

Dear Mark,

Thank you for your correspondence on the OSR's compliance check of Office for National Statistics (ONS) foreign direct investment (FDI) statistics and Department for International Trade (DIT) inward investment statistics, which followed up on recommendations made in your 2018 compliance check and those made by the House of Commons Select Committee on International Trade (ITC) in 2019.

ONS initially published a development plan in 2019 to outline an overview of progress and priorities for developing FDI statistics. ONS updated this plan in April 2021, outlining progress since 2019, and plans for the next phase of development. ONS procured new information on company structures and financial data and used it to inform the FDI population and sample design. New questions were added to the quarterly and annual FDI surveys, aiming to collect more granular data on FDI by type of investment, disinvestment, sub-national FDI and re-invested or retained earnings. **ONS continue to look at these new data and are developing appropriate methods with the aim of producing new statistics.** As it is the first time these data are being collected, ONS must ensure there is sufficient response before publishing them as Experimental Statistics. These estimates will continue to be developed as more data becomes available.

ONS continue to publish FDI analysis using current microdata. This included experimental sub-national FDI statistics for 2015 to 2019 using the Inter-Departmental Business Register (IDBR). The first article was published in July 2021, with further information published in October 2021. ONS also published further insights from Orbis on the UK's outward investment network from January 2019 to October 2020.

In response to the recommendations made by the OSR in 2018, ONS has been in communication with Bank of England regarding quality information for data that they provide on financial institutions. Bank of England data is sourced through surveys, though ONS reviewed the information against the Quality Assurance of Administrative Data (QAAD) principles, which are equally useful for all data sources.

ONS concluded that they are content with the validation and quality assurance procedures that Bank of England apply, and that it is proportional to any risk that these data pose.

DIT continues to use FDI Markets (a service provided through the Financial Times that monitors greenfield FDI worldwide) to complement their own records for completeness, and to carry out comparative analyses for international trends in greenfield FDI. This enables DIT to take an objective view of trends in greenfield FDI. DIT does not use FDI Markets to strengthen its own achievements in assisting foreign investors – the data is used only to provide the richest overview of greenfield FDI activity in the UK. DIT minimise any reliance only to where it adds value to this understanding DIT could not get from any other internal source.

Enclosed with this response is a detailed description of the methodology applied by FDI Markets to FDI transactions, explaining how these are represented in their database. DIT will also update the underlying methodological description to reflect these when DIT next publish statistics containing FDI Markets data. **The next DIT publication to contain such data will be the annual inward investment results in June 2022.** DIT quality assures any inclusion from the FDI Markets database, ahead of including data in its own statistics.

DIT and ONS continue to establish data sharing functionalities of project level data. This is considered relevant to compare sources and reconcile information between the two approaches.

ONS has also been looking at ways to expand stakeholder engagement to encompass a broader range of industry and analytical users. This was discussed at the ONS FDI Analysis User Group in July and followed with a discussion with DIT around ways to expand our engagement.

The July 2021 sub-national FDI estimates were presented at the ONS July Economic Forum, whose attendees included think tanks, representatives from the private sector, media, and academia, which broadened our analytical engagement beyond other government departments.

ONS is refreshing its approach by creating a Trade and Investment user group, bringing together the Balance of Payments, Trade, and FDI user groups, given the overlap and interest between these topics. **ONS are planning to launch the first event in November 2021, continuing on a quarterly basis from January 2022 thereafter.** In future events, the aim is to increase the attendee list to beyond Government departments, to get further insight and engagement beyond our existing stakeholders.

DIT are continually looking at ways to expand and enhance the annual inward investment statistics and published economic impact for the first time in June 2021 as well as further breakdowns of country data.

DIT are also continuing to review disclosure rules with the aim of publishing more granular information in 2022 e.g. finer detail on geographical breakdowns.

We, DIT and ONS, will work closely together through user groups with the aim of understanding further user needs as well as exploring ways of enhancing reach/accessibility of our publications to a wider audience.

Yours sincerely,

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