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National Income and Expenditure

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National Income and Expenditure 2006

INTRODUCTION

This report includes preliminary estimates of the national accounts for the year 2006 together with revised estimates for the years 2000 to 2005. The tables relate to national income and expenditure, capital formation and savings together with details of transactions of the government sector classified in accordance with national accounting definitions.

Particular attention is drawn to the detailed definitions and notes given in the Appendices which must be borne in mind in interpreting the various items. Thus, in considering the figures for trading profits, it should be noted that domestic trading profits as compiled for national income purposes refer to profits arising from productive activity *within* the State; items such as receipts of national debt and other interest and income arising *outside* the State are excluded. Furthermore, all losses are taken fully into account for the year in which they were incurred. For these reasons, trading profits as computed for national income purposes differ in principle both from the aggregate of profits shown by individual concerns in their own accounts and from total profits liable for taxation purposes by the Revenue authorities.

As will be apparent from detailed information in the Appendices, most of the elements in the compilation of the national accounts are estimates subject to margins of error. Generally, more reliance can be placed on the changes between years than on the absolute level of any single figure.

The estimates for 2006 are based upon indicators for the different aggregates and must be regarded as tentative. The provisional nature of the estimates for 2004 and 2005 must also be borne in mind. In particular, the estimates for the year 2005 in the present report must be regarded as preliminary. Many of the inquiries upon which the basic compilations rest are incomplete and to the extent that figures given for 2003 and 2004 are still partly subject to revision, projections for the year 2005 will also be affected. While no guarantee can be given that published figures will remain unaltered as inquiries proceed and as sources and methods are reviewed, it is expected that any changes made in future in relation to years earlier than 2000 will have a relatively insignificant effect on the year-to-year trend in these data.

Except where otherwise indicated the tables in this report relate to current money values, and therefore, the year-to-year changes include an element due to monetary inflation. Certain tables are shown in chain linked values and these indicate the *real* (or *volume* or *quantum*) changes in the various entities from year to year.

The tables have all been generated from approximately 500 base headings. As a result, in the tables, the totals may differ from the sum of components due to rounding.

Financial Balance Sheets

A new table (table 31) relating to financial balance sheets was introduced in last year's NIE. In the meantime this table has been updated and published together with details of financial flows in a publication "Institutional Sector Accounts - Financial and Non Financial". (April 2007, ISBN 0-7557-7181-8) This data will in future be published annually in a separate release from the NIE publication.

Chain Linking

The volume measures are now being produced using annual chain linked indices. On the output side, for each pair of successive years, the volume growth measures at a detailed level are weighted together using value added weights of the first year. Similarly, on the expenditure side, annual growth estimates are weighted by previous year expenditure weights. The average of the two measures is the official level of GDP to base the previous year. The change over a period of years is then calculated by linking together the annual volume changes. The estimates in this release are referenced to 2005 values.

It should be noted that under the system of chain linking individual components are chain linked independently of their aggregates. Thus, the expenditure estimate of GDP, in constant prices on a chain linked basis, is not derived by adding the chain linked values of personal consumption, government expenditure, capital expenditure, stock changes and exports minus imports. Rather it is estimated by linking the year to year volume changes in GDP (which have been calculated to base the previous year) to the GDP value in 2005. This results in the loss of additivity by which is meant that the sum of the chain linked components do not add to the chain linked aggregate.

In addition there is the extra complication that the official volume estimate of GDP is the average of the expenditure estimates of GDP (to base the previous year) and the output estimate of GDP (to base the previous year). Thus, before the chain linking process even begins, the GDP volume estimate can not be derived as the sum of its components.

Discrepancy with Balance of Payments arising from FISIM

The introduction of FISIM in the “NIE 2004” publication has caused a discrepancy between national accounts figures for some external transactions and Balance of Payments (BOP) figures. In particular FISIM generated through lending and borrowing between this country and abroad is included in the import and export of services in the national accounts. This has not been done to date in the BOP publications. Conversely interest flows are not adjusted for FISIM in the BOP statements whereas they are so adjusted in the national accounts. The effect of this can be seen by comparing the figures in this publication with those in the BOP release of Q1 2007. Net exports in 2006 of goods and services in the national accounts amount to €18,769ml (see table 5) compared to €17,970ml in the BOP release for Q1 2007 (Table 1a). This excess of €799ml in the national accounts is balanced by a corresponding difference in the net factor incomes for 2006 i.e. - €25,575 in the National Accounts compared to the BOP figure of - €24,780.

ESA95 terminology

The terminology used in the book is in line with the conventions of the ESA95. The term *GDP* is now reserved for valuation at market prices while *Value Added* is used for other valuations of the aggregate previously known as GDP. There are now three valuations being shown i.e. Market Prices, Factor Cost and Basic Prices. The first two were always provided in the publications which preceded the adoption of the ESA95 methodology. The third one (GVA at basic prices) equals GDP (at market prices) minus product taxes plus product subsidies. This is also equal to GVA at factor cost plus other (non product) taxes minus other (non product) subsidies – see line 29 onwards in Table 2. The terms *Gross National Income (GNI)* and *Net National Income (NNI)* are also being used. GNI is equivalent to GNP plus EU subsidies minus EU taxes. Alternatively it may be described as GDP minus primary income payable by resident units to non resident units plus primary income receivable by resident units from the rest of the world. NNI is equal to GNI minus depreciation.

