

Statistical bulletin

# Foreign direct investment involving UK companies: 2015

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



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# 1 . Main points

The UK's international investment position abroad (outward investment) fell from £1,078.7 billion in 2014 to £1,052.1 billion in 2015.

Net earnings from direct investment abroad by UK companies (outward earnings) fell from £68.5 billion in 2014 to £56.9 billion in 2015, the fourth consecutive fall.

Net flows of foreign direct investment (FDI) abroad (outward investment) were negative in 2015, with a disinvestment of £52.9 billion. The level of disinvestment was smaller compared with 2014, when there was a disinvestment of £90.8 billion.

The international investment position held by foreign companies in the UK (inward investment) decreased from £1,013.3 billion in 2014 to £950.3 billion in 2015.

Net earnings from direct investment in the UK (inward investment) decreased from £48.0 billion in 2014 to £47.9 billion in 2015, the second consecutive decline.

Net flows of foreign direct investment into the UK (inward investment) increased from £15.0 billion in 2014 to £21.6 billion in 2015.

## 2 . Your views matter

We are constantly aiming to improve this release and its associated commentary. We would welcome any feedback you might have and would be particularly interested in knowing how you make use of these data to inform our work. For further information please contact us via email: [fdi@ons.gsi.gov.uk](mailto:fdi@ons.gsi.gov.uk) or telephone Sami Hamroush on +44 (0)1633 455087.

## 3 . Overview

This statistical bulletin provides data on foreign direct investment (FDI) flows, positions and earnings involving UK companies. The investment figures are published on a net basis, that is, they consist of investments minus disinvestments. Investments can include acquisitions of assets or shares and disinvestments can include the disposal of assets or shares.

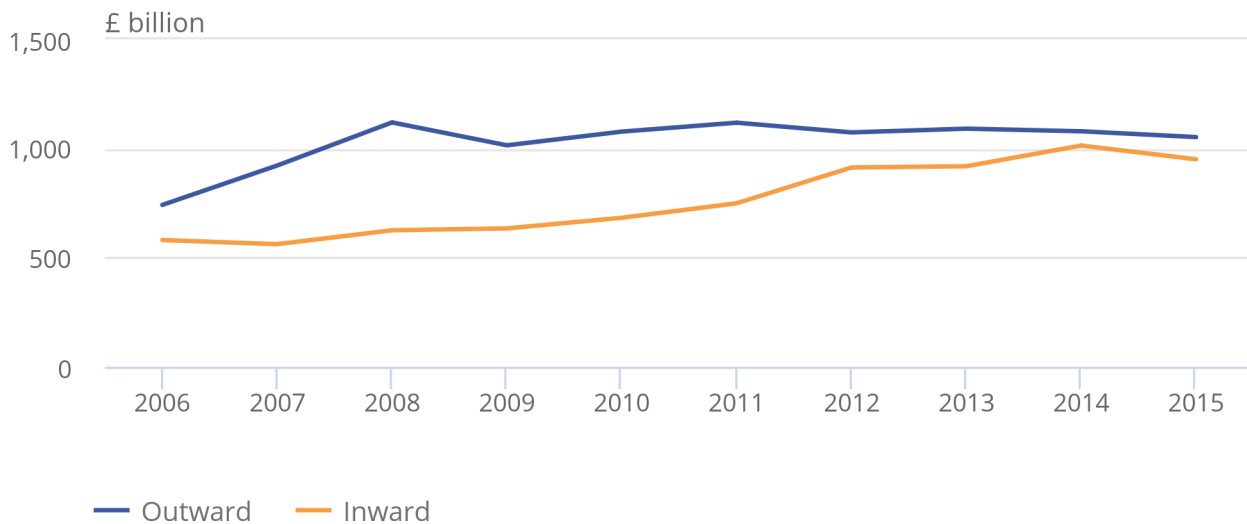
FDI statistics presented in this statistical bulletin have undergone methodological improvements, which address a number of recommendations that were published in July 2016's [National Statistics Quality Review of FDI statistics](#). In addition to these recommendations, the historical time series presented in the bulletin for periods between 2007 and 2013 have been revised to ensure consistency with the latest international standards and wider national accounts revisions. A detailed note that presents the impact of these improvements has been published alongside this statistical bulletin.

The estimates published for 2015 are based on the Annual Foreign Direct Investment survey. The [Balance of Payments estimates](#) to be published on 23 December 2016 will include these data, as it will be utilised to benchmark data currently published for 2015, which are based on the Quarterly FDI survey.

## 4 . Net FDI positions by geography, component and industry

Figure 1: UK outward and inward foreign direct investment (FDI) positions, 2006 to 2015

Figure 1: UK outward and inward foreign direct investment (FDI) positions, 2006 to 2015



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.

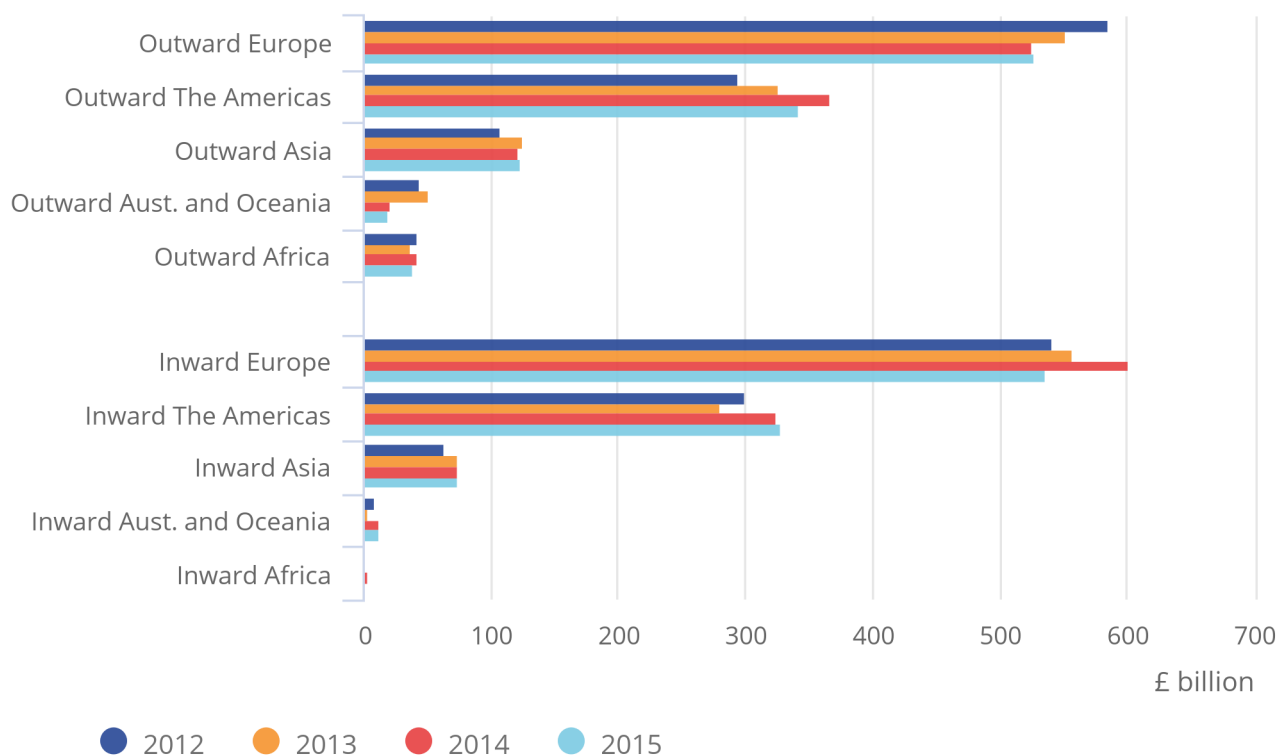
The UK's international investment position abroad (outward foreign direct investment (FDI) position) decreased from £1,078.7 billion to £1,052.1 billion between 2014 and 2015, the lowest level recorded since 2009 (£1,014.4 billion) (Figure 1) . This marks the second consecutive period of annual decline.

The international investment position held by foreign companies in the UK (inward FDI positions) decreased from £1,013.3 billion to £950.3 billion between 2014 and 2015 (Figure 1) . This marks the first period of annual decline since 2007, having previously followed an upward trend since 2008.

