

Article

Foreign direct investment, overview of new survey questions, UK: March 2023

New survey results from 2020 and 2021 on foreign direct investment (FDI) by UK country and region, and on the type and funding of FDI.

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1 . Overview of new Foreign Direct Investment Survey questions

- Analysis of the questions that were recently added to the Foreign Direct Investment (FDI) Survey as part of our development work shows a very similar pattern of responses in 2021 as [previously reported for 2020](#).
- Just over a half of respondents allocated all of their unquoted equity to one or more regions of the UK, whereas around 45% did not answer or could not allocate their values.
- The survey questions are more likely than data-linking to allocate FDI to a single region and results from the survey questions are more weighted towards London than in our [data-linked experimental statistics](#).
- Companies were least able to answer the subnational equity question of the UK total FDI position in the mining and quarrying (54.7% inward, 66.4% outward), retail, wholesale and transportation (54.1% inward, 61.9% outward) and information and communication (70.7% outward) industries.
- The analysis in this report suggests that there are limits to what companies can tell us about their FDI by UK subnational region or on the type of FDI; although the data from these questions can provide useful indicative information, they are not comprehensive, and we will investigate how the subnational survey responses complement our data-linking methods.

This progress report includes indicative FDI results that weight UK subnational totals using survey response components. The percentages give an indication of where in the UK respondents allocated their reported values. None of the values in this report should be used for analysis or decision making.

2 . New survey questions

We have been [developing our foreign direct investment \(FDI\) statistics](#) to enhance the quality of these estimates to meet user needs. This includes providing timelier, more granular FDI statistics.

We have added new questions to the annual and quarterly FDI surveys. We ask companies to report the subnational location of a component for their stock of FDI (position) and profits (earnings).

We have also added questions asking for the type and funding of FDI activity. The type of activity was split into the following four categories, and further split by acquisitions and disposals:

- new direct investments (greenfield)
- extensions of capacity
- acquisitions and disposals
- other

This information was collected for 2020 and 2021 covering both UK-resident companies with foreign parent companies (inward), and UK-resident companies that control affiliates outside the UK (outward).

3 . Responses to the new survey questions

Initial results from the new questions were summarised in our [Foreign direct investment, overview of new survey questions: March 2022 article](#). This report now includes revised results from 2020 and current 2021 responses that were used in our [Foreign direct investment involving UK companies: 2021 annual bulletin](#).

Foreign direct investment (FDI) by UK country and region

The new questions ask companies for their International Territorial Level 1 (ITL1) region for two components of FDI: unquoted equity and profits. Companies can also report that values cannot be allocated to any ITL1 country or region.

Inward investment

Nearly half of companies completing the subnational questions in the annual inward FDI Survey for 2021 allocated all their value (equity) to one region. Around 47% of respondents either did not answer the question or could not allocate their values to a UK country or region (Table 1). These proportions were similar to the 2020 results.

Table 1: Response types for inward FDI unquoted equity and profits for UK country and region questions 2020 and 2021 annual surveys

Inward equity

	2020	2020	2021	2021
	Number	Percentage total response	Number	Percentage total response
Did not answer	491	22.1	444	22.1
Could not answer	549	24.7	503	25.0
One region	1,113	50.0	995	49.5
More than one region	73	3.3	68	3.4
Total	2,226		2,010	

Inward income

	2020	2020	2021	2021
	Number	Percentage total response	Number	Percentage total response
Did not answer	1,222	54.9	1,033	51.4
Could not answer	327	14.7	318	15.8
One region	629	28.3	603	30.0
More than one region	48	2.2	56	2.8
Total	2,226		2,010	

Source: Foreign Direct Investment Survey from the Office for National Statistics

Notes

1. Totals are the number of survey responses per company at the cut-off point for those data to be used in our 2021 annual FDI bulletin.
2. Companies that did not respond to the survey or returned their survey after the cut-off date, are not included.
3. Percentages might not sum to 100 because of rounding.

A higher proportion (almost two-thirds) of inward companies could not or did not answer the income question. The 2021 proportions of respondents in each category for income were similar to those in 2020.

