Glossary:Expenditure approach

Statistics Explained

The **expenditure approach** of GDP is defined as private final consumption expenditure + government final consumption expenditure + gross capital formation + exports - imports.

In the system of national accounts , only households, non-profit institutions serving households (NPISH) and government have final consumption, whereas corporations have intermediate consumption. Private final consumption expenditure is defined as expenditure on goods and services for the direct satisfaction of individual needs, whereas government consumption expenditure includes goods and services produced by government, as well as purchases of goods and services by government that are supplied to households as social transfers in kind. Gross capital formation is the sum of gross fixed capital formation and the change in inventories (stocks). The external balance is the difference between exports and imports of goods and services. Depending on the size of exports and imports, it can be positive (a surplus) or negative (a deficit).

Related concepts

- Output approach
- Income approach

Statistical data

- National accounts and GDP