

Article

Foreign direct investment and capital acquisitions, UK trends and analysis: 2021

Experimental insights from linking foreign direct investment (FDI) with microdata from our Quarterly Acquisition and Disposal of Capital Assets Survey, 2015 to 2021.

Contact:
Andrew Jowett
fdi@ons.gov.uk
+44 1633 455357

Release date:
1 August 2023

Next release:
To be announced

Table of contents

1. [Main points](#)
2. [Capital acquisitions in the UK by type of FDI link](#)
3. [Foreign direct investment and capital acquisitions data](#)
4. [Glossary](#)
5. [Data sources and quality](#)
6. [Related links](#)
7. [Future developments](#)
8. [Cite this article](#)

1 . Main points

- This article explores the role of companies with foreign direct investment (FDI) links in making capital investments in the UK.
- Companies with FDI links accounted for just over half (51.5%) of the respondent acquisition values in 2021, with the other 48.5% by companies with no FDI links.
- In 2021, companies with outward FDI links accounted for 19.7% of reported capital acquisitions values in the UK, compared with 18.7% for companies with both inward and outward links, and 13.2% for those with inward links.
- Microdata analysis suggests that there were more than twice as many capital acquisitions by companies without FDI links than there were by those with FDI links in 2021; however, the average value per acquisition was three times higher for companies with outward FDI links compared with companies having no FDI links.
- Companies with FDI links accounted for more than half of reported capital acquisitions values in five industries in 2021, which included electricity, gas and water supply and retail, transport and accommodation.
- New construction, computer hardware, purchased computer software, and other machinery and equipment were the main assets where companies with FDI links accounted for more than half of the reported totals in 2021.

2 . Capital acquisitions in the UK by type of FDI link

Foreign direct investment (FDI) statistics collect information about the cross-border movement of funds between UK resident companies and the rest of the world. We can identify UK companies that control direct investments abroad (outward FDI) as well as companies in the UK that are controlled by foreign parent companies (inward FDI). There are some companies that appear in both populations, having a foreign parent company as well as controlling other affiliates overseas.

We publish FDI flows statistics, as shown in our [Foreign direct investment involving UK companies: 2021 bulletin](#), which measures the cross-border movement of funds within multi-national enterprises. This includes changes in shareholdings (equity), debt and reinvested earnings associated with the direct investments. However, our FDI Survey does not record specific information on the capital investments those companies made in the UK. For these companies, a capital investment is intended to support or enhance its activity over many years rather than be used up in its normal operation within the year.

Our Quarterly Acquisition and Disposal of Capital Assets Survey (QCAS) collects information on companies' expenditure on capital assets that is used in our business investment statistics, as shown in our [Business investment in the UK: January to March 2023 revised results bulletin](#).

In this article, we have linked QCAS microdata with FDI microdata by enterprise groups to produce preliminary findings on how much capital expenditure in the UK is being undertaken by businesses that have FDI links. That said, we cannot comment on the relationship between these cross-border financial flows and capital expenditure. These are experimental insights, covering the years 2015 to 2021.

Capital acquisitions by FDI link type

Companies with FDI links accounted for more than half of the reported capital acquisitions totals in every year between 2015 and 2021. For example, in 2021, companies with FDI links accounted for 51.5% of the weighted respondent acquisition values from QCAS, with the other 48.5% by companies with no FDI links (Figure 1). This was the highest proportion of capital acquisitions from companies with no FDI links over the time series, but it has increased as a proportion of the total in every year since 2018, from 34.7%.

