



**EUROPEAN SYSTEM
OF INTEGRATED ECONOMIC ACCOUNTS
ESA**

Second Edition

1979



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FOREWORD TO THE FIRST EDITION⁽¹⁾

The Commission of the European Communities welcomes the completion of a common system of national accounts intended to meet the needs of the economic and social policies of the European Communities. This is the result of several years of work on the system by the Statistical Office of the European Communities in collaboration with the national statistical offices of the member countries.

The new "European System of Integrated Economic Accounts" (ESA) represents the Communities' version of the United Nations revised System of National Accounts. On the basis of a set of uniform definitions and classifications, it will make it possible to obtain a coherent, quantitative description of the economies of member countries. It will thus provide the common economic language which is so necessary for work on the various kinds of analysis and projection needed for the review and orientation of economic policies.

The ESA differs in a number of respects from the former United Nations and O.E.C.D. system of national accounts which has been utilised up to the present at Community level. The ESA provides additional information in respect of transactions involving production (the input-output tables) and finance (the financial accounts); it goes into the distribution and redistribution of income in more detail; and, throughout, its concepts and definitions are more precise and rigorous.

These characteristics should lead to a more complete and detailed knowledge of the economic and financial structure and development of each member country, and should also improve the comparability of figures between countries.

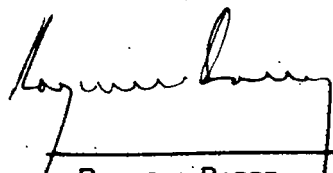
Following the decisions taken by the Conference of the Directors General of the national statistical offices, the new system will come into operation starting with the figures relating to the year 1970.

Several years of work have been needed to develop and complete the system and the Commission is well aware that its introduction will require some effort on the part of member countries. This may involve collecting necessary basic statistics which may still be lacking, and also implementing agreed concepts which, for some countries, involve some innovations. The Commission emphasises that in some cases, which are really extremely rare, national experts have been obliged, or prepared, to agree to common solutions about which they had some reservations. The final form of the system remains the responsibility of the Statistical Office of the European Communities.

In order to promote efficiency, the Commission will itself ensure that its own services make use of the concepts, definitions and classifications of the ESA in their work as well as utilising data established by countries within the framework of the new system.

The Commission wishes to express its thanks to the experts who, through their perseverance and competence, have assisted it in its task.

NOVEMBER 1970



RAYMOND BARRE
Vice-president of the Commission

⁽¹⁾ No English text of the first edition was published.

Foreword to the second edition

The second edition of the European System of Integrated Economic Accounts is an updated version of the original text; it incorporates the amendments, clarifications and additions made since 1970 by the Working Group on National Accounts, as well as a number of editorial improvements.

The main new features are the changeover to a system of net recording of VAT and the introduction of a ninth chapter on the measurement of changes in price and volume.

NOVEMBER 1978

WORK OF THE UNITED NATIONS AND STUDIES IN PREPARATION FOR THE ESTABLISHMENT AND UPDATING OF THE ESA

- United Nations "A System of National Accounts", Studies in Methods, Series F, No. 2, Rev. 3, United Nations, New York 1968.
- A. Vanoli "Proposals for a Community System of National Accounts", (in French) Informations statistiques, 1964, no. 4
- J. Mayer "Methods Used in the Countries of the European Economic Community to Establish Economic Accounts for Agriculture" (in French) Informations statistiques, 1963, no. 3
- G. Aubanel "The 'Rest of the World' Account in the Scheme of National Accounts of the Statistical Office of the European Communities", (in French) Informations statistiques, 1965, no. 4
- G. Hamer "Capital Consumption in the National Accounts of the EEC Countries" (unpublished)
- J.P. Lamouche "Scientific Research and National Accounts" (in French) Etudes et enquêtes statistiques, 1968, no. 1
- B. Billaudot "Corporate Saving in the National Accounts of the EEC Countries" (unpublished)
- V. Siesto "The Recording of Transactions over Time" (unpublished)
- O. Olislaegers "The Estimation at Constant Prices of the Output and Consumption of General Government" (unpublished)
- T.P. Hill 'A system of integrated price and volume measures (indices)', published in English in 'Etudes et enquêtes statistiques', 1972, no. 3
- T.P. Hill 'Price and volume measures for non-market services' (unpublished)
- J. Paul and A. Benedetti 'Report on the comparative study of the valuation of change in stocks in the countries of the European Community' (in French) (unpublished)

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CHAPTER I

THE GENERAL FRAMEWORK OF THE SYSTEM

101. The European System of Integrated Economic Accounts (ESA) consists of a coherent and detailed set of accounts and tables which are intended to provide a systematic, comparable and, as far as possible, complete picture of the economic activity within each member country of the European Communities.

In practice, this activity consists of an enormous number of flows of many kinds taking place between a great number of units within the country's own economy or in the rest of the world. The essential function of any system of national accounts is to classify this immense variety of units and economic flows into a limited number of fundamental categories. These categories are defined within a general framework so that the working of the economic system can be represented in a way which is meaningful and suitable for economic analysis, forecasting and policy.

102. This objective has been approached from several different angles. It is not merely that traditional national accounts have become more disaggregated. Attention must also be drawn to the more or less parallel development both of input-output tables for the detailed analysis of flows of goods and services and of financial accounts, for the analysis of the monetary and financial systems.

The ESA achieves a synthesis of these different lines of approach: it embraces input-output tables, traditional economic accounts and financial accounts, and integrates them as closely as possible.

103. It is against this background that the main features of the ESA may be outlined: namely,
- the choice of units and their grouping
 - the grouping of transactions
 - the system of accounts and the balancing items
 - the aggregates
 - the classifications
 - the accounts and tables.

THE CHOICE OF UNITS AND THEIR GROUPING

104. A characteristic feature of the ESA is the use of two types of unit and two ways of subdividing the economy which are quite different and serve separate analytical purposes. The definition of these units and the criteria which govern their grouping are spelled out in Chapter II.

105 to 109

105. In order to represent processes of production and the balance between the resources and uses of goods and services, the most important breakdown is that by *branches*. Branches consist of groups of *units of homogeneous production* which are exclusively engaged in the production of a single product or group of products. The choice of such units emphasises the technico-economic aspects of production relationships irrespective of the institutional context in which production takes place.
106. In order to describe income and expenditure flows and financial flows, on the other hand, the system is based on a breakdown of the economy into *sectors*. These group together, with respect to all their activities, units termed *institutional units*. The choice of this type of unit is dictated by the need to analyse behavioural relationships involving income, final expenditure and financial transactions.
107. The use of two types of analytical unit, each corresponding to a different type of breakdown of the economy, leads to the distinction in the system between one part concerned with the analysis of flows by branches (the input-output table) and another part concerned with the recording of transactions by sector (sector accounts).
- In the case of certain transactions, namely those involving production and the income generated in the course of production, the ESA provides for a classification both by branch and sector. To the extent that this double breakdown is used, the two parts of the system overlap.

THE GROUPING OF TRANSACTIONS

108. In contrast with the way in which units are grouped, the ESA employs only a single basic classification of transactions. This means that when a given transaction (e.g. a subsidy) is simultaneously classified both by branch and by sector, its definition is the same in the two parts of the system; thus, the total of the subsidies received by branches is identical with the total of the subsidies received by the different sectors.
109. A fairly large number of different types of transaction are distinguished in the ESA. They can, however, be grouped together under three main headings:

– **transactions in goods and services** (Code P)

These relate to the production, exchange and use of goods and services by the branches or sectors. They include not only transactions in goods and services produced during the relevant period but also transactions in existing goods. The detailed definitions of the various transactions in goods and services are given in Chapter III.

– **distributive⁽¹⁾ transactions** (Code R)

These consist of transactions by which the value added generated by resident or non-resident producers is distributed, and also transactions involving the redistribution of income and wealth. The various distributive transactions are defined in Chapter IV.

– **financial transactions** (Code F)

In the system, they refer to changes in the financial assets and liabilities of the different sectors. The definitions of the various financial items are the subject of Chapter V.

⁽¹⁾ Throughout the ESA, the adjective "distributive" is used exclusively with reference to transactions involving the distribution or redistribution of income or wealth; it is *never* used to refer to wholesale or retail trade.

THE SYSTEM OF ACCOUNTS AND THE BALANCING ITEMS

110. The systematic double-entry of transactions among the groups of units distinguished at the different levels of the system, such as that given in the general table of transactions (Table 2) and in the input-output table (Table 4), provides, in principle, all the information needed to complete the accounting system. It is not sufficient, however, for the economic analysis of the activities of each group of units, nor for macro-economic analysis at a national level.

It is for this reason that, in addition to the breakdown of the economy into branches and sectors and a classification of transactions, the ESA provides for a rearrangement of transactions into several accounts. Each of these accounts relates to one aspect of the economic system, with total transactions on both sides of the account balancing each other, either because of the definitions adopted, or by means of a balancing item which is itself significant for economic analysis and is carried forward into the next account.

111. The following are the accounts and the balancing items distinguished in the ESA together with their code numbers:

Code	Account	Balancing items	Code
I. Domestic Accounts			
C 0	Goods and services account	– (account balanced by definition)	–
C 1	Production account	Value added at market prices – gross – net	N 1 N 11
C 2	Generation of income account	Operating surplus – gross – net	N 2 N 12
C 3	Distribution of income account	Disposable income – gross – net	N 3 N 13
C 4	Use of income account	Saving – gross – net	N 4 N 14
C 5	Capital account	Net lending (+) or net borrowing (–)	N 5
C 6	Financial account	Net change in financial assets and liabilities	N 6
II. Rest of the World Accounts			
C 7	Current transactions account	Balance of current transactions with the rest of the world	N 7
C 5	Capital account	Net lending (+) or net borrowing (–) of the nation	N 5
C 6	Financial account	Net change in financial assets and liabilities towards the rest of the world	N 6

112. *The goods and services account (C 0)* shows, for the economy as a whole and for branches, the total resources (output and imports) and uses of goods and services (intermediate consumption, final consumption, gross fixed capital formation, change in stocks, exports). The account balances by definition and therefore involves no residual or balancing item.

Given the different methods of valuation used for resources and uses it is necessary to include on the resources side of the account the total VAT on products and net taxes linked to imports excluding VAT.

113. *The production account (C 1)* shows the transactions relating to the production process proper. It is drawn up for branches and for sectors. Its resources include output and its uses include intermediate consumption. The balancing item of the account is *gross value added at market prices (N 1)*⁽¹⁾. By deducting the consumption of fixed capital, net value added at market prices (N 11) is obtained.

The production account at national level includes in resources, in addition to the output of goods and services, VAT on products and taxes linked to imports excluding VAT. It thus enables the gross domestic product at market prices to be obtained as a balancing item.

114. *The generation of income account (C 2)* records distributive transactions, which are directly linked to the process of production, and which can therefore be classified by both branch and sector. The resources consist of gross value added at market prices and subsidies; its uses include taxes linked to production other than VAT, and compensation of employees. The balancing item is the *gross operating surplus (N 2)*. Deducting from it the consumption of fixed capital gives net operating surplus (N 12) which corresponds to property and entrepreneurial income arising out of production.

Because the generation of income account at national level includes in its resources the gross domestic product at market prices (the balancing item carried forward from the previous account), it includes in its uses all taxes linked to production and imports and not simply the taxes linked to production excluding VAT; similarly it includes among resources all production and import subsidies.

115. *The distribution of income account (C 3)* records the various transactions involving the distribution and redistribution of income (interest, distributed profits, current transfers) between the different sectors of the economy. The compensation of employees, which appears among uses in the generation of income account of employers, reappears, adjusted for the flows of wages and salaries to and from the rest of the world, among resources in the distribution of income account of households; taxes linked to production and imports, and production and import subsidies, appear after adjustment for the corresponding flows with the rest of the world, among resources and uses respectively in the distribution of income account of general government, for whom these flows constitute transfers of income. The balancing item of the distribution of income account is *gross disposable income (N 3)*. Deducting from it the consumption of fixed capital gives net disposable income (N 13).

116. *The use of income account (C 4)* shows, for those sectors which have some final consumption, how gross disposable income is allocated between final consumption and saving. It also includes an adjustment to bring into the saving of households the increase in the actuarial reserves for pensions. The balancing item of the use of income account is *gross saving (N 4)*. Deducting from it the consumption of fixed capital gives net saving (N 14).

117. *The capital account (C 5)* records for the different sectors transactions linked to investment in non-financial assets and capital transfers involving the redistribution of wealth. It includes among uses the various types of investment in non-financial assets and capital transfers made; included among resources are gross saving and capital transfers received. Its balancing item is *net lending (+) or net borrowing (-) (N 5)*.

⁽¹⁾ In the system of net recording of VAT adopted in the ESA, "gross value added at market prices" is used to denote the balance between output excluding invoiced VAT and intermediate consumption excluding deductible VAT.

To avoid confusion, other notions of value added will be referred to as:

- "gross value added at market prices (including VAT)" to denote the balance between output including invoiced VAT and intermediate consumption including deductible VAT (balancing item of the production account in the system of gross recording of VAT)
- "gross value added at market prices excluding all VAT" to denote the balance between output excluding invoiced VAT and intermediate consumption excluding all (deductible and non-deductible) VAT.

118. *The financial account (C 6) records, for the different sectors, the changes in the different types of financial assets and liabilities. Its balancing item, called the net change in financial assets and liabilities (N 6) should, in principle, be identical with the balance of the capital account. In practice, it is necessary to introduce an adjustment item to represent the discrepancy between the balance of the capital account and the balance of the financial account.*
119. To illustrate the general structure of the system, it is sufficient at this stage to indicate the groups of units for which these accounts are compiled. In practice, they may refer:
- to the national economy as a whole
 - to sectors or sub-sectors
 - to branches.
120. *For the national economy as a whole, the ESA stipulates that all the accounts listed are to be compiled. Together these constitute the simplified accounts for the nation (see Table 1). They record, on the one hand, the relationships between the national economy and the rest of the world, and, on the other hand, the interrelationships between the different aggregates of the system (see 126-135).*
121. For each of the *sectors of the national economy*, the ESA provides, in principle, for a set of accounts ranging from the production account to the financial accounts (see Table 3). An exception is made for the sector non-financial corporate and quasi-corporate enterprises and for the households sector, for which a single production account is established and also a single generation of income account. The reason for this exception is that, so far as production activities are concerned, it is extremely hard from a statistical point of view – and not particularly useful from an analytical point of view – to distinguish transactions linked to production according to whether they occur in the sector non-financial corporate and quasi-corporate enterprises or in the households sector (which includes sole proprietorships and partnerships which are not non-financial quasi-corporate enterprises).
122. *For the rest of the world*, a sector sui generis which groups together non-resident units to the extent that they carry out transactions with resident units, only three accounts are provided for in the ESA:
- a current transactions account (C 7) which, in principle, covers all the transactions of the rest of the world with resident units which appear in accounts C 0 to C 4 of the latter
 - a capital account (C 5)
 - a financial account (C 6).
123. For the different *branches* of the economy, the ESA provides for the establishment of goods and services accounts, production accounts and generation of income accounts. These accounts form part of the input-output table (see Table 4).
- In the ESA, the breakdown by branches stops at the level of the operating surplus, the balancing item of the generation of income account. Disaggregation of the operating surplus is carried out solely within the institutional framework of the sectors.
- Economic analysis also requires a breakdown of gross fixed capital formation by branch of ownership. This breakdown is provided in Table 7 b, but it does not amount to the establishment of a proper capital account by branch.
124. The requirements of economic and financial analysis sometimes call for a finer institutional breakdown of the national economy than into sectors.
- For this reason the ESA provides for the establishment of certain accounts for sub-sectors. This is the case for:

- the general government sector, where a set of accounts, from the production account to the financial account, is provided for the sub-sectors central government, local government and social security funds
- the credit institutions sector, where separate financial accounts are established for the sub-sectors central banking authorities, other monetary institutions and other credit institutions
- the rest of the world, which is sub-divided geographically into member countries of the European Communities, institutions of the European Communities, and third countries and international organisations.

Some other sectors of the economy (for example, corporate and quasi-corporate enterprises and households) may be divided into sub-sectors later.

125. The following table gives a general summary of the annual accounts at present included in the ESA. These accounts are indicated by a cross.

GENERAL SUMMARY OF THE ANNUAL ACCOUNTS OF THE ESA

Accounts	C0	C1	C2	C3	C4	C5	C6
	Goods and services	Production	Generation of income	Distribution of income	Use of income	Capital	Financial
Grouping of units	C7 Current transactions (rest of the world)						
NATIONAL ECONOMY	X	X	X	X	X	X	X
REST OF THE WORLD	← X →						
SECTORS AND SUB-SECTORS							
S 10. Non-financial corporate and quasi-corporate enterprises	-	X	X	X	X	X	X
S 80. Households	-	X	X	X	X	X	X
S 40. Credit institutions and sub-sectors	-	X	X	X	X	X	X
S 50. Insurance enterprises	-	X	X	X	X	X	X
S 60. General government and sub-sectors	-	X	X	X	X	X	X
S 70. Private non-profit institutions	-	X	X	X	X	X	X
S 90. Rest of the world and sub-sectors	-	← X →				X	X
BRANCHES	X	X	X	-	-	-	-

THE AGGREGATES

126. The aggregates are composite values which measure the result of the activity of the entire economy considered from a particular point of view; for example, output, value added, disposable income, final consumption, saving, capital formation, net indebtedness towards the rest of the world, etc. Although the calculation of the aggregates is neither the sole nor the main purpose of the ESA, the system does recognise their importance as summary indicators and key magnitudes for purposes of macro-economic analysis and comparisons over time and space.
127. It is in the simplified accounts of the nation (see Table 1) that the principal aggregates of the system, and the interrelationships between them, are to be seen. Two categories of aggregates can be distinguished:

- aggregates which refer directly to transactions in the system, such as the output of goods and services, final consumption, gross fixed capital formation, compensation of employees, etc.
- aggregates which represent balancing items in the accounts, such as gross domestic product, gross operating surplus of the economy, gross national saving, etc.

The definition of the aggregates in the first category coincides directly with that of the corresponding transactions and will therefore be found in Chapters III, IV or V. The aggregates in the second category are defined below; they can, in principle, be obtained by summing the balancing items of the branch accounts or of the sector accounts.

128. Gross domestic product at market prices (N 1)

Gross domestic product at market prices represents the final result of the production activity of resident producer units. It corresponds to the economy's total output of goods and services less intermediate consumption, plus VAT on products and net taxes on imports excluding VAT.

Gross domestic product at market prices is equal to the sum of gross value added at market prices of all the different branches, plus VAT on products and net taxes on imports excluding VAT.

It is also equal to the sum of gross value added at market prices of all the different sectors plus VAT on products and net taxes on imports excluding VAT and less the intermediate consumption of banking services which is not allocated by sector.

By deducting the consumption of fixed capital from gross domestic product at market prices, net domestic product at market prices (N 11) is obtained.

129. The ESA does not show gross (or net) national product at market prices as an actual aggregate of the system. However, this can always be calculated by adding to gross (or net) domestic product at market prices the compensation of employees and the property and entrepreneurial income *received* from the rest of the world and by deducting the corresponding flows *paid* to the rest of the world.

130. Gross operating surplus of the economy (N 2)

This aggregate corresponds to gross domestic product at market prices, after deducting the compensation of employees paid by resident employers and net taxes linked to production and imports levied by general government and by the rest of the world (taxes linked to production and imports less subsidies). It includes all other income generated in the course of production, as well as the consumption of fixed capital.

The gross operating surplus of the economy is equal to the sum of the gross operating surpluses of all the different branches or sectors.

By deducting the consumption of fixed capital from the gross operating surplus of the economy, the net operating surplus of the economy (N 12) is obtained. This corresponds to total property and entrepreneurial income derived from productive activity.

131. Gross national disposable income (N 3)

This aggregate corresponds to gross domestic product at market prices plus or minus the net balance between the national economy and the rest of the world of taxes linked to production and to imports, subsidies, compensation of employees, property and entrepreneurial income, accident insurance transactions and current transfers n.e.c. It measures the income available to the nation for final consumption and saving.

132 to 136

Gross national disposable income is equal to the sum of the gross disposable incomes of all the different sectors.

By deducting the consumption of fixed capital from gross national disposable income, the net national disposable income (N 13) is obtained.

132. **Gross national saving (N 4)**

This aggregate measures that part of the gross national disposable income which is not absorbed by final consumption. It includes, moreover, the net balance, positive or negative, between the changes in the actuarial reserves for pensions held by resident households with non-resident insurance institutions and by non-resident households with resident insurance institutions.

Gross national saving is equal to the sum of the gross saving of all the different sectors.

By deducting the consumption of fixed capital from gross national saving, net national saving (N 14) is obtained.

133. **Balance of current transactions with the rest of the world (N 7)**

This aggregate represents the national economy's surplus or deficit on its current transactions in goods and services and its current distributive transactions (R 10 to R 69) with the rest of the world.

134. **Net lending (+) or net borrowing (–) of the nation (N 5)**

This aggregate shows the net amount of resources which the nation places at the disposal of the rest of the world – or which the rest of the world provides to the nation. It corresponds to the excess of gross national saving over gross capital formation and net purchases of intangible assets by the nation, plus the net balance (positive or negative) of capital transfers with the rest of the world.

The net lending (+) or net borrowing (–) of the nation is equal to the sum of the net lending or net borrowing of all the different sectors of the national economy.

135. **Net changes in financial assets and liabilities vis-à-vis the rest of the world (N 6)**

This aggregate corresponds to the difference between the change in all the financial assets held by the national economy against the rest of the world and the change in all the liabilities which the economy has incurred with the rest of the world.

The net change in financial assets and liabilities vis-à-vis the rest of the world is equal to the sum of the net changes in financial assets and liabilities of all the different sectors of the national economy.

In principle, the net lending (+) or net borrowing (–) of the nation (N 5) should be equal to the net change in financial assets and liabilities vis-à-vis the rest of the world (N 6). But as these two aggregates are calculated in different ways and on the basis of different statistical data, a discrepancy will usually be found between them. This discrepancy is recorded as an adjustment item which is shown below the financial account.

136. **Certain aggregates can be calculated per head of total population, per head of occupied population or per wage and salary earner. The definitions of total population, occupied population and wage and salary earners, which should be used for such calculations, are given in Chapter VIII.**

THE CLASSIFICATIONS

137. The ESA makes use of a series of classifications, listed below with appropriate references to the text.

– **Classification of sectors and sub-sectors** (Code S)

The classification and definitions of sectors and sub-sectors are provided in Chapter II – paragraphs 217 onwards.

– **Classification of branches** (Code B)

The classification of branches is based on the version of the General Industrial Classification of Economic Activities in the European Communities used in the input-output tables (NACE/CLIO)⁽¹⁾. Each branch corresponds to one or more of the groups of the NACE/CLIO. A list of these groups is given in the annex entitled “Classifications, accounts and tables”.

The description of the activity and the list of goods and services which define each group of the NACE/CLIO are given in a separate publication.

– **Classification of transactions**

The classification and definitions of transactions in goods and services (Code P) are provided in Chapter III – paragraphs 302 onwards.

The classification and definitions of distributive transactions (Code R) are provided in Chapter IV – paragraphs 404 onwards.

The classification and definitions of financial transactions (Code F) are provided in Chapter V – paragraphs 502 onwards.

– **Classification of the final consumption of households by purpose** (Code D)

The classification of the purposes of the final consumption of households is provided in the annex “Classifications, accounts and tables”. Each purpose is defined by a list of the goods and services which it covers (see the publication on the NACE/CLIO).

– **Classification of the purposes of general government** (Code G)

The classification of the purposes of general government is given in the annex “Classifications, accounts and tables”.

THE ACCOUNTS AND TABLES

138. The set of accounts described above (see 110–125) can be regarded as the skeleton of the ESA. The system also includes a series of standard tables, which are mainly intended:

- to provide a finer breakdown of certain flows shown in the accounts (e.g. compensation of employees)
- to provide supplementary data not shown in the accounts (e.g. occupied population and wage and salary earners by branch)
- to cross-classify certain transactions described in the accounts using a functional classification (e.g. expenditure of the general government sector by purpose and by type of transaction)

⁽¹⁾ The other version (NACE/GEN) is used for the collection of basic statistics.

- to show the relationship between items shown in the accounts and other aggregates (e.g. purchases and sales of goods and services by the general government sector)
- to rearrange, or present in a different manner, certain items in the accounts (e.g. the table of financial intermediaries).

139. A list of the accounts and standard tables of the ESA is given below. They are grouped together in four parts:

- accounts
- tables relating to transactions in goods and services
- tables relating to distributive transactions
- tables relating to financial transactions.

The contents of the various accounts and standard tables of the ESA, as well as all the classifications, are given in the annex "Classifications, accounts and tables".

LIST OF THE ACCOUNTS AND STANDARD TABLES OF THE ESA

I. Accounts

- T 1. Simplified accounts for the nation
 - National economy
 - Rest of the world
- T 2. General table of transactions
- T 3. Sector and sub-sector accounts
 - Non-financial corporate and quasi-corporate enterprises (S 10)
 - Credit institutions (S 40)
 - Insurance enterprises (S 50)
 - General government (S 60)
 - Central Government (S 61)
 - Local government (S 62)
 - Social security funds (S 63)
 - Private non-profit institutions (S 70)
 - Households (S 80)
 - Rest of the world (S 90)
 - Member countries of the European Communities (S 91)
 - Institutions of the European Communities (S 92)
 - Third countries and international organisations (S 93)
- T 4. Input-output tables

II. Tables relating to transactions in goods and services

- T 5. Occupied population and wage and salary earners by branch
- T 6. Final consumption of households on the economic territory
 - a) by purpose
 - b) by branch and by purpose
- T 7. Gross fixed capital formation
 - a) by product
 - b) by branch of ownership
 - c) by product and by branch of ownership
- T 8. Analysis of change in stocks
- T 9. Purchases and sales of goods and services by the general government sector

III. Tables relating to distributive transactions

- T 10. Compensation of employees and its components
- T 11. Actual social contributions by type and by receiving sector
- T 12. Social benefits by type and by providing sector
- T 13. General government expenditure by purpose and by type of transaction
- T 14. Total premiums received by and total claims due from the insurance enterprises sector

IV. Tables relating to financial transactions

- T 15. Summary table of financial transactions⁽¹⁾
 - a) consolidated
 - b) non-consolidated
- T 16. Detailed table of financial transactions
 - a) consolidated
 - b) non-consolidated
- T 17. Long term bonds and medium and long term loans (recorded gross)
- T 18. Breakdown by sector of the different types of insurance technical reserves
- T 19. Table of financial intermediaries.

140. All the accounts and tables are established at the current prices of the relevant period.
A list of accounts and tables at constant prices is given in Chapter IX.

⁽¹⁾ The financial accounts of the sub-sectors of the sector credit institutions (S 40) are shown in this table.

CHAPTER II

THE UNITS AND GROUPINGS OF UNITS

201. The economy of a country is the outcome of the activity of a very large number of units which carry out numerous transactions of various kinds for purposes of production, finance, insurance, redistribution and consumption.
202. The units and groupings of units used in national accounts must be defined with reference to the kind of economic analysis for which they are intended, and not in terms of the types of unit usually employed in statistical inquiries. These latter units (enterprises, holding companies, establishments, local units, technical units, government departments, private institutions, households, etc.) may not always be satisfactory for the purposes of national accounts, since they are generally based on traditional criteria of a legal, administrative or accounting nature.

Statisticians should take into account the definitions of units of analysis used in the ESA, in order to ensure that in the surveys in which actual data are collected all the elements of information needed to compile data based on the units of analysis used in the ESA are gradually introduced.

203. A feature of the system is the use of two types of analytical unit corresponding to two very different ways of sub-dividing the economy. To analyse the process of production, it is essential to select units which bring out relationships of a technico-economic nature; to analyse flows affecting income, capital and financial transactions, it is essential to select units which make it possible to study behavioural relationships among economic agents.

Given these two objectives, *institutional units* appropriate for the analysis of economic behaviour and *units of homogeneous production* appropriate for the analysis of technico-economic relationships are defined later in this chapter. In practice, these two types of unit are formed by combining or subdividing the basic units of statistical inquiries. Before giving precise definitions of these two types of analytical unit used in the ESA, it is necessary to define the limits of the national economy.

THE LIMITS OF THE NATIONAL ECONOMY

204. The units, whether institutional or of homogeneous production, which constitute the economy of a country and whose transactions are recorded in the ESA, are those which have a centre of interest on the economic territory of that country. These units, known as *resident units*, may or may not have the nationality of that country, may or may not be legal entities, and may or may not be present on the economic territory of the country at the time they carry out a transaction. Having thus defined the limits of the national economy in terms of resident units, it is necessary to define the meaning of the terms *economic territory* and *centre of interest*.

205. The term *economic territory* means:

- a) the geographic territory within which goods move freely
- b) any free zones, including bonded warehouses and factories under customs control
- c) the national air-space, territorial waters and the continental shelf lying in international waters, over which the country enjoys exclusive rights⁽¹⁾
- d) territorial enclaves (i.e. geographic territories situated in the rest of the world and used, under international treaties or agreements between States, by general government agencies of the country (embassies, consulates, military bases, scientific bases, etc.)) for *all* transactions *other than* those relating to the ownership of the land constituting the enclave and of the buildings standing on such land at the time of purchase.
- e) extraterritorial enclaves (i.e. the parts of the country's own geographic territory used by general government agencies of other countries, by the Institutions of the European Communities or by international organizations under international treaties or agreements between States⁽²⁾) *only in respect of* transactions relating to the ownership of the land constituting the enclave and of the buildings standing on such land at the time of sale.
- f) deposits of oil, natural gas, etc. in international waters outside the continental shelf of the country, worked by units resident in the territory as defined in the preceding sub-paragraphs.

206. Deleted.

207. The term *centre of interest* indicates the fact that economic transactions have been carried out on the economic territory of a country for a fairly long period (a year or more). It follows that a unit which carries out such transactions on the economic territory of several countries is deemed to have a centre of interest in each of them.

208. On the basis of these definitions, units deemed to be residents of a country can be sub-divided into:

- a) units which are principally engaged in production, finance, insurance or redistribution, in respect of all their transactions except those relating to ownership of land and existing buildings
- b) units which are principally engaged in consumption, in respect of all their transactions except those relating to ownership of land and existing buildings
- c) all units in their capacity as owners of land and existing buildings.

209. In the case of *units which are principally engaged in production, finance, insurance or redistribution*, in respect of all their transactions except those relating to ownership of land and existing buildings, the following two cases may be distinguished:

- a) activity conducted exclusively on the economic territory of the country: units which carry out such activity are resident units of the country
- b) activity conducted for a year or more on the economic territories of several countries: only that part of the unit which has a centre of interest on the economic territory of the

⁽¹⁾ Fishing boats, other ships, floating platforms and aircraft are treated in the ESA just like any other mobile equipment, whether owned and/or operated by units resident in the country, or owned by non-residents and operated by resident units. Transactions involving the ownership (gross fixed capital formation) and use (renting, insurance . . .) of this type of equipment are attributed to the economy of the country of which the owner and/or operator respectively are resident.

⁽²⁾ The territories used by the Institutions of the European Communities and international organizations thus constitute the territories of States *sui generis*. The feature of such States is that the only residents are the institutions themselves (see 210 e).

country is deemed to be a resident unit. It may be:

- either an institutional resident unit (see 212) whose activities conducted for a year or more in the rest of the world are excluded and treated separately⁽¹⁾
- or a notional resident unit (see 214), in respect of the activity conducted in the country for a year or more by a unit which is resident in another country⁽¹⁾.

210. In the case of *units which are principally engaged in consumption*, except in their capacity as owners of land and existing buildings, households which have a centre of interest in the country are deemed to be resident units, even if they go abroad for short periods (less than a year). They include in particular, the following:
- a) border workers, i.e. people who cross the frontier daily to work in a neighbouring country
 - b) seasonal workers, i.e. people who leave the country for several months, but less than a year to work in another country in sectors in which additional manpower is needed periodically
 - c) tourists, patients, students, visiting officials, businessmen, salesmen, artists and crew members who travel abroad
 - d) locally recruited unestablished staff working in the extra-territorial enclaves of foreign governments
 - e) the staff of the Institutions of the European Communities and of civilian or military international organisations which have their headquarters in extra-territorial enclaves
 - f) the official, civilian or military representatives of the government of the country (including their households) established in territorial enclaves.
211. *All units in their capacity as owners of land and existing buildings* are deemed – in respect solely of transactions relating to such ownership – to be resident units of the country in which the land or buildings in question are located.

THE INSTITUTIONAL UNITS

212. Definition: In general, a resident unit is said to be institutional if it keeps a complete set of accounts and enjoys autonomy of decision in respect of its principal function.
- In order to be said to keep a *complete set of accounts*, a unit must keep accounting records covering all its economic and financial transactions carried out during the accounting period, and also a balance sheet of assets and liabilities.
 - In order to be said to enjoy *autonomy of decision* in respect of its principal function, a unit must be free to decide, within the institutional framework within which it finds itself, how to use its own current, capital and financial resources.
213. The following principles apply whenever entities do not clearly possess both the characteristics of an institutional unit:
- a) households always enjoy autonomy of decision and must therefore be institutional units, even though they do not keep a complete set of accounts
 - b) entities which do not keep a complete set of accounts are combined with the institutional units into whose accounts their partial accounts are integrated
 - c) entities which, while keeping a complete set of accounts, have no autonomy of decision in the exercise of their principal function, are combined with the units which control them

⁽¹⁾ It is only where such activity is carried on for less than a year that it should not be separated from the activities of the producer institutional unit. This may also be done where the activity, though conducted for a year or more, is insignificant.

214 to 217

- d) entities which satisfy the definition of an institutional unit are treated as such even if they do not publish their accounts
- e) entities forming part of a group of enterprises and keeping a complete set of accounts are deemed to be institutional units even if they have partially surrendered their autonomy of decision to the central body (the holding company) responsible for the general direction of the group; the holding company itself is deemed to be an institutional unit distinct from the units which it controls.

214. *Notional resident units* are defined as:

- those parts of non-resident units which have a centre of interest (that is which engage in economic transactions for a year or more) on the economic territory of the country;
- non-resident units in their capacity as owners of land or existing buildings on the economic territory of the country, but only in respect of transactions affecting such land or buildings.

Notional resident units, even if they keep only partial accounts and may not always enjoy autonomy of decision, are treated as institutional units.

215. *Transactions on behalf of other units*

Where an institutional unit carries out distributive or financial transactions on behalf of another institutional unit, these transactions should be recorded once only, in the accounts of the latter.

216. In conclusion, the following are deemed to be institutional units:

- *units which have a complete set of accounts and autonomy of decision:*
 - a) private and public companies, public corporations
 - b) co-operatives or partnerships recognized as independent legal entities
 - c) public enterprises which by virtue of special legislation are recognized as independent legal entities
 - d) non-profit institutions recognized as independent legal entities
 - e) agencies of general government.
- *units which have a complete set of accounts and which, by convention, are deemed to have autonomy of decision:*
 - f) quasi-corporate enterprises: sole proprietorships, partnerships and public enterprises, other than those shown under a), b) and c), in so far as their economic and financial behaviour can be separated from that of their owners and resembles that of corporate enterprises (see 223, 225 e) and 235 e)).
- *units which do not necessarily keep a complete set of accounts, but which by convention are deemed to have autonomy of decision:*
 - g) households
 - h) notional resident units (see 214).

THE INSTITUTIONAL SECTORS

217. The need for aggregation means that it is impossible to consider individual institutional units separately; they must be combined into groups called *institutional sectors* or simply *sectors*, some of which are divided into *sub-sectors*.

The following sectors and sub-sectors⁽¹⁾ are distinguished in the ESA:

Sectors and sub-sectors	Code
Non-financial corporate and quasi-corporate enterprises	S 10
Credit institutions ⁽¹⁾	S 40
Central banking authorities	S 41
Other monetary institutions	S 42
Other credit institutions	S 43
Insurance enterprises ⁽¹⁾	S 50
General government	S 60
Central government	S 61
Local government	S 62
Social security funds	S 63
Private non-profit institutions serving households	S 70
Households	S 80
Rest of the world	S 90
Member countries of the European Communities	S 91
Institutions of the European Communities	S 92
Third countries and International Organizations	S 93

218. Each of the sectors and sub-sectors groups together the institutional units which have a similar type of economic behaviour.

The institutional units are grouped into sectors on the basis of their *principal function*, which is considered to be indicative of their economic behaviour; if the principal function of the unit is not apparent, it is deduced from the *principal resources* of the unit. A sector is divided into sub-sectors according to the criteria relevant to that sector; this permits a more precise description of the economic behavior of the units.

The accounts for sectors and sub-sectors record all the activities, whether primary or secondary, of the institutional units covered.

219. When the principal function of the unit is to produce goods and services, it is necessary – in deciding the sector to which it should be allocated – to distinguish first of all whether the goods and services are *market*, that is to say, sold on the market, or *non-market*, that is to say, distributed free or almost free of charge.

The following conventions have been adopted to decide whether products are market or non-market:

- a) the production of goods is always deemed to be market production
- b) the production of certain services (see 308 a)) is always deemed to be market production
- c) the production of certain other services (see 313 a)) is always deemed to be non-market production
- d) the production of a third group of services (see 308 b) and 313 b)) is deemed:
 - to be market production if the resources of the producer unit are mainly⁽²⁾ derived from the sale of its output at a market price, whatever the price charged may be called:
 - selling price, inclusive charge
 - fee, rate, toll, duty
 - voluntary or compulsory contributions of a quasi-fiscal nature levied on enterprises by units whose principal activity is to provide services in exchange (see 308 b))

⁽¹⁾ In the tables referring to financial transactions, the sector credit institutions and the sector insurance enterprises are further aggregated into a super-sector called *credit institutions and insurance enterprises* (SS).

⁽²⁾ "Mainly" is to be taken to mean about 50% or more of total current resources.

220 to 222

- to be non-market production if the resources of the producer unit are mainly⁽¹⁾ derived from sources other than the sale of output, i.e. from government transfers, voluntary contributions from households in their capacity as consumers, or from property income (see 313 b)).

220. The following table shows the principal functions and the nature of the principal resources which are characteristic of each sector:

Sector	Type of economic behaviour	
	Principal function	Principal resources
Non-financial corporate and quasi-corporate enterprises (see 221) (S 10)	Production of goods and non-financial market services	Receipts from sales of output
Credit institutions (see 224) (S 40)	Finance, i.e. the collection, conversion and distribution of available funds	Funds derived from liabilities incurred; interest
Insurance enterprises (see 234) (S 50)	Insurance, i.e. the conversion of individual risks into collective risks	Contractual premiums
General government (see 239) (S 60)	Production of non-market services for collective consumption and carrying out transactions intended to redistribute national income and wealth	Compulsory levies on units in other sectors, received directly or indirectly
Private non-profit institutions serving households (see 246) (S 70)	Production of non-market services for particular groups of households	Voluntary contributions made by households as consumers; income from property
Households - as consumers (S 80)	Consumption	Compensation of employees, property income, transfers from other sectors
- as entrepreneurs (see 249)	Production of goods and non-financial market services	Receipts from sales of output
Rest of the world (see 252) (S 90)	This sector is not characterised by any principal function or principal resources; it groups together non-resident units in so far as they carry out transactions with resident institutional units	

Non-financial corporate and quasi-corporate enterprises (S 10)

221. Definition: The sector non-financial corporate and quasi-corporate enterprises (S 10) consists of enterprises which are institutional units – i.e. enterprises whose distributive and financial transactions are distinct from those of their owners – and which are principally engaged in the production of goods and non-financial market services. The principal resources of these units are derived from the sale of their output, whatever the price charged may be called (see 219 d))⁽²⁾.
222. The term “Non-financial corporate enterprises” denotes all bodies recognized as independent legal entities, whose main activity is the production of goods and non-financial market services.

⁽¹⁾ “Mainly” is to be taken to mean about 50% or more of total current resources.

⁽²⁾ By convention, market regulatory agencies whose sole or principal activity is to buy, hold and sell agricultural and other food products are classified under S 10 (see 240 a) note 1).

The institutional units covered are the following:

- a) private or public companies and public corporations which are principally engaged in the production of goods and non-financial market services
- b) co-operatives and partnerships recognized as independent legal entities which are principally engaged in the production of goods and non-financial market services
- c) public enterprises which by virtue of special legislation are recognized as independent legal entities and which are principally engaged in the production of goods and non-financial market services
- d) non-profit institutions or associations serving enterprises, which are recognized as independent legal entities and are principally engaged in the production of goods and non-financial market services⁽¹⁾.
- e) holding companies directing a group of companies the majority of which are classified as non-financial corporate and quasi-corporate enterprises.

223.1 The term "Non-financial quasi-corporate enterprises" denotes all bodies without independent legal status which are primarily engaged in the production of goods and non-financial market services, to the extent that their economic and financial behaviour is different from that of their owners and is similar to that of private companies, public companies and public corporations.

In general, partnerships and public enterprises other than those included under 222 a), b) and c), and sole proprietorships – even if they keep a complete set of accounts – are not institutional units because they do not enjoy autonomy of decision, their management being under the control of the households or governments which own them.

However, where these units have a complete set of accounts and are very important at local level, it is recognized that their economic and financial behaviour can be distinguished from that of their owners and is more like that of companies. Units of this kind which are principally engaged in the production of goods and non-financial market services, are treated as institutional units and called non-financial quasi-corporate enterprises.

223.2 To determine importance at local level, different criteria are used for quasi-corporate public enterprises and quasi-corporate private enterprises.

– **Quasi-corporate public enterprises**

To be considered very important at local level, public (i.e. government) enterprises without independent legal status must keep a complete set of accounts and sell the greater part of their output (i.e. at least 50%) to sectors other than general government.

– **Quasi-corporate private enterprises**

To be considered very important at local level, sole proprietorships or partnerships without independent legal status must have 20 or more employees if they are in agriculture (classes 01, 02 and 03 of the NACE), 100 or more employees if they are in industry (NACE classes 11 to 50), and 50 or more employees if they are in services (NACE classes 60 to 99).

⁽¹⁾ Including institutions financed by voluntary contributions of a quasi-fiscal nature, these contributions being considered as purchases of market services (see 219 d)).

224 to 228

223.3 Non-financial quasi-corporate enterprises also include notional resident units deriving from non-resident units which are mainly engaged in the production of goods and non-financial market services⁽¹⁾.

Credit institutions (S 40)

224. Definition: The sector credit institutions (S 40) consists of all institutional units which are principally engaged in finance, i.e. which collect, transform and distribute available funds. The main resources of these units consist of funds derived from liabilities incurred (sight and time deposits, cash certificates, bonds etc.) and of interest received.

225. The institutional units comprising the sector S 40 are the following:

- a) private or public companies and public corporations which are principally engaged in finance
- b) co-operatives and partnerships recognized as independent legal entities which are principally engaged in finance
- c) public enterprises, which by virtue of special legislation are recognized as independent legal entities, which are principally engaged in finance
- d) non-profit institutions recognized as independent legal entities which are principally engaged in finance
- e) quasi-corporate credit institutions:

As the activity of units which are principally engaged in finance is subject to regulation, they are deemed, *whatever their importance*, to have autonomous management independent of their owners. Their economic and financial behaviour is similar to that of corporate credit institutions. It is for this reason that all sole proprietorships, all partnerships and all public enterprises other than those mentioned under a), b) and c), with a complete set of accounts, which are principally engaged in finance, are treated as institutional units and are called *quasi-corporate credit institutions*

- f) holding companies directing a group of companies the majority of which are classified as credit institutions

226. In the tables of financial transactions sector S 40 is sub-divided into three sub-sectors:

- central banking authorities (S 41)
- other monetary institutions (S 42)
- other credit institutions (S 43).

Sub-sector: Central banking authorities (S 41)

227. Definition: The sub-sector central banking authorities consists of all central agencies whose principal function is to issue legal tender and/or which have the task of maintaining the internal and external value of the national currency by appropriate intervention.

228. The institutional units included in the sub-sector S 41 are the following:

- a) the central bank
- b) central monetary agencies of essentially public origin, (e.g. agencies managing foreign exchange, agencies whose function is to influence the bond market or money supply) which keep a complete set of accounts and enjoy autonomy of decision in relation to the central government.

⁽¹⁾ If the non-resident unit is not known, the notional resident unit deriving from it will be classified by convention in the non-financial corporate and quasi-corporate enterprises sector, so long as its activity is non-financial.

Most of the general government agencies engaged in monetary activities are not institutional units. The issue of currency by the State, its transactions with the IMF and its management of portfolio investments designed to influence the money supply are therefore assigned in most cases to the sub-sector central government (S 61).

Sub-sector: Other monetary institutions (S 42)

229. Definition: The sub-sector other monetary institutions consists of credit institutions, an important part of whose liabilities towards the non-banking sector are in the form of transferable sight deposits, and also their central clearing institutions.

230. On the basis of this definition, the main units included in this sub-sector are as follows

- a) clearing banks and discount houses
- b) deposit banks
- c) people's banks
- d) regional and local banks
- e) credit co-operatives
- f) certain savings banks (see 232 a))
- g) post office giro agencies⁽¹⁾.

Sub-sector: Other credit institutions (S 43)

231. Definition: The sub-sector other credit institutions consists of those credit institutions which are not classified as belonging to either of the two previous sub-sectors.

232. On the basis of this definition, and because of the composition of their liabilities to the non-banking sector (transferable sight deposits must not constitute an important part of these liabilities) the following units, in particular, are classified in this sub-sector:

- a) savings banks: the nature of the liabilities of these institutions is generally characteristic of other credit institutions. However, if it happens that a large part of their resources consists of transferable sight deposits made by customers other than banks, they must be classified with other monetary institutions (S 42). Furthermore, if deposits are accepted on behalf of another unit, such transactions must be included with the transactions of the agency on whose behalf they are carried out.
- b) hire-purchase and other consumer credit institutions
- c) building societies or other mortgage credit institutions
- d) agricultural credit agencies (local, regional and central): all these agencies possess resources which are essentially financial, even if the resources of certain local agencies are primarily monetary
- e) investment companies: these are institutional units whose principal function is to convert into financial investment the funds entrusted to them for that purpose without seeking, as in the case of holding companies, to control the enterprises in which they have acquired interests
- f) building and loan associations
- g) those stockbrokers and jobbers principally acting as the other party in the buying and selling of securities.

⁽¹⁾ If the post-office giro agencies are not institutional units, they remain part of the post-office and are to be included with the latter in the sector non-financial corporate and quasi-corporate enterprises (S 10). However, if the financial transactions relating to the giro service are carried out on behalf of the Treasury (sub-sector central government S 61), or on behalf of an agency which, though not an institutional unit, is itself part of the Treasury, these financial transactions are included only in the financial accounts of the sub-sector central government, under the rule concerning transactions carried out on behalf of other units (see 215).

233. The following are not part of the credit institutions sector (S 40):

- a) those stockbrokers whose principal activity consists in the selling of a service as an *intermediary* between buyers and sellers of securities and not in acting as the other party in the transaction. They must be considered as non-financial enterprises and classified, according to their characteristics, in the sector non-financial corporate and quasi-corporate enterprises (S 10) or in the household sector (S 80)
- b) agencies whose principal function is to guarantee, by endorsement, bills intended for discounting. Depending on their characteristics these units belong in the sector non-financial corporate and quasi-corporate enterprises (S 10) or in the general government sector (S 60).

Insurance enterprises (S 50)

234. Definition: The sector insurance enterprises consists of all institutional units which are principally engaged in insurance: i.e. which convert individual risks into collective risks, normally by establishing insurance technical reserves (see 569). The principal resources of the sector come from contractual premiums⁽¹⁾.

235. The institutional units included in sector S 50 are the following:

- a) private or public companies and public corporations principally engaged in insurance
- b) co-operatives and partnerships recognized as independent legal entities which are principally engaged in insurance
- c) public enterprises which by virtue of special legislation are recognized as independent legal entities and are principally engaged in insurance
- d) non-profit institutions recognized as independent legal entities and principally engaged in insurance
- e) quasi-corporate insurance enterprises.

