

# Strong growth across the board

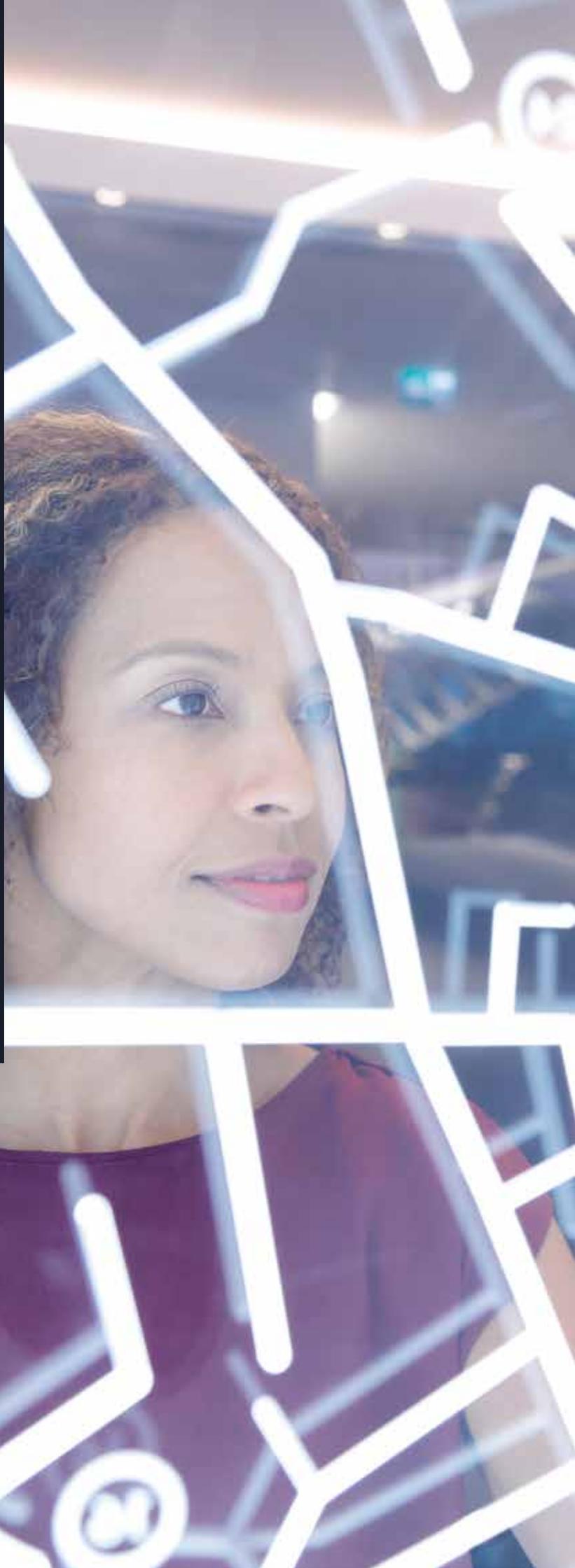
EY Attractiveness Survey  
**Belgium**  
2019



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# Editorial

For Belgium, 2018 was a record year for attracting foreign direct investment (FDI). Our country secured 278 FDI projects, a 29% increase on the previous year, creating 7363 jobs. Such a large increase in overall FDI bucks the European trend. Being at the geographic and political center of Europe, Belgium is benefitting from the uncertainty caused by Brexit and supply chain reorganization strategies that started a few years back across Europe: logistics projects increased by 18%. In addition, the number of research and development and headquarters projects more than doubled in 2018.

When reviewing the findings of EY's latest research into FDI in Europe, our survey of global businesses reveals that, relative to other regions around the world, Western Europe is now considered more attractive than it has been at any point during the last ten years as a place to establish operations.

Although Europe fares well compared with other regions, actual appetite to invest in the continent have dropped to a seven-year low. The cocktail of economic and political uncertainty, not just in Europe but around the world, has caused businesses to throttle back on foreign investment.

2018 marked the beginning of this trend. For the first time in the last six years, FDI in Europe declined on an annual basis last year -businesses around the world completed 6,356 FDI projects in Europe in 2018, a 4% decrease.

Our research reveals that political uncertainty in various forms is the most significant risk to Europe's attractiveness in the next three years.

Surveyed businesses say Brexit is the number one risk to the Europe's attractiveness, political instability in the EU is second, the rise in populist and protectionist feelings third and global political uncertainty fourth.

Businesses tell us that their top priority when deciding where to invest is the availability of a workforce with technology skills. This is not surprising given almost three-quarters of European businesses say skills shortages are damaging productivity and profitability and two-thirds say it damages top-line growth. Today, the skills they crave most relate to cyber security, AI and robotics, and big data and analytics.

Skills aside, businesses are attracted to countries with stable tax regimes, strong trade links and a robust digital infrastructure. Countries that provide this will be rewarded with more FDI and the economic benefits it brings.

Our research shows that businesses are optimistic about Belgium's digital economy, but that mobility issues in our country still have a negative impact on investment decisions. To ensure the attractiveness of our country for foreign investors in the long term, there is a wide range of potential policy measures. With this Attractiveness Survey we contribute to and provide inspiration for the implementation of an effective policy in this area.

**Patrick Rottiers**  
CEO EY Belgium



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# Executive summary

## Record year for foreign direct investments in Belgium

For Belgium, 2018 was a record year for attracting foreign direct investment (FDI). A total of 278 projects were initiated, representing a 29% increase on the previous year and creating an all-time high number of jobs of 7,363.

Such a large increase in overall FDI bucks the European trend and takes Belgium from a ranking of 8th in Europe in 2017 to 5th in 2018.

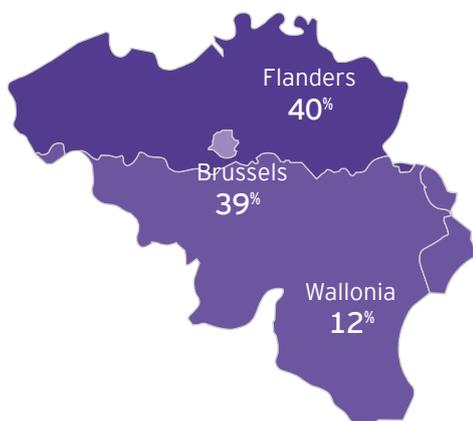


## Flanders & Brussels are driving the surge, more jobs/projects in Wallonia

Flanders and Brussels are driving the surge in foreign investment projects in Belgium, with respectively 169 and 61 projects.

Wallonia achieves a large number of jobs per investment project (39), outperforming Flanders and Brussels with respectively 32 and 2 jobs per investment project.

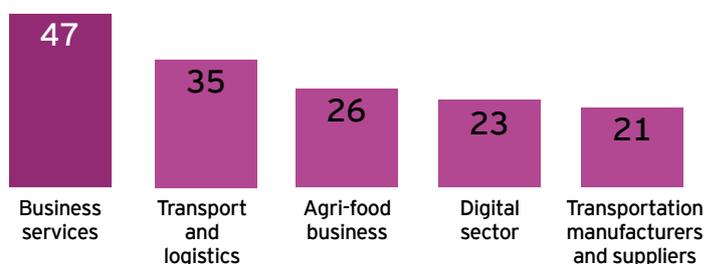
The results of our survey shows that Brussels has almost caught up with Flanders as the most attractive region in Belgium for investment. Around 40% perceive Flanders as top, down from 51% last year, with Brussels the direct beneficiary increasing from 29% to 39%. This result might reflect the rising profile of the city region and its improved branding.



## Business services sector leads the way, transportation sector creates the most jobs

The business services sector attracted the highest number of projects (47). Followed by transport and logistics (35), agri-food business (26), digital sector (23) and transportation manufacturers and suppliers (21).

Just over a quarter of all jobs related to FDI projects were created by the transport and logistics sector. When the sector is combined with the transport manufacturing sector to form a broader transport sector, this sector accounts for 44% of all jobs created.



## Possible Brexit boost results in more HQ projects

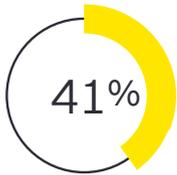
Sales and marketing initiatives attracted the most projects (97). Ahead of logistics (58), manufacturing (57) and research & development, which increased to 36 projects from 17 the previous year.

The number of investment projects relating to headquarters greatly increased, rising from 4 in 2017 to 19. It can be speculated that a high percentage of these projects are Brexit-related relocations.

More than half of respondents (58%) to our survey believe that the UK's departure from the EU will have a positive impact on Belgium's attractiveness.



### Negative impact of mobility remains



41% of companies surveyed indicate that mobility has a negative influence on their investment decision in Belgium. This opinion is especially strong among companies active in Belgium, 64% of which say that traffic jams and road infrastructure have a negative influence on their decision.

### Supporting innovation is the main priority

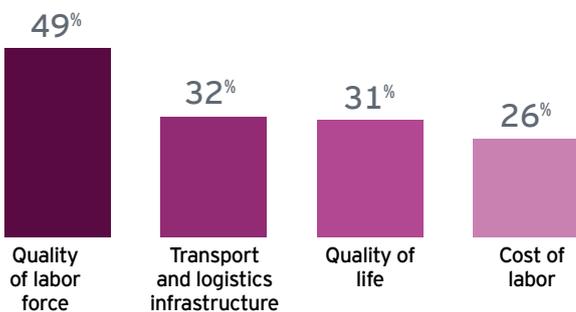


84% of the companies surveyed believe in the potential of Belgium to meet future challenges in the field of innovation. They also indicate that supporting innovation should be Belgium's main priority in order to remain competitive in the global economy, climbing above reducing taxation.

