

## Glossary

### **Actuarial reserves.**

The net equity of life insurance policy holders in the reserves of the insurance companies. It consists of reserves set aside to cover the risks of insuring during a period of time; prepayments for the risks of insuring during future periods; and other element of the saving of policy holders involved in life insurance policies.

### **Aggregate demand.**

(Also known as aggregate expenditure). The total final demand for goods and services in an economy during a period of time. It comprises household consumption expenditure (C), investment in capital goods and stock changes (I), government consumption expenditure (G), and exports less imports (X-M). Symbolically, aggregate demand (Y) can be expressed as:  
$$Y = C + I + G + (X-M)$$

### **Assets.**

Ownership of machinery, equipment, furniture, buildings and other durable reproducible goods, stocks of non-durable goods, land, and other non-reproducible tangible assets; as well as copyrights, leases, concessions, financial claims on other parties, and other intangible assets.

### **Balance of payments.**

It is a record of a country's international transactions, ie, between its residents and those of the rest of the world. It comprises the transactions on goods and services, transfer payments and capital flows. It is also generally known in national accounts as external transactions.

### **Base year.**

The year used as a reference point for comparison with some later year. For example, when compiling an index number series, the index

is normally denoted as 100 in the base year.

Ci.f. (cost, insurance and freight).

The value of goods including the cost of international freight and insurance up to the customs frontier of the importing country paid by the importers. The cost of unloading the goods from the ship, aircraft or vehicle is not part of c.i.f. value, unless it is borne by the carrier. See F.o.b. and Shipment.

**Capital account.**

An account in the balance of payments that captures the inflows and outflows of capital arising from the financing of current account transactions.

**Capital consumption.**

(Also known as depreciation). The value, at current replacement cost, of the reproducible fixed assets such as buildings, plants and machinery used during a period of time as a result of normal wear and tear, foreseen obsolescence and the normal rate of accidental damage. The use of roads, dams and other forms of public construction other than structures of the producers of government services are not included as part of capital consumption.

**Capital expenditure.**

It refers to the expenditure incurred in the acquisition of new fixed assets and replacement of or alterations to existing fixed assets, for the purpose of increasing future production. Expenditure on repairs and maintenance of the fixed assets is not part of capital expenditure.

**Capital goods.**

Durable goods that are used as factor inputs for further production of goods and services. Examples are industrial machinery, transportation equipment and factories. See Consumer goods.

**Compensation of employees (employees' remuneration).**

Payments of wages and salaries, pensions and allowances by resident producers to their employees. Such payments may be in cash or in kind. Contributions to pension funds (both paid or imputed), as well as various welfare schemes, eg, social security, family allowance, casualty insurance, life assurance are included as part of compensation of employees.

**Constant price estimates.**

Estimates which exclude the effects of price changes from period to period. See Deflator.

**Consumer goods.**

Commodities bought and consumed by households and individuals. See Capital goods.

**Consumer price index.**

It measures the price level of a basket of goods and services purchased by an average household with respect to a base year.

**Current account.**

An account in the balance of payments that comprises imports and exports of goods and services and unrequited transfers. See Capital account.

**Domestic territory.**

In addition to the territory lying within the political frontiers of a country, domestic territory includes:

- a) ships and aircraft which are entirely or mainly operated by residents of the country;
  - b) fishing vessels, oil and natural gas rigs, and floating platforms which are wholly or mainly operated by the residents of the country; and
  - c) the embassies, consulates and military establishments of the country located abroad.
- However, it excludes overseas territories and possessions.

**Domestic trade.**

The wholesale and retail activities in commodities purchased by domestic industries and

households.

**Economic transactions.**

Transactions that lead to the production of goods and services. In general, the transactions involve a willing buyer and seller on an agreed price.

**Enterprise.**

An enterprise is an organisation which produces and sells goods and services with the objective of making profits. It may comprise one or more establishments.

**Entrepot trade.**

It refers to re-export activities, involving the imports of commodities from one country and re-exporting them to another without transformation. See Re-exports.

**Establishment.**

A statistical unit used for gathering information on economic activities in the production of the most homogenous group of goods and services in a single location.

**Ex-factory prices.**

Prices of manufactured goods valued at the factory which exclude trade and transport margins.

