

Bridging the gap

EY's UK Attractiveness Survey

UK cities and towns

November 2018



In collaboration with
Centre For Towns



Building a better
working world

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Introduction

Foreign direct investment (FDI) has been a vital source of capability, economic capacity and jobs for the UK throughout the 20 years EY has been tracking and measuring this activity. The UK's ability to attract FDI continues to be under close scrutiny in the run-up to Brexit, and EY's 2018 UK Attractiveness Survey in June provided clear evidence that investment into the UK economy was beginning to adjust as the Brexit date grew nearer.

The UK retained its position as the leading destination in Europe for FDI in 2017 and, as shown in EY's 2018 UK Regional Attractiveness Survey, the English regions outside of London performed very strongly with a 16% growth in the number of FDI projects attracted in 2017. This was more than twice the growth rate in the UK as a whole and almost five times as fast as London. It is clear that London is feeling the impact of change driven by the Brexit process earlier than the rest of the country – FDI projects for financial services, business services and HQs into London all fell in 2017 although digital investments surged by 34%, 50% faster than the UK as a whole.

However, other findings give cause for concern over the longer-term outlook. Although intentions to invest in the next 12 months were stable at 24% of respondents, over one-third (36%) of investors globally expect the UK's attractiveness to deteriorate over the coming three years, and the gap between investors with positive and negative views is the worst ever in our survey. In addition, 30% of investors said that Brexit may cause them to move assets out of the UK in future. All of this suggests that there is a real risk that the UK's stable performance masks the fact that the UK risks missing out on the investment that would ordinarily drive future growth opportunities.

Although the regions outside of London performed well in 2017, EY previous analysis of the UK's region and city economic performance and the wide-ranging work of the Centre For Towns (CFT) on local economic activity have highlighted the continuing imbalances in the geographic economic performance across the UK. We are therefore keen to understand what the implications of the challenging outlook for FDI are for the UK's regions, cities and towns. Is there a risk that geographic imbalances in the UK economy will increase as the UK economy transforms?

This joint report by EY and the Centre For Towns, a new, independent organization dedicated to providing research and analysis of our towns, presents the results of our investigation into the distribution of announced UK FDI projects across the UK's towns and cities from 1997 to 2017. This report continues EY's long history of sponsorship of research into regional trade, including FDI, and economic development, reflecting the desire of ourselves and the Centre For Towns to encourage an open dialogue between business leaders, investors and policy-makers on how to maximize regional and national economic performance. Our findings are clear:

- ▶ The benefits of FDI have flowed overwhelmingly to core cities and large towns
- ▶ Smaller places have seen almost no growth in FDI project numbers in two decades
- ▶ The UK needs to reshape its approach to attracting FDI to maximize the economic benefit from investment across the country

Executive summary

Core cities, and especially London, dominate the FDI landscape ...

Over the last 20 years, the share of UK FDI projects accounted for by Core Cities¹ has increased from less than a third (31%) in 1997 to over half (56%) in 2017, with 51% of all projects over the last two decades attracted into the major population centers. London has been the primary beneficiary, accounting for 74% of the projects going to Core Cities, but Bristol, Edinburgh, Leeds, Manchester and Newcastle upon Tyne all more than doubled their number of projects attracted between 1997 and 2017. Nevertheless, London's 5,418 projects in the 20 years dwarfs the 382 secured by second-placed Manchester.

... with smaller places struggling to drive growth ...

The Europe-leading performance of the UK in attracting FDI since 1997 has to an extent, masked the wide differences in performance between the Core Cities and other areas. FDI in the Core Cities has increased fourfold since 1997 while, in the main, remaining flat or declining in towns. Over the last two decades, Large Towns have managed to double the number of FDI projects they receive, although their share of FDI has fallen from 26% at the start of the period to 24% last year. Other place types² fared much worse with Medium Towns, Small Towns, Communities and Villages all attracting fewer projects in 2017 than they did in 1997.

... but the market is dynamic ...

When we look at place characteristics using the Centre For Town's classification, the performance of University Towns stands out. The number of FDI projects attracted annually by these locations has increased from 73 to 180 over the last five years with research and development (R&D) related projects a major driver of growth.

Ex-industrial Towns saw a major decline in project numbers from 69 in 1997 to 18 in 2013, but since then there has been a significant revival with 54 projects attracted in 2017, the highest total since 1997. Underlying this improvement was the increase in manufacturing projects attracted by the UK in recent years as the Ex-Industrial Towns have tended to benefit disproportionately from this shift.

The performance of the University and Ex-industrial Towns is consistent with the findings from our previous research and shows that it is possible to improve FDI performance. Foreign investors make their decisions based on the fit between the needs of their businesses and the characteristics of the locations available to them. The market continues to change and the challenge for policy-makers is to anticipate evolving requirements and to provide the support and resources to enable places to respond to market demand.

... with geographic opportunities varying by sector ...

Sales and marketing accounts for the largest share of FDI projects in the UK, having increased from less than a quarter of UK FDI 20 years ago to 56% of the total in 2017. Most of this growth since 2004 has been driven, to a significant extent, by the increasing shift to services in the UK economy and the digital revolution, with many software businesses included in this grouping. This activity has been heavily concentrated in Core Cities (73% of all projects since 1997) and Large Towns (14% in the same period). Headquarters projects demonstrate very similar characteristics with 83% of all projects over the last two decades destined for Core Cities or Large Towns.

By contrast, manufacturing projects are spread across place types with only 13% of projects having gone to Core Cities and 30% to Large Towns in the last two decades. Logistics and R&D-related projects are also more geographically dispersed, with over 40% and 30% respectively of investments going outside of Core Cities and Large Towns.

¹ Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle upon Tyne, Nottingham and Sheffield

² To see the definition of the Centre For Towns place types please see [page centrefortowns.org/about-us](http://centrefortowns.org/about-us)

... that offer potential beyond cities ...

The benefits of agglomeration are clearly a factor in explaining the success that Core Cities and Large Towns have had in attracting sales and marketing investment. However, we can also see that the manufacturing value chain creates more opportunities across different types of place through vertical linkages.

The success of the Core Cities and Large Towns also in part reflect an increasing focus of policy on these areas in recent years. But the more we move into detailed analysis of the UK's FDI performance over the last two decades, the more evidence we find of potential alternative approaches that will allow a more balanced geographic policy mix. For example, the success of University Towns in attracting manufacturing FDI suggests that there may be more opportunities to target this sector in an integrated fashion, providing offers to investors that combine manufacturing, logistics and R&D capabilities.

Scotland is a very interesting case in point, having managed to achieve a balance in FDI across all of its main place types. Glasgow and Edinburgh are successful Core Cities and account for 38% of all FDI projects attracted to Scotland in the last two decades. However, in the same period, Scotland has managed to attract the highest number of projects to Small Towns, Communities and Villages compared to the English regions and Wales.

Scotland's performance may reflect the characteristics of the country to an extent, but other regions also demonstrate the potential of places outside of the major cities. Yorkshire and the Humber, the West Midlands and the North East are all examples of regions where Core Cities successfully dovetail with other Large and Medium/Small Towns to generate a reasonably balanced distribution of FDI. To a significant extent, this balance reflects the relative strength and importance of manufacturing to the economies of these regions.

The South West offers another model. Bristol is a successful Core City in the region and acts as its services hub, supporting other places but also benefiting from the economic activity they generate. Other locations, such as Swindon and Plymouth, are successful in attracting manufacturing investment in specific industries.

... it's time for change

This report identifies a continued structural imbalance between London and the South East and the rest of the UK in terms of the investment they receive from overseas. The UK's Core Cities and Large Towns have been significantly more successful than the rest of the country in attracting FDI in the last two decades. Not only that, but there are within-region disparities between the scale of investment in Core Cities and our largest towns compared with small/medium towns and rural communities. This reflects, in part, the characteristics of different place types and the attitude of investors – sales and marketing projects have grown significantly and these have tended to go to larger population centers. However, the lack of an industrial strategy in the UK for much of this period has meant that the UK underperformed in attracting manufacturing FDI. This has adversely affected the FDI performance of places outside of Core Cities as the latter are the destinations that manufacturing projects typically flow to.

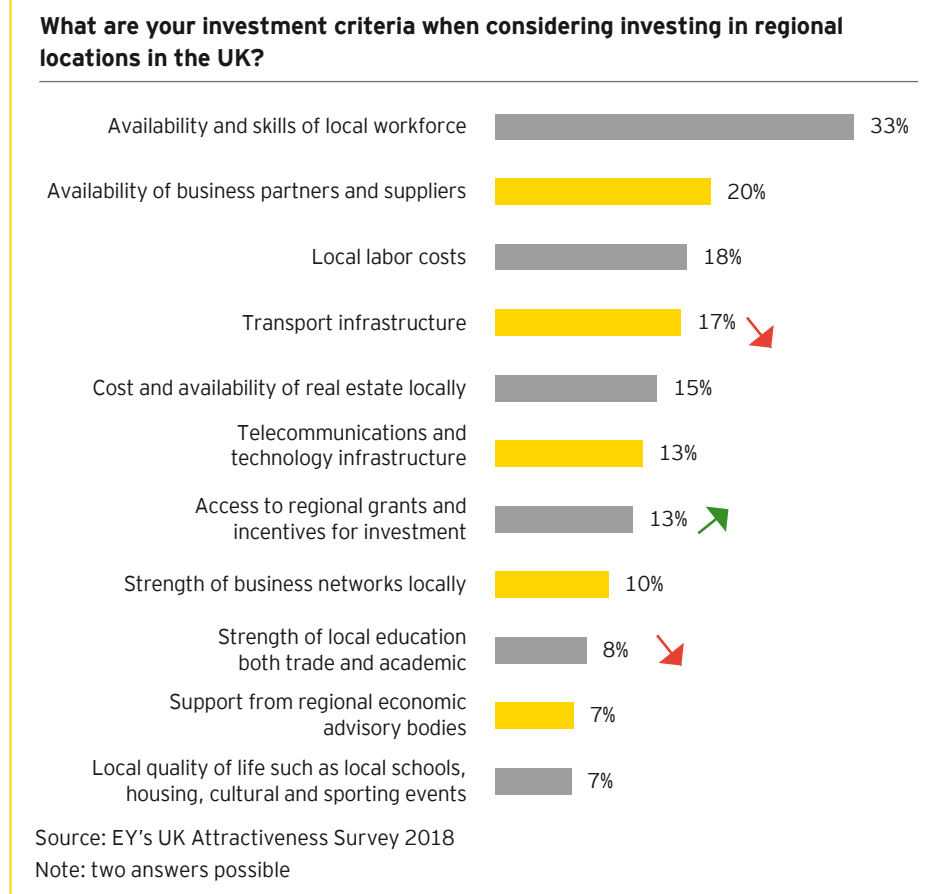
UK economic policy has also tended to be based on growing the Core Cities as the means to stimulate activity in surrounding areas. This may have exacerbated the geographic disparities in attracting FDI. With Brexit being only one of a range of challenges facing the UK economy - many of which could have significant implications for towns, as demonstrated by the work of the Centre For Towns - it is vital that a future FDI policy that gives a more central role to place is developed as a priority.

Rebalancing the UK

In terms of the factors that influence investors to choose one region of the UK over another, our 2018 findings show that the top criterion last year – the availability and skills of the local workforce – has extended its lead, with its rating rising from 28% to 33%. The availability of business partners and suppliers also remains an important consideration. However, adding together the two related factors of transport infrastructure, and telecommunications and technology infrastructure, produces a combined score of 30% – a score that would take second place, underlining the vital role played by all forms of infrastructure in securing projects in the UK's regions.

A particularly interesting development is the rise in importance attributed to support from regional economic advisory bodies (up from 5% to 7%) and – more markedly – access to regional grants and incentives for investment (up from 9% to 13%). Against the background of uncertainty over the ultimate terms of Brexit, these increases may indicate a desire among investors to have more support and incentives to invest in a particular region.

These criteria demonstrate the importance of a skills base and sound transport infrastructure and broadband for any place hoping to attract inward investment. Those places with a skilled workforce and good transport connections have advantages over places which do not have them. These criteria appear to favor those places with a plentiful supply of those characteristics and disadvantage towns and places with a weak-skilled workforce



and underinvestment in transport. In these circumstances it is perhaps unsurprising to see Core Cities receiving the lion's share of FDI.

