

Switzerland Office 2020

Foreign direct investment in Switzerland and Europe

June 2020



Building a better
working world

On the way to a new reality?

2019 was another strong year for Europe as a location for investment – then came the coronavirus crisis.

A total of 6,412 FDI projects were announced across Europe in 2019 - about the same number as in the previous year. Global trade tensions, Brexit uncertainties and a weakening economy have slowed investment in Europe; a booming digital economy, on the other hand, provided new impetus.

However, given the current massive market uncertainty, the immense cost of the crisis and its dramatic impact on many sectors, investment projects are undergoing a major review..

According to EY estimates, 65% of the projects announced in 2019 have already been implemented or are currently being implemented, while 25% are being deferred and 10% have been cancelled. However, the figures given in this analysis do not take into account the effects of the coronavirus crisis.

In 2020 FDI inflows are expected to fall by 35-50%, which will vary widely from sector to sector and from country to country. However, one thing is certain: competition for investment will continue to increase between European countries and cities.

There are three priorities for businesses in the current situation: the reconfiguration of supply chains, the introduction of technologies and the focus on climate change and de-carbonisation.

65%

The projects announced in 2019 were implemented before the coronavirus pandemic.

Investments in Europe

The main trends

Across Europe, the number of investment projects announced increased slightly last year. In Eastern Europe, however, it fell significantly.

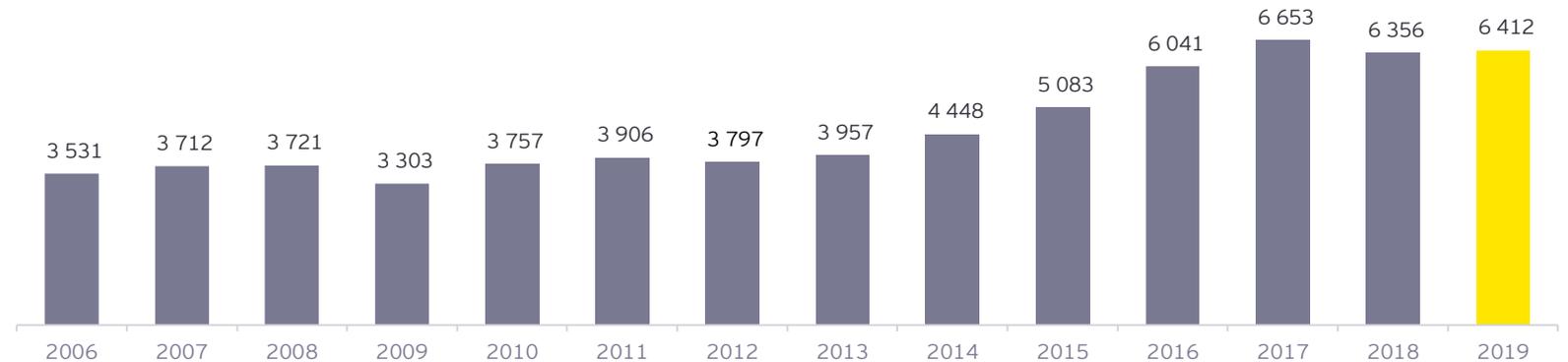
France rose to become the top investment location – ahead of the United Kingdom and Germany.

Although Switzerland recorded more investment than in the previous year, it only climbed from 21st to 17th place in the location ranking for Europe.

Most projects have been registered in the digital sector throughout Europe.

Foreign investment in Europe roughly at the level of the previous year

Number of investment projects announced



After a decline of four percent in 2018, the number of investment projects announced by foreign companies stabilised last year. At 6,412, this was the second highest value ever recorded.

Most projects have been registered in the digital sector throughout Europe.

The Top Investment Locations in Europe

Ranking (previous year)	Destination country	2018	2019	Change 18/19	Market share 2019
1 (2)	France	1,027	1.197	17%	19%
2 (1)	Great Britain	1,054	1.109	5%	17%
3 (3)	Germany	973	971	0%	15%
4 (4)	Spain	314	486	55%	8%
5 (5)	Belgium	278	267	-4%	4%
6 (8)	The Netherlands	229	255	11%	4%
7 (6)	Poland	272	200	-26%	3%
8 (10)	Ireland	205	191	-7%	3%
9 (9)	Russia	211	191	-9%	3%
10 (7)	Turkey	261	176	-33%	3%
...					
17 (21)	Switzerland	61	73	+20%	1%
18 (25)	Austria	40	69	+73%	1%

The positive trend as a location for investment continued in **France in 2019**: For the first time, more projects have been announced in France than in Great Britain. However, despite the Brexit uncertainty, the UK was able to attract more projects than last year.

