



Co-financed by the European Regional Development Fund

Inspire Policy Making with Territorial Evidence

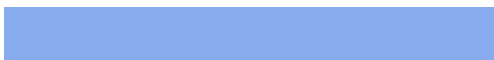
The World in Europe

Reglabs Analytikernätverk / Tillväxtverket, Stockholm 9 May 2019

The study consists of 12 reports

1 Synthesis report

Summing up all conclusions and recommendations



3 Main reports

1. Extra-European FDI
2. Intra-European FDI
3. FDI by European SMEs



8 Scientific reports

Supporting and documenting the results and details of the project



The study combines detailed data on FDI with firm-level information

GLOBAL FDI TRANSACTIONS 2003-2016*

Size, type, status, sector, origin, destination region, detailed description of greenfield projects



INVESTOR/ACQUIRER

M&As and GREENFIELD
PROJECTS

TARGET FIRM



FIRM-LEVEL INFORMATION

Sector, turnover, number of employees, wage costs, ownership information etc.

Structure of presentation

PART 1

FDI into Europe
Extra- and intra-European FDI

PART 2

Drivers of FDI across European
regions

PART 3

Impacts of FDI across European
regions

PART 4

Concluding remarks

1

FDI into Europe

Extra- and intra-European FDI



128,000 FDI recorded projects into Europe during 2003-2015

~ 128,000 FDI projects

~ EUR 6.4 trillion



57% **M&As** – EUR 135 million per deal

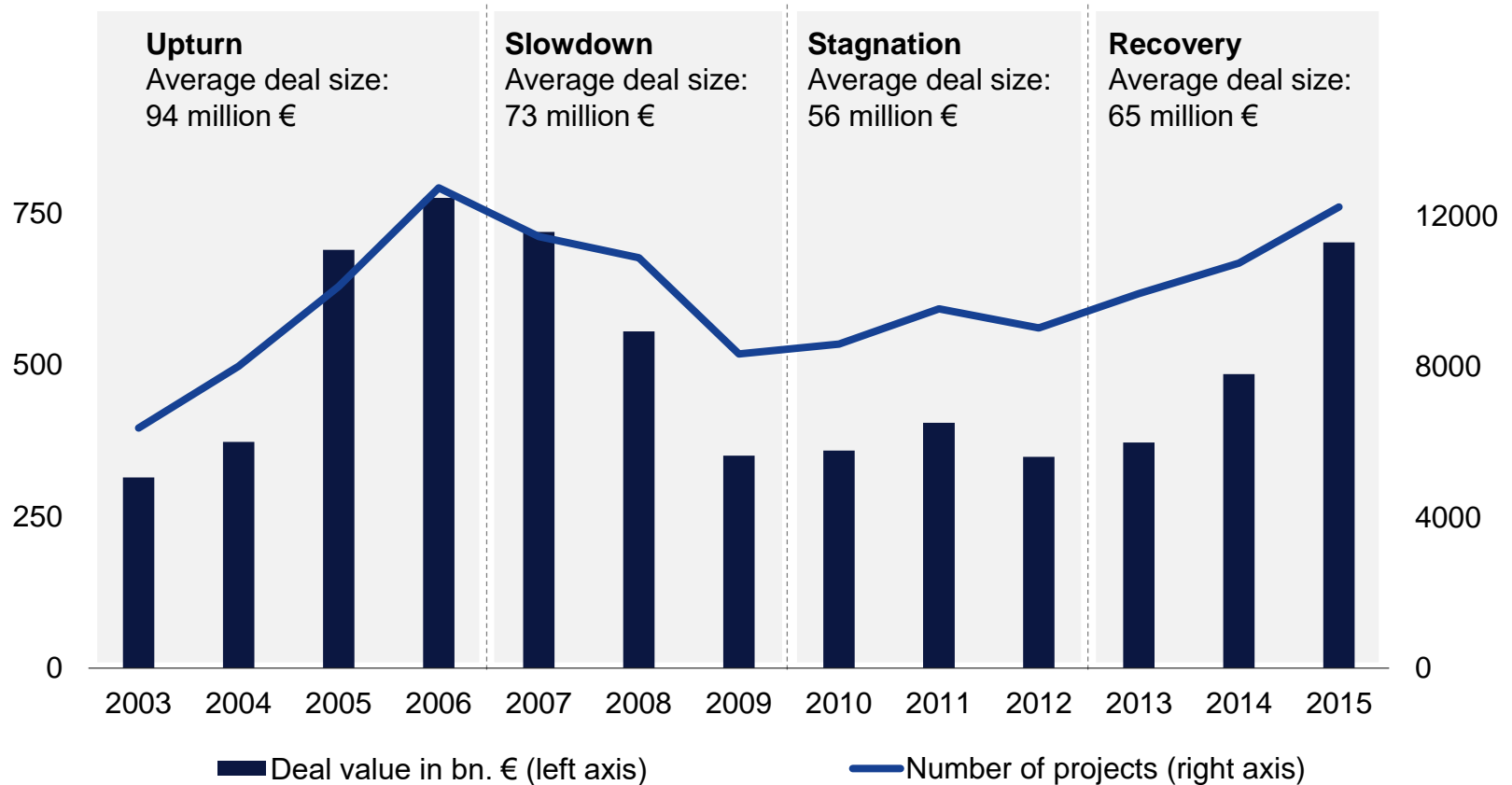
53% **greenfield investments** – EUR 34 million per deal

