

Article

# Foreign direct investment, experimental UK subnational estimates: October 2022

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

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# 1 . Main points

- The value of the UK's inward foreign direct investment (FDI) stock (position) (£1,929.2 billion) was higher than that of the outward position (£1,660.9 billion) in 2020.
- Inner London West was the International Territorial Level 2 (ITL2) sub-region with the highest inward FDI stock value in 2020 (£529.2 billion); the sub-region with the lowest inward value was Cornwall and Isles of Scilly (£2.1 billion).
- UK manufacturing companies with foreign parent companies (inward FDI), accounted for the highest stock values in 18 of the 41 sub-regions in 2020; these were mainly located in Wales and the English Midlands.
- Financial and insurance companies in the UK that have companies abroad (outward FDI) accounted for the highest stock values in 19 of the 41 sub-regions in 2020; these were mainly located in the east of the UK, including Eastern Scotland, East Yorkshire and North Lincolnshire, East Anglia and London.

These are Experimental Statistics. The methods are currently under development, which means these statistics could be subject to change as we develop our methods and explore additional sources of information. We advise caution when using these statistics. Furthermore, several factors affected FDI statistics for 2020, including disruption from the coronavirus (COVID-19) pandemic, global recession, and also changes to the FDI statistical populations and sampling methods. We advise additional caution when comparing 2020 results with earlier years. More detail can be found in our [Foreign direct investment statistics, overview of methods changes: 2020 article](#).

## 2 . Foreign direct investment positions

The foreign direct investment (FDI) position is the financial balance sheet value of the stock of UK companies including buildings, property and equipment. This can be measured for UK-resident companies controlled by foreign companies (inward) or the UK companies that have direct investments outside the UK (outward).

There are some companies for which we could not calculate subnational results. These were classified as "unallocated" and include companies engaged in FDI that could not be linked through the Inter-Departmental Business Register (IDBR) or Business Register and Employment Survey (BRES). We have enhanced our FDI populations using a commercial data source for 2020 results onwards.

## Total FDI positions

The value of the UK's inward FDI position (£1,929.2 billion) was higher than that of the outward position (£1,660.9 billion) in 2020. Both values were higher in 2020 than in 2019. The inward position increased the most, by £288.7 billion, while the outward stock increased by £13.5 billion. The changes from 2019 to 2020 partly reflect higher values recorded on our FDI Survey, although there will also be some effects from [the methods changes in how we compile FDI statistics](#).

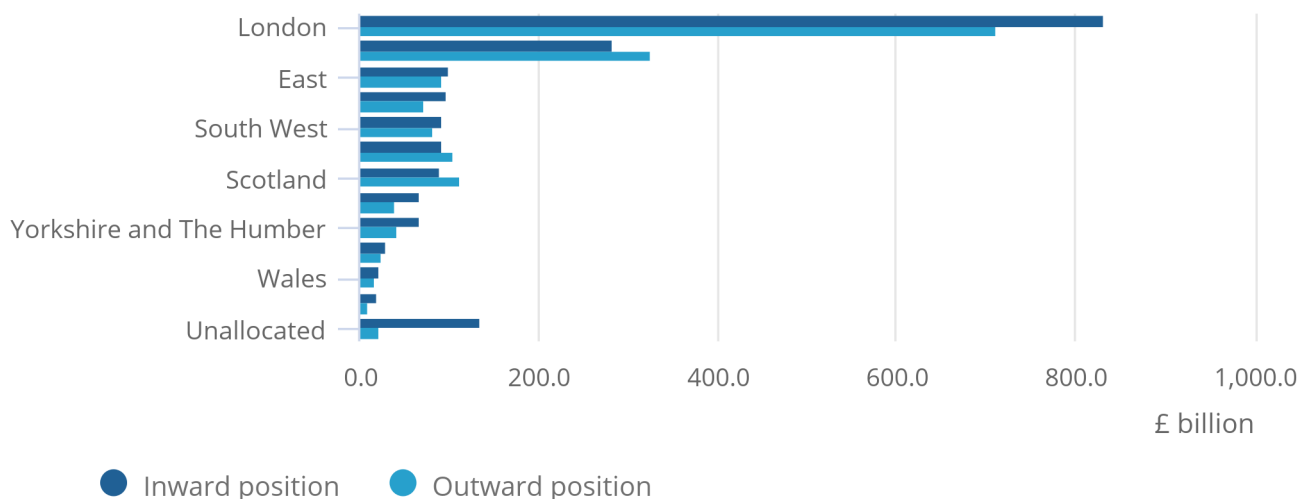
Within these totals, London and the South East had the highest value of inward and outward FDI positions of all the International Territorial Level 1 (ITL1) UK countries and regions, with a combined inward position of £1,114.4 billion (57.8%) and outward position of £1,037.3 (62.5%) in 2020. This was followed by the East of England for inward FDI (£99.3 billion, 5.1%) and Scotland for outward FDI (£111.9 billion, 6.7%).

