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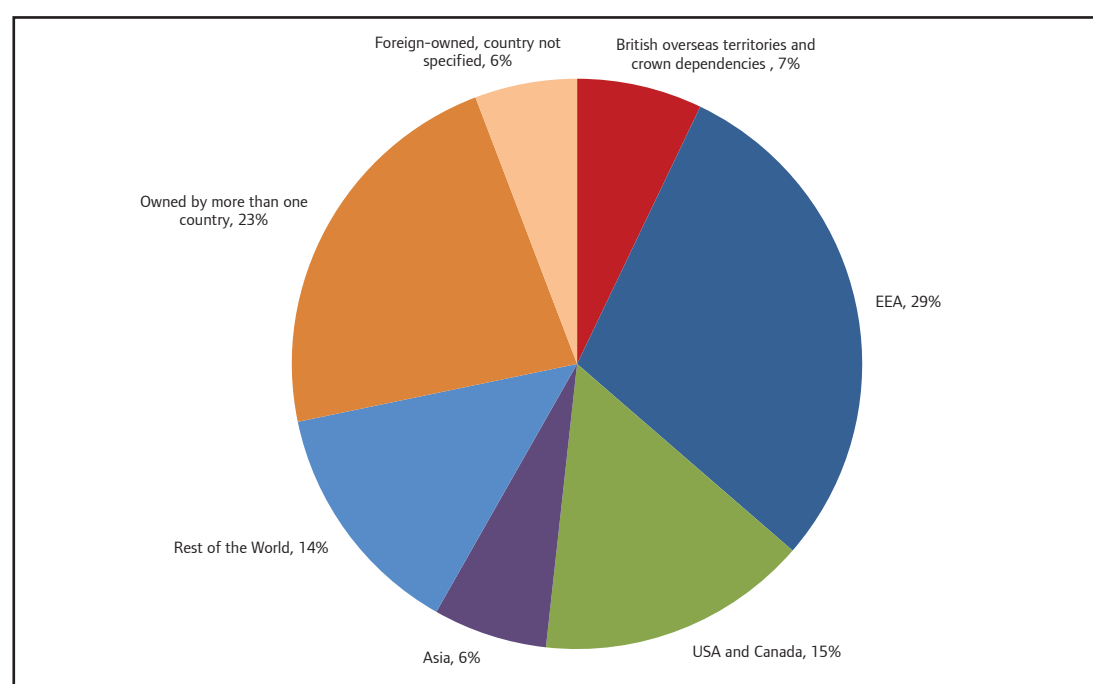
This factsheet provides information on foreign ownership statistics from the London Business Survey (LBS) 2014¹ and accompanies the main report 'London Business Survey 2014: Main findings'.

The LBS looked at the level of UK and foreign ownership of businesses in London². The LBS only considered the immediate ownership of the business as a whole, i.e. the location of the immediate parent company. It will not include any enterprises where the ultimate owner or top enterprise in the 'chain of ownership' is foreign, if the immediate owner is based in the UK.

In mid-2014, around 8 per cent of business units³ in London (35,570) were foreign owned (including those in joint UK and foreign ownership).

- Where respondents answered that the business was not solely UK-owned, the LBS asked in which country its immediate parent company was based. The European Economic Area (EEA) was the region with the highest number of foreign-owned business units (10,400), followed by USA and Canada (5,470).

Figure 1: Foreign-owned London business units by country/region of ownership, 2014



Source: London Business Survey 2014.

Notes: Percentages are calculated excluding non-response. The European Economic Area includes the 28 Members of the European Union plus Iceland, Liechtenstein, and Norway. Crown dependencies include the Isle of Man and the Channel Islands.

