

# **International investment in Europe : an analysis of 2002-2006 trends**

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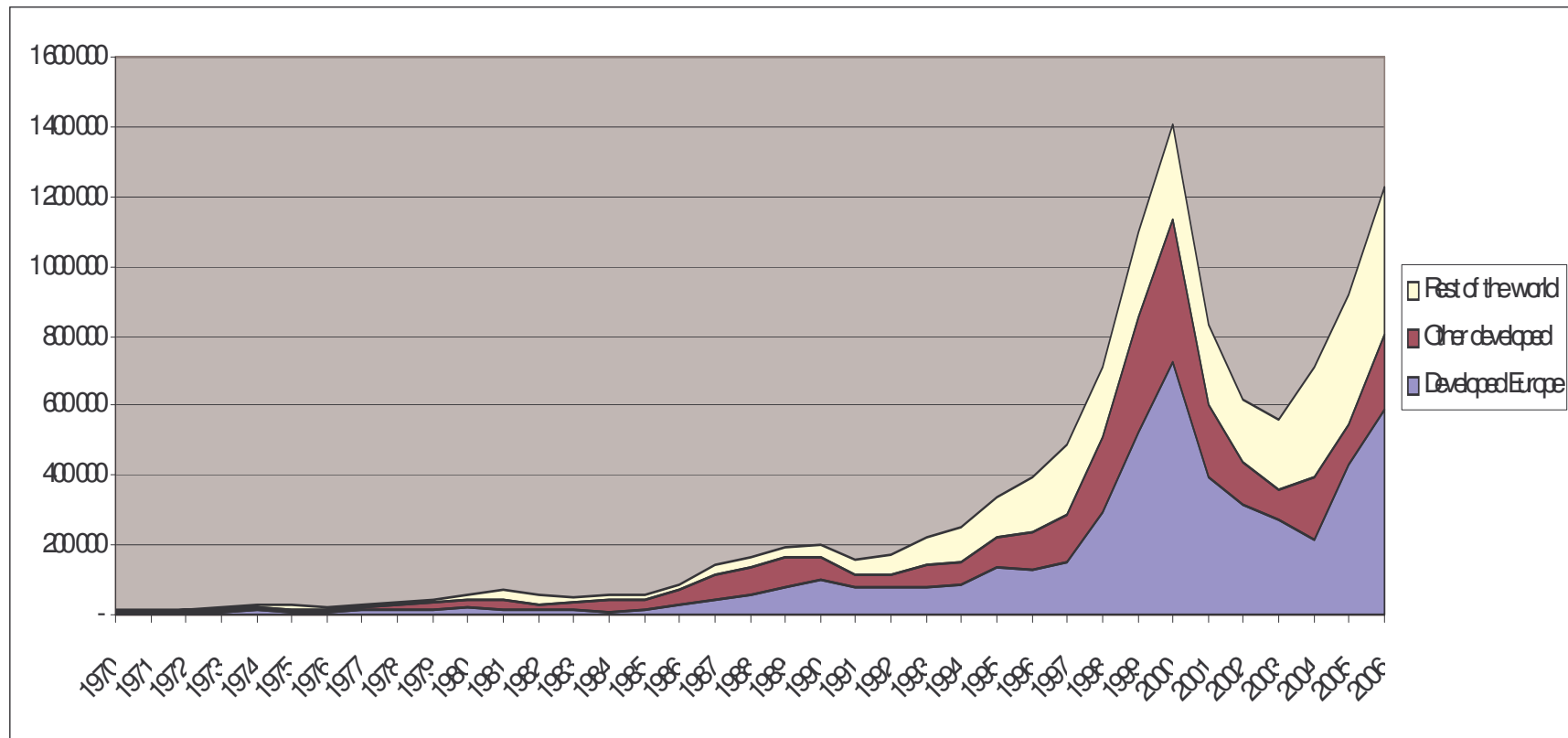
# 1. The world environment

**2006 : sharp increase in international investment in all its forms**

- FDI Flows
- M&A
- Job creation abroad
  
- **Developed countries still attract the major share of FDI and stocks but...**
  
- **...Developing and transition countries attract the major share of job creation abroad**

# World FDI flows : strong increase in 2006

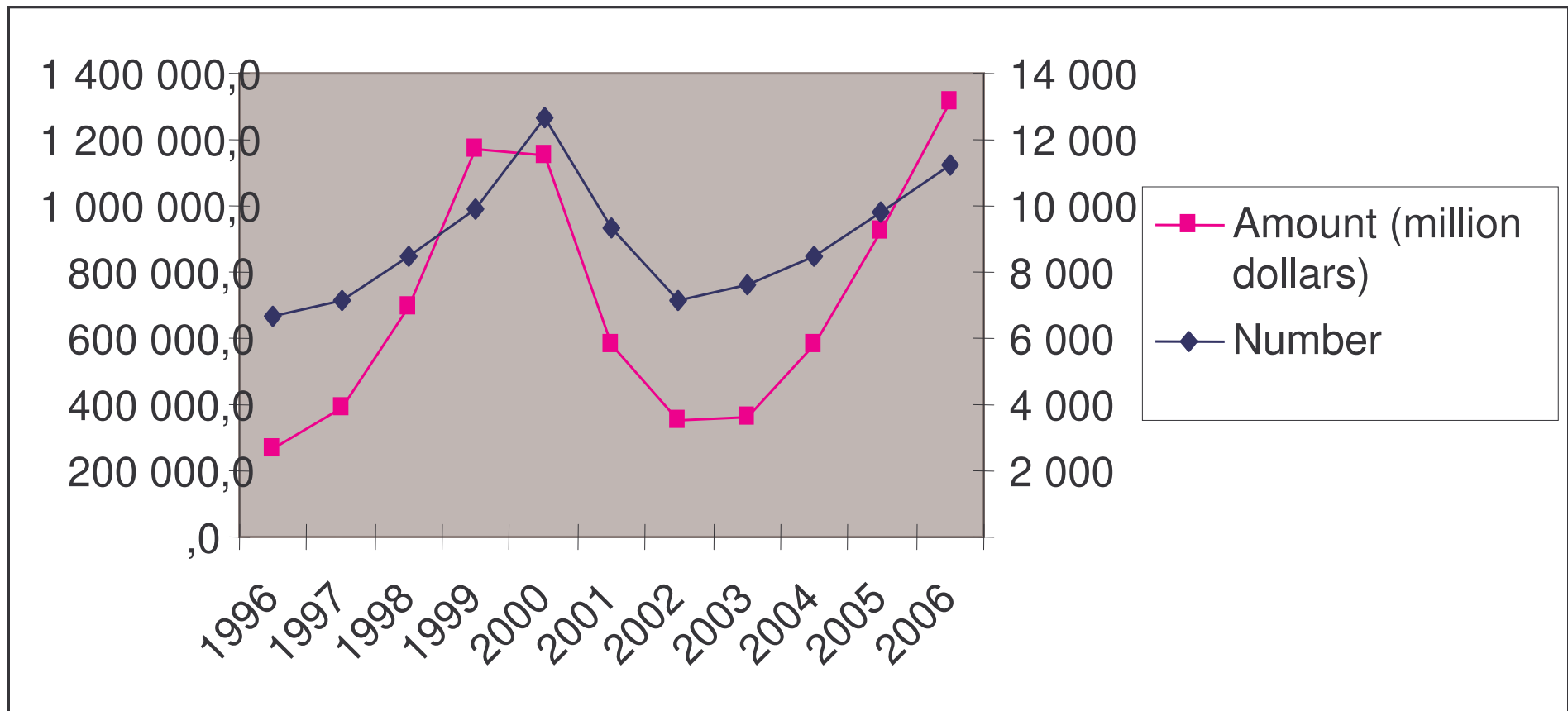
Incoming FDI flows (million dollars)



Source :Unctad

# Strong increase in international merger-acquisitions

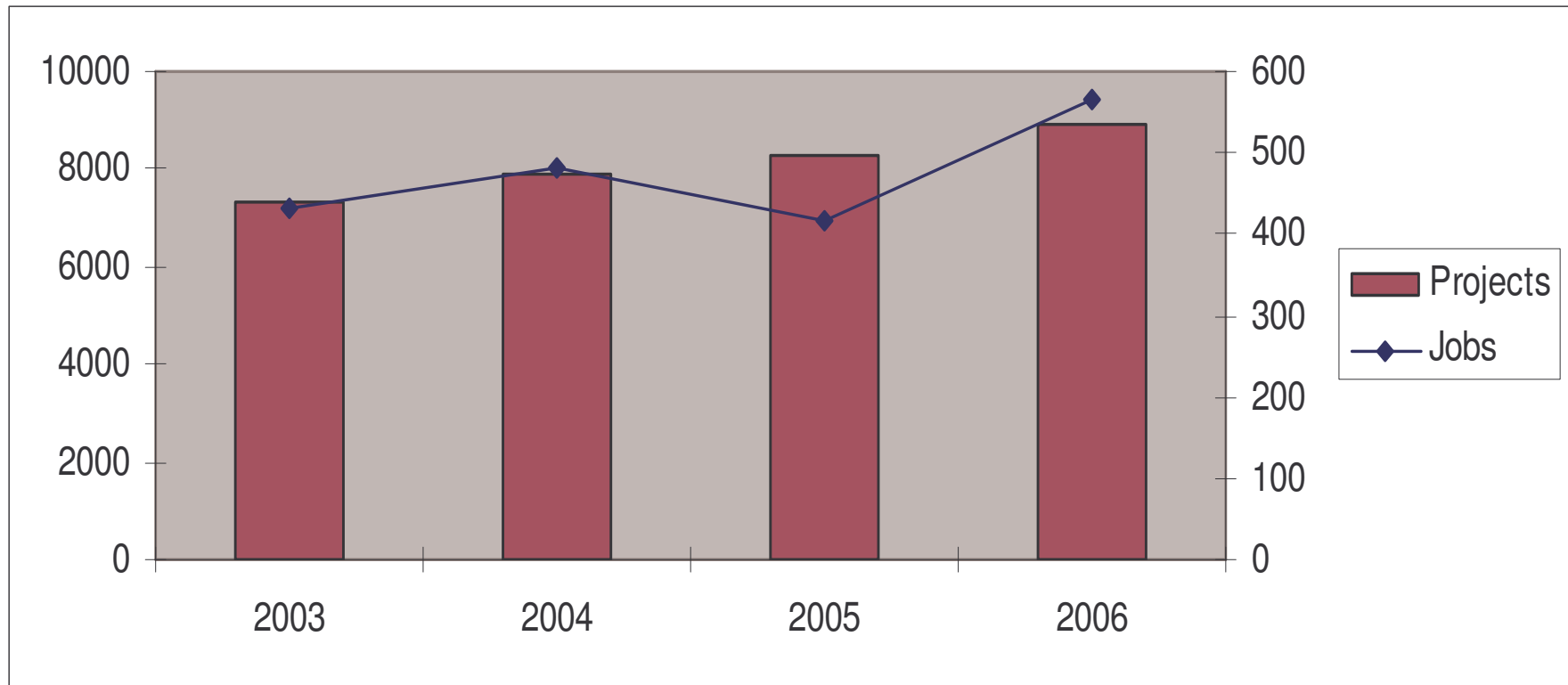
International merger-acquisitions in the world since 1996



