

Glossary

Accrued net income of farm operators from farm production. Net income received by farm operators from farm production plus the undistributed portion of earnings arising out of the operations of the Canadian Wheat Board and the adjustment made to shift agricultural subsidies from a cash to an accrual basis.

Association of individuals. Non-profit institutions serving households, such as churches, labour unions and charitable organizations, plus credit unions, trustee pension plans, life insurance companies, fraternal societies and mutual non-life insurance companies. They are treated as businesses with respect to their capital outlays and their intermediation activities, but as persons with respect to their current expenses.

Bonds. Marketable and non-marketable securities issued in Canadian or foreign currency with an original term to maturity in excess of one year. Includes:

Canada bonds. Direct bonds of the federal government (of which, Canada Savings Bonds) and guaranteed federal enterprise bonds.

Provincial bonds. Direct bonds of provincial governments (of which, provincial savings bonds) and guaranteed provincial enterprise bonds.

Municipal bonds. Direct bonds of municipalities and guaranteed municipal enterprise bonds.

Other bonds. Bonds issued by Canadian corporations, hospitals and non-profit institutions, as well as non-guaranteed bonds of government business enterprises. Also included are asset-backed securities.

Business sector. All transactors producing goods and services for sale at a price intended to cover costs of production, namely corporations, government business enterprises, unincorporated businesses and independent professional practitioners. Also includes owners occupying their own dwelling, treated as businesses renting to themselves, and associations of individuals, treated as businesses with respect to their capital outlays and their intermediation activities.

Canada and Quebec Pension Plans. The part of the government sector which consists of the operations of the Canada and Quebec Pension Plans, established in 1966.

Canadian residents. Institutional units, such as persons, corporations and non-profit institutions, which have a centre of economic interest (a dwelling, a business location) in the economic territory of Canada.

Capital and financial account. This account shows, for each major sector, a) the saving and acquisition of non-financial capital and the difference between them, called net lending; and b) transactions in financial assets, transactions in liabilities and the difference between them, called net financial investment. In theory, the two balancing items, net lending and net financial investment, are equal; in practice, imperfections in the statistics lead to a difference between the two, shown as a statistical discrepancy.

Capital consumption allowances. Allowances for the using up of capital in the productive process. They are calculated for business and government fixed assets as well as housing. They also include miscellaneous valuation adjustments bringing business accounting records into conformity with national accounts definitions, such as the addition of claims paid by insurance companies to compensate for fire and other losses.

Capital transfers. Transfers in cash or in kind, out of the wealth of the donor (inheritances and migrants' funds, transfer of ownership of an asset or cancellation of a liability), or transfers which the recipient is expected to use towards the acquisition of an asset. Capital transfers have no effect on the saving of the donor or recipient.

Chain price indexes. Price indexes where the values of the aggregate index for two adjacent periods, calculated from the detailed price indexes, are based on the expenditure pattern from the first of the two periods, and where these index values are linked together in a chain to form the index.

Chain Fisher volume index. A measure of change in volume from period to period. It is calculated as the geometric mean of a chain Paasche volume index and a chain Laspeyres volume index. In other words, it is an average of two distinct measures of change in volume: one calculated as if prices were constant in the first of two adjacent periods (Laspeyres volume) and the other calculated as if prices were constant in the second of the two adjacent periods (Paasche volume).

Claims. Financial instrument comprising:

Corporate claims. Loans, advances and issues of debt between associated corporations; on the asset side, also includes investment in shares between associated corporations.

Government claims. Claims between governments, between related government business enterprises or between a parent government and its enterprises, in the form of shares, debt securities, loans and advances.

Constant prices. A valuation expressed at the prices prevailing during a fixed reference or base period. At present, the base period for national accounts estimates in constant prices is 1992, which means that they have been restated in 1992 prices. See **current prices**.

Consumer credit. Credit extended to persons for purchasing consumer goods and services.

Consumer goods. New goods acquired by households for their own consumption. Comprise three categories: a) **Durable goods**, which can be used repeatedly or continuously for more than one year, such as motor vehicles and major appliances; b) **Semi-durable goods**, which can be used on multiple occasions and have an expected lifetime of one year or somewhat more, such as clothing, footwear and linens; c) **Non-durable goods**, which can be used only once, such as food, gasoline, alcoholic beverages and tobacco; in practice, the latter also include a few goods of little value used more than once, such as household supplies.

