

# South Central Europe attractiveness survey 2009

*November 2009*

 **ERNST & YOUNG**  
Quality In Everything We Do



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# Foreword

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- ▶ *Ernst & Young has been commissioned by the World Bank to carry out the South Central Europe attractiveness survey 2009*
- ▶ *The study has been carried out by Ernst & Young in October 2009*
- ▶ *The study aims at measuring the attractiveness of South Central Europe (SCE) for foreign direct investment (FDI)*
- ▶ *The report is based on Ernst & Young's original approach, which highlights the key findings from the survey of 203 international business leaders and the analysis of actual FDI trends, with regards to the attractiveness and international competitiveness of South Central European countries.*
- ▶ *A shorter version of this report is also available for the purposes of promotion and public presentations*

*The Ernst & Young team*

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# Key findings at a glance

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## Reality

- ▶ South Central Europe accounts for 25% of FDI projects in CEE
- ▶ The region hosts 1 leader, 3 followers and 6 emerging
- ▶ Manufacturing activities accounts for 50% of FDI projects...
- ▶ ... Though business services and software are in the top 5 sectors
- ▶ Germany is the first investor in South Central Europe

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## Perception

- ▶ A middling perception of performance for investors outside SCE
- ▶ A strong industrial appeal...
- ▶ ...but a promising credibility for the location of shared services centers
- ▶ Loyalty of foreign investors...
- ▶ ...But major concerns on business environment
- ▶ Reforms wanted: infrastructure and labor skills
- ▶ Confidence for the future: 4 locomotives to pull the region



- ▶ **Methodology**

- ▶ Reality of FDI in South Central Europe

- ▶ Perception of South Central Europe and future attractiveness

# Scope of the study

## Countries:

- ▶ Romania
- ▶ Bulgaria
- ▶ Croatia
- ▶ Serbia
- ▶ Albania
- ▶ Bosnia & Herzegovina
- ▶ Kosovo
- ▶ Macedonia
- ▶ Moldova
- ▶ Montenegro

## South Central Europe population:

- ▶ 57 801 245 inhabitants

## GDP (purchasing power parity)

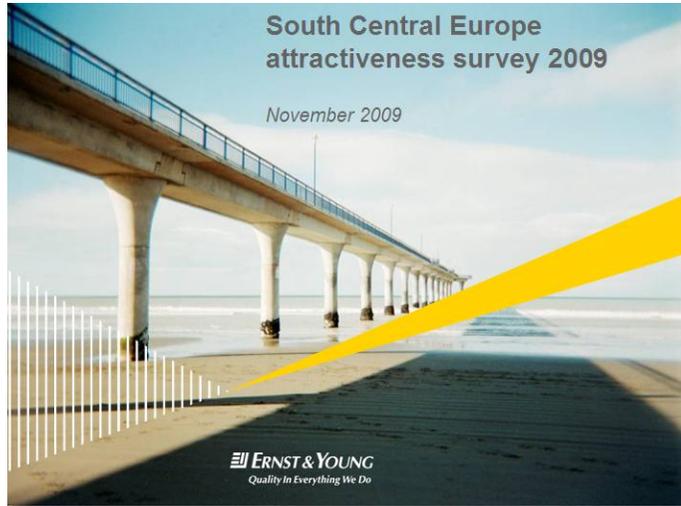
- ▶ 620,656 billion \$

## GDP growth

- ▶ between 5,1% and 7,2% in 2008



# An image and reality approach



**Image:** 203 international business leaders interviewed by the CSA research firm in October 2009



**Reality:** Foreign Direct Investment projects (FDI) tracked across 43 European countries since 1997

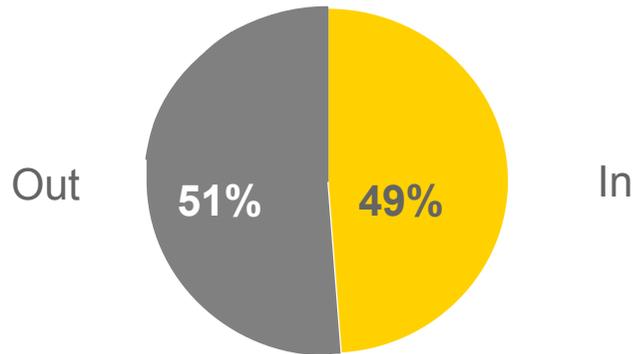


- Call centers
- R&D
- HQ
- Shared services centers
- Manufacturing
- Back offices
- Logistics
- ...

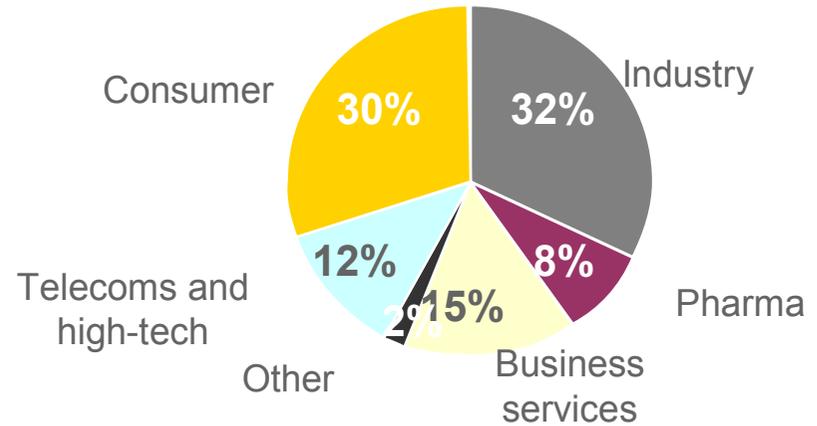
*European Investment Monitor® is an Ernst & Young database powered by Oxford Intelligence*