Germany had already slipped to third place in 2018. Here, the number of investment projects stagnated.

Poland and Turkey suffered massive losses as investment locations, while Spain developed exceptionally positively as a location in 2019. Neighbouring Portugal (ranked 11th in the European ranking) also recorded a very positive development: up 114% to 158 projects.

Switzerland recorded strong growth of 20% and now ranks 73th in the European ranking with 17 projects - just ahead of neighbouring Austria.

Switzerland

climbed from 21st place in 17th in 2019.

Western Europe increases, Eastern Europe loses

Region	Number of investment projects		Change
	2018	2019	
Western Europe	4,758	5.138	+8%
Central and Eastern Europe	1,598	1.274	-20%

Region	Number of new jobs announced		Change
	2018	2019	
Western Europe	134,827	170.378	+26%
Central and Eastern Europe	142,424	104.556	-27%

There were significantly fewer investment projects in Eastern Europe in 2019 than in the previous year. Of the larger Eastern European sites, only Hungary (up 4% to 105 projects) and Slovakia (up 110% to 65 projects) were able to escape the negative trend.

The largest investor in Eastern Europe is German companies - they increased the number of projects in the countries of Central and Eastern Europe by 1% in 2019. US corporations, on the other hand, have reduced their exposure by 21%.

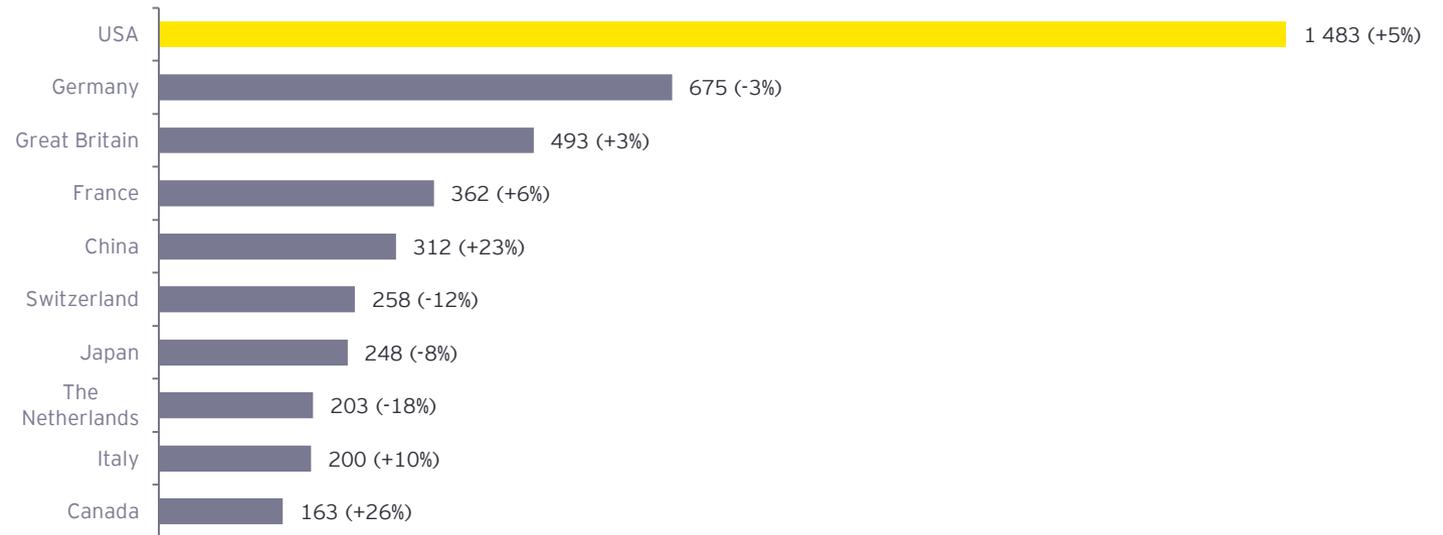
In Western Europe, the number of announced investment projects increased by 8% and the number of new jobs to be created by as much as 26% - so there were more large-scale projects than in the previous year. Particularly high growth figures were recorded in Western and Southern Europe (France, Spain, Portugal, but also Switzerland and Austria), while the north - for example the Scandinavian and Baltic countries - recorded declining figures.

