

Article

# Foreign direct investment, business insights in the UK: January 2021 to January 2022

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# 1 . Main points

- Nearly half (47.1%) of trading respondents with FDI links reported no effect on turnover compared with normal expectations in early January 2021; the proportion of respondents reporting no effect was 12.3 percentage points higher (59.4%) by late December 2021.
- The proportions of respondents reporting lower-than-expected turnover decreased between January and December 2021; the proportion for companies with FDI links was 19.4 percentage points lower (at 16.5%), and 17.7 percentage points lower (to 28.9%) for those without FDI links.
- Over half of respondents with FDI links reported having cash reserves that would last more than six months in each wave of 2021; this proportion increased from 53.2% in early January 2021, reaching 62.2% in mid-April 2021.
- On average in 2021, higher proportions of companies with outward FDI links reported cash reserves lasting longer than six months (56.9%) compared with companies with inward FDI links (50.1%); companies with both inward and outward FDI links had the highest proportion (59.8%) of all link types.

# 2 . Turnover for businesses with and without FDI links

This article updates [our previous article from July 2022](#) that focused on the experiences of companies with and without foreign direct investment (FDI) links during the coronavirus (COVID-19) pandemic. Respondents are identified by linking unweighted microdata from the Business Insights and Conditions Survey (BICS) with FDI microdata. Those BICS microdata are a subsample of responses unlike some BICS results that are weighted to reflect the whole UK business population. These results should be treated with caution as the sample varies from wave to wave and so these estimates only reflect responding businesses. The reference period for this analysis covers 28 December 2020 (BICS Wave 22) to 9 January 2022 (BICS Wave 47).

## Turnover compared with expectations

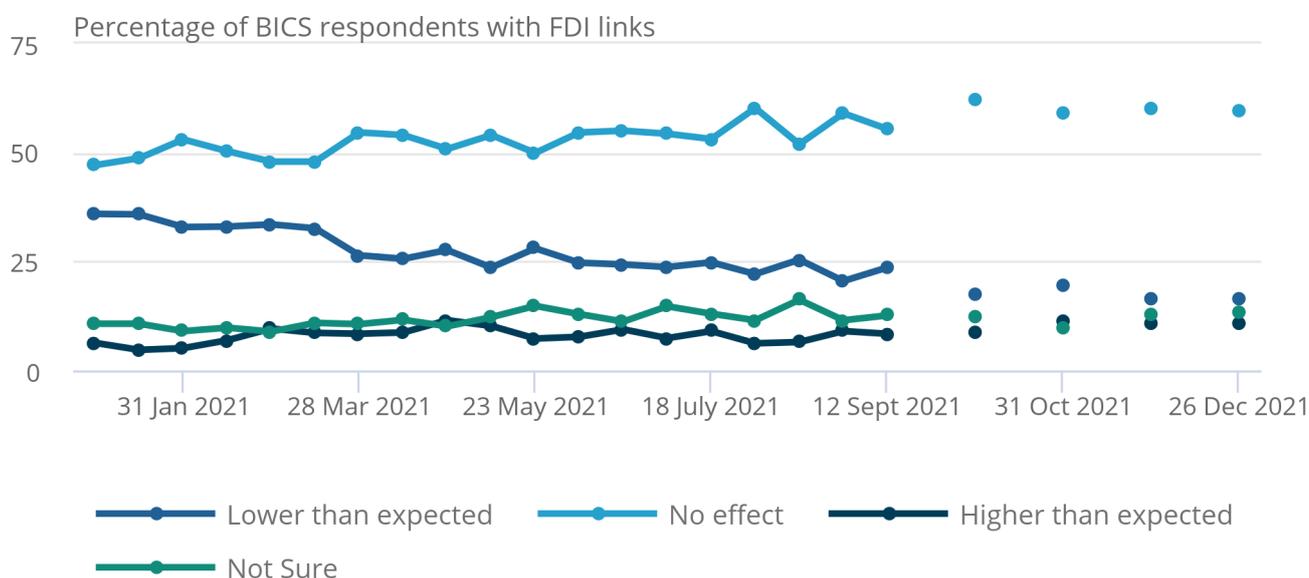
Nearly half (47.1%) of trading respondents with FDI links reported no effect on turnover compared with normal expectations in early January 2021 while 35.9% experienced lower turnover (Figure 1). By late December 2021, the proportion of respondents reporting no effect was 12.3 percentage points higher (59.4%), whereas the proportion reporting lower turnover decreased by 19.4 percentage points to 16.5%.

