

Article

Foreign direct investment distribution, UK trends and analysis: February 2021

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

Contact:
Andrew Jowett
fdi@ons.gov.uk
+44 (0)1633 455357

Release date:
10 February 2021

Next release:
To be announced

Table of contents

1. [Main points](#)
2. [Distribution of foreign direct investment companies by value](#)
3. [Composition of the 25 companies with the highest asset or liability values](#)
4. [Glossary](#)
5. [Measuring the data](#)
6. [Related links](#)

1 . Main points

- The largest 25 outward investors by stock of foreign direct investment (FDI) accounted for 45% of UK FDI assets in 2019, compared with 37% of UK FDI liabilities for the top 25 inward investors.
- The share of FDI assets held by the largest 25 outward investors in 2019 was lower than that in 2014, whereas the share of liabilities for the largest 25 inward investors was higher over that period.
- There were only 9 companies in the top 25 inward investing companies in 2019 that were also present in the top 25 in 2014; this was lower than the 18 outward investing companies in the top 25 over the same period.
- Companies in services industries within the top 25 companies accounted for a larger proportion of FDI liabilities (75%) than FDI assets (40%) in 2019.

2 . Distribution of foreign direct investment companies by value

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 45% of the total value of UK assets in 2019. The next 25 companies accounted for a further 12 percentage points, reflecting the importance of the largest 50 companies on UK FDI abroad (Figure 1).

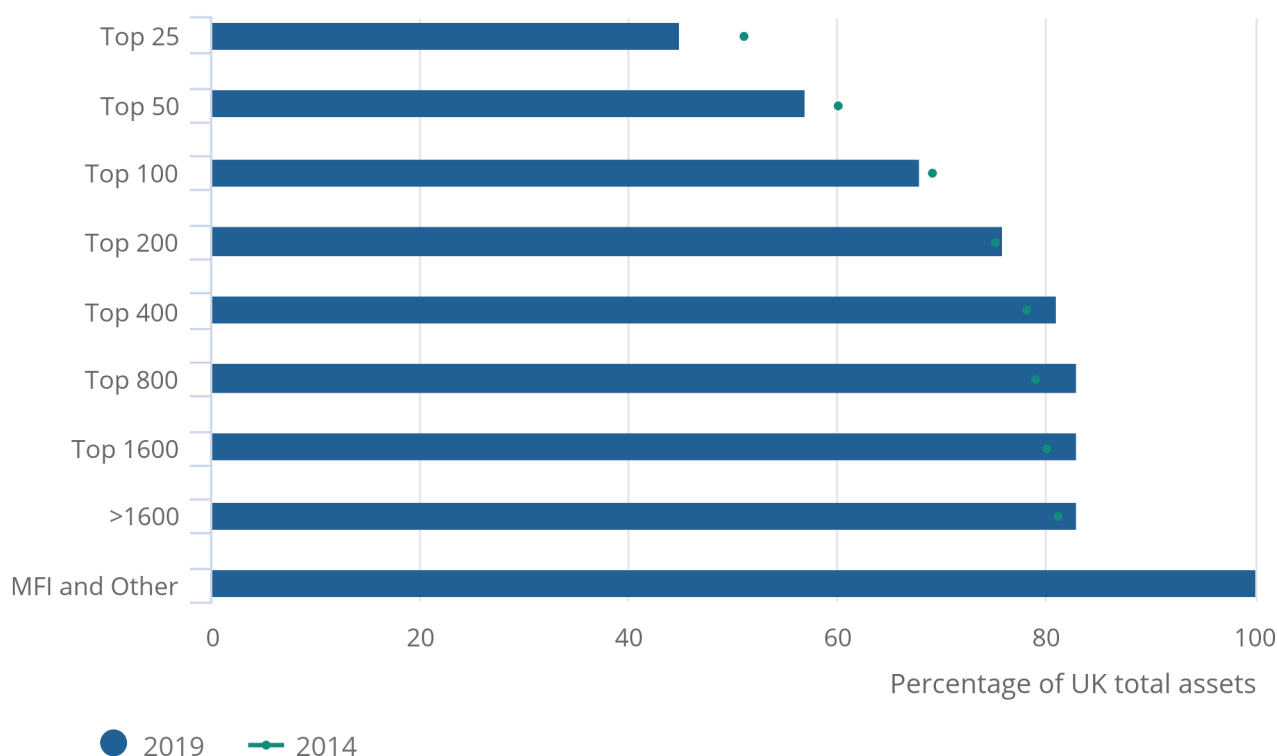
The additional impact of each group diminishes, despite the number of companies in the latter groups increasing. All companies accounted for 83% of total UK FDI assets, with the remaining 17% controlled by monetary financial institutions (MFIs) and other categories of investment, which are counted separately. The distribution of assets in 2019 was relatively similar to that from 2018, with all groupings changing by around 1 or 2 percentage points over the year.