## Geographic analysis (Table 3.1)

Figure 2: UK outward and inward foreign direct investment (FDI) positions by continent, 2006 to 2015

Figure 2: UK outward and inward foreign direct investment (FDI) positions by continent, 2006 to 2015



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. Geographic definitions can be found in the background notes.

### Outward

Europe and the Americas remained the dominant areas for UK international investment positions abroad, accounting for 50.1% and 32.6% of total UK outward FDI positions respectively. UK outward FDI positions in Europe experienced a small increase in 2015, having previously followed a downward trend since 2011 (Figure 2). Within Europe, the Netherlands and Luxembourg continued to be the largest destinations for UK international investment positions abroad with levels recorded in 2015 of £126.4 billion and £92.8 billion respectively.

The UK's international investment position within the Americas experienced a decline in 2015 for the first time since 2010, falling by £24.7 billion to a level of £342.8 billion. Despite this decline, the level in 2015 remains the second largest recorded value in the time series since 2006 for the Americas (Figure 2). The USA (£237.3 billion) continued to be the largest destination for UK international investment positions abroad within the Americas in 2015.

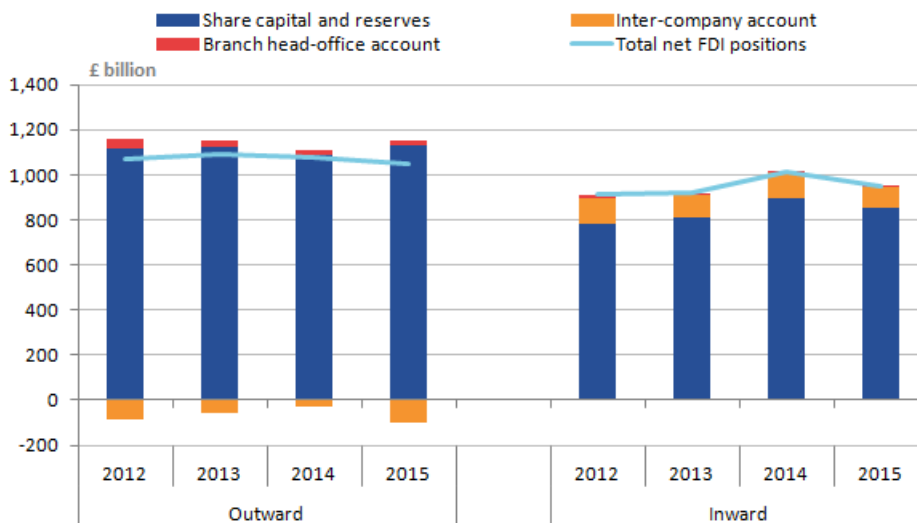
## Inward

Europe and the Americas remained the dominant sources for international investment positions in the UK and accounted for 56.3% and 34.5% of total UK inward FDI positions respectively in 2015. Inward positions from Europe declined in 2015, falling from £600.9 billion in 2014 to £535.3 billion, marking the first decline in inward positions since 2007 (Figure 2). The Netherlands made the largest contribution to this decline within Europe, with the inward FDI position falling by £40.4 billion between 2014 and 2015.

The Inward FDI position held by the Americas increased in 2015, rising from £323.6 billion in 2014 to £327.5 billion and marked the highest level recorded of inward FDI positions from the Americas in the time series 2006 to 2015 (Figure 2). The USA was the largest source for inward FDI positions from the Americas, with a reported inward FDI position of £252.1 billion in 2015. With the exception of 2013, the inward FDI position from the USA has been increasing annually since 2010.

## Components analysis (Table 3.2)

**Figure 3: UK outward and inward FDI positions by component, 2006 to 2015**



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.

## **Outward**

Analysing the fall in the UK's international investment position abroad by component, shows that the decline in 2015 of £26.6 billion was solely driven by a fall in amounts due to UK parent companies on the inter-company account, which fell from a negative position of £27.4 billion in 2014 to a negative position of £96.4 billion in 2015. Offsetting the decline were increases to both UK companies' share of foreign companies share capital and reserves, and amount due to UK parent companies on branch head office account, which increased by £38.6 billion and £3.8 billion respectively (Figure 3).

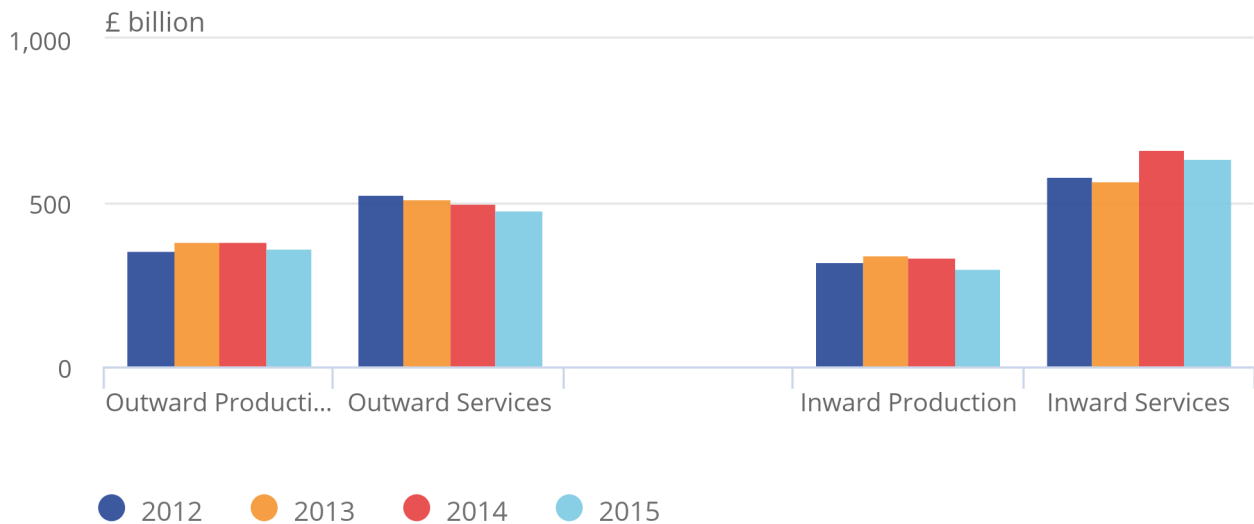
## **Inward**

In contrast to the outward positions, all components of the inward international investment position in the UK showed declines in 2015. Foreign companies' share of UK companies' share capital and reserves decreased the most, falling by £36.1 billion to a position of £856.1 billion in 2015. Amount due to foreign parent companies on the inter- company account also made a notable contribution to the decline in 2015, falling from an inward position of £117.4 billion in 2014 to £92.3 billion in 2015 (Figure 3).

## Industry analysis (Table 3.3)

Figure 4: UK outward and inward foreign direct investment (FDI) positions by industry, 2006 to 2015

Figure 4: UK outward and inward foreign direct investment (FDI) positions by industry, 2006 to 2015



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.

## Outward

The decline in the UK's international investment position abroad was seen in both the production and services industries in 2015, with falls of £16.8 billion and £18.3 billion respectively (Figure 4).

Within the production industries, mining and quarrying experienced the largest decline, falling from a total international investment position abroad of £190.3 billion in 2014 to £158.6 billion in 2015. The time series between 2012 and 2015 shows that, in recent years, the mining and quarrying industry consistently made the largest contribution to the overall investment position within the production industries.

The UK's investment position abroad from within the services industries has been declining annually in recent years. The financial services industry made the largest contribution to the overall services total and was the industry driving the decline in 2015, falling from an outward investment position of £257.5 billion in 2014 to £236.3 billion. The transport and storage industries also saw a notable decline in their investment position abroad, falling from £15.6 billion in 2014 to £7.4 billion in 2015.

## **Inward**

The decline in the international investment position in the UK was witnessed in both the production and services industries in 2015, with decreases of £37.8 billion and £26.2 billion respectively (Figure 4).

The decrease in the international investment position within the production industries was driven by a fall in mining and quarrying, which decreased from a total position of £95.9 billion in 2014 to £80.3 billion in 2015. The food products, beverage and tobacco products industry also saw a notable decline in its international investment position, falling from a position of £57.0 billion in 2014 to £42.2 billion in 2015. For both these industries, the levels seen in 2015 are the lowest recorded values in the time series between 2012 and 2015.

