
Glossary of Terms

The vocabulary of national income accounting has been developed and refined considerably over the years. The definitions in this glossary¹ are consistent with standards established by Statistics Canada and are based on international conventions set by the United Nations in 1968. In 1993, a consortium of the United Nations, the Commission of the European Community, the Organisation for Economic Cooperation and Development, the International Monetary Fund, and the World Bank, published a joint report with suggested improvements to the definitions. These will be adopted by Statistics Canada in the next set of historical revisions to the System of National Accounts, scheduled to be published in 1997.

Adjusting entry

A statistical technique for preserving the growth patterns of consecutive periods of data when constant dollar estimates of GDP are made. For instance, if the base year for the series is 1986, the new weights are applied from 1986 forward. Previous years' series retain the weights previously used and are linked with the new base year. The results are forced to add up using residuals called adjusting entries.

Adjustment for grain transactions

An entry reflecting an estimate of Canadian Wheat Board (CWB) payments to farmers for the current year's crop, since the CWB's actual payments are one year behind. The estimate also includes an adjustment to report changes in grain inventories using national accounting conventions.

Allocator

A series of numbers used to distribute a related series, usually to estimate data at a lower level of aggregation, e.g. national series allocated provincially or annual series allocated quarterly. May also be used to extrapolate a related series.

Benchmarking

The practice of adjusting a series of numbers to match either the total or proportions of another series of numbers. BCEA totals are often benchmarked to Statistics Canada totals.

Book value

The value of inventories in the reporting period.

Business sector

All transactors who produce goods and services for sale at a price that is intended to cover the cost of production. Includes corporations, unincorporated business enterprises, independent professional practitioners, and government business enterprises that operate on a for-profit basis.

Capital

A factor of production comprising all artificial aids to production, such as machinery and equipment, as well as buildings and other structures.

Capital consumption allowance (CCA)

An allowance for the loss of value of capital goods over time as a result of aging or use. Also referred to as depreciation.

Capital formation

See *Investment in fixed capital*

Constant dollars

The value of goods or services at prices prevailing in a specified base year. Estimates are deflated to remove the effects of price changes over time so that they only measure changes in quantities produced. Also called "real dollars".

Consumer price index (CPI)

A measure of changes in consumer prices obtained by comparing, over time, the cost of a basket of commodities, specified according to purchases made by the target population in a reference period.

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Consumer services

Services such as rent, recreation, transportation, personal care and business support that are purchased by the personal sector.

Corporate and government business enterprise sector

A sector including all legally incorporated entities, whether they are privately or publicly owned.

Corporation profits before taxes

Net earnings from economic activity of legally-defined corporations. Profits are measured after deducting the cost of depreciation in the current period.

Current dollars

The value of goods or services in the dollars of the period in which it was produced i.e. unadjusted for inflation. See also constant dollars and deflation.

Deflator

See *Price Index*

Deflation

The process of producing constant dollar estimates using appropriate price indexes.

Depreciation

See *Capital Consumption Allowance*

Derived book value (DBV)

DBV or the derived book value is the capital gain accruing from price changes in inventories which are recorded in business ledgers and which are subsequently removed: the inventory valuation adjustment.

Direct taxes

Current transfers to government from persons, unincorporated businesses, corporations and government business enterprises in the form of taxes levied on income from employment, property, holding gains or any other source. Personal direct taxes also include contributions to social security programs and government pension funds.

Dividends

Income payable and receivable for various forms of equity participation in corporate enterprises.

Durable goods

Items which have an expected lifetime of well over one year and are relatively costly. Examples: automobiles, major appliances.

Expenditure Account

An economic account which records total spending on goods and services by persons, businesses, governments and non-residents. The other two accounts in the BCEA are the Income Account and the Industry Account.

Exports and imports of goods and services

Current receipts from exports or imports of merchandise, freight and shipping credits earned on account, travel expenditures of non-residents in British Columbia, and other receipts from services rendered to non-residents.