As units principally engaged in insurance are subject to regulation, they are deemed *whatever their importance*, always to have autonomous management independent of their owners. Their economic and financial behaviour is similar to that of insurance enterprises constituted as private or public companies or public corporations. For this reason, sole proprietorships, partnerships and public enterprises other than those mentioned under a), b) and c) which keep a complete set of accounts⁽²⁾ and which are principally engaged in insurance, are treated as institutional units and called *quasi-corporate insurance enterprises*

- f) holding companies directing a group of companies, the majority of which are classified as insurance enterprises.

236. The principal activity of these units (life and accident insurance enterprises, friendly societies, autonomous pension funds⁽³⁾) is to administer individual or group contracts⁽⁴⁾, whether or not participation results from a general obligation imposed by the

⁽¹⁾ Contractual premiums comprise two elements:

- one representing payment for the service of insurance (see 315 k)
- the other covering claims due (see 315 k) note⁽²⁾ and 453) and insurance technical reserves (see 569 to 579).

⁽²⁾ Since non-autonomous pension funds do not keep a complete set of accounts, they are not institutional units.

⁽³⁾ Pension funds are allocated to sectors as follows:

Autonomous pension funds (institutional units)

- if for each insured person the premium is proportional to the risk insured, autonomous funds are to be classified in the sector insurance enterprises (S 50)
- if the premium is applied to the insured without reference to their individual exposure to risk, autonomous funds must be classified in the sector general government, sub-sector social security funds (S 63),

Non-autonomous pension funds

As they do not have a complete set of accounts, they are not institutional units and remain part of the institutional unit which set them up.

⁽⁴⁾ A contract is said to be a group contract if the parties (e.g. insurance enterprises on the one side and employees represented by their authorised agent on the other) are bound solely by the contractual obligations entered into, even if these are binding upon all the parties represented by the agent.

government. A contract exists when, in the case of each insured person, the premium is proportional to the risk insured (individual financial balance). If the premium is applied to the insured persons without reference to their individual exposure to risk (collective financial balance), the units principally engaged in this type of insurance do not belong to the sector insurance enterprises, but to the sub-sector social security funds (S 63) (see 245).

237. Insurance brokers are not part of the insurance enterprises sector, as their main activity is to provide a market service as intermediaries between insurance enterprises and insured persons. They must be treated as non-financial enterprises to be classified, according to their characteristics, in the sector non-financial corporate and quasi-corporate enterprises (S 10) or in the households sector (S 80).
238. A breakdown of the sector insurance enterprises into sub-sectors in the ESA is not envisaged at present.

General government (S 60)

239. Definition: The sector general government (S 60) includes all institutional units which are principally engaged in the production of non-market services intended for collective consumption and/or in the redistribution of national income and wealth. The principal resources of these units are derived directly or indirectly from compulsory payments made by units belonging to other sectors.
240. The institutional units included in sector S 60 are the following:
- a) general government agencies (excluding public enterprises established as public corporations or, by virtue of special legislation, recognized as independent legal entities, or classified as quasi-corporate enterprises) which administer and finance a group of activities, principally of a non-market nature, intended for the benefit of the community⁽¹⁾
 - b) non-profit institutions recognized as independent legal entities which are principally engaged in the production of non-market services and whose principal resources other than the proceeds of sales are derived from payments made by the government departments specified in a) above
 - c) autonomous pension funds, if the premium charged is not based on the individual exposure to risk (see 236 and 245).
241. The general government sector is divided into three sub-sectors:
- central government (S 61)
 - local government (S 62)
 - social security funds (S 63).

Sub-sector: Central government (S 61)

242. Definition: The sub-sector central government includes all administrative departments of the State⁽²⁾ and other central agencies whose competence extends over the whole economic territory, except for the administration of the social security funds⁽³⁾.

⁽¹⁾ By convention, market regulator organisations which are either exclusively or principally simple distributors of production subsidies are classified in S 60, sub-sector central government (S 61). However, those organisations which are exclusively or principally engaged in buying, holding and selling agricultural or food products are classified in S 10.

⁽²⁾ The central administration of each Länder of the Federal Republic of Germany are part of the central government sub-sector and not of the local government sub-sector.

⁽³⁾ Institutional units falling in sector S 60 for which the criterion of competence at local level is not clearly applicable, are classified in the same sub-sector as the department or agency which provides most of their finance.

243 to 250

Sub-sector: Local government (S 62)

243. Definition: The sub-sector local government includes those types of public administration whose competence extends to only part of the economic territory⁽¹⁾, apart from local agencies of the social security funds⁽²⁾.

Sub-sector: Social security funds (S 63)

244. Definition: The sub-sector security funds include all central and local institutional units whose principal activity is to provide social benefits and whose main resources are derived from compulsory social contributions paid by other units.
245. This sub-sector includes, in particular, autonomous pension funds and other insurance institutions when the premiums paid are fixed without reference to the individual exposure to risk of the insured (see 236).

Private non-profit institutions serving households (S 70)⁽³⁾

246. Definition: The sector private non-profit institutions consists of private non-profit institutions which are separate legal entities, which serve households and which are principally engaged in the production of non-market services intended for particular groups of households. Their principal resources, apart from those derived from occasional sales, are derived directly or indirectly from voluntary contributions from households in their capacity as consumers, and from property income.
247. Where these institutions are not very important, they are not included in this sector, their transactions being mixed up with those of households (S 80).
248. The sub-division of this sector into sub-sectors in the ESA is not envisaged at present.

Households (S 80)

249. Definition: The households sector (S 80) covers individuals or groups of individuals as consumers and possibly also as entrepreneurs provided that, in the latter case, the corresponding activities are not those of separate entities treated as quasi-corporate enterprises.

The principal resources of these units are derived from the compensation of employees, property income, transfers from other sectors or the proceeds from the sale of products.

250. The households sector includes:
- individuals or groups of individuals whose principal function is consumption;
 - sole proprietorships and partnerships without independent legal status - other than those treated as quasi-corporate enterprises - whose principal function is the production of goods and non-financial market services;

⁽¹⁾ The central administration of each Länder of the Federal Republic of Germany are part of the central government sub-sector and not of the local government sub-sector.

⁽²⁾ Institutional units falling in sector S 60 for which the criterion of competence at local level is not clearly applicable, are classified in the same sub-sector as the department or agency which provides most of their finance.

⁽³⁾ The term "private non-profit institutions" will be subsequently used as an abbreviation for *private non-profit institutions serving households*

- non-profit institutions serving households, which do not have independent legal status or those which do but are of only minor importance (see 247). The principal resources of these institutions are derived from voluntary contributions by households in their capacity as consumers and from property income;
- notional resident units other than those classified as non-financial corporate and quasi-corporate enterprises.

251. It is envisaged that this sector will be divided into sub-sectors to be defined later.

Rest of the world (S 90)

252. **Definition:** The rest of the world (S 90) is a sector without any characteristic functions and resources; it consists of *non-resident units* in so far as they are engaged in transactions with resident institutional units. Its accounts provide an overall view of the economic relationships linking the national economy with the rest of the world⁽¹⁾.

253. It should be noted that the rule whereby the accounts for the rest of the world include only transactions carried out between resident institutional units and non-resident units is subject to the following exceptions:

- a) the services of transport and insurance provided by resident units in respect of imported goods are shown in the rest of the world accounts with c.i.f. imports, even though they are produced by resident units (see 384).
- b) industrial gold, whenever it is sold on the financial market of the country by one resident to another becomes financial gold (see 510) and is recorded in the rest of the world accounts, as an increase in the gold reserves and also as an export of industrial gold. Similar accounting procedures are followed, but in reverse, whenever a transaction between residents results in the transformation of financial into industrial gold
- c) transactions in foreign assets between residents belonging to different sectors are shown in the detailed financial accounts for the rest of the world; although they do not affect the country's financial position vis-à-vis the rest of the world, they affect the financial relationships of individual sectors with the rest of the world.
- d) transactions in the country's liabilities between non-residents belonging to different geographical zones are shown in the geographical breakdown of the rest of the world accounts. Although these transactions do not affect the country's overall liability to the rest of the world, they affect its liabilities to different parts of the world.

254. The sector rest of the world is sub-divided into:

- the member countries of the European Communities; the Federal Republic of Germany, France, Italy, the Netherlands, Belgium, Luxembourg, United Kingdom, Ireland, Denmark (S 91)
- the Institutions of the European Communities (S 92)
- third countries and international organisations (S 93).

Sector classification of standard legal types of producer units

255. The following paragraphs summarise the principles underlying the classification of producer units into sectors using the standard terminology for describing the main types of institutions.

⁽¹⁾ The accounting balances for the rest of the world are thus always considered from the point of view of the national economy.

SECTOR CLASSIFICATION OF PRODUCER UNITS FOR

PRINCIPAL FUNCTION (otherwise, principal resources)		PRODUCTION OF GOODS AND NON-FINANCIAL MARKET SERVICES	FINANCE
STANDARD LEGAL DESCRIPTION			
<i>Private or public companies and public corporations</i>		S 10 non-financial corporate and quasi-corporate enterprises, (see 222 a)	S 40 credit institutions (see 225 a)
<i>Co-operatives and partnerships recognized as independent legal entities</i>		S 10 non-financial corporate and quasi-corporate enterprises (see 222 b)	S 40 credit institutions (see 225 b)
<i>Public enterprises which by virtue of special legislation are recognized as independent legal entities</i>		S 10 non-financial corporate and quasi-corporate enterprises (see 222 c)	S 40 credit institutions (see 225 c)
<i>Public enterprises not recognized as independent legal entities</i>	<i>those with the characteristics of quasi-corporate enterprises</i>	S 10 non-financial corporate and quasi-corporate enterprises (see 222 e)	S 40 credit institutions (see 225 e)
	<i>the rest</i>	S 60 general government (see 240 a)	
<i>Non-profit institutions recognized as independent legal entities</i>		S 10 non-financial corporate and quasi-corporate enterprises (see 222 d)	S 40 credit institutions (see 225 d)
<i>Partnerships not recognized as independent legal entities Sole proprietorships</i>	<i>those with the characteristics of quasi-corporate enterprises</i>	S 10 non-financial corporate and quasi-corporate enterprises (see 223)	S 40 credit institutions (see 225 e)
	<i>the rest</i>	S 80 households (see 250)	
<i>Holding companies</i>		The sectoral classification of these units is not based directly on their majority of companies controlled by them: they should be allocated corporate or quasi-corporate enterprises (see 222 e), S 40 credit institutions (see 225 e) or S 80 households (see 250).	

⁽¹⁾ with the exception of institutions of minor importance (see 247).

MAIN STANDARD LEGAL FORMS OF OWNERSHIP

INSURANCE	PRODUCTION OF NON-MARKET SERVICES	
	Compulsory payments made by the other units	Voluntary contributions made by households, in their capacity as consumers, and from property income
S 50 insurance enterprises (see 235 a)		
S 50 insurance enterprises (see 235 b)		
S 50 insurance enterprises (see 235 c)		
S 50 insurance enterprises (see 235 e)		
S 50 insurance enterprises (see 235 d)	S 60 general government (see 240 b)	S 70 private non-profit institutions ⁽¹⁾ (see 246)
S 50 insurance enterprises (see 235 e)		
principal function, but on that of the as appropriate, to S 10 non-financial institutions (see 225 f), S 50 insurance		

256 to 260

256. *Private or public companies and public corporations* are classified as follows:
- those principally engaged in the production of goods and non-financial market services: in sector S 10, non-financial corporate and quasi-corporate enterprises (see 222 a))
 - those principally engaged in finance: in sector S 40, credit institutions (see 225 a))
 - those principally engaged in insurance: in sector S 50, insurance enterprises (see 235 a)).
257. *Co-operatives and partnerships recognized as independent legal entities* are classified as follows:
- those principally engaged in the production of goods and non-financial market services: in sector S 10, non-financial corporate and quasi-corporate enterprises (see 222 b))
 - those principally engaged in finance: in sector S 40, credit institutions (see 225 b))
 - those principally engaged in insurance: in sector S 50, insurance enterprises (see 235 b)).
258. *Public enterprises which by virtue of special legislation are recognized as independent legal entities* are classified as follows:
- those principally engaged in the production of goods and non-financial market services: in sector S 10, non-financial corporate and quasi-corporate enterprises (see 222 c))
 - those principally engaged in finance: in sector S 40, credit institutions (see 225 c))
 - those principally engaged in insurance: in sector S 50, insurance enterprises (see 235 c)).
259. *Public enterprises not recognized as independent legal entities* are classified as follows:
- if they are quasi-corporate (see 216 f)):
 - those principally engaged in the production of goods and non-financial market services: in sector S 10, non-financial corporate and quasi-corporate enterprises (see 223)
 - those principally engaged in finance: in sector S 40, credit institutions (see 225 e))
 - those principally engaged in insurance: in sector S 50, insurance enterprises (see 235 e))
 - if they are not quasi-corporate: in sector S 60, general government, as they remain an integral part of the units which control them (see 240 a)).
260. *Non-profit institutions* (associations, foundations) *recognized as independent legal entities* are classified as follows:
- those principally engaged in the production of goods and non-financial market services: in sector S 10, non-financial corporate and quasi-corporate enterprises (see 222 d))
 - those principally engaged in finance: in sector S 40, credit institutions (see 225 d))
 - those principally engaged in insurance: in sector S 50, insurance enterprises (see 235 d))
 - those principally engaged in the production of non-market services:
 - in sector S 60, general government, if their resources come mainly from the departments of general government (see 240 b))
 - in sector S 70, private non-profit institutions, if their resources, other than these derived from occasional sales, come mainly from voluntary contributions made by households, in their capacity as consumers, or from property income (see 246).

261. *Sole proprietorships and partnerships not recognized as independent legal entities* are classified as follows:
- if they are quasi-corporate (see 216 f)):
 - a) those principally engaged in the production of goods and non-financial market services: in sector S 10, non-financial corporate and quasi-corporate enterprises (see 223)
 - b) those principally engaged in finance: in sector S 40, credit institutions (see 225 e))
 - c) those principally engaged in insurance: in sector S 50, insurance enterprises (see 235 e)).
 - if they are not quasi-corporate they are classified in sector S 80, households (see 250).
262. *Holding companies* (i.e. companies which direct a group of companies) are classified as follows:
- a) in sector S 10, non-financial corporate and quasi-corporate enterprises, when most of the companies which they control are classified in this sector (see 222 e))
 - b) in sector S 40, credit institutions, when most of the companies which they control are classified in this sector (see 225 f))
 - c) in sector S 50, insurance enterprises, when most of the companies they control are classified in this sector (see 235 f)).
263. The table on page 34 illustrates in schematic form the various cases which are enumerated above.

UNITS OF HOMOGENEOUS PRODUCTION AND BRANCHES

264. In order to analyse flows occurring in the process of production and in the use of goods and services, it is necessary to choose units which emphasize relationships of a technico-economic kind.

Units of homogeneous production are intended to meet this requirement.

The unit of homogeneous production

265. Definition: The distinguishing feature of a unit of homogeneous production is a unique activity which is identified by its inputs, a particular process of production and its outputs. The products which constitute the inputs and outputs are themselves distinguished not only by their physical characteristics and the extent to which they are processed but also by the technique of production used: they can be identified by reference to a classification of products.
266. The unit of homogeneous production may correspond to an institutional unit or a part thereof; on the other hand, it can never belong to two different institutional units.
267. In practice, most producer units are engaged in a combination of activities at the same time. They may be engaged in a principal activity, some secondary activities – i.e. activities belonging to other branches – and some ancillary activities such as administration, purchasing, selling, storage, repairs etc.⁽¹⁾. If a producer unit contains a principal activity and also one or several secondary activities, it will be subdivided into the same number of units of homogeneous production, and the secondary activities will be classified under different headings from the principal activity. On the other hand, the ancillary activities of the producer units are not separated from the principal or secondary activities.

⁽¹⁾ A productive activity must be considered as ancillary if it satisfies the following three conditions:

- a) it produces services
- b) something similar is found to some extent or other in every similar producer unit
- c) it produces services only for that particular producer unit.

The branch

268. Definition: The branch consists of a grouping of units of homogeneous production. The set of activities covered by a branch is identified by reference to a product classification. The branch produces those goods or services specified in the classification and only those products.
269. Deleted.
270. Branches are units designed for economic analysis which cannot usually be observed directly; data collected from the units used in statistical enquiries have to be re-arranged to form branches.
271. Branches may be classified into four categories:
- a) branches producing goods and market services: i.e. market branches
 - b) branches producing the non-market services of general government: i.e. non-market branches of general government
 - c) branches producing the non-market services of private non-profit institutions: i.e., non-market branches of private non-profit institutions
 - d) the branch consisting of non-market services produced by households: i.e. domestic services.
272. *The market branches* consist of all units of homogeneous production of whatever institutional sector, which are exclusively engaged in the production of goods and market services. The production of goods and market services within the general government or private non-profit institutions sectors (including those intended for themselves) are treated as units of homogeneous production and classified in an appropriate market branch⁽¹⁾.

The non-market branches of general government consist of all units of homogeneous production in the general government sector which produce non-market services (see 312, 313).

The non-market branches of private non-profit institutions consist of all units of homogeneous production in the private non-profit institutions sector which produce non-market services (see 312, 313).

The branch non-market domestic services covers the productive activity of households in so far as they are employers of paid domestic staff.

THE CLASSIFICATION OF BRANCHES

273. The classification of branches used in the input-output tables is based on the NACE – a special version used for the input-output tables called NACE/CLIO – each branch corresponding to one or several groups of the NACE.

The NACE/CLIO is a classification of mutually exclusive activities applied to the units of homogeneous production.

Each group of the NACE/CLIO⁽²⁾ is defined as follows

- in the case of goods, by reference to the NIMEXE (Harmonised classification used in the foreign trade statistics of the EEC countries)
- in the case of services, by the listing given in the NACE (the version used for the collection of basic statistics).

⁽¹⁾ Very occasionally, the non-market branches of government and private non-profit institutions may sell market products to the other branches, but only exceptionally (see 314 and 616).

⁽²⁾ The NACE-CLIO groups are listed in Annexe 2A

OTHER GROUPINGS OF UNITS

274. In the tables of financial transactions another category, called *financial intermediaries*, is used as well.

This category consists of all institutions whose principal or secondary function is finance and which keep complete sets of accounts relating to their financial transactions. This makes it possible to bring together in a single table all transactions of a financial nature which, in the basic accounts, are distributed over several sectors because of the institutional criteria used (see table 19).

CHAPTER III

TRANSACTIONS IN GOODS AND SERVICES

301. Transactions in goods and services are those transactions which are directly involved in the production process of resident economic units which gives rise to the creation of Gross Domestic Product, and those which relate to external trade and to the use of goods and services.
302. The following transactions in goods and services are distinguished in the ESA:

Transactions	Code
Output of goods and services	P 10
Output of goods	P 11
Output of market services other than the imputed output of bank services	P 12
Imputed output of bank services	P 13
Output of non-market services	P 14
Intermediate consumption	P 20
Final consumption	P 30
Final consumption of resident units on the economic territory	P 31
Final consumption of resident households in the rest of the world	P 32
Final consumption of non-resident households on the economic territory	P 33
Final national consumption (P 31 + P 32)	P 3A
Final consumption on the economic territory (P 31 + P 33)	P 3B
Gross capital formation	P 40
Gross fixed capital formation	P 41
Change in stocks	P 42
Exports of goods and services	P 50
Exports of goods	P 51
Exports of services	P 52
Imports of goods and services	P 60
Imports of goods	P 61
Imports of services	P 62
Net purchases of land and intangible assets	P 70
Net purchases of land	P 71
Net purchases of intangible assets	P 72

303. These transactions are recorded in the following accounts of the ESA:
- the goods and services account (C 0)
 - the production account (C 1)
 - the use of income account (C 4)
 - the capital account (C 5)
 - the current transactions account of the rest of the world (C 7).

OUTPUT OF GOODS AND SERVICES (P 10)

304. Definition: Output comprises the goods and services produced by resident producer units during a given period.⁽¹⁾

The total output recorded is that shown in the input-output table which determines the extent to which the accounts in the ESA should show the output of those goods and services which are consumed within producer units (institutional and of homogeneous production) without being marketed (see 606 and 607).

The following types of output are distinguished:

- the output of goods (P 11)
- the output of market services (P 12, P 13)
- the output of non-market services (P 14).

Output of goods (P 11)

305. All goods are, *by convention*, deemed to be *market* goods. However, certain goods which are a by-product of the output of the non-market services of general government or private non-profit institutions are not included in the actual output of goods, but are nevertheless included in the distributed output of goods by transferring their sales value (see 616, 617). (For example, the output of timber obtained as a by-product of government road works is excluded from the actual output of forestry products but included in distributed output).

306. The output of goods, corresponding to the production of groups 011-504 of the NACE/CLIO, includes the following items:

- a) the output of new goods for sale on the market
- b) the output of new goods for *own consumption* by institutional units whose activity spans several groups of the NACE/CLIO, and the output of certain specified goods (see NACE/CLIO) consumed within the groups which produce them
- c) the output of agricultural and food products for own consumption by farm households
- d) the output of agricultural and food products for own consumption by non-farm households
- e) the output of goods other than agricultural and food products for own consumption by households⁽²⁾
- f) the own account output of fixed capital goods
- g) the output of their own goods which producer units furnish to their employees as remuneration in kind.

Output of market services (P 12 and P 13)

307. Market services are all services which can be the object of purchases and sales on the market and which are produced by a unit whose resources are mainly⁽³⁾ derived from the sale of its output whatever the price charged may be called:

- selling price, inclusive charge
- fee, rate, toll, duty
- voluntary payments or compulsory levies of a quasi-fiscal nature made by enterprises to units whose principal activity is to provide services in exchange for these payments (see 308 b)).

⁽¹⁾ Throughout the English text of the ESA, "production" denotes the process, and "output" the resulting goods or services.

⁽²⁾ As the total value of this output is difficult to record and, moreover, insignificant in the member countries of the European Communities, it has been agreed not to include it in the accounts.

⁽³⁾ "Mainly" is to be taken to mean about 50% or more of total current resources.

In addition to services actually sold on the market, market services include:

- services produced for own consumption by institutional units which carry on activities in several market groups of NACE/CLIO
- the services which producer units furnish to their employees as remuneration in kind
- housing services provided for their own use by households owning their own dwellings

The output of market services is sub-divided into two categories:

- the output of market services other than the imputed output of bank services (P 12)
- the imputed output of bank services (P 13).

308. **The output of market services other than the imputed output of bank services (P 12) includes:**

a) the output of the following services which, *by convention*, are always deemed to be market services:

NACE/CLIO:

- 610 : Wholesale trade services
- 620 : Recovery services
- 630 : Services of commercial intermediaries
- 640 : Retail trade services
- 660 : Lodging and catering services
- 670 : Repair services
 - 671 : Repair of motor vehicles and bicycles
 - 672*(¹) : Repair of footwear and leather goods, household electrical goods, watches and clocks, jewellery, etc.
- 710 : Railway transport services
- 720 : Other land transport services
 - 721 : local transport services, including underground railways, tramways and regular bus services
 - 722 : long distance road transport services for passengers
 - 723 : long distance road transport services for merchandise
 - 724 : services of transport by pipelines
 - 725 : land-borne transport services n.e.c. (funicular railways, cable cars, chairlifts)
- 730 : Inland waterways services
- 740 : Maritime and coastal transport services
 - 741 : maritime transport services
 - 742 : coastal transport services
- 750 : Air transport services
- 760 : Auxiliary transport services
 - 761 : services associated with land transport
 - 762 : services associated with inland waterways
 - 763 : services associated with maritime and coastal transport
 - 764 : services associated with air transport
- 770 : Services of travel agencies and transport intermediaries, warehouse and storage services
 - 771 : services of travel agencies
 - 772 : services of transport intermediaries
 - 773 : warehouse and storage services.
- 790 : Communication services
- 810 : Services of credit institutions
- 820 : Insurance services (except for compulsory social security schemes)
- 830 : Services of financial and insurance auxiliaries; real estate (except letting of real estate by the owner) and business services

(¹) NACE/CLIO group 672 corresponds to NACE groups 672 to 675.

- 840 : Services of renting, leasing and hiring of equipment without permanent staff
- 850 : Services of letting of real estate by the owner
- 923 : Cleaning services
- 935 : Private tuition
- 936 : Driving schools, Flying schools (except for airline pilots)
- 953 : Doctors' practices
- 955 : Midwives, independent nurses and the like
- 971 : Production of films
- 972 : Distribution of films
- 973 : Cinemas
- 974 : Radio and television
- 976 : Liberal, artistic and literary professions
- 980 : Personal services

In the case of the last few groups mentioned above (codes greater than 900), the letter C is added to the three-digit code to specify that the services are market services.

b) the output of the following services which are deemed to be market services if the resources of the producer unit come mainly⁽¹⁾ from the sale of its output (whatever the price charged may be called – see 307):

NACE/CLIO:

- 921 : Refuse disposal services, sanitation services and the like
- 931 : High schools
- 932 : General teaching schools
- 933 : Professional training and retraining schools
- 934 : Infant schools
- 940 : Research and development
- 951 : Hospitals, clinics and sanatoria
- 952 : Other health institutions
- 954 : Dental practices and clinics
- 956 : Veterinary surgeons and veterinary clinics
- 962 : Social homes
- 963 : Professional associations and economic organisations
- 964 : Employers' federations
- 975 : Entertainments (except for cinemas and sports)
- 977 : Libraries, public archives, museums, botanical and zoological gardens
- 978 : Sports grounds or halls, sports clubs, and independent sports teachers or coaches
- 979 : Recreational services n.e.c.

To indicate whether the services are of a market or non-market nature, the letter A, B or C is added to the three-digit code with the following meaning:

- A : non-market services of general government
- B : non-market services of private non-profit institutions
- C : market services

309. The output of market services excludes certain types of renting considered not as production of a service, but as payment for a factor of production:

- (a) the renting of agricultural land (farm tenancies, share-cropping) and of non-agricultural land (see 436 a and b)
- (b) the renting of intangible assets (patents, copyrights, concession rights) (see 436 c)

⁽¹⁾ "Mainly" is to be taken to mean about 50% or more of total current resources.

310. **The imputed output of bank services (P 13)**

is the output produced by credit institutions in their capacity as financial intermediaries engaged in the collection, conversion and distribution of financial resources⁽¹⁾.

The imputed output of bank services is, *by convention*, measured by the amount by which the property income received by credit institutions (other than income from the investment of their own funds) exceeds the interest paid to their creditors.

311. Although the total value of the imputed output of bank services can be measured in this way, it is in practice impossible, at present, to determine how the use of these services is distributed among the various units who are the customers of the credit institutions. The imputed output of bank services is therefore deemed to be wholly absorbed as the intermediate consumption of a special unit. This special unit has zero output, intermediate consumption equal to the imputed output of bank services and a value added equal but opposite in sign to the value of this imputed output. In this way, the value added of all market branches or sectors together is reduced in total by an amount which ought to have been allocated either to the intermediate consumption of the various users of bank services (and ought, therefore, to have been deducted from their respective values added) or to final uses⁽²⁾.

Output of non-market services (P 14)312. **Non-market services are:**

- domestic services produced for themselves by households as employers of paid domestic staff⁽³⁾ (NACE-CLIO 99)
- collective services, i.e. those provided without charge, or with a nominal charge, to the community as a whole or to particular groups of households.

313. **The output of collective services covers:**

a) the following services, which, *by convention*, are always deemed to be non-market:

NACE/CLIO:

- 910 : Services of general government: general public administration, national defence and compulsory social security
- 922 : Administration of cemeteries
- 961 : Social work
- 965 : Trade unions
- 966 : Religious organisations and learned societies
- 967 : Tourist information offices, tourist clubs
- 968 : Services supplied to the general public n.e.c.

To specify the type of non-market service, the letter A or B is added to the three-digit code as follows:

- A : non-market services of general government
- B : non-market services of private non-profit institutions.

⁽¹⁾ The imputed output of bank services does not include the output of services rendered by credit institutions to their customers and paid for at a market price. This is included in the output of market services other than the imputed output of bank services (P 12).

⁽²⁾ Under this solution, that part of bank services consumed by final users is also deducted from gross value added, thus arbitrarily reducing gross domestic product.

⁽³⁾ Domestic services produced by households not employing paid staff are not included in output.

- b) the following services, which are non-market if the resources of the producer unit are mainly⁽¹⁾ derived from sources other than the proceeds of sales, i.e. from the voluntary contributions of households in their capacity as consumers, from government transfers and from property income:

NACE/CLIO:

- 921 : Refuse disposal service, sanitation services and the like
- 931 : High schools
- 932 : general teaching schools
- 933 : Professional training and retraining schools
- 934 : Infant schools
- 940 : Research and development
- 951 : Hospitals, clinics and sanatoriums
- 952 : Other health institutions
- 954 : Dental practices and clinics
- 956 : Veterinary surgeons and veterinary clinics
- 962 : Social homes
- 963 : Professional associations and economic organisations
- 964 : Employers' federations
- 975 : Entertainments (except for cinemas and sports)
- 977 : Libraries, public archives, museums, botanical and zoological gardens
- 978 : Sports ground or halls, sports clubs, and independent sports teachers or coaches
- 979 : Recreational services n.e.c.

To indicate whether the services are of a market or non-market nature, the letter A, B or C is added to the 3 figures, with the following significance:

- A : non-market services of general government
- B : non-market services of private non-profit institutions
- C : market services

Collective services are produced by the non-market *branches* of general government or private non-profit institutions, depending on whether the institutional unit producing them belongs to the general government sector or to the private non-profit institutions sector.

314. When the non-market branches of general government or of private non-profit institutions offer the services which they produce with only a nominal charge, or when, in the course of producing non-market services they occasionally produce goods and market services on a small scale, the amounts they receive are treated as incidental sales of these branches (see 616).

Valuation of the output of goods and services

315. The *output of goods and market services* (other than the imputed output of bank services) is valued, for each sector or branch⁽²⁾, at producers' prices excluding invoiced VAT (see 630) subject to the following exceptions and explanations:
- a) intermediate goods and services produced for their own internal consumption by institutional units are valued at basic prices (see 628) plus any taxes linked to production excluding VAT which may have been incurred on the exchange of these goods within the unit
 - b) the output of agricultural and food products for own consumption by households is valued at the basic prices of similar products sold on the market

⁽¹⁾ "Mainly" is to be taken to mean about 50% or more of total current resources.

⁽²⁾ This paragraph applies to the input-output table with transactions valued at producers' prices; for the valuation of the input-output table at basic prices, see 640.

- c) the own-account output of fixed capital goods is valued at basic prices
 - d) the output of their own goods and services furnished by producer units to their employees as remuneration in kind is valued at basic prices
 - e) recovered materials are valued by the difference between, on the one hand, the value of the recovered goods and of the demolition materials used by the market branches or exported, and, on the other hand, the value of the existing goods, including non-durable consumer goods, surrendered by all units for demolition or scrap (see 618 to 625)
 - f) services produced by the retail and wholesale trades are measured by the trade margins, calculated as the difference between the value of the goods sold by traders and the value of the goods bought for resale which are actually sold in the relevant period
 - g) the services of hotels, restaurants and cafes include the value of the food, drink and tobacco consumed
 - h) services produced by transport are measured by fares or freight charges
 - i) services produced by the ownership of dwellings are measured by the value of the rents if rented, or by the value of the rents of similar dwellings if owner-occupied
 - j) services produced by the renting of non-residential buildings are measured by the value of the rents⁽¹⁾
 - k) the services produced by insurance institutions and pension funds are measured by the amount by which the gross premiums earned⁽²⁾ exceed the sum of the following items:
 - claims due⁽³⁾
 - supplementary payments to the insured in the form of distributed profits (see 453)
 - variations in the actuarial reserves against outstanding risks and variations in reserves for with-profits insurance, *less*
 - imputed interest accruing to insurance policy holders (see 432)
 - realized capital gains which are in fact distributed (see 4112 i).
316. The value of the *imputed output of bank services* is measured, by convention, by the amount by which the property income received by credit institutions (other than income from the investment of their own funds) exceeds the interest paid to their creditors (see 310, 311).
317. The value of the *output of collective services (non-market)*, is, by convention, measured by the costs incurred; that is to say, by the sum of intermediate consumption, compensation of employees, consumption of fixed capital and taxes linked to production excluding VAT paid by the non-market branches of general government and private non-profit institutions.
318. The value of the *output of domestic services (non-market)* is, by convention, measured by the amount of the compensation of employees paid to domestic staff employed by households.
319. The output of goods and services appears in the following accounts of the ESA:
- among resources in the goods and services account (C 0)
 - among resources in the production account (C 1).

⁽¹⁾ The value of the imputed rents on non-residential buildings used directly by their owners is not accounted for separately.

⁽²⁾ Premiums earned are that part of the premiums paid intended to cover the risks during the relevant period.

⁽³⁾ Claims due are those to which the insured are entitled during the relevant period. By convention, right to indemnity is deemed to originate at the time the accident occurs.

INTERMEDIATE CONSUMPTION (P 20)

320. Definition: The intermediate consumption of resident producer units represents the value of all the goods (other than fixed capital goods) and market services consumed during the course of the relevant period in order to produce other goods and services.
321. For the non-market branches of general government and private non-profit institutions, intermediate consumption is reduced by the net sales (or increased by the net purchases) of existing consumer goods (see 624).
322. Intermediate consumption includes the following elements:
- a) goods bought on the market and *actually consumed* by the unit which buys them during the relevant period, i.e. current purchases of goods, plus the value of similar goods withdrawn from stocks existing at the beginning of the period and minus the value of similar goods added to stocks during the period. These changes in stocks are not part of intermediate consumption and are treated as capital formation (see 347). The stocks of goods held by the non-market branches of general government relate only to strategic and emergency stockpiles together with stocks held by market regulatory organisations insofar as these belong to the general government sector; other products are, by convention, consumed immediately upon purchase by general government;
 - b) services purchased during the relevant period⁽¹⁾, except for
 - services connected with the transfer of ownership of land, existing buildings, other existing fixed capital goods and intangible assets; such services are treated as gross fixed capital formation
 - services of transport and distribution for goods put into stocks held by the users. Only services relating to goods actually consumed during the relevant period are counted as intermediate consumption⁽²⁾.
 - c) the goods and market services produced for own consumption by institutional units whose activity spans several groups of the NACE/CLIO (see 607 c) and certain goods produced for internal consumption within the groups which produce them (see 608 a)
 - d) the imputed output of bank services; this is not allocated to sectors or branches but its total is treated as the intermediate consumption of a special unit (see 310, 311).
323. The following expenditures must, in particular, be included in intermediate consumption:
- a) purchases of goods and services by producer units which benefit the units as well as their employees, such as:
 - allowances or reimbursement of employees for travelling, separation, removal and entertainment expenses incurred in the course of their duties
 - expenditures on providing amenities at the place of work, medical examinations, the provision of working clothes (other than military uniforms)
 - current expenditures devoted to sporting or recreational facilities intended for employees
 - current expenditures on the transport of employees to and from work organised by the employer
 - b) purchases by households of tools, equipment or special clothing needed for their work

⁽¹⁾ The value of each type of insurance service is allocated among branches or sectors in proportion to the amount of the gross premiums paid.

⁽²⁾ In the input-output tables, final uses are valued at both producers' prices and purchasers' prices. When changes in stocks by product are valued at producers' prices, the services of distribution and transport relating to products stocked by the users must be included in the changes in stocks so that the total of the services may be valued at purchasers' prices. When changes in stocks are valued at purchasers' prices the services of distribution and transport are allocated to each of the products to which they relate, and the total for changes in stocks is identical with that in the table measured at producers' prices (see 642).

- c) purchases of goods and services made by general government and intended for the production of non-market services, with the exception of social benefits in kind paid to households by general government under social security or social assistance arrangements (see 330 g)
- d) purchases by producer units of small tools, working clothes, spare parts and durables of small value (less than about 100 EUA) or with a normal life of less than a year, as well as purchases of goods and services needed for maintenance and repairs in order to keep fixed capital goods in good working order
- e) rents paid for the renting of non-residential buildings and charges paid for the hire of other fixed capital goods
- f) purchases of durable goods by military authorities; military buildings (except dwellings for the households of servicemen) (see 340 c), military installations and other military equipment
- g) purchases of services of scientific research, advertising, market research etc.
- h) purchases of foodstuffs, drink and tobacco consumed in hotels, restaurants and cafes, in hospitals and other medical institutions and in educational establishments
- i) current expenditure on the sinking of wells during exploration for oil and gas i.e. current expenditure prior to the decision to work the deposit (see 324 i).

324. Intermediate consumption, on the other hand, excludes:

- a) goods and market services distributed by producer units to their employees free or at reduced prices, in so far as they are distributed manifestly and principally for the benefit of the employees: such goods and services are treated as final consumption of households (see 330 e)
- b) the travelling expenses of employees in commuting between home and work, except where the producer units themselves organise the transport; these expenditures are treated as final consumption of households (see 330 e)
- c) social benefits in kind granted to households by general government and private non-profit institutions under social security or social assistance arrangements; these benefits are treated as final consumption of households (see 330 g)
- d) purchases by general government of food and military clothing for the armed forces, which, *by convention*, are treated as final consumption of households (see 330 f)
- e) purchases of equipment (excluding military equipment, see 323 f) whose normal working life exceeds one year: these goods are considered as gross fixed capital formation (see 337)
- f) expenditure on reconstruction or major repairs to buildings and construction (e.g. to roofs, gutters, aerials, or electrical and heating installations in buildings etc.) and expenditure on the repair and improvement of machinery and equipment which is intended to prolong its normal life, to increase its capacity or improve its performance. Such expenditure is considered as gross fixed capital formation (see 338 b and 342)
- g) costs incurred in connection with the transfer of ownership of land, existing buildings, other existing fixed capital goods or intangible assets; these are considered as gross fixed capital formation (see 338 d)
- h) rents paid for the use of land or intangible assets, which are regarded as income from land or intangible assets (see 436 a)
- i) expenditure on the sinking of wells for the extraction of oil, gas etc. i.e. all expenditure incurred after the decision to work the deposit (see 323 i). This expenditure is treated as gross fixed capital formation.

Valuation of the various elements of intermediate consumption.

325. The total intermediate consumption of each sector or branch⁽¹⁾ is valued as follows:

- a) for goods and services bought, at purchasers' prices excluding deductible VAT

⁽¹⁾ This paragraph applies to valuation in the input-output table at producers' prices; for valuation in the input-output table at basic prices see 640.

- b) for goods and market services produced for own consumption by institutional units whose activity spans several groups of the NACE/CLIO, and also for certain specified goods (see NACE/CLIO) produced for internal consumption within the groups which produce them, at basic prices plus any taxes linked to production which have been incurred on the exchanges of these goods within the unit
- c) for the intermediate consumption of the special unit which, by convention, consumes the whole of the imputed output of bank services, by the amount by which the property income received by credit institutions (other than income from the investment of their own funds) exceeds the interest paid to their creditors (see 310).

326. Intermediate consumption appears in the following accounts of the ESA:

- among uses in the goods and services account (C 0)
- among uses in the production account (C 1).

FINAL CONSUMPTION (P 30)

327. Definition: Final consumption represents the value of the goods and services used for the direct satisfaction of human needs, whether individual or collective.

328. Final consumption covers the final consumption of households and the collective consumption of general government and private non-profit institutions. It may take the form of:

- a) the final consumption of resident units on the economic territory (P 31)
- b) the final consumption of resident households in the rest of the world (P 32)
- c) the final consumption of non-resident households on the economic territory (P 33).

329. The following types of final consumption are shown in the system of accounts:

- final national consumption (P 3A) which groups together flows P 31 and P 32 and is shown among uses in the use of income account (C 4)
- final consumption on the economic territory (P 3B) which groups together flows P 31 and P 33 and is shown among uses in the goods and services account (C 0)
- final consumption by resident households in the rest of the world (P 32) which is shown among resources in the current transactions account of the rest of the world (C 7)
- final consumption by non-resident households on the economic territory (P 33) which is shown among uses in the current transactions account of the rest of the world (C 7).

Final consumption of households

330. Final consumption of households includes the following items:

- a) purchases on the market of new durable and non-durable goods, except for houses, apartments, etc. (see 339 a) and for purchases by households of tools, equipment or special clothing needed for their work
- b) purchases of market services, including the transfer costs incurred when purchasing antiques and existing consumer durables
- c) agricultural and food products produced for own consumption by farmers, and also the produce of private gardens
- d) goods, other than agricultural and food products, produced by households for own consumption⁽¹⁾
- e) benefits in kind provided by employers to their employees (see 324 a)
- f) clothing and food provided for the armed forces and purchased by general government

⁽¹⁾ As the value of this consumption is trivial and extremely difficult to record statistically in the member countries of the European Communities, it has been agreed not to include it in the accounts.

- g) social benefits in kind granted to households by general government or private non-profit institutions under social security or social assistance arrangements
- h) the imputed rent of owner-occupied dwellings
- i) gifts in kind made by the rest of the world to households, less gifts in kind made by households to the rest of the world
- j) domestic services produced for themselves by households in so far as they are employers of paid domestic staff
- k) net purchases by households of antiques and existing consumer durables (see 620 a and c)
- l) incidental sales treated in the accounts as direct deliveries to households from the non-market branches of general government and private non-profit institutions (see 616).

331. The final consumption of households does not include:

- a) purchases of land, which are included under the heading net purchases of land (P 71) (see 399)
- b) purchases of houses, apartments etc. which are included in gross fixed capital formation (see 339 a and 620 b)
- c) purchases by households of tools, equipment or special clothing needed for their work (see 323 b)
- d) expenditure by producer units which is to their own benefit as well as that of their employees (see 323 a).

332. In the case of the households of sole proprietors, it often happens that certain goods and services are used both for business and for household purposes (e.g. cars, rent, heating, lighting etc.). The value of goods and services purchased by the households must then be divided between intermediate and final consumption in proportion to their use for business purposes and for the satisfaction of household needs respectively.

333. **Collective consumption of general government and private non-profit institutions**

General government and private non-profit institutions produce non-market services from which all economic units derive some benefit, but the value of the services rendered to individual units cannot be reliably assessed. Non-market services are not, therefore, divided between intermediate consumption and the final consumption of households, and these services are treated in the accounts as the final consumption of general government or private non-profit institutions.

334. **Valuation of final consumption**

- a) *the final consumption of households* is valued in the accounts and in the input-output table at mixed prices⁽¹⁾:
 - at purchasers' prices for products bought on the market
 - at the purchasers' prices of similar products for goods received as gifts from the rest of the world
 - at basic prices for agricultural and food products produced for own consumption
 - at basic prices for products received by employees from their employers as remuneration in kind
 - by the amount of compensation of employees for domestic services.
- b) *collective consumption* is valued on the basis of the costs incurred in the production of the non-market branches of general government and private non-profit institutions, less the incidental sales of these branches (see 314, 616). The value of these sales is included in transfers to branches or in the final consumption of households (see 616).

⁽¹⁾ This paragraph applies to the input-output table at mixed prices; for valuation in the input-output table at basic prices and at producers' prices, see 640 to 644.

335 to 339

335. Final consumption appears in the following accounts of the ESA:
- among uses in the goods and services account (C 0) in respect of final consumption on the economic territory
 - among uses in the use of income account (C 4) in respect of final national consumption
 - among uses in the current transactions account of the rest of the world (C 7) in respect of final consumption of non-resident households on the economic territory
 - among resources in the current transactions account of the rest of the world (C 7) in respect of final consumption of resident households in the rest of the world.

GROSS CAPITAL FORMATION (P 40)

336. Gross capital formation covers both gross fixed capital formation and change in stocks.

Gross fixed capital formation (P 41)

337. Definition: Gross fixed capital formation represents the value of durable goods intended for non-military purposes (see 323 f), each of more than about 100 EUA⁽¹⁾ in value, which are acquired by resident producer units in order to be used for a period of more than one year in their process of production, including the value of any services embodied in fixed capital goods.

However, the purchase of a group of durable goods needed for an initial installation is considered to be gross fixed capital formation even if the value of each individual good is less than 100 EUA.

338. Gross fixed capital formation consists of:
- a) new durable goods bought on the market or produced by the producer units on own account during the relevant period and intended to be used for a period of more than one year in their process of production
 - b) goods and services incorporated into existing fixed capital goods, for the purpose of
 - improving them
 - prolonging their working life, increasing their productive capacity or improving their performance
 - rebuilding or reconstructing them
 - c) the goods and services incorporated in land
 - d) the costs incurred in the transfer of ownership of land, existing buildings and other existing fixed capital goods and intangible assets
 - e) net purchases, by producer units, of antiques and existing fixed capital goods (see 620).
339. The new durable goods which enter into gross fixed capital formation include, in particular:
- a) buildings and other construction
 - residential buildings, including accommodation for the households of members of the armed forces
 - non-residential civil buildings
 - other civil construction and works

⁽¹⁾ Based on prices current in 1970.

- b) machinery, equipment and other goods (including imported used goods)
 - transport equipment
 - machinery and other equipment
 - change in producers' livestock⁽¹⁾ in respect of:
 - breeding animals (including dairy animals but excluding breeding fowls)
 - draught animals
 - zoo and circus animals
 - works of art created during the year and purchased by producer units.
340. The following items, on the other hand, are not included in gross fixed capital formation:
- a) small tools, working clothes, spare parts and equipment of small value (less than about 100 EUA) even if they have a normal life of more than one year. Because they are renewed regularly, and to conform with business accounting practice, these items are treated as intermediate consumption (see 323 d)
 - b) durable goods acquired by households for the satisfaction of their domestic needs; as these goods are not used for purposes of production, they are treated as final consumption (see 330 a)
 - c) durable goods acquired by general government for military purposes (buildings for military use except accommodation for the households of members of the armed forces, military installations, military equipment). These goods are treated as intermediate consumption of general government (see 323 f)
 - d) scientific research, advertising, market research etc. Purchases of these services are included in intermediate consumption (see 323 g)
 - e) land and intangible assets. The net balance of transactions in these items is included under the heading net purchases of land and intangible assets (see 398).
341. In the case of construction or equipment whose production extends over several periods, it is necessary to specify whether the value of the work carried out during the period should be recorded in the accounts under gross fixed capital formation or change in stocks.
- In the case of work in progress on buildings and construction work, the value of work carried out during the period is treated as gross fixed capital formation if a buyer has been found for the goods (see 351); if no buyer has been found, the value of the work carried out is recorded in the accounts under changes in stocks.
- In the case of work in progress on machinery and equipment, the value of the work carried out during the period is not included in gross fixed capital formation but in changes in stocks (see 351).
342. The value of goods and services incorporated into existing fixed capital goods for the purpose of improving them, prolonging their lives, increasing their productive capacity or performance, or rebuilding or reconstructing them, includes the value of all replacement parts of more than about 100 EUA in value, with a life of more than one year and which are not subject to regular renewal. For example, in the case of a motor lorry, the replacement of the engine is fixed capital formation, whereas the replacement of the tyres is intermediate consumption. Similarly, in the case of a building, the replacement of the central heating boiler or of the roof is fixed capital formation, whereas the replacement of a boiler component or the repair of part of the roof is intermediate consumption.

⁽¹⁾ To avoid treating as existing goods (see 618 et seq.) those animals which were part of the stock of fixed capital goods and are then slaughtered, they are deducted from the gross fixed capital formation recorded here.

343 to 348

343. The value of goods and services incorporated into land includes expenditure on improving the land and preparing it for other productive uses, excluding the costs of current maintenance. It includes:
- expenditure on clearing, draining, irrigation, or on regrouping of holdings of land; expenditure on improving land for building or industrial purposes; expenditure on drilling wells or shafts for extracting oil and natural gas⁽¹⁾ or on working mineral deposits
 - expenditure on planting new forests or woodland; by convention, only expenditure made during the first five years is taken into account
 - expenditure on planting new orchards and vineyards; by convention, only expenditure made during the first three years is taken into account.

344. The costs incurred when purchasing land, buildings, other fixed capital goods and intangible assets include the value of the services rendered by lawyers, estate agents, and other intermediaries, together with any duties and other taxes payable in connection with such transfers. If they relate to new goods, these costs are already included in the value of the fixed capital goods measured at purchasers' prices. If they relate to existing goods, these costs constitute the only production taking place during the relevant period and are still treated as gross fixed capital formation.

