EY UK Attractiveness Survey 2026

June 2026

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Foreword

We’re delighted to introduce the EY UK Attractiveness Survey 2026, the latest in our series of annual reports exploring the performance and perceptions of the UK as a destination for foreign direct investment (FDI).

It’s now been 25 years since EY first published this study. Over that time, it has become an eagerly awaited and indispensable reference point for business leaders, investors and policymakers as they seek to understand the drivers of inward investment and the UK’s relative performance against other European FDI locations in a constantly changing global landscape.

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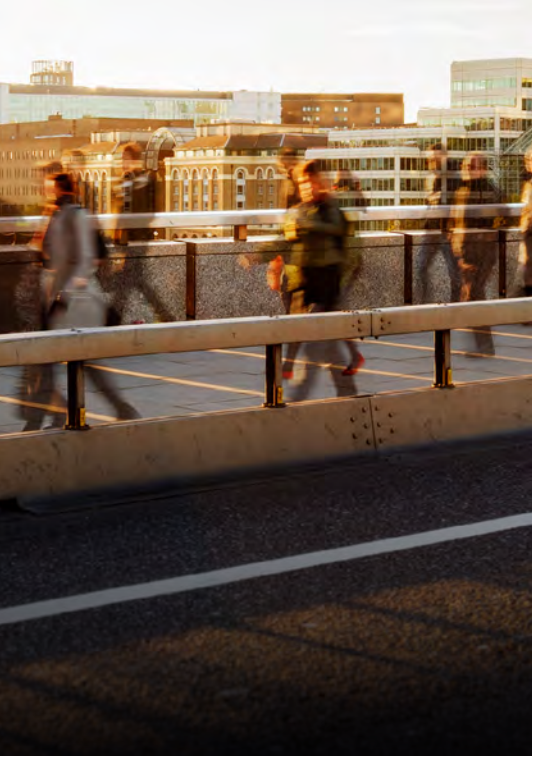
Another tough year for FDI into the UK – and into Europe more generally ...

Looking at the bare figures on project numbers in 2025, there’s no denying that it was another challenging year for the UK, with its total number of projects declining for the second year running – and the third in four years. However, this performance should not be viewed in isolation. The challenging global environment, shaped by geopolitical and macroeconomic uncertainty, is continuing to affect and often delay business investment decisions across the world.

This is particularly the case in Europe. While projects into Europe as a whole in 2025 fell less sharply than into the UK, they were down for the fourth successive year. Tellingly, our survey of investor opinions in 2026 finds that the top perceived risks of investing in both Europe and the UK include geopolitical uncertainty, the macroeconomic environment and the potential impact of tariffs. Add to these concerns the precarious position of governments in many European countries, and the lack of forward visibility on variables such as oil prices, and it’s hardly surprising that investors are acting cautiously.

While many of these issues are global, investors see Europe and the UK as being more exposed than other parts of the world due to fundamental structural pressures including less economic dynamism and slower growth than Asia and the US, higher levels of regulation, and higher costs of doing business – particularly energy costs. Overlaid with global uncertainty, these factors are weighing on investment across Europe – including the UK.



... but with some positive signs for the UK – including London's continued pre-eminence ...

That said, this year's analysis offers grounds for optimism about the outlook for UK FDI. The continued strength of London is a particular bright spot, with projects into the UK capital returning to growth in 2025 after a significant fall the previous year, and investors in 2026 ranking London as the most attractive city globally over the coming three years — ahead of New York and Paris. The clear message is that in challenging times, London's longstanding role as an international capital with durable global relationships is holding firm and standing it in good stead.

Beyond London, there are also some promising signs among the UK's regions and devolved administrations. In a year when most parts of the UK saw project numbers decline, cities like Manchester and Edinburgh continued to perform well. Edinburgh increased its project count to regain second place among UK cities outside London. And Manchester — despite a decline in projects — remained first after London and was ranked by investors among Europe's top 15 most attractive cities. In this context, there may be a lesson for other regional locations in Manchester's openness around planning and development. Other positive results included increases in projects for Wales and Northern Ireland, and Scotland recording a significant rise in its share of planned UK investments, despite a dip in actual projects secured.

... and historic sectorial strengths still holding sway, boosting the opportunities around AI

Alongside these reassuring indications in different parts of the country, the figures on investment by sector also provide encouragement. In 2025 the UK remained Europe's number one recipient of projects in software & IT services, business & professional services, and financial services — all reflecting the country's traditional and longstanding sector-specific strengths. London is a particular focus for investment in these services-led industries, raising the question of how to harness London's resurgence to act as platform for broader growth UK-wide.

The UK's strengths in these sectors are also helping to position the country to compete for AI-driven foreign investment. Two lenses can be applied here. One is that the UK already has one of Europe's largest and most innovative tech sectors, including a dynamic and burgeoning community of startups. Notably, a third of investors in our survey say the UK should improve its digital competitiveness by encouraging innovation in AI and other emerging technologies. The other lens is that the greatest productivity gains from AI are likely to be achieved in the service sectors where the UK leads the way in Europe, amplifying the economic uplift from AI.

However, responses from investors cast a cautionary light on the AI opportunity. In the sphere of AI and technology, the UK is regarded as strong on data protection, skills availability and the vibrancy of its start-up and research ecosystems. But, it's perceived less positively for access to venture capital and funding for growth. The difficulty of accessing capital is one reason why many innovative UK businesses are acquired by US players before they reach the scale-up stage.

While this constraint must be tackled for the UK to capitalise fully on its sectoral strengths, a final advantage to mention is that — compared to competing locations in Europe — the UK attracts a more international investor set. Looking across Europe, the bulk of FDI tends to be Europe-to-Europe investment within the Single Market. By contrast, the UK's origins of FDI are far more globally diverse, partly for historical reasons. For example, it captures around 50% of all Indian investment into Europe, making India the UK's second largest origin after the US — while India doesn't even feature in Europe's top five.

The way forward: address structural challenges to insulate the UK against global uncertainty

The implications for the UK from this year's figures? What shines out most clearly is the need to address the structural challenges in areas like regulation, taxation, infrastructure, skills, growth capital, and — perhaps most immediately — energy costs, an issue that was raised repeatedly by investors. By tackling these, the UK will be better able to insulate its economy from an uncertain world. To these challenges we should add the imperative for higher investment in defence.

The UK is not alone in facing an uncertain world, and its structural challenges are mirrored in countries across Europe. What's more, the current global uncertainty is not going away any time soon. It's time to act to insulate the economy against future turbulence by doubling-down on the traditional strengths built up in the past — as well as learning lessons from existing successful sectors and applying them elsewhere.

It's been a tough year for UK FDI. But the seeds for renewed growth are there. Let's cultivate them.

Executive

The UK's FDI performance in 2025

Overall project performance

- The number of FDI projects secured by the UK fell by 14.4% in 2025, declining to 730 projects from 853 in 2024. Projects across Europe as a whole fell by 7% to 5,025.
- Projects recorded in other leading European FDI destinations also declined in 2025, with France down by 17% to 852 projects and Germany falling 9.9% fall to 548. Southern (Spain, Italy, Turkey) and Eastern Europe (Poland) performed better.
- Despite the decline in UK projects, it remained second in Europe by project count behind France, first for FDI-related employment creation with 28,867 jobs, and first for new projects with 474 greenfield-type investments.

Sector and activity trends

- In terms of sectors, software & IT services was the UK's leading contributor of projects in 2025 with 155, down from 161 in 2024.
- UK business & professional services projects rebounded from 74 to 153, while finance projects rose from 73 to 85, underlining the UK's strength in internationally mobile service industries.
- Turning to project activities, manufacturing, R&D and headquarters FDI all weakened in the UK and Europe: European manufacturing projects fell by 12%, while UK manufacturing projects declined by 28% to 131, and UK R&D projects slumped by 57% to 39.
- Defence-related investment bucked the trend, with publicly-announced projects across Europe leaping to 106 from 33 in 2024.

Origins of investment

- The US remained the leading investor into both Europe and the UK in 2025: US-originated projects into Europe were broadly flat at 943, while US projects into the UK fell from 202 to 179, accounting for 24.5% of the UK total.
- The UK's second-largest FDI origin was India with 71 projects, representing 46.4% of all Indian investments into Europe. The UK also secured 46.3% of Australian and 37.0% of Irish projects into Europe.
- However, the UK continues to lag in attracting FDI from some strategically important origins, securing only 6.9% of Chinese projects into Europe.

Regional and city performance

- Looking across the UK's regions and devolved administration, London performed relatively strongly in 2025, with its total projects rising by 5.3% to 279. It also led the UK on FDI employment, with 8,030 jobs created.
- Scotland remained the UK's second-largest destination with 108 projects, down by 20%, while projects in Wales rose from 16 to 25 and in Northern Ireland from 17 to 28.
- Across the English regions outside London, overall performance was weak. The West Midlands led with 68 projects (down from 86), followed by the North West with 51 (also down from 86). Only the South West avoided a decline, unchanged at 30 projects.
- Among UK cities outside London, Manchester led with 31 projects, followed by Edinburgh with 30, Birmingham with 26 and Glasgow with 23.

summary

Investor perceptions in 2026

Overall attractiveness

- Perceptions of the UK's attractiveness for FDI improved from the previous year's low point: it moved back up to joint second with Germany as Europe's most attractive investment destination for 2026, with 31% of respondents citing it, up from 24% in 2025. France ranked top with 38%.

Intention to invest

- Fifty-five per cent of companies plan to establish or expand operations in the UK over the coming year. However, that proportion has fallen from 62% in 2025 and 69% in 2024.
- Investors still perceive the UK's legal and regulatory environment and deep capital markets as its greatest advantages as an FDI location, each cited by 32%, followed by access to skilled talent at 31% and market size at 29%.
- The biggest perceived negatives for the UK as an FDI destination are macroeconomic weakness and cost pressures: 42% cite macroeconomic conditions among the top three risks, 33% geopolitical tensions, and 29% the cost of doing business, such as energy costs.

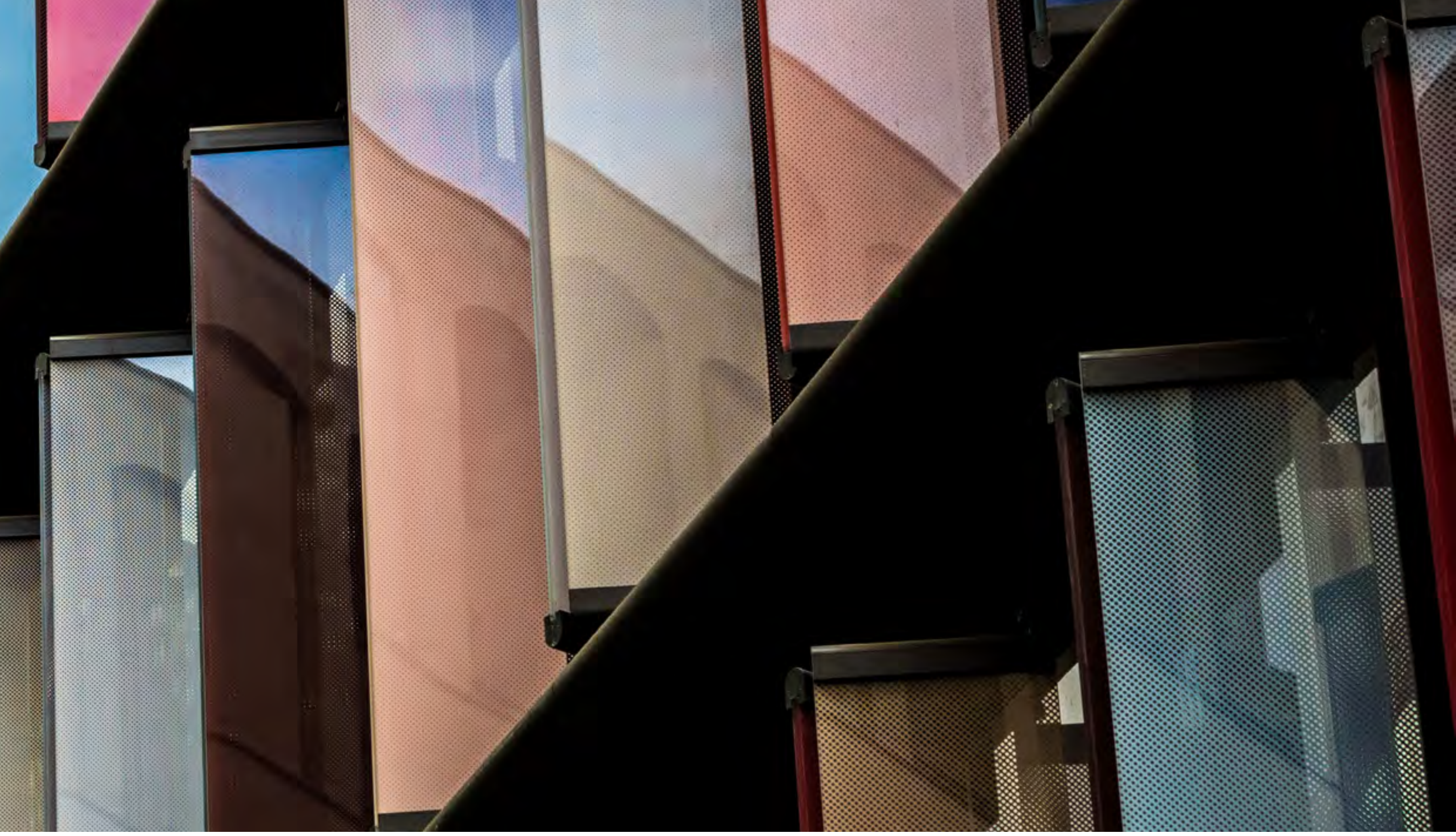
Views on technology, AI and sustainability

- Asked to cite the leading future growth sectors for the UK, investors rank software first (29%) followed by professional services (22%) and financial services (21%).
- In the AI and technology sphere, investors regard the UK as strong on data protection (59% positive), availability of a highly skilled workforce (57%) and start-up and research ecosystems (53%), but weaker on access to venture capital and scale-up funding.
- While access to AI skills remains the single most important factor in AI-related investment decisions, cited by 36%, the proportion rating the availability of investment capital and scale-up opportunities as a major consideration has risen to 33% from 25% in 2025.
- On sustainability, almost two-thirds of investors regard the UK positively for renewable electricity and 53% for green innovation. However, they voice growing concern over changing consumer attitudes to sustainability and the related costs, with 19% saying these are worsening.

Implications for policy and competitiveness

- The UK remains a credible and resilient investment destination, with 58% of respondents expecting the UK's attractiveness to improve over the coming three years, close to the 60% recorded for Europe overall and the US.
- Asked where the UK should focus to improve its global competitiveness, 36% of investors call for clearer execution on industrial strategy, 29% for development of education and skills, 27% for support for small and medium-sized enterprises, and 22% for cheaper energy.
- The overarching message is that the UK still has significant strengths, but that to maintain its competitiveness it must translate these into faster, more reliable delivery on costs, infrastructure, skills and strategic investment support.

The UK's FDI performance in 2025: from cyclical headwinds to structural adjustment

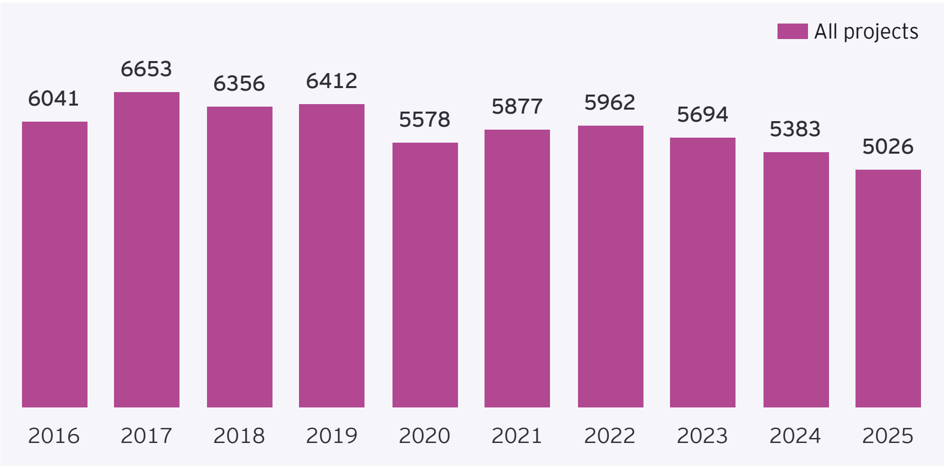


In 2025, Europe experienced a further decline in FDI, with the EY Europe Attractiveness Survey 2026 reporting a 7% fall in projects and a 25% decline in FDI-related job creation. The weakening of European FDI during the year marked a third consecutive year of falling project numbers, reflecting factors including subdued economic growth, persistently high energy costs, tightening financial conditions and elevated geopolitical tensions. Europe also continued to face strong competition for investment from the United States, where economic conditions and policy support were widely perceived to be more favourable to FDI.

UK projects: a sharper decline than in Europe as a whole …

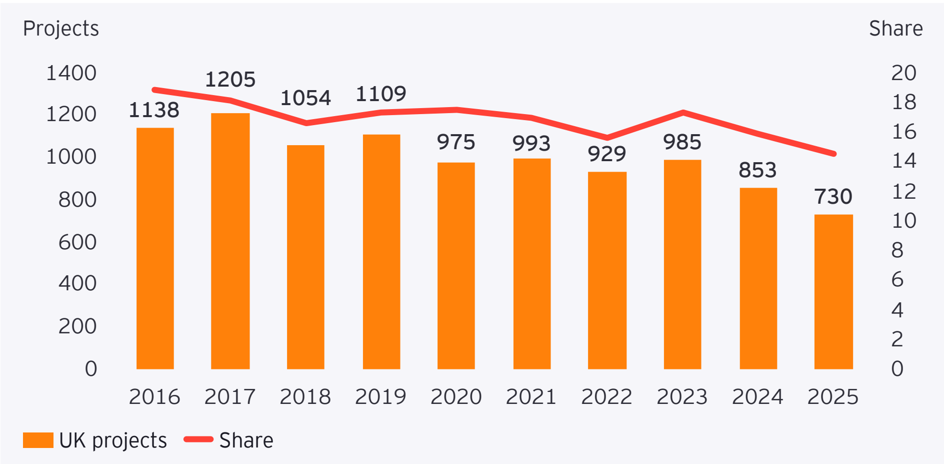
Against the background of this year-on-year fall in European projects in 2025, projects into the UK declined even more steeply. The UK recorded 730 projects during the year – the country's lowest tally in the past decade, and a 14.4% decline from the 853 projects secured in 2024. As a result, the UK's share of projects across Europe declined further in 2025, slipping to 14.5% from 15.8% in 2024. This is the UK's lowest share in the past decade, below the previous low for the decade of 15.6% recorded in 2022, and well below the 21% secured in 2015.

