

AN EXPLANATION OF GROSS DOMESTIC PRODUCT AT BASIC PRICES

The income-based calculation of *Gross Domestic Product at factor cost* has been changed with the publication of the estimates of the first quarter of 2001 of the *National Economic and Financial Accounts*, specifically with regard to the presentation of indirect taxes and subsidies. In order to make Canada's System of National Accounts more internationally comparable Gross Domestic Product is now reported at *basic prices* rather than at *factor cost*.

The formerly used concept of *Gross Domestic Product at factor cost* measured the value of all goods produced including all subsidies, but excluding all indirect taxes. This measure will no longer be available and is replaced by *GDP at basic prices* as indicated in the table below under the heading *1995 Revised GDP Measures*.

Under the new concept, *GDP at basic prices* equals *GDP at factor cost* plus taxes on *factors of production* (such as property taxes, capital taxes, taxes on payrolls) minus subsidies for factors of production (such as employment development and training). *Output at basic prices* excludes taxes and subsidies on products themselves such as sales taxes, fuel taxes, duties and taxes on imports, excise taxes on tobacco and alcohol products and subsidies paid on agricultural commodities, transportation services and energy.

Gross Domestic Product at market prices is made up of *GDP at basic prices* plus indirect taxes on *products* (such as sales taxes, fuel taxes, duties and taxes on imports, excise taxes on tobacco and alcohol products) less subsidies paid (e.g., on agricultural commodities, transportation services and energy).

The following table shows the impact of the change for Canadian Gross Domestic Product in 1995:

COMPARISON OF GROSS DOMESTIC PRODUCT MEASURES

1995 Preliminary GDP Measures		1995 Revised GDP Measures	
Gross Domestic Product at factor cost	\$699,685	Gross Domestic Product at factor cost	n.a.
Gross Domestic Product at basic prices	\$748,082	Gross Domestic Product at basic prices	\$753,454
Gross Domestic Product at market prices	\$807,088	Gross Domestic Product at market prices	\$812,460