

How can Europe raise its game?

EY Attractiveness Survey

Europe

June 2019



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working world

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We would like to extend our gratitude to ...

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Furthermore, we would like to thank the hundreds of business leaders and EY professionals who have taken the time to share their thoughts and insights with us about the possibilities that await us in Europe in the coming years.



How can Europe raise its game?

“It was the best of times, it was the worst of times ...” So goes the opening of Charles Dickens’s iconic 19th century novel, *A Tale of Two Cities*.

This comes to mind when reviewing the findings of EY’s latest research into foreign direct investment (FDI) in Europe.

Why the best of times?

For a start, our survey of 506 global businesses reveals that, relative to other regions around the world, Western Europe is now considered more attractive than it has been at any point during the last 10 years as a place to establish operations. What’s more, Eastern Europe is now considered the second-most attractive region for investment. Five years ago, it ranked only fourth.

Why the worst of times?

Although Europe fares well compared with other regions, actual appetite to invest in the continent has dropped to a seven-year low. The cocktail of economic and political uncertainty, not just in Europe but around the world, has caused businesses to ease off on FDI.

2018 marked the beginning of this trend. For the first time in six years, FDI in Europe declined on an annual basis: businesses around the world completed 6,356 FDI projects in Europe in 2018 – a 4% decrease.

The fate of the characters in *A Tale of Two Cities* was determined by political upheaval that was outside of their control. Today, the same can be said for businesses considering overseas investment.

EY research reveals that political uncertainty in various forms is the most significant risk to Europe’s attractiveness in the next three years.

Surveyed businesses say Brexit is the number one risk to Europe’s attractiveness, political instability in the EU is second, the rise in populist and protectionist

feelings third, and global political uncertainty fourth.

Digital investment hits new heights

The industrial revolution was the backdrop to events in *A Tale of Two Cities*. Today, it’s the digital revolution. The rise of the digital economy is evident in our FDI data: despite the general downward trend, foreign investment in the digital sector increased 5% to a record high in 2018. In addition, the number of digital FDI projects has more than doubled since 2013.

Like every year, there were some clear winners and losers in 2018. The positive stories were in Belgium, Spain, Poland and Ireland, where FDI soared by more than 20%. On the flip side, FDI decreased 13% in the UK and Germany.

Whatever happened in the past, all countries have an opportunity to improve their attractiveness. Thankfully, our research doesn’t just reveal where FDI has increased or declined – it indicates how countries can boost it.

Businesses tell us that their top priority when deciding where to invest is the availability of a workforce with technology skills. This is not surprising, given almost three-quarters of European businesses say skills shortages are damaging productivity and profitability, and two-thirds say they damage top-line growth. Today, the skills businesses crave most relate to cybersecurity, artificial intelligence (AI) and robotics, and big data and analytics.

Skills aside, businesses are attracted to countries with stable tax regimes, strong trade links and a robust digital infrastructure. Countries that provide this will be rewarded with more FDI and the economic benefits it brings.

Thanks to all of the businesses who shared their insights, this research puts perspective to the figures and trends we see. We hope you enjoy reading it.

Andy Baldwin

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Executive summary

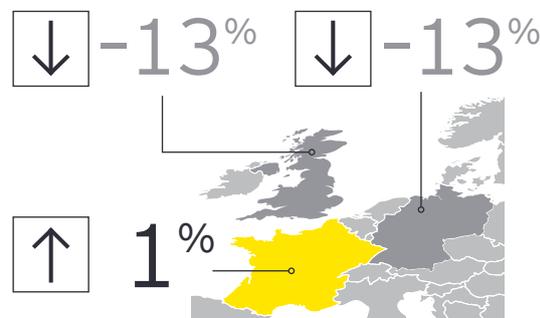
FDI in Europe drops for the first time in six years

Europe secured

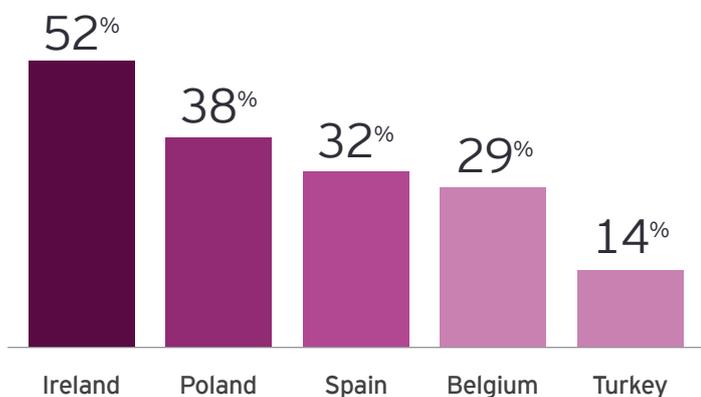
6,356 FDI projects in 2018

↓ 4% decrease from 2017

Europe's three largest economies take a hit as FDI plummets 13% in the UK and Germany and only grows 1% in France.



Other countries play catch up as FDI surges in



Headquarters nosedive

23%

but R&D FDI increases

16%

Investment increases

5%

in the digital sector, Europe's largest FDI industry, but declines

18%

in business services.

Businesses still look fondly at Europe

Globally, Europe is still perceived by our panel of business leaders as the most attractive region for investment.

56%

cite **Western Europe** as one of their top three investment destinations compared with 53% last year.

Central and Eastern Europe (CEE) is perceived as the second most attractive region.

30%

of businesses say Paris is the most attractive city for investment compared with 37% last year.



As Brexit looms, only 25% of businesses say London is one of their top three cities for investment, down from 34% last year.

Brexit and political tremors rattle investor confidence

38%

Brexit is now seen as the most significant risk by 38% of investors to Europe's attractiveness. Last year, it was only the fourth.

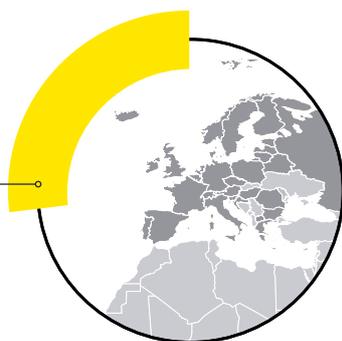
Political instability in the EU and the **rise in populist and protectionist feelings** are the **second- and third-greatest concerns** for investors.

Consequently, investors are cautious about their short-term plans:

Only

27%

of businesses plan to establish or expand operations in Europe this year, compared with 35% last year.



Investment plans are now at a seven-year low.

International investors crave talent, predictability and all things digital

48%

of businesses say **access to skilled labor** is the most critical criteria in determining where they invest in Europe.

3/4

of European businesses say **skills shortages** are damaging productivity and profitability.

2/3

say they **damage top-line growth.**

52% say **the availability of technology skills** is **"critically important"** in shaping investment decisions.

Stability and predictability of taxation are seen as more important than actual tax costs in determining where businesses invest.

1

Foreign investment in Europe: historically weak, internationally strong

6,356

projects in Europe last year, a 4% annual decline from 2017.



FDI remains high, but declines for the first time in six years

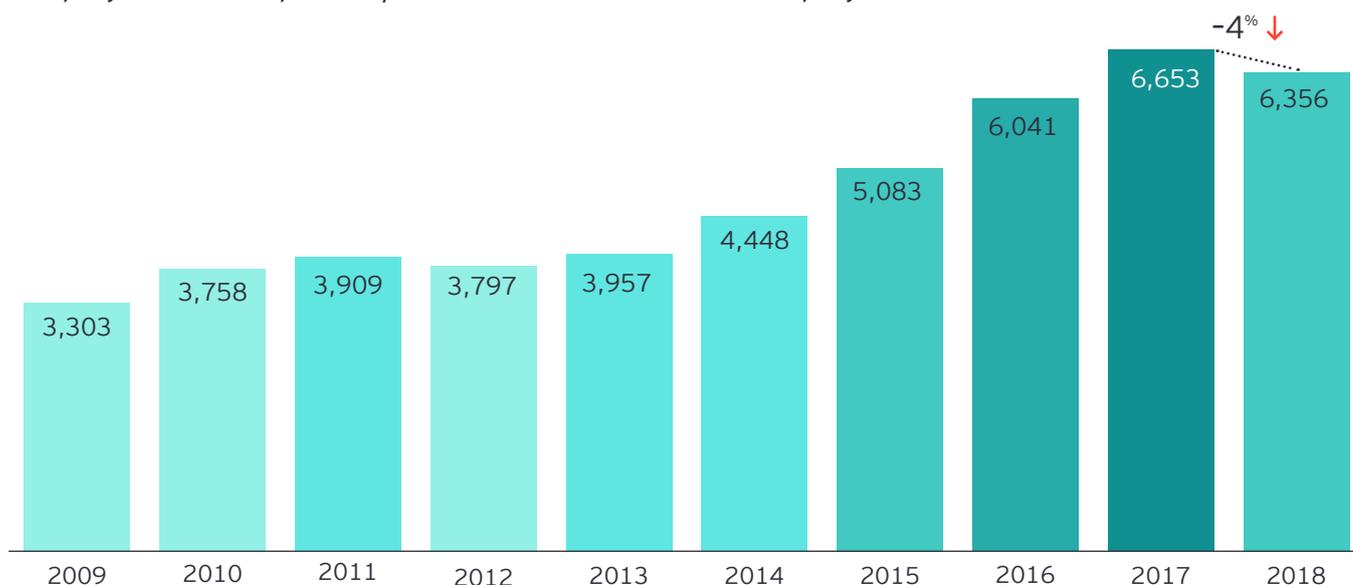
In total, businesses from around the world completed 6,356 projects in Europe last year, a 4% annual decline from 2017.

The downturn was caused by a sizeable 13% decrease in FDI in Europe's two largest economies – Germany and the UK – which together account for around one-third of FDI in Europe. In more positive news, investment in Spain, Poland, Ireland and Belgium increased by around 30% or more.

Despite the annual decrease, FDI in Europe is still at its second-highest level since EY began compiling this data in 2000. In fact, the number of FDI projects completed in Europe in 2018 is 5% ahead of 2016 levels, which was a record high at the time.

In 2018, FDI remained primarily driven by intra-European investment. FDI projects within Europe slightly decreased (by 2%), whereas non-European FDI into Europe declined by 8%.

FDI projects in Europe: 10-year look-back (number of FDI projects)



Source: EY European Investment Monitor (EIM) 2019.



The US is the largest investor in Europe, accounting for 22% of European FDI in 2018

Growth prospects and global trade are major causes of concern

Declining economic growth across Europe undoubtedly contributed to the annual slowdown. GDP growth decelerated to 1.8% last year from 2.4% in 2017.

So too did the rising tide of global protectionism. The US-China trade tension grabbed the headlines last year, but European exporters continued to suffer from rising trade barriers around the world.

Factors outside Europe also contributed. Weak economic growth in the US coupled with tax reform in late 2017 caused US investment in Europe to increase by only 3% last year, down from an average of 8% growth in the prior four years. The US is the largest investor in Europe, accounting for 22% of European FDI in 2018, so any dip has a significant impact.

Meanwhile, China's economy grew by 6.6% in 2018, the slowest rate in almost three decades, and Japan's economy grew by only 0.7% in 2018 compared with 1.9% the previous year.

This year's survey exposes a growing divide in sentiment toward Europe between companies with and without a European footprint. Illustrating this, the proportion of surveyed businesses without European operations that rank Europe as one of their top three investment destinations fell from 62% to 51% this year. By contrast, sentiment did not dip at all among businesses already present in Europe.

In short, businesses with a European presence are less deterred by the growing economic and political headwinds than those without.

