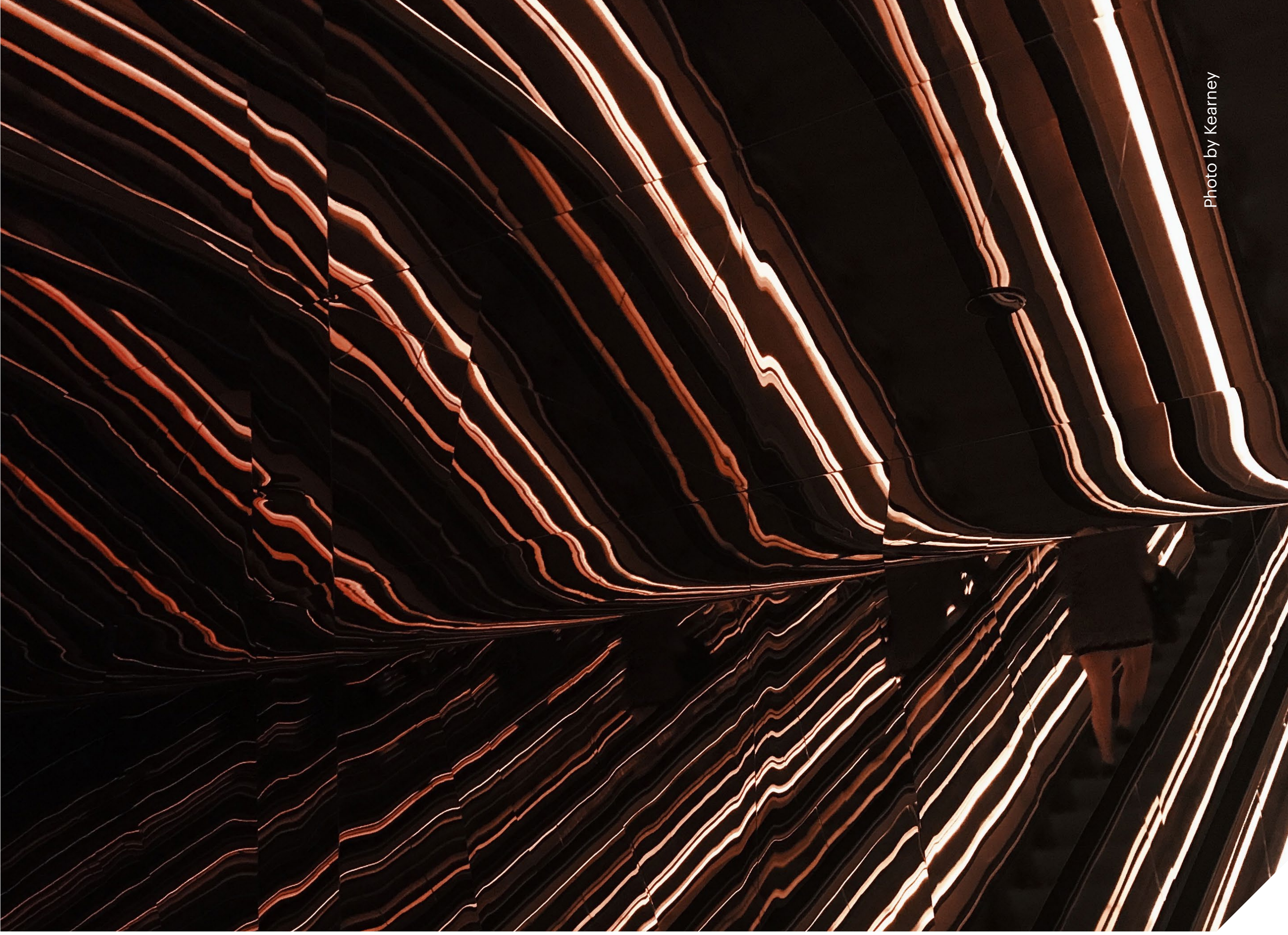

World at inflection

The 2025 FDI Confidence Index®

Business leaders recognize mounting risk and uncertainty—alongside areas of opportunity—in the investment outlook over the next three years.

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Global Business Policy Council

The Global Business Policy Council, part of the Kearney Foresight network, is a leading voice on business-environment research and policy. Since its first CEO Retreat in 1992, the Council has provided strategic foresight services for the world's top executives and government officials. Through public-facing thought leadership, exclusive global forums, and advisory services, the Council helps decipher complex geopolitical, economic, social, and technological shifts, creating clarity for CEOs and government leaders around key developments and trends for immediate impact and lasting advantage.

Our 2025 Index captures a distinct snapshot of investor sentiments at a moment of global inflection. The 2024 election super cycle has concluded, bringing with it new leadership in several leading economies, including the United States and United Kingdom. Our survey was in the field in January 2025 and our results suggest both a mix of cautious optimism and mounting uncertainties for global investors.

The makeup of our global rankings remains broadly similar to last year. The United States remains the top-ranked investor destination for the 13th consecutive year, followed by Canada and the United Kingdom. China falls three positions relative to last year to 6th position, behind Japan and Germany. And both the United Arab Emirates and the Kingdom of Saudi Arabia continue to perform well in our Index. After both markets surged 10 spots in 2024, they currently rank 9th and 13th, respectively, in the 2025 Index. These are not the only emerging markets of note, however. In our third annual Emerging Market Index, South Africa rises four positions to 7th in our 2025 Index. Our emerging market rankings also continue to show the strength of Southeast Asian markets, including Thailand, Malaysia, Indonesia, the Philippines, and Vietnam.

For the first time in the history of our Index, we have asked respondents to the 2025 FDI Confidence Index® to share additional insights as to why they plan to invest in a specific market. This serves to illuminate the perceived strengths of each individual market, such as economic performance, talent and skill level, ease of doing business, degree of technology innovation, and natural resources, among others. These findings are detailed in figures 2 and 6. Across all markets, investors continue to highlight the importance of efficiency of legal and regulatory processes, domestic economic performance, and technology and innovation capabilities as the primary factors driving their investment decisions.

Alongside some signs of cautious optimism, investors also demonstrate consistent areas of concern across our survey results. Investors cite a rise in commodity prices, an increase in geopolitical tensions, and more restrictive business regulatory environments in both developed and emerging markets alike as likely developments. Concerns surrounding rising geopolitical risk were evident across the survey. Results suggested that the likelihood of increased geopolitical tensions rose seven points relative to last year, and a striking 83 percent of investors said that they anticipated such an increase would either significantly or moderately impact their investment decisions in 2025.

This issue was also cited in our thematic section, which focuses on perceptions of the European Union. While more than two-thirds of investors hold a favorable view of the EU, concerns surrounding the future of immigration, economic stagnation, and the conflict in Ukraine are top of mind. Our survey also reveals significant differences in perception of the EU across different regions, with Europe-based investors generally having a more pessimistic outlook relative to those based in the Americas or Asia Pacific. This held across a range of questions pertaining to the EU's position on the world stage, levels of competitiveness, and the outlook for the EU in economic, military, and regulatory terms. While investors continue to prefer doing business in the EU relative to other regions—as evidenced in part by the continued strong performance of European markets in our Index—these findings reflect that key challenges remain.

Taken collectively, the results of our 2025 FDI Confidence Index® suggest a *World at inflection*. A convergence of significant geopolitical, economic, and technological shifts is taking place, creating both new risks and areas of opportunity for global investors. The potential for rising commodity prices, increased geopolitical tensions, and more restrictive business regulatory environments is high, suggesting an ever-greater need for innovative decision-making by investors and policymakers alike.

As always, we welcome your views and feedback regarding this Index.

Erik R. Peterson
Partner and managing director
Global Business Policy Council
Kearney

Executive summary

Developed markets make up 19 of the top 25, led by the United States, Canada, and the United Kingdom. Investors highlight the strength of US technological innovation and Canada's high infrastructure quality as top factors to invest in these markets. The United Kingdom and Germany lead in Europe, holding the 3rd and 5th places, respectively, benefitting from perceptions of tech innovation and economic performance. In Asia Pacific, Japan places 4th on the Index, also benefitting from continued strength in technology innovation, and strong wage growth. China slips from 3rd to 6th place, likely reflecting the market's economic challenges, including an ongoing property crisis and trade uncertainty. Overall, developed markets continue to dominate the rankings, representing 19 of the top 25 markets on the global rankings, indicating that investors may be seeking perceived safety and stability in a volatile world.

Emerging-market performance declined slightly relative to last year. Only six emerging markets make the main Index, down two from last year, as Poland and Argentina fall out of the top 25. Overlap between the global rankings and the emerging market rankings include China at number one, followed by the United Arab Emirates, Saudi Arabia, Brazil, India, and Mexico. South Africa, Poland, and Argentina lead the pack of emerging markets that fell just short of the main Index. Overall, the Americas boasts the most markets on the list with eight (down one from last year), followed by Asia Pacific at seven, the Middle East and Africa at five, and Europe also at five (one up from last year). Two of the 25 emerging markets—Kuwait and Bulgaria—made the Index for the first time.

Domestic economic performance emerges as a top priority for investors. Efficiency of legal and regulatory processes and domestic economic performance tie for the top two most important factors for investors when choosing where to make their foreign direct investment. The elevation of these issues suggests that investors are increasingly focused on economic indicators when choosing where to place their FDI, a fact further validated by the survey respondents specifically citing economic performance as the primary reason to invest in 12 of the top 25 markets.

Key risks related to a rise in commodity prices and geopolitical tensions reflect investor concerns about rising global uncertainty. Investors are concerned about rising geopolitical risk and the potential for subsequent supply chain disruptions, which could push commodity prices higher. Thirty-eight percent of surveyed investors see a rise in commodity prices as the most likely development over the next year, and 35 percent of investors also cite an increase in geopolitical tensions as a likely development in 2025, up seven points from last year.

Investor perception of the European Union is generally favorable, though concerns are highest among Europe-based investors. More than two-thirds of investors have a favorable view of the European Union, and 60 percent agree that they prefer to do business in the EU over any other region. Nevertheless, immigration challenges, economic stagnation, and expansion of war in Ukraine remain significant areas of concern. Further, there are significant differences in perceptions of the EU across regions: Europe-based investors are generally more pessimistic about the EU's position on the world stage compared to Americas and Asia Pacific counterparts in assessing issues related to competitiveness and economic and military power.