Figure 1: The proportion of foreign direct investment assets accounted for by the top 25 companies in 2019 was lower than in 2014

Distribution of UK foreign direct investment assets grouped by asset values in descending order, 2019 compared with 2014

Figure 1: The proportion of foreign direct investment assets accounted for by the top 25 companies in 2019 was lower than in 2014

Distribution of UK foreign direct investment assets grouped by asset values in descending order, 2019 compared with 2014



Source: Office for National Statistics - Foreign Direct Investment Survey

Notes:

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

The proportion of assets held by the top 25 companies decreased in 2019 compared with 2014 – the first year for which the distribution of FDI assets were available. It went from 51% in 2014 to 45% in 2019 (a fall of 6 percentage points). The proportions accounted by the top 100 companies in 2019 were also below those in 2014, whereas it was the opposite for the remaining size groups. This mainly reflects the relatively faster growth in asset values for investments of companies not in the top 100.

The distribution of FDI liabilities was less concentrated among the UK’s largest investors compared with assets. FDI liabilities are the stock of direct investments held in the UK by foreign companies. In 2019, the largest 25 investors held just over one-third (37%) of total UK FDI liabilities compared with 45% of assets. The top 100 companies held 61% of liabilities compared with 68% of assets and the top 400 held the same proportion of assets and liabilities at 81%.