345. Valuation of gross fixed capital formation

In the accounts and in the input-output tables at mixed prices⁽²⁾, the goods and market services which go into gross fixed capital formation are valued at purchasers' prices excluding deductible VAT if they are bought, or at basic prices (see 628) if they are produced on own account.

346. Gross fixed capital formation appears in the following accounts of the ESA:
- among uses in the goods and services account (C 0)
 - among uses in the capital account (C 5).

Change in stocks (P 42)

347. Definition: The change in stocks represents the difference between additions to and withdrawals from stock during a given time period. Stocks include all goods (raw materials, semi-finished products, work in progress and finished goods), not included in fixed capital formation, which are held at a given time by resident producer units.
348. By convention, households, in their capacity as consumers, are deemed to consume immediately all the goods which they buy, and the general government and private non-profit institutions branches to consume immediately all the goods which they purchase, with the exception of goods put into strategic or emergency stocks or held by market regulatory agencies, in so far as these agencies are classified in the general government sector (see 240 note 1).

⁽¹⁾ All wells drilled before the decision to work the deposit has been made are called exploration wells; from the moment this decision is made, all expenditure on extraction wells or shafts including new expenditure on old wells or shafts, is counted as fixed capital formation (see 323 i and 324 i).

⁽²⁾ This paragraph applies to the input-output table at mixed prices; for valuation in the input-output table at basic prices and at producers' prices, see 640 to 644.

349. Stocks of goods include:
- harvested crops
 - animals for slaughter, chickens and other poultry and other animals with the exception of those regarded as fixed capital assets (see 339 b)
 - energy products
 - industrial products
 - new buildings and construction (completed and uncompleted) for which a buyer has not yet been found.

350. Services cannot be put into stocks. The value at purchasers' prices of goods put into stock by users includes, however, trade and transport margins.

351. In the case of construction or equipment whose production extends over several periods, it is necessary to specify whether the value of the work carried out during the period should be recorded in the accounts under change in stocks or under gross fixed capital formation.

In the case of work in progress on transport equipment, machinery and other equipment, the value of the work carried out during the period is recorded under change in stocks. The accumulated value of these goods is transferred to gross fixed capital formation when their users assume control of them.

In the case of work in progress on buildings and construction, the value of work carried out during the period on those goods for which a buyer has not yet been found is recorded under change in stocks. The value of work carried out during the period on buildings and construction for which a buyer has been found is recorded under gross fixed capital formation (see 341).

352. Stocks of goods do not include the value of reserves of mineral resources, standing timber or standing crops; these reserves do not enter the economic system until the minerals are worked, the timber felled, or the crops harvested.

353. Deleted.

354. Valuation of change in stocks

The value of the change in stocks must be calculated as the difference between:

- additions to stocks: valued at purchasers' prices in the case of stocks held by users or by wholesalers or retailers and at basic prices⁽¹⁾ in the case of stocks held by their producers
- withdrawals from stocks: valued at replacement cost, i.e. at the purchasers' price current at the time of withdrawal, in the case of stocks held by users or by wholesalers or retailers and at basic prices⁽¹⁾ at the time of withdrawal in the case of stocks held by their producers.

Methods of approximating to the theoretical measure given above differ according to whether the changes in the volume of stocks are fairly regular or vary a great deal during the relevant period.

If the changes in the volume of stocks occur at a steady rate, a practical method which comes close to the required theoretical valuation is to take the difference between the values of the opening and closing stocks measured at the average prices for the period (purchasers' prices for stocks held by users or by wholesalers or retailers, basic prices for stocks held by their producers).

If the changes are not regular, other methods have to be considered.

⁽¹⁾ To value the change in stocks held by their producers, the basic price excluding profits is used.

355 to 359

355. Changes in stocks appear in the following accounts of the ESA:

- among uses in the goods and services account (C 0)
- among uses in the capital account (C 5).

EXPORTS OF GOODS AND SERVICES (P 50)

Exports of goods (P 51)

356. Definition: Exports of goods include all goods⁽¹⁾ (national or nationalised⁽²⁾ new or existing) whether sold or given away, which permanently leave the economic territory of a country for some destination in the rest of the world⁽³⁾.

357. In this definition, the basic criterion is when the goods actually cross the limits of the economic territory; except that in the case of exports of transport equipment the criterion is the transfer of ownership from resident to non-resident units.

358. Exports of goods include the following items:

- a) special exports⁽⁴⁾ shown in the customs statistics of foreign trade, subject to the adjustment affecting goods shipped for repairs, described in paragraph 359 below
- b) goods which enter extra-territorial enclaves from the economic territory of the country.
- c) goods leaving territorial enclaves for the rest of the world
- d) fishery products, oil and natural gas, and products of maritime salvage extracted from international waters by resident units and landed directly in the rest of the world
- e) foreign goods which, after having entered free zones or bonded customs warehouses within the country, either for processing or for incorporation in repairs on behalf of non-resident units, leave for the rest of the world after being processed or incorporated in the repaired goods
- f) industrial gold sold on the country's financial market from one resident to another (see 510).

359. Goods sent to another country to be repaired there do not become part of the economy of that country.

For this reason, goods for repair are not to be included in imports of goods or in the intermediate consumption of the country where the repair is carried out. The production and exports of goods for this country should include only the value of the repairs carried out (the value of the replacement parts used and the value added by the repairers).

To the extent that the special trade statistics include in exports the total values of the goods which are due to be, or have been, repaired, it is necessary to deduct from them

- the total value of goods exported for repairs
- the value before repairs of the re-exported repaired goods, only the value of the repairs themselves thus being included in the accounts as exports of goods.

⁽¹⁾ It should be noted that, in the terminology currently used in external trade statistics, goods are generally called merchandise.

⁽²⁾ In this context, a "national good" refers to a good produced on the country's economic territory; a "nationalised good" is a good which, having been imported, has been cleared by customs and has therefore been admitted to free circulation on the country's economic territory.

⁽³⁾ In the input-output tables, goods repaired in specialist workshops and the products of the group 'Recovery services' are always included in the branches which produce services; in the system of accounts, however, these same products when exported or imported are shown as exports and imports of goods, since they are included in special trade.

⁽⁴⁾ In the member countries of the European Communities special exports include:

- national (or nationalised) merchandise which, having been in free circulation on the country's economic territory, leaves it to be permanently exported to the rest of the world
- national (or nationalised) merchandise exported for the purpose of processing abroad (refining, blending, finishing, assembling, packaging, or for various minor modifications etc.), or which is to be repaired abroad and then re-imported
- foreign merchandise which is re-exported from the country after processing or repair, having been temporarily imported for this purpose.

360. It should be noted that, if their value is not already included in the customs statistics of special trade, the following goods transferred to the rest of the world should be included in exports:
- a) goods (national or nationalised) supplied as fuel, ballast or provisions for ships and aircraft operated by non-residents during their stay at the country's ports and airports
 - b) electric power, gas and water (the total value of deliveries and not the net balance between deliveries and receipts)
 - c) goods sent by parcel post
 - d) military arms and equipment sold by general government
 - e) works of art, collectors' pieces, antiques
 - f) gold ore, unrefined gold and gold for industrial use⁽¹⁾
 - g) boats, aircraft and floating platforms whose ownership has passed from resident to non-resident units
 - h) goods which, after leaving the economic territory of the country as temporary exports (see 362 c), are not returned within the prescribed time limits and thereby become permanent exports.
361. Returned goods, i.e. goods exported and subsequently returned to the consignor, must be specially mentioned. These goods should not be shown in the accounts as imports into the country but should cancel out the corresponding exports previously recorded; that is to say, the value of these returned goods should be deducted from the values previously registered for exports. On the other hand, any replacements which are sent for returned goods should be included in exports in the normal way.
362. Exports of goods do not include the following items:
- a) national (or nationalised) goods which are withdrawn from free circulation inside the country's economic territory and are deposited in bonded customs warehouses of the same country
 - b) the departure of goods in direct or indirect transit⁽²⁾
 - c) *temporary exports*, i.e. exports of goods which, after being used for a short time abroad, must be returned to their country of origin (e.g. exhibition equipment and accessories; tools and equipment for the assembly of other machinery or for road building or other construction; goods or transport equipment hired or lent to non-residents; containers and other forms of packaging which can be used again; animals for racing or breeding, etc.)
 - d) goods sent directly to territorial enclaves situated in the rest of the world (see 205 d)
 - e) goods bought on the economic territory by non-resident households (see 328 c)
 - f) consignments of financial gold (see 510) and metal coins in circulation having the status of legal tender (see 519 a, 521 a)
 - g) sales of land by residents to non-residents (see 211, 399)
 - h) the personal effects and belongings of travellers.

⁽¹⁾ Gold for industrial use corresponds to the following sub-headings of NIMEXE.

- 71.07.10 Unwrought gold and alloys of gold in the form of ingots or bars with purity of at least 995/1000 and with a guarantee and smelter's hallmark.
 71.07.20 Gold and alloys of gold in the form of bars, wire, sections, sheets, plates and strips.
 71.07.30 Gold in tubes, pipes and hollow bars.
 71.07.40 Foil made of gold and gold alloys (maximum thickness 0.15 mm).
 71.07.50 Powder, purf, cuttings, scale and punchings of gold and its alloys.
 71.08.00 Rolled or plated gold on base metals or silver, unworked or semi-worked.
 71.11.10 Gold scrap and waste.

⁽²⁾ Only the value of services provided by resident units while the goods are in transit on the territory of the country (transport, warehousing, trans-shipment, insurance etc.) affects the national economy and is shown in the accounts under exports of services.

363 to 367

Valuation of exports of goods

363. Exports of goods are valued f.o.b. (*free on board*) which corresponds to the market price of the goods at the frontier of the exporting country. This price covers:

- the producers' price
- trade margins
- the costs of transport as far as the frontier
- the costs of loading onto the ship or other means of international transport⁽¹⁾
- any taxes on exports.

It must be emphasised that the price of the goods at the frontier does not include any taxes linked to production for which rebates are granted on goods exported. Exports of goods which are given away free are valued at the f.o.b. value of similar goods.

364. Exports of goods appear in the following accounts of the ESA:

- among uses in the goods and services account (C 0)
- among uses in the current transactions account of the rest of the world (C 7).

Exports of services (P 52)

365. Definition: Exports of services include all services (transport, insurance, others)⁽²⁾ provided by resident units⁽³⁾ to non-resident units⁽⁴⁾.

366. Exports of services include the following items:

- goods transport services
- passenger transport services
- other kinds of transport services
- insurance services
- other services.

Exports of goods transport services

367. This heading covers services provided to non-resident units by resident transport units for the following purposes:

- a) forwarding national or nationalised exports of goods beyond the f.o.b. valuation point
- b) transporting goods in the rest of the world on behalf of non-resident units
- c) transporting foreign goods in transit on the national territory
- d) transporting, on behalf of non-resident units, goods not included in exports or imports (e.g. financial gold, personal effects of travellers, etc.).

The services of transporting goods are valued at market prices. In addition, exports of goods transport services must, by convention, include an amount equal to the value of the freight charges on imported goods, which resident transporters have received from resident importers⁽⁵⁾.

⁽¹⁾ Only in so far as these costs are not met by the non-resident importer or the international transporter.

⁽²⁾ See 356 note 3 concerning repairs.

⁽³⁾ Including those resident in territorial enclaves (see 205 d)

⁽⁴⁾ Including those resident in extra-territorial enclaves (see 205 e).

⁽⁵⁾ In practice, this offsets (at the level of the balance of imports and exports of goods and services) the over-valuation due to the adoption of c.i.f. values for imports of goods (see 384).

Exports of passenger transport services

368. This heading covers all international passenger transport services provided by resident units to non-resident units.

These services are valued at the price of the ticket, even if this price includes the value of some additional services, such as accommodation and meals on board, or the carriage of accompanied excess baggage.

Transport services within the country provided for non-resident households are excluded from exports of services.

Exports of other kinds of transport services

369. This heading covers the following services provided by resident units to non-resident units:

- the use of the country's ports and airports
- the services of pilots, tugs etc. in these ports
- the chartering (on the basis of time or distance) of ships and other means of transport commissioned and operated by residents.

These services are valued at market prices.

On the other hand, the following are not included in exports of transport services:

- the value of fuel, ballast or provisions supplied in the country's ports or airports to ships and aircraft operated by non-resident units (see 360 a)
- the value of repairs carried out on the economic territory of the country by resident units to transport equipment operated by non-resident units (see 359).

Exports of insurance services

370. This heading covers all insurance and reinsurance services provided by resident units to non-resident units.

Exports of insurance services are valued by calculating, for each type of insurance, the ratio of the payments for insurance services to gross premiums for resident units as a whole and then applying this ratio to the total amount of gross premiums paid by non-resident to resident units.

In addition, exports of insurance services must, by convention, include an amount equal to the value of the insurance services on imported goods which resident insurance enterprises have received from resident importers⁽¹⁾.

Exports of other services

371. This heading covers all other services provided by resident to non-resident units and, in particular, the following:

- a) communications services (post, telegraph, telephone, radio communications), and broadcasting and television services. These services are valued at market prices and shown in the accounts at their gross value and not as the net balance of settlements between resident and non-resident units on the basis of clearing arrangements
- b) the hire of films, the hire of transport equipment not fully commissioned, and the hire of other machinery and equipment. These services are valued on the basis of the gross rents or hire charges received by resident units
- c) services involving study, research, industrial assistance, advertising, participation in trade fairs, congresses, exhibitions etc. These services are valued on the basis of the amounts received by resident units

⁽¹⁾ In practice, this offsets (at the level of the balance of imports and exports of goods and services) the over-valuation due to the adoption of c.i.f. values for imports of goods (see 384).

- d) services provided by commercial agents and correspondents and by brokers. These services are valued on the basis of the commissions received by resident units
- e) services provided by financial institutions in connection with the issue or sale of foreign securities in the country. These services are valued on the basis of the commissions received by resident units
- f) services involving the liberal professions, handicrafts or arts. These services are valued on the basis of fees or other payments received by resident units
- g) management, administration and other services provided by the head office of an enterprise (a resident unit) to its foreign subsidiaries, branches or agencies (non-residents units). These services are valued on the basis of the payments actually received by the resident parent body from its non-resident subsidiaries, branches or agencies
- h) profits on arbitrage transactions in foreign currencies carried out by resident units with non-resident units
- i) the credit balance on arbitrage transactions carried out by resident units in respect of goods which have at no time been admitted to free circulation on the territory of the country
- j) the costs of collecting taxes linked to production and imports, which are paid by the Institutions of the European Communities to national governments.

372. Exports of other services do *not* include:

- a) the value of processing work done by resident units on behalf of non-resident units on goods temporarily imported into the economic territory of the country (see 358 note 1)
- b) the value of repairs carried out by resident units, on behalf of non-resident units, to goods temporarily admitted into the economic territory of the country specifically for the purpose of being repaired (see 356 note 3, 359)
- c) the value of the services consumed by non-resident households on the economic territory of the country (see 328)
- d) royalties from patents or copyrights and other income from intangible assets paid by non-resident to resident units. These receipts are treated in the accounts as income from the ownership of intangible assets received from the rest of the world (see 436 c).

Valuation of exports of services

373. Exports of services are valued according to the conventions indicated in the preceding paragraphs.

374. Exports of services appear in the following accounts of the ESA:

- among uses in the goods and services account (C 0)
- among uses in the current transactions account of the rest of the world (C 7).

IMPORTS OF GOODS AND SERVICES (P 60)

Imports of goods (P 61)

375. Definition: Imports of goods include all goods⁽¹⁾ (new or existing), whether charged for or free, which permanently enter into the economic territory⁽²⁾ of the country having been consigned from the rest of the world⁽³⁾.

⁽¹⁾ It should be noted that, in the terminology currently used in external trade statistics, goods are generally called merchandise.

⁽²⁾ In the case of imports, merchandise which, having been despatched from the rest of the world, is held in free zones or bonded customs warehouses of the country is deemed to enter into its economic territory from the moment when it is admitted to free circulation on that territory.

⁽³⁾ See 356 note 3 concerning repairs.

376. In this definition, the basic criterion is when the goods actually cross the limits of the economic territory, except in the case of imports of transport equipment where the criterion used is the transfer of ownership from non-resident to resident units.

377. Imports of goods include the following items:

- a) special imports⁽¹⁾ shown in the customs statistics of foreign trade, subject to the adjustment affecting goods shipped for repairs, described in paragraph 378 below
- b) goods which, originating from the rest of the world, enter into the country's territorial enclaves
- c) goods which enter the economic territory of the country from extra-territorial enclaves
- d) fishery products, oil and natural gas, and products of maritime salvage, extracted from international waters by non-resident units and landed on the country's economic territory
- e) foreign goods which enter into free zones or bonded customs warehouses within the country, either for purposes of processing or for incorporation in repairs on behalf of non-resident units
- f) financial gold sold by one resident to another in order to be utilised as merchandise; this gold can no longer be treated as a foreign asset and reverts to being industrial gold (see 510).

378. Goods sent to another country to be repaired do not become part of the economy of that country (see 359).

For this reason, to the extent that the special trade statistics include in imports the total values of the goods which are due to be, or have been, repaired, it is necessary to deduct from them

- the total value of goods imported for repairs
- the value before they were repaired of the re-imported repaired goods, only the value of the repairs themselves (the parts replaced and the value added by the repairers) being thus included in the accounts under imports.

379. If their values are not already recorded in the customs statistics of special trade, the following goods obtained from the rest of the world are to be included in imports:

- a) foreign goods which ships and aircraft operated by residents have taken on board as fuel, ballast or provisions, whether these have been bought from non-resident units on arrival at ports in the rest of the world or withdrawn from supply stores in free zones at ports or airports in the home country
- b) electric power, gas and water (the total value of receipts and not the net balance between receipts and deliveries)
- c) goods received by parcel post
- d) military arms and equipment purchased by the general government
- e) works of art, collectors' pieces, antiques
- f) gold ore, unrefined gold and gold for industrial use (see 360 f note 1)
- g) boats, aircraft and floating platforms whose ownership has passed from non-resident to resident units
- h) goods which having originated from the rest of the world as temporary imports (see 381 c) are not returned there within the prescribed time limits and thereby become permanent imports.

⁽¹⁾ In the member countries of the European Communities, special imports consist of:

- all foreign merchandise permanently introduced into the country to be used there, whether this merchandise is admitted through customs directly into free circulation at the time of its entry into the country or whether it is admitted only after other customs procedures have been applied to it
- foreign merchandise imported into the country for processing (refining, blending, finishing, assembling, packaging, various transformation processes etc.) or for repair and to be subsequently re-exported
- national (or nationalised) merchandise which is re-imported into the country after having been temporarily exported for purposes of processing or repair.

380 to 383

380. *Returned goods*, i.e. goods imported and subsequently returned to the consignor, must not be treated in the accounts as exports from the country, but must cancel out the corresponding imports previously recorded; that is to say, the value of these goods should be deducted from the values previously recorded as imports. On the other hand, any replacements which may be received for goods returned should be included in imports in the normal way.
381. Imports of goods do not include the following items:
- a) national (or nationalised) goods (see 356 note 2) which, after having been deposited in bonded customs warehouses of the country, are re-admitted into free circulation on the territory of the same country
 - b) entries of goods in direct or indirect transit
 - c) *temporary imports*, i.e. imports of goods which, after being used for a short time within the country, must be returned to their country of origin (e.g. exhibition equipment and accessories; tools and equipment for the assembly of other machinery or for road building or other construction; goods or transport equipment belonging to foreigners let or lent to residents; containers and other forms of packaging which can be used again; animals for racing or breeding, etc. . . .)
 - d) goods sent directly to extra-territorial enclaves situated within the country (see 205 e)
 - e) goods bought in the rest of the world by resident households (see 328 b)
 - f) receipts of financial gold (see 510) and of metal coins in circulation as legal tender (see 519 a, 521 a)
 - g) purchases of land by residents from non-residents (see 211, 399)
 - h) the personal effects and belongings of travellers (including goods which persons coming from the rest of the world are allowed to bring with them, within the limits permitted by legal or authorized allowances, when they cross the country's frontier).

Valuation of imports of goods

382. Imports of goods are valued at their c.i.f. (cost, insurance, freight) value, which includes the following elements:
- a) the f.o.b. value of the goods, i.e. their value up to the frontier of the country of export (see 363)
 - b) – costs of transport
– accident insurance service charges
– net premiums for accident insurance
- } between the frontier of the exporting country and the frontier of the importing country

However, the c.i.f. value does not include any taxes.

It is possible, for the total imports of a country, to arrive at the f.o.b. value from the c.i.f. value; however, it is in practice impossible for member countries of the European Communities to make this transition for individual products or groups of products. Using the c.i.f. value for imports makes it necessary to adopt the following two conventions.

383. *Convention* concerning the net insurance premiums included in the c.i.f. value of imported goods.

For the national economy as a whole, it is assumed, by convention, that the total value of net premiums paid to insure all imports equals the total value of the losses and damage incurred in the course of transport between the frontiers of the exporting and importing countries. Thus, for the national economy as a whole the total c.i.f. value of all the goods actually imported by a country is assumed to include, in addition to the f.o.b. value of the goods consigned from the rest of the world, only the price of the transport services and the price of the insurance services.

384. *Convention* to eliminate the consequences of including in the c.i.f. value the costs of the transport and insurance services on goods imported.

Transport and insurance services on imported goods may be provided by resident or by non-resident units. Two cases must therefore be distinguished:

- a) the case where these services are provided by resident units. Since their value is embodied in the c.i.f. value of the imported goods, in order to balance the accounts⁽¹⁾ the value of the exports of services (P 52) must be increased by an amount equal to the payment for transport and insurance services on imported goods which resident transport and insurance enterprises have received from resident importers. This is equivalent to treating the transport and insurance services on imported goods which are provided by resident units as being, by convention, sold by the resident unit which provides them to the non-resident exporter and *not* to the resident importer.
- b) the case where the transport and insurance services are provided by non-resident units. Since their value is embodied in the c.i.f. value of the imported goods, they must not be included in the accounts twice, first in the c.i.f. value of imports of goods, and a second time in imports of services. The value of imports of services (P 62), therefore, includes only those transport and insurance services which do not relate to imported goods.

385. In conclusion, it is necessary to note the following conventions:

- heading (P 61) consists of imports of goods (valued f.o.b.) plus the value of transport and insurance services on imported goods
- heading (P 62) consists of imports of services *excluding* transport and insurance services on imported goods
- heading (P 52) consists of exports of services, plus the value of transport and insurance services on imported goods, provided by resident units.

386. An annex to the current transactions account of the rest of the world gives a single estimate of total imports of goods (valued f.o.b.), actual imports of services and actual exports of services.

387. Imports of goods appear in the following accounts of the ESA:

- among resources in the goods and services account (C 0)
- among resources in the current transactions account of the rest of the world (C 7)

Imports of services (P 62)

388. Definition: Imports of services include all services (transport, insurance, others)⁽²⁾ provided by non-resident units⁽³⁾ to resident units⁽⁴⁾.

389. Imports of services include the following items:

- goods transport services
- passenger transport services
- other kinds of transport services
- insurance services
- other services.

⁽¹⁾ Goods and services account for the national economy, current transactions account of the rest of the world, input-output tables.

⁽²⁾ See 356 note 3 concerning repairs.

⁽³⁾ Including those resident in extra-territorial enclaves.

⁽⁴⁾ Including those resident in territorial enclaves.

390 to 393

Imports of goods transport services

390. These are services provided by non-resident transport units to resident units for the following purposes:

- a) forwarding imported goods beyond the c.i.f. valuation point⁽¹⁾
- b) transporting goods between different parts of the rest of the world on behalf of resident units
- c) transporting, on behalf of resident units, goods excluded from exports or imports (e.g. financial gold, personal effects of travellers etc.).

Goods transport services are valued at market prices.

Imports of passenger transport services

391. These are all international passenger transport services provided by non-resident transport units to resident units.

These services are valued at the price of the ticket, even if this price includes the value of some additional services such as meals, accommodation on board, or the carriage of accompanied excess baggage. Transport services provided in the rest of the world to resident households are excluded from imports of services.

Imports of other kinds of transport services

392. This heading covers the following services provided by non-resident units to resident units:

- the use of foreign ports and airports
- the services of pilots, tugs etc. in these ports
- the chartering (on the basis of time or distance) of ships and other means of transport commissioned and operated by non-residents.

These services are valued at market prices.

On the other hand, the following are not included in imports of transport services:

- the value of fuel, ballast or provisions supplied in foreign ports or airports to ships and aircraft operated by residents (see 379 a)
- the value of repairs carried out in the rest of the world to transport equipment operated by resident units (see 378).

Imports of insurance services

393. This heading covers all insurance and re-insurance services provided by non-resident units to resident units, with the exception of insurance services relating to the international transport of imported goods⁽²⁾.

Imports of insurance services are valued by calculating for each type of insurance the ratio of the payments for insurance services to gross premiums for resident units as a whole and then applying this ratio to the total amount of gross premiums paid by resident to non-resident units.

⁽¹⁾ The expenses incurred in transporting imported goods between the frontiers of the exporting and importing countries are already included in the c.i.f. value of these goods (see 382 b).

⁽²⁾ These should not, in fact, be treated in the accounts as imports of services. Because imports are valued c.i.f. the value of these services is already included in the aggregate value of imported goods (see 382 to 385).

Imports of other services

394. This heading covers all other services provided by non-resident to resident units and, in particular, the following:
- a) communications services (post, telegraph, telephone, radio communications) and broadcasting and television services.
These services are valued at market prices and are shown in the accounts at their gross value and not as the net balance of settlements between resident and non-resident units on the basis of clearing arrangements
 - b) the hire of films, the hire of transport equipment not fully commissioned and the hire of other machinery and equipment.
These services are valued on the basis of gross rents paid to non-resident units
 - c) services involving study, research, industrial assistance, advertising, participation in trade fairs, congresses, exhibitions, etc.
These services are valued on the basis of the amounts paid to non-resident units
 - d) services provided by commercial agents and correspondents and by brokers.
These services are valued on the basis of commissions paid to non-resident units
 - e) services provided by financial institutions in connection with the issue or sale of national securities in the rest of the world.
These services are valued on the basis of commissions paid to non-resident units
 - f) services involving the liberal professions, arts or handicrafts.
These services are valued on the basis of fees or other payments made to non-resident units
 - g) management, administration and other services provided by the head office of an enterprise (a non-resident unit) to its branches, subsidiaries or agencies on the economic territory (resident units).
These services are valued on the basis of the payments actually made by the resident units to their non-resident parent organisations
 - h) losses on arbitrage transactions in foreign currencies carried out by resident units with non-resident units
 - i) any debit balance on arbitrage transactions carried out by resident units in respect of goods which have at no time been admitted to free circulation on the territory of the country.

395. Imports of other services do *not* include:

- a) the value of processing work carried out by non-resident units on behalf of resident units on goods temporarily exported from the economic territory of the country (see 377 note 1)
- b) the value of repairs carried out by non-resident units, on behalf of resident units, to goods which have temporarily left the economic territory of the reporting country to be repaired in the rest of the world (see 356 note 3 and 378)
- c) the value of the services consumed by resident households in the rest of the world (see 328 b)
- d) royalties from patents or copyrights and other income from intangible assets paid by resident to non-resident units.
These payments are treated in the accounts as income from the ownership of intangible assets paid to the rest of the world (see 436 c)

Valuation of imports of services

396. Imports of services are valued according to the conventions given in the preceding paragraphs.
397. Imports of services appear in the following accounts of the ESA:
- among resources in the goods and services account (C 0)
 - among resources in the current transactions account of the rest of the world (C 7).

NET PURCHASES OF LAND AND INTANGIBLE ASSETS (P 70)

398. Heading P 70 covers net purchases of land and intangible assets. These transactions do not appear under any other heading involving transactions in goods and services and are not recorded in the input-output table.

In the sector accounts they are shown in the capital account as the net balance between purchases and sales. The value which appears in the capital account for the national economy and for the rest of the world represents net purchases of intangible assets by resident from non-resident units⁽¹⁾.

Net purchases of land (P 71)

399. Definition: Net purchases of land represent the balance (purchases less sales) of transactions in land, including underground deposits, forests and inland waters, but excluding, in principle, any buildings and works situated on the land.

3100. When a transaction involves both land and existing buildings, the whole of the transaction is classified

- under net purchases of land (P 71) if the transaction relates principally to the land, the buildings being intended for demolition
- under gross fixed capital formation (P 41) if the transaction relates principally to the buildings, the land being regarded as of lesser importance.

3101. Transactions involving land should be recorded at the same value for both buyer and seller. The value of such a transaction does not, therefore, include transfer costs such as agents' commissions, legal fees, registration fees and any other taxes involved. These expenses represent purchases of services produced during the relevant period and they are treated in the accounts as gross fixed capital formation (see 338 d, 344).

3102. In the ESA, net purchases of land are recorded among uses in the capital account (C 5) of each sector.

Net purchases of intangible assets (P 72)

3103. Definitions: Net purchases of intangible assets represent the balance (purchases less sales)⁽²⁾ of transactions in intangible assets such as patents, trademarks, designs, copyright, concession rights affecting the soil and subsoil, certain types of securities which do not entitle holders to a share in the net assets in the event of the liquidation of the company (see 549), etc.

3104. Transactions in intangible assets should be recorded at the same value for both buyer and seller. The value of the transactions does not therefore include transfer costs such as agents' commissions, legal fees, registration fees and any other taxes linked to the transfer of intangible assets. These expenses represent, in fact, purchases of services produced during the relevant period and are included in the accounts as gross fixed capital formation (see 338 d, 344).

3105. In the ESA, net purchases of intangible assets are recorded among uses in the capital account (C 5) of each sector and of the rest of the world.

⁽¹⁾ It should be remembered that purchases and sales of land can take place only between resident units; if non-resident units take part in such transactions, they are regarded as notional resident units (see 211).

⁽²⁾ It should be remembered that only transactions involving a change of ownership are considered under this heading. The ESA does not treat as a productive activity authorisation to use intangible assets temporarily granted to third parties on the basis of hire contracts, concessions, etc. Payments in these cases, such as royalties on patents or for working of deposits, etc., are treated in the accounts as income from land and intangible assets (see 435).

CHAPTER IV

DISTRIBUTIVE TRANSACTIONS⁽¹⁾

401. Distributive transactions are transactions by means of which the value added by resident producer units and factor income originating from the rest of the world are distributed, and also by means of which income and wealth are redistributed.

The value added by resident producer units, which is available for distribution, may be shown in the accounts *gross or net*, i.e. *before or after* the reduction of consumption of fixed capital.

Consumption of fixed capital (A 1)

402. Definition: Consumption of fixed capital (A 1) represents the amount of fixed capital used up, during the period under consideration, as a result of normal wear and tear and foreseeable obsolescence, including a provision for losses of fixed capital goods as a result of accidental damage which can be insured against.

403. Consumption of fixed capital must be calculated for all reproducible fixed capital goods (goods used for the purpose of gross fixed capital formation, see 337-339), with the exception of capital goods for collective use with an indeterminate life time (roads, bridges, etc.). Consumption of fixed capital (which should be distinguished from the depreciation allowed for tax purposes or the depreciation shown in business accounts) should be estimated on the basis of the value of the stock of fixed capital goods and the probable economic life of the different categories of these goods. The stock of capital goods, should be valued at current replacement cost and not at historic cost.

Consumption of fixed capital is calculated according to the "straight line" method, by which the value of a capital good is written off at a constant rate over the whole life time of the good.

The provision for accidental damage included in consumption of fixed capital is intended to cover the risk of insurable accidental damage to fixed capital goods (fire, accident, etc.). When these risks are properly insured against, the net accident insurance premiums on fixed capital goods paid by producers yield an approximate measure of the amount of such provision. When the fixed capital goods are not insured, or not fully insured, the amount of the provision should be estimated on the basis of the net premiums which would be required to give full insurance cover.

In the system of accounts, consumption of fixed capital is not shown as a flow between the production account and the capital account, but is recorded below each balancing item (see 113 to 116).

⁽¹⁾ Throughout the ESA, the adjective "distributive" is used exclusively with reference to transactions involving the distribution or redistribution of income or wealth; it is *never* used to refer to wholesale or retail trade.

404. The following distributive transactions are distinguished in the ESA:

Transactions	Code
Distributive transactions linked to the process of production	
Compensation of employees	R 10
Taxes linked to production and imports	R 20
Vat on products	R 21
Taxes linked to production excluding VAT	R 22
Taxes linked to imports excluding VAT	R 29
Subsidies	R 30
Production subsidies	R 31
Import subsidies	R 32
Other transactions involving the distribution of income	
Property and entrepreneurial income	R 40
Actual interest	R 41
Imputed interest accruing to insurance policy holders	R 42
Income from land and intangible assets	R 43
Dividends and other income distributed by corporate enterprises	R 44
Withdrawals from the entrepreneurial income of quasi-corporate enterprises	R 45
Profits assigned to employees	R 46
Accident insurance transactions	R 50
Net accident insurance premiums	R 51
Accident insurance claims	R 52
Unrequited current transfers n.e.c.	R 60
Current taxes on income and wealth	R 61
Actual social contributions	R 62
Imputed social contributions	R 63
Social benefits	R 64
Current transfers within general government	R 65
Current transfers to private non-profit institutions	R 66
Current international co-operation	R 67
Private international transfers	R 68
Miscellaneous current transfers	R 69
Transactions involving the distribution of capital	
Capital transfers	R 70
Investment grants	R 71
Capital taxes	R 72
Other capital transfers	R 79
Change in the actuarial reserves for pensions (adjustment flow)	F 911

405. Distributive transactions are shown in several accounts of the ESA:

- VAT on products (R 21), taxes linked to imports excluding VAT (R 29), and import subsidies (R 39) appear in the goods and services account. In the sector accounts the flows are included in headings R 20 and R 30 which appear respectively among resources and uses in the distribution of income account of general government and in the current transactions account of the rest of the world.
- the other distributive transactions directly linked to the production process – compensation of employees (R 10), taxes linked to production excluding VAT (R 22) and production subsidies (R 31) appear in the generation of income accounts of producer branches and sectors. Corresponding entries appear in the distribution of income account of the sectors concerned (households for the compensation of employees, general government for taxes linked to production excluding VAT and for production subsidies) or in the current transactions account of the rest of the world
- the other transactions involving the distribution of income – property and entrepreneurial income (R 40), accident insurance transactions (R 50), unrequited current transfers n.e.c. (R 60) – appear in the distribution of income accounts of sectors and in the current transactions account of the rest of the world;
- capital transfers (R 70) – investment grants, capital taxes and other capital transfers – are recorded in the capital accounts of sectors and of the rest of the world
- the change in the actuarial reserves for pensions (F 911) constitutes an adjustment flow which is recorded in the use of income accounts of the sectors concerned and in the current transactions account of the rest of the world.

COMPENSATION OF EMPLOYEES (R 10)

406. Definition: The compensation of employees (R 10) includes all payments in cash and in kind made by employers in remuneration for the work done by their employees (see 815) during the relevant period.

407. Compensation of employees is broken down into:

- gross wages and salaries (R 101)
- employers' actual social contributions (R 102)
- imputed social contributions (R 103)

This breakdown of compensation of employees is given in Table 10.

Gross wages and salaries (R 101)

408. Gross wages and salaries (R 101)⁽¹⁾ include the following elements:

- a) basic wages and salaries
- b) enhanced rates of pay for overtime, nightwork, weekend work
- c) cost of living allowances, local allowances and expatriation allowances
- d) bonuses based on productivity or profits, Christmas and New Year bonuses, "13th month" pay (annual supplementary pay)
- e) allowances for transport to and from work
- f) holiday pay for official holidays or annual holidays
- g) commissions, tips, attendance and directors' fees paid to employees
- h) bonus shares distributed to employees, provided that such distribution is due to employees irrespective of the profits realised
- i) payments made by employers to their employees under saving schemes
- j) remuneration in kind, i.e. goods and services, supplied free, or at reduced prices, to employees for their own consumption (food, drink, tobacco, fuel, housing, clothing, and meals and uniforms for members of the armed forces)
- k) housing allowances paid in cash by employers to their employees.

409. Gross wages and salaries do not include:

- a) expenditure by employers which is to their own benefit as well as to that of their employees, such as:
 - allowances or reimbursement of employees for travelling, separation, removal and entertainment expenses incurred in the course of their duties
 - expenditure on providing amenities at the place of work, medical examinations, supplying working clothes (other than military uniforms)
 - current expenditure devoted to sporting or recreational facilities intended for employees
 - current expenditure on the transport of employees to and from work organised by their employers.
 These types of expenditure are included in the intermediate consumption of employers (see 323 a).
- b) allowances paid to employees for the purchase of tools, equipment or special clothing (except military uniforms) needed for their work, or that part of their wages or salaries which, under their contracts of employment, employees are required to devote to such purchases. Such expenditure is included in the intermediate consumption of employers (see 323 b).

⁽¹⁾ Wages and salaries are described as *gross* because they are shown before the deduction of any social contributions payable by employees and any taxes on income deducted at source.

410 to 413

- c) the amounts of wages and salaries which employers continue to pay to their employees temporarily in the case of sickness, maternity, industrial injury, disability, redundancy, etc. These payments are treated as social welfare benefits (see 479), with the same amounts being shown under imputed social contributions.

Employers' actual social contributions (R 102)

410. Employers' actual social contributions (R 102) consist of the payments made by employers for the benefit of their employees to insurers (social security funds, insurance enterprises, central or local government agencies in the case of civil servants). These payments cover statutory, conventional, contractual and voluntary contributions in respect of insurance against the risks of sickness, maternity, disability, old age and survivors, unemployment, industrial injuries and occupational diseases, and in respect of family allowances.

Although paid directly by employers to the insurers, these employers' contributions are treated as a component of the compensation of employees, who are then deemed to pay them over to the insurers.

Imputed social contributions (R 103)

411. Imputed social contributions (R 103) represent the counterpart to social benefits paid directly by employers (i.e. not linked to employers actual social contributions) to their employees or former employees and other eligible persons⁽¹⁾.

The fact that certain social benefits are paid directly by employers, and not through the medium of social security funds or other insurers, in no way detracts from their character as social welfare benefits. However, since the total amount of these benefits forms part of employers' labour costs, it should also be included in the compensation of employees.

412. In the accounts of the employers' sectors, the costs of direct social benefits appear first among uses in the generation of income amount, as a component of the compensation of employees, and a second time among uses in the distribution of income account, as social benefits (see 483). In order to balance the latter account, it is assumed that the households of employees pay back to the employers' sectors the *imputed social contributions* which finance the direct social welfare benefits provided to them by these same employers. This notional circuit is similar to that for actual social contributions of employers, which pass through the accounts of households and are then deemed to be paid by them to the insurers.

For the valuation of imputed social contributions, the amount of which does not necessarily coincide with that of direct social benefits, reference should be made to heading R 63 (see 468-473).

413. The compensation of employees may consist of:

- a) the compensation of resident employees by resident employers
- b) the compensation of resident employees by non-resident employers
- c) the compensation of non-resident employees by resident employers

These different items are recorded in the ESA as follows:

- *the compensation of resident and non-resident employees by resident employers* groups together items a) and c) and appears among uses in the generation of income account (C 2) of employers' sectors and branches

⁽¹⁾ Imputed social contributions include an amount equal in value to the wages and salaries which employers temporarily continue to pay in the event of the sickness, maternity, industrial injury, disability, redundancy, etc. of their employees (see 479).

- *the compensation of resident employees by resident and non-resident employers* groups together items a) and b) and appears among resources in the distribution of income account (C 3) of households
- *item b), compensation of resident employees by non-resident employers* appears among uses in the current transactions account of the rest of the world (C 7)
- *item c), compensation of non-resident employees by resident employers* appears among resources in the current transactions account of the rest of the world (C 7).

TAXES LINKED TO PRODUCTION AND IMPORTS (R 20)

414. Definition: Taxes linked to production and imports (R 20) consists of compulsory payments which are levied by general government, or by the Institutions of the European Communities, on producer units in respect of the production⁽¹⁾ and importing of goods and services or the use of factors of production. These taxes are payable whether or not profits are made.
415. The total value of the taxes which should be recorded includes any interest charged on arrears of taxes due and any fines imposed by taxation authorities; it also includes any charges which may be imposed in connection with the collection or recovery of taxes outstanding. Correspondingly, it is reduced by the amount of any tax rebates made by general government as a matter of economic policy and any tax refunds made as a result of over-payments.
- 416.1 Taxes linked to production and imports may be divided into:
- VAT on products (R 21)
 - taxes linked to production excluding VAT (R 22)
 - taxes linked to imports excluding VAT (R 29)

VAT on products (R 21)

- 416.2 Heading R 21 comprises the value added tax which is collected by the State and which is applied to national and imported products, as well as, where appropriate, other deductible taxes applied under similar rules to those governing VAT.

For the national economy as a whole, VAT on products is equal to the difference between total invoiced VAT and total deductible VAT.

For a branch, VAT on products equals the difference between invoiced VAT on the products of the branch and deductible VAT on the purchases of the same products.

Taxes linked to production excluding VAT (R 22)

- 417.1. Taxes linked to production excluding VAT comprise all taxes and duties other than VAT which are applied to productive activity. They are broken down into:
- a) taxes on products (R 221) i.e. taxes which are levied in proportion to the quantity or value of the goods and services produced or sold by resident producer units
 - b) other taxes linked to production (R 222) i.e. taxes which are applied to the use of factors of production as well as any licences or duties necessary for the activity of the resident producer units.

⁽¹⁾ Production is defined in the broad sense used in national accounts and includes the production of services such as transport, trade, finance, insurance, etc. Taxes incurred on the sales or purchases of goods and services are therefore part of taxes linked to production.

417.2 *Taxes on products (R 221) include, in particular:*

- excise duties and consumption taxes, other than those included in taxes linked to imports (see 418)
- registration charges associated with changes of ownership, which by convention are assumed to be paid on the services of intermediaries (lawyers etc.) and not on the object of the change (goods, land, intangible or financial assets)
- taxes on capital flows, which by convention are assumed to be paid on the services of intermediaries
- taxes on entertainment
- taxes on lotteries, gambling and betting, other than those on winnings
- taxes on insurance premiums
- profits of fiscal monopolies which are transferred to the State
- the operating surpluses of public enterprises which, although not fiscal monopolies, occupy a monopolistic position to the extent that the surpluses tend always to exceed a normal margin of profit
- export duties and monetary compensatory amounts collected on exports.

Net taxes on products are obtained by deducting subsidies on products (R 311) from taxes on products (R 221).

417.3 *Other taxes linked to production (R 222) include in particular:*

- taxes on ownership of land and buildings; however, where these taxes are merely a device for assessing and collecting income taxes, they are treated as current taxes on income and wealth (see 459 a)
- taxes on the total wage bill, pay-roll taxes and taxes on the motive power installed
- taxes on those motor vehicles which constitute fixed capital goods
- stamp duties except those paid by households for services provided by general government
- duties, fees or contributions to costs by producer units to general government in respect of services provided by the latter as a matter of general policy and which are compulsory whenever these services are required (e.g. passport and driving licence fees, legal costs)
- taxes on pollution.

Taxes linked to imports excluding VAT (R 29)

418. Taxes linked to imports excluding VAT (R 29) comprise compulsory payments levied by general government or the Institutions of the European Communities on imported goods, excluding VAT, in order to admit them to free circulation on the economic territory of a country.

These payments include:

- customs duties
- levies on imported agricultural products
- monetary compensatory amounts levied on imports
- excise duties and special taxes on certain imported products, provided such duties and taxes on similar products of domestic origin are paid by the producer branch itself⁽¹⁾.

Net taxes on imports excluding VAT are calculated by deducting import subsidies (R 39) from taxes linked to imports excluding VAT (R 29).

⁽¹⁾ The purpose of this criterion is to ensure that the ex-customs' price is compatible with the producers' price. Where an excise duty or consumption tax is levied entirely at the marketing stage and is applied equally to national and imported products, it is included in heading R 221.

TAXES LINKED TO PRODUCTION AND IMPORTS PAID TO THE INSTITUTIONS OF THE EUROPEAN COMMUNITIES

419. The taxes linked to production and imports paid to the Institutions of the European Communities include:
- taxes paid directly by resident producer units to the Institutions of the European Communities (the ECSC levy on mining and iron and steel producing enterprises)
 - taxes collected by national governments on behalf of (see 215) the Institutions of the European Communities, namely:
 - customs duties levied on the basis of the common customs tariff (CCT)
 - levies on imported agricultural products
 - monetary compensatory amounts levied on exports and imports
 - sugar production levies and the tax on isoglucose
 - the part of VAT receipts allotted to the Institutions of the European Communities (from such time as it is calculated on a common basis).
420. In the system of accounts, total taxes linked to production and imports (R 20) appear:
- among uses in the generation of income account (C 2) of the national economy
 - among resources in the distribution of income account (C 3) of the general government sector and the current transactions account of the rest of the world (C 7).
- VAT on products (R 21) and taxes linked to imports excluding VAT (R 29) net of import subsidies (R 39) are recorded as resources in the goods and services account of the national economy and the different branches. This enables the resources of goods and services - valued excluding the taxes R 21 and R 29 - to be balanced with the uses which are valued including these taxes.
- Taxes linked to production excluding VAT (R 22) appear among uses in the generation of income accounts of the branches and sectors which pay them.

PRODUCTION AND IMPORT SUBSIDIES (R 30)

421. Definition: Subsidies (R 30) are current transfers which general government or the Institutions of the European Communities make as a matter of economic or social policy to resident units producing or importing goods and market services⁽¹⁾ with the objective of influencing their prices and/or making it possible for factors of production to receive an adequate remuneration.
422. Subsidies granted by the Institutions of the European Communities cover only current transfers made directly by them for the benefit of resident market producer units.
423. As the producer units classified in the market branches may belong to different institutional sectors, production subsidies may go to any sector, provided that they are granted in respect of some productive activity for the market.
- Subsidies include:
- a) all current transfers which general government - or the Institutions of the European Communities - makes to *private* producer units in the market branches. It is assumed that such transfers are always made as a matter of economic and social policy

⁽¹⁾ Non-market units of homogeneous production which produce goods and market services as by-products, cannot receive any subsidies in respect of such market production.

- b) all current transfers which general government – or the Institutions of the European Communities – makes to *public enterprises* classified in the sector non-financial corporate and quasi-corporate enterprises, except for payments made by a general government agency which has assumed responsibility for abnormal pension charges affecting a public enterprise. These payments must be recorded under miscellaneous current transfers (see 496 d), because retirement and survivors pensions, even when they are paid directly by a public enterprise, are not deemed to be compensation of employees but treated as social benefits
- c) current transfers made by a general government agency intended to cover trading losses sustained by a public producer unit classified in a market branch but forming part of an institutional unit included in the general government sector. It is assumed in this case that the loss is covered by general government as a matter of economic and social policy. The subsidy appears among resources in the generation of income account of the branch in which the producer unit in question is classified. In the sector accounts, it appears among resources in the generation of income account of the general government agency to which the producer unit belongs institutionally.

424. A public enterprise may be required each year to pay over an income to a general government department, but at the same time may receive a regular payment to cover any losses. In this case, only the balance of the two flows should be shown in the accounts. If the payment from the government exceeds the income due from the public enterprise, the balance is shown as a subsidy. If, the reverse is true, the excess of the income paid out over the transfer received should be shown either under the heading dividends and other income distributed by corporate enterprises or under the heading withdrawals from the entrepreneurial income of quasi-corporate enterprises depending on the status of the enterprise.

425.1. Grants for *interest relief* made to resident, market producer units must also be treated in the accounts as production subsidies, even when they are intended to encourage capital formation⁽¹⁾. In effect, these are current transfers designed to lighten producers' operating costs. They are treated in the accounts as subsidies to the producers benefiting from them, even when the difference in the interest is, in practice, paid directly by the government to the credit institution making the loan.

