



# CrossBorder Monitor (CBM)

People's Republic of China < > European Union

Direct Investment

3Q 2019 Update: Public Version

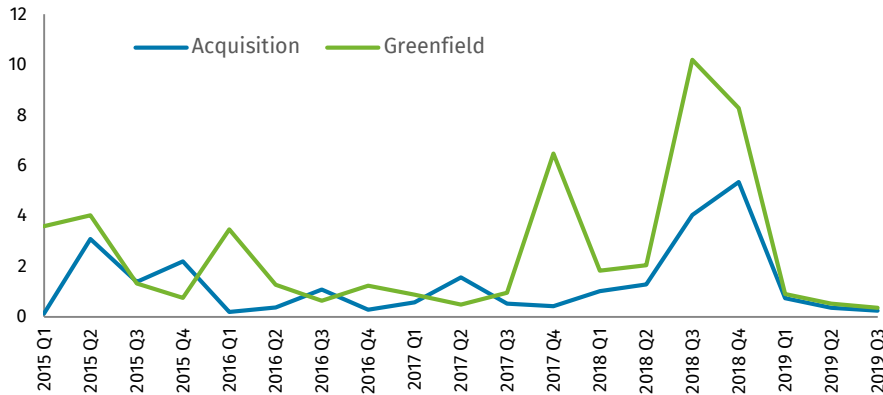
Release Date: **November 14, 2019**

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# I. EU FDI in China

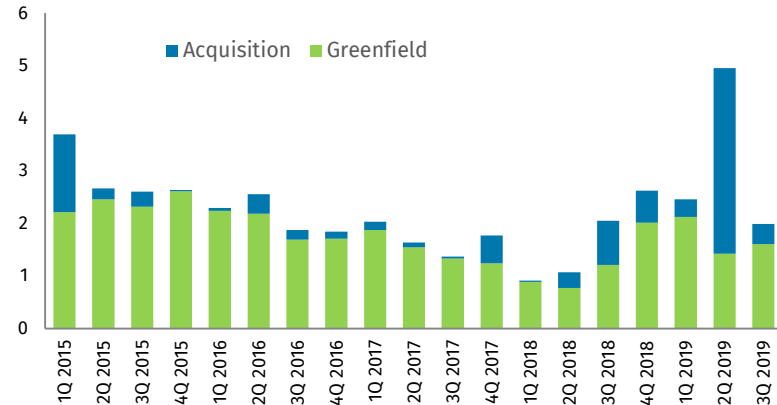
# Momentum: New and Completed Transaction Value

**Value of Newly Announced EU FDI Transactions in China\***  
USD billion



Source: Rhodium Group. \*Chart is based on value of newly announced transactions. The remainder of charts in this report is based on completed acquisitions and consummated greenfield projects.

