



# Global investment: driving UK jobs and growth in financial services

## Full report



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## Report information

This report was prepared for City of London Corporation by fDi Intelligence, a service from the Financial Times. fDi Intelligence is the largest FDI centre of excellence globally, specialising in all areas relating to FDI, investment promotion and economic development.

All data in this report referring to foreign direct investment (FDI) is greenfield FDI unless otherwise stated. Greenfield FDI is defined as overseas investment in a new physical project or expansion of an existing project which creates new jobs and capital investment and with majority-ownership by the foreign investor. Mergers & acquisitions (M&A) and other equity investments are not included. Data is provided by fDi Markets, which collects information on FDI projects, jobs and capital investment. Where there is no data provided for jobs and capital investment, fDi Markets estimates these figures using similar projects (projects in the same sector, doing the same business activity) in its database, that do

have actual jobs and investment figures, to provide an average within a certain geographic level.

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# 1. Executive summary

Foreign direct investment (FDI)<sup>1</sup> plays a key role in establishing and developing links between economies, attracting new jobs, encouraging the sharing of technology and innovation between companies, and enables investors to access new markets.<sup>2</sup>

As a global financial centre and cluster of highly-specialised, innovative financial and professional services activities, the UK acts as a magnet for financial services (FS) FDI. Financial services attracted more than double the foreign direct investment than any other sector in the UK in 2016.<sup>3</sup>

Between 2013 and 2017, the UK received 392 inbound FDI projects, with overseas investors investing £8.6 billion<sup>4</sup> and creating an estimated 16,216 jobs. The benefits of FDI are spread across the UK, with almost half (49%) of jobs created outside of London. The share of jobs outside London varies across different kinds of financial services, for example in insurance and retail banking in particular, over 70% of jobs have been created outside London.

Within the UK, London acts as a hub for highly-specialised and highly-productive companies and workers, playing a key role in attracting FS FDI into the UK. Compared to eight other global financial centres, London received the highest volume of FS FDI projects in 2017 and between 2013-2017, emphasising its position as the number one location for FS FDI.

This report looks at the factors underpinning the UK's success as a major FDI destination, sets out who the key investors are, and which areas of FS attract the most investment. The report also explores the role of FDI in attracting jobs and capital across the UK and the relative strengths of UK regions. Finally, the report illustrates the success of London as a magnet for FDI and explains how London compares to other global financial centres across key dimensions.

Over the past 15 years, the availability of a skilled workforce and the presence of an FS cluster have become increasingly important to foreign firms and investors looking to invest in UK FS. International investors cited access to the UK's FS cluster as relatively more important in their decision to invest compared with any other global FS centre.

The UK's current international investment links are also explored in depth, with the U.S, Sweden and China ranking as the UK's top FS foreign direct investors. Importantly, the UK ranks as the top choice for these three investors, demonstrating the importance of links both within the EU and globally.

The UK continues to offer a highly-skilled workforce and combined with access to the world's largest FS cluster in London, means that the UK continues to be well-placed in attracting FS FDI across the UK. Understanding the drivers of FDI, and London and the UK's position relative to other global financial centres, will help to ensure that the benefits of FDI, particularly in terms of jobs created and investment into regional economies can continue to grow.

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1. FDI refers to cross-border investments made by a business or individual from one country to another, and involve the establishment of a lasting investment in that country

2. ONS, International perspective on FDI (2016).

3. ONS, Inward foreign direct investment involving UK companies (2016).

4. UK investment values in this report have been converted from USD into GBP using an exchange rate of 1 USD=0.77 GBP, as at 12.09.18

## 2. The factors underpinning the UK's success as an FS FDI centre

### A. Why financial service companies invest in the UK

- Investors recognise the value of proximity and connectivity in developed financial markets like the UK and US - proximity to markets/customers is the number one motive for firms to invest in the UK FS sector and is becoming more important as an investment driver.
- A skilled workforce and industry cluster are also increasingly important factors in influencing FS investment into the UK.
- A higher proportion of investors cite UK skills availability and quality as an investment driver than any other European or Asian region.
- A higher proportion of investors cite the UK's global FS cluster as a driver behind their investment than in any other global competitor or region, indicating that the UK's reputation as an FS cluster is unrivalled.

#### I. FDI motives for financial services investment in the UK

The top five motives for investing in the UK are listed below, in order of how frequently investors cite them:

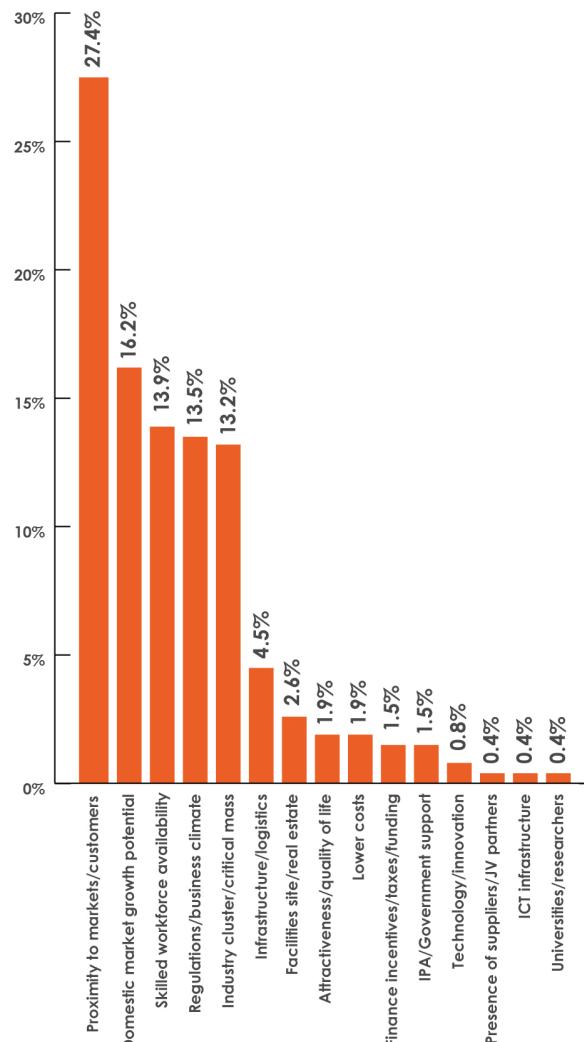
- Proximity to markets/customers** – the company has identified a location as beneficial due to its location close to existing customers and potential clients.
- Domestic market growth potential** – the company has identified that demand in this market/country/city is growing or on the cusp of growth.
- Availability of a skilled workforce** – the company has stated that a qualified, skilled or appropriately educated workforce was one of the reasons to establish their operation in the area.
- A favourable business climate** – the company has identified the wider economic and political climate in the country as a reason to establish their operation in the area. This can encompass the location's legal framework, government and general economic outlook.
- Industry clustering** – the company identifies the location as having multiple similar companies or companies working on similar projects in the area.

Foreign companies are investing into the UK primarily to be close to clients (both within the UK and Europe), accounting for over one-quarter of all motives cited. Since the UK's

announcement of its decision to leave the EU in June 2016, the motives listed above have remained the top motives cited by companies investing in the UK FS.

Chart 1 shows the full list of investor motives, alongside how frequently they are cited.

Chart 1: Motives cited by foreign companies investing in financial services into the UK, 2003-2017<sup>5</sup>



Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))

\*Based on 266 motives cited by companies involved in 179 FDI projects collated by fDi Markets based on company press releases

5. The period 2003-2017 was used to collect a statistically significant sample size.

Table 1 compares the motives cited for FS FDI against motives cited by all other FDI sectors.<sup>6</sup> Although proximity to customers is the number one motive for both FS and non-FS, it is deemed significantly more important for FS, with industry clustering also relatively more important for FS. The country's regulations/business climate is cited as a motive over 2.5

times more in FS compared to non-FS. Financial incentives/taxation/funding and lowers costs are also deemed slightly more important in FS, although both are overall less important than many other key factors for both the FS and non-FS.

**Table 1: Comparison of FDI motives cited by financial service companies versus all non-financial service companies, UK, 2003-2017**

Motive	Motive as a % of total financial service motives	Motive as a % of total motives (all non-financial service sectors)	Comparison
Proximity to markets / customers	27.4%	21.9%	5.5% 
Domestic market growth potential	16.2%	16.8%	0.6% 
Skilled workforce availability	13.9%	15.5%	1.6% 
Infrastructure / logistics	4.5%	7.9%	3.4% 
Industry cluster / critical mass	13.2%	7.0%	6.2% 
IPA / Government support	1.5%	6.8%	5.3% 
Regulations / business climate	13.5%	5.2%	8.3% 
Technology / innovation	0.8%	4.2%	3.4% 
Facilities site / real estate	2.6%	3.2%	0.6% 
Attractiveness / quality of life	1.9%	3.0%	1.1% 
Universities / researchers	0.4%	2.9%	2.5% 
Finance incentives / taxes / funding	1.5%	1.4%	0.1% 
Lower costs	1.9%	1.3%	0.6% 
Presence of Suppliers / JV partners	0.4%	1.2%	0.8% 
ICT infrastructure	0.4%	0.9%	0.5% 

Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))

\*The Comparison column compares the values in 'Motive as a % of total financial service motives' and 'Motive as a % of total motives (all non-financial service sectors)' columns.

#### Raymond James Financial: technology and innovation in the UK

US-based Raymond James Financial, a financial services company, opened a new 15-person office in London in September 2017. The office will focus on providing M&A advice to local tech companies and investors. The company eventually plans to employ around 30 executives at the branch. "Regardless of Brexit, the UK remains a hub for innovation and there are a number of interesting start-ups in fintech, ag-tech etcetera. For us coming to London is an opportunity to access the UK's strong technology scene and market it to global buyers," said the company's European Head of Investment Banking.

#### RMC Reinsurance: proximity to markets and customers in the UK

In 2017, US-based RMC Reinsurance – a provider of risk management and actuarial consulting services – opened two new offices in London to enable the firm to grow within the UK and Europe. Their European Operations President stated "RMC's presence in the UK provides us with a natural advantage since the UK is home to some of the world's largest insurance providers..."

6. In total, there are 39 FDI sectors (38 non-financial services sectors plus financial services). See Appendix for the full list of sectors.

Taken together, this suggests that for the UK to continue to be attractive for inward FDI in FS in particular, it will need to retain proximity to markets and customers, the presence of other FS firms within the industry cluster, and favourable regulations and business climate.

**Table 2: Time series comparison of motives cited by companies in financial services vs non-financial service sectors, UK, by 5-year time period**

<b>Motive</b>	<b>Motive cited as a % of all motives, financial service sector</b>			<b>Motive cited as a % of all motives, non-financial service sectors</b>		
	<b>2003-2007</b>	<b>2008-2012</b>	<b>2013-2017</b>	<b>2003-2007</b>	<b>2008-2012</b>	<b>2013-2017</b>
Proximity to markets / customers	20.3%	28.0%	31.9%	26.7%	21.0%	19.6%
Domestic market growth potential	13.6%	17.8%	16.0%	17.8%	19.3%	14.3%
Industry cluster / critical mass	10.2%	12.1%	14.9%	3.5%	9.1%	6.8%
Regulations / business climate	13.6%	11.2%	14.9%	3.2%	4.9%	6.3%
Skilled workforce availability	13.6%	14.0%	14.9%	15.2%	14.2%	16.8%
Facilities site / real estate	1.7%	3.7%	2.1%	2.8%	2.0%	4.3%
Lower costs	1.7%	1.9%	2.1%	2.2%	1.0%	1.0%
Attractiveness / quality of life	3.4%	1.9%	1.1%	1.3%	3.9%	3.2%
Technology / innovation	1.7%	n/a	1.1%	1.7%	2.2%	7.0%
Presence of Suppliers / JV partners	n/a	n/a	1.1%	1.2%	1.2%	1.2%
Infrastructure / logistics	6.8%	7.5%	n/a	7.2%	7.6%	8.4%
Finance incentives / taxes / funding	6.8%	n/a	n/a	3.0%	1.0%	1.0%
IPA / Government support	5.1%	0.9%	n/a	10.0%	8.2%	4.4%
ICT infrastructure	1.7%	n/a	n/a	0.8%	0.9%	1.0%
Universities / researchers	n/a	0.9%	n/a	2.3%	2.5%	3.6%
<b>Sample sizes:</b>	<b>59 motives for 34 projects</b>	<b>107 motives for 70 projects</b>	<b>94 motives for 70 projects</b>	<b>600 motives for 370 projects</b>	<b>920 motives for 594 projects</b>	<b>1,150 motives for 709 projects</b>

Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))

Although proximity to markets/customers is the number one motive for both FS and non-FS, it is becoming relatively more important for FS companies while becoming relatively less important in non-FS sectors. Domestic market growth potential is the second most commonly cited motive by both FS and non-FS companies, and has shown a proportionally higher number of citations in the FS sector (compared to non-FS sectors) for the first time, as domestic market growth potential has become more important to FS investors.

The presence of an industry cluster is significantly more important for FS companies and appears to be becoming more significant. Although regulations and the business climate is becoming relatively more important for non-FS companies, it is still considerably more important for FS companies.

'A skilled workforce' motive has witnessed a similar trend in both the FS sector and non-FS sectors. Although the driver is cited slightly more by non-FS companies it is still very important for FS and has been growing in significance throughout the time period. Lower costs, although still

Table 2 shows how the most important motives for FS and non-FS investment into the UK are changing over time.

relatively less significant than many other factors for FS investment, are becoming relatively more important throughout the time period analysed. In comparison, they are becoming relatively less important in non-FS sectors.

