

# Trends in foreign direct investment in the UK's towns

EY Attractiveness Survey  
UK

October 2019



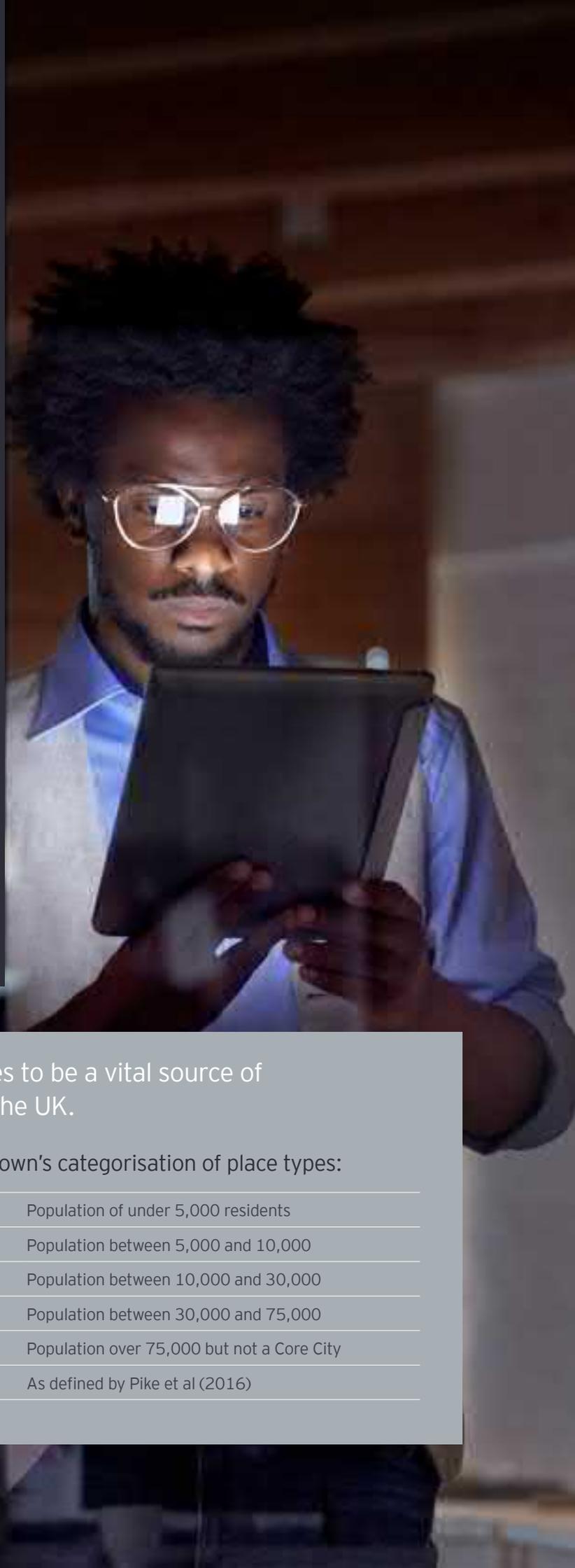
In collaboration with  
Centre For Towns

**EY**

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Foreign direct investment (FDI) continues to be a vital source of economic activity and employment for the UK.

This report uses data from the *2019 EY UK Attractiveness Survey* to summarise how that investment has been distributed in towns and cities across the UK. The data covers all announced FDI projects in the UK for the period from 1997 to 2018 and has been geocoded by the Centre For Towns to pinpoint the destination of these investments.

## Centre For Town's categorisation of place types:

Villages	Population of under 5,000 residents
Communities	Population between 5,000 and 10,000
Small towns	Population between 10,000 and 30,000
Medium towns	Population between 30,000 and 75,000
Large towns	Population over 75,000 but not a Core City
Core Cities	As defined by Pike et al (2016)

# Foreword

Foreign Direct Investment (FDI) has been a vital source of capability, economic activity and jobs for the UK throughout the two decades for which EY has been tracking and measuring FDI activity. The UK's continued ability to attract FDI remains to be under close scrutiny in the run-up to Brexit, and EY's *2019 UK Attractiveness Survey* provided clear evidence that the preparations for Brexit by international businesses had negatively impacted UK FDI in 2018.

Although the UK remained the leading destination for FDI in Europe in 2018, project numbers fell by 13% against a decline of only 4% in the overall European market. In contrast to 2017, when the English regions outside of London performed very strongly, growing twice as fast as the UK average and almost five times as fast as London, 2018 saw London significantly outperform the other English regions, with almost no decline in the number of projects it attracted. Projects in Core Cities excluding London were down around 10%, and volumes fell 23% in the rest of the country – showing how, in uncertain times, investors perceive smaller locations less favourably than larger cities.

The report also identified several concerns over the longer-term outlook. The UK's market share of digital projects fell to 23% as UK investment fell in a European market growing at 5%, and manufacturing investments into the UK declined by 35% – the major factor behind the relatively large fall in the share of investment going to areas outside the Core Cities. And although the proportion of overseas companies intending to invest in the UK in the next 12 months was down only slightly from 24% of respondents in 2018 to 23% in 2019, some 42% 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. The evidence is clear: there is now a real risk that the UK risks losing out on investment that will limit its ability to capture future growth opportunities.

Against this background, the recent work of the Centre For Towns on local economic activity has highlighted the continuing imbalances in geographic economic performance across the UK – and the UK's FDI performance in 2018 suggests that these imbalances could worsen in the current environment. It is not just the economic consequences of Brexit that we should be concerned about. Only 61% of investors surveyed in 2019 has

a positive view of social stability in the UK, down from a high of 86%, while perceptions of the legal, political and regulatory transparency of the UK have fallen even further. If we are to rebalance the UK regions, the policy response will need to embrace economic, political and social change and towns need to be at the heart of this effort.

We are therefore keen to gain a better understanding of the implications that the changing outlook for FDI brings for the UK's regions, cities and towns. This joint report by EY and the Centre For Towns, a non-partisan thinktank dedicated to providing research and analysis of our towns, presents the results of our investigation into the distribution of inbound FDI projects announced across the UK's towns and cities from 1997 to 2018. The report continues EY's long history of sponsorship of research into regional trade – including FDI – and economic development, reflecting our desire to encourage an open dialogue between business leaders, investors and policymakers on how to maximise regional and national economic performance.

Although the outlook is challenging, only 6% of investors expect to reduce their UK activities in the next three years, so there is still a window in which to develop a response to maximise the UK's long-term attractiveness. In this report, we suggest policy steps that we believe are vital to ensure the future success of towns and cities, and we look forward to supporting and helping in this process.



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# Executive summary

London's 5,875 projects between 1997 and 2017 dwarfs the 419 secured by second-placed Manchester.

5,875

The share of UK FDI projects accounted for by Core Cities has increased from less than a third (31%) in 1997 to almost three fifths (59%) in 2018.

## Core cities and especially London continue to dominate the FDI landscape ...

The share of UK FDI projects accounted for by Core Cities<sup>1</sup> has increased from less than a third (31%) in 1997 to almost three-fifths (59%) in 2018, with over half of all projects over the past two decades being attracted into the major population centres. London has been the primary beneficiary but Bristol, Edinburgh, Leeds, Manchester and Newcastle upon Tyne all more than doubled the number of projects they attracted between 1997 and 2017. Nevertheless, London's 5,875 projects in the period dwarfs the 419 secured by second-placed Manchester.

## ... with smaller places struggling to retain share ...

To an extent, the UK's leading performance in Europe in attracting FDI since 1997 has masked the wide differences in performance between the UK's Core Cities and other areas. FDI in the 12 Core Cities has increased four-fold since 1997 while declining everywhere else. Over the past two decades, large towns have seen their share of FDI fall from 26% at the start of the period to 17% last year, and all place types<sup>2</sup> except Core Cities attracted fewer projects in 2018 than they did in 1997. The evidence suggests there may have been an insufficient focus on place in UK FDI activity in recent times.

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

<sup>2</sup> See the definition of the Centre For Towns place types on the Contents page



### ... and the market is challenging and dynamic ...

When we look at place characteristics using the Centre For Towns' classification, the performance of university towns stands out. The number of FDI projects attracted annually by these locations increased from 73 in 2013 to 180 in 2017. However, in 2018, their project numbers almost halved to 97, with the fall in research and development (R&D) and manufacturing projects being the major factors in this decline.

Ex-industrial towns saw a major decline in project numbers from 69 in 1997 to 18 in 2013, but then experienced a significant revival through to 2017. However, this rally came to an end in 2018 with only 35 projects attracted, a fall of half in one year. Underlying this decline was the fall in the number of manufacturing projects attracted by the UK in 2018 overall, as the ex-industrial towns rely disproportionately on this sector.

### ... 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 2018. Most of this growth has come since 2004, driven to a significant extent by the increasing openness of the UK economy. But the digital revolution has also played a role, with many software businesses covered by this grouping. This activity has been heavily concentrated in Core Cities (74% of all projects since 1997) and large towns (15% in the same period). Headquarters projects demonstrate very similar characteristics, with 80% of all headquarters projects over the past two decades destined for Core Cities or large towns.

By contrast, manufacturing projects are spread across different place types, with only 13% of these projects having gone to Core Cities and 30% to large towns in the past two decades. Logistics and R&D-related projects are also more geographically dispersed, with over 30% and 40% respectively of investments going outside of Core Cities and large towns. There are also linkages between these groups of projects, with investments in manufacturing facilities often leading to a demand for logistics or creating the opportunity to attract R&D activity.

### ... creating the potential for growth beyond cities ...

The results summarised above, in part, reflect an increasing focus of policy on cities – and especially city regions – in recent years. But the more we move into detailed analysis of the UK's FDI performance over the past two decades, the more evidence we find of potential alternative approaches that could allow a more balanced geographic policy mix.

Scotland is a very interesting case in point, having managed to achieve a balance in FDI across all the main place types. Glasgow and Edinburgh are successful member Core Cities and account for around two-fifths of all FDI projects attracted to Scotland in the past 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.

While Scotland's performance may reflect the characteristics of the country to an extent, other regions also demonstrate the potential of places outside of the major cities. With Nottingham as its only Core City, the East Midlands has been successful in attracting FDI into all of its place types. 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 more balanced distribution of FDI. To a significant degree, 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 benefitting from the economic activity they generate. Other locations such as Swindon and Plymouth are successful in attracting manufacturing investment in specific industries, and Exeter is an upcoming university town.

The performance of different places over time 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.

### **... signalling that it is 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 past two decades. Not only that, but there are disparities within regions between the scale of investment in Core Cities

and the largest towns, compared with small and medium towns and rural communities.

In part this reflects 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 centres. However, the lack of an industrial strategy in the UK for much of this period has hampered the attraction for FDI to places outside of Core Cities, as these are the destinations to which manufacturing projects typically flow.

UK economic policy has also tended to be based around city regions and this is likely to have exacerbated the geographic disparities in attracting FDI. With Brexit being 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 new approach to FDI policy centred on geography is developed as a priority.

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**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 2018.**

# 1

## A policy agenda for foreign direct investment in towns



# 1

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## **Drive decision-making from the bottom up**

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, with some power moving from the national level, planning is still primarily top-down.

The requirement now is to incorporate a true bottom-up element to the formulation of economic development policy. There should be more focus at the town level to consider what different types of investors require and what this means for policy, in order 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.

# 2

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## **Rework the industrial and digital strategies to put place first**

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 a better balance of economic activity. In this context, the industrial strategy is an important element for driving future economic success.

This means that to share the benefits of FDI more widely, the approach needs to be much more integrated and inclusive – especially in terms of place – and be based upon challenging the prevailing policy model.

Our analysis of investor needs suggests that the industrial strategy should seek to bring together locally developed plans to drive initiatives around skills and infrastructure, and to identify how to reshape and strengthen supply chains and business networks to develop more geographically specific initiatives. In this way, more FDI-supporting resources can be allocated to smaller towns and communities.

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Towns will thrive if people want to live, work and consume there, meaning a comprehensive approach covering all aspects of local life is required.

# 3

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## **Improve regional transport and broadband**

The need to improve infrastructure provision – namely transport and broadband – is a higher priority for the English regions – and especially towns – than the UK overall. This is partly because of the major issues with the quality of infrastructure outside of London, 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 driving improvement across the country.

# 4

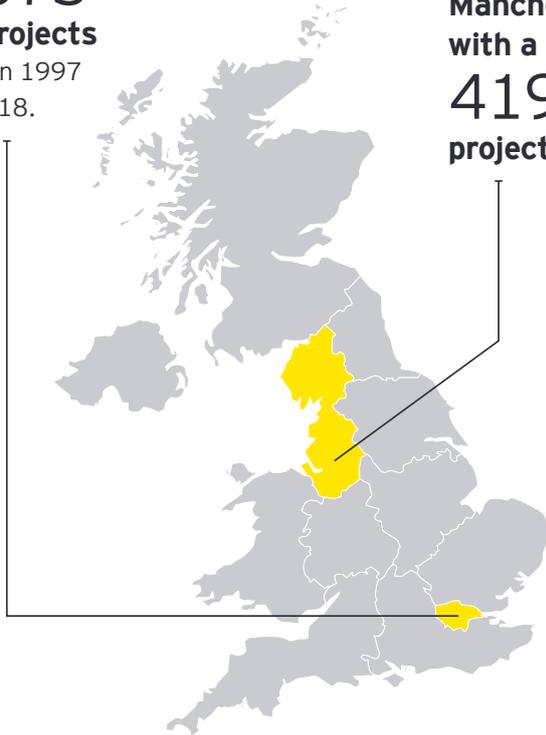
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## **Develop an integrated strategy for towns**

While it is welcome that towns are moving up the political agenda, there is little sign of an integrated approach. Attracting FDI is important, and improvements in skills and infrastructure are vital in this regard. However, as investor concerns over social stability indicate, policy needs to incorporate social and cultural aspects as well as hard economic ones. Towns will thrive if people want to live, work and consume there, meaning a comprehensive approach covering all aspects of local life is required. The balance between agglomeration and decentralisation needs careful consideration.

# Main findings

London was the destination for **5,875 FDI projects** between 1997 and 2018.



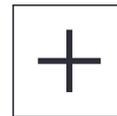
The next highest destination in the whole of the UK was **Manchester, with a total of 419 projects.**



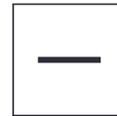
FDI in Core Cities has **increased four-fold since 1997 ...**



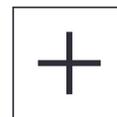
... while FDI in towns has for the most part **remained flat or declined.**



FDI in the largest towns has **doubled since 2011**, however is still only half of that received by Core Cities.



FDI in small and medium towns and rural communities has **not changed over the past 20 years**, falling well below the scale of investment seen in Core Cities.



University towns have seen their number of FDI projects **double in the last decade** while ex-industrial towns and coastal towns have received comparatively few projects.

**59%**

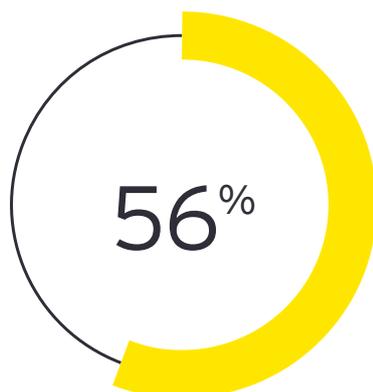
**In 2018, almost six in ten** of all FDI went to one of the 12 Core Cities.

