

Article

Foreign direct investment, experimental UK subnational estimates: October 2021

Experimental subnational foreign direct investment inward and outward positions, earnings and flows statistics by partner economy or industry between 2015 and 2019.

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1 . Main points

- Either financial activities or manufacturing accounted for the highest proportion of inward foreign direct investment (FDI) positions for each UK country and region in 2019.
- Manufacturing accounted for the highest value of the inward FDI positions in 2019 for 7 out of 16 city regions, with information, professional and administration services accounting for the highest proportion in another five.
- London and the South East had the two highest values of the outward FDI position in 2019; together they accounted for 61.3% of the UK's total outward FDI stock.
- Most UK countries and regions had higher outward FDI positions per workforce job in 2019 compared with 2015; Scotland and the East of England were two exceptions.

2 . Inward FDI positions by industry

The inward foreign direct investment (FDI) position is the financial balance sheet value of the stock of UK companies controlled by foreign companies, which includes buildings, property and equipment. These positions can be grouped by the industry of those UK companies. These are [experimental statistics](#) and could be subject to change as we develop our methods and explore other sources of information.

Our [July 2021 article](#) included experimental inward FDI position statistics for 2015 to 2019. London controlled the highest value of inward FDI stock of all the UK countries and regions in 2019 (Table 1). This was followed by the inward position in the South East and Scotland.

There were also some companies for which we could not calculate subnational results. These were “unallocated” and include those FDI companies that could not be linked through the Inter-Departmental Business Register or Business Register and Employment Survey.

Table 1: Experimental inward foreign direct investment positions by International Territorial Level 1 country and region, 2019
£ billion and percentage of the UK total

	2019	Percentage of UK total
London	660.8	42.4
South East	197.6	12.7
Scotland	85.9	5.5
East of England	79.7	5.1
North West	73.9	4.7
West Midlands	66.8	4.3
South West	66.2	4.3
East Midlands	55.6	3.6
Yorkshire and The Humber	50.8	3.3
North East	24.5	1.6
Wales	18.9	1.2
Northern Ireland	14.8	0.9
Unallocated	163.1	10.5

Source: Office for National Statistics - Foreign Direct Investment Survey

Notes

1. Summing for all regions and countries may not match the published UK total because of rounding.
2. Unallocated results represent those FDI companies that could not be linked through the Inter-Departmental Business Register or Business Register and Employment Survey.

