Table 1: Panel Unit Root Tests for stationarity of TFP

LLC	IPS	ADF
4.421	2.693	2.948
(0.00)	(0.00)	(0.00)

Statistics are reported with p-values in parentheses. For LLC, $H_0 : \rho = 1$; for IPS $H_0 : \rho_j = 1$ versus $\rho < 1$ in some j; for ADF $H_0 : \rho_j = 1$ for each j versus $\rho < 1$ in at least one j. The p-value for ADF is derived from an inverse normal distribution. All tests include a time trend.

Table 2: TFP Levels in UK Regions and Firm Characteristics, 2004-2012

	CCEP (1)	CCEP (2)	GMM (3)	GMM (4)	LSDVC (5)	LSDVC (6)
TFP_{t-1}					0.057***	0.037*
					(3.64)	(1.84)
HC	0.726***	0.07**	0.30**	0.05***	0.10***	0.13***
	(7.61)	(2.27)	(2.49)	(3.13)	(5.74)	(4.28)
$\bar{R}_{MNE}$	0.027***	0.045**	0.017**	0.008**	0.052**	0.159***
	(3.99)	(2.16)	(2.46)	(2.02)	(2.45)	(5.30)
$\overline{IA}_{MNE}$	0.016***	0.006**	0.013**	0.015**	0.011***	0.018***
	(2.18)	(2.44)	(2.20)	(3.01)	(3.11)	(3.28)
$\bar{R}_{DOME}$	-0.09	0.15	0.01	-0.015	-0.114	-0.079**
	(1.48)	(1.22)	(0.98)	(1.35)	(1.30)	(2.25)
$\overline{IA}_{DOME}$	-0.011*	-0.32	-0.02	-0.01	-0.06***	-0.076
	(1.80)	(1.61)	(1.39)	(0.84)	(3.32)	(0.83)
			Absorptive Capacity			
$HC \times \bar{R}_{MNE}$		0.194***		0.1***		0.21***
		(4.86)		(5.79)		(5.15)
$HC \times \overline{IA}_{MNE}$		0.251***		0.14**		0.24***
		(3.58)		(2.46)		(3.06)
$HC \times \bar{R}_{DOME}$		0.034***		0.06**		0.038**
		(4.79)		(2.65)		(2.05)
$HC \times \overline{IA}_{DOME}$		0.09		0.03***		0.000
		(1.6)		(2.58)		(0.13)
Time FE	No	No	Yes	Yes	Yes	Yes
Region FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	324	324	252	252	288	288
Adjusted R^2			0.3473	0.4351		
F-statistic			232.741	1063.347		
Hansen / p-value			10.53/0.30	14.03/0.52		
Anderson /p-value			16.59/0.08	63.76/0.00		
AB(1)			-0.91/0.36			
AB(2)			-0.93/0.35			
AB(3)			1.05/0.29			

Absolute t statistics in parentheses with * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Coefficients represent elasticities. CCEP corrects for cross-sectional dependence in the errors across regions and group-wise heteroscedasticity. Coefficients of cross-sectional averages with region dummies in CCEP are not reported as they have no economic interpretation. GMM uses as instruments endogenous variables in t-2 and t-3 and cross-sectional dependence is controlled for with Chudik and Pesaran (2015) adjustment. Hansen is the test of the over-identification restrictions in GMM. The joint null hypothesis is that the instruments used are valid; uncorrelated with the errors. Anderson is a likelihood ratio test for under-identification of instruments; a rejection of the null indicates that excluded instruments are irrelevant so the equation is well identified. AB is the Arellano and Bond (1991) test for serial correlation in the residuals. The LSDVC calculates biased corrected LSDV estimates (Kiviet, 1995).

Table 3: TFP Levels in UK Regions and Firm Characteristics 2004-2012, Origins of MNEs

	GMM (1)	GMM (2)
HC	0.01**	0.05**
	(2.52)	(2.05)
$\bar{R}_{EU}$	0.02**	0.04**
	(2.30)	(2.15)
$\bar{R}_{USA}$	0.000	0.005
	(0.49)	(0.76)
$\bar{R}_{Japan}$	0.012**	0.008*
	(2.19)	(1.77)
$\bar{R}_{ROW}$	-0.001**	-0.001**
	(-6.70)	(-2.65)
$\bar{R}_{DOME}$	0.115**	0.09**
	(2.15)	(2.08)
$\overline{IA}_{EU}$	-0.001	0.002
	(-0.88)	(0.88)
$\overline{IA}_{USA}$	0.015**	0.02**
	(2.53)	(1.98)
$\overline{IA}_{Japan}$	-0.000	-0.001
	(-0.86)	(-0.80)
$\overline{IA}_{Japan}$	0.000	-0.000
	(0.04)	(-0.34)
$\overline{IA}_{DOME}$	-0.022*	-0.013
	(-2.25)	(-1.34)
Absorptive Capacity		
$HC \times \bar{R}_{EU}$		0.001**
		(2.46)
$HC \times \bar{R}_{USA}$		-0.000
		(-1.13)
$HC \times \bar{R}_{Japan}$		0.01*
		(1.76)
$HC \times \bar{R}_{ROW}$		0.001
		(1.29)
$HC \times \bar{R}_{DOME}$		0.04*
		(2.26)
$HC \times \overline{IA}_{EU}$		0.001
		(1.23)
$HC \times \overline{IA}_{USA}$		0.04***
		(3.06)
$HC \times \overline{IA}_{Japan}$		-0.000
		(-1.72)
$HC \times \overline{IA}_{ROW}$		-0.001
		(-1.14)
$HC \times \overline{IA}_{DOME}$		0.000
		(0.36)
Observations	248	248
Adjusted R^2	0.5282	0.3330
F-statistic	61.710	345.646
Hansen/p-value	2.56/0.767	11.199/0.846
Anderson/p-value	16.368/0.001	33.079/0.01

Absolute t statistics in parentheses with $^*p < 0.10$, $^{**}p < 0.05$, $^{***}p < 0.01$. Coefficients represent elasticities. All specifications include time and region fixed effects and standard errors are cluster robust for arbitrary heteroscedasticity. GMM uses as instruments values of endogenous variables in t-2 and t-3 and cross-sectional dependence is controlled for with Chudik and Pesaran (2015) adjustment. Hansen is a test of the over-identification restrictions in GMM. The joint null hypothesis is that the instruments used are valid, uncorrelated with the error term. Anderson is a likelihood ratio test for the under-identification of instruments; a rejection of the null indicates that excluded instruments are irrelevant so equation is well identified.