# A sample representative of all business models

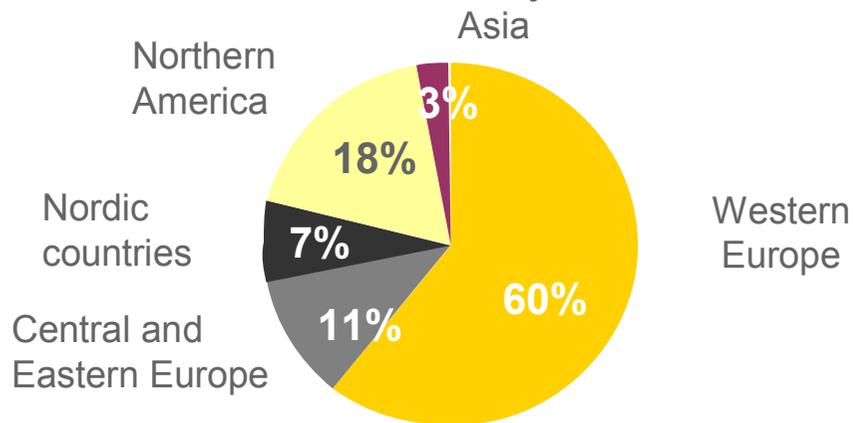
Location



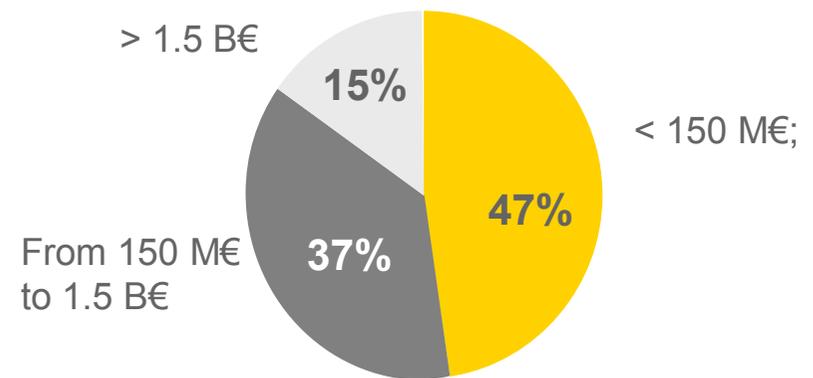
Sectors



Nationality



Size





- ▶ Methodology

- ▶ **Reality of FDI in South Central Europe**

- ▶ Perception of South Central Europe and future attractiveness

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# Key findings

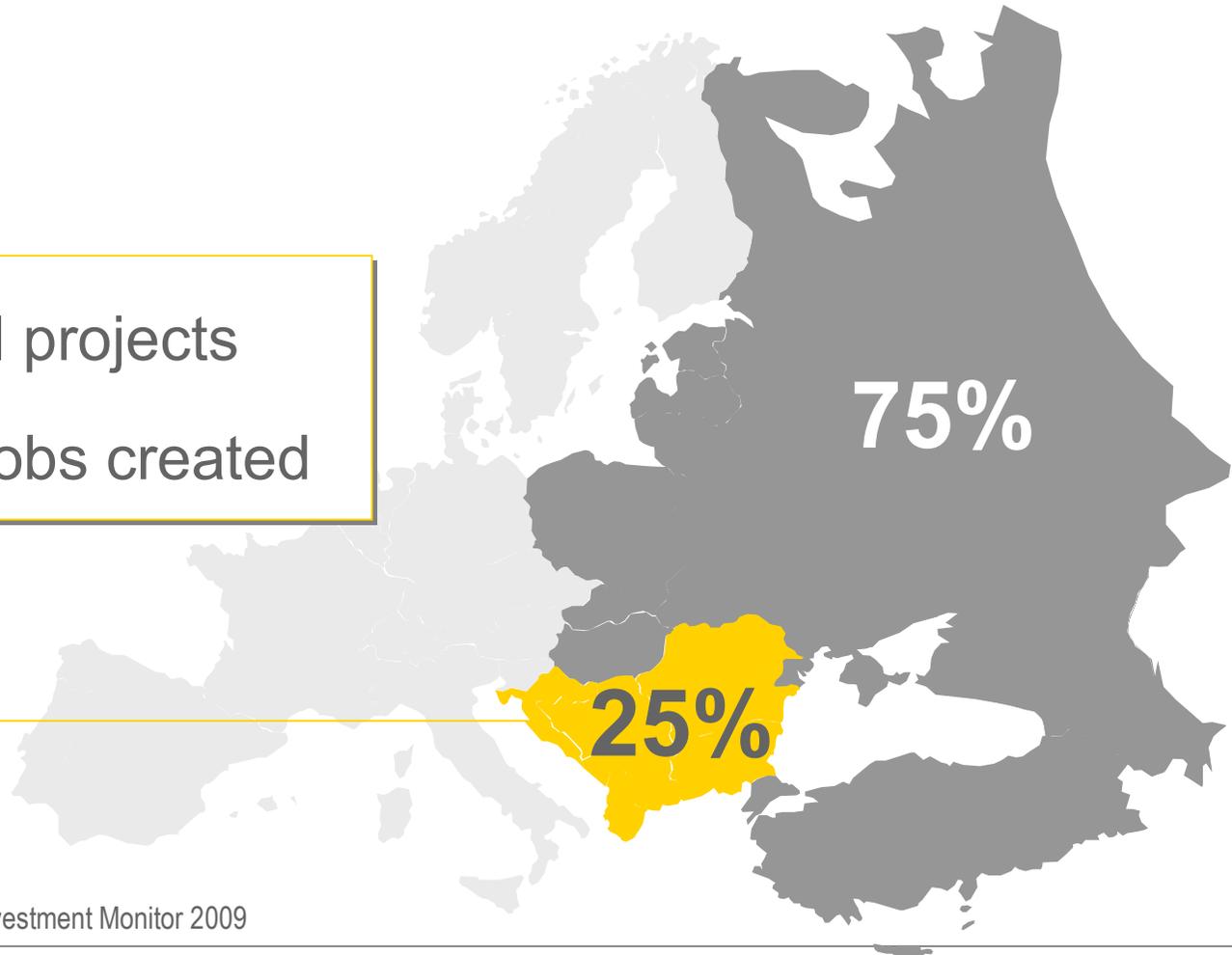
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- ▶ South Central Europe captures 25% of FDI projects in CEE
- ▶ South Central Europe: 1 leader, 3 followers and 6 emerging
- ▶ Manufacturing activities still account for half of FDI projects...
- ▶ ...But business services and Software in the top 5 sectors
- ▶ Germany #1 investor in South Central Europe

# South Central Europe captures 25% of FDI projects in CEE

▶ Number of FDI projects 2004-2008

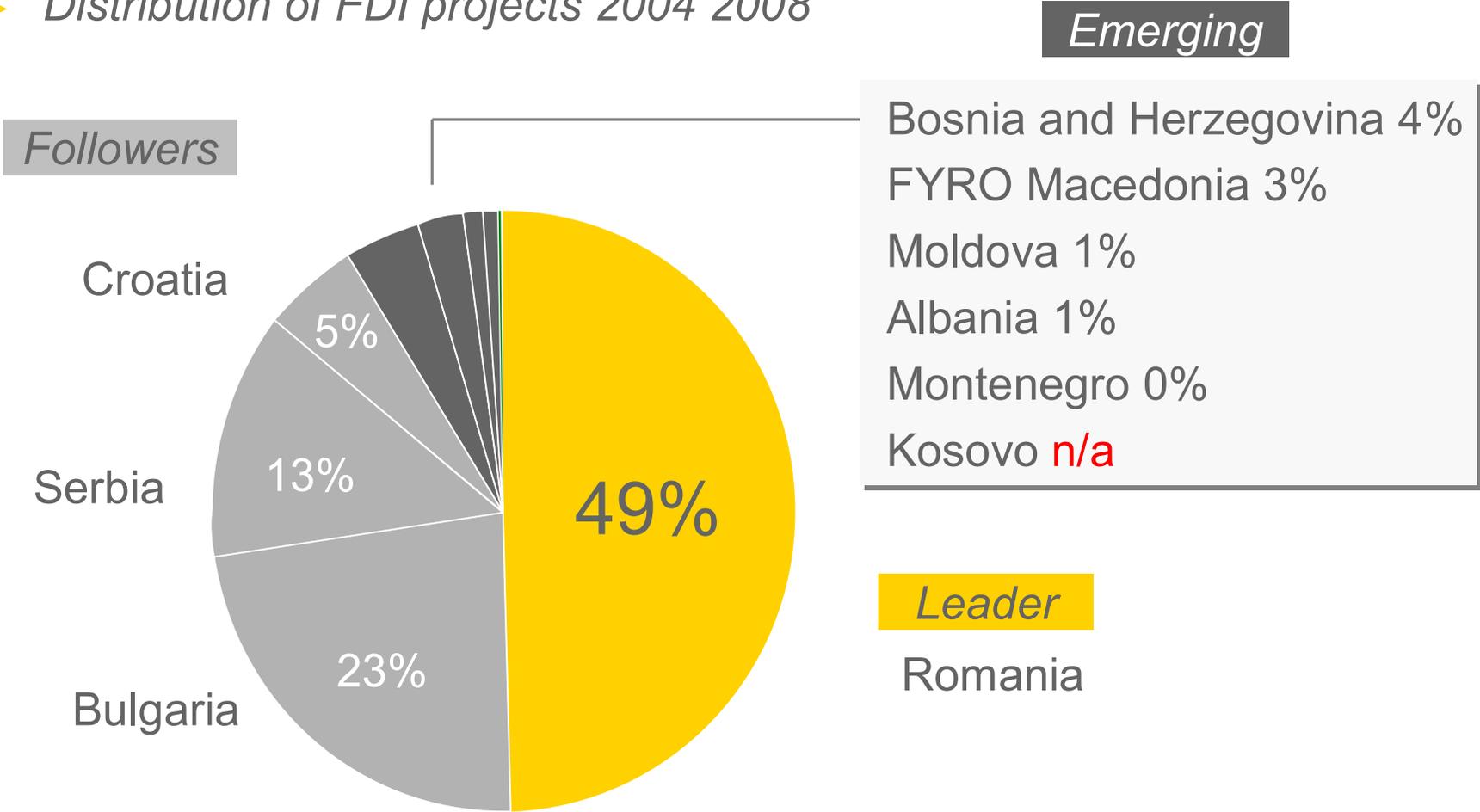
- ▶ 1,239 FDI projects
- ▶ 120,471 jobs created



