

Session 5: Gross Capital Formation

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Gross Capital Formation (GCF)

- GCF has three components:
 - Gross fixed capital formation
 - Change in inventories
 - Acquisition, less disposal, of valuables
- For all 146 countries in ICP 2005:
 - gross fixed capital formation represented 23% of GDP
 - Change in inventories plus net acquisition of valuables came to less than 2% of GDP
- Very few countries reported net acquisition of valuables

Gross Fixed Capital Formation

- Building and construction
 - Residential buildings
 - Other buildings
 - Civil engineering – roads, bridges, airports, dams, Olympic stadiums, water purification, sewers...
- Machinery and equipment
 - Machinery
 - Transport equipment
- Orchards, plantations, animal herds
- Exploration for sub-soil assets
- Computer software and data bases.

Second hand assets

- GFCF includes purchases of both new and used buildings, machinery and equipment
- To avoid double-counting, sales of second hand assets are deducted from purchases of assets.

Changes in Inventories

- Additions to, less withdrawals from, inventories of finished goods
- Additions to, less withdrawals from, inventories of goods for intermediate consumption
- Net increase in work in progress.

Data Sources: GFCF

- Enterprise surveys
- Company accounts
- Government accounts
- Administrative records:
 - Building permits
 - Buildings completed
 - Vehicles licensed

Data Sources: Change in Inventories

- Usually not possible to measure changes in all inventories.
- Aim is to measure changes in major stocks of goods:
 - Strategic reserves managed by government—petroleum, food stocks
 - Stocks held by mining companies
 - Goods for resale held by large retailers
 - Fuel stocks held by electricity companies
 - Stocks of finished goods held by large manufacturers
- Main sources are:
 - Enterprise surveys
 - Company and government accounts

Thank you

Your Questions please