

Article

# A review of UK foreign direct investment statistics: winter 2017

Analysis of UK foreign direct investment for 2015 by geographic region, industry, companies' size of investment and the impact of exchange rate movements.

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# 1 . Main points

- Net foreign direct investment (FDI) earnings have fallen notably since 2011, acting to increase the current account deficit – a trend that continued in 2015.
- The decline in net FDI earnings is largely a result of a fall in the value of UK earnings on FDI abroad (credits), while overseas investors' FDI earnings in the UK (debits) have remained relatively flat.
- The fall in UK FDI credits is partly explained by changes in the implied rates of return on UK FDI assets, which have been falling since 2011; in contrast, returns on liabilities have been relatively more resilient.
- The largest destination for UK FDI, the EU, was the main driver of the fall in UK FDI credits since 2011; FDI assets in the majority of member states were below medium-term averages in 2015.
- Returns on assets held in the North Americas, the second largest destination for UK FDI, have also fallen since 2011.
- Falling FDI credits from the mining and quarrying industries have been an important factor in the overall fall in the value of UK FDI credits, while increases in FDI debits from the UK's financial and insurance industries have provided notable positive contributions to the value of UK FDI debits.
- The UK's largest 25 companies in terms of total overseas investment were found to be the main driver of the downward trend recorded in FDI credits since 2011; although declines in earnings were also recorded among smaller investors.
- Exchange rate movements were found not to have been a main determinant of the value of UK assets between 2011 and 2015; however, the depreciation of sterling over the first 3 quarters (January to September) of 2016 appears to have had a positive impact on the value of UK assets and credits.

## 2 . Overview

FDI statistics provide information about the value of foreign investment in to and out of the UK and the earnings on those investments

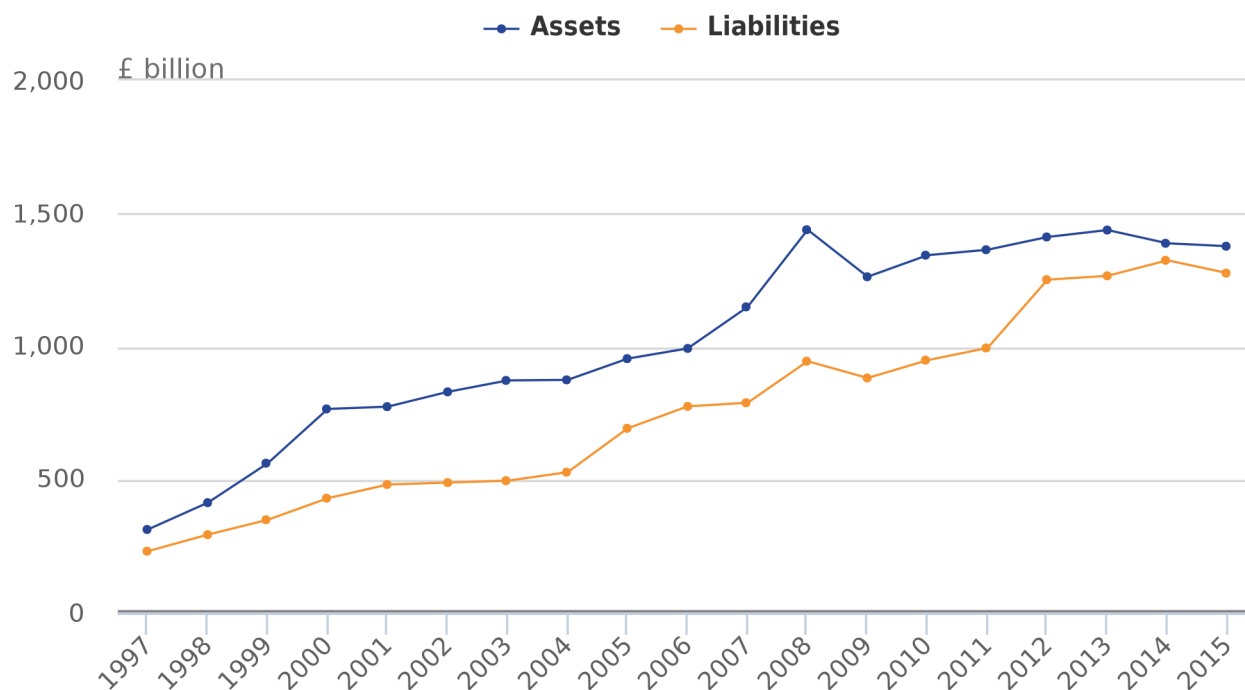
Foreign direct investment (FDI) refers to cross-border investments made by residents and businesses from one country in to another, with the aim of establishing a lasting interest in the country receiving investment <sup>1</sup>. Outward FDI captures the investments made by UK-based companies abroad whereas inward FDI covers investments in the UK made by foreign companies<sup>2</sup>. Statistics used in this analysis are presented using the asset and liability principle<sup>3</sup>, as opposed to the directional principle used in the [FDI statistical bulletin](#). This is in line with internationally-agreed best practice and makes these data consistent with the Balance of Payments (Pink Book) <sup>4</sup>.

There are 4 concepts upon which the analysis in this article will focus. The outward position (stock) of FDI the UK holds overseas are UK assets, whereby the earnings on those assets are credits. The inward position (stock) of FDI held in the UK by overseas companies are UK liabilities, with the earnings on those liabilities being debits. Net values are found by subtracting the value of liabilities from assets (net FDI position) or the value of debits from credits (net earnings).

## The values of UK assets and credits have been higher than that of liabilities and debits in every year since 1997

The values of UK assets and liabilities have been on an upward trend since comparable records began in 1987. However, the value of FDI assets saw little growth from 2011 onwards, suggesting that this upward trend may have flattened. The performance of FDI liabilities has been more varied; the value in 2015 was 28.3% higher than in 2011, reflecting continued investment into the UK. Despite these recent trends, the value of UK assets remains higher than liabilities, as presented in Figure 1; in other words, the net position was positive. The net FDI position increased in the 2000s before falling markedly between 2011 and 2012. The difference in 2014 was the smallest that it had been since 1991. The value of liabilities fell to a greater extent than the fall in assets in 2015, increasing the UK's net FDI position.

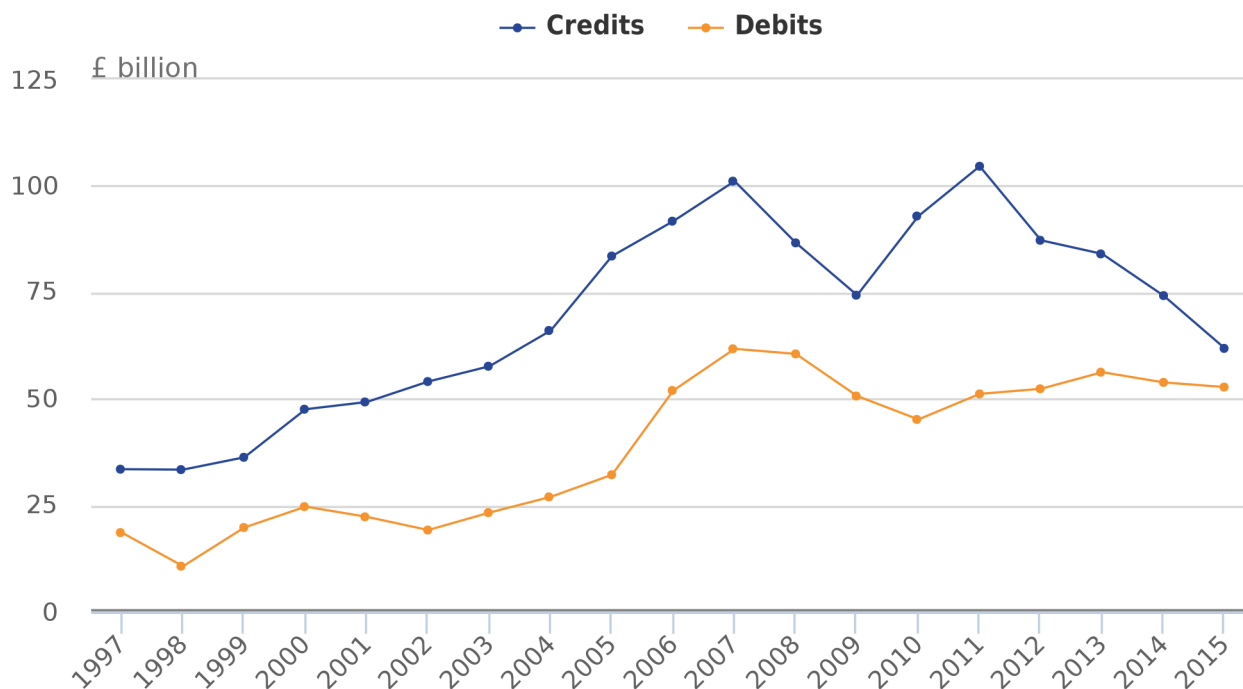
**Figure 1: UK FDI assets and liabilities, 1997 to 2015**



Source: Office for National Statistics

The value of credits has also exceeded the value of debits in every year since comparable records began in 1997. While both earnings series had an upward trend throughout the 2000s, these were affected by the 2007 global financial market shock. The value of debits (earnings on foreign-held investment in the UK) has been at a similar level since 2011 while the value of credits has been falling over that period (Figure 2). The value of credits in 2015 was at a similar level to those in 2004 and the difference between credits and debits (net earnings) was also the smallest that it had been since comparable series began in 1997.

**Figure 2: UK credits and debits, 1997 to 2015**

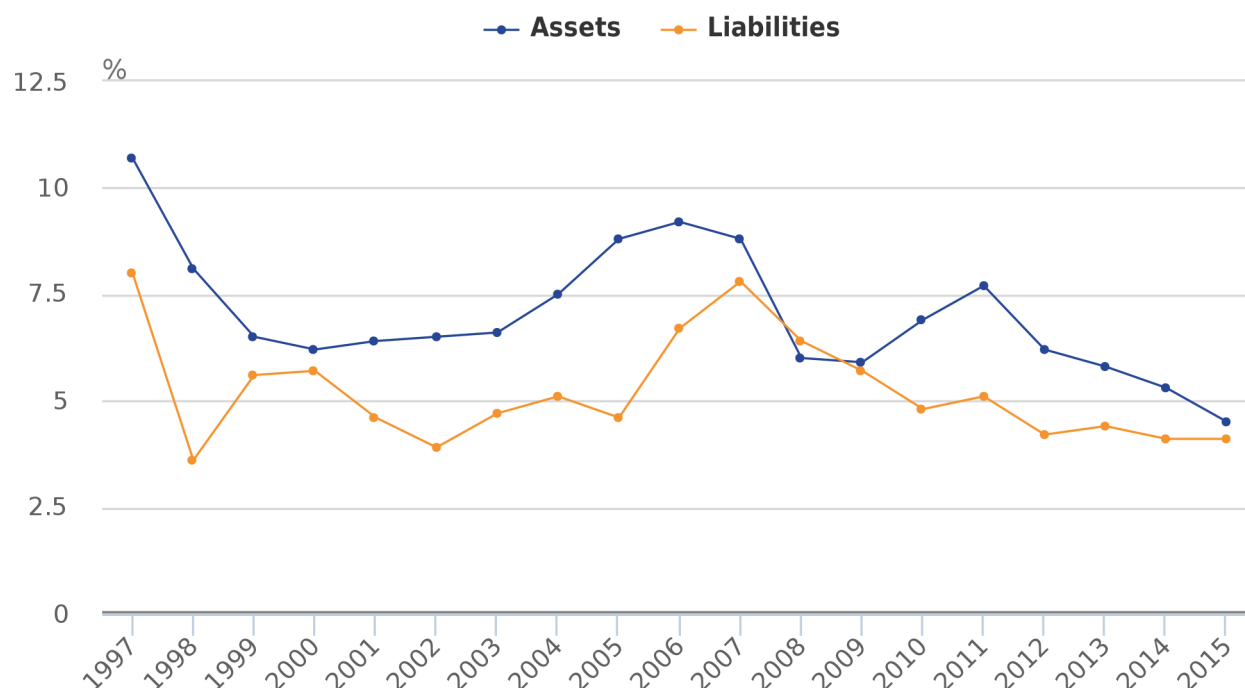


Source: Office for National Statistics

## Implied rates of return on assets and liabilities can be calculated

These trends in earnings relative to the stock of investment partly reflect changes in the rate of return. This captures how much income is generated per pound of investment. Therefore, if the UK receives £50,000 on an asset in Germany valued at £1 million, then this implies that the rate of return is 5%; every £100 invested generates £5 of income. The implied rates of return on UK assets and liabilities are shown in Figure 3.

**Figure 3: Implied rates of return on UK FDI assets and liabilities, 1997 to 2015**



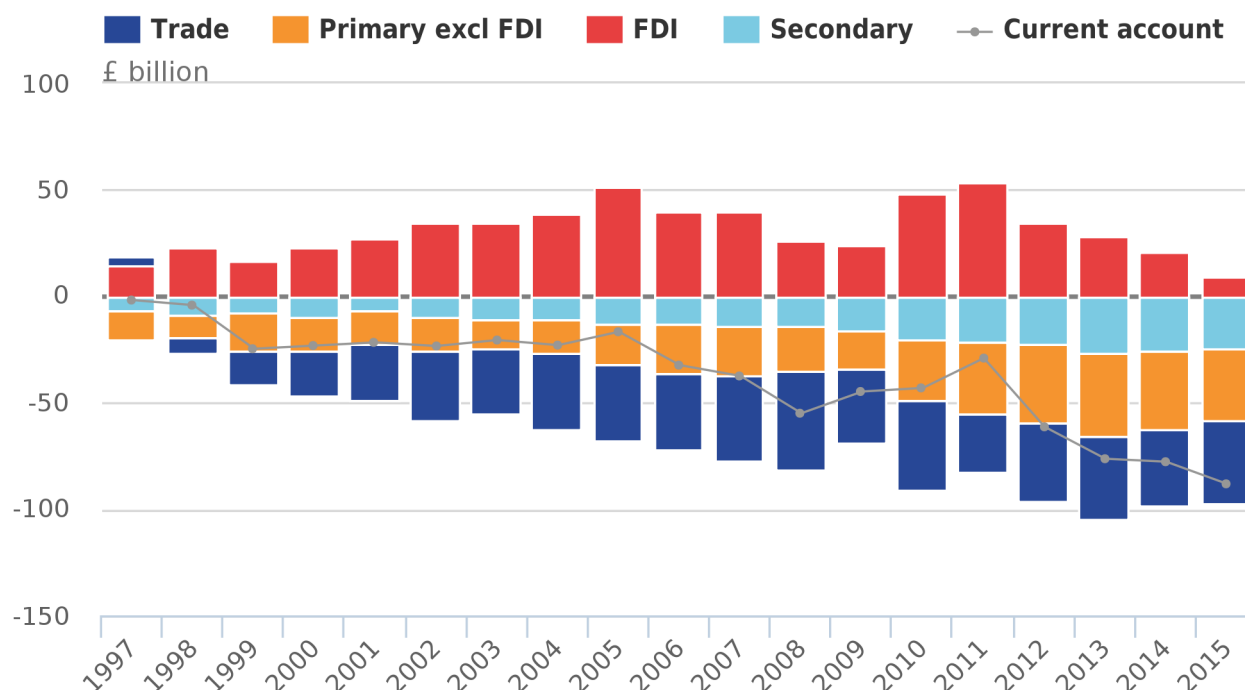
Source: Office for National Statistics

The implied rates of return on UK assets have typically been higher than those on UK liabilities; the only year where this was not true was in 2008. However, trends in these series since 1997 have been different. Rates of return on UK assets have been on a broadly downward trend after peaking at 10.8% in 1997 and falling to 4.5% by 2015. This is the lowest implied rate of return on outward FDI since comparable series began. The rates of return on UK liabilities have been more constant by comparison, varying between 4% and 6% in 13 of the 19 years presented. The rates of return on UK liabilities since 2010 are comparable with those in the early 2000s.

## The value of net FDI earnings has a direct impact on the UK's current account balance

Foreign direct investment is a component of the balance of payments, with changes in credits and debits affecting the primary income account. The UK's current account balance (the black line in Figure 4) has been negative (that is, a current account deficit) in every year since 1983. Net FDI earnings have been positive in every year since comparable series began in 1997, which increases the current account balance, or narrows the deficit.

