

Article

Developing foreign direct investment statistics: 2021

An overview of our progress on the development of foreign direct investment (FDI) statistics since 2019, and our plans for the next phase of development.

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1 . Overview

This article is an update of [Developing foreign direct investment statistics: 2019](#) with details of our progress made since then and our plans for the next stages of this project.

This development plan reflects our current ambitions and is in line with current estimates of delivery timeframes, resource availability and the priorities of both the Office for National Statistics (ONS) and our users. As such, this plan should be considered indicative, and is sensitive to changes to priorities or resource availability.

This development is part of the wider work to transform trade and investment statistics, and complements the [UK trade development plan: 2020](#) article published June 2020.

Context

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

There has been a notable increase in user demand for FDI statistics since the UK referendum on EU membership in 2016, with users requiring timelier, more granular, and high-quality statistics.

In response to a [National Statistics Quality Review \(2016\)](#), a number of [methodological improvements](#) were made to FDI statistics in 2017. A [compliance check](#) undertaken by the Office for Statistics Regulation (OSR) in 2018 and the [House of Commons Select Committee on International Trade](#) in 2019 presented further recommendations, some of which have since been progressed. A recent [follow-up review](#) of progress against each of the recommendations was carried out by the OSR. These recommendations continue to be addressed as part of the ongoing FDI development project.

2 . Progress since 2019

The development plan published in 2019 listed [several priority areas](#) for developing foreign direct investment (FDI) statistics. Short-term priorities involved reviewing the current processes, including the population frame, data collection process and results system. Medium- to long-term priorities involved the development of new statistics, including FDI by type and subnational FDI.

To address the priorities, we have introduced several improvements to the production of FDI statistics, both in terms of the data sources, and methods and systems that underpin the collection of data. We have worked to secure new information on company structures and financial data. This has enabled us to further inform the population and sample design, allowing us to enhance the coverage of businesses in scope for FDI, and introduce new variables for use in our sample stratification. This work will continue over the next phase of development.

From March 2021, we launched enhanced quarterly and annual FDI surveys, which included new questions to allow the collection of more granular data relating to FDI by type of investment, disinvestment, subnational FDI, and re-invested or retained earnings. We carried out a review of the existing questions and guidance, and incorporated improvements where appropriate.

We also included new questions relating to modes of supply and embedded the collection of outward foreign affiliate statistics (OFATS) data into the annual outward FDI survey. As a result, we expanded our data collection teams and updated our systems to support the collection of these new data.

We have reviewed our existing processes and developed our results processing, population and sampling systems. These new systems are easily adaptable to enable further improvements to the processing and production of FDI statistics. We will continue to review and adapt these systems in future iterations of the development.

The establishment of the International Analysis Team has also led to the publication of analysis of the following areas relating to FDI:

- [Foreign direct investment: a methods comparison of ONS and externally produced estimates](#)
- [Foreign-owned UK businesses, experimental insights: July 2020](#)
- [UK's outward investment network: January 2019 to October 2020](#)

Our research continues to be guided by feedback from users and aims to support the understanding and interpretation of FDI involving UK companies.

3 . Future developments

The development priorities for foreign direct investment (FDI) statistics reflect the user needs captured following consultations with stakeholders in October 2018 and March 2019. We continue to engage with our users to ensure new requirements are fed into the development.

This section outlines our plans for the next phase of development, to further improve the quality of FDI statistics and meet user demand. The priorities presented in this development plan are open for feedback.

Broad timelines are included to provide users with a greater understanding of the planned development work. As a guide, immediate term refers to developments for which significant progress or delivery is expected within 6 months, short-term refers to those targeted for delivery between 6 and 12 months, medium-term refers to those targeted for delivery between 12 months and 2 years, and developments targeted for delivery longer than 2 years are considered long-term.

Further quality improvements (immediate to short-term)

The [compliance check](#) (2021) carried out by the Office for Statistics Regulation (OSR) highlighted areas for further improving the quality of FDI statistics, such as a review of the non-survey sources used to compile FDI statistics and broadening our user engagement. We will carry out a review of the processes for quality assuring the Bank of England source data, using the [Quality Assurance of Administrative Data \(QAAD\) framework](#) published by the OSR, as suggested.

We plan to engage with users of FDI statistics outside of government, to ensure their needs are fed into the development, and base our approach on the [guidance to user engagement](#) published by the OSR. We also plan to review our existing methodology for compiling FDI statistics to ensure we are using the most appropriate statistical methods.

Since 2019, we have procured a new commercial data source to inform our sample design and enhance the coverage of our target FDI population. We will continue to investigate the use of this data source, to determine further changes that could be made, which we hope to implement within the next stage of development.

Systems and processes (short-term)

We have made substantial progress since 2019 in re-developing our results processing and population and sampling systems to improve our processes and ensure they are easily adaptable. We will continue to develop these systems to allow for the implementation of further improvements and to enable the processing of new data and production of new statistics.

From March 2021, the collection of outward foreign affiliate statistics (OFATS) data has been embedded into the annual outward FDI survey; we plan to review the systems used to compile OFATS following this change.

New statistics (short- to medium-term)

The new FDI surveys were launched from March 2021 to collect more granular data such as FDI by type of investment, disinvestment and subnational FDI. We will look to use these new data and develop appropriate methods with the aim of producing new statistics, for example, by type of investment (greenfield, mergers and acquisitions and corporate restructuring), and at different geographic levels (such as by subnational areas within the UK).

The [2019 development plan](#) listed other new statistics that would be of interest to our users, such as FDI by business or investment characteristic (for example, employment or jobs created) and by ultimate destination country. The embedding of OFATS data collection into the annual outward FDI survey will provide information to aid in the production of these new statistics. These will be considered in future iterations of development.

As this is the first time that we are collecting these new data, we must ensure we consider the quality of these estimates. As such, we will first look to publish these as Experimental Statistics and will continue to develop them as more data become available.

Having quarterly FDI statistics by country and industry is a priority for our users. We therefore plan to investigate our options for producing these, including the impacts to our systems and processes.

Implementation plans

Development of foreign direct investment (FDI) statistics continues to be a priority within the Economic Statistics Group (ESG) at the Office for National Statistics (ONS). We also want to ensure that the high-quality standards of current FDI statistics are maintained. As such, it is a large, distinct development project with dedicated analytical and technical resources devoted to pursuing these developments.

The project continues 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. We have also established a new International Analysis Team whose focus is on producing analytical insights into both trade and investment.

Feedback

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

We welcome all communications 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 feedback, please contact us by email: fdi@ons.gov.uk.

4 . Related links

[Foreign direct investment, UK trends and analysis](#)

Articles | Updated as new analysis is available

Analysis articles published as part of the foreign direct investment, UK trends and analysis series.

[Foreign direct investment involving UK companies: 2019](#)

Bulletin | Released 21 December 2020

Investment of UK companies abroad (outward) and foreign companies into the UK (inward), including investment flows, positions and earnings, by country, component and industry.