EY's attractiveness survey

UK 2016

Positive rebalancing?

Building a better working world

EY's attractiveness surveys are widely recognised by our clients, the media and major public stakeholders as a key source of insight on Foreign Direct Investment (FDI). Examining the attractiveness of a particular region or country as an investment destination, the surveys are designed to help businesses to make investment decisions and governments to remove barriers to future growth. A two-step methodology analyses both the reality and perception of FDI in the respective country or region. Findings are based on the views of representative panels of international and local opinion leaders and decision-makers.

UK attractiveness report is part of the EY Economics for Business Programme which provides knowledge, analysis and insight to help business understand the economic environments in which they operate.

ey.com/uk/economics ey.com/uk/ukas
economics@uk.ey.com

Follow:
markgregoryeconomics.ey.com
www.linkedin.com/in/markgregoryuk
@MarkGregoryEY

Welcome

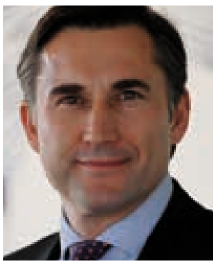
We are very pleased to be able to report that our expectations for a strong UK FDI performance in 2016, as set out in our 2015 UK attractiveness report, were realised. The figures speak for themselves. In 2015 the UK achieved its highest number of projects in any year since EY's FDI database was launched in 1997, resulting in a record number of jobs created and extending the UK's long-standing leadership of FDI in Europe.

The most striking feature of this year's report is the performance of the UK's regions, with most English regions seeing significant increases in project numbers and Scotland enjoying its best year on record. With investors voicing solid support for the UK's agenda to devolve power to a regional level, it now seems that devolution is starting to work and foreign investors are helping re-balance economic activity more evenly across the country.

Against this positive backdrop, it is somewhat incongruous for us to have to report that the future outlook is less certain this year than at any time in recent memory. Investors are much less optimistic about the future attractiveness of the UK than they were 12 months ago.

The reasons for this decline are hard to discern: there has been a slight decrease across many of the UK's key attributes but not to an extent that would explain the decline in future perceptions. It does seem possible that the upcoming referendum on the UK's membership of the EU is also weighing on investors' minds. It is certainly the case that our research demonstrates that any deterioration in the terms on which UK-based businesses can access the European Single Market (ESM) would be a concern for investors.

Whatever the result on June 23rd, efforts to improve the UK's competitive position must not just continue, but intensify. However, the great news from this report is that the areas of focus are clear – the UK must look to build on its success in the regions, embrace manufacturing and deliver the improvements in digital skills and infrastructure investors require. The UK's continuing success in attracting FDI over many years means there are strong reasons for believing the UK can continue as the leading FDI location in Europe but now is the time to act.



Steve Varley
Chairman and Regional Managing Partner, UK and Ireland

Mark Gregory
Chief Economist, UK and Ireland

Positive rebalancing? Can regional growth help the UK maintain its leadership of European FDI?

Executive summary

A very positive performance...

The UK's performance in attracting FDI in 2015 was outstanding. The UK attracted a record number of 1,065 FDI projects and created over 42,000 jobs, the most in any year since we launched our UK Attractiveness (UKAS) programme in 1997.

The 20% growth in projects achieved in a European market that grew by 14% means the UK increased its market share from 19.9% to 20.9%, confirming the UK as the clear European leader for FDI.

Investor perceptions of the UK economy were also positive across the key attributes tested in our investor survey. The UK was ranked as attractive by 75% or more of investors on ten key attributes, of which the highest ranked were quality of life, diversity & culture (viewed as attractive by 88% of investors), education (86%), stability of social climate (84%), telecommunications (84%) and labour skills (80%).

1,065

FDI projects in 2015, up 20% from 2014

...driven by the regional powerhouses...

The geographic mix of inward investment in 2015 shows that the UK is using FDI very effectively to help rebalance its economy. Almost 90% of the UK's total growth came from the regions outside of London and the South East. The North West led the way with an increase in projects of 118%, Yorkshire achieved 66%, Scotland 51% and the West Midlands 46%. Devolution policy seems to be bearing fruit, 'Northern Powerhouse' has recorded growth of 127% in the two years since the term was first coined.

...with solid progress across the board...

The UK also made progress in several other important areas:

- Attracting key strategic investments such as Headquarters, which increased by 172% giving the UK a 53% share of the European market, and R&D facilities, project numbers for which grew 37% in 2015.
- Manufacturing continues to do well with the UK attracting more Manufacturing FDI projects than Germany for the second year running. This success underpinned the strong performance of the North and Midlands.
- There was a good balance across sectors with Software, Financial Services and Business Services posting healthy growth.
- Investment from target fast growth markets also increased with a rise of 79% in projects from China and 58% growth in projects originating in India. Investment from the European Economic Area (EEA) grew significantly and was responsible for a higher number of projects than the North American Free Trade Area (NAFTA) for the first time since we started our survey in 1997.

Only
36%
say they expect the UK's attractiveness will improve compared to 54% last year which is the lowest score since 2004

...creating a platform for future growth.

There was also really positive news about the UK's position in future fast growth sectors. London moved up from fourth to second in the world as the city most likely to produce the next technology giant, with only San Francisco ranked higher, a huge vote of confidence in the city's technology capabilities.

The top two sectors identified by investors as most likely to drive Europe's growth were ICT, and Financial Services. These are sectors in which the UK was the European FDI leader in 2015.

But there are worrying signs for the future...

Against this positive backdrop, the strong signs in our investor survey that the UK's attractiveness may not be as strong in future as in recent years took us by surprise:

- When asked about their likelihood to invest in the UK in the next year only 23% of investors responded positively compared to 27% last year. This is the lowest UK figure since 2010.
- When asked how the UK's attractiveness for FDI will change in the next three years, only 36% of investors expect it will improve compared to 54% last year. This is the lowest UK score since 2004.
- The UK's ranking as Europe's most attractive location for FDI also fell relative to Germany with the UK now two percentage points further behind.

This shift is unprecedented in our experience. In search of an explanation, we reviewed the ranking given by investors on the UK's attractiveness by 15 key attributes. While there was a very slight decline in the UK's absolute and relative performance on its top ten attributes, the shift does not appear to be of the scale to example the fall in future perceptions. There was a more significant decline in the UK's attractiveness ranking in five areas for which the approval ratings have historically been well below the UK's overall average. These were also five areas in which the UK's performance had improved significantly last year, as noted in our 2015 report.

However, this decline has to be seen in context. Despite the fall in ratings in 2016, the UK still scores highly in several of these areas relative to its European competitors. For attributes on which we have comparable data, the UK is 14 points ahead of the European average on the attractiveness of its labour legislation and 13% better than average on corporate taxation, for example.

The decline in future perceptions of the UK between our 2015 and 2016 surveys is significant both in relative and absolute terms, on a scale we have never previously witnessed. Our analysis of the investor perceptions on attributes do not provide a sufficient explanation for the scale of change.

…the EU referendum may be influencing investor views of the UK's future attractiveness…

Since our survey in 2015, the UK Government has decided to hold a referendum on the UK's membership of the European Union (EU). Some 78% of all respondents to our perception survey were aware of the upcoming referendum on the UK's membership of the EU when asked in early 2016, compared to only 55% of investors who were aware of the possibility in 2015.

Access to the European Single Market (ESM) has consistently been identified by as an important element of the UK's overall attractiveness by foreign investors in our surveys since 2014. In 2016, 79% of investors cited access to the ESM as a key feature of the UK's attractiveness, up from 72% last year and 63% the year before. It is possible therefore that a decision by the UK to leave the EU could, if it changes the terms of access to the ESM for UK based businesses, potentially impact the UK's future FDI performance. Depending on the nature of the change, the impact could be in either a positive or negative direction.

When asked about how either a significant or substantial decline in the terms of access to the ESM would impact the UK's attractiveness over 50% of investors in both cases said it would have a negative effect whereas only 7% viewed it positively. It seems clear therefore that a risk of change in the terms of access to the ESM is a significant concern for investors. Interestingly, the degree of change is less important, any reduction in the terms of access currently enjoyed has a significant negative impact on perceptions of the UK's attractiveness for FDI, which suggest this is a very important issue for the majority of investors.

…and this seems to be feeding through into lower investor perceptions of future attractiveness.

The scale of change in future perceptions of the UK goes beyond what we would expect from the decline in the UK's score on its key attributes. As the UK's ranking has fallen in relative as well as absolute terms, there appears to be a UK specific effect related in part at least to the upcoming EU referendum. It seems reasonable to conclude that, without any future actions taken by the UK Government to mitigate any adverse effects of the UK leaving the EU, a poorer level of access to the ESM would reduce UK FDI in future. There may be scope for increased FDI from investors attracted by changes to the UK investment regime but the UK's relatively high attractiveness ranking on most attributes suggests the scope for additional stimulation of FDI may be limited.

Action needs to be taken now to secure the UK's leadership position.

Whatever the outcome of the EU referendum vote, our analysis has identified a number of areas for action to strengthen the UK's attractiveness as a destination for FDI. Our recommendations are set out on the next page. In line with official UK Government policy, we have assumed that the UK will vote to remain in the EU on June 23rd. Should the UK vote to leave, we would expect to prepare updated recommendations once the implications of the change in the status become clearer.

