

Article

UK foreign direct investment, trends and analysis: (distribution) February 2020

An analysis of microdata on the distribution of foreign direct investment positions using the asset and liability measurement principle.

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1 . Main points

- The largest 25 outward investors by stock of foreign direct investment (FDI) accounted for 44% of UK FDI assets in 2018, compared with 39% of UK FDI liabilities for the top 25 inward investors.
- The share of FDI assets held by the largest 25 outward investors in 2018 was lower than that in 2014, whereas the share of liabilities for the largest 25 inward investors was higher in 2018 than in 2014.
- 19 of the companies in the top 25 highest outward investing companies in 2018 were also in the top 25 in 2014.
- Companies in services industries within the top 25 companies accounted for a higher proportion in FDI liabilities (81%) than FDI assets (43%) in 2018.

2 . About UK foreign direct investment statistics

Foreign direct investment (FDI) refers to cross-border investments made by residents and businesses from one country into another, with the aim of establishing a lasting interest in the country receiving investment. 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. FDI assets capture the investments held by UK companies abroad whereas FDI liabilities cover investments in the UK made by foreign companies.

Statistics used in this analysis are presented using the [asset and liability measurement principle](#), which are consistent with the [FDI involving UK companies \(asset and liability\): 2018](#) statistical bulletin, the [Balance of payments](#), and [Pink Book](#).

This article is part of our continued research on foreign direct investment (FDI) statistics. It analyses the distribution of UK FDI, which is important to understand how FDI is allocated between companies. This can help to better understand the impact of the largest foreign direct investors involving the UK economy.

Traditionally, a small number of the largest multinational companies have accounted for a large proportion of UK assets and liabilities. These companies are defined as the top 25 by stock of foreign direct investment (FDI). This article will focus on how important these top 25 companies are for FDI positions, compared with the other sized group of companies.

The top 25 companies are the largest 25 companies for each of the years analysed and do not necessarily refer to the same companies. We also look at changes in the composition of the top 25 FDI companies between 2014 and 2018.

3 . Foreign direct investment assets remained more concentrated among the UK's largest investors compared with liabilities

Grouping foreign direct investment (FDI) companies by descending value of FDI positions shows how these investments are distributed across the FDI population. The distribution of FDI assets – the stock of direct investments held abroad by UK companies – shows that the top 25 companies accounted for 44% of the total value of UK assets abroad in 2018. The next 25 companies accounted for a further 12 percentage points, reflecting the importance of these 50 companies on UK FDI abroad.

The additional impact of each group diminishes, despite the number of companies in the latter groups increasing. All firms accounted for 83% of total UK FDI assets, with the remaining 17% controlled by monetary financial institutions (MFIs) and other categories of investment, which are counted separately.

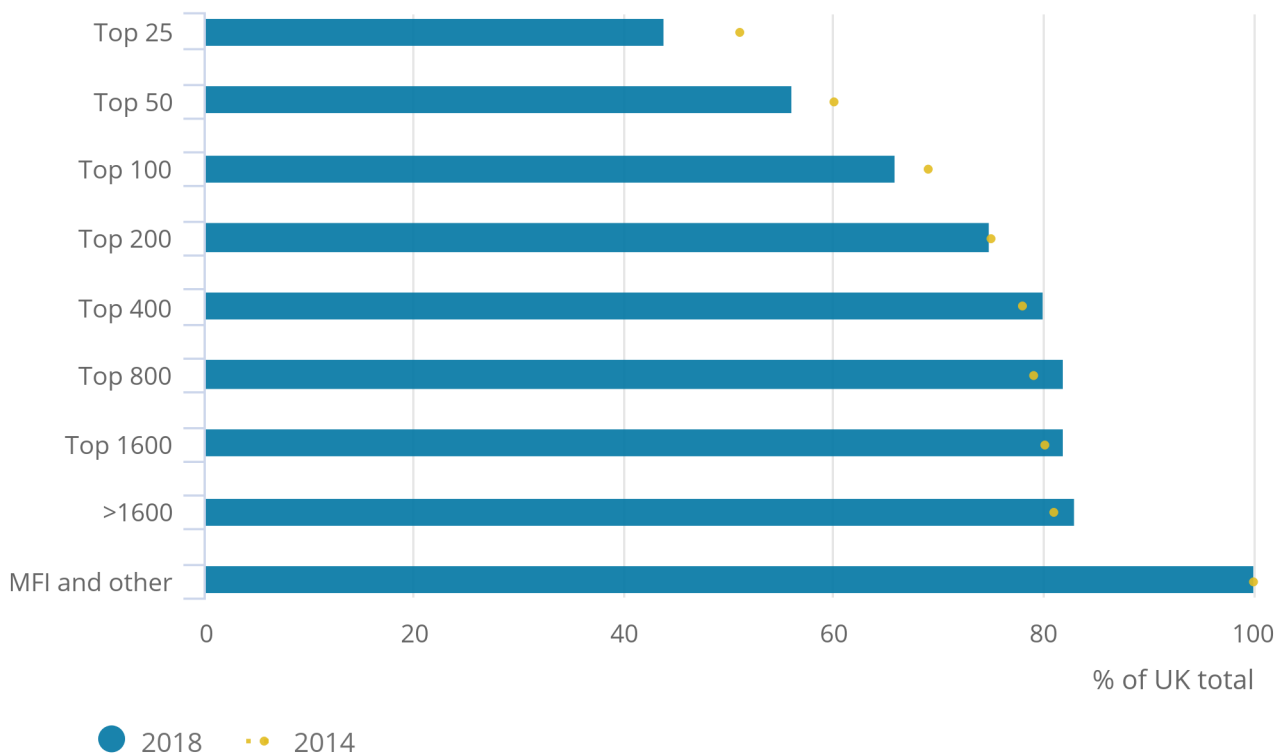
The proportion of assets held by the top 25 companies was seven percentage points lower in 2018 (44%) than 2014 (51%). Meanwhile, the selected company groupings outside the top 200 saw slight increases in their proportion of assets by two to three percentage points. This means that larger companies controlled a slightly lower value of FDI assets in 2018 compared with 2014, with smaller companies accounting for slightly higher proportions.