**Figure 1: The proportions of companies with FDI links reporting lower-than-expected turnover gradually decreased over 2021**

Percentage of respondents with FDI links currently trading who reported different impacts on their turnover, 28 December 2020 to 9 January 2022

### Figure 1: The proportions of companies with FDI links reporting lower-than-expected turnover gradually decreased over 2021

Percentage of respondents with FDI links currently trading who reported different impacts on their turnover, 28 December 2020 to 9 January 2022



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

#### Notes:

1. Responses to the question: "How does your business's turnover for the last two weeks, compare to normal expectations for this time of year?"
2. For presentational purposes, some response options have been combined.
3. Businesses were asked for their experience for the reference period; however, businesses may respond from the point of completion of the questionnaire.
4. Percentages may not sum to 100% because of rounding.
5. Results are plotted in the middle of the period for each wave.
6. At the end of September 2021, the turnover question appeared every other wave, instead asking "How does your business's turnover over the last month, compare to normal expectations for this time of year?".

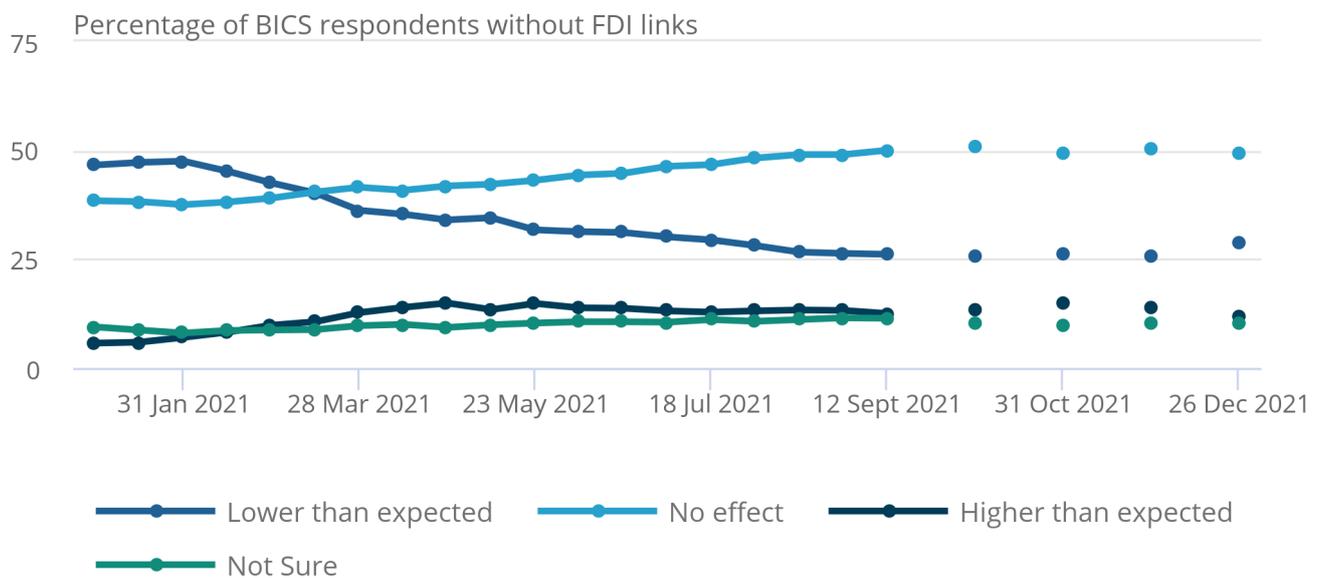
In early January 2021, 38.4% of respondents without FDI links reported that there was no effect on their turnover compared with normal expectations and 46.6% reported lower-than-expected turnover (Figure 2). By late December 2021, the proportion reporting no effect had increased by 10.7 percentage points to 49.1% while those reporting lower turnover than expected was 17.7 percentage points lower at 28.9%.