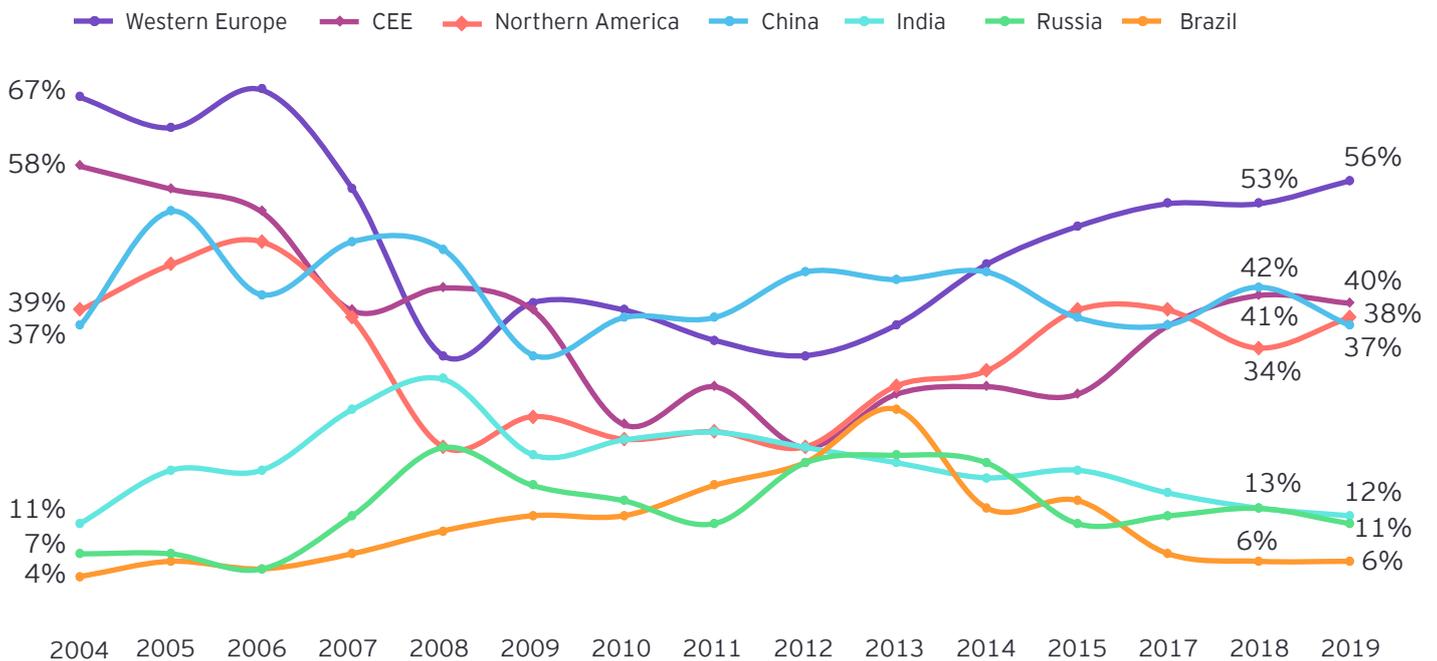
Despite Brexit, Europe fares well on the global stage

Prolonged uncertainty about the UK's future relationship with the EU following the Brexit vote is undoubtedly denting FDI in the country and, in certain sectors, its close trading partners. At the mid-point of 2019, the future economic and political relationship between Europe and the UK remains in doubt, Europe's economic growth forecasts are languid, and populism continues to gain momentum.

But investors still look fondly on Europe. Tellingly, 56% of surveyed businesses cite Western Europe as one of their top three regions globally in which to establish operations – a marginal increase on the 53% that did so last year. In parallel, CEE is perceived by our sample as the second-most attractive region globally.

Despite the economic and political headwinds, the sheer size and diversity of Europe's economy makes its attractiveness resilient.

In general, which of the following regions do you think are currently the top three most attractive regions in the world to establish operations?



Source: EY Attractiveness Survey Europe June 2019 (total respondents: 506).

Please note, the survey was not conducted in 2016.

2

FDI destinations and activities in 2018: the landscape shifts

1,054 projects

Uncertainty caused by Brexit caused UK FDI to plummet 13% to 1,054 projects in 2018.

Top 20 European FDI destination countries

Rank	Country	2017	2018	Change 2017/18	Market share (2018)
1	UK	1,205	1,054	-13% ↓	17%
2	France	1,019	1,027	1% ↑	16%
3	Germany	1,124	973	-13% ↓	15%
4	Spain	237	314	32% ↑	5%
5	Belgium	215	278	29% ↑	4%
6	Poland	197	272	38% ↑	4%
7	Turkey	229	261	14% ↑	4%
8	Netherlands	339	229	*	4%
9	Russia	238	211	-11% ↓	3%
10	Ireland	135	205	52% ↑	3%
11	Finland	191	194	2% ↑	3%
12	Serbia	118	119	1% ↑	2%
13	Romania	126	109	-13% ↓	2%
14	Italy	63	103	63% ↑	2%
15	Hungary	116	101	-13% ↓	2%
16	Lithuania	74	83	12% ↑	1%
17	Portugal	95	74	-22% ↓	1%
18	Bosnia and Herzegovina	62	73	18% ↑	1%
19	Sweden	108	73	-32% ↓	1%
20	Czech Republic	134	65	-51% ↓	1%
	Other countries**	628	538	-14% ↓	8%
	Total	6,653	6,356	-4% ↓	100%

Source: EY European Investment Monitor (EIM) 2019.

* Due to a change in methodology in the Netherlands in 2017, the 229 FDI projects reported for 2018 actually compare with 224 FDI projects in 2017.

** Other countries include Switzerland, Denmark, Ukraine, Bulgaria, Austria, Latvia, Slovakia, Croatia, Estonia, Luxembourg, Norway, Belarus, Malta, Azerbaijan, Greece, Georgia, Slovenia, Armenia, Macedonia, Iceland, Cyprus, Liechtenstein, Moldova, Albania, Montenegro and Monaco.

“

FDI growth stalled in France in 2018 following two years of huge gains. The number of new FDI projects rose 1% to 1,027 last year.

Countries: the mighty fall, the challengers rise

The UK: manufacturing FDI slumps on Brexit fears

Brexit uncertainty caused UK FDI to plummet 13% to 1,054 projects in 2018, its lowest level since 2014. The annual decrease was primarily caused by a 35% decrease in manufacturing FDI projects to 140 – the fewest manufacturing projects established in the UK since 2013. The number of newly established headquarters halved from 95 in 2017 to 48 last year. Only four years ago (in 2015), 150 new headquarters were set up in the UK. Meanwhile, sales and marketing projects, which typically account for the largest proportion of FDI in the UK, declined 4% and R&D projects decreased 17%. By contrast, logistics projects were up 7%.

France: damage control

FDI growth stalled in France in 2018 following two years of huge gains. The number of FDI projects rose 1% to 1,027 last year. This followed annual increases of 31% in 2017 and 30% in 2016. Although the annual rate of growth decreased significantly, France can take comfort from the fact that FDI did not decline by the extent it did in other major European economies. For the first time, more R&D (144) and manufacturing FDI projects (339) were established in France last year than in any other European country. That said, French authorities remain concerned about the impact of the gilets jaunes (yellow vest) protests on FDI.

Germany: FDI hit by weak economic growth and automotive production

The number of FDI projects in Germany fell from 1,124 to 973 in 2018 – a 13% decrease. Decelerating economic growth, weak export growth, low unemployment and consumer spending restraint – all contributed to the downturn. Sector-specific issues are also at play: for example, production in the automotive sector decreased 7% on a seasonally adjusted basis in the second half of 2018 compared with the first half.¹ This was caused by a perfect storm of heightened potential for a hard Brexit and US tariffs, a slowdown in demand from China and tougher environmental standards.

Spain: digital frenzy boosts FDI

FDI increased by 32% to a record 314 projects in 2018 as a result of significant increases in investment in the digital sector, which more than doubled to 70 projects last year. There was also significant growth in the transportation, logistics and finance sectors. Perhaps in anticipation of greater demand, the number of sales and marketing projects surged 77% from 65 in 2017 to 115 in 2018.

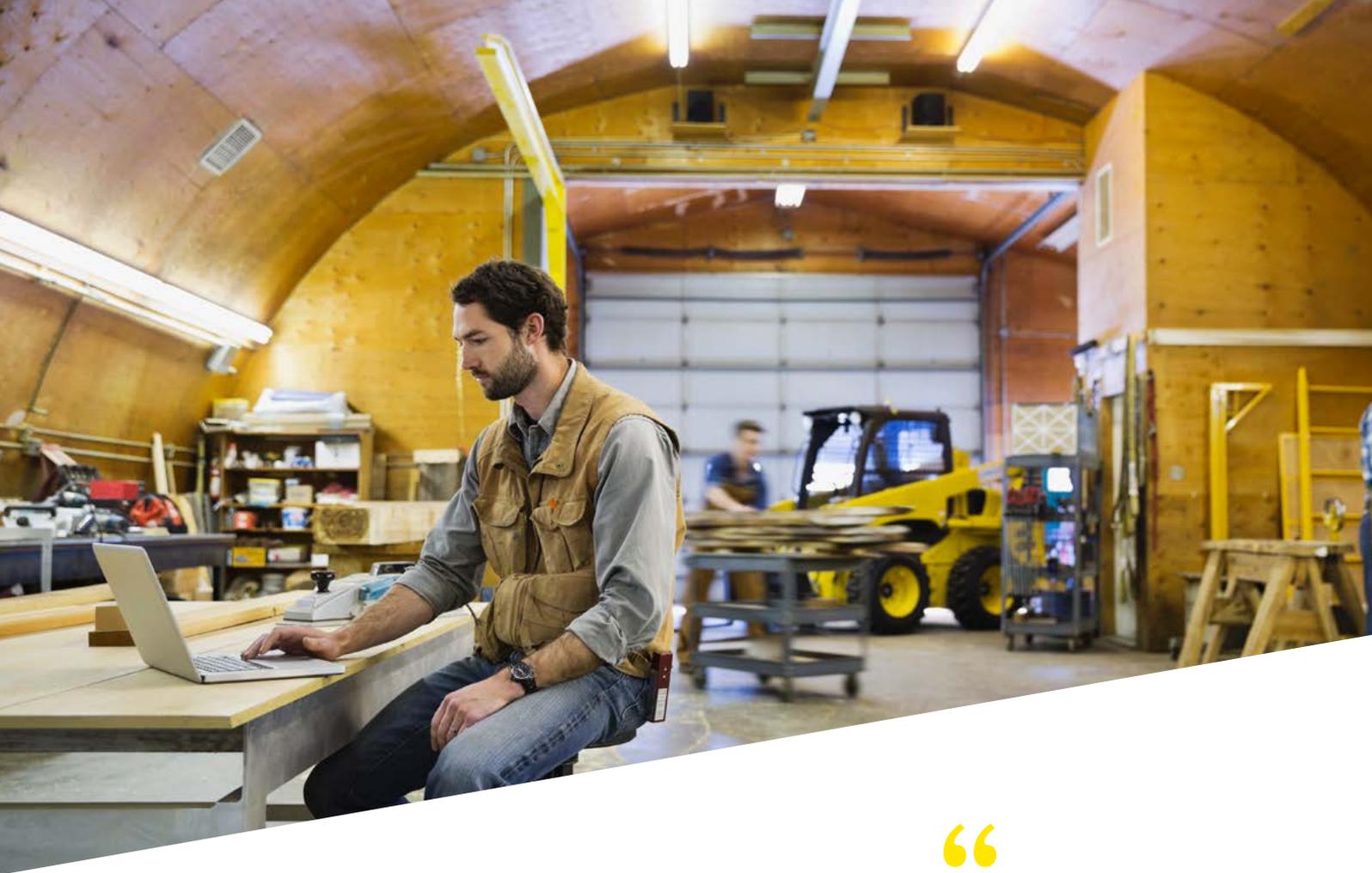
Belgium: strong growth across the board

Belgium attracted 278 FDI projects in 2018 – a 29% annual increase. Being at the geographic and political center of Europe, the country is benefiting from the uncertainty caused by Brexit and supply chain reorganization strategies that started across Europe a few years ago. Logistics projects increased by 18% last year. In addition, the number of R&D and headquarters projects more than doubled in 2018.