Figure 1: The largest investors accounted for most of the UK’s FDI assets in 2018

Distribution of UK foreign direct investment assets grouped by asset values in descending order, 2018 compared with 2014

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Source: Office for National Statistics

Notes:

1. Monetary financial institutions (MFI) and other investments are counted separately from the FDI survey.

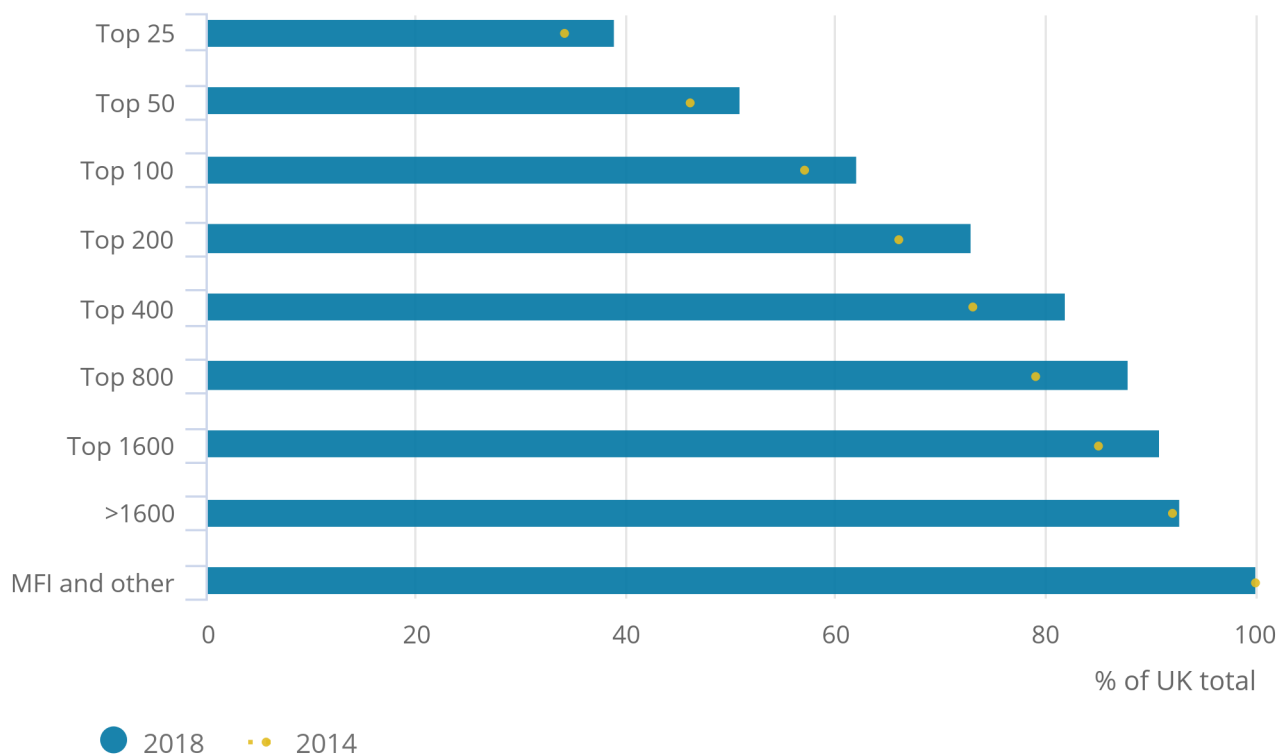
The distribution of FDI liabilities – the stock of direct investments held in the UK by foreign companies – was less concentrated in the larger companies than that of assets. The 25 companies with the highest inward positions held 39% of all liabilities compared with 44% for assets. The top 100 companies held 62% liabilities compared with 66% of assets, and the top 400 held a similar proportion of assets (80%) and liabilities (82%).

