LONDON & PARTNERS

FOREIGN DIRECT INVESTMENT REPORT 2006 - 2016

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WELCOME

Rajesh Agrawal

Deputy Mayor of London for Business and Chairman of London & Partners

As Chairman of London & Partners, I am pleased to introduce our Foreign Direct Investment (FDI) Report 2006- 2016.

London is the number one city in the world for FDI. Over the last ten years, the number of FDI projects to London has increased significantly, by 62 per cent.[1] This report investigates where FDI in London comes from, what these companies do and why they choose London as their destination.

As an entrepreneur from overseas who chose London myself, it's clear to me why the city is a leading FDI destination. Our business ecosystem is unique and cannot be replicated anywhere – with the world's leading financial centre on our doorstep, world class professional and legal services and major strengths in technology, life sciences and creativity, this is the world's most complete business city. Add to that access to top talent, a business-friendly environment, and a world-beating cultural offer, there is nowhere better to invest and do business.

I encourage companies from all over the world to look to London for the future of their business, whilst those already in London should make the most of the vast opportunities to grow and develop.

London's established strength as a global business city means that it will continue to thrive despite Brexit. It is more important than ever that we work to reinforce and emphasise London's business offering to show international companies that London is truly open for business.

[1] fDi Markets, The Financial Times, 2017

Laura Citron

Chief Executive, London & Partners

I am delighted that this report demonstrates London's long-term position as a magnet for business, innovation and talent.

Over the past ten years, businesses from around the world have chosen to make London their home. I am proud that London & Partners has welcomed almost 2,500 companies, helping them to set up here and make the most of all that London has to offer.

Whilst the result of the UK's referendum to leave the European Union creates uncertainty, London remains an open, diverse and welcoming city. We are confident that the fundamentals of London's business success – the diversity of our economy, industry clusters and supportive ecosystems – remain strong. Since the referendum, we have seen high-profile investments in the capital by companies including Google, Apple and Facebook. These are clear votes of confidence in London.

Global competition is growing so we are not complacent. We must continue to innovate and to welcome businesses from around the world. But we look forward to another decade of success for London as a leading destination for inward investment.

EXECUTIVE SUMMARY

LONDON LEADS THE WORLD

London is the world's leading city for foreign direct investment. London's attractiveness at a global level is highlighted by the fact that it has received investment from 67 countries in the last ten years.

This Foreign Direct Investment Report 2006-2016 looks at the trends within FDI and the key drivers for international companies investing in London.

FDI remains a huge global market, with more than $9.3 trillion invested across 168,654 projects in the past 10 years. In 2016 alone, there were a total of 14,981 FDI projects, which resulted in $828 billion worth of investment.[2]

2016 has, however, been a challenging year for FDI at a global level, and is a reflection of widespread political and economic instability across the major source and destination countries. Nonetheless, the United Nations Conference on Trade and Development (UNCTAD) predicts global FDI flows to recover ten per cent in 2017.[3]

At a regional level, Europe is the leading destination for FDI by project numbers, attracting 31 per cent more FDI than Asia Pacific and 239 per cent more than North America over the last ten years. Europe's lead was maintained in 2016, with 31 per cent more FDI than Asia Pacific and 181 per cent more than North America.[4]

At a country level, the United States and China have received the largest share of global FDI projects over the last ten years, ahead of the UK in third place. In 2016, the UK rose to second place and India overtook China to rank third.[5]

Over the last ten years, the UK attracted one in four FDI projects in Europe and 34 per cent of capital expenditure. The largest share of this investment (37 per cent) lands in London.[6] London also acts as a launchpad for further investment throughout the UK and Europe. London & Partners' research revealed that 12 per cent of companies that invest in London, go on to invest elsewhere in the UK.[7]

When it comes to cities, London tops the table as the number one city destination in the world for FDI over the last ten years.

In 2016, London recorded 10 per cent more FDI projects than Singapore, the world's second most popular FDI destination. London's appeal is widespread, attracting investment from 67 countries. The biggest markets, that account for over half of FDI in London, are the US, India, China, Japan and Spain. Companies from these countries are attracted to London's well-developed business clusters, access to a strong client base and to other markets, availability of talent and ease of doing business.

As a result, London is home to thriving sectors such as tech, media and telecoms, creative industries, business services, financial services and retail, alongside emerging convergent sectors.

The report underlines London's place as the world's leading city destination for FDI. The city has multiple strengths that stand it in good stead to withstand shocks, such as the 2008 financial crisis and UK's vote to leave the EU in 2016.

[2,4,5,6] fDi Markets, The Financial Times, 2017
[3] UNCTAD, Global Investment Trends Monitor, 2017
[7] London+ Report, London & Partners, 2017

Methodology

Our evaluation of foreign direct investment (FDI) is based on three main databases:
- UNCTAD: United Nations Conference on Trade and Development, World Investment Report, 2016
- fDi Markets, February 2017
- London & Partners company database, 2006 - 2016

Sections 1-3 of this report draws upon data from the various sources above, whereas sections 4-5 refers to London & Partners' data only.

These databases track "greenfield" investment – a term which relates to investment projects that entail the establishment of new business entities (this could be as a branch, an unincorporated enterprise or incorporated enterprise) and the setting up of offices, buildings, plants and factories from scratch. Greenfield FDI contributes directly to capital formation and generates employment in the host country.

Much of the analysis in this report therefore focuses on the number of projects, as well as capital investment to open this new entity and jobs created from this investment.

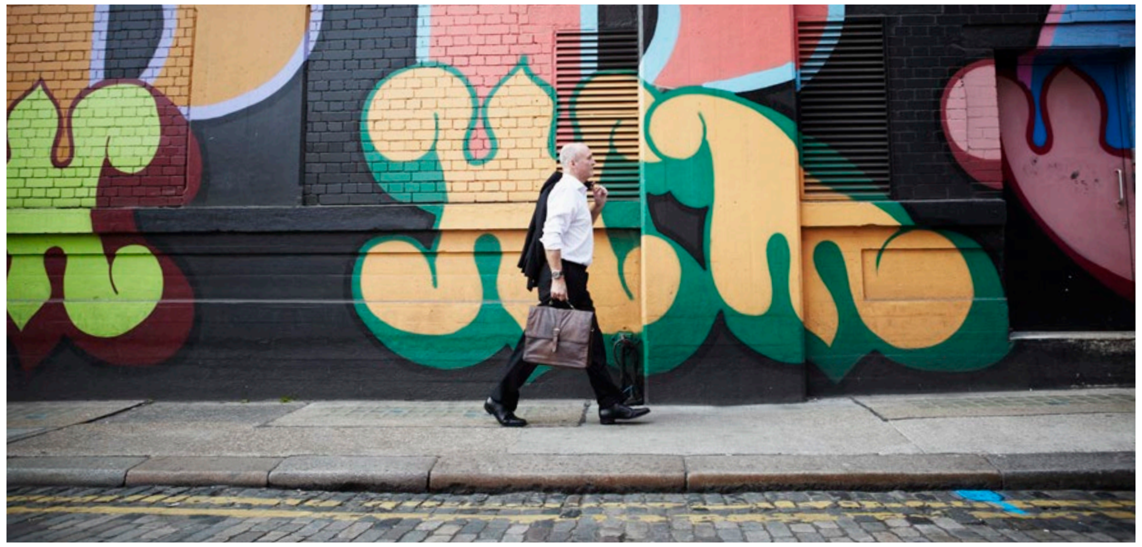
The following categories of investment are excluded from our analysis:
- M&A or joint venture projects
- Licensing agreements
- Portfolio investments

Further Supporting Sources
- fDi Intelligence, The fDi Report, 2016
- fDi Intelligence, The fDi Report, 2017
- fDi Magazine, fDi European Cities and Regions of the Future Ranking, 2017
- UNCTAD, Global Investment Trends Monitor, 2017
- EY, European Attractiveness Survey, 2017
- PwC, Cities of Opportunity 7, 2016
- A.T. Kearney, Global Cities Index, 2016
- MORI Foundation, Global Power Index, 2016
- Z/Yen, Global Financial Centres Index (GFCI), 2016
- Startup Genome, Global Startup Ecosystem Ranking, 2016
- Higher Education Statistics Agency (HESA), 2017
- Stack Overflow, Developer Survey, 2015
- Deloitte, London Futures Report, 2014
- Economist Intelligence Unit, Worldwide Cost of Living Report, 2017
- MasterCard, Global Destination Cities Index, 2016
- UKTI, Inward Investment Report, 2014/15

Exchange rates are correct as of February 2017

London & Partners Data
London & Partners FDI data used within this report is based upon companies whom London & Partners (and prior to 2011 its predecessor agency Think London), has assisted to establish operations in London. We affirm that this analysis demonstrates London & Partners' view of the market.

Glossary
- Global greenfield investment: a form of foreign direct investment (FDI) whereby a parent company establishes a new business entity in an overseas market and involves the setting up of offices, buildings, plants or factories from scratch. Greenfield FDI contributes directly to capital formation and generates employment in the host country.
- Projects / FDI projects: each individual new venture made by a company. One company may make multiple investment projects.
- Capex / capital expenditure: all monetary values are measured in $US billions or millions.
- Source investment: the region, country or city where the company is originally based.
- Destination investment: the region, country, city or London borough where the new venture is based.
- Proposed function: the type of new investment venture, for example a headquarters or a sales and marketing office.
- Jobs (Chapters 1, 2 and 3 – fDi Markets data): the number of announced or estimated jobs expected to be created by the investment project.
- Jobs (Chapters 4 and 5 – London & Partners data): the number of jobs expected to be created in the first year of operation of the project.



SECTION

01

GLOBAL CONTEXT

FDI PROJECT NUMBERS DOWN BUT VALUE UP

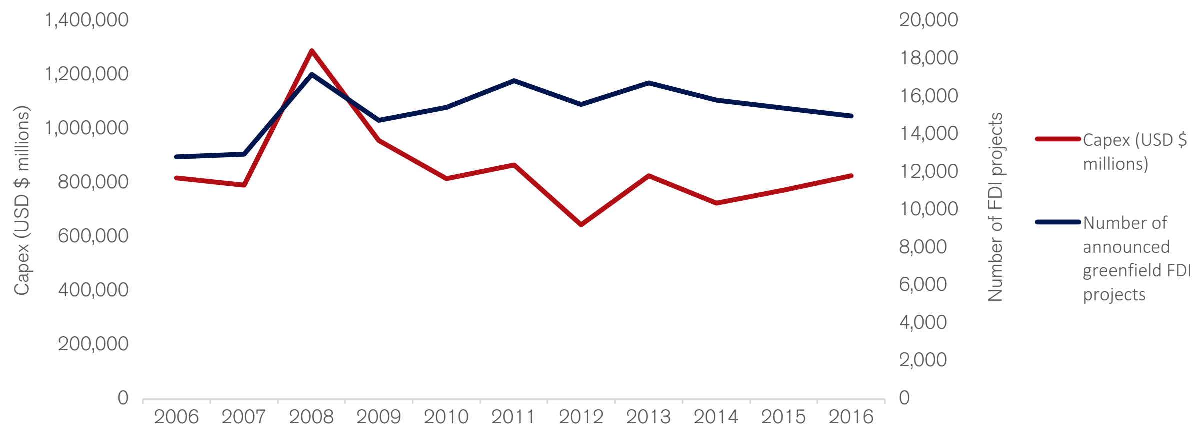
Despite a challenging 2016, global FDI is predicted to grow by 10 per cent in 2017.

Trends

Global FDI is a significant driver of economic development. Its value has ebbed and flowed since 2006; peaking at $1.2 trillion in 2008, prior to the financial crisis, before falling to $646 billion in 2012 and then picking up again in 2013. The value of FDI projects increased by over $48 billion between 2014-2015, and rose by a further seven per cent in 2016.[8]

The outlook for increased greenfield FDI remains challenging. A slowdown in growth in key emerging economies such as Brazil and China, plus continued instability in Europe, means that we are unlikely to see a return to the peak levels witnessed in 2008 in the short-term. However, FDI is a $828 billion market opportunity for which countries and cities can compete.

1.1 Total world greenfield investment 2006-2016



Source: fDi Markets, February 2017

[8] fDi Markets, The Financial Times, February 2017

2016: a challenging year

Although the global number of FDI projects fell 3 per cent from 2015 to 2016, the value of these investments rose 7 per cent to reach $828 billion.

Insights

- The value of FDI flows to Europe fell 9 per cent to $176 billion in 2016, following a turbulent year in European politics. The UK's vote to leave the EU in the referendum on 23 June 2016 has led to caution among some investors.
- There was modest growth in FDI flows to North America in 2016, compared to 2015 (3 per cent), however the impact of any potential changes to US trade policy on FDI flows is currently unclear.

Encouraging signs

Although 2016 was troublesome for some regions, others prospered. Europe continues to be the largest regional recipient of FDI projects globally. In 2016, Europe received 5,886 FDI projects, 31 per cent more than Asia Pacific and 181 per cent more than North America.

Insights

- In terms of capital expenditure (capex), Asia Pacific was the world's largest recipient of foreign investment in 2016, with more than double the amount that landed in Europe, the next largest. This shows that although Europe received more projects, those to Asia were of higher value.
- FDI into South East Asia and intra-Asian investment remained strong, as the region strengthened its internal trade and investment ties. In 2016, India recorded an inbound FDI capex of almost $63 billion, its highest since 2008,[9] which can most likely be attributed to Prime Minister Narendra Modi's dramatic reforms. Similarly, changes in China's economy influenced the broader region, meaning that countries like Vietnam, Bangladesh and Cambodia have benefited from new manufacturing contracts.
- Both Africa and the Middle East saw significant rises in the value of inward investment in 2016. The capital expenditure of FDI to Africa increased by 40 per cent between 2015 and 2016, while that to the Middle East increased by 113 per cent.

[9] The Financial Times, fDi Markets Database, 2017

2017 outlook

UNCTAD predicts a moderate recovery of 10 per cent in global FDI flows in 2017, in conjunction with global economic growth increasing from 3.1 per cent in 2016 to 3.4 per cent in 2017.[10]

Insights

- There will likely be continued uncertainty within Europe throughout 2017 as the UK's negotiations to exit the European Union get underway and a number of national elections take place.
- Uncertainty is a key factor in deterring investment. Nevertheless, according to EY's European Attractiveness Survey published in January 2017, 56 per cent of foreign investors plan to invest in Europe in the next three years, a clear sign of investor optimism in the region.[11]

US and China forecast

The United States has overtaken China in recent years to become both the lead destination market and the lead source market for FDI.