Figure 1: Total number FDI projects announced in Europe, 2016–2025



Source: EY European Investment Monitor (EIM), 2016–2025

Figure 2: Total UK projects and European market share, 2016–2025



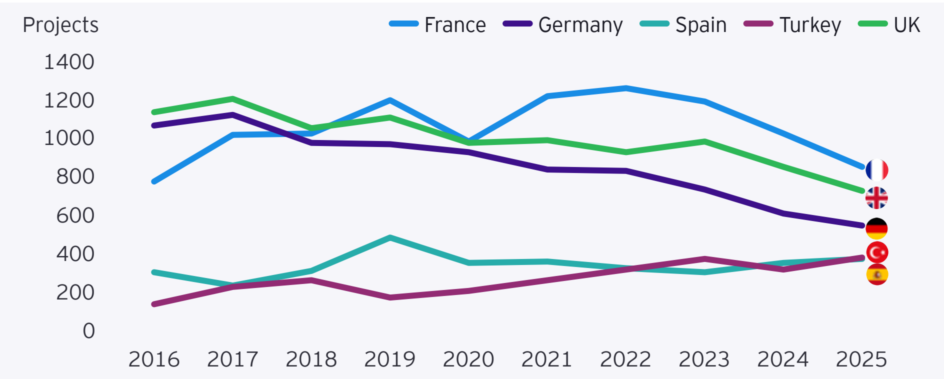
Source: EY European Investment Monitor (EIM), 2016–2025

… but remaining in second place behind France for the seventh successive year, as projects into all of Europe's 'big three' fall back

However, the UK's subdued FDI performance in 2025 should be judged in the context of a significant decline in investments into most of Europe's major economies. The UK remained one of Europe's leading destinations for FDI projects during the year, ranking second overall behind France by project volume. Looking at a longer time frame, the leading destinations of investments into Europe since 2000 have consistently been the 'big three' of France, the UK and Germany, albeit with changes in the rankings between them. These three have generally been followed by Spain and, from 2017 onwards, Turkey, which has emerged as one of the largest recipients of European FDI projects, and in recent years has been competing for fourth place with Spain.

This pattern largely continued in 2025, although project volumes fell back across all of Europe's major investment destinations. France remained Europe's largest recipient of investment projects, a position it has held since overtaking the UK in 2018. However, investment activity weakened across all of the 'big three' during the year. In the UK – as reported above – the number of projects fell by 14.4%, from 853 in 2024 to 730 in 2025, the steepest contraction seen over the past decade. France's total FDI projects declined even more steeply, slipping by 16.9% to 852 projects, while projects in third-placed Germany fell by 9.9% to 548. Looking across Europe's five largest recipients of FDI projects in 2025, the only countries to record increases were Turkey in fourth place, with a 19.7% increase to 383 projects, and fifth-placed Spain, whose projects rose by 7.1% to 376. Turkey has now recorded increases in its project numbers in five of the past six years.

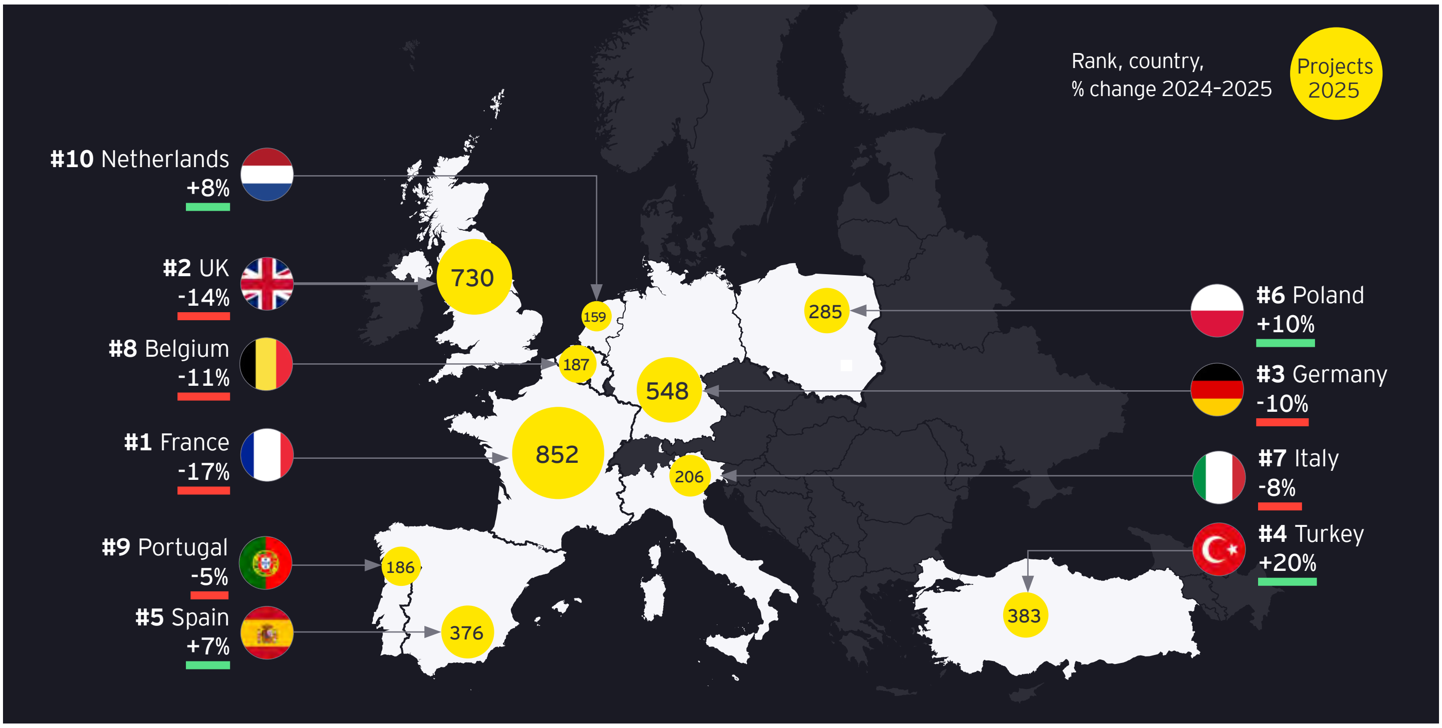
Figure 3: Evolution of the top five destinations for FDI into Europe, 2016–2025



Source: EY European Investment Monitor (EIM), 2016-2025

The UK remained one of Europe's leading destinations for FDI projects during the year, ranking second overall behind France by project volume.

Figure 4: Top 10 European countries for foreign investment in 2025, by number of projects



Source: EY European Investment Monitor (EIM), 2025

The UK remains the European leader on FDI jobs, as investor caution triggers a Europe-wide fall in employment creation from projects ...

While not all investment projects disclose employment data, the number of jobs announced as a result of FDI projects is still a useful measure of the contribution that inward investment makes to each country's economy. In 2025, 89.3% of UK projects disclosed their expected employment impact, a higher disclosure rate than that seen across Europe overall. Nevertheless, anticipated employment from FDI projects secured by the UK in 2025 declined sharply, falling by 24.4% from 38,196 jobs in 2024 to 28,867 jobs in 2025. Comparable Europe-wide figures for disclosed employment also indicate a significant contraction, reflecting the broader slowdown in investment activity. As a result, the UK's share of total European FDI employment in 2025 edged up to 14.3% from 14.1% in 2024, albeit still below its decade-long average of 14.6%.

In combination, these developments saw the UK remain Europe's leading recipient of employment from FDI in 2025 – a position it has held consistently in recent years. However, other major European recipients of FDI also experienced markedly lower employment creation during the year, particularly in manufacturing jobs, reflecting the reduction in large-scale projects in a more challenging investment climate. Hungary bucked this trend, seeing its employment creation from FDI leap by 249%, albeit from a low base.

Figure 5: Top five countries by job announcements from FDI, 2024–2025

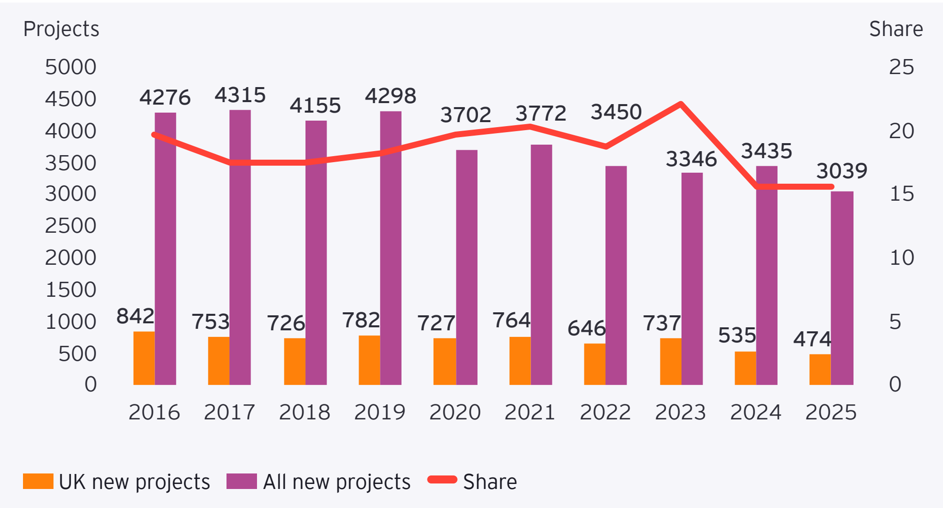
Country	2024	2025	y/y
United Kingdom	38,196	28,867	-24.4%
France	29,000	27,921	-3.7%
Turkey	27,066	24,130	-10.8%
Hungary	4,080	14,243	249.1%
Spain	34,603	13,913	-59.8%
Europe – Total	222,315	161,142	-27.5%

Source: EY European Investment Monitor (EIM), 2024-2025

... while the UK has also maintained its lead in securing 'new' investments for the sixth year running

As well as topping the European ranking on FDI employment in 2025, the UK was also the leading European recipient of 'new' projects – first-time investments that are not expansions of existing sites. The UK has ranked first in new projects in every year since 2019, and – along with Germany – has been one of Europe's two largest recipients of new projects throughout the past decade. That said, in 2025 the number of new projects recorded by all three of these countries declined compared with 2024. New projects into the UK during the year fell to 474, those into Germany declined to 411, and France recorded just 322. In each case, these declines reflected the broader slowdown in European investment activity. Other European destinations, including Spain and Poland, again featured among the next tier of recipients of new projects, with parts of Southern and Central Europe demonstrating relatively greater resilience.

Figure 6: New UK projects and market share of all new European projects 2016–2025



Source: EY European Investment Monitor (EIM), 2016-2025

Sectors: FDI into services and people-led industries flourishes across Europe, as energy-dependent and capital-intensive sectors take a hit …

The five sectors that generated the largest number of investment projects across Europe in 2025 were software & IT services, business & professional services, transportation manufacturers & suppliers, machinery & equipment, and finance. First place was again claimed by software & IT services with 847 projects, an increase of 8.1% on 2024, although activity remained well below its pre-pandemic peak of 1,462 projects in 2019. While software & IT services has led Europe's FDI sector ranking in every year of the past decade, project volumes have been structurally lower in the post-COVID period, suggesting a more selective approach to physical overseas investments in the sector and a period of structurally lower levels of investment.

The second-largest number of projects across Europe in 2025 was contributed by business & professional services, with 716 projects. Together, software & IT services and business & professional services accounted for just over 31% of all European FDI projects in 2025, up from a combined share of 27.5% in 2024, reflecting the continued concentration of investment activity in services-led sectors. Looking further back, the leading sectors in European FDI in 2025 have featured consistently among the largest contributors in each year since 2021, underlining the persistence of Europe's core sectoral strengths despite a weaker overall investment climate. By contrast, projects in energy-dependent and capital-intensive sectors such as pharmaceuticals; chemicals, plastics & rubber; and transportation & logistics all fell back during the year.

Figure 7: Europe's top 10 sectors for FDI projects in 2025 — ranking, number of projects and jobs, and change 2024 vs. 2025

Rank	Sector	Projects 2024	Projects 2025	Job announcements in 2025	Project % change 2024 vs. 2025
1	Software and IT services	793	857	30,079	8.1%
2	Business services and professional services	687	716	17,853	4.2%
3	Machinery and equipment	454	439	16,754	-3.3%
4	Transportation manufacturers and suppliers	437	436	37,506.7	-0.2%
5	Finance	293	355	9,762	21.2%
6	Transportation and logistics	411	352	19,483	-14.4%
7	Agri-food	285	283	7,755	-0.7%
8	Electronics	304	265	13,723.7	-12.8%
9	Chemicals, plastics and rubber	245	217	8,519	-11.4%
10	Pharmaceuticals	190	181	8,961	-4.7%
	All others	1,284	925	31,790	-28.0%
	Total	**5,383**	**5,026**	**202,186.4**	**-6.6%**

Source: EY European Investment Monitor (EIM), 2024-2025

... while the UK has continued to play to its sectoral strength in services, with tech still holding the lead — albeit a narrowing one ...

Turning to the UK, the sectors generating the most projects differ slightly from Europe as a whole. In common with Europe overall, software & IT services has continued to generate the highest number of projects for the UK over the past decade, although activity in the sector has weakened markedly in recent years. Continuing the pattern of previous years, a ranking of the UK's top five FDI sectors in 2025 again sees the finance sector outpace transportation & logistics, reflecting the UK's continued strength in financial and related services.

A further difference is that the decline in the number of software & IT services projects in the UK has been sharper than for Europe as a whole. Having secured 432 software & IT services projects as recently as 2019, the UK recorded only 155 in 2025, a fall of 64.1% over the period. This decline partly reflects changes in working patterns and delivery models, as well as the growing maturity of the sector, with many leading firms already having established a UK presence. With the global race for AI underway, there is also significant disruption in terms of the skills landscape and the types of jobs being created to deliver on new investments.

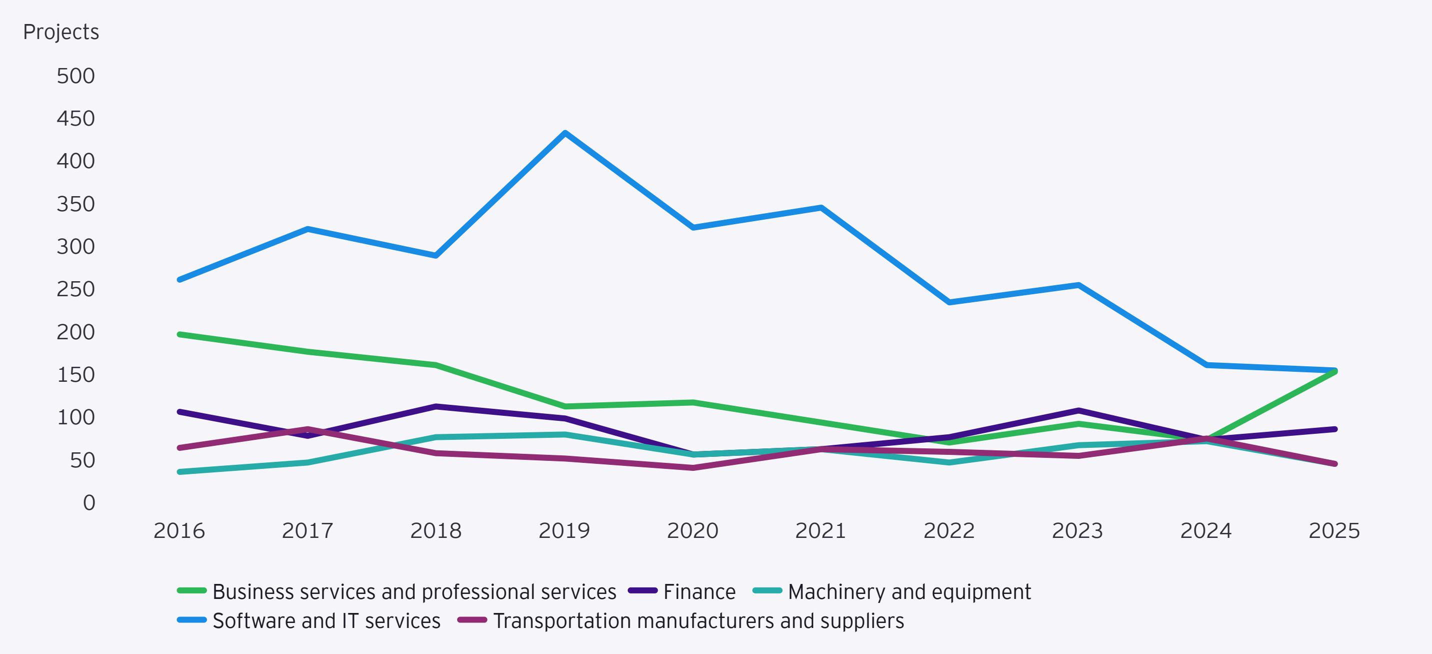
Throughout the earlier years of the past decade, the sector generating the second-largest number of UK projects was business & professional services, but a gradual downward shift saw it lose this position temporarily to finance in 2022. However in 2025 the number of business & professional services projects rebounded, more than doubling to 153, just two projects behind software & IT services. In examining the type of firms and investment from this sector, the highest contribution within this sector comes from investment from consulting and advisory adjacent services (c. 30%), larger project-based services (c. 25%), and business process and operational services (c. 15%). While legal services, auditing, accounting, marketing, represent a smaller overall share, they still represent a sizeable volume of projects. Additionally, tech-enabled services which have hybrid characteristics of tech, consulting and outsourcing have also started to materialise more within the sector. Meanwhile, finance projects increased from 73 in 2024 to 85 in 2025, reinforcing the sector's position as one of the UK's most resilient sources of FDI.

A partial explanation for the strong rebound in some of these services-focused sectors stems from the classification of service-based FDI projects into the UK, has become progressively less clear-cut, reflecting deeper structural changes in the nature of modern business activity. Driven by rapid technological advancement, digitalisation and evolving client demands, traditional distinctions between financial services, business and professional services, and technology have become increasingly blurred, as firms operate across multiple domains and deliver more integrated offerings. As a result, a growing number of investment projects exhibit characteristics that span these categories. This convergence is not simply a statistical quirk, but a reflection of a broader shift towards a more interconnected services economy, in which value creation is underpinned by data, innovation and cross-sector capabilities. However, it is also true that business and professional services often act in a counter-cyclical manner and services dominates the global stock of FDI. Additionally, the high amounts of uncertainty in the global economy have likely meant an asset-light, low-commitment effect has taken hold in the strong performance of these sectors in 2025.