**Figure 4: The UK current account balance and its components, 1997 to 2015**



Source: Office for National Statistics

**Notes:**

1. FDI data for 2014 presented in Figure 4 and throughout this paper are based on revised estimates which were published in the latest annual [FDI statistical bulletin](#). The revised estimates for 2014 are yet to be incorporated into Balance of Payments; therefore, estimates of the current account balance in 2014 are indicative and assume all other components of the current account remain constant. Latest 2014 estimates of FDI and other components of the current account will be incorporated into Pink Book and [Balance of Payments](#) in October 2017.

The current account balance was increasing – becoming less negative – between 2008 and 2011, before falling markedly from 2012 onwards. Over this period, the value of net FDI earnings has also fallen notably whereas the total values of other components of the current account have been broadly constant. Figure 2 shows that this is more as a result of earnings on UK assets held overseas falling while earnings on foreign-held assets in the UK have been largely constant since 2011. This indicates that falling earnings on UK FDI overseas has been a factor in the widening of the current account deficit. [Further analysis on this relationship](#) can be found on the ONS website.

## This article presents new analysis on FDI data for 2015

Statistics presented throughout this article have utilised micro-data analysis to categorise FDI statistics in a variety of ways, including by geographic region, industry and companies by size of investment. It is also possible to estimate the impact of exchange rates on these values. Section 3 looks at trends in UK FDI by continent before providing more detail on UK FDI with the other 27 EU member states in section 4. The industry sections analyse trends in FDI using broad industrial groups in section 5, before focus ing on mining and quarrying, financial services and manufacturing in sections 6, 7 and 8. Sections 9 and 10 explore the distribution of FDI by companies' size of investment and estimate the impact that exchange rate movements may have had on FDI.

The analysis mainly focuses on changes in FDI between 2011 and 2015. This is the period over which the value of UK FDI credits has fallen despite the investment position being broadly constant. Some sections widen the time period to include 2007 and the last section also considers exchange rate movements in part of 2016. All series are measured in current prices, so have not been adjusted to allow for the effects of inflation.

## Notes for: Overview

1. A minimum of 10% of the voting power is the basic criterion used to distinguish FDI relationships from portfolio investment.
2. Inward investment is made in the UK by non-resident companies.
3. The [OECD](#) has produced a comparison of these 2 approaches.
4. FDI data for 2014 presented throughout this article are based on revised estimates, which were published in the latest annual FDI bulletin. The revised estimates for 2014 are yet to be incorporated into balance of payments. Latest 2015 estimates of FDI and other components of the current account will be incorporated into Pink Book and Balance of Payments in October 2017.

## 3 . FDI by geographic continent

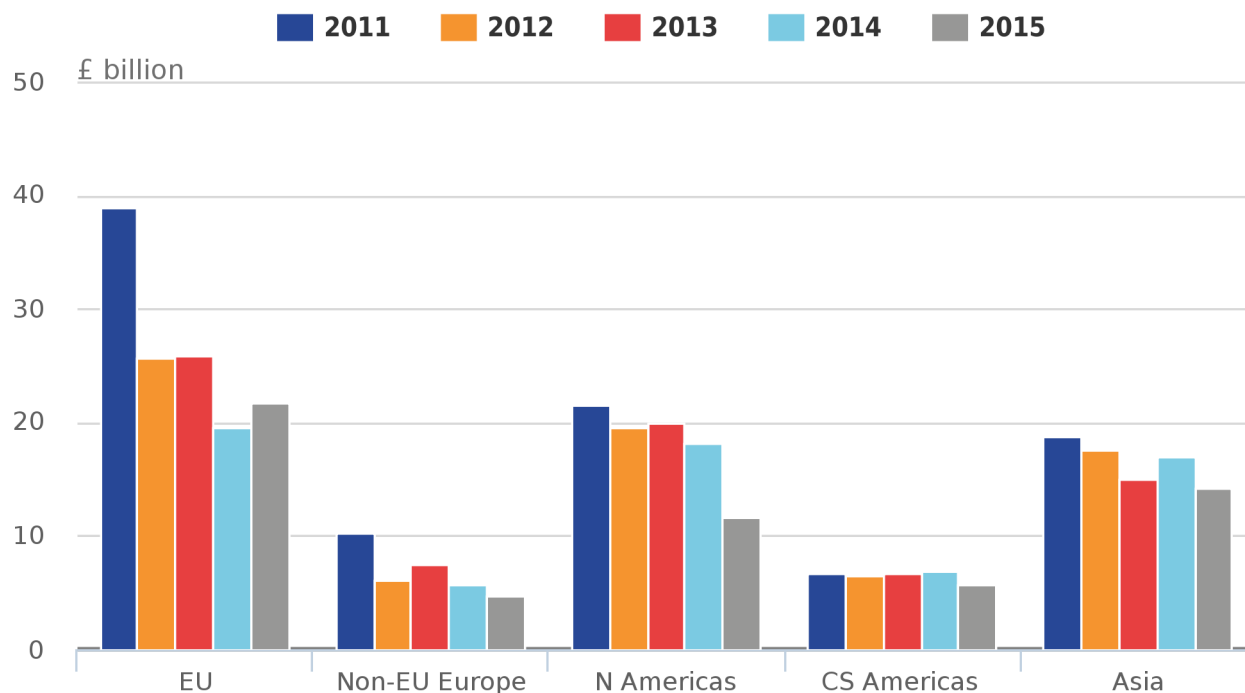
Foreign direct investment (FDI) statistics can be grouped by country to show FDI positions and earnings between the UK and a partner country. This analysis uses continents: Africa, Asia, Australasia and Oceania, Central and South Americas, European Union (EU), Non-EU Europe and North Americas. Details of the countries included within these continents can be found in Annex A. This section looks at regional trends for both UK assets and liabilities.

### **The value of credits in most continents has fallen despite asset values falling only in the EU**

There are 3 continents in which the value of UK assets has been largely constant between 2011 and 2015. The values of assets in non-EU Europe, Asia and Africa in 2015 are at similar levels to those in 2011. Among the other continents, the value of assets in 2015 held in the EU and Australasia and Oceania are lower than they were in 2011, which was offset by increased positions in the North Americas and Central and South Americas. The shifts in where UK assets are located have helped to maintain the aggregate value of UK assets at similar values since 2011.

The value of credits is lower in 2015 than in 2011 for every continent presented in Figure 5. Among these, the biggest fall has been in the EU, where credits totalled £38.9 billion in 2011, were £13.3 billion lower by 2012 and a further £3.9 billion lower by 2015. Another notable decrease can be observed in the North Americas, whereby credits have fallen by £10.0 billion, of which around two-thirds of this decrease happened between 2014 and 2015. Although not presented in Figure 5, the fall in FDI credits from Africa is perhaps more striking despite the lower total value of these credits, having nearly halved between 2012 and 2014<sup>1</sup>. Indeed, the EU was the only continent where credits increased in 2015 from 2014.

**Figure 5: Total UK FDI credits by continent, 2011 to 2015**



Source: Office for National Statistics

**Notes:**

1. Values for Australasia & Oceania and Africa have been excluded to prevent disclosure.

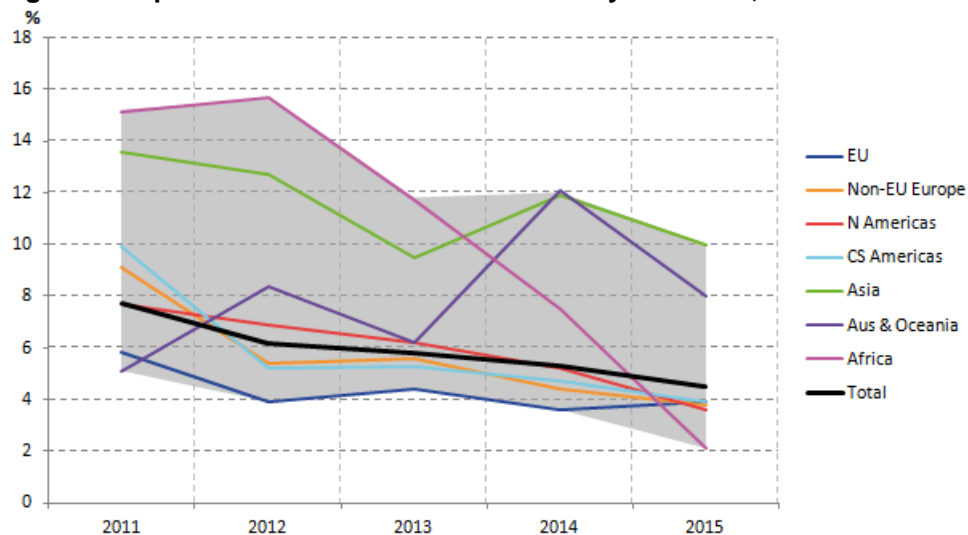
## The implied rates of return on UK assets by continent have been falling too with the contributions from the North Americas having an impact

If the stock of investment has remained largely constant over time and the earnings generated on that stock have fallen, then this implies that the rate of return has fallen for most continents. Figure 6 shows these implied rates of return between 2011 and 2015. The shaded area represents a swathe of these rates in any given year; in other words, the difference between the highest and lowest rate of return in that year. The black line is the implied rate of return on all UK assets and confirms the general downward trend in aggregate.

Rates of return from Asia have been among the highest over this period, yet even these have fallen from 13.6% in 2011 to 10.0% by 2015; those with Africa have also fallen greatly too. Returns on assets in the Central and South Americas and non-EU Europe have converged with those from the EU and the North Americas to be around 4% in 2015. The one notable exception is Australasia and Oceania, where the implied rate of return is higher in 2015 than it was in 2011.

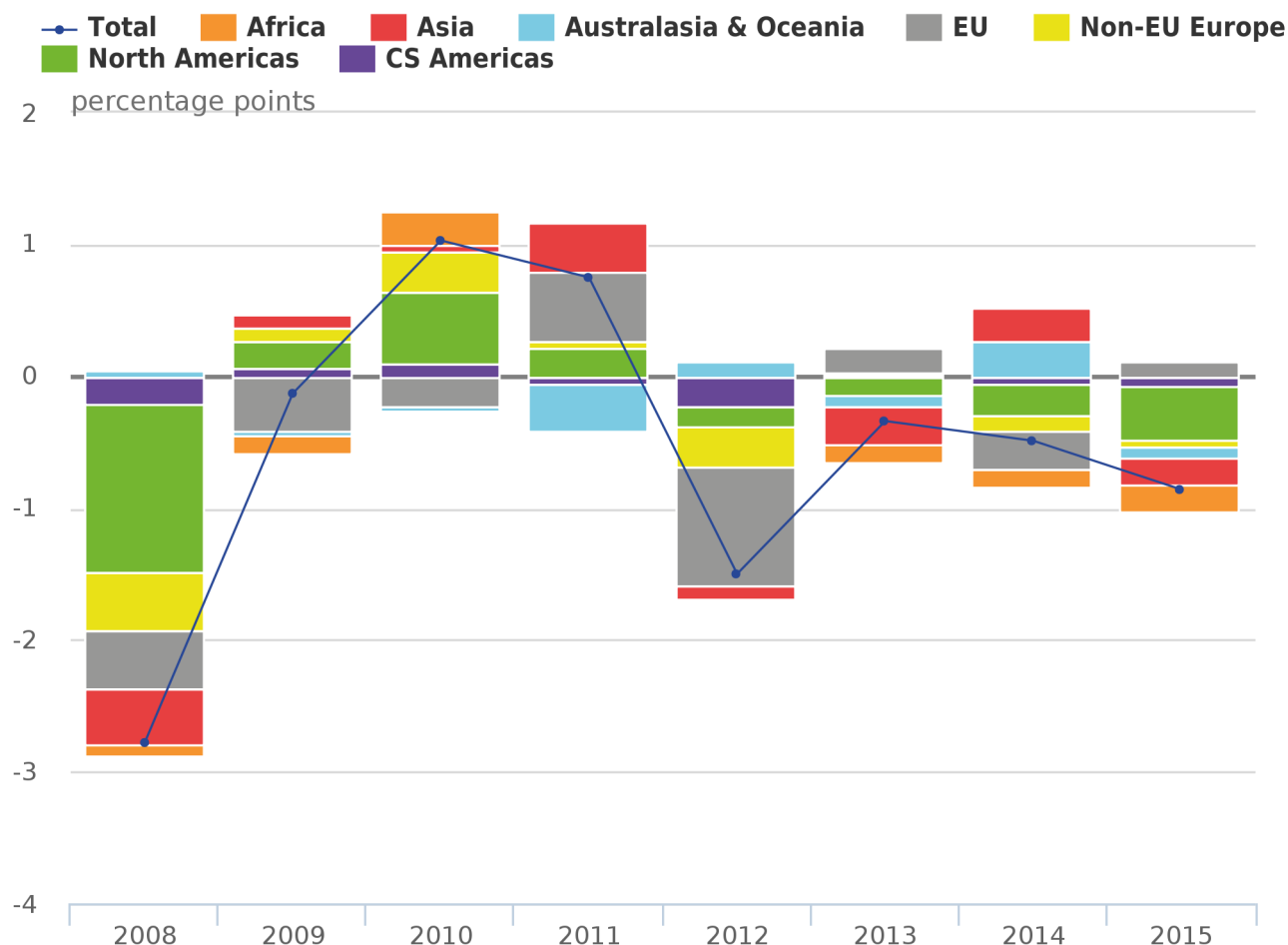


**Figure 6: Implied rates of return on UK assets by continent, 2011 to 2015**



It is sometimes the case that smaller components underlying a statistic can be more volatile than some of the larger components. In this case, the large percentage changes in the smaller component would be counteracted by the relatively more stable changes in the larger one. The contributions of each component can therefore be weighted by its relative size in the total to allow for these differences. Figure 7 presents the percentage point contribution to the annual change in the overall rate of return on UK assets, weighted by the share of each continent in total assets.

**Figure 7: Contributions to the change in the implied rate of return on UK assets by continent, 2008 to 2015**



Source: Office for National Statistics

**Notes:**

1. The sum of the contributions will not necessarily sum to the total rate of return on UK assets. These have been weighted by the share of each continent in total UK assets in the previous year. For example, the contribution of the EU in 2015 is weighted by the proportion of EU assets in total UK assets in 2014.

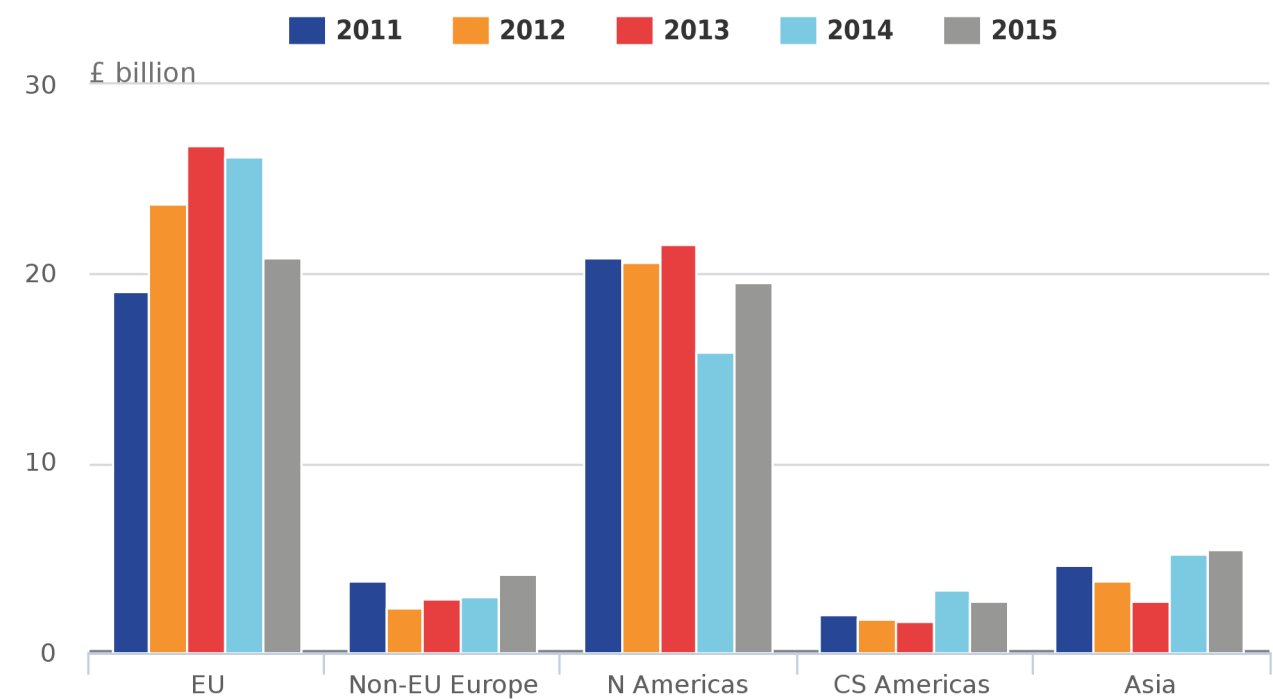
The majority of UK assets are held in the EU and North Americas. Both regions applied downward pressure in most periods between 2008 and 2015, with the North Americas and the EU contributing negatively in 5 and 6 of the 8 years respectively; although the 2 regions' contributions did act in opposite directions in a number of periods. The decline in the implied rate of return on UK assets in 2012 was mainly attributable to a notable negative contribution from the EU before rising and falling in subsequent years. In contrast, returns generated in the US provided negative contributions in all periods since 2011 and have had an impact on the trend in UK rates of return, most notably in 2015.