### Qualitative aspects on the rise, but the reduction of taxation remains important

Qualitative aspects like the quality of the labor force and the quality of life in Belgium, are becoming more important for foreign investors.

However, especially companies already established in Belgium insist on the reduction of taxation and the reduction of labor costs in order for Belgium to maintain its competitiveness.



### FDI in Europe drops for the first time in six years

Europe secured 6,356 FDI projects in 2018, a 4% annual decrease over 2017.

Europe's three largest economies take a hit as FDI plummets 13% in the UK and Germany and only grows 1% in France.

**6,356** FDI projects in 2018



**4%** decrease from 2017



**-13%** **-13%**



**1%**



# 1 Reality



# Foreign investment projects and job creation in Belgium

## Record year for foreign direct investments in Belgium, bucking European trends

For Belgium, 2018 was a record year for attracting foreign direct investment (FDI). A total of 278 projects were initiated, representing a 29% increase on the previous year and creating an all-time high number of jobs of 7.363. Such a hike in investment took the country from a ranking of 8th in Europe in 2017 to 5th in 2018. The result is even more noteworthy given that the number of projects has fluctuated around the 200 mark since 2014. Such a large increase in overall FDI bucks the European trend: in total Europe attracted 6,356 FDI projects in 2018, down from 6,653 in the previous year.

The regions driving this surge in investment projects were Flanders (169) and Brussels (61). Flanders continues its growth with an increase of 26% compared to 2017. Brussels attracts record levels of investment projects with an increase of 65%. Wallonia achieves a large number of jobs per investment project (39), outperforming Flanders and Brussels with respectively 32 and 2 jobs per investment projects.

## Foreign investment projects by region

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2017 vs 2018
Flanders	74	64	108	74	80	110	121	141	105	134	169	26% ↑
Wallonia	40	57	31	39	52	36	56	41	48	44	48	9% ↑
Brussels	28	25	20	40	37	29	21	29	47	37	61	65% ↑
<b>Belgium</b>	<b>142</b>	<b>146</b>	<b>159</b>	<b>153</b>	<b>169</b>	<b>175</b>	<b>198</b>	<b>211</b>	<b>200</b>	<b>215</b>	<b>278</b>	<b>29% ↑</b>

Source: EY European Investment Monitor (EIM), 2019.

## Job creation by region

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*	2018	jobs/project 2018
Flanders	2,023	1,659	2,611	2,241	1,771	3,143	2,714	2,387	1,804	4,872	5,366	32
Wallonia	1,255	1,505	780	838	1,132	391	1,148	733	845	805	1,890	39
Brussels	128	193	619	520	36	2	39	48	660	161	107	2
<b>Belgium</b>	<b>3,406</b>	<b>3,357</b>	<b>4,010</b>	<b>3,599</b>	<b>2,939</b>	<b>3,536</b>	<b>3,901</b>	<b>3,168</b>	<b>3,309</b>	<b>5,838</b>	<b>7,363</b>	<b>26</b>

\* A change in methodology for the jobs created in 2017 makes it difficult to compare YoY trends.

Source: EY European Investment Monitor (EIM), 2019.

## Large increase of new investment projects

New investment projects or greenfield projects are investments by companies that weren't previously active in a country. The number of this type of project can thus serve as an indicator of a country's attractiveness to foreign investors. Importantly, Belgium attracted a record number of new projects last year with 184, which represents 66% of the total number of investment projects.

In 2017, 58% of the investment projects were new. This was the first time since 2009 this number dropped below 60%. The sharp rise in new projects in 2018 returned this proportion to the usual share for Belgium.

New											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Flanders	41	42	62	48	51	72	73	79	62	69	102
Wallonia	14	37	18	15	21	18	36	19	15	18	22
Brussels	22	21	17	37	35	28	19	28	46	37	60
<b>Belgium</b>	<b>77</b>	<b>100</b>	<b>97</b>	<b>100</b>	<b>107</b>	<b>118</b>	<b>128</b>	<b>126</b>	<b>123</b>	<b>124</b>	<b>184</b>

Source: EY European Investment Monitor (EIM), 2019.

## Expansion

Expansion											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Flanders	33	22	46	26	29	38	48	62	43	65	67
Wallonia	26	20	13	24	31	18	20	22	33	26	26
Brussels	6	4	3	3	2	1	2	1	1	-	1
<b>Belgium</b>	<b>65</b>	<b>46</b>	<b>62</b>	<b>53</b>	<b>62</b>	<b>57</b>	<b>70</b>	<b>85</b>	<b>77</b>	<b>91</b>	<b>94</b>

Source: EY European Investment Monitor (EIM), 2019.

## Business services projects lead the way, transportation creates the most jobs

The sector that attracted the highest number of projects last year was the business services sector with 47 projects (nearly 17% of the total number). Followed by transport and logistics (13%), agri-food business (9%), digital sector (8%) and transportation manufacturers and suppliers (8%).

Just over a quarter of all jobs related to FDI projects were created by the transport and logistics sector. When the sector is combined with the transport manufacturing sector to form a broader transport sector, this sector accounts for 44% of all jobs created.

The wholesale, retail and distribution sector is the third most important sector for job creation (17%). This sector also creates the highest amount of jobs per investment project: 102 jobs per project.

Despite attracting the most projects, the business services sector only created 12% of FDI-related jobs. Finally, the agri-food business completes the top five sectors for job creation, with a share of 7%.

### Projects by sector

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business services	23	17	22	33	30	24	18	26	16	31	47
Transportation & logistics	14	16	20	15	10	21	20	19	25	33	35
Agri-food business	6	8	12	10	14	16	18	18	15	11	26
Digital	8	7	2	12	6	7	16	6	16	15	23
Transportation manufacturers & suppliers	6	4	15	13	14	9	12	17	11	13	21
Chemicals & Plastic	19	20	21	13	24	21	35	32	28	33	18
Machinery & equipment	11	6	16	8	12	15	9	13	8	10	18
Pharmaceuticals	7	13	7	6	6	10	13	15	11	21	14
Research & scientific instruments	1	8	7	6	6	6	5	6	9	0	13
Electronics & IT	9	6	4	5	4	5	8	6	3	9	12
Wholesale, retail & distribution	7	2	2	3	3	2	1	2	4	6	12
Other	31	39	31	29	40	39	43	51	54	33	39
<b>Grand Total</b>	<b>142</b>	<b>146</b>	<b>159</b>	<b>153</b>	<b>169</b>	<b>175</b>	<b>198</b>	<b>211</b>	<b>200</b>	<b>215</b>	<b>278</b>

Source: EY European Investment Monitor (EIM), 2019.

### Projects by activity

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sales & Marketing	48	60	55	72	75	65	69	67	82	69	97
Logistics	33	26	32	24	21	34	37	44	40	49	58
Manufacturing	36	27	40	31	57	43	64	67	52	67	57
Research & Development	7	11	12	10	7	13	12	25	15	17	36
Headquarters	8	8	4	7	5	8	4	3	4	4	19
Education & Training	1	7	2	4	0	1	2	1	3	2	6
Testing & Servicing	5	3	6	3	2	5	6	2	1	2	4
Internet Data Centre	3	0	4	2	1	3	4	1	1	3	1
<b>Grand Total</b>	<b>142</b>	<b>146</b>	<b>159</b>	<b>153</b>	<b>169</b>	<b>175</b>	<b>198</b>	<b>211</b>	<b>200</b>	<b>215</b>	<b>278</b>

Source: EY European Investment Monitor (EIM), 2019.

## Possible Brexit boost results in more HQ projects, with sales and marketing also making gains

Sales and marketing initiatives attracted the most projects with 97 (up from 69) in 2018, which represents 35% of investment projects. Ahead of logistics (21%), manufacturing (21%) and research & development (13%), which increased to 36 projects from 17 the previous year. The number of investment projects relating to the location of headquarters greatly increased last year, rising from 4 in 2017 to 19. It can be speculated that a high percentage of these projects are Brexit-related relocations.

Analysis of job creation figures by the type of activity reveals a changing picture in 2018. The lion's share of jobs created can be found in logistics (34%) and logistics (30%). Sales and marketing jobs, which comprised just 8% of jobs in FDI projects in 2017, now account for nearly 27% of all work created.



Brexit has been presented as a drama for our country – the concerns of the textile and food industries that export heavily to the UK have dominated the public debate – but our report gives a more optimistic message: don't forget the potentially positive impact!

Jan Grauls - Senior advisor EY Belgium

### Job creation by sector

	2018	jobs/project 2018
Transportation & logistics	1,890	54
Transportation manufacturers & suppliers	1,395	66
Wholesale, retail & distribution	1,218	102
Business services	861	18
Agri-food business	485	19
Machinery & equipment	270	15
Raw materials	247	35
Chemicals & Plastic	176	10
Digital	175	8
Textile, clothing & leather	160	40
Electronics & IT	150	13
Research & scientific instruments	136	10
Information, communication & media	95	11
Pharmaceuticals	73	5
Metals	20	4
Utility supply	12	4
Other	0	0
<b>Grand Total</b>	<b>7,363</b>	<b>26</b>

Source: EY European Investment Monitor (EIM), 2019.