Figure 1: Just over half of reported capital acquisitions in 2021 were from companies with FDI links

Capital acquisitions by FDI link, 2015 to 2021, percentage of weighted respondent values

Figure 1: Just over half of reported capital acquisitions in 2021 were from companies with FDI links

Capital acquisitions by FDI link, 2015 to 2021, percentage of weighted respondent values



Source: Foreign Direct Investment Survey and Quarterly Acquisition and Disposal of Capital Assets Survey from the Office for National Statistics

Notes:

1. Annual values might not sum to 100% because of rounding.

While companies with FDI links accounted for more than half of reported capital acquisitions values, we can also look at this by type of FDI link too. Companies with outward FDI links accounted for higher proportions than those with inward or both FDI links in five of the seven years between 2015 and 2021. Companies with outward FDI links accounted for 19.7% of weighted capital acquisitions values in 2021, compared with 18.7% for companies with both links and 13.2% for inward links. The reported values for companies with outward FDI links were more than 10 percentage points higher than that for companies with inward FDI links in 2017, 2018 and 2019.

It is important to remember that the capital acquisitions of companies with outward FDI links are made in the UK. This means that a UK company that has direct investments outside of the UK is making capital investments in the UK.

Further microdata analysis shows that these results partly reflect the different numbers and relative sizes of companies with different FDI link types. For example, there were more than twice as many capital acquisitions by companies without FDI links than there were by those with FDI links in 2021. However, the average value per acquisitions was three times higher for companies with outward FDI links compared with companies without FDI links. Companies with inward FDI links had lower average values per acquisition than companies with both links, but even this was double the average for companies with no links.

We could also review the value of each capital acquisition relative to turnover, which would indicate roughly how much companies are investing relative to their business activity. Our results suggest that companies without FDI links are investing a slightly higher proportion of their turnover per transaction on average than companies with FDI links in 2021. Companies with both FDI links had the lowest proportion relative to turnover, followed by companies with outward links. This leaves the capital acquisitions of companies with inward FDI links accounting for a larger share of turnover on average compared with those having outward or both links in 2021.

