

Statistical bulletin

Foreign direct investment involving UK companies: 2016

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 Foreign Direct Investment (FDI) positions abroad (outward investment) increased from £1,084.0 billion in 2015 to £1,212.8 billion in 2016, which is partly explained by the depreciation in the pound sterling exchange rate.
- The value of FDI positions held by foreign investors in the UK (inward investment) increased from £1,032.5 billion in 2015 to £1,199.5 billion in 2016, which is largely explained by a pickup in inward mergers & acquisitions activity.
- Geographical breakdowns presented in this bulletin show that the rise in both inward and outward FDI positions in 2016 was mostly attributable to Europe. For outward, this was due to increases across most European countries, with Luxembourg and the Netherlands seeing the largest growth. The majority of the rise in inward FDI positions from Europe were mainly attributable to large inward flows in 2016.
- Net earnings from direct investment abroad by UK companies (outward earnings) fell from £57.2 billion in 2015 to £50.4 billion in 2016. This is the fifth consecutive fall since 2011 and largely reflects the continued fall in the rate of return the UK generates on its outward FDI.
- Net earnings from direct investment in the UK (inward earnings) increased from £48.2 billion in 2015 to £52.1 billion in 2016. The fall in outward FDI earnings and increase in inward FDI earnings has resulted in the UK's FDI earnings balance becoming slightly negative in 2016 – the first time this has happened since the comparable time series began in 2006.
- Net flows of FDI abroad (outward flows) continued to be negative in 2016, with a net disinvestment of £16.5 billion, although this was lower than the £42.9 billion disinvestment recorded in 2015.
- Net flows of FDI into the UK (inward flows) increased from £25.3 billion in 2015 to £145.6 billion in 2016, the largest value recorded since the comparable time series began in 2006. The large value of inward FDI flows recorded were dominated by a handful of high-value M&A deals in 2016; large publically reported transactions in 2016 included the acquisitions of [SABMiller](#), [ARM Holdings](#) and [BG Group](#).

2 . Things you need to know about this release

This Statistical Bulletin provides data 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, and 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 to those presented in Balance of Payments, which use the asset & liability measurement principle. Please see the annex for more detail.

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 interlinked 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 ultimate basis.

The [Foreign direct investment Quality and Methodology information document](#) contains important information on the methods and processes used to compile UK FDI statistics. Improvements have been made to the disclosure methodology applied to the 2015 and 2016 Foreign Direct Investment estimates in this release. An article, [Methodological improvements to Foreign Direct Investment statistics](#) is available on the Office for National Statistics website and outlines the changes that have been implemented. The article also provides an update on progress made against recommendations made in the recent [Foreign Direct Investment National Statistics Quality Review](#).

Foreign Direct Investment estimates are published for 2007 to 2016 – the 2015 estimates are revised and 2016 data are published for the first time. The estimates published for 2016 are based on the Annual Foreign Direct Investment survey. The Balance of Payments estimates published 22 December 2017 will include these data, as it will be utilised to benchmark data currently published for 2016, which is based on the Quarterly FDI survey. Revised estimates presented for 2015 will not be incorporated into Balance of Payments statistics until June 2018.

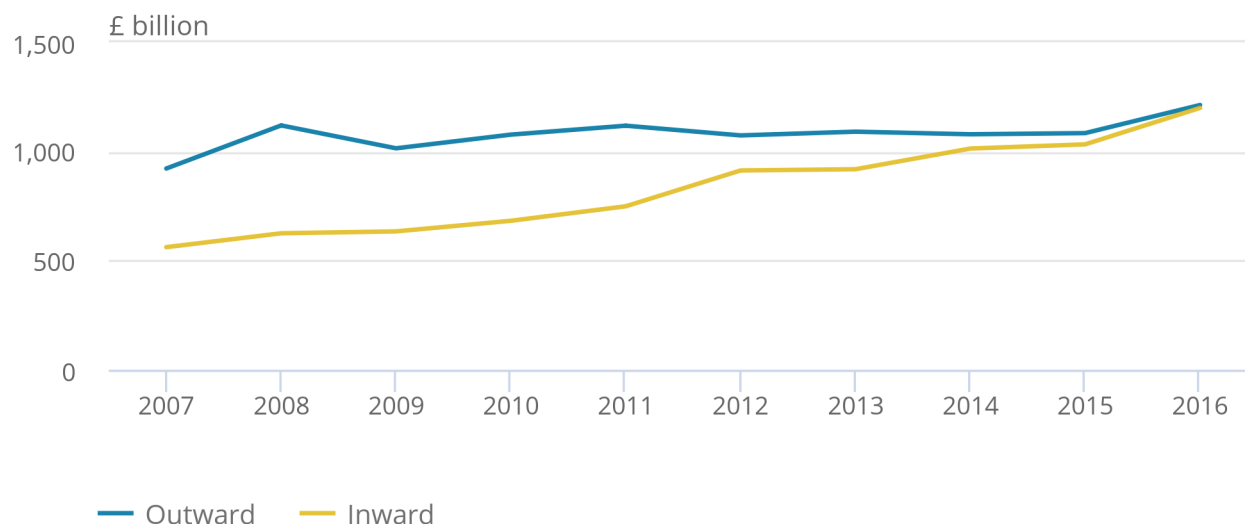
3 . Net FDI positions by geography, component and industry

The value of the UK's foreign direct investment (FDI) positions abroad (outward investment) increased from £1,084.0 billion to £1,212.8 billion between 2015 and 2016 (Figure 1). UK outward FDI positions in 2016 reached the highest level recorded since the comparable time series began in 2006; supported by the depreciation in the value of sterling in 2016, which resulted in the value of overseas investment positions that are denominated in foreign currency being worth more in pound sterling terms (see [the analysis of exchange rate effects on FDI](#)).

The value of FDI positions held by foreign investors in the UK (inward investment) has followed an upward trend since 2007 and saw a notable increase in 2016, rising from £1,032.5 billion in 2015 to £1,199.5 billion. The majority of the increase is explained by large investment inflows throughout 2016, which were dominated by a handful of high-value mergers and acquisitions (see [note outlining the large inward mergers and acquisitions activity in 2016](#)).

Figure 1: UK outward and inward foreign direct investment (FDI) positions, 2007 to 2016

Figure 1: UK outward and inward foreign direct investment (FDI) positions, 2007 to 2016



Source: Office for National Statistics

Notes:

1. All values are at current prices (see background notes for definition)
2. Positions definition can be found in the background notes

Geographic analysis

Outward positions

Europe and the Americas remained the dominant areas for UK FDI positions abroad. Europe experienced the largest increase in 2016, rising by £85.4 billion to a level of £619.4 billion. Within Europe, the Netherlands and Luxembourg continued to be the largest destinations for UK international investment positions abroad, with levels recorded in 2016 of £141.7 billion and £112.8 billion respectively – partly reflecting that FDI positions are reported according to the location of the immediate partner country. Outward FDI positions rose among most European countries in 2016, with Luxembourg, the Netherlands, France and Spain seeing the largest increases, rising by £18.9 billion, £13.0 billion, £11.3 billion and £10.9 billion respectively.

The value of UK FDI positions in the Americas increased by £11.0 billion to £353.9 billion in 2016, with the USA (£241.0 billion) remaining the largest destination for UK FDI positions within the region.

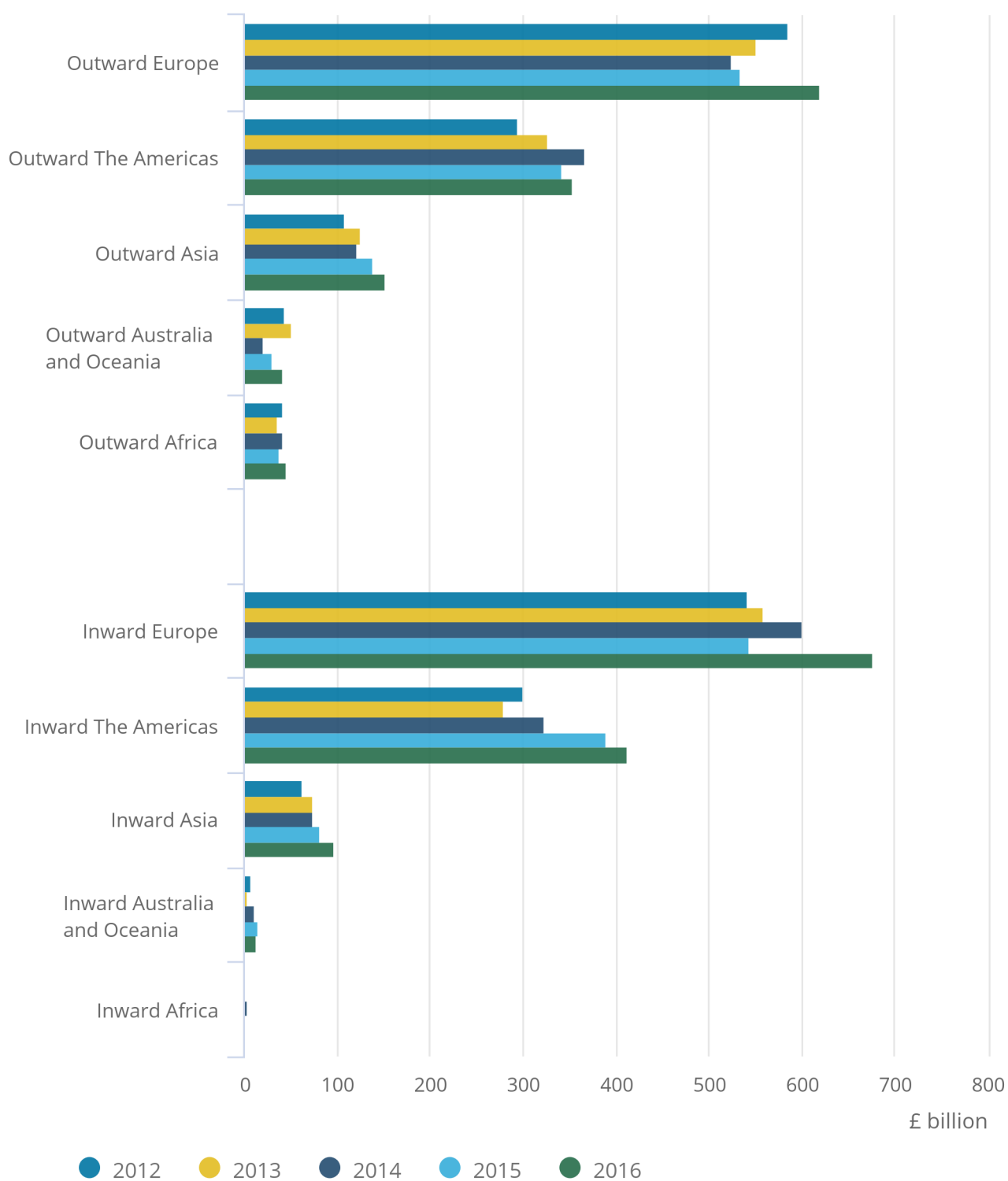
Inward positions

Europe and the Americas remained the dominant sources for FDI positions in the UK, and accounted for 56.3% and 34.4% of total UK inward FDI positions respectively in 2016. Inward positions from Europe saw a notable annual increase in 2016, rising by £131.3 billion to £675.7 billion, the highest level recorded since the comparable time series began in 2006 (Figure 2). The increase largely reflects the notable rise in flows seen in 2016, which in turn were attributable to a handful of high-value M&A transactions. With the exception of 2015, inward positions from Europe have seen annual increases since 2008. Within Europe, the Netherlands (£212.1 billion) and Luxembourg (£114.8 billion) were the largest origins for UK inward FDI positions in 2016. The Netherlands made the largest contribution to the increase within Europe, with the inward FDI position rising by £66.3 billion in 2016.

