

Understanding National Accounts

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Chapter 5

Defining final uses of GDP

Linda Lagnerö

Topics covered in ch 1-4

- 1: Basic aggregates
- 2: Volume and price increases
- 3: International comparison
- 4: Production

Some key points in chapter 5

- Final versus intermediate uses
- Pricing

Final vs intermediate uses

- Supply and use balance
- Supply = output + imports
- Use =
 - + Intermediate consumption
 - + Final consumption
 - + GFCF
 - + Changes in inventories
 - + Exports

Pricing of final uses

- Valued at market prices
- Includes taxes on products
- Includes transport and marketing costs
- Net of rebates

Final uses in the NA

- + Households' final consumption expenditure
- + General government final consumption expenditure
- + NPISHs' final consumption expenditure
- + Gross fixed capital formation
- +/- Changes in inventories
- + Acquisition less disposal of valuables
- + Exports
- Imports
- +/- Statistical discrepancy

Gross domestic product

Households' final consumption expenditure

- Purchases of goods and services
- Partial payments for goods and services provided by general government
- Payments to general government (licences and permits)
- Imputed expenditures

Imputed expenditures

1. Owner-occupiers' imputed rent
2. Own-account consumption
3. Income in kind
4. Financial intermediate services indirectly measured (FISIM)

Classification of household expenditure

- COICOP -
Classification of Individual Consumption by Purpose
- 14 main groups, several undergroups

General government final consumption expenditure

1. Equal to its cost
2. Collective or individual ?
3. Classification of Functions of Government (COFOG)

Government expenditure

+ Intermediate consumption	264
+ Wages	287
+ Social contributions	113
+ Other taxes on production	17
- Other subsidies on production	4
+ Consumption of fixed capital	51
= Production	728
- Sales	114
+ Social benefits in kind	77
= Total consumption expenditure	691



Collective or individual?

- Individual consumption?
- Collective consumption?

Classification of Functions of Government

- COFOG
- 10 main groups, several under groups

NPISHs' final consumption expenditure

- Non profit institutions serving households
- Valued at cost
- All individual expenditure

Actual consumption

Households' actual consumption =

- + Households' consumption expenditure
- + Individual consumption expenditure of general government and NPISHs

Gross fixed capital formation

- For use in the production
- The more capital,
the greater the growth

Capital types investments

- **Tangible assets**
 - Machinery and stocks
 - Transport equipment
 - Dwellings and other buildings and structures
 - Cultivated assets
- **Intangible assets**
 - Software
 - Mineral prospecting
 - Artistic and literary originals

Changes in inventories

1. Material inventories
2. Finished goods that have not yet been sold
3. Merchandise purchased for resale
4. Strategic stocks managed by government
5. Work in progress

Evaluating the changes in inventories

1. Market prices at the time
2. Average prices for the period
3. As a residual

What does it indicate?

- Indicator of possible changes in the growth rate
- Includes two different types of goods:
inputs and finished products
- Indicate different things!

Net acquisition of valuables

- Very small item!
- Increase their value over time.
- Gem-stones, precious metals and paintings by old masters.

Exports and imports

- Goods and services
- Terms of trade