



CrossBorder Monitor (CBM)

People's Republic of China < > European Union

Direct Investment

2Q 2021

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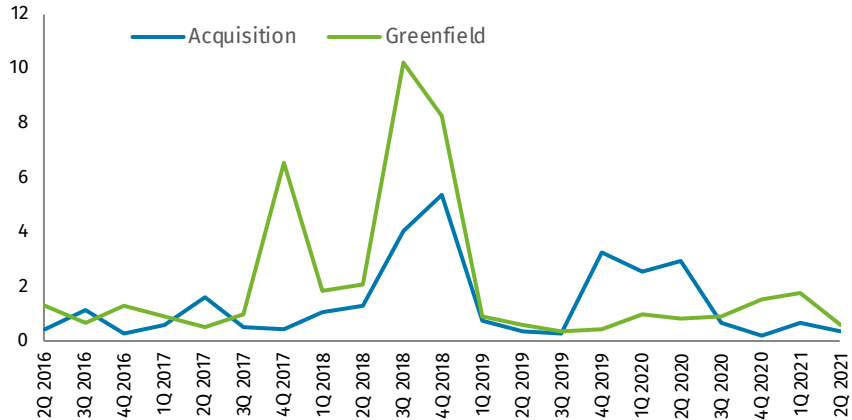
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I. EU FDI in China

Momentum: Announced and Completed Transaction Value

Value of Announced EU-27 FDI Transactions in China

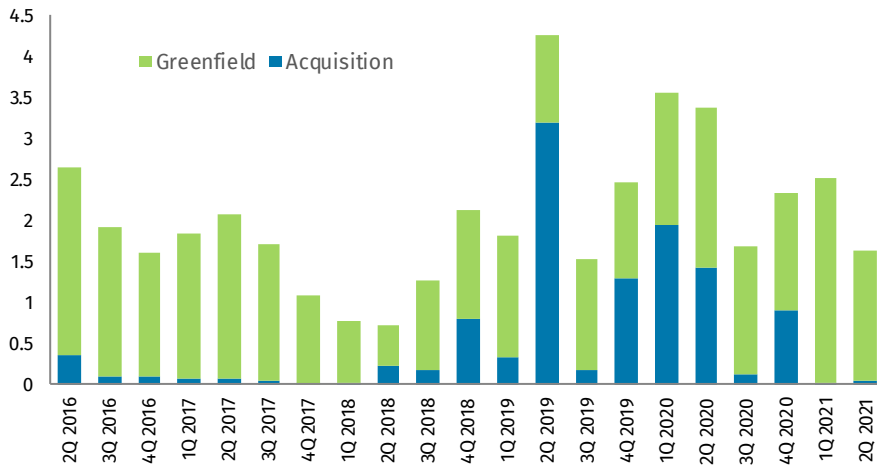
USD billion



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-27 FDI Transactions in China

