CAMERA DI COMMERCIO MILANO

PROMOS
Internazionalizzazione e marketing territoriale

FOREIGN DIRECT INVESTMENTS OBSERVATORY

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INVEST IN LOMBARDY

The present study was coordinated by Promos through its Invest in Milan service and by the Milan Chamber of Commerce Analysis Office, with scientific consultancy provided by Prof. Marco Mutinelli, professor at Brescia Università degli Studi, Milan Polytechnic MIP lecturer as well as Milan Polytechnic REPRINT databank manager.

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EXECUTIVE SUMMARY

Highlights

- In the first quarter 2012 some 3,210 new cross-border investment projects were registered on a global level involving the launch of new activities or the expansion of pre-existing activities, with a contraction of 12.6% with respect to the previous quarter and no less than 24.6% with respect to the first quarter 2011.

- To find a lower number of projects it is necessary to return to the second quarter 2007, when some 2,888 projects were registered on a global level.

- Together with the marked reduction in the number of projects there has been an intensification of the trend that started in 2009 towards a progressive reduction in their average economic size. In the first quarter 2012 the average number of jobs created by new investment projects fell by 12% relative to the first quarter 2011, occupying levels more than a third lower relative to those achieved between 2005 and 2008; a similar trend has been noted relative to capital invested.

- To a large extent the negative trend is connected to the difficulties experienced by Europe which, in the first quarter 2012, attracted little more than a third of all projects registered on a global level, while between 2005 and 2007 its quota had always remained above 45% and even in 2010 it was still close to 40%. Cross-border investment projects aimed at Western Europe represented, in the first quarter 2012, only 21.6% of the world total, as against 28% in 2007.

- Within a Western Europe that is losing share in the international context, Italy exhibits an even worse performance and unfortunately is seeing its already very modest level of attractiveness being further reduced relative to new cross-border investments. In the last two quarters Italy has attracted only 51 new investment projects from abroad, a number equal to just over a ninth of those aimed at the United Kingdom, and less than a fifth of those involving Germany, less than 30% of those relative to France and even less than a third of those involving Spain. In terms of numbers of investment projects, Italy has now even been overtaken by Ireland and the Netherlands and is being progressively matched by other countries of significantly much smaller economic size such as Switzerland, Belgium and Austria (Fig. 5).

- Italy's very poor *performance* is also dragging Lombardy down. In the last two quarters Lombardy has attracted overall only 12 new investment projects, falling below twenty-fifth position among European regions.

- Inevitably the position of Milan is also worsening, although it has succeeded in maintaining, over the last two quarters (the last of 2011 and the first of 2012), a dignified sixteenth position on the continent, after constantly occupying a place among the first eight positions in the European ranking in the first three quarters of 2011.

- The steep decline in the number of investment projects in Milan is due to a large extent to the sharp recession that has affected the Italian market. Proof of the same can be seen in the fact that in the last four quarters investment projects regarding retail activities have been entirely absent, contrasting with the 14 initiatives in the previous four quarters. A trend that is less negative than the average can be observed only as regards wholesale activities, sales support and company services.

- From a sector point of view, there has been a collapse in the number of initiatives in the fashion sectors and more generally as regards mass consumption goods, electronic components and communication and marketing services. Only financial services projects display a more positive performance, while the ICT services sector has experienced a less than average decline.

- When the geographic origins of Greenfield investment projects focusing on Lombardy and Milan are taken into account one notes a general decline in all the main areas of origin. The only exceptions are India and the USA, which register an increase in investment projects in Lombardy.

Trends in Greenfield and expansion foreign direct investment flows, by origin and destination of projects (2011 Q2 – 2012 Q1 relative to the four previous quarters)

		Towards				
		World	Western Europe	Italy (Lombardy excluded)	Lombardy	Milan
Coming from	World	↘	↘	↘	↘	↘
	China	↗	⇔	↘	↘	↘
	Brazil	↘	↘	↘	⇔	⇔
	Russia	⇔	↗	⇔	⇔	⇔
	India	↘	↘	↗	↗	⇔
	USA	↘	⇔	↗	↗	↘
	Western Europe	↘	↘	↘	↘	↘

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

- On the other hand, no signs of recovery have been noted in investments from BRIC countries in Milan after the burst of activity registered in the last months of 2010 and the first months of 2011, when in just three months five Chinese and one Indian project were registered. Following a second Indian project recorded in July 2011, no other project from BRIC countries has been registered.

- In addition, it is important to note that in the quarter in consideration 8 new foreign investments were made in Milan, for the most part originating in the English-speaking world.

