

Article

Foreign direct investment, UK inward network: 2021

How foreign direct investment into UK companies moves through different regions to reach its final recipient. Experimental statistics.

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Table of contents

1. [Main points](#)
2. [Inward foreign direct investment into UK countries and regions](#)
3. [Common investment routes.](#)
4. [Comparison with our subnational statistics](#)
5. [Foreign direct investment data](#)
6. [Glossary](#)
7. [Data sources and quality](#)
8. [Related links](#)
9. [Cite this article](#)

1 . Main points

- Inward foreign direct investment (FDI) can either come directly to a business from overseas or via a UK parent company on the way; the links between these businesses form an investment network that can be analysed to show how FDI moves between different UK countries and regions.
- In 2021, London was the region that had the largest proportion of inward FDI that came directly into the region from overseas, at 93.8%; by contrast, over 65% of inward foreign investment to Scotland, Wales and Northern Ireland arrived via another location in the UK.
- Of the 10 most common investment routes within the UK in 2021, 8 involved London; over 40% of investment into Wales, Scotland and Northern Ireland came through London.
- Most International Territorial Level 1 (ITL1) UK countries and regions had more than half of the inward FDI values remaining in those regions; the higher proportions were in Wales (86.1%), Northern Ireland (86.0%) and the East Midlands (76.0%).
- The North East routed 57.6% of its inward FDI value onwards, the South East 55.5% and the West Midlands 50.7%.
- Similar investment percentages were retained in most ITL1 regions when comparing our inward networks results with our subnational statistics.

These are experimental statistics. The methods are currently under development, which means the data could change as methods develop. Disruption from the coronavirus (COVID-19) pandemic, global recession, and changes to the FDI statistical populations, also affected FDI data for 2020. We therefore advise caution when using these statistics.

2 . Inward foreign direct investment into UK countries and regions

Our [regular subnational foreign direct investment \(FDI\)](#) statistics aim to show the distribution of FDI across the UK. Those methods counter "head-office effects", where the FDI would have otherwise been attributed to the location of the administrative centre or domestic headquarters. Instead, FDI is attributed to the final recipient unit, which may be a shop or warehouse. In many cases, the administrative centre or domestic headquarters is in a different UK region than the final recipient unit. This article explores the connections between domestic headquarters and local units, providing further detail on the inward network of UK companies that received investment from abroad (inward FDI). We provide a comparison between the results in this article and our subnational statistics in [Section 4: Comparison with our subnational statistics](#).

The methods used in this article assume that all FDI values associated with a business are generated equally by its immediate affiliates. This assumption means that all FDI values pass from the first UK company to its affiliates in a different region or country, so that no value remains at the upper levels. This implies that most values associated with a particular region or country pairing are likely to be an upper limit of actual values. More information can be found in our [methodology document](#).

