

Article

# Foreign direct investment, experimental UK subnational estimates: 2021

Experimental subnational foreign direct investment inward and outward positions, earnings and flows statistics, by partner economy or industry between 2015 and 2021.

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# 1 . Main points

- Between 2020 and 2021, the value of the UK's outward foreign direct investment (FDI) earnings increased nearly threefold, from £49.6 billion to £134.7 billion.
- The UK's inward FDI earnings grew by a smaller amount, from £56.1 billion to £71.8 billion over the same period.
- Outward earnings of companies in London and the South East increased the most in value terms between 2020 and 2021, by £34.7 billion and £26.0 billion, respectively.
- Scotland's outward earnings were the lowest of all International Territorial Level 1 (ITL1) regions and countries in 2020 but the third highest in 2021, after an increase of £7.6 billion between the two years.
- In 2021, International Territorial Level 2 (ITL2) regions in the South and East of England tended to have relatively higher inward stock (position) values for financial and insurance industries, while those in the English Midlands, Wales and the North of England tended to have higher inward stocks for manufacturing industries.
- There were six ITL2 regions where manufacturing made up over 50% of their outward FDI position, compared with only one for financial and insurance industries.

These are experimental statistics. The methods are currently under development, which means these statistics could be subject to change as we develop our methods and explore additional sources of information. We therefore advise caution when using these statistics. Furthermore, several factors affected FDI statistics for 2020, including disruption from the coronavirus (COVID-19) pandemic, global recession, and changes to the FDI statistical populations and sampling methods. We advise additional caution when comparing 2020 and 2021 results with earlier years. More detail can be found in our [Foreign direct investment statistics, overview of methods changes: 2020 article](#).

## 2 . Foreign direct investment earnings

Foreign direct investment (FDI) earnings are effectively the profits that companies generate on their investments in another country. This can be measured for UK-resident companies controlled by foreign companies (inward), or the profits UK companies receive from their direct investments outside the UK (outward).

## Outward FDI earnings

The value of the UK's outward FDI earnings was nearly three times higher in 2021 compared with 2020. For more information see our [Foreign direct investment involving UK companies: 2021 bulletin](#). This increase, from £49.6 billion to £134.7 billion, partly reflected the disruption to UK outward FDI earnings from the coronavirus (COVID-19) pandemic in 2020.