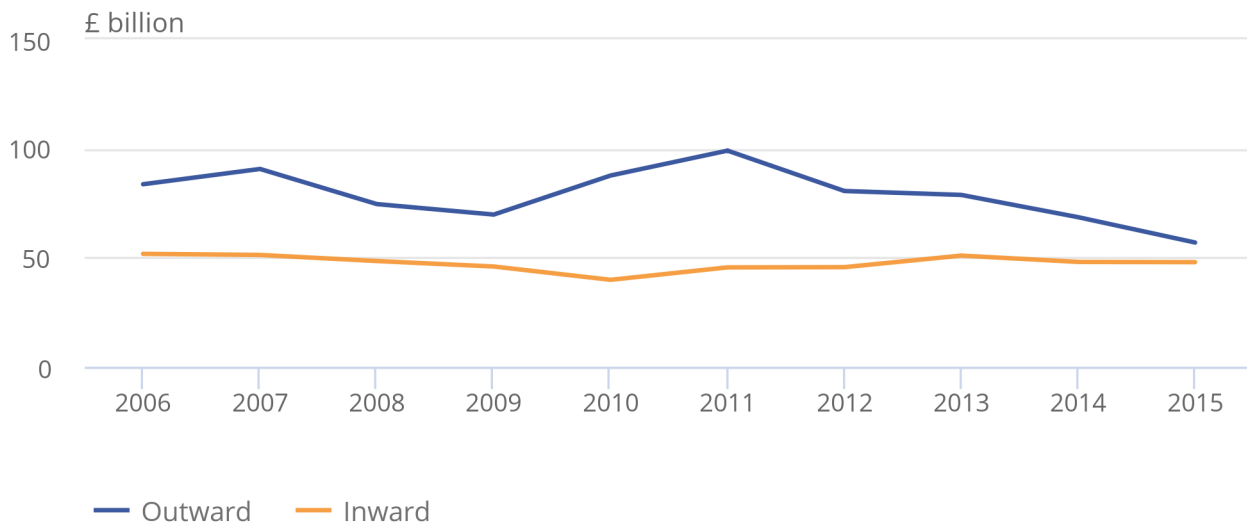
The fall in the international investment position within the services industries was primarily driven by the retail and wholesale trade, repair of motor vehicles and motor cycles industry, which fell from an investment position of £125.2 billion in 2014 to £113.2 billion in 2015. Declines were also experienced from the other services, and administrative and support service activities industries, with positions falling by £8.6 billion and £8.3 billion respectively. Offsetting the decline was the financial services industries, which saw their investment position in the UK increase from £278.0 billion in 2014 to £285.5 billion in 2015.



## 5 . Net FDI earnings by geography, component and industry

Figure 5: UK outward and inward foreign direct investment (FDI) earnings, 2006 to 2015

Figure 5: UK outward and inward foreign direct investment (FDI) earnings, 2006 to 2015



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.

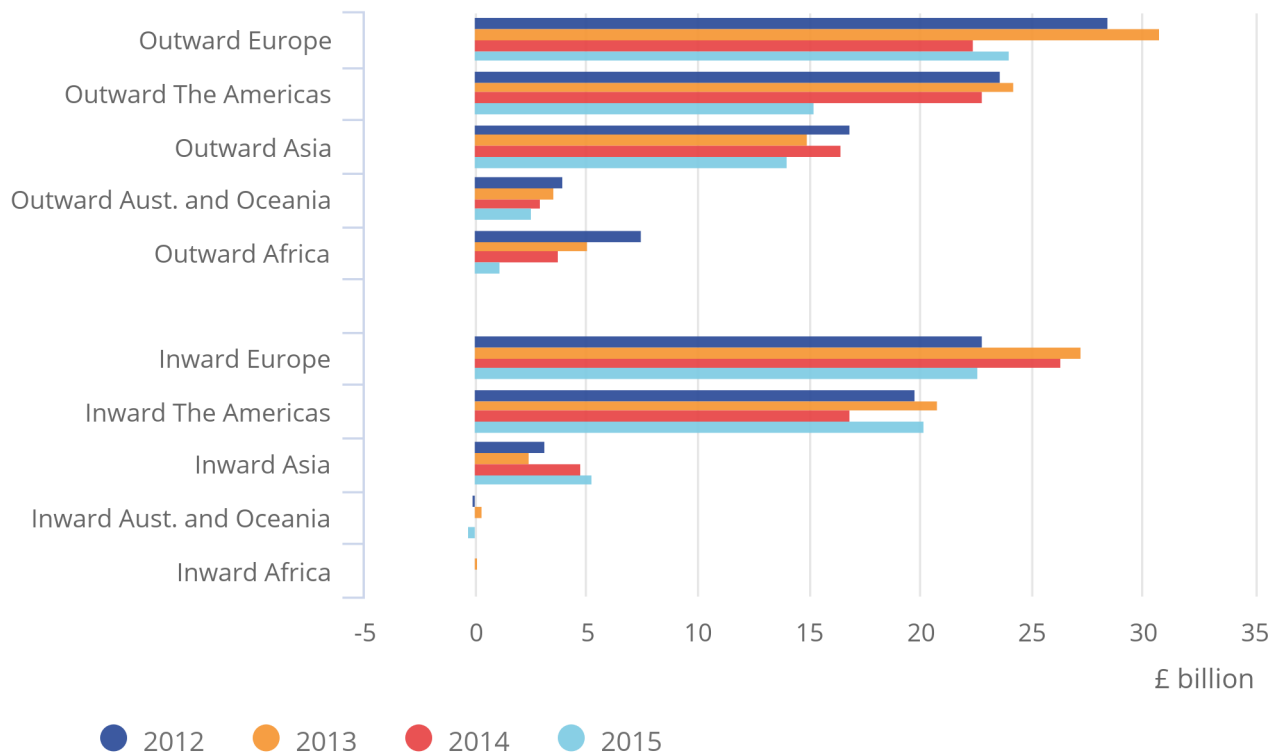
The value of the net direct investment earnings UK businesses and residents generated on their direct investment abroad (outward foreign direct investment (FDI) earnings) decreased from £68.5 billion in 2014 to £56.9 billion in 2015 (Figure 5). Outward FDI earnings have been declining annually since 2012 and the level recorded in 2015 marks the lowest level recorded in the time series since 2006.

The value of net direct investment earnings generated in the UK by overseas investors (inward FDI earnings) decreased from £48.0 billion in 2014 to £47.9 billion in 2015 (Figure 5). This marks the second consecutive period of decline since 2014 and is in contrast to the upward trend experienced between 2010 and 2013.

## Geographic analysis (Table 4.1)

Figure 6: UK outward and inward foreign direct investment (FDI) earnings by continent, 2006 to 2015

Figure 6: UK outward and inward foreign direct investment (FDI) earnings by continent, 2006 to 2015



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. Geographic definitions can be found in the background.

## Outward

In 2015, Europe became the region where the majority of UK outward FDI earnings were generated. UK earnings from Europe increased from £22.4 billion in 2014, to £24.0 billion in 2015; this followed a fall in outward earnings in 2014 of £8.5 billion (Figure 6). Within Europe, Germany and France made the largest contributions to the increase in UK outward FDI earnings, increasing by £2.3 billion and £1.9 billion respectively in 2015.

The Americas was the second largest region where UK outward FDI earnings were generated in 2015, however, earnings from the Americas fell by £7.5 billion in 2015 to a level of £15.3 billion, similar to the 2015 level recorded with Asia of £14.0 billion (Figure 6). Within the Americas, the USA made the largest contribution to the decline in outward earnings followed by Bermuda, falling by £5.3 billion and £1.8 billion respectively.

## Inward

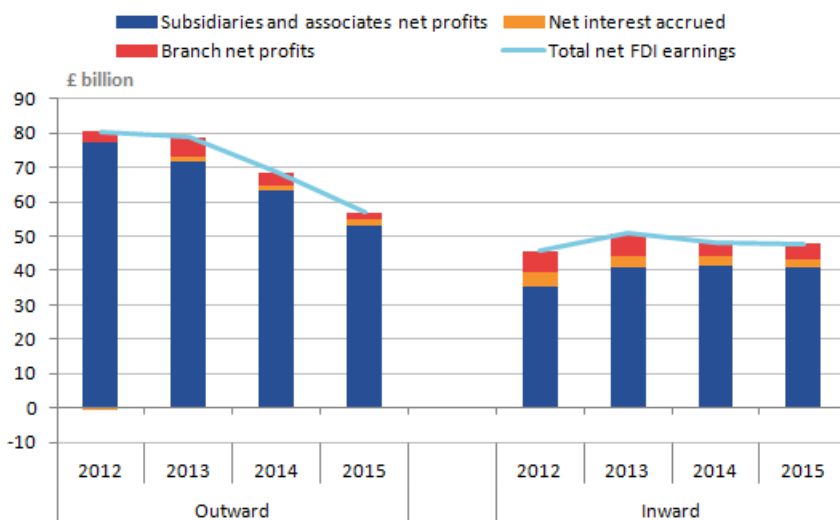
Europe and the Americas remained the dominant areas from where the majority of earnings generated in the UK by overseas investors originated, accounting for 47.2% and 42.2% of total inward FDI earnings respectively.

