

## Methodological Notes

### GDP - Final use - national level, quarterly data

GDP by final expenditure includes the following components:

*Individual consumption of households*, measured by:

*Household final consumption expenditure*, including the following items:

- Purchases of goods from retail trade, incl. purchases between population purchases by caterers and canteens, and paid for the current repair of the goods;
- Purchases of services - electricity, water, heat, transportation and communications services, residential rents, educational services, paid health care services, leisure, culture and sports, insurance and other services;
- Goods produced by households for their own final consumption, represented by unincorporated activities and natural goods consumed by the population;
- Income in kind;
- Imputed rent of owner occupied dwellings.

*Individual consumption of households* is calculated according to the national concept i.e. including the consumption of residents abroad and excluding the consumption of non-residents within the economic territory of the country. Since 1997, Household final consumption expenditure is calculated in accordance with COICOP. The consumption expenditure is presented at 12 main divisions.

*Government final consumption expenditure* for services provided to individual households include free services provided in health, social security, education, sport, culture and art. They are measured by the gross output of these activities, less the fees paid (if any) included in intermediate consumption of other sectors or in final consumption expenditure of households.

*Final consumption expenditure of NPISHs* are measured by the output of this institutional sector. These are expenditures of trade unions, religious, charity and other NPISHs rendering goods and services to households free or at economically insignificant prices

Since 1996 data on final consumption expenditure of households follow internationally accepted national concept concerning consumer expenditure of foreign tourists in Bulgaria and the expenditure of Bulgarians abroad. According to this concept cash expenditure of foreign tourists in the country are recorded on the revenue side of the BOP as exports of goods and services and monetary costs of Bulgarian citizens abroad are recorded in the expenditure side of the balance of payments as imports of goods and services. Applying this methodological principle does not change the level of GDP, since it affects both the assessment of final consumption and foreign trade balance of goods and services.

*Collective consumption* is measured by the final consumption expenditure of government on collective services provided to the society as a whole. These are services for maintenance of settlements, fundamental science and part of scientific services, government administration, defence and security. They are measured by the volume of their gross output less the value of fees paid for services rendered as an element of final consumption expenditure of households.

Gross fixed capital formation includes the cost of acquisition of the following types of non-financial fixed assets, including the increase in construction work in progress:

- *Tangible fixed assets*, including plantations, productive and draught animals, buildings, machinery and equipment, transport facilities, agricultural equipment;
- *Intangible fixed assets* such as R&D products, software, mineral exploration and construction research and design.

These investments are invested for the purchase of assets used repeatedly in the manufacturing process for an extended period of time (more than one year). According to the methodology acquired existing assets are outside the scope of the indicator and only the cost of distribution and installation of existing assets affect the amount of gross fixed capital formation.

The elements of gross fixed capital formation are measured at purchase prices when they bought, and at basic prices, if they are produced for own consumption.

Changes in inventories includes:

- Changes in inventories of raw materials, work in progress, finished goods and goods for resale, young animals and animals for fattening. The assessment relates to their natural increase (decrease), ie the amount of holding gains or losses accumulated as a result of change in prices rather than actual manufacturing process;
- Changes in inventories of households resulting from unincorporated activities.

Four quarterly estimates for holding gains/losses and changes in inventories are made and the annual values are the sum of the quarterly figures. The holding gains for work-in-progress and finished goods are excluded from the estimates of gross output in the Production account. Intermediate consumption is adjusted by the value of holding gains for raw materials and supplies. Changes in inventories included in GDP by final expenditure are calculated on the basis of information for all four types of inventories.

The estimates for all types of inventories are carried out using the following approach:

The value of inventories by type and by activity, at the beginning and at the end of the corresponding quarter is deflated by the specific price indices and transformed into average preceding year prices. The difference between the deflated values (end minus beginning of the period) represents the estimate of the physical change of the corresponding type of inventory at constant prices. The change of inventories at quarterly current prices is obtained through inverse inflation by the price index for the quarter in question.

Foreign trade balance (net exports of goods and services) as a component of GDP by final expenditure represents a difference between the value of exported and imported goods and services. Exports and imports of goods are recorded at f.o.b. prices.