Historically, the UK has secured a relatively high proportion of its FDI projects from the service sectors, reflecting its traditional areas of comparative advantage. This pattern continued in 2025, when the combined share of projects from software & IT services, business & professional services and finance accounted for around 11.9% of all UK projects, up from 8.6% in 2024, albeit still below the levels seen earlier in the decade.

With the global race for AI underway, there is also significant disruption in terms of the skills landscape and the types of jobs being created to deliver on new investments.

Figure 8: UK projects from the five largest sectors in 2025, 2016–2025



Source: EY European Investment Monitor (EIM), 2016–2025

Figure 9: Sectors generating the largest number of projects into the UK in 2025

Sector	2024	2025	Lead country by market share	UK market share of projects from sector (%)
Software and IT services	161	155	UK	18.1%
Business services and professional services	74	153	UK	21.4%
Finance	73	85	UK	23.9%
Machinery and equipment	71	45	France	10.3%
Transportation manufacturers and suppliers	75	45	France	10.3%
Agri-food	65	43	France	15.2%
Pharmaceuticals	33	29	France	16.0%
Utility supply	39	24	France	15.2%
Transportation and logistics	24	23	France	6.5%
Health and social work	34	19	UK	65.5%
Electronics	33	18	France	6.8%
Construction	26	14	France	13.0%
Consumer products	16	12	France	10.8%
Medical devices	19	11	France	14.3%
Chemicals, plastics and rubber	25	10	France	4.6%
Metals and minerals	13	10	France	8.3%
Leisure, culture and tourism	15	10	UK	22.7%
Furniture, wood, ceramics and glass	13	6	France	8.2%
Wholesale, retail and distribution	16	5	France	6.5%
Textile, clothing and leather	2	5	France	8.3%
Telecommunications	10	5	Spain	10.2%
Oil and gas	16	3	UK	15.8%

Source: EY European Investment Monitor (EIM), 2024–2025

… while the UK's largest European share of investments is in the services-led sectors

The UK's comparative advantage in services is underlined by its share of European investment in sectors in this category. In 2025, the UK again secured its highest share of European projects in the finance sector (23.9%), reinforcing its position as Europe's leading destination for financial services-related investment. The UK also continued to capture a high proportion of European projects in health-related sectors (65.5%), including health & social work and pharmaceuticals (16.0%), underlining its enduring strengths in life sciences and health.

Overall, of the sectors generating the largest number of projects into the UK in 2025, the UK was the leading or joint-leading European destination in several cases. This is consistent with the UK's continued ability to attract investment in selected high-value activities. However, while the UK is the leading recipient in the three sectors that have contributed the largest volumes of UK projects over the past five years — software & IT services, business & professional services, and finance — its share of all European projects in 2025 was below its recent five-year average in software & IT services (18.1% versus a five-year average of 23.2%) and finance (23.9% versus 26.2%), reflecting both weaker UK volumes and intensifying competition across Europe. The only one of these three sectors where the UK's project haul was above five-year average in 2025 was business & professional services (21.4% versus 14.7%).

Of the sectors generating the largest number of projects into the UK in 2025, the UK was the leading or joint leading European destination in several cases.

Activities behind UK FDI: services investment picks up, while larger strategic investments fall back …

As well as recording project numbers, locations, sectors and employment, the EY EIM also tracks the activities they undertake at the various locations where investments are announced. The mix of activities for projects into the UK has fluctuated widely in recent years, and this pattern continued in 2025. Within the sharp fall in overall project volumes, the UK experienced a substantial decline in both research and development (R&D) and manufacturing investments. R&D projects fell from 94 in 2024 to 39 in 2025, while manufacturing projects declined from 183 to 131. However, despite this latter fall, manufacturing project activity in 2025 remained above the levels seen for much of the previous decade, reflecting a still-meaningful pipeline of industrial investment.

These declines represent a stark contrast with the trend observed in 2024, when the UK attracted a rising volume of higher-value, strategically important investments. However, the contraction in both R&D and manufacturing activity in 2025 points to a broader-based slowdown at the European level in strategic investment decisions, consistent with the wider deterioration in the investment climate. Across Europe as a whole, the EY Europe Attractiveness Survey 2026 reports that manufacturing projects declined sharply in 2025, while R&D activity also weakened, reflecting heightened cost pressures, softer demand, and increased uncertainty affecting capital-intensive investments. Meanwhile, the leading activity for UK projects in 2025 was business services, which increased from 256 projects in 2024 to 326, making it the only major activity category to record growth during the year.

Again, this shift in the UK towards services-led investments mirrors the wider European picture, where business services continued to account for a large share of total FDI activity amid an overall fall in project numbers. Investments to establish corporate headquarters in the UK declined more markedly in 2025, from 86 projects in 2024 to 66. This was once again consistent with developments across Europe, where headquarters and other high-commitment investment decisions became less frequent in the face of elevated geopolitical and economic uncertainty.

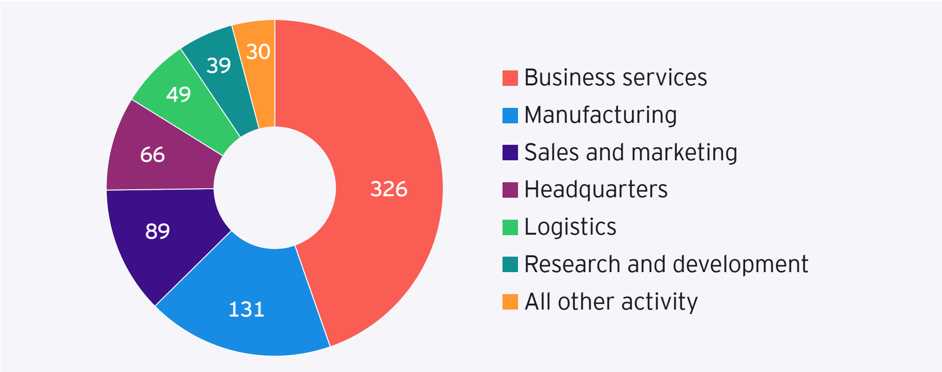
… as R&D, manufacturing and headquarters activity contracts across Europe, reflecting a widening gap between Europe and the US and China

Turning to the UK's European market share by activity, a notable longer-term trend is the volatility and overall downward shift in the proportion of international investors selecting the UK for headquarters functions. While the UK's share of European HQ projects recovered in the years following the sharp post-Brexit decline seen in 2018, the reduction in absolute HQ project numbers in 2025 points to renewed pressure on this segment. The UK's precise share of European HQ activity in 2025 was an apparently heathy 27%, but this was down from a 33.3% share recorded in 2023, and the direction of travel is consistent with the wider European slowdown in commitment-intensive investments.

Looking across the six major activities, the UK has secured its lowest share of European investment projects in manufacturing. While the UK's share rose sharply in 2024, the fall in manufacturing projects in 2025 implies some reversal of that earlier gain, with the UK's European share slipping to 9.4% from 11.5% in 2024. Nonetheless, manufacturing remains a strategically important component of the UK's FDI profile, even as overall volumes have come under pressure. Meanwhile, activity across Europe in R&D, manufacturing and corporate headquarters contracted in 2025, reflecting weaker capital expenditure and heightened uncertainty around large, strategic investment decisions.

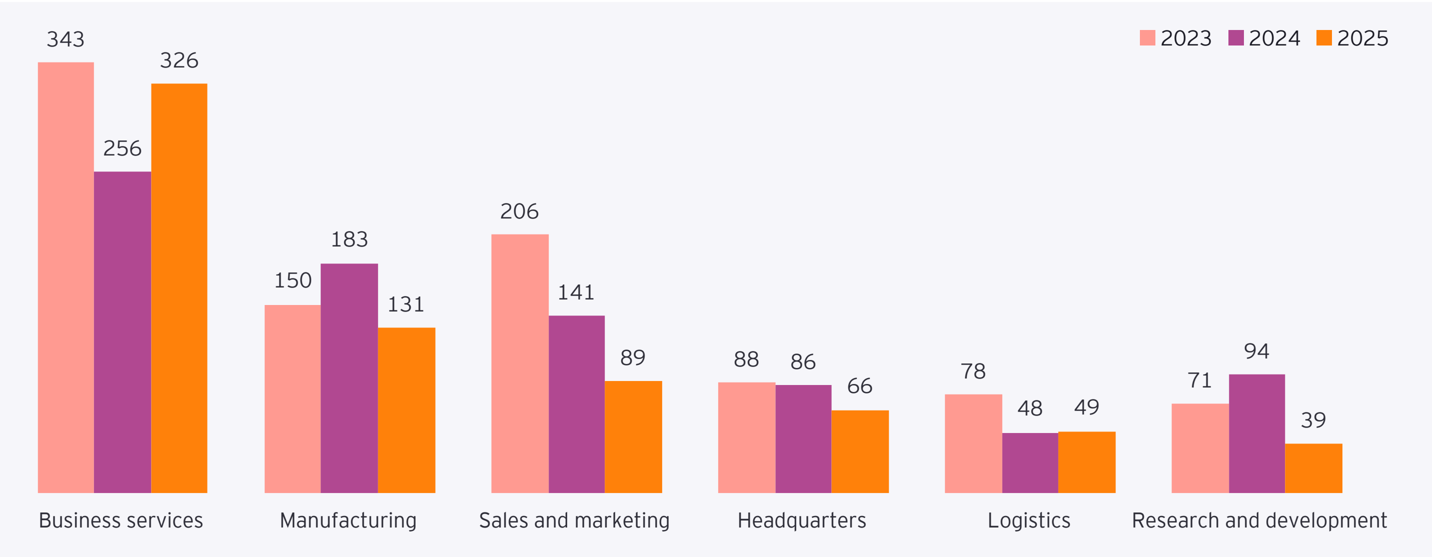
This slowdown has contributed to a perceived widening gap between Europe and the United States and China, both of which are widely viewed by investors as offering more favourable conditions for high-value, innovation-led and industrial investment.

Figure 10: The UK's top six activities for FDI projects, 2025



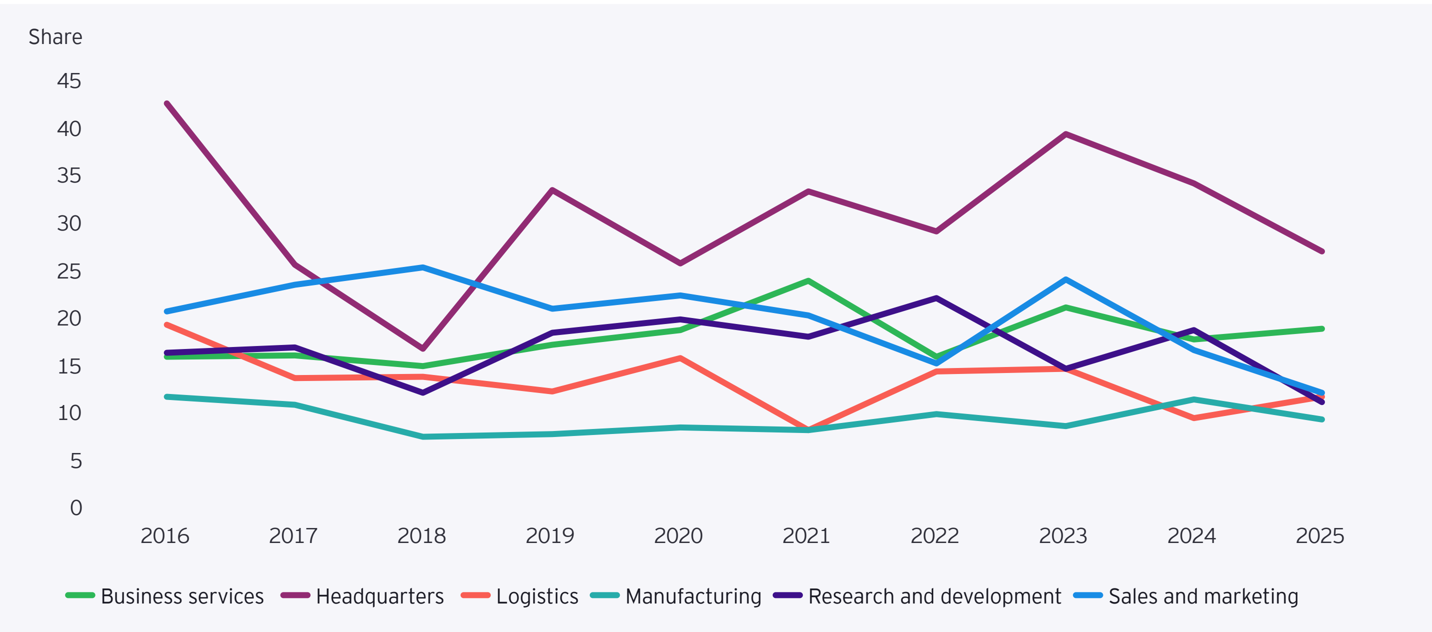
Source: EY European Investment Monitor (EIM), 2025

Figure 11: The UK's top six activities for FDI projects, 2023–2025



Source: EY European Investment Monitor (EIM), 2023-2025

Figure 12: The UK's share of European FDI projects by activity, 2016-2025



Source: EY European Investment Monitor (EIM), 2016-2025

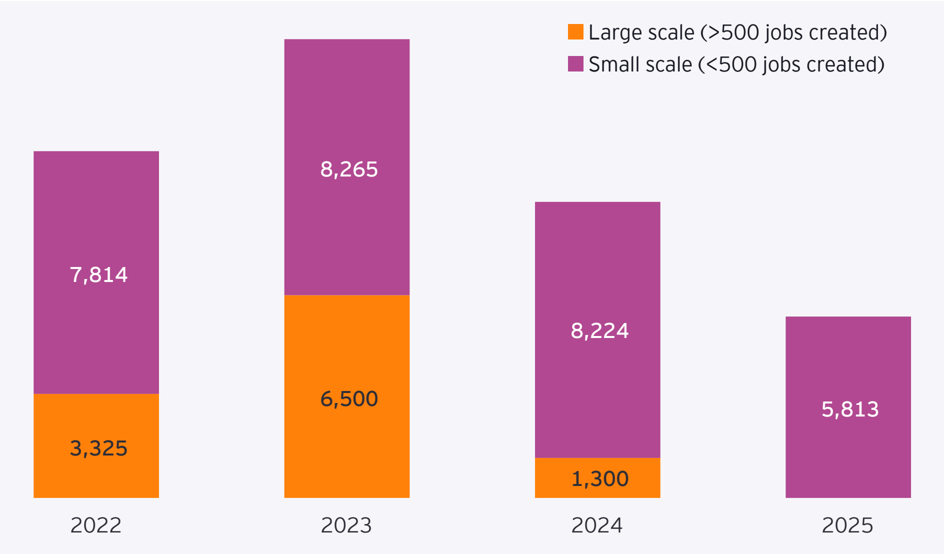
While manufacturing activity is generating fewer FDI projects and industrial jobs across Europe, publicly announced investments in defence have been on the rise

Manufacturing FDI projects in Europe were down by 12% in 2025, with the related employment falling more sharply, by 21%. Meanwhile, large-scale projects – those generating more than 500 jobs – accounted for just 34% of manufacturing employment from FDI, down from over half as recently as 2022. Similarly, the UK saw a sharp drop in job creation related to manufacturing activity, as a result of large-scale projects dwindling.

These shifts support the view that European manufacturing is under strain amid weak demand and declining competitiveness. The falling investment levels appear to reflect the high interest rates and policy uncertainty that manufacturing businesses (which often plan over a much larger time horizon than services-based businesses) have been contending with. Additional headwinds from energy constraints, softer demand from China and shipping disruptions linked to conflicts are also partly to blame. In the UK, comparatively high energy input costs for businesses are likely a key driver of reduced manufacturing activity, as mirrored in the investor sentiment survey results later in this paper.

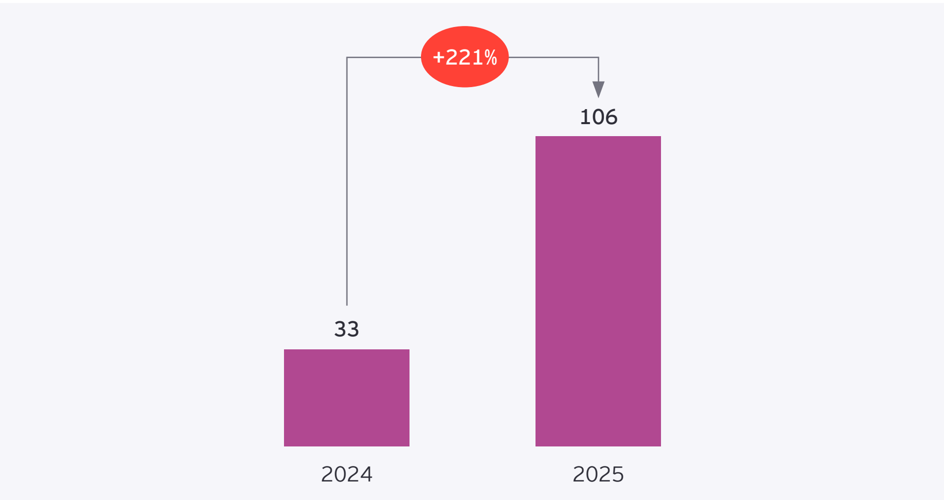
While all defence investments are rarely in public view, the rate at which these have been announced publicly, and the number stemming from public-private cooperation and cross-border investment, have been on the rise across Europe. EIM recorded 33 cases of major FDI-related defence projects in 2024, but this leapt to 106 such projects in 2025. Similarly, the UK has a rise in publicly-announced defence projects stemming from FDI rising to 20 in 2025 from 10 in 2024. Given defence is often usually sourced domestically on a sovereign capability level, this may suggest a widening of cooperation on defence as European countries seek to plug capability gaps and respond to increased geopolitical volatility.

