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TRADE OPENNESS, FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH IN UNITED KINGDOM (UK): A TIME SERIES ANALYSIS APPROACH

ABSTRACT

This study investigates the impact of international trade and foreign direct investment on economic growth in the United Kingdom using updated time-series data from (1990-2025) and current economic realities. Specifically, the study investigates whether trade openness and FDI continue to exert significant positive effects on economic growth amidst Brexit adjustments, global supply chain disruptions, geopolitical uncertainty, inflationary pressures, and structural economic transformation. The findings of the study indicate that international trade represented by export plays a more substantial role in driving economic growth in the United Kingdom than Foreign Direct Investment. Export activities significantly enhance economic growth through increased productivity, market expansion, innovation, and foreign exchange generation. Although FDI was found to be statistically insignificant, policymakers should concentrate on attracting high quality and productivity enhancing investments rather than merely increasing the quantity of inflows. Priority should be given to investments capable of generating technological spill overs, employment opportunities, human capital development, and industrial diversification.

Keywords: *Economic growth, International Trade, Foreign Direct Investment*

JEL Classification Codes: *F21, F43, O47.*

1. INTRODUCTION

Economic growth remains one of the principal macroeconomic objectives of nations, particularly in advanced economies such as the United Kingdom where sustained productivity, investment expansion, and external sector performance are central to long-term economic stability. Among the major drivers of growth, international trade and foreign direct investment (FDI) continue to occupy strategic importance because of their capacity to stimulate productivity, technological diffusion, employment generation, capital accumulation, and competitiveness in the global economy. Contemporary growth theories increasingly emphasize that economies integrated into global trade and investment networks are better positioned to achieve long-run economic expansion through innovation, technological advancement, and knowledge spillovers (OECD, 2021).

International trade contributes to economic growth by expanding market access, promoting specialization, improving resource allocation, and encouraging innovation through competitive pressures. Trade openness also enables countries to benefit from global value chains, technological transfers, and economies of scale, thereby improving productivity and economic efficiency (World Bank, 2022). Similarly, foreign direct investment is widely regarded as a crucial mechanism through which host countries acquire productive capital, managerial expertise, advanced technology, and integration into international production networks (UNCTAD, 2023). Consequently, trade and FDI remain important drivers of globalization and macroeconomic performance in both developed and emerging economies. In the case of the United Kingdom, international trade and foreign direct investment have historically contributed significantly to economic growth and structural transformation. The UK remains one of the world's leading economies in financial services, innovation, digital commerce, higher education, and international investment flows. The country maintains extensive trade and investment relationships with the European Union, the United States, and several emerging economies. According to the Office for National Statistics (ONS) (2024), the service sector continues to dominate UK exports, particularly in finance, information technology, insurance, and professional services.

However, the global economic environment affecting trade and investment has changed substantially over the last decade. One of the most significant developments was the UK's withdrawal from the European Union following the Brexit referendum of 2016. Brexit altered the UK's trade framework, investment climate, labour mobility arrangements, and regulatory environment. Although the Trade and Cooperation Agreement (TCA) established a new framework for UK-EU relations, evidence suggests that Brexit increased trade frictions, disrupted supply chains, and affected foreign investment decisions due to uncertainty surrounding future market access (Bloom et al., 2019; Dhingra & Sampson, 2022).

The outbreak of the COVID-19 further transformed the global economic landscape by causing severe disruptions in international trade, global value chains, and investment flows. The pandemic triggered significant declines in economic output, business activity, and investor confidence across many economies, including the UK. According to the International Monetary Fund (IMF) (2023), the UK experienced one of the sharpest GDP contractions among advanced economies during 2020. In addition, global FDI inflows declined considerably during the pandemic period due to heightened uncertainty, restrictions on movement, and weakened economic activity (UNCTAD, 2021). These developments raised concerns regarding the resilience of globalization and the sustainability of trade and investment-led growth strategies.

Beyond the pandemic, recent geopolitical developments such as the Russia-Ukraine War, inflationary pressures, energy price volatility, and increasing protectionist tendencies have intensified uncertainty within the global economy. These shocks have exposed vulnerabilities in international supply chains and prompted renewed policy debates regarding economic resilience, strategic trade partnerships, and investment diversification. Consequently, recent literature increasingly argues that the relationship

between trade openness, foreign investment, and economic growth is now influenced by broader institutional, geopolitical, and technological factors (OECD, 2023).

