

In brief

Foreign direct investment

Foreign direct investment (FDI) occurs when an enterprise in one economy makes an investment that gives a significant degree of influence on the management of an enterprise in another economy. The statistical definition to identify FDI is that a direct investor (DI) owns equity that entitles it to 10 per cent or more of the voting power in the direct investment enterprise (DIE) abroad. This usually means that the DI owns 10 per cent or more of the ordinary shares of the DIE. The DI and the DIE are in a direct investment relationship which may be direct or indirect through a chain of ownership across different economies.

FDI statistics are fundamental to the analysis of the level and impact of globalisation in any country. This includes employment, productivity, work practices and research and development. The statistics are also an important part of the set of indicators used to assess the financial soundness and long-term economic health of a country. They are considered vital to the work of international organisations, in particular the International Monetary Fund (IMF), European Central Bank (ECB), Eurostat and the Organisation for Economic Co-operation and Development (OECD). It is important for FDI statistical analyses that countries measure their FDI in a consistent way.

The Statistics Department of the IMF are conducting the global Coordinated Direct Investment Survey (CDIS) to collect consistent statistics on the levels of FDI as at end-2009. The survey will be conducted in collaboration with OECD, ECB, Eurostat and the United Nations Conference on Trade and Development. So far, over 120 countries, including the UK, have indicated their intention to participate.

A survey guide has been prepared under IMF supervision and they have developed an implementation plan that includes an IMF one-page flyer to raise awareness, a CDIS web page, and regional seminars and workshops throughout the next two years.

The prime objective is the collection of comprehensive statistics, with geographic detail, on the stock of inward and outward FDI, separately for equity and debt investment, as at 31 December 2009. Common standards and definitions will be used in each country to collect the set of

core data. Collection of supplementary data will be encouraged, for example, ultimate ownership, industry breakdowns and income.

First results and metadata will be delivered to the IMF by end-September 2010, with final results to be delivered during the first half of 2011. All data delivered to IMF will be non-confidential. IMF will publish first country by country results by end-2010, and final results later in 2011.

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Local area labour markets

The latest local area labour market data show that the area with the highest employment rate was the City of London with 100 per cent (note that this estimate is based on a very small sample). Excluding the City of London, the highest employment rate was the Shetland Islands (89.7 per cent) while the lowest rate was in Tower Hamlets (56.4 per cent). There is a considerable variation within each region. For example, in the region with the highest average rate, the South West (78.5 per cent), employment varies between 85.5 per cent in Tewkesbury and 69.1 per cent in West Somerset.

The area with the highest unemployment rate in the 12 months ending September 2007 was Tower Hamlets (12.9 per cent), while the lowest rates were in Hart (Hampshire), West Oxfordshire, Mole Valley (Surrey) and Ribble Valley (Lancashire) (all with 2.5 per cent). Again, there were considerable variations within regions. In the region with the lowest average rate, the South West (3.8 per cent), unemployment varied between Plymouth (6.2 per cent) and Cotswold and Purbeck (2.6 per cent). London had the highest average rate (6.9 per cent), but individual boroughs varied between Tower Hamlets (12.9 per cent) and Richmond upon Thames (3.4 per cent).

The latest estimates of jobs density (2006) show there were 0.88 jobs per working-age resident in the UK. London had the highest jobs density at 1.02 compared with 0.78 in the lowest region, Northern Ireland. The local area with the highest jobs density was the City of London, with over 50 jobs per

working-age resident, while the lowest was in Carrickfergus, Northern Ireland, with 0.39 jobs per resident.

People who work in the City of London had the highest earnings, with median full-time gross pay of £834 a week as at April 2007. The lowest pay was for people who work in Torridge, South West, at £313 a week.

