

# Leading the way

EY Attractiveness Survey  
Scotland

June 2022



# Foreword

## EY's 2022 Scotland Attractiveness Survey

We are delighted to welcome you to our 2022 EY Scotland Attractiveness Survey. As in previous years, this research report examines Scotland's evolving performance and perceptions as a destination for foreign direct investment (FDI).

This survey maintains EY's long and proud track record of sponsoring research into UK trade flows, including FDI. Through these ongoing efforts, we aim to encourage and stimulate an open dialogue between business leaders, investors and policymakers on how to maximise the economic performance of Scotland – and, indeed, the rest of the UK.

opposed to expansion – projects coming into the UK. There's the 73.6% rise in digital projects in Scotland, against the background of a decline across Europe; the doubling of employment generated by FDI; or the close alignment between investors' expectations of which sectors will drive UK growth, and Scotland's strengths in cleantech, digital and health.



**Ally Scott**  
Managing Partner,  
EY Scotland,  
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Our 2022 EY Scotland Attractiveness Survey reveals many positive developments to help inform that debate – not least the fourth consecutive annual rise in FDI projects that Scotland recorded in 2021, the first time this has been achieved in the past decade. At the same time, Scotland's relative attractiveness as an investment destination within the UK has risen to a record level for the second successive year, reinforcing its position as the UK's most attractive location after London.

### ... by listening to what investors want and need

Although our survey confirms that Scotland is doing a good job of building on its previous successes, this is no time to slacken our efforts aimed at attracting and securing FDI. While the pandemic appears to be receding as a perceived business risk, helping to foster the modest rebound seen in FDI projects across Europe, other concerns are rising on the agenda to take its place – notably around the geopolitical and economic effects of the conflict in Ukraine.

### Maintaining the momentum ...

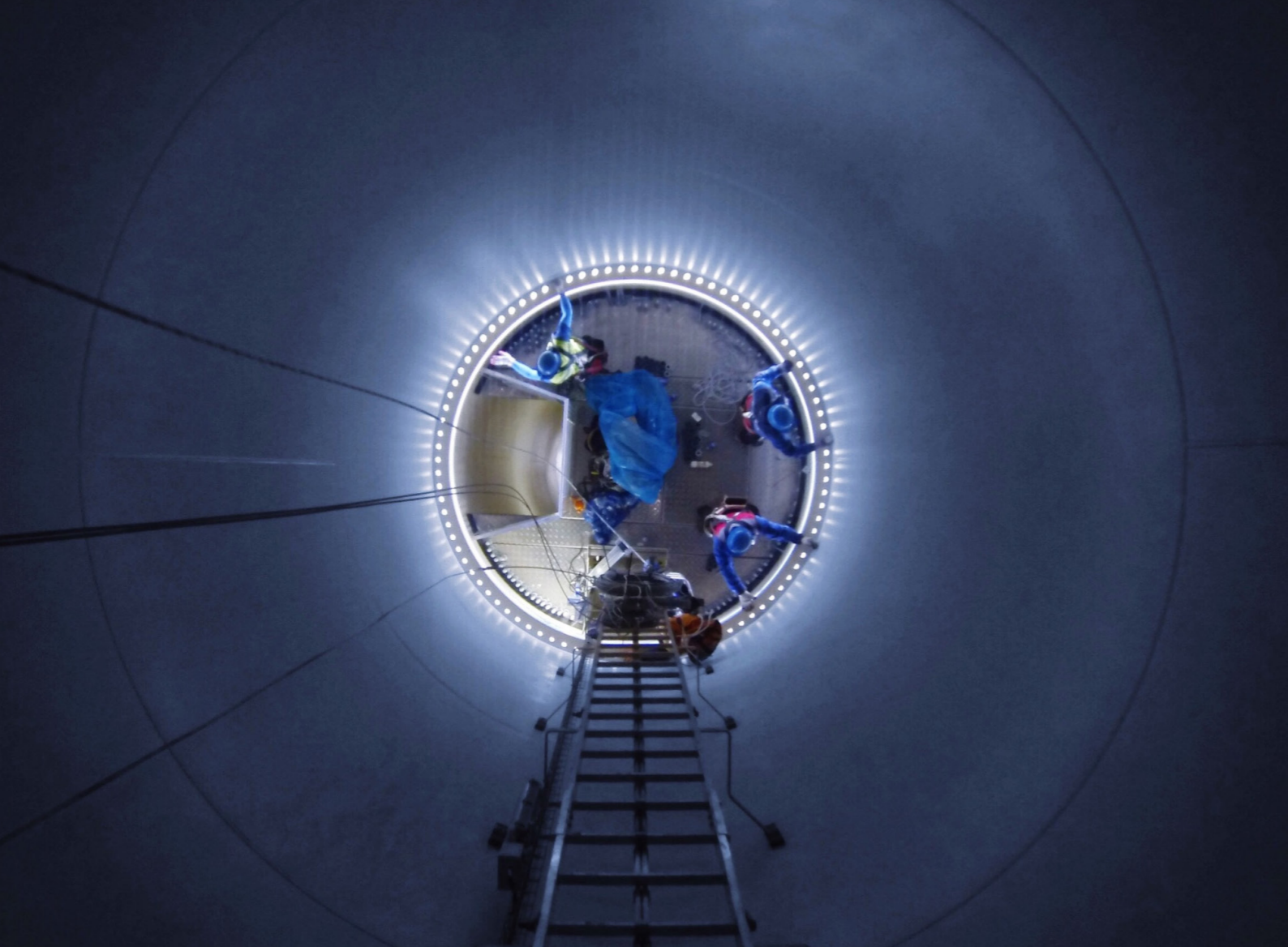
With overseas companies' intention to invest in the UK as a whole also rising to a record high, there are clear grounds for expecting a strong flow of FDI into the UK in the coming months and years – and for anticipating that Scotland can secure a disproportionate and expanding share of that flow.

What's more, a deeper dive reveals many more reasons for optimism. By way of example, take the continued rise in Scotland's share of new – as

Our research for our European investor survey provided a stark illustration of the potential impacts on investment activity, finding that respondents' intention to invest in Europe plummeted in the wake of the war in Ukraine. So, although the record number of investors planning to invest in the UK is a positive future indicator for Scotland and the UK overall, we can't take it for granted that these good intentions will be followed through into actual projects.



**Peter Arnold**  
Partner,  
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How do we maximise the chances that investment plans will be put into effect? In a word, engagement. In our forewords to this report in the past two years, we've stressed that there's never been a more important time for business to engage with the UK and Scottish Governments. To be effective, this engagement requires a mutual understanding and awareness of core wants and needs of the other.

This is where we feel our research can be particularly valuable. By investigating and detailing the changing criteria that investors are applying today in their location choices at both national and regional (or local) levels, we provide unique insights for policymakers to incorporate into their offers to prospective investors. These insights are especially vital in a global market for FDI that will only become more competitive, and where it's imperative to keep listening and responding to investors' evolving priorities.

**Outpacing the rest of the UK and Europe**

Whatever the challenges, the positive news in this report is impossible to ignore. Turning first to the FDI figures, Scotland outpaced the rest of the FDI market at both the UK and European levels in 2021, increasing its projects secured by 14% against the background of a 5.4% rise in projects in Europe and just 1.8% across the UK as a whole.

This strong showing lifted Scotland's market share of all projects coming into the UK to its highest level in the past decade at 12.3%, up from 11% in 2020. It also reinforced Scotland's already strong position as the second largest UK FDI destination after London. Tellingly,

Scotland has now secured more than 100 projects in Scotland in six of the past seven years. Apart from London, only one other UK region, the North West, has ever exceeded this number – and then only once in 2017.

Equally positively, the number of new jobs announced by FDI projects in Scotland more than doubled from around 4,500 in 2020 to over 10,000 in 2021. In terms of sectors, Scotland's strength in high-value, high-growth industries like digital and utilities and cleantech bodes well for the future – as does the sharp rebound in manufacturing FDI.

Regarding Scotland's perceived attractiveness, the record figure of 15.8% of investors rating it as the UK's most attractive FDI location – up from 7% as recently as 2019 – underlines that Scotland's second-place ranking in FDI flows is matched and underpinned by investors' rising perceptions.

**Going forward, it will be vital to keep tracking the evolving factors that influence investors' location choices**

**Heading into the future with confidence**

Our findings suggest that the outlook for FDI flows into Scotland is bright. However, we realise that this opportunity will require ongoing commitment and hard work. Other FDI locations are constantly looking to raise their game and improve their offer to capture more projects, often

targeting high-potential sectors. To secure its long-term attractiveness, Scotland and the UK must do the same – taking action to capitalise on our proven strengths and adjust to meet investors' changing priorities.

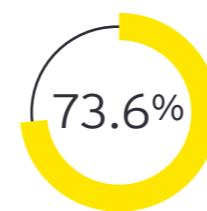
So, going forward, it will be vital to keep tracking the evolving factors that influence investors' location choices and implement policy measures to provide what they're looking for. It's positive for Scotland that factors like local skills and business networks are at the top of investors' wish lists. But we need to keep ensuring those advantages translate into real projects.

The message is clear. The past year has seen Scotland make further great strides as a destination for FDI, meaning we can look forward to the future with even greater confidence. Now it's time to make that future happen.

**Scotland's FDI performance in 2021: a double-digit increase in projects secured, against the background of a much smaller rise across the UK overall – resulting in an expanded share of UK projects**

**Sectors**

The four leading sectors generating inward investments into Scotland in 2021 were digital technology, utility supply, business services, and machinery and equipment.



Digital projects in Scotland rose by 73.6%, in contrast to a 7% fall in Europe and a 7% rise in the UK overall.

**Activities**

Business services projects were the leading activity for Scottish FDI projects in 2021, followed by manufacturing projects (which includes investment into utility production sites), which leaped by 106% to a decade high. Research and development (R&D) projects declined slightly, slipping to third, but remain at historically high levels – with Scotland ranking joint second behind London for R&D FDI.

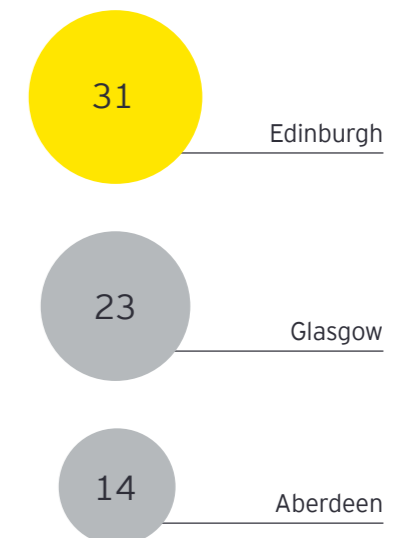
**Origins**

In 2021 the US remained the single biggest originator of FDI projects into Scotland, accounting for 36 projects or 29.5% of Scotland's total during the year – above the proportion of 24% for the UK. Projects from Spain rose strongly to 12, making it the second-biggest source of projects into Scotland, followed by Germany with 8.



**Scotland's top FDI cities**

Scotland had five cities/towns ranked in the UK's top 20 urban locations for FDI outside of London in 2021, with Edinburgh placed equal first with Manchester on 31 projects.



**Increasing UK investment plans**

Fifty-eight percent of investors in our UK survey are planning to invest in the UK in 2021 – up from 41% in 2020 and way above the pre-COVID-19 levels of 31% in 2020 and 23% in 2019.





# Executive summary

## Key findings from 2021

1 Scotland retained its position in 2021 as second to London among locations attracting new FDI projects into the UK and ranked second on FDI jobs.

**122** inward investment projects were secured in Scotland in 2021

2 FDI projects secured by Scotland increased by 15 projects from 107 the previous year.

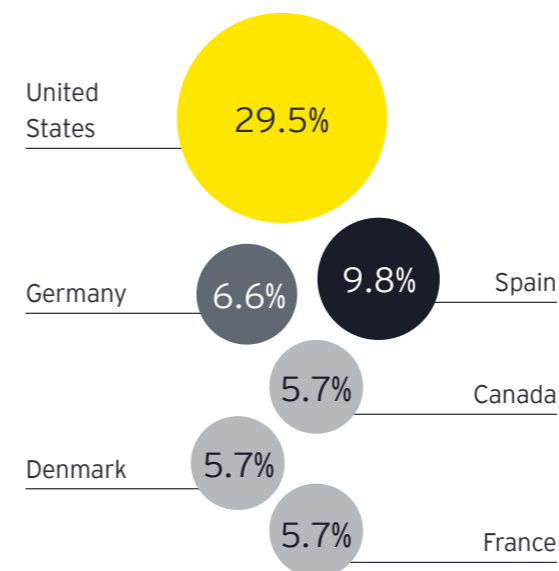
**↑** **14%**  
Rise in Scottish FDI projects

3 With projects into the UK as a whole rising by just 1.8%, Scotland's increased FDI flow saw its share of all UK projects rise to its highest in the past decade.