Source : Thomson Financial

# Strong increase in jobs creation abroad by multinational corporations in 2006

Number of international projects and job created 2003-2006



Source : OCO Consulting

# FDI inflows by host region : 2006, a good year for developed countries

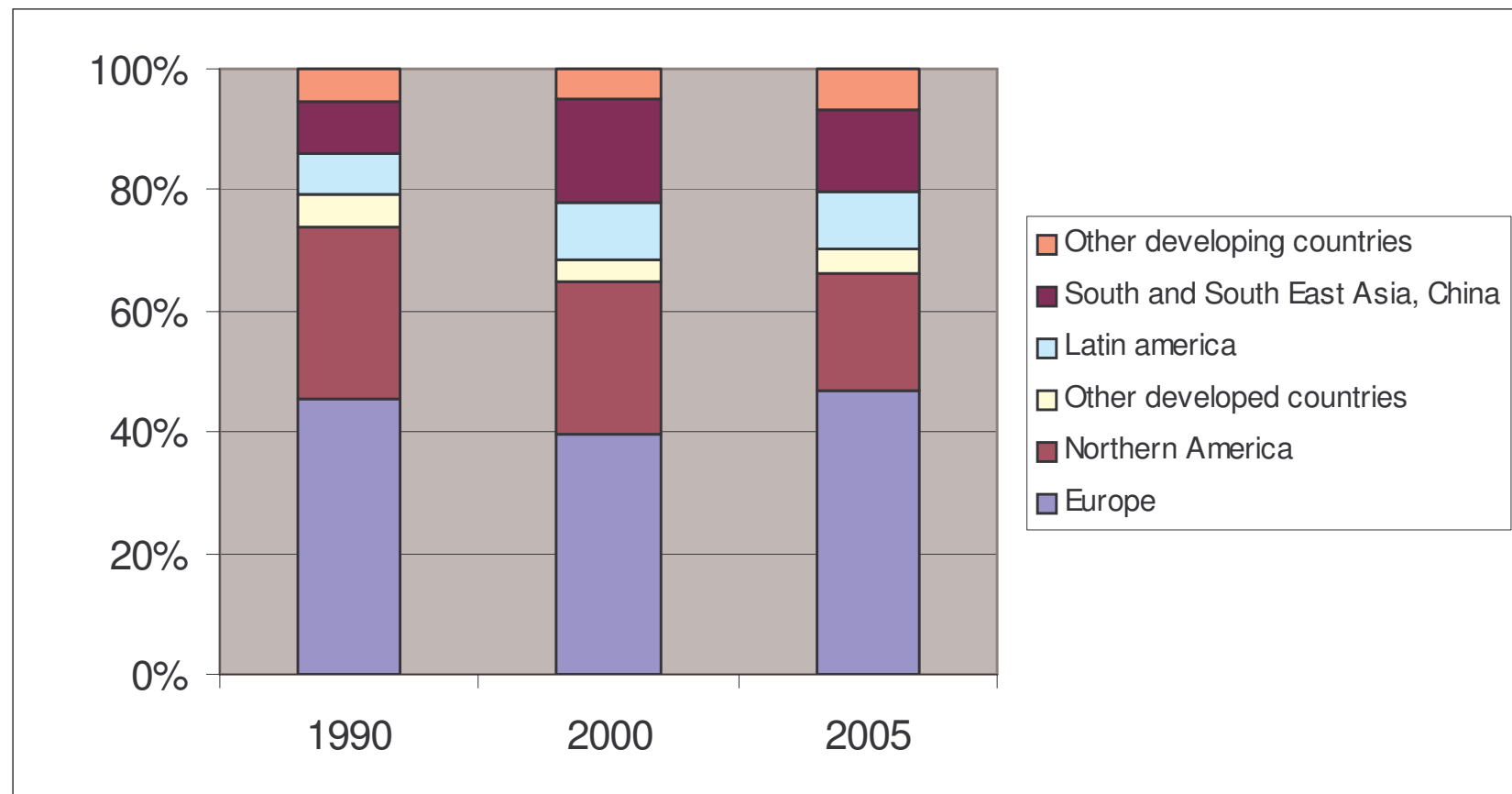
## FDI inflows by host region (billion dollars)

Host region/economy	2004	2005	2006	Growth rate 2006/2005 (%)
<b>World</b>	<b>710,8</b>	<b>916,3</b>	<b>1 230,4</b>	<b>34,3</b>
<b>Developed economies</b>	<b>396,1</b>	<b>542,3</b>	<b>800,7</b>	<b>47,7</b>
Europe	217,7	433,6	589,8	36,0
European Union	213,7	421,9	549,0	30,1
<i>EU-15</i>	<i>185,2</i>	<i>387,9</i>	<i>510,7</i>	<i>31,7</i>
<i>New 10 EU member states</i>	<i>28,5</i>	<i>34,0</i>	<i>38,4</i>	<i>12,8</i>
United States	122,4	99,4	177,3	78,2
Japan	7,8	2,8	- 8,2	- 395,5
<b>Developing economies</b>	<b>275,0</b>	<b>334,3</b>	<b>367,7</b>	<b>10,0</b>
Africa	17,2	30,7	38,8	26,5
Latin America and the Caribbean	100,5	103,7	99,0	- 4,5
Asia and Oceania	157,3	200,0	229,9	15,0
West Asia	18,6	34,5	43,3	25,5
South, East and South-East Asia	138,0	165,1	186,7	13,1
China	60,6	72,4	70,0	- 3,3
Hong Kong, China	34,0	35,9	41,4	15,4
Singapore	14,8	20,1	31,9	58,8
<b>South-East Europe and CIS</b>	<b>39,6</b>	<b>39,7</b>	<b>62,0</b>	<b>56,2</b>

Source : Unctad. Estimates for 2006

# Inward stocks : developed countries still dominant

Breakdown of world FDI inward stocks by home region



Source : Unctad

# Asia on the lead for job creation by multinational corporations

## Breakdown of job creation abroad in the main host regions by international investors

Region	Source	
	OCO Consulting(*)	IBM/PLI (**)
Africa	3,0	2,0
Middle East	1,0	1,0
Developing Asia-Pacific	40,7	44,5
Developed Asia-Pacific	2,6	2,0
Western Europe	12,7	11,0
Central and Eastern Europe	22,2	16,5
Northern America	8,9	15,0
Latin Amerique Latine & Caraïbean	9,0	8,0
<b>World total</b>	<b>100,0</b>	<b>100,0</b>

(\*) 2003-2006 data. for 2006 : three first quarters. (\*\*) 2004-2005 data.



## 2. European outlook

- Methodology
- Global european outlook
- Analysis by project size, market concentration
- Analysis by sector
- Analysis by function
- Analysis by home region
- Analysis by host region