Figure 13: Number of jobs created by FDI manufacturing projects in the UK, 2022-2025



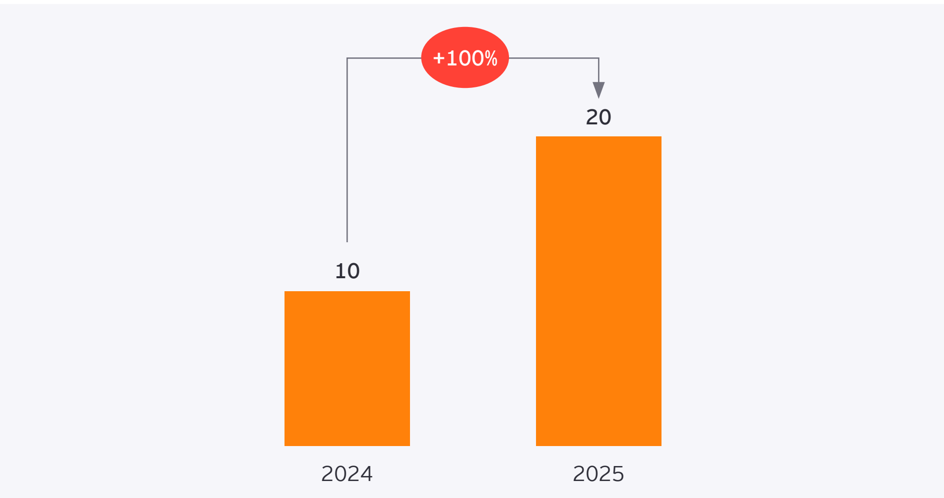
Source: EY European Investment Monitor (EIM), 2022-2025

Figure 14: Number of FDI projects in defence in Europe, 2024–2025



Source: EY European Investment Monitor (EIM), 2024-2025

Figure 15: Number of FDI projects in defence in the UK, 2024–2025



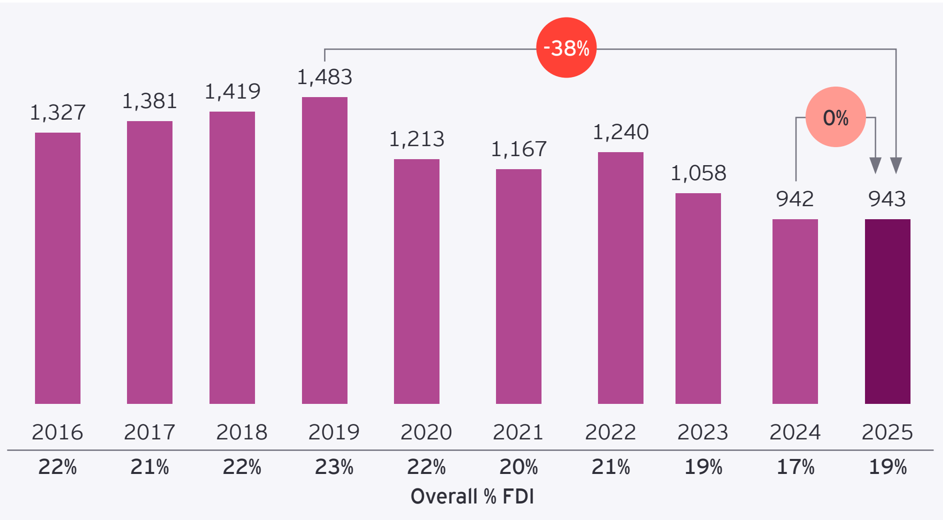
Source: EY European Investment Monitor (EIM), 2024-2025

Origins of FDI: US investment into Europe remains at multi-year lows amid shifting global priorities ...

In every year since EY EIM record-keeping began in 1987, the United States has been the largest single country of origin for FDI projects into Europe. This remained the case in 2025, although the overall number of US-originated projects remained flat at 943 projects, little changed from 942 in 2024, continuing the broad long-term trend of a structurally declining share of US investment into Europe.

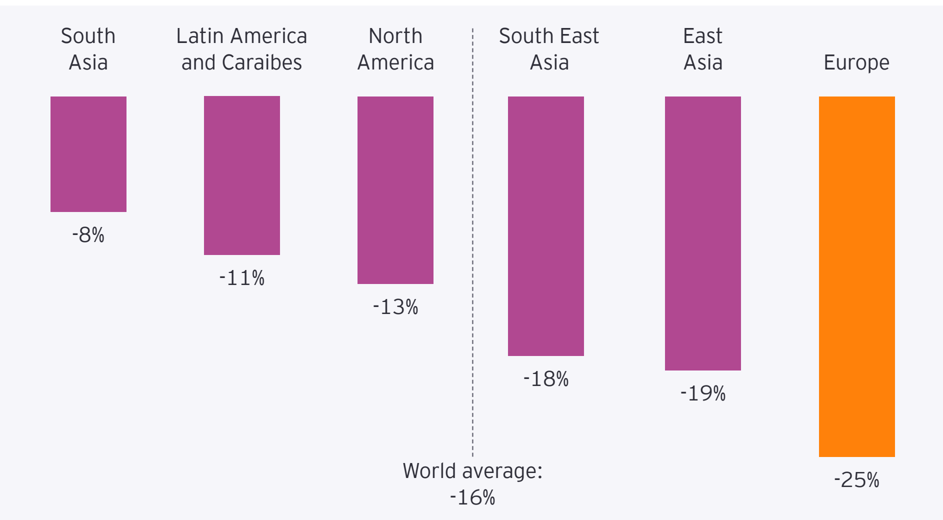
Aside from the US, the four other origins of cross-border investment in Europe's top five in 2025 were Germany, the UK, France and China. German-originated investment projects across Europe declined from 633 in 2024 to 484 in 2025, while those originating from the UK fell more modestly, from 379 to 360. By contrast, France recorded an increase in cross-border European projects, up from 284 to 295, while China remained broadly stable, edging up from 260 projects to 261.

Figure 16: FDI projects carried out by US companies in Europe, 2016–2025



Source: EY European Investment Monitor (EIM), 2016-2025

Figure 17: Change in the number of investment projects across several global regions between 2024 and 2025



Source: Global Investment Trends Monitor, No 50 (UNCTAD), EY EIM 2024-2025

Overall, the investment trends revealed by the EIM data continue to indicate a shift towards intra-European capital flows, alongside more subdued investment from other regions. While the US remains Europe's largest single external source of FDI, its relative importance has diminished over time, reflecting changing global investment priorities. This rebalancing has become more pronounced in recent years.

... while the US also remains the UK's biggest investor, despite falling US projects across Europe and geopolitical headwinds

As at the European level, the United States remained the largest single investor into the UK in 2025, continuing a long-standing pattern that reflects the strong historical ties between the two economies and the similar, services-led nature of their investment profiles. In 2025 the US continued to account for a significant share of all UK projects, at 24.5%, compared to an 18.8% share of all European projects.

However, again in common with the pattern seen across Europe, US-originated projects into the UK have continued to trend downwards from their post-pandemic high point. This ongoing decline raises questions over whether the UK's strong historic dependence on US investment represents a continued strength – or a potential vulnerability in a changing global investment landscape.

India remains the UK's second biggest origin, with project flows from Europe and Commonwealth countries growing in importance ...

After the US with 179 projects, down from 202 in 2024, the next four largest origins of investments into the UK in 2025 were India (71 projects), France (56 projects), Germany (37 projects) and Ireland (37 projects). Of these origins, only France recorded an increase on 2024, while investments from Germany declined. India has now been the UK's second-largest origin of projects after the US for five consecutive years, underlining the importance of the UK-India investment relationship.

An analysis of the UK's share of all European projects by country of origin provides further insights into the UK's evolving global FDI relationships. In 2025, the UK remained Europe's leading recipient of Indian investment, securing 46.4% of all Indian projects into Europe. The UK also continued to perform strongly in attracting investment from Australia, capturing 46.3% of Australian projects into Europe, and from Ireland, where the UK accounted for 37.0% of European projects, broadly in line with recent years.

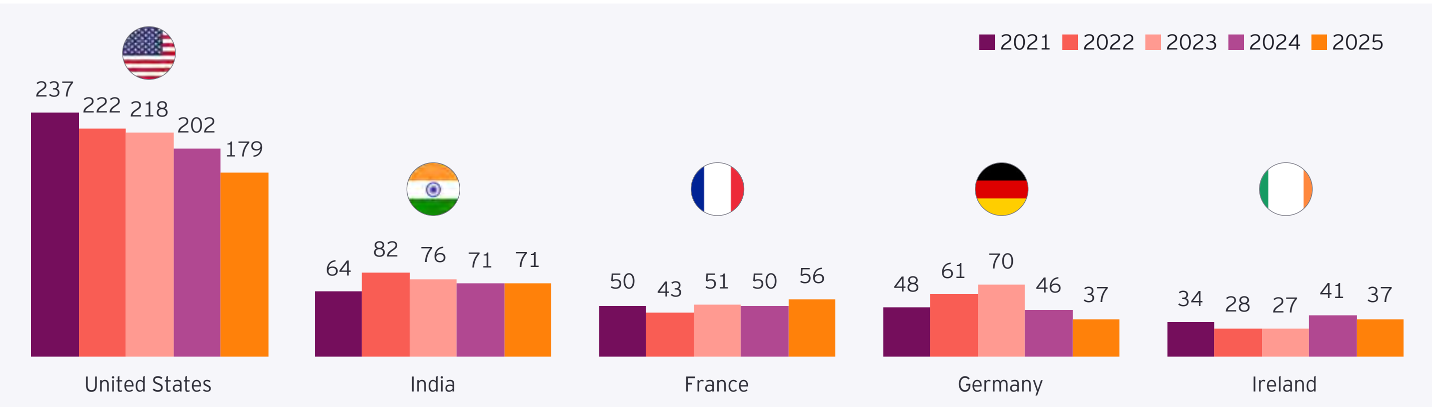
At the same time, the UK was again among the leading European destinations for investments from a range of other origins in 2025, including France (19.0% of European projects), Norway (15.6%) and Singapore (16.7%). The UK also attracted a notable share of European projects originating from Poland, accounting for 13.9% of the total.

… but the UK's European share of projects from some origins – including China – could ideally be higher

Less positively, the UK's share of projects from some other origins still appears relatively weak. Historically, the UK has secured a relatively high share of European projects from Commonwealth nations, and this broadly remained the case in 2025. Canada, however, again stood out as an exception. During the year, the UK secured 26 Canadian-originated projects, representing 23.4% of all Canadian investments into Europe, below the UK's recent average, with France remaining the leading European recipient of Canadian-originated projects.

The UK also continues to secure a relatively small share of European projects from China. While China remained one of the largest origins of investments into Europe in 2025, it ranked only in mid-table among project origins into the UK – with the UK securing only 6.9% of all Chinese FDI projects in Europe, well below its recent historical average. As in previous years, Germany remained Europe's leading recipient of Chinese-originated FDI projects. Japan also remains a stable source of investment for the UK, representing its eighth largest country by investment volume and 10% of all investments into the UK.

Figure 18: The UK's top five countries of origin in 2025, with their project numbers from 2021–2025



Source: EY European Investment Monitor (EIM), 2021-2025

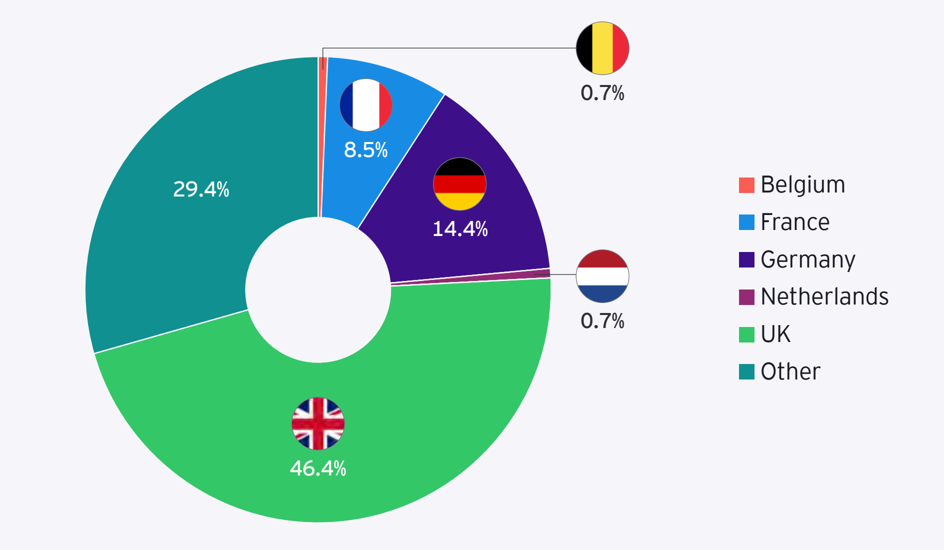
Figure 19: Comparison table of origins (top 10) of investment into Europe vs. the UK by lead destination, 2025

Rank 2025	Country of origin	Lead destination country in Europe
1	United States	UK
2	Germany	France
3	United Kingdom	France
4	France	UK
5	China	Germany
6	Switzerland	France
7	Japan	France
8	Italy	France
9	Netherlands	France
10	India	UK

Rank 2025	Country of origin	Lead destination country in Europe
1	United States	UK
2	India	UK
3	France	UK
4	Germany	France
5	Ireland	UK
6	Canada	France
7	Australia	UK
8	Japan	France
9	Netherlands	France
10	Sweden	Finland / UK

Source: EY European Investment Monitor (EIM), 2025

Figure 20: Top five destinations for Indian investments into Europe by market share, 2016–2025



Source: EY European Investment Monitor (EIM), 2016-2025

UK outbound FDI flows are focusing on Europe – with overall outbound investment returning closer to pre-Brexit levels

In 2025, the UK remained the third-largest origin of cross-border investments across Europe, initiating 360 projects, a modest decline from 379 projects in 2024. Following a sharp increase after the 2016 Brexit referendum, as firms sought to establish or reinforce operations within the Single Market, UK outbound activity now appears to have stabilised at a lower level, with outbound investments in 2025 close to the number recorded in 2016.

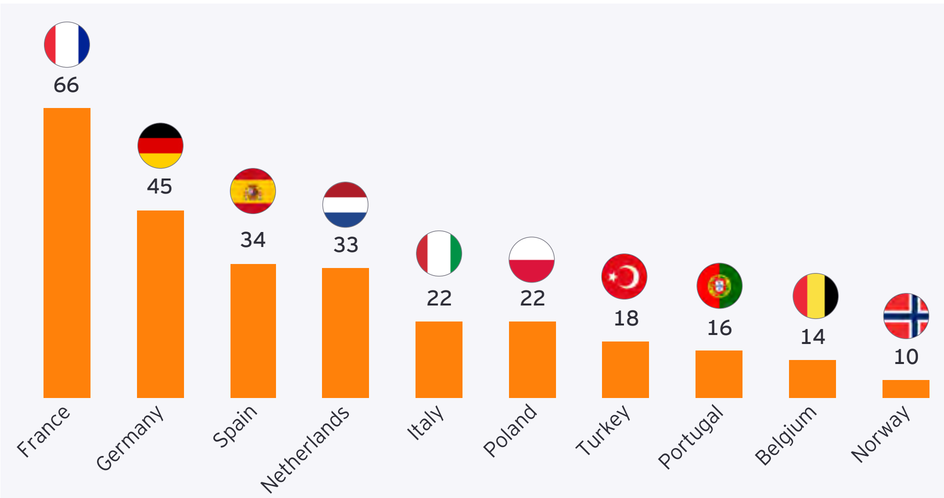
France continued to attract the largest number of UK investment projects into Europe, securing 66 UK outbound projects, accounting for 18.3% of all UK outward investment projects in Europe. Germany remained in second place with 45 UK projects, broadly stable compared with recent years.

Taken together, UK inbound and outbound investment flows continue to underline the close bilateral FDI relationship between the UK and its closest European trading partners. As well as being the leading European destination for UK outbound investment in 2025, France also continued to rank among the largest European origins of projects into the UK. By contrast, investment flows between the UK and Germany remained weaker in both directions, reflecting a more pronounced slowdown in bilateral investment activity between the two countries This is most pronounced in the automotive sector where outbound investment by Germany was down 24% year on year. This appears to reflect growing pressure on margins and revenue, driven by rising production (particularly energy) costs, weaker demand in China and intensifying global competition.

Figure 21: Trend in UK outbound projects, 2016–2025

Source: EY European Investment Monitor (EIM), 2016-2025

Figure 22: Top destinations of UK outbound investment, 2025



Source: EY European Investment Monitor (EIM), 2025

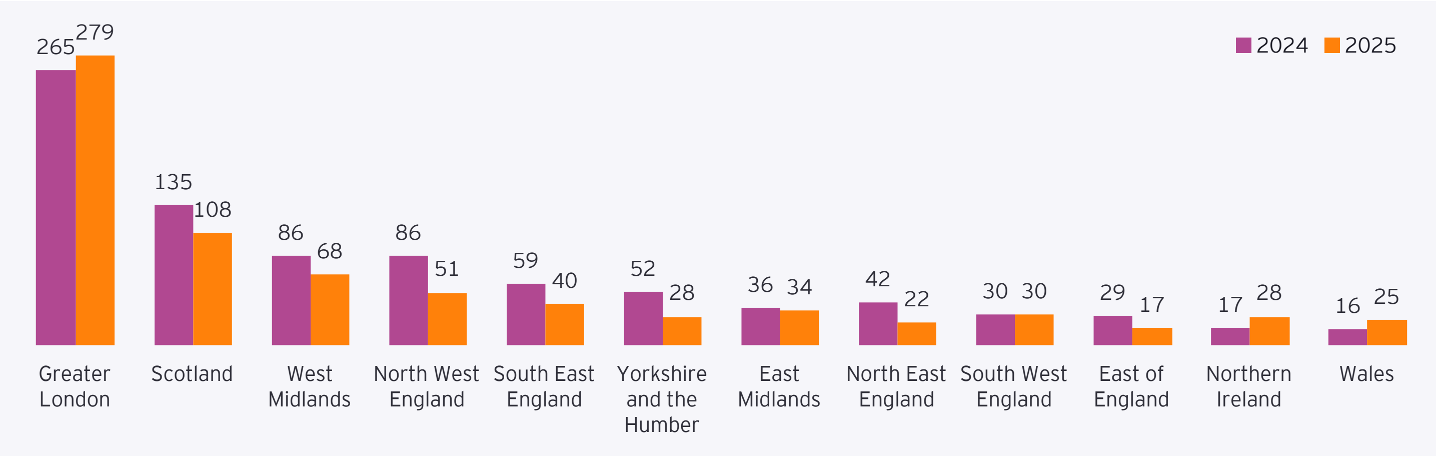
UK regional performance: FDI in the English regions took a hit in 2025, while London recorded a modest rise in projects, with Wales and Northern Ireland also gaining ground ...

