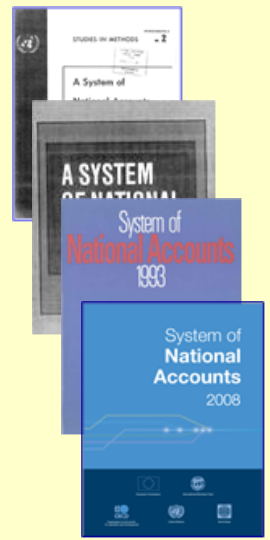


# Use of the terms "gross" and "net" in economic and environmental statistics – An overview

Compiled by Sanjiv Mahajan October 2021



## Overview

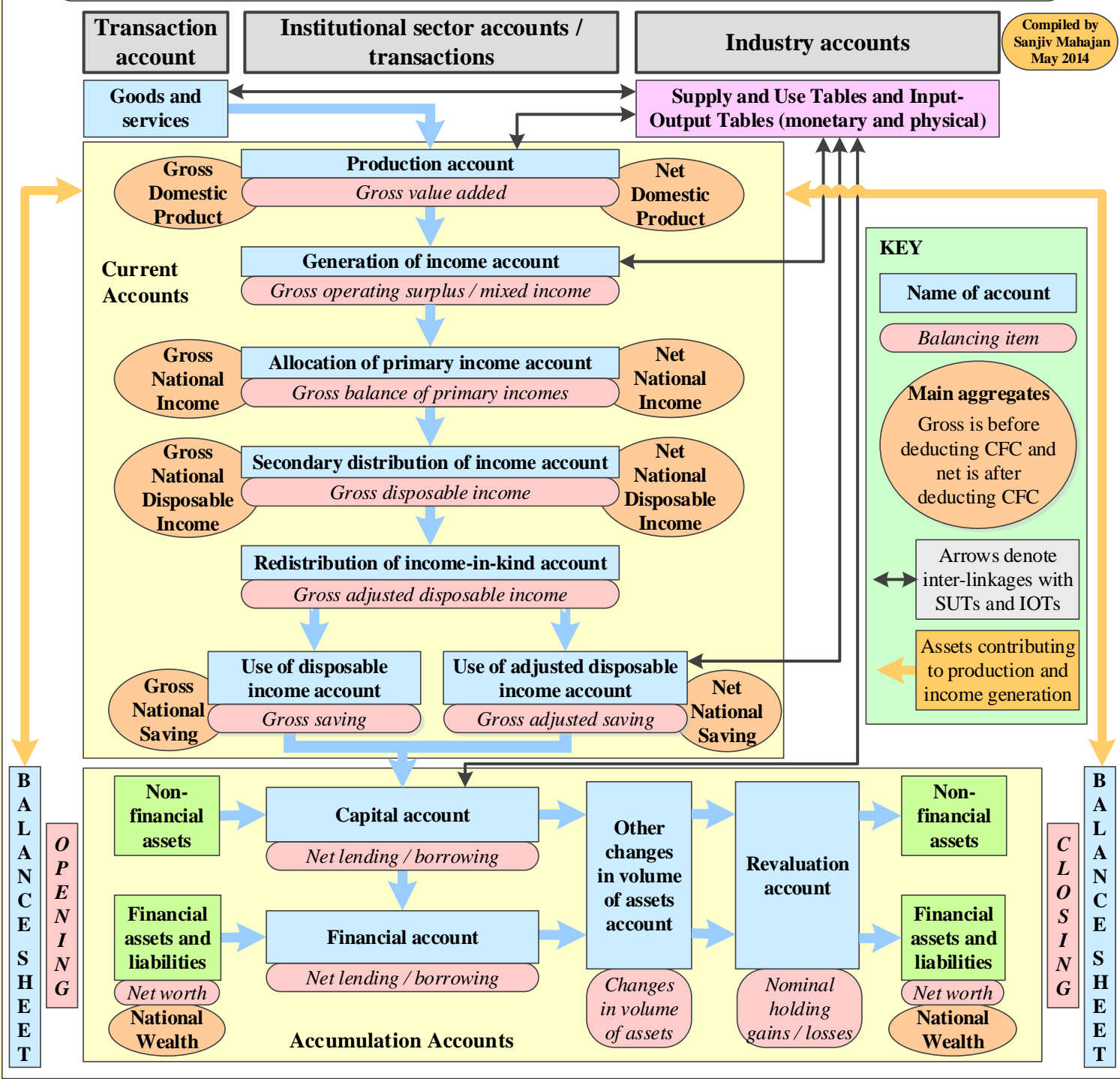
The terms "gross" and "net" in context of economic and environmental statistics are used in various ways and can be misunderstood. The producer and user need to be aware of the definition(s), context and meaning. The 2008 SNA (paragraphs 3.190-198) provides a good summary of the use of terms "gross" and "net" in the national accounting framework. In terms of an overview, the key "gross" and "net" aggregates are shown in the diagram on the left hand side below. Examples of other uses (not an exhaustive list) of the terms "gross" and "net" are shown below on the right hand side.