USD billion

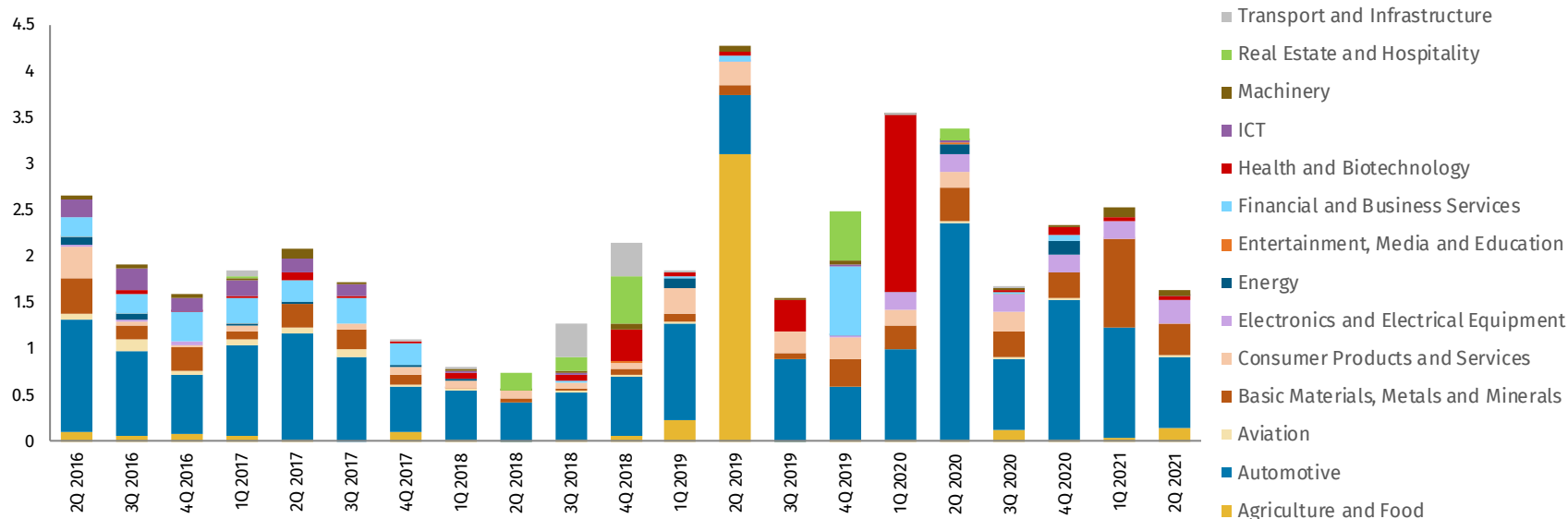


Source: Rhodium Group.

- Our **momentum** indicator shows a stall in newly announced transactions in 2Q 2021, at just below \$1 billion.
- Newly announced **acquisitions** fell to about \$300 million, a 50% decrease from last quarter. Newly announced **greenfield** projects fell as well to nearly \$600 million, a 66% decrease from last quarter's figures.
- Completed** acquisitions and commenced greenfield investments by European companies in China decreased this quarter to \$1.62 billion, down from \$2.52 billion in 1Q 2021.
- Greenfield** investment fell 38% to \$1.57 billion from Q1 level. This however put Q1 just below the average of \$1.77 billion for the previous four quarters. We recorded only a few small completed **acquisitions** in this quarter, with \$56.7 million in total value.

Industries

Value of Completed EU-27 FDI Transactions in China by Industry USD billion

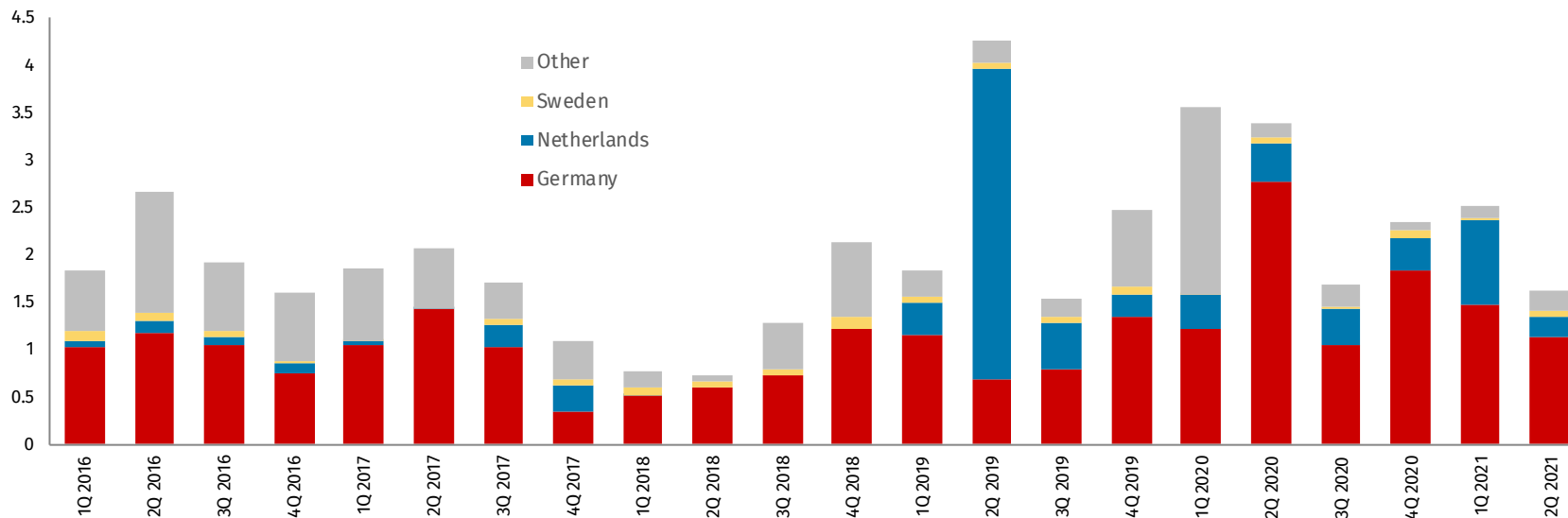


Source: Rhodium Group.