## UK liabilities have increased across all continents, although this has not led to higher debits for some regions

Direct investment liabilities with all continents are higher in 2015 than the values in 2011. The largest annual increase in terms of value and percentages took place in 2012 with the EU and the Central and South Americas respectively; UK liabilities with the EU increased by £115.2 billion (23.7%), while liabilities with the Central and South Americas increased by 127.8% (£51.1 billion). The EU was the main continent with which the position decreased in the year to 2015, with a fall of £49.5 billion. The value of UK FDI liabilities from non-EU Europe, Central and South Americas and Asia also saw falls, although these were largely offset by increases from other regions.

The value of earnings generated on foreign-owned assets in the UK (debits) has been more mixed across the continents when comparing 2015 with 2011. Debits to the EU, non-EU Europe, Central and South Americas and Asia are all higher in 2015 than 2011 while the rest are lower (Figure 8). The overall changes in debits across this period are generally lower than the changes for credits. For example, debits to the EU increased by £1.8 billion whereas credits from the region fell by £17.2 billion. Likewise debits from the North Americas decreased by £1.3 billion while credits fell by £10.0 billion.

**Figure 8: Total UK FDI debits by continent, 2011 to 2015**



Source: Office for National Statistics

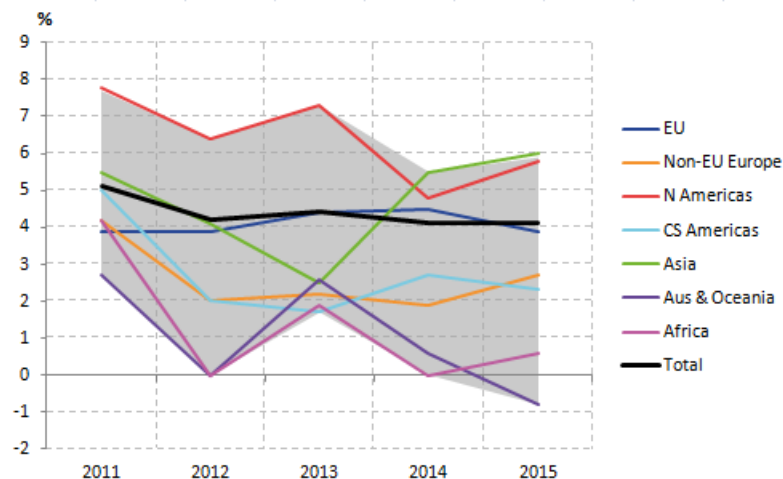
Notes:

1. Values for Australasia & Oceania and Africa have been excluded to prevent disclosure.

### Trends in implied rates of return on UK FDI liabilities have been mixed while the contributions from the North Americas have also been important for liabilities

There are a few continents in which total liabilities have increased and debits have fallen. Figure 9 presents a swathe of implied rates of return by continent for UK liabilities. One of the highest rates of return generated in the UK between 2011 and 2015 were by North American liabilities; however, these have fallen from 7.8% in 2011 to 5.8% by 2015. Rates of return on investment from the EU appear to have been stable in this period, which has contributed to the relatively constant rates of return on total UK liabilities. This has been supported by increasing rates of return on investments from Asia, which exceeded North American implied rates of return to become the highest in 2014 and 2015.

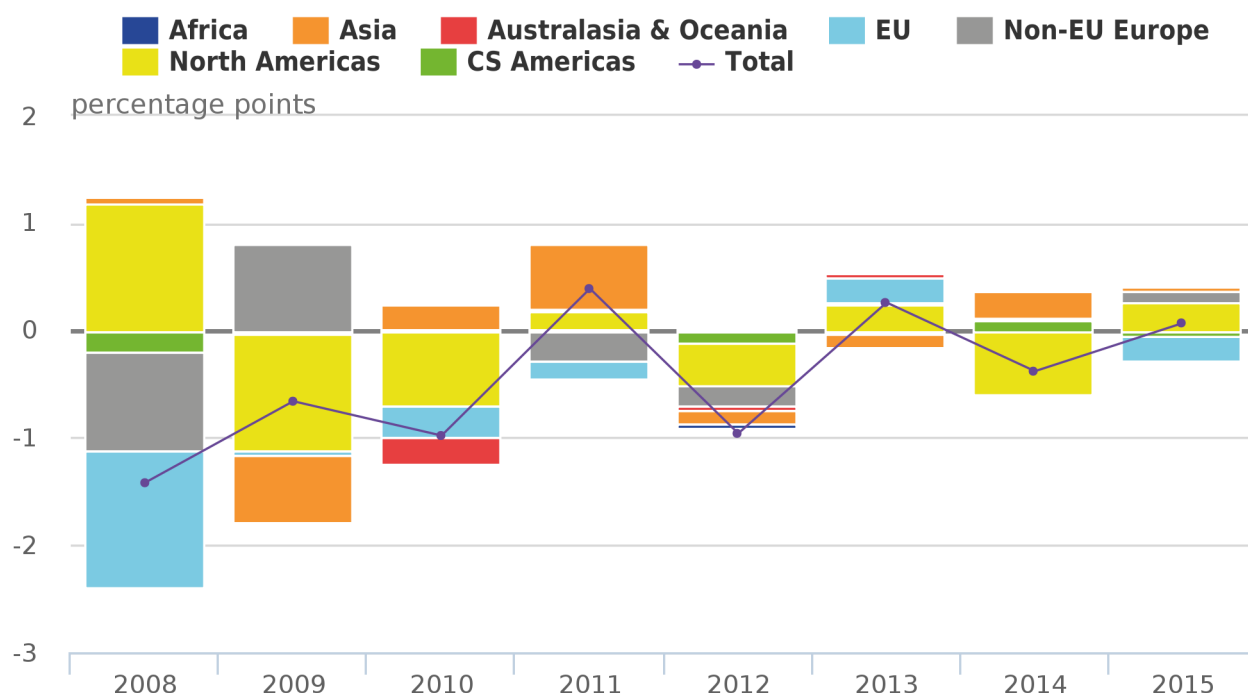
**Figure 9: Implied rates of return on UK liabilities by continent, 2011 to 2015**



The change in the rate of return on total UK liabilities has oscillated from year to year: increasing in one, decreasing in the next before increasing again. These changes have also become more positive since 2008, where rates of return increased in 2011, 2013 and 2015. The North Americas have maintained some of the highest rates of return between 2011 and 2015, yet it is the falls in these that have contributed the most to lowering overall rates of return in 4 of the 8 years presented in Figure 10. Rates of return on Asian liabilities have also made large contributions to the overall change in 2011 and 2014 in particular.

In contrast to assets, the contributions to the changes in rates of return on liabilities from the EU are much smaller. A notable exception is 2015 when the EU was the largest negative contributor, which was offset by a positive contribution from the North Americas. The patterns in which continents have made the biggest contributions to the trends in overall rates of return are less clear. However, the magnitude of these changes has fallen as represented by the size of the bars. This may reflect that economic conditions in the UK have stabilised following the 2008 to 2009 economic downturn.

**Figure 10: Contributions to the change in the implied rate of return on UK liabilities by continent, 2008 to 2015**



Source: Office for National Statistics

**Notes:**

1. The sum of the contributions will not necessarily sum to the total rate of return on UK liabilities.
2. These have been weighted by the share of each continent in total UK liabilities in the previous year. For example, the contribution of the EU in 2015 is weighted by the proportion of EU liabilities in total UK liabilities in 2014.

## Notes for: FDI by geographic continent

1. Earnings data for Africa in 2015 have been suppressed to prevent disclosure.

## 4 . Focus on UK FDI with the European Union

### UK FDI is concentrated in a small number of EU countries for both outwards and inwards FDI

Six EU member states account for around 85% of UK assets and liabilities within the EU. In 2015, the Netherlands and Luxembourg held the largest proportions, where 27.4% and 18.6% of UK assets in the EU were located in these 2 countries respectively, as shown in Table 1. A factor in this will be the presence of special purpose entities (SPEs) that form part of corporate structures. The other main investment partners are France, Ireland, Spain and Germany. It is the same 6 member states that comprise the highest proportions in foreign direct investment (FDI) liabilities too. These 6 countries are referred to as the UK's "main FDI partners" in the rest of this section.

**Table 1: Top 10 UK FDI assets by EU member state, 2015**

	Member state	FDI assets (£ billion)	Proportion total EU FDI assets (per cent)	Cumulative percentage
1	Netherlands	150.7	27.4	27.4
2	Luxembourg	102.3	18.6	45.9
3	France	81.6	14.8	60.7
4	Ireland	56.2	10.2	70.9
5	Spain	47.5	8.6	79.6
6	Germany	27.9	5.1	84.6
7	Belgium	22.1	4.0	88.6
8	Sweden	18.2	3.3	91.9
9	Italy	14.4	2.6	94.6
10	Denmark	7.1	1.3	95.9
	Other EU	22.8	4.1	100.0

Source: Office for National Statistics

The spread in the value of UK FDI positions between member states is large owing to the concentration of positions with the UK's 6 main partners. For example, UK assets in the Netherlands, totalled £150.7 billion in 2015, which is 5-times greater than UK assets in Germany (£27.9 billion), and 10-times greater than those in Italy (£14.4 billion). The differences in scale become even greater with some of the newer member states.

The same situation is also true when looking at UK liabilities, although here the concentration of liabilities is even greater towards the older members of the EU. Plotting these values on the same chart affects the scale of the axes, making the chart difficult to interpret. One solution is to normalise the values for each country to allow for the differences in scale and variability. Box 1 contains extra information on interpreting the normalised FDI charts. One of the benefits of this approach is that data for all EU member states can now be displayed to the same scale.

## Box 1: Interpreting normalised FDI positions and earnings figures

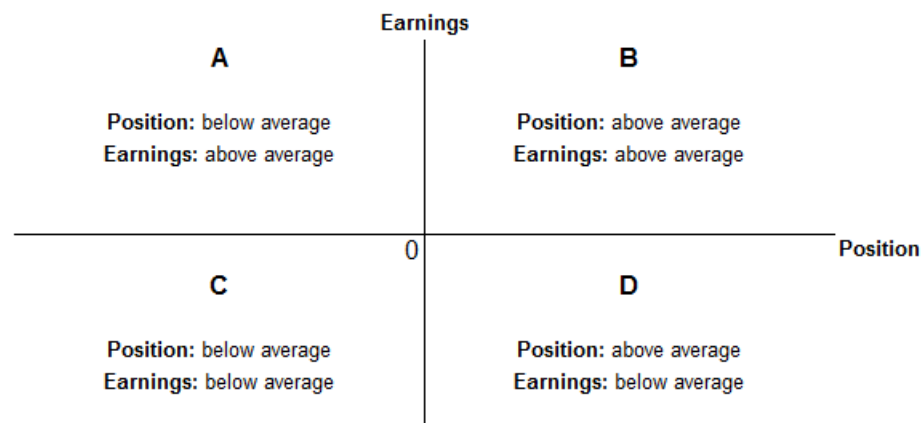
The values of UK FDI positions and earnings can vary greatly between member states and for each member state over time. Normalising takes account of these differences in scale and variation by transforming these data. This process makes it difficult to interpret the new values in isolation as they are now relative to each country's average annual position and earnings.

The analysis presented in this article plots the normalised positions against normalised earnings for each member state in 2015. These values should be interpreted with reference to both axes:

- horizontal axis: if a point is above (below) the axis, then the FDI position in that year was above (below) the 2007 to 2015 average FDI position for that country in that year
- vertical axis: all points to the right (left) of this axis indicate that earnings were above (below) the 2007 to 2015 average in that year

This creates 4 quadrants to these graphs around the axes to group the EU member states as outlined in the diagram :

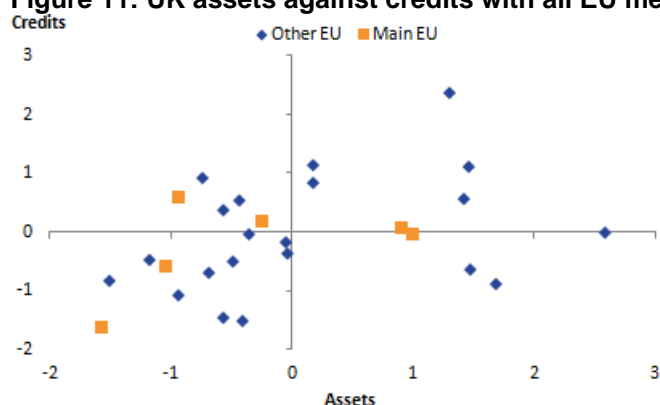
## Box 1: Interpreting normalised FDI positions and earnings figures



## Outward positions are below the medium-term average for the majority of EU countries in 2015

The positive relationship expected between outward positions and earnings can be seen in 2015. Figure 11 shows that for 12 European countries, both assets and credits were below average in 2015, of which 2 of these are among the UK's main FDI partners; in this case, Luxembourg and the Netherlands. There are also an additional 5 member states where the value of assets is below average, yet credits are above average (top-left quadrant). This implies that there are 17 (out of 27) member states in which the value of UK assets in 2015 was below the 2007 to 2015 average.

**Figure 11: UK assets against credits with all EU member states, 2015**

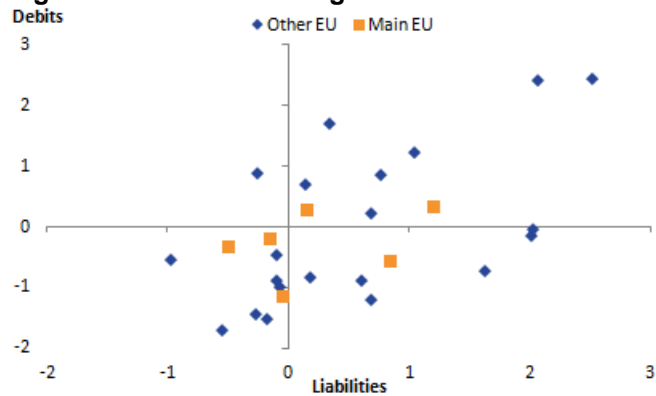


France and Ireland are the 2 main EU FDI partners in which the position was above average in 2015. There was also slight increase in French credits compared with the average, whereas Irish credits were about average. It can also be noted that the other EU countries in which outward UK FDI positions were above average are from Central and Eastern Europe. This demonstrates that while the traditional FDI partners remain important for the UK, it was among the newer member states that have tended to see above average earnings in 2015.

## Inward positions were above medium-term averages for most EU member states in 2015

The positive relationship between inward positions and earnings can also be seen in these normalised data. Inward investment positions were above average in 2015 in more member states than there were below (Figure 12); 16 above the vertical axis compared with 11 below. There were 10 cases in which both the values of liabilities and debits were below the respective averages in 2015, of which 3 of these are with the UK's main FDI partners: Germany, the Netherlands and Spain.

**Figure 12: UK liabilities against debits with all EU member states, 2015**

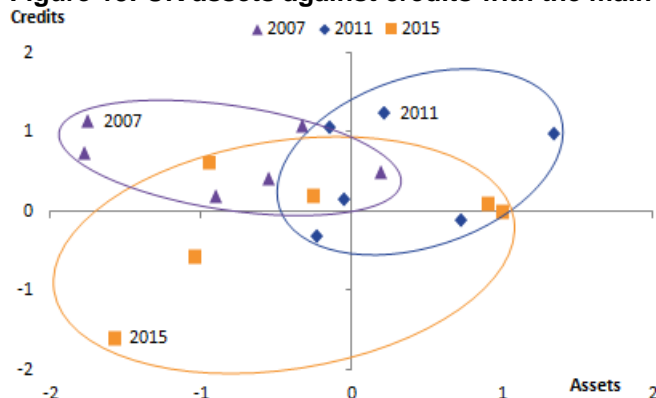


Among the other 3 main FDI partners, debits were above average in 2015 for Luxembourg and Ireland. These are grouped among the 9 member states where both liabilities and debits were above average (top-right quadrant). The increased liabilities are not confined to a European geographical region either, with liabilities to Portugal, Belgium, Denmark and Italy all being above average in 2015, of which the earnings on Italian FDI held in the UK were below average.