### Job creation by activity

	2018	jobs/project 2018
Logistics	2,516	43
Manufacturing	2,187	38
Sales & Marketing	1,979	20
Headquarters	323	17
Research & Development	178	5
Testing & Servicing	120	30
Internet Data Centre	50	50
Education & Training	10	2
<b>Grand Total</b>	<b>7,363</b>	<b>26</b>

Source: EY European Investment Monitor (EIM), 2019.

## Key investors in Belgium remain unchanged, with the US launching the most projects

The United States remains the largest investor in Belgium, accounting for 51 of the 278 projects initiated in the country - an increase on 40 in 2017 and 31 in 2016. France represents the next most important investor in the country, supporting 44 projects. This result is a significant increase on 32 the previous year, a then high watermark for French investment in Belgium. In third place, the Netherlands also increased the number of projects it invests in, from 25 to 32, while Germany remains the fourth largest investor with 23 (up from 18). One key result, which could reflect the Brexit vote, is the near doubling of UK supported investment projects in Belgium from 13 to 25.

With a total of 1,662 jobs, German investment in Belgium was responsible for the highest amount of job creation and represents 23% of the total 7,363 jobs created in the country by foreign direct investment. The United States is the second largest FDI job creator (19%), followed closely by China with 1,323 jobs (18%).

When looking at the number of jobs per project, China leads the way with 220 jobs per project. Germany who created the most jobs in absolute numbers lands on second place 37 jobs per project. Followed by Switzerland (32), France (29), and the US (27).

### Top 10 countries by projects

	2018
 United States	51
 France	44
 Netherlands	32
 United Kingdom	25
 Germany	23
 China	16
 Japan	15
 Switzerland	8
 Sweden	6
 Italy	4

Source: EY European Investment Monitor (EIM), 2019.

### Top 10 countries by job creation

	2018
 Germany	1,662
 United States	1,390
 China	1,323
 United Kingdom	750
 France	656
 Netherlands	570
 Japan	370
 Denmark	170
 Sweden	125
 Italy	25

Source: EY European Investment Monitor (EIM), 2019.

# Foreign investment projects and job creation in Europe

## FDI in Europe remains high, but declines for the first time in six years

In total, businesses from around the world completed 6,356 projects in Europe last year, a 4% annual decline over 2017.

Despite the annual decrease, FDI in Europe is still at its second highest level since EY began compiling this data in 2000. In parallel, the number of FDI projects completed in Europe in 2018 is still 5% ahead of 2016 levels, which was a record high at the time.

## Growth prospects and global trade are major causes of concern

Declining economic growth across Europe undoubtedly contributed to the annual slowdown. GDP growth decelerated to 1.8% last year from 2.4% in 2017. Once again in 2018, FDI remained primarily driven by intra-European investment. FDI projects within Europe slightly decreased (2% down), whereas non-European FDI into Europe declined by 8%.

So too did the rising tide of global protectionism. The US-China trade war grabbed the headlines last year, but European exporters continued to suffer from rising trade barriers around the world.

## Still, despite Brexit, perception of Europe fares well on the global stage

Prolonged uncertainty about the UK's future relationship with the EU following the Brexit vote is undoubtedly denting FDI in the country and, in certain sectors, its close trading partners. At the mid-point of 2019, the future economic and political relationship between Europe and the UK remains in doubt, Europe economic growth forecasts are languid, and populism continues to gain momentum.

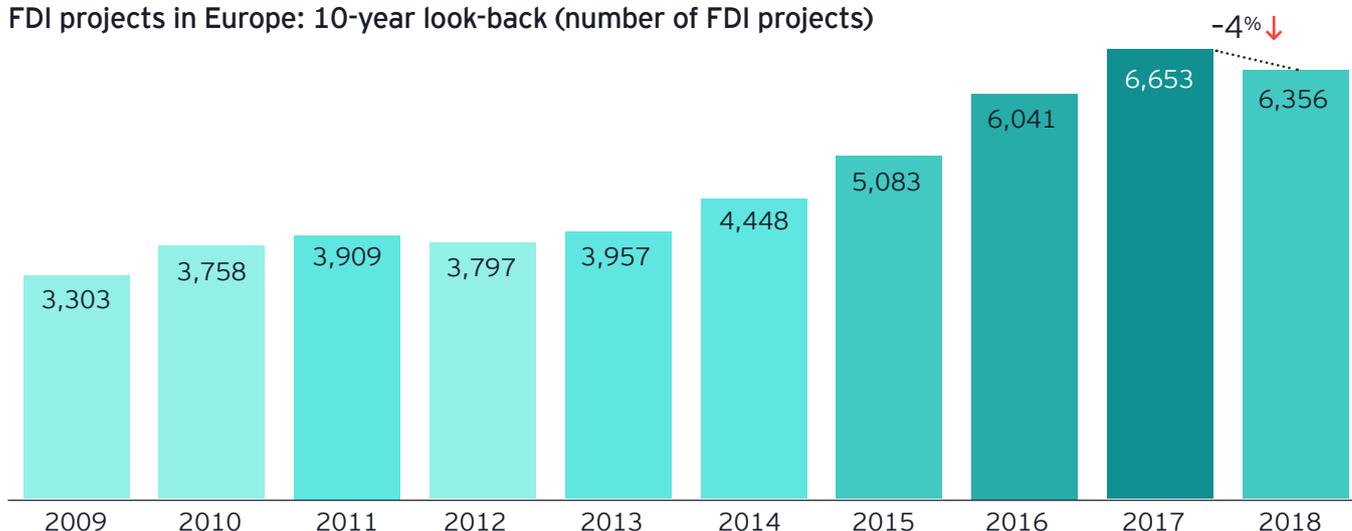
Despite the economic and political headwinds, the sheer size and diversity of Europe's economy makes its attractiveness resilient.

## Countries: the mighty fall, the challengers rise

### The UK: Manufacturing FDI slumps on Brexit fears

Uncertainty caused by Brexit caused UK FDI to plummet 13% to 1,054 projects in 2018, its lowest level since 2014. The annual decrease was primarily caused by a 35% decrease in manufacturing FDI projects to 140. This is the fewest new manufacturing projects established in the UK since 2013. The number of newly established headquarters halved from 98 in

FDI projects in Europe: 10-year look-back (number of FDI projects)



Source: EY European Investment Monitor (EIM) 2019.

2017 to 48 last year. Only four years ago (in 2015) 150 new headquarters were set up in the UK.

 **France: damage control**

FDI growth stalled in France in 2018 following two years of huge gains. The number of new FDI projects rose 1% to 1,027 last year. This followed annual increases of 31% in 2017 and 30% in 2016. Although the annual rate of growth decreased significantly, France can take comfort from the fact that FDI did not decline by the extent it did in other major European economies. French authorities remain concerned about the impact of the yellow vest protests on FDI.

 **Germany: FDI hit by weak economic growth and automotive production**

The number of new FDI projects in Germany fell from 1,124 to 973 in 2018, a 13% decrease. Weak export growth, low unemployment rate and consumer spending restraint caused growth to slow from 2.2% in 2017 to 1.5% in 2018. Sector-specific issues are also at play. For example, production in the automotive sector decreased 7% on a seasonally-adjusted basis in the second half of 2018 compared with the first half<sup>1</sup>. This was caused by a perfect storm of heightened potential for a hard Brexit and US tariffs, a slowdown in demand from China and tougher environmental standards.

 **Spain: digital frenzy boosts FDI**

FDI increased by 32% to a record 314 projects in 2018. The growth was caused by significant increases in investment in the digital sector, which more than doubled to 70 projects last year. There was also significant growth in the transportation, logistics and finance sectors.

 **Poland: industrial sectors drive FDI growth**

Investment in Poland surged 38% to 272 FDI projects in 2018. The country is now Europe's sixth largest market for FDI. Traditional industrial sectors such as transport, chemicals, logistics and machinery almost doubled to 127 projects in 2018 and now collectively account for 47% of total FDI in the country.

 **Turkey: FDI is robust despite uncertainty**

Despite pronounced depreciation of the Turkish Lira and mounting political uncertainty, FDI is robust in Turkey. In total, 261 projects were executed in 2018, a 14% increase. Although there are headwinds, investors are attracted to the large talented workforce that is available at competitive costs and a strong industrial base: some 78% of FDI projects in Turkey are manufacturing facilities.

 **Ireland: a Brexit-led investment surge**

FDI in Ireland jumped 52% to 205 projects in 2018. Brexit is undoubtedly boosting Ireland's attractiveness as an alternative to the UK, but other factors are at play. For example, it maintains a competitive 12.5% corporate tax rate and has invested significantly in digital and financial skills.

**Top 10 European FDI destination countries**

Rank	Country	2017	2018	Change 2017/18	Market share (2018)
1	UK	1,205	1,054	-13% ↓	17%
2	France	1,019	1,027	1% ↑	16%
3	Germany	1,124	973	-13% ↓	15%
4	Spain	237	314	32% ↑	5%
5	Belgium	215	278	29% ↑	4%
6	Poland	197	272	38% ↑	4%
7	Turkey	229	261	14% ↑	4%
8	Netherlands	339	229	-32% <sup>2</sup> ↓	4%
9	Russia	238	211	-11% ↓	3%
10	Ireland	135	205	52% ↑	3%
	Other countries	1,715	1,532	-11% ↓	24%
	<b>Total</b>	<b>6,653</b>	<b>6,356</b>	<b>-4%</b> ↓	<b>100%</b>

Source: EY European Investment Monitor (EIM) 2019.

