



# Overview of GDP, Scope and Coverage

*Alick Mjuma Nyasulu*

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2008 affecting GDP Compilation.

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# Learning Objectives

- Discuss concept of GDP in national economy
- Explain Concepts of Units and Groupings



# Outline

- National Economy
- Valuation of Transactions
- Units and Groupings



**NATIONAL ECONOMY**

**Gross Domestic Product**

Goods and services

Primary distribution

**REST OF THE WORLD**

Exports

Imports

Final national use

Final Consumption

Capital formation

Flows of assets

Savings

Primary Income Disposable

Redistribution

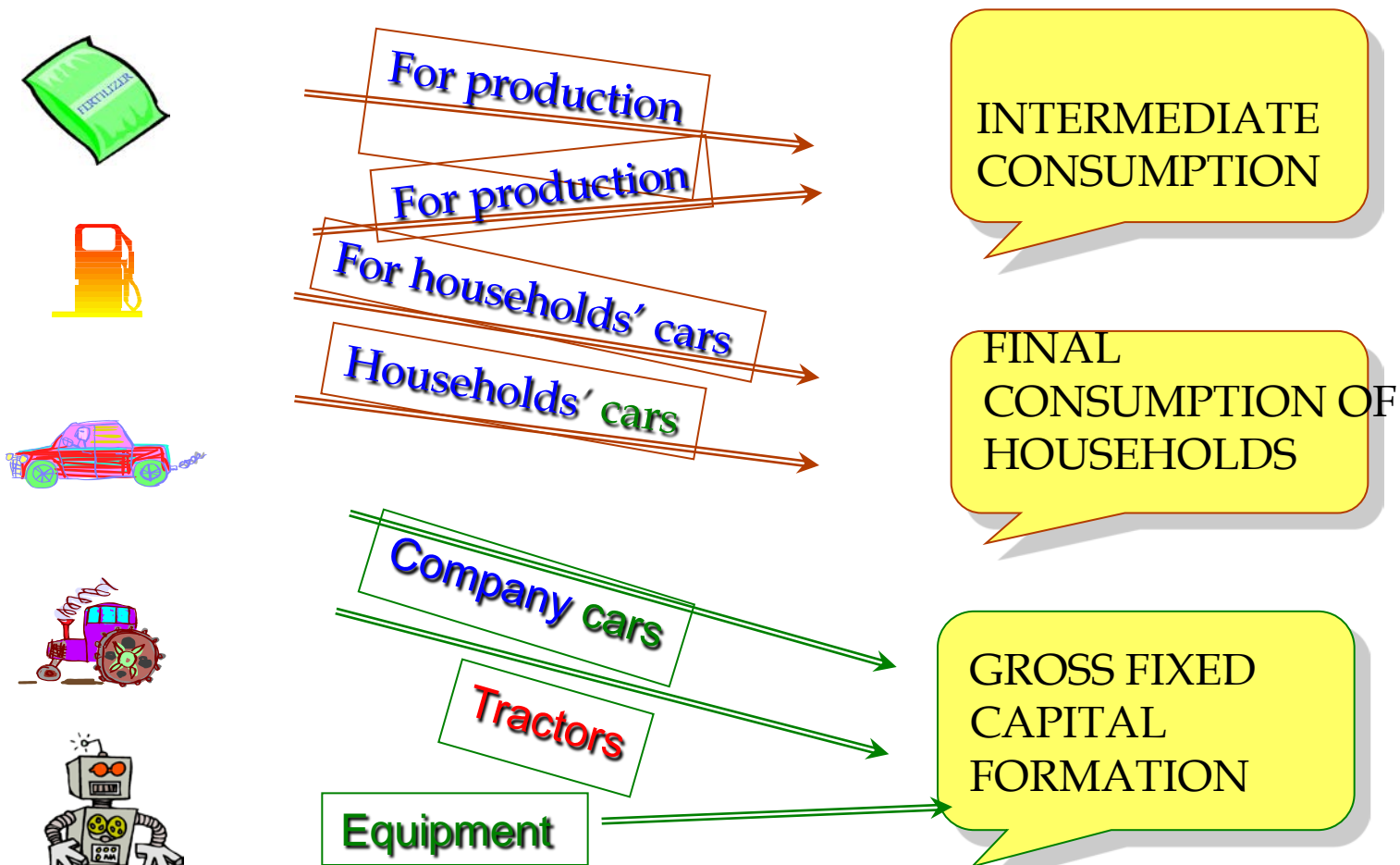
Income

Claims

Debts



## Use of Goods





## Gross Domestic Product

*Value of goods and services created in the economy*

**[GDP Production]**

Value of goods and services created in the economy  
 + Taxes on products  
 - Subsidies on products