## There have been shifts in outward FDI involving the UK's main EU partners since 2007

Comparing normalised values in different years can reveal trends over time. For example, clusters of data points for each year should shift to the right and up if they are growing, and down and left if they are falling. Figure 13 presents trends of the UK's 6 main EU FDI partners and reveals that asset positions tended to be higher in 2011 compared with 2007 – as indicated by the shift to the right. In contrast, credits are generally above average, that is, above the horizontal axis in all except 2 cases; this suggests that falls have occurred in more recent years. While this may be expected for credits in 2011 if credits are on an upward trend, the above average 2007 values suggest downward pressure in later years.

**Figure 13: UK assets against credits with the main EU FDI partners, 2007, 2011 and 2015**



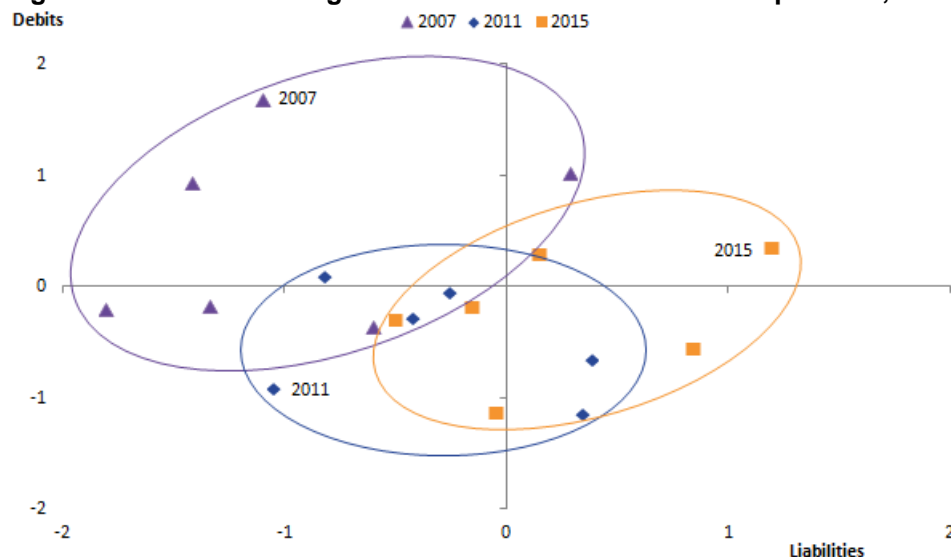
Analysing the 2015 cluster highlights 3 main differences relative to the earlier two years. First, the degree of variation has increased, as indicated by the larger area of orange (bottom) circle compared with the purple (top left) and blue (top right) ones. This suggests that the changes in the amount of investment and earnings have become more varied among the UK's main EU FDI partners. Second, the majority of data points have shifted to the left, highlighting that UK FDI assets in all countries have declined since 2011 excluding France and Ireland. Finally, the cluster of data points for 2015 has shifted downwards, indicating that FDI earnings have fallen among the majority of the UK's main EU investment partners compared with both 2011 and 2007.



## Inward investment positions have increased with the main EU partners while earnings are more mixed

In contrast with the UK's outward investment position with the 6 main European FDI partners, the value of inward investment from these countries has tended to increase between 2007 and 2015. This can be seen by the position of the clusters of each period shifting to the right over time in Figure 14. However, earnings generated by the main EU investment partners in the UK appear to have declined between 2007 and 2011, as indicated by the majority of blue diamonds falling below the horizontal axis. This is likely to reflect the economic conditions in the UK, which includes the 2008 to 2009 economic downturn and initial recovery up to 2011.

**Figure 14: UK liabilities against debits with the main EU FDI partners, 2007, 2011 and 2015**



Earnings generated by the majority of the main investment partners in the UK have remained below the medium-term average in 2015. This mainly reflects that while 2015 debits are above 2011 levels in most cases, they remain below those in 2007.

## 5 . FDI by industry

Foreign direct investment (FDI) statistics can also be grouped to show the breakdown of overall FDI positions and earnings between industries. These are defined using the [UK Standard Industrial Classification of Economic Activities 2007 \(SIC 2007\)](#) and those used in this analysis can be found in Annex B. This article uses the following industrial groupings<sup>1</sup>:

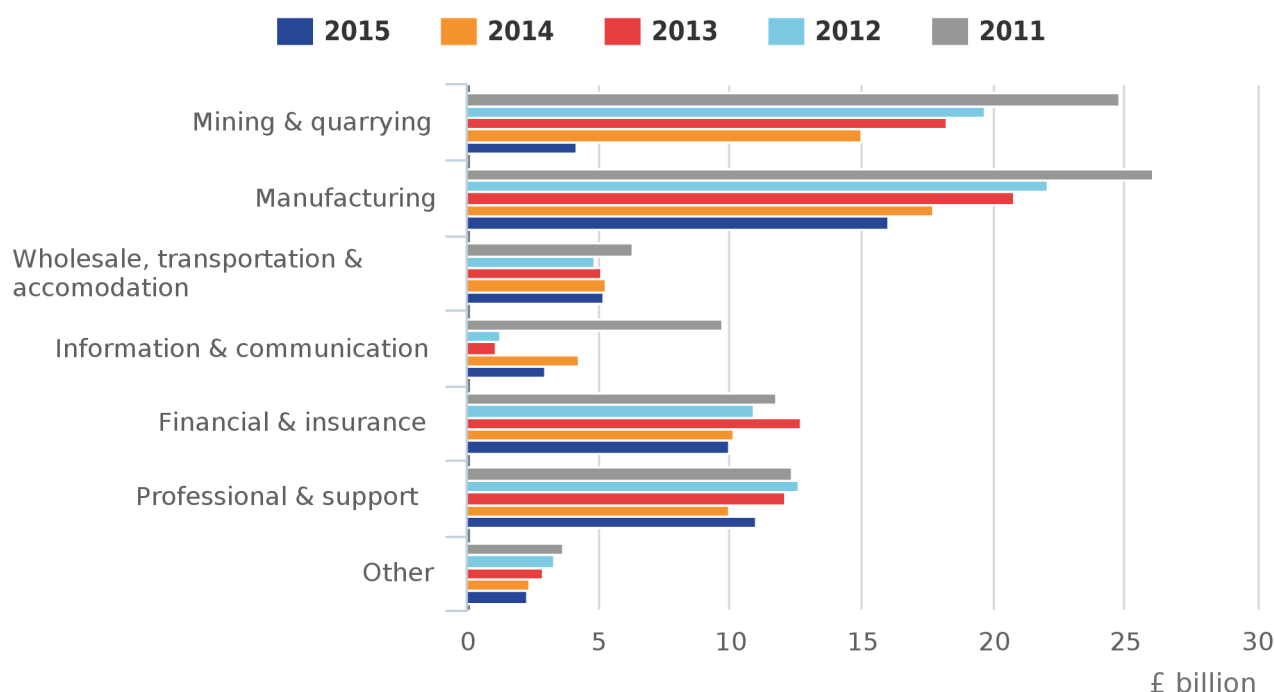
- mining and quarrying
- manufacturing
- wholesale, transportation and accommodation
- information and communication
- financial and insurance
- professional and support
- other (agriculture, real estate, government health and education plus any production and services industries not covered elsewhere)

Sections 6, 7 and 8 also include more detailed consideration of mining and quarrying, financial and insurance and manufacturing industries.

## UK credits fell across all industries despite asset positions remaining broadly constant

UK credits declined in all industry groupings between 2011 and 2015. This is particularly notable in mining and quarrying, manufacturing, and information and communication, where credits fell by £20.6 billion, £10.1 billion and £6.7 billion respectively in 2015 compared with 2011.

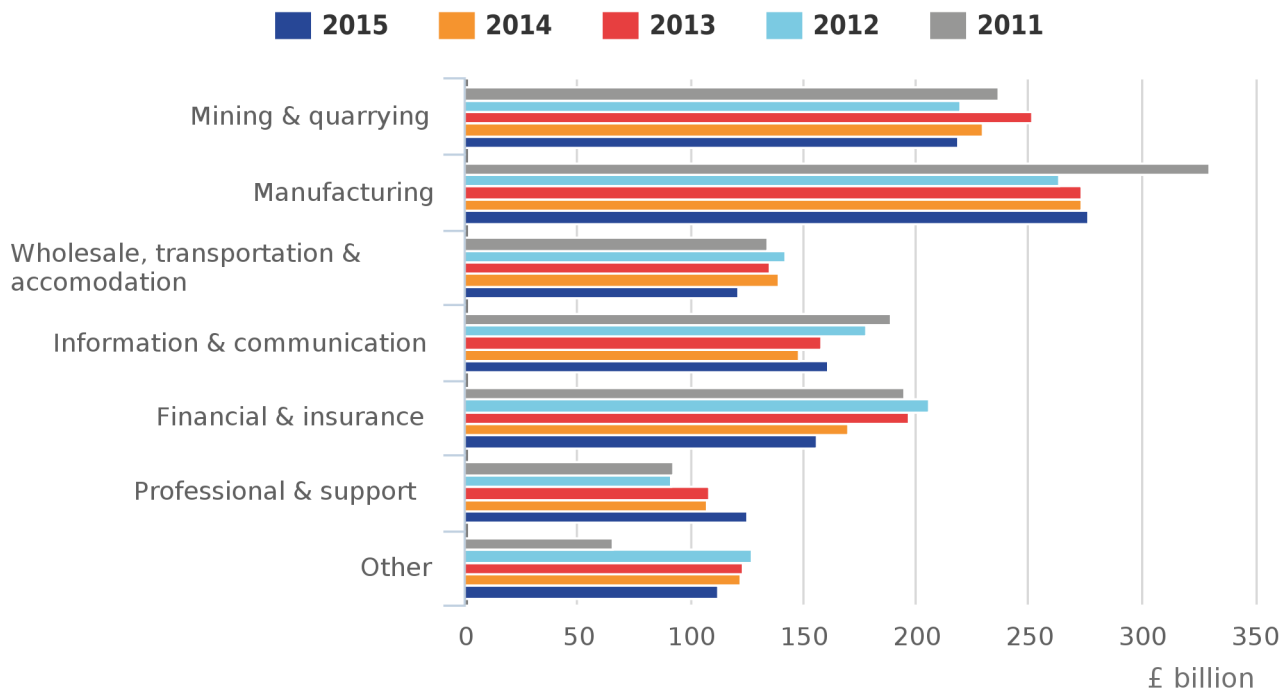
**Figure 15: Total UK FDI credits by industry, 2011 to 2015**



Source: Office for National Statistics

The values of UK assets by industry have been more constant compared with credits, albeit with fluctuations between years. Professional and support services was the only industrial grouping (excluding other) to see an increase in the value of FDI assets between 2011 and 2015, increasing by £32.8 billion to £125.0 billion. Assets in information and communication, and financial and insurance industries have been on a downward trend over this period whereas those in manufacturing have increased over recent years.

**Figure 16: Total UK FDI assets by industry, 2011 to 2015**

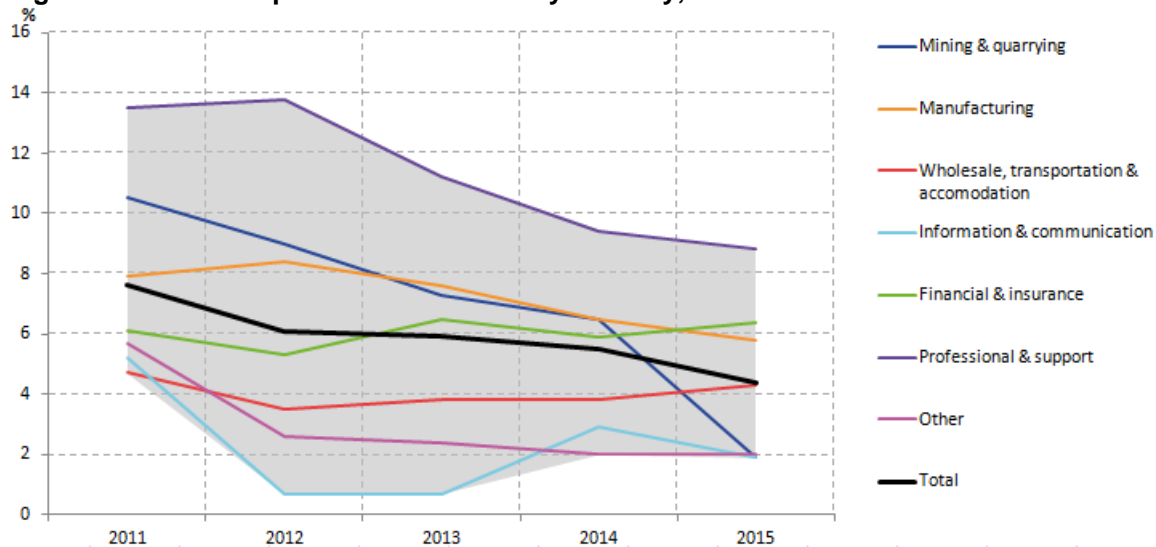


Source: Office for National Statistics

## Therefore implied rates of return on UK assets have been falling

The decline in the value of UK credits coincided with relatively stable asset values, indicating a fall in implied rates of return for some industries. The implied rates of return from these data are presented in Figure 17. Previous analysis noted the downward trend in the rates of return on UK assets. This is mirrored in most industrial groups with the exception of financial and insurance services where rates of return rose by 0.3 percentage points to 6.4% between 2011 and 2015. Mining and quarrying experienced the largest percentage point fall in the implied rates of return, falling by 8.6 percentage points to 1.9% between 2011 and 2015. This is almost double the second largest fall in rates; returns in professional and support services fell by 4.7 percentage points to 8.8%.

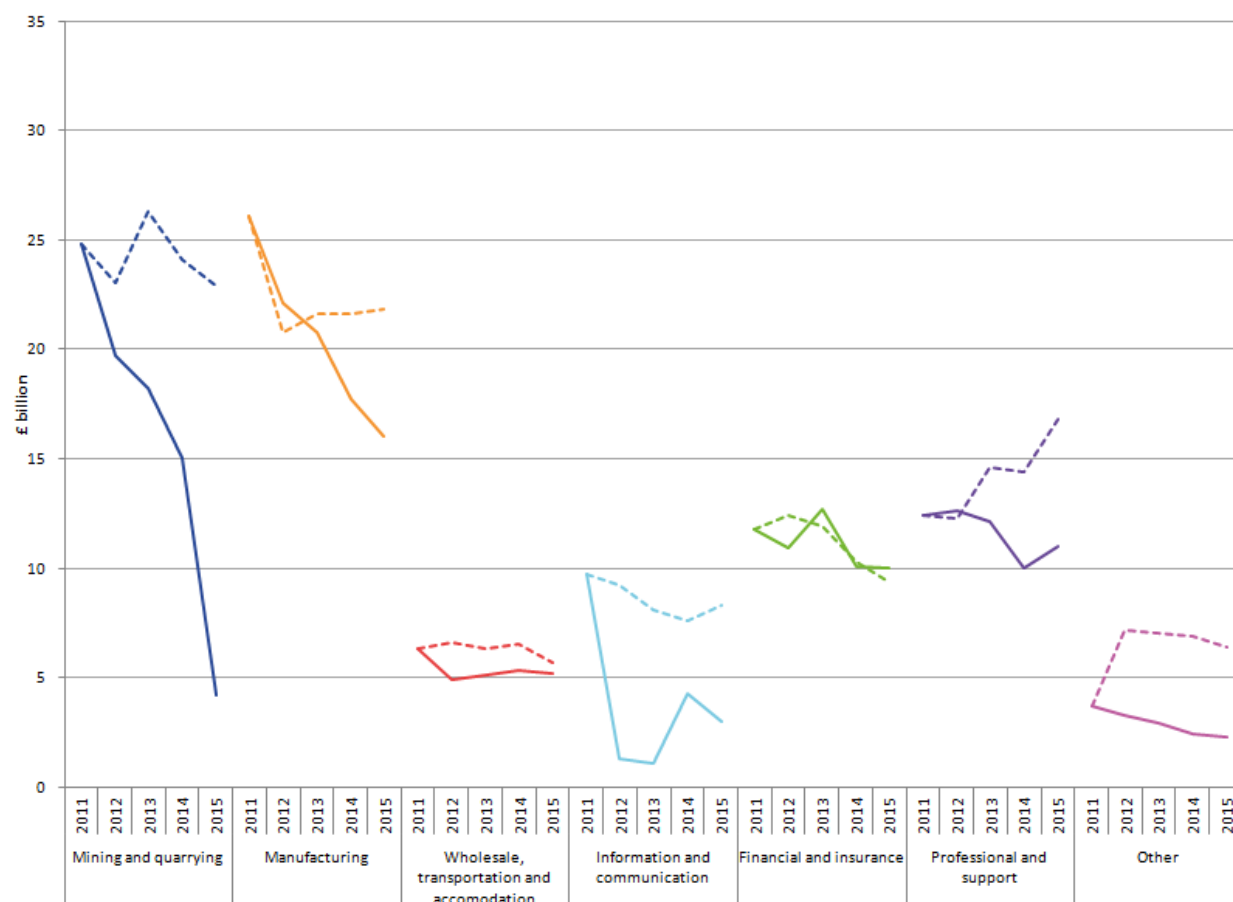
**Figure 17: Assets implied rates of return by industry, 2011 to 2015**



The different impacts of changes in rates of return and stocks of investment on FDI earnings often raises the question of how much of the changes can be attributable to long-term structural changes and short- to medium-term volatility. Considering changes in the stock of investment as a structural effect, while volatility in rates of return as short- to medium-term effects, can provide useful insights into how earnings are likely to return to previous levels if performances in certain industries return to “normal”. [Analysis focusing on regional, structural and short-term effects](#) is available.

