



Foreign Direct Investment: UK's project total grows as Europe's falls

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Foreign direct investment (FDI) in UK has grown with its European share of FDI increasing, largely driven by resurging digital investment.

- The UK recorded 985 Foreign Direct Investment (FDI) projects in 2023, up 6% from 2022 and ranking it second in Europe
- The UK saw its share of Europe's inward investment market grow to 17.3%, up from 15.6% in 2022
- UK FDI growth driven by resurgence in digital investment, securing over a quarter (27%) of all European tech projects last year
- Greater London recorded 359 FDI projects in 2023, a 20% increase on 2022, making it Europe's highest performing region for investment.
- The West Midlands was Europe's seventh best performing region for FDI, securing 127 projects in 2023, 72% higher than in 2022.
- EY investor survey finds that a record 69% intend to invest in the UK in 2024, with more than half planning to invest in London.

The UK remains second in EY's annual ranking of European countries by their ability to attract Foreign Direct Investment (FDI) projects and was the only country in the top three to see project numbers increase year-on-year. France ranked first in Europe for the fifth consecutive year, while Germany followed in third place, according to the EY 2024 UK Attractiveness Survey. The UK was home to 985 FDI projects in 2023, which was a 6% increase from 2022.

UK's FDI project total grows as Europe records overall decline

Europe as a whole recorded a 4% year-on-year decline with a total of 5,694 projects recorded in 2023. This was the continent's lowest FDI total since 2020 and was 11% lower than its pre-pandemic level (6,412) and 14% lower than 2017 (6,653). 2017 represented Europe's highest peak for projects in the last decade.

France was Europe's largest recipient of inward investment, recording 1,194 FDI projects in 2023, however, this represented a 5% decrease on its 2022 project total. Germany recorded 733 projects in 2023, which was a decline of 12% on the year before.

The UK's share of all European FDI projects grew to 17.3% in 2023, an increase on the 15.6% seen in 2022. However, the UK's broader FDI trend mirrors Europe's by recording a lower level of projects in the last four years in comparison to pre-pandemic levels. UK project numbers have remained below 1,000 since 2019 and there were 220 fewer projects recorded in 2023 than at the UK's high point of the decade in 2017, when 1,205 projects were recorded.

Greater London was a key beneficiary of the investment growth in technology and financial services across 2023, becoming the leading European region for investment. Greater London recorded 359 FDI projects in 2023, which was a 20% increase on 2022 and moved the region into top position, replacing Île-de-France which recorded 300 projects.

'No room for complacency' warns EY on UK FDI performance

[Hywel Ball](#), EY UK Chair, comments: "The UK achieved a strong performance for FDI last year, driven by a resurgence in tech investment and impressive annual growth in sectors such as business services. Significantly, this has also been strategically valuable investment, with UK FDI generating a greater number of jobs than elsewhere in Europe.

"The UK remains a leading European investment destination, but there is no room for complacency. Overall project numbers have not yet returned to pre-pandemic levels and global competition for investment remains fierce. The UK enjoys distinct advantages, from its strong foundations across emerging industries such as life sciences, to London's status as a financial powerhouse. Combining these strengths into a strategy that prioritises attracting capital into high-growth sectors, and shares the benefits of that investment across all regions, should help the UK drive greater opportunities and prosperity in the future."

UK FDI rebounds due to drive in digital investment

Despite a 19% decline in technology project numbers across Europe, digital technology remains the leading sector for UK FDI and played a significant role in the country's year-on-year FDI growth.

The UK recorded 255 technology projects in 2023, which represented an annual increase of 8.9%. The UK continues to be the European leader for tech FDI and received more than a quarter (26.7%) of all tech FDI projects in Europe last year. This followed a disappointing performance in 2022, when tech FDI project numbers fell to 234 and the country's share of Europe's digital projects declined to 19.8%.

Financial services was the UK's second biggest sector for FDI projects for a second consecutive year, with more than 100 projects recorded in 2023.

Business services and utility supply were the joint third highest ranking sectors for UK FDI, recording 92 projects each in 2023. The UK secured 16.7% of business services projects into Europe and 30.5% of projects from the utility supply sector in 2023.