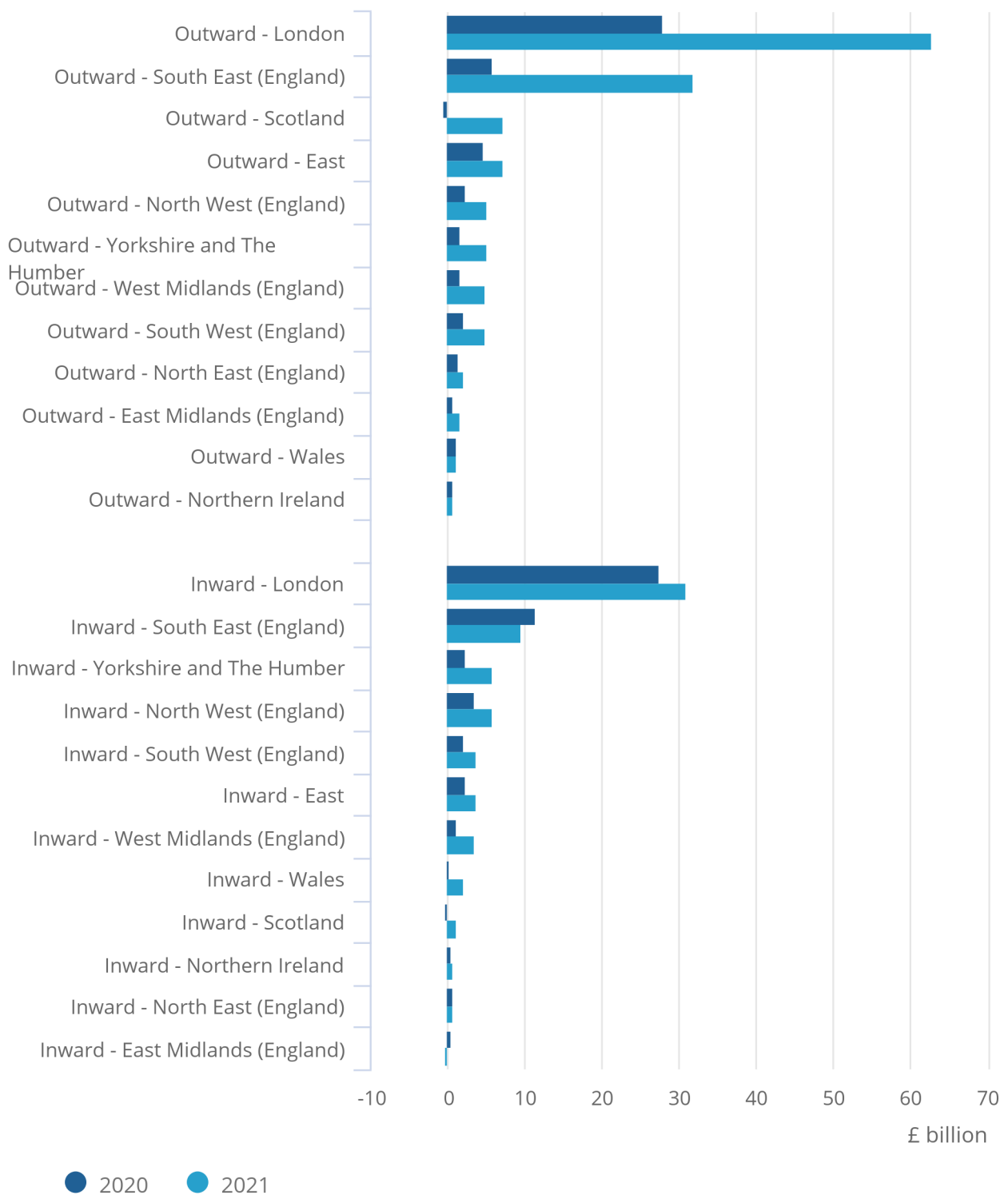
All International Territorial Level 1 (ITL1) UK countries and regions apart from Northern Ireland had higher outward FDI earnings in 2021 compared with 2020. The largest increase was in London (£34.7 billion), followed by the South East (£26.0 billion) and Scotland (£7.6 billion). Scotland went from having the lowest outward earnings of all ITL1 regions and countries in 2020 to having the third highest in 2021.

**Figure 1: London, South East (England) and Scotland had much higher outward earnings in 2021 compared with 2020**

Inward and outward FDI earnings for ITL1 UK country and region, 2020 and 2021

# Figure 1: London, South East (England) and Scotland had much higher outward earnings in 2021 compared with 2020

Inward and outward FDI earnings for ITL1 UK country and region, 2020 and 2021



Notes:

1. This figure does not include unallocated results, which were those FDI companies that could not be linked through the Inter-Departmental Business Register and commercial data source, or the Business Register and Employment Survey.
2. Values in this figure are rounded to the nearest £ billion while values in the text are calculated from tables rounded to the nearest £ million and therefore may not match exactly.

On an International Territorial Level 2 (ITL2) basis, the regions with the highest outward earnings in 2021 were Inner London West (£49.6 billion), Surrey, East and West Sussex (£14.5 billion) and Berkshire, Buckinghamshire and Oxfordshire (£14.4 billion) with 36.0%, 10.5% and 10.5% of the UK total, respectively. The lowest outward FDI earnings were in Kent (negative £1.6 billion) and Cornwall and the Isles of Scilly (£0.1 billion). Kent was the only ITL2 region in 2021 to report negative outward FDI earnings, compared with six ITL2 regions in 2020. The lower earnings in those local areas in 2020 could have been partly caused by the coronavirus pandemic.