Growth in the US is predicted to continue in 2017 due to fiscal stimulus. Despite this, some uncertainty remains on changes to US external trade partnerships in the longer term.

Throughout 2016, China continued to build a consumption and innovation-driven economy, putting a greater emphasis on global business. However, Beijing has recently reinstated restrictions on overseas investments in an effort to limit the flow of capital out of the country. The tightened regulations on capital outflow could put brakes on the push for Chinese companies to 'go global', which had contributed to a boom in Chinese overseas investment in 2016.

[10] UNCTAD, Global Investment Trends Monitor, February 2017
[11] EY, European Attractiveness Survey, January 2017

Top source countries 2006-2016

The US is by far the largest source market of global FDI projects, with 130 per cent more FDI projects from US companies over the last ten years than the next largest source market, Germany.

Insights

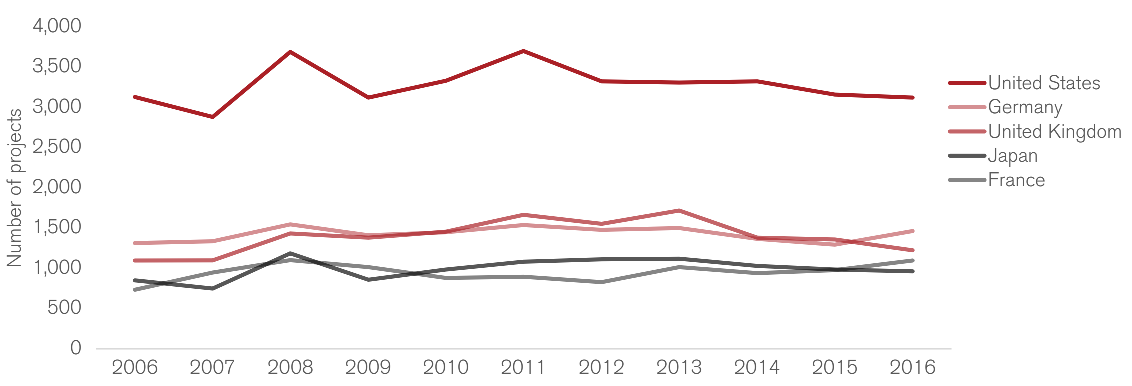
- The UK, the third largest source market for global FDI projects, has been closing the gap with Germany over the last five years. The UK recorded more FDI projects than Germany between 2010-2015, and is now only 322 projects behind its rival for total projects over the last ten years.
- By contrast, the fourth highest source market for FDI, Japan, remains nearly 4,500 projects (29 per cent) behind the UK for this period, although it is ahead on capex.
- European countries make up 7 out of the top 10 source markets.

1.2 NUMBER OF ANNOUNCED GREENFIELD FDI PROJECTS AND VALUE (USD $ MILLIONS), BY SOURCE COUNTRY, 2006-2016

	Total projects	Total capex (USD $ millions)
United States	36,069	1,614,576
Germany	15,697	683,518
United Kingdom	15,375	620,673
Japan	10,919	668,322
France	10,433	538,222
Spain	6,224	312,805
Switzerland	5,717	227,276
Italy	4,794	246,806
Netherlands	4,489	228,441
China	4,256	467,171
Other	54,681	3,740,978
Total	168,654	9,348,792

Source: fDi Markets, 2017

1.3 Number of announced greenfield FDI projects, by source country, 2006-2016



Source: fDi Markets, February 2017

Top destination countries 2006-2016

The United States has grown dramatically as a destination market for FDI over the past ten years, overtaking China for first place globally.

Insights

Over the last decade:

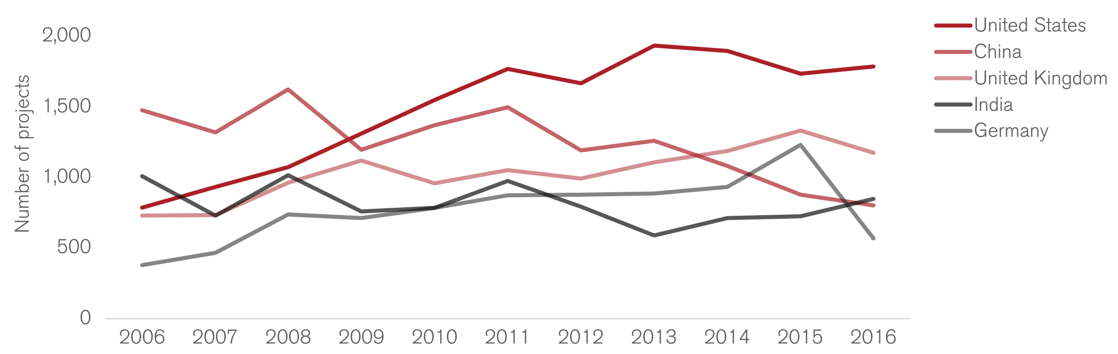
- Investment projects in China have declined by 46 per cent, dipping 19 per cent in 2015 alone.
- The US has seen inward investment project numbers rise by 127 per cent, despite a slight fall in 2012.
- FDI flows into the UK have steadily grown year-on-year, bouncing back from the effects of the financial crisis and short-lived downturns in 2010 and 2012. Overall, FDI projects to the UK have grown by 61 per cent between 2006 and 2016, and the country has ranked as the second largest destination country for global FDI since 2014.

1.4 NUMBER OF ANNOUNCED GREENFIELD FDI PROJECTS AND VALUE (USD $ MILLIONS), BY DESTINATION COUNTRY, 2006-2016

	Total projects	Total capex (USD $ millions)
United States	16,437	692,858
China	13,692	1,019,677
United Kingdom	11,357	480,906
India	8,943	506,553
Germany	8,454	166,919
France	5,764	146,881
Spain	4,792	151,717
Russia	4,047	255,857
Singapore	3,991	137,884
UAE	3,952	129,827
Other	87,225	5,659,709
Total	168,654	9,348,792

Source: fDi Markets, 2017

1.5 Number of announced greenfield FDI projects, by destination country, 2006-2016



Source: fDi Markets, February 2017

Top destination cities 2006–2016

London is the leading global destination city for FDI, attracting 2.9 per cent of global FDI projects in 2016. Overall, FDI projects to London increased by 62 per cent between 2006 and 2016.

London and Singapore have continued to jostle for the top spot, with London pipping Singapore to the post in both 2015, recording 38 per cent more FDI projects than Singapore, and in 2016, when London recorded 10 per cent more than its rival.

Insights

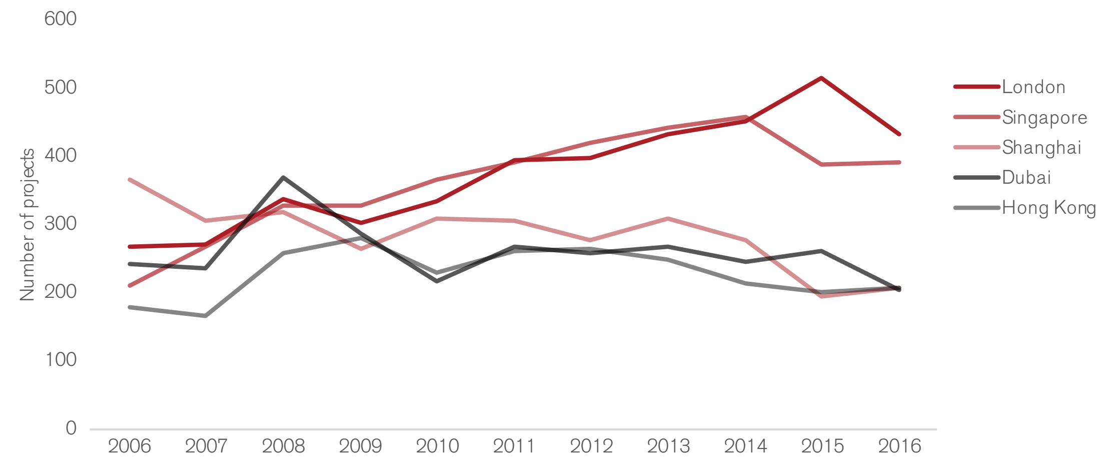
- Shanghai remains in third place, but the number of FDI projects in the city has waned since 2006, with significant dips in the past two years.
- There has been a drop in FDI to China's major cities, with Shanghai recording 43 per cent fewer projects than in 2006 and Beijing seeing a 50 per cent decline.
- By 2016, the number of FDI projects in Hong Kong fell by 19 per cent from its 2008 peak.
- Dubai is hot on Shanghai's heels, sitting behind by only 278 projects across the ten-year period and only four projects behind in 2016.
- New York and Sydney saw a rapid rise in FDI projects over the decade, enjoying increases of 204 per cent and 150 per cent respectively.
- London continues to attract more than double the volume of projects of the next largest European city for investment, Paris, in sixth place.

1.6 Number of announced greenfield FDI projects, by destination city, 2006-2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
London	267	271	336	302	334	394	396	431	452	513	433	4,129
Singapore	210	267	326	328	364	392	418	441	457	386	392	3,981
Shanghai	365	306	317	264	308	306	276	308	276	193	208	3,127
Dubai	240	234	370	285	217	266	259	268	245	261	204	2,849
Hong Kong	179	167	257	281	230	261	264	247	213	199	208	2,506
Paris	167	161	213	134	156	142	146	218	211	217	151	1,916
Beijing	200	181	236	158	166	154	159	133	120	88	101	1,696
New York	71	69	95	109	151	153	170	221	219	217	216	1,691
Sydney	48	72	70	86	115	123	152	139	141	138	120	1,204
Bangalore	142	81	108	84	97	115	89	89	102	120	107	1,134
Other	10,937	11,144	14,865	12,748	13,326	14,553	13,269	14,250	13,397	13,091	12,841	144,421
Total	12,826	12,953	17,193	14,779	15,464	16,859	15,598	16,745	15,833	15,423	14,981	168,654

Source: fDi Markets, February 2017

1.7 Top five cities for number of announced greenfield FDI projects, 2006-2016



Source: fDi Markets, February 2017

SECTION

02

LONDON IN A EUROPEAN CONTEXT

CAPITAL MAINTAINS POLE POSITION

Europe is the leading global region for inward FDI. London attracts 9 per cent of the region's FDI projects, which is double that of the next largest recipient city.

Trends

Europe is by far the leading global region for inward investment in terms of the number of FDI projects. Between 2006-16, Europe received 66,664 FDI projects; 31 per cent higher than Asia Pacific and 239 per cent higher than North America.

Western Europe has seen a 33 per cent rise in investment since 2006, including recovering from a 15 per cent fall in 2009 as a result of the global financial crisis. There was a sustained increase in the rate of growth between 2012-2015, with a slight dip in 2016.

The impact of the global financial crisis on Eastern Europe has been more profound. The region received 2,716 FDI projects in 2008, falling by 44 per cent to 1,529 in 2016. Nonetheless, investment has increased gradually for the last three years.

Insights

- Europe's pole position is thanks to its large domestic consumer market, easy access to other international markets, a top business environment, availability of talent, connectivity and lifestyle.
- London is Europe's top city in PwC's 2016 Cities of Opportunity 7 report, which benchmarked 30 leading business cities on economic clout, ease of doing business, education, technology readiness, location, access and other measures. Three other European cities feature in the top ten: Paris (fourth), Amsterdam (fifth) and Stockholm (seventh).

Source markets

For the most part, European countries invest in other European countries. Of Europe's top ten source investors, only two are non-European, with the US accounting for 22 per cent of projects and Japan 3 per cent.

As well as being the top investor for the region as a whole, the US is the leading investor for each of Europe's top cities – London, Paris, Moscow, Dublin and Madrid. US investment accounts for 42 per cent of FDI projects to London, 45 per cent of those to Dublin, 29 per cent to Paris, 23 per cent to Madrid and 19 per cent to Moscow.

Top European countries for FDI: 2006–2016

The UK is Europe's leading recipient of global FDI, accounting for one in four FDI projects and 34 per cent of the capex into the region. Over the last ten years, FDI projects into the UK have risen by 61 per cent, the second largest increase amongst Europe's top ten destination countries after Spain (with a 70 per cent increase).

Germany and France sit behind the UK, attracting 19 per cent and 13 per cent of Europe's FDI numbers respectively. Although Russia ranks as the fifth highest European country for FDI projects, it beats both Germany and France for its recorded capex, together with topping the table for the number of jobs that FDI has created.

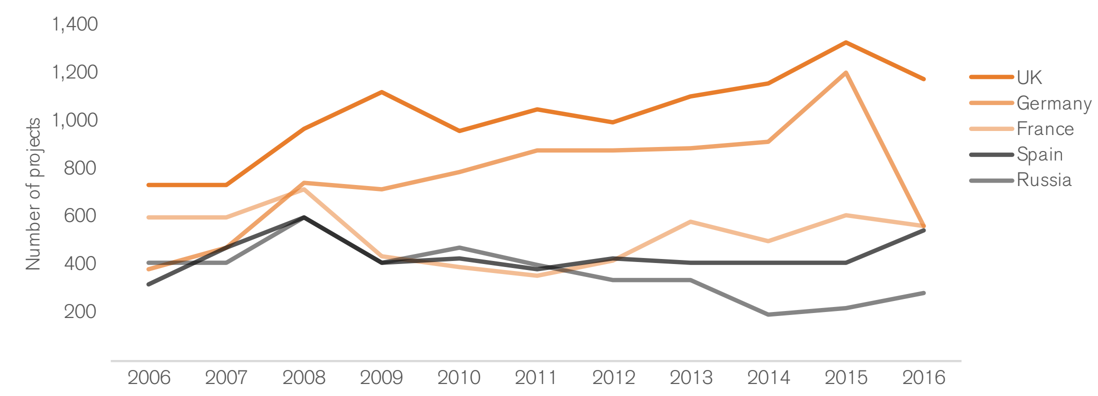
Other Eastern European countries that perform well are Poland and Romania, ranking above Ireland, the Netherlands and Italy for FDI projects. That said, both countries seem to be attracting a declining number of FDI projects over the last ten years, with Poland seeing a decrease of 11 per cent and Romania a decrease of 61 per cent.

