

### Global Investment Decision Makers Survey

November 2018













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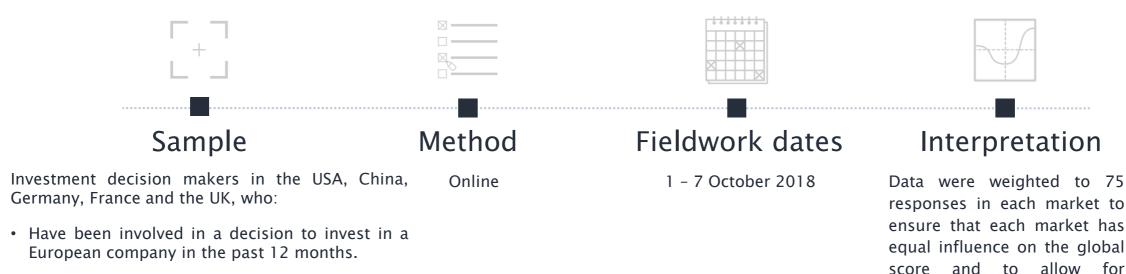




### Objectives and methodology

- To look at the attractiveness of Europe relative to other international investment destinations
- Understand the relative strengths and weaknesses of Europe as an investment destination
- Explore how Europe has changed as an investment destination over time, including the impact of Brexit

#### Methodology



 Have previously been involved in a decision to invest outside of Europe.

Likely to be involved in a decision to invest in a

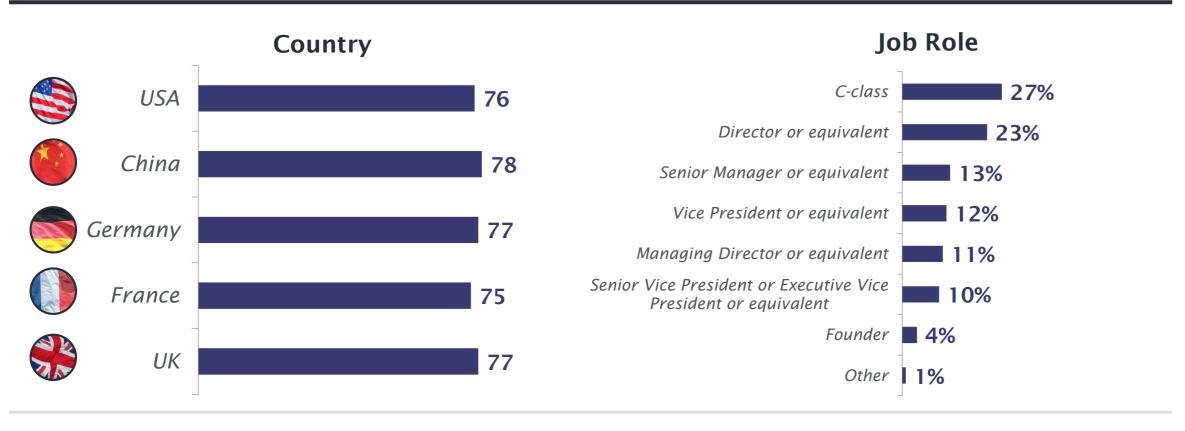
European company in the next 12 months.

(N.B. In China, investors were required to have had considered investing in Europe and to have previously been involved in a decision to invest outside China)

accurate tracking over time.



### Sample - 2018 (I)

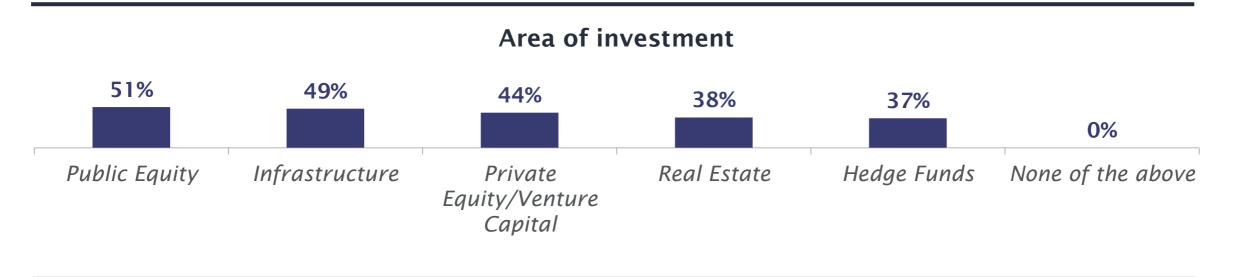




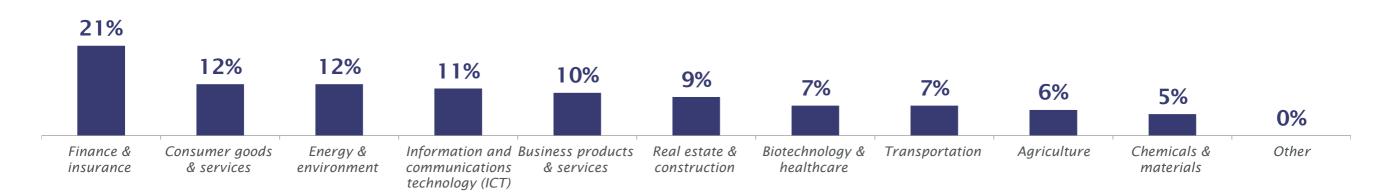








#### **Industry sector**







### **Executive summary (I)**

- According to global investors, Europe is considered to have multiple strengths compared to the USA and China. From 2017's inaugural survey, Europe maintains its leadership in areas such as a highly skilled workforce, transport infrastructure and the regulatory climate. In 2018, it has moved ahead of the USA with respect to innovation and entrepreneurship, taxation levels and access to global markets, and China on labour flexibility. Yet this year's respondents did not rate Europe's leadership in sustainability and the environment as highly as in 2017, while the perceived political and social stability of Europe has also decreased.
- Finance & insurance, energy & the environment and biotech & healthcare continue to be the sectors where Europe is most likely to be considered a global leader.
  - o Investors from China consider Europe to be a global leader in most of the sectors tested.
- Nine in ten investors say that Europe has become a more attractive investment destination over the past five years, a higher proportion than those who said the same in 2017 (58%). This has been driven by increased positivity among French and UK investors in particular.
- Those who say Europe has become a more attractive investment destination over the past five years are **most likely to cite increased innovation as a reason.** Eurozone stability and commitment to sustainability and environment have fallen compared to 2017 as factors in Europe's attractiveness.
  - Two in five investors from China say that Europe's attractiveness has increased because of the decreased attractiveness of the USA, compared to just a quarter of respondents overall.



### **Executive summary (II)**

- In terms of the UK's decision to leave the European Union, views on investing in both the UK and the EU post-Brexit have improved considerably compared to 2017. The majority of investors say they are more likely to invest in the UK or the EU over the next five years, where only a minority said the same last year.
  - o Confidence has increased among investors from all markets, particularly among those from the UK, France and Germany.
- Of the policy priorities tested, this year's investors were less likely to say that lower taxes should be the focus of policymakers in boosting the attractiveness of Europe. Instead, investors think a broad range of actions could help, such as the availability of incentives, investment in innovation and competition policy.
  - Responses from different markets vary somewhat. For Chinese investors, closer integration of EU capital markets has
    emerged as a policy priority, with the availability of investment incentives remaining high. UK investors were most likely
    to rank competition policy and higher interest rates within their top three priorities, while a swift resolution of Brexit
    negotiations and regulation impacting business are not as highly ranked.
- As in 2017, the majority of investors are optimistic about the future investment environment. The proportion who say European policymakers are committed to attracting overseas investment or that investors will increase their investment in Europe over the next five years have both increased. This is driven primarily by European investors, particularly in Germany.
- Four in five investors say that Europe's commitment to sustainability and the environment is important to them. The proportion of UK and German investors who say this has increased considerably compared to 2017's survey.
- The clear majority say that stability of the regulatory environment is important when making investment decisions. This is particularly pronounced among those from China: almost all say it is important, while two thirds say it is very important.
- The government incentives to investment suggested were attractive to the majority of investors, with those from China most likely to find each appealing.