56% in **services** – EUR 67 million per deal

36% in **manufacturing** – EUR 60 million per deal

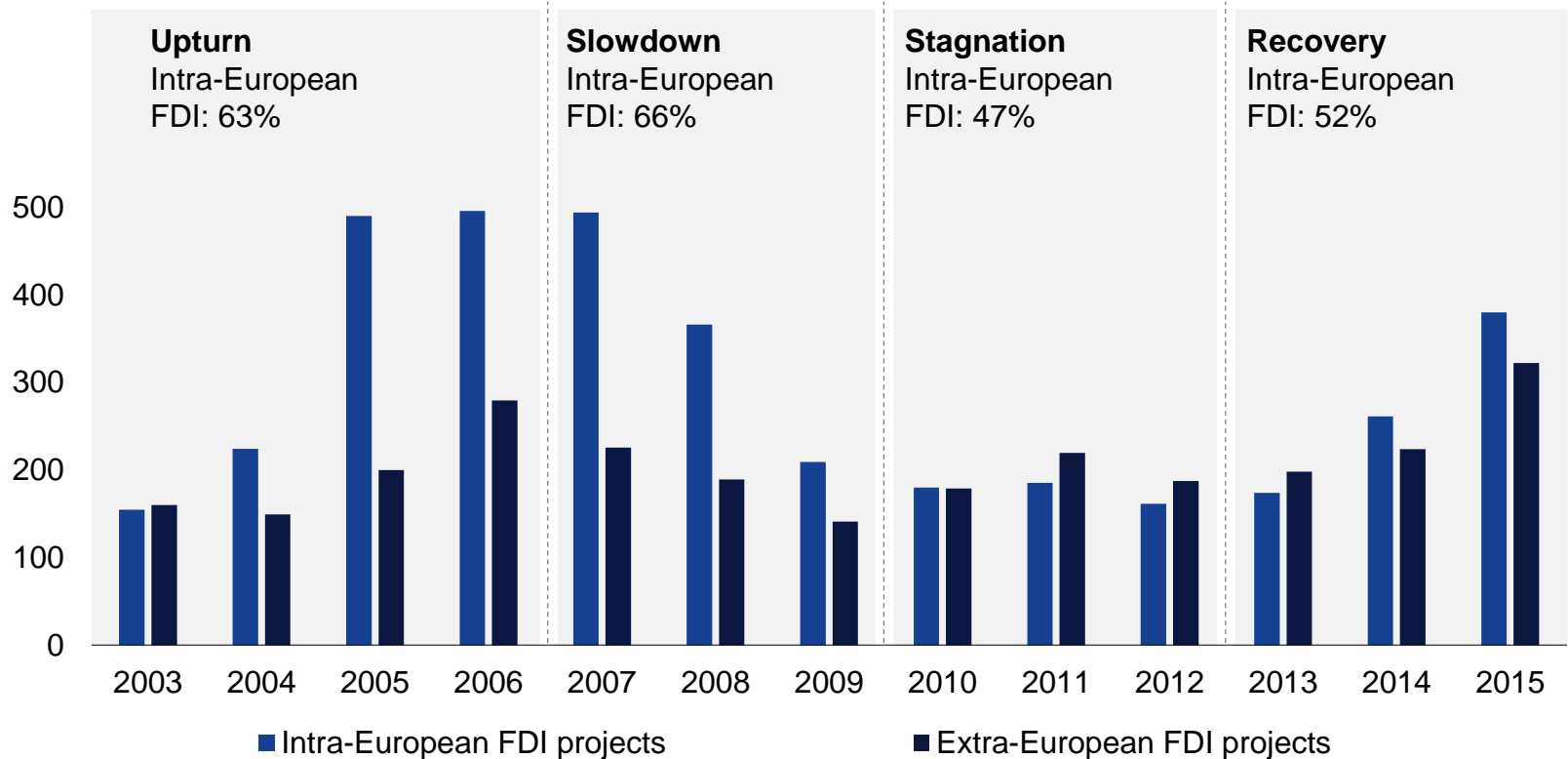
2% by **public investors** – EUR 272 million per deal (only M&As)