Capital acquisitions by industry

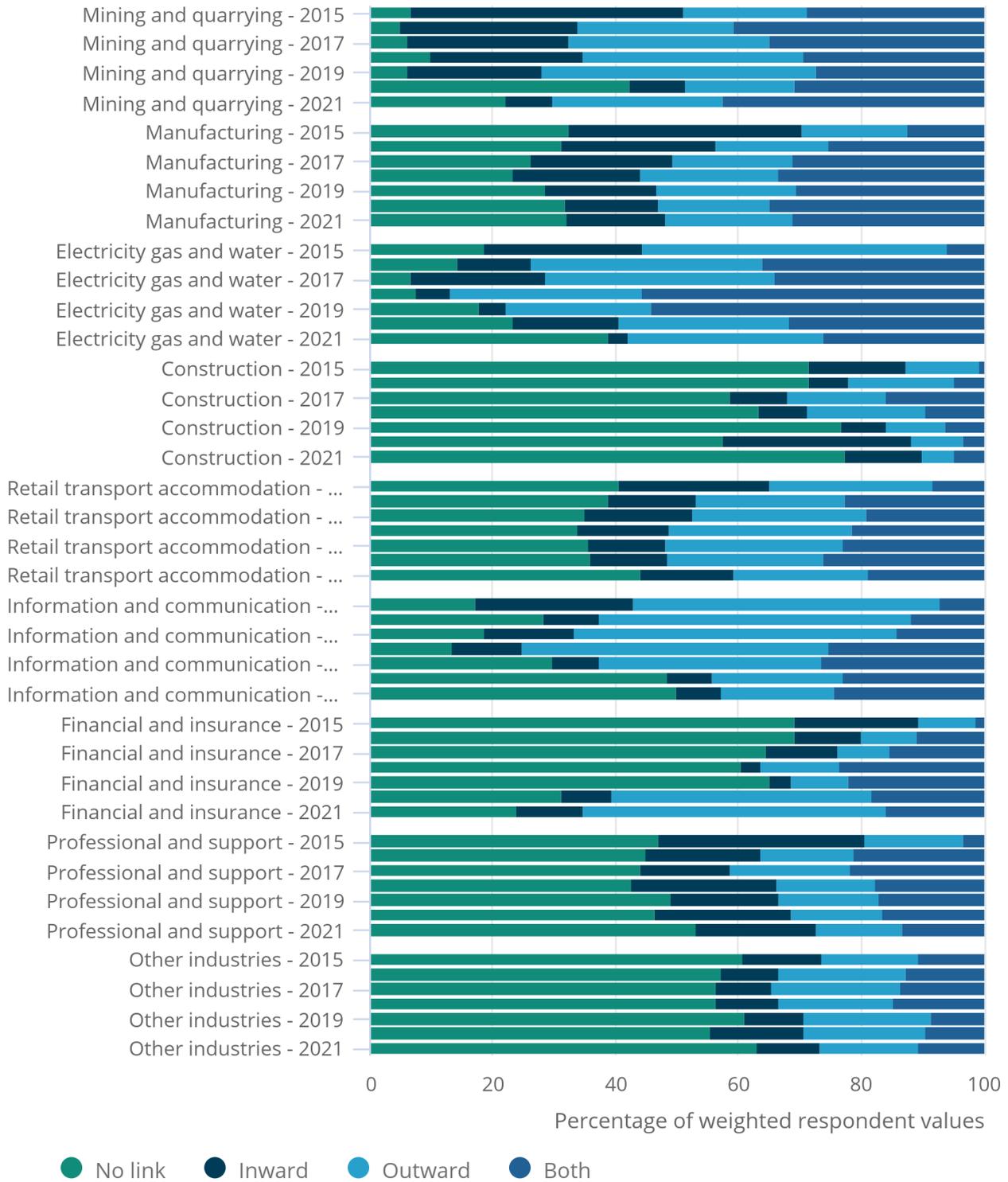
The proportion of capital acquisitions made by companies with FDI links differs across industries. Companies with outward FDI links accounted for the highest proportions among all companies with FDI links in four industries in 2021. These included electricity, gas and water supply (31.8%) and retail, transport and accommodation (22.0%). This pattern is also reflected in previous years for outward FDI links (Figure 2). Likewise, professional and support industries were the only ones where inward FDI links consistently had the highest proportions among the FDI link types, accounting for 19.8% of acquisition values in 2021.

Figure 2: Companies with FDI links accounted for more than half of reported capital acquisitions values in five industries in 2021

Capital acquisitions in the UK for industries by FDI link type, 2015 to 2021, percentage of weighted respondent values

Figure 2: Companies with FDI links accounted for more than half of reported capital acquisitions values in five industries in 2021

Capital acquisitions in the UK for industries by FDI link type, 2015 to 2021, percentage of weighted respondent values



Notes:

1. Annual totals might not sum to 100 because of rounding.
2. These statistics are based on the industry in QCAS responses.

Companies with FDI links accounted for the highest proportions of reported values in mining and quarrying (77.8%), and finance and insurance industries (75.9%) in 2021. For mining and quarrying, companies with both links accounted for 42.4% of capital acquisition values. There were four industries where companies with both links accounted for more than 20% of the reported values in that year, which highlights the role of UK companies in multinational enterprises and global supply chains.

In terms of the underlying values, both mining and quarrying, and finance and insurance industries are typically lower than those reported for other industries. This can make these results more variable over time because a few big transactions can alter the proportions considerably. This was the case for finance and insurance, where companies with no FDI links accounted for the highest proportions between 2015 and 2019, but were much lower in 2020 and 2021.

Capital acquisitions by asset

The QCAS survey collects information on the type of asset acquired or disposed. Through our analysis, respondents reported the highest UK total values for new construction, other machinery and equipment, and vehicles. The lowest were in mineral exploration and purchased databases. Aside from these last two assets, new construction, computer hardware, purchased computer software, and other machinery and equipment were the other asset types where companies with FDI links accounted for more than half of the reported totals between 2015 and 2021 (Figure 3). Among them, companies with outward FDI links accounted for over one-third (34.8%) of the reported values in computer software in 2021.