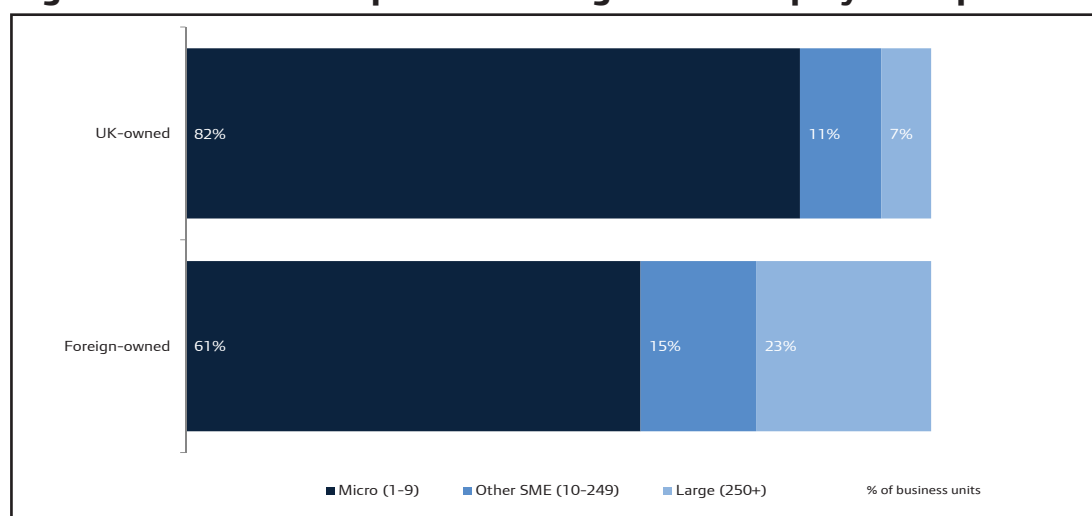
Almost a quarter of all business units in large firms in London were foreign owned, a higher share than those in SMEs⁴...

- 24 per cent of business units in London (8,350) belonging to large firms (250 or more employees) were foreign owned, compared with 11 per cent of other SMEs (10-249 employees) and 6 per cent of microenterprises (0-9 employees).

...with a smaller proportion of foreign-owned business units in microenterprises

- 61 per cent of foreign-owned business units (21,710) in London belonged to firms that had fewer than 10 employees compared with 82 per cent of UK-owned business units.

Figure 2: UK ownership versus foreign ownership by enterprise size, 2014



Source: London Business Survey 2014. Notes: Percentages are calculated excluding non-response.

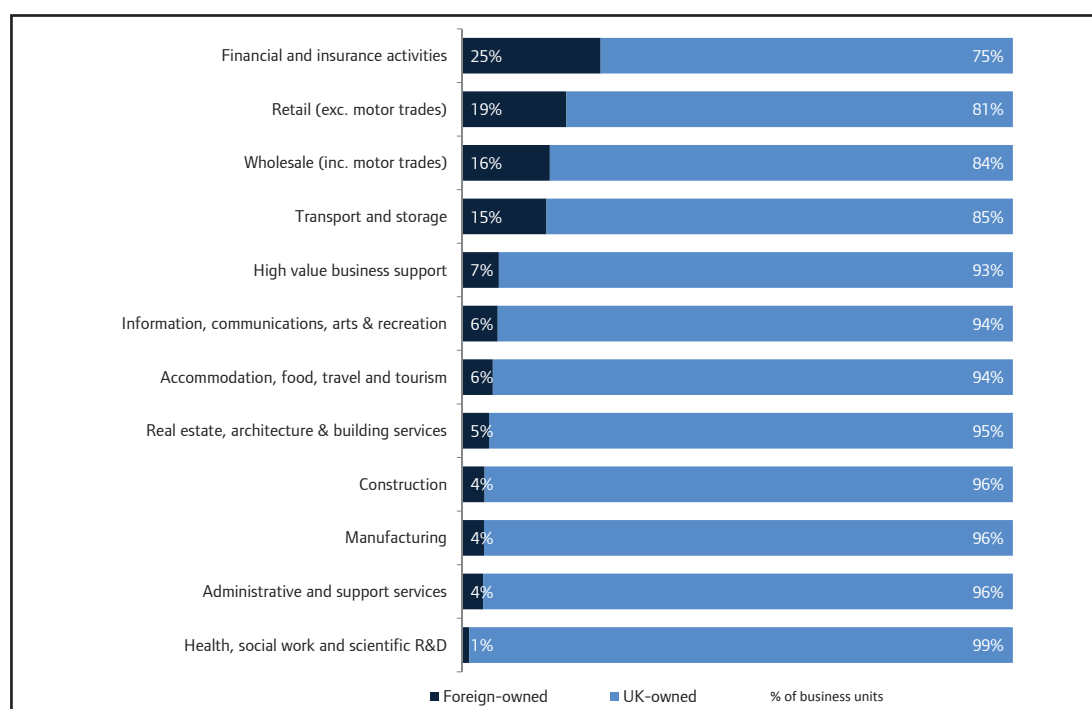
Foreign-owned business units in London were more likely to belong to more established firms.

