



QUARTERLY ACCOUNTS

Second quarter 2003

Expenditure and Output approach to GDP

First Eurostat estimates

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Statistics in focus

ECONOMY AND FINANCE

THEME 2 – 52/2003

NATIONAL ACCOUNTS

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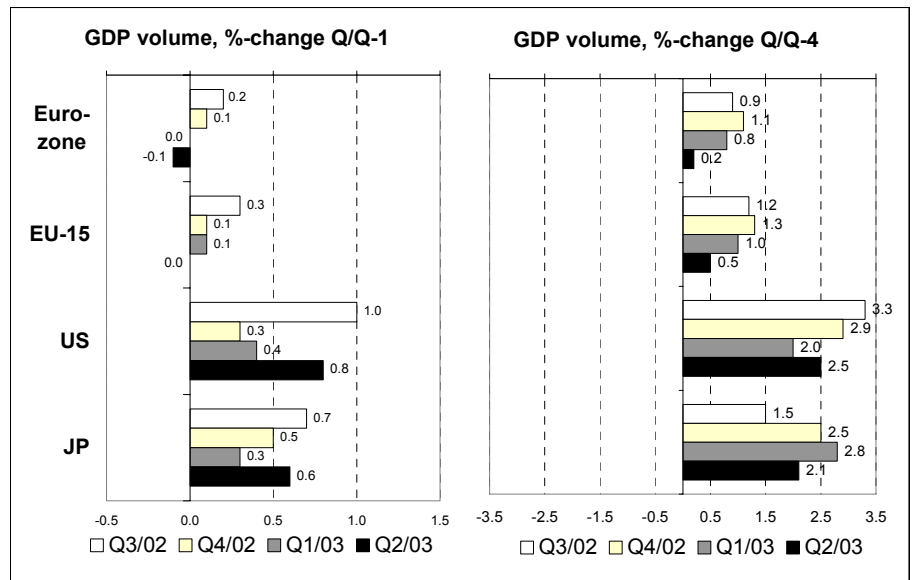
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According to Eurostat's first estimates ⁽¹⁾, euro-zone ⁽²⁾ GDP dropped by 0.1% in the second quarter of 2003, after a stagnation observed in the previous quarter while it remained unchanged in the European Union (EU15), where it had shown a small increase in the first quarter of the current year (+0.1%).

In comparison with the second quarter 2002, euro-zone and EU15 GDP increased by +0.2% and +0.5%, respectively, compared to +0.8% and +1.0% in the year up to the first quarter.

In the United States, GDP growth reached +0.8%, following a +0.4% increase in the previous quarter. A comparable acceleration was seen in Japan, where GDP growth increased from +0.3% to +0.6%.

Compared to the same quarter of 2002, GDP growth reached +2.5% in the United States (+2.0% in the previous quarter) and it went down to +2.1% in Japan (+2.8% in the previous quarter).

⁽¹⁾ Methodological note: data for euro-zone and EU15 are calculated within a coherent and consistent statistical framework using as indicators the available seasonally adjusted data from the Member States. Data are also corrected for working days by some Member States. Given that certain Member States have not published their quarterly accounts yet, and that certain data are provisional, euro-zone and EU15 data must also be considered as provisional. Revisions are likely in the coming weeks.

⁽²⁾ The euro-zone consists of the following countries: Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland.



DEVELOPMENT OF GDP AND ITS COMPONENTS

Expenditure components of GDP, euro-zone, EU15, United States and Japan

During the second quarter 2003, the growth of final consumption expenditure of households and NPISH (non-profit institutions serving households) slowed to +0.1% in the euro-zone and to +0.3% in the EU15 (+0.5% and +0.4%, respectively, in the previous quarter). Investments fell again in the euro-zone and in the EU15 (-0.4% and -0.6%, respectively, compared with -1.2% and -1.1% in the previous quarter). The decrease in exports eased in the euro-zone (-0.5% after -1.2% in the previous quarter), whilst in the EU15 the negative trend remained unchanged at -0.6%. Imports stagnated in the euro-zone after the modest growth of the previous quarter (+0.1%), whereas they increased by 0.1% in the EU15 (+0.3% in the first quarter 2003).

