

Article

Developing foreign direct investment statistics: 2019

An overview of our progress and priorities for developing foreign direct investment (FDI) statistics from 2019.

Contact:
Lee Mallett
Trade.Investment.Project@ons.
gov.uk
+44 (0)1633 455060

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1 . Introduction

Foreign direct investment (FDI) statistics are valuable measures of cross-border activity between the UK and the rest of the world.

There has been a significant increase in user demands for FDI statistics since the UK referendum on European Union membership in 2016, with users requiring timelier, more granular, and high-quality statistics. This development plan sets out our proposal to improve the quality of FDI statistics, ensuring that they are developed in line with the emerging needs of our users. It considers a range of priorities, including the motivation for them and their potential impact.

Broad timelines are included to provide users of FDI statistics with a greater understanding of the planned development work.

The development plan presented in this article reflects our current ambitions and is in line with current time estimates for development, resource availability, and the Office for National Statistics (ONS) and user priorities. As such, this plan should be considered indicative, and is sensitive to changes to priorities or resource availability.

Context

FDI refers to cross-border investments made by residents and businesses from one country into another, with the aim of establishing a lasting interest in the country receiving investment.

The ONS has continually developed its FDI statistics for a number of years, with new and improved methods, systems and analysis. FDI statistics underwent an independent National Statistics Quality Review (NSQR), published in 2016, which highlighted [several areas in which the quality of FDI statistics could be improved](#). NSQRs are an important way of ensuring that [National Statistics](#) are fit for purpose and adhere to the [Code of Practice for Statistics](#).

The ONS has since carried out [various methodological improvements to FDI statistics](#) (2017) in response to the NSQR. A recent [compliance check on FDI statistics](#) published by the UK Statistics Authority (2018) stated that existing FDI statistics were “worthy of a high degree of confidence” and highlighted areas for potential improvement, such as reviewing the non-survey sources used to compile FDI statistics.

While recent developments have helped improve the quality of FDI statistics, the ONS must continue ensuring statistics develop in line with user requirements. The UK’s decision to withdraw from the European Union in 2016 intensified the demand from users for ever-more diverse and granular FDI statistics. However, there are several emerging user requirements that cannot be met using existing data sources and systems. As such, a project has been launched as part of the Economic Statistics Transformation Programme to further enhance FDI statistics. The deliverables from this work are complementary to the UK Statistics Authority’s wider strategy aimed at producing better statistics to inform better decisions, and also recommendations from the [Independent Review of UK Economic Statistics](#) (Professor Sir Charles Bean, 2016).

Scope

The purpose of this development plan is to provide:

- a high-level description of the prioritised areas of FDI statistics development
- a brief outline of how we will deliver against these priorities
- details of how to provide comments about this development plan or FDI statistics in general

2 . Development priorities

The development priorities for foreign direct investment (FDI) described in this section reflect collated requirements gathered following consultations with main stakeholders in October 2018 and March 2019. These priorities are open for feedback, and details of how to provide this are given in Section 5.

The main feedback from these consultation exercises was that new statistics are required to build a complete picture of FDI within the UK; for example, FDI by type and subnational FDI. Developments of such statistics require other pieces of work to be completed first, such as reviewing several areas of the current data and production process, and are hence planned for delivery in the longer-term.

In addition, an indication is given to the period in which these developments are to be completed. As a guide, short-term refers to developments for which significant progress or delivery is expected within 12 months, medium-term refers to those targeted for delivery between 12 months and two years and developments targeted for delivery longer than two years are considered long-term.

To summarise, our short-term developments reflect the main dependencies to developing the longer-term improvements. These timelines are indicative and depend on resource availability and system developments concluding on time.

Review current processes

The priorities listed in this section relate to reviewing the current FDI processes, namely the population frame, data collection process and results systems. The aim of this is to ensure the processes are fit for purpose when adapting these to include new user requirements.

Review existing population frame (short-term)

The current FDI population frame is constructed using many data sources to ensure that businesses engaged in FDI are captured and maintained in the target population. As described in Section 3 (FDI population improvements) of the [Methodological improvements to FDI statistics \(2017\) article](#), the FDI population is sourced from an annual data extract taken from Dun and Bradstreet's (D&B) Who-owns-Whom database of worldwide company linkages. These data are then cleaned and maintained by our Business Register Team and matched against our [Inter-Departmental Business Register \(IDBR\)](#). Additional businesses are introduced into the FDI population using data sourced by our [Mergers and Acquisitions \(M&A\) Survey](#), which enables timely identification of new FDI relationships resulting from M&A activity.