The 2025 Foreign Direct Investment (FDI) Confidence Index

Levels of global uncertainty and volatility are surging. From the proliferation of tariffs to rising geopolitical risk to shifts in domestic politics stemming from the 2024 global election super cycle, global investors are challenged with navigating a fast-changing landscape. And this tumultuous global operating environment is having economic repercussions, with growth projections falling since the survey was in the field in January. Nevertheless, respondents still clearly value foreign direct investment, with 84 percent indicating plans to increase their FDI in the next three years. Though this represents a four-point decrease from last year—likely due to the aforementioned unpredictability of the operating environment—it remains a high figure and a sign that business leaders are still open to and in favor of international trade and investment.

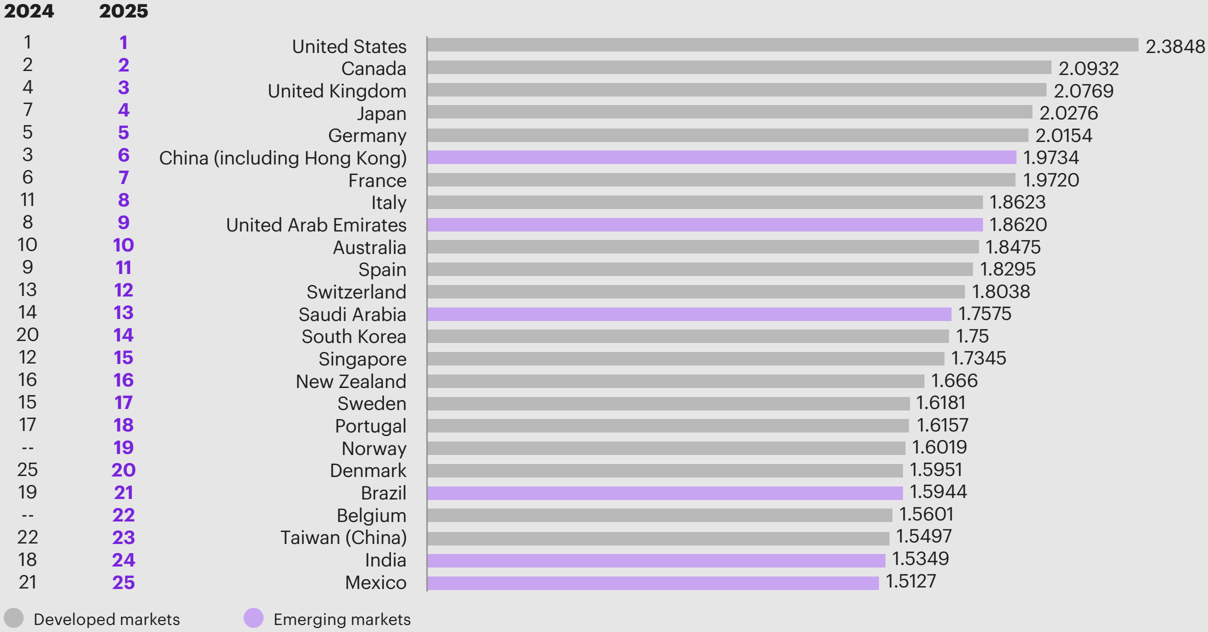
Rankings

World rankings

Developed markets continue to dominate our rankings, representing 19 of the top 25 markets on the global rankings this year, perhaps reflecting a desire for perceived safety and stability in a volatile world. This is an increase from the 17 developed markets that made the top 25 last year. Of the top 10 markets this year, nine were in the top 10 last year, with Italy returning to the top 10 and Spain falling from 9th to 11th position. Two emerging markets—China (including Hong Kong) and the United Arab Emirates—remain in the top 10, however (see figure 1 on page 4).[1] Emerging-market performance declined slightly this year, with only six markets making the main Index—down two from last year as Poland and Argentina fall out of the top 25. Other emerging markets saw their standing decline in relative terms. China dropped three spots to 6th position, the United Arab Emirates fell marginally to 9th from 8th, and Brazil, India, and Mexico dropped two, six, and four spots, respectively.

[1] The FDICI follows the same country classification as the International Monetary Fund for advanced and emerging economies.

Figure 1
2025 FDI Confidence Index® global rankings



Note: emerging markets are classified according to the IMF's country classification.
Source: 2025 Kearney Foreign Direct Investment Confidence Index

For the 13th year in a row, the United States ranks 1st on the Index. A plurality of investors (45 percent) cited the market's technological innovation as the strongest reason they would choose to invest there, followed by its economic performance (40 percent) (see figure 2 on page 6). The United States consistently ranks in the top three economies in the World Intellectual Property Organization's Global Innovation Index, and is expected to remain the world's fastest growing G7 economy, expanding at 2.0 percent this year. Canada maintains its 2nd-place ranking for the third consecutive year and remains one of the top five markets for the 13th year in a row. Survey respondents pointed to its infrastructure quality as its most attractive quality for investors. Canada's 12-year plan to invest $180 billion in infrastructure, extending through 2028, has focused on projects repairing and upgrading public transit systems and roads, enhancing digital infrastructure, and tackling affordable housing challenges. Further, Canada continues to be a powerhouse in clean energy infrastructure, with investment in the area growing 19 percent in 2024 to reach US $35 billion and landing Canada at 8th globally according to BloombergNEF's Energy Transition Investment Trends 2025 report.

The United Kingdom and Germany lead the way in Europe, holding 3rd and 5th place respectively. The UK's strong consumer market, robust financial services sector, infrastructure quality, and high capacity for innovation supported its rise in rank to 3rd. Germany's leadership in technology innovation helped the market maintain its 5th-place ranking. Despite setbacks in its manufacturing sector, Germany's longstanding reputation as a global leader in technology and heavy investments in research and development buoy investor sentiments.

In Asia, Japan's performance improves with a jump from 7th to 4th. Investors specifically cite the market's continued strength in technology innovation and improving economic performance, reflected in part by Japan's tight labor market leading to the strongest wage growth since the 1990s. China slips from 3rd to 6th, which likely reflects the market's economic challenges, including an ongoing property crisis, alongside rising uncertainty in US–China relations, particularly as they relate to trade. Nevertheless, investors are buoyed by China's tech innovation, a sentiment perhaps boosted by the launch of a popular AI assistant by Chinese start-up DeepSeek while the survey was in the field in January, and may reflect some optimism that China's $1.4 trillion stimulus package (announced in November 2024) could further boost economic performance.

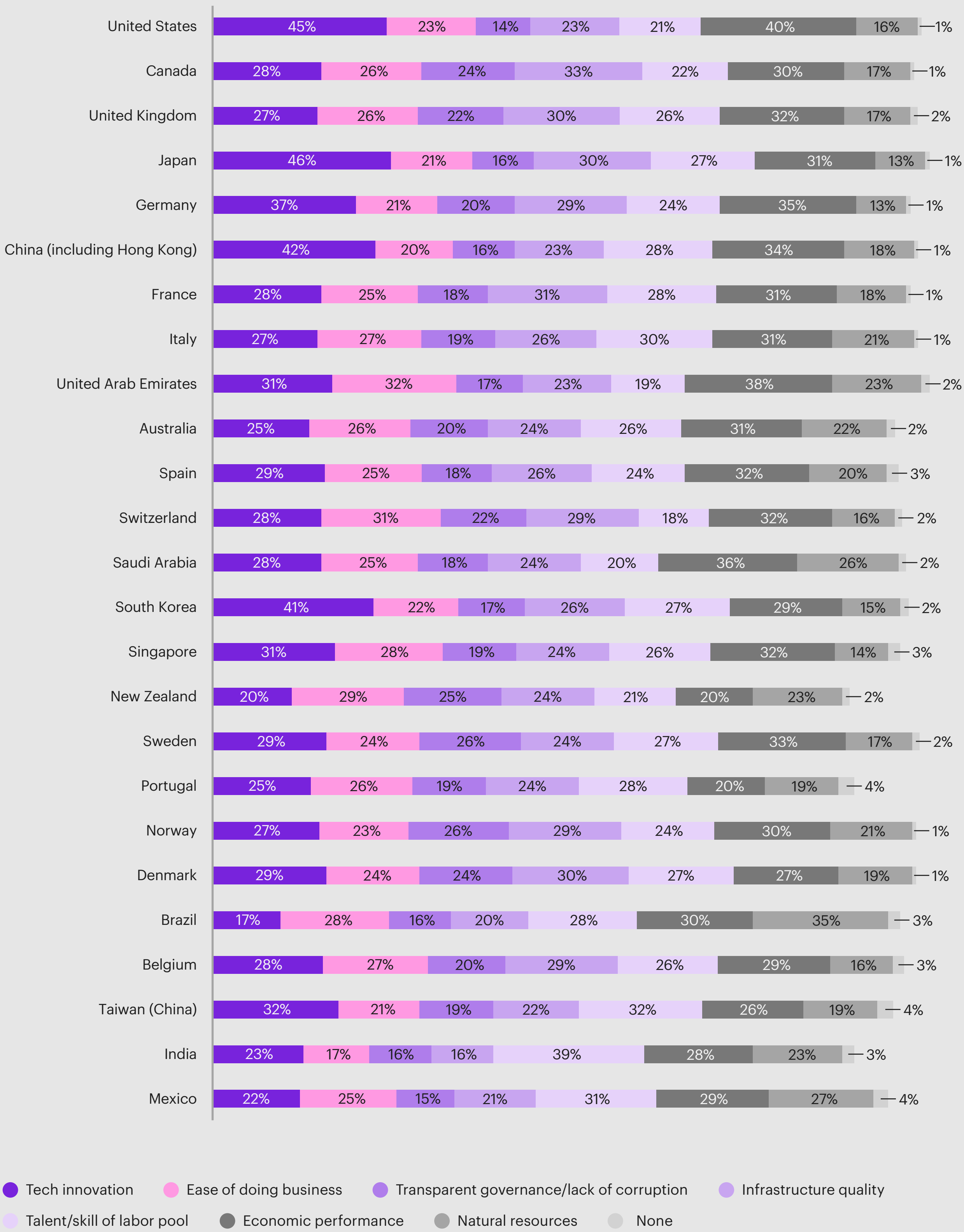
The regional breakdown of our results shows Europe retaining the greatest share of the top 25 markets, with 11 economies—one more than last year. Norway and Belgium rejoin the rankings at 19th and 22nd, respectively, while Poland falls from the top 25. Though the European Union is still projected to grow at around 1.5 percent over the next three years, this marks a modest improvement from the GDP growth rates of the past two years, which landed at 0.5 and 0.8 percent, respectively.[2] According to Goldman Sachs, real income is projected to increase in the euro area and savings remain high, both of which will support household spending. Further, headline and core inflation are projected to return to 2 percent by the end of 2025 as services inflation cools. Continued conflict in the East, domestic political instability, and the threat of tariffs are risks to the downside. Nevertheless, the region remains attractive to investors, likely drawn to its developed infrastructure, strong institutions and rule of law, and a highly educated workforce. Denmark in particular is an example of this resilience and recovery, jumping five notches to a rank of 20th this year. Investors are clearly attracted to its infrastructure quality and technological innovation, including efforts pertaining to the green transition.