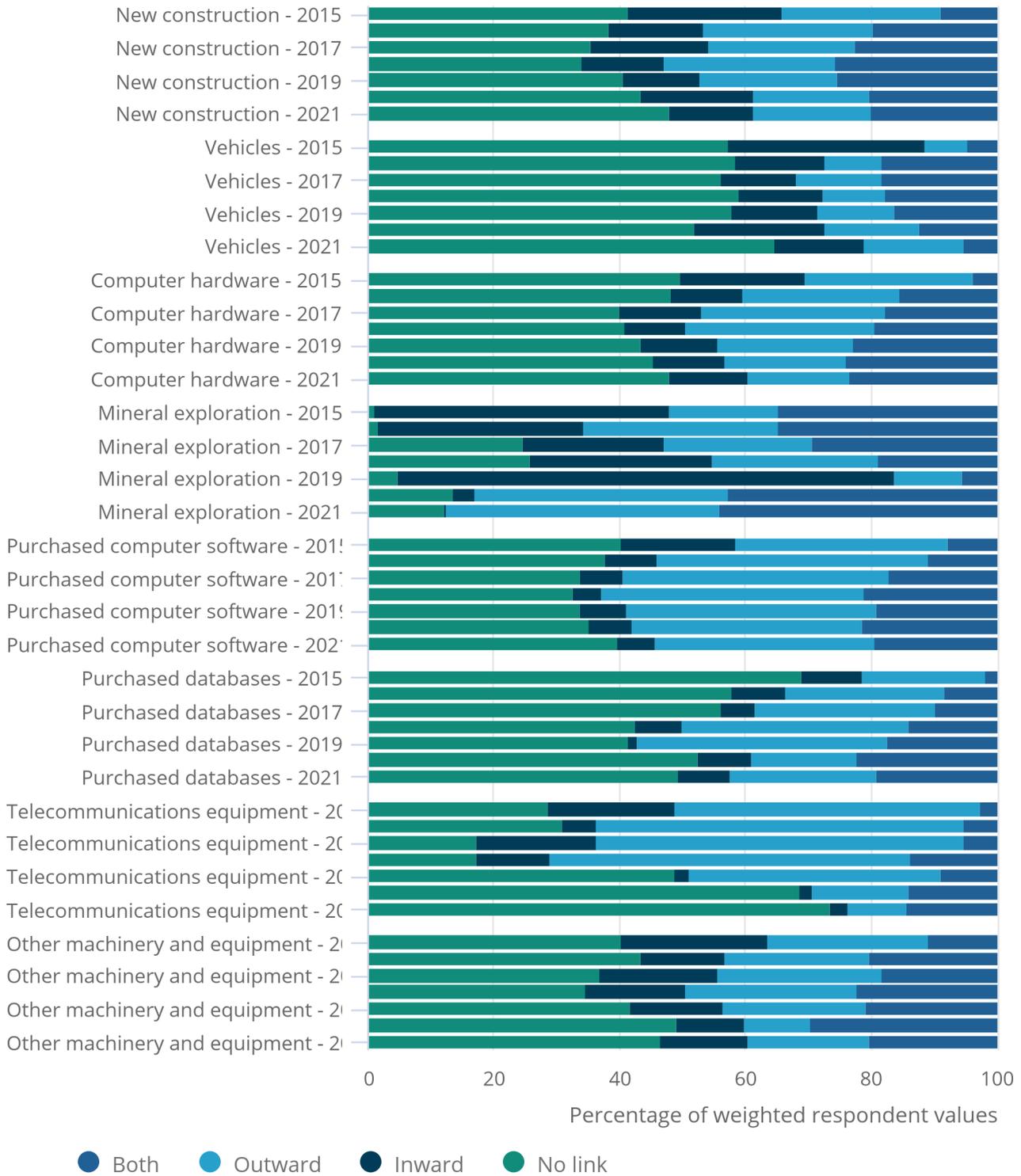
Vehicles were the asset with the highest proportion for companies with inward FDI links (14.4%) in 2021. However, it is worth highlighting that this was still lower than the share of acquisitions of vehicles by companies with outward FDI links (15.8%).