- **Automotive** (\$765 million) continues to rank first in Q2 2021 due to ongoing greenfield projects by German car manufacturers BMW and Volkswagen.
- **Basic Materials** (\$338 million) and **Electronics** (\$252 million) came in second and third respectively. The largest deals were ongoing greenfield projects by chemical producer BASF and lithium battery producer Lithium Werks BV.

Geography

Value of Completed EU-27 FDI Transactions in China by Country USD billion

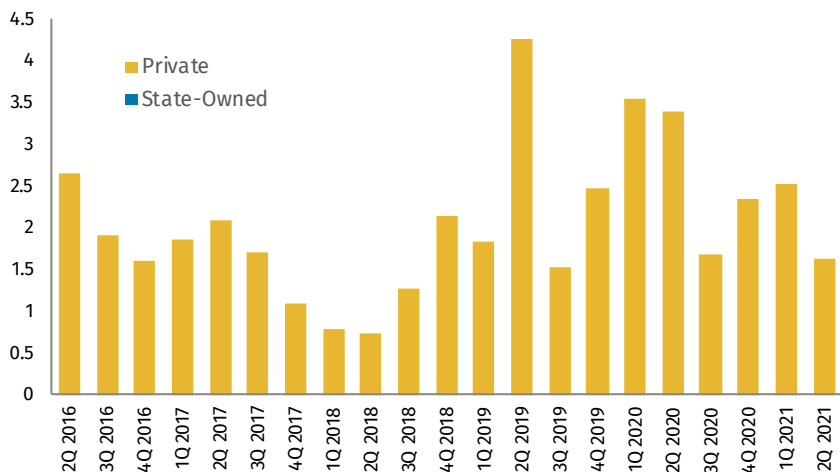


Source: Rhodium Group.

- **Germany** (\$1.13 billion) was the largest European investor in China in 2Q 2021, accounting for almost 70% of completed investment. Prominent investors include Volkswagen, BASF and BMW.
- **The Netherlands** (\$213 million) and **Sweden** (\$64 million) were second and third respectively. The largest deals were Dutch Lithium Werks' ongoing battery Gigafactory and Swedish AQ Group's acquisition of a power magnetics division.

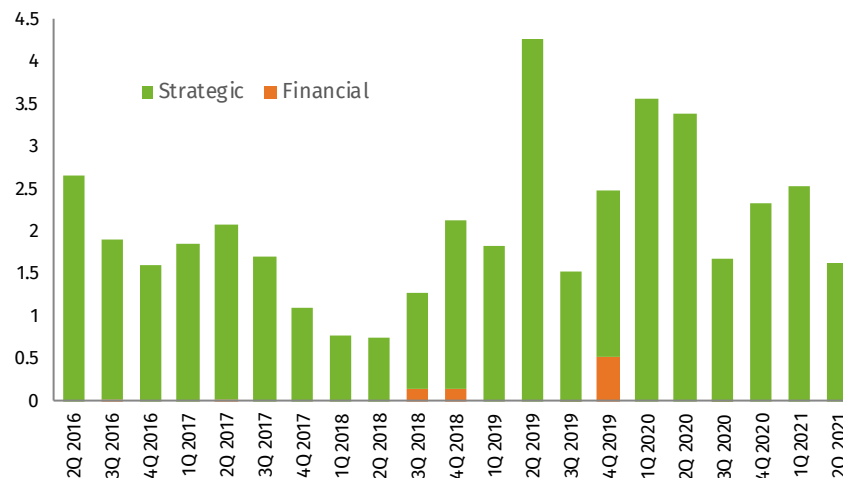
Investor Characteristics

Value of Completed EU-27 FDI Transactions in China by Ownership
USD billion



Source: Rhodium Group.

Value of Completed EU-27 FDI Transactions in China by Type
USD billion



Source: Rhodium Group.