Previous work by the Centre For Towns has shown that many of our towns suffer from a combination of ageing populations, comparatively poorly qualified working-age populations, a crumbling transport infrastructure and inadequate broadband

connections. The same is not true for Core Cities and some of our Large Towns and University Towns, which are more likely to have much higher proportions of better qualified working-age populations with a well-connected transport infrastructure and excellent broadband connections.

Capturing the FDI opportunity for our towns

1. Change the policy-making process

The moves in recent years to devolve economic decision-making in the UK are welcome and have generated some clear benefits, with the Northern Powerhouse and Midlands Engine being examples of real progress. However, while there has been some shift in emphasis and some power has moved from the national level, planning is still primarily top-down in the new large geographic entities.

We should now move to further devolve power with an increased focus on analysis and planning at the town level. This process should aim to analyze investor needs against what towns have to offer, and so identify the implications for policy to increase the opportunity for all place types to benefit from FDI. These bottom-up perspectives can then be aggregated into regional and ultimately national policies such as the industrial strategy at the sector level, allowing the identification of potential cluster or supply chain approaches that would bring together a number of towns to pursue opportunities.

2. Strengthen the industrial strategy

It is striking, but not surprising, that the benefits of FDI are concentrated in a small number of cities. What is also clear is that manufacturing is the sector with the widest geographic appeal, offering the potential to achieve more balance in economic activity. In this context, the industrial strategy is an important element for driving future economic success across the whole of the UK. This means that the approach needs to be much more integrated and inclusive, especially in terms of place, and be based on the bottom-up approach described above.

At its simplest, this thinking would suggest allocating more FDI-supporting resources to smaller towns and communities, potentially disproportionately more than the current economic

size of the smaller locations. Going beyond this, our analysis of investor needs suggests that policy-makers should consider how to reshape and strengthen supply chains and business networks, to build links that allow universities to contribute outside of their immediate locations and to develop more geographically specific skills development plans.

3. Improve regional transport

The need to improve transport is a greater priority for the English regions – and especially towns – than the UK as a whole. This is partly because a number of planned initiatives have yet to materialize, and even more so because of the need to enable manufacturers to remain competitive after Brexit, especially if customs processes become more onerous. Better transport links are essential if economic benefits are to be created across wider geographic areas, and there is a need to show investors that there is a real commitment in place to drive improvement across the English regions.

4. Investigate the scope for increasing the geographic spread of services

Sales and marketing and HQ FDI flows primarily to Core Cities and Large Towns. This reflects the benefits that investors see from agglomeration for these sectors. However, further analysis may reveal opportunities to generate more service sector FDI into smaller places, possibly supported by technology and especially broadband. As a minimum, an analysis to investigate the potential opportunity should be commissioned as a priority.

Foreign direct investment into UK cities and towns in 2017

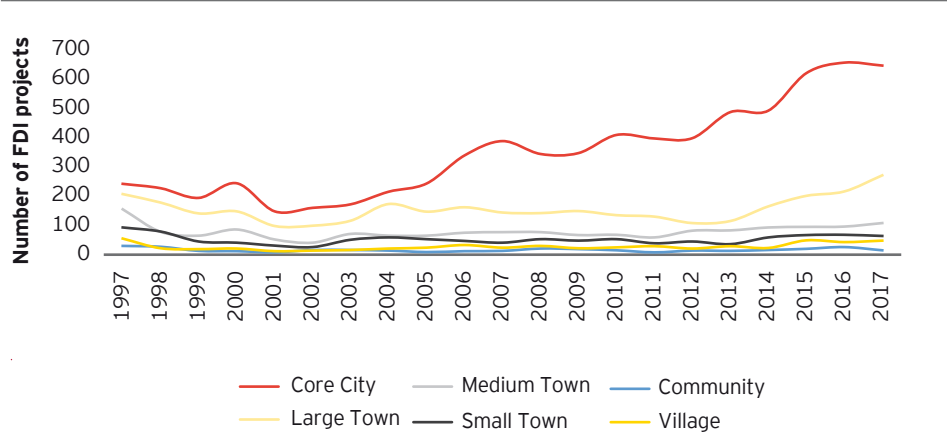
Two decades of growth in FDI ...

The UK attracted 6% more FDI projects in 2017 compared to 2016 and retained its place as Europe’s number one destination for FDI, with the total number of projects rising from 1,138 to 1,205. In 2017, the number of FDI projects was at its highest since 1997.

However, this valuable investment is not spread equally across the UK’s towns and cities. In 2017, over half (56%) of FDI went to one of our Core Cities.³ This performance is not unusual, as between 1997 and 2017 foreign investment into our Core Cities far outpaced inward investment into any other of our place types.⁴ Large Towns have seen a significant increase in project numbers since 2012 but other place types have seen little or no growth in annual project numbers since 1997.

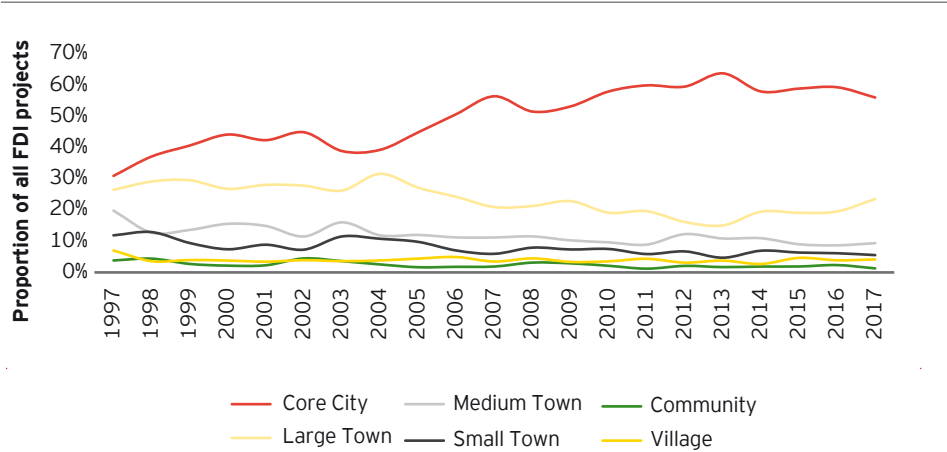
In 1997, the Core Cities accounted for less than a third (31%) of all FDI projects, but since around 2004 have consistently been the destination of choice for investors. Foreign investment in Core Cities has grown almost four times as fast (167%) as growth for the whole of the UK (47%) since 1997.

Figure 1. FDI projects by place type, 1997-2017



Source: EY analysis based on IBM database, 2016-17;
EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Figure 2. FDI projects by place type (%), 1997-2017



Source: EY analysis based on IBM database, 2016-17;
EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

³ Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle upon Tyne, Nottingham and Sheffield

⁴ To see the definition of the Centre for Towns place types please see: centrefortowns.org/about-us

While the Core Cities have outpaced towns in the number of projects, it is fair to say that London has accounted for the bulk of the growth in investment in Core Cities over this period. London accounted for 459 (71%) of the 646 FDI projects directed at Core Cities in 2017.

Since 1997, London has accounted for between two-thirds and three-quarters of all FDI projects coming into Core Cities each year. The table on the right shows the number of projects in each of the 12 Core Cities as well as the growth in each over the period.

While London has powered the growth in foreign direct investment in our Core Cities over this period, there have been strong increases in project numbers attracted by other Core Cities such as Edinburgh, Leeds and Manchester. Nevertheless, even across the Core Cities, performance varies widely and a number of our largest cities have not been able to capture growth in total FDI over the last 20 years.

... but with wide variations in performance between places

The Centre For Towns has also created bespoke categorizations of places based on their context, and uses six distinct place types: Seaside Towns, University Towns, Ex-Industrial Towns, New Towns, Market Towns and Commuter Towns.

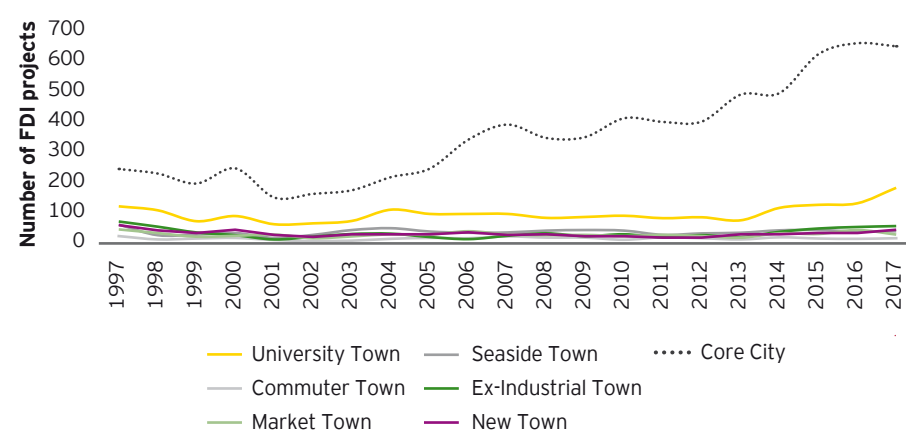
Table 1. Number of FDI projects in Core Cities, 1997-2017

City	1997	2008	2017	Growth (n) since 1997
Birmingham	16	9	22	+6
Bristol	2	8	13	+11
Cardiff	2	4	4	+2
Edinburgh	7	8	29	+22
Glasgow	9	9	16	+7
Leeds	6	3	19	+13
Liverpool	7	4	10	+3
London	159	264	459	+300
Manchester	19	20	45	+26
Newcastle upon Tyne	3	6	14	+11
Nottingham	4	6	6	+2
Sheffield	8	3	6	-2

Source: EY analysis based on IBM database, 2016-17;

EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Figure 3. Number of FDI projects by place characteristics, 1997-2017



Source: EY analysis based on IBM database, 2016-17;

EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Again, we can see that all our place types have received far less foreign direct investment than our Core Cities. The table below shows how many projects each of these place types has received since 1997.

Table 2. Number of FDI projects by place type, 1997-2017

Year	University	Seaside	Commuter	Ex-Industrial	Market	New Town	Core City
1997	119	59	21	69	43	57	242
1998	106	24	10	52	31	39	227
1999	70	26	13	33	19	32	194
2000	87	31	15	24	22	43	244
2001	60	15	8	10	26	24	148
2002	63	25	5	19	14	18	160
2003	71	41	6	28	20	28	172
2004	108	47	12	29	27	26	215
2005	94	36	15	18	26	26	243
2006	94	32	14	11	37	34	339
2007	94	33	20	22	26	24	388
2008	81	39	16	30	24	28	344
2009	84	41	16	21	25	21	347
2010	88	39	9	27	21	21	409
2011	80	25	17	17	25	16	397
2012	83	30	14	24	21	16	398
2013	73	32	10	18	16	28	487
2014	114	40	17	35	30	27	492
2015	124	41	13	46	28	31	620
2016	129	36	12	51	41	31	656
2017	180	37	14	54	26	41	646

Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

University Towns are the only of our place types, other than Core Cities, to have seen growth in the number of projects since 1997 (+61). However, there is evidence of a more recent uptick in the number of FDI aimed at Ex-Industrial Towns (approximately doubled over the last decade). In the University Towns, R&D-based projects have been a key driver of performance while Ex-Industrial Towns have benefited from a significant growth in the number of manufacturing projects attracted to the UK in the last five years.

So, while overall there has been welcome growth in foreign direct investment in the UK over the last two decades, it is fair to say that much of this growth can be accounted for by London and the Core Cities. Over these two decades Core Cities have gone from accounting for 31% of FDI projects to 56% in 2017. All the other place types have seen a reduction in their share of inward investment since 2017, most significantly in Small and Medium Towns.

Table 3. The share of all FDI projects by each place type by year

Period	Core City	Large Town	Medium Town	Small Town	Community	Village
1997	31%	26%	20%	12%	4%	7%
2008	52%	21%	12%	8%	3%	4%
2016	59%	20%	9%	6%	2%	4%
2017	56%	24%	9%	6%	1%	4%

Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Similarly, none of our place types based on characteristics have increased the proportion of all foreign direct investment projects compared to the share they achieved in 1997. The challenges faced in this period by Ex-Industrial Towns are illustrated by the more than halving of the share of total projects attracted by these locations.