**Value of Completed EU FDI Transactions in China**  
USD billion



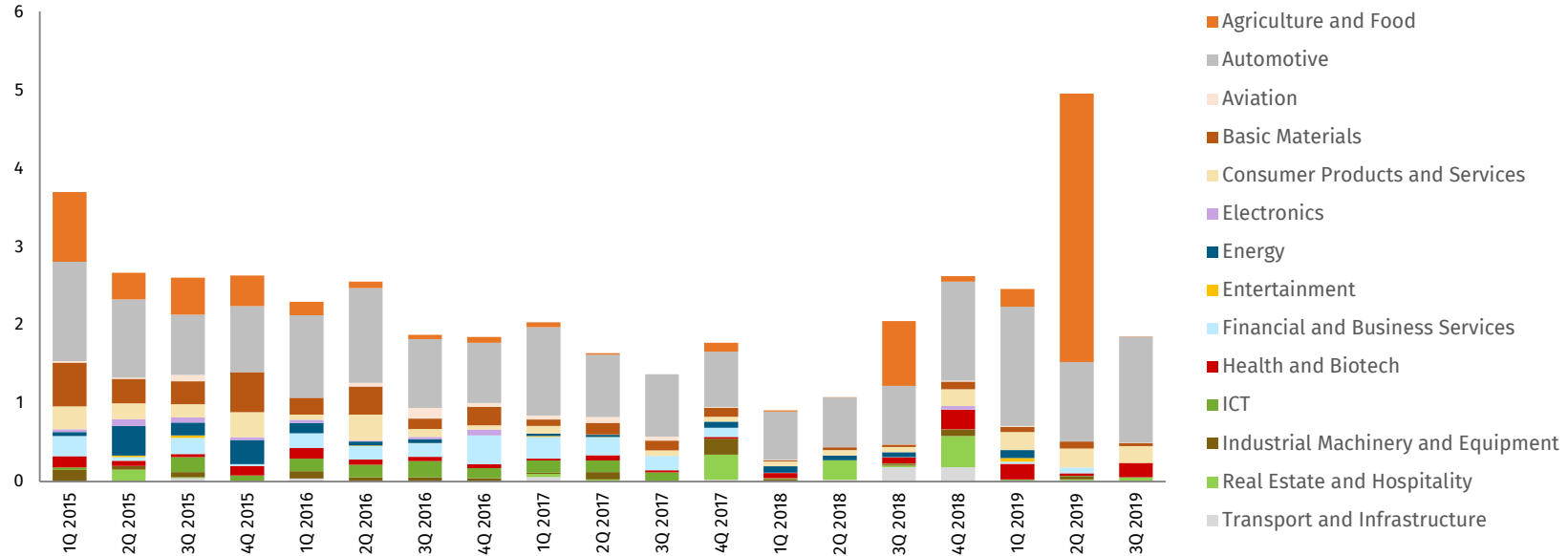
Source: Rhodium Group.

- Our **momentum** indicator shows that the value of newly announced acquisitions and greenfield transactions in 3Q 2019 continues to be at lower levels compared to previous quarters. Following a peak in 3Q-4Q 2018, there were only \$604 million of newly announced FDI projects by European companies in China in 3Q 2019, which is in line with the first two quarters of 2019 and similar to the lows in 2016/2017. The biggest newly announced greenfield project was Renault's EV joint venture with Jiangling Motors. The biggest newly announced M&A deal was Chelsfield Group's investment four office buildings in Shanghai.
- Completed** acquisitions and commenced greenfield investments by European companies dropped back to \$1.9 billion in 3Q 2019, after reaching an all-time high of \$4.8 billion in 2Q 2019. We continue to see a strong floor from large ongoing greenfield projects (Ikea retail outlets, BMW plant expansions in Shenyang, etc.) under construction. Other major completed deals this quarter include DSM International's joint venture with Nenter (\$154 million), Renault's new EV joint venture with Jiangling Motors (\$144 million), and Volkswagen's new vehicle testing ground (\$121 million).