### Key takeaways

- Nearly 90% of investors say Europe has become more attractive as an investment destination over the last five years, and rate increased innovation, improved economic growth and higher returns as the main drivers for the continent's growing appeal.
- Innovation and entrepreneurship, access to global markets, labour flexibility and taxation levels are new areas in which Europe is seen leading the USA and China, as it becomes the strongest performer on drivers for investment. On efficient capital markets, Europe is now seen to be as strong as the USA, after trailing in this area in 2017.
- Investors continue to position Europe ahead of the USA and China on its commitment to sustainability and the environment an issue of importance to 80% of respondents although rate the continent less highly than last year.
- Europe is viewed as an industry leader in finance & insurance, energy & the environment, and biotech & healthcare.
- 78% of investors expect increased investment in Europe over the next five years as they turn more positive on investing in both the UK and the EU post-Brexit.
- Government has a clear role to play in encouraging investment, with **regulatory stability and flexibility** of importance to the majority of investors.



#### Europe is seen as the strongest performer in an increasing number of areas



Strongest performer for each

area:

#### **USA**

#### 2017

- Access to alobal markets
- Taxation levels
- Efficient capital markets
- Innovation and entrepreneurship
- IT infrastructure

#### 2018

- Efficient capital markets\*
- IT infrastructure
- Level of economic growth

# **Europe**

- Availability of highly skilled workforce
- · Availability of government incentives
- Political stability

2017

- Social Stability
- Rule of law and corruption prevention
- Commitment to sustainability
- Transport infrastructure
- Regulatory climate

#### New area(s) where most likely to be rated as the strongest performer in 2018

\*Europe and the USA equally likely to be rated as the strongest performer in efficient capital markets (41%)

#### 2018

- Availability of highly skilled workforce
- Availability of government incentives
- Political stability
- Social stability
- Rule of law and corruption prevention
- Commitment to sustainability and the environment
- Transport infrastructure
- · Regulatory climate
- Access to global markets
- Taxation levels
- Labour flexibility
- Efficient capital markets\*
- Innovation and entrepreneurship

#### China

- Availability of low skilled workforce
- Level of economic arowth

2017

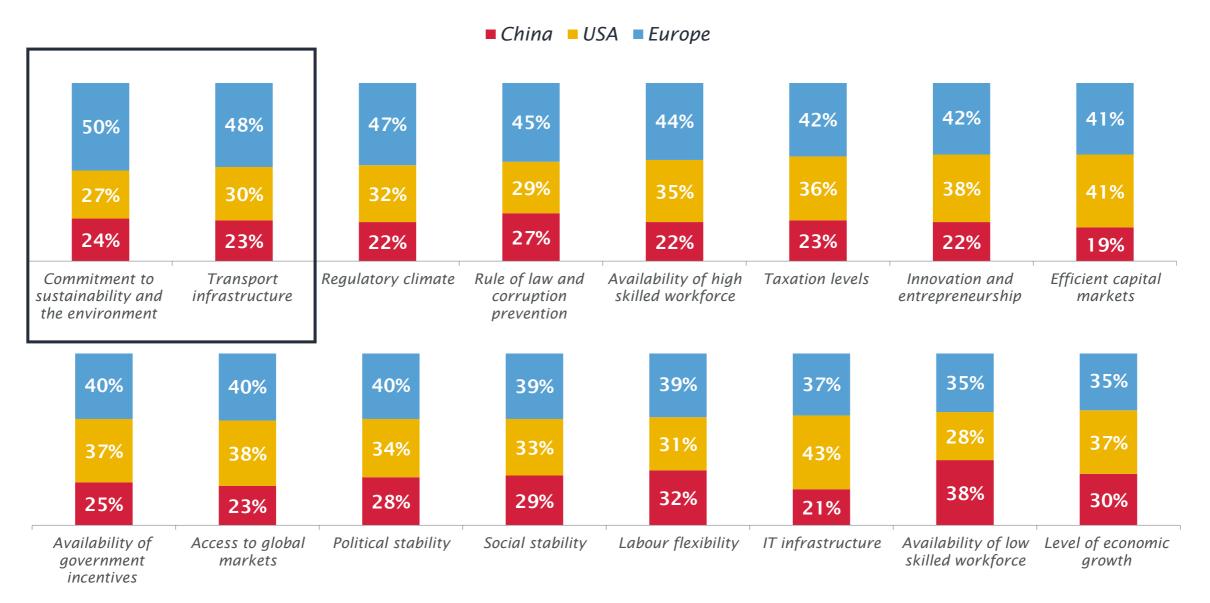
Labour flexibility

2018

 Availability of low skilled workforce

# Europe leads other markets in nearly all areas, particularly in sustainability and the environment, and transport infrastructure

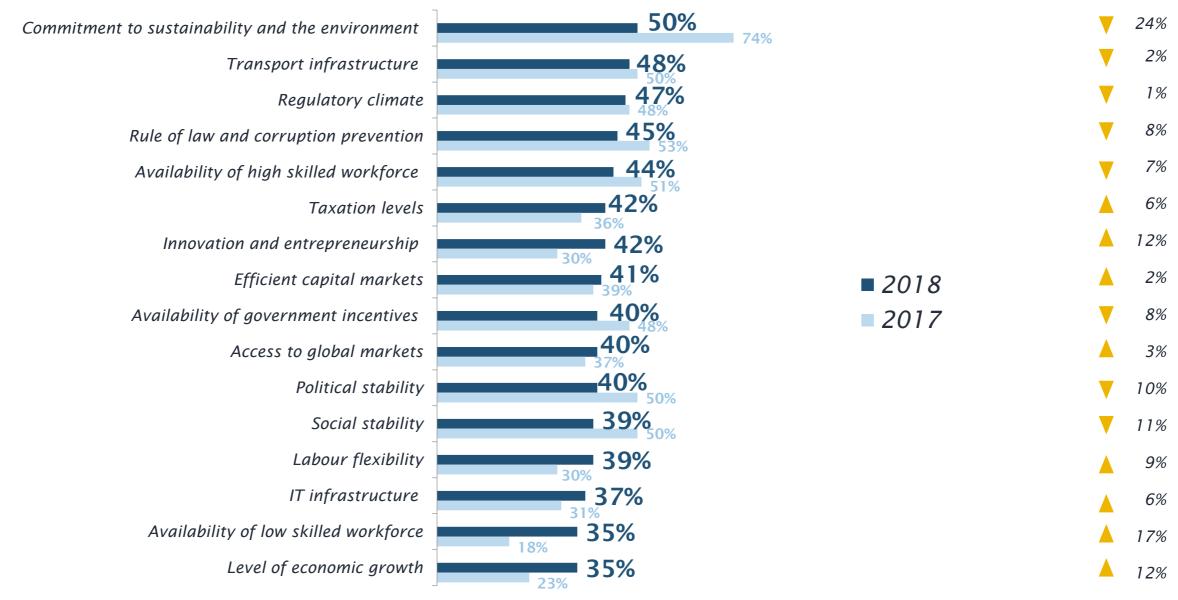




# However, perceived commitment to sustainability and the environment, political and social stability are lower than 2017