Methodology

The National Accounts form a comprehensive framework within which economic data can be presented in a coherent, consistent manner. There are three approaches to measuring National Income, each of which theoretically gives the same answer, i.e.

- output (value added by each producer);
- income (all income generated);
- expenditure (all spending on final demand).

In Ireland, the income and expenditure approaches are used. For the income estimate, the main components are:

- * profits of companies and of the self-employed
- * remuneration of employees (wages, salaries and employers' contributions to social insurance and pension funds including imputed contributions in respect of public service employees)
- * rent of dwellings (imputed in the case of owner-occupied).

Adjustments are made in respect of stock appreciation i.e. to eliminate the effect of price changes on the level of stocks. Another feature of the national accounts is that interest is not regarded as part of income or expenditure in calculating GDP but the hidden margin which banks make on interest in the course of lending and borrowing is charged to customers. (See the paragraph on “profits of businesses” on page 38 in Appendix 1).

On the expenditure side, estimates are made of:

- * personal expenditure on consumers' goods and services
- * expenditure by central and local government on current goods and services
- * gross domestic fixed capital formation
- * value of physical changes in stocks.

The value of exports is then added and imports are deducted. The two approaches (income and expenditure) should theoretically give the same answer. However, they will always diverge to some extent

as they arise from different data sources. The components of the two original estimates are shown unadjusted. The official level of GDP is taken to be an average of the expenditure and income estimates and a balancing item (statistical discrepancy) is displayed, which is half of the difference between the two estimates. This is the amount by which both estimates have to be adjusted to agree with the official level of GDP.

Volumes or Constant price estimates

Two measures of GDP (output and expenditure) are compiled annually to base the previous year and chain linked to a reference year. The output measure is obtained by using various output indicators to project forward the previous year's value added. On the expenditure side, the current price estimates are deflated to the previous year's prices using appropriate price indices. The average of the two provides the official GDP to base the previous year and is used to produce the annual volume change in GDP. The annual volume changes are then chain linked. The chain linked values for the components of both methods are shown in Tables 4 and 6.

Definitions

Appendices 1 and 2 contain detailed definitions and explanatory notes relating to all the variables contained in the various tables in this report. The following are the main features of the principal economic aggregates.

Gross Value Added at factor cost (previously called Gross Domestic Product at factor cost) is equal to the sum of the values of the goods and services (or part thereof) produced in the country without deducting an amount in respect of capital consumption (i.e. depreciation). It excludes taxes on production and includes subsidies on production.

Net Value Added at factor cost is equal to Gross Value Added at factor cost minus depreciation.

Gross Value Added at basic prices is equal to Gross Value Added at factor cost plus other (i.e. non product) taxes on production minus other (i.e. non product) subsidies on production.

Gross Domestic Product at market prices is equal to Gross Value Added at basic prices plus taxes on products less subsidies on products. It represents total expenditure on the output of final goods and services produced in the country ("final" means not for further processing within the country) and valued at the prices at which the expenditure is incurred.

Gross National Income at market prices is equal to Gross Domestic Product minus primary income payable by resident institutional units to non resident units plus primary income receivable by resident units from the rest of the world. It therefore represents total primary income available to resident institutional units of the country.

Retrospective historical series; availability of data in spreadsheet format

A continuous historical series of data along the lines of the main tables in this report covering the period from 1970 to 1995 is available in excel format on the web and in the CSO's database. There is however a discontinuity in this series due to the introduction of FISIM which is incorporated in the accounts from 1995 onwards but not for earlier years. Two sets of figures are available for the year 1995 i.e. one in the historical series without FISIM and one in the 1995 to 2006 series with FISIM included. This will allow users to assess the impact of FISIM on the various aggregates.

All tables in this publication are available in spreadsheet format on the CSO website <http://www.cso.ie>. They are also available in the CSO's database.

Summary of Results

Summary Tables

Graphs of Selected Series

SUMMARY OF RESULTS 2006

Growth Rates

In constant prices, Gross Domestic Product rose by 5.7% between 2005 and 2006. The growth in Gross National Product was higher at 6.5%.

Disposable Income

In nominal terms, Net National Product at factor cost rose by 9.2% in 2006 to €108,356ml, equivalent to €25,557 per head of population. Agricultural incomes decreased by 5.9% and non-agricultural incomes increased by 8.2%. Factor income outflows to the rest of the world decreased by 0.8%.

Gross National Disposable Income increased by 9.3%.

National Consumption

In current money values, Personal Expenditure increased by 7.9% and Government Expenditure by 9.0%. When price rises are discounted, the real increases are 5.7% and 5.3% respectively.

Capital Formation

The value of investment in construction and capital equipment rose by 9.4%. This represents an increase of 3.1% in volume terms. The value of stocks rose by € 1,367ml in constant prices

External Trade

The value of Exports of goods and services increased by 5.8% in 2006. Export prices increased by 1.4% and export volumes increased by 4.4%. The value of Imports increased by 7.8% representing a 3.4% increase in price and a 4.4% increase in volume.

