

Article

Foreign direct investment, business insights in the UK: June 2020 to January 2021

Comparing the experiences of businesses with and without foreign direct investment links in 2020 using the Business Insights and Conditions Survey.

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1 . Main points

- On average between June 2020 and January 2021, the proportion of companies reporting a decrease in turnover compared with normal expectations was 5 percentage points lower for those that had foreign direct investment (FDI) links compared with those without FDI links.
- More than half of respondents with and without FDI links reported lower than expected turnover in June 2020, with those proportions falling at similar rates during the rest of the year.
- The average proportion of companies with FDI links reporting cash reserves lasting more than six months was 20 percentage points higher than the average for companies without FDI links between June 2020 and January 2021.
- Companies with both inward and outward FDI links had the highest average proportion of respondents with cash reserves lasting more than six months, compared with companies with either an inward or outward link.

2 . Turnover for businesses with and without FDI links

The coronavirus (COVID-19) pandemic affected the UK economy from March 2020, when the first restrictions on activity were introduced. The analysis in this article seeks to explore whether companies with foreign direct investment (FDI) links experienced the pandemic differently to companies without such links. This is done by linking unweighted microdata from the Business Insights and Conditions Survey (BICS) with FDI microdata to identify respondents with and without FDI links. The BICS responses are analysed for the reference period between 1 June 2020 (BICS Wave 7) and 10 January 2021 (BICS Wave 22).

BICS provides a range of insights on businesses' financial performance, workforce, trade, and resilience. Responses have been separated for businesses with and without FDI links. Therefore, these results use a subsample of BICS responses unlike the published BICS results, which are weighted to reflect the whole UK business population. These results should be treated with caution as the sample varies from wave to wave and so these estimates only reflect responding businesses. This section looks at respondents' turnover while their cash reserves are covered in [Section 3: Cash reserves for businesses with and without FDI links](#).

Turnover compared with expectations

Nearly three-fifths of trading respondents with FDI links reported a decrease in turnover compared with expectations in early June 2020. The proportion of these respondents that reported their turnover had decreased in the two weeks prior compared with normal expectations was 59%, with a further 26% experiencing no effect on their turnover (Figure 1).

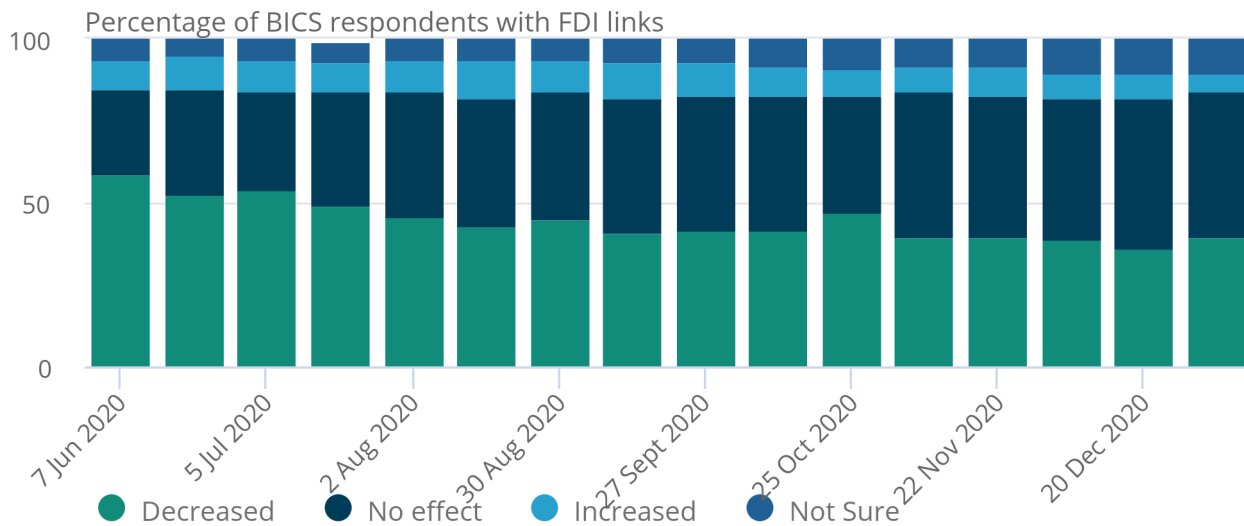
The proportions reporting lower turnover compared with no change gradually switched over the following waves, with a higher proportion of FDI companies experiencing no effect than lower turnover. By early January 2021, 40% of respondents with FDI links reported a decrease in turnover compared with expectations, and 44% reported no difference. The proportions that reported an increase in turnover compared with expectations or being unsure stayed broadly stable across all waves considered in this article. We further broke down the responses of those companies with FDI links by direction. The proportions of respondents' answers to the turnover question were very similar across all waves for businesses with an inward FDI link, an outward FDI link, or both inward and outward FDI links.

