



An Phríomh-Oifig Staidrimh
Central Statistics Office

Economic Statistics Review Group Report

February 3, 2017

Briefing on Report and CSO Response



ESRG – Report

- Report welcomed
- 13 recommendations across 5 main themes
 - **Level Indicators**
 - **Structural Indicators**
 - **Cyclical Indicators**
 - **Communications**
 - **Co-operation**
- Focus on insight into domestic economic activity



Implementation

- Multi-year programme to deliver recommendations
 - Short-term (during 2017) and longer-term deliverables
- CSO will take incremental approach – initial development, focusing on annual analyses and then review
- Focus in 2017 will be on:
 - Modified Gross National Income indicator GNI*
 - Large Case vs Other firms view in Sector Accounts
 - Additional detail on intellectual property products (IPP), aircraft leasing & contract manufacturing



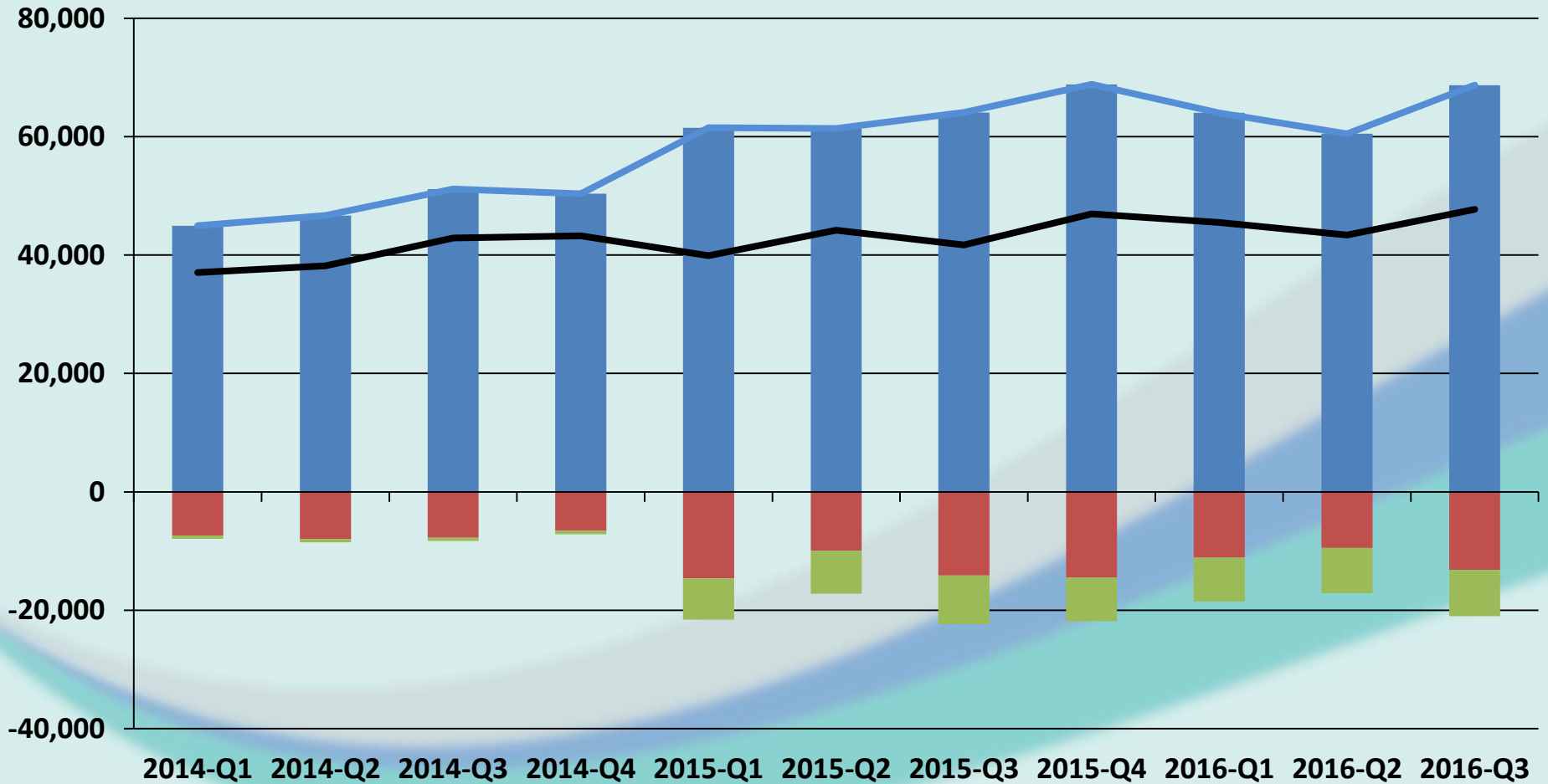
Level Indicator

- Gross National Income* (GNI*)
 - GNI adjusted for retained earnings of re-domiciled firms and depreciation on foreign-owned domestic capital assets
- Modified measure of the size or level of economy
- Additional and useful input to economic modelling and analysis, including use “under the line” for ratio analysis
- Top-down approach to developing GNI*
 - Annual series initially in mid-2017, with focus on re-domiciled firms and depreciation related to intellectual property products
 - Longer-term: quarterly series at current and constant prices



Level Indicator - Illustration

GNI * Proxy: GNI less Depreciation for Large Case firms



■ GDP ■ NFF ■ LCU — GNI* — GDP



Structural Indicators

- Insight into foreign-owned MNE vs Domestic ownership view of the economy
- Initially, CSO to include breakdown of the non-financial sector into Large Case and Other firms in October 2017 annual sector accounts
 - Large Case firms dominate the non-financial MNEs
- Longer-term:
 - Expand the breakdown for foreign-owned MNEs beyond the Large Cases firms
 - Expand the breakdown into other presentations of the national accounts data