Balance of Payments

The current account deficit in 2006 was €7,276 million.

SUMMARY TABLES A, B and C

Table A which follows gives historical time series of Gross Domestic Product and its expenditure components presented in both current and constant prices for the period 1970 to 2006. The rules and definitions of the European System of Accounts (ESA 95) are now being applied. The official level of GDP is derived as an average of the independently estimated Income and Expenditure estimates.

There is a discontinuity indicated by the dotted line at 1995 in Table A. Figures above the line for GDP include the new treatment of FISIM (see page vi) while figures below the line exclude FISIM.

Data at constant prices in Table A are expressed in the form of index numbers with reference year 2005 = 100. The index numbers were derived by annually chain linking indices which were calculated to base the previous year

Summary Table B shows the main aggregates e.g. Gross Domestic Product, Gross National Product at current and constant (i.e. annually chain linked and referenced to the year 2005) market prices.

Gross National Income at current market prices increased each year between 2000 and 2006, the increase over the six year period being over 160 per cent. This increase is due to both price and volume changes. The effect of price changes over the period is eliminated by re-valuing Gross National Income at constant market prices, thus indicating the *real* or *volume* changes which occurred.

Table B also contains particulars per head of population and per person at work of Gross National Income in current and constant terms. In addition, the corresponding details of Gross Domestic Product are also shown.

The annual percentage changes in the main aggregates at current and constant prices are shown in Table C. Changes in the consumer price index and in the implied GNP deflator are also shown. The GNP deflator is obtained by dividing the figures for Gross National Product at current prices by the corresponding figures at constant prices. This deflator is a measure of overall price changes in the economy while the consumer price index measures the average price change of goods and services bought by households.

Table A Time series of Gross Domestic Product and components at Current Market Prices (€ million)

Year	Gross domestic product	Personal consumption of goods and services	Net expenditure by central and local government on current goods and services	Gross domestic physical capital formation	Exports of goods and services	Imports of goods and services
2006	174,705	82,483	24,939	47,502	139,766	120,997
2005	161,498	76,435	22,870	42,242	132,098	112,279
2004	148,502	70,075	20,896	35,432	124,793	102,468
2003	139,413	66,226	18,981	32,360	117,006	94,400
2002	130,215	61,836	17,643	28,923	122,481	99,903
2001	116,939	56,450	15,429	26,799	116,975	98,657
2000	104,620	51,474	13,104	25,350	102,885	88,697
1999	90,658	45,096	11,411	21,554	80,683	67,951
1998	78,671	40,157	10,113	18,314	68,241	58,916
1997	68,054	35,952	9,224	14,551	53,994	45,060
1996	58,796	32,530	8,291	11,506	45,397	38,323
1995*	53,135	29,712	7,866	9,629	40,473	34,247
1995**	52,546	29,295	7,853	9,685	40,224	34,202
1994	46,421	27,293	7,427	7,536	32,916	28,316
1993	43,189	25,446	6,980	6,561	28,537	23,948
1992	40,100	24,285	6,544	6,547	24,353	21,299
1991	37,649	22,907	6,020	7,251	21,812	19,936
1990	36,184	21,813	5,469	7,671	20,689	19,011
1989	33,373	20,536	4,926	6,127	20,562	18,661
1988	30,085	18,999	4,743	4,758	17,349	15,442
1987	28,163	17,787	4,806	4,646	15,053	13,707
1986	26,352	16,878	4,725	4,796	13,177	12,734
1985	24,739	15,812	4,377	4,742	13,668	13,378
1984	22,774	14,553	4,047	4,941	12,436	12,633
1983	20,564	13,301	3,751	4,707	9,869	10,501
1982	18,657	12,229	3,464	4,912	8,192	9,499
1981	15,727	10,976	2,961	4,344	7,008	9,113
1980	12,961	9,119	2,437	3,456	5,907	7,541
1979	10,922	7,588	1,873	3,440	5,015	6,687
1978	9,220	6,170	1,506	2,605	4,298	5,167
1977	7,801	5,314	1,256	2,100	3,588	4,260
1976	6,409	4,488	1,083	1,548	2,742	3,219
1975	5,203	3,583	909	1,173	2,062	2,359
1974	4,138	2,977	663	1,181	1,620	2,174
1973	3,724	2,531	545	993	1,307	1,541
1972	3,084	2,129	442	767	984	1,137
1971	2,538	1,838	365	593	851	1,022
1970	2,220	1,638	307	527	760	925

* 1995 to 2006 based on ESA95 methodology including FISIM

** 1970 to 1995 based on ESA95 methodology excluding FISIM

Table A (contd.) Index Numbers of Gross Domestic Product and Expenditure Aggregates at Constant Market Prices (Base 2005=100)