79%

of foreign investors cite access to the ESM as an important driver of the UK's attractiveness

An agenda for FDI leadership and growth

Engage with investors after June 23rd...	The reasons for the sudden decline in investor perceptions of the UK are unclear though it is possible that investor concern over the UK's access to the European market is one contributory factor. The decline in future perception is significant and unprecedented in scale in our experience. It is important to develop a deeper understanding of what is causing investors such concern. Once the referendum vote is concluded, whatever the result, an immediate programme of investor engagement would seem a sensible way forward. As an example of the need to engage, regional FDI was a success story in 2015 despite the majority of foreign investors being unaware of the UK's devolution policy. More needs to be done to make investors aware of the devolution programme and hence the opportunities being created.
...develop an integrated trade strategy...	The findings on tax, labour and sustainability provide examples of areas where broader government policy is potentially in conflict with the trade agenda. As discussed in our export report in 2015[1], there is a need to have an integrated trade strategy, rather than separate approaches to FDI and exports which clearly articulates the linkages across the full government agenda.
...ensure the delivery of infrastructure and skills improvement...	Our investor survey shows how critical infrastructure and skills are to investors. The National Infrastructure Commission has been established to drive infrastructure spending and our report has highlighted the importance of digital skills for future growth. The plans for improvement in these areas must be delivered, especially airport and road capacity and ICT skills.
...with the regions given a central role...	2015 has shown the potential the UK regions have to drive FDI, with strong contributions from Scotland, the North and Midlands. Increasingly as economic decision-making power is devolved, so the regions will become more and more important in delivering the attributes required by investors such as skills, infrastructure, and business partner networks. It is important therefore that creation of the trade strategy and delivery of infrastructure and skills are done in partnership with the UK's regions and cities.
...and increase the focus on manufacturing.	The UK needs a more clearly articulated and ambitious manufacturing strategy. The UK regions have shown they have the capability to attract an increasing amount of manufacturing investment but there is still more market share to win. To be successful, a more integrated sector approach across skills, infrastructure, research, tax and trade is required. Alongside, skills and infrastructure, manufacturing is one of the three pillars that will drive geographic rebalancing.

1 Improving Export Performance, 2015, EY

Performance in 2015

The UK strengthened its leadership position for FDI in Europe in 2015…

The UK turned in another outstanding performance for FDI in 2015 in terms of the number of FDI projects achieved, jobs attracted and investor perceptions of the UK as a destination for FDI. Following on from its record number of projects in 2014, the UK remains the leading FDI country in Europe with a 20% growth in projects and a 35% increase in the number of jobs created in 2015.

…achieving growth in project numbers and market share…

Looking across Europe as whole, the total of 5,083 projects secured by European countries in 2015 represents the highest number of projects ever recorded by EY's Global Investment Monitor (GIM) and a 14% increase over 2014. This is also the steepest rise in projects recorded in the past nine years.

Against this positive backdrop, the UK has increased its number of projects attracted to 1,065. This is the largest number of projects ever secured by the UK, and the steepest year-on-year uplift recorded in the past decade. It also represents an increase in the UK's market share of all European investment projects, to 20.9% in 2015 from 19.9% in 2014.

Total FDI Projects over last ten years – Europe and the UK

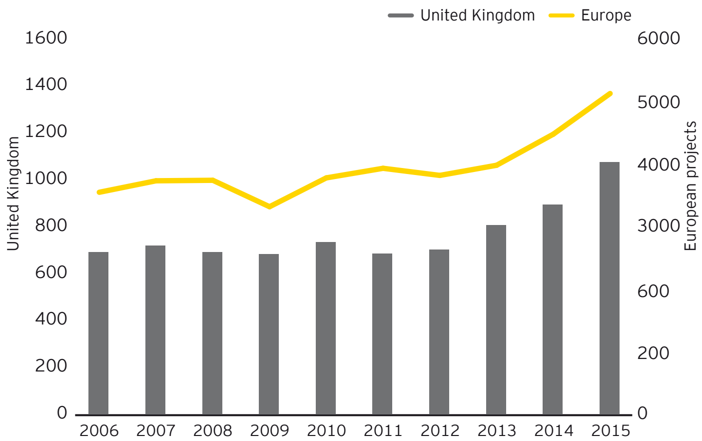


Figure 1. Source: EY's Global Investment Monitor 2016

Europe's four largest recipients of FDI projects over the past ten years are the UK, Germany, France and Spain. These four countries remained the largest recipients of total projects in 2015, as they have been in nine of the past ten years. The UK has secured the largest number of projects every year since EY began tracking FDI in 1997, and in 2015 it achieved a market share three percentage points higher than Germany's.

That said, the dominant trend over the past decade has been the rising market share secured by Germany, which has grown its share from 8% of FDI projects into Europe in 2006 to almost 19% in 2015, albeit a slight decline on its strong performance in 2014. Conversely, France's market share declined from 14% in 2014 to 12% in 2015, its lowest share since 1998. The UK's market share of all European projects has stayed within a band of 17% to 21% market share since 2005 – and its 20.9% share in 2015 is its highest since 2003.

European FDI market share of the top four recipients, 2006-2015

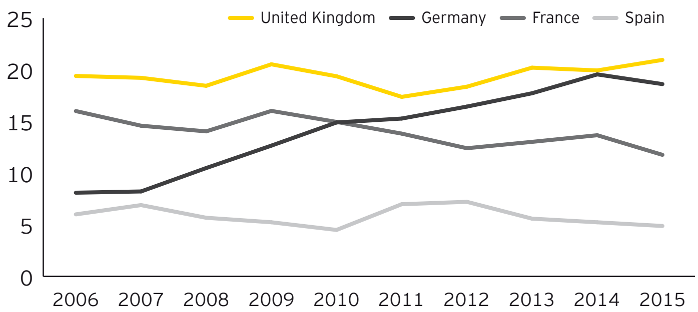


Figure 2. Source: EY's Global Investment Monitor 2016

The record growth rate in project numbers is somewhat surprising in light of continuing economic challenges in Europe. However Europe has improved its economic growth rate over the last two years, and it remains an attractive large market comprised of people with above average wealth when measured on a global basis. The continuing relatively strong showing by both the UK and Germany appears to point to a continuing 'flight to quality' by international investors, as they seek to locate their European operations in the economies perceived to be the most attractive and resilient in Europe.

...and still leading the way on jobs.

In 2015, the UK retained its position as Europe's leading recipient of FDI jobs as well as projects, with the UK estimated to have created total new employment of 42,336 in 2015[2]. This represented a rise of 35% and was more than the number recorded by second-placed Poland and third-placed Germany combined. In so doing, the UK boosted its market share of European FDI job creation from 17% to 19.5%.

Largest recipients of employment 2015

Countries	2014 employment	2015 employment	Percentage change
United Kingdom	31,344	42,336	35.1
Poland	15,485	19,651	26.9
Germany	11,890	17,126	44.0
France	12,579	13,639	8.4
Russia	18,248	13,616	-25.4
Romania	10,892	12,746	17.0
Hungary	4,868	11,741	141.2
Ireland	7,306	10,772	47.4
Serbia	5,104	10,631	108.3
Slovakia	8,012	9,564	19.4

Table 1. Source: EY's Global Investment Monitor 2016

The UK benefits from having a more favourable mix of projects with a higher job creation potential than Germany. The UK's increasing strengths in research and development (R&D) and Headquarters (HQ) projects, compared to Germany's reliance on sales and marketing, is a major factor in the UK's superior performance in job creation. Manufacturing remains the project type with the highest job creation per investment on average and the strength of Central and Eastern European countries in this sector is the main reason for their occupying six of the top ten positions in the job creation league table.

Average number of jobs created by different types of project in Europe in 2015

	Average employment
Sales & Marketing	24
Manufacturing	184
Logistics	108
R&D	66
Headquarters	45
Other	121

Table 2. Source: EY's Global Investment Monitor 2016

The UK success is based on solid foundations...

To sustain the flow of projects and maintain its overall lead in European FDI, the UK needs to understand which of its attributes attract overseas companies to come and invest in the country, and which factors are likely to make business decision-makers look elsewhere. To help build this understanding, our 2016 perception survey has involved interviews with over 440 international companies, of whom 300 — or 68% — represent businesses that are already present in the UK as inward investors.

Our perception survey's top-line findings both mirror and underline the UK's strong FDI performance revealed by the EY 2015 project data. This shows that the UK continues to score very highly among investors globally on its established key attributes as an investment location, with high ratings on aspects such as quality of life, education, the stability of the social climate, and telecoms infrastructure.

2 When drawing conclusions on the basis of employment data, some caution is required as estimates of the number of jobs created are not recorded for every project. Nevertheless, employment data was available for 51% of all projects globally in 2015 and 69% of projects in the UK so we do have a reasonably robust set of job data to draw on. We believe that the GIM job statistics do provide a good guide to overall trends.

How attractive are different aspects of the UK as a location for establishing new FDI activities?

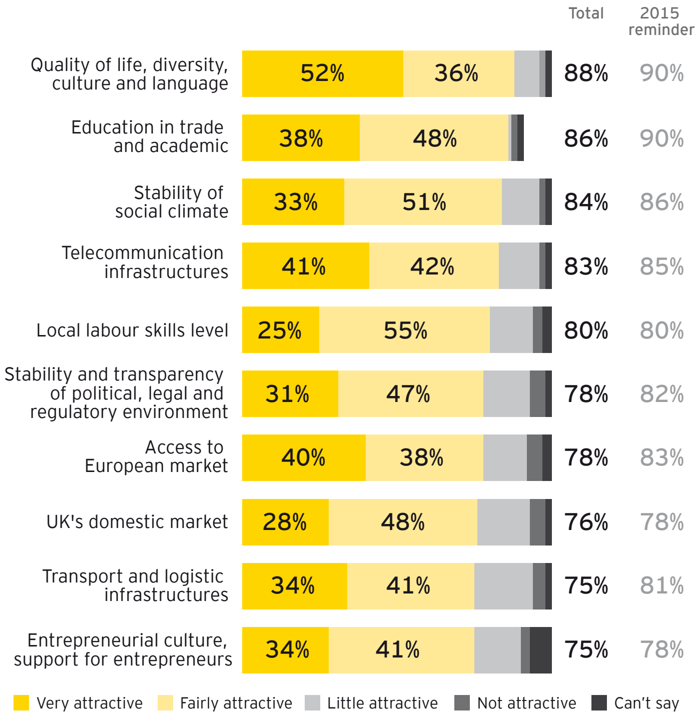


Figure 3. Source: EY's UK attractiveness survey 2016, sample (n=444)

Historically, the perception survey has generally shown that existing investors in the UK are more positive about the country's attributes as an FDI location than those yet to invest here. This trend is again broadly borne out by this year's results, with – for example – some 93% of established investors in the UK rating the country's 'quality of life, diversity, culture and language' as attractive, compared to only 78% of non-investors in the UK. However, one interesting finding this year is that non-investors rate the UK's single most attractive attribute as being 'Education in trade and academic', a quality that ranks only second among existing investors. This appears to underline the high regard in which the UK's universities and other educational institutions are held internationally and suggests there may be scope to exploit this strength further in the UK's marketing activities.