Figure 1: Nearly 60% of responding companies with FDI links reported lower turnover compared with expectations in early June 2020

Percentage of respondents with FDI links currently trading who reported different impacts on their turnover, 1 June 2020 to 10 January 2021

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Percentage of respondents with FDI links currently trading who reported different impacts on their turnover, 1 June 2020 to 10 January 2021



Source: Office for National Statistics - Business Insights and Conditions Survey and Foreign Direct Investment Survey

Notes:

1. Responses to the questions: "How does your business's turnover for the last two weeks, compare to normal expectations for this time of year?"
2. For presentational purposes, some response options have been combined.
3. Businesses were asked for their experience for the reference period; however, businesses may respond from the point of completion of the questionnaire.
4. Bars may not sum to 100 because of rounding.
5. Data are plotted in the middle of the period for each wave.

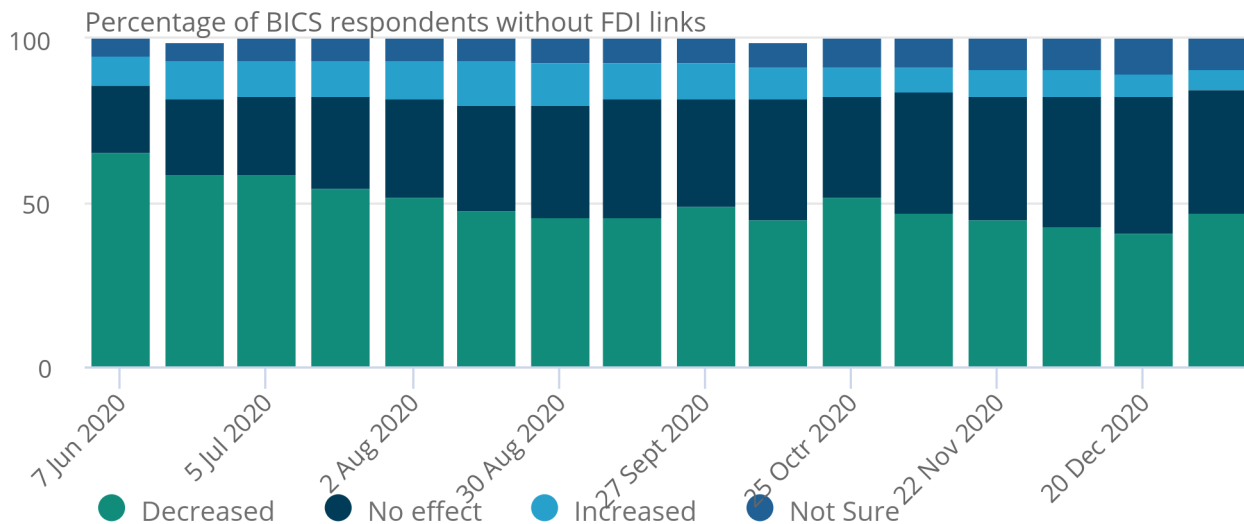
In early June 2020, 66% of respondents without FDI links reported that their turnover had decreased compared with normal expectations. An additional 20% reported no effect on their turnover (Figure 2). The proportion of respondents with no FDI links reporting lower turnover compared with expectations gradually decreased, to 47% by early January 2021. The proportion of companies reporting no difference in turnover compared with expectations, increased to 38% by early January 2021.