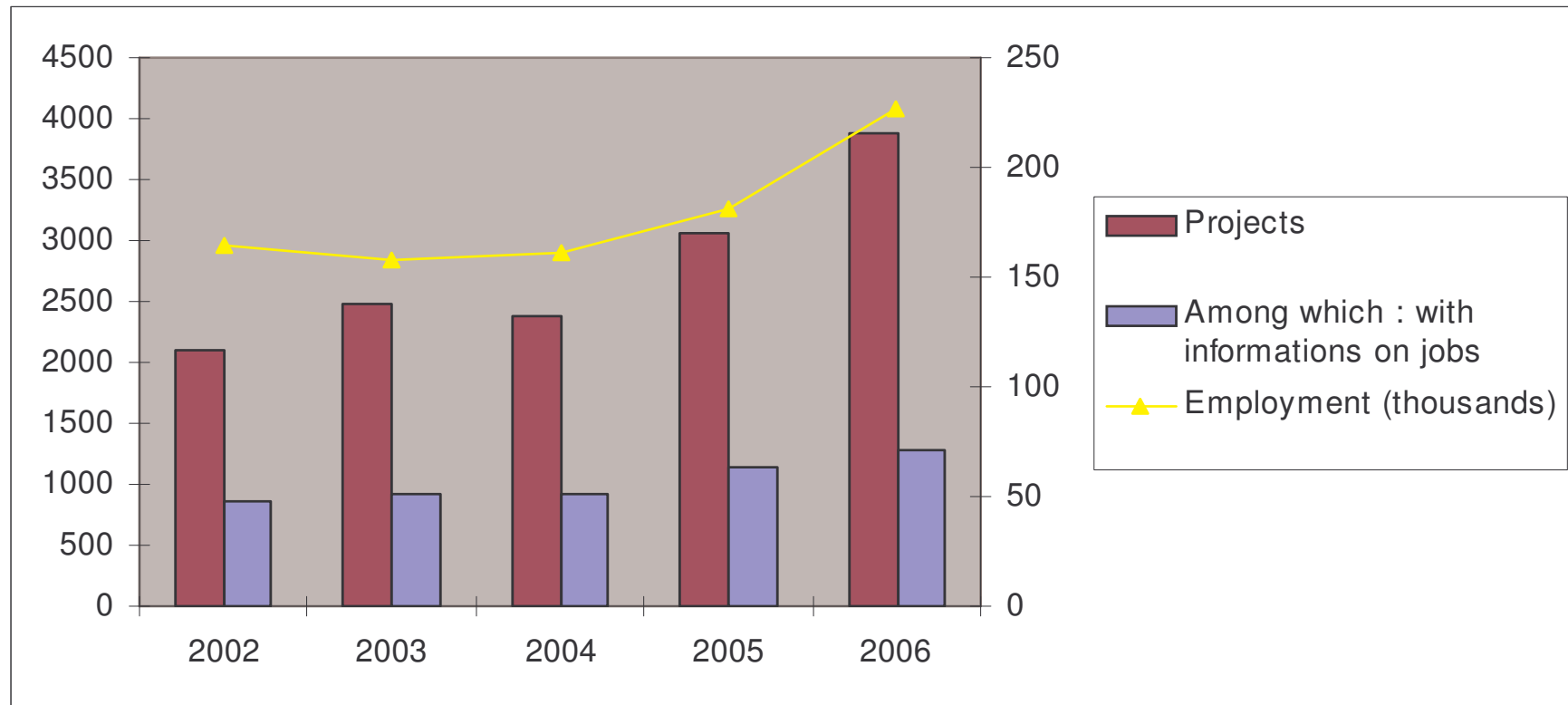
# Methodology :

## The AFII « European international investment monitor »

- **The traditional analysis in terms of FDI flows is not well adapted to the measurement of the market of international greenfield projects. New measurement tools, based on economic intelligence methods, have thus been set up to identify physical investment projects. Ex : Ernst/Young, IBM/PLI, Locomonitor, AFII investment monitors.**
- **Method : census of mobile international investment projects based on various sources (Web, press, etc.). « Mobile » projects are those giving way to a competition between potential host countries. In most of the cases, they regard the production of an internationally tradable good or service. .**
- **Each project is described by about 15 to 20 parameters (host country, home country of the investor, sector, corporate function, jobs created, etc.). Specific analysis can thus be carried out on those various aspects.**
- **The analysis thereafter are based on the data of the European international investment monitor developed by AFII since 2002.**

# Strong increase in jobs creation abroad in Europe in 2006

**Number of international projects and jobs created in Europe**



Source : European International Investment Monitor, AFII

# Analysis by sector

- Manufacturing still dominant in job creation
- Rising share of services and high tech industries

# The major share of jobs creation abroad in Europe remains concentrated in manufacturing

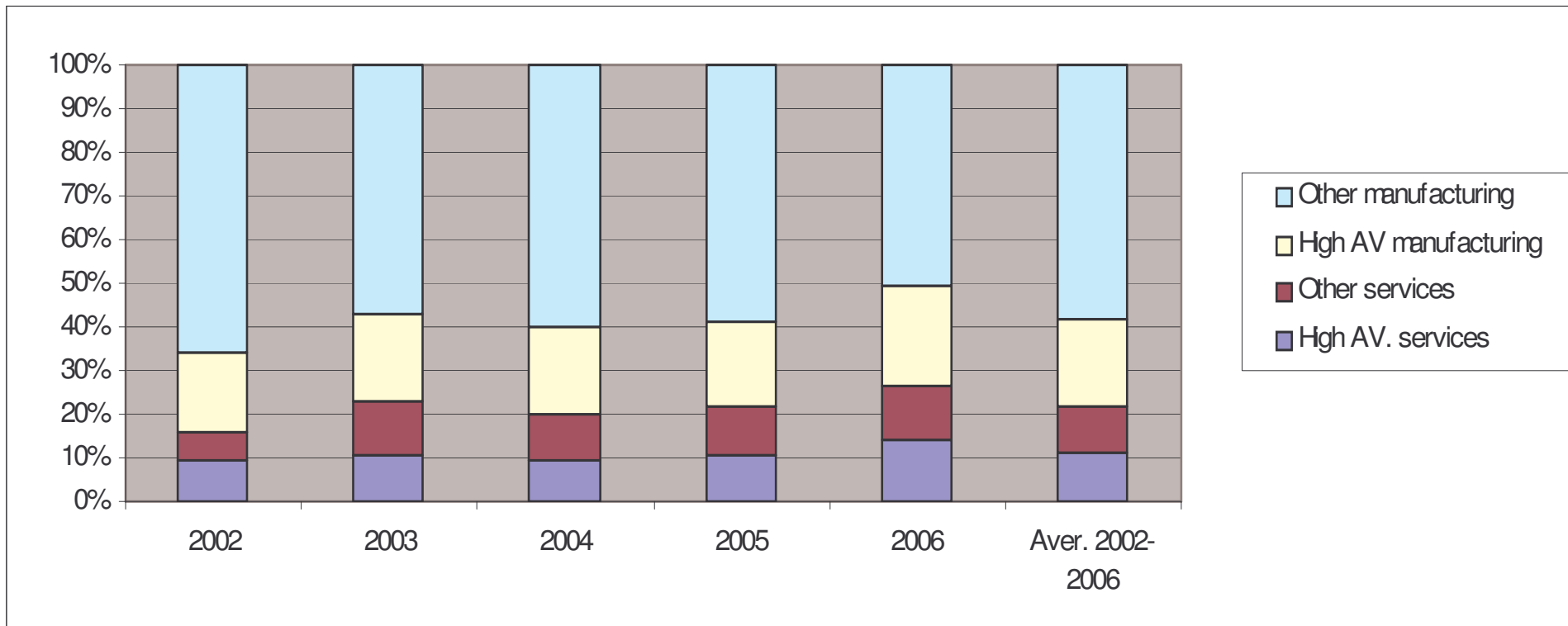
## Sectoral breakdown of projects and job creation abroad in Europe 2002-2006

Sector	Jobs	Projects
Agro-food	3,2	4,8
Home appliances, consumer goods	2,8	2,1
Biotechnologies	0,7	0,9
Chemicals, plastics	2,7	5,4
Electronic components	2,7	1,7
Automotive	28,0	9,9
Consumers electronics	6,1	2,2
Energy, other utilitie	1,5	3,0
Electrics and electronic equipments, computers	9,3	9,8
Machines and mechanical equipments	3,9	4,6
Other transportation materials	3,8	1,4
Health products and cosmetics	3,9	4,0
Metal works	2,8	2,9
Textile, garments	2,6	1,7
Other heavy industries, printing	4,3	5,5
<b>Total Manufacturing</b>	<b>78,3</b>	<b>59,8</b>
Other financial and services activities	5,3	8,3
Other services to business	6,1	8,7
Software and information services	4,9	15,8
Telecom operators, internet	1,4	1,3
Transport and warehousing	3,9	6,2
<b>Total Services</b>	<b>21,7</b>	<b>40,2</b>
<b>Total</b>	<b>100,0</b>	<b>100,0</b>

Source : European International Investment Monitor, AFII

# Growing share of services and high added value manufacturing

## Breakdown of jobs creation in Europe by activity



Source : European International Investment Monitor, AFII

High AV manufacturing : electronic components, electric and electronic equipments, aerospace, pharmaceutical products, biotechnologies

High AV services : ingeneering and consulting, software and IT services

# Functional approach

- Production functions are still dominant in terms of jobs creation, but the majority of projects are in services functions
- Rising share of services functions : call centres, R&D centres, services to customer...