144

For the first time, more R&D (144) and manufacturing FDI projects (339) were established in France last year than in any other European country.

¹ “Automotive industry: production down 7.1% in second half of 2018 in Germany’s most important industry,” [Destatis](#), April 2019.



“

Investment in Poland surged 38% to 272 FDI projects in 2018.

Poland: industrial sectors drive FDI growth

Investment in Poland surged 38% to 272 FDI projects in 2018, making the country Europe's current sixth-largest market for FDI. Traditional industrial sectors such as transport, chemicals, logistics and machinery almost doubled to 127 projects in 2018 and now collectively account for 47% of total FDI in the country.

Turkey: FDI is robust despite uncertainty

Despite pronounced depreciation of the Turkish lira and mounting political uncertainty, FDI is robust in Turkey. In total, 261 projects were executed in 2018 – a 14% increase. Although there are headwinds, investors are attracted to the large talented workforce that is available at competitive costs and the strong industrial base: 78% of FDI projects in Turkey are manufacturing facilities, primarily in the transportation, chemicals, agri-food and machinery sectors.

Ireland: a Brexit-led investment surge

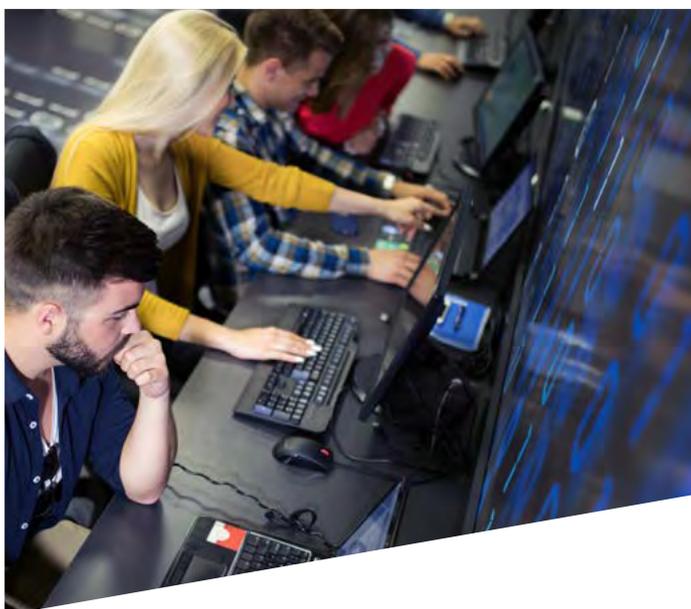
The surge of FDI in Ireland, jumping 52% to 205 projects in 2018, was caused by growth in investment in the digital, business services and finance sectors, which collectively increased 53% last year. Brexit is undoubtedly boosting Ireland's attractiveness as an alternative to the UK, but other factors are at play: for example, it maintains a competitive 12.5% corporate tax rate and has invested significantly in digital and financial skills.

Europe's tech and power hubs: Paris and London lose their shine

Global companies seek out global cities where businesses, policymakers, universities and the financial community have created effective business ecosystems.

Which cities currently provide this? The survey data reveals that Paris and London are still the most attractive cities for investment, but only just. The attractiveness of both cities has declined significantly in the last 12 months. Thirty percent of businesses say Paris is one of the three most attractive European cities for investment compared with 37% last year, while only 25% cite London compared with 34% last year.

Underlining the decline in London's attractiveness, the UK's capital is only 1% ahead of Berlin in the attractiveness rankings. Last year, it was 10% ahead. In short, competition between European cities for investment has never been more equal – or intense.



Which are the three most attractive European cities for foreign investors?

	2019	% change
Paris	30%	-7 ↓
London	25%	-9 ↓
Berlin	24%	0
Frankfurt	19%	-3 ↓
Amsterdam	14%	0
Munich	9%	+1 ↑
Madrid	8%	+2 ↑
Warsaw	7%	+2 ↑
Barcelona	6%	-2 ↓
Brussels	6%	-1 ↓

Source: EY Attractiveness Survey Europe June 2019 (total respondents: 506).

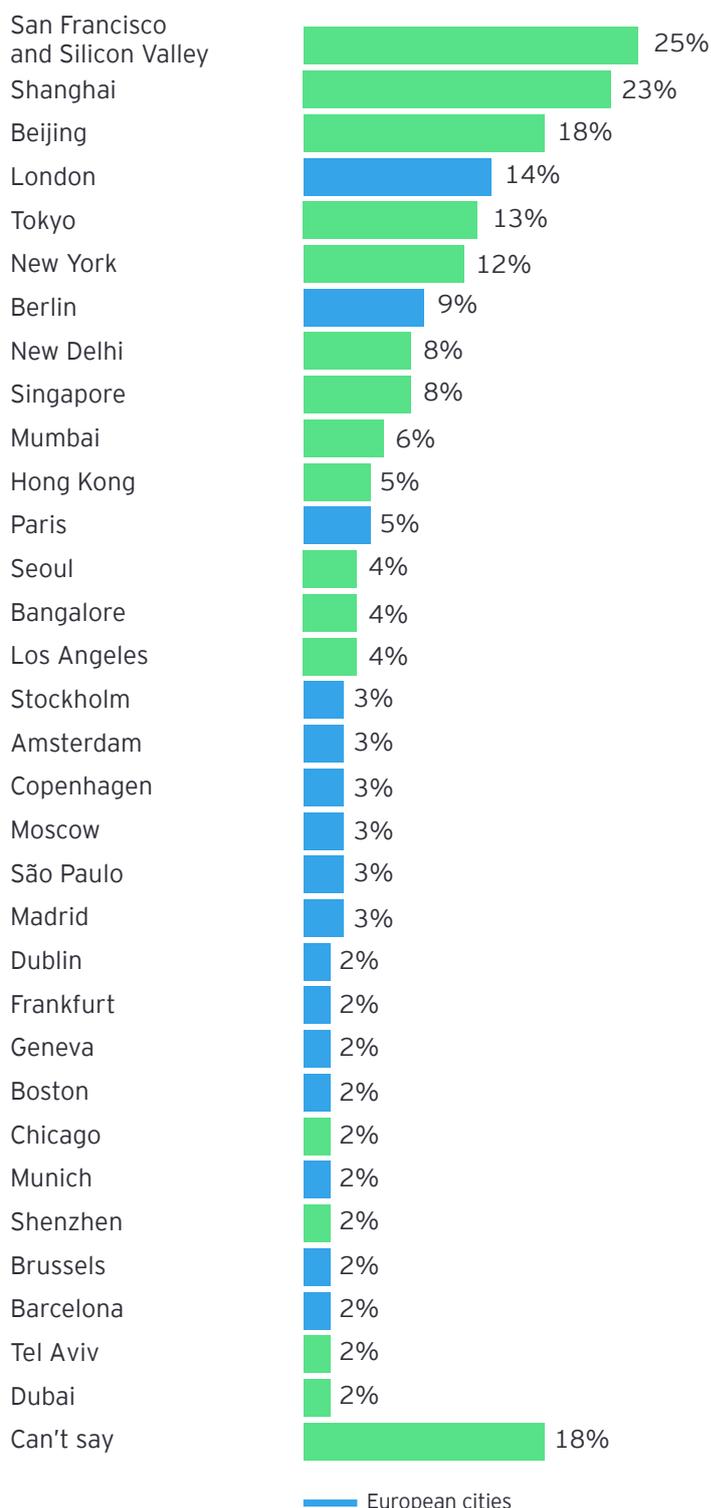
Brexit is undoubtedly to blame for the decrease in London’s attractiveness, while the gilets jaunes movement raises questions about France’s ability to enact the reforms necessary to boost its business attractiveness. German cities are primed to benefit the most. Indeed Berlin, Frankfurt and Munich rank third, fourth and sixth in terms of attractiveness.

The story is different in the technology sector, where London is – still – considered the most vibrant in Europe. When asked which cities offer the best chance of producing the next technology giant, London ranks 4th globally behind San Francisco (and the wider Silicon Valley), Shanghai and Beijing. Berlin ranks 7th globally and 2nd in Europe, while Paris ranks 12th globally and 3rd in Europe.

“

London ranks 4th globally behind San Francisco (and the wider Silicon Valley), Shanghai and Beijing.

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



Source: EY Attractiveness Survey Europe June 2019 (total respondents: 506).

Sectors and activities: business-generating FDI recedes, R&D investment surges

Activity	FDI projects	Change	Market share
Sales and marketing	2,511	-11% ↓	40%
Manufacturing	1,869	-6% ↓	29%
R&D	605	16% ↑	10%
Logistics	577	5% ↑	9%
Headquarters	285	-23% ↓	4%
Testing and servicing	183	578% ↑	3%
Internal data center	139	67% ↑	2%
Shared service center	73	-30% ↓	1%
Contact center	62	3% ↑	1%
Education and training	47	2% ↑	1%

Source: EY European Investment Monitor (EIM) 2019.

Headquarters and sales-oriented FDI tumbles

The number of sales and marketing projects dropped 11% to 2,511 in 2018. Even though investments in sales and marketing projects are typically smaller market-entry forms of FDI, historically, they are the largest component of foreign investment in Europe, accounting for 43% of all projects in the last five years. Therefore, a decrease in sales and marketing investment materially impacts total FDI levels.

The number of headquarters established in Europe fell by an even greater amount, plummeting 23% year-on-year to 285 projects.

The decline in both types of FDI reflects businesses' concerns about political uncertainty and declining demand for their goods and services in Europe, which in turn is caused by downbeat economic growth prospects.

Industrial FDI resists, R&D grows

A total of 1,869 manufacturing projects were established in 2018, a 6% annual decline. This is a result of a combination of weakening economic growth prospects and uncertainty about the UK's trading relationship with the EU. Tellingly, manufacturing FDI nosedived 35% in the UK. Despite the annual decrease, 84% more manufacturing projects were established in 2018 than in 2013.

On a more positive note, R&D FDI increased 16% to 605 projects in 2018, underpinned by a 45% surge in digital R&D projects across Europe. In fact, 44% of R&D FDI projects were initiated by companies in the digital sector last year. Illustrating the long-term nature of the increase, R&D FDI has doubled in the last five years across Europe.

In parallel, supply chain reorganization strategies that started two years ago across Europe maintained a high level of FDI in logistics projects (+5%) last year.

1,869

projects

A total of 1,869 manufacturing projects were established in 2018, a 6% annual decline.

Europe confirms its digital attractiveness

Sector	2018	Change	Market share
Digital	1,227	5% ↑	19%
Business services	732	-18% ↓	12%
Transportation manufacturers and suppliers	535	1% ↑	8%
Machinery and equipment	456	39% ↑	7%
Finance	421	23% ↑	7%
Agri-food business	402	11% ↑	6%
Transportation and logistics	382	-4% ↓	6%
Chemicals and plastics	356	-12% ↓	6%
Electronics and IT	302	18% ↑	5%
Utility suppliers	181	-15% ↓	3%
Metals	175	-15% ↓	3%
Pharmaceuticals	153	-60% ↓	2%
Raw materials	153	28% ↑	2%
Textiles, clothing and leather	142	31% ↑	2%
Research and scientific instruments	137	427% ↑	2%
Other	602	-34% ↓	9%
Total	6,356	-4% ↓	100%

Source: EY European Investment Monitor (EIM) 2019.



For the sixth consecutive year, Europe's digital sector attracted more FDI than any other industry, with the number of FDI projects increasing by 5% in 2018. In the last five years, the number of digital FDI projects has more than doubled.