Figure 2: Two-thirds of respondents without FDI links reported lower turnover compared with expectations in early June 2020

Percentage of respondents currently trading without FDI links who reported different impacts on their turnover, 1 June 2020 to 10 January 2021

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Percentage of respondents currently trading without FDI links who reported different impacts on their turnover, 1 June 2020 to 10 January 2021



Source: Office for National Statistics - Business Insights and Conditions Survey and Foreign Direct Investment Survey

Notes:

1. Responses to the question: "How does your business's turnover for the last two weeks, compare to normal expectations for this time of year?"
2. For presentational purposes, some response options have been combined.
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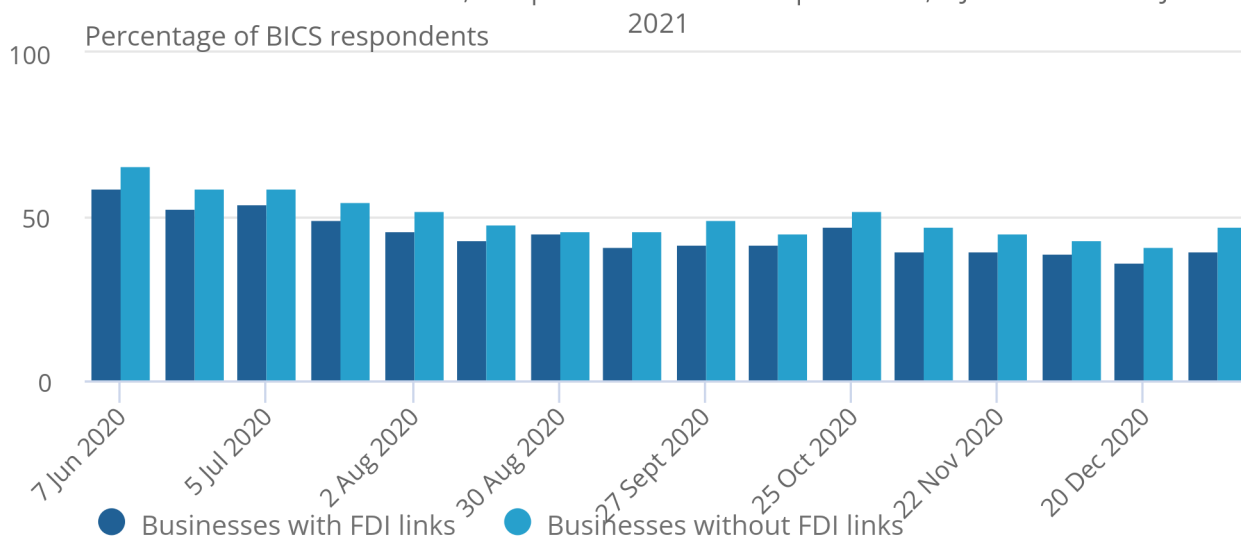
While the distribution of responses to the turnover question was similar between companies with and without FDI links, higher proportions without FDI links reported negative results. The proportions of companies reporting lower turnover compared with expectations in each wave decreased at relatively similar rates (Figure 3). In every wave, the proportion of companies reporting a negative impact on their turnover was higher for those without FDI links than those with FDI links. On average, the proportion of respondents with FDI links reporting decreased turnover compared with expectations was 5 percentage points lower per wave compared with respondents without those links.

Figure 3: The proportions of companies with and without FDI links reporting lower turnover compared with expectations decreased at relatively similar rates between June 2020 and January 2021

Percentage of respondents currently trading with and without FDI links who reported a decrease in turnover in the last two weeks, compared with normal expectations, 1 June 2020 to 10 January 2021

Figure 3: The proportions of companies with and without FDI links reporting lower turnover compared with expectations decreased at relatively similar rates between June 2020 and January 2021

Percentage of respondents currently trading with and without FDI links who reported a decrease in turnover in the last two weeks, compared with normal expectations, 1 June 2020 to 10 January 2021



Source: Office for National Statistics - Business Insights and Conditions Survey and Foreign Direct Investment Survey

Notes:

1. Responses to the question: "How does your business's turnover for the last two weeks, compare to normal expectations for this time of year?"
2. For presentational purposes, some response options have been combined.
3. Businesses were asked for their experience for the reference period; however, businesses may respond from the point of completion of the questionnaire.
4. Data are plotted in the middle of the period for each wave.

