



# information notice

## **National Accounts and Balance of Payments FAQ 14th September 2016**

### **1. What do the results for Quarter 2, 2016 tell us about the Irish economy?**

Following the level shift incorporated in National Accounts and Balance of Payments results for Ireland in Quarter 1, 2015, results are now available for six quarters at the new level.

The National Accounts results for Q2 2016 show:

- GDP increasing by 0.6% in Q2 2016 compared with the Q1 2016
- GNP also increasing by 0.6% in Q2 2016
- Total domestic demand increasing by 9.1% in the quarter, driven primarily by investment in intellectual property products imported from abroad. This increase in investment has offset the negative result for personal consumption impacted by lower levels of car registrations in Q2 2016
- Overall capital formation increasing by 38.9% in Q2 2016, with personal consumption decreasing by 0.5% in the quarter
- Net exports (exports minus imports) declining in the quarter by 31.4%, driven by an 11.8% increase in imports and in particular, imports of intellectual property products.

The key points from the Balance of Payments results for Q2 2016 are:

- A current account surplus of €4.6 billion in the quarter, which is a decrease on the €7.5 billion current account balance in Q2 2015, mainly as a result of increased imports of intellectual property
- Merchandise exports decreased by €1.5 billion to €45.6 billion in the quarter compared with Q2 2015, a different trend to the monthly Trade in Goods statistics and driven by lower contract manufacturing in Q2 2016 compared to Q2 2015 in balance of payments and national accounts exports of goods statistics
- Service exports increased by €1.7 billion to €32.3 billion for Q2 2016 compared to Q2 2015, with the increase driven largely by growth in exports of computer services
- Net foreign liabilities were down €17bn to €488bn at the end of June 2016, due to redemptions in Government bonds and repayments of multinational debt.

### **2. What data sources are used by the CSO compile national accounts and balance of payments statistics?**

The national accounts and balance of payments statistics for Ireland are based on data provided by companies to the CSO. The CSO's Large Cases Unit (LCU) engages directly with the largest direct investment companies to collect statistical data across all of the activities of these companies. Data from CSO's balance of payments surveys of the non-financial and financial sectors and data from CSO's short-term and structural business statistics surveys are also key components of national accounts and balance of payments statistics.

Additionally, the LCU has access to other data sources, including Trade in Goods and Corporation Tax data. The broad range of information available to the LCU ensures consistent recording of activity across CSO outputs. The LCU engagement with the largest multi-national companies ensures that the complex structures of multi-nationals are correctly reflected in the statistics.

### 3. What's the basis for compiling national accounts and balance of payments statistics for Ireland?

The national accounts and balance of payment statistics for Ireland are compiled in accordance with the international standards for the statistics. Standards for national accounts statistics for EU Member States are set out in the 2010 edition of the European System of Accounts (ESA 2010) and these standards are incorporated in the EU legislation governing the production of the statistics. The ESA 2010 standards are themselves based on the UN SNA 2008 global standards for national accounts statistics.

The CSO publish balance of payments statistics in compliance with version 6 of the IMF Balance of Payments standards (BPM6) and as for national accounts statistics, compilation of balance of payments statistics to meet BPM6 standards is required under EU legislation.

Compiling national accounts and balance of payments statistics in accordance with the international standards ensures comparability of the statistics over time and across countries. As required under EU legislation, the CSO will continue to produce national accounts and balance of payments statistics in compliance with the international standards.

The national accounts and balance of payments statistics published by the CSO in accordance with the international standards provide a valuable reflection of the complexity of the highly globalised Irish economy relative to other economies and the results highlight the level of concentration of multi-national activity in Ireland.

### 4. Have the national accounts results for 2015 been verified?

Eurostat visited the CSO on August 30th as part of the normal GNI verification process for national accounts and balance of payments statistics. The meeting was productive and the results for 2015 were verified. Eurostat's summary report of the visit will be discussed at the upcoming GNI Committee meeting in October and the minutes of the GNI Committee meeting will be publically available.

### 5. What CSO indicators are currently available to provide insight on activity in the domestic economy?

The CSO currently produces a wide range of economic, business and social indicators that focus on domestic activity including such key indicators as personal consumption, retail sales, employment and vehicle registrations. Summary information for the latest quarterly results for these indicators shows employment increasing but the Q2 2016 reductions of sales of private cars impacts retail sales and personal consumption in Q2 2016:

	<b>Q2 2016</b>	<b>Q-on-Q change</b>
Total Personal Consumption Expenditure (Constant Prices, SA)	€23,285m	- 0.5%
Retail Sales Index, Value (SA), 2005=100	98.5	- 2.2%
Numbers in Employment, 000 (SA)	2,014.9	+ 1%
	<b>Q2 2016</b>	<b>Q1 2016</b>
New Private Cars Licensed for the First Time	29,115	68,375

Details of these and other useful indicators of domestic activity in the Irish economy are available at <http://www.cso.ie/indicators/Maintable.aspx>

**6. Are there indicators that measure whole-of-economy activity in the national accounts framework, apart from GDP and GNP?**

The revisions to the national accounts and balance of payments statistics published on July 12th 2016 were driven largely by the relocation of large balance sheets in Ireland, with consequential increases in the economic activity attributable to Ireland. In particular, the capital assets in these relocated balance sheets led to significant increases in the estimates for depreciation of assets in the national accounts.