- At the time of the survey, around 73 per cent of foreign-owned business units (24,100) were established before 2009, compared with 13 per cent (4,400) of 'start-ups' (established between 2012 and mid-2014).

Foreign ownership was highest in the financial and insurance sector...

- In terms of the LBS industrial sectors⁵, around 25 per cent of business units in London in the financial and insurance sector were foreign-owned (3,460), followed by around 19 per cent in retail (8,120) and around 16 per cent in wholesale (4,330).

Figure 3: Foreign ownership by sector, 2014

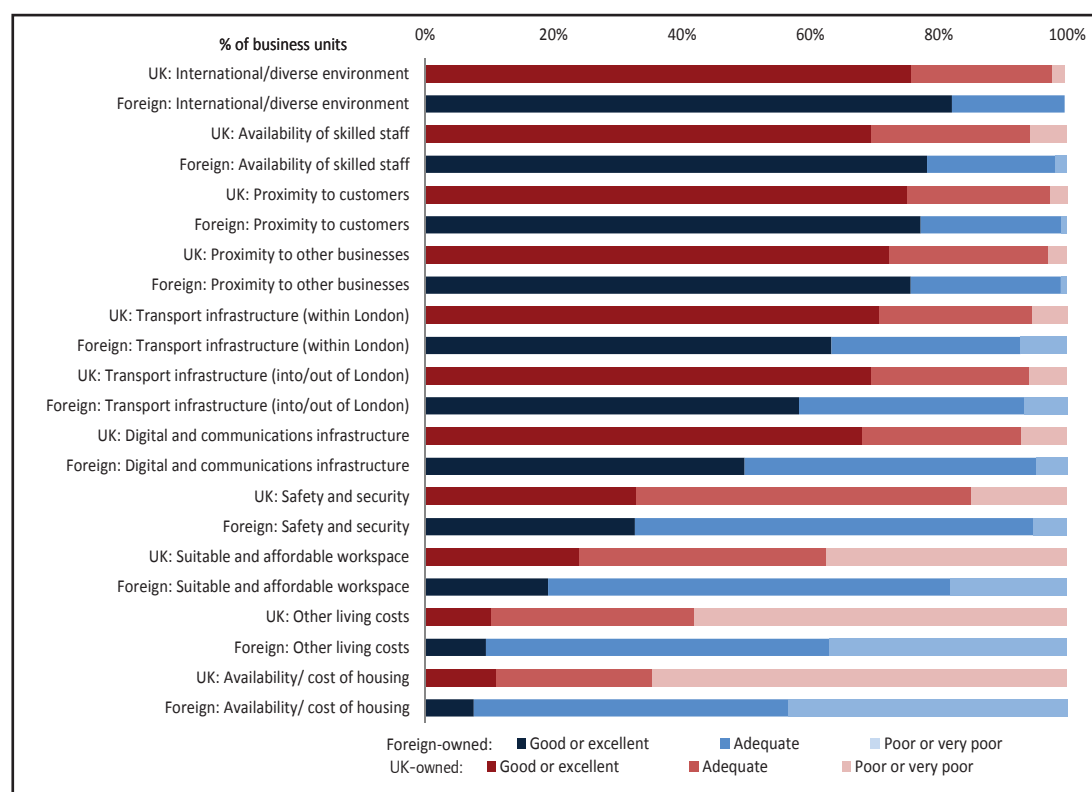


Source: London Business Survey 2014. Notes: Percentages are calculated excluding non-response.