Year	Gross Domestic Product	Personal consumption of goods and services	Net expenditure by central and local government on current goods and services	Gross domestic physical capital formation	Exports of goods and services	Imports of goods and services
2006	105.7	105.7	105.3	105.9	104.4	104.4
2005	100.0	100.0	100.0	100.0	100.0	100.0
2004	94.4	93.2	96.1	89.6	95.1	92.8
2003	90.5	89.5	94.7	86.5	88.6	85.6
2002	86.8	86.9	93.6	80.1	88.1	86.9
2001	81.5	83.4	87.5	77.4	83.8	84.7
2000	77.0	79.2	79.6	78.6	77.1	79.1
1999	70.5	72.5	73.6	72.7	64.2	64.9
1998	63.7	66.5	69.0	66.5	55.5	57.7
1997	58.7	61.9	65.4	57.7	45.1	45.2
1996	52.7	57.6	62.2	47.8	38.4	38.8
1995	48.7	54.1	60.2	40.8	34.1	34.5
1994	44.4	51.8	58.5	33.3	28.5	29.6
1993	41.9	49.7	56.1	30.7	24.7	25.6
1992	41.0	48.4	56.3	32.0	22.5	23.9
1991	39.6	47.1	54.7	36.7	19.8	22.1
1990	38.9	46.6	53.3	39.7	18.7	21.5
1989	36.1	45.1	50.4	33.0	17.1	20.3
1988	34.2	43.7	51.0	26.9	15.4	17.8
1987	33.2	42.2	53.9	28.3	14.2	16.8
1986	32.1	41.3	56.2	28.7	12.5	15.6
1985	31.9	40.2	54.4	28.7	12.2	14.9
1984	31.3	39.1	53.2	30.9	11.4	14.4
1983	30.3	38.8	53.3	30.9	9.8	13.1
1982	30.6	39.5	53.3	35.0	8.9	12.5
1981	30.1	41.3	51.7	33.5	8.5	13.0
1980	29.4	41.0	51.5	32.3	8.4	12.8
1979	28.5	39.9	48.0	38.2	7.8	13.4
1978	27.4	37.1	45.7	30.1	7.3	11.7
1977	25.6	34.5	42.0	27.3	6.5	10.2
1976	24.0	33.0	41.1	22.2	5.7	9.0
1975	23.3	31.3	40.0	21.9	5.3	7.8
1974	23.0	31.7	37.6	27.8	4.9	8.7
1973	22.4	31.3	34.9	23.1	4.9	8.9
1972	21.2	29.1	32.7	21.1	4.4	7.4
1971	19.8	27.4	30.5	17.6	4.3	7.0
1970	19.0	26.5	28.1	19.0	4.1	6.7

Table B Main Aggregates, 2000 - 2006

Description	2000	2001	2002	2003	2004	2005	2006*
	€ million						
Gross Domestic Product (GDP) at current market prices	104,620	116,939	130,215	139,413	148,502	161,498	174,705
plus Net factor income from the rest of the world	-15,488	-18,975	-23,699	-21,723	-23,215	-25,775	-25,575
Gross National Product (GNP) at current market prices	89,132	97,964	106,515	117,691	125,286	135,723	149,130
EU subsidies	1,634	1,520	1,896	1,839	1,788	2,239	1,778
EU taxes	-633	-632	-374	-406	-324	-432	-421
Gross National Income (GNI) at current market prices	90,134	98,853	108,037	119,123	126,750	137,529	150,487
less provision for depreciation	-10,619	-11,845	-12,994	-14,212	-15,256	-17,424	-18,436
less Non EU taxes	-13,646	-13,829	-15,684	-17,086	-19,325	-21,772	-24,607
plus Non EU subsidies	760	1,039	788	818	768	881	912
Net National Product at factor cost	66,629	74,218	80,148	88,643	92,937	99,214	108,356
Gross national disposable income (GNDI) at current market prices	90,061	98,159	107,219	118,123	125,679	135,988	148,665
Chain linked volume measures referenced to year 2005							
Gross Domestic Product at constant market prices	124,338	131,683	140,150	146,219	152,467	161,498	170,760
Index of GDP at constant market prices	77.0	81.5	86.8	90.5	94.4	100.0	105.7
Gross National Product at constant market prices	110,465	114,853	118,147	124,855	129,423	135,723	144,504
Index of GNP at constant market prices	81.4	84.6	87.1	92.0	95.4	100.0	106.5
Gross National Income at constant market prices	111766	116117	119991	126491	131139	137529	146225
Index of GNI at constant market prices	81.3	84.4	87.2	92.0	95.4	100.0	106.3
Gross national disposable income at constant market prices	113,093	117,893	122,738	127,687	131,427	135,988	141,823
Index of GNDI at constant prices	83.2	86.7	90.3	93.9	96.6	100.0	104.3
Per head of population (€)							
GDP at current market prices	27,608	30,397	33,243	35,037	36,723	39,097	41,205
GNP at current market prices	23,521	25,465	27,193	29,578	30,982	32,857	35,173
GNI at current market prices	23,785	25,696	27,582	29,938	31,344	33,294	35,493
GNDI at current market prices	23,766	25,516	27,373	29,686	31,080	32,921	35,064
Net national product at factor cost	17,582	19,292	20,462	22,278	22,983	24,019	25,557
GDP at constant market prices	32,811	34,230	35,780	36,748	37,704	39,097	40,275
GNP at constant market prices	29,150	29,855	30,163	31,379	32,005	32,857	34,082
GNI at constant market prices	29,494	30,184	30,633	31,790	32,430	33,294	34,488
GNDI at constant market prices	29,844	30,645	31,335	32,090	32,501	32,921	33,450
Per person in employment (€)							
GDP at current market prices #	62,594	67,913	73,822	77,737	80,874	83,712	86,616
GNP at current market prices #	53,328	56,893	60,386	65,624	68,231	70,352	73,936
GNI at current market prices #	53,927	57,409	61,249	66,423	69,029	71,288	74,609
GNDI at current market prices #	53,884	57,006	60,785	65,865	68,445	70,489	73,706
Net national product at factor cost #	39,864	43,102	45,438	49,427	50,614	51,427	53,721
GDP at constant market prices #	74,391	76,476	79,455	81,532	83,034	83,712	84,660
GNP at constant market prices #	66,091	66,701	66,981	69,619	70,484	70,352	71,643
GNI at constant market prices #	66,870	67,435	68,026	70,531	71,418	71,288	72,496
GNDI at constant market prices #	67,664	68,467	69,583	71,199	71,575	70,489	70,314