**↑** **12.3%**  
Scotland's share of UK FDI projects in 2021, up from 11% in 2020

4 Scotland's 'big three' cities – Edinburgh, Glasgow and Aberdeen – remained in the UK's top 10 cities outside of London for attracting projects in 2021, with Edinburgh ranked equal first along with Manchester, and Dundee and Livingston also making the top 20.

5 The top country for FDI in Scotland in 2021 was the United States, followed by Spain and Germany.



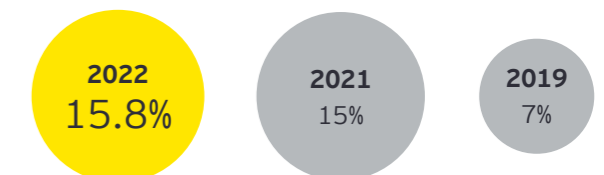
6 The top four sectors generating the highest numbers of inward investment projects in Scotland in 2021 were digital technology, utility supply, business services, and machinery and equipment.

7 Scotland's top FDI activities in 2021 were business services, manufacturing and research and development (R&D).

**↑** Manufacturing projects **more than doubled** in 2021

## Investor perception

1 Increase in investors who rank Scotland as the most attractive area of the UK to establish operations.



2 The UK is rated as Europe's **second** most attractive country for FDI, behind France and ahead of Germany.

3 When considering investing in regional locations outside of London in the UK, the criteria that investors rank as most important are:

- ▶ Availability and skills of the local workforce
- ▶ Strength of business network locally
- ▶ Local labour costs
- ▶ Support from regional economic advisory bodies



# Another strong year: Scotland's FDI performance in 2021

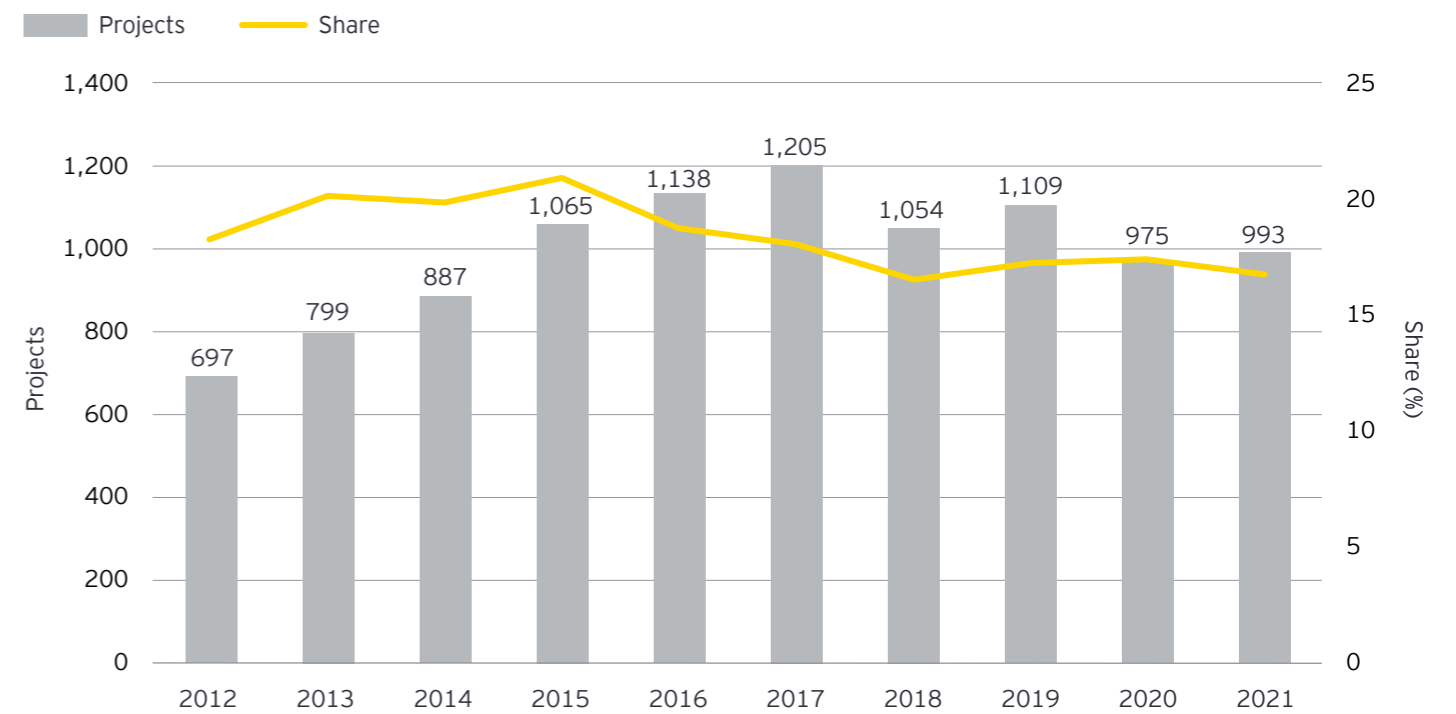


## Outpacing the rest of the UK and Europe ...

In 2021, Scotland put in yet another impressive performance in attracting and securing FDI projects. This came on the back of a very strong 2020 – a year in which the number of investment projects announced in Scotland grew by 5.9% from 2019, despite projects in Europe falling by 13% and the UK declining by 12.1%. A rebound in 2021 saw project numbers in both the UK and Europe as a whole return to growth, with Europe rising by 5.4% and the UK by 1.8%. But in each case, the increase failed to recover the ground lost in 2020, leaving the total number of projects below their 2019 levels in both Europe and the UK.



**Figure 1:** FDI projects announced in the UK and percentage share of European projects, 2012-21



Source: EY European Investment Monitor (EIM), 2012-21

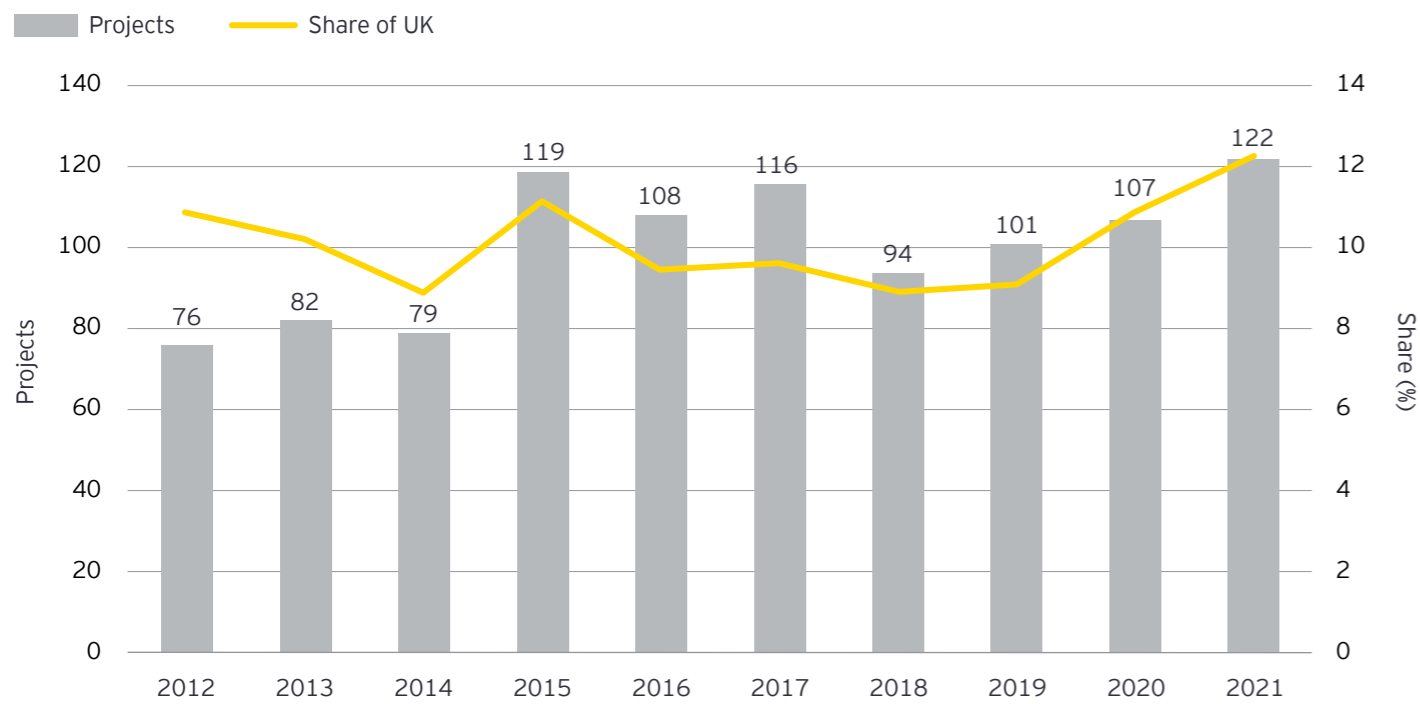


Against this mixed backdrop, Scotland's performance stands out. Scottish investment projects rose by 14% in 2021, with an increase of 15 projects taking the total to 122. This was the highest number of projects that Scotland has secured from FDI in any single year in the history of this research. The outturn also represented the highest share of UK projects secured by Scotland in the past decade: Scotland's UK market share in 2021 was 12.3% compared to 11% in 2020, and to a decade-long average share of 10.1%. What's more, the rise recorded in 2021 makes four consecutive years of increases in Scottish projects – the country's longest unbroken period of improvement in the decade, achieved against a background of geopolitical

uncertainty and a global pandemic. What shines through is that Scotland is a very strong and well-established FDI destination, fully able to ride out short-term shocks.

**Scottish investment projects rose by 14% in 2021, with an increase of 15 projects taking the total to 122. This was the highest number of projects that Scotland has secured from FDI in any single year in the history of this research.**

Figure 2: FDI projects announced in Scotland and percentage market share of UK projects, 2012-21



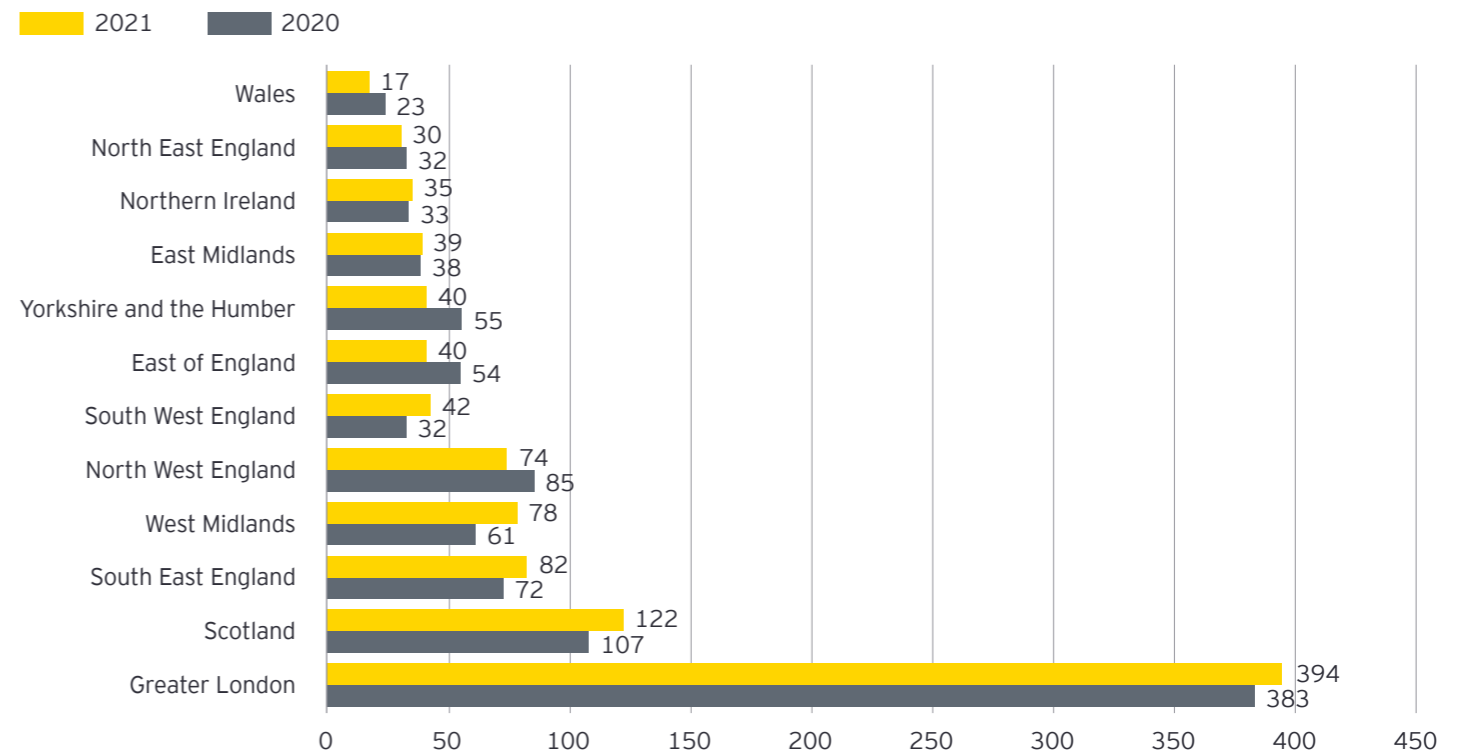
Source: EY European Investment Monitor (EIM), 2012-21