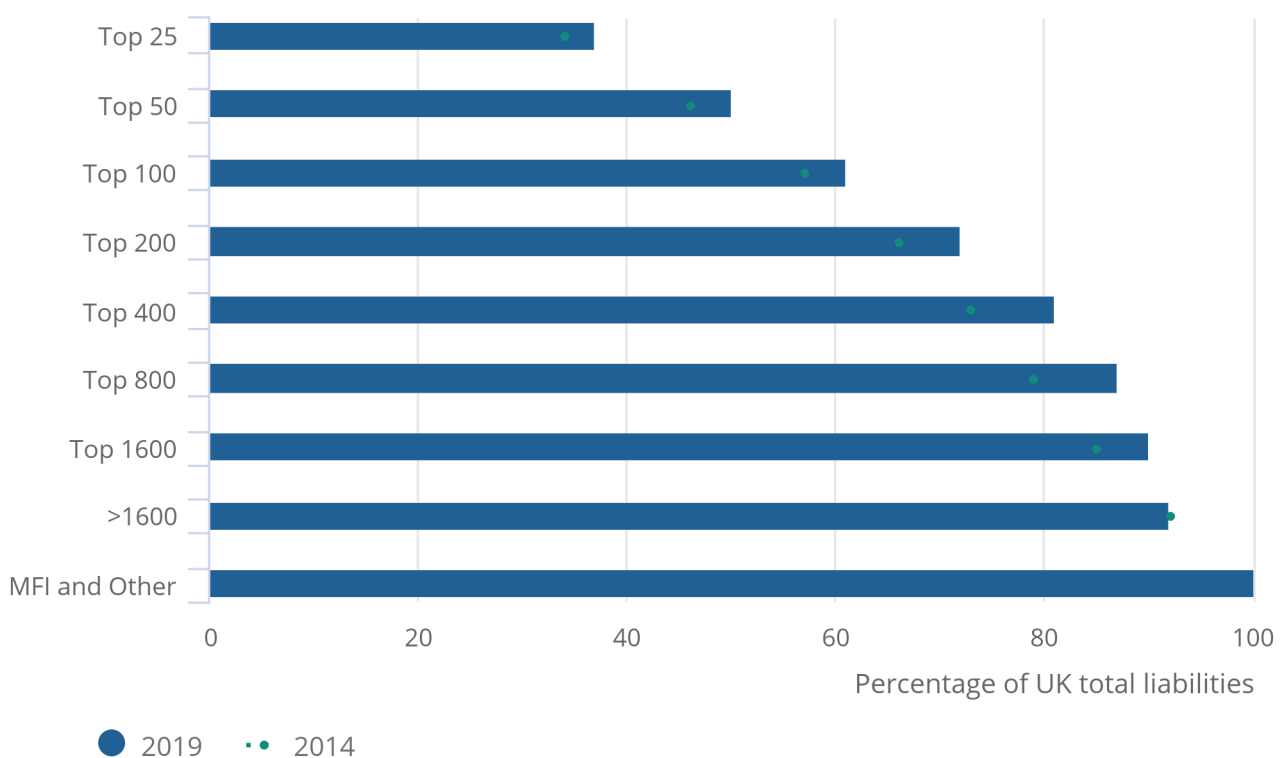
If MFIs and other categories of investment are excluded, then 92% of UK liabilities are represented compared with 83% of UK assets. The distribution of UK FDI liabilities has moved more towards the largest investors from 2014 to 2019, as shown by the proportion of liabilities held by the different company groups (Figure 2). Proportions of total liabilities accounted for by each grouping of companies were higher in 2019 than 2014.

Figure 2: Half of all foreign direct investment liabilities were controlled by the 50 largest companies in 2019

Distribution of UK foreign direct investment liabilities grouped by liability values in descending order, 2019 compared with 2014

Figure 2: Half of all foreign direct investment liabilities were controlled by the 50 largest companies in 2019

Distribution of UK foreign direct investment liabilities grouped by liability values in descending order, 2019 compared with 2014



Source: Office for National Statistics - Foreign Direct Investment Survey

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 small number 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.

3 . Composition of the 25 companies with the highest asset or liability values

The companies with the highest foreign direct investment (FDI) positions hold a large proportion of both UK 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 18 of the 25 largest direct investors by FDI asset values in 2019 were also present in the top 25 in 2014 (Table 1). This was double the number that were present for the top 25 for liabilities (9) in 2019 that were also in the top 25 in 2014. This reflects the more stable values 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 2019

		2015	2016	2017	2018	2019
Companies in top 25						
Assets	from 2014	22	23	19	18	18
	from the previous year	22	21	20	19	22
Liabilities	from 2014	19	17	11	10	9
	from the previous year	19	21	17	18	21