Outward investment

The comparison of responses for outward FDI largely mirror patterns for inward FDI. Just over 56% of respondents for outward FDI allocated unquoted equity values to one region in both 2020 and 2021, respondents with one-quarter not answering the question (Table 2). In 2021, fewer respondents provided subnational information for outward income (45.9%), compared with for equity (57.4%). There were also a higher proportion of companies not answering the outward subnational income question (38.6%), compared with subnational unquoted equity (25.3%).

Table 2: Response types for outward FDI unquoted equity and profits for UK country and region questions 2020 and 2021 annual surveys

Outward equity

	2020		2021	
	Number	Percentage total response	Number	Percentage total response
Did not answer	265	24.2	240	25.3
Could not answer	200	18.3	163	17.2
One region	620	56.6	536	56.5
More than one region	10	0.9	9	0.9
Total	1,095		948	

Outward income

	2020		2021	
	Number	Percentage total response	Number	Percentage total response
Did not answer	463	42.3	366	38.6
Could not answer	157	14.3	147	15.5
One region	470	42.9	429	45.3
More than one region	5	0.5	6	0.6
Total	1,095		948	

Source: Foreign Direct Investment Survey from the Office for National Statistics

Notes

1. Totals are the number of survey responses per company at the cut-off point for those data to be used in our 2021 annual FDI bulletin.
2. Companies that did not respond to the survey or returned their survey after the cut-off date, are not included.
3. Percentages might not sum to 100 because of rounding.

In the open-ended responses to these questions, companies still reported that their internal financial systems did not recognise UK locations. Instead, they recorded results for their operations in the UK as a whole.

FDI by type or source of funding

FDI by type provides information on the purpose of transactions, such as new investments or extensions of capacity. The source questions show how these transactions were funded, for example, from own funds or internal loans.

For 2020, most respondents did not provide any information in these questions. The situation remained largely unchanged for 2021. Outward acquisitions by type answers in 2021 were similar to 2020, whereas no respondents reported any inward acquisitions values by type or source of funding in 2021. As was found in our 2020 analysis, more information was collected for disposals than acquisitions in 2021, but the vast majority (at least 94%) of respondents did not answer these questions.

The low amount of information collected makes it difficult to interpret results. We will continue exploring why respondents are not answering these questions, along with considering other methods for compiling FDI by type statistics.

4 . Indicative results by UK country and region

We used reported component information by UK country and region from foreign direct investment (FDI) companies to weight the total FDI positions or earnings. The percentages give an indication of where in the UK respondents allocated their reported values compared with our [experimental subnational estimates that use data-linking](#).

