Office for National Statistics

Statistical bulletin

Foreign direct investment involving UK companies: 2017

Investment of UK companies abroad (outward) and foreign companies into the UK (inward), including investment flows, positions and earnings, by country, component and industry.

Contact:
Sami Hamroush
fdi@ons.gov.uk
+44 (0)1633 455087

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1 . Main points

- The value of the UK's inward foreign direct investment (FDI) position increased by £149.2 billion to £1,336.5 billion in 2017 from 2016, while the outward position increased by £38.7 billion to £1,313.3 billion over the same period; this led to a slight negative net FDI investment position of £23.2 billion, the first time that this has been recorded.

- Outward FDI earnings grew considerably in 2017 from 2016 – increasing from £51.3 billion to £85.9 billion – reflecting the recovery from low values reported in 2015 and 2016.

- Outward FDI earnings rose the most in 2017 on investments in the Americas and the EU; the industrial composition shows that manufacturing, mining and quarrying, and financial services had the largest increases among the industrial groupings.

- Inward FDI earnings also grew in 2017 from 2016, increasing by £4.5 billion to £54.8 billion, towards which earnings in information and communications, and financial services industries were the main contributors.

- UK net FDI earnings have increased in 2017 compared with 2016, from £1.0 billion to £31.1 billion, which was close to the value of net earnings in 2012.

- Outward FDI flows reached £91.4 billion in 2017 having been negative £27.7 billion in 2016; mergers and acquisitions (M&A) activity contributed to this, with British American Tobacco acquiring Reynolds American Inc., and Reckitt Benckiser acquiring Mead Johnson Inc. being particularly high-value outward deals completing in 2017.

- Inward FDI flows were lower, decreasing from a record high of £192.0 billion in 2016 to £92.4 billion in 2017; high-value inward M&A activity in 2016 but not in 2017 partly explains this decrease.

2 . Things you need to know about this release

This statistical bulletin provides information on foreign direct investment (FDI) flows, positions and earnings involving UK companies. The figures are presented using the directional measurement principle and are on a net basis. That is, they consist of:

- investments minus disinvestments for flows

- investments held by the parent company minus reverse investment by affiliates for positions

- profits plus interest generated by the parent company from their affiliates minus interest generated by affiliates from their parent companies for earnings

These figures are not directly comparable with those presented in the balance of payments, which use the asset and liability measurement principle. We have produced a guide for foreign direct investment measurement principles explained to compare these approaches.

In line with international guidance, UK FDI statistics are presented on an immediate partner country basis; as such, geographical compositions reflect direct relationships between investing parties rather than the residence of the ultimate parent or final destination of the investment. Multinationals often have complex corporate structures, where a parent company controls a large network of inter-linked affiliates and branches across the globe. Since published statistics report the immediate partner country, geographical compositions can be distorted in cases where a parent company invests through one or more countries before the investment reaches its final destination. While affecting geographical compositions, aggregate FDI statistics are unaffected by whether they are presented on an immediate or an ultimate basis.

Foreign direct investment estimates are published for 2008 to 2017; the 2016 estimates are revised and 2017 statistics are published for the first time. The estimates published for 2017 are based on the Annual Foreign Direct Investment Survey. The balance of payments estimates published on 21 December 2018 will include this information. The annual survey is used to benchmark statistics currently published for 2017, which are currently based on the Quarterly FDI Survey. Revised estimates presented for 2016 will not be incorporated into balance of payments statistics until September 2019.

3 . The UK’s net FDI earnings increased markedly in 2017, while the net FDI position was slightly negative

Foreign direct investment (FDI) statistics include information on the stock of FDI (position) and the profits (earnings) generated on that stock. There are two directions on which this activity can be measured. Outward FDI covers direct investments made by UK-based companies abroad, while inward FDI reflects the activity of foreign-owned companies in the UK. The difference between these (outward less inward) gives a net FDI balance.

Values of the UK’s outward and inward FDI positions have converged since 2008

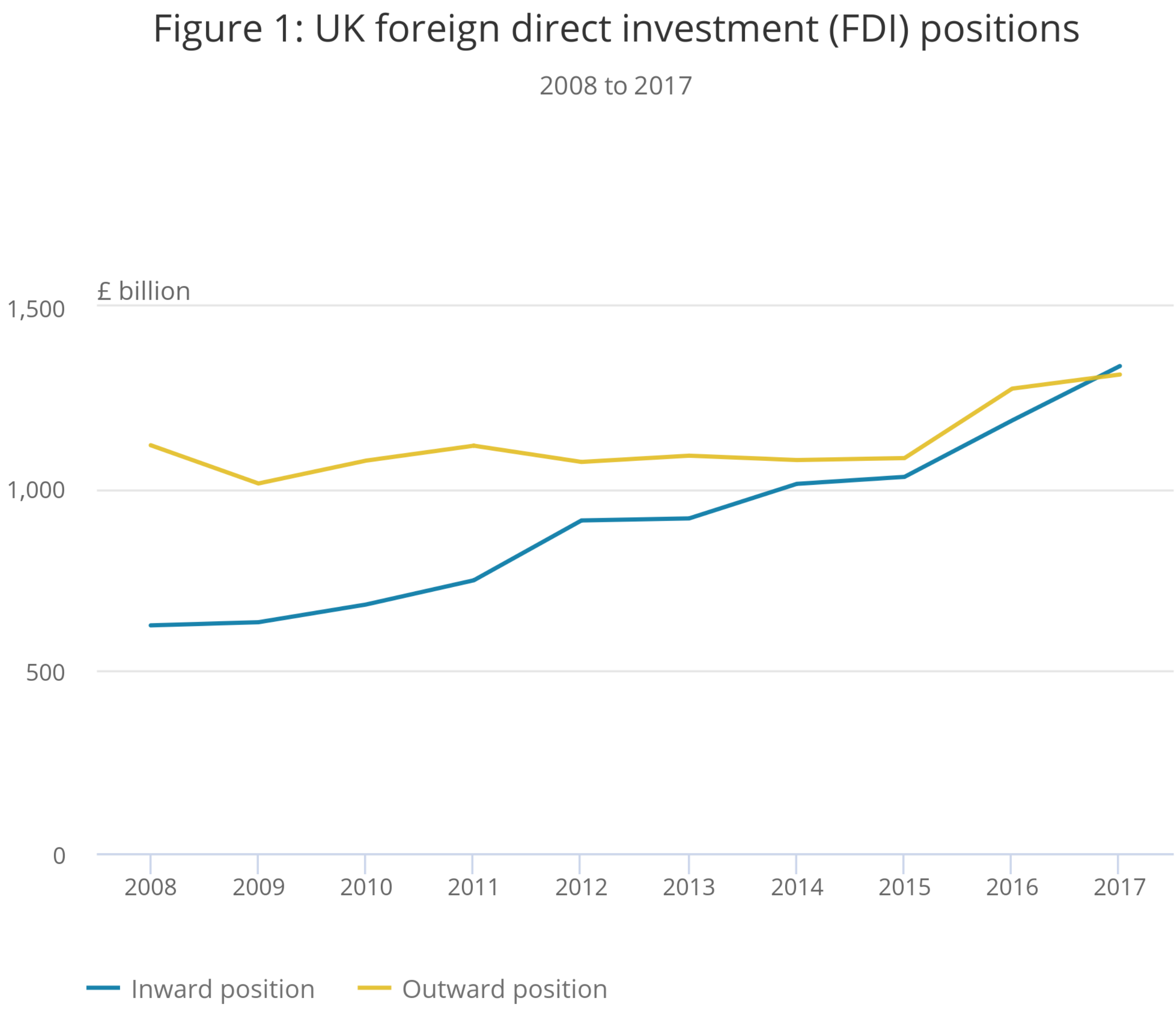
Recent trends in FDI positions had seen the UK’s net FDI position fall. The annual value of the UK’s outward position averaged £1,081.9 billion between 2008 and 2015, following a broadly flat trend as shown in Figure 1. Over that same period, the value of the inward FDI position has increased year-on-year. This has seen the UK’s net (outward less inward) FDI position fall from £494.2 billion in 2008 to £51.4 billion in 2015, a decrease of £442.8 billion.