Despite Europe remaining the dominant region for inward FDI earnings in 2015, it did experience a decline of £3.8 billion, falling to £22.6 billion in 2015 (Figure 6). Within Europe, the Netherlands saw the largest fall in inward FDI earnings, declining from £6.6 billion in 2014 to £3.1 billion in 2015, a fall of £3.5 billion. Germany and Spain also experienced notable declines in inward FDI earnings, falling by £1.2 billion and £1.1 billion respectively.

Inward FDI earnings from the Americas showed growth in 2015 with earnings increasing from £16.9 billion in 2014 to £20.2 billion (Figure 6). The USA accounted for the majority of the increase, with inward FDI earnings increasing from £12.7 billion in 2014 to £17.5 billion in 2015. Canada partially offset the increase with inward FDI earnings falling from £1.3 billion in 2014 to £0.3 billion in 2015, the lowest value recorded in the time series between 2006 and 2015.

## Component analysis (Table 4.2)

**Figure 7: UK outward and inward FDI earnings by component, 2006 to 2015**



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.

## **Outward**

Analysing the fall in net FDI earnings abroad by component in 2015 shows the decline of £11.5 billion is largely attributed to UK companies' share of foreign companies' net profits, which declined from £63.3 billion in 2014 to £53.0 billion in 2015 (Figure 7). This component began to decline in 2012 and 2015 marks the lowest recorded value in the time series between 2006 and 2015. UK companies' share of foreign branches' net profits also showed a decline in 2015, falling from £4.0 billion in 2014 to £2.2 billion in 2015, marking the second consecutive period of annual decline.

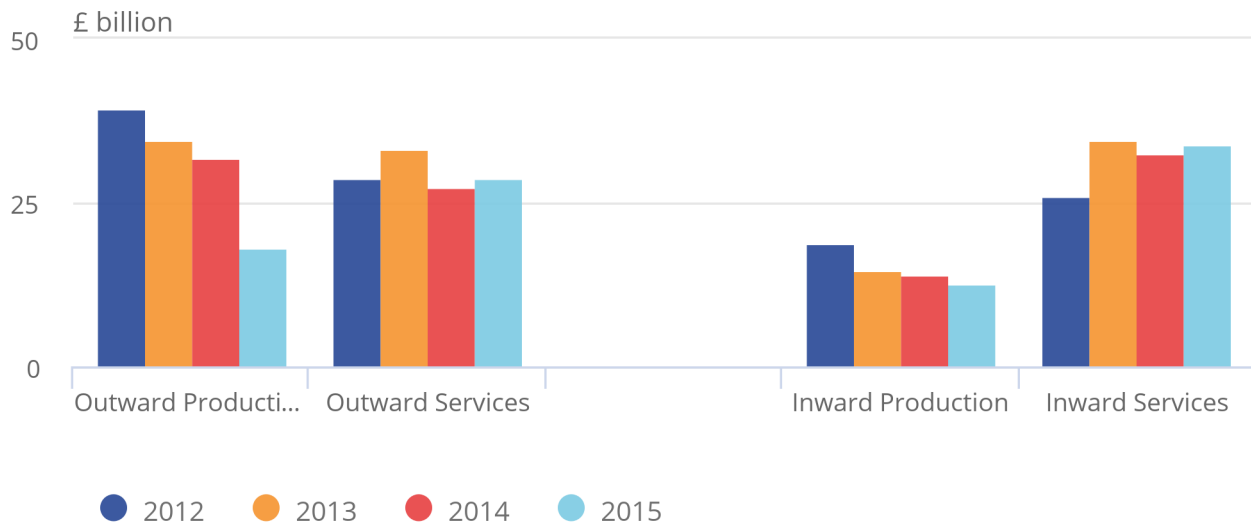
## **Inward**

The fall in net FDI earnings in the UK is more subdued than in outward FDI earnings for 2015, whereby net FDI earnings in the UK fell by £0.1 billion in 2015, compared with a fall of £11.5 billion on outward FDI earnings (Figure 7). The annual decline in net inward FDI earnings was driven by a fall in foreign companies' share of UK companies' net profits, falling from £41.5 billion in 2014 to £40.7 billion in 2015. Net interest accrued to foreign parent companies also declined in 2015, falling from £2.9 billion in 2014 to £2.4 billion in 2015. Offsetting the decline in net inward FDI earnings was UK branches' net profits, which increased from £3.6 billion in 2014 to £4.8 billion in 2015.

## Industry analysis (Table 4.3)

Figure 8: UK outward and inward foreign direct investment (FDI) earnings by industry, 2006 to 2015

Figure 8: UK outward and inward foreign direct investment (FDI) earnings by industry, 2006 to 2015



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.

## Outward

The decline in net outward FDI earnings of £11.5 billion in 2015 was solely attributable to the production industries, which saw net outward FDI earnings fall from £31.8 billion in 2014 to £18.2 billion in 2015, a fall of 43% (Figure 8). Within the production industries, the decline in 2015 was primarily driven by the mining and quarrying industry, which saw net outward FDI earnings fall from £15.0 billion in 2014 to £0.1 billion in 2015, a fall of £14.9 billion.

Net outward earnings from within the services industries showed growth in 2015, rising from £27.5 billion in 2014 to £28.6 billion (Figure 8). The other services industries increased the most, rising by £1.2 billion to a net earnings total of £6.4 billion in 2015. Offsetting the increase with the services industries was financial services, which continued to show an annual decline in 2015, falling from £15.3 billion in 2014 to £13.9 billion.

## Inward

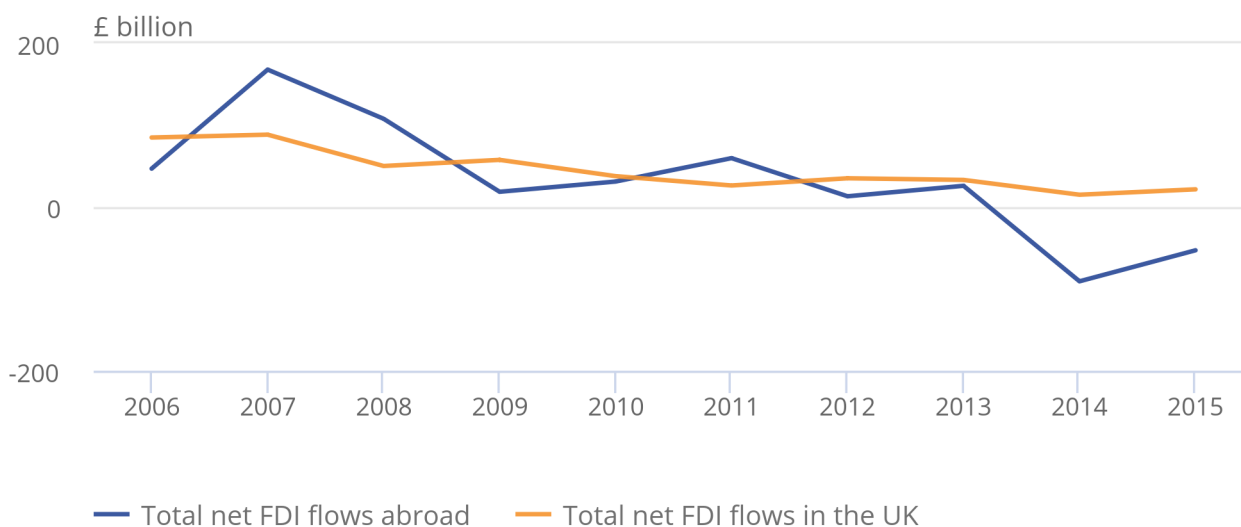
The decline in net inward FDI earnings in 2015 of £0.1 billion was primarily driven by a decline in inward FDI earnings from within the production industries, where net inward FDI earnings fell from £14.1 billion in 2014 to £12.6 billion in 2015 (Figure 8). Net inward earnings from within the production industries have been declining annually in recent years. Within the production industries, transport equipment saw the largest decline in net FDI inward earnings, falling from £3.2 billion in 2014 to £2.2 billion in 2015. Other notable declines were experienced within the food products, beverages and tobacco products, and mining and quarrying industries, with falls of £0.7 billion and £0.5 billion respectively.