*Total value of final uses*  
**[GDP Expenditure]**

Total final consumption  
 + Gross fixed capital formation  
 + Changes in inventories  
 + Acquisitions of valuables  
 + (Exports - imports)

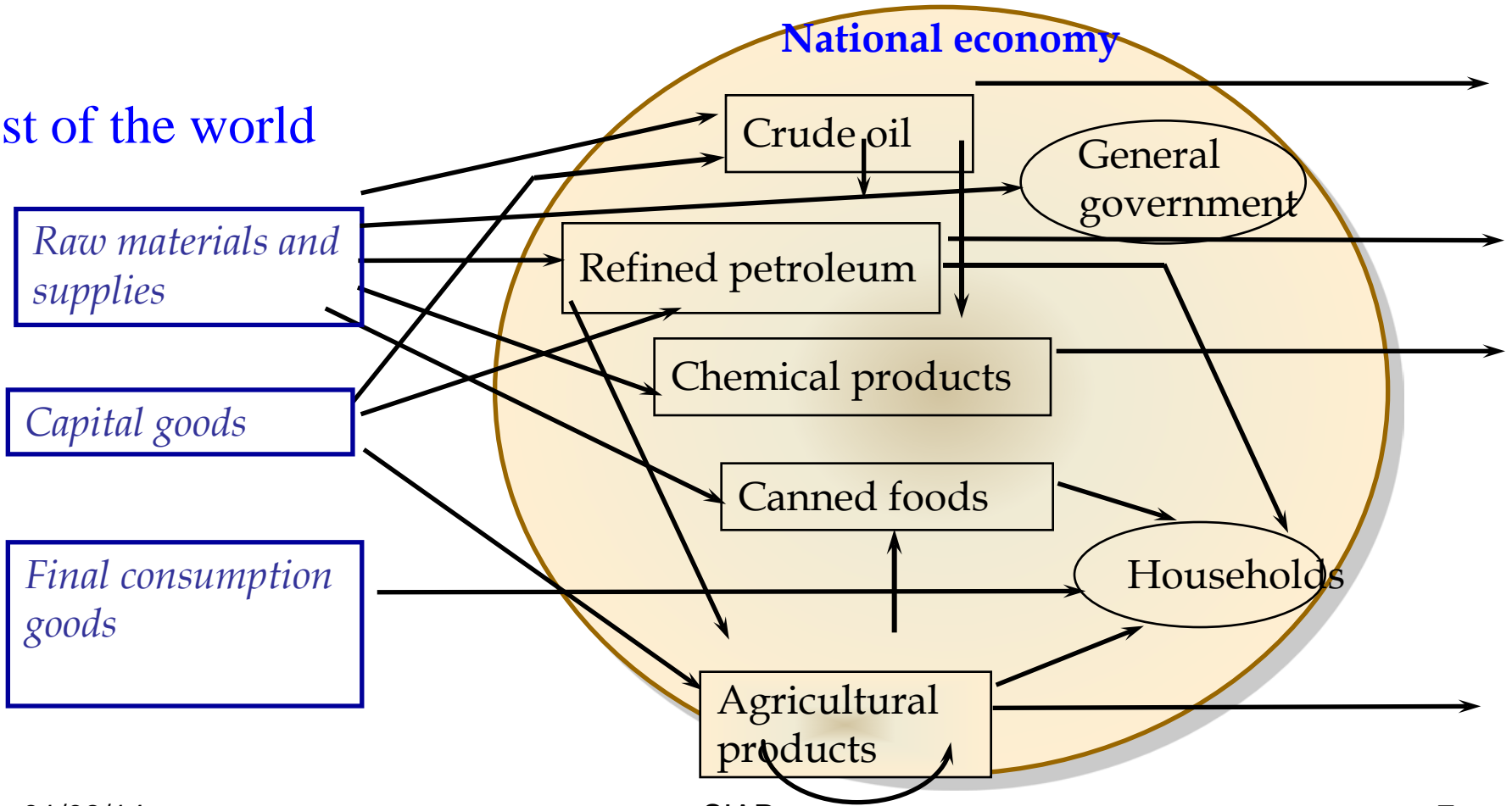
*Total income generated by production*  
**[GDP Income]**

