

Statistical bulletin

Foreign direct investment involving UK companies: 2020

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

- Foreign direct investment (FDI) statistics for 2020 were affected by disruption from the coronavirus (COVID-19) pandemic and changes to statistical populations and sampling methods.
- We have introduced new information from a commercial data source to inform the FDI populations and stratification method; this has seen the number of companies in both populations increase in 2020 compared with 2019, and we recommend using caution when interpreting 2020 statistics.
- Both the outward and inward FDI stocks increased in 2020 compared with 2019; the value of the UK's inward FDI position increased the most, by £288.7 billion (17.6% higher), while the outward stock increased by £13.5 billion (0.8% higher).
- The total value of the UK's outward FDI earnings (profits) halved, falling from £101.7 billion in 2019 to £50.8 billion in 2020; this was not evenly spread across industries, with outward FDI earnings increasing in manufacturing, and information and communications over that period.
- The value of inward FDI earnings in professional and support industries was nearly five-times higher in 2020 than in 2019, mainly from a few companies.
- A short overview of the changes to the FDI populations for 2020 can be found in [Section 3](#), with more detail available in a separate methods note.

2 . Foreign direct investment in 2020

Several factors affected foreign direct investment (FDI) statistics for 2020. This not only includes disruption from the coronavirus (COVID-19) pandemic and global recession, but also some changes to the FDI statistical populations and sampling methods. We recommend using caution when comparing results for 2020 with earlier years. An overview of these methods changes can be found in [Section 3](#), with more detail in [Foreign direct investment statistics, overview of methods changes: 2020](#).

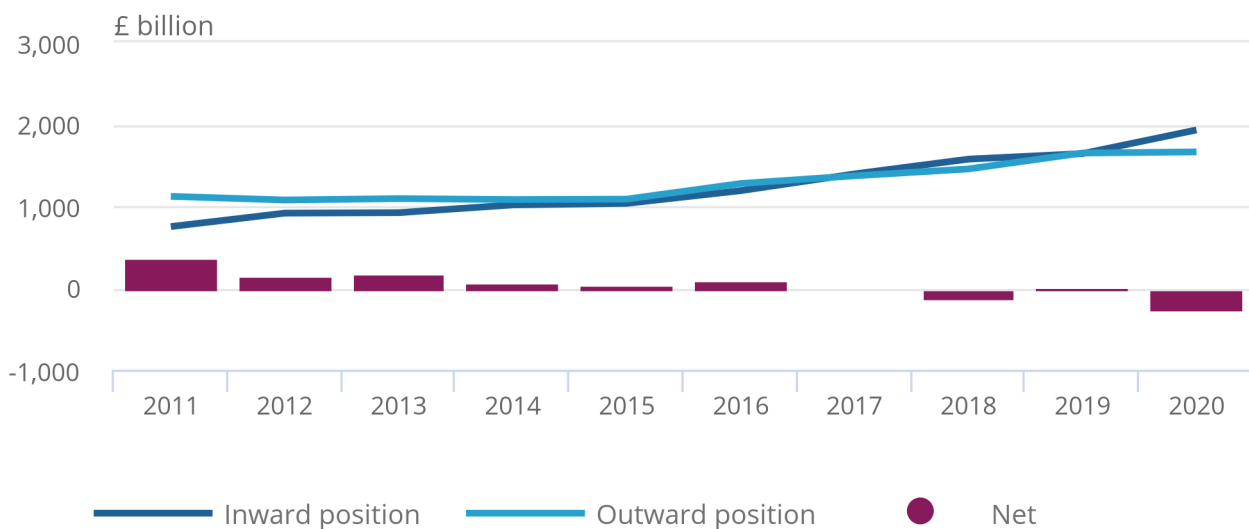
Both the outward and inward FDI positions increased in 2020 compared with 2019. The value of the UK's inward FDI position increased the most, by £288.7 billion, while the outward stock increased by £13.5 billion (Figure 1). This followed a larger increase in the outward FDI position (£194.4 billion) in 2019 from 2018 compared with the increase in the inward positions (£67.6 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.