The largest investors in Europe

US companies expanded their engagement in Europe in 2019. Their preferred targets: Great Britain, France and Germany.

Number of projects in 2019

(in brackets: change relative to 2018)



Across Europe, most new investment projects were announced by US companies last year.

German companies were once again the second most important investors, but they reduced their exposure slightly - by 3%.

Notable is the sharp increase in Chinese investment projects (by 23%), which had slumped by 26% in the previous year.

Swiss companies announced 258 projects last year - 12% less than in 2018. In the investor ranking, therefore, they fall from 11th to 16th place.

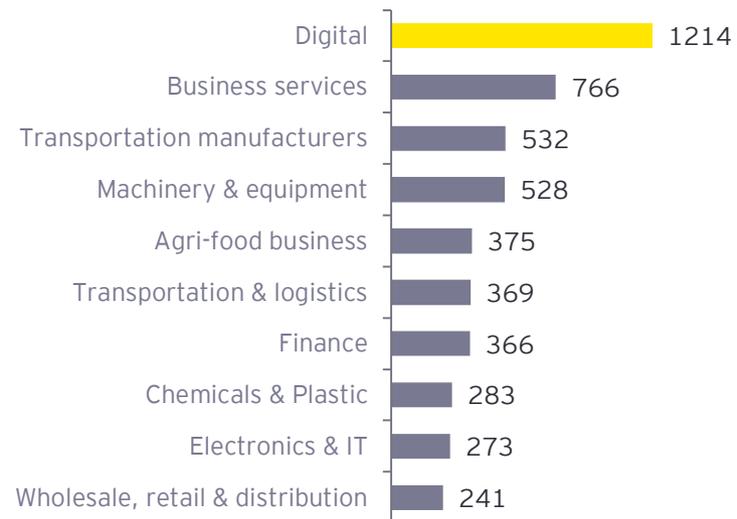
The most important target sectors in Europe