Figure 2: The proportion of liabilities held by the largest companies increased

Distribution of UK foreign direct investment liabilities grouped by liability values in descending order, 2018 compared with 2014

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Distribution of UK foreign direct investment liabilities grouped by liability values in descending order, 2018 compared with 2014



Source: Office for National Statistics

Notes:

1. Monetary financial institutions (MFI) and other investments are counted separately from the FDI survey.

The difference in distributions for FDI assets and liabilities is partly explained by the structure of multinational corporations, and how UK FDI statistics are collected. A parent company in the UK will own controlling shares in many companies in different countries, so FDI assets become concentrated between a handful of multinational corporations.

Multinationals abroad may have many separately registered subsidiaries in the UK in receipt of foreign investment. The UK's FDI statistics focus on the UK side of the transaction. Each of these subsidiaries is identified on the FDI survey and each is registered as a separate legal entity. This means that FDI liabilities are less concentrated across UK companies, and smaller companies own a higher proportion of liabilities compared with assets.

The distribution of FDI liabilities has been converging with that of FDI assets. The proportion of FDI liabilities controlled by the top 25 inward investors was higher in 2018 (39%) compared with 2014 (34%), but the proportion for FDI assets was lower (44% in 2018 compared with 51% in 2014).

4 . Companies in services industries comprised a greater share of foreign direct investment liabilities than assets in 2018

The companies with the highest foreign direct investment (FDI) positions hold a large proportion of both assets and liabilities. Reasons why a company may enter or leave the top 25 include mergers and acquisitions activity, revaluations of equity, and the amount of debt in the corporate structure.

Our analysis shows that 19 of the 25 largest outward direct investors by asset values in 2018 were also in the top 25 in 2014. This was a higher number than the 11 of the top 25 inward investors in 2018 that were also in the top 25 in 2014. The top 25 outward investors are also more similar from year to year than the top 25 inward investors. Once again, this is partly reflecting the different relative sizes of UK-based parent companies compared with foreign-owned subsidiaries in the UK.

Table 1: The number of companies still in the top 25 from 2014 and from the previous year 2014 to 2018

| | | 2015 | 2016 | 2017 | 2018 |
|-------------|--------------------|------|------|------|------|
| Assets | from 2014 | 22 | 23 | 19 | 19 |
| | from previous year | 22 | 21 | 20 | 21 |
| Liabilities | from 2014 | 19 | 16 | 11 | 11 |
| | from previous year | 19 | 20 | 18 | 21 |

Source: Office for National Statistics

Notes

1. Companies are sorted in order of descending asset or liability values in each year. [Back to table](#)

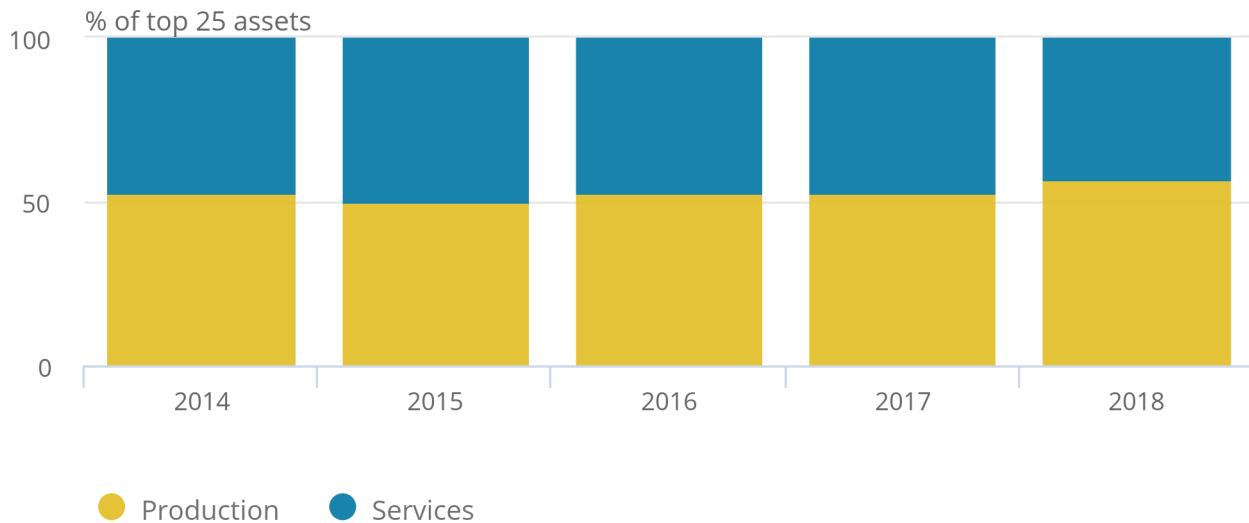
Looking at the composition of FDI assets from the top 25 companies across production and service industries, the industry proportions of the value of assets controlled by companies in the top 25 remained mostly unchanged between 2014 and 2018. Assets owned by the top 25 were split relatively evenly between these broad industries in each year from 2014 to 2017, with just over one-half of assets held by production companies. In 2018, production industries accounted for 57% of assets controlled by the top 25, which was the highest proportion of the five years presented in Figure 3.