## II. International comparison

The top five countries for inbound financial services FDI, by project numbers, in the last full five-year period (2013-2017) were:

1. United States
2. UK
3. India
4. China
5. Germany and Singapore (equal)

Table 3 compares drivers of FS FDI projects into the leading FS FDI destinations, and their relative importance.<sup>7</sup>

**Table 3: FDI motives in FS FDI, by motive type, selected countries, 2003-2017**

Motive	UK	United States	India	China	Germany	Singapore
Proximity to markets / customers	<b>27.4%</b>	<b>37.3%</b>	13.2%	20.1%	<b>36.6%</b>	<b>24.6%</b>
Domestic market growth potential	16.2%	16.7%	<b>51.1%</b>	<b>45.9%</b>	23.7%	23.6%
Skilled workforce availability	13.9%	14.1%	10.0%	2.9%	1.1%	7.9%
Regulations / business climate	13.5%	8.7%	7.4%	18.4%	17.2%	17.7%
Industry cluster / critical mass	13.2%	6.5%	4.2%	4.9%	7.5%	6.9%
Infrastructure / logistics	4.5%	1.1%	1.6%	2.0%	2.2%	6.4%
Facilities site / real estate	2.6%	2.7%	-	0.4%	-	0.5%
Lower costs	1.9%	1.5%	6.3%	1.2%	1.1%	2.5%
Attractiveness / quality of life	1.9%	3.0%	1.6%	0.8%	3.2%	1.5%
IPA / Government support	1.5%	1.1%	1.1%	1.2%	2.2%	2.0%
Finance incentives / taxes / funding	1.5%	1.5%	0.5%	-	1.1%	2.5%
Technology / innovation	0.8%	1.9%	1.1%	-	1.1%	1.0%
Universities / researchers	0.4%	2.3%	-	-	2.2%	1.0%
ICT Infrastructure	0.4%	0.4%	1.1%	-	-	1.0%
Presence of suppliers / JV partners	0.4%	-	-	-	-	-
Natural resources	-	-	-	1.2%	-	-
Language skills	-	0.8%	0.5%	0.4%	-	0.5%

Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))

In the UK, United States and Germany proximity to customers was the number one motive for inbound FS investment by some margin. In Singapore, although proximity to markets was the top motive, it was closely followed by the growth potential of the domestic market – indicating investors are establishing a presence to tap into both domestic and regional markets. In both China and India, domestic market growth potential was the leading motive by some distance – likely driven by higher rates of GDP and population growth, presenting opportunities for FS investors and companies.

- In the United States, the drivers cited for FDI are similar to that of investing in the UK. The top five motives for both countries are the same – proximity to customers, growth potential, skilled workforce, business climate, and industry cluster.
- In Germany, over one-third of recorded motives were due to the country's proximity to customers, likely given its position within the EU and access to over 500 million people. Domestic market growth potential and business climate were the second and third most important factors for investing. A skilled workforce was not cited by many investors, however this could reflect a small sample size for Germany in particular.<sup>8</sup>

- In India, over half of all motives cited were categorised as 'domestic market growth potential'. Proximity to customers/markets and a skilled workforce were the next most popular rationales for investments, followed by the country's business climate and lower costs. India has been extremely successful in attracting the back-office operations of FS companies.

#### **Julius Baer: domestic market growth potential and skilled workforce availability in the UK**

In 2017, Switzerland-based private banking group Julius Baer – who have had a presence in London since 2008 – opened new offices in Manchester, Leeds, Glasgow and Belfast. The offices will provide business owners, entrepreneurs and other wealthy individuals with access to the company's pure wealth management approach. The company's Head of Europe and Member of the Executive Board at Bank Julius Baer & Co. Ltd., said: "...The UK, with its deep pool of talent in financial services, is a strategic location for investment and growth. We are committed to building a strong business for the long term and serving clients across the whole country."

7. In order to get a large enough sample size, motives from the period 2003-2017 were used. See Appendix – Sample for FDI motivation by country for sample sizes for each country.

8. Germany had the smallest sample size of any of the locations analysed. See Appendix for the sample sizes of all countries.

- In China, domestic market growth potential is the key factor for investment – accounting for almost half of all motives cited. Proximity to customers and business regulations were the next most important factors. China has been attempting to loosen its regulation of foreign investment in multiple sectors over the last 10-15 years; recently scrapping approval procedures for foreign banks in areas such as overseas wealth management products and portfolio investment funds; enabling foreign investors to take majority control of local securities firms, and simplifying steps to open new branches.
- In Singapore, the top motives are proximity to customers and domestic market growth potential, followed by the country's business climate. A skilled workforce, industry cluster, and infrastructure are the next most prevalent reasons for investing.

Taken together, investors recognise the high-growth potential of markets like India and China, while the UK, US, Germany and Singapore, as relatively mature FS FDI destinations, are valued for the proximity and access to markets and customers they offer.

While there is some similarity between perceptions of the respective strengths between the UK and its closest competitor, the US, the UK's regulatory framework and critical mass of other FS firms is cited more frequently as an advantage. This suggests that, while the US is the leading global destination for FS FDI, the perception of the UK as a global FS cluster is valued by international investors.

Table 4 compares the motives for investing in financial services in the UK against Western Europe (excluding the UK), Central and Eastern Europe, and Asia-Pacific.<sup>9</sup>

**Table 4: FDI motives in financial service FDI, by motive type, UK and selected world regions, 2003-2017**

Motive	UK	Western Europe (excluding UK)	Central and Eastern Europe	Asia-Pacific
Proximity to markets / customers	<b>27.4%</b>	<b>29.5%</b>	20.2%	21.6%
Domestic market growth potential	16.2%	27.8%	<b>32.5%</b>	<b>40.4%</b>
Skilled workforce availability	13.9%	6.3%	8.4%	5.5%
Regulations / business climate	13.5%	14.3%	19.9%	15.8%
Industry cluster / critical mass	13.2%	7.2%	2.9%	4.6%
Infrastructure / logistics	4.5%	2.8%	2.4%	2.6%
Facilities site / real estate	2.6%	1.1%	1.0%	0.2%
Lower costs	1.9%	0.8%	3.1%	2.2%
Attractiveness / quality of life	1.9%	2.0%	1.3%	1.1%
IPA / Government support	1.5%	2.7%	1.3%	1.3%
Finance incentives / taxes / funding	1.5%	1.3%	1.0%	0.5%
Technology / innovation	0.8%	1.3%	0.3%	0.8%
Universities / researchers	0.4%	1.3%	0.8%	0.2%
ICT Infrastructure	0.4%	0.3%	1.0%	0.8%
Presence of suppliers / JV partners	0.4%	0.3%	1.3%	0.6%
Natural resources	-	-	-	0.7%
Language skills	-	1.1%	2.4%	1.2%

Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))

In the UK and Western Europe, proximity to customers is the key factor for FS investment. For Central and Eastern Europe and Asia-Pacific, domestic market growth potential is the primary determinant.

A skilled workforce and industry cluster are important factors for FS investment in each location. However, they appear to be relatively more important for FS investment in the UK compared to Central and Eastern Europe, Western Europe and Asia-Pacific. In the UK, infrastructure, real estate and finance are also comparatively more important factors compared to the three regions analysed, however, they are not as important overall as the aforementioned motives.

- In Western Europe, proximity to customers and domestic market growth potential are the key reasons for investment. Business climate ranks as the third most important factor, while industry cluster and skilled workforce availability complete the top five motives. Combined, these five motives account for over 85% of all motives cited within Western Europe.
- Within Central and Eastern Europe, domestic market growth potential is the leading motive – accounting for almost one-third of all motives cited. Proximity to markets and business climate each account for around one-fifth of the total motives, and a skilled workforce. Lower costs accounted for 3.1% of total motives cited – a higher proportion than in the UK, Western Europe or Asia-Pacific.

9. See Appendix – List of countries by world region for a full list of the countries within each world region.

- In Asia-Pacific, domestic market growth potential is the primary factor for financial service investments. Many Asian countries have experienced strong GDP growth in recent years. Proximity to customers and business climate were the next most important factors, followed by a skilled workforce and industry cluster.

Across all markets, proximity to markets/customers and domestic market growth potential are often cited as the key drivers of FDI.

However, within the UK, skills availability and quality, are cited by a higher proportion of investors than any other European or Asian region. A higher proportion of investors cite the UK's global FS cluster as a driver behind their investment than in any other global competitor or region, indicating that the UK's reputation as an FS cluster is unrivalled.

## B. Destinations of inbound investment into the UK

- Financial services FDI drives growth and jobs across the UK, with investment projects creating new jobs and bringing in capital to local economies.
- FS FDI created over 16,000 new jobs over 2013-2017; almost half of these located outside London.
- Regions like the West Midlands and Scotland played a key role in attracting new FS FDI projects and the associated benefits in terms of jobs and capital, with Manchester and Glasgow acting as hubs for attracting FS FDI.

Between 2013 and 2017, there has been a total of 392 inbound FDI projects in the UK FS sector. These projects were worth an estimated £8.6 billion and created an estimated 16,216 jobs.

Greater London accounted for just under two-thirds of both projects and capital investment, at 63% and 64% respectively. However, while the number of FDI projects

and capital investment was concentrated in London, the benefits in terms of job creation were more evenly spread across the UK, with regions outside of London accounting for almost half (49%) of total jobs created.

Table 5 shows the reach of jobs created, capital invested and projects in regions across the UK. London attracts the most investment in terms of number of projects, jobs and capital invested. The West Midlands attracted the second highest number of jobs and third highest amount of capital investment, while Scotland attracted the third highest number of jobs and second highest amount of capital, illustrating the role of those regions in attracting investment into the UK.<sup>10</sup>

As the cluster effect is important to UK FS investors, it is also important to look at investment within UK cities, which act as hubs for specialised FS. Table 5 compares projects, job creation and capital investment across UK cities. This analysis complements recent research on city-level networks and characteristics of FS across the UK.<sup>10</sup>

**Table 5: Top UK destination cities for inbound financial service FDI projects, 2013-2017**

City	Projects	Job creation*	Capital investment (£ million)
London	248	8,239	4,234
Manchester	14	543	196
Glasgow	14	590	153
Edinburgh	12	580	206
Birmingham	10	1,325	326
Leeds	7	279	96
Belfast	3	46	28
Bristol	3	113	21
Derry/Londonderry	3	117	25
Aberdeen	3	75	28
Cardiff	1	587	107
Other	77	4,375	1,230
Total	392	16,216	6,605

Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))

\*Includes estimates

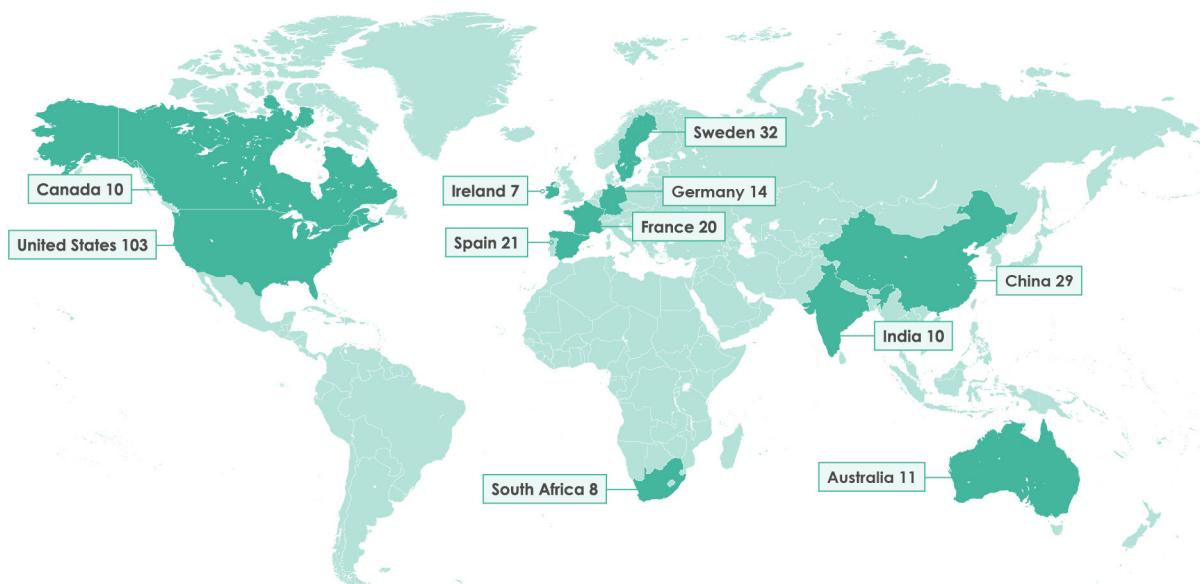
10. Centre for Cities and City of London Corporation (2018), London links: financial services UK wide, <https://www.cityoflondon.gov.uk/business/economic-research-and-information/research-publications/Pages/London-links-financial-services-UK-wide.aspx>

## C. Source markets of inbound investment into the UK

- The United States was the leading source market in terms of projects (103 or 26% of total projects), jobs created (almost 4,500 jobs or 27% of total projects) and capital investment (over £1.5bn or 24% of total investment).
- Alongside the U.S, Sweden, China, Switzerland and Germany invested the most in the UK in terms of capital investment (£m), and created the most jobs.
- The UK is the leading destination country for FS FDI projects from the United States, Sweden and China, with the UK accounting for 15%, 47% and 15% of their total global FS FDI projects.