Figure 1: Trends in inward and outward FDI positions were maintained in 2020 from 2019

Foreign direct investment outward, inward and net positions, 2011 to 2020

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Foreign direct investment outward, inward and net positions, 2011 to 2020



Source: Office for National Statistics – Foreign Direct Investment Survey

Notes:

1. This figure uses directional statistics.
2. 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.
3. Statistics for 2019 and 2020 may be revised after benchmarking our annual results.

The bigger increase in the value of the inward compared with outward FDI position saw the net FDI position (outward less inward) become negative in 2020, as it was in 2017 and 2018. For 2019, there was a slight positive net FDI position from a higher outward stock value compared with 2018, and a smaller increase in the value of the inward FDI stock over that period.

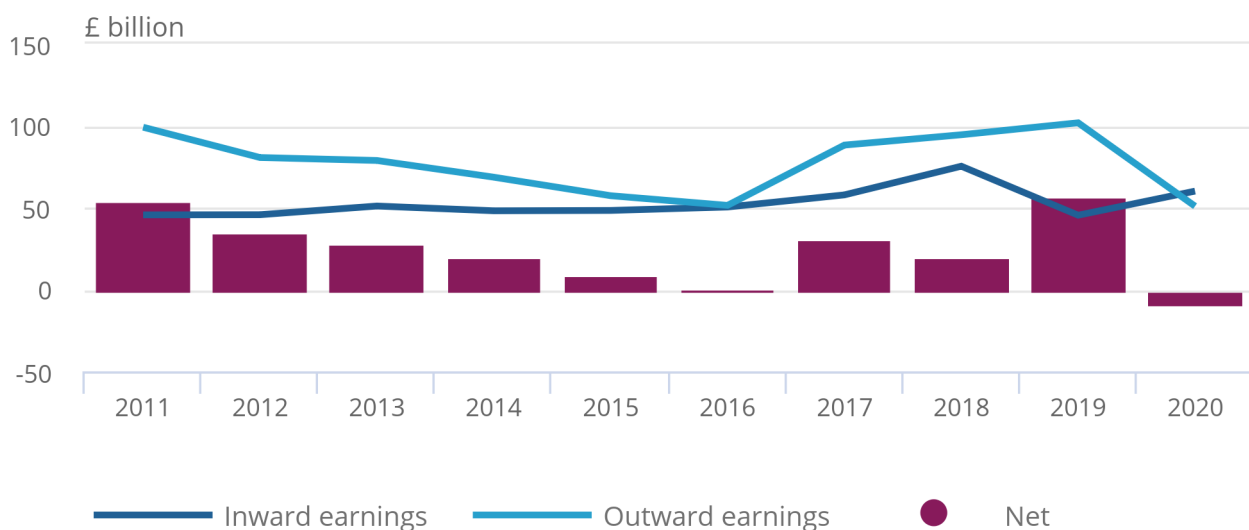
In contrast to FDI positions, the value of outward FDI earnings appear more affected by the coronavirus pandemic in 2020 compared with 2019. These earnings are effectively the profits received by UK companies from their affiliates in other countries, which would be affected by economic restrictions in the countries where those affiliates are located. The total value of outward earnings halved, going from £101.7 billion in 2019 to £50.8 billion in 2020 (Figure 2). This took the value of outward earnings slightly below the 2016 value (£51.3 billion). Our quarterly FDI statistics show that most of the decrease in FDI credits – which are similar to outward FDI earnings – was recorded in Quarter 2 (April to June) 2020 when economic restrictions were most prevalent around the world.

Figure 2: The value of outward FDI earnings halved in 2020 from 2019

Foreign direct investment outward, inward and net earnings, 2011 to 2020

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Foreign direct investment outward, inward and net earnings, 2011 to 2020



Source: Office for National Statistics – Foreign Direct Investment Survey

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The value of inward FDI earnings increased in 2020 compared with 2019, although the 2020 value was still lower than that in 2018. Part of this increase may also reflect the large decrease in inward FDI earnings in 2019 from 2018, by £29.9 billion, or 39.7% lower. Looking at the composition of inward FDI earnings by continent shows that the value of inward FDI earnings with the EU was £14.7 billion lower in 2019 compared with 2018; inward earnings with the Americas was a further £8.3 billion lower. Our analysis last year for the EU found that this decrease was from many companies reporting much lower inward FDI earnings. Looking at microdata for 2020 shows that there were a few companies reporting higher earnings than in 2019 for all three continents.