Factor cost

A value which includes those costs borne by the producer of a good or service but excludes indirect taxes net of subsidies. Indirect taxes are usually passed on to the consumer, and are not viewed as a cost of production.

Factor of production; factors

Productive agents that, when combined, create economic activity. Traditionally there are three factors of production: land, labour, and capital.

Final demand matrix

See *Input-output accounts*

Final domestic demand

Total demand for goods and services by residents of the province. It is equal to the sum of personal expenditure on goods and services, government current expenditure on goods and services, and government and business investment in fixed capital.

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GDP

See *Gross Domestic Product*

GNP

See *Gross National Product*

Government business enterprises

Government corporations which operate on a profit or cost recovery basis similar to private enterprises. See also Corporate and government business enterprise sector.

Government current expenditure on goods and services

All current outlays for goods and services by the government sector, covering wages and salaries of government employees, office supplies and maintenance and repair costs. Also includes defence expenditures and an imputation for depreciation of capital equipment. Government spending on capital equipment is excluded.

Government investment income

Investment income of the government sector including: interest on government-held public funds, interest on loans and advances, royalties, sales of natural resource rights, and remittances from government business enterprises.

Government sector

Federal, provincial and local governments and their agencies, including schools and hospitals.

Government sector accounts

Accounts which outline the sources and disposition of all income earned by the government sector. Includes transfers paid to and received from the personal, business and non-resident sectors, current and capital expenditures made by governments, and income originating from current production, such as income and other taxes.

Gross; net

In the BCEA, these terms are most often used in the context of production. Production may be expressed on a "gross" or "net" basis depending upon whether it is measured before (i.e. "gross of") or after ("net of") allowances for capital consumption. Gross and net measures can also be applied to other concepts like income and profits, where these values are measured before or after taxation.

Gross domestic product (GDP)

The unduplicated value of production originating within a particular geographical area for a specific time period, regardless of the residence of the owners. Transfers between factors of production (such as unemployment or other social insurance payments) are excluded because they do not represent payment for current productive activity. GDP can be measured at factor cost or in market prices, and in current dollars or constant dollars. The GDP concept is used in the income, expenditure and industry accounts in the BCEA.

Gross fixed capital formation

See *Investment in Fixed Capital*

Gross national product (GNP)

The unduplicated value of production originated by residents of a specific geographical area, regardless of where the production occurs. In the BCEA, the GNP concept is used only in the personal income account; all other series are reported on a GDP basis.

Implicit price indexes

Variable-weighted indexes which are a by-product of the deflation procedure and are obtained by dividing the value series (measured at current prices) by the volume series (measured at constant prices).

Imputed

"Estimated" or "approximated".

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Income

Earnings of factors of production from the current production of goods and services. See also *Income Account*.

Income Account

An economic account which records earned income or income received in-kind by all sectors from a variety of sources. The two other accounts in the BCEA are the Expenditure Account and the Industry Account.

Indirect taxes

All taxes representing a business cost that are likely to be reflected in the market price paid by the purchaser. Includes the GST, provincial social service taxes, customs duties, customs and excise duties, natural resource taxes, property taxes, and profits of liquor boards.

Industry Account

An economic account which records the value added by individual industries to the total value of British Columbia's productive activity.

Industry product price index (IPPI)

A measure of price changes for major commodities sold by Canadian manufacturers.

In-kind income

Non-monetary income, such as the value of farm produce consumed by a farmer or the imputed value of free lodging provided by employers.

Input-output accounts

A system of measuring GDP in an economy which focuses on the commodity transactions between industries. Tables show the total output, or "make", of industries and what they use from other industries. As well, input-output analysis shows the flow of commodities to final demand, or consumer, sectors and the cost of primary inputs to industries. When "what is used" by an industry is subtracted from "what is made" by an industry, a measure is obtained of the

value added by that industry to the economy as a whole.