Furthermore, the structure of the UK economy has evolved considerably in recent years. Unlike earlier decades characterized by manufacturing-led growth, the contemporary UK economy is predominantly service-oriented and knowledge-driven. Digital trade, fintech, artificial intelligence, creative industries, and technology-intensive services now account for a substantial share of economic activity and export earnings. According to the Office for National Statistics (ONS) (2024), services accounted for the largest proportion of the UK's exports and inward investment activities in recent years. This structural transformation implies that modern analyses of trade and FDI in the UK must account for technological innovation, digitalization, and the growing importance of service-sector competitiveness.

Although extensive empirical studies have examined the relationship between trade, FDI, and economic growth, findings remain mixed and context-specific. Several recent studies report that trade openness and FDI positively influence growth through productivity enhancement, innovation, and employment generation (Nguyen & Su, 2021; Li & Tanna, 2023). However, other studies suggest that the benefits of trade and FDI depend largely on institutional quality, macroeconomic stability, human capital development, and financial market efficiency (Iamsiraroj & Ulubaşoğlu, 2015; OECD, 2023). In the context of the UK, relatively limited studies have comprehensively examined the combined effects of international trade and foreign direct investment within the post-Brexit and post-pandemic economic environment. This creates an important gap in the literature that requires further empirical investigation.

Against this background, this study examines the impact of international trade and foreign direct investment on economic growth in the United Kingdom using updated time-series data and contemporary economic realities. Specifically, the study investigates whether trade openness and FDI continue to exert significant positive effects on economic growth amidst Brexit adjustments, global supply chain disruptions, geopolitical uncertainty, inflationary pressures, and structural economic transformation. The study is significant because it contributes to contemporary policy discussions concerning the effectiveness of trade and investment policies in promoting sustainable economic growth in advanced economies. The findings are expected to provide useful insights for policymakers, investors, and researchers regarding the evolving relationship between globalization and economic performance in the UK economy.

2. LITERATURE REVIEW

2.1 Foreign Direct Investment and Economic Growth

Foreign direct investment (FDI) has remained one of the most important components of globalization and international capital mobility. Contemporary literature views FDI as a critical driver of economic growth because it facilitates the transfer of technology, managerial expertise, innovation, and productive capital across economies. Unlike portfolio investment, FDI is often associated with long-

term productive engagement within host economies through the establishment of subsidiaries, infrastructure, production networks, and employment generation.

Recent empirical studies continue to support the argument that FDI contributes positively to economic growth, particularly in economies with stable macroeconomic environments and efficient institutions. According to Organization for Economic Co-operation and Development (OECD), productivity gains arising from FDI are usually transmitted through technology spillovers, knowledge diffusion, and increased competition within domestic markets (OECD, 2023). Similarly, United Nations Conference on Trade and Development argues that FDI enhances industrial competitiveness and integration into global value chains, particularly in technologically advanced sectors (UNCTAD, 2023).

Recent evidence from European economies suggests that FDI inflows significantly improve economic performance by stimulating investment, productivity, and labour market efficiency. Yeboah et al. (2025) examined nine European economies and found that both FDI and trade openness exert significant positive effects on economic growth, especially in countries with strong institutional quality and developed financial systems. The study further emphasized that the interaction between FDI and trade openness strengthens economic resilience and long-term growth prospects. Similarly, Obinna, Chinweizu, and Emeka (2025) investigated the relationship between FDI and economic growth in the United Kingdom using annual time-series data from 1981–2021. Employing the Auto-Regressive Distributed Lag (ARDL) model and Toda-Yamamoto causality test, the study found a positive relationship between FDI and economic growth in the UK. The authors concluded that economic expansion in the UK also attracts additional foreign investment, thereby suggesting the existence of a bidirectional relationship between FDI and economic growth.

In addition, Li and Tanna (2023) observed that developed economies benefit more substantially from FDI when investments are directed toward high-productivity sectors such as digital technology, financial services, renewable energy, and research-intensive industries. According to the authors, the quality and sectoral distribution of FDI is increasingly more important than the volume of inflows alone. However, recent literature also argues that the growth effects of FDI are conditional rather than automatic. Iamsiraroj and Ulubaşoğlu (2015) contend that countries with weak institutions, poor infrastructure, macroeconomic instability, and underdeveloped financial systems may fail to maximize the benefits associated with foreign investment. This suggests that the effectiveness of FDI depends heavily on domestic absorptive capacity, human capital development, and policy stability.