The business services sector saw a 31% increase in projects from 2022, although its 2023 total remained 26.5% lower than the sector's decade-long average. The utility supply sector saw a 35% annual increase in FDI projects.

Of the other sectors generating the largest number of UK FDI projects, machinery and equipment (67), transportation and logistics (51), and health and social work (33) all recorded project numbers above the average number of projects per annum for the decade.

In the case of health and social work projects, the UK secured nearly half (47.1%) of Europe's total number of projects in 2023.

Peter Arnold, EY's UK Chief Economist, comments: "The UK owes much of its FDI growth this year to a resurgence in digital investment, making the UK something of an outlier in comparison to the Europe-wide trend for declining tech projects. After a period of relative European dominance between 2016 and 2019, the UK's tech project total disappointed in 2022 as high interest rates cut off access to easy capital and the sector cut costs and contracted globally. While this pressure eased slightly in 2023, companies investing in tech still faced tighter borrowing conditions and so may have prioritised more established and resilient tech markets, such as the UK, over emerging ones.

"The UK also saw growth in investments into utility supply, outlining a strong performance in renewable investments, including offshore wind. The UK is traditionally regarded as an appealing destination for clean energy investments thanks to the current mix of renewables in the national power supply, the access to project financing via London and the growing ecosystem of cleantech and sustainability businesses already in the country. The Government has pledged to speed up the grid connection process and, if achieved, this could encourage more developers to contribute capital towards the UK's clean energy transition and boost utility investments further in future."

UK FDI sees a decline in R&D, manufacturing and HQ activity

Examining the UK's FDI projects by activity reveals a decline in some high-value areas. Research & Development (R&D) projects fell by 44% compared to 2022, which was the lowest number of R&D projects recorded since 2016 and the UK's second lowest R&D total for the last decade. Manufacturing projects also saw a decline, falling by 14% to 150 projects.

Projects to establish corporate headquarters in the UK also saw a significant drop of 34% to 88 projects in total — the lowest level since 2018. Despite the decline in absolute project numbers, the UK secured an increased share of European HQ projects, with 39.5% of all HQ projects recorded across Europe in 2023. This was the UK's highest market share recorded for HQ projects since 2016.

The largest number of projects in the UK in 2023 (392 projects) were involved in business services activity, such as establishing a call centre or testing and training facility, and saw a substantial increase of 35.6% in 2023. The UK secured one in five (21.1%) of all European projects related to business services activity last year.

Peter Arnold comments: "Despite the welcome growth in overall project numbers for the UK, there was a decline in the kinds of high-value activities previously prioritised by policymakers. R&D, headquarters and manufacturing project totals all fell after what had been a fairly impressive 2022 for these sectors in the UK. Europe overall also saw smaller amounts of R&D and manufacturing projects this year, and multinationals may have put off investments due to high energy costs and the attractiveness of the US Inflation Reduction Act. With energy prices now returning to traditional levels, policymakers will be eager to understand how they can lure future investment in these high-value sectors to the UK."

UK foreign direct investment continues to lead on job numbers and 'new projects'

The UK continues to perform in terms of job creation. For projects where expected job totals were reported, the UK continues to lead Europe on overall jobs created (52,200), its second-highest total in the last decade and ahead of Spain (42,400) and France (39,700).

The UK recorded an average 60.9 jobs per FDI project, which was higher than in 2022 (58.9) and represented the UK's second highest jobs-per-project ratio in the last decade. For the fourth consecutive year, the UK outperformed France (35) and Germany (49) on jobs per project.

However, the UK's employment share is slightly below its total market share for FDI projects, suggesting that the UK secures slightly smaller projects than those located elsewhere in Europe. The UK secured 16.3% of employment from European FDI (compared to a 17.3% share of projects), up from 13.6% in 2022.

'New' projects – as opposed to re-investments or extensions – are one way of assessing a country's ability to attract fresh investment, and the UK has retained its position as Europe's leading country for new projects for a third year in a row.