Outward FDI earnings by industry

While the total value of the UK's outward FDI earnings was £50.9 billion lower in 2020 compared with 2019, the composition shows that this was not observed across all industry groups. The values for manufacturing, and information and communications industries were both higher over that period (Figure 3). In both cases, this partly reflects much lower total earnings in 2019 compared with 2017 and 2018, with the 2020 values then being slightly below those recorded in 2018.

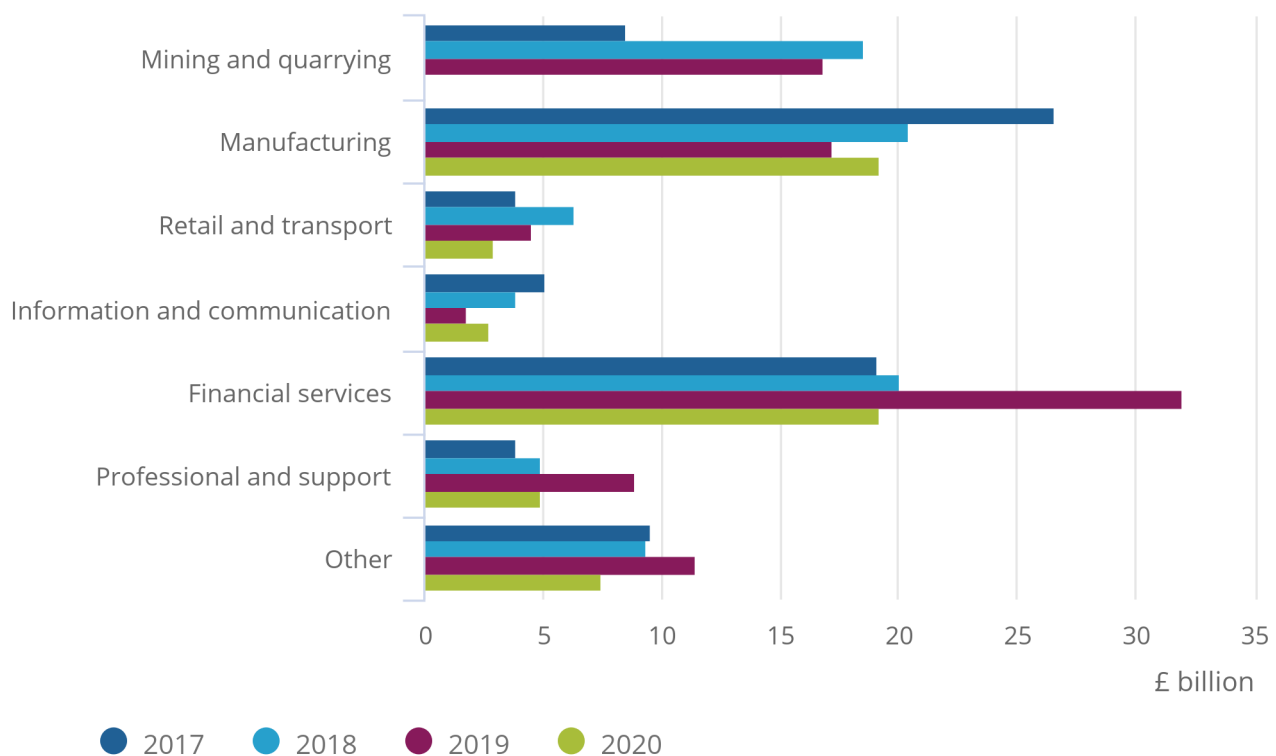
Both industry groups may have been less affected by the coronavirus pandemic compared with other industries. For manufacturing, UK outward earnings in petroleum, chemicals, pharmaceuticals, rubber and plastic products increased by nearly £3 billion in 2020 from 2019, making it similar to the 2018 value. In addition, outward earnings among food, beverages and tobacco industries were nearly £2 billion higher over that period, and the highest value since 2017. Meanwhile, more working from home and social distancing might have supported earnings for information and communications companies.

