



Appendix D — Glossary of terms

business investment. Private gross fixed capital formation for machinery and equipment; non-dwelling construction; livestock; and intangible fixed assets.

capital deepening. Changes in the amount of capital available per worker per hour worked.

employed persons. Persons aged 15 and over who, during a period of one week, worked for one hour or more for pay or worked for one hour or more without pay in a family business or on a family farm.

gross domestic product. The total market value of goods and services produced after deducting the cost of goods and services used up in the process of production but before deducting for depreciation.

gross domestic product—chain volume measure. Also known as *real gross domestic product*, this is a measure used to indicate change in the actual quantity of goods and services produced. Economic growth is defined as a situation in which real gross domestic product is rising.

gross domestic product at factor cost. Gross domestic product less the excess of indirect taxes over subsidies.

human capital. The knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being.

inflation. A measure of the change (increase) in the general level of prices.

inflation target. A tool to guide monetary policy expressed as a preferred range or figure for the rate of increase in prices over a period. In Australia, the inflation target is between 2 and 3 per cent per annum on average over the course of the business cycle.

information and communications technology. Tools which enable users to find, explore, exchange, analyse and present information.

innovation. The introduction of new or improved goods and services and the implementation of better processes.

labour force participation rate. The number of persons in the labour force expressed as a percentage of the civilian population aged 15 years and over.

labour productivity. Gross domestic product (chain volume measure) per hour worked in the market sector.

macroeconomy. The economy looked at as a whole or in terms of major components measured by aggregates such as gross domestic product, the balance of payments and related

links, in the context of the national economy. This contrasts with microeconomics which focuses upon specific firms or industries.

market sector. Industries which are included in the market sector are those which have satisfactory estimates of the growth in the volume of output. Three industries are excluded from the market sector because their outputs are not marketed. These industries are: public administration and safety; education and training; and health care and social assistance. In addition the special category of ownership of dwellings is excluded.

monetary policy. The setting of an appropriate level of the cash rate target by the Reserve Bank of Australia to maintain the rate of inflation in Australia between 2 and 3 per cent per annum on average over the business cycle.

multifactor productivity. The volume of output from a bundle of both labour and capital inputs. In simple terms, it involves the construction of three separate indexes for labour, capital and output. The contributions of labour and capital are weighted according to their respective input contributions, usually measured in value of payments to the factors of production.

natural increase. Excess of live births over deaths.

net overseas migration. Net permanent and long-term overseas migration plus an adjustment for the net effect of 'category jumping'.

production possibility frontier. Represents the maximum amount of output that can be produced with given inputs.

productivity. The measure of production efficiency. At a national level it captures the economy's ability to harness its physical and human resources to generate output and income.

productivity cycle. Snapshots of productivity growth between specific periods of time are referred to as productivity cycles. These are average growth rates between growth-cycle peaks, which are determined as peak deviations of the market sector multifactor productivity index from its long-term trend.

productivity growth. An increase in the value of outputs produced for a given level of inputs, over a given period of time.

research and development. Activity which increases the stock of knowledge in the economy.

seasonally adjusted estimates. Estimates in which the element of variability due to seasonal influences has been removed. Seasonal influences are those which recur regularly once or more a year.

terms of trade. The relationship between the prices of exports and the prices of imports. The usual method of calculating the terms of trade is to divide the implicit price deflator for exports by the implicit price deflator for imports.

total factor productivity. A true measure of productivity which encompasses all the factors of the productivity equation.

unemployment rate. The number of unemployed persons expressed as a percentage of the labour force.

voluntary sector. Work in which there is no product or service sold in a marketplace and for which the provider of the service does not receive wages in return for their efforts.