#### Changes of perceptions of those rating Europe the strongest performer in each area



# Europe is perceived as a leader in more areas than in 2017 by all, and particularly by the USA and China



Strongest performer for each			K																	
area:	20	017	2	018	20	017	20	18	20	17	20	18	20	017	20	)18	2	017	20	18
Availability of high skilled workforce	54%	(EU)	39%	(EU)	62%	(EU)	44%	(EU)	69%	(EU)	44%	(EU)	51%	(USA)	47%	(EU)	42%	(USA)	44%	(EU)
Availability of low skilled workforce	65%	(China)	39%	(China)	70%	(China)	36%	(EU)	68%	(China)	43%	(EU)	66%	(China)	40%	(EU)	73%	(China)	66%	(China)
Availability of government incentives	67%	(EU)	45%	(USA)	55%	(EU)	41%	(EU)	59%	(EU)	40%	(EU)	48%	(USA)	43%	(EU)	42%	(China)	40%	(EU)
Access to global markets	50%	(USA)	38%	(USA)	50%	(USA)	44%	(USA)	59%	(EU)	47%	(EU)	53%	(USA)	37%	(EU)	42%	(USA)	51%	(EU)
Political stability	54%	(EU)	43%	(EU)	62%	(EU)	44%	(USA)	78%	(EU)	47%	(USA)	44%	(USA)	49%	(EU)	72%	(China)	52%	(China)
Social stability	61%	(EU)	39%	(EU)	58%	(EU)	45%	(EU)	84%	(EU)	45%	(EU)	55%	(USA)	39%	(USA)	78%	(China)	59%	(China)
Rule of law and corruption prevention	50%	(EU)	35%	(China)	68%	(EU)	55%	(EU)	80%	(EU)	39%	(EU)	47%	(EU)	45%	(EU)	48%	(China)	51%	(EU)
Taxation levels	41%	(EU/USA)	43%	(EU)	47%	(USA)	48%	(EU)	36%	(EU)	39%	(EU)	35%	(EU)	48%	(EU)	48%	(EU)	41%	(USA)
Level of economic growth	52%	(China)	36%	(EU/USA)	53%	(China)	37%	(USA)	50%	(China)	42%	(EU)	40%	(China)	46%	(USA)	64%	(China)	47%	(China)
Labour flexibility	44%	(EU)	36%	(EU)	53%	(USA)	49%	(EU)	36%	(China)	40%	(EU)	37%	(USA)	43%	(EU)	51%	(China)	56%	(China)
Efficient capital markets	48%	(USA)	41%	(EU)	55%	(USA)	44%	(USA)	53%	(EU)	51%	(EU)	54%	(USA)	42%	(USA)	51%	(USA)	53%	(USA)
Innovation and entrepreneurship	50%	(USA)	45%	(EU)	53%	(USA)	43%	(USA)	46%	(USA)	43%	(EU)	63%	(USA)	41%	(EU)	37%	(USA/China)	47%	(USA)
Commitment to sustainability and the environment	91%	(EU)	41%	(EU)	83%	(EU)	52%	(EU)	85%	(EU)	40%	(EU)	65%	(EU)	47%	(EU)	44%	(EU)	69%	(EU)
Transport infrastructure	48%	(EU)	55%	(EU)	60%	(EU)	49%	(EU)	78%	(EU)	45%	(EU)	48%	(USA)	47%	(EU)	51%	(China)	44%	(EU)
IT infrastructure	50%	(USA)	41%	(EU/USA)	57%	(USA)	43%	(USA)	51%	(USA)	43%	(EU)	62%	(USA)	37%	(USA/EU)	64%	(USA)	56%	(USA)
Regulatory climate	56%	(EU)	50%	(EU)	48%	(EU)	47%	(EU)	62%	(EU)	43%	(EU)	53%	(USA)	44%	(EU)	38%	(USA)	50%	(EU)

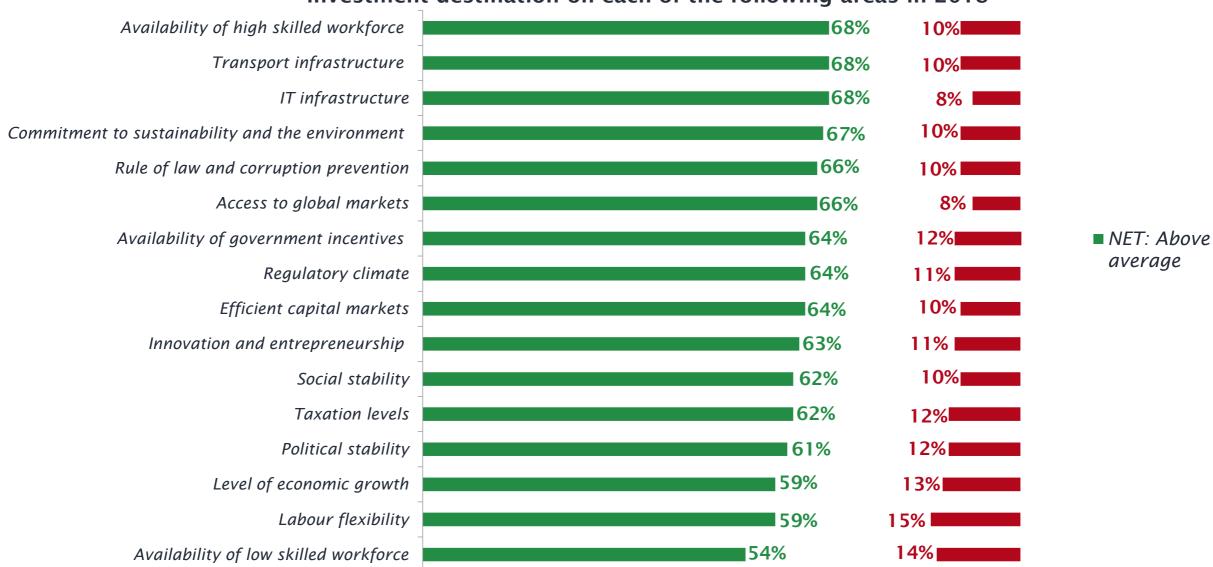
\*The text in brackets besides each value shows the investment destination which is seen to lead on each area High score for each area in 2018



### Europe rated as above average across most areas in comparison to other investment destinations

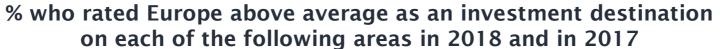


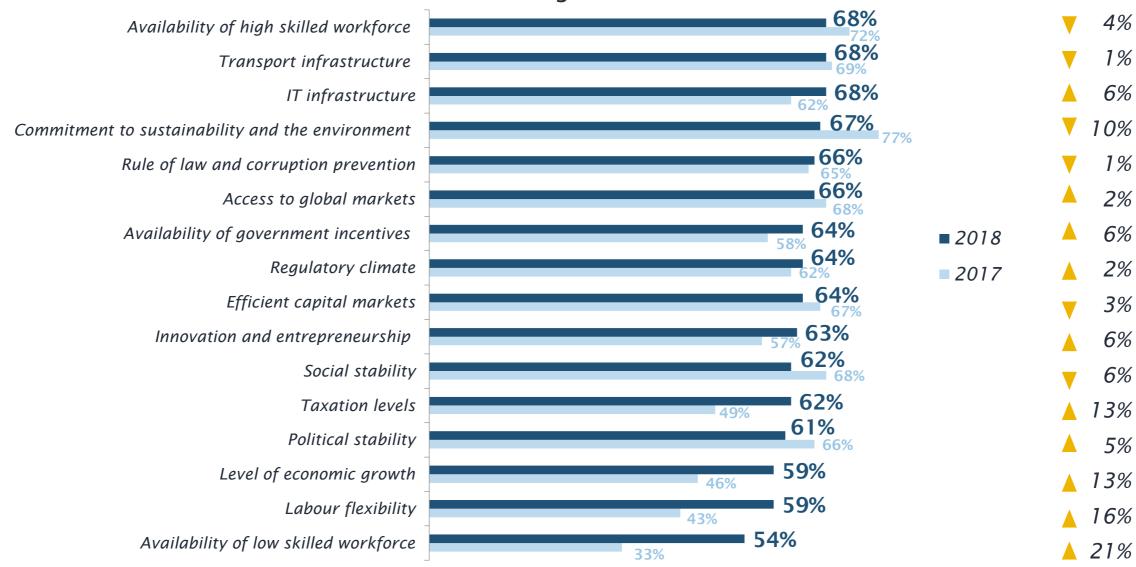
% who rated Europe above average / below average as an investment destination on each of the following areas in 2018