## Figure 2: The highest outward earnings in 2021 were concentrated in the South of England, South Eastern Scotland and around Birmingham

### Outward FDI earnings for ITL2 UK country and region, 2021, percentage of UK outward earnings

Notes:

1. This map does not include unallocated results, which were those FDI companies that could not be linked through the Inter-Departmental Business Register and commercial data source, or the Business Register and Employment Survey.
2. Any suppressed results appear as "Data unavailable" for this interactive map.
3. In the data download, "c" denotes values that have been suppressed to mitigate disclosure.
4. Percentages are calculated using the sum of absolute values as there are negative earnings values in some regions.

### Download the data

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As with the ITL1 regions, most ITL2 regions (35 of 41) reported increased outward earnings compared with 2020. The biggest increases were in Inner London West (£23.6 billion), Surrey, East and West Sussex (£21.8 billion), and North Eastern Scotland (£7.3 billion). As well as containing regions with large increases, the South East of England also contained the region with the largest decrease in earnings. Kent's outward earnings decreased by £2.0 billion between 2020 and 2021.

## Inward FDI earnings

Whereas outward FDI earnings grew strongly between 2020 and 2021 (171.3%), inward FDI earnings grew by a smaller percentage (27.8%), from £56.1 billion to £71.8 billion over the same period.

In 2021, London accounted for 43.0% of the UK's inward FDI earnings, of which Inner London West was the ITL2 region with the highest inward earnings (£29.9 billion).

Most ITL2 regions reported higher inward earnings in 2021 compared with 2020. However, there were some notable exceptions. Berkshire, Buckinghamshire and Oxfordshire's inward earnings fell by £6.1 billion (63.2%) and Inner London East's inward earnings fell by £4.0 billion (80.0%). These results could be company or industry specific; they may also relate to one part of a multinational enterprise in the UK. While one part of the organisation might report negative values, this may be offset by positive values elsewhere in the corporate structure.

### Figure 3: Inner London West accounted for the highest inward FDI earnings value in 2021

Inward FDI earnings for ITL2 UK country and region, 2021, percentage of UK inward FDI earnings

**Notes:**

1. This map does not include unallocated results, which were those FDI companies that could not be linked through the Inter-Departmental Business Register and commercial data source, or the Business Register and Employment Survey.
2. Any suppressed results appear as "Data unavailable" for this interactive map.
3. In the data download, "c" denotes values that have been suppressed to mitigate disclosure.
4. Percentages are calculated using the sum of absolute values as there are negative earnings values in some regions.

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## 3 . FDI positions by industry

The foreign direct investment (FDI) position is the financial balance sheet value of the stock of UK companies, which includes buildings, property, and equipment. We can identify the industry of the UK-based companies with foreign parents (inward) and the industries of companies in other countries that have UK parent companies (outward).

### Inward FDI positions by industry

At International Territorial Level 1 (ITL1) level, manufacturing most often had the largest inward position; 5 of the 12 regions had their largest position in manufacturing. Similarly, at International Territorial Level 2 (ITL2) level, the largest values of inward FDI were most often in either the manufacturing or financial and insurance industries. Manufacturing had the highest values in 16 ITL2 locations in 2021, and financial and insurance had the highest in seven (excluding unallocated). ITL2 regions where financial and insurance industries had the highest position values were mainly in the South and East of England (six) compared with one in Northern England. By contrast, 11 of the 19 ITL2 regions in the English Midlands, Wales and the North of England had their highest position values in manufacturing industries.

### Figure 4: In 2021, most ITL2 regions had the highest inward FDI position in either manufacturing or financial and insurance

Inward FDI positions by industry group for ITL2 UK country and region in 2021, percentage of each region's inward position

**Notes:**

1. This map does not include unallocated FDI values or those related to banks, bank holding companies, property and public corporations; both are included in total UK FDI statistics.
2. Any suppressed results appear as "Data unavailable" for this interactive map.
3. In the data download, "c" denotes values that have been suppressed to mitigate disclosure.
4. Percentages are calculated using the sum of absolute values as there are negative values in some regions.

