Pagefield

THE INVESTMENT IMPERATIVE:

What’s driving – and stalling – FDI in the UK & US?

A report on Foreign Direct Investment (FDI) sentiment from international investors in the UK & US

MARCH 2025

Introduction

Welcome to Pagefield's first snapshot of current views on FDI from a range of existing and potential investors based in the UK and US.

Facilitated by:

SEVEN LETTER

Pagefield commissioned an online N = 200 survey in late December 2024 which was facilitated by our colleagues at fellow PPHC group company Seven Letter Insight in the US. The survey polled Senior Leaders from companies that had either made a cross-border investment, or seriously considered doing so within the last three years.

These Senior Leaders identified that they are directly involved in the decision or control of these types of investments and hold positions which include 'Owner/CEO/President' (54% of sample), 'Other C-Suite' (12% of sample), 'VP or Executive VP' (9% of sample) and 'Senior Director/Managing Director' (26% of sample). 100 interviews were conducted with companies in the US and 100 with companies in the UK.

The most commonly represented industries include Digital Technology (18%), Financial Services (15%), Professional Services (14%), Manufacturing (12%), Retail (10%), Creative Industries (7%), Consumer Goods (5%), Tourism and Hospitality (4%) and Logistics and Transportation (3%).

Should you have any questions or observations please contact us directly.

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Foreword

Pagefield's recent survey explores the rationales for company investment and what the British and US Governments should be focused on to improve the investment environment in their respective economies.

The headline results are – perhaps surprisingly – positive at a time when there are many concerns about economic volatility and trade fragmentation. The majority of the businesses surveyed in both the US and the UK are bullish about the conditions for FDI.

A stable environment and skilled workforce are seen as important drivers in choosing locations. Businesses attach importance to the availability of tax breaks for investment and incentives for R&D: a reminder of the fierce competition between countries to attract high value projects.

Firms were asked what had been the top challenges to investment in the UK and US over the last 3 years. In the UK the factor most often cited – by a quarter of businesses – was Brexit, followed by the volatility in the economic climate and heavy regulation. In the US, the top two issues identified are the degree of market competition and economic volatility.

The recent political transitions in both the UK and the US are poised to significantly influence FDI landscapes. In the UK, PM Keir Starmer has pledged greater economic stability, pro-business policies, and renewed engagement with the EU, aiming to create a more predictable investment climate. His government's focus on industrial strategy, infrastructure investment, and regulatory reform is expected to impact investor sentiment, particularly in sectors aligned with green energy, advanced manufacturing, and financial services.

Meanwhile, in the US, President Donald Trump has reinstated 'America First' trade policies, with the threat of wide-ranging tariffs on US trade partners imposed on a reciprocal basis against measures deemed to discriminate against US exporters. At the same time some pre-existing requirements to disinvest – for instance in the case of TikTok – have been put on hold. His administration's approach to trade realignment and investment screening is reshaping the global FDI landscape, introducing new uncertainties for businesses navigating cross-border investments.

Businesses will look beyond words to action by governments. As both administrations refine their economic and trade strategies, businesses must assess the policy shifts, regulatory changes, and geopolitical dynamics that will shape investment opportunities in the coming years.

Businesses are of course not simply focused on links across the Atlantic. Whilst the UK and US are amongst the biggest investors in one another's markets, Asia and the Middle East are seen as the most promising areas for future FDI growth, no doubt reflecting the dynamism and potential in these parts of the world.

Interestingly, British businesses are looking for government support for overseas investment and believe free trade agreements are a key mechanism to encourage this. We will need to wait to see how FDI overseas might feature in the UK Government's trade strategy, which is due to be published this spring. It can always be politically sensitive for the Government to appear to encourage overseas investment if this looks to be at the expense of investment at home, but governments have also recognised that overseas investment can strengthen the competitiveness of British businesses.

The information in this report provides some benchmarks and indicators for businesses considering future investments but also to governments trying to attract investment. Most of these messages are relatively familiar – making the regulatory environment friendly to business, keeping business taxes low; but there is also demand for the Government to set out the overall sense of direction and strategy to encourage investment, together with a plea for a joined up approach across government departments.

John Alty

Senior Advisor and former Permanent Secretary for the Department for International Trade (DIT)

Executive summary

The state of the UK economy has been a topic of much discourse and discussion over the past few years. Over a decade of anaemic economic growth, stagnating living standards and a lack of investment into the UK is beginning to take its toll on the Government's ability to deliver effective public services.

Furthermore, the prospect of incoming challenges, such as a shrinking workforce, a deteriorating geopolitical climate, and the impacts of climate change, will exacerbate these fiscal pressures further.

As part of this discourse, much is made of comparing the UK economic situation with the US. In 2008 the GDP per capita of the US and UK was virtually identical at $48,500 and $47,500 respectively. As of 2023 this has diverged dramatically with the US economy growing to a GDP per capita of $82,700. Meanwhile, the UK has remained flat growing to just $49,400.

The reasons behind this have been widely debated, but the general consensus seems to be a lack of private investment as well as stagnating productivity. This has held back existing businesses from growing and discouraged or restricted entrepreneurship.

The UK's economic challenges are not occurring in isolation but are deeply intertwined with global economic shifts, geopolitical tensions, and domestic policy decisions. Since the 2008 financial crisis, the UK has struggled to regain its competitive edge, with low productivity growth and weak business investment contributing to long-term stagnation. Brexit has further complicated the landscape, altering trade dynamics, creating regulatory uncertainty, and, in some cases, diminishing the UK's attractiveness as a global investment hub. Meanwhile, other economies—most notably the US—have adopted aggressive pro-growth strategies, leveraging tax incentives, infrastructure investment, and industrial policy to stimulate productivity and innovation.

FDI has long been a critical driver of economic growth, job creation, and innovation in the UK. However, in recent years, the country has faced increasing competition from both established and emerging markets. The US, for example, has actively pursued a more interventionist approach, with initiatives such as the Inflation Reduction Act and CHIPS Act drawing capital towards American industries.

Meanwhile, European nations continue to benefit from the UK's departure from the EU, attracting businesses looking for a more stable regulatory and trade environment. The UK remains a major global economy with strengths in financial services, technology, and advanced manufacturing, but sustaining its position requires a more concerted effort to attract and retain investment.

A more challenging geopolitical climate has further increased the urgency for the UK to bolster its investment appeal. Global supply chain disruptions, increasing protectionism, and heightened security concerns around foreign ownership of critical industries have changed the nature of FDI flows. At the same time, emerging policy priorities – such as the transition to net zero – present both opportunities and risks.

Countries that can position themselves as leaders in green finance, renewable energy, and sustainable infrastructure will likely benefit from a new wave of investment. For the UK, this means ensuring a competitive and predictable business environment, reducing regulatory complexity, and actively promoting the country's strengths to international investors. Without a clear, long-term strategy, there is a risk that the UK will continue to lag behind global peers, missing out on the next phase of economic growth.