Consumer services. Services consumed by households, such as rent (including the rent imputed on owner-occupied housing), transportation, education, medical care, child care, food and accommodation services as well as travel expenditures of Canadians abroad, less travel expenditures of foreigners in Canada. Also includes the current (operating) expenses of associations of individuals.

Contributions to social insurance plans. Employer and employee contributions to employment insurance, government pension funds, the Canada and Quebec Pension Plans and workers' compensation.

Corporate and government business enterprise sector. All business transactors whose legal form of organization is the corporation, plus government business enterprises. This sector is divided into non-financial and financial enterprises. The latter are comprised of several sub-sectors (Bank of Canada, chartered banks, credit unions, life insurance companies, trustee pension funds, mutual funds, etc.). The intermediation activities of credit unions, life insurance companies and trustee pension funds shown as assets of these sub-sectors are balanced by claim liabilities which, in turn, are assets of the persons and unincorporated business sector.

Corporation profits before taxes. The net earnings from economic activity of privately-held corporations, measured after deduction of capital consumption allowances.

Currency and deposits. Financial instruments comprising:

Currency and bank deposits. Deposits denominated in Canadian dollars at chartered banks in Canada and at the Bank of Canada, plus Canadian currency and coin in circulation.

Other deposits. All deposits at other Canadian deposit-taking institutions, including shares in credit unions.

Foreign currency and deposits. Holdings of foreign currency and foreign currency denominated deposits at chartered banks in Canada, foreign branches and subsidiaries of Canadian chartered banks, foreign banks and other foreign deposit-taking institutions.

Current prices. A valuation at current prices is expressed at the prices prevailing during the period being referred to. See **constant prices**.

Current transfers. Transfers out of the income of the donor, reducing his saving and adding to that of the recipient.

Current transfers from corporations to persons. Charitable donations and other contributions.

Current transfers from government to business. Subsidies to the business sector.

Current transfers from government to non-residents. Pensions paid to non-residents, contributions to international organizations and economic and technical assistance as well as food aid provided by the Canadian International Development Assistance Agency and other governmental agencies.

Current transfers from government to persons. Payments such as the Child Tax Benefit/Credit, Employment Insurance benefits, old age security benefits, welfare payments, scholarships and research grants, workers' compensation benefits, grants to aboriginal peoples and their organizations, public service pensions and pensions paid under the Canada and Quebec Pension Plans.

Current transfers from non-residents to government. Withholding taxes paid by non-residents to the Government of Canada.

Current transfers from non-residents to persons. Pensions paid by foreign governments to Canadian residents plus remittances by non-residents to Canadian residents.

Current transfers from persons and unincorporated businesses to government. Income taxes, contributions to social insurance plans and other current transfers.

Current transfers from persons to corporations. The transfer portion of interest on the consumer debt.

Current transfers from persons to non-residents. Remittances by Canadian residents (particularly religious and charitable organizations) to non-residents and withholding taxes paid abroad.

Direct taxes. Current transfers to government from persons, unincorporated businesses, corporations and government business enterprises in the form of taxes on income from employment, property, holding gains or any other source. Direct taxes from persons are recorded on a cash basis, and those from corporations and government business enterprises, on an accrual basis.

Direct taxes from persons. Income taxes, succession duties and estate taxes paid by persons and unincorporated businesses.

Dividends. Income payable and receivable in respect of corporate equities (cash dividends) and further equity participation in corporate enterprises (stock dividends).

Economic territory. The economic territory of a country encompasses the geographic territory, plus the air space, territorial waters and continental shelf, as well as its territorial enclaves abroad (embassies, consulates, military bases...).

Exports and imports of goods and services. Current receipts and payments arising out of transactions in moveable goods and services between residents and non-residents. Services include travel, freight and shipping, business services, government transactions, financial intermediation and other services.

Factor cost. A valuation reflecting the cost of the factors of production (labour and capital). It corresponds to the value remaining after the deduction from market prices of all applicable taxes and subsidies. See **market prices**.

