

Into the storm

Why Europe's confidence persists
despite investment at a nine-year low

EY Europe Attractiveness Survey 2025

Part 1: 15 May 2025



The better the question. The better the answer. The better the world works.



Shape the future
with confidence



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Foreword

The world has undeniably changed in recent months, with geopolitical shifts and new trade policies set to reshape the global investment landscape.

The misalignment of the US and Europe regarding security issues, alongside unprecedented tariffs – both implemented and threatened – will impact the level and nature of foreign direct investment (FDI) in Europe and beyond. These changes accelerate existing dynamics while also introducing paradigm shifts.

Many companies anticipated and factored in some changes to their corporate strategies and economic planning by the time President Trump returned to the White House, yet volatility persists.

Our survey of 500 global business leaders conducted between 31 January and 3 March 2025 reflects the uncertainties driven by tariff announcements while also pointing to longer-term systemic issues. But the research was completed before the official announcement of retaliatory tariffs in early April. If the survey was conducted today, it is likely that the short-term appetite to invest in Europe would be even lower.

With the global order in flux, our research underscores the importance of understanding current perceptions and recent investment decisions.

Companies must keep a close eye on the changing context so they can effectively navigate this period of accelerated change. In our June report, policymakers will be able to engage with our comprehensive recommendations on 10 critical issues that have the potential to shape a prosperous future for Europe's economy. The insights provided in the report aim to equip both businesses and governments with the knowledge needed to make informed decisions in a complex and shifting landscape.

Foreign investment is a vital pillar of the European economy, and urgent and collective action is needed to focus on future-facing sectors that can drive growth. By prioritizing these areas, European businesses and governments can not only tackle current challenges but also secure a prosperous future for Europe.



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The EY Europe Attractiveness Survey draws on two main sources

1

The EY European Investment Monitor

- Our evaluation of FDI in Europe is based on the EY European Investment Monitor (EIM). This EY proprietary database helps us to track projects announced in 2024 across 45 countries. The database tracks the FDI projects that have resulted in the creation or expansion of facilities and jobs.
- The EY EIM database focuses on investment announcements, the number of new jobs created and, where identifiable, the associated capital investment. Projects are identified through the daily monitoring of more than 10,000 news sources. The EY EIM database shows the reality of investment in manufacturing and services by foreign companies across the continent.
- The following categories of investment projects are excluded from the EY EIM: M&A and joint ventures (unless these result in new facilities or new jobs being created); license agreements; retail and leisure facilities, hotels and real estate; utilities; extraction activities; portfolio investments (pensions, insurance and financial funds); factory and other production replacement investments; and nonprofit organizations.

2

The perception survey

- This study examined Europe's perceived attractiveness via an anonymous online survey of international decision-makers. We define attractiveness of a location as a combination of image, investor confidence, and the perception of a category's or area's ability to provide the most competitive benefits for FDI.
- Field research was conducted by FT Longitude between late January and early March 2025, based on a representative panel of 500 senior corporate executives (C-suite or C-1 roles). Only individuals who are involved in or in charge of their organization's decisions about establishing or expanding operations were included in the survey. The survey panel's demographics were based on the most recently available FDI data (2023).
- The survey aimed to cover a representative sample of investors into Europe by geography, industry grouping and company size. Approximately 60% of respondents work for companies headquartered in Europe, and 40% for companies headquartered elsewhere. Respondent companies operate across six broad sector categories and were distributed across a full spectrum of company size (by turnover). For demographic details of the survey panel, see the Appendix.

In 2024, FDI was impacted by Europe's sluggish growth and competitiveness, combined with the geopolitical and trade turmoil

Economic and geopolitical woes take a toll on European FDI in 2024

Different fortune across Europe's FDI destinations

Manufacturing investment tumbles and innovation rises

- Foreign investment in Europe fell (-5%), for a second consecutive year and is now at its lowest level (5,383 projects) over the past nine years. The number of jobs created by FDI declined by 16%.
 - The decrease in FDI was primarily caused by ongoing low economic growth, high energy prices and geopolitical tension around the world.
 - Investment also suffered due to improving economic conditions in the US, with which Europe competes for investment. The number of projects announced by US investors in Europe declined by 11% compared with 2023 and 24% compared with 2022.
- There were double-digit percentage decreases in the number of projects announced in France (-14%), the UK (-13%) and Germany (-17%).
 - Spain, now the fourth-largest country for FDI in Europe (+15% vs. 2023), and Italy are illustrations of Southern Europe's competitiveness.
 - Other strong performers include Denmark (+86%), Austria (+31%), Switzerland (+25%), Poland (+13%) and Finland (+13%).
- Ongoing high energy prices and uncertainty about future demand caused manufacturing FDI to fall 9%.
 - The impact of remote work and fewer expenditures in outsourcing have reduced office-based FDI projects, particularly in software and IT.
 - However, positive momentum in sectors likely to dominate FDI in years to come (such as renewable energy, semiconductors, defense, pharmaceuticals and electric vehicles (EVs)), as well as in R&D, indicates that Europe is still considered an attractive location for cutting-edge innovation.

US import tariffs make an immediate rebound unlikely, but investors think Europe can revitalize its attractiveness

Geopolitical and trade tensions will disrupt 2025 FDI

- Some 37% of investors surveyed in early 2025 have postponed, canceled or scaled back their European investment plans.
- In parallel, the proportion signaling an intent to invest in Europe in the next 12 months fell to 59% from 72% last year.
- This likely stems from the introduction of tariffs on US imports and growing concerns about Europe's long-term security.
- 42% think the new Trump administration will reduce Europe's attractiveness, while 27% are optimistic that it will improve Europe's prospects.

Confidence in a long-term recovery is weaker but remains

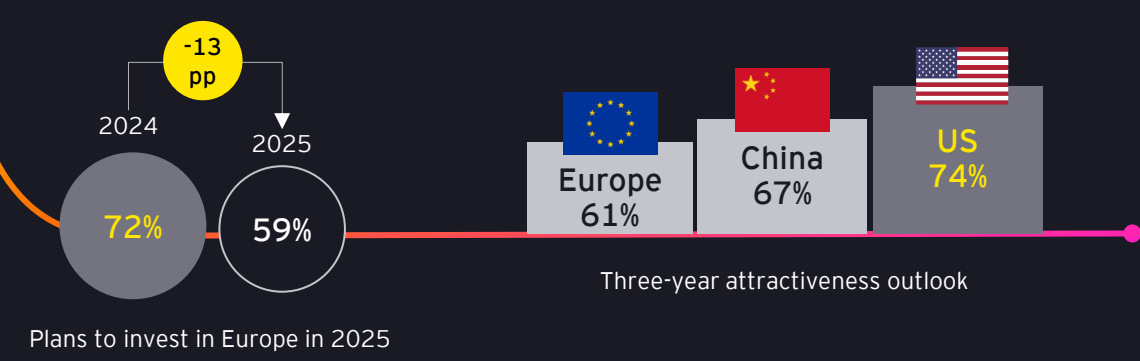
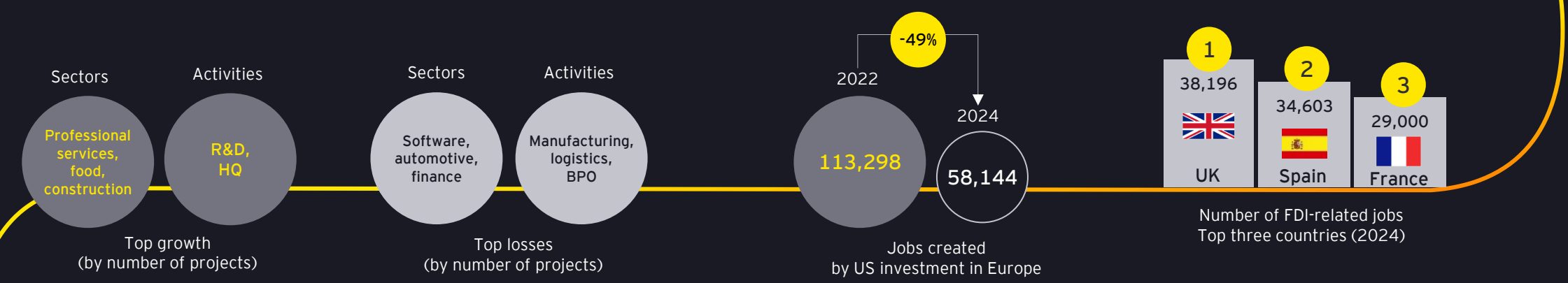
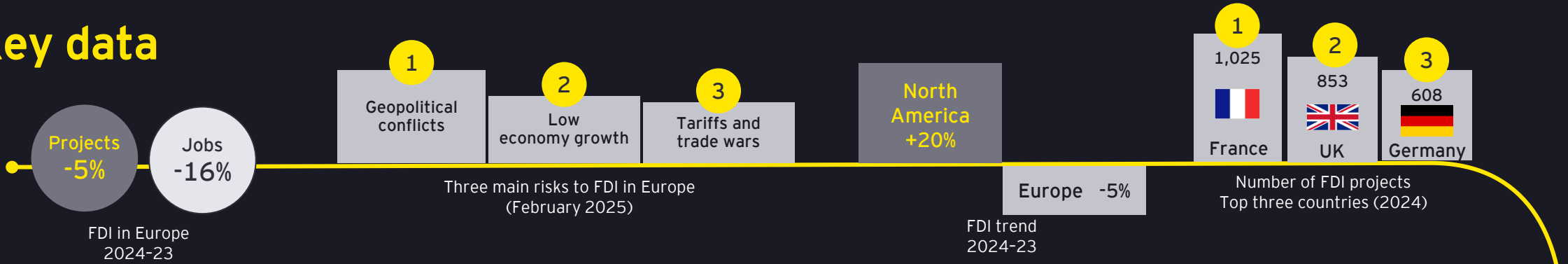
- Sentiment that Europe's attractiveness will increase during the next three years fell 14 percentage points (pp) from 2023 but remains positive at 61%.
- More investors are confident in the attractiveness of China (67%) and the US (74%).
- The top three risks to European FDI are: escalating geopolitical tension, enduring sluggish economic growth and the threat of tariffs on US imports.
- However, investors still recognize Europe's strong assets, including its competitive market, high-quality infrastructure, robust legal framework and proactive climate policies.