The report 'Local area labour markets: Statistical indicators April 2008' was published on the National Statistics website on 12 May 2008. It also contains sections looking at economic inactivity, ethnicity and the labour market, claimants of Jobseeker's Allowance (the claimant count), and earnings by place of residence. It brings together data from a number of different sources – the Annual Population Survey, Annual Business Inquiry, Annual Survey of Hours and Earnings, and administrative data on benefits from the Department for Work and Pensions – to give an overall picture of the labour market looking at both labour supply and demand in each area. Since this report was published, Annual Population Survey data sets have been released, reweighted to population estimates published in 2007. This article is in line with these reweighted data sets, which results in some small inconsistencies from figures released in that report.

Also available are spreadsheets giving data for key indicators such as employment, unemployment, economic inactivity, claimant count and jobs for both local authorities and parliamentary constituencies.

More information

www.statistics.gov.uk/statbase/product.asp?vlnk=14160

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Eurostat project on economic impacts of Information and Communication Technologies

Over the last two years, the Office for National Statistics has been leading a project involving 13 European National Statistics offices to look at new indicators for the impact of Information and Communication Technologies (ICTs) on the behaviour and performance of businesses, and on the wider economy. The results of this work were reviewed at a project conference on 22 May, held to coincide with the Comparative Analysis of Enterprise Data meeting in Budapest, Hungary. Contributions to the conference came from Germany, Italy, Netherlands, Slovenia, Sweden and the UK; the audience included statistics offices from as far away as China.

The project has developed ways of extending the use of microdata analysis from European Union (EU) member states such as the UK, France, Netherlands and the Scandinavian countries, where it is well established, to others where similar data sources exist, but infrastructure and expertise is still in development. This has required a major review of metadata underlying technology, production and employment surveys, to enable them to be linked in exactly the same way within statistics offices across the EU, so that microdata analysis can be used for reliable international comparisons.

This metadata resource also underlies the capability, developed within the project, to create indicators on technology use and firm behaviour which are directly comparable with National Accounts data. Not only does this improve the relevance of indicators, it also enables them to be incorporated in macroeconomic analysis of productivity alongside output, investment and labour input data. This has already proved useful in modelling certain aspects of the 'knowledge economy', where investment is difficult to measure using standard National Accounts techniques.

Apart from extending the analytical capability of the EU statistical system, the project has delivered useful research results:

- confirming the positive impact of IT investment on business productivity across all the countries in the study
- showing a more differentiated picture across services, both by country and

by industry

- demonstrating the importance of high-speed internet for productivity across a range of industries, but particularly those which depend on skills and knowledge
- helping to clarify relationships between ICT and other investments in new products and processes

Initial results from the project are included in the Statistical Profile prepared by the Organisation of Economic Co-operation and Development for its ministerial meeting on the Future of the Internet on 17–19 June. They were also presented at the United Nations Conference on Trade and Development event on ICT for Development, held in Geneva on 28 May, at which over 70 countries compared experiences in measuring the impact of ICT on households and business.

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Consumer inflation: perception and reality

Consumer price indexes measure the change in prices charged for goods and services bought for consumption by households in the UK. The Office for National Statistics (ONS) publishes two main measures of consumer inflation, the consumer prices index (CPI) and the retail prices index (RPI). The UK inflation figures for April 2008 show the CPI rising by 3.0 per cent and the RPI rising by 4.2 per cent.

It is clear from reports in the media that people are seeing big rises in the cost of food and fuel and are questioning the accuracy of the CPI and RPI rates. An article on the National Statistics website explains how the official figures are compiled and looks at why some people think that the estimate of inflation should be higher. This will be followed later by a more detailed article which looks at how inflation affects different goods and services and different groups of people.

More information

www.statistics.gov.uk/cci/article.asp?id=2008

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Correction

A number of errors were identified after publication of two of the tables in the Regional economic indicators article which appeared in the May edition of *Economic & Labour Market Review*. The corrected tables, along with modified text reflecting the adjusted values in these tables, appear in a revised version of the article now on the National Statistics website.

More information

www.statistics.gov.uk/cci/article.asp?id=1998