As far as contributions to GDP growth are concerned, public final consumption expenditure played the same positive role in both zones (+0.1 of GDP variation), while gross fixed capital formation (-0.1 of GDP variation for both zones) and exports (-0.2 of GDP variation for both zones) showed a negative contribution. Private final consumption expenditure showed no contribution to GDP growth in the euro-zone and a positive one in the EU15 (+0.2 of the GDP variation). Finally, change in inventories and imports made a neutral contribution in both zones.

In the United States, growth of both private and public consumption showed an acceleration with respect to the first quarter: from +0.5% to +0.9% and from +0.2% to +2.2%, respectively. Investments recovered strongly (+1.6% compared to -0.1%), exports fell at the same

rate (-0.3% in both quarters), whereas imports turned positive (+1.9% after -1.6%).

In Japan, compared to the previous quarter, private final consumption continued to grow by 0.3%, as in the previous quarter, and the volume of investments recovered (+0.6% compared to -0.1%). Exports showed an acceleration of the growth rate, which increased from +0.6% to +1.0%, whereas imports' growth turned negative (-1.1% compared to +0.7% in the previous quarter).

Output components of GDP, euro-zone and EU15

During the second quarter 2003, total gross value added (GVA) dropped by 0.1% in the euro-zone after showing a 0.1% increase in the previous quarter, while it remained unchanged in the EU15 (+0.1% in the first quarter of 2003). In comparison with the second quarter 2002, the growth of total gross value added slowed down in both zones, reaching +0.3% in the euro-zone and +0.5% in the EU15 (+0.9% and +1.1% respectively, in the previous quarter).

The highest growth rate of GVA was that of *Construction*, with a rate of +0.6% in the euro-zone and +0.8% in the EU15. It was followed by the *Other services* branch, in which an increase of 0.3% was observed in both zones. *Financial activities and business services* also reported positive results (+0.3% and +0.2%, respectively), while *Trade, transport and communications* showed mixed ones (-0.1% and +0.1% respectively). Finally, GVA of the *Industry* branch suffered a negative turnaround both in the euro-zone (-1.0%) and in the EU15 (-0.9%), as well as that of *Agriculture* (-0.5% and -0.2% respectively).

GDP and main components - second quarter 2003				
GDP	2nd Quarter 2003*	growth compared to 1st quarter 2003	growth compared to 2nd quarter 2002	
Euro-zone	1 574 970.2	-0.1	0.2	
EU-15	1 938 332.0	0.0	0.5	
US	1 804 789.8	0.8	2.5	
JP	1 113 517.7	0.6	2.1	
Domestic Demand	2nd Quarter 2003*	growth compared to 1st quarter 2003	growth compared to 2nd quarter 2002	
Euro-zone	1 538 649.2	0.1	1.2	
EU-15	1 915 813.5	0.3	1.6	
US	1 911 691.7	1.1	2.9	
JP	1 080 546.9	0.4	1.8	
External Balance	2nd Quarter 2003*	Percentage of GDP (seasonally adjusted)		
Euro-zone	36 321.0	2.3		
EU-15	22 518.5	1.2		
US	- 106 901.9	-5.9		
JP	32 970.9	3		
Gross Value Added	2nd Quarter 2003*	growth compared to 1st quarter 2003	growth compared to 2nd quarter 2002	
Euro-zone	1 488 365.7	-0.1	0.3	
EU-15	1 824 677.9	0.0	0.5	
US	:	:	:	
JP	:	:	:	

: Data not available

* in millions of euro, seasonally adjusted, at constant prices (1995)

T1 GROWTH RATE OF GDP AND EXPENDITURE COMPONENTS

t/t-1 Percentage change over previous quarter - seasonally adjusted - at constant prices (1995)