**... and clearly established as the UK's second FDI destination ...**

A comparison between project flows into Scotland and the rest of the UK in 2021 underlines the strength of Scotland's FDI performance and investment base. As in previous years, the leading destination for investment projects into the UK in 2021 was London. During the year, London secured 394 projects – but in absolute terms, this represented a rise of only 2.9% over 2020, against Scotland's increase of 14%. Also, Scotland has now secured more than 100 projects in six of the past seven years. Looking across the UK, no FDI destination apart from London has ever achieved over 100, except the North West – which did it just once, in 2017.



Figure 3: Destinations of all investment projects into the UK in 2020 and 2021



Source: EY European Investment Monitor (EIM), 2020-21



**... while continuing to grow its share of new projects**

Over the many years of this research, Scotland has generally tended to secure a higher proportion of reinvestment projects than the rest of the UK, however the region's share of new projects has been lower. This could reflect Scotland's relatively higher share of manufacturing projects, which tends to have more reinvestment. In 2021, Scotland increased its share of new UK projects to 8.6% from 8.4% in 2020 – ahead



of Scotland's decade-long average of 7.5% but not the highest record, achieved in 2015 with 8.8% new UK projects. Scotland also increased their number of new projects in absolute terms, securing 8.2% more new projects in 2021 than in 2020, and the total rising to 66 projects. This count was only surpassed in 2016 when Scotland secured 68 new projects.

In general terms, we see the ability to attract new projects as demonstrating the dynamism of a country and its ability to refresh its appeal to attract first-time investors. However, France – the clear European FDI leader in 2021, which grew its projects by an impressive 23% between 2020 and 2021 – generates much more reinvestment than new projects. In fact, over two-thirds – 69% – of French projects secured in 2021 were reinvestments, compared with just 19% in Germany and 23% in the UK. Also, 90% of French manufacturing projects were reinvestments, compared to only 50% in Scotland. So it's worthwhile for Scotland both to continue to evaluate their ability to attract new projects and ask whether it's really maximising our potential to secure reinvestments.

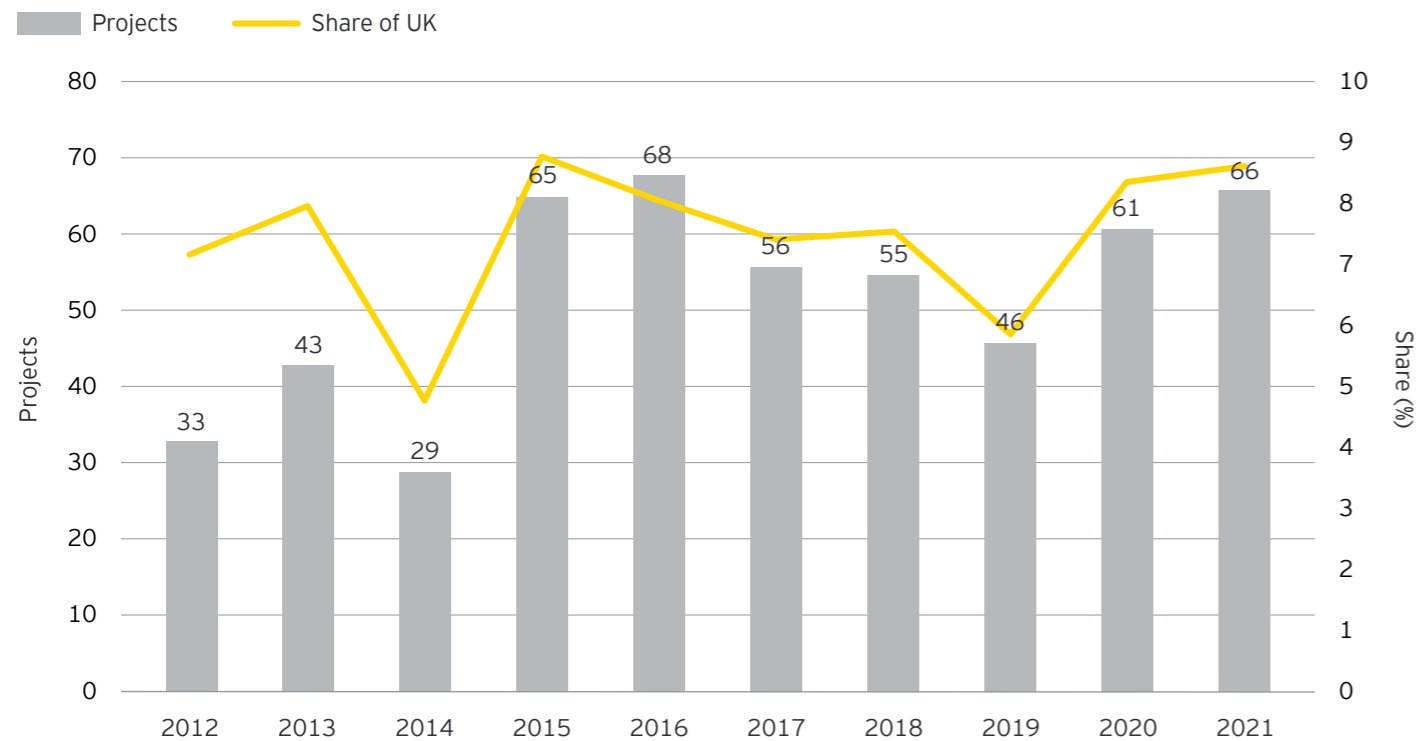
**Regaining second place in the UK on job creation**

While the employment generated by investment projects is recorded, the figures are less comprehensive than the data for projects because some businesses do not reveal their anticipated employment increase. As a result, fewer clear observations can be drawn from employment data. However, the figures provide a useful guide to overall trends in job creation from FDI.

In common with the data for total projects, London recorded the highest number of jobs generated from investment projects in 2021. Behind it, Scotland's ranking in the UK for FDI employment creation rose from third to second, a position it has previously achieved only four times in the past decade. The number of jobs generated by projects in Scotland in 2021 was more than 5,600 higher than in 2020, an increase of 125%. The 10,136 jobs created in 2021 also represented Scotland's highest recorded annual total for employment arising from inward investment.

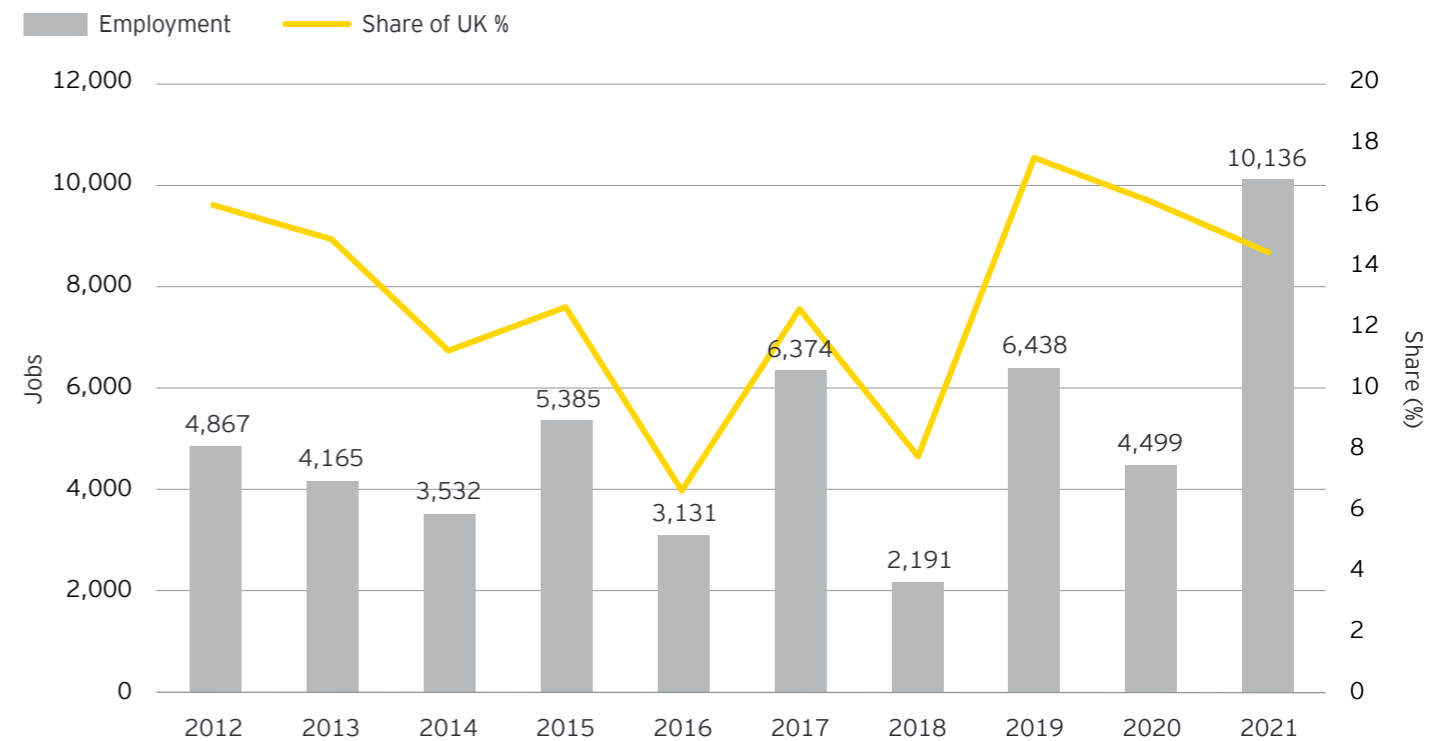


**Figure 4: New projects in Scotland and share of new UK projects, 2012-21**



Source: EY European Investment Monitor (EIM), 2012-21

**Figure 5: Jobs generated from FDI in Scotland and share of UK FDI employment, 2012-21**



Source: EY European Investment Monitor (EIM), 2012-21



In aggregate, the past decade has seen Scotland create 50,718 jobs from FDI projects secured. Although Scotland's share of all UK FDI jobs fell slightly in 2021, its strong performance saw it create almost as much employment from projects as it did in 2019 and 2020 combined.

FDI job creation in Scotland in 2021 was boosted by securing seven projects that each anticipated employing more than 200 people. Among these, a professional services company stated an ambition to significantly grow its footprints in Glasgow and Edinburgh. These two projects were the largest recorded during 2021 in Scotland in terms of new employment, at 3,000 each. Three manufacturing projects were also ranked among Scotland's largest projects in terms of jobs, and these were related to the energy and medical sectors. Of the seven largest projects in 2021, four were new investments.