FDI in Europe's digital sector is driven by US business, which was responsible for 37% of digital FDI projects in Europe last year.

FDI in the business services sector – historically Europe's second-largest industry for FDI – registered a significant 18% annual decline. The number of business services projects fell in all of the top three destination countries (Germany, France and the UK).

By contrast, FDI was strong in Europe's traditional industrial sectors. The combined number of FDI projects in the transport, machinery and chemicals industries increased 4% to 1,729 projects in 2018.

3 Europe's attractiveness in 2019: navigating complexity

A close-up photograph of a person's hands holding a tablet computer. The person is wearing a dark jacket. The background is a blurred industrial factory setting with various machinery and equipment. The top half of the image is a solid yellow color.

10%

of surveyed businesses plan to invest in manufacturing, supply chain and logistics projects this year compared with 16% last year.

Investment plans drop

Faced with a downturn in growth expectations, businesses are easing off on FDI globally, including in Europe.

Only 27% of surveyed businesses plan to establish or expand operations in Europe in 2019, which is significantly less than the 35% that planned to last year. In fact, investment plans now stand at a seven-year low.

An imminent recovery in investment attractiveness looks unlikely. Only 37% of surveyed businesses foresee an improvement in Europe's attractiveness in the next three years, which is significantly less than the 50% that did so last year.

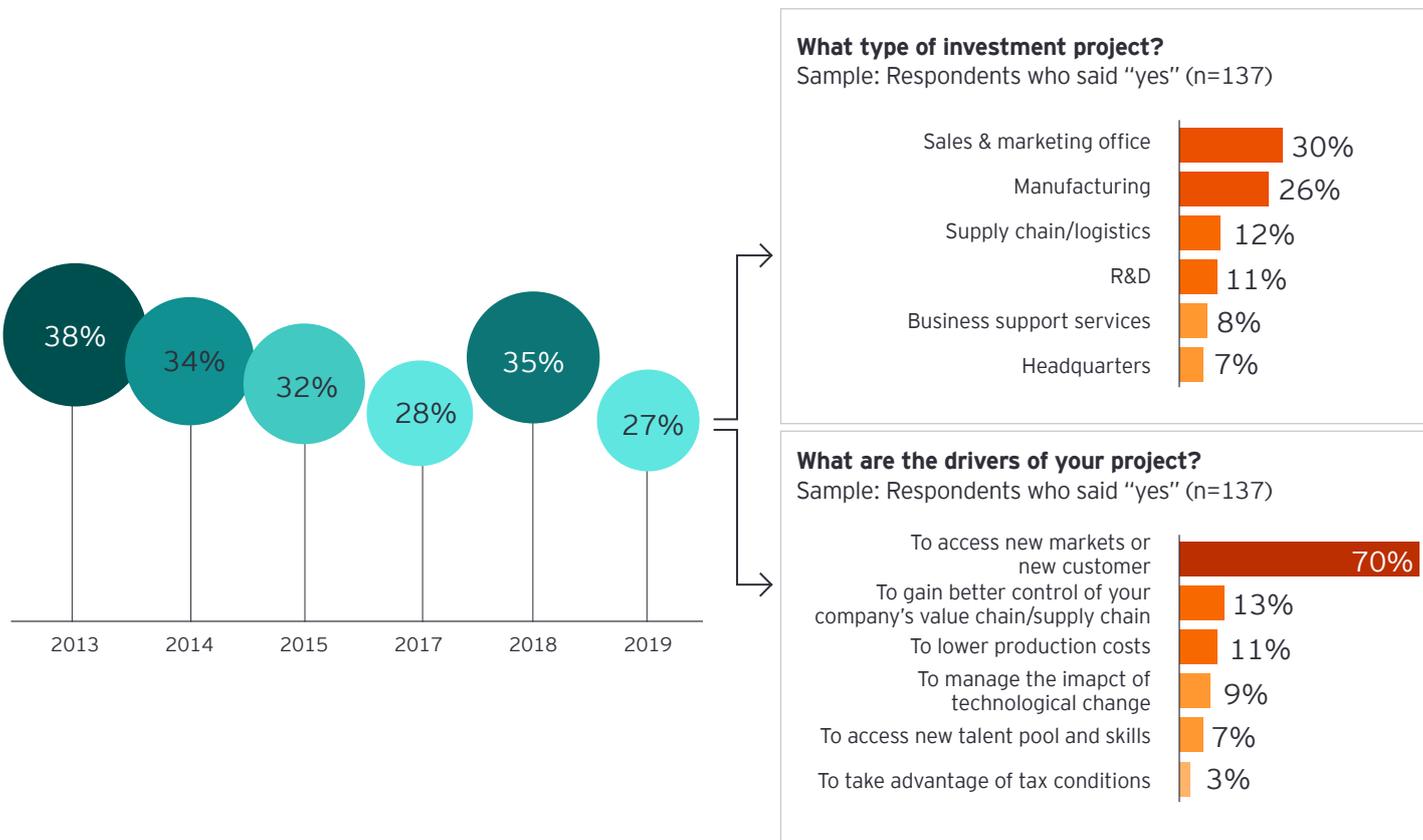
The decrease is primarily caused by decelerating manufacturing and supply chain FDI plans, which perhaps reflects the end of the supply chain reorganization cycle: only

10% of surveyed businesses plan to invest in manufacturing, supply chain and logistics projects this year compared with 16% last year.

Declining investment plans are undoubtedly a result of the cocktail of Brexit, wider political uncertainty and a weak economic outlook across Europe.

Furthermore, continuing US-China trade tensions, tighter credit controls in China and a more restrictive monetary policy in many large economies has dampened the outlook for global economic growth. Tellingly, the International Monetary Fund (IMF) predicted global GDP growth of 3.3% in April 2019, a significant decrease on the 3.9% growth predicted 12 months earlier.

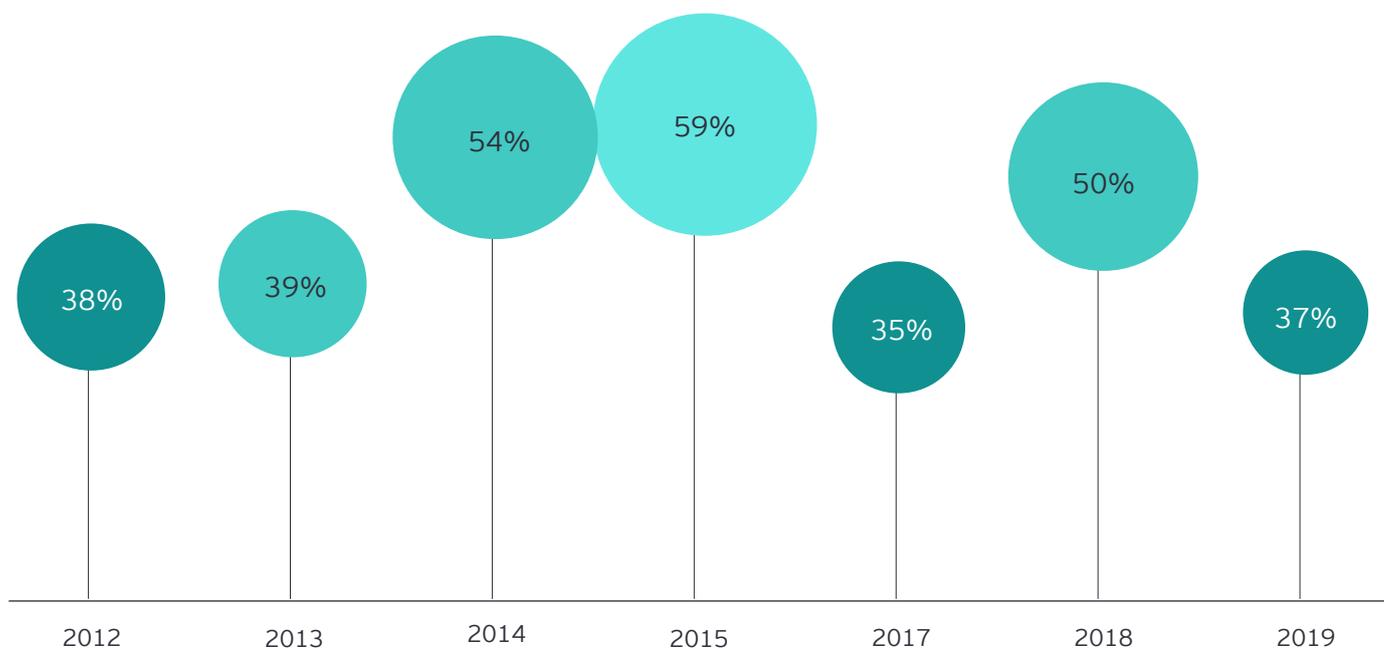
Does your company have plans to establish or expand operations in Europe over the next year?



Source: EY Attractiveness Survey Europe June 2019 (total respondents: 506).

Note: The size of the chart indicates the percentage of investors who said "yes" to the above question.

To what degree do you think Europe's attractiveness will evolve over the next three years?



Source: EY Attractiveness Survey Europe June 2019 (total respondents: 506)

Note: The size of the chart indicates the percentage of investors who said "slightly or significantly improve" to the above question.

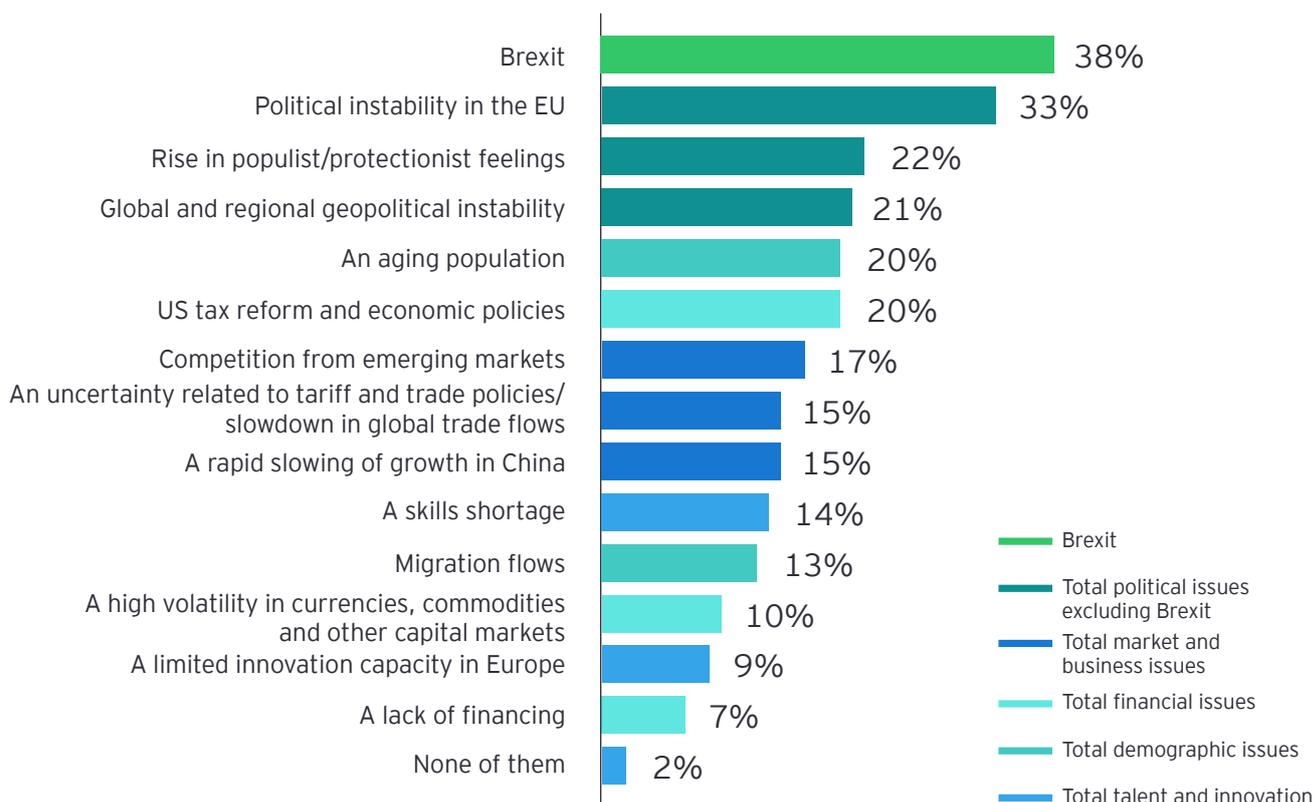


Brexit plagues Europe's attractiveness, not only the UK's

At the time of our 2018 report, Brexit was certainly on businesses' minds, but most expected a fairly smooth and orderly transition from the status quo to Europe's new political and economic relationship with the UK. Fast-forward 12 months and turmoil ensues ...

