Appendix D: Calculation of welfare

In measuring the welfare impacts, we account for the policy impacts on net foreign liabilities and net change in capital with a terminal calculation. The deviation in welfare (dWELF) is calculated by:

$$\mathrm{dWELF} = \sum_{d}\sum_{t}\frac{dCON(d,t) + dGOV(d,t)}{(1+r)^{t}} - \frac{dNFL(z)}{(1+r)^{z}} + \frac{dCAP(z)}{(1+r)^{z}}$$

where dCON, dGOV are the deviations in real household and government spending in region d and year t;

- dNFL is the deviation in real net foreign liabilities in the final year (z) of the simulation; dCAP is the deviation in real capital stock; and
- r is the discount rate.

The annualised version of this calculation is $r \times \mathrm{dWELF}$.