Example: Extended Sector Accounts

S11
Non-
Financial
Corporations

S11
Foreign-
owned
MNEs
incl. Large
Case firms

S11
Domestic
incl. Irish
MNEs

S12
Financial
Corporations

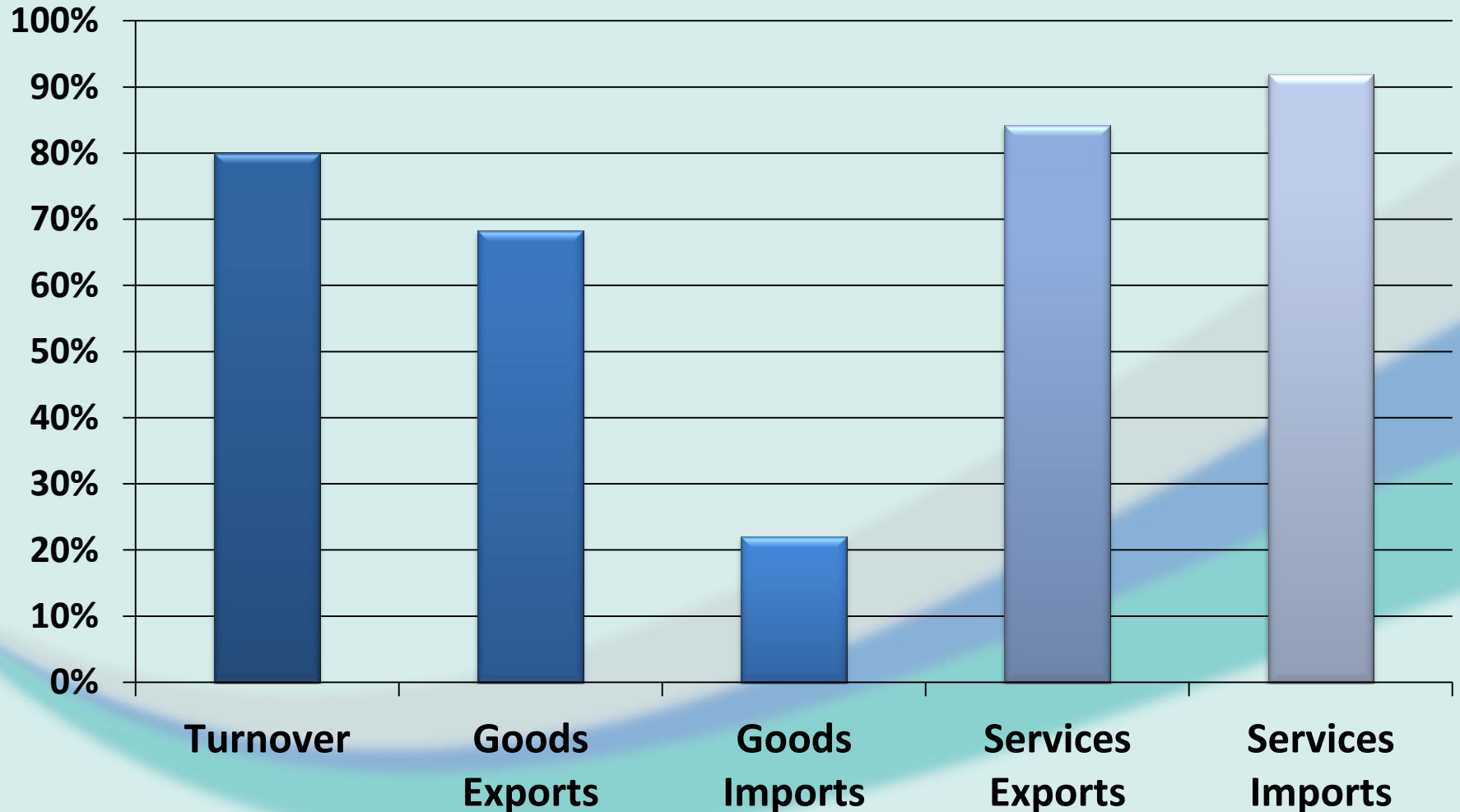
S13
Government

S1M
Households
and NPISH

S2
Rest of
World



MNE & LCU Dominance 2015 Data





Structural Indicators

MNE vs Domestic

- Foreign-owned vs domestic view of economic structure
- Initially use Large Case vs Other firms split
- Ultimately build up from the micro (company) data for all foreign-owned firms

Estimated split of foreign/domestic value added (2014) based on sources of foreign marker

Total Gross Value Added (€bn)	Foreign-owned firms (€bn)	Domestic firms (€bn)	% Foreign-owned
177	42 (Large Case firms)	135	24.0%
177	58 (Large Case + all other firms with foreign marker)	119	32.9%