2.1 NUMBER OF ANNOUNCED GREENFIELD FDI PROJECTS, BY DESTINATION EUROPEAN COUNTRY, 2006-2016

	Projects	Capex (USD $ millions)	Jobs created
UK	11,321	480,608	852,627
Germany	8,399	166,459	392,865
France	5,746	146,100	304,904
Spain	4,785	151,774	456,761
Russia	4,041	255,782	1,093,745
Poland	3,398	141,865	743,933
Romania	2,797	136,385	935,373
Ireland	2,030	63,207	156,115
Netherlands	2,015	80,795	113,199
Italy	1,909	80,372	151,389
Other	20,494	795,473	2,734,032
Total	66,935	2,498,824	7,934,943

Source: fDi Markets, February 2017

2.2 Number of announced FDI projects, by destination European country, 2006-2016



Source: fDi Markets, February 2017

Top European cities for FDI: 2006–2016

London continues to lead the pack for European cities, accounting for 9 per cent of all European FDI projects during this ten-year period. London receives more than double the amount of investment attracted by Paris, ranked second. The majority of top ten European cities saw a decrease in FDI project numbers in 2016, with the exception of Moscow, Madrid and Barcelona.

London is home to the largest proportion of Europe's fastest growing companies. The Financial Times 1000: Europe's Fastest Growing Companies Report reveals that 78 of these companies are based in London, ahead of second-placed Paris with 45 and Milan with 34.[12]

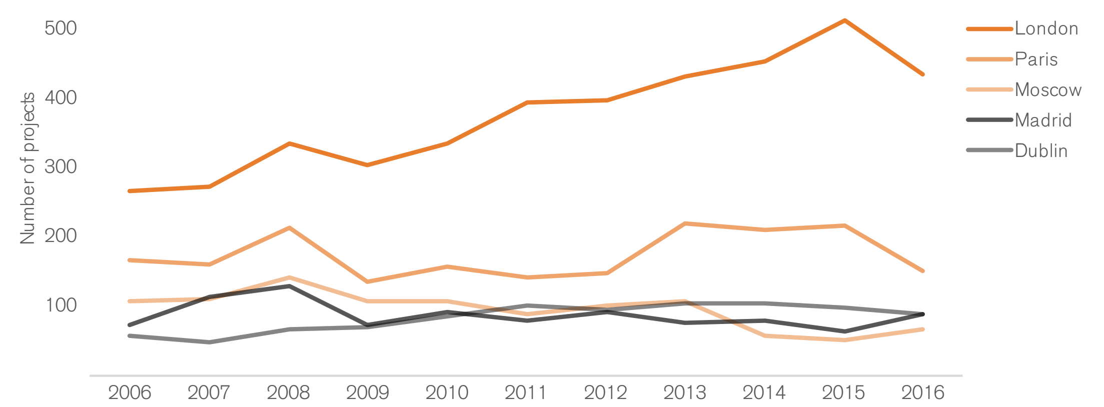
The fDi European Cities and Regions of the Future 2016-17 ranking showcases London's popularity as a key international investment destination in Europe. The report ranked the UK capital first in categories such as business friendliness, human capital, lifestyle and economic potential. Following the UK's vote to leave the EU we have, perhaps not unsurprisingly, seen an increase in promotional activity from other EU cities trying to attract London's FDI.

2.3 NUMBER OF GREENFIELD FDI PROJECTS, BY DESTINATION EUROPEAN CITY, 2006-2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
London	267	271	336	302	334	394	396	431	452	513	433	4,129
Paris	167	161	213	134	156	142	146	218	211	217	151	1,916
Moscow	107	109	142	106	106	87	101	106	58	52	65	1,039
Madrid	72	113	129	71	90	79	90	76	77	62	89	948
Dublin	58	48	66	69	86	101	94	104	105	97	89	917
Barcelona	58	58	70	61	52	61	95	72	85	87	95	794
Frankfurt am Main	42	54	62	73	78	85	76	70	88	81	54	763
Berlin	36	33	56	57	43	67	82	81	88	127	78	748
Bucharest	98	104	98	52	68	44	62	74	45	51	34	730
Munich	47	58	71	57	66	56	64	65	69	112	61	726
Other	4,918	4,960	6,007	4,728	5,004	5,009	4,542	4,881	4,490	5,018	4,668	54,225
Total	5,870	5,969	7,250	5,710	6,083	6,125	5,748	6,178	5,768	6,417	5,817	66,935

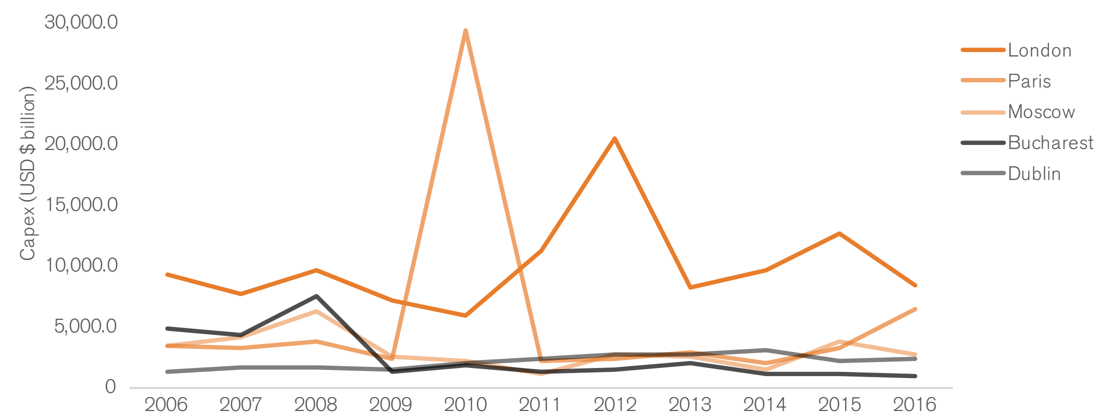
Source: fDi Markets, February 2017

2.4 Number of announced greenfield FDI projects, top five destination European cities, 2006-2016



Source: fDi Markets, February 2017

2.5 Value of announced greenfield FDI projects, top five destination European cities, 2006-2016



Source: fDi Markets, February 2017

[12] The Financial Times, FT1000: Europe's Fastest Growing Companies, 2017

SECTION

03

LONDON IN A UK CONTEXT

LONDON FDI SPREADS ACROSS UK

International companies are drawn to London for its wealth of talent and ease of doing business. A base in London provides access to the strong UK market, as well as the chance to expand throughout the country.

Trends

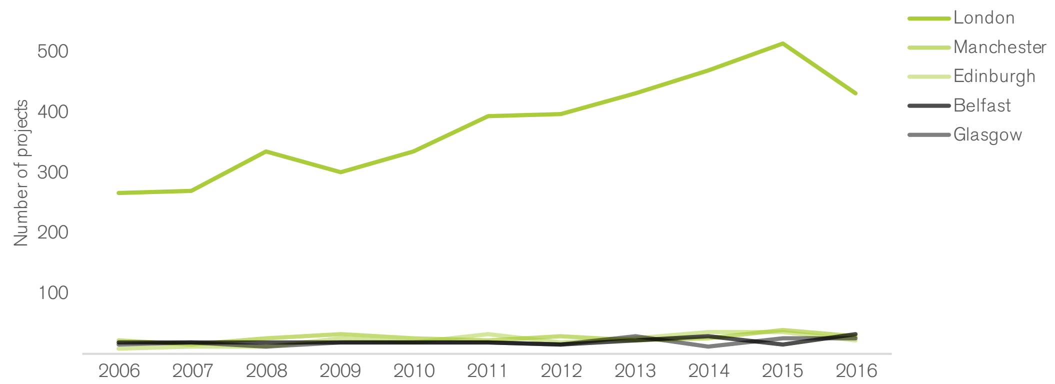
London is the leading destination for FDI in the UK, attracting 37 per cent of the UK's FDI projects between 2006-2016. For international companies investing in the UK for the first time, London is a popular choice due to its supportive business environment, connectivity, availability of talent and strong industry clusters.

London is also the heart of the UK economy. According to the Greater London Authority (GLA), London contributed 22.7% to the UK's Gross Value Add (GVA) in 2015, which was an increase from the 2014 figure.[13] Additionally, London headquartered companies are the biggest employers in many other UK cities, accounting for up to one fifth of private sector jobs in regional UK cities.[14]

Insights

- There is a sizeable gap in the proportion of FDI that lands in the capital, 37 per cent, compared to the proceeding top four UK cities: Manchester (3 per cent), Edinburgh (2 per cent), Belfast (2 per cent) and Glasgow (2 per cent).
- Similarly, the capex and jobs created as a result of FDI projects into London are higher than in other cities. FDI in London over the past ten years has resulted in 12 times more capex and more than 16 times the number of jobs that FDI in Manchester has created.

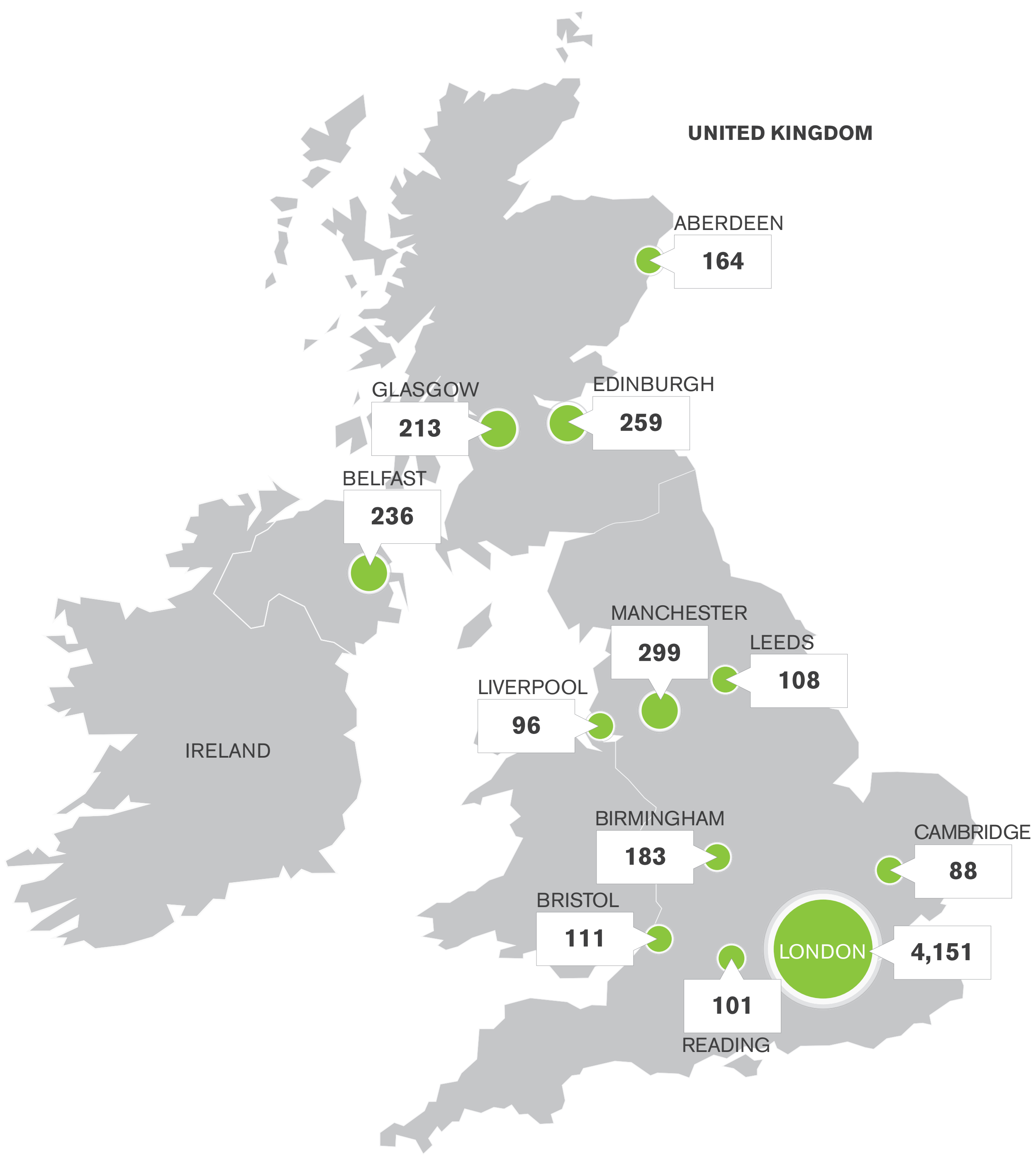
3.1 Number of greenfield FDI projects, top five destination UK cites, 2006-2016



Source: fDi Markets, February 2017

[13] London Assembly, Regional, Sub-Regional and Local GVA Estimates for London, 1997-2015
[14] Centre for Cities, Cities Outlook, 2014

3.2 Number of greenfield FDI projects in top UK cities, 2006-2016



Source: fDi Markets, February 2017

LONDON+

In order to better understand London's role in the UK economy as a whole, London & Partners has conducted analysis, called London+, which measures the extent to which FDI attracted to London leads to further subsequent investment in the rest of the UK . The analysis identified 504 projects, between 2003 and 2015, as London+.

The key finding from the report is that 12 per cent of FDI projects in the UK stem from an initial investment in London. On average, each London+ company made a further three investments after its initial London investment. This demonstrates the importance of FDI across the country, and the way that regions can work together to encourage the spread of FDI.

504 PROJECTS

7.6 BILLION CONTRIBUTED TO THE UK ECONMY

TOP 3 DESTINATIONS FOR LONDON+ PROJECTS:

SCOTLAND	NORTH WEST	SOUTH EAST
15%	15%	51%

38,000 JOBS CREATED

TOP SOURCE COUNTRIES

The top source country for London+ FDI was the **US**, where **40%** of London+ companies and **35%** of London+ projects originated. US firms have created more than **13,000 jobs** outside London.

OTHER LONDON+ INVESTORS

GERMANY 11%
FRANCE 8%
IRELAND 4%
JAPAN 4%

TOP SECTORS

- Hotels & Tourism
- Textiles
- Financial Services
- ICT
- Transportation

SECTION

04

LONDON'S KEY MARKETS

LONDON'S ATTRACTIVENESS CONTINUES TO GROW

London consistently attracts FDI from around the world. Over the last ten years, the capital has recorded investments from 67 different countries. The US, India, China, Japan and Spain together account for 56 per cent of investment.

The role of London & Partners

London & Partners is the Mayor of London's official promotional agency. Over the past ten years, we (including prior to 2011, as Think London) have helped almost 2,500 international companies to establish in London.