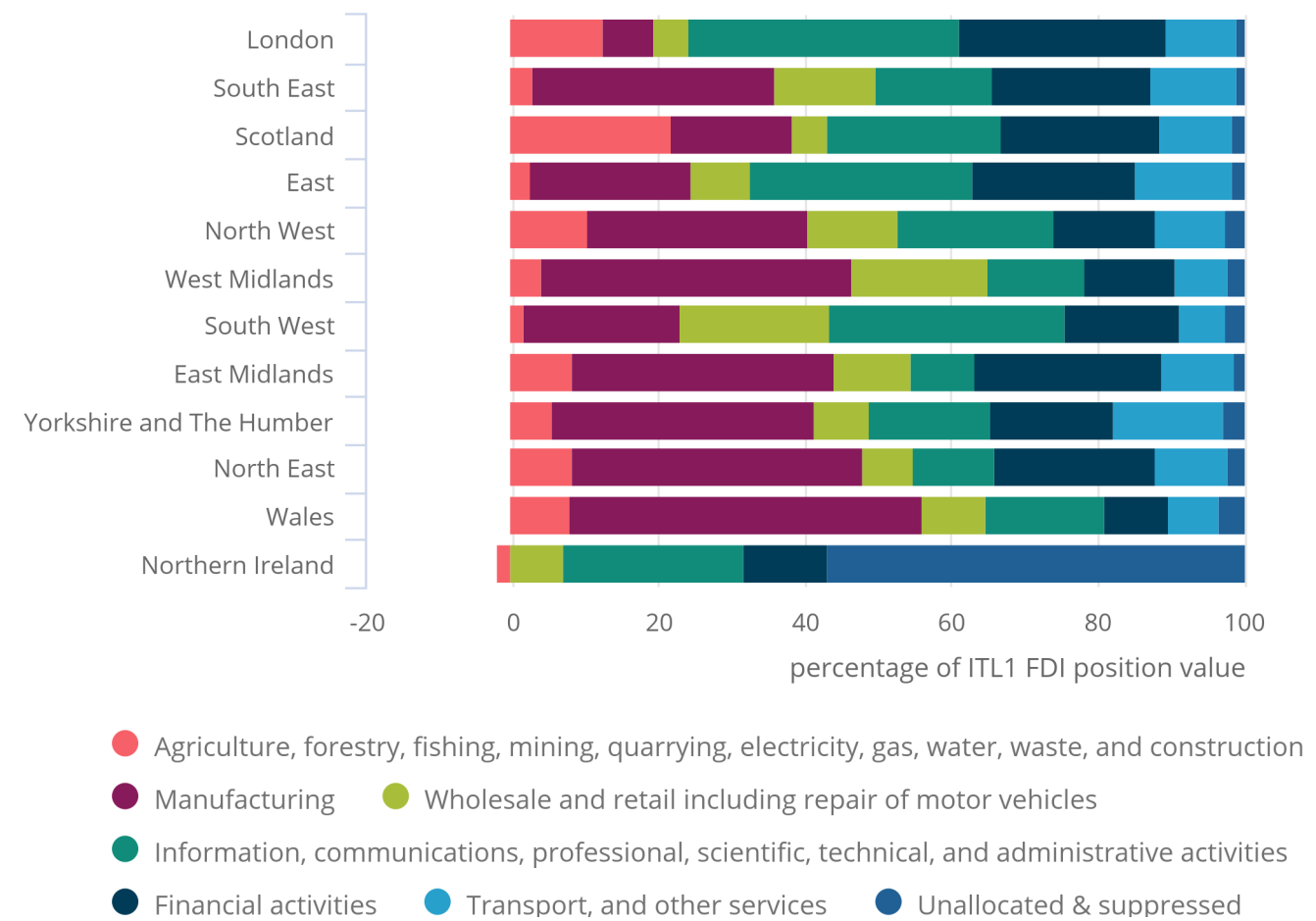
Our latest experimental statistics show that either financial activities or manufacturing accounted for the highest proportion of inward FDI in all UK countries and regions (Figure 1). The highest proportion for financial activities was in London (36.9% of the London inward FDI position), followed by the South West (32.2% of the South West inward position). While the proportions were similar, the value of financial activities in London was much higher than in the South West, as overall FDI is higher in London.

Figure 1: Manufacturing or financial activities accounted for the highest proportion of inward foreign direct investment positions across all UK countries and regions in 2019

Experimental inward FDI positions by industry group for International Territorial Level 1 country and region, ordered by descending FDI position values, 2019

Figure 1: Manufacturing or financial activities accounted for the highest proportion of inward foreign direct investment positions across all UK countries and regions in 2019

Experimental inward FDI positions by industry group for International Territorial Level 1 country and region, ordered by descending FDI position values, 2019



Source: Source: Office for National Statistics – Foreign Direct Investment Survey

Notes:

1. Summing for all industries per country or region may not equal 100 because of rounding.
2. Unallocated results represent those FDI companies that could not be linked through the Inter-Departmental Business Register or Business Register and Employment Survey.
3. "." denotes value suppressed to mitigate disclosure.
4. A negative FDI position indicates that the value of reverse investments from affiliates to their parent company was higher than the value of investment from the parent to the affiliates.