...and differentiated from our competitors.

The EY perception surveys for both Germany and France show that the top three attributes cited by investors as most attractive are identical in both countries: first, 'telecommunications infrastructures' (Germany 84%, France 81%); second, 'transport and logistics infrastructure' (Germany 83%, France 78%); and third, 'local labour skills level' (Germany 83%, France 72%). These findings clearly contrast with the UK's most attractive attributes, which revolve more around the country's quality of life, education standards and social stability. But it may be significant that the UK's scores for its top two attributes are above any of the ratings achieved by Germany or France for any attribute.

Looking at the UK's relative attractiveness more broadly, our UK perception study finds that investors globally continue to regard the UK as the second most attractive FDI location in Europe, behind Germany and ahead of France. However, the proportion of international decision-makers ranking Germany and the UK in their top three has fallen back since 2015, with Germany's overall score falling from 78% to 73% and the UK's from 66% to 59%. In contrast, France's score on this measure has surged from 27% in 2015 to 47% in 2016. This improvement by France has yet to translate into an increase in project market share, but it is a good example of the dynamism of the FDI market. This means the UK must continue to seek to improve its offer to investors.

Which are the top three countries for FDI in Europe? Open-ended question, three possible answers.

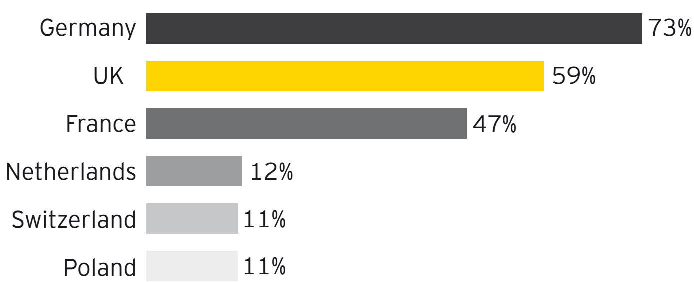


Figure 4. Source: EY's Global Investment Monitor 2016, half sample (n=738)

National performance being driven by the regional powerhouses

Devolution seems to be working...

The key driver of the UK's FDI growth in 2015 was the performance of the regions outside of the South East. The major success stories among the English regions were the North West (118% increase), North East (83% increase), Yorkshire (66% increase), the West Midlands (46% increase), South West (32% increase), East of England (40%) and East Midlands (28%).

Scotland had its most successful year ever, recording a 51% rise in projects and so securing 35% more projects than its previous highest level (in 1997). Only three regions of the UK saw a decline in projects secured during the year. The South East of England recorded a significant fall of 22%, but Northern Ireland saw an even bigger decline, with project numbers falling by 62% and just 15 projects secured in 2015. Wales saw a minor decrease of 2%.

London's modest rise of 7% in project numbers was outpaced by the UK as a whole, meaning London's market share of UK projects declined to 38% in 2015, having been as high as 46.5% in 2013. Given that in previous years we've commented on the risks of the UK's FDI projects being overly concentrated in London, this rebalancing towards the regions should be seen as a positive development: London continued to grow but many other regions grew even faster.

Projects in selected regions

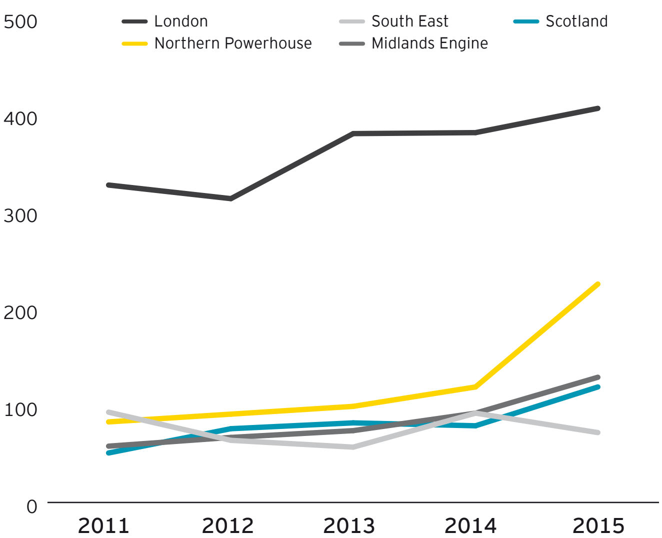


Figure 5. Source: EY's Global Investment Monitor 2016

The performances of the recently created 'Northern Powerhouse' and 'Midlands Engine' have improved markedly. The Northern Powerhouse in particular has recorded a 127% increase in projects over the two years since the phrase was coined.

Aside from Scotland, the recent performance of the Devolved Administrations has been mixed. While most areas of the UK have recorded modest rises in projects since 2013, Wales has seen a substantial increase (albeit flat in 2015) and Northern Ireland has declined.

Number of FDI projects secured by the devolved administrations

	2011	2012	2013	2014	2015
Scotland	51	76	82	79	119
Wales	9	31	24	42	41
Northern Ireland	17	29	36	39	15

Table 3. Source: EY's Global Investment Monitor 2016

...as investors see the benefits...

Will this policy of giving more decision-making power to the English regions, make them more attractive?

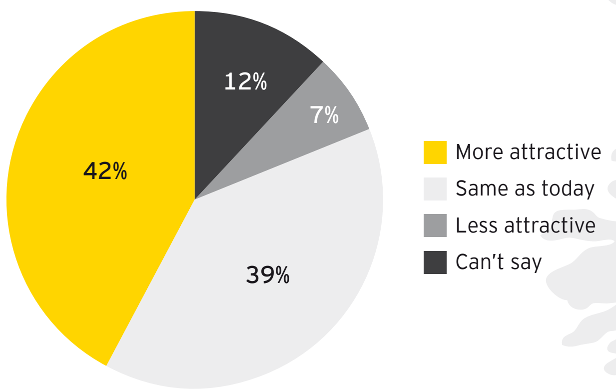


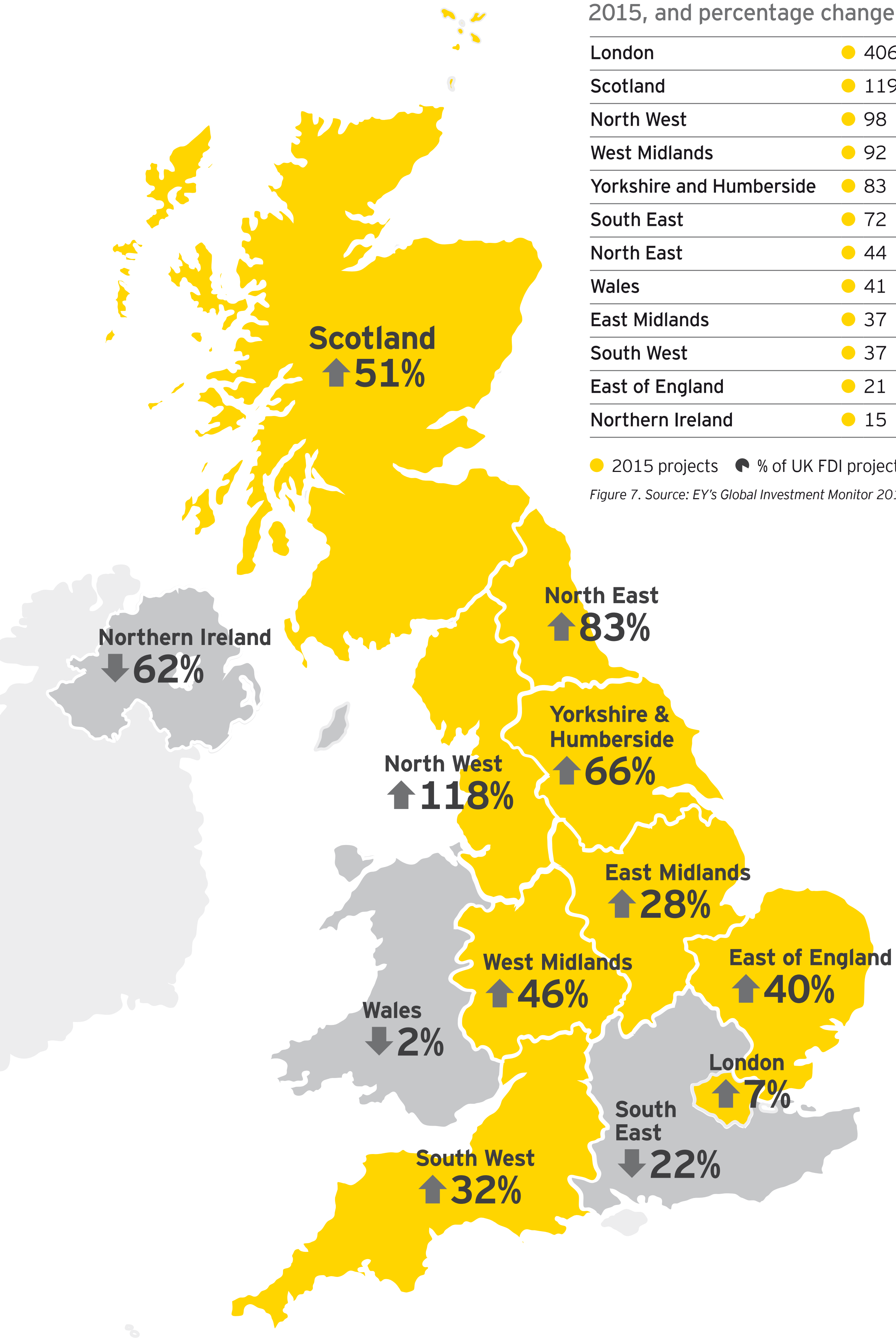
Figure 6. Source: EY's UK Attractiveness Survey 2016, total sample (n=444)

Projects recorded by regions of the UK in 2015, and percentage change on 2014

	2015 projects	% of UK FDI projects	% change on 2014
London	406	38.1%	+ 6.6%
Scotland	119	11.2%	+ 50.6%
North West	98	9.2%	+ 117.8%
West Midlands	92	8.6%	+ 46.0%
Yorkshire and Humberside	83	7.8%	+ 66.0%
South East	72	6.8%	− 21.7%
North East	44	4.1%	+ 83.3%
Wales	41	3.8%	− 2.4%
East Midlands	37	3.5%	+ 27.6%
South West	37	3.5%	+ 32.1%
East of England	21	2.0%	+ 40.0%
Northern Ireland	15	1.4%	− 61.5%

2015 projects · % of UK FDI projects · % change on 2014

Figure 7. Source: EY's Global Investment Monitor 2016



Cities are leading the way

Core cities moving ahead

Turning to the FDI performance of the English 'Core Cities' in 2015, the GIM figures further underline the UK's strong showing during the year. Manchester has been the leading recipient of FDI among England's major urban centres in every year since 2009, sustaining its position in 2015 with a dramatic rise in projects. Investments into Leeds have increased significantly in the past two years, seeing it surge to second place. In addition to these strong performances by Manchester and Leeds, the cities of Birmingham, Newcastle and Sheffield also secured their best results for a decade in 2015.