# Availability of high skilled workers remains a strength; labour flexibility and availability of low skilled workers has improved







### UK investors more likely to rate Europe below average on some scores, with USA next



% who rated Europe above average / below average as an investment destination on each of the following areas in 2018

		K								
	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above
	average	average	average							
Commitment to sustainability and the environment	16%	52%	4%	73%	8%	70%	22%	58%	3%	83%
Availability of high skilled workforce	23%	51%	7%	73%	1%	78%	12%	66%	5%	74%
Transport infrastructure	14%	62%	4%	75%	10%	70%	12%	67%	8%	65%
Social stability	18%	53%	7%	72%	5%	62%	17%	58%	4%	65%
Access to global markets	17%	62%	1%	53%	3%	73%	14%	58%	3%	82%
Efficient capital markets	14%	60%	9%	60%	4%	68%	18%	53%	4%	78%
Political stability	17%	51%	12%	67%	6%	65%	24%	61%	1%	62%
Rule of law and corruption prevention	22%	57%	4%	73%	8%	71%	13%	59%	4%	68%
Regulatory climate	19%	56%	4%	69%	9%	60%	18%	61%	4%	77%
IT infrastructure	10%	57%	7%	69%	4%	73%	13%	66%	8%	73%
Availability of government incentives	19%	58%	5%	69%	8%	68%	18%	61%	9%	67%
Innovation and entrepreneurship	26%	45%	3%	67%	5%	77%	14%	58%	6%	68%
Taxation levels	16%	55%	9%	64%	6%	75%	22%	53%	5%	62%
Level of economic growth	22%	45%	13%	65%	8%	70%	16%	<i>57%</i>	8%	56%
Labour flexibility	13%	61%	15%	56%	8%	58%	18%	62%	19%	56%
Availability of low skilled workforce	17%	55%	12%	48%	4%	70%	12%	58%	26%	37%

Significantly better than total at 95% confidence Significantly worse than total at 95% confidence

# France and Germany more likely to rate Europe well in a number of areas compared to 2017

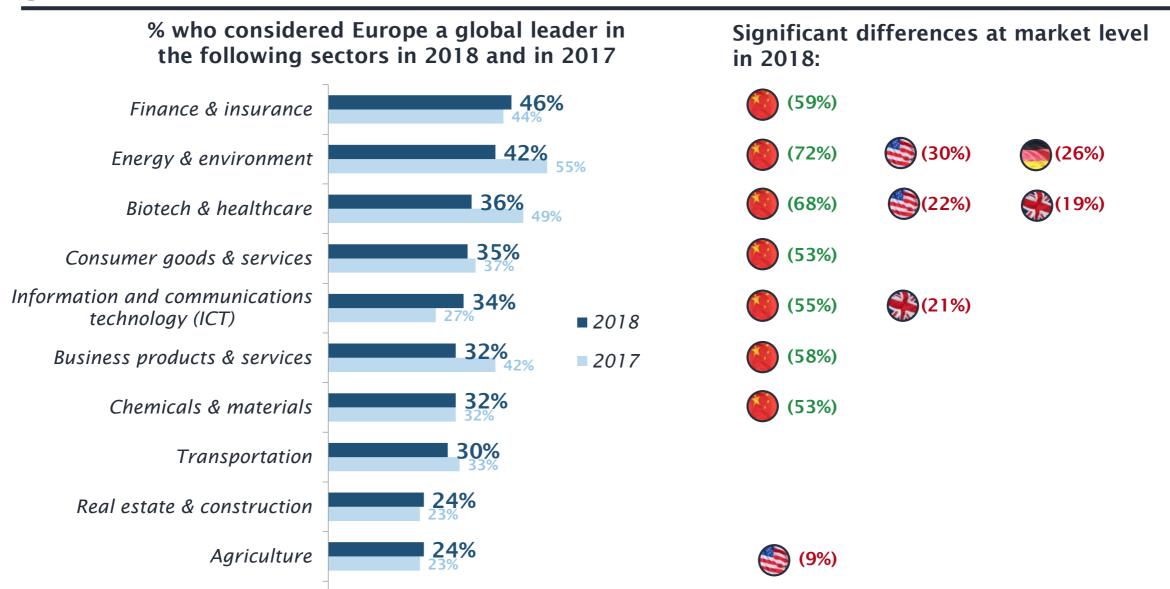


% who rated Europe above average as an investment destination on each of the following areas in 2018 and in 2017

of the following areas in 2010 and in 2017												
Significant decrease in 2018		N N										
Significant increase in 2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018		
Commitment to sustainability and the environment	81%	52%	78%	73%	77%	70%	76%	58%	73%	83%		
Availability of high skilled workforce	72%	51%	63%	73%	69%	78%	78%	66%	75%	74%		
Transport infrastructure	61%	62%	68%	75%	74%	70%	73%	67%	67%	65%		
Social stability	63%	53%	60%	72%	82%	62%	75%	58%	59%	65%		
Access to global markets	59%	62%	43%	53%	80%	73%	81%	58%	75%	82%		
Efficient capital markets	69%	60%	48%	60%	66%	68%	75%	53%	75%	78%		
Political stability	56%	51%	67%	67%	86%	65%	69%	61%	52%	62%		
Rule of law and corruption prevention	67%	57%	65%	73%	77%	71%	67%	59%	51%	68%		
Regulatory climate	61%	56%	58%	69%	58%	60%	65%	61%	65%	77%		
IT infrastructure	67%	57%	52%	69%	53%	73%	69%	66%	72%	73%		
Availability of government incentives	61%	58%	37%	69%	62%	68%	60%	61%	68%	67%		
Innovation and entrepreneurship	56%	45%	48%	67%	53%	77%	59%	58%	69%	68%		
Taxation levels	43%	55%	42%	64%	46%	75%	52%	53%	62%	62%		
Level of economic growth	44%	45%	15%	65%	58%	70%	54%	57%	57%	56%		
Labour flexibility	46%	61%	15%	56%	43%	58%	56%	62%	56%	56%		
Availability of low skilled workforce	43%	55%	20%	48%	31%	70%	30%	58%	42%	37%		