Table 4. The share of FDI projects based on place characteristics by year

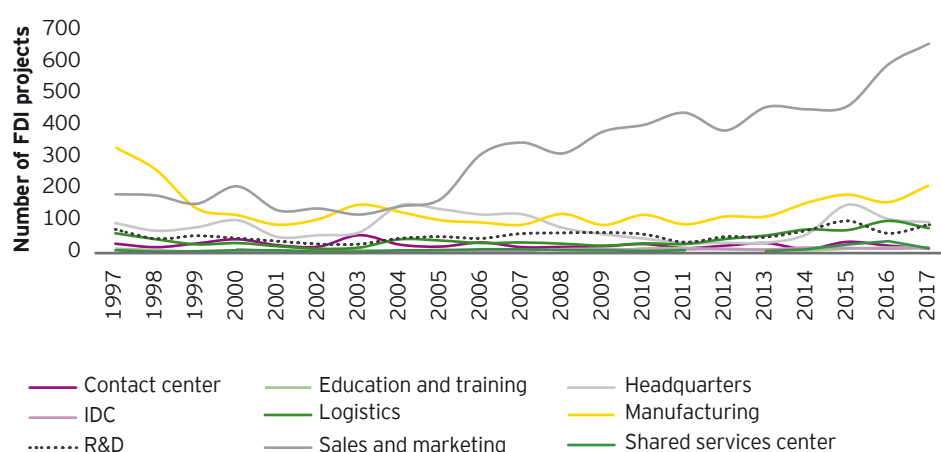
Year	University	Seaside	Commuter	Ex-Industrial	Market	New Town	Core City
1997	20%	10%	3%	11%	7%	9%	40%
2008	22%	5%	2%	11%	6%	8%	46%
2016	18%	7%	3%	9%	5%	8%	50%
2017	19%	7%	3%	5%	5%	9%	52%

Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Sales and marketing projects have been the fastest-growing sector ...

Sales and marketing investments have driven the growth in FDI since around 2004, with a fivefold increase in the number of projects over that period. Since 1997, sales and marketing investments have accounted for almost half (46%) of all foreign direct investment. Manufacturing is the second-highest type of investment, accounting for a fifth (20%) of all investments since 1997.

Figure 4. FDI by activity, 1997-2017



Source: EY analysis based on IBM database, 2016-17;
EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

... and this investment has tended to go to cities and large towns

Almost three-quarters (73%) of all sales and marketing investment has gone to one of our Core Cities for the whole period since 1997, with Large Towns accounting for most of the remainder (15%). As the UK has moved towards more of a service sector dominated economy, so the larger places have benefited at the expense of smaller centers.

Table 5. FDI by type of place and activity, 1997-2017 (total)

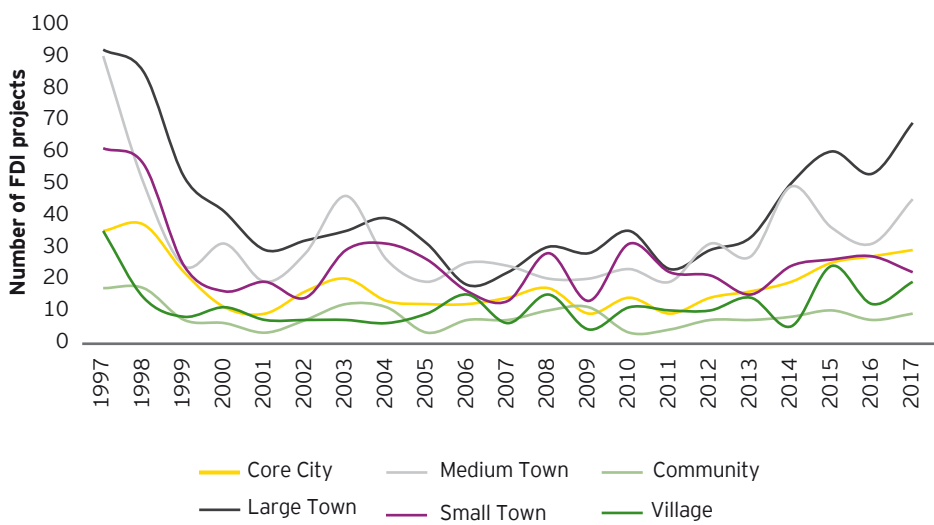
Activity	Core City	Large Town	Medium Town	Small Town	Community	Village	Total
Contact center	198	153	62	34	17	11	475
Education and training	53	35	16	13	4	10	131
Headquarters	1018	374	141	78	28	40	1679
Internet data center	79	37	11	1	0	1	129
Logistics	202	273	138	115	33	66	827
Manufacturing	380	886	683	534	173	249	2905
R&D	406	353	157	88	17	75	1096
Sales and marketing	4850	1005	385	198	49	104	6591
Shared services center	92	29	15	2	0	3	141
Testing and servicing	90	97	50	35	16	20	308
Total	7368	3242	1658	1098	337	579	14282

Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Foreign direct investment in manufacturing is on an upward trend ...

While our Core Cities, and particularly sales and marketing projects, have powered the growth in FDI it is also true to say that investment, in manufacturing has increased in Medium and Large Towns in recent years. There has been a threefold increase in the number of manufacturing projects in Large Towns between 2011 and 2017.

Figure 5. FDI in manufacturing projects by place type, 1997-2017



Source: EY analysis based on IBM database, 2016-17;
EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis



University Towns have seen the largest recent increases in manufacturing investment with project numbers more than trebling since 2008. Since 2013, Ex-Industrial Towns have also seen a slight increase in the number of FDI projects secured in manufacturing, narrowing the gap to Core Cities.

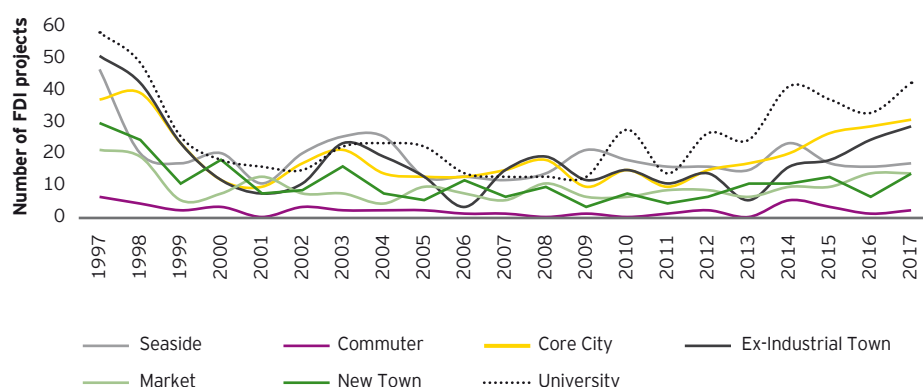
Although many commentators have written off the potential of manufacturing to support growth in the UK, recent trends suggest there are opportunities, especially in modern manufacturing activities, and that these have the potential to generate benefits in places outside of the Core Cities in the UK.

... as is investment in research and development

UK R&D projects funded by FDI increased by 44% in 2017 compared to 2016, but once again these projects were almost all to be found in Core Cities or Large Towns. Core Cities and Large Towns now account for over three-quarters (77%) of all R&D projects invested in by FDI and almost a third of all R&D projects went to London.

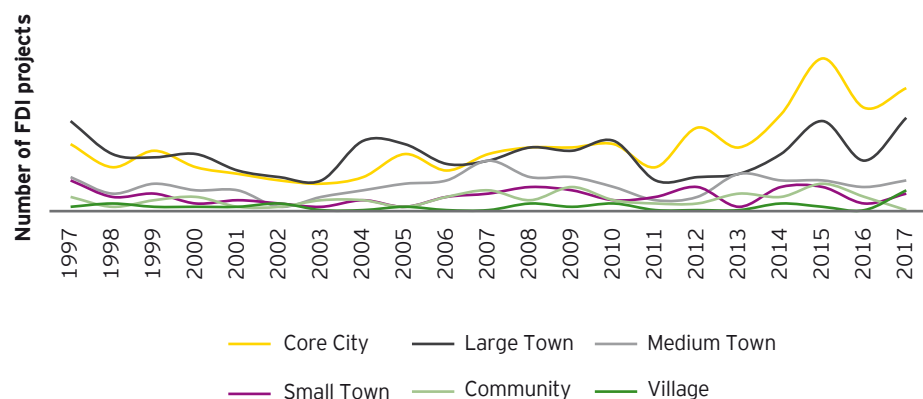
Foreign direct investment in R&D has been dominated by Core Cities and Large Towns since 1997, but in recent times the trend has been for even more concentration of these projects in larger places. Smaller towns have found it increasingly hard to position themselves as the destination of choice for foreign investors.

Figure 6. FDI projects in manufacturing by place characteristics, 1997-2017



Source: EY analysis based on IBM database, 2016-17;
EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Figure 7. FDI projects in R&D by place type, 1997-2017



Source: EY analysis based on IBM database, 2016-17;
EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

FDI for all

A chance to drive growth in our towns

In one sense it is unsurprising that the UK's Core Cities have attracted over half of the UK's FDI in the last two decades. Anyone who has been a regular visitor to London, Manchester or Leeds, or other members of the Core Cities group, in the last two decades would recognize the economic progress these places have made. The same is not true for all parts of the UK and those places that need FDI relatively more have found it difficult to attract projects.

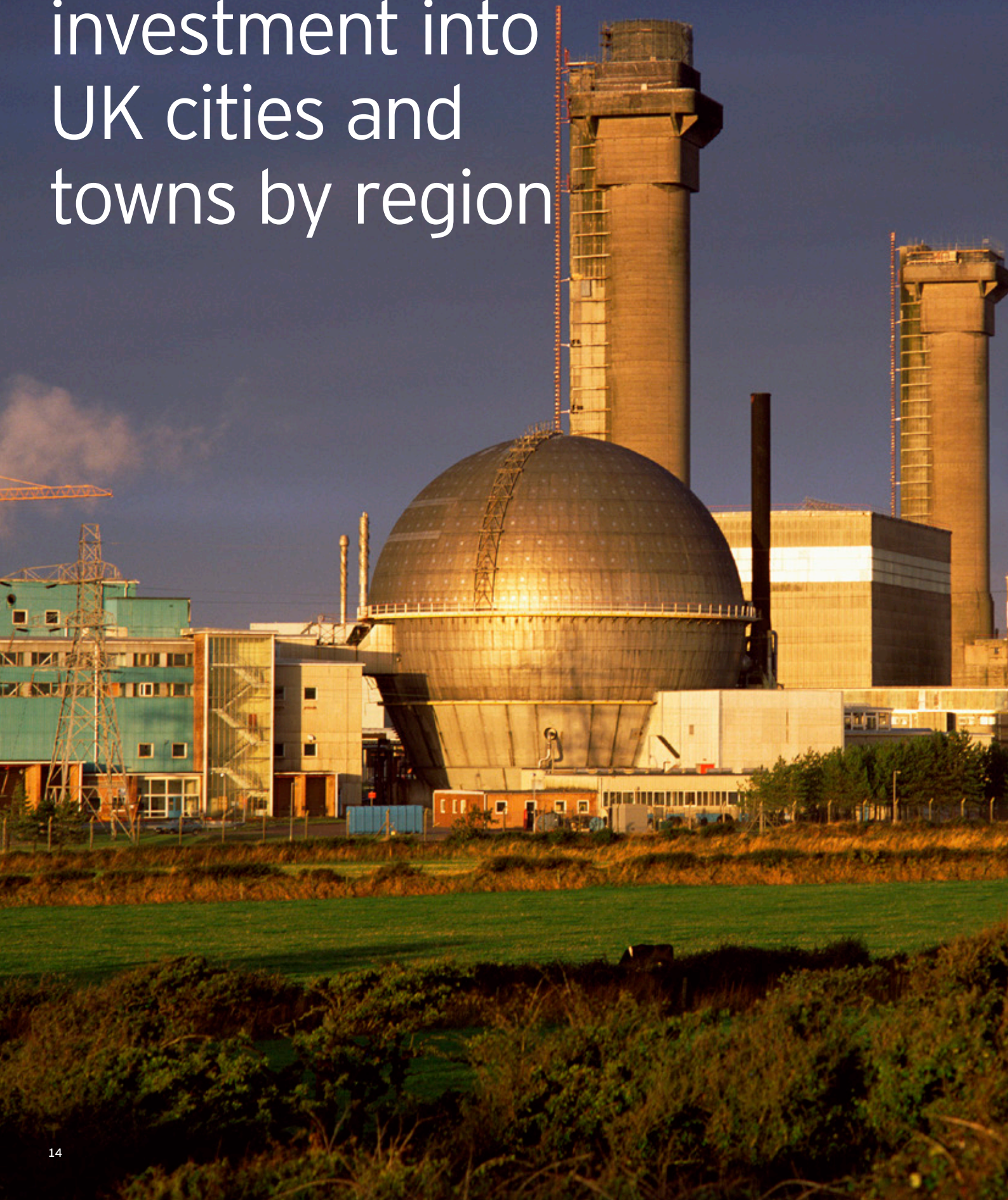
Brexit is just one of a number of developments that are driving change in the UK economy. The digital revolution is transforming industries but this will create opportunities. The success of University Towns and the recovery of Ex-Industrial Towns in

recent years illustrates the potential of modern manufacturing to drive FDI. More importantly, as this report has shown, this sector offers the potential to create a more balanced investment profile across different place types.

