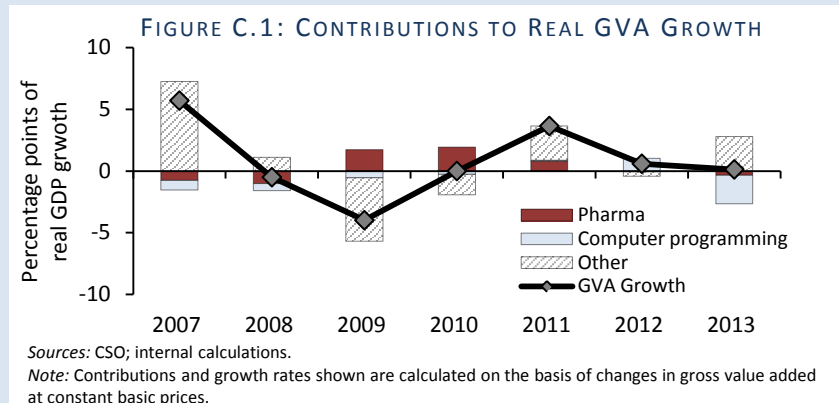


BOX C: WEAKNESSES IN 2013 REAL GDP

New data from the CSO indicate that the overall weakness of real GDP in 2013 was due to developments in the multinational-dominated sectors.²⁶ Domestically-oriented sectors of the economy appear to have performed strongly in 2013. ‘Computer programming’ and ‘pharma’ activities exerted a combined drag on the volume of output last year of the order of 2½ percentage points.²⁷ The vast bulk of this related to a contraction in computer programming, though estimates for the latter could be subject to revision. Looking at Gross Value Added (GVA) rather than GDP (Figure C.1), we can see that a large negative contribution from the computer programming sector offset much of the improvement in other sectors last year.²⁸



The weaknesses in 2013 real GDP growth appear to stem from Information Communication Technology (ICT)-related sectors rather than weaknesses related to the patent cliff as had been expected prior to the October NIE release. Two factors are relevant in this context: first, on the basis of current data – which may be revised – the pharma sector does not show as substantial a contraction in output volumes as had been expected.²⁹ Second, imports of a relatively larger number of patents among ICT sectors were recorded in 2013. This resulted in a large reduction in gross value added in the sector by raising intermediate consumption. The increase in the latter largely related to substantial rises in offsetting imports of royalties.³⁰

2.3 RISKS

The substance of the *Budget 2015* discussion of risks is relatively unchanged from that presented in *SPU 2014*. In a written response to the concerns raised in the previous *FAR*, the Minister for Finance noted that “...a statement on the overall balance of risks can be provided in future”. The

²⁶ The new release published on 16 October provides data on Gross Value Added for Foreign-owned Multinational Enterprises and Other Sectors of the economy.

²⁷ The ‘computer programming’ sector is a broad sector comprising computer programming, consultancy and related activities as well as information service activities (NACE codes 62-63). Pharmaceuticals here specifically refer to basic pharmaceutical products and pharmaceutical preparations (NACE 21).

²⁸ A further breakdown from the CSO in the new ‘Gross Value Added for Foreign Multinational Enterprises and Other Sectors Annual Results’ release suggests this dynamic corresponds to a similar dynamic in the domestic/foreign split of GVA. In effect, the data show that a large positive contribution from more domestically-oriented sectors to GVA growth last year was offset by a contraction in sectors dominated by foreign-owned multinationals.

²⁹ This may be revised with the 2014 NIE release as annual Revenue data for 2013 become available.

³⁰ Note that while the fall in volume was substantial (-57 per cent), this was more than offset by an implied improvement in output prices compared to intermediation consumption prices. The relative price improvement was large enough to mean that the overall *value* of the sector actually expanded by some 20 per cent.