A similar situation emerges for the inward FDI position in manufacturing in 2019. Those industries accounted for more than one-third (33%) of respective inward FDI positions for Wales, the West Midlands, North East, the East Midlands and Yorkshire and The Humber. By comparison, the proportion of the inward FDI stock for manufacturing in London was 6.9%. Yet the higher FDI position in London makes the value of the stock in London much higher (£45.7 billion) compared with the East Midlands (£19.9 billion) for example.

3 . Inward FDI positions for city regions by industry

City regions are small groups of local authorities, consisting of the eight combined authorities that have directly elected mayors, as well as the mayoral authorities of Greater London and the Sheffield City Region, and the city growth deals agreed in Wales and Scotland. This article includes information on foreign direct investment (FDI) with 16 city regions, where we have split London into Inner and Outer London. We focus on inward FDI by city region in this article with the outward results available in the [datasets](#).

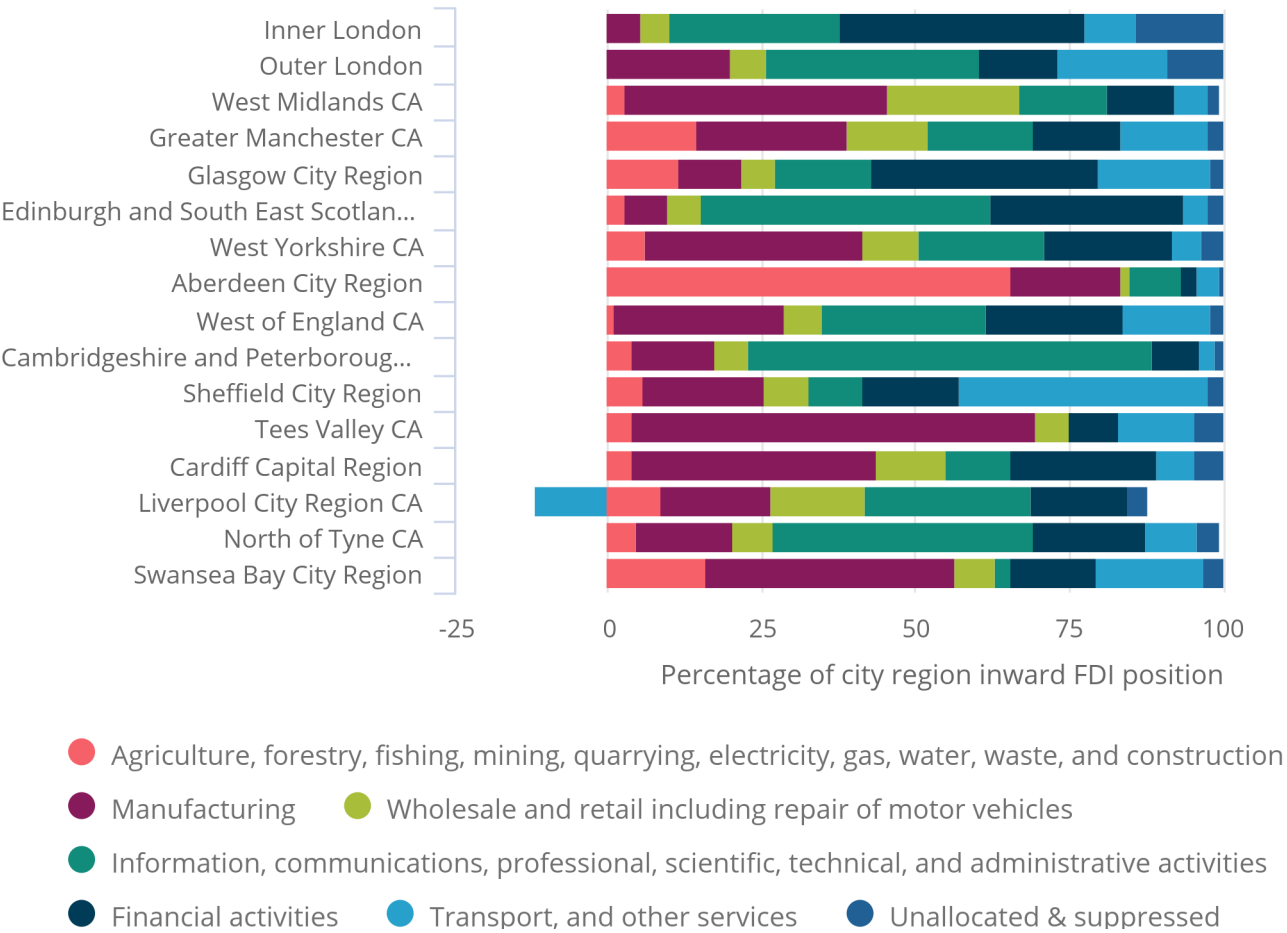
There were three city regions where one industry grouping accounted for more than half of the inward FDI position in 2019. For the Tees Valley Combined Authority, manufacturing accounted for 65.7% of its total inward FDI position (Figure 2). This was a similar proportion to the 65.6% for information, professional and administration activities in the Cambridgeshire and Peterborough Combined Authority, and the 65.5% for other production industries in the Aberdeen City Region.