FDI into Europe has gone through different phases



More intra-European than extra-European FDI in most phases

Deal value in bn. EUR

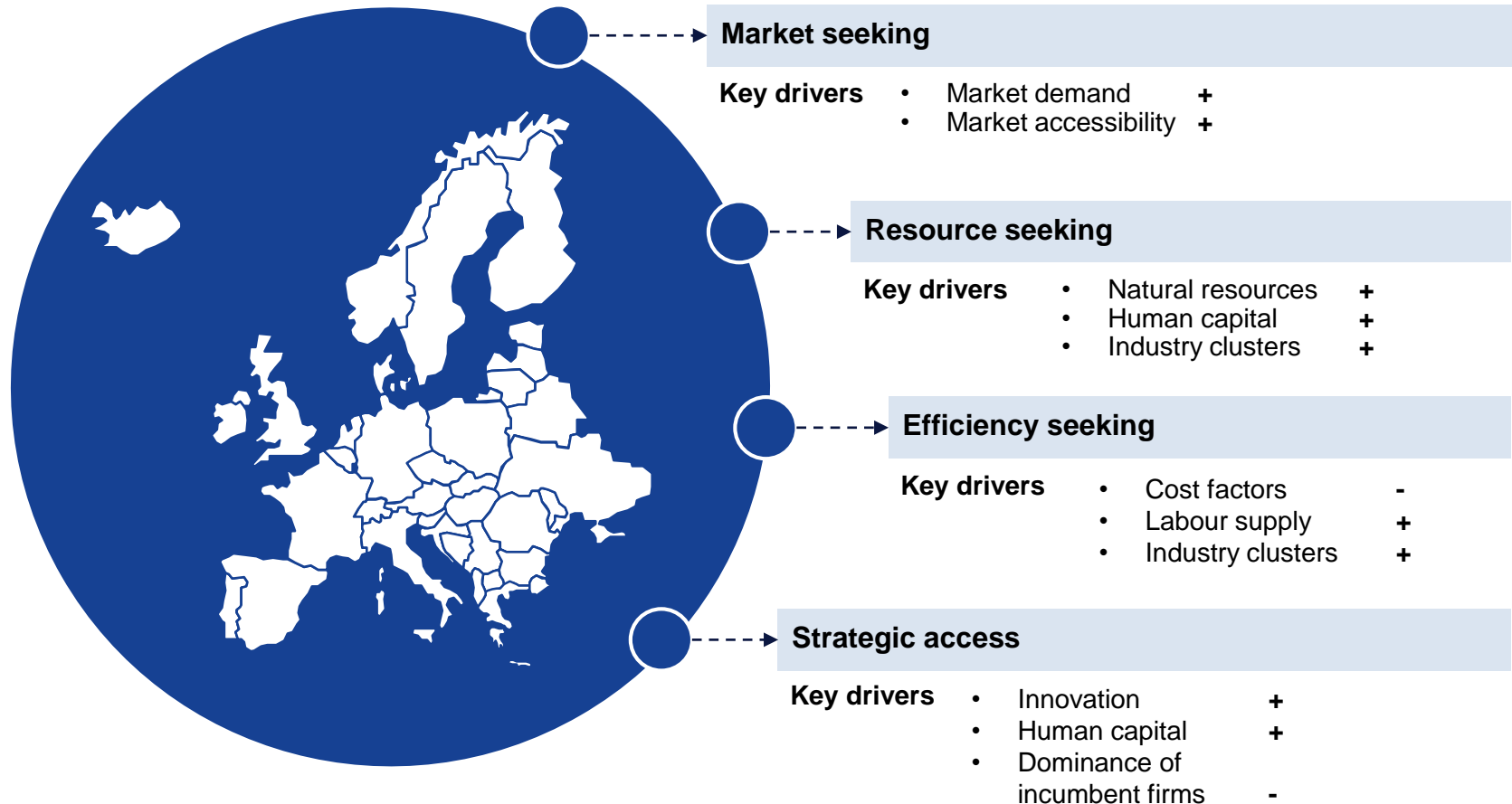


2

Drivers of FDI across European regions



Investors have different motives for investing in Europe



FDI drivers differ across territorial groups of regions

Urban-rural regions

1. Urban regions
2. Intermediate regions
3. Rural regions

Metropolitan regions

1. Capital metropolitan regions
2. Other metropolitan regions
3. Non-metropolitan regions

Regions with different levels of development

1. More developed regions
2. Transition regions
3. Less developed regions



Why expect different FDI drivers?