<sup>1</sup> Automotive industry: production down 7.1% in 2nd half of 2018 in Germany's most important industry, Destatis, April 2019

<sup>2</sup> Due to a change in methodology in the Netherlands in 2017, the 229 FDI projects reported for 2018 actually compare with 224 FDI projects in 2017.

# Perception

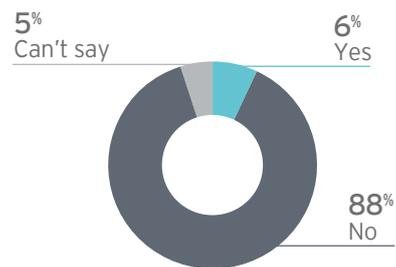


### Belgium's attractiveness decreases slightly

Perceptions of Belgium's attractiveness has decreased slightly in line with Europe as a whole. 10% of respondents to our survey say that they intend to invest in the country over the next year. The number is down from 15% in 2018 and reaches one of its lowest levels. Of those that plan to expand or establish operations - a quarter are investing in manufacturing and a quarter are in sales and marketing. Nearly half of this number report that such expansion will take the form of a new project (45%), while more than a third say that it is to increase operations (38%).

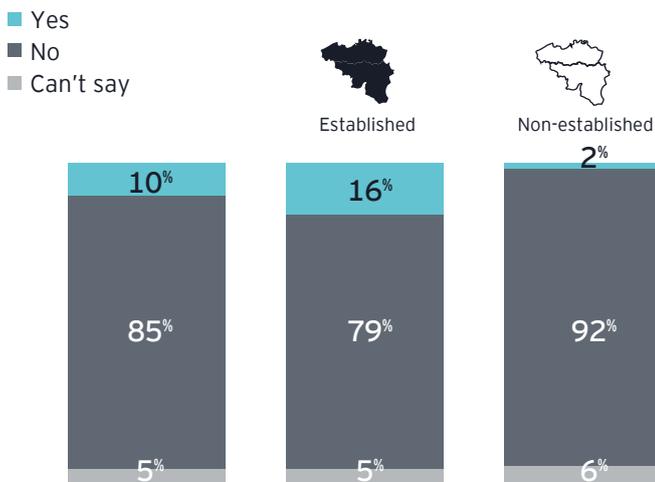
88% of respondents located in Belgium indicate they don't have plans to relocate their operations to a different country- showing that the vast majority of investors are clearly attached to the country.

Does your company have plans to relocate operations from Belgium to a different country?  
(113 respondents established in Belgium)



Source: Belgium attractiveness survey 2019

Does your company have plans to establish or expand operations over the next year in Belgium?  
(203 respondents)



#### Type of investment

Manufacturing	25%
Sales & marketing office	25%
Research and Development	15%
Training center	12%
Supply chain/logistics	10%
Headquarters	5%
Can't say	8%

Source: Belgium attractiveness survey 2019

## Optimism is increasing among companies not established in Belgium

The three-year outlook for Belgium's attractiveness has remained stable, with 28% of the respondents believing it will improve and 60% believing it will stay the same in the immediate future. While optimism could be said to have declined among companies active in Belgium, with 28% thinking it would improve (down from 39% last year), it has increased among companies not active in Belgium, up to 29% indicating an improvement (up from 17% last year).

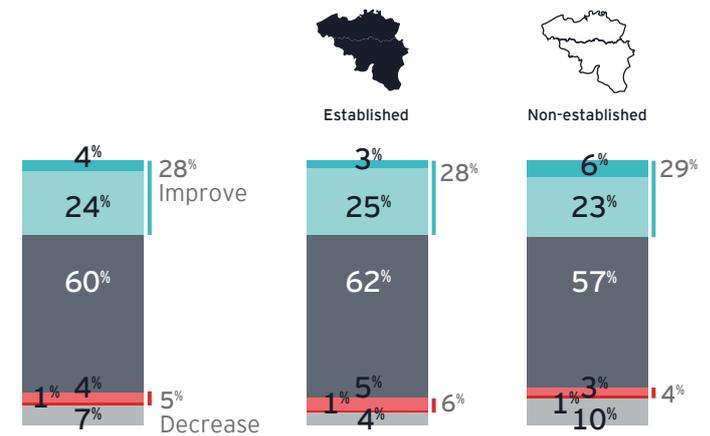
## The wider context: Europe's attractiveness is declining

Belgium and Europe in general is feeling the impact of wider global changes. While nearly three-quarters of respondents say that it remains the most attractive region to establish operations, Europe's overall attractiveness has slightly declined. The UK's scheduled departure from the European Union and ongoing trade disputes between the US and China could have a destabilizing impact on the continent.

Prospects for Europe are not perceived to be about to improve this year, with just 37% thinking that the continent's attractiveness will increase, down from 50% last year. Of all remedial solutions, respondents reported that reforming EU governance for sustainable economic growth would have the largest impact on boosting European attractiveness.

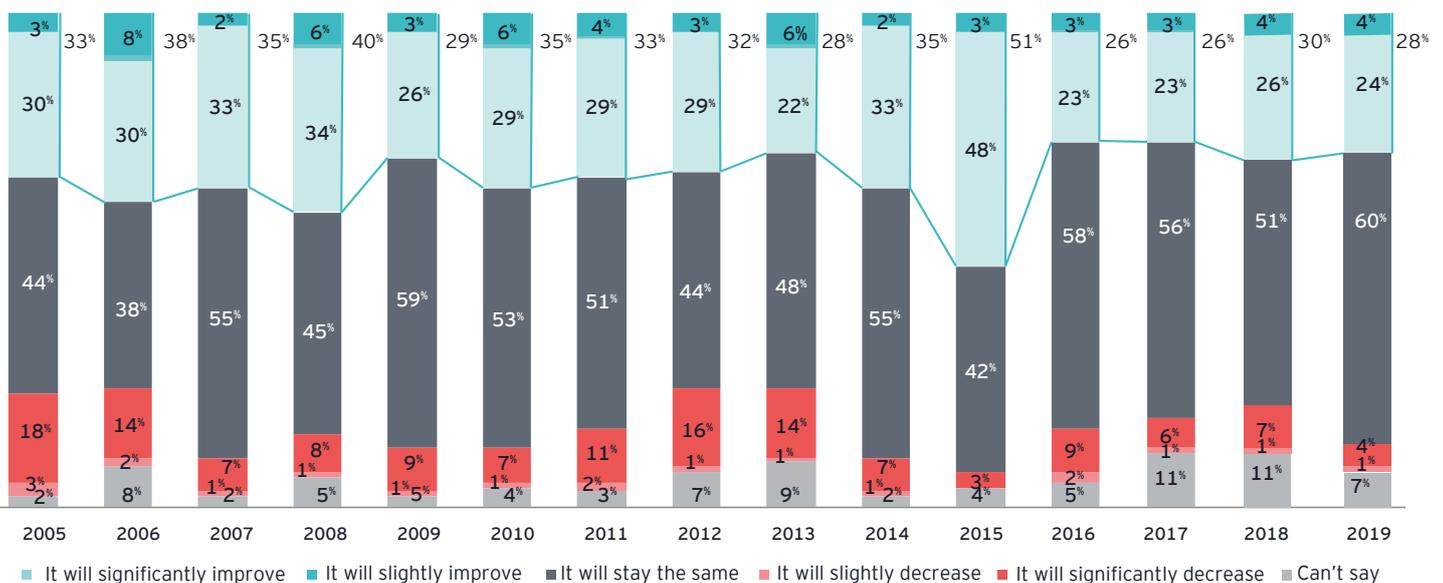
To what degree do you think Belgium's attractiveness will evolve over the next three years?  
(203 respondents)

- It will significantly improve
- It will slightly improve
- It will stay the same
- It will slightly decrease
- It will significantly decrease
- Can't say



Source: Belgium attractiveness survey 2019

To what degree do you think Belgium's attractiveness will evolve over the next three years?  
(203 respondents)



Source: EY Baromètre de l'Attractivité belge 2019

## Belgium increasingly seen as likely to benefit from Brexit

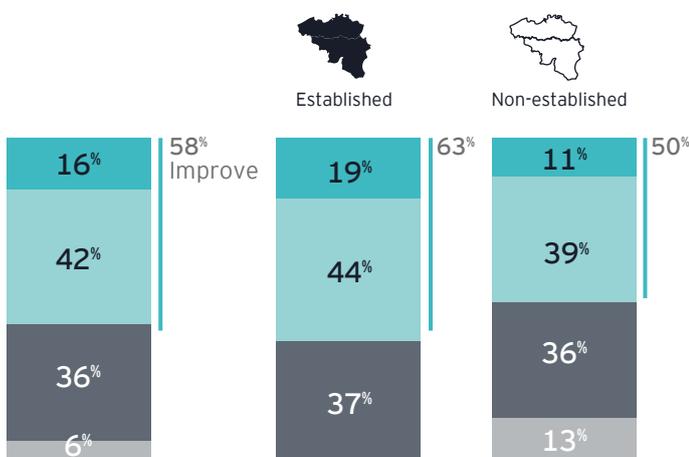
More than half of respondents (58%) believe that the UK's departure from the EU will have a positive impact on Belgium's attractiveness, although conversely Brexit also represents the largest risk to the European economy as a whole, ahead of political instability at the EU level and the rise of populism.

While most companies (65%) reported that they were not considering a Brexit-related relocation of operations for now, one in ten are considering changing their supply chains and logistic set-ups and slightly more their manufacturing arrangements. Around 8% have considered moving their sales and marketing offices, HQs or R&D facilities.

