

## Foreign Direct Investment

Ernst and Young's European Investment Monitor 2005 reports that, in 2004, Foreign Direct Investment (FDI) returned to previously high levels not seen since its peak in 2000. Last year, European Countries welcomed 2,885 location investments, an increase of 49% on 2003 figures.

The main source of this increase can be seen in the growth of European cross border activity. In contrast, investments from the United States continued to decline. The US share has reduced from 44% of all investments in 2000 to 27% in 2004 but America remains the largest source of FDI (see table below).

**Table 1: Countries of origin of FDI investments**

Country	Number	Country	Number
USA	782	Netherlands	100
Germany	363	Sweden	98
UK	165	Switzerland	90
Japan	162	Italy	90
France	121	Austria	81

Source: Ernst & Young

The United Kingdom was still the most important location for inward FDI into Europe with 563 investments (see below).

**Table 2: FDI investments by EU state**

Country	Number	Country	Number
UK	563	Romania	91
France	490	Slovakia	83
Germany	164	Ireland	76
Poland	148	Denmark	70
Spain	139	Bulgaria	64
Russia	116	Netherlands	56
Czech Republic	112	Switzerland	44
Belgium	107	Others	344
Sweden	97		

Source: Ernst & Young

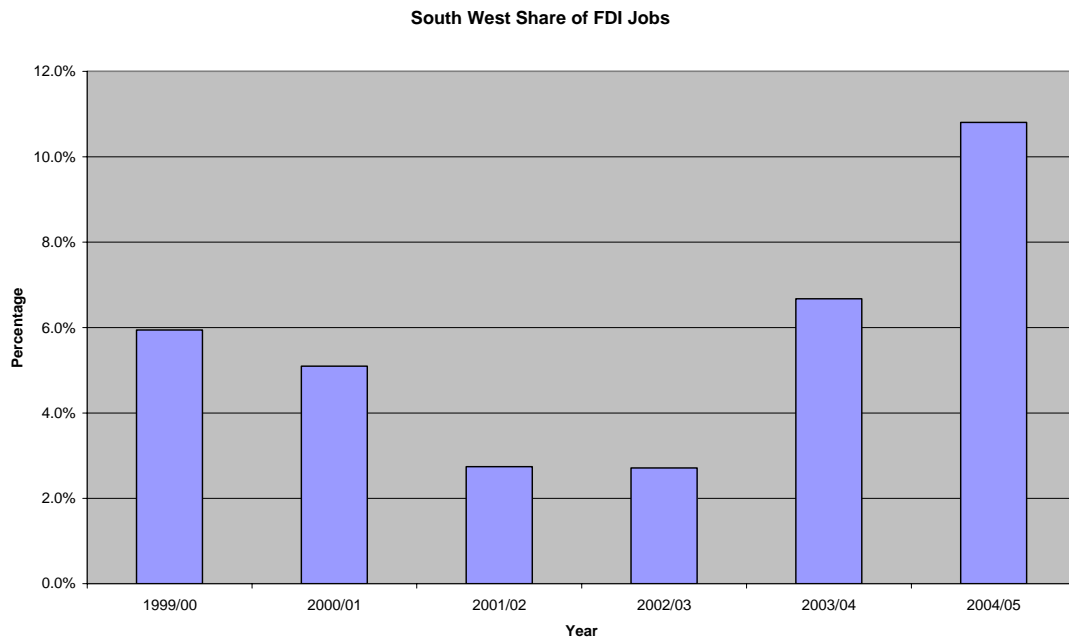
Whilst the total number of investments into the United Kingdom increased, there was a reduction in its overall share, from 23.5% in 2003 to 19.5% in 2004. The UK's share of US investments remained relatively stable but it missed out on the upsurge of pan European investments. France gained but the real winners were in Eastern Europe, particularly from manufacturing investments. The UK was only the seventh most likely place to receive a manufacturing investment in Europe.

Western Europe economies have mitigated the impact of manufacturing investment flowing eastwards by growing the amount of service sector investments. The UK is still the largest beneficiary of service sector FDI, although this share is declining (25% in 2004 down from 31.5% in 2000). Service sector investments tend to be focussed in core cities, raising concerns that they may widen intra-regional output disparities.

As reported by Invest UK, the South West mirrored the improved performance of Europe recording 40 project successes in 2004, the first time since the peak in 2000. Results for 2005 show a slight drop in performance, 38 investment successes, but report a record year for jobs with over 8,000 created or safeguarded. For the first time, the South West

performance, as measured in Job creation and safeguarding, were in excess of 10% of the UK's total.

**Chart 1: South West Share of FDI Jobs Created or Safeguarded**



(Source: IUK 2005, ONS 2005)

The bulk of these jobs (6,100) were created by two significant investments, Honda, Swindon (automotive) and Tulip, Cornwall (Food and Drink). The recent strong performance, therefore, may not persist.