1

Different motives for investing in different types of regions

2

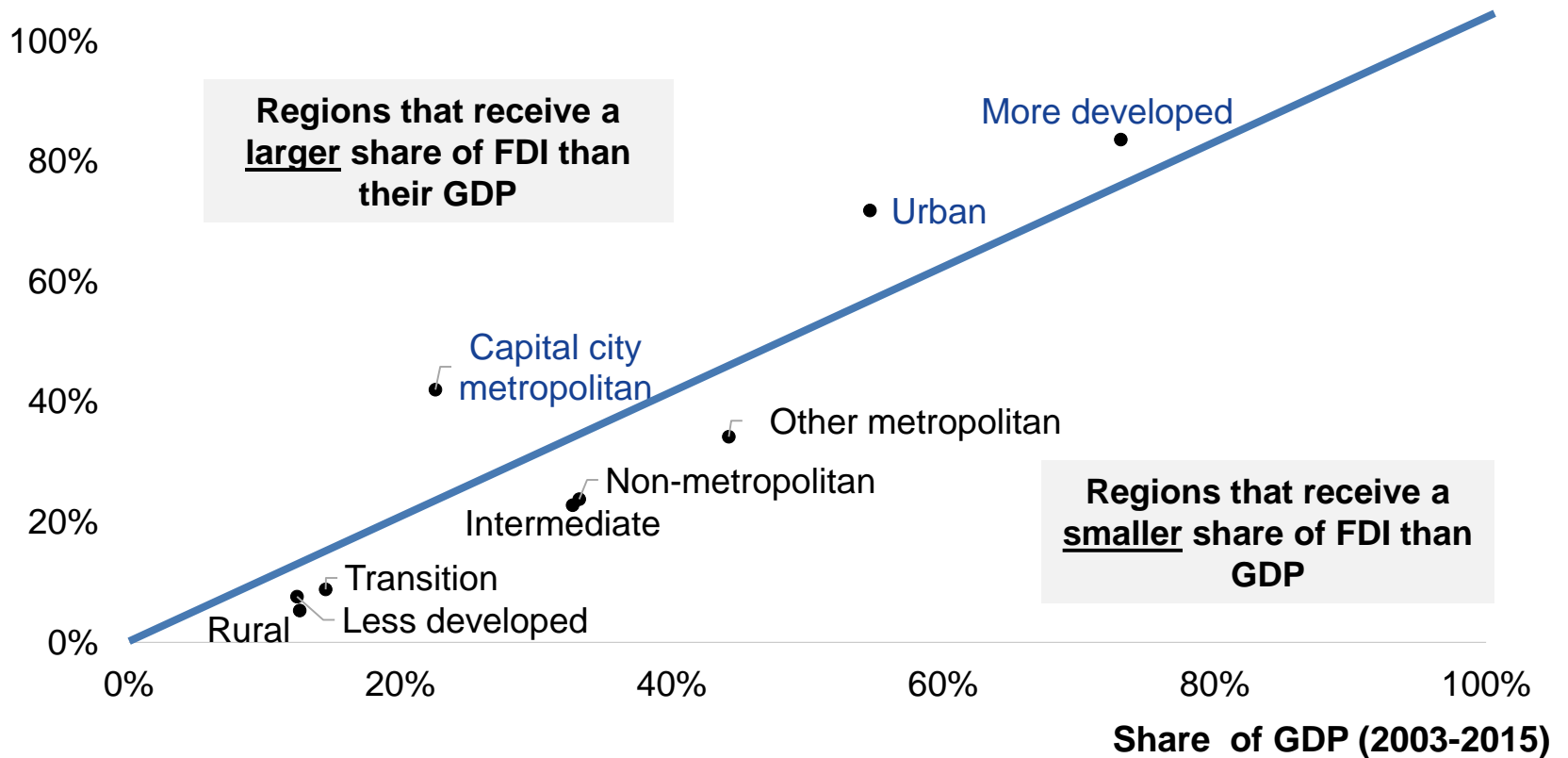
FDI type differs across regions (e.g. HQ in capital regions)

