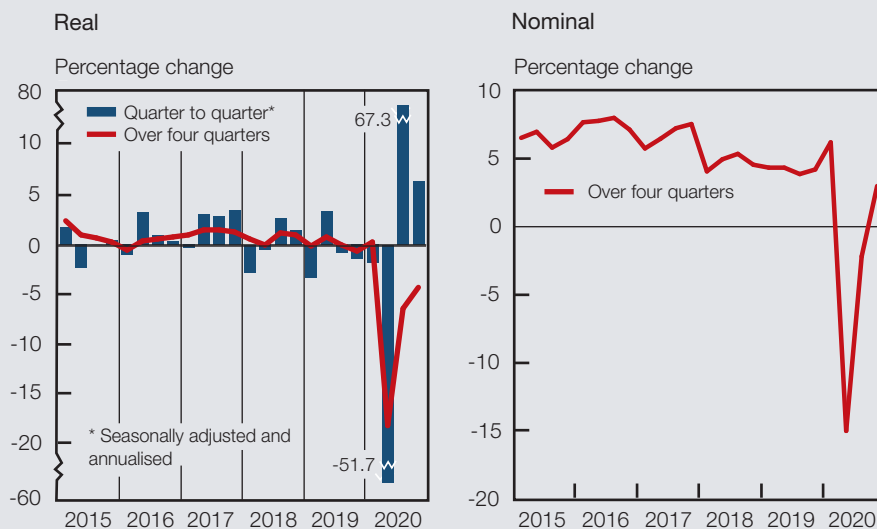


Box 1 Unpacking nominal national accounts aggregates ^{1,2,3}

The most familiar macroeconomic aggregate from the national accounts is growth in *real* gross domestic product ⁴ (GDP), which is an indicator of the change in real economic activity.⁵ However, growth in *nominal* GDP at market prices ⁶ and its level, which indicates the monetary value of all final goods and services produced in an economy at current prices (i.e. without adjustment for inflation), is equally important.

Growth in gross domestic product



Source: Stats SA

Hence, the level of nominal GDP is an indicator of the size of an economy, and is also used as the denominator in the calculation of ratios to express the proportions of other economic aggregates relative to GDP. Changes in nominal GDP reflect changes in either the quantity and/or the price of the final goods and services produced, while a change in real GDP only indicates a change in volume/output. This box discusses selected national accounts aggregates at current prices (nominal terms) in the context of the production, distribution and accumulation accounts, and how they can be applied.

The quarterly level of nominal GDP (at current prices) and real GDP (at constant prices), on a not seasonally adjusted and not annualised basis as well as the annual levels of both, clearly shows the impact of the coronavirus disease 2019 (COVID-19) on the size of the domestic economy in 2020, in both nominal and real terms, and the longer term impact of price changes.

Selected national accounts aggregates at current prices (nominal terms) in the context of the production, distribution and accumulation accounts for the total domestic economy show how these aggregates are integrated into a coherent framework.

The level of nominal GDP is used to standardise selected macroeconomic aggregates, for example, saving, expenditure, capital formation and balances such as on the trade and current account as well as debt. These ratios, as a percentage of nominal GDP, facilitate international comparisons of variables that depend on the size of a country's economy.

1 The compilation of South Africa's national accounts adheres to the guidelines of the *System of National Accounts 2008 (2008 SNA)* as the international standard for the measurement of economic activity. See <https://unstats.un.org/unsd/nationalaccount/docs/sna2008.pdf>

2 South Africa's gross domestic product (GDP) statistics are compiled and published by Statistics South Africa. For the methodology and statistics of the production-based GDP estimates, see <http://www.statssa.gov.za/publications/P0441/P04413rdQuarter2014.pdf> and for the expenditure-based GDP estimates, see http://www.statssa.gov.za/publications/P0441/Expenditure_on_GDP_Sources_and_Methods.pdf