**Figure 2: The proportion of companies without FDI links reporting lower-than-expected turnover fell over 2021**

Percentage of respondents without FDI links currently trading who reported different impacts on their turnover, 28 December 2020 to 9 January 2022

Figure 2: The proportion of companies without FDI links reporting lower-than-expected turnover fell over 2021

Percentage of respondents without FDI links currently trading who reported different impacts on their turnover, 28 December 2020 to 9 January 2022



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

Notes:

1. Responses to the question: "How does your business's turnover for the last two weeks, compare to normal expectations for this time of year?"
2. For presentational purposes, some response options have been combined.
3. Businesses were asked for their experience for the reference period; however, businesses may respond from the point of completion of the questionnaire.
4. Percentages may not sum to 100% because of rounding.
5. Results are plotted in the middle of the period for each wave.
6. At the end of September 2021, the turnover question appeared every other wave, instead asking "How does your business's turnover over the last month, compare to normal expectations for this time of year?".

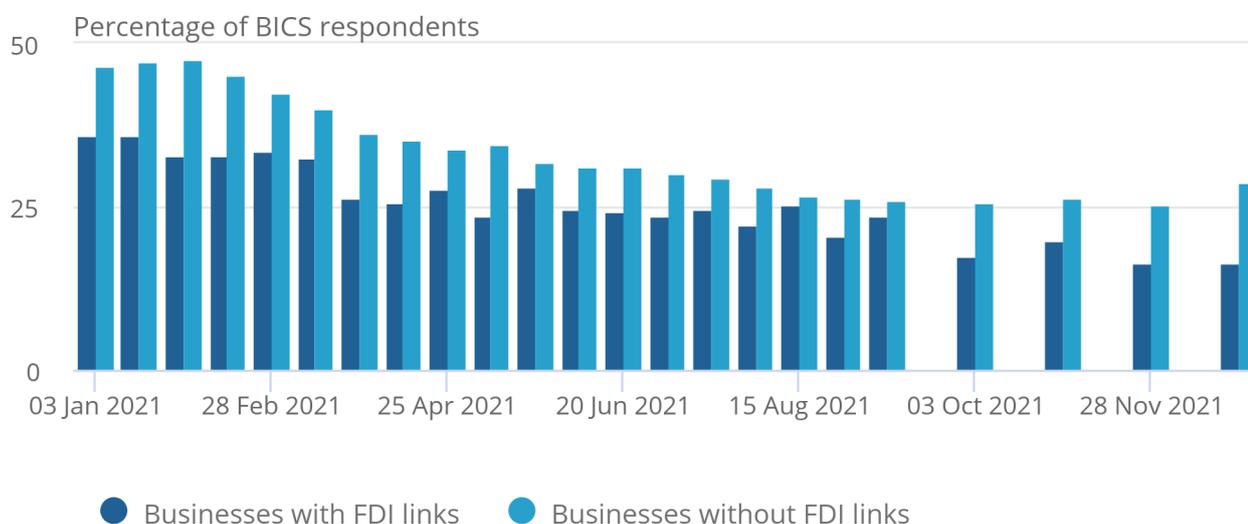
The proportions of respondents with and without FDI links reporting turnover below normal expectations followed similar trends in 2021 (Figure 3). On average, the proportion of companies with no FDI links reporting lower-than-expected turnover was around 8 percentage points higher than for companies with FDI links. However, this difference narrowed to within 3 percentage points in mid-August 2021 and early September 2021. By the end of December 2021, this difference increased to 12 percentage points, which coincided with the re-introduction of economic restrictions towards the end of 2021, as was also the case at the end of 2020.

**Figure 3: The differences between companies with and without FDI links reporting lower-than-expected turnover narrowed in mid-August and September 2021**

Percentage of respondents currently trading with and without FDI links who reported lower-than-expected turnover in the last two weeks, compared with normal expectations, 28 December 2020 to 9 January 2022

Figure 3: The differences between companies with and without FDI links reporting lower-than-expected turnover narrowed in mid-August and September 2021

Percentage of respondents currently trading with and without FDI links who reported lower-than-expected turnover in the last two weeks, compared with normal expectations, 28 December 2020 to 9 January 2022



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

Notes:

1. Responses to the question: "How does your business's turnover for the last two weeks, compare to normal expectations for this time of year?"
2. Businesses were asked for their experience for the reference period; however, businesses may respond from the point of completion of the questionnaire.
3. Results are plotted in the middle of the period for each wave.
4. At the end of September 2021, the turnover question appeared every other wave, instead asking "How does your business's turnover over the last month, compare to normal expectations for this time of year?".