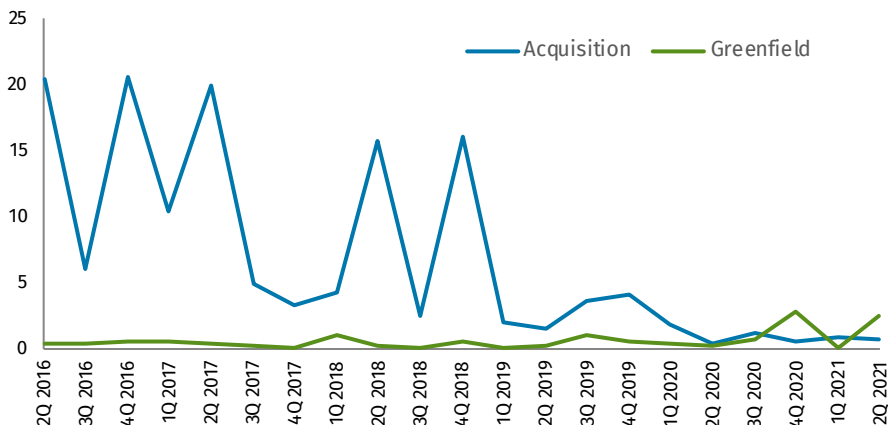
- EU-27 FDI in China was entirely comprised of **strategic investment** (real economy firms investing in their core areas of business) in 2Q 2021. We record no **financial investment** (transactions primarily aimed at financial returns) over the period.
- We record no investment by European **state-owned companies** in China in 2Q 2021.

2. Chinese FDI in the EU

Momentum: Announced and Completed Transaction Value

Value of Announced Chinese FDI Transactions in the EU-27

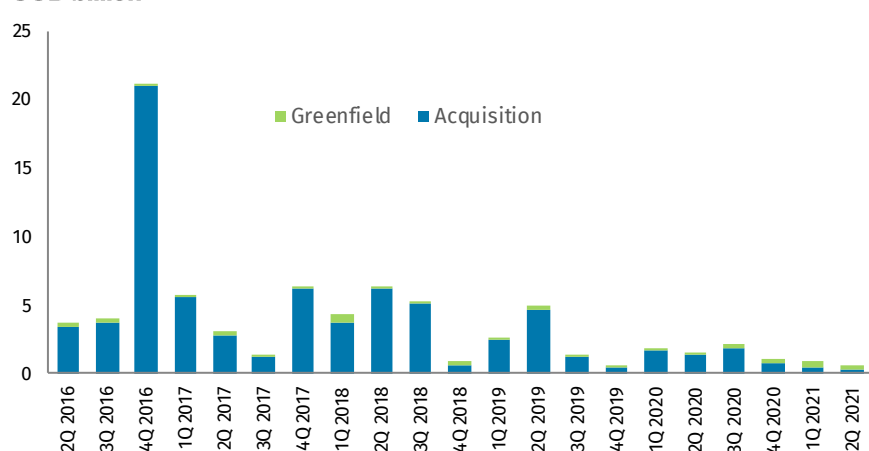
USD billion



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-27

USD billion



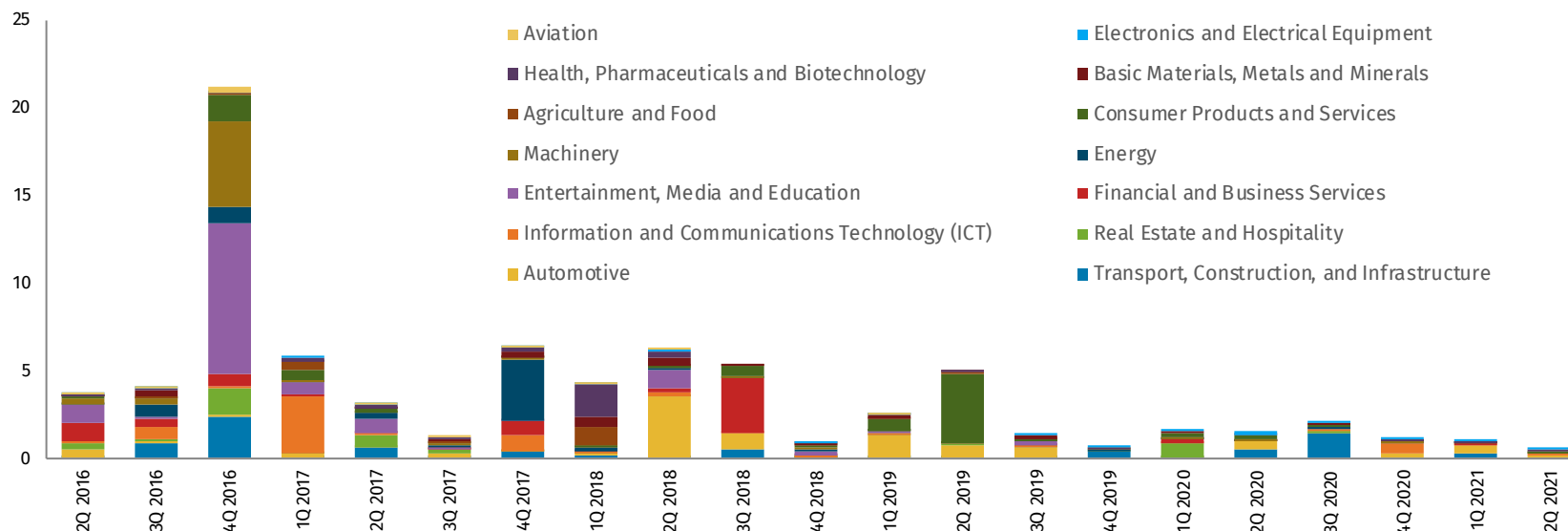
Source: Rhodium Group.