When interpreting these results, it is worth noting that businesses with FDI links tend to be larger. [Previous UK foreign direct investment trends and analysis](#) found that although these businesses are very much in the minority, they accounted for disproportionately large values of employment and turnover. Furthermore, [Bank of England coronavirus analysis](#) found that the coronavirus pandemic had a bigger impact on smaller companies than larger companies. Therefore, this could be an additional factor behind the differences in response to the turnover question seen for businesses with and without FDI links.

The industry of companies could be another factor potentially affecting the difference in responses between those with and without FDI links. Our previous [analysis found that the coronavirus pandemic typically had a larger impact on "high-contact" industries](#). "High-contact" industries are those that are more reliant on physical interaction like transportation and storage, or arts, entertainment and recreation. "Low-contact" industries are less reliant on physical interaction like information and communication, or professional, scientific and technical activities. On average across the waves analysed in these results, 29% of businesses with FDI links reported operating in high-contact industries, while for those without FDI links this accounted for 34%. Our results in this article may also reflect the greater proportion of businesses without FDI links operating in "high-contact" industries compared with those with FDI links.

3 . Cash reserves for businesses with and without FDI links

This section covers the responses to the Business Insights and Conditions Survey (BICS) question which asked businesses to report how long they thought their cash reserves would last. By linking these responses with foreign direct investment (FDI) microdata for the businesses that are present in both, we compared financial positions during the coronavirus (COVID-19) pandemic of companies with and without FDI links from 15 June 2020 to 24 January 2021.

Unlike the turnover question explored in Section 2: Turnover for businesses with and without FDI links, the cash reserves question does not ask for a comparison compared with normal expectations for that time of year. It instead asks about the financial position at the time of reporting. This question therefore does not give an indication of the respondent's financial situation prior to the pandemic.

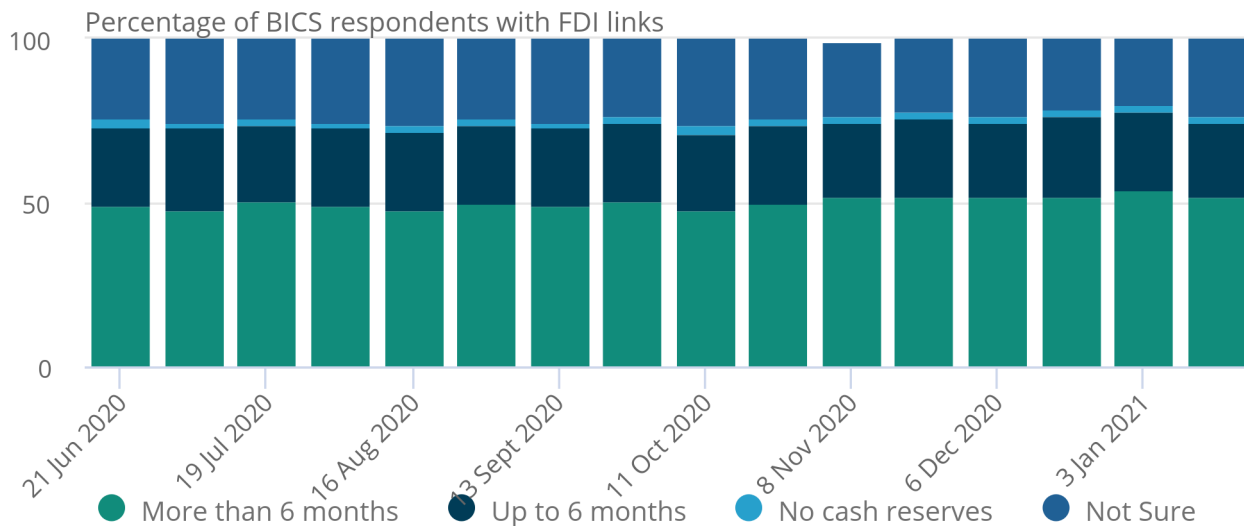
On average half of businesses (50%) with FDI links who had not permanently stopped trading reported that their cash reserves would last for more than six months between 15 June 2020 and 24 January 2021 (Figure 4). The proportions of all responses to this question remained relatively stable across the reference period. Nearly one-quarter reported having cash reserves that would last up to six months (24%) and a further one-quarter being unsure of how long they would last (24%).

