

# Background Notes

## Introduction

Household income data were first published in 2000 (Household Incomes Regions and Counties 1991-1997 – Pn 8218) and the publication included a detailed description of the methodology used to estimate the regional values of the income components. Since then, results have been issued on an annual basis.

Regional accounts were first published in 1996 (Regional Accounts 1991 – Pn 3232). They were in respect of 1991 and a full description of the methodology used was included. A further set of accounts in respect of 1993 was published in 1997 with some additional methodological details. Results have been published annually since.

## Revisions

Revisions to national accounts data, published in National Income and Expenditure 20xx release, are carried through into these Tables in keeping with the usual practice.

## NACE

Tables 15 to 18a provide GVA for the regions broken down into three main sectors of the economy. In former releases these sectors were defined as in the publication “National Income and Expenditure 20xx” (NIE 20xx) and corresponded with the national classification system of industries used in National Accounts at the time. Since the 2009 release (as linked to NIE 2010) the sectors have been revised to correspond with the NACE Rev.2 classification system. The main effect of the NACE Rev.2 (re)classification, on the three sectors distinguished in Tables 15 to 18a, is that the *Publishing Industry* (including the publishing of software) has been reclassified from the *Manufacturing* sector to the *Services* sector. This results in the Services sector accounting for a larger proportion of total GVA compared to former releases. Similarly, the Manufacturing sector accounts for a smaller proportion of GVA than in former releases.

The more significant aggregates in all Tables in these accounts (e.g. gross value added, compensation of employees) are compiled internally according to the NACE classification system. Again the NACE Rev.2 system has been used compared to the NACE Rev.1 system in earlier releases. The retrospective data have also been recalculated using NACE Rev.2. This inevitably gives rise to some revisions to the retrospective series.

## Household Income

### Primary Income

Household *Primary Income* is defined for National Income purposes as follows:

Compensation of employees (i.e. Wages and Salaries, Benefits in kind,

Employers’ social insurance contributions)

*plus*

Income of self-employed

*plus*

Rent of dwellings (including imputed rent of owner-occupied dwellings)

*plus*

Net interest and dividends

The last component is a net item, which implies that payments by households of interest are deducted in deriving primary income.

### **Total Income**

*Total income* is defined as:

Primary income

*plus*

Social benefits

*plus*

Other current transfers

### **Disposable Income**

*Disposable income* is defined as follows:

Total income

*minus*

Current taxes on income (i.e. Income taxes, other current taxes)

*minus*

Social insurance contributions (i.e. Employers', employees', self-employed, etc.)

## **National Income**

The estimates for the State for the different components of household income published in the National Income and Expenditure Report 20xx (NIE 20xx). The *other current transfer payments* to and from households are included in this household income report on a net basis with *social benefits*.

## **Per Capita Incomes**

The CSO publishes population estimates at regional level annually but not at county level. County populations for 2003 to 2012 used in this report have been estimated by applying the year to year changes at regional level, and are consistent with the national population estimates submitted to Eurostat.

## **Statistical Discrepancy**

The official level of GDP is taken to be the average of the independently compiled Income and Expenditure estimates. The resulting balancing item, which is half of the difference between the two estimates, is called the Statistical Discrepancy. This must be added to the income components in Tables 1 and 2 to derive Total Household Income.

## **GDP by Region**

### **Gross Value Added**

Gross Value Added (GVA) at *basic prices* is a measure of the value of the final goods and services produced in a region (less the materials and services used which come from outside the region) priced at the value which the producers received minus any taxes payable and plus any subsidies receivable as a consequence of their production or sale. GVA differs from household income in three main respects.

- Firstly, GVA includes the total profits of companies. Company profits arising in the State, which accrue to non-residents, are considerable.
- Secondly, the workforce that produces the GVA in a region may not live there and may bring their incomes home to a neighbouring region in which they will be included in household incomes.
- Thirdly, personal income includes items such as social welfare benefits and factor incomes from abroad, which are not included in GVA.

*(Note: GDP and GVA are the same concept i.e. they measure the value of the goods and services (or part thereof) which are produced within a region or country. GDP is valued at market prices and hence includes taxes charged and excludes the value of subsidies provided. GVA at basic prices on the other hand excludes product taxes and includes product subsidies – see Table 14).*

## Valuation

Value added is firstly calculated at *factor cost*, which includes all subsidies and excludes all taxes. Conversion to a valuation at *basic prices* is achieved by subtracting *overhead* subsidies and adding *overhead* taxes. Conversion to *market prices* is then obtained by subtracting *product* subsidies and adding *product* taxes (see Table 14). Most of the Tables in this report on GVA are based on GVA at basic prices. However Tables 15a to 18a are based on GVA at factor cost. All the results in this release are based on the ESA2010 system of accounts which came into effect in 2012 and is now in use throughout the European Union. This change of definitions has resulted in significant step increases in GVA/GDP at state and regional levels (please see <http://cso.ie/shorturl.aspx/233> for a detailed explanation).

## Regions

The regional classifications in this release are based on the NUTS (Nomenclature of Territorial Units) classification used by Eurostat. The regions for which the accounts have been compiled are the eight Regional Authority NUTS3 regions. The Mid East region (Kildare, Meath and Wicklow) and the Dublin region are affected by a substantial proportion of their workforce living in one region and commuting to work in another. It is therefore more meaningful to combine these two regions. The definition of the regions is outlined below. Figures have also been shown for the two overall NUTS2 regions i.e. “Border, Midland and Western” region and “Southern and Eastern” region.

### Composition of Regions

#### Border, Midland and Western NUTS 2 Region

Border	Cavan, Donegal, Leitrim, Louth, Monaghan and Sligo
Midland	Laois, Longford, Offaly and Westmeath
West	Galway County, Galway City, Mayo and Roscommon.

#### Southern and Eastern NUTS 2 Region

Dublin	Dublin City, Dun Laoghaire-Rathdown, Fingal and South Dublin
Mid East	Kildare, Meath and Wicklow
Mid West	Limerick County, Limerick City, Clare and North Tipperary
South East	Waterford County, Waterford City, Carlow, Kilkenny, Wexford and South Tipperary
South West	Cork County, Cork City and Kerry.