Compensation of employees  
 + Gross operating surplus/ gross mixed income  
 + Taxes on production and imports  
 - Subsidies



## Movement of Goods

Rest of the world





*Geographic territory*



Embassies,  
foreign enclaves  
or international  
institutions

National air space  
and territorial waters

*Economic territory*



Continental shelf

Free zones

Embassies,  
national enclaves  
in the rest of  
the world

*Resident unit:  
Unit with an  
interest on the  
economic territory  
for more than one  
year*





## Boundary of domestic economy and residency

- Domestic economy distinguished from the rest of the world based on
  - Residency
  - BUT not on
  - Currency, or
  - Nationality



## Residency

- RESIDENT Institutional unit has a center of economic interest in the economic territory of that country
- Center of economic interest indicated by
  - Dwelling (maintain dwellings as principal residence)
  - Place of production activity for long or indefinite period of time, generally one year at the minimum



## Production Boundary

All goods and services supplied to units other than those which produced them

Goods and services which producers keep for their own gross fixed capital formation. Including structures resulting from the voluntary activities of households

Goods which the producing households retain for their own final consumption.



## Production Boundary

Housing services which owner-occupiers provide for themselves and personal and domestic services produced for their own use by households employing paid staff  
Ref SNA 2008, par 6.26-6.28

*Production does not include*

- voluntary personal and domestic services*
- services produced and consumed by one and the same household*



## Valuation

**MARKET OUTPUT:** This is disposed of or intended to be disposed of on the market.

**OUTPUT FOR OWN FINAL USE:** This is the product which the producer keeps for their own final consumption or their gross fixed capital formation.

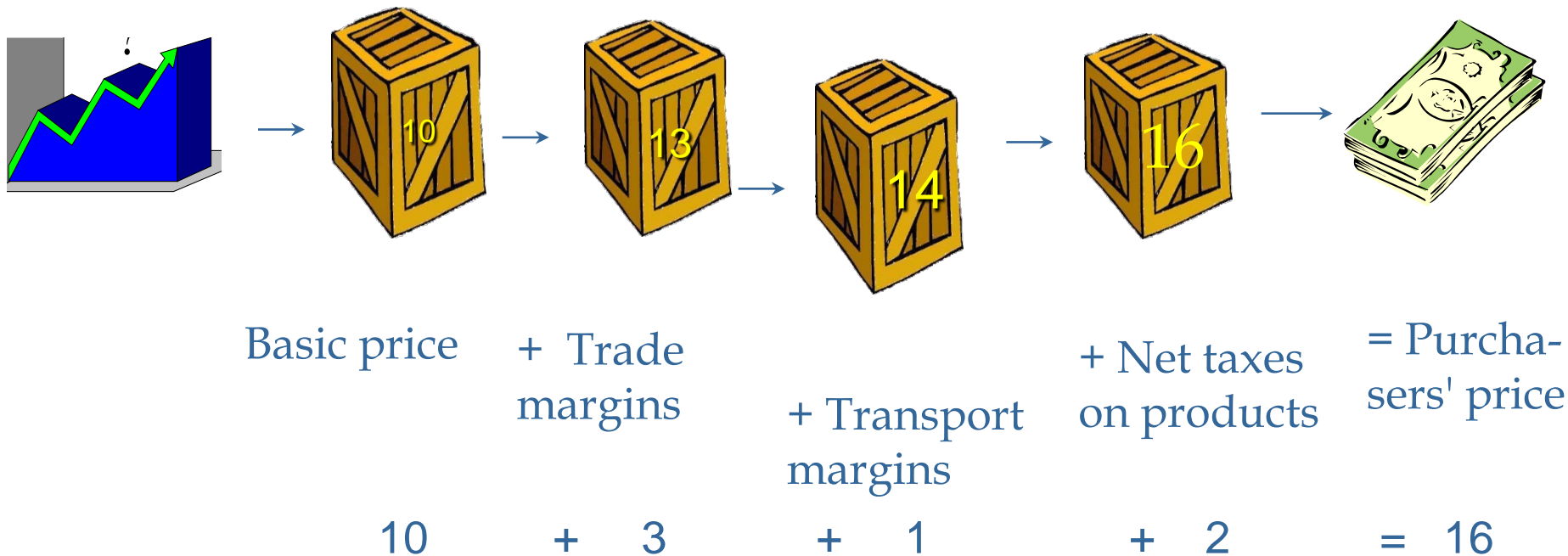
**OTHER NON-MARKET OUTPUT:** This is supplied to other units and/or the community free of charge or at prices that are not economically significant.



