Irish National Accounts & Balance of Payments
2015 Results

UN EG Economic Globalization and Intl Trade
November 2016

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Context

• National Accounts and Balance of Payments 2015 results published in July

• Provide a clear but dramatic picture of the scale and complexity of globalisation activities in Ireland

• Results driven by the relocation of entire balance sheets dominated by Intellectual Property (IP) in Ireland
  – Co-location of IP with manufacturing / service operation growing MNE practice
  – Addition of €300bn of relocated IP to Capital Stocks impacted depreciation estimates
  – Relocations also brought associated contract manufacturing activity into Irish results

• Results based on hard data provided to CSO’s Large Cases Unit by respondents
  – LCU has access to a broad range of data sources (BOP, Trade, Business Statistics data, Corporation Tax data) and conflicts the data to ensure consistency of results
  – LCU engagement with respondents and access to broad range of data maximises CSO’s ability to understand a very complex economy
MNE Dominance - LCU Data 2015

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Communication challenges

- Balancing core principles of Confidentiality & Accessibility - difficult
- Ability to compile Official Statistics is based on the extent to which individuals and companies trust the CSO with sensitive information
- Can’t divulge any information that would identify a company in explaining the drivers behind the changes
- Implications
  - Limited in our ability to fully explain the rationale for the revisions
  - Obliged to suppress certain details
- Critical for users of the Irish statistics - insight into domestic economic activity
- High-level, cross-sector group chaired by Central Bank of Ireland Governor to report to DG in December on how best to meet user needs on domestic activity
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

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Balance Sheet Impact
Impact on Capital Stocks
(Incl. transactions and reclassifications)
Balance Sheet Impact – Intl Accounts

Revisions to Ireland’s Net International Investment Position

€million


-600,000 -500,000 -400,000 -300,000 -200,000 -100,000 0

Net IIP, March 2016

Net IIP, July 2016
Impact of Increases in Stock of Capital Assets

- Increased Capital Assets
- Increased Production of Goods and Services
- Increased Exports
- Increased Depreciation
- Increased Profits
Annual Sector Growth by Share of GDP and Growth Rate - 2015

- Industry: +97.8%
- Agriculture: +10.4%
- Construction: +7.1%
- Dist. Transport, Software & Comms: +7.7%
- Other Services: +5.8%
- Public Admin: +5.7%
Change to Value added of Industry

• Production generally abroad for these entities – contract manufacturing arrangements

• Economic ownership remaining with Irish entities
  – ownership of Intellectual Property
  – controlling production and distribution chains and sale to third parties / affiliates
Trend in Net Exports 2010 = 100 v's Total Exports and Imports

2010 = 100

Exports  Imports  Net Exp  TDD

- 2010
- 2011
- 2012
- 2013
- 2014
- 2015

€ billion

2010 = 100

- 2010
- 2011
- 2012
- 2013
- 2014
- 2015

TDD
Impact of relocations GDP to GNI transition

- MNE Profits - calculated after depreciation
- Significant impact on profits of additional depreciation due to increased capital assets

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP</th>
<th>BOP Profit Outflows</th>
<th>GNI</th>
<th>Depreciation</th>
<th>NNI</th>
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<tbody>
<tr>
<td>2014</td>
<td>193,160</td>
<td>29,715</td>
<td>161,759</td>
<td>30,891</td>
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<td>2015</td>
<td>255,815</td>
<td>53,173</td>
<td>200,762</td>
<td>61,558</td>
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<td>Diff</td>
<td>62,655</td>
<td>23,458</td>
<td>39,003</td>
<td>30,667</td>
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<tr>
<td>Change</td>
<td>32.4%</td>
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<td>24.1%</td>
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<td>6.4%</td>
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</tbody>
</table>
Contribution of Domestic Demand and Net Exports to Annual GDP
Trend in Irish and EU Household Savings

- GDI
- PCE
- Saving Ratio
- EU Saving Ratio

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Since July

• Extensive contact with Eurostat on National Accounts, BOP and Industrial Production Index results
• GNI Mission visit August 30th to verify revisions
  – Very productive meeting & results verified
  – Reported to the GNI Committee in October
• CSO presentations at National Accounts WG & BOP WG
• Extensive contact with IMF, OECD, and ECB as well as with national users
• For insight into domestic economy pointing national users to
  – indicators such as Retail Sales, Employment, Vehicle Registrations
  – indicators of domestic activity within National Accounts framework such as Personal Consumption and Expenditure, Household Sector, NDP & NNI
• Published results on economic activity (Value Added) for sectors dominated by foreign-owned MNE’s
In conclusion

• Results are compiled in accordance with required regulations and standards

• GDP is still relevant and meaningful and does tell a story

• But for increasingly complex economies - a single indicator can no longer tell the full story

• Work needed to provide insight on the domestic story – including work in domain of business statistics e.g. effect of globalisation on Industrial Production Index

• National and international implications of the results – significant

• More globalisation events of this nature - possible