# Industries

## Value of Completed EU FDI Transactions in China by Industry

USD billion



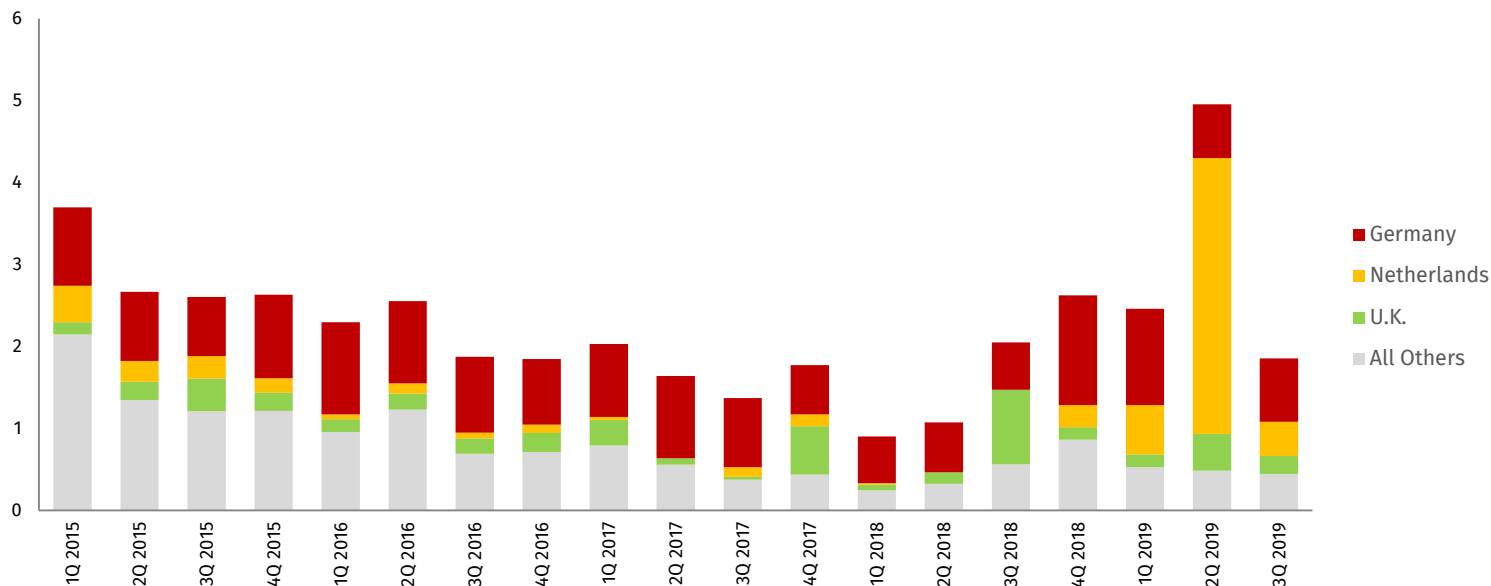
Source: Rhodium Group.

- **Automotive** accounted for the majority (73%) of EU FDI in China in 3Q 2019 due to ongoing projects and a number of mid-sized new greenfield projects: Renault's \$144 million EV joint venture with Jiangling Motors, Volkswagen's new vehicle testing ground, BP's EV charging stations joint venture with Didi Chuxing, and BMW's self-driving cars computing center with Tencent.
- Other sectors that continued to receive significant investment were **Consumer Products and Services** (Ikea centers in Changsha and Shanghai) and **Health and Biotech** (DSM International's joint venture with Nenter for \$154 million).

# Geography

## Value of Completed EU FDI Transactions in China by Source Country

USD billion

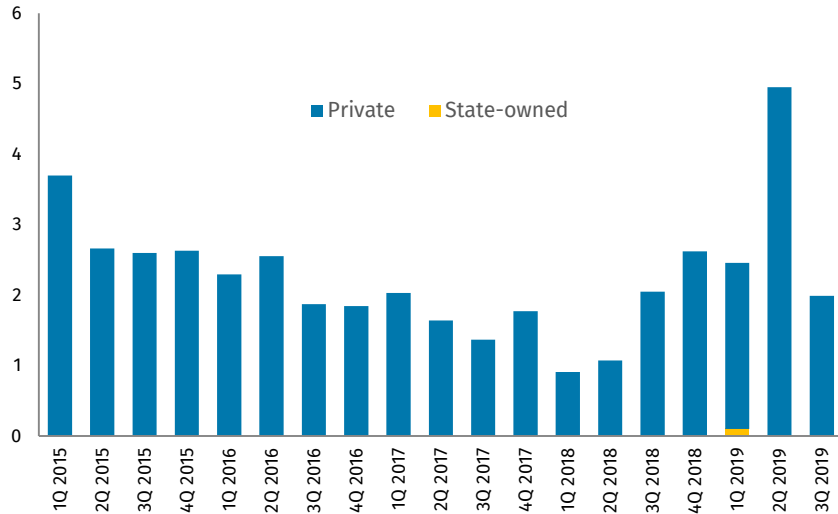


Source: Rhodium Group.

- **Germany** (\$770 million), **the Netherlands** (\$420 million) and **UK** (\$219 million) were the three biggest European investors in China in 3Q 2019. Together they accounted for over 75% of completed investment in 3Q. **France** came in fourth: Renault's \$144 million EV joint venture with Jiangling Motors was a major deal in 3Q 2019.

