Measurement of Globalization in Economic Statistics
Ireland’s Experience

ISWGNA
Tuesday 7 March
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Results 2015

Year-on-Year Growth Rates

GDP  + 26.3% (+7.8%)
GNP  + 18.7% (+5.7%)

Previous provisional estimate in brackets

Annual GDP & GNP Constant Prices 2006 - 2015

www.cso.ie
Some details

• Figures based on hard data from respondents
• Important role of CSO’s Large Cases Unit (LCU) – quality and consistency across macro and business statistics
• Changes driven by globalisation activities
• Ongoing trend – but scale was different
• Significantly - a small number of entities involved
• Figures compiled in compliance with ESA 2010
• Figures have been verified by Eurostat
Globalisation Measurement Challenges

• Centre of economic interest (resident units)
  – Headquartering: re-domiciled firms & corporate inversions
  – Relocation of assets, particularly intellectual property (IP)

• Change of economic ownership
  – Contract Manufacturing, significant MNE activity, but also carried out by domestic firms
  – Aircraft leasing
ESRG established by CSO

High-level cross-sector consultative group established

- Philip Lane (Chair) - Governor of the Central Bank Of Ireland
- Alan Barrett - Director of the Economic and Social Research Institute (ESRI)
- Seamus Coffey - University College Cork
- Thomas Conefrey - Economist with the Irish Fiscal Advisory Committee (IFAC)
- John Fitzgerald - Trinity College Dublin (TCD) and formerly ESRI
- John McCarthy - Chief Economist Department of Finance
- Dan O'Brien - Chief Economist at the Institute of International and European Affairs in Dublin and a columnist with the Irish Independent
- Fergal O'Brien - Chief Economist with IBEC
- Frances Ruane - TCD, ESAC & and formerly Director of the ESRI
- Marie Sherlock - Chief Economist with SIPTU
- Rossa White - Chief Economist with the NTMA
- Jennifer Banim and Michael Connolly (CSO)
- Eurostat and IMF (International observers)
ESRG – Summary of Terms of Reference

• Provide direction to the CSO on how best to meet user needs for greater insight into Irish economic activity

• A focus on measures additional to the CSO’s legal requirement to produce national accounts and balance of payments statistics

• New presentations of existing information to improve understanding

• Recommendations to be feasible, consistent over time, cover short- and long-term initiatives
ESRG – Main findings

• 13 recommendations across 5 main themes
  – **Level Indicators**: modified measure of the size or level of economy to support additional analysis – “denominator issue”
  – **Structural Indicators**: understand the MNE vs Domestic structure of the economy
  – **Cyclical Indicators**: to provide additional detail on what is happening domestically (focus on expanded component analysis of Expenditure side of National Accounts)
  – **Communications**
  – **Co-operation**

• Focus on insight into domestic activity
Level Indicator - Illustration

GNI * Proxy: GNI less Depreciation for Large Case firms


GDP  NFF  LCU  GNI*  GDP

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Structural Indicators - Illustration

- Foreign-owned vs domestic view of economic structure
- Initially use LCU firms as basis for 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 (LCU firms)</td>
<td>135</td>
<td>24.0%</td>
</tr>
<tr>
<td>177</td>
<td>58 (LCU + all other firms with foreign marker)</td>
<td>119</td>
<td>32.9%</td>
</tr>
</tbody>
</table>
Example: Extended Sector Accounts

- S11 Non-Financial Corporations
  - S11 Foreign MNEs incl. LCU
  - S11 Domestic incl. Irish MNEs
- S12 Financial Corporations
- S13 Government
- S1M Households and NPISH
- S2 Rest of World
Structure and Activity Detail

- Ownership Structure
  - Foreign MNEs
  - Irish MNEs
  - Domestic
- Activities related to globalisation carried out by all structural groups
  - For example, contract manufacturing
- Detail for users is ideally structure by activity
  - Contract manufacturing carried out by foreign MNEs
  - Contract manufacturing carried out by domestic firms
  - Etc.
- Difficult to have detailed data needed
- Confidentiality may limit what can be publish
CSO response

- Report welcomed
- Multi-year programme to deliver recommendations
  - Short-term (during 2017) and longer-term deliverables
- Dependent on resources and availability of data with frequency required
- CSO will take incremental approach – initial development, focusing on annual analyses and then review
- What looks reasonable on paper may not always be feasible in practice
- Other CSO work started / planned on globalisation:
  - Productivity Analysis
  - Micro-to-macro in line with work of Eurostat TF
Take Away Messages

- Value of headline indicators of GDP/GNP/GNI in globalised economies undermined
- Not just an Irish problem
- Access to all relevant data sources at national level a prerequisite
- Users need to be involved in developing the next steps
- Communication is critical and difficult given the complexities involved but we underestimated our leadership role
- Ill-informed commentary over social media difficult to manage and address
- In our case confidentiality hampered communication
  - Case for early alert mechanism between MS (information sharing)
  - Counterpart can be outside EU (global problem)