64,000

new jobs announced in motor vehicle production

Number of projects in 2019



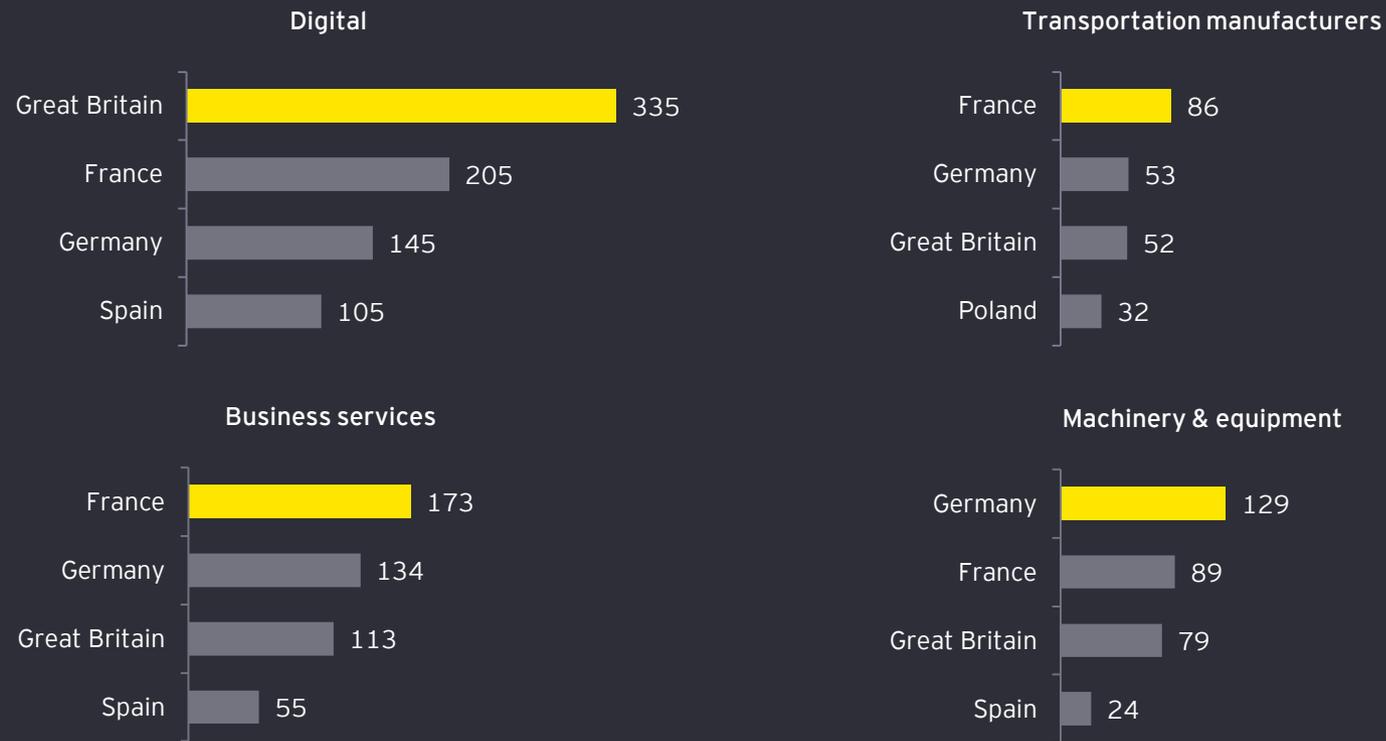
Number of new jobs announced



The digital industry - including digital start-ups, software developers, on-line platform providers - was responsible for most investment projects last year. Most of the new jobs, on the other hand, were announced by industrial companies: More than 64,000 new jobs were to be created throughout Europe for truck and car manufacturers and suppliers, aircraft manufacturers or in railway production.

Great Britain leads in digital projects

Number of announced investment projects by target sector and country



Investments in Switzerland in detail

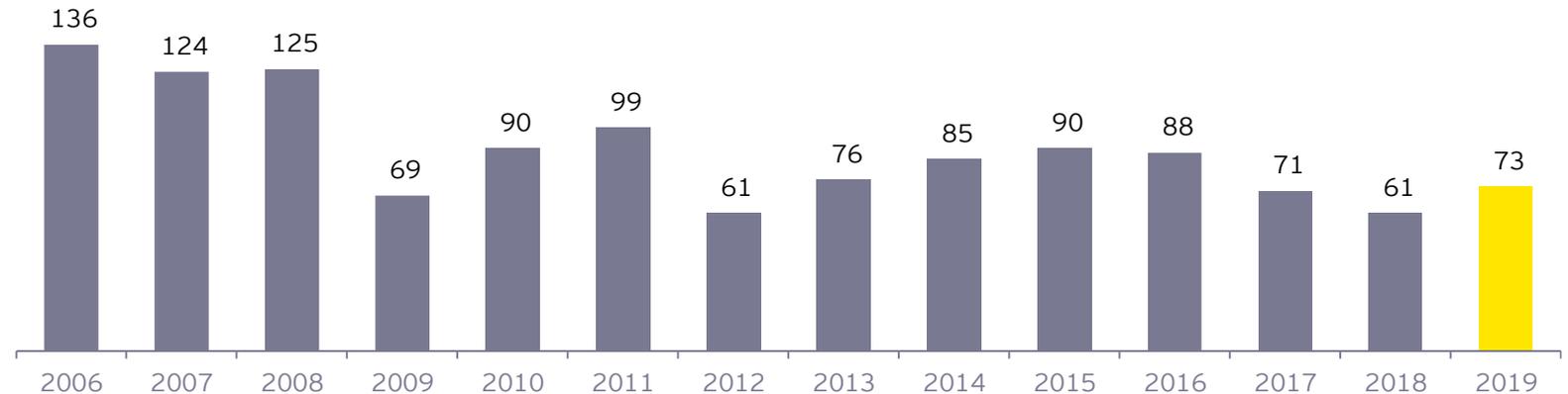
More investments in Switzerland

US companies were by far the most important investors in Switzerland in 2019, followed by German companies.