London & Partners' global reach is continually expanding. The number of source countries for clients has doubled in the last ten years from 21 countries in 2006 to 42 in 2016. The major increase occurred in 2013, when the number of London & Partners' source countries increased from 25 in 2012 to 38 in 2013. This figure has increased year-on-year since then, totaling 67 countries across the ten-year period.

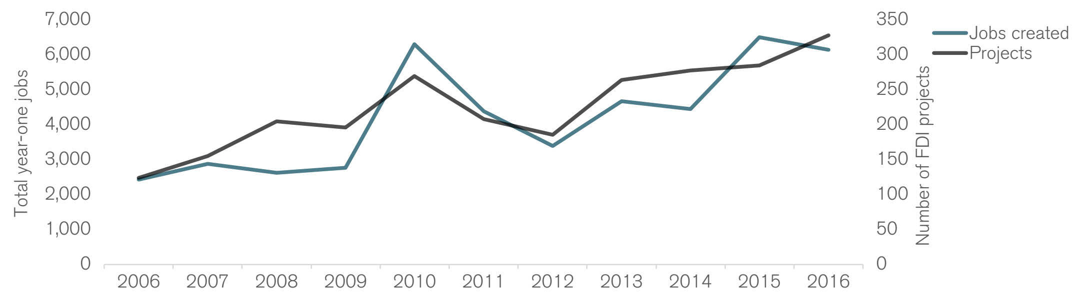
Trends

The number of companies investing in London has stepped up over the last decade, with 124 FDI projects recorded in 2006 compared to 328 projects in 2016 – a 165 per cent increase. Over this period, London & Partners has helped a total of 2,499 FDI projects land in the capital, creating 46,555 jobs.

Although FDI in London dipped in 2009 as a result of the financial crisis, a strong recovery was seen in 2010 with 270 projects in London. Hosting the 2012 Olympic Games boosted London economically and project numbers have increased steadily year-on-year since the games.

There has been investment uncertainty following the result of the 2016 EU referendum. However, since the vote, London has welcomed investment from a number of leading tech giants, including Google, Facebook, Snap and Amazon. Furthermore, London & Partners' results remained strong, and were overall fractionally higher in 2016 compared to 2015.

4.1 Number of announced greenfield FDI projects and total jobs created in year 1, 2006-2016



Source: London & Partners, 2017

4.2 LONDON'S SOURCE MARKETS, BY GREENFIELD FDI PROJECTS AND JOBS CREATED, 2006-2016

	Number of projects	Jobs created
USA	597	17,441
India	265	4,598
China	257	2,813
Japan	149	2,832
Spain	147	2,438
Australia	142	2,778
France	132	2,489
Canada	80	1,154
Korea	70	458
Italy	59	542
Germany	45	784
Ireland	39	291
Singapore	38	234
Brazil	41	274
Hong Kong	33	1,005
Netherlands	32	570
New Zealand	29	280
Israel	32	370
Portugal	34	270
Taiwan	23	166
Other	255	4,768
Total	2,499	46,555

Source: London & Partners, 2017

Insights

- The growth of London & Partners' source countries reflects London's continued attractiveness and strong performance across a range of business factors.
- London continually ranks top in a wide range of business indices, including the PwC Cities of Opportunity, the AT Kearney Global Cities Index and the Global Financial Centres Index.
- The MORI Foundation's Global Power City Index 2016 evaluates and ranks major global cities based on their strengths in six main categories: economy, research and development, cultural interaction, liveability, environment and accessibility. London is the top ranked city overall, followed by New York, Tokyo and Paris. London is praised for its accessibility, cultural interaction, research, development and economy.

Top source countries

The leading investors into London are the USA, India, China, Japan and Spain. Combined, these markets accounted for 56 per cent of the 2,499 London & Partners FDI projects into London between 2006-2016, and make up 65 per cent of the 46,555 jobs that have been created as a result.

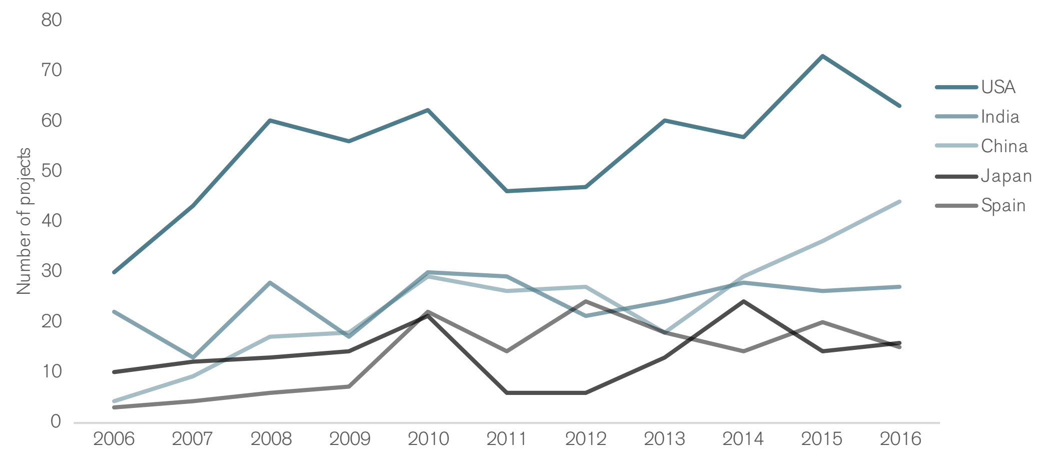
Of these top source countries, the fastest growing contributors to FDI into London are China, which has seen a tenfold increase over the last ten years, Italy (an increase of 450 per cent) and Canada (up 400 per cent). The only top ten source country that saw a dip in FDI to London over this period was South Korea.

4.3 LONDON'S SOURCE MARKETS, BY NUMBER OF GREENFIELD FDI PROJECTS PER YEAR, 2006-2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
USA	30	43	60	56	62	46	47	60	57	73	63	597
India	22	13	28	17	30	29	21	24	28	26	27	265
China	4	9	17	18	29	26	27	18	29	36	44	257
Japan	10	12	13	14	21	6	6	13	24	14	16	149
Spain	3	4	6	7	22	14	24	18	14	20	15	147
Australia	9	10	15	7	12	15	11	15	12	17	19	142
France	8	8	13	10	11	10	5	11	20	8	21	125
Canada	3	8	5	8	6	9	5	6	7	8	15	80
South Korea	11	8	11	5	6	7	7	5	4	3	3	70
Italy	2	4	1	3	6	4	1	7	8	12	11	59
Other	22	36	36	51	65	42	32	87	75	68	94	608
Total	124	155	205	196	270	208	186	264	278	285	328	2,499

Source: London & Partners, 2017

4.4 Number of greenfield FDI projects, top five source countries, 2006-2016



Source: London & Partners, 2017

USA

LONDON'S TOP SOURCE MARKET

The US is London's leading source market for FDI, with 597 projects completed over the last ten years – 125 per cent more than India, the next largest investor.

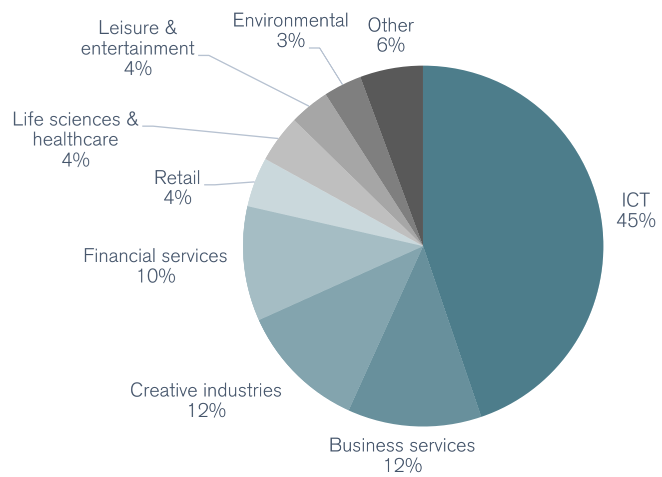
Insights

- ICT is by far the largest sector for US FDI into London, and of London & Partners' tech clients, 33 per cent originate from the US.
- Creative industries are also important, with 26 per cent of London's FDI projects in this sector being from US companies.
- Companies originating from the US are the most likely amongst London's top five source markets to establish a headquarters function in London. US companies account for 33 per cent of all inward investment headquarters to London.

4.5 Number of US greenfield FDI projects and jobs in London, 2006-2016

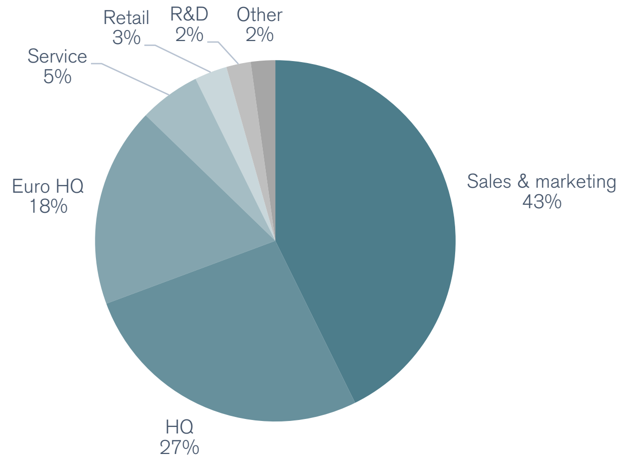
Source: London & Partners, 2017

4.6 US investment by sector, number of projects, 2006-2016



Source: London & Partners, 2017

4.7 US investment by proposed function, number of projects, 2006–2016



Source: London & Partners, 2017

4.8 EXAMPLE US COMPANIES INVESTING IN LONDON (2016)

Company	Sector
Tableau Software UK Ltd	ICT
Intuit Limited	ICT
Silicon Valley Bank	Financial services
Intercept Pharmaceuticals	Life sciences
Live Nation Limited	Leisure and entertainment
Switch	ICT
Bounce Exchange	ICT
OpenTable	ICT
Surf Air	Transport
Seven Bridges Genomics UK Limited	Life sciences

Source: London & Partners, 2017

USA INVESTMENT IN LONDON 2006-2016

17,441 JOBS

597 TOTAL PROJECTS
29 JOBS PER PROJECT AVERAGE

110% increase in FDI projects

24% of London & Partners clients

38% of all jobs created by these companies

TOP SECTORS BY PROJECTS

261	ICT
70	BUSINESS SERVICES
67	CREATIVE INDUSTRIES
60	FINANCIAL SERVICES

TOP PROPOSED FUNCTIONS BY PROJECTS

234	SALES & MARKETING
146	HQ
98	EURO HQ
30	SERVICE

bouncex

From New York to London: Bounce Exchange's story

Bouncex, founded in the US in 2012, is the global leader in cloud-based behavioural marketing. The company enables leading online brands to build a one-to-one dialogue with potential customers, ensuring their needs are met through the online buying cycle, whilst generating revenue for the brand. We interviewed Nick Keating, Director EMEA about their expansion to London.

Why have Bounce Exchange chosen London for their first international location?
London was an easy choice. The city has a huge tech community, large talent pool with lots of diversity, strong digital and language skills, as well as great infrastructure and communication links. These are all important ingredients to supporting the growth of Bouncex over the next five years. There was simply no better city than London to make our European HQ.

Equally the UK is the largest and most dynamic e-commerce market in Europe, as well as being at the centre of the global gaming industry, which is a core focus for us.

What role will London play in the growth of Bounce Exchange?
London is a key part of our international growth strategy. An increasing portion of our large enterprise brands are global and require servicing from around the world in multiple languages across different time zones. Adding a London office to our office in New York has enabled Bouncex to become a truly global partner to our customers.

How did London & Partners support your business expansion?
From practical help, introductions and networking opportunities to facilitating a visit to our offices from the Deputy Mayor of London for Business, London & Partners was an incredible source of knowledge and support for our business expansion.

USA: London's top investor

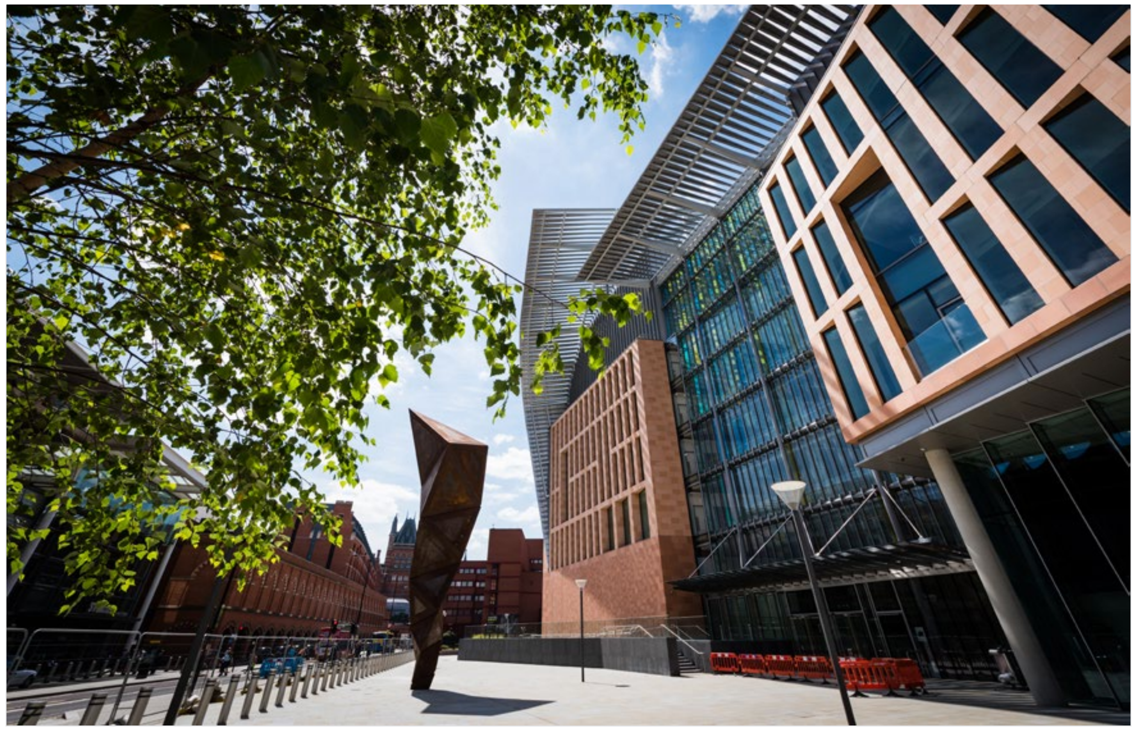
Political shifts in 2016 have seen a change in business landscape for both the US and the UK. Nevertheless, opportunities for investment are still strong. Pru Ashby, Head of North America at London & Partners, explains.