Net inward FDI earnings from within the services industries increased from £32.7 billion in 2014 to £33.8 billion in 2015 (Figure 8). The financial services, and information and communication industries contributed most towards the increase in 2015, with increases of £1.8 billion and £1.7 billion respectively. Offsetting the increase within the services industries was professional, scientific and technical services, which fell by £3.9 billion in 2015.

## 6 . Net FDI flows by geography, component and industry

Figure 9: UK outward and inward foreign direct investment (FDI) flows, 2006 to 2015

Figure 9: UK outward and inward foreign direct investment (FDI) flows, 2006 to 2015



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.

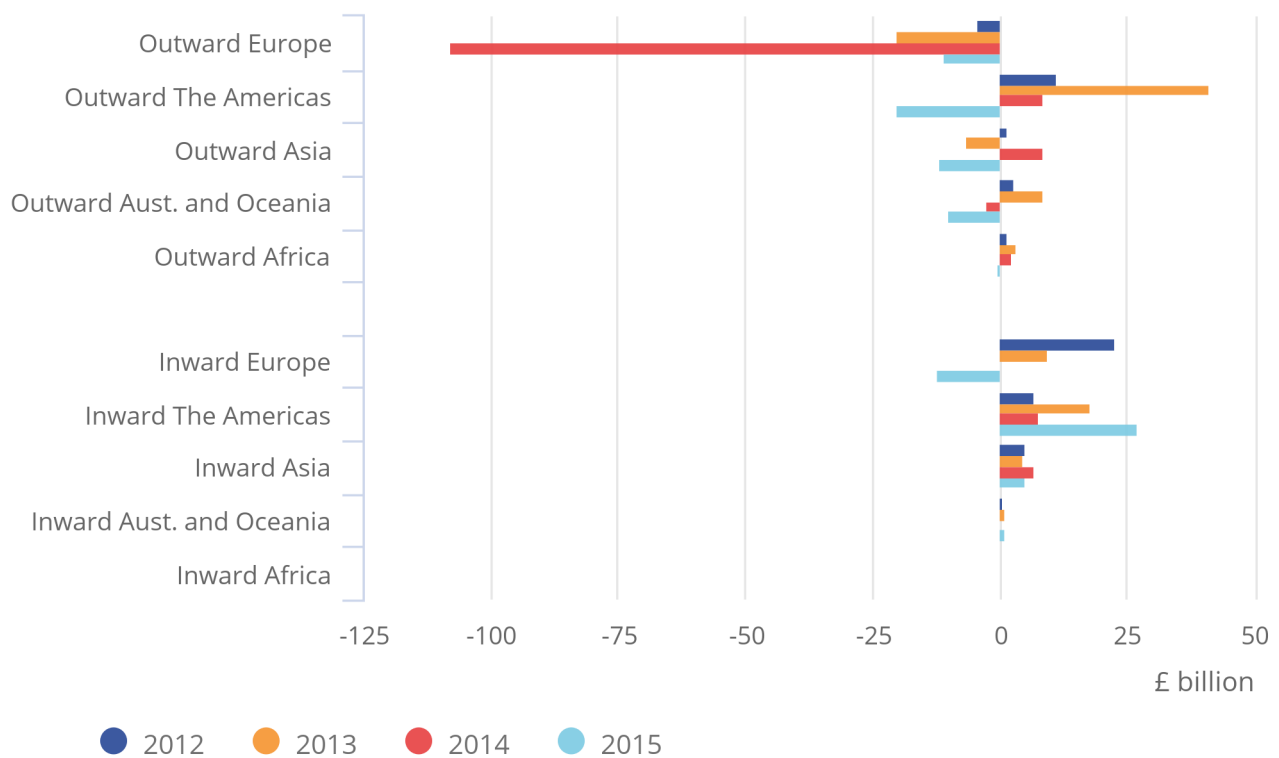
Net flows of direct investment abroad by UK companies (outward foreign direct investment (FDI) flows) remained negative in 2015, with a disinvestment of £52.9 billion (Figure 9). The negative flows in 2015 were smaller than the £90.8 billion disinvestment recorded in 2014. Direct investment flows abroad 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 FDI flows) increased from £15.0 billion in 2014 to £21.6 billion in 2015 and marks the first annual increase in inward FDI flows since 2013 when inward FDI flows began to decline (Figure 9).

## Geographic analysis (Table 2.1)

Figure 10: UK outward and inward foreign direct investment (FDI) flows by geography, 2006 to 2015

Figure 10: UK outward and inward foreign direct investment (FDI) flows by geography, 2006 to 2015



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.

### Outward

While net FDI flows abroad recorded further disinvestment in 2015, the level of disinvestment was £37.8 billion smaller than levels recorded in 2014.



Outward FDI flows to the Americas made the largest contribution to the decline in 2015, falling from £8.4 billion in 2014 to a negative flow of £20.2 billion (Figure 10). Canada and the USA experienced the largest declines in this region, with falls of £12.6 billion and £12.4 billion respectively.

Asia made the second largest contribution to the decline in outward flows, falling from £8.7 billion in 2014 to a disinvestment of £11.8 billion in 2015 and was primarily driven by Gulf Arabian countries falling to a disinvestment of £8.5 billion in 2015.

Europe partially offset the decline in net outward flows with the value of disinvestment (negative flow) falling from £107.8 billion in 2014 to a disinvestment of £10.8 billion in 2015. Within Europe, Luxembourg was the country responsible for the sharp fall in outward flows in 2014 falling to a disinvestment of £76.9 billion and also the country responsible for the improvement in outward flows in 2015 with a total disinvestment of £8.1 billion.

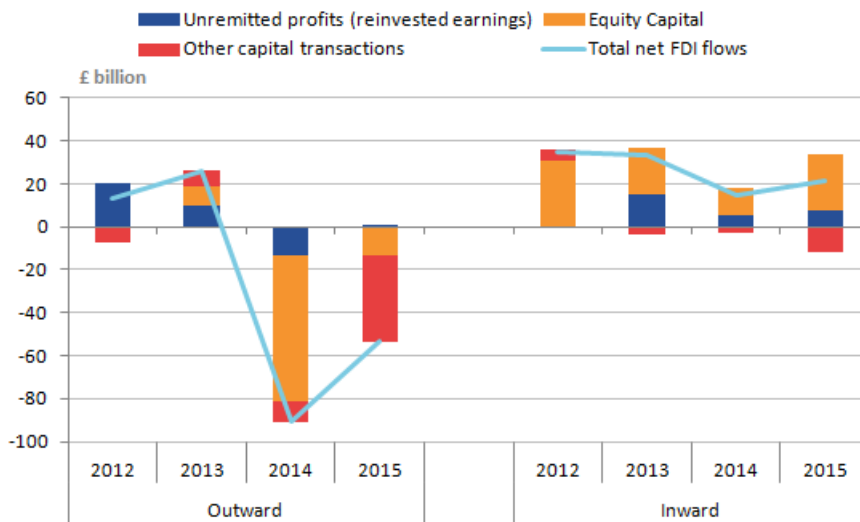
## Inward

Net investment flows into the UK (inward FDI flows) increased from £15.0 billion in 2014 to £21.6 billion in 2015. The Americas made the largest contribution to the increase in inward FDI flows, rising by £19.3 billion to £27.2 billion in 2015 (Figure 10). Within the Americas, inward FDI flows from the USA showed the largest increase, with a reported figure of £20.1 billion in 2015 marking the highest recorded value since 2011 (£40.1 billion).

Offsetting the increase in inward FDI flows from the Americas in 2015 was Europe, which saw the value of inward FDI flows continuing to fall in 2015 with a disinvestment of £12.1 billion. The decline was driven by the Netherlands, where flows fell by £19.8 billion in 2014 to disinvestment of £22.6 billion in 2015.

## Component analysis (Table 2.2)

**Figure 11: UK outward and inward FDI flows by component, 2006 to 2015**



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.