**External transactions account.** See Balance of payments.

**F.o.b. (free on board).**

The value of goods valued at the customs frontier of the exporting country including export duties and the cost of loading the goods onto the carrier unless the latter cost is borne by the carrier. All international freight and insurance beyond that point is excluded from the value of goods and reclassified in shipment.

**Factor cost.**

A term used in the valuation of GDP, to measure what it costs to produce the output of the

nation in terms of payments to the factors of production used, namely, compensation of employees, and gross operating surplus. See Market prices.

**Factors of production.**

Factors employed in the production of goods and services. These refer to the total human effort of workers as well as land (including natural resources), capital and entrepreneurship.

**Financial assets or liabilities.**

The gold, currency and other claims on other parties owned by an economic agent. Financial liabilities are the counterparts of financial assets. They are claims made on an economic agent.

**Financial institutions.**

Enterprises that act as intermediaries between individuals or firms who wish to lend and those who wish to borrow. These institutions include commercial banks, savings banks, building societies, finance companies, investment trusts and factoring companies, etc which are engaged in incurring liabilities and acquiring financial assets.

**Flow-of-funds.**

A record of all sources of funds and uses of funds of the various institutional sectors of an economy during a period of time. It can be used for analysing the interrelationship between the supply of credit and economic activity, and the effects of changes in interest rates on borrowing and holdings of financial assets.

**Government consumption expenditure.**

The value of goods and services used by various government departments and institutions in order to provide goods and services to the general public. Normally, such goods and services cannot be conveniently or economically produced by business enterprises. Examples are public administration and defence.

**Government enterprises.**

Non-financial business enterprises in which the government has controlling interest.

**Gross capital formation.**

It refers to purchases of fixed assets, increases in stocks of materials and finished goods, and increase in work-in-progress before deducting capital consumption.

**Gross domestic product (GDP).**

The total value of output of goods and services produced within the domestic territory of a country before deducting capital consumption during a period of time.

**GDP deflator.**

It is the aggregate price index of the GDP of the economy. It measures implicitly the price level of the current GDP with respect to the base year which is equal to 100. The deflator is derived as the ratio of the current price estimate of the year in question to that of the base year.

**Gross fixed capital formation.**

It refers to capital expenditure on fixed assets before deducting capital consumption.

**Gross margin.**

The difference between the sale price of a commodity and its cost to the seller.

**Gross national product (GNP).**

The total value of goods and services produced by factors of production owned by the residents of a country during a period of time before subtracting capital consumption. See Net national product.

**Gross operating surplus.**

It is the value attributed to non-labour factors of production before deducting capital consumption.

**Gross output.**

For manufacturing activities, it refers to the value of all the goods and services produced including work-in-progress and products for the producers' own use during a period of time. In the case of distributive trade, the gross output is equivalent to the gross margin. In the case of insurance companies, gross output is the excess of premiums received over claims paid for casualty insurance; and the excess of premiums received over claims paid plus additions to the actuarial reserves, excluding interests on these reserves accruing to policy holders for life insurance. As for banks and other similar financial institutions, the gross output is the sum of the actual and imputed bank service charges.

**Households.**

Comprise individuals and private non-profit organisations.

**Imputed bank service charge.**

In national accounting, interest is considered as a transfer income. It, therefore, constitutes part of the gross operating surplus of the sectors in which interest is paid. In so doing, banks and similar financial institutions which depend, to a large extent, on interest receipts for their income will have some operating receipts. This will result in a small or negative value added. In order to overcome this problem, a service charge is imputed and added to the value added of financial institutions. The amount imputed is the excess of interest income received on loans over the interest paid on deposits.

**Imputed rental.**

For owner-occupied dwellings or dwellings provided free to employees, a rental is imputed to account for services generated to the occupants. The imputed rental refers to the rental the occupants would have had to pay, valued at market rate.

**Index number.**

A number that measures the difference in the level of price, volume, or value of a set or 'basket' of related items between a selected base period and the current period.

**Index of industrial production.**

An index that measures changes in the volume of industrial production with respect to the base year. The index charts the growth in production of each major industry and of the manufacturing sector.

**Indirect taxes.**

Taxes assessed on producers for the production, sale, purchase or use of goods and services which are charged to the expenses of production. Import duties are included as indirect taxes.