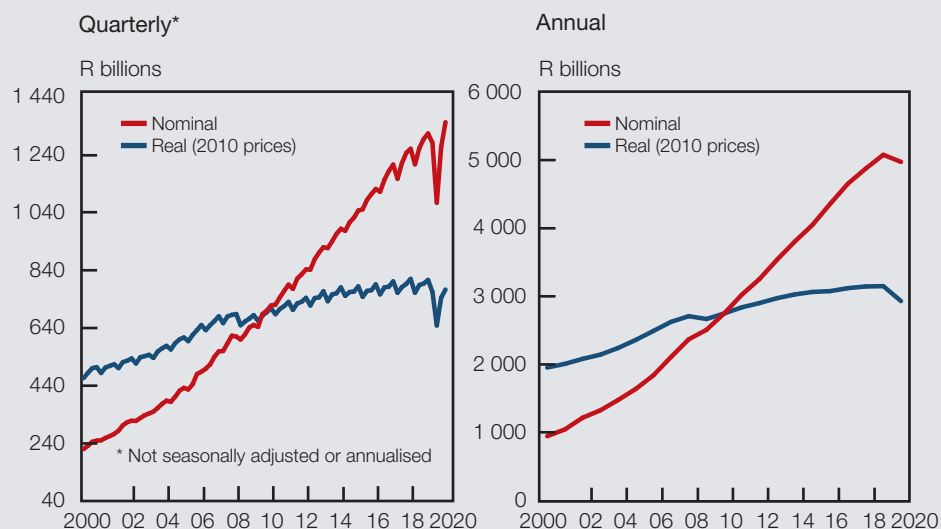
3 This box relates to the production, distribution and accumulation accounts of South Africa for the total domestic economy. See the statistical tables on pages S-112, S-116 and S-137 in this edition of the *Quarterly Bulletin*.

4 The quarter-to-quarter seasonally adjusted and annualised growth is quoted most often.

5 For gross value added statistics, see pages S-113 and S-114 and for real growth rates page S-156 in this edition of the *Quarterly Bulletin*.

6 This represents the current prices paid for the goods and services during a particular period.

Level of gross domestic product



Source: Stats SA

Selected national accounts aggregates of the total domestic economy at current prices¹

R billions

	2019					2020				
	Q1*	Q2*	Q3*	Q4*	Year**	Q1*	Q2*	Q3*	Q4*	Year**
Gross value added at basic prices ^a	1 064	1 137	1 153	1 170	4 524	1 119	985	1 135	1 190	4 430
Gross domestic product at market prices^b	1 207	1 263	1 295	1 313	5 078	1 281	1 074	1 266	1 353	4 974
Gross operating surplus ^c	475	515	519	502	2 010	501	407	510	521	1 938
Gross national income ^d	1 158	1 244	1 237	1 296	4 934	1 243	1 055	1 242	1 339	4 880
Gross disposable income^e.....	1 149	1 235	1 228	1 287	4 899	1 235	1 047	1 230	1 325	4 837
Final consumption expenditure ^f	986	1 016	1 035	1 104	4 140	1 032	916	1 036	1 117	4 101
Households.....	723	749	763	824	3 059	757	644	753	825	2 978
General government.....	263	266	272	280	1 081	275	272	283	292	1 122
Gross saving^g	146	213	179	203	740	165	147	208	206	726
Consumption of fixed capital	175	178	180	181	713	182	186	191	193	752
Net saving ^h	-30	35	-1	22	27	-17	-39	17	13	-25
Gross fixed capital formation ⁱ	217	228	234	230	909	212	173	194	205	784
Change in inventories ^j	-13	17	8	-27	-16	-38	-13	-50	-65	-166
Net lending (+)/borrowing (-)^k.....	-58	-32	-63	0	-153	-9	-14	65	66	108

* Current prices not seasonally adjusted and not annualised

** Annual statistics

Sources: Stats SA and SARB

Notes to table

- The gross value added (GVA) at basic prices for the domestic economy as a whole is the sum of GVA of all institutional units engaged in production, and is also the balancing item of the production account, which comprises output at basic prices² less intermediate consumption.³ See the statistical table on page S-113 in this edition of the *Quarterly Bulletin*.
- The GDP at market prices⁴ is equal to the total GVA at basic prices, plus taxes on products, less subsidies on products. See the statistical tables on page S-112 and S-116 in this edition of the *Quarterly Bulletin*.
- The gross operating surplus is the balancing item of the generation of income account and is equal to GDP at market prices less compensation of employees, less taxes on production and imports, plus subsidies. The consumption of fixed capital (depreciation) should be deducted to derive the net operating surplus.