	2011	2012	2013	2014	2015
Manchester	12	12	15	19	54
Leeds	5	2	2	13	31
Birmingham	7	10	11	15	24
Newcastle-upon-Tyne	4	5	1	5	10
Bristol	8	4	12	10	9
Sheffield	1	2	3	5	7
Nottingham	1		1	3	4
Liverpool	3	5	3	6	2

Table 4. Source: EY's Global Investment Monitor 2016

...as London's global strength as an FDI and tech innovation centre continues.

Despite the slower rate of growth of projects in London compared to the UK as a whole, it appears too early to start worrying over London's prospects. In previous UK Attractiveness reports, we have discussed London's status as the 'jewel in the UK's crown'. London's clear global leadership as a FDI city continues to be a major contributory factor to the strong perceptions of the UK's attractiveness. This year's perception study finds that investors continue to regard London as by far the most attractive city for FDI in Europe.

Which are the top three cities for FDI in Europe?

Open-ended question, three possible answers

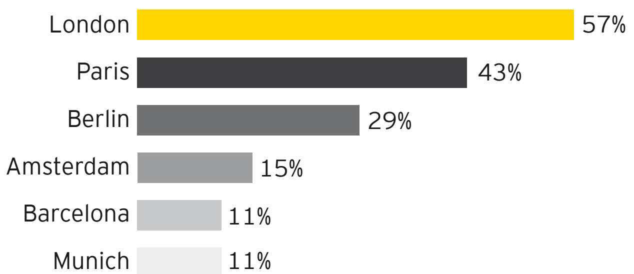


Figure 8. Source: EY's Global Investment Monitor 2016, total sample (n=1469)

Potentially even more importantly when we look to the future, London ranks alongside San Francisco in terms of its perceived innovative capacity. When asked which three cities offer the best chance of producing the next technology giant, more investors mention San Francisco/ Silicon in first place than London, but London comes top on overall mentions.

Which three cities in the world offer the best chance of producing the next technology giant?

Open-ended question, three possible answers

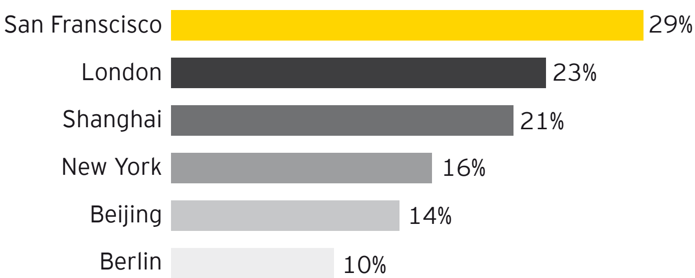


Figure 9. Source: EY's Global Investment Monitor 2016, total sample (n=1469)

Analysis

The UK's FDI performance is driven by strengths across the board...

As in previous years, the UK's success in attracting FDI projects in 2015 has been based on strength across the board. We have already identified the major contribution made by the regions to the UK's growth in 2015, but the UK has also improved its mix of project types, strengthened its sector coverage and continued to broaden its geographic appeal.

...with a more favourable mix of project types...

In terms of types of project, the figures reveal a huge surge in key strategic areas. In headquarters (HQ) investments, for example, UK projects rose by 172% in 2015, giving the UK a 53% market share of this type of project across Europe. R&D projects in the UK saw a 38% increase, taking the UK's European market share to 26%. These are truly outstanding results reflecting the success of the UK Government's strategy to target these areas through marketing and policy activity.

Types of investment into the UK in 2015 (both follow-on and new), and the UK's European market share

	All projects		
	Projects	UK market share %	Change on 2014 %
Sales & Marketing	463	22.1	-0.2
Manufacturing	183	12.6	10.9
Logistics	71	16.0	-2.7
R&D	100	25.8	37.0
Headquarters	155	53.0	172.0

Table 5. Source: EY's Global Investment Monitor 2016.

The perception survey findings highlighting the important contribution of skills and education to the UK's attractiveness illustrate how success in trade requires collaboration across government: UKTI alone does not control all the key policy levers.

We raised our concern over sales and marketing projects last year. If these are being used to help foreign owned businesses take UK market share, the benefits to the UK economy may be limited. We have undertaken a more detailed analysis of the 463 projects of this type in 2015. Of the total, 125 were from the software sector, 82 by manufacturers, 79 from business services and 73 by financial services companies. The majority of these projects appear to be bringing new capability and/or capacity to the UK, rather than seeking to take UK market share and as such appear to be adding value to the UK economy. The focus on project value adopted by UKTI appears to be working well.

Number of sales and marketing projects

Software	125
Manufacturing	82
Business Services	79
Financial Services	73
Construction	25
Property	13
Culture and education	13
Other	53

Table 6. Source: EY's Global Investment Monitor 2016.

...improved performance in attracting new projects...

New projects – defined as first-time investments by a company in a given location, as opposed to re-investments at existing sites – are an important lens on a country's relative FDI strength as they demonstrate the ability to continue to grow the base of investors. The top four European recipients of new FDI projects in 2015 were the UK, Germany, France and Spain, which were also the leading countries for all projects as a whole. However, with new projects, the top two positions are reversed: while the haul of 740 new projects recorded by the UK in 2015 is its largest in a single year since we began our attractiveness programme. Germany narrowly beat it by recording 752 new projects. This means that for four years in a row, Germany has been the largest recipient of new FDI projects. Before that, the UK had been the leading location for new projects in every year up to 2012.

New investments into the UK in 2015 broken down by type, and the UK's European market share

	New projects		
	Projects	UK market share %	Change on 2014 %
Sales & Marketing	365	19.7	-3.7
Manufacturing	55	9.4	17.0
Logistics	58	16.8	7.4
R&D	65	23.2	54.8
Headquarters	135	55.3	221.4

Table 7. Source: EY's Global Investment Monitor 2016.

Although the UK is second to Germany in terms of the attraction of new projects, the 2015 results confirm the UK remains on an upward trajectory, and is close to eliminating the lead that Germany has held since 2012.

New projects secured by the UK and Germany, 1997-2015

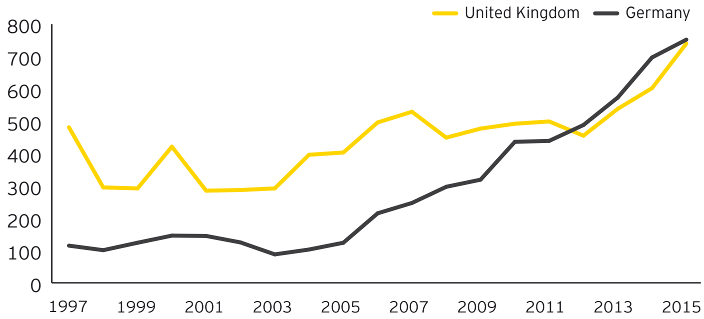


Figure 10. Source: EY's Global Investment Monitor 2016

…and strong FDI growth in a wide array of sectors…

As well as attracting types of new projects that add more value and create more employment, the UK is also benefiting from achieving rising FDI in a wider range of industry sectors. Business services appears to have reversed its slowdown, financial services is regaining momentum, and software FDI – including FinTech – is continuing to perform extremely well.

European projects by leading sectors 2014 and 2015

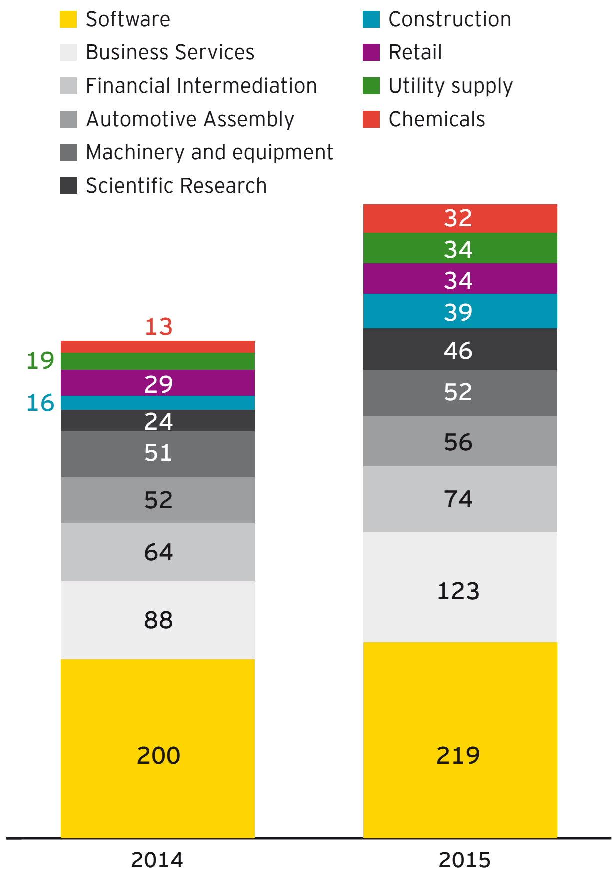


Figure 11. Source: EY's Global Investment Monitor 2016

Looking at Europe's ten most important sectors for FDI, the UK is the leading recipient in three of the top four – software, business services, and automotive assembly – as well as in the sixth-biggest sector, financial intermediation. In fact, the UK is one of the top three recipients in each of the top ten sectors, and has risen from sixth place for chemical FDI in 2014 to third in 2015. Germany leads in machinery and equipment; electrical; plastic & rubber and pharmaceuticals projects, while France remains the leading recipient of chemicals investment jointly with Germany. Russia has replaced France as the biggest destination for food FDI.