Inward FDI positions held in the UK by investors in the Americas increased in 2016, rising from £388.6 billion in 2015 to £412.1 billion and reached the highest level recorded in the time series. The value of USA FDI positions held in the UK experienced a small decline in 2016, but the country remained the largest source of UK investment from that region.

Figure 2: UK outward and inward foreign direct investment (FDI) positions by continent, 2012 to 2016

Figure 2: UK outward and inward foreign direct investment (FDI) positions by continent, 2012 to 2016



Notes:

1. All values are at current prices (see background notes for definition)
2. Positions definition can be found in the background notes
3. Geographic definitions can be found in the background notes

Component analysis

Outward positions

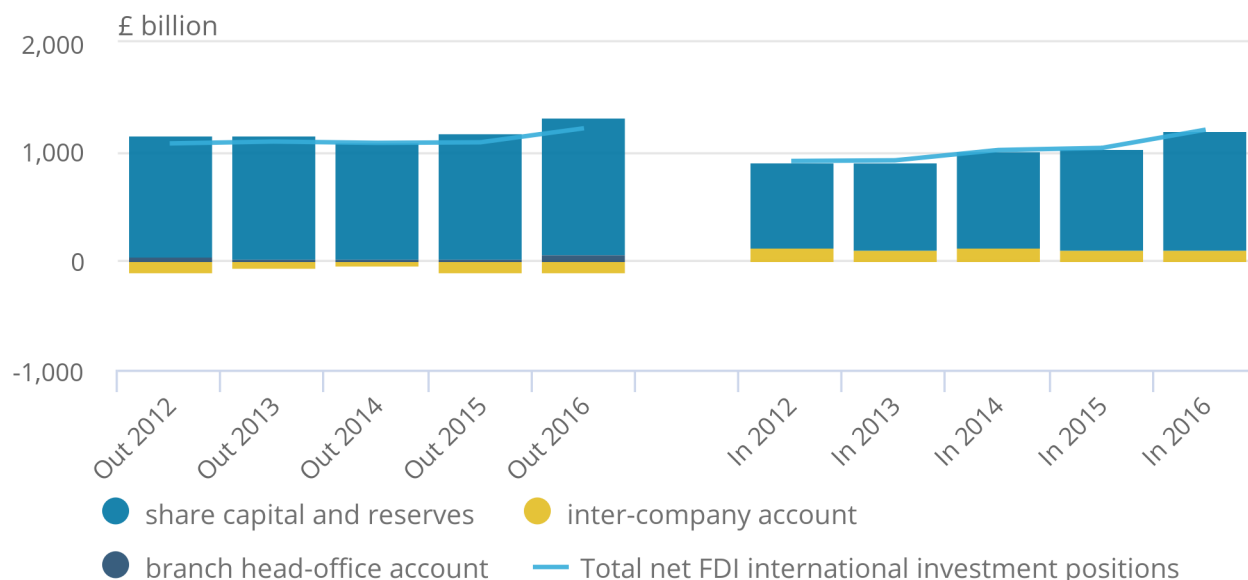
Analysing the increase in the UK FDI positions abroad (outward investment) by component shows that the increase in 2016 was attributable mainly to rises in UK overseas share capital reserves, which rose from £1,152.5 billion in 2015 to £1,253.5 billion in 2016, the second consecutive increase since 2015 (Figure 3). Amounts due to UK companies on their inter-company loans continued to decline in 2016, falling from a negative position of £90.1 billion in 2015 to a negative position of £99.7 billion in 2016.

Inward positions

Much of the rise seen in the UK's inward FDI position (inward investment) was also attributable to foreign investors' holdings of UK company share capital and reserves. This follows increased M&A activity in 2016 (see section on flows), which rose from £917.5 billion in 2015 to £1,092.7 billion in 2016. All other components of inward UK FDI positions saw a decrease in 2016. (Figure 3).

Figure 3: UK outward and inward foreign direct investment (FDI) positions by component, 2012 to 2016

Figure 3: UK outward and inward foreign direct investment (FDI) positions by component, 2012 to 2016



Source: Office for National Statistics

Notes:

1. All values are at current prices (see background notes for definition)
2. Positions definition can be found in the background notes
3. Out - outward, In - inward

Industry analysis

Outward position

The rise in the UK's FDI position abroad (outward investment) in 2016 was seen in both the production and services industries, which experienced increases of £21.9 billion and £85.7 billion respectively (Figure 4). This maintains the broadly flat trend seen in the outward FDI position among production industries, whereas the increase in outward position in the services industries ends the downward trend seen in recent years.

Within the production industries, the 'petroleum, chemicals, pharmaceuticals, rubber and plastic products' (£76.7 billion in 2016) and 'food products, beverages and tobacco products' (£61.5 billion in 2016) industries made the largest contributions to the increase, rising by £7.6 billion and £7.0 billion respectively in 2016. Offsetting the rise in outward positions for the production industries in 2016 was the mining and quarrying industries, which continued to fall in 2016 from a level of £170.8 billion in 2015 to £164.9 billion. Despite the continued decline, the mining and quarrying industries remained the largest industry grouping for outward positions within the production industries in 2016.

The UK's FDI position within the services industries increased in 2016, rising from £508.1 billion in 2015 to a level of £593.8 billion. The financial services industry made the largest contribution to the increase, rising by £62.5 billion in 2016. Financial services were also the largest services industry grouping, comprising 50.8% of the overall investment position within the services industries in 2016.

Inward position

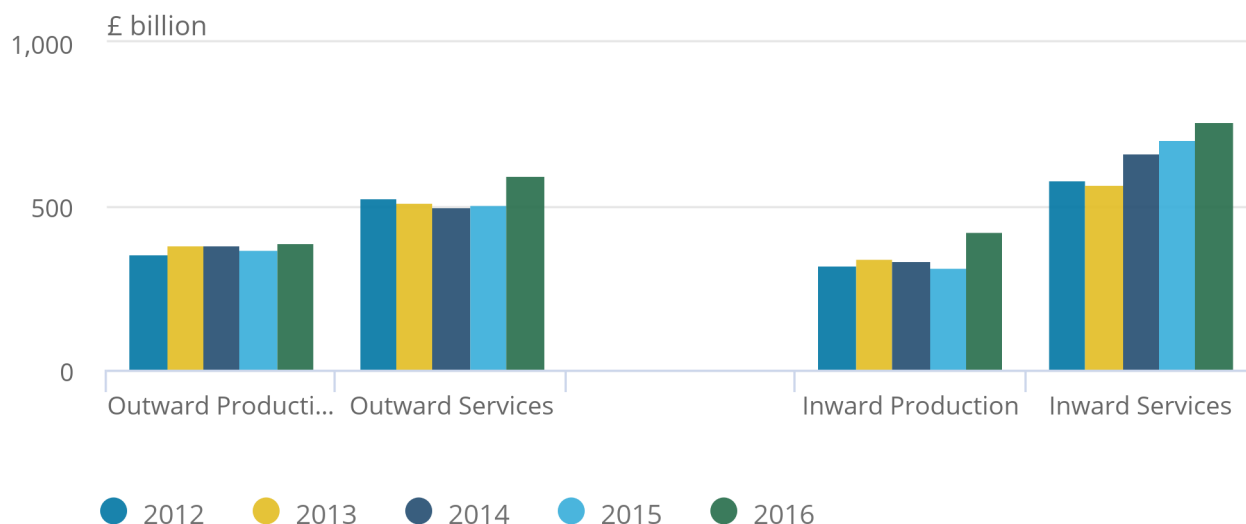
The rise in the value of FDI positions in the UK (inward investment) also occurred in both the production and services industries. Production industries increased from £316.5 billion in 2015 to a level of £428.0 billion in 2016, while the services industries rose from £702.9 billion in 2015 to £757.0 billion in 2016 (Figure 4). The latest increase continues the upward trend seen in the inward FDI position among services industries since 2012, while the increase in 2016 ends the broadly flat trend recently seen in the production industries.

Within the production industries, the food products, beverages and tobacco products industry made the largest contribution to the overall increase in inward FDI positions, with the value more than doubling from £45.9 billion in 2015 to £128.2 billion in 2016. The mining and quarrying industry also made a notable contribution to the increase, rising by £26.6 billion to £107.6 billion in 2016.

Within the services industries, the increase in the UK's inward FDI position (£54.1 billion in 2016) was driven primarily by the financial services industries, which continued to follow an upward trend in 2016, rising from £322.0 billion in 2015 to a level of £360.9 billion.

Figure 4: UK outward and inward FDI positions by industry, 2012 to 2016

Figure 4: UK outward and inward FDI positions by industry, 2012 to 2016



Source: Office for National Statistics

Notes:

1. All values are at current prices (see background notes for definition)
2. Positions definition can be found in the background notes
3. Industry definitions can be found in the background notes

4 . Net earnings from FDI investment by geography, component and industry

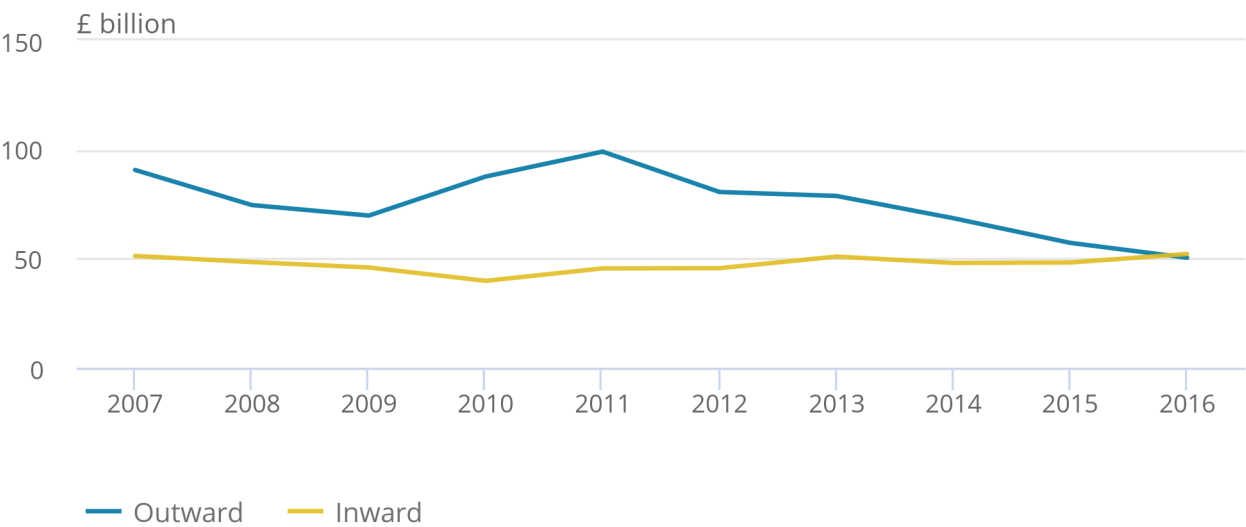
The value of net direct investment earnings UK businesses and residents generated on their direct investment abroad (outward investment earnings) has been declining annually since 2011. The decline since 2011 partly reflects a continued decrease in the returns UK investors generate on their overseas investments. This has been most notable in earnings from the mining and quarrying industries, which account for nearly half of the decline in overall net FDI earnings since 2011, although they did see a small rise in 2016. This downward trend continued in 2016 when net direct investment earnings abroad fell from £57.2 billion in 2015 to £50.4 billion (Figure 5). The level recorded in 2016 marks the lowest level recorded in over a decade.