**Figure 6: FDI employment disclosed by region of the UK, 2019-21**

	2019	2020	2021
Greater London	11,516	7,055	15,807
Scotland	6,438	4,499	10,136
North West England	3,389	1,869	9,524
East Midlands	1,889	1,212	9,299
East of England	2,936	1,348	7,209
North East England	710	1,609	4,453
West Midlands	2,381	5,307	3,163
Northern Ireland	1,354	820	3,102
South East England	2,161	1,669	2,531
Yorkshire and the Humber	1,504	915	2,193
Wales	822	902	1,522
South West England	1,515	721	1,083
<b>Grand Total</b>	<b>36,615</b>	<b>27,926</b>	<b>70,022</b>

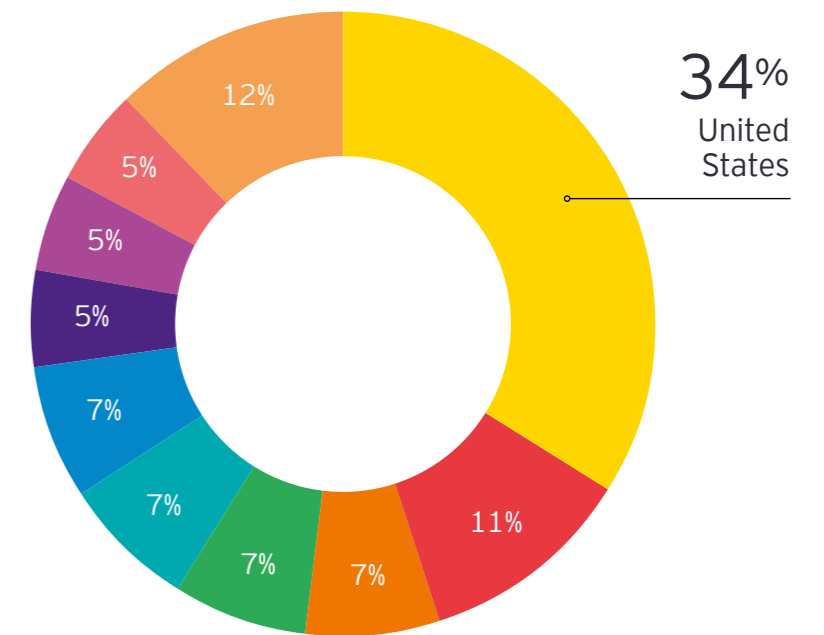
Source: EY European Investment Monitor (EIM), 2019-21



**Origins of FDI projects in Scotland: the United States remains the leading source ...**

In common with the UK as a whole, the US was the largest origin of inward investments into Scotland in 2021. In fact, the US was a more significant origin of projects for Scotland than for the UK, representing 29.5% of projects coming into Scotland compared with 24% at a UK-wide level. However, the total number of projects recorded from the US into Scotland did slip back in 2021 by 5.3%. The second largest source of Scottish projects in 2021 was Spain, whose 12 separate investments during the year represented the highest number of Spanish projects recorded in the decade. Interestingly, each of the next four ranked origins of investment into Scotland – Germany, Canada, Denmark and France – recorded a higher proportion of Scottish investments than their UK share.

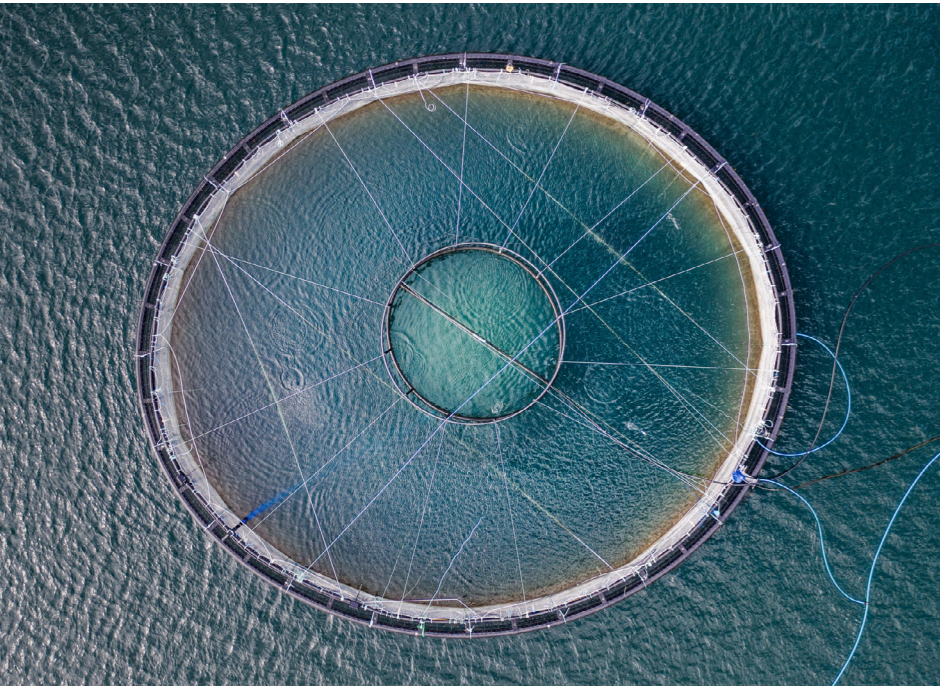
**Figure 7: Leading origins of Scottish FDI projects in 2021**



Source: EY European Investment Monitor (EIM), 2021







**... and the diversity of origins reflects Scotland's broad appeal**

Looking beyond the US, the main origins of Scottish FDI tend to vary year by year. Although the US is way out in front, Scotland attracts projects from a wide range of destinations, reflecting the diversified nature of its economy. However, with US investment projects in Europe falling below a 20% share for the first time in 2021 and down from a high of 39% of all UK projects in 2012 to just 24% in 2021, Scotland needs to keep working to diversify its offer to more origins worldwide. Some 47 Scottish projects in 2021 originated from the EU, accounting for 38.5% of the total – a similar level to the 34.7% EU projects recorded for the UK overall.

**Sectors generating FDI projects in Scotland: digital continues to lead the way**

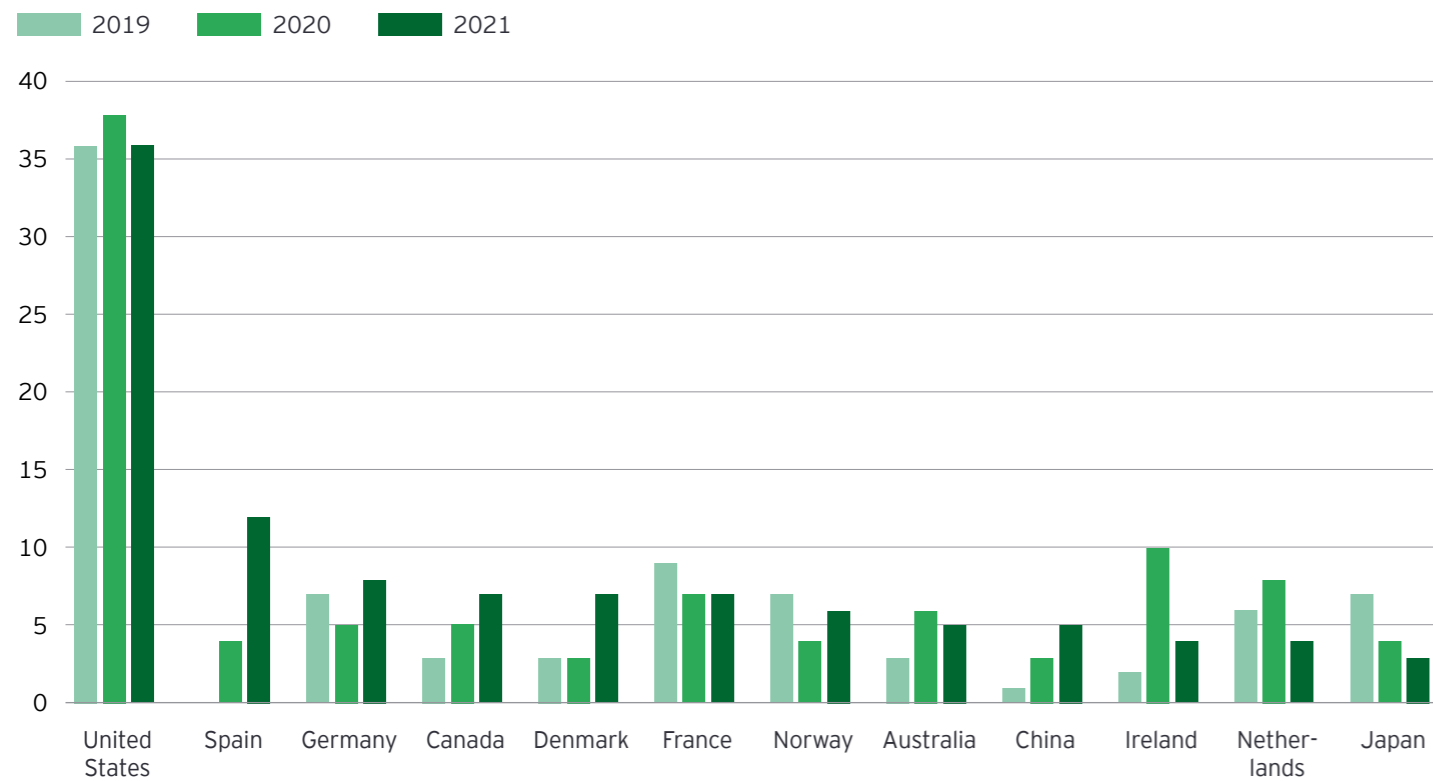
The profile of the leading sectors generating FDI projects between 2019 and 2021 differs markedly for Scotland from the rest of the UK, with utility supply and wellbeing featuring in Scotland's top six sectors but not the UK's. Whereas nine transportation and logistics projects were secured in Scotland in 2021, this was unusually high, meaning the sector did not make Scotland's top six over the three-year period.

Zeroing in on 2021, the leading sectors for investment into Scotland during the year were digital technology, utility supply, business services and machinery and equipment. However, as the chart below shows, these have not consistently been the leading sectors over the past three years, and the contributions by some sectors have varied widely year on year. For example, machinery and equipment was ranked first among Scotland's FDI sectors in 2019 but only eighth in 2020.

Meanwhile, digital technology has established itself over the past five years as the leading sector for investment in Scotland – steadily pulling away from business services, which was the county's top FDI sector back in 2017 and 2018. There were 33 Scottish projects recorded from the digital technology sector in 2021, a 73.6% increase on 2020, in contrast to a 7% fall in Europe as a whole and a 7% rise for the UK in 2021 from 2020. Scotland is now firmly established as the UK's number two location for digital projects, behind London but ahead of the 28 secured in the South East of England in 2021.