Success will require more focus on the specifics of individual locations in the policy-making process before these are aggregated into City or City/Region and national plans. We now go on to explore some of the characteristics of towns within the UK's regions and devolved administrations to inform this thinking.



Foreign direct investment into UK cities and towns by region



The geographic profile of investment varies by region ...

No other Core City accounts for such a large proportion of a region's FDI projects as London does for the South East. As noted in previous EY UK Attractiveness Surveys, London is a unique city in FDI terms and would be the fourth-largest European country if considered on its own. We have therefore separated out London from the South East region in the detailed analysis presented below. In the other regions there is more of a balance between investment in Core Cities and the other place types. Core Cities

account for a much smaller proportion of all FDI projects outside of the South East.

There are significant variations in the geographic distribution of projects across the UK. Scotland and Wales have been more successful than many of the English regions in attracting projects into the smallest place types. The performance of different sizes of town also varies significantly. We have sought to understand how far variations in sector structure of different geographies influences FDI performance.

Table 6. FDI projects by region and place type (total since 1997)

Region	Core City	Large Town	Medium Town	Small Town	Community	Village	Total
East Midlands	79	203	106	56	45	59	548
East of England	1	455	97	91	18	70	732
London	5,420	-	-	-	-	-	5,420
North East	113	256	130	153	9	30	691
North West	503	256	145	82	10	35	1,031
Scotland	518	184	318	172	82	107	1,381
South East	-	735	371	170	30	95	1,401
South West	159	227	51	68	26	45	576
Wales	83	109	159	134	76	51	612
West Midlands	274	449	240	89	23	64	1,139
Yorkshire and the Humber	219	371	41	83	18	24	756
Total	7,369	3,245	1,658	1,098	337	580	14,319

Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

... driven by sector variations ...

Foreign investment in manufacturing has been shared across the regions but there have been fewer total investments in the South West, East Midlands and East of England than elsewhere. Yorkshire and the Humber, the North East and Wales are clearly strong manufacturing areas whereas the East and West Midlands perform strongly in logistics helped by the combination of their central location in the UK and their manufacturing strength.

Investment in sales and marketing is concentrated in London and the South East as the benefits of agglomeration and access to the UK's main international transport hubs show through. The North West also performs well in attracting services FDI and benefits from having two Core Cities.

Like sales and marketing, R&D is concentrated in London and the South East but the East of England and Scotland also perform well, reflecting the success of universities in positioning themselves with foreign investors.

There have been over 2,000 FDI projects in University Towns since 1997, a period which coincided with the expansion of the university sector in the UK.

Table 8. FDI projects by region and place characteristics (total since 1997)

Region	Seaside	Commuter	Ex-Industrial	Market	New Town	University
East Midlands	6	11	13	77	14	193
East of England	34	48	0	77	110	257
London	-	-	-	-	-	-
North East	224	0	84	16	18	131
North West	61	5	102	25	88	93
Scotland	187	0	43	0	152	208
South East	69	116	0	211	96	473
South West	28	0	4	24	0	124
Wales	65	0	107	28	21	141
West Midlands	0	97	102	34	112	215
Yorkshire and the Humber	55	0	183	56	0	167
Total	729	277	638	548	611	2002

Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Table 7. FDI projects in the three major sectors by region (total since 1997)

Region	Manufacturing	R&D	Sales and marketing
East Midlands	184	42	119
East of England	149	141	248
London	71	157	4,018
North East	361	58	118
North West	293	78	360
Scotland	412	255	352
South East	175	132	631
South West	195	55	176
Wales	339	51	75
West Midlands	420	86	326
Yorkshire and the Humber	323	42	176
Total	2922	1097	6599

Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

The population of Cambridge has increased by half since 1981, almost all of which increase has been in working-age populations. The 16 to 24-year-old population in Cambridge has doubled over that time. Almost half of the over-16 population there has degree-level qualifications or above. Cambridge railway station serves over 11 million passengers per year and sits close to the M11 motorway, connecting with the M25. Cambridge clearly conforms to what might be called an ideal location for foreign investment, but the advantages it has are not shared by hundreds of towns across the UK.

Broadband connectivity is variable at best, with towns like Rhyl in North Wales having average broadband speeds half the national average. Transport connectivity varies considerably too, with Large Towns serving London benefiting from higher passenger numbers and levels of investment, while towns across the north of England see their services blighted by underinvestment and infrastructure delays. There are many towns where over a third of over 16-year-olds have no qualifications at all.

The net effect of these disparities is to create locations which are more suitable for foreign investment and locations which are not.





Region by region;
town by town

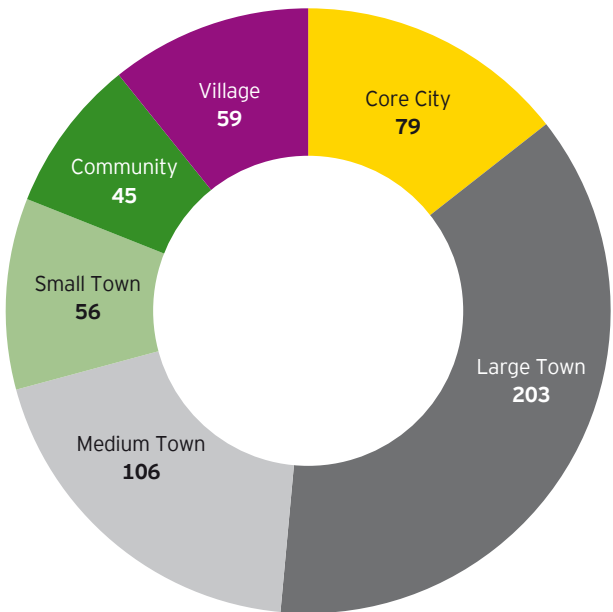
East Midlands

The East Midlands attracted 549 projects which is around 5% of the total FDI projects in the UK since 1997. Within the East Midlands, Large Towns have received the greatest number of FDI projects since 1997.



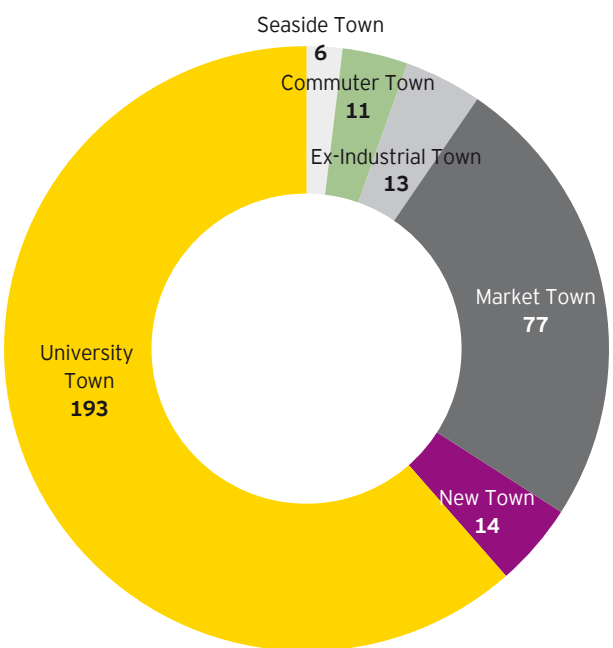
The top places for FDI investment in the East Midlands are Nottingham (79), Leicester (63), Derby (58), Northampton (42), Burton-upon-Trent (21), Lincoln (19), Corby (14), Burnaston (12) and Daventry (12).

Figure 8. Number of projects by place type (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Figure 9. Number of projects by place characteristics (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

University Towns have seen significant FDI since 1997 in the East Midlands, with Loughborough, Lincoln, Derby, Leicester and Northampton together contributing over a third of projects since 1997 with 193 in total. The East Midlands also has several larger employers in smaller places such as Toyota in Burnaston, Caterpillar in Desford and JCB in Foston, all of which have been the recipients of FDI projects. Manufacturing and logistics projects are more prominent in all sizes of place across the region than other sector-based projects.

Manufacturing accounts for just over a third (34%) of all FDI projects in the East Midlands since 1997, with Leicester (17), Nottingham (14), Derby (11), Lincoln (11) and Burton-upon-Trent (10) having the most projects.

Logistics accounts for almost a fifth (19%) of all FDI projects in the East Midlands. The region has significant Logistics operations in Magna Park (Lutterworth) and around Daventry, Crick and Castle Donington due to their rail and road proximities and the linkages to manufacturing.

Sales and marketing accounts for almost a quarter (23%) of all FDI projects in the East Midlands since 1997, with Nottingham, Leicester, Derby, Northampton and Lincoln having the most projects.

Table 9. FDI projects since 1997 in the East Midlands by activity and place type

Activity	Village	Community	Small Town	Medium Town	Large Town	Core City
Contact center	0	1	3	1	16	8
Education and training	2	1	3	1	1	0
Headquarters	3	5	4	11	16	6
Logistics	19	15	13	18	32	5
Manufacturing	25	14	20	52	59	14
R&D	5	2	4	5	15	11
Sales and marketing	3	7	6	18	52	32
Services center	0	0	0	0	2	0
Testing and servicing	2	0	3	0	10	3
Total	59	45	56	106	203	79

Source: EY analysis based on IBM database, 2016-17;

EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

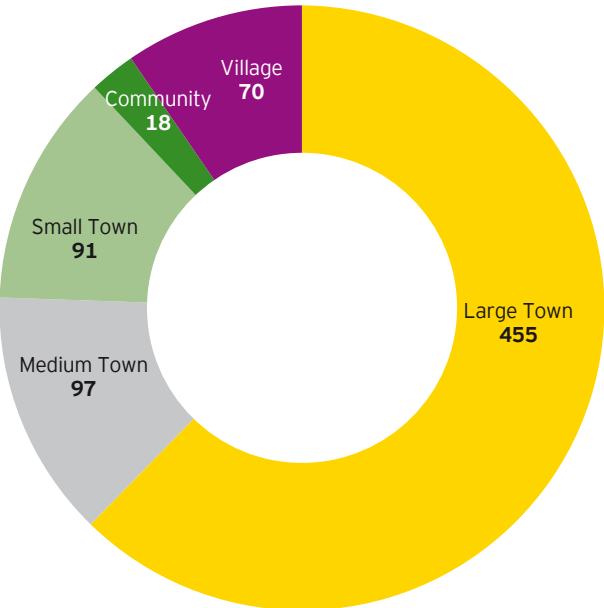
East of England

The East of England has attracted 738 FDI projects since 1997, which is around 5% of total UK projects. Within the region, with no Core City, Large Towns have received the greatest number of FDI projects since 1997 (n=455; 62%).



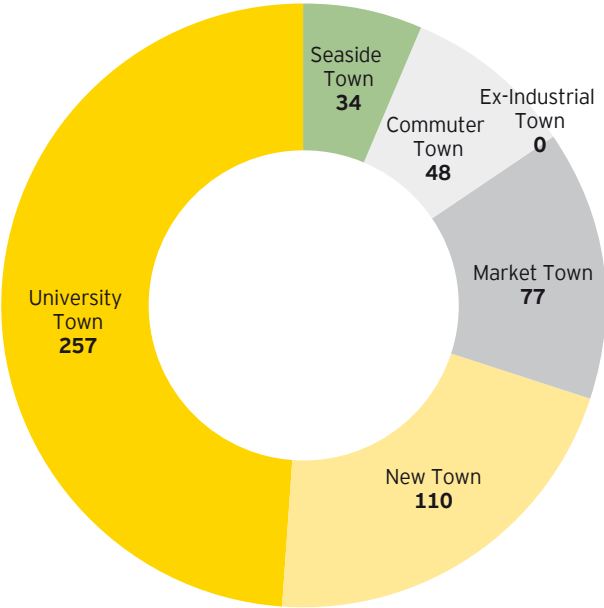
The top 10 places for FDI investment in the East of England are Cambridge (188), Peterborough (39), Norwich (34), Luton (30), Watford (21), Stevenage (20), Hemel Hempstead (20), Bedford (16), Chelmsford (16), and St Albans (15).