### Do you believe Brexit will affect the attractiveness of Belgium in regard to foreign investments?

(203 respondents)

- Yes, Belgium will become considerably more attractive as an alternative investment location
- Yes, Belgium will become slightly more attractive as an alternative investment location
- No, there will be no real effect
- Can't say



### In view of the Brexit discussions, do you consider a relocation of the following facilities to Belgium

Our company is not considering changing or relocating our operations	65%
Manufacturing	12%
Supply chain / logistics	10%
Sales & marketing office	9%
Research & Development	8%
Headquarters	8%
Other	21%

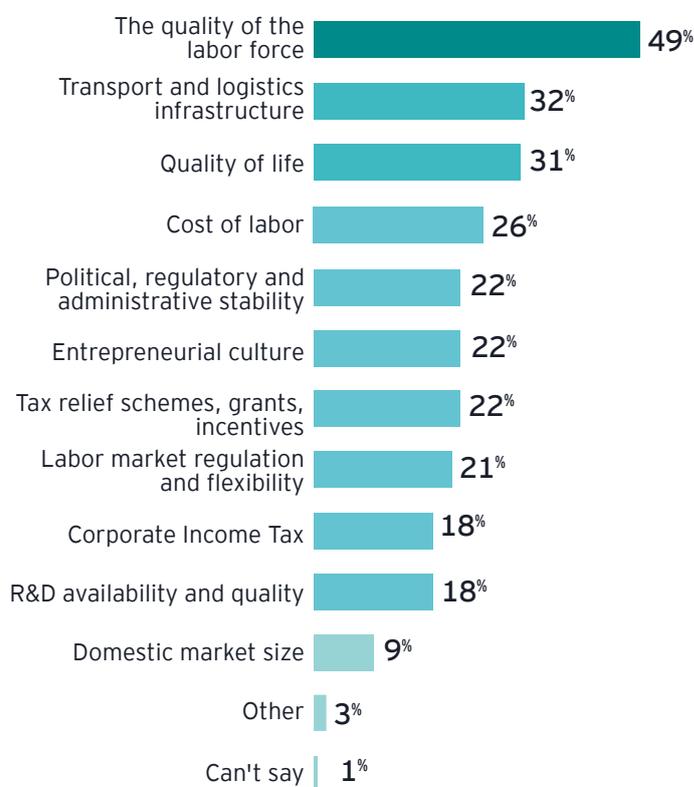
Source: Belgium attractiveness survey 2019

## Investment decisions: quality of workforce remains the most important

Of the companies active in Belgium, nearly half of respondents (49%) says the quality of the labor force is the most important factor in their investment decision, while around a third emphasize mobility issues. Quality of life enters the top 3 and overtakes the cost of labor.

### What are the three most important aspects that your company takes into account when investing in Belgium?

(113 respondents established in Belgium)



Source: Belgium attractiveness survey 2019



Good mobility and transportation infrastructure are an asset and strength for a country. Investments in infrastructure could have an accelerating effect on the attractiveness of Belgium.

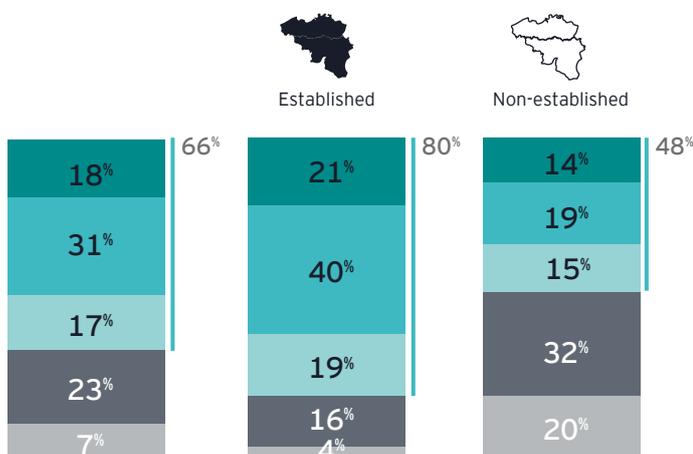
**Tristan Dhondt**  
Partner EY Belgium

### Investment decisions: corporate tax has slightly less impact

The impact of corporate tax in investment decisions has slightly decreased. 66% of respondents says it has a substantial influence of their investment decision, dropping from 74% last year. Efforts are being made by the federal government to stimulate Belgium's competitiveness. Corporate tax in Belgium has decreased from 33% to 29%, and next year it will fall further to 25%. The European average of 18.38% (EU: 21.86%) is the lowest of any region, owing in part to some countries, such as Ireland and Hungary, having very low rates comparatively (less than 15%). To give a global context, Belgium is on a par with the G20 average and is moving towards the North American average of 22.01%.

Does the current corporate tax in Belgium have a substantial influence on your investment decision?  
(203 respondents)

- Yes, more than 50% influence on Belgian investment decisions
- Yes, between 25-50% influence on Belgian investment decisions
- A minimal influence on Belgian investment decisions
- No influence, other criteria have a bigger influence
- Can't say



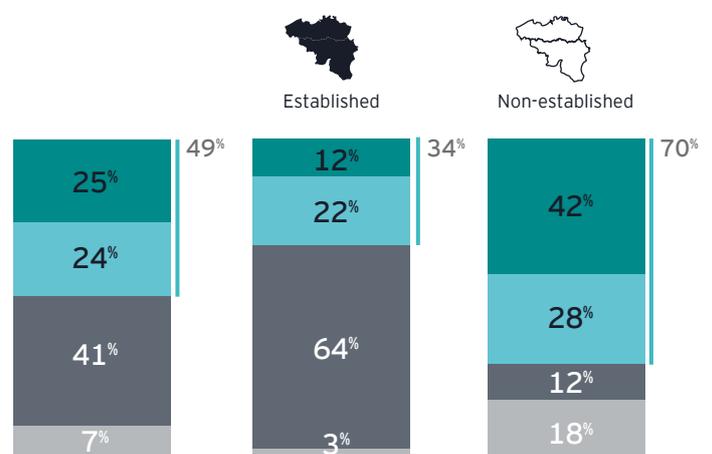
Source: Belgium attractiveness survey 2019

### Investment decisions: mobility is perceived to be a greater problem from the inside

The negative impact of the mobility issue in Belgium remains at a high level for decision-makers. However, there is a wide disparity between companies not active in Belgium, who are less likely to view Belgium's transport infrastructure as a problem (12%), and companies active in Belgium, two-thirds of which (64%) say that traffic jams and road infrastructure have a negative influence on their investment. The mobility issue in Belgium should therefore remain high on the agenda.

Do you feel the status of mobility and accessibility to public transport in Belgium is a consideration that has:  
(203 respondents)

- A positive influence on investment in Belgium
- No real influence on investment decisions in Belgium
- A negative influence on investment decisions in Belgium
- Can't say



Source: Belgium attractiveness survey 2019

### Regional variations: Brussels is matching Flanders in attractiveness

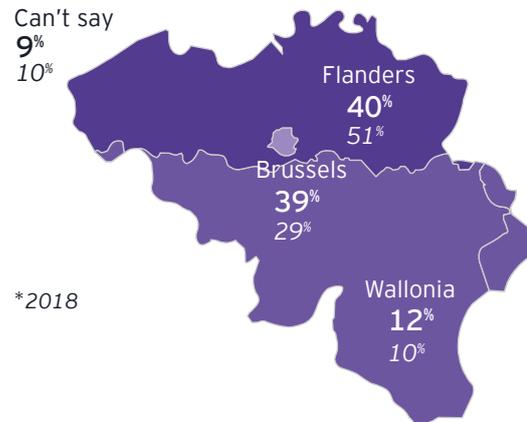
Brussels Capital Region has almost caught up with Flanders as the most attractive region in Belgium for investment. Around 40% perceive Flanders as top, down from 51% last year, with Brussels the direct beneficiary increasing from 29% to 39%. This result might reflect the rising profile of the city region and its improved branding, particular for with companies not established in Belgium. Wallonia maintains its stable perception of around 12%.

The key factors to Flanders' continuing strong performance are its social stability and the availability of a skilled workforce. Wallonia scores highest on availability of space, with two-thirds seeing this factor as a strength. Around 58% of respondents believe that an insufficient knowledge of other languages is detrimental to Wallonia. Access to transport infrastructure is Brussels's biggest strength.

According to the European Attractiveness Survey, Brussels is the joint ninth most attractive city in Europe among investors along with Barcelona and Dublin on 6% of respondents. While a clear majority place Paris and London, on 30% and 25% respectively, their attractiveness has fallen from last year (Paris was 37%), particularly London which has dropped from 34%, most likely as a result of the Brexit vote.

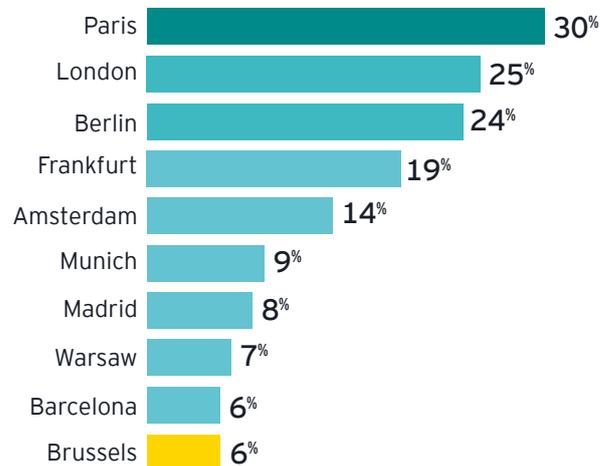
### What region in Belgium do you see as the most attractive to establish operations?