### Figure 1: London and the South East accounted for the highest value of inward and outward FDI positions in 2020

Inward and outward FDI positions for ITL1 UK country and region, 2020

#### Figure 1: London and the South East accounted for the highest value of inward and outward FDI positions in 2020

Inward and outward FDI positions for ITL1 UK country and region, 2020



Source: Office for National Statistics – Foreign Direct Investment Survey

#### Notes:

1. “Unallocated” refers to the FDI companies that could not be linked through the Inter-Departmental Business Register and commercial data source, or Business Register and Employment Survey.
2. Summing for all UK regions and countries may not match published UK totals because of rounding.
3. Changes to FDI statistics between 2019 and 2020 should be viewed with caution; these reflect changes in survey values in addition to possible effects from changes to the FDI populations and sampling stratification processes.

## Inward FDI position

Together, London and the South East accounted for more than half (57.8%) of the UK inward FDI position in 2020. Within those two regions, the majority of inward FDI were in Inner London West (£529.2 billion), Inner London East (£220.0 billion) and Berkshire, Buckinghamshire and Oxfordshire (£159.4 billion). This indicates that most inward FDI was located in the south-eastern part of the country (Figure 2).

### Figure 2: Inner London West accounted for the highest inward FDI position value in 2020

Inward FDI positions for ITL2 UK country and region, 2020, percentage of UK inward FDI position.

#### Notes:

1. This map does not include unallocated results, which were those FDI companies that could not be linked through the Inter-Departmental Business Register and commercial data source, or Business Register and Employment Survey.
2. Any suppressed results or negative values have been set to zero for this interactive map. Please refer to the [Foreign direct investment involving UK companies \(directional\); inward dataset](#) for these statistics.
3. Changes to FDI statistics between 2019 and 2020 should be viewed with caution; these reflect changes in survey values in addition to possible effects from changes to the FDI populations and sampling stratification processes.

#### Download the data

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While Scotland and the South West (of England) did not have the lowest inward FDI positions among UK countries and regions, they did contain some of the International Territorial Level 2 (ITL2) sub-regions with the lowest positions. These were the Highlands and Islands in Scotland (£2.8 billion) and Cornwall and the Isles of Scilly in the South West (£2.1 billion). In terms of the UK country and region totals, these accounted for 3.0% of Scotland's inward FDI position, and 2.2% of the South West's inward FDI position.

## Outward FDI position

The distribution of outward FDI across the UK was similar to inward FDI in terms of the regions with the highest FDI values. For example, London and the South East together accounted for more than half (62.5%) of the UK total outward FDI position in 2020. Within those regions, Inner London West (£538.9 billion), Surrey, East and West Sussex (£110.7 billion), and Berkshire, Buckinghamshire and Oxfordshire (£109.6 billion) accounted for the highest values. This implies that most outward FDI is controlled from the south-eastern corner of the UK (Figure 3).

### Figure 3: Inner London West controlled more than £500 billion outward FDI position in 2020

Outward FDI positions for ITL2 UK country and region, 2020, percentage of UK outward FDI position.

#### Notes:

1. This map does not include unallocated results, which were those FDI companies that could not be linked through the Inter-Departmental Business Register and commercial data source, or Business Register and Employment Survey.
2. Any suppressed results or negative values have been set to zero for this interactive map. Please refer to the [Foreign direct investment involving UK companies \(directional\); outward dataset](#) for all these statistics.
3. Changes to FDI statistics between 2019 and 2020 should be viewed with caution; these reflect changes in survey values in addition to possible effects from changes to the FDI populations and sampling stratification processes.