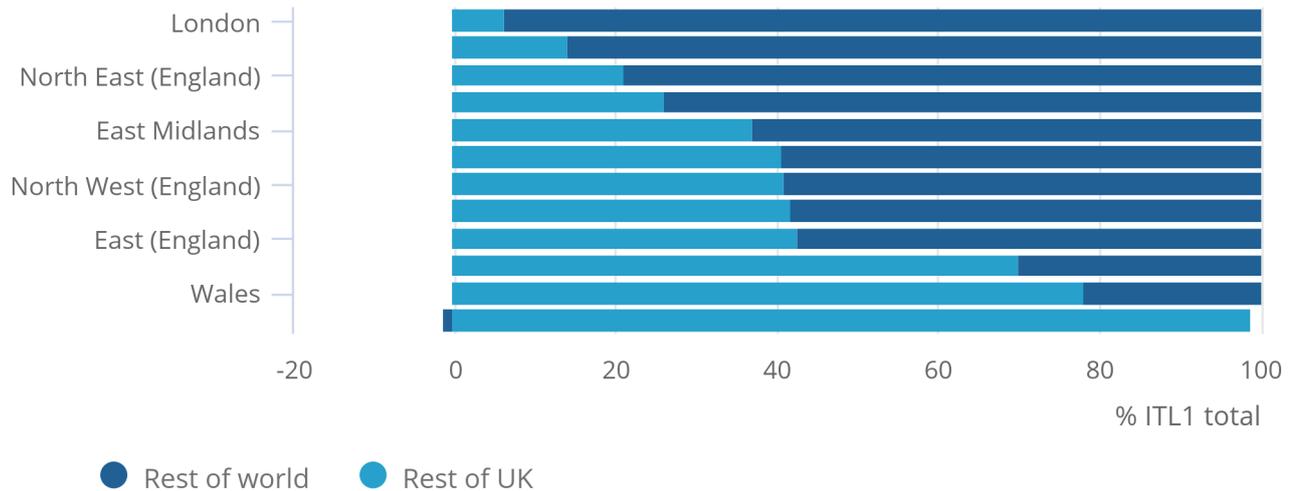
Our approach allows us to share information on where foreign investment into different UK locations comes from. We can split direct investment relationships to identify those that come directly from overseas (from an immediate foreign parent company) and where foreign investment comes through another UK company (immediate UK parent). Figure 1 compares the inward FDI positions (stock of investment) associated with immediate overseas parents and the inward FDI positions associated with immediate UK parents for each International Territorial Level 1 (ITL1) country or region in 2021.

Figure 1: In 2021, Scotland, Wales and Northern Ireland received most of their inward investment via other regions of the UK

Inward foreign direct investment (FDI) positions in each UK region, by location of immediate parent from which FDI was received, by International Territorial Level (ITL) 1 UK country and region, 2021

Figure 1: In 2021, Scotland, Wales and Northern Ireland received most of their inward investment via other regions of the UK

Inward foreign direct investment (FDI) positions in each UK region, by location of immediate parent from which FDI was received, by International Territorial Level (ITL) 1 UK country and region, 2021



Source: Foreign Direct Investment Survey from the Office for National Statistics

Notes:

1. "Rest of UK" refers to inward values with immediate parent companies in a different ITL1 UK country or region.
2. "Rest of World" refers to inward values with foreign immediate parent companies outside the UK.
3. These statistics do not include companies that we were unable to link to a commercial data source or those related to banks, bank holding companies, property and public corporations; all are included in total UK FDI statistics.
4. These results are based on directional FDI position statistics, which subtract reverse investments, such as loans from the affiliate to the parent company. A negative position can be found where the value of those reverse investments is higher than that of the controlled stock.

London was the region that had the largest proportion of inward FDI that came directly from foreign immediate parents, at 93.8% in 2021. This was followed by the South East and the North East at 85.8% and 78.9%, respectively. By contrast, over 65% of inward investment in Scotland, Wales and Northern Ireland arrived from another part of the UK in 2021.

Looking at the changes in these proportions between 2020 and 2021 indicates that these results can be sensitive to the FDI values of a few companies in each region. The East of England had the biggest increase in the proportion of its inward FDI positions coming from the rest of the UK, increasing from 31.2% in 2020 to 42.6% in 2021. The region with the largest proportional change towards direct overseas investment was the West Midlands: the proportion of its investment coming directly from overseas increased from 70.5% in 2020 to 73.8% in 2021. Values for both 2020 and 2021 are available in our [accompanying dataset](#).