**31%**

**In 1997 less than a third** of FDI projects were in those Core Cities.

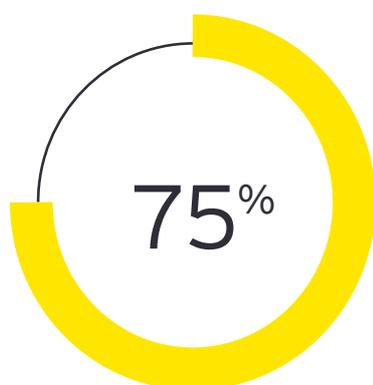
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Since around 2004 FDI in sales and marketing has taken off, now far surpassing any of the other sectors in terms of the number of projects.



**Sales and marketing accounted for less than a quarter of UK FDI projects in 1997.**

This year over half (56%) of UK FDI projects were in sales and marketing.



**FDI in manufacturing has fallen since 1997 both in total and as a share of all projects, although the number of manufacturing projects has risen by 75% since 2008.**

However, much of that investment has gone into university towns and not ex-industrial ones.

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London and the South East have accounted for almost half of all FDI projects since 1997. Sales and marketing investment has powered this growth.

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# 2 What makes a place a favourable context for foreign investment?

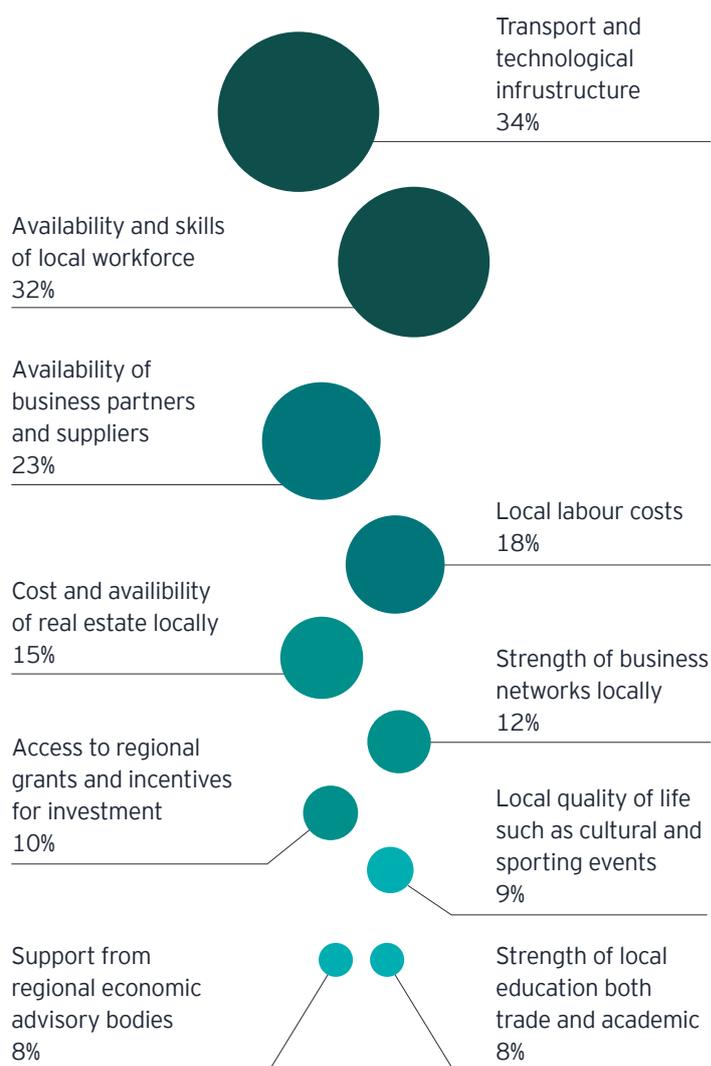


In our 2019 EY UK Attractiveness Survey, we asked foreign investors about the criteria they use before deciding to invest in a location. The availability of transport and technological infrastructure was cited by 34% of investors compared to 32% who identified the quality of the local skills base as a driver of investment decisions. This is the first time that infrastructure has been the most important criterion, suggesting that the failure to deliver on infrastructure commitments has started to influence inward investors' attitudes.

More generally, these findings underline the continued importance of a strong skills base, sound transport infrastructure and good broadband connectivity for any place hoping to attract inward investment. Previous analysis by the Centre For Towns has shown that many of the UK's towns suffer from a combination of ageing populations, comparatively poorly qualified working-age populations, a crumbling transport infrastructure and poor broadband connections. The same is not true for Core Cities and some of the largest towns and university towns, which are more likely to have much higher proportions of better-qualified working-age populations together with well-connected transport infrastructure and excellent broadband infrastructure. Policy must seek to address these disparities, most obviously by investing relatively more in the places with the greatest gaps in skills and infrastructure.

It is also interesting to note that the availability of business partners and suppliers was identified as an investment criterion by 23% of investors in 2018, a rise of 3% on the previous year. It appears that investors are becoming more risk averse as uncertainty over the UK outlook – and the wider global trading conditions – grows, and want to be sure that there will be appropriate supply networks in place to support their investments. Clearly articulated, locally driven plans will be critical in addressing these concerns.

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



Source: EY Attractiveness Survey UK, June 2019

# 3 Foreign direct investment into UK cities and towns in 2018

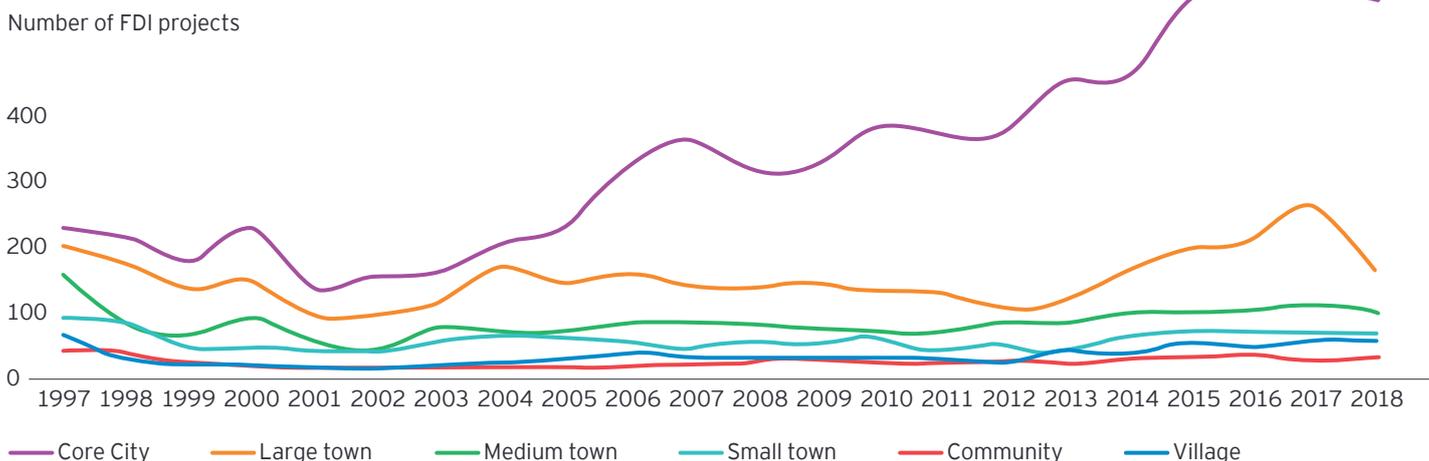


### Imbalances increase in a difficult market ...

The UK attracted 13% fewer FDI projects in 2018 compared to 2017, with the total number of projects falling from 1,205 to 1,054. In 2018, the number of FDI projects was at its lowest since 2014.

This investment was not spread equally across the UK's towns and cities. In 2018, almost six in ten (59%) of foreign direct investments were spent in one of the Core Cities.<sup>3</sup> As the chart below shows, between 1997 and 2018 foreign direct investment into Core Cities has far outpaced FDI into any of the UK's place types.

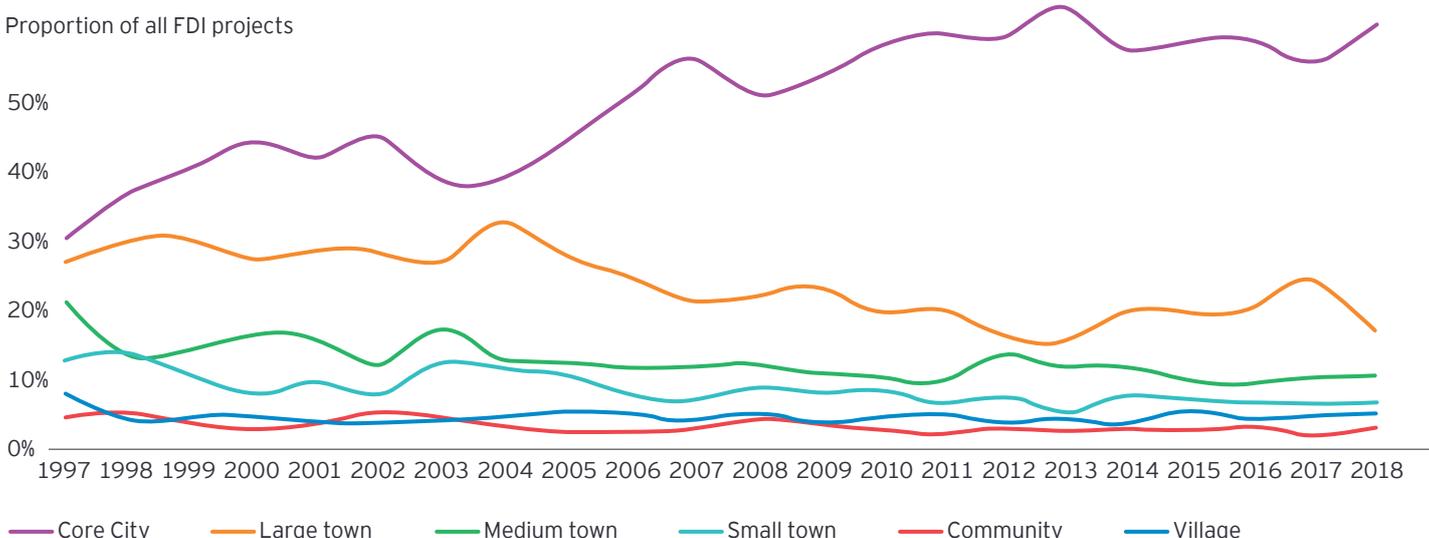
### FDI projects by place type, 1997-2018



Source: EY European Investment Monitor (EIM), 2019

In 1997, Core Cities accounted for less than a third (31%) of all FDI projects, but since around 2004 they have consistently been the destination of choice for investors.

### FDI projects by place type (%), 1997-2018



Source: EY European Investment Monitor (EIM), 2019

<sup>3</sup>Leeds, Liverpool, Manchester, London, Bristol, Sheffield, Cardiff, Glasgow, Edinburgh, Nottingham, Birmingham and Newcastle Upon Tyne

Since 1997, foreign direct investment in Core Cities has grown just over three-and-a-half times as fast (167%) as growth for the whole of the UK (47%). In fact, foreign direct investment in towns and smaller communities has for the most part remained flat or declined for two decades. 2018 saw this process intensify, with FDI going up in Core Cities and down in large towns. It does appear that the consequences of Brexit will be felt most strongly outside of the UK's largest urban centres.

While the Core Cities have outpaced towns in terms of the number of projects attracted, 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 458 (74%) of the total of 619 FDI projects secured by Core Cities in 2018.

A longer-term comparison shows that London has accounted for between two-thirds and three-quarters of all FDI projects coming into Core Cities in each year since 1997. Table 1 shows the number of projects in each of the 12 Core Cities as well as the growth in each over the period.

### Number of FDI projects in Core Cities, 1997-2018

	1997	2008	2018	Growth (n) since 1997
Birmingham	16	9	22	+6
Bristol	2	8	10	+8
Cardiff	2	4	8	+6
Edinburgh	7	8	20	+13
Glasgow	9	9	19	+10
Leeds	6	3	21	+15
Liverpool	7	4	8	+1
London	159	264	458	+299
Manchester	19	20	37	+18
Newcastle Upon Tyne	3	6	6	+3
Nottingham	4	6	4	No change
Sheffield	8	3	6	-2

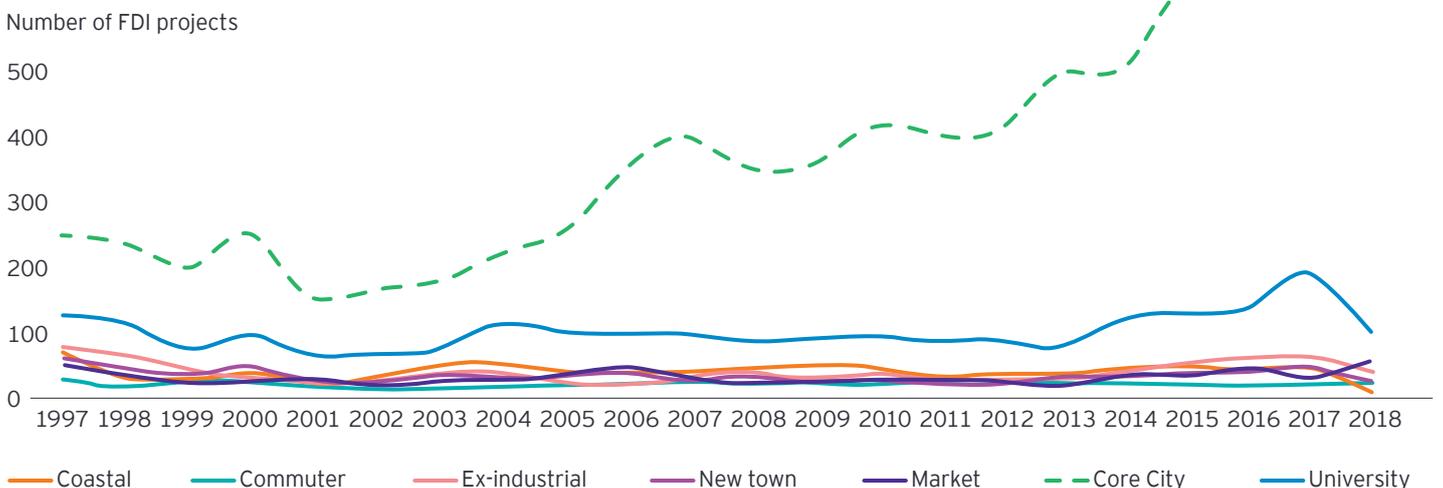
Source: EY European Investment Monitor (EIM), 2019

As these figures underline, London has powered the growth in foreign direct investment in the UK's Core Cities over this period, with smaller but still significant increases in the other Core Cities like Edinburgh, Leeds and Manchester. This suggests that policy can influence FDI outcomes, as these cities have been the focus of initiatives by devolved bodies in recent years. By contrast, locations such as Nottingham, Sheffield and Newcastle that have not benefitted from high-profile initiatives have seen less growth.

### ... and not equally between the characteristics of places

The Centre For Towns has also created bespoke categorisations of places based on their context, and uses six distinct place types: coastal towns, university towns, ex-industrial towns, new towns, market towns, and commuter towns.