With the exception of 2014, the value of net direct investment earnings generated in the UK by overseas investors (inward investment earnings) have seen annual increases since 2011. This trend continued in 2016, when inward foreign direct investment (FDI) earnings increased from £48.2 billion in 2015 to £52.1 billion (Figure 5).

The further fall in UK overseas FDI earnings (outward earnings) and increase in foreign investors' FDI earnings in the UK (inward earnings) has resulted in the UK's net FDI earnings (outward minus inward earnings) reaching negative territory in 2016. This is the first recording of negative net earnings since comparable records began and largely reflects the continued decline in UK earnings overseas since 2011, which have coincided with increases in foreign investors' earnings from UK investment.

Figure 5: UK outward and inward earnings, 2007 to 2016

Figure 5: UK outward and inward earnings, 2007 to 2016



Source: Office for National Statistics

Notes:

1. All values are at current prices (see background notes for definition)
2. Earnings definition can be found in the background notes

Geographic analysis

Outward earnings

Europe remained the region where the majority of UK outward FDI earnings were generated in 2016. UK earnings from Europe increased in 2016, rising from £22.1 billion in 2015 to £24.7 billion (Figure 6). Within Europe, the Irish Republic witnessed the largest increase in UK outward FDI earnings, increasing from £1.2 billion in 2015 to £4.5 billion in 2016, the highest level recorded in the time series. The Irish Republic surpassed the Netherlands in 2016, which in recent years has been the primary country in Europe where UK outward FDI earnings were generated.

Despite experiencing a decline in 2016, Asia became the second largest region where UK outward FDI earnings were generated in 2016 – surpassing the Americas although the value of earnings did fall from £14.5 billion in 2015 to £12.0 billion in 2016. Despite experiencing a decline in 2016, the “other Asian countries” grouping continued to be the dominant region from where UK outward earnings were generated within Asia.

UK outward FDI earnings from the Americas also fell in 2016, from £16.8 billion in 2015 to £8.7 billion. The decline was due to a decrease in UK outward FDI earnings from the USA, which fell from £11.6 billion in 2015 to £2.6 billion in 2016 – driven mainly by a fall in earnings in the ‘petroleum, chemicals, pharmaceuticals, rubber and plastic products’ industry grouping.

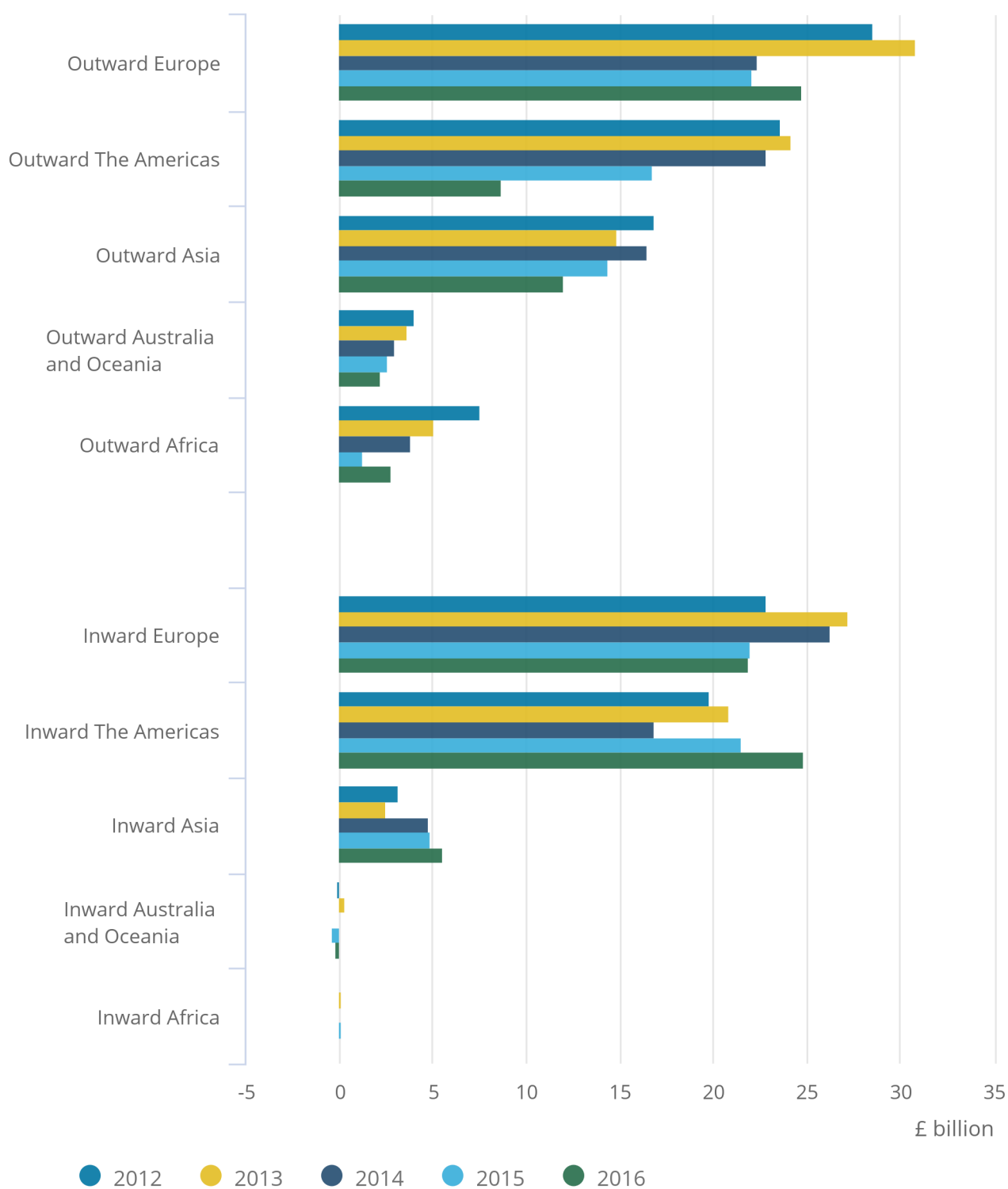
Inward earnings

In contrast to the decline witnessed in UK outward FDI earnings, inward FDI earnings from the Americas increased in 2016, rising from £21.5 billion in 2015 to £24.8 billion. The value of FDI earnings generated by the Americas on UK FDI also exceeded that of Europe for the first time since 2011 (Figure 6). Within the Americas, the USA remained the dominant country where UK inward FDI earnings originated from and rose from £18.2 billion in 2015 to £18.7 billion in 2016.

Earnings generated by European investors from UK FDI saw a small decrease in 2016, falling by £64 million to £21.9 billion. France made the largest contribution to the overall decline, falling by £2.8 billion to a net loss of £0.1 billion in 2016.

Figure 6: UK outward and inwards earnings by continent, 2012 to 2016

Figure 6: UK outward and inwards earnings by continent, 2012 to 2016



Notes:

1. All values are at current prices (see background notes for definition)
2. Earnings definition can be found in the background notes
3. Geographic definitions can be found in the background notes

Component analysis

Outward earnings

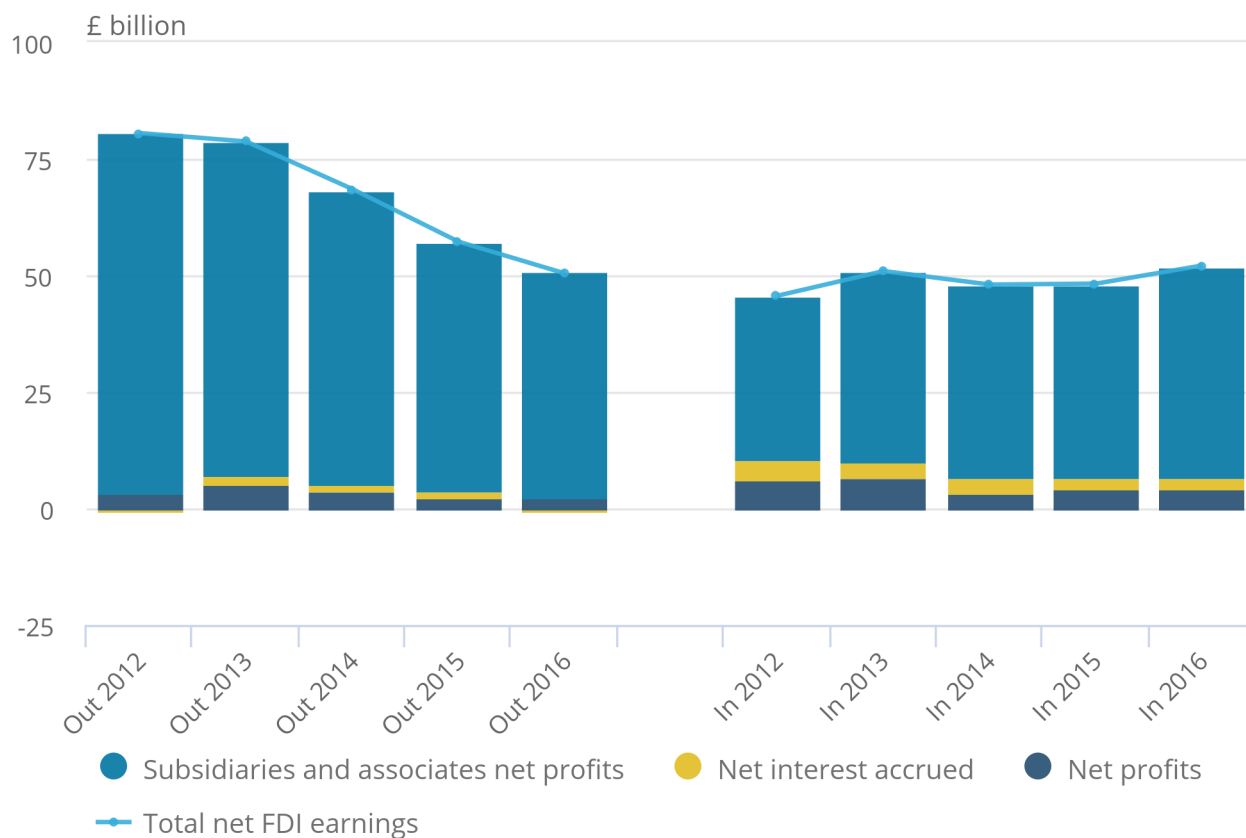
Analysing the fall in net FDI earnings abroad (outward investment earnings) by component shows that UK companies' share of foreign companies' net profits made the largest contribution to the decline falling from £53.2 billion in 2015 to £48.9 billion in 2016 (Figure 7).

Inward earnings

The rise in net FDI earnings in the UK (inward investment earnings) was driven by an increase in foreign companies' share of UK companies' net profits, which increased from £41.3 billion in 2015 to £45.2 billion in 2016 (Figure 7). With the exception of 2015, foreign companies' share of UK companies' net profits has been increasing annually since 2011, reaching a peak in 2016 (£45.2 billion).