3

The cost of doing business may differ across regions

FDI is unequally distributed across European regions

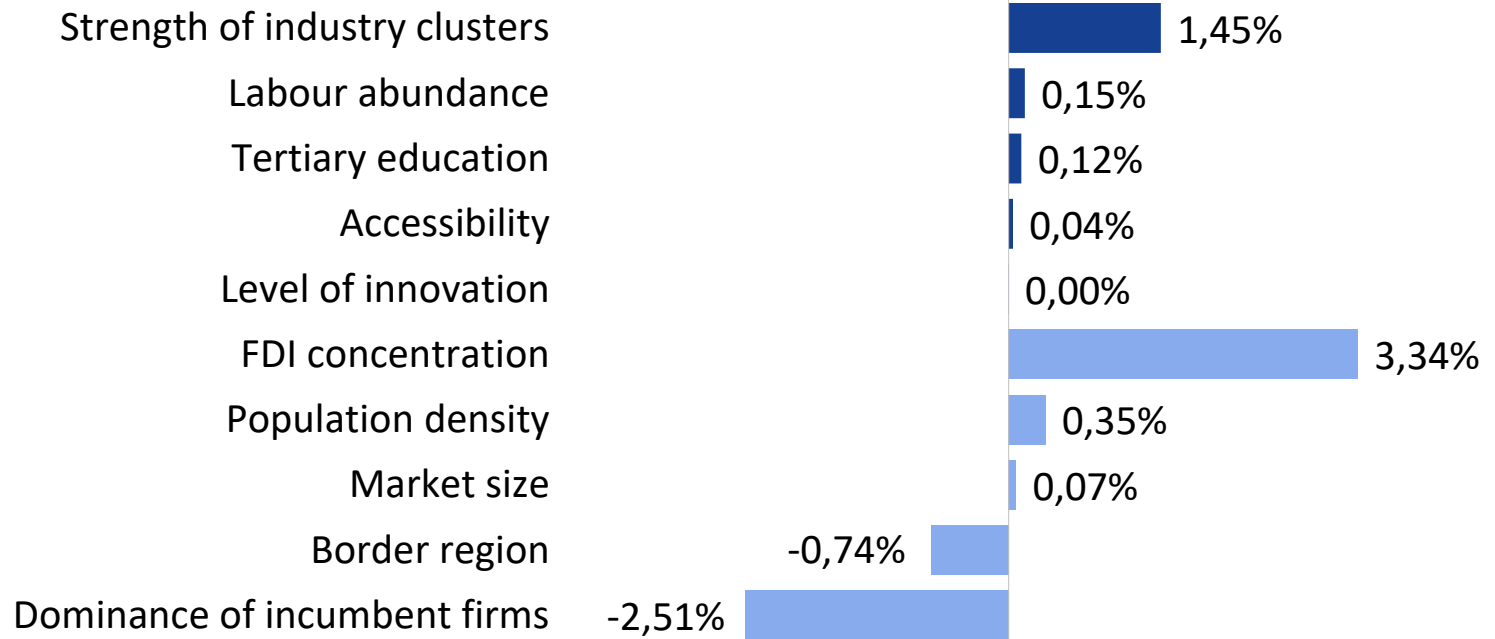
Share of non-European FDI inflows (2003-2015)



FDI concentration, strong industry clusters and a level playing field are main drivers

1% increase in the regional FDI driver

x% increase in the likelihood of receiving an FDI project



Findings for intra-European FDI are similar, but...

- 1 European investors place *more* emphasis on strong industrial clusters and large regional markets
- 2 European investors place *less* emphasis on FDI concentration, population density, labour abundance and higher education
- 3 More evenly distributed across regions than extra-European FDI
- 4 Rural, non-metropolitan and less developed regions receive a larger share of intra-European greenfield FDI than their economic size would predict

Economic convergence

3

Impacts of FDI across European regions

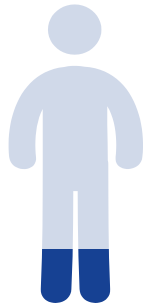


Foreign firms have a disproportionately large footprint in the EU



Foreign firms account for **3%** of the number of firms but...