## Download the data

[.xlsx](#)

The sub-region with the lowest outward FDI position in 2020 was Cornwall and Isles of Scilly (£0.9 billion). This was followed by Lincolnshire (£1.9 billion) and Devon (£2.7 billion). Therefore, two of the sub-regions with the lowest outward FDI values were in the South West. As with inward FDI, the Highlands and Islands of Scotland had the lowest outward FDI position of the Scottish regions.

## 3 . FDI positions by industry

We can identify the industry of the UK-based companies with foreign parents (inward relationships) and the industries of companies in other countries that have UK parent companies (outward).

In most areas, the largest values of inward foreign direct investment (FDI) were in either the manufacturing or financial and insurance industries. Manufacturing was the highest value industry in 18 International Territorial Level 2 (ITL2) locations in 2020, and the financial and insurance industries were the highest in 10. Sub-regions where financial and insurance industries had the highest position values were mainly in the south (6) compared with 1 in northern England and 3 in Scotland. By contrast, manufacturing industries had the highest position values in the English Midlands and Wales, with 8 of the 18 sub-regions being in these areas.

**Figure 4: For nearly half of UK regions in 2020 the industry with the largest inward FDI stock was manufacturing.**

**Inward FDI positions by industry group for ITL2 UK country and region in 2020, percentage of each region's inward position**

### Notes:

1. This map does not include unallocated FDI values or those related to banks, bank holding companies, property and public corporations; both are included in total UK FDI statistics.
2. Unallocated results represent those FDI companies that could not be linked through the Inter-Departmental Business Register and commercial data source, or Business Register and Employment Survey.
3. Any suppressed results or negative values have been set to zero for this interactive map. Please refer to the [Foreign direct investment involving UK companies \(directional\); inward dataset](#) for all these statistics.
4. Changes to FDI statistics between 2019 and 2020 should be viewed with caution; these reflect changes in survey values in addition to possible effects from changes to the FDI populations and sampling stratification processes.

## Download the data

[.xlsx](#)

For outward FDI, financial and insurance industries accounted for the highest position values in more sub-regions than was the case for inward FDI. These were more concentrated towards the east of the UK, including Eastern Scotland, East Yorkshire and North Lincolnshire, East Anglia and London (Figure 5). Manufacturing had the highest values in fewer regions compared with its inward values. Instead, the professional and support services, and the information and communication industries were more prominent.

**Figure 5: For most regions the largest outward FDI position was in financial and insurance industries in 2020**

**Outward FDI positions by industry for ITL2 UK country and region in 2020, percentage of each region's outward position**

## Notes:

1. This map does not include unallocated FDI values or those related to banks, bank holding companies, property and public corporations; both are included in UK total FDI statistics.
2. Unallocated results represent those FDI companies that could not be linked through the Inter-Departmental Business Register and commercial data source, or Business Register and Employment Survey.
3. Any suppressed results or negative values have been set to zero for this interactive map. Please refer to the [Foreign direct investment involving UK companies \(directional\): outward dataset](#) for all these statistics.
4. Changes to FDI statistics between 2019 and 2020 should be viewed with caution; these reflect changes in survey values in addition to possible effects from changes to the FDI populations and sampling stratification processes.

## Download the data

[.xlsx](#)

## 4 . Foreign direct investment data

[Foreign direct investment involving UK companies by UK country and region \(directional\): inward](#)

Dataset | Released 17 October 2022

Experimental statistics on the investment of foreign companies into the UK by UK country and region for investment flows, positions and earnings.

[Foreign direct investment involving UK companies by UK country and region \(directional\): outward](#)

Dataset | Released 17 October 2022

Experimental statistics on the investment of UK companies abroad by UK country and region for investment flows, positions and earnings.

[Foreign direct investment involving UK companies \(directional\): inward](#)

Dataset | Released 3 February 2022

Annual statistics on the investment of foreign companies into the UK, including for investment flows, positions and earnings.

[Foreign direct investment involving UK companies \(directional\): outward](#)

Dataset | Released 3 February 2022

Annual statistics on the investment of UK companies abroad, including for investment flows, positions and earnings.

## 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: the direct investments of UK-resident companies in other countries
- inward: the direct investments in the UK from non-resident companies

## Position

The FDI position is the value of the stock of investment held at a point in time. These statistics are presented as the stock of FDI outside the UK that is controlled by UK-resident companies (outward) or the stock of FDI in the UK controlled by foreign companies (inward). FDI positions are net values for the investments held by the direct investor (parent company) minus reverse investment by direct investment enterprises.