According to foreign investors, there are 10 priorities to revitalize Europe

1. Energy competitiveness
2. Support for SMEs
3. Autonomy in critical industries
4. Trade strategy
5. Innovation ... realized
6. Sustainability ... simplified
7. Financial resilience
8. Agile government
9. Investment in infrastructure
10. European integration

EPISODE 2: 17 June 2025

Key data



- 1 Energy competitiveness
- 2 Support for SMEs
- 3 Autonomy in critical industries
- 4 Trade strategy
- 5 Innovation ... realized
- 6 Sustainability ... simplified
- 7 Financial resilience
- 8 Agile government
- 9 Investment in infrastructure
- 10 European integration

Priorities to revitalize Europe's attractiveness





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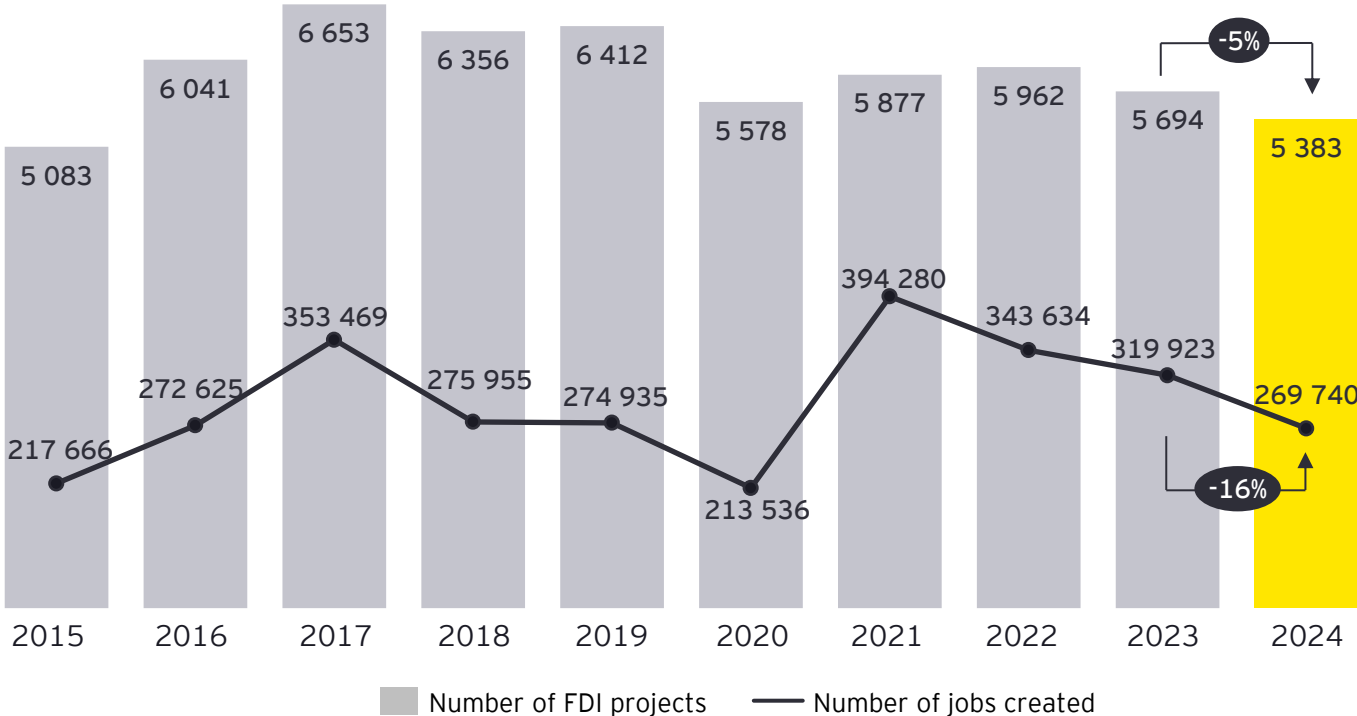


FDI in Europe drops again

Foreign direct investment (FDI) in Europe fell for the second consecutive year in 2024. Key factors contributing to this decline include low economic growth, high energy prices and geopolitical tensions. However, there are signs of optimism, with landmark projects in renewable energy, semiconductors and artificial intelligence (AI).

FDI projects in Europe declined for a second consecutive year, and job creation has dropped in each of the last three years

Number of FDI projects announced and jobs created in Europe (2015-24)



- 1
 The persistent sluggishness in economic growth and ongoing shocks in Europe have contributed to a 5% drop in FDI projects in 2024 (compared with 2023). A total of 5,383 companies chose to invest in Europe, marking the lowest figure since 2015.
- 2
 Another consequence of the economic and political climate in Europe is business leaders adopting a more cautious approach to recruitment. In 2024, FDI generated 269,740 jobs in Europe, marking a 16% decrease from 2023. On average, each FDI project created 64 jobs in 2024, compared with 83 jobs the previous year.
- 3
 Ongoing low economic growth, persistent high energy prices and geopolitical tensions were the key drivers of the fall. The Eurozone economy grew by just 0.7% in 2024, significantly below the US (2.8%) and China (5%). Investment was also impacted by longer-term structural issues, such as the continued erosion of manufacturing competitiveness with the US and China.

Source: EY EIM 2025.



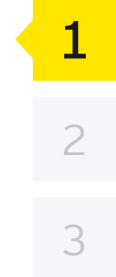
Europe has yet to convince investors of its ability to navigate crises and deliver fresh solutions

What are the three main risks affecting Europe's attractiveness over the next three years?
Up to three answers only



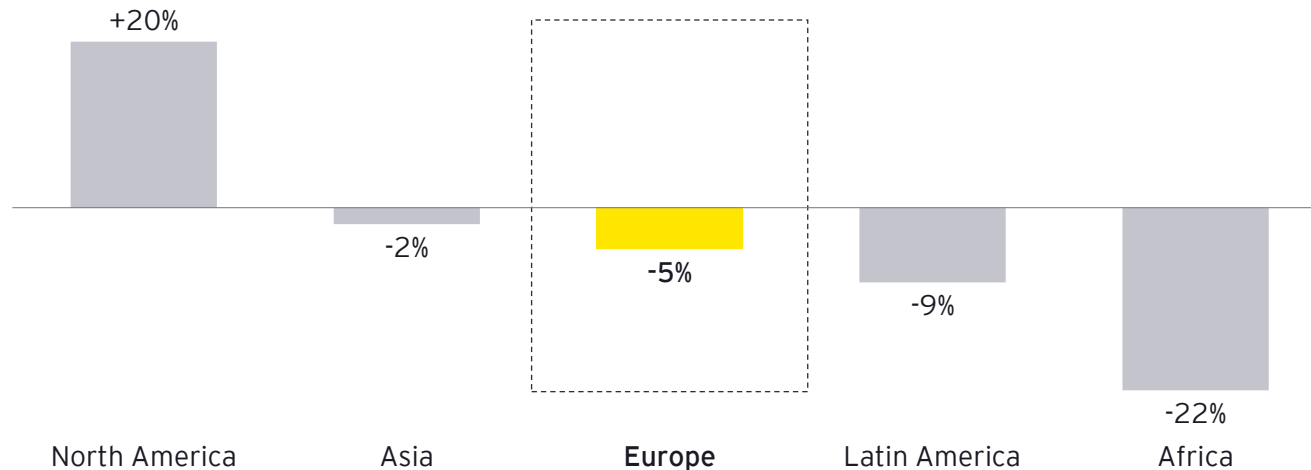
Source: EY Europe Attractiveness Survey 2025 (total respondents: 500 surveyed between 31 January and 3 March 2025).

- Key macroeconomic, geopolitical and cost challenges that negatively impacted European FDI in 2024 pose risks to Europe's attractiveness going forward.
- Primarily, Europe must reassure investors about its ability to overcome the crises it faces. Thirty-five percent view geopolitical tensions as a risk to the continent's attractiveness, ahead of challenging macroeconomic conditions (34%) and barriers to trade (30%). These responses were likely amplified by the actions and decisions made by the Trump administration. Our survey, conducted between 31 January and 3 March 2025, coincided with Trump's decision to raise tariffs on certain European goods and his meeting with President of Ukraine Zelensky at the White House.
- In line with recent reports by Enrico Letta and Mario Draghi, investors also underscore more structural challenges, urging Europe to address issues related to cost competitiveness (25%), its ability to innovate at pace (24%) and its capacity to cultivate a skilled workforce to meet business needs (23%). This last point is especially pressing for industrial sectors, with 31% highlighting it as a major concern.



UNCTAD data indicates that 2024 investment trends in Europe were much weaker than in North America and slightly weaker than in Asia

Change in the number of announced greenfield projects by region between 2023 and 2024



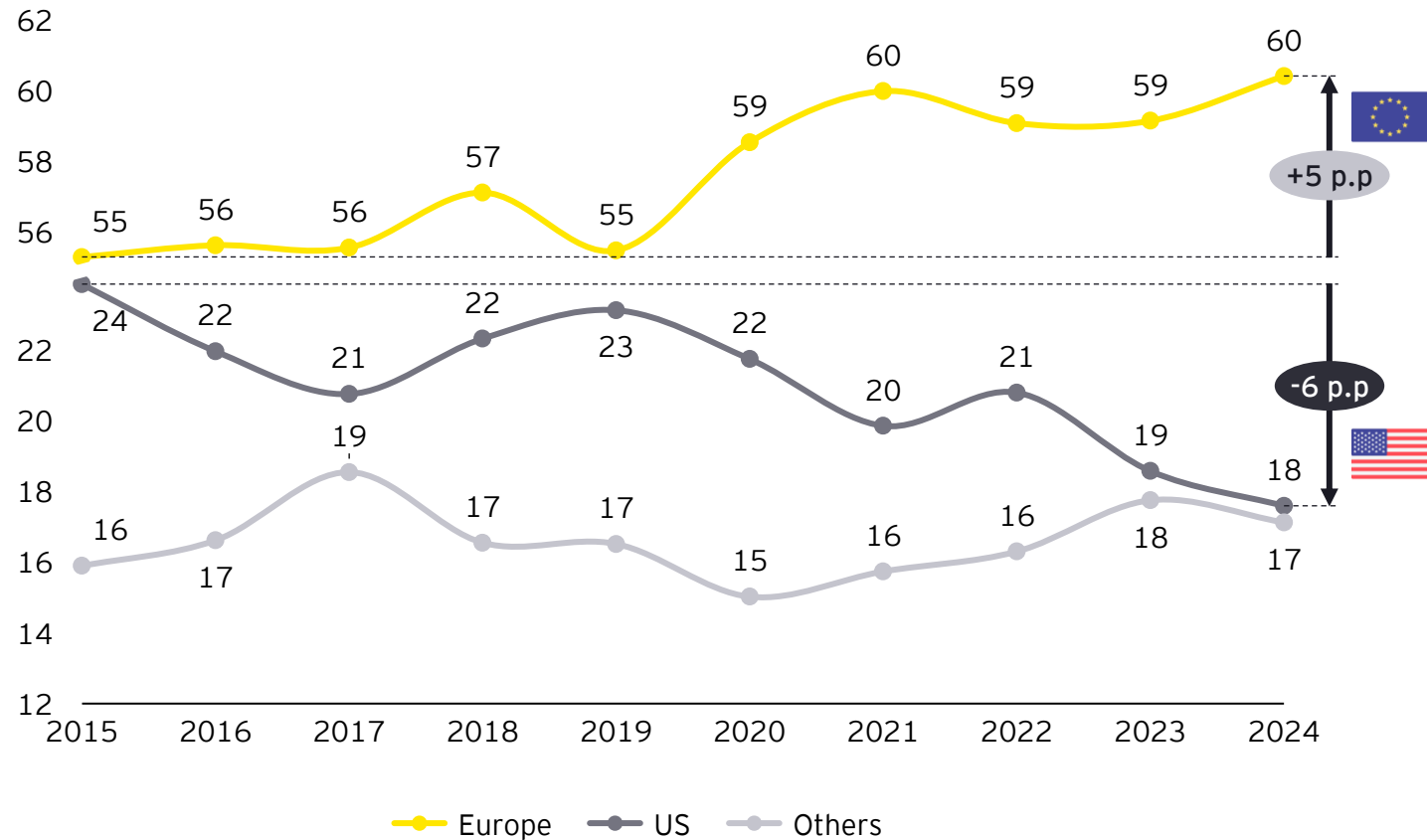
Note: Different methodologies from that of the EY EIM may be used to track international investment projects. For instance, the methodology of the United Nations Conference on Trade and Development (UNCTAD) does not account for site expansion projects, but it does include investments in hotels, restaurants and retail spaces, provided they generate employment.