Figure 7: UK outward and inward earnings by component, 2012 to 2016

Figure 7: UK outward and inward earnings by component, 2012 to 2016



Source: Office for National Statistics

Notes:

1. All values are at current prices (see background notes for definition)
2. Earnings definition can be found in the background notes
3. Out - Outward, In - Inward

Industry analysis

Outward earnings

The decline in net outward FDI earnings was seen primarily within the production industries in 2016, where net outward FDI earnings fell from £20.6 billion in 2015 to £18.2 billion (Figure 8). Within the production industries, net outward FDI earnings from within the food products, beverages and tobacco products industries made the largest contribution to the decline, falling from £6.2 billion in 2015 to £4.2 billion in 2016. The petroleum, chemicals, pharmaceuticals, rubber and plastic products industries also contributed to the decline, falling by £0.9 billion in 2016 to £7.7 billion.

Net outward FDI earnings from within the services industries increased in 2016, rising from £26.4 billion in 2015 to £27.0 billion in 2016. The retail and wholesale trade and repair of motor vehicles and motor cycles industries made the largest contribution to the increase, with net outward FDI earnings rising from £1.2 billion in 2015 to £2.9 billion in 2016. The professional, scientific and technical services and financial services industries offset the rise in net outward FDI earnings from within the services industries, with declines of £0.7 billion and £0.3 billion respectively.

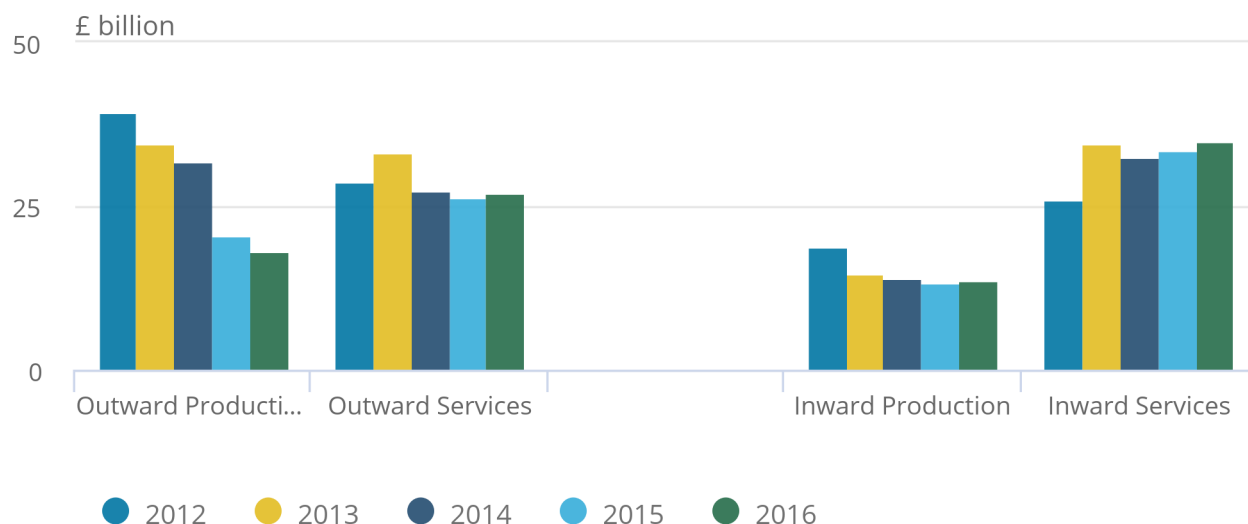
Inward earnings

The rise in net inward FDI earnings in 2016 of £3.9 billion was split evenly between the production and services industries. The production industries experienced a rise in net inward FDI earnings in 2016 of £1.7 billion, rising to a level of £15.0 billion (Figure 8). The increase was driven primarily by the other manufacturing industries, which saw net inward FDI earnings more than treble in 2016, rising from £0.8 billion in 2015 to £2.5 billion.

Net inward FDI earnings from within the services industries increased from £33.4 billion in 2015 to £35.1 billion in 2016, a rise of £1.8 billion. The professional, scientific and technical services industries made the largest contribution to the increase and rose by £4.0 billion to £3.0 billion in 2016. The financial services industry also made a notable contribution to the increase, rising from £17.7 billion in 2015 to £19.1 billion in 2016. Partially offsetting these increases were the information and communications industries, where net inward FDI earnings fell from £4.8 billion in 2015 to £2.2 billion in 2016.

Figure 8: UK outward and inward earnings by industry, 2012 to 2016

Figure 8: UK outward and inward earnings by industry, 2012 to 2016



Source: Office for National Statistics

Notes:

1. All values are at current prices (see background notes for definition)
2. Earnings definition can be found in the background notes
3. Industry definitions can be found in the background notes

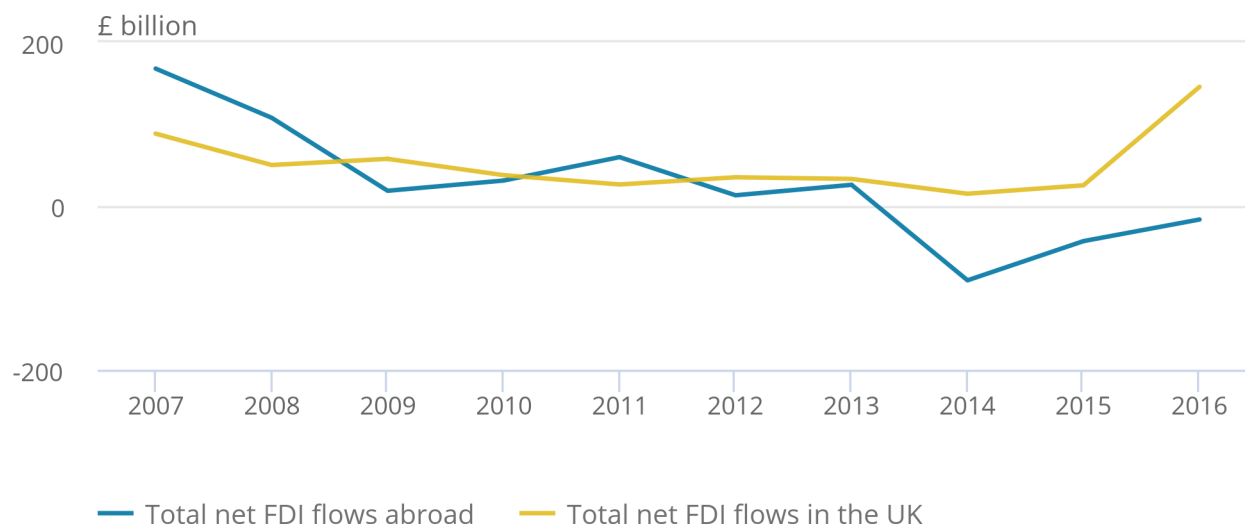
5 . Net FDI flows by geography, component and industry

Net flows of direct investment abroad by UK companies (outward flows) remained negative in 2016, indicating a net disinvestment; however, the negative flows of £16.5 billion in 2016 were smaller than those seen in 2015 (£42.9 billion) (Figure 9). Direct investment flows abroad peaked in 2007 at £167.9 billion, before falling notably in 2008 (£107.8 billion) and 2009 (£18.6 billion).

Net investment flows into the UK (inward flows) continued to be positive in 2016 and reached a record high of £145.6 billion (Figure 9). The notable increase in the value of foreign direct investment (FDI) inflows in 2016 were driven largely by a strong pickup in mergers and acquisitions (M&A) activity, which was [dominated by a handful of high-value transactions](#); large publicly reported transactions in 2016 included the acquisitions of [SABMiller](#), [ARM Holdings](#) and [BG Group](#).

Figure 9: UK outward and inward flows, 2007 to 2016

Figure 9: UK outward and inward flows, 2007 to 2016



Source: Office for National Statistics

Notes:

1. All values are at current prices (see background notes for definition)
2. Flows definition can be found in the background notes

Geographic analysis

Outward flows

The improvement seen in outward flows in 2016 was driven by rises to the Americas and Asia, which saw increases in outward flows of £23.4 billion and £22.3 billion respectively (Figure 10).

Within the Americas, the USA made the largest contribution to the increase, rising from a negative flow of £11.3 billion in 2015 to a positive flow of £0.7 billion in 2016.

Europe offset the positive outward flows, recording further disinvestment in 2016 of £25.8 billion in 2016. Within Europe, the Netherlands made the largest contribution to the decline, with outward flows falling from a negative flow of £6.8 billion in 2015 to a negative flow of £13.2 billion in 2016. Luxembourg partially offset the decline in 2016, increasing from a negative flow of £8.0 billion in 2015 to a positive outflow of £1.6 billion.

Inward flows

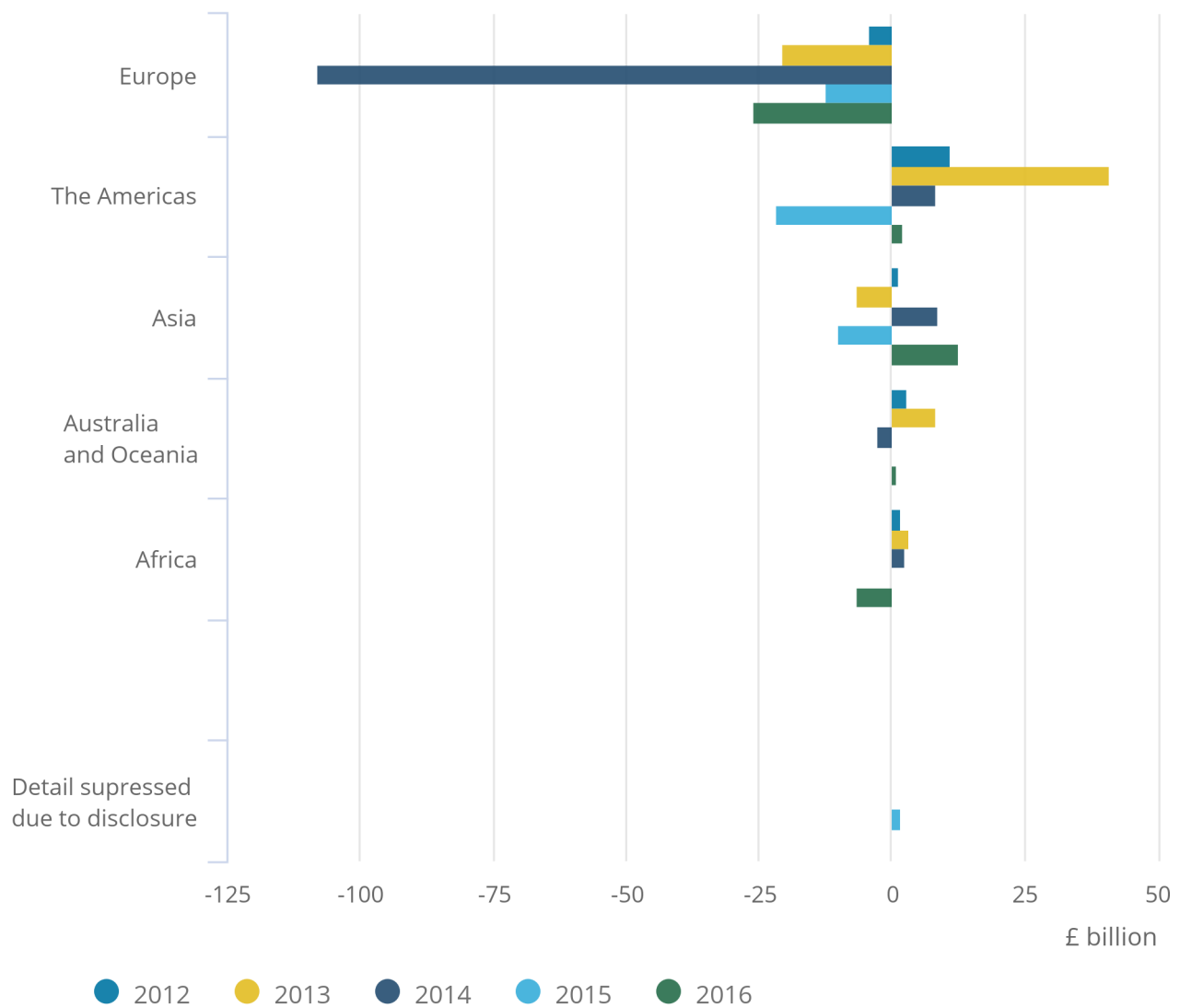
Net investment flows into the UK (inward flows) increased from £25.3 billion in 2015 to £145.6 billion in 2016 (Figure 10), a record in the time series from 2007.