Dominant share of the « production » function in terms of jobs, but the « services » functions get the larger share in terms of projects

**Breakdown of projects and jobs creation abroad by business function in Europe 2002-2006**

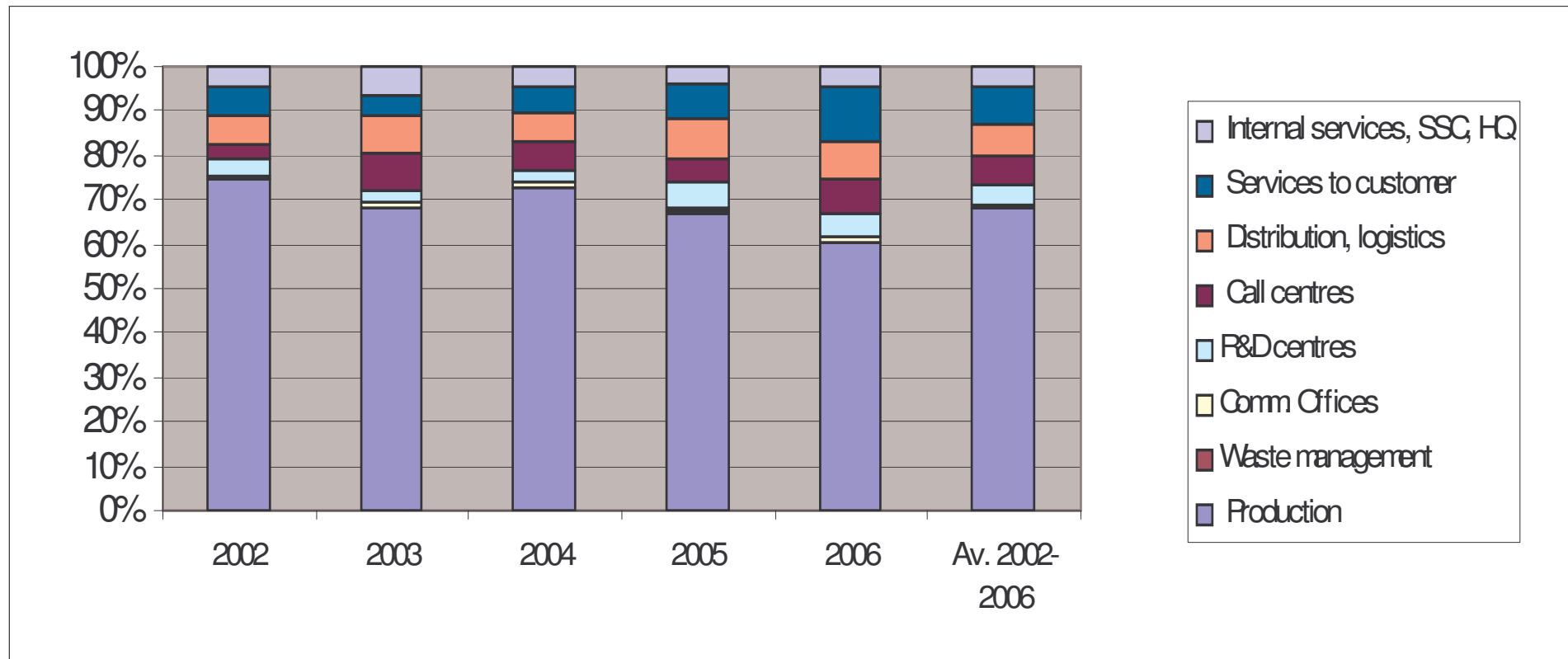
<b>Function</b>	<b>Jobs</b>	<b>Projects</b>
Production	68,0	35,1
Waste management	0,1	0,4
<b>Total Production</b>	<b>68,1</b>	<b>35,5</b>
Comm. offices	1,0	33,7
R&D centres	4,2	5,3
Call centers	6,3	2,2
Distribution, logistics	7,6	7,6
Services to customer	8,0	9,0
Internal services, SSC, HQ	4,6	6,7
<b>Total services</b>	<b>31,9</b>	<b>64,5</b>
<b>Total</b>	<b>100,0</b>	<b>100,0</b>

Source : European International Investment Monitor, AFII



# Growing share of the « services » functions

Number of jobs created abroad by function in Europe,  
2002-2006



Source : European International Investment Monitor, AFII

# Project size, market concentration

- Projects with more than 250 jobs : 2/3 of jobs creation abroad in Europe
- 10 % of projects : 50 % of jobs creation abroad
- Factories and call centers : larger size of projects than average
- Average size of projects higher in industry than in services

# Projects with more than 250 jobs : 2/3 of jobs creation

Breeakdown of international projects and jobs creation abroad by size of project,  
2002-2006

Size of projects (number of jobs)	Jobs	Projects
1 to 25	2,1	25,7
26 to 50	4,3	18,5
51 to 100	9,0	18,6
101 to 250	19,5	19,2
251 to 500	24,5	11,5
501 to 1000	20,4	4,5
1001 and +	20,3	1,9
Total	<b>100,0</b>	<b>100,0</b>

Source : European International Investment Monitor, AFII

# 10 % of projects : 50 % of jobs creation abroad

Cumulated number of jobs created abroad in Europe by decreasing size of projects, 2002-2006

% of projects	% of jobs
1,0	13,3
5,0	35,8
10,0	50,2
20,0	68,1
30,0	79,2
50,0	91,6
70,0	97,2
90,0	99,5
100,0	100,0

Source : European International Investment Monitor, AFII

# Average size of projects : higher in industry than in services

Average size of international projects in Europe by sector  
2002-2006

Sector	Average size
Agro-food	110,3
Home appliances, consumer goods	184,0
Biotechnologies	121,8
Chemicals, plastics	83,6
Electronic components	192,6
Automotive	302,5
Consumers electronics	376,2
Energy, other utilitie	154,7
Electrics and electronic equipments, computers	165,7
Machines and mechanical equipments	121,8
Other transportation materials	352,9
Health products and cosmetics	143,8
Metal works	134,4
Textile, garments	224,8
Other heavy industries, printing	121,9
<b>Total Manufacturing</b>	<b>191,6</b>
Other financial and services activities	149,8
Other services to business	140,5
Software and information services	99,0
Telecom operators, internet	182,7
Transport and warehousing	133,2
<b>Total Services</b>	<b>130,7</b>
<b>Total</b>	<b>174,0</b>

Source : European International Investment Monitor, AFII

# Factories and call centers : larger size of projects than average

Average size of international projects in Europe by business function,  
2002-2006

<b>Function</b>	<b>Total</b>
Production	226,8
Waste management	40,8
<b>Total Production</b>	<b>225,5</b>
Comm. offices	18,6
R&D centres	97,7
Call centers	234,8
Distribution, logistics	160,7
Services to customer	133,8
Internal services, SSC, HQ	116,9
<b>Total services</b>	<b>117,0</b>
<b>Total</b>	<b>174,0</b>

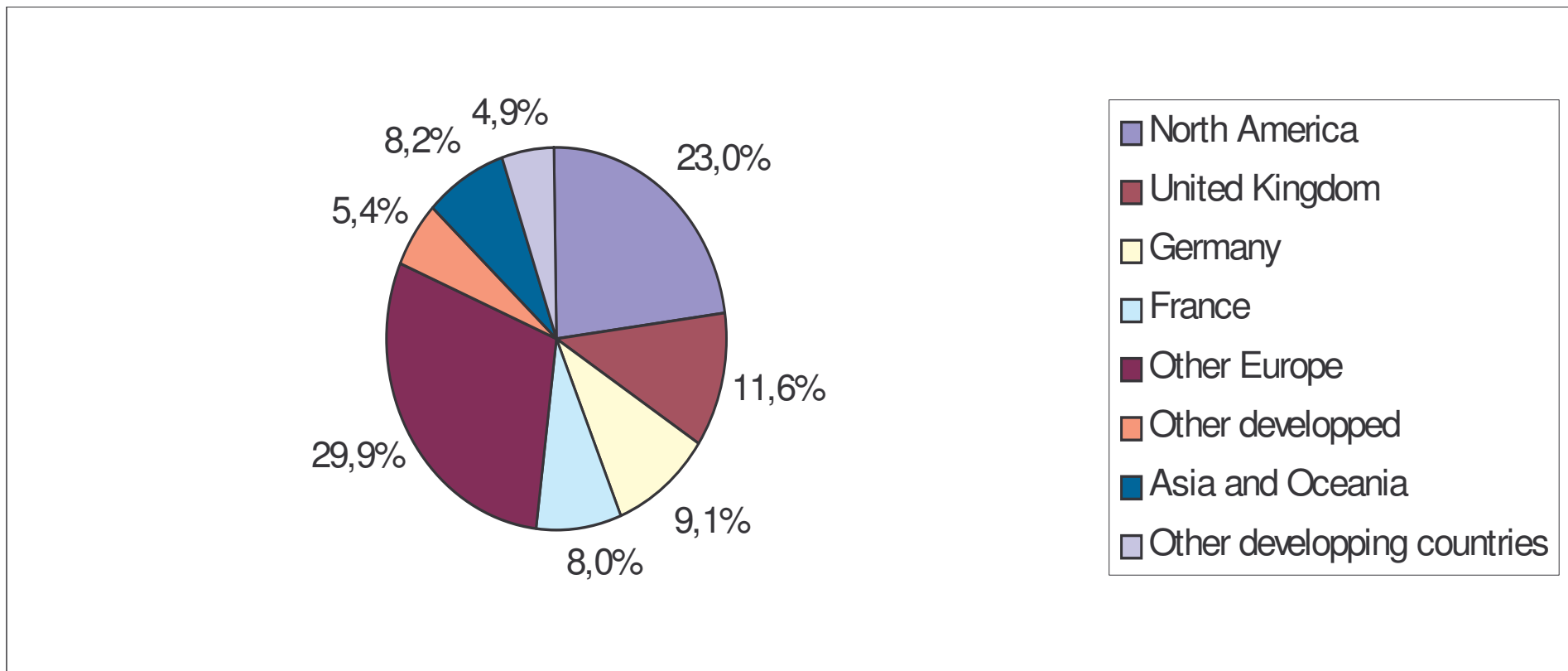
Source : European International Investment Monitor, AFII

# Analysis by host region

- Western european firms, major investors in europe
  - Major investors in the world
  - More focused on Europe
- North american investor in second position
- Asia on the rise, but still marginal
- Anglo-saxon projects more focused on services and high-tech
- Asian and european projects more focused on manufacturing