As in every year since EY EIM began recording FDI projects in 1987, London secured the highest number of projects of any UK region or devolved administration in 2025, recording 279 projects, up marginally from 265 the previous year. However, this small increase followed a sharp downturn in 2024, continuing the volatility seen in London-based investment activity in recent years. While London remains the UK's economic powerhouse, its heavy concentration of internationally mobile, services-led investments is double-edged – meaning it is both exposed to economic uncertainty, but also competitively positioned to capitalise on the current macro conditions favouring less capital-intensive and labour-focused investments.

The UK's second-placed region for FDI projects in 2025 was Scotland, a position it has held consistently throughout the past decade. Scotland secured 108 projects during the year, a 20% decline compared with 2024. However, Scotland's 14.8% share of all UK projects secured in 2025 continued to exceed its decade-long average of 11.9%, underlining the strength of its differentiated sectoral proposition and the effectiveness of its investment support ecosystem, including agencies such as Scottish Enterprise.

The project ranking for UK regions in 2025 again reflected the more competitive landscape beyond London and Scotland. The West Midlands was placed third with 68 projects, followed by North West England with 51. While both regions recorded lower project volumes than in 2024, a longer-term perspective shows that they continue to perform at similar levels relative to their historic position, supported by clear sectoral specialisms, active Combined Authorities and strong mayoral leadership. However, the overall picture across the UK was mixed: while Northern Ireland and Wales recorded increases in projects, the only area of England outside London to avoid a decline was the South West, unchanged on 30 projects. The headwinds at a regional level reflect the downward shift in activities which have historically had a larger composition outside of London such as manufacturing and in sectors such as automotive and chemicals.

Figure 23: Projects across all UK regions, 2024–2025



Source: EY European Investment Monitor (EIM), 2024-2025

Figure 24: Top 15 European regions by FDI projects in 2025 – ranking, number of projects and jobs, and change 2025 vs. 2024

Rank	Region	Projects in 2025	Projects in 2024	Change 2025 vs. 2024	Sum of jobs creation
1	Greater London	279	265	5.3%	8,030
2	Île-de-France	233	258	-9.7%	5,492
3	North Rhine-Westphalia	160	180	-11.1%	2,842
4	Auvergne-Rhône-Alpes	137	146	-6.2%	5,332
5	Flemish Region	125	137	-8.8%	4,837
6	Bavaria	113	124	-8.9%	2,459
7	Catalonia	109	107	1.9%	4,020
8	Scotland	108	135	-20.0%	3,190
9	Grande Lisboa	103	93	10.8%	4,130
10	Istanbul Region	98	82	19.5%	4,030
11	East Marmara Region	91	78	16.7%	5,577
12	Lombardy	90	116	-22.4%	2,667
13	Grand Est	88	91	-3.3%	2,505
14	Madrid	88	87	1.1%	2,968
15	Hauts-de-France	80	101	-20.8%	3,988
	All others	3,124	3,383	-7.7%	140,119
	Total	**5,026**	**5,383**	**-6.6%**	**202,186**

Source: EY European Investment Monitor (EIM), 2024-2025

... and while UK employment from FDI fell in absolute terms in 2025, there were strong gains reported in the North West, Northern Ireland and Wales

Turning to employment creation from FDI in 2025, London again ranked first in the UK, although the number of new jobs generated by London projects declined. During the year, London recorded 8,030 new roles, down from 10,102 in 2024, a fall of 20.5%.

The West Midlands (4,480 jobs) and Scotland (3,190 jobs) ranked second and third respectively in the UK for FDI-related employment creation in 2025. In both cases, however, employment creation was lower than in 2024. By contrast, job creation from FDI remained relatively strong in Northern Ireland, North West England and Wales. The North West recorded 3,161 jobs in 2025, while Northern Ireland secured 1,903 jobs, putting both areas in the UK's top five performers on FDI employment. Wales also performed well, seeing its FDI jobs rise to 1,137 from 703.

Figure 25: UK FDI employment by regions and devolved administrations

Region	Employment 2024	Employment 2025	Proportion of jobs 2016-2025 (%)	Proportion of jobs 2025 (%)
Greater London	10,102	8,030	23.3	27.8
West Midlands	4,926	4,480	11.8	15.5
Scotland	4,330	3,190	12.2	11.1
North West England	2,755	3,161	9.3	11
Northern Ireland	371	1,903	3.5	6.6
South East England	3,064	1,626	6.2	5.6
East Midlands	3,513	1,490	8.1	5.2
South West England	1,209	1,184	4.9	4.1
Yorkshire and the Humber	4,247	1,164	6.7	4
Wales	703	1,137	3.1	3.9
North East England	1,864	998	4.8	3.5
East of England	1,112	504	6.2	1.7

Source: EY European Investment Monitor (EIM), 2024-2025

FDI into cities outside London in 2025 was led by Manchester – with Edinburgh, Birmingham and Glasgow continuing to vie for second place

Manchester remained the leading UK city outside London for FDI projects in 2025, securing 31 projects. While this figure was down from the 44 projects Manchester recorded in 2024, it meant it retained its position as the UK's top city location outside London, a position it has held in three of the past six years. While Manchester's sectoral composition has maintained a healthy diversity of investment which broadly mirrors the UK's leading sectors (software and IT services, business and professional services, and finance), those sectors which experienced a decline relative to previous years were construction, machinery and equipment, electronics, and metals and minerals. This is perhaps no surprise as 1. It mirrors the downturn of sectors experiencing high input costs and 2. Is the same trendline experienced by sectors across the UK and the rest of Europe. As such, this should not be interpretated as a standalone decline in Manchester – but rather part of a larger story of cyclical forces within a structurally lower investment landscape.

Scotland once again punched above its weight in terms of FDI cities in 2025, with two representatives in the UK's top four. Edinburgh reclaimed its position as Scotland's leading city, securing 30 projects, ahead of Glasgow, which recorded 23. These project numbers placed Edinburgh as the second-largest city destination outside London in 2025, followed by Birmingham, which secured 26 projects, up by two on 2024.

Aberdeen, the third Scottish city to consistently feature in the ranking, slipped to joint 11th in 2025 with five projects, down from 12 in 2024. Although Aberdeen remains a notable recipient of FDI relative to its size, the decline reflected the ongoing challenges facing the city's Oil & Gas industry.

Figure 26: Leading recipient cities of FDI outside London, 2021-2025

Rank	City	2021	2022	2023	2024	2025
1	Manchester	33	45	36	44	31
2	Edinburgh	31	38	32	24	30
3	Birmingham	20	32	70	24	26
4	Glasgow	23	20	24	27	23
5	Belfast	24	15	10	7	16
6	Newcastle upon Tyne	6	11	11	13	11
=7	Cardiff	8	9	9	2	9
=7	Leeds	16	15	16	16	9
=7	Warwick	13	11	22	6	9
10	Nottingham	3	5	3	4	7
=11	Aberdeen	14	15	13	12	5
=11	Bristol	19	13	17	6	5
=11	Coventry	6	4	10	9	5
=11	Derby	4	7	4	2	5
=11	Leicester	2	7	7	3	5
=11	Telford	1	5	–	7	5
=17	Sunderland	4	5	4	5	4
=17	Swindon	5	3	5	1	4

Source: EY European Investment Monitor (EIM), 2021-2025

Investor perceptions of the UK today: strong fundamentals tempered by concerns on energy costs, policy direction and economic uncertainty

When we asked executives to identify the most attractive investment location in Europe in 2026, their responses suggested that perceptions of Europe's leading FDI destinations have stabilised following a sharp deterioration the previous year. The relative attractiveness of France, Germany and the UK — Europe's three largest 'countries of choice' — remained broadly unchanged, with all three registering similar scores to 2025 rather than continuing the steep declines seen earlier in the decade.

The UK put in a robust performance, moving up to joint second alongside Germany with 31% of respondents identifying it as Europe's most attractive destination in 2026. While this represents a significant uptick from the UK's score of 24% in 2025, it's still well below the 44% recorded in 2022, confirming a marked structural fall in its perceived attractiveness since the post-pandemic peak. However, the absence of a further decline in 2026 suggests that perceptions of the UK — and indeed of Europe more generally — may be starting to normalise around a steady state rather than deteriorate further.

Europe and the UK remain attractive to investors amid short-term uncertainty, but doubts are persistent in the investor outlook ...

It is important to view perceptions of the UK and Europe's attractiveness within the context of relative economic performance. For the first time in our European-wide survey, executives identified the US as the most attractive global destination for inward investment. This shift reflects a sustained period of stronger economic momentum in the US, stretching back to the global financial crisis (GFC) and becoming more pronounced in the post-pandemic period.

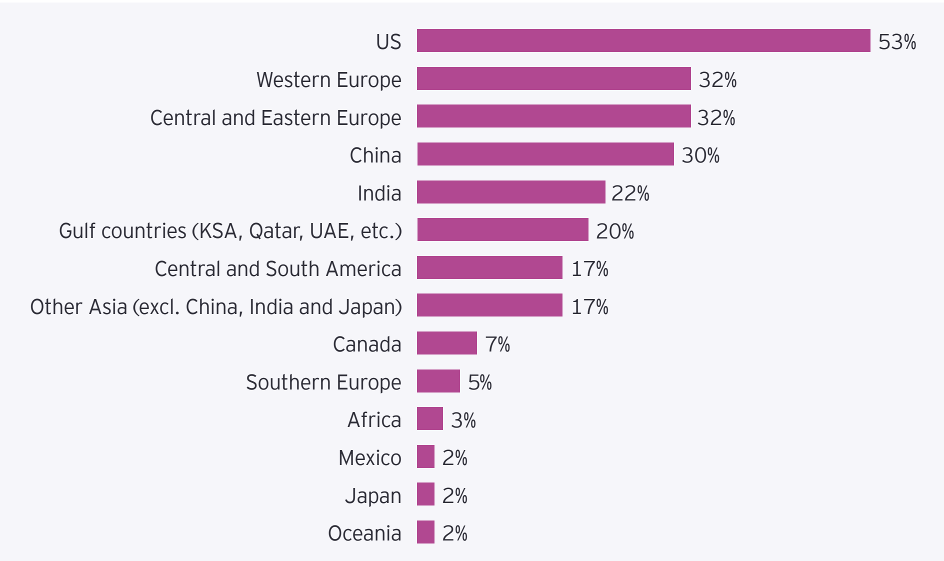
That said, the survey results also point to grounds for cautious optimism for both Europe and the UK. Looking ahead, 60% of respondents expect Europe's attractiveness to improve over the coming three years, while 58% say the same for the UK. These expectations remain roughly on a par with the US (60%), while positive forward-sentiment towards China has slipped to 50%, a similar level to the major European economies. These shifts underline the extent to which perceptions of future investment attractiveness continue to be shaped by relative growth prospects and policy environments across the major global economies.

Figure 27: Which European countries will be most attractive for foreign investment in 2026? (Top 3)

Most attractive (%)	2022	2023	2024	2025	2026
France	47%	49%	34%	35%	38%
UK	44%	32%	25%	24%	31%
Germany	42%	62%	29%	26%	31%

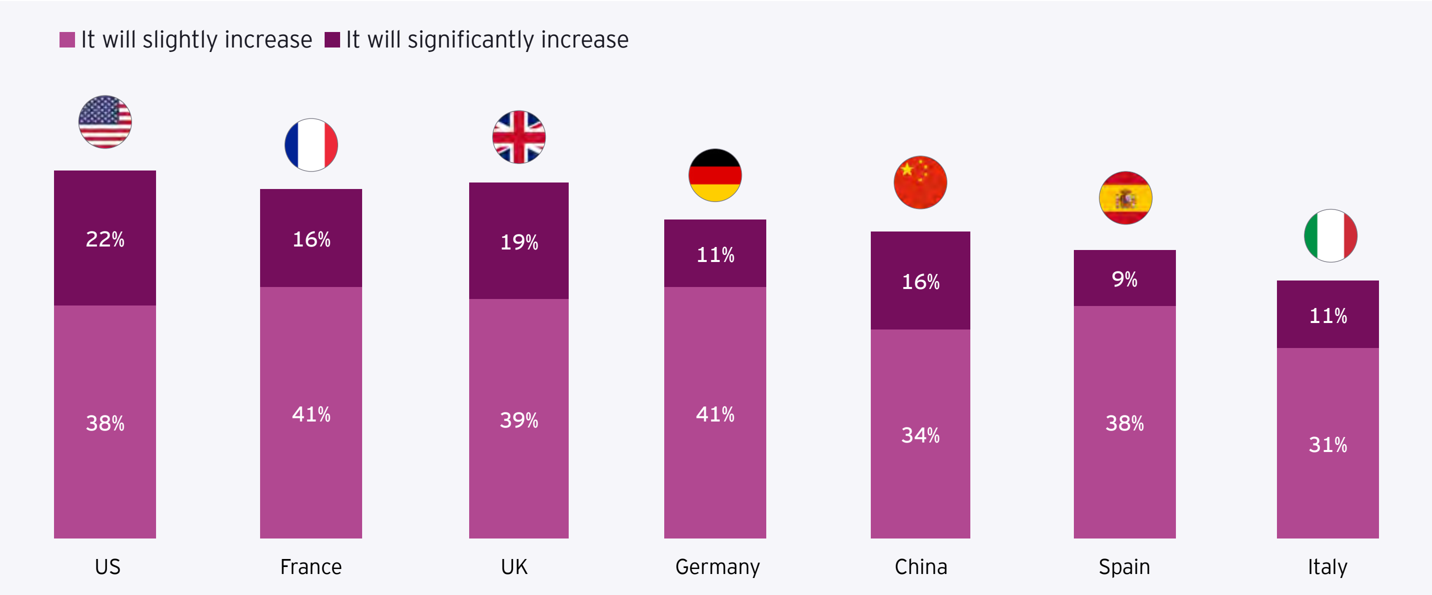
Source: EY UK Attractiveness Survey 2022-2026

Figure 28: To which countries or regions did you redirect your investment plans?



Source: EY European Attractiveness Survey 2026

Figure 29: How do you expect the attractiveness of these geographies to evolve over the next three years?

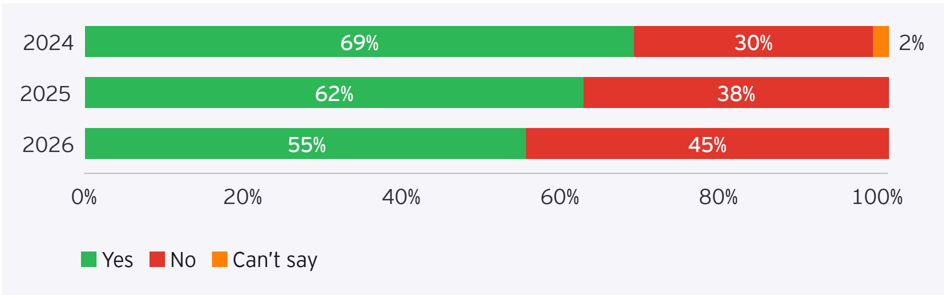


Source: EY European Attractiveness Survey 2026

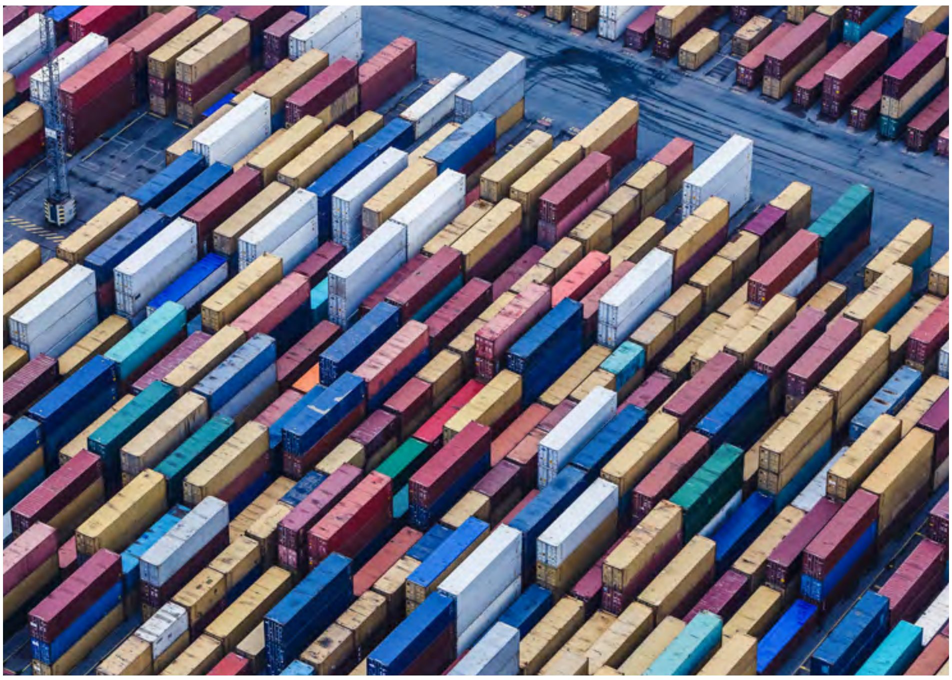
... and while a significant proportion of investors are still planning to invest in the UK in the coming year, this share is decreasing with each passing year ...

When C-suite respondents were asked whether they plan to establish or expand operations in the UK over the next year, 55% said yes. While this represents a seven-percentage-point fall on the proportion in 2025, it comes in the wake of the exceptionally high 69% recorded in the 2024 survey, which was the highest level ever captured in this research. However, the downward trend over the past three years is palpable, giving clear cause for concern.

Figure 30: Does your company have plans to establish or expand operations in the UK over the next year?