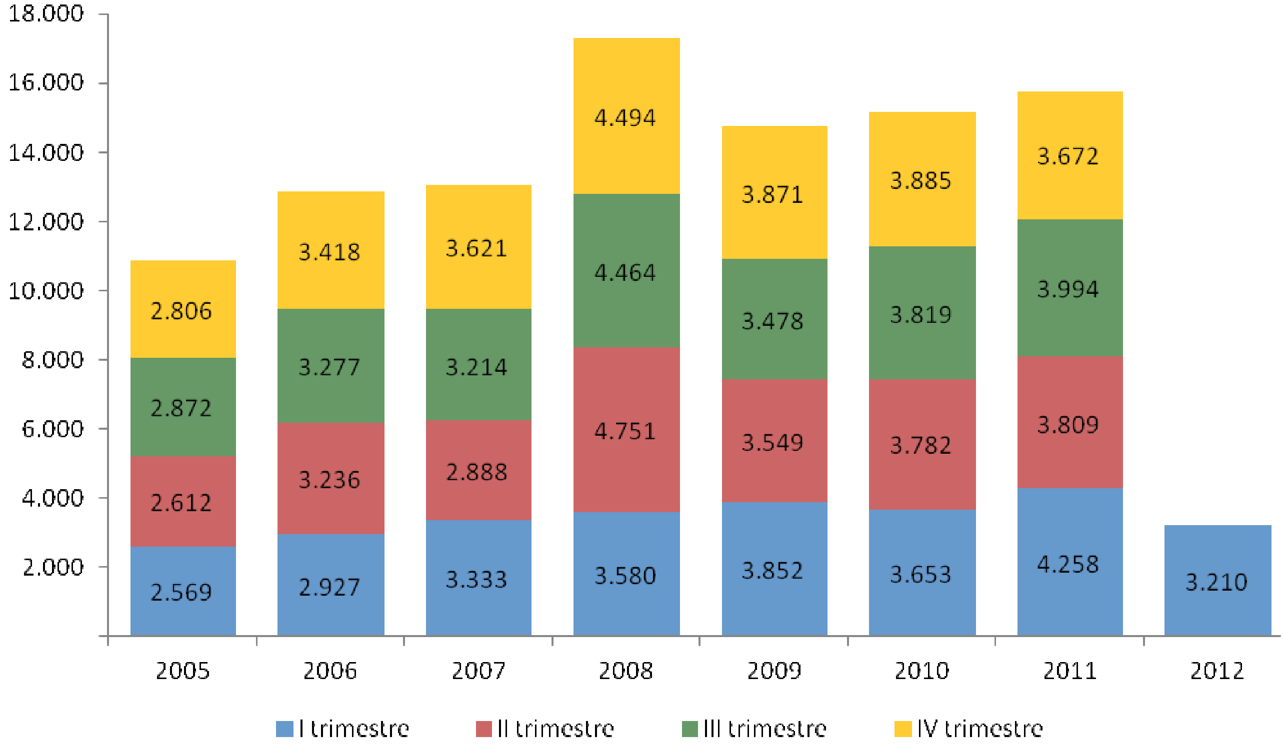
- Analysing the geographic, sector and functional specialisations of the investment projects that have been announced and registered in the period following the explosion of the financial crisis, specific models of settlement insertion have been identified for the main European regions. Lombardy is characterised by a higher attraction capacity relative to countries like Germany, UK, Spain, United Arab Emirates and India. With reference to company functions and sectors, the region exhibits a level of attraction greater than the average in pharmaceutics and real estate. Finally, its role as the location preferred by foreign investors for their creation of a commercial branch in Italy is also reconfirmed.

FOREIGN DIRECT INVESTMENTS IN THE FIRST QUARTER 2012

In the first quarter 2012 the negative trend has worsened still further and the number of direct cross-border investment projects has fallen by almost a quarter relative to the corresponding period in the previous year.

The negative trend has worsened in the first quarter 2012, in which Greenfield investment cross-border projects registered on a global level by the Financial Times FDI Intelligence databank have been equal to 3,210, representing a decline of 12.6% relative to the previous quarter and 24.6% relative to the first quarter 2011. To find a lower number of projects it is necessary to return to the second quarter 2007, when 2,888 projects were registered.

Figure 1 – Number of *greenfield* and expansion foreign direct investment projects, 2005 – 2012 Q1