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## Outward FDI positions by industry

For outward FDI, financial and insurance industries accounted for the highest position values in the most sub-regions (17). However, where manufacturing had the largest outward position in an ITL2 region (14), it tended to be more dominant. There were six ITL2 regions where manufacturing made up over 50% of their outward FDI position, compared with only one for financial and insurance industries.

### Figure 5: Manufacturing made up over 50% of the outward FDI position in six ITL2 regions in 2021

Outward FDI positions by industry group for ITL2 UK country and region in 2021, percentage of each region's outward position

**Notes:**

1. This map does not include unallocated FDI values or those related to banks, bank holding companies, property and public corporations; both are included in total UK FDI statistics.
2. Any suppressed results appear as "Data unavailable" for this interactive map.
3. In the data download, "c" denotes values that have been suppressed to mitigate disclosure.
4. Percentages are calculated using the sum of absolute values as there are negative values in some regions.

**Download the data**

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## 4 . Foreign direct investment data

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

Dataset | Released 24 April 2023

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

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

Dataset | Released 24 April 2023

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

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

Dataset | Released 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.



## 5 . Glossary

### Foreign direct investment (FDI)

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

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

### Position

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

### 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.

### Directional measurement principle

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

### International Territorial Level (ITL)

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

### City region

City regions are small groups of local authorities, consisting of the eight combined authorities that have directly elected mayors, as well as the mayoral authorities of Greater London and the Sheffield City Region, and the city growth deals agreed in Wales and Scotland.

## 6 . Data sources and quality

## Data sources

The main source of information for UK foreign direct investment (FDI) statistics is the Annual FDI Survey; separate surveys are used to collect data on inward and outward FDI. This is combined with data from the Bank of England for all monetary financial institutions – such as banks – and other sources for property and public corporations in FDI. Survey responses are used to estimate or impute FDI values for every company in the UK's inward and outward FDI populations. Since 2020, a new commercial data source has been used to inform the inward and outward FDI populations. These experimental estimates link FDI responses to subnational corporate information from the commercial data source, the Inter-Departmental Business Register (IDBR) and the Business Register and Employment Survey (BRES).

This article contains revised estimates for 2019 and 2020, along with our first subnational results for 2021. The revisions reflect those that were made for our latest [Foreign direct investment involving UK companies: 2021 bulletin](#) and improvements to linking for 2020 and 2021 detailed in the methodological approach section.

## Methodological approach

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

We link survey values collected from reporting units to their associated local units according to the IDBR. The investment values from the reporting unit are then allocated to local units based on the employment in each local unit. This is a similar approach to that used for subnational estimates of international trade. For units that could not be linked to the IDBR, we attempt to find their location using a commercial data source. If we are still unable to locate a business, we assign its FDI values to a separate "unallocated" category. After reviewing our linking to the commercial data source, the number of companies in the unallocated category has decreased compared with our previous results. However, this does not necessarily mean that the total unallocated value in our statistics would be lower because some unallocated companies might have relatively high FDI values.

Local unit and geographical information were not available for FDI data that are not collected using the FDI Survey. This includes banks, bank holding companies, property, and public corporations, and therefore these FDI values cannot be apportioned in the same way. Values are instead broken down according to the number of employees working in financial businesses in each geographic area as reported by the BRES, because most of this information relates to banks and bank holding companies. More information on the strengths, limitations, appropriate uses, and how FDI data were created is available in our [Foreign direct investment quality and methodology information \(QMI\)](#).

## 7 . Related links

### [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 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.

### [Foreign Direct Investment QMI](#)

QMI | Released 3 February 2022

Quality and methodology information (QMI) for foreign direct investment (FDI) statistics, detailing the strengths and limitations of the data, methods used and data uses and users.

## 8 . Cite this article

Office for National Statistics (ONS), released 24 April 2023, ONS website, article, [Foreign direct investment, experimental UK subnational estimates: 2021](#)