Europe's ten most important FDI sectors with leading recipient and market shares

Sector	Leading recipient in 2015	Market share of leading recipient (%)	Market share of UK if not leading recipient (%)
Software	UK	32	-
Business Services	UK	26	-
Machinery & Equipment	Germany	25	15
Automotive Assembly	UK	18	-
Food	Russia	15	13
Financial Intermediation	UK	37	
Chemicals	France/ Germany	17	15
Electrical	Germany	19	15
Pharmaceuticals	Germany	15	14
Plastic & Rubber	Germany	19	8

Table 8. Source: EY's Global Investment Monitor 2016

During 2015, the UK's renowned focus on services and strong market share in business services and software investments resulted in the UK gaining significant employment from the service sector – with Software, Business Services and Finance accounting for 11,974 jobs (or 28% of the total), although automotive projects also made a significant contribution, accounting for 6,900 jobs. The leading UK region for employment creation in 2015 was the West Midlands, reflecting large automotive investments by Geely (the Chinese owners of the London Taxi Company) and Tata (through its ownership of JLR).

Sectors generating the largest number of jobs into the UK 2015

Sector	2015 employment
Automotive Assembly	6,878
Software	5,292
Business Services	5,023
Retail	4,578
Machinery & Equipment	2,260
Utility supply	1,746
Financial Intermediation	1,659
Other Transport Equipment	1,567
Scientific Research	1,306
Food	1,280

Table 9. Source: EY's Global Investment Monitor 2016

...positioning the UK for future growth.

An interesting light is cast on these figures by the perception study findings as to which sectors are expected to drive future growth, both in the UK and across Europe. In the UK, the sectors that investors believe will act as the top growth engines in years to come are, firstly, 'banking, insurance, wealth & asset management'; secondly, 'information and communication technologies, IT/digital economy'; and thirdly, 'B2B services excluding finance'.

The top two growth sectors for Europe are expected to be the same as for the UK but in reverse order, with information and communication technologies first, followed by banking and other financial services, with energy & utilities third. The 43% citing banking/financial services as a major growth driver for the UK is by far the biggest response across both geographies, underlining the continuing perception of the UK as a European and global leader in this sector.

The really positive news is that the UK currently leads Europe in the two sectors forecast to be the major drivers of growth in future years, and is also out in front in business services, another of the top five sectors identified for Europe. The message in clear: the UK is very well-placed but must retain its competitive position in these key sectors.

In your opinion, which business sectors will drive the UK's growth in the coming years?

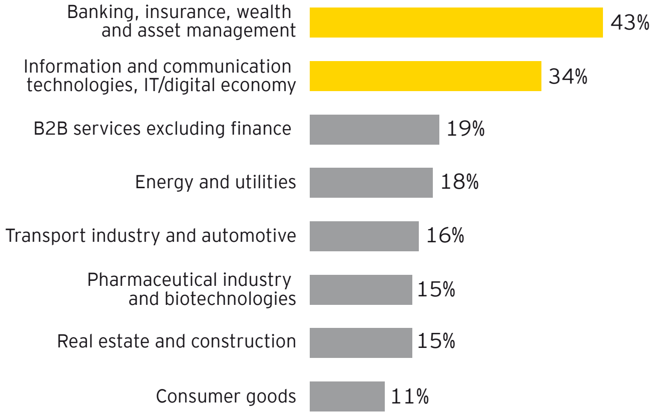


Figure 12. Source: EY's Global Investment Monitor 2016. NB: Two possible answers, sample (n=444)

In your opinion, which business sectors will drive Europe's growth in the coming years?

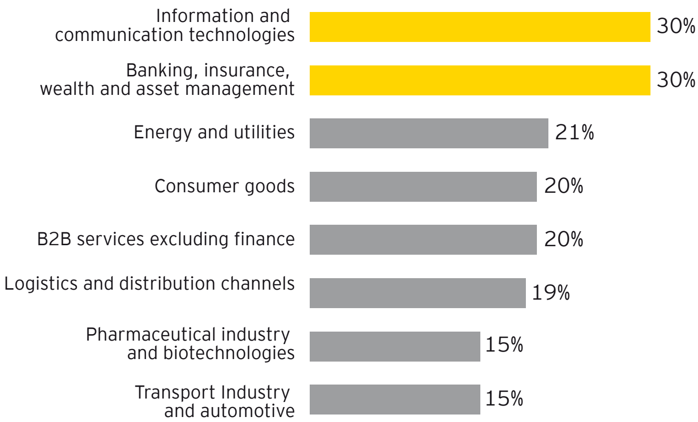


Figure 13. Source: EY's Global Investment Monitor 2016. NB: Two possible answers, sample (n=444)

Origins of investment into the UK: Emerging growth...

The GIM figures for 2015 show that the geographic profile of FDI into the UK is moving in line with the Government's objective of increasing our trade relations with the largest emerging market countries. Projects from China increased by 79% in 2015 and those from India by 58%.

The UK has been consistently growing the number of projects it receives from China and achieved its highest number of projects from India in 2015. Germany is the most successful country in Europe in attracting FDI projects from China, but the UK closed the gap to only nine projects in 2015. The UK is the clear leader in terms of share of Indian investment in Europe.

Another notable UK success in 2015 was beating Germany in terms of project numbers from the 24 high growth economies[3] identified by UKTI.

Investments into the UK from India and China, 2006-2015

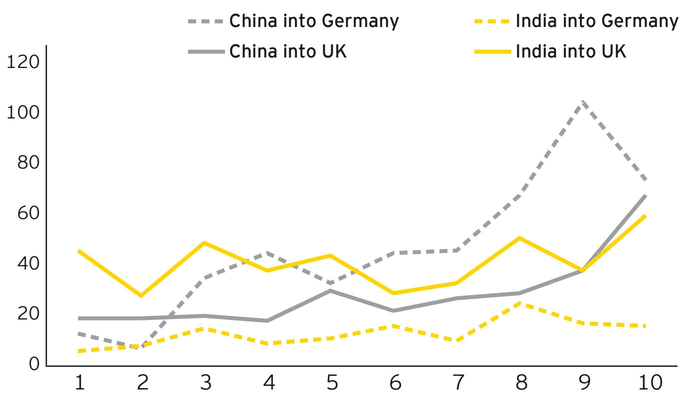


Figure 14. Source: EY's Global Investment Monitor 2016

...and Europe rising...

2015 has also been a very strong year for European projects into the UK, which have exhibited faster growth than North American originated investment. While the US remains the UK's biggest single country source of FDI projects, accounting for 31% of all investments into the UK in 2015, the shift towards European originated projects has continued. The number of investments into the UK from the European Economic Area (EEA) reached its highest recorded point in 2015, at 343 projects, a 27.5% increase on 2014. In so doing, the EEA became the most important trade region for FDI projects into the UK for the first time in 2015, going past NAFTA.

3 Brazil, Chile, China, Colombia, Czech Rep, Egypt, Hungary, India, Indonesia, Kuwait, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Qatar, Russia, Saudi, South Africa, Taiwan, Thailand, Turkey, UAE

Number of investments into the UK from different regions globally, 2006-2015

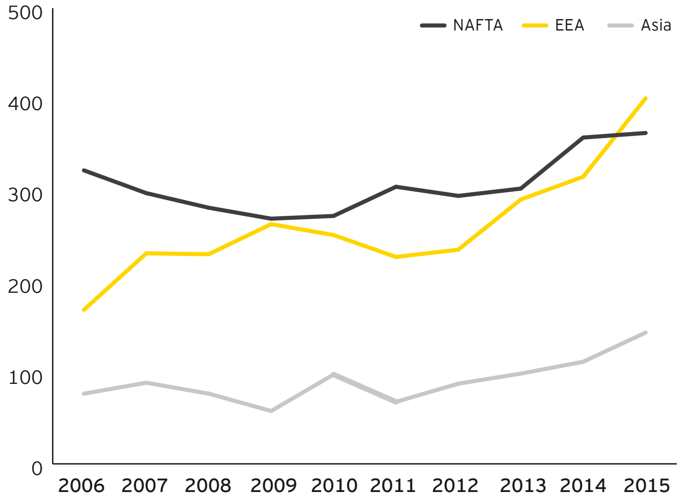


Figure 15. Source: EY's Global Investment Monitor 2016

More generally, the UK's continued strong showing in attracting investment from a broad array of sources reflects its high ranking as a world and European destination for FDI, as shown in the investor perception survey.

When the origins of UK investment are compared with the origins of FDI for Europe as a whole, the top ten countries of origin are similar. But the main differences are that in the Europe-wide results, Switzerland, Italy and Sweden make the top ten (along with the UK itself), while for the UK, Spain is a top ten origin for investment, along with the Commonwealth countries of India, Australia and Canada.

Top ten origins of UK investment 2015 and change 2014-15

Countries of Origin	2014 projects	2015 projects	% change in projects secured	2015 market share
United States of America	323	332	2.8	31.2
Germany	57	72	26.3	6.8
China	38	68	78.9	6.4
France	57	63	10.5	5.9
India	38	60	57.9	5.6
Japan	47	42	-10.6	3.9
Netherlands	25	37	48.0	3.5
Australia	29	31	6.9	2.9
Spain	23	28	21.7	2.6
Canada	33	26	-21.2	2.4

Table 10. Source: EY's Global Investment Monitor 2016

...especially in the English regions.

An analysis of the origins of investments into the English regions outside London in 2015 shows clearly that European investors are more important than they are at a national level. The share of US investments into to the English regions (29%) is lower than for the UK as a whole (31%), and China is ranked lower down the originating countries. In fact, Germany, Netherlands and France all provide a higher share of projects for the English regions than for the UK as a whole, and Switzerland and Ireland are ranked in the top ten FDI providers in the regions.