In 2016, the values of both outward and inward FDI positions increased notably. The UK’s outward FDI position increased by £190.6 billion (or 17.6%) to £1,274.6 billion. The increase in the inward FDI position was smaller than that for outward FDI, growing by £154.8 billion (or 15.0%) to £1,187.3 billion. This saw the net FDI position increase slightly over 2016, from £51.4 billion in 2015 to £87.3 billion in 2016. The greater increase in the value of the UK’s outward FDI position in 2016 was supported by the depreciation of the sterling exchange rate over the year, which increased the value of any investments denominated in a foreign currency when converted back to sterling compared with 2015. Our previous analysis from summer 2017 found that the exchange rate had a much bigger impact on outward positions (and earnings) in 2016 than on inward values.

Relative growth of outward and inward FDI positions changed once again in 2017. The value of the inward FDI position grew faster than the outward position: a £149.2 billion (12.6%) increase for inward FDI, compared with £38.7 billion (3.0%) for outward FDI. These differences in the outward and inward growth rates have seen a negative £23.2 billion net FDI position emerge for 2017. Therefore, the value of the stock of foreign-owned direct investments held in the UK in 2017 was slightly higher than the value of direct investments that UK companies held overseas, which would be the first time this has been recorded.

Figure 1: UK foreign direct investment (FDI) positions

2008 to 2017



Source: Office for National Statistics

Marked divergence in the values of UK FDI earnings in 2017

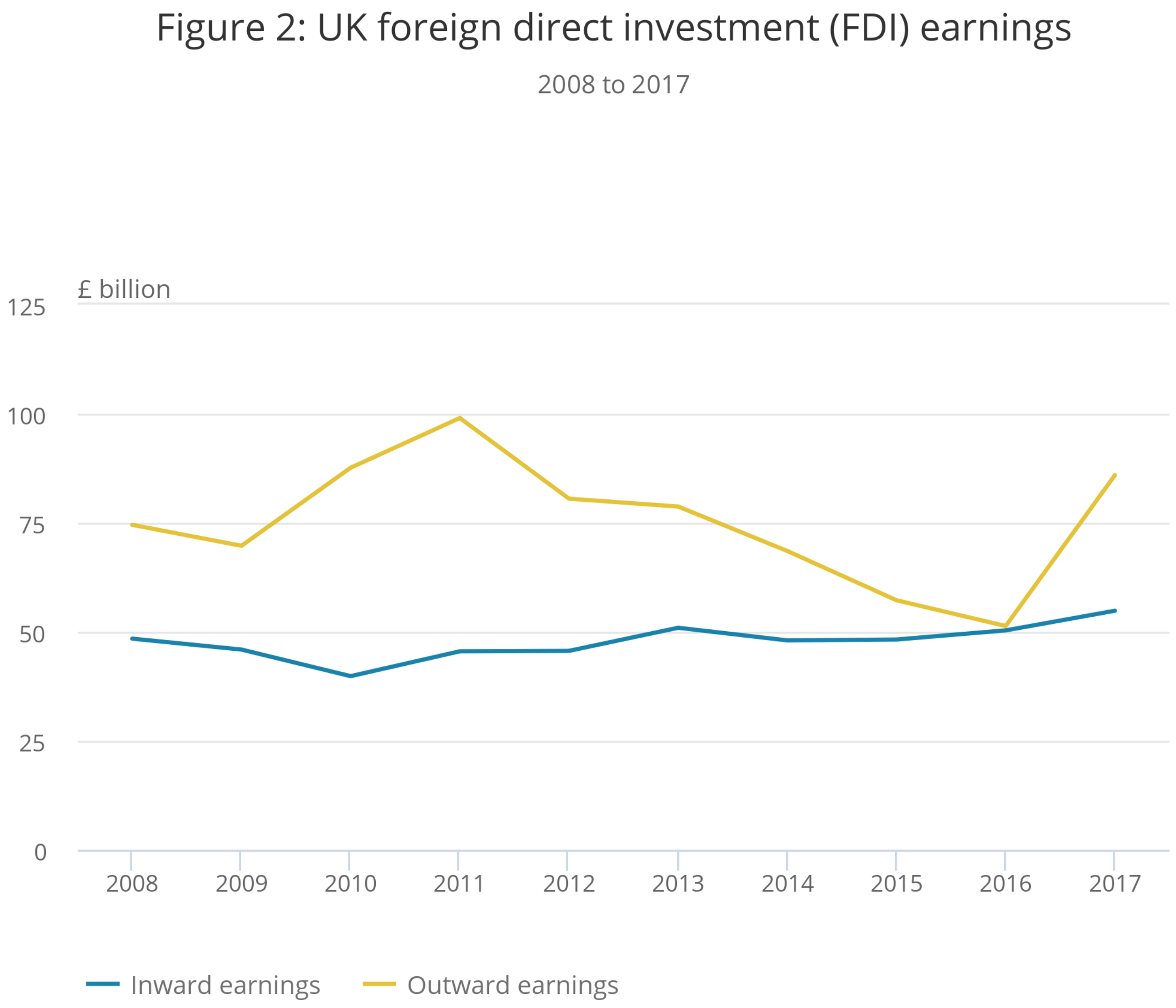
The values of outward and inward UK FDI earnings had been converging in the years between 2011 and 2016. Outward FDI earnings had nearly halved over that period, decreasing from £99.0 billion to £51.3 billion. This compares with an increase in the value of inward FDI earnings, from £45.5 billion in 2011 to £50.3 billion in 2016. This saw the UK's net FDI earnings also fall, decreasing from £53.5 billion in 2011 to £1.0 billion in 2016.

There was a notable increase in the value of outward FDI earnings in 2017 from 2016. These earnings grew by £34.6 billion (67.5%) over the year, compared with the increase of £4.5 billion (8.9%) for inward FDI earnings. Despite the change in the value of inward earnings being the largest since 2013, it was still much smaller than the increase in outward earnings. This increased the UK's net FDI earnings to £31.1 billion, which was close to the £34.9 billion net earnings in 2012.