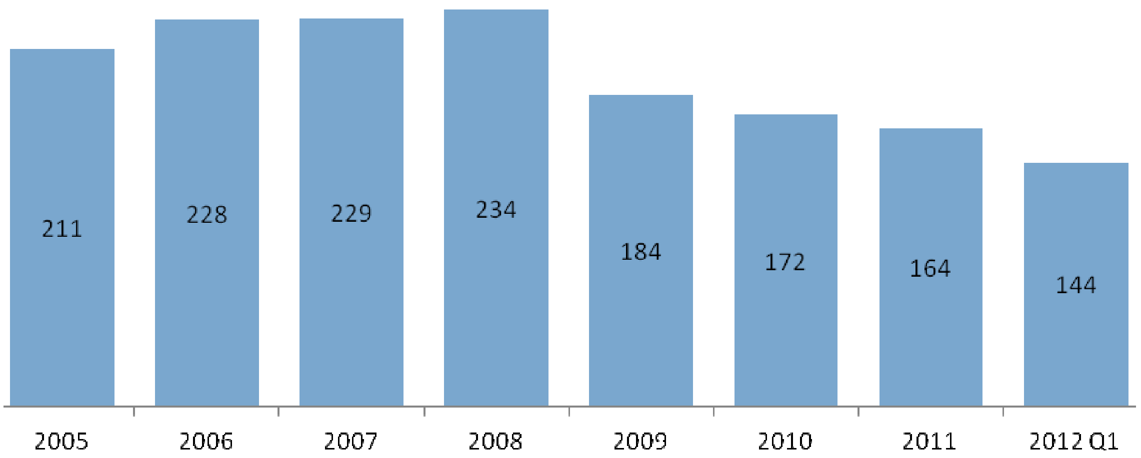


I quarter **II quarter** **III quarter** **IV quarter**

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

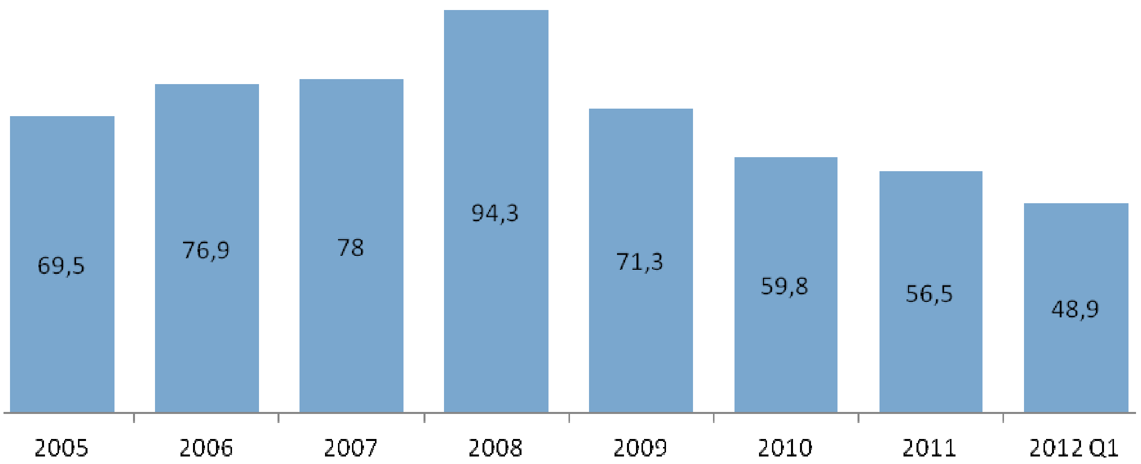
The steep reduction in the number of projects is accompanied by on ongoing trend (which is in fact intensifying) towards the progressive reduction of their average economic size, a trend that began in 2009. In the first quarter 2012 the average number of jobs created by new investment projects fell by 12% relative to the first quarter 2011, positioning itself at levels that are more than a third lower than those achieved between 2005 and 2008 (Fig. 2). A similar trend has been registered as regards average capital invested in cross-border investment projects, which has now been almost halved relative to the record values of 2008 (Fig. 3).

Figure 2 – Average number of new jobs created by *Greenfield* and expansion foreign direct investment projects, 2005-2012 Q1



Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

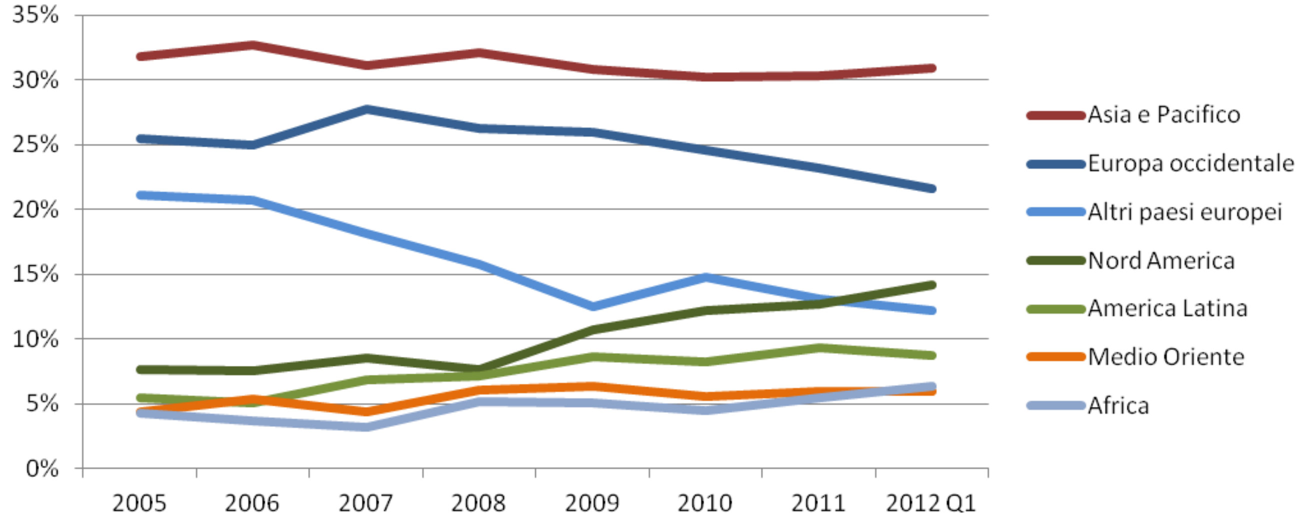
Figure 3 – Average capital invested in *Greenfield* and expansion foreign direct investment projects, 2005-2012 Q1 (values in millions of dollars)

