



An Phríomh-Oifig Staidrimh
Central Statistics Office

information notice

Moving to a Transfer of Economic Ownership Basis for Trade in Aircraft

Background

In 2010, amendments to Eurostat legislation governing International Trade in Goods¹ incorporated the “economic ownership” concept for trade in aircraft, aligning their treatment in goods statistics with the concepts for transfer of ownership set out in the standards for National Accounts². Under the amended legislation, trade in aircraft must now be recorded when the economic ownership of the aircraft is transferred between an entity established in a compiling Member State and an entity established in another country, regardless of where the aircraft is registered for aviation purposes.

In 2011, a Eurostat task force was established to examine the data collection challenges of the new methodology. The task force made its final recommendations in November 2013 and during 2014 and early 2015, the CSO has worked on the changes to data collection and compilation processes to meet the new requirements. Following the implementation in the recently published May 2015 *Goods Exports and Imports* release, the new basis for recording trade in aircraft has been applied in Ireland’s Quarter 1 2015 National Accounts and Balance of Payments statistics releases published today.

Moving to recording trade in aircraft on a transfer of economic ownership basis has an impact on Ireland’s External Trade, Balance of Payments and National Accounts statistics. In particular, the purchase of aircraft by leasing companies resident in Ireland is recorded as an import in Ireland’s Trade in Goods statistics under the new methodology.

Previous methodology for trade in aircraft

Measurement of trade in aircraft within Trade in Goods statistics was previously based on the movement of aircraft across a country’s frontier. Exports and imports of aircraft were recorded in Ireland’s Trade in Goods Statistics when an aircraft was added to (an import) or removed from (an export) the Irish register of civil aircraft³, with registration or de-registration triggering an enquiry to the owner of the aircraft. Trade in aircraft was similarly included in the National Accounts *Exports and Imports of Goods and Services* and Balance of Payments *Merchandise Trade* on the registration/de-registration basis.

In National Accounts statistics, aircraft are also included as part of Ireland’s capital stock, with imports or exports recorded as movements in *Gross Domestic Fixed Capital Formation*. Under the previous methodology, the net addition for aircraft to *Gross Domestic Fixed Capital Formation* was on the registration/de-registration basis.

Trade in aircraft by Irish resident aircraft leasing companies was not recorded as Irish imports or exports under the previous approach, except in the small number of cases where these aircraft were added to or removed from the national register. Purchases and sales of aircraft by these companies were recorded in the Financial Account of Ireland’s Balance of Payments and Institutional Sector Accounts under *Other Investment* assets, with leasing income recorded as a service under *Operational Leasing* in the Balance of Payments current account.

¹ Article 17 of Commission Regulation (EU) No 96/2010 of 4 February 2010 (Intrastat) and Article 19 of Commission Regulation (EU) No 113/2010 of 9 February 2010 (Extrastat)

² European System of Accounts ESA2010

³ Irish Civil Aircraft Register, <https://www.iaa.ie/index.jsp?p=469&n=471>

Figure 1 shows the increasing trend in net income from operational leasing services.



New methodology for trade in aircraft

Under the transfer of economic ownership methodology, all trade in aircraft by an Irish resident with the rest of the world is recorded as imports and exports of goods – regardless of where the aircraft is registered for aviation purposes. Therefore, an import of an aircraft is when a company buys an aircraft and it appears on their balance sheet as an asset. An aircraft is included in the exports of Goods statistics when it is sold or shown as a disposal in the Balance sheet of the company. There are offsetting effects as both imports and exports of goods increase, but generally, the new methodology has a greater effect on aircraft imports with the inclusion of purchases of aircraft by resident aircraft leasing companies in Ireland's imports of goods.

The main effects on the statistics of the new methodology are typically to:

- add to imports of goods into Ireland, decreasing the Trade in Goods balance;
- decrease the Balance of Payments Current Account balance; and
- increase imports in the National Accounts, with an offsetting increase in Capital Formation.

In addition, the new methodology:

- decreases *Other Investment* assets in the Balance of Payments Financial Account and in Ireland's International Investment Position;
- reduces net lending/borrowing of Non-Financial Corporations in the Institutional Sector Accounts; and
- removes Foreign Aircraft assets from operational leasing companies' Financial balance sheets and adds to their Capital Stock.