# Investors in China are particularly likely to see Europe as a global leader across a number of industries





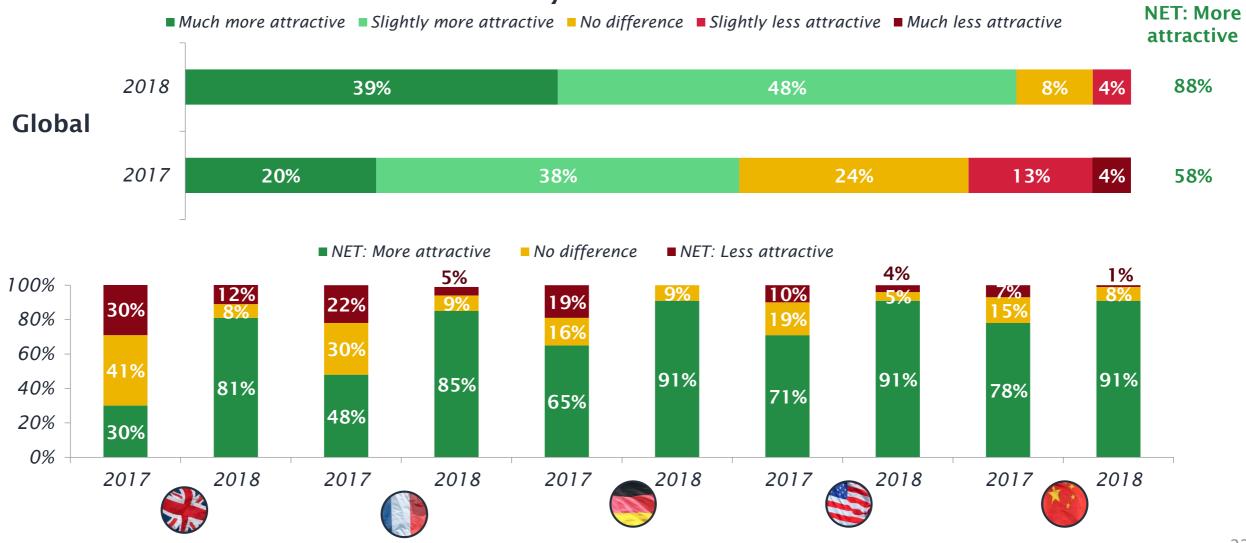
Significantly higher than total at 95% confidence Significantly lower than total at 95% confidence

None of the above

### Compared to 2017, investors more likely say that Europe has become more attractive over the past 5 years



### View's on Europe's attractiveness as an investment destination over the past 5 years



### Increased innovation is the primary driver of Europe's attractiveness as influence of Eurozone stability falls



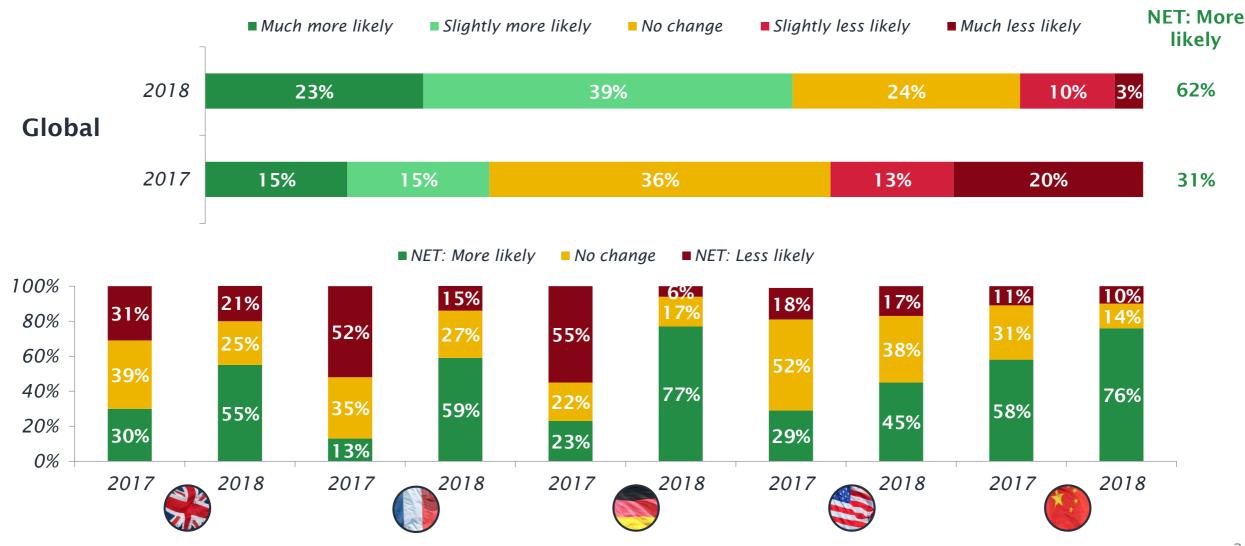




# Investors are more positive than in 2017 about investing in the UK post-Brexit, and the majority are more likely to invest



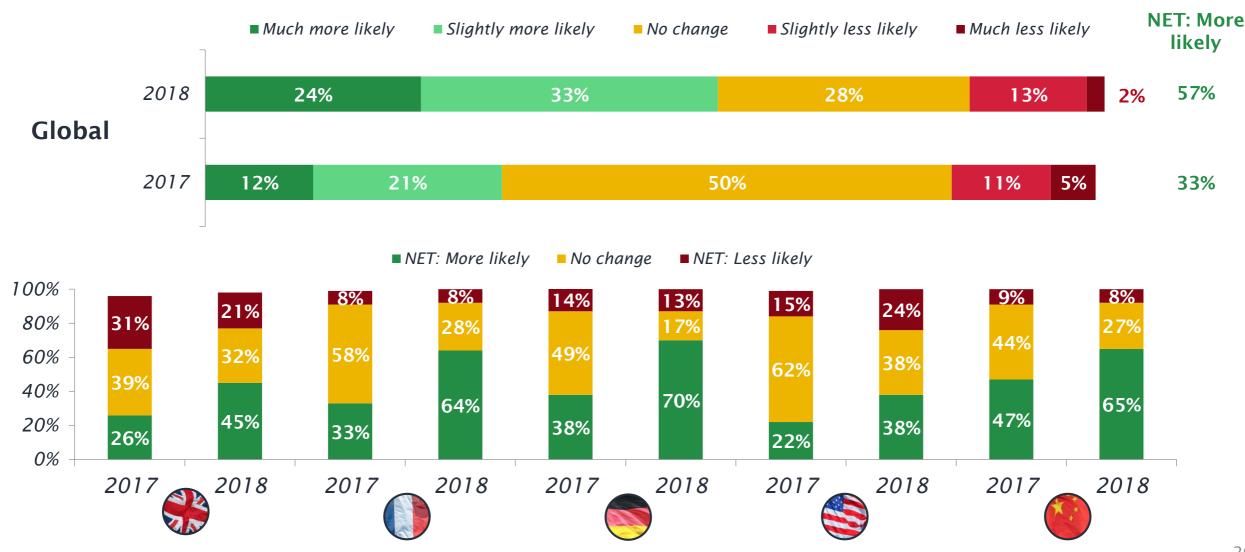
#### Views on investing in post-Brexit UK in the next 5 years



#### Investors also more positive than in 2017 towards investing in the EU, with the majority more likely to invest post-Brexit



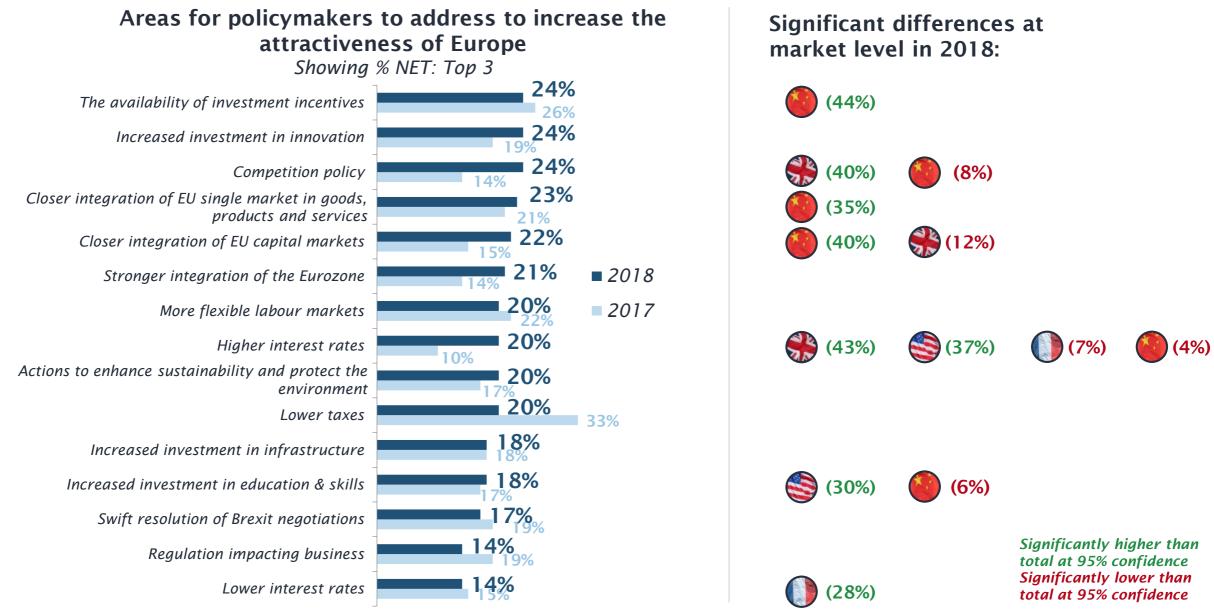
#### Views on investing in post-Brexit EU in the next five years