Source: Ernst & Young European Investment Monitor 2009

# South Central Europe: 1 leader, 3 followers, 6 emerging

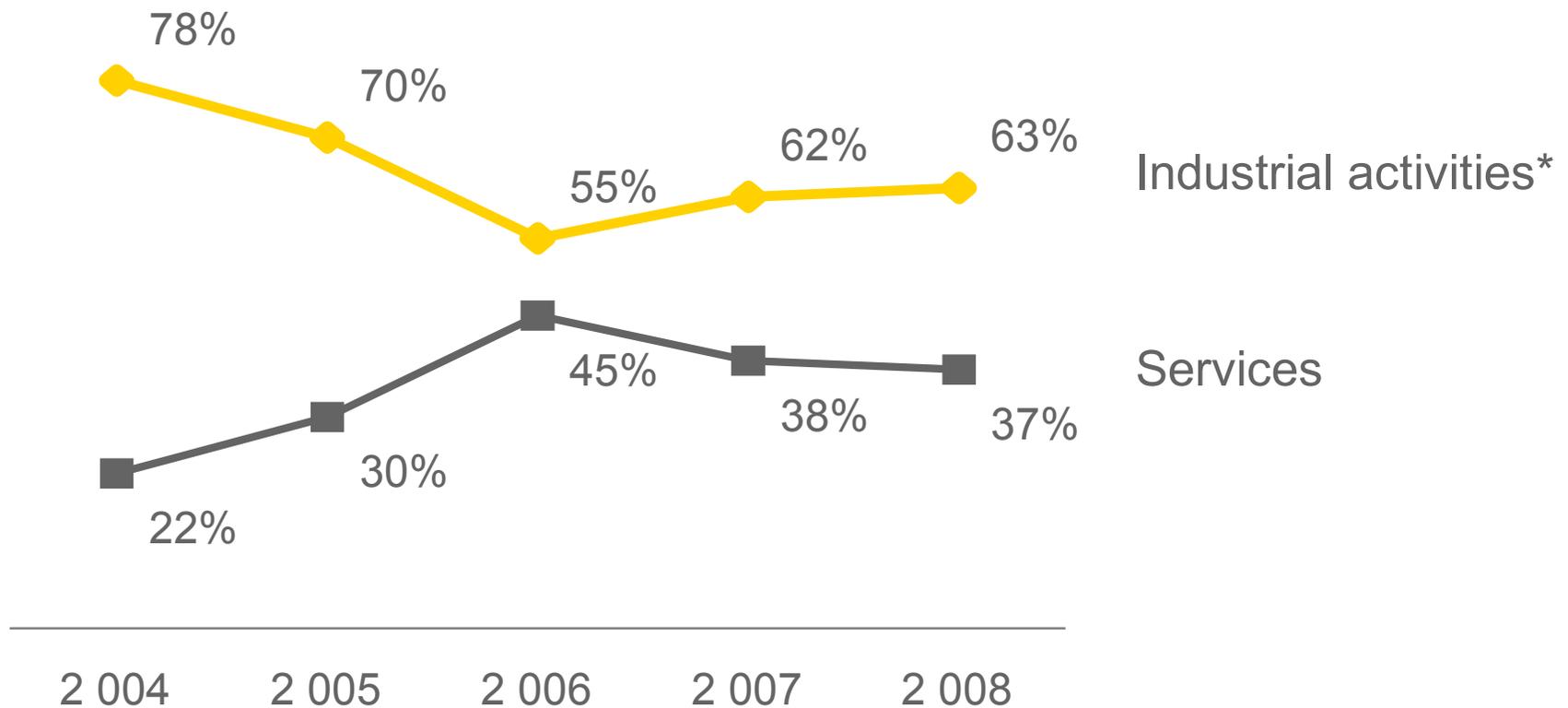
► *Distribution of FDI projects 2004 2008*



Source: E&Y European Investment Monitor 2009

# An industrial attractiveness

- *Distribution of FDI projects in South Central Europe (nb of FDI projects, 2004-2008)*