Farm inventories. Farm output stored on farms; includes grains, tobacco, potatoes and livestock.

Final domestic demand. The sum of personal expenditure on consumer goods and services, net government current expenditure on goods and services, government gross fixed capital formation and business gross fixed capital formation.

Fixed-weighted price indexes. Also known as "Laspeyres" indexes, these are price indexes where a fixed pattern of expenditure from some base period is used to aggregate the detailed price indexes in each period.

Foreign investments. All marketable financial instruments (bonds, short-term paper and shares) which are liabilities of the non-resident sector (foreign governments and corporations) and assets of domestic sectors.

Government business enterprises. Government enterprises and agencies which operate on a profit or cost recovery basis and whose motivation is similar to that of private enterprises. Their total profits (net of losses) are recorded in GDP, while only the profits remitted to government are recorded in the government income and

outlay account, under government investment income. The difference between these two measures, retained earnings, forms part of business sector saving.

Government current expenditure on goods and services. All current outlays for goods and services by the government sector, including wages and salaries of government employees. It also includes expenditure on weapons for defence and an imputation for the depreciation of government fixed assets. It is recorded before deduction of revenues from sales of goods and services in the government income and outlay account, and after deduction of these revenues in GDP (net government current expenditure on goods and services).

Government investment income. In GDP, includes interest income of public service pension plans, other interest and dividend income of governments and royalties. In the government income and outlay account, it also includes the profits of government business enterprises remitted to government. See **government business enterprises**.

Government sales of goods and services. Revenues from the sale of goods and services, such as water charges, landing fees and charges for government documents.

Government sector. All departments, agencies, and funds (budgetary and non-budgetary) of the federal, provincial and local levels of government, as well as crown corporations which receive more than 50% of their revenues in grants from their parent governments. Also included are school boards, universities, non-profit colleges, hospitals, non-profit residential care facilities, as well as the Canada and Quebec Pension Plans.

Grain in commercial channels. Grain in the hands of the Canadian Wheat Board or private grain dealers.

Gross Domestic Product. The total unduplicated value of the goods and services produced in the economic territory of a country or region during a given period. GDP can be measured three ways: as total incomes earned in current production, as total final sales of current production, or as total net values added in current production. It can be valued either at factor cost or at market prices.

Gross Fixed Capital Formation. Expenditures by the government and business sectors on buildings, engineering construction and machinery and equipment. Includes imports of used machinery and equipment, which constitute additions to domestic capital stock, and transfer costs on the sale of existing fixed assets (i.e. real estate commissions). Comprises three broad categories: residential structures, non-residential structures and machinery and equipment. Government fixed capital formation includes spending on non-military defence buildings and equipment. Abbreviated as **fixed capital** in the capital and financial account. Synonym of **investment in fixed capital**.

Gross National Product. A measure of income equal to the Gross Domestic Product at market prices, plus investment income received from non-residents, less investment income paid to non-residents.

Holding gains and losses. Additions to or subtractions from income which result from selling an asset for more or less than its purchase price. As holding gains and losses are not related to current production, they are excluded from GDP through the inventory valuation adjustment.

Households. A group of persons who share the same living accommodation, pool some, or all of their income and wealth and consume certain goods and services collectively. They may engage in any other kind of economic activity.

Implicit price indexes. Also known as variable-weighted or "Paasche" indexes (although not strictly of the Paasche type), these price indexes are a by-product of the deflation procedure, obtained by dividing an expenditure series expressed at current prices by the corresponding series expressed at constant prices.

Imports of goods and services. See exports and imports of goods and services.

Income and outlay account. This account shows, for each major sector, all sources of current income (production, receipts of property income and other transfers) and all current outlays (expenditure on goods and services, payments of property income and other transfers), as well as saving, equal to a sector's income less its outlay.

Indirect taxes. Taxes which add to the cost of production and are likely to be reflected in market prices paid by the purchaser, such as sales and excise taxes, import duties and property taxes.

Inheritances and migrants' funds. Capital brought to Canada by immigrants at the time of arrival or transferred outside Canada by emigrants at time of departure, or intended to be transferred at a later date, plus bequests to Canadian residents from non-residents or vice-versa.