Sources: UNCTAD, based on information from the *Financial Times*, fDi Markets and LSEG Data & Analytics. UNCTAD Global Investment Trends Monitor, No. 48, dd 20 January 2025, accessed on March 2025 https://unctad.org/system/files/official-document/diaeiainf2025d1_en.pdf

- In North America, UNCTAD reported a 20% increase in greenfield projects in 2024, driven primarily by the US. This momentum may have been impacted by the effects of the Inflation Reduction Act and the CHIPS Act, with significant investments in semiconductors, industrial equipment, electronic components, renewable energy and aerospace.
- Foreign investment also declined in Asia, but the drop was moderate – limited to 2% – thanks to India's strong performance. The country is attracting significant levels of investment in industry, especially in semiconductors and basic metals.
- By contrast, Europe recorded a more significant decline in recorded projects in 2024: -5%, according to EY EIM analysis.

Investment trends in Europe indicate a growing share of intra-European investments, while US investments have declined

FDI project share (%) by country of origin (2015-24)

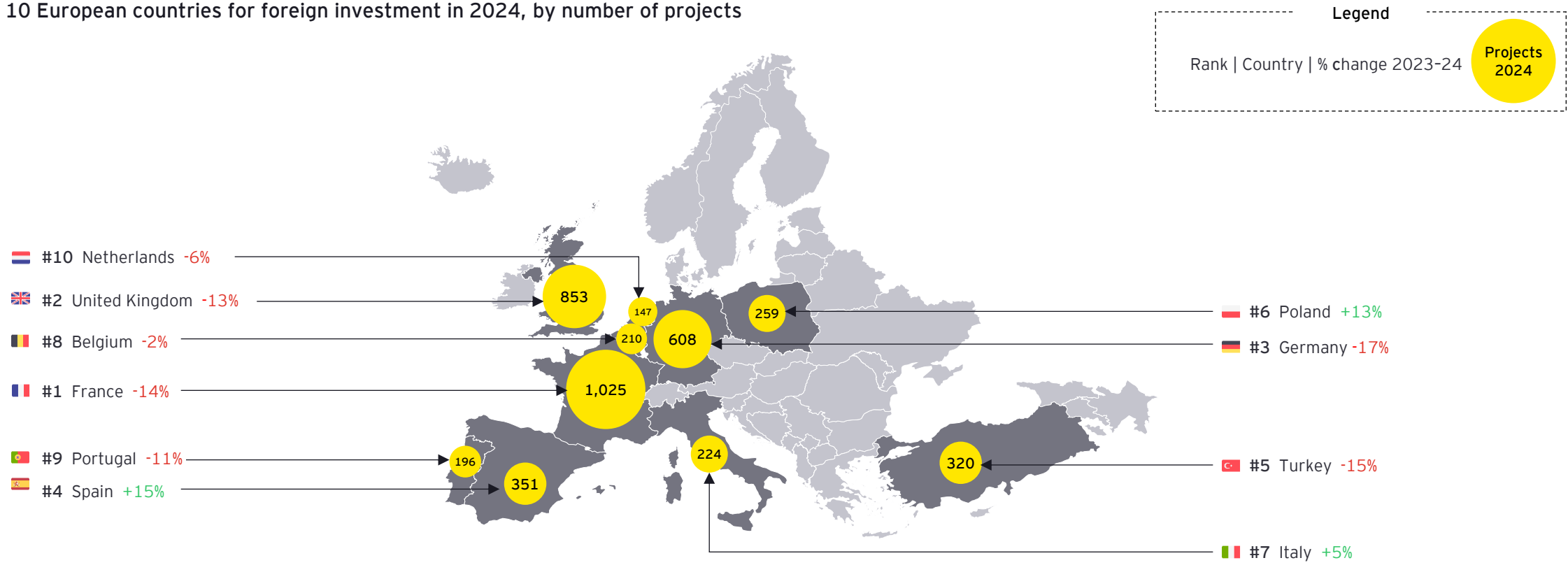


- Investment trends in Europe highlight a growing shift toward intra-European capital flows. Since 2015, the share of investments originating from within Europe has increased by 5 pp, reflecting stronger regional integration and resilience.
- By contrast, the share of investment from the US has declined by 6 pp over the same period. This trend has accelerated since the beginning of the war in Ukraine, as global uncertainty and shifting priorities reshaped cross-border investment patterns.
- At an absolute level also, the number of projects announced by US investors in Europe declined by 11% compared with 2023 and 24% from 2022. US investment in Europe is, in fact, at its lowest level in the past decade.

Source: EY EIM 2025.

In terms of number of FDI projects, France remained the leading destination for international investment projects, ahead of the UK and Germany

Top 10 European countries for foreign investment in 2024, by number of projects



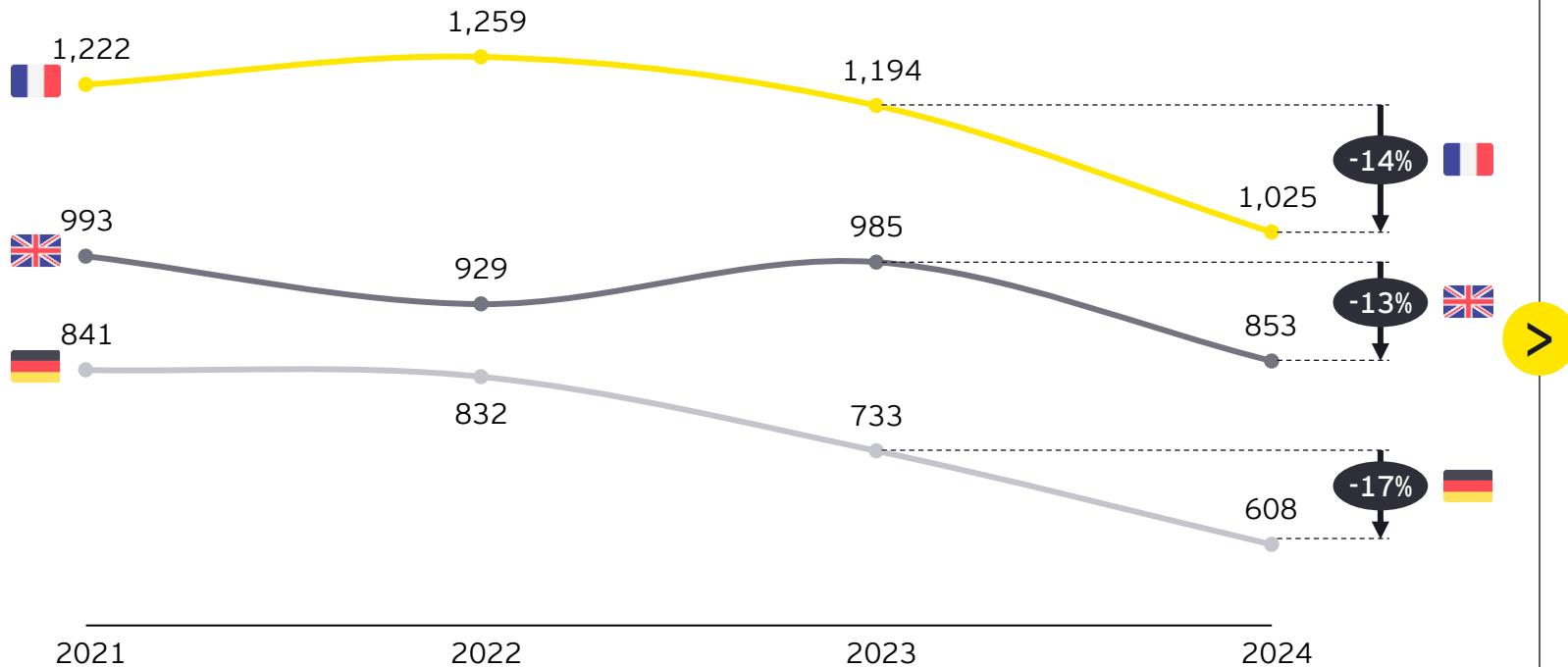
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- 2
- 3

Source: EY EIM 2025.



Europe's largest economies saw double-digit percentage decreases in 2024, collectively attracting less than half of Europe's FDI projects for the first time since 2018

Number of FDI projects announced in France, the UK and Germany



- 1 France remained the FDI leader with 1,025 projects, reinforcing its position in key sectors such as AI, agri-food and energy transition. However, FDI projects fell by 14% and job creation dropped by 27% compared with 2023 due to a protracted period of political uncertainty following legislative elections. Investors may have also been deterred by high labor costs, impending exceptional corporate taxes for large businesses and uncertainty about the continuation of tax credits.
- 2 The UK recorded 853 FDI projects, reflecting a strategic shift toward higher-quality, capital-intensive initiatives, particularly in R&D (+32%) and headquarters. Despite resilience in key sectors such as technology and finance, the UK saw a 13% decline in project numbers and a 27% drop in job creation, impacted by low productivity and some of the highest energy prices in Europe.
- 3 Germany remained Europe's third-largest destination for foreign investment with 608 projects, largely driven by expansion initiatives and strong interest from Asian investors. Ongoing economic and political instability, the loss of cheap Russian energy, and weakness in its manufacturing sector continue to weigh on the country's long-term appeal.

Source: EY EIM 2025.

In contrast to the top three destinations, FDI investments increased in several Central, Eastern and Southern European countries

Top host countries showing strong foreign investment growth in Europe in 2024
By number of projects

The notable surge in Denmark was caused by a tripling of the number of business services and sales and marketing projects.