#### Lower taxation less of a focus in boosting attractiveness; instead a range of other areas need to be addressed





# Interest in investment incentives driven by China, while UK investors want greater focus on competition policy



The availability of investment incentives	21%	16%	27%	14%	44%
Increased investment in innovation	27%	17%	27%	20%	27%
Competition policy	40%	25%	22%	22%	8%
Closer integration of EU single market in goods, products and services	14%	27%	27%	13%	35%
Closer integration of EU capital markets	12%	19%	27%	13%	40%
Stronger integration of the Eurozone	16%	19%	21%	22%	26%
Lower taxes	18%	23%	10%	21%	27%
More flexible labour markets	21%	20%	30%	20%	12%
Actions to enhance sustainability and protect the environment	14%	20%	21%	21%	26%
Higher interest rates	43%	7%	12%	37%	4%
Increased investment in infrastructure	18%	20%	12%	20%	22%
Increased investment in education & skills	21%	19%	13%	30%	6%
Swift resolution of Brexit negotiations	18%	21%	21%	14%	9%
Regulation impacting business	6%	20%	17%	21%	8%
Lower interest rates	10%	28%	13%	11%	9%

Significantly higher than total at 95% confidence Significantly lower than total at 95% confidence

### The decline in emphasis on lower taxes is most notable France and the USA

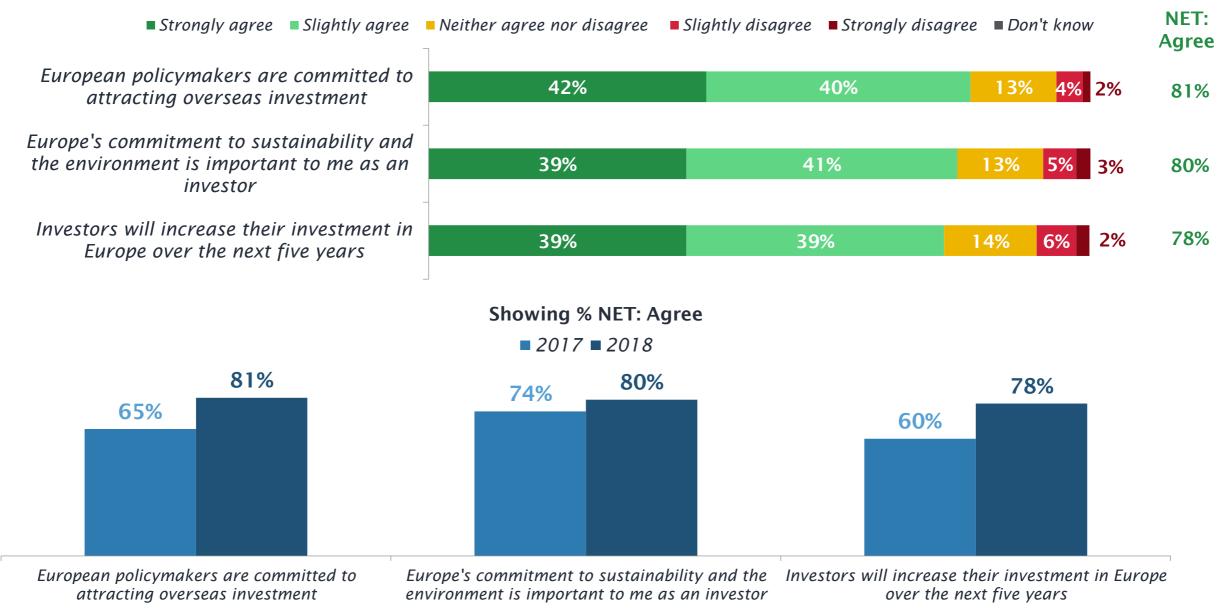


Significant decrease in 2018 Significant increase in 2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
The availability of investment incentives	17%	21%	15%	16%	26%	27%	37%	14%	37%	44%
Increased investment in innovation	17%	27%	17%	17%	19%	27%	21%	20%	20%	27%
Competition policy	11%	40%	13%	25%	11%	22%	14%	22%	19%	8%
Closer integration of EU single market in goods, products and services	17%	14%	15%	27%	16%	27%	15%	13%	43%	35%
Closer integration of EU capital markets	13%	12%	18%	19%	14%	27%	11%	13%	21%	40%
Stronger integration of the Eurozone	9%	16%	18%	19%	18%	21%	11%	22%	15%	26%
Lower taxes	28%	18%	43%	23%	20%	10%	38%	21%	37%	27%
More flexible labour markets	22%	21%	32%	20%	23%	30%	21%	20%	14%	12%
Actions to enhance sustainability and protect the environment	9%	14%	18%	20%	18%	21%	21%	21%	20%	26%
Higher interest rates	11%	43%	13%	7%	12%	12%	9%	37%	6%	4%
Increased investment in infrastructure	19%	18%	10%	20%	22%	12%	20%	20%	19%	22%
Increased investment in education & skills	19%	21%	17%	19%	20%	13%	18%	30%	11%	6%
Swift resolution of Brexit negotiations	37%	18%	13%	21%	18%	21%	18%	14%	9%	9%
Regulation impacting business	24%	6%	25%	20%	18%	17%	20%	21%	10%	8%
Lower interest rates	13%	10%	15%	28%	12%	13%	15%	11%	17%	9%

Q13. Which, if any, of the following areas do you think policymakers should address to increase the attractiveness of Europe as an investment destination? Please rank the three most important areas, with 1 being the most important and 3 being the third most important. Base: All respondents 2018 (n=383): UK (n=77), France (n=75), Germany (n=77), USA (n=76), China (n=81) (n=81), China (n=81)

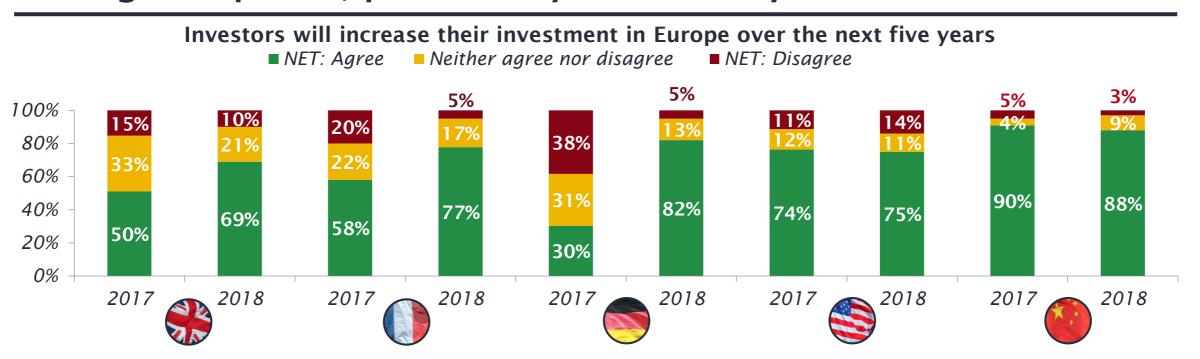
# Investors continue to be optimistic about the future investment environment in Europe, even more so than in 2017