Figure 3: Outward FDI earnings in manufacturing, and information and communications industries increased in 2020 from 2019

Outward foreign direct investment earnings by industry group, 2017 to 2020

Figure 3: Outward FDI earnings in manufacturing, and information and communications industries increased in 2020 from 2019

Outward foreign direct investment earnings by industry group, 2017 to 2020



Source: Office for National Statistics – Foreign Direct Investment Survey

Notes:

1. This figure uses directional statistics.
2. "." denotes a value suppressed to mitigate disclosure.
3. Details on which industries are included within these industrial groups can be found in [Section 6](#).
4. These statistics exclude outward FDI earnings related to banks, bank holding companies, property and public corporations, but these are included within total UK FDI earnings.
5. 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.
6. Statistics for 2019 and 2020 may be revised after benchmarking our annual results.

FDI earnings in financial services appear to be relatively stable in three of the four years since 2017. The value in 2019 was much higher (by more than 50%) than the values for both 2018 and 2020. Microdata analysis showed that these lower earnings in 2020 were spread across many companies.

All of the other industrial groups also observed lower outward FDI earnings in 2020 compared with 2019. This includes mining and quarrying, which although suppressed were still lower than the 2019 value. The majority of the £50.9 billion decrease in outward FDI earnings in 2020 from 2019 was from financial services (£12.8 billion lower), with a further £4.0 billion accounted for by lower FDI earnings in professional and support industries.

Inward FDI earnings by industry

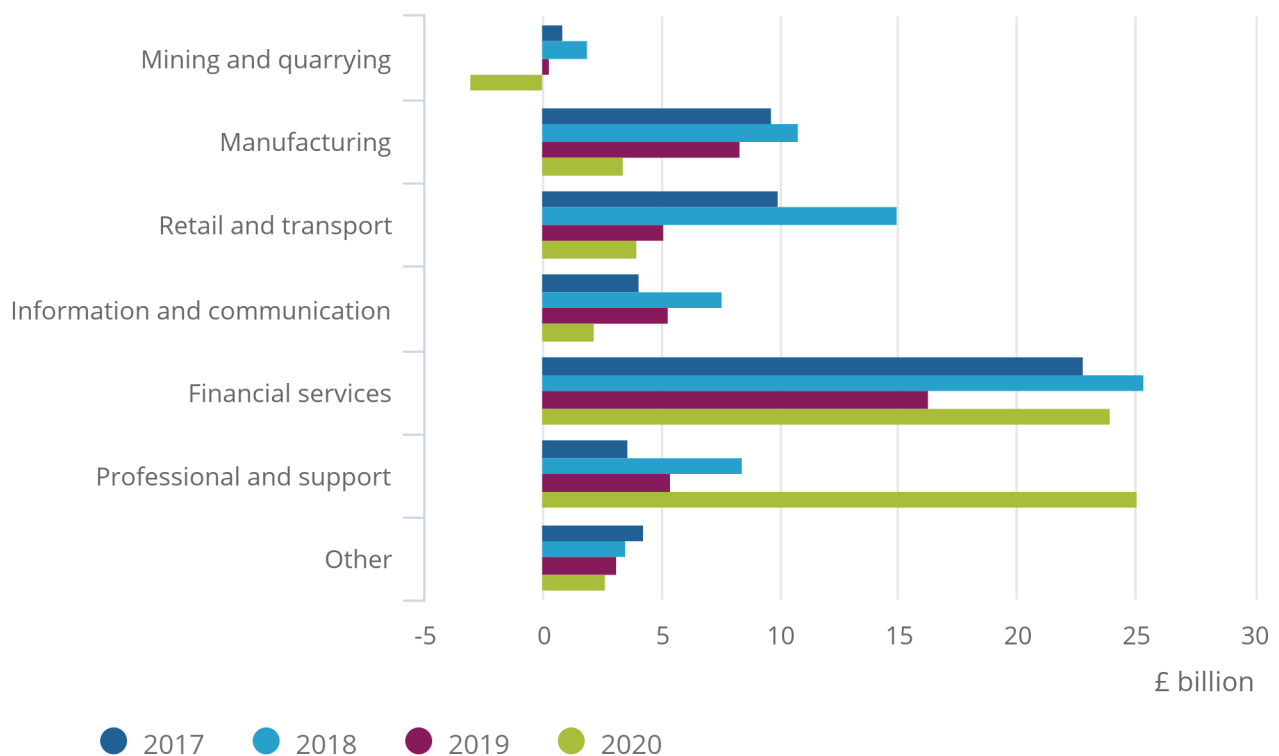
The value of inward FDI earnings in 2020 was higher than in 2019. As with outward FDI, the industrial composition for inward earnings highlights some differences between those groups. The value of inward earnings in professional and support industries was nearly five-times higher in 2020 than in 2019, with a large increase also observed for financial services over the same period.