Asia Pacific has the second strongest showing with eight markets represented on our Index—the same representation as last year. As mentioned above, China falls three notches to 6th and Japan jumps from 7th to 4th. Australia holds firm at 10th for the third consecutive year, with survey respondents most attracted to its economic performance (31 percent), followed by the talent and skill of its labor pool (26 percent) and ease of doing business (26 percent). South Korea makes a notable leap from 20th to 14th, its strongest performance in the history of our Index.[3] Investors overwhelmingly (41 percent) cite the market's technological innovation capabilities as the strongest reason to invest there. Indeed, in 2024, South Korea announced plans for a $10 billion investment in the semiconductor industry in 2025 to strengthen its domestic chipmakers in the face of Chinese competition and US policy uncertainty. Other deltas of note include Singapore's drop from 12th to 15th and India falling from 18th to 24th. Given that Singapore is uniquely trade-reliant and often caught between the United States and China, investors may be concerned about the potential impact of a trade war on the market's economy. And while survey respondents most value India's strong labor pool (39 percent) and economic performance (28 percent), concerns about regulatory complexity and ease of doing business may have weighed on their outlook.

[2] Oxford Economics, early March baseline forecasts
[3] South Korea's previous best ranking was 15th in 2000.

Figure 2
Reasons for investing vary by market

For each market you plan to invest in, which of the following are the top two areas you find the strongest areas or strongest reasons for investment? Please select the top two strongest factors for investing in each market.



Source: 2025 Kearney Foreign Direct Investment Confidence Index

The Americas has four markets on the Index this year, down one from last year as Argentina slips from the top 25. Following the United States and Canada, Brazil ranks 21st, down two from last year. Investors remain especially attracted to the market's natural resources, but might have been rattled by recent climate challenges as 2024 saw an 80 percent rise in wildfires. And Mexico drops four spots to 25th. While investors remain attracted to the market's infrastructure quality and talented workforce, economic and policy uncertainty related to potential US tariffs may be creating headwinds.

Though the Middle East and North Africa sees just two markets make the global rankings this year, both the United Arab Emirates and Saudi Arabia perform well at 9th and 13th, respectively. Despite falling one notch from 8th last year, the UAE remains an economic leader with anticipated output growth of 4.8 and 6.2 percent in 2025 and 2026, respectively—a factor that survey respondents value the most in the market.[4] Further, the UAE is striving to boost logistics as a driver of growth. An example of this is the Etihad Rail project, which aims to connect major hubs across the region. And Saudi Arabia continues to climb up the Index, jumping one notch from 14th last year. Beyond its economic credentials, Saudi Arabia is establishing itself as a global tech hub. To that end, in November 2024, it announced Project Transcendence—a $100 billion initiative to develop an AI ecosystem built on data centers, start-up support, and robust talent recruitment.

This year, we also asked investors about which region they see as leading in three key areas when choosing where to make their FDI—economic growth/dynamism, technological innovation, and the green transition (see figure 3 on page 8). While the Americas is slightly favored in terms of economics and technological innovation, followed very closely by Asia Pacific, Europe and Eurasia comes out a clear winner in investor sentiment surrounding the green transition. The continent has made especially significant strides in its solar capacity over the past year, with solar energy providing more power than coal to EU markets for the first time in 2024.

Investor optimism regarding the economies on this year's global rankings fell by four percentage points (26 percent) relative to the average net optimism level last year (30 percent) (see figure 4 on page 8). However, a few key economies saw significant jumps. The United States received a net optimism score of 43 percent this year, up a striking seven points from last year. Japan sees a score of 40 percent, up from 33 percent in 2024. And the net optimism score for the United Arab Emirates has risen 4 percent year-over-year, from 38 to 42 percent. Conversely, net optimism has declined notably for emerging markets Brazil and India, whose scores dropped 9 and 15 percent compared to last year, respectively. And despite forming part of the top 10 in the optimism rankings, the United Kingdom's net score still dropped from 39 to 29 percent year-over-year. Thus, despite 68 percent of investors expressing optimism about the state of the global economy, it is clear market-level nuances exist.

Investor optimism regarding the economies on this year's global rankings fell relative to the average net optimism level last year.

[4] Oxford Economics early March baseline forecasts

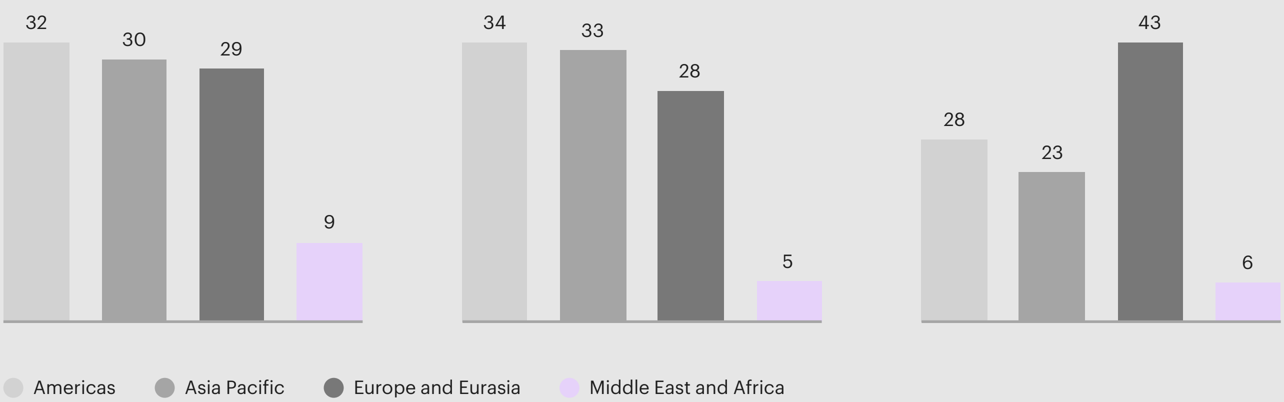
Figure 3

Investors view the Americas as slightly ahead in economic growth and technological innovation but overwhelmingly see Europe and Eurasia as leading the green transition

When choosing where to make your foreign direct investments, which region do you see as leading in **economic growth/dynamism** in the next three years?
Percent

When choosing where to make your foreign direct investments, which region do you see as leading in **technological innovation** in the next three years?
Percent

When choosing where to make your foreign direct investments, which region do you see as leading in the **green transition** in the next three years?
Percent

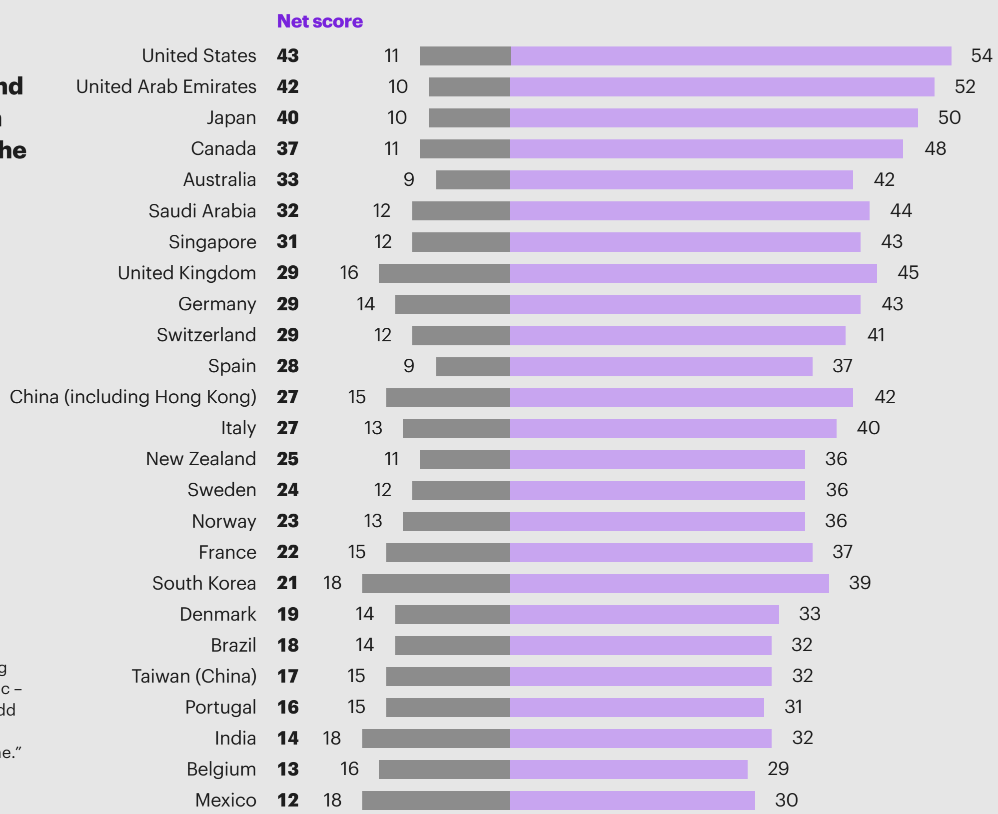


Source: 2025 Kearney Foreign Direct Investment Confidence Index

Figure 4

The United States, the United Arab Emirates, and Japan lead the optimism rankings of markets on the main Index

Optimism ranking
(Percent)



More pessimistic
More optimistic

Note: Markets are listed in descending order of the net score (more optimistic – more pessimistic). Numbers do not add up to 100 because remaining respondents selected "about the same."