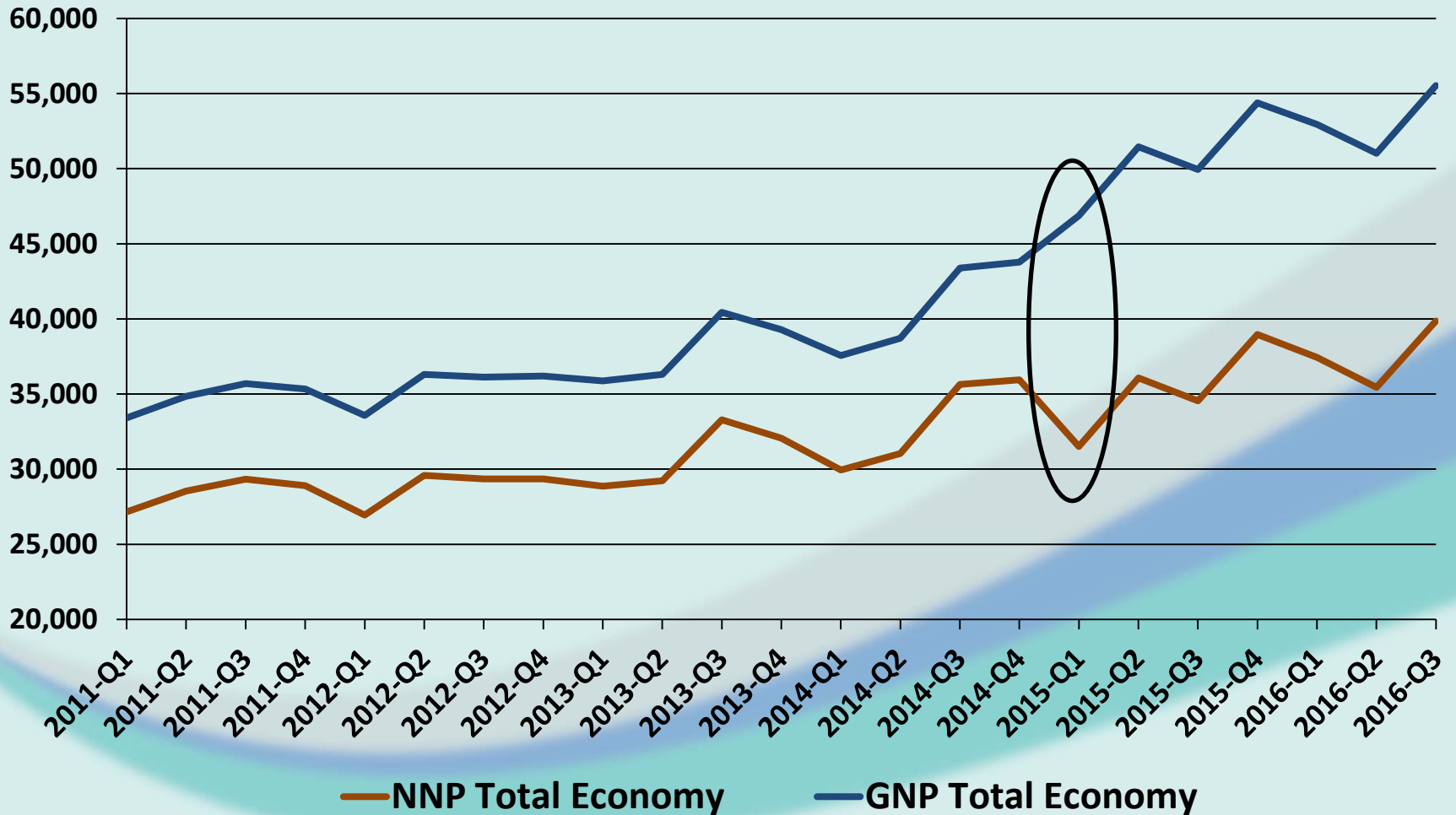
Cyclical Indicators

- Expanded component analysis of Expenditure side of National Accounts
 - Additional detail on globalisation-related activities
- To support development of additional measures of underlying investment, additional detail in mid-2017 on
 - Intellectual property product relocations
 - Aircraft leasing
 - Re-domiciled firms
 - Contract manufacturing in Exports and Imports data
- With the Structural Indicators, will give good information of effect of globalisation on Irish economy
- Longer-term work: annual and quarterly Net National Product (NNP) at current and constant prices



Net National Product

GNP and NNP





Key Messages

- CSO welcomes report and thanks the Chair and members
- Focus of the Group - analyses or indicators that would provide a better understanding of the domestic components of highly globalised Irish economy
- GDP and GNP continue to be the international standard indicators
- GNI* proposed to address the specific nature of the Irish economy
- Additional structural and cyclical measures recommended to give users more broad-based information on the Irish economy
- Implementation will be incremental with some of the new measures available in mid-2017 at time of annual National Income and Expenditure results
- Progress will be kept under review and feedback will be sought from users on developments