Executive summary (cont.)

Against this backdrop, understanding investor sentiment is crucial. To gauge perceptions of both the UK and US investment climates, Pagefield has polled UK- and US-based businesses to assess their views on the key challenges, opportunities, and trends shaping FDI.

As part of this the report uncovered the following insights:

Investment Trends

- UK firms investing abroad are concentrated in more highly productive sectors such as digital technology and financial services, whilst US firms tend to focus on more traditional sectors such as retail and consumer goods.

Barriers to Investment

- Economic stability is a priority for both US and UK firms, however US firms assigned more importance to the regulatory landscape. British firms – by comparison – demonstrated a less tolerant approach to political risk.

Policy Priorities and Tax Incentives

- Tax policies and fiscal policies were important to both UK and US firms, particularly around R&D.
- Though UK firms prefer bespoke tax carve outs, US firms are more responsive to broad-based investment incentives.

Encouraging Domestic Investment

- UK businesses are unclear on what specific changes they would like to see to encourage investment but indicate that overall improved business environment would encourage further domestic investment.

Challenges

- For UK firms, Brexit remains the primary challenge preventing further domestic investment. US firms stated that market competition was their primary challenge.
- Otherwise, firms in both countries shared similar challenges including economic stability and the regulatory environment.

Overseas Investment and FTAs

- A strong majority of UK businesses want government to do more to facilitate international investments with Free Trade Agreements (FTAs) emerging as the most popular route of doing this.

Communication Influence

- Both UK and US based businesses chose traditional sources of media, such as national print outlets and broadcast media, as their preferred source of information in order to inform overseas investment decisions, ahead of social media platforms.

What is Foreign Direct Investment (FDI)?

FDI is when a business or investor from one country makes a long-term investment in a company, asset, or operation in another country. This type of investment goes beyond capital – it drives economic growth, brings new jobs, and strengthens global trade links by fostering innovation, infrastructure, and industry development.

Industries driving cross-border investments

When it comes to FDI, the industries leading the charge vary significantly between UK and US businesses.

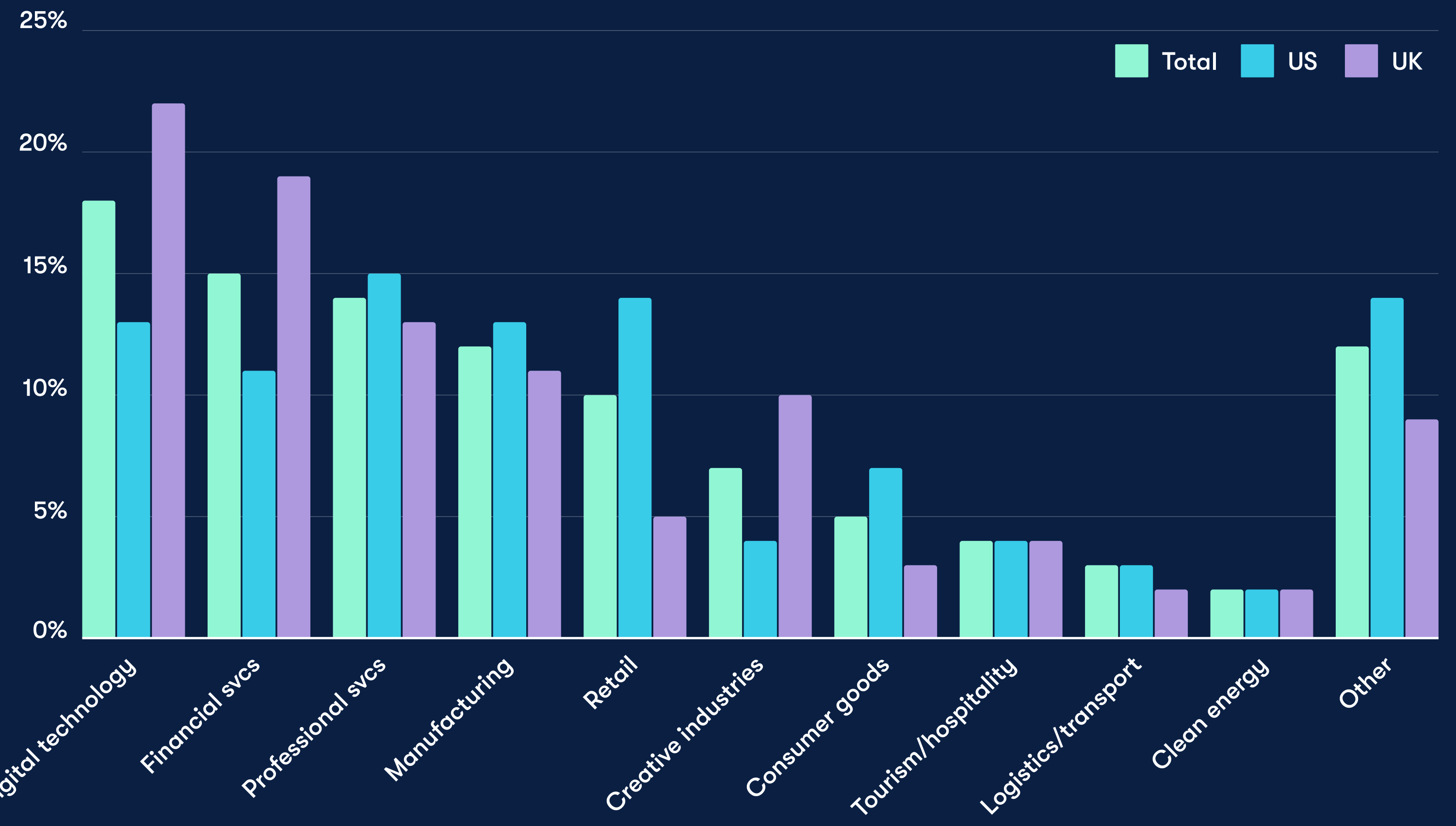
UK firms investing abroad are predominantly concentrated in high-productivity sectors such as digital technology and financial services—areas that drive economic growth and innovation. This could point to a domestic investment gap in the UK's most dynamic industries, an issue the Government's new Industrial Strategy seeks to address.

In contrast, US businesses investing internationally are more active in retail and consumer goods—sectors traditionally associated with lower productivity growth. This divergence underscores the different economic priorities and risk appetites of UK and US investors, shaping where and how capital is deployed overseas.

For policymakers, this trend signals a need for sector-specific incentives. Encouraging more UK investment in high-growth industries could help bridge the domestic investment gap, while US strategies might focus on diversifying FDI into higher-productivity areas.

What's your current company's industry?