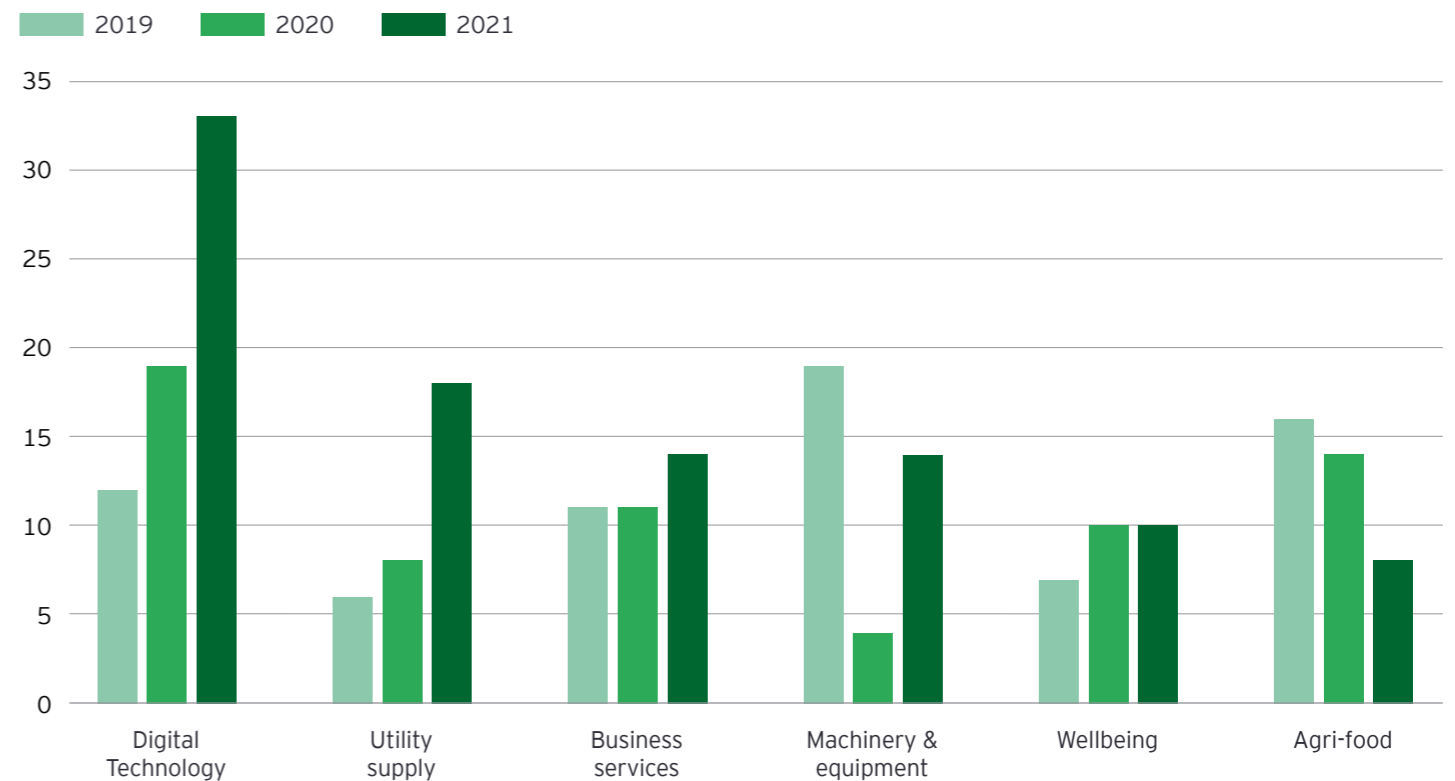
Scotland's strength in sectors with high future potential is further underlined by its UK leadership in utilities FDI, with 18 projects in 2021, more than double the eight recorded in 2020. Meanwhile, machinery and equipment bounced back with 14 projects in 2021, after falling from 19 projects to four between 2019 and 2020. And business services investments also increased, going against a declining trend in Europe (down by 19.4%) and the UK (down by 19.6%).

**Figure 8: Leading origins for Scottish FDI in 2021 compared with 2019 and 2020**



Source: EY European Investment Monitor (EIM), 2019-21

**Figure 9: Number of projects from Scotland's leading FDI sectors, 2019-21**



Source: EY European Investment Monitor (EIM), 2019-21



### Investments in manufacturing activities return to growth

In our EIM data, projects are recorded not only by the sector in which the business operates but also by the activity that the investment will undertake. For example, a digital technology company might establish an office to handle some form of administration, which would be recorded under a business services activity. In 2021, FDI projects in business services represented the biggest single share of Scottish project activities, with Scotland securing 55 business services projects, a 77.4% increase on 2020. Overall, projects focusing on business services activities accounted for 27% of Scottish FDI projects during the year. Conversely, FDI projects in sales and marketing operations declined in 2021. However, this may be partially explained by a trend in the past two years towards some sales and

marketing activity being classified as business services. Meanwhile, manufacturing projects (which includes investment into utility production sites) recorded their highest total number of Scottish projects in the decade, surging by 106% on 2020 to 35 projects and moving back above the 32 recorded in 2019. Manufacturing projects also increased in the UK as a whole, but only by 24%. Scotland's strong performance in 2021 saw it secure 24.1% of all UK manufacturing investment projects.

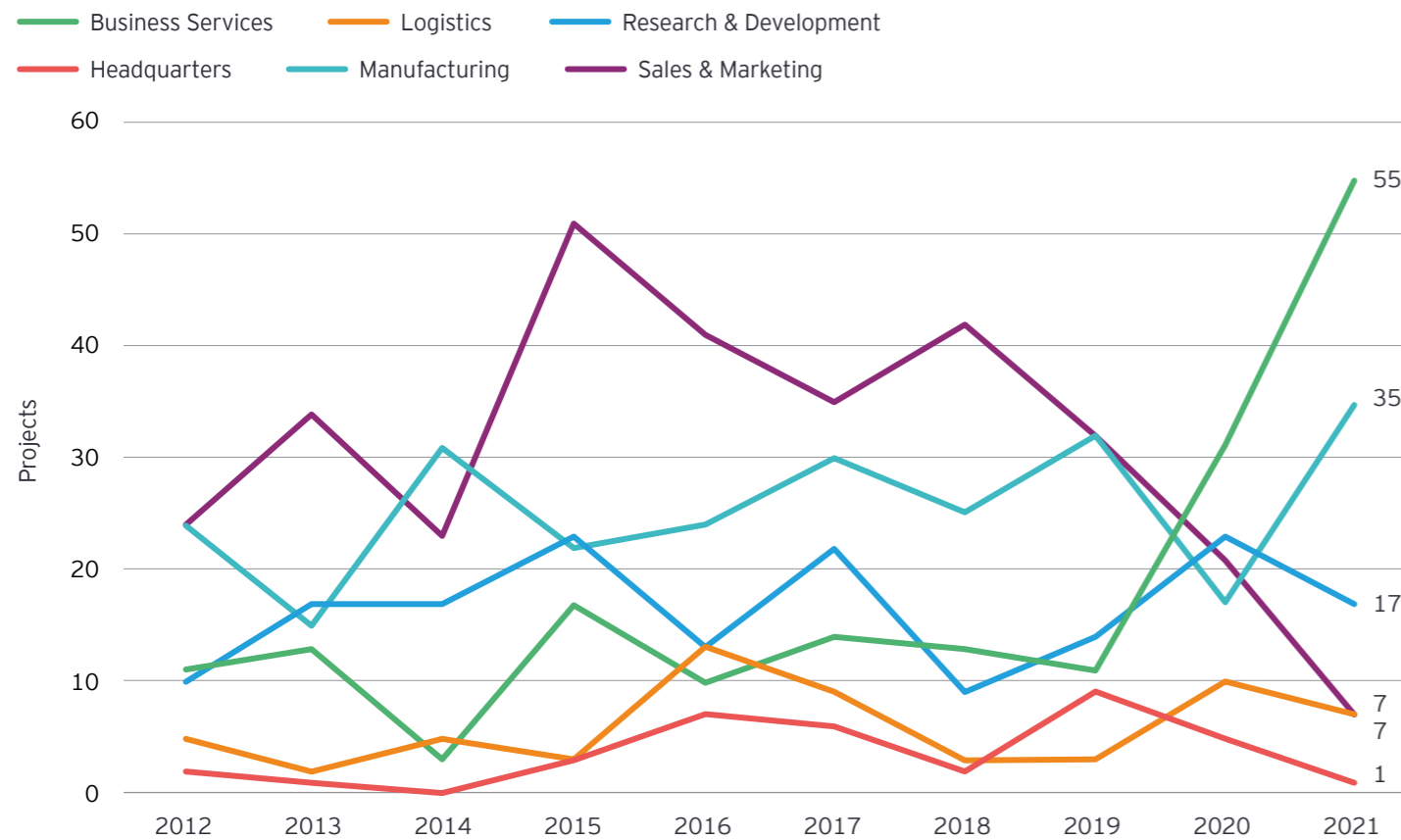
Aside from business services and manufacturing, the number of investment projects from all other activities fell back in 2021. That said, the complement of 17 R&D projects secured during the year is still large by historical standards and demonstrates the strength of Scotland in this area, where it ranks joint second in the UK with the South East of England.

### Five Scottish cities are ranked in the top 20 UK destinations

Five Scottish cities or towns were represented in the UK's top 20 investment locations outside London in 2021. Edinburgh was joint first for FDI projects alongside Manchester, with both cities securing 31 projects. For Edinburgh, this number represented a decline of 13.8% on 2020 but was still above its average number of investment projects over the decade.

Aside from Edinburgh, all four other Scottish locations in the top 20 exceeded their decade-long averages in 2021. Glasgow (in fourth place in the UK) recorded 23 projects, unchanged from 2020; Aberdeen (joint eighth), which was up by one project; and Dundee and Livingston (joint fifteenth) both increased their project numbers strongly to record seven each. Other significant achievements included Edinburgh's securing of 17 digital projects, making it the leading city for digital FDI after London, and Glasgow's six business services projects, the largest number for this activity after London.

Figure 10: Activity of Scottish FDI projects, 2012-21

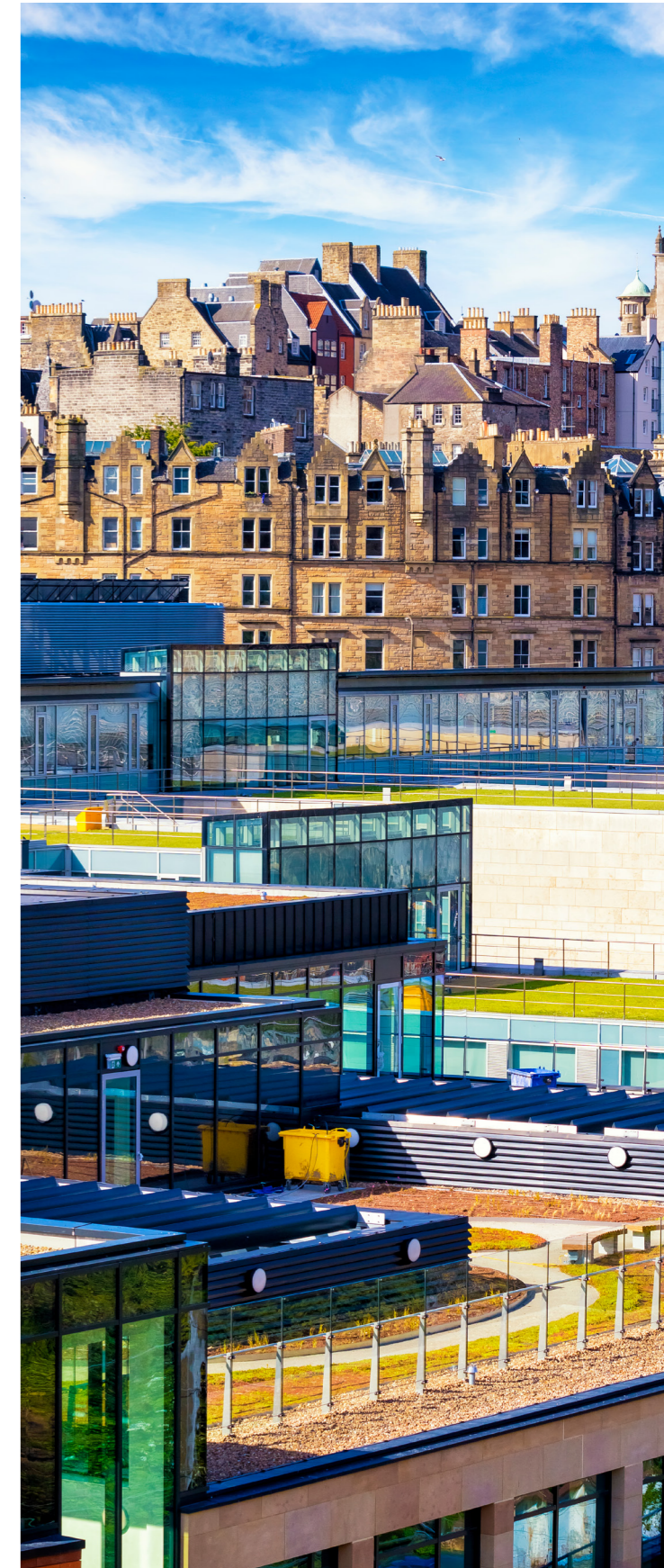


Source: EY European Investment Monitor (EIM), 2019-21

Figure 11: Top 20 cities outside London for FDI in the UK in 2020 and 2021

Rank	City	2020	2021	10-yr average
1	Edinburgh	36	31	24.4
1	Manchester	34	31	32.4
3	Belfast	25	24	19.6
4	Glasgow	23	23	20.1
5	Bristol	12	19	11.8
6	Birmingham	26	17	20.4
7	Leeds	16	15	15.5
8	Aberdeen	13	14	12.1
8	Cambridge	12	14	9.6
10	Oxford	4	12	5.6
10	Warwick	2	12	3.6
12	Milton Keynes	4	9	5.7
13	Cardiff	5	8	7.2
13	Reading	6	8	8.0
15	Dundee	3	7	3.5
15	Livingston	2	7	3.5
17	Coventry	10	6	8.7
17	Newcastle	-	6	3.3
19	Peterborough	10	5	3.7
19	Swindon	2	5	3.3
19	Warrington	6	5	3.9

Source: EY European Investment Monitor (EIM), 2020-21





# Solid foundations: perceptions of Scotland as a destination for FDI



With buoyant increases in 2021 both in its number of projects secured and market share of overall investments into the UK, our FDI figures for 2021 confirm another strong year for Scotland. Among other achievements, Scotland has consolidated its position as the UK's number two FDI destination after London and scored real successes in digital, utilities and manufacturing FDI. Equally impressive is Scotland's excellent performance on job creation in 2021. Perhaps the only slight worry is a risk of overdependence on projects from the US if FDI flows from there decline in the future.

