

Summary Quality Report for Mergers and Acquisitions (M&A) Surveys Releases

1 Introduction

This report is part of a rolling programme of quality reports being introduced by the Office for National Statistics (ONS). The full programme of work being carried out on [Statistical Quality](#)¹ is available on the National Statistics website. Summary Quality Reports are overview notes which pull together key qualitative information on the various dimensions of quality as well as providing a summary of methods used to compile the output.

The Cross Border Mergers and Acquisitions (CBAM) surveys are conducted by ONS and are designed to measure the level and value of Foreign Direct Investment between the United Kingdom and the rest of the world by collecting information on:

- Acquisitions and disposals by UK businesses of their interests in foreign businesses
- Acquisitions and disposals by foreign businesses of their interests in UK businesses

The Domestic Acquisition and Mergers survey (DAM), also conducted by ONS, is designed to monitor the changes of business ownership by collecting information on acquisitions by businesses within the UK

2 Summary of quality

2.1 Relevance

The degree to which the statistical product meets user needs for both coverage and content.

The CBAM and DAM (M&A) surveys differ from most other business surveys in that they are conducted on a continuous basis, and approaches are only made to businesses when there is initial evidence from the press that they have relevant transactions on which to report.

The CBAM surveys have been conducted since 1986 as voluntary surveys, becoming compulsory in 1999. The CBAM surveys (inward and outward) collect data and information for all acquisitions and disposals (of 10% or more of the issued share capital) to feed into Foreign Direct Investment estimates. The CBAM surveys also collect data and information on asset acquisitions and disposals.

The DAM survey has been conducted on a voluntary basis since 1969, becoming statutory in 1999. The DAM survey collects data and information on acquisitions within the UK by UK businesses, which result in ownership of at least 50.1% of the issued share capital. Information on share disposal and asset values is not collected.

The term 'direct investment' relates to where a business has sufficient level of ownership in another business to allow a significant role in its management of the business. In the latest version of the [IMF Balance of Payments Manual \(BPM5\)](#)² a significant influence is considered to be exercised if the share holding is greater than or equal to 10% of the voting shares.

There are investments in which the acquiring business or investor does not have a significant role in the management of the business. These are mainly portfolio investments where the share holding is less than 10% of the voting shares. These investments and transactions are not collected by the M&A surveys as this information is provided by the Bank of England. The other components of Balance of Payments

investments, “other investment” and “reserve assets”, are also not collected by the M&A surveys.. Definitions of these types of investment are available in the [IMF's BPM5](#)²

The M&A surveys are conducted using paper questionnaires which are sent to businesses to collect specific data and information for each individual transaction/deal that has been completed. The surveys are divided into three parts:

- CBAM inward - measures investment/disinvestment in UK businesses by Foreign businesses
- CBAM outward - measures investment/disinvestment by UK businesses in Foreign businesses
- DAM - measures acquisitions by UK registered businesses within the UK, and monitors changes of business ownership.

	Mergers and Acquisitions
What they measure	The purpose of the M&A surveys is to collect and measure information on the timing, value and method of funding Mergers and Acquisitions involving UK businesses. The Statistical Bulletin presents a breakdown of both Cross border and domestic merger and acquisition activity, giving an analyses of funding, geographical split (for CBAM) and breakdown of whether the acquisition was of an independent business or a subsidiary.
Frequency	Published quarterly
Sample size	Variable
Periods available	The M&A databases hold data for individual transactions from 1986(q1) to the current survey period. Limited data are also available for the DAM surveys from 1969(q1) to 1985(q4).
Sampling frame	Press e.g. publications and internet sources of information.
Sample design	Ongoing census
Weighting & Estimation	Not applicable
Imputation	Construction for non-responders using published information
Outliers	There is no specific outlier detection/treatment routine applied. However, as part of general validation, atypical and extreme returns are likely to be identified and businesses contacted to verify their accuracy.

The Mergers and Acquisitions data are considered by users to be essential for producing Balance of Payments and economic accounts statistics. The survey results form important components of the UK Balance of Payments and the National Economic and Financial Accounts. They are vital in the measurement of the financial and non-financial business sector accounts. Outside the ONS, information is used for briefing senior officials and formulating trade policy.

Data from the M&A surveys are used by a wide range of users. The key users are:

- Balance of Payments (BOP) and National Accounts compilers
- Department of Business Enterprise, Regulatory and Reform
- Foreign and Commonwealth Office
- Department For International Development
- Her Majesty's Revenue and Customs
- [Eurostat](#)³
- [Organisation for Economic Cooperation and Development \(OECD\)](#)⁴
- [United Nations Committee on Trade and Development \(UNCTAD\)](#)⁵
- HM Treasury
- International Monetary Fund (IMF)
- European Central Bank (ECB)
- Other Government Departments

Additional users are UK and foreign academics and students, UK & Foreign Embassies and Trade missions, businesses, UK and foreign press, and the general public.