(Asked of companies who have either made a significant foreign investment or have deeply considered it within the last year)



Investment barriers: stability vs. regulation

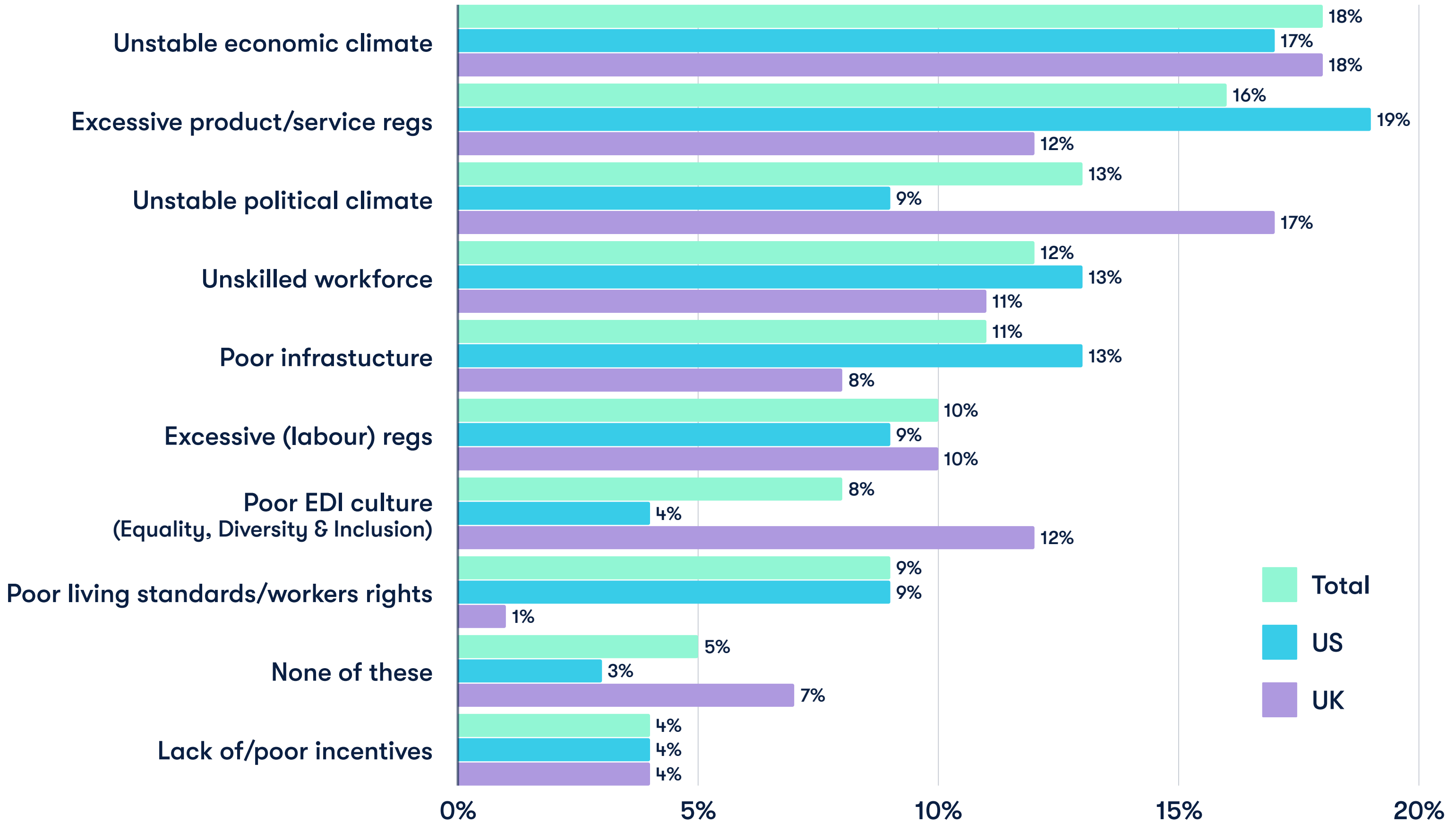
For businesses considering overseas investment, the biggest obstacles vary by market. Stability is paramount: both US and UK firms prioritise economic predictability when making investment decisions. However, their concerns diverge beyond this common factor.

US firms cite excessive regulation as a major deterrent to investing abroad. A seven-percentage-point gap between US and UK firms on this issue highlights American businesses' aversion to red tape, reinforcing broader concerns about the regulatory burden in Europe.

UK firms are more hesitant to invest in politically unstable markets. This risk-averse approach may be a contributing factor to the UK's sluggish economic growth compared to the US, where businesses are often more willing to operate in volatile environments.

For businesses, this highlights the importance of thorough risk assessments when considering international investments, with stability and regulation ranking as critical factors in the decision-making process.

US investors are dissuaded by excessive regulations and UK investors are dissuaded by an unstable political climate. Out of the following, what would most dissuade you from investing in an overseas business?