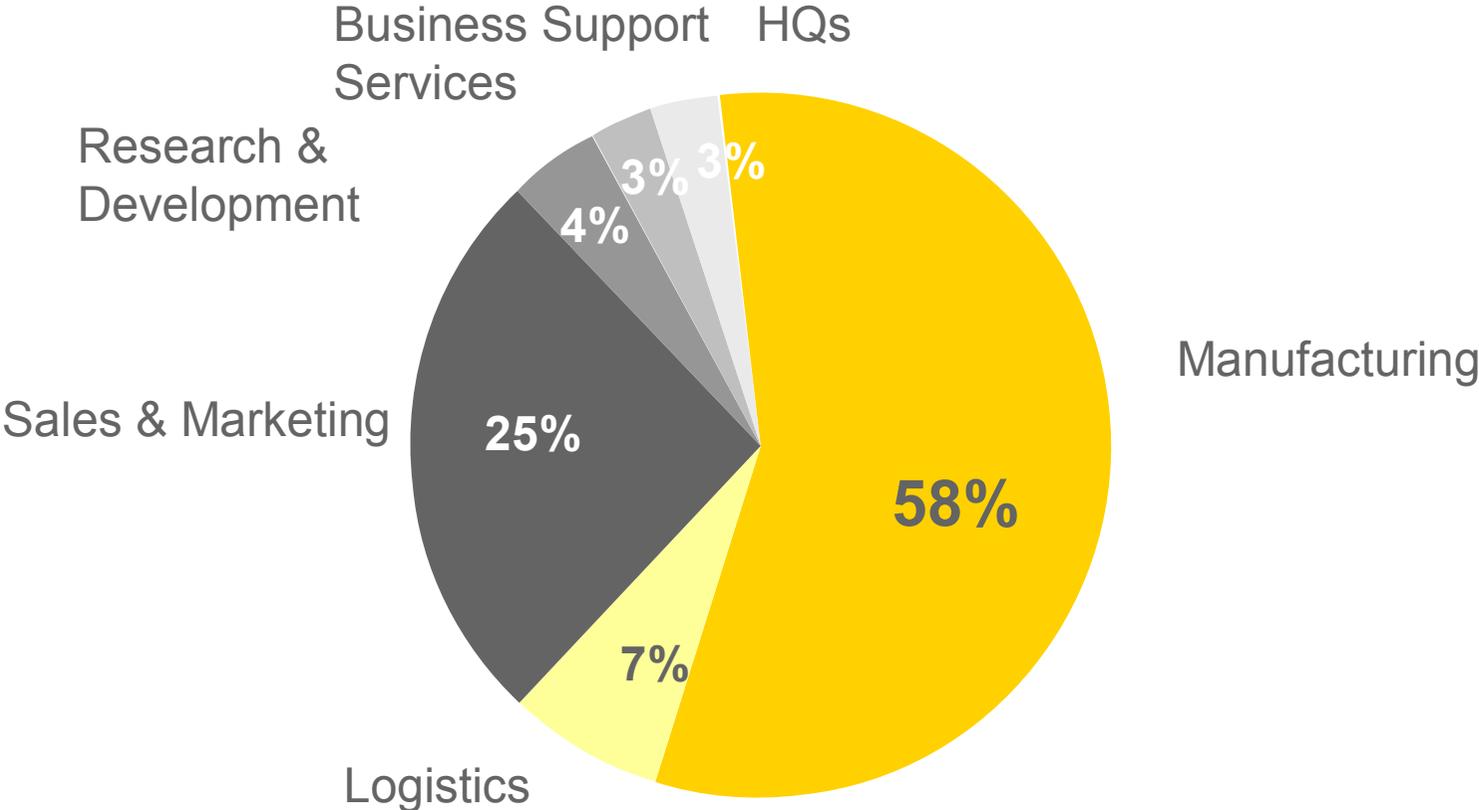


\*Industrial activities includes manufacturing and logistics

Source: E&Y European Investment Monitor 2009

# Manufacturing activities account for half of FDI projects

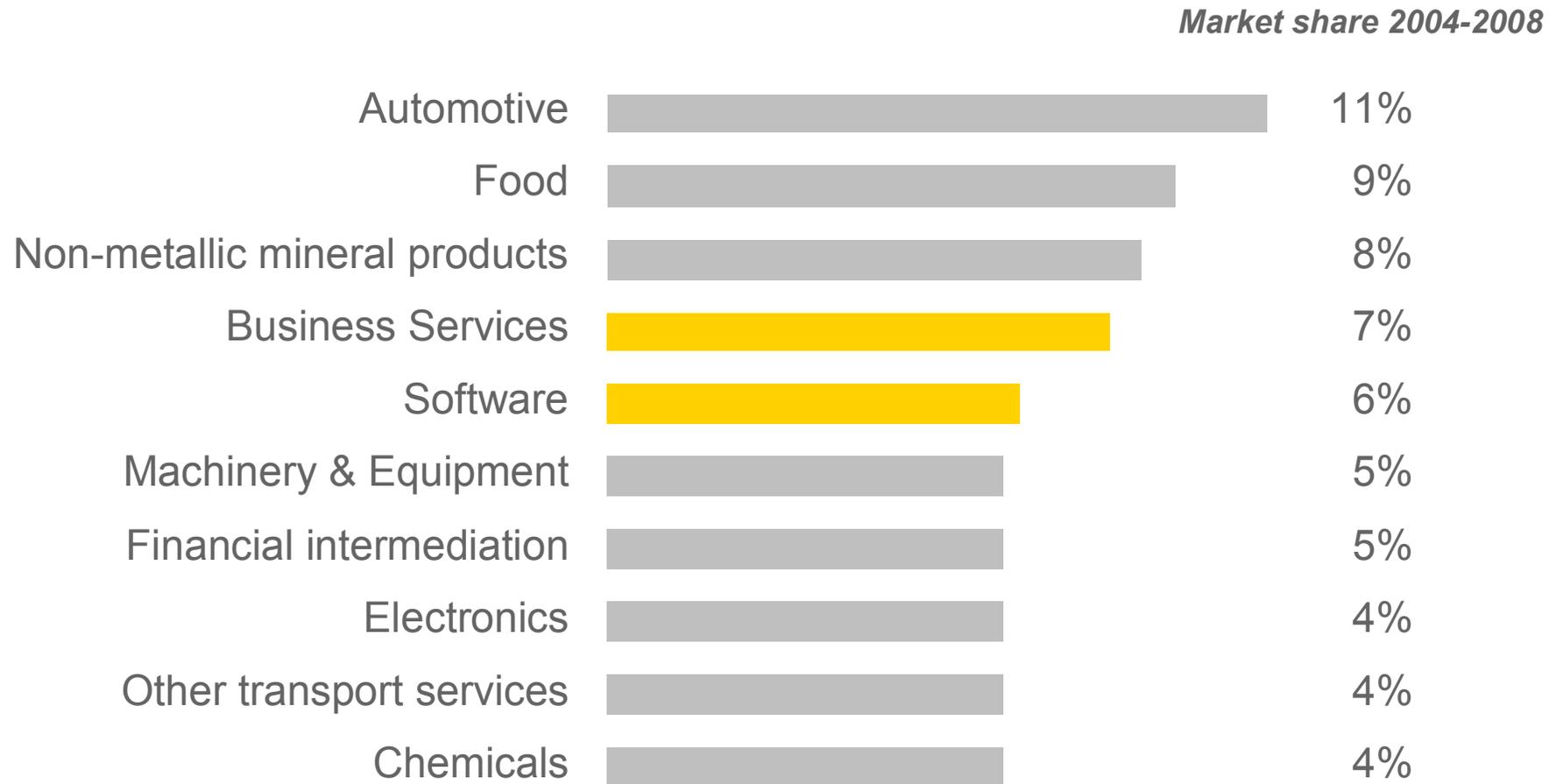
► *Distribution of FDI projects by business function in 2008*