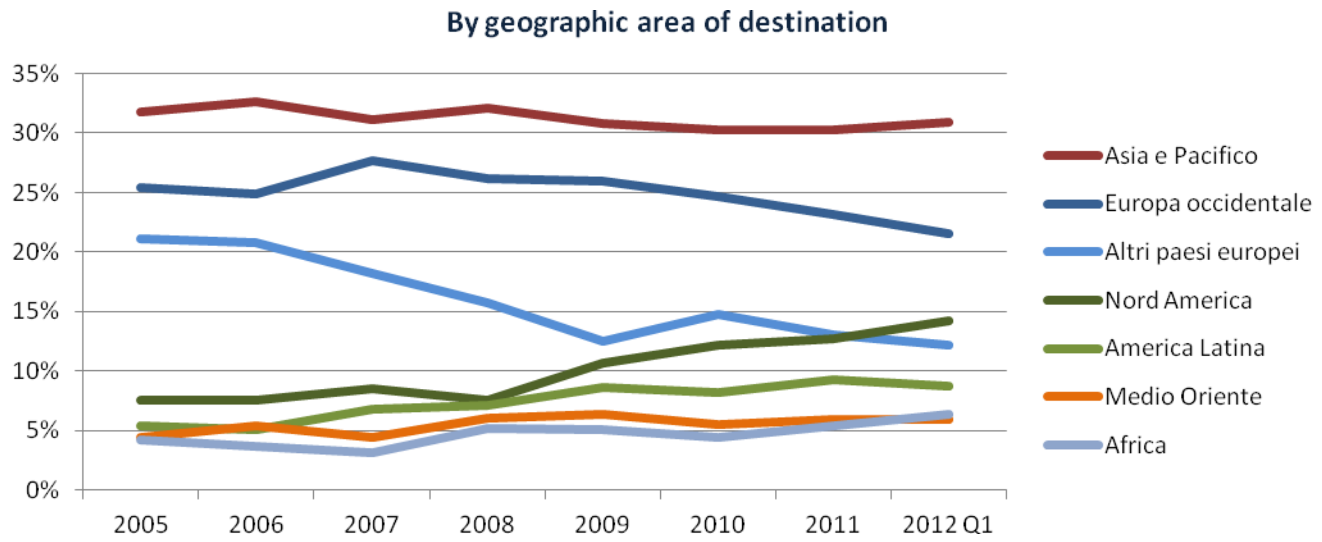


Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

To a large extent the negative trend is linked to the difficulties experienced by Europe, which has registered a much greater contraction in projects than the global average, with reference to both outgoing direct investments (i.e. cross-border investment projects by European companies) and direct incoming investments (i.e. direct investment projects towards Europe). More specifically, with reference to the latter, in the first quarter 2012 Europe attracted overall only a little more than a third of all projects registered on a global level, while between 2005 and 2007 the quotas for the for Europe stood at around 46% and again in 2010 they were still close to 40%. Direct cross-border investment projects towards Western Europe, in particular, represented in the first quarter 2012 only 21.6% of the world total, as against 28% in 2007.

Figure 4 – Distribution of Greenfield and expansion foreign direct investment projects, by geographic area or origin and destination, 2005-2012 Q1





Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

Within a Western Europe that is losing shares on the international scene, Italy exhibits an even worse performance and has seen its already very modest level of attractiveness further reduced relative to new *cross-border* investment projects.

In the last two quarters (last quarter 2011 and first quarter 2012) Italy has attracted overall only 51 new investment projects from abroad, a number equal to little more than 11% of those directed towards the United Kingdom, and less than 20% of those towards Germany, less than 30% of those towards France and, worse still, only a little more than a third of those towards Spain.

As regards the number of investment projects, Italy has now even been overtaken by Ireland and the Netherlands, with other countries of much smaller economic size like Switzerland, Belgium and Austria gradually catching up (Fig. 5).

Figure 5 – New Greenfield and expansion foreign direct investment projects in Western Europe, by country 2010-2012 Q1

	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	Total
United Kingdom	276	205	202	250	248	218	305	228	217	2.149
Germany	200	192	183	203	201	177	211	166	96	1.629
Spain	98	92	100	123	96	90	69	89	60	817
France	101	119	93	72	85	84	69	88	94	805
Ireland	43	50	39	58	58	63	66	40	40	457
Netherlands	40	45	41	35	47	42	68	44	38	400
Italy	45	49	49	59	49	33	39	22	29	374
Switzerland	37	32	29	23	46	32	33	18	29	279
Belgium	30	42	38	38	33	26	22	20	21	270
Austria	27	18	28	14	28	31	26	22	12	206
Other countries	83	78	82	65	88	80	84	67	57	684
Total	980	922	884	940	979	876	992	804	693	8.070

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

Italy's extremely poor *performance* is also dragging Lombardy down with it. In the last two quarters Lombardy has attracted overall only 12 new investment projects, dropping below twenty-fifth position among European regions.

By way of partial consolation, one notes that other important regions have also experienced a collapse in new initiatives: e.g. Baden-Württemberg, Flanders, East Anglia and Ostösterreich. It must also be recalled that in the period between the start of 2010 and the first quarter 2012 Lombardy has, in overall terms, attracted 122 investment projects i.e. approximately one third of all projects aimed at Italy, confirming its role as the preferred access gateway for foreign multinationals that want to enter our country, and therefore occupying fifteenth position for the same period among European regions (Fig. 5).

Figure 6 – New Greenfield and expansion foreign direct investment projects in Western Europe, by region, 2010-2012 Q1

	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	Total
South East (UK)	112	107	86	114	104	121	151	96	100	991
Nordrhein-Westfalen	46	45	38	44	48	49	63	48	23	404
Île-de-France	58	40	42	25	42	41	40	24	33	345
Baden-Württemberg	47	38	26	46	32	22	30	21	5	267
West-Nederland	24	29	28	22	29	23	33	27	22	237
Hessen	25	24	34	25	30	31	25	25	14	233
Scotland	38	15	34	14	22	22	29	15	21	210
Comunidad de Madrid	26	25	33	28	24	22	11	16	20	205
Cataluña	24	23	12	29	23	25	21	26	16	199
Bayern	21	20	22	23	21	19	26	16	15	183
North West (UK)	22	14	14	25	16	10	22	16	14	153
Vlaams Gewest	15	29	22	28	9	9	10	5	8	135
East Anglia	14	17	25	28	27	2	9	5	3	130
West Midlands (UK)	12	12	7	13	17	15	18	13	18	125
Lombardy	14	19	18	21	16	12	10	6	6	122
Berlin	14	11	7	10	20	11	14	15	11	113
Ostösterreich	16	11	12	8	10	15	17	8	7	104
Rank Lombardy	16th	11th	12th	13th	16th	14th	19th	27th	28th	15th

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

We then come to Milan's *performance*, which must be evaluated in the light of Italy's less than positive trend, on the one hand, and by the inevitable comparison with other leading cities in Western Europe, on the other (Fig. 6).

After an extremely negative period in 2009 which, during the third quarter, saw Milan fall to twentieth position among European cities in terms of investments from abroad, as of the second quarter 2011 Milan, for three consecutive quarters, was placed among the top 8 positions in the continental *ranking*. During 2011 this trend worsened considerably but Milan has nevertheless maintained a dignified sixteenth position on the continent over the last two quarters.