Survey participants are unsurprisingly alarmed. Thirty-eight percent cite Brexit as one of the top three risks to Europe's attractiveness in the next three years - a significant increase on the 30% that did so last year. This means Brexit is now the most significant risk to Europe's attractiveness; last year, it was only the fourth.

What are the main risks affecting the attractiveness of Europe in the next three years?



Source: EY Attractiveness Survey Europe June 2019 (total respondents: 506)

A no-deal Brexit would mainly harm Europe’s investment attractiveness through its impact on trade between the UK and the rest of Europe. A no-deal scenario would not only introduce tariffs on UK exports to the EU but also non-tariff frictions related to product standards, documentary requirements and border delays.

Because 44% of its exports of goods and services go to the EU, the UK will undoubtedly be the biggest loser from a no-deal scenario. But other European countries would be hit hard too. The United Nations Conference on Trade and Development (UNCTAD) estimates that EU exports to the UK would decrease by approximately US\$35b in the event of a no-deal Brexit, representing 10% of total EU exports to the UK.²

Of course, the policy of the UK Government and the EU is to avoid this kind of scenario, and the impact on trade and FDI would be significantly softened if a deal is agreed. However, the stark impact of a no-deal outcome on trade explains why its possibility is hurting Europe’s attractiveness. At the time this report went to publication, the UK Government was seeking to pass the Withdrawal Agreement and Political Declaration through its Parliament by the extended deadline of October 2019.

Brexit will damage Europe’s attractiveness in other ways. Companies like the UK because of its abundance and mobility of skilled labor, but this could be compromised if Brexit reduces the level of immigration. More fundamentally, Brexit exposes weaknesses in the very institutions that hold Europe together and have made it such an attractive investment destination over the last 10 years.

² “Brexit. Implications for Developing Countries” UNCTAD, April 2019.



US tax competitiveness will continue to bite

At first glance, US tax reform is impacting investment. The reforms, introduced in December 2017, cut corporate tax rates from 35% to 21% and give global companies a one-time special rate of 15.5% on the repatriation of profits earned abroad.

The impact of tax reform on US attractiveness is, of course, hard to isolate because businesses consider many factors when making investment decisions. Indeed, any increase in positive investment sentiment toward the US due to tax reforms may be undermined by decelerating economic growth. The Federal Reserve Board predicts economic growth of 2.1% in 2019 and 1.9% in 2020.³ Last year, the US economy grew 2.9%.

However, 38% of respondents to our survey say North America is one of their top three places to establish operations – a four-point annual increase. Sentiment toward North America has risen around the world but is most pronounced in Asia (where 39% say the region is one of their top three investment destinations compared with 31% last year) and North America itself (52% this year compared with 46% last year).

Given the size of the US economy, tax reform could also materially impact FDI in Europe. But while it may cause multinationals to repatriate European earnings to the US, a material shift of job-creating FDI from Europe to the US is unlikely.

³ Federal Reserve press release, [Federal Reserve](#), March 2019.

Europe must step up its global game

Our survey indicates, however, that Europe needs to work on key fundamentals to remain a priority destination for entrepreneurs and global firms, and to retain talent and capital.

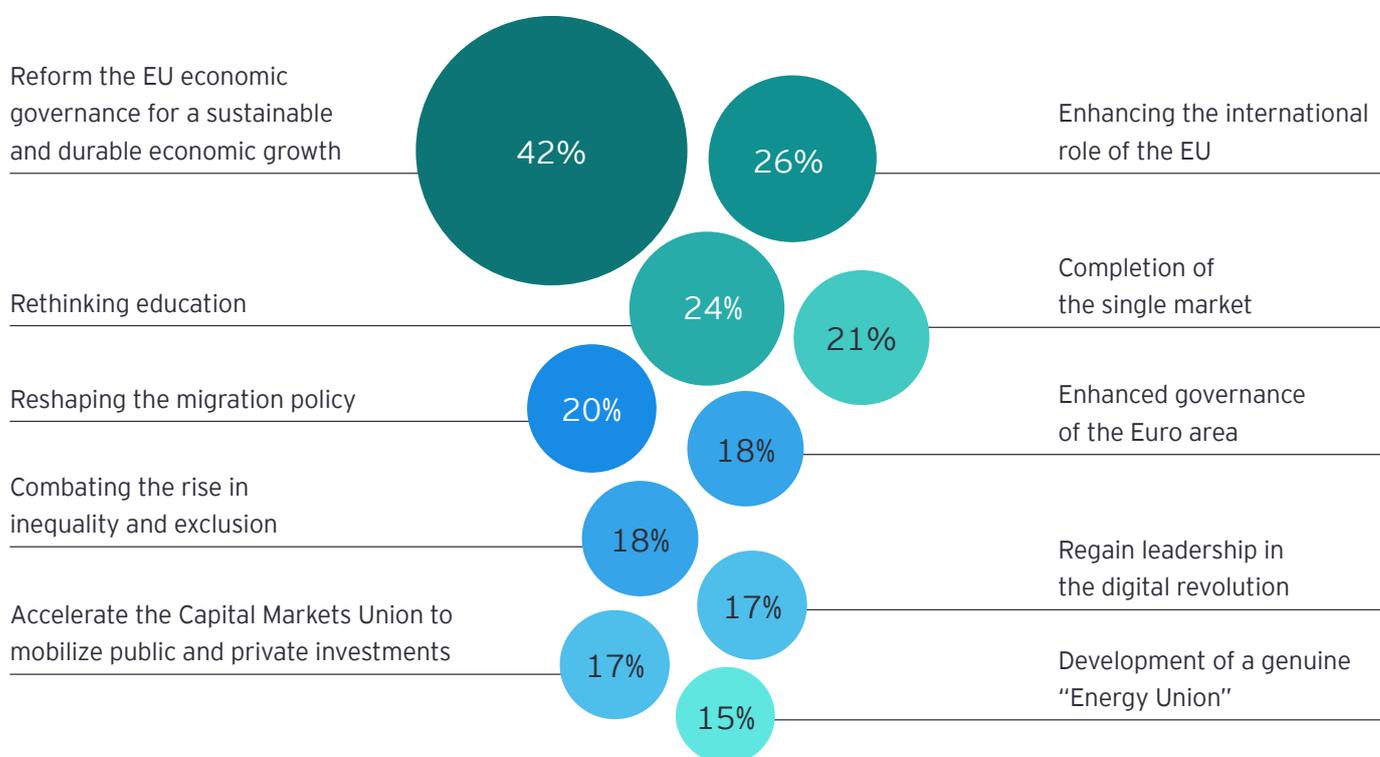
When we asked investors what the European Union (EU) needs to fix to improve competitiveness and growth, they highlighted areas of weakness where opportunity awaits. These are manifold: from infrastructure to skills and education; from the digitalization of public services to cybersecurity and data protection; and enhancing legal, tax and financial support systems so that they provide the right business environment for digital entrepreneurship to flourish.

However, according to 42% of surveyed businesses, the EU's top priority should be to reform economic governance to ensure sustainable and durable economic growth. Twenty-six percent add that the EU should enhance its international role.

Europe needs to play a more structured and active role within its borders to avoid other missteps such as Brexit;

- ▶ Put its political mouth where its economic weight is; and
- ▶ Act as a global power in the multipolar battle with the US, China and Russia.

In your view, where should the EU concentrate its efforts in order to maintain its competitive position in the global economy?



Source: EY Attractiveness Survey Europe June 2019 (total respondents: 506).

4 Talent, trade, technology and tax: Europe's roaring four Ts

57%

of Europeans had
"basic" or "above basic"
digital skills in 2017.



How can Europe maintain its attractiveness and competitiveness on the global stage? EY research and interviews with experts have identified four major factors. They relate to four Ts: talent, trade, technology and tax.

Viewpoint

External Viewpoint



Jyrki Katainen
Vice-President,
European
Commission

Unleashing economic growth in Europe

The skills imperative

Investing in our future means investing in human capital.

The European Social Fund has supported more than 15 million people to develop the skills they need for today's labor market.

The Erasmus+ program* and its predecessors have given 10 million people the opportunity to study,

train or volunteer abroad. In addition, Member States need to adapt their education and training systems to equip people with the right skills for the labor market.

In an ageing society and in the face of digitization, investing in education, training and lifelong learning as well as reskilling and upskilling of the EU workforce – and ensuring equal opportunities in doing so – will be essential.

Deepening the single market

We need to continue to foster growth and ensure sustainable prosperity by further deepening the single market in all its dimensions and strengthening structural reforms at national level. A strong Economic and Monetary Union must be made of strong Member States with responsible fiscal policies.

I believe that the two biggest drivers of economic growth for the EU in the coming years will be the circular economy and AI. We need to work together to boost Europe-made and human-centric AI.

We need to upgrade, modernize and fully implement the single market in all its aspects, removing any artificial distinction between traditional 'brick-and-mortar' and digital markets. A deepened single market, with an integral digital economy dimension based on data protection, will enable businesses to scale up and trade across borders.

Deepening the Economic and Monetary Union is a means to an end: more jobs, sustainable growth, investment, social fairness and macroeconomic stability.

* Erasmus stands for European Community Action Scheme for the Mobility of University Students.



Talent

Plan for tomorrow's skills today

The war for talent is intense

Skills shortages are undermining business performance in Europe. Almost three-quarters of European businesses say skills shortages are damaging productivity and profitability, and two-thirds say it damages top-line growth.⁴

This problem has the potential to get much worse. The aging population, coupled with rising anti-migration sentiment, will undoubtedly reduce the future pool of workers that businesses can recruit from. The total labor supply of those aged 20 to 64 in the EU is projected to fall by 2% by 2030

and a further 8% between 2030 and 2070, according to the European Commission (EC).⁵

No wonder 48% of businesses say access to skilled labor is critically important in determining where they invest in Europe.

To mitigate this problem, businesses must evaluate which skills they will need in the future and communicate this to government. This is not a one-off process. As business models evolve and new technologies come to the fore, the required human skills change too.

48%

of businesses say access to skilled labor is critically important in determining where they invest in Europe.

⁴ "How to unlock Europe's digital growth potential," EY, December 2018.

⁵ "The 2018 Ageing Report: Economic & Budgetary Projections for the 28 EU Member States (2016-2070)," European Commission, May 2018.

Boosting Europe's digital talent

Tellingly, 52% of surveyed businesses say the availability of a workforce with technology skills is "critically important" in determining where they invest in Europe.

A further 42% say it is "important." This makes technology skills the most important factor in determining where businesses invest and, consequently, an area where the EU can cement its digital competitiveness.