The power of tax incentives

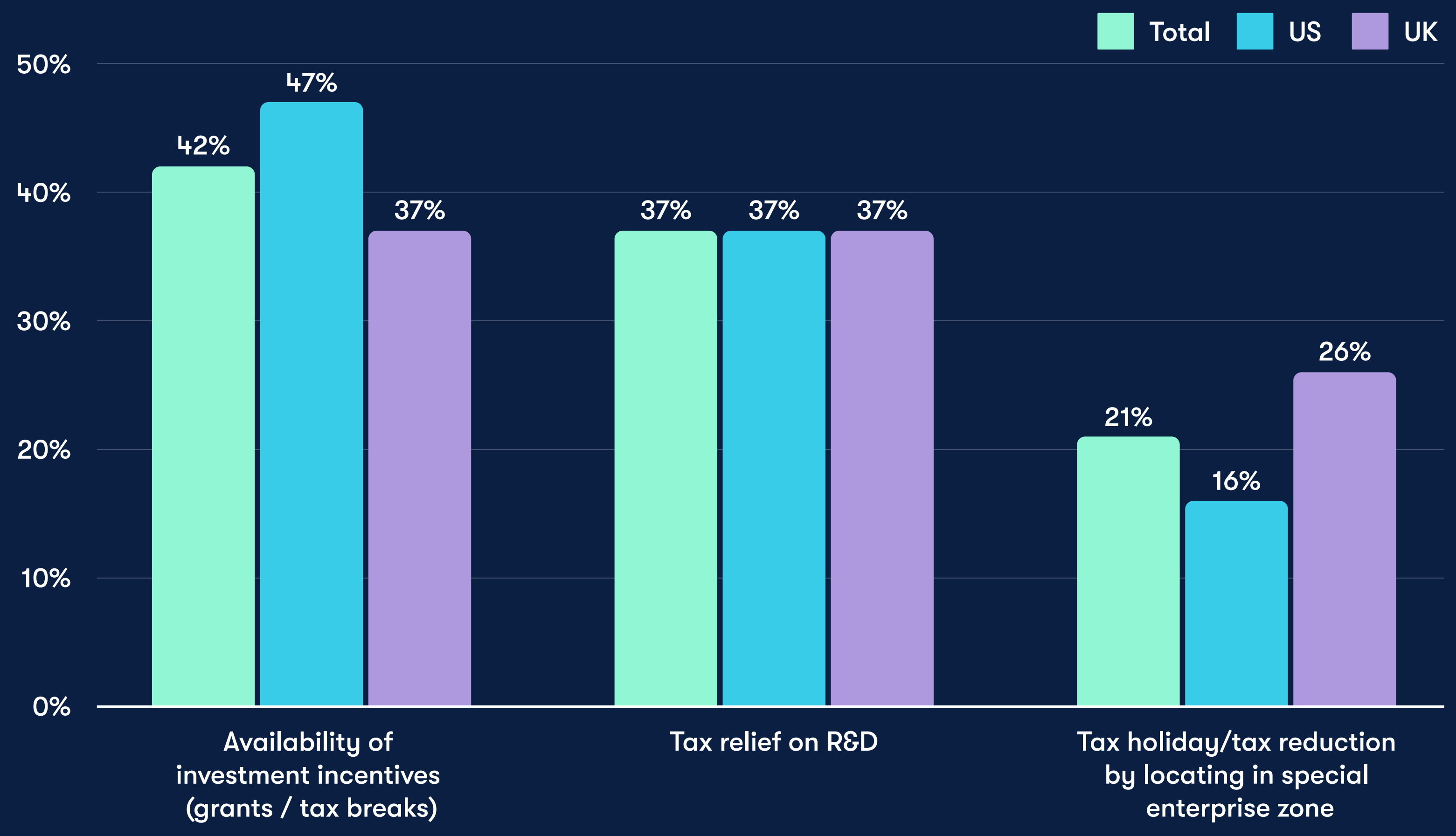
Tax and fiscal policies play a decisive role in determining where businesses invest, with 19% of respondents ranking them among the most important factors. However, the type of incentives preferred varies by region.

UK firms favour bespoke tax carve-outs, such as special enterprise zones, which provide targeted relief and advantages for businesses in designated areas.

By comparison, US businesses are more receptive to broad-based investment incentives that directly encourage capital deployment across multiple sectors.

Governments looking to stimulate investment should consider balancing broad tax policies with industry-focused relief measures to appeal to a wider range of investors.

What tax/fiscal incentives are most important to you?



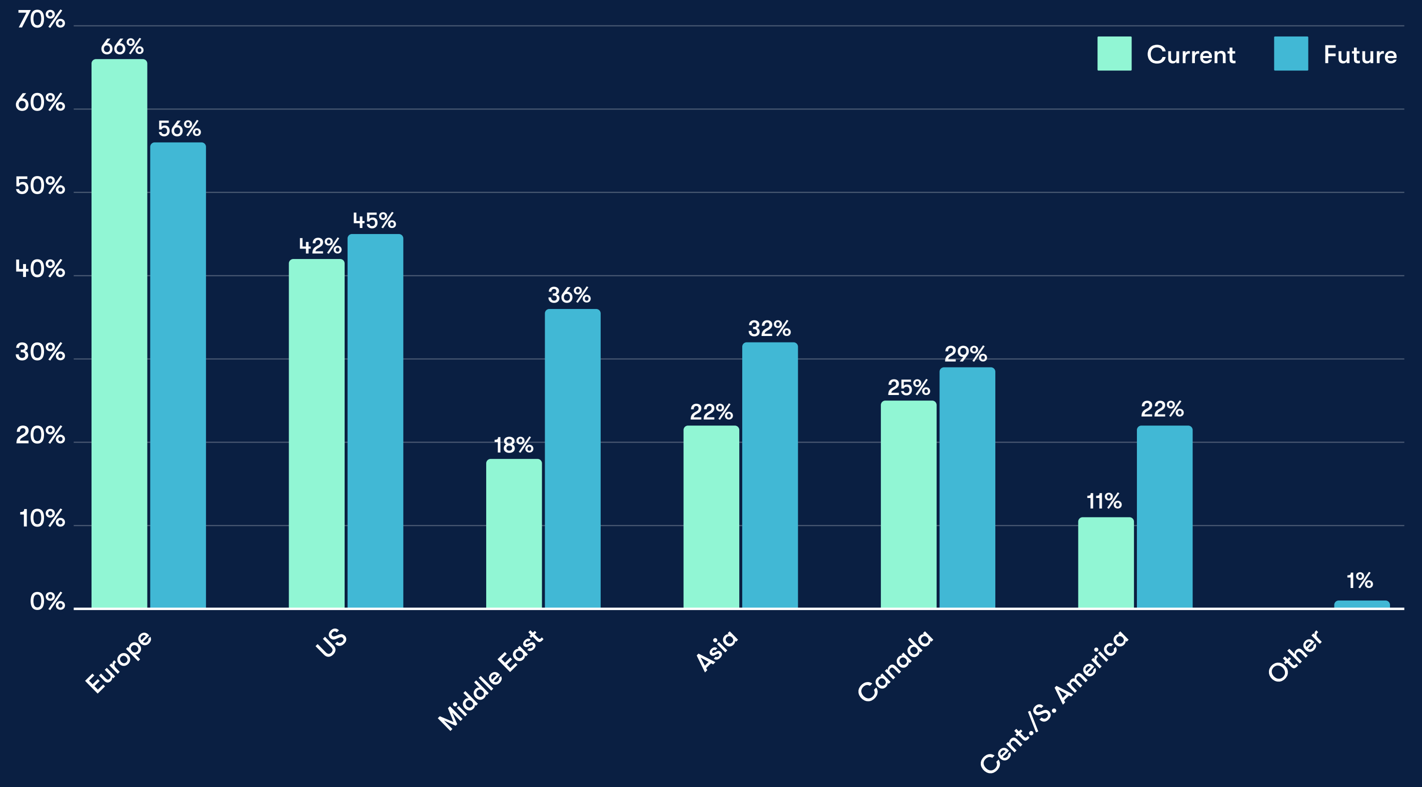
UK cross-border investment regions

UK firms continue to prioritise Europe for cross-border investment, though interest is slightly declining (66% current vs. 56% future). Investment in the US remains steady (42% to 45%), but President Trump's latest trade tariffs introduce uncertainty, potentially increasing costs and deterring future investment.

The Middle East shows the most significant surge, with investment interest doubling (18% to 36%), reflecting confidence in economic reforms like Saudi Arabia's Vision 2030. Asia also sees strong growth (22% to 32%), as UK firms recognise its expanding opportunities, while Canada's slight increase (25% to 29%) reinforces its stability.

This shift suggests UK investors are seeking a more balanced global investment strategy, reducing reliance on traditional markets.

