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## INVEST

### FOREIGN DIRECT INVESTMENT

According to the [World Investment Report 2023](#) published by UNCTAD, after the decline observed during the previous year (USD -71.1 billion), FDI inflows were positive by USD 14 billion in 2022, still way below the average recorded in the 2018-20 period (USD 66.6 billion). In the same year, the total stock of FDI stood at USD 2.7 trillion. According to EY, the UK recorded 929 FDI projects in 2022, down 6.4% from 993 in 2021, of which 299 were located in London. A key factor in the UK's overall decline in project numbers was a significant fall in digital technology, its leading sector for FDI. Tech projects declined by almost a third (32.2%), from 345 in 2021 to 234 in 2022, with the UK's share of Europe's digital projects falling from 29.2% to 19.8% in the same period. Over the past decade, the UK has been one of Europe's top recipients of FDI and it remains the top destination for U.S. outbound investment. However, the Brexit process has raised many concerns from some investors about increased trade costs with Europe and the volatility of the pound sterling. Data from the Office for National Statistics (ONS) show that the United States maintained its dominant position in terms of both immediate (GBP 675.7 billion) and ultimate (GBP 817.4 billion) inward FDI. Following the U.S., Japan and France held the second and third highest ultimate positions at 8.8% and 6.2%, respectively. The sectors attracting the majority of foreign investment are financial services; professional, scientific and technical services; retail and wholesale trade; transportation and storage; and ICT (OECD). According to the latest figures from the OECD, in the first half of 2023, FDI inflows to the UK were negative by USD 63.3 billion, compared to a positive flow of USD 18.3 billion recorded in the same period one year earlier.

The UK has amended the legal grounds on which the government can intervene in certain mergers under the Enterprise Act. The changes lowered the jurisdictional thresholds for merger review in three specific sectors: artificial intelligence, cryptographic authentication technology and advanced materials. The UK's National Security and Investment Act 2021 ("NSIA 2021") entered into force in 2022. The new law introduced a distinct investment screening regime for companies seeking to gain control of a company or asset in 17 sectors of the economy deemed relevant to the UK's national security interests (e.g. energy, robotics, defence, AI, transport, communications, etc.). The process for notification will involve an electronic submission to the Investment Security Unit ("ISU") at the Department for Business, Energy & Industrial Strategy ("BEIS"), which has the power to impose conditions on transactions and even to unwind or block them. Despite the Brexit process, the British economy is resisting: London remains the financial capital of Europe, home to the European headquarters of almost 60% of companies on the Fortune 500 ranking. Furthermore, Great Britain maintains a strong currency, and the country remains one of the most important European consumer markets. The UK ranks 4th among the 132 economies on the [Global Innovation Index 2023](#) and 30th out of 184 countries on the [2023 Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
<b>FDI Inward Flow</b> <i>(million USD)</i>	58,237	-71,174	14,093
<b>FDI Stock</b> <i>(million USD)</i>	2,656,647	2,689,966	2,698,563
<b>Number of Greenfield Investments*</b>	1,025	1,083	1,230

Foreign Direct Investment	2020	2021	2022
<b>Value of Greenfield Investments (million USD)</b>	44,699	62,528	102,355

Source: UNCTAD - Latest available data.

Note: \* Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	United Kingdom	OECD	United States	Germany
<b>Index of Transaction Transparency*</b>	10.0	6.5	7.0	5.0
<b>Index of Manager's Responsibility**</b>	7.0	5.3	9.0	5.0
<b>Index of Shareholders' Power***</b>	8.0	7.3	9.0	5.0

Source: Doing Business - Latest available data.

Note: \*The Greater the Index, the More Transparent the Conditions of Transactions. \*\*The Greater the Index, the More the Manager is Personally Responsible. \*\*\* The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

## WHAT TO CONSIDER IF YOU INVEST IN THE UNITED KINGDOM

### Strong Points

One of the main strengths of the UK economy in attracting FDI is that its economy is one of the most liberal in Europe and its business environment is extremely favourable to FDI :

- The country is ranked 8th in the [World Bank's 2020 Doing Business guide](#).
- The speed of launching a business is, for example, a very good indicator: setting up a business takes on average 13 days in the United Kingdom while the European average is 32 days. According to this indicator, the country is ranked first in Europe and sixth in the world.
- London has many strengths: it is a world leader in the financial services sector, its banking sector is healthy and robust
- Exports are structurally competitive and diversified
- The legal framework is among the most flexible in the world
- The unemployment rate is one of the lowest in Western economies.