Interest and miscellaneous investment income

Personal earnings in the form of bond, mortgage, deposit and imputed interest and other investment income, such as the yield on Treasury Bills, government annuities, royalties, etc. Also includes investment income of life insurance companies, fraternal societies, trustee pension plans and mutual non-life insurance companies, interest receipts of persons from non-residents, and government investment income. Does not include interest on public or consumer debt, which are viewed as transfers between factors of production.

Interest on consumer debt

Interest payments to the corporate and government business enterprise sector which are incurred by persons to finance purchases of goods and services.

Interest on the public debt

Interest payments made on funds borrowed by the government sector.

Inventory valuation adjustment (IVA)

Difference between the change in inventory book values and the value of physical change in inventories. Removed from corporate profits before taxes and other income aggregates to eliminate any gains or losses arising from price changes on inventories.

Investment in fixed capital

Expenditures by business and government on durable assets and on building and engineering construction of all types except for government expenditure on defence construction and equipment. It also includes residential construction by individuals, alterations and improvements made to the stock of buildings and transfer costs paid on the sale of existing fixed assets.

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Labour income

Wages and salaries, supplementary labour income, and military pay and allowances.

Make matrix

See *Input-output accounts*

Market price

Prices actually paid by the purchaser, including the net effect of all indirect taxes and subsidies. See also factor cost.

Merchandise trade balance

The difference between exports and imports of goods.

Military pay and allowances

Payments to members of the Armed Forces serving in British Columbia. Includes military pay and various allowances and benefits. Veterans' allowances are excluded because they represent a transfer payment.

Miscellaneous investment income

See *Interest and miscellaneous investment income*

Net

See *Gross; net*

Net domestic income at factor cost

The sum of all incomes arising from productive activities in a given area at a given time, whether owned by residents or non-residents. Differs from GDP at factor cost in that it excludes capital consumption allowances.

Net income of farm operators from farm production

An aggregate which includes cash receipts from the sale of farm products and supplementary farm payments, less farm expenses and capital consumption allowances. It also includes the imputed value of farm products consumed by farm families, the value of the physical change in farm inventories, and accrued earnings from the Canadian Wheat Board.

Net income of non-farm unincorporated business

Earnings of unincorporated proprietors, except farm operators, from their businesses. It also includes the net income of independent professional practitioners such as doctors and dentists, and rental income from residential and non-residential property.

Non-durable goods

Goods which can be used only once, such as food or gasoline.

Non-merchandise trade balance

The difference between receipts and payments arising out of transactions in services between residents and non-residents. Included are travel expenditures, freight and shipping charges and business, government and other services which are traded or included in the cost of exports and imports.

Non-business sector

In the Industry Account, industries that do not operate on a for-profit basis. Major industries in the non-business sector are public administration and defence, as well as some health and education services.

Non-residential construction

New industrial, commercial and institutional building construction, as well as additions, major renovations, conversions and alterations. Includes both contract work and work done by a firm's own labour force, as well as the costs of site preparation and land improvement.

Non-residents

All transactors who normally reside outside British Columbia. Businesses are "residents" of the province if their productive activity takes place in British Columbia, regardless of the residency of their owners.

Output

See *production*

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Personal disposable income

Personal income left after payment of direct taxes and various fees, such as medical insurance premiums, to government.

Personal expenditures on goods and services

All purchases by the personal sector of durable, semi-durable, and non-durable goods, as well as services.

Personal income

All income received by persons, both as earnings and transfers. Includes: wages and salaries, supplementary labour income, military pay and allowances, net income of farm operators, net income of non-farm unincorporated businesses, dividends, interest and miscellaneous investment income, and all transfer payments (such as unemployment and other social insurance benefits) received by persons. Personal income is calculated on a *GNP* basis.

Personal Income Account

An account which outlines the sources and disposition of all income earned by the personal sector. It is expressed on a *GNP* basis.