## **Outward**

Analysing net FDI flows abroad by component shows that in 2015, other capital transactions made the largest negative contribution to overall investment flows, with increased disinvestment (negative flows) from £9.8 billion in 2014 to £40.2 billion in 2015. This is in contrast to 2014, when the driving component of disinvestment in outward FDI flows was equity capital. Equity capital flows in 2015 recorded disinvestment of £13.2 billion, notably smaller than £67.6 billion disinvestment recorded in 2014. Outward flows of unremitted profits increased by £13.9 billion in 2015 from a negative flow of £13.4 billion in 2014 to £0.5 billion in 2015 (Figure 11).

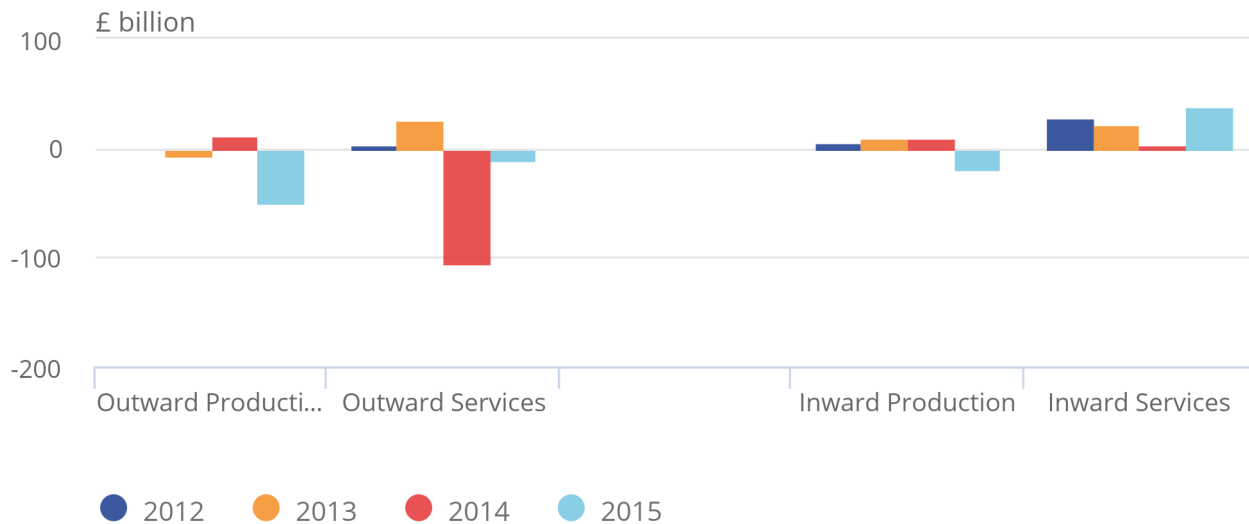
## **Inward**

Inward FDI flows appear more stable compared with outward flows. In 2015, net flows into the UK increased by £6.6 billion to £21.6 billion. This was driven by an increase in equity capital, which rose from £13.2 billion in 2014 to £26.2 billion in 2015. Offsetting the increase in equity capital was a decline in other capital transactions, which increased from a disinvestment of £3.2 billion in 2014 to a disinvestment of £11.9 billion in 2015 (Figure 11).

## Industry analysis (Table 2.3)

Figure 12: UK outward and inward foreign direct investment (FDI) flows by industry, 2006 to 2015

Figure 12: UK outward and inward foreign direct investment (FDI) flows by industry, 2006 to 2015



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.

## Outward

The improvement in outward FDI flows in 2015 was driven by the services industries, which saw flows fall from a £105.8 billion disinvestment in 2014 to an £11.3 billion disinvestment in 2015 (Figure 12). Within the services industries, information and communication made the largest contribution to the fall in overall disinvestment (negative flows), with disinvestment in this industry grouping falling from a £77.4 billion in 2014 to £3.3 billion in 2015.

The increase seen within the services industries was partly offset by the production industries, which saw a decline in outward FDI flows in 2015 of £62.4 billion, falling to a disinvestment of £50.2 billion. Within the production industries, the mining and quarrying industry made the largest contribution to the decline, falling by £54.8 billion.

## Inward

The increase in inward FDI flows is primarily driven by the services industries, which experienced an increase in inward FDI flows from £3.5 billion in 2014 to £38.4 billion in 2015 (Figure 12). The financial services, and information and communication technology industries made the largest contributions to the increase within the services sector, increasing by £11.6 billion and £11.1 billion respectively in 2015. Other notable increases in 2015 were seen in the retail and wholesale trade, repair of motor vehicles and motor cycles industry, where flows increased by £6.2 billion, and the other services industries, with an increase of £4.3 billion.

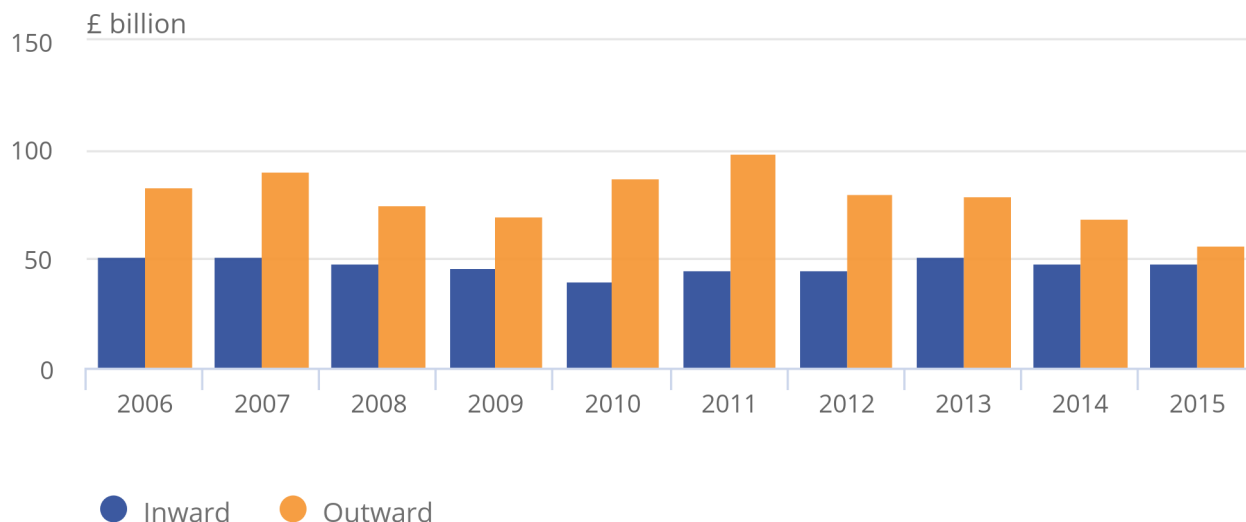
Offsetting the increase in the services industries were declines in the production industries, which fell from £10.2 billion in 2014 to a disinvestment flow of £18.4 billion. Within the production industries, the mining and quarrying industry saw the largest decline in 2015, falling by £21.1 billion to a disinvestment flow of £18.2 billion.

## 7 . FDI economic commentary

Looking at the reported earnings on foreign direct investment (FDI) involving the UK demonstrates that the difference between inward and outward earnings has continued to narrow in 2015. Figure 13 shows that this trend started in 2011, when UK earnings from overseas investment was £53.5 billion higher than earnings generated by overseas investors in the UK. In 2015, the difference had reduced to £9.1 billion, which appears to be more as a result of UK earnings from overseas falling; the value of earnings on FDI in the UK has been stable at around £45 billion to £50 billion in most years since 2006.

**Figure 13: Foreign direct investment (FDI) earnings involving the UK, 2006 to 2015**

Figure 13: Foreign direct investment (FDI) earnings involving the UK, 2006 to 2015



**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.

Rates of return on FDI are calculated with reference to the inward or outward international investment position. This frames earnings relative to the size of the investment stock. The value of the UK's outward FDI position has been relatively constant since 2008, averaging £1,078 billion between 2008 and 2015. Therefore the downward trend in outward earnings since 2011 implies that the rate of return on these investments overseas has been falling; the implied rate of return on UK outward investment fell from 8.9% in 2011 to 5.4% in 2015.

In contrast to outward investment, the value of inward investment positions have followed a broadly upward trend since 2007, increasing from £561 billion in 2007 to £950 billion in 2015 – although the value of inward positions experienced a fall in 2015. Similarly to outward investment, rates of return on inward investment are lower than they were in 2011; however, these have been more resilient, averaging approximately 5.1% since 2012. The increased investment and more resilient rate of return helps to explain why inward earnings have been more stable over this period.