18% of employment



32% of production value



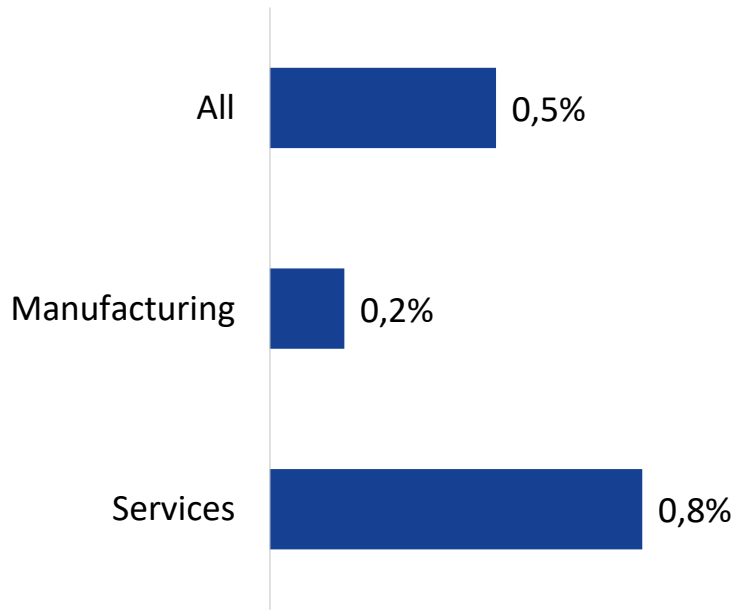
28% of value added



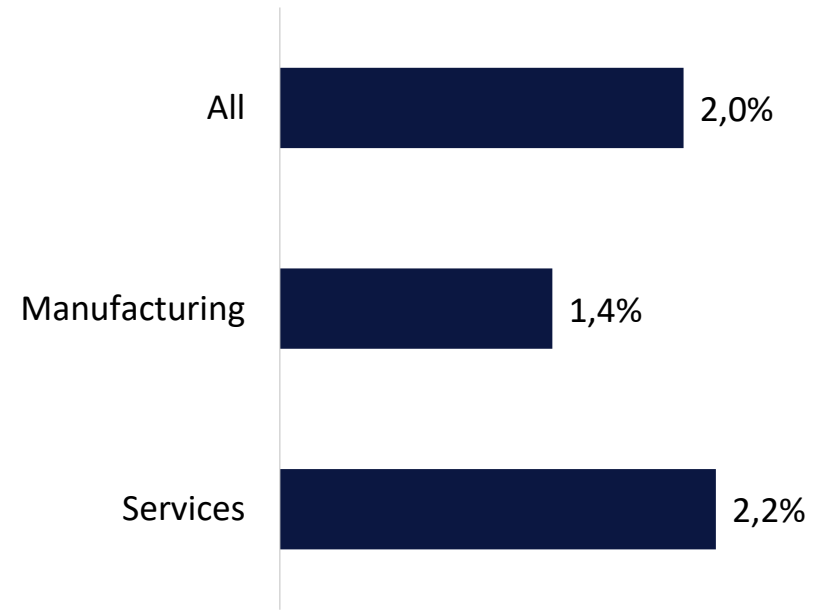
FDI brings significant regional productivity spillovers

One percentage point increase in FDI concentration increases the labour productivity of local firms by...

Intra-industry productivity spillovers



Broader regional productivity spillovers



FDI does not affect employment among local firms

Channels of impact

Crowding out



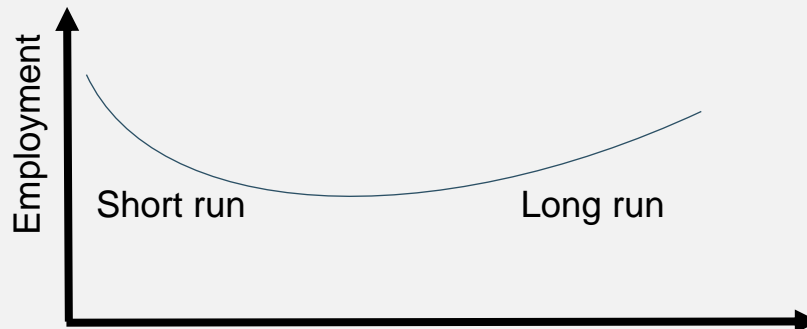
Increased demand for locally produced goods