Furthermore, modern globalization trends have shifted attention toward services-sector FDI and digital investment flows. Doytch (2021), in a study of 24 European economies, found that financial services FDI and business services investment positively affect both host-country growth and productivity performance. The study emphasized that knowledge-intensive services now constitute an increasingly important channel through which FDI contributes to economic development in advanced economies such as the UK.

2.2 International Trade and Economic Growth

International trade remains a central determinant of economic growth in both developed and developing economies. Contemporary trade theories emphasize the role of openness in improving productivity, innovation, specialization, competitiveness, and technological advancement. Trade openness allows countries to access larger markets, attract investment, benefit from economies of scale, and integrate into global production networks. According to the World Bank (2022), economies that maintain greater integration into global trade networks tend to experience higher productivity growth and stronger long-term economic performance. Trade openness also promotes efficiency by exposing domestic firms to international competition and encouraging innovation.

Recent empirical evidence continues to support the positive relationship between trade openness and economic growth. Nguyen and Su (2021), using evidence from advanced economies, found that international trade significantly contributes to economic growth through increased productivity, export diversification, and technological diffusion. Similarly, Sowrov (2024), in a study involving G-20 economies, concluded that trade openness positively affects economic growth, while excessive tariffs negatively influence economic performance. In the context of the United Kingdom, international trade remains particularly important because of the country's strong dependence on services exports, financial markets, and global value chains. According to the Office for National Statistics (ONS) (2024), services exports constitute the largest share of UK international trade, particularly in finance, insurance, information technology, and professional services. Nevertheless, the UK's trade environment has experienced substantial transformation following Brexit. Dhingra and Sampson (2022) argued that Brexit introduced significant trade frictions between the UK and the European Union, thereby affecting exports, supply chains, and investment decisions. Recent evidence also suggests that many UK businesses continue to experience customs barriers, regulatory uncertainty, and declining trade efficiency under the post-Brexit Trade and Cooperation Agreement framework.

Recent economic discussions further highlight concerns regarding weak trade performance in the UK economy. Reports from UK business organizations indicate that post-Brexit trade arrangements have contributed to slower export growth and reduced competitiveness among small and medium-sized enterprises. Additionally, global disruptions arising from the COVID-19 pandemic significantly affected international trade flows, global supply chains, and business operations. According to the International Monetary Fund (IMF) (2023), global trade declined sharply during the pandemic period due to restrictions on movement, reduced industrial production, and weakened consumer demand. The UK economy experienced a major contraction during this period before recording gradual recovery afterward. Contemporary literature increasingly recognizes that trade-growth relationships are influenced by geopolitical uncertainty, energy shocks, digital transformation, and global supply chain restructuring. Consequently, recent studies advocate for resilient trade strategies that prioritize technological competitiveness, diversification of trading partners, and digital integration within the global economy.

2.3 Empirical Review

Empirical studies examining the nexus between international trade, foreign direct investment, and economic growth have produced mixed findings across countries and regions. While several studies report positive relationships among the variables, others argue that the effects depend on country-specific economic and institutional conditions.

Nguyen and Su (2021) found that trade openness positively influences economic growth in advanced economies through productivity improvement and export diversification. Similarly, Li and Tanna (2023) established that FDI contributes significantly to productivity and long-run economic performance in developed economies, especially where institutional quality is strong.

Yeboah et al. (2025), using panel data from nine European economies, found that both FDI and trade openness positively affect economic growth and macroeconomic resilience. Their findings suggest that countries with stronger trade integration and investment inflows tend to recover faster from economic shocks. In the UK context, Obinna et al. (2025) found evidence of a positive relationship between FDI inflows and economic growth using ARDL methodology. The study concluded that economic growth itself stimulates additional FDI inflows, thereby reinforcing a cyclical relationship between investment and output expansion.