425.2. Subsidies are divided into:

- Production subsidies (R 31). These include:
 - subsidies on products (R 311)
These are all subsidies granted in proportion to the quantity or value of the goods and services produced, sold on the domestic market or exported by resident producer units, including monetary compensatory amounts granted on exports
 - other production subsidies (R 312)
These are subsidies not linked to the quantity or value of the goods and services produced or sold by resident producer units
- Import subsidies (R 39). These are subsidies granted on imported products – including monetary compensatory amounts granted on imports – before these products are placed in free circulation on the economic territory of the country.

426. The following are not treated as subsidies:

- current transfers from general government to households in their capacity as consumers. These are treated either as social benefits (see 475) or as miscellaneous current transfers (see 495, 496)

⁽¹⁾ However, when a grant serves the dual purpose of financing both the amortization of the debt and the payment of interest on it, and when it is not possible to apportion it between the two elements, the whole of the grant is treated as an investment grant (see 4101).

- current transfers between different parts of general government in their capacity as producers of non-market services. These are shown under the heading current transfers within general government (see 484)
- current transfers to private non-profit institutions in their capacity as producers of non-market services. These are shown under the heading current transfers to private non-profit institutions (see 487)
- investment grants (see 499 to 4106)
- annual payments into pension funds, which are shown under the heading other capital transfers (see 4112 d)
- transfers made by general government to non-financial corporate and quasi-corporate enterprises to cover losses accumulated over several financial years, or exceptional losses due to factors outside the control of the enterprise are classified under the heading other capital transfers (see 4112 b)
- the cancellation of debts which producer units have incurred towards the government (resulting, for example, from loans advanced by a government agency to a non-financial enterprise which has accumulated trading losses over several financial years). These transactions are treated in the accounts as other capital transfers (see 4112 g)
- payments made by general government or by the rest of the world for damage to, or losses of, capital goods as a result of acts of war, other political events or national disasters are shown under the heading other capital transfers (see 4112 a)
- shares and other equities in corporate enterprises purchased by general government, which are shown under the heading shares and other equities (see 544).

427.1. In the system of accounts, subsidies appear:

- among resources in the generation of income account (C 2) of the national economy
- among uses in the distribution of income account (C 3) of the general government sector
- and in the current transactions account of the rest of the world (C 7).

Production subsidies (R 31) are recorded as resources in the generation of income account (C 2) of the branches or sectors to which they are paid⁽¹⁾.

Import subsidies (R 39) are recorded in the goods and services account (C 0) of the national economy and of the various branches.

PROPERTY AND ENTREPRENEURIAL INCOME (R 40)

427.2. Property and entrepreneurial income (R 40) covers the following transactions involving the distribution of income:

- actual interest (R 41)
- imputed interest accruing to insurance policy holders (R 42)
- income from land and intangible assets (R 43)
- dividends and other income distributed by corporate enterprises (R 44)
- withdrawals from the entrepreneurial income of quasi-corporate enterprises (R 45)
- profits assigned to employees (R 46)

Actual interest (R 41)

428. Definition: Actual interest (R 41) is the form of remuneration in respect of certain financial assets (deposits, bills, bonds and credits) characterised by the payment at predetermined dates of a fixed percentage of the nominal value of the asset.

⁽¹⁾ Except grants for interest relief which are recorded as resources of the units which benefit from them.

429 to 434

429. Interest is to be recorded before the deduction of any taxes levied on it.
430. The following are also treated as actual interest:
- a) interest charged on bank overdrafts, extra interest paid on deposits left longer than originally agreed, and payments to certain bond holders which are determined by lottery⁽¹⁾
 - b) the net rent received by residents as owners of land and buildings in the rest of the world, or by non-residents as owners of land or buildings on the economic territory. In effect, in respect of all transactions in land and buildings carried out on the economic territory of a country by non-resident units, the latter are considered, in accordance with the conventions adopted in the ESA (see 211), to be notional resident units against whom the non-resident owners have a claim (medium and long term loans, see 564 b). The net rent received by the non-resident owner therefore represents the actual interest on this claim.
431. In the system of accounts, actual interest is shown:
- among resources and among uses in the distribution of income account (C 3) of the sectors⁽²⁾
 - among resources and among uses in the current transactions account of the rest of the world (C 7).

Imputed interest accruing to insurance policy holders (R 42)

432. Definition: The imputed interest accruing to insurance policy holders (R 42) is that part of the interest accruing from the technical reserves held by insurers (life insurance companies, autonomous and non-autonomous pension funds – other than those classified in the sub-sector social security funds – and accident insurance companies) which is credited to the policy holders.
433. The amount of imputed interest is valued as follows:
- a) in the case of commercial life insurance and accident insurance institutions, it includes that part of the interest yielded by the total technical reserves⁽³⁾ which is
 - added to the actuarial reserves against outstanding risks
 - added to the reserves for with-profits insurance
 - distributed directly to the insured.
 - b) In the case of pension funds and non-profit making insurance institutions it includes the whole of the property income derived from the investment of the technical reserves.
434. In the system of accounts, the imputed interest accruing to policy holders appears:
- among resources in the distribution of income account (C 3) of households
 - among uses in the distribution of income account (C 3) of the insurers
 - among resources and among uses in the current transactions account of the rest of the world (C 7).

⁽¹⁾ Actual interest also includes the difference between the nominal value of a bill and the price at which it is sold on issue (i.e. the discount on the bill), when this difference represents interest paid in advance (see 539).

⁽²⁾ This practice differs from that of most business accounting, where interest paid is normally shown as a fixed charge in the operating account.

⁽³⁾ This interest does not necessarily correspond to the whole of the property income which an institution derives from the investment of its technical reserves.

Income from land and intangible assets (R 43)

435. Definition: Income from land and intangible assets (R 43) is the income which owners of land and intangible assets receive from other units in return for conceding the right to make use of these assets.
436. Income from land and intangible assets includes:
- a) the net rent of agricultural land (and associated agricultural buildings) actually due to the owners. This covers both farm tenancies and crop sharing, after deducting from the rent the part representing the rent of dwellings, maintenance expenses and any land taxes which are regarded as payable by the user.
 - b) rent and royalties paid for the right to make use of non-agricultural land, such as royalties on the working of mineral deposits, oilfields or natural gas fields, forests and fishing grounds, the right to construct buildings or rights of way, or royalties for occupying public places or land;
 - c) income from the ownership of intangible assets, such as royalties from patents or copyrights on literary and artistic works, etc.
437. The following are not included in income from land and intangible assets:
- a) the rent of non-agricultural buildings and of dwellings; those rents are treated as the payment for a market service provided by the owner to the tenant of the building or dwelling, and are shown in the accounts as the intermediate (see 323 e) or final consumption of the tenant unit;
 - b) the proceeds from the sale of intangible assets by institutional units (e.g. the sale of patents, trade marks, etc.). These are capital transactions, whose net balance is shown for each sector in its capital account under the heading net purchases of intangible assets (see 3103).
438. In the system of accounts, income from land and intangible assets is recorded:
- among resources and among uses in the distribution of income account (C 3) of sectors
 - among resources and among uses in the current transactions account of the rest of the world (C 7)

Dividends and other income distributed by corporate enterprises (R 44)

439. Definition: Dividends and other income distributed by corporate enterprises (R 44) consists of all the income which corporate enterprises decide, in view of their trading results, to distribute in the form of dividends, shares of profits, etc. to the owners of their capital.
440. These essentially variable incomes correspond to the remuneration in respect of the capital represented by shares and other forms of equity in companies, public corporations, co-operative societies or partnerships recognized as independent legal entities.
- This heading also includes:
- the income paid to general government by public enterprises recognized as independent legal entities, but not formally constituted as corporate enterprises
 - the income (attendance and directors' fees, etc.) which corporate enterprises pay to members of their boards of directors etc. in so far as these persons are not employees of the enterprises (see 408 g)
 - shares issued to shareholders in payment of the dividend for the financial year (see 724).

441 to 448

441. In the system of accounts, dividends and other income distributed by corporate enterprises appear:
- among uses in the distribution of income account (C 3) of the sectors in which the corporate enterprises are classified
 - among resources in the distribution of income account (C 3) of the sectors
 - among uses and resources in the current transactions account of the rest of the world (C 7).

Withdrawals from the entrepreneurial income of quasi-corporate enterprises (R 45)

442. Definition: Withdrawals from the entrepreneurial income of quasi-corporate enterprises (R 45) consist of the amounts which entrepreneurs actually withdraw for their own use from the profits earned by the quasi-corporate enterprises⁽¹⁾ which belong to them.
443. These amounts are to be recorded before the deduction of any current taxes on income and wealth, which are deemed always to be paid by the owners of the businesses.
444. When a quasi-corporate enterprise makes a trading profit, the unit which owns it may choose to leave part or all of the profit in the business, especially for investment purposes. This income left in the business appears as saving by quasi-corporate enterprises, and only the profits actually withdrawn by the owner units are recorded in the accounts under the heading withdrawals from the entrepreneurial income of quasi-corporate enterprises.
445. An identical solution is adopted for profits earned in the rest of the world by the branch-offices, agencies, etc. of resident enterprises, in so far as these branch-offices etc. are treated as non-resident units. The profits re-invested locally are included in the saving of the rest of the world, while only the income actually transferred to the parent enterprise is treated in the accounts as withdrawals from the entrepreneurial income of quasi-corporate enterprises received from the rest of the world. The same principles are applied to deal with the relations between branch-offices, agencies etc. operating on the economic territory and the non-resident parent enterprise to which they belong.
446. When a quasi-corporate enterprise makes a current trading loss, the funds furnished by the owner unit to cover this loss are treated in the accounts as follows:
- a) in the case of a private owner, they are shown with a negative sign under the heading withdrawal from the entrepreneurial income of quasi-corporate enterprises
 - b) where the owner is a government agency, they are shown as a subsidy (see 423 b).
447. The heading withdrawals from the entrepreneurial income of quasi-corporate enterprises does not include amounts which their owners receive:
- from the sale of existing fixed capital goods (see 618, 625)
 - from the sale of land and intangible assets (see 398)
 - from withdrawals of capital (e.g. the total or partial liquidation of their equity in the quasi-corporate enterprise, see 551 d).
- 448.1. In the system of accounts, withdrawals from the entrepreneurial income of quasi-corporate enterprises appear:
- among uses in the distribution of income account (C 3) of the sectors in which the quasi-corporate enterprises are classified
 - among resources in the distribution of income account (C 3) of the owner sectors
 - among uses and resources in the current transactions account of the rest of the world (C 7).

⁽¹⁾ For the definition of a quasi-corporate enterprise see 223, 225 e) and 235 e).

Profits assigned to employees (R 46)

- 448.2. Definition: Profits assigned to employees (R 46) comprise that part of profits which employers are obliged to pay⁽¹⁾ to their employees by law or by agreement.
- 448.3. Profits assigned to employees do not include the payments made by employers to their employees under saving schemes whenever these payments are due to employees irrespective of the actual profits made. These payments are regarded as compensation of employees (see 408 i).
- 448.4. In the system of accounts, profits assigned to employees appear:
- among uses in the distribution of income account (C 3) of the sectors in which the persons concerned are employed
 - among resources in the distribution of income account (C 3) of households
 - among uses and resources of the current transactions account of the rest of the world (C 7)

ACCIDENT INSURANCE TRANSACTIONS (R 50)

449. Accident insurance transactions (R 50) are transactions relating to coverage against risks such as third party liability, fire, flood, accident, theft, sickness and other miscellaneous risks⁽²⁾.

Net accident insurance premiums (R 51)

450. Definition: Net accident insurance premiums (R 51) are equal to the total gross premiums which resident and non-resident units are required to pay to insurance enterprises in respect of insurance contracts, other than life insurance contracts⁽³⁾, after deducting:
- the value of the insurance services provided
 - changes in the actuarial reserves against outstanding risks, less the imputed interest on these reserves
 - changes in the reserves for with-profits insurance, less interest received other than interest originating from the investment of technical reserves and less any capital gains or losses realised, to the extent that such interest, gains or losses are distributed to the insured.
451. Net accident insurance premiums do not include payments to insurers considered as actual social contributions (see 464 d).

⁽¹⁾ In whatever form; i.e. cash, credit to a frozen account, shares, etc.

⁽²⁾ The terminology "accident insurance" is preferred to "casualty insurance" used in the U.N. system of national accounts, because a casualty is normally understood to be a person who suffers physical injury. Many forms of accident, e.g. fire, do not necessarily involve personal injuries.

⁽³⁾ Net life insurance premiums do not appear as such in the system of accounts. They are divided between:

- a) premiums constituting a form of social contribution
- b) other life insurance premiums.

The former are included under the heading actual social contributions and the latter are not treated as distributive transactions. Both categories of net life insurance premiums affect the change in insurance technical reserves (F 90) which appears in the financial account (see 569).

452 to 458

452. In the system of accounts net accident insurance premiums are recorded:
- among uses in the distribution of income account (C 3) of resident policy holders
 - among uses in the current transactions account of the rest of the world (for non-resident policy holders) (C 7)
 - among resources in the distribution of income account (C 3) of resident insurance enterprises
 - among resources in the current transactions account of the rest of the world (for non-resident insurance enterprises) (C 7).

Accident insurance claims (R 52)

453. Definition: Accident insurance claims (R 52) represent the claims due under contracts in respect of accident insurance⁽¹⁾; that is, the amounts which insurance enterprises are obliged to pay in settlement of injuries or damages suffered by persons or goods (including fixed capital goods), and the additional sums paid to the insured in the form of redistributed profits.
454. Accident insurance claims do not include payments which constitute social benefits (see 478 b).
455. Accident insurance claims are treated in the accounts as direct flows from insurance enterprises to the units which are the ultimate beneficiaries.

In the system of accounts, they are recorded:

- among uses in the distribution of income account (C 3) of resident insurance enterprises
- among uses in the current transactions account of the rest of the world (in the case of non-resident insurance enterprises) (C 7)
- among resources in the distribution of income account (C 3) of the beneficiary sectors
- among resources in the current transactions account of the rest of the world (in the case of non-resident beneficiaries) (C 7).

UNREQUITED CURRENT TRANSFERS NOT ELSEWHERE CLASSIFIED (N.E.C.) (R 60)

456. These transfers cover unrequited current transfers other than taxes linked to production and imports (R 20) and subsidies (R 30).

Current taxes on income and wealth (R 61)

457. Definition: Current taxes on income and wealth (R 61) cover all compulsory payments levied periodically by general government and by the rest of the world on the income and wealth of institutional units.
458. The total value of the taxes which should be recorded includes any interest charged on arrears of taxes due and any fines imposed by taxation authorities; it also includes any charges which may be imposed in connection with the recovery and assessment of taxes outstanding. Correspondingly, it is reduced by the amount of any rebates made by general government as a matter of economic policy and any refunds made as a result of over-payments.

⁽¹⁾ Life insurance claims do not appear as such in the system of accounts. They are divided between:

- a) claims constituting a form of social benefits
- b) other life insurance claims.

The former are included under the heading social benefits and the latter are not treated as distributive transactions. Both categories of life insurance claims affect the change in insurance technical reserves (F 90) which appear in the financial account (see 569).

459. Current taxes on income and wealth include, in particular:
- a) taxes on personal income (income from employment, property, entrepreneurship, pensions, etc.), including taxes on ownership of land and buildings whenever these constitute merely a device for assessing and collecting the total income tax (see 417.3)
 - b) taxes on the profits of companies and of other corporate bodies
 - c) capital gains taxes
 - d) current taxes on the capital or wealth of households, corporate enterprises and non-profit institutions
 - e) taxes on lottery, gambling or betting winnings
 - f) taxes paid by households on the use of vehicles which are not used for business purposes.
460. Current taxes on income and wealth do not include:
- a) inheritance taxes, death duties or taxes on gifts inter-vivos, which are deemed to be levied on the capital of the beneficiaries and are shown under the heading capital taxes (see 4109 a)
 - b) occasional or exceptional levies on capital or wealth which are shown under the heading capital taxes (see 4109 b)
 - c) licence fees for the use of radio and television sets, the proceeds of which are allocated to the broadcasting and television services. These fees are treated as purchases of market services (see 308 a).
461. In the system of accounts, current taxes on income and wealth are recorded:
- among uses in the distribution of income account (C 3) of the sectors in which the tax payers are classified
 - among resources in the distribution of income account (C 3) of general government
 - among uses and resources in the current transactions account of the rest of the world (C 7).

Actual social contributions (R 62)

462. Definition: Actual social contributions (R 62) include all payments made by insured persons or their employers, either directly or through a collection agency, to institutions providing social benefits in order to acquire and/or preserve the right to these benefits.
463. Actual social contributions, are divided into:
- a) Employers' actual social contributions (R 621). These correspond to flow R 102 (see 410)
 - b) Employees' social contributions (R 622)
 - c) Social contributions by self-employed and non-employed persons (R 623).

This breakdown of actual social contributions is given in table 11.

Although employers may pay their contributions directly to the insurers – as well as their employees' contributions in many cases – all these contributions are first shown in the accounts as part of the compensation of resident or non-resident employees, and are then deemed to be subsequently paid by resident or non-resident households to the insurers.

464. According to the sectors or sub-sectors which receive them, actual social contributions can be divided into:
- a) social contributions to social security funds
 - b) social contributions to other sub-sectors of general government (e.g. pension contributions made to central or local government)

- c) social contributions to non-financial corporate and quasi-corporate enterprises
- d) social contributions to pension funds, friendly societies, insurance companies and other institutions classified in the insurance enterprises sector. Premiums and contributions paid to these institutions are shown under the heading actual social contributions in so far as the payments to which the contributions confer entitlement constitute social benefits (see 478 b)
- e) social contributions to the rest of the world.

465. Payments of actual social contributions may be compulsory by virtue of a statute or regulation; or they may be paid as a result of collective agreements at an industry level or agreements between employer and employees at an enterprise level, or because they are written into the contract of employment itself. In certain cases, the contributions may be voluntary:

The voluntary contributions referred to here cover:

- a) social contributions which persons who are not, or who are no longer, legally obliged to contribute, pay or continue to pay to a social security fund
- b) social contributions paid to insurance enterprises (or friendly societies and pension funds classified in the same sector) as part of supplementary insurance schemes organised by enterprises for the benefit of their employees and which the latter join voluntarily
- c) contributions to friendly societies with membership open to employees or self-employed workers.

466. Actual social contributions to social security funds or other government agencies are recorded gross as distributive transactions.

On the other hand, social contributions paid to insurance enterprises, and to friendly societies and pension funds included in the same sector, are recorded net, i.e. after deducting that part of the contribution which represents the value of the insurance service provided to (resident and non-resident) households. Under the conventions adopted, this part of the contribution represents, in effect, the payment for a market service which forms part of the final consumption of households, or in the case of contributions paid by non-resident households, part of exports of services.

467. In the system of accounts, actual social contributions are recorded:

- among uses in the distribution of income account (C 3) of households
- among uses in the current transactions account of the rest of the world (in the case of non-resident households) (C 7)
- among resources in the distribution of income account (C 3) of resident insurers
- among resources in the current transactions account of the rest of the world (in the case of non-resident insurers) (C 7).

Imputed social contributions (R 63)

468. Definition: Imputed social contributions (R 63) represent the counterpart to social benefits paid directly by employers (i.e. not linked to employers' actual contributions) to their employees or former employees and other eligible persons. They correspond to flow R 103 (see 411).

469. It is necessary to introduce imputed social contributions if the social benefits distributed directly by employers are to be included in the accounts under the heading social benefits and if the cost of these benefits is to be included in the compensation of employees paid by the employer.

470. *In the case of direct social benefits other than retirement and survivors' pensions and payments for industrial injuries (sickness benefits, family allowances etc.) the value of the imputed social contributions is identical to that of the direct benefits provided.*

In the case of compensation for industrial injuries which employers are obliged to pay their staff when they are not insured against this risk, the amount of the imputed social contributions should be assessed on the basis of the net premiums required by institutions which insure against similar industrial injuries.

In the case of retirement and survivors' pensions paid directly by employers to former employees or their survivors, the following cases should be distinguished:

- schemes without properly constituted reserves
- schemes with properly constituted reserves where the employees benefit from guaranteed rights
- schemes with properly constituted reserves, but where the employees do not have guaranteed rights.

471. *Retirement schemes without properly constituted reserves*

This is usually the case with general government and public enterprises whose employees have the status of established civil servants. It is also found in enterprises in the private sector.

In the case of private enterprises who pay retirement pensions without having constituted reserves for this purpose, the amount of the imputed social contributions is taken to be equal to the retirement pensions actually paid.

In the case of retirement schemes operated by general government or by public enterprises for the benefit of their employees without having constituted any reserves, the following rules apply:

- a) wherever there is a normal and stable ratio between the number currently employed and the number receiving pensions, the amount of imputed retirement contributions is assumed to be equal to the pensions paid. This is a simplification based on the assumption that the pension scheme is self-balancing on a year to year basis.
- b) when, as a result of *political events or economic changes*, the ratio between the number currently employed and the number receiving pensions changes appreciably and becomes abnormal, it is necessary to estimate the value of the imputed contributions for current employees which will be different from the actual value of the pensions paid out. A reasonable percentage of the salaries paid to current employees can be used for this purpose.
- c) in the case of public enterprises which bear *abnormally high pension charges*, the amounts paid by the government to defray part of these charges are treated as miscellaneous current transfers and not as production subsidies (see 423 b and 496 d).
- d) *when a deduction is made from the salaries of employees*, it is the gross salary which is included in the compensation of employees. The amount of the deduction is treated as an actual social contribution on the part of employees. On the other hand, the amount of the imputed social contributions must then be calculated as follows:
 - as the difference between the pensions paid and the deductions for pensions, when it is considered that there is a stable and normal ratio between the number of current employees and the number receiving pensions (see 471 a)
 - as the difference between the total contributions, as estimated on the basis of the salaries paid to current employees, and the deductions for pensions, when it is considered that the ratio between current and retired personnel is abnormal (see 471 b).

472 to 477

472. *Retirement schemes with properly constituted reserves where the employees benefit from guaranteed rights*

In such cases, where the reserves are not at the disposal of the employer, the employer's contributions to the pension funds established by him must be treated as imputed social contributions, the pensions actually paid being shown as social welfare benefits.

A solution of this kind is essential because the schemes in question are often expanding, with the additions to reserves far exceeding the benefits actually paid. The change in these reserves must be treated as saving of households (resident or non-resident) (see 4116 b).

473. *Retirement schemes with properly constituted reserves, but where the employees do not have guaranteed rights*

When the employees have no guaranteed rights to the constituted reserves, the appropriate solution is to record as imputed social contributions an amount equal to the payments made from the funds to retired staff. The change in the reserves is considered as saving of the sectors to which the employers belong.

474. In the system of accounts, imputed social contributions are recorded:

- among uses in the distribution of income account (C 3) of households and in the current transactions account of the rest of the world (C 7)
- among resources in the distribution of income account (C 3) of the sectors to which the employers belong and in the current transactions account of the rest of the world (C 7).

Social benefits (R 64)

475. Definition: Social benefits (R 64) include all current transfers, in cash or in kind, provided to households through the intervention of a third party (i.e. by a unit other than a household), which are made to individuals and which are intended to relieve households of the financial burden created by the appearance, or existence, of certain risks or needs, without there being any simultaneous, equivalent counterpart provided by the beneficiary.

476. The list of risks or needs which may give rise to social benefits is, by convention, fixed as follows:

- a) sickness
- b) old age, death and survivors
- c) disability
- d) physical or mental infirmity
- e) industrial injury and occupational disease
- f) unemployment
- g) family responsibilities
- h) personal injuries suffered because of acts of war, other political events and natural disasters
- i) vocational training of adults⁽¹⁾
- j) housing⁽¹⁾.

477. There are two basic principles underlying the definition of social benefits:

- there must be intervention by a third party (i.e. by a unit other than a household)
- there must not be any simultaneous, equivalent counterpart provided by the beneficiary.

⁽¹⁾ The following are regarded as social benefits:

- in the case of the vocational training of adults, payments made by public authorities in order to cover loss of salary due to absence from work for reasons of vocational training
- in the case of housing, payments made by public authorities in order to reduce the rents paid by tenants, with the exception of special benefits paid by public authorities in their capacity as employers (see 408 k).

478. *The intervention of a third party (or of a unit other than a household), which is the first necessary condition, must be understood in two senses:*
- a) it implies, in the first place, the replacement of the households by another unit which undertakes to cover, wholly or partially, the expenses resulting from the risks or needs in question. Thus, for example, expenditure on medical attention or medicines actually borne, in whole or in part, by a household itself in the event of sickness remains outside the scope of social welfare benefits.
 - b) it further implies that providing for the coverage of the risks or needs is done collectively thus excluding all benefits which might result from policies taken out by individual households on their own initiative and on their own behalf. Thus, reimbursement under a private contract of sickness insurance taken out by an individual in favour of himself or his family is not a social benefit, but is shown in the accounts under accident insurance claims. On the other hand, claims paid out under private group insurance schemes taken out because they are required by law, regulation, convention or contract (at industry or enterprise level) are included in social benefits.
479. *The absence of any simultaneous equivalent counterpart provided by the beneficiary is the second necessary condition for an item to be treated as a social benefit. It is particularly important for distinguishing social benefits granted directly by the employer to his employees from all the various components which make up gross wages and salaries (see 408). All expenditures by employers for the benefit of their employees, which can reasonably be regarded as remuneration for work done by them during the relevant period, are therefore excluded from social benefits. The existence of something which could be regarded as a counterpart from the beneficiary, but which is *not* simultaneous, does not prevent the benefit provided by the employer from being regarded as a social benefit. Thus, retirement and survivors' pensions must not be regarded as deferred wages or salaries (whose counterpart is the work done during the course of the working life). An important borderline case is the continued payment of wages and salaries by the employer in the event of employees' sickness, maternity, disability, industrial injury, redundancy etc. These payments should be regarded as social benefits paid directly by the employer (see 409 c).*
480. The definition of social benefits implies, in particular:
- a) that, by definition, the recipients of social benefits are always households, either resident or non-resident
 - b) that all sectors of the economy, in the capacity of insurers, employers or distributors of social aid or assistance, may provide households with social benefits
 - c) that not all current transfers from general government or private non-profit institutions to households necessarily constitute social benefits; certain payments to households (scholarships, travelling fellowships, awards, etc.) serve a different purpose from that of social benefits and are shown among miscellaneous current transfers (see 496 e).
481. Social benefits include:
- social benefits linked to actual contributions (R 641)
 - social benefits corresponding to imputed contributions (R 642) (benefits granted directly by employers to their employees or to other eligible persons)
 - other social benefits (R 643), i.e. those granted by general government or private non-profit institutions without any system of contributions or commitment arising out of employment.

This breakdown of social benefits is shown in Table 12.

482. Social benefits may take the form of:

- a) cash benefits
 - paid regularly (e.g. pensions or allowances)
 - paid on a single occasion (e.g. redemption of annuities, single benefits paid instead of regular allowances, lump sum benefits)
- b) the reimbursement in cash for goods and services bought by households
- c) the value of goods and services supplied in kind to households⁽¹⁾.

483. In the system of accounts, social benefits are recorded:

- among uses in the distribution of income account (C 3) of the sectors granting the benefits
- among uses in the current transactions account of the rest of the world (in the case of benefits granted by the rest of the world) (7)
- among resources in the distribution of income account (C 3) of households
- among resources in the current transactions account of the rest of the world (in the case of benefits granted to non-resident households) (C 7).

Current transfers within general government (R 65)

484. Definition: Current transfers within general government (R 65) include all transfers between the different sub-sectors of general government (central government, local government, social security funds) with the exception of production subsidies (see 423 c), investment grants (see 4104) and other capital transfers (see 4111).

485. Current transfers within general government do not include transactions on behalf of another unit (see 215); these are recorded only once in the accounts, in the resources of the beneficiary unit on whose behalf the transaction is made. This situation arises particularly when a government agency (e.g. a central government department) collects taxes which are automatically transferred, in total or in part, to another government agency (e.g. a local authority). In this case, the tax receipts destined for the other government agency are shown as if they were collected directly by that agency and not as a current transfer within general government. This solution applies *a fortiori* in the case of taxes destined for another government agency which take the form of additional rates superimposed on taxes levied by central government.

On the other hand, transfers of tax receipts which form part of a block transfer from central government to another government agency are included in current transfers within general government. These transfers do not correspond to any specific category of taxes and they are not made automatically but mainly through certain funds (county and local authority funds) in accordance with scales of apportionment laid down by central government.

486. In the system of accounts, current transfers within general government are recorded among uses and resources in the distribution of income account (C.3) of the sub-sectors of general government⁽²⁾.

⁽¹⁾ When a social security administration which provides medicines buys these medicines at a reduced price or when it buys them at the normal price but subsequently receives some refund from the suppliers, the value of the social benefit given to households is fixed by the purchase price; i.e. in the first case, the reduced price and in the second case, the price less the contractual amount of the refund even if it is given only at a later date.

⁽²⁾ Current transfers within general government are flows internal to the general government sector, and do not appear in a consolidated account for the sector as a whole.

Current transfers to private non-profit institutions (R 66)

487. Definition: Current transfers to private non-profit institutions (R 66) include all voluntary contributions (other than legacies and donations), membership subscriptions and financial assistance which private non-profit institutions (see 246) receive from households, and to a lesser extent, from other units.
488. The following are included under heading R 66:
- a) regular subscriptions paid by households to trade unions and political, sporting, cultural, religious and similar organisations classified in the sector private non-profit institutions
 - b) voluntary contributions (other than legacies and donations) from households, corporate enterprises and the rest of the world to private non-profit institutions
 - c) assistance and grants from general government, other than transfers made for the specific purpose of financing capital expenditure which are shown under investment grants (see 4105).
489. In the system of accounts, current transfers to private non-profit institutions are recorded:
- among uses in the distribution of income account (C 3) of the contributing sectors
 - among uses in the current transactions account of the rest of the world (C 7)
 - among resources in the distribution of income account (C 3) of the private non-profit institutions sector.

Current international co-operation (R 67)

490. Definition: Current international co-operation (R 67) includes all transfers between the general government and governments or international organisations in the rest of the world, except investment grants and other capital transfers.
491. Heading R 67 covers:
- a) the contributions of the government to the Institutions of the European Communities⁽¹⁾
 - b) the contributions of the government to international organisations
 - c) any current transfers which the general government may receive from the institutions or organisations referred to under a) and b)⁽²⁾
 - d) current transfers between governments, either in cash (e.g. payments intended to finance the budget deficits of foreign countries or overseas territories) or in kind (e.g. gifts of food or military equipment).

Current international co-operation also includes the wages and salaries paid by a government, an Institution of the European Communities or an international organisation, to advisers or technical assistance experts made available to developing countries.

492. In the system of accounts, current international co-operation is recorded:
- among uses and resources in the distribution of income account (C 3) of the general government sector
 - among uses and resources in the current transactions account of the rest of the world (C 7).

⁽¹⁾ The levies paid by resident producer units to the Institutions of the European Communities are recorded in the accounts as taxes linked to production paid to the rest of the world (see 419).

⁽²⁾ The current transfers which the Institutions of the European Communities make directly for the benefit of resident market producer units are shown as subsidies paid by the rest of the world (see 422).

493 to 497

Private international transfers (R 68)

493. Definition: Private international transfers (R 68) cover transfers between resident and non-resident households⁽¹⁾, other than legacies and donations, as well as current transfers from private non-profit institutions to the rest of the world.
494. In the system of accounts, private international transfers are recorded:
- among uses and resources in the distribution of income account (C 3) of households
 - among uses in the distribution of income account (C 3) of private non-profit institutions
 - among uses and resources in the current transactions account of the rest of the world (C 7).

Miscellaneous current transfers R 69)

495. Definition: Miscellaneous current transfers (R 69) cover a number of distributive transactions of a kind which does not permit them to be classified under any other heading of the distribution of income account and which, because they are relatively unimportant or occur only in certain countries, are not worth classifying under separate headings.
496. Heading R 69 includes, in particular:
- a) duties, fees, or contributions to costs, paid by households to general government for services provided by the latter, as a matter of general policy, and which are compulsory whenever these services are required (e.g. passport fees, driving test and licence fees, legal costs)⁽²⁾.
 - b) the proceeds from fines and penalties⁽³⁾
 - c) current transfers from private non-profit institutions to general government which are not taxes
 - d) payments by general government to public enterprises classified in the sector non-financial corporate and quasi-corporate enterprises intended to cover abnormal pension charges
 - e) scholarships, travelling fellowships and awards paid to resident or non-resident households by general government or private non-profit institutions
 - f) payments by general government as compensation for the loss of consumer goods (e.g. furniture lost as a result of natural disasters)
 - g) bonus payments on savings granted at intervals by general government to households in order to reward them for their saving during the period
 - h) profits assigned by employers to their employees on a voluntary basis⁽⁴⁾
 - i) the refunds by households of expenditure incurred on their behalf by social welfare organisations.
497. In the system of accounts, miscellaneous current transfers appear:
- among resources and uses in the distribution of income account (C 3) of all sectors
 - among resources and uses in the current transactions account of the rest of the world (C 7).

⁽¹⁾ In particular, these comprise remittances by emigrants or workers permanently settled abroad to members of their family living in their country of origin.

⁽²⁾ Whenever they are made by producer units, such payments are shown in the accounts under the heading "other taxes linked to production" (see 417.3).

⁽³⁾ However, interest charged on arrears of taxes due and fines imposed by taxation authorities are entered in the accounts together with the taxes to which they refer.

⁽⁴⁾ In whatever form; i.e. cash, credit to a frozen account, shares, etc.

CAPITAL TRANSFERS (R 70)

498. Capital transfers cover investment grants (R 71), capital taxes (R 72) and other capital transfers (R 79).

Investment grants (R 71)

499. Definition: Investment grants (R 71) consist of unrequited transfers by general government or by the rest of the world⁽¹⁾, for the purpose of financing, in whole or in part, specific items of gross fixed capital formation by other institutional units.
4100. The value of capital formation carried out by general government for the benefit of other sectors of the economy is also to be shown under investment grants whenever the beneficiary is identifiable and becomes the owner of the capital. In such cases, the capital formation is recorded among uses in the capital account of the beneficiary and is financed by an investment grant which appears among resources in the same account.
4101. Heading R 71 includes not only single non-recurrent payments designed to finance capital formation during the same period, but also instalment payments in respect of capital formation carried out during an earlier period. Thus, those parts of the annual payments by general government which represent the *amortization of debts*, contracted by enterprises for the purpose of capital formation projects for whose amortization the government has assumed total or partial responsibility, are also treated as investment grants.

Grants for interest relief made by general government are, however, excluded, even when the object of the relief is to encourage capital formation. In practice, the assumption by public authorities of part of the interest charges constitutes, like the flow of interest itself, a current distributive transaction. Nevertheless, when a grant serves the dual purpose of financing the amortization of the debt contracted and the payment of the interest on the capital borrowed, and when it is not possible to separate these two elements, the whole of the grant is treated in the accounts as an investment grant (see 425, note 1).

4102. *Investment grants to the sector non-financial corporate and quasi-corporate enterprises* include, in addition to grants to private enterprises, capital grants to public enterprises recognized as independent legal entities provided that the government department which makes the grant does not retain a claim against the public enterprise (see 551 b).

Payments made by general government to a quasi-corporate public enterprise for the purposes of financing capital formation must not be shown in the capital account, but in the financial account under shares and other equities (see 551 d). The very definition of a quasi-corporate enterprise shows in fact, that while its capital can be separated from that of its owner from an accounting point of view, its capital cannot be so separated from a legal point of view.

4103. *Investment grants to the households sector* include equipment and modernisation grants to businesses other than corporate or quasi-corporate enterprises and grants to households for the construction, purchase and improvement of dwellings.

⁽¹⁾ Investment grants made by the rest of the world include those paid directly by the Institutions of the European Communities (e.g. certain transfers made by the European Agricultural Guidance and Guarantee Fund, EAGGF - Guidance Section)

4104 to 4111

4104. *Investment grants to general government* include all payments made to subsectors of general government⁽¹⁾ for the purpose of financing capital formation. The most important examples are transfers from central government to local authorities for the specific purpose of financing their gross fixed capital formation. It should be emphasized that transfers of a general character intended for various or indeterminate purposes are shown under current transfers within general government, even if they are partly used to cover expenditure on capital formation.
4105. *Investment grants to private non-profit institutions* from general government and from the rest of the world are distinguished from current transfers to private non-profit institutions by using the same criterion (see 4104).
4106. *Investment grants to the rest of the world* should also be restricted to transfers with the specific objective of financing capital formation by non-resident units. They include, for example, unrequited transfers for the construction of bridges, roads, factories, hospitals or schools in developing countries, or for constructing buildings for international organisations. They may comprise instalment payments over a period of time as well as single payments. This heading also covers the supply of fixed capital goods free of charge.
4107. In the system of accounts, investment grants are recorded:
- among uses in the capital account (C 5) of general government
 - among resources in the capital account (C 5) of the sectors receiving the grants
 - among uses and resources in the capital account (C 5) of the rest of the world

Capital taxes (R 72)

4108. Definition: Capital taxes are compulsory payments levied by general government at irregular intervals on the capital or wealth of institutional units.
4109. Capital taxes include:
- a) inheritance taxes, death duties and taxes on gifts inter-vivos, which are deemed to be levied on the capital of the beneficiaries
 - b) occasional and exceptional levies on capital or wealth⁽²⁾.
4110. In the system of accounts, capital taxes are recorded:
- among uses in the capital account (C 5) of the sectors in which the tax payers are classified
 - among resources in the capital account (C 5) of general government
 - among uses and resources in the capital account (C 5) of the rest of the world.

Other capital transfers (R 79)

4111. Definition: Other capital transfers (R 79) cover transfers other than investment grants and capital taxes which do not themselves redistribute income but redistribute saving or wealth among the different sectors or subsectors of the economy or the rest of the world.

⁽¹⁾ Investment grants within general government are flows internal to the general government sector and do not appear in a consolidated account for the sector as whole.

⁽²⁾ However, capital gains taxes are shown in the accounts under the heading current taxes on income and wealth (see 459 c).

4112. Other capital transfers include the following transactions:
- a) payments by general government or by the rest of the world to the owners of capital goods destroyed or damaged by acts of war, other political events or natural disasters (floods etc.)
 - b) transfers from general government to non-financial corporate and quasi-corporate enterprises to cover losses accumulated over several financial years or exceptional losses from causes beyond the control of the enterprise
 - c) transfers between sub-sectors of general government designed to cover unexpected expenditure or accumulated deficits⁽¹⁾
 - d) unilateral annual payments into pension funds in so far as these payments are essentially designed to increase the actuarial reserves of these funds
 - e) non-recurrent bonus payments on savings granted by general government to households to reward them for their savings carried out over a period of several years
 - f) legacies and donations between units belonging to different sectors
 - g) the cancellation of debts between institutional units belonging to different sectors or sub-sectors (for example, the cancellation by the government of a debt owed to it by a non-financial corporate enterprise or a foreign country; payments in fulfilment of guarantees which free defaulting debtors from their obligations)
 - h) confiscation
 - i) that part of realised capital gains (or losses) which is redistributed to another sector⁽²⁾.
4113. Other capital transfers do *not* include capital movements resulting from the shift, during a given period, of an institutional unit from one sector to another. These movements are treated as part of the adjustment to be made between the balances of the capital and financial accounts. Examples are:
- the shift to the sector non-financial corporate and quasi-corporate enterprise of the capital of a sole proprietorship which becomes a corporate enterprise
 - the value of capital goods taken out by emigrants.
4114. In the system of accounts, other capital transfers are shown among uses and resources in the capital account (C 5) of sectors and of the rest of the world.

CHANGE IN THE ACTUARIAL RESERVES FOR PENSIONS (EXCLUDING IMPUTED INTEREST) (F 911)

4115. Definition: The change in the actuarial reserves for pensions (F 911) represents the adjustment needed to make appear in the saving of households the change in the actuarial reserves on which households have a definite claim (a claim which re-appears at the financial level as an asset under heading F 91) and which are fed by premiums and contributions recorded in the distribution of income account as social contributions.
4116. The actuarial reserves for pensions, whose change is recorded in the accounts under the heading F 911, consist of:
- a) the actuarial reserves of pension funds classified in the sector insurance enterprises, if the premiums which feed these reserves have been recorded as actual social contributions

⁽¹⁾ These transfers between sub-sectors of general government are flows within the general government sector (S 60) and do not appear in a consolidated account for the sector as a whole.

⁽²⁾ Includes in particular realised capital gains (or losses) redistributed by insurance institutions to their policy-holders, either in the form of direct payments or in the form of variations in the reserves for with-profits insurance (see 576).

4117, 4118

- b) the reserves of pension funds, not constituting institutional units, which employers administer on behalf of their employees and on which the latter have a definite claim (see 472 and 571), provided that the premiums which feed these reserves have been recorded as actual or imputed social contributions
- c) that part of the actuarial reserves of life insurance enterprises which results from group contracts taken out by employers on behalf of their employees and which are fed by premiums recorded as actual social contributions.

4117. On the other hand, the change in that part of the actuarial reserves of life insurance enterprises which results from individual life insurance policies taken out by households is not included under the present heading, because individual transactions involving life insurance, even in the case of the establishment of annuities, are only taken into consideration as financial transactions.

4118. In the system of accounts, the change in the actuarial reserves for pensions is recorded:

- among uses in the use of income account (C 4) of the insurance enterprises sector and other sectors administering non-autonomous pension funds;
- among uses in the current transactions account of the rest of the world (in the case of non-resident institution (C 7)
- among resources in the use of income account (C 4) of the households sector
- among resources in the current transactions account of the rest of the world (in the case of non-resident households) (C 7).

CHAPTER V

FINANCIAL TRANSACTIONS

501. Financial transactions are transactions which result in a change in the amount of financial assets and/or liabilities of institutional units.
502. The same classification is used for both assets and liabilities; and for every asset entered in the accounts there is a corresponding liability

Transaction	Code
Financial gold	F 00
Special drawing rights (SDRs)	F 10
Assets consisting of special drawing rights (SDRs)	F 11
Counterpart of the net allocation of SDRs	F 12
Currency and transferable sight deposits	F 20
Currency and transferable sight deposits, in national currency	F 21
Currency and transferable sight deposits, in foreign currency	F 22
Net position in the IMF	F 23
Other deposits	F 30
Other deposits in national currency	F 31
Time deposits in national currency	F 311
Sight savings deposits in national currency	F 312
Time savings deposits in national currency	F 313
Other deposits in foreign currency	F 32
Bills and short term bonds	F 40
Long term bonds	F 50
Shares and other equities	F 60
Shares	F 61
Other equities	F 62
Short-term loans	F 70
Short-term trade credit	F 71
Accounts receivable and payable	F 72
Other short-term loans	F 79
Medium and long-term loans	F 80
Medium and long-term trade credit	F 81
Other medium and long-term loans	F 89
Insurance technical reserves	F 90
Actuarial reserves against outstanding risks and reserves for profit-sharing among the insured	F 91
Pre-payments of premiums and reserves against unsettled claims	F 92

503. This classification is based on the degree of liquidity of the financial assets. The *degree of liquidity* of a financial asset depends on a combination of factors of which the most important are:
- *its term*, i.e. the length of time which elapses between the creation of the asset and the time originally fixed for its redemption

- *its transferability*, i.e. the possibility of the creditor transferring the ownership of the asset to a new creditor. Using this criterion, the following may be distinguished:
 - non-transferable assets, the holder of which can cease to be the creditor only when the debt is redeemed or cancelled
 - transferable assets, which are in turn divided into:
 - negotiable assets, i.e. assets which are freely transferable
 - assignable assets, i.e. assets which are transferable only with the consent of the debtor.

Transferability is a criterion which is used again to distinguish between *instruments of investment* – financial claims which are intended to circulate and for which there are therefore very many potential creditors – and *instruments of financing* – financial claims which are not intended to circulate, and which therefore concern a specific debtor and creditor. The financial items grouped under headings F 00, F 11, F 21, F 22, F 40, F 50 and F 60 are instruments of investment, while the financial items grouped under headings F 12, F 23, F 30, F 70, F 80 and F 90 are instruments of financing.

504. The breakdown of headings into sub-headings and of the latter into sub-positions intended to meet the needs of more detailed analysis is based on criteria appropriate to each heading.
505. The fact that one of the parties to the transactions is resident, or non-resident, is not considered as a relevant criterion in classifying the assets. Each financial heading covers transactions in financial assets and liabilities between residents, as well as between residents and non-residents. Nevertheless, an appendix to the summary table of financial transactions (T 15) groups together all those transactions to which one of the parties is resident and the other non-resident (see 580 *et seq*). This grouping is intended, on the one hand, to single out the financial claims on the rest of the world and the corresponding liabilities, and, on the other hand, to show how far these transactions led to changes in the official reserves of the monetary authorities⁽¹⁾.
506. Before examining the definition and content of each heading, it should be made clear that the concepts of financial assets and liabilities are being interpreted in a fairly broad sense. While it is easy to specify for traditional assets (currency, credits, loans, bonds) the units which constitute the creditors and the debtors, certain items are also considered as assets in practice, even though the relationships between the parties to the transactions are not obviously those of creditors and debtors.

These marginal items are as follows:

a) *Shares*

The behaviour of shareholders during the life of the company is more like that of a creditor than an owner, and their rights of ownership of the net assets become apparent only if the company is liquidated.

b) *Capital invested in quasi-corporate enterprises*

The financial behaviour of the investor is similar to that of a shareholder

c) *Financial gold*

Since this metal is universally accepted as a means of international payment, the absence of an institutional debtor does not prevent its having all the other characteristics of a financial asset for the holder.

⁽¹⁾ The term *monetary authorities* is used to designate all the central institutions engaged in the issue of currency, controlling its internal value and managing the foreign reserves, whether these institutions belong to the sub-sector central banking authorities (S 41) or to the sub-sector central government (S 61).

d) *Insurance technical reserves*

Since the insured have a legal claim on the future benefits partly covered by these reserves, this claim is treated as a financial asset belonging to all the insured, even in those cases where it is possible to make an individual claim.

e) *Special drawing rights (SDRs)*

- As the holders of those rights, issued by the IMF since 1970, have the unconditional right to obtain means of payment for settling international transactions, these rights are considered as financial assets.
- Those benefiting from allocations of SDRs, less any which may be returned, are obliged to return their allocation only if they withdraw from the system, if there is a reduction in the volume of SDRs in circulation, or if the system is wound up. These obligations are therefore considered to be liabilities for an indefinite period.

f) *Net position in the IMF*

- As countries which have a Reserve Position in the Fund consequently have the unconditional right to obtain from the Fund means of payment for settling international transactions, the reserve position is considered as an asset.
- As countries which have drawn on the Fund (*Use of Fund Credit*) are obliged to repay, if no demand on their own currency is presented by another country, the use of credits granted by the IMF is considered as a liability.

507. On the other hand, no goods (except financial gold) are considered as financial items, even those which may represent an investment (land, antiques and works of art). Similarly, no intangible assets are considered as financial items, even those which provide an income (patents, copyrights – see 3103, 3104).

Moreover, transactions involving future commitments which will not be activated until a fixed date – such as future options, openings of credit, forward sales of financial assets etc. – and which will not lead to actual changes in assets and liabilities until the expiry of the period, are not themselves considered to be financial transactions and are not recorded in the system.

FINANCIAL GOLD (F 00)

508. Definition: The heading financial gold (F 00) records gold other than that intended for industrial purposes. This gold, treated as a liability of the rest of the world, is an instrument of investment.

509. The gold recorded under F 00 is described as financial gold, because it is acquired with the sole objective of constituting a reserve of purchasing power, in contrast with industrial gold, which is to be used as intermediate consumption in the manufacture of certain goods.

Financial gold takes the form of coin, ingots and bars with a purity of at least 995/1000, the purity being testified by a hallmark and a smelter's certificate of guarantee⁽¹⁾. For its value to be recorded among financial transactions, financial gold must be sold on a market, whether official or not. This market must, however, be authorised and organised; that is, buyers and sellers must be able to acquire, or dispose of, financial gold every day at prices which are established or fixed at regular intervals⁽²⁾.