The sizeable increase in the value of outward FDI earnings reflects two main changes. Firstly, there were a few companies that reported a notable increase in their overseas profitability in 2017 compared with the previous year. Furthermore, there were also some other companies that reported exceptionally low outward FDI earnings in 2015 and 2016, which returned to values in 2017 closer to those reported previously. The latter change compounds the increase in the value of outward FDI earnings relative to inward earnings. Information and communication, and financial services industries accounted for the greatest increases in the value of inward FDI earnings in 2017 from 2016, while the value of inward FDI earnings from manufacturing, and professional and support industries fell.

Figure 2: UK foreign direct investment (FDI) earnings

2008 to 2017



Source: Office for National Statistics

4 . Value of UK outward FDI earnings rose across all continent groups in 2017 but not for all industry groups

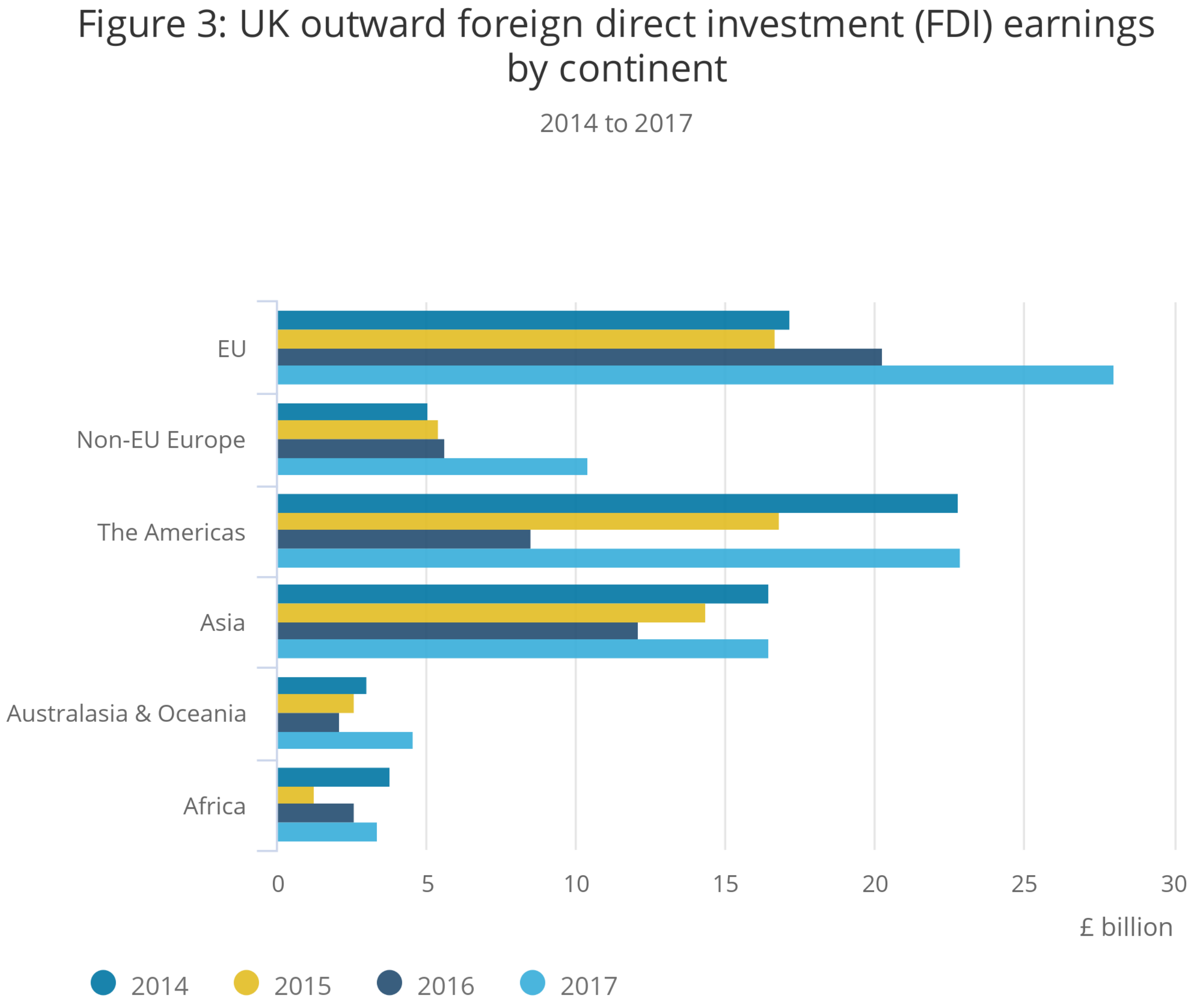
Analysing the geographic composition of the UK's outward foreign direct investment (FDI) earnings shows that these increased across all continents in 2017 compared with 2016. Total UK outward FDI earnings rose by £34.6 billion in 2017 from 2016. This increase was most pronounced for earnings generated on direct investments in the Americas, the EU and non-EU Europe.

Outward FDI earnings in the Americas increased by £14.4 billion to £22.9 billion in 2017. The low value of outward earnings in the Americas in 2016 also amplifies this growth; earnings in 2017 were slightly higher than the value in 2014 (£22.8 billion), as shown in Figure 3.

A similar situation also occurred with outward earnings in Asia in 2017, where the value in 2016 was much lower than that over the previous two years; the value of earnings in 2017 was similar to that estimated in 2014.

Figure 3: UK outward foreign direct investment (FDI) earnings by continent

2014 to 2017



Source: Office for National Statistics

Notes:

1. Section 7 includes a list of the countries that comprise each continent in the bulletin tables. Non-EU Europe includes all European Free Trade Area (EFTA) and other European countries presented in the bulletin tables.