FDI positions

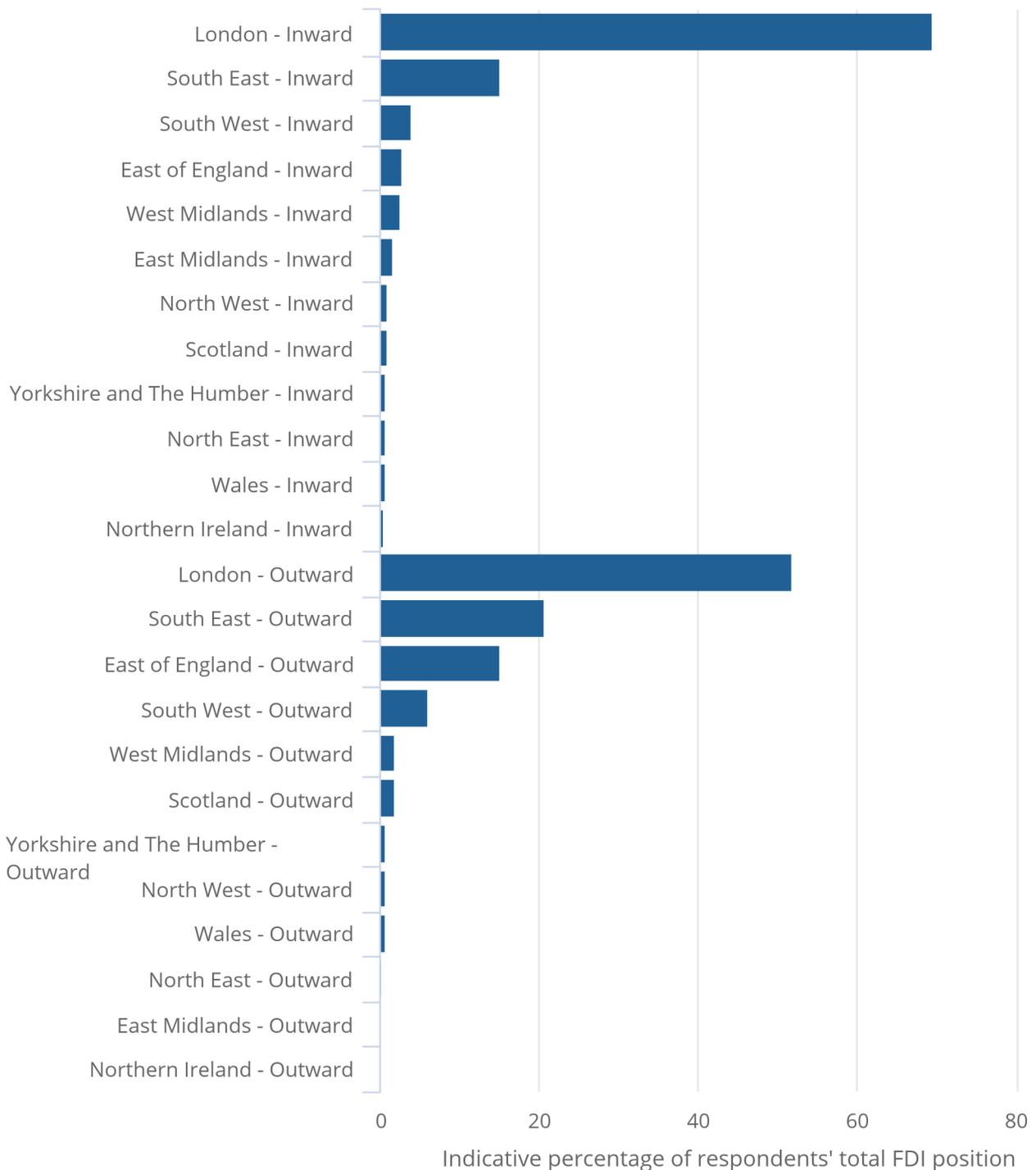
Most companies providing information on the subnational composition of their FDI position allocated it to London. The proportion for inward FDI (69.6%) was higher than outward FDI (51.8%) in 2021 (Figure 1). The South East had the second highest proportions, 15.1% for inward FDI and 20.7% for outward FDI. This implies responses for all the other regions combined accounted for 15.3% and 27.5% of inward and outward FDI positions, respectively.

Figure 1: Around 70% of the indicative inward FDI positions of respondents to the new FDI question would be in London

Indicative proportions of UK FDI positions by UK country and region for survey respondents, total FDI positions weighted by reported values for unquoted equity, inward and outward, 2021

Figure 1: Around 70% of the indicative inward FDI positions of respondents to the new FDI question would be in London

Indicative proportions of UK FDI positions by UK country and region for survey respondents, total FDI positions weighted by reported values for unquoted equity, inward and outward, 2021



Notes:

1. Percentages might not sum to 100 because of rounding.
2. Results give the UK country and region percentages for respondents only. Results for companies that did not answer, could not answer or were not sampled are not included.
3. Results weight the total FDI positions of respondents by UK country and region values reported for unquoted equity.
4. We strongly advise against using these results for any analysis or decision making.

FDI positions by industry

While the results only cover the indicative weighted distribution of FDI positions and earnings for respondents, it does show some differences to [our experimental statistics from data-linking](#). Part of this will reflect the companies that responded to the new FDI Survey questions, compared with those that could not or did not answer the question. For example, the proportion of 2020 FDI positions allocated to London (69.5% for inward and 72.8% for outward) were higher for both directions compared with our data-linked results from 2020 (of 43.1% and 42.8% respectively).