There are many reasons why the value of earnings for UK FDI overseas has been falling in recent years. Some of these will reflect different economic conditions in those countries where UK FDI is concentrated, while movements in specific exchange rates over the years are also a factor. A further reason identified in these data has been the fall in earnings within industries involved in the extraction and processing of raw materials. For instance, outward FDI earnings from the mining and quarrying industries have followed a downward trend in recent years and experienced a further substantial decline in 2015, falling from £15.0 billion in 2014 to £0.1 billion. This decline coincides with a period when global commodity prices, most notably crude oil prices, had been falling.

## International comparisons

Organisation for Economic Co-operation and Development (OECD) data<sup>1</sup> estimates that the UK outward investment position was worth US \$1,564 billion in 2015 and the inward position was worth \$1,554 billion. This is the second largest outward international investment position in the world in 2015 in value terms. When considered as a percentage of GDP, inward and outward FDI positions are both equivalent to 55% of UK GDP. For the outward position, this is higher than the shares of France, Germany, Italy, Japan and United States among the G7 countries; Canada's outward FDI share in GDP (69%) is higher than that of the UK.

In terms of flows, the UK is typically among the top 10 countries in the world for inward investment and was the tenth largest destination for inward flows in 2015. The US received the highest value of FDI inflows in the world for the first time since 2009; China received the second highest value of inflows, having been the largest recipient in 2014. The UK has traditionally been an active investor overseas; however, the negative flows in 2014 and 2015 has resulted in the UK becoming an overall disinvestor in the rest of the world.

## Notes for FDI economic commentary

1. Accessed on 16 November 2016. Data from the OECD can be presented in US dollars to facilitate comparisons between countries.

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

## Background information

The latest foreign direct investment (FDI) estimates produced in this statistical bulletin include revised annual estimates for 2014 and new estimates for 2015.

The upcoming [Balance of Payments publication](#), to be published on 23 December 2016, will incorporate the latest 2015 estimates and therefore revise the previously published estimates that were based on the quarterly survey.

Differences between the quarterly and annual surveys reflect differences 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 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 used to provide the quarterly returns. We carry out an annual FDI benchmarking process to reconcile quarterly and annual estimates; therefore, quarterly and annual 2015 estimates in balance of payments will also be revised within the Balance of Payments publication on 23 December 2016.

Revisions to 2014 estimates that are reported in this release reflect late survey returns that have been received since last year's publication. In line with the National Accounts Revisions Policy, revised estimates for 2014 will not be incorporated into balance of payments statistics until September 2017.

It is worth noting that statistics presented in this statistical bulletin and balance of payments are not directly comparable due to the 2 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 and Pink Book. While the 2 measurement principles are different, estimates of net earnings, positions and flows are broadly comparable. Further details relating to the differences between the 2 principles can be found in an [OECD paper](#).

This section aims to provide you with early sight of the asset and liability estimates for 2014 and 2015, along with an indication of the size of revisions that will be made to FDI estimates in upcoming balance of payments publications.

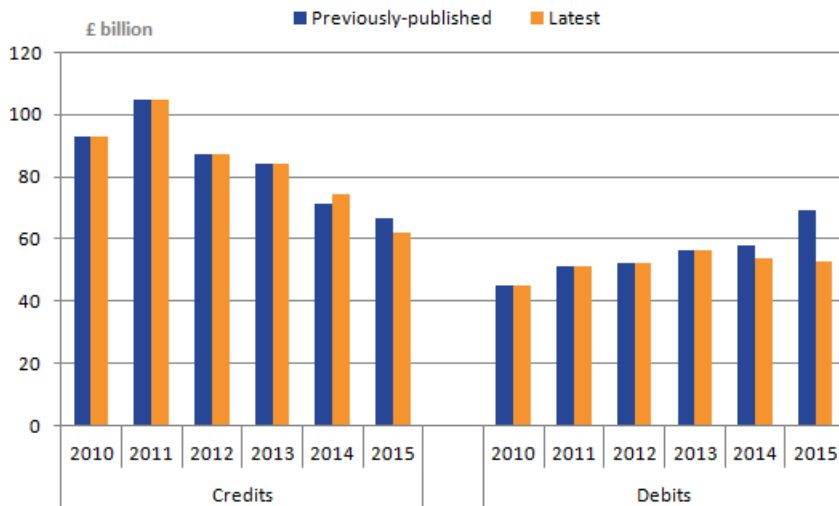
## **FDI earnings**

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.

UK FDI credits have traditionally exceeded debits. Since 2011, however, FDI credits have followed a downward trend, while debits increased slightly over the same period. According to previously published estimates, net FDI earnings (credits minus debits) entered negative territory in 2015. The latest estimates published in this statistical bulletin revise net FDI earnings for 2015 upwards, from negative £2.9 billion to £9.1 billion. The upward revision mainly reflects changes to FDI debits, which were revised downwards from £69.4 billion to £52.7 billion (Figure 14). The downward revision to FDI debits in 2015 reflects smaller profits being reported by companies on the annual survey compared with the estimates that had been produced for them based on the smaller quarterly sample.

Net FDI earnings are also revised upwards in 2014, from £13.3 billion to £20.4 billion, reflecting an upward revision to credits from £71.2 billion to £74.2 billion and a downward revision to debits from £57.9 billion to £53.8 billion.

**Figure 14: FDI earnings involving the UK, previously-published and latest estimates, 2010 to 2015**



Source: Office for National Statistics

**Notes:**

1. All values are at current prices (see background notes for definition).

The downwards revision to net FDI earnings in 2015 and to a lesser extent in 2014, improves the contribution made by FDI to the UK’s overall current account balance. It is worth noting however, that broad trends previously reported are unchanged – specifically, the fall in FDI net earnings due to falling credits and more resilient debits.

## FDI positions

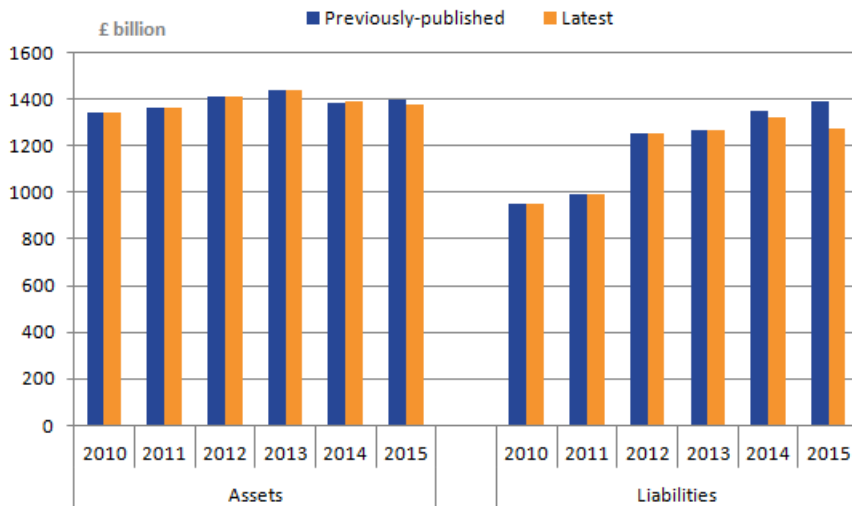
The stock of investment UK companies hold overseas are referred to as assets when measured using the asset and liability principle, while stocks of investment foreign companies hold in the UK are referred to as liabilities.

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. The previously published estimate for net FDI positions for 2015 was £6.9 billion, which is revised upwards to £101.1 billion according to the latest estimates published in this bulletin. The driver of this was a downward revision to FDI liabilities from £1,389.8 billion to £1,275.5 billion. A proportion of this downward revision reflects methodological improvements that have been made to the 2015 FDI population, which hasn’t been possible to retrospectively implement for previous years. These improvements have particularly impacted the value of FDI liabilities, with little impact on other inward FDI variables such as FDI debits or flows. In light of this, a degree of caution is advised when interpreting the decline in the value of FDI liabilities between 2014 and 2015. However, it is worth noting that the fall in FDI liabilities between 2014 and 2015 does also reflect a genuine decrease in company responses to the survey between the 2 periods.