Foreign-owned businesses rate London positively as a capital of world business...

- The LBS asked about a number of factors which affect perceptions of London as a place to do business. In line with responses from UK-owned businesses, foreign-owned business units in London rated the capital very positively in terms of the international/diverse environment, the availability of skilled staff, and proximity to businesses and customers, with more than 7 out of 10 foreign-owned businesses rating London as good/excellent in these areas.

Figure 4: How UK and foreign-owned business units rated London as a business location, 2014



Source: London Business Survey 2014. Notes: Percentages are calculated excluding non-response.

...but identified areas in need of improvement.

- Compared to business units in UK ownership, foreign-owned businesses rated London slightly less favourably in terms of transport infrastructure and digital and communications infrastructure, though less than 1 in 10 foreign-owned businesses rated London poorly in this regard. Relative to UK-owned business units, foreign-owned business units were however slightly less inclined to rate London as poor/very poor in terms of housing affordability and the cost of living.

The LBS also provides evidence of foreign-owned businesses contribution to London

While it is not possible to get information from the LBS on employment, turnover and sales figures by ownership status (since these questions were asked at site level to only capture London activity), the LBS can shed light on the extent to which foreign-owned businesses in London are: planning to grow, innovating, and accessing external finance.

Foreign-owned business units tend to have ambitions for growth

- While only a small proportion of business units in London were foreign-owned, they tend to have ambitions for growth. When asked “Over the next 12 months, is this business planning to grow?” around 85 per cent of foreign-owned business units in London said the business was planning to grow, compared to around 61 per cent of UK-owned business units. This difference is likely to be driven, at least in part, by the relatively high proportion of foreign-owned business units belonging to large firms as we know that London business units in large firms were significantly more likely to be planning to grow compared to those in smaller firms, irrespective of business ownership⁶.

In line with UK-owned businesses, around half are also engaged in innovation activity...

- Around half of foreign-owned business units in London were ‘innovation active’⁷ in the year to mid-2014. One in four foreign-owned business units have introduced new or significantly improved processes for supplying goods and services, and more than a third of foreign-owned businesses have made changes to organising work responsibilities and decision-making.

...and around a half also made investments in innovation⁸ in the year to mid-2014

- Further, in line with UK-owned business units, around half of foreign-owned business units reported making investments in innovation. The most popular area for investment for foreign-owned business units was training. One in four foreign-owned business units in London reported investing in training.

Foreign-ownership of business in London is also associated with relative success in accessing external finance.

- Around 40 per cent of the total number of foreign-owned business units reported to have attempted to access external finance in the 12 months to mid-2014. Of these, 85 per cent reported that they were successful in their attempt, receiving either full financing or at least partial financing.

Foreign-owned businesses tend to use the same primary channels for accessing finance as UK-owned businesses...

- In line with UK-owned business units, bank loans, overdrafts and mortgages were most commonly used by foreign-owned business units attempting to access external finance, with around one in four foreign-owned business units in London attempting to access external finance in this way in the 12 months to mid-2014.

...but peer-to-peer lending channels are more commonly sought by foreign-owned businesses...

- Around 15 per cent of foreign-owned business units in London had attempted to access external peer-to-peer finance in the 12 months to mid-2014, compared to 3 per cent of UK-owned business units.