The CBAM survey data are used in the compilation of the estimates of [Foreign Direct Investment \(FDI\)](#)⁶. These estimates then feed into the [UK Balance of Payments](#)⁷ and the 'Rest of the World' sector of the financial accounts in the National Accounts, for which there is an EU legal requirement. Individual deal information is also used to estimate the counterpart in 'portfolio' investment flows for monthly Balance of Payments.

The data and information collected are also used in updating business structures and country of ownership codes on the Inter-Departmental Business Register (IDBR). The IDBR is a comprehensive list of UK businesses that is used by government for statistical purposes

2.2 Accuracy

The closeness between an estimated result and the (unknown) true value.

M&A surveys are an ongoing census and as such are not subject to sampling error. Every effort is made to ensure that the data are as accurate as possible. Two written reminders are sent to non-responding businesses, the first reminder despatched on the return date and the second reminder sent 2 weeks later. This is also followed up by telephone, fax and electronic mail reminders. There is also the possibility of using the legal powers of the Statistics of Trade Act to force a response, though ONS prefers to work together with businesses to produce the necessary information. If no reply can be sought from the purchasing business, the acquired business or the parent business of the subsidiary being sold will be approached.

Returned information is processed through a series of checks to identify any errors. These include tests to ensure that all questions are completed, that the responses to individual questions are consistent within the questionnaire as a whole, and that the values and information are consistent with the information gained from business press releases, press articles, publications and internet sources.

Another aspect of accuracy is reliability. Revisions to the aggregates used in M&A principally occur for the following reasons:-

- Completion of deals

On announcement of a proposed deal an expected completion date is usually given. The publicly reported values will be allocated to the quarter of expected completion. If the deal is ultimately completed in an earlier or later quarter, the recorded values will be re-allocated to the new quarter.

- Publicly reported values

Publicly reported values are initially used to compile the aggregates. These can vary considerably from the values ultimately supplied by the respondents, frequently due to the assumption of debt being included in the publicly reported value. A nominal value is applied if no publicly reported value is available. The final values used to create the aggregates are those supplied by the respondent.

- Non-completion of deals

On announcement of a proposed deal the publicly reported value of the deal is recorded. If the deal does not subsequently take place the recorded value will be deleted.

- Non-share deals

On announcement of a proposed deal it may appear that there will be transactions in the share capital of the companies involved and the publicly reported values will be recorded. If subsequent information contradicts this the recorded values will be amended or deleted.

- Control

On announcement of a proposed deal it may appear that the deal will give the purchasing company control of the purchased company, ie, a share ownership of greater than 50%. If subsequent information contradicts this the recorded values will be amended or deleted.

- Revisions from respondents

Very occasionally respondents revise the values that they have previously supplied to ONS. The revised values are those used to create the aggregates.

The [Statistical Bulletin](#)⁸ contains revisions and response rates dating back to 2007.

2.3 Timeliness and Punctuality

Timeliness refers to the lapse of time between publication and the period to which the data refer.

Punctuality refers to the time lag between the actual and planned dates of publication.

The M&A Statistical Bulletin (quarterly) publication is published 10 weeks after the end of the quarterly reference period. Additional M&A information and data can also be found in the [MA4 Business Monitor](#)⁹ published in January each year.

The [National Statistics Release Calendar](#)¹⁰ is available on the National statistics website and provides twelve months advance notice of releases. The M&A surveys, CBAM and DAM, consistently meet target publication deadlines.

2.4 Accessibility and Clarity

Accessibility is the ease with which users are able to access the data, also reflecting the format(s) in which the data are available and the availability of supporting information. Clarity refers to the quality and sufficiency of the metadata, illustrations and accompanying advice.

The quarterly survey data are published initially in a [Statistical Bulletin](#)⁸ which is freely available from the National Statistics website (text and spreadsheet versions).

More detailed data are available for M&A and can be found in the [MA4 Business Monitor](#)⁹ which is freely available from the National Statistics website (text and spreadsheet versions).

Further queries can be addressed to the FDI/M&A public enquiry team at: fdi@ons.gov.uk

2.5 Comparability

The degree to which data can be compared over time and domain.

Since 1997 various changes have occurred in the coverage of the survey. The [European System of Accounts \(ESA\(95\)\)](#)¹¹ definitions were introduced with the 1997 MA4 business monitor. The changes were as follows:

- i) Prior to 1997 for the measurement of direct investment, an effective voice in the management of an enterprise was taken as the equivalent of a 20 per cent shareholding. This is now 10 per cent.
- ii) The Channel Islands (Jersey, Guernsey etc.) and the Isle of Man have been excluded from the definition of the economic territory of the UK. Prior to 1997 these islands were treated as part of the United Kingdom. Their data are now published under the UK Offshore Islands title in the data tables.

