Explanatory Notes on Main Statistical Indicators

Gross Domestic Product (GDP) refers to the final products produced by all resident units in a country during a certain period of time. Gross domestic product is expressed in three different perspectives, namely value, income, and products respectively. GDP in its value perspective refers to the balance of total value of all goods and services produced by all resident units during a certain period of time, minus the total value of input of goods and services of the nature of non-fixed assets; in other words, it is the sum of the value-added of all resident units. GDP from the perspective of income refers to the sum of all kinds of revenue, including compensation of employees, net taxes on production, depreciation of fixed assets, and operating surplus. GDP from the perspective of products refers to the value of all goods and services for final demand by all resident units plus the net exports of goods and services during a given period of time. In the practice of national accounting, gross domestic product is calculated by three approaches, namely production approach, income approach and expenditure approach, which reflect gross domestic product and its composition from different angles.

For a region, it is called as gross regional product(GRP) or regional GDP.

Gross National Income (GNI) originally known as gross national product(GNP), refers to the final result of the primary distribution of the income created by all resident units of a country during a certain period of time. The value-added created by the resident units of a country engaged in production activities is distributed, during the primary distribution, mainly to the resident units of that country, while part of it is distributed to the non-resident units in the form of production tax (minus subsidies to production), compensation of employees and property income. In the meantime, a part of the value-added created abroad is distributed to the resident units of the country in the form of production tax (minus subsidies to production), compensation of employees and property income. The concept of gross national income is thus developed, which equals to gross domestic product plus the net income from primary distribution from abroad. Unlike GDP which is a concept of production, GNI is a concept of income.

Three Strata of Industry Classification of economic activities into three strata of industries is a common practice in the world, although the grouping varies to some extent from country to country. In China, according to *Industrial Classification for National Economic Activities* (GB/T 4754—2017) and *Rules on Division of Three Strata of Industries*, economic activities are categorized into the following three strata of industries:

Primary industry refers to agriculture, forestry, animal husbandry and fishery industries (not including services in support of agriculture, forestry, animal husbandry and fishery industries).

Secondary industry refers to mining and quarrying (not including support activities for mining), manufacturing (not including repair service of metal products, machinery and equipment), production and supply of electricity, heat, gas and water, and construction.

Tertiary industry refers to all other economic activities not included in the primary or secondary industries.

Compensation of Employees refers to the total payment of various forms to employees for the productive activities they are engaged in. It includes the compensation earned by employees in cash or in kind. It mainly includes: wages, bonuses and allowances, subsidies, social insurance paid by company or employer for its staff, supplementary social insurance, housing fund, the pension for the employees of the administrative institution, other forms of welfare and remuneration provided by the employers for its employees.

Net Taxes on Production refers to taxes on production less subsidies on production. The taxes on production refers to the various taxes, extra charges and fees levied on the production units on their production, sale and business activities as well as on the use of some factors of production, such as fixed assets, land etc. in the production activities they are engaged in. Taxes on production are divided into product tax and other kinds of taxes on production, where product tax mainly includes: value-added tax, consumption tax, import duty, export duty; and other taxes on production mainly include: house property tax, tax on vehicles and boat operation, urban land use tax, etc. In contrast to taxes on production, subsidies on production refer to the payment by the government for free to the production units to influence production units's activities such as production, sales and pricing. Subsidies on production include agricultural production subsidies, subsidies for policy losses, import subsidies, etc., and are treated as negative taxes on production.

Depreciation of Fixed Assets refers to the decline of the value of fixed assets due to natural deterioration, normal elimination or loss, and it reflects the value of the fixed assets transferred into the output through production. In principle, the depreciation of fixed assets should be calculated on the basis of the re-purchased value of the fixed assets.

Operating Surplus refers to the balance of the value added created by the resident units after deducting the compensation of employees, net taxes on production and the depreciation of fixed assets.

GDP by Expenditure Approach refers to the method of measuring the final results of production activities of a country (region) during a given period from the perspective of final uses. It includes final consumption expenditure, gross capital formation and net export of goods and services. The formula for computation is:

GDP by expenditure approach = final consumption expenditure + gross capital formation + net export of goods and services

Final Consumption Expenditure refers to the total expenditure of resident units for purchases of goods and services from both the domestic economic territory and abroad to meet the needs of material, cultural and spiritual life. It does not include the expenditure of non-resident units on consumption in the economic territory of the country. The final consumption expenditure is broken down into household consumption expenditure and government consumption expenditure.

Household Consumption Expenditure refers to the total expenditure of resident households on the final consumption of goods and services. In addition to the consumption of goods and services bought by the households directly with money, the household consumption expenditure also includes expenditure on goods and services obtained by the households in other ways, i.e. the so-called imputed consumption expenditure, which mainly includes: (a) the goods and services provided to households by employers in the form of payment in kind and transfer in kind; (b) goods and services produced and consumed by the households themselves (such as self-producing-and-self-consuming agricultural products); (c) financial intermediate services provided by banking and insurance institutions.