Source: Ernst & Young European Investment Monitor 2009

# Business services and software in the top 5

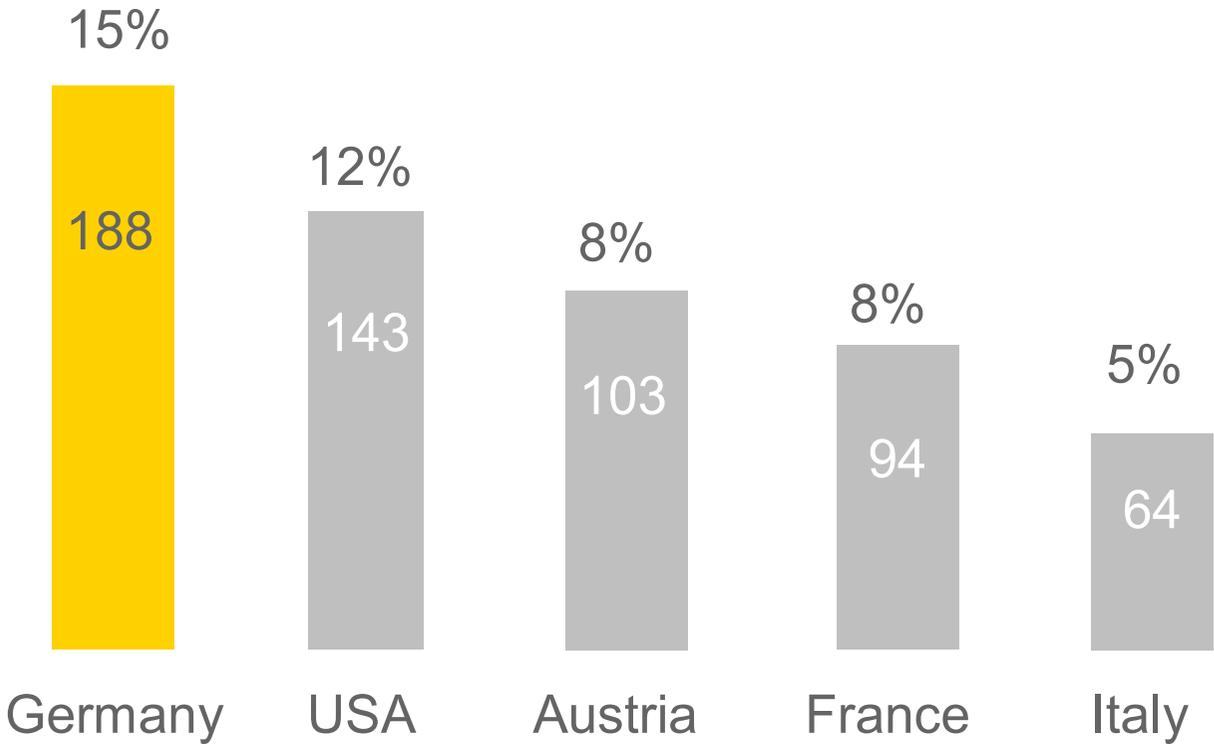
▶ *Top sectors by number of FDI projects attracted (2004-2008)*



Source: Ernst & Young European Investment Monitor 2009

# Germany, the #1 investor in South Central Europe

▶ *Top 5 origin countries for FDI projects in SCE (2004-2008)*



Source: Ernst & Young European Investment Monitor 2009

# Job creators in South Central Europe

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▶ *Top 3 investors in terms of jobs creation (2004-2008)*



- ▶ 3,657 jobs / manufacturing / Romania / automotive



- ▶ 1,500 jobs / manufacturing / Bulgaria / automotive



- ▶ 3,000 jobs / manufacturing / Serbia / textile industry

Source: Ernst & Young European Investment Monitor 2009

# Value creators in South Central Europe

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- ▶ 2,007 jobs / R&D center / Romania



- ▶ 1,000 jobs / business support services / Bulgaria



- ▶ 220 jobs / business and technology center / Croatia

Source: Ernst & Young European Investment Monitor 2009

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- ▶ Methodology
  - ▶ Reality of FDI in South Central Europe
  - ▶ **Perception of South Central Europe and future attractiveness**

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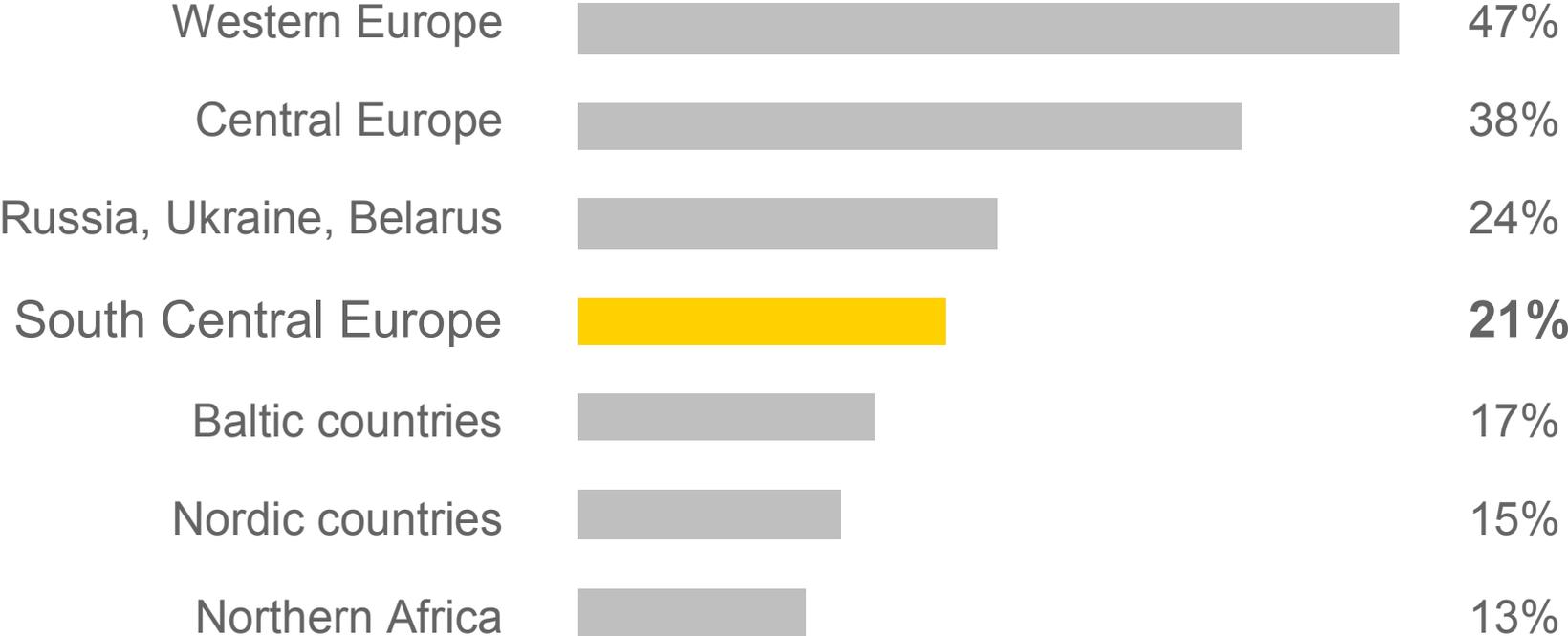
# Key findings

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- ▶ A middling perception of performance for investors outside SCE
- ▶ 4 recognized leaders, 6 emerging
- ▶ A strong industrial appeal...
- ▶ ...but promising credibility on shared services centers
- ▶ Loyalty of foreign investors...
- ▶ ...but major concerns on business environment
- ▶ Reforms wanted: infrastructure and labor skills
- ▶ Confidence for the future: 4 locomotives to pull the region