* Preliminary

Persons in employment on an ILO basis as in the QNHS (March - May) for 2000 to 2006

Table C Annual Percentage Changes in the Main Aggregates, GNP, GDP and GNI Deflators and the Consumer Price Index

Description	2000-2006	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Gross Domestic Product (GDP) at current market prices	8.9	11.8	11.4	7.1	6.5	8.8	8.2
Gross National Product (GNP) at current market prices	9.0	9.9	8.7	10.5	6.5	8.3	9.9
Gross National Income (GNI) at current market prices	8.9	9.7	9.3	10.3	6.4	8.5	9.4
Gross National Disposable Income (GNDI) at current market prices	8.7	9.0	9.2	10.2	6.4	8.2	9.3
Net national product at factor cost	8.4	11.4	8.0	10.6	4.8	6.8	9.2
Chain linked volume measures referenced to year 2005							
Gross Domestic Product at constant market prices	5.4	5.9	6.4	4.3	4.3	5.9	5.7
Gross National Product at constant market prices	4.6	4.0	2.9	5.7	3.7	4.9	6.5
Gross National Income at constant market prices	4.6	3.9	3.3	5.4	3.7	4.9	6.3
Gross National Disposable Income at constant market prices	3.8	4.2	4.1	4.0	2.9	3.5	4.3
GDP deflator	3.3	5.5	4.6	2.6	2.2	2.7	2.3
GNP deflator	4.2	5.7	5.7	4.6	2.7	3.3	3.2
GNI deflator	4.1	5.6	5.8	4.6	2.6	3.5	2.9
GNDI deflator	4.7	4.6	4.9	5.9	3.4	4.6	4.8
Consumer price index	3.6	4.9	4.6	3.5	2.2	2.5	4.0