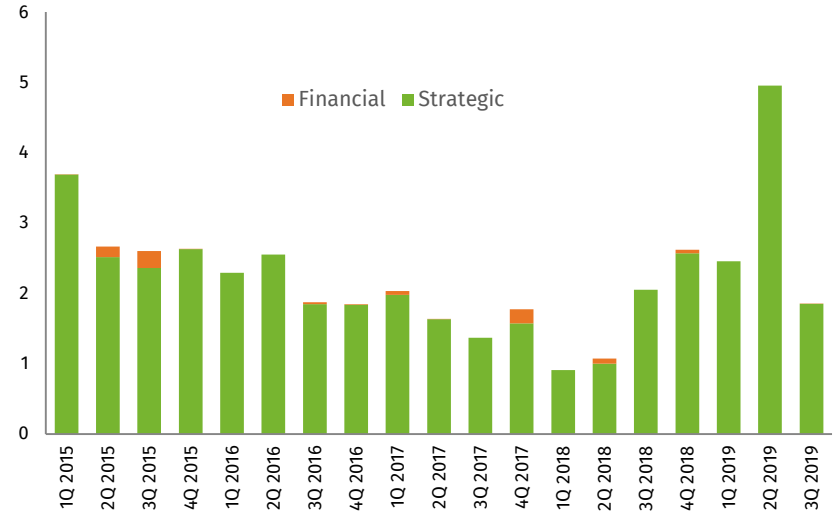
# Investor Characteristics

**Value of Completed EU FDI Transactions in China by Ownership**  
USD billion



Source: Rhodium Group.

**Value of Completed EU FDI Transactions in China by Type**  
USD billion



Source: Rhodium Group.

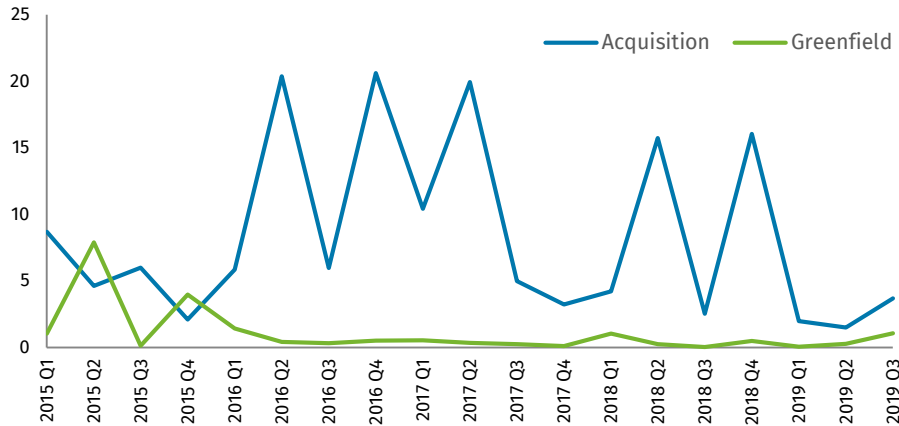
- EU FDI in China continues to be almost entirely comprised of **strategic investment** (real economy firms investing in their core areas of business) by private sector companies.
- We record just one **financial investment** (transactions primarily aimed at financial returns) and no investment by state-owned companies in 3Q 2019.

## **2. Chinese FDI in the EU**

# Momentum: New and Completed Transaction Value

## Value of Newly Announced Chinese FDI Transactions in the EU

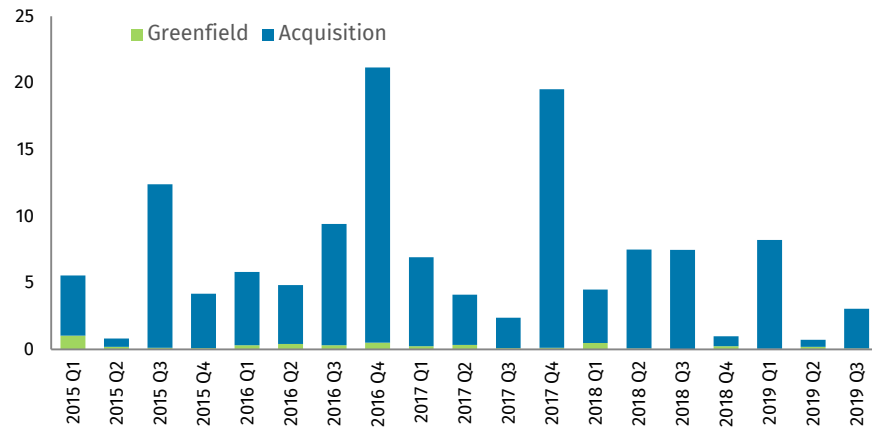
USD billion



Source: Rhodium Group. \*Chart is based on value of newly announced transactions. The remainder of charts in this report is based on completed acquisitions and consummated greenfield projects.