	GDP				Household & NPISH final consumption expenditure				Government final consumption expenditure				Gross Fixed Capital Formation				Change in Inventories (1)				Domestic Demand				Exports				Imports				External Balance (1)			
	2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003					
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
Euro-zone	0.2	0.1	0.0	-0.1	0.3	0.3	0.5	0.1	0.5	0.2	0.3	0.7	0.1	0.2	-1.2	-0.4	-0.4	-0.4	0.1	0.1	0.2	0.3	0.5	0.1	1.5	-0.4	-1.2	-0.5	1.5	0.2	0.1	0.0	3.2	3.0	2.5	2.3
EU-15	0.3	0.1	0.1	0.0	0.4	0.4	0.4	0.3	0.5	0.3	0.6	0.7	0.0	0.2	-1.1	-0.6	-0.4	-0.2	0.1	0.1	0.3	0.6	0.4	0.3	1.1	-0.9	-0.6	-0.6	1.2	0.2	0.3	0.1	2.2	1.8	1.4	1.2
US	1.0	0.3	0.4	0.8	1.0	0.4	0.5	0.9	0.7	1.4	0.2	2.2	0.1	0.9	-0.1	1.6	1.0	1.1	0.9	0.7	0.9	0.8	0.1	1.1	1.1	-1.5	-0.3	-0.3	0.8	1.8	-1.6	1.9	-5.4	-5.9	-5.6	-5.9
JP	0.7	0.5	0.3	0.6	0.7	0.0	0.3	0.3	0.7	-0.1	0.3	-0.4	0.2	1.1	-0.1	0.6	0.0	-0.2	0.0	0.1	0.9	0.1	0.3	0.4	0.1	4.3	0.6	1.0	2.6	1.5	0.7	-1.1	2.4	2.8	2.8	3.0

(1) Percentage of GDP.

T2 GROWTH RATE OF GDP AND EXPENDITURE COMPONENTS

t/t-4 Percentage change over the same quarter of the previous year - seasonally adjusted - at constant prices (1995)

	GDP				Household & NPISH final consumption expenditure				Government final consumption expenditure				Gross Fixed Capital Formation				Domestic Demand				Exports				Imports			
	2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Euro-zone	0.9	1.1	0.8	0.2	0.2	0.7	1.5	1.2	3.1	2.1	1.8	1.7	-2.5	-1.8	-2.2	-1.2	0.4	0.8	1.3	1.2	3.2	3.7	2.5	-0.6	1.8	3.0	4.2	1.8
EU-15	1.2	1.3	1.0	0.5	0.8	1.2	1.7	1.6	3.0	2.0	1.9	2.1	-2.2	-1.4	-1.7	-1.4	0.8	1.3	1.6	1.6	3.1	3.0	2.2	-1.0	2.1	3.0	3.7	1.8
US	3.3	2.9	2.0	2.5	3.8	2.7	2.4	2.9	4.4	4.0	3.2	4.5	-1.0	0.9	0.4	2.6	3.9	3.9	2.6	2.9	2.8	3.9	2.7	-1.0	6.7	10.1	6.2	2.9
JP	1.5	2.5	2.8	2.1	2.2	1.4	1.3	1.3	2.8	1.4	1.3	0.4	-4.4	0.5	1.3	1.8	0.8	1.5	2.2	1.8	11.0	17.7	12.3	6.1	5.3	8.8	8.5	3.8

T3 GDP AND EXPENDITURE COMPONENTS

levels Second quarter 2003 - millions of euro - seasonally adjusted - at constant prices (1995)

	GDP	Household & NPISH final consumption expenditure				Government final consumption expenditure				Gross Fixed Capital Formation				Change in Inventories				Domestic Demand				Exports				Imports				External Balance			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
Euro-zone	1 574 970.2	894 505.2				321 215.2				321 818.3				1 110.5				1 538 649.2				604 326.8				568 005.8				36 321.0			
EU-15	1 938 332.0	1 131 236.9				396 448.3				385 263.0				2 865.3				1 915 813.5				736 097.3				713 578.7				22 518.5			
US	1 804 789.8	1 259 898.3				267 954.8				371 671.5				12 167.0				1 911 691.7				204 219.7				311 121.7				- 106 901.9			
JP	1 113 517.7	612 178.7				185 100.6				282 387.6				880.0				1 080 546.9				131 377.2				98 406.3				32 970.9			

T4 GROWTH RATE OF GDP AND GROSS VALUE ADDED BY INDUSTRY

t/t-1 Percentage change over previous quarter - seasonally adjusted - at constant prices (1995)

	GDP				Agriculture, hunting and fishing				Industry, incl. Energy				Construction				Trade, transport and communication services				Financial services and business activities				Other services				Total Gross Value Added (A6)			
	2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
euro-zone	0.2	0.1	0.0	-0.1	0.5	0.0	0.6	-0.5	0.3	-0.4	0.2	-1.0	-0.1	-0.1	-1.2	0.6	0.4	0.2	-0.1	-0.1	-0.1	0.2	0.1	0.3	0.4	0.5	0.2	0.3	0.2	0.1	0.1	-0.1
EU-15	0.3	0.1	0.1	0.0	0.3	0.0	0.3	-0.2	0.2	-0.4	0.1	-0.9	0.1	0.3	-0.9	0.8	0.5	0.3	0.0	0.1	0.1	0.3	0.2	0.2	0.4	0.5	0.2	0.3	0.3	0.2	0.1	0.0