Europe was the region that made the largest contribution to the increase and rose from a negative inflow of £12.3 billion in 2015 to a level of £97.8 billion in 2016. Luxembourg also made a notable contribution to the rise in inward flows, rising from a negative flow of £0.9 billion in 2015 to £21.6 billion in 2016.

Asia also contributed to the increase in inward flows in 2016, rising by £20.1 billion to £28.0 billion in 2016 and denotes the highest level recorded in the time series from 2007.

Figure 10a: UK outward flows by geography, 2012 to 2016

Figure 10a: UK outward flows by geography, 2012 to 2016



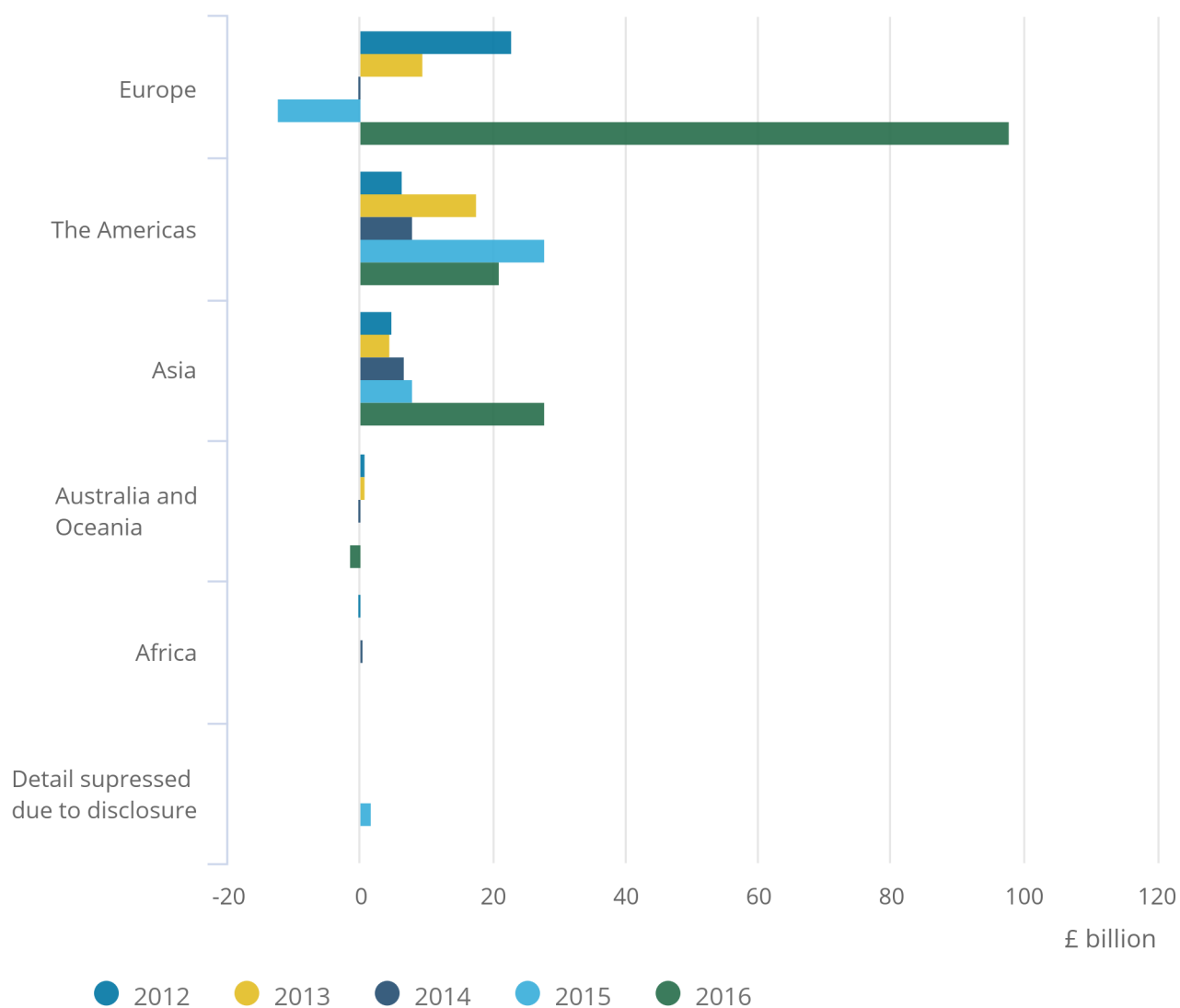
Source: Office for National Statistics

Notes:

1. All values are at current prices (see background notes for definition)
2. Flows definition can be found in the background notes
3. Geographic definitions can be found in the background notes
4. '.. Denotes data are disclosive

Figure 10b: UK inward flows by geography, 2012 to 2016

Figure 10b: UK inward flows by geography, 2012 to 2016



Source: Office for National Statistics

Notes:

1. All values are at current prices (see background notes for definition)
2. Flows definition can be found in the background notes
3. Geographic definitions can be found in the background notes '.. Denotes data are disclosive

Component analysis

Outward flows

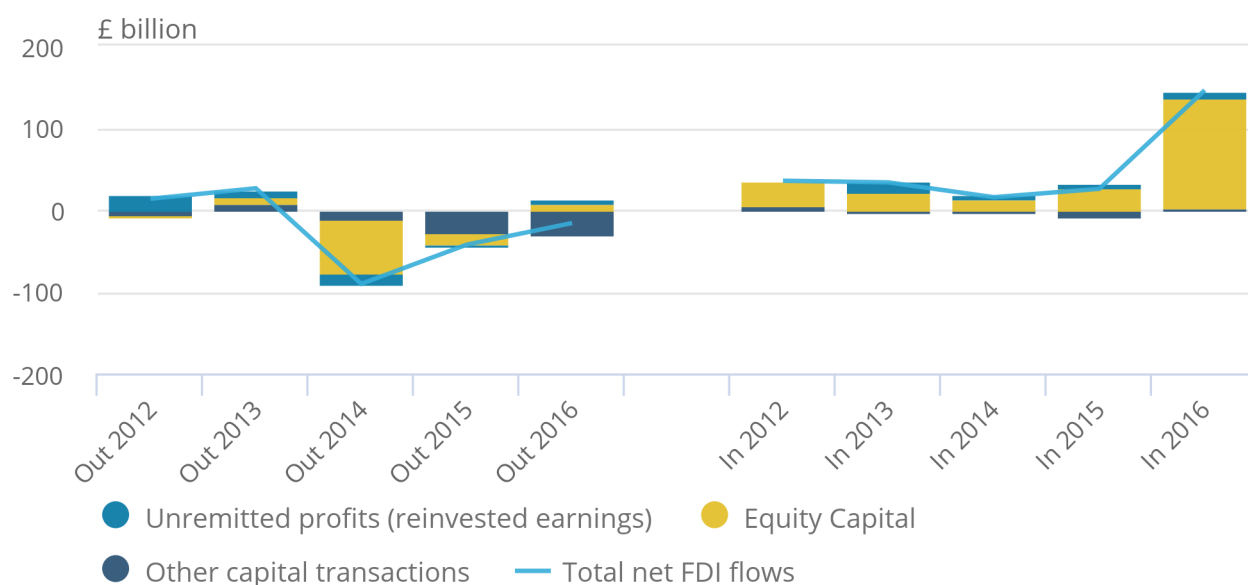
Analysing net FDI flows abroad by component shows that the lower level of disinvestment recorded in outward flows in 2016 was driven by investment equity capital becoming positive, rising from a negative flow of £14.3 billion in 2015 to positive flow of £9.3 billion in 2016 (Figure 11). Equity capital fell to the lowest level recorded in 2014 (negative £67.6 billion) before recovering in 2015 and 2016.

Inward flows

Inward FDI flows witnessed a sharp increase in 2016, rising from £25.3 billion in 2015 to £145.6 billion in 2016 (Figure 11) and denotes the largest value recorded in the time series. All three components of inward flows presented in figure 11 increased in 2016; however, equity capital made the largest contribution to the increase, rising from £26.1 billion in 2015 to £133.8 billion.

Figure 11: UK outward and inward flows by component, 2012 to 2016

Figure 11: UK outward and inward flows by component, 2012 to 2016



Source: Office for National Statistics

Notes:

1. All values are at current prices (see background notes for definition)
2. Flows definition can be found in the background notes

Industry analysis

Outward flows

The production industries made the largest contribution to the reduction in negative outward FDI flows, with disinvestment falling from negative £37.6 billion in 2015 to negative £20.1 billion in 2016 (Figure 12). Within the production industries, the mining and quarrying industry made the largest contribution to the reduction in disinvestment, with disinvestment falling from a negative £36.1 billion in 2015 to negative £7.7 billion in 2016. Partially offsetting the reduction in disinvestment was the petroleum, chemicals, pharmaceuticals, rubber and plastic products industries, which fell from a positive outflow of £0.4 billion in 2015 to a disinvestment of £15.4 billion in 2016.

The services industries also made a notable contribution to the reduction in disinvestment in 2016, with disinvestment falling from a negative £13.0 billion in 2015 to a positive outflow of £0.1 billion. The financial services industry made the largest contribution to the change, with disinvestment falling from a negative £15.8 billion in 2015 to a negative £5.4 billion in 2016.