Of the UK's 985 total projects in 2023, 736 were new – a sharp 13.9% increase on the 646 new projects in 2022 and higher than decade-long average of 731. In contrast, Europe as a whole saw overall new project numbers decline 3% to 3,345 in 2023. New projects into Germany increased 10.2% and fell in France by 4.7%.

The UK has secured the largest number of new projects for the last five years, and in 2023, it secured 173 more projects than Germany (up from a gap of 135 projects in 2022).

Investor sentiment on the UK's future FDI performance

Despite a stronger FDI performance this year, the UK recorded a more disappointing performance in EY's survey of global investors, with 25% describing the UK as one of Europe's three most attractive investment locations – down from 32% in 2022. In contrast, 34% named France and 29% said Germany.

However, prospects for UK FDI remained strong on other measures, with more than two-thirds (69%) of investors saying they plan to invest in the UK this year – a record high. More than half (59%) of respondents said they expected the UK's investment attractiveness to improve over the next three years.

UK FDI projects show US & India remaining as the leading sources

The United States remained Europe and the UK's leading source of FDI projects in 2023, with the US a more significant investor for the UK than it is for the rest of the continent. More than one in-five (22%) of all UK FDI projects originated in the US, compared to 19% of European projects.

However, the level of US investment projects into the UK fell for the fourth consecutive year and was 42% lower in 2023 than the high point of 2019. This trend has been mirrored across Europe, which as a whole saw US projects fall 28.7% in 2023 compared to the peak in 2019.

Germany was Europe's second largest origin of investment projects as a whole in 2023. However, this was not the case for the UK specifically. India remained the UK's second largest origin country for FDI for a second consecutive year, contributing 7.7% of UK projects, with Germany in third (7.1%).

India was the 18th largest contributor for European FDI projects as a whole in 2023, with the UK securing 55.1% of all Indian projects into Europe.

Meanwhile, Australia was only the 27th largest origin of investment projects into Europe in 2023 but was the fifth largest origin of projects into the UK. More than half (56.5%) of Australian investment into Europe last year was in the UK.

[Peter Arnold](#) comments: "The UK's investor base is quite distinct from the rest of Europe and in recent years India and Australia have become increasingly important sources of capital. This likely reflects the UK's strong cultural and historic links with both countries and has helped the growth of key sectors, with investment from India focused heavily on digital services. While the US remains the leading origin of investment, both the UK and the rest of Europe have seen the proportion of American projects diminish over time. If investment from the US continues to fall in future years, the UK's current diverse investment mix should provide a strong foundation to attract further investment from markets outside Europe."

There were 379 outbound UK FDI projects in 2023 – a decline of 26.7% on 2022, which had been a record high of 516, and lower than the UK's decade average. France and Germany remained the first and second leading destinations for UK investment. However, in both cases the UK directed more projects into these countries than it received in return.

UK FDI growth is led by London, Scotland and West Midlands as regions across the North of England see investment projects fall

While FDI in the UK increased overall in 2023, the resurgence was predominantly led by Greater London, Scotland and the West Midlands. Most other UK regions, including all regions across the North of England, saw investment levels either stand still or decline.

Greater London was the best performing region in the UK, recording 359 projects in 2023, which was a 20% increase on 2022 and its highest total since 2019. Greater London benefited from a substantial rise in technology and financial services FDI, following a drop in technology FDI in 2022, and became Europe's leading region for investment in 2023, replacing Île-de-France which recorded 300 projects.

Scotland was the UK's second highest performer with 142 FDI projects, a 14% increase on 2022 and its highest total on record. This was driven in part by a particularly strong performance in renewable energy investments, including offshore wind. Scotland is the only part of the UK to have seen FDI totals grow consecutively over the last five years.

The West Midlands is now home to the UK's third highest number of FDI projects and attracted 127 FDI projects last year, a 72% increase on 2022 and the region's highest total on record.

In Europe's top ten best performing regions for attracting FDI projects in 2023, Scotland and the West Midlands were sixth and seventh respectively.