Figure 4: On average half of respondents with FDI links reported having cash reserves that would last more than six months

Percentage of respondents with FDI links not permanently stopped trading who reported different lengths of time that their cash reserves would last, 15 June 2020 to 24 January 2021

Figure 4: On average half of respondents with FDI links reported having cash reserves that would last more than six months

Percentage of respondents with FDI links not permanently stopped trading who reported different lengths of time that their cash reserves would last, 15 June 2020 to 24 January 2021



Source: Office for National Statistics - Business Insights and Conditions Survey and Foreign Direct Investment Survey

Notes:

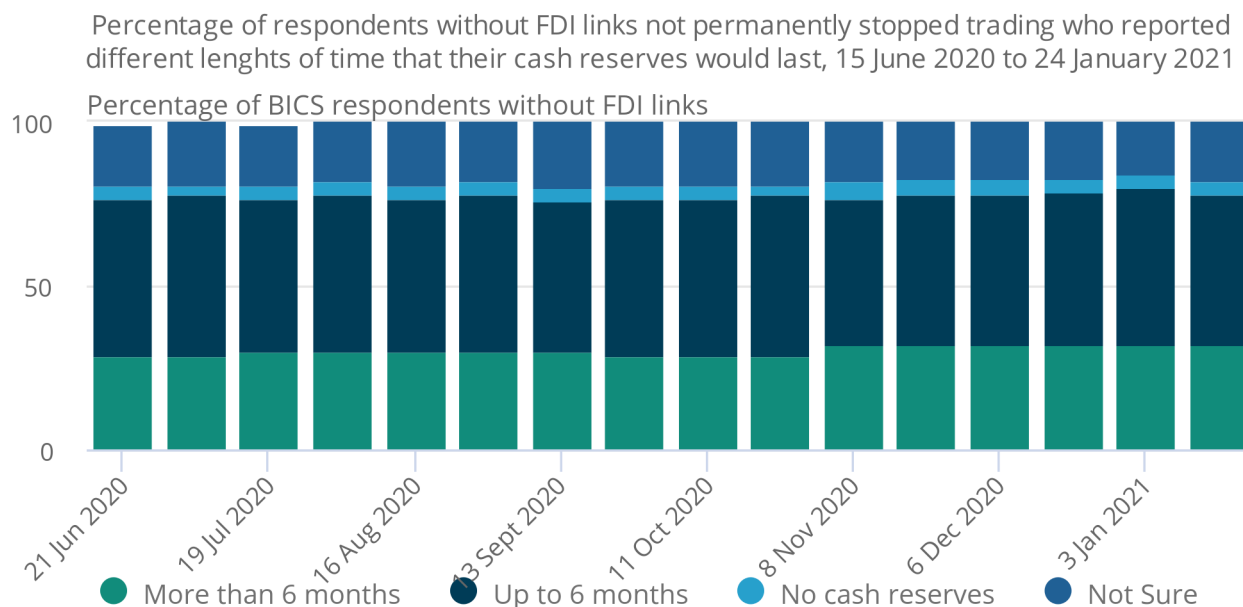
1. Responses to the question: "How long do you think your business's cash reserves will last?"
2. For presentational purposes, some response options have been combined.
3. Bars may not sum to 100 because of rounding.
4. Data are plotted in the middle of the period for each wave.

The proportions of responses for companies without FDI links were also broadly stable over this reporting period. However, the average proportion of companies reporting reserves lasting longer than six months (30%) was 20 percentage points lower than that for those with FDI links. The most frequent response from companies without FDI links was having cash reserves that would last up to six months (Figure 5), averaging 47% between late June 2020 and late January 2021.