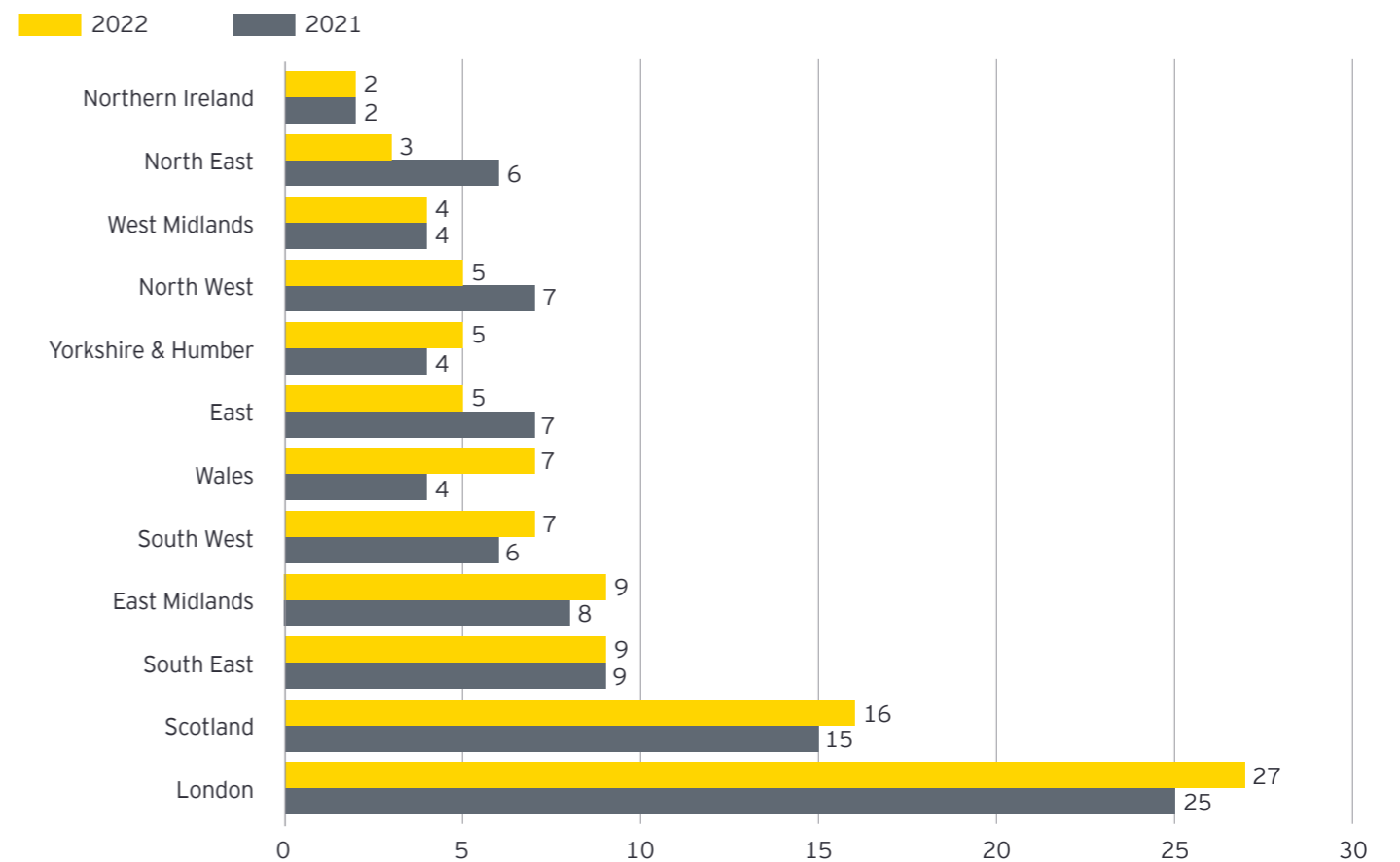
Scotland's positive prospects are further reinforced by our annual study of overseas investors' perceptions of the UK and its various countries and regions as investment destinations. Our 2022 perception study is based on the views of over 1,000 respondents across Europe and 442 in the UK. Although the uncertainty experienced throughout

the pandemic can impact year-on-year comparisons, the depth and scope of our research enable us to glean robust and detailed insights into Scotland's future appeal to investors.

## Scotland's attractiveness ranking in the UK reaches another record level ...

What did the respondents tell us this year? Some of the most encouraging findings for Scotland emerge from their responses when asked which area of the UK they regard as the most attractive to establish operations. Although London continues to lead, as it has throughout the history of this research, Scotland remains hard on its heels in second place. Indeed, Scotland's score of 15% in 2021 was already its highest ever – and in 2022, it has increased further, to 15.8%, widening the gap over competitors outside London.

Figure 12: UK region perceived as most attractive to establish operations, 2021 and 2022



Source: EY Attractiveness Survey UK, April 2022 (total respondents: 442), 2021-22



Equally significantly, our 2022 survey shows that a shift in investor perceptions away from London over the past three years has been maintained. In 2019, almost half - 46% - of investors picked London as the most attractive region of the UK in which to establish operations. Its 2022 score of 26.9% is still well adrift of that level. Over the same three-year period, Scotland's attractiveness rating has more than doubled from 7% in 2019 to 15.8% today. One implication is that investors are increasingly receptive to other parts of the UK, not just its capital. The weaker performance in London could be due to the challenges around international travel and the COVID-19 related disruption in recent years to trading relationships. Another implication is that as well as being firmly established as the UK's second-biggest recipient of FDI projects behind London, Scotland remains in clear second place in terms of attractiveness, well ahead of third-placed South East England.

Investors' move away from their formerly narrow focus on London may, in part, reflect the UK Government's 'levelling up' agenda. This policy certainly seems to resonate with investors: some 59% of our survey respondents say they will consider investing in regions of the UK if Government support is available. However, although Scotland may have benefitted from levelling up to date, questions remain as to whether - over time - we will face fiercer competition from other areas of the UK.

**... with the UK continuing to remain competitive as a destination in Europe**

Scotland's prospects are further enhanced by the UK's continued attractiveness as a European FDI destination. Although our 2022 European investor study shows that

the UK has slipped from first to second behind France this year, the reality is that the UK has been swapping places with France and Germany for the past three years, and there's very little difference between the top three. The UK probably benefitted from its early vaccine roll-out in 2021, but there are now many more issues to consider - including the geopolitical uncertainty springing from the war in Ukraine.

**Figure 13: Which European countries do you believe will be the most attractive for foreign investment in 2022?**

Most attractive (%)	2020	2021	2022
France	39	31	47
UK	40	43	44
Germany	43	28	42
Italy	8	26	20
Spain	4	20	17
Belgium	23	11	19

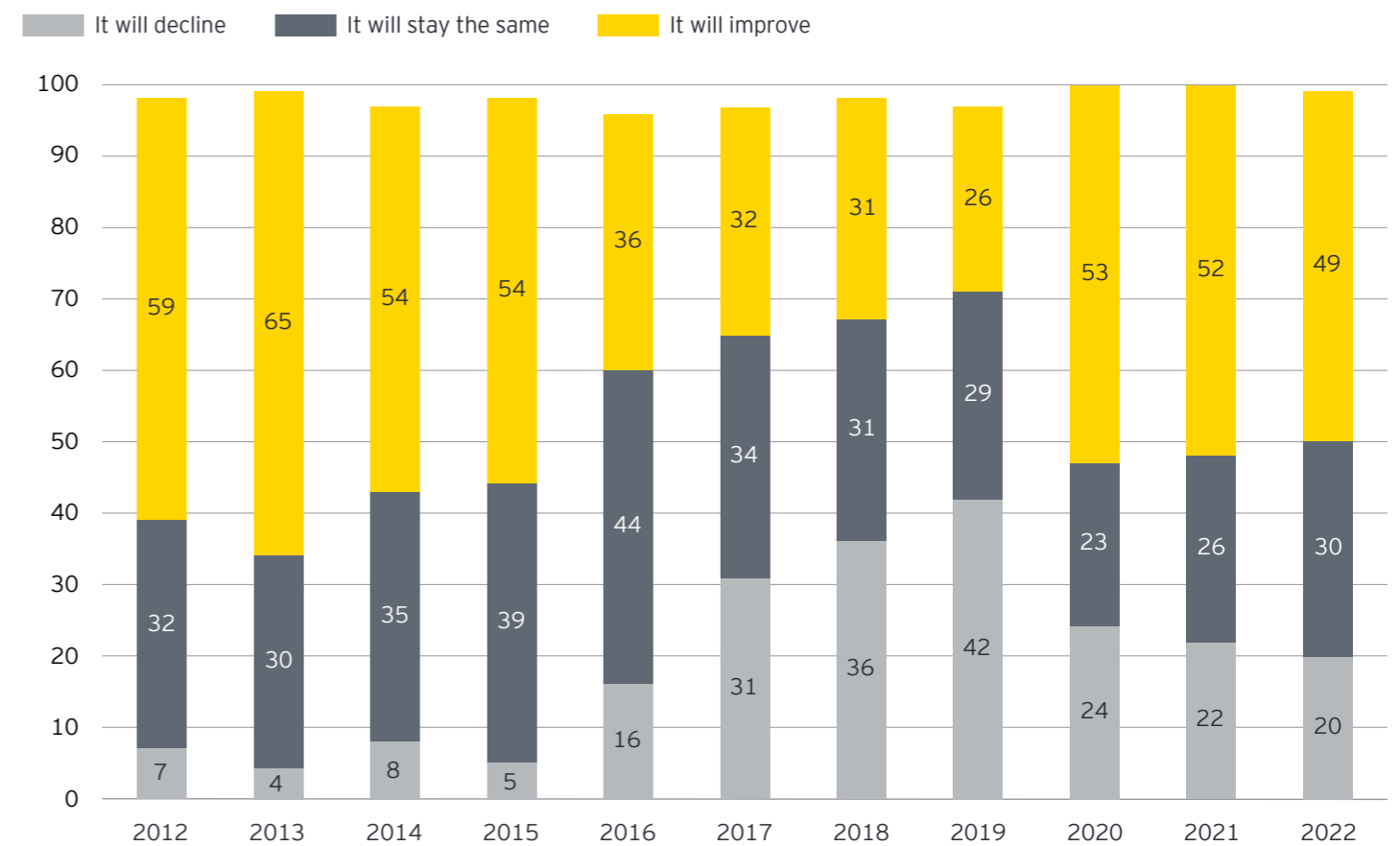
Source: EY Attractiveness Survey Europe, April 2022 (total respondents: 501), 2020-2022



More positively, investors' perceptions of the UK's attractiveness as an investment destination over the next three years remain strong. Some 49% of our 2022 respondents think the UK will be more attractive in three years' time - a figure slightly down from last year's 52%, but still high compared to longer-term trends. Also, the proportion expecting a decline is now at its lowest since our 2016 survey, conducted before the referendum on EU membership. Investors' perceptions of the UK's attractiveness have stabilised as Brexit has happened and the terms of the relationship have now been defined.



