Economic Statistics Review
Group Report

February 3, 2017
Briefing on Report and CSO Response

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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

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## 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

<table>
<thead>
<tr>
<th>Total Gross Value Added (€bn)</th>
<th>Foreign-owned firms (€bn)</th>
<th>Domestic firms (€bn)</th>
<th>% Foreign-owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>177</td>
<td>42 (Large Case firms)</td>
<td>135</td>
<td>24.0%</td>
</tr>
<tr>
<td>177</td>
<td>58 (Large Case + all other firms with foreign marker)</td>
<td>119</td>
<td>32.9%</td>
</tr>
</tbody>
</table>
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

NNP Total Economy
GDP Total Economy

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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