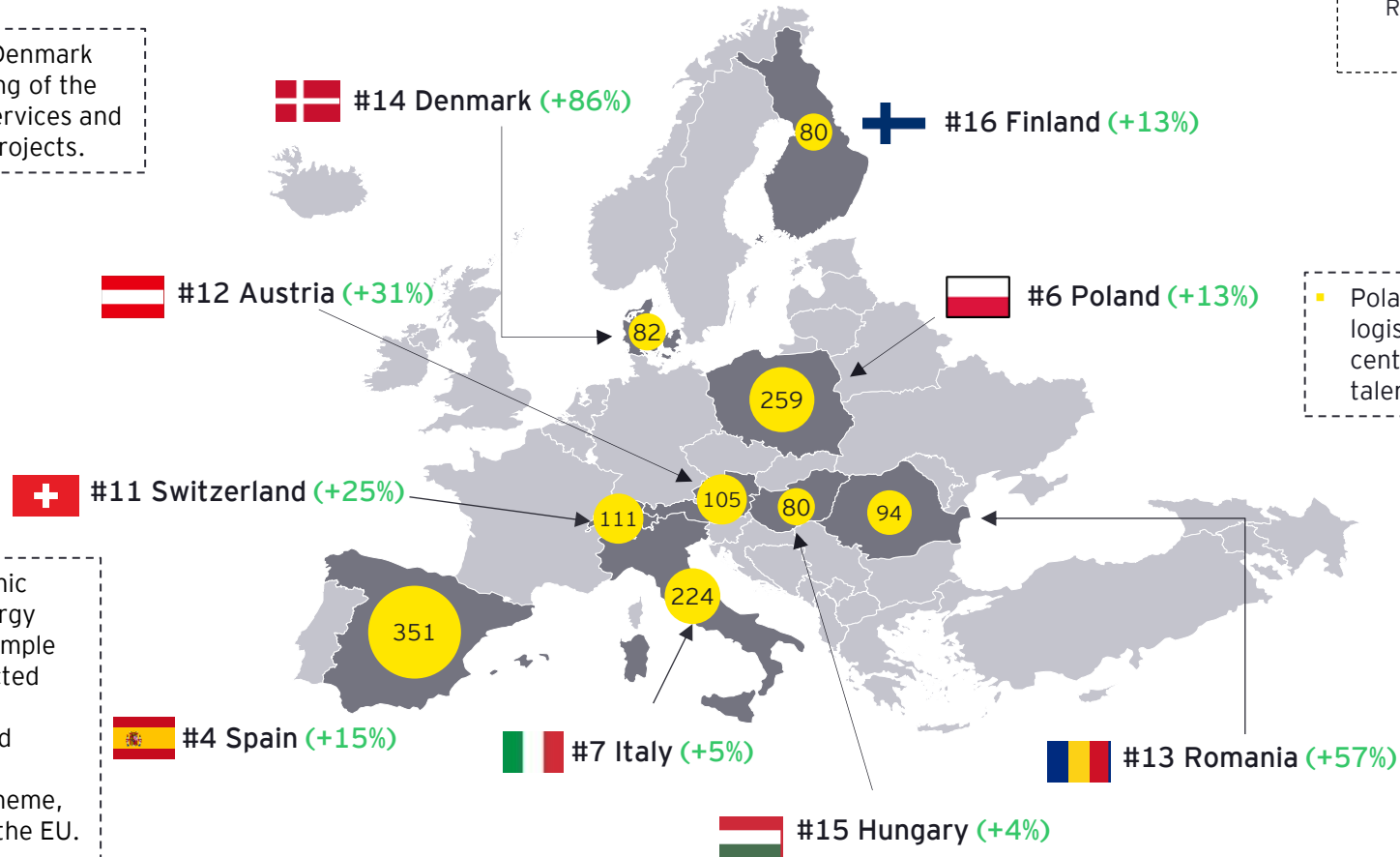
Spain's robust economic performance, low energy and labor costs, and ample land availability attracted investors.
Additionally, it secured €163 billion from the NextGenerationEU scheme, the second-largest in the EU.

Legend

Rank | Country | % change 2023-24

Projects 2024

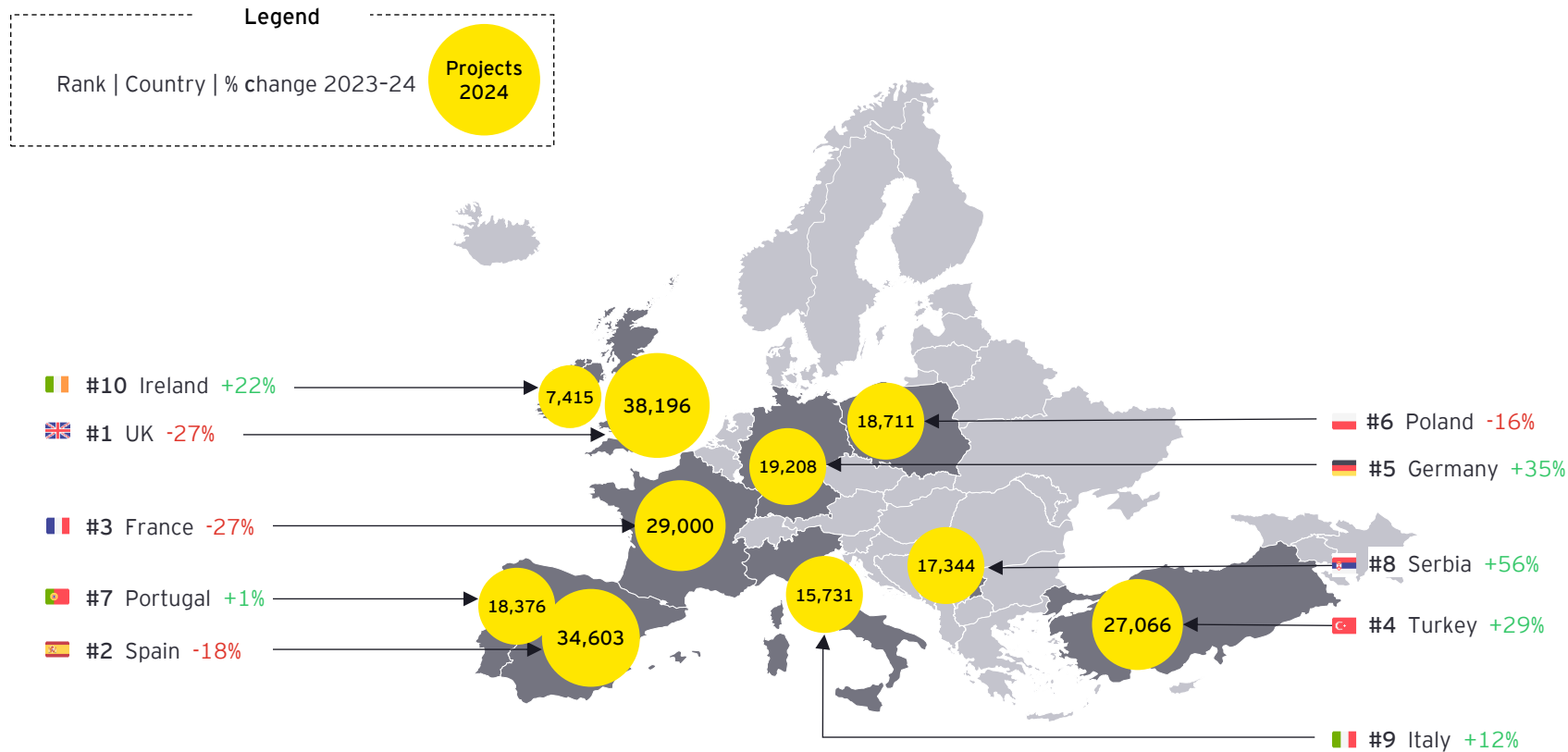
Poland has consolidated its position as a key logistics and industrial hub, capitalizing on its central location, cost advantages and skilled talent pool.



Source: EY EIM 2025.

Thanks to their labor cost competitiveness and flexible labor markets, the UK, Spain and Turkey stand out in the ranking of FDI-related job creation

Top 10 European countries for foreign investment in 2024
By jobs created



Source: EY EIM 2025.

Correlation between FDI-related job creation in 2024 and labor costs
Top 10 FDI host countries in Europe

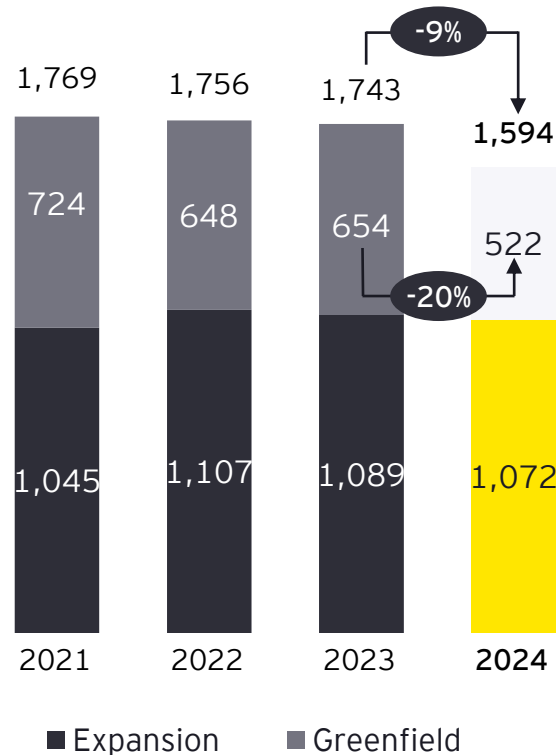
#	Country	Average number of jobs (1)	Total hourly cost (2)
1	Portugal	160	17,30€
2	Spain	125	25,79€
3	Poland	102	16,70€
4	Turkey	89	n.d.
5	Italy	85	30,46€
6	UK	48	28,59€*
6	Germany	48	43,97€
8	Belgium	31	48,20€
9	France	30	44,11€
10	Netherlands	15	43,75€

Sources:
(1) EY EIM 2025
(2) Total hourly labor costs in industry and services - Eurostat/Rexecode (2024)

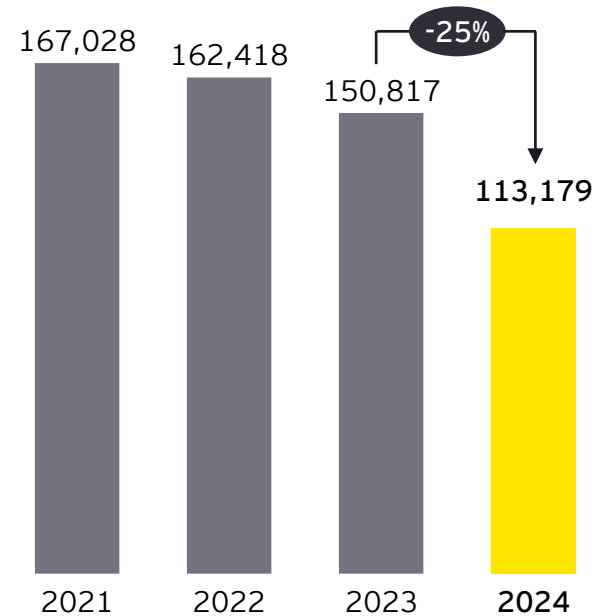


FDI manufacturing activities tumbled in 2024, particularly greenfield projects

Number of FDI manufacturing greenfield and expansion projects in Europe between 2021 and 2024



Number of jobs created by manufacturing projects in Europe between 2021 and 2024



- 1 Ongoing high energy prices and uncertainty about future demand led to a 9% drop in manufacturing FDI in 2024, reaching the lowest level of new projects since 2020. The number of newly created manufacturing jobs fell by 25%.
- 2 This decline in industrial investment is affecting all sectors, notably chemicals and plastics (-11%), the transportation industry (-4%) and electronics (-13%). The agri-food sector is the sole exception (+17%), with recorded investments reflecting a catch-up effect after several years of significant slowdown.
- 3 Only 522 of the total FDI manufacturing projects in 2024 were “greenfield,” a 20% decline compared with 2023. For the first time in over 15 years, greenfield projects accounted for less than one-third of all industrial FDI activity on the continent.
- > This decline is particularly concerning because new manufacturing projects typically create twice as many jobs as additions to already operational sites.