- The **momentum** for Chinese **acquisitions** in the EU-27 in Q2 2021 was about the same as last quarter, at roughly \$770 million. Most of this value was accounted for by Shenzhen Mindray's upcoming acquisition of Finland's Hytest, expected to be completed in 3Q.
- **Greenfield** momentum saw a significant increase due to the announcement of Envision AESC and Renault's plans for a \$2 billion Gigafactory in France.
- The value of **completed** Chinese FDI transactions in the EU-27 dropped to \$534 million in 2Q 2021, the lowest quarterly amount in at least a decade. This drop reflects the absence of newly announced deals in 2020 due to the pandemic.
- **Acquisitions** dipped to \$223 million in 2Q 2021, an almost 50% drop from 1Q 2021. Chinese **greenfield** investment however reached \$311 million, a high historical level. The quarterly average over the last four quarters was \$382 million, four times as much as the preceding four quarters.

Industries

Value of Completed Chinese FDI Transactions in the EU-27 by Industry*

USD billion



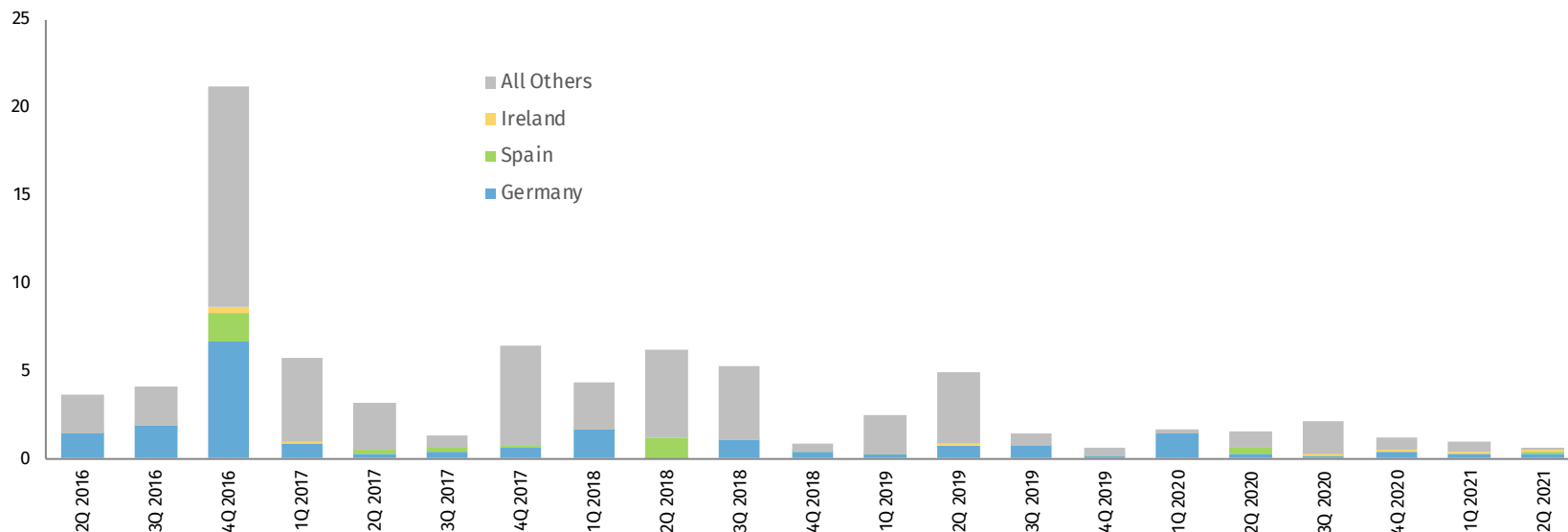
Source: Rhodium Group.