Source: 2025 Kearney Foreign Direct Investment Confidence Index

Emerging market rankings

Our third-annual exclusive emerging market rankings aim to provide business leaders with insights into which emerging markets are most appealing to investors now and over the next three years (see figure 5). Overlap between the global rankings and the emerging market rankings include China at number one, followed by the United Arab Emirates, Saudi Arabia, Brazil, India, and Mexico. The Americas boasts the most markets on the list with eight (down one from last year), followed by Asia Pacific at seven, the Middle East and Africa at five, and Europe also at five (up one from last year).

South Africa makes a notable jump from 11th to 7th position this year. This is perhaps due in part to the stabilization of its energy supply in 2024, when previously habitual power cuts (loadshedding) diminished significantly. Further, investors show interest in South Africa's vast natural resources and economic performance, which is projected to see improved growth in 2025 (see figure 6 on page 10). On the emerging markets list, natural resources were also the most favored attribute among investors in Brazil, Egypt, Chile, Kuwait, Costa Rica, and Peru. Hungary also rose in our rankings from 22nd to 17th, with investors pointing to the market's infrastructure quality as the strongest reason for investing there. They were likely buoyed by a Chinese loan of 1 billion Euros to Hungary in July of 2024, which is intended in part for the financing of investments in infrastructure, the energy sector, and others.

Figure 5
2025 FDI Confidence Index® emerging market rankings

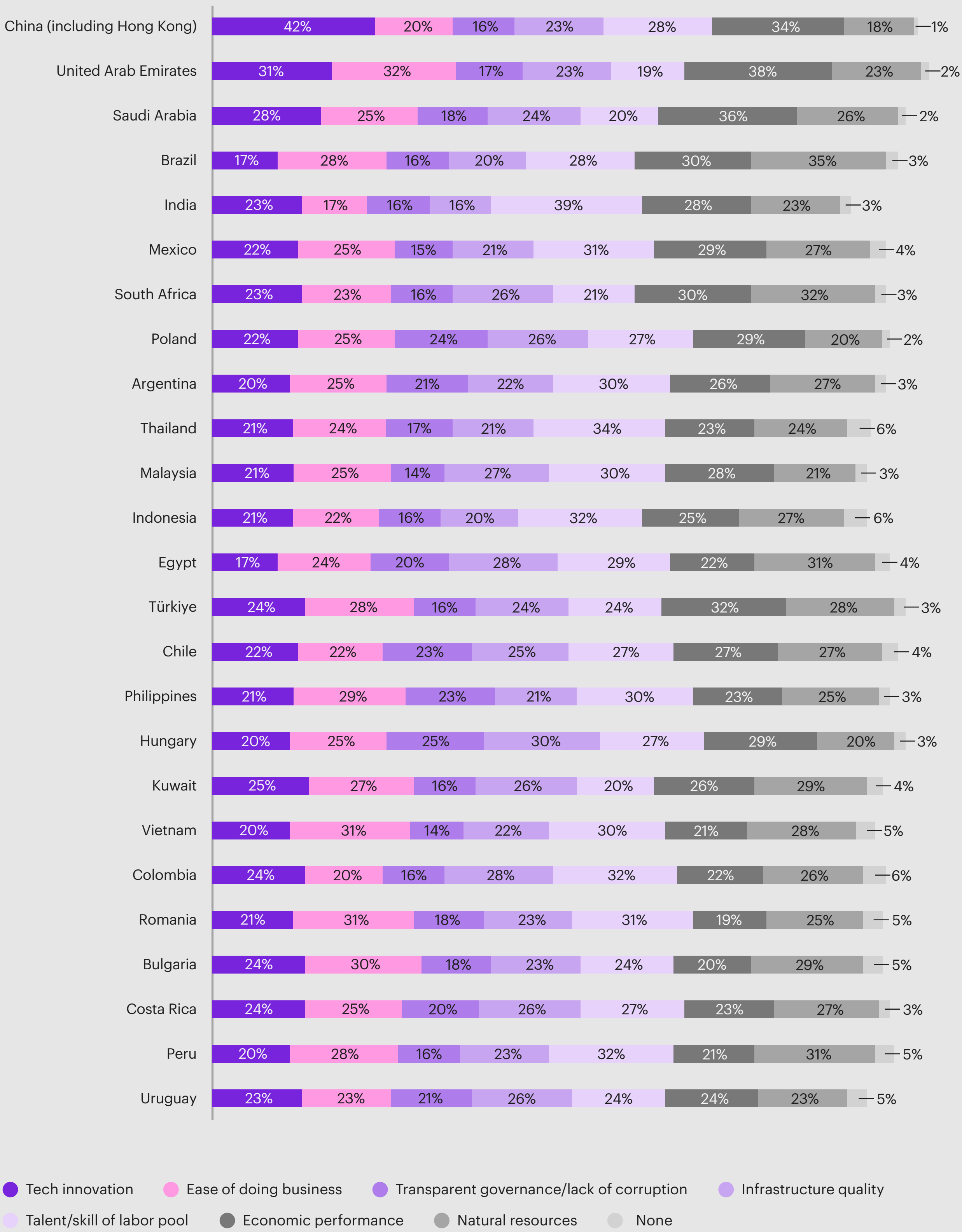
2024	2025		
1	1	China (including Hong Kong)	1.9734
2	2	United Arab Emirates	1.8620
3	3	Saudi Arabia	1.7575
5	4	Brazil	1.5944
4	5	India	1.5349
6	6	Mexico	1.5127
11	7	South Africa	1.4826
7	8	Poland	1.4648
8	9	Argentina	1.4627
9	10	Thailand	1.4515
10	11	Malaysia	1.4168
12	12	Indonesia	1.3592
15	13	Egypt	1.3302
16	14	Türkiye	1.3265
14	15	Chile	1.301
13	16	Philippines	1.2966
22	17	Hungary	1.2817
--	18	Kuwait	1.2761
18	19	Vietnam	1.2724
21	20	Colombia	1.2724
17	21	Romania	1.2425
--	22	Bulgaria	1.1978
19	23	Costa Rica	1.194
20	24	Peru	1.1642
23	25	Uruguay	1.153

On main Index   Only on Emerging Markets Index

Note: emerging markets are classified according to the IMF's country classification.
Source: 2025 Kearney Foreign Direct Investment Confidence Index

Figure 6
Reasons for investing in emerging markets vary by market

For each market you plan to invest in, which of the following are the top two areas you find the strongest areas or strongest reasons for investment? Please select the top two strongest factors for investing in each market.



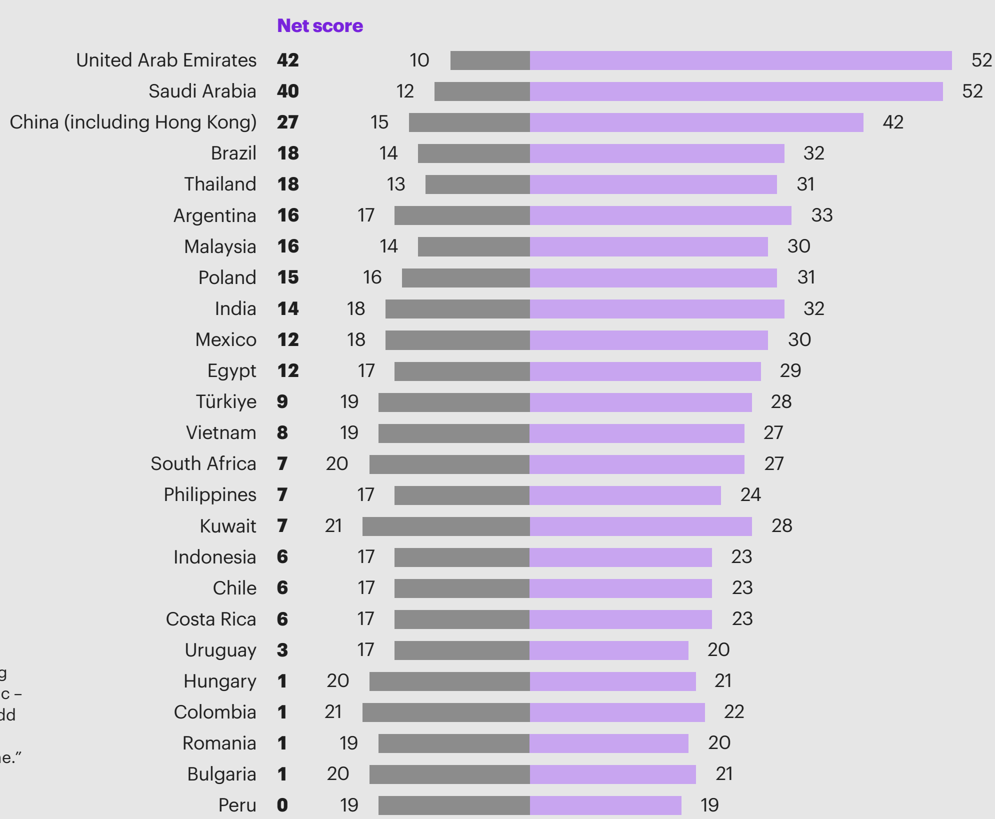
Source: 2025 Kearney Foreign Direct Investment Confidence Index

Two of the 25 markets on the Emerging Markets Index—Kuwait and Bulgaria—did not make the rankings last year. Kuwait ranks 18th, owing in part to its attractive oil reserves. Further, in January 2024 it expanded its acceptance of foreign investment by allowing foreign companies to open branch offices in Kuwait without a local agent. And Bulgaria, coming in at 22nd, perhaps appealed to investors owing to its announced plans to shortly enter the Eurozone. While net optimism levels overall for emerging markets are almost nine percentage points lower than those reported last year, investors are still more optimistic than pessimistic about all emerging markets on the list, with the exception of Peru, where net optimism is zero (see figure 7).