We aim to review the existing population frame, including the data sources that inform it, to ensure the FDI target population is representative. There are several areas in which the coverage and maintenance of the population frame can be improved, such as improving the coverage of minority investment relationships (between 10% and 50% of the voting power) and certain types of special purpose entities, which are currently not fully captured using the IDBR.

Within this piece of work, we will also look to review potential, additional data sources that could be utilised to inform and provide useful information regarding the FDI population.

Review existing data collection process (short-term)

User interest for the production of new FDI statistics requires us to review our data collection processes. Additional questions may need to be added to the FDI Survey to gain the required data. Alternatively, the respondent structures could be reviewed to reflect the increasingly complex intra-group relationships and transactions that characterise FDI.

Currently, the FDI population frame and sample design focuses at the top of the UK enterprise group. Consequently, this provides little information regarding how reported values relate to enterprises or companies within a UK group. Sampling at a lower level would allow the production of more granular statistics using lower-level respondent data.

Review existing results systems (short-term)

The current system used for results processing is considered fit for purpose; however, it is unlikely that this system could be easily adapted to handle the changes required to meet emerging user needs. Therefore, we are looking to review the current results processing system, and implement a more strategic system that can be easily adapted to meet future requirements – in particular, to accommodate more detailed FDI statistics, and to enable them to be produced in a more timely manner.

Development of new statistics (medium- to long-term)

This priority forms the core for this development plan, with the other priorities listed as dependencies to ensuring that this development can be implemented.

It is clear from consultation with users that new FDI statistics would be of great value, and therefore is considered as a main priority within the development plan. This development priority considers producing estimates by more granular breakdowns. This could include:

- quarterly FDI statistics by industry and country
- FDI flows by type (greenfield, brownfield, mergers and acquisitions, and corporate restructuring)
- FDI statistics by business or investment characteristic (for example, employment, jobs created)
- incorporating foreign affiliate statistics (FATS) into FDI statistics
- FDI statistics at different geographic levels (such as by country of ultimate parent or destination; or separating by subnational areas within the UK)

However, as already mentioned, the ability to produce these additional, and more granular estimates rely on the outcome of these priorities. To produce new statistics, the current processes and systems that are in place need to be reviewed – highlighted in the development priority detailed earlier in this section to review current processes – where we will look to improve the current population and processes as necessary to ensure future requirements can be met.

3 . Implementation plans

Development of foreign direct investment (FDI) statistics is a priority within the Economic Statistics Transformation Programme. We also want to ensure that the high-quality standards of current FDI statistics are maintained.

As such, we have established a distinct FDI Development Project with analytical and development resources devoted to delivering the improvements. This separate development team will work alongside the FDI results processing team to benefit from their experience and expertise in this area, and to ensure the needs of users are continuously reflected throughout the development.

4 . Conclusion

This development plan provides a high-level overview of the changes to current foreign direct investment (FDI) systems and processes required to produce new statistics. This includes reviewing the current data sources that inform the FDI population, redesigning the FDI Survey questions and methods, and re-developing the systems used to produce FDI statistics.

These developments are necessary to meet the main long-term priority of producing new high-quality FDI statistics, in line with emerging user needs. These needs are ever-changing, so we will continually strive to gather feedback and insights from users.

5 . Opportunity for engagement

This work has been published to give users a greater understanding of the planned development work associated with foreign direct investment (FDI) statistics. This work has been prioritised in line with the Economic Statistics Transformation Programme and known user needs.

We welcome all communication from users both in terms of this development plan and more widely in relation to the [FDI publication](#) and outputs.

If you would like to provide comments, please submit them by email or post:

Email: Trade.Investment.Project@ons.gov.uk

Postal address:

Gemma Clayton
UK Trade and Investment
Office for National Statistics – Room 1.201
Government Buildings
Cardiff Road
Newport
NP10 8XG

6 . Acknowledgements

Author: Gemma Clayton, Office for National Statistics.