⁽¹⁾ Financial gold thus defined corresponds to the following sub-headings of NIMEXE:

71.07. Unworked and semi-worked gold and gold alloys – in ingots and unworked gold bars with a purity of at least 995/1000 and with a certificate of guarantee and smelter's hallmark.
72.01.11 Gold coin.

⁽²⁾ Gold held by central banks (monetary gold – see 585) includes also a small number of ingots obtained by melting down gold coins which have been in circulation with a purity less than 995/1000. These ingots can only circulate between the central banks. Other kinds of monetary gold, particularly those acquired from other sectors, comply with the above mentioned conditions of purity.

510 to 514

- 510.1. Financial assets in the form of financial gold may increase or diminish as a result of transactions either in gold which was, and remains, financial gold, or in industrial gold which becomes financial gold, or vice versa.

Industrial gold is converted into financial gold whenever the holder of industrial gold sells it to a unit who wishes to hold it as an investment. Conversely, financial gold is converted into industrial gold whenever the holder of financial gold sells his investment, the gold in question being bought for industrial purposes. When industrial gold is converted into financial gold, or vice versa, compensating adjustments must be made to exports or imports of goods (see 358 f, 377 f)⁽¹⁾.

- 510.2 All institutional sectors are in principle able to hold financial gold.

SPECIAL DRAWING RIGHTS (SDRs) (F 10)

511. Definition: The heading special drawing rights (F 10) is intended to cover transactions involving the rights allocated by the IMF, without any counterpart in gold or currency. Countries receiving an allocation of these claims are committed to provide effectively convertible currency in exchange for SDRs offered by another country, and to accept them in payment instead of gold or foreign currency⁽²⁾.

512. The heading special drawing rights is sub-divided into two sub-headings:

- assets consisting of special drawing rights (SDRs) (F 11)
- counterpart of the net allocations of SDRs (F 12).

Assets consisting of special drawing rights (SDRs) (F 11)

513. Definition: The sub-heading assets consisting of special drawing rights (F 11) covers the whole of the special drawing rights held by the monetary authorities. These assets, which are treated as liabilities of the rest of the world, constitute instruments of investment.

514. Sub-heading F 11 covers the balance between

- on the one hand, SDRs originating from IMF allocations, plus any acquisitions from other countries participating in the scheme or from the IMF itself
- on the other hand, any withdrawals of SDR allocations by the IMF plus any remittances of SDRs to other countries participating in the scheme or to the IMF itself.

⁽¹⁾ In practice, the conversion of industrial gold into financial gold increases the assets of the reporting country against the rest of the world. This increase makes it necessary to compensate for the fall in the amount of industrial gold in the country by recording an export of goods. Conversely, the conversion of financial gold into industrial gold diminishes the assets of the reporting country against the rest of the world, and it is therefore necessary to compensate for the increase in the amount of industrial gold in the country by recording an import of goods.

⁽²⁾ When SDRs are allocated by the IMF:

- the claims of the recipient against the rest of the world, in the form of assets which are automatically acceptable, are increased by the amount of the allocation of SDRs.

This increase is included under sub-heading F 11:

- being treated as a financial transaction (see 506 e), the transaction which makes it possible for the accounts to be balanced must appear as a liability equal to the rights allocated.

This liability is recorded under the sub-heading F 12.
When a country makes use of the SDRs at its disposal:

- the assets consisting of SDRs of the using country decrease (while its reserves of effectively convertible foreign currency increase or its liabilities in effectively convertible national currency decrease)
- the assets consisting of SDRs of the accepting country increase (while its liabilities in the form of its own national currency convertible in fact also increase or its assets in foreign currency convertible in fact decrease)

Finally, in the event of the withdrawal - in part or in total - of SDRs, a reduction in assets and liabilities is recorded which is equal to the amount of the increases recorded when they were distributed.

This method of recording SDRs in the accounts, explained above for the most common examples, is called *gross* because it shows both of the following:

- the balance of the flows concerning claims in the form of SDRs
- the net allocations (or withdrawals) during the period in question.

Counterpart of the net allocations of special drawing rights (F 12)

515. Definition: The sub-heading counterpart of the net allocations of special drawing rights (F 12) is intended to identify the counterpart of the allocations of SDRs, net of any withdrawals, received by the monetary authorities. This sub-heading corresponds to the liability – for an indeterminate period – to reimburse in whole or in part the SDRs in the event of:
- the possible withdrawal from the system by the country on its own initiative
 - a possible reduction in the volume of SDRs in circulation
 - the possible winding-up of the entire system of SDRs.
- These liabilities, which are treated as assets of the rest of the world, constitute instruments of financing.

CURRENCY AND TRANSFERABLE SIGHT DEPOSITS (F 20)

516. Definition: The heading currency and transferable sight deposits (F 20) includes the notes and coin and sight deposits which are immediately convertible into the legal tender of the country without any kind of restriction, and which are transferable by cheque, banker's order or the like⁽¹⁾.
517. This heading is divided into three sub-headings:
- currency and transferable sight deposits in national currency (F 21)
 - currency and transferable sight deposits in foreign currency (F 22)
 - net position in the IMF (F 23).

Currency and transferable sight deposits in national currency (F 21)

518. Definition: The sub-heading currency and transferable sight deposits in national currency (F 21) includes the notes and coin and sight deposits in national currency immediately convertible at par into the legal tender of the country without any kind of restriction, and transferable by cheque, banker's order, or the like. These assets are considered to be instruments of investment.
519. Sub-heading F 21 includes:
- a) notes and coin in circulation issued by the national monetary authorities (see 505, note 1)⁽²⁾
 - b) transferable sight deposits in national currency
 - with resident credit institutions
 - with resident institutional units belonging to other sectors (e.g. the State)
 - with non-resident credit institutions.

Transferable sight deposits in national currency include, in particular, those held by credit institutions with other credit institutions⁽³⁾, such as:

⁽¹⁾ This definition takes no account of concepts such as money supply, primary liquidity, etc.

⁽²⁾ Currency issued is deemed to be a liability of the issuing sector:
 – central government, for coins and notes issued by the state
 – central banking authorities, for notes issued by the Central Bank.

⁽³⁾ It should be noted that inter-bank transactions are not shown in their entirety under one particular item but their components are included, according to their liquidity characteristics, under the appropriate headings of the system. The detailed breakdown of inter-bank transactions appear implicitly in the tables of financial transactions as the difference between the consolidated and unconsolidated figures for the transactions of the sector credit institutions.

- sight deposits which resident credit institutions hold with the Central Bank to satisfy compulsory reserve requirements, in so far as such deposits remain transferable⁽¹⁾
- sight deposits in national currency held in other countries in the name of the national monetary authorities
- sight deposits in national currency held by the Central Bank in the name of foreign monetary authorities.

It should be pointed out that assets in the form of national currency held by the IMF as a result of drawings made by the country itself or as quota payments are not included in this or any other heading of the system; they correspond to the opening of a credit so long as the IMF does not draw on this currency for the benefit of another country⁽²⁾.

- c) certain transferable assets expressed in national currency which are considered as deposits: assets representing the balance of sight transactions between credit institutions, in so far as these balances are transferable and their nature cannot be determined because they result from both deposit and credit transactions; they are presumed to be predominantly deposits.

Working balances, or correspondents' accounts, fall into this category of transferable deposits.

Currency and transferable sight deposits in foreign currency (F 22)

520. Definition: The sub-heading currency and transferable sight deposits in foreign currency (F 22) covers notes and coin and sight deposits in foreign currency which are immediately convertible into national currency without any kind of restriction and without any cost other than the customary commission, and which are transferable by cheque, banker's order or the like. These financial assets are considered to be instruments of investment.

⁽¹⁾ The procedures governing compulsory reserves differ from one country to another and do not always call for deposits to be made with the monetary authorities. Furthermore, these reserves do not always correspond, at a given date, to the precise amounts of separate items in the assets of banks. Since the financial components of the compulsory reserves of credit institutions have different characteristics, they should be shown under the appropriate headings of the system. Thus in countries where these reserves take the form of compulsory deposits in a blocked account with the Central Bank, they should be shown under the heading other deposits (F 30).

⁽²⁾ The subscription quota of each country to the IMF was made up of 25% in gold and 75% in national currency. Since, however, only the part in gold was actually paid to the IMF initially, only this part:

- can give rise to automatic drawings
- is designated by the expression *Reserve Position in the IMF*
- is therefore recorded as a financial claim against the Fund under heading F 23 (see 523).

The remaining 75% of the quota:

- remains with the national monetary authorities but at the disposal of the IMF, normally with 74% in the form of Treasury bills in the national currency and 1% in bank deposits
- is not actually put into circulation
- is therefore considered in the system as the opening of a credit and is not recorded in the accounts.

When the country draws on the Fund, within the prescribed limits and conditions, in order to obtain the foreign currency it needs:

- the reserve position corresponding to automatic drawing rights is decreased, and if the drawings exceed the value of this position the difference becomes a liability of that country recorded under the heading *Use of Fund Credit* (see 523) corresponding to non-automatic drawing rights. This transaction is included in sub-heading F 23.
- the national currency assets at the disposal of the Fund increase in proportion. They are added to the initial 75% but, since they are not in circulation, they are regarded not as a liability towards the Fund but as a complementary opening of credit, and are therefore not recorded in the accounts.

When the Fund requests national currency from the country, e.g. when there is a drawing by another country:

- the country's reserve position increases (or its use of credits decreases) in proportion (sub-heading F 23)
- the Fund receives a corresponding amount of national currency which is regarded as a liability of the country since it is actually put into circulation (sub-heading F 21)
- the assets in national currency or Treasury bills, put at the disposal of the Fund within the country concerned (credit facilities) are reduced by the amount, although this does not appear in the financial accounts.

When the country repays to the Fund the drawings previously made on the Fund:

- the liabilities of the country, incurred in the form of loans granted by the Fund (sub-heading F 23), decrease, possibly to their total extinction
- the assets of the country in effectively convertible currency (sub-heading F 22) decrease in proportion.

This method of accounting is called *net* because it shows only the actual movements of reserves which are attributable to transactions taking place with the Fund and not all the accounting transactions which take place between the country and the Fund.

521. Sub-heading F 22 includes:

- a) notes and coins issued by the monetary authorities of foreign countries and which are held by residents
- b) transferable sight deposits expressed in foreign currency:
 - with resident credit institutions
 - with resident institutional units belonging to other sectors (e.g. with the State)
 - with non-resident credit institutions.

This category includes, in particular, the transferable sight deposits of credit institutions with other credit institutions, such as:

- assets held in other countries in the name of the monetary authorities, in particular as a result of “swap” transactions⁽¹⁾
- assets in foreign currency held with the national monetary authorities in the name of foreign monetary authorities.
- c) certain transferable assets expressed in foreign currency which are considered as deposits: inter-bank balances similar to those described above in 519 c) and which are expressed in foreign currency.

Net position in the IMF (F 23)

522. Definition: The sub-heading net position in the IMF (F 23) is intended to identify those financial assets and liabilities of the monetary authorities which result from transactions with the IMF (subscriptions, drawings, repurchases, etc.); the assets involved in such transactions should be treated similarly to transferable sight deposits in foreign currency (see 506 f). These assets and liabilities against and towards an international organisation are considered to be instruments of financing.

523. The sub-heading F 23 includes:

- as financial claims against the IMF: The Reserve Position in the Fund, i.e. the counterpart of the assets transferred to the Fund in the form of contributions in gold, or net drawings in the country's currency by the Fund, and of borrowing by the Fund – either bilateral borrowing or borrowing under the “General Arrangements to Borrow”.
- as liabilities towards the IMF: the Use of Fund credit, namely the counterpart of the foreign currencies received from the IMF after the reserve position has been exhausted.

OTHER DEPOSITS (F 30)

524. Definition: The heading other deposits (F 30) covers all deposits other than transferable sight deposits; that is, deposits which cannot be utilised at any moment, without restriction or without first being converted into notes and coin or transferable sight deposits. These assets are instruments of financing.

⁽¹⁾ A “swap” agreement is a convention whereby two units (general government or credit institutions) agree, at the request of one of them, to exchange the national currency of the unit requesting the swap for foreign currency at an agreed rate of exchange and at the time of repayment for the reverse transaction to take place at a previously agreed rate of exchange. The drawing of a resident unit against a unit with which it has signed a swap agreement means for the drawing unit:

- an increase in sight assets in foreign currency
- an increase in sight liabilities in national currency.

For the unit drawn against, the exchange means an increase in sight assets in the national currency of the drawing units and an increase in liabilities relating to the money paid to the drawing unit. These increases in assets and liabilities are not shown under a separate heading, but are included with changes in assets and liabilities having the same technical characteristics as the assets exchanged under the swap agreement. The forward counterparts are not shown in the accounts (see 507).

525 to 531

525. The heading F 30 is sub-divided into the two sub-headings:

- other deposits in national currency (F 31)
- other deposits in foreign currency (F 32).

Other deposits in national currency (F 31)

526. Definition: Sub-heading F 31, other deposits in national currency includes all deposits in national currency other than transferable sight deposits.

527. Non-disposability, which is a characteristic feature of other deposits, can be due to two distinct reasons:

- the existence of a fixed term or period of prior notice
- the need to present a document substantiating the deposit before it can be withdrawn.

According to whether deposits to be recorded are non-disposable for the first reason given above, the second, or for both together, sub-heading F 31 is further divided into:

- time deposits in national currency (F 311)
- sight savings deposits in national currency (F 312)
- time savings deposits in national currency (F 313).

Time deposits in national currency (F 311)

528. Definition: The sub-position time deposits in national currency (F 311) covers deposits in national currency which are not disposable solely because they are subject to a fixed term or a period of prior notice before withdrawal.

529. Frequently, these deposits involve minimum amounts and are in round figures. They do not imply that the depositor intends progressively to accumulate further capital and represent a temporary immobilisation of liquid funds not in use. Time deposits are therefore made more often by enterprises than by households.

530. Sub-position F 311 includes:

- a) time deposits in national currency (deposits with fixed term or period of prior notice before withdrawal) with credit institutions
- b) deposits in national currency with the monetary authorities as a form of compulsory reserves to the extent that the depositors cannot realise them without notice or restriction; the term of the deposits depends on the dates when the reserve requirements have to be seen to be satisfied.
- c) the balances in national currency involving transactions in time deposits between credit institutions, to the extent that their nature cannot be determined because they result from both deposit and credit transactions; they are presumed to be predominantly deposits.

Sight savings deposits in national currency (F 312)

531. Definition: The sub-position sight savings deposits in national currency (F 312) covers deposits in national currency whose availability is restricted by the need to produce, for each withdrawal, a document materially substantiating the deposit (savings books, savings certificates, statements of account, etc.), but which can then be immediately converted into currency or transferable deposits.

532. These deposits have the following characteristics:

- a) the interest earned sometimes enjoys tax exemptions or reductions up to some maximum amount
- b) a supplementary bonus is often given to deposits which remain stable
- c) the return on these deposits is generally very stable; downward movements, in particular, tend to be very slight in comparison with fluctuations in short term rates on the financial and money markets
- d) savings deposits are sometimes restricted to persons.

It follows from these basic features that savings deposits are made more by households than by enterprises. (The above list of characteristics is not exhaustive, however, and they need not all apply at once; the presence or absence of one or another will depend on the monetary policy of the country concerned).

533. Sub-position F 312 also includes non-negotiable deposit certificates which do not have a fixed term, but which are repayable on demand from the date of issue.

Time savings deposits in national currency (F 313)

534. Definition: The sub-position time savings deposits in national currency (F 313) covers deposits in national currency whose disposability is limited both by the need to produce, for each withdrawal, a document materially substantiating the deposit (savings books, savings certificates, statements of account, etc.) and by the existence of a fixed term or period of prior notice⁽¹⁾.

535. The characteristics mentioned under a), c) and d) in paragraph 532, together with the remarks concerning the existence and consequences of these characteristics, apply equally to time savings deposits in national currency.

536. Sub-position F 313 includes, in particular:

- fixed term deposit certificates, saving certificates or savings bonds which are not negotiable, or whose negotiability, while theoretically possible, is very restricted
- deposits in national currency resulting from a savings scheme or contract. These deposits involve an obligation on the part of the depositor to make regular payments over a given period, and the capital paid and interest accrued do not become available until a fixed term has elapsed. They usually carry bonuses which are considered to be either miscellaneous current transfers (see 496 g) or other capital transfers (see 4112 e). These deposits are sometimes combined with the issue, at the end of the savings period, of loans which are proportionate to the accumulated savings, for the purpose of buying or building a dwelling.

537. The following items are *not* included under the sub-heading other deposits in national currency (F 31):

- negotiable deposit certificates (see 540)
- negotiable savings certificates issued by central government or by credit institutions, particularly by savings banks.

In particular, this sub-heading includes the situation with regard to the European Monetary Cooperation Fund (FECOM) of the countries participating in the European monetary agreement, in the form of short term and very short term monetary support transactions.

⁽¹⁾ The force of such - legally or conventionally - required period of prior notice is sometimes relaxed to the extent of permitting withdrawals on demand up to some upper limit.

Other deposits in foreign currency (F 32)

538. Definition: The sub-heading other deposits in foreign currency (F 32) covers all deposits in foreign currency, other than transferable sight deposits.

BILLS AND SHORT TERM BONDS (F 40)

539. Definition: The heading bills and short term bonds (F 40) groups together assets with a short maturity, usually up to 12 months, but with a maximum of 2 years, represented by securities intended to circulate, whose nominal value, determined on issue, is expressed as some round figure, and which bear interest, generally paid in advance⁽¹⁾. They are repayable at their nominal value at a date, or starting from a date, fixed at the time of issue. These securities are instruments of investment.

540. Heading F 40 includes in particular:

- treasury bills including those which are taken up by credit institutions to satisfy their compulsory reserve requirements
- certain government securities with a maturity of more than 2 years (possibly up to 5 years), but which possess special features relating to their issue (issue by instalments), circulation (not quoted on the stock exchange - can be taken up by banks) and redemption (repayment by instalments) which are also generally characteristic of short term bonds in the strict sense
- negotiable short term bills issued by credit institutions and sometimes by certain non-financial corporate and quasi-corporate enterprises, especially negotiable deposit certificates and savings certificates.

541. The heading bills and short-term bonds does not include:

- short term securities which are not negotiable; they are merely a form of time deposits and should be included under heading F 30 other deposits (see 536).
- securities whose negotiability, while theoretically possible, is very restricted in practice and which should be included under heading F 30 other deposits (see 536)
- treasury bills in national currency remitted to the IMF in settlement of that part of the subscription quota - or of the increase in the quota - to be made in national currency. The remittance of these bills, in fact, merely constitutes a simple opening of credit (see 507 and 519 b).

LONG TERM BONDS (F 50)

542. Definition: The heading long term bonds (F 50) groups together securities which at the time of issue have a maturity of several years, which bear fixed or index-linked rates of interest (the interest frequently being payable by coupons) and which are redeemable starting from a date fixed at the time of issue⁽²⁾. Long term bonds are negotiable instruments of investment (see 503) generally quoted on the stock exchange.

⁽¹⁾ When the difference between the nominal value and the price at issue represents interest paid in advance (the discount rate), it is treated in the accounts as actual interest (R 41) and the issue itself is, for this reason, recorded at the nominal value of the securities.

⁽²⁾ Undated or perpetual bonds (e.g. Consols) are also included under the heading long term bonds (F 50).

543. Heading F 50 includes also:

- debentures and loan stock convertible into shares, so long as they are not actually converted (see 549)
- privately issued bonds; i.e. bonds restricted by bilateral agreement to certain investors, if they are at least potentially transferable; if not, they are treated as medium and long term loans (F 80).

SHARES AND OTHER EQUITIES (F 60)

544. Definition: The heading shares and other equities (F 60) groups together financial assets which entitle the holders to a share in the profits of corporate and quasi-corporate enterprises and to a share in the net assets of these enterprises in the event of liquidation⁽¹⁾. The assets grouped under F 60 are considered as instruments of investment.

545. These assets are shown in the accounts under heading F 60 whether they were paid for in cash or in kind when issued, or even, in certain cases, if they were issued free (see 723). When shares offered for sale are not fully taken up on issue, only those actually purchased are shown in the accounts.

546. Heading F 60 is divided into two sub-headings:

- Shares (F 61)
- Other equities (F 62).

Shares (F 61)

547. Definition: The sub-heading shares (F 61) covers beneficial interest in the capital of corporate enterprises in the form of negotiable securities.

548. Sub-heading F 61 includes:

- a) *capital shares issued by limited liability companies*: these are securities which give the holders the status of joint owners and entitle them both to a share in the total distributed profits and to a share in the net assets in the event of liquidation
- b) *redeemed shares in limited liability companies*: these are shares whose capital has been repaid but which are retained by the holders who continue to be joint owners and to be entitled to a share in the profits left after dividends have been paid on the remaining registered capital and also to a share in any surplus which may be left on liquidation, i.e. the net assets less the remaining registered capital
- c) *dividend shares issued by limited liability companies*: these are securities:
 - which, according to country and the circumstances in which they are created, have a variety of names such as founders' shares, profits shares, dividend shares, etc. and which are not part of the registered capital
 - which do not give the holders the status of joint owners strictly speaking (the right to a share in the repayment of the registered capital, the right to a return on this capital, the right to vote at shareholders' meetings, etc.)
 - which entitle the holders to a proportion of any profits remaining after dividends have been paid on the registered capital and to a fraction of any surplus remaining on liquidation.
- d) *capital shares issued by incorporated partnerships*: these are shares subscribed by partners with limited liability (limited partners).

⁽¹⁾ Net assets in the event of liquidation are defined as the amount of assets of an enterprise less all liabilities other than liabilities to the owners themselves in respect of their invested capital.

549 to 551

549. Sub-heading F 61 does not include:

- the equity of partners with unlimited liability (unlimited partners) in incorporated partnerships: these assets are included under the sub-heading F 62
- debentures and loan stock convertible into shares; these assets are shown in the accounts under the heading F 50 up to the time when they are converted⁽¹⁾
- government investments in the capital of international organisations which are legally constituted as companies with share capital. These assets are included under the sub-heading F 62.
- securities which do not entitle the holders to any share whatsoever in the net assets in the event of liquidation even if they entitle the holder to an income out of the profits and no matter what they may be called. These securities are not included under F 60, nor under any other heading of the financial accounts; they are not financial assets since the company has no liabilities towards their holders. When they come into circulation, these securities are recorded at their market value as net purchases of intangible assets (see 3103).

Other equities (F 62)

550. Definition: The sub-heading other equities (F 62) includes all forms of equities other than those included under sub-heading F 61.

551. Sub-heading F 62 includes:

- a) all forms of equities in corporate enterprises which are not freely negotiable:
 - the equity in incorporated partnerships subscribed by unlimited partners
 - the equity in limited liability companies whose owners are partners and not shareholders
 - the capital invested in ordinary or limited partnerships recognized as independent legal entities
 - the capital invested in co-operative societies recognized as independent legal entities
- b) investments by general government in the capital of public enterprises which by virtue of special legislation are recognized as independent legal entities (see 216 c). These investments cover payments made by general government, which are intended to increase the funds at the disposal of these enterprises, in so far as the government agency depositing the funds retains a financial claim on the public enterprise
- c) government investments in the capital of international organisations, with the sole exception of the IMF (see 662), even if these are legally constituted as companies with share capital (e.g. the European Investment Bank)
- d) capital invested in financial and non-financial quasi-corporate enterprises (see 216 f). The amount of such investments corresponds to new investments (in cash or kind) less any capital withdrawals⁽²⁾
These investments are to be distinguished from:
 - subsidies (see 421 to 426) and investment grants (see 499 to 4106) where the unit which makes the payment retains no financial claim against the beneficiary unit⁽³⁾
 - other financial claims which the owners may have against quasi-corporate enterprises (e.g. the owner's personal account with a quasi-corporate enterprise)

⁽¹⁾ The value to be recorded in the accounts under the heading shares is determined by the value at which the issuer exchanged the convertible bonds.

⁽²⁾ This definition of capital investments implies that the profits earned by quasi-corporate enterprises and not withdrawn by the owners are treated as a form of saving by quasi-corporate enterprises. The amount of the profits taken out by the owners is recorded in the accounts under heading withdrawals from the entrepreneurial income of quasi-corporate enterprises (R 45).

⁽³⁾ It should be remembered that, by convention, public quasi-corporate enterprises cannot receive investment grants (see 4102), and that the funds received from the government agency which owns them have therefore the character of a financial transaction.

- e) capital investments by non-residents in notional resident units classified in the sector non-financial corporate and quasi-corporate enterprises (see 214 and 223.3) and vice-versa.

552. Sub-heading F 62 does not include:

- shares issued by incorporated partnerships and subscribed by limited partners (shareholders); these are shown under sub-heading F 61
- the financial claims that non-resident units have against notional resident units, classified in the households sector (S 80) (see 250), to which the ownership of the land and existing buildings, bought in the country under consideration is attributed (see 564 b)
- government investments in the capital of the IMF (quota) (see 519 b, note 2).

SHORT TERM LOANS (F 70)

553. Definition: The heading short term loans (F 70) covers all credits which are not in the form of deposits and whose original maturity, agreed by contract, is normally one year at the maximum, or in exceptional cases 2 years at the maximum⁽¹⁾. Short term loans are instruments of financing and when they are realised in the form of documents (trade bills, drafts, etc.) these do not have the status of instruments of investment (see 720).

554. Heading F 70 includes:

- a) short term loans between residents:
- short-term loans between sectors other than the credit institutions sector (trade credit, advances, consumer credit⁽²⁾, etc.)
 - short-term loans made to other sectors by credit institutions (e.g. advances by the Central Bank to general government, advances on securities, discounting of commercial or financial bills⁽³⁾, refinancing of consumer credit, etc.)
 - short-term loans made between credit institutions themselves, especially by way of discounting.
- b) short term loans between residents and non-residents. Only advances made directly by residents to non-residents, and vice-versa, are short-term loans to and from the rest of the world respectively. Loans between residents used to finance credits granted by residents to non-residents are never treated as loans to the rest of the world, and the two types of transactions must be considered separately.

Short-term loans between residents and non-residents include, in particular, in the case of the central banking authorities, clearing balances which have not been consolidated.

555. Heading F 70 does *not* include short term credits granted by one credit institution to another when these transactions have the characteristics of both deposits and loans. They are treated in the accounts as deposits (see 519 c, 521 c and 530 c).

⁽¹⁾ This definition is intended to cover the usual terms of short term loans whose maximum duration can vary, according to the member country, between 1 year – which is the most common term – and 2 years – which is the case of the country which has the widest concept of “short-term”.

⁽²⁾ Consumer credit, i.e. loans granted to consumers for the purchase of consumer goods and certain services are not shown under a separate heading. According to their original duration, they are shown under short term loans or under medium and long term loans.

⁽³⁾ The treatment in the accounts of the transfer of commercial and financial bills which are recorded as loans is discussed in chapter VII (see 718 to 721).

It should be noted that the transaction between the drawer (i.e. the initial creditor) and the drawee (i.e. the initial debtor) and between the drawer and the banker who buys the bill from him should be shown separately.

556 to 561

556. Heading F 70 has three sub-headings:

- Short term trade credit (F 71)
- Accounts receivable and payable (F 72)
- Other short term loans (F 79).

Short term trade credits (F 71)

557. Definition: The sub-heading short term trade credit (F 71) is intended to distinguish commercial short-term loans and advances in respect of work in progress or on order.

Accounts receivable and payable (F 72)

558. Definition: The sub-heading accounts receivable and payable (F 72) is intended to record financial claims resulting from the timelag which sometimes occurs between the conclusion of certain transactions and the actual receipt of the payments involved. By convention, these financial assets are treated as short term loans.

559. In particular, the *miscellaneous* item of the balance of payments generally described as *balance of unrecorded items, errors and omissions* or some such similar expression, which mainly reflects credit transactions, should be shown under accounts receivable and payable of the rest of the world. Any transaction between residents and non-residents may give rise to such differences in timing, but the most common case concerns transactions in merchandise where the criteria for recording the time of shipments of imports and exports and for recording their time of payment can diverge.

To the extent that the various debtor and creditor components of the *miscellaneous* item of the balance of payments are known, they should be shown as financial assets or liabilities under the appropriate headings of the rest of the world account; if they are not known, the balance should be shown as an asset or a liability according to its sign. This means that a positive balance will be shown as an increase in the liabilities of the rest of the world, and a negative balance as an increase in the financial assets of the rest of the world.

560. The sub-heading accounts receivable and payable is not intended to cover all items which prove difficult to classify.

The following should therefore be excluded:

- items about which there is not enough information and which are often included in a residual in national systems; these should be allocated to a definite heading in the system on the basis of whatever information is available
- items about whose nature nothing whatsoever is known: the value of these items should be included in the adjustment between the balance of the capital account and the balance of the financial account.

Other short term loans (F 79)

561. Definition: The sub-heading other short term loans (F 79) covers all short-term loans other than those which are classified as short term trade credit (F 71) or as accounts receivable and payable (F 72).

MEDIUM AND LONG TERM LOANS (F 80)

562. Definition: The heading medium and long term loans (F 80) covers all credits which are not in the form of deposits, whose original maturity, agreed by contract, is normally one year at the minimum, and in exceptional cases 2 years at the minimum⁽¹⁾. Medium and long term loans are instruments of financing and when they are realised in the form of documents (commercial bills, drafts, etc.) these do not have the status of instruments of investment (see 720).
563. Medium and long term loans are thus distinguished:
- by their duration: from short term loans
 - by their method of issue: from financial assets represented by deposits or by securities created as instruments of investment.
564. The heading medium and long term loans includes:
- a) as loans between residents:
 - medium and long term loans between sectors other than the credit institutions sector (trade credit, advances, consumer credit, etc.) (see 554 a, note 2)
 - medium and long term loans made by credit institutions to other sectors (in particular, loans in cash, advances on securities, discounting of commercial and financial bills, refinancing consumer credit, etc.)
 - medium and long term loans between credit institutions themselves, especially by way of rediscount
 - b) as loans between residents and non-residents:
 - financial claims of non-resident units against notional resident units which are owners of land and buildings existing on the economic territory of the country and which are classified in the households sector (S 80) (see 250). The notional resident units are deemed to have received from non-resident units a loan equal to the price paid for the land and buildings
 - claims of resident units against notional non-resident units of the same kind as the assets just described
 - assets and liabilities corresponding to consolidated clearing balances
 - financial assistance for medium term monetary support from the Institutions of the European Communities.
565. Heading F 80 is broken down into two sub-headings:
- Medium and long term trade credit (F 81)
 - Other medium and long term loans (F 89).

Medium and long term trade credit (F 81)

566. Definition: The sub-heading medium and long term trade credit (F 81) is intended to distinguish medium and long term loans of a commercial nature and advances in respect of work in progress or on order.

Other medium and long term loans (F 89)

567. Definition: The sub-heading other medium and long term loans covers all medium and long term loans other than those classified as medium and long-term trade credit (F 81).

⁽¹⁾ This definition is intended to cover the usual terms of medium and long term loans whose minimum duration can vary, according to the member country, between one year - which is the most common term - and 2 years - which is the case in the country with the narrowest concept of "medium and long-term".

568 to 574

568. The detailed table of financial transactions (T 16) also shows a further sub-breakdown, *refinancible medium term loans*, intended to separate those medium term loans which, in some countries, can be rediscounted with the Central Bank.

INSURANCE TECHNICAL RESERVES (F 90)

569. Definition: The heading insurance technical reserves covers:
- actuarial reserves against outstanding risks
 - prepayment of premiums
 - reserves for with-profits insurance
 - reserves against unsettled claims.
- These reserves, which are considered as liabilities of the institutions concerned, are instruments of financing.
570. Insurance technical reserves constitute an element of saving:
- for policy holders - in respect of the actuarial reserves against outstanding risks, the prepayments of premiums and reserves for with-profits insurance
 - for beneficiaries - in respect of reserves against unsettled claims.
571. Transactions relating to the four types of technical reserves are grouped under heading F 90, irrespective of the type of institution holding the reserves:
- life insurance or accident insurance enterprises or non-profit institutions
 - autonomous pension funds classified in the insurance enterprises sector
 - non-autonomous pension funds.

Particular attention is drawn to the reserves, or similar funds, constituted by employers even though they are not managed as insurance enterprises would, in order to provide employees with benefits similar to those of life insurance and pension funds. These reserves or similar funds should be included in non-autonomous pension funds in so far as the employees are definitely entitled to receive such benefits and the enterprises or management responsible for the funds are not free to dispose in other ways of the reserves established for the purpose of paying such benefits.

572. Heading F 90 does not include changes in the reserves established by institutions classified in the sub-sector social security funds⁽¹⁾.

These reserves are treated as a component of the saving of the institutions in question and not of the insured. They are therefore not financial assets.

573. Heading F 90 is broken down into two sub-headings⁽²⁾:
- actuarial reserves against outstanding risks and reserves for with-profits insurance (F 91)
 - prepayments of premiums and reserves against unsettled claims (F 92).

Actuarial reserves against outstanding risks and reserves for with-profits insurance (F 91)

574. Definition: The sub-heading actuarial reserves against outstanding risks and reserves for with-profits insurance (F 91) groups together actuarial reserves against outstanding risks with the reserves for profit sharing among the insured.

⁽¹⁾ Especially those established by pension funds which are not classified as insurance enterprises.

⁽²⁾ The four categories of technical reserves are, however, shown separately in Table 18.

575. *Actuarial reserves against outstanding risks* are those which, under a contract of insurance or pension scheme, are established by insurers in order to guarantee the payment of future claims⁽¹⁾.

The creditor of these reserves is the policy holder. In the case of a group insurance taken out, for example, by the head of an enterprise on behalf of his employees, it is the employees, and not the employer, who are deemed to be the creditors, since they are considered as the real policy holders (see 236).

The value at which the actuarial reserves against outstanding risks should be shown in the accounts is their *inventory value*⁽²⁾.

576. *The reserves for with-profits insurance* cover that part of cost gains, of risk gains, of interest gains and of realised capital gains or losses which the insurers distribute to the insured as deferred profits. These reserves may take the form of deposits which the insurers hold in the name of the insured. The creditors for these reserves are the policy holders.

Prepayments of premiums and reserves against unsettled claims (F 92)

577. Definition: The sub-heading prepayments of premiums and reserves against unsettled claims (F 92) groups together prepayments of premiums with reserves against unsettled claims.

578. *Prepayments of premiums*, which result from the fact that the duration of insurance contracts does not coincide with the financial year of the insurance enterprises, consist of those parts of the premiums paid in advance by the insured and carried forward to the following accounting period. They are determined on the basis of the proportion of the risks involved in relation to time for the period remaining to run until the contract expires.

Recording on an accrual basis, the amount of premiums to be shown in the accounts for any given period is that of the premiums earned, i.e. the premiums intended to cover the risks during the period in question. Thus, the changes in these reserves constitute liabilities of the insurers.

The creditor for the prepayments of premiums is the policy holder. If these prepayments relate to life insurance, the policy holder may belong to the households sector or to the rest of the world. If they relate to accident insurance, the policy holder may belong to any sector of the economy or to the rest of the world.

579. *Reserves against unsettled claims* are reserves which insurers carry to cover the possible value of claims which have not been immediately settled, especially when they are legally disputed.

Like premiums, claims are entered in the accounts on an accruals basis. These are claims due, which means that the insurance enterprises recognize the right to indemnity at the moment when the accident occurs and that the indemnity is transferred to the beneficiary at that time (see 453), even if it is paid over only much later. For this reason, reserves against unsettled claims represent liabilities of the insurers.

⁽¹⁾ The increase in actuarial reserves against outstanding risks is mainly financed by part of the gross premiums paid by insured persons, who thereby are engaged in contractual saving with the insurers.

⁽²⁾ The actuarial reserves against outstanding risks held by insurers may be:

- *pure*: that is, calculated on the basis of pure premiums
- *inventory*: that is, calculated on the basis of premiums including the administrative costs borne by the insurers except for the costs of acquiring contracts
- *complete*: that is, established on the basis of premiums including *all* administrative costs borne by the insurer, i.e. inclusive of the costs of acquiring contracts.

The creditor of the reserves against unsettled claims is the beneficiary, and, in the case of accident insurance, the ultimate beneficiary, i.e. the person whose injury or damage is indemnified. If the identity of the beneficiary is unknown when the accounts are compiled, it will be determined, for each kind of risk insured, on the basis of the way in which claims settled in previous years have been distributed among the different sectors.

SPECIAL CLASSIFICATION OF FINANCIAL TRANSACTIONS

580. The classification of financial transactions under the various headings and sub-headings envisaged in the ESA means that it is not possible to show whether one of the parties to a transaction is a resident or a non-resident.

In order to be able to separate claims against the rest of the world and to indicate that part of these assets which should be shown in the official reserves of the monetary authorities, an additional section has been appended to the summary table of financial transactions (table 15).

This section provides a special classification of financial assets and liabilities vis-à-vis the rest of the world.

The section also shows the amount of the forward counterpart of the swap transactions (see 521 b, note 1) and the amount of the assets in national currency held by the IMF as a result of changes in the country's net position (see 519 b, note 2). These amounts are included for reference only, as they do not result from financial transactions as defined in the ESA.

581. The various groupings or sub-groupings which appear in this additional section are as follows:

Items	Code
Financial assets and liabilities vis-à-vis the rest of the world	
Gross official reserves of the monetary authorities (and corresponding liabilities)	L 10
Monetary gold	L 11
Assets consisting of special drawing rights (SDRs)	L 12
Net position in the IMF	L 13
Other sight and short-term assets	L 14
Medium- and long-term assets	L 15
Financial assets and liabilities vis-à-vis the rest of the world, except the official reserves	L 20
Financial gold other than monetary gold	L 21
Sight and short-term assets	L 22
Medium- and long-term assets	L 23
For reference	
Forward counterpart of swap transactions	L 30
- with resident units	L 31
- with non-resident units	L 32
Assets of the IMF in national currency (as a result of drawings recorded in the General Account)	L 40

Gross official reserves of the monetary authorities (and corresponding liabilities) (L 10)

582. The grouping gross official reserves of the monetary authorities (and corresponding liabilities) (L 10) is intended to show the official monetary reserves (assets in the form of gold, SDRs, foreign currency and national currency) held by the monetary authorities, and the corresponding liabilities; these reserves are claims against non-residents.

583. Deleted.

584. The grouping L 10 is broken down into five sub-groupings:

- Monetary gold (L 11)
- Assets in SDRs (L 12)
- Net position in the IMF (L 13)
- Other sight and short-term assets (L 14)
- Medium- and long-term assets (L 15)

Monetary gold (L 11)

585. The sub-grouping monetary gold (L 11) covers that part of financial gold (F 00) which is held by the monetary authorities as official reserves.

Assets in SDRs (L 12)

586. The sub-grouping assets in SDRs (L 12) covers the amount of the SDRs held by the monetary authorities (see 513).

Net position in the IMF (L 13)

587. The sub-grouping net position in the IMF (L 13) covers, like the corresponding heading F 23:

- among assets
the reserve position in the Fund, i.e. the counterpart of the assets paid to the Fund (subscription in gold, net drawings of national currency by the Fund, borrowing by the Fund)
- among liabilities
the liabilities corresponding to the use of Fund credit.

Other sight and short term assets (vis-à-vis the rest of the world) (L 14)

588. The sub-grouping other sight and short-term assets (L 14) covers the following components of the official reserves, which form part of headings F 20, F 30, F 40 and F 70:

a) among assets

- assets in foreign currencies which are disposable at short notice (cash, foreign bank notes, sight and short-term deposits) and claims in national currency against non-residents (parts of heading F 20 and F 30). In the case of swap transactions (see 521 b, note 1) with foreign monetary authorities, only the amounts of foreign currency actually drawn by the country are recorded as assets in foreign currency. The corresponding forward transactions should not be shown (see 507). Claims on the FECOM arising from short-term and very short-term monetary support are included here
- treasury bills issued by foreign countries and acquired by the resident monetary authorities⁽¹⁾ (part of heading F 40)
- short term loans (part of heading F 70).

⁽¹⁾ For example, the "Roosa Bonds", short term Treasury bills issued abroad by the American Treasury, and expressed in the currency of the foreign subscribing country. On the other hand, United States 5 year Treasury bonds, which can be exchanged for 15 month bills, must not be shown under L 14 in the accounts - to the extent that they cannot be immediately mobilised.

b) among liabilities:

- sight and short term liabilities, in foreign currency and in national currency corresponding to
 - national bank notes circulating abroad (part of heading F 20)
 - deposits in foreign and national currency made by non-residents with the monetary authorities (parts of headings F 20 and F 30). In the case of swap transactions, the counterparts of the amounts of foreign currencies actually drawn are shown in the accounts among liabilities in national currency, although the corresponding forward transactions should not be shown. The liabilities towards the FECOM arising from short-term and very short-term monetary support, are included here.
- Treasury bills acquired by non-residents (part of heading F 40)
- other short term liabilities (part of heading F 70).

Medium and long term assets (vis-à-vis the rest of the world) (L 15)

589. The sub-grouping L 15 covers those medium and long term assets vis-à-vis the rest of the world that the monetary authorities keep as components of the official reserves and corresponding liabilities. These assets and liabilities are parts of headings F 50, F 60 and F 80.

Financial assets and liabilities vis-à-vis the rest of the world, other than the official reserves (L 20)

590. The grouping financial assets and liabilities vis-à-vis the rest of the world, other than the official reserves (L 20), is intended to show the financial claims against the rest of the world, other than those held by the monetary authorities as official monetary reserves, and the corresponding liabilities.

591. The grouping L 20 is broken down into three sub-headings:

- financial gold other than monetary gold (L 21)
- sight and short-term assets (L 22)
- medium- and long-term assets (L 23).

Financial gold other than monetary gold (L 21)

592. The sub-grouping L 21 covers financial gold held by all resident units, except monetary gold (see 585).

Sight and short term assets (vis-à-vis the rest of the world) (L 22)

593. The sub-grouping L 22 covers sight and short term assets and liabilities between residents and non-residents (parts of headings F 20, F 30, F 40 and F 70) except the official reserves and corresponding liabilities. It includes, in particular, clearing balances which have not been consolidated.

Medium and long term assets (vis-à-vis the rest of the world) (L 23)

594. The sub-grouping L 23 covers medium and long term assets and liabilities between residents and non-residents, except the official reserves and corresponding liabilities (parts of headings F 10, F 50, F 60, F 80 and F 90).

It includes, in particular, the counterpart of the net allocations of SDRs (F 12), financial assistance for medium term monetary support from the Institutions of the European Communities and the consolidated clearing balances (parts of sub-heading F 89).

CHAPTER VI

THE FLOWS OF GOODS AND SERVICES IN THE INPUT-OUTPUT TABLE

601. An input-output table provides a coherent framework in which to present the flow of goods and services produced, exchanged with the rest of the world, and used by all resident units in the course of a given year. It also shows the structure of production costs.

To analyse flows taking place in the process of production, it is essential to choose units which bring out relationships of a technico-economic kind. A *branch* is therefore defined as a grouping of units of homogeneous production, i.e. units characterised by a unique activity (see 265 et seq.).

602. BRIEF DESCRIPTION OF THE INPUT-OUTPUT TABLE AND ITS COMPONENTS

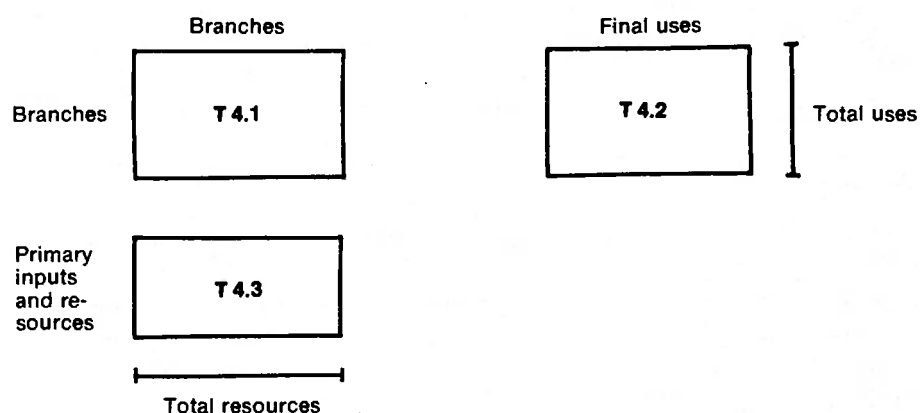
The input-output table contains all the flows which constitute:

- the goods and services account (C 0)
- the production account (C 1)
- the generation of income account (C 2)

for each branch and for the whole economy. (see 112 to 114)

An input-output table is divided into 3 tables:

- the table of intermediate consumption (T 4.1)
- the table of final uses (T 4.2)
- the table of primary inputs and resources (T 4.3)



603 to 607

603. The various uses of goods and services can be divided into two groups:
- the intermediate consumption or intermediate inputs, which show the uses of a given product by the various producer branches (rows of T 4.1)
 - the final uses which, for a given product, include all other uses (rows of T 4.2).

Total uses of a product are equal to the sum of the intermediate consumption of this product by all branches plus the sum of the final uses of this product.

604. For a given branch, the value of actual output is equal to the sum of two elements:
- intermediate consumption or intermediate inputs, which show, for a given branch, the uses of the various products necessary for its production (columns of T 4.1)
 - primary inputs which comprise the various elements of the gross value added of the branch (columns of T 4.3).

Total resources of a product are equal to its distributed output (actual output of the corresponding branch plus the balance of transfers of products with the other branches (see 617)) plus imports of similar products.

For the products of each branch, total uses equal total resources, by definition.

605. The three component tables contain the following elements:
- T 4.1 contains all the intermediate inputs. It is a square table with the branches along both rows and columns.
 - T 4.2 contains the final uses and the total uses by product. The rows correspond to the producer branches. The columns represent the categories of final uses: final consumption (final consumption of households, collective consumption), gross capital formation (gross fixed capital formation, change in stocks) and exports, total final uses and total uses.
 - T 4.3 contains both primary inputs for each branch and total resources for each product. In the upper part of this table the columns correspond to the producer branches and the rows to the main components of value added (compensation of employees, net operating surplus, consumption of fixed capital, net taxes linked to production). In the lower part of the table, the columns correspond to the products produced by each branch; the rows show the various transfers which make it possible to pass from actual output by branch to distributed output by product (ordinary by-products, adjacent products, incidental sales), imports, various valuation items (trade and transport margins, taxes, etc.) and finally total resources.

RECORDING OF OUT-OF-THE-MARKET TRANSACTIONS

606. The transactions in goods and services recorded in the input-output table have all been defined in chapter III. It should be stressed that the input-output table is the framework which fixes, by convention, the extent to which output and use of goods and market services not being actually marketed should be recorded.

607. These conventions lead to the recording of:
- a) both in output of goods and services (P 10) and in final consumption of households (P 30):
- agricultural and food products produced for own consumption by households
 - products provided by the units which produce them as remuneration in kind for their employees
 - housing services consumed by owner-occupier households

- b) both in output of goods and services (P 10) and in gross capital formation (P 40):
 - fixed capital goods produced on own account
 - changes in stocks of goods held by their producers
- c) both in output of goods and services (P 10) and in intermediate consumption (P 20):
 - output and intermediate consumption of goods and market services which, without being marketed, are consumed within institutional units whose activity spans several groups of the NACE/CLIO
 - output and consumption of certain goods specifically designated in the NACE/CLIO which, without being marketed, are consumed within the NACE/CLIO group which produced them (see 608 a).

CONSUMPTION INTERNAL TO THE GROUP AND INTRA-BRANCH CONSUMPTION

608. Consumption internal to the group covers:

- a) that part of the output of certain goods – specifically designated in the NACE/CLIO – consumed within the same group of the NACE/CLIO in which they were produced. These goods and the NACE/CLIO groups to which they belong are listed below:
 - 011 Grains and plants for sowing and planting
 - 111 Hard coal consumed by coal mines in the production of coal briquettes
 - 112 Lignite consumed in the production of lignite briquettes
 - 120 Coke and coke dust
 - 130 Natural gas
 - 140 Refinery products and other petroleum products (including refinery gas)
 - 161 Electrical energy consumed by power stations and their auxiliary services; energy consumed for pumping; electricity lost in transmission
 - 221 Pig iron.
- b) the consumption by each NACE/CLIO group of imported products similar to the ones it produces itself.