# A middling perception of performance for investors outside SCE

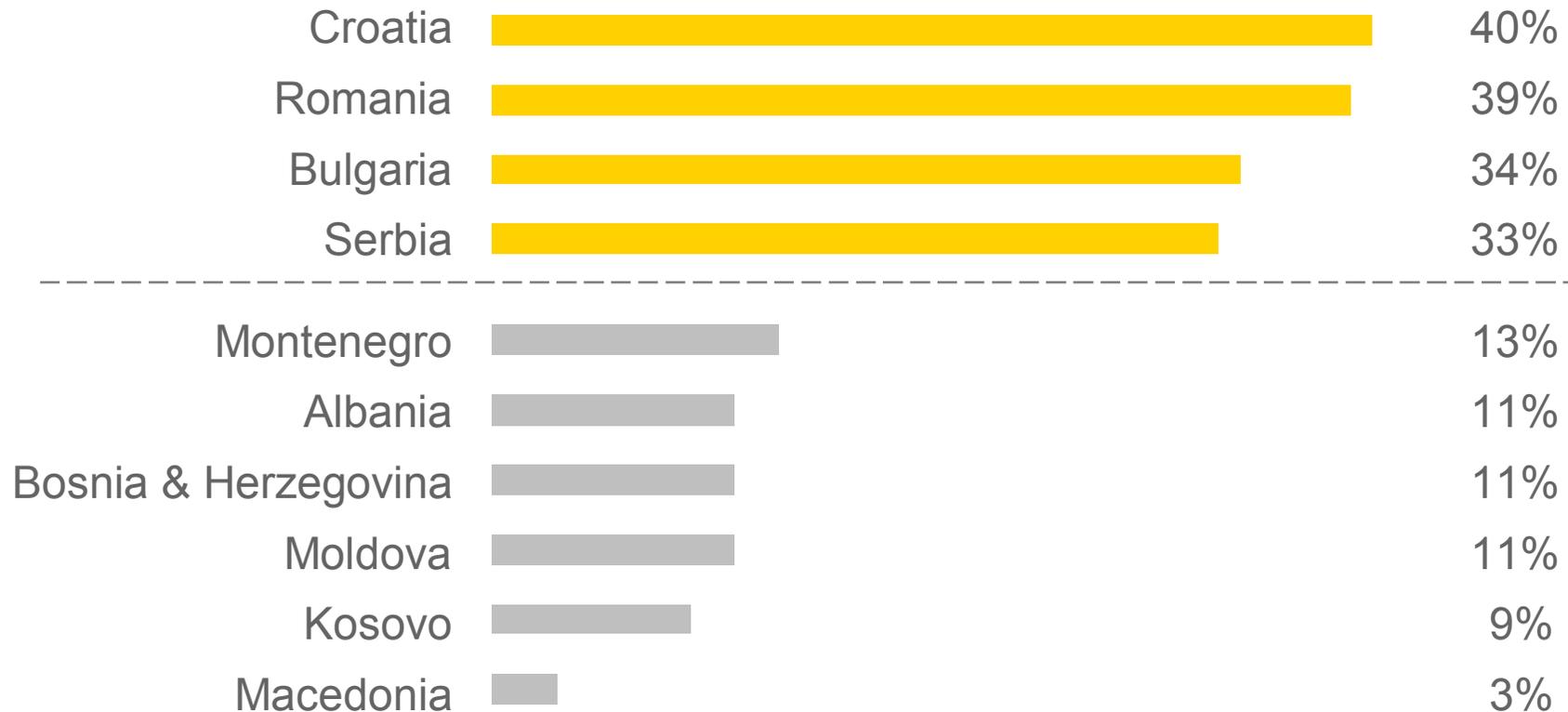
► *Most attractive regions for FDI in 2009*



Ernst & Young SCE attractiveness survey 2009 - Respondents: 103  
Total > 100%: many possible answers