Thinking about your company's most recent cost-border investment, in which region of the world was it? Looking ahead to the next 5 years, in which region of the world would you be most interested in investing in? You may select all that apply.



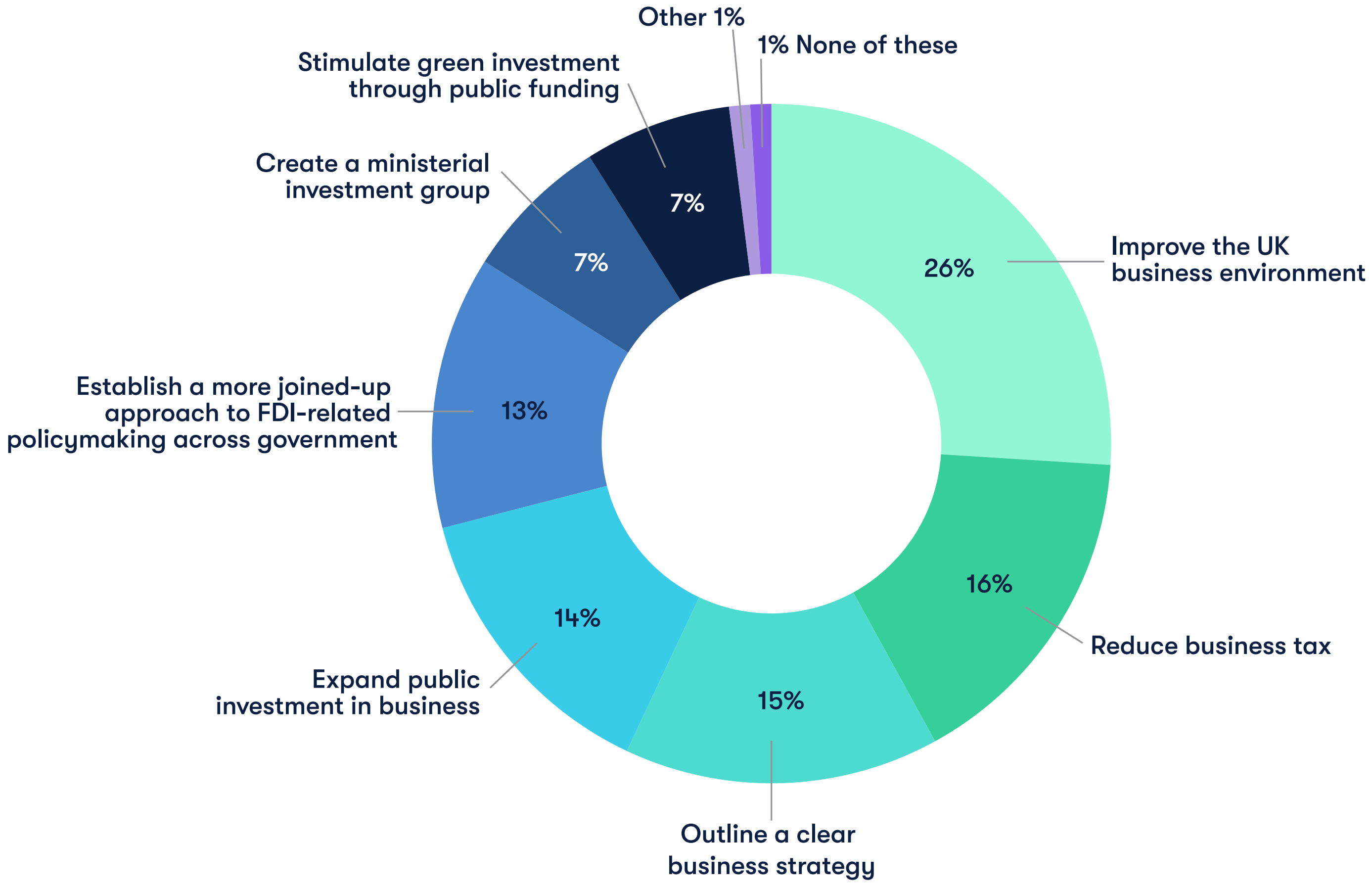
Boosting domestic investment

Over a quarter of UK businesses stated that improving the domestic business environment would encourage them to invest more in the UK.

Successive governments have tried to tackle the lack of private investment from businesses, with most economists linking the UK's stagnating economy to a distinct lack of productivity growth and business investment over the past decade. When looking to address this issue there is frustratingly no obvious silver bullet. The Labour Government has opted for a supply-side approach by addressing the many barriers which are preventing or slowing business investment, restrictive planning laws, high energy costs, or excessive regulations, and a lack of regional growth across the country.

The Government's Industrial Strategy will set out in detail how it intends to propose and prioritise policies in order to encourage business investment.

To encourage more UK-based companies to invest at home, what do you think is the most important measure the UK Government needs to take? (Asked only in UK)