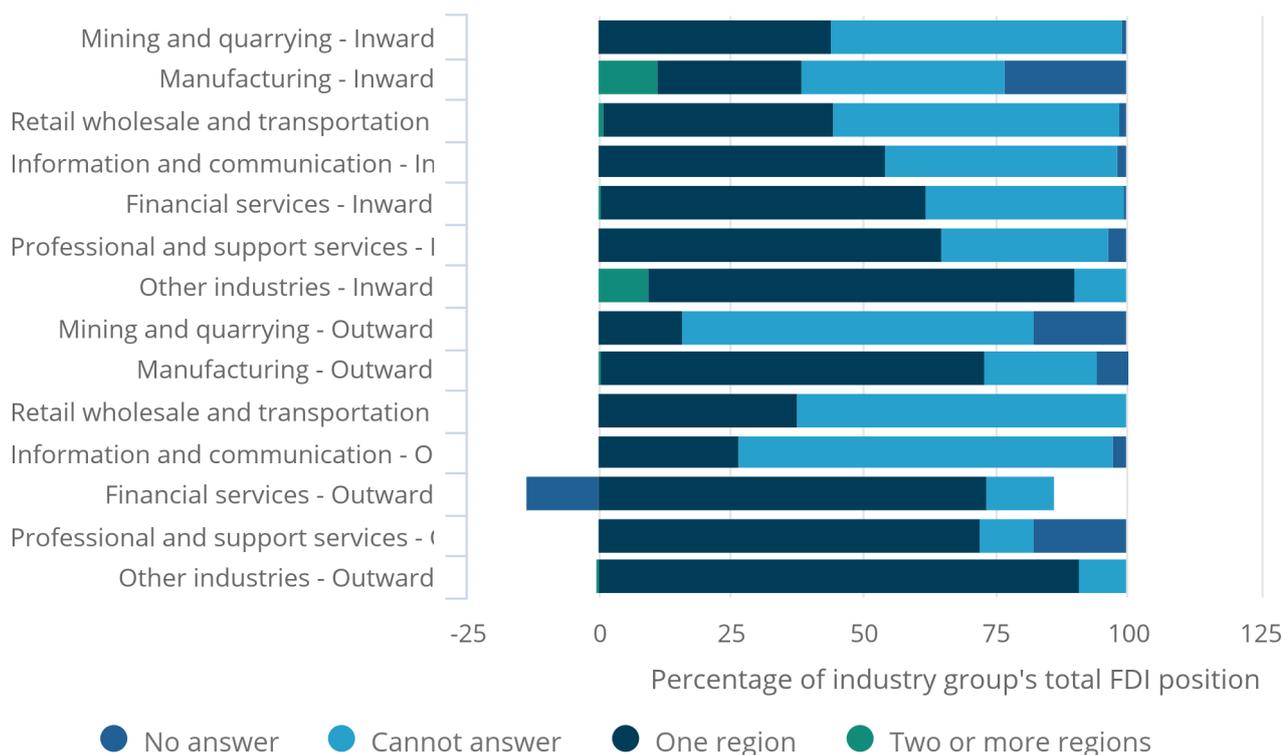
There were also differences in response types between industries, as well as inward compared with outward illustrative results (Figure 2). For inward FDI, companies that could not answer the question were most prominent in the mining and quarrying, retail, wholesale and transportation, and manufacturing industries, making up 54.7%, 54.1% and 38.5% of each industry's total FDI position respectively. In all three cases, companies that could not, or did not, answer accounted for over half of that industry group's total FDI position.

Figure 2: Companies in some industries answering the subnational FDI questions accounted for higher proportions of total FDI positions than in others

Indicative proportions of UK FDI positions by industry group for UK country and region from survey respondents, total FDI positions weighted by reported values for unquoted equity, inward and outward, 2021

Figure 2: Companies in some industries answering the subnational FDI questions accounted for higher proportions of total FDI positions than in others

Indicative proportions of UK FDI positions by industry group for UK country and region from survey respondents, total FDI positions weighted by reported values for unquoted equity, inward and outward, 2021



Source: Foreign Direct Investment Survey from the Office for National Statistics

Notes:

1. Percentages might not sum to 100 because of rounding.
2. Results weight the total FDI positions of respondents by the UK country and region values reported for unquoted equity per industry.
3. There are negative percentages of outward FDI positions in financial services and other industries. This is because there were a few companies with negative unquoted equity that were greater in value, compared to those with positive unquoted equity in that category.