Onward links for inward FDI

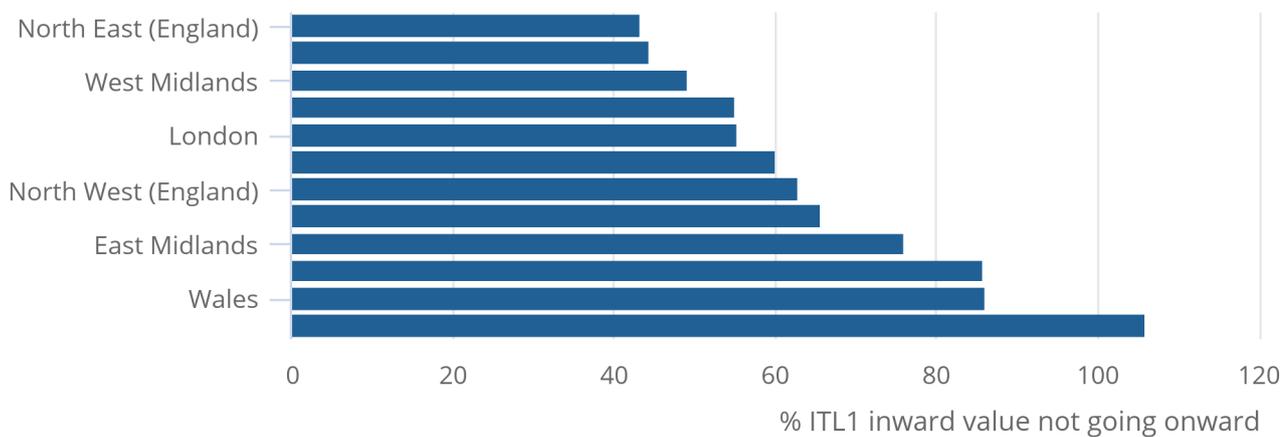
Our research can also show the onward destinations of inward FDI following its receipt from a foreign parent company. Understanding the investment that is potentially leaving a region through onward business links gives us a method for estimating how much investment remains in a region. Specifically, the value of the direct inward investment into a region, less the value of direct onward investment from a region, indicates the proportion of the inward FDI that stays in that region. These results are shown in Figure 2 for 2021, where the difference is presented relative to the total inward value.

Figure 2: The North East, South East and West Midlands were the only regions where less than half of the inward foreign direct investment (FDI) value remained in the region in 2021

Value of inward FDI less onward values as a percentage of the total inward value by ITL1 UK country and region, 2021 position

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Value of inward FDI less onward values as a percentage of the total inward value by ITL1 UK country and region, 2021 position



Source: Foreign Direct Investment Survey from the Office for National Statistics

Notes:

1. These statistics do not include companies that we were unable to link to a commercial data source or those related to banks, bank holding companies, property and public corporations; all are included in total UK FDI statistics.
2. These results are based on directional FDI position statistics, which subtract reverse investments, such as loans from the affiliate to the parent company. A negative position can be found where the value of those reverse investments is higher than that of the controlled stock.

Most International Territorial Level 1 (ITL1) UK countries and regions retained more than half of the inward FDI values that had come into those regions. The higher proportions were in Wales (86.1%), Northern Ireland (86.0%) and the East Midlands (76.0%). This means that for every £100 of inward investment in those regions, less than £25 went onwards to either the rest of the UK or elsewhere in the world.

The result for Scotland (105.9%) was affected by negative onwards investment values with the rest of the world. These negative values appear where an affiliate company has invested more in its parent company than the stock value owned by the parent company in its affiliate (reverse investments). These investments can be loans from the affiliate to the parent company, reflecting the corporate financial management strategies of some companies operating in Scotland.