The United States was the leading source market, creating 103 projects. Almost one-third of these projects were created from New York-headquartered companies. Sweden ranked second, with Svenska Handelsbanken opening multiple branches across the UK. China ranked third, with several large organisations investing including Bank of China, China Construction Bank and China Merchants Bank. Switzerland, Spain and France were other notable source markets in terms of number of projects. In total, the UK received inbound investment from companies in 51 countries.

**Map 1: Source markets for financial services inward investment into the UK, by number of projects, 2013-2017**



Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))

In terms of job creation and capital investment, the source markets identified above remained the key source markets, with the addition of Germany, which ranked as the second largest source market by job creation and fourth largest by capital investment, whereas it was the sixth largest source market by project numbers.

The United States was the leading job creator, creating just over one-quarter (27%) of the total number of new FDI jobs in the UK. Companies from the North American country also invested the largest amount of capital – just under one-quarter (24%) of the total invested in financial service FDI into the UK.

Table 6 provides an overview of the top source markets for FS investment into the UK by number of projects, job creation and capital investment. It also shows a breakdown by subsector for each country and the top investors (which are listed based on the highest number of projects or job creation statistics).

### Wealth Migrate: industry cluster

US-based Wealth Migrate, an international real estate crowdfunding platform, has a new office in London in December 2017. It forms part of the company's growth in its global presence in order to meet demand from investors. The company's co-founder stated

*"As a leading FinTech hub and market where we have a good deal of assets, opening a U.K. office has been part of our strategy for a long-time."*

**Table 6: Top source markets for FDI into the UK, 2013-2017**

Source country	Projects	Jobs	Capital investment (£ million)	Subsector (projects)	Top investor(s)*
United States	103	4,432	1,562	Corporate & investment banking 37 Investment management 32 Insurance 23 Retail banking 8 Other 3	Arthur J Gallagher (AJG) BlackRock Cigna FCE Bank (Ford) Raymond James Financial
Sweden	32	949	578	Retail banking 31 Investment management 1	Svenska Handelsbanken
China	29	857	440	Corporate & investment banking 16 Investment management 7 Retail banking 5 Insurance 1	Bank of China China Construction Bank China Merchants Bank
Switzerland	26	790	386	Investment management 14 Corporate & investment banking 8 Insurance 4	Chubb Limited (ACE Group) Julius Baer Swiss Life
Spain	21	604	346	Corporate & investment banking 11 Retail banking 7 Investment management 2 Insurance 1	Santander Group
France	20	616	278	Corporate & investment banking 6 Insurance 5 Investment management 5 Retail banking 4	AXA BNP Paribas Société Générale
Germany	14	1,728	411	Corporate & investment banking 6 Insurance 3 Retail banking 3 Investment management 2	Deutsche Bank Volkswagen Financial Services
Australia	11	343	116	Insurance 6 Investment management 3 Corporate & investment banking 2	Stream Group
Canada	10	407	219	Corporate & investment banking 5 Retail banking 3 Investment management 2	Bank of Montreal Public Sector Pension Investment Board
India	10	330	209	Retail banking 8 Corporate & investment banking 1 Investment management 1	Canara Bank State Bank of India
Other	116	5,160	2,062	-	-
<b>Total</b>	<b>392</b>	<b>16,216</b>	<b>6,605</b>	-	-

Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))

\*Selection of 'top' companies based on multiple FDI projects and/or large job creation

Table 7 shows the top ten source markets for financial service FDI projects into the UK, alongside details of the UK's global position as an inbound destination for each source market; the number of projects created in the UK

from companies based in each source market; the number of projects created worldwide by companies from each source market; and the proportion of each country's global FS projects being located in the UK.

**Table 7: Top source countries into the UK, the UK rank and proportion of global projects from the source country, 2013-2017**

Source country	UK rank	Projects into UK	Projects, global	Projects into the UK as a proportion of global projects (%)
United States	1st	103	706	15
Sweden	1st	32	68	47
China	1st	29	192	15
Switzerland	2nd	26	218	12
Spain	3rd	21	171	12
France	2nd	20	270	7
Germany	3rd	14	195	7
Australia	3rd	11	107	10
Canada	3rd	10	158	6
India	2nd	10	81	12

Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))

Of the ten source markets, the UK is the leading destination country for three – United States, Sweden and China. The UK accounts for a double-digit proportion of several source markets outbound FS investment, notably in Sweden where the UK accounts for almost half of total outbound projects. The UK also accounts for a sizable proportion of outbound FDI in the larger markets of the United States and China.

It is the second largest destination market for a further three source markets (Switzerland, France and India), and is the third largest destination market for outbound investment from Spain, Germany, Australia and Canada.

Four of the top ten markets are within the EU, indicating both the deep links between the UK and the EU, alongside the UK's links with well-established and high-growth markets like the US and China respectively.

#### Regulations/business climate

Export Development Canada (EDC), a Canada-based export credit agency, opened an office in London. The office will help connect Canada-based companies to opportunities within the UK market. "London is a global financial hub and a gateway for investors to Africa and the Middle East, two key markets for Canada's leading industries." Detailed the company's Senior Vice President, Business Development.

#### DBS Bank: skilled workforce availability in the UK

In April 2017, DBS Bank, a subsidiary of Singapore-based DBS Group Holdings, has obtained a UK securities licence and is looking to add staff in London as part of growth plans focused on the greater China market. The new licence will allow the bank to quadruple its current London wealth management operation. A company representative noted "It's cheaper to get talent and set up base, and I believe in the long-term prospects of London."

#### Ion Pacific: regulations and business climate in the UK

In 2017, Hong Kong-based investment and merchant banking firm Ion Pacific established its European headquarters in London. The new head office opened with a small team, however the company is actively hiring to grow quickly by late 2018. The company's managing director (EMEA) said "London is a global leader in financial markets and business excellence and we believe our presence here will significantly enhance our offering to both our Asian and international client base...London will always be the HQ for Asian investors, especially the Chinese, who see it as a platform for Europe. This is unlikely to change, regardless of how Europe comes to see London in the future."

## D. Top financial services subsectors

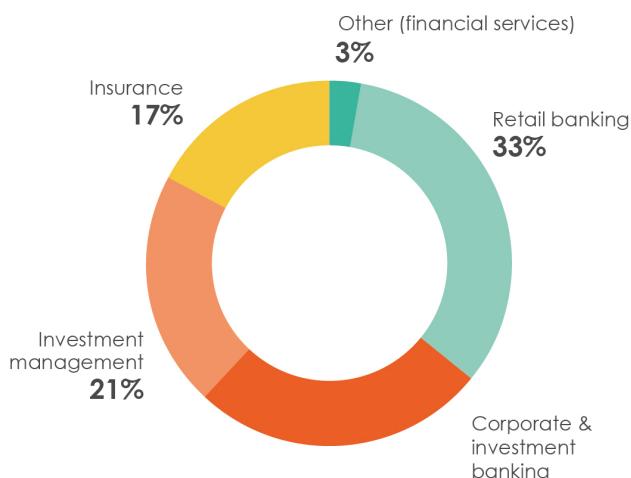
- Across the UK, corporate & investment banking was the largest subsector within FS FDI into the UK by project numbers and amount of capital invested; while it ranks second by number of jobs created. Retail banking was the largest job creating subsector; the second largest subsector by capital investment; and the third largest subsector by number of projects created.
- The US invested in the highest number of projects across all sub-sectors with the exception of retail banking, while China was also a key investor across two sub-sectors, corporate and investment banking and investment management.
- While corporate and investment banking is particularly concentrated in London, sectors like retail banking and insurance are more evenly distributed across the UK – with 72% and 71% of jobs created outside London respectively.

### I. By job creation

In terms of FDI job creation, retail banking has been the largest FS subsector over the last five-year period. An estimated 5,283 jobs have been created, accounting for one-third of FDI jobs. Bank of America, Santander Group and Mitsubishi UFJ Financial Group are the leading companies by job creation.

Corporate & investment banking accounted for just over one-quarter of FDI jobs created in FS – the second largest subsector. Investment management ranked third, followed by insurance and other FS.

**Chart 2: Financial service FDI into the UK, by subsector, job creation, 2013-2017<sup>11</sup>**



Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))  
\*Based on an estimated 16,216 jobs created

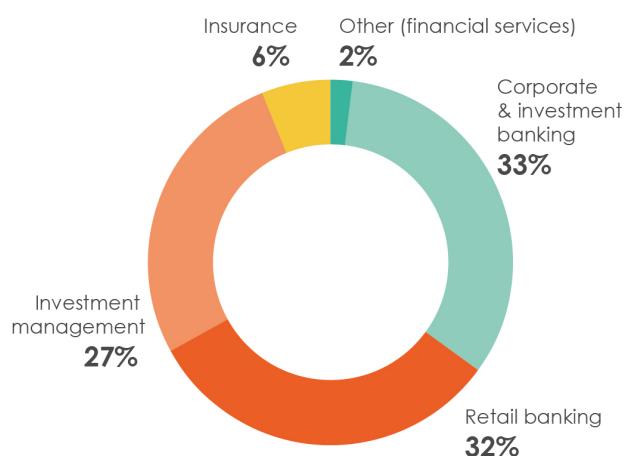
### II. By capital investment

By volume of capital invested, corporate & investment banking and retail banking were the largest financial service subsectors between 2013 and 2017. An estimated £2.84 billion has been invested in corporate & investment banking operations, while £2.75 billion was invested in retail banking establishments (32% of FS FDI).

Investment management accounted for around £2.32 billion of total capital invested into the UK. Insurance-related FDI projects totalled just over £520 million – 6% of the sector total.

Top companies by capital investment include Svenska Handelsbanken, Santander Group, Deutsche Bank and China Construction Bank.

**Chart 3: Financial service FDI into the UK, by subsector, Capital investment, 2013-2017<sup>12</sup>**



Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))  
Based on an estimated £8.6 billion invested

#### First Eagle Management: London as a hub for investment talent

In 2017, First Eagle Investment Management – an investment manager, and a subsidiary of US-based Arnold and S. Bleichroeder – opened a new office in London. The office serves institutional clients and their consultants in Europe, the Middle East and Africa. First Eagle Investment Management's president stated “London is a natural location for the office because of its established position as a centre of excellence in global financial services and its depth of resident talent in the investment management industry.”

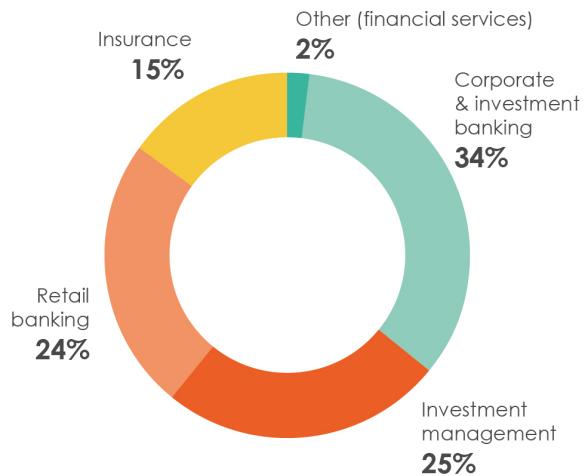
11. FDI job creation data includes estimates. See report information for a full description.  
12. Capital investment data includes estimates. See report information for a full description.

### III. By project numbers

Corporate & investment banking is the largest subsector within financial services for FDI into the UK. Between 2013 and 2017 there were 134 FDI projects created in the subsector – just over one-third of the total number of financial service projects. Santander Group (9 projects) and Julius Baer (4) were the leading companies in terms of number of projects created.

Investment management was the second largest subsector, accounting for one-quarter of all financial service FDI projects into the UK, closely followed by retail banking.

**Chart 4: Financial service FDI into the UK, by subsector, by project numbers, 2013-2017**



Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))

\*Based on 392 FDI project

Table 8 shows top source countries for FDI projects by sub-sector. The US invested in the highest number of projects across all sub-sectors with the exception of retail banking, while China was also a key investor across two sub-sectors, corporate and investment banking and investment management.

**Table 8: Financial service FDI into the UK, by subsector, by project numbers, 2013-2017**

Corporate and investment banking	Investment management	Retail banking	Insurance
United States (37)	United States (32)	Sweden (31)	United States (23)
China (16)	Switzerland (14)	United States (8)	Australia (6)
Spain (11)	China (7)	India (8)	France (5)

### IV. Job creation by subsector, UK regions

Looking at FS FDI by subsector across regions shows different patterns of specialisation across the UK. While subsectors like corporate and investment banking, and investment management, are concentrated in London, subsectors like retail banking and insurance are more evenly distributed across the UK.

In retail banking, 72% of jobs were created outside London, with investment in the West Midlands attracting over 1,000 jobs, and over 500 new jobs in both Wales and Scotland. In insurance, over 70% of jobs were created outside London, with the West Midlands, Scotland and the North West all attracting hundreds of jobs.

While London undoubtedly plays a key role in attracting FDI across FS subsectors, pools of specialist expertise in different types of financial services are continuing to develop throughout regions, led by cities like Glasgow, Manchester, Edinburgh, Birmingham, Leeds and Belfast.

### 3. Comparing financial services hubs across the UK

This section analyses UK regions across a range of characteristics of key importance for financial service investors, including domestic market growth potential (GVA), the presence of an FS cluster (company clustering), and availability of a skilled workforce (employment and education). It also looks at indicators of international competitiveness of FS across regions (exports) and connectivity to other global financial centres.

#### A. Domestic market potential and industry cluster

- United Kingdom regions outside of London accounted for 48% of total UK FS GVA.
- The spread of FS companies across the UK, with almost three-quarters (72%) of FS companies located outside of London, reveals a widespread cluster throughout the UK. This underlines the UK's role as a cluster of specialised FS talent and companies.