Top ten origins of FDI into the English regions in 2015

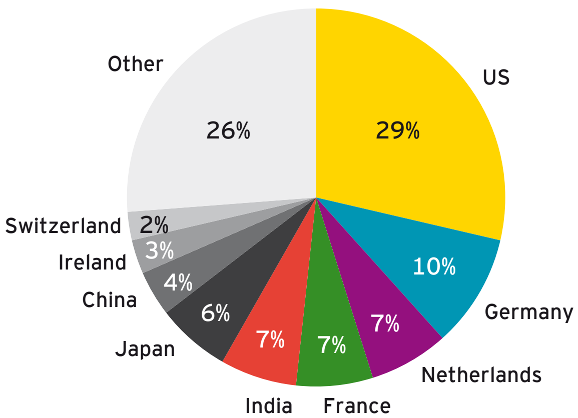


Figure 16. Source: EY's Global Investment Monitor 2016

At a national level, an analysis of the number of FDI projects going into the English regions from different parts of the world underlines the strong growth in investments from the EEA in recent years, taking them to an all-time high since the GIM's launch.

Number of investments into the English regions outside London from different zones of the world, 1997-2015

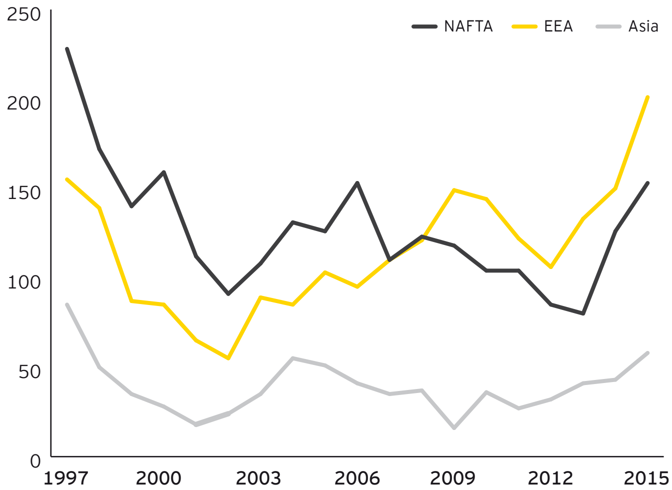


Figure 17. Source: EY's Global Investment Monitor 2016

Manufacturing FDI is powering the UK's regional resurgence...

The UK is continuing to raise its game in attracting manufacturing FDI, with the total number of 183 manufacturing production projects recorded in 2015 representing the UK's highest number since 1998.

As a result, the 2015 results show that the UK ranked second in Europe behind only France in securing manufacturing production investments, with the UK taking 13% of the total European market. This was also the case in 2014. When new manufacturing investments are considered, the UK was also placed second in Europe in 2015 with 55 projects, behind Russia. This ranking represents a significant turnaround: at the low point in the UK's performance in securing new manufacturing projects (in 2011 and 2013), the UK was placed sixth.

Manufacturing FDI projects into the UK, 2006-2015

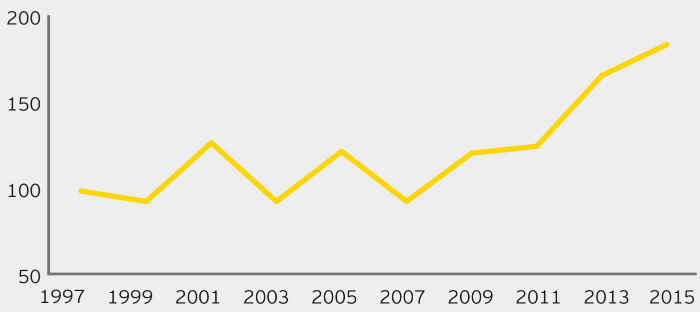


Figure 18. Source: EY's Global Investment Monitor 2016

There is a link between the revival in UK manufacturing FDI and the recent rising performance by the regions outside London. With London attracting only a tiny slice of manufacturing production investments, any increase in the UK's performance in securing manufacturing FDI has a disproportionately positive impact at a regional level.

UK regions' share of manufacturing FDI projects into the UK, 2015

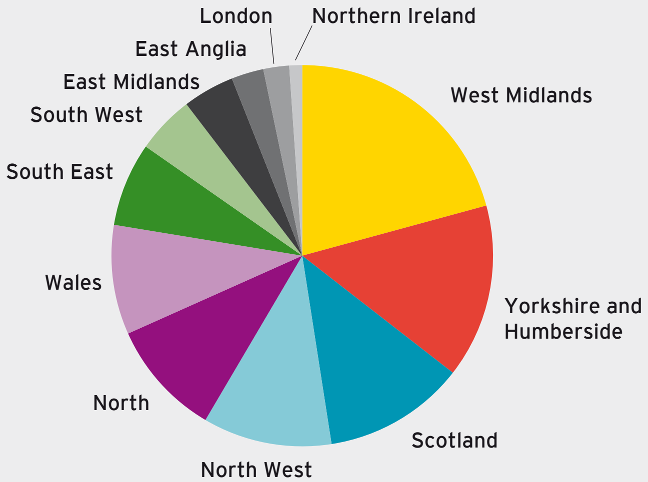


Figure 19. Source: EY's Global Investment Monitor 2016

An analysis of the percentage of manufacturing projects in the total investments for each region shows that manufacturing's share of projects is very significant for all regions except the South East and London. It is clear that the success of any attempts to rebalance the UK geographically must take into account the importance of manufacturing in the regional economies outside of the South East. Without a stronger manufacturing sector attempts to rebalance the UK economy will fail.

...led by the manufacturing multiplier.

Manufacturing is not just a source of factory based projects and jobs but it also acts as a multiplier; stimulating other investment. There were 183 FDI projects to establish new manufacturing facilities but another 172 projects by manufacturers across the value chain. In the West Midlands, five of the stimulated projects were in R&D facilities and four logistics bases. Yorkshire and Humberside attracted six HQs and three R&D facilities from manufacturers. Despite attracting little direct investment in manufacturing facilities, London did secure 12 HQ and 38 sales and marketing investments from manufacturers.

Manufacturing FDI 2015

	Plants	Total projects	Jobs
West Midlands	38	61	5395
Yorkshire and Humberside	27	42	1239
Scotland	22	44	923
North West	20	33	282
North East	18	26	2009
South East	13	23	436
Wales	17	21	1807
South West	9	17	875
East Midlands	8	17	269
East of England	5	10	263
London	4	58	170
Northern Ireland	2	3	32

Table 11. Source: EY's Global Investment Monitor 2016

Retaining leadership

Signs of trouble ahead?

With such a strong performance in 2015, it is both surprising and worrying that our investor survey strongly suggests that the UK's attractiveness may not be as strong in future as in recent years:

- When asked about their likelihood to invest in the UK in the next year, 23% of investors responded positively compared to 27% last year, (the lowest UK figure since 2010); the results for Germany also declined from 25% to 23% but the UK fall was more marked, when seen in a historic context.

Does your company have plans to establish or expand operations in the UK over the next year?

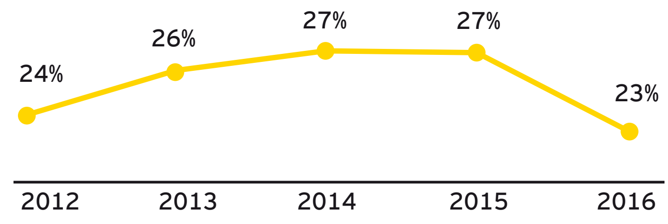


Figure 20. Source: EY's UK attractiveness survey 2016, sample (n=444)

- When asked how the UK's attractiveness for FDI will change in the next three years, only 36% say they expect it will improve compared to 54% last year, the lowest score since 2004. With Germany achieving 46% on this question, the UK has fallen significantly behind in an area in which it has always performed extremely strongly relative to its competitors.

How do you think the UK's attractiveness for FDI will evolve over the next three years?

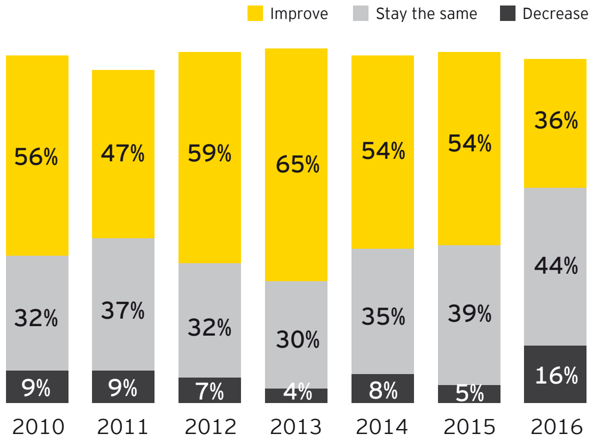
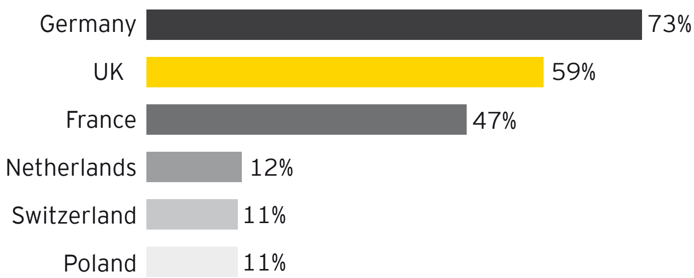


Figure 21. Source: EY's UK attractiveness survey 2016, sample (n=444)

- The UK's ranking as Europe's most attractive location for FDI has also declined relative to Germany, with the UK now two percentage points further behind.

Which are the top three countries for FDI in Europe? Open-ended question, three possible answers.



(Figure 4. Repeated)
Source: EY's Global Investment Monitor 2016, half sample (n=738)

The UK has suffered a broad-based decline in attractiveness…

We considered the UK's performance across all of the attributes tested in the survey of investors to try to identify the causes for the decline in perceptions of the UK's future attractiveness. There are signs of a slight decline in the UK's ranking on its ten highest scoring attributes compared to our survey last year:

- In 2015, the UK achieved an attractiveness rating of over 80% on eight attributes, but this year it was only the case for five;
- The UK lagged behind Germany by 8% (75% compared to 83%) on Transport infrastructure, with a fall of six points in the UK score;
- Education was the only one of the top ten attributes on which the UK's score improved.