Hywel Ball, EY UK Chair, said: “The UK recorded a rise in inward investment projects last year, outperforming most other countries in Europe. There were standout performances for certain regions including London, Scotland and the West Midlands, however, investment across the country continues to be uneven.

“Our survey shows that global investors are confident in the UK’s future prospects and have the appetite to invest outside of London. There is an opportunity for policymakers to focus on how best to capitalise on the UK’s distinct advantages, such as its flourishing tech and AI sector, and leading expertise in areas such as renewable energy, particularly offshore wind. Fostering a skilled nationwide workforce and deploying the right combination of national policies and tailored local strategies will be essential to maximise growth, ensuring that all parts of the country benefit from the UK’s strong standing among investors.”

Peter Arnold, EY UK Chief Economist, comments: “We saw the UK return to a period of relative political stability in 2023 after a volatile 2022, which may explain the improved national investment performance. There is an opportunity for the new UK Government to build on this further and reassert the UK’s reputation as a stable, business-friendly investment destination. The UK may see a combination of outreach initiatives intended to reset international perceptions, together with practical policy changes that unlock investment.

“The Government may also be considering which practical policy changes could help unlock investment. For example, easing planning requirements and reducing the timeframe for the approval of infrastructure spend could help major projects move from concept to construction at a faster rate and reassure investors that they can make timely returns.”

UK’s regional FDI gap widens

Greater London, Scotland, the West Midlands and the South West were the only UK regions to see FDI project numbers increase in 2023. Project numbers in the South East (67) and the East of England (44) were consistent with the previous year, while every other region and devolved administration in the UK saw a decline.

The biggest declines were seen in Wales, Northern Ireland and the East Midlands. Wales saw FDI projects fall by 52%, while Northern Ireland recorded a drop of 35%. The East Midlands recorded 31 FDI projects in 2023, which was down 35% from the year before.

Regions across the North of England collectively recorded a 22% fall in FDI projects in 2023. The North West, Yorkshire and the Humber, and the North East saw project numbers decline by 23%, 33% and 5% respectively. Yorkshire and the Humber (34) and the North West (68) both received their lowest number of FDI projects (34) since 2014.

The recovery of Greater London following a challenging 2022 saw the region grow its share of national inward investment projects. Greater London accounted for more than a third (36%) of all UK FDI projects in 2023, compared to 32% the year before. In comparison, the North East, North West and Yorkshire and the Humber collectively accounted for 14% of UK FDI projects in 2023, compared to 19% the year before.

FDI performance in UK cities: Birmingham reaches decade high

Outside of London, the UK's most successful city for FDI in 2023 was Birmingham, which attracted 67 inward investment projects in 2023, a 139% increase on the year before. This was Birmingham's highest FDI figure for a decade and more than twice the total of any other UK city outside of London during 2023.

Birmingham's success was driven by the technology sector, with the city recording a 50% rise in digital FDI projects in 2023 compared to 2022.

Edinburgh retained its position as the UK's second-best performing city for FDI outside of London, despite project numbers falling by 20% year-on-year to 32.

Projects into Manchester declined by 31%, falling from 45 in 2022 to 31 in 2023. This means that Manchester is now the third highest ranked UK city for FDI outside London – down from first place in 2022 and its lowest ranking of the past decade.

Glasgow (fourth), Bristol (fifth), Cambridge (sixth) and Leeds (seventh) all saw increases in the number of FDI projects secured in 2023, with Cambridge recording a decade high.

Peter Arnold, EY UK Chief Economist, comments: "Technology remains an integral part of the UK's investment story and, while London continues to dominate, Birmingham and the wider West Midlands saw strong growth in digital investment last year. The West Midlands also benefitted from the 2022 Commonwealth Games and the subsequent campaign to drive further inward investment, which looks to have had a positive impact on FDI numbers for the region as a whole.