Swiss companies reduced their exposure to other European countries in 2019 - less investments were made, especially in Germany and Great Britain. However, the imbalance in investment flows between Switzerland and Germany remains: Swiss companies are significantly more likely to invest in Germany than vice versa.

The increase in the number of investment projects in Switzerland last year is due to a significant increase in interest in the Swiss sales market: 70% of projects by foreign companies last year related to sales & marketing.

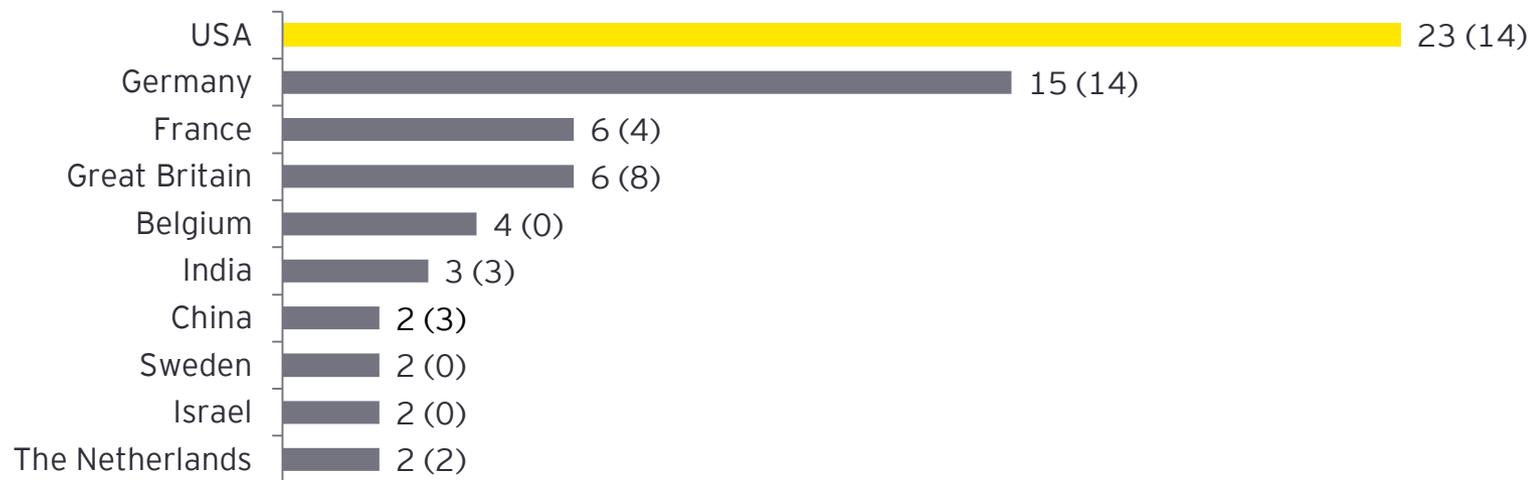
Number of investment projects announced



Last year, the negative trend from previous years ceased in Switzerland: For the first time since 2015 **the number of foreign investment projects increased**. However, the figures were once more far from approaching the strong years before the global financial crisis.

The largest investors in Switzerland: USA far ahead

according to the number of projects in 2019 (in brackets: change relative to 2018)



Last year, there were significantly more projects from US investors in Switzerland, making it by far the most important group of investors. With 15 projects, the commitment by German companies was about the same as in the previous year.



Investments by Swiss companies continue to decline

Last year, the number of investment projects by Swiss companies in other European countries fell significantly again - by 13% - after having already shrunk by 10% in the previous year.

The investment boom that followed the Swiss franc shock in 2015 is, therefore, losing further momentum.

However, the number of foreign investments by Swiss companies is still higher than in the years before 2015.