To distinguish between structural and short- to medium-term impacts on different industries, counterfactual scenarios are produced in which returns remain at 2011 rates. These counterfactuals provide an insight into the value of FDI earnings that would be expected in each year if rates of return remained constant. The results presented in Figure 18 suggest that FDI credits would have been 72.7% higher compared with the actual 2015 level of credits if rates were held constant, with a fall of £5.5 billion since 2011 rather than the reported £43.1 billion.

**Figure 18: UK credits by industry, published (solid lines) and counterfactual (dashed lines) series, 2011 to 2015**

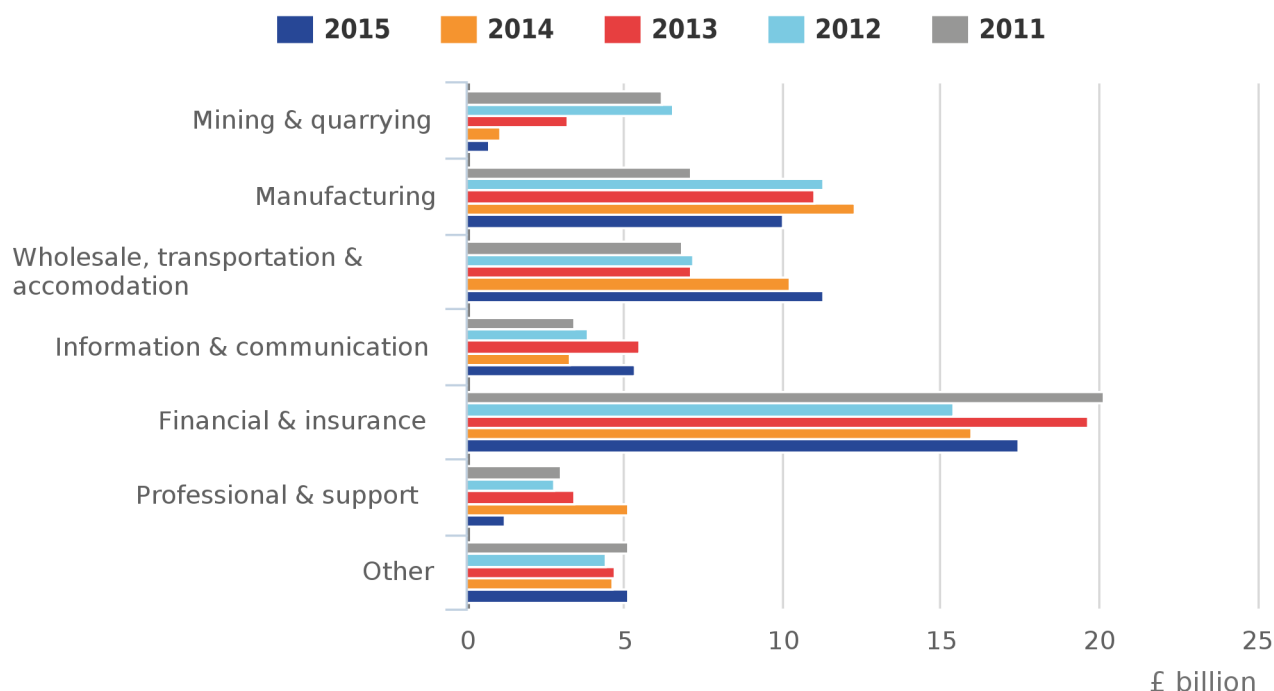


The analysis highlights the role that mining and quarrying has had on overall UK credits. The observed credits were £18.7 billion lower in 2015 than the counterfactual. Falling implied rates of return in manufacturing since 2013 have also contributed to the fall in UK credits. These 2 industries together account for £24.5 billion of the £37.6 billion difference in 2015 between the counterfactual and reported total UK credits. Financial and insurance services was the only group where counterfactual credits were lower, reflecting an increase in rates of return over the period.

## Trends in the value of debits vary by industry even though liability values have increased

The value of UK debits remained broadly constant between 2011 and 2015, whereby increases in some industries were partially offset by decreases in others. UK FDI debits are presented in Figure 19 by industrial composition. Debits were higher in 2015 compared with 2011 in wholesale, transportation and accommodation, manufacturing, and information and communication. These increases were counteracted by decreases in mining and quarrying, financial and insurance services, and professional and support services over the same period. The largest absolute changes in FDI debits were a £5.5 billion decrease in mining and quarrying debits to £0.7 billion; a £4.5 billion increase in debits from wholesale, retail and accommodation services to £11.3 billion and a £2.9 billion increase for manufacturing to £10.0 billion.

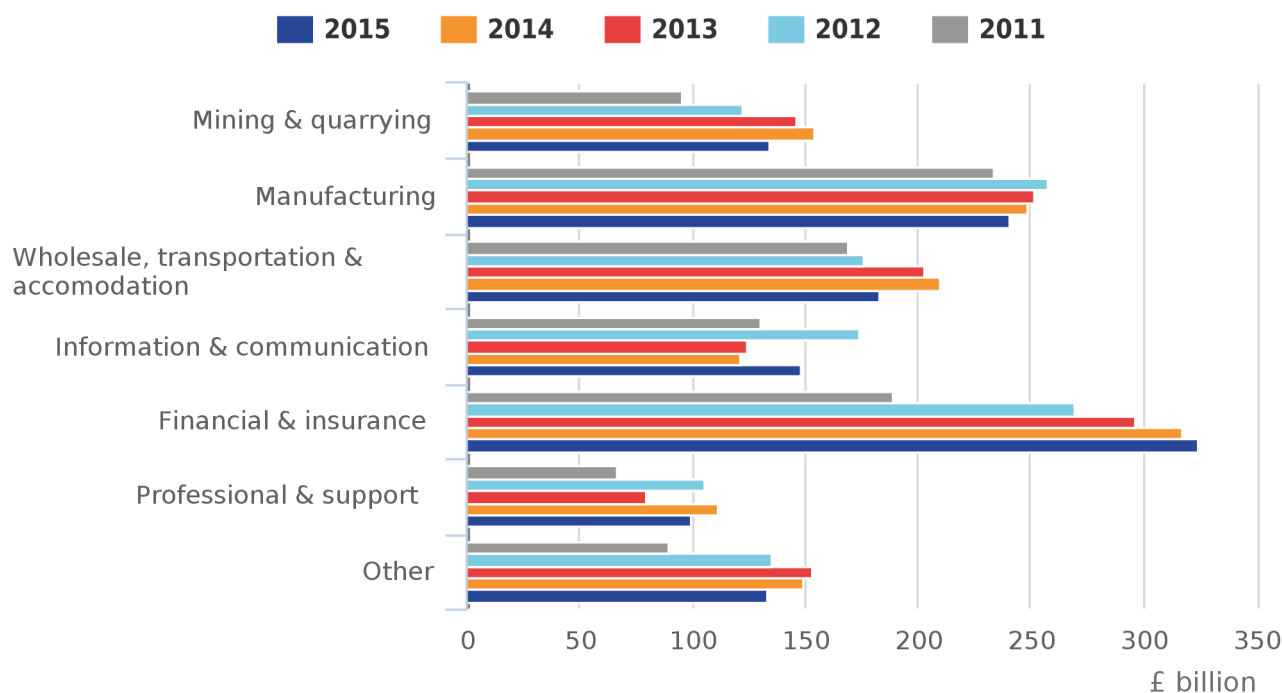
**Figure 19: Total UK FDI debits by industry, 2011 to 2015**



Source: Office for National Statistics

Liabilities have increased for all industry groupings between 2011 and 2015. The biggest increase over this period was in financial and insurance industries, which were £134.9 billion higher in 2015 (Figure 20). This is the only grouping in which asset values have increased consistently year-on-year. The patterns in the others have been more mixed, with mining and quarrying increasing up to 2014 before falling in 2015 while 2012 was the last year in which manufacturing liabilities increased. The broadly flat debits alongside rising liabilities suggest falls in rates of return of UK investment rather than a shift in the composition of investment towards less-profitable industries.

**Figure 20: Total UK FDI liabilities by industry, 2011 to 2015**

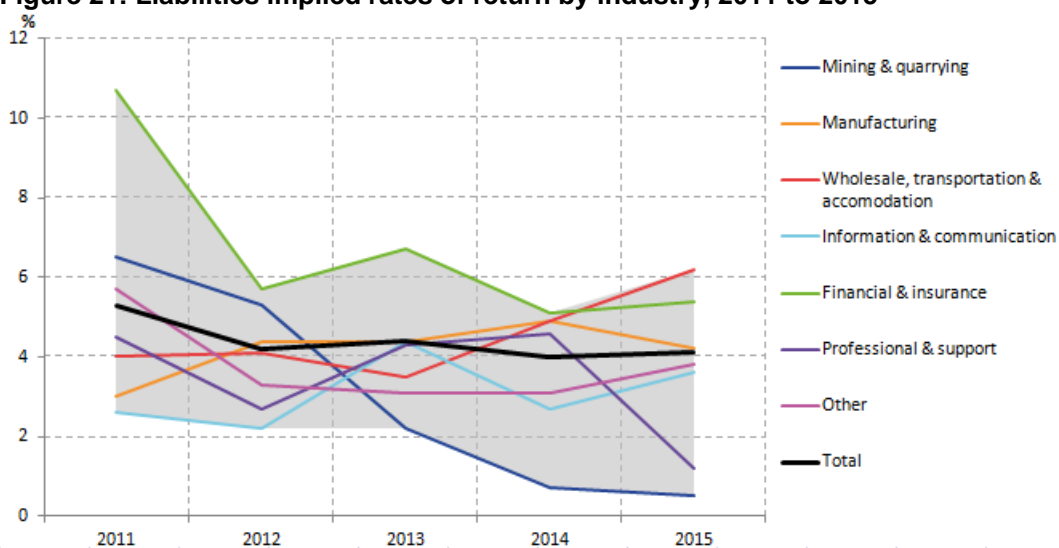


Source: Office for National Statistics

## Trends in the implied rates of return of liabilities have been more varied

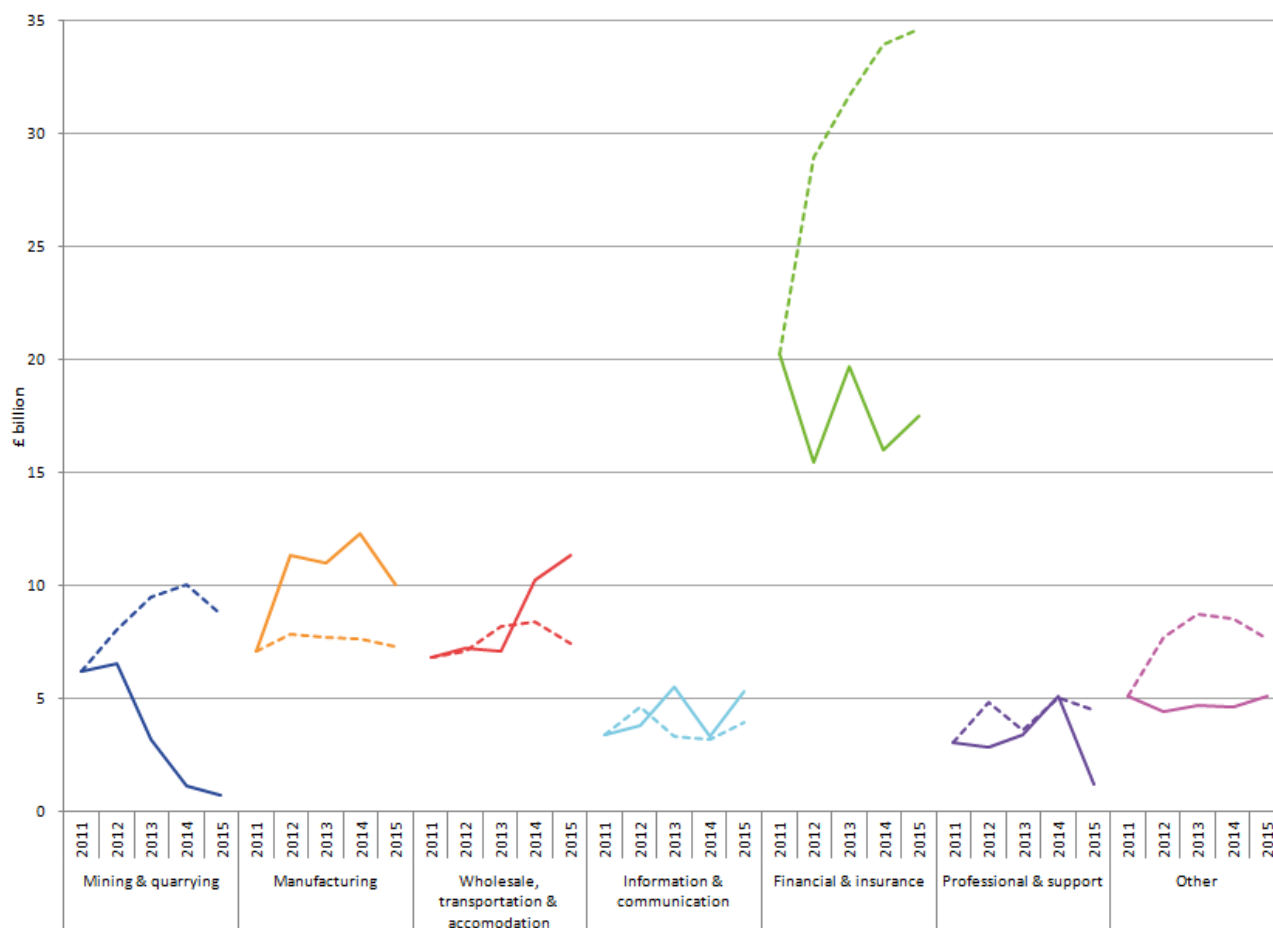
The trend in the implied rate of return for aggregate UK FDI liabilities has been broadly flat between 2011 and 2015. However, trends at an industry level have been more varied, as shown in Figure 21. Implied rates of return for mining and quarrying were 0.5% in 2015, which were 6.0 percentage points lower than in 2011, while those of financial and insurance services were 5.3 percentage points lower at 5.4%. This was offset by wholesale, retail and accommodation industries, where rates of return were 6.2% in 2015, which were 2.2 percentage points higher than in 2011. Returns on manufacturing, and information and communication services liabilities also increased over this period.

**Figure 21: Liabilities implied rates of return by industry, 2011 to 2015**



Finance and insurance services account for the greatest amount of FDI debits generated in the UK. It is also in this grouping that the changes in the implied rates of return have had the biggest impact. Using 2011 rates of return would have seen these debits being £17.1 billion higher in 2015 than the published series, indicating that returns generated by this industry for foreign investors have declined. The same would have been true for mining and quarrying, albeit to a lesser extent. The counterfactuals presented in Figure 22 also show that manufacturing debits would have been £2.7 billion lower had their rates remained at 2011 levels, highlighting that returns have risen over the period. A similar situation emerges for wholesale, retail and accommodation, and information and communication industries. Both have a lower counterfactual value in 2015 albeit with fluctuations in intervening years.