The Americas boasts the most markets on the emerging markets list with eight, followed by Asia Pacific at seven.

Figure 7
Investors are most sanguine about the United Arab Emirates, Saudi Arabia, and China on the Emerging Markets Index

Optimism ranking
(Percent)



More pessimistic

More optimistic

Note: Markets are listed in descending order of the net score (more optimistic – more pessimistic). Numbers do not add up to 100 because remaining respondents selected "about the same."

Source: 2025 Kearney Foreign Direct Investment Confidence Index

Domestic economic performance emerges as a top priority for investors

Efficiency of legal and regulatory processes and domestic economic performance tie (16 percent) for the top two most important factors for investors when choosing where to make their foreign direct investment (see figure 8 on page 13). While efficiency of legal and regulatory processes was the number two factor last year at 15 percent, only 6 percent of investors cited domestic economic performance as the most important factor impacting their investment decisions—ranking at 16 out of 20 on the list. This significant rise in both percent and relative rank suggests that investors are increasingly focused on economic indicators when choosing where to place their FDI, a fact further validated by the survey respondents citing economic performance as the strongest reason to invest in 12 out of 25 markets on the global rankings. Given the multitude of shocks that have impacted the global economy in recent years, investors appear to be increasingly keyed into how specific markets are responding. And though technological innovation capabilities drop marginally from 1st to 3rd, it is still clearly a major factor of interest for investors. It has been a top three factor for investors for the previous eight years of our survey.

Investors anticipate a rise in commodity prices and increased geopolitical tensions in the year ahead.

Risks and likely developments

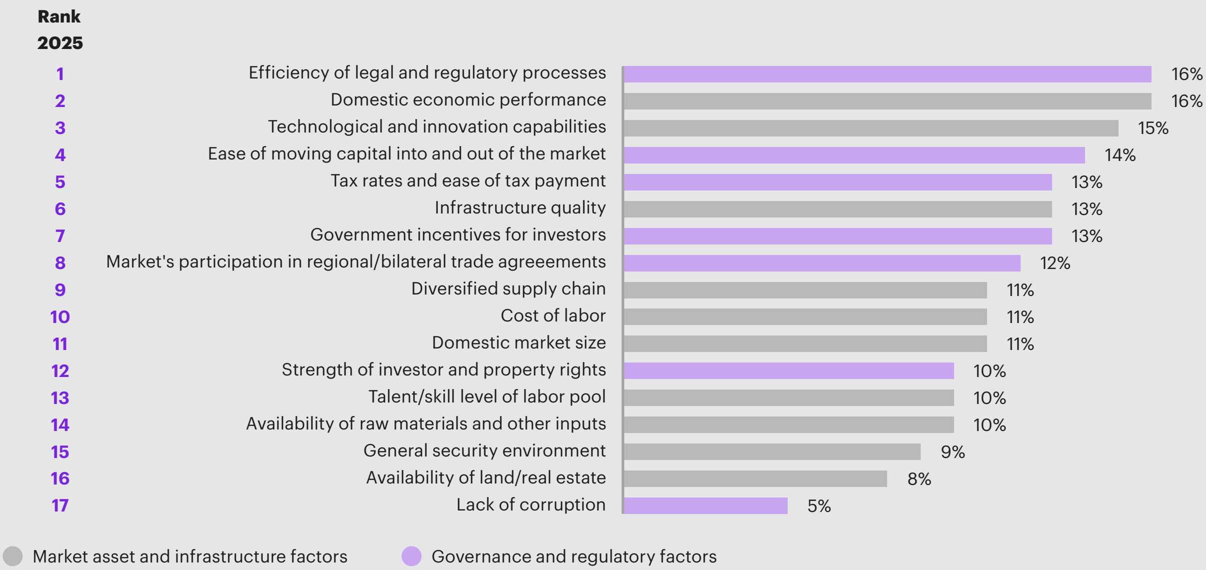
This year, 38 percent of surveyed investors see a rise in commodity prices as the most likely development over the next year (see figure 9 on page 13). This is a significant rise from last year, during which only 26 percent of investors viewed it as likely to occur. The uptick is perhaps explained by investor fears of increased global conflict and subsequent supply chain disruptions that could drive commodity prices up. Related to this point, 35 percent of investors also cite an increase in geopolitical tensions as a likely development in 2025, up a striking 7 percent from last year.

Ranked 3rd is a more restrictive business regulatory environment in a developed market (32 percent), followed immediately by a more restrictive business regulatory environment in an emerging market, tied with political instability in a developed market (tied at 26 percent). As discussed in last year's report, investors are likely responding to a persistent rise in industrial policy when pointing to restrictive regulatory environments. As markets attempt to bolster their domestic industries and resilience, particularly in strategic sectors related to national security, foreign investment becomes more difficult. For example, the US government blocked Nippon Steel's intended acquisition of US Steel on national security grounds in early January of this year, marking only the ninth time that a president has used the Committee on Foreign Investment in the United States (CFIUS) to block a foreign transaction. Though the outcome remains undecided as of writing, Nippon Steel continues to advocate for the merger despite this setback.

Figure 8

Efficiency of legal and regulatory processes, domestic economic performance, and technological and innovation capabilities are the most important overall factors in determining investment intentions

From those factors that you selected, which are the most important overall factors to your company when choosing where to make FDI?

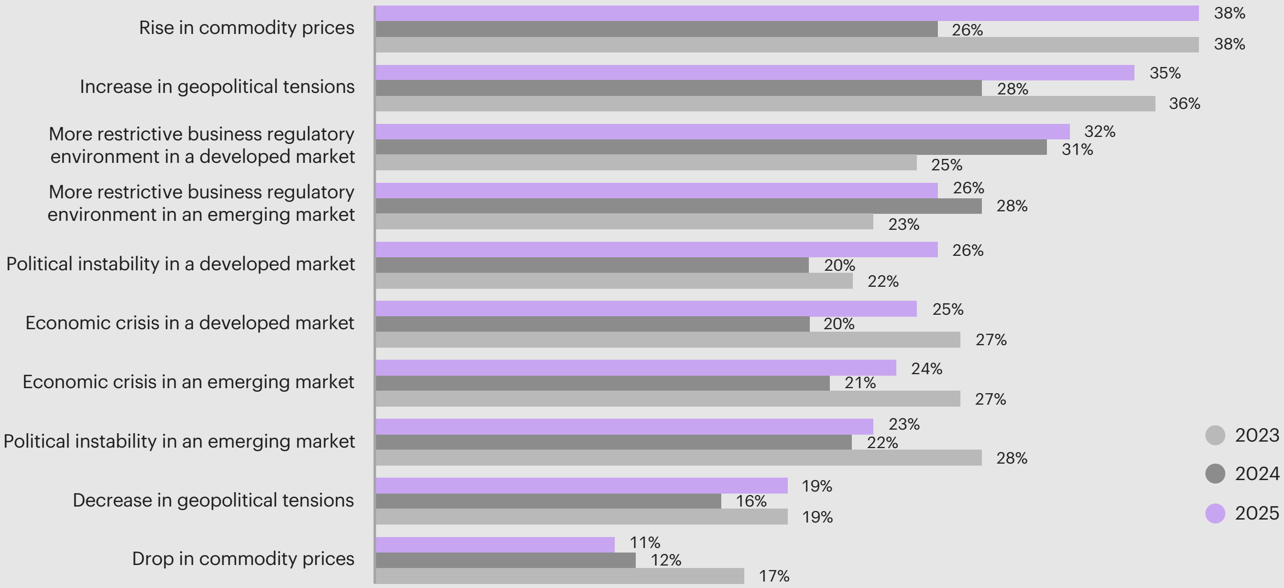


Source: 2025 Kearney Foreign Direct Investment Confidence Index

Figure 9

Broadly, investors see a rise in commodity prices, an increase in geopolitical tensions, and a more restrictive business regulatory environment in a developed market as most likely

What developments from among the following do you think are more likely to occur in the next year?



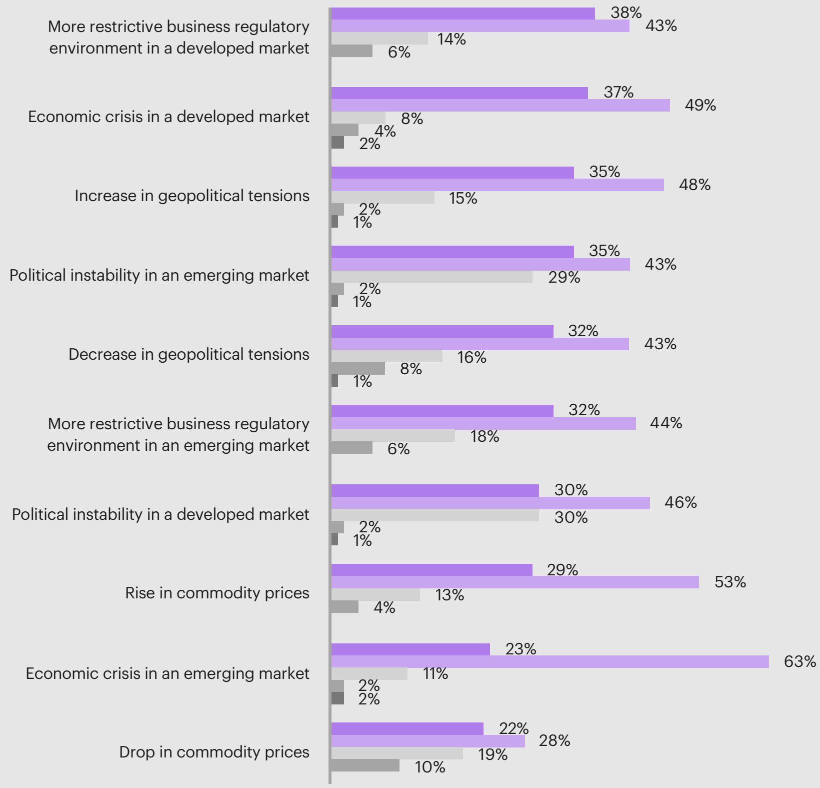
Sources: 2025 Kearney Foreign Direct Investment Confidence Index, 2024 Kearney Foreign Direct Investment Confidence Index, 2023 Kearney Foreign Direct Investment Confidence Index

Figure 10

Broadly, investors see a more restrictive business regulatory environment in a developed market as most significantly impacting their investment decisions over the next year

To what extent will each of the below risks impact your investment decisions in the next year?