# 4 recognized leaders, 6 emerging

► **Most attractive SCE countries for FDI in 2009**

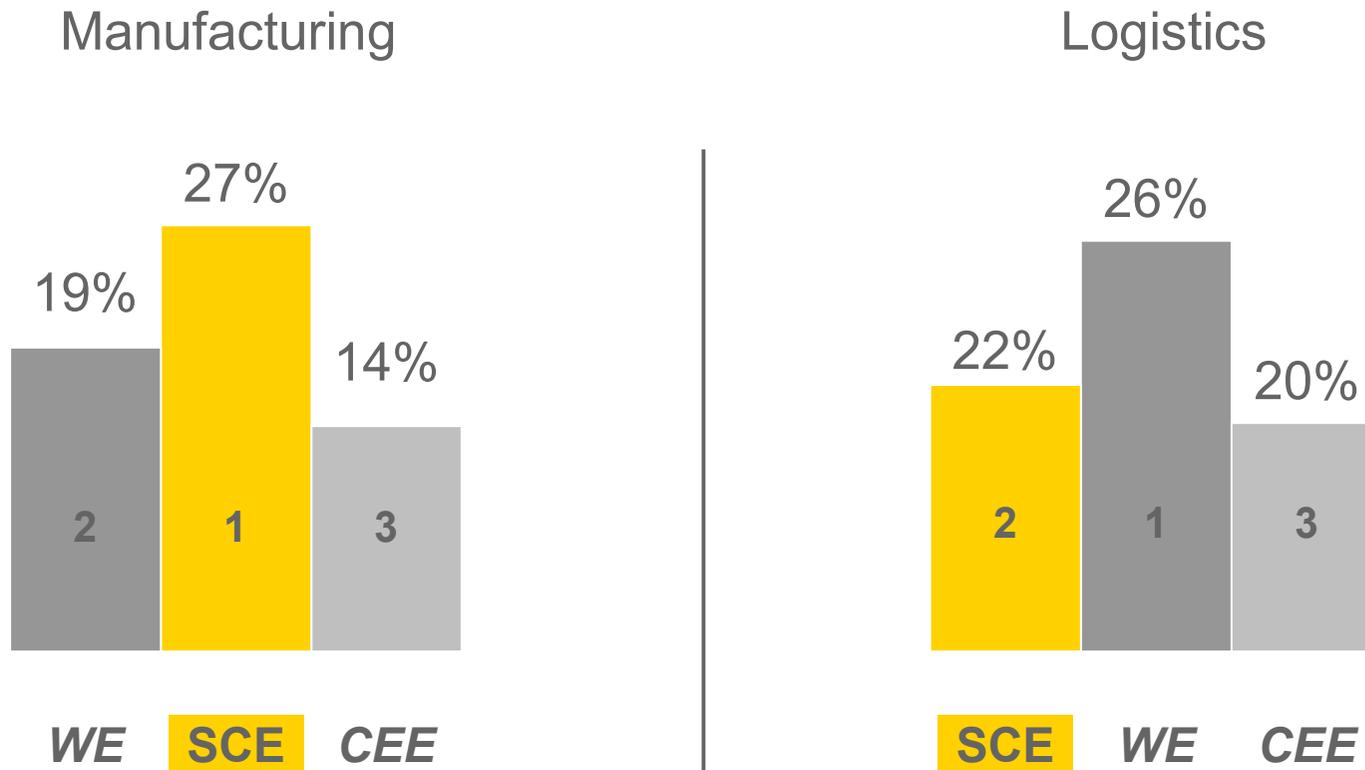


Ernst & Young SCE attractiveness survey 2009 - Respondents: 203

Total > 100%: many possible answers

# A strong industrial appeal

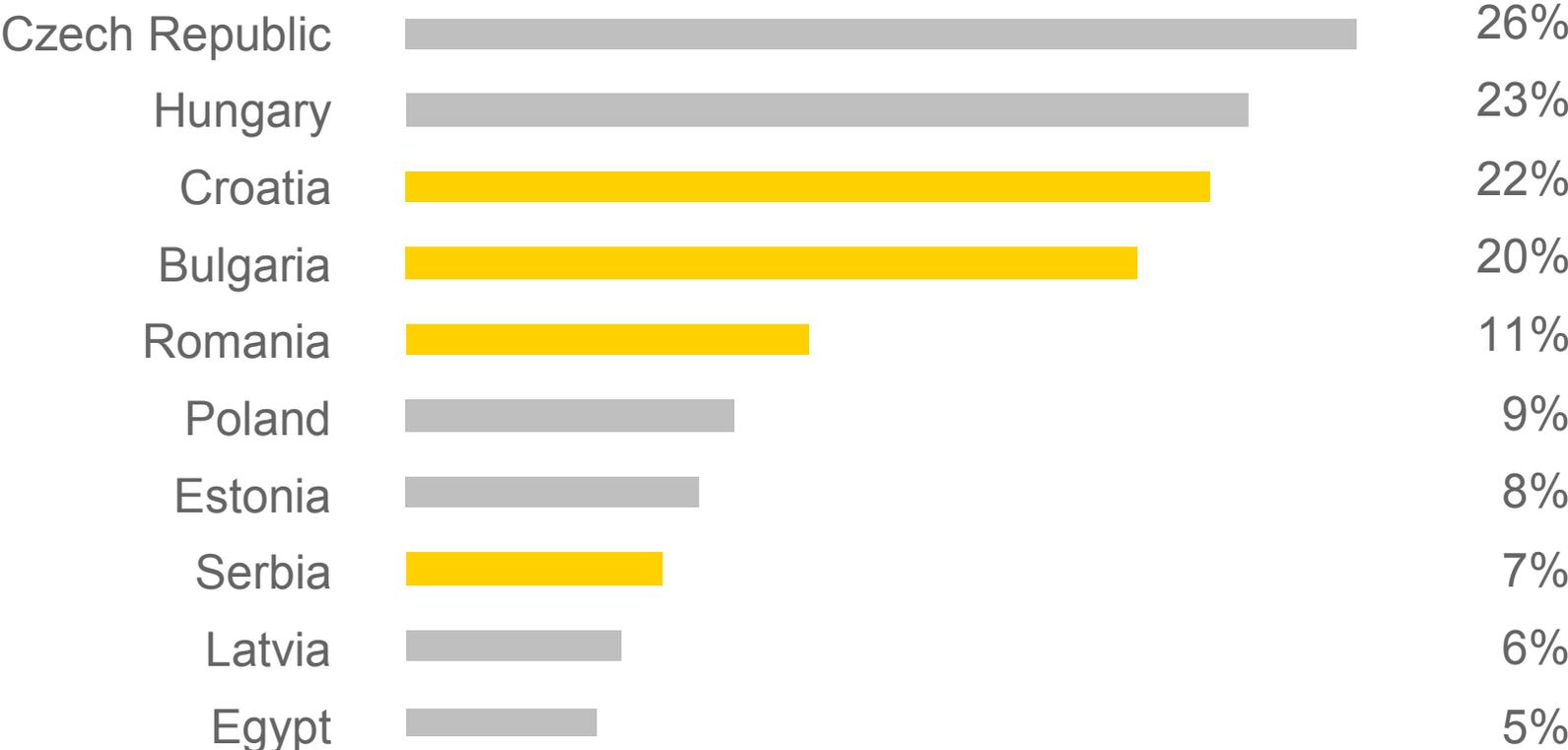
- ▶ **SCE most attractive region for manufacturing and logistics**



Ernst & Young SCE attractiveness survey 2009 - Respondents: 203  
Total > 100%: many possible answers

# But promising credibility on shared services centers

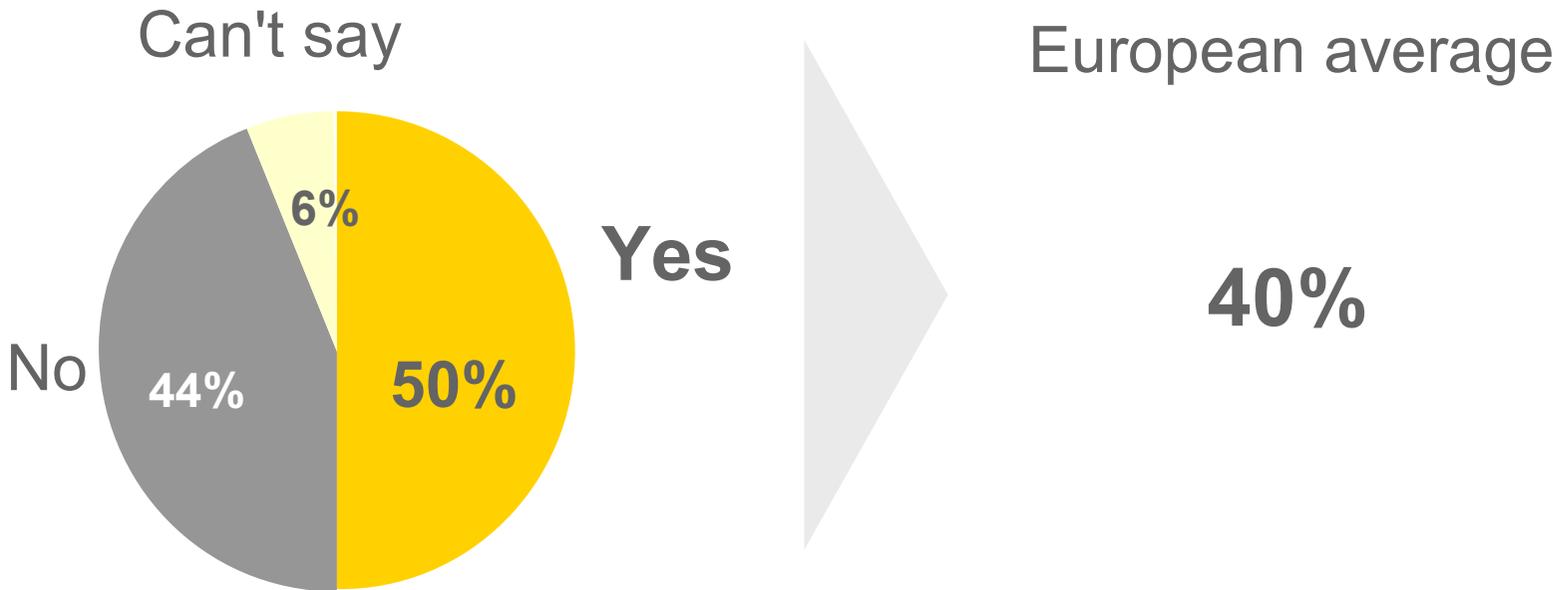
► *Top countries to locate a Shared Services Center, within Central, South Central Europe and North Africa*



Ernst & Young SCE attractiveness survey 2009 - Respondents: 203  
Total > 100%: many possible answers

# Loyalty of foreign investors

► *Intentions to develop or expand activities in SCE*



Ernst & Young SCE attractiveness survey 2009 - Respondents: 203  
*Total > 100%: many possible answers*

Source: Ernst & Young's 2009  
European attractiveness survey

# But major concerns on business environment

- ▶ **Threats affecting the attractiveness of SCE countries for the next three years**