**Figure 22: UK debits by industry, published (solid lines) and counterfactual (dashed lines) series, 2011 to 2015**



## Notes for: FDI by industry

1. Data on bank holding companies, property and public corporations are removed from the analysis in order to focus upon the main industrial groupings.

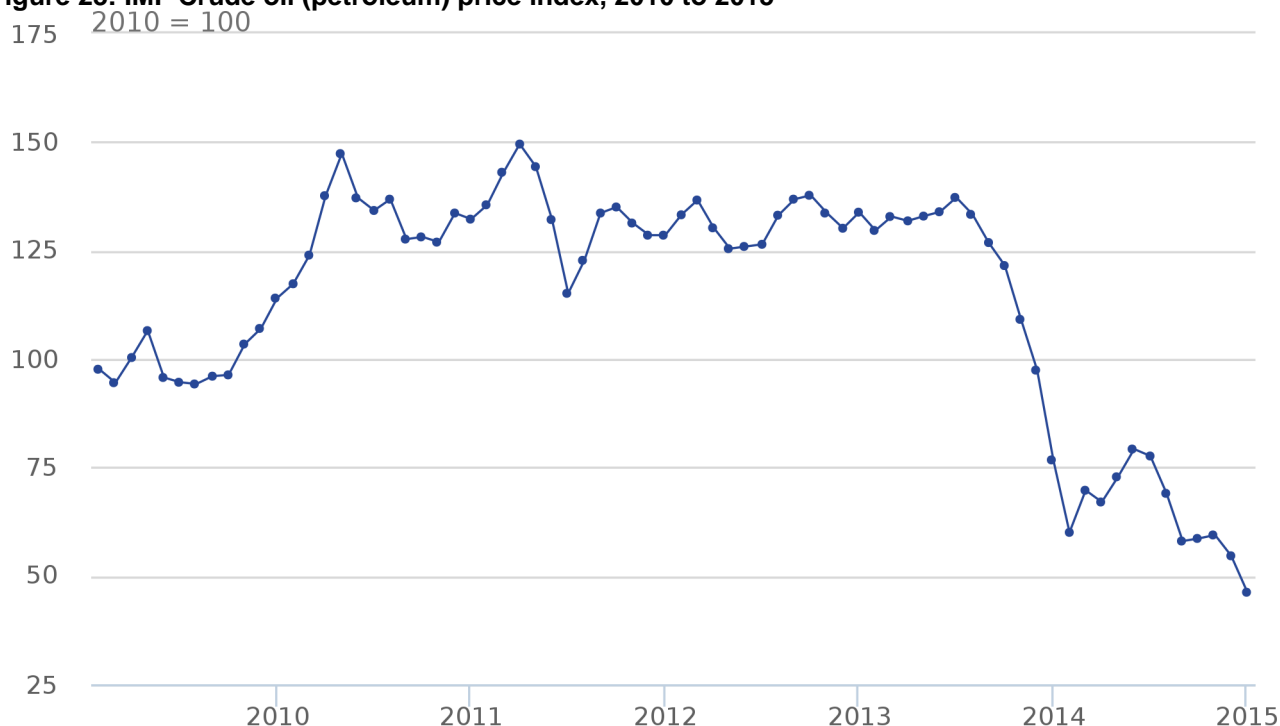
## 6 . Focus on mining and quarrying

Mining and quarrying industries have had an impact on both aggregate foreign direct investment (FDI) credits and debits. This section provides additional detail on the observed trends.

## Rates of return on mining and quarrying FDI assets are affected by global oil prices

The implied rate of return in mining and quarrying industries has fallen from 10.5% in 2011 to 1.9% in 2015. The extraction of crude petroleum and natural gas sub-industry is sensitive to the price of oil and makes up the majority of positions and earnings in the mining and quarrying industrial grouping. Large decreases in the oil price can lead to a large reduction in earnings. The International Monetary Fund (IMF) produces a crude oil price index shown in Figure 23.

**Figure 23: IMF Crude oil (petroleum) price index, 2010 to 2015**



Source: International Monetary Fund

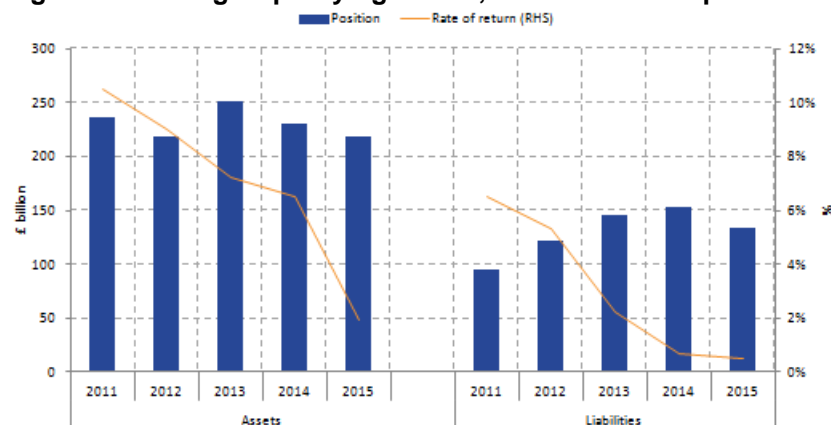
**Notes:**

1. The IMF price index is based on the average of 3 spot prices: Dated Brent, West Texas Intermediate, and the Dubai Fateh.

These data suggest that the prices of crude oil have been on a downward trend since 2014 and fell by over 50% in the year to January 2015. Prior to this, oil prices had been increasing in 2010 to 2011, before experiencing a period of relative stability. The sudden decline in the second half of 2014 is reflected in the rates of return seen in Figure 24. The value of UK FDI credits in the mining and quarrying industries decreased by over 50% in 2015, which was almost entirely from the extraction of crude petroleum and natural gas sub-industry.



**Figure 24: Mining & quarrying assets, liabilities and implied rates of return, 2011 to 2015**



The rate of return for liabilities has also followed a downward path, with the extraction of crude petroleum and natural gas sub-industry once again playing an important role in these trends. It is worth noting that while the percentage declines in rates of return for both FDI assets and liabilities in the mining and quarrying industries were sizeable (8.6 percentage points and 6.0 percentage points respectively), the UK controlled a larger stock of investment overseas (£218.4 billion) than overseas investors held in the UK (£134.0 billion). This resulted in the decline in FDI credits exceeding that of debits, therefore applying substantial downward pressure on net FDI earnings – slightly above one-third of the decline in overall net FDI earnings is directly attributable to mining and quarrying.

## 7 . Focus on financial and insurance services

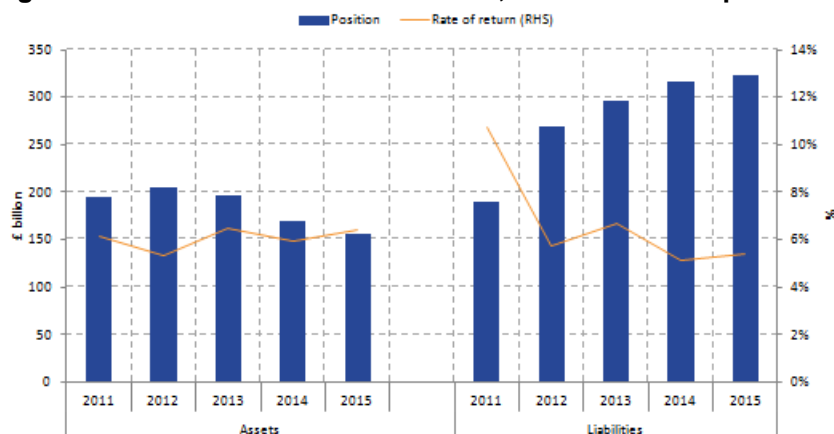
Financial and insurance services have had a larger impact on changes in inward foreign direct investment (FDI) than in outward. The value of those liabilities had increased by over 70% by 2015 from 2011, while the implied rate of return had nearly halved. This section provides additional detail on these observed trends.

### Implied rates of return on financial and insurance services assets and liabilities have followed different trends

The decrease in the values of assets and increase in those of liabilities from 2011 to 2015 has changed the net position of financial and insurance industries. It has moved from a small positive net position to a negative one, making the value of liabilities £167.8 billion higher than that of assets in 2015. The value of financial and insurance FDI liabilities was 71.5% higher in 2015 than the value in 2011 while the value of these industries' FDI assets was 20.0% lower. The “activities auxiliary to financial services except insurance and monetary intermediation” sub-industry accounts for nearly half of the financial and insurance industry's increase in FDI liabilities whereas the monetary intermediation sub-industry is the bigger component of the fall in assets.

At the same time, the value of debits has fallen despite the increase in liabilities. This is shown by the fall in implied rates of return on financial and insurance FDI liabilities from 10.7% in 2011 to 5.4% in 2015, with most of the decrease occurring between 2011 and 2012. The value of financial and insurance credits was also lower in 2015 than it was in 2011. Yet this has happened at the same time assets have been falling too, which has maintained the implied rates of return on financial and insurance assets at around 6% over this period. For both credits and debits, it is the monetary intermediation sub-industry where earnings have fallen most notably.

**Figure 25: Financial & insurance assets, liabilities and implied rates of return, 2011 to 2015**



## 8 . Focus on manufacturing

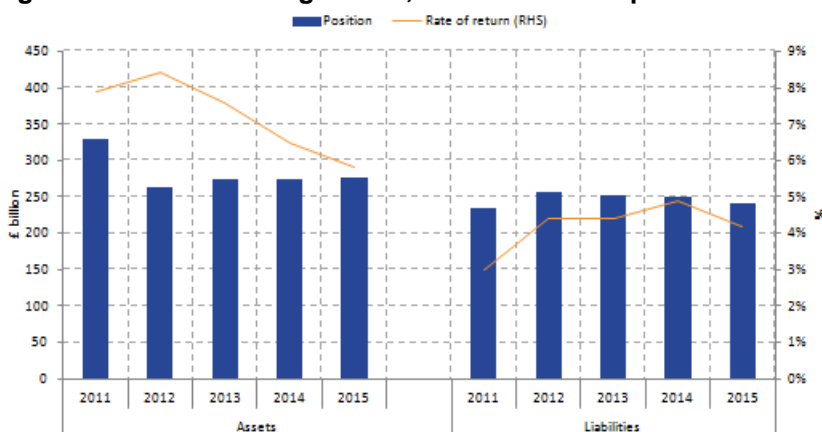
Manufacturing industries are among the largest components for both inward and outward foreign direct investment (FDI). This section considers changes in manufacturing sub-industries.

### FDI positions show signs of shifting from sub-industries related to basic manufactured products to “processed” manufactured products

The value of assets in manufacturing was lower in 2015 than its value in 2011. This is mostly from decreases in food products in addition to basic manufacturing sub-industries such as non-metallic mineral products and the manufacture of basic metals. These were offset by increases in the value of assets in industries related to the manufacture of “processed” products like air and spacecraft-related machinery and motor vehicles, trailers and semi-trailers. The value of credits has fallen across most manufacturing sub-industries too. This also includes credits from processed products, although, within this, the value of credits in the computer, electronic and optical sub-industries were higher in 2015 than in 2011.

The sub-industry composition of liabilities has experienced similar shifts to that of assets in 2015 compared with 2011. Those in sub-industries related to basic manufactured products have fallen between 2011 and 2015, for example, in non-metallic mineral products and basic pharmaceuticals. Liabilities related to food and fabric (such as beverages) and processed products (notably computers and peripheral equipment) are higher over this period. Conversely, the value of debits is lower in food and fabric industries, while those for basic and processed manufacturing are higher in 2015 than in 2011.

**Figure 26: Manufacturing assets, liabilities and implied rates of return, 2011 to 2015**

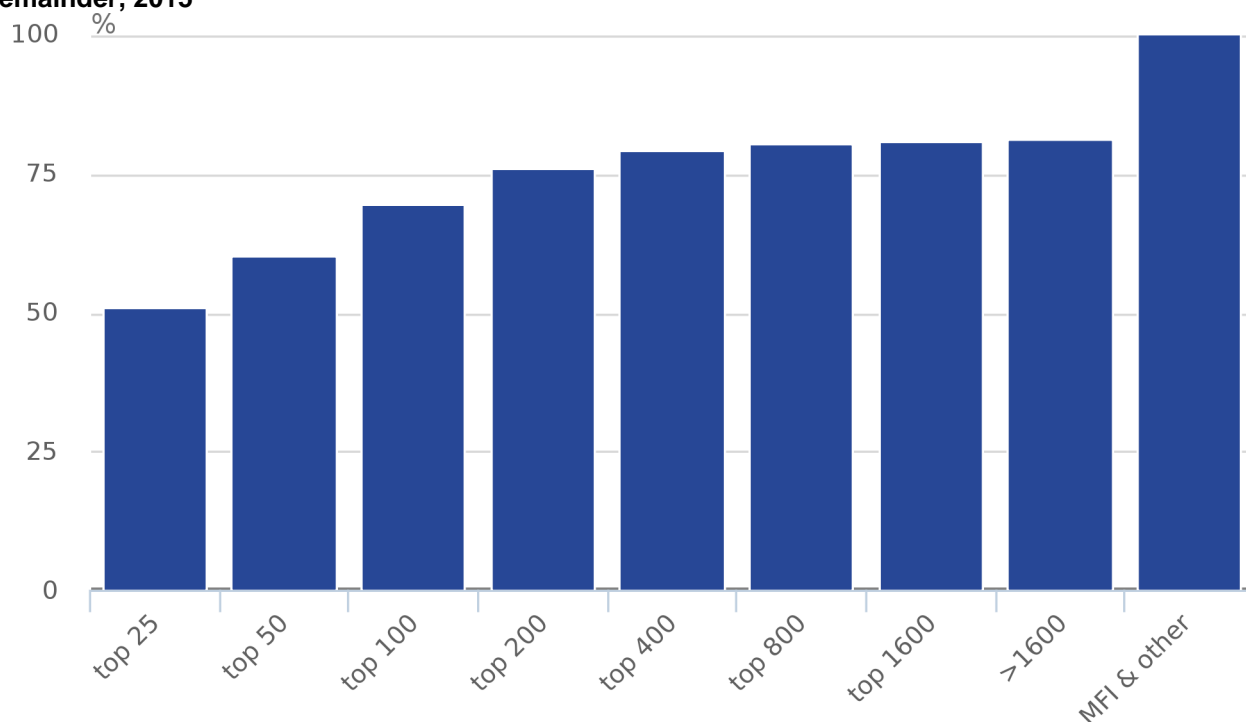


## 9 . FDI distributional analysis

### Much of the fall in net FDI earnings since 2011 is attributable to a few of the largest multinational companies

Traditionally a small number of the largest multinational companies have accounted for a large proportion of UK assets and liabilities. The performance of these companies' cross-border investments, defined as the top 25 by stock of foreign direct investment (FDI) , has accounted for a sizeable proportion of the decrease in UK net FDI earnings since 2011. Figure 27 breaks down multinationals' UK assets by size, starting with the largest 25 investors, followed by the cumulative proportion of total assets when the remaining groups of next largest companies are included.

