

Article

FDI estimates using the asset and liability measurement principle and revisions to previously published estimates

Indicative estimates of the size and direction of revisions to foreign direct investment statistics within the balance of payments.



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1 . Results from the Annual FDI Survey will be used to revise quarterly estimates for 2017 and 2018

The upcoming balance of payments publication, due to be published on 20 December 2019, will incorporate revised estimates for 2018. These revised estimates will supersede those based on our Quarterly Foreign Direct Investment (FDI) survey, as more information has become available through Annual FDI Survey returns.

While our Quarterly FDI Survey provides information on the quarterly path and gives a timely first estimate of annual FDI, the Annual FDI Survey, which is less timely, uses a larger sample size and allows companies to base their returns on fully audited annual accounts instead of management accounts, which are provided on a quarterly basis. Therefore, revisions between the Quarterly and Annual FDI 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 FDI Survey. In addition to revisions to the annual estimates, we carry out an annual FDI benchmarking process to reconcile quarterly and annual estimates; therefore, the quarterly 2018 estimates in the balance of payments will also be revised.

In line with the [National Accounts Revisions Policy](#), revised estimates presented in this statistical bulletin for 2017 will be incorporated into the balance of payments statistics ahead of Pink Book 2020.

It is worth noting that the statistics presented in the [Foreign direct investment involving UK companies: 2018](#) statistical bulletin and the balance of payments are not directly comparable because of the two alternative measurement principles used when compiling FDI statistics: the directional principle and the asset and liability principle. The asset and liability measurement principle is used for the statistics presented in the balance of payments and Pink Book. The difference between FDI calculations on a directional and an asset and liability basis can be found in [FDI measurement principles explained](#). While the two measurement principles are different, estimates of net earnings, net positions and net flows are broadly comparable.

This article aims to provide users early sight of the asset and liability estimates for 2017 and 2018, along with an indication of the size of revisions that will be made to FDI estimates in the upcoming balance of payments publications.

2 . The values of FDI credits and debits were all revised upwards in 2017 and 2018

UK earnings on outward FDI are referred to as credits using the asset and liability measurement principle, while inward earnings are referred to as debits. The trends in both credits and debits are maintained using the previously published and latest estimates (Figure 1).

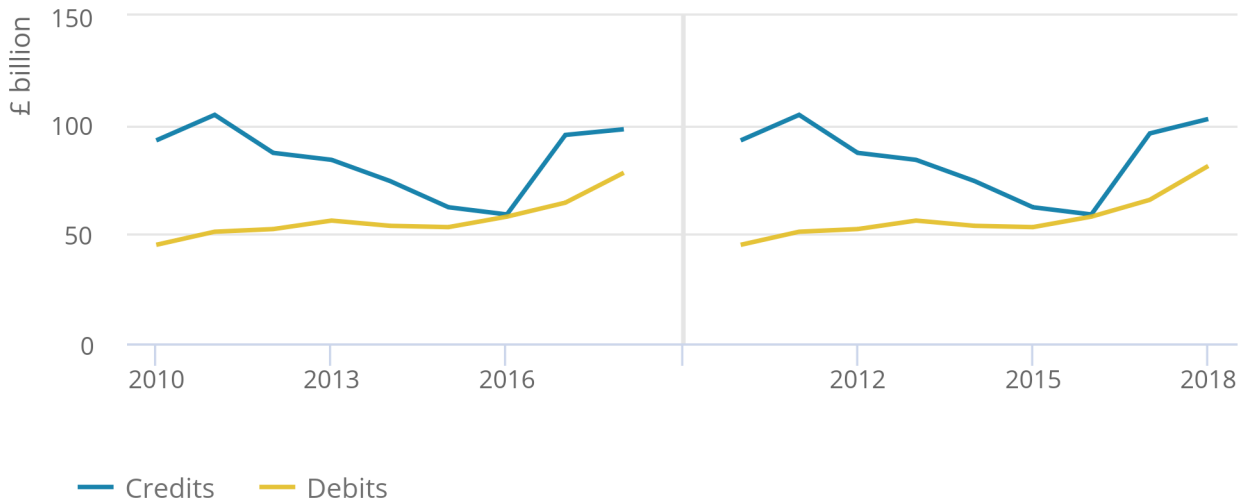
The value of FDI credits followed a downward trend between 2011 and 2016, before a large increase in value in 2017. The latest estimate of credits in 2017 is £96.1 billion, compared with £95.4 billion using our previous estimates, or £0.7 billion higher. The value for 2018 was also higher than previously published: £102.7 billion, compared with £98.0 billion, or by £4.7 billion.