Figure 10. Number of projects by place type (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Figure 11. Number of projects by place characteristics (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Table 10. FDI projects since 1997 in the East of England by activity and place type

Activity	Village	Community	Small Town	Medium Town	Large Town
Contact center	0	0	0	2	20
Education and training	1	0	2	0	4
Headquarters	3	1	5	14	52
Internet data center	0	0	0	1	3
Logistics	6	1	15	14	31
Manufacturing	25	6	42	20	54
R&D	12	2	9	10	108
Sales and marketing	22	7	15	32	170
Shared services center	0	0	0	2	2
Testing and servicing	1	1	4	2	11
Total	70	18	91	97	455

Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

University Towns have seen significant FDI since 1997 with 257 projects attracted. Cambridge itself has received a quarter of the investment projects in the region since 1997.

The region benefits from its strength in the knowledge industries with almost a third of FDI projects in the region being sales

and marketing, with Cambridge (71) the largest destination, with Watford (14), Norwich (12), St Albans (11) and Luton (10) also seeing several projects in this sector. In addition, a fifth of projects in the East of England were in R&D. Well over half of this investment (56%) is accounted for by the 78 projects that have gone to Cambridge.

North East



The North East accounts for a small fraction of the total FDI projects in the UK since 1997, with 696 projects representing approximately 5% of the total. Nevertheless, this represents a solid performance: the North East is one of the few regions outside of London attracting a greater share of total projects since 1997 than its share of UK GDP.

Within the North East, Large Towns have received the greatest number of FDI projects since 1997 at 256, which is 37% of the total. The North East also sees foreign investment shared more equally between its Core City (Newcastle) and its Large Towns (Figure 12 on page 24) than the UK average.

The top 10 places for FDI projects in the North East are Newcastle upon Tyne (112), Sunderland (81), Gateshead (72), Middlesbrough (34), Peterlee (30), Newton Aycliffe (29), Cramlington (27), Billingham (27), Hartlepool (27) and Stockton-on-Tees (22).

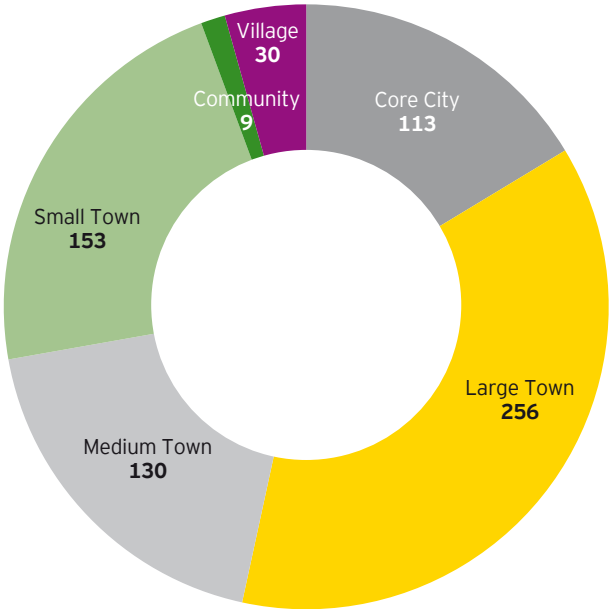
Table 11. FDI projects since 1997 in the North East by activity and place type

Activity	Village	Community	Small Town	Medium Town	Large Town	Core City
Contact center	0	0	5	6	35	15
Education and training	0	0	1	0	5	5
Headquarters	2	1	1	1	13	10
Internet data center	0	0	0	2	1	3
Logistics	3	0	7	8	11	3
Manufacturing	17	7	121	80	115	17
R&D	3	0	8	11	22	14
Sales and marketing	4	0	9	17	47	40
Shared services center	0	0	0	1	1	3
Testing and servicing	1	1	1	4	6	6
Total	30	9	153	130	256	112

Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Unlike some other regions, the North East's Seaside Towns were the largest destination for FDI projects since 1997 with 224 attracted, 32% of the total.

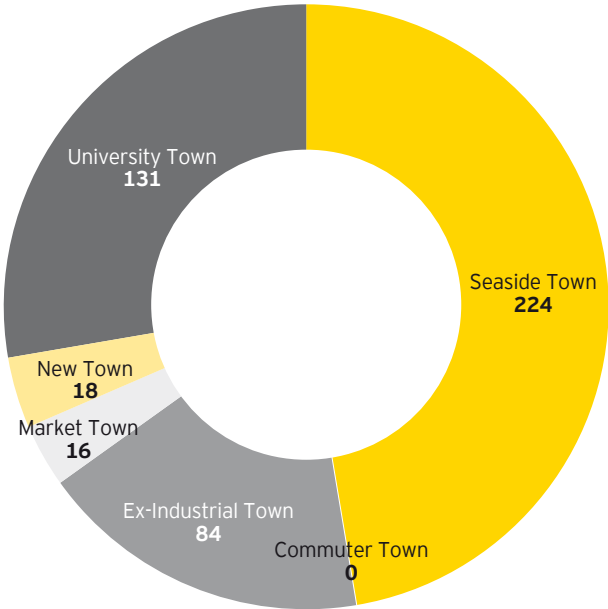
Figure 12. FDI in the North East by place type (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

In the North East, over half (51%) of all FDI projects have been in manufacturing. The largest recipients in terms of the number of manufacturing projects have been Sunderland (48), Cramlington (23), Peterlee (22), Newton Aycliffe (22), Billingham (20), Hartlepool (20) and Gateshead (19).

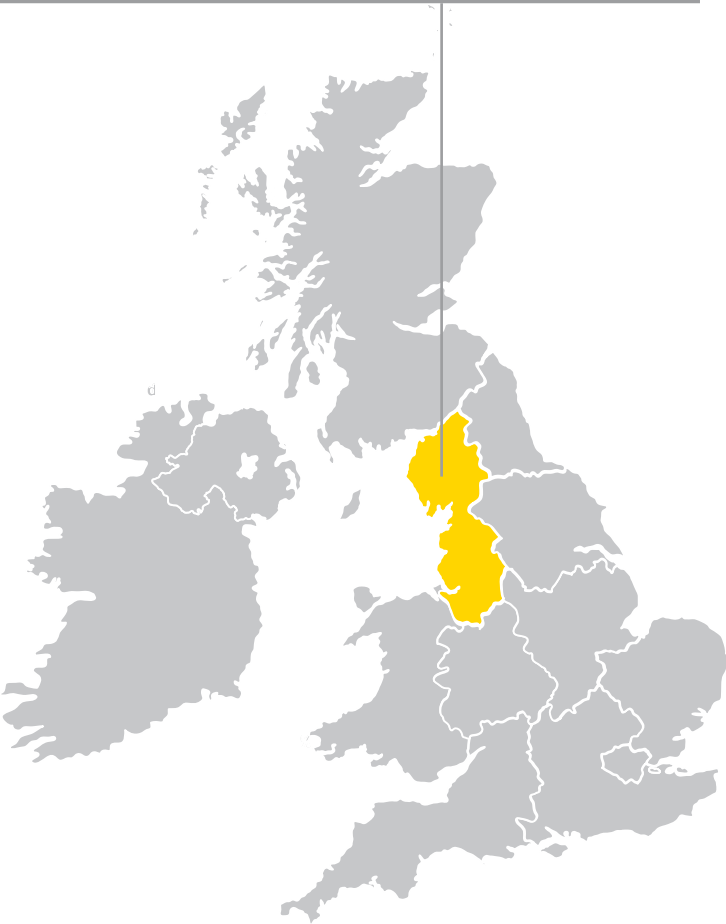
Figure 13. FDI in the North East by place characteristics (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

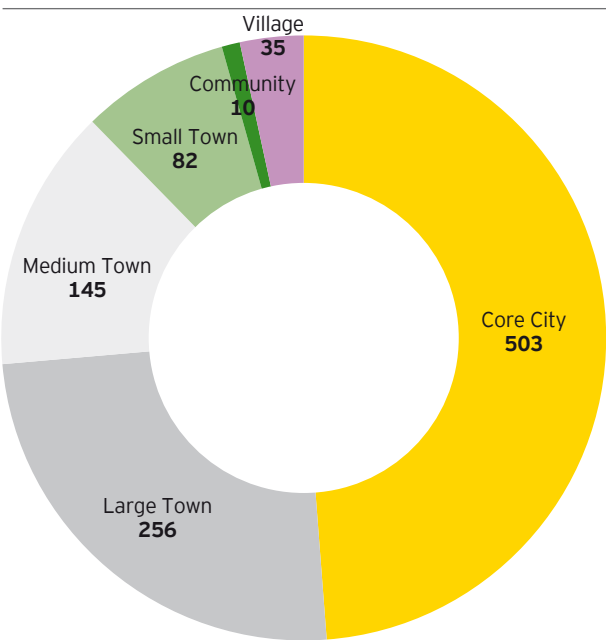
North West

Since 1997 there have been 1,032 FDI projects in the North West. Almost a half (503=49%) have been in one of its two Core Cities, Liverpool and Manchester. The investments have also been equally shared between town types, with Ex-Industrial and University Towns having the most.



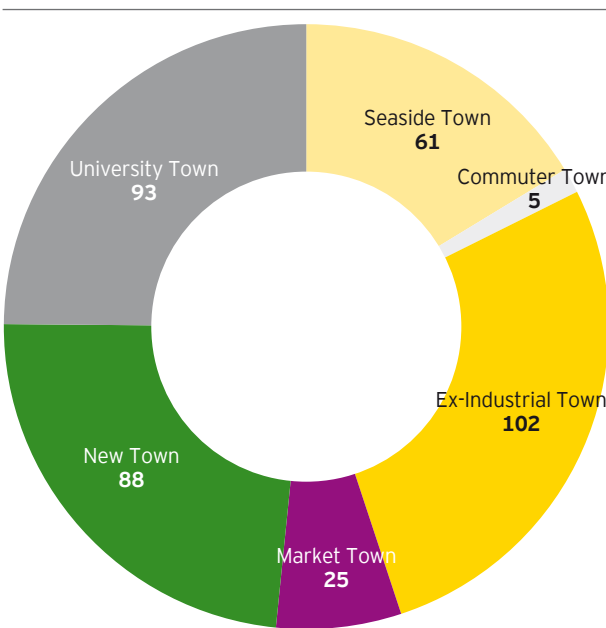
The top places for FDI projects in the North West are Manchester (413), Liverpool (90), Warrington (56), Salford (32), Runcorn (24), Bolton (21), Ellesmere Port (19), Chester (18), Preston (17) and Stockport (17).

Figure 14. FDI in the North West by place type (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Figure 15. FDI in the North West by place characteristics (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Table 12. FDI projects since 1997 in the North West by activity and place type

Activity	Village	Community	Small Town	Medium Town	Large Town	Core City
Contact center	0	0	0	4	17	33
Education and training	0	0	0	2	3	5
Headquarters	0	0	3	5	28	49
Internet data center	0	0	0	1	1	5
Logistics	3	0	5	22	30	35
Manufacturing	8	8	49	72	79	77
R&D	10	1	5	9	15	37
Sales and marketing	12	1	17	22	69	239
Shared services center	0	0	0	3	8	15
Testing and servicing	2	0	3	5	5	8
Total	35	10	82	145	255	503

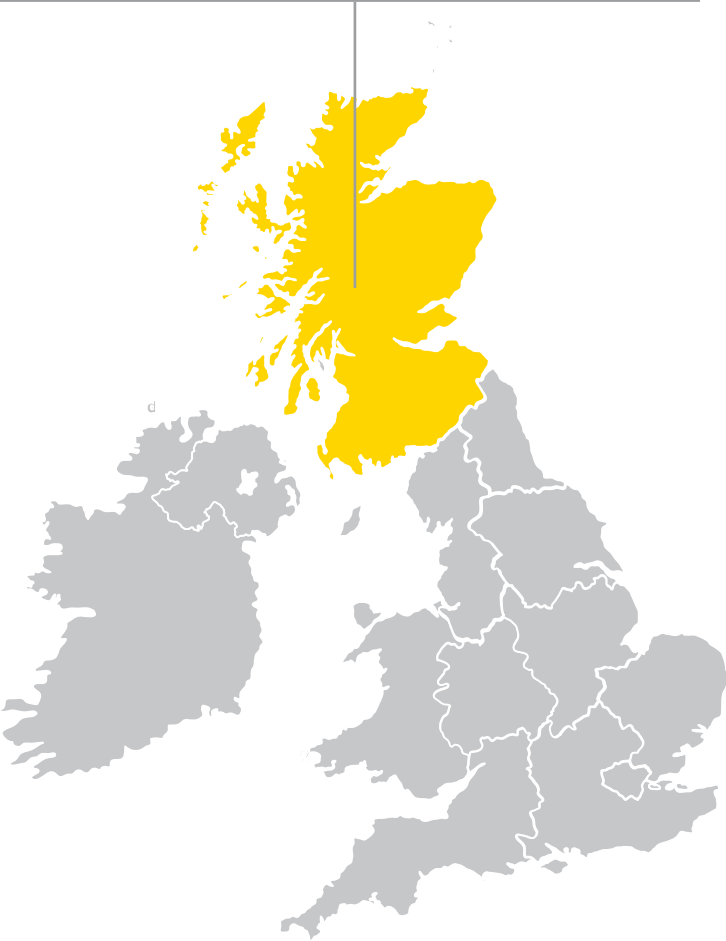
Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Over a third (34%) of all FDI projects in the North West have been in sales and marketing, while over a quarter (28%) have been in manufacturing projects. Over three-quarters of sales and marketing projects are found in one of five places: Manchester (207), Liverpool (28), Salford (19), Warrington (16) and Stockport (10), reflecting the attraction larger population centers have

for investors wanting to build sales and marketing capability. Manufacturing investment is more widely dispersed across the region, with the Core Cities accounting for just a quarter of overall manufacturing investment and all the Town types performing strongly.