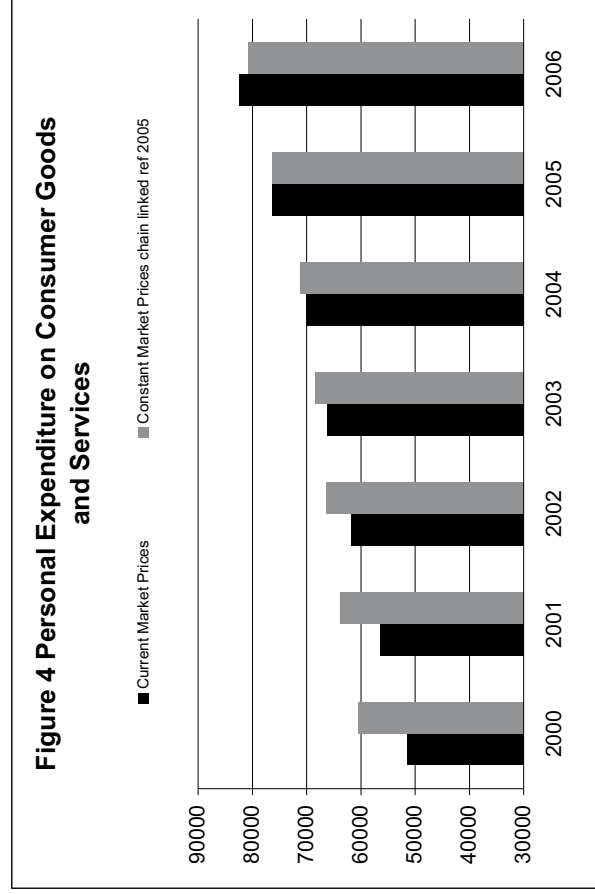
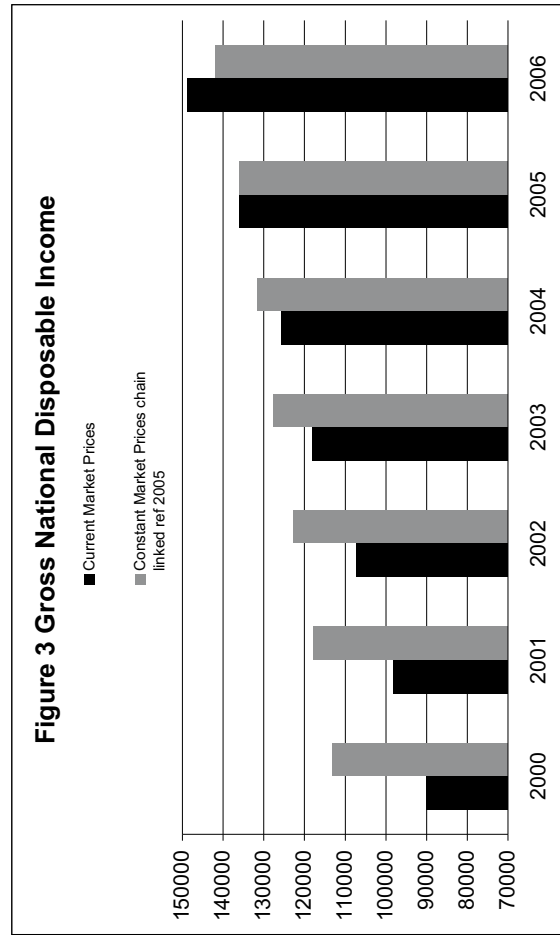
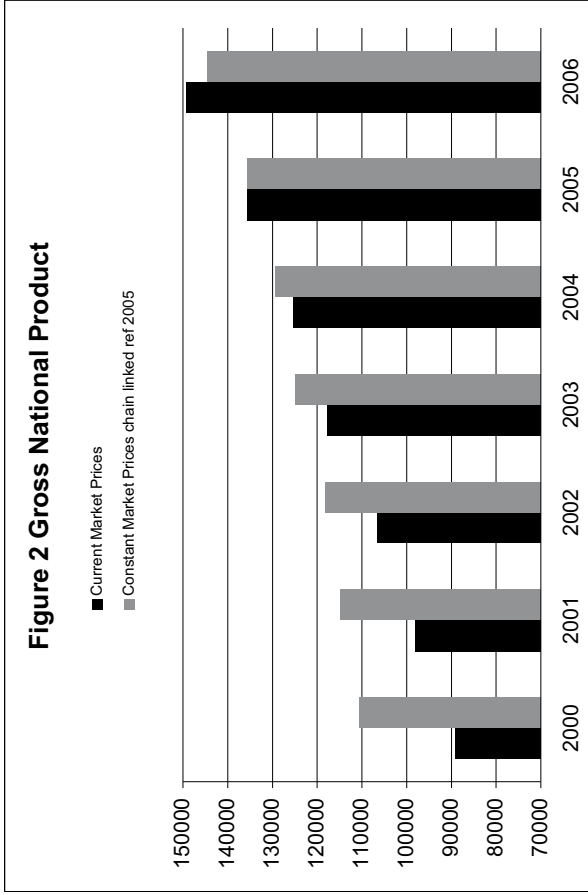
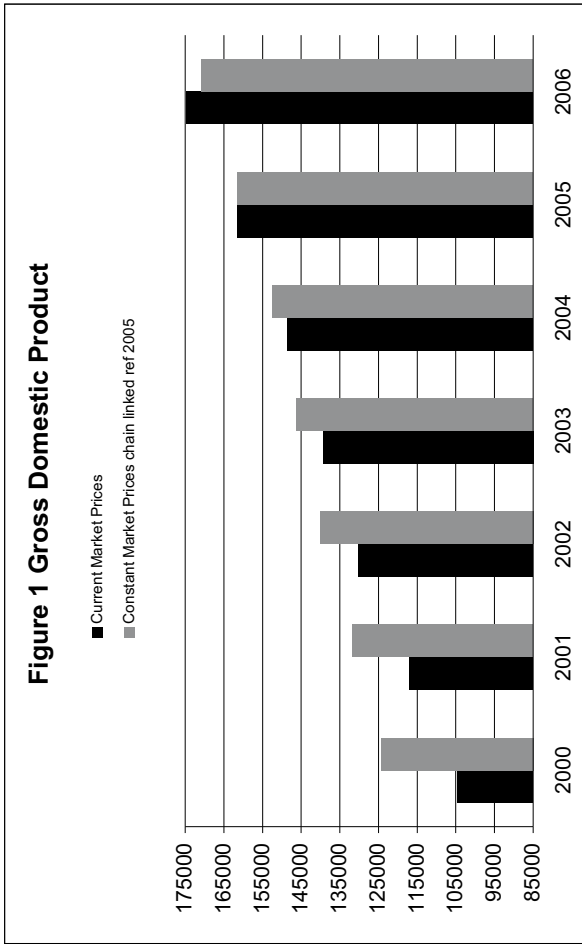