# The major share of worldwide FDI outward stocks comes from Western Europe

Breakdown of FDI outward stocks par home region or country, 2005

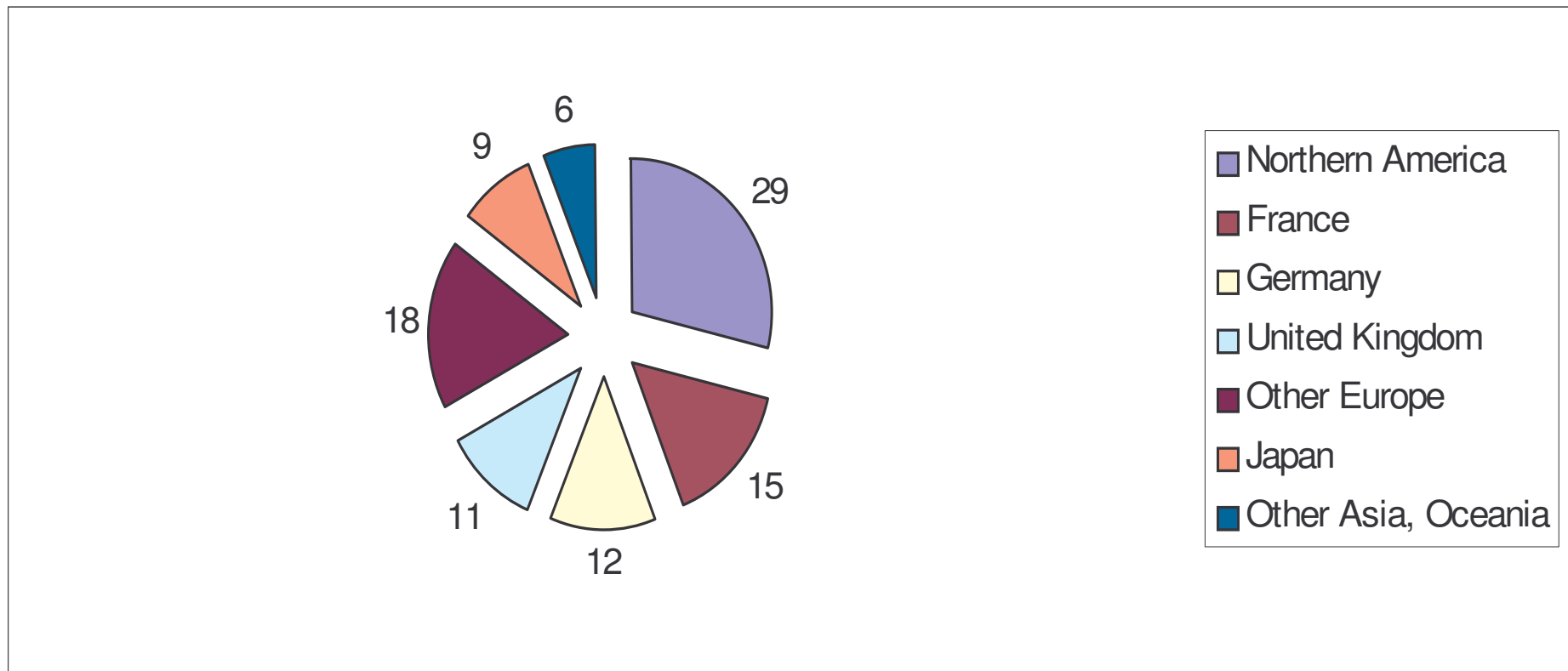


Source : Unctad



# More than half of the largest 100 multinational companies in the world come from Europe

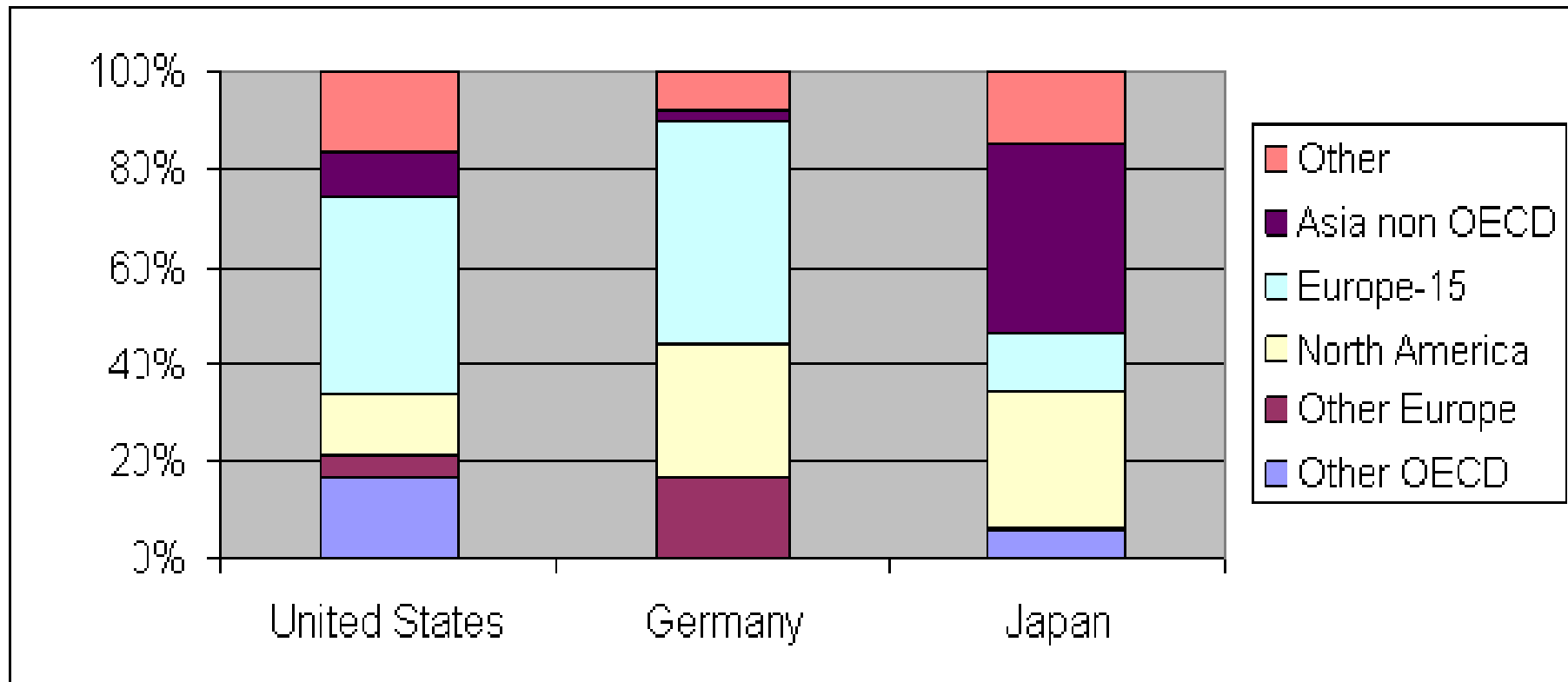
Breakdown of the 100 major multinational companies by home country  
2005



Source : Unctad

# Companies are more focused on their home region

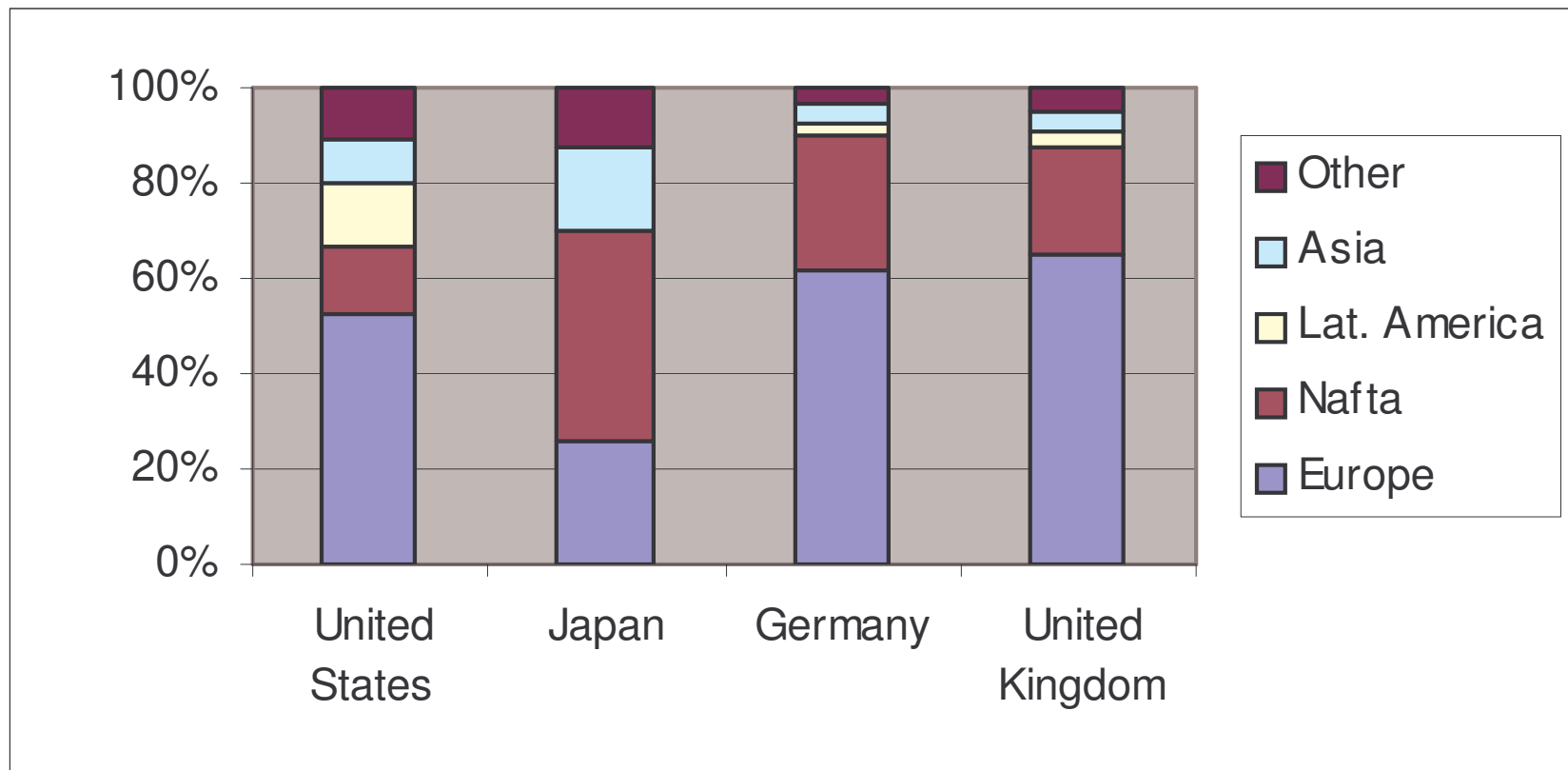
Breakdown of jobs abroad depending of the home country