609. When the groups of the NACE/CLIO are aggregated into branches, *intra-branch consumption* covers:

- the consumption internal to each of the groups of which the branch is composed
- exchanges between the groups of which the branch is composed.

In this way, total intermediate consumption and total output do not depend on the level of aggregation of the groups or branches in the input-output table.

The vertical or horizontal integration of enterprises has no effect on the data for branches, because exchanges of products, which are not actually marketed and which are used within enterprises whose activity spans several groups, are recorded both in output and in intermediate consumption.

TREATMENT OF BY-PRODUCTS AND ADJACENT PRODUCTS

610. One consequence of the way in which a branch is defined is that, in certain cases, the output and use of products of a single reporting unit in the statistical enquiries must be allocated among several branches.

This breakdown poses methodological problems in the case of *technologically linked products called by-products*, and in the case of *adjacent products*.

611 to 615

611. An *exclusive by-product* is a product technologically linked to the production of other products in the same group, but which is not produced in any other group (e.g. molasses linked to the production of sugar in group 420 of the NACE/CLIO). Sales of exclusive by-products, which are used as inputs for the manufacture of other products, are treated in the usual way – that is, as deliveries from the producer group to the using group.
612. An *ordinary by-product* (i.e., a by-product which is not exclusive to a single group) is a product technologically linked to the production of other products, but which is produced in several groups (e.g., the hydrogen produced in petroleum refining is technologically linked to the production of products in group 252 (petrochemical and carbochemical products) but is identical to hydrogen produced in group 253 (other basic chemical products)).
613. An *adjacent product* is one whose use is similar to that of another product which is classified in a different group because its method of production is different (e.g. leather shoes, rubber shoes, shoes made from plastic materials).
614. For the analysis of uses, all identical products, or products having similar uses, should appear in a single row of the table; on the other hand, for the analysis of cost structures, it is logical to include all products obtained from a specified technique of production within the same column of the table.

The treatment of ordinary by-products and adjacent products must therefore achieve the following objectives:

- to obtain stable and meaningful technical coefficients in the branch which produces ordinary by-products or adjacent products as well as in the branches which produce products which are identical to them or which have similar uses
- to obtain a meaningful balance between resources and uses, both domestic and foreign, for each product, with the constraint that exports and imports of a product must appear in the same branch.

615. The method of treating ordinary by-products and adjacent products is as follows (see diagram):

NACE/CLIO group A produces the good *a* and also the good *b'* as an ordinary by-product or as an adjacent product. Group B produces the good *b*, which is identical to or has a similar use to, the good *b'* produced by group A.

Group A includes in its column all the costs necessary to produce *a* and *b'*, while group B includes in its column all the costs necessary to produce *b*. The objective of obtaining stable and meaningful coefficients is thus achieved: the costs of the two groups are those necessarily incurred in their production, and only these costs.

To achieve the second objective of obtaining a balance between resources and uses for each product, group A must record the domestic uses, exports and imports of the single product *a*, while group B records those of products *b* and *b'*, which are identical or have similar uses. The balance between the rows and columns of the groups A and B is achieved by recording, in a special row for transfers, a negative adjustment in column A and a positive adjustment in column B, the adjustments being equal to the amount of *b'*. These adjustments make it possible to proceed from the actual output of the groups to their distributed output.

The NACE/CLIO provides the list of ordinary by-products and adjacent products which must be treated in this way: when, however, several groups are aggregated to form a branch, transfers of ordinary by-products and adjacent products between these groups disappear.

DIAGRAM OF THE METHOD OF TREATING ORDINARY BY-PRODUCTS AND ADJACENT PRODUCTS IN THE INPUT-OUTPUT TABLE

	A	B	Total uses
A			a
B			b + b'
actual output	a + b'	b	
special row: transfers of ordinary by- products and adjacent products	-b'	+b'	
distributed output	a	b + b'	

TREATMENT OF INCIDENTAL SALES OF GENERAL GOVERNMENT AND PRIVATE NON-PROFIT INSTITUTIONS

616. The non-market branches of general government and private non-profit institutions may occasionally happen to produce certain goods and market services, or may provide non-market services to households for a nominal charge which covers only part of their production costs. The latter are partial charges, and not payments which are considered to be miscellaneous current transfers such as passport or driving licence fees, fines, etc. (see 496 a)

These sales are treated as follows:

- in the case of the incidental production of goods and market services, the sales are treated in the same way as *ordinary by-products* (i.e., as transfers, entered on a special row of the input-output table, to the branches which normally produce similar goods and services)
- in the case of *partial charges for non-market services*, these charges are treated as direct deliveries from the non-market branches of general government and private non-profit institutions to the final consumption of households.

CONCEPTS OF ACTUAL AND DISTRIBUTED OUTPUT

617. For each branch distributed output is equal to actual output, plus:

- the net balance of transfers of ordinary by-products
- the net balance of transfers of adjacent products
- transfers of incidental products originating from the non-market branches of general government and private non-profit institutions.

For the economy as a whole these transfers cancel each other out; distributed output of goods and services is therefore equal to actual output.

TREATMENT OF EXISTING GOODS

618. Definition: Existing goods are all goods which have entered the country's economic system, during the current period or a previous one, through being involved in transactions relating to production or imports, and to (intermediate or final) consumption or gross capital formation.
619. Existing goods feature in the input-output table only when they are involved in new transactions (sales/purchases) during the relevant period.
620. Existing goods include:
- a) antiques (works of art, collectors' pieces) which are sold from one unit to another
 - b) existing buildings and other fixed capital goods which are sold by producer units to other units:
 - to be re-used as such
 - to be demolished or broken up; the resulting products, which usually become raw materials (e.g. scrap iron) used for the production of new goods (e.g. steel), are called *demolition materials*⁽¹⁾.
 - c) existing consumer durables which are sold by households or military authorities (see 323 f) to other units:
 - to be re-used as such
 - to be broken up and converted into demolition materials
 - d) existing non-durable consumer goods (e.g. waste paper, rags, old clothes, old bottles, etc.) which are sold by any unit, either to be used again or to become raw material for the manufacture of new goods; these are called *recovered goods*.
621. Existing goods do not include land; transactions in land are not recorded in the input-output table, but are included under a special heading (P 71) of the capital account (see 398, 399).
622. Transactions involving existing goods carried out during the relevant period are recorded in the group recovery services (see NACE/CLIO group 620).
623. *In the column of the group recovery services appear*
- a) the value of only those purchases of goods and services and of factors of production which are used in the actual process of demolition itself and for the processing and treatment of the demolition materials (see 620 b) and recovered goods (see 620 d)
 - b) the total value of all *recovered goods* sold by the market branches (620 d) entered on the row net operating surplus. *By convention, the value of these goods is considered to be neither an intermediate input of the recovery services group which processes them nor an output of the group which sells them.*
- Transactions involving antiques (620 a) and other existing goods which are *re-used as such* do not appear in the column of the group recovery services.
624. *In the row of the group recovery services appear*
- a) the value of demolition materials and recovered goods sold by the group recovery services to each of the market groups which makes use of them
 - b) the net purchases⁽²⁾ of existing durable consumer goods and recovered goods *by the non-market branches of general government and private non-profit institutions*. The total net purchases are recorded in the consumption of each of these groups.
 - c) net purchases of antiques, existing durable consumer goods and recovered goods *by households*. Their total is recorded in the column final consumption of households

⁽¹⁾ The breaking up of boats, however, is an activity of NACE/CLIO group 361, Boats, etc. The recovered goods are therefore treated as an ordinary by-product and transferred to group 620, Recovery Services.

⁽²⁾ Purchases less sales.

- d) net purchases of antiques and existing fixed capital goods *by all groups*. Their total is recorded in the column gross fixed capital formation. If this balance is negative, it represents the country's *total disinvestment* during the relevant period
- e) exports of existing goods: antiques, re-usable existing goods, demolition materials, recovered goods. Their total is recorded in the column exports of goods and services.

625. *Miscellaneous comments*

- a) In the table showing gross fixed capital formation cross-classified by the producer branch and by branch of ownership, sales and purchases of antiques and existing fixed capital goods are shown on the row of the group recovery services; they appear as a negative item in the column of the selling branch and as a positive item in the column of the purchasing branch
- b) when the transactions described above involve trade and transport, the costs incurred are attributed to the purchaser of the existing goods and not to the recovery services group in a table valued at basic prices or at producers' prices
- c) antiques and existing goods which have been sold, but which are not yet being used again, are shown under change in stocks on the row of the group recovery services.

THE PRICES AT WHICH THE FLOWS ARE VALUED

626. When constructing input-output tables, the flows are expressed in value terms, i.e. quantities multiplied by prices.

Among the various possible bases of valuation for the flows of goods and services, a distinction has to be made between prices which can be observed directly, and prices or values which are reconstructed from accounting elements.

627. In the case of products of domestic origin and imported products the prices which can be directly observed are:

Products of domestic origin

- a) the basic price
 b) the producers' price
 1) excluding invoiced VAT
 2) including invoiced VAT
 c) the purchasers' price
 1) excluding deductible VAT
 2) including deductible VAT

Imported products

- a) the cif price
 b) the ex-customs price
 1) excluding invoiced VAT
 2) including invoiced VAT
 c) the purchasers' price
 1) excluding deductible VAT
 2) including deductible VAT

628. Basic price

The basic price of a product is equivalent to the sum of the costs of the goods and services used, and of the remuneration of the factors of production needed to produce that product⁽¹⁾. It does not include net taxes on the product⁽²⁾ paid by the producer unit but it includes the other net taxes linked to production which it pays.

The basic price as defined here is identical to the approximate basic value of a unit of the product, in the terminology of the System of National Accounts of the United Nations.

⁽¹⁾ By convention, in the following cases, the producers' profit, which is normally a component of the basic price, is zero:

- own-account production of fixed capital goods, research services and transport services
- goods and services provided by the units which produce them as remuneration in kind for their employees
- goods put into stock by their producers
- non-market services.

⁽²⁾ Throughout this chapter:

- the expression net taxes on products is used to indicate taxes on products (R 221) net of subsidies on products (R 311)
- the expression other net taxes linked to production is used to indicate other taxes linked to production (R 222) net of other subsidies (R 312)
- the expression net taxes linked to imports is used to indicate taxes linked to imports (R 29) net of import subsidies (R 39).

629 to 633

629. Cif price

The cif price is the price at which imported products are recorded in the foreign trade statistics (see 382). It covers the foreign producers' price, trade margins, and the costs of insurance and transport from the place of production to the border of the importing country.

630. Producers' price

The producers' price is the basic price plus net taxes on the product paid by the producer unit. It can be recorded:

- 1) excluding invoiced VAT on the product
- 2) including invoiced VAT on the product

631. Ex-customs price

The ex-customs price is the cif price plus net taxes linked to imports. It can be recorded:

- 1) excluding invoiced VAT on imports
- 2) including invoiced VAT on imports

632. Purchasers' price

The purchasers' price is the total price paid by the user, after deduction of any rebates and refunds.

In the case of products of domestic origin, the purchasers' price is equal to the producers' price plus the trade and transport margins. In the case of imported products, the purchasers' price is equal to the ex-customs price plus the trade and transport margins within the importing country.

The purchasers' price can be recorded:

- 1) excluding deductible VAT: this is the price actually paid by the purchaser, taking account of the operation of VAT. This price will differ, depending on whether the purchaser can deduct VAT or not.
- 2) including deductible VAT: this is the price including the VAT invoiced – by the producer or on import – irrespective of whether the purchaser can deduct this tax from the VAT he invoices.

In the case of exported products, the purchasers' price is taken to be the price at the border of the exporting country i.e. the fob price. This price is exclusive of VAT.

633. Other bases of valuation for the flows of goods and services can be adopted, especially in order to eliminate from the value of the products the effect of the taxes linked to production incorporated in the prices of the products before they leave the producer unit. In that case, the necessary corrections are made directly on the values of the flows, rather than on the prices themselves.

As a result, the flows of goods and services can be valued:

- a) at approximate factor value: by eliminating from the basic value the other taxes linked to production (R 222) paid by the branch
- b) at true factor value: by eliminating from the approximate factor value all taxes linked to production levied on the intermediate inputs
- c) at true basic value: by eliminating from the basic value the taxes on products levied on the intermediate inputs.

These three bases of valuation which differ from a valuation at prices which can be observed directly, are not used in the ESA.

TREATMENT OF VAT

634. Value added tax is a tax linked to production and imports which is collected by enterprises but is essentially borne by the final consumers of goods and services.
- Under the standard VAT system, each enterprise is allowed to deduct from the amount of VAT due on its own production the amount of tax it paid on its purchases of intermediate inputs or capital goods.
635. In the case of a producer subject to the standard VAT system, the following can be distinguished:
- a) VAT invoiced by the producer: this is the VAT which the producer calculates at the rate applying to the product sold and which he charges on his invoice to each purchaser
 - b) VAT invoiced to the producer on intermediate inputs: this is the VAT calculated at the rate applying to each product bought and which the producer has paid on all his intermediate inputs; this is hereafter referred to as deductible VAT on intermediate inputs
 - c) VAT invoiced to the producer on purchases of fixed capital goods and of goods put into stock: this is called deductible VAT on purchases of capital goods
 - d) VAT payable by the producer on his current transactions (a – b): this is the difference between the VAT invoiced by the producer and the VAT invoiced to the producer on his intermediate inputs (deductible VAT on intermediate inputs)
 - e) VAT paid by the producer (a – b – c): this is the difference between the VAT invoiced by the producer and the VAT invoiced to the producer (deductible VAT on intermediate inputs and on his purchases of capital goods)
 - f) VAT on products: this is the difference between the VAT invoiced by the producer on each product and the VAT deductible by other producers on the purchases of this same product.
636. For the valuation of the flows of goods and services in the input-output table at producers' prices, in the sector accounts and in the simplified accounts of the nation, it is necessary to make a choice between two valuation systems: the *net system* and the *gross system*.⁽¹⁾
637. In the net system of recording VAT, the flows of goods and services are valued as follows:
- output: excluding VAT invoiced by the producer
 - imports: excluding invoiced VAT on imports
 - intermediate uses: excluding deductible VAT
 - final consumption: including VAT
 - gross capital formation: excluding deductible VAT
 - exports: excluding VAT.
638. In the gross system of recording VAT, the flows of goods and services are valued as follows:
- output: including VAT invoiced by the producer
 - imports: including VAT invoiced on imports
 - intermediate uses: including VAT invoiced to the producer on intermediate inputs
 - final consumption: including VAT
 - gross capital formation: by product including VAT invoiced to the producer on purchases of capital goods. Deductible VAT on purchases of capital goods is globally deducted in order to get total gross capital formation⁽²⁾.
 - exports: excluding VAT.

⁽¹⁾ The gross system was used in the ESA for the years 1970 to 1975.

In view of the widespread application of VAT and the adoption by enterprises of an accounting system using values excluding deductible VAT, the net system has been introduced, starting from the final data for 1975.

⁽²⁾ If this global deduction is not made, the system of recording VAT is then described as the "integral gross system".

THE THREE TYPES OF TABLES

639. Depending on the valuation system adopted three types of input-output tables exist in the ESA:

a) *the input-output table at basic prices*, in which the flows are valued at basic prices for products of domestic origin and at cif prices for imports.

The basic price is theoretically the most satisfactory price to use in the context of an input-output table. For a given product, it is, in principle, identical along the entire row of an input-output table; the recorded values are thus representative of the quantities of products used.

b) *the input-output table at producers' prices* (table excluding deductible VAT), in which the flows are valued as follows:

- output, at producers' prices excluding invoiced VAT
- imports, at ex-customs prices excluding invoiced VAT
- intermediate and final uses, at producers' prices excluding deductible VAT, i.e. without or with VAT depending on whether the purchaser can deduct VAT or not.

A special row "VAT on products", in the resources section of the table, achieves the balance between total uses and total resources.

The producers' price is, in most cases, the one which producer units know best, and the most reliable one in statistical enquiries. It is also the price used by the producing units as a basis for their economic calculations.

c) *the input-output table at mixed prices*, in which the flows are valued in the same way as in the previous table, with the exception of the final uses which are valued at purchasers' prices excluding deductible VAT.

The table at basic prices

640. In the input-output table at basic prices, the flows are valued at basic prices for products of domestic origin and at cif prices for imported products.

In such a table a given column is composed of the following elements (the numbering of the items is the same as in the table below):

- 1) + 4) the costs of products used as intermediate inputs. Individually, they are valued at basic prices, but their total is valued at purchasers' prices; they consist of the following components:
 - inputs of intermediate goods and services used by the particular branch, valued at basic prices. This price does not include net taxes on the products purchased by the branch; it does, however, include net taxes already incorporated in the basic prices of products purchased from other branches
 - total trade and transport margins (valued at basic prices) paid by the branch on its inputs
 - total net taxes paid by the branch itself on products used⁽¹⁾, excluding deductible VAT
- 2) remuneration of factors of production, namely net value added at factor cost (R 10 + N 12)
- 3) consumption of fixed capital (A 1)
- 5) other net taxes linked to production (R 222-R 312).

The sum of items 1 to 5 above is equal to the value of output at basic prices.

⁽¹⁾ In practice, in order to obtain a square matrix of intermediate consumption, the row net taxes on inputs is placed below the row consumption of fixed capital outside the table of intermediate transactions. This is row 4 in the table.

The balances between resources and uses for the products of each branch can be summarised as follows:

SUMMARY OF THE TABLE AT BASIC PRICES

Resources	Uses
(1) Intermediate inputs at basic prices	(a) Intermediate uses at basic prices
(2) Net value added at factor cost	(b) Final consumption of households and collective consumption, at basic prices
(3) Consumption of fixed capital	(c) Gross fixed capital formation at basic prices
(4) Net taxes on inputs (excluding deductible VAT)	(d) Change in stocks at basic prices
(5) Other net taxes linked to production	(e) Exports at basic prices
(6) Actual output at basic prices	(f) Total final uses at basic prices
(6) = (1) + (2) + (3) + (4) + (5)	(f) = (b) + (c) + (d) + (e)
(7) Transfers of products	
(8) Distributed output at basic prices	
(8) = (6) + (7)	
(9) Imports of similar products at cif prices	
(10) Total resources at basic prices	(g) Total uses at basic prices
(10) = (8) + (9)	(g) = (a) + (f)

641. To sum up, an input-output table at basic prices is composed of:

- a table of intermediate consumption valued excluding the net taxes on products
- a table of final uses valued excluding the net taxes on products
- a table of primary inputs and resources in which the row net taxes on inputs shows all the net taxes (excluding deductible VAT) levied directly on the intermediate inputs of each branch.

The table does not show the net taxes paid by each branch to the government. For each branch it gives value added (gross or net) at factor cost but not gross value added at market prices.

The table at producers' prices (table excluding deductible VAT)

642. The flows in the input-output table at producers' prices (table excluding deductible VAT) are valued as follows:

- output: at producers' prices, excluding invoiced VAT⁽¹⁾
- imports: at ex-customs prices, excluding invoiced VAT
- uses: at producers'/ex-customs prices excluding deductible VAT

In the input-output table valued at producers' prices (table excluding deductible VAT), a given column is composed of the following elements (the numbering of the items is the same as in the table below):

- 1) each input of intermediate goods and services valued at producers' prices excluding deductible VAT; the total of these inputs is thus valued at purchasers' prices excluding deductible VAT
- 2) remuneration of factors of production, namely net value added at factor cost (R 10 + N 12)
- 3) consumption of fixed capital (A 1)
- 4) net taxes on products excluding invoiced VAT (R 221-R 311)
- 5) other net taxes linked to production (R 222-R 312).

⁽¹⁾ In the following cases, if no taxes have been levied on the product, the producers' price is by convention equal to the basic price:

- products exchanged within institutional units whose activity spans several groups of the NACE/CLIO and also certain products specifically designated in the NACE/CLIO which are consumed within the group which produced them
- agricultural and food products produced for own consumption
- fixed capital goods produced on own account
- goods and services provided by the enterprises which produce them as a form of remuneration in kind
- goods put into stock by their producers.

The costs of the products used being exactly the same at basic prices as at producers' prices, even though they are distributed differently⁽¹⁾, the only difference between the two valuations of output consists of net taxes on products excluding invoiced VAT.

643. In the input-output table valued at producers' prices (table excluding deductible VAT), a given row is composed of the following elements:

- a) the intermediate uses of the product valued at producers' prices excluding deductible VAT for products of domestic origin, or at ex-customs prices excluding deductible VAT for imported products
- b) the various final uses valued at producers' prices excluding deductible VAT for products of domestic origin, or at ex-customs prices excluding deductible VAT for imported products.

The valuation of uses at producers' prices excluding deductible VAT is therefore close to the prices actually borne by the purchasers.

In practice, an enterprise can generally deduct from the amount of VAT due on its output the amount of VAT it has paid on its purchases of intermediate inputs or capital goods. Exports are not subject to VAT. As a result, practically the whole of the VAT is paid by final consumers (households, government) for whom VAT is generally not deductible.

Since for each product, uses are valued excluding deductible VAT, and resources (of domestic origin and imported) are valued excluding invoiced VAT, a row "VAT on products, of domestic origin and imported" is added on the resources side, in order to maintain the balance between uses and resources for each product.

The balance between resources and uses for the products of each branch can be summarised as follows:

SUMMARY OF THE TABLE AT PRODUCERS' PRICES (table excluding deductible VAT)

Resources	Uses
(1) Intermediate inputs at producers' prices excluding deductible VAT	(a) Intermediate uses at producers' prices excluding deductible VAT
(2) Net value added at factor cost	(b) Final consumption of households and collective consumption at producers' prices, all taxes included
(3) Consumption of fixed capital	(c) Gross fixed capital formation at producers' prices excluding deductible VAT
(4) Net taxes on products excluding VAT	(d) Change in stocks at producers' prices excluding deductible VAT
(5) Other net taxes linked to production	(e) Exports at producers' prices, excluding VAT
(6) Actual output at producers' prices excluding invoiced VAT	(f) Total final uses at producers' prices excluding deductible VAT
(6) = (1) + (2) + (3) + (4) + (5)	(f) = (b) + (c) + (d) + (e)
(7) Transfers of products	
(8) Distributed output at producers' prices excluding invoiced VAT	
(8) = (6) + (7)	
(9) Imports cif of similar products	
(10) Net taxes linked to imports, excluding VAT	
(11) Imports at ex-customs prices excluding VAT	
(11) = (9) + (10)	
(12) VAT on products (domestic and imported)	
(13) Total resources at producers' prices	(g) Total uses at producers' prices
(13) = (8) + (11) + (12)	(g) = (a) + (f)

⁽¹⁾ In the table valued at basic prices, net taxes on inputs are recorded on a special row; in the table valued at producers' prices, they are included in each intermediate flow.

644. In summary, an input-output table at producers' prices (table excluding deductible VAT) is composed of:

- a table of intermediate consumption and a table of final uses both valued including all taxes except deductible VAT. The valuation of the same quantity of a given product depends therefore on the tax rules to which particular purchasers are subject
- a table of primary inputs and resources showing VAT on products (of domestic origin or imported). However, VAT invoiced by a producer, deductible VAT on intermediate inputs and VAT payable by the producer on his current transactions are not shown.

From the input-output table at producers' prices (table excluding deductible VAT) it is possible to calculate gross value added at factor cost (2+3) and gross value added at market prices (2+3+4+5) for each branch⁽¹⁾

The table at mixed prices

645. The flows in the input-output table at mixed prices are valued as follows:

- output and imports; at producers'/ex-customs prices excluding invoiced VAT
- intermediate uses: at producers' prices excluding deductible VAT
- final uses: at purchasers' prices excluding deductible VAT.

The valuation of flows in tables T 4.1 and T 4.3 is identical to that used in the tables at producers' prices (table excluding deductible VAT) (see 642)

For final uses at purchasers' prices excluding VAT, the following are used:

- a) final consumption of households:
 - the purchasers' price, for products bought on the market
 - the basic price of similar products, for agricultural and food products produced by households for their own consumption
 - the basic price⁽²⁾, for goods and services provided by the enterprises which produce them as remuneration in kind for their employees
- b) collective consumption of general government and private non-profit institutions, the value of the output of the corresponding non-market branches at producers' prices, after deducting the incidental sales of these branches (see 334 b and 616)
- c) gross fixed capital formation:
 - the purchasers' price excluding deductible VAT, for goods bought on the market
 - the basic price⁽²⁾, for goods produced on own account
- d) changes in stocks:
 - the basic price⁽²⁾, for stocks held by their producers
 - the purchasers' price excluding deductible VAT for stocks held by users
- e) exports, the f.o.b. price.

In order to ensure that resources and uses balance, a supplementary row is added to the table of primary inputs and resources; viz., trade and transport margins on final uses. Along this row, the entry for each product covers the trade and transport margins on its final uses, while the total trade and transport margins on final uses are recorded as negative entries for the output of the trade and transport branches. The total for this row is thus zero.

⁽¹⁾ However, it is not possible to calculate gross value added at market prices including VAT. For this, it would be necessary to know the VAT payable by the producer on his current transactions (i.e. the difference between the VAT invoiced by the producer and the VAT deductible by him on his intermediate inputs).

It is possible to calculate gross value added at market prices including VAT only on the basis of an input-output table at producers' prices compiled in accordance with the system of gross recording of VAT. In such a table,

- a) output is valued including invoiced VAT
- b) intermediate inputs are valued including deductible VAT

so that the difference (a - b) gives directly, for each branch, gross value added at market prices, including VAT.

⁽²⁾ Plus any net taxes actually paid.

The balance between resources and uses for the products of each branch can be summarised as follows:

SUMMARY OF THE TABLE AT MIXED PRICES

Resources	Uses
(1) Intermediate inputs at producers' prices excluding deductible VAT	(a) Intermediate uses at producers' prices excluding deductible VAT
(2) Net value added at factor cost	(b) Final consumption of households and collective consumption, at purchasers' prices
(3) Consumption of fixed capital	(c) Gross fixed capital formation at purchasers' prices excluding deductible VAT
(4) Net taxes on products excluding VAT	(d) Change in stocks at purchasers' prices excluding deductible VAT
(5) Other net taxes linked to production	(e) Exports fob
(6) Actual output at producers' prices excluding invoiced VAT	(f) Total final uses at purchasers' prices excluding deductible VAT
(6) = (1) + (2) + (3) + (4) + (5)	(f) = (b) + (c) + (d) + (e)
(7) Transfers of products	
(8) Distributed output at producers' prices excluding invoiced VAT	
(8) = (6) + (7)	
(9) Imports cif of similar products	
(10) Net taxes linked to imports, excluding VAT	
(11) Imports at ex-customs prices excluding invoiced VAT	
(11) = (9) + (10)	
(12) VAT on products (domestic and imported)	
(13) Trade and transport margins on final uses	
(14) Total resources at mixed prices	(g) Total uses at mixed prices
(14) = (8) + (11) + (12) + (13)	(g) = (a) + (f)

GEOGRAPHICAL BREAKDOWN OF EXPORTS AND IMPORTS

646. In the input-output tables, exports to other EEC countries and exports to third countries are shown separately for each product.

Table T 4.2 therefore includes three columns relating to exports:

- exports of goods and services to the Community
- exports of goods and services to third countries
- total exports of goods and services.

A similar method is used for imports and taxes linked to imports. Table T 4.3 therefore includes the following rows relating to imports⁽¹⁾:

- imports cif of similar products from the Community;
- imports cif of similar products from third countries;
- total imports cif of similar products;
- net taxes linked to imports of similar products from the Community;
- net taxes linked to imports of similar products from third countries;
- total net taxes linked to imports of similar products;
- imports of similar products from the Community at ex-customs prices;
- imports of similar products from third countries at ex-customs prices;
- total imports of similar products at ex-customs prices.

In addition, in order to facilitate analysis of intra-Community trade and the construction of a consolidated table for the Community as a whole, tables are compiled periodically in which the rows of T 4.1 and T 4.2 are sub-divided into three sub-rows and each cell is thus broken down into three components according to the origin of the products in question:

- flows from domestic production
- imports from other Community countries
- imports from third countries.

The breakdown of the total uses of each product into three elements, each of which corresponds to a different origin of the products, is therefore available.

⁽¹⁾ In the input-output table at basic prices, only the first three rows are shown.

CHAPTER VII

RULES OF ACCOUNTING

701. This chapter reviews the set of accounting principles and conventions of the ESA. Some of these principles and conventions, which have already been described in connection with the particular transactions concerned, will merely be referred to here.
702. The system records *transactions*, but this does not preclude the use of balance sheet data. Indeed, changes in balance sheet items themselves provide the data needed to evaluate certain transactions, in particular financial transactions other than those involving bills and short term bonds (F 40), long term bonds (F 50), and shares and other equities (F 60).
703. The rules of accounting for transactions are grouped under the following headings:
- valuation of transactions
 - time of recording transactions
 - criteria for recording transactions
 - uses/resources or changes in financial assets/liabilities
 - recording gross or net
 - consolidation of transactions and accounts
 - geographical allocation of transactions with the rest of the world
 - recording of the transmission of financial assets
 - recording of the issue and distribution of bonus shares by corporate enterprises.

VALUATION OF TRANSACTIONS704. **Valuation of transactions in goods and services**

The criteria and conventions governing the valuation of transactions in goods and services were specified when each transaction was defined in Chapter III or VI (see 626 et seq.).

705. **Valuation of distributive transactions**

As the great majority of distributive transactions represent cash flows, they present no valuation problems. Once the content of these transactions has been defined (see Chapter IV), and once their timing has been fixed (see 708), the value at which they should be recorded in the accounts is clearly established.

A problem of valuation arises only for distributive transactions which do not involve cash payments; that is, for *imputed flows* or *flows in kind*.

a) Distributive transactions which represent imputed flows.

These are:

- the imputed interest accruing to insurance policy holders (R 42); the way in which it is valued is explained in Chapter IV (see 433)
- imputed social contributions (R 63); the way in which these are valued is explained in Chapter IV (see 470–473)

b) Distributive transactions which represent the counterpart of payments in kind. The method of valuing such transactions is determined according to their nature; whether in goods and services or in financial assets or liabilities. Thus:

- goods and services given by the units which produce them to their employees as remuneration in kind are valued at basic prices (see 315 d)
- other goods and services supplied by producer units to their employees as remuneration in kind are valued at purchasers' prices
- bonus shares distributed to employees when the value of these shares is included in gross wages and salaries are valued at stock exchange or market prices (see 725)
- social benefits in kind are valued at the purchasers' prices paid by the unit which distributes the benefits.
- gifts in kind included in the following transactions: current transfers within general government (R 65), current transfers to private non-profit institutions (R 66), current international cooperation (R 67), private international transfers (R 68), miscellaneous current transfers (R 69), investment grants (R 71) and other capital transfers (R 79) are valued at the purchasers' price of similar goods.

706. Valuation of financial transactions

Financial transactions are valued at the prices at which they are carried out.

This means that until the transaction whereby an asset is transferred or liquidated is actually carried out, the amount of the potential profit or loss is not recorded.

When, on the other hand, a transaction is carried out whereby an asset is transferred, redeemed or cancelled, its value includes, but does not identify, the resulting profit or loss, as compared with the original value of the asset when it was acquired or created.

Since financial transactions involve values expressed directly or indirectly in monetary units, their valuation presents no special problems once their content has been defined (see Chapter V) and the time of recording has been determined (see 709). It is worth recalling, however, that only the value of the financial transaction itself is to be recorded and this does not include commissions, deductions or taxes paid by the purchaser and/or seller, interest and savings premiums paid at the same time as the capital etc., and other items which are themselves transactions specified in the system and are recorded as payments for services or as distributive transactions.

In the case of securities, for which several values are available (nominal value, issue value, stock-exchange quotation or market price, book value in the accounts, redemption value) the price to be recorded is:

- the issue price⁽¹⁾ for new securities
- the stock exchange quotation or market price for securities which are in circulation
- the redemption value⁽²⁾, for securities which have reached maturity.

⁽¹⁾ Where issue premiums are involved, issue prices are calculated as follows:

- in the case of *shares*, the issue price corresponds to the nominal value *plus* the issue premium
- in the case of *bills and bonds*, the issue price corresponds to the nominal value *less* the issue advance. However in the case of short-term bills, when the issue premium represents interest paid in advance, it is included in the issue price and is for this reason also recorded as actual interest (R 41).

⁽²⁾ This includes redemption premiums (the difference between the redemption price and the nominal value) but excludes payments by lottery (see 430 a) and savings premiums (see 4112 e).

TIME OF RECORDING TRANSACTIONS

707. The time at which transactions in goods and services are recorded

The time at which transaction in goods and services are recorded is determined by the following conventions:

Output of goods and services (P 10)

These are to be recorded at the time the goods being processed become usable or at the time the services are provided.

However:

- the output of goods whose production extends over several periods of time is to be recorded at the end of each period on the basis of the value of the work carried out during that period
- the output of renting services should be recorded at the time the rent is due
- the output of insurance services can be calculated only at the end of the period and is attributed to the period as a whole (see 315 k)
- the imputed output of bank services (P 13) can be calculated only at the end of the period and is attributed to the period as a whole (see 316)
- the output of non-market services (P 14) is recorded – because of the way in which it is valued – at the same time as the costs of its production are recorded. (see 317, 318)

Intermediate consumption (P 20)

- The intermediate consumption of market branches is recorded:
 - in the case of goods, at the time when they enter the production process, i.e. the time when they are actually consumed
 - in the case of services, at the time when they are purchased; by convention however, trade and transport services are to be recorded at the time when the goods in which they are embodied are consumed (see 322 b).
- The intermediate consumption of the non-market branches of general government and private non-profit institutions is recorded at the time when the goods and services are purchased. Goods withdrawn from stocks held by general government (strategic stocks, emergency stocks and stocks held by certain market regulatory organisations) (see 322 a) should, however, be recorded in intermediate consumption at the time when they are made available to branches.

Final consumption (P 30)

- the final consumption of households is recorded at the time of purchase of the goods and services⁽¹⁾
- the collective consumption of general government and private non-profit institutions is recorded at the same time as the corresponding output is recorded.

Gross fixed capital formation (P 41)

This is recorded at the time the capital goods are made available to the purchaser. The following, however, are recorded at the end of the accounting period:

- for buildings and construction work whose construction extends over several periods and for which a buyer has been found during a previous period, the value of work in progress carried out during the period
- for buildings and construction work whose construction extends over several periods and for which a buyer has been found during the period in question, the total value of work carried out from the date of the beginning of the construction until the end of the period under consideration

⁽¹⁾ In the case of hire-purchase, the time of recording is when the goods are delivered.

Change in stocks (P 42)

The change in stocks during the course of a given period represents the difference between goods put into stock – recorded at the time they are produced but not sold immediately, or bought but not used immediately – and goods taken out of stock – recorded at the time they are sold, or used. In practice, it is the difference between the stocks existing at the beginning and at the end of the period which is calculated at the end of the period. However, the following are always recorded at the end of the period:

- the value of work in progress carried out during the relevant period on machinery and equipment whose production extends over several periods
- the value of work in progress carried out during the relevant period on buildings and construction work whose construction extends over several periods and for which no buyer has yet been found.

Exports and imports of goods (P 51, P 61)

These are recorded:

- at the time the goods cross the limits of the economic territory, except in the case of transport equipment
- at the time of transfer of ownership, in the case of transport equipment.

Exports and imports of services (P 52, P 62)

These are recorded at the time the services are provided.

Net purchases of land and intangible assets (P 71, P 72)

These can be calculated only at the end of the relevant period and are attributed to the whole of the period.

708. The time at which distributive transactions are recorded

Distributive transactions are recorded at the time payment becomes due i.e. on an accruals basis. Nevertheless, for certain transactions, it is difficult to specify the time an amount becomes due and there are grounds for recording such transactions at the time payment is made in cash or, failing this, the time benefits are actually provided.

Compensation of employees (R 10)

- gross wages and salaries (R 101) are recorded at the time they are due
- employers' actual social contributions (R 102) are recorded at the time the wages and salaries to which they are related are due
- imputed social contributions (R 103):
 - representing the counterpart of compulsory direct social benefits are recorded at the time these benefits are due
 - representing the counterpart of voluntary direct social benefits are recorded at the time these benefits are provided.

Taxes linked to production and imports (R 20)

are recorded at the time the goods and services are produced, sold or imported.

Subsidies (R 30)

are recorded at the time they are due to the producers or importers.

However:

- subsidies which take the form of the difference between the purchasing price and the selling price charged by a government trading agency are recorded at the time the goods are bought by the agency, if the selling price is known at that time.
- subsidies intended to cover a loss incurred by a producer unit in a market branch are recorded at the time the general government agency decides to cover the loss.

Actual interest (R 41)

is recorded at the time it falls due. If the interest relates to several accounting periods it is not necessary to distribute it among the different periods.

Imputed interest accruing to insurance policy holders (R 42):

this can be calculated only at the end of the relevant period and is attributed to the period as a whole.

Income from land and intangible assets (R 43)

is recorded at the time it is due.

Dividends and other income distributed by corporate enterprises (R 44)

are recorded at the time they are due (and not when they are declared in the balance sheet or earned).

Withdrawals from the entrepreneurial income of quasi-corporate enterprises (R 45)

are recorded when they are withdrawn by the owners.

Profits assigned to employees (R 46)

are recorded at the time they are due.

Net accident insurance premiums (R 51)

are recorded when they are earned (see 315 k, note 2)

Accident insurance claims (R 52)

are recorded at the time the accident occurs (see 315 k, note 3).

Current taxes on income and wealth (R 61)

are recorded when they are due, i.e., the last date on which they can be paid without penalty.

Actual social contributions (R 62)

are recorded when the gross salaries and wages to which they are linked are due. The actual social contributions of persons who are not employed should, however, be recorded when they are due.

Imputed social contributions (R 63)

- imputed social contributions which represent the counterpart of compulsory direct social benefits are recorded at the time the benefits are due
- imputed social contributions which represent the counterpart of voluntary direct social benefits are recorded at the time the benefits are provided.

Social benefits (R 64)

- benefits in cash are recorded at the time they are due
- reimbursements in cash for goods and services purchased by households are recorded at the time the goods and services are purchased
- benefits in kind are recorded at the time they are provided.

Current transfers within general government (R 65)

are recorded at the time they are due.

Current transfers to private non-profit institutions (R 66)

are recorded at the time they are made. However, transfers received from general government should be recorded at the time they are due.

Current international co-operation (R 67)

is recorded at the time the transfers are due.

Private international transfers (R 68)

are recorded at the time they are made.

Miscellaneous current transfers (R 69)

are recorded at the time they are made. However, transfers received from (or made to) general government should be recorded when they are due.

Investment grants (R 71)

are recorded at the time they are due.

Capital taxes (R 72)

are recorded at the time they are due, i.e., the last date on which they can be paid without penalty.

Other capital transfers (R 79)

are recorded at the time they are made. However, transfers received from (or made to) general government should be recorded at the time they are due.

Change in the actuarial reserves for pensions (F 911):

this can be calculated only at the end of the relevant period and is attributed to the period as a whole.

709. The time at which financial transactions are recorded

The time of recording depends on whether or not the parties to the transaction have agreed in advance that the transaction and its counterpart shall take place at different times

- *When the two parties have specifically provided for a time-lag between the two transactions, the time of recording is that at which the financial asset is transferred*
- *When the two parties have not provided for a time-lag between the financial transaction which is to be recorded and its counterpart, the two transactions should be recorded simultaneously and the appropriate time for this depends on whether the counterpart of the financial transaction is itself a financial or a non-financial transaction.*
 - a) *When the counterpart of the financial transaction to be recorded is a financial transaction, three possibilities can be envisaged:*
 - *one of the two transactions is a payment⁽¹⁾:*
Both transactions are recorded at the time payment can be demanded. This is generally the time payment is made.
 - *both transactions are payments⁽¹⁾:*
They are recorded at the time the first payment is made.
 - *neither of the two transactions is a payment⁽¹⁾:*
Both transactions are recorded at the time the first transfer of a financial asset is made.
 - b) *When the counterpart to the financial transaction is a non-financial transaction, both are recorded at the time the non-financial transaction takes place.*

⁽¹⁾ Payment is to be taken to mean remittances of financial gold (F 00), SDRs (F 11), payments by currency or by cheque or other means of transferring sight deposits (F 20).

CRITERIA FOR RECORDING TRANSACTIONS

Uses/resources or changes in financial assets/liabilities

710. When recording transactions in goods and services and distributive transactions, the criterion *uses/resources* is applied. Transactions are treated as uses or as resources by referring to the monetary movements which are their counterpart⁽¹⁾.

When recording financial transactions, the concept of *change in financial assets/liabilities* is employed, being considered more useful for financial analysis than that of uses and resources⁽²⁾.

The link between these two criteria is shown in the following table:

	Change in financial assets = A - C	Change in liabilities = D - B
Uses = A + B	Increase in financial assets = A	Decrease in liabilities = B
Resources = C + D	Decrease in financial assets = C	Increase in liabilities = D

The balance between uses and resources is identical to the balance between changes in financial assets and changes in liabilities.

Recording gross or net

711. When a transaction figures among both resources and uses of the same account, it is said to be recorded *gross*. If only the balance between the two is shown under either resources or uses the recording is said to be *net*.
- *Transactions in goods and services* constitute either resources or uses. However, the following transactions, defined as balances, are, by convention, recorded net under uses:
 - Change in stocks (P 42)
 - Net purchases of land (P 71)
 - Net purchases of intangible assets (P 72)
 - *In the case of distributive transactions*, the general rule is to record gross. However, the change in actuarial reserves for pensions (F 911), defined as a balance, is recorded net among uses or among resources.
 - *Financial transactions*, being entered in the accounts according to the criterion of *change* in financial assets and change in liabilities, are recorded net.

⁽¹⁾ However, in the input-output tables and in the goods and services account (C 0) of the national economy, the concepts of uses and resources relate to the physical movements of goods and services and not to the monetary movements which are their counterpart.

⁽²⁾ However,

- the concept of uses and financial resources is used in Table 17 which breaks down the financial flows relating to long-term bonds and to medium- and long-term loans into transactions representing uses (purchases, subscriptions, loans granted, repayment of loans received) and transactions representing resources (issues, sales, recoveries of loans granted)
- the concept of financial uses is also used in Table 13 which analyses the expenditure of the general government sector by purpose and by type of transaction.

CONSOLIDATION OF TRANSACTIONS AND ACCOUNTS

712. Because of the difference in the criteria used for recording (see 711), the concept of consolidation applies differently in the non-financial and financial accounts.
713. *The non-financial accounts (C 0 to C 5) are said to be consolidated* when the transactions between units belonging to the same grouping (national economy, branches, groups, sectors, sub-sectors) are eliminated from both uses and resources.
714. The degree of consolidation of non-financial accounts is determined, by convention, as follows:
- a) *Goods and services account (C 0), production account (C 1)*
The problem of consolidation only arises for the output of goods and services and for intermediate consumption, totals whose level depends on the degree of consolidation of the flows of goods and services between producer units. This has been fixed in the context of the input-output table (see 606 to 609) and is retained throughout the system.
 - b) *Generation of income account (C 2)*
No consolidation occurs in this account, as the counterparts of transactions recorded here are recorded in the distribution of income account.
 - c) *Distribution of income account (C 3), capital account (C 5)*
The general rule is not to consolidate transactions between two units belonging to the same sector. For practical reasons, however, the following exceptions are made:
 - re-insurance transactions (premiums and claims) between resident insurance enterprises are consolidated
 - miscellaneous current transfers (R 69) refer only to transactions between units belonging to different sectors
 - distributive transactions between units belonging to the same sub-sector of general government are always consolidated
 - finally, for general government (S 60), both the following sets of accounts are given:
 - non-consolidated accounts established by summing all the items in the accounts of the three sub-sectors. In these accounts, distributive transactions between the three sub-sectors of general government are not eliminated
 - consolidated accounts established by summing all the items apart from those which refer to distributive transactions between sub-sectors.
715. *The financial account and the tables of financial transactions are said to be consolidated* when changes in financial assets and the corresponding changes in liabilities, which refer to units belonging to the same grouping (national economy, sector or sub-sector), are eliminated.

Changes to be eliminated may have their origin in transactions between units of the same grouping or in transactions between units belonging to different groupings.

Moreover, transactions between units of the same grouping, involving the sale of financial claims against other groupings, are eliminated without any need to introduce the concept of consolidation.

As a general rule, changes in financial assets and liabilities are given:

- consolidated in the simplified accounts for the nation (T 1)
- not consolidated in the sector accounts (T 3)
- both consolidated and not consolidated in the tables of financial transactions (T 15, T 16, T 17, T 18, T 19).

However, transactions involving bills and short-term bonds (F 40), long-term bonds (F 50) and shares and other equities (F 60) are never consolidated.

GEOGRAPHICAL ALLOCATION OF TRANSACTIONS WITH THE REST OF THE WORLD

716. Transactions with the rest of the world are allocated geographically as follows:

Transactions in goods and services, distributive transactions

- exports of goods (P 51): country of destination⁽¹⁾
- imports of goods (P 61): country of origin⁽¹⁾
- other current and capital transactions: the country of residence of the non-resident unit which is party to the transaction.

Financial transactions

- Transactions involving financial gold (F 00):
The following must be distinguished:
 - transactions between residents and non-residents, which are classified according to the country of residence of the non-resident party
 - transactions between residents (the monetization of industrial gold or demonetization of financial gold – see 253 b) which cannot be allocated geographically and which are classified, by convention, to the sub-sector third countries and international organisations (S 93)
- transactions involving SDRs (F 10):
The following must be distinguished:
 - acquisitions (and remittances) of SDRs (F 11) from (or to) another country which are assigned to the contracting countries
 - net allocations of SDRs (F 11); these cannot be distributed geographically and are assigned, by convention, to the sub-sector third countries and international organisations (S 93)
 - the counterpart of net allocations of SDRs (F 12); these cannot be allocated geographically and are assigned, by convention, to the subsector third countries and international organisations (S 93)
- other financial transactions:
 - the country of residence of the non-resident debtor or creditor.

717. **Multilateral payments**

Using the above criteria, it can happen that an economic or financial transaction is allocated geographically in a different way from the financial or monetary transaction which may be its counterpart (e.g., imports paid for in the currency of a third country, the purchase abroad of securities not issued within the country in which they are bought, etc). For this reason, there may be divergences between the net lending or net borrowing (N 5) of a particular sub-sector of the rest of the world and the net change in the financial assets and liabilities (N 6) of this same sub-sector. These divergences are eliminated by the entry *multilateral payments*. If it is known, the amount of the multilateral payments should appear at the bottom of the financial account above the row for adjustments; if it is not known, it is included in the row for adjustments.

RECORDING OF THE TRANSMISSION OF FINANCIAL ASSETS

718. It should be recalled that financial assets may be divided into instruments of investment and instruments of financing (see 503).

- a) *Instruments of investment*, being transferable, are the subject of a transaction not only when they are created, redeemed, or cancelled, but also each time they change hands.

⁽¹⁾ As defined for the purposes of external trade statistics.

From the time the instrument is sold by its first holder, and for each subsequent transaction, the following must be recorded in the accounts:

- a reduction in the financial assets of the previous holder
- an increase in the financial assets of the new holder, who becomes the creditor of the issuer
- no change needs to be recorded for the issuer of the instrument of investment.

Difficulties of accounting arise, however, when financial assets and liabilities are classified according to the debtor sector and creditor sector respectively. In effect, the new holder of the security who increases his assets by the amount of the financial asset, thereby acquires a claim against a clearly defined debtor, namely the issuer. He is therefore able to classify his financial assets according to the debtor sector. On the other hand, it is possible that the debtor may not know who is the current holder of the instrument of investment. It may be difficult, therefore, for him to classify his liabilities according to the identity of the creditor.

- b) *Instruments of financing*, not being transferable, are the subject of financial transactions only when they are created, when their individual value varies and when they are redeemed or cancelled.