However, some studies maintain that the benefits of FDI and trade are not uniformly distributed. Iamsiraroj and Ulubaşoğlu (2015) argue that the growth-enhancing effects of FDI depend largely on institutional quality, financial market development, infrastructure, and macroeconomic stability. Likewise, recent studies on global trade uncertainty indicate that geopolitical tensions, inflationary pressures, and supply chain disruptions may weaken the positive impact of globalization on economic growth. Despite extensive literature on the trade-FDI-growth nexus, relatively few studies have jointly examined international trade and foreign direct investment within the post-Brexit and post-pandemic UK economy using recent datasets and contemporary macroeconomic realities. Therefore, this study contributes to the literature by examining the combined impact of international trade and foreign direct investment on economic growth in the United Kingdom using updated data and modern economic realities characterized by Brexit adjustments, digital transformation, geopolitical uncertainty, and evolving global trade patterns.

3. METHODOLOGY

This study adopts the ex post facto research design because it relies on historical macroeconomic data that cannot be manipulated by the researcher. The design is considered appropriate since the study seeks to examine the relationship between foreign direct investment, international trade, and economic growth in the United Kingdom using already existing annual data. The study employs an econometric approach based on multiple linear regression analysis to evaluate the impact of the explanatory variables on economic growth.

The study utilizes annual time series data covering the period from 1990 to 2024 for the United Kingdom economy. The data were sourced primarily from the World Bank through the World

enhancing effects of FDI largely depend on institutional quality, technological readiness, and macroeconomic stability (IMF, 2023; OECD, 2024).

Table 4.1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
EXP	35	6.497	2.673	2.550	11.421
FDI	35	-0.318	8.626	-29.190	16.088
GDP	35	2.308	0.766	1.061	3.686

Source: Stata Version 17

The descriptive statistics provide preliminary insight into the behavior of the variables used in the study. The analysis covered 35 observations, indicating a relatively adequate time series sample for the estimation of the Autoregressive Distributed Lag (ARDL) model. Export (EXP) recorded a mean value of 6.497 implying a positive effect on economic growth (GDP). That is, one unit change in export will induce a change in GDP by about 6.497 units. Thus, as export increases, GDP increases also and vice versa. Signifying a positive relationship of export on GDP. Foreign Direct Investment (FDI) recorded an average value of negative 0.318 with a relatively high standard deviation of 8.626. A coefficient of -0.318 also implies that a unit change in FDI will induce a negative change in GDP by a sum of 0.71 units. Thus, a negative relationship also exists between FDI and economic growth. This implies that FDI inflows into the United Kingdom were highly volatile during the period under review. The negative mean value may reflect periods of net capital withdrawal, uncertainty in investment flows, or structural economic changes such as the post global financial crisis adjustments and the Brexit transition period. The large dispersion around the mean suggests that foreign investment in the United Kingdom was exposed to external shocks, global uncertainty, and policy fluctuations.

From an economic perspective, the descriptive statistics reveal that export activities were more stable and consistent compared to FDI inflows. This suggests that trade activities remained a more reliable contributor to economic performance in the United Kingdom, while foreign investment was more vulnerable to international financial conditions and domestic policy uncertainty. Similar findings have been reported in recent studies which argue that advanced economies often experience more stable trade performance than FDI flows due to the sensitivity of global investors to uncertainty and geopolitical developments (World Bank, 2024; IMF, 2024).

Table 4.2: Dickey Fuller Unit Root Test

Variables	At Level Z(t) Value	At Level P value	At First Difference Z(t) Value	At First Difference P value
INEXP	-2.696	0.6244	-2.980	0.0000
INFDI	-3.750	0.0640	-3.000	0.0295
INGDP	-2.975	0.6779	-2.978	0.0000

Source: Stata Version 17

The results show that all the variables were non stationary at level but became stationary after first differencing. For export (INEXP), the probability value at level was greater than 0.05, indicating the presence of a unit root. However, after first differencing, the probability value became statistically significant at 0.0000, confirming stationarity at first difference. Foreign Direct Investment (INFDI) also exhibited non stationarity at level with a probability value of 0.0640, but became stationary after first differencing with a probability value of 0.0295. Likewise, GDP (INGDP) was non stationary at level and stationary after first differencing. The implication of these findings is that the variables are integrated of order one, denoted as I(1). This validates the suitability of the ARDL methodology because the ARDL model can accommodate variables integrated at level and first difference, provided none of the variables is integrated beyond order two.

Economically, the non-stationarity of the variables reflects the dynamic nature of macroeconomic indicators in the United Kingdom. Export performance, foreign investment inflows, and economic growth are influenced by long term structural changes, technological advancement, global market integration, exchange rate movements, and policy reforms. The stationarity at first difference implies that shocks affecting these variables tend to dissipate over time, allowing the economy to eventually return to equilibrium. This aligns with modern macroeconomic theory which argues that developed economies possess stronger institutional mechanisms for absorbing external shocks and restoring long run stability (OECD, 2024).