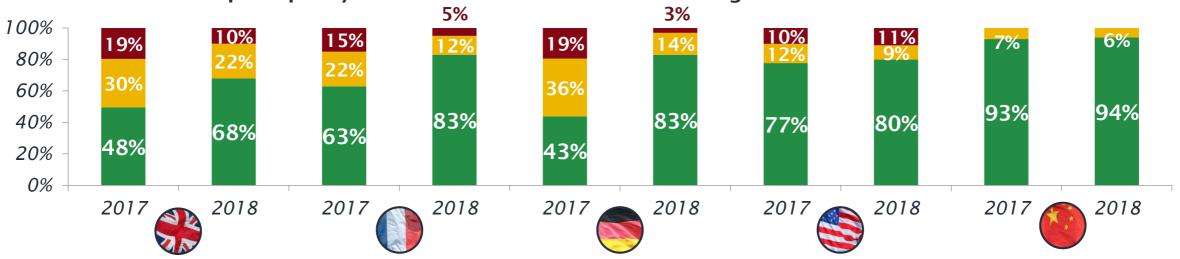


### Positivity towards the investment environment has increased among Europeans, particularly in Germany





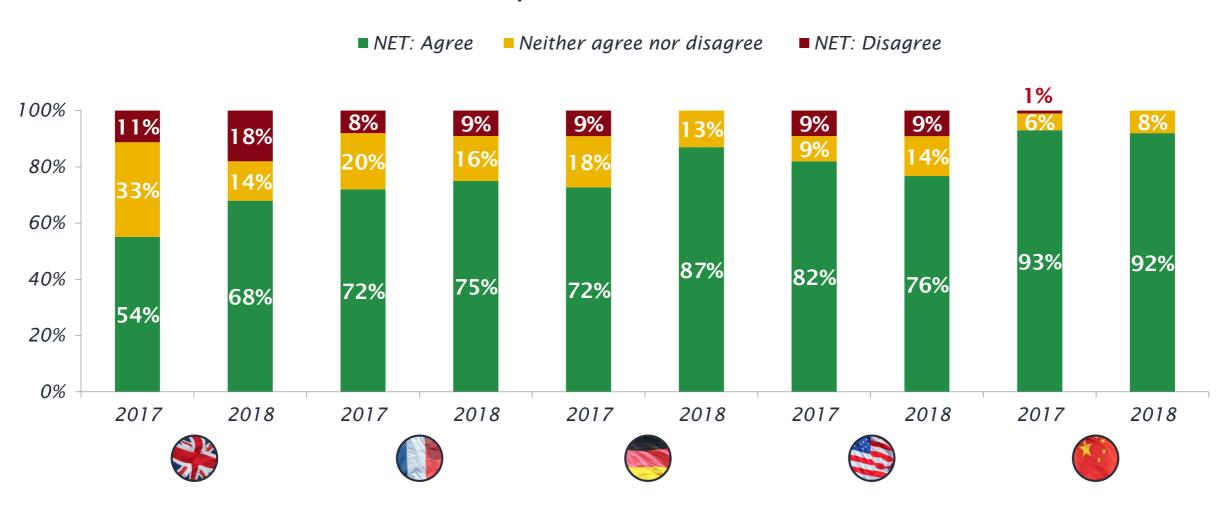




# German and UK investors more likely to view commitment to sustainability and the environment as important than in 2017



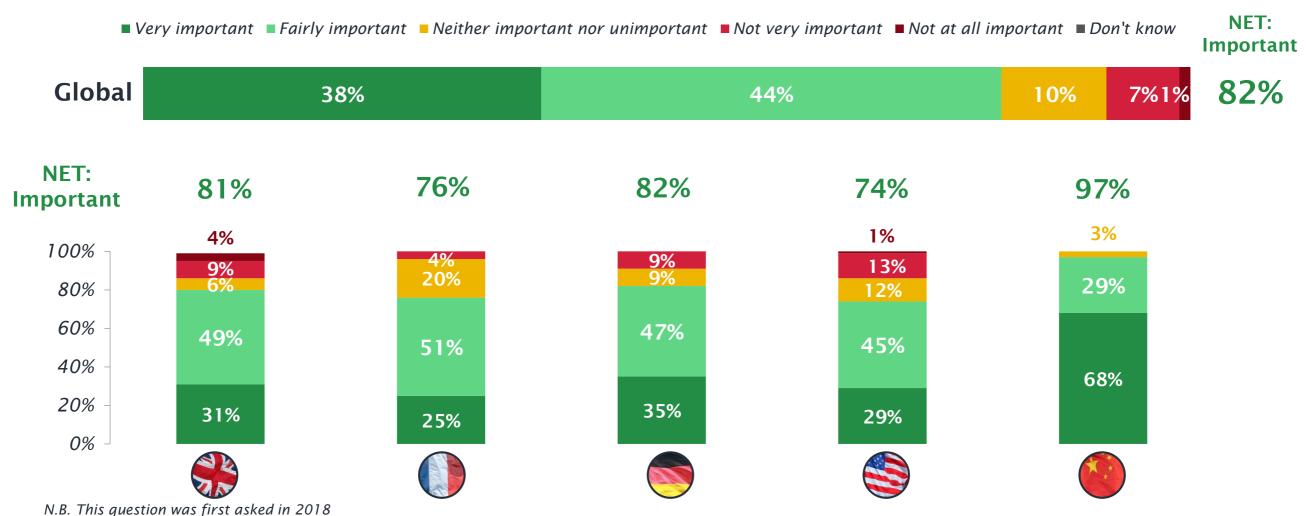
#### Europe's commitment to sustainability and the environment is important to me as an investor