Source: Office for National Statistics - Foreign Direct Investment Survey

Notes

1. Companies are sorted in order of descending asset or liability values in each year.

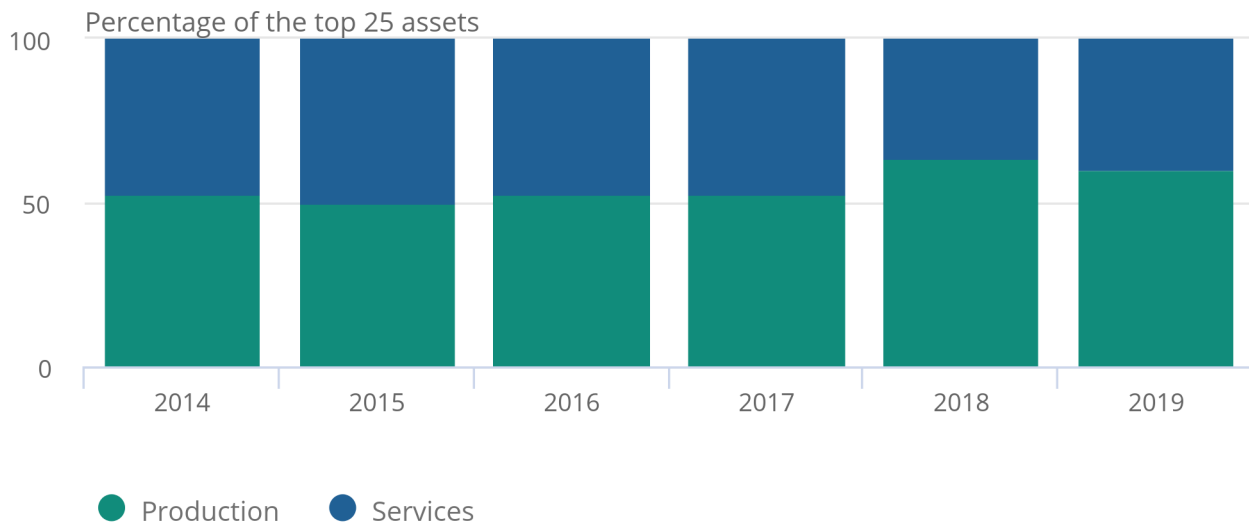
The results for the 25 largest companies by asset or liability values can also be analysed by production and services industries. Production industries accounted for the higher share, which had been generally increasing from 53% in 2014 to 60% in 2019. The highest proportion for production industries in the top 25 was in 2018, where they accounted for 64% of assets (Figure 3).

Figure 3: The proportion of top 25 assets controlled by production and services companies remained stable in 2019

Proportion of foreign direct investment assets held by production and services companies among the companies with the top 25 asset values, 2014 to 2019

Figure 3: The proportion of top 25 assets controlled by production and services companies remained stable in 2019

Proportion of foreign direct investment assets held by production and services companies among the companies with the top 25 asset values, 2014 to 2019



Source: Office for National Statistics - Foreign Direct Investment Survey

Notes:

1. [Section 5: Measuring the data](#) includes details of which industries are included in production and services industries.

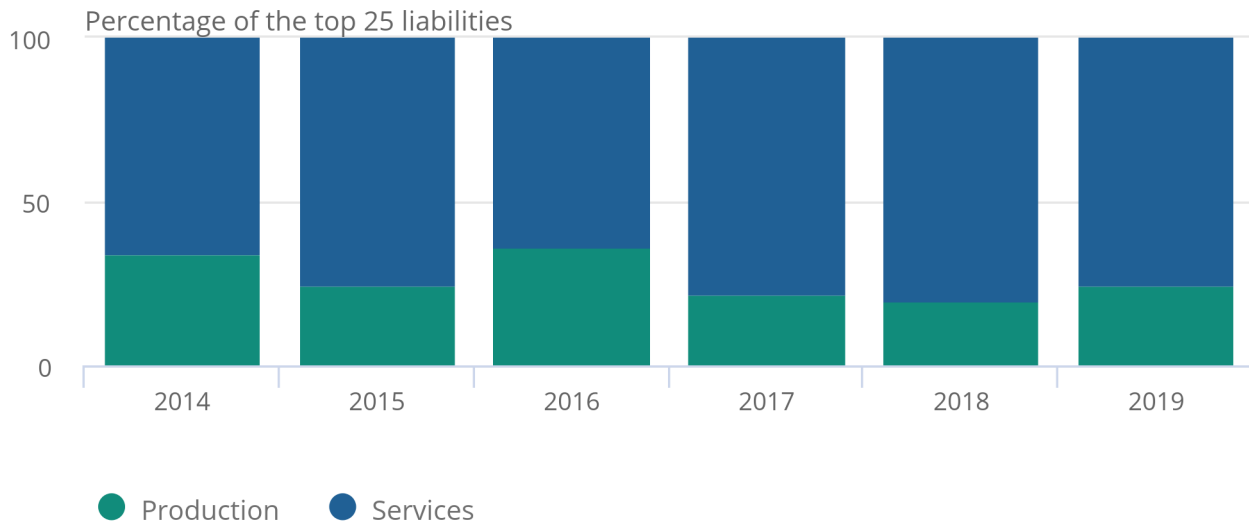
In contrast to the relatively even split across these industries for FDI assets, companies in services controlled the majority of the top 25 FDI liabilities. The proportion was 75% for the top 25 in 2019. This was the third consecutive year where services accounted for at least three-quarters of the FDI liabilities among the top 25 companies (Figure 4).