##### I. Economic output

Table 9 shows the size and spread of FS output (GVA) across UK regions, and how much of a contribution FS makes to the regional economy. Across the UK, FS GVA<sup>13</sup> totalled £115 billion in 2016<sup>14</sup>. London accounted for 52%, or almost £60 billion. The South East was the second largest regional contributor of financial service GVA with over £10 billion, followed by Scotland (£7.7 billion) and the North West (£7.4 billion). United Kingdom regions outside of London accounted for 48% of total UK FS GVA.

Table 9: Financial service (FS) gross value added (GVA), by UK region, 2016

Region	FS GVA (£ mn)	Regional FS GVA as % of UK FS GVA (%)	FS GVA per capita (£)	FS GVA as a % of total regional GVA (%)
North East	1,772	1.54%	673	3.44% (11th)
North West	7,389	6.41%	1028	4.47% (9th)
Yorkshire and The Humber	5,764	5.00%	1066	4.99% (9th)
East Midlands	2,331	2.02%	497	2.29% (15th)
West Midlands	4,904	4.25%	850	3.82% (12th)
East of England	5,396	4.68%	884	3.59% (11th)
London	59,689	51.78%	6814	15.08% (2nd)
South East	10,339	8.97%	1150	4.02% (11th)
South West	6,477	5.62%	1179	4.99% (8th)
Northern Ireland	1,415	1.23%	761	3.72% (10th)
Scotland	7,695	6.68%	1431	5.72% (8th)
Wales	1,985	1.72%	639	3.32% (10th)
<b>Total</b>	<b>115,280</b>	<b>100%</b>	<b>1756</b>	<b>6.60% (5th)</b>

Source: fDi Intelligence based on Office for National Statistics Gross Value Added (Income Approach) by SIC07 industry at current basic prices

13. Financial services GVA = Financial and insurance activities GVA

14. Note this value differs from the £ 124 billion estimated by UNdata (for the UK) in section 4. However, in order to provide regional insight ONS data must be used as the source and in order to provide a country comparison, UNdata must be used as the source.

FS is the second largest sector contributor to London's regional GVA (behind real estate). This is the largest ranking for any UK region. FS was also a significant contributor in Scotland and the South West (ranking as the eighth largest GVA sector in each region). Overall, FS was the fifth largest sector in the UK by GVA, driven by London but supported by all other UK regions.

This data demonstrates a sizeable market for financial service investors and shows that although the financial service sector is a particularly key sector for London, it is also a significant sector for other areas within the UK.

## II. Company clustering

Table 10 shows the spread of FS companies across UK regions, with a further breakdown by FS subsector. The UK had 6.2 million companies active in May 2018<sup>15</sup>, just under 4% of which were FS companies (229,948). London has the largest number of FS companies, with over 64,000, or 28%; followed by the South East (35,746), West Midlands (20,710) and East of England (20,505). Holding & other investment offices was the largest FS subsector in the UK (and each of its regions).

**Table 10: Number of financial service companies (total and by subsector), by UK region, 2018\***

Location	Financial services	Depository Institutions	Non-Depository Institutions	Security & Commodity Brokers, Dealers, Exchanges & Services	Insurance Carriers	Insurance Agents, Brokers & Service	Holding & Other Investment Offices
Greater London	64,323	2,177	16,074	9,948	4,281	2,961	28,882
South East	35,746	2,037	8,357	6,907	1,869	3,137	13,439
West Midlands	20,710	1,321	4,532	3,676	969	1,850	8,362
East of England	20,505	1,241	4,991	4,260	1,156	1,949	6,908
North West	17,011	1,294	4,190	3,352	805	1,558	5,812
South West	14,994	1,114	3,559	3,459	729	1,394	4,739
Scotland	15,091	1,384	3,238	3,060	781	1,111	5,517
Yorkshire and The Humber	14,710	1,059	3,270	2,992	902	1,298	5,189
East Midlands	11,701	806	2,519	2,268	606	1,011	4,491
Wales	7,223	814	1,609	1,890	402	767	1,741
Northern Ireland	4,049	361	1,094	712	237	468	1,177
North East	3,885	352	905	938	177	383	1,130

Source: fDi Intelligence based on Dun & Bradstreet Global Reference Solution

\*Note search performed by primary SIC code only

The South East has the largest number of insurance agents, brokers & service companies (3,137), and although Scotland ranks as the sixth largest UK region by total number of FS companies, it has the third highest number of depository institutions (1,384).

The spread of FS companies across the UK, with almost three-quarters (72%) of FS companies located outside of London, reveals a widespread cluster throughout the UK. This underlines the UK's role as a cluster of specialised FS talent and companies.

15. According to Dun & Bradstreet's Global Reference Solution company database.

## B. The UK's skilled workforce

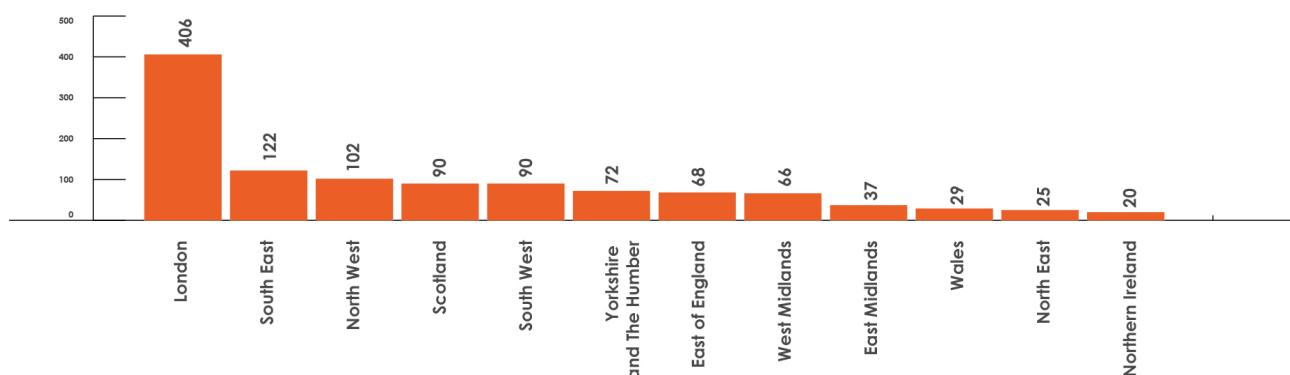
- There are substantial clusters of talent and expertise outside of London, with 122,000 workers in FS in the South East, and over 90,000 FS workers in the North West, Scotland, and the South West.
- The UK has a strong pipeline of future talent, with almost 350,000 students studying finance-related subjects at UK universities in 2016/17, equivalent to 15% percent of all students. The UK has 27 universities rated in the top 200 accounting and finance universities – only the United States had more (52).

- The UK has a higher proportion of population aged 25-64 with tertiary level education compared with EU countries like Denmark (39.1%), Germany (28.6%), France (35.2%) and Netherlands (37.2%), among many others.

### I. Employment

Chart 5 shows the number of people employed in FS within each region of the UK.

**Chart 5: Employment in financial services (thousands), by UK region, 2018**



Source: fDi Intelligence based on ONS UK Business Register and Employment survey and Northern Ireland Statistics and Research Agency

London had the largest proportion of its workforce involved in FS (7.5%). Scotland and the South East both had 3.5% of their respective workforces employed in financial services.

For many other UK regions, the concentration of financial service employees was around 2-3%.

**Table 11: Employment in financial services as a proportion of total employment, by UK region, 2018**

Region	FS employment (persons, thousands)	Total employment (persons, thousands)	Proportion of total employment in FS (%)
London	406	5,919	6.9%
South East	122	4,901	2.8%
North West	102	3,728	3.0%
Scotland	90	2,755	3.5%
South West	90	2,933	3.5%
Yorkshire and The Humber	72	2,743	2.9%
East of England	68	3,171	2.4%
West Midlands	66	3,051	2.3%
East Midlands	37	2,386	1.5%
Wales	29	1,537	2.3%
North East	25	1,174	2.0%
Northern Ireland	20	892	2.5%
<b>Total (UK)</b>	<b>1,127</b>	<b>35,190</b>	<b>3.5%</b>

Source: fDi Intelligence based on Office for National Statistics Workforce Jobs, as at June 2018

## Financial service labour productivity

Although the FS sector is one of the smaller UK industry sectors in terms of employment, it is highly productive. Table 12 shows labour productivity (defined as GVA per person employed) for the FS sector by UK region. While London has the highest labour productivity for FS, with GVA per person totalling £157,907, six regions had a GVA per person employed valued between £80,000 and £90,000.

To put this in context, the FS sector is the third most labour productive sector (behind real estate and mining, quarrying & utilities). By region, FS is the second most labour productive sector in London; the third most productive sector in Yorkshire and The Humber, East Midlands, East of England, Scotland and Wales; the fourth most productive sector in the North East, West Midlands, South East, South West and Northern Ireland; while it is the fifth most labour productive sector in the North West, illustrating that FS leads productivity across UK regions.

**Table 12: GVA per person employed in financial services, by UK region, 2016**

Region	GVA per person employed (£)
London	157,907
Scotland	89,477
South East	87,619
Yorkshire and The Humber	84,765
East	84,313
West Midlands	83,119
North East	80,545
Northern Ireland	76,466
South West	76,200
North West	76,175
East Midlands	75,194
Wales	70,893
<b>Total (UK)</b>	<b>109,204</b>

Source: fDi Intelligence based on Office for National Statistics Gross Value Added (Income Approach) by SIC07 industry at current basic prices, Office for National Statistics UK business register and employment survey, and Northern Ireland Statistics and Research Agency

## II. Education

A skilled workforce is a particularly important driver of financial service investments into the UK and London. The UK has highly skilled talent related to financial services. In 2016/17, there were almost 350,000 students studying finance-related subjects at UK universities, with 15% percent of all students studying a finance-related degree.

Each region of the UK had a substantial number of finance-related students – London had the highest number (59,740), followed by the South East (50,290) and West Midlands (35,555). In proportional terms, 17.9% of all university students in the West Midlands were studying finance subjects – the highest proportion of any UK region. The East Midlands (17%), East of England (16.7%) and London (16.3%) were home to the next highest concentration of finance students.

**Table 13: Number of students, by UK region, 2016/17**

Region	FS employment (persons, thousands)	Total employment (persons, thousands)	Proportion of total employment in FS (%)
East Midlands	165,785	28,240	17.0%
East of England	124,530	20,765	16.7%
London	367,250	59,740	16.3%
North East	101,615	15,985	15.7%
North West	233,760	31,915	13.7%
South East	344,790	50,290	14.6%
South West	163,595	24,290	14.8%
West Midlands	198,300	35,555	17.9%
Yorkshire and The Humber	192,375	24,865	12.9%
Northern Ireland	54,565	6,965	12.8%
Scotland	241,930	33,455	13.8%
Wales	129,390	17,085	13.2%
<b>TOTAL</b>	<b>2,317,885</b>	<b>349,150</b>	<b>15.1%</b>

Source: fDi Intelligence based on Higher Education Statistics Agency (HESA)

This demonstrates a skilled pool of graduates who are likely to seek jobs in finance-related industries. By investing locally, companies can access pools of skills and knowledge for their workforce, which will bring new ideas and a high understanding of technologies.

Table 14 looks at different types of finance-related degrees by UK region, showing distinctive concentrations with specific areas. In the South East, 17% of the region's finance-related students are studying mathematical sciences – the highest proportion of any UK region. The

South West has the most concentrated finance-related student population studying economics (19%). Almost half (49%) of all finance students in the North East study business studies; while almost one-third of finance students in the East of England study management studies. London has the largest proportion of finance-related students studying single honours finance (14%); and 16% of Welsh finance students study accounting – the largest proportion of any UK region.

**Table 14: Proportion of regional finance-related students, by finance sub category, 2016/17**

Regions	Mathematical sciences	Economics	Business studies	Management studies	Finance	Accounting
East of England	8.67%	14.23%	27.09%	<b>30.72%</b>	8.96%	10.33%
West Midlands	10.86%	11.00%	34.64%	22.77%	9.66%	11.08%
South West	15.23%	<b>19.10%</b>	25.30%	21.39%	9.92%	9.06%
Greater London	11.74%	14.66%	32.21%	19.99%	<b>14.13%</b>	7.28%
East Midlands	10.76%	13.47%	29.57%	25.73%	9.97%	10.50%
North West	14.13%	9.73%	34.72%	18.17%	9.01%	14.24%
Yorkshire and The Humber	12.47%	13.51%	26.32%	28.98%	8.10%	10.62%
South East	<b>17.15%</b>	11.80%	20.80%	27.15%	8.88%	14.22%
North East	10.70%	7.98%	<b>49.01%</b>	10.95%	6.79%	14.58%
Northern Ireland	8.18%	7.47%	35.32%	22.54%	13.78%	12.71%
Scotland	12.94%	10.88%	35.18%	15.20%	10.73%	15.07%
Wales	9.54%	9.25%	32.89%	20.28%	11.94%	<b>16.10%</b>

Source: fDi Intelligence based on Higher Education Statistics Agency (HESA)

London has 24 universities offering a diverse range of finance-related courses including both undergraduate and postgraduate courses in finance, economics, statistics, management and accounting. The City, University of London has the highest number of finance-related students, followed by London School of Economics and University of Westminster. In total, the UK has 170 universities, of which 137 have finance-related courses.

### Top accounting and finance universities

The UK has 27 universities rated in the top 200 accounting and finance universities, as ranked by QS World University Rankings – only the United States had more (52). Eleven of the twelve UK regions have at least one university listed.