For each transaction, therefore, the following are recorded:

- a change in financial assets for the creditor
- a change in liabilities for the debtor.

719. The documents which represent certain financial claims have technical characteristics belonging both to instruments of investment and instruments of financing. These are mainly bills of exchange and deposit certificates.

Bills of exchange

- 720.1. Bills of exchange and promissory notes are financial claims whose technical, legal and economic characteristics vary somewhat from one country to another.

When they are created, they basically represent the acknowledgment of the debt of a clearly specified debtor (the drawee of bills of exchange, the drawer of promissory notes) towards an equally clearly specified creditor (the drawer of bills of exchange, the beneficiary of promissory notes). They have, therefore, the characteristics of an instrument of financing.

However, the bills may be endorsed in favour of units belonging to different sectors; in particular, they are quite often discounted by a credit institution. The latter can keep them in its portfolio or, by discounting them again, endorse them in favour of other establishments. Thus, before they eventually mature, bills of exchange may have been in the portfolios of several credit institutions in turn and even of the central bank. They therefore circulate and in this respect resemble instruments of investment.

- 720.2. When accounting for the relevant transaction, bills of exchange are treated as instruments of financing. This means that when a bill of exchange is discounted, the endorsement in favour of the new holder gives rise to the creation of a new financial asset, the last holder becoming creditor to the previous holder and the new financial asset itself being an instrument of financing.

- 720.3. However, for practical reasons, not all bank refinancing can be recorded: by convention only one refinancing transaction is shown in which the creditor is the credit institution holding the bill of exchange and the debtor the institution which had discounted the bill of exchange to a non-financial enterprise.

721. **Deposit certificates**

Deposit certificates, which are a means of acknowledging a short term debt, also have technical characteristics which vary somewhat from one country to another.

When they carry an individual name and are not intended to circulate, these deposit certificates are treated in the same way as savings certificates or savings books (see 534). They are still to be considered as instruments of financing even if they can circulate to a limited extent. In this case, if exceptionally they come into full circulation, the transaction by which they are sold is treated as an instrument of investment. In particular, such a transaction does not give rise to the creation of a new liability between the previous holder and the new holder.

If the deposit certificates are made out to bearer and are destined for circulation, they are considered as bills and short term bonds (see 540).

RECORDING OF THE ISSUE AND DISTRIBUTION OF BONUS SHARES BY CORPORATE ENTERPRISES

722. An issue of bonus shares is one which has as a counterpart the capitalisation of own funds – reserves and undistributed profits – and gives rise to the remittance of new shares to shareholders in proportion to their holdings. Such an issue, which changes neither the liability of the corporate enterprise vis-à-vis the shareholders nor the proportion of the assets that each shareholder holds in the corporate enterprise, does not constitute a financial transaction and should not be recorded.

723. There are other forms of share distribution which do not possess all the preceding characteristics and which seem to be free since they do not take the form of a cash sale of shares on the market. These distributions are actually not free issues and are recorded as financial transactions in F 60. They are not necessarily intended for existing shareholders. The counterparts of these distributions cannot be specified and the shares distributed do not necessarily result from a new issue. When the value of shares to be distributed is small, they are, in fact, bought initially by corporate enterprises on the stock market, the purchases being recorded under the heading F 60.

724. Amongst the distributions which appear free but may not be the ESA notes the following cases where the counterpart is a known transaction recorded in the system:

- compensation of employees (see 408 h)
- profits assigned to employees (see 448.2)
- miscellaneous current transfers (see 496 h)
- dividend for the financial year paid to shareholders in the form of an issue of shares (see 440).

This list is not exhaustive.

When the counterparts of "free" distributions of this type are unknown through lack of statistical information, these distributions are not to be considered as bonuses. Any discrepancies which occur as a result between the balancing items of the capital and financial accounts are covered in the adjustment (N 5 – N 6).

725. Shares distributed in this way are to be recorded at the market price after distribution as liabilities of the corporate enterprise and as assets of the beneficiary units.

726 to 735

726. The recording criteria outlined in the preceding paragraphs are applicable for bonus issues of capital shares, redeemed shares (see 548) and equities (see 551).

They do not apply to new issues of dividend shares because, at the time of issue, such shares do not represent a current financial liability of the corporate enterprise. The assets of the holder of such shares accrue from the time part of the profits is withheld (see 548 c).

727 to 735: Deleted.

CHAPTER VIII

POPULATION AND EMPLOYMENT IN THE CONTEXT OF NATIONAL ACCOUNTS

801. Certain comparisons between countries, or between branches or sectors within the same economy, become meaningful only when the aggregates in the national accounts (for example, Gross Domestic Product, the final consumption of households, value added of a branch, compensation of employees) are considered in relation to the number of inhabitants, the number of occupied persons or the number of wage and salary earners. It is therefore necessary to have definitions of the total population, the occupied occupation and wage and salary earners which are closely linked to the concepts used in the national accounts.

The total population, the occupied population and wage and salary earners are defined in the ESA on the basis of the concepts of economic territory and centre of interest (see 205-211).

TOTAL POPULATION

802. Definition: On a given date, the total population of a country consists of all persons, national or foreign, who are permanently settled in that country, even if they are temporarily absent from it⁽¹⁾.
803. A person who is staying, or intends to stay, on the economic territory of the country for a period of more than one year is regarded as permanently settled there.
- A person is regarded as being temporarily absent if he or she is permanently settled in the country but is staying, or intends to stay, in the rest of the world for a period of less than one year.
804. The total population of a country includes:
- nationals settled in the country
 - civilian nationals who are staying abroad for a period of less than one year (frontier workers, seasonal workers, tourists, patients, students, etc.)
 - foreign civilians settled in the country for a period of more than a year (including the personnel⁽²⁾ of the Institutions of the European Communities and of international civilian organisations located within the geographic territory of the country)
 - foreign military personnel⁽²⁾ working with international military organisations located within the geographic territory of the country.

⁽¹⁾ This definition tallies with that used in the "1981 Community census of population Programme" (doc. 3065/76).

⁽²⁾ Including members of their households.

805 to 809

By convention, the total population also includes the following, irrespective of the length of their stay outside the country:

- members⁽¹⁾ of the country's armed forces stationed in the rest of the world
- nationals⁽¹⁾ who are on the staff of national scientific bases established outside the geographic territory of the country
- nationals⁽¹⁾ who are on the staff of diplomatic missions abroad
- members of the crews of fishing boats, other ships and aircraft operated by resident units.

805. Conversely, the total population of a country does not include:

- foreign civilians staying on the territory for less than a year (frontier workers, seasonal workers, tourists, patients, students, etc.)
- national civilians staying abroad for a period of more than one year
- national military personnel working with international organisations located in the rest of the world

and also, by convention,

- members of the armed forces of a foreign country who are stationed in the country
- the foreign personnel of foreign scientific bases located on the geographic territory of the country
- members of foreign diplomatic missions stationed in the country
- nationals who are members of the crews of fishing boats, other ships and aircraft operated by non-resident units.

806. The definition given above differs from the two other concepts currently used in the field of population statistics, namely:

- a) the present (or *de facto*) population, which consists of persons actually present on the geographic territory of a country at a given date
- b) resident (or *de jure*) population, which consists of persons who, at a given date, have their usual place of residence in the country.

807. Since the data on the aggregates in national accounts refer to a period of one year, the population figures to which they are related must represent the *mean of the total population over the course of the year*.

OCCUPIED POPULATION

808. **Definition:** The occupied population covers all persons engaged in some productive activity (in the national accounting sense) whether these persons are civilians or military personnel.

809. The occupied population covers the following categories of persons:

- wage and salary earners
 - self-employed persons
 - unpaid family workers
 - the armed forces.
- a) wage and salary earners are defined as all persons above a certain age who, during the relevant period, have worked for a public or private employer and been paid a wage, salary or equivalent remuneration in return

⁽¹⁾ Including members of their households.

- b) self-employed persons are defined as employers and persons working on their own account, provided they are not also in paid employment which constitutes their principal activity. In the latter case, they are classified under a)
- c) unpaid family workers are those who *regularly* help to run an agricultural holding or other business, provided they are not also in paid employment which constitutes their principal activity. In the latter case, they are classified under a)
- d) the armed forces, which include:
 - military personnel, originating from the country, drawn from the total population of working age, and who are on active service in the armed forces during the period under consideration, wherever they are stationed and whatever their status
 - mobile police units and armed patrols of frontier guards who receive tactical training, are equipped like military forces and are placed under military command.

The armed forces do not include:

- security forces – other than those just mentioned under the second item of d) – who are classified in civilian employment.
- reservists who are recalled for a period of training of less than a month and who continue to be classified as being in civilian employment according to their previous status.

810. The results of the activity of producer units can only be compared with the size of the occupied population if the latter, as defined above, includes both the residents and the non-residents who work for resident producer units: this is what is meant by the concept of the *domestic occupied population*.

This includes the following categories:

- foreign frontier workers, i.e. persons who cross the border each day to work in the country
- foreign seasonal workers, i.e. persons who move into the country and stay there for less than one year in order to work in sectors which periodically require additional labour
- members of the country's armed forces stationed in the rest of the world
- national personnel of national scientific bases located outside the geographic territory of the country
- nationals on the staff of diplomatic missions abroad
- members of the crews of fishing boats, other ships, aircraft and floating platforms operated by resident units
- local employees of general government bodies situated outside the country.

811. On the other hand, the following are excluded from the concept of the domestic occupied population:

- nationals who are frontier workers or seasonal workers, i.e. nationals who work in another country
- nationals who are members of the crews of fishing boats, other ships, aircraft and floating platforms operated by non-resident units
- local employees of foreign government agencies located on the geographic territory of the country
- the personnel of the institutions of the European Communities and international organisations located on the geographic territory of the country
- members of the armed forces working with international military organisations located on the geographic territory of the country
- nationals working in foreign scientific bases located in the country.

812 to 817

812. The concept of the domestic occupied population is thus different from the concept generally used in employment statistics. The latter, which is called national as distinct from domestic, covers persons who are resident in the legal sense. In contrast to the concept of the domestic occupied population the national concept
- includes in addition residents working for non-resident producer units (see 811)
 - excludes non-residents working for resident producer units (see 810).
813. In order to be able to make the transition to the concepts used in the labour force statistics (the civil occupied population on a national basis), the ESA provides for the following items to be shown separately at the bottom of Table 5.
- 1) the armed forces (not included in the labour force statistics, but included in the ESA under general government services)
 - 2) residents working for non-resident producer units (included in labour force statistics but not included in the occupied population as defined in the ESA)
 - 3) non-residents working with resident producer units (not included in labour force statistics but included in the occupied population as defined in the ESA)
814. As the aggregates to which the figures for occupied population are related are annual totals, *mean occupied population over the course of the year* should be used. When enquiries are conducted at several times during the course of the year, the figure taken is the average of the results obtained on these various dates.

When the mean occupied population is estimated on the basis of a single annual enquiry, some allowance should be made for the fact that certain people do not work throughout the whole year (for example, occasional and/or seasonal workers)⁽¹⁾.

WAGE AND SALARY EARNERS

815. Definition: Wage and salary earners consist of persons who work for an employer, whether public or private, and who receive compensation in the form of wages, salaries, fees, gratuities, payment by results or payment in kind.
816. The following categories are included:
- persons (manual and non-manual workers, management personnel, domestic staff) engaged by an employer under a contract of employment⁽²⁾
 - civil servants and other government employees whose terms and conditions of employment are laid down by public law
 - the armed forces, consisting of those who have enlisted for both long and short engagements and also conscripts
 - ministers of religion, if they are paid directly by general government or a private non-profit institution.
817. For wage and salary earners, both their mean employment figure and the number of hours worked are recorded in the ESA (see Table 5).
- a) *mean employment* represents the average number of wage and salary earners who have worked during the year.

⁽¹⁾ Thus, for example, a person who has worked for only three months of the year should be counted as $\frac{1}{4}$ of an occupied person. On the other hand, a person who does part-time work throughout the year is counted as one occupied person.

⁽²⁾ In the countries of the Community, members of a company's board of directors are not, in this capacity, considered to be employees.

When enquiries are made at several times during the course of the year, the figure taken is the average of the results obtained on the various dates. When mean employment is estimated on the basis of a single enquiry during the year, some allowance should be made for the fact that some people do not work as wage and salary earners throughout the whole year; (e.g. occasional and/or seasonal workers)⁽¹⁾

- b) *the number of hours worked* represents the amount of work actually carried out during the year to obtain a certain output.
818. In accordance with the norms established by the International Labour Office, hours of work actually carried out cover:
- a) hours actually worked during normal working hours
 - b) hours worked in addition to those worked during normal working hours
 - c) time which is spent at the place of work on tasks such as preparing the site, repair and maintenance work, the preparation and cleaning of tools, and the making out of receipts, invoices, records of the length of time worked and other reports
 - d) idle time spent at the place of work because, for example, of temporary lack of work, the breakdown of machinery or accidents
 - e) time spent at the place of work in short rest periods, including refreshment breaks.
819. On the other hand, hours of work actually carried out do not include:
- a) hours which are paid but not worked, such as annual holidays with pay, public holidays with pay, or sick-leave with pay
 - b) breaks for meals
 - c) time spent travelling from home to the place of work, and vice versa.

CLASSIFICATION OF OCCUPIED POPULATION AND WAGE AND SALARY EARNERS

820. The occupied population and wage and salary earners must be classified on the basis of the *same statistical units* as used for the analysis of production, namely the unit of homogeneous production and the institutional unit.

⁽¹⁾ Thus, for example, a person who has worked for only three months of the year should be counted as $\frac{1}{4}$ of an employed person. On the other hand, a person who does part-time work throughout the year is counted as one employed person.

CHAPTER IX

THE MEASUREMENT OF CHANGES IN PRICE AND VOLUME IN NATIONAL ACCOUNTS

901. In a system of economic accounts, all the flows are expressed in monetary units. The monetary unit is in fact the only common denominator which can be used to evaluate the extremely diverse transactions recorded in the accounts and to derive meaningful balancing items.

The use of the monetary unit as a measuring unit should not obscure the fact that this unit is neither a stable nor an international standard. For this reason, as soon as economic analysis becomes concerned with comparisons in time – between different periods⁽¹⁾ – it becomes necessary to distinguish, in the value changes for certain economic magnitudes, the changes arising solely from price changes from the remainder – changes in the “value at constant prices” – which is called the change in “volume”.

902. Equal importance should be attached to the accurate measurement of changes in prices and in volumes. In the short term, observation of price changes is of no less interest than the measurement of the volume of supply and demand. On a longer term basis, the study of economic growth has to take account of movements in the relative prices of the different types of goods and services.

903. The economic accounts have the advantage of providing a suitable framework for constructing a system of volume and price indices as well as ensuring the consistency of the statistical data.

The advantages of an accounting approach can be summarized as follows:

- 1) On a conceptual level, the use of an accounting framework covering the entire economic system requires the prices and physical units for the different products and flows in the system to be specified consistently. In a framework of this type, it is imperative that, for example, the price and volume concepts for a given group of products should be defined identically in both resources and uses.
- 2) On a statistical level, the use of the economic accounts framework imposes accounting constraints which must be respected both at current and constant prices and will normally require some adjustments to be made to ensure consistency of the price and volume data.

⁽¹⁾ The spatial comparison of prices and volumes – i.e. between different national economies – is being covered by statistical work carried out as part of the programme to establish purchasing power parities (PPP).

- 3) Furthermore, the creation of an integrated system of price and volume indices in the context of a system of economic accounts provides the national accountant with extra checks. Assuming the existence of an input-output table at current prices, the construction of a table at constant prices means that a system of implicit price indices can be automatically derived. Examination of the plausibility of these derived indices can lead to revision and correction of the data at constant prices and even, in some cases, of the values at current prices.
- 4) Finally, the accounting approach permits measurement of price and volume changes for certain balancing items in the accounts, the latter being derived by definition from the other elements in the accounts.

904. Despite the advantages of an integrated system based on the balance – both overall and by branch – of transactions in goods and services it has to be recognized that the price and volume indices thus obtained do not meet all needs or answer all possible questions on the subject of change in prices or volume. Accounting constraints and the choice of price and volume concepts, although essential for the construction of a coherent system, can be a hindrance when analysing a particular sector. In this case, other concepts of price and volume may prove useful.

I. SCOPE OF AN INTEGRATED SYSTEM OF PRICE AND VOLUME INDICES IN NATIONAL ACCOUNTS

905. Amongst the flows which appear in economic accounts at current prices, there are some – mainly transactions concerning goods and services – where the distinction between changes in price and volume is similar to that made at micro-economic level. For many other flows in the system, the distinction is far less obvious.

In the former case, the flows cover a group of elementary transactions, the value of each is equivalent to the product of a number of physical units and their respective unit price. In this case it is sufficient to know the breakdown of the flow in question into elementary transactions in order to determine its average variation in price and volume.

In the latter case – which concerns most distributive and financial transactions as well as their balancing items – it is intrinsically impossible to separate current values into price and volume components. An attempt can be made, however, to express these values in real terms by, for example, deflating them by means of an index of the prices of the goods and services which can be bought with them.

906. It must be emphasised that the procedure followed in the two cases is fundamentally different. An integrated system of price and volume indices can be established only for transactions of the first type. The valuation in real terms of flows of the second type uses price indices of flows other than those considered, which may differ according to the objectives of the analysis: it can only be convention and cannot be done within an integrated system of price and volume indices.

907. In the ESA, the systematic division of changes in current values into components “changes in price” and “changes in volume” is restricted to flows recorded in the goods and services accounts (C 0) and in the production accounts (C 1); it is carried out both for the data relating to individual branches and for those relating to the whole of the national economy.

The use of the accounting framework imposes a double constraint on the calculation of the data:

- 1) the balance of the goods and services account – for both individual branch and the national economy as a whole – must be obtained at both constant and current prices;
- 2) each flow at the level of the national economy must be equal to the sum of the corresponding flows for the various branches.

A third constraint, not inherent in the use of an accounting framework but resulting from a deliberate choice, is that every change in value must be attributed either to a change in price or to a change in volume.

If these three requirements are fulfilled, valuation of the goods and services accounts and production accounts at constant prices means that an integrated system of price and volume indices can be obtained.

908. The flows and other items to be considered when constructing such a system are as follows:

a) *Flows of goods and services*

- Output of goods and services (P 10)
 - Output of goods (P 11)
 - Output of market services other than the imputed output of market services
 - Imputed output of bank services (P 13)
 - Output of non-market services (P 14)
- Imports of goods and services (P 60)
 - Imports of goods (P 61)
 - Imports of services (P 62)
- Intermediate consumption (P 20): intermediate inputs
- Intermediate consumption (P 20): intermediate uses
- Final consumption of households on the economic territory (P 3B)
- Collective consumption of private non-profit institutions (P 3B)
- Collective consumption of general government (P 3B)
- Gross fixed capital formation (P 41)
- Change in stocks (P 42)
- Exports of goods and services (P 50)
 - Exports of goods (P 51)
 - Exports of services (P 52)

b) *Taxes linked to imports, import subsidies and VAT on products*

- Taxes linked to imports, excluding VAT (R 29)
- Import subsidies (R 39)
- VAT on products (R 21)

c) *Consumption of fixed capital (A 1)*

d) *Value added at market prices (N 1)*

II. CONCEPTS OF PRICE AND VOLUME

909. The creation of an integrated system of price and volume indices is based on the assumption that

- for each elementary transaction: $\text{value} = \text{price} \times \text{quantity}$
- for each flow shown in the accounts: $\text{value index} = \text{price index} \times \text{volume index}$.

In other words, each and every change in the value of a given flow must be attributed either to a price change or to a change in volume, or to a combination of the two. It will be shown below that this constraint has some repercussions on the concepts of price and volume.

Identification of the physical unit and the price per unit

910. For goods and market services, an elementary transaction between two economic units normally gives rise to a value which is the product of a quantity (of a good or service supplied) and a price per unit.

Consequently, in order to break the value down correctly into its "price" and "quantity" components, it is necessary to specify clearly in physical terms the nature of the good or service – i.e. to identify a physical unit.

For transactions in goods it is usually easy to define the physical unit involved in the transaction and hence the price per unit.

For the supply of services it is frequently more difficult to specify the characteristics which determine the physical unit and differences of opinion on the criteria to be used may arise. This may concern important branches such as credit and insurance services, wholesale and retail trade, services to enterprises, education, research and development, health or recreation. In view of the growing importance of the services sector in the economy, it is essential to find common solutions to the problem of the choice of physical units, even if they are only conventional ones.

911. Amongst the physical characteristics to be taken into consideration when identifying products, quality plays an important role, while at the same time raising difficult statistical problems.

The fact is that for many goods and services intended for a specific purpose there exist several varieties of differing qualities each with its own price.

In an integrated system of price and volume indices, products of differing quality should as far as possible be treated as separate products. Within a given market and in a single period, the coexistence of several unit prices can be considered as evidence of the existence of quality differences.

Accordingly, the various models of cars and even different versions of the same model must be treated as different products. Similarly, a distinction must be made between first-class and second-class railway journeys.

Generally speaking, it can be concluded that, for the purposes of calculating price and volume measures, it is necessary to use as fine a product classification as possible so that each product identified has maximum homogeneity, regardless of the level of detail used in the presentation of results.

912. There are, however, limits to the possibility of extending the product classification as far as might appear desirable in order to distinguish as separate products all the various qualities existing on the market. In many cases, the statistics available do not allow as detailed an identification of individual products as might be desired, particularly where different qualities are concerned.

It must therefore be admitted that, even at the most detailed level of the classification used in the calculations, a product distinguished in the classification may still be subject to:

- 1) a general change in the quality of the product
- 2) a modification in the pattern of supply and demand towards poorer or better qualities.

Paragraphs 914 to 917 below indicate how these changes are dealt with.

913. The physical characteristics by which a product is distinguished are not confined to certain basic physical properties (e.g. weight, size, distance covered etc.) or to the intrinsic quality of the products, but include also the circumstances in which a good or service is supplied.

In reality, the payment made when a good is purchased covers not only the price of the good but also the price of the services associated with the supply of this good. This means that identical goods sold at different prices and in different circumstances should be considered as separate products.

This conclusion is explicitly acknowledged in the input-output table at basic prices or producers' prices where the trade and transport margins – which represent the main services associated with the provision of goods – are recorded separately from the price of the goods.

Variation in quality; component of the variation in volume

914. Changes over time are not limited to changes in the quantities and prices of the product. Many goods and services are subject to quality changes which modify their physical characteristics.

The change in quality of a given product must be considered as a change in volume and not price. Thus, when a product has been subject to quality improvement during a given period, a comparison of its selling price at the beginning and the end of the period reflects not only price but also quality change. An adjustment must be made to take this into account if the price change is to be correctly measured.

915. It is difficult to evaluate the size of the numerical adjustment needed when there is a change in quality. It is, however, essential if volume and price trends are to be represented in a coherent system. Even if the method used is very approximate, a rough estimate of the adjustment is better than none at all.

916. Different methods can be used to estimate changes in the quality of a product:

- a) the first method uses changes in the physical characteristics of the product itself. For simple products these are measurable factors such as the fat content of milk, the alcohol content of beer, etc. For complex products, objective technical characteristics can be used as quality indicators; for some such products the use of multiple regression analysis may lead to better estimates of changes in quality.
- b) another method uses the changes in the production costs of the product at base year prices. This supposes that if additional resources are used in the manufacture of a modified product, the quality of the product increases correspondingly.

917. When there are considerable changes in the quality of a product, it is preferable to treat the original product as obsolete and its new version as a new product, i.e. as a product existing only in the most recent period.

The problem is then how to impute a price for an obsolete product which no longer exists in the most recent period, or how to impute what the price of a new product would have been in the base period. This may be done by, for example, utilising changes in the prices of similar products which do exist in both periods.

The effects of aggregation: variation in the composition of a flow

918. The previous paragraphs have been devoted solely to describing the concepts of volume and price in the case of basic products, each with clearly defined physical characteristics. It must now be borne in mind that, even at the most detailed level of the accounts, the flows of goods and services represent the aggregation of transactions involving a large number of separate basic products.

919. One result of this is that the total money values shown in the accounts and tables of the system cannot be broken down into a total quantity or volume, on the one hand and a unit price on the other. This would mean lumping together chalk and cheese and forgetting that the concept of a unit price is only meaningful for products whose physical characteristics are completely homogeneous.

920 to 923

920. A further consequence of aggregation is that changes in the value of any flow between two periods will reflect not only changes in the quantities of the products under consideration and changes in their prices, but also changes in the composition of the flow, i.e. the changes in the relative importance of the different types or qualities of products recorded in this flow or the changes in the relative importance of the different product uses.

921. Changes in the average quality of products

Even when a flow of goods or services relates to a specific product, it will normally include several types or qualities of the product. Now, the relative importance of the various types or qualities changes over time, e.g. as a result of changes in users' needs or the supply of goods available. After a while, the composition of the flow in question will be different from its structure in the base year. For example, there may be an increase in the proportion of higher quality products. As a result, even if the price of each type of the product is unchanged, the total value of the product will have increased more – or diminished less – than the total quantity of the product.

The difference between the two changes is the result of a change in structure: it can be called the "quality effect". This effect must be recorded as a change in volume and not as a change in price. This solution is in accordance with the principle that quality change is to be considered as a part of the change in volume. It also follows from the rule that a price change for a given flow can occur only as a result of changes in prices at the level of individual transactions.

922. Changes in the pattern of the uses of a product in the event of price discrimination

Another instance of a change in the structure of a flow affecting its total value occurs when, for tax or other reasons, identical products are sold at different prices depending on the type of use for which they are intended and when the distribution of the product among these different uses varies over time.

If, for example, a producer sells his product cheaper for export than on the home market and supposing that from one year to the next the total quantities he produces and his prices remain the same, an increase in the proportion of his output which is exported is enough to give rise to a reduction in the total value of the output.

This reduction in value is not attributable either to a change in price or to a change in the quantities produced; it reflects merely a change in the pattern of uses.

In such a case, the convention adopted is to consider that, in the absence of a change in any individual price, it is the index of the volume of production which has changed. In other words, a change in structure which gives rise to a change in value is treated as a change in volume and not price.

III. APPLICATION TO SPECIFIC FLOWS

923. To apply the concepts of price and volume to the different flows in the system, it is necessary to specify the solutions to be adopted for a number of problems which arise in this connection.

The following paragraphs deal, in turn, with flows of goods and market services, flows of non-market services, taxes linked to imports, import subsidies and VAT on products, the consumption of fixed capital, and value added at market prices.

Flows of goods and market services

924. Of all the flows in the economy, the changes in the value of the flows of goods and market services are the most readily broken down into price and volume changes. In this context a clear distinction should be made between:

- a) flows representing transactions actually carried out on the market at a certain price;
- b) flows representing imputed transactions (e.g. own account production of agricultural products and accommodation services);
- c) flows whose value is defined as a balance between transactions in goods and services (e.g. trade margins);
- d) flows whose value is defined as a difference between distributive and/or financial transactions (e.g. insurance services, imputed bank services).

925. The flows in category a) are by far the most numerous and commonplace. Changes in the values of these flows can, by their very nature, be split into volume and price changes.

The flows in category b), which are notional transactions, are typified by the absence of an actual price for the transaction. Their prices are assumed to move in the same way as the prices used in actual market transactions in similar goods and services.

The flows in category c) are those whose value at current prices is obtained as a difference between the values of two flows of goods and services. This arises, for instance, in the case of trade margins whose value at current prices is defined as the difference between the value of goods sold by the wholesale and retail trades and the value of goods bought for resale (see 315 f). Estimates of trade margins at constant prices can therefore also be made by difference, by subtracting the constant price value of goods bought for resale from the constant price value of goods resold by these trades. An alternative method of measurement would be to extrapolate the trade margins of the base year by the volume of sales or purchases made by the wholesale and retail trades.

The flows in category d) include insurance services and imputed bank services. In the absence of an identifiable price, the current price value of these services is calculated globally, by convention, as the difference between certain distributive and/or financial transactions. As the value of these transactions cannot be estimated at constant prices directly, the only way to determine volume and price indices for the flows in question is by convention. It should be noted that while the methods used for imputed bank services do not affect the price and volume indices of gross domestic product, those for insurance services do so.

Flows of non-market services

926. The establishment of a comprehensive system of price and volume indices covering all resources and uses of goods and services encounters a particular difficulty in the case of non-market services. These services differ from the other services in that they are not sold at a market price and their value at current prices is calculated by convention as the sum of the costs incurred (see 317).

In the absence of a unit market price, the "unit cost" of a non-market service can be considered as equivalent to the price. However, the determination of the unit cost, like that of the unit price, is inseparable from the identification of the services supplied, i.e. from the units of quantity which are used as indicators of the volumes of these services.

927. In the context of the economic accounts, it is of prime importance to adopt the principle that the production and consumption of non-market services – like the production and consumption of goods and market services – must be defined in terms of the actual flows of these goods and services and not in terms of final results obtained from their use. As these results depend on several other factors as well, it is not possible to measure, for example, the volume of teaching services by the rise in the level of education, or the volume of health services by the improvement in the health of the population.

928 to 933

928. The non-market services produced by general government and private non-profit institutions cover a vast range of services both necessary and useful to society. They do, however, fall into two main categories:
- a) Services provided to individuals, i.e. whose consumers or beneficiaries are individually identifiable. Consumption of these services requires individual initiative on the part of those concerned.
 - b) Pure collective services, i.e. services which are consumed jointly by the entire population.

929. The *services provided to individuals* can be given to single individuals (e.g. medical care) or to groups of individuals (e.g. teaching). By their nature, these services can be supplied on a market or a non-market basis; in many cases, the individual can obtain services of this type either by applying to a market unit (paying the price) or by turning to a non-market unit of general government or private non-profit institution (getting the services free, or almost free).

In the case of services provided to individuals, changes in the volume of their output and consumption should be measured on the basis of the *use* which is made of these services; this will avoid using different criteria for the same services depending on whether they are market or non-market. Of course, any change in quality must be treated as a change in volume; but this applies as much to market services as to non-market services provided to individuals.

930. The *pure collective services* are produced by general government or private non-profit institutions for the benefit of the entire population. In fact, they cover a vast range of activities such as general public services, national defence, foreign affairs, justice and the police, town planning and the environment, economic policy, etc. Since these services are consumed collectively, indirectly and continuously, the volume of their output cannot be measured by the extent to which they are utilised.

In order to measure the output of pure collective services in terms of volume, it is therefore necessary to start from a valuation at constant prices of the different cost elements of this output, i.e.:

- a) intermediate consumption
- b) compensation of employees
- c) taxes linked to production
- d) consumption of fixed capital

931. The calculation of intermediate consumption at constant prices poses no particular theoretical problems since intermediate consumption relates to goods and market services. It can be done either on the basis of quantities revalued at base year prices, or by deflating current values by a price index of intermediate consumption.

932. Calculation at constant prices of the compensation of employees is done by dividing the current values by a weighted index of gross compensation. This index must be built up from individual indices for the different grades and scales of wages and salaries, weighted by the number of people in each group in the current year. In this way any increase in the workforce or improvement in the average level of qualifications will be automatically reflected in the volume index of compensation of employees.

Taxes linked to imports, imports subsidies and VAT on products

933. Although essentially limited to transactions involving goods and services, the integrated system of price and volume indices does not exclude the possibility of calculating measures of changes in price and volume for certain other transactions. This possibility exists, in particular, in the case of taxes and subsidies directly linked to the quantity or value of the goods and services which are the object of certain transactions.

934. The simplest case is that of taxes which represent a fixed amount per unit of quantity of the product which is the object of the transaction. The value of the revenue from such a tax depends upon:

- a) the quantity of products involved in the transaction
- b) the amount levied per unit, i.e. the taxation price.

The breakdown of the value change into its two components presents virtually no difficulties. The variation in volume is determined by the change in the quantities of products taxed; the price variation corresponds to the change in the amount levied per unit, i.e. to the change in the taxation price.

935. A more frequent case is that in which the tax represents a certain percentage of the value of the transaction. The value of the revenue from such a tax then depends upon:

- a) the quantity of products involved in the transactions
- b) the price of the products involved in the transactions
- c) the tax rate (as a percentage).

The taxation price is then obtained by applying the rate to the price of the product. The change in value of the revenue from a tax of this type can also be divided into a volume change, determined by the change in the quantities of products taxed, and a price change corresponding to the change in the taxation price ($b \times c$).

936. By applying these rules, it is possible to obtain price and volume measures for the categories of taxes and subsidies which are recorded in the goods and services accounts⁽¹⁾, namely:

- taxes linked to imports, excluding VAT (R 29)
- import subsidies (R 39)
- VAT on products (R 21)

937. The amount of *taxes linked to imports (excluding VAT)* (R 29) is measured in terms of volume by applying to the quantities of products imported the taxation prices of the base year or by applying to the value of imports, revalued at the prices of the base year, the tax rates of the base year.

938. Similarly, the amount of *import subsidies* (R 39) is measured in terms of volume by applying to the quantities of products imported the subsidy prices of the base year or by applying to the value of imports, revalued at the prices of the base year, the rates of subsidy of the base year.

939. *VAT on products* (R 21) is, both for the whole economy and for individual branches, the difference between VAT invoiced on the products and VAT deductible by the users of these products. The estimation in volume terms of VAT on products presupposes, therefore, that the flows of which it is the difference are calculated at constant prices.

The amount of *deductible VAT* is that part of invoiced VAT which is not payable by users. production and imports, revalued at base year prices, the rates of VAT in force in the base year. Any change in the amount of invoiced VAT arising from a change in the rates of VAT or from a change in the prices of the products will therefore be reflected in the price index – and not in the volume index – of invoiced VAT.

The amount of *deductible VAT* is that part of invoiced VAT which is not payable by users. Assuming this fraction remains constant over time, there is no great difficulty in the calculation of deductible VAT and, therefore, of VAT on products at constant prices.

⁽¹⁾ The same rules can also be applied to calculate taxes on products (R 221) and subsidies on products (R 311) at constant prices.

However, the fraction of deductible VAT in invoiced VAT can change:

- a) either because of a change in the right to deduct VAT, resulting from a change in tax laws or regulations, taking effect with or without a time lag.
- b) or because of changes in the pattern of the uses of the product (e.g. increase in the proportion of uses on which VAT may be deducted).

A change in the amount of deductible VAT resulting from a change in the right to deduct VAT must be treated as a change in the taxation price, as must a change in the rate of invoiced VAT.

On the other hand, a change in the amount of deductible VAT resulting from a change in the pattern of uses of the product constitutes a change in the volume of deductible VAT; it will therefore be reflected in the index of the volume of VAT on products.

940. Consumption of fixed capital

The calculation of volume measures of the consumption of fixed capital poses few problems when good data on the composition of the stock of fixed capital goods are available. The perpetual inventory method, used by most countries, already implies, for the estimation of the consumption of fixed capital at current prices, the need to pass via a calculation of the stock of fixed capital goods at constant prices. To go from a valuation at historic cost to one at replacement cost it is first necessary to value capital goods acquired over a number of different periods on a homogeneous basis, i.e. base year prices. The price and volume indices derived in the process can therefore be used to calculate the value of the consumption of fixed capital at constant prices and the associated price index.

Where there is no perpetual inventory of the stock of fixed capital goods, the change in the consumption of fixed capital at constant prices can be obtained by deflating the current price data by price indices derived from data on gross fixed capital formation by product.

Value added at market prices

941. In the ESA, value added at market prices, the balancing item in the production account, is the only balancing item to form part of the integrated system of price and volume indices. The very special characteristics of this item must, however, be emphasized as must the significance of its related volume and price indices.

Unlike the various flows of goods and services, value added does not represent a well-defined category of transactions. It cannot, therefore, be directly broken down into a price component and a volume component. As a result, value added at constant prices is defined as the difference between output at constant prices and intermediate consumption at constant prices.

942. Value added at constant prices is therefore normally calculated by using the double deflation method, i.e. by deflating separately the two flows of the production account (output and intermediate consumption) and by calculating the balance of these two revalued flows.

In certain cases, where the statistical data remain incomplete or not sufficiently reliable, it may be necessary to use a single indicator – i.e. to apply to value added the same volume index as that relating to output or intermediate consumption, it being assumed that the volume of value added changes at the same rate as output or intermediate consumption.

By their very nature, therefore, the indices of volume and price for value added are intrinsically different from the corresponding indices for the flows of goods and services. In fact, the same applies to price and volume indices of aggregate balancing items such as gross domestic product at market prices. The latter is equivalent to the sum of all the values added – i.e. to an addition of balancing items – and from another point of view can be seen to represent the balancing item between total final uses and imports.

IV. CHOICE OF INDEX NUMBER FORMULAE AND THE BASE YEAR

943. The construction of an integrated system of price and volume indices entails a deliberate choice as to the types of indices to be used. For compiling both yearly and five-yearly data, *Laspeyres-type indices* are used to measure changes in volume and, consequently, *Paasche-type indices* to measure changes in prices.

This means that for all flows covered by the system the data in current value for the year n are systematically revalued at the prices of the base year O . These can be obtained by extrapolating base year values by volume indices, by deflating current values with price indices or again by direct valuation of current quantities at base year prices.

944. The main disadvantage in using indices of the Laspeyres type lies in the fact that the further the base year is left behind, the more out-of-date the weighting scheme of the indices becomes. They therefore become progressively less suitable for measuring current trends. This disadvantage is not unavoidable; it can be reduced by changing the base year frequently enough to take account of both structural changes in the economy and changes in relative prices.
945. For this reason, the ESA has adopted the principle of changing the base year every five years as from 1970. The change is effected after the final detailed data for the new base year – in particular the five-yearly input-output tables – become available.

V. THE ACCOUNTS AND TABLES AT CONSTANT PRICES

946. The system of measuring changes in prices and volumes finds concrete expression in a set of accounts and tables where the current values are replaced by values at constant prices, i.e. by values calculated at the prices of a base year. The input-output table forms the central, conceptual and statistical framework for all the measures at constant prices. Additional data are found in supplementary tables.

When constant-price tables are available the volume indices are calculated directly from the series of values at constant prices. The price indices are obtained by dividing the values at current prices by the values at constant prices.

947. The development of an integrated system of price and volume indices must necessarily keep in step with the compilation of accounts and tables at current prices. As regards the latter, first of all the annual data are to be distinguished from the very detailed data compiled only once every five years; the annual data can be sub-divided into the preliminary data, based on incomplete or less detailed statistics, and the final, more detailed data used to compile the annual input-output table.

The programme for calculating the accounts and tables at constant prices therefore comprises three different stages:

- a) the preliminary annual data, compiled prior to the completion of the input-output table;
- b) the final, more detailed annual data;
- c) the five-yearly data.

In all the accounts and tables at constant prices, the bases on which the flows are valued (producers' prices, purchasers' prices etc.) are the same as in the corresponding accounts and tables at current prices.

948 to 950

948. Preliminary annual data compiled prior to the completion of the input-output table

These are contained in the following accounts and tables:

- 1) (Consolidated) Goods and services account for the national economy
- 2) Gross value added at market prices by branch
- 3) Final consumption of households on the economic territory by purpose
- 4) Gross fixed capital formation by product
- 5) Gross fixed capital formation by branch of ownership.

It will be noted that at this stage of the calculations, the only accounting constraint operates at the level of the whole economy: the balance between resources and uses is ensured in the goods and services account of the national economy and the amounts shown in the other tables must agree in total with those recorded in the goods and services account for the national economy.

949. Annual data linked to the annual input-output table

These are derived mainly from the compilation of the goods and services accounts (C 0) and production accounts (C 1) by *branch*, which are directly linked with the calculation of the annual input-output table at current prices.

They require the goods and services account for the national economy to be disaggregated and a production account for the national economy to be established.

It will be noted that the main strength of the calculations at this stage is the *balance by branches* of the uses and resources of goods and services. As a result of this, the accounting constraints are appreciably reinforced. The consistency check does not go so far as to require each cell in the table of intermediate consumption to be evaluated at base year prices. On the other hand, it does require the total of intermediate inputs calculated at constant prices to equal the total of intermediate uses calculated at constant prices for the economy as a whole.

950. Five-yearly data

These data, calculated in conjunction with the five-yearly input-output table, are intended to provide final detailed figures for measuring long-term movement in prices and volume.

They are derived from a revaluation of the cells of the five-yearly input-output table⁽¹⁾ – including the sub-rows – for the year $n+5$ at the prices of the year n , using Paasche price indices or by applying Laspeyres volume indices to the values for the year n . Depending on the statistics available, the precise methods used may, however, vary from one country to another and from one branch to another.

⁽¹⁾ except the components of net value added at market prices.

ANNEX
CLASSIFICATIONS,
ACCOUNTS AND TABLES

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CLASSIFICATIONS AND CODING

1. CLASSIFICATION AND CODING OF INSTITUTIONAL SECTORS AND SUB-SECTORS

Sectors and sub-sectors	Code
Non-financial corporate and quasi-corporate enterprises	S 10
Credit institutions	S 40
Central banking authorities	S 41
Other monetary institutions	S 42
Other credit institutions	S 43
Insurance enterprises	S 50
General government	S 60
Central government	S 61
Local government	S 62
Social security funds	S 63
Private non-profit institutions serving households	S 70
Households	S 80
Rest of the world	S 90
Member countries of the European Communities	S 91
Institutions of the European Communities	S 92
Third countries and international organisations	S 93

2. CLASSIFICATION AND CODING OF BRANCHES AND PRODUCTS

A. NACE-CLIO (R 44)

Regrouping of the NACE-CLIO groups into branches for the input-output tables (44 branches and 7 sub-branches)

NACE-CLIO (R 44) Branches	NACE-CLIO Groups	Description
01		Goods
	011	Agricultural, forestry and fishery products
	012	Vegetable products from agriculture and forests
	013	Wine
	014	Olive oil, unrefined
	019	Animal products from agriculture and hunting
	020	Agricultural products which are exclusively imported
	030	Forestry products
	030	Fishery products
03		Coal, lignite (brown coal) and briquettes
	111	Coal and coal briquettes
	112	Lignite (brown coal) and lignite briquettes
05	120	Products of coking
07		Crude petroleum, natural gas and petroleum products
	130	Crude petroleum, natural gas and bituminous shale
	140	Refined petroleum products
09		Electric power, gas, steam and water
	161	Electric power
	162	Gas (distributed by pipes)
	163	Steam, hot water, compressed air
	170	Water (collection, purification, distribution)
11		Production and processing of radioactive materials and ores
	151	Ores containing radioactive substances
	152	Production and processing of radioactive materials
13		Ferrous and non-ferrous ores and metals, other than radioactive
	211	Iron ore
	212	Non-ferrous metal ores (other than radioactive ores)
	221	Pig iron, crude steel, hot rolled and cold rolled sheets, coated metal sheets (ECSC products)
	222	Steel tubes
	223	Extruded and drawn metal, cold-rolled products, cold-formed steel parts and sections
	224	Non-ferrous metals
15		Non-metallic mineral products
	231	Gravel, stone, sand and clay
	232	Salts of potassium and of natural phosphates
	233	Rock-salt, marine salt
	239	Other minerals, peat
	241	Bricks and pottery products
	242	Cement, lime, plaster
	243	Building and construction materials made of concrete, cement or plaster
	244	Articles made of asbestos (except for articles made of asbestos-cement)
	245	Stones and other non-metallic mineral products
	246	Millstones and other abrasive products
	247	Glass (plate, hollow, technical, fibre glass)
	248	Ceramic products
17		Chemical products
	252	Petrochemical and carbochemical products
	253	Other basic chemical products
	255	Paints, varnishes and printing inks
	256	Other chemical products, mainly for industrial and agricultural purposes
	257	Pharmaceutical products
	258	Soaps, synthetic detergents, perfumes, cosmetics and toilet preparations
	259	Other chemical products mainly for household and office use
	260	Artificial and synthetic fibres

NACE-CLIO (R 44) Branches	NACE-CLIO Groups	Description
19	311 312 313 314 315 316	Metal products except machinery and transport equipment Foundry products Metal products which are forged, stamped, embossed or cut Products of secondary processing of metals Structural metal products Products of boilermaking Tools and finished metal articles, except electrical equipment
21	321 322 323 324 325 326 327 328	Agricultural and industrial machinery Agricultural machinery and tractors Machine tools for metal working, tools and equipment for machinery Textile machinery and accessories, sewing machines Machinery for the food and chemical industries; bottling, packaging, wrapping and related machinery; rubber artificial plastics working machinery Mining equipment, machinery and equipment for metallurgy, for the preparation of building materials, for building and construction, for mechanical handling and lifting Gears and other transmission equipment Machinery for working wood, paper, leather and footwear, laundering and dry-cleaning equipment Other machinery and mechanical equipment
23	330 371 372 373 374	Office and data processing machines; precision and optical instruments Office and data processing machines Measuring, precision and control instruments Medico-surgical equipment, orthopaedic appliances Optical instruments and photographic equipment Clocks and watches
25	341 342 343 344 345 346 347	Electrical goods Insulated wires and cables Electric motors, generators, transformers, switches, etc. Electrical equipment for industrial use, batteries and accumulators Telecommunications equipment, meters and measuring equipment, electro-medical equipment Electronic equipment, radio and television receiving sets, sound reproducing and recording equipment, gramophone records and pre-recorded tapes Electric household appliances Electric lamps and other forms of electric lighting
27	351 352 353	Motor vehicles Motor vehicles and engines Bodywork, trailers and caravans Spare parts and accessories for motor vehicles
29	361 362 363 364 365	Other transport equipment Boats, steamers, warships, tugs, floating platforms and rigs, materials from the breaking up of boats Locomotives, other railway and tramway rolling-stock, vans and wagons Cycles, motorcycles, invalid carriages Aircraft, helicopters, hovercraft, missiles, space vehicles and other aeronautical equipment Perambulators, invalid chairs, carts, etc.
31	412	Meats, meat preparations and preserves, other products from slaughtered animals
33	413	Milk and dairy products
35	411 414 415 416 417 418 419 420 421 422 423	Other food products Vegetable and animal oils and fats Fruit and vegetable preserves and juices Fish preserves and other sea food for human consumption Cereals, flour and flakes Food pastes Starch and starch products Bread, rusks, biscuits, cakes and pastries Sugar Cocoa, chocolate, sweets, ice-creams Animal and poultry feedingstuffs Other food products

NACE-CLIO (R 44) Branches	NACE-CLIO Groups	Description
37	424 425 426 427 428	Beverages Ethyl alcohol from fermented vegetable products and products based on it Champagne, sparkling wines, wine-based aperitifs Cider, perry, mead Malt, beers, brewers' yeast Mineral waters, soft drinks
39	429	Tobacco products
41	431* 432* 436 438 439 453* 455 456	Textiles and clothing Processed textile fibres, products of spinning, thread-making, balling Woven and velvet materials Products of the hosiery trade Carpets, carpeting, oilcloth, linoleum and other coated fabrics Other textile products Ready-made clothes and clothing accessories Household linen, bedding, curtains, wall coverings and awnings, sails, flags, bags Articles of fur
43	441 442 451*	Leathers, leather and skin goods, footwear Leathers, skins, hides tanned or otherwise processed Leather and skin goods Footwear, slippers made wholly or partly of leather
45	461 462 463 464 465 466 467	Timber, wooden products and furniture Sawn, planed, seasoned, steamed wood Veneered and ply wood, fibre board and particle board, improved and preserved wood Carpentry, wooden buildings, joinery, parquet flooring Wooden containers Wooden articles (other than furniture), sawdust and shavings Articles of cork, straw, basketware (other than furniture), brooms, brushes Furniture of wood and cane, mattresses
47	471 472 473 474	Paper and printing products Wood pulp, paper, board Products of pulp, paper and board Products of printing Products of publishing
49	481 482 483	Rubber and plastic products Rubber products Re-treaded tyres Plastic products
51	491 492 493 494 495	Other manufacturing products Precious and costume jewellery, goldsmiths' and silversmiths' products; working of precious and semi-precious stones; diamond cutting and polishing; striking of coins and medals Musical instruments Products for printing and developing cinematographic and photographic films Games, toys, sports goods Fountain pens and ballpoint pens, seals, other products n.e.c.
53	505 506 507 509	Building and construction Construction of dwellings Non-residential buildings Civil engineering works Demolition of buildings
		Market services
55	620 671 672*	Recovery and repair services Scrap metals, waste paper, rags, salvage, other products from recovery and demolition Repair of motor vehicles and bicycles Repair of footwear and leather articles, electrical household goods, watches and clocks, jewellery

NACE-CLIO (R 44) Branches	NACE-CLIO Groups	Description
57	610 630 640	Wholesale and retail trade Wholesale trade Services of commercial intermediaries Retail trade
59	660	Lodging and catering services
61	710 721 722 723 724 725 730	Inland transport services Railway transport services and associated services Local transport services, including underground, railways, tramways and regular bus services Long distance road transport services for passengers Long distance road transport services for merchandise Services of transport by pipelines Land-borne transport services n.e.c. (funicular railways, cable cars, chair-lifts) Inland waterways services
63	741 742 750	Maritime and air transport services Maritime transport services Coastal transport services Air transport services
65	761 762 763 764 771 772 773	Auxiliary transport services Services associated with land transport other than railways Services associated with inland waterways Services associated with maritime and coastal transport Services associated with air transport Services of travel agencies Services of transport intermediaries Warehouse and storage services
67	790	Communication services
69	811 812 813 820	Services of credit and insurance institutions Services of central banking authorities Services of other monetary institutions Services of other credit institutions Services of insurance
71	830 840	Business services provided to enterprises Services of financial and insurance auxiliaries; real estate; services of lawyers, accountants, tax advisers, management consultants; publicity services; computer and data processing services Services of renting of movable goods without accompanying personnel
73	850	Services of renting of immovable goods
75	93 C 94 C	Market services of education and research Market services of education Market services of research and development
77	95 C	Market services of health
79	92 C 96 C 97 C 981 982 983 984	Recreational and cultural services, personal services, other market services n.e.c. Market services of refuse disposal, sanitation and cleaning Market services of hostels, professional, economic and employers' associations Market recreational and cultural services Laundries, dry cleaners and similar services Hairdressing and beauty salons services Photographic studios services Other personal services n.e.c. (funeral services, matrimonial agencies, fortune telling, etc.)
81	91 92 A	Non-market services General public services General public services of national defence, of compulsory social security Non-market services of refuse disposal, sanitation, cemeteries, provided by general government

NACE-CLIO (R 44) Branches	NACE-CLIO Groups	Description
85	96 A	Non-market services of social welfare, hostels, tourist offices, employers' and professional associations, economic organizations provided by general government
	97 A	Non-market services of recreational and cultural activities provided by general government (entertainments, sports grounds and clubs, libraries, public archives, museums, botanical and zoological gardens)
89		Non-market services of education and research provided by general government and private non-profit institutions
	93 A, B	Non-market services of education provided by general government and private non-profit institutions
	94 A, B	Non-market services of research and development provided by general government and private non-profit institutions
93	95 A, B	Non-market services of health provided by general government and private non-profit institutions
	96 B	Domestic services and other non-market services n.e.c. Non-market services of social welfare, hostels, tourist offices, trade unions, employers' associations, religious organizations and learned societies, political parties, consumers' and civic organizations etc., provided by private non-profit institutions
	97 B	Non-market services of recreational and cultural activities (entertainments, sports grounds and clubs, libraries, public archives, museums) provided by private non-profit institutions
	99	Domestic services

The rows of the input-output table include the following sub-branches:

NACE-CLIO (R 44) Sub-branches	NACE-CLIO Groups	Description
09.1	161, 163	Electric power, steam, hot water, compressed air
09.3	162	Gas (distributed by pipes)
09.5	170	Water
13.1	211, 221, 222, 223	Ferrous metals and minerals
13.3	212, 224	Non-ferrous metals and minerals
63.1	741, 742	Maritime transport and coastal services
63.3	750	Air transport services

* The coverage of these headings is different from the corresponding headings of the version of the NACE used in collecting statistics.