Source : OECD. Last available year

# Companies are more focused on their home region

Breakdown of FDI outward stocks depending on the home country

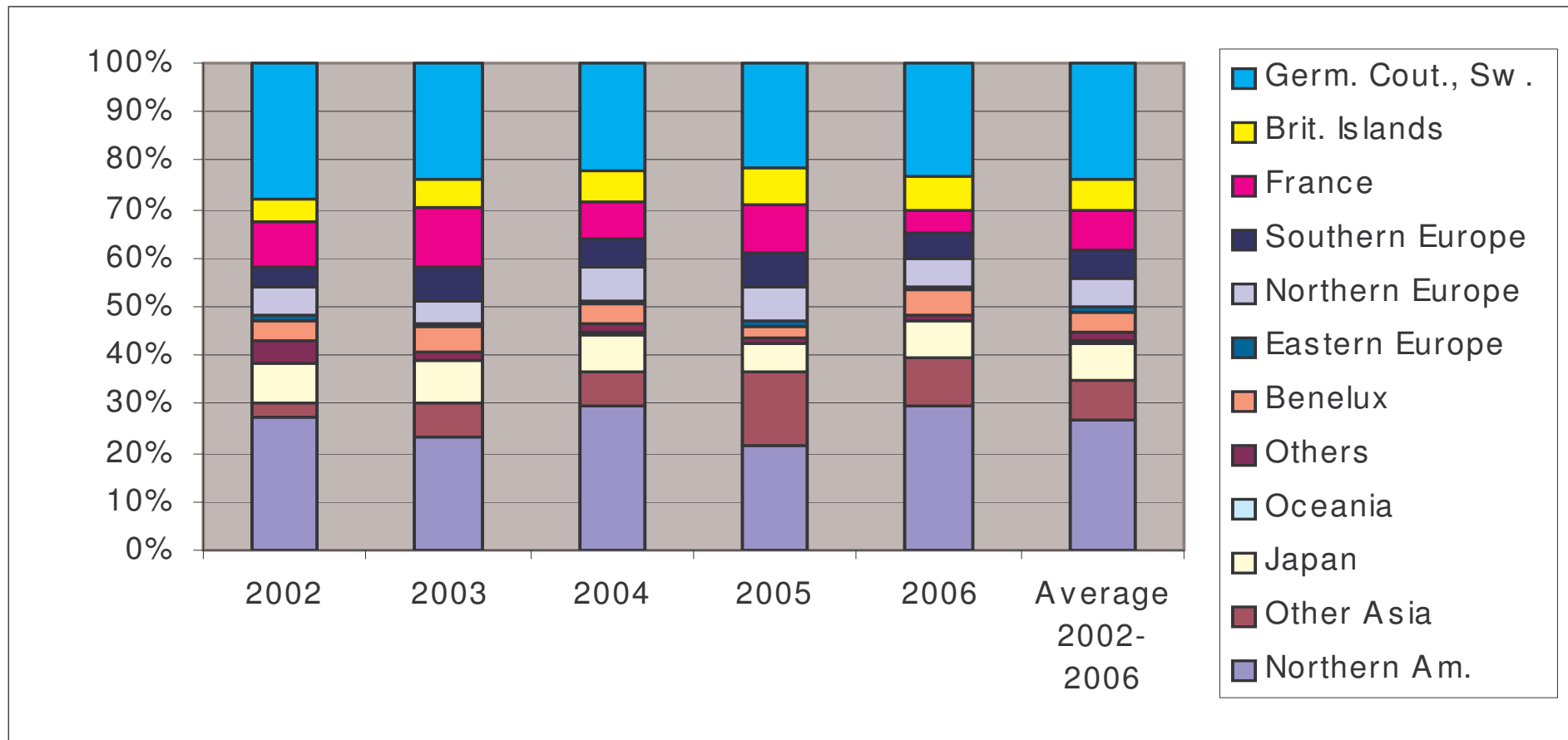


Source : OECD, 2004.

The category « others » includes Latin America for japanese outward FDI.

# Intra-european investments are dominant, Asian investors are on the rise

Breakdown of job creation abroad in Europe by home region



Source : European International Investment Monitor, AFII

# Anglo-saxon projects are more focused on services and high-tech

Breakdown of job creation abroad by sector in Europe depending on the home region, 2002-2006

Home region Sector	Northern am.	Other Asia	Japan	Total Asia	Benel	North. Europe	Southern Europe	France	Brit. islands	Germ count., Sw.	Europe	Total
Agro-food	2,6	0,6	0,4	0,5	11,0	3,9	4,2	3,6	8,2	1,8	4,2	3,2
Home appliances, consumer goods	2,1	1,0	0,1	0,7	6,7	13,9	4,8	0,5	0,3	2,1	3,7	2,8
Biotechnologies	2,2	0,0	0,0	0,0	1,3	0,1	0,2	0,0	0,1	0,0	0,2	0,7
Chemicals, plastics	2,7	0,9	1,9	1,4	3,7	4,1	3,6	1,5	3,3	2,7	2,9	2,7
Electronic components	4,3	3,7	1,6	2,9	5,1	1,8	0,7	0,6	1,1	2,3	1,9	2,7
Automotive	20,3	20,3	62,2	39,5	7,1	12,2	27,3	37,3	5,1	42,1	29,0	28,0
Consumers electronics	1,1	29,9	14,3	22,3	4,5	9,4	13,9	2,4	0,0	1,1	3,7	6,1
Energy, other utilitie	1,1	0,1	0,0	0,1	5,1	1,9	4,0	0,4	0,4	2,4	2,2	1,5
Electrics and electronic equipts, computers	12,9	23,5	6,2	15,6	2,6	10,3	1,8	5,0	2,9	7,5	5,9	9,3
Machines and mechanical equipments	2,5	0,3	6,4	3,1	2,4	10,0	3,9	1,6	2,6	6,2	4,9	3,9
Other transportation materials	4,0	2,0	0,1	1,1	0,5	1,1	1,0	17,6	0,9	3,3	4,5	3,8
Health products and cosmetics	6,4	0,2	1,3	0,7	1,2	4,5	1,5	3,8	10,0	2,7	3,7	3,9
Metal works	2,5	0,6	2,6	1,6	6,2	2,4	5,6	2,8	1,3	2,6	3,3	2,8
Textile, garments	0,5	0,0	0,1	0,0	1,8	2,5	7,6	2,7	4,1	3,1	3,5	2,6
Other heavy industries, printing	2,0	0,6	0,9	0,8	3,9	9,2	12,8	2,0	4,8	5,8	6,2	4,3
<b>Total Manufacturing</b>	<b>67,1</b>	<b>83,7</b>	<b>98,2</b>	<b>90,1</b>	<b>62,9</b>	<b>87,3</b>	<b>92,9</b>	<b>81,8</b>	<b>45,0</b>	<b>85,8</b>	<b>79,6</b>	<b>78,3</b>
Other financial and services activities	8,6	1,3	0,0	0,9	7,5	1,8	1,9	4,5	14,8	4,4	5,3	5,3
Other services to business	11,1	3,6	0,7	2,2	7,9	7,2	0,3	9,1	10,1	2,3	5,0	6,1
Software and information services	11,0	8,6	0,6	4,9	2,9	0,8	0,2	2,2	3,4	2,4	2,2	4,9
Telecom operators, internet	0,4	1,2	0,0	0,6	2,5	0,7	3,0	0,2	7,7	1,6	2,2	1,4
Transport and warehousing	1,9	1,5	0,4	1,3	16,3	2,2	1,6	2,2	19,0	3,4	5,8	3,9
<b>Total Services</b>	<b>32,9</b>	<b>16,3</b>	<b>1,8</b>	<b>9,9</b>	<b>37,1</b>	<b>12,7</b>	<b>7,1</b>	<b>18,2</b>	<b>55,0</b>	<b>14,2</b>	<b>20,4</b>	<b>21,7</b>
<b>Total</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