US companies have been drawn to London as a destination for investment for decades. London's competitive business environment, including ease of doing business and open regulations, as well as a common language and access to talent are among the many attractive reasons cited by US business.

London as a tech magnet

The wealth of tech talent in London has encouraged US FDI clients to establish here. In terms of number of developers, London ranks second, behind San Francisco Bay, with 71,497. This means London has 76 per cent more developers than Paris and 349 per cent more than Berlin.[15]

London's reputation as a destination for tech excellence has been building in recent years. With a growing tech ecosystem worth $44 billion,[16] London has become a well-established destination for US tech expansion.



[15] Stack Overflow, Developer Survey, 2015
[16] Startup Genome, Global Start-up Ecosystem Ranking, 2016

Over the last ten years, tech companies have made up 44 per cent of London & Partners' US clients. London's internet-enabled market and early adopter consumer base makes it easy for tech companies to succeed here. In addition, London's strong corporate presence is ideal for US tech companies with business-to-business offerings. Forty per cent of S&P 250 companies with a European HQ have it in London.[17] The next most popular destination city for European Headquarters (EHQs) is Paris, with only 8 per cent.

Technology has been diversifying, with a growing number of niche tech trends emerging on both sides of the pond. One of the largest recent trends is fintech. According to EY's 2016 UK FinTech On the Cutting Edge report, the UK has the strongest fintech ecosystem worldwide, in part thanks to supportive regulatory initiatives and tax incentives. The report estimates that the UK fintech sector generated £6.6 billion in revenues in 2015.[18] Fintech companies in London are supported by a host of incubator and accelerator spaces such as the FinTech Innovation Lab, Startupbootcamp FinTech, Barclays Accelerator and Level39.

Life sciences bloom

London's digital health and life sciences sectors are strengthening. The digitisation of healthcare is high on the UK Government's agenda, with a strategy for the NHS to be paper-free by 2020. This has been supported by London Mayor Sadiq Khan's commitment to improving healthcare in London. The Mayor of London also supports digitalhealth.london, an online hub that pioneers the development of digital technology in health. In addition, incubators such as the Francis Crick Institute, UCL East, Imperial West and the Farr Institute have launched to help healthcare companies.

London & Partners has teams on the ground in New York, Los Angeles and San Francisco to help US companies make the move to London.

[17] Deloitte, London Futures Report, 2014
[18] EY, UK FinTech: On the Cutting Edge, 2016

INDIA

TARGETING LONDON TECH

India is the second largest source market for FDI in London with 265 London & Partners projects over the last ten years – 11 per cent of all projects.

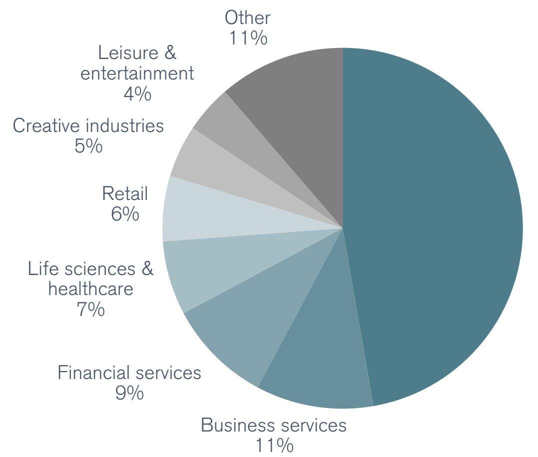
Insights

- In 2016, London's tech sector was four times more likely to receive Indian FDI than the business services or financial services sectors.
- Life sciences and healthcare is also an important sector for inward investment from India, accounting for 7 per cent of projects. This makes India the second largest source market for the sector, following Japan.
- Over half of Indian FDI in London is related to sales and marketing functions. Indian companies represent 13 per cent of the sales and marketing FDI projects into the UK capital.

4.9 Number of Indian greenfield FDI projects and jobs in London, 2006-2016

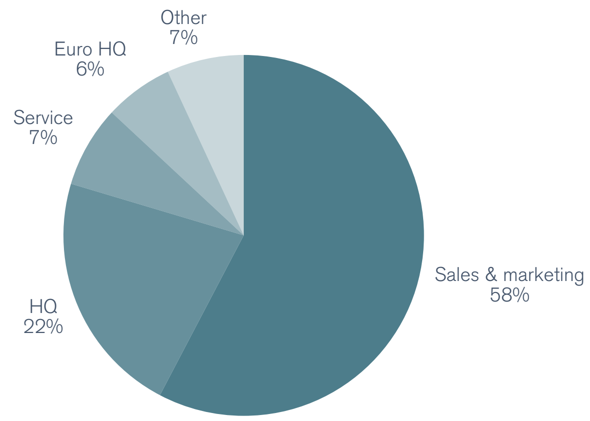
Source: London & Partners, 2017

4.10 Indian investment by sector, number of projects, 2006-2016



Source: London & Partners, 2017

4.11 Indian investment by function, number of projects, 2006-2016



Source: London & Partners, 2017

4.12 EXAMPLE INDIAN COMPANIES INVESTING IN LONDON (2016)

Company	Sector
Sonata Software	ICT
Navgrahaa Jewels Pvt Ltd	Retail
Antuit	Business services
Megrisoft	ICT
LatentView Analytics Pvt Ltd	ICT
Dexler Information Solutions Pvt Ltd	ICT
DreamzTech Solutions Pvt Ltd	ICT
Square Yards Consulting Pvt Ltd	Business services
Orbital Outsourcing Services	ICT
RED Tours	Leisure and entertainment

Source: London & Partners, 2017

INDIAN INVESTMENT IN LONDON 2006-2016

4,598 JOBS

265 TOTAL PROJECTS
17 JOBS PER PROJECT AVERAGE

23% increase in FDI projects

11% of all FDI projects to London

10% of all jobs created by FDI in London

TOP SECTORS BY PROJECTS

- 142 ICT
- 28 BUSINESS SERVICES
- 27 FINANCIAL SERVICES
- 21 LIFE SCIENCES

TOP PROPOSED FUNCTIONS BY PROJECTS

- 161 SALES & MARKETING
- 70 HQ

HCL

European growth from London – HCL's story

HCL Technologies (HCL) is a leading global IT services company that helps global enterprises re–imagine and transform their businesses through digital transformation. Operating out of 32 countries with a consolidated revenue of $6.7billion, the company has more than 111,000 employees globally, including in London where the company set up in 1999.

We interview Ashish Kumar Gupta, Corporate Vice President – Europe ITO & Infrastructure Services, on their growth in London over the last 10 years.

How has London helped HCL's business grow over the years?
HCL has been one of the fastest growing IT service providers globally over the last 10 years and we have seen significant success in Europe specifically. The UK market and London in particular, is amongst the most progressive IT markets in Europe and it is here that global technology trends take root first and then get adopted across the continent. So our presence in London has been instrumental for our European growth.

London is also an incredible centre for business due to location, market opportunity and talent. The opportunity for business growth here is high.

What advice would you give a company considering moving to London?
One of the biggest benefits of setting up in London is that it is uniquely positioned to offer the supporting ecosystem for businesses, including potential partners, educational institutions, professionals and competitors. The city is also the art and cultural capital of the world making it a truly global city with a diverse community. Given the multicultural nature of the city it is easy for all to integrate here.

India: London's second largest investor

India is the fastest growing economy in the world according to the World Bank. As a result, some of the best companies are looking to expand to London. Here, Sunil Dwivedi, London & Partners' Head of India, explains the attraction.

The UK has long been an important recipient country for Indian FDI. One of the main reasons is that Indian companies consider the UK to have open and straightforward regulatory systems.

London ranks highly on the World Bank's Doing Business Index (seventh globally) performing particularly well for starting a business, protecting minority investors, paying taxes and resolving insolvency.

Historically, India and the UK share similar legal systems and Indian business is conducted in English. Consequently, Indian companies coming to the UK are in familiar territory.

A common startup culture
According to a report by Nasscom, India ranks third globally for its number of startups, with 4,200 in 2015.[19] India has a strong startup ecosystem with accelerators, incubators and networking opportunities in the leading cities of Bangalore, Mumbai, Delhi and Hyderabad. Government support in the form of the StartUp India initiative gives companies access to fast-track procedures such as patent applications and public procurement, funding opportunities and tax exemptions.

This environment is similar to London's startup ecosystem, complete with financial incentives and practical support. These complementary support networks have contributed to a shift towards smaller companies investing in London, rather than just larger organisations.

London & Partners celebrates a decade in India
Established in Mumbai in 2007, London & Partners' India office gives on-the-doorstep guidance to companies looking to expand internationally.

The annual India Emerging Twenty (IE20) programme,[20] run by London & Partners, aims to discover India's most innovative and high-potential companies. Judged by business leaders, venture capitalists and serial entrepreneurs, the programme is designed to give successful companies an international profile. The 2017 programme attracted 345 participant companies, 54 per cent more than 2016.

[19] Nasscom, Start-up India: Ecosystem Maturing, 2016
[20] IE20: www.indiaemerging20.com

CHINA

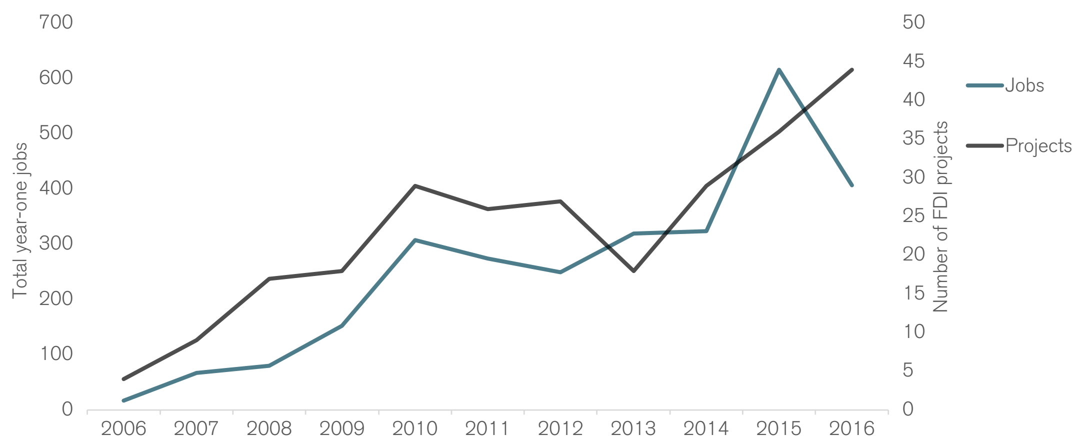
METEORIC RISE IN INVESTMENT

Chinese investment in London has grown by tenfold in the last ten years – the largest increase among London & Partners' five key source markets.

Insights

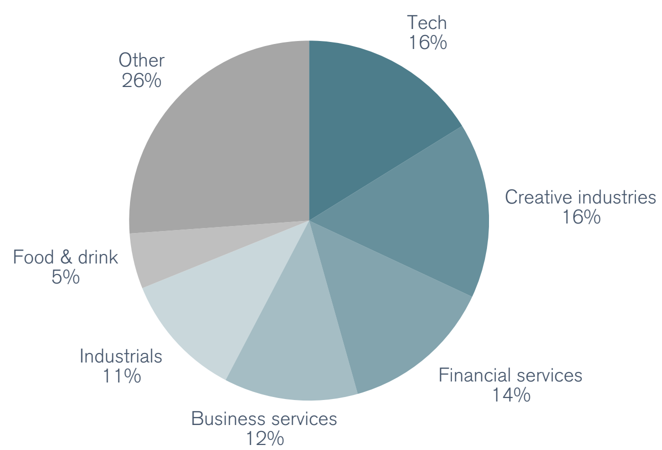
- Traditionally, Chinese investment in London has come from the service sectors. However, in the last two years, there has been a shift towards investment in technology.
- In 2016 alone, London & Partners worked with ten Chinese tech companies – nearly one in four of all Chinese FDI projects coming to London that year.
- After the US, companies from China are the mostly likely market to set up a European headquarters in London, with 24 per cent of London & Partners Chinese clients doing so since 2006, as well as 13 per cent using the Capital for their headquarters.

4.13 Number of Chinese greenfield FDI projects and jobs in London, 2006-2016



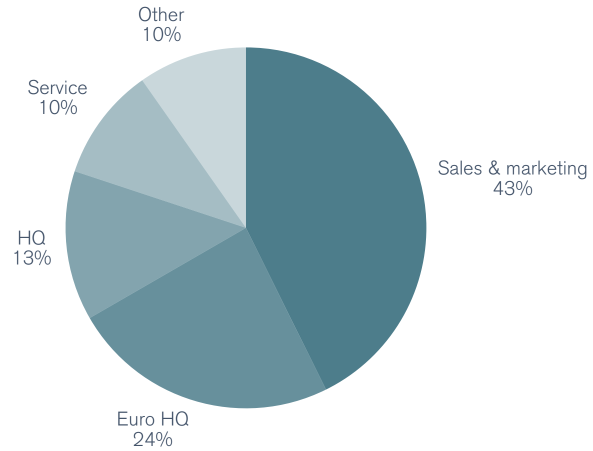
Source: London & Partners, 2017

4.14 Chinese investment by sector, number of projects, 2006-2016



Source: London & Partners, 2017

4.15 Chinese investment by function, number of projects, 2006-2016



Source: London & Partners, 2017

4.16 EXAMPLE CHINESE COMPANIES INVESTING IN LONDON (2016)

Company	Sector
Cocoon Networks	Financial services
China Merchants Bank London	Financial services
Huawei Technologies	ICT
Yiwugou.com	Retail
Manhar Commercial	Construction
One plus	ICT
SunTV	Creative industries
CSR Corporation Limited	Transport
HNA Tourism Group	Leisure & entertainment
Shanghai Yingcong Information and Technology Ltd	ICT

Source: London & Partners, 2017

CHINA INVESTMENT IN LONDON 2006-2016

2,813 JOBS

257 TOTAL PROJECTS
11 JOBS PER PROJECT AVERAGE

1,000% increase in FDI projects

10% of all FDI projects to London

6% of all jobs created by FDI in London

TOP SECTORS BY PROJECTS

ICT	45
CREATIVE INDUSTRIES	38
FINANCIAL SERVICES	34
BUSINESS SERVICES	31
INDUSTRIALS	28

TOP PROPOSED FUNCTIONS BY PROJECTS

SALES & MARKETING	107
EURO HQ	59
HQ	40

From China to Europe via London – BYD's story

BYD Company Limited, a leading high-tech multinational company founded in 1995, employs approximately 220,000 people and has 30 industrial parks and production bases worldwide. The company originally produced and marketed rechargeable batteries, but has since grown to operate in the four core fields of IT, automotive, new energy and monorail.