Source: EY EIM 2025.

Due to the rise of hybrid work, cost-cutting in outsourcing and weak consumer market growth, FDI projects in the largest service-based activities also declined in 2024

Breakdown of FDI projects and jobs created in Europe by activity type

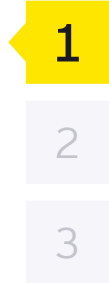
Activity	2024 projects	Change vs. 2023
Manufacturing	1,594	-9%
Business support services	1,441	-9%
Sales and marketing	843	-2%
Logistics	502	-6%
R&D	499	+3%
Headquarters	251	+13%
Others	253	-6%
Total	5,383	-5%

Although there was an overall decline in service-based activities, unlike manufacturing, the majority of projects in business support services and in sales and logistics activities involved new projects instead of expanding existing facilities.

R&D and headquarters projects were the only positive activities in 2024, although the totals for both were down compared with 2022.

Note: "Others" includes testing and servicing, education and training, internet data center, etc.

Source: EY EIM 2025.



Project volumes in the traditional sector leader, software and IT services, declined, while other industries faced headwinds from sluggish growth and structural challenges



Breakdown of FDI projects created in Europe by sector

Activity	2024 projects	Change vs. 2023
Software and IT services	793	-17%
Business services and professional services	687	+24%
Machinery and equipment	454	+7%
Transportation manufacturers and suppliers	437	-2%
Transportation and logistics	411	-10%
Electronics	304	-4%
Finance	293	-11%
Agri-food	285	+7%
Chemicals, plastics and rubber	245	-4%
Utility supply	239	-21%
Pharmaceuticals	190	-16%
Construction	179	+14%
Furniture, wood, ceramics and glass	140	+2%
Metals and minerals	128	-20%
Medical devices	112	-9%
Others	486	-18%
Total	5,383	-5%

Source: EY EIM 2025.

Rising costs, cautious demand and global uncertainty led to reduced software investment in Europe in 2024, particularly by US companies.

Delayed EV transition, supply chain disruptions and cost pressures dampened automotive FDI in 2024.

Slower trade growth and e-commerce normalization reduced demand for new logistics investments in Europe.

Overcapacity, cautious consumer demand and delayed subsidy approvals restrained electronics and chip investments.

Economic uncertainty and cost-cutting led financial firms to scale back European expansion plans.

1

2

3

While most sectors disappointed in 2024, there were some bright spots



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There was rising demand for outsourcing, nearshoring and support functions as companies sought greater operational efficiency, cost control and resilience amid ongoing economic and geopolitical uncertainty.

Cross-border investments rose again in 2024 after years of muted investment as companies sought to secure supply chains, localize production and meet growing demand for sustainable, traceable food.







Increased investments were driven by infrastructure stimulus, green building demand and reshoring of material production to reduce import reliance.



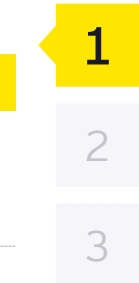
Source: EY EIM 2025.

Despite the downward trend, Europe showed promise by attracting FDI projects that could drive future growth in energy, AI, life sciences and electronics

FDI R&D projects shaping the European economy (non-exhaustive)

Thematic	Company	Destination country	Project description
AI	Microsoft	Ireland 	Microsoft announced a new strategic investment in its operations with the creation of 550 new Irish-based engineering and R&D roles that will be involved in pioneering the development of new AI technologies.
Energy	Thorizon	France 	Thorizon has selected Lyon to establish an R&D and engineering center focused on molten salt reactor technology, aiming to accelerate the availability of clean energy. The project is expected to create 40 jobs.
Energy	Skeleton Technologies	France 	A European leader in high-power and fast-charging energy storage, Skeleton Technologies has announced the opening of an R&D center in Toulouse to develop next-generation battery technology.
Pharmaceuticals	AstraZeneca	Spain 	AstraZeneca will strengthen its commitment to Spain between 2024 and 2027, investing €1.3 billion in its R&D hub in Barcelona, where vaccines, immunological therapies and treatments for rare diseases are developed.
Pharmaceuticals	Abiomed	Germany 	Medical technology company Abiomed, in collaboration with its parent company Johnson & Johnson (J&J), is investing over €100 million to expand its European site in Aachen. The new building will triple the company's production capacity and create 400 new jobs. The groundbreaking ceremony for the new facility is set to be completed by 2027.
Semi-conductors	Infineon Technologies	Ireland 	Infineon Technologies has revealed plans to significantly expand its R&D presence in Ireland over the next four years, creating over 100 new jobs at its Cork and Dublin sites.

Source: EY EIM 2025.

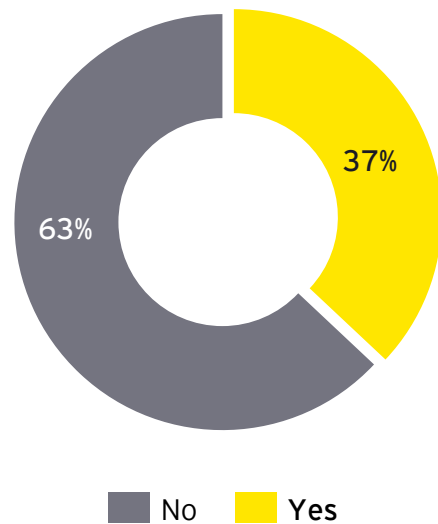


Rising uncertainty has led many investors to postpone or scale back investment plans. Confidence in future attractiveness is also dropping. Concerns over trade and geopolitical developments have further fueled investor hesitancy. For the first time, investors now view the US as more attractive for foreign investment than Western Europe.

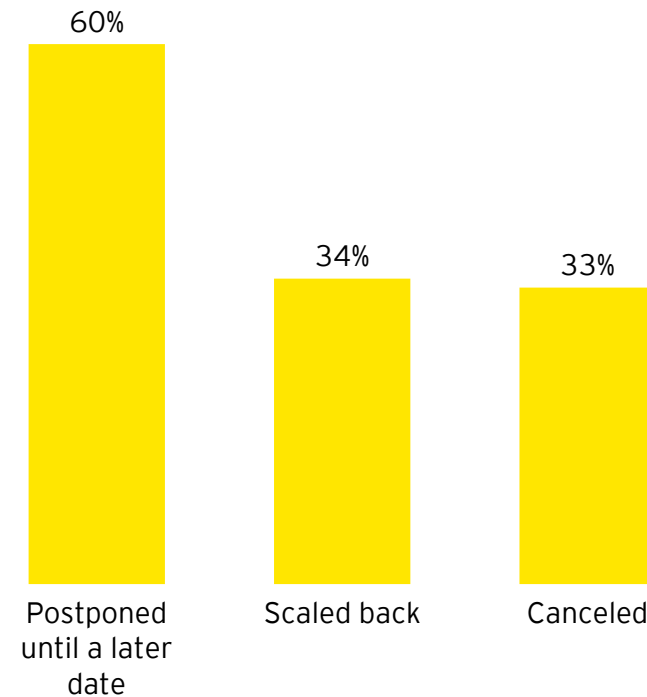
Trade turbulence jeopardizes recovery

An immediate recovery in foreign investment seems unlikely, with 37% of investors delaying, scaling back or canceling investment plans in the past year

In the past 12 months, have you postponed, cancelled or scaled back investment plans in Europe?



How exactly did your investment plans in Europe change?

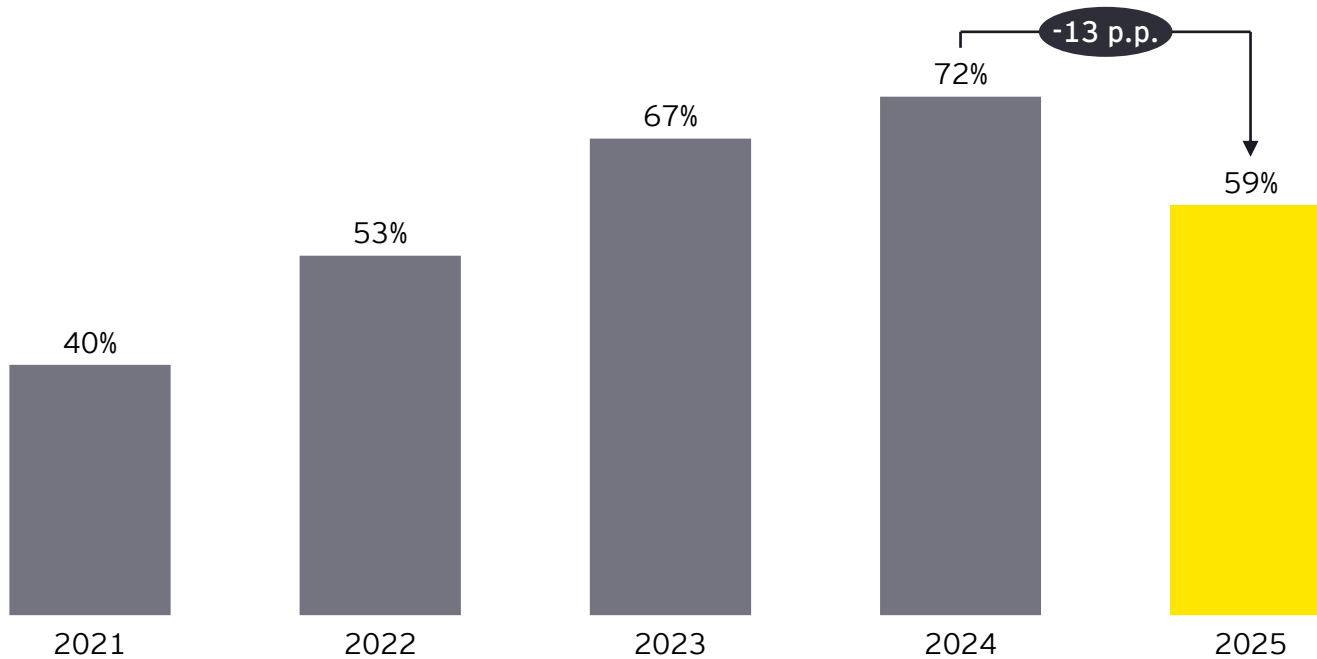


- Almost 40% of companies have paused, scaled back or canceled their investment plans in Europe. Of this group, most have taken a wait-and-see approach (60%) as opposed to outright project cancellations (33%).
- This proportion is particularly significant among service-sector companies (43%) and specific industrial sectors where demand in Europe remains sluggish, such as the automotive industry (45%), as well as energy-intensive industries such as chemicals and plastics (47%).