Figure 6 Gross Domestic Physical Capital Formation

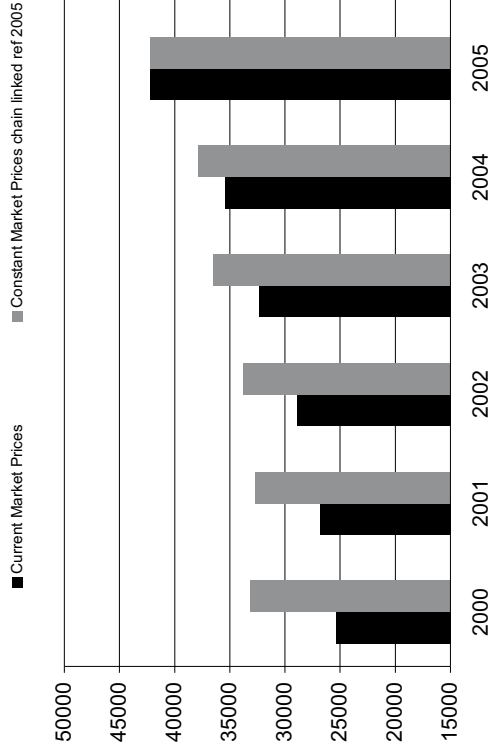


Figure 5 Net Expenditure by Public Authority

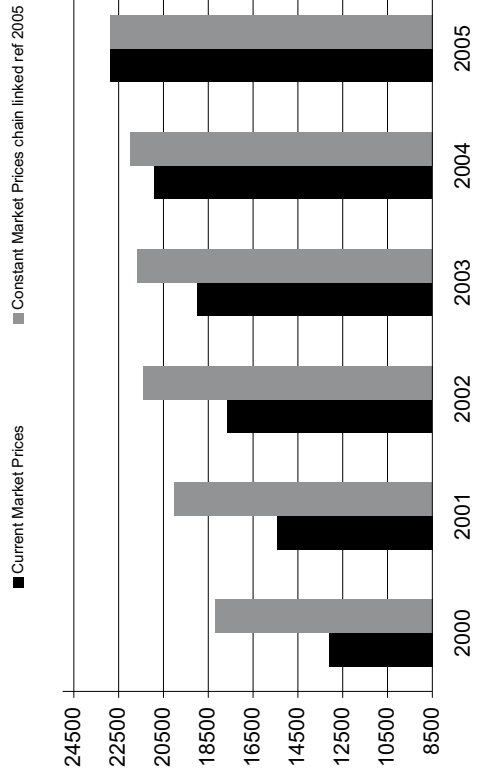


Figure 8 Imports of Goods and Services

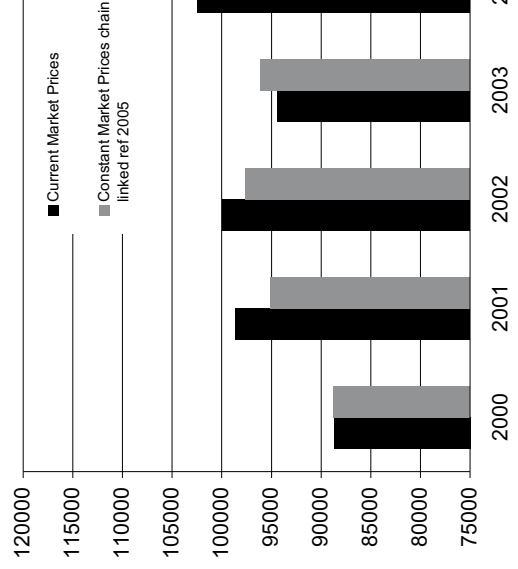
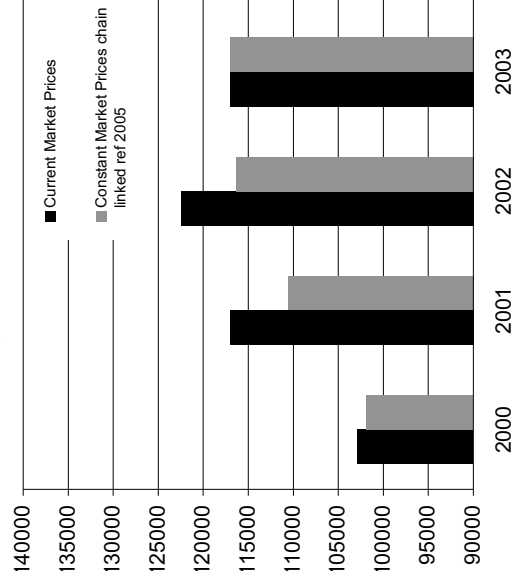


Figure 7 Exports of Goods and Services



DESCRIPTION OF DETAILED TABLES

Except where otherwise indicated the tables in this report relate to current money values and, therefore, the year-to-year changes include an element due to monetary inflation. Certain tables are shown at constant money values and these indicate the "real" (or "volume" or "quantum") changes in the various entities from year to year.

The tables have all been computer generated from approximately 500 base headings. As a result, in the tables, the totals may differ from the sum of components due to rounding.

Net National Product at Factor Cost classified by Type of Income (Table 1)

The estimated earnings of the different factors of production are given in Table 1 distinguishing (i) income from agriculture, forestry and fishing, (ii) all other domestic income and (iii) income from the rest of the world.

Table 1.1 shows the annual percentage changes in the main items of Table 1.

National and Domestic Product classified by Sector of Origin at Current Prices (Tables 2 & 3)

Table 2 shows net domestic product originating in each sector, distinguishing agriculture, forestry and fishing, industry, building and construction, distribution, transport and communication, public administration and defence and other services sectors. The contribution of each domestic sector is divided into *remuneration of employees* and *other* (i.e. net profits and self employed income). Figures for adjustment for stock appreciation and for depreciation of assets are shown separately for the relevant sectors. When these figures are added to those for net value added in each sector, the gross value added at factor cost in each sector, after adjustment for stock appreciation, is derived. These figures are shown in Table 3. By adding taxes on expenditure net of subsidies to the gross value added at factor cost the gross domestic product at market prices is derived. Net factor income from the rest of the world is then added to arrive at gross national product at market prices.