## Value of Completed Chinese FDI Transactions in the EU

USD billion



Source: Rhodium Group.

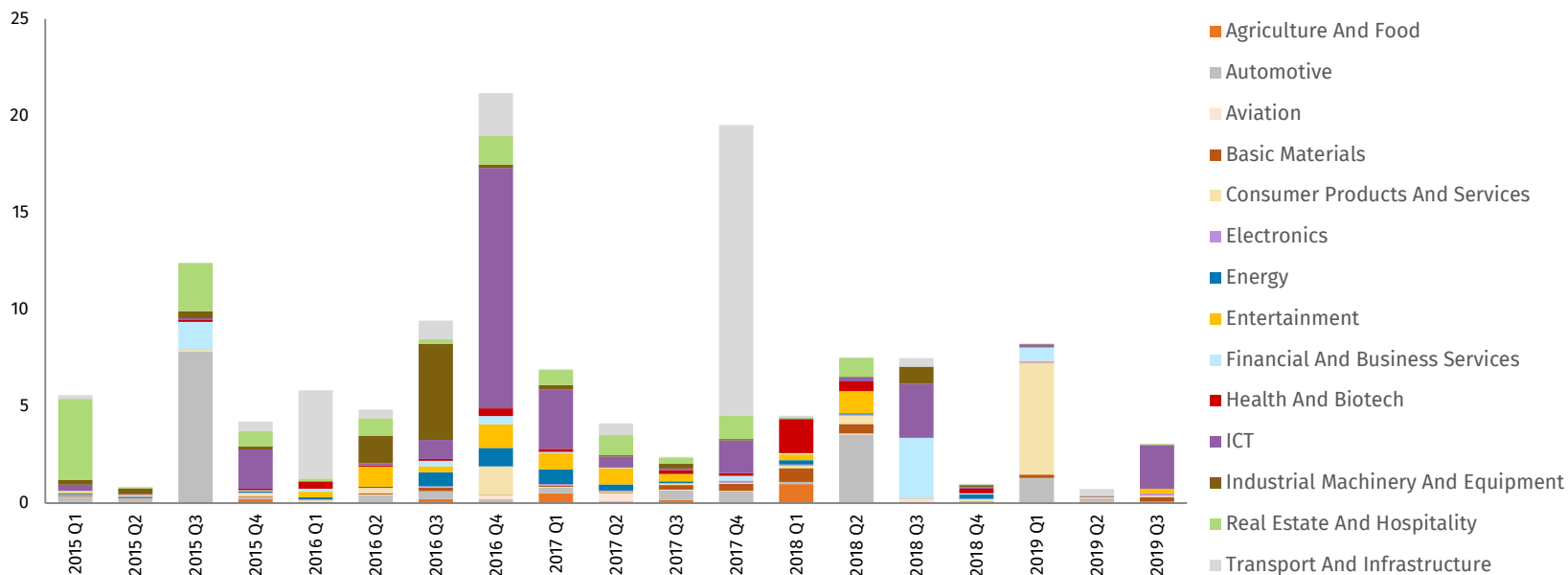
- After two quarters with low activity, the **momentum** for Chinese investment in Europe has ticked up slightly in 3Q 2019 to \$4.8 billion. The biggest announced deals include Jiangsu Shagang's \$2.2 billion acquisition of another 24% stake in UK data service provider Global Switch, Huawei's announced greenfield investments in Poland and Italy, and Sinotrans' \$422 million takeover of KLG Europe's logistics business.
- The value of **completed** Chinese FDI transactions in the EU also climbed back to \$3.1 billion from less than \$1 billion in 2Q 2019. M&A activity accounted for almost 100% of total investment. Prominent deals include Jiangsu Shagang's \$2.2 billion acquisition of another 24% stake in UK's Global Switch, Bright Scholar Education's acquisition of CATS Colleges for \$195 million, and Wanhua Chemical Group's acquisition of Chematur Technologies for \$134 million. One major deal that is not included in the data (since it remains below the 10% threshold for FDI) is BAIC's acquisition of a 5% stake in Daimler for \$3 billion.