Endnotes

- 1) The estimates from the London Business Survey (LBS) 2014 are experimental statistics. The survey was designed and carried out by the Office for National Statistics (ONS) on behalf of the GLA. Following an initial pilot, the main stage of the survey took place in May-July 2014.
 - The GLA Economics Main Findings Report of the LBS 2014 and the ONS Methodology Report are available at: <https://www.london.gov.uk/priorities/business-economy/publications/gla-economics/london-business-survey-2014>
 - The supporting data files are available at: <http://data.london.gov.uk/london-business-survey-2014/>

As with any survey, the LBS 2014 is based on a sample and as such is subject to variability in the results. Care should therefore be taken in interpreting the survey findings. To assist in interpretation, where possible, we have limited the analysis in this report to comparisons that are statistically significant at the 95 per cent confidence interval; that is to say that if the survey was repeated 100 times, in 95 of those times the results would not be different. In cases of doubt, wording such as ‘around’ is used to indicate that the findings are less precise. In this sense, we have been careful only to make comparisons with UK-owned and foreign-owned business units where there are significant differences (at the 95 per cent confidence interval).

- 2) The LBS asked if the business was UK or foreign-owned. Respondents were asked to consider immediate ownership only and were given three options: UK-owned, foreign-owned, or joint UK and foreign-owned. ‘Foreign-owned’ in this definition includes business units in joint (UK and foreign) ownership, and those owned in the Channel Islands, Isle of Man and British Overseas Territories.
- 3) The term ‘business units’ refers to individual units of a whole business. In the case of single-site businesses, this one unit comprises the entire business, whereas in the case of multiple site businesses, we are interested in only those sites/workplaces physically located in London. The sample for the survey is drawn from the Inter-Departmental Business Register (IDBR), which includes all businesses registered for Value Added Tax (VAT), and/or those paying employees through a Pay As You Earn (PAYE) scheme, and/or businesses registered at Companies House. The survey covers registered business units in Greater London; it does not cover unregistered businesses.
- 4) The LBS enterprise size bands are:
 - Micro enterprises: 0 to 9 employees
 - Other SMEs: 10-249 employees
 - Large enterprises: 250+ employees

Note that enterprise size is defined at the level of the business as a whole (in the UK). Therefore business units will be classed as ‘large’ even if a particular site belonging to this business located in London employs only a small number of people.

- 5) LBS estimates cover the business economy in London, which includes production, distribution, construction and services. It does not cover public administration or education. Very small sectors in London including agriculture, mining and quarrying and utilities (electricity, gas, water supply, sewerage and waste management) have been excluded from the survey. The industry sectors covered by the LBS, and their relationship to the 2007 Standard Industrial Classifications (SIC07), are as follows:

	LBS industry sector	SIC07 Section/division
1	Manufacturing	Section C
2	Construction	Section F
3	Wholesale (including motor trades)	Section G: divisions 45 and 46
4	Retail (excluding motor trades)	Section G: division 47
5	Transport and storage	Section H
6	Accommodation, food, travel and tourism	Section I plus division 79
7	Information, communication, arts, entertainment and recreation	Sections J and R
8	Financial and insurance activities	Section K
9	Real estate, architecture and engineering services, services to buildings and landscape activities	Section L plus division 71 plus division 81
10	High value business support including legal, accounting, head office, management, advertising and market research	Section M excluding divisions 71, 72 and 75
11	Other administrative and support services including employment agencies and security services; and other service activities	Section N excluding divisions 79 and 81; plus Section S
12	Human health and social work activities, scientific R&D and veterinary activities	Section Q plus divisions 72 and 75

- 6) Overall 63 per cent of London business units said the business was planning to grow – 58 per cent in micro-enterprises, 80 per cent in other SMEs and 95 per cent in large firms. Source: London Business Survey, table BPM3.
- 7) The LBS collected information about businesses' involvement in innovation activity. If a business is engaged in any one of the following activities, it is defined as 'innovation active': new business practices; new methods of organisation; changes to marketing concepts or strategies; product innovation; process innovation.
- 8) The LBS asked if the business was investing in any of the following types of innovation: internal research and development; acquisition of research and development; acquisition of advanced machinery; equipment and software for innovation; acquisition of existing knowledge; training for innovative activities; all forms of design; market introduction of innovations. If a business is engaged in any one of these activities, it is considered to be making investments in innovation.



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