Source: EY UK Attractiveness Survey 2024-2026



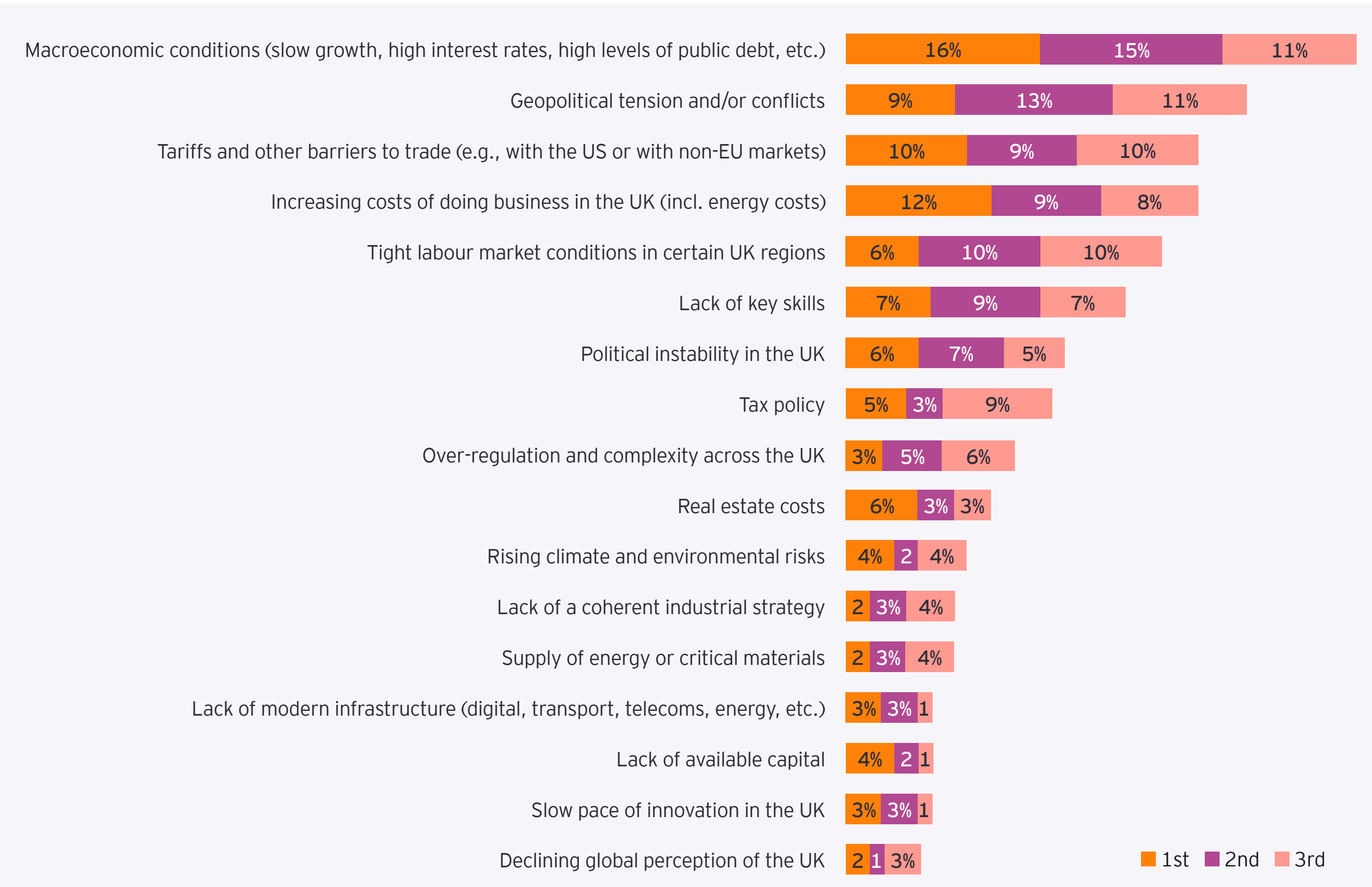
... reflecting investors' embedded concerns about the UK's attractiveness, centring on its macroeconomic prospects and increased input costs for businesses

When we asked investors about their medium-term expectations for the UK's attractiveness, the aggregate highest risk factor they cited – measured by combining the risks they ranked in their top three – was macroeconomic conditions (42%). Since the pandemic, the UK – in common with Western Europe – has struggled for growth in the face of higher inflation and interest rates. More recently, the external environment, characterised by factors such as geopolitical uncertainty, conflict in the Middle East, and oil price shocks, has intensified the economic challenges, meaning it's little surprise that the next biggest perceived risk (a combined 33%) was geopolitical tension and conflict, with the tariffs and other barriers to trade ranking third.

However, moving beyond these external factors, investors then cite some more structural challenges the UK economy faces. In particular, the cost of doing business (such as energy costs) features prominently at a combined 29%, alongside a tight labour market and lack of skills within the labour pipeline. The UK Government has continued to openly prioritise economic growth, and its policy announcements around infrastructure (such as the Nuclear Regulatory Review) and reforming planning rules should help to address at least some of these concerns. However, the fiscal position remains challenging, and the external environment – where UK policymakers have less direct influence – is also not helpful.

Since the pandemic, the UK – in common with Western Europe – has struggled for growth in the face of higher inflation and interest rates.

Figure 31: What are the three main risks affecting UK's attractiveness over the next three years?



Source: EY UK Attractiveness Survey 2026

Future expectations: investors' opinions on barriers and drivers in the UK economy can help refine policy

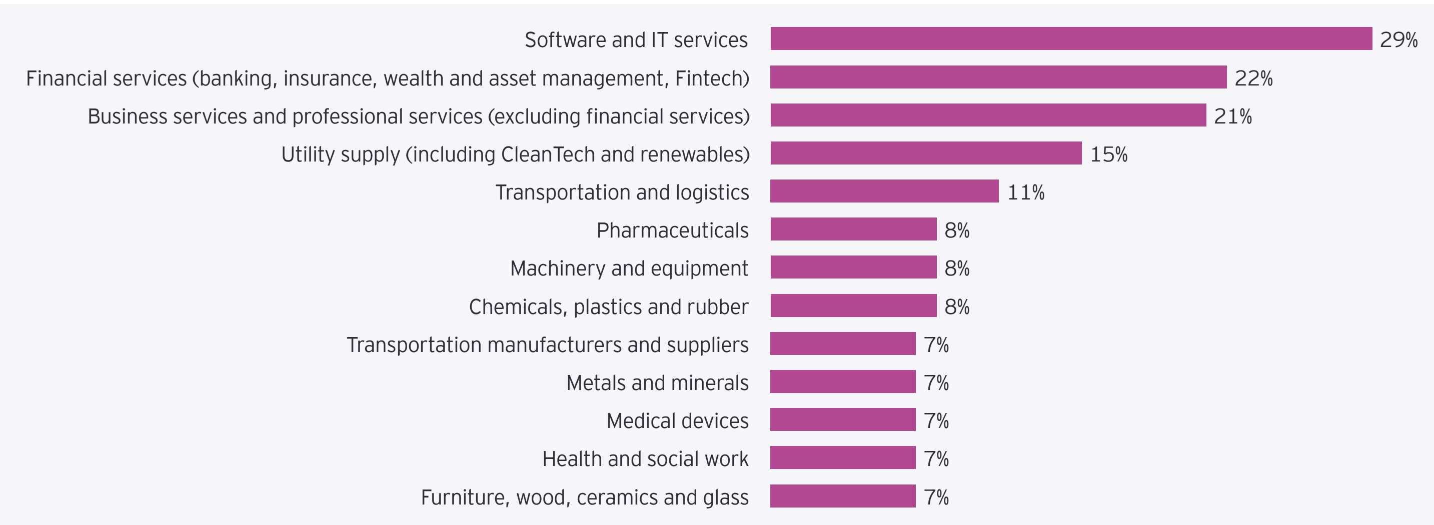
Taken together, our analysis of FDI outcomes in 2025 and 2026 survey of investors' future priorities provides a clear steer for policy thinking. The UK continues to be seen by investors as having distinct areas of comparative advantage, with technology-related activities, financial services, and business and professional services consistently identified as the sectors most likely to drive future growth.

Software & IT services emerged as the leading sector in net terms as a future driver of UK growth, with 29% of respondents ranking it in the top two, although this represents a decline from 39% in 2024. This sector was followed by business and professional services (22%) and financial services (21%), both of which remain closely linked to the UK's role as a global services hub and to London's position as one of Europe's most attractive FDI locations.

The UK's continued ability to secure a significant share of European investment in these sectors represents an important asset, with the country's core services-led strengths providing a solid foundation on which future growth can be built. In recent years, when investors have been deterred from committing to much higher levels of capital intensity due to the longer-term cost of such investments, the UK's foundation of services-led growth has been instrumental in retaining a large share of investment in Europe.

The UK continues to be seen by investors as having distinct areas of comparative advantage ...

Figure 32: Rank the top two business sectors that you expect to drive the UK's growth in the coming years (Top 10)



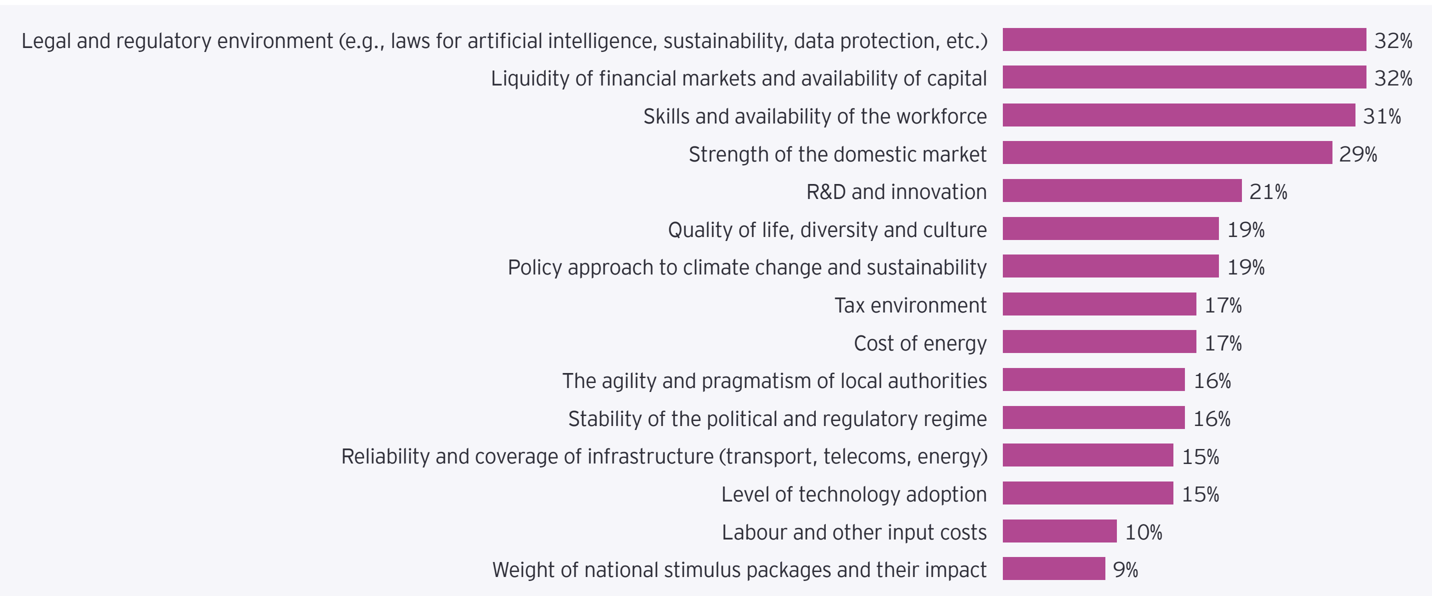
Source: EY UK Attractiveness Survey 2026

Legal stability, deep liquidity, and a highly skilled workforce remain the UK’s strongest selling points for investors ...

The UK’s long-standing structural strengths remain central to its attractiveness. Ranked joint first are the stability and credibility of the UK’s legal and regulatory framework (32%), and the depth, liquidity and scale of its capital markets (also 32%), which provide investors with reliable and efficient access to finance. These attributes continue to be rated more highly for the UK than for many competing locations, reinforcing a defining element of the UK’s investment proposition: investors are drawn to the UK because they can access capital in a predictable, transparent and business-friendly environment.

These financial strengths are reinforced by a wider set of attributes that investors continue to value highly, including access to skilled talent and specialist capabilities (31%), the strength and size of the domestic market (29%) and its established strengths in innovation and research-led activity (21%). Taken together, these factors form a resilient core to the UK’s competitiveness, even as global investment conditions remain challenging.

Figure 33: Which factors are the most important when choosing to invest in the UK?



Source: EY UK Attractiveness Survey 2026

… but despite enduring strengths, the UK's relative competitiveness is constrained by high energy costs — the most common concern — along with political instability and labour costs

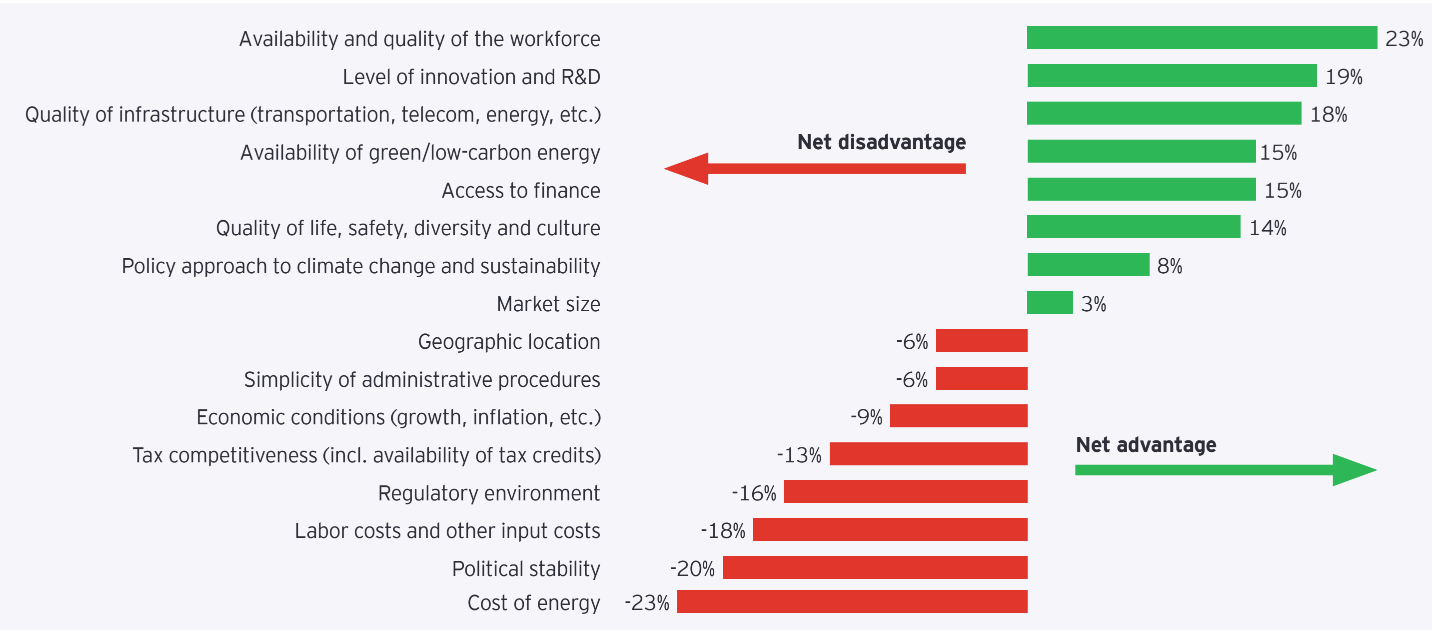
Our survey findings also highlight clear perceived weaknesses in the UK's investment proposition. High energy costs were most commonly cited as an issue for investors, closely followed by the lack of political stability. This year has also seen the recurring themes of labour market input costs, tax competitiveness, and economic conditions reappear as net-negative issues.

Despite the overhanging uncertainty, the UK continues to be widely recognised for its deep pool of highly skilled and technically capable labour (a net +23%) with one-third of respondents listing this as an advantage. The response on levels of innovation and R&D is also strongly positive. However, the UK's strong reputation in these areas does not fully offset investors' frustration with a tight labour market and upward cost pressures, especially for internationally mobile and cost-sensitive investment projects.

Taken in isolation, many of the themes emerging from the survey remain broadly positive for the UK, reflecting its enduring structural strengths. However, when the areas showing the largest net declines in attractiveness — notably the cost of energy, and political stability — are considered alongside other decision drivers related to tax competitiveness and input costs, warning-bells start to ring. The findings suggest a need for policy action on major supply-side issues and at the political level in order to prevent negative perceptions from becoming more deeply embedded, particularly in sectors where investment decisions are finely balanced and highly sensitive to cost.

… the UK continues to be widely recognised for its deep pool of highly skilled and technically capable labour …

Figure 34: In which of the following areas does the UK have the greatest advantage and disadvantage as an investment destination compared with other locations?



Source: EY UK Attractiveness Survey 2026

With new technology — especially AI — rising up investors' agenda, they see the UK as offering a highly skilled and competitive workforce combined with strong data protection standards ...

A further theme of our perception findings is that — unsurprisingly — investors' focus on new technology, artificial intelligence and competitiveness is continuing to intensify, with respondents pointing to several areas where the UK performs strongly relative to other FDI destinations. The UK is seen as outperforming competitors on several measures, most notably a strict regulatory approach to data protection (59% positive). In the tech labour market, the availability of a highly skilled workforce (57%) is another attribute that attracts a high rating for the UK. Investors also highlight the UK's dense ecosystem of start-ups and research institutions (53%), reflecting close links between industry and higher education, alongside the right environment for AI investment and uptake by the population (48%), representing an important cultural fit and demand-side benefit to investing in the UK's AI landscape.

However, the survey also reveals a number of areas where the UK is not perceived to have a clear edge, and where a degree of dissatisfaction persists. In particular, access to venture capital and seed funding remains an ongoing concern (similar to last year), with 15% of respondents rating the UK as worse than other countries. While investors recognise that the UK attracts entrepreneurs through its skills base and innovation capability, many continue to highlight the difficulty of bridging the gap between start-up and scale-up, especially for smaller, high-growth firms. There are also rumbling concerns among some investors that the speed, uptake and deployment of AI by government may be too slow and reactive — whether it is for use in national security (15% rate the UK as worse than other countries), protection of IP (15%), or support from regulatory authorities in driving the digital agenda (14%).

In light of such findings, the UK Government's new Sovereign AI initiative has the potential to play an important enabling role. By focusing on domestic compute capacity, trusted data infrastructure and the mobilisation of long-term capital, the initiative speaks directly to investors' concerns around the operational foundations required to scale advanced technology businesses in the UK. If effectively implemented, it could help to strengthen confidence that the UK can not only generate world-class AI innovation, but also retain and scale it domestically, narrowing the gap between start-up formation and large-scale commercial deployment.