Figure 2: Manufacturing accounted for the highest proportion of the inward foreign direct investment position for seven city regions in 2019

Experimental inward FDI positions for city regions by industry group, ordered by descending total value, 2019

Figure 2: Manufacturing accounted for the highest proportion of the inward foreign direct investment position for seven city regions in 2019

Experimental inward FDI positions for city regions by industry group, ordered by descending total value, 2019



Source: Office for National Statistics – Foreign Direct Investment Survey

Notes:

1. Totals for each city region might not sum to 100 because of rounding.
2. "." denotes value suppressed to mitigate disclosure.
3. A negative FDI position indicates that the value of reverse investments from affiliates to their parent company was higher than the value of investment from the parent to the affiliates.

For most city regions, manufacturing accounted for the highest proportion of the inward FDI position in 2019. Those industries had the highest value for 7 of the 16 city regions in these results. This was followed by information, professional and administrative services, which had the highest proportion for another five city regions. The distribution of industrial activity in the Greater Manchester Combined Authority was also the most evenly distributed across these groupings, being the only city region where each industry group accounted for more than 10 percentage points of that city region's inward FDI position.

4 . Outward FDI positions

This is the first time that we are publishing experimental statistics for outward foreign direct investment (FDI) by UK country and region, which indicates from where in the UK affiliate companies in foreign countries are controlled. The outward FDI position is the stock of investment that the UK controls in other countries.

As with inward FDI positions, London and the South East accounted for the two highest proportions of the outward position. In 2019, the outward stock value for London was £617.7 billion, and that for the South East was £300.5 billion (Figure 3). Together, these two regions accounted for 61.3% of the UK's total outward FDI position across all UK regions and countries. This was higher than the 55.1% of the total inward FDI position accounted for by those two regions in 2019.

