
Mark Pont, Assessment Programme Lead

19 April 2021

Dear Jane & Rob

ONS Foreign Direct Investment Statistics and DIT Inward Investment Statistics

I am writing to you following our recent review of ONS's statistics on [UK foreign direct investment \(FDI\)](#) and DIT's statistics on [UK inward investment](#). This review follows up on recommendations made in our 2018 [compliance check](#) of ONS's FDI statistics and those by the [House of Commons Select Committee on International Trade \(ITC\)](#) in 2019. The ITC identified specific limitations to the existing FDI statistics and made recommendations to improve the statistics.

The UK is both a leading source of, and destination for, international investment. The Chair of the ITC said "*it's vital to have transparency and openness from the Government about both its investment strategy and its policy in relation to International Investment Agreements*". In 2019, we [wrote](#) to the ITC saying that we would actively monitor the joint work being carried out by ONS and DIT and their progress in meeting its recommendations.

It is good to see that ONS and DIT have made progress on some important development priorities, both separately and collaboratively. In particular:

- In April 2019, DIT collaborated with ONS to fund a comprehensive investment statistics improvement programme. ONS published clear and transparent priorities for FDI statistics in a [2019 development plan](#). Significant progress is now being made on the aims of this plan, although we have some concerns that this progress has been slow since the Committee's initial report in 2019. We encourage both departments to be transparent about progress on meeting development priorities and to implement changes as quickly as possible for users. We are pleased to hear that ONS plans to update users publicly on its progress towards meeting the priorities of the development plan later this year. We encourage DIT to also publish an update for users on its development priorities and progress towards meeting them.
- One of the ITC's concerns about the statistics is that different types of FDI have significantly different economic impacts in the UK. Some of the investment that is counted is simply 'passing through' the UK and makes very little difference to employment or economic growth. ONS told the ITC that it would work to split out the different types of FDI (greenfield investment, brownfield investment and Mergers and Acquisitions) in its statistics. ONS is about to introduce new questions into its FDI surveys, to obtain more-detailed information on FDI by type, as well as

on disinvestment and subnational FDI. We welcome ONS's efforts to produce more-meaningful FDI data, which will increase the value of its statistics to stakeholders.

- In 2020, ONS published a detailed report on [asymmetries](#) in UK FDI statistics. By categorising the different reasons that asymmetries exist, this extensive research will help inform ONS's efforts to address asymmetries in its statistics. ONS should use the knowledge it has acquired to ensure that the advice it gives to users on the quality of the statistics is proportionate to any risks to data quality that asymmetries present. ONS told us that the research will help inform planned improvements to its own statistics, but that it also identified certain issues which are outside of its control – such as companies giving different responses to different countries.
- DIT is looking into opportunities to make more investment data readily available for the public and has also recently developed an [econometric model using ONS data to estimate the economy-wide impact of FDI](#). We commend both these developments, which will enhance the insight and value that the statistics provide in helping meet both priorities of Government and improve wider public understanding. It is excellent to see the departments going over and above the recommendations of both the ITC and OSR, in order to enhance the insight and value that the statistics provide in helping meet priorities of the UK Government and improve wider public understanding.

We also identified some areas where progress has been slow since the ITC's inquiry in 2019, and where more could be done to improve the quality and value of the statistics:

- Both DIT and ONS rely to an extent on external data sources for their statistics. In 2019, the ITC said that the private-sector databases that DIT relies on for its statistics can be opaque and may be of limited reliability. It recommended that, where DIT draws on any private-sector datasets in constructing its own statistics, as far as possible, it should seek and publish information about the sources and methodology employed by the bodies concerned. DIT told the Committee it would add further information to the publication about the methodology used by third-party data providers to make it easier to understand, whilst also working to reduce its reliance on external sources for its inward investment statistics. We support this approach and ask that DIT confirm to us the extent to which it has reduced its reliance on external sources and its plans to further reduce such reliance. DIT should also address the Committee's recommendation to publish greater detail on the methods used in external data sources for users. We found that progress has not yet been made on this recommendation.
- Additionally, in 2018, we recommended that ONS should review whether its quality assurance arrangements for Bank of England source data were proportionate to any quality risks that the data might pose. ONS has not implemented this recommendation. ONS should review its quality assurance processes for Bank of England source data, ideally using our [Quality Assurance of Administrative Data \(QAAD\) framework](#), and let us know as soon as this has been completed.
- In our 2018 compliance check, we also recommended that ONS expand its stakeholder engagement to encompass a broader range of industry and analytical users. While we have found that both departments do engage regularly with some users, this focusses in large part on stakeholders within government. Including non-government users in these conversations will help to ensure that maximum public value is extracted from the statistics, and that progress in meeting development priorities is focused on users' needs. OSR recently published [guidance on user engagement](#), which the teams might find to be of use in planning their approach to stakeholder engagement. We recommend that ONS and DIT look to broaden their

user engagement – by proactively engaging with groups outside of government, to encourage greater challenge and impetus in meeting development priorities.

I'd like to thank you and your teams for your positive engagement on this review. We have been pleased to see the developments that are underway for UK FDI statistics. We would very much welcome one consolidated update from both ONS and DIT on progress against the suggestions we have made on these. We ask that both departments respond formally to us on progress towards meeting the recommendations made in this letter by October 2021.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Pont', with a horizontal line underneath.

Mark Pont

Assessment Programme Lead