- **Automotive** continues to be the top sector for Chinese investment in the EU-27 for 2021 (\$196 million in Q2, and \$211 million in Q1). The largest transactions was the Svolt battery factory project in Germany (though our estimates are based on figures provided by the company, which may be revised down to reflect the actual pace of project implementation).
- **Health, Pharmaceuticals, and Biotechnology** and **ICT** received the second and third highest levels of Chinese investment in Q2 (\$104 million and \$71 million, respectively). The biotech total was accounted for by Huadong Medicine Company's purchase of medical device manufacturer High Technology Products S.L.U. in Spain. The largest deal in ICT was the continued expansion of TikTok (ByteDance) in Ireland.

Geography

Value of Completed Chinese FDI Transactions in the EU-27 by Country*

USD billion

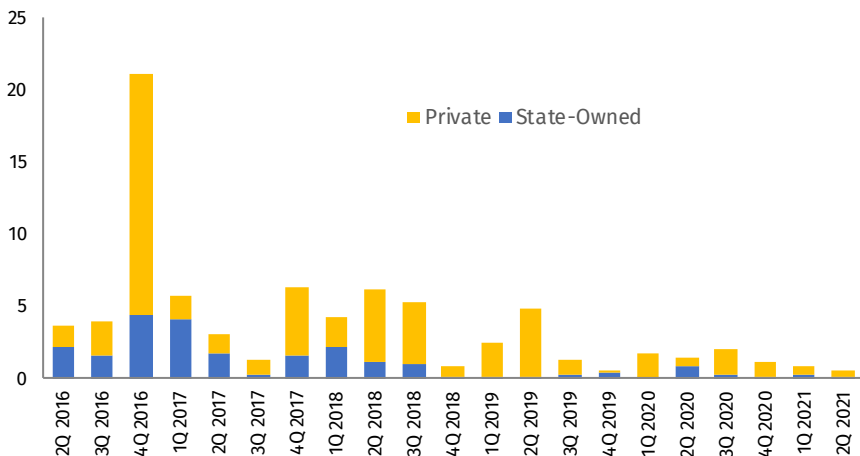


Source: Rhodium Group.

- **Germany** (\$243 million) was the largest recipient of Chinese FDI in 2Q 2021, accounting for 24% of total investment, with continued investment from battery cell manufacturer Svolt.
- **Spain** (\$103 million) was the second highest recipient, with the total accounted for by Huadong Medicine's acquisition of High Technology Products.
- **Ireland** (\$71 million) was third again this quarter due to TikTok's ongoing expansion.

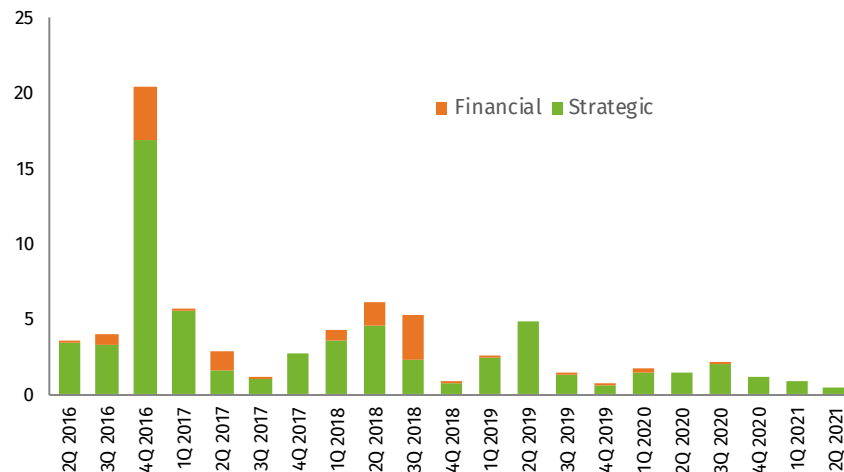
Investor Characteristics

Value of Completed Chinese FDI Transactions in the EU-27 by Ownership*
USD billion



Source: Rhodium Group.