The biggest difference in the illustrative results between outward and inward FDI in 2021 was in the manufacturing, and information and communication industries. For manufacturing, companies answering the question with a single location accounted for the highest proportion (72.4%) of the total outward FDI position among those industries. However, for information and communication industries, companies accounting for 70.7% of those industries' total outward FDI position could not answer. For outward FDI, respondents not answering, or unable to answer, the question accounted for more than half of those industries' total position value in the mining and quarrying, information and communication, and retail, wholesale and accommodation industries.

These differences suggest subnational FDI results using survey responses are likely to underestimate the subnational values for any region where mining and quarrying, information and communication, or retail, wholesale and transportation industries accounted for a greater proportion of that area's economic activity. For example, [based on our data-linked results](#) for 2020, this suggests that North East Scotland would be particularly affected for both inward and outward FDI from the mining and quarrying links. Inward FDI in Lincolnshire and outward in Bedfordshire and Hertfordshire would likely be affected from retail, wholesale and transportation responses.

5 . Comparing approaches for estimating inward subnational foreign direct investment (FDI)

We can compare 2020 survey responses with those from data-linking for the same companies. Our [data-linked results](#) combine FDI microdata with information from the Inter-Departmental Business Register (IDBR), Business Register and Employment Survey (BRES) and additional insights from a commercial data source. We will refer to this second approach as "data-linking".

Our data-linked results are based on company information from all components of FDI positions and earnings, whereas our survey questions ask for unquoted equity and profits. While it is difficult to compare these values directly, we can qualitatively compare results for individual companies. We compared inward subnational FDI survey responses for each business with the distribution of inward FDI positions, that we arrived at through data-linking (Table 3).

Table 3: Comparing survey and data-linked inward results for the same companies
2020 annual survey

Comparative measure	Count of comparable businesses	Percentage of comparable businesses (%)
All the same regions represented	731	62.6
Same region had highest inward FDI value	918	78.6
One or more of the same regions represented	1,001	85.7

Source: Foreign Direct Investment Survey from the Office for National Statistics

Notes

1. Businesses were comparable if both survey response and data-linking had some of their inward unquoted equity (total inward position for data-linking) apportioned to one or more ITL1 region.

For 731 of the comparable businesses (62.6%), the inward FDI measures were apportioned to the same regions using both approaches. For 78.6% of the businesses, both approaches apportioned the largest proportion of the inward FDI position to the same International Territorial level 1 (ITL1) region. In 85.7% of cases, both approaches apportioned some of the business's inward FDI position to at least one of the same ITL1 regions.

Where the results for a business did not match exactly, this was often because the surveyed businesses apportioned their FDI across fewer regions than data-linking (Figure 3). This can be seen by the index values for results across two or more ITL1 regions. They were all above 1 for data-linked results, compared with survey responses (that equal 1). For example, data-linking identified nearly three times as many companies with a presence in two ITL1 regions, and more than three times as many with a presence in three regions.