Listed on both the Hong Kong Stock Exchange and Shenzhen Stock Exchange, BYD set up a London office in 2016 and currently supplies electric buses to the city. We interview Isbrand Ho, Managing Director BYD Europe, on their success in London.

Business success in London
London has one of the largest bus fleets in the world, with approximately 9,000 buses in total, offering huge business potential for BYD.

In June 2015 the company supplied the world's first purpose-built electric double-decker bus to London. Since then BYD, in collaboration with local company Alexander Dennis (AD) has won the single-largest UK order for 51 single-deck buses in London and the vehicles began operation, in the city, from September 2016.

BYD has worked with Uber in London as well, helping them to electrify their operations by providing e6 vehicles to be used as private-hire taxis.

Why have BYD chosen to set up in London?
London is a world-renowned city and to be successful here offers profile for the company and our product, as well as generating a tremendous positive influence on other cities. Teamed with the market opportunity available in London's bus offer and the supportive policies for the electrification of public transportation from the Greater London Authority, the city was an ideal choice to help further our global footprint.

What role is London playing in the growth of BYD?
London is spearheading BYD's European growth strategy. The city now has one of the largest electric bus fleets in Europe and is poised to become the largest with upcoming orders thanks to our business collaboration with ADL. The city runs more buses than any other fleet in the Western world, the equivalent of Paris and New York combined, which is hugely influential. It makes London the benchmarking model for all other European cities in the process of electrification of public transportation and BYD is working to build on this milestone order in other European countries.

London: a top-three recipient of Chinese FDI

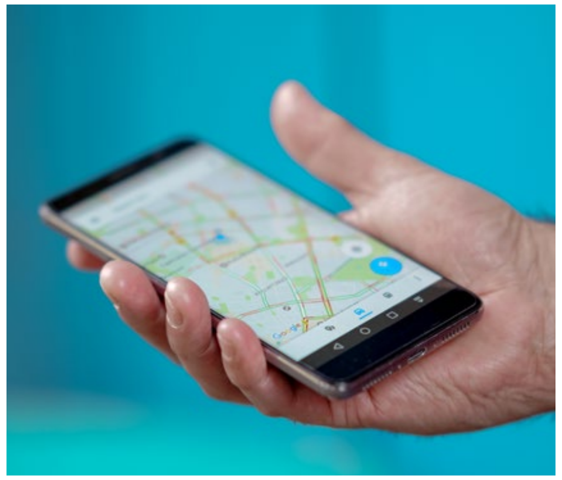
Geyang Huang, Head of China at London & Partners, looks more closely at the trends and drivers behind growing Chinese investment.

London ranks as the third largest recipient of Chinese FDI, following Hong Kong and Singapore.[21] There are a variety of reasons why London is seen as a gateway to the West for Chinese firms.

Firstly, London's time zone means the city shares office hours with Asia, Europe and the Americas, making it an ideal location to run a global business. Secondly, London's six airports provide easy access to 396 global destinations,[22] and the city is the hub for transport links to the entire UK market. Thirdly, the English language makes London a more practical option for Asian companies, compared to European alternatives.

Chinese governmental policy is driving strong FDI growth. Since 2014, Chinese companies have been encouraged to 'go global' and invest overseas in a bid to shift from the traditional reliance on domestic production. In particular, the 'One Belt One Road' initiative is promoting China's cooperative investment in infrastructure across Asia and Europe.

[21] The Financial Times, fDi Markets Database, 2017
[22] FlightGlobal Database, 2016



This move to become a net outbound investor is part of a broader economic plan to create a consumer economy driven by innovation. Beijing has changed several regulations to speed China's economic transition. It has relaxed restrictions on currency exchanges to allow Chinese companies to exchange money without having to register with the Government. Greater banking support for equipment makers is reducing the financial barriers to overseas investment.

Beijing's regulatory changes have had an effect: 2016 was the first year since 1998 that China saw outbound FDI exceed inbound flows. In a bid for a better balance between inflows and outflows, Beijing tightened regulations on international investment at the beginning of 2017. The full impact of this shift will emerge throughout the year, but as a strong and established market, flows to London are unlikely to be affected.

As part of this drive to create a more innovative economy, Chinese investors have been focusing on tech opportunities. China is home to numerous leading global tech giants such as Baidu, Alibaba, Tencent, Huawei and Xiaomi. These companies, coupled with China's growing startup ecosystem and VC investment opportunities, have created a powerful tech environment.

London & Partners acts a bridge for Chinese firms

London & Partners has offices in Beijing and Shanghai. Advisers are on hand locally to support companies from their early exploration of a London base, through to finding a London location and setting up and growing in the capital. Chinese firms often start considering the possibility of a London presence at London Tech Week (12 - 16 June 2017), an annual event where London & Partners and other founding partners celebrate the best of tech.

JAPAN

CREATIVE SECTOR INVESTMENT OUTSTRIPS TECH

Japanese greenfield FDI in London has increased by 60 per cent since 2006.

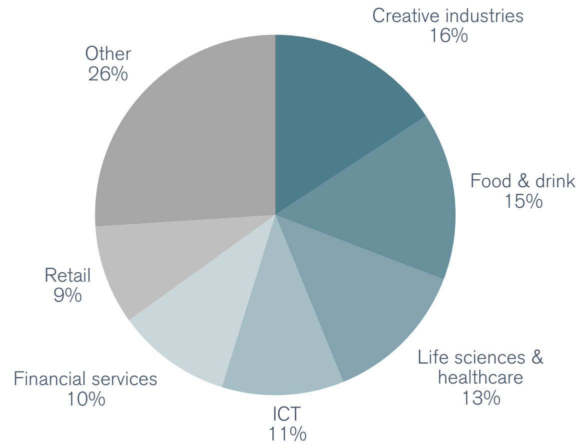
Insights

- The largest sector for FDI from Japan to London is the creative industries with 16 per cent, followed by food and drink at 15 per cent.
- Japan is the largest source market for London's food and drink sector, accounting for 22 per cent of FDI projects between 2006-2016.
- Large M&A deals between Japanese and UK firms have dominated in recent years: Softbank acquired ARM Holdings, Nikkei purchased the Financial Times and Asahi picked up five Anheuser-Busch InBev beer brands.

4.17 Number of Japanese greenfield FDI projects and jobs in London, 2006-2016

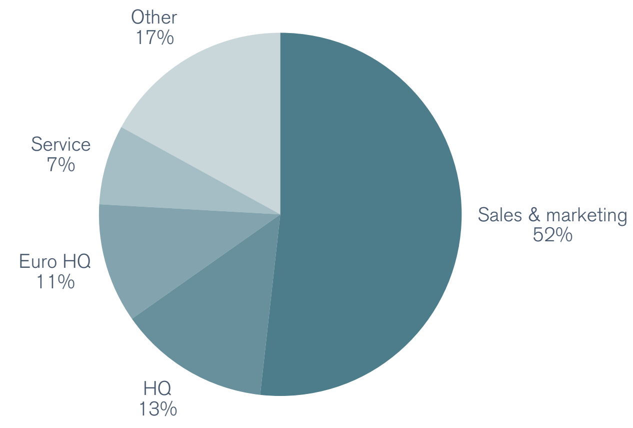
Source: London & Partners, 2017

4.18 Japanese investment by sector, number of projects, 2006-2016



Source: London & Partners, 2017

4.19 Japanese investment by function, number of projects, 2006-2016



Source: London & Partners, 2017

4.20 EXAMPLE JAPANESE COMPANIES INVESTING IN LONDON (2016)

Company	Sector
Telehouse Europe	ICT
JA Zen-Noh	Public administration
Sanrio Company	Creative industries
Shionogi Limited	Life sciences
Takram Design Engineering	ICT
Yagi Tsusho Limited	Retail
Doreming Asia Co. Ltd	Financial services
Miki House	Retail
Japan Agency for Medical Research and Development	Life sciences
Ozeki Corporation	Food & drink

Source: London & Partners, 2017

JAPAN
INVESTMENT IN LONDON 2006-2016

2,832
JOBS

149 TOTAL PROJECTS
19 JOBS PER PROJECT AVERAGE

60% increase in FDI projects

6% of all FDI projects to London

6% of all jobs created by FDI in London

TOP SECTORS BY PROJECTS

- 23 CREATIVE INDUSTRIES
- 22 FOOD & DRINK
- 19 LIFE SCIENCES
- 16 ICT

TOP PROPOSED FUNCTIONS BY PROJECTS

- 73 SALES & MARKETING
- 19 HQ
- 15 EURO HQ

SHIONOGI

New European era from London – Shionogi's story

Shionogi & Co Ltd was founded (1878) in Gisaburo Shiono SR in Doshomachi, Osaka, Japan. Today the global headquarters are in Osaka and the company has grown to become a major research-driven pharamaceutical company, dedicated to placing the highest value on patient care. In 2012, Shionogi's Europe headquarters were established in London, which marked the beginning of a new European era for the organisation.

We interview CEO of the European headquarters, Takashi Takenoshita about why they chose the UK.

Why did Shionogi choose the UK?
The UK's strong foundation in life sciences was the dominating factor for us – with world class research, well educated professionals, leading scientists and a strong investor community.

Why did Shionogi choose London?
London offers a vast talent pool, an excellent legal and regulatory environment and active government support that were all contributing factors for us choosing to set up in London. London & Partners helped us land in London and collaborated with us whilst we grew.

Japan: a major investor in the creative industries

Japan has been a long-standing leading investor in London. Ken Masuno, Business Development Manager for Japan at London & Partners, delves deeper into this unique market.

In addition to headline acquisitions, Japanese greenfield FDI to London has also been on the increase, recovering from a stark slowdown caused by the 2008 global financial crisis and 2011 Great East Japan earthquake and tsunami.

Creative leads the way

Unlike London & Partners' four other key source markets, the largest sector for FDI from Japan to London is not ICT. Instead, the creative industries dominate, followed closely by food and drink, and life sciences.

Japan is famous for its creativity, having created distinct niche trends from manga to fashion. Similarly, London's creative sector spans myriad disciplines including VFX, film and TV production, arts and theatre, mobile technology and gaming.

The fact that the city is the HQ address of choice for leading advertising and digital agencies, including WPP, Omnicom and Interpublic, highlights London as a global leader in the creative field. Creative SMEs are attracted by extensive R&D tax credits, including tax relief of 230 per cent and the 10 per cent tax rate of the Patent Box. London's encouraging ecosystem makes it an obvious destination for Japanese creatives.

Bursting with culture

Japanese companies are also drawn to the city for its cultural heritage and lifestyle. It helps that London has fallen from the sixth most expensive city in the world in 2016 to 24th place in 2017,[23] according to the Worldwide Cost of Living Report 2017 by the Economist Intelligence Unit.

The food industry thrives thanks to Londoners' international tastes and high disposable income: the average person has £22,516 available to spend.[24] This makes London a magnet for Japanese FDI in the food and drink sector. The industry is set for growth with the city's population (currently 8.4 million) due to increase by 37 per cent to more than 11 million by 2050.[25] According to research by MCA, the UK restaurant market grew by 1.3 per cent in 2014, and this rate is predicted to double in 2017 to a value of £52 billion.[26]

[23] Economist Intelligence Unit, Worldwide Cost of Living Report, 2017
[24] ONS, 2013
[25] ONS, 2016
[26] MCA Allegra, Eating Out in the UK Report, 2016

SPAIN

LONDON'S LARGEST EUROPEAN SOURCE MARKET

FDI project numbers from Spain have increased five-fold since 2006.

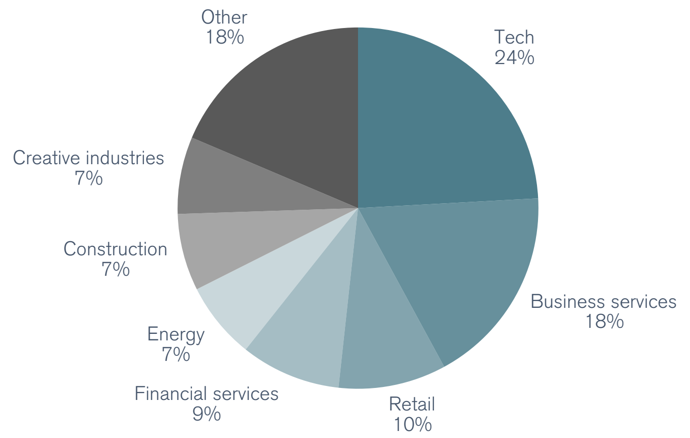
Insights

- Spain contributes 8 per cent of London's FDI in business services and 4 per cent of FDI in tech. These are the biggest sectors for Spanish inward investment, representing 18 per cent and 24 per cent respectively.
- In addition, Spain is the largest source market for FDI projects in energy and construction (both 19 per cent).
- Some 70 per cent of Spanish FDI projects in London have sales and marketing functions – a much larger proportion of investment than any other market.

4.21 Number of Spanish greenfield FDI projects and jobs in London, 2006-2016

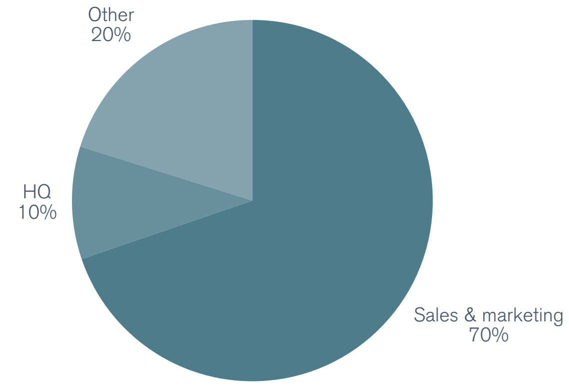
Source: London & Partners, 2017

4.22 Spanish investment by sector, number of projects, 2006-2016



Source: London & Partners, 2017

4.23 Spanish investment by function, number of projects, 2006-2016



Source: London & Partners, 2017

4.24 EXAMPLE SPANISH COMPANIES INVESTING IN LONDON (2016)

Company	Sector
Panaderias Granier	Food & drink
Capside	ICT
Teur	Energy
Techrules S.A.	Financial services
Walen	ICT
Perez-Llorca	Business services

Source: London & Partners, 2017

SPAIN
INVESTMENT IN LONDON 2006-2016

2,438
JOBS

147 **TOTAL PROJECTS**
17 JOBS PER PROJECT AVERAGE

110% increase in FDI projects

10% of all FDI projects to London

5% of all jobs created by FDI in London

TOP SECTORS BY PROJECTS

35	26	14	13
ICT	BUSINESS SERVICES	RETAIL	FINANCIAL SERVICES

TOP PROPOSED FUNCTIONS BY PROJECTS

83	12
SALES & MARKETING	HQ

Strategic European growth from London – FCC's story

FFC Group is a multinational with core business in civil infrastructure, water and waste management, and renewable energy, spanning over 50 countries worldwide and employing more than 90,000 people. FCC Construction is the group's construction division – involved in two Crossrail projects in central London.