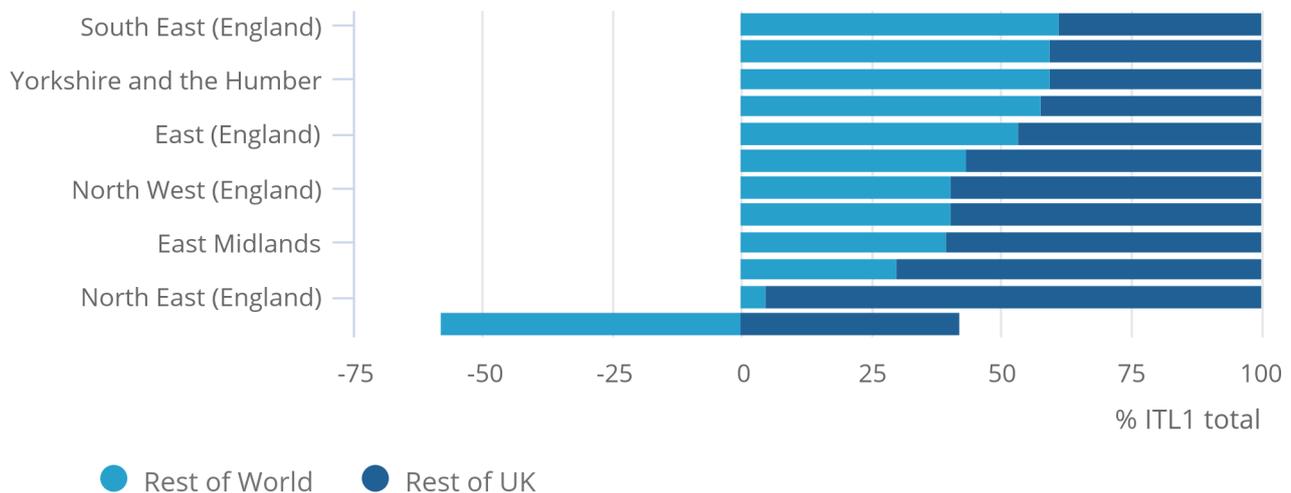
There were three regions where the stock of FDI remaining in the region was less than 50% of the investment entering in 2021. The North East had 43.4% of the inward value remaining, while the South East had 44.5% and West Midlands had 49.3% remaining.

Figure 3: Of the 12 UK regions, 5 had more than half of their onward investment going to the rest of the world in 2021

Destination of onward positions held by inward foreign direct investments (FDI) companies by International Territorial Level 1 (ITL1) UK country and region, 2021

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Destination of onward positions held by inward foreign direct investments (FDI) companies by International Territorial Level 1 (ITL1) UK country and region, 2021



Source: Foreign Direct Investment Survey from the Office for National Statistics

Notes:

1. "Rest of UK" refers to onward positions held in immediate affiliate companies in a different ITL1 country and region.
2. "Rest of World" refers to onward positions held in foreign immediate affiliate companies outside the UK.
3. These statistics do not include companies that we were unable to link to a commercial data source or those related to banks, bank holding companies, property and public corporations; all are included in total UK FDI statistics.
4. These results are based on directional FDI position statistics, which subtract reverse investments, such as loans from the affiliate to the parent company. A negative position can be found where the value of those reverse investments is higher than that of the controlled stock.

In Figure 3 we can see that for just over half of the ITL1 regions (7 of the 12), direct onward links to other parts of the UK made up a higher position value than direct links abroad. This highlights the role of foreign-owned domestic networks in distributing FDI around the UK.

For 5 of the 12 ITL1 regions, onward investment that went directly overseas had a higher position value than investments that went directly to the rest of the UK. The South East was the region with the highest percentage of total inward FDI values going to non-UK locations at 61.3%, closely followed by London and Yorkshire and The Humber (both with 59.4%). This reflects the role of these regions in global ownership chains where inward investments in the UK are used to control affiliates outside the UK.

3 . Common investment routes.

We can also look at the common investment routes into and from each International Territorial Level 1 (ITL1) UK country and region. Figure 4 shows, on the left, the inward foreign direct investment (FDI) links by location of the immediate parent company for each ITL1 country or region. Coming out of each ITL1 country or region to the right are the onward FDI links from that location by location of immediate affiliates. The four highest-value foreign economies and four largest UK regions are shown, both for inward and onward links for each ITL1 region. Remaining inward and onward values (including suppressed values) are included in the rest of world and rest of UK categories.

Figure 4: Explore the inward foreign direct investment (FDI) values coming into and out of each UK country and region with our interactive tool

FDI positions into and out of each region by location of immediate parent companies and immediate affiliate companies, 2020 and 2021, respectively.