Source: EY Europe Attractiveness Survey 2025 (total respondents: 500 surveyed between 31 January and 3 March 2025).

The impact of ongoing crises, sluggish growth and low competitiveness is likely to extend into 2025

Does your company have plans to establish or expand operations in Europe over the next year?
"Yes" answers only

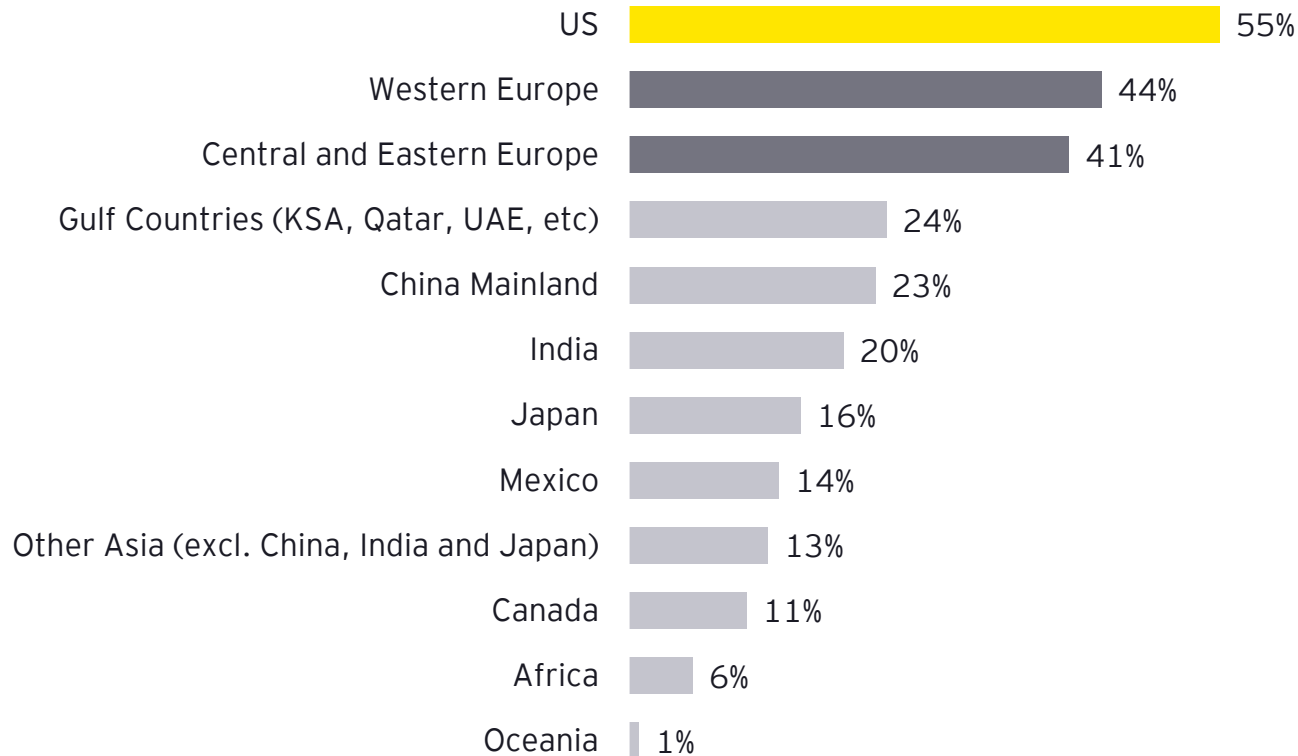


- Fifty-nine percent of surveyed companies plan to invest in Europe over the next 12 months. While still a significant proportion, this represents a 13-point decline compared with our survey last year.
- The appetite for investment in Europe varies significantly across company types and sectors. Investment prospects are particularly strong among companies in the services sector (65%), which reflects a broader trend of restructuring office space footprints. Our survey also indicates that these companies were more likely to report project delays in 2024.
- Firms already established in Europe - where the region remains their primary focus - are more likely to plan future investments (61%) compared to those with no operations on the continent (43%).
- As in previous surveys, this year's results highlight marked disparities between large corporations and SMEs. The former are notably more inclined to invest in Europe over the next 12 months (68% vs. 55%), a sign of their greater confidence in weathering ongoing crises.

Source: EY Europe Attractiveness Survey 2025 (total respondents: 500 surveyed between 31 January and 3 March 2025).

For the first time, surveyed executives find the US more attractive than Western Europe for foreign investment opportunities

Which of the following regions are most attractive for foreign investment?



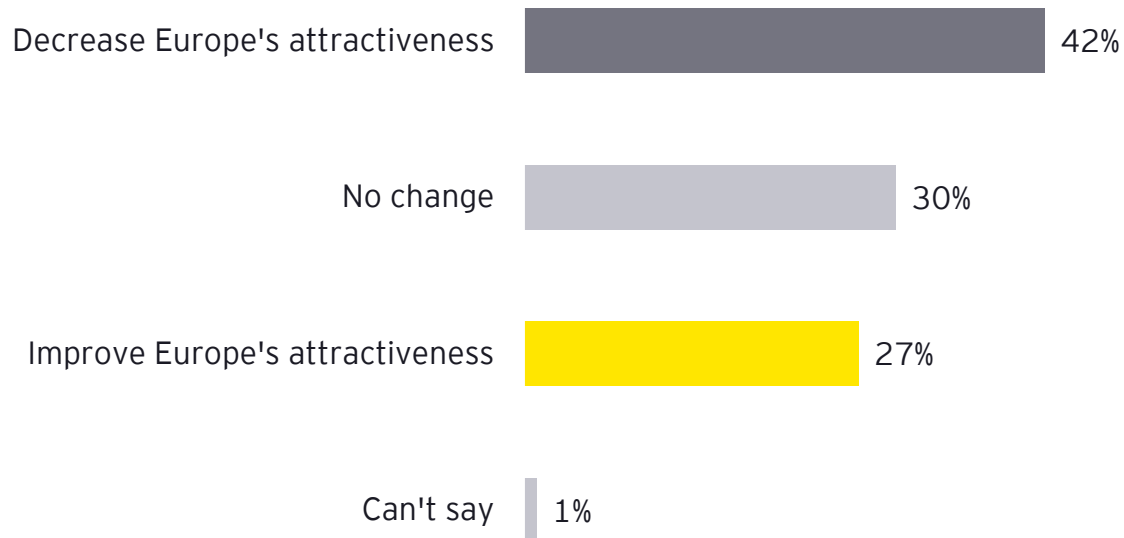
- Even executives whose companies are headquartered in Europe favored the US (50%) over Western Europe (47%). For executives whose companies are headquartered elsewhere, the US scored much higher (62%) than Western Europe (38%).

Source: EY Europe Attractiveness Survey 2025 (total respondents: 500 surveyed between 31 January and 3 March 2025).



Executives believe that the Trump administration's policies will be more likely to hurt Europe's attractiveness for foreign investment than help it

To what extent do you expect the new Trump administration in the US to impact the attractiveness of Europe for foreign investment?

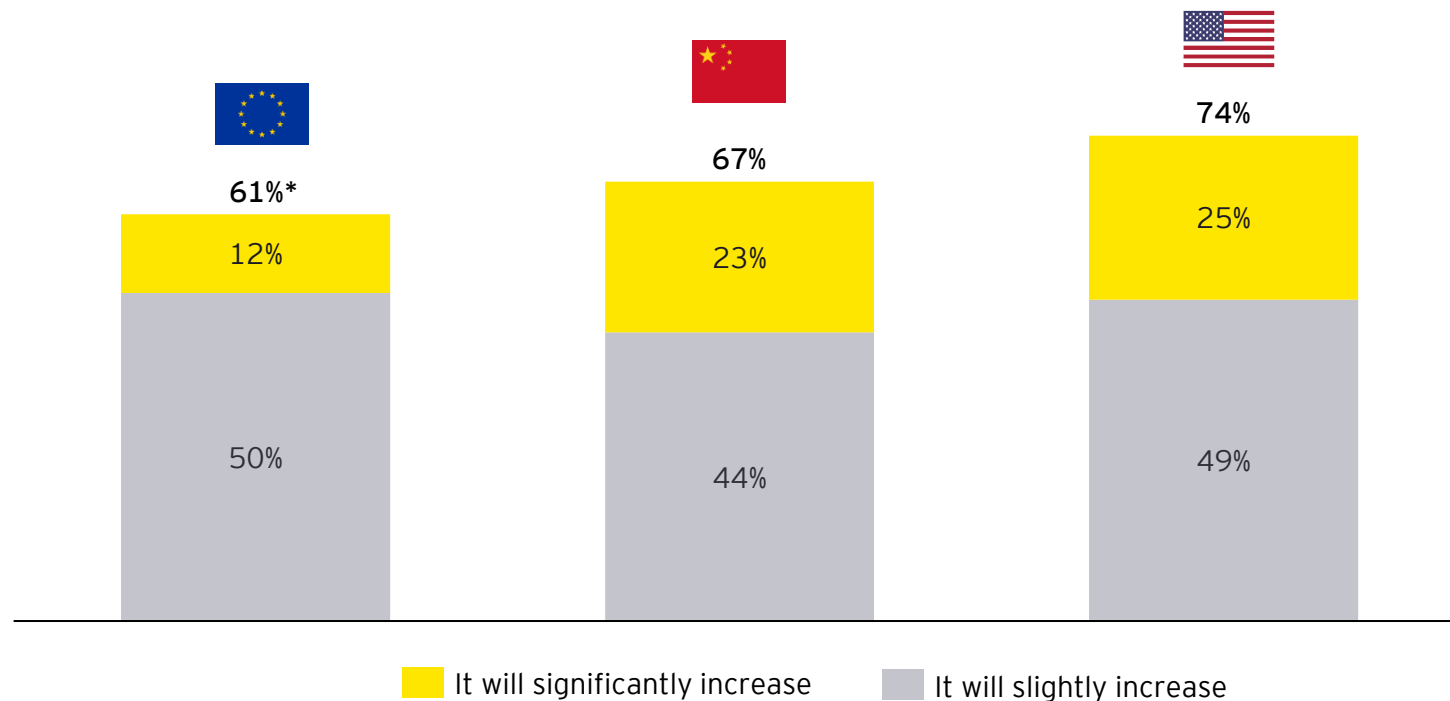


- The survey was conducted during a period when the Trump administration had signaled that tariffs would be imposed on imports of goods from certain countries (late January through early March 2025), but before the official tariff announcement in early April. The announced tariffs were higher and imposed on more countries than expected.
- A string of comments by US officials in early 2025 about their reluctance to engage in Europe's security has further unsettled investors.
- While the impact of Trump's tariffs remains to be seen, the International Monetary Fund (IMF) revised its GDP growth figures between January and April. Eurozone GDP growth is now projected at 0.8% for 2025 and 1.2% for 2026, reflecting a decline of 0.2% for each year compared to the January update.