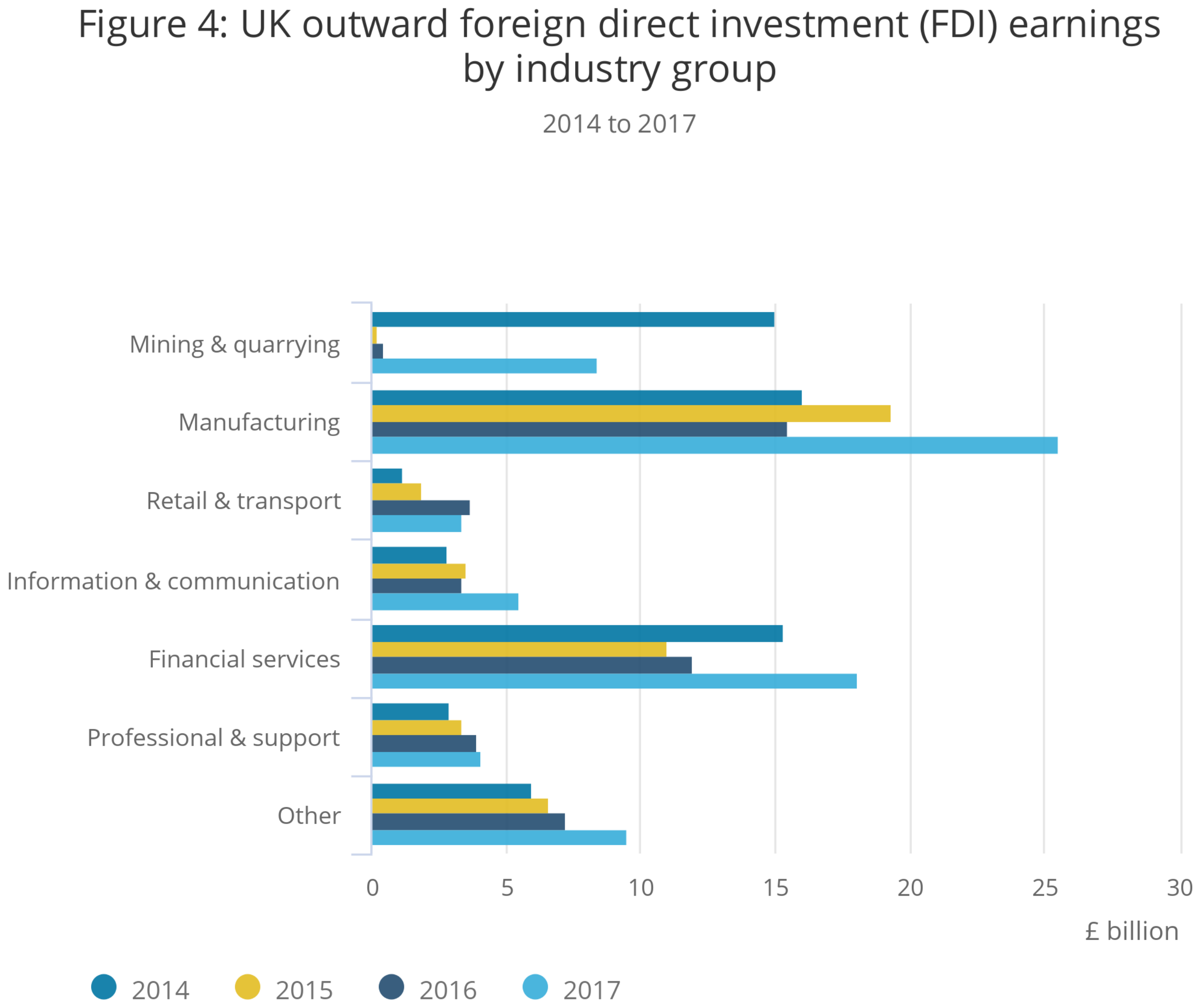
2. These components may not sum to total outward earnings due to rounding.

The next largest increases in the value of outward FDI credits are for the EU and non-EU Europe. For UK FDI earnings in the EU, the value increased by £7.7 billion in 2017 from 2016, growing for the second successive year. Outward FDI earnings from non-EU Europe had an upward trend up to 2016, with a larger increase of £4.9 billion in 2017. For both continents, the values of UK outward FDI earnings were higher than those recorded in 2014. The same is also true for earnings in Australasia and Oceania, with the value in 2017 being higher than that of 2014, even though annual values had been falling over the intervening years. Africa is the only continent in which the value of outward earnings in 2017 increased but to a value that was lower than that recorded in 2014.

Analysing UK outward FDI earnings by industry shows that there were some large increases in these values for a number of industry groups. The largest change from 2016 was for manufacturing, which was £10.0 billion higher in 2017 than in 2016 using available statistics. This was followed by the growth in earnings from mining and quarrying (£7.8 billion), and financial services (£6.2 billion) industries (Figure 4). The increase in the value of manufacturing earnings to £25.5 billion kept this industry group as the one from which the UK generated the highest value of outward FDI earnings in 2017.

Figure 4: UK outward foreign direct investment (FDI) earnings by industry group

2014 to 2017



Source: Office for National Statistics

Notes:

1. Section 8 includes a list of the industries that comprise each group from the bulletin tables.

2. These industry groups exclude the activities of private property, public corporations and bank holding companies.

3. Industry totals are calculated from available statistics and do not include any suppressed values in the bulletin table.

The values of outward FDI earnings in manufacturing, mining and quarrying, and financial services industries were each lower in 2016 than the values in 2014. In the case of mining and quarrying, this was a considerable difference (of £14.5 billion), whereas the difference for manufacturing was smaller (at £0.6 billion). Mining and quarrying was the only industry that saw the values of outward FDI earnings increase in 2017, yet remained below the value of 2014. Retail and transport was the only industry group where the value of earnings fell between 2016 and 2017 (by £0.3 billion), yet that was still higher than the value recorded in 2014.

5 . FDI flows continued to be affected by mergers and acquisitions activity in 2017

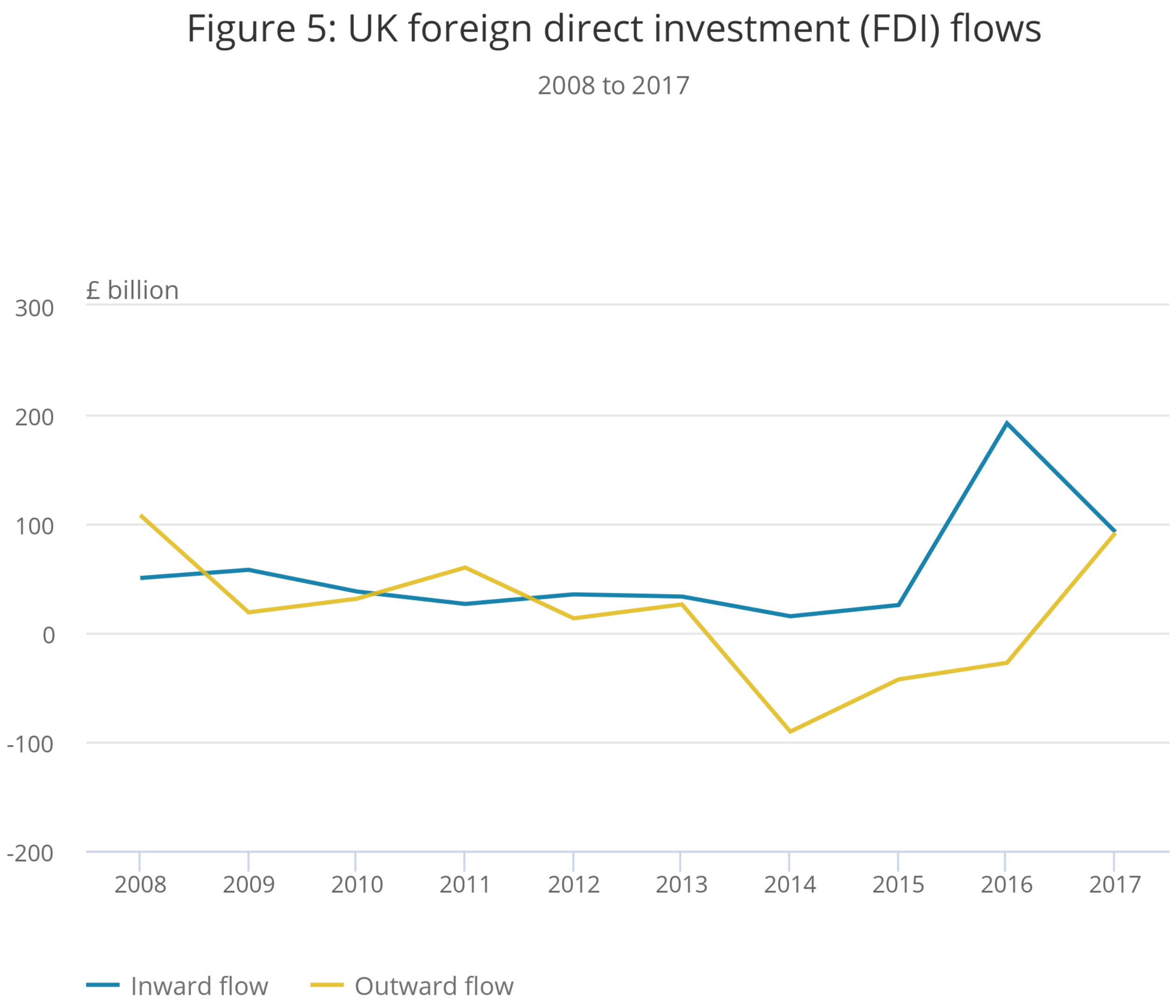
Foreign direct investment (FDI) flows measure transactions between multinational companies and their overseas existing and new associated companies. These statistics capture items including re-invested earnings, acquisitions or disposals of equity (share ownership), and inter-company loans. FDI flows can change considerably from year to year since they can be affected by business decisions and corporate re-structuring, as well as the movement of funds within an organisation. Cross-border mergers and acquisitions (M&A) are also captured within FDI flows, which by their nature are one-off transactions rather than repeated every year.