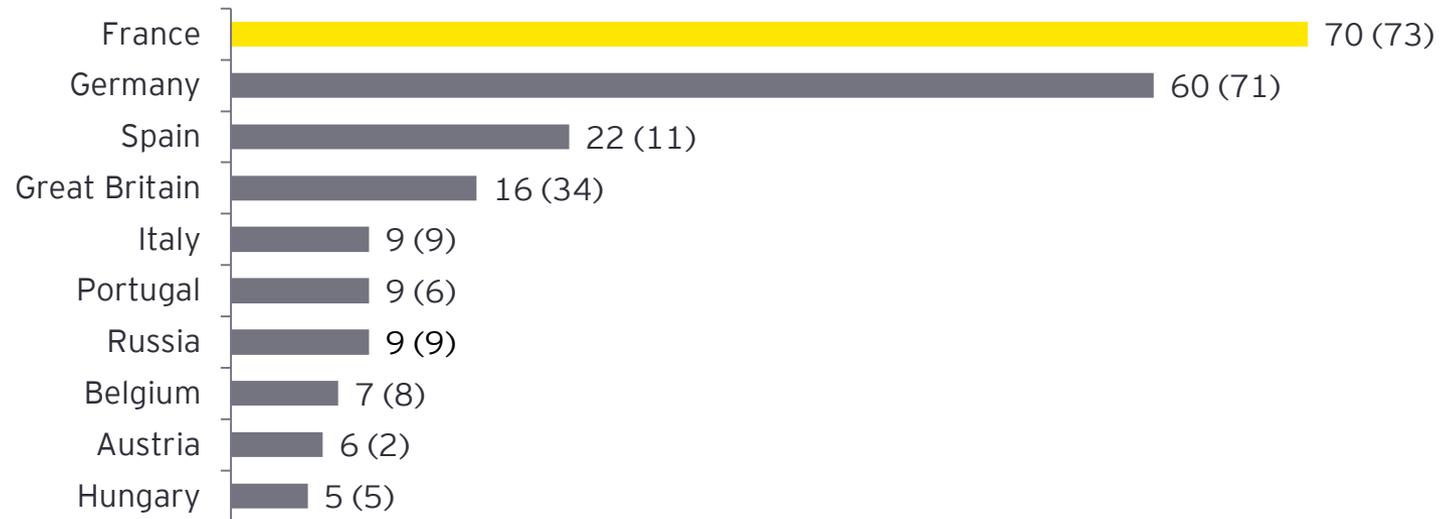
Number of investment projects announced by Swiss companies in other European countries



Declining investment sentiment: Last year, the number of investment projects by Swiss companies in other European countries fell significantly.

