for 53% of all Phase 2 investigations, while the ICT sector represented a further 19%, underlining the continued regulatory focus on industrial capabilities, advanced technologies and digital infrastructure.

Why this matters: While the number of FDI filings continues to grow, the vast majority of notified transactions continue to be approved, most without any conditions attached. This is encouraging for businesses as it shows that increased scrutiny does not necessarily translate into increased regulatory intervention.

Use of the EU cooperation mechanism continues to expand

The EU cooperation mechanism enables the Commission and Member States to exchange information on notified transactions. Through this mechanism, the Commission can issue non-binding opinions for Member States to take into account as part of their own national security reviews.

In 2025, 667 transactions were notified through the mechanism, representing a staggering 40% increase on 2024 and the largest annual increase recorded to date. This continued growth reflects both the expansion of national screening regimes across the EU and the increasing integration of cross-border cooperation into the FDI review process.

Key trends from the 2025 data include:

- 86% of notifications under the mechanism originated from just seven Member States: Austria, France, Germany, Ireland, Italy, Lithuania, and Spain;
- 88% of transactions were resolved during Phase 1 (i.e., within 15 calendar days following notification by the screening Member States to the Commission), with only 12% proceeding to a detailed risk assessment by the Commission; and
- The US remained the largest source of investments notified under the cooperation mechanism, accounting for 33% of all cases, followed by the UK (9%) and China (7%). While all three countries remained prominent sources of investment, each recorded a decline in share compared with 2024.

While the volume of notifications has increased significantly, the Commission continues to intervene only rarely. As in previous years, it issued formal opinions in fewer than 2% of notified cases. Nevertheless, the importance of the cooperation mechanism should not be measured solely

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by the number of opinions issued. The prospect of scrutiny by both the Commission and other Member States inevitably shapes how national authorities assess transactions.

The five sectors with the highest number of FDI notifications reported under the EU cooperation mechanism were manufacturing (27% of all transactions), ICT (19%), financial activities (17%), wholesale and retail (13%), and professional activities (8%) – the same sectors which made up the top positions in 2024.

Why this matters: The sharp increase in notifications demonstrates that EU-level coordination is becoming an increasingly significant feature of the FDI review process. While relatively few transactions are escalated for detailed review, investors should expect greater visibility of cross-border deals and increased information-sharing among regulators, particularly in transactions involving sensitive sectors, critical technologies, or strategic infrastructure.

Regulatory reform will reshape the EU FDI landscape

The EU's revised FDI Screening Regulation entered into force on 16 July 2026 and will apply from 17 January 2028, representing the most significant reform of the EU's FDI framework since 2020. For a detailed analysis of the key changes introduced by the revised Regulation, see our previous briefing here.

Over the coming year and beyond, Member States will be updating their national screening regimes to comply with the revised framework. Germany, for example, plans to implement the Regulation's requirements through a consolidated Investment Screening Act, details of which can be read in our alert. During this period of regulatory transition, investors should expect changes to filing requirements, review procedures, and substantive assessment standards across the EU.

Why this matters: The revised EU FDI Screening Regulation will broaden and further harmonize FDI screening across the EU. While investors are likely to face wider filing obligations, increased scrutiny of ownership structures, and enhanced oversight of investments in strategic sectors, greater alignment of national screening regimes should improve transparency and predictability for cross-border transactions.

If you would like to discuss how evolving FDI screening regimes may affect your business, investment or transaction, please contact the authors.

We would like to thank trainee solicitor Mayur Kiri for his assistance with this article.

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