The total value of UK inward FDI flows (investment into the UK) has been positive in every year presented in Figure 5. By contrast, the value of outward FDI flows (UK overseas investment) was negative in 2014, 2015 and 2016 – indicating that more UK companies have disinvested overseas than invested.

The value of inward FDI flows increased considerably in 2016, reaching a record high of £192.0 billion. This was largely as a result of M&A activity, where four foreign companies acquired UK companies and the value of each deal was greater than £10 billion. More information on these deals can be found in the UK mergers and acquisitions activity in context: 2016 article. There were no inward M&A deals above £10 billion in 2017, which contributed to the £99.6 billion fall in the value of inward FDI flows in that year.

Figure 5: UK foreign direct investment (FDI) flows

2008 to 2017



Source: Office for National Statistics

There was a large increase in the value of outward FDI flows in 2017, increasing from a negative £27.7 billion flow in 2016 to positive flows of £91.4 billion in 2017. This was the highest value for outward FDI flows since 2008 (£107.8 billion). M&A activity also contributed to outward FDI flows, with two high-value outward deals being completed in 2017 – British American Tobacco acquired Reynolds American Inc., and Reckitt Benckiser acquired Mead Johnson Inc. More details on the impact of these deals on overall M&A activity can be found in [UK mergers and acquisitions in context: 2017].

6 . Links to related statistics

Foreign direct investment (FDI) is a component of the balance of payments. Estimates are included for FDI earnings, positions and flows in the [quarterly balance of payments] statistical bulletin and the annual [Pink Book]. These statistics are presented on an asset and liability basis rather than the directional basis used in this bulletin. The differences between the calculations under these two principles is available in [foreign direct investment measurement principles explained].

More detail on FDI involving UK companies can be found in our UK foreign direct investment: trends and analysis series. The January 2018 article includes our estimates for the exchange rate impact on FDI statistics and on the distribution of FDI positions by company size. Experimental Statistics in the July 2018 article outline the characteristics of businesses with and without FDI links and also presents UK FDI using the country of the ultimate rather than the immediate parent company.

We have also published an International perspective on UK foreign direct investment, 2018. This article looks for similarities in the trends of net FDI earnings and current account balances of other countries to that of the UK; compares the industrial composition of the outward FDI positions of other countries; and assesses the role of the UK in FDI from the perspective of other countries.

Cross-border mergers and acquisitions (M&A) are included within the definition of FDI. M&A deals occur when a parent company acquires at least 50.1% of the voting power (ordinary shares) of another company. FDI also includes these instances along with minority holdings of between 10% and 50% of the voting power. The Mergers and acquisitions involving UK companies statistical bulletin contains quarterly statistics on M&A activity, while the mergers and acquisitions in context articles provide more detail on annual M&A activity or the industry of M&A deals.

Our article exploring foreign investments considers trends in cross-border investment within the Pink Book 2018. This includes FDI in addition to portfolio investment and other investments since 1999.

We are also developing a FDI statistical bulletin presenting these statistics on an asset and liability basis. It is planned for these tables to be ready by spring 2019.

7 . Details of countries within each continent for foreign direct investment statistics

Africa

Algeria, Angola, Benin, Botswana, British Indian Ocean Territory, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, The Democratic Republic of the Congo (Zaire), Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea Bissau, Côte d'Ivoire (Ivory Coast), Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome & Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, St Helena, Ascension and Tristan da Cunha, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, and Zimbabwe.

Americas

Anguilla, Antigua and Barbuda, Argentina, Aruba, Bahamas, Barbados, Belize, Bermuda, Bolivia, Bonaire, Sint Eustatius and Saba, Brazil, Canada, Cayman Islands, Chile, Colombia, Costa Rica, Cuba, Curacao, Dominica, Dominican Republic, Ecuador, El Salvador, Falkland Islands, Greenland, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Montserrat, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Saint Lucia, Sint Maarten, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands, United States, Uruguay, Venezuela, British Virgin Islands, and US Virgin Islands.

Asia

Abu Dhabi, Afghanistan, Armenia, Azerbaijan, Bahrain, Bangladesh, Bhutan, Brunei Darussalam, Burma /Myanmar, Cambodia, China, Dubai, Georgia, Hong Kong, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Laos, Lebanon, Macao, Malaysia, Maldives, Mongolia, Nepal, North Korea, Oman, Pakistan, Palestinian Territory, Philippines, Qatar, Saudi Arabia, Singapore, South Korea, Sri Lanka, Syria, Taiwan, Tajikistan, Thailand, Timor-Leste, Turkmenistan, United Arab Emirates, Uzbekistan, Vietnam, and Yemen.

Australasia and Oceania

American Samoa, Antarctica, Australia, Bouvet Island, Christmas Island, Cocos (Keeling) Islands, Cook Islands, Fiji, French Polynesia, French Southern and Antarctic Lands, Guam, Heard Island and McDonald Islands, Kiribati, Marshall Islands, Micronesia, Nauru, New Caledonia, New Zealand, Niue, Norfolk Island, Northern Mariana Islands, Palau, Papua New Guinea, Pitcairn, Samoa, Solomon Islands, South Georgia and The South Sandwich Islands, Tokelau, Tonga, Tuvalu, US Minor Outlying Islands, Vanuatu, and Wallis and Futuna.

EU Europe

Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden.

Non-EU Europe

Albania, Andorra, Belarus, Bosnia and Herzegovina, Faroe Islands, Gibraltar, Guernsey, Holy See (Vatican City State), Iceland, Isle of Man, Jersey, Liechtenstein, Macedonia, Moldova, Montenegro, Norway, Russian Federation, San Marino, Serbia, Switzerland, Turkey, and Ukraine.

