



An Phríomh-Oifig Staidrimh
Central Statistics Office

Measurement of Globalization in Economic Statistics Ireland's Experience

ISWGNA

Tuesday 7 March

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Results 2015

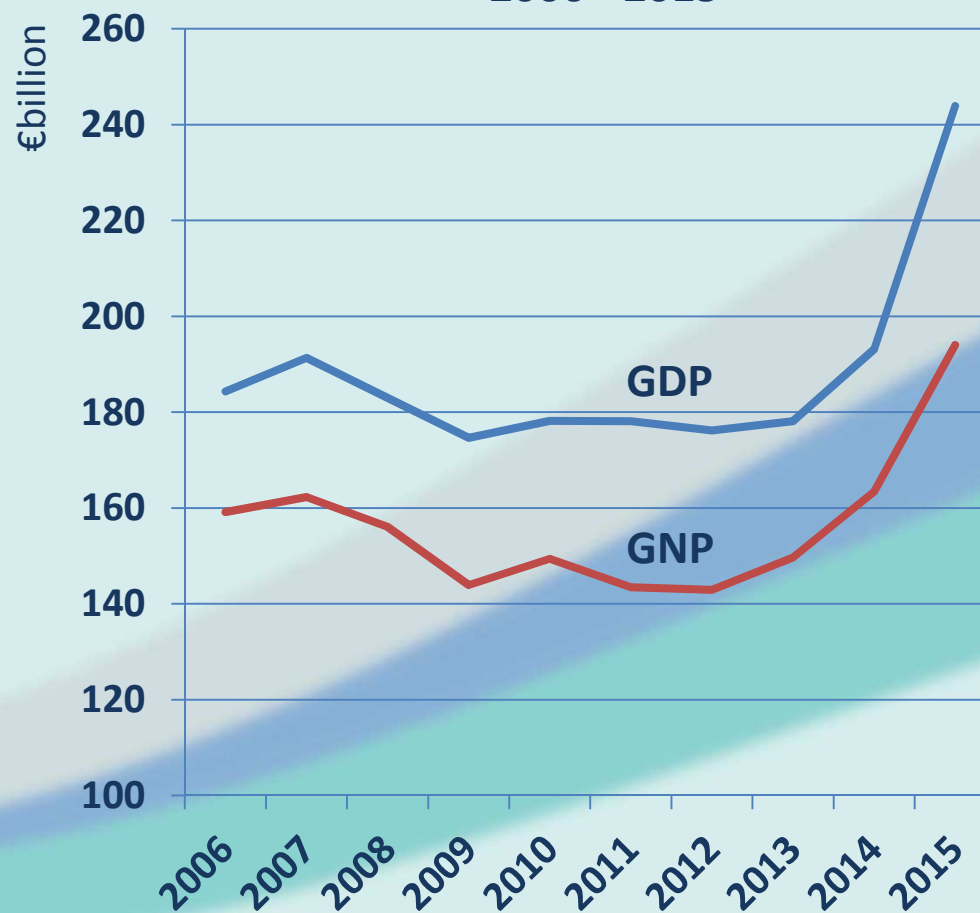
Year-on-Year Growth Rates

GDP + 26.3% (+7.8%)

GNP + 18.7% (+5.7%)

*Previous provisional
estimate in brackets*

Annual GDP & GNP Constant Prices
2006 - 2015





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

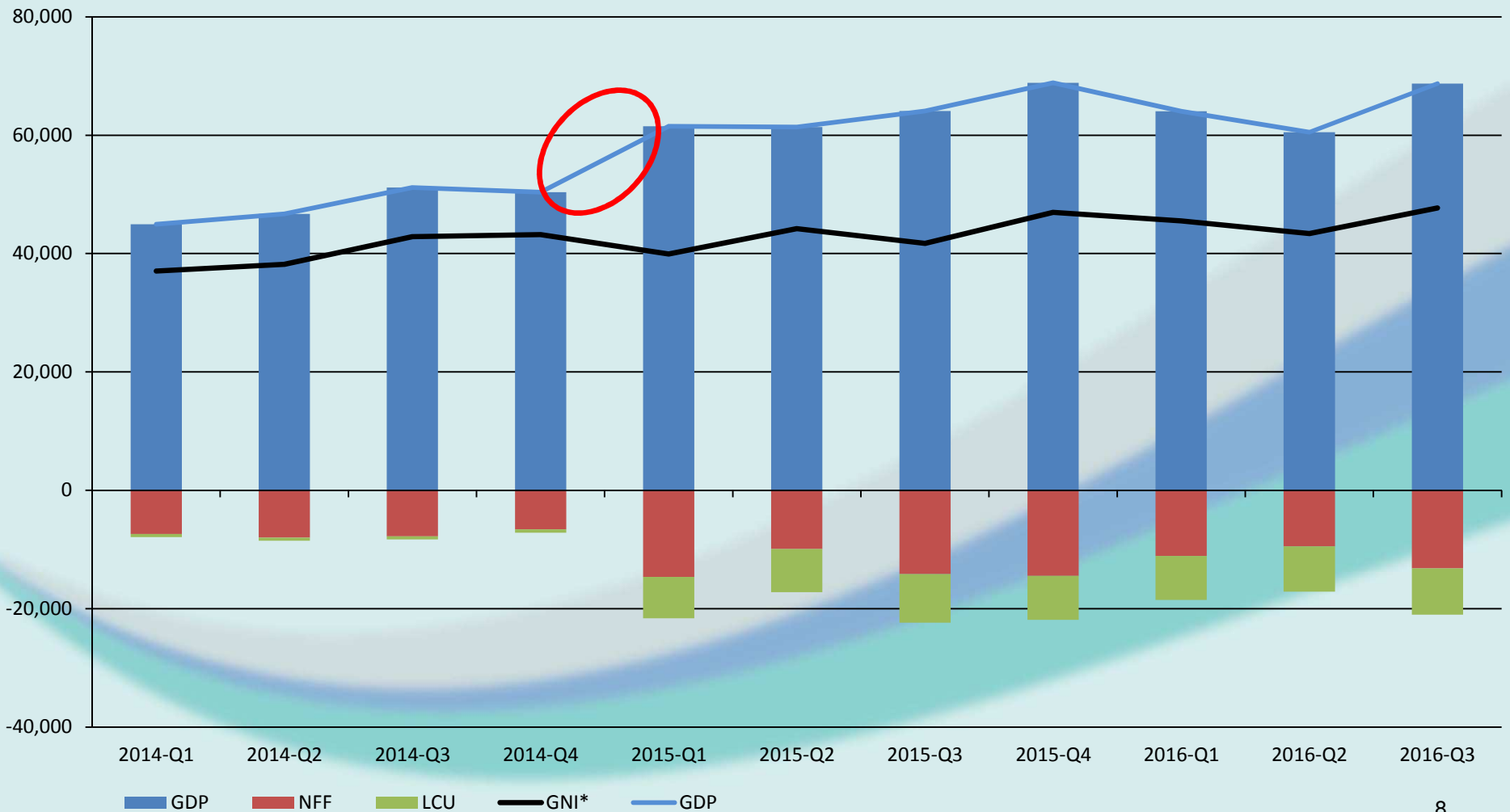
- 13 recommendations across 5 main themes
 - **Level Indicators:** modified measure of the size or level of economy to support additional analysis – “denominator issue”
 - **Structural Indicators:** understand the MNE vs Domestic structure of the economy
 - **Cyclical Indicators:** to provide additional 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



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Level Indicator - Illustration

GNI * Proxy: GNI less Depreciation for Large Case firms





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

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



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 pre-requisite
- 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)