In the period between the first quarter 2010 and the first quarter 2011 Milan has hosted overall some 95 foreign investment projects, achieving eleventh position among Western European cities.

The Lombard city is preceded by London, Paris, Dublin, Madrid, Frankfurt, Düsseldorf, Amsterdam, Munich, Barcelona and Berlin but has kept ahead of cities like Zurich, Vienna, Stockholm, Brussels and Hamburg.

Figure 7 – New Greenfield and expansion foreign direct investment projects in Western Europe, by city, 2010-2012 Q1

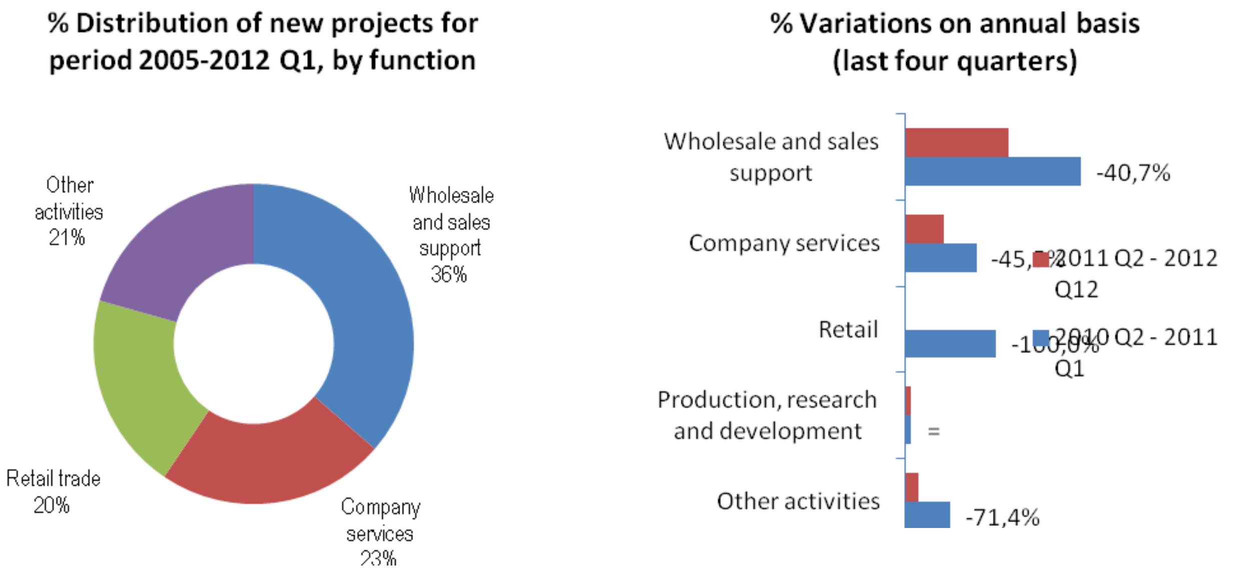
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	Total
London	77	87	65	87	74	92	117	76	79	754
Paris	52	37	39	24	41	32	35	23	31	314
Dublin	20	27	17	21	23	25	26	19	18	196
Madrid	17	20	28	21	24	19	9	13	18	169
Frankfurt	22	14	22	15	20	20	17	16	10	156
Düsseldorf	20	14	9	12	18	15	24	21	9	142
Amsterdam	13	21	15	13	17	11	16	12	11	129
Munich	15	15	18	17	11	8	17	10	11	122
Barcelona	19	12	6	13	12	15	14	14	14	119
Berlin	14	11	7	10	20	11	14	15	11	113
Milan	10	16	15	17	12	6	8	5	6	95
Zurich	14	8	7	9	15	10	11	3	10	87
Vienna	12	9	8	6	9	13	14	8	6	85
Stockholm	10	7	9	6	5	15	13	10	7	82
Brussels	6	5	11	6	16	10	8	12	6	80
Hamburg	12	8	10	8	11	14	3	5	9	80
Cologne	9	9	6	11	8	10	14	6	4	77
Edinburgh	6	4	4	4	7	11	8	8	7	59
Manchester	5	5	7	10	7	2	8	5	8	57
Helsinki	5	5	3	6	9	8	7	1	2	46
London	77	87	65	87	74	92	117	76	79	754
Paris	52	37	39	24	41	32	35	23	31	314
Rank Milan	14th	6th	8th	6th	11th	21th	15th	16th	16th	11th

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

Although in the preceding periods Milan's *ranking* was above all maintained by projects involving commercial activities (wholesale and retail) and sales support, functions which represent no less than 56% of foreign investment projects in Milan from 2005 to today, it must nevertheless be noted that investment projects regarding retail activities during this period have been disappointing.