Notes

1. The networks presented in this figure are not necessarily continuous. There are cases where the UK company with the inward FDI link is not the same as the one with the onward investment link within each UK country or region. However, if the investment chain goes from foreign parent to London, then West Midlands before going onwards to the rest of the world, the investment links between the foreign investor and London, and then the investment link between London and the West Midlands, would both be captured in the Sankey diagram for London. The onwards link from West Midlands to the rest of the world would be separately captured in the diagram for the West Midlands.
2. Rest of UK includes values not in the top four UK regions or countries into and out of each selected region. The top four are calculated separately for inward and onward links, respectively. In some cases, suppressions mean that fewer than four regions are available.
3. Rest of World includes values not in the top four foreign economies into and out of each selected region. The top four are calculated separately for inward and onward links. In some cases, suppressions mean that fewer than four economies are available.
4. Each of rest of UK and rest of world includes suppressed values.

Download the data

[.xlsx](#)

For London, the countries that provided the highest inward values in 2021 were the United States, the UK Offshore Islands, and the Netherlands, which accounted for 24.0%, 14.7% and 12.6% of the positions routed through London, respectively. This included all positions that were ultimately retained in London or outside of London. The regions and countries that received the highest positions routed through London in 2021 were East of England, the Netherlands and the South East, which made up 9.8%, 8.8% and 8.1% of the total positions routed through London, respectively. London provided the highest value of foreign-owned inward positions to 5 of the 11 (excluding London) other ITL1 countries or regions. Specifically for Wales, Scotland and Northern Ireland, over 40% of positions values into each region came through London.

London was also involved in the most common foreign-owned investment routes out of the UK in 2021: these were London to the Netherlands, to Luxembourg and to Germany.

Of the investment routes within the UK that did not involve London, the largest were from the South East to the North West (2.9% of UK to UK total), the South East to Scotland (2.0% of UK to UK total), and the South East to East of England (1.9% of UK to UK total). As with our subnational estimates, London and the South East have the highest investment values in general.

4 . Comparison with our subnational statistics

To understand how much investment is ultimately hosted in a region, we can look at the amount going into a region or country, less the amount going out of that region or country. This gives figures that can be compared with our [Foreign direct investment, experimental UK subnational estimates: 2021](#) at International Territorial Level 1 (ITL1). We recommend using those subnational statistics for any analysis of foreign direct investment (FDI) by UK country and region. The results in this article are intended to give an indication of the links between different parts of the UK and the rest of the world for UK inward FDI companies.

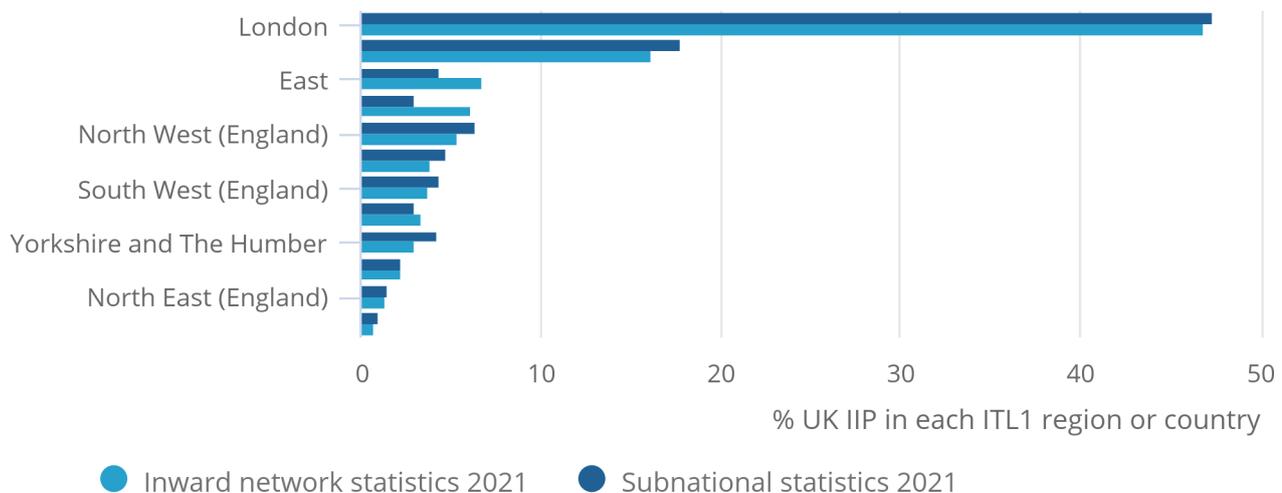
To make these results as comparable as possible, we consider only the international investment position (IIP) that is attributed to an ITL1 region. In our subnational statistics, a percentage of the UK's IIP is unallocated; this value is not included in calculations in this section. Similarly, a proportion of the IIP represented in the inward network analysis is ultimately retained overseas, these values were also removed from these comparisons.