London has five universities listed in the top 200 accounting and finance universities – the joint-most of any city globally, illustrating London's global position as a financial service hub. These five universities are ensuring a world-leading class of talent is available for foreign investors who establish operations in London.

The London School of Economics and Political Science (LSE) ranked 5th of all universities, while London Business School and Imperial College London ranked 14th and 39th respectively. City, University of London and University College London were both ranked within the top 100

universities. The University of Oxford was the highest rated UK university, placing fourth, while the University of Cambridge ranked ninth. Scotland, has four universities listed, while the South East, South West and West Midlands each have 3 universities in the top 200 ranking.

**Table 15: Number of top 200 accounting and finance universities, by UK region, 2018**

Region	Number of top 200 accounting and finance universities
London	5
Scotland	4
South East	3
South West	3
West Midlands	3
East Midlands	2
North West	2
Yorkshire and The Humber	2
East of England	1
North East	1
Wales	1

Source: fDi Intelligence based on QS World University Rankings

This demonstrates a globally recognised high level of education being provided by UK universities, and when combined with the large number of finance-related students, the UK offers a compelling potential workforce to investors.

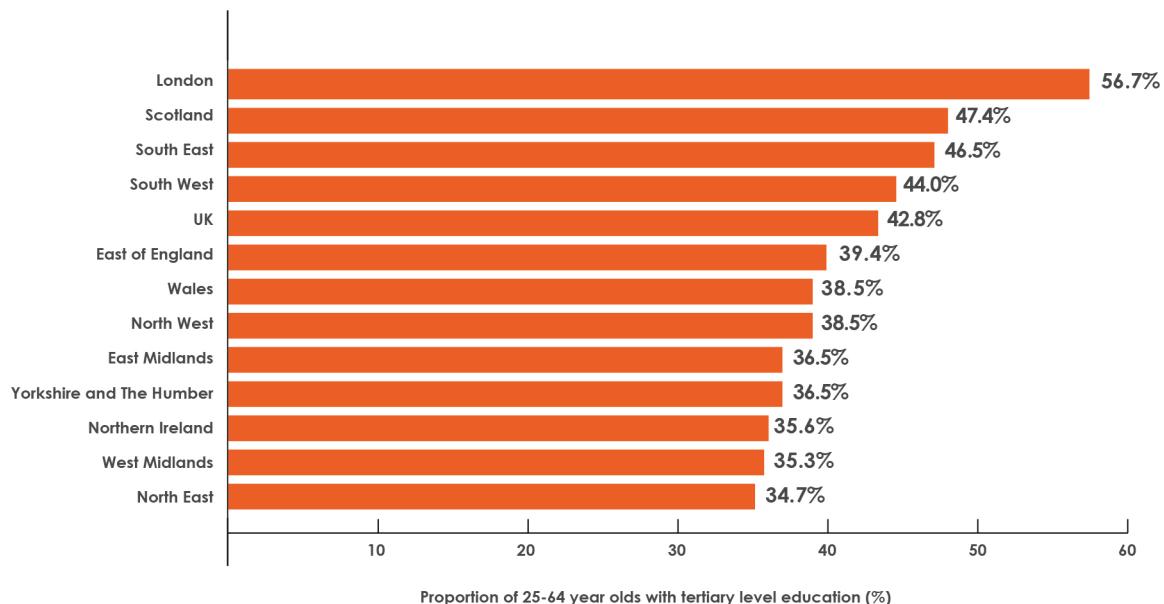
### Tertiary education

London is home to a highly-educated workforce. Almost 57% of persons aged 25-64 are educated to tertiary level<sup>16</sup>. This is the highest proportion of any UK location. In Inner London – West the rate is even higher, with almost three-

quarters (71.7%) of the population aged 25-64 educated to tertiary level. The national average sits at 42.8%. Scotland (47.4%), the South East (46.5%) and South West (44%) have proportions higher than the national average. In the North East, over one-third of its population aged 25-64 has tertiary level education. All other regions of the UK have a proportion between 35% and 40%.

To illustrate the high level of skilled personnel available to investors, the UK has a higher proportion of population aged 25-64 with tertiary level education compared to Denmark (39.1%), Germany (28.6%), France (35.2%) and Netherlands (37.2%) among many others. Investors into the UK can tap into this pool of highly talented people.

Chart 6: Proportion of 25-64 year olds with tertiary education (%), by UK region, 2017



Source: Eurostat Population aged 25-64 by educational attainment level

## C. Trade competitiveness and connectivity

- Financial and insurance services form a key part of UK trade, and as the largest individual sector, they make up 30% of total UK services exports.
- Looking at service exports by region, finance exports from London make up more than half of the UK's total FS exports.
- In insurance, the South East is the leading region, accounting for almost a quarter (23%) of total UK insurance exports.
- London is the most globally connected city in the world, providing direct access to 335 international destinations. London is connected to all global financial service centres, while other regions such as the North West and South East are also highly connected.

### I. Regional trade

In 2016 (latest regional data available), the UK exported services worth £251 billion. FS exports were the largest subsector of UK service exports, accounting for 22% of the total, or almost £56 billion. Insurance and pension service exports totalled just under £19 billion (7% of total service exports) – the seventh largest service subsector<sup>17</sup>. Combined, financial and insurance services made up 30% of exports.

Table 16 shows financial and insurance services exports by region.

16. The data for tertiary level education is provided at the higher NUTS 2 level. For a full list of the exact data locations see the NUTS 2 data mapping section of the Appendix.

17. Service export subsectors are Primary and utilities (agriculture, mining, utilities); Manufacturing; Transport; Travel; Construction; Wholesale and motor trades; Retail (excluding motor trades); Information and communication; Real estate.

**Table 16: Service exports, by UK region, 2016**

Region	Financial services exports (£ million)	Regional financial exports as a % of UK financial exports	Insurance and pension services exports (£ million)	Regional insurance and pension services exports as a % of UK insurance and pension services exports
North East	994	2	291	2
North West	3,303	6	1,710	9
Yorkshire and The Humber	2,546	5	587	3
East Midlands	1,364	2	159	1
West Midlands	2,433	4	1,474	8
East of England	1,576	3	1,367	7
London	32,713	59	4,024	22
South East	3,416	6	4,294	23
South West	2,209	4	1,384	7
Wales	1,012	2	1,445	8
Scotland	3,985	7	1,957	10
<b>Total</b>	<b>55,551</b>	<b>100</b>	<b>18,692</b>	<b>100</b>

Source: fDi Intelligence based on Office for National Statistics Service Exports by UK region, 2016

London exported the largest volume of financial services (£32 billion), accounting for more than half (59%) of UK financial exports. The South East was the leading UK region in terms of insurance and pension services exports, accounting for over £2 billion or almost one-quarter (23%) of the UK total.

Insurance and pension services exports are widely spread throughout the UK, with the South East and London accounting for around 45%, while Scotland, the North West and Wales were significant contributors (10%, 9% and 8% of the UK total respectively).

This data shows the UK's comparative advantage in financial services exports, as the largest component of UK services exports. As exports are a measure of global competitiveness in particular industries or services, the spread of financial and insurance exports throughout the UK shows the continued development of strengths in these sectors, particularly in insurance and pension services.

## II. Connectivity

### Air connectivity

Table 17 shows the number of direct international destinations served by airports within each UK region. London is the most globally connected city in the world, providing direct access (i.e. does not require any connections) to 335 international destinations. Other regions, such as East of England and the South East, avail of some London-based airports given their close proximity, providing access to a large number of international destinations.

As the UK is a relatively small country (in terms of geography), most airports are easily accessible. There are many domestic flights to regional airports and even the drive time to London makes it relatively easy to access the most-connected air hub in the world.

This provides investors with easily accessible options to get to/from their UK base to other global cities. London is connected (directly) to all global financial service centres, while other regions such as the North West and South East are also highly connected.

**Table 17: Air connectivity – number of direct international destination served, UK regions, 2018**

Location	Drive time to London	Number of direct international destinations served*	New York							
			Dublin	Frankfurt	Hong Kong	Luxembourg	City	Paris	Singapore	Tokyo
East Midlands	3hrs	32	✓	✗	✗	✗	✗	✗	✗	✗
East of England	2.5hrs	166	✓	✓	✗	✓	✗	✓	✓	✗
London	-	335	✓	✓	✓	✓	✓	✓	✓	✓
North East	5hrs	27	✓	✗	✗	✗	✗	✓	✗	✗
North West	4hrs	126	✓	✓	✓	✓	✓	✓	✓	✗
Northern Ireland	n/a	23	✗	✗	✗	✗	✓	✓	✗	✗
Scotland	8hrs	83	✓	✓	✗	✗	✓	✓	✗	✗
South East	2hrs	156	✓	✗	✓	✓	✓	✓	✓	✗
South West	2.75hrs	60	✓	✓	✗	✗	✗	✓	✗	✗
Wales	4.5hrs	15	✓	✗	✗	✗	✗	✓	✗	✗
West Midlands	2.5hrs	70	✓	✓	✗	✗	✗	✓	✗	✗
Yorkshire and The Humber	4hrs	39	✓	✓	✗	✗	✗	✓	✗	✗

Source: fDi Intelligence based on OAG Flight Guide February 2018

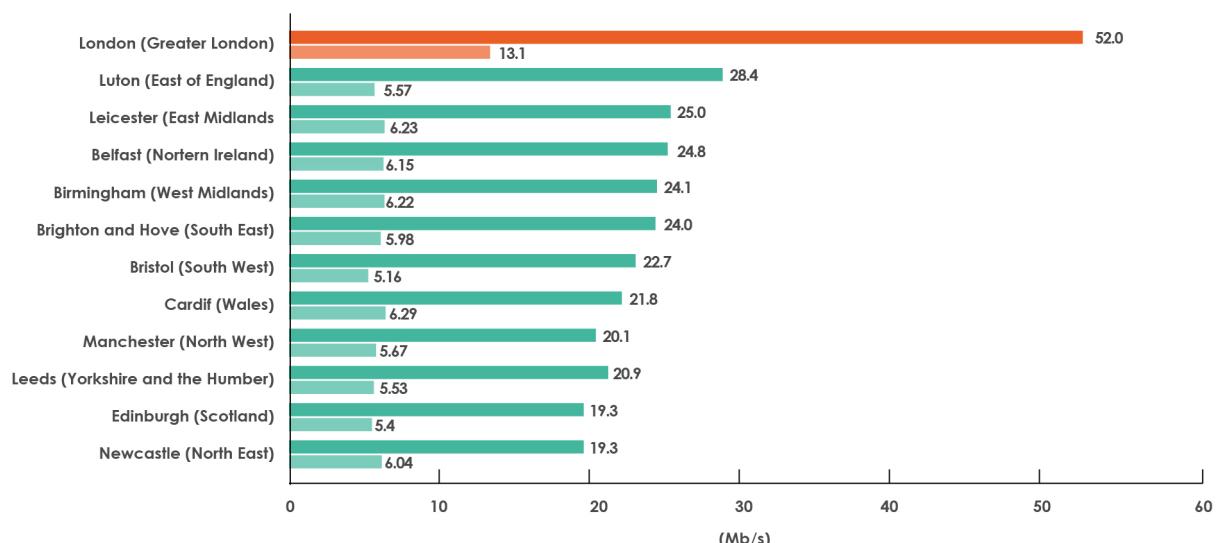
\*Airport must be located within 50 miles of the location

### Internet speeds

The chart below shows the median upload and download speeds in UK cities. The largest FDI-attracting city within each region has been used as a proxy. In the UK, the median download speed was 17.83 Mb/s, while the median upload speed was 5.5 Mb/s. London has a particularly fast download speed – three times as fast as the UK median (52 Mb/s). The UK capital city has a median upload speed of 13.1 Mb/s – more than double the UK median. Many UK cities have download speeds ranging between 20-25 Mb/s.

Good connectivity and speed is essential for investors. The UK offers a highly reliable and fast service to online activities. There are a range of internet service providers, with cost being competitive amongst its European counterparts. As with most countries, urban speeds in the UK are likely to be higher than speeds in more rural areas.

**Chart 7: Median upload and download speeds (Mb/s), by UK region, 2018**



Source: Broadband Speed Checker

## 4. Comparing global financial centres

This section compares global financial centres (cities which have been the most successful in terms of attracting FS FDI between 2013-2017) across measures of their competitiveness as hubs for international trade and investment, and performance against the key motivations for international investment.

### A. London's leading role in global trade and investment

- London plays a key role in drawing global investment into the UK, attracting more FS FDI projects over 2013 to 2017 than any other global centre (defined here as Dublin, Frankfurt, Paris, Luxembourg, New York, Hong Kong, Singapore and Tokyo).
- London attracted the highest value of capital investment and highest number of jobs after Singapore, the world leader on those measures.
- The success of London in attracting this investment reflects its core strengths as a financial centre – London is the global leader in financial services trade, and is home to the largest number of FS companies, the highest number of Top 50 FinTechs, and the largest foreign exchange market globally.

As the UK and the world's hub for financial services, London plays a key role in drawing international investment into the UK. Comparing London with eight other global centres; Dublin, Frankfurt, Paris, Luxembourg, New York, Hong Kong, Singapore and Tokyo, London received the most FS FDI (by number of projects) in 2017 and between 2013-2017, emphasising its position as the number one location for FS FDI.

Between 2013 and 2017, London attracted 248 projects, over one-quarter (28%) of the total number of financial service projects received by the nine global financial centres. Both 2014 and 2017 were peak years for London, with 55 investments in each year. In 2017, London received 55 inbound projects, double the number of projects of Dublin (26), Paris (26), Frankfurt (24) and New York City (20); over triple the number of Hong Kong (18) and Luxembourg (14); and five-times the number of Tokyo (11).