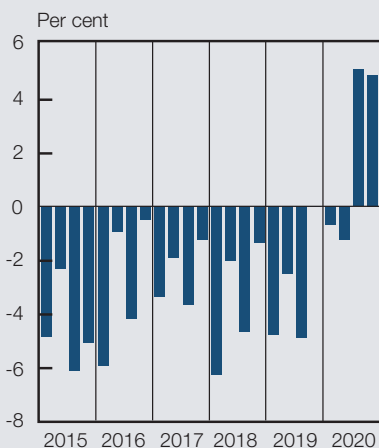


- d The gross national income (GNI) is the total income of all residents of an economy in a specific period and is the balancing item of the allocation of primary income account, which is equal to the gross operating surplus plus compensation of employees (adjusted for net compensation to non-residents) and taxes on production and imports, less subsidies, plus property income received, and minus property income paid. See the statistical table on page S-137 in this edition of the *Quarterly Bulletin*. GNI is in this way equal to GDP at market prices plus primary income receivable from the rest of the world, less primary income payable to the rest of the world. See the statistical table on page S-112 in this edition of the *Quarterly Bulletin*.
- e The gross disposable income is the balancing item of the secondary distribution of income account and is equal to gross national income plus current transfers received, minus current transfers paid.
- f The final consumption expenditure of resident⁵ households and general government on goods and/or services.
- g Gross saving is the balancing item of the current account as carried forward to the capital account, and is equal to gross disposable income less final consumption expenditure and the residual.⁶
- h Net saving is equal to gross saving minus the consumption of fixed capital (depreciation).
- i Gross fixed capital formation is the value of acquisitions, less disposals of fixed (non-financial) assets.
- j The change in inventories is the difference between additions to, and withdrawals from, inventories.
- k Net lending⁷/borrowing⁸ is the balancing item in the capital account and is equal to gross saving plus capital transfers receivable minus capital transfers payable, and less gross fixed capital formation and the change in inventories.

1 For the detailed statistical table, see page S-137 in this edition of the *Quarterly Bulletin*.
 2 Output at basic prices is the amount receivable by a producer for output minus taxes on products payable, plus subsidies on products receivable.
 3 Intermediate consumption is the value of goods and services consumed as inputs to the production process, excluding depreciation.
 4 GDP at market prices measures the value of all final goods and services produced within the geographic boundaries of a country in a specific period.
 5 A resident institutional unit is a unit that has a center of economic interest in the particular country.
 6 The residual is the statistical discrepancy between the expenditure components and GDP.
 7 Net lending is the amount of resources available to lend to deficit units in the economy through the financial account, even if they are retained in a bank deposit.
 8 Net borrowing is the amount of resources required from surplus units in the economy through incurring liabilities in the financial account.

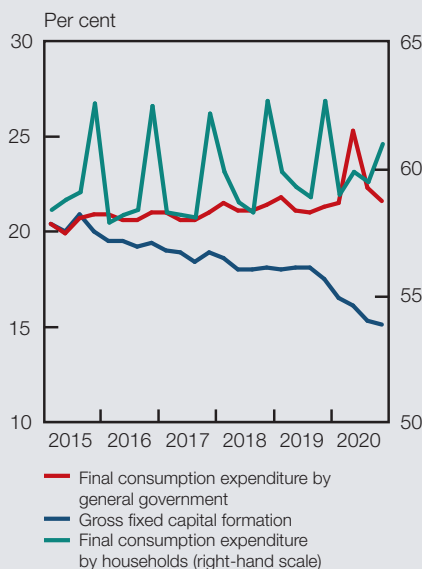
The ratio of South Africa's net lending or borrowing position relative to the rest of the world is one of these ratios. With the switch to a current account surplus as from the third quarter of 2020, the persistent net borrowing position switched to a net lending position as a ratio of GDP – this surplus amounted to 5.1% and 4.9% in the third and fourth quarter of 2020 respectively.

Total net lending/borrowing as a ratio of nominal gross domestic product



Sources: Stats SA and SARB

Consumption and investment as a ratio of nominal gross domestic product



Source: Stats SA

Nominal final consumption expenditure by households, (not seasonally adjusted and not annualised) as a percentage of GDP, increased to 61.0% in the fourth quarter of 2020, following ratios of below 60% in the first three quarters of 2020. Nominal gross fixed capital formation (not seasonally adjusted and not annualised), as a share of GDP, decreased to a low of 15.1% in the fourth quarter of 2020, as it continued its downward trajectory. The marked increase in the ratio of final consumption expenditure by general government (not seasonally adjusted and not annualised) in the second quarter of 2020 mainly reflected increased spending related to COVID-19 while nominal GDP declined notably due to the national lockdown.