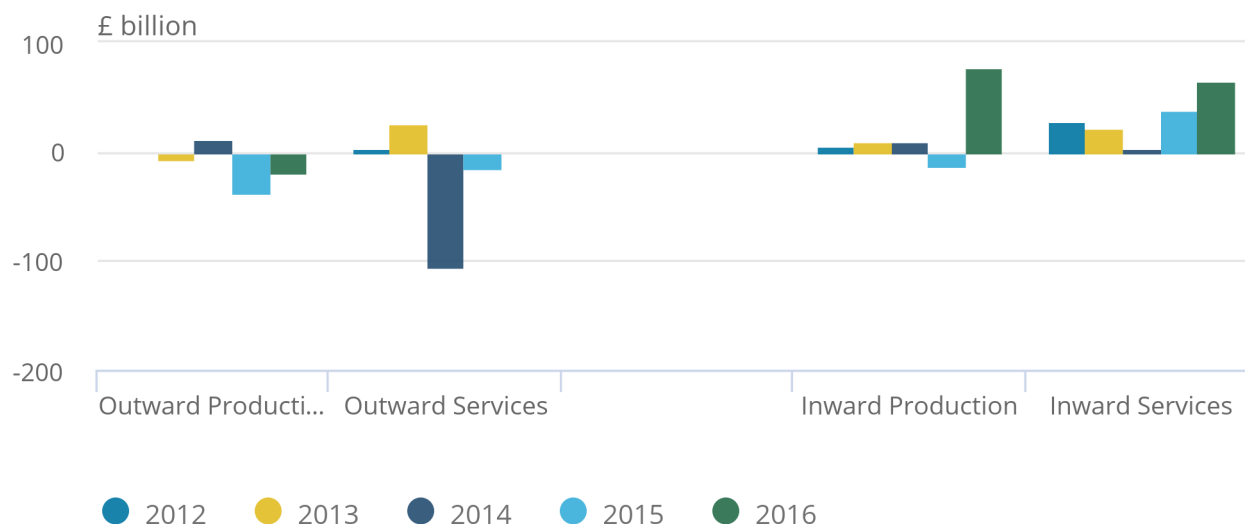
Inward flows

The increase in inward FDI flows in 2016 was driven primarily by the production industries, which increased in 2016 from a disinvestment (negative flow) of £14.4 billion in 2015 to a positive flow of £77.7 billion (Figure 12).

The services industries also witnessed a notable increase in 2016, rising from £38.3 billion in 2015 to £65.3 billion in 2016. Within the services industries, the professional, scientific and technical services industry saw the largest increase, rising from £7.2 billion in 2015 to £29.8 billion in 2016.

Figure 12: UK outward and inward flows by industry, 2012 to 2016

Figure 12: UK outward and inward flows by industry, 2012 to 2016



Source: Office for National Statistics

Notes:

1. All values are at current prices (see background notes for definition).
2. Flows definition can be found in the background notes
3. Industry definitions can be found in the background notes

6 . Economic commentary

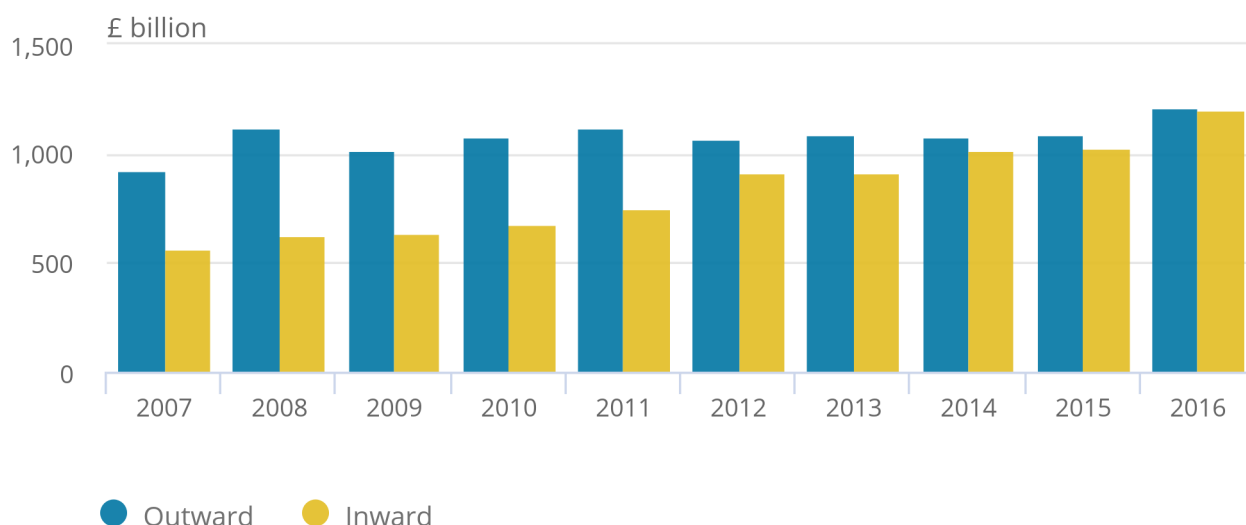
Foreign direct investment (FDI) earnings and position values published today (1 December 2017) show recent trends have continued in 2016, while inward FDI flows were notably higher.

The value of UK inward and outward FDI positions continued to converge in 2016, with the net position (outward minus inward) reaching £13.3 billion. This follows a trend seen in recent years where FDI outward positions have remained largely constant since 2010, whereas the stock of inward FDI has followed a broadly upward trend (Figure 13).

The value of outward FDI positions saw an unusual increase in 2016, which is partly explained by the depreciation in the exchange rate, which resulted in UK overseas assets denominated in foreign currencies being worth more in pound sterling terms. Inward FDI positions also saw a notable increase in 2016; driven largely by a pickup in mergers and acquisitions (M&A) activity undertaken in the UK by foreign companies, which included a handful of high-value transactions. More analysis of [the effects of the exchange rate on FDI statistics](#) and [analysis of the increased M&A activity seen in 2016](#) is available.

Figure 13: Total foreign direct investment (FDI) positions involving the UK, 2007 to 2016

Figure 13: Total foreign direct investment (FDI) positions involving the UK, 2007 to 2016

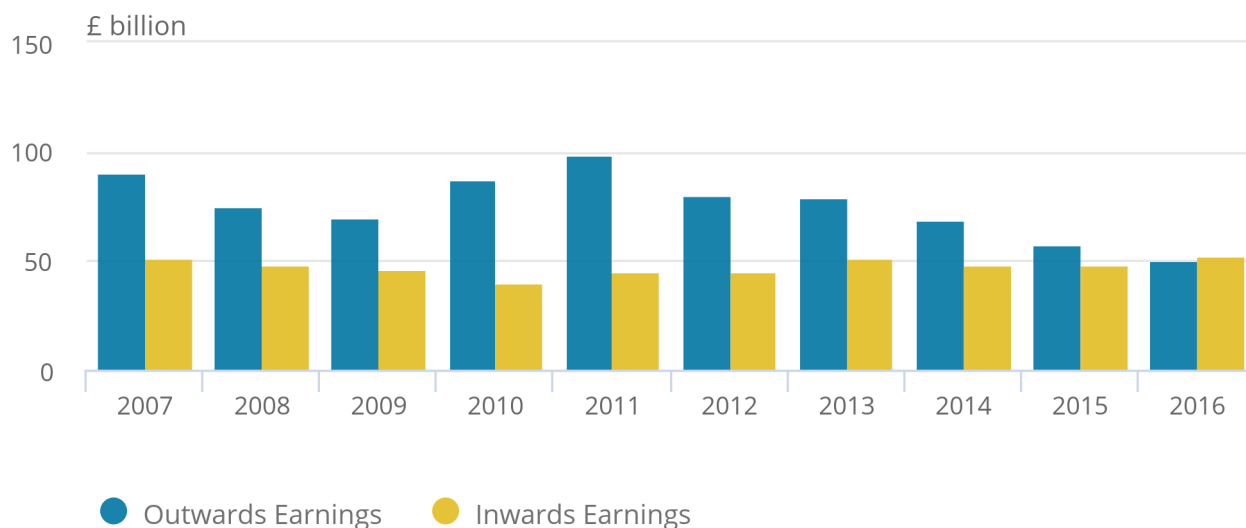


Source: Office for National Statistics

Similarly to positions, UK net FDI earnings (outward minus inward) have also been converging in recent years and reached negative territory for the first time in 2016 – where overseas investors generate more on their UK-based FDI than the UK generates on its overseas direct investment. This follows the value of earnings on foreign-owned UK investments (inward earnings) remaining broadly constant, while the value of earnings on UK-owned investments abroad (outward earnings) have followed a downward trend since 2011. This has continued in 2016, where inward earnings rose to the highest level in over a decade, while outward earnings continued their downward trend (Figure 14).

Figure 14: Total foreign direct investment (FDI) earnings involving the UK, 2007 to 2016

Figure 14: Total foreign direct investment (FDI) earnings involving the UK, 2007 to 2016



Source: Office for National Statistics

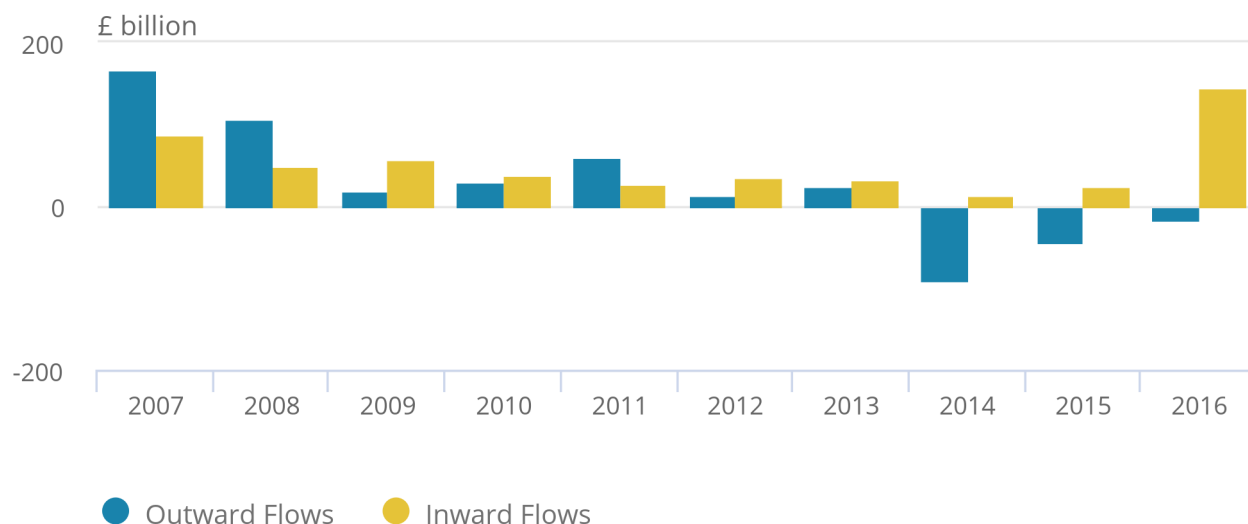
Previously published ONS FDI analyses on [the main driver of the recent deterioration in the UK's current account](#), [a review of UK FDI statistics](#) and [UK FDI: trends and analysis](#) have linked the downward trend in outward FDI earnings to falling rates of returns, while the broadly constant inward earnings reflect increased investment into the UK from overseas and relatively resilient rates of return on UK-based investment.

Rates of return generated on both outward and inward positions saw declines in 2016 compared with 2015. Rates of return on outward positions fell from 5.3% to 4.2% between 2015 and 2016, reflecting the fall in earnings coupled with a notable increase in the position value. The decline in the rate of return on inward FDI positions was smaller, falling from 4.7% to 4.3%, where the decline reflects a relatively larger increase in inward positions compared with the increase in inward earnings.

The value of FDI flows can vary greatly from year to year. Despite this variability, the value of inward FDI flows was very high in 2016 compared with any year since 2007, as shown in Figure 15. The values of both inward and outward FDI flows have followed downward trends between 2007 and 2014, before both flows increased in 2015 and then again in 2016. The value of inward FDI flows in 2016 reached a record high in 2016, increasing by £120.3 billion. This mainly reflects mergers and acquisitions that took place in 2016, where there were a few very high-value inward acquisitions (each in excess of £10 billion) that completed in that year. More information on the impact of these deals can be found in [UK mergers and acquisitions activity in context, 2016](#)¹. It is also noteworthy that 2016 marks the third consecutive period of outward disinvestment for the UK.