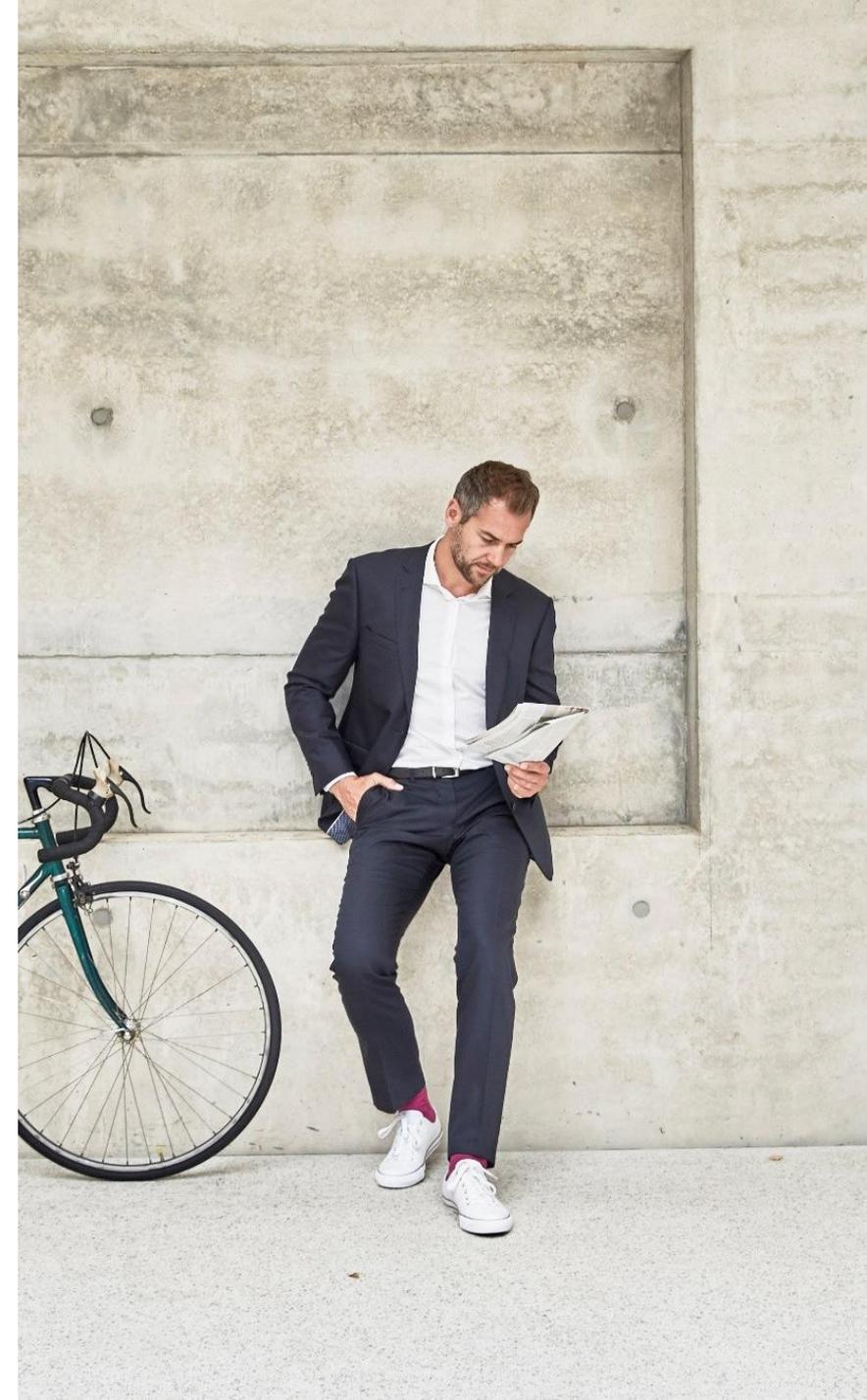
Swiss companies: less investment in Germany and the UK

Number of projects by Swiss companies in other European countries in 2019 (in brackets: 2018)



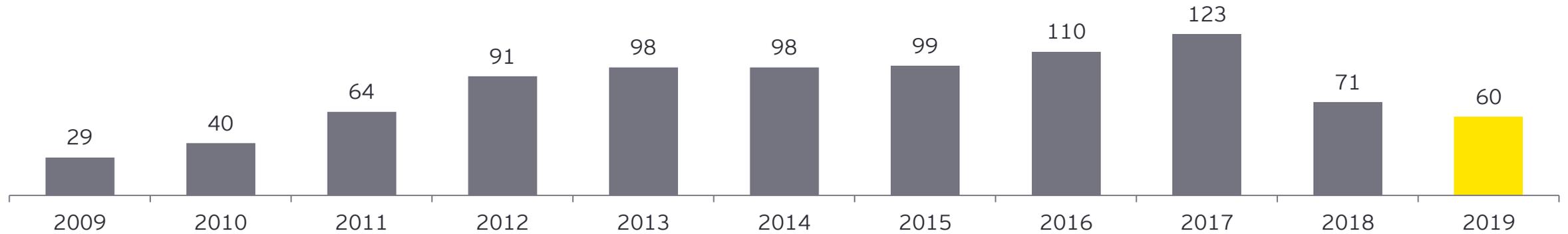
The number of investment projects announced by Swiss companies in France remained roughly the same high level in 2019 as in the previous year. However, the involvement of Swiss companies in Germany declined significantly.

Also noteworthy is the marked growth of projects in Spain and, vice versa, the equally significant decline in investment in the UK.