**Figure 27: Proportion of UK FDI assets accounted for by the largest 25 multinational companies and the remainder, 2015**

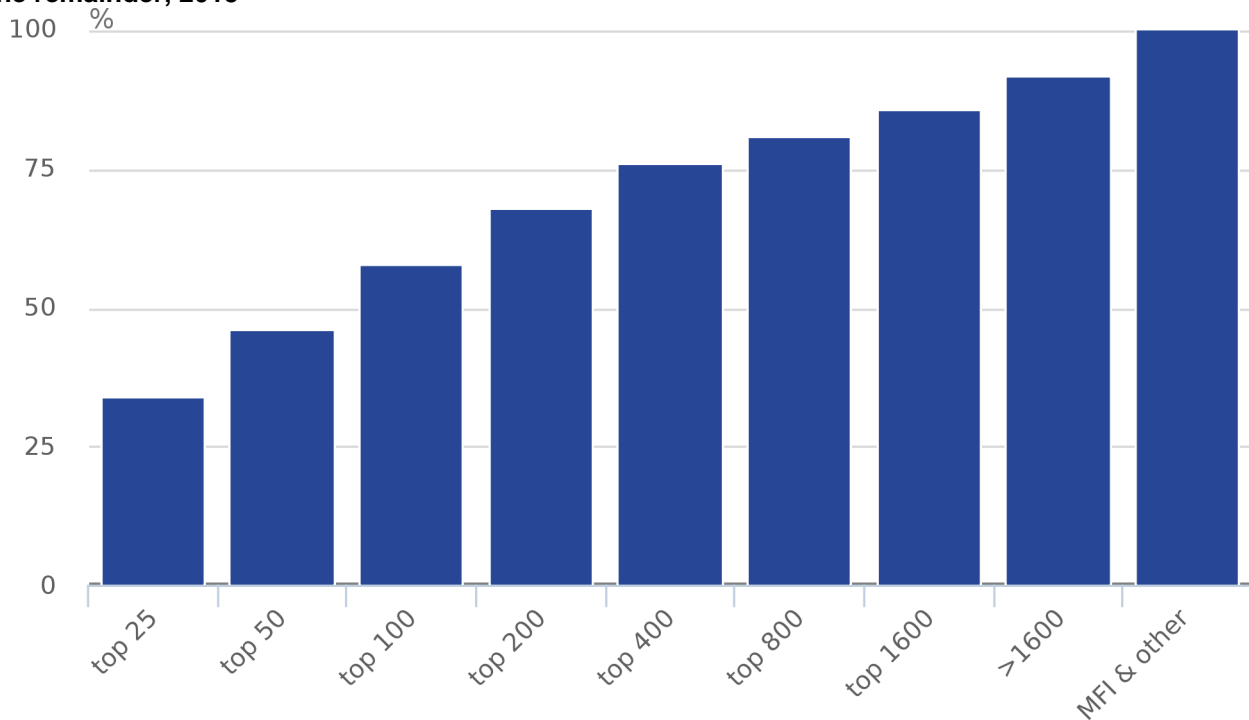


Source: Office for National Statistics

The largest 25 FDI investors accounted for 51% of total UK FDI assets in 2015. The importance of these companies is evident, as the next largest 25 companies only accounted for a further 10 percentage points of UK assets. Furthermore, the impact of adding each group diminishes despite the number of firms within the later groups increasing. All firms account for 82% of total UK FDI assets with the rest held by monetary financial institutions (MFIs) and other categories of investment<sup>1</sup>, which are counted separately.

A similar trend is evident for UK liabilities, but it is less pronounced. The largest 25 investors held 34% of total UK FDI liabilities (Figure 28), with the smaller companies accounting for greater proportions compared with UK assets. This can partly be explained by the structure of global multinational companies and how UK FDI statistics are collected – which focus on the UK-side of both outward and inward investments. A parent company in the UK is likely to own a number of subsidiaries across the world, resulting in UK assets being concentrated in a small number of the largest multinationals. In contrast, it is companies in receipt of investment in the UK that are identified, as opposed to the foreign multinational making the investment. Therefore, companies that all receive investment from one multinational but are separate legal entities will be recorded in the micro-data as individual companies, since the focus of the FDI survey is on the UK-side of the transaction.

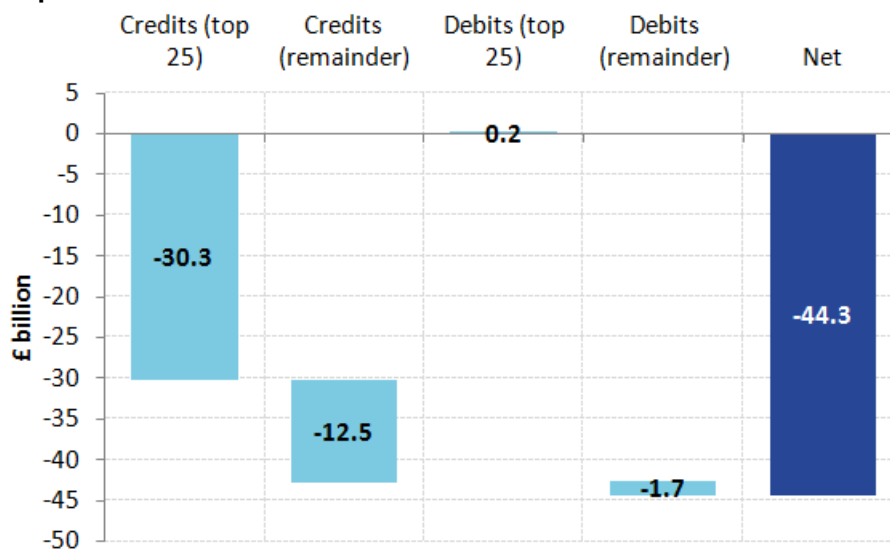
**Figure 28: Proportion of UK FDI liabilities accounted for by the largest 25 multinational companies and the remainder, 2015**



Source: Office for National Statistics

The cumulative change on FDI earnings involving the UK shows that credits from the top 25 UK FDI investors made the biggest contribution. These accounted for £30.3 billion of the £44.3 billion overall decline. In contrast, for UK debits the performance of the largest 25 companies in receipt of FDI has been comparatively better, with debits remaining broadly unchanged over the period. The other outward companies also account for a larger proportion of the decline in net FDI earnings, with UK credits falling by £12.5 billion and UK debits falling by £1.7 billion.

**Figure 29: Cumulative change in UK credits and debits from 2011 to 2015, broken down by the top 25 companies and the remainder**



The largest 25 investors account for the majority of the change in FDI credits, with additional but smaller downward pressure from the remainder. The impact that the largest 25 investors have on both net FDI earnings and also the overall current account balance is substantial, accounting for 68% of the fall in net FDI earnings between 2011 and 2015.

## Notes for: FDI distributional analysis

1. Public corporations, property and bank holding companies.

# 10 . The impact of exchange rate changes on FDI

Exchange rates can be affected by a number of factors associated with economic conditions in the domestic economy, other closely-related economies or wider global developments. Fluctuations in a country's exchange rate can impact on a number of its international transactions, including foreign direct investment (FDI). This section estimates the impact that exchange rate movements may have had on UK FDI between 2011 and 2015 before considering the first 3 quarters (January to September) of 2016.

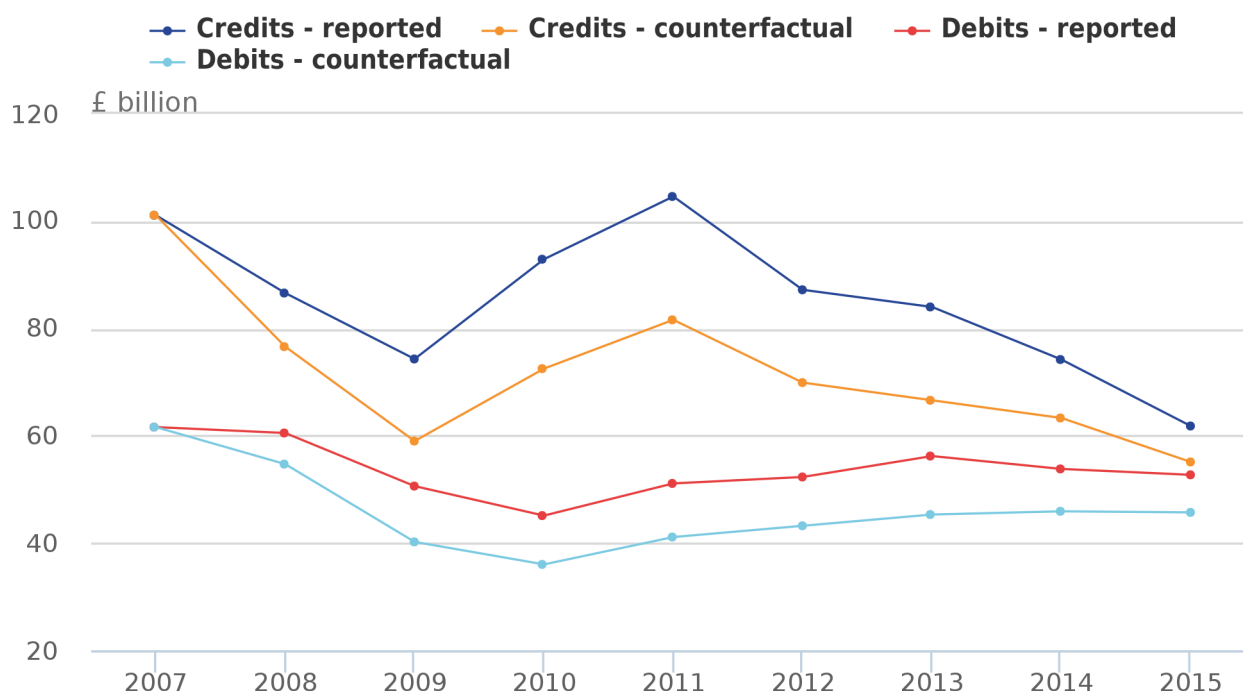
## Fluctuations in sterling have had an impact on UK credits and debits, but not changed the overall trend

When the value of sterling falls, the value of any UK assets and credits denominated in the foreign currency increases, even in cases where there is no change in the underlying performance of these assets. UK credits denominated in a foreign currency are converted to sterling using the average exchange rate over the reporting period, while UK assets are converted using the exchange rate at the end of that period. This has an immediate impact on all variables associated with outward investment.

In contrast, UK liabilities are more likely to be denominated in sterling. Therefore exchange rate fluctuations are expected to have a lesser impact. Exchange rate movements can impact on the investing company when they convert UK liabilities and debits denominated in sterling to their domestic currency, although these will not affect UK statistics. Therefore, UK assets and credits are expected to experience larger changes in value in response to fluctuations in sterling compared with UK liabilities and debits.

A counterfactual series has been calculated to identify the impact of exchange rate movements on FDI credits and debits. Figure 30 presents published data for credits and debits alongside the counterfactuals where: (a) the sterling exchange rate with all currencies is held constant at 2011 rates; and (b) all FDI earnings are denominated in the relevant foreign currency of the country they are generated in or by. The counterfactual presented here is an extreme, with the range of possible and more realistic outcomes lying in between the respective lines.

**Figure 30: Published UK credits and debits, and counterfactual credits and debits accounting for exchange rate fluctuations**

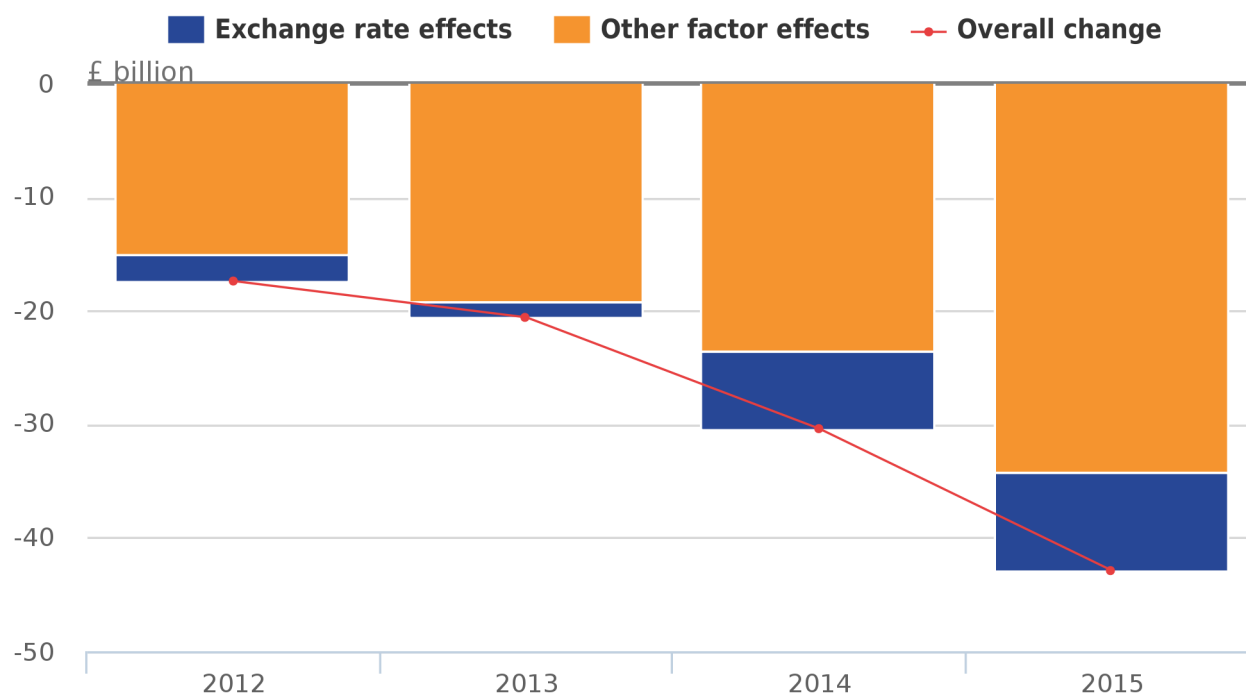


Source: Office for National Statistics

The counterfactuals for UK credits and debits follow similar trends to the published series, but the difference between the 2 published and 2 counterfactual lines remains broadly similar. Both are lower over the period, but the difference between the 2 solid lines and the 2 dashed lines remains broadly similar. The gap between UK credits and debits has narrowed notably between 2011 and 2015, reflecting the appreciation in the value of sterling; however, UK net FDI earnings remain positive on a published and counterfactual basis. Using the counterfactual series does not change the overall trend since 2011 of declining UK credits, more resilient debits, and consequently an overall fall in net FDI earnings.

It is possible to use a counterfactual analysis to estimate the impact that exchange rate movements have had on FDI over time. Figure 31 presents the cumulative impact of exchange rate movements relative to other factors on the value of UK credits. These values should be interpreted relative to 2011 exchange rates. It shows that UK credits were £42.9 billion lower in 2015 than in 2011. However, only a maximum of £8.8 billion of this decrease can be attributed to exchange rate movements. This suggests that less than one-quarter of the cumulative change in the value of credits between 2011 and 2015 is due to the exchange rate.

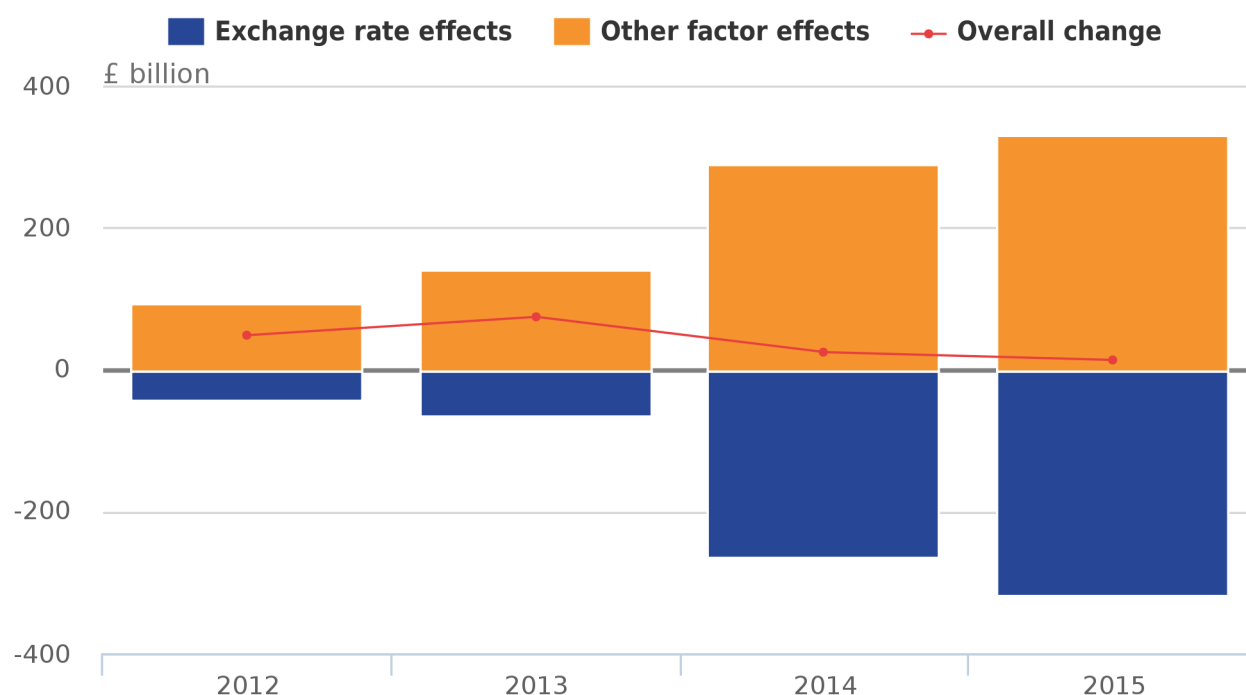
**Figure 31: Cumulative impact of exchange rates and other aspects on UK credits relative to 2011**



Source: Office for National Statistics

Exchange rate movements have also served to lower FDI assets over this period. However, unlike with credits, Figure 32 shows that other factors have increased the value of debits that has been countered by the exchange rate effect. In 2015, these other factors would have increased FDI assets by £330.7 billion relative to 2011 had the exchange rates remained unchanged since 2011. The exchange rate effect offset these increases by lowering assets by £317.5 billion since 2011. Therefore the value of assets has changed by less than it would have done had exchange rates remained at 2011 levels.