### Number of FDI projects by place type, 1997-2018



Source: EY European Investment Monitor (EIM), 2019



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

Number of FDI projects by place characteristics, 1997-2018

Year	University	Coastal	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
2018	97	6	18	35	47	24	619

Source: EY European Investment Monitor (EIM), 2019

2018 saw a collapse in the number of FDI projects in university towns (down 46% on 2017), coastal towns (down 84%), ex-industrial towns (down 35%) and new towns (down 41%). 2018 saw the lowest number of FDI projects in coastal towns on record. In 2017, there was evidence of a more recent uptick in the number of foreign direct investments aimed at ex-industrial towns (which have approximately doubled over the last decade) but this was reversed in 2018. However, these numbers are all dwarfed by the number of investments destined for Core Cities, which is only included for the purposes of comparison.

It is still fair to say, as it was last year, that much of this growth can be accounted for by London and the Core Cities. Over the past two decades Core Cities have gone from accounting for 31% of FDI projects in 1997 to 59% in 2018. All the other place types have seen a reduction in their share of foreign investments since 1997.

Similarly, all of the place types based on characteristics now account for smaller proportions of all FDI projects than they did in 1997.

## Over the past two decades Core Cities have gone from accounting for 31% of FDI projects in 1997 to 59% in 2018.

The share of all foreign direct investments 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%
2018	59%	17%	9%	6%	2%	5%

Source: EY European Investment Monitor (EIM), 2019

The share of FDI projects based on place characteristics by year

Year	University	Coastal	Commuter	Ex-industrial	Market	New town	Core City	Unclassified
1997	20%	10%	3%	11%	7%	9%	40%	
2008	22%	5%	2%	11%	6%	8%	46%	
2016	18%	7%	3%	9%	5%	8%	50%	
2018	9%	1%	2%	3%	4%	2%	59%	20%

Source: EY European Investment Monitor (EIM), 2019

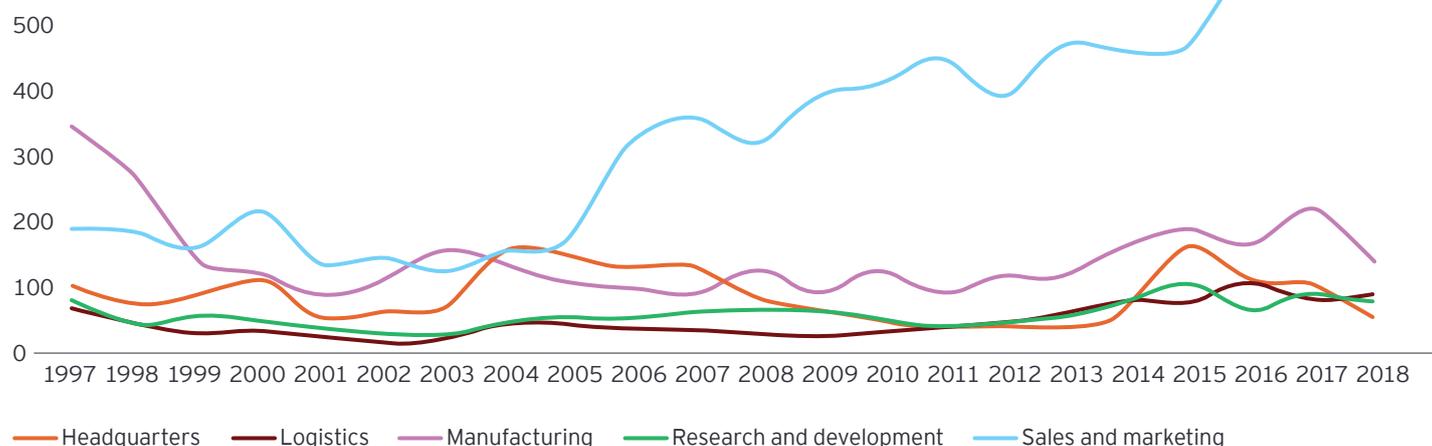


### Sales and marketing dominates FDI flows into the UK ...

Sales and marketing investments have powered the growth in FDI since around 2004, with a five-fold increase in the number of sales and marketing investment 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 focus of investment, accounting for a fifth (20%) of all investments since 1997.

## FDI by activity, 1997-2018

Number of FDI projects



Source: EY European Investment Monitor (EIM), 2019

### ... and this investment has mostly been concentrated in cities and large towns

An analysis by sector explains much of the difference in relative performance across places. Over the whole period

since 1997, almost three-quarters (74%) of all sales and marketing investment has gone to one of the Core Cities, with large towns accounting for most of the remainder (15%).

## FDI by type of place and activity, 1997-2018 (total)

Activity	Core City	Large town	Medium town	Small town	Community	Village	Total
Contact centre	200	154	64	34	19	11	482
Education and training	54	38	17	16	4	10	139
Headquarters	1,055	378	144	79	28	40	1,724
Internet data centre	97	39	11	1	0	1	149
Logistics	221	298	157	119	39	68	902
Manufacturing	401	921	708	559	178	261	3,028
Research and development	437	371	167	89	18	76	1,158
Sales and marketing	5,286	1,074	411	218	55	112	7,156
Shared services	94	30	15	2	1	3	145
Testing and servicing	97	106	59	38	19	21	340
Total	7,942	3,409	1,753	1,155	361	603	15,223

Source: EY European Investment Monitor (EIM), 2019



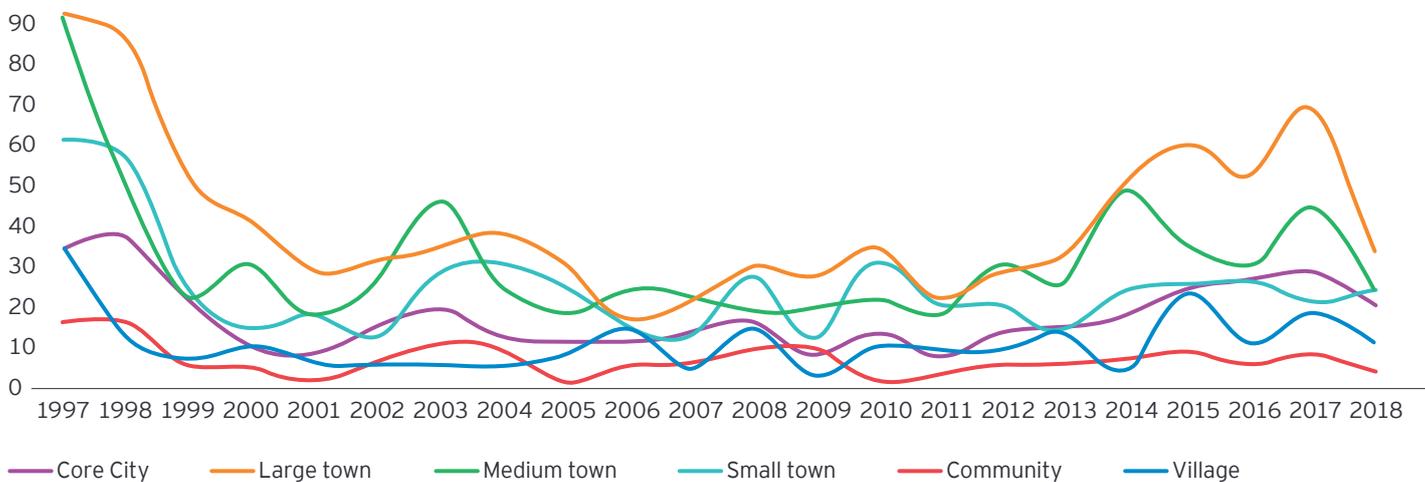
The nature of sales and marketing activity – with a focus on building awareness and making connections – lends itself most obviously to denser, urban areas. It is no surprise that FDI in this sector has mostly been concentrated in Core Cities and large towns.

**Towns rely on foreign direct investment in manufacturing ...**

While Core Cities, and particularly sales and marketing, have powered the growth in FDI, it is also true to say that sectoral investment in manufacturing alone has increased in medium and large towns in recent years. However, in 2018 there were sharp falls in manufacturing projects in medium and large towns.

**FDI in manufacturing projects by place type, 1997-2018**

Number of FDI projects

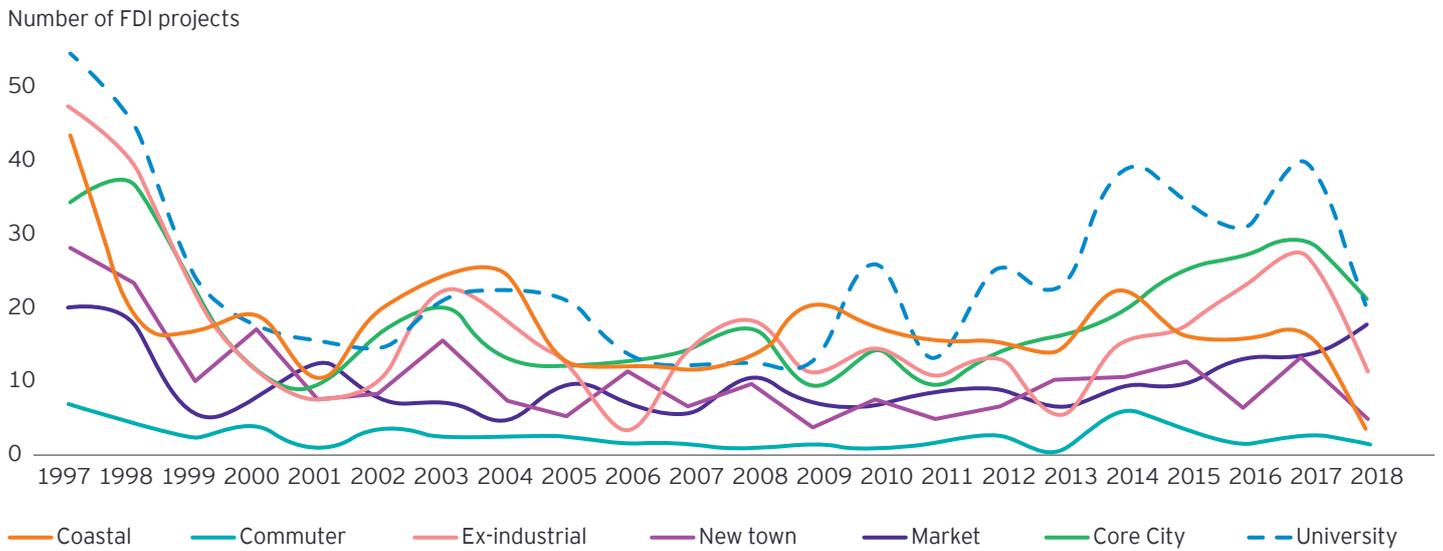


Source: EY European Investment Monitor (EIM), 2019

In terms of the characteristics of place which receive manufacturing investment, it has been university towns that have seen the largest recent increases in manufacturing FDI projects. In 2018, only market towns saw more manufacturing investments than in the previous year. University towns, ex-industrial towns and coastal towns saw marked falls in manufacturing investments. Brexit was one of the major

reasons for this decline, with the UK performing significantly worse than Europe overall. Investors cited worries over supply chain risks, tariffs on exports and imports and the costs of customs compliance as factors causing them to hold off from investing in the UK. All these factors have a more significant impact on manufacturers than businesses in other sectors.

### FDI projects in manufacturing by place characteristics, 1997-2018



Source: EY European Investment Monitor (EIM), 2019

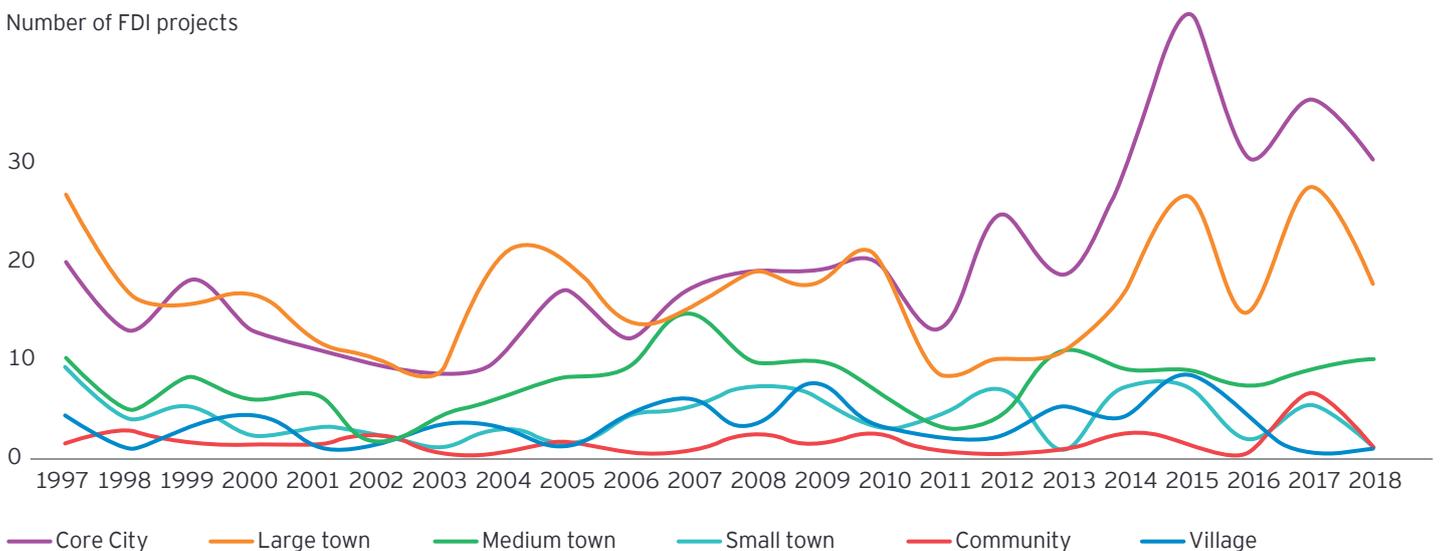
### ... as research and development FDI flows to larger places ...

In 2018 there were 74 research and development (R&D) projects in the UK funded by FDI. Worryingly for the UK's future prospects, this was a 17% decrease on 2017 – 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 (79%) of all R&D projects invested in by FDI. Almost a third (33%) were in London.

Foreign direct investment in R&D projects has been dominated by Core Cities and large towns since 1997. But in recent times they have moved even further away from smaller towns as the destination of choice for investors.

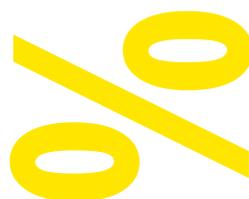
### FDI projects in research and development by place type, 1997-2018



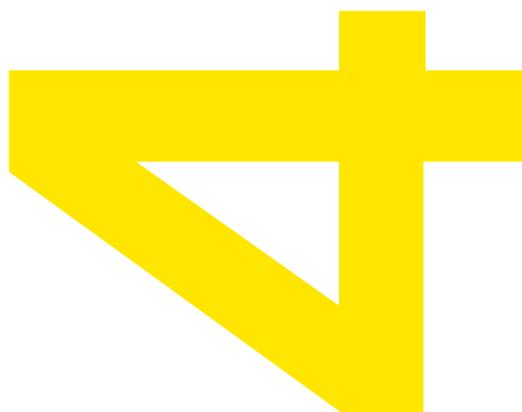
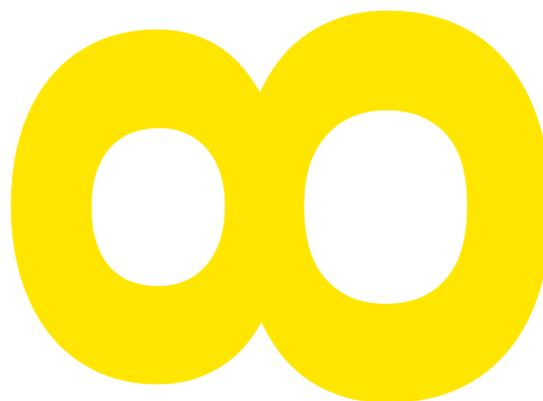
Source: EY European Investment Monitor (EIM), 2019

# 4 Foreign direct investment into UK cities and towns by region





The South East has accounted for nearly half (48%) of the total FDI projects secured by the UK since 1997.



