



Department for International Trade

Graham Stuart MP

Department for International Trade
King Charles Street
Whitehall
London
SW1A 2AH

Angus Brendan MacNeil MP
Chair, International Trade Committee
House of Commons
London
SW1A 0AA

T +44 (0) 20 7215 5000
E stuart.correspondence@trade.gov.uk
W www.gov.uk

15 June 2020

Dear Angus,

DIT Response to International Trade Committee report on UK investment policy- June 2020 update

Please accept my apologies for the delay in replying to you. Please find attached an update from the Department for International Trade on activity related to recommendations 2 and 4 of your committee's report on UK investment policy (Annex A).

Yours sincerely,

GRAHAM STUART MP
Minister for Exports
Department for International Trade



DIT Response to ITC FDI Recommendations – June 2020 update

Foreign Disinvestment

From ITC report: *Figures published by the Department for International Trade relating to numbers of new projects, and of jobs associated with them, are of limited usefulness, given that the Department does not monitor closures of companies associated with inward investment, or downsizing by such companies. We recommend that the Department should consider what steps it can take to make good these deficiencies in its data and report to us on this by the end of this year. (Paragraph 43)*

2019 DIT response: *DIT first published its inward investment statistics as Official Statistics in 2017 which includes a commitment to ensuring quality and relevance of the statistics to users within proportionate resource. The release is accompanied by a technical annex that includes a quality and methodology note. The statistics are based on the data and management information available. There is currently no readily available source of project divestments and DIT is considering the feasibility of this development and will report to the Committee by the end of the year.*

June 2020 update

- In February 2020, DIT commissioned a project researching foreign disinvestment to understand the trends of foreign disinvestment in the UK, its causes, effects, and policy and operational relevance.
- DIT will share findings, data sources and methods developed as part of the above research project with ONS, who already implicitly record disinvestments in their aggregate FDI statistics but do not separate them out.
- The research project was due to conclude in July 2020; however, the Covid-19 pandemic and lockdown has created uncertainty regarding when the project will conclude.

Greenfield FDI, SPEs, and ONS-DIT data reconciliation

ITC report: *The Office for National Statistics publishes data on the capital value of inward Foreign Direct Investment—but it does not separate out greenfield investment from mergers and acquisitions, or from investment through Special Purpose Entities. We note the Office’s desire to generate better data in this regard, possibly by finding ways of reconciling its “top-down” figures (derived from the Balance of Payments) with the “bottom-up” data (relating to specific investment projects) that is gathered by the Department for International Trade. We recommend that the two departments report to us, by the end of this year, on what they are doing to develop such collaboration. We also recommend evaluation of the methodology employed by the US Bureau of Economic Analysis as a possible model for generating a reliable dataset on the capital value of the different categories of inward Foreign Direct Investment. (Paragraph 45)*

2019 DIT response: *The Government supports the ONS investment statistics improvement programme which will be examining measurement of these areas. We are aware that ONS is responding separately to the Committee on this recommendation and we will report back on progress with ONS by the end of the year.*

June 2020 update

- This recommendation includes two separate parts: ONS development of FDI data and DIT-ONS collaboration
- ONS’s FDI Development Project team has confirmed that the project is continuing to make progress, with the production of statistics of FDI flows by type of investment being one of the key priorities.
- The project is working towards developing a new population frame, survey questions, collection system, and results system in time for the Q1 2021 survey dispatch (March 2021), with new statistics becoming available later in the year.
- The development of Trade and FDI statistics remains a priority for ONS’s Economic Statistics Group and continues to be supported by DIT both financially and through regular communication to discuss progress and challenges as they arise.
- ONS is also continuing to conduct analysis to identify the differences between its FDI statistics and other data sources, including DIT’s FDI projects data and commercial data providers.
- ONS published an [article](#) in April 2020 comparing differences between ONS FDI statistics and other external sources, and is continuing to collaborate to explore the feasibility of reconciling ONS FDI statistics and DIT project data.