(203 respondents)



Source: Belgium attractiveness survey 2019

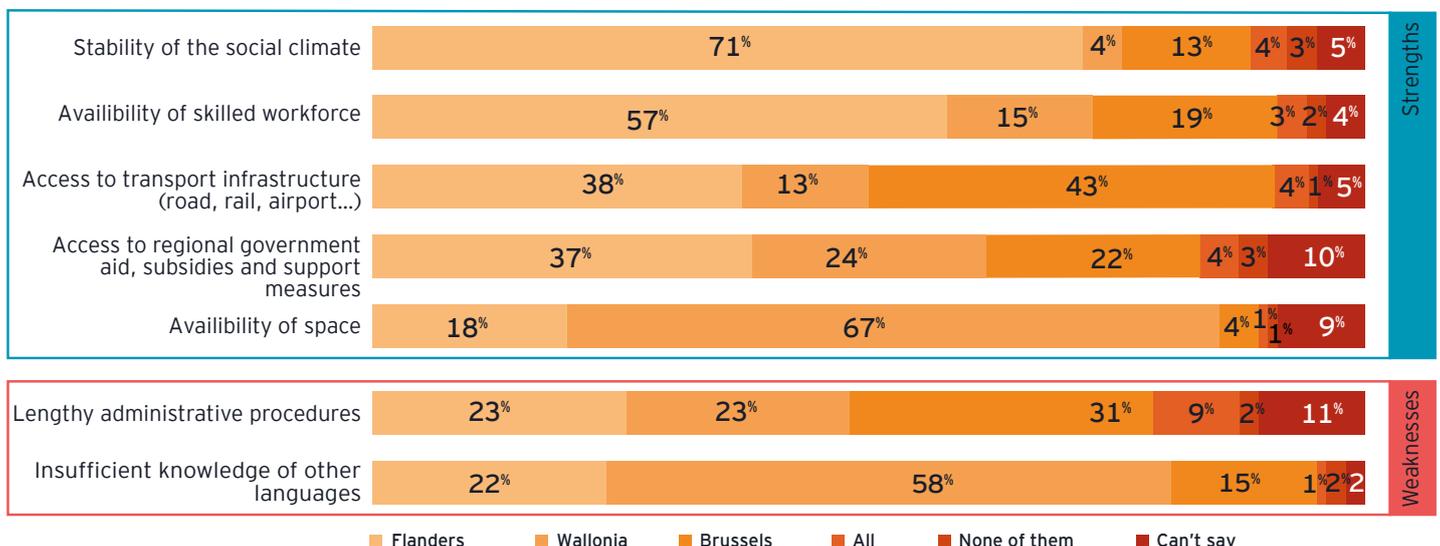
### Most attractive city



Source: European attractiveness survey 2019

For each of the following criteria, indicate which region in Belgium is most closely associated with them:

(113 respondents established in Belgium)



Source: Belgium attractiveness survey 2019

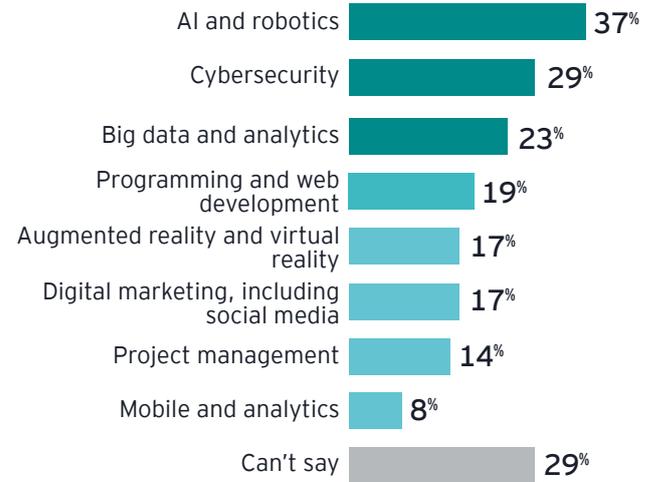
## Supporting innovation is the main priority for investors, AI & robotics are the most important skills

A key attractiveness criterion, preparedness for innovation and investment in new technologies, provides ground for optimism for Belgium. For investors active in Belgium, the perception is that the country has improved markedly in this area - from 17% to 24% - and even more so among those not established here - up from 10% to 23%. Moreover, supporting innovation has become the main priority in Belgium, climbing above reducing taxation. That is especially important, given that the business trend is towards knowledge and smart technologies, and away from manufacturing.

According to the European Attractiveness Survey, London remains the most innovative city in Europe, but at 14% it still lags behind San Francisco/Silicon Valley on 25% and Shanghai on 23%. The digital economy is viewed as having the greatest growth potential (39%), followed by clean technologies (25%) and energy and utilities (21%).

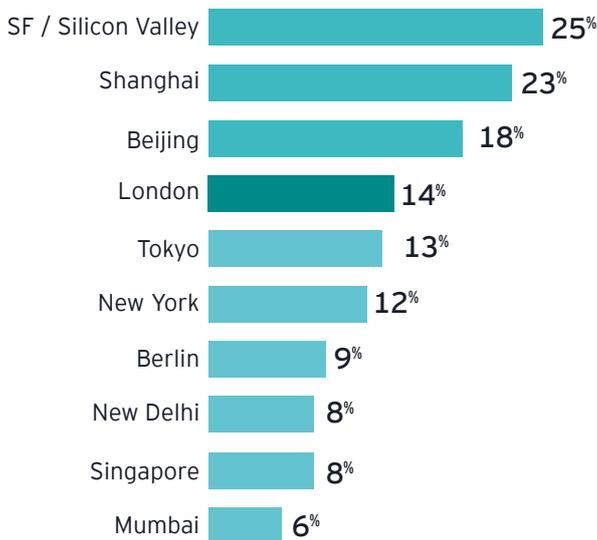
Respondents ranked the digital skills that require the most focus: AI and robotics; cybersecurity; and big data and analytics. In other words, Belgium should concentrate on supporting high-tech training for these skills.

## Which digital skills are the most scarce in Belgium? (203 respondents)



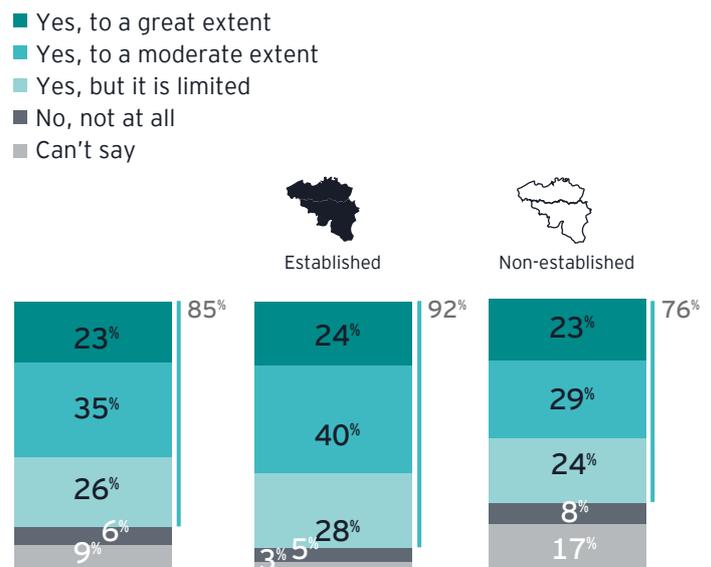
Source: Belgium attractiveness survey 2019

## London is still seen as the most innovative city in Europe and overtook New York in 2019



Source: European attractiveness survey 2019

## Do you believe Belgium is developing the latest technologies while also preparing for the unknown innovations that will emerge in the near future? (203 respondents)



Source: Belgium attractiveness survey 2019



The quality of the workforce in Belgium is a major attraction, so we need to invest in training and support all staff in the use of new technologies. Innovation is the future of our country.

**Marie-Laure Moreau**  
Partner EY Belgium

### Reduction of taxation and labor costs remain important

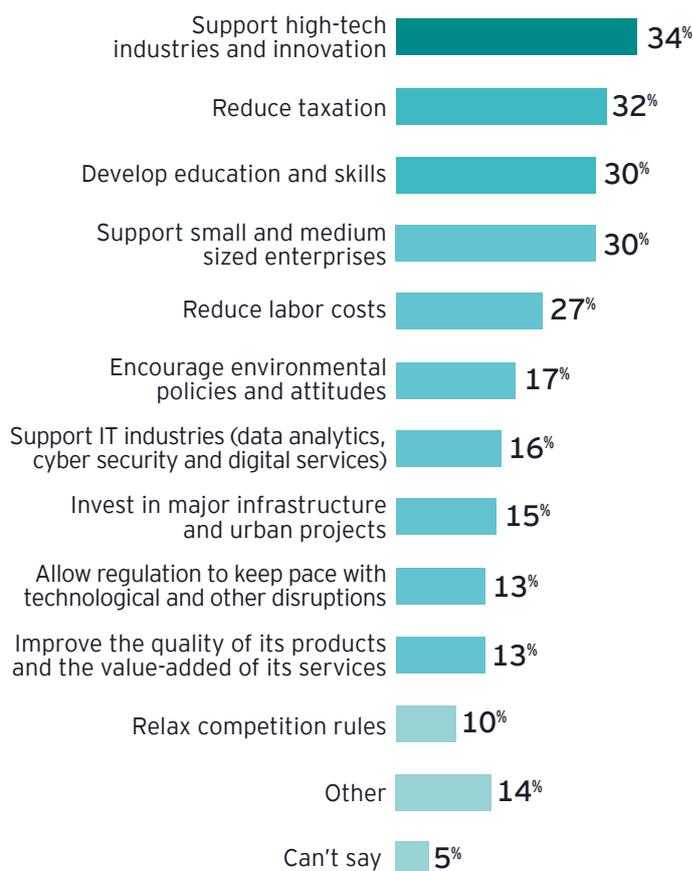
Qualitative aspects are becoming more important for decision-makers, as opposed to those factors that can be easily quantified such as taxation levels and labor costs. While lowering those costs would still be beneficial, the quality of the labor force and the quality of life are serious considerations driving investment decisions.