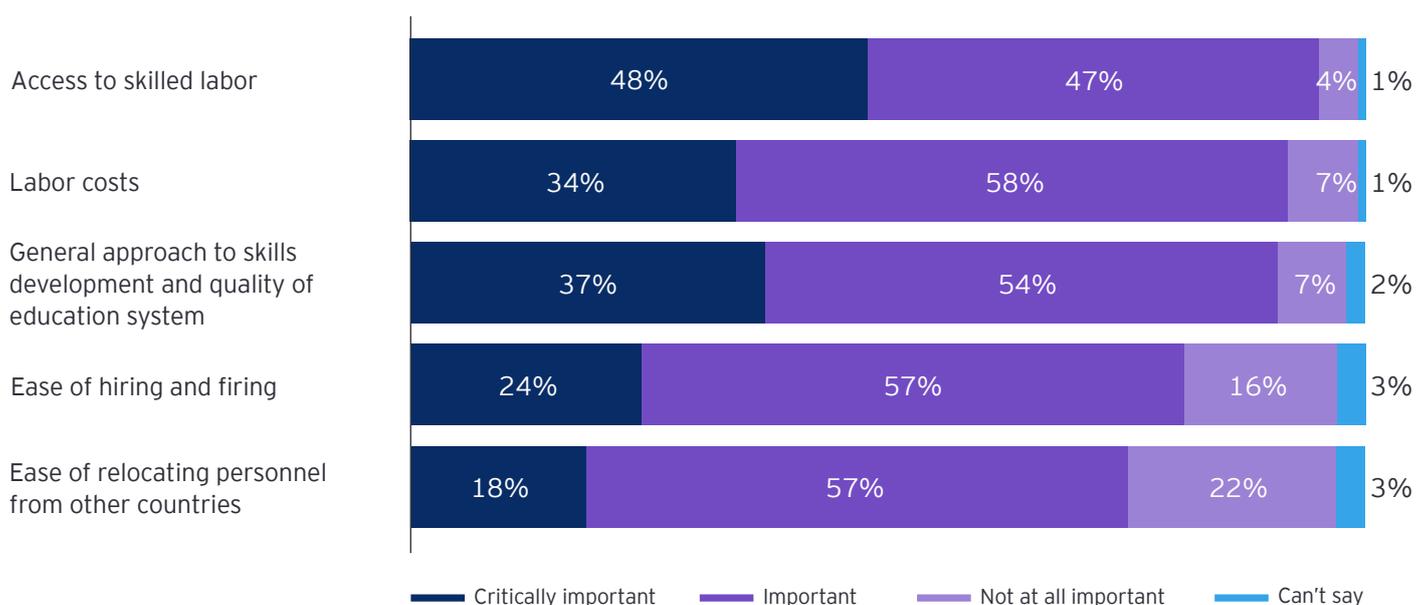
True, Europeans are gradually improving their digital skills – about 57% of Europeans had "basic" or "above basic" digital

skills in 2017, an uptick on the 55% that did so in 2015.⁶ But large gaps still exist, especially in areas such as cybersecurity, AI and robotics, and big data and analytics.⁷

In parallel, more than 8 out of 10 businesses say a strong network of technology start-ups and research institutions, regulatory support and the availability of capital is important in determining where investment is allocated.

By making improvements in these areas, the EU can boost its overall competitiveness, attract more FDI and, ultimately, increase long-term economic growth and employment in all sectors.

How important are the following talent-related factors in determining where you invest in Europe?

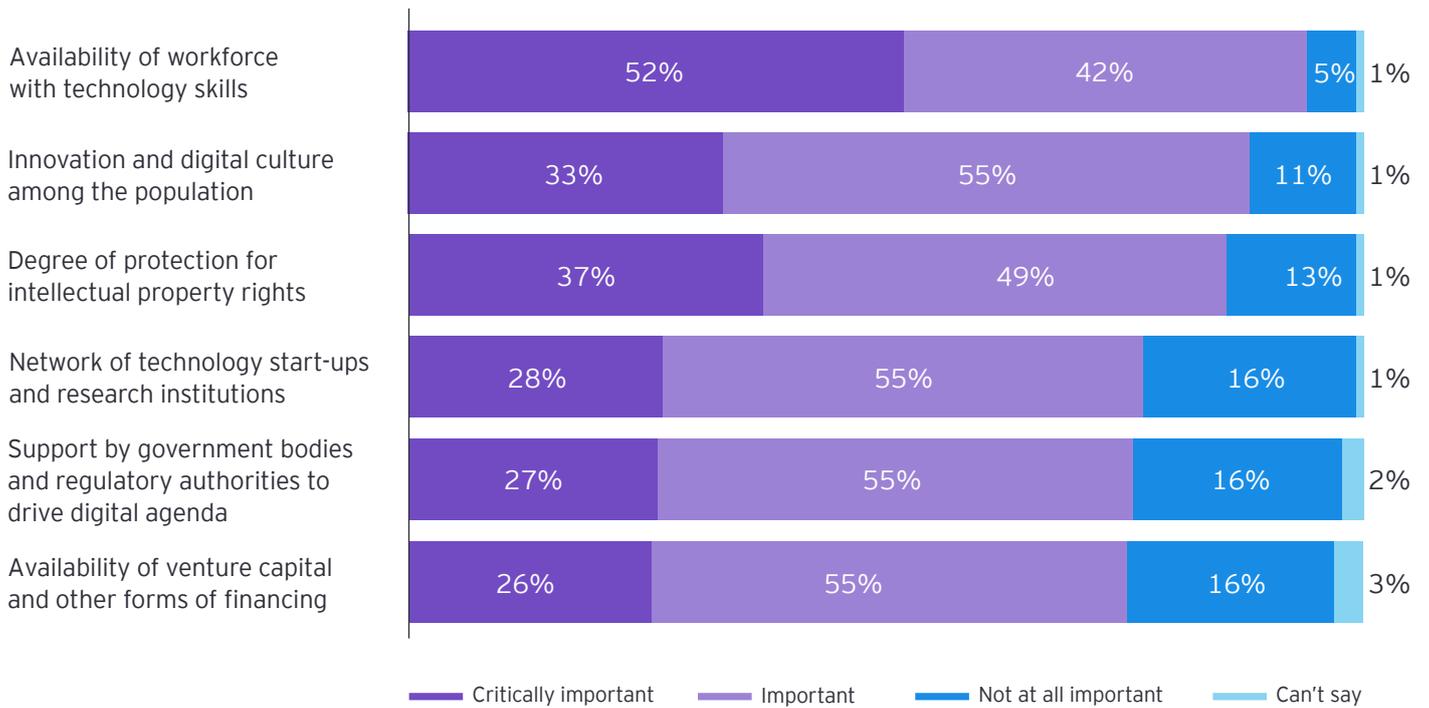


Source: EY Attractiveness Survey Europe June 2019 (total respondents: 506).

⁶ "European Semester 2019: Key Figures," [European Banking Federation](#), accessed 6 May 2019.

⁷ "How to unlock Europe's digital growth potential," [EY](#), December 2018.

How important are the following technology-related factors in determining where you invest in Europe?



Source: EY Attractiveness Survey Europe June 2019 (total respondents: 506)



Viewpoint

External Viewpoint



Bohdan Wojnar
Member of the Board, Human Resources, Škoda Auto

New opportunities, new skills

Upskilling is everyone's responsibility

Automotive companies must rapidly embrace digitalization, e-mobility and autonomous driving technologies to remain competitive in today's rapidly changing market.

But businesses will fail to transform if they do not possess the necessary skills, particularly those related to advanced digital

technologies. Unfortunately, these competencies are in short supply in the Czech Republic and across Europe.

This isn't just a feature of the automotive sector. Every other manufacturing and engineering industry feels the same pain.

Governments are ultimately responsible for modernizing education systems to create the skills that industry needs.

How can this skills gap be plugged? Governments are ultimately responsible for modernizing education systems to create the skills that industry needs. In particular, we would value greater focus on IT and technical skills at the early stages of education.

But businesses have a strong role to play too. Therefore, we have run a vocational school for the last 90 years, which teaches new skills to pupils and existing employees. This is absolutely vital to remain competitive.

Attracting the next generation

Training aside, businesses need to ensure they can attract the next generation of workers, who have different aspirations and demands from their predecessors.

To entice these workers, businesses must facilitate mobile and flexible working and promote job sharing. It's not good enough to simply allow this. Businesses must also equip their staff with the technology needed to effectively work remotely.

Furthermore, it's imperative to continually seek to automate processes through robotics and other technologies. This not only improves efficiency but also frees people to focus time and energy on expressing their creativity – something that, for now, robots cannot deliver. All workers benefit from this, as does the company.

Viewpoint

EY
Viewpoint



Tricia Nelson

Partner, Head of
Workforce Advisory
Practice UK&I

Bridging the skills gap

Companies must plan for their future skills requirements today. But many are not.

As a first step, businesses must think about which skills will be needed in the future. Many have a simplistic view that they will need more technical skills and people that are adept with new digital technologies.

This is true, but they will also need people with higher emotional

quotient (EQ) skills and “softer” skills; people that can analyze, understand and interpret data and then communicate it effectively to their peers, as well as understand how to exploit technology.

Businesses then need to think about obtaining these skills. Employees are increasingly more demanding of their employers than 25 years ago. Employees have essentially become consumers, so can no longer be treated as a commodity.

Employees have essentially become consumers, so can no longer be treated as a commodity.

As all age groups become more agile, confident and flexible, organizations must dig deep to understand what the employee experience must be – and it's not one shoe fits all.

Recruitment is part of the answer. Businesses need to really think about the type of people they want to recruit and then tailor their approach accordingly. For example, some smart businesses have realized it is okay to tell candidates that they don't expect them to stay in the job forever if the type of people they need probably won't want that.

The smart businesses today also think seriously about reskilling existing workers as they already have the domain knowledge and the cultural fit. The speed of change and need to reskill in many sectors is going faster than anyone could have predicted.

Collaboration is key

How do you achieve the right skills in the right location at the right cost while doing right by your customers? That's the key talent strategy question of today.

I know of a fintech company that relocated headquarters from London to Scotland to access a large and untapped digital talent pool. The company committed to employ students from the local university specializing in certain skills.

As demonstrated by this company, collaboration with academic institutions and professional bodies will be crucial to access top talent.



Trade

Fight the good fight

Resist protectionism ...

The EU has a vital role to play in stemming the rising tide of protectionism around the world. Of course, it should impose retaliatory tariffs where appropriate, but the underlying objective must continue to be to remove, not introduce, trade barriers.

Whether it be with the US, Russia, China or even the UK, the EU must strike a careful balance between preserving security and regulatory standards and creating an open trading environment.

Indeed, Europe's historic success in attracting FDI has been underpinned by the creation of a free trade environment. The single market and Customs Union ensure tariff-free trade on goods and services between Member States. In parallel, Europe's trade agreements with more than 70 non-EU countries enable seamless trade with major nations around the world.

The EU is forging ahead with signing trade deals. The EU-Japan trade deal came into force in February 2019, and formal negotiations have begun on eliminating tariffs on trade in industrial products between the US and Europe.

But Brexit now genuinely imperils Europe's attractiveness because the threat of the UK leaving the EU without a trade deal is very real.

Brexit aside, the tide of protectionism is rising around the world. A record 396 barriers to trade and investment for EU businesses existed at the beginning of 2018, a significant increase on the 372 barriers present a year earlier.⁸ These range from import restrictions to overbearing safety standards that effectively prohibit EU exports.

Therefore, the EU must work closely with its trading partners – including the US – to de-escalate protectionist rhetoric and remove barriers to trade. Doing so will boost Europe's attractiveness.

⁸ "Report from the Commission to the Parliament and the Council on Trade and Investment Barriers," [European Commission](#), June 2018.

... and keep an eye on the US-China trade dispute

Although the EU-US trade dispute grabs the headlines in Europe, it is innocuous compared with the all-out trade tension between the US and China. In 2018, the US imposed tariffs totaling around US\$250b on imports of a variety of goods from China. China reacted by imposing tariffs totaling US\$110b on US imports. Then, in May 2019, the US raised tariffs on around US\$200b of imports from China. China responded by levying tariffs on US\$60b worth of imports from the US.