Although the UK does well overall on characteristics, there was a significant decline in the UK's attractiveness ranking in five areas for which the approval ratings are much lower than average. These were also five areas in which the UK's performance had improved significantly last year, as we noted in our 2015 report.

The attractiveness of different aspects of the UK as a location for establishing new activities

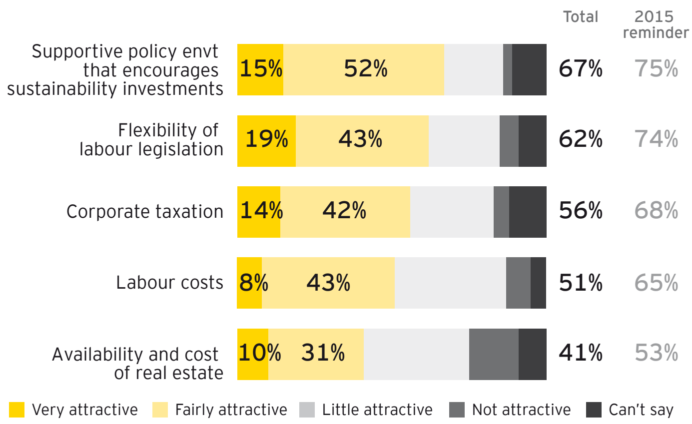


Figure 22. Source: EY's UK attractiveness survey 2016, sample (n=444)

All of these represent significant shifts and may, to some extent at least, reflect changes in either policy or public opinion not directly related to FDI. For example, policies such as the introduction of the National Living Wage may have influenced views on the UK's labour environment. Similarly, corporate taxation has been in the spotlight for some time and this may have influenced investors more than changes to the taxation regime itself. The UK policy approach to sustainability continues to change and investors may be reacting to this.

…but this does not explain the fall in future attractiveness scores…

Taking all of the results from our survey together, the result is a decline in the UK's overall attractiveness. This should be tempered somewhat by the fact that the UK still scores highly in several of these areas relative to its European competitors. For attributes on which we have comparable data, the UK is 14 points ahead of the European average on the attractiveness of its labour legislation and 13% better than average on corporate taxation.

The decline in ranking is relatively small but this comes against a backdrop of increased competition for FDI. As the project data shows that a number of countries, not just Germany, improved their performance in 2015, including Sweden and Poland. Anecdotal evidence from our teams collecting data was much more engagement from trade agencies, especially regional and city bodies, reflecting increased awareness and policy focus on FDI.

Considered overall, the changes in the ranking of individual attributes viewed either individually or in aggregate do not appear to be at the level required to explain fully the relative and absolute decline in the perceptions of the UK as a FDI location.

When we look at the future perceptions results overall, although the risk to future performance may not be completely specific to the UK, the decline in the UK's relative and absolute perception is greater than at any other time since we started surveying investor perceptions, and is therefore a major cause for concern.

…the upcoming referendum on EU membership might be impacting investor perceptions…

A significant change in the environment for FDI since our 2015 survey is the decision by the UK Government to hold a referendum on the UK's membership of the EU. Investor awareness of the referendum and its potential impact on UK FDI has increased significantly in the last year, especially among European investors, who represent the largest group of inward investors now in the UK. Some 78% of all respondents to our perception survey, and 88% of existing UK investors, were aware of the UK's renegotiation of the terms of its EU membership, and public referendum on whether to remain a member, when surveyed in early 2016. In 2015 only 55% of investors were aware of the possibility of a referendum on the UK's membership of the EU.

We have therefore sought to understand if our results are picking up either first signs of a significant decline in the UK's attractiveness to foreign investors or reflect specific concerns about the potential impact of a decision by the UK to leave the EU.

A decision by the UK to leave the EU could, if it changes the terms of trade, potentially impact the UK's future FDI performance in either a positive or negative direction. As we discuss in more detail below, access to the ESM has consistently been identified by investors as an important element of the UK's overall attractiveness by foreign investors in our surveys since 2014.

For the last three years we have asked a sample of foreign investors:

'How important to you is access to the ESM in terms of the attractiveness of the UK as an investment destination?'

The results for 2016 are clear. 79% of investors cited access to the ESM as a key feature of the UK's attractiveness. This is an increase from 72% last year and 63% the year before. It does appear that access to the ESM is both important and increasing in importance for foreign investors. Investor responses to other questions in our survey suggest that access to the ESM is regarded by investors as a slightly more valuable element of the UK's appeal than access to the UK's domestic market.

How important to you is the access to the ESM available from the UK in the attractiveness of the UK as an investment destination?

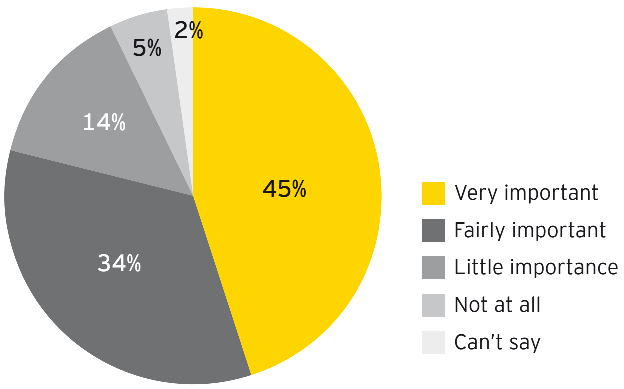


Figure 23. Source: EY's UK attractiveness survey 2016, sample (n=444)

Investors are worrying over future access to the European Single Market

Our analysis demonstrates that access to the ESM is important to foreign investors but we wanted to know if the risk of potential changes to the terms of access might help to explain the decline in investor sentiment towards the UK. We divided our sample of investors in half and asked each half one of the questions shown in the next column.

52% of investors surveyed said a slight change to the UK's access to Europe would reduce the UK's attractiveness compared to 7% who said it would increase the appeal.

For a significantly less favourable arrangement on access, the respective responses were 55% and 7%.

It does appear, therefore, that the risk of a change in the terms of access to the ESM is a significant concern for investors. The degree of change is less important; any reduction in the terms of access currently enjoyed has a significant negative impact on perceptions of the UK's attractiveness for FDI.

It is important to note that our estimates do not take into account any beneficial effects on FDI from countries outside of the EU as a result of new trade arrangements that the UK would be free to negotiate. It is also the case that our estimates take no notice of any future actions taken by the UK Government to mitigate any adverse effects of the UK leaving the EU on FDI.

1

If the UK did vote to leave the EU but retained access to the Single Market on SLIGHTLY less favourable terms than today, would this make the UK more attractive, less attractive, the same as today as an investment destination or you can't say?

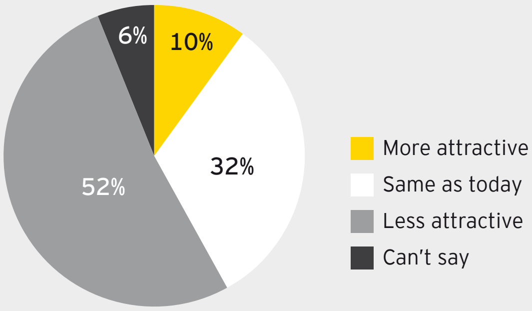


Figure 24, Source: EY's UK attractiveness survey 2016, sample (n=219)

2

If the UK did vote to leave the EU but retained access to the Single Market on SIGNIFICANTLY less favourable terms than today, would this make the UK, more attractive, less attractive, the same as today as an investment destination or you can't say?

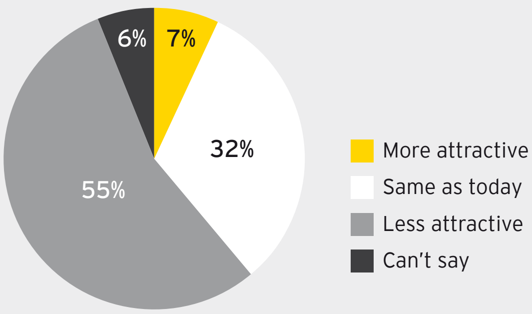


Figure 25, Source: EY's UK attractiveness survey 2016, sample (n=225)

The true level of the UK's attractiveness is currently unclear...

There has been a significant and unprecedented decline in the UK's future attractiveness to foreign investors. The changes in the ranking of individual elements of the UK's attractiveness do not appear to explain the shift of the overall decline in future perceptions. The upcoming EU referendum does appear to be having an impact on investor perceptions. More investors are now aware of the referendum and this may well be influencing future perceptions of the UK because of the importance investors attach to access to the ESM. Even slight changes in the terms of access appear to be a concern for a significant share of foreign investors. It would appear possible that if the UK chose to leave the EU then FDI could, ceteris paribus, be lower in future.

...but policy-makers must move forward, both nationally...

We have assumed for the purposes of this report that the UK will, in line with Government policy, vote to remain in the EU. Our policy recommendations, set out in our Executive Summary, are based on this assumption. If the UK votes to leave the EU then more work will be required to develop revised policy proposals aligned to the new environment.

Taken together, all the shifts in perceptions identified above suggest that, without considering the EU referendum, policy across several areas may not be joined up with the government's commitment to encouraging and sustaining FDI. This is an issue that we have flagged before in previous reports, underlining the need to take a broader view founded on – and coordinated with – a clear trade strategy.

...and in the regions.

As well as facing national challenges to its European leadership in FDI, the UK also faces challenges to its attractiveness at the regional level. While most regions of the UK had a great year for FDI in 2015, competition is increasing across Europe.

One challenge is getting across the message to investors globally that the UK's regions are on a path towards gaining greater autonomy in decision-making and are increasingly open for business as regards FDI. Our perception survey shows that awareness of the devolution agenda has not increased year-on-year, with only 38% of investors globally – and just half of existing UK investors – saying they are aware of it. Yet of those investors who are aware of the policy, half think that it makes the UK regions more attractive as locations for FDI. So there is a clear need to make existing and potential international investors more aware that devolution is happening.

The UK Government is giving more control over economic policy to the UK regions. Are you aware of this policy?