- Significantly impact investment decisions
- Moderately impact investment decisions
- Minimally impact investment decisions
- No impact on investment decisions
- Don't know



Sources: 2025 Kearney Foreign Direct Investment Confidence Index

When asked to further point to the risks they see as most significantly impacting their investment decisions over the next year, survey respondents cited a more restrictive regulatory environment in a developed market (38 percent), economic crisis in a developed market (37 percent), and an increase in geopolitical tensions (35 percent) as their top three (see figure 10). Given the aforementioned discussion on a rise in national security concerns in terms of FDI, it is understandable that investors would cite a more restrictive regulatory environment as having a significant impact on their investment decisions. And owing to the fact that investors so highly valued economic performance this year when choosing their most favorable markets for FDI, it stands to reason that an economic crisis in a developed market would negatively impact their decision to invest there. Finally, given the potential of geopolitical tensions to upend global trade flows and supply chains, investors are cognizant that global conflict could profoundly shift their usual FDI choices and patterns.

Investors are cognizant that global conflict could profoundly shift their usual FDI choices and patterns.

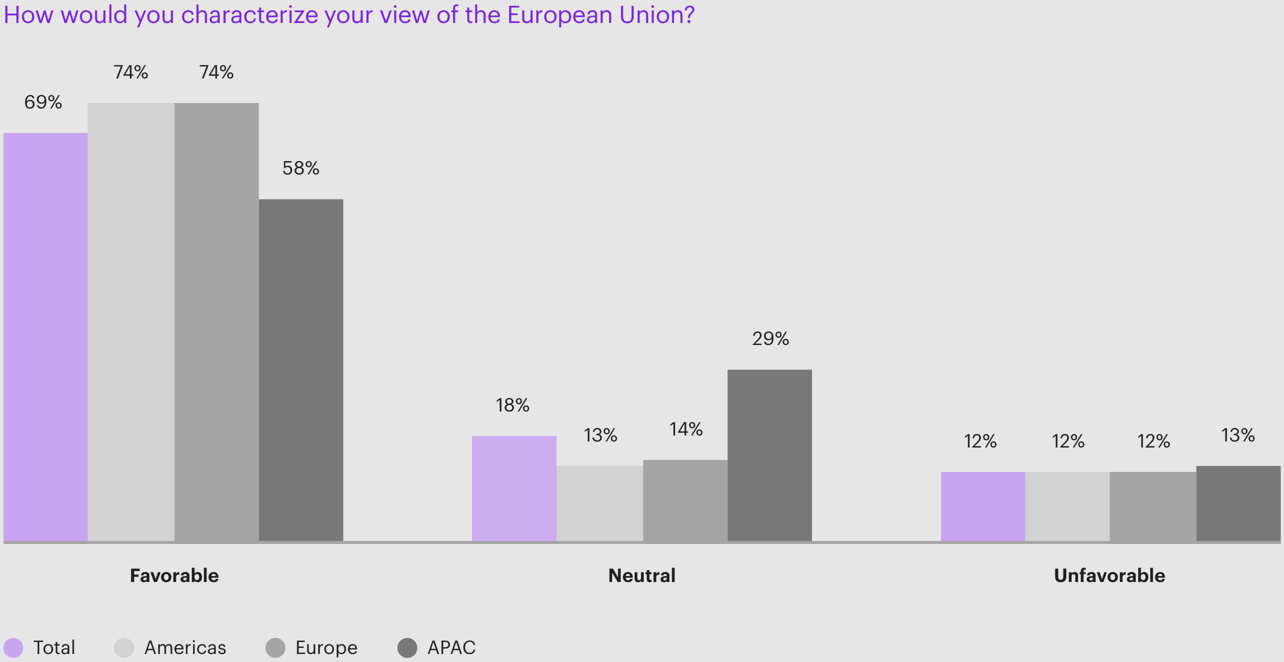
How do investors perceive the European Union?

A shifting geopolitical climate will place greater demands on Europe and shape the foreign direct investment landscape in the region. Ongoing war, domestic policy changes, shifts in transatlantic relations, and economic fragmentation loom as Europe evolves as a foreign power, with renewed economic, regulatory, and military pressures. Our thematic section probing investor perception of the EU reveals diverging views of the bloc's strengths, weaknesses, and investment prospects.

Investor perception of the EU is generally optimistic despite risks

Investors continue to see the European Union as a safe investment haven for foreign direct investment. More than two-thirds have a favorable view of the European Union, and 60 percent agree that they prefer to do business in the EU over any other region (see figure 11). Nearly half of respondents (48 percent) say their view on Europe and Eurasia is more optimistic compared to a year ago, despite ongoing risks in the region.

Figure 11
More than two-thirds of investors across regions have a favorable view of the European Union



Source: 2025 Kearney Foreign Direct Investment Confidence Index

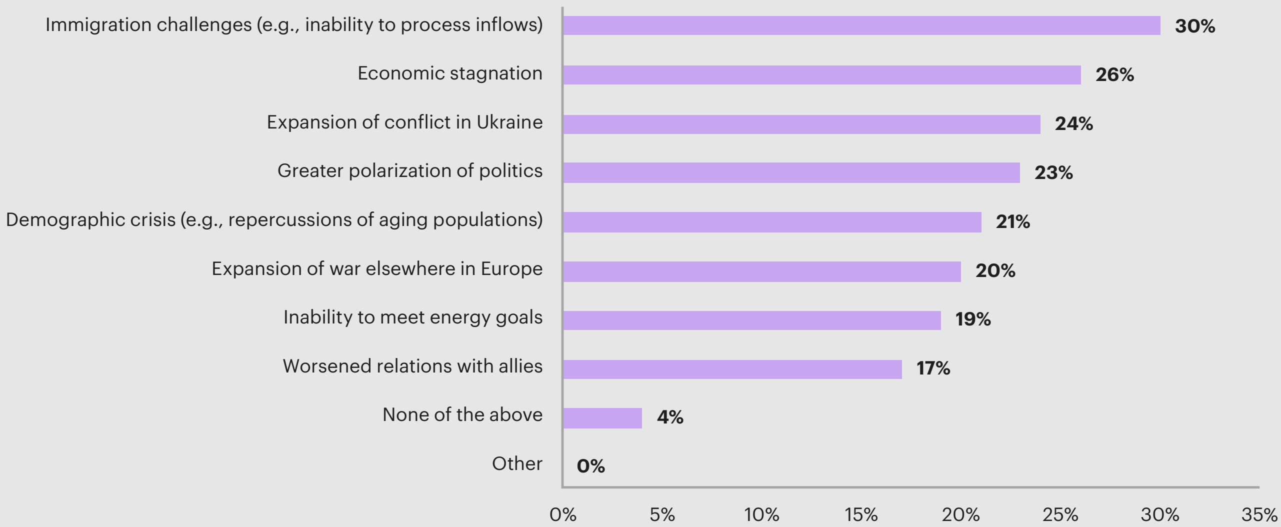
Though investors are optimistic about the current and future state of the European Union, they acknowledge some key pressures facing the bloc. Immigration challenges (30 percent), economic stagnation (26 percent), and expansion of the conflict in Ukraine (24 percent) are the main risks investors cite as most likely to occur in the EU over the next three years (see figure 12). Concerns about immigration continue to be a dominant political issue in the region. The EU's new Migration and Asylum Pact will come into force in mid-2026, signaling efforts to reform migration and asylum, but the Pact will likely require substantial investments, and provisions may be controversial.

Concerns about economic stagnation are reflected in the economic projections for the region. Our 1H 2025 Global Economic Outlook suggests that Europe and Eurasia will remain the world's slowest growing region from 2025 to 2029, averaging just 1.5 percent growth over the forecast period. The potential for global trade frictions, headwinds from economic fragmentation, and fiscal policy issues dampen the region's growth potential. Low productivity and competitiveness issues pose long-term challenges, weighing on growth, and likely worrying investors.

Ongoing conflict in Ukraine remains a concern for investors, and has resulted in worldwide disruptions to trade and investment. A World Bank report found that countries neighboring Russia suffered from shrinking FDI inflows, and countries invested in the energy sector had losses on outward foreign direct investments in particular, dampening investor confidence. While the resolution of the conflict remains uncertain as of this writing, the risk that it could expand in the short or medium term would carry significant risks to investors.

Figure 12
Immigration challenges, economic stagnation, and expansion of the war in Ukraine are the risks investors cite as most likely in the EU over the next three years

Which risks do you see as most likely to occur in the EU over the next three years? Select your top two.