Figure 4: The large increase in inward FDI earning in professional and support industries reflects results from a few companies

Inward foreign direct investment earnings by industrial group, 2017 to 2020

Figure 4: The large increase in inward FDI earning in professional and support industries reflects results from a few companies

Inward foreign direct investment earnings by industrial group, 2017 to 2020



Source: Office for National Statistics – Foreign Direct Investment Survey

Notes:

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5. Statistics for 2019 and 2020 may be revised after benchmarking our annual results.

Microdata analysis found that there were a few companies in professional and support industries reporting higher inward FDI earnings by more than £1 billion in 2020, whereas increased inward earnings were spread across many companies for financial and insurance industries. Furthermore, the financial services value in 2019 (£16.3 billion) was much lower than in 2018 (£25.4 billion), which also contributes to the large increase in 2020. Otherwise, the values of inward FDI earnings across the other industrial groups were lower in 2020 compared with 2019.

3 . Changes to UK FDI population and sample stratification methods

We have been [developing foreign direct investment statistics](#) for the UK. One of the outcomes of this development has seen information from a commercial data source used to enhance the FDI populations for annual 2020 and quarterly 2021 results. This has increased the FDI populations and enhanced sampling methods. It means that some of the comparisons for 2020 FDI statistics with previous years may reflect these changes, and therefore we advise users to apply caution when making comparisons.

There are three main reasons that could explain changes in FDI statistics for 2020 compared with 2019:

- changes in the survey values returned by companies in the FDI populations that were also present in previous years; companies can report higher or lower values compared with their previous response
- new companies added to the FDI population in 2020 that were not sampled; we estimate FDI values for each of these companies to give the UK total. This is more likely to increase FDI position (stock) values, with positive or negative results for FDI earnings and flows
- new companies that have been sampled based on changed stratification processes for inward FDI; we used new information on shareholders' funds for some strata in our sample selection for 2020 because this was a better measure of company size compared with net worth; some companies are therefore receiving the FDI Survey for the first time, whose responses are more likely to increase FDI stock values