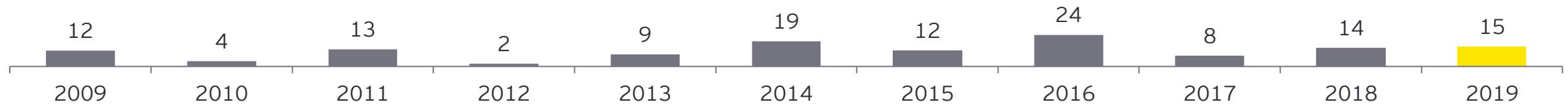


Imbalance in German-Swiss investments

Number of investment projects announced by Swiss companies in Germany



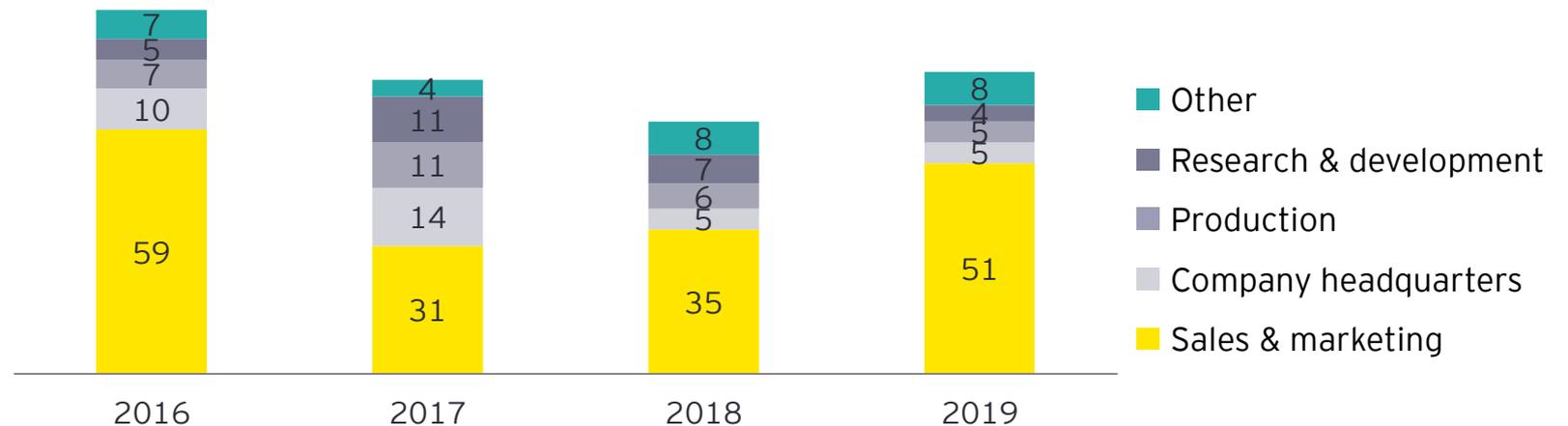
Number of investment projects announced by German companies in Switzerland



Switzerland: Strong increase in sales & marketing

The increase in the number of investment projects in Switzerland last year is due to a **significant increase in interest in the Swiss sales market**: 51 projects by foreign companies - that is 70 per cent of all projects - involved the sales & marketing sector. New R&D investments, on the other hand, remain the absolute exception.

Number of investment projects announced in Switzerland



Methodology

EY European Investment Monitor (EIM)

The EIM covers FDI projects that have led to the creation of new sites and new jobs. Since portfolio investments and M&A are not taken into account, the database shows the extent to which foreign companies are actually investing in manufacturing and service companies on the European continent.

However, the figures also include investments in property, plant and equipment, such as technical equipment and operating and business equipment. This data provides valuable inferences about how FDI projects are carried out, which activities are invested in, where these projects are located and who executes them.

Projects are identified by daily screening of more than 10,000 news sources.

Investment projects from the following categories are not included in the database:

- ▶ M&A and joint ventures (unless they lead to the expansion of sites or the creation of new jobs)
- ▶ Portfolio investments (pension funds, insurance companies and financial funds)
- ▶ Licensing agreements
- ▶ Partnerships for joint business activities without the creation of a new business unit
- ▶ Real estate and infrastructure development projects, where new jobs are created only on a temporary basis
- ▶ Replacement investments in manufacturing facilities and other replacement investments for industrial production (e.g. replacing existing machinery without creating new jobs)
- ▶ Retail centres, restaurants and similar activities serving only one local market (unless the creation of at least 100 new jobs is announced as part of a single project)
- ▶ Government organisations representing individual countries (embassies, consulates and other authorities representing a single country) with the following exceptions: trade, tourism and investment promotion agencies; new branches of international governmental organisations (led by the UN, EU, World Bank, etc.)

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