T5 GROWTH RATE OF GDP AND GROSS VALUE ADDED BY INDUSTRY

t/t-4 Percentage change over the same quarter of the previous year - seasonally adjusted - at constant prices (1995)

	GDP				Agriculture, hunting and fishing				Industry, incl. Energy				Construction				Trade, transport and communication services				Financial services and business activities				Other services				Total Gross Value Added (A6)			
	2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
euro-zone	0.9	1.1	0.8	0.2	-0.5	-1.6	0.7	0.5	1.3	2.0	1.0	-0.9	-1.2	-1.7	-3.0	-0.8	1.4	1.6	1.0	0.4	0.6	0.6	0.8	0.5	2.5	2.5	1.8	1.4	1.2	1.3	0.9	0.3
EU-15	1.2	1.3	1.0	0.5	-0.2	-1.2	0.4	0.4	0.8	1.6	0.9	-0.9	-0.1	-0.4	-1.8	0.3	1.8	1.9	1.3	0.8	0.8	0.9	1.3	0.9	2.5	2.3	1.8	1.4	1.3	1.5	1.1	0.5

T6 GDP AND GROSS VALUE ADDED BY INDUSTRY

levels Second quarter 2003 - millions of euro - seasonally adjusted - at constant prices (1995)

	GDP	Agriculture, hunting and fishing	Industry, incl. Energy	Construction	Trade, transport and communication services	Financial services and business activities	Other services	Total Gross Value Added (A6)	Taxes less subsidies on products	FISIM
Euro-zone	1 574 970.2	37 940.7	336 727.5	76 053.9	327 272.8	399 428.8	310 942.0	1 488 365.7	153 478.4	66 874.0
EU-15	1 938 332.0	43 610.6	410 843.4	92 530.6	407 420.9	488 907.2	381 365.2	1 824 677.9	196 469.9	82 815.7

FISIM: Financial Intermediation Services Indirectly Measured.

T7

CONTRIBUTION OF EXPENDITURE COMPONENTS TO VARIATION IN GDP

t/t-1 GDP variation over previous quarter - seasonally adjusted - at constant prices (1995)

	GDP				Household & NPISH final consumption expenditure				Government final consumption expenditure				Gross Fixed Capital Formation				Change in Inventories				Exports				Imports			
	2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Euro-zone	0.2	0.1	0.0	-0.1	0.2	0.2	0.3	0.0	0.1	0.0	0.1	0.1	0.0	0.1	-0.2	-0.1	-0.1	0.0	0.4	0.0	0.6	-0.2	-0.5	-0.2	-0.5	-0.1	0.0	0.0
EU-15	0.3	0.1	0.1	0.0	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0	-0.2	-0.1	0.0	0.2	0.3	0.0	0.4	-0.3	-0.2	-0.2	-0.4	-0.1	-0.1	0.0
US	1.0	0.3	0.4	0.8	0.7	0.3	0.3	0.7	0.1	0.2	0.0	0.3	0.0	0.2	0.0	0.3	0.2	0.2	-0.2	-0.2	0.1	-0.2	0.0	0.0	-0.1	-0.3	0.3	-0.3
JP	0.7	0.5	0.3	0.6	0.4	0.0	0.2	0.2	0.1	0.0	0.0	-0.1	0.1	0.3	0.0	0.2	0.4	-0.2	0.1	0.1	0.0	0.5	0.1	0.1	-0.2	-0.1	-0.1	0.1

t/t-4 GDP variation over the same quarter of the previous year - seasonally adjusted - at constant prices (1995)