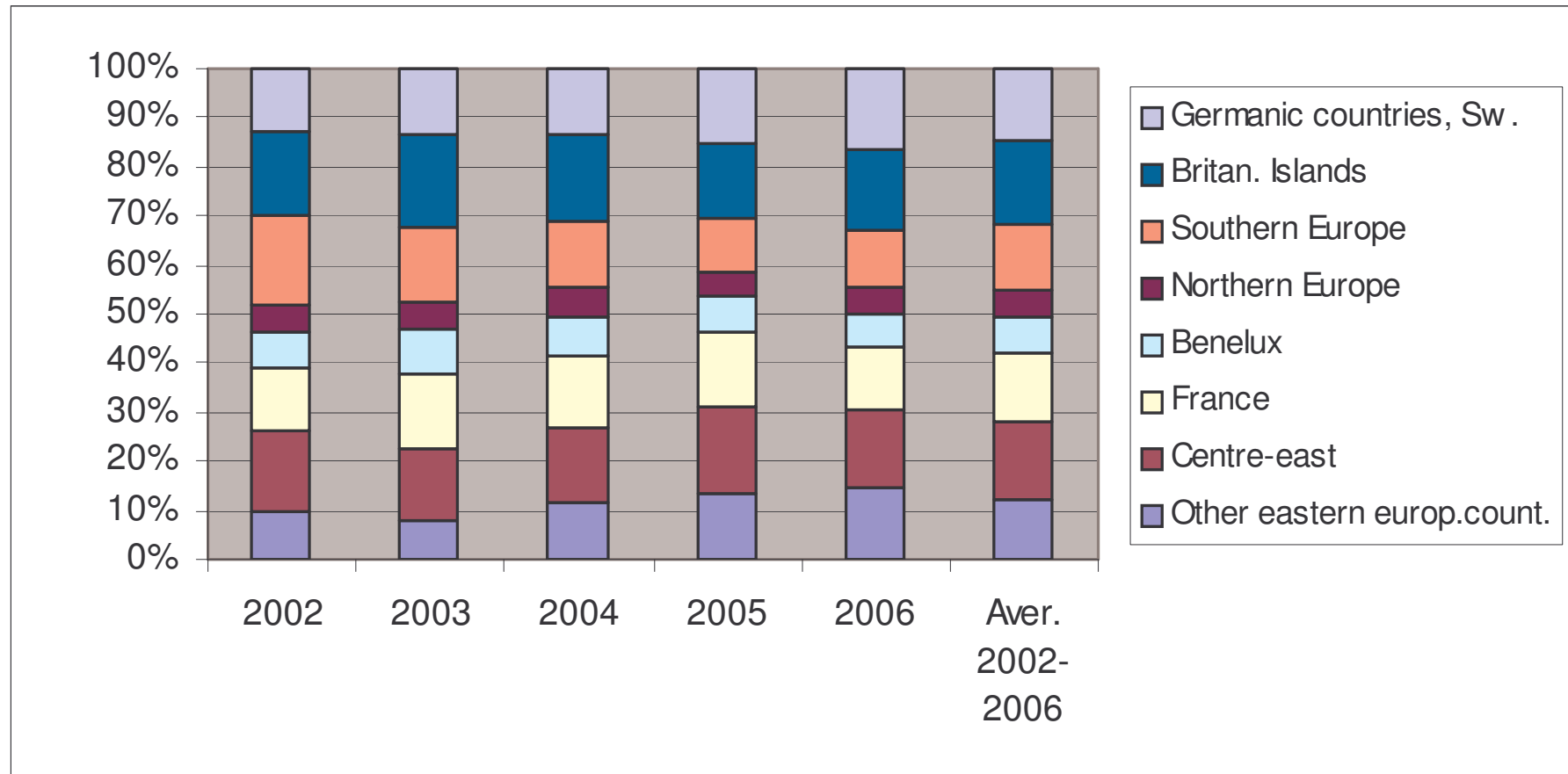
Source : European International Investment Monitor, AFII

# Analysis by home region

- Good position of eastern Europe as a host region in terms of job creation
- Western Europe dominant as a host region in terms of number of projects
- Dominant market share for eastern european countries for production activities
- Anglo-saxon firms more focused on western Europe than german an asian companies

# Western Europe dominant as a host region in terms of number of projects

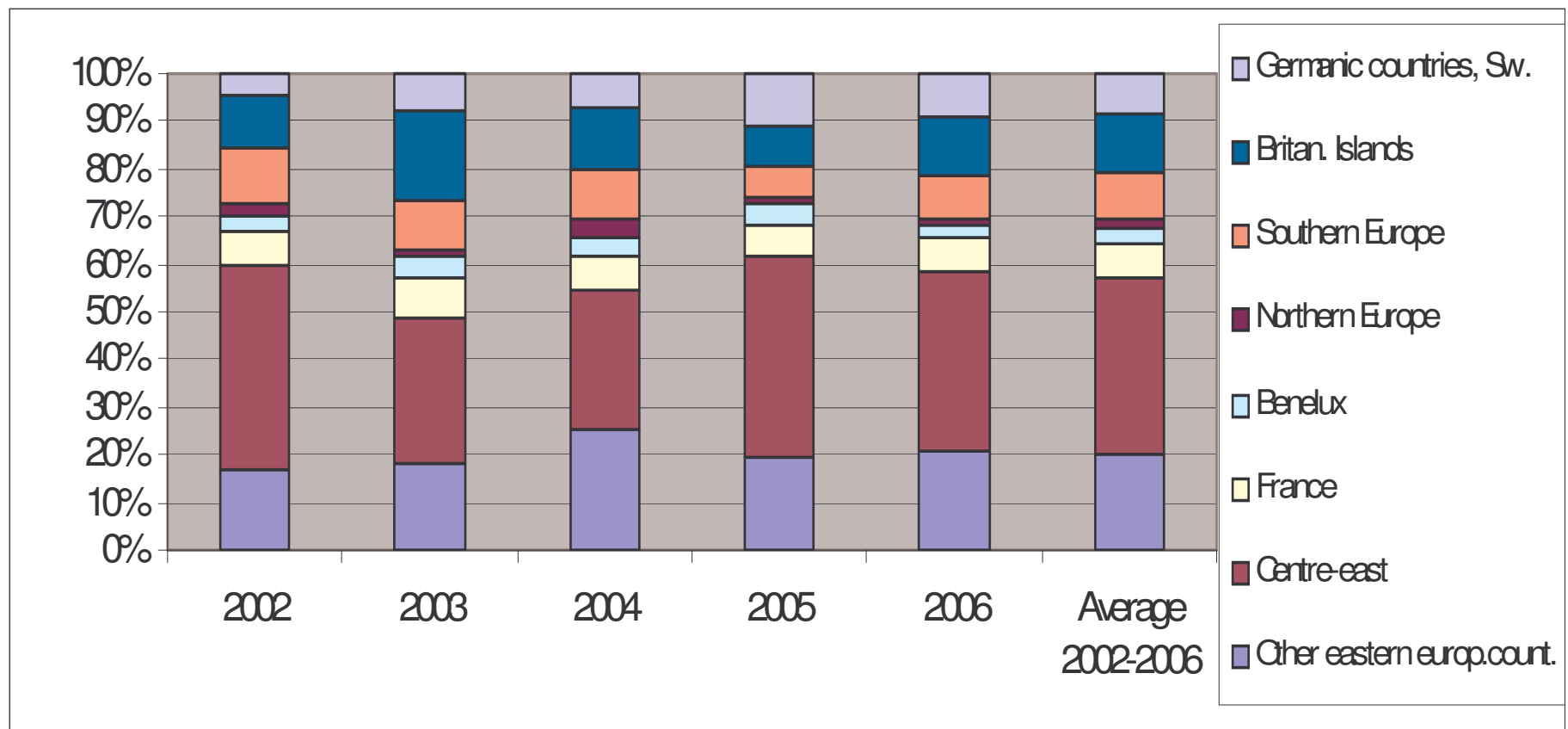
Breakdown of projects abroad by host region in Europe, 2002-2006