### Regional investment

The South East has accounted for nearly half (48%) of the total FDI projects secured by the UK since 1997. Four-fifths (80%) of these projects were in London. No other Core City accounts for such a large proportion of any region's FDI project as London. Although half of all FDI projects in the North West were in the Core Cities, this reflects the fact that the region has two Core Cities – Liverpool and Manchester.

### FDI projects by region and place type (total since 1997)

Region	Core City	Large town	Medium town	Small town	Community	Village	Total
East Midlands	82	218	117	58	50	62	587
East of England		474	99	99	20	73	765
North East	119	266	138	161	9	30	723
North West	548	267	152	86	10	35	1,098
Scotland	558	198	330	184	91	112	1,473
South East	5,875	777	393	181	33	99	7,355
South West	169	235	55	75	27	46	607
Wales	91	116	167	135	78	52	639
West Midlands	297	475	260	92	23	69	1,216
Yorkshire and the Humber	246	386	42	86	18	26	804
Total	7,982	3,412	1,753	1,157	359	604	15,267

Source: EY European Investment Monitor (EIM), 2019

In the other regions there is a better balance between investment in Core Cities and the other place types. It follows that Core Cities account for a much smaller proportion of all FDI projects outside of the South East.

**There have been over 2,000 FDI projects in university towns since 1997**

2,000+

### FDI projects in the three major sectors by region (total since 1997)

Region	Manufacturing	Research and development	Sales and marketing
East Midlands	195	44	128
East of England	156	148	262
London	73	171	4,405
North East	372	61	130
North West	306	83	399
Scotland	437	264	394
South East	185	145	674
South West	208	57	188
Wales	353	53	84
West Midlands	437	92	358
Yorkshire and the Humber	337	44	198
<b>Total</b>	<b>3,059</b>	<b>1,162</b>	<b>7,220</b>

Source: EY European Investment Monitor (EIM), 2019

Regional FDI in manufacturing projects has been shared across the regions, but there have been fewer total manufacturing investments in the South West, East Midlands and East of England than elsewhere. Investments in R&D and sales and marketing have again been concentrated in the South East.

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

### FDI projects by region and place characteristics (total since 1997)

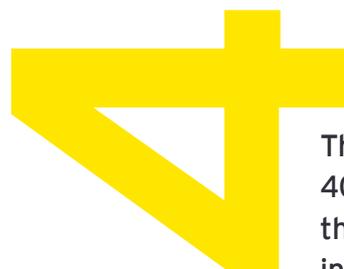
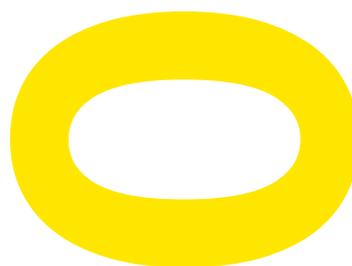
Region	Coastal	Commuter	Ex-industrial	Market	New town	University
East Midlands	6	11	16	85	18	193
East of England	35	50	0	84	116	268
North East	224	0	91	16	18	135
North West	62	5	108	28	92	96
Scotland	188	0	44	0	152	223
South East	69	126	0	220	104	489
South West	29	0	4	29	0	127
Wales	65	0	110	37	21	144
West Midlands	0	101	107	38	114	231
Yorkshire and the Humber	57	0	186	56	0	172
<b>Total</b>	<b>735</b>	<b>293</b>	<b>666</b>	<b>593</b>	<b>635</b>	<b>2,078</b>

Source: EY European Investment Monitor (EIM), 2019



# 5 Region by region; town by town





**There were just 40 FDI projects in the East Midlands in 2018**

### East Midlands

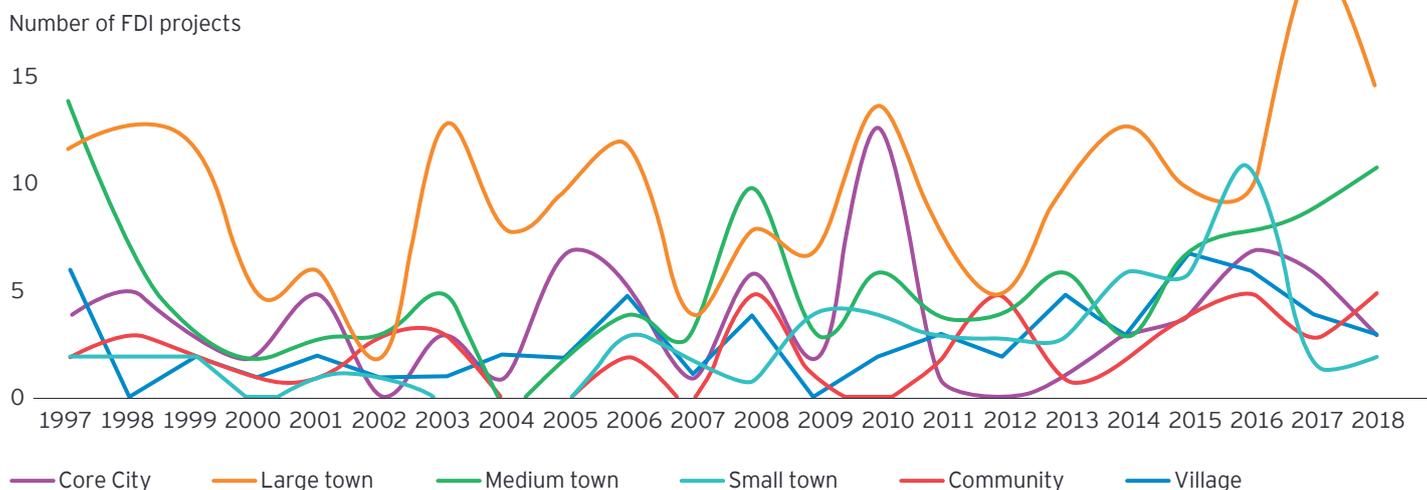
There were just 40 FDI projects in the East Midlands in 2018, and the region accounts for only a small fraction of the total FDI projects in the UK since 1997 (4%). Within the East Midlands, large towns have received the highest share of FDI projects since 1997 (see table below).

FDI projects by activity and place type, East Midlands (total since 1997)

Activity	Core City	Large town	Medium town	Small town	Community	Village
Contact centre	8	16	1	3	1	
Education and training		2	1	3	1	2
Headquarters	6	16	12	4	5	3
Logistics	5	34	22	13	17	20
Manufacturing	15	63	55	22	14	26
Research and development	11	16	5	4	2	5
Sales and marketing	34	57	19	6	8	3
Shared services centre		2				
Testing and servicing	3	12	2	3	2	3
<b>Total</b>	<b>82</b>	<b>218</b>	<b>117</b>	<b>58</b>	<b>50</b>	<b>62</b>

Source: EY European Investment Monitor (EIM), 2019

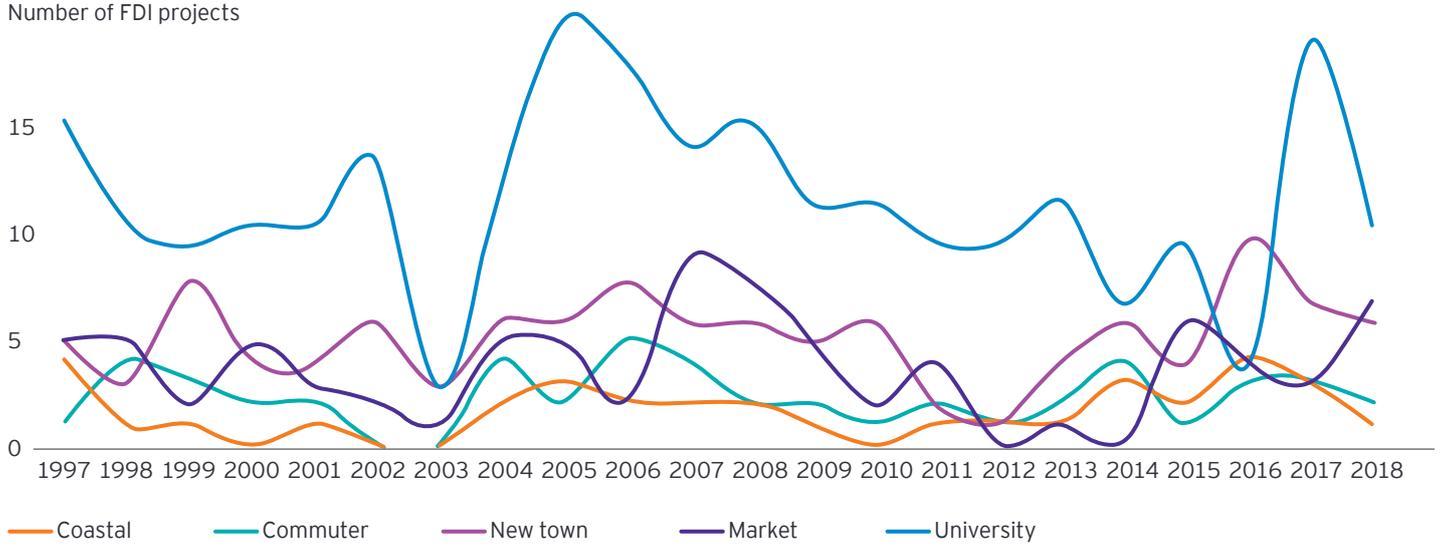
FDI projects by place type per year, East Midlands, 1997-2018



Source: EY European Investment Monitor (EIM), 2019

## FDI projects by place characteristics, East Midlands, 1997-2018

Number of FDI projects



Source: EY European Investment Monitor (EIM), 2019

There were  
36 FDI projects  
in the East of  
England in 2018



### East of England

There were 36 FDI projects in the East of England in 2018, down from 59 last year, and the region accounts for only a small fraction of the total FDI projects in the UK since 1997 (5%). Within the East of England, large towns have received the highest share of FDI projects since 1997 (62%).

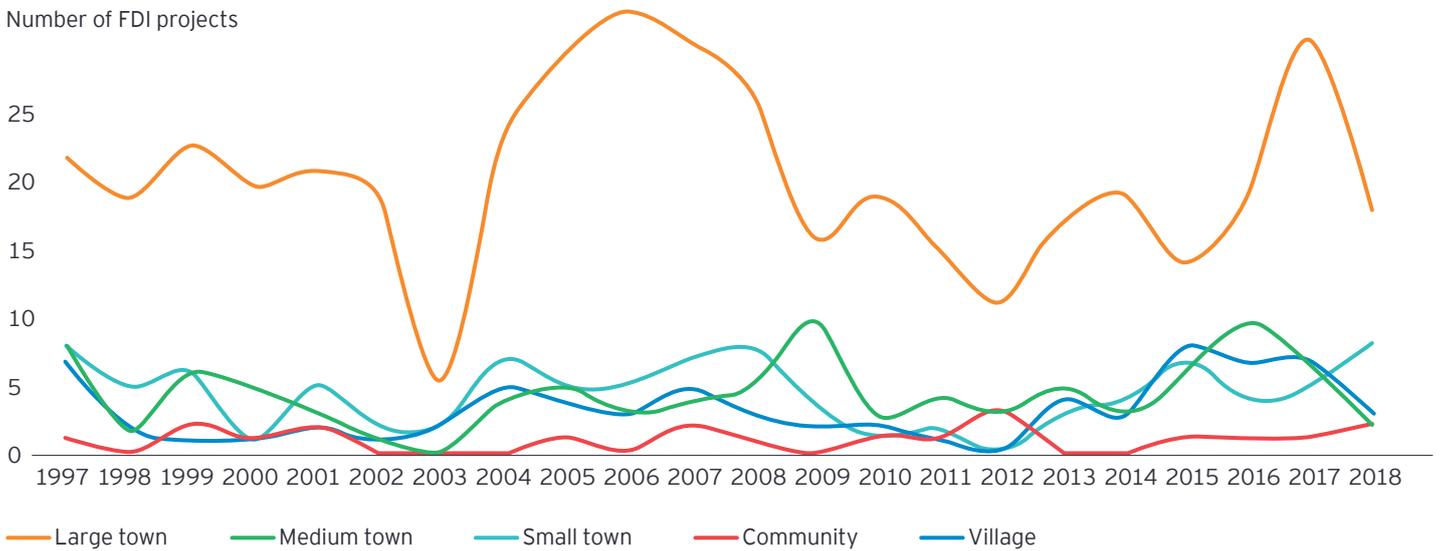
### FDI projects by activity and place type, East of England (total since 1997)

Activity	Large town	Medium town	Small town	Community	Village
Contact centre	20	2			
Education and training	4		2		1
Headquarters	52	14	5	1	3
Internet data centre	3	1			
Logistics	34	14	16	2	7
Manufacturing	56	20	46	6	26
Research and development	114	10	9	2	12
Sales and marketing	178	34	16	8	23
Shared services centre	2	2			
Testing and servicing	11	2	5	1	1
<b>Total</b>	<b>474</b>	<b>99</b>	<b>99</b>	<b>20</b>	<b>73</b>

Source: EY European Investment Monitor (EIM), 2019

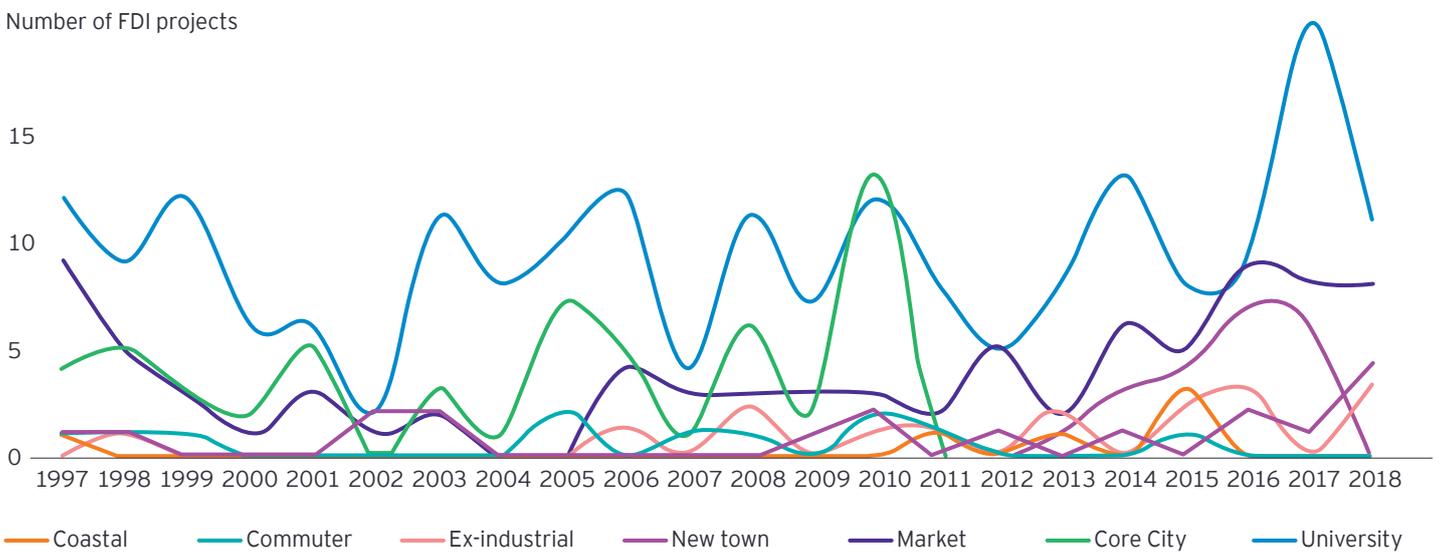


### FDI projects by place type, East of England, 1997-2018

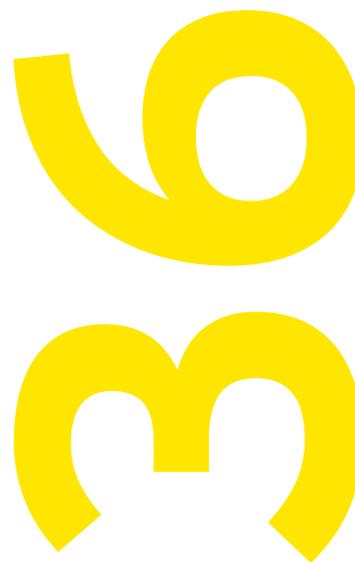


Source: EY European Investment Monitor (EIM), 2019

### FDI projects by place characteristics, East of England, 1997-2018



Source: EY European Investment Monitor (EIM), 2019



### North East

There were 36 FDI projects in the North East in 2018, down from 48 last year and the region accounts for only a small fraction of the total FDI projects in the UK since 1997 (5%).