The Brexit effect on investment

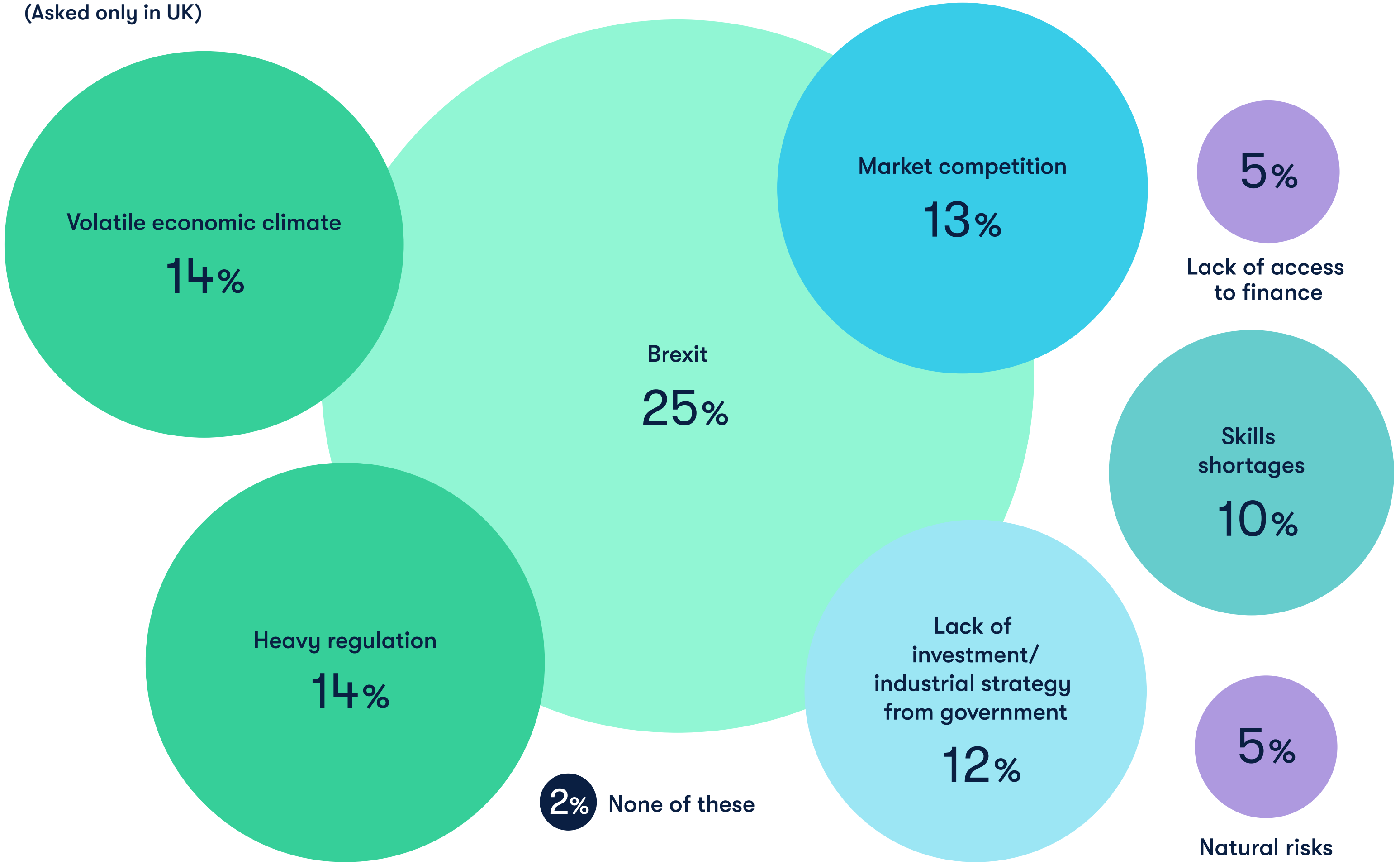
Perhaps surprisingly, or unsurprisingly to others, Brexit emerged as the top challenge to business investment with 1 in 4 businesses stating it was their biggest challenge to UK-based businesses investing domestically.

Whilst there is little to no prospect of the UK re-joining the EU, the single market, or the customs union under this Government, the ongoing 'reset' in relations with the EU, as well as the anticipated renegotiation of the UK-EU Brexit agreement has the potential to significantly facilitate an increase in business investment in the coming years.

Other factors which were identified as challenges, such as 'Heavy regulation' and 'Lack of industrial strategy' could also be addressed in the coming years following the publication and enaction of the Government's Industrial Strategy.

What do you think has been the biggest challenge to business investment in UK over last three years?

(Asked only in UK)



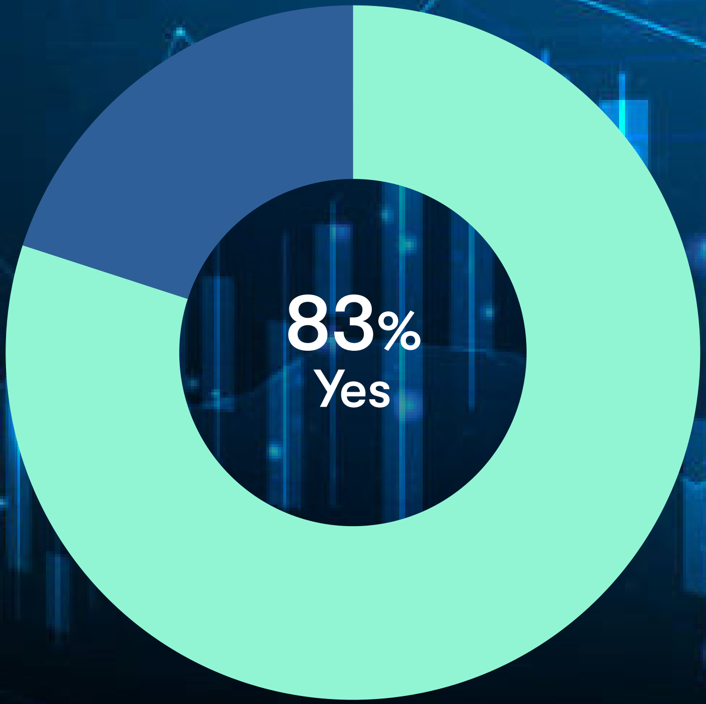
Focus on overseas investment

An overwhelming majority of UK businesses indicated that they want the Government to do more to encourage more British investment abroad.

Although the Government is looking to promote domestic investment, in order to boost productivity and living standards for British workers, it has also demonstrated its eagerness to promote trade and investment abroad.

From re-setting relations with the EU, in the hopes of a more relaxed and frictionless trade regime, to establishing an ordinal relationship with President Trump, in the face of a disruptive tariff war. The Government seems keen to facilitate more frictionless trade and investment.

Do you think the Government needs to place a greater focus on encouraging UK businesses to invest overseas? (Asked only in UK)