"Last year proved challenging for the North West and Manchester slipped down the rankings after a drop in investment numbers. However, Manchester saw impressive levels of technology investment in 2022 and so this may be a natural drop-off after a good year. This doesn't necessarily reflect a unique issue for the city, as digital FDI declined across much of Europe in 2023 as companies investing in technology contended with tighter borrowing conditions. There are grounds for optimism, as the North West was the UK's third best performing region outside Greater London for attracting research and development projects, behind only the South East and the East of England. Local policymakers will be keen to build on this performance to attract more high-value, strategically important investment in the future."

Digital technology remains key sector for UK FDI growth

Digital technology was the UK's leading sector for inward investment in 2023 and the largest source of FDI projects for six out of nine English regions, including Greater London, the West Midlands, North West, South East, South West and the East of England.

More than half (52%) of the country's 255 technology FDI projects were located in Greater London, which secured 132 digital projects – a 24% increase on 2022. Greater London also remained Europe's leading city destination for digital technology projects, a position it has maintained for the last decade. The UK's second most popular region for digital investment was the West Midlands, which attracted 50 technology FDI projects in 2023 – a 108% increase from 2022.

The UK's second largest source of FDI projects was the financial services sector, with 108 projects secured in 2023. Three quarters (75%) of these projects were located in London.

Business services and utility supply were the joint third highest ranking sectors for UK FDI, recording 92 projects each in 2023. Greater London was the leading region for business services, securing 42% of the UK's national share. Scotland led on utility supply FDI, securing 43% of all projects in the UK, followed by Yorkshire and the Humber and the West Midlands in joint second place at 10% of projects each.

When assessing investment by activity, Scotland was the largest regional recipient of manufacturing projects in 2023 for the third successive year, recording 45 projects – a 29% increase year-on-year. The West Midlands was the second-largest regional recipient of UK manufacturing investment in 2023, with 30 projects – a 58% increase on 2022. The South-West ranked third with 13 manufacturing projects. Aside from increases in Greater London and the East of England, there was a decline in the total of manufacturing projects in the other UK regions and devolved administrations.

Peter Arnold, EY UK Chief Economist, comments: “Enhancing the attractiveness of its diverse regions will be key to elevating the UK's national investment profile. The progress of Scotland and the West Midlands shows that there is a clear appetite for investing outside London. Our survey highlights that deploying a combination of incentives, grants and skills-building can be a key motivator for attracting global capital to different parts of the UK.

“National policy can only do so much and local government and development bodies have key roles to play here, driving activity in promoting targeted growth initiatives and accelerating growth in locally prioritised sectors.

“The diversity of sectors outside the capital could become a significant asset for the UK, if it plays to its regional strengths. Manufacturing and utility supply are key sectors in Scotland, the North and the Midlands. With targeted strategic investment and support, these areas have the potential to emerge as vital hubs for the innovation and implementation of sustainable technologies, driving the nation's progress in the clean tech arena.”

Investors positive about UK's FDI prospects and upskilling capabilities

EY's investor sentiment survey, which forms part of the UK Attractiveness Survey, interviewed a panel of 400 international investment decisionmakers. The survey revealed that more than two thirds (69%) of investors intend to invest in the UK in 2024 – a higher figure than last year (65%) and the highest on record. More than half (52%) of this group said they planned to invest in London.

Around three in five (59%) investors surveyed said they think the UK's attractiveness will increase over the next three years, compared to 49% who said the same in 2023.

When asked to name the biggest risks to the UK over the next three years, economic factors dominated investors' responses. The two biggest perceived risks when the survey fieldwork was conducted in February and March 2024 were high interest rates (59%) and high inflation (56%). In contrast, when asked about the main economic risks to investments across Europe, rising regulation topped the list (cited by 41%), followed by volatile energy prices or supply issues (34%) and political instability (33%).

EY also asked investors to name the most impactful factors they considered when deciding whether to invest in locations outside London. The highest number of responses included access to regional grants

and incentives (38%), followed by availability and skills of the local workforce (35%), with availability of business partners and suppliers (35%) in third place.

Investors were positive about the UK's ability to foster a talented, skilled workforce. More than half (53%) of respondents said the UK performs better than other European countries when it comes to reskilling and training people throughout their careers. A third (34%) said the UK's public investment in education and skills was better than its international competitors.