Selected nominal aggregates as a ratio of gross domestic product

Ratio in per cent

	2019					2020				
	Q1*	Q2*	Q3*	Q4*	Year**	Q1*	Q2*	Q3*	Q4*	Year**
Gross saving	12.1	16.9	13.8	15.4	14.6	12.9	13.7	16.4	15.2	14.6
Net lending (+)/borrowing (-)	-4.8	-2.5	-4.9	0.0	-3.0	-0.7	-1.3	5.1	4.9	2.2
Final consumption expenditure	81.7	80.4	79.9	84.0	81.5	80.5	85.3	81.8	82.6	82.4
Households.....	59.9	59.3	58.9	62.7	60.2	59.0	59.9	59.5	61.0	59.9
General government.....	21.8	21.1	21.0	21.3	21.3	21.5	25.3	22.3	21.6	22.6
Gross fixed capital formation ¹	18.0	18.1	18.1	17.5	17.9	16.5	16.1	15.3	15.1	15.8

* Current prices not seasonally adjusted and not annualised

** Annual statistics

Sources: Stats SA and SARB

The growth rate measured over four quarters in these nominal aggregates (not seasonally adjusted and not annualised) is also informative in its own right. The total nominal GVA (not seasonally adjusted and not annualised) increased by 1.8% in the year to the fourth quarter of 2020, following two successive contractions, as the lockdown restrictions were eased. Similarly, nominal GDP increased by 3.0% in the year to the fourth quarter of 2020. What is also interesting to note is the growth in nominal gross disposable income in the third quarter of 2020, albeit marginal, as the lockdown restrictions were eased somewhat.

Growth in selected nominal production and expenditure aggregates

Percentage change over four quarters

	2019					2020				
	Q1*	Q2*	Q3*	Q4*	Year**	Q1*	Q2*	Q3*	Q4*	Year**
Gross value added at basic prices	4.0	4.6	4.2	4.0	4.2	5.2	-13.3	-1.5	1.8	-2.1
Gross domestic product at market prices	4.3	4.3	3.9	4.2	4.2	6.2	-15.0	-2.2	3.0	-2.0
Gross operating surplus	3.9	4.6	4.8	4.2	4.4	5.5	-21.0	-1.8	3.9	-3.6
Gross national income	4.8	5.3	3.1	5.0	4.5	7.3	-15.2	0.5	3.3	-1.1
Gross disposable income	5.1	5.3	3.0	5.0	4.6	7.4	-15.3	0.2	3.0	-1.3
Final consumption expenditure										
Households.....	4.3	5.4	5.0	4.2	4.7	4.7	-14.1	-1.3	0.2	-2.6
General government.....	5.7	4.1	3.4	3.9	4.2	4.7	2.1	3.9	4.4	3.8
Gross fixed capital formation ¹	0.7	4.7	4.2	0.6	2.5	-2.4	-24.0	-17.2	-10.9	-13.8

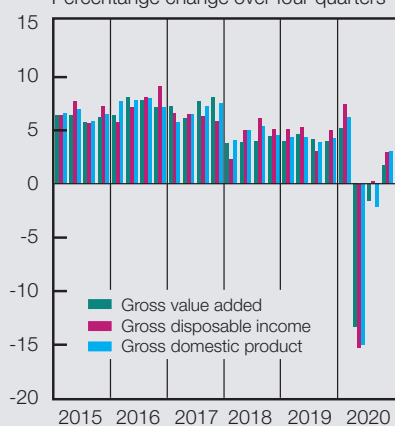
* Current prices not seasonally adjusted and not annualised

** Annual statistics

Sources: Stats SA and SARB

Nominal output and income aggregates

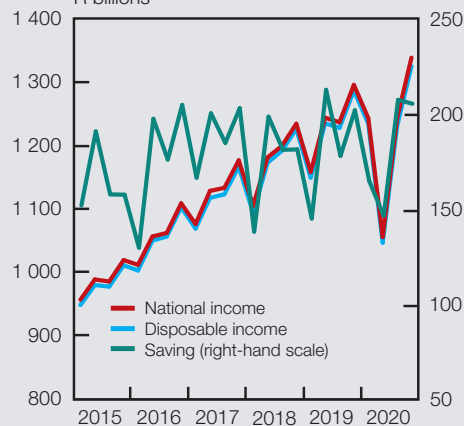
Percentage change over four quarters



Sources: Stats SA and SARB

Nominal gross income and saving aggregates

R billions





These statistics, expressed in nominal terms, are particularly useful in the analysis of aggregates such as gross national income and saving. The level of nominal gross national income increased during the fourth quarter of 2020, following the normalisation in economic activity in most sectors of the economy, as a result of the further easing of lockdown restrictions. The nominal gross disposable income also increased to R1.3 trillion in the fourth quarter of 2020 – 3.0% higher than in the same quarter of the previous year. After accounting for final consumption expenditure, gross saving amounted to R206 billion in the fourth quarter of 2020 or 15.2% of GDP.