Table 4.3: ARDL Bounds Test

5% Critical Bounds	I(0)	I(1)	P value I(0)	P value I(1)
Upper Bound	5.088	6.724	0.783	0.897
Lower Bound	-3.072	-3.822	0.539	0.704

Source: Stata Version 17

The result indicates that the estimated F statistic falls below the lower and upper critical bounds at the 5 percent significance level. This implies that there is insufficient evidence to establish a long run cointegrating relationship among the variables. In practical terms, the absence of cointegration suggests that although exports and FDI may influence economic growth in the short run, these effects do not necessarily persist in the long run within the estimated period. This outcome may be associated with structural disruptions experienced by the United Kingdom economy, particularly the aftermath of the global financial crisis, Brexit related uncertainty, and changing patterns in global trade. From an economic intuition standpoint, the result suggests that the relationship between trade, foreign investment, and growth in the United Kingdom may be more cyclical than structural. While trade and investment can stimulate economic activities temporarily, long run growth appears to depend on additional structural factors such as productivity growth, innovation, labour market efficiency, technological advancement, and institutional quality. Recent empirical studies have similarly argued that advanced economies increasingly rely on innovation driven productivity rather than solely on trade expansion or capital inflows for sustainable growth (WTO, 2024).

Table 4.4: ARDL Result

Variables	Coefficient	Std. Err.	t value	P>t	95% Confidence Interval
ADJ lnGDP L1	-0.347	0.287	-1.210	0.254	-0.986 to 0.292
LR lnFDI	0.015	0.052	0.280	0.784	-0.102 to 0.132
LR lnEXP	0.745	0.143	5.200	0.000	0.425 to 1.064
SR D1.lnFDI	-0.009	0.019	-0.460	0.656	-0.050 to 0.033
SR D1.lnEXP	0.556	0.372	1.500	0.166	-0.272 to 1.385
Constant	-0.202	0.213	-0.950	0.365	-0.675 to 0.272

Source: Stata Version 17

4.1 Long Run Relationship

The ARDL estimation results reveal that Foreign Direct Investment has a positive coefficient of 0.015 in the long run, indicating that a 1 percent increase in FDI is associated with approximately 0.015 percent increase in GDP. However, the probability value of 0.784 indicates that the relationship is statistically insignificant. This finding implies that although FDI contributes positively to economic growth theoretically, its actual impact on the United Kingdom economy during the study period was weak and insignificant. One possible explanation is that the United Kingdom, being a highly developed economy, may already possess substantial domestic capital, advanced technology, and mature industries. Consequently, additional foreign investment may not generate substantial incremental growth effects compared to developing economies where capital shortages are more pronounced.

Another explanation relates to the composition of FDI inflows. If foreign investments are concentrated in sectors with limited spillover effects or involve mergers and acquisitions rather than new productive investment, their impact on economic growth may remain weak. Recent literature supports this argument by emphasizing that the quality and sectoral allocation of FDI matter more than the quantity of inflows alone (UNCTAD, 2024). On the other hand, export (lnEXP) recorded a coefficient of 0.745 with a probability value of 0.000, indicating a strong positive and statistically significant relationship with economic growth. This means that a 1 percent increase in export is associated with approximately 0.745 percent increase in GDP in the long run.

This result strongly supports the export led growth hypothesis, which argues that increased export activities stimulate productivity, employment creation, foreign exchange earnings, industrial expansion, and technological advancement. The finding is consistent with classical and modern trade theories which posit that international trade enhances economic efficiency through specialization, comparative advantage, and economies of scale. For the United Kingdom, export activities particularly in financial services, technology, pharmaceuticals, and manufacturing continue to contribute significantly to national income. Increased export performance improves aggregate demand, expands market access, and encourages innovation among domestic firms. This result also reflects the resilience of the United Kingdom export sector despite post Brexit adjustments and global economic uncertainty.