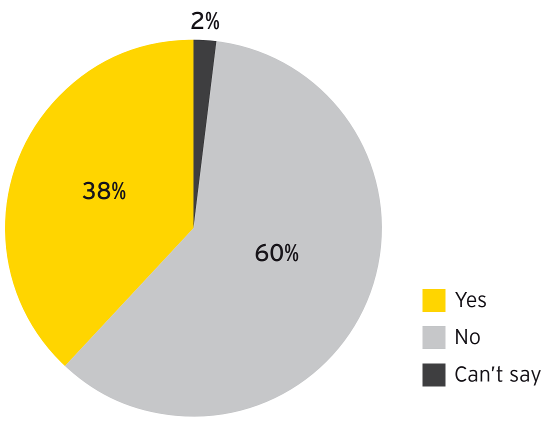


Figure 26. Source: EY's UK attractiveness survey 2016, sample (n=444)

Finally, while our FDI figures for 2015 show a welcome though gradual rebalancing of the UK's FDI projects away from London towards the regions, the capital is still overly dominant both in terms of perceptions and actual investments. Asked to name the UK's most attractive region in which to establish operations, 47% of respondents to the perception survey pick London - a figure that up by 2% year-on-year, and is almost four times the proportion voting for the South-East of England in second place. So there's a need to go further in encouraging investors to look beyond London when seeking locations for FDI.

Which region in the UK do you see as the most attractive in which to establish operations?

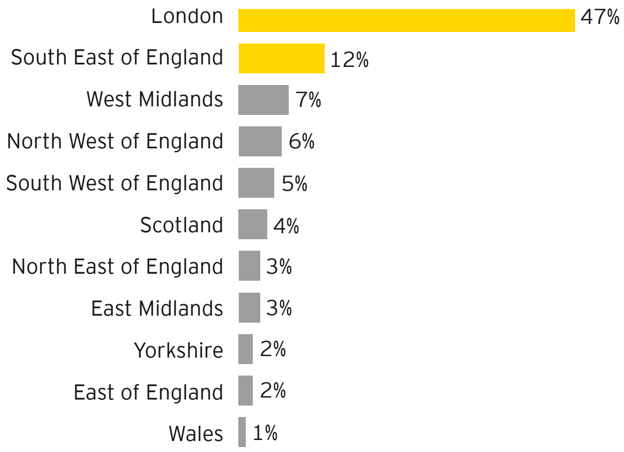


Figure 27. Source: EY's UK attractiveness survey 2016, sample (n=444)

Skills and infrastructure are a priority...

Other regional challenges arise around transport infrastructure and skills. Asked what drives investment in regional locations in the UK, investors cited local skills and transport infrastructure as the two most significant areas by some margin. For investors not established in the UK, the availability of business partners and suppliers and the strength of local business networks were relatively important, for understandable reasons, compared to established investors.

What are your investment criteria when considering investing in the regional locations in the UK?

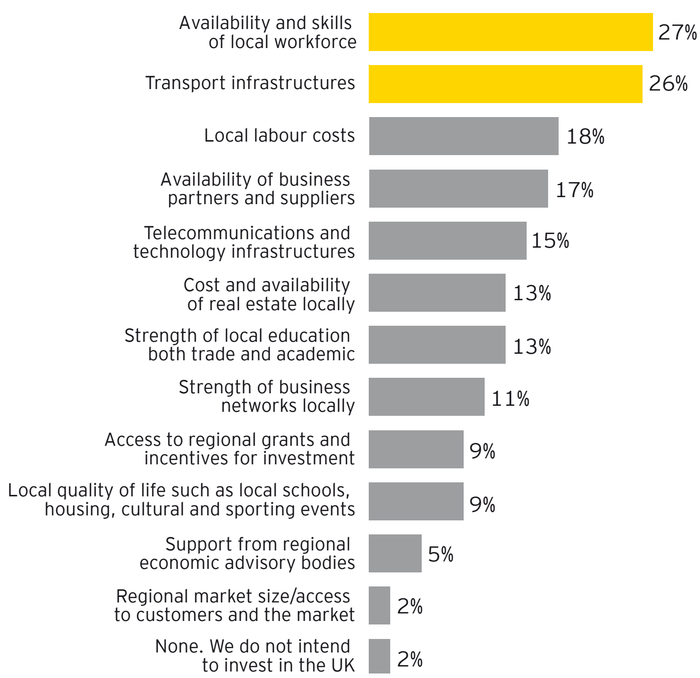


Figure 28. Source: EY's UK attractiveness survey 2016, sample (n=444)

...with London airports, roads...

When we asked investors what types of transport links have the strongest influence on their decisions about investing in the UK, roads are mentioned most often in investors' top three, but more investors (26%) cite London airports in first place than they do roads (24%). Regional airports have also increased in importance in the past year, possibly as more investors become familiar with the UK regions, their transport priorities evolve. It is clear there is a pressing need to resolve the London airport issue, provide a clear plan for regional airports and build more roads.

Which transport infrastructure is most important when considering investing in the UK?

(Data relates to top three mentions)

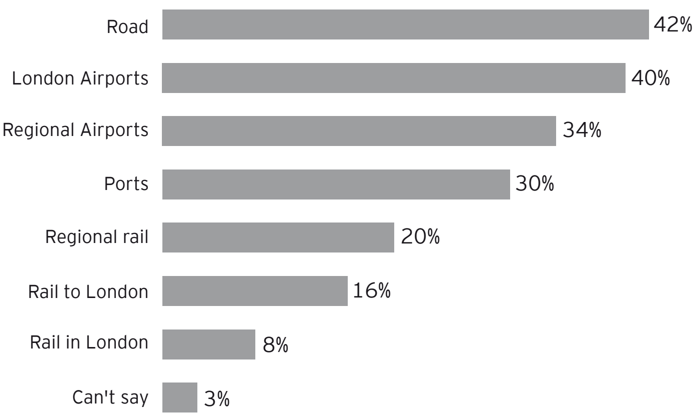


Figure 29. Source: EY's UK attractiveness survey 2016, sample (n=444)

Improving skills is the other priority and this needs to reflect the differences in demand likely to be found in the regions. We believe there is a digital divide in skills in the UK. We identified this issue in our EY UK Regions and Cities[4] forecast last year and the FDI project data provides further evidence of the challenges facing the regions.

...and digital skills are very important.

The dominance of London and the South East for 'Digital' projects is significantly greater than for FDI as a whole. Our view, taking our previous work into account, is that skills are a key factor in this discrepancy. The R&D project's result offers hope. London and the South East still lead on projects, but by a significantly smaller margin than for 'Digital'. The strong performance of Scotland in particular, probably reflecting the strength of its universities and their collaboration with business, offers an example of the benefits a concerted skills 'rebalancing' programme could create.

4 Rebalancing: UK region and city economic forecast

2015 projects

	Digital	Research
London	132	11
Scotland	24	23
South East	22	15
North West	18	5
Wales	6	10
W. Midlands	6	10
South West	8	6
Yorkshire and Humberside	7	5
North East	8	4
East Midlands	4	7
East of England	2	7
N. Ireland	4	2

Table 12. Source: EY's Global Investment Monitor 2016

More to do on Manufacturing.

Finally, there's also more to do in terms of realising the UK regions' full potential as recipients of manufacturing FDI. While the UK has done well both nationally and regionally in attracting manufacturing investments, there's still much more to go for: the UK has a 14% European market share of manufacturing FDI projects versus over 20% on average across all sectors. Given the difficult environment facing the manufacturing sector, it's important to act now to attract more projects of this type. This need links in turn to the other regional challenges mentioned above. It's clear how important infrastructure is for manufacturers, especially roads – and there's a need to ensure the UK remains competitive by driving investment in such areas.

The 'real' attractiveness of Europe for foreign investors

Our evaluation of the reality of FDI in Europe is based on EY Global Investment Monitor (GIM). This database tracks those FDI projects that have resulted in the creation of new facilities and new jobs. By excluding portfolio investments and M&A, it shows the reality of investment in manufacturing and services by foreign companies across the continent.

Data is widely available on FDI. An investment in a company is normally included in FDI data if the foreign investor acquires more than 10% of the company's equity and takes a role in its management. FDI includes equity capital, reinvested earnings and intracompany loans.

But our figures also include investments in physical assets, such as plant and equipment. And this data provides valuable insights into:

- How FDI projects are being undertaken
- What activities are being invested in
- Where projects are located
- Who is carrying out these projects

The GIM is a leading online information provider, tracking inward investment across Europe. This flagship business information tool from EY is the most detailed source of data on cross-border investment projects and trends throughout Europe. The GIM is frequently used by government bodies, private sector organizations and corporations looking to identify significant trends in employment, industry, business and investment.

The GIM database focuses on investment announcements, the number of new jobs created and, where identifiable, the associated capital investment. Projects are identified through the daily monitoring of more than 10,000 news sources. To confirm the accuracy of the data collected, the research team aims to directly contact more than 70% of the companies undertaking these investments.

The following categories of investment projects are excluded from GIM:

- M&A and joint ventures (unless these result in new facilities or new jobs being created)
- License agreements
- Retail and leisure facilities, hotels and real estate*
- Utilities (including telecommunications networks, airports, ports and other fixed infrastructure)*
- Extraction activities (ores, minerals and fuels)*
- Portfolio investments (pensions, insurance and financial funds)
- Factory and other production replacement investments (e.g., replacing old machinery without creating new employment)
- Not-for-profit organizations (charitable foundations, trade associations and government bodies)

The 'perceived' attractiveness of Europe and its competitors for foreign investors

We define the attractiveness of a country or area as the combination of its image, investors' level of confidence in it as an investment destination and the perception of its ability to provide the most competitive benefits for FDI.

The research was conducted by the CSA Institute from February to April 2016, via telephone interviews with a representative group of 1,469 international decision-makers.

Our sample group included representatives from:

- European businesses – 48%
- North American businesses – 33%
- Asian businesses – 15%
- South American businesses – 1%
- Middle Eastern businesses – 1%
- Businesses from other regions – 2%

Overall, 65% of the 1,469 companies surveyed have a presence in Europe. And of the non-European companies, 30% have established operations in Europe.

Investment projects by companies in these categories are included in certain instances e.g. details of a specific new hotel investment or retail outlet would not be recorded, but if the hotel or retail company were to establish a headquarters facility or a distribution centre, this project would qualify for inclusion in the database.

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ED None

1454112.indd (UK) 05/16. Artwork by Creative Services Group Design.

In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

ey.com/uk