## Directional measurement principle

The directional measurement principle presents FDI statistics based on the direction of influence of the direct investor (parent company). These statistics are of most use when considering the direction of influence for UK-based companies and therefore in data linking FDI to other sources of information.

## International Territorial Level (ITL)

[International Territorial Levels \(ITL\)](#) are the new UK geographies classification system. This has superseded the Nomenclature of Units for Territorial Statistics (NUTS) classification system.

## City region

City regions are small groups of local authorities, consisting of the eight combined authorities that have directly elected mayors, as well as the mayoral authorities of Greater London and the Sheffield City Region, and the city growth deals agreed in Wales and Scotland. Our statistics include information on FDI with 16 city regions, where we have split London into Inner and Outer London.

# 6 . Data sources and quality

## Data sources

The main source of information for UK foreign direct investment (FDI) statistics is the Annual FDI Survey; separate surveys are used to collect data on inward and outward FDI. 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. Survey responses are used to estimate or impute FDI values for every company in the UK's inward and outward FDI populations. From 2020, a new commercial data source has been used to inform the inward and outward FDI populations. These experimental estimates link FDI responses to subnational corporate information from the commercial data source, the Inter-Departmental Business Register (IDBR) and the Business Register and Employment Survey (BRES).

## Methodological approach

We used responses to the Annual FDI Survey, and linked them with other sources of information to allocate FDI values to local areas. The survey asks reporting units of businesses to provide the value of various categories of FDI their business has engaged in, broken down by the industry of investment and the country with which the investment was linked. We take these results collected from the reporting unit (often a head office or administrative site) and link to other sources of information to apportion investment values to the individual local units of a business (such as a shop, warehouse, or office).

We link the survey values collected from reporting units to their associated local units according to the IDBR or commercial data source. The investment values from the reporting unit are then allocated to local units based the employees in each local unit. This is a similar approach to that used for subnational estimates of international trade. For units which could not be linked, it was not possible to assign a geography to those values. These have therefore been reported on as a separate "unallocated" category.

In this latest edition of subnational FDI estimates, we have improved the filtering of local units based on their location and status. While this has improved the accuracy of linking between the FDI population and the IDBR or commercial data source, the total number of unmatched businesses has increased in some cases (for example, if a business was previously linked to a business with an undesirable status). However, the commercial data source was also able to provide a location for several unmatched businesses in 2020 that were not matched in 2019.

Local unit and geographical information were not available for FDI data that are not collected using the FDI Survey. This includes banks, bank holding companies, property, and public corporations, and therefore these FDI values cannot be apportioned in the same way. Values are instead broken down according to the number of employees working in financial businesses in each geographic area as reported by BRES because most of this information relates to banks and bank holding companies. In this edition we have used BRES data from a more focused set of industries to improve our estimates and will explore using the commercial data source to locate some of these businesses in future results.

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

## 7 . Future developments

These experimental statistics have been produced by linking foreign direct investment (FDI) microdata with subnational company information from other sources. In April 2021, we published an updated [plan for developing FDI statistics](#). Part of our development of FDI statistics included adding questions to the quarterly and annual FDI surveys to collect information from companies on subnational FDI. An [overview of the type of information collected for 2020 from these new questions](#) was published in March 2022. None of the information from those new survey questions has been used in these experimental statistics, but this does provide an additional source of information to cross-reference these data-linked results for the same companies.

We welcome any suggestions for how these experimental subnational statistics could be developed further and on which statistics are most useful to you. Please send all responses to [fdi@ons.gov.uk](mailto:fdi@ons.gov.uk).



## 8 . Related links

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

Bulletin | Released 3 February 2022

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

[Foreign direct investment statistics, overview of methods changes: 2020](#)

Article | Released 3 February 2022

A summary of how we have used commercial information to enhance the UK's foreign direct investment (FDI) populations and stratification methods, with indicative results for 2020 and guidance on how to compare these estimates with previous years.

## 9 . Cite this article

Office for National Statistics (ONS), released 17 October 2022, ONS website, article, [Foreign direct investment, experimental UK subnational estimates: October 2022](#)