**Figure 32: Cumulative impact of exchange rates and other aspects on UK assets relative to 2011**

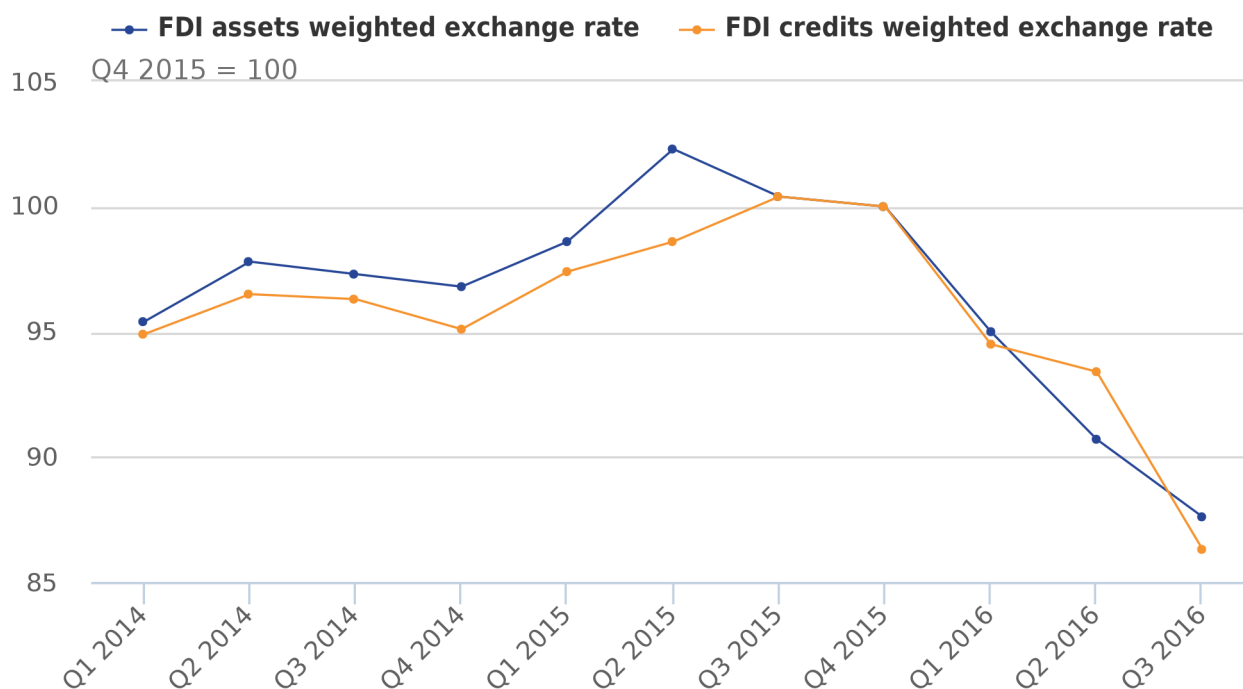


Source: Office for National Statistics

## Sterling's depreciation throughout 2016 will have applied upward pressure on the value of UK FDI statistics

There were a few episodes in 2016 during which the value of sterling depreciated notably. Taken together, the Bank of England's sterling effective exchange rate in September 2016 was 14.0% below its 2015 average. Figure 33 presents 2 composite sterling exchange rate indices that have been weighted based on the geographical composition of FDI assets and credits respectively. Similar to the annual analysis, end-of-quarter exchange rates were used for FDI positions, while average exchange rates per quarter were used for FDI earnings. Liabilities and debits have not been included in this part due to the lesser impact exchange rate movements are expected to have.

**Figure 33: FDI assets- and credits-weighted exchange rate indices, Q1 2014 to Q3 2016**



Source: Office for National Statistics

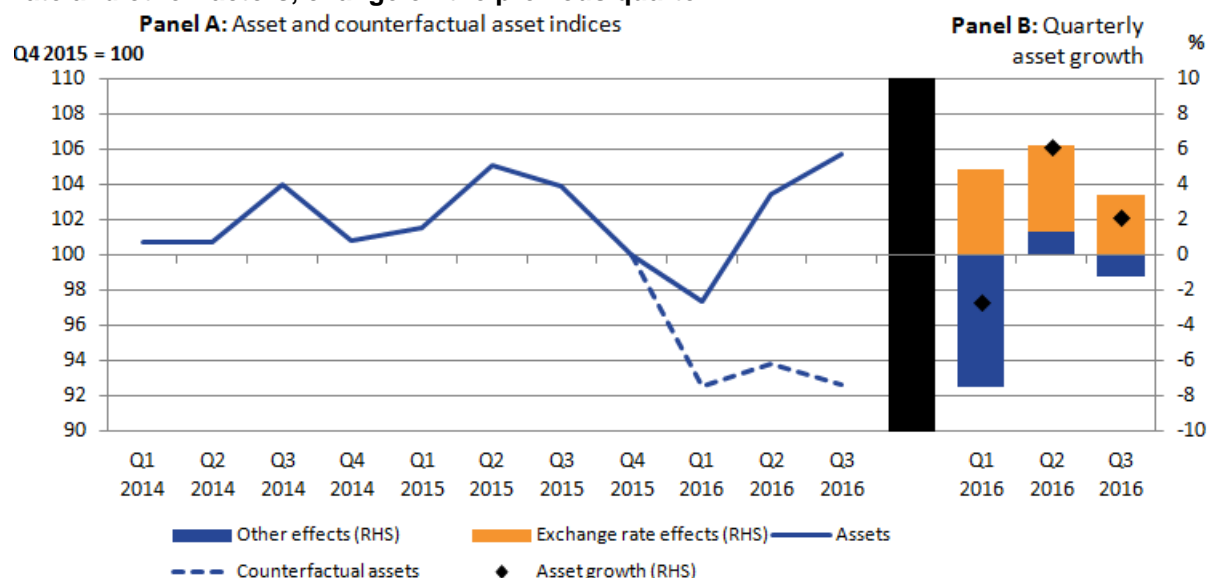
The weighted exchange rates for both FDI assets and credits fell notably over the first 3 quarters (January to September) of 2016. The FDI assets exchange rate fell by 12.4% over this period, while that for FDI credits fell by 13.7%. The smaller fall in the assets exchange rate reflects the quarterly averages for credits tending to be higher as they include higher values from the earlier months of each quarter. In contrast, end-of-quarter exchange rates used for FDI assets do not include these values.

Depreciation in the value of sterling would inflate the value of any FDI positions or earnings that are denominated in foreign currencies. The weighted exchange rate indices can be used to develop a counterfactual series that estimates what the value of FDI assets and credits might have been had the sterling exchange rate remained unchanged in 2016. The counterfactuals presented assume that all FDI assets and credits are held in foreign currency, making these estimates the upper limit of the actual effect.

The quarterly trend in the value of UK FDI assets in the first 3 quarters of 2016 (January to September) was an initial decline, before 2 consecutive rises in the most recent 2 quarters. The counterfactual suggests that asset values would have been lower than the published series, as shown in Panel A of Figure 34. Removing the exchange rate effect in Quarter 1 (January to March) 2016 would have seen asset values fall by up to 7.5%, with the exchange rate effect limiting this to a fall of just 2.6% over the quarter (Panel B in Figure 34). Furthermore, growth recorded in the value of FDI assets in Quarter 2 (April to June) and Quarter 3 (July to September) 2016 is almost entirely accounted for by exchange rate movements.



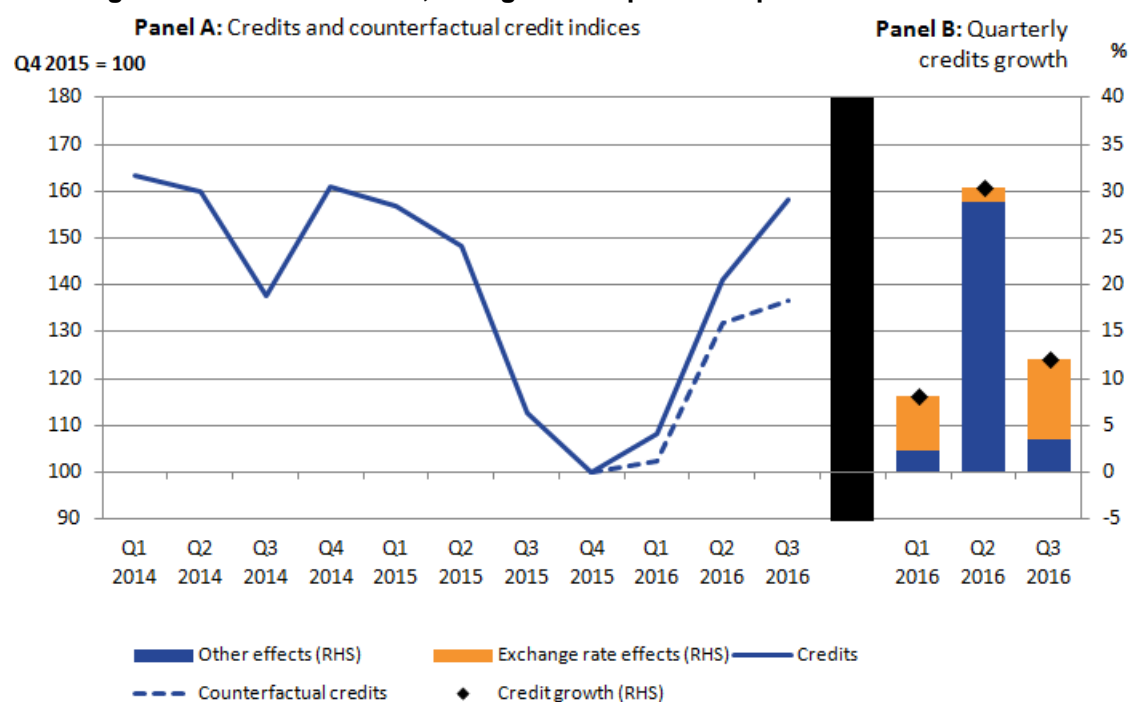
**Figure 34: FDI assets and counterfactual indices, Q1 2014 to Q3 2016; and FDI asset growth by exchange rate and other factors, change on the previous quarter**



Analysis of FDI credits yields similar results to that on assets. Using the counterfactual of no exchange rate movements in 2016, the trend in FDI credits would have been similar to the published series (Panel A in Figure 35). It is worth noting, however, that growth is still recorded in the value of FDI credits even under this extreme scenario, as shown in Panel B of Figure 35. The exchange rate effect increased the value of credits in all quarters of 2016 presented, although its impact in the second quarter (April to June) was more muted. The counterfactual suggests at least 28.8 percentage points of the 30.4% increase in the value of credits over the quarter would have occurred without any exchange rate movements.

Overall, this analysis indicates that 62.8% of the growth shown in reported FDI credits over the first 3 quarters of 2016 is still recorded under the counterfactual scenario. Thus while exchange rates will have supported the growth of FDI credits, there has also been a more general improvement in the profitability of FDI assets that is unrelated to exchange rates.

**Figure 35: FDI credits and counterfactual indices, Q1 2014 to Q3 2016; and FDI credits growth by exchange rate and other factors, change on the previous quarter**



Although this analysis is unable to present precise estimates of the impact of exchange rates on UK FDI, 2 conclusions can be inferred. First, exchange rate movements between 2011 and 2015 acted to lower FDI asset values, whereas such movements had a small cumulative effect on the value of credits. Second, the value of quarterly FDI assets in Quarter 2 2016 and Quarter 3 2016 will have been supported by the depreciations in sterling over the period, while the decline in asset values in Quarter 1 2016 would have been larger had there not been a depreciation. Growth in the value of FDI credits will have also been supported by sterling depreciation, although the counterfactual indicates that most of the growth would have still been recorded even if all credits were generated in overseas currencies.

## **11 . Acknowledgements**

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The authors would like to acknowledge the contributions from Claire Dobbins, Rachel Jones, Laura Pullin, Daniel Robinson, Mincho Roshlev and Mark Willis.

## **12 . Quality and methodology**

The Foreign direct investment Quality and Methodology Information document contains important information on:

- the strengths and limitations of the data
- the quality of the output: including the accuracy of the data and how it compares with related data
- uses and users
- how the output was created

## **13 . Annex A – Details of countries within each continent for FDI statistics**

### **Africa:**

Algeria, Angola, Benin, Botswana, British Indian Ocean Territory, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, The Democratic Republic of the Congo (Zaire), Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea Bissau, Côte d'Ivoire (Ivory Coast), Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, St Helena, Ascension and Tristan da Cunha, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe.

### **Asia:**

Abu Dhabi, Afghanistan, Armenia, Azerbaijan, Bahrain, Bangladesh, Bhutan, Brunei Darussalam, Burma /Myanmar, Cambodia, China, Dubai, Georgia, Hong Kong, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Laos, Lebanon, Macao, Malaysia, Maldives, Mongolia, Nepal, North Korea, Oman, Pakistan, Palestinian Territory, Philippines, Qatar, Saudi Arabia, Singapore, South Korea, Sri Lanka, Syria, Taiwan, Tajikistan, Thailand, Timor-Leste, Turkmenistan, United Arab Emirates, Uzbekistan, Vietnam, Yemen.

## **Australasia and Oceania:**

American Samoa, Antarctica, Australia, Bouvet Island, Christmas Island, Cocos (Keeling) Islands, Cook Islands, Fiji, French Polynesia, French Southern and Antarctic Lands, Guam, Heard Island and McDonald Islands, Kiribati, Marshall Islands, Micronesia, Nauru, New Caledonia, New Zealand, Niue, Norfolk Island, Northern Mariana Islands, Palau, Papua New Guinea, Pitcairn, Samoa, Solomon Islands, South Georgia and The South Sandwich Islands, Tokelau, Tonga, Tuvalu, US Minor Outlying Islands, Vanuatu, Wallis and Futuna.

## **EU Europe:**

Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden.

## **Non-EU Europe:**

Albania, Andorra, Belarus, Bosnia and Herzegovina, Faroe Islands, Gibraltar, Guernsey, Holy See (Vatican City State), Iceland, Isle of Man, Jersey, Liechtenstein, Macedonia, Moldova, Montenegro, Norway, Russian Federation, San Marino, Serbia, Switzerland, Turkey, Ukraine.

## **North Americas:**

Canada, Greenland, United States.

## **Central and South Americas:**

Anguilla, Antigua and Barbuda, Argentina, Aruba, Bahamas, Barbados, Belize, Bermuda, Bolivia, Bonaire, Sint Eustatius and Saba, Brazil, Cayman Islands, Chile, Colombia, Costa Rica, Cuba, Curacao, Dominica, Dominican Republic, Ecuador, El Salvador, Falkland Islands, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Montserrat, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Saint Lucia, Sint Maarten, St Kitts and Nevis, St Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands, Uruguay, Venezuela, British Virgin Islands, U.S. Virgin Islands.

## 14 . Annex B – Details of Standard Industrial Classification (SIC 2007) industries for each FDI industrial grouping used

**Table 2: Details of Standard Industrial Classification (SIC 2007) industries for each FDI industrial grouping used**

Industry grouping	Section(s) within SIC07
Mining & Quarrying	B - Mining and quarrying
Manufacturing	C - Manufacturing
Wholesale, Transportation & Accommodation	G - Wholesale and retail trade; repair of motor vehicles and motorcycles H - Transportation and storage I - Accommodation and food service activities
Information & Communication	J - Information and communication
Financial & Insurance	K - Financial and insurance activities
Professional & Support	M - Professional, scientific and technical activities N - Administrative and support service activities
Other	A - Agriculture, forestry and fishing D - Electricity, gas, steam and air conditioning supply E - Water supply, sewerage, waste management and remediation activities F - Construction L - Real estate activities O - Public administration and defence; compulsory social security P - Education Q - Human health and social work activities R - Arts, entertainment and recreation S - Other service activities T - Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use U - Activities of extra-territorial organisations and bodies

Source: Office for National Statistics