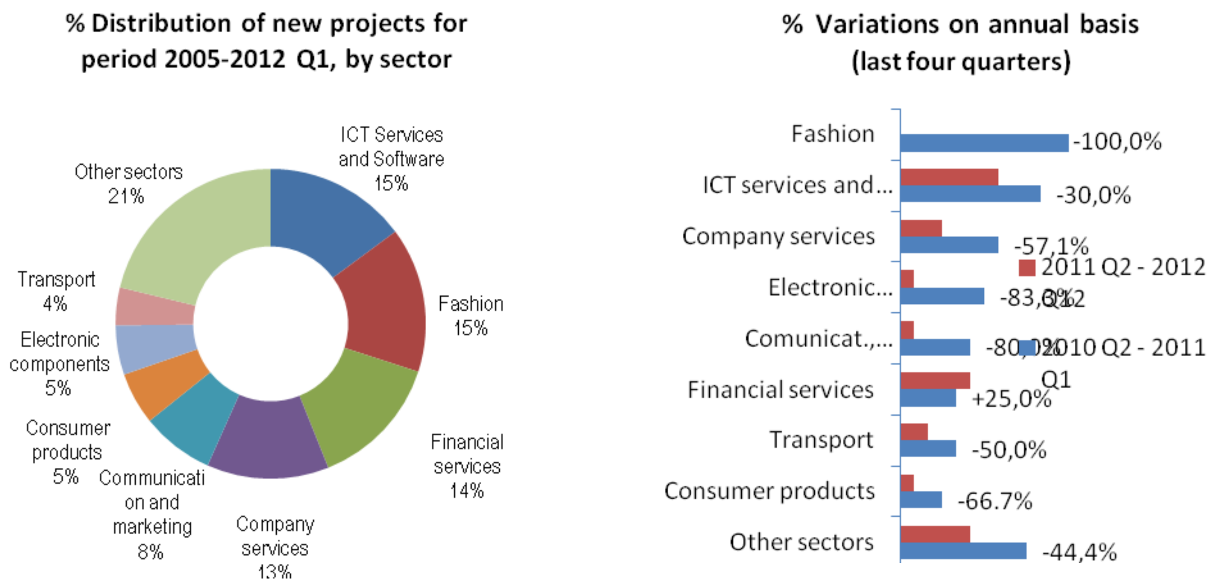
Due to the major recession which has hit the Italian market, in the last four quarters (2011 Q2 – 2012 Q1) no project has been registered regarding any opening of new sales outlets in the Lombard capital, notwithstanding the fact that 14 projects were registered in the previous four quarters (fig. 8). Overall, the number of projects taken on an annual basis has been more than halved (25 projects in the last four quarters as against 60 projects registered in the previous four quarters); less than average falls were registered only for those projects regarding wholesale and sales support activities (-40.7%) together with company services (-45%).

Figure 8 – New Greenfield and expansion foreign direct investment projects in Milan, by activity typology



Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

Figure 9 – New Greenfield and expansion foreign direct investment projects in Milan, by sector



Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

From the sector point of view, there has been a collapse in the number of initiatives in the fashion sectors and more generally in mass consumption goods (recently this has especially involved the opening of points of sale, as already mentioned), electronic components (which registered significant growth in the previous period) and marketing and communication services (Figure 9).

Financial services, on the other hand, have moved contrary to this trend and have constituted the only sector to record in increase in the period 2011 Q2 – 2012 Q1 relative to the four previous quarters (+25%), while projects in the software and informatics services sector have registered a less than average decline (-30).

Interesting observations relative to the most recent trends can be made by crossing the origin and destination of investment projects and comparing the data relative to the period 2011 Q2 – 2012 Q1 with the four previous quarters. Fig. 10, which takes into consideration, among investor countries, Western Europe, USA and four BRIC nations (Brazil, Russia, India and China) and as destinations the world, Western Europe, Italy (Lombardy excluded), Lombardy and Milan, provides a revealing illustration of some important developing trends.

The decline in the number of investment projects on a global level involves not only projects originating from the main internationalised areas (Western Europe and USA), but also from some emerging countries, such as Brazil and India, which in previous years had demonstrated interesting signs of growth as foreign investor countries. China, on the other hand, cuts across this trend although it is not increasing its investments in Europe (indeed in Italy there has been decline in interest), while Russia's investment projects have remained unchanged on a global level and are increasing in Western Europe. For Italy the only signs of growth are those relative to Indian and American investments, in contrast to trends in the behaviour of these two nations on a world and European level.

Figure 10 – Trends in Greenfield and expansion foreign direct investment flows, by origin and destination of projects (2011 Q2 – 2012 Q1 relative to the four preceding quarters)

		Towards				
		World	Western Europe	Italy (Lombardy excluded)	Lombardy	Milan
Coming from	World	↘	↘	↘	↘	↘
	China	↗	⇔	↘	↘	↘
	Brazil	↘	↘	↘	⇔	⇔
	Russia	⇔	↗	⇔	⇔	⇔
	India	↘	↘	↗	↗	⇔
	USA	↘	⇔	↗	↗	↘
	Western Europe	↘	↘	↘	↘	↘

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

The picture for Lombardy and Milan, however, is rather disappointing. The only boxes that register an increase are those relative to Indian and American investments in Lombardy, while the remaining boxes all indicate decreases, with the exception of Brazilian and Russian investments which have remained stable at zero levels.

More specifically, there are therefore no signs of recovery in investments by BRIC in Milan, following the burst of activity registered in the last months of 2010 and the first months of 2011 when in just six months five Chinese projects and one Indian project were registered. After a second Indian project, registered in July 2011, no other project on the part of BRIC has been recorded.

NEW FOREIGN INVESTMENTS IN MILAN IN THE FIRST QUARTER 2012

Air Partner

The British airline charter company, Air Partner, has expanded its structure in Milan with the addition of a department specialising in cargo transport, as part of the company's strategic development in the sector on a global level. Air Partner now has 21 specialised transport centres round the world. The Freight division is strategic for the Group: in the last financial year the number of customers in the industrial and commercial sector increased by 19% relative to the previous year. More specifically, 2011 has been characterised by many emergency interventions that have involved the cargo sector: Air Partner has transported aid to countries that have been victims of natural disasters, like the Tsunami in Japan and the earthquake in Turkey and on behalf of Governments and NGOs in support of populations hit by disasters or political unrest. In addition, the cargo division also focuses on goods transport for automobile companies and the oil industry. It organises flights to transport precious goods as well as dangerous and/or oversize goods.

"We are convinced that this was the right moment to add a permanent presence in Italy for local goods transport, despite the current economic uncertainty in Europe", declared goods transport manager, Mike Hill. "In addition to our consolidated passenger services, our goods business has also for many years enjoyed very positive growth rates in Italy."