2.6 Coherence

The degree to which data that are derived from different sources or methods, but which refer to the same phenomenon, are similar.

No other surveys are conducted by ONS or other government departments which provide sufficiently comprehensive information on the level of merger and acquisition activity to serve the national accounts.

There are publications that record international and domestic Mergers and Acquisitions, such as '[Acquisitions Monthly](#)'¹² and '[Investors Chronicle](#)'¹³. These sources are based mainly on scrutiny of the world's financial press, performed in a similar way to that undertaken by ONS, and of information received from merchant bankers acting as advisors. These publications and databases usually record the announcement date of the transaction and the announced value, plus other associated facts, such as, the identity of the financial legal advisors. Whilst ONS uses these sources for the initial information, information on the completion date of the transactions, when money changed hands, how the money was raised, or the percentage of shares bought and sold, is not usually available from these publications and must be collected through the M&A surveys. The published value in the press for the deal in total is also sometimes widely different from reality.

The Annual and Quarterly [Foreign Direct Investment surveys](#)⁶ (Inward and Outward) collect share and loan data values. Consequently there is a level of coherence expected between CBAM and FDI datasets.

3 Summary of methods used to compile the output

Imputation

Imputation is not a process used by the M&A surveys as the survey does not have a sampling frame. However in such instances where confirmed data for a disposal of a UK company or foreign company **is** received and the corresponding acquisition data for the same UK or foreign company is **not** received then effectively the actual disposal deal data can be used as constructed data for the acquisition deal.

Coverage

Details of the coverage of the M&A surveys are provided in the [M&A Statistical Bulletin](#)⁸.

Sample

Census of a self-defined list.

Method

M&A is a continual daily survey published quarterly. Deals are identified through a process of scrutinising the financial press, other specialised publications and the Internet. The latter is employed by means of looking at websites specialising in information on Mergers and Acquisitions and also the websites of businesses regularly engaged in merger and acquisition activity.

The range of sources includes:

- The Financial Times
- Acquisition Monthly
- Stock Exchange Weekly Official Intelligence
- Investor's Chronicle
- Internet sites such as InvestEgate, UK Business Park and individual business websites

The paper questionnaires are despatched to businesses on a daily basis and within five working days of a transaction being identified, as a result of press and publication scrutiny by the Intelligence Gathering Unit (IGU).

All businesses identified from press sources are approached, irrespective of size. No account is taken of the value size of the deal or the number of approaches made to each business.

The business approached is usually the purchaser. However, in the case of an acquisition or disposal by a foreign business of a UK business, an existing UK subsidiary of the foreign parent will be approached where possible.

Statistical Disclosure

Statistical disclosure control methodology is applied to the M&A survey data. This ensures that information attributable to an individual organisation is not disclosed in any publication. The [Code of Practice for Official Statistics](#)¹⁴, and specifically Principle 5: Confidentiality, set out practices for how we protect data from being disclosed. The Principle includes a guarantee to survey respondents to "ensure that official statistics do not reveal the identity of an individual or organisation, or any private information relating to them". More information can be found on the ONS [Statistical Disclosure Control Methodology](#)¹⁵ page.

4 References

	Title of Reference	Website Location
1	Statistical Quality Programme	http://www.statistics.gov.uk/about/data/methodology/quality/default.asp
2	IMF Balance of Payments BMP5	http://www.imf.org/external/pubs/cat/longres.cfm?sk=157
3	Eurostat	http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/
4	OECD	http://www.oecd.org/home/0,2987,en_2649_201185_1_1_1_1_1,00.html
5	UNCTAD	http://www.unctad.org/Templates/StartPage.asp?intlItemID=2068
6	Foreign Direct Investment surveys web source document	http://www.statistics.gov.uk/StatBase/Source.asp?vlnk=179&Pos=&ColRank=1&Rank=1000
7	Balance of Payments Statistical Bulletin	http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=1118&Pos=1&ColRank=1&Rank=272
8	Mergers and Acquisition surveys Statistical Bulletin	http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=72&Pos=1&ColRank=1&Rank=208
9	Foreign Direct Investment surveys MA4 Business Monitor	http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=9614&Pos=6&ColRank=1&Rank=272
10	Release Calendar	http://www.statistics.gov.uk/ReleaseCalendar/currentreleases.asp
11	European System of Accounts	http://forum.europa.eu.int/irc/dsis/nfaccount/info/data/esa95/en/esa95en.htm
12	Acquisitions Monthly	http://www.agm-e.com/
13	Investors Chronicle	http://www.investorschronicle.co.uk/
14	Code of Practice for Official Statistics	http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html
15	Statistical Disclosure Control	http://www.statistics.gov.uk/about/data/methodology/general_methodology/sdc.asp

Last Revised: August 2009