Euro-zone	0.9	1.1	0.8	0.2	0.1	0.4	0.8	0.7	0.6	0.4	0.4	0.3	-0.5	-0.4	-0.5	-0.3	0.2	0.3	0.6	0.4	1.2	1.4	0.9	-0.2	-0.6	-1.1	-1.4	-0.6
EU-15	1.2	1.3	1.0	0.5	0.5	0.7	1.0	0.9	0.6	0.4	0.4	0.4	-0.5	-0.3	-0.3	-0.3	0.1	0.4	0.5	0.5	1.2	1.1	0.8	-0.4	-0.8	-1.1	-1.3	-0.6
US	3.3	2.9	2.0	2.5	2.6	1.9	1.7	2.0	0.6	0.6	0.5	0.6	-0.2	0.2	0.1	0.5	1.0	1.5	0.5	-0.1	0.3	0.4	0.3	-0.1	-1.1	-1.6	-1.0	-0.5
JP	1.5	2.5	2.8	2.1	1.2	0.8	0.7	0.7	0.5	0.2	0.2	0.1	-1.2	0.1	0.3	0.5	0.3	0.3	0.9	0.5	1.1	1.8	1.3	0.7	-0.5	-0.7	-0.7	-0.3

T8

CONTRIBUTION OF GROSS VALUE ADDED BY INDUSTRY TO VARIATION IN GDP

t/t-1 GDP variation over previous quarter - seasonally adjusted - at constant prices (1995)

	GDP				Agriculture, hunting and fishing				Industry, incl. Energy				Construction				Trade, transport and communication services				Financial services and business activities				Other services				Taxes less subsidies on products				FISIM			
	2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003					
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
Euro-zone	0.2	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.1	-0.1	0.0	-0.2	0.0	0.0	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EU-15	0.3	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.0	0.1	0.0	-0.1	0.0	0.0

t/t-4 GDP variation over the same quarter of the previous year - seasonally adjusted - at constant prices (1995)

Euro-zone	0.9	1.1	0.8	0.2	0.0	0.0	0.0	0.0	0.3	0.4	0.2	-0.2	-0.1	-0.1	-0.2	0.0	0.3	0.3	0.2	0.1	0.1	0.2	0.2	0.1	0.5	0.5	0.3	0.3	-0.2	-0.1	0.0	0.1	0.0	0.0	-0.1	-0.1
EU-15	1.2	1.3	1.0	0.5	0.0	0.0	0.0	0.0	0.2	0.3	0.2	-0.2	0.0	0.0	-0.1	0.0	0.4	0.4	0.3	0.2	0.2	0.2	0.3	0.2	0.5	0.5	0.3	0.3	-0.1	0.0	0.1	0.2	0.0	0.0	-0.1	-0.2

FISIM: Financial Intermediation Services Indirectly Measured.

T9 GROWTH RATE OF GDP AND EXPENDITURE COMPONENTS

1995 = 100 Volume indices - 1995=100

	GDP				Household & NPISH final consumption expenditure				Government final consumption expenditure				Gross Fixed Capital Formation				Domestic Demand				Exports				Imports			
	2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Euro-zone	116.7	116.7	116.8	116.7	115.8	116.2	116.7	116.8	114.6	114.9	115.2	116.0	117.6	117.9	116.4	116.0	114.9	115.2	115.8	116.0	156.0	155.4	153.6	152.9	152.0	152.4	152.5	152.5
EU-15	117.4	117.5	117.6	117.6	118.3	118.8	119.3	119.7	114.3	114.7	115.3	116.2	119.6	119.9	118.5	117.9	116.7	117.3	117.8	118.1	154.2	152.9	151.9	151.0	153.9	154.2	154.6	154.8
US	125.7	126.2	126.6	127.6	130.2	130.8	131.4	132.7	119.2	120.8	121.0	123.6	140.7	141.9	141.8	144.2	131.0	132.1	132.2	133.6	133.3	131.4	130.9	130.5	176.6	179.8	176.9	180.3
JP	108.4	108.9	109.3	109.9	108.2	108.2	108.5	108.9	122.2	122.1	122.4	121.9	99.1	100.2	100.1	100.7	107.3	107.4	107.8	108.2	134.9	140.7	141.6	142.9	125.0	126.8	127.8	126.4

T10 GROWTH RATE OF GDP AND GROSS VALUE ADDED BY INDUSTRY

1995=100 Volume indices - 1995=100

	GDP				Agriculture, hunting and fishing				Industry, incl. Energy				Construction				Trade, transport and communication services				Financial services and business activities				Other services				Total Gross Value Added (A6)			
	2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003		2002		2003	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Euro-zone	116.7	116.7	116.8	116.7	108.1	108.0	108.7	108.1	114.0	113.6	113.9	112.7	99.9	99.8	98.6	99.2	124.4	124.6	124.5	124.5	125.2	125.4	125.6	125.9	112.3	112.9	113.1	113.5	117.6	117.7	117.8	117.7
EU-15	117.4	117.5	117.6	117.6	106.6	106.6	106.9	106.6	112.9	112.5	112.7	111.7	102.7	103.0	102.1	102.9	126.2	126.5	126.5	126.6	126.9	127.3	127.6	127.8	112.4	113.0	113.2	113.5	118.3	118.5	118.6	118.6

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

Data are compiled in accordance with ESA 1995 (European System of Accounts) which is described in Council Regulation No 2223/96 of 25. June 1995.