Source: EY Europe Attractiveness Survey 2025 (total respondents: 500 surveyed between 31 January and 3 March 2025).
Source: <https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025#Gdp>, accessed on 05 May 2025.

Although executives express less confidence in Europe's prospects than those of in China or the US, 61% think it will improve in the next three years

How do you expect the attractiveness of these geographies to evolve over the next three years?



*The 61% total varies from adding the two reported subtotals due to rounding.

Source: EY Europe Attractiveness Survey 2025 (total respondents: 500 surveyed between 31 January and 3 March 2025).

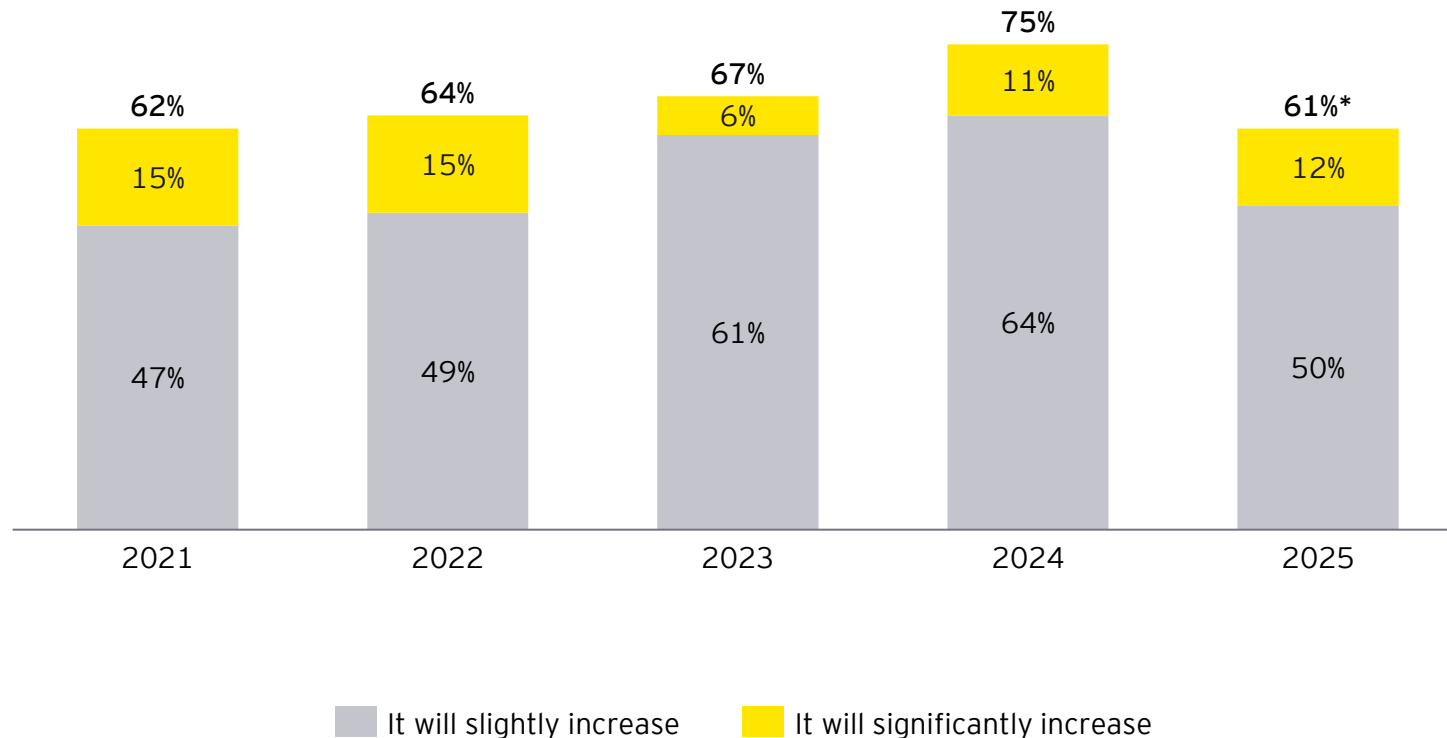
- 74% and 67% of surveyed investors expect the attractiveness of the US and China, respectively, to improve over the next three years. By contrast, "only" 62% share the same outlook for Europe.
- The confidence gap between Europe's prospects and those of its main competitors is even more pronounced among companies not established in Europe. While 61% of these companies believe Europe's attractiveness will improve, a notably higher proportion, 77% and 91%, anticipate that China and the US will become more attractive over the next three years, driven by more favorable economic outlooks for business activity.

Reasons for optimism

Despite current pessimism, most surveyed businesses expect Europe's attractiveness to improve over the next three years. Positive growth forecasts for some countries, along with the resilience of small and mid-sized businesses in the face of external pressures, are also factors suggesting recovery in FDI levels.

Despite the current investment climate, a majority of executives expect Europe's attractiveness to improve over the next three years

How do you expect Europe's attractiveness to evolve over the next three years?
"It will increase" only



*The 61% total varies from adding the two reported subtotals due to rounding.

Source: EY Europe Attractiveness Survey 2025 (total respondents: 500 surveyed between 31 January and 3 March 2025).

- Sixty-one percent of executives surveyed believe that Europe's attractiveness will improve over the next three years. Although this figure represents a decline of 14 pp compared with last year's survey, it remains high and is in line with levels seen in 2021 and 2022, prior to the onset of the war in Ukraine.
- The analysis of our survey results shows no major differences based on company origins or sectors, with all respondents seemingly expecting a return to growth within the next three years.
- While the growing reluctance of the US to support Europe militarily raises serious security questions, it may also boost FDI in the long term. The altered stance of the US government is spurring many countries to boost defense spending and build up domestic manufacturing and supply chains (see examples on the next slide).

Our analysis shows that Europe is beginning to draw strategic industrial investment, led by defense sector expansion

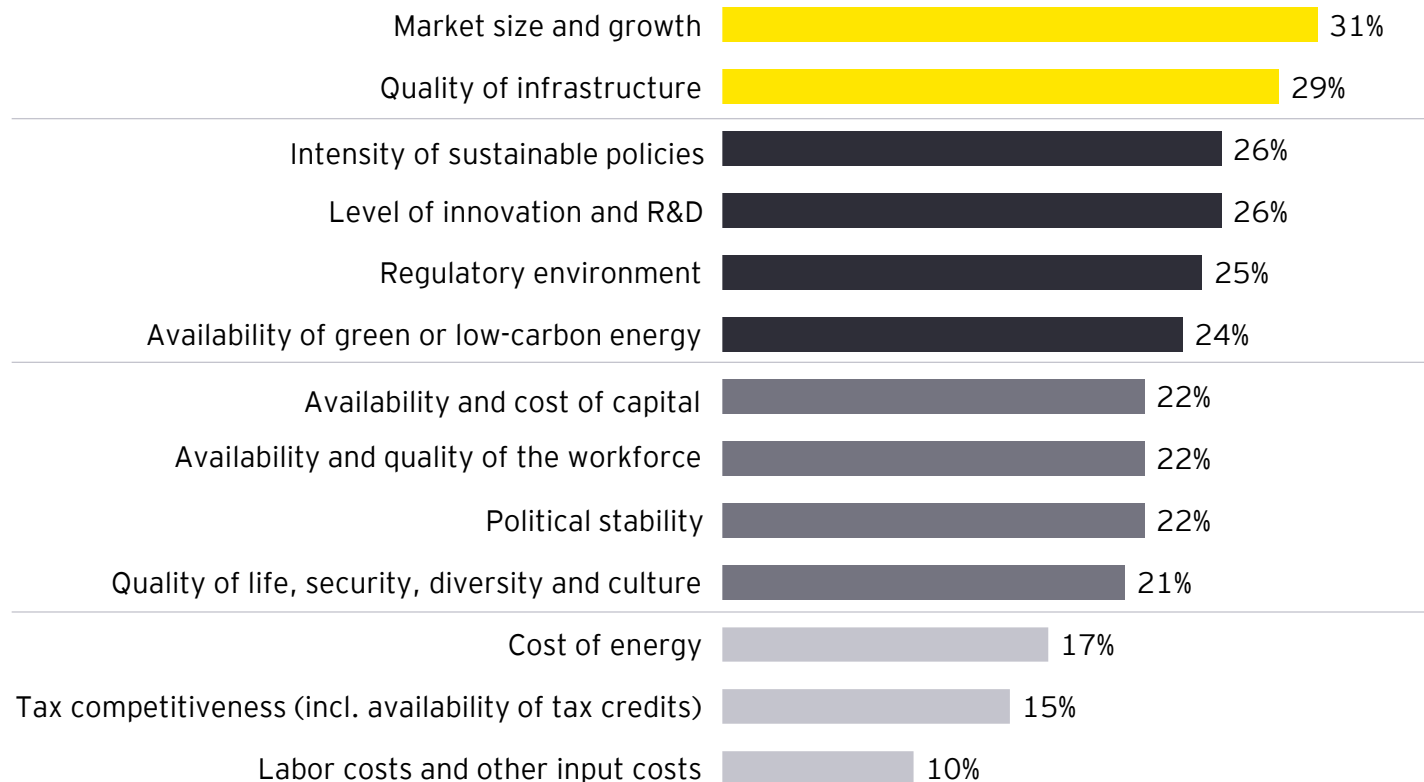
Company	Destination country	FDI manufacturing projects in Europe's defense sector in 2024 (non-exhaustive)
Thales	Belgium 	Thales is scaling up its defense manufacturing capabilities at its Herstal facility in Belgium, where it is adding a new assembly line to increase output of 70 mm laser-guided rockets fivefold.
Rheinmetall	Lithuania 	Lithuania and Rheinmetall have begun construction of a state-of-the-art facility to produce 155 mm artillery shells.
ZVS holding	Slovakia 	ZVS holding inaugurated a new production line for 155 mm artillery ammunition bodies in Snina, Slovakia. The new assembly line is designed to significantly boost production capacity, aiming to produce up to 360,000 pieces of artillery ammunition annually by 2026.
BAE Systems	Sweden 	BAE Systems is set to open a new production facility in Sweden to expand its manufacturing capacity in the defense sector, reinforcing its commitment to meeting growing demand for advanced military equipment.
Rheinmetall	UK 	German defense group Rheinmetall is planning to open a new factory in Shrewsbury (UK) to produce artillery gun barrels.