Company	Air Partners Srl
Foreign investor	Air Partners (UK)
Sector	Air cargo transport
Key points	Market with interesting growth potential

Airbnb

In the first quarter 2012 the Californian company, Airbnb, which manages a digital marketplace for renting apartments round the world (www.airbnb.it Italian version), opened an office in Milan with a team of ten people, within the context of a strategic plan that involves opening offices in the main European and Latin American cities.

For Aibnb Italy is the leading European country in terms of utilisation and growth rate.

Company	Airbnb Italy Srl
Foreign investor	Airbnb (US)
Sector	Software and informatics services
Key points	Development and location of marketplace in Italy

MetricStream

MetricStream Inc., market leader in the supply of governance, risk and conformity solutions (GRC) for global companies, today announced the opening of new offices in Milan, in order to guarantee more effective assistance to its European customers and satisfy the growing demand for integrated GRC solutions.

MetricStream Italian activities manager, Claudio Cecchini, declared: “After our outstanding success achieved in the main European markets we are delighted to extend our activities to Italy. Here we feel there are significant growth opportunities and we intend to extend our relations with local customers, to more rapidly satisfy their needs”.

Company	MetricStream (Italy), Inc. secondary site
Foreign investor	MetricStream, Inc. (US)
Sector	Software and informatics services
Key points	Explore relations with local customers and respond more quickly to their needs.

Blacktower Financial Management

The British company, Blacktower Financial, a company active in the provision of financial planning services for expatriates, has decided to open an office in Milan, the second in Italy, following the one opened in Rome in March 2012. Blacktower is also evaluating the possibility of opening an office in Naples. The expansion in Italy is part of the company’s wider strategy of expanding into other EU countries. Blacktower will be hiring ten advisors during the first year and expects to hire a total of 30 employees within three years relative to its Italian activities.

Company	Blacktower Italia
Foreign investor	Blacktower Financial Management (UK)
Sector	Financial planning services for expatriates
Key points	Provide financial planning services for British expatriates in Italy

Just Search

Following the success achieved by its offices in Rome, Just Search, a branch of the Swedish Getupdated, active in the digital marketing sector, has decided to open a new office in Milan, given that it is the “economic capital” of the country as well as Italy’s economic and business centre.

Niklas Lindahl, Country Manager of Just Search Italia Srl, declares: “We decided to open an office in Milan when we noted that we were achieving excellent results in Italy and we are now convinced that we will be able to achieve a leading position in the Italian market by the end of the year. Just Search has not been hit by the current world crisis; on the contrary, our business has grown given that many Italian companies tend to invest in marketing activities where the ROI (return on investment) is more measurable, and among these activities digital marketing obviously stands out.

Company	Just Search Italia Srl
Foreign investor	Getupdated (Sweden)
Sector	Digital marketing
Key points	Develop activities on the Italian market with a direct presence in the economic capital of the country

NumeriX

The American, NumeriX, supplier of solutions for the analysis and evaluation of financial derivatives and risk management has opened an office in Milan within the context of its expansion plan in Europe. Together with the other office it has opened in Frankfurt, Germany, the office in Milan will serve the company's European customers.

Company	NumeriX Financial Software Italy Srl
Foreign investor	NumeriX (USA)
Sector	Software solutions for the financial market
Key points	Develop commercial penetration in Europe

Webtrekk

The German company, Webtrekk, which offers web analytics enterprise solutions, has chosen Milan as the site for its first foreign office. Through the Milan branch the company is hoping to reinforce its commercial activity in Italy and improve its service to its customers, providing them with on-site support.

Company	Webtrekk GmbH (secondary offices)
Foreign investor	Webtrekk (Germany)
Sector	Web analytics enterprise software solutions
Key points	Develop sales and customer support

Sodexo

The French company, Sodexo, has purchased, through its branch, Sodexo Italia Spa, 100% of shares in Ro.Co. Srl, a Milan company operational since 1983 in the Facility Management sector.

With this acquisition, Sodexo Italia further extends its range of skills and is today able to offer global service solutions to the market to improve the quality of everyday life for all those that use its skills.

Company	Ri.Co. Srl
Foreign investor	Sodexo (France)
Sector	Facility Management
Key points	Complete range of skills and services offered on the Italian market

FOCUS: European regions attraction models following the financial crisis

Following the financial crisis many European regions had to review their attraction models for direct investments from abroad in order to adapt them to the new situation and the modified requirements of international investors: a high number of investments projects but of decreasing size (see Figure 2) and increasingly more often strongly specialised from the point of view of both sectors and company functions involved.

Apart from intentions and specific attraction activities, which “settlement models” are receiving positive responses in the main European countries, at least judging from the effective behaviour of international investors? We have tried to provide an answer to this question, analysing the geographic, sector and functional specialisations of investment projects that have been announced and registered by the Financial Times FDI Intelligence databank in the period following the explosion of the financial crisis. More specifically, the investment projects announced in the period between January 2010 and March 2013 have been considered, relative to the fifteen regions of Western Europe which, in the same period, have been the target of the said projects (cf. ranking in Figure 6 through to and including Lombardy).

Figures B1 and B2 below summarise the main results of the survey.