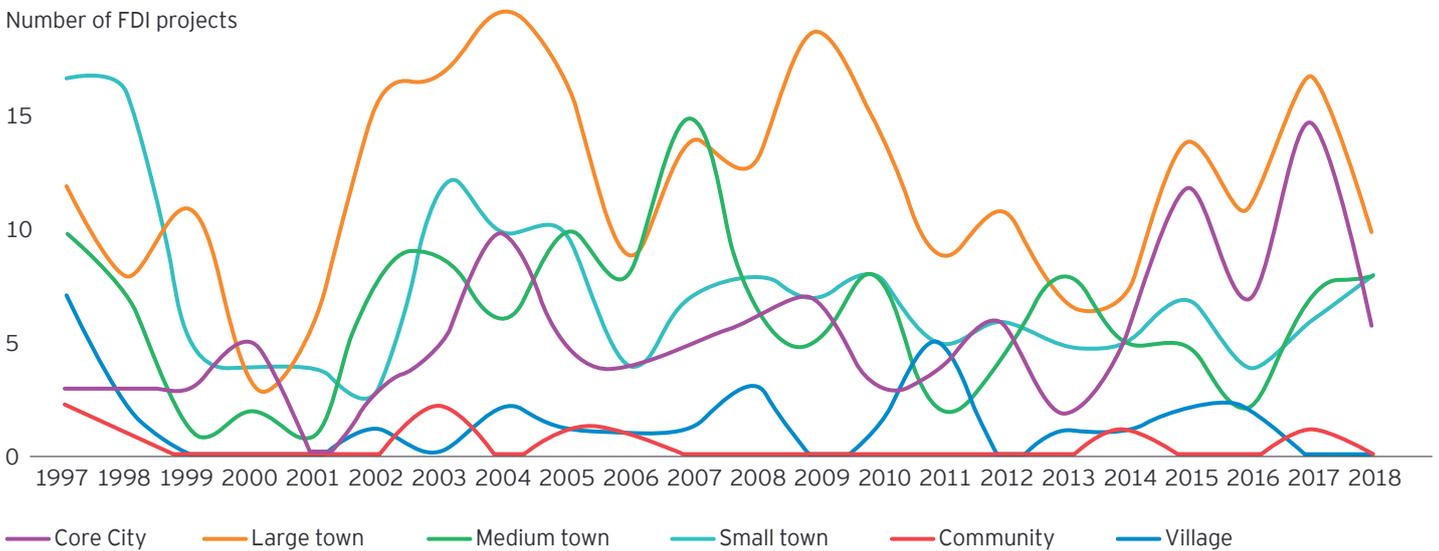
There were 36 FDI projects in the North East in 2018

### FDI projects by activity and place type, North East (total since 1997)

Activity	Core City	Large town	Medium town	Small town	Community	Village
Contact centre	15	35	6	5		
Education and training	5	6		2		
Headquarters	11	13	1	1	1	2
Internet data centre		1	2			
Logistics	3	12	9	7		3
Manufacturing	17	117	83	125	7	17
Research and development	15	24	11	8		3
Sales and marketing	44	50	19	12		4
Shared services centre	3	1	1			
Testing and servicing	6	7	6	1	1	1
Total	119	266	138	161	9	30

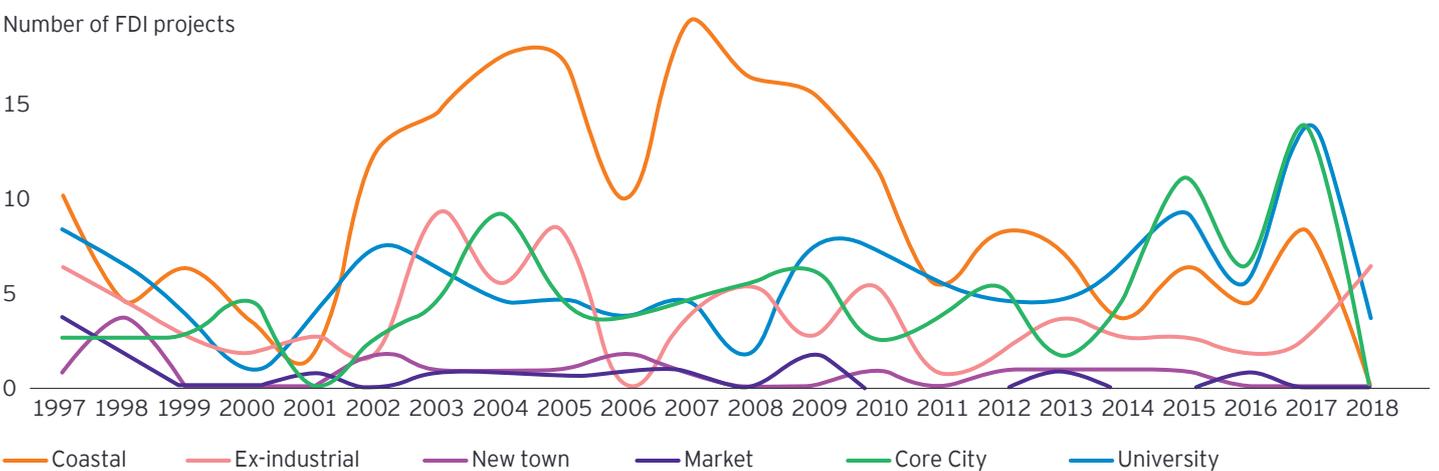
Source: EY European Investment Monitor (EIM), 2019

### FDI projects by place type, North East, 1997-2018



Source: EY European Investment Monitor (EIM), 2019

### FDI projects by place characteristics, North East, 1997-2018



Source: EY European Investment Monitor (EIM), 2019



70

There were 70 FDI projects in the North West in 2018

### North West

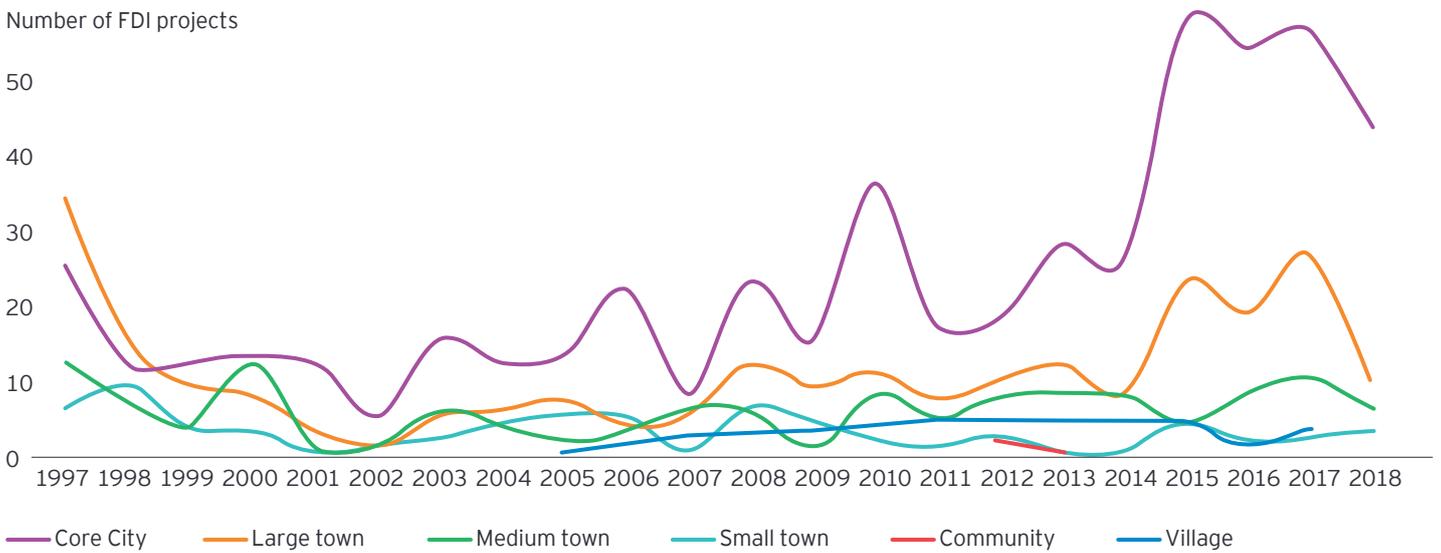
There were 70 FDI projects in the North West in 2018, down from 105 last year. Since 1997 there have been 1,098 FDI projects in the North West, representing 7% of all UK projects. Half (50%) of the North West's projects over that period have been in one of its two Core Cities, Liverpool and Manchester.

### FDI projects by activity and place type, North West (total since 1997)

Activity	Core City	Large town	Medium town	Small town	Community	Village
Contact centre	33	17	5			
Education and training	5	3	2	1		
Headquarters	51	29	5	3		
Internet data centre	5	1	1			
Logistics	39	32	23	5		3
Manufacturing	81	83	74	50	8	8
Research and development	42	15	9	5	1	10
Sales and marketing	269	73	24	19	1	12
Shared services centre	15	8	3			
Testing and servicing	8	5	6	3		2
Total	548	266	152	86	10	35

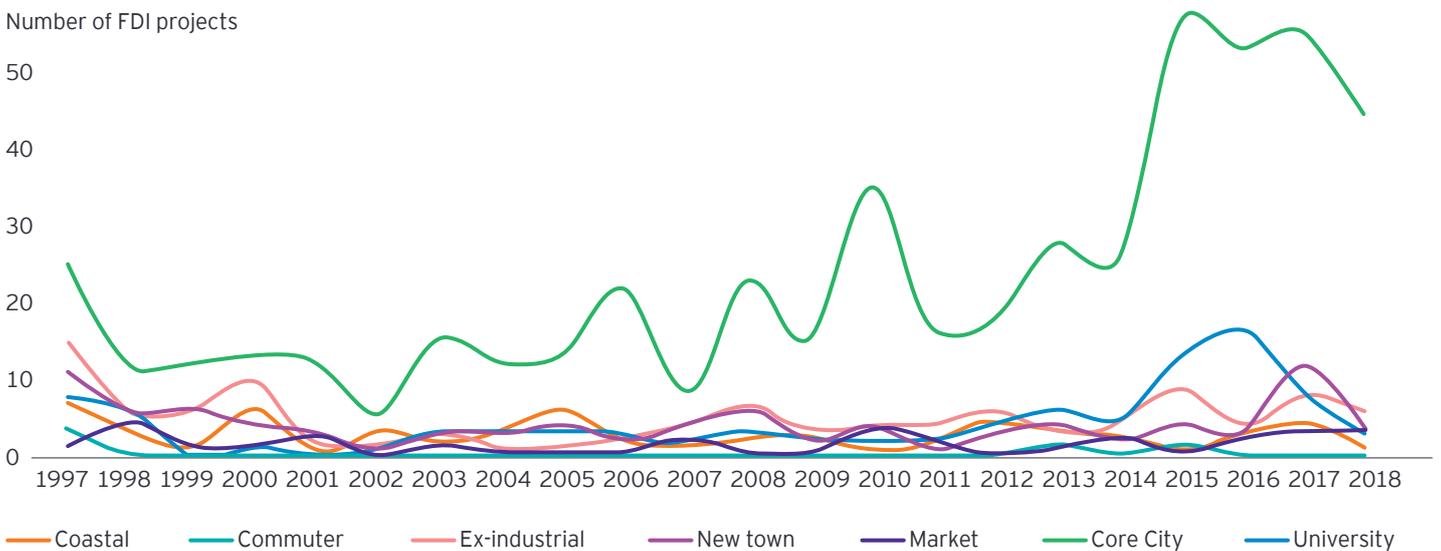
Source: EY European Investment Monitor (EIM), 2019

### FDI projects by place type, North West, 1997-2018



Source: EY European Investment Monitor (EIM), 2019

### FDI projects by place characteristics, North West, 1997-2018



Source: EY European Investment Monitor (EIM), 2019



## Scotland

There were 94 FDI projects in Scotland in 2018, down from 116 last year. However, Scotland now has almost twice as many FDI projects than it did just a decade ago. Since 1997, almost four in ten (38%) of Scotland's FDI projects have been located in the Core Cities of Edinburgh and Glasgow.