Interest and miscellaneous investment income. Investment income of persons, except dividends, plus government investment income, less net investment income of persons and governments from non-residents, less the transfer portion of interest on the consumer debt, less the interest on the public debt.

Interest on the consumer debt. Interest paid by persons on account of liabilities incurred to finance personal expenditure on consumer goods and services. Consists of two parts: the administrative expenses, representing the cost of rendering services to borrowers, and the remaining "transfer portion".

Interest on the public debt. Interest payments on liabilities of the government sector.

Inventory valuation adjustment. The difference between the change in inventory book values and the value of physical change in inventories, which is a measure of the net holding gain or loss realized by business as a result of price changes. Holding gains and losses on inventories are present in corporation profits and other income aggregates, and must be removed in order to measure the value of current production.

Investment in fixed capital. Synonym of **gross fixed capital formation**.

Investment in inventories. Change in the physical volume of business and government inventories, valued at the average market prices of the period. Business inventories consist of two categories: a) **non-farm inventories** and b) **farm inventories and grain in commercial channels**. Government inventories include only uranium stocks, up to 1981, and those held by federal government commodity agencies, such as the Canadian Dairy Commission. Abbreviated as **inventories** in the capital and financial account.

Investment income of persons. Interest on deposits, bonds, mortgages, etc. and royalties paid by corporations, governments and non-residents to persons, plus investment income accumulating on their behalf in trustee pension plans and life insurance funds, or on behalf of other associations of individuals. Excludes dividends.

Investment income paid to non-residents. Investment income payments on Canadian liabilities to non-residents, inclusive of any applicable withholding taxes. Includes interest, dividends and other payments such as net expenses of Canadian banks from foreign currency transactions and net revenues of foreign insurance companies from insurance operations in Canada.

Investment income received from non-residents. Investment income earned by Canadian residents on their assets abroad, inclusive of any applicable withholding taxes. Includes interest, dividends and other receipts such as net earnings of Canadian banks from foreign currency transactions and net revenues of Canadian insurance companies from insurance operations abroad.

Labour income. The sum of wages and salaries plus supplementary labour income.

Life insurance and pensions. Liability of life insurance companies and trustee pension plans to policyholders or beneficiaries and federal government liability with respect to annuities sold under the Government Annuities Act. Asset of policy holders or beneficiaries.

Loans. Financial instrument comprising **Bank loans** and **Other loans**. Negotiated loans made by chartered banks and other financial institutions.

Machinery and equipment. Capital expenditures on durable, tangible goods with an expected service life of one year or more, such as furniture, motor vehicles, office machines and equipment not permanently installed (permanently built-in equipment belongs to non-residential construction). Includes installation and delivery costs.

Market prices. A valuation expressed in terms of the prices actually paid by the purchaser, that is, after all applicable taxes and subsidies. See **factor cost**.

Military pay and allowances. The part of labour income consisting of payments to members of the Armed Forces serving in Canada or abroad. Includes military pay, allowances and the employer's social contributions. Excludes veterans' allowances, treated as transfer payments.

Mortgages. Negotiated loans and agreements of sale secured by real property, mostly residential buildings. Includes first, second and third mortgages. Mortgages are characterized by blended repayments, usually monthly, of principal and interest.

Net acquisition of existing assets. A sector's purchases less sales of used fixed assets and land. Business purchases less sales of natural resources, resource rights and intangible assets are also included. Abbreviated as **existing assets**.

Net capital transfers. Capital transfers from other sectors less capital transfers to other sectors.

Net domestic product at factor cost. The sum of all incomes arising from production, or ownership of assets used in production, within the economic territory of a country or region. Includes labour income, profits before taxes, interest and miscellaneous investment income, accrued net income of farm operators from farm production, net income of non-farm unincorporated business, including rent, and the inventory valuation adjustment. Differs from **GDP at factor cost** in that it excludes capital consumption allowances.

Net financial investment. The net lending (or borrowing) of a sector can be measured either through incomes and expenditures or through financial transactions. Under the financial transactions approach, net lending is called net financial investment. It is equal to a sector's transactions in financial assets less its transactions in liabilities. See **net lending and capital and financial account**.