We interview Rafael Foulquié Echevarría, UK & Ireland Director, FCC on their London expansion.

Why did FCC choose to expand to London?
FCC sought to expand its global client base by generating new business in the UK and Europe. Although we had offices in regional cities around the UK, we wanted a base for senior management in central London to target London's major infrastructure projects and drive growth across Europe.

What is key about London for Spanish companies?
There is a perception in Spain that the UK and London are mature markets and therefore they haven't been heavily targeted - but the reality is that London is very open to new companies and there is a good chance of success. There are great opportunities across our sectors; from rail and tunnelling, where we're involved with London's new railway line to healthcare, renewables, and nuclear power.

How has London supported your growth and strategic ambition?
A few years ago, our turnover was 80% in Spain and 20% overseas. Last year, the overseas balance was 45-55%. Our aim is 80% from outside Spain, and from the UK we're targeting Europe as our strategic growth region. London's location could not be better; firstly, for travelling around the UK and Europe and secondly, all partners and contacts are based in London.

Spain: attracted by London's strong funding offer

Several large Spanish companies have set up in London in recent years including Telefonica, Santander Bank, BBVA and International Airlines Group (IAG). Maria Corts, Head of Southern Europe and Latin America at London & Partners, finds out why.

Over the last ten years, ICT has been the largest industry for London & Partners' Spanish clients, followed by business services and retail.

Spanish style sells

Spanish retail companies are especially attracted to London for its strong consumer base and reputation as a global shopping destination. Well known Spanish brands, such as Mango and Massimo Dutti, have taken this opportunity and developed a strong presence in London.

The convergence of retail and tech in London provides amble opportunity for Spanish companies to make their mark. For example, Inditex, the Spanish parent company of Zara, Bershka and Pull&Bear, has spear-headed investment in radio-frequency identification (RFID) tags and in-store mobile payments in 2016. We can expect to see more interactive stores throughout 2017.

London has a strong ecosystem to support retail companies. For example, 2017 retail events in London include London Fashion Week, Retail Design Expo and Retail Week Live. These events see design experts network and collaborate. Retail-focused incubators such as JLAB, TrueStart and Drugstore RetailLab all contribute to this supportive environment.

Rife funding opportunities

Spanish companies are particularly drawn to London by its accessible funding landscape.

According to the World Economic Forum's Global Competitiveness Report 2016-2017, London ranks as the top city in Europe for VC availability. Similarly, KPMG's Venture Pulse report shows a rise in VC investment in the UK towards the end of 2016, with more than $1 billion ploughed into startups over the first three months of 2017.[27]

In order to help clients to access this funding, London & Partners launched the London VC Club in 2016. The club introduces companies to London's leading investors, allowing startups and scaleups to grow more quickly.

[27] KPMG, Venture Pulse Q1 Report, 2017

SECTION

05

LONDON'S KEY SECTORS

CONVERGENCE GATHERS PACE

One of London's main strengths is its range of sectors. Having established a culture of sector convergence, London will see the pace of cross-sector collaboration quicken in 2017.

Trends

London brings together world class clusters across a diverse range of sectors, including financial services, life sciences, government and creative, amongst many others.

The top five sectors in London & Partners' database of 2,500 clients are tech, business services, financial services, creative industries and retail.

Tech is the leading investment sector, with 795 projects since 2006. These companies have created 13,977 jobs, 389 per cent more than business services, 278 per cent more than the creative industries and 210 per cent more than financial services.

5.1 TOP SECTORS FOR GREENFIELD FDI IN LONDON, BY PROJECTS AND JOBS, 2006-2016

Sector	Number of projects	Jobs created
Tech	795	13,977
Business services	323	2,861
Creative industries	253	3,702
Financial services	239	4,512
Retail	163	3,681
Life sciences & healthcare	121	2,841
Leisure & entertainment	90	4,109
Food & drink	98	2,965
Environmental	67	722
Industrials	63	574
Energy	52	615
Transport	52	1,583
Construction	54	973
Public administration	11	139
Primary	9	74
Not for profit	4	20
Education	2	8

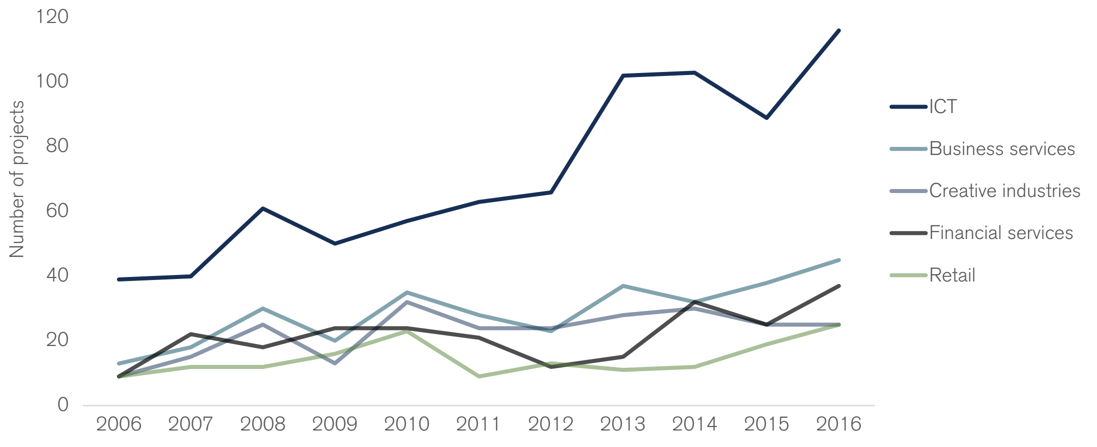
Source: London & Partners, 2017

5.2 TOP SECTORS BY GREENFIELD FDI, NUMBER OF GREENFIELD FDI PROJECTS, 2006-2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
ICT	39	40	61	50	57	63	66	102	103	89	116	786
Business services	13	18	30	20	35	28	23	37	32	38	45	319
Creative industries	9	15	25	13	32	24	24	28	30	25	25	250
Financial services	9	22	18	24	24	21	12	15	32	25	37	239
Retail	9	12	12	16	23	9	13	11	12	19	25	161
Life sciences & healthcare	10	7	10	13	14	9	11	6	14	9	17	120
Food & drink	2	2	7	10	18	7	5	11	12	11	12	97
Leisure & entertainment	7	8	7	9	16	6	5	8	7	12	5	90
Environmental	4	4	7	9	11	9	5	9	3	4	2	67
Industrials	4	4	3	7	12	11	6	3	5	5	2	62
Others	18	23	25	25	28	21	16	34	28	48	42	308
Total	124	155	205	196	270	208	186	264	278	285	328	2,499

Source: London & Partners, 2017

5.3 Top five sectors by greenfield FDI, number of projects, 2006-2016



Source: London & Partners, 2017

Tech

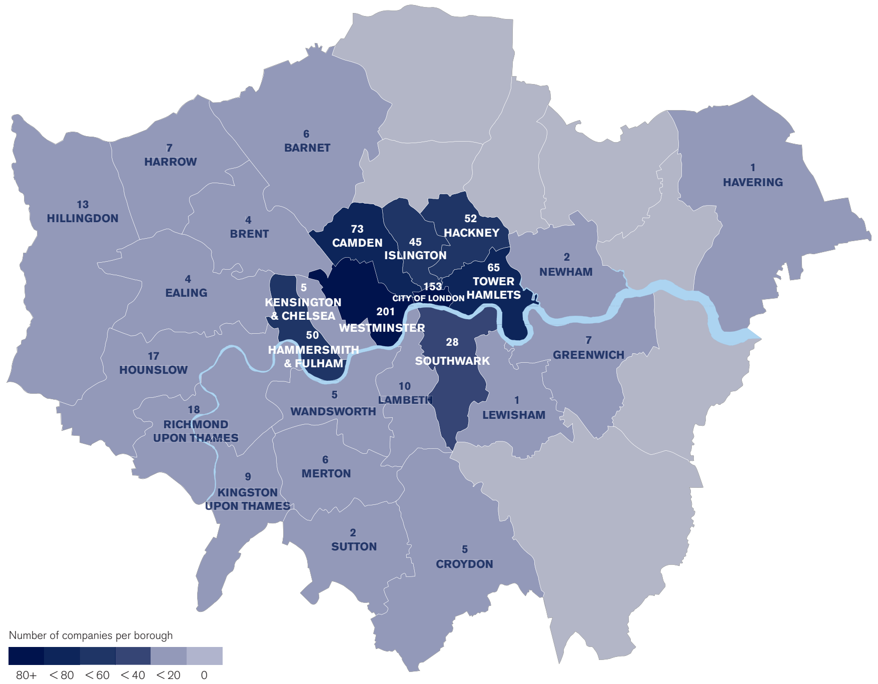
London is the third largest technology cluster in the world, after San Francisco and New York. Tech is increasingly influencing every sector, with the emergence of new convergent sectors such as fintech, adtech, retailtech, edtech and medtech.

London is a unique market for the technology sector. As a large and growing city, London provides a strong consumer base, particularly for urban tech and smart cities technology. Furthermore, London is a world leader for research and development, where businesses can benefit from access to more universities in the Global Top 50 than any other city.[28] These universities are driving innovation across the city.

East London's Tech City is home to unicorns such as Transferwise, Funding Circle and SkyScanner, along with ambitious startups and SMEs. Other London quarters proving attractive to tech companies are King's Cross, Canary Wharf and Soho.

Increasingly, tech companies are seeking opportunities in outer London boroughs. West London districts such as Hammersmith, Hounslow and Richmond are seeing noticeable increases in investment. Meanwhile, Apple is planning to move its London offices to Battersea Power Station and Cisco has set up in Heathrow.

5.4 ICT greenfield FDI projects by borough, 2006-2016



Source: London & Partners, 2017

[28] Times Higher Education, World University Rankings, 2017

EMERGING TRENDS

London is driving the 'fourth industrial revolution'[29] defined as the fusion of physical, digital and biological worlds. Louise Conolly-Smith, London & Partners' Senior Key Account Manager for International Trade & Investment, explores four top emerging trends.

Artificial Intelligence
Artificial intelligence (AI) is growing in importance and will affect a range of sectors. The industries predicted to invest most in AI are banking, retail and healthcare. According to a report by International Data Corporation (IDC), these industries accounted for more than half of AI revenues in 2016.[30] The same report forecasts that the AI industry will grow from a value of just under $8 billion in 2016 to more than $47 billion in 2020 – a compound growth rate of 55.1 per cent.

Two successful AI companies based in London are DeepMind and SwiftKey. The former was acquired by Google for £400 million in January 2014, while Microsoft bought SwiftKey for £250 million in February 2016. There is a growing interest in AI startups among the VC community.

Cybertech
The UK Government's National Cyber Security Strategy 2016 to 2021 states that cyber security is a higher priority than it has ever been. The Government has committed to investing £1.9 billion over the next five years and the BBC ranked 'cybercrime and a renewed emphasis on cybersecurity' as the top tech trend affecting businesses in 2016.[31]

Employing over 26,000 staff, the UK cybersecurity market is the largest, most concentrated and most accessible market in Europe.[32] A fifth of public sector IT spend is dedicated to cybersecurity.[33] According to the Information Security Breaches Survey 2016,[34] two thirds of all firms have some level of cybersecurity spend.

Three of the UK's Cyber Security Centres of Excellence are located in London: The Imperial College London Cyber Research Institute, Royal Holloway Information Security Group and Kingston University. Furthermore, London is home to Cyber London (Cylon), Europe's first dedicated cyber security incubator.

[29] www.weforum.org/about/the-fourth-industrial-revolution-by-klaus-schwab
[30] International Data Corporation, Worldwide Semiannual Cognitive/Artificial Intelligence Systems Spending Guide, 2016
[31] BBC, Tech Trends 2016: Cyber Security in the Connected World, 2016
[32] DIT, Inward Investment Report, 2014/15
[33] DIT, Inward Investment Report, 2014/15
[34] 'Cyber Security Breaches Survey, Department for Culture, Media and Sport, 2016

Virtual Reality
Several tech giants have launched virtual reality (VR) products in the last year producing Oculus Rift, PlayStation VR, Samsung Gear VR, HTC Vive and Google's Daydream view.

VR is set to influence numerous industries throughout 2017. Marketing will lead the field, offering brands the opportunity to create distraction-free environments to promote their products. Retail, fashion, restaurant and hotel companies are using VR to create immersive experience, where customers can virtually sit on the front row of London Fashion Week or be guided around a tourist attraction.

For now, the key market for VR remains gaming. In 2016, the UK was ranked the sixth largest games market in the world in terms of consumer revenues after China, USA, Japan, South Korea and Germany.[35] Some 31.6 million people play games in the UK, outstripping France, Italy and Spain.[36] Alongside a strong consumer base, games companies are attracted to the UK by Video Games Tax Relief (VGTR), which allows eligible companies to claim back 20 per cent of their production costs.

Ecommerce
The UK is the largest global ecommerce market per capita, with $104 billion ecommerce sales in 2016, a 12 per cent increase on 2015 according to a eMarketer research report.[37] The report also predicts ecommerce sales in the UK will increase to $124.43 billion in 2018 and $145.33 billion in 2020. Londoners are among the keenest adopters of ecommerce in the UK, spending 150 per cent more on average than the rest of the UK per online order.[38]

London hosts a range of retail technology events every year including the Omni-Channel Summit, eCommerce Expo and FashTech Summit (April 2017). In addition, incubators and accelerators like IncuBus, JLAB, Drugstore Retail Lab and TrueStart provide companies with retail-focused support and opportunities.