Figure 15: Foreign direct investment (FDI) flows involving the UK, 2007 to 2016

Figure 15: Foreign direct investment (FDI) flows involving the UK, 2007 to 2016



Source: Office for National Statistics

The UK is one of the most active countries for FDI by value in the world, most notably with the substantial increase in inward FDI flows in 2016.

Comparing UK FDI statistics with other country-level estimates from the Organisation of Economic Co-operation and Development (OECD)² shows that the UK outward FDI position was the world's fourth largest (after the USA, Netherlands and Luxembourg), while the UK inward FDI position was the world's fifth largest (after the USA, Netherlands, Luxembourg and China).

In terms of flows, the UK is typically among the top countries in the world for inward investment and was the tenth-largest in 2015. However, the large increase in FDI inward flows in 2016 made the UK the second-largest recipient of inward FDI flows; the USA had the highest value of inward flows in both years. The UK has traditionally been an active investor overseas; however, the negative outward flows since 2014 have resulted in the UK becoming one of six disinvestors among OECD members in 2016.

Notes for Economic commentary

1. While the values reported in this note may have been revised since its publication, the overall narrative remains unaffected.
2. Accessed on 23 November 2017. OECD data used for countries other than UK, while UK data was converted into US dollars to facilitate comparisons between countries.

7 . Quality and methodology

Basic quality information

The [Foreign direct investment Quality and Methodology information report](#) contains important information on:

- the strengths and limitations of the data and how it compares with related data
- users and uses of the data
- how the output was created
- the quality of the output including the accuracy of the data

Main issues specific to this release

The estimates in this statistical bulletin are based on annual FDI surveys for 2016. Provisional estimates for 2016 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, to be published 22 December 2017.

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 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 email reminders. In addition, there is the possibility of using the legal powers of the Statistics of Trade Act to enforce a response, though ONS prefers to work together with businesses to produce the necessary information.

The response rates for the 2016 annual surveys are shown in Table 1.

Table 1: Response Rates, 2016

	Outward FDI	Inward FDI
Selected Sample Size	2,243	3,885
Numbers co-operating fully or partially	1,435	2,925
Non-responders	808	960
Overall response rate (%)	64	75

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

Information on work recently undertaken to re-introduce standard errors for FDI can be found in the article "[Methodological improvements to foreign direct investment statistics – December 2016](#)" (PDF, 1.05MB).

Table 2: Standard Errors

	Annual Inward 2016			Annual Outward 2016		
	Published estimate (£ million)	Standard Error (£ million)	Coefficient of Variation (%)	Published estimate (£ million)	Standard Error (£ million)	Coefficient of Variation (%)
Total earnings	52,073	1,344	2.6	50,392	178	1.8
Total flows	145,609	5,502	3.8	-16,532	1,681	-
Total position	1,199,453	8,126	0.7	1,212,798	2,029	0.2

Source: Office for National Statistics

Notes:

1. Coefficients of variation are not available for negative estimates

Revisions

Data for 2015 have been revised in this statistical bulletin and will not be revised any further. Data for 2016 will remain provisional until December 2018, 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.

8 . Background notes

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.

SPEs (Special Purpose Entities): 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.

Table 3: Definition of geographic and economic areas

Europe

EU			
Austria	Belgium	Bulgaria	Croatia
Cyprus	Czech Republic	Denmark	Estonia
Finland	France	Germany	Greece
Hungary	Irish Republic	Italy	Latvia
Lithuania	Luxembourg	Malta	Netherlands
Poland	Portugal	Romania	Slovakia
Slovenia	Spain	Sweden	
EFTA			
Iceland	Liechtenstein	Norway	Switzerland
Other European countries			
Albania	Andorra	Belarus	Bosnia and Herzegovina
Faroe Islands	Gibraltar	Macedonia, the Former Yugoslav Republic of	Moldova
Montenegro	Russian Federation	San Marino	Serbia
Turkey	UK Offshore Islands (Guernsey, Jersey, other Channel Islands & Isle of Man)	Ukraine	Vatican City State

The Americas

Anguilla	Antigua & Barbuda	Argentina	Aruba
Bahamas	Barbados	Belize	Bermuda
Bolivia	Bonaire, Sint Eustatius & Saba	Brazil	British Virgin Islands
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	St Kitts & Nevis	Saint Lucia	Sint Maarten
St Vincent & the Grenadines	Suriname	Trinidad & Tobago	Turks & Caicos Islands
Uruguay	US Virgin Islands	USA inc. Puerto Rico	Venezuela

Asia

Other Near & Middle East Countries			
Armenia	Azerbaijan	Palestinian Territory	Georgia
Israel	Jordan	Lebanon	Syria

Gulf Arabian Countries

Bahrain	Iraq	Kuwait	Oman
Qatar	Saudi Arabia	United Arab Emirates	Yemen

Other Asian Countries

Afghanistan	Bangladesh	Bhutan	Brunei Darussalam
Burma/Myanmar	Cambodia	China	Hong Kong
India	Indonesia	Iran	Japan
Kazakhstan	Kyrgyzstan	Laos	Macao
Malaysia	Maldives	Mongolia	Nepal
North Korea	Pakistan	Philippines	Singapore
South Korea	Sri Lanka	Taiwan	Tajikistan
Thailand	Timor - Leste	Turkmenistan	Uzbekistan
Viet Nam			

Australasia and Oceania

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

Africa

Algeria	Angola	Benin	Botswana
British Indian Ocean Territory	Burkina Faso	Burundi	Cameroon
Cape Verde	Central African Republic	Chad	Comoros
Congo	Democratic Republic of the Congo (Zaire)	Djibouti	Egypt
Equatorial Guinea	Eritrea	Ethiopia	Gabon
Gambia	Ghana	Guinea	Guinea Bissau
Ivory Coast (Cote d'Ivoire)	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 & Tristan da Cunha
Sudan	Swaziland	Tanzania	Togo
Tunisia	Uganda	Zambia	Zimbabwe

OECD

Australia	Austria	Belgium	Canada
Chile	Czech Republic	Denmark	Estonia
Finland	France	Germany	Greece
Hungary	Iceland	Irish Republic	Israel
Italy	Japan	Luxembourg	Mexico
Netherlands	New Zealand	Norway	Poland
Portugal	Slovakia	Slovenia	South Korea
Spain	Sweden	Switzerland	Turkey
USA inc. Puerto Rico			

Central and Eastern Europe

Albania	Bosnia & Herzegovina	Croatia	Macedonia, former Yugoslav Republic of
Montenegro	Serbia		

Table 4: Industry allocation

Production industries

Agriculture, forestry and fishing

010 Crop and Animal and Production, hunting and related services activities

020 Forestry and Logging

030 Fishing and Aquaculture

Mining and quarrying (including oil and gas production)

050 Mining of coal and lignite

060 Extraction of crude petroleum and natural gas

070 Mining of metal ores (ferrous and non ferrous incl. Uranium and Thorium)

080 Mining and Quarrying - other

090 Mining and oil gas extraction - support service activities daily

Manufacturing Industries

Food products, Beverages and Tobacco products

100 Manufacture of food products

110 Manufacture of beverages

120 Manufacture of tobacco products

Textiles and wood activities

130 Manufacture of textiles

140 Manufacture of wearing apparel

160 Manufacture of wood and wood products (except furniture), straw articles and plaiting materials

170 Manufacture of paper and paper products

180 Printing and reproduction of recorded media

Petroleum, chemicals, pharmaceutical rubber and plastic products

190 Manufacture of coke and, refined petroleum products

200 Manufacture of chemicals and chemical products (non pharmaceutical)

210 Manufacture of basic pharmaceuticals products and pharmaceutical preparations

220 Manufacture of rubber and plastic products

Metal and machinery products

240 Manufacture of basic metals (incl. first processing, e.g. tubes, pipes, hollow profiles etc)

250 Manufacture of fabricated metal products (excl machinery and equipment)

280 Manufacture of machinery not elsewhere classified

Computer, electronic and optical products

- 260 Manufacture of computer, consumer electronic and optical products
 - 261 Manufacture of electronic components
 - 262 Manufacture of loaded electronic boards
 - 263 Manufacture of communication equipment
 - 264 Manufacture of consumer electronics
 - 265 Manufacture of instruments and appliances for measuring, testing and navigation: watches and clocks
 - 266 Manufacture of irradiation, electro medical and electrotherapeutic equipment
 - 267 Manufacture of optical instruments and photographic equipment
 - 268 Manufacture of magnetic and optical media
-

Transport Equipment

- 290 Manufacture of motor vehicles, trailers and semi trailers
 - 300 Manufacture of other transport equipment
 - 301 Building and shipping and boats
 - 302 Manufacture of railway locomotives and rolling stock machinery
 - 303 Manufacture of air and spacecraft and related
 - 304 Manufacture of military
 - 309 Manufacture of transport equipment not fighting vehicles elsewhere classified
-

Other manufacturing

- 150 Manufacture of leather and other related products
 - 230 Manufacture of other non metallic mineral products
 - 270 Manufacture electrical equipment (incl. domestic appliances)
 - 310 Manufacture of furniture (domestic and non domestic)
 - 320 Manufacturing of other articles not elsewhere specified (toys, jewellery, musical instruments, sports goods, dental supplies, brooms and brushes)
 - 330 Repair, maintenance and installation of machinery and equipment
-

Electricity, Gas, Water and waste

- 350 Supply of electricity, gas, steam and air conditioning
 - 360 Water collection, treatment and supply services
 - 370 Sewerage services
 - 380 Waste collection, treatment, disposal recycling services
 - 390 Remediation and other waste management services not elsewhere specified
-

Services Industries

Construction

- 410 Construction of buildings (residential, non residential, commercial, development of building projects)
 - 420 Civil engineering (roads, railways, utilities and water projects, other civil engineering projects)
 - 430 Specialised construction activities (demolition and site preparation, wet and dry trade activities, other construction activities)
-

Retail and wholesale trade, repair of motor vehicles and motorcycles

- 450 Wholesale and retail trade, repair of motor vehicles and motorcycles and accessories
 - 460 Wholesale trades (excl motor vehicles and motorcycles)
 - 470 Retail trade (excl motor vehicles and motorcycles)
-

Transportation and storage

- 490 Transport on land (incl.pipelines)
 - 500 Transport on water (sea, coastal and inland)
 - 510 Transport in the air (passenger and freight)
 - 520 Transport support activities (warehousing, operation of terminals and stations, cargo handling)
 - 530 Postal and courier activities
-

Information and communication

- 580 Publishing activities (books, newspapers, periodicals directories, software)
 - 590 Motion picture, video and TV production, sound recording and publishing activities
 - 600 Programming and broadcasting activities of radio and TV (over air or via satellite, cable or internet)
 - 610 Telecommunications activities (wired, wireless, satellite and other telecommunications activities)
 - 620 Computer programming, consultancy and related activities (games, software development, programming, computer facilities management)
 - 630 Information services activities (data processing and hosting, web portals, news agencies, other information activities)
-