8 . Details of the industries within the industrial groups used

Table 1: Industries included within each grouping for this bulletin

Industry grouping	Industry from FDI statistical bulletin tables 2.3, 3.3 and 4.3
Mining and Quarrying	Mining and quarrying
Manufacturing	Food products, beverages and tobacco products
	Textiles and wood activities
	Petroleum, chemicals, pharmaceuticals, rubber, plastic products
	Metal and machinery products
	Computer, electronic and optical products
	Transport equipment
	Other manufacturing
Retail and transport	Retail and wholesale trade, repair of motor vehicles and motor cycles
	Transportation and storage
Information and Communication	Information and communication
Financial Services	Financial services
Professional and Support	Professional, scientific and technical services
	Administrative and support service activities
Other	Agriculture, forestry and fishing
	Electricity, gas, water and waste
	Construction
	Other services

Source: Office for National Statistics

9 . FDI estimates using the asset and liability principle and revisions to previously-published estimates

Latest FDI estimates include revised annual estimates for 2016 and new estimates for 2017

The upcoming balance of payments publication, due to be published on 21 December 2018, will incorporate the latest 2017 estimates to revise previous estimates that were based on the Quarterly Foreign Direct Investment (FDI) Survey. Revisions between the quarterly and the annual survey reflect increases in the sample size: the quarterly outward and inward surveys sample 680 and 970 enterprise groups respectively; these increase to 2,100 and 3,500 enterprise groups on the annual survey.

The quarterly survey provides information on the quarterly path and a timely first estimate of annual FDI, whereas the annual survey, which is less timely, uses a larger sample size and allows companies to base their returns on fully-audited annual accounts, instead of management accounts that are provided on a quarterly basis. In addition to revisions to the annual estimates, we carry out an annual FDI benchmarking process to reconcile quarterly and annual estimates; therefore, quarterly 2017 estimates in balance of payments will also be revised.

In line with the National Accounts Revisions Policy, revised estimates presented in this statistical bulletin for 2016 will not be incorporated into balance of payments statistics until September 2019.

It is worth noting that statistics presented in this statistical bulletin and balance of payments are not directly comparable due to the two alternative measurement principles used when compiling FDI statistics: the directional principle and the asset and liability principle. The directional principle is used for the statistics presented in this statistical bulletin; while the asset and liability principle is used for the statistics presented in the balance of payments and the Pink Book. The difference between FDI calculations on a directional and an asset and liability basis can be found in Foreign direct investment measurement principles explained. While the two measurement principles are different, estimates of net earnings, positions and flows are broadly comparable.

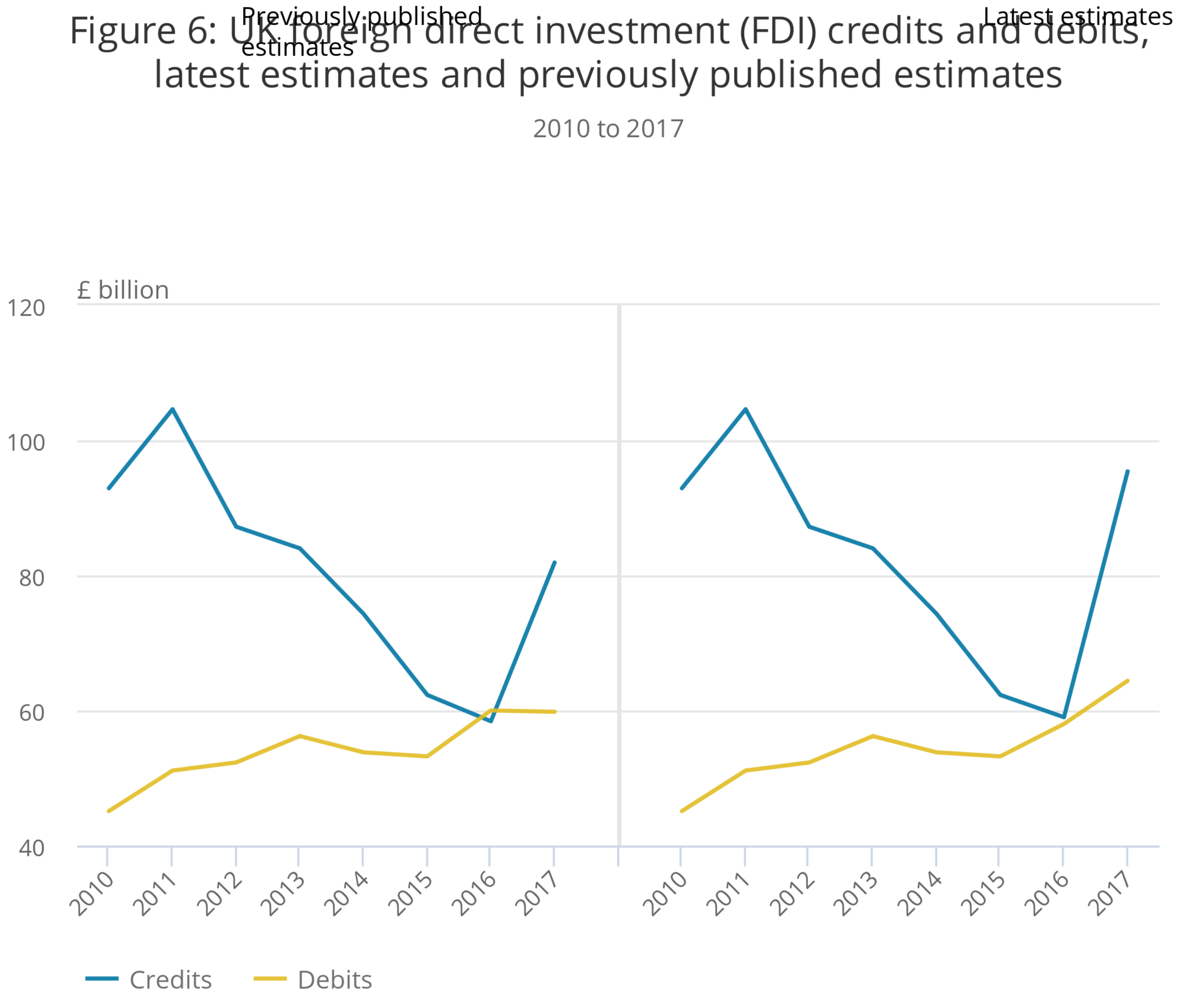
This section aims to provide users early sight of the asset and liability estimates for 2016 and 2017, along with an indication of the size of revisions that will be made to FDI estimates in the upcoming balance of payments publications.

Net FDI earnings have been revised upwards for 2016 and 2017 using the latest FDI estimates

The value of earnings UK companies receive from overseas investments are referred to as credits when measured using the asset and liability principle, while earnings foreign companies receive from UK-based investments are debits. Since 2011, FDI credits have followed a downward trend, while debits increased slightly over the same period (Figure 6). This trend has continued for debits in 2016 and 2017 using both the previously published and latest estimates. The value of credits fell in 2016 before rising considerably in 2017.