4.2 Short Run Relationship

In the short run, the differenced value of FDI recorded a negative coefficient of negative 0.009 with a probability value of 0.656, indicating a statistically insignificant relationship with economic growth. This suggests that short term fluctuations in FDI inflows do not exert meaningful influence on GDP growth in the United Kingdom. Economically, this may occur because the benefits of foreign investment often require time before they materialize fully through technology transfer, infrastructure development, and productivity improvements. In addition, short term investment volatility caused by political uncertainty, inflationary pressures, or global financial instability may weaken the immediate contribution of FDI to growth. Export also recorded a positive coefficient of 0.556 in the short run, although the relationship was statistically insignificant at the conventional significance level. This indicates that export contributes positively to growth in the short run, but the immediate effect is weaker than the long run impact. The weaker short run significance may reflect temporary disruptions in trade flows, exchange rate fluctuations, global supply chain constraints, and changes in international demand conditions. Nevertheless, the positive coefficient still suggests that export remains an important driver of economic performance.

4.3 Error Correction Mechanism

The lagged value of GDP represented by the adjustment coefficient has a negative sign as theoretically expected. However, it is statistically insignificant. Although the negative sign indicates movement toward equilibrium after short run disequilibrium, the insignificant probability value suggests that the speed of adjustment is weak. Economically, this implies that shocks affecting the United Kingdom economy may persist for longer periods before equilibrium is restored. Such delayed adjustment may be linked to structural rigidities, policy uncertainty, labour market dynamics, or prolonged effects of international economic disturbances.

Table 4.5: Post Estimation Diagnostic Test

Diagnostic Test	Test Statistic	Probability Value
Breusch Godfrey LM Test for Autocorrelation	4.668	0.323
Breusch Pagan Test for Heteroskedasticity	3.160	0.0754

Source: Stata Version 17

The Breusch Godfrey LM test for autocorrelation produced a probability value of 0.323, which is greater than the 0.05 significance level. This indicates the absence of serial correlation in the model. The absence of autocorrelation implies that the residuals are independently distributed and that the estimated coefficients are reliable. This strengthens the credibility of the ARDL estimates and confirms that the model is statistically appropriate for policy interpretation. Similarly, the Breusch Pagan test for heteroskedasticity produced a probability value of 0.0754, which exceeds the 0.05 threshold. This indicates that the variance of the residuals is constant. The absence of heteroskedasticity further validates the robustness of the model because it suggests that the estimated standard errors are unbiased and efficient. Together, the diagnostic tests confirm that the estimated model satisfies key econometric assumptions and can therefore be relied upon for inference and policy recommendations.

5. CONCLUSION AND RECOMMENDATIONS

This study examined the relationship between Foreign Direct Investment, international trade, and economic growth in the United Kingdom using the ARDL framework. The empirical findings revealed that export significantly contributes to economic growth in the long run, thereby supporting the export led growth hypothesis. Export activities were found to stimulate productivity, enhance competitiveness, and expand economic opportunities within the United Kingdom economy. On the contrary, Foreign Direct Investment exhibited a statistically insignificant relationship with economic growth. This suggests that although FDI may contribute to economic performance theoretically, its practical impact within the United Kingdom during the study period remained limited. The findings imply that the nature, quality, and sectoral allocation of foreign investment matter more than the mere volume of inflows. The diagnostic tests confirmed that the estimated ARDL model is statistically reliable, free from autocorrelation and heteroskedasticity. Overall, the study concludes that international trade remains a stronger driver of economic growth in the United Kingdom than Foreign Direct Investment.

Based on the findings of this study, the United Kingdom government should continue to strengthen export promotion policies by supporting industries with strong comparative advantage such as technology, financial services, pharmaceuticals, renewable energy, and advanced manufacturing. Expanding access to international markets through favourable trade agreements and reducing barriers to trade would further enhance export performance and economic growth. There is also need to encourage innovation and productivity improvement within domestic industries. Government investment in research and development, digital infrastructure, and technological advancement would improve the competitiveness of local firms in the global market.

Although Foreign Direct Investment was found to be statistically insignificant, policymakers should focus on attracting high quality and productivity enhancing investments rather than merely increasing the quantity of inflows. Priority should be given to investments capable of generating technological spill overs, employment opportunities, human capital development, and industrial diversification. Macroeconomic stability should also remain a key policy priority. Stable inflation, predictable monetary policy, transparent regulations, and strong institutions are necessary for sustaining investor confidence and long-term economic growth. Finally, the government should strengthen policies aimed at improving supply chain resilience and reducing uncertainty associated with global economic disruptions. This would help the economy adjust more effectively to external shocks and maintain sustainable growth.

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