Productivity spillovers



Higher productivity can increase employment in the long run



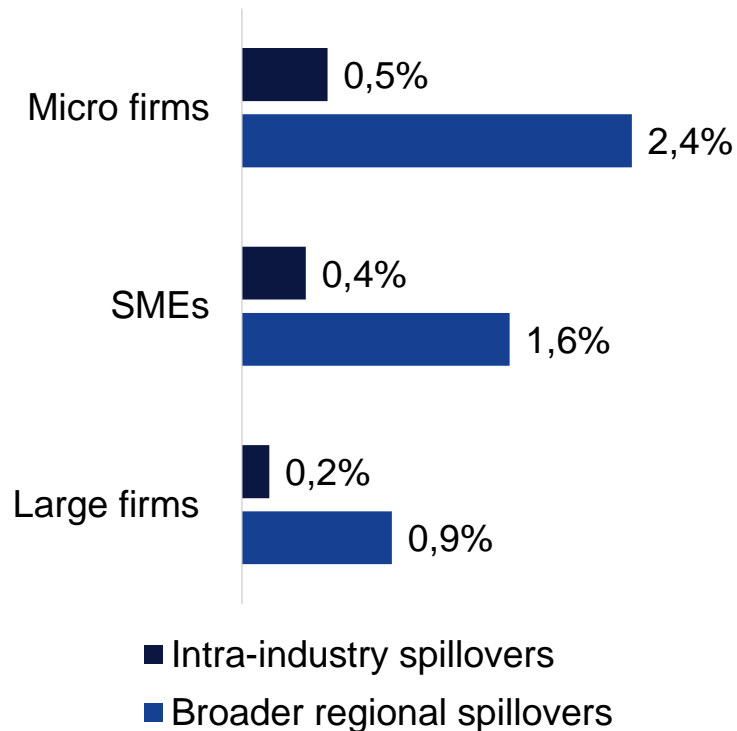
Empirical analysis

No evidence of employment impacts among local firms

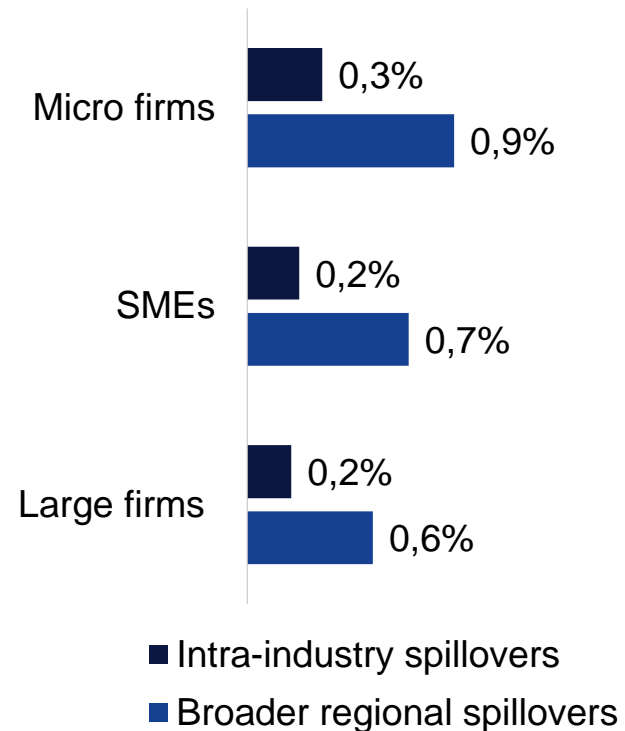
On average, the negative crowding out effect is counter-balanced by an increase in demand and productivity spillovers

Productivity spillovers are larger for smaller firms – and for extra-European FDI