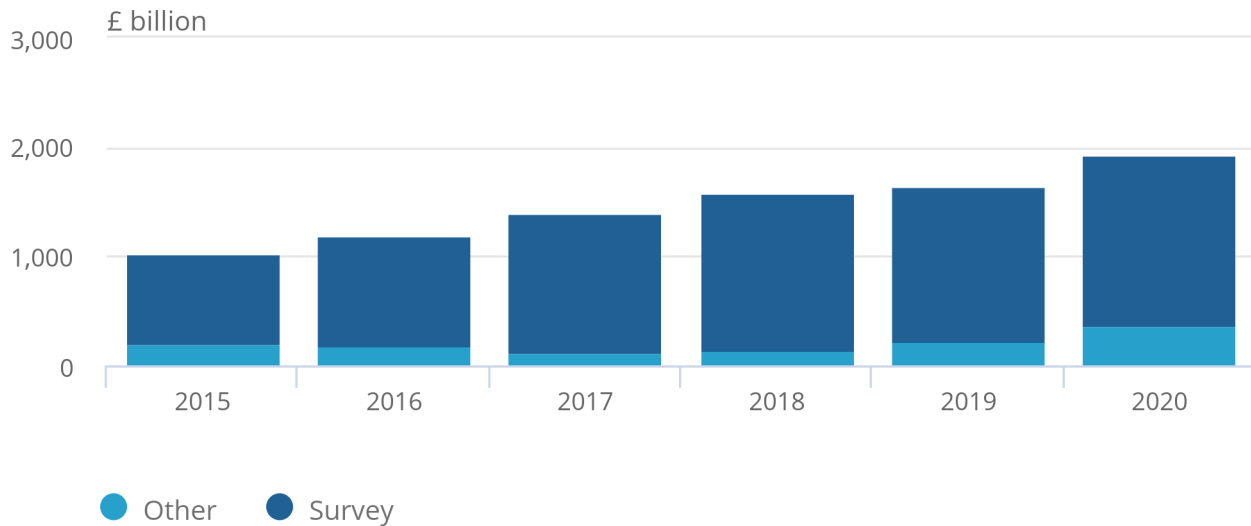
Looking at the types of FDI data behind the inward FDI position shows that survey responses comprised the majority of the information in those estimates in each year between 2015 and 2020 (Figure 5). Of the £288.7 billion increase in the inward position in 2020 from 2019, £150.0 billion was from higher values reported in the FDI Survey overall. This increase will be reflecting changes to the values of companies sampled previously in addition to new inward companies sampled based on different stratification in 2020 compared with 2019.

Figure 5: The majority of the total inward FDI position value came from survey responses

Inward foreign direct investment positions by data source, 2015 to 2020

Figure 5: The majority of the total inward FDI position value came from survey responses

Inward foreign direct investment positions by data source, 2015 to 2020



Source: Office for National Statistics – Foreign Direct Investment Survey

Notes:

1. This figure uses directional statistics.
2. Survey responses represent information provided by companies on the inward Foreign Direct Investment (FDI) Survey. “Other” includes non-FDI Survey sources of information as well as estimated or imputed results for companies that are not sampled or do not respond to the survey in time.
3. Statistics for 2019 and 2020 may be revised after benchmarking our annual results.
4. Further information on methods changes can be found in the [Foreign direct investment, overview of methods changes: 2020](#).

The remaining £138.7 billion was from other sources of information. This includes values that we have estimated or imputed for non-sampled or non-response companies in the population. It also includes information from the Bank of England for monetary financial institutions, and on property and public corporations. These too may also increase or decrease compared with previous years.

4 . Foreign direct investment data

[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 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.

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 controlled by UK-resident companies abroad (outward) or the stock of FDI in the UK controlled by foreign companies. FDI positions are net values for the investments held by the direct investor (parent company) minus reverse investment by direct investment enterprises.

Earnings

Earnings can be thought of as the profits generated from the stock of FDI over a period of time. FDI earnings are net values measuring the profits and interest generated by the direct investor (parent company) from their affiliates minus interest generated by affiliates from their parent companies.

Flows

Flows measure the cross-border movement of funds within multi-national enterprises. FDI flows include changes in shareholdings (equity), debt and reinvested earnings associated with the stock of FDI. These are net values showing investments minus disinvestments.

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.

6 . Measuring the data

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.

Coverage and sample size

The FDI estimates published within this bulletin cover the period 2011 to 2020; the 2019 estimates are revised, and the 2020 statistics are published for the first time. The annual survey will be used to benchmark statistics previously published for 2020, which were based on the Quarterly FDI Survey. We are working with balance of payments colleagues to agree an implementation plan for when these changes will feed into the national accounts.

The annual surveys have larger sample sizes than the quarterly surveys, and they are sent to companies to complete with information in their audited annual accounts rather than management accounts. Estimates presented for 2019 will be incorporated into [quarterly balance of payments statistics](#) ahead of Pink Book 2022.

