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**Mark Pont, Assessment Programme Lead**

Jonathan Athow  
Director General for Economic Statistics  
Office for National Statistics (by email)

18 December 2018

Dear Jonathan

**STATISTICS ON FOREIGN DIRECT INVESTMENT**

As you are aware, we recently completed our check of the compliance with the Code of Practice for Statistics of ONS's [annual statistics](#) on Foreign Direct Investment involving UK companies. I am pleased to confirm our view that ONS's FDI statistics should continue to be designated as National Statistics.

We initiated this check due to the importance of the statistics and the significant time since [Assessment 164](#) in 2011, after which the designation as National Statistics was confirmed. We considered the Trustworthiness, Quality and Value of the FDI statistics in relation to the Code.

We found that the FDI statistics are worthy of the high degree of confidence that people have in ONS's statistics in this area and that these FDI statistics answer essential questions about the UK economy. We commend ONS on a [series of recent articles](#) which, to take just one, demonstrated the links between FDI and productivity. The articles and analyses that underlie them bring new light to the importance of openness in the UK economy and subsequently about the economic well-being of the people of the UK.

We were particularly pleased to find active collaboration on FDI statistics and data between ONS and other government departments and specifically the Department for International Trade (DIT). We were made aware, for example, that ONS is working up an investment statistics improvement plan and bringing this into scope of DIT's trade development programme.

We welcome ONS's ongoing research into direct investment asymmetries between the UK and other countries as well as analysing direct investment statistics broken down by countries of the ultimate parent companies. We see these as very exciting developments in understanding direct investment and how it might play a greater role in our economy.

There are four areas where we see potential improvement of these statistics:

- 1. ONS should review whether its own quality assurance arrangements of Bank of England source data are proportionate to any quality risks that the data might pose.** The use of administrative data in official statistics by statistical producers brings with it a responsibility for ensuring that the data are sufficiently robust for these purposes. Equally, it is essential that any strengths and weaknesses are well understood and explained to users. We recommend that ONS use [our guidance](#) to review its processes, and update its published documentation. Additionally, ONS should also share a clear statement of its data requirements with the Bank.
- 2. We encourage ONS to consider how it can better describe to users its judgements about sampling variability generally, and in particular, the impact of variability on the 'investment flow' statistics.** Being upfront about uncertainty helps to protect integrity and ensures that users do not draw conclusions that are not supported by the statistics. We commend ONS for resuming the publication of Coefficients of Variation (CV) for most of its annual aggregate FDI statistics. CVs are often used to express uncertainty around survey-based statistics. The numerical values on their own may not best express the levels of uncertainty in the data, particularly to a non-technical

audience. ONS might helpfully consider more informative ways to express statistical uncertainty than solely relying on CVs. Explaining the sampling variability of the investment flow statistics, which can take negative values, is particularly important.

**3. We consider that ONS should extend existing outreach to non-government users (for example, those users in industry and in the analytical community) to enhance its understanding of the uses of FDI statistics by such users and add further value to the statistics.** We welcome ONS's proactive engagement with the primary Government users of the FDI statistics. [Our review](#) of the use of official statistics in the financial services sector showed that users in this sector are keen observers of FDI data. By having an in-depth understanding of the needs of all users, producers of official statistics are better placed to develop these statistics in the future and to increase their long term public value.

**4. To enhance the public value of these statistics we encourage ONS to continue exploring new datasets to link to wherever possible, both within and outside of ONS.** As the Statistics Authority highlighted in its recent report [Joining Up Data for Better Statistics](#), statistics add value when they answer society's questions. Many questions cannot be answered without sharing and linking data. The Welsh Government, for example, has [expressed a need](#) for data on the total value of capital investment through inward investment- can this need be met through data linkage? We expect that other devolved nations and English regions would wish to benefit from similar data linkage.

Thank you for engaging effectively with us during this short review. I would welcome updates from you as your work proceeds. Please let me know if there is any aspect of this letter that you wish to discuss.

I am copying this letter to Ole Black, ONS Head of Surveys and Economic Indicators, and to Sami Hamroush, ONS Head of International Transactions.

Yours sincerely



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