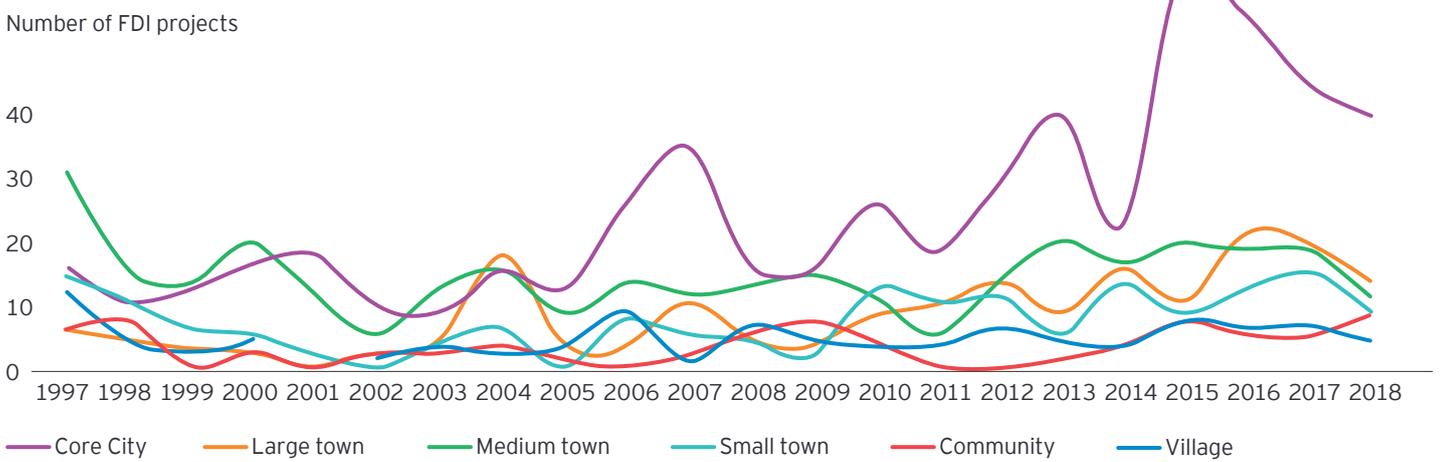
There were 94 FDI projects in Scotland in 2018

### FDI projects by activity and place type, Scotland (total since 1997)

Activity	Core City	Large town	Medium town	Small town	Community	Village
Contact centre	57	3	32	10	13	6
Education and training	6	6	3	3	1	2
Headquarters	18	12	7	6	2	5
Internet data centre	3	1	2			1
Logistics	15	20	19	18	3	6
Manufacturing	55	29	149	83	54	64
Research and development	122	32	61	30	3	16
Sales and marketing	244	82	37	18	8	4
Shared services centre	24	3	5		1	2
Testing and servicing	14	10	15	14	6	6
Total	558	198	330	182	91	112

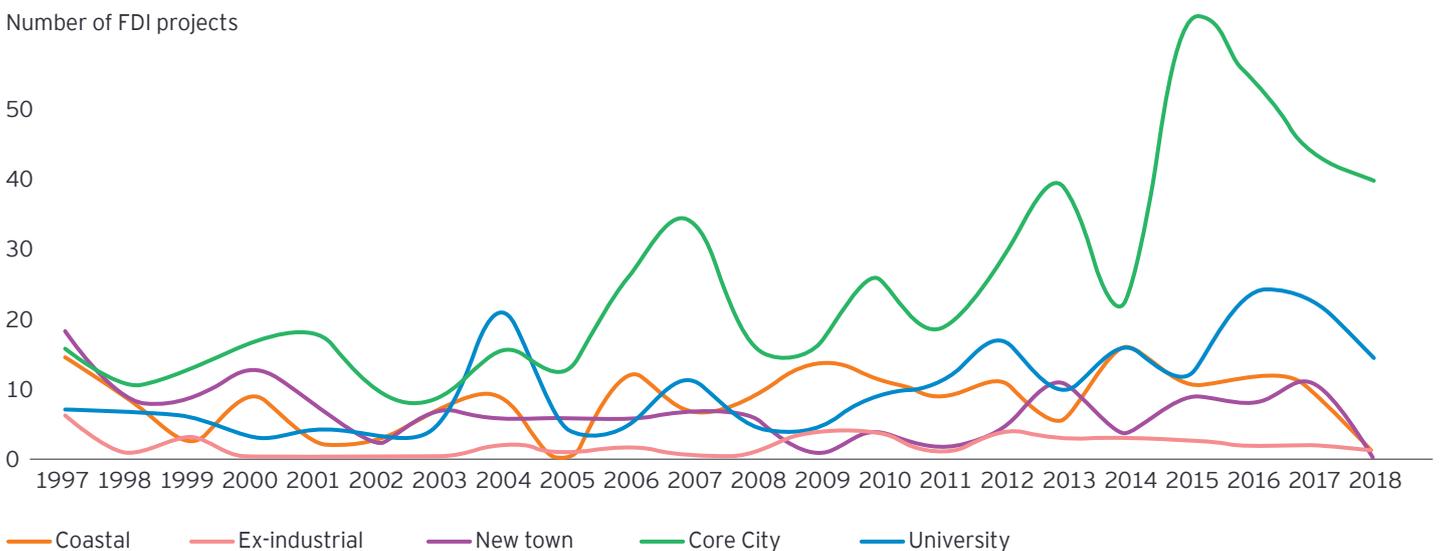
Source: EY European Investment Monitor (EIM), 2019

### FDI projects by place type, Scotland, 1997-2018



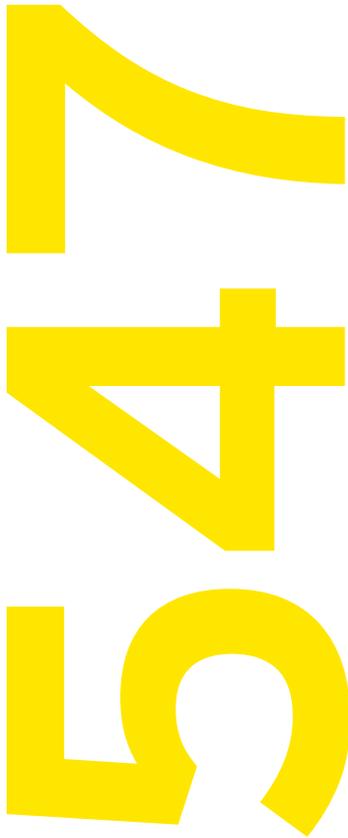
Source: EY European Investment Monitor (EIM), 2019

### FDI projects by place characteristics, Scotland, 1997-2018



Source: EY European Investment Monitor (EIM), 2019

## There were 547 FDI projects in the South East in 2018



### South East

There were 547 FDI projects in the South East in 2018, almost the same as in the previous year, itself a 70% increase since 2008. There have been 7,355 FDI projects in the South East since 1997.

### FDI projects by activity and place type, South East (total since 1997)

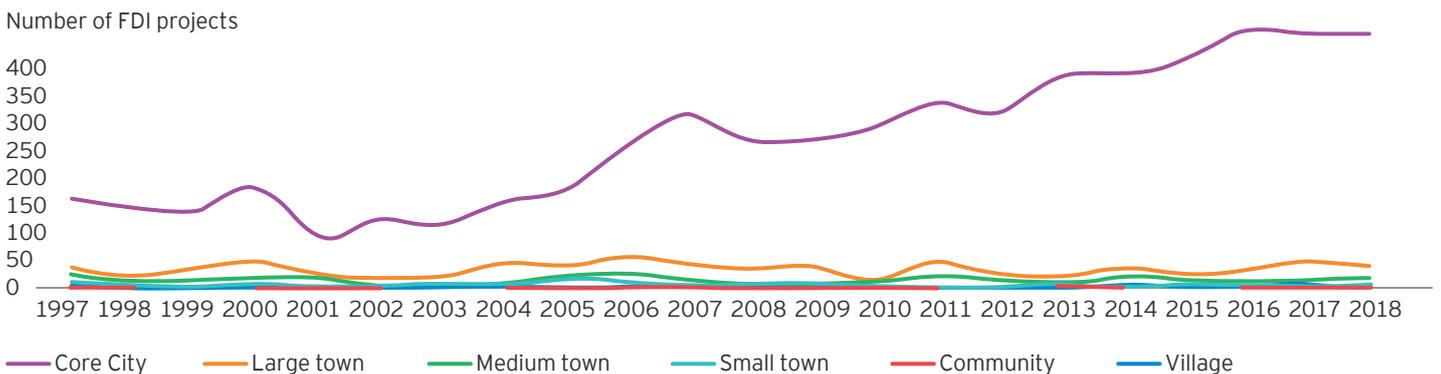
Activity	Large town	Medium town	Small town	Community	Village
Contact centre	21	6	1	1	2
Education and training	8	1			1
Headquarters	161	69	41	5	14
Internet data centre	26	4			
Logistics	35	19	15	5	5
Manufacturing	56	71	27	2	24
Research and development	80	33	14	2	16
Sales and marketing	367	174	78	17	33
Shared services centre	4	2	1		
Testing and servicing	18	14	4	1	4
<b>Total</b>	<b>776</b>	<b>393</b>	<b>181</b>	<b>33</b>	<b>99</b>

Source: EY European Investment Monitor (EIM), 2019

### London (extracted from the South East)

We also looked at London itself. There were 458 FDI projects in London in 2018, almost unchanged from last year but representing an increase of 73% since 2008. Since 1997, almost three-quarters of FDI projects in the capital have been in sales and marketing, with the bulk of the remainder being investments in company headquarters.

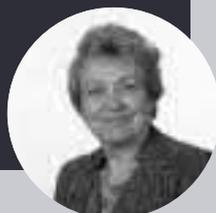
### FDI projects by place type, South East, 1997-2018



Source: EY European Investment Monitor (EIM), 2019

# Viewpoint

## Client viewpoint



**Kathy Slack**  
Chief Executive,  
Enterprise M3  
Local Enterprise  
Partnership

## Enterprise M3

The area covered by the Enterprise M3 (EM3) local enterprise partnership (LEP) – from the edge of London through west Surrey and into mid and north Hampshire – is characterised by a large number of relatively small but generally economically successful towns, the largest of which has a population of just over 100,000. The vitality and ongoing viability of these towns will be fundamental to continued economic success. Supporting towns across the area

will therefore be a central feature of the emerging local industrial strategy through a combination of skills and infrastructure enhancements and interventions to support the most important economic sectors.

In that context, the EM3 area has secured recognition under the Department for International Trade's High Potential Opportunity (HPO) programme for the area colloquially known as the 'Hollywood of video games' in the Travel to Work Area focused on the towns of Guildford and Aldershot. The HPO programme highlights a number of strengths for the EM3 economy in the context of developing immersive technology and its application, including in the aerospace, automotive, space, health care and professional service industries.

Guildford alone has over 30 years of history in the games industry. Now, more than 1,500 people – 10% of the UK

games industry workforce – are employed in 70+ games businesses in the Guildford and Aldershot area, generating £1.7m turnover per employee and £3.4 billion per annum in gross value added (GVA).

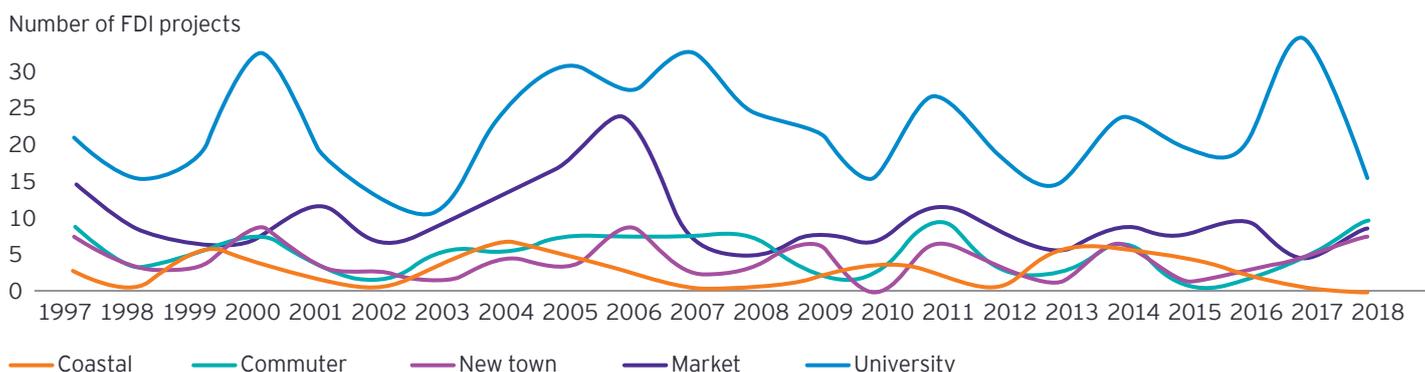
This is a major asset for EM3 and for the UK. The UK gaming sector market is set to grow from £5.7bn in 2018 to exceed £7bn by 2021.

Building on the presence of firms which are already showcasing the relevant expertise – and the knowledge and innovation being supported by world-leading institutions such as the 5G Innovation Centre based at the University of Surrey – the HPO programme will demonstrate the opportunity for immersive augmented reality (AR) and virtual reality (VR) content creation and technology development in the EM3 area. This can be promoted and enabled through a set of mutually reinforcing interventions addressing issues such as affordable housing, infrastructure and the supply of skills, which will make it an even more attractive destination for inward investment.

The knowledge base which is firmly embedded in the EM3 area presents a major opportunity for investors given the gamification techniques, storytelling expertise, immersive content development experience and user engagement knowledge which has been developed.

For future investors, the core offer is that they can establish themselves in an area with both immersive technology development partners and the wider industrial partners that will take advantage of these solutions.

## FDI projects by place characteristics, South East, 1997-2018



Source: EY European Investment Monitor (EIM), 2019



### South West

There were just 35 FDI projects in the South West in 2018, down from 53 last year. Since 1997 there have been 607 FDI projects in the South West, over a quarter (27%) of which were in the Core City of Bristol.

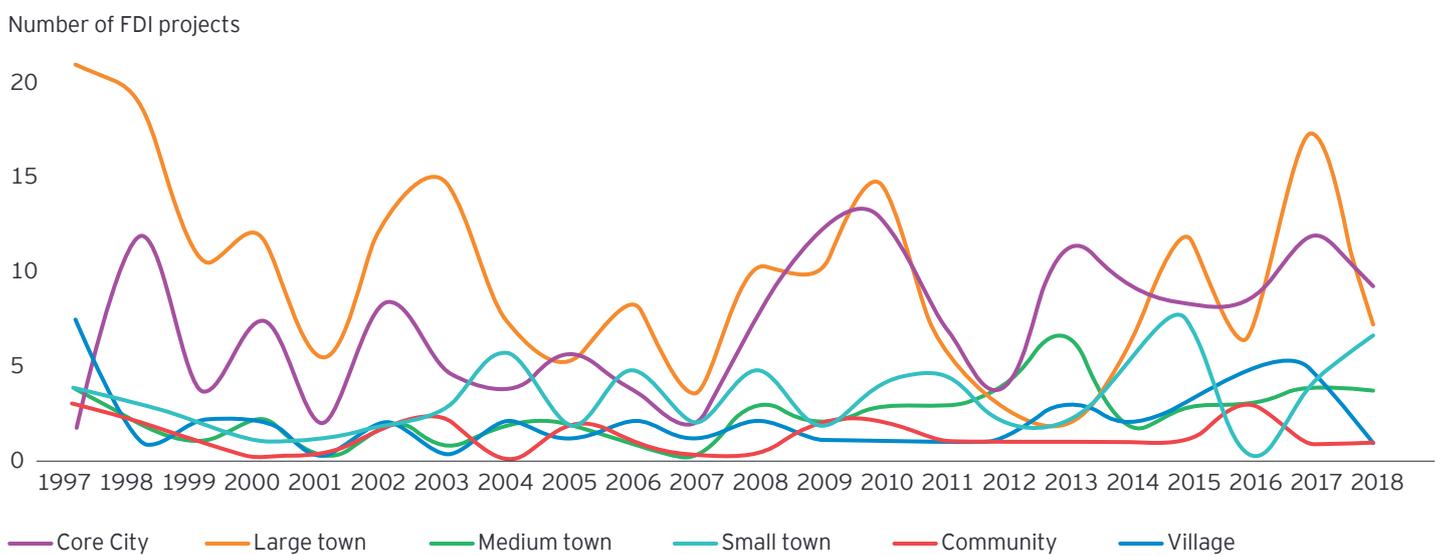
There were just 35 FDI projects in the South West in 2018

FDI projects by activity and place type, South West (total since 1997)