For companies established in Belgium, nevertheless, taxation remains highly relevant. In order for Belgium to maintain its competitive position in the global economy, they insist on the reduction of taxation (44% of respondents compared to 18% of companies not established in Belgium) and the reduction of labor costs (41% of respondents compared to 9% of companies not established in Belgium).

It should be noted that while nearly a third of respondents believe that Belgium should reduce taxes, the same percentage believe that neighboring countries, such as the Netherlands and Germany, should do so as well. Moreover, the reduction of labor costs, a priority for 27%, is less marked concerned than in France with 32%.

In your view, where should Belgium concentrate its efforts in order to maintain its competitive position in the global economy?

(203 respondents)



Source: Belgium attractiveness survey 2019

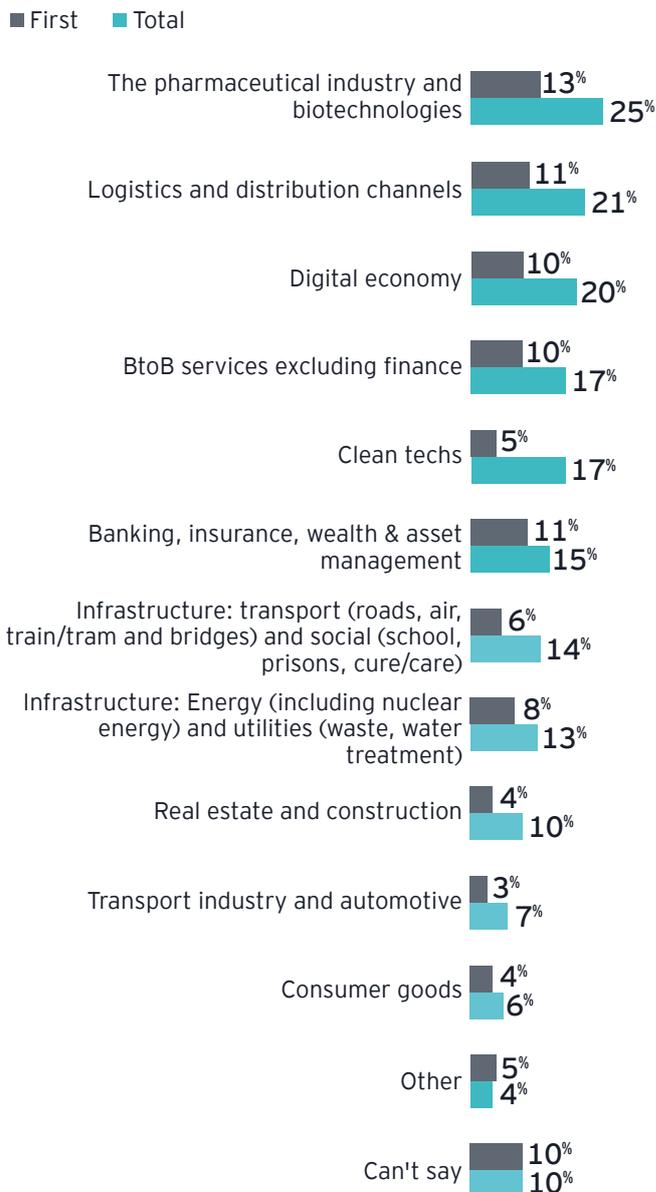
## Drivers of future growth: pharma remains significant but financial sector and clean technologies gain ground

The pharmaceutical industry and biotechnologies are perceived to be the sectors that will be the largest drivers of the Belgian economy in the coming years. Though this area is up from second place in 2018, its importance has decreased overall from 30% to 25%. However, among companies established in Belgium, pharma is perceived to be the main driver by 38%, while this figure drops to 9% among companies not active in Belgium.

The digital economy, dropping from first place to third, also fell sharply as a perceived driver, with logistics and distribution channel gaining significance. Other sectors gaining importance include clean technologies and banking, insurance and wealth management.

## Which business sectors will drive Belgium's growth in the coming years? (2 possible answers)

(203 respondents)



Source: Belgium attractiveness survey 2019

# Viewpoint



**Leo Sleuwaegen**

Professor  
International  
Business Strategy,  
KU Leuven  
Emeritus Professor  
Vlerick Business  
School

“

Highly positive factors include the sharp increase in the number of projects by new investors, the rise in Asian investments and the increase in investments in R&D, business services and ICT sectors.

The Barometer of Belgian Attractiveness shows a positive picture of trends in foreign investment in Belgium this year. The number of investments is at its highest level since 2006, raising Belgium to 5th place in Europe for attracting foreign projects. Highly positive factors include the sharp increase in the number of projects by new investors compared to expansion investments by established foreign investors, the rise in Asian investments and the increase in investments in R&D, business services and ICT sectors, both hardware and software. Foreign investors help strengthen Belgium's competitive position in the digital economy. As in the previous year, Flanders was the main beneficiary of investments in the logistics and industrial sectors, particularly pharma and chemicals. Another positive factor is the improvement in the attractiveness of Brussels in the last year. The sharp rise in investments in new projects in the region is particularly promising. The low rate of job creation in the Brussels region reflects the region's strong focus on investments in sales and services. As investments in these sectors tend to involve a gradual process, their long-term impact on

job creation can be much greater. The results for Wallonia are less positive, and the region is finding it difficult to attract significantly more projects, even in the longer term. The trend shows that, between 2006 and 2018, there was no increase in the number of projects. No rising trend in projects is apparent in Brussels either in the period of 2006-2018. Flanders, on the other hand, has seen a steady increase, so that in 2018 there were 60% more projects than in 2006. The picture of investments made per region matches investors' perceptions of the attractiveness of Belgium and its regions for investments. The better rating for Brussels stands out. The improved perception of the investment climate by investors not present in Belgium is significant. This appears to suggest that the macroeconomic picture and the industrial picture are positive factors in attracting new investments. However, the finding that established investors are less optimistic and a very low percentage (16%) are planning a new project, implies that there is still a lot of work to be done, especially with regard to taxation, mobility and education, to make our country more attractive.

# Recommendations

These are the policy measures EY Belgium suggests to ensure the attractiveness of Belgium for foreign investors in the long term.

## Tax

Lowering the corporate tax rate from 33.99% to 29.58% (and to ultimately 25% in 2020) has had a positive impact, but other European countries have also reduced their tax rates. The headline rate resonates clearly with outside investors, who may not be aware of all the tax advantages that offset this rate.

Recommendations:

- ▶ Reduce the corporate rate to 20% and simplify the system
- ▶ Widen knowledge of the tax incentives that support innovation
- ▶ Lower the withholding tax on interest, dividends and royalties to a maximum rate of 10%
- ▶ Create a stable tax climate that ensures certainty over tax issues
- ▶ Ensure a legal and fiscal stable framework for companies
- ▶ Enforce and empower the Belgian Ruling Commission

## Education and training

The economic landscape of Belgium is changing from manufacturing to technological innovation, but the education system has not kept pace with this change.

Recommendations:

- ▶ Increase focus in primary and secondary schools on developing IT skills
- ▶ Provide structural training in entrepreneurship in educational programmes
- ▶ Promote the teaching of digital skills
- ▶ Invest in durable life-long learning, allowing employees to retrain and participate in the digital economy in the long term
- ▶ Invest in the opportunities for learning at the workplace
- ▶ Address the structural underfunding of higher education

## Existing and new investors

While Belgium has attracted an increased number of new investors, up 48.3%, new initiatives by existing investors rose by only 3.3%, suggesting that more could be done internally to promote the country.

Recommendations:

- ▶ Stimulate investment in the chemical sector, particularly the port cities
- ▶ Focus on generating greater investment in the sectors of the future, such as digital technologies and IT, and ensure that projects result in commensurate job creation
- ▶ Encourage greater cooperation among Belgium's three regions - Brussels, Flanders and Wallonia - to ensure that the success of one region reinforces another and that their individual advantages are combined to maximise overall attractiveness
- ▶ Reduce the complexity of the regulatory framework in the field of subsidies

## Employment

Several important fiscal and social measures have been carried out over the past five years to reduce the cost of employment and to increase flexibility, particularly in industrial sectors and logistics that are strong drivers of job creation.

### Recommendations:

- ▶ Analyze continuously the gap in labor costs with the most important trade partners of Belgium and act on the analysis
- ▶ Examine ways in which the cost of labour can be further reduced
- ▶ Lower the tax burden for employees, including social security

## Brexit

The UK's vote to leave the EU has boosted the number of HQ and logistics projects in Belgium, but the government could do more to persuade UK-based companies to move here.