Source : European International Investment Monitor, AFII

# Good position of eastern Europe as a host region in terms of job creation

Breakdown of job creation abroad by host region in Europe, 2002-2006

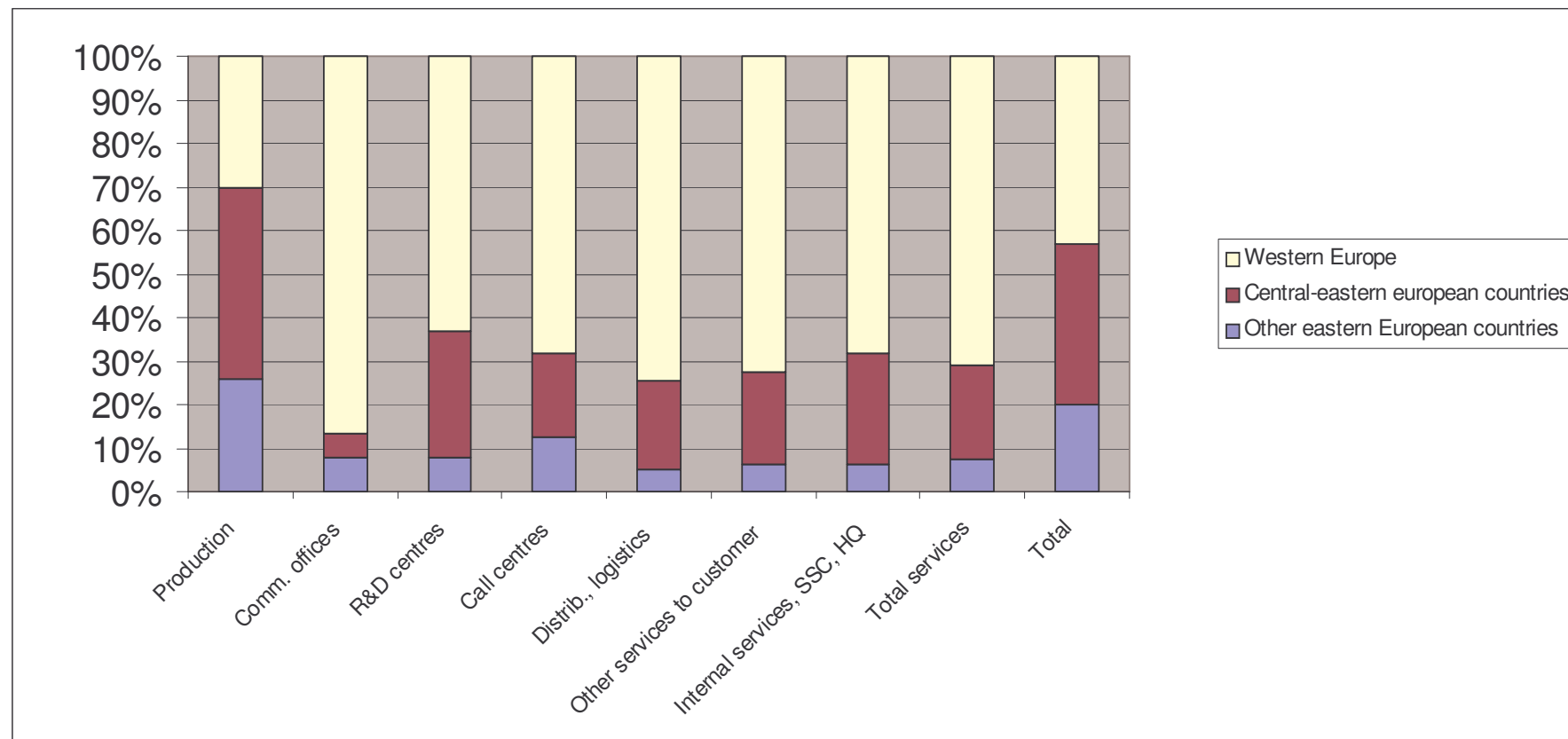


Source : European International Investment Monitor, AFII



# Dominant market share for eastern european countries for production activities

Breakdown of job creation abroad by host region depending on the function, 2002-2006



Source : European International Investment Monitor, AFII

# Dominant share of eastern Europe as a host region for traditional manufacturing, of Western Europe for services and high-tech industries

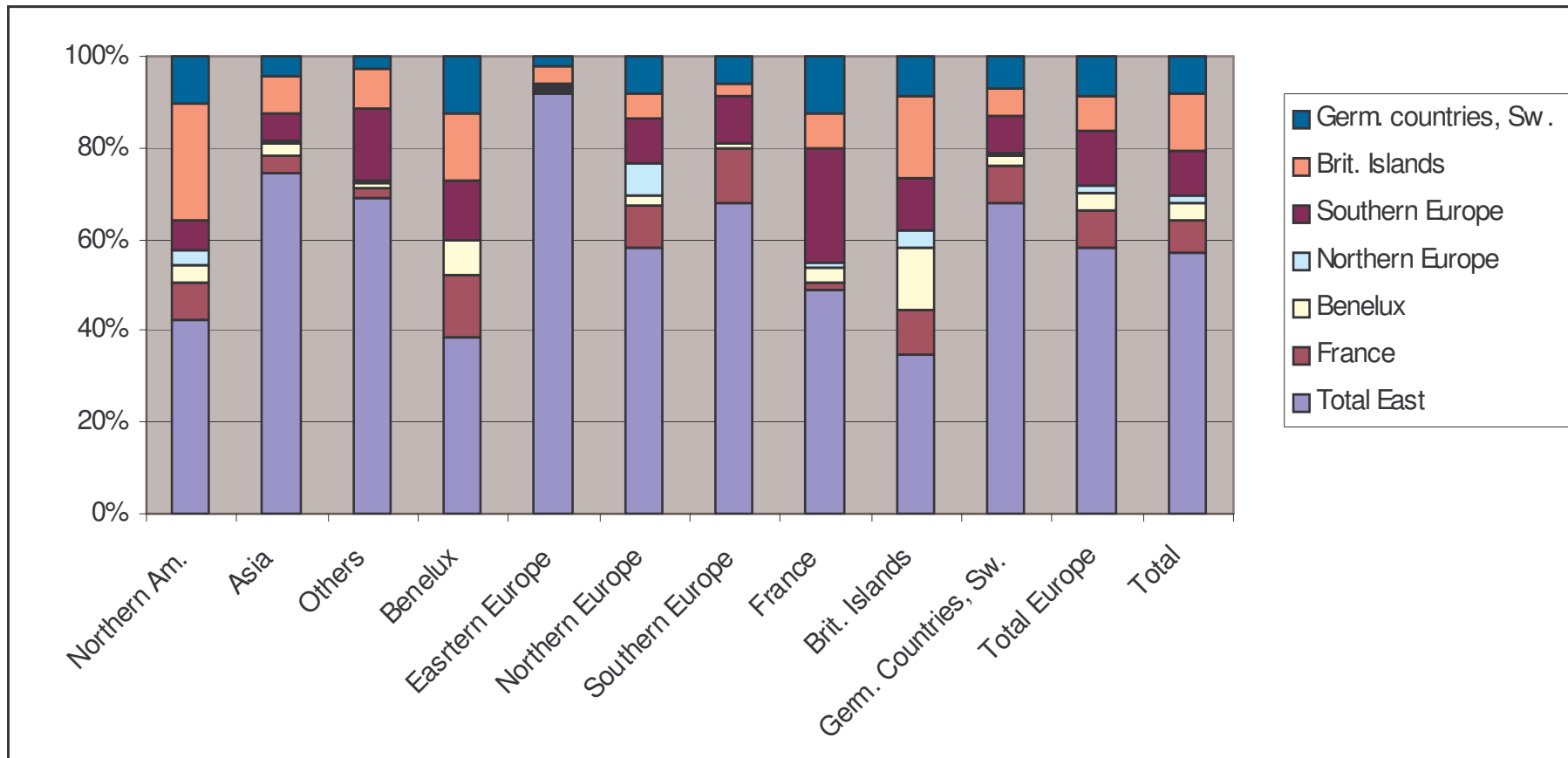
Breakdown by host region of job created abroad depending on the sector, 2002-2006

Host region	Oth. East Europe	Central East. Eur.	Total East	Benelux	North. Europe	South. Europe	France	Brit. Islands	Germ. Count., Sw.	Total West	Total
Agro-food	18,4	25,6	44,0	4,4	2,0	16,7	9,5	12,4	11,0	56,0	100,0
Home appliances, consumer goods	36,1	39,1	75,1	1,8	0,0	6,8	6,7	3,1	6,5	24,9	100,0
Biotechnologies	1,7	0,1	1,8	3,8	12,5	1,7	5,7	52,2	22,5	98,2	100,0
Chemicals, plastics	15,6	29,4	45,0	4,7	3,4	18,7	8,3	7,3	12,6	55,0	100,0
Electronic components	9,9	45,3	55,2	0,4	2,2	8,3	9,5	9,9	14,4	44,8	100,0
Automotive	29,8	47,4	77,1	1,5	1,5	7,1	3,2	4,3	5,2	22,9	100,0
Consumers electronics	14,0	78,8	92,8	1,1	1,0	1,6	0,9	1,4	1,2	7,2	100,0
Energy, other utilitie	20,9	14,0	34,9	1,6	0,5	20,4	4,5	33,4	4,6	65,1	100,0
Electrics and electronic equipts., computers	16,7	42,7	59,4	2,5	1,8	7,3	6,6	13,7	8,8	40,6	100,0
Machines and mechanical equipments	21,9	39,8	61,8	2,5	1,2	13,1	10,7	4,8	6,0	38,2	100,0
Other transportation materials	21,3	15,2	36,5	0,0	0,9	24,0	12,9	9,1	16,6	63,5	100,0
Health products and cosmetics	4,6	18,1	22,6	13,5	2,9	7,6	9,5	26,3	17,5	77,4	100,0
Metal works	23,3	42,4	65,7	5,9	7,4	4,9	8,4	4,1	3,7	34,3	100,0
Textile, garments	65,3	28,1	93,4	0,4	0,0	0,7	2,9	0,5	2,1	6,6	100,0
Other heavy industries, printing	26,8	33,2	60,0	1,9	0,6	9,0	7,3	12,6	8,5	40,0	100,0
<b>Total Manufacturing</b>	<b>23,9</b>	<b>41,3</b>	<b>65,2</b>	<b>2,6</b>	<b>1,8</b>	<b>8,7</b>	<b>5,8</b>	<b>8,4</b>	<b>7,5</b>	<b>34,8</b>	<b>100,0</b>
Other financial and services activities	5,4	13,3	18,7	5,1	1,9	11,1	15,3	37,1	10,9	81,3	100,0
Other services to business	5,5	17,9	23,4	4,3	3,7	18,6	13,1	30,7	6,3	76,6	100,0
Software and information services	8,0	32,4	40,4	4,3	2,0	7,6	10,0	27,7	8,0	59,6	100,0
Telecom operators, internet	11,9	27,9	39,8	2,8	3,7	15,5	11,6	7,1	19,5	60,2	100,0
Transport and warehousing	3,3	18,8	22,1	20,6	3,0	10,0	11,8	16,3	16,1	77,9	100,0
<b>Total Services</b>	<b>6,1</b>	<b>20,9</b>	<b>26,9</b>	<b>7,3</b>	<b>2,7</b>	<b>12,5</b>	<b>12,6</b>	<b>27,4</b>	<b>10,5</b>	<b>73,1</b>	<b>100,0</b>
<b>Total</b>	<b>20,0</b>	<b>36,9</b>	<b>56,9</b>	<b>3,6</b>	<b>2,0</b>	<b>9,5</b>	<b>7,3</b>	<b>12,6</b>	<b>8,2</b>	<b>43,1</b>	<b>100,0</b>

Source : European International Investment Monitor, AFII

# Anglo-saxon firms more focused on western Europe than german and asian companies

Geographical breakdown of job creation abroad in Europe depending on the home region, 2002-2006



Source : European International Investment Monitor, AFII

Thank you for your attention !

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ERROR: syntaxerror  
OFFENDING COMMAND: --nostringval--

STACK:

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/Author
-mark-
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