Figure 1: Trends in FDI debits and credits remain the same after revisions

Foreign direct investment credits and debits, previously published and latest estimates, UK, 2010 to 2018

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Foreign direct investment credits and debits, previously published and latest estimates, UK, 2010 to 2018



Source: Office for National Statistics – Foreign direct investment involving UK companies”

Notes:

1. Previously published estimates are in rows 8 to 16 and latest estimates are in rows 18 to 26.

There were greater revisions to FDI debits than credits in 2017; it was the other way around in 2018. FDI debits in 2017 were £1.3 billion higher than previously published – £65.7 billion compared with £64.4 billion – while the estimate for 2018 was £3.1 billion higher at £81.2 billion, compared with £78.1 billion.

The bigger revision to FDI debits compared with FDI credits in 2017 has seen net FDI earnings (credits less debits) fall compared with previous estimates, from £31.1 billion to £30.3 billion. On the other hand, the greater increase in FDI credits relative to debits using the latest estimates gives net FDI earnings of £21.5 billion in 2018, compared with net earnings of £19.9 billion using previously published estimates.

3 . FDI asset and liability values have been revised upwards in both 2017 and 2018

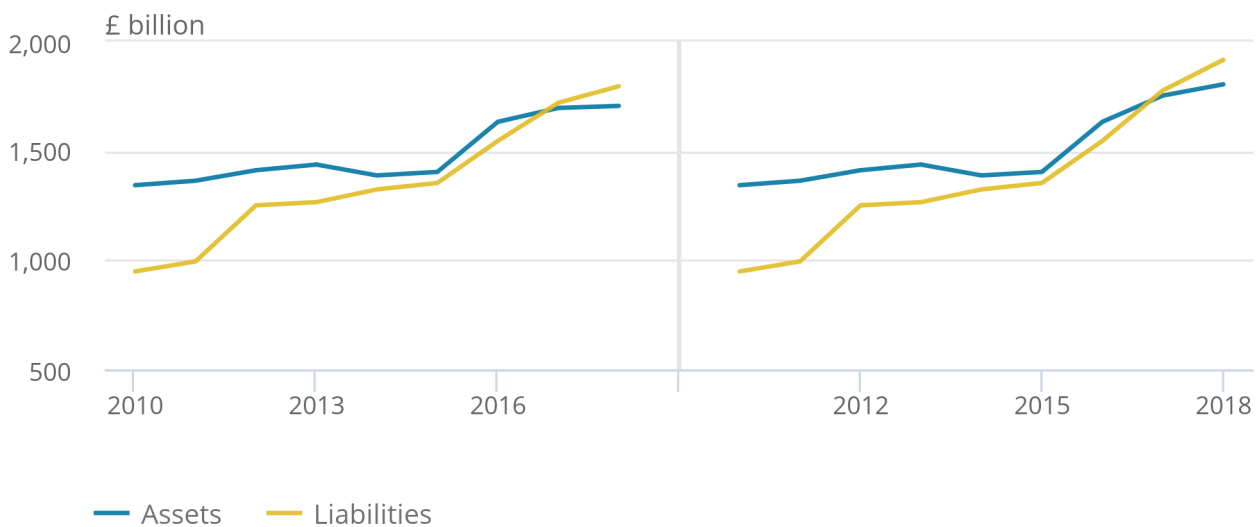
The value of FDI liabilities (inward position) has been rising faster than that of FDI assets (outward position) over the period shown in Figure 2 (2010 to 2018). This is maintained using the latest estimates, with FDI assets growing steadily while FDI liabilities converge with and then become higher than those of assets. The latest estimates show that the value of FDI assets in 2017 was £56.7 billion higher than previously published, giving a value of £1,753.2 billion compared with £1,696.5 billion. The value of FDI assets was £98.7 billion higher in 2018 than previously published – £1,804.7 billion compared with £1,706.0 billion – which implies that the value of FDI assets increased by £51.5 billion between 2017 and 2018.

Figure 2: Trends in FDI assets and liabilities remain the same after revisions

Foreign direct investment assets and liabilities, previously published and latest estimates, UK, 2010 to 2018

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Foreign direct investment assets and liabilities, previously published and latest estimates, UK, 2010 to 2018



Source: Office for National Statistics – Foreign direct investment involving UK companies

Notes:

1. Previously published estimates are in rows 8 to 16 and latest estimates are in rows 18 to 26.

The upwards revisions to FDI liabilities were similar to those on assets in 2017 and higher in 2018. The latest estimates of FDI liabilities were £56.3 billion higher than previously published in 2017 and £121.0 billion higher in 2018. This implies that FDI liabilities in 2017 increased from £1,720.3 billion using the previously published estimates to £1,776.6 billion with the latest estimates. The value for 2018 was £1,916.8 billion, compared with £1,795.8 billion using the previous estimates.

Despite revisions to the FDI assets and liabilities series, the trends remain largely unchanged and the UK continues to record a negative net FDI position (assets less liabilities). The previous estimates for the net FDI position were negative £23.8 billion in 2017 and negative £89.8 billion in 2018. The greater revisions to FDI debits compared with credits in 2018 make the net FDI position more negative, at negative £112.1 billion. On the other hand, the net position in 2017 remains similar to previously published estimates at negative £23.5 billion, compared with negative £23.8 billion.