Extra-European FDI

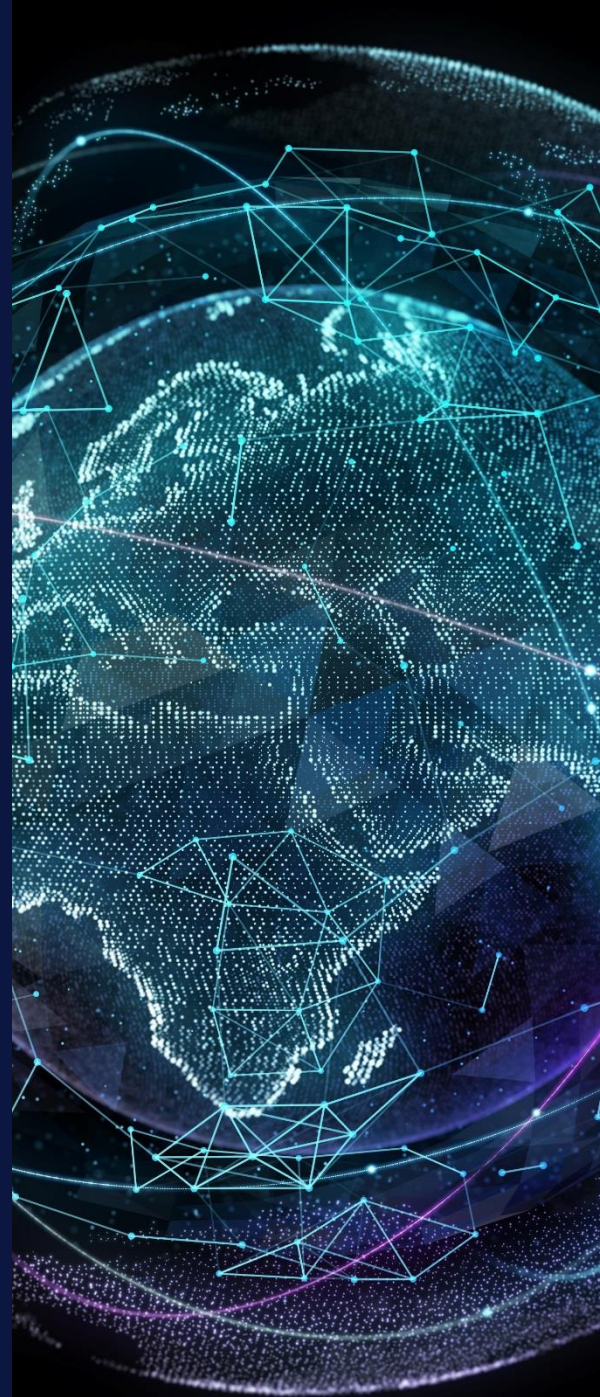


Intra-European FDI

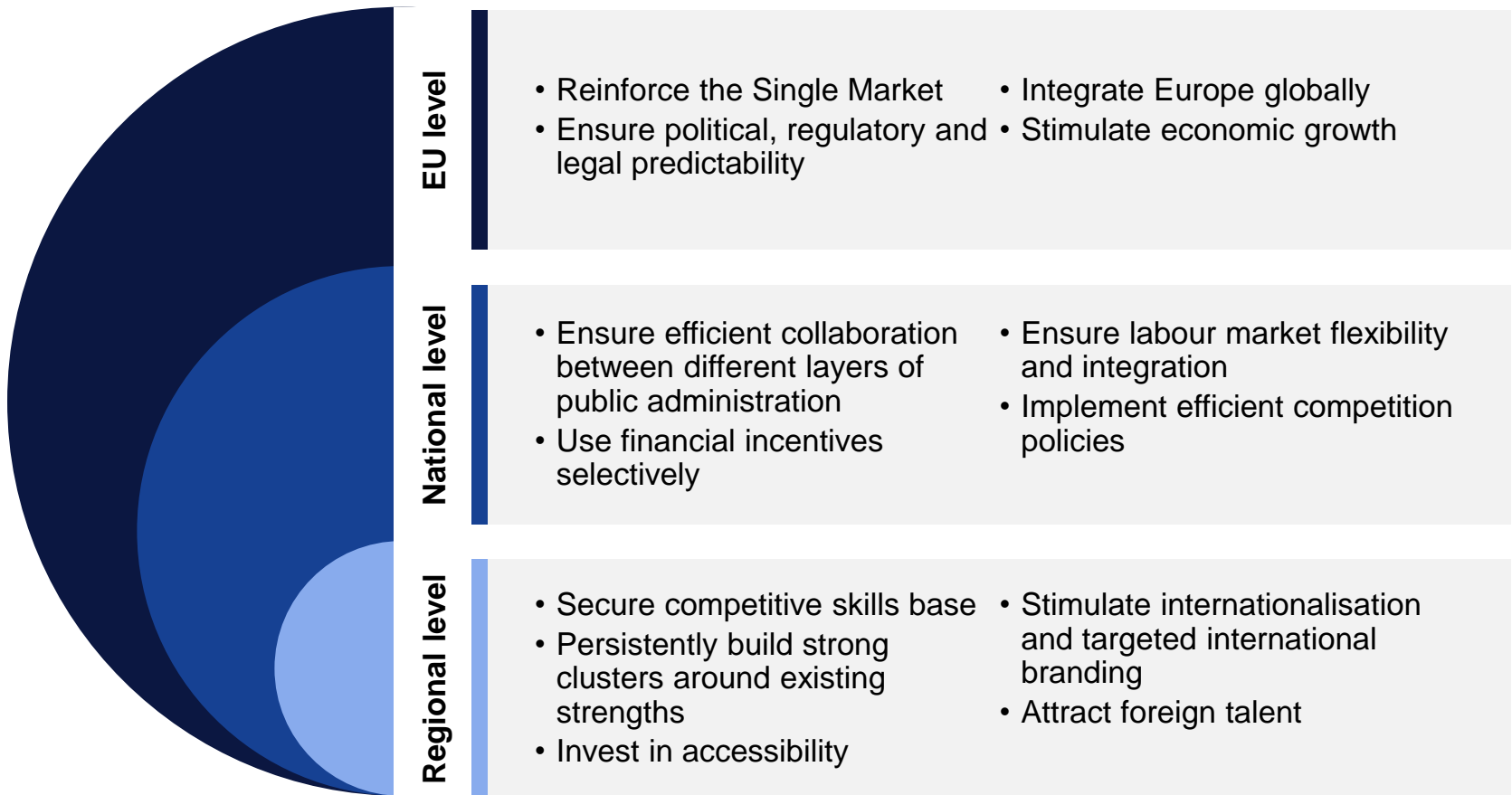


4

Concluding remarks



Much is done to attract FDI – but more can be done



Policies to increase the benefits of FDI inflows

Optimise spillovers and integrate foreign firms in the local economy

Offer after-care support

Improve the integration of SMEs with foreign firms

Key focus on non-European investors



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Thank you for your attention!

Erik Dahlberg
erd@copenhageneconomics.com
+45 5373 2311