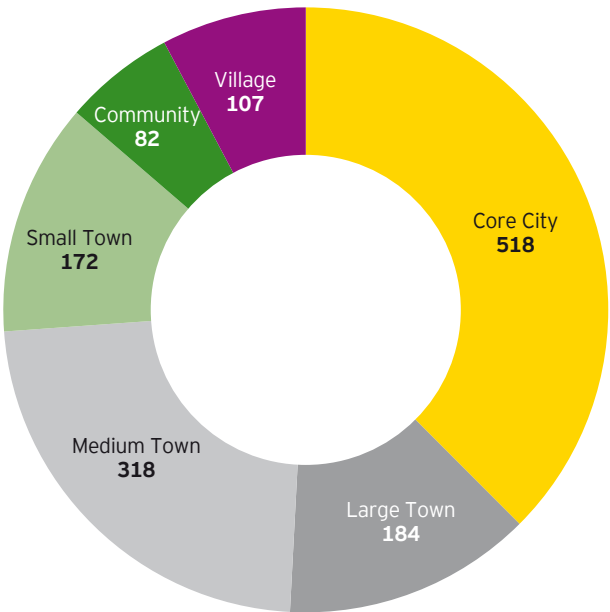
Scotland

Scotland now has twice as many FDI projects than it did just a decade ago. Since 1997, almost four in ten FDI projects have been in the Core Cities of Edinburgh (254) or Glasgow (264). Nevertheless, Scotland has been able to drive a good geographic balance in the FDI it has attracted with manufacturing, contact centers and R&D projects going to locations outside of the Core Cities.



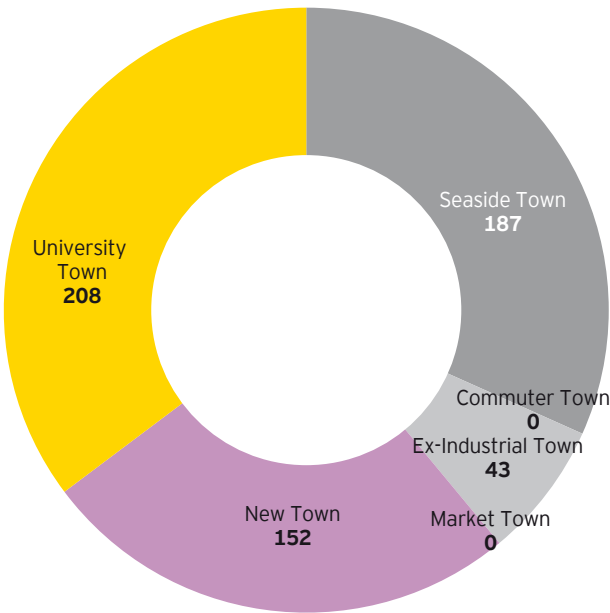
The FDI projects are almost equally shared between Coastal Towns, University Towns and New Towns in Scotland, with Ex-Industrial Towns seeing far fewer investments. Outside of the two Core Cities, the places with the highest numbers of FDI projects were Aberdeen (135), Livingston (76), Dundee (48), East Kilbride (34), Grangemouth (26), Dunfermline (23), Markinch (23) and Prestwick (23).

Figure 16. FDI in Scotland by place type (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Figure 17. FDI in Scotland by place characteristics (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Manufacturing has accounted for almost a third (412) of all FDI projects in Scotland since 1997, with Glasgow, Livingston, Dundee, East Kilbride and Grangemouth seeing the most projects. Sales and marketing accounts for a quarter (352) of all FDI projects, with

Edinburgh, Glasgow and Aberdeen seeing over four in five of these projects. R&D projects have also been strongly concentrated in Glasgow and Edinburgh, reflecting the strength of universities in these cities.

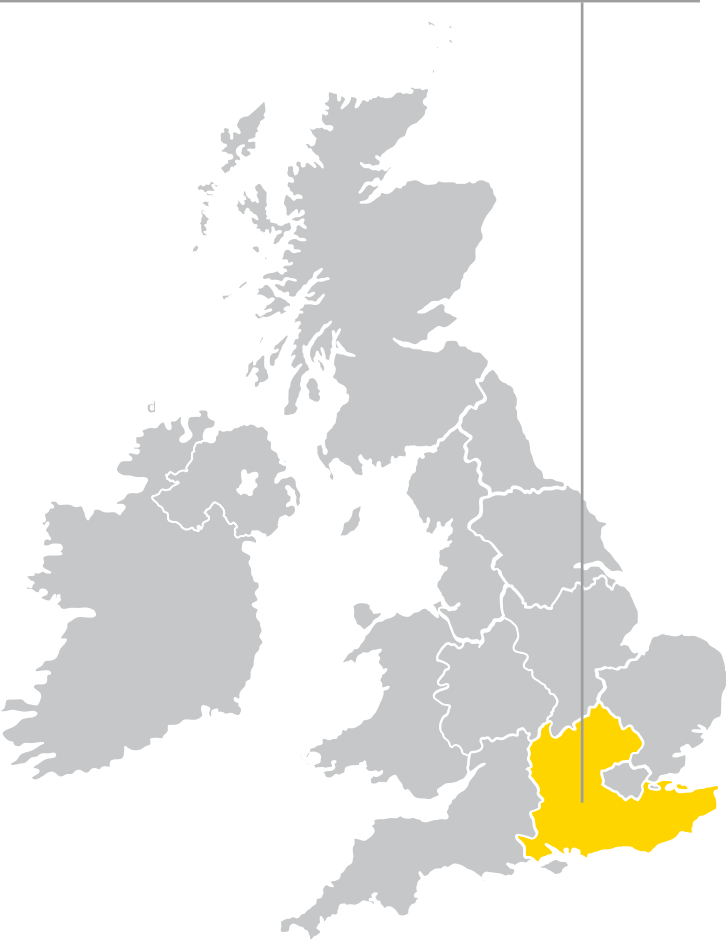
Table 13. FDI projects since 1997 in Scotland by activity and place type (total)

Activity	Village	Community	Small Town	Medium Town	Large Town	Core City
Contact center	6	11	10	32	3	56
Education and training	2	1	2	2	6	6
Headquarters	5	2	6	7	12	16
Internet data center	1	0	0	2	1	4
Logistics	6	3	18	18	18	15
Manufacturing	61	50	77	146	26	52
R&D	15	3	30	58	31	118
Sales and marketing	3	6	16	35	74	218
Shared services center	2	0	0	5	3	24
Testing and servicing	6	6	13	13	10	13
Total	107	82	172	318	184	512

Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

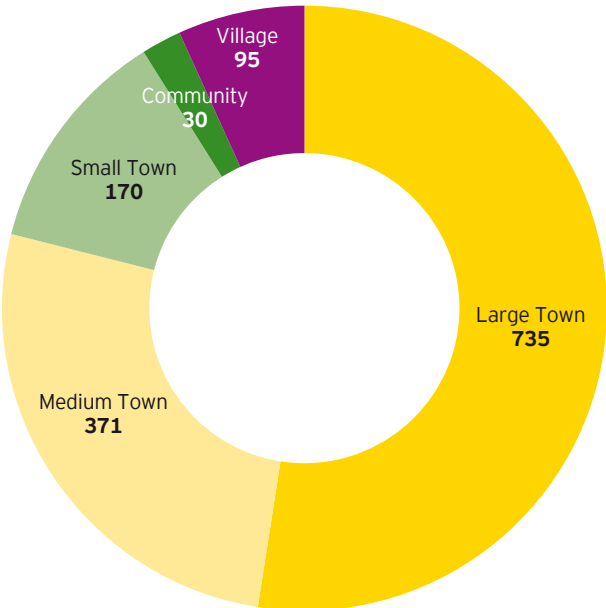
South East

There have been 1,411 FDI projects in the South East since 1997. FDI projects in the South East are predominantly in Medium and Large Towns, which together account for over three-quarters of all investment (78%). Of all the place types it is University Towns in the South East which have seen the most projects, followed by Market Towns and Commuter Towns.



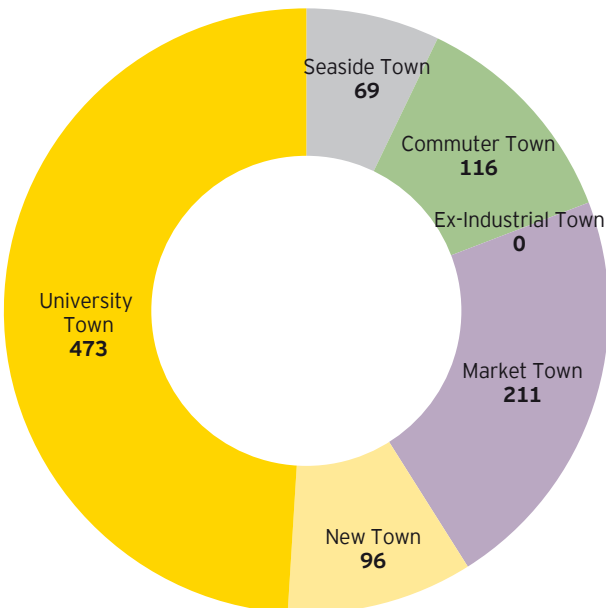
In the South East the places with the highest number of FDI projects have been Reading (178), Oxford (87), Milton Keynes (77), Bracknell (71), Slough (69), Maidenhead (51), Guildford (46), Southampton (46) and Basingstoke (36).

Figure 18. FDI projects in the South East (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Figure 19. FDI projects in the South East by place characteristics (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Table 14. FDI projects since 1997 in the South East by activity and place type (total)

Activity	Village	Community	Small Town	Medium Town	Large Town	Total
Contact center	2	1	1	6	21	31
Education and training	1	0	0	1	7	9
Headquarters	14	5	40	69	160	288
Internet data center	0	0	0	4	24	28
Logistics	5	4	13	16	32	70
Manufacturing	22	2	24	67	55	170
R&D	16	1	14	28	73	132
Sales and marketing	31	17	73	165	343	629
Shared services center	0	0	1	2	4	7
Testing and servicing	4	0	4	13	16	37
Total	95	30	170	371	735	1,401

Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Sales and marketing accounts for over two-fifths (629) of all FDI projects. Since 1997, Reading (106), Bracknell (41) and Oxford (36) have seen the largest number of FDI projects in sales and marketing, many of which have been from IT and communications companies looking to benefit from the region's strength in these sectors. Headquarters accounted for an additional fifth (288)

of FDI projects in the region, showing the linkages between investment types as companies often build out from an initial sales and marketing operation. Reading, Slough, Bracknell, Basingstoke and Milton Keynes have all received multiple FDI investments.