### Recommendations:

- ▶ Continue to organise and even increase delegations to and events in the UK to showcase Belgium as an attractive future hub for logistics, manufacturing and HQs
- ▶ Emphasise the role Belgium plays as a 'crossroads' connecting the UK with mainland Europe
- ▶ Focus on the country's growing logistics sector and continue to address mobility issues

## Logistics and mobility

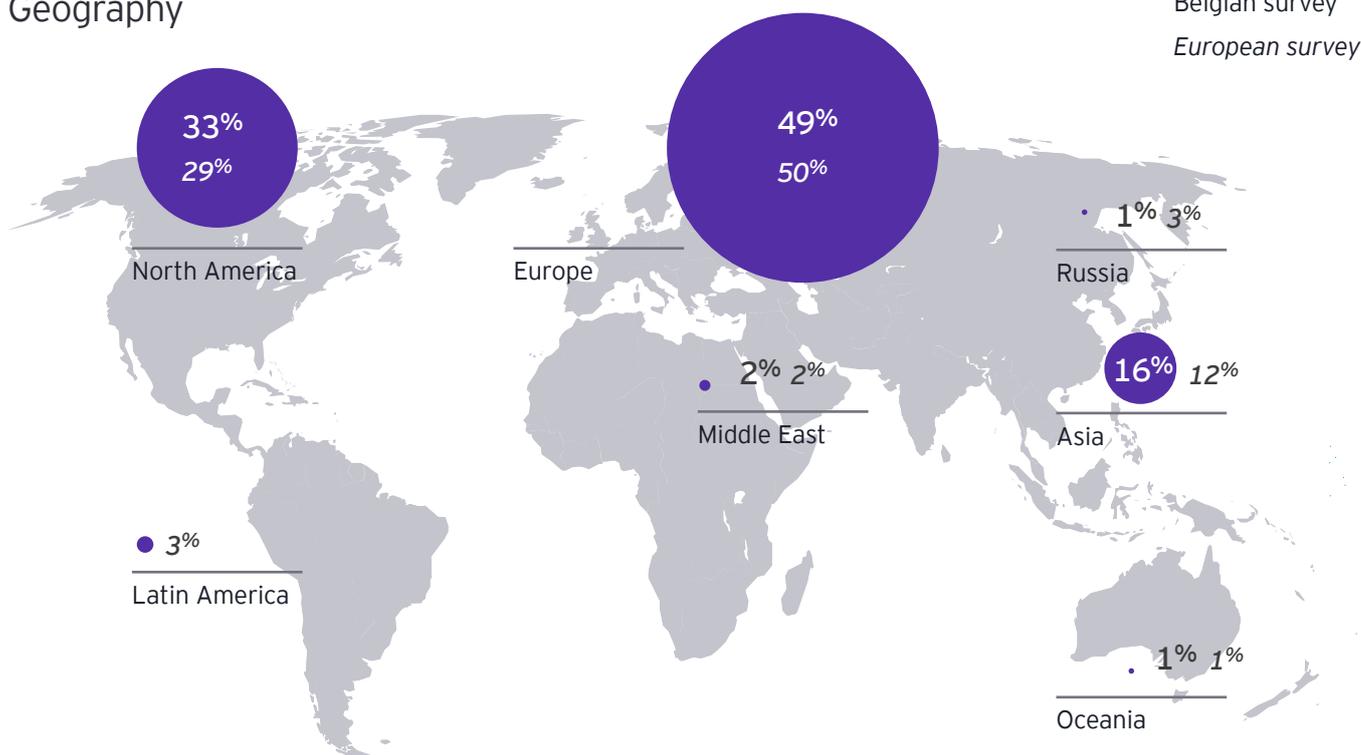
The supply chain has become a game changer for industries. Belgium's Industry 4.0 approach to the value chain and logistics emphasises digitalisation and integration in order to realise productivity gains.

### Recommendations:

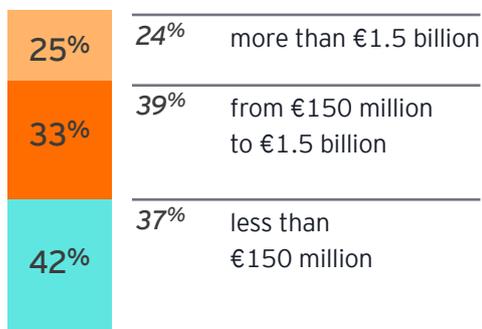
- ▶ Maintain focus on developing competences in logistics, promoting education and training
- ▶ Develop the country's sustainability in the field of transport and logistics infrastructure
- ▶ Encourage large industries to shift towards adopting a smart industry, known as Industry 4.0

# Methodology

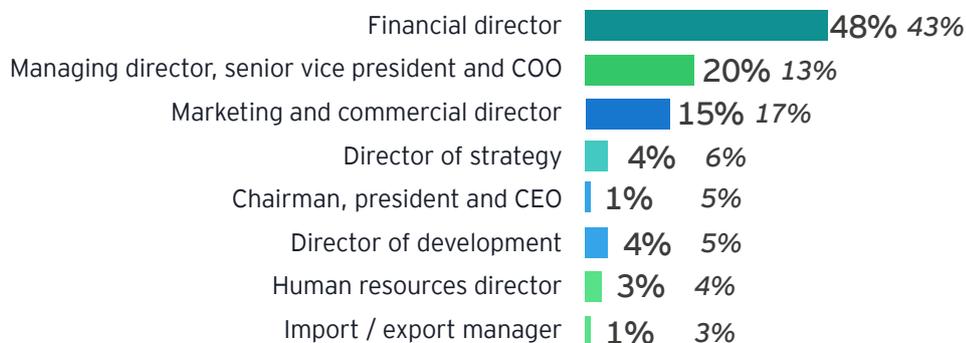
## Geography



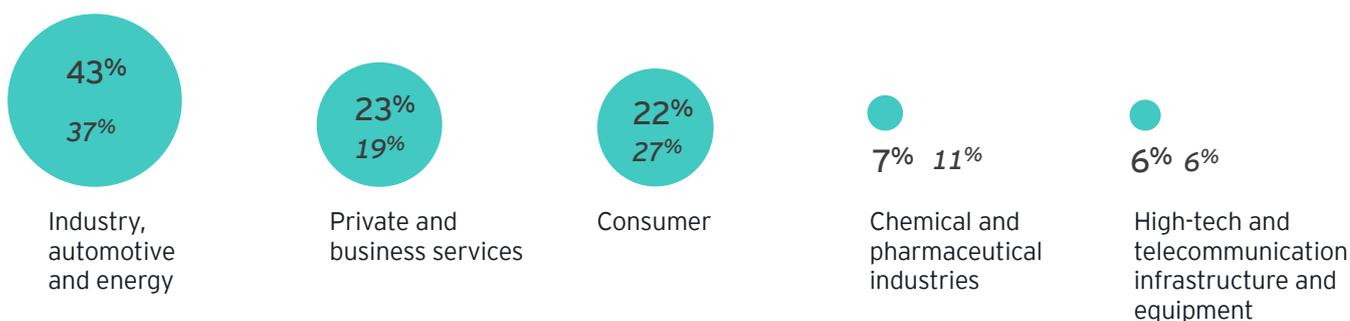
## Size



## Job title



## Sector activity



Source: EY Attractiveness Survey Europe June 2019 (total respondents: 506).

## The “real” attractiveness of Belgium for foreign investors

Our evaluation of the reality of FDI in Europe is based on the EY European Investment Monitor (EIM), EY’s proprietary database, produced in collaboration with OCO. This database tracks those FDI projects that have resulted in the creation of new facilities and new jobs. By excluding portfolio investments and M&A, it shows the reality of investment in manufacturing and services by foreign companies across the continent.

Data is widely available on FDI. 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 EIM is a leading online information provider, tracking inward investment across Europe. This flagship business information tool from EY is the most detailed source of data on cross-border investment projects and trends throughout Europe. The EIM is frequently used by government bodies, private sector organizations and corporations looking to identify significant trends in employment, industry, business and investment.

The 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 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<sup>1</sup>
- ▶ 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)
- ▶ Not-for-profit organizations (charitable foundations, trade associations and government bodies)

## The “perceived” attractiveness of Belgium 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 or area’s ability to provide the most competitive benefits for FDI.

For the Belgium Attractiveness Survey the CSA Institute interviewed a representative panel of 203 international decision-makers, established (56%) and non-established (44%) in Belgium. The field research was conducted between February 13 and March 5 2019, via telephone interviews.

For the European Attractiveness Survey, the field research was conducted by the CSA Institute in January and February 2019, via telephone interviews, based on a representative panel of 506 international decision-makers. Overall, 81% of the 506 companies interviewed have a presence in Europe. And of the non-European companies, 35% have established operations in Europe.

## About the EY Attractiveness program

EY’s Attractiveness Surveys are widely recognized by our clients, media, governments and major public stakeholders as a key source of insight into FDI. Examining the attractiveness of a particular region or country as an investment destination, remove barriers to growth. A two-step methodology analyzes both the reality and perception of FDI in the country or region. Findings are based on the views of representative panels of international and local

opinion leaders and decision-makers.

The program has a 17-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 #EYAttract**

<sup>1</sup> 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 center, this project would qualify for inclusion in the database.

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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