Latest estimates of net FDI positions for 2015 are also revised upwards when compared with previously published estimates, with a revision from £34.2 billion to £63.9 billion. The revision almost entirely reflects a downward revision in FDI liabilities from £1,349.7 billion to £1,323.7 billion (Figure 15).



**Figure 15: FDI positions involving the UK, previously-published and latest estimates, 2010 to 2015**



Source: Office for National Statistics

**Notes:**

1. All values are at current prices (see background notes for definition).

The upward revision to net FDI positions in 2015 and to a lesser extent in 2014, improves FDI's contribution to the UK's overall international investment position in the balance of payments. For 2015, the revisions to the net FDI positions also revise the trend previously seen, where the UK's net FDI position improves for the first time on an annual basis since 2010.

## 9 . Quality and methodology

### 1. Basic quality information

The [Foreign direct investment Quality and Methodology Information document](#) 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

### 2. Main issues specific to this release

The estimates in this statistical bulletin are based on annual foreign direct investment (FDI) surveys for 2015. This publication incorporates a more comprehensive breakdown of the FDI results, which were previously released as an Office for National Statistics (ONS) statistical bulletin each February titled "Foreign Direct Investment Involving UK Companies (MA4)". Provisional estimates for 2015, 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, published 23 December 2016.

FDI statistics presented in this statistical bulletin have undergone methodological improvements that address a number of recommendations that were published in July 2016's [National Statistics Quality Review of FDI statistics](#) – including the reintroduction of standard errors estimates that are presented in this section.

In addition to the above changes, the historical time series presented in the bulletin for periods between 2007 and 2013 have been revised to ensure consistency with the latest international standards and wider national accounts revisions. A detailed note that presents the [impact of these improvements](#) has been published alongside this statistical bulletin.

### **3. 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 1: Definitions 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
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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 and Barbuda	Argentina	Aruba
Bahamas	Barbados	Belize	Bermuda
Bolivia	Bonaire, Sint Eustatius and 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 and Nevis	Saint Lucia	Sint Maarten
St Vincent and the Grenadines	Suriname	Trinidad and Tobago	Turks and Caicos Islands
Uruguay	US Virgin Islands	USA inc. Puerto Rico	Venezuela

## Asia

### Other Near and 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 and Antarctic Lands	Fiji	Guam	Heard Island and 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 and South Sandwich Islands	Tokelau
Tonga	Tuvalu	US Minor Outlying Islands	Vanuatu
Wallis and 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 and Principe	Senegal	Seychelles	Sierra Leone
Somalia	South Africa	South Sudan	St Helena, Ascension and 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	Solvenia	South Korea
Spain	Sweden	Switzerland	Turkey
USA inc. Puerto Rico			

Central and Eastern Europe

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





## Table 2: Industry Allocation

## SIC 2007 code and description

### 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 & 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 & 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)

## 663 Fund managers

### 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
- 

#### 4. 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 2015 annual surveys are shown in Table 3.

**Table 3: Response Rates 2015**

	Outward FDI	Inward FDI
Selected Sample Size	1,955	3,250
Numbers co-operating fully or partially	1,407	2,631
Non-responders	548	619
Overall response rate (%)	72	81

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 businesses in the sample that 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.

The method used to calculate standard errors for FDI statistics has been under review in recent years. FDI standard errors for 2015 have been re-introduced in this edition of the publication. Further information on the work undertaken to re-introduce standard errors can be found in an article "[Methodological improvements to foreign direct investment statistics: December 2016](#)".

**Table 4: Standard Errors**

	Annual Inward 2015			Annual Outward 2015		
	Published estimate (£ million)	Standard Error (£ million)	Coefficient of Variation (%)	Published estimate (£ million)	Standard Error (£ million)	Coefficient of Variation (%)
Total earnings	47,872	1,410	2.9	56,946	178	0.3
Total flows	21,599	3,114	14.4	-52,946	1,491	-
Total position	950,315	8,706	0.9	1,052,081	1,331	0.1

Source: Office for National Statistics

Note:

1. Coefficients of variation are not available for negative estimates

## 5. Revisions

Data for 2014 have been revised in this statistical bulletin and will not be revised any further. Data for 2015 will remain provisional until December 2017, when the next FDI statistical bulletin will be released.

## 6. 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.

Discontinuities present in 2006 due to private property, bank holding companies and public corporations data being included in the total only.

## 10. Background notes

### 1. Your views matter

We are constantly aiming to improve this release and its associated commentary. We would welcome any feedback you might have and would be particularly interested in knowing how you make use of these data to inform our work. Please contact us via email: [fdi@ons.gsi.gov.uk](mailto:fdi@ons.gsi.gov.uk) or telephone Sami Hamroush on +44 (0) 1633 455087.

### 2. Main concepts and definitions

**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.

### 3. Relevance to users

The UK's FDI statistics are produced according to the agreed international standards set out in the fourth edition of the Organisation for Economic Co-operation and Development's (OECD) Benchmark Definition of FDI (BD4) and the sixth edition of the International Monetary Fund's (IMF) Balance of Payments Manual (BPM6). Complying with these standards ensures that the FDI statistics produced by the UK are comparable with those from other countries, something that is critical to many users of these estimates.

We make every effort to provide informative commentary on the data in this release. As part of the quality assurance process, individual businesses are contacted in an attempt to capture reasons for large period-on-period data movements. It can prove difficult to gather detailed reasons from some businesses to help inform the commentary. Frequently, reasons given for data movements refer to a "change in market conditions" or a "restructure of the company". Consequently, it's not possible for all data movements to be fully explained.

We are aware that a number of users make use of these data for modelling or forecasting purposes. In doing so, it is important that you make note of our revisions policy (see note 7 in the background notes) and that all time series 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.

One question often asked of the FDI release is "why are there high levels of investment to and from countries such as Luxembourg and Jersey where there are relatively low levels of economic activity?" The reason is that our figures record transactions between the UK and the first port of call. Some companies are structured such that the first destination is used to pass through investments to a second country in order to take advantage of certain business conditions, such as low tax regimes. This can lead to distortions within the figures.

In line with the Code of Practice for Official Statistics, we will consult fully with data providers and users of the statistics regarding any changes that occur as a result of the adoption of the new manuals.

FDI estimates are essential for measuring the UK's balance of payments and the UK's international investment position. FDI earnings figures feed into the balance of payments current account, while FDI flows form an integral part of the financial account. FDI statistics are also of great interest in their own right. By its very nature, FDI is seen as promoting stable and long-lasting economic links between countries. It is generally believed that FDI can assist host countries in developing local enterprises, promote international trade through access to markets and contributes to the transfer of technology and know-how. FDI can also have an impact on the development of

labour and financial markets. Regular analysis of FDI trends and developments is therefore an integral part of most macro-economic and cross-border financial analysis. Identifying partner countries and industries is central to most such analysis.

Within the UK, FDI estimates are used by a large number of government departments for briefing and policy purposes. These include Her Majesty's Revenue and Customs (HMRC), Cabinet Office, HM Treasury (HMT), UK Trade and Investment (UKTI), the Bank of England (BOE), the Department for Business, Energy and Industrial Strategy (BEIS) and the Department for International Development (DFID).

UK FDI figures are also extensively used for policy, analysis and negotiations by international organisations, including Eurostat, United Nations Conference on Trade and Development (UNCTAD), OECD and IMF, as well as a number of foreign embassies. More widely the FDI estimates are utilised by commercial companies, academics and independent researchers.

## 4. National Statistic

The UK Statistics Authority has reviewed this publication in its report: [“Assessment of compliance with the Code of Practice for Official Statistics”: Statistics of International Transactions](#), which was published on 8 December 2011.

This review recommended that the Foreign Direct Investment Involving UK Companies estimates be designated as a National Statistic, subject to ONS carrying out certain requirements. We met all of these requirements on 3 May 2013.

## 5. Government Statistical Service (GSS) business statistics

To find out about other official business statistics, and choose the right data for your needs, use the [GSS Business Statistics Interactive User Guide](#). By selecting your topics of interest, the tool will pinpoint publications that should be of interest to you, and provide you with links to more detailed information and the relevant statistical releases. It also offers guidance on which statistics are appropriate for different uses.

## 6. 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.

## 7. Special events

ONS has published commentary, analysis and policy on “Special Events” which may affect statistical outputs. For full details visit the [Special Events](#) page on the ONS website.

## 8. Code of Practice

Details of the [policy governing the release of new data](#) are available by visiting the [UK Statistics Authority](#) website.