Gross National Product classified by Sector of Origin at Constant Prices (Table 4)

Table 4 contains estimates of the gross national product at constant prices sub-divided by branch of activity. It contains estimates of the contribution of certain industrial sectors which are more than 90% foreign owned. The estimates have been made by adding together the contributions to the gross value added at factor cost, valued at previous year's prices, of the different branches, adjusting from factor cost to market prices by adding taxes on expenditure and subtracting subsidies - both valued at previous year's rates - and then adding net factor income from the rest of the world. The purpose of valuation at constant prices is to derive a series of figures which reflect volume or *real* changes only as distinct from current prices figures which reflect both volume and price changes. A number of conceptual problems occur in attempting to measure the contribution, at constant prices, of each sector to the gross national product and some of these difficulties are referred to in Appendix 1.

The difference between the annual percentage changes in gross domestic product and gross national product at constant market prices are due to the changes in the rate of growth of net factor income from the rest of the world.

Table 4.1 shows the annual percentage changes in gross national product at constant prices by sector of origin.

The results obtained by using the sector output method for compiling constant price estimates of gross national product are somewhat different from those derived by using the expenditure method. The average of the two sets of figures is the official level of gross national product and this gives rise to a *Statistical discrepancy* item which is displayed in Tables 4 and 6 for the year 2005 and 2006. This is the adjustment required to achieve convergence of the two estimates. For both the expenditure and output methods, it should be borne in mind that, GDP and other aggregates can not be derived as the sum of the components in years prior to 2005. This is because GDP and the components are based to the previous year in each of those years and the components and the aggregates (such as GDP) are independently chain linked (to 2005) in accordance with international practise. Additivity (i.e. the sum of the chain linked components being equal to the chain linked aggregate) is lost in this process. Thus there is a difference between the sum of the

chain linked components and the chain linked aggregates in those years which is not solely due to the aggregate being the average of the expenditure and output method but also due to the chain linking system itself.

Expenditure on Gross National Product - Current Market Prices (Table 5)

Table 5 shows the expenditure on the gross national product analysed by categories of expenditure. Table 5.1 shows the percentage changes over the period shown.

Expenditure on Gross Domestic Product - Constant Market Prices (Table 6)

In order to compile figures for the gross domestic product at constant market prices the estimates of the expenditure on the gross domestic product can be revalued at the prices of the previous year and chain linked to a reference year. This is done by revaluing constituents of expenditure at previous year's prices or by deflating current price expenditures by a suitable price index. The resulting total for gross domestic product at previous year's market prices is, therefore, a measure of the volume of output of goods and services originating in the national economy which can be compared with the output of the economy in the previous year without being affected by price change. However the official GDP volume measure as shown in all tables is derived as an average of the income measure and expenditure measure (see notes on Table 4) The resulting volume changes are then linked to a reference year which in this publication is 2005.

Table 6 shows gross domestic product, valued in this way, and linked to 2005. The annual percentage changes in the different categories of expenditure are shown in Table 6.1. Table 6.2 shows corresponding index numbers referenced to 2005 = 100. The index numbers of gross domestic product at constant market prices arrived at in this way provide a measure of year-to-year changes in the total output of goods and services of the national economy. It does not, however, give a reliable indication of changes from year to year in the volume of goods and services available to the community arising from current production as it does not take into account the effect of changing terms of trade on this volume of goods and services. To allow for changes in the terms of trade, a further adjustment must be made and the last row of Table 6.2 shows index numbers of the volume of gross national product referenced to 2005 and adjusted to take account of changes in the terms of trade.

Gross National Disposable Income at Current Prices (Table 7)

In Table 7 the relationship between gross national product and gross national disposable income is shown and also the use of gross national disposable income for consumption expenditure and savings. Gross national disposable income represents the income available for consumption expenditure and savings by adding net receipts of current international transfers to national product. Table 7.1 shows the annual percentage changes in gross national disposable income and its use.

Gross National Disposable Income at Constant Market Prices, adjusted for Terms of Trade (Table 8)

Table 8 shows the derivation of real Gross National Disposable Income adjusted for terms of trade.

In order to trace the development of real income (or income at constant prices) available for consumption or saving it is useful to express national disposable income at constant prices by deflating net receipts of current international transfers. To take full account of the changes in the volume of goods and services available to the community the adjustment for terms of trade previously outlined in relation to Table 6.2 should also be incorporated.

Following the convention used for deflation of net factor income from abroad (Appendix 1) the implied price index of the imports of goods and services is used to deflate net current international transfers if they are positive while the corresponding export index is used if they are negative.

Personal Income and Expenditure (Table 9)

Table 9 shows the relationships between Personal Income, Private Income and Net National Product. Personal Income is the income accruing to households and private non-profit institutions. Personal savings is estimated residually by subtracting total personal expenditure including taxes on personal income and wealth.