Source: 2025 Kearney Foreign Direct Investment Confidence Index

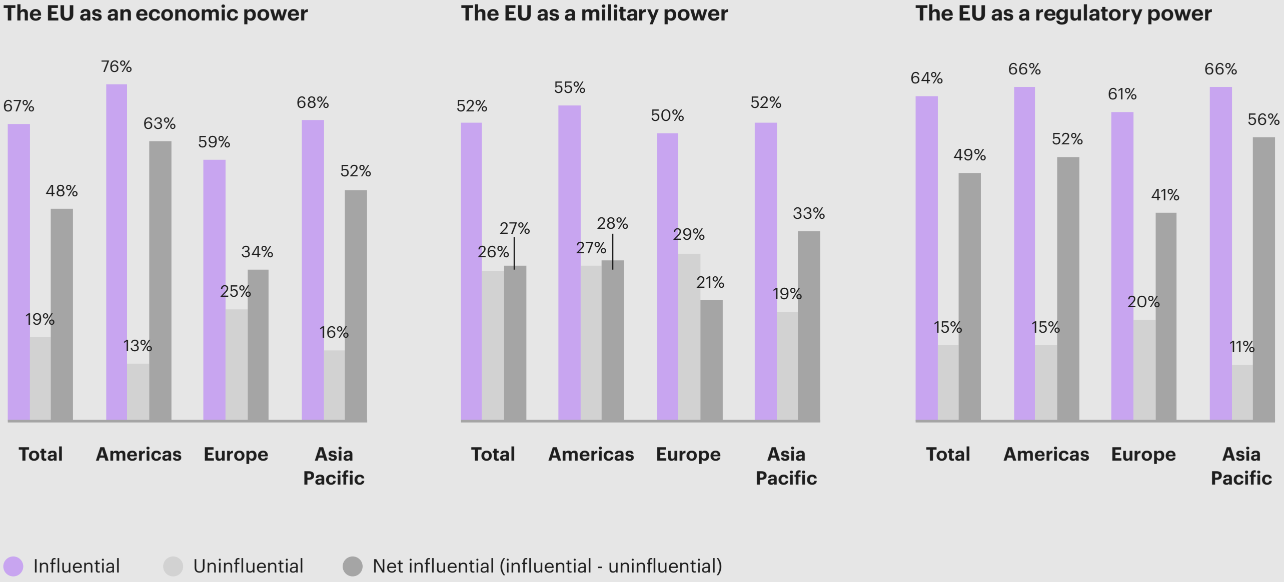
Perceptions of the EU vary significantly by region

Investors anticipate that the European Union will continue to play a pivotal role as an economic, regulatory, and military power, though there are significant differences in perceptions across regions (see figure 13). While 48 percent of investors view the EU as more influential than not as an economic power, European investors are by far the least bullish (34 percent) on these prospects relative to their Americas (63 percent) and APAC (52 percent) peers, a 29-point swing. Similarly, 49 percent of investors view the EU as more influential than not as a regulatory power, though just 41 percent of European respondents share this perspective, compared to 52 percent of Americas and 56 percent of APAC respondents—a 15-point swing. There was comparatively more consensus on the EU as a military power, though this seemed to reflect agreement that this was an area where the EU is lagging. Just 27 percent of investors view the EU as more influential than not as a military power, with just 21 percent of European investors agreeing with this sentiment, compared to 33 percent in APAC and 28 percent in the Americas.

Investors anticipate that the European Union will continue to play a pivotal role as an economic, regulatory, and military power.

Figure 13
The EU will continue to play a pivotal role as an economic, regulatory, and military power, though there are differences in investor perceptions across regions

For each of the following please rate how you view the EU's position on the world stage.



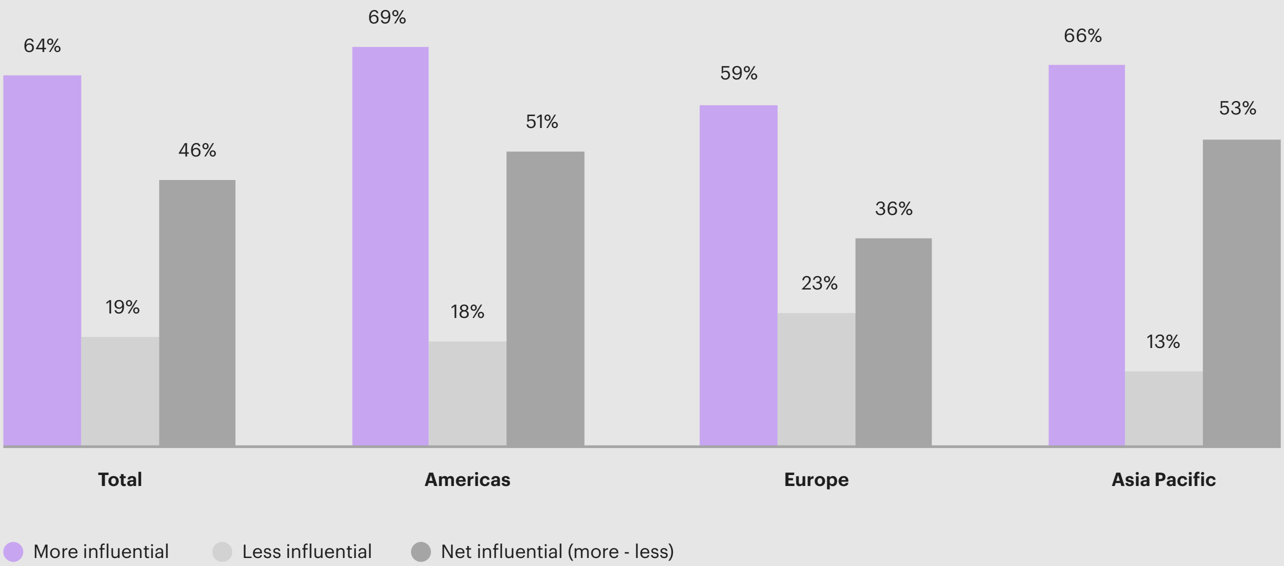
Source: 2025 Kearney Foreign Direct Investment Confidence Index

Similar divisions were also reflected in investor perceptions of the EU's influence on the world stage more broadly. Across all respondents, 46 percent believed the EU would become more influential than not over the next three years (see figure 14). Yet just 36 percent of Europe-based investors agreed, compared to 53 percent of APAC and 51 percent of Americas investors—a 17-point swing. Each of these results suggests that Europe-based investors are comparatively more pessimistic about the outlook for the EU relative to those based abroad, and sometimes by a significant margin.

Europe-based investors are comparatively more pessimistic about the outlook for the EU relative to those based abroad.

Figure 14
Europe-based investors are comparatively more pessimistic about the outlook for the EU's position on the global stage relative to those in other regions

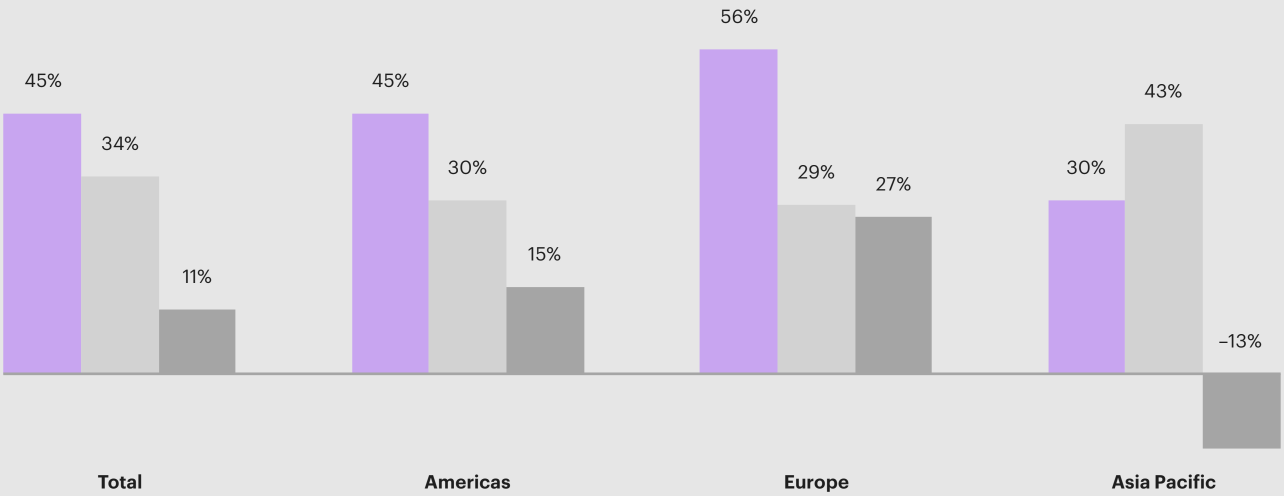
How do you view the EU's position on the world stage in the next three years?



Source: 2025 Kearney Foreign Direct Investment Confidence Index

Figure 15
Asia Pacific has the highest confidence in the EU's competitiveness

Please indicate how much you agree or disagree with the following statement: The EU is not as competitive as other global economic powers.