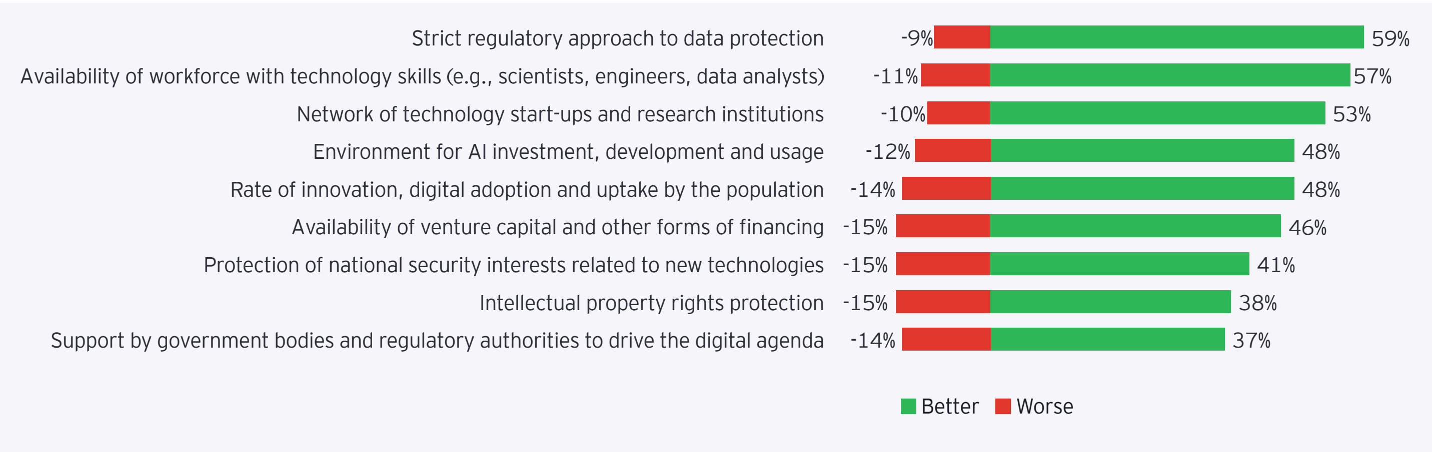
... opening up opportunities for the UK to improve tech startups' access to capital, invest in tech infrastructure, and nurture tech skills

More broadly, the views expressed by investors reflect a long-standing challenge in the UK's financial ecosystem: larger companies are typically able to access capital through traditional bank lending or public markets, while smaller firms face tighter constraints, shaped in part by post-financial crisis regulation and a more risk-averse lending environment.

Encouragingly, a year-on-year comparison between 2025 and 2026 suggests a modest improvement in perceptions of the UK's attractiveness for technology investment when it comes to access to capital. While concerns remain around early-stage funding, investors' views on how the UK should enhance its digital competitiveness are increasingly focused on improving the UK's tech skill base (39%), operational environment and underlying infrastructure (34%).

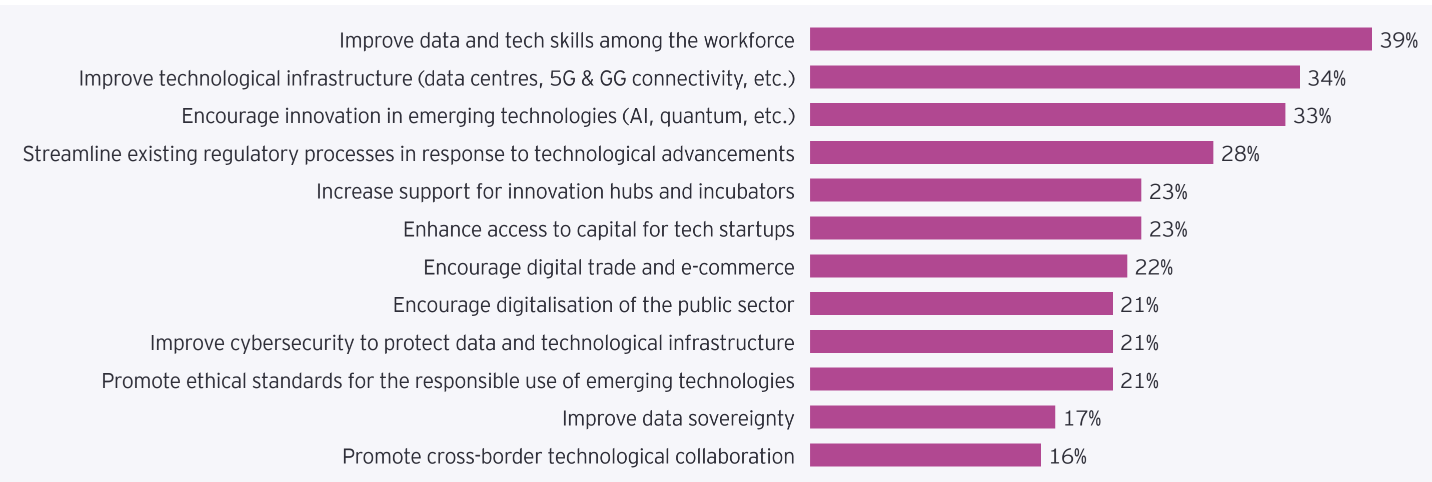
The speed of innovation and scaling in this domain is vast — and our findings underline both the size of the opportunity and the urgency of action. In a global context where US capital may increasingly be redirected domestically and the UK can rely less on American investors, there is a clear opportunity for the UK to strengthen its position by mobilising domestic capital more effectively, supporting technology scale-ups, and reinforcing the ecosystem that continues to attract investors and entrepreneurs in the first place.

Figure 35: Compared with other countries, where does the UK perform better with regard to the following technology-related factors?



Note: this chart will not tally to 100% as it excludes answers given on 'the same' to demonstrate positives and negatives succinctly. Source: EY UK Attractiveness Survey 2026

Figure 36: How should the UK improve its digital competitiveness?



Source: EY UK Attractiveness Survey 2026

4 Policy implications for business and government: what areas require attention to remain competitive?

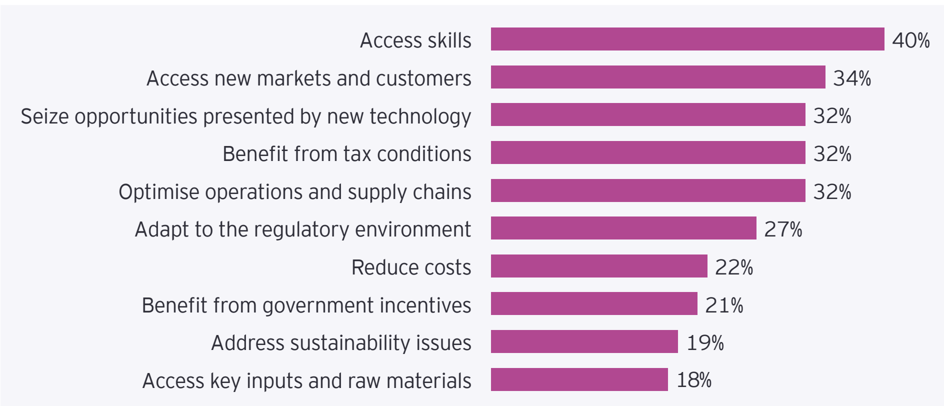
Against a background of persistent macro instability, investors into the UK are seeking longer-term certainty, lower input costs, and highly skilled workers to protect and grow their investments

Last year, we commented that the UK had an opportunity to re-establish its global reputation as a bastion of pragmatism and stability. While there have been some modest improvements in sentiment, it's safe to say that investors' perceptions haven't undergone a major sea-change. However, while investors clearly remain cautious, they continue to view the UK as a credible platform for both market access and operational expansion, positioning it as a potential source of resilience and long-term growth.

At its core, investment decision-making continues to reflect the fundamental reasons why overseas companies would choose to establish or expand operations in the UK: to access new markets and customers (34%), and secure critical capabilities such as talent (40%) and technology (32%). Comparing 2026 to 2025, we find that investors' mindset appears to have shifted away from capturing upside and optimising their operations, and towards accessing the labour market and finding new customers. This may reflect the gloomier macroeconomic mood relative to last year. Cost considerations also remain firmly on the agenda (22%), with investors continuing to factor operating costs into location decisions, even if these are rarely decisive in isolation. From our frequent engagement with investors, we know that investment decisions are shaped by a combination of strategic growth ambitions and pragmatic operational needs, rather than by any single factor alone.

These motivations point to the need for continued long-term, strategic policymaking focused on industrial capability, innovation and skills development, alongside the maintenance of a stable and predictable business environment in which investors can have confidence that their commitments will endure in the face of political change. At the same time, our research findings underline the continuing role of more reactive and short-term measures that could improve the UK's attractiveness on criteria such as on energy costs, taxation, targeted incentives, upskilling initiatives and regulatory clarity — all of which remain within government's direct control and don't require long-term planning horizons. The right combination of these measures can play an important role in fostering an overall environment that attracts cross-border investment to the UK, while serving to strengthen its investment proposition in an increasingly competitive global landscape.

Figure 37: What are the main reasons for establishing new or expanding existing operations in the UK?



Source: EY UK Attractiveness Survey 2026

To stay competitive, investors say the UK should provide more strategic support to key industries, while focusing on boosting skills, supporting SMEs and reducing energy costs ...

Investors' views on where the UK should target its efforts in order to compete globally have remained largely consistent across several years of our survey: their top response this year (once again) is government support for a concerted effort on an industrial strategy (36%), with a clear focus on policies aimed at driving growth in key strategic sectors. While the 'Invest 2035' green paper was published in October 2024, followed by the UK Industrial Strategy in June 2025, this remains investors' top response. This suggests that investors are less keen on knowing about the strategy itself — and more interested in seeing the implementation and follow-through of the targeted support to the strategic industries in scope.

One area of focus which has shot up investors' list of priorities is the need to develop, educate and teach the skills to facilitate investors' access to talent. This scored only 13% in 2025 but has leapt to 30% this year. This is likely to be partly a result of tightness in the labour market, but may also reflect the substantial disruption underway in innovative new sectors which require a steady stream of highly skilled workers to keep pace with demand.

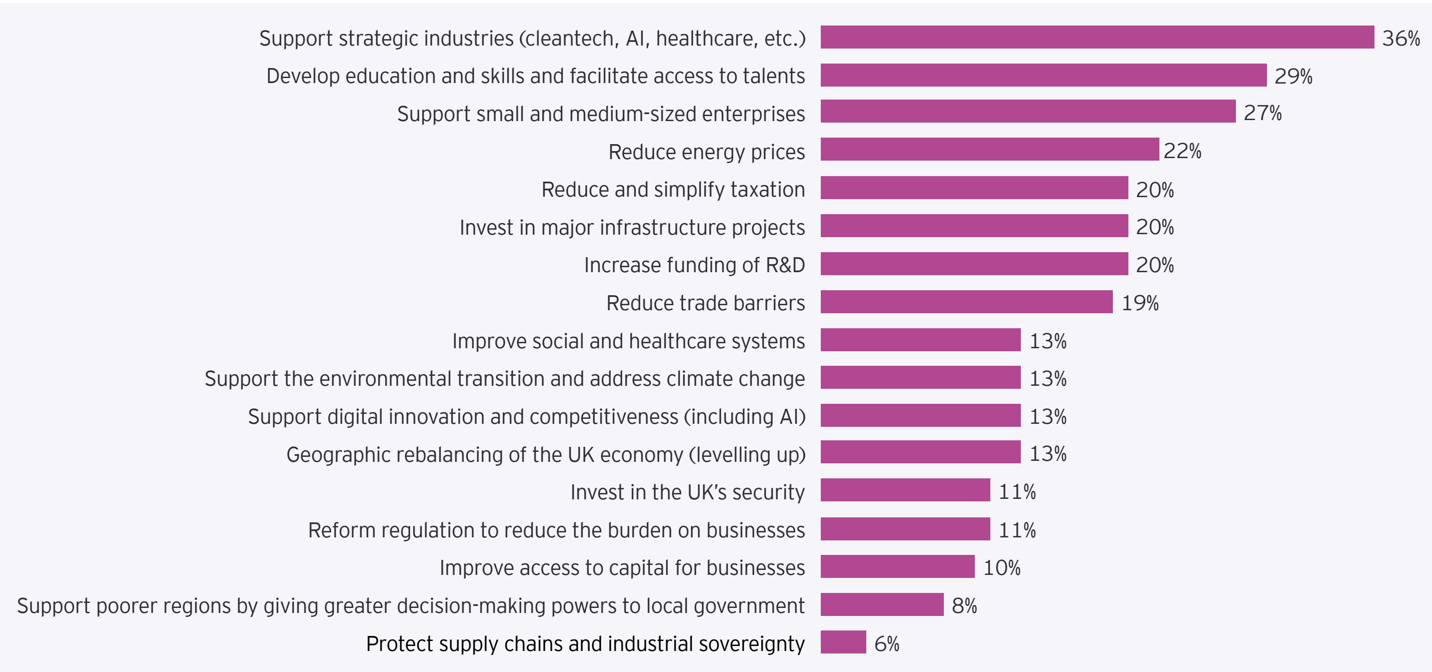
Regardless of how the question about UK competitiveness is phrased, investors always rate support for SMEs as one of the most important actions to address, cited by 27% overall this year. This finding reflects the pivotal role of smaller companies in spurring innovation and creating the industries of the future. Indeed, investors, recognise that most innovation happens in small start-ups, that SMEs comprise some of the most business-critical components of the supply chain, and that SMEs are critical to maintaining an ecosystem of investment.

Similar to last year's report – and ranked just beneath these priorities – is the strong call for action on energy prices, ranked in fourth place and cited by 22% of investors. Tellingly, this is also a dominant theme in several other aspects of our investor survey this year. The UK has some of the highest energy costs for businesses among advanced economies, with prices above European averages and International Energy Agency (IEA) benchmarks. The price of energy has become a direct competitiveness issue for the UK, and many of the leading sectors in the Industrial Strategy require cheaper energy to compete internationally – with these costs now having a growing influence on the location decisions for global capital.

Concern around investment into the UK's security has also been creeping up the ranking each year, and is closely connected to the cost of energy.

Alongside ongoing geopolitical uncertainty, the increasing policy focus on security reflects a more assertive response across Europe aimed at reshaping energy systems and strengthening industrial resilience. This evolving landscape has heightened the relative importance of energy considerations for the UK, where exposure to external price shocks remains significant. Building in resilience into our system is now a priority for investors as well as a security concern.

Figure 38: Where should the UK concentrate its efforts in order to maintain its competitive position in the global economy?



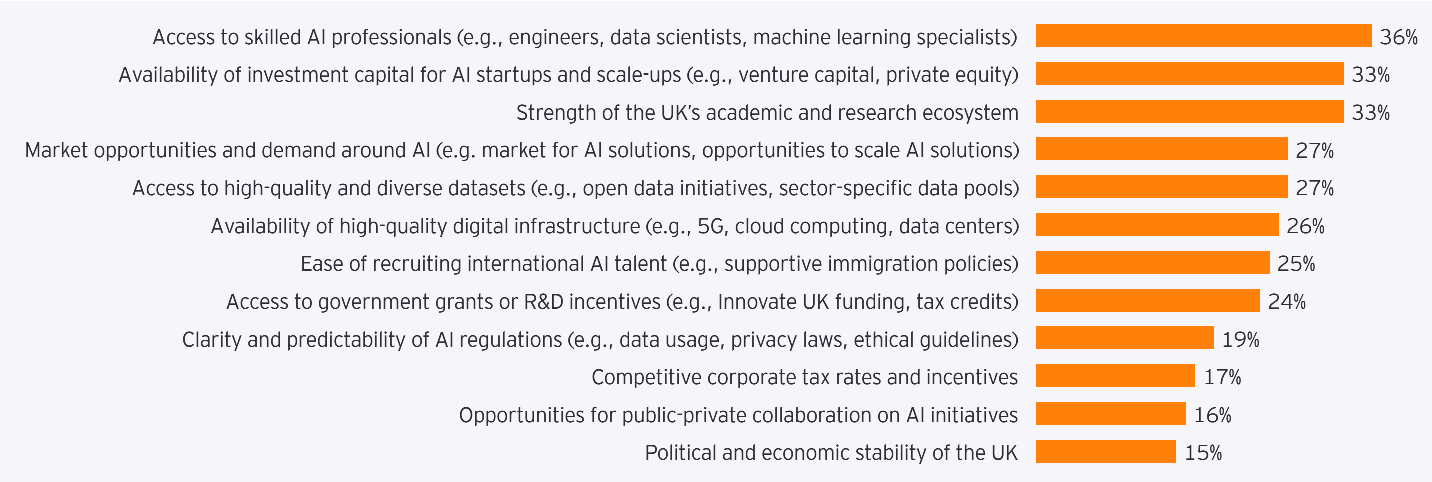
Source: EY UK Attractiveness Survey 2026

... and amid the global AI race, investors are steadily pivoting from the headhunt for top AI talent to an increased need for scalability, investment capital, and strong AI ecosystems

As investors continue to seek the upside from AI, it's little surprise that it ranks highly on the board agendas of a diverse range of companies considering investing in the UK. Happily, the UK has some significant strengths in this domain. For example, when investors were asked which factors would influence their decision to invest in AI activities in the UK, they pointed to a unique selling point for the country in how skilled our workforce is around AI, and our ability to provide the steady pipeline of talent needed to fuel the AI ecosystem (36%). While this factor attracted a lower rating than last year, it remains a major perceived advantage for the UK.

However, what has changed more markedly over the past year is the increased importance placed on investment capital and the opportunities for start-ups to scale, an attribute whose score has increased from 25% last year to 33% this year. This means it was deemed a more important factor than the ecosystem, the in-market demand, or the appeal of large high-quality datasets. It seems that investors have also become less transactional in looking for government grants or R&D incentives (down to 24% from 30% last year), perhaps reflecting not only the fiscally constrained macroeconomic environment, but also the fact that investors are placing a higher importance on the fundamentals relevant to investment than on marginal financial improvements.

Figure 39: What are the most significant factors influencing your company's decision to invest in AI research, development, and deployment in the UK?



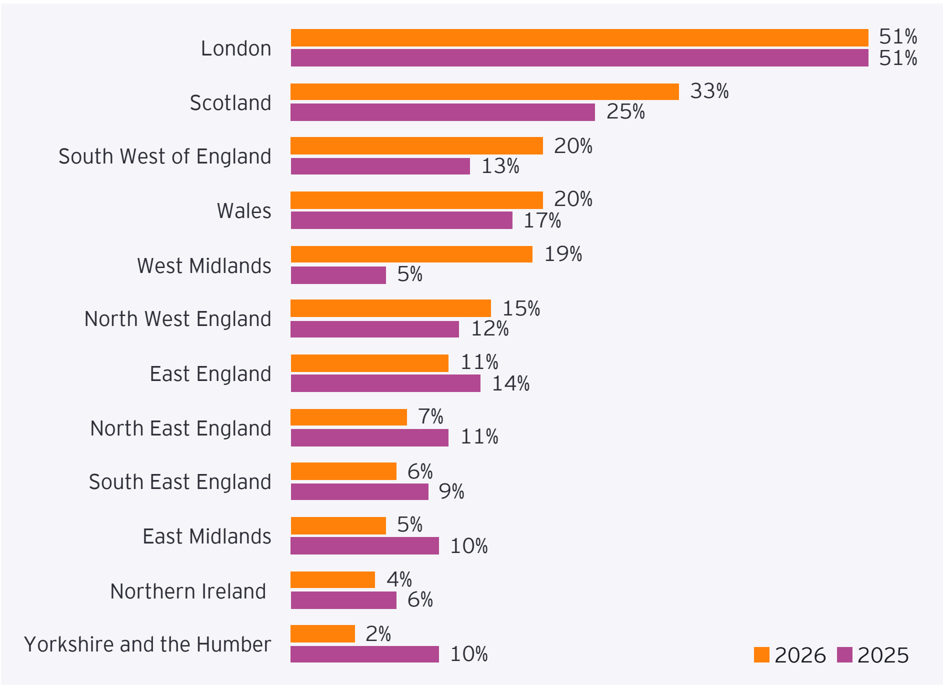
Source: EY UK Attractiveness Survey 2026

While investors remain consistently positive on investing in London, the UK's regions and nations have witnessed a re-balancing of investment intentions in 2026 ...