Between 2013 and 2017, FS FDI into London created 8,239 jobs, an average of over 1,635 a year. In 2017, London continued to attract over 1,800 jobs from FS FDI projects, suggesting that Brexit-related uncertainty is so far not impacting on foreign investors' appetite for investment in the capital.

Comparing global financial centres across individual measures, London's success in attracting FS FDI is a result of its cluster of specialised and globally competitive services. London has the world's largest surplus in financial services trade, and the largest FS cluster in the world with 64,000 FS companies. London is also at the forefront of the development of new industries - 16 of the top 50 FinTech companies have a presence in London, more than any other global financial centres, and nine of the top 1,000 world banks are headquartered in the city. It is the base for one-third of all UK holding & investment offices as well as the same proportion of UK insurance companies. Given the importance of the presence of an FS cluster for investors, London is well-positioned to continue to attract FS FDI.

#### Lohmus Haavel & Viisemann (LHV Pank): London as a Fintech cluster

In February 2018, Estonia-based investment banking group – Lohmus Haavel & Viisemann (LHV Pank) – established a new branch in London to develop the bank's financial service providers' business line. According to the company's CEO, "London has become one of the most important financial centres in which financial technology companies from both Europe and the rest of the world are represented. We already have a number of substantial and well-known international payment intermediaries as our clients and more will accrue in the future. We can also provide our payment services to banks, credit intermediaries and other companies..."

The summary tables outline the performance of centres across key measures important to investors, including: access to customers and markets; domestic growth

potential; business climate; and FS industry cluster. These measures are then examined in more detail in the rest of the section.

## I. Summary tables

Location \ data point	Proximity to customers and markets			Domestic market growth potential		
	Number of direct international destinations served	Net exports of financial services, £ billion 2017	FS FDI projects 2013-2017	FS FDI capital investment, £ billion 2013-2017	FS FDI job creation 2013-2017	Availability of financial services, 1-7 2017/18
London (UK)	335 (1st)	68	248 (1st)	4.23 (2nd)	8,239 (2nd)	5.3 (5th)
Dublin (Ireland)	108	7	61	1.14	4,892	4.3
Frankfurt (Germany)	251	12	62	0.45	848	5.3
Hong Kong	155	11	127	3.37	4,691	5.7
Luxembourg	39	15	26	0.46	850	5.7
New York City (United States)	133	36	91	0.71	3,478	5.9
Paris (France)	269	1	65	1.00	1,465	4.7
Singapore	158	14	170	4.73	10,611	5.8
Tokyo (Japan)	108	-	45	1.26	1,664	5.2
Level	City	Country	City	City	City	Country

Source: fDi Intelligence, OAG Flight Guide, UNCTADSTAT, fDi Markets, WEF: Global Competitiveness report

Location \ data point	Favourable business climate						
	Regulatory quality, -2.5 to +2.5 2016	Hiring and firing practices, 1-7 2017	Days required to register a firm 2017	Cost of establishing a business, £ 2017	Labour costs - general accounts clerk, £ annual 2017	Labour costs - financial analyst, £ annual 2017	Labour costs - senior financial accountant, £ annual 2017
				2017	2017	2017	2017
				2017	2017	2017	2017
Dublin (Ireland)	1.74	4.1	5	75	25,210	44,965	74,475
Frankfurt (Germany)	1.82	4.6	10.5	593	31,085	61,185	92,966
Hong Kong	2.15	5.8	1.5	340	12,949	30,588	69,254
London (UK)	1.76 (4th)	5.1 (4th)	4.5 (4th)	0 (1st)	22,923 (3rd)	49,573 (5th)	84,444 (4th)
Luxembourg	1.72	3.7	16.5	931	31,066	57,975	88,843
New York City (United States)	1.5	5.4	5.6	441	33,158	71,846	115,503
Paris (France)	1.07	2.4	3.5	195	29,222	62,222	98,070
Singapore	2.18	5.6	2.5	185	14,001	40,907	86,450
Tokyo (Japan)	1.43	3.2	12.2	2036	22,950	43,373	83,157
Level	Country	Country	Country	Country	City	City	City

Source: fDi Intelligence, World Governance Indicators database, World Bank: ease of doing business, fDi Benchmark

Location \ data point	FS industry clustering						
	Number of FS companies 2018	Daily foreign exchange turnover, £ billion Apr-2016	Number of top 50 fintech companies 2017	Number of Top 1000 World Banks 2017	Tier 1 bank capital, £ billion 2017	Bank assets, £ billion 2017	Capital-to-assets ratio, % 2017
Dublin (Ireland)	17,071	2	4	3	17	173	8.5
Frankfurt (Germany)	6,881	89	0	7	95	2,387	4
Hong Kong	23,441	336	2	5	15	162	9.4
London (UK)	59,979 (1st)	1,853 (1st)	16 (1st)	9 (3rd)	233 (3rd)	4,312 (4th)	5.4 (5th)
Luxembourg	40,351	28	0	2	3	54	5.3
New York City (United States)	33,742	979	10	11	447	5,005	8.9
Paris (France)	35,772	139	4	5	197	4,620	4.3
Singapore	27,987	398	4	3	52	654	8.1
Tokyo (Japan)	32,332	307	3	15	340	6,930	4.9
Level	City	Country	City	City	City	City	City

Source: fDi Intelligence, Dun & Bradstreet Global Reference Solution, Bank for International Settlements, KPMG & H2 Ventures, The Banker

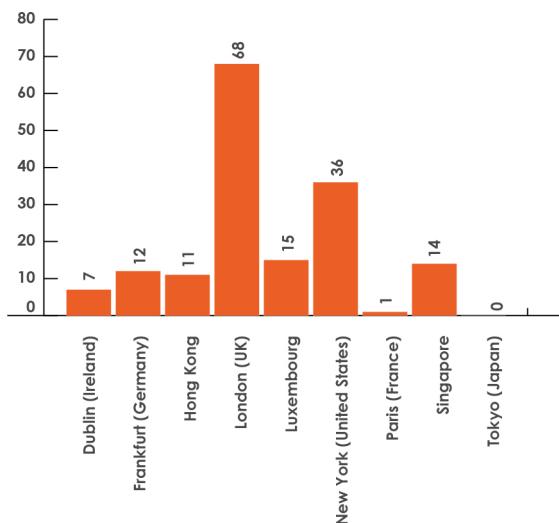
## II. Proximity to markets /customers

### Financial service exports

The UK is the world's leading financial services centre. It had a trade surplus of £68 billion in 2017 – almost double that of the U.S., which is the second largest net-exporter of financial services at £36 billion, and more than the surpluses of the U.S., Luxembourg, and Singapore combined.

Investors can tap into the UK market and trade domestically as well as using the UK as a base from which to export their financial services to an array of potential customers.

Chart 8: Net exports of financial and insurance services, £ billion, 2017



Source: fDi Intelligence based on UNCTADSTAT Trade structure by partner, product or service-category

## Connectivity

The table below shows how well-connected London is to the world. London offers direct access to/from 335 international destinations – the most of any competitor location. In addition, of the nine competitor locations, only London, Frankfurt and New York City offer direct flights to/from all the other competitor cities.

London also sits on a favourable time zone, being only five hours ahead of New York City, seven hours behind Hong Kong/Singapore, and eight hours behind Tokyo.

This demonstrates London's accessibility to regional and global markets.

**Table 18: Air connectivity – number of direct international destination served, competitor locations 2018**

Location	Number of direct International destinations served*	Direct access								
		London	Dublin	Frankfurt	Hong Kong	Luxembourg	New York City	Paris	Singapore	Tokyo
London	335	n/a	✓	✓	✓	✓	✓	✓	✓	✓
Dublin	108	✓	n/a	✓	✗	✓	✓	✓	✗	✗
Frankfurt	251	✓	✓	n/a	✓	✓	✓	✓	✓	✓
Hong Kong	155	✓	✗	✓	n/a	✗	✓	✓	✓	✓
Luxembourg	39	✓	✓	✓	✗	n/a	✗	✓	✗	✗
New York City	133	✓	✓	✓	✓	✗	n/a	✓	✓	✓
Paris	269	✓	✓	✓	✓	✓	✓	n/a	✓	✓
Singapore	158	✓	✗	✓	✓	✗	✓	✓	n/a	✓
Tokyo	108	✓	✗	✓	✓	✗	✓	✓	✓	n/a

Source: fDi Intelligence based on OAG Flight Guide February 2018

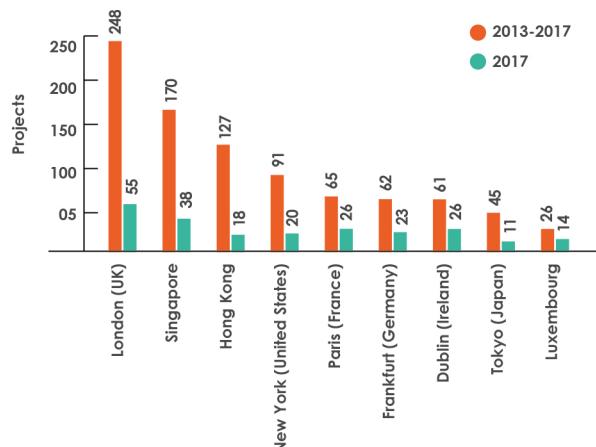
\*from airports. Includes across borders, without a custom check requirement

## III. Inbound fDI

In 2017, London received the highest volume of greenfield financial service FDI projects among the nine global financial centres. The UK capital received 55 inbound projects. Singapore ranked second, with 38 projects. London received more than double the number of projects of Dublin (26), Paris (26), Frankfurt (24) and New York City (20); over triple the number of Hong Kong (18) and Luxembourg (14); and five-times the number of Tokyo (11).

Between 2013 and 2017, London was the leading global financial centre, attracting 248 projects. This was over one-quarter (27.5%) of the total number of financial service projects received by the nine global financial centres. Both 2014 and 2017 were peak years for London, with 55 investments in each year.

**Chart 9: Number of inward financial services FDI projects, global financial centres, 2013-2017**

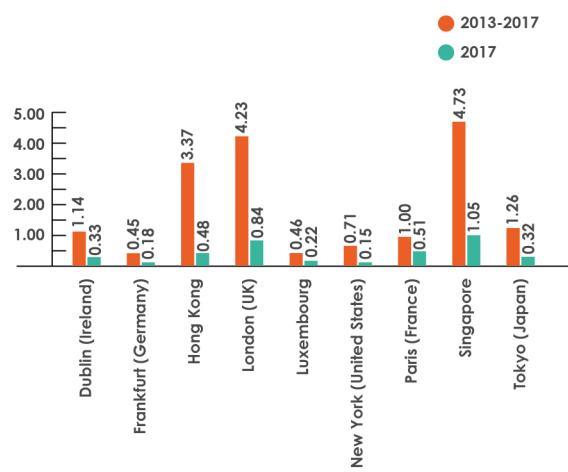


Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))

By capital investment, London was the second largest global financial centre in both 2017 (single year) and 2013-2017 (five-year period). The city received an estimated £839 million in 2017 and over £4.23 billion between 2013 and 2017. London received a significantly larger volume of capital investment than seven of eight competitor global cities.

Singapore was the leading competitor location with £4.73 billion invested into the country between 2013 and 2017, £1.05 billion of which occurred in 2017.

**Chart 10: Capital expenditure on inbound financial service FDI (£ billion), global financial centres, 2013-2017**

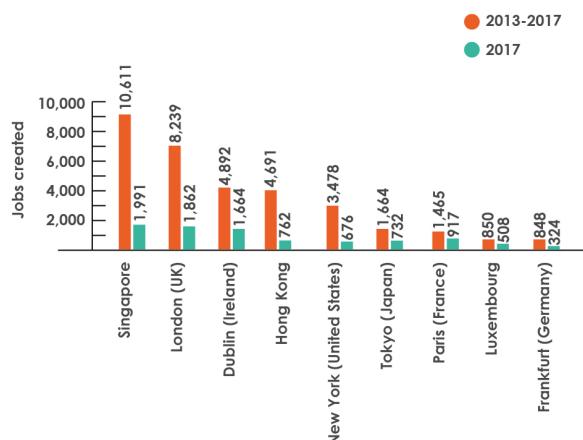


Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))

\*Capital investment data includes estimates

In terms of job creation, London ranked second of the nine global financial centres with an estimated 1,862 jobs created in 2017 and 8,239 between 2013 and 2017. Of the eight competitor locations, only Singapore had a larger number of jobs created from inbound financial service FDI. Financial service investment into London was creating almost double the number of jobs compared to Paris in 2017, even though the French capital's FDI in 2017 accounted for 40% of its total projects between 2013 and 2017. Large investments from Bank of America and European Banking Authority created 300 and 170 jobs respectively. Both of these investments were relocations from the UK due to Brexit. Of the 26 recorded announced investments into Paris in 2017, four directly cited the investment was in response to Brexit.