Personal savings

Personal savings is what is left of personal disposable income after deducting personal expenditures on consumer goods and services, current transfers from person to corporations, and current transfers from persons to non-residents.

Personal sector

Persons, households, unincorporated businesses and societies of individuals such as non-profit organizations. Also included are universities, private pension funds and the investment income of life insurance companies.

Price index

A number that shows the average percentage change that has occurred in a group of prices over a period of time. Examples of price indexes used in the

BCEA are the consumer price index (CPI) and the industry product price index (IPPI).

Production

Goods and services produced by the economy and exchanged for money, as well as *income in kind*. Includes most goods and services produced by the personal, business and government sectors. The fees, commissions and profit gained from the sale of used goods (including housing) are included in production, but the value of the goods is not. Used goods have already been included in the economy's output in the year in which they were produced. Imported goods are excluded from production, as are illegal activities. Also referred to as output.

Profits

See *Corporation profits before taxes*

Real dollars

See *Constant dollars*

Rent

Payment for rental housing or for the use of a factor of production.

Residential construction

All expenditures for new housing including single dwellings, multiple-unit dwellings and garages, major improvements, and alterations, and transfer costs, such as legal fees and real estate commissions.

Royalties

Income from legal property, such as the use of natural resources, or patented or copyrighted material.

Savings

See *Personal savings*

Seasonal adjustment

The process of "smoothing out" monthly or quarterly time series to remove the effect of regular, or "seasonal" cycles.

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Sectors

See *Transactors*

Semi-durable goods

Goods which can be used on multiple occasions, but which have an expected lifetime of approximately one year. Examples: clothing, toys.

Statistical discrepancy

Difference between GDP as calculated in the Income Account and GDP as calculated in the Expenditure Account. Reflects imperfections in the basic statistics, flaws in the estimation techniques and discrepancies in the timing with which the income and expenditure data are recorded. The statistical discrepancy is allocated evenly between the Income and Expenditure Accounts.

Subsidies

All transfers to business by government toward current costs of production.

Supplementary labour income

Contributions by employers, on behalf of their employees, to pension funds, health and other casualty insurance, life insurance, welfare funds, unemployment insurance and workers' compensation.

Transactors

The economic agents who engage in the production, purchase and sale of goods and services and the payment and receipt of factor incomes and transfers. The transactors in the BCEA are the personal sector, the corporate and government business enterprise sector, the non-business or non-profit sector, the government sector, and the non-resident sector.

Transfers

Payments made by one economic sector to another for which there is not a commensurate exchange of services. This includes:

Transfers to business from persons

Interest on consumer debt less administrative charges.

Transfers to government from persons

Direct taxes and other current transfers to government such as medical insurance premiums.

Transfers to non-residents from persons

Personal remittances to non-resident governments, corporations and persons.

Transfers to persons from business

Charitable contributions from corporations to persons and unincorporated business, plus bad debt allowances charged by businesses for non-remitting personal accounts.

Transfers to persons from government

Direct payments from governments to persons, such as family and youth allowances, unemployment insurance benefits, general welfare payments, etc.

Transfers to persons from non-residents

Pensions paid by foreign governments plus cash payments made by relatives or friends living out-side British Columbia.

Unincorporated business income

See *Net income of non-farm unincorporated business*

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Use matrix

See *Input-output accounts*

Value added

See *Input-output accounts*

Value of physical change in inventories

Change in the physical volume of inventories, valued at the average market price of the period.

Wages and salaries

All earnings from employment of British Columbia residents, whether they are paid in cash or in kind. Calculated before deductions for income tax and all social insurance schemes. Includes military pay and allowances, commissions, tips and bonuses, directors' fees, and taxable allowances. In the income account, wages and salaries are reported on a *GDP* basis. In the personal income account, they are reported on a *GNP* basis.

¹ United Nations. Department of Economic and Social Affairs. *A System of National Accounts*. (Cat. E.69.XVII.3). New York, 1968.

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