Europe might benefit in the short term. Research by UNCTAD estimates that the EU could capture US\$50b of Chinese exports to the US and US\$20b of US exports to China.⁹

But these benefits are far from guaranteed, and a long-term boost in European FDI is unlikely as any trade benefits could be temporary. More fundamentally, the US-China trade tension represents a threat to Europe and beyond if protectionism escalates to a global level.

Viewpoint

EY Viewpoint



Douglas M. Bell
EY Global Trade
Policy Leader

Protectionism hurts everyone

Brexit uncertainty stymies investment

Investment in the UK and Europe has undoubtedly decreased due to the uncertainty created by Brexit.

This uncertainty will clear as the political process hopefully resolves itself. But we have to remember that the UK has historically been viewed by overseas businesses as a platform to export to the rest of the EU. If the UK continues to

have a close trading relationship with the EU after Brexit, this position will likely be maintained. But if it doesn't, businesses might look elsewhere for their platform into Europe.

There is a lot of attention on tariffs, but regulatory adherence with EU standards is equally important. It's a

hugely political issue, but if the UK aligns to EU standards, it will be easier to maintain its attractiveness.

US-China tensions harm everyone

The current trade talks between the US and China will probably end with a deal. But it is unlikely to completely resolve the structural issues that the US has with China in terms of allowing access to its own market or forced technology transfer. Of course, the EU and other countries share these concerns.

Some have suggested that the EU could capture some US-China trade if things escalate. But it is too early to say. It is also very difficult to predict the impact of these ongoing tensions on actual growth and investment in Europe.

Increases in protectionist measures also lead to inefficiencies, which have negative economic impacts around the world, including in Europe. Everyone benefits if they are removed.

⁹ "Trade Wars: The Pain and the Gain," UNCTAD, February 2019.

Viewpoint

External Viewpoint



Arancha González
Executive Director,
International Trade
Centre (ITC)

Protectionism damages the global economy

The concerning surge of national security interest protectionism

There has always been a certain dose of market protectionism. For decades, countries have restricted foreign companies' access to their markets through tariff and non-tariff measures.

What is new today is the surge in unilateral measures to restrict

market access for foreign companies on the basis of national security. At the heart there is a geopolitical conflict between the US and China.

In the short term, there could be opportunities for European exporters because they could displace Chinese exports to the US and US exports to China.

But in the long term, Europe will also be hurt. The ongoing trade conflicts have created instability in the

global economy, which is impacting global investment decisions, including in Europe. We have to remember that Europe's economy breathes with the rest of the world.

A hard Brexit would have enormous economic consequences

There has already been a shift in investment from the UK to continental Europe following the referendum result, especially to countries such as the Netherlands. This has been driven by fears of a very hard Brexit, which would significantly impair trade between the UK and Europe. It would also have enormous economic consequences for the UK.

It needs to be resolved in the UK political system, but it would be better for the UK to remain in the Customs Union and closely aligned with EU regulatory practices and decisions.

Such a soft Brexit would not materially impact Europe's investment attractiveness and would certainly do less damage to the UK than a hard Brexit.

We have to remember that Europe's economy breathes with the rest of the world.



Technology

Technology is Europe's big bet

On nearly every measure, Europe's technology sector is growing. Take FDI, for example: the number of digital FDI projects grew 5% in Europe in 2018 – a record high.

In parallel, European technology companies raised US\$23b of venture capital funding in 2018 – more than four times the US\$5b secured in 2013.¹⁰ Furthermore, 69 technology companies listed in Europe in the first nine months of 2018 – more than double the 29 that did so in 2013.¹¹

Europe reaps the rewards of this investment. According to Eurostat, the technology software industry is currently

outpacing the growth of Europe's wider economy by a factor of five.¹² And this is fueling job creation. Europe's technology employment grew 4% in 2018, which is significantly more than the 1.1% employment growth across the EU.

The technology sector's importance in driving wider economic growth is not lost on survey participants. They rank the digital economy sector first in terms of its potential to drive economic growth across Europe in the coming years. CleanTech is ranked second, and the energy and utility sector third.

US\$23b

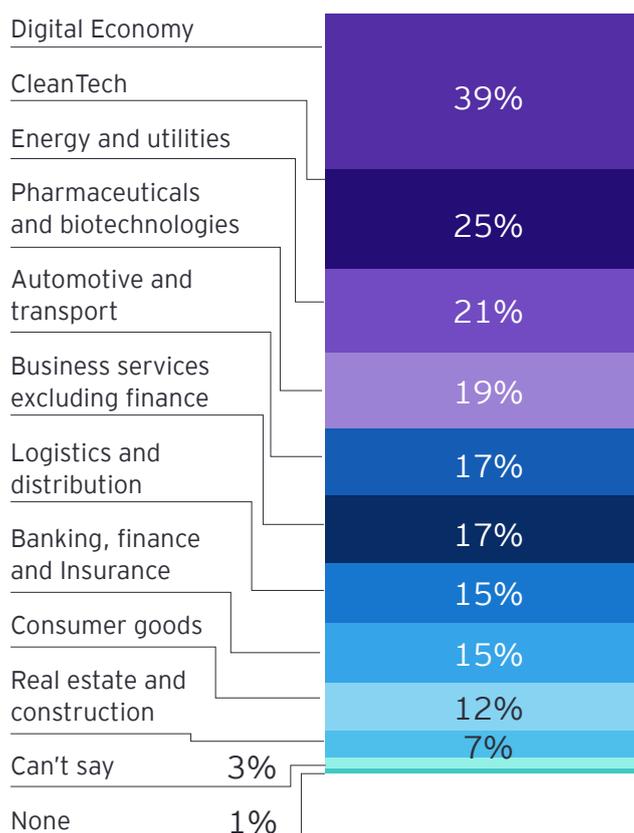
European technology companies raised US\$23b of venture capital funding in 2018.

¹⁰ "The State of European Tech 2018," [Atomico](#), December 2018.

¹¹ "The State of European Tech 2018," [Atomico](#), December 2018.

¹² "The State of European Tech 2018," [Atomico](#), December 2018.

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



Source: EY Attractiveness Survey Europe June 2019 (total respondents: 506)

No room for complacency on infrastructure and regulations

Continued investment in Europe’s technology sector is not guaranteed, however. Europe needs a robust digital infrastructure, particularly with fast and reliable connectivity, to enhance its attractiveness. But connectivity varies significantly across Europe. The EC ranks Netherlands, Luxembourg and Denmark as the top three European countries for connectivity. Italy, Croatia and Greece rank last. Europe also needs to be careful with the business environment it creates for companies. Its data privacy regulation (GDPR), introduced in May 2018, places greater restrictions on handling personal data. This impacts all sectors, but the technology industry is particularly affected due to the vast amounts of data it handles.

The EU has also imposed significant fines on large technology companies for regulatory breaches. Then there is the digital services tax, which numerous technology companies say will harm investment in Europe.

Furthermore, Europe is not home to any technology giants in the same way that the US, China or Japan is. In addition, there are concerns that Europe’s lack of digital skills, especially compared with the US, might put the brakes on technology investment.

Individually, these issues might not dampen investment in Europe to any great extent. Taken together, however, they may cause some businesses to think twice about investing in the continent.



The EU has also imposed significant fines on large technology companies for regulatory breaches.

Viewpoint

External Viewpoint



Pascal Cagni

Chairman and France Ambassador for International Investment, Business France
Founder & CEO, C4 Ventures

Building on France's attractiveness

France's resilience is no surprise

There are two main reasons why investment in France has remained strong despite significant declines in other major markets such as the UK and Germany.

Firstly, France has incredible traits such as its talented workforce, entrepreneurs, infrastructure, economic diversity, industrial sector, and other assets that meets the current needs of the market.

Second, despite some tensions, France is seen as a haven in the face of rising populism and Brexit. This is thanks to reforms that are accelerating the modernization of its economy.

France – the new Silicon Valley?

This idea is not ridiculous. The quality of its talent pool, especially its engineers, its infrastructure, real estate prices, the research tax credit, and its social model that offers incredible living conditions, means France has a tremendous potential.

It can become a world leader in R&D and innovation.

But it must do more to attract investors and entrepreneurs. It needs to make their lives easier. This already started through initiatives such as the French Tech Visa, which simplifies the procedures for people to come to France.

Once companies are established, business leaders are helped to settle down by bringing them into contact with Government services and the wider innovation ecosystem. Investors that feel at home will invest more.

France has incredible traits such as its talented workforce, entrepreneurs, infrastructure, economic diversity, industrial sector, and other assets that meets the current needs of the market.

Viewpoint

EY
viewpoint



Etienne Costes
Partner,
EY-Parthenon

Tech companies pushed and pulled into Europe

Forget old assumptions about Europe's technical skills base

A lot of technology entrepreneurs previously located in the US to get access to the top talent they need. But this is changing, and more companies are now investing in Europe.

This is partly because the world's largest digital giants are employing the best data scientists and coders in the US, making them very expensive and in short supply for the rest of the technology industry.

At the same time, Europe is rapidly improving its technical skills base to the extent that technology companies in the continent can now fill their R&D departments with top-quality people from the best technical universities.

Within Europe, countries such as Sweden and Denmark are very attractive due to the vibrant venture capital and private equity funding environment. They are becoming the new Israel in terms of tech innovation.

Europe needs a more robust digital infrastructure

The adoption of technology also impacts FDI in all sectors. In particular, the quality of digital infrastructure – and more specifically, the rollout of fiber optic networks – is a significant determinant of where businesses invest. All European countries now realize this, but some were very slow to start implementation.

In addition, the adoption of robotic process automation (RPA) is in full swing across Europe. This will replace low-value work typically conducted in shared service centers. Investment in shared service centers, both inside and outside Europe, might decline as a result, but the real value-creating jobs will stay in Europe.





Tax

A stable Europe is an attractive Europe

Stability is key when updating tax regimes

Tellingly, 41% of surveyed businesses say stability of the tax regime is a “critically important” factor that determines where they invest in Europe. A further 52% say stability is an “important” factor.

Fewer (36%) say costs of employment taxes are “critically important” in determining investment decisions and only 24% cite corporate tax rates.

This is because businesses favor investing in countries with stable and predictable tax regimes. This is, in fact, more important than tax rates themselves, let alone specific rebates and incentives, in determining where businesses invest.

Stability aside, international businesses struggle with Europe's fragmented tax structure. To partly remedy this, the EC re-launched the common consolidated corporate tax base (CCCTB) in October 2016.