Net income of non-farm unincorporated business, including rent. Earnings of unincorporated proprietors, except farm operators, from their own business. Includes the

net income of unincorporated businesses and self-employed individuals, as well as the net rental income of persons.

Net income received by farm operators from farm production. Gross proceeds from the sale of farm products, plus subsidies on a cash basis, plus the imputed value of farm output consumed by farming households, plus investments in farm inventories, less farm operating expenses and depreciation on farm buildings and equipment. Excludes other types of income, such as net rent or interest receipts, and profits of incorporated farms. See **accrued net income of farm operators from farm production**.

Net inheritances and migrants' funds. Funds brought to Canada by immigrants, less funds transferred outside Canada by emigrants.

Net investment income from non-residents. Investment income received from, less investment income paid to, non-residents.

Net lending. The net lending (or borrowing) of a sector can be measured either through incomes and expenditures or through financial transactions. Under the income and expenditure approach, net lending is the difference between internally generated funds and outlays on non-financial capital. A sector's net lending equals its saving, plus its capital consumption allowances and net capital transfers from non-residents, less its investment in fixed capital and inventories. See **net financial investment and capital and financial account**.

Net national income at factor cost. Net domestic product at factor cost plus net investment income from non-residents.

Net rental income. Earnings of persons, after expenses, arising from the ownership of residential property, whether rented or owner-occupied, and from the rental of non-residential property.

Non-farm inventories. Inventories of raw materials, goods-in-process and finished products.

Non-financial capital acquisition. The gross fixed capital formation of a sector, plus its investment in inventories and its net acquisition of existing assets. Does not apply to the non-resident sector which, by definition, can only engage in financial investment.

Non-resident sector. All transactors who do not have a centre of economic interest (a dwelling, a business location) in the economic territory of Canada. By definition, non-residents can only engage in financial investment. Any transactor making non-financial investment is deemed to be a resident.

Non-residential structures. Construction of industrial, commercial and institutional buildings, such as plants, warehouses, shopping centres, office buildings, schools and hospitals, plus construction of highways, bridges, railway tracks, canals, waterworks, sewage systems, dams, hydro or thermal generating plants, telephone lines, oil and gas facilities, etc. Includes new construction, conversions resulting in a structural change, major renovations, permanently built-in equipment and site preparation.

Non-residential structures and equipment. The sum of business investment in non-residential structures and in machinery and equipment.

Official reserves. The sum of a) official holdings of gold and foreign exchange (U.S. dollars and deposits in other convertible currencies), b) loans to or from the International Monetary Fund on general account, and c) special drawing rights.

Other current transfers from persons to government. Transfers not classified as direct taxes. Includes hospital and medical care premiums, various licences and permits, fines and penalties, as well as donations to entities within the government sector.

Other financial assets / Other liabilities. Various items not included under other financial instruments, such as accrued interest, interest receivable or payable and prepaid expenses.

Outside Canada. Embassies and other Canadian government offices abroad which are part of the territory of Canada.

Personal disposable income. Personal income less current transfers to government.

Personal expenditure on consumer goods and services. Household spending on new consumer goods and on consumer services, plus any mark-up on used goods. Operating expenses of associations of individuals serving households are also included, under consumer services.

Personal income. The sum of all incomes received by persons residing in Canada, whether factor earnings from current production or current transfers from other sectors, plus the investment income that associations of individuals accumulate on their own behalf or on behalf of persons.

Personal saving. Personal disposable income less personal expenditure on consumer goods and services, less current transfers from persons to corporations and to non-residents.

Personal sector. All persons, households and associations of individuals serving households.

Persons and unincorporated business sector. Transactors of the personal sector plus those of the unincorporated business sector. In the capital and financial account, transactions of these two sectors are consolidated. In addition, in this account, although credit unions, life insurance companies and trustee pension plans appear as sub-sectors of the corporate and government business enterprise sector, their transactions in financial assets are balanced by liabilities which, in turn, are recorded as assets of the persons and unincorporated business sector.