### **3 . Cash reserves for businesses with and without FDI links**

This section covers the responses to the Business Insights and Conditions Survey (BICS) question that asked businesses to report how long they thought their cash reserves would last. By linking these responses with foreign direct investment (FDI) microdata for the businesses that are present in both, the financial positions during the coronavirus (COVID-19) pandemic were compared for companies with and without FDI links from 28 December 2020 (BICS Wave 22) to 9 January 2022 (BICS Wave 47).

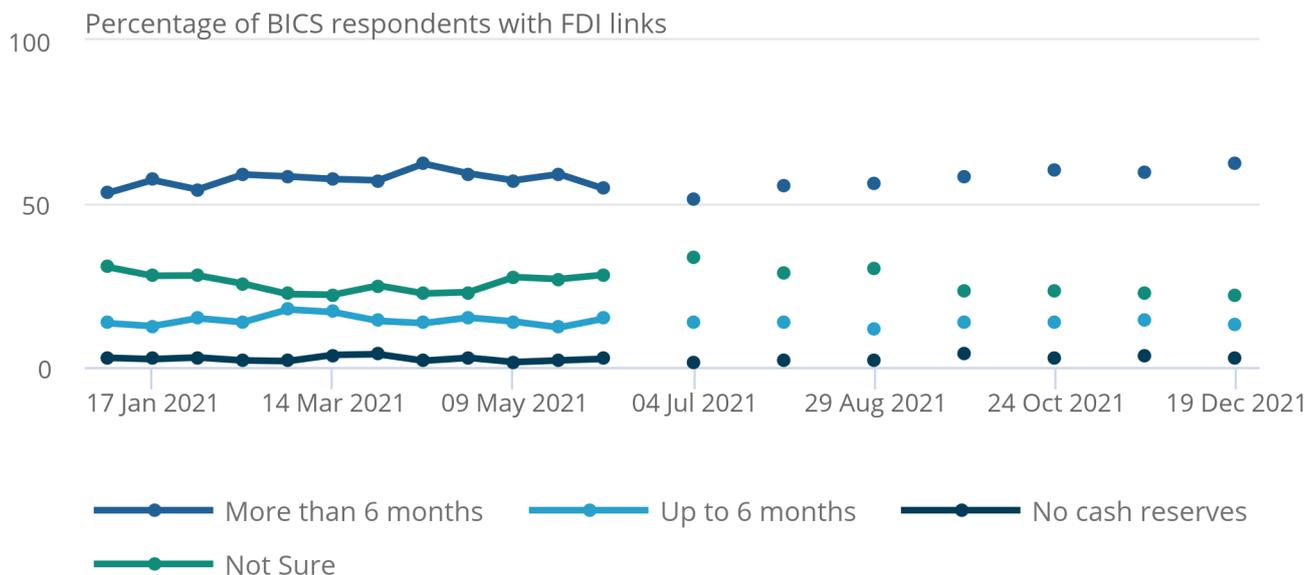
Over half of respondents with FDI links reported having cash reserves that would last more than six months in each wave of 2021 (Figure 4). This proportion increased from 53.2% in early January 2021, reaching 62.2% in mid-April 2021. The proportion of respondents reporting cash reserves lasting more than six months fell to 51.3% by July 2021, before increasing again to 62.3% in late December 2021. While suggesting that economic conditions for companies with FDI links may have deteriorated over the summer, the proportions for reserves lasting up to six months or no reserves were more stable by comparison.

**Figure 4: The proportion of respondents with FDI links reporting cash reserves lasting more than six months decreased from mid-April to July 2021**

Percentage of respondents with FDI links not permanently stopped trading who reported different lengths of time that their cash reserves would last, 28 December 2020 to 9 January 2022

### Figure 4: The proportion of respondents with FDI links reporting cash reserves lasting more than six months decreased from mid-April to July 2021

Percentage of respondents with FDI links not permanently stopped trading who reported different lengths of time that their cash reserves would last, 28 December 2020 to 9 January 2022



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

**Notes:**

1. Responses to the question: "How long do you think your business's cash reserves will last?"
2. For presentational purposes, some response options have been combined.
3. Percentages may not sum to 100% because of rounding.
4. Results are plotted in the middle of the period for each wave.
5. At the start of June 2021, this question appeared in every other wave.