Government Consumption Expenditure refers to the consumption expenditure spent for the provision of public services provided by the government to the whole country and the net expenditure on the goods and services provided by the government to households free of charge or at low prices. The former equals to the output value of the government services minus the value of operating income obtained by the government departments. The latter equals to the market value of the goods and services provided by the government free of charge or at low prices to the households minus the value received by the government from the households.

Actual Final Consumption refers to all goods and services acquired and used by resident units, for the satisfaction of their individual or collective needs or wants. It is broken down into household actual final consumption and government actual final consumption. From the numerical point of view, actual final consumption is equal to final consumption expenditure.

Social Transfer in Kind refers to the expenditure on goods and services provided by government, free of charge or at economically insignificant prices, to households for consumption purpose.

Household Actual Final Consumption refers to the value of goods and services for consumption, acquired by resident households, which is equal to the expenditure of households on goods and services for consumption plus the expenditure on goods and services for consumption provided by government to households in the form of social transfer in kind.

Government Actual Final Consumption refers to the value of the collective consumption services provided by government to the whole society, which is equal to the government final consumption expenditure minus the expenditure on goods and services for consumption provided by government to households in the form of social transfer in kind.

Gross Capital Formation refers to resident units' acquisitions less disposals of fixed assets and inventory during a given period, including gross fixed capital formation and changes in inventories.

Gross Fixed Capital Formation refers to the value of acquisitions less disposals of fixed assets during a given period. Fixed assets are the assets produced through production activities with unit value above a specified amount and which could be used for over one year. Natural assets, consumer durables, small instruments are not included. Gross fixed capital formation includes the value of housing, other buildings and structure, equipment and machinery, breeding biological resources, intellectual property right product minus the disposal of them.

Changes in Inventories refer to the market value of the change in the physical volume of inventory of resident units during a given period, i.e. the difference between the values at the beginning and at the end of the period minus the gains due to the change in prices. The changes in inventories can have a positive or a negative value. A positive value indicates an increase in inventory while a negative value indicates a decrease in inventory. The inventory includes raw materials, fuels and reserve materials purchased by the production units as well as the inventory of finished products, semi-finished products and work-in-progress.

Net Export of Goods and Services refers to the exports of goods and services subtracting the imports of goods and services. Exports include the value of various goods and services sold or gratuitously transferred by resident units to non-resident units. Imports include the value of various goods and services purchased or gratuitously acquired by resident units from non-resident units. The exports and imports of goods are calculated at FOB.

Institutional Units refer to economic entities that are capable, in its own rights, of owning assets, incurring liabilities and engaging independently in economic activities and in transactions with other entities.

Institutional Sectors refer to groups of institutional units that are homogenous in nature and grouped together. The following 4 institutional sectors are identified in the flow of funds accounts: non-financial corporations, financial institutions, government and households. Also treated as an institutional sector is the rest of the world, which is composed of non-resident units that have transactions with resident units.

Non-Financial Corporations and the Sector of Non-Financial Corporations Non-financial corporations refer to resident corporations that are engaged in the production of goods and the provision of non-financial services in the market, mainly covering corporate enterprises of various types engaging in the above-mentioned activities. All non-financial corporations make up the sector of non-financial corporations.

Financial Institutions and the Sector of Financial Institutions Financial institutions refer to resident institutions that are engaged in the financial intermediary services or auxiliary financial activities that are closely related with financial intermediary services, mainly covering legal entities engaging in activities of monetary services, capital market services, insurance services, and other financial services. All financial institutions make up the sector of financial institutions.

General Government and the Sector of General Governments General government refer to legal entities and their auxiliary units that are established through the political process and are empowered with legislative, administrative or judicial rights over other institutional within specific regions. The main function of general government is to acquire funds through taxation or other means in order to provide goods and services to society and households; and to conduct redistribution of income and properties of society through transfer payment; and to engage in non-market production. General government cover mainly: party and government organizations at all levels, mass organizations, public institutions, grass roots self-governing organizations, etc. All general governments make up the sector of general governments.

Households and the Sector of Households Households refer to resident individuals or groups of resident individuals who share common living facilities, jointly use entire or part of their income and properties, and share their housing, food and other consumer goods and services. All households make up the sector of households.

Non-resident Units and the Rest of the World All units that are not resident units are non-resident units. All non-resident units that have transactions with resident units make up the rest of the world.

Gross Primary Income Primary income refers to the distribution of the value created from production activities among the owners of factors of production and the governments. The final result from production activities is the value-added. Factors of production mainly include labour force, capital, natural resources. Owners of labour force gain compensation of employees by providing labour. Owners of capitals gain income of various forms by providing capital: owners of loan capital receive income from interests; share holders receive dividends or participate in profit distribution; owners of natural resources receive rents for assign the use right of natural resources. Government levies production tax on production activities or factors of production for state administration needs and pay production subsidies for supporting related production activities. Results of primary distribution generate the gross primary income of each sector, and the sum of the gross primary income of all sectors make up the gross national income, or the gross national product.