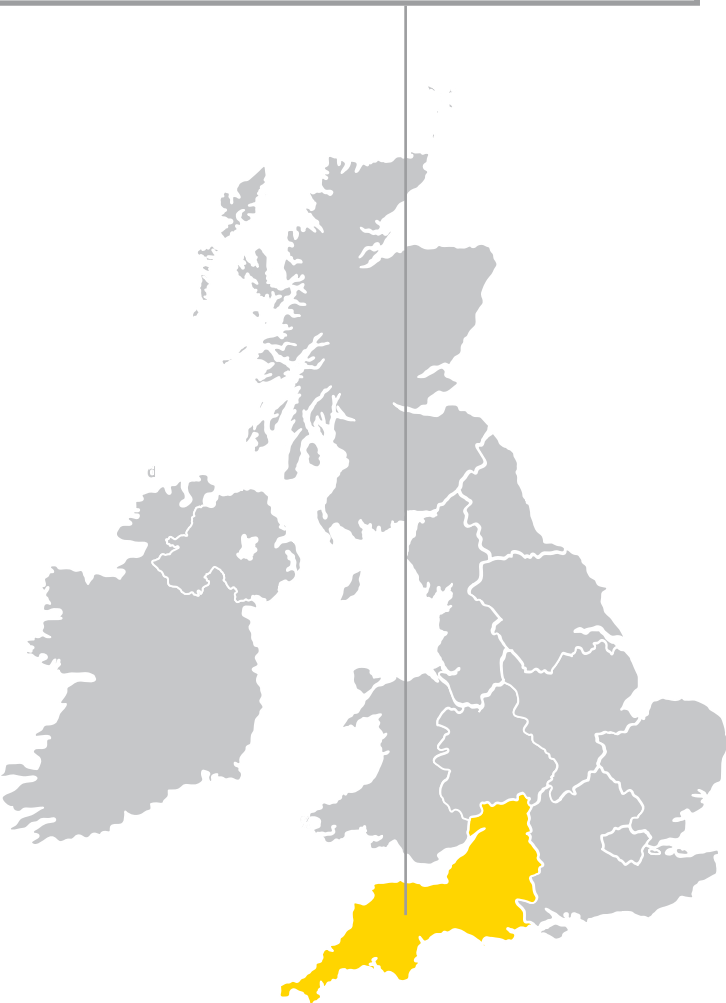
London (extracted from the South East)

Since 1997, almost three-quarters (74%) of FDI projects in the capital have been in sales and marketing with the bulk of the remainder being invested in company headquarters (6%).



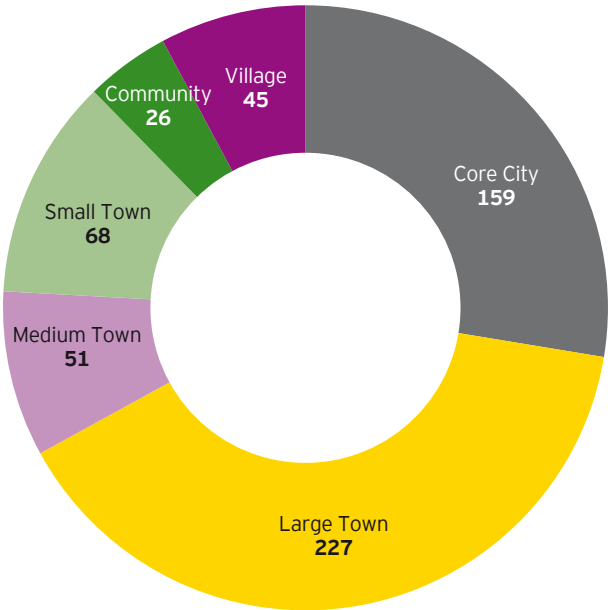
South West

Since 1997 there have been 580 FDI projects in the South West, over a quarter (159) of which were in the Core City of Bristol.



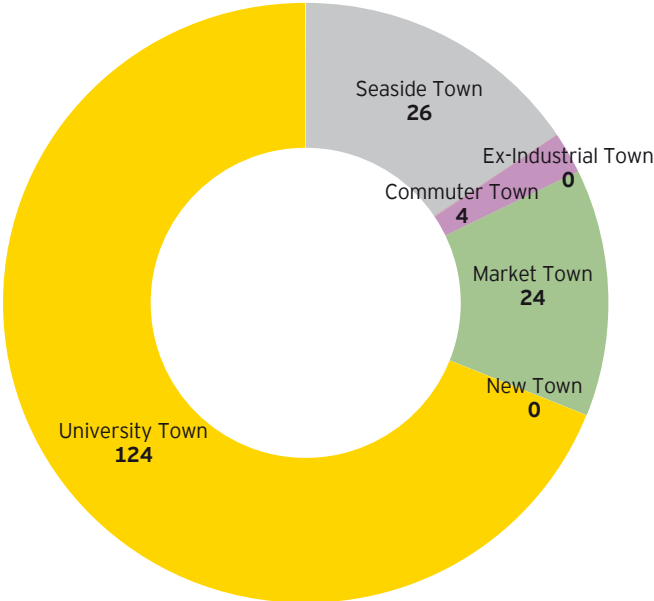
The top places for FDI projects in the South West since 1997 were Bristol (159), Swindon (89), Plymouth (52), Gloucester (28), Exeter (15), Poole (12), Bath (11), Cheltenham (11), Chippenham (10) and Bournemouth (8).

Figure 20. FDI projects in the South West (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Figure 21. FDI projects in the South West by place characteristics (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Over a third (195) of FDI projects in the South West were in manufacturing, with Swindon (33), Plymouth (33), Bristol (18) and Gloucester (14) having the highest number of manufacturing projects. Just under 30% of FDI projects in the South West were

in sales and marketing, with Bristol taking four in ten projects, demonstrating how a Core City can benefit from investment in other parts of the region by being the central point for services activities.

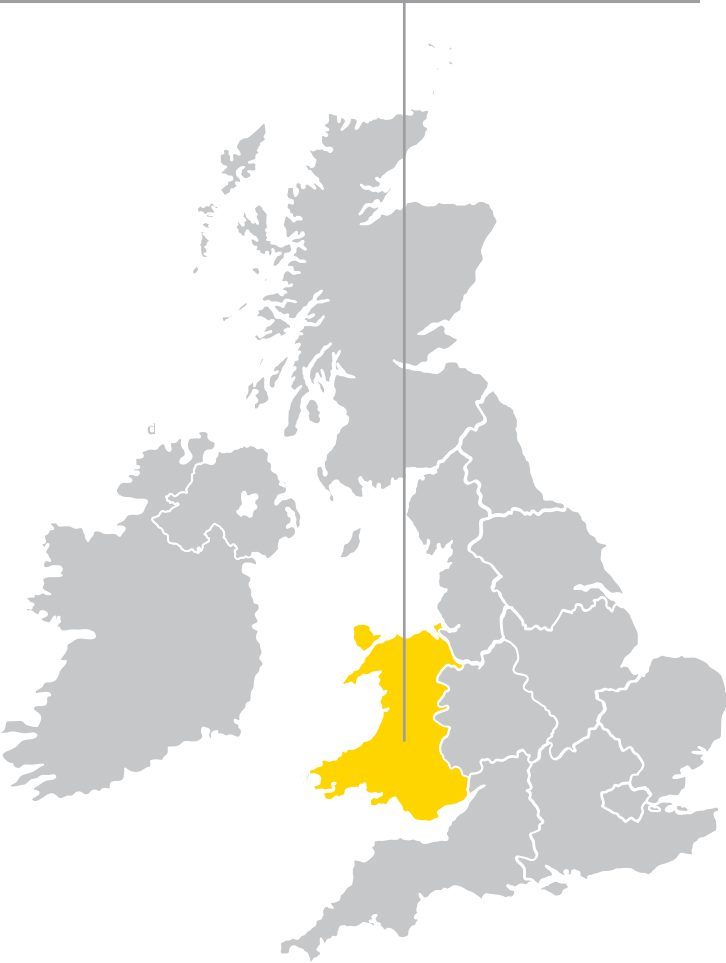
Table 15. FDI projects since 1997 in the South West by activity and place type (total)

Activity	Village	Community	Small Town	Medium Town	Large Town	Core City
Contact center	0	1	1	1	14	8
Education and training	1	0	3	0	1	2
Headquarters	4	4	4	5	20	19
Internet data center	0	0	0	0	3	0
Logistics	11	2	4	1	14	11
Manufacturing	20	14	23	25	91	18
R&D	4	2	4	5	18	22
Sales and marketing	3	3	26	12	64	68
Shared services center	1	0	1	0	0	4
Testing and servicing	1	0	2	2	2	7
Total	45	26	68	51	227	159

Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

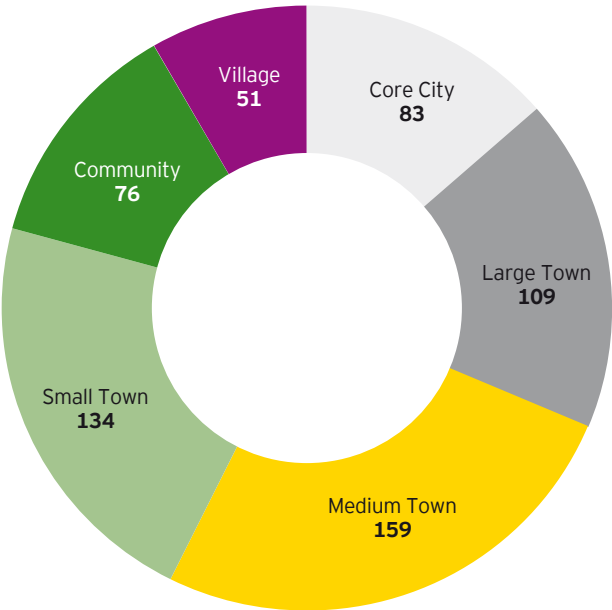
Wales

Since 1997 there have been 613 FDI projects in Wales, and these projects have been distributed equitably between the different place types. Cardiff accounted for 14% of FDI projects in Wales.



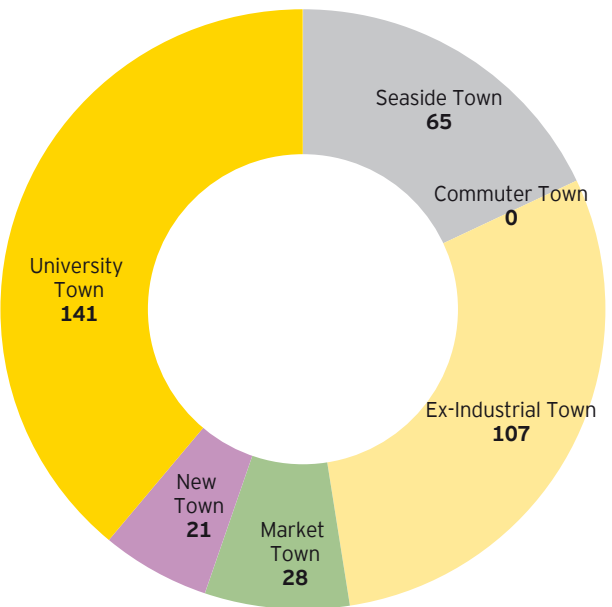
The top 10 places for FDI projects since 1997 were Cardiff (83), Swansea (55), Newport (53), Wrexham (33), Bridgend (28), Caerphilly (24), Deeside (22), Cwmbran (18), Port Talbot (18) and Llanelli (14).

Figure 22. FDI projects in Wales (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Figure 23. FDI projects in Wales by place characteristics (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Manufacturing accounts for over half (55%) of all FDI projects in Wales, with Newport (26), Wrexham (24), Bridgend (20),

Deeside (17), Swansea (16), Port Talbot (16) and Caerphilly (13) having the most projects.