Looking at the regional breakdown of where investors are planning to invest within the UK, London has remained the UK's number one destination, cited as the target location by 51% for the second year running. This dominance is also reflected in London's relative FDI performance in 2025. Scotland continues to perform even more strongly as the second destination of choice in the UK (up to 33% from 25% last year), despite a dip in annual project volumes in 2025. However, when it comes to other areas of the UK, investors' perceptions appear to split most of the regions and nations down the middle – differentiating between some that are looking quite downbeat for the coming 12 months, and others that have seen some significant improvements in perception.

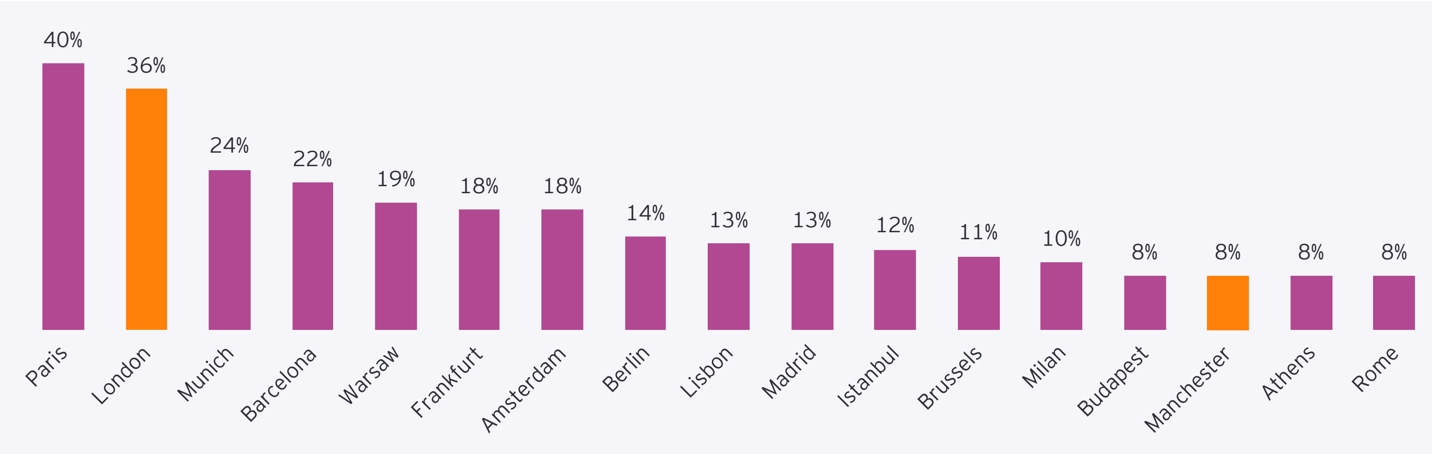
Alongside London (unchanged) and Scotland (up from 25% last year to 33%), those that have fared well in this regard in 2026 are the South West (up from 13% to 20%), Wales (up from 17% to 20%), the West Midlands (up from 5% to 19%) and the North West (up from 12% to 15%). All the other regions fell back. For those parts of the UK where perceptions have lagged this year, our findings indicate a strong need to connect investors more closely to their investment proposition, and link the overall offer to inward investors more clearly to the securing and delivery of projects.

Figure 40: In which parts of the UK are you planning to establish or expand operations in the next 12 months?



Source: EY UK Attractiveness Survey 2026

Figure 41: Which European cities will be most attractive for foreign investment in 2026? (Top 15)



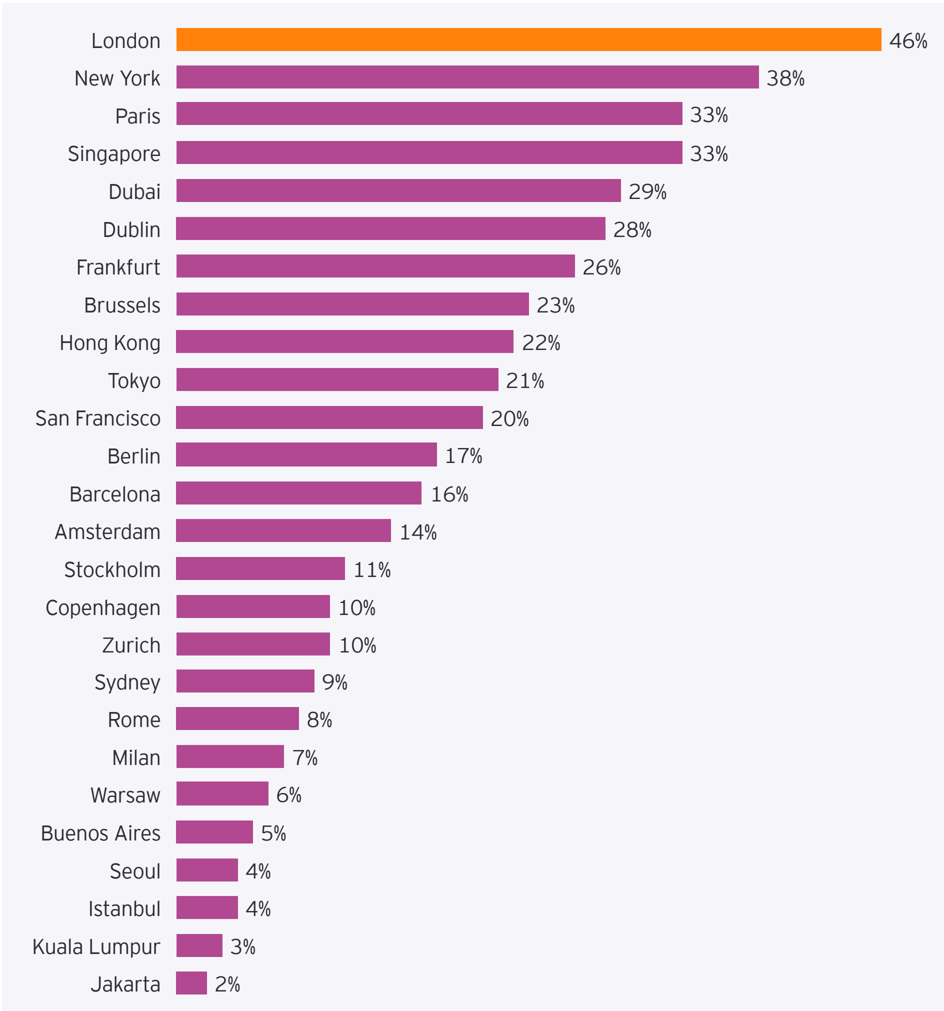
Source: EY UK Attractiveness Survey 2026

... and while Paris takes top spot for short-term sentiment within Europe, London – alongside New York and Paris – still leads on future attractiveness among global cities

This year, London lost its crown for current attractiveness with investors across Europe, coming second to Paris among European FDI cities. However, investors' views on the future attractiveness of cities worldwide still indicates that London remains globally dominant – with New York and Paris vying as competitors for this title. Also, we noted last year that Dubai and Dublin were surfacing as emergent global cities. Their rising status appears to have been reinforced and built upon this year, in spite of the conflict in the Middle East and subdued macroeconomic conditions in Europe.

Manchester – which has put in a strong performance in terms of sectoral diversity – has climbed into Europe's top 15 for perceived attractiveness and is now considered side-by-side with national capitals in peer European countries such as Rome, Athens, and Budapest. This puts Manchester in the rarefied company of non-capital cities ranked among the most attractive in Europe.

Figure 42: Which global cities are most attractive for foreign investment over the next three years?



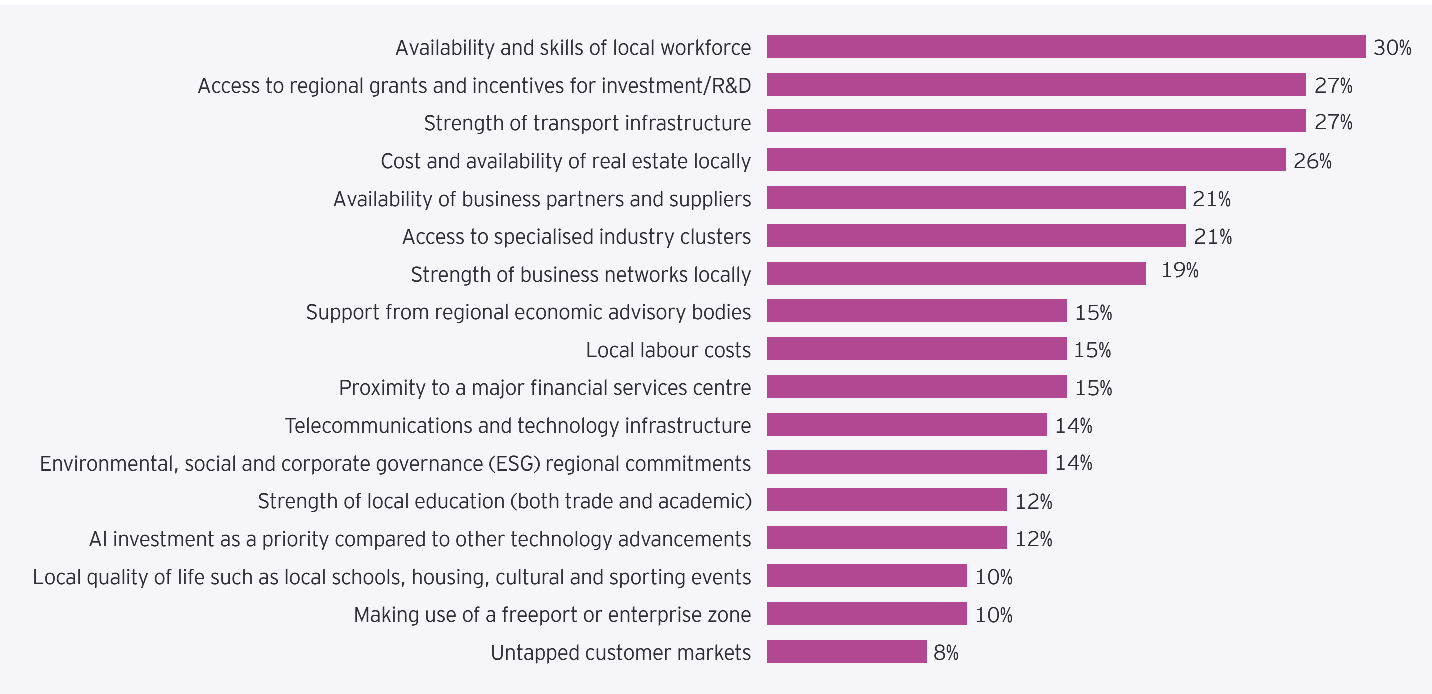
Source: EY UK Attractiveness Survey 2026

While financial incentives still play a role in regional investment decisions, the criteria have become less transactional and more about local skills and infrastructure

For investors looking to invest in UK locations outside London, access to grants and incentives has declined in significance, cited as a top consideration by 27% of investors in 2026 compared to 37% last year. This finding needs to be set against the backdrop of tight fiscal constraints on governments around Europe, and may simply reflect a tacit acceptance among investors that access to state funding is no longer a prevailing opportunity in most instances. At the same time, this year has seen the availability and skills of the local workforce become the dominant criterion for regional investment, albeit with the same 30% score as last year. This continued importance is likely to reflect a combination of a labour market that's being profoundly disrupted by technological advancements, higher levels of inactivity, and a protracted period when the demand for certain skills has been running hot.

In cases where the choice is between different regions of the UK, the strength and optionality of local transport infrastructure becomes a major component of investor due diligence. This factor has continued to increase in importance for investors considering the UK, rising to 27% from 21% last year. Cross-border investors don't tend to establish major capital-intensive investments or large numbers of jobs in difficult-to-reach locations, or in areas that are cut off from either cultural life for their workforce, the upsides from agglomeration effects, or the quicker pathway to scale available in well-connected locations. Within the UK's wider devolution agenda, this reality puts the onus on local policymakers to deliver services effectively, build a strong early due-diligence investor brand, and offer whatever incentives are feasible to gain greater traction with investors.

Figure 43: What are your investment criteria when considering investing in the regional locations outside of London in the UK?



Source: EY UK Attractiveness Survey 2026

Conclusion: tackling the constraints by harnessing proven strengths

It has been another difficult year for FDI into Europe and the UK, one in which weak growth, high costs and persistent geopolitical risk have combined to dampen corporate confidence and reduce the number of large, job-intensive projects. Across Europe, the investment slowdown is now clearly more than a cyclical wobble: it is increasingly shaped by structural forces ranging from higher and more volatile energy prices to tighter financial conditions, the re-ordering of global supply chains, and a more security-conscious world which is nervous about cross-border investment.

Against that backdrop, the UK's project performance in 2025 may be best described as resilient, but not yet secure. The UK retained its long standing position as one of Europe's leading destinations for projects, and it continued to outperform peers on measures that matter for economic impact, including remaining a leading destination for employment from FDI and for new (greenfield) projects. But headline project volumes fell once again. And the pattern of investment has tilted further towards service-led activity, while R&D, manufacturing and headquarters projects all weakened, mirroring the broader European retreat from larger strategic commitments.

More positively, the UK's overall attractiveness has improved from last year's low point, and its enduring fundamental strengths - deep capital markets, legal and regulatory credibility, and a highly skilled workforce - remain central to its appeal. Yet investors' underlying concerns have resurfaced repeatedly over the past few years: macroeconomic conditions and geopolitical tensions dominate perceived risks, and domestic cost pressures in energy and wider input costs are now among the most prominent drags on sentiment. In an intensely competitive global market, these perceptions matter – because they shape whether firms expand cautiously, delay decisions, or redirect capital elsewhere.

So, what should policymakers and business leaders take from this year's findings? In our view, three priorities stand out:

1

Compete for investment in a world of structurally lower flows by leaning into the UK's strengths and targeting strategic value

The UK is still winning a significant share of FDI into Europe - and investors continue to see software & IT services, business & professional services, and financial services as the sectors most likely to drive UK growth. This is a genuine advantage in an era when many companies prefer lower-capex, faster-to-deploy projects. But it also creates a strategic risk: if Europe's weakness in industrial and R&D investment persists, the long-term productivity dividend from FDI could erode. The UK therefore needs a sharper focus on where it can win high-value activity not just by volume, but by capability: the likes of defence investment, deep technology, life sciences, and the enabling ecosystems that anchor R&D and scale-up activity domestically.

2

Tackle the UK's cost and friction barriers – starting with energy, but extending to planning, skills and policy clarity

This year's sentiment among investors is unambiguous that cost competitiveness is moving from a "nice-to-have" to a deciding factor, particularly for capital-intensive sectors. Energy costs emerge repeatedly in our perception survey as a major negative for UK investment, and they have wide-ranging consequences in areas ranging from manufacturing viability to the credibility of broader industrial policy. Alongside lower energy costs, investors continue to emphasise the importance of a predictable policy environment, efficient regulation, and a pipeline of skilled labour. The message here is not that the UK lacks strengths (in fact, it has plenty); it is that those strengths are being discounted by investors when the operating environment feels expensive, uncertain or slow.

3

Strengthening regional offers around transport, skills and investable ecosystems

The regional story is one of mixed performance, with London holding up better (consistent with the UK's higher performance in service-led investment) while other parts of the UK felt a broader hit as more traditional and capital-intensive sectors lagged. But there are clear bright spots. The achievement of Manchester and the wider North West in becoming a leading city for projects outside London and a major contributor to regional job creation shows what is possible when city-regions combine sector strengths with delivery capacity and a clear proposition. Investors' criteria for choosing locations outside London are also shifting: rather than relying primarily on financial incentives, they are increasingly emphasising transport connectivity and workforce skills. These are areas where devolved and local leadership can move fastest and create tangible advantage. Place-based execution, with investable pipelines, joined-up infrastructure planning, and skills systems designed around high growth sectors, is a recipe for stronger regional investment.

Our call to action for bringing more investment to the UK

In a nutshell, the UK remains well-positioned, but its margin for error is shrinking. In a world where global investment is more cautious, more selective, and more shaped by security, cost and resilience, the winners will be those countries and regions that combine strong fundamentals with fast, credible delivery. The UK's foundational strengths – capital, capability, and an enduring reputation as a good place to do business – give it a stable footing. But going forward, converting that footing into a sustained advantage depends on execution: lowering the cost base, improving delivery speed, and backing high-value, productivity-enhancing investment across all nations and regions. That is the challenge ahead. The UK needs to rise to it.

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About the EY Attractiveness program

By examining the attractiveness of a particular region or country as an investment destination, the EY Attractiveness surveys are designed to help businesses make investment decisions and governments remove barriers to growth. A two-step methodology analyses both the reality and perception of FDI in the country or region. Findings are based on the views of representative panels of international and local opinion leaders and decision-makers. The program has a 25-year legacy and has produced in-depth studies for Europe, a large number of European countries, Africa, the Mediterranean region, India, Japan, South America, Turkey and Kazakhstan.

Visit ey.com/attractiveness for insights on how countries and regions are benchmarking their investment attractiveness.

The perceived attractiveness of the UK and its competitors by foreign investors

We explored the UK's perceived attractiveness via online surveys of international decision-makers. Field research was conducted by FT Longitude between 2 March and 3 April 2026, based on a representative panel of 400 international decision makers. The decision-makers were determined by the most recently available FDI data (2025). The research thus aims to get a representative sample of investors into the UK, by geography, industry grouping and size of company. We define the attractiveness of a location as a combination of image, investor confidence, and the perception of a country's or area's ability to provide the most competitive benefits for FDI.

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