Figure 6: UK foreign direct investment (FDI) credits and debits, latest estimates and previously published estimates

2010 to 2017



Source: Office for National Statistics

Notes:

1. Previously published estimates are on rows 8 to 15 and the latest estimates are on rows 17 to 24.

The latest estimates have seen the value of credits and debits revised upwards in 2017. FDI credits have increased by £13.6 billion compared with previously published estimates. This was more than the £4.6 billion revision to debits, implying that the UK's net FDI earnings have also increased, from £22.1 billion to £31.1 billion, up by £9.0 billion.

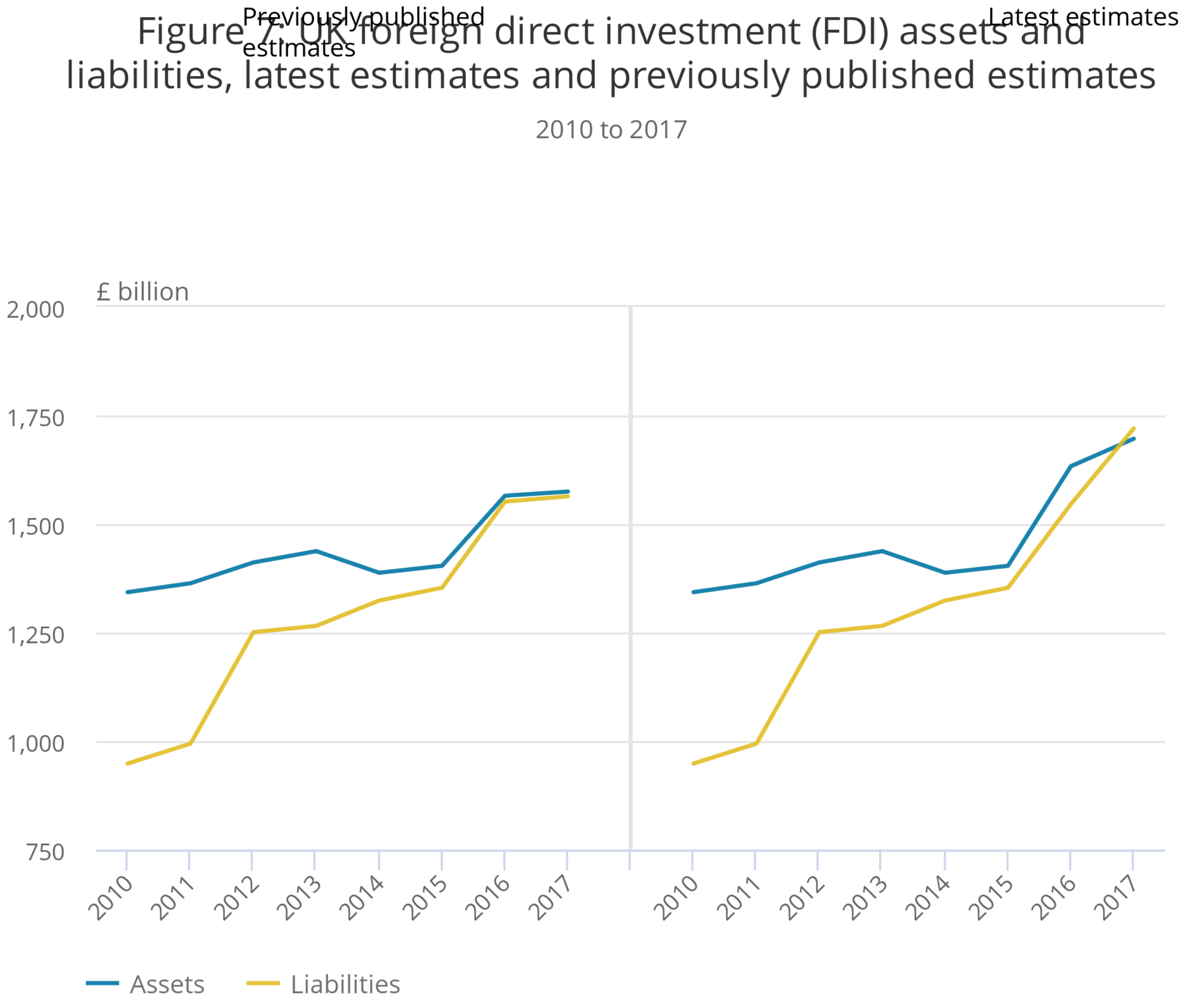
The revisions to 2016 estimates have also seen the value of FDI credits increase while that for debits has decreased. The value of FDI credits was £0.6 billion higher than the previously published value for 2016 and that for debits was £2.0 billion lower. This downward revision to FDI debits coupled with the upward revision to credits has seen the latest estimate for net FDI earnings increase by £2.6 billion compared with previously published values. This also changes the net balance from negative £1.6 billion to positive £1.0 billion.

Values of FDI assets and liabilities have been revised upward with a negative net FDI position in 2017

The stock of investment UK companies hold overseas is referred to as assets when measured using the asset and liability principle, while stocks of investment foreign companies hold in the UK is referred to as liabilities. The value of UK FDI assets has traditionally exceeded the value of liabilities; however, in recent years, the UK’s net FDI position (assets minus liabilities) has narrowed. The previously published estimate for net FDI positions for 2016 was £13.4 billion, which has been revised upward to £87.3 billion according to the latest estimates published in this bulletin. This was mainly from a £68.0 billion upward revision to FDI assets, which was supported by the £6.0 billion downward revision to liabilities.

Figure 7: UK foreign direct investment (FDI) assets and liabilities, latest estimates and previously published estimates

2010 to 2017



Source: Office for National Statistics

Notes:

1. Previously published estimates are on rows 8 to 15 and the latest estimates are on rows 17 to 24.

The latest estimates of FDI positions for 2017 are also revised upward when compared with previously published estimates. FDI assets were £121.8 billion higher in 2017 than previously published, while FDI liabilities were £156.7 billion higher. This has narrowed the net FDI position from £11.0 billion to negative £23.8 billion using the latest estimates. This implies that non-resident companies invested more in the UK economy than UK-resident companies invested overseas in 2017. FDI therefore also had a slightly negative impact on the UK's overall international investment position in 2017.

10 . Quality and methodology

Basic quality information

The Foreign direct investment Quality and Methodology information report contains important information on:

- the strengths and limitations of these data and how they compare with related data
- users and uses of these data
- how the output was created
- the quality of the output including the accuracy of these data

Main issues specific to this release

The estimates in this statistical bulletin are based on annual FDI surveys for 2017. Provisional estimates for 2017 derived from quarterly surveys, have also been published in the quarterly balance of payments statistical bulletins; however, estimates produced based on the annual surveys provide firmer and more detailed figures that will be incorporated into the upcoming balance of payments publication, due to be published on 21 December 2018.

Accuracy

Sampling error is the error caused by observing a sample instead of the whole population. While each sample is designed to produce the "best" estimate of the true population value, a number of equal-sized samples covering the population would generally produce varying population estimates.

Sample surveys are employed rather than censuses, because the census process is currently too lengthy and costly to be viable for these surveys. Standard errors are an estimate of the sampling error and provide a measure of the precision of the estimate. A lower standard error indicates a more precise estimate.