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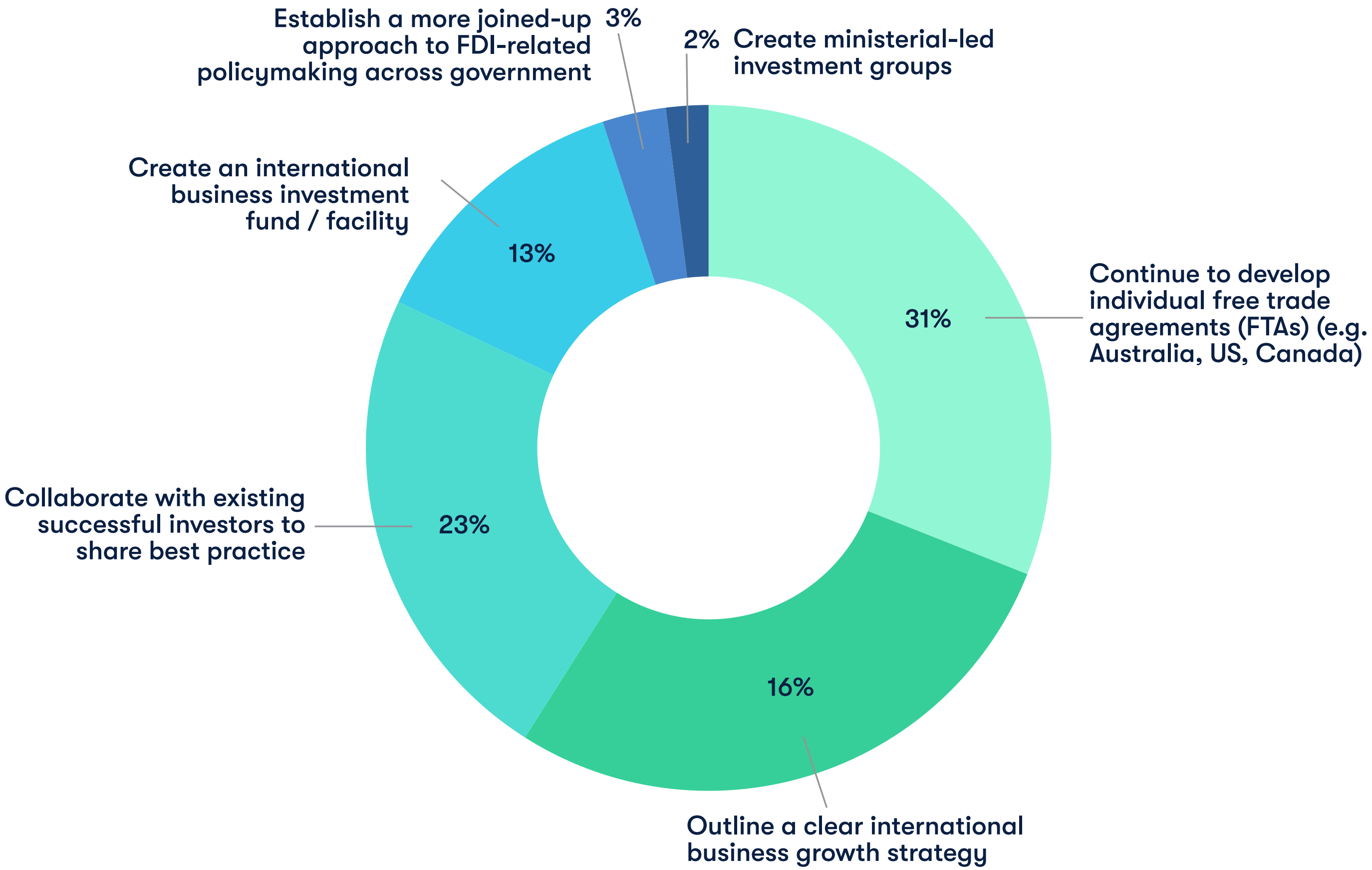
The role of free trade agreements (FTA)

Nearly a third of businesses also stated that free trade agreements were the most important measure in order to encourage overseas investment.

FTAs were championed by the previous Conservative Government and hailed as a so-called 'Brexit-benefit'. The new Labour Government, in contrast, has been rather muted on FTAs, although Chancellor Reeves did recently announce the resumption of negotiations with India regarding an FTA.

The difficulty of negotiating FTAs of course lies in trade-offs. Whilst businesses want to see barriers to overseas investment fall, they may think differently if it means their domestic market share or operations could be threatened or become uncompetitive due to increased foreign competition.

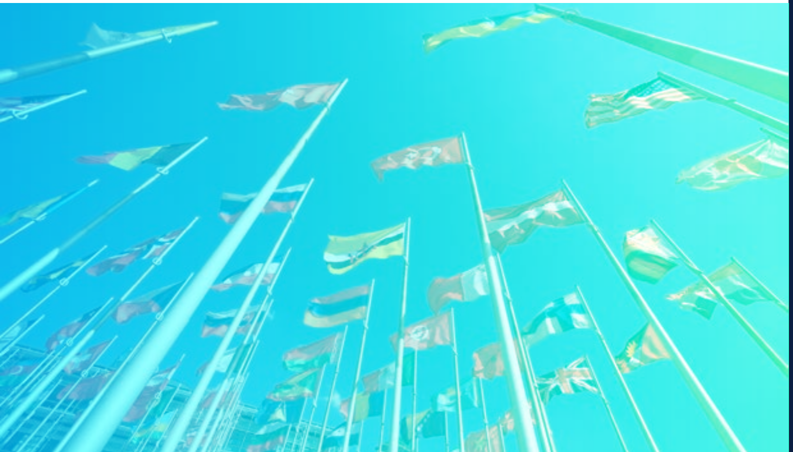
To encourage more UK-based companies to invest overseas, what do you think is the most important measure the UK Government needs to take? (Asked only in UK)