Gross Domestic Product (GDP) at market prices is the final result of the production activity of resident producer units. It may be compiled from different sources relating to different approaches:

Using the **expenditure approach**, GDP is obtained from the following equation:

$$\begin{aligned} \text{GDP} = & \text{Household final consumption expenditure} \\ & + \text{Government final consumption expenditure} \\ & + \text{Gross fixed capital formation} \\ & + \text{Change in inventories} \\ & + \text{Exports} \\ & - \text{Imports.} \end{aligned}$$

The first four components constitute **domestic demand**, the balance of the latter two, i.e. exports minus imports, is the **external balance**.

Final consumption expenditure (ESA 1995 3.75) is defined as expenditure on goods and services that are used for the direct satisfaction of individual or collective needs. The consumption expenditure may take place on the economic territory or abroad. **Household final consumption expenditure** entails the expenditure of non-profit institutions serving households (NPISHs). **Government final consumption expenditure** includes the value of goods and services produced by general government itself other than own-account capital formation, and purchases by general government of goods and services produced by market producers that are supplied to households — without any transformation — as social transfers in kind.

Gross fixed capital formation (ESA 1995, 3.102) consists of acquisitions, less disposals, of fixed tangible or intangible assets.

Changes in inventories (ESA 1995, 3.117) are measured by the value of the entries into inventories less the value of withdrawals and recurrent losses. Inventories include materials and supplies as well as work-in-progress and growing crops.

Exports and imports (ESA 1995, 3.128 f.) of goods and services are transactions between residents and non-residents. They consist of sales, barter, gifts and grants. Imports and exports of goods are valued free on board at the border of the exporting country (f.o.b.).

Using the **output approach**, GDP is obtained from the following equation:

$$\begin{aligned} \text{GDP} = & \text{Total Gross value added (A6)} \\ & + \text{Taxes less subsidies on products} \\ & - \text{FISIM.} \end{aligned}$$

Gross value added (GVA) (ESA 1995, 8.11) is defined as the value of all newly generated goods and services less the value of all goods and services consumed as intermediate consumption. The depreciation of fixed assets is not taken into account. Gross value added is compiled by industry that creates it. Here, the A6 breakdown of the NACE Rev. 1 is used. This is the European classification of economic activities governed by Council Regulation 3037/90 of 9 October 1990. It should be noted that total gross value added, i.e. the sum of industries' GVA, still contains some intermediate consumption (FISIM, see below). GVA of a whole economy is therefore to be calculated as Total GVA minus FISIM.

When calculating value added, output is valued at basic prices and intermediate consumption at purchaser's prices, and thus the difference between taxes and subsidies on products has to be added to value added.

Taxes less subsidies on products (ESA 1995, 9.47) are, in fact, a part of value added measured in the government accounts because of the different prices used. The GDP resulting from the above equation will then be valued at market prices.

FISIM (Financial Intermediation Services Indirectly Measured, ESA 1995, 8.14) is a kind of intermediate consumption paid to financial service providers via the interest margin, which cannot be allocated directly to individual customers as intermediate consumption, so value added is overestimated for the branches. FISIM is therefore normally considered to be intermediate consumption at the national economy level.

Legend:

GDP:	Gross Domestic Product
FCEH:	Household final consumption expenditure
FCEG:	Government final consumption expenditure
GFCF:	Gross fixed capital formation
IS:	Changes in inventories
IMP:	Imports
EXP:	Exports
EB:	External balance

GVA:	Gross Value Added
AGR:	Agriculture, hunting and fishing
IND:	Industry, including energy
CON:	Construction
TRA:	Trade, transport and communication services
FIN:	Business activities and financial services
OTH:	Other services
TAX:	Taxes less subsidies on products
FIS:	FISIM

Further information:

➤ Databases

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