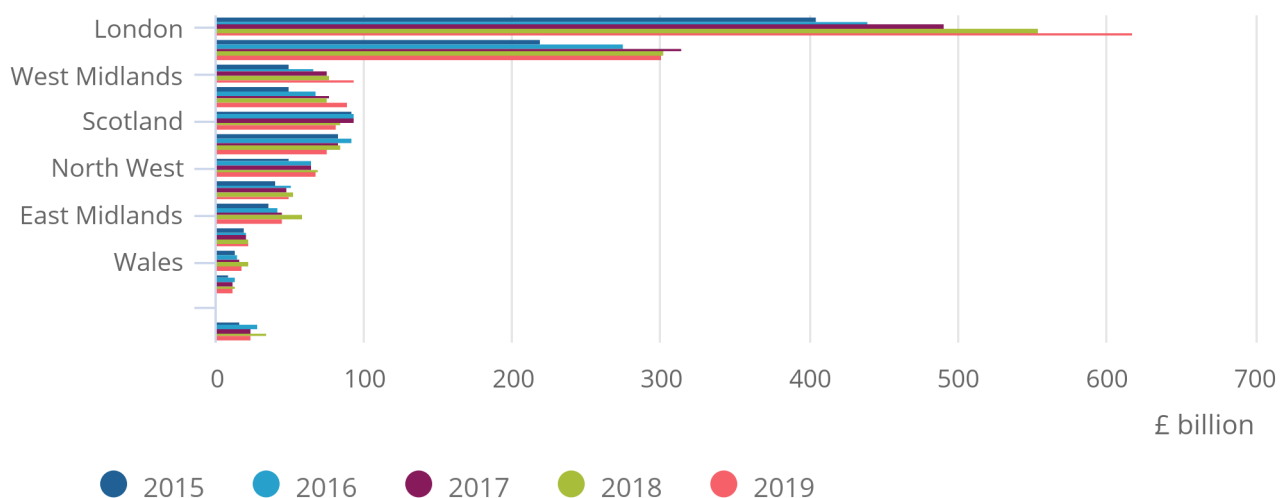
These results partly reflect differences between outward compared with inward companies. Outward companies are usually those UK-based headquarters controlling multiple affiliates abroad whereas inward FDI companies are themselves part of a larger foreign enterprise group.

Figure 3: There have been upward trends in outward foreign direct investment positions across nine UK countries and regions

Experimental outward FDI positions by International Territorial Level 1 country and region, ordered by descending FDI position values in 2019, 2015 to 2019

Figure 3: There have been upward trends in outward foreign direct investment positions across nine UK countries and regions

Experimental outward FDI positions by International Territorial Level 1 country and region, ordered by descending FDI position values in 2019, 2015 to 2019



Source: Office for National Statistics – Foreign Direct Investment Survey

Notes:

1. Summing for all regions and countries may not match published UK totals because of rounding.
2. Unallocated results represent those FDI companies that could not be linked through the Inter-Departmental Business Register or Business Register and Employment Survey.

There have also been many upward trends in the value of the outward FDI positions across the different UK countries and regions between 2015 and 2019. The biggest increase in the outward position was for London by £212.0 billion in 2019 compared with 2015 (or 52.3% higher). However, the West Midlands (90.5% higher) and the South West (78.8%) were the two regions that saw the outward FDI positions increase by greater proportions over that period.

For the West Midlands, most of the increase was for the outward FDI position in Herefordshire, Worcestershire and Warwickshire, while for the South West the Gloucestershire, Wiltshire, Bath and Bristol area accounted for the majority of the increase.

5 . Outward FDI positions and workforce jobs

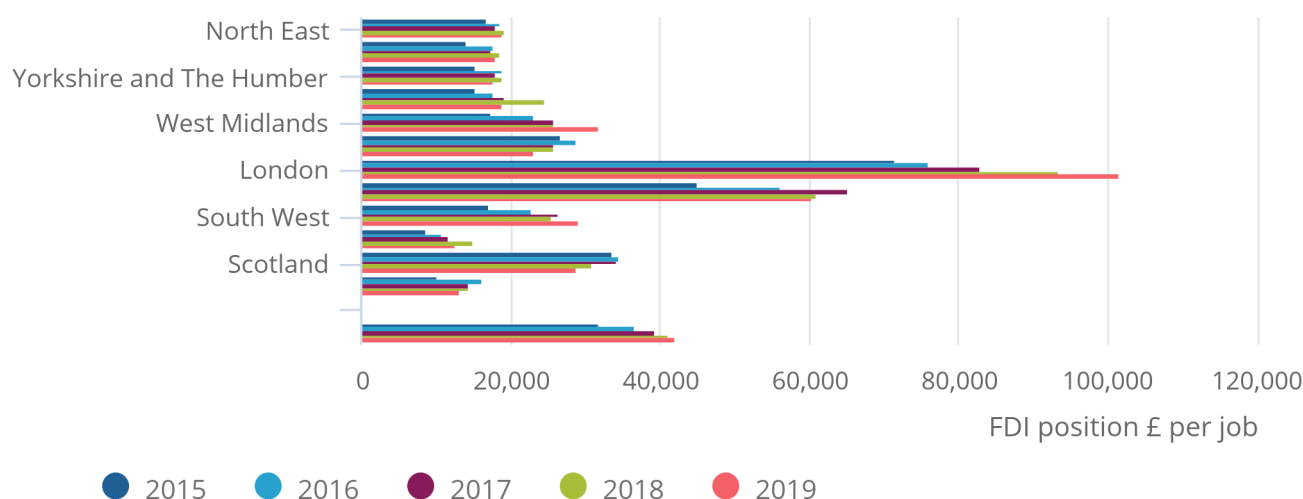
Our previous analysis used [workforce jobs](#) to frame [the stock of inward FDI relative to the number of jobs in each country or region](#). We have extended this analysis to include the outward FDI stock relative to the number of jobs by UK country and region from 2015 to 2019 (Figure 4).