Figure 5: The most common answer for respondents without FDI links was that their cash reserves would last up to six months, with a smaller proportion reporting more than six months

Percentage of respondents without FDI links not permanently stopped trading who reported different lengths of time that their cash reserves would last, 15 June 2020 to 24 January 2021

Figure 5: The most common answer for respondents without FDI links was that their cash reserves would last up to six months, with a smaller proportion reporting more than six months



Source: Office for National Statistics - Business Insights and Conditions Survey and Foreign Direct Investment Survey

Notes:

1. Responses to the question: "How long do you think your business's cash reserves will last?"
2. For presentational purposes, some response options have been combined.
3. Bars may not sum to 100 because of rounding.
4. Data are plotted in the middle of the period for each wave.

Similar to the results seen in Section 2, the differences seen in cash reserves for those with and without FDI links could be affected by additional business characteristics. [Previous UK foreign direct investment trends and analysis](#) found that businesses with FDI links are typically larger than those without. While [Bank of England coronavirus analysis](#) found that the coronavirus pandemic had a bigger impact on smaller companies. Analysis of businesses used in our BICS sample also revealed that the proportion of businesses without FDI links operating in "high-contact" industries was 5 percentage points higher than those with FDI links. ["High-contact" industries were more heavily impacted by the coronavirus pandemic](#) than "low-contact" industries. The wording of this question does not require respondents to directly compare with the previous year, so the differences seen between businesses with and without FDI links may have also been present prior to the pandemic.

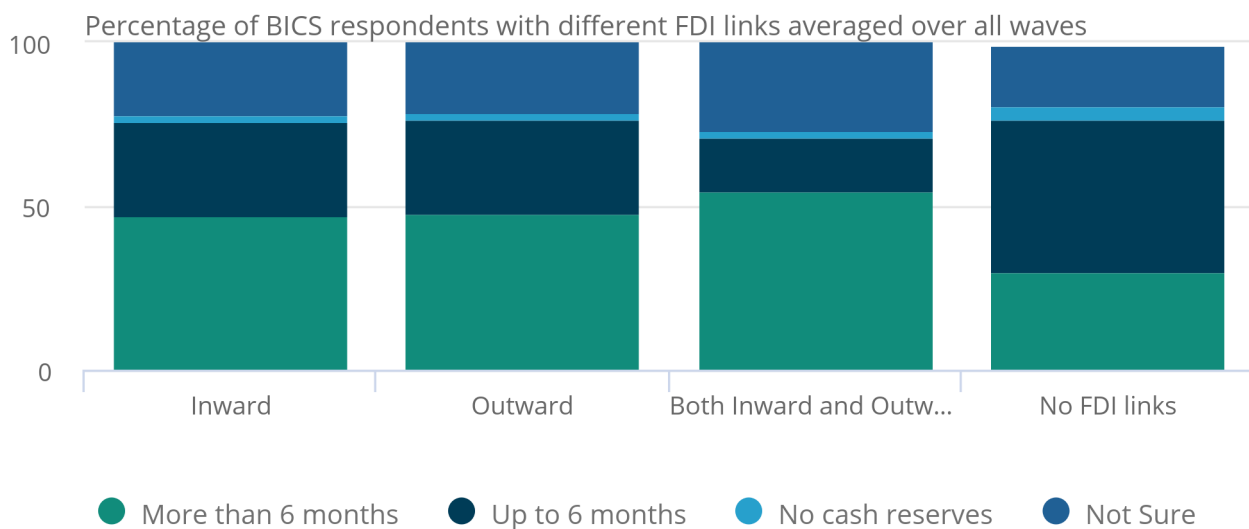
There were also differences in the distribution of responses to the cash reserves question depending on the type of FDI link. The proportions of responses from companies with either an inward or outward FDI link were very similar. For example, respondents with reserves lasting more than six months accounted for 47% on average for inward links and 48% on average for outward links (Figure 6). However, 55% of respondents with both inward and outward FDI links reported having cash reserves that would last more than six months across the reference period.

Figure 6: A greater proportion of companies with both inward and outward FDI links reported having cash reserves lasting more than six months than companies with either an inward or outward link

Percentage of respondents with different types of FDI links not permanently stopped trading who reported different amounts of cash reserves, averaged over 15 June 2020 to 24 January 2021.