Financial services

- 641 Banks (64.11 and 64.191)
- 642 Building societies (64.192)
- 643 Non Financial holding companies only (64.201/4)
- 644 Financial holding companies only (64.205)
- 645 Other financial services trusts and funds
- 651 Life insurance only (65.11)
- 652 General insurance, reinsurance and pensions funding (65.12, 65.2, 65.3)
- 661 Security dealing for others only (66.12)
- 662 Financial services (services auxiliary to financial services and insurance activities excl security dealing)

Professional, scientific and technical activities

- 691 Legal activities
 - 692 Accounting activities
 - 701 Head office activities
 - 702 Management consultancy activities (public relations, financial management, consultancy and management activities)
 - 710 Architectural and engineering activities (architecture, urban planning, engineering consultancy, testing and analysis)
 - 720 Scientific research and development (biotechnology, natural sciences, engineering, social sciences and humanities)
 - 731 Advertising
 - 732 Market research (market research, opinion polls, media representation)
 - 740 Design, photography, translation and other professional, scientific and technical services
 - 750 Veterinary activities
-

Administration and support service activities

- 770 Rental and leasing activities (motor vehicles, personal and household goods, intellectual property - excl copyrighted works)
 - 780 Employment activities (employment agencies, entertainment castings, other human resources activities)
 - 790 Travel agencies, tour operators, other reservation service activities
 - 800 Security and investigation activities (investigation, private security, security systems)
 - 810 Services to buildings and landscape activities (facilities support, cleaning, disinfection and extermination, landscaping)
 - 820 Office administrations, support and other business support activities (document preparation, call centres, conference organisers, collection agencies, packaging, other support activities)
-

Other Services

- 550 Accommodation (hotels, holiday accommodation, hostels, camping, other)
- 560 Food and beverage service activities (restaurants, take aways, catering, pubs, clubs, other food service activities not elsewhere specified)
- 680 Real estate activities
- 840 Public administration, compulsory social security
- 850 Education (primary, secondary and higher education, driving schools, sports education, cultural education, educational support)
- 860 Human health defence, activities (hospitals, nursing homes, general and specialist medical practice, dental practice)
- 870 Residential care activities
- 880 Social work activities without accommodations (elderly, children, other social work activities)
- 900 Creative arts and entertainment activities (performing arts, operation of arts facilities, artistic creation, support of performing arts)

- 910 Libraries, archives, museums and other cultural activities (botanical, zoological nature reserve sites, historical buildings and sites)
- 920 Gambling and betting activities
- 930 Sports, amusement and recreation activities (sports facilities, racehorse owners, fitness facilities, amusement parks and other recreational activities)
- 940 Activities of membership organisations (business organisations, trade unions, other membership organisations)
- 950 Repair of computers, personal and household goods
- 960 Other personal service activities (washing and dry cleaning, hairdressers, funerals, physical well being, other activities)
- 970 Activities of households as employers of domestic personnel
- 980 Undifferentiated goods and services producing activities of private households for own use
- 990 Activities of extraterritorial organisations and bodies

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 5: 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 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 the 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 level 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.

9 . Annex 1: FDI estimates using the asset and liability principle and revisions to previously-published estimates

The latest foreign direct investment (FDI) estimates produced in this statistical bulletin include revised annual estimates for 2015 and new estimates for 2016.

The upcoming balance of payments publication, to be published 22 December 2017, will incorporate the latest 2016 estimates to revise the previous ones that were based on the Quarterly 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, utilises 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, Office for National Statistics (ONS) carries out an annual FDI benchmarking process to reconcile quarterly and annual estimates; therefore, quarterly 2016 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 2015 will not be incorporated into balance of payments statistics until June 2018.

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 (BoP) and Pink Book. While the two measurement principles are different, estimates of net earnings, positions and flows are broadly comparable. Further details relating to [the differences between the two principles](#) (PDF, 378KB) can be found in this OECD paper.

This annex aims to provide users early sight of the asset and liability estimates for 2015 and 2016, along with an indication of the size of revisions that will be made to FDI estimates in upcoming balance of payments publications.

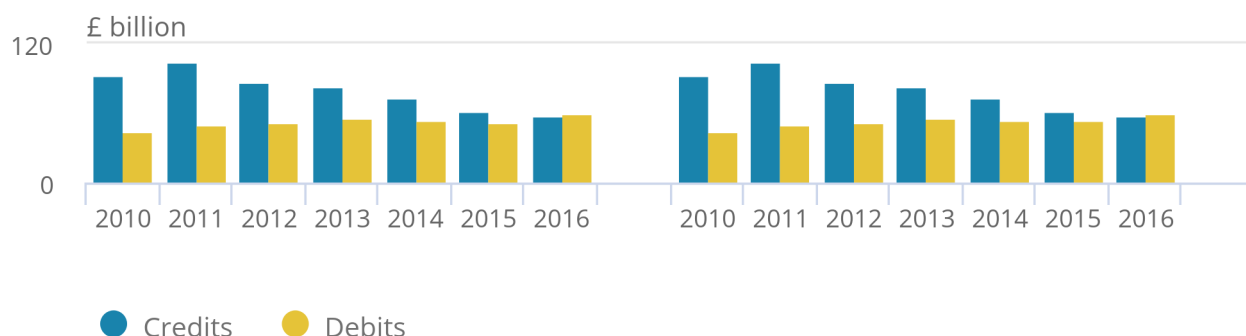
The value of UK FDI credits has traditionally exceeded that of debits, yet this was not the case in 2016.

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 referred to as debits. FDI credits have followed a downward trend since 2011, while debits increased slightly over the same period (Figure 16). These trends have continued into 2016 using either the previously-published or latest estimates to the extent that the value of debits was higher than that of credits. The values of credits and debits have been revised by similar amounts in 2015, whereby credits are £0.5 billion higher and debits £0.6 billion higher in the latest estimates. This means that the net value of FDI earnings (credits minus debits) using the latest estimates is very close to the previously-published estimates, now £9.1 billion compared with £9.0 billion. The incorporation of the latest FDI earnings estimates into Balance of Payments would result in negligible change to the UK's current account balance deficit in 2015.

For 2016, the value of credits has increased by £0.8 billion while that of debits decreased by £0.4 billion. This has lowered the difference between these two series, yet net earnings were still negative in 2016 at £1.7 billion, rather than £2.9 billion using previously-published figures. Once incorporated into Balance of Payments, the upwards revision to net FDI earnings in 2016 would slightly improve the UK's overall current account balance deficit, which would fall by one percentage point to 5.8% of GDP if all other components were unrevised.

Figure 16: Foreign direct investment (FDI) earnings involving the UK, previously-published and latest estimates

Figure 16: Foreign direct investment (FDI) earnings involving the UK, previously-published and latest estimates



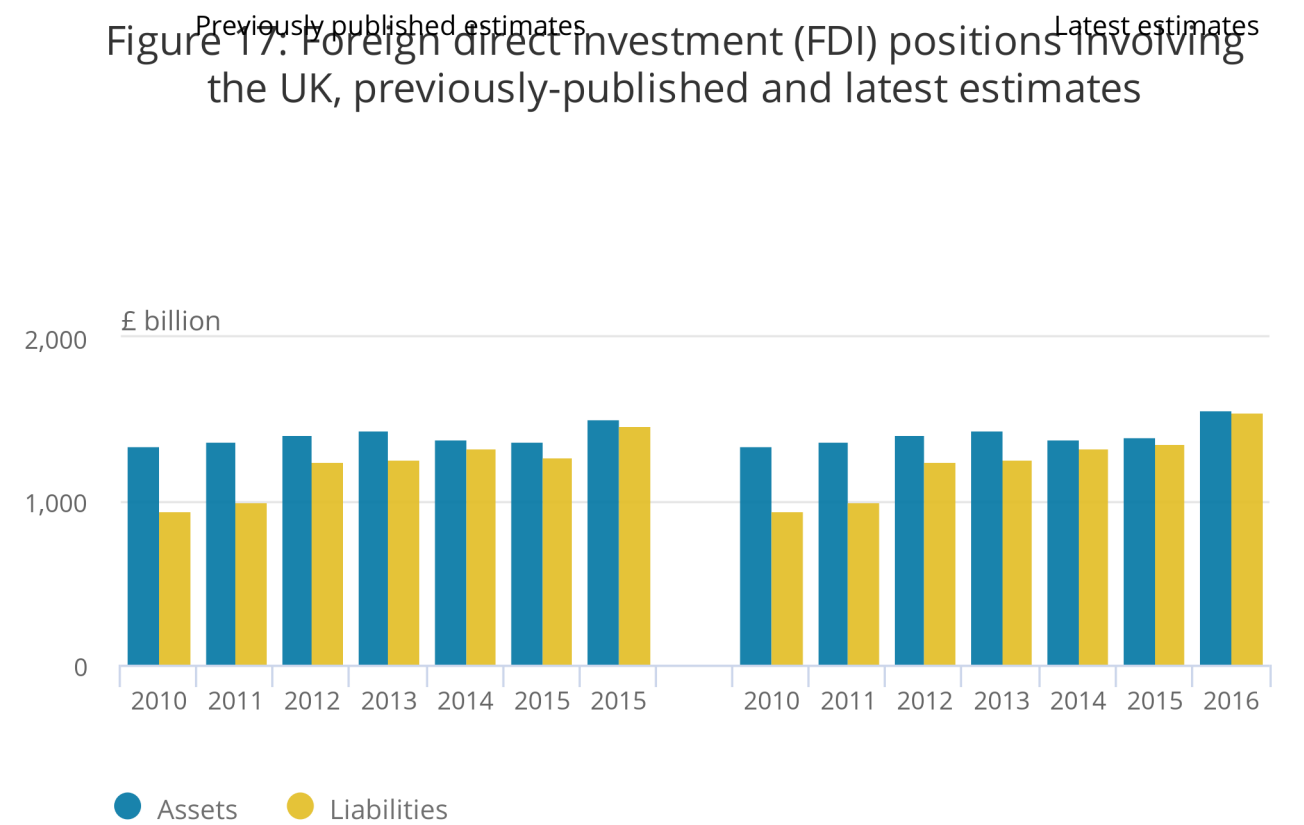
Source: Office for National Statistics

The value of UK FDI assets was very similar to that of FDI liabilities in 2016

The stocks of investment UK companies hold overseas are referred to as assets when measured using the asset and liability principle, while stocks of investment foreign companies hold in the UK are 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 (Figure 17). The previously-published estimate for net FDI positions for 2015 was £100.8 billion, which has been revised downwards to £50.5 billion according to the latest estimates published in this bulletin. This was mainly from a £77.9 billion upwards revision to FDI liabilities, which was only partially offset by the £27.5 billion upwards revision to assets. The incorporation of these revisions into the Balance of Payments would result in a downward revision to the UK's overall international investment position, from negative £347.3 billion to negative £397.6 billion in 2015 if all other components were unrevised.

The latest estimates of FDI positions for 2016 are also revised upwards. FDI assets were £61.6 billion higher in 2016 than previously published, while FDI liabilities were £89.8 billion higher. This has narrowed the net FDI position from £40.7 billion to £12.5 billion using the latest estimates. This implies that the UK remained a net investor in the rest of the world, albeit by a very slight margin. The incorporation of the new FDI estimates into Balance of Payments would revise downwards the UK's overall international investment position in 2016, from negative £21.3 billion to negative £49.5 billion if all other components were unrevised.

Figure 17: Foreign direct investment (FDI) positions involving the UK, previously-published and latest estimates



Source: Office for National Statistics