Activity	Core City	Large town	Medium town	Small town	Community	Village
Contact centre	8	14	1	1	1	
Education and training	2	1		3		1
Headquarters	19	21	5	4	4	4
Internet data centre		3				
Logistics	11	15	2	5	2	11
Manufacturing	19	96	26	25	15	21
Research and development	22	18	5	5	2	4
Sales and marketing	75	65	14	28	3	3
Shared services centre	5			1		1
Testing and servicing	8	2	2	3		1
Total	169	235	55	75	27	46

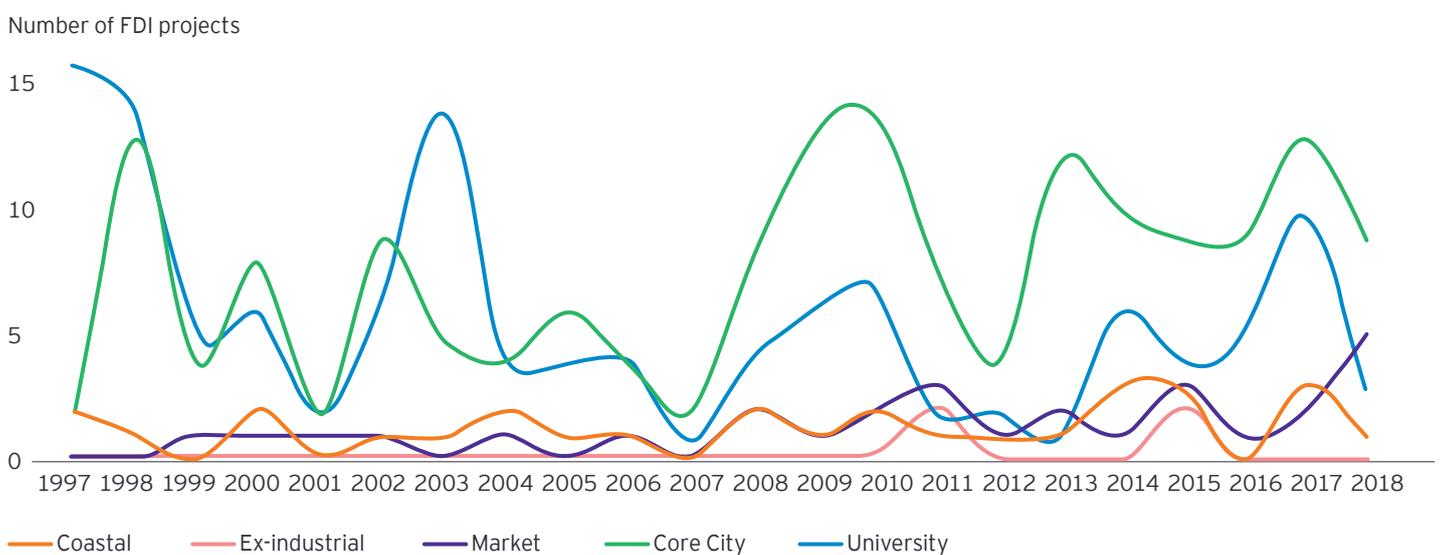
Source: EY European Investment Monitor (EIM), 2019

### FDI projects by place type, South West, 1997-2018



Source: EY European Investment Monitor (EIM), 2019

### FDI projects by place characteristics, South West, 1997-2018



Source: EY European Investment Monitor (EIM), 2019



There were just 31 FDI projects in Wales in 2018

## Wales

There were just 31 FDI projects in Wales in 2018, slightly down from 33 in the previous year. Since 1997 there have been 639 FDI projects in Wales, distributed fairly equally between the different place types. Cardiff has accounted for 14% of all FDI projects in Wales.

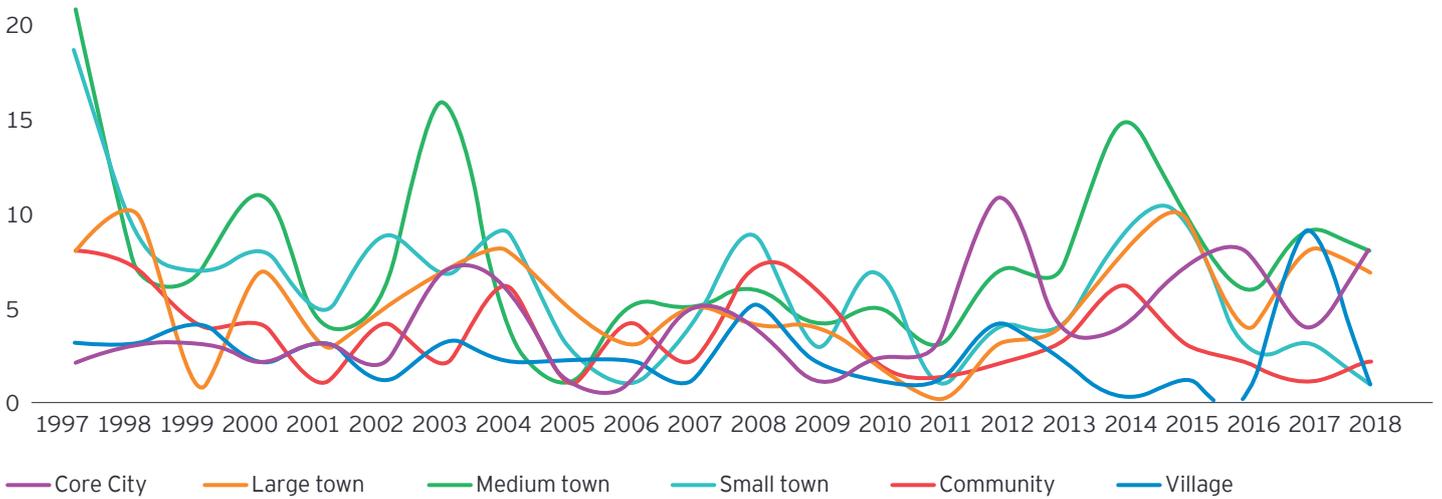
### FDI projects by activity and place type, Wales (total since 1997)

Activity	Core City	Large town	Medium town	Small town	Community	Village
Contact centre	10	11	6	4	2	1
Education and training			4		2	
Headquarters	15	8	6	7	7	4
Internet data centre	1	2				
Logistics	3	8	8	7	2	1
Manufacturing	15	46	111	93	51	35
Research and development	10	14	12	9	5	3
Sales and marketing	33	16	13	10	4	7
Shared services centre	2	3	1			
Testing and servicing	2	7	6	5	5	1
Total	91	115	167	135	78	52

Source: EY European Investment Monitor (EIM), 2019

### FDI projects by place type, Wales, 1997-2018

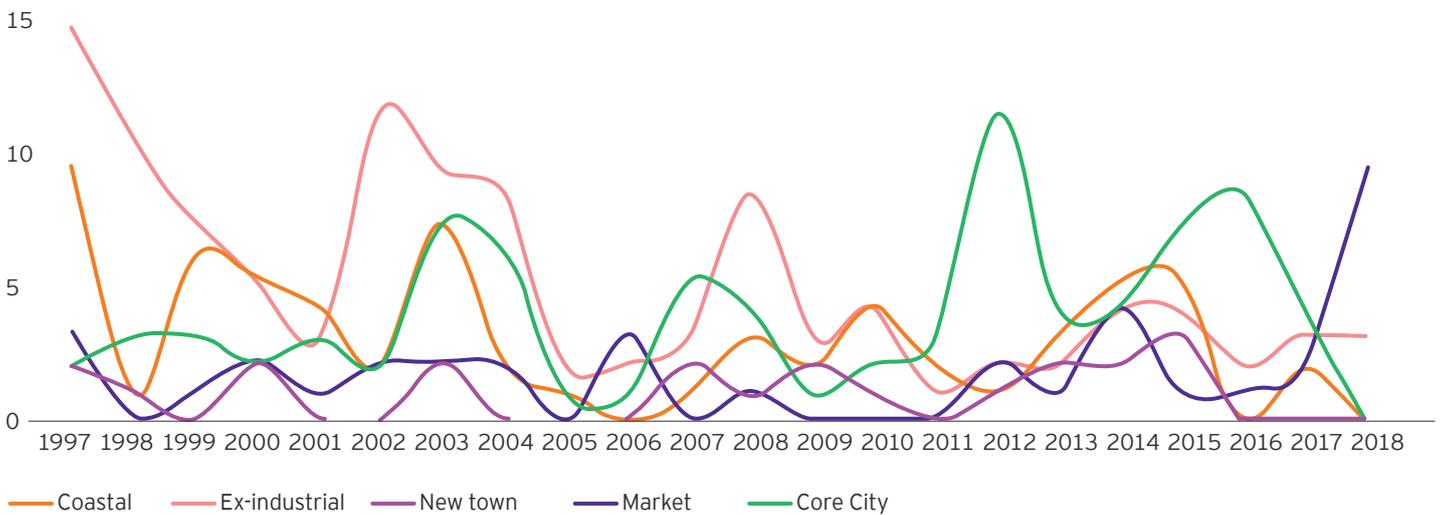
Number of FDI projects



Source: EY European Investment Monitor (EIM), 2019

### FDI projects by place characteristics, Wales, 1997-2018

Number of FDI projects



Source: EY European Investment Monitor (EIM), 2019

## Case study: Amazon

### Amazon's new fulfilment warehouse in Rugby

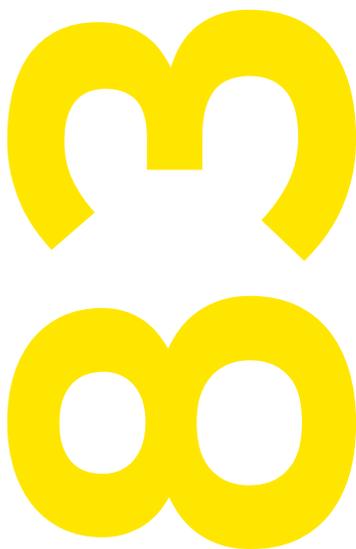
In 2018, the US-based online retail company Amazon announced its latest inward investment into the Midlands. The project – a new fulfilment centre in Rugby, Warwickshire – was projected to create 400 permanent jobs, adding to the 2,500 people the company already employs at its other fulfilment centres across the region, at Rugeley, Coalville and Daventry.

Amazon said the new facility in Rugby would help it meet increasing customer demand, expand the selection available to consumers, and enable small and medium-sized businesses (SMEs) selling on Amazon Marketplace to scale up their activities. The choice of Rugby as the site for the new centre reflects the town's favourable

location at the centre of the UK – making it easier to ensure next-day delivery to as many areas of the UK as possible – and the availability of a skilled, enthusiastic local workforce.

In making the announcement, Amazon added that it has now invested £6.4 billion in the UK since 2010, with the money going into its UK-based research and development facilities, head office, and fulfilment and logistics infrastructure. Amazon's commitment to the Midlands has been further underlined by the opening in 2018 of the company's first dedicated UK receive centre in Coventry, a central hub that receives and sorts millions of products sold each year on amazon.co.uk.

There were 83 FDI projects in the West Midlands in 2018



### West Midlands

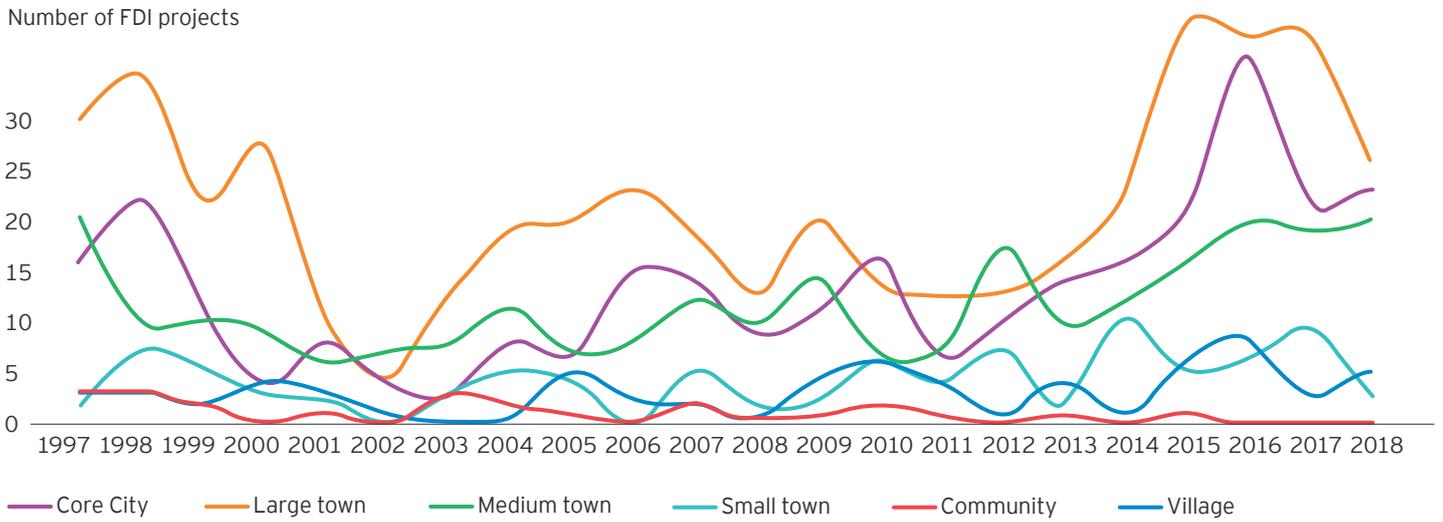
There were 83 FDI projects in the West Midlands in 2018, down from 97 in the previous year. There have been 1,216 FDI projects in the region since 1997, with large towns taking up the largest proportion of projects (39%).