**Chart 11: Jobs created by inbound financial service FDI, global financial centres, 2013-2017**



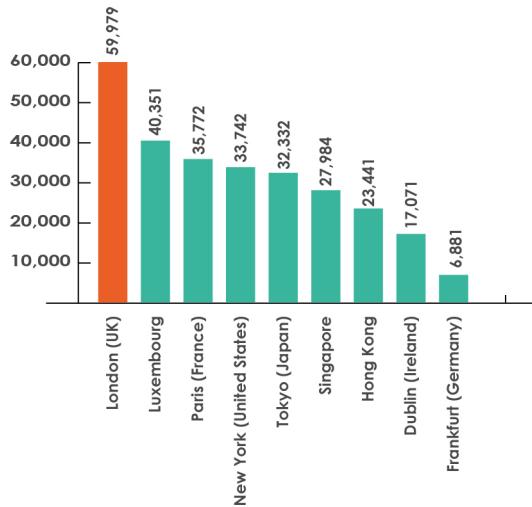
Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))

\*Job creation data includes estimates

#### IV. Clustering

London is home to the largest financial service cluster in the world. The city has the highest number of financial services companies with burgeoning fintech and banking clusters.

**Chart 12: Number of companies in financial services<sup>18</sup>, global financial centres, 2018**

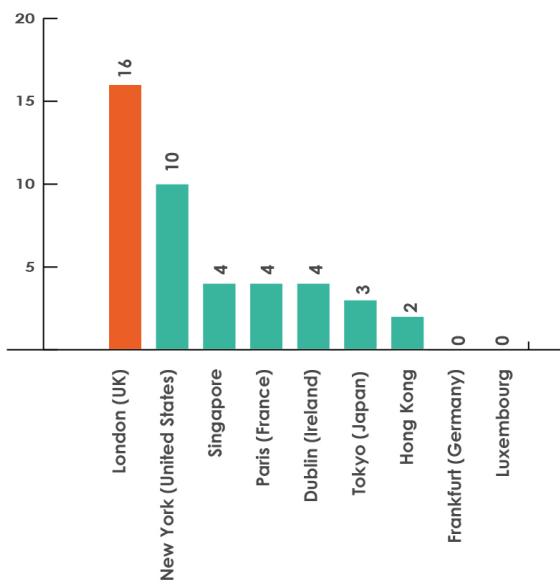


Source: fDi Intelligence from the Financial Times based on Dun & Bradstreet Global Reference Solution

Given industry clustering is a key motive for financial service investors, London offers an unrivalled critical mass. The city has the largest number of financial service companies compared to each of the competitor locations. With almost 60,000 companies, London has almost 1.5 times more than Luxembourg – which ranks second – and over eight-times the number of Frankfurt.

18. Total number of companies classified under SIC codes 60, 61, 62, 63, 64, 67. Primary SIC code only. Date accessed 25/08/18.

**Chart 13: Number of top 50 fintech companies<sup>19</sup>, global financial centres, 2017**



Source: fDi Intelligence from the Financial Times based on KPMG & H2 Ventures

London is home to 16 companies that were ranked in the Top 50 Fintech Companies 2017 by KPMG & H2 Ventures – more than any other city worldwide (San Francisco ranks 2nd with 11). This illustrates London's leading position in both financial services and ICT as well as the synergies between both sectors.

Key companies include Ant Financial and Avant, which ranked number one and five in the list respectively.

CompareEuropeGroup, Funding Circle, and Revolut, (other top fintech companies), are headquartered in London.

## Banking

London is home to a significant cluster of top tier banks. Nine banks listed in The Banker's Top 1000 World Banks 2017 ranking<sup>20</sup> are headquartered in London – Barclays, Close Brothers Group, HSBC Holdings, Investec Bank UK, Lloyds Banking Group, Metro Bank, Sainsbury's Bank, Schroders, and Standard Chartered.

Compared to competitor global financial centres, only Tokyo (15) and New York City (11) have more headquartered banks than London in the ranking. Additionally, over 85% of the top 100 banks listed<sup>21</sup> have a presence in London.

Of the nine global finance centres analysed, London was the only location to have more banks added to the ranking between 2015 and 2017. In 2015, there were seven banks headquartered in London in the listing, however in 2016 this increased to nine, with the additions of Metro Bank and Sainsbury's Bank.

London's nine banks<sup>22</sup> headquartered in the capital accounted for £233 billion of tier 1 bank capital in 2017 – a value greater than other European competitors such as Paris (£197 billion) and almost 2.5- times that of Frankfurt (£95 billion). London ranked fourth globally in terms of tier 1 capital held by banks headquartered in the location, behind only Shanghai, New York City and Tokyo.

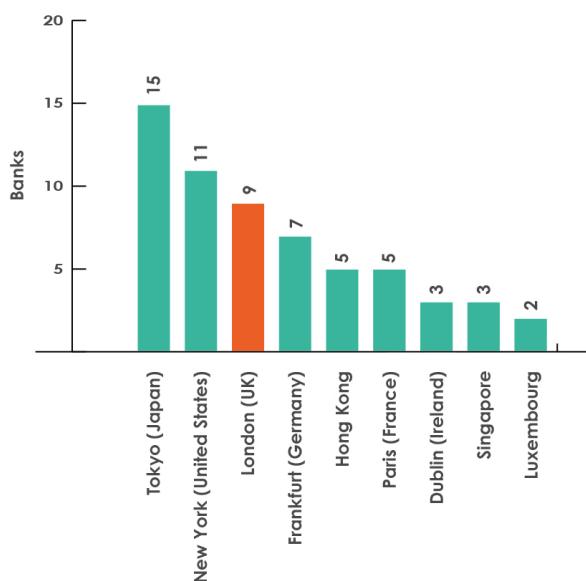
Bank assets contained in London<sup>23</sup> were valued at over £4.3 trillion – higher than Frankfurt (£2.4 trillion), Singapore (£654 billion), Dublin (£173 billion), Hong Kong (£162 billion) and Luxembourg (£54 billion).

London banks had a combined capital-to-assets ratio of 5.4%, higher than Luxembourg (5.3%), Tokyo (4.9%), Paris (4.3%) and Frankfurt (4.0%).

### Mirabaud: London's position as an influential financial centre

Switzerland-based financial services firm Mirabaud opened a new branch in London, UK in March 2017. The new branch is located in London's Victoria, in Mirabaud's new offices which also house the group's other two lines of business, asset management as well as brokerage and corporate finance, is to strengthen the firm's wealth management offering. *"The opening of the new branch is a natural extension of our presence within the UK market and reflects the continued prominence of London as a highly influential financial centre."*

**Chart 14: Number of top 1000 world banks, global financial centres, 2017**



Source: The Banker ([www.thebanker.com](http://www.thebanker.com))

19. Number of companies with a presence in the location (not necessarily headquartered).

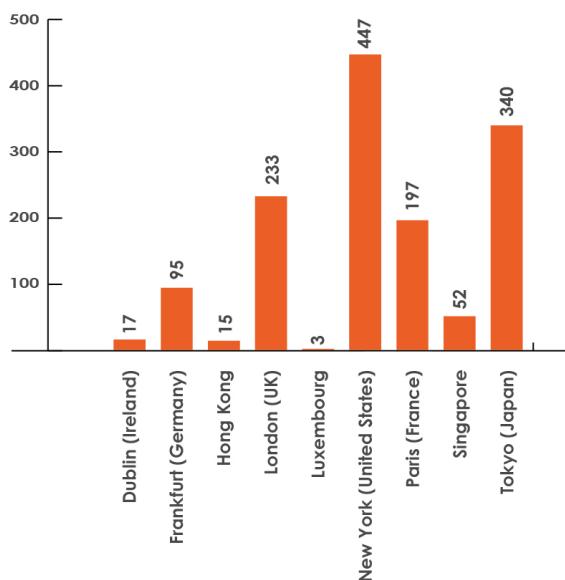
20. To be included in the 2017 edition of the Top 1000, banks must hold at least \$442.12m in Tier 1 capital

21. Analysing how many of the top 100 (of the top 1000) ranked by tier 1 capital have a presence in London

22. Note tier 1 bank capital totals includes only those banks ranked on The Banker's publication, Top 1000 World Banks 2017

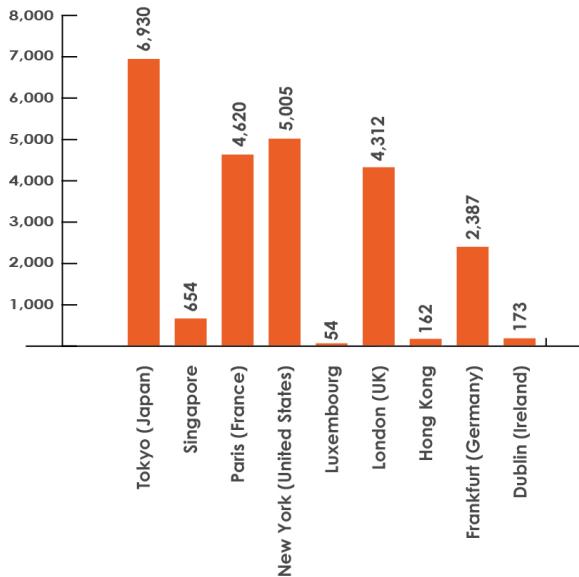
23. The Banker (Top 1,000 World Banks)

**Chart 15: Tier 1 bank capital (£bn), selected global financial centres, 2017**



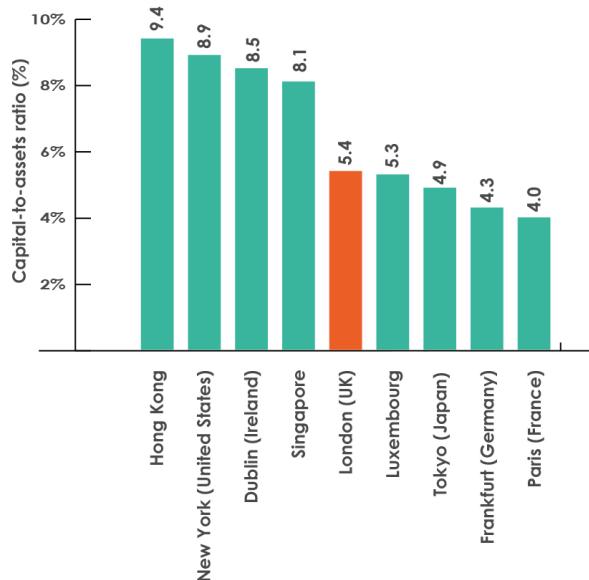
Source: fDi Intelligence from the Financial Times based on The Banker ([www.thebanker.com](http://www.thebanker.com))

**Chart 16: Bank assets (£bn), selected global financial centres, 2017**



Source: fDi Intelligence from the Financial Times based on The Banker ([www.thebanker.com](http://www.thebanker.com))

**Chart 17: Capital-to-assets ratio (%), selected global financial centres, 2017**



Source: fDi Intelligence from the Financial Times based on The Banker ([www.thebanker.com](http://www.thebanker.com))

### Transfast Remittance: London as the financial hub for Europe

In September 2016, US-based money transfer company Transfast Remittance relocated and expanded its office in London. It is part of the company's growth plan to strengthen its position in the European financial services sector. "We see London as being the hub of the European financial services sector, and having an expanded presence on the ground there is a priority" said the company's Chief Operating Officer.

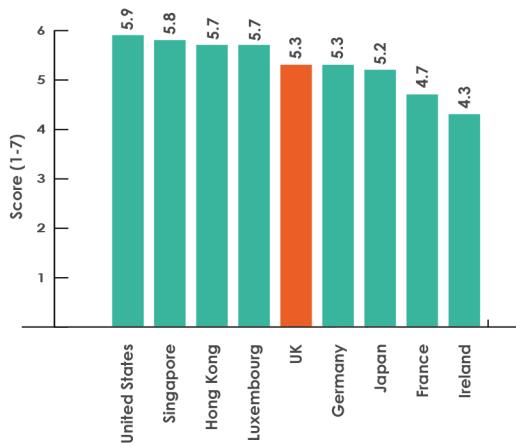
## V. Availability of financial services

The World Economic Forum's ('WEF') Global Competitiveness Report 2017–2018 measure the competitiveness of global countries across a range of economic factors. One of these factors is the availability of financial services. The index measures the extent to which the financial sector provides a wide range of financial products and services to businesses. Results are received from the WEF's Executive Opinion Survey and scaled (1 = not at all, and 7 = provides a wide variety) to provide an overview for each economy. The UK has a score of 5.3 (out of 7), equal to Germany, and higher than Japan, France and Ireland. However, United States (5.9), Singapore (5.8), Hong Kong (5.7) and Luxembourg (5.7) are deemed to have a higher availability of financial services compared to the UK.

Globally, the UK ranks fifteenth – deemed to provide a wide variety of financial products and services to aid businesses.

The highest country score was Switzerland (6.0), while the lowest score was Lesotho (1.9).

**Chart 18: Availability of financial services (score 1-7), selected global financial centres, 2016-17 weighted average**



Source: Global Competitiveness Report, World Economic Forum, Switzerland, 2017-18

\* Measures the extent to which the financial sector provides a wide range of financial products and services to businesses (where 1 = not at all and 7 = provides a wide variety).

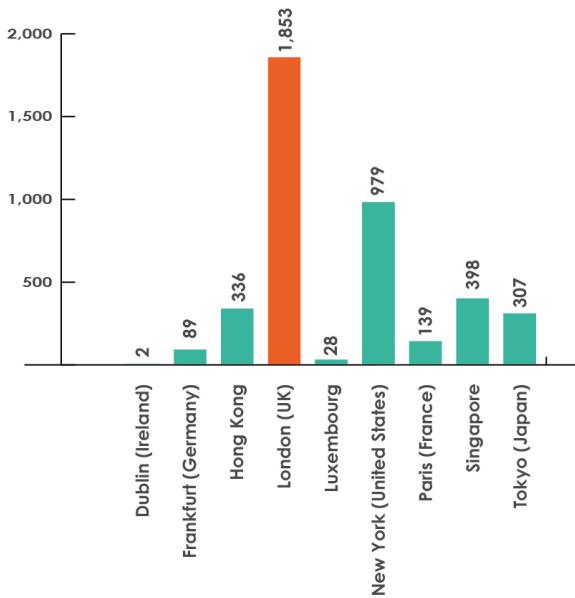
## VI. Daily foreign exchange turnover

The UK is the world's hub for foreign exchange trading – complementing its role as a hub for global trade and investment. The UK had a daily average foreign exchange turnover valued at £1.85 trillion in October 2017 – equivalent to the volume traded in the U.S, Singapore and Hong Kong combined.