Table 16. FDI projects since 1997 in the Wales by activity and place type (total)

Activity	Village	Community	Small Town	Medium Town	Large Town	Core City
Contact center	1	2	4	6	10	10
Education and training	0	2	0	4	0	0
Headquarters	4	7	7	6	8	15
Internet data center	0	0	0	0	2	1
Logistics	1	2	7	6	8	3
Manufacturing	35	51	92	106	43	12
R&D	3	5	9	11	14	9
Sales and marketing	6	2	10	13	14	29
Shared services center	0	0	0	1	2	2
Testing and servicing	1	5	5	6	7	2
Grand Total	51	76	134	159	108	83

Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

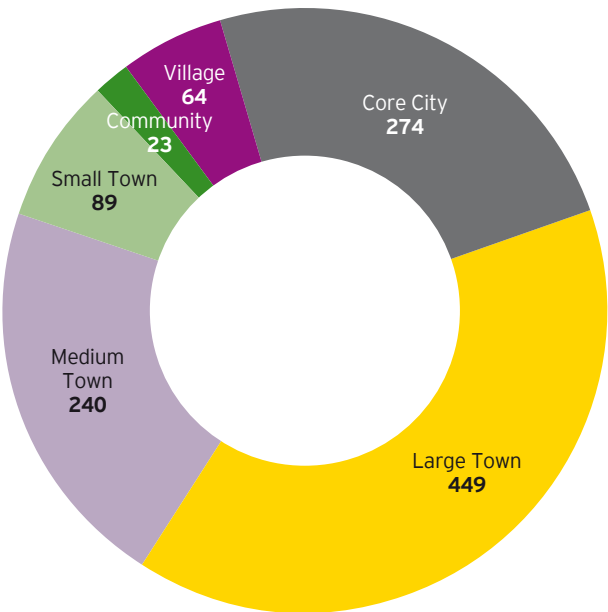
West Midlands

There have been 1,142 FDI projects in the region since 1997 with Large Towns taking up the largest proportion of FDI projects (449). University Towns have also seen significant numbers of FDI projects over the last two decades.



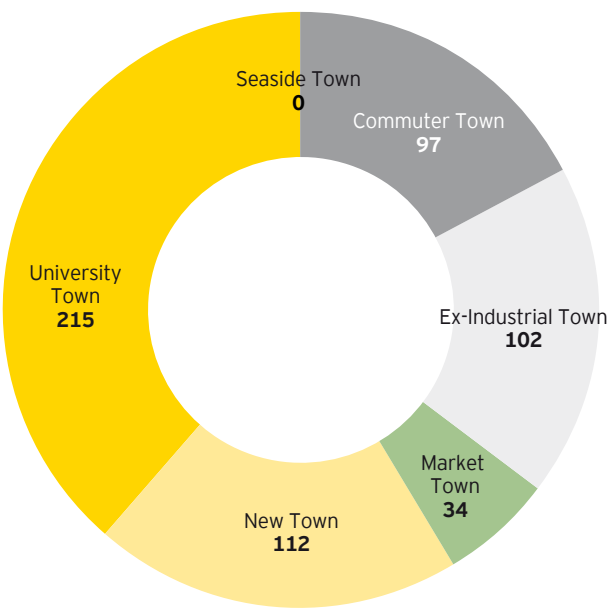
The top 10 places for FDI projects have been Birmingham (274), Coventry (150), Telford (82), Solihull (78), Warwick (45), Redditch (30), Stoke-on-Trent (25), Wolverhampton (24), Rugby (21) and Stafford (21).

Figure 24. FDI projects in the West Midlands (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Figure 25. FDI projects in the West Midlands by place characteristics (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Over a third (420) of FDI projects were in manufacturing, with Birmingham (62), Coventry (57), Telford (49), Solihull (23) achieving significant manufacturing investment with the automotive industry a major contributor. Almost three in ten

projects were in sales and marketing with Birmingham, Coventry and Solihull seeing significant investment, and illustrating the spin-off potential from manufacturing.

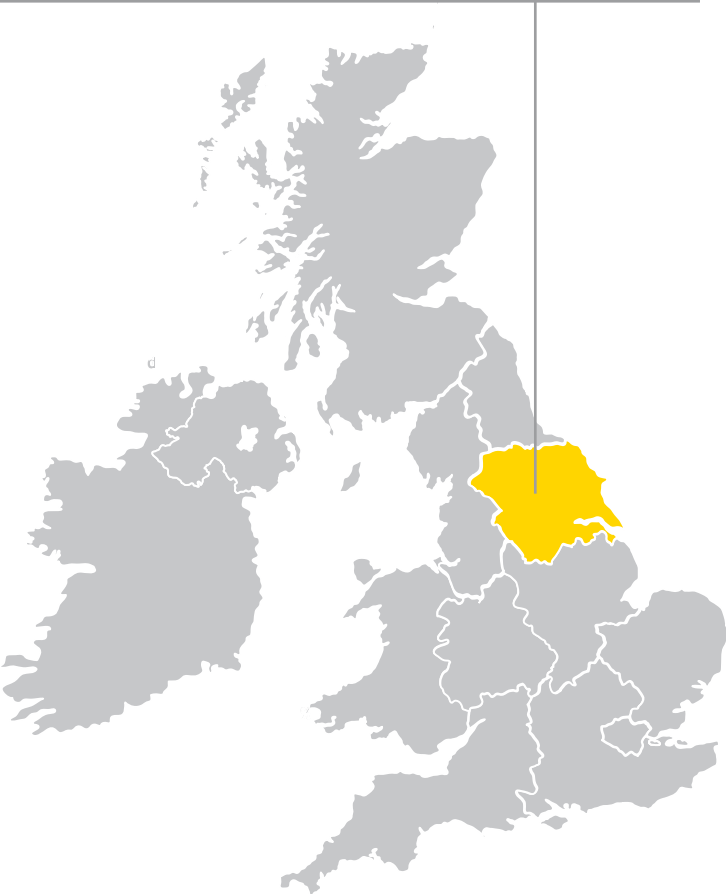
Table 17. FDI projects since 1997 in the West Midlands by activity and place type (total)

Activity	Village	Community	Small Town	Medium Town	Large Town	Core City
Contact center	1	1	2	4	4	10
Education and training	2	0	0	5	4	4
Headquarters	4	2	3	20	42	18
Internet data center	0	0	0	0	0	1
Logistics	10	2	16	30	53	29
Manufacturing	23	12	48	94	178	63
R&D	6	1	4	18	36	21
Sales and marketing	16	4	16	64	107	118
Shared services center	0	0	0	0	6	4
Testing and servicing	1	1	0	5	18	6
Total	63	23	89	240	448	274

Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

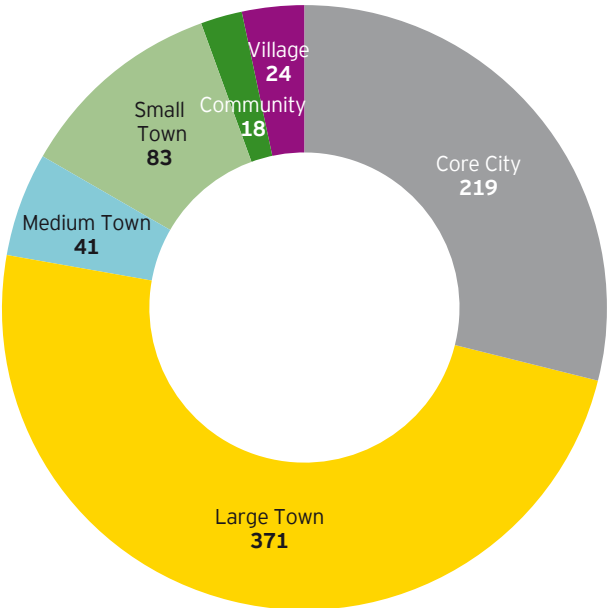
Yorkshire and the Humber

Since 1997 there have been 757 FDI projects in the region. Large Towns account for the most FDI projects by place type (49%) with the Core City of Leeds accounting for almost three in ten (29%). University Towns such as York, Huddersfield and Hull as well as Ex-Industrial Towns like Doncaster, Rotherham and Barnsley also account for large numbers of projects.



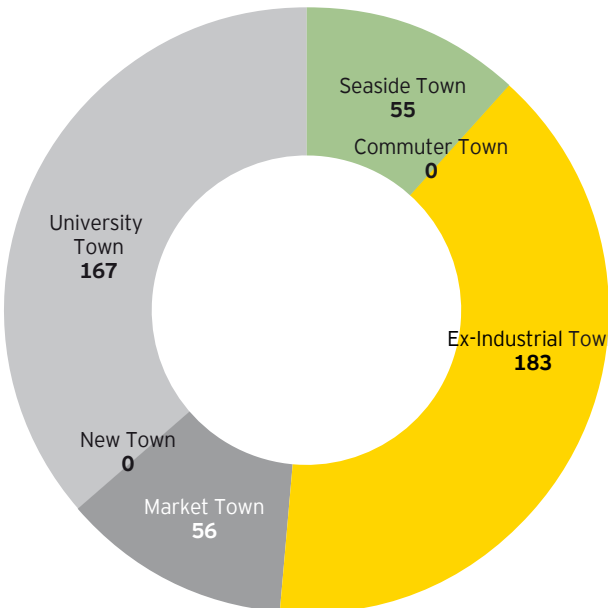
The top 10 places for FDI projects in Yorkshire and the Humber are Leeds (146), Sheffield (73), York (53), Rotherham (50), Bradford (49), Hull (42), Barnsley (39), Doncaster (33), Wakefield (26) and Grimsby (25).

Figure 26. FDI projects in Yorkshire and the Humber by place type (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Figure 27. FDI projects in Yorkshire and the Humber by place characteristics (total since 1997)



Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

Manufacturing accounts for the largest number of projects (323), followed by sales and marketing (159).

Table 18. FDI projects since 1997 in Yorkshire and the Humber by activity and place type (total)

Activity	Village	Community	Small Town	Medium Town	Large Town	Core City
Contact center	1	0	8	0	13	13
Education and training	1	0	2	1	4	2
Headquarters	1	1	5	3	23	20
Internet data center	0	0	1	1	2	3
Logistics	2	4	17	5	44	14
Manufacturing	13	9	38	21	186	56
R&D	1	0	1	2	21	17
Sales and marketing	4	2	11	7	65	87
Shared services center	0	0	0	1	1	3
Testing and servicing	1	2	0	0	12	4
Total	24	18	83	41	371	219

Source: EY analysis based on IBM database, 2016-17; EY European Investment Monitor (EIM), 2008-15; Centre For Towns analysis

About EY's Attractiveness Program

EY's Attractiveness Surveys and Program around the world

EY's Attractiveness Surveys are widely recognized by our 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.

EY's UK Attractiveness Survey is part of the EY Economics for Business Program which provides knowledge, analysis and insight to help business understand the economic environments in which they operate.

ey.com/uk/economics
ey.com/ukastowns
economics@uk.ey.com

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The Centre For Towns is an independent non-partisan organization dedicated to providing research and analysis of the UK's towns. While our cities receive a good deal of attention, Centre For Towns believe that there should be equal attention paid to the viability and prosperity of our towns.

data@centrefortowns.org
centrefortowns.org

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Methodology – how EY researched the report

The “real” attractiveness of the UK for foreign investors

Our evaluation of the reality of FDI in the UK is based on analysis of the IBM Global Location Trends database, produced in collaboration between EY and IBM-Plant Location International. 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 UK.

An investment in a company is normally included in FDI data if the foreign investor acquires more than 10% of the company's equity. 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

Global Location Trends is tracking cross-border investment projects across the world. This flagship business information tool was developed by IBM-PLI and, from 2017 onward, was further maintained in collaboration with EY. It is widely recognized as the most representative source of data on cross-border investment projects and trends. Global Location Trends is frequently used by government bodies, private sector organizations and corporations looking to identify significant trends in employment, industry, business and investment.

The 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.

The following categories of investment projects are excluded from the Global Location Trends database:

- ▶ M&A and joint ventures (unless these result in expansions with new facilities or new jobs being created)
- ▶ Portfolio investments (pensions, insurance and financial funds)
- ▶ License agreements
- ▶ Partnerships for joint business activities without creation of a new business entity
- ▶ Real estate and infrastructure development, generating temporary jobs only
- ▶ Factory and other production replacement investments (e.g., replacing old machinery without creating new employment)
- ▶ Retail centers, restaurants and similar local market-serving operations (unless individual projects are announced to create 100 new jobs or more)
- ▶ Governmental organizations representing individual countries (embassies, consulates and other government bodies representing one single country) with the following exceptions: trade, tourism and investment promotion agencies. New offices of international governmental organizations (coordinated by UN, EU, World Bank, etc.) are included.

Centre For Town's categorization of place types:

Type	Description
Village	Population of under 5,000
Community	Population between 5,000 and 10,000
Small Town	Population between 10,000 and 30,000
Medium Town	Population between 30,000 and 75,000
Large Town	Population over 75,000 but not a Core City
Core City	As defined by Pike et al (2016)

Numbers by place are based on the location details available on projects and therefore, may not add up to the total number included in the tables within the report.

Data reconciliation – 2016 to 2018

Data for EY's 2018 UK Attractiveness Survey was developed in conjunction with IBM. To ensure continued consistency in analysis of the number of FDI projects locating into Europe in the future, we have restated the results for 2016 for the UK, which has resulted in some amendments to project data in 2016.

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.

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