Figure 6: A greater proportion of companies with both inward and outward FDI links reported having cash reserves lasting more than six months than companies with either an inward or outward link

Percentage of respondents with different types of FDI links not permanently stopped trading who reported different amounts of cash reserves, averaged over 15 June 2020 to 24 January 2021.



Source: Office for National Statistics - Business Insights and Conditions Survey and Foreign Direct Investment Survey

Notes:

1. Responses to the question: "How long do you think your business's cash reserves will last?"
2. For presentational purposes, some response options have been combined.
3. Bars may not sum to 100 because of rounding.

Businesses with both inward and outward FDI links also reported a higher proportion of unsure responses (27%) compared with businesses with either inward (23%) or outward (21%) links. These companies would be in the middle of a corporate structure, which may give more options to support their activity. Furthermore, being in the middle of a large multinational enterprise, those companies might not know the extent to which they have access to cash reserves, hence the higher proportion of unsure answers.

4 . Business insights in the UK data

[Business insights and impact on the UK economy](#)

Dataset | Released 28 July 2022

Weighted estimates from the voluntary fortnightly business survey (BICS) about financial performance, workforce, prices, trade, and business resilience.

5 . 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 and inward. Outward refers to the direct investments of UK-resident companies in other countries, while inward refers to the direct investments in the UK from non-resident companies.

Coronavirus

Coronaviruses are a family of viruses that cause disease in people and animals. They can cause the common cold or more severe diseases, such as COVID-19.

COVID-19

COVID-19 is the name used to refer to the disease caused by the SARS-CoV-2 virus, which is a type of coronavirus. The Office for National Statistics (ONS) takes COVID-19 to mean presence of SARS-CoV-2 with or without symptoms.

Cash reserves

The money a company has to meet short-term and emergency funding needs.

"High-contact" industries

These are industries that are more reliant on physical interaction. These include:

- wholesale and retail
- transportation and storage
- accommodation and food services
- arts, entertainment and recreation
- other services

"Low-contact" industries

These are industries that are less dependent on in-person contact. These include:

- mining and quarrying
- manufacturing
- water supply, sewerage, waste management and remediation activities
- construction
- information and communication
- real estate activities
- professional, scientific and technical activities
- administrative and support service activities
- education
- human health and social work activities

6 . Data sources and quality

Business Insights and Conditions Survey

The Business Insights and Conditions Survey (BICS) is a fortnightly online questionnaire from a sample of approximately 39,000 businesses. Respondents are asked for their experiences at the time of answering the questionnaire, or over a stated reference period.

Results presented in this article are a variation from the regular published BICS data and are based on a subset of the BICS sample. We used unweighted results which are not directly comparable with the fortnightly [Business insights and impact on the UK economy bulletins](#). Additionally, the sample is not necessarily representative of all UK companies: inferences are only relevant to the businesses that responded.

Dates of the reference and survey live period of each wave of the BICS can be found on the [Business insights and impact on the UK economy dataset webpage](#).

More quality and methodology information on strengths, limitations, appropriate uses, and how the data were created is available in our [Business Insights and Conditions Survey \(BICS\) QMI](#).

Foreign Direct Investment Survey

The main source of information for UK foreign direct investment (FDI) statistics is the annual Foreign Direct Investment Survey; separate surveys are used to collect data on inward and outward FDI. The samples for the FDI Survey are taken from the annual populations which are informed by the previous survey responses of companies and the Inter-Departmental Business Register. A commercial data source was also used for the first time in 2020 to inform the FDI population. 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.

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

Data linking

This article links respondents to BICS with the FDI population at the enterprise level. This is because different parts of the multinational enterprise might be selected for each survey, which makes it harder to link those responses. By using the enterprise group, this identifies respondents to BICS that have a reporting unit somewhere in their UK corporate structure that also have at least one link with a foreign parent company or affiliate. This means it may not necessarily be the BICS reporting unit itself with the link to a foreign company.

7 . Related links

[Foreign direct investment involving UK companies: 2020](#)

Article | Released 3 February 2022

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