# Stability of the regulatory environment is important to investors, particularly to those in China

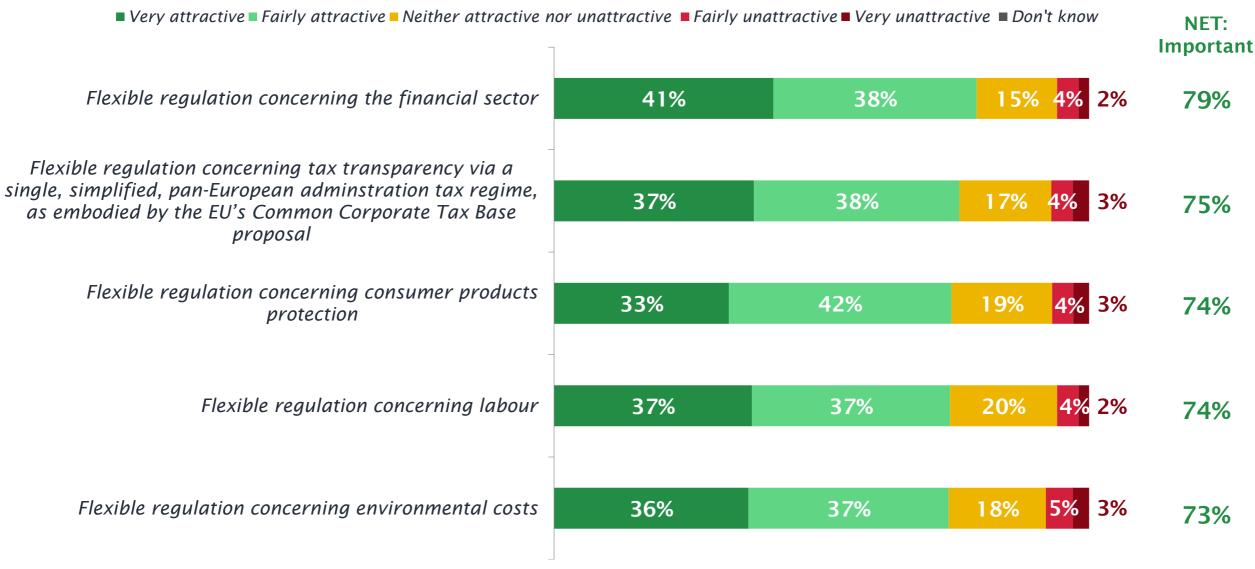


#### Importance of the stability of the regulatory environment when making an investment



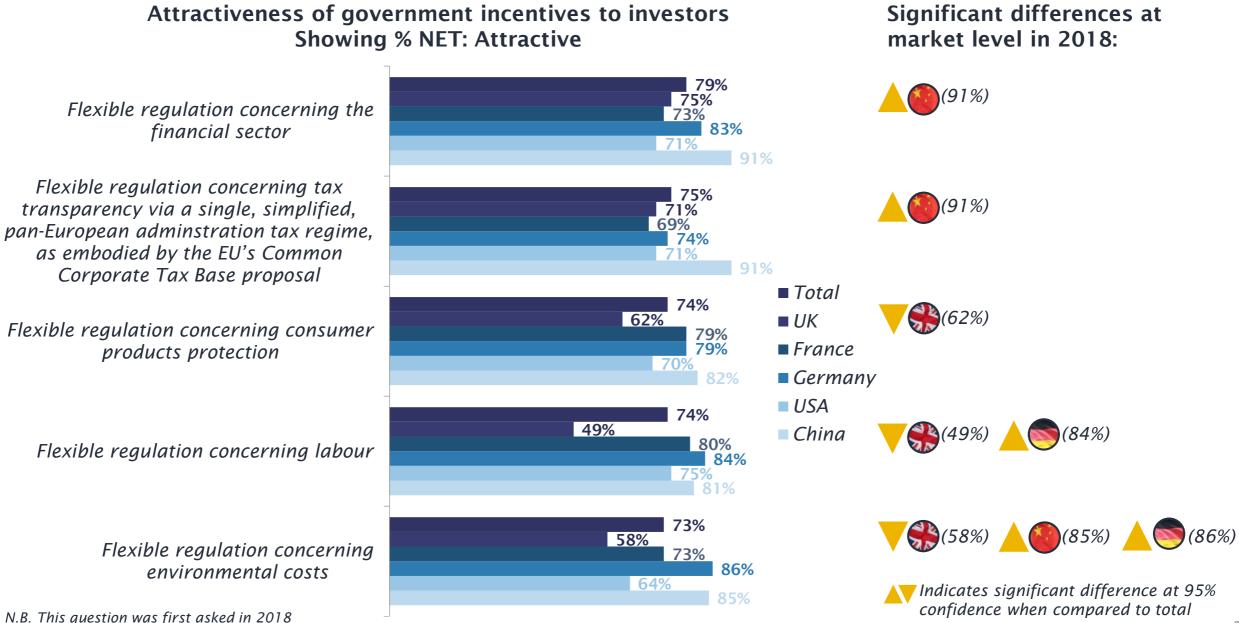
# All government incentives tested are considered attractive by a majority of investors





## Government incentives particularly attractive to China; flexible regulation outside finance and tax less attractive to the UK

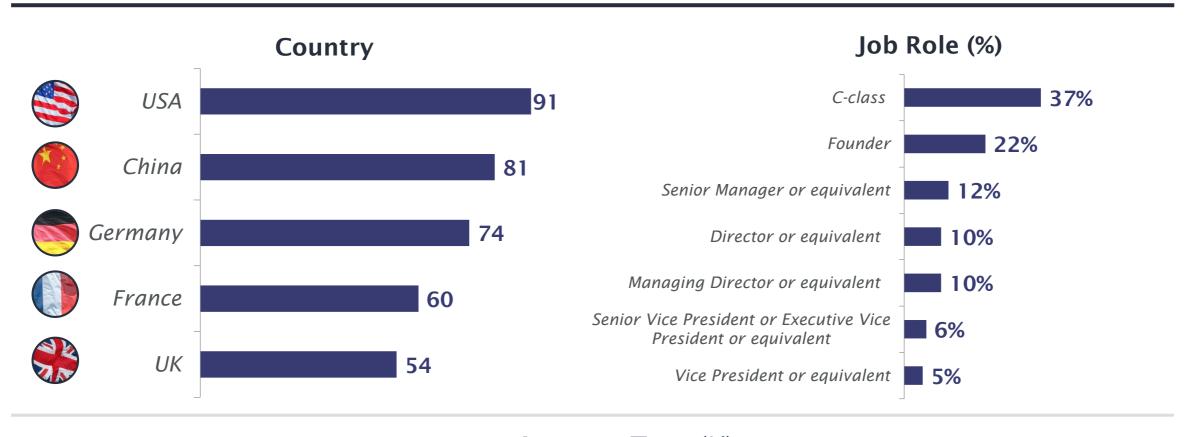


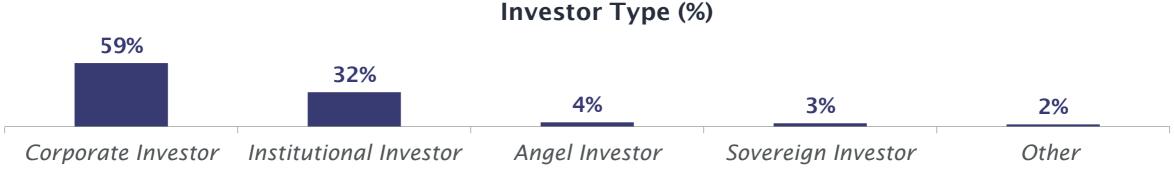






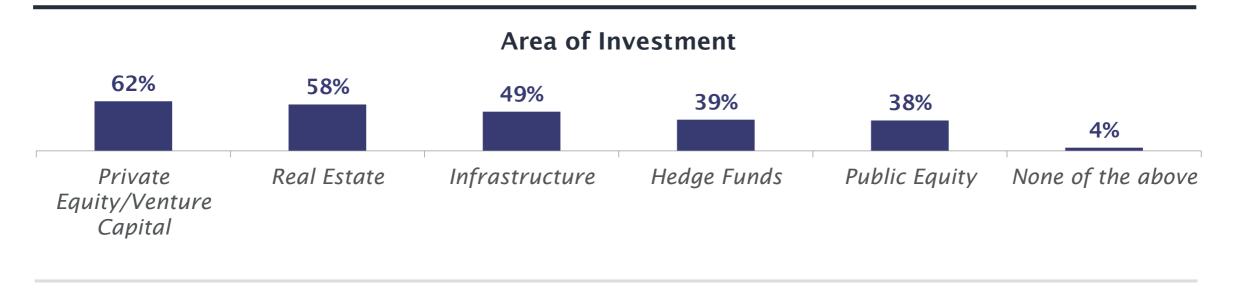
### Sample - 2017 (I)



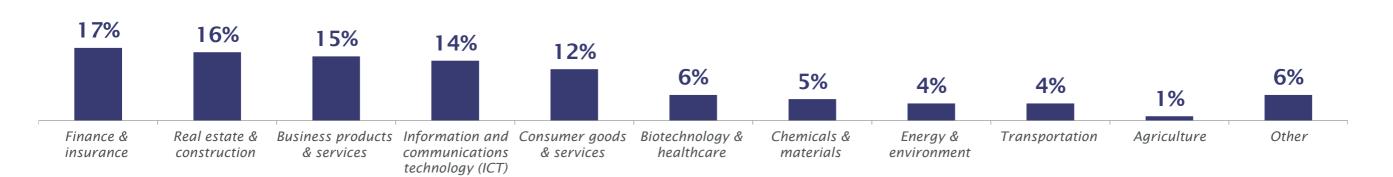








#### **Industry sector**







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