# Industries

## Value of Completed Chinese FDI Transactions in the EU by Industry

USD billion



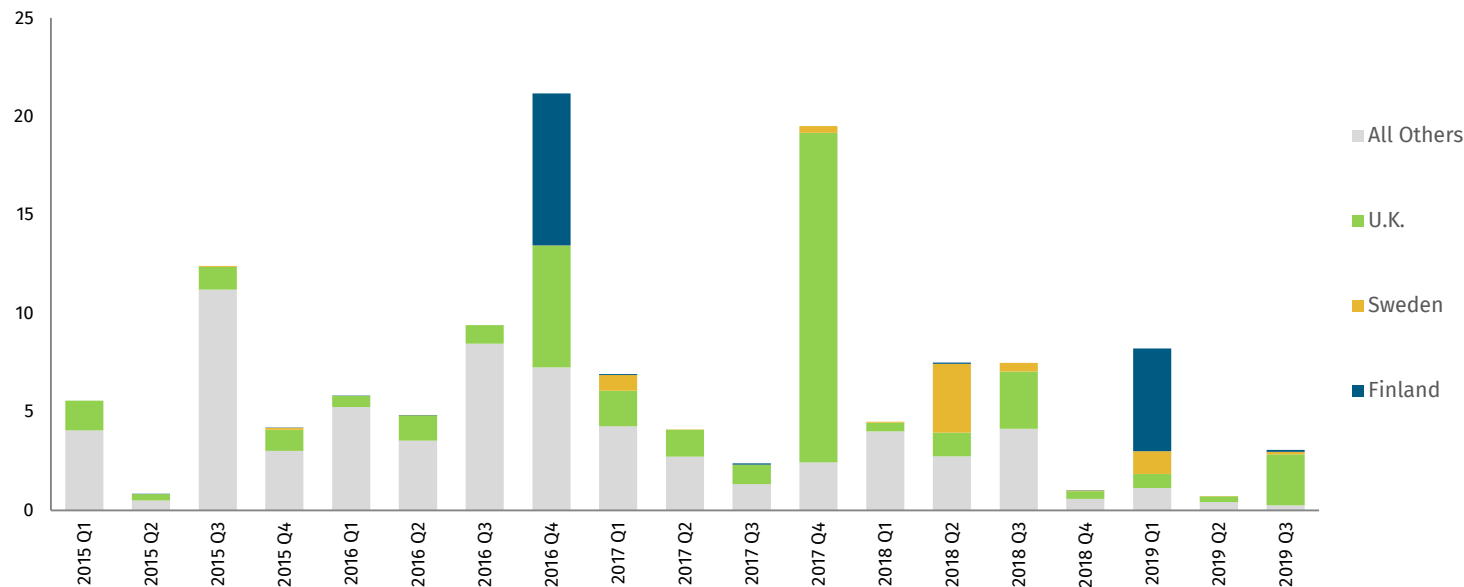
Source: Knodeum Group.

- **ICT** was the top sector receiving Chinese investment in 3Q 2019 (\$2.2 billion) mainly due to Jiangsu Shagang's acquisition of 24% stake in UK's Global Switch.
- **Basic Materials** (\$249 million) and **Entertainment** (\$245 million) were the next two top sectors, and received similar levels of investment this quarter due to several prominent acquisitions: Wanhua Chemical Group's acquisition of Chematur Technologies for \$134 million, Bright Scholar Education's acquisition of CATS Colleges for \$195 million and its acquisitions of St. Michael's School and Bosworth Independent College for \$50 million.
- **Automotive** (\$3 billion) would be the top sector receiving Chinese investment in 3Q 2019 if we included deals below 10%: BAIC's acquisition of 5% stake in Daimler.