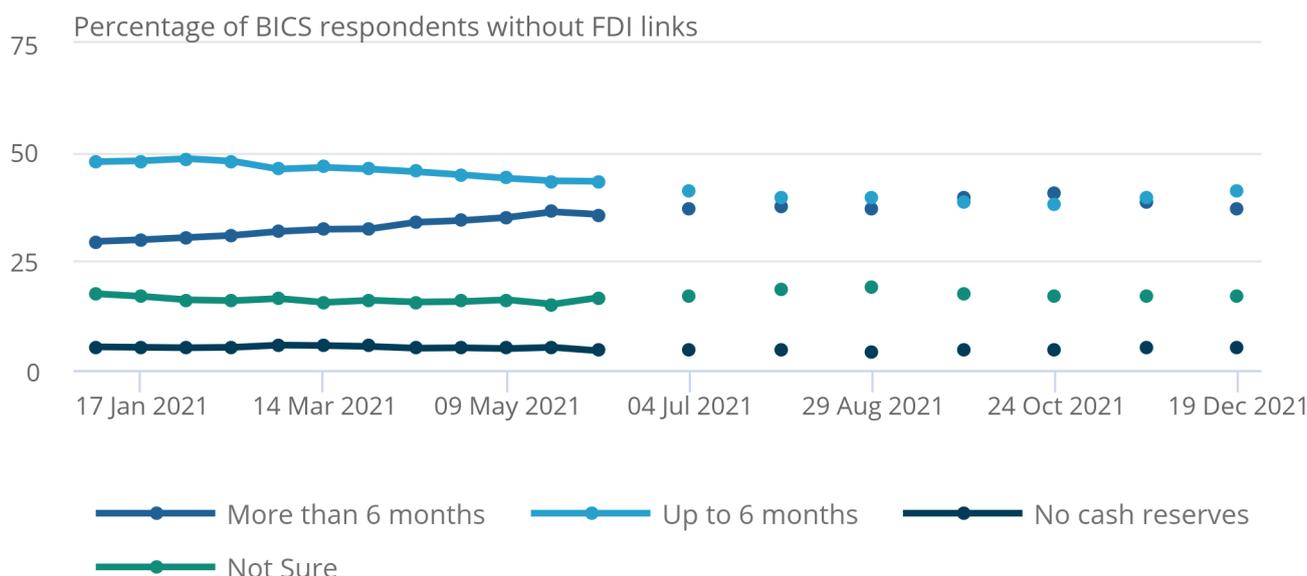
The proportion of respondents without FDI links who reported cash reserves of more than six months increased steadily throughout 2021, from 29.5% in early January 2021 to 40.5% at the end of October 2021. This proportion then fell to 36.9% by the end of December 2021 (Figure 5) as economic restrictions were re-introduced at the end of the year.

**Figure 5: The proportion of businesses without FDI links reporting cash reserves lasting longer than six months increased over most of 2021**

Percentage of respondents without FDI links not permanently stopped trading who reported different lengths of time that their cash reserves would last, 28 December 2020 to 9 January 2022

Figure 5: The proportion of businesses without FDI links reporting cash reserves lasting longer than six months increased over most of 2021

Percentage of respondents without FDI links not permanently stopped trading who reported different lengths of time that their cash reserves would last, 28 December 2020 to 9 January 2022



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

Notes:

1. Responses to the question: "How long do you think your business's cash reserves will last?"
2. For presentational purposes, some response options have been combined.
3. Percentages may not sum to 100% because of rounding.
4. Results are plotted in the middle of the period for each wave.
5. At the start of June 2021, this question appeared in every other wave.