### Weak Points

The main weaknesses of the UK's economy are:

- Too much contribution of the financial sector to the GDP
- Lack of investment in infrastructure
- An industrial sector that sometimes suffers from the high level of competitiveness and competition from the many foreign companies in the country
- Productivity growth is very low
- High government and household debt (131% of disposable income), high trade deficit
- GDP per capita has stagnated for some years

- The prospects for improving the British economy are difficult to measure in the post-Brexit context

## **Government Measures to Motivate or Restrict FDI**

The U.K. government attempts to facilitate investment by providing foreign companies with access to largely integrated markets. Proactive policies foster international investment through administrative efficiency in order to promote innovation and achieve sustainable growth. The UK government is a strong advocate for the rights of all UK companies, regardless of their nationality or that of their owners.

A number of grants and other forms of business support are available in the United Kingdom, particularly in connection with qualifying research and development activities carried out by companies. If the qualifying expenses are incurred by small and medium-sized companies, the tax relief is generally an additional 130% deduction.

100% capital allowances are available to companies that incur capital expenditures for plant or equipment to conduct research and development.

Patent Box relief allows companies with qualifying patent income to be taxed on that income at an effective rate of 10% through a deduction against profits.

There is also a rate relief for businesses moving into an enterprise zone (up to £55,000 per annum for five years). In addition, 100% capital allowances are available for the first year for certain types of expenditure by businesses and companies based in certain enterprise zones.

The UK offers a welcoming environment to foreign investors, with foreign equity ownership restrictions in only a limited number of sectors covered by the Investing Across Sectors indicators. The Industry Act (1975) allows the U.K. government to prohibit the transfer of 30 percent or more of major British manufacturing companies to foreign owners if such a transfer is contrary to the interests of the country.

A new Bill to modernise the government's powers to investigate and intervene in potentially hostile foreign direct investment that threatens UK national security entered into force in May 2021. The National Security and Investment Bill will strengthen the UK's ability to investigate and intervene in mergers, acquisitions and other types of deals that could threaten our national security. Investments resulting in foreign control exceeding 15% of companies in 17 sectors pertaining to national security require mandatory notifications to the UK government.

For more information, please visit the website of Invest in [Great Britain and Northern Ireland](#).

## **INVESTMENT OPPORTUNITIES**

### **The Key Sectors of the National Economy**

Coal production, financial services, business services, aerospace, chemical, pharmaceutical and automotive industries.

### **High Potential Sectors**

Renewable energies, information and communication technologies, creative industries (music, cinema, theater, design, etc.), or the luxury industry and distribution. For more information, click [here](#).

### **Privatization Programmes**

No new programs have been proposed since the large-scale privatisation program of the 1980s by the government of Margaret Thatcher.

### **Tenders, Projects and Public Procurement**

[Government Procurement Service](#), [Government Procurement Service Tenders Info](#), [Tenders in the United Kingdom](#)  
[DgMarket](#), [Tenders Worldwide](#)

## **Sectors Where Investment Opportunities Are Fewer**

### **Monopolistic Sectors**

The British economy is one of the most liberal in the world. However, the government retains differing levels of control over certain sectors including transport, energy, healthcare, defence and the media.

### **Sectors in Decline**

Manufacturing and coal production

## **Finding Assistance For Further Information**

### **Investment Aid Agency**

[Department for International Trade](#)  
*Invest in Great* (Support for exporters and inward investors)

### **Other Useful Resources**

[Invest in Great Britain Guide](#) (PwC UK)  
*Invest in UK* Platform  
*SmallBusiness.co.uk* (Advice and resource platform for individual entrepreneurs and small businesses)

### **Doing Business Guides**

[United Kingdom Country Profile](#) (KPMG)  
[Country Report on the United Kingdom](#) (Euler Hermes)  
[Doing Business Report on the United Kingdom](#) (World Bank)  
[Doing Business in the United Kingdom](#) - UHY