

## **GNI notified to Eurostat on 2017-09-22**

On September 22, Insee notified the estimations of Gross national income (GNI) to European Commission for 2016 and previous years.

Level of GNI is close to that of Gross domestic product (GDP), but this aggregate is conceptually different. GDP measures the income created by all economic resident activities during a given period (year or quarter). This income benefits *in fine* mostly to agents resident on French territory, but sometimes also to agents resident in a foreign country when they work in France (border workers) or own shares in corporations acting on the French territory. GNI measures the total income received by agents resident on the French territory. GNI is obtained from GDP by adding flows of income received from abroad (activity income, property income, subsidies minus taxes on production) and subtracting flows of income paid abroad.

For 2016, GDP published by Insee is estimated at €2,228.9 billion, and GNI at €2,264.3 billion (source: national accounts, 2010 base).

GNI has an institutional use: it determines most of the contribution paid by member states to the European Union budget. To ensure budgetary fairness between countries, GNI estimation is submitted to high degree comparability requirements and subject to a specific regulatory framework (the "own resources directive"). Therefore, notified GNI used for the calculation of EU own resources may differ from nationally published GNI.

Table 1.116 shows the corrections made to obtain notified GNI from nationally published GNI. These corrections are:

- **a geographical area correction**

Mayotte, which became the fifth overseas department in 2011, was integrated in the national account aggregates (especially GDP and GNI) when elaborating the 2010 base, on the whole national accounts period (1949-2013) to preserve significance of annual changes. But Mayotte obtained the status of ultra-peripheral area of EU only in 2014; therefore Mayotte must be taken into account only from 2014 for the calculation of notified GNI. The correction made to exclude Mayotte on the previous years reduces GNI of €1.8 billion in 2013;

- **a correction upon the field of the considered activities**

European system of accounts requires the inclusion of illegal activities (smuggling, prostitution and drug traffic) in the estimation of GNI, as long as corresponding transactions result from a mutual agreement. However, Insee and Eurostat do not make the same analysis of consequences to be drawn from these regulations concerning drug traffic. When Eurostat considers that drug traffic must be included in the calculation of GDP and GNI, estimations of GDP and GNI published by Insee exclude it, because Insee considers that the concerned transactions are not generally achieved with mutual agreement (because of the great dependence of consumers). Nevertheless, to preserve budgetary fairness between EU countries, Insee included – as it was said in June 2014 – in GNI notified to Eurostat an estimation of the impact upon GNI of activities related to drug traffic. This estimation, based upon data from the French drug and addiction observatory (OFDT) concerning quantities of drugs consumed in France, provenance of the products, wholesale prices and retail prices, raises GNI of €2.2 billion in 2016;

- **a correction upon FISIM (financial intermediation services indirectly measured)**

At the request of Eurostat, a new method for estimating FISIM was developed. It now operates accounting data of the Bank of France, data from the Balance of Payments, and information on the interest rates paid by French banks. The new method leads to a change in final consumption and external trade of FISIM from 2010 to 2016; it raises GNI of €0.4 billion in 2016;

- **a conceptual correction**

National accounts in 2010 base published by Insee since May 2014 are elaborated accordingly to ESA 2010 concepts (as well as the regulation 549/2013 requires it). But the own resources directive, which determined the calculation of the contribution of member states to the EU budget specified, until the previous notification, that this contribution had to be based upon GNI calculated accordingly to ESA 1995 concepts. Therefore, it was necessary to subtract from GNI published

upon the 2010 base the impact of operating ESA 2010, that is to say €53.9 billion in 2013. Most of this correction is due to the new treatment of R&D expenditure (€47.2 billion). But, from the 2017 notification, the GNI notification has to be done accordingly to ESA 2010 concepts for the year 2014 and following: as a result there is no more conceptual correction for these years in the 2017 notification.

*In fine*, taking into account all these corrections, GNI in ESA 2010 notified on 2017-09-22 is estimated at €2,267.0 billion for year 2016.