

Foreign Direct Investment in Europe in 2009

A closer look

Government plans for economic recovery usually put the attraction of foreign direct investment (FDI) high on their priority list. As one of the main drivers of globalisation, it is a key component in economic growth and job creation. With most of Europe's economies still in a fragile state, attractiveness for FDI is a prime consideration, and looking back at Europe's FDI performance in 2009, there is a mixed picture.

Globally, there was a downturn in FDI according to figures from fDi Intelligence in its Global Outlook Report 2010. Up until 2009, global FDI had been growing at an average rate of 11.5% in number of FDI projects. However in 2009, this growth trend came to an end with a 14% decline in number of FDI projects across the world. The 2009 FDI statistics are 13,678 FDI projects, creating 2.66 million jobs, with a capital expenditure of \$993.2bn - helping to show that globalisation is still very much alive.

Europe is the number one market for FDI, attracting 37% of FDI projects, ahead of the Asia Pacific region with 32% and North America with 11%. The United Nations estimates that 1 in 3 FDI dollars invested worldwide goes to one of the 27 European Union countries (The Global Investment Trends Monitor, UNCTAD, January 2010). As well as being the leading destination for FDI, Europe is also the dominant source of FDI, accounting for 52% of all projects in 2009 (ahead of North America which contributes 24% and Asia Pacific which provides 18% of all FDI projects). The UK, Germany and France are the top three European destinations for FDI. They are also the top three European source countries for FDI.

In terms of the global FDI downturn, Europe was no exception, with Western European countries securing a 17% drop in FDI projects, and Central and Eastern Europe showing a significant reduction of 33%. The fast growing economies of Central and Eastern Europe had a poor 2009 as investors became more cautious in light of the fiscal and economic problems being exposed in some of the CEE countries. The slower growth, more mature economies of the West fared much better.

FDI attraction is viewed as a top priority to help address Europe's current high unemployment. Over 23 million people are jobless across the European Union, an increase of 44% from the first quarter of 2008. However with most European governments now following austerity programmes, actual government spend on FDI attraction and support measures is being significantly curtailed. This may reduce future FDI flows into Europe, or perhaps it is an opportunity for the private sector (including networks such as the RSM International network) to step in to fill the "FDI support gap". Europe is the world's biggest economy, and it still offers an exciting variety of business locations and opportunities for different business models. While the government investment promotion agencies may become more muted in their profile and ability to support FDI projects, the trusted business advisors will continue to highlight the opportunities (and challenges) for doing business in Europe, and provide the services to help deliver and sustain foreign direct investments. The RSM Tenon International Group certainly aims to continue to play its full part in assisting FDI flows into (and out of) Europe.

RSM Tenon Limited is a member of RSM Tenon Group.

RSM Tenon Limited is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms. RSM International is the name given to a network of independent accounting and consulting firms each of which practices in its own right. RSM International does not exist in any jurisdiction as a separate legal entity.

RSM Tenon Limited (No 4066924) is registered in England and Wales. Registered Office 66 Chiltern Street, London W1U 4GB, England.

2879081(10) MS01129110

For further information please contact:

Gayle Morley, Director **Tel:** +44 (0) 118 955 4208 **Email:** gayle.morley@rsmtenon.com

Mike Sables, Director **Tel:** +44 (0) 118 955 4210 **Email:** mike.sables@rsmtenon.com

Web: www.rsmtenon.com