Gross Domestic Product (GDP) and Gross National Product (GNP) measure Irish economic activity including depreciation, i.e. before any deduction for depreciation. Similar to GDP and GNP, Net Domestic Product (NDP) and Net National Product (NNP) are whole-of-economy measures, but they measure economic activity after taking account of depreciation, and so provide estimates of activity in Irish economy with many of the recent effects of globalisation in the results removed. In particular, NNP measures economic activity with the effects of depreciation and the net effect of profits of multi-national entities removed and is a useful indicator of underlying economic activity in Ireland. The following table outlines the effect of the large depreciation in the revised 2015 results:

<b>Year</b>	<b>GDP</b>	<b>of which Depreciation</b>	<b>Net Factor Flows</b>	<b>GNP</b>	<b>NNP</b>
<b>2014</b>	193,160	30,891	-29,715	163,445	132,554
<b>2015</b>	255,815	61,558	-53,173	202,642	141,084
<b>Difference</b>	62,655	30,667	-23,458	39,197	8,530
<b>Change</b>	32.4%			24.0%	6.4%

The CSO currently publishes annual results for NNP in the National Income and Expenditure release and are developing additional analysis of annual NNP and are also developing initial estimates of quarterly NNP.

**7. Who will be on the expert group convened by the CSO to make recommendations on measurements of domestic activity and what will they be doing?**

The small, open and highly globalised nature of the Irish economy makes it increasingly difficult to represent the complexities of economic activity in Ireland in single headline indicators such as GDP or GNP.

The CSO is committed to meeting user needs and is convening an expert group that will develop recommendations on how best to meet the statistical needs of national users and provide guidance on the development of indicators that can provide the necessary insights.

The members of the group are:

- Philip Lane (Chair) - Central Bank of Ireland
- Alan Barrett - Economic and Social Research Institute
- Seamus Coffey - University College Cork
- Thomas Conefrey - Irish Fiscal Advisory Committee
- John Fitzgerald - Trinity College Dublin, Irish Times
- John McCarthy - Department of Finance
- Dan O'Brien - Institute of International and European Affairs in Dublin, Irish Independent
- Fergal O'Brien – IBEC
- Frances Ruane – Trinity College Dublin, European Statistical Advisory Committee
- Marie Sherlock - SIPTU

- Rossa White – National Treasury Management Agency
- Jennifer Banim and Michael Connolly – Central Statistics Office
- Eurostat and IMF - International observers

The group will meet between September and November 2016 and will report to the Director General of the CSO. The report of the group will be published and will be available on [www.cso.ie](http://www.cso.ie) along with the CSO's response to the report.

## **8. Confidentiality - why is some of the detail no longer available in the results?**

One of the core principles for a national statistical institute is protection of the confidentiality of all information supplied by data providers. The CSO's ability to compile Official Statistics is based on the extent to which individuals and companies trust the CSO with sensitive information and the CSO's guarantee of confidentiality for all data providers is built on the fundamental requirement for non-disclosure of confidential data set out in national and EU statistical legislation.

To comply with the requirement for confidentiality, the CSO cannot divulge any information that would lead to the disclosure of information on an individual or company when publishing aggregates and may have to suppress certain detail in the results to comply with this requirement.

The scale of the revisions to the national accounts and balance of payments statistics published on July 12th 2016 led to the suppression of some detail in the results to prevent disclosure of confidential data. The suppression of detail in subsequent national accounts, balance of payments and CSO business statistics releases affected by the recent revisions will be managed to best balance the requirement for confidentiality against the need to provide detail for users of the statistics while complying with the legal requirements on confidentiality.

## **9. Who has access to the information before it's published?**

The CSO is committed to the [European Statistics Code of Practice](#). Principle 6 of the Code refers to objectivity and impartiality and includes the following indicator:

*6.7 All users have equal access to statistical releases at the same time. Any privileged pre-release access to any outside user is limited, controlled and publicised. In the event that leaks occur, pre-release arrangements are revised so as to ensure impartiality.*

The CSO policy on pre-release access gives effect to the principle of objectivity and impartiality as set out in the European Statistics Code of Practice. The policy specifies the CSO's standard practice that statistics are released to all users at the same time. However the CSO recognises that in very limited circumstances a business need for pre-release access may be substantiated. Any form of pre-release access is a privilege.

Three forms of limited pre-release access are permitted on the day of a release under the CSO policy:

1. Advance Notification of Results to Named Officials (at 10:00 am)
2. Official or Ministerial Briefings (which can take place at 08:30 am)
3. Press Briefings (at 10:30 am).

Full details of the policy are available at <http://www.cso.ie/en/aboutus/dissemination/cspolicyonpre-releaseaccess/>

Pre-release access for national accounts and balance of payments statistics is permitted as part of the press briefing on the day of these releases and in the case of national accounts statistics, briefing of officials from the Department of Finance and the Central Bank of Ireland takes place at approximately 8:30 am on the day of the release.

**ENDS**