Reinvested earnings of direct investment enterprises. Profits earned on, less dividends received from, direct foreign investment. From 1961, equity income from direct foreign investment is recorded on an accrual rather than cash basis in the Balance of International Payments. This gives rise to an additional reconciliation item between the former and the National Economic and Financial Accounts, in which this change has not been incorporated.

Residential structures. Construction of dwellings (subdivided into single, semi-detached, row housing and apartments), garages, cottages and mobile homes. Includes new construction, conversions resulting in a structural change and major renovations (together referred to as "alterations and improvements"), permanently built-in equipment, site preparation and transfer costs such as real estate commissions.

Saving. The current income of a sector, less its current expenditure. Includes current transfers but excludes capital consumption allowances and capital transfers. Referred to as gross saving when it includes capital consumption allowances.

Sector accounts. The quarterly national accounts now include the full sector accounts, previously only released on an annual basis. These sector accounts record the income, outlay, saving, non-financial and financial investment, borrowing and net lending for the four main sectors: a) persons and unincorporated businesses; b) corporations and government business enterprises; c) government; and d) non-residents. See **income and outlay account and capital and financial account**.

Shares. Financial instrument consisting of common and preferred shares (including term preferred shares and mutual fund shares), plus contributed surplus. Stock issued by a government business enterprise to a parent government is classified to government claims.

Short-term paper. Marketable financial instrument comprising:

Government of Canada short-term paper. Treasury bills, which are notes of original term to maturity of less than one year, issued at a discount and sold at auction

every week; also includes Canada bills issued in foreign currency.

Other short-term paper. Notes of original term to maturity of one year or less, issued at a discount by a variety of financial and non-financial institutions; includes provincial and municipal Treasury bills.

Statistical discrepancy. Double-entry bookkeeping is fundamental in national accounting and several aggregates, such as GDP and net lending, can be calculated in two or more ways. In principle, all the measures of an aggregate are equal. In practice, differences invariably arise between them due to imperfections in basic statistics and estimation techniques. This difference is called a statistical discrepancy and serves as the balancing item between two theoretically equal aggregates. It can be recorded as is, like the discrepancy between the two estimates of net lending or it can be divided in two, one half being subtracted from the higher estimate and the other, added to the lower one, like the discrepancy between income-based and expenditure-based GDP.

Subsidies. Transfers from government to the business sector toward current costs of production. These transfers represent additions to the income of producers from current production.

Supplementary labour income. Employers' social contributions, either compulsory or voluntary. Includes retirement allowances and contributions to employment insurance, the Canada and Quebec Pension Plans, other pension plans, workers' compensation, medicare, dental plans, short- and long-term disability insurance, etc.

Surplus or deficit of Canada on current transactions with non-residents. Exports of goods and services less imports of goods and services, plus net investment income from non-residents and net current transfers from non-residents.

Surplus or deficit on current account in the "Canadian Balance of International Payments". The surplus or deficit of Canada on current transactions with non-residents plus net reinvested earnings on direct investment.

Trade accounts receivable/payable. Short-term credit advanced or received in the ordinary course of business by suppliers or buyers of business goods and services.

Transactors. Economic agents who engage in transactions involving the purchase and sale of goods and services and the payment and receipt of factor incomes and transfers.

Transfers. Cash, good, service, or asset other than cash transferred by one transactor to another without counterpart, that is, without the donor receiving anything in return. See **current transfers** and **capital transfers**.

Unincorporated business sector. All business transactors whose legal form of organization is not the corporation. Includes independent business operators, self-employed farmers, fishermen and professionals and unincorporated landlords (including those renting to themselves).

Wages and salaries. Total remuneration, in cash or in kind, paid to employees in return for work done. It is recorded on a gross basis, before any deduction for income taxes, pensions, unemployment insurance and other social insurance schemes. Also includes other forms of compensation, namely commissions, tips, bonuses, directors' fees and allowances such as those for holidays and sick leave, as well as military pay and allowances. Excludes employers' social contributions, which are treated as supplementary labour income.

Withholding taxes. Taxes withheld by the Government of Canada on selected income and service payments to non-residents, or withheld by foreign governments on selected income and service payments to Canadian residents.