Current Transfers Transfer refers to the transaction in the form of provision of goods, services or assets by an institutional unit to another institutional unit without receiving any direct corresponding return from the recipient. Current transfers are transfers that don't involve obtaining or disposing property (except inventory and cash) of one side or both sides. They include regular tax such as income tax and property tax, social insurance contributions, social insurance benefits, social assistance and other current transfers.

Gross Disposable Income Gross income from primary distribution is re-distributed through current transfer, resulting in the gross disposable income of various institutional sectors. The sum of gross disposable income of all institutional sectors is the gross national disposable income.

Adjusted Gross Disposable Income The adjusted gross disposal income of each institutional sector, is equal to gross disposal income plus social transfer in kind receivable minus social transfer in kind payable of the institutional sector. It reflects the total income responding to the actual final consumption of each institutional sector.

Gross Savings refer to gross disposable income subtracting final consumption. The sum of gross savings of all sectors is the gross national savings.

Capital Transfer refers to the transfers that involve obtaining or disposing of property (except inventory and cash) of one side or both sides. Capital transfer includes: capital tax, investment grants and other capital transfers.

Net Financial Investment reflects the surplus or shortage of capitals of institutional sectors or of the economy in general in the process of non-financial investment. It is equal to gross savings plus net capital transfer minus non-financial investment. From the point of view of financial transaction, it is the difference between the increase of financial assets minus the increase of the financial liabilities.

Currency refers to currency that is in circulation in the market, including paper money and coin.

Deposits refer to deposits in depository financial institutions in various forms, which mainly include demand deposit, time deposit, fiscal deposit, foreign exchange deposit and other deposit, etc.

Loans refer to various types of loans granted by financial institutions, which mainly include short-term loan and bill financing, medium- and long-term loan, foreign exchange loan, entrusted loans and other loans.

Bonds refer to securities issued by institutional units to raise funds and promised to be repaid on agreed terms. They include government bonds, financial bonds, central bank bonds, and corporation bonds, etc.

Stock is certificate issued by limited liability company in accordance with the provisions of the company law, to raise capital, to justify the shareholder rights and interests and accordingly obtain the dividend and bonus.

Insurance Technical Reserves consists of net equity of social insurance fund and commercial insurance fund, prepayments of insurance premiums, and reserves for outstanding claims, and bond repurchase.

Inter- financial Institutions Accounts refer to flow of capital between financial institutions, consisting of nostro & vostro accounts, inter-bank lending.

Required and Excessive Reserves refer to financial institutions' deposits and required reserves in the People's Bank of China.

Central Bank Loans refer to lending to financial institutions by the People's Bank of China

International Reserve Assets refers to the foreign assets owned by the central bank, including foreign exchange, monetary gold, SDRs, and reserve position in the International Monetary Fund and other creditor's rights.

Current Account includes goods, services, primary income, and secondary income.

Goods refer to transactions of goods where economic ownership is transferred between residents and non-residents.

Services include processing services, maintenance and repair services, transportation, travel, construction, insurance and pension services, financial services, intellectual property rights royalties, telecommunications, computer and information services, other business services, personal, cultural and entertainment services and government services not mentioned elsewhere.

Primary Income refers to the returns received for the provision of services, financial assets, and leasing of natural resources, which includes three parts: employee compensation, investment income, and other primary income.

Secondary Income refers to the current transfers between resident units and non-resident units, including cash and transfers in kind.

Capital Account reflects the capital transfers between resident units and non-resident units, and the acquisition and disposal of non-productive non-financial assets between residents and non-residents.

Financial Account refers to the transaction of financial assets and liabilities between resident units and non-resident units, including non-reserve financial accounts and international reserves.

Direct Investment is an investment aimed at investors seeking effective voice for enterprises operating outside their own country. It includes two parts: direct investment assets and direct investment liabilities. Related investment instruments can be divided into equity and related enterprise debt. Equity includes equity and investment fund shares, as well as reinvestment returns. The liabilities of affiliated enterprises include negotiable and non-negotiable creditor's rights and liabilities among affiliated enterprises.

Security Investment includes securities investment assets and securities investment liabilities, and related investment instruments can be divided into equity and bonds. Equity rights include share rights and investment fund shares. Shares recorded under securities investment and investment fund shares should be negotiable (tradable). Equity rights are usually evidenced by shares, stocks, shares, depository receipts or similar documents. Investment fund share refers to the share of collective investment products such as mutual funds held by investors. A bond is a negotiable debt instrument, which is a certificate proving that its holder (creditor) has the right to recover principal or interest from its issuer (debtor) at some point in the future, including negotiable deposits, commercial instruments, corporate bonds, asset-backed securities, money market instruments, and a similar tool for usually trading on the financial market.

Financial Derivatives also known as financial derivatives and employee stock options, are used to record the transactions of financial derivatives and employee stock options between resident units and non-resident units.

Other Investments refer to financial transactions between residents and non-residents other than direct investment, securities investment, financial derivatives and reserve assets. They include other equity, currency and deposits, loans, insurance and pensions, trade credit and others.

Net Errors and Omissions Balance of payments statement adopts double-entry accounting method. Because of the differences in source data and recording time, it will cause imbalance between current account and capital and financial account, and result in statistical residual, which is called net errors and omissions.