In addition to sampling errors, there is also the potential for non-sampling error. This cannot be easily quantified. One potential source of non-sampling error is from non-response, which relates to the failure to obtain data from the sample. Low response rates may introduce bias if respondents are not fully representative of those selected in the sample. Various efforts are made to minimise non-response. Written reminders are sent to non-responding businesses and these are followed up with telephone, fax and e-mail reminders. In addition, there is the possibility of using the legal powers of the Statistics of Trade Act to enforce a response, though Office for National Statistics (ONS) prefers to work together with businesses to produce the necessary information.

The response rates for the 2017 annual surveys are shown in Table 2.

Table 2: Response rates, 2017

	Outward FDI	Inward FDI
Selected Sample Size	2,273	4,165
Numbers co-operating fully or partially	1,498	3,092
Non-responders	775	1,073
Overall response rate (%)	66	74

Source: Office for National Statistics

Non-response bias is a potential issue for all statistical surveys. Non-response bias occurs when the answers of respondents differ from the potential answers of those who did not respond. The risk of non-response bias is minimised by efforts to maximise response rates and the use of estimation techniques that can attempt to correct for any bias that may be present. Despite this, it is not easily possible, on any survey, to quantify the extent to which non-response bias remains a problem. However, there is no evidence to suggest that non-response bias presents a particular issue for the FDI surveys.

Imputation methods are used to estimate values for all businesses in the sample who did not return data. Estimation methods are used to estimate values for all non-sampled businesses within the population, in order produce an estimate for the population.

Table 3: Standard errors

	Annual Inward 2017			Annual Outward 2017		
	Published estimate (£ million)	Standard Error (£ million)	Coefficient of Variation (%)	Published estimate (£ million)	Standard Error (£ million)	Coefficient of Variation (%)
Total earnings	54,787	841	1.5	85,880	2,359	2.7
Total flows	92,385	1,943	2.1	91,416	2,743	3
Total position	1,336,502	3,492	0.3	1,313,296	2,301	0.2

Source: Office for National Statistics

Notes

1. Coefficients of variation are not available for negative estimates. Back to table

Revisions

Statistics for 2016 have been revised in this statistical bulletin and will not be revised any further. Estimates for 2017 will remain provisional until December 2019, when the next FDI statistical bulletin will be released.

Notes to tables

The sum of the constituent items in tables may not always agree exactly with the totals shown due to rounding of the figures.

Symbols used in the tables are:

.. Figure suppressed to avoid disclosure of information relating to individual enterprises.

– Denotes nil or less than £500,000.

11 . Background information

Guidance on interpreting foreign direct investment statistics and making international comparisons

Exchange rates

Enterprises are asked to return values in sterling, as entered in their accounts, rounded to the nearest £0.1 million. Where conversion from a foreign currency is involved, they are asked to use the same rate of exchange as in their own accounts. The effect of exchange rates should not be underestimated as these can also have a large impact on the differences between positions figures when making comparisons with other countries.

Valuation of equity

Enterprises are asked to return market values and book values where possible. Enterprises are asked to refrain from using any other valuation method such as historical cost. Book values are likely to be notably different from current market values as book values tend to reflect values at earlier periods when assets were acquired or subsequently re-valued. The effect of using different valuation methods should not be underestimated as these can also have a large impact on the differences between positions figures when making comparisons with other countries.

Special Purpose Entities (SPEs)

These companies, that have been set up for pass through investment purposes, are very difficult to identify and as a consequence, there can be huge discrepancies in data with countries such as Luxembourg and the Netherlands. Current methodology stipulates that we measure cross-border transactions only but merely identify whether the partner country is an SPE or not. We do not ask where the next destination is and this can show distortions in the figures.

Main concepts and definitions

All time series in this release are on a “current price” basis, which means that the values are as they were at the time of measurement and not adjusted for inflation.

Affiliate

An affiliate is an umbrella term that covers both subsidiaries and associates where the investor holds more than 10% of the equity share capital.

Table 4: Affiliate

FDI relationship	Minimum Investment	Maximum Investment
Affiliate	10%	100%
- Associate	10%	Less than 50%
- Subsidiary	Greater than 50%	100%

Source: Office for National Statistics

Branch

A branch is a permanent establishment as defined for UK Corporation Tax and Double Taxation Relief purposes. This is not a separate legal entity. Such establishments should either have a complete set of accounts or be able to compile a meaningful set of accounts, from both an economic and legal viewpoint.

Direct investment

Foreign direct investment (FDI) refers to investment that adds to, deducts from or acquires a lasting interest in an enterprise operating in an economy other than that of the investor, where the investor’s purpose is to have an effective voice in the management of the enterprise.

For the purposes of FDI statistics, an effective voice is taken as equivalent to holding 10% or more of the equity share capital in the direct investment enterprise. Other investments, in which the investor does not have an effective voice in the management of the enterprise, are mainly portfolio investments and these are not covered in this release.

From the 2005 FDI Survey, cross-border investment by public corporations and private property investments are included, as in balance of payments data. Direct investment is a financial concept and is not the same as capital expenditure on fixed assets. It covers only the money invested in a related enterprise by the parent company with the enterprise having the discretion on how to use it.

A related enterprise may also raise money locally without reference to the parent company. The investment figures are published on a net basis, that is, they consist of investments net of disinvestments by a company into its subsidiaries.

Direct investment earnings

Direct investment earnings (a part of the income account) provide information on the earnings of direct investors. These can arise from both equity and debt.

Direct investment flows

Direct investment flows (or transactions) show the net inward and outward investments made during any given reference period. FDI flows comprise of:

- acquisitions or disposals of equity capital
- reinvestment of earnings
- inter-company debt

FDI inward flows provide a useful indicator in relation to the attractiveness of economies but such interpretations require additional information on which to base sound conclusions.

Direct investment positions

Direct investment positions (also known as levels or stocks) provide information on the total amount of investment made abroad or received from abroad for a given reference date.

Inward direct investment

From a UK perspective, inward direct investment is investment in a UK-resident affiliate (subsidiary or associate) or branch by a non-UK parent company or head office. This can also be referred to as direct investment into the UK.

Outward direct investment

From a UK perspective, outward direct investment is investment by a UK-resident company in a non-UK affiliate (subsidiary or associate) or branch. This can also be referred to as direct investment abroad.

Reinvested earnings

Reinvestment of earnings, or reinvested earnings, refer to earnings on equity accruing to direct investors less the value of distributed earnings. Reinvested earnings are included in direct investment income because the earnings of the subsidiary, associate or branch are deemed to be the income of the direct investor (proportionate to the direct investor's holding of equity), whether they are reinvested in the enterprise or remitted to the direct investor. Reinvested earnings are also treated as a flow of direct investment from the direct investor to their overseas enterprise.

Special Purpose Entities (SPEs)

The term SPE is used to refer to entities such as financing subsidiaries, shell companies and conduits, which typically do not conduct any notable operations in the country in which they are resident other than to pass through investments from their parent company to an affiliate in another country.

Discussing ONS business statistics online

There is a Business and Trade Statistics community on the StatsUserNet website. StatsUserNet is the Royal Statistical Society's interactive site for users of official statistics. The community objectives are to promote dialogue and share information between users and producers of official business and trade statistics about the structure, content and performance of businesses within the UK. Anyone can join the discussions by registering via either of the links provided previously.