Quality

More quality and methodology information on strengths, limitations, appropriate uses, and how statistics were calculated is available in the [Foreign direct investment Quality and Methodology Information \(QMI\) report](#).

We are also continuing to develop our FDI statistics in a number of areas. More details on our other development plans can be found in [Developing foreign direct investment statistics: 2021](#).

Economic statistics governance after EU exit

Following the UK's exit from the EU, new governance arrangements are being put in place that will support the adoption and implementation of high-quality standards for UK economic statistics. These governance arrangements will promote international comparability and add to the credibility and independence of the UK's statistical system.

At the centre of this new governance framework will be the new [National Statistician's Committee for Advice on Standards for Economic Statistics \(NSCASE\)](#). NSCASE will support the UK by ensuring its processes for influencing and adopting international statistical standards are world leading. The advice NSCASE provides to the National Statistician will span the full range of domains in economic statistics. This includes the national accounts, fiscal statistics, prices, trade and the balance of payments, and labour market statistics.

About ONS datasets

Over the coming months, all ONS datasets will be reviewed to ensure they meet the accessibility standards outlined in the Government Statistical Service (GSS) guidance on [releasing statistics in spreadsheets](#). This is to ensure that all GSS outputs meet [Web Content Accessibility Guidelines](#), a legal requirement set out in [The Public Sector Bodies \(Websites and Mobile Applications\) Accessibility Regulations 2018](#).

We welcome any feedback on these changes. Share your feedback by emailing the statistical contact at the top of the page.

Details of the industries within the industrial groups used from FDI dataset tables 2.3, 3.3 and 4.3

Mining and quarrying

Mining and quarrying.

Manufacturing

Food products, beverages and tobacco products; textiles and wood activities; petroleum, chemicals, pharmaceuticals, rubber and plastic products; metal and machinery products; computer, electronic and optical products; transport equipment; and other manufacturing.

Retail and transportation services

Retail and wholesale trade, repair of motor vehicles and motorcycles; and transportation and storage.

Information and communication services

Information and communication.

Financial services

Financial services.

Professional and support services

Professional, scientific and technical services; and administrative and support service activities.

Other

Agriculture, forestry and fishing; electricity, gas, water and waste; construction; and other services.

7 . Strengths and limitations

Revisions

The estimates in this statistical bulletin are based on the Annual Foreign Direct Investment (FDI) Survey for 2020. Provisional estimates can be derived from quarterly surveys and appear in the [quarterly balance of payments statistical bulletins](#). However, estimates based on the annual surveys provide firmer and more detailed figures. We are working with balance of payments colleagues to agree an implementation plan for when these changes will feed into the national accounts. This plan will include publication of our detailed asset and liability statistical tables and updated directional datasets to incorporate the impact of the benchmarking exercise.

Reporting FDI relationships

In line with international guidance, UK FDI statistics are presented on an immediate partner country basis; as such, geographical compositions reflect direct relationships between investing parties rather than the residence of the ultimate parent or final destination of the investment.

Multinationals often have complex corporate structures, where a parent company controls a large network of inter-linked affiliates and branches across the globe. Since published statistics report the immediate partner country, geographical compositions can be distorted in cases where a parent company invests through one or more countries before the investment reaches its final destination. While affecting geographical compositions, aggregate FDI statistics are unaffected by whether they are presented on an immediate or an ultimate basis.

Accuracy

Response rates are an indication of accuracy for our estimates. 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, including written and email reminders and follow-up telephone calls to non-responding companies.

The response rates for the 2020 annual surveys are shown in Table 1.

Table 1: Response rates for annual foreign direct investment surveys
2020

	Outward FDI	Inward FDI
Selected sample size	2,455	4,232
Numbers co-operating fully or partially	1,037	2,023
Non-responders	1,418	2,209
Overall response rate (%)	42	48

Source: Office for National Statistics - Foreign Direct Investment Survey

8 . Related links

[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.

[Developing foreign direct investment statistics: 2021](#)

Article | Released 29 April 2021

An overview of our progress on the development of FDI statistics since 2019, and our plans for the next phase of development.