Figure B1 – Specialisation of investment projects in the main European regions, by areas and countries of origin

Region	Areas of origin	Countries of origin
South East (UK)	North America, Africa	USA, Australia, Arab Emirates, South Africa, Canada
Nordrhein-Westfalen	Others Europe, Asia and Pacific	China, Japan, Russia, Turkey
Île-de-France	Latin America	UK, Spain, Italy, Belgium
Baden-Württemberg	Middle East	France, Switzerland, Austria, Israel
West-Nederland	Middle East, Central Asia	UK, Canada, Russia, South Korea, Kuwait
Hessen	Asia and Pacific	China, Japan, South Korea
Scotland	North America, Central Asia	USA, Netherlands, India, Ireland, Australia, Norway
Comunidad de Madrid	Others Europe, Latin America	France, Italy, Israel, Brazil, Portugal
Cataluña	Western Europe, Latin America	Germany, France, Switzerland, Italy, Brazil
Bayern	Others Europe	UK, Austria, Russia, Turkey, Hong Kong
North West (UK)	Middle East, Central Asia	India, Ireland, Canada, Belgium, Arab Emirates, South Africa
Vlaams Gewest	Latin America	Netherlands, India, Australia, South Africa, Brazil
East Anglia	North America, Africa	USA, Netherlands, India, Denmark, Australia South Africa
West Midlands (UK)	Central Asia, Middle East	Japan, Sweden, India, Ireland, Arab Emirates
Lombardy	Central Asia	Germany, UK, Spain, Arab Emirates, India

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

Figure B2 – Specialisation of investment projects in the main European regions, by company functions and activity sectors

Region	**Activity sectors**	**Company functions**
South East (UK)	ICT Services, communications, Financial services	Company services, *headquarters*, ICT
Nordrhein-Westfalen	Plant and machinery, metals, construction, wood-decor	Sales and Marketing, logistics
Île-de-France	Fashion, medical equipment, professional services	Retail, ICT
Baden-Württemberg	Plant and machinery, metals, rubber and plastics, automotive, medical equipment, paper, real estate	Sales and Marketing
West-Nederland	Oil & gas, financial services, communications	Company services, *headquarters*, ICT
Hessen	Plant and machinery, electronic components, real estate	ICT
Scotland	Food and drinks, energy, oil & gas, aerospace	Manufacturing, Design and R&S, electricity, call center
Comunidad de Madrid	Fashion, consumer products	Retail
Cataluña	Fashion, consumer products, consumer electronics, logistics	Retail, electricity
Bayern	electronic components, *automotive*, software & ICT	Company services
North West (UK)	Chemicals	*Headquarters*
Vlaams Gewest	Food and drinks, chemicals, *automotive*, logistics, constructions	Manufacturing, logistics, Design and R&S
East Anglia	Pharmaceutics, *automotive*, tourism	electricity
West Midlands (UK)	Plant and machinery, rubber and plastics, automotive, tourism	Manufacturing, construction
Lombardy	Fashion, pharmaceutics, real estate, transport	Sales and Marketing

Source: processing by Milan Polytechnic using Financial Times FDI Intelligence data.

As regards the geographic origin of projects, the English South-East represents the only exception to the rule that sees Western Europe as the main area of origin of investments from abroad, with quotas that vary from two thirds of the total for Catalonia and a third of the total for the South-East (relative to which the main area of origin of investment projects from abroad is North America, with almost 49%). In addition to Catalonia, the quota due to Western Europe also exceeds half of the total for Baden-Württemberg (54%), the Île-de-France, Lombardy and the Comunidad de Madrid (52%).

For some regions particular significance is enjoyed by “proximity” investments, coming from companies that either directly border them or are close: among these it is important to cite in particular Baden-Württemberg (Austria, Switzerland, France) and Comunidad de Madrid (Portugal, France).

The specialisations indicated in the two tables are evaluated by looking at both the values assumed in the specialisation indices (relating the incidence of each area/country/sector/function in a certain region to the significance of the said region within the whole of Western Europe), and the absolute values in play.

As regards extra-European countries, the English South-East (an area that includes London) displays a strong attraction capacity relative to countries in the ex-Commonwealth and the Arab Emirates, as well as North America (as in the majority of the regions in the United Kingdom) and Russia; Nordrhein-Westfalen enjoys strong flows from the Far East (China and Japan) as well as from Russia and Turkey, relative to which investments Baviera constitutes another preferential target, while Baden-Württemberg and West-Nederland are the preferred target of some Middle East countries (first and foremost, Israel, followed by Kuwait).

As regards BRIC investment projects, it is important to emphasise China's preference for some German regions (Nordrhein-Westfalen and Assia); Russian investors, as mentioned, prefer the English South-East, Nordrhein-Westfalen and Baviera, while Brazilian multinationals and Latin America in general prefer to invest in the Iberian peninsula (Comunidad de Madrid and Cataluña). Finally, Indian investors display a relatively greater preference for investing in Flanders (Vlaams Gewest), the West Midlands and Lombardy.

With respect to the other main European regions, Lombardy displays a certain specialisation (i.e. greater relative attraction capacity) relative to German, English, Spanish and Arab Emirates investors, together with, as already mentioned, Indian investors.

As regards the sectors of activity, the English South-East, ÎIe-de-France and West-Nederland exhibit a marked vocation for the advanced tertiary sector, while German regions appear to be distinctly specialised in industrial sectors. Scotland exhibits considerable specialisation in the energy compartment (oil & gas, electricity), while direct investments towards Comunidad de Madrid and Catalonia display notable specialisation in consumer products and fashion.

Similar to the latter is Lombardy's vocation, demonstrating an ability to attract investments from abroad that are greater than the average in the pharmaceutical and real estate sectors.

Finally, with reference to company functions, the majority of investment projects in the main European regions, within which we find all the main metropolitan areas of Europe, concern market making activities (marketing and sales, retail etc.). Only Scotland, Flanders and East Anglia seem to still succeed in attracting a significant share of manufacturing investments, with Scotland and Flanders also enjoying a certain specialisation in attracting investments in R&S and design activities.

The English South-East and West-Nederlands display considerable specialisation in service activities, in line with their strong tertiary vocation. Finally, Lombardy exhibits marked specialisation in marketing and sales activities, being far and away the privileged location for foreign investors who decide to create a commercial branch in Italy.