# Valuation National Products

*From producer...*

*To consumer.....*

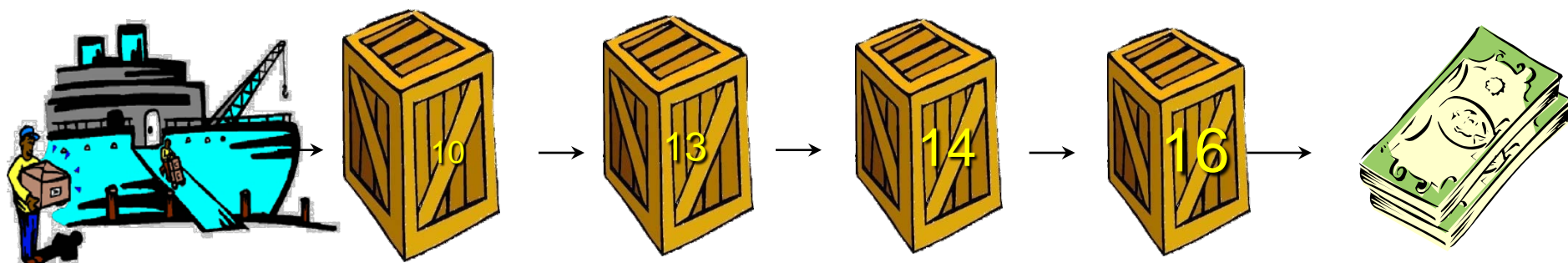




## Imported Products

*From entry onto the territory*

*To the consumer*



C.I.F Price + Duties on imports

+ Distribution margins (trade and transport)

+ Net = Purchase taxes on ser's price products

$$10 + 3 + 1 + 2 = 16$$



# Taxes on Production and Imports

*Compulsory, unrequited payments levied by general government*

## 1) Taxes on products

- \* VAT type taxes
- \* Taxes and duties on imports, excluding VAT.
- \* Other taxes on products
  - *Excise duties and consumption taxes*
  - *Taxes on financial and capital transactions .....*

## 2) Other taxes on production

- Taxes on land and buildings used by enterprises
- Taxes on the use of fixed assets
- Taxes on the total wage bill and payroll taxes
- Taxes on international transactions
- Taxes on business and professional licences.../Taxes on pollution





## Units and Groupings

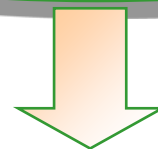
Industries



A group of local kind-of-activity units

engaged in the same type of productive activity

Institutional sectors



A group of institutional units

with similar economic objectives, functions and behaviour



# Activity

- Activity  $\Leftrightarrow$  same as engaging in production
  - No one-to-one correspondence between activity and product
    - One activity – several products
    - One product from different production processes



## Activity

- Principal activity
  - Largest source of value added
- Secondary activity
  - Other source of value added
  - Output must be suitable for delivery outside the producer unit
- Ancillary activity
  - Supporting activity - administration, sales office, repair & maintenance unit, computer support, etc
  - Internal to the enterprise
  - Commonly found as inputs into almost any kind of productive activity
  - NOT separate producers of goods and services



<b><i>Institutional Sector</i></b>	<b><i>Principal functions</i></b>	<b><i>Principal resources</i></b>
<b>Non-financial corporations</b>	To produce non-financial market goods and services	Income from the sale of goods and services
<b>Financial corporations</b>	To operate on the market as a financial intermediary or to provide associated financial services. To provide insurance	Commissions received and income from financial intermediation or insurance activities
<b>General government</b>	To supply goods and services to the community or to households, to redistribute income and wealth	Compulsory payments by other sectors received directly or indirectly
<b>Households</b>	To consume and, as sole proprietors; produce market goods and services	Income in the form of wages and salaries, property income, transfers, sale of products
<b>Non-profit institutions</b>	To supply goods and services to members or to households for a non-profit purpose or at a price which is not economically significant	Voluntary contributions from households and property income



Thank YOU