Figure 5: Similar investment percentages were retained in most International Territorial Level 1 (ITL1) regions when comparing our inward networks results with our subnational statistics

International investment position (IIP) ultimately hosted in each ITL1 country or region as a percentage of total comparable UK IIP, inward networks versus subnational statistics, 2021

Figure 5: Similar investment percentages were retained in most International Territorial Level 1 (ITL1) regions when comparing our inward networks results with our subnational statistics

International investment position (IIP) ultimately hosted in each ITL1 country or region as a percentage of total comparable UK IIP, inward networks versus subnational statistics, 2021



Source: Foreign Direct Investment Survey from the Office for National Statistics

Notes:

1. The inward networks statistics 2021 do not include companies that we were unable to link to a commercial data source or those related to banks, bank holding companies, property and public corporations.
2. The subnational statistics 2021 covered all companies, including those we were unable to link to a commercial data source or those related to banks, bank holding companies, property and public corporations.

Figure 5 shows that the proportion of IIP ultimately hosted in each ITL1 country or region is similar when calculated from the inward network results compared with our subnational estimates. Some differences are to be expected as the subnational statistics were apportioned using employment while the inward network values are apportioned equally among subsidiaries within a company structure. The largest differences appear in the East Midlands, where its IIP makes up a larger percentage of the total when using the inward network method. If a region has a higher number of subsidiaries with lower employment or has many businesses with a high IIP but low employment, then their values are likely to be higher with the inward network method than in our regular subnational FDI statistics.

5 . Foreign direct investment data

[Foreign direct investment, UK inward network: 2021](#)

Dataset | Released 30 October 2023

How foreign direct investment into UK companies moves through different regions to reach its final recipient. Experimental Statistics.

[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.

6 . Glossary

Immediate foreign parent location

The foreign economy from which investment originally entered the UK, taken from the Foreign Direct Investment (FDI) Survey.

Immediate parent location

The location of a shareholding business given by the country or region of the business.

Affiliate location

The location of an affiliate business of the parent business given by the country or region of the affiliate business.

Foreign direct investment (FDI)

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

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

Position

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

Directional measurement principle

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

International Territorial Level (ITL)

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

7 . Data sources and quality

This article uses the total positions, flows and earnings for specific businesses from the FDI Survey and links them with parent-affiliate relationships from a commercial data source. The resulting dataset is grouped by the locations of the immediate foreign parents, the locations of the immediate parents and the locations of the affiliates for all parent-affiliate relationships in the dataset. The positions, flows and earnings for each group are summed to give, for example, an estimate of the total inward FDI flows originating in Luxembourg, routed through London on their way to Scotland. For a detailed explanation of the methods used in this article, see the [accompanying methodology](#).

8 . 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.

[UK's outward investment network: January 2019 to October 2020](#)

Bulletin | Released 19 April 2021

The roles different countries played in the distribution of UK outward investment. The outward network is constructed from businesses that were active between January 2019 and October 2020. Experimental Statistics.

9 . Cite this article

Office for National Statistics (ONS), released 30 October 2023, ONS website, article, [Foreign direct investment, UK inward network 2021](#).