**Figure 14: To what degree do you think the UK's attractiveness will evolve over the next three years?**



Source: EY Attractiveness Survey UK, April 2022 (total respondents: 442)

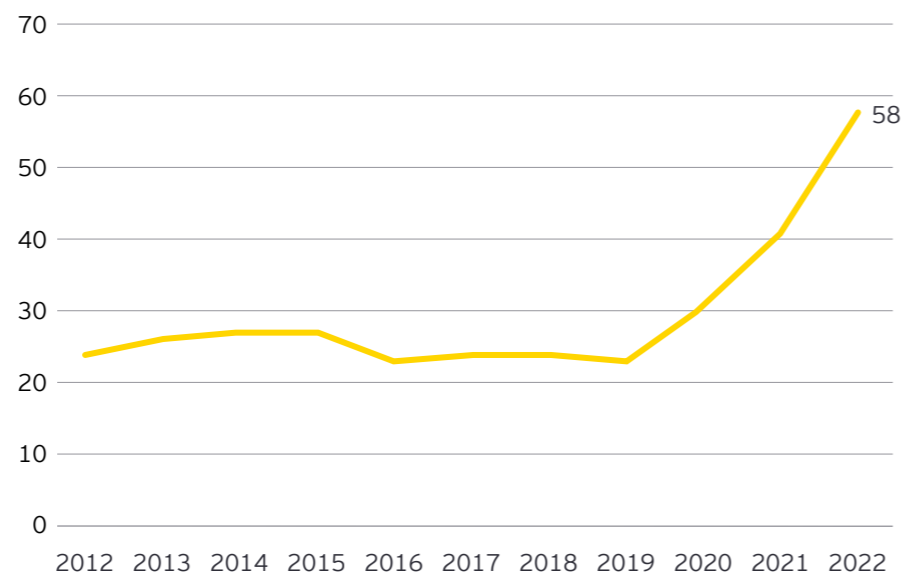




**Strong short-term demand – albeit with risks ahead**

These perception findings – with Scotland’s attractiveness ranking second only to London within the UK and views of the UK’s future appeal remaining positive – suggest that we are in a strong position to capitalise on what promises to be a strong pipeline of projects into the UK in the coming months and years. In tandem with the modest rise in UK project numbers in 2021, our findings on investors’ future intention to invest in the UK are extremely encouraging. Well over half – 58% – of the investors surveyed are planning to invest in the UK in 2022, up from 41% last year and the highest level of intent ever recorded in these surveys. These figures are also slightly higher than for Europe as a whole, at 53% this year versus 40% in 2021.

**Figure 15: The intention to invest in the UK in the next 12 months (% of respondents)**



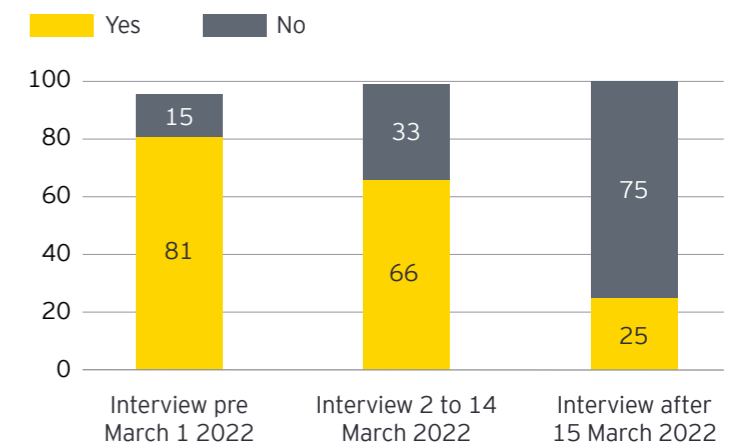
Source: EY Attractiveness Survey UK, April 2022 (total respondents: 442)

However, it’s important here to sound a note of caution. Talk is cheap, and the 41% saying they intended to invest last year did not ultimately translate into rapid growth in projects. While COVID-19 running on longer than expected was probably a factor at that time, the risk now is that declining concerns over the pandemic may simply give way to another set of worries – primarily over the war in Ukraine. In our European investor survey, most respondents surveyed before 1 March 2022 said they were planning to invest in Europe during the next 12 months. But the proportion among those surveyed after March 15th fell sharply, suggesting that the war in Ukraine was seen as a significant risk factor. How much it will affect actual project flows remains to be seen.

**Scotland is well-placed to capture the fastest-growing opportunities**

Our findings on the themes likely to drive investment decisions in the wake of the pandemic cast further valuable light on future trends in FDI. As the pandemic eases, health and wellbeing has slipped from the most important theme in 2021 to seventh in 2022. Although sustainability and climate change has gained one place to occupy the top position, the biggest movers on the list are deglobalisation (up from eighth two years ago and seventh last year to second most important priority this time) and the changing model of city centres (up from fifth to third). Overall, it’s clear that investors

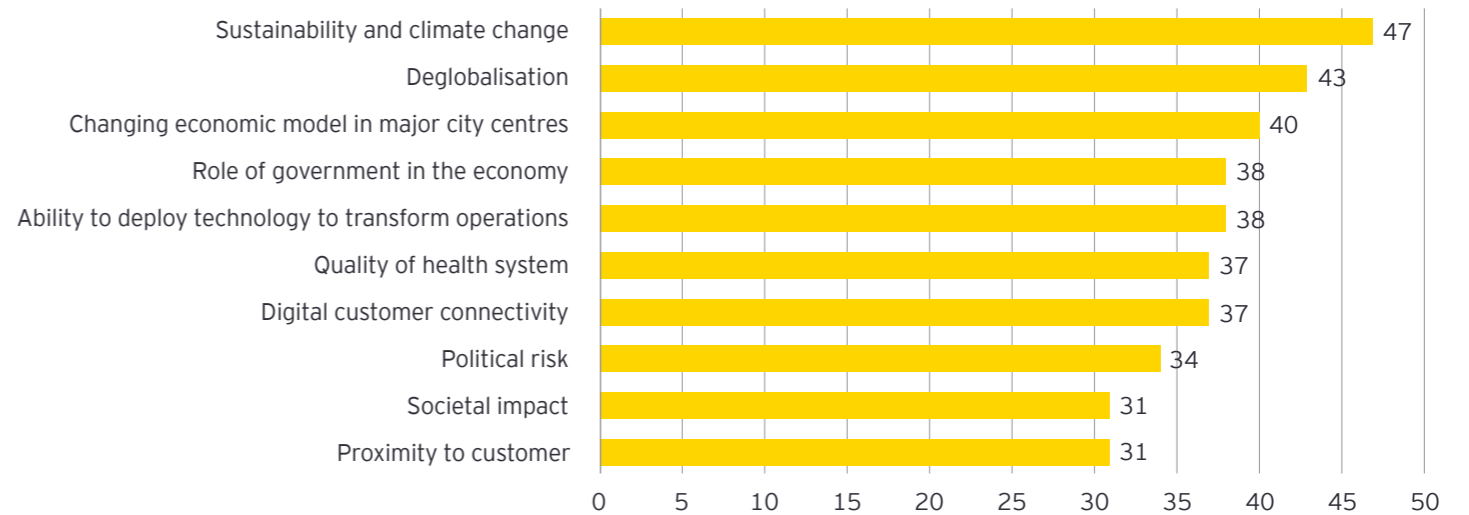
**Figure 16: Are you planning to invest in Europe in the next 12 months?**



Source: EY Attractiveness Survey Europe, April 2022 (total respondents: 501) 2022

are increasingly concerned about sustainability, the changing global and in-country economic geography and the role of government in the economy. Scotland has a good story to tell about all of these areas – and we are already doing well in attracting technology and health investments, covering the other three themes out of the top seven.

**Figure 17: Which of the following themes will be important to your investment strategy post-pandemic?**



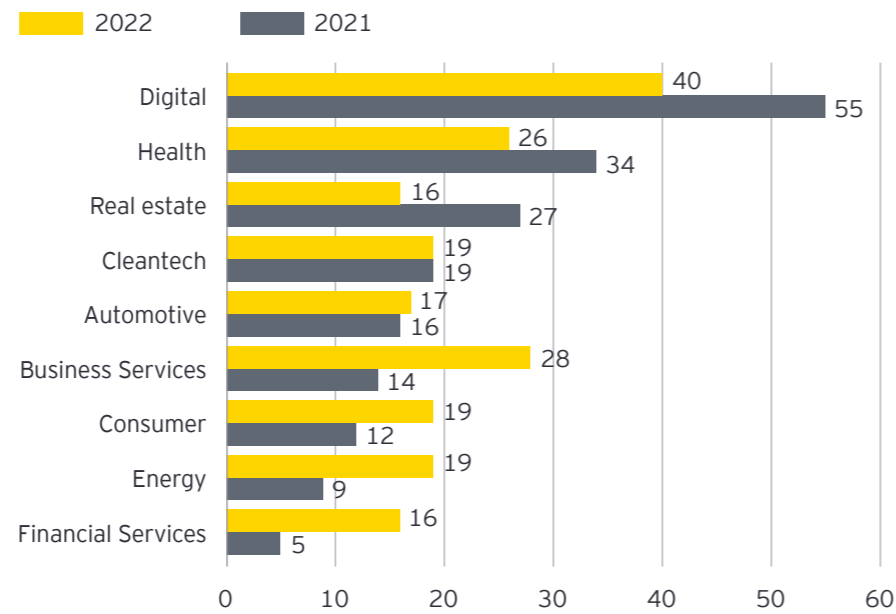
Source: EY Attractiveness Survey UK, April 2022 (total respondents: 442)



This positive view is reinforced when we look at the sectors identified by investors as having the highest growth potential for the UK – a leading indicator of those sectors that may be most attractive for future FDI. Three of the top four – digital, health, and cleantech – are in Scotland’s top six sectors for FDI, and Scotland leads the UK in two of the three. Again, this bodes well for the future FDI into Scotland.

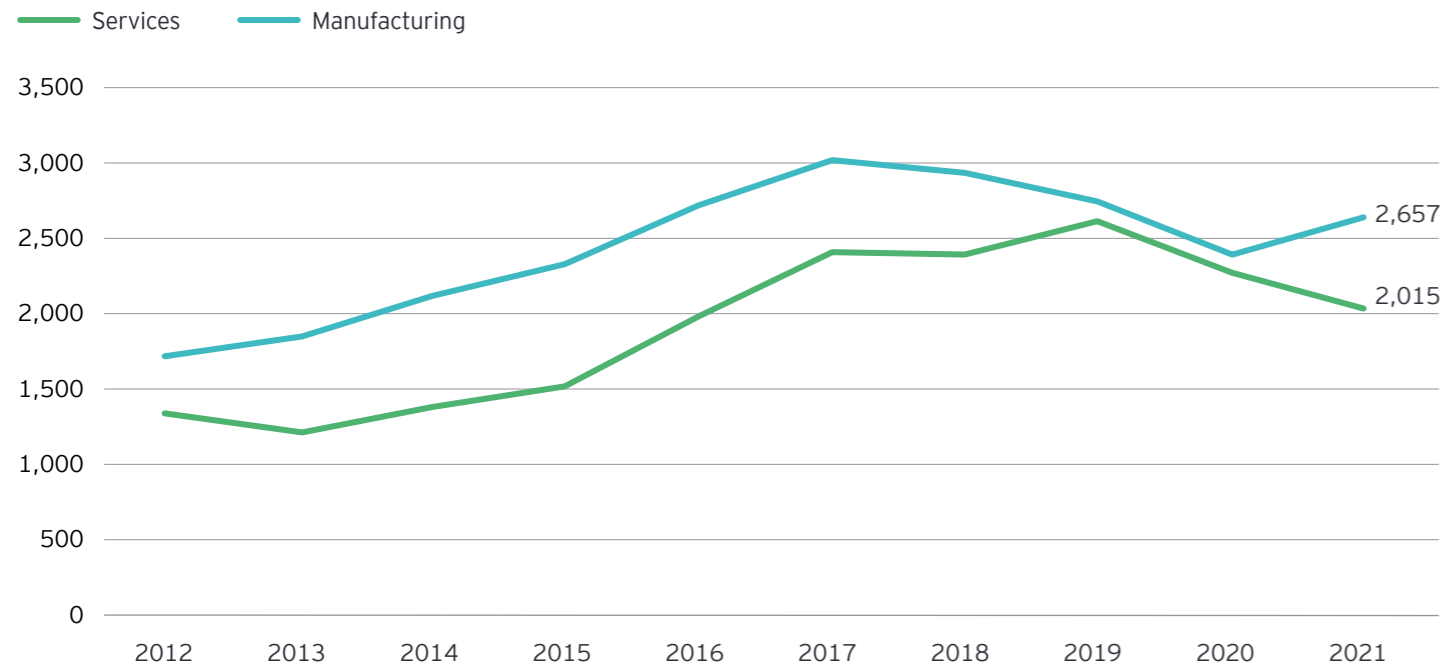
A further development for Scotland to note is that our European research shows something of a resurgence in manufacturing across Europe relative to services. Scotland leads the UK in manufacturing FDI – so we should consider how to respond to ensure we maximise the opportunities on offer.