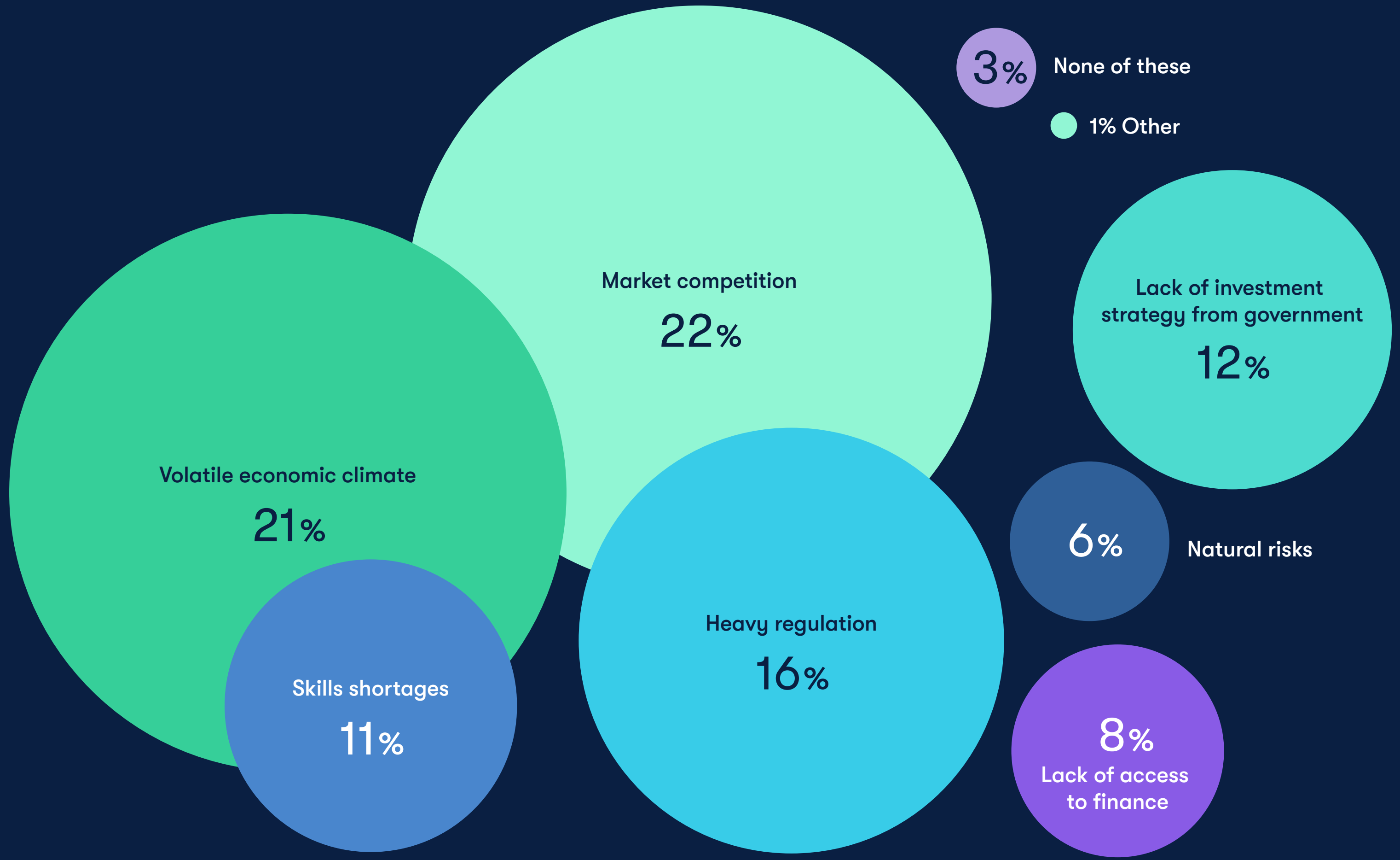
Challenges to investment: US

In contrast to UK-based businesses, US firms saw market competition as the greatest barrier to domestic investment, shortly followed by the recent volatile economic climate.

This perhaps reflects the strength and dynamic nature of the US economy which UK ministers are urgently trying to emulate in order to promote growth. Interestingly, the other factors are broadly similar to the responses given by UK-based businesses, bar the impact of Brexit and less significance assigned to market competition. This perhaps underlines how addressing some of the undesirable features of the post-Brexit agreement with the EU could have significant positive impacts on the UK economy.



What do you think has been the biggest challenge to business investment in the US over the last three years? (Asked only in US)



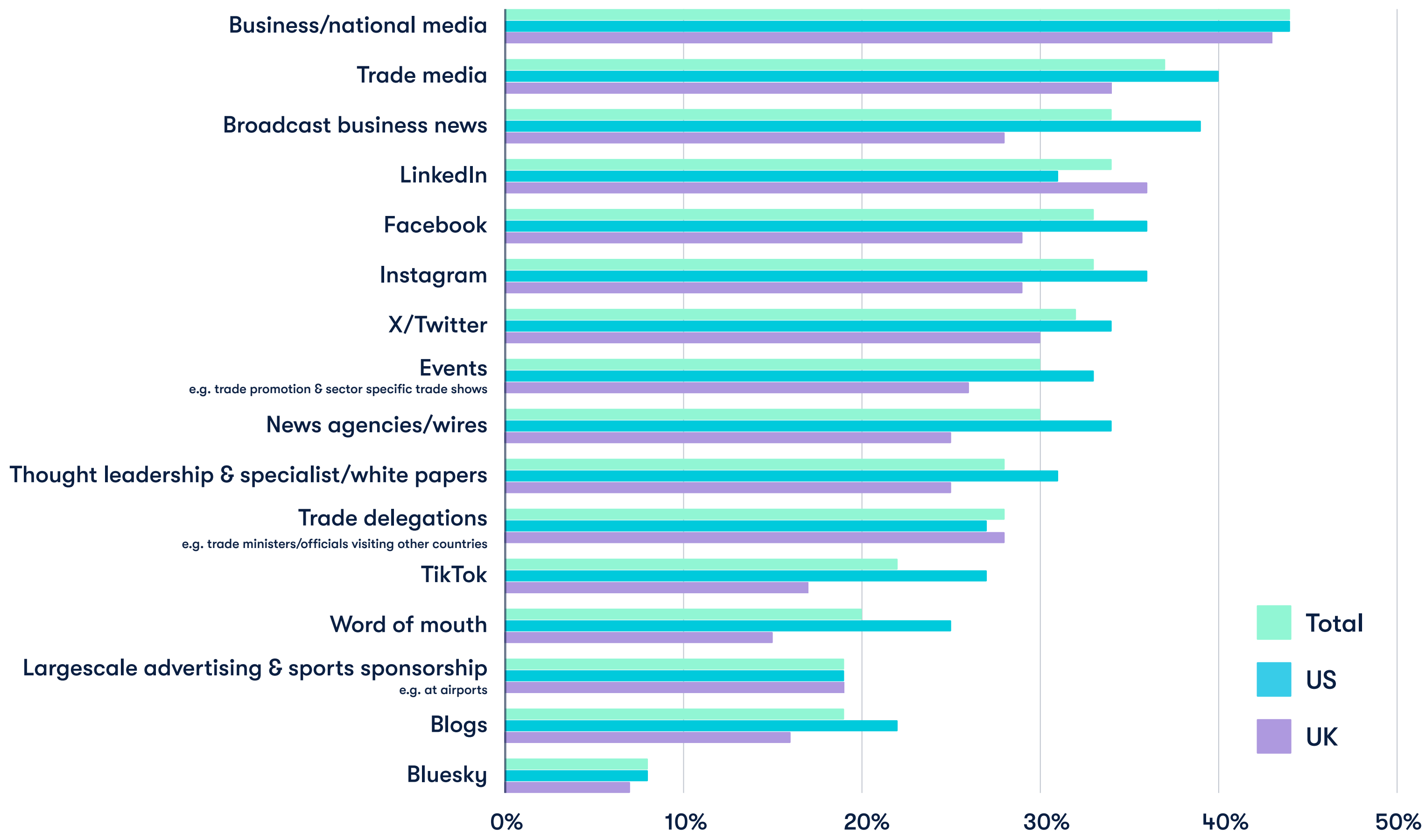
Traditional media reigns supreme

When businesses consider investing overseas, traditional media remains the most trusted source of information. 44% of UK and US businesses cited business and national media as their preferred source, closely followed by trade media and broadcast. While digital platforms such as LinkedIn are also utilised, much of their content is repurposed from traditional news sources—reinforcing the enduring authority of established media outlets. This highlights a crucial point for Investment Promotion Agencies (IPAs): securing media coverage in respected business and national publications directly influences decision-making.

The findings underscore a critical challenge: whilst trade events remain an important marketing channel, they are costly. Many IPAs continue to invest heavily in events without fully considering a broader, more cost-effective mix of marketing tactics.

A more strategic approach would integrate high-impact thought leadership and white papers – which not only establish credibility and authority but also fuel coverage in traditional media, amplifying messages for IPAs far beyond the confines of a single event. To maximise their influence, IPAs must ensure they engage investors through a mix of authoritative media coverage, compelling thought leadership, and targeted digital engagement. A well-balanced approach can drive engagement, enhance reputation, and deliver greater return on investment.

Which of the following marketing channels/tactics would be appealing to you to receive information when thinking about overseas investment? Please select all that apply.



Interested in talking more about FDI?

If you would like to discuss how we can help you, please get in touch.

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