Figure 3: The proportion of assets controlled by production and services companies remained stable

Proportion of assets held by production and services companies among those with the top 25 outward positions, UK, 2014 to 2018

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Source: Office for National Statistics

Notes:

1. [Section 6](#) includes details of which industries are included in production and services industries.

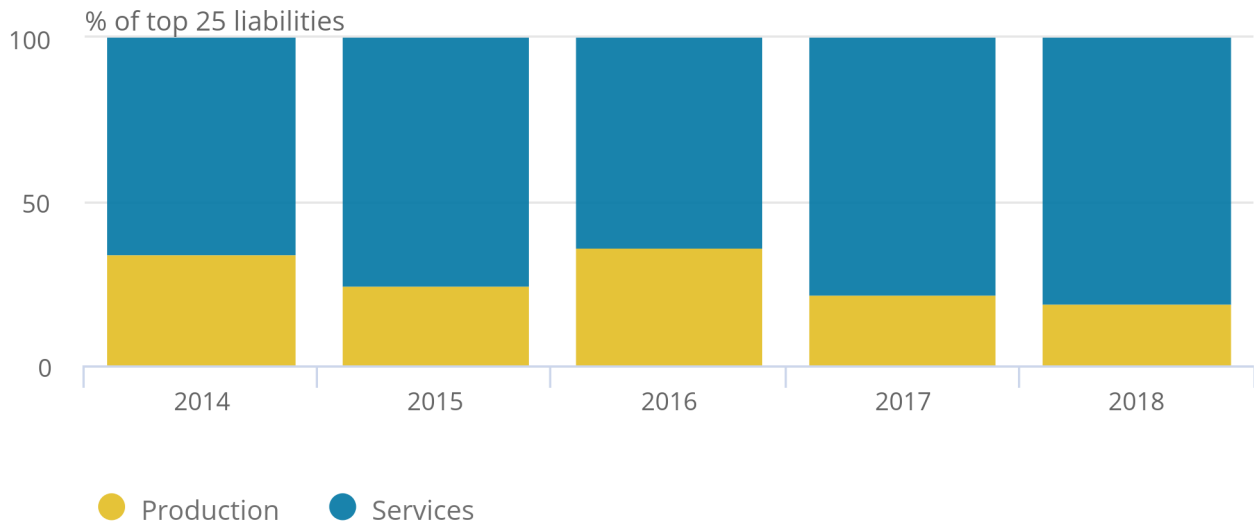
Contrary to the relatively even split across these industries for FDI assets, companies in services industries controlled the majority of the top 25 FDI liabilities (Figure 4). The share of services among the top 25 had been on a generally increasing trend between 2014 (66%) and 2018 (81%). This suggests a gradual shift for FDI liabilities among the 25 largest inward investors from production to services industries.

Figure 4: Liabilities held by the top 25 companies are heavily weighted towards the services industry

Proportion of value of positions held by production and services companies among those with the top 25 inward positions, UK, 2014 to 2018

Figure 4: Liabilities held by the top 25 companies are heavily weighted towards the services industry

Proportion of value of positions held by production and services companies among those with the top 25 inward positions, UK, 2014 to 2018



Source: Office for National Statistics

Notes:

1. [Section 6](#) includes details of which industries are included in production and services industries.

5 . Acknowledgements

Author: Aphra Smith.

The author would like to acknowledge the contributions from Laura Garcia Blasco, Andrew Jowett and Lee Mallett.

6 . Sub-industries of production and services industries used in this article

Table 2: Industries included within production and services industries for this article

Industry grouping Industry from FDI bulletin tables

| | |
|------------|--|
| Production | Agriculture, forestry and fishing |
| | Mining and quarrying |
| | 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 |
| | Other manufacturing |
| | Electricity, gas, water and waste |
| | Construction |
| Services | Retail and wholesale trade, repair of motor vehicles and motorcycles |
| | Transportation and storage |
| | Information and communication |
| | Financial services |
| | Professional, scientific and technical services |
| | Administrative and support service activities |
| | Other services |

Source: Office for National Statistics