### FDI projects by activity and place type, West Midlands (total since 1997)

Activity	Core City	Large town	Medium town	Small town	Community	Village
Contact centre	10	4	5	2	1	1
Education and training	4	4	5			2
Headquarters	21	43	22	3	2	4
Internet data centre	1					
Logistics	30	61	36	16	2	10
Manufacturing	65	185	97	48	12	26
Research and development	26	36	19	4	1	6
Sales and marketing	129	115	70	19	4	18
Shared services centre	5	6				
Testing and servicing	6	20	6		1	1
Total	297	474	260	92	23	68

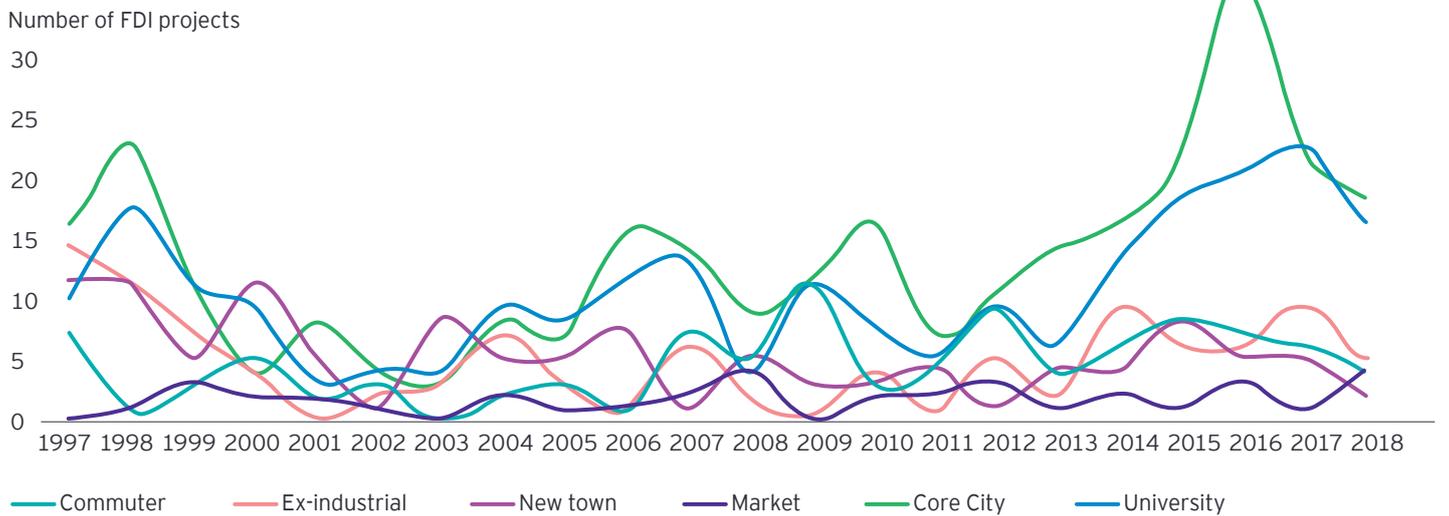
Source: EY European Investment Monitor (EIM), 2019

### FDI projects by place type, West Midlands, 1997-2018



Source: EY European Investment Monitor (EIM), 2019

### FDI projects by place characteristics, West Midlands, 1997-2018



Source: EY European Investment Monitor (EIM), 2019



### Yorkshire and the Humber

There were 49 FDI projects in Yorkshire and the Humber in 2018, down from 82 in the previous year. Since 1997 there have been 804 FDI projects in the region.

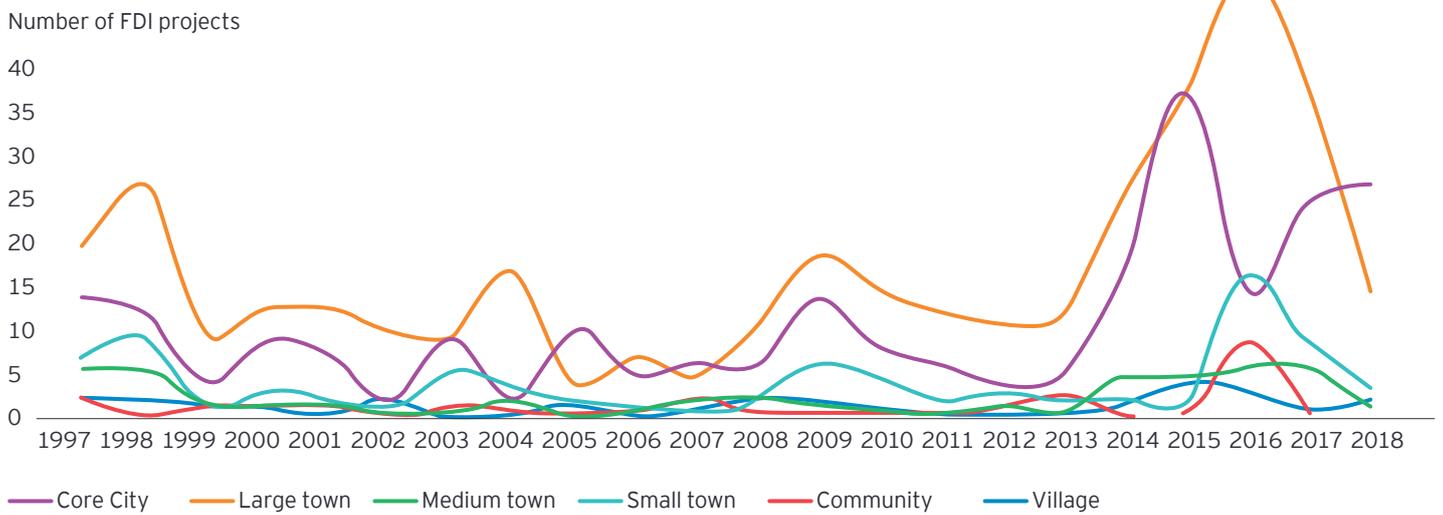
There were 49 FDI projects in Yorkshire and the Humber in 2018

### FDI projects by activity and place type, Yorkshire and the Humber (total since 1997)

Activity	Core City	Large town	Medium town	Small town	Community	Village
Contact centre	13	13		8		1
Education and training	2	4	1	2		1
Headquarters	21	23	3	5	1	1
Internet data centre	3	2	1	1		
Logistics	17	47	5	17	4	2
Manufacturing	61	190	22	40	9	14
Research and development	18	22	2	1		1
Sales and marketing	102	70	7	12	2	5
Shared services centre	3	1	1			
Testing and servicing	6	14			2	1
Total	246	386	42	86	18	26

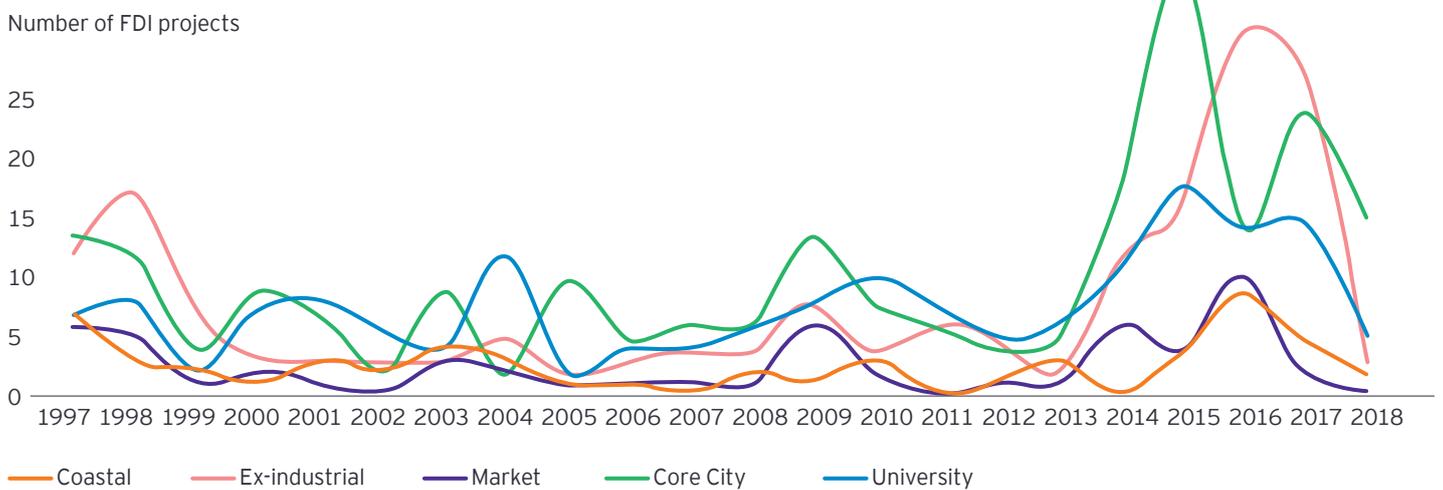
Source: EY European Investment Monitor (EIM), 2019

### FDI projects by place type, Yorkshire and the Humber, 1997-2018



Source: EY European Investment Monitor (EIM), 2019

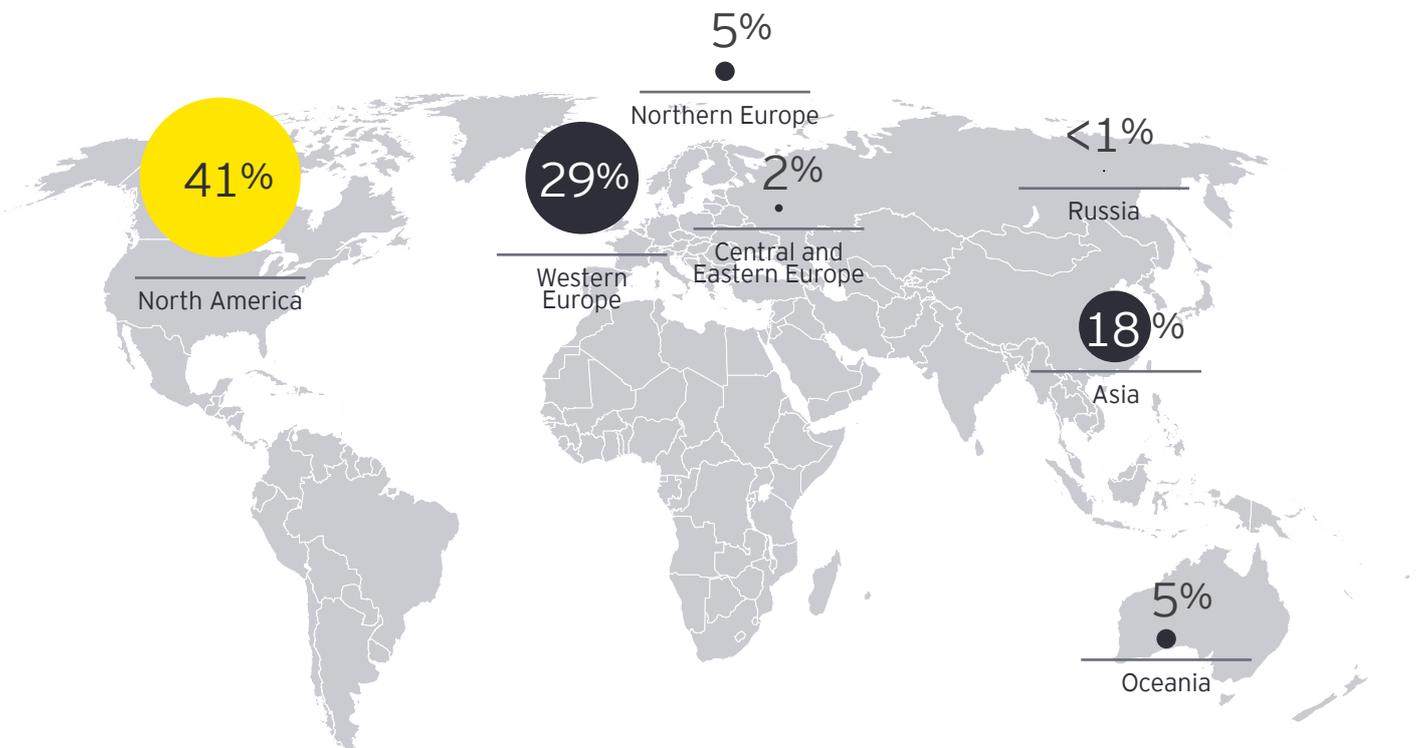
### FDI projects by place characteristics, Yorkshire and the Humber, 1997-2018



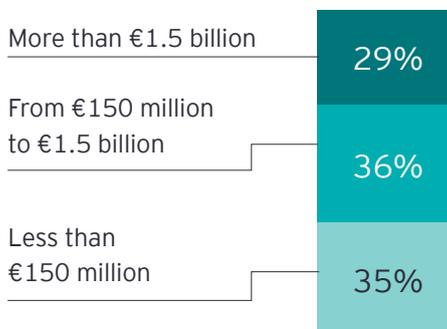
Source: EY European Investment Monitor (EIM), 2019

# Methodology

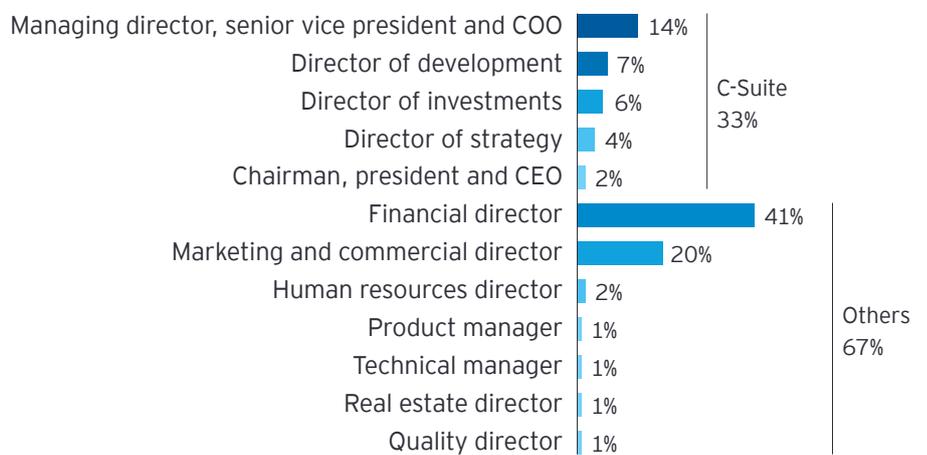
## Geography



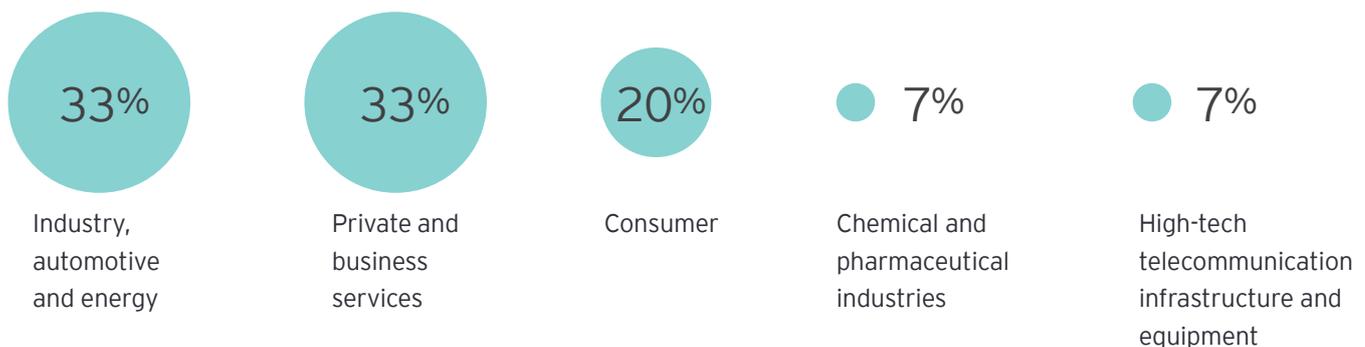
## Size



## Job title



## Sector activity



Source: EY Attractiveness Survey 2019 – Europe

## The “real” attractiveness of the UK 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 centre, this project would qualify for inclusion in the database.

## The perceived attractiveness of the UK 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 April and May 2019 via telephone interviews, based on a representative panel of 446 international decision-makers.

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

- ▶ North America: 41%
- ▶ Western Europe: 29%
- ▶ Asia: 18%
- ▶ Northern Europe: 5%
- ▶ Oceania: 5%
- ▶ Central and Eastern Europe: 2%
- ▶ Russia: <1%

Overall, 64% of the 446 companies interviewed have a presence the UK.

# About the EY Attractiveness programme

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 analyses 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 programme 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](https://ey.com/attractiveness) #EYAttract

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

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#### **Centre For Towns**

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

The Centre has created a database of around 7,000 places across the United Kingdom, ranging in size from villages to small towns to large towns and cities. Those towns have been further categorised where possible into types of towns.

We aim to use our research and analysis to advocate for policy and practical solutions to the challenges faced by our towns.

**[centrefortowns.org](http://centrefortowns.org)**

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