**Industries.**

Producers of a particular range of goods or services in which case they are often named after the principal product, eg, electronics industry, shipping industry, banking industry, etc.

**Input-output tables.**

A set of tables displaying the inter-relationship between producers and consumers and the inter-dependence among different industries, by tracing the flow of commodities from one industry to another.

**Intermediate input (of industries).**

Non-durable goods and services used in production, including repair and maintenance of the capital stock, research, development and prospecting, indirect outlays on financing capital formation, such as flotation costs for loans, and transfer costs.

**Market prices.**

The value of output at factor cost plus indirect taxes less subsidies. See Factor cost.

**Monetary gold.**

It is gold owned by the central authorities. It



forms part of the reserve assets of a country.

**Net factor income from abroad.**

The excess of factor income received by residents of a country from abroad over factor income paid abroad to non-residents.

**Net national product.**

The total value of goods and services produced by factors of production owned by the residents of a country during a period of time less capital consumption.

**Net output.**

It is the gross output less the intermediate inputs used in the course of production. It is also known as value added.

**Nominal GNP.**

The value of gross national product at current prices.

Official foreign reserves.

It refers to the holdings of monetary gold, foreign exchange assets, special drawing rights and reserve position in the International Monetary Fund of the central authorities.

**Private consumption expenditure.**

Purchases of goods and services by households including private non-profit institutions serving households.

**Producers' values.**

The market value of the gross output of commodities, industries, etc at the establishment of the producers. This is the sum of the direct inputs, intermediate inputs at purchasers' values, primary inputs, and indirect taxes less subsidies.

**Production.**

The transformation of raw materials and other inputs into goods and services using a combination of factors of production.

**Production account.**

An account showing the output of commodities on the one hand and the various inputs such as raw materials, labour and other factor inputs on the other.

**Production boundary.**

The boundary which delineates the types of activities which contribute to the current production of goods and services from those which do not. Activities which fall inside the production boundary are the ones that contribute to the current production and are therefore taken into account in the computation of national income estimates.

**Purchasers' values.**

The cost of goods and services in the market to the point of delivery to the purchaser, ie, goods and services valued at producers' values plus the trade and transport margins appropriate to the purchaser in question.

**Re-exports.**

All goods which are exported in the same form as they have been imported without any transformation. Repacking, sorting or grading, marking and the like are not considered as undergoing the process of transformation.

**Real gross domestic product.**

It refers to gross domestic product valued at constant prices to eliminate the impact of price changes.

**Residence.**

A concept used for the compilation of the national accounts and balance of payments estimates. Residents of a country include individuals residing in the country, corporations and enterprises located in the country as well as its embassies, military units, and official missions stationed abroad.

**Retained imports.**

Goods imported and kept in the country for

domestic use. See Re-exports.

**Retained production.**

It refers to the production of goods and services that is not exported but retained in the economy for domestic use.

**Sector.**

Any division of any economy that has a common characteristic and can be studied in isolation from the rest of the economy.

Sectoral accounts.

Accounts set up to give a systematic classification and presentation of the transactions among various institutional sectors.

**Shipment.**

A term used in the balance of payments. It signifies international carriage of goods, comprising the services traditionally known as freight, insurance and other distributive services on merchandise. See also F.o.b. and C.i.f.

**Special drawing rights (SDRs).**

A reserve asset created by the International Monetary Fund (IMF) to supplement existing international reserve assets. Originally, the value of SDRs was defined in terms of gold but now it is determined by the IMF based on a basket of currencies. In the balance of payments, the allocation of SDRs is the counterpart entry that matches the increase in a country's holdings of SDRs.

**Stocks.**

The amount of raw materials, components, work-in-progress and finished goods held. Construction work-in-progress is not part of stocks but part of fixed assets.

**Trade and transport margins.**

The value of the transport and distributive trade services provided in delivering

commodities from the establishments of the producers to the purchasers.

**Transfer payments.**

Also known as unrequited transfers. It refers to payments made but not in exchange for goods and services, such as old-age pensions, grants and donations.

**Value added.**

Comprises the compensation of employees, operating surplus, the consumption of fixed capital and the excess of indirect taxes over subsidies. This is also known as **net output**.

**Volume indicators.**

Indicators that are used to measure the physical quantity of a group of commodities produced or handled.