

Angus Brendan MacNeil MP  
Chair, International Trade Committee  
House of Commons  
London  
SW1A 0AA

16 September 2019

Dear Mr MacNeil,

I write to offer the Office for National Statistics (ONS) response to the International Trade Committee report on ‘*UK investment policy*’<sup>1</sup>. I welcome this report and note its recommendations which will guide our Foreign Direct Investment (FDI) statistics work programme over the coming years.

The Committee made two recommendations relevant to the ONS. Firstly:

*“The Office for National Statistics publishes data on the capital value of inward Foreign Direct Investment—but it does not separate out greenfield investment from mergers and acquisitions, or from investment through Special Purpose Entities. We note the Office’s desire to generate better data in this regard, possibly by finding ways of reconciling its “top-down” figures (derived from the Balance of Payments) with the “bottom-up” data (relating to specific investment projects) that is gathered by the Department for International Trade. We recommend that the two departments report to us, by the end of this year, on what they are doing to develop such collaboration. We also recommend evaluation of the methodology employed by the US Bureau of Economic Analysis as a possible model for generating a reliable dataset on the capital value of the different categories of inward Foreign Direct Investment.” (Paragraph 45)*

The ONS recognise the importance and demand for development in this area and, as with the ongoing transformation of UK trade statistics, continue to work closely with the Department for International Trade (DIT) on improving and providing more granular FDI statistics.

In April 2019 we initiated a comprehensive programme of development with the aim of addressing user needs for the future of investment statistics, including more detail on FDI flows by type and quarterly estimates by industry and country. This work is being taken forward in collaboration with DIT who have provided funding for 2019/20 and is anticipated to run for several years. The project will deliver FDI estimates separated by greenfield investment, brownfield investment and corporate restructuring. An overview of our progress and priorities were published in an article on the ONS website in July 2019<sup>2</sup>, with our focus for the immediate phase being development of the systems that will act as enablers to continuous improvement of the FDI surveys and related outputs.

ONS is committed to working towards coherent statistics across the Government Statistical Service (GSS) and works closely with other departments to this end. DIT figures do not aim to estimate FDI for the UK, but rather capture investments projects (and associated

<sup>1</sup> <https://publications.parliament.uk/pa/cm201719/cmselect/cmintrade/998/998.pdf>

<sup>2</sup> <https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/articles/developingforeigndirectinvestmentstatistics/2019>

employment) they have supported; therefore, the two sets of statistics will never be fully consistent. Nevertheless, through collaboration, we will utilise more DIT data to inform ONS FDI outputs and will incorporate this within the scope of our development.

We have contacted the US Bureau of Economic Analysis (BEA) and Bank of Japan – who produce statistics on FDI by type of investment – to understand how they compile these statistics and although there are legislative differences within their systems when compared to the UK, we will inform our development plans based upon the lessons they have learned.

*“The Government regularly cites statistics on Foreign Direct Investment from various sources; in doing so, it needs to be careful not to risk giving the impression of cherrypicking figures so as to convey the most favourable impression possible. In the presentation of investment data, care must be taken always to give the full picture, with clear distinctions made between: stocks and flows of investment, greenfield investment, and mergers and acquisitions; and year-on-year changes and multi-year trends. We recommend that the Department for International Trade should consider commissioning the Office for National Statistics, or some other appropriate body at arm’s length from the Government, to publish on a regular basis a comparison and synthesis of the various statistical data-sources on UK Foreign Direct Investment, to give the fullest possible picture of trends and developments.” (Paragraph 46)*

Under the cross-government development of UK trade statistics, we have commissioned an interactive portal to make the range of trade data more accessible to users; part of this project also aims to educate users on the varying concepts, content, and compilation methods underpinning these disparate sources. Subject to future funding settlements, the longer-term vision for this project is to expand the portal to incorporate all GSS data. However, the immediate and natural next step will be to include FDI, providing an avenue for users to understand what is available in regard to investment. The team have already begun making ONS FDI data available via the portal, although it is still in its testing phase.

ONS will also discuss this recommendation with the Office for Statistics Regulation (OSR) and DIT to assess the feasibility of producing a guide to FDI sources, and to consider which body should produce this. We will report back to the committee by the end of the year.

I will of course keep the Committee updated on the work detailed above.

Yours sincerely,



**Grant Fitzner**  
Director, Macroeconomic Statistics and Analysis  
Office for National Statistics