- 1
- 2
- 3

Source: EY EIM 2025.

Foreign investors have a clear understanding of Europe's core strengths and inherent advantages

In which of the following areas does Europe have the greatest advantage relative to other geographies?



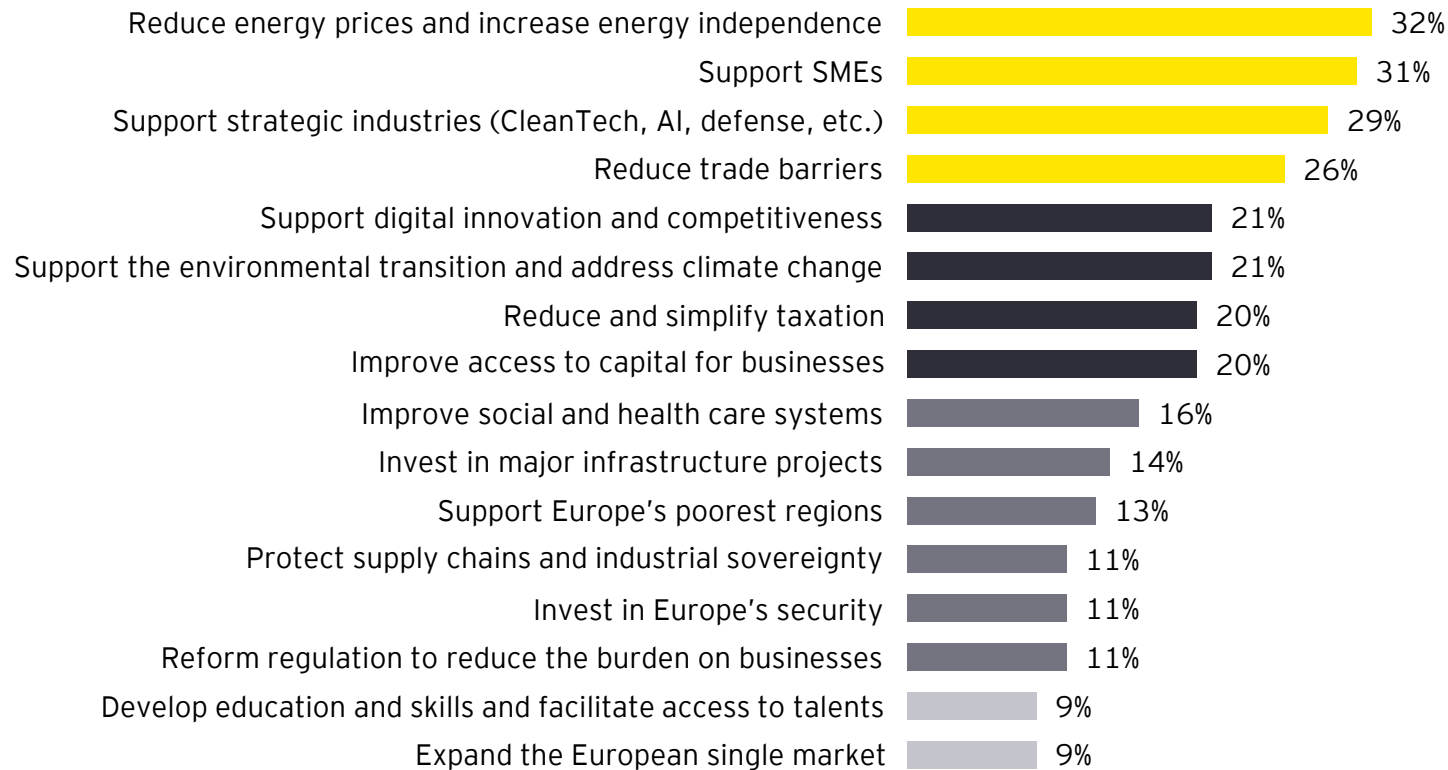
Source: EY Europe Attractiveness Survey 2025 (total respondents: 500 surveyed between 31 January and 3 March 2025).

- Surveved executives recognize Europe's strong assets, including its competitive market and high-quality infrastructure.
- Business leaders also highlight the region's robust legal framework and its proactive climate policies. Indeed, Europe is widely seen as the global leader in sustainability, environmental standards and progress toward a circular economy, underpinned by one of the most ambitious decarbonization targets worldwide.
- However, the surveyed leaders are now more skeptical about Europe's historical strengths: available skills in Europe, the stability of the political systems, and the continent's quality of life.
- They also reaffirm their concerns regarding Europe's overall competitiveness in energy, taxation and labor costs. These are the areas where – as of early 2025 – most of Europe's competitive disadvantages compared with its rivals are concentrated, a reality meticulously documented in the Draghi report in September 2024.

Investors express a clear demand for change and call on Europe to shape a new trajectory

Where should Europe concentrate its efforts in order to maintain its competitive position in the global economy?

Up to three answers only



Echoing the key risks highlighted earlier, executives identify 10 critical areas to strengthen Europe's business case, reduce dependencies and enhance competitiveness:

1. Energy competitiveness
2. Support for SMEs
3. Autonomy in critical industries
4. Trade strategy
5. Innovation ... realized
6. Sustainability ... simplified
7. Financial resilience
8. Agile government
9. Investment in infrastructure
10. European integration

Source: EY Europe Attractiveness Survey 2025 (total respondents: 500 surveyed between 31 January and 3 March 2025).

Coming next

Episode 2 of the Europe Attractiveness Survey, which we will release on 17 June, will outline how policymakers and businesses can together revive Europe's attractiveness

Reinforcing Europe's economic sovereignty and strategic autonomy

1

- How can Europe maintain openness to global trade while better defending its economic and technological interests?
- What policy tools should the EU develop to respond effectively to global market distortions and trade tensions?
- Which sectors require Europe to build greater strategic autonomy, reduce external dependencies and enhance its energy competitiveness ?

Boosting innovation, competitiveness and industrial leadership

2

- How can Europe create the conditions for scaling up innovation in critical sectors such as AI, life sciences, defense or CleanTech?
- What is needed to support the emergence of European industrial champions capable of competing globally?
- How can the EU better align tax, regulatory and investment frameworks to foster long-term competitiveness?

Mobilizing capital and investing in the future

3

- What steps are required to complete the Capital Markets Union and channel more private investment into productive assets?
- How can Europe better balance fiscal stability with the need to finance strategic investments in infrastructure, defense and innovation?
- What financial and policy instruments can help support SMEs and ensure that no region is left behind in the green and digital transitions?

Securing talent, education and skills for the next generation

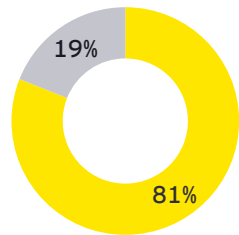
4

- How can Europe improve the attractiveness and impact of its education, research and training ecosystems?
- What strategies are needed to attract, retain and develop skilled talent in strategic sectors across the EU?
- How can the EU foster better synergies between universities, research centers and industry to drive innovation and economic renewal?

Appendix: the Europe Attractiveness Survey 2025 panel

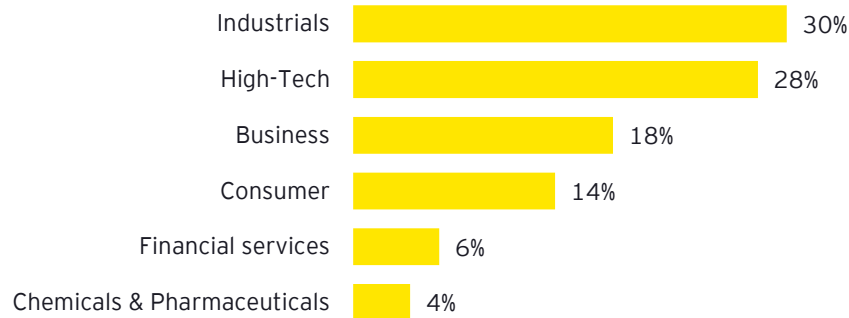
Field research was conducted for the EY organization by FT Longitude between January and March 2025, based on a representative panel of 500 respondents. The survey aimed to cover a representative sample of investors into Europe, by geography, industry grouping and size of company.

Respondent location

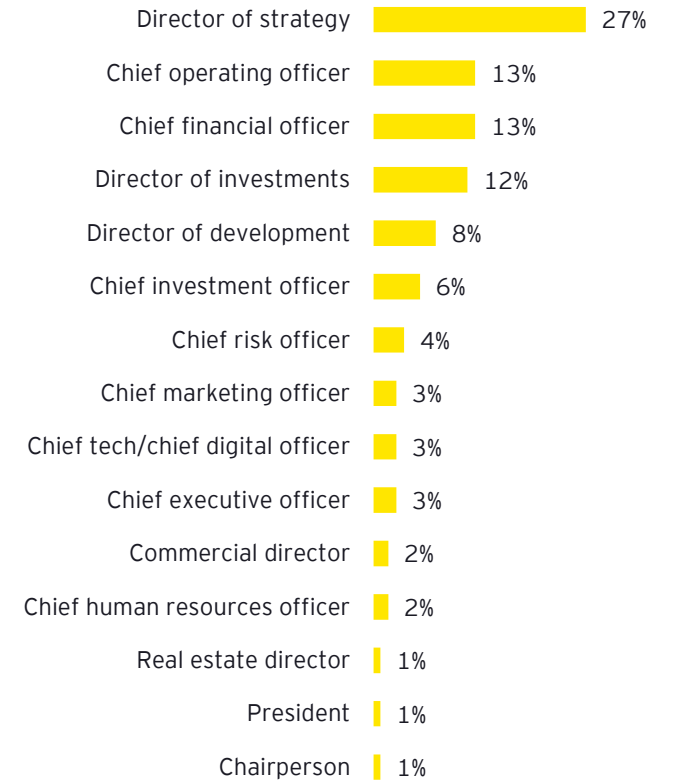


■ Located in Europe
■ Located outside Europe

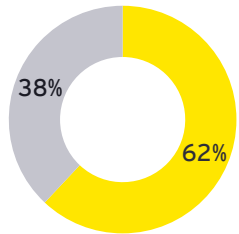
Primary sector of activity sector



Job title

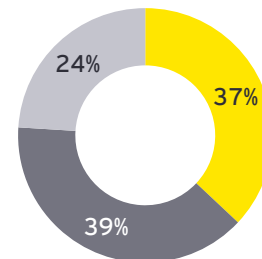


Company HQ location



■ Located in Europe
■ Located outside Europe

Company size (turnover)



■ Less than €150 million (< US\$165 million)
■ €150 million - €1.5 billion (US\$165 million-US\$1.65 billion)
■ More than €1.5 billion (> US\$1.65 billion)

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