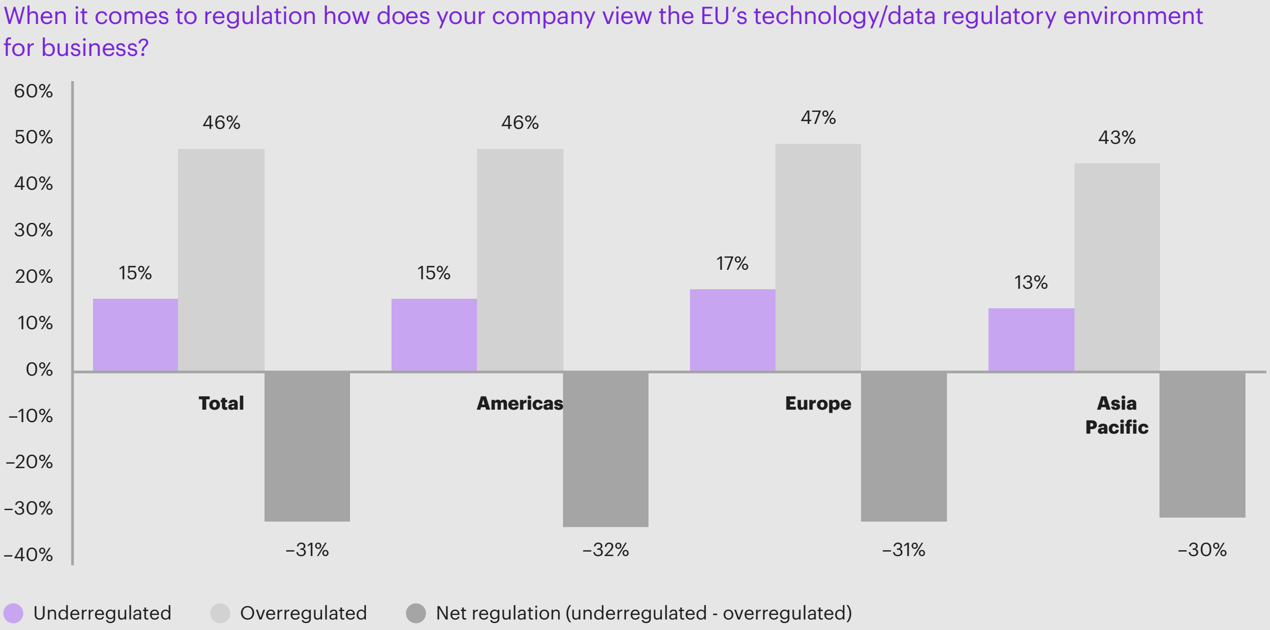


Source: 2025 Kearney Foreign Direct Investment Confidence Index

Similar dynamics were evident elsewhere in our survey. When asked whether the future of the EU is bright, a net 54 percent of investors agreed. However, just 44 percent of Europe-based investors agreed with this sentiment, a striking contrast with the outlook for Americas-based investors (63 percent) and those in APAC (57 percent). When asked about Europe's relative competitiveness, 56 percent of Europe-based respondents agreed that the EU is not as competitive as other global powers, compared to just 29 percent who disagreed, for a net score of 27 percent. By comparison, APAC counterparts indicated greater confidence in European competitiveness. Just 30 percent of APAC-based respondents agreed that the EU is not as competitive as other global economic powers, and 43 percent disagreed, for a net score of -13 percent—a 40 percent difference in investor perception based on region (see figure 15). This result is perhaps fueled in part by the findings of the Draghi report on European competitiveness, released in September, which raised the alarm within Europe about the region's challenges in this area.

Perceptions of EU competitiveness vary significantly by region.

Figure 16
Across regions, there is a consensus that the EU is overregulated



Source: 2025 Kearney Foreign Direct Investment Confidence Index

Investors agree that the EU is heavily regulated—but disagree on the implications

Overregulation is one factor driving concerns about European competitiveness. It is also an area of consensus among investors in our survey—the EU is a regulatory powerhouse. Across all regions, there is agreement that the EU overregulates. Forty-six percent of investors believe the EU is overregulated in the field of technology and data, and 45 percent believe the EU to be overregulated in the field of energy and sustainability (see figure 16). However, surveyed investors offer conflicting messages on the broader implications of the EU's regulatory environment.

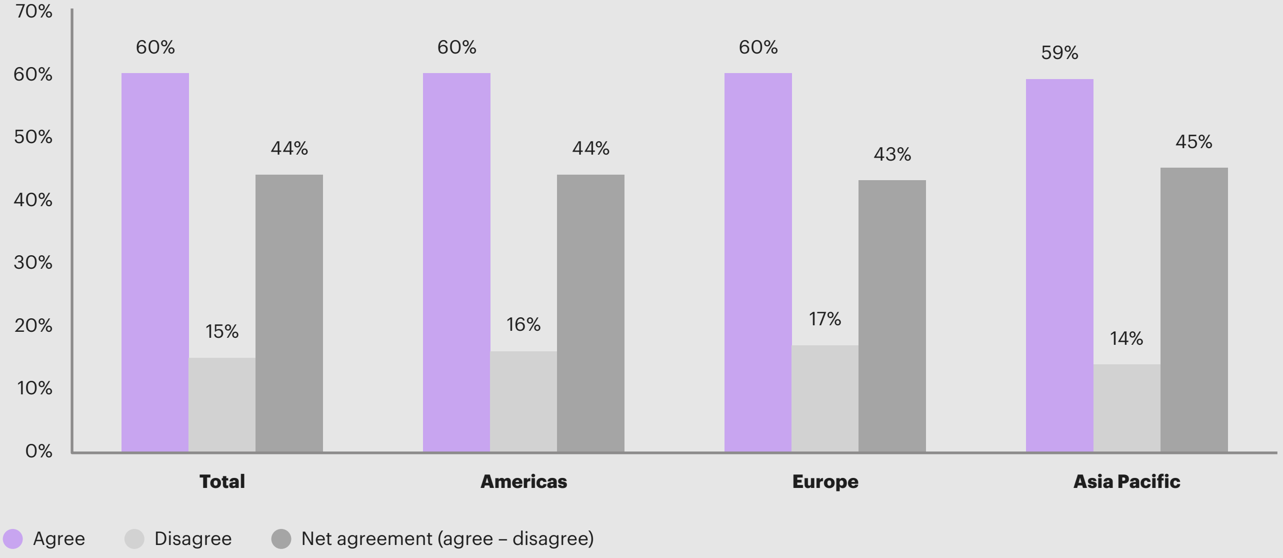
However, investors also see benefits from regulation. Survey respondents indicated that recent EU regulations in the technology and sustainability space positively impact business. Fifty-eight percent of investors believe the General Data Protection Regulation (GDPR) positively impacts their business operations, and 56 percent of investors believe the Corporate Sustainability Due Diligence Directive (CSDDD) positively impacts their business operations. The GDPR establishes mandatory rules for how companies use personal data, and the CSDDD directs companies to identify and address human rights and environmental impacts in and out of Europe. Collectively, these rules help foster greater transparency and trust, reduce risk, protect human rights, and help harmonize legal frameworks for greater certainty.

In a global operating environment in which geopolitical risk is rising and the rule of law may increasingly be under strain, the EU's comparative efficiency of legal and regulatory processes can serve to support its attractiveness as an investment market. Despite concerns surrounding competitiveness and geopolitical risk in Europe, it is noteworthy that there was consensus among investors across all regions that their company prefers to do business in the EU over any other region (see figure 17). As the strong performance of European markets in our Index suggests, the EU is home to foundational strengths that appeal to investors. Approaches to EU governance in contending with the continent's challenges—and harnessing its strengths—will have an outsized impact in shaping investor sentiments for the next three years and beyond.

As the strong performance of European markets in our Index suggests, the EU is home to foundational strengths that appeal to investors.

Figure 17
Investors broadly agree that they prefer to do business in the EU over any other region

Please indicate how much you agree or disagree with the following statement: My company prefers to do business in the EU over any other region.



Source: 2025 Kearney Foreign Direct Investment Confidence Index

Conclusion and business implications

The world stands at an inflection point. In a year fraught with heightened trade tensions and tariff proliferation, ongoing conflict, and dramatic domestic policy shifts in leading economies, investors are bracing for change. Insights from the 2025 FDI Confidence Index® suggest that investors are aware of rising global risk, closely tracking geopolitical developments, commodity prices, and shifts toward increasingly restrictive business regulatory environments. Amid evolving uncertainty and volatility, investors are seeking to adjust to an increasingly turbulent global operating environment and find areas of opportunity.

In bracing for impact from the unremitting geopolitical, economic, and technological shifts taking place, investors appear to be strategically seeking shelter. In the 2025 FDI Confidence Index®, rankings stayed with the familiar—developed markets dominated the list, superseding emerging market entrants. Developed markets represented 19 of the top 25 markets on the global ranking. Efficiency of legal and regulatory processes and domestic economic performance emerged as the top two most important factors for investors when choosing where to make their foreign direct investment, dramatically rising through the factor ranks in this years' survey. Survey respondents cited economic performance as the strongest reason to invest in 12 out of 25 markets on the global rankings, further suggesting that investors are prioritizing market stability in decision-making. From our European Union thematic section, investors acknowledge key challenge areas but ultimately remain drawn to the bloc's stability and strong foundations, likely including factors such as the rule of law, developed infrastructure, and a highly educated labor force.

What does this mean for business? Despite a tumultuous global environment, investors continue to have faith in foreign direct investments and suggest continued FDI flows despite rising uncertainties. Strategic businesses will nonetheless continue to closely monitor macroeconomic conditions and develop meaningful ways to track and interpret political shifts and a fast-changing geopolitical landscape. Such efforts enhance understanding of FDI trends and provide insights into investment risks and opportunities. Strategic firms will also prioritize regulatory compliance. In some cases, more stringent regulations may appear prohibitive, but also offer helpful guidelines and stability—and present opportunities for the companies equipped to navigate them. In prioritizing these and related strategic measures, investors can best manage the volatility and uncertainty inherent to a world at inflection.

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Appendix

About the study

The Kearney FDI Confidence Index® is an annual survey of global business executives that ranks markets that are likely to attract the most investment in the next three years. In contrast to other backward-looking data on FDI flows, the FDICI provides unique forward-looking analysis of the markets that investors intend to target for FDI in the coming years. Since the FDICI's inception in 1998, the markets ranked on the Index have tracked closely with the top destinations for actual FDI flows in subsequent years.

The 2025 Kearney FDI Confidence Index® is constructed using primary data from a proprietary survey of 536 senior executives of the world's leading corporations. The survey was conducted in January 2025. Respondents include C-level executives and regional and business leaders. All participating companies have annual revenues of $500 million or more. The companies are headquartered in 30 countries and span all sectors. Service-sector firms account for 53 percent of respondents, industrial firms for 35 percent, and IT firms for 12 percent.

The Index is calculated as a weighted average of the number of high, medium, and low responses to questions on the likelihood of making a direct investment in a select market over the next three years. Together, the markets presented to respondents in the survey received 97 percent of the world's inward FDI flows in 2023, according to UNCTAD data.

Index values are based on responses only from companies headquartered in foreign markets. For example, the Index value for the United States was calculated without responses from US-headquartered investors. Higher Index values indicate more attractive investment targets.

All economic growth figures presented in the report are the latest estimates and forecasts available from Oxford Economics unless otherwise noted. Other secondary sources include investment promotion agencies, central banks, ministries of finance and trade, relevant news media, and other major data sources.

For past editions of the FDI Confidence Index®, please go to:

www.kearney.com/
foreign-direct-investment- confidence-index.

Kearney is a leading global management consulting firm. For nearly 100 years, we have been a trusted advisor to C-suites, government bodies, and nonprofit organizations. Our people make us who we are. Driven to be the difference between a big idea and making it happen, we work alongside our clients to regenerate their businesses to create a future that works for everyone.

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