**Figure 18: What sectors will drive UK FDI growth in the next 3 years?**



Source: EY Attractiveness Survey UK, 2021-22

**Figure 19: European FDI projects in services and manufacturing, 2012-21**



Source: EY European Investment Monitor (EIM), 2012-21





# Looking forward with confidence: The outlook for Scottish FDI



Together, our FDI figures for 2021 and investor perception study in 2022 show that Scotland is in a strong position, having built on its success in recent years. The positives include:

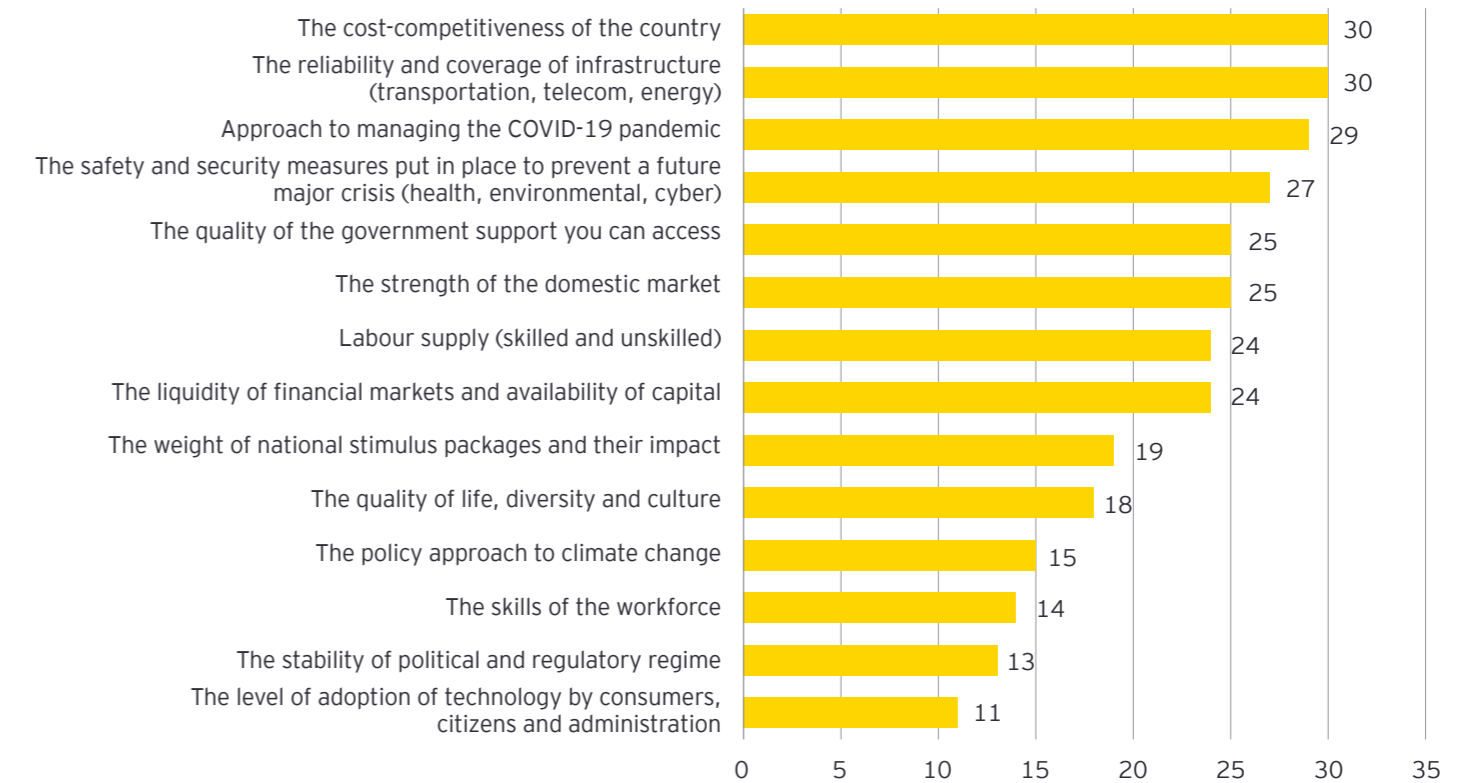
- ▶ Increased project numbers, rising faster than the market to grow Scotland's share of projects both in the UK and Europe
- ▶ Clear second place among UK FDI locations in terms of both projects and job creation from FDI – capturing significant value
- ▶ Increased perceived attractiveness to investors, rising from 15% to 15.8% in 2022, a new record level that's way ahead of its 7% score in 2019
- ▶ Proven strengths in fast-growing sectors – utilities and cleantech (number one FDI destination in the UK), digital (number two in the UK), and a continuing robust performance in health and wellbeing

- ▶ Five representatives in the UK's top 20 leading cities, with Edinburgh and Glasgow in the top five

What's needed now is to keep this strong performance going. And the key to this is a clear understanding of the changing criteria investors apply when investing both in a country and in a particular location within a country.

**When approaching investment decisions at a national level, investors say they consider cost competitiveness, infrastructure and risk management as important factors, plus the quality of accessible government support.**

**Figure 20:** In your company's future location choices, what main factors will influence your decision to select a particular country?



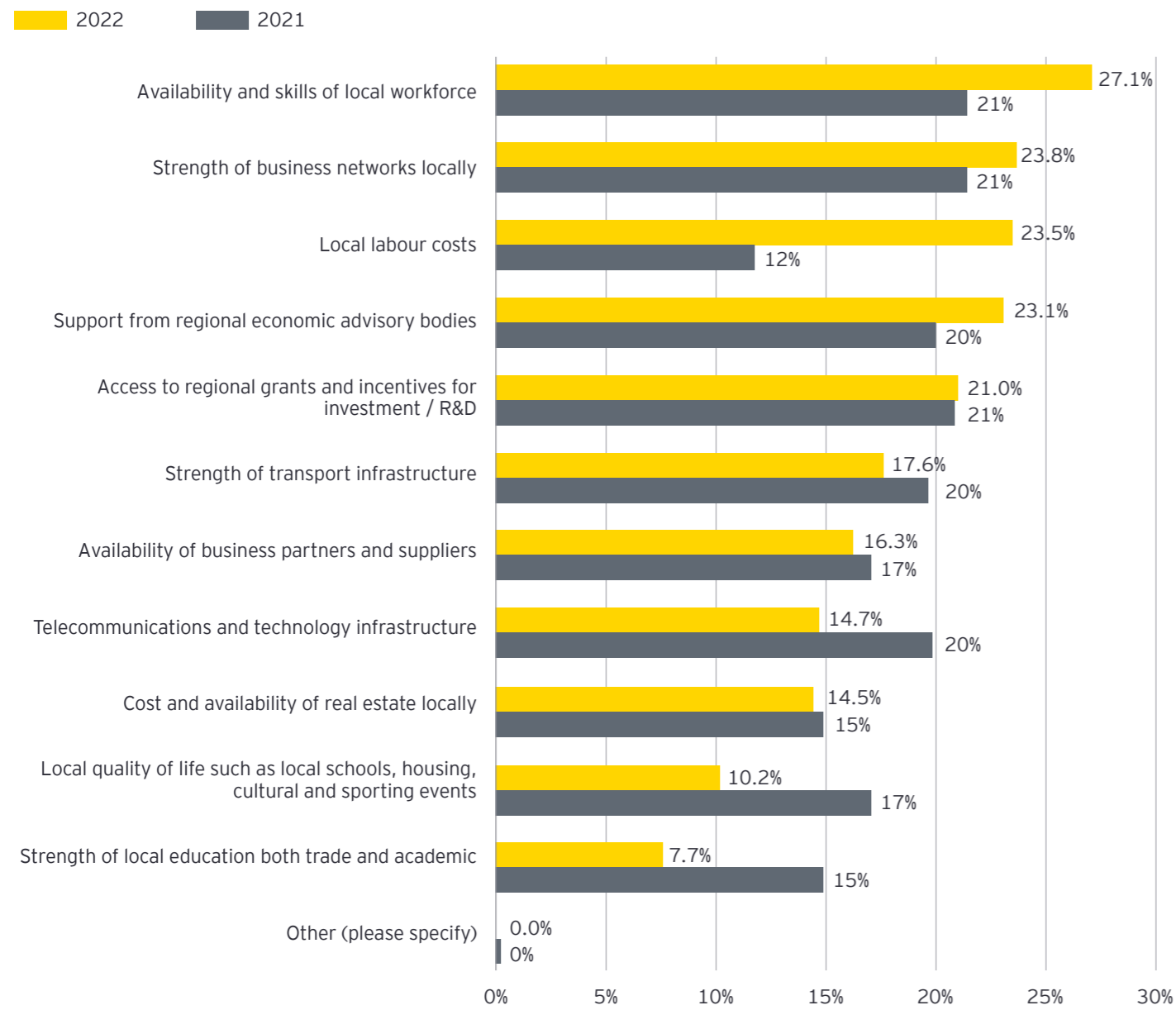
Source: EY Attractiveness Survey UK, April 2022 (total respondents: 442)



Once they've selected their target country, other considerations come to the fore at a regional level. These include skills and labour costs, all types of infrastructure (both transport and telecoms),

and the availability of local business networks. Investor support and funding are also important, including access to regional economic advice and grants.

**Figure 21:** What are your investment criteria when considering investing in the regional locations outside of London in the UK?



2022 Fieldwork: 7<sup>th</sup> March 2022 – 13<sup>th</sup> April 2022  
2022 Base size: 442 respondents

2021 Fieldwork: 4<sup>th</sup> March 2021 – 13<sup>th</sup> April 2021  
2021 Base size: 570 respondents

Source: EY Attractiveness Survey UK, 2021-22

The message is clear. International investors are increasingly demanding when selecting a location – and will become even more so in the future. Scotland has made huge strides in the race to attract and secure FDI and has put itself in a great position. To stay ahead, we need to keep challenging ourselves, listening to what investors need – and continuing to deliver it. Achieve that, and the opportunities on offer are immense.

Going forward, it will be vital to keep tracking the evolving factors that influence investors' location choices.





# Methodology: How EY researched the report



**The evaluation of the reality of FDI in Scotland is based on the EY EIM, an EY proprietary database.**

This database tracks the FDI projects that have resulted in creating new facilities and jobs. By excluding portfolio investments and mergers and acquisitions (M&A), it shows the reality of investment in manufacturing and services by foreign companies across the continent. Data on FDI is widely available.

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.

To confirm the accuracy of the data collected, the research teams aim to directly contact more than 70% of the companies undertaking these investments. The following categories of investment projects are excluded from the EY 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\*
- ▶ Utilities (including telecommunications networks, airports, ports and other fixed infrastructure)\*
- ▶ Extraction activities (ores, minerals, and fuels) \*
- ▶ Portfolio investments (pensions, insurance, and financial funds)

\* 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 centre, this project would qualify for inclusion in the database.

- ▶ Factory and other production replacement investments (e.g., replacing old machinery without creating new employment)
- ▶ Non-profit organisations (charitable foundations, trade associations and government bodies)

However, our figures also include investments in physical assets, such as plant and equipment. 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 EY EIM is a leading online information provider that tracks inward investment across Europe. This flagship business information tool is the most detailed data source on cross-border investment projects and trends throughout Europe. The EY EIM is frequently used by government bodies, private sector organisations and corporations looking to identify significant trends in employment, industry, business and investment.

The EY 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.





## About the EY Attractiveness program

EY Attractiveness Surveys are widely recognised by 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, the surveys are designed to help businesses make investment decisions and governments remove barriers to growth.

A two-step methodology analyses 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 20-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:  
[www.ey.com/en\\_uk/attractiveness](http://www.ey.com/en_uk/attractiveness) #EYAttract

The Scotland Attractiveness Survey is part of the EY Economics for Business program, which provides knowledge, analysis and insight to help businesses understand the economic environments in which they operate.

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## The perceived attractiveness of Scotland and its competitors by foreign investors

We define the attractiveness of a location as a combination of image, investor confidence, and the perception of a country's or area's ability to provide the most competitive benefits for FDI. The field research was conducted by Euromoney in February, March and April 2022 via online surveys based on a representative panel of 501 international decision-makers.





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