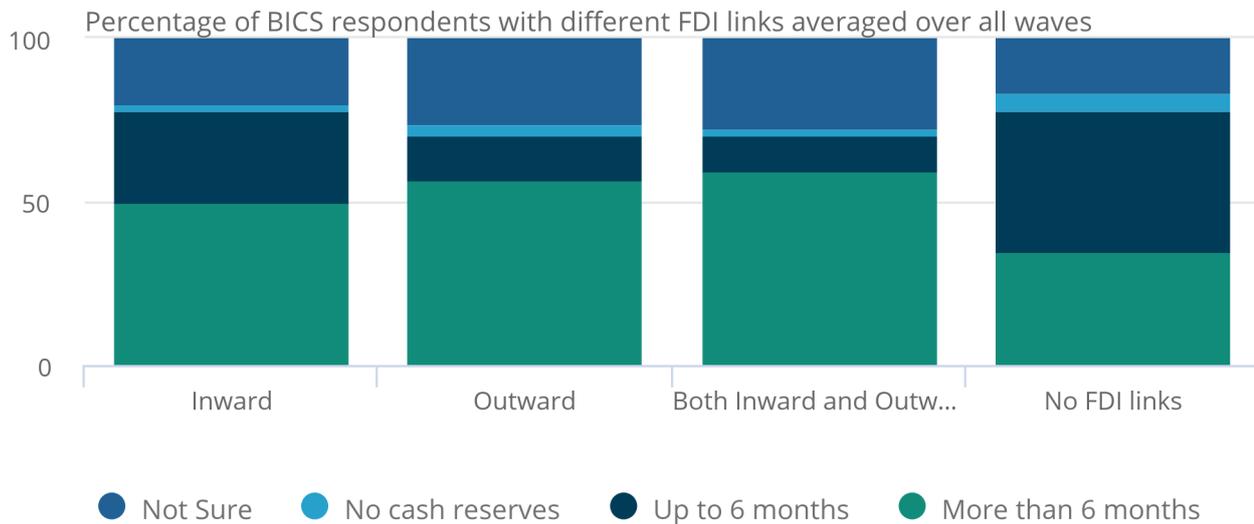
We can also look at the average respondent proportions by type of FDI link over 2021 (Figure 6). On average, higher proportions of companies with outward FDI links reported cash reserves lasting longer than six months (56.9%) compared with companies with inward FDI links (50.1%). However, companies with both inward and outward FDI links had a slightly higher proportion (59.8%) on average during 2021. Nevertheless, the proportions reporting reserves lasting longer than six months by all companies with FDI links were higher than the average for companies without any FDI links (34.7%).

**Figure 6: The proportion of companies with cash reserves lasting longer than six months was highest for those with both inward and outward FDI links**

Percentage of respondents with different types of FDI links not permanently stopped trading who reported different amounts of cash reserves, averaged over 28 December 2020 to 9 January 2022

Figure 6: The proportion of companies with cash reserves lasting longer than six months was highest for those with both inward and outward FDI links

Percentage of respondents with different types of FDI links not permanently stopped trading who reported different amounts of cash reserves, averaged over 28 December 2020 to 9 January 2022



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

Notes:

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

## 4 . Business insights in the UK data

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

Dataset | Released 13 July 2023

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

## 5 . Glossary

## Foreign direct investment (FDI)

Foreign direct investment (FDI) is cross-border investment made with the objective of establishing a lasting interest in the host economy. FDI is also defined by control relationships, where the direct investor (parent company) controls at least 10% of the voting power (ordinary shares) of the direct investment enterprise. These relationships can be measured in two directions: outward and inward. Outward refers to the direct investments of UK-resident companies in other countries, while inward refers to the direct investments in the UK from non-resident companies.

## Coronavirus

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

## COVID-19

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

## Cash reserves

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

# 6 . Data sources and quality

## Business Insights and Conditions Survey

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

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

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

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

## Foreign Direct Investment Survey

The main source of information for UK foreign direct investment (FDI) statistics is the annual Foreign Direct Investment Survey; separate surveys are used to collect data on inward and outward FDI. The samples for the FDI Survey are taken from the annual populations, which are informed by the previous survey responses of companies and the Inter-Departmental Business Register. A commercial data source was also used to inform the FDI population from 2020 onwards. This is combined with data from the Bank of England for all monetary financial institutions, such as banks, and other sources for property and public corporations in FDI.

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

## Data linking

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

## 7 . Related links

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

Article | 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.

## 8 . Cite this article

Office for National Statistics (ONS), released 24 July 2023, ONS website, article, [Foreign direct investment, business insights in the UK: January 2021 to January 2022](#)