# Geography

## Value of Completed Chinese FDI Transactions in the EU by Target Country

USD billion

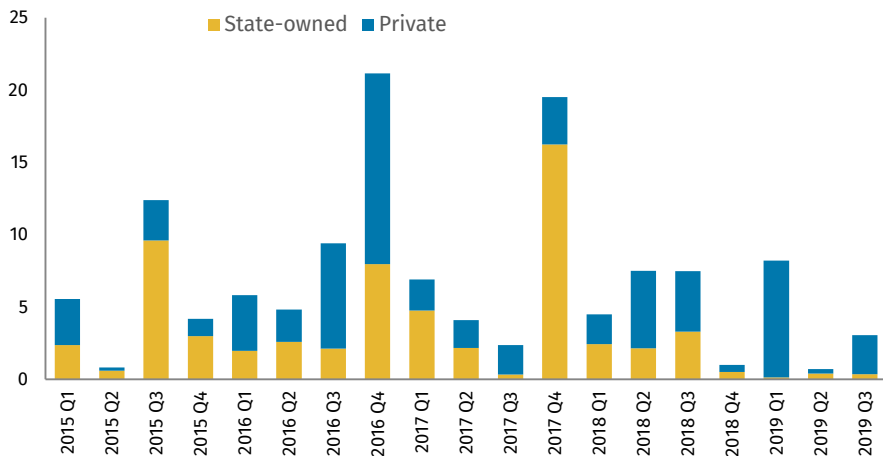


Source: Rhodium Group.

- **UK** (\$2.6 billion) was the biggest recipient country this quarter due to Jiangsu Shagang's acquisition of 25% stake in UK's Global Switch.
- **Sweden** (\$134 million) and **Finland** (\$100 million) followed: Wanhua Chemical's acquisition of Chematur Technologies and Lingyi iTech's takeover of Salcomp.
- **Germany** would be a top recipient of Chinese investment in 3Q 2019 if we were to include deals under 10%: BAIC's acquisition of 5% stake in Daimler.

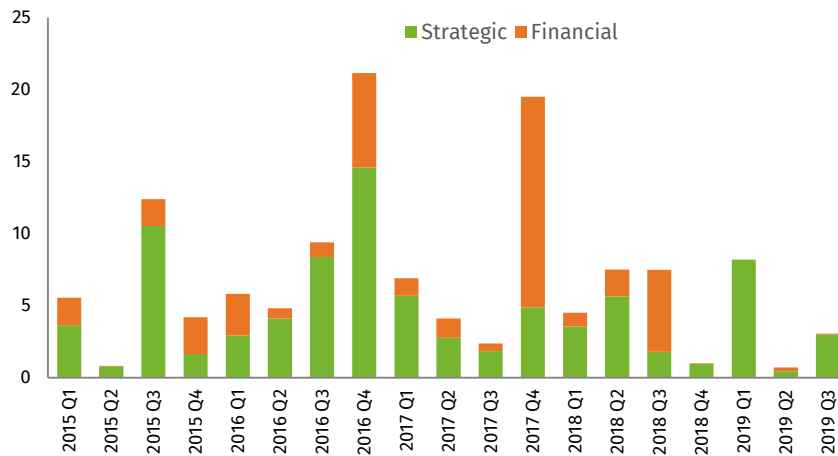
# Investor Characteristics

**Value of Completed Chinese FDI Transactions in the EU by Ownership**  
USD billion



Source: Rhodium Group.

**Value of Completed Chinese FDI Transactions in the EU by Type**  
USD billion



Source: Rhodium Group.

- **Private investors** made up 88% of the total investment in 3Q 2019 (Jiangsu Shagang’s acquisition of additional stake in Global Switch). The only major investment by state-owned investors was Wanhua Chemical Group’s acquisition of Chematur Technologies.
- **Strategic investors** accounted for nearly all deals in 3Q 2019. We only recorded one deal by a financial investor: CEE Equity Partners’s investment 15 grain silos and logistics hubs in Romania.

# Disclosure Appendix

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