[35] Newzoo, Global Games Market Report, 2016
[36] Newzoo, UK Games Market Report, 2016. In September 2016, Ukie launched the UK Games Map, an interactive real-time map showing where games companies are based in the UK: https://gamesmap.uk/#/companies
[37] eMarketer, Worldwide Retail Ecommerce Sales, 2016
[38] The Institute of Direct and Digital Marketing, 2016

Financial Services

London's financial services are the fastest growing sector for FDI, having attracted 311 per cent more projects in 2016 than in 2006. Although these projects had originated from 6 different source markets in 2006, this global reach expanded to 16 countries of origin in 2016.

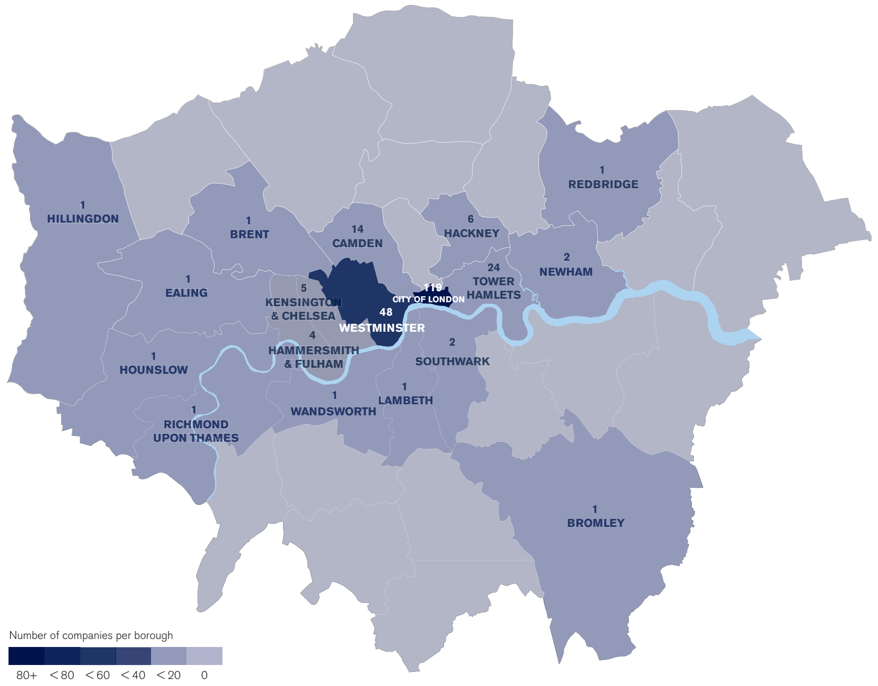
Of these source countries, the largest investors in London's financial services were the US (25 per cent), China (14 per cent) and India (10 per cent). These three markets contributed greatly to London's financial services in 2016, with the US and India investing record project numbers since 2010 and 2008, respectively.

The desire to have a London presence boils down to two key factors. Firstly, London has historically been a global financial centre. Over 40,000 financial services companies are based in London, employing 350,000 people. Moreover, the capital is home to over 250 foreign banks, which is more than any other city.[39]

Secondly, the capital provides endless trading options within one city, including access to Islamic finance, renminbi trading, Eurobonds and FX trading. Of the $9.4 trillion of global derivatives trading that occurs each day, 43 per cent takes place in the UK.[40]

Compared to London's other top sectors, migration towards the capital's outer boroughs is less pronounced for financial services. The traditional nature of the industry keeps the majority of firms in the City of London, Westminster and Canary Wharf. In the future, the rise of fintech and modernisation of the industry could change this.

5.5 Financial industries greenfield FDI projects by borough, 2006-2016



Source: London & Partners, 2017

[39] London Assembly Economy Committee, 2016
[40] Wall Street Journal, In Derivatives Trading, London is King, 2016

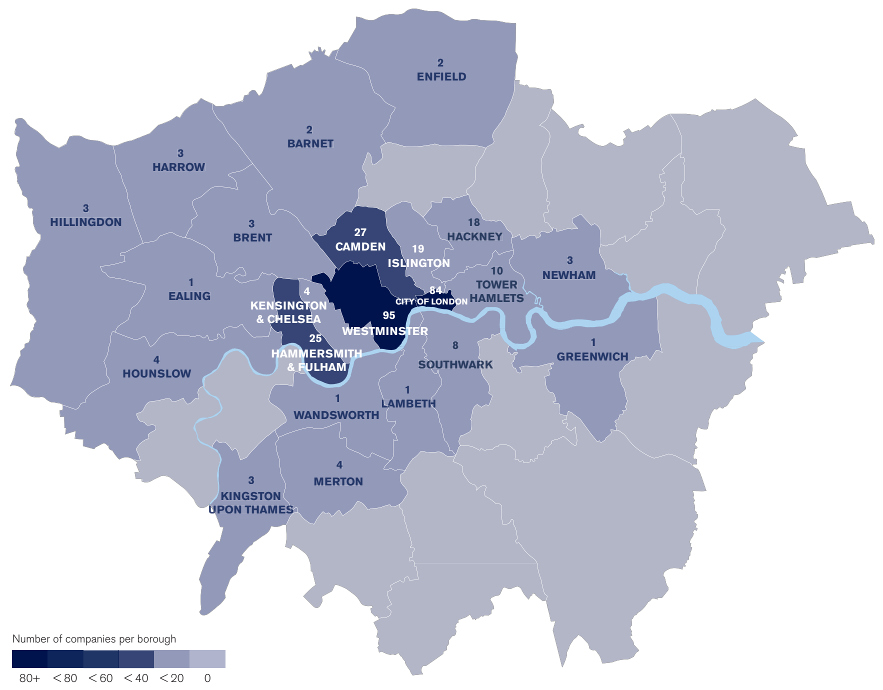
Business services

FDI in London's business services has increased by 246 per cent over the last ten years, making it the second fastest growing FDI sector in London, after financial services. The biggest proportion of this investment has come from the US, which accounts for 22 per cent, followed by Australia and China, both representing 9 per cent of London's FDI in business services.

The reason behind this strong investment is that London is a world leader across a range of business services sectors. The city is Europe's leading legal centre, a key market for accountancy firms and among the top three global cities for insurance.

In terms of distribution across the city, business services organisations gravitate towards central London, with the majority settling in the borough of Westminster and the City of London. Some firms are now opting to establish further afield in districts such as Merton, Kensington & Chelsea and Hammersmith & Fulham. These areas benefit from affordable rent and excellent transport links to central London, airports and the rest of the UK.

5.6 Business services greenfield FDI projects by borough, 2006-2016



Source: London & Partners, 2017

Creative industries

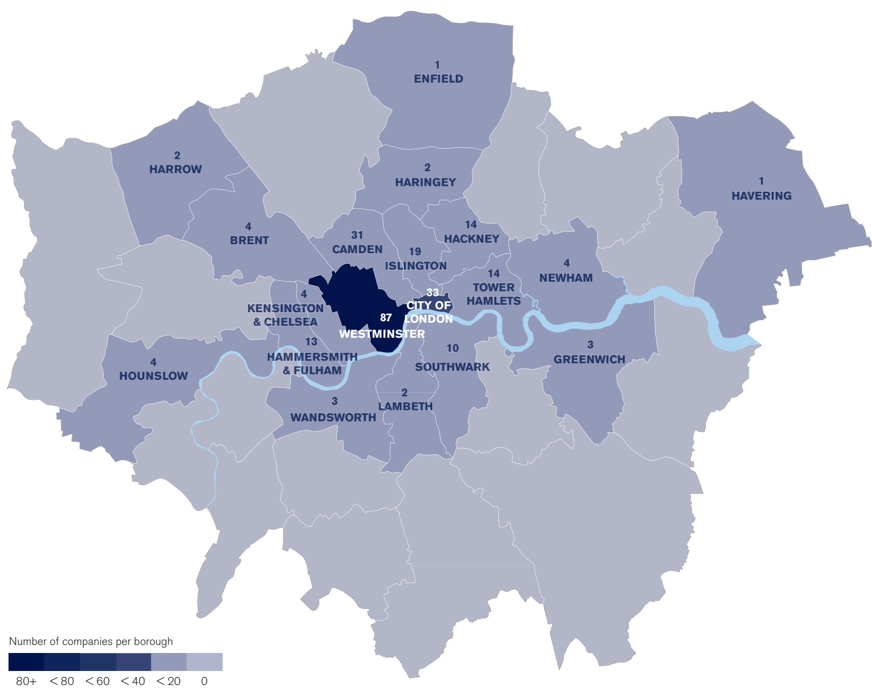
This sector encompasses a range of fields including advertising, publishing, TV and film, music, arts and theatre, gaming and design. Given London's leading role in all of these sub-sectors, the city attracts significant creative investment. The largest source markets for FDI into London's creative industries are the US (26 per cent), China (15 per cent) and Japan (23 per cent).

London is the centre of advertising for Europe, with two thirds of international advertising agencies having their European headquarters in London. London is home to the global HQ of WPP, the world's largest advertising agency, and is the European HQ of Omnicom and Interpublic.

Traditionally, creative companies have clustered around central London's Soho. However, activity is now spreading across the city, with creative firms flocking to districts such as Shoreditch, Hammersmith and King's Cross. There's also increasing interest in Hounslow, Barnet and Newham.

London has a number of key regeneration zones that are set to become hotspots for creativity. For example, the regeneration projects in Stratford, Hackney Walk and Elephant and Castle all have creative elements, as well as providing an upgrade of the area.

5.7 Creative industries greenfield FDI projects by borough, 2006-2016



Source: London & Partners, 2017

Retail

Retail remains an important aspect of London's economy and culture. The sector draws on international retailers greatly, and has seen a 177 per cent increase in FDI to London's retail between 2006 and 2016.

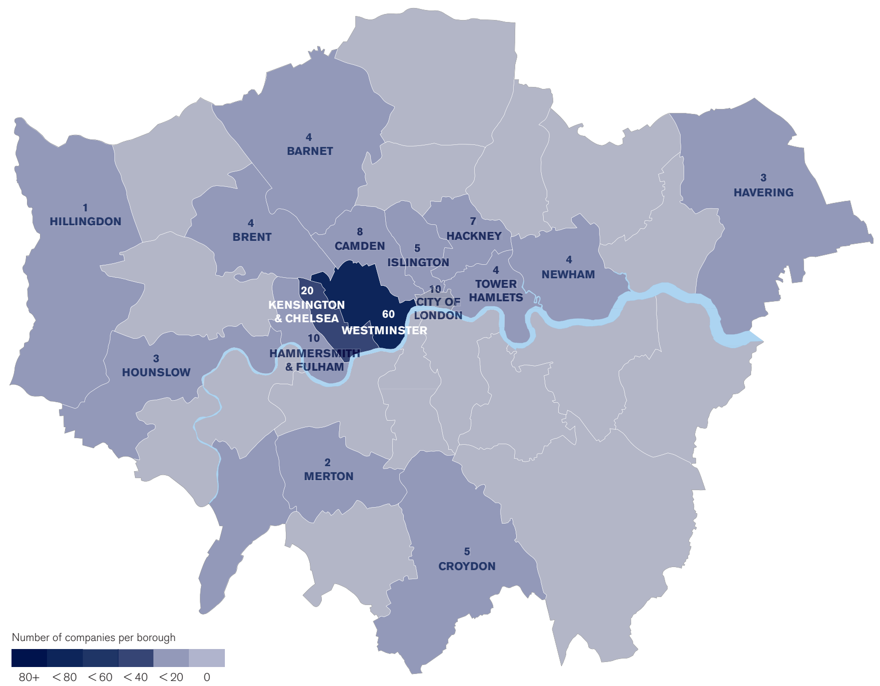
As a result of this investment, according to CBRE, How Global is the Business of Retail?, 2017,[41] London is the second most popular city for global retailers, following Hong Kong. London had 65 new entrants to the retail market in 2016, of which mid-range fashion brands were the most active.

Of the retailers that London & Partners has worked with over the last ten years, 16 per cent have originated in the US, 9 per cent in India and 8 per cent in Spain. This shows the global range of retailers that London appeals to.

Helping drive London's retail strength is its 19.8 million annual visitors from around the world, who spend £17.8 billion annually.[42] London's tourist shopping spend is significantly more than any other European city, including Paris, Barcelona and Milan.[43] London is increasingly becoming a destination during key holidays, such as the Eid festival or China's Golden Week, both of which contribute towards the city's high retail spend.

London is famous for its West End shopping. Oxford Street boasts 300 retailers, and nearby Regent Street welcomes over 7.5 million tourist visits a year and employs over 20,000 people. The city's West End Luxury Quarter is strengthening its offer in readiness for the arrival of Crossrail in 2018, set to bring 1.5 million more people within 45 minutes of London's key business districts.

5.8 Retail greenfield FDI projects by borough, 2006-2016



Source: London & Partners, 2017

[41] CBRE, How Global is the Business of Retail?, 2017
[42] MasterCard, Global Destination Cities Index, 2016
[43] Expand into Europe: Retail Destination Index 2016, Savills

LONDON
& PARTNERS

About London & Partners

London & Partners is the Mayor of London's official promotional agency. Our purpose is to support the Mayor's priorities by promoting London internationally, as the best city in the world in which to invest, work, study and visit.

London & Partners:

- Influences the investment decisions of global companies, persuading them to set up and grow their business in London.
- Supports event organisers, helping them host business events and major sporting and cultural events in London.
- Promotes London to international leisure visitors and provides information to help them discover the city.
- Positions London as the best place for higher education and encourages overseas students to study in the capital.

We do all this by working with the Mayor of London, Department for International Trade (DIT), VisitBritain, London's boroughs and other key stakeholders, as well as our 1,000-plus private sector partners.

Our offices

London, Beijing, Shanghai, Mumbai, New York, San Francisco and Los Angeles, as well as representatives in several other countries.

London & Partners is the expert on doing business in the capital, helping overseas businesses to set up and grow. Our team can advise you on every aspect of locating and doing business in London, free of charge.

Find essential information on how to set up in London at invest.london.

CONTACT

This research was undertaken by London & Partners' Strategy and Insights team.

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Market Analyst
Emily Hoble
ehoble@londonandpartners.com

Manager – Market Analysis
Steven Spires
sspires@londonandpartners.com

London & Partners
6th Floor
2 More London Riverside
London SE1 2RR
londonandpartners.com

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& PARTNERS