A high proportion of EU financial market activity is concentrated in London and other cities in the UK, especially in wholesale markets such as foreign exchange (more than twice as many euros are traded in the UK than in the Eurozone) and OTC derivatives trading. In addition, nearly twice as many US dollars are traded in the UK than in the United States<sup>24</sup>. In 2017, the British Pound was the world's fourth most traded currency (on a net-basis), behind only the US Dollar, Euro and Japanese Yen<sup>25</sup>.

London and the UK are therefore highly important financial service clusters – which is a key driver behind company investment in financial service operations.

**Chart 19: Daily foreign exchange turnover (£ bn), October 2017**



Source: fDi Intelligence from the Financial Times based on Bank of England - FXJSC Turnover Survey data

24. TheCityUK (2017), London as an international financial centre

25. Bank for International Settlements (2017), Triennial survey of foreign exchange turnover

## VII. Regulatory environment

### Regulatory quality

The UK ranks eleventh globally for its regulatory quality, scoring 1.76 (on a scale of -2.5 to +2.5 where higher values correspond to better governance). The index is compiled by the World Bank within its World Governance Indicators database. Of the 209 countries, 96 had a score greater than zero, with 113 countries scoring between -2.5 and 0. Singapore ranked first of all locations with a score of 2.18.

Compared to global financial centre competitors, the UK ranked fourth behind Singapore, Hong Kong and Germany; and ahead of Ireland, Luxembourg, United States, Japan and France.

### Hiring and firing practices

According to the World Economic Forum's Global Competitiveness Report 2017-2018, the UK ranked as the eighth best location globally for its flexibility in hiring and firing workers. Scores were based on the organisation's Executive Opinion Survey and scaled 1 to 7 (where 1 = heavily impeded by regulations; 7 = extremely flexible). The UK is deemed to have a very flexible practice of hiring and firing workers, scoring 5.1 in the index. Compared to competitor global financial centres, only Hong Kong (which was the highest ranked country globally), Singapore and the United States scored higher; while Germany (4.6), Ireland (4.1), Luxembourg (3.7), Japan (3.2) and France (2.4) all scored lower.

### Number of days required to register a firm

It is relatively quick to register a business in the UK, taking an estimated 4.5 days on average. The World Bank's Doing Business measures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with government agencies and no extra payments. The UK ranks joint-eighteenth globally (out of 212 countries) – well below the average number of days of all countries (20). In New Zealand it takes only 0.5 days to register a firm – the lowest of any country.

Compared to global financial centres, it takes the shorter number of days to register a business in Hong Kong (1.5), followed by Singapore (2.5) and France (3.5). In five countries (Ireland, United States, Germany, Japan and Luxembourg) it takes a longer time to register a business than it does in the UK.

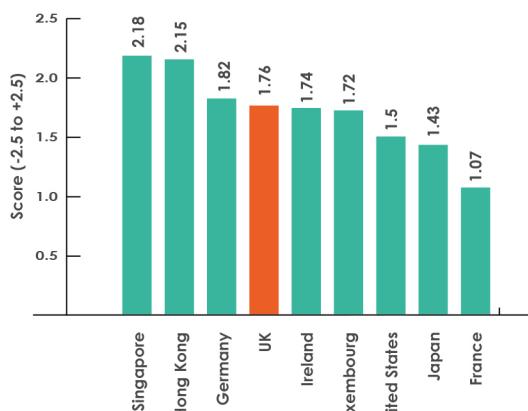
### Cost of establishing a business

The UK is the most cost-effective location to start a business globally, according to the World Bank's Doing Business report cost of establishing a business indicator<sup>26</sup>. The original data is provided as a proportion of the country's income per capita. For fair comparison, the author has converted to a nominal £ value. In the UK it costs £12 to file with Companies House while there is no charge for registering for VAT AND PAYE with HMRC and no charge for signing up for employer's liability insurance. The UK's value of £12 is significantly cheaper than all global competitor locations. This is important as there is a significant relationship between the cost of starting a business (as a percentage of gross national income, or GNI) and business density. For every 10-percentage point decrease in entry costs, density increases by about one percentage point<sup>27</sup>.

26. Cost is recorded as a percentage of the economy's income per capita. It includes all official fees and fees for legal or professional services if such services are required by law or commonly used in practice. Fees for purchasing and legalizing company books are included if these transactions are required by law. Although value added tax registration can be counted as a separate procedure, value added tax is not part of the incorporation cost. The company law, the commercial code and specific regulations and fee schedules are used as sources for calculating costs. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, estimates by incorporation experts are used. If several incorporation experts provide different estimates, the median reported value is applied. In all cases the cost excludes bribes.

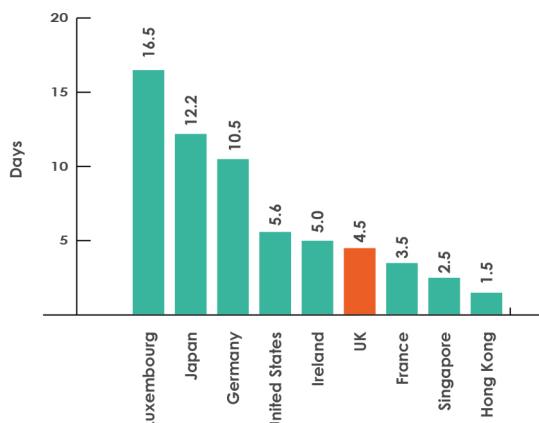
27. Klapper, Leora, Raphael Amit and Mauro Guillen. 2010. "Entrepreneurship and Firm Formation across Countries." In International Differences in Entrepreneurship, ed. Joshua Lerner and Antoinette Schoar. Chicago: University of Chicago Press.

**Chart 20: Regulatory Quality (score -2.5 to +2.5), 2016<sup>28</sup>**



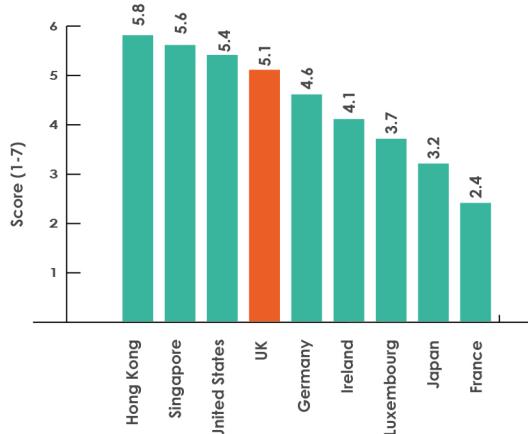
Source: fDi Intelligence from the Financial Times based on Worldwide Governance Indicators

**Chart 22: Number of days required to register a firm<sup>30</sup>, 2017**



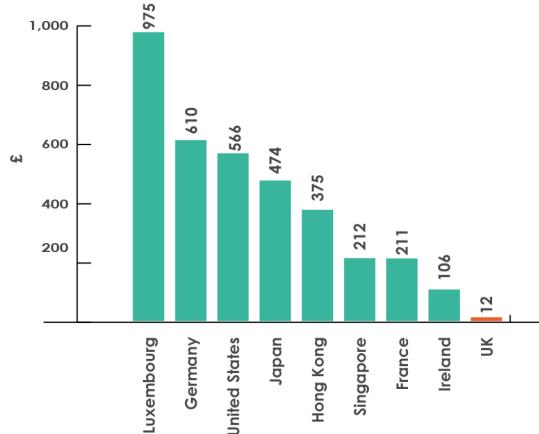
Source: fDi Intelligence from the Financial Times based on World Bank Doing Business 2018

**Chart 21: Hiring and firing practices (score 1-7), 2016-17<sup>29</sup>**



Source: Global Competitiveness Report, World Economic Forum, Switzerland, 2017-18

**Chart 23: Cost of establishing a business<sup>31</sup> (£), 2017**



Source: fDi Intelligence from the Financial Times based on World Bank Doing Business 2018

28. Estimate of governance measured on a scale from approximately -2.5 to +2.5. Higher values correspond to better governance.

29. Perceived difficulty in the hiring and firing of workers (1 = heavily impeded by regulations; 7 = extremely flexible). Weighted average

30. The total number of days required to register a firm. The measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with government agencies and no extra payments.

31. Cost of all procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business, and the paid-in minimum capital requirement.

## VIII. Costs

### Labour costs

London is cost competitive in terms of labour costs amongst global financial centre locations, offering significant savings against many comparators.

The table below shows three job functions, acting as proxies for lower, middle, and upper income brackets. London is the third least expensive location at the lower end of the scale (behind Singapore and Hong Kong). It costs an employer around £23,000 to employ a general accounts clerk in London. For a financial analyst, investors should expect to pay around £49,500 in London. This significantly

less expensive compared to New York City, Frankfurt, Luxembourg and Paris, offering cost savings between £8,000 and £22,000 per employee.

At the upper end of the scale, it costs just under £85,000 to employ a senior financial accountant in London. Only Hong Kong and Dublin offer significant cost savings (£10,000-£15,000). Tokyo is slightly less expensive compared to London (-£1,250); while Singapore, Luxembourg and Frankfurt are between £2,000-£8,500 more expensive; with Paris over £13,500 more costly than New York City, +£31,000.

**Table 19: Financial services-related labour costs (£), global financial centres, 2017**

Location	General Accounts Clerk	Financial Analyst	Senior Financial Accountant
Hong Kong	12,949	30,588	69,254
Singapore	14,001	40,907	86,450
<b>London</b>	<b>22,923</b>	<b>49,573</b>	<b>84,444</b>
Tokyo	22,950	43,373	83,157
Dublin	25,210	44,965	74,475
Paris	29,222	62,222	98,070
Luxembourg	31,066	57,975	88,843
Frankfurt	31,085	61,185	92,966
New York City	33,158	71,846	115,503

Source: fDi Benchmark ([www.fdbenchmark.com](http://www.fdbenchmark.com))

\*Labour cost data includes employee salary cost plus statutory employer social security contributions

\*\*Labour cost data is collected in local currency and converted to £ using exchange rates as of 23/04/18

## 5. Appendix

### A. List of FDI sectors

Aerospace	Consumer Electronics	Non-Automotive Transport OEM
Alternative/Renewable energy	Consumer Products	Paper, Printing & Packaging
Automotive Components	Electronic Components	Pharmaceuticals
Automotive OEM	Engines & Turbines	Plastics
Beverages	Financial Services	Real Estate
Biotechnology	Food & Tobacco	Rubber
Building & Construction Materials	Healthcare	Semiconductors
Business Machines & Equipment	Hotels & Tourism	Software & IT services
Business Services	Industrial Machinery, Equipment & Tools	Space & Defence
Ceramics & Glass	Leisure & Entertainment	Textiles
Chemicals	Medical Devices	Transportation
Coal, Oil and Natural Gas	Metals	Warehousing & Storage
Communications	Minerals	Wood Products

### B. Samples for FDI motivation by country

The table below shows the total number of motives cited by companies investing in the financial service sector by country as well as the number of projects in which motives were cited. Note, the total number of motives are greater than the total number of projects citing motives as one company can cite multiple motives for investing in a location. For example, there are 266 motives cited by foreign companies that created 179 projects into the UK.

**Table 20: Motives by country and region, 2003-2017**

Country	Total number of citations of motives	Total number of projects citing motives
UK	266	179
United States	263	179
India	190	150
China	244	182
Germany	93	69
Singapore	203	116
Western Europe (excluding UK)	637	431
Central and Eastern Europe	381	253
Asia-Pacific	1294	948

Source: fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))

## C. List of countries by world region

### Western Europe (excluding UK)

19 countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland

### Central and Eastern Europe

23 countries: Albania, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia FYR, Malta, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine

### Asia-Pacific

42 countries: Afghanistan, Armenia, Australia, Azerbaijan, Bangladesh, Bhutan, Brunei, Cambodia, China, Fiji, Georgia, Hong Kong, India, Indonesia, Japan, Kazakhstan, Kyrgyzstan, Laos, Macau, Malaysia, Maldives, Micronesia, Mongolia, Myanmar (Burma), Nepal, New Caledonia, New Zealand, North Korea, Pakistan, Papua New Guinea, Philippines, Singapore, Solomon Islands, South Korea, Sri Lanka, Taiwan, Tajikistan, Thailand, Timor-Leste, Turkmenistan, Uzbekistan, Vietnam

## D. Nuts 2 data mapping

The following table shows the domestic competitor location and its corresponding NUTS 2 region. NUTS 2 data is used in the Domestic benchmarking section, specifically for exploring tertiary education levels.

**Table 21: Domestic benchmarking city locations and their corresponding NUTS 2 region**

City	NUTS 2
London	London
Edinburgh	Eastern Scotland
Aberdeen	North Eastern Scotland
Glasgow	South Western Scotland
Bristol	Gloucestershire, Wiltshire and Bristol/Bath area
Manchester	Greater Manchester
Leeds	West Yorkshire
Belfast / Londonderry (Derry)	Northern Ireland (Region)
Birmingham	West Midlands (County)

Source: fDi Intelligence based on Eurostat