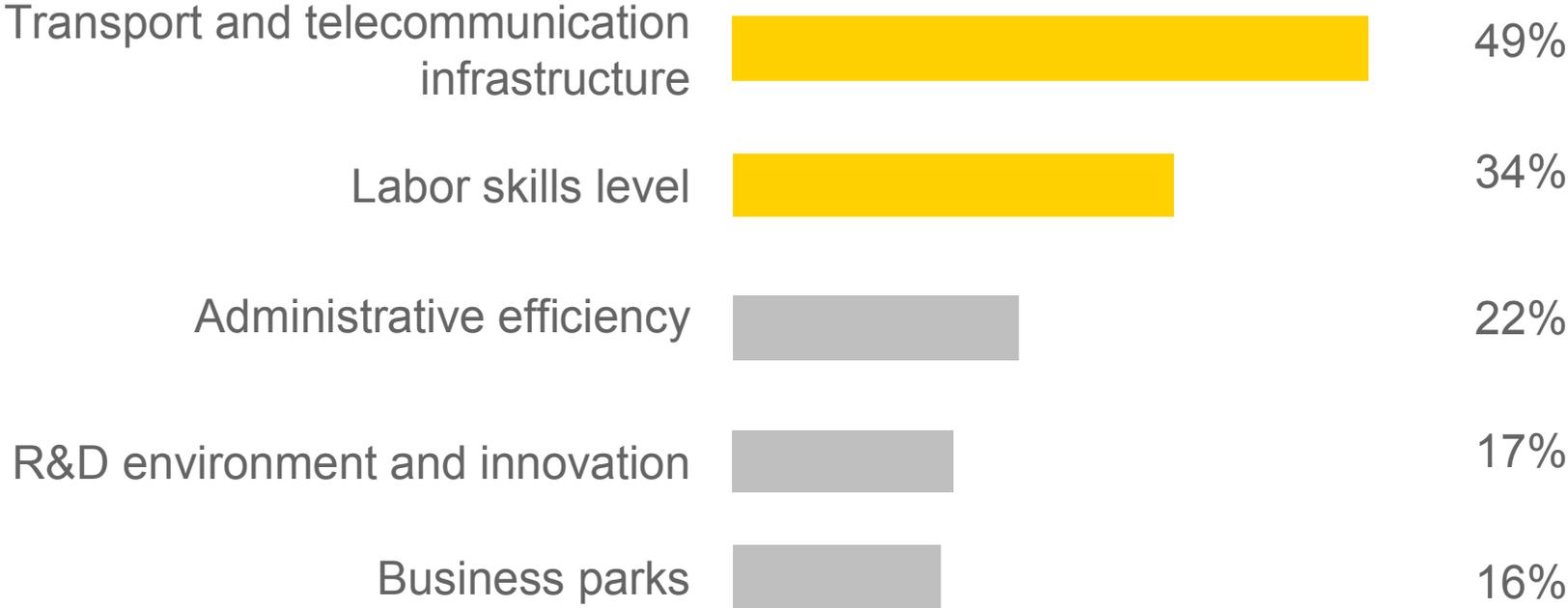


Ernst & Young SCE attractiveness survey 2009 - Respondents: 203  
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# Reforms wanted: infrastructure and labor skills

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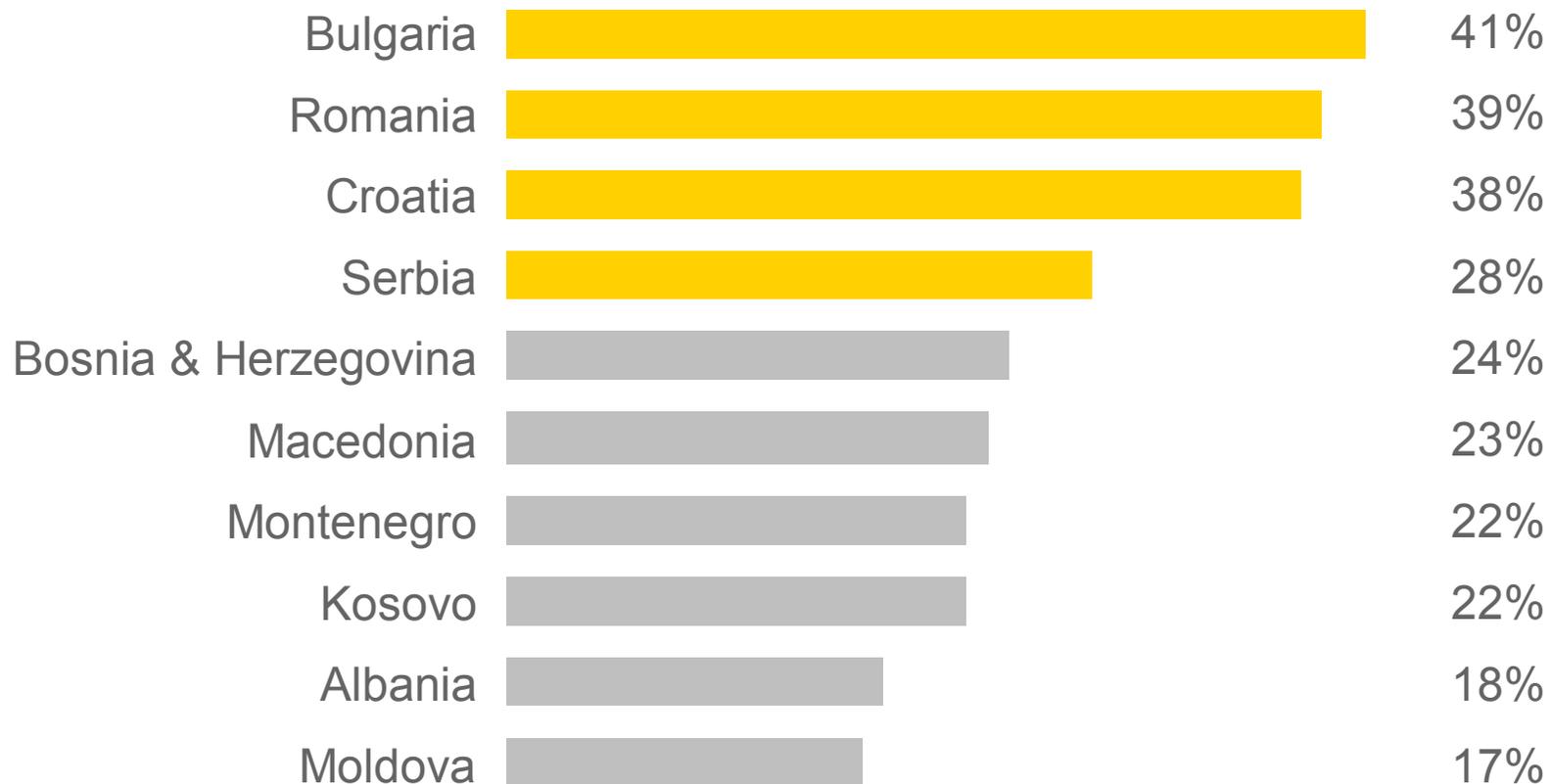
► *Most important investments to make, among those eligible for EU funds*



Ernst & Young SCE attractiveness survey 2009 - Respondents: 203  
Total > 100%: many possible answers

# Confidence for the future: 4 locomotives to pull the region

- ▶ *Attractiveness of SCE countries as locations to establish or develop activities, over the next 3 years*



Ernst & Young SCE attractiveness survey 2009 - Respondents: 203  
Total > 100%: many possible answers

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# Challenges ahead

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- ▶ How to cultivate software and SSC green shots?
- ▶ How to crystallize an image under construction?
- ▶ How to further compete with CEE and RUB?
- ▶ How to leverage on EU accession and improve predictability?

# Contacts

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