Figure 4: Most UK countries and regions had higher outward foreign direct investment stock per job in 2019 compared with 2015

Experimental outward FDI positions relative to workforce jobs for International Territorial Level 1 countries and regions, 2015 to 2019

Figure 4: Most UK countries and regions had higher outward foreign direct investment stock per job in 2019 compared with 2015

Experimental outward FDI positions relative to workforce jobs for International Territorial Level 1 countries and regions, 2015 to 2019



Source: Office for National Statistics - Foreign Direct Investment Survey and Workforce Jobs

Notes:

1. These results do not include unallocated FDI in the country or regional results but are included in the UK total. The results for all countries and regions are likely to be higher if the unallocated FDI positions could be included in those results.
2. The seasonally-adjusted workforce job values used are taken in December of each year.

While most UK countries and regions had upward or stable trends in the value of the outward FDI stock per job, there were a few that had downward trends over that period. The greatest negative difference was for Scotland, where the outward FDI position per job was £28,881 in 2019 compared with £33,833 in 2015 (Figure 4). The East of England also had lower FDI per job over that period. For Northern Ireland the outward FDI stock per job in 2019 was lower compared with 2016 but higher than in 2015.

Looking at the underlying values shows that in these three cases the FDI position values were lower in 2019 than in 2015 or 2016. The numbers of workforce jobs were either stable (Scotland) or increasing (East of England and Northern Ireland).

6 . Foreign direct investment data

[Foreign direct investment involving UK companies by UK country and region, experimental statistics \(directional\): inward](#)

Dataset | Released 18 October 2021

Experimental statistics on the investment of foreign companies into the UK by UK country and region for investment flows, positions and earnings.

[Foreign direct investment involving UK companies by UK country and region, experimental statistics \(directional\): outward](#)

Dataset | Released 18 October 2021

Experimental statistics on the investment of UK companies abroad by UK country and region for investment flows, positions and earnings.

[Foreign direct investment involving UK companies \(directional\): inward](#)

Dataset | Released 21 December 2020

Annual statistics on the investment of foreign companies into the UK, including for investment flows, positions and earnings.

[Foreign direct investment involving UK companies \(directional\): outward](#)

Dataset | Released 21 December 2020

Annual statistics on the investment of UK companies abroad, including for investment flows, positions and earnings.

7 . Glossary

Foreign direct investment (FDI)

Foreign direct investment (FDI) is cross-border investment made with the objective of establishing a lasting interest in the host economy. FDI is also defined by control relationships, where the direct investor (parent company) controls at least 10% of the voting power (ordinary shares) of the direct investment enterprise. These relationships can be measured in two directions:

- outward: the direct investments of UK-resident companies in other countries
- inward: the direct investments in the UK from non-resident companies

Position

The FDI position is the value of the stock of investment held at a point in time. These statistics are presented as the stock of FDI controlled by UK-resident companies abroad (outward) or the stock of FDI in the UK controlled by foreign companies (inward). FDI positions are net values for the investments held by the direct investor (parent company) minus reverse investment by direct investment enterprises.