Value of Completed Chinese FDI Transactions in the EU-27 by Type*
USD billion



Source: Rhodium Group.

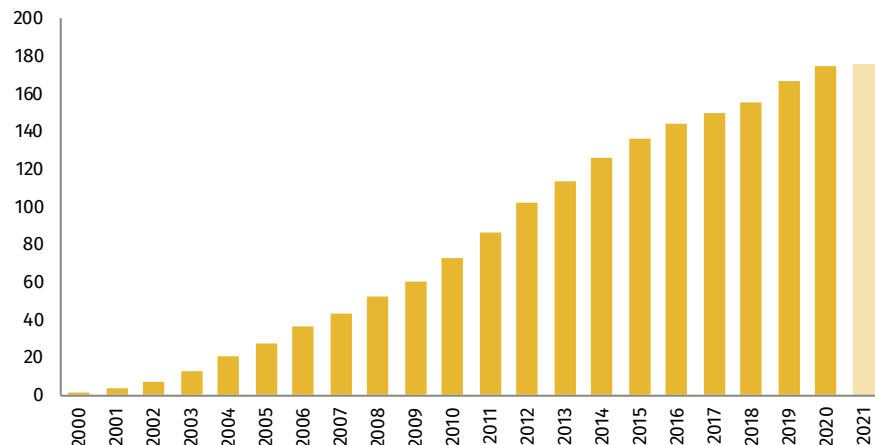
- **State investors** contributed \$130 million of total investment in the EU-27 this quarter. The largest deal by a state-owned firm was Huadong Medicine’s acquisition of High Tech Products. **Private investors** contributed to \$404 million of total investment, with investors Svolt, ByteDance, and Quanzhou Jinmu Investment topping the list.
- **Strategic investment** (real economy firms investing in their core areas of business) made up 100% of the total in 1Q 2021. We recorded no **financial investment** (transactions primarily aimed at financial returns) during this period.

3. Cumulative Flows

Cumulative EU-China FDI Since 2000

Cumulative Value of EU-27 FDI in China*

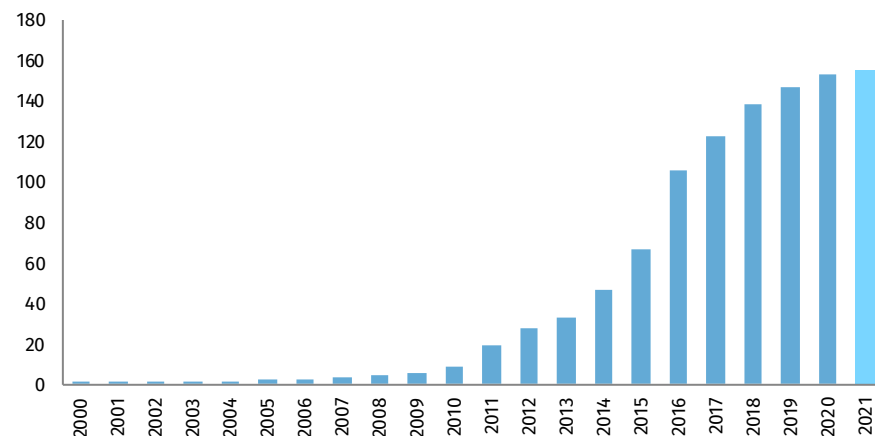
USD billion



Source: Rhodium Group. *2021 figures are only to Q2. Does not take into account divestitures.

Cumulative Value of Chinese FDI in EU-27*

USD billion



Source: Rhodium Group. *2021 figures are only to Q2. Does not take into account divestitures.

- The **cumulative value** of EU-27 FDI in China since 2000 stood at \$176 billion at the end of 1Q 2021. EU-27 FDI in China averaged \$8.3 billion annually from 2000-2020.
- The **cumulative value** of Chinese FDI in the EU-27 since 2000 stood at \$155 billion at the end of 2Q 2021. Chinese FDI in the EU averaged \$7.3 billion annually from 2000-2020.

Disclosure Appendix

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