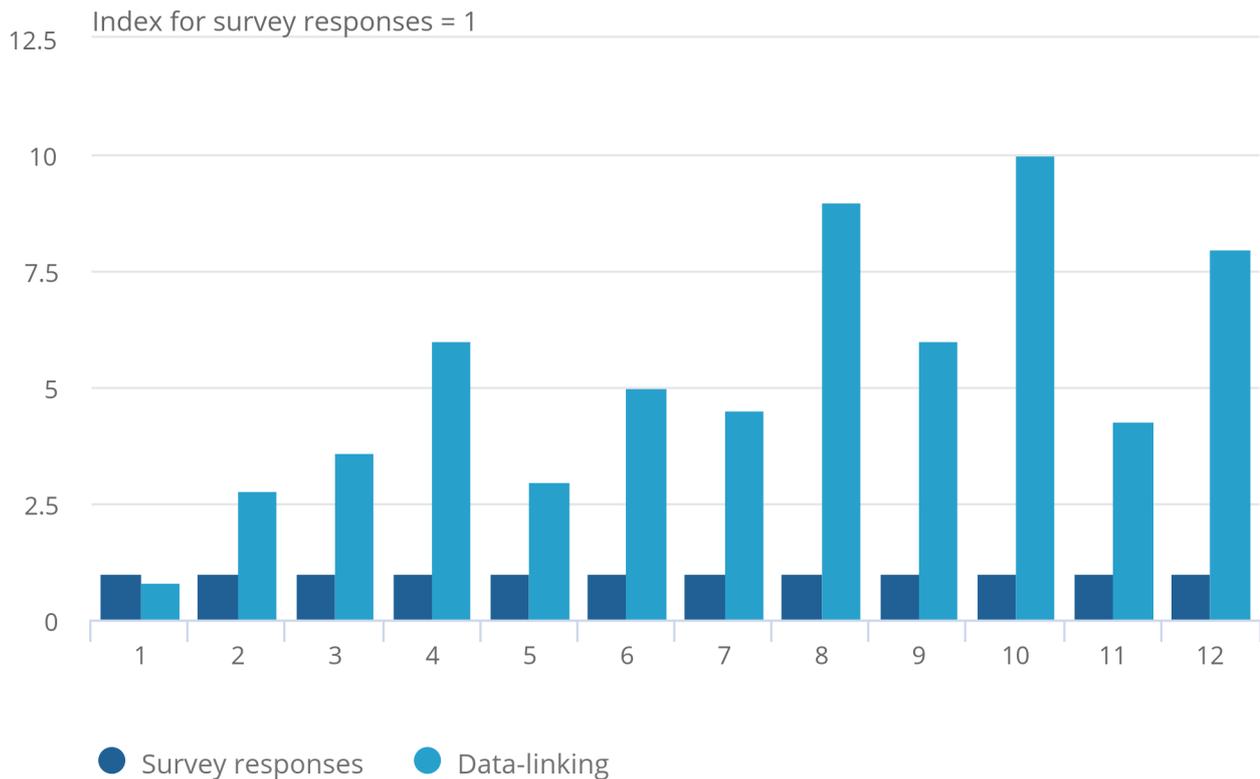
Although the highest business counts for both data-linking and survey responses were for companies with a single ITL1 location, there were more instances where companies allocated all of their FDI to a single region on the survey when compared with our data-linked results.

Figure 3: A business' inward FDI position was often distributed across more regions through data-linking than through survey responses

Indexed count of data-linked inward FDI ITL1 locations compared with survey response locations for the same companies, 2020, index for survey responses equals 1

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Indexed count of data-linked inward FDI ITL1 locations compared with survey response locations for the same companies, 2020, index for survey responses equals 1



Source: Foreign Direct Investment Survey from the Office for National Statistics

Notes:

1. Businesses were comparable if both survey response and data-linking had some of their inward unquoted equity (total inward position for data-linking) apportioned to one or more ITL1 region.
2. The numbers of companies included within the higher region counts are relatively small. This can make the scale of the comparison harder to judge.

6 . Future developments

The analysis in this report suggests there are limits to what companies can tell us about their foreign direct investment (FDI) by UK subnational region, or on the type of FDI. The low response rates to the FDI by type questions indicate that alternative measures to estimate these values are likely to be more appropriate for these statistics. However, we will investigate how the subnational survey responses complement our data-linking methods and provide updates on our plans for these data in future reports.

7 . Related links

[Foreign direct investment involving UK companies: 2021](#)

Bulletin | Released 23 January 2023

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

[Foreign direct investment, experimental UK subnational estimates: October 2022](#)

Article | Released 17 October 2022

Experimental subnational foreign direct investment inward and outward positions, earnings and flows statistics by partner economy or industry between 2015 and 2020.

[UK trade and investment development plans update: achievements and forward look: October 2022](#)

Article | Released 28 October 2022

An update on our transformation of UK trade and investment statistics, highlighting recent successes and ongoing and future development plans.

8 . Cite this article

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