Directional measurement principle

The directional measurement principle presents FDI statistics based on the direction of influence of the direct investor (parent company). These statistics are of most use when considering the direction of influence for UK-based companies and therefore in data linking FDI to other sources of information.

International Territorial Level (ITL)

[International Territorial Levels \(ITL\)](#) is the new UK geographies classification system. This has superseded the Nomenclature of Units for Territorial Statistics (NUTS) classification system.

8 . Data sources and quality

Data sources

The main source of information for UK foreign direct investment (FDI) statistics is the Annual FDI Survey; separate surveys are used to collect data on inward and outward FDI. This is combined with data from the Bank of England for all monetary financial institutions – such as banks – and other sources for property and public corporations in FDI. Survey responses are used to estimate or impute FDI values for every company in the UK's inward and outward FDI populations.

These experimental estimates also use information from the Inter-Departmental Business Register (IDBR), and the Business Register and Employment Survey (BRES).

Methodological approach

Building upon recent work on subnational estimates of international trade, we use responses to the Annual FDI Survey and allocate values to local areas. The survey asks reporting units of businesses to provide the value of various categories of foreign direct investment their business has engaged in, broken down by the industry of investment and the country with which the investment was linked. We take these results collected from the reporting unit (often a head office or administrative site) and use the IDBR and BRES to apportion investment values to the individual local units of a business (such as a shop, warehouse, or office).

For non-financial values of FDI, we link the value collected from reporting units to their associated local units according to the IDBR and allocate the investment values from the reporting unit to each local unit according to the percentage of employees in each local unit. For those units which could not be linked, it was not possible to assign a geography to those values, therefore these values have been reported upon as a separate "unallocated" category.

The FDI of banks, bank holding companies, property and public corporations are not associated with specific businesses, and therefore cannot be linked in the same way. Values are instead broken down according to the number of employees working in financial businesses in each geographic area as reported by BRES. There is currently no better proxy measure available.

More quality and methodology information on strengths, limitations, appropriate uses, and how [FDI data](#) were created is available in the [Foreign direct investment QMI](#).

9 . Future developments

These experimental statistics have been produced to indicate the type of subnational results that we could produce. In April 2021, we published an updated plan for [developing foreign direct investment \(FDI\) statistics](#). Part of our development of FDI statistics includes adding questions to the quarterly and annual FDI surveys to collect information from companies on subnational FDI. This provides another potential option for producing subnational FDI statistics in the future.

The experimental statistics in this article have been produced from linking FDI microdata with subnational information from the Inter-Departmental Business Register (IDBR) and apportioning by employment from the Business Register and Employment Survey (BRES). This provides another source of information to compare with any information received from the new questions on the FDI Survey. We welcome any suggestions for how these statistics could be developed further, including on specific continents, countries or industries that would be useful to identify separately (subject to disclosure control). Please send all responses to fdi@ons.gov.uk.

The [Foreign direct investment involving UK companies: 2020 statistical bulletin](#) will be published in December 2021 and will include our first annual 2020 and revised 2019 estimates for UK total FDI statistics. It will not include any subnational FDI estimates. We will review options for experimental subnational FDI statistics in 2022.

10 . Related links

[JOBS05: Workforce jobs by region and industry](#)

Dataset | Released 14 September 2021

Workforce jobs by region and industry.

[Foreign direct investment, experimental UK country and region statistics: July 2021](#)

Article | Released 19 July 2021

Analysis of experimental subnational inward foreign direct investment positions and earnings statistics between 2015 and 2019.

[Foreign direct investment involving UK companies: 2019](#)

Bulletin | Released 21 December 2020

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