Figure 3: Companies with FDI links accounted for over half of the reported capital acquisitions values for six asset types in 2021

Capital acquisition assets by FDI link type, 2015 to 2021, percentage of weighted respondent values

Figure 3: Companies with FDI links accounted for over half of the reported capital acquisitions values for six asset types in 2021

Capital acquisition assets by FDI link type, 2015 to 2021, percentage of weighted respondent values



Notes:

1. Annual totals might not sum to 100 because of rounding.

Companies with no FDI links accounted for the majority of the value for telecommunications equipment (73.6%) and vehicles (64.7%) in 2021. There was also a notable increase in the proportion for these companies acquiring telecommunications equipment from 2018 to 2021, which saw the proportion accounted for by companies with no links increase considerably. Further research is required to see if this is from a few companies without FDI links investing consistently or if more companies without FDI links have been acquiring these assets.

3 . Foreign direct investment and capital acquisitions data

[Annual gross fixed capital formation by industry and asset](#)

Dataset | Released 28 October 2021

Annual estimates of gross fixed capital formation (investment) by industry and asset, in current prices and chained volume measures, consistent with the UK National Accounts.

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

Dataset | Released 23 January 2023

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 23 January 2023

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

4 . Glossary

Foreign direct investment (FDI)

Foreign direct investment (FDI) is cross-border investment made with the objective of establishing a lasting interest in the host economy. FDI is also defined by control relationships, where the direct investor (parent company) controls at least 10% of the voting power (ordinary shares) of the direct investment enterprise. These relationships can be measured in two directions:

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

Capital asset

A capital asset is a piece of property, such as a building, transport equipment, computers, plant and machinery or intellectual property such as software. For businesses, these are typically held for longer than one year and allow it to operate in the production, delivery or sale of goods and services.

5 . Data sources and quality

Data sources

The results in this article identify companies that responded to the Quarterly Acquisition and Disposal of Capital Assets Survey (QCAS) by type of foreign direct investment (FDI) link using the FDI populations. The target population for QCAS is every business in the UK, while the populations for FDI are every company in the UK that either controls or is controlled by a foreign company. This information can be combined at the enterprise level to identify a company group that both made a capital acquisition or disposal, and where at least one FDI link is present. Therefore, the reported capital acquisition is not necessarily made by the company with an FDI link, but both would be part of the same enterprise.

Quality

More quality and methodology information on strengths, limitations, appropriate uses and how statistics were calculated are available in our [Business Investment Quality and Methodology Information \(QMI\)](#) and [Foreign Direct Investment QMI](#) reports.

6 . Related links

[Business investment in the UK: January to March 2023 revised results](#)

Bulletin | Released 30 June 2023

Estimates of short-term indicators of investment in non-financial assets, business investment and asset and sector breakdowns of total gross fixed capital formation.

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

Bulletin | Released 23 January 2023

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

[Foreign direct investment by ultimate controlling economy. UK trends and analysis: 2021](#)

Article | Released 25 July 2023

Inward foreign direct investment (FDI) positions and earnings presented by the economy of the ultimate controlling parent up to 2021.

7 . Future developments

We will continue to develop this analysis to explore our linked microdata in more detail. This could include developing the way in which these data sources are linked and producing other related experimental statistics and microdata insights. We welcome all feedback on these results, including any suggestions on areas to analyse in more detail. Please contact us at fdi@ons.gov.uk.

8 . Cite this article

Office for National Statistics (ONS), released 1 August 2023, ONS website, article, [Foreign direct investment and capital acquisitions. UK trends and analysis: 2021](#).