The most significant use of the terms "gross" and "net" are in conjunction with balancing items for each account by institutional sector and the whole economy. To estimate future productive potential and capacity of a business, an industry or an economy, then good quality estimates of consumption of fixed capital (CFC) and capital stock are essential. The role of net national income, net disposable income and net capital stock are becoming more important and relevant today but play different roles from their "gross" counterparts. The second main use covers the recording of financial transactions in the financial account. Here transactions can be recorded on a "gross" or "net" basis. For example, the financial account is recorded on a net basis and flow of funds is recorded on a gross basis.

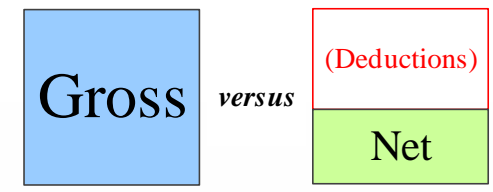
## What is CFC?

CFC is the decline, during the course of the accounting period, in the current value of the stock of fixed assets owned and used by a producer as a result of physical deterioration, normal obsolescence or normal accidental damage. CFC is a cost category that accrues over the whole period the fixed asset is available for productive purposes. It is important to note that CFC is not an explicit transaction but recognised as a cost to the business and is accepted as difficult to measure. CFC in national accounting terms is not the same as depreciation in company accounting terms albeit users use the terms interchangeably. In national accounts, current cost accounting (also known as current replacement cost) valuation is used, whereas in company accounts, the valuation mostly used is historic cost accounting (also known as historic replacement cost).

## Overview of the System of National Accounts framework and the links to Supply and Use Tables



Compiled by Sanjiv Mahajan May 2014

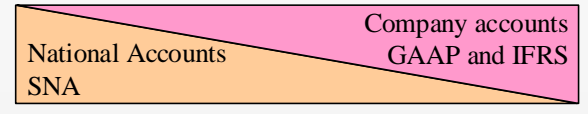
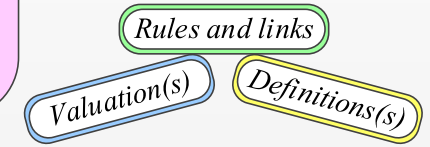


Terminology type links	
Conceptual reference	Alternative reference
Changes in liabilities	Net incurrence of liabilities
Changes in assets	Net acquisition of financial assets
Changes in assets and liabilities	Changes in net worth
Net lending or borrowing	Net financial balance



**CFC related type links**  
Various components of the main aggregates and related statistics will also exist both on a gross basis and a net basis, for example, gross capital stock and net capital stock, gross operating surplus and net operating surplus.

- Conceptual type links**
- Net return to (fixed) capital relates to the mark-up in estimating the output of market producers' own-account capital formation.
  - Net social contributions are the actual or imputed contributions made by households to social insurance schemes but will exclude any administrative fees charged.
  - Net fees are calculated as fees receivable plus fee supplements less the value of the services consumed.
  - Net present value is a method of discounting future earnings to produce a current value.
  - To note: Net is not the same as netting or consolidation.



Arithmetic type links		
Gross variable(s)	Disposals	Net variable
Acquisitions	Disposals	Net acquisitions is acquisitions less disposals (fixed assets or financial assets)
Purchases	Sales	Net purchases is purchases less sales (or vice versa)
Exports	Imports	Net exports or net trade is exports less imports (or vice-versa)
Premiums	Claims	Net premiums is premiums less claims
Sales	Invoiced VAT	Sales net of invoiced VAT
Revenues	Expenses	Net revenues (or net operating balance) is revenues less expenses
Lending	Borrowing	Net lending is lending less borrowing
Gross income	Income tax	Net Income is income less tax
Receiveable Assets	Payable Liabilities	(Gross / net tax concepts can be applied in various areas of the accounts)
		Net current transfers is receiveable from abroad less payable to abroad
		Net worth is assets (non-financial and financial) less liabilities
		Net international investment position is the stock of external financial assets less the stock of external liabilities.