Figure 4: Liabilities held by the top 25 companies were concentrated in services industries

Proportion of foreign direct investment liabilities held by production and services companies among the companies with the top 25 liability values, 2014 to 2019

Figure 4: Liabilities held by the top 25 companies were concentrated in services industries

Proportion of foreign direct investment liabilities held by production and services companies among the companies with the top 25 liability values, 2014 to 2019



Source: Office for National Statistics - Foreign Direct Investment Survey

Notes:

1. [Section 5: Measuring the data](#) includes details of which industries are included in production and services industries.

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

Top 25 companies

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). The top 25 companies are the largest 25 companies for each of the years analysed and do not necessarily refer to the same companies.

Assets and liabilities

FDI assets are the total stock of direct investment held abroad that is controlled by UK-resident companies. This includes the overseas direct investments of foreign-owned companies in the UK as well as the FDI of UK-based parent companies. FDI liabilities are the stock of direct investments in the UK controlled by foreign companies. This includes investments of foreign parent companies into the UK as well as the reverse investments of UK-controlled affiliates in other countries with their UK parent company.

Asset and liability measurement principle

The asset and liability measurement principle uses residency as the main distinction between outward and inward investments. It measures the direct investments of UK resident companies – both UK parent companies and foreign-owned UK affiliates – with the rest of the world relative to the direct investments of non-UK resident companies held in the UK. These statistics are consistent with the [Pink Book](#).

5 . Measuring the data

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. Statistics used in this analysis are presented using the asset and liability measurement principle (see the [Glossary](#) for further information). Compiling asset and liability statistics involves combining information from the outward and the inward surveys.

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](#).

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

Production

This includes the following sub-industries:

- agriculture, forestry and fishing
- mining and quarrying
- food products, beverages and tobacco products
- textiles and wood activities
- petroleum, chemicals, pharmaceuticals, rubber, plastic products
- metal and machinery products
- computer, electronic and optical products
- transport equipment
- other manufacturing
- electricity, gas, water and waste
- construction

Services

This includes the following sub-industries:

- 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

6 . Related links

[Foreign direct investment involving UK companies \(asset and liability\): liabilities](#)

Dataset | Released 21 December 2020

Annual statistics on the direct investment liabilities, debits and inward flows of non-resident companies into the UK.

[Foreign direct investment involving UK companies \(asset and liability\): assets](#)

Dataset | Released 21 December 2020

Annual statistics on the direct investment assets, credits and outward flows of UK-resident companies abroad.

[Balance of payments, UK: July to September 2020](#)

Bulletin | Released 22 December 2020

A measure of cross-border transactions between the UK and rest of the world. Includes trade, income, capital transfers, and foreign assets and liabilities.

[Foreign direct investment involving UK companies: 2019](#)

Bulletin | Released 21 December 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 using the directional and asset & liability measurement principles.