Under the new approach, the balance sheets of operational leasing companies who re-locate to Ireland are included in Ireland's Balance Sheet (International Investment Position, Financial Accounts) at the time of re-location and their aircraft fleets are also added to Ireland's capital stock.

In the National Accounts, the net increase to *Imports of Goods and Services* is offset by an increase in Capital Formation and the new methodology has little or no effect generally on GDP and GNP. However, there is a significant increase to the National Accounts *Provision for depreciation* based on the higher capital stock, which results in an offsetting change in the level of *Net Domestic Product*, *Net National Product* and related aggregates.

Transactions previously included in the National Accounts, Balance of Payments and Trade in Goods statistics triggered by aircraft moving on/off the Irish register are not affected by the new methodology. The new methodology has no impact on *Operational Leasing* services in the Balance of Payments Current Account (see Figure 1). Similarly, income in the Balance of Payments Current Account earned by these operational leasing

companies is not affected.

Revisions to data

Revisions back to 2000 for the Trade in Goods, Balance of Payments, International Investment Position and National Accounts series affected by the new methodology are generated for users. As part of the development of the revised series, a review of the non-response and other estimation processes for Trade in Goods statistics was carried out. The revisions arising from the improvements identified for these processes are also included in the revised Trade in Goods, Balance of Payments and National Accounts back series.

Figure 2 shows the effect of the revisions on the trade surplus and the net exports of commodity group SITC 79 (Other transport equipment, including aircraft) as published in the May 2015 *Goods Exports and Imports* release.

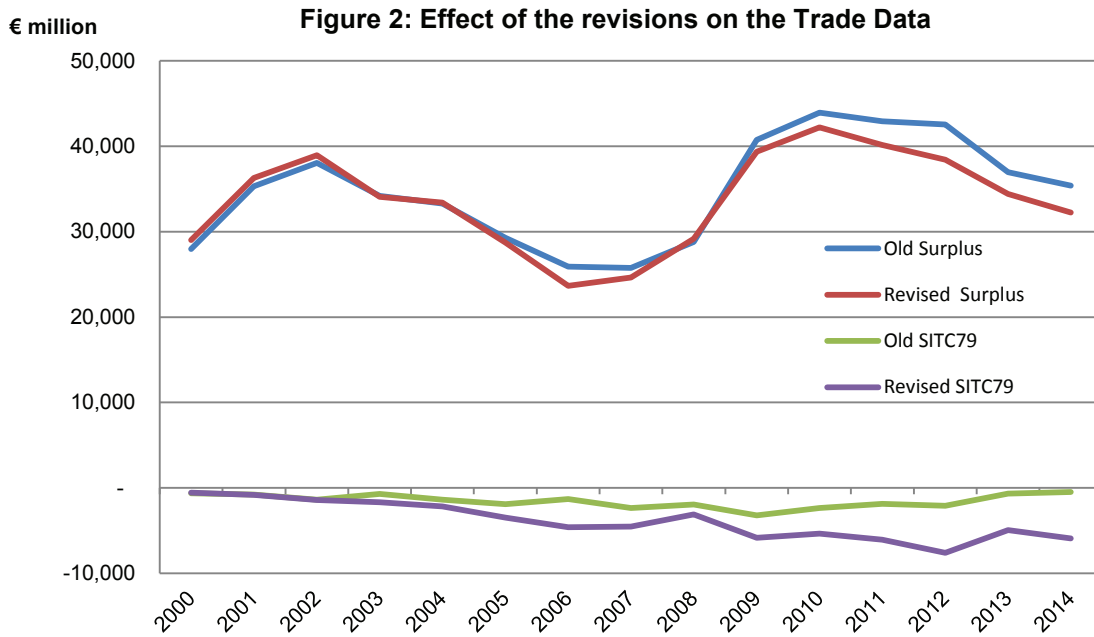


Figure 3 shows the revision to the Current Account balance as shown in the Quarter 1 2015 Balance of Payments release, which includes the effect of the revised Trade data.