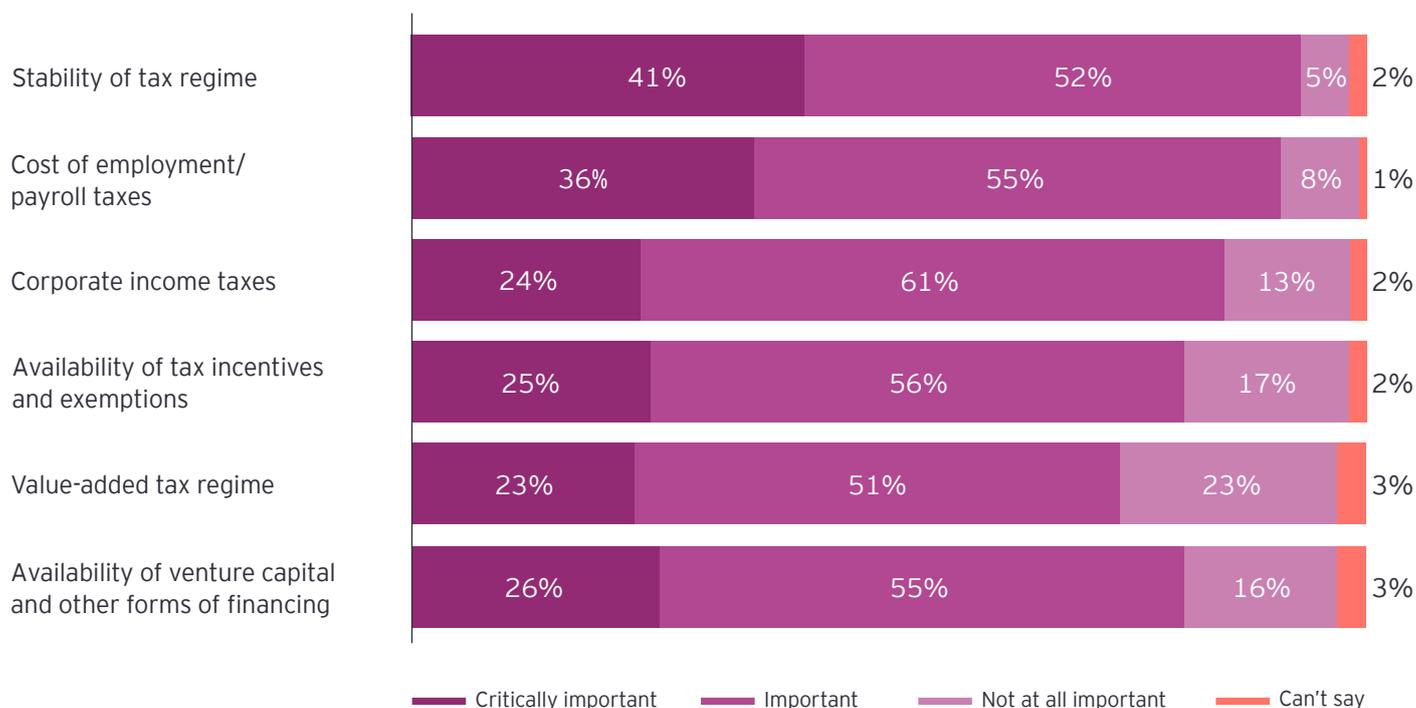
Under the proposals, businesses operating across the EU will no longer have to deal with multiple national rules when calculating their taxable profits. There would in effect be a principal tax authority to whom businesses could file a single tax return for Europe.

Although EU Member States remain unconvinced about its benefits and implementation, businesses should closely monitor its progress.

41%

of surveyed businesses say stability of the tax regime is a “critically important” factor that determines where they invest in Europe.

How important are the following tax-related factors in determining where you invest in Europe?



Source: EY Attractiveness Survey Europe June 2019 (total respondents: 506)

Tax regimes must evolve, gradually

From the Digital Services Tax (DST) and the Financial Transaction Tax to the Anti-Tax Avoidance Directive, a number of new tax regimes and rules are being introduced across Europe to keep pace with rapidly changing business models and technologies.

Because businesses crave tax stability, any changes should be communicated clearly and far in advance of their implementation so that businesses have enough time to plan and adjust.

Certain businesses have decried the DST and claimed it will undermine investment in Europe’s booming technology sector. But tax is just one factor that determines where businesses invest, and the new tax regime is simply a response to businesses’ evolution toward digital service delivery models. It will be key to avoid complexity when introducing the DST. Member States such as Italy, France, Spain and the UK have proposed separate DST legislation. This is exactly the scenario the Commission wanted to avoid because it would create further compliance complexity, not only for technology industry tax directors, but many others who may be unsure whether they fall within its scope.

Remain competitive globally

According to UNCTAD, almost 50% of the world's FDI stock could be affected by the US federal tax overhaul launched late in 2017. Reducing the US federal corporate income tax (CIT) to 21% from 35% was expected to increase the US investment attractiveness overall and lead to repatriation of almost US\$2b of assets held overseas by US multinational companies.

In the first quarter of 2018, outward US FDI fell to negative US\$145b from positive outflows of more than US\$100b the previous quarter. This was the first quarter of negative US outward FDI since 2005.¹³

However, by far the largest component of this investment is repatriation of US companies' foreign earnings. There is, therefore, a question as to whether tax reforms will cause businesses, located in the US or overseas, to increase investment in real, job-creating assets.



¹³ "F in figures," OECD, July 2018.

Viewpoint

EY
Viewpoint



Ute Benzel
EY EMEIA Tax
Leader

Europe has the tax stability that businesses find attractive

The world is global, but tax stays local.

Businesses must consider local tax-related factors, not just corporate tax rates, when evaluating where they invest. They must also evaluate the stability of the tax regime.

In my view, Europe has a very stable and predictable tax system.

However, tax is only one of many factors that businesses consider when deciding where to invest. Speaking with CEOs and CFOs, fundamentally, producers of goods and services want to be near their customers and customer base. Staying close to the European market, which is growing, makes sense.

Europe has a very stable and predictable tax system.

Digital Services Tax is new, but not unexpected

The European Commission and the OECD have been studying options and recommendations on Digital Services Tax for many years and consulted with businesses, so it isn't a surprise.

Digital service business models have evolved rapidly, and any new tax simply represents the tax system adapting to the new business environment.

This is happening with respect to many individual technologies too. Take blockchain, for example. The current tax system and rules don't cater for it. They will eventually, but this hasn't stopped people investing in the technology.

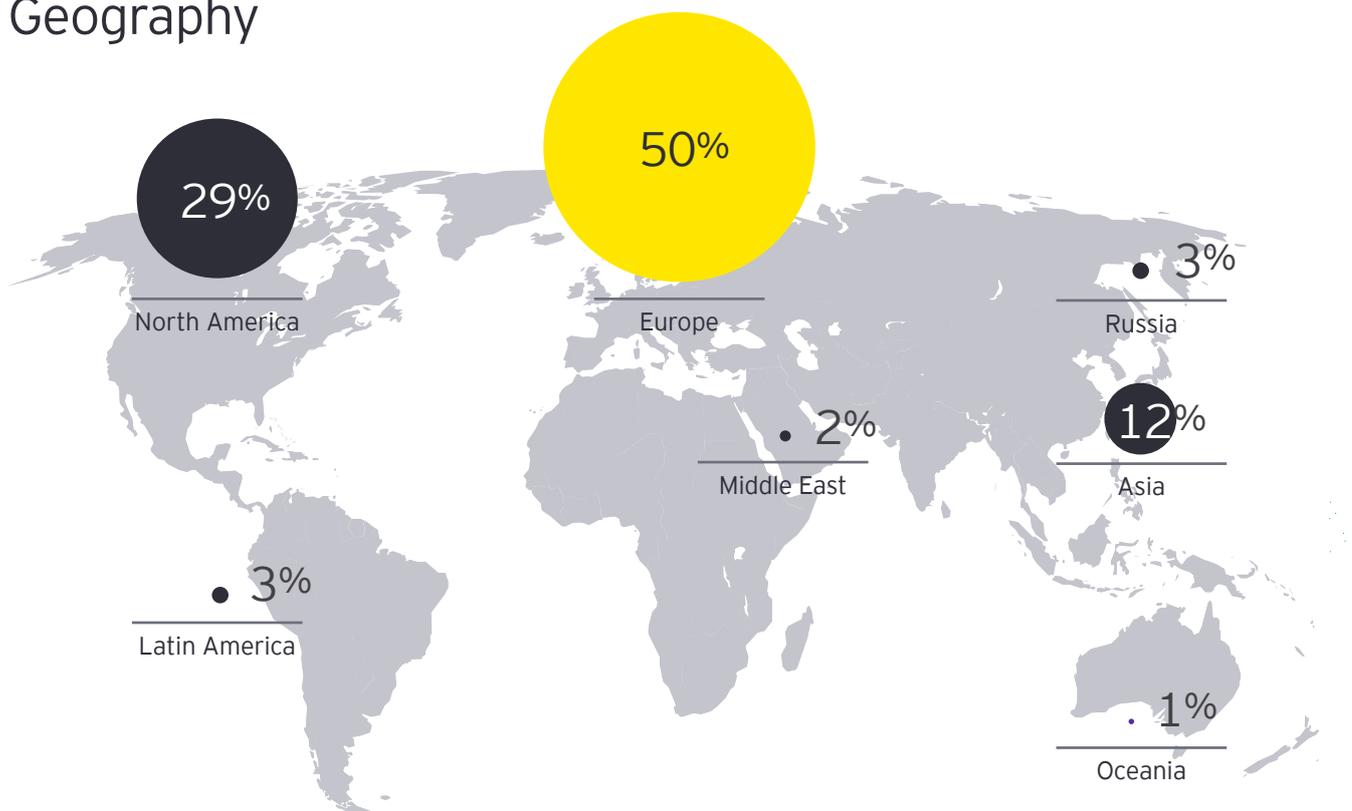
US tax reform does not harm Europe

US tax reform does not impact Europe's attractiveness. While tax rates have generally decreased in the US, some specific activities are taxed more.

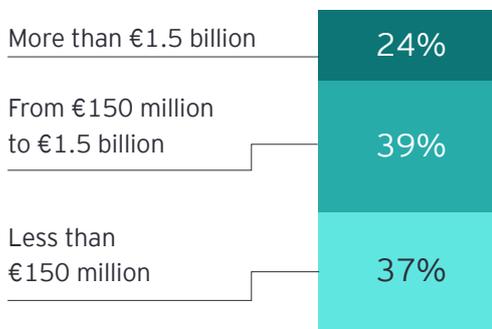
Again, taking into consideration all the factors that businesses consider when investing, I don't think businesses will move to the US to serve the European market. In my view, investment decisions will be impacted more by trade discussions rather than tax.

Methodology

Geography



Size



Job title



Sector activity



Source: EY Attractiveness Survey 2019 – Europe.

The “real” attractiveness of Europe for foreign investors

Our evaluation of the reality of FDI in Europe is based on the EY European Investment Monitor (EIM), EY proprietary database, produced in collaboration with OCO. This database tracks the FDI projects that have resulted in the creation of new facilities and 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 on FDI is widely available. 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 undertaken
- ▶ What activities are invested in
- ▶ Where projects are located
- ▶ Who is carrying out these projects

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

The EY EIM 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 the EY EIM:

- ▶ 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)
- ▶ Nonprofit organizations (charitable foundations, trade associations and government bodies)

*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 center, this project would qualify for inclusion in the database.

The perceived attractiveness of Europe and its competitors by foreign investors

We define the attractiveness of a location as a combination of image, investors' confidence and the perception of a country's or area's ability to provide the most competitive benefits for FDI. The field research was conducted by the CSA Institute in January and February 2019 via telephone interviews, based on a representative panel of 506 international decision-makers.

This panel was made up of decision-makers of all origins, with clear views and experience of Europe:

- ▶ Western Europe: 40%
- ▶ North America: 29%
- ▶ Asia: 12%
- ▶ Northern Europe: 8%
- ▶ Latin America: 3%
- ▶ Russia: 3%
- ▶ CEE: 2%
- ▶ Middle East: 2%
- ▶ Oceania: 1%

Overall, 81% of the 506 companies interviewed have a presence in Europe. And of the non-European companies, 35% have established operations in Europe.

About the EY Attractiveness program

EY Attractiveness Surveys are widely recognized by clients, media, governments and major public stakeholders as a key source of insight into FDI. Examining the attractiveness of a particular region or country as an investment destination, the surveys are designed to help businesses make investment decisions and governments remove barriers to growth. A two-step methodology analyzes both the reality and perception of FDI in the country or region. Findings are based on the views of

representative panels of international and local opinion leaders and decision-makers.

The program has a 18-year legacy and has produced in-depth studies for Europe, a large number of European countries, Africa, the Mediterranean region, India, Japan, South America, Turkey and Kazakhstan.

For more information, please visit:
ey.com/attractiveness #EYAttract

About EY

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