Understanding our regional economies: what can regional accounts tell us?

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Western Development Commission (WDC)

- 7 county Western Region
- State body – Department of Rural & Community Development
- WDC Act 1998
  ‘...foster and promote the economic and social development of the Western Region’
Understanding our regional economies: what can regional accounts tell us?

- Why GDP and regional accounts?
- Some of the issues with using it
- 2015 and the Hidden leprechauns
- How are regions doing?
- Sectors in regional economies
- How do we compare with the EU
- Issues for the future
What's in the Regional Accounts?

- Publication is “County Incomes and Regional GDP”
- Published annually but with a time lag (2015 data published in February 2018)
  - Provisional figures available (2016)
- County income data- which is main focus of publication
- Regional accounts data:
  - GVA and GDP
  - Regional Sectors and branches
  - EU and State comparisons
GDP vs GVA - definitions and differences

- GDP and GVA are the same concept
- GDP is Gross Domestic Product, GVA is Gross Value Added
- Publication refers to GDP but most figures are for GVA
- Both measure the final value of the goods and services (or part thereof) which are produced within a region or country.
- GDP is valued at market prices and hence includes taxes charged and excludes the value of subsidies provided.
- GVA is at basic prices and excludes product taxes and includes product subsidies.
- Data for these collected using two methods. Most regional data based on income method
Why is GDP an important measure?

- In international comparative statistics, GDP is itself an important measure of economic development and growth.
- It is also used as a denominator, in deficit and debt ratios (e.g., debt to GDP ratio).
- Shorthand measure of material well-being or purchasing power of a country used in other areas (e.g., health comparisons).
GDP/GVA- what they can say about regions- some points to note

- GVA includes the total profits of companies. Company profits arising in the State, which accrue to non-residents, are considerable.
- The workforce that produces the GVA in a region may not live there and GVA per capita is based on where GVA is produced.
- Workers may bring their incomes home to a neighbouring region in which they will be included in household incomes.
- Personal income includes items reflects levels of tax and social welfare benefits so there is less variation among regions in income data.
The GDP problem

- It is a single measure - a useful measure - but it doesn’t tell us everything.
- Commuting issue - for per capita GVA
- Only includes traded/market work, no value for externalities
- The modern economy and changes to accounting methods
- Finally... there were pots of gold and leprechauns in the data
The Leprechaun - a 2015 story
The Tweet

Paul Krugman
@paulkrugman

Leprechaun economics: Ireland reports 26 percent growth! But it doesn't make sense. Why are these in GDP?

- In 2015 real Irish GDP grew by 26.3% from 2014 (32.4% in current prices)
- GVA grew by 37.1%
How did the leprechaun issue impact on regional accounts?

- The exceptional growth GDP is played out at a regional levels and is evident in the regional GDP and GVA data.
- Because of the significant impact of a few businesses in some figures, for reason of confidentiality the CSO has not published GVA data at regional level for Dublin or for the South West.
- This is problematic for those seeking to understand the economies of these regions and for those of us interested in comparing regional economic activity.
- For regions, measures of progress and disparity and measures of how well they are doing, whether they are catching up or falling behind are all key issues considered using GVA data.
Points to note

- Data for the South West and Dublin Regions is not available for 2015 and 2016.
- Have combined the data to give ‘Dublin and South West’ to give an indication of their trends.
- In regional GVA the Mid East often combined with Dublin as much of the GVA in the Dublin region is produced by commuters from the Mid East (and other regions) but GVA per person for the Dublin region does not reflect this.
- However, as data for the Dublin region is not available Mid East data is included here.
Which regions are most affected by the 2015 level shift?

Increase in GVA in NUTS 3 regions between 2014 and 2015

- Dublin and South West: 46%
- State: 37%
- Mid East: 32%
- Mid West: 30%
- South East: 30%
- West: 10%
- Midland: 17%
- Border: 6%
Regions contribution to GVA

Regional contribution to Ireland’s GVA in 2015

- Border: 4%
- Midland: 3%
- West: 5%
- Mid East: 8%
- Mid West: 6%
- South East: 7%
- Dublin plus South West: 67%
Contribution from regions to the national economy over time

Percentage of National GVA from Regions 2000-2015
Regional GVA per person at Basic Prices, 2007 to 2016
Disparities within the State- Index of GVA per person for NUTS 3 Regions, 2007-2016, State=100
GVA per person in Regions

Gross Value Added (GVA) per person at Basic Prices (Euro) by NUTS2 Region and Year (2000 to 2015)

- Border, Midland and Western
- Southern and Eastern

WDC Insights providing insights on key issues for the Western Region of Ireland
 Regional GVA per person at Basic Prices, 2014 and 2015
Index of GVA for BMW and S&E regions (NUTS 2), 2007-2016, EU28=100
Index of GVA for NUTS 3 regions, 2007-2016, EU28=100
Regional Sectoral data (GVA by sector)

- First published in 2017 (for 2014 data)
- Economy divided into 10 sectors (Nace A10)
- Data collected by the expenditure method (some regional figures differ from other GVA data)
- Perhaps should be regarded as estimates?
- Very useful data and looking at relativities and changes over time will be very important
Manufacturing change 2014-2015

Increase in GVA in the Manufacturing Sector in NUTS 3 regions between 2014 and 2015
Regional contribution to Manufacturing GVA in 2015

- Dublin and South West: 73%
- South East: 5%
- Mid West: 6%
- West: 6%
- Mid East: 7%
- Midland: 6%
- Border: 2%
- Other: 1%
Sectors contribution to BMW and S&E GVA

Border, Midland & Western:
- 24% Industry less manufacturing
- 28% Construction
- 10% Financial and insurance activities
- 6% Wholesale and retail trade etc
- 5% Professional, scientific and technical activities etc
- 5% Real estate activities
- 3% Manufacturing
- 13% Information and communication
- 10% Public administration and defence etc
- 10% Arts, entertainment and recreation etc
- 2% Agriculture forestry and fishing
- 2%

Southern & Eastern:
- 38% Manufacturing
- 10% Financial and insurance activities
- 11% Construction
- 7% Wholesale and retail trade etc
- 5% Professional, scientific and technical activities etc
- 2% Real estate activities
- 1% Agriculture forestry and fishing
- 1%
Regional GVA by branch

GVA in Border Midland and West regions by branch, 2015

- Border
- Midland
- West

- Agriculture, Forestry and Fishing
- Manufacturing, Building and Construction
- Market and Non Market Services
GVA changes by branch

Changes in regional GVA by branch between 2014 and 2015
Nationally, other indicators (including GNI*, Modified Domestic Demand and a Modified Current account (CA*)) have been developed to help improve our understanding of growth and change in the domestic economy.

It is to be hoped that consideration will be given to producing other regional economic indicators (such as a regional GNI*) which could add to our understanding of changing regional economies.

But looking beyond national accounts other data also shows the picture.
Other options for measuring regional progress

- Income, Wealth and Consumption data and trends give a better picture - including household disposable income.

- Also consider Employment and enterprise activity, consumer credit and debt levels, household expenses?

- Unfortunately regional data is weak.
- GVA is essential regional data, despite its limitations.
Final Thoughts/ issues for the future

- Concentration of high value added activity in certain regions
  - Trend towards widening disparities in regional GDP
  - Higher value jobs have higher earning (and spending) workers—greater multiplier effect
  - Influence of urban centres and the location of high value jobs?
- NUTS 2 changes from 2018
- What goes up can come down
- Alternatives to GVA/GDP
Thank You

Q&A

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