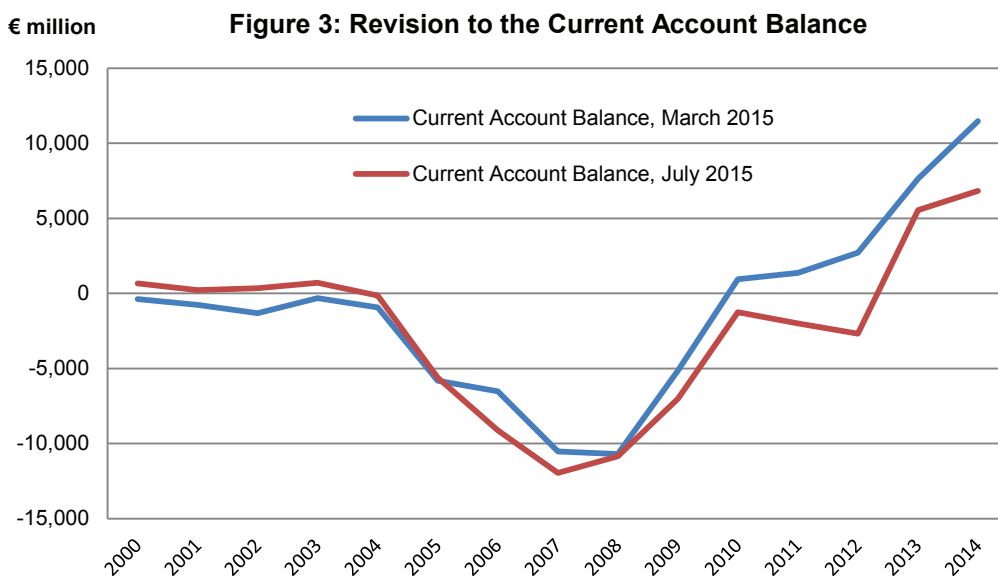
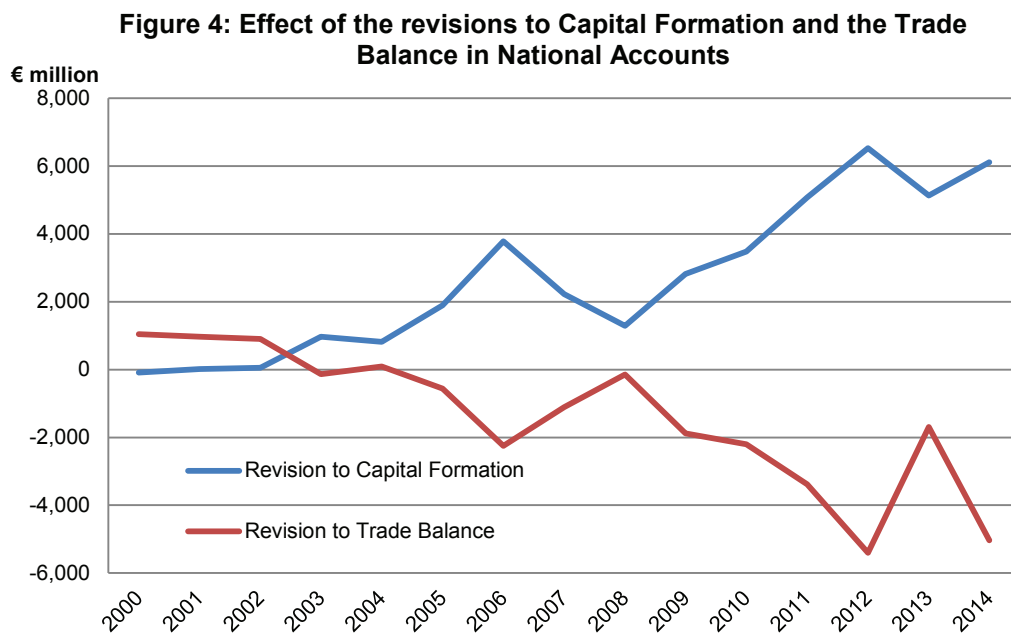


Figure 4 shows the revisions to the National Accounts Trade Balance and Capital Formation data. This Figure compares the previously published data with that released in the National Income and Expenditure 2014 publication. The increased imports of aircraft, which reduce the Trade Balance, are offset by increased Capital Formation leaving GDP largely unchanged.



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