B. NACE-CLIO (R 25) and (R 6)

Regrouping of the 44 NACE-CLIO branches into 25 branches and 6 branches

NACE CLIO Code R 6		NACE CLIO Code R 25	NACE-CLIO (R 44)
01	Agricultural, forestry and fishery products	01	01
06	Fuel and power products	06	03 + 05 + 07 + 09 + 11
30	Manufactured products		
	Ferrous and non-ferrous ores and metals, other than radio-active	13	13
	Non-metallic minerals and mineral products	15	15
	Chemical products	17	17
	Metal products, except machinery and transport equipment	19	19
	Agricultural and industrial machinery	21	21
	Office and data processing machines, precision and optical instruments	23	23
	Electrical goods	25	25
	Transport equipment	28	27 + 29
	Food, beverages, tobacco	36	31 + 33 + 35 + 37 + 39
	Textiles and clothing, leather and footwear	42	41 + 43
	Paper and printing products	47	47
	Rubber and plastic products	49	49
	Other manufactured products	48	45 + 51
53	Building and construction	53	53
68	Market services		
	Recovery and repair services, wholesale and retail trade services	56	55 + 57
	Lodging and catering services	59	59
	Inland transport services	61	61
	Maritime and air transport services	63	63
	Auxiliary transport services	65	65
	Communication services	67	67
	Services of credit and insurance institutions	69 A	69 A
	Other market services	74	71 + 73 + 75 + 77 + 79
86	Non-market services	86	81 + 85 + 89 + 93

C. NACE-CLIO (RI 26) and (RI 7)

Regrouping of the NACE-CLIO groups into 26 and 7 branches
producing fixed capital goods (products)

Code NACE CLIO RI 7	Code NACE CLIO RI 26	Description	NACE-CLIO groups
01	01	Agricultural, forestry and fishery products	011, 012, 013, 014, 019, 020, 030
20	19.1	Metal products and machinery Foundry products, structural metal products, products of boilermaking	311, 312, 313, 314, 315
	19.3	Tools and finished metal goods, except electrical goods	316
	21.1	Agricultural machinery and tractors	321
	21.3	Machine tools for metal working, tools and equipment for machinery	322
	21.5	Textile machinery and accessories, sewing machines	323
	21.7	Machinery for the food and chemical industries; bottling, packaging, wrapping and related machinery; rubber and artificial plastics working machinery	324
	21.9	Machinery for working wood, paper, leather and footwear, laundering and dry-cleaning equipment	327
	21.11	Machinery and equipment for mining, for metallurgy, for building and construction, for mechanical handling and lifting	325, 326
	21.13	Other machinery and mechanical equipment	328
	23.1	Office and data processing machines	330
	23.3	Precision instruments	371, 372, 374
	23.5	Optical instruments and photographic equipment	373
	25.1	Electrical equipment	341, 342, 343
	25.3	Telecommunications equipment, meters and measuring equipment, electronic equipment	344, 345
	25.5	Electric household appliances and electric lighting	346, 347
28	27	Transport equipment Motor vehicles and engines	351, 352, 353
	29.1	Boats, steamers, warships, tugs, floating platforms and rigs, materials from the breaking up of boats	361
	29.3	Locomotives, other railway and tramway rolling-stock, vans and wagons	362
	29.5	Aircraft, helicopters, hovercraft, missiles, space vehicles and other aeronautical equipment	364
	29.7	Other transport equipment	363, 365
53.1	53.1	Dwellings	505
53.3	53.3	Non-residential buildings	506
53.5	53.5	Civil engineering works	507
84	84	Other products	remaining groups NACE-CLIO

3. CLASSIFICATION AND CODING OF THE ACCOUNTS AND THE BALANCING ITEMS

Code	Account	Balancing item	Code
I. Domestic Accounts			
C 0	Goods and services account	- (account balanced by definition)	-
C 1	Production account	Value added at market prices	
		- gross	N 1
		- net	N 11
C 2	Generation of income account	Operating surplus	
		- gross	N 2
		- net	N 12
C 3	Distribution of income account	Disposable income	
		- gross	N 3
		- net	N 13
C 4	Use of income account	Saving	
		- gross	N 4
		- net	N 14
C 5	Capital account	Net lending or net borrowing	N 5
C 6	Financial account	Net change in financial assets and liabilities	N 6
II. Rest of the World Accounts			
C 7	Current transactions account	Balance of current transactions with the rest of the world	N 7
C 5	Capital account	Net lending or net borrowing of the nation	N 5
C 6	Financial account	Net change in financial assets and liabilities vis-a-vis the rest of the world	N 6

4. CLASSIFICATION AND CODING OF TRANSACTIONS IN GOODS AND SERVICES

Transaction	Code
Output of goods and services	P 10
Output of goods	P 11
Output of market services other than the imputed output of bank services	P 12
Imputed output of bank services	P 13
Output of non-market services	P 14
Intermediate consumption	P 20
Final consumption	P 30
Final consumption of resident units on the economic territory	P 31
Final consumption of resident households in the rest of the world	P 32
Final consumption of non-resident households on the economic territory	P 33
Final national consumption (P 31 + P 32)	P 3A
Final consumption on the economic territory (P 31 + P 33)	P 3B
Gross capital formation	P 40
Gross fixed capital formation	P 41
Change in stocks	P 42
Exports of goods and services	P 50
Exports of goods	P 51
Exports of services	P 52
Imports of goods and services	P 60
Imports of goods	P 61
Imports of services	P 62
Net purchases of land and intangible assets	P 70
Net purchases of land	P 71
Net purchases of intangible assets	P 72

5. CLASSIFICATION AND CODING OF DISTRIBUTIVE TRANSACTIONS

Transactions	Code
Distributive transactions linked to the process of production	
Compensation of employees	R 10
Gross wages and salaries	R 101
Employers actual social contributions	R 102
Imputed social contributions	R 103
Taxes linked to production and imports	R 20
VAT on products	R 21
Taxes linked to production excluding VAT	R 22
Taxes on products	R 221
Other taxes linked to production	R 222
Taxes linked to imports excluding VAT	R 29
Subsidies	R 30
Production subsidies	R 31
Subsidies on products	R 311
Other production subsidies	R 312
Import subsidies	R 39
Other transactions involving the distribution of income	
Property and entrepreneurial income	R 40
Actual interest	R 41
Imputed interest accruing to insurance policy holders	R 42
Income from land and intangible assets	R 43
Dividends and other income distributed by corporate enterprises	R 44
Withdrawals from the entrepreneurial income of quasi-corporate enterprises	R 45
Profits assigned to employees	R 46
Accident insurance transactions	R 50
Net accident insurance premiums	R 51
Accident insurance claims	R 52
Unrequited current transfers n.e.c.	R 60
Current taxes on income and wealth	R 61
Actual social contributions	R 62
Employers' actual social contributions	R 621
Employees' social contributions	R 622
Social contributions by self-employed and non-employed persons	R 623
Imputed social contributions	R 63
Social benefits	R 64
Social benefits linked to actual contributions	R 641
Social benefits corresponding to imputed contributions	R 642
Other social benefits	R 643
Current transfers within general government	R 65
Current transfers to private non-profit institutions	R 66
Current international co-operation	R 67
Private international transfers	R 68
Miscellaneous current transfers	R 69
Transactions involving the distribution of capital	
Capital transfers	R 70
Investment grants	R 71
Capital taxes	R 72
Other capital transfers	R 79

6. CLASSIFICATION AND CODING OF FINANCIAL TRANSACTIONS

Items	Code
Financial gold	F 00
Special drawing rights (SDRs)	F 10
Assets consisting of special drawing rights (SDRs)	F 11
Counterpart of the net allocation of SDRs	F 12
Currency and transferable sight deposits	F 20
Currency and transferable sight deposits, in national currency	F 21
Currency and transferable sight deposits, in foreign currency	F 22
Net position in the IMF	F 23
Other deposits	F 30
Other deposits in national currency	F 31
Time deposits in national currency	F 311
Sight savings deposits in national currency	F 312
Time savings deposits in national currency	F 313
Other deposits in foreign currency	F 32
Bills and short-term bonds	F 40
Long-term bonds	F 50
Shares and other equities	F 60
Shares	F 61
Other equities	F 62
Short-term loans	F 70
Short-term trade credit	F 71
Accounts receivable and payable	F 72
Other short-term loans	F 79
Medium- and long-term loans	F 80
Medium- and long-term trade credit	F 81
Other medium- and long-term loans	F 89
Insurance technical reserves	F 90
Actuarial reserves against outstanding risks and reserves for with-profits insurance	F 91
Change in the actuarial reserves for pensions ⁽¹⁾	F 911
Pre-payments of premiums and reserves against unsettled claims	F 92
Special classification	
Gross official reserves of the monetary authorities (and corresponding liabilities)	L 10
Monetary gold	L 11
Assets consisting of special drawing rights (SDRs)	L 12
Net position in the IMF	L 13
Other sight and short-term assets	L 14
Medium- and long-term assets	L 15
Financial assets and liabilities vis-à-vis the rest of the world, except the official reserves	L 20
Financial gold other than monetary gold	L 21
Sight and short-term assets	L 22
Medium- and long-term assets	L 23
<i>For reference</i>	
Forward counterpart of swap transactions	L 30
with resident units	L 31
with non-resident units	L 32
Assets of the IMF in national currency (as a result of drawings recorded in the General Account)	L 40

⁽¹⁾ Adjustment flow appearing only in the use of income account and in the current transactions account of the rest of the world (see 4118).

7. CLASSIFICATION AND CODING OF THE PURPOSES OF FINAL CONSUMPTION OF HOUSEHOLDS⁽¹⁾

1 Food, beverages and tobacco

11 Food

- 111 Bread and cereals
- 112 Meat
- 113 Fish
- 114 Milk, cheese and eggs
- 115 Oils and fats
- 116 Fruit and vegetables other than potatoes and similar tubers
- 117 Potatoes, manioc and other tubers
- 118 Sugar
- 119 Coffee, tea, cocoa
- 1110 Other foods, including preserves and confectionery

12 Non-alcoholic beverages

13 Alcoholic beverages

14 Tobacco

2 Clothing and footwear

21 Clothing other than footwear, including repairs

- 211 Clothing other than footwear
- 212 Repairs to clothing other than footwear

22 Footwear, including repairs

- 221 Footwear
- 222 Repairs to footwear

3 Gross rent, fuel and power

31 Gross rent and water charges

- 311 Gross rent
- 312 Water charges

32 Fuel and power

- 321 Electricity
- 322 Gas
- 323 Liquid fuels
- 324 Other fuels

4 Furniture, furnishings, and household equipment and operation

41 Furniture, fixtures, carpets, other floor coverings and repairs

- 411 Furniture, fixtures, carpets, other floor coverings
- 412 Repairs to furniture, fixtures, carpets, other floor coverings

⁽¹⁾ This list is the same as the classification of household goods and services in table 6.1 of the SNA (System of National Accounts) – United Nations, New York 1968.

- 42 Household textiles, other furnishings and repairs
 - 421 Household textiles and other furnishings
 - 422 Repairs to household textiles and other furnishings
- 43 Heating and cooking appliances, refrigerators, washing machines and similar major household appliances, including fittings and repairs
 - 431 Heating and cooking appliances, refrigerators, washing machines and similar major household appliances, including fittings
 - 432 Repairs to heating and cooking appliances, refrigerators, washing machines and similar major household appliances
- 44 Glassware, tableware and household utensils including repairs
 - 441 Glassware, tableware and household utensils
 - 442 Repairs of glassware, tableware and household utensils
- 45 Household operation except domestic services
 - 451 Non-durable household goods
 - 452 Household services excluding domestic services
- 46 Domestic services

5 Medical care and health expenses

- 51 Medical and pharmaceutical products
- 52 Therapeutic appliances and equipment
- 53 Services of physicians, nurses and related practitioners
- 54 Hospital care and the like
- 55 Service charges on accident and health insurance

6 Transport and communication

- 61 Personal transport equipment
- 62 Operation of personal transport equipment
 - 621 Tyres and tubes, parts and accessories; and repair charges
 - 622 Petrol, oils and greases
 - 623 Other expenditure
- 63 Purchased transport
- 64 Communication

7 Recreation, entertainment, education and cultural services

- 71 Equipment and accessories, including repairs
 - 711 Radio and television sets, record-players, etc.
 - 712 Photographic equipment, musical instruments, boats and other major durables
 - 713 Other recreational goods
 - 714 Parts and accessories for, and repairs to, recreational goods
- 72 Entertainment, recreational and cultural services, excluding hotels, restaurants and cafés
- 73 Books, newspapers and magazines
- 74 Education

8 Miscellaneous goods and services

81 Personal care and effects

811 Services of barbers and beauty shops, etc.

812 Goods for personal care

82 Goods n.e.c.

821 Jewellery, watches, rings and precious stones

822 Other personal goods

823 Writing and drawing equipment and supplies

83 Expenditure in restaurants, cafés and hotels

831 Expenditure in restaurants and cafés

832 Expenditure for hotels and similar lodging services

84 Package tours

85 Financial services, n.e.c.

86 Other services, n.e.c.

8. CLASSIFICATION AND CODING OF THE PURPOSES OF GENERAL GOVERNMENT⁽¹⁾

1. Expenditure of general public services

1.1 General administration.

- Organs of government: organs of government include the legislative bodies and chief executive organs of all levels of government, their staff, and library, research and other facilities and personnel; they include also the court of accounts and similar organizations, permanent and ad hoc commissions and similar agencies acting on behalf of these bodies
- Financial affairs and fiscal administration: financial affairs and fiscal administration consist primarily of such tasks as collecting taxes, raising public money, managing the public debt and controlling the disbursement of public funds. The typical agencies concerned are the treasury or ministry of finance, the budget office and the internal revenue and customs authorities
- Offices serving a government as a whole such as planning services, statistical offices and personnel administration
- General services such as printing, such as purchasing and operation of government buildings or of central motor vehicle pools, the provision of repair and maintenance services
- Other aspects of general administration not included elsewhere.

1.2. External affairs

- Services charged primarily with the formulation and execution of foreign policy and the handling of foreign relations
- Outlays on foreign economic aid
- Contributions to international bodies other than military alliances and organizations

Covers chiefly:

- Expenditure of all agencies located abroad except military units
- Outlays on broadcasting services and other means of information directed to foreign countries
- Outlays on libraries and other cultural activities conducted abroad
- Gifts in kind or in cash by way of economic aid to foreign countries
- Outlays on technical assistance and the administration of foreign economic aid
- All contributions in cash or kind to international civilian organizations and programmes

1.3. Public order and safety

- Administration and research connected with the maintenance of internal order
- Fire protection
- Law courts, police, prisons and other places of detention and correction. Covers all outlays on law courts and judicial system, including general legal tribunals and related organizations in charge of parole and probation activities and the registration of legal titles to property. Covers also the transfer payments for legal aid to households and private non-profit institutions; expenditure on police activities including traffic control, expenditure for the operation, upkeep and new construction of prisons and other places of detention and correction, such as criminal asylums, reformatories and reform schools.

⁽¹⁾ This list is identical to table 5.3 "Classification of the purposes of government" of the SNA (System of National Accounts) - United Nations, New York, 1968.

The ESA uses this classification to break down the expenditure of the general government sector (see table 13). When an organ or agency is named in the description of a purpose, this should be understood as meaning:

- the expenditure of that organ or agency, if it is part of the general government sector
- the public expenditure on behalf of that organ or agency, if it is not part of the general government sector.

1.4. *General research*

- Institutions and organizations engaged in basic and general research
- Promotion of such research and general scientific knowledge and endeavours
- Covers all expenditures on and grants for basic and general research and scientific endeavours in the biological, physical or social sciences which are not linked to the provision or promotion of any particular kind of service or activity.

2. **Expenditure on defence**

- Central administration and outlays on research in connexion with activities carried on for defence purposes
- Expenditure on national, military and civil defence
- Foreign military aid and contributions to international military organizations and alliances
- Covers all expenditure, whether by defence or other departments, on recruiting, training, equipping, moving, feeding, clothing and housing members of the armed forces, and on medical care and other services for them
- Also included are outlays on military construction and equipment, inspection, transport and storage; capital expenditure for the provision of quarters to families of military personnel; outlays on military schools; expenditure for purposes of strengthening the public services to meet war-time emergencies, training civil defence personnel and acquiring materials and equipment for these purposes.

3. **Expenditure on education**

3.1. *General administration, regulation and research*

- Administration of ministries or central departments of education
- General regulation and promotion of school systems, institutions of higher learning and adult and other educational activities
- Expenditure on research into objectives, organization, administration and methodology of all types of education.

3.2. *Schools, universities and other educational facilities*

- Provision, management, inspection and support of primary and secondary schools, colleges and universities, technical training institutions, schools for the deaf, blind and dumb of a non-custodial character and adult education facilities
- Scholarships and loans and similar grants to individuals for educational and training purposes.

3.3. *Subsidiary services*

- Transportation of school children
- School meals
- Medical and dental services furnished in schools
- Other ancillary services designed to promote and facilitate school attendance.

4. **Expenditure on health**

4.1. *General administration, regulation and research*

- Ministries of health and similar government departments;
- Regulation of standards in respect of hospitals, medical and dental clinics, doctors, dentists, nurses and midwives, health and sanitation

- Administration of national health schemes and medical insurance schemes
- Expenditure on, and grants for medical, dental and health research
- Registration of information on vital events
- Collection of statistics on infectious diseases and the like

4.2. *Hospitals and clinics*

- Hospitals and similar institutions including insane asylums and care of mentally defective
- Expenditure on medical and dental clinics and similar centres;
- Outlays in respect of hospital and clinical care of national health and medical insurance schemes

4.3. *Individual health services*

- Medical, dental and midwifery services except in hospitals and clinics
- Provision of drugs and appliances
- Immunization, vaccination and similar field programmes
- Outlays in respect of the services of individual doctors, dentists etc. and drugs and appliances of national health and medical insurance schemes

5. **Expenditure on social security and welfare**

5.1. *Social security and assistance*

- Administration of payments and funds for unemployment benefits, old-age pensions, accident, injury, sickness and other benefits to compensate for loss of income
- Family, guardians' and widows' allowances; public relief, war veterans' benefits and the like

5.2. *Welfare services*

- Child welfare services and institutions
- Homes for, and care of the aged, disabled, blind etc.
- Family welfare agencies and services
- Other special welfare institutions and organizations.

6. **Expenditure on housing and community amenities**

6.1. *Housing*

- Administration, regulation of standards, and promotion of activities and facilities in respect of housing
- Research, subsidies and capital expenditure in connexion with housing
- Expenditure for provision, assistance or support of housing
- Related slum clearance activities
- Management expenses of government departments engaged in mortgage financing of residential buildings, the liabilities of which are solely to the government

6.2. *Community development*

- Agencies engaged in town and country planning and the promotion and assistance of these activities
- Administration, promotion and subsidizing of urban and rural renewal and community facilities
- Research in connexion with community development

6.3. *Sanitary services*

- Facilities and services in respect of the collection and disposal of garbage and refuse, sewage and operation of drainage systems, street cleaning and other sanitary services
- Regulations in respect of smoke, disinfection, disposal of refuse, etc.
- Public baths and comfort stations
- Other sanitary activities not elsewhere classified.

7. **Expenditure on other community and social services**

7.1. *Recreational and related cultural services*

- Provision and upkeep of facilities such as parks, playgrounds, athletic fields, beaches, swimming pools, camps, hostels and other lodging places which are not operated on a commercial basis
- Botanical and zoological gardens
- Libraries, museums and like institutions
- Theatres, orchestras and art groups
- Support payments to non-profit institutions engaged in recreational and cultural services.

7.2. *Religion and services n.e.c.*

- Expenditure for religious purposes and contributions to religious organizations
- Contributions to fraternal, civic, youth and social organizations.

8. **Expenditure on economic services**

8.1. *General administration, regulation and research*

- Ministries and central departments concerned with the general administration of economic, commercial and labour affairs
- General regulation and registration of businesses
- Technological and engineering research
- Market and similar research not allocable to specific kinds of industry. Included are price and wage control agencies; arbitration boards; labour conciliation services; employment exchanges, factory inspection and the regulation of working conditions; agencies charged with regulating weights and measures; and general meteorological and map-making services
- Expenditures on regulation, promotion and research linked to specific kinds of industry are classified in the pertinent category below.

8.2. *Agriculture, forestry, fishing and hunting*

- Advisory services
- Conservation, assistance and investment for the development and effective use of the soil, forests, livestock, fishing resources and wild-life of a country. Includes outlays in respect of veterinary services and agricultural extension services; irrigation and drainage of lands; reclamation of waste lands and land settlement; reforestation, forest fire prevention, propagation and protection of fish and wild-life
- Subsidies to farmers and agricultural price support schemes which are not organized and operated as public enterprises

8.3. *Mining, manufacturing and construction*

- Promotion, regulation, research, investment grants, subsidies and other assistance in connexion with the development and extraction of coal, petroleum and other natural resources

- Manufacturing
- The building and construction industry
- Included are geological and prospecting surveys

8.4. *Electricity, gas, steam and water*

- Promotion, regulation, research, investment grants, subsidies and other assistance in connexion with the production, transmission and distribution of electricity, gas, steam, heat and power; and the conservation, collection, purification and distribution of water

8.5. *Roads*

- Administration, research, investment and other outlays in respect of the promotion, provision, upkeep and lighting of highways, roads, bridges and tunnels, carparks, etc. (Bridges, tunnels, carparks and highways for which tolls are charged will be excluded.)

8.6. *Inland waterways and ports*

- Administration, research, investment and other outlays for promoting, providing for, and maintaining facilities for navigation on inland and coastal waters; and the regulation of the use of these facilities. Includes expenditure for dredging of canals, rivers and lakes; lighthouse operation, buoys and other navigational aids; construction of new canals; construction, maintenance and operation of dock, harbour and port facilities; and for coastal protection. (Excluded are facilities such as canals, harbours and ports which are organized and operated so that they may be considered public enterprises). Investments, other grants and assistance to these facilities are however included.

8.7. *Other transportation and communication*

- Promotion, regulation, research, investment grants, subsidies and other assistance in respect of railways, road transport, water transport, air transport and communication.

8.8. *Other economic services*

- Promotion, regulation, research, investment grants, subsidies and other assistance in respect of commerce, including storage and warehousing, and other economic activities, n.e.c. Includes multi-purpose flood-control, irrigation, electric-power and navigation projects.

9. **Other purposes**

9.1. *Public-debt transactions*

9.2. *Transfers of a general character to other government organs⁽¹⁾*

9.3. *Outlays in connexion with disasters and other calamities.*

9.4. *Outlays n.e.c.*

⁽¹⁾ This category is provided for cases where table 13 is completed for a government sub-sector.

ACCOUNTS AND TABLES

T 1

SIMPLIFIED ACCOUNTS FOR THE NATION

National economy

Code	Uses ⁽¹⁾	Code	Resources ⁽¹⁾
Goods and services account (C 0)			
P 20	Intermediate consumption	P 10	Output of goods and services
P 3B	Final consumption on the economic territory	P 60	Imports of goods and services
P 41	Gross fixed capital formation	R 21	Vat on products
P 42	Change in stocks	R 29 – R 39	Net taxes linked to imports
P 50	Exports of goods and services		
	Total		Total
Production account (C 1)			
P 20	Intermediate consumption	P 10	Output of goods and services
N 1	Gross domestic product at market prices	R 21	VAT on products
		R 29 – R 39	Net taxes linked to imports
A 1	Consumption of fixed capital		
N 11	Net domestic product at market prices		
	Total		Total
Generation of income account (C 2)			
R 10	Compensation of employees – to resident employees – to non-resident employees	N 1	Gross domestic product at market prices
R 20	Taxes linked to production and imports – to general government – to the rest of the world	R 30	Subsidies – from general government – from the rest of the world
N 2	Gross operating surplus of the economy		
A 1	Consumption of fixed capital		
N 12	Net operating surplus of the economy		
	Total		Total
Distribution of income account (C 3)			
R 30	Subsidies	N 2	Gross operating surplus of the economy
R 40	Property and entrepreneurial income paid to the rest of the world	R 10	Compensation of employees – from resident employers – from the rest of the world
R 50	Accident insurance transactions with the rest of the world	R 20	Taxes linked to production and imports
R 60	Unrequited current transfers n.e.c. to the rest of the world	R 40	Property and entrepreneurial income received from the rest of the world
N 3	Gross national disposable income	R 50	Accident insurance transactions with the rest of the world
A 1	Consumption of fixed capital	R 60	Unrequited current transfers n.e.c. from the rest of the world
N 13	Net national disposable income		
	Total		Total

⁽¹⁾ In the Goods and Services Account (C 0) the terms uses and resources refer to real flows of goods and services and are used in the opposite sense to that employed in accounts C 1 to C 5 where the transactions refer to monetary flows.

SIMPLIFIED ACCOUNTS FOR THE NATION (continued)

National economy

T 1

Code	Uses	Code	Resources
Use of income account (C 4)			
P 3A F 911	Final national consumption Change in the actuarial reserves for pensions of non-residents with resident institutions	N 3 F 911	Gross national disposable income Change in the actuarial reserves for pensions of residents with non-resident institutions
N 4	<i>Gross national saving</i>		
A 1 N 14	Consumption of fixed capital Net national saving		
	Total		Total
Capital account (C 5)			
P 41 P 42 P 70	Gross fixed capital formation Change in stocks Net purchases of land and intangible assets	N 4 R 70	Gross national saving Capital transfers from the rest of the world
R 70	Capital transfers to the rest of the world		
N 5	<i>Net lending (+) or net borrowing (-) of the nation</i>		
	Total		Total
Change in assets	Code		Change in liabilities
		Financial account (C 6)	
	F 20	Currency and transferable sight deposits	
	F 30	Other deposits	
	F 90	Insurance technical reserves	
	F 40	Bills and short-term bonds	
	F 50	Long-term bonds	
	F 60	Shares and other equities	
	F 00	Financial gold	
	F 10	Special drawing rights (SDRs)	
	F 70	Short-term loans	
	F 80	Medium- and long-term loans	
		Total	
	N 6	<i>Net change in financial assets and liabilities vis-a-vis the rest of the world</i>	

		Adjustment between the balancing item of the capital account and the balancing item of the financial account (N 5 - N 6)	
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T 1

SIMPLIFIED ACCOUNTS FOR THE NATION

Rest of the world

Code	Uses	Code	Resources
Current transactions account (C 7)			
P 50	Exports of goods and services to the rest of the world	P 60	Imports of goods and services from the rest of the world
P 33	Final consumption of non-resident households on the economic territory	P 32	Final consumption of resident households in the rest of the world
R 10	Compensation of resident employees by non-resident employers	R 10	Compensation of non-resident employees by resident employers
R 30	Subsidies from the rest of the world	R 20	Taxes linked to production and imports paid to the rest of the world
R 40	Property and entrepreneurial income received from the rest of the world	R 40	Property and entrepreneurial income paid to the rest of the world
R 50	Accident insurance transactions with the rest of the world	R 50	Accident insurance transactions with the rest of the world
R 60	Unrequited current transfers n.e.c. from the rest of the world	R 60	Unrequited current transfers n.e.c. to the rest of the world
F 911	Change in actuarial reserves for pensions of residents with non-resident institutions	F 911	Change in the actuarial reserves for pensions of non-residents with resident institutions
	Total	N 7	<i>Balance of current transactions with the rest of the world</i>
			Total
Capital account (C 5)			
N 7	Balance of current transactions with the rest of the world	R 70	Capital transfers to the rest of the world
P 70	Net purchases of land and intangible assets	N 5	<i>Net lending (+) or net borrowing (-) of the nation</i>
R 70	Capital transfers from the rest of the world.		
	Total		Total

SIMPLIFIED ACCOUNTS FOR THE NATION (continued)

Rest of the world

T 1

Change in assets	Code		Change in liabilities
		Financial account (C 6)	
	F 20	Currency and transferable sight deposits	
	F 30	Other deposits	
	F 90	Insurance technical reserves	
	F 40	Bills and short-term bonds	
	F 50	Long-term bonds	
	F 60	Shares and other equities	
	F 00	Financial gold	
	F 10	Special drawing rights (SDRs)	
	F 70	Short-term loans	
	F 80	Medium- and long-term loans	
		Total	
	N 6	<i>Net change in financial assets and liabilities vis-a-vis the rest of the world</i>	

	Adjustment between the balancing item of the capital account and the balancing item of the financial account (N 5 - N 6)	
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T 3

SECTOR AND SUB-SECTOR ACCOUNTS

Non-financial corporate and quasi-corporate enterprises (S 10) and households (S 80)

Code	Uses	Code	Resources
Production account (C 1)			
P 20	Intermediate consumption	P 10	Output of goods and services
N 1	Gross value added at market prices	P 11	Output of goods
A 1	Consumption of fixed capital	P 12	Output of market services other than the imputed output of bank services
N 11	Net value added at market prices	P 14	Output of non-market services
	Total		Total
Generation of income account (C 2)			
R 10	Compensation of employees	N 1	Gross value added at market prices
R 22	Taxes linked to production excluding VAT	R 31	Production subsidies
N 2	Gross operating surplus		
A 1	Consumption of fixed capital		
N 12	Net operating surplus		
	Total		Total
Non-financial corporate and quasi-corporate enterprises (S 10)			
Distribution of income account (C 3)			
R 41	Actual interest	N 2	Gross operating surplus
R 42	Imputed interest accruing to insurance policy holders	R 41	Actual interest
R 43	Income from land and intangible assets	R 43	Income from land and intangible assets
R 44	Dividends and other income distributed by corporate enterprises	R 44	Dividends and other income distributed by corporate enterprises
R 45	Withdrawals from the entrepreneurial income of quasi-corporate enterprises	R 45	Withdrawals from the entrepreneurial income of quasi-corporate enterprises
R 46	Profits assigned to employees	R 52	Accident insurance claims
R 51	Net accident insurance premiums	R 62	Actual social contributions
R 61	Current taxes on income and wealth	R 63	Imputed social contributions
R 64	Social benefits	R 69	Miscellaneous current transfers
R 66	Current transfers to private non-profit institutions		
R 69	Miscellaneous current transfers		
N 3	Gross disposable income		
A 1	Consumption of fixed capital		
N 13	Net disposable income		
	Total		Total
Use of income account (C 4)			
F 911	Change in the actuarial reserves for pensions	N 3	Gross disposable income
N 4	Gross saving		
A 1	Consumption of fixed capital		
N 14	Net saving		
	Total		Total
Capital account (C 5)			
P 41	Gross fixed capital formation	N 4	Gross saving
P 42	Change in stocks	R 71	Investment grants
P 71	Net purchases of land	R 79	Other capital transfers
P 72	Net purchases of intangible assets		
R 72	Capital taxes		
R 79	Other capital transfers		
N 5	Net lending (+) or net borrowing (-)		
	Total		Total

Non-financial corporate and quasi-corporate enterprises (S 10) (continued)

T 3

Change in assets	Code	Change in liabilities
	Financial account (C 6)	
	F 20 Currency and transferable sight deposits	
	F 21 Currency and transferable sight deposits, in national currency	
	F 22 Currency and transferable sight deposits, in foreign currency	
	F 23 Net position in the IMF	
	F 30 Other deposits	
	F 31 Other deposits in national currency	
	F 32 Other deposits in foreign currency	
	F 90 Insurance technical reserves	
	F 91 Actuarial reserves against outstanding risks and reserves for with-profits insurance	
	F 92 Pre-payments of premiums and reserves against unsettled claims	
	F 40 Bills and short term bonds	
	F 50 Long term bonds	
	F 60 Shares and other equities	
	F 61 Shares	
	F 62 Other equities	
	F 00 Financial gold	
	F 10 Special drawing rights (SDRs)	
	F 11 Assets consisting of special drawing rights (SDRs)	
	F 12 Counterpart of the net allocation of SDRs	
	F 70 Short term loans	
	F 71 Short term trade credit	
	F 72 Accounts receivable and payable	
	F 79 Other short term loans	
	F 80 Medium and long term loans	
	F 81 Medium and long term trade credit	
	F 89 Other medium and long term loans	
	Total	Total
	N 6 <i>Net change in financial assets and liabilities</i>	

	Adjustment between balancing item of capital account and balancing item of financial account (N 5 - N 6)	
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Credit institutions (S 40)

Code	Uses	Code	Resources
Production account (C 1)			
P 20	Intermediate consumption	P 10	Output of goods and services
N 1	Gross value added at market prices	P 11	Output of goods
A 1	Consumption of fixed capital	P 12	Output of market services other than the imputed output of bank services
N 11	Net value added at market prices	P 13	Imputed output of bank services
	Total		Total
Generation of income account (C 2)			
R 10	Compensation of employees	N 1	Gross value added at market prices
R 22	Taxes linked to production excluding VAT	R 31	Production subsidies
P 13	Imputed output of bank services (adjustment)		
N 2	Gross operating surplus		
A 1	Consumption of fixed capital		
N 12	Net operating surplus		
	Total		Total
Distribution of income account (C 3)			
R 41	Actual interest	N 2	Gross operating surplus
R 42	Imputed interest accruing to insurance policy holders	R 41	Actual interest
R 43	Income from land and intangible assets	R 43	Income from land and intangible assets
R 44	Dividends and other income distributed by corporate enterprises	R 44	Dividends and other income distributed by corporate enterprises
R 45	Withdrawals from the entrepreneurial income of quasi-corporate enterprises	R 45	Withdrawals from the entrepreneurial income of quasi-corporate enterprises
R 46	Profits assigned to employees	R 52	Accident insurance claims
R 51	Net accident insurance premiums	R 63	Imputed social contributions
R 61	Current taxes on income and wealth	R 69	Miscellaneous current transfers
R 64	Social benefits		
R 66	Current transfers to private non-profit institutions		
R 69	Miscellaneous current transfers		
N 3	Gross disposable income		
A 1	Consumption of fixed capital		
N 13	Net disposable income		
	Total		Total
Use of income account (C 4)			
F 911	Change in the actuarial reserves for pensions	N 3	Gross disposable income
N 4	Gross saving		
A 1	Consumption of fixed capital		
N 14	Net saving		
	Total		Total
Capital account (C 5)			
P 41	Gross fixed capital formation	N 4	Gross saving
P 42	Change in stocks	R 71	Investment grants
P 71	Net purchases of land	R 79	Other capital transfers
P 72	Net purchases of intangible assets		
R 72	Capital taxes		
R 79	Other capital transfers		
N 5	Net lending (+) or net borrowing (-)		
	Total		Total

Credit institutions (S 40) (continued)

T 3

Change in assets	Code	Change in liabilities
	Financial account (C 6)	
	F 20 Currency and transferable sight deposits	
	F 21 Currency and transferable sight deposits, in national currency	
	F 22 Currency and transferable sight deposits, in foreign currency	
	F 23 Net position in the IMF	
	F 30 Other deposits	
	F 31 Other deposits in national currency	
	F 32 Other deposits in foreign currency	
	F 90 Insurance technical reserves	
	F 91 Actuarial reserves against outstanding risks and reserves for with-profits insurance	
	F 92 Pre-payments of premiums and reserves against unsettled claims	
	F 40 Bills and short term bonds	
	F 50 Long term bonds	
	F 60 Shares and other equities	
	F 61 Shares	
	F 62 Other equities	
	F 00 Financial gold	
	F 10 Special drawing rights (SDRs)	
	F 11 Assets consisting of special drawing rights (SDRs)	
	F 12 Counterpart of the net allocation of SDRs	
	F 70 Short term loans	
	F 71 Short term trade credit	
	F 72 Accounts receivable and payable	
	F 79 Other short term loans	
	F 80 Medium and long term loans	
	F 81 Medium and long term trade credit	
	F 89 Other medium and long term loans	
	Total	Total
	N 6 <i>Net change in financial assets and liabilities</i>	

Adjustment between balancing item of capital account and balancing item of financial account (N 5 - N 6)

Insurance enterprises (S 50)

Code	Uses	Code	Resources
Production account (C 1)			
P 20	Intermediate consumption	P 10	Output of goods and services
N 1	Gross value added at market prices	P 11	Output of goods
A 1	Consumption of fixed capital	P 12	Output of market services other than the imputed output of bank services
N 11	Net value added at market prices		
	Total		Total
Generation of income account (C 2)			
R 10	Compensation of employees	N 1	Gross value added at market prices
R 22	Taxes linked to production excluding VAT	R 31	Production subsidies
N 2	Gross operating surplus		
A 1	Consumption of fixed capital		
N 12	Net operating surplus		
	Total		Total
Distribution of income account (C 3)			
R 41	Actual interest	N 2	Gross operating surplus
R 42	Imputed interest accruing to insurance policy holders	R 41	Actual interest
R 43	Income from land and intangible assets	R 43	Income from land and intangible assets
R 44	Dividends and other income distributed by corporate enterprises	R 44	Dividends and other income distributed by corporate enterprises
R 45	Withdrawals from the entrepreneurial income of quasi-corporate enterprises	R 45	Withdrawals from the entrepreneurial income of quasi-corporate enterprises
R 46	Profits assigned to employees	R 51	Net accident insurance premiums
R 51	Net accident insurance premiums	R 52	Accident insurance claims
R 52	Accident insurance claims	R 62	Actual social contributions
R 61	Current taxes on income and wealth	R 63	Imputed social contributions
R 64	Social benefits	R 69	Miscellaneous current transfers
R 66	Current transfers to private non-profit institutions		
R 69	Miscellaneous current transfers		
N 3	Gross disposable income		
A 1	Consumption of fixed capital		
N 13	Net disposable income		
	Total		Total
Use of income account (C 4)			
F 911	Change in the actuarial reserves for pensions	N 3	Gross disposable income
N 4	Gross saving		
A 1	Consumption of fixed capital		
N 13	Net saving		
	Total		Total
Capital account (C 5)			
P 41	Gross fixed capital formation	N 4	Gross saving
P 42	Change in stocks	R 71	Investment grants
P 71	Net purchases of land	R 79	Other capital transfers
P 72	Net purchases of intangible assets		
R 72	Capital taxes		
R 79	Other capital transfers		
N 5	Net lending (+) or net borrowing (-)		
	Total		Total

Insurance enterprises (S 50) (continued)

T 3

Change in assets	Code	Change in liabilities
	Financial account (C 6)	
	F 20 Currency and transferable sight deposits	
	F 21 Currency and transferable sight deposits, in national currency	
	F 22 Currency and transferable sight deposits, in foreign currency	
	F 23 Net position in the IMF	
	F 30 Other deposits	
	F 31 Other deposits in national currency	
	F 32 Other deposits in foreign currency	
	F 90 Insurance technical reserves	
	F 91 Actuarial reserves against outstanding risks and reserves for with-profits insurance	
	F 92 Pre-payments of premiums and reserves against unsettled claims	
	F 40 Bills and short term bonds	
	F 50 Long term bonds	
	F 60 Shares and other equities	
	F 61 Shares	
	F 62 Other equities	
	F 00 Financial gold	
	F 10 Special drawing rights (SDRs)	
	F 11 Assets consisting of special drawing rights (SDRs)	
	F 12 Counterpart of the net allocation of SDRs	
	F 70 Short term loans	
	F 71 Short term trade credit	
	F 72 Accounts receivable and payable	
	F 79 Other short term loans	
	F 80 Medium and long term loans	
	F 81 Medium and long term trade credit	
	F 89 Other medium and long term loans	
	Total	Total
	N 6 <i>Net change in financial assets and liabilities</i>	

	Adjustment between balancing item of capital account and balancing item of financial account (N 5 - N 6)	
--	--	--

General government (S 60)

Central Government (S 61)

Local Government (S 62)

Social Security Funds (S 63)

Code	Uses	S 61	S 62	S 63	S 60 non-consolidated	S 60 consolidated	Code	Resources	S 61	S 62	S 63	S 60 non-consolidated	S 60 consolidated
Production account (C 1)													
P 20	Intermediate consumption						P 10	Output of goods and services					
N 1	Gross value added at market prices						P 11	Output of goods					
A 1	Consumption of fixed capital						P 12	Output of market services other than the imputed output of bank services					
N 11	Net value added at market prices						P 13	Imputed output of bank services					
	Total						P 14	Output of non-market services					
								Total					
Generation of income account (C 2)													
R 10	Compensation of employees						N 1	Gross value added at market prices					
R 22	Taxes linked to production excluding VAT						R 31	Production subsidies					
N 2	Gross operating surplus												
A 1	Consumption of fixed capital												
N 12	Net operating surplus							Total					
Distribution of income account (C 3)													
R 41	Actual interest						N 2	Gross operating surplus					
R 43	Income from land and intangible assets						R 41	Actual interest					
R 51	Net accident insurance premiums						R 43	Income from land and intangible assets					
R 30	Subsidies						R 44	Dividends and other income distributed by corporate enterprises					
R 61	Current taxes on income and wealth						R 45	Withdrawals from the entrepreneurial income of quasi-corporate enterprises					
R 64	Social benefits						R 52	Accident insurance claims					
R 65	Current transfers within general government						R 20	Taxes linked to production and imports					
R 66	Current transfers to private non-profit institutions						R 61	Current taxes on income and wealth					
R 67	Current international co-operation						R 62	Actual social contributions					
R 69	Miscellaneous current transfers						R 63	Imputed social contributions					
N 3	Gross disposable income						R 65	Current transfers within general government					
A 1	Consumption of fixed capital						R 67	Current international co-operation					
N 13	Net disposable income						R 69	Miscellaneous current transfers					
	Total							Total					
Use of income account (C 4)													
P 3A	Final national consumption						N 3	Gross disposable income					
F 911	Change in the actuarial reserves for pensions												
N 4	Gross saving												
A 1	Consumption of fixed capital												
N 14	Net saving							Total					

Private non-profit institutions serving households (S 70)

Code	Uses	Code	Resources
Production account (C 1)			
P 20	Intermediate consumption	P 10	Output of goods and services
N 1	<i>Gross value added at market prices</i>	P 11	Output of goods
A 1	Consumption of fixed capital	P 12	Output of market services other than the imputed output of bank services
N 11	Net value added at market prices	P 14	Output of non-market services
	Total		Total
Generation of income account (C 2)			
R 10	Compensation of employees	N 1	Gross value added at market prices
R 22	Taxes linked to production excluding VAT	R 31	Production subsidies
N 2	<i>Gross operating surplus</i>		
A 1	Consumption of fixed capital		
N 12	Net operating surplus		
	Total		Total
Distribution of income account (C 3)			
R 41	Actual interest	N 2	Gross operating surplus
R 42	Imputed interest accruing to insurance policy holders	R 41	Actual interest
R 43	Income from land and intangible assets	R 43	Income from land and intangible assets
R 51	Net accident insurance premiums	R 44	Dividends and other income distributed by corporate enterprises
R 61	Current taxes on income and wealth	R 45	Withdrawals from the entrepreneurial income of quasi-corporate enterprises
R 64	Social benefits	R 52	Accident insurance claims
R 66	Current transfers to private non-profit institutions	R 63	Imputed social contributions
R 68	Private international transfers	R 66	Current transfers to private non-profit institutions
R 69	Miscellaneous current transfers	R 69	Miscellaneous current transfers
N 3	<i>Gross disposable income</i>		
A 1	Consumption of fixed capital		
N 13	Net disposable income		
	Total		Total
Use of income account (C 4)			
P 3A	Final national consumption	N 3	Gross disposable income
N 4	<i>Gross saving</i>		
A 1	Consumption of fixed capital		
N 14	Net saving		
	Total		Total
Capital account (C 5)			
P 41	Gross fixed capital formation	N 4	Gross saving
P 42	Change in stocks	R 71	Investment grants
P 71	Net purchases of land	R 79	Other capital transfers
P 72	Net purchases of intangible assets		
R 72	Capital taxes		
R 79	Other capital transfers		
N 5	<i>Net lending (+) or net borrowing (-)</i>		
	Total		Total

Private non-profit institutions serving households (S 70) (continued)

T 3

Change in assets	Code	Change in liabilities
	Financial account (C 6)	
	F 20 Currency and transferable sight deposits	
	F 21 Currency and transferable sight deposits, in national currency	
	F 22 Currency and transferable sight deposits, in foreign currency	
	F 23 Net position in the IMF	
	F 30 Other deposits	
	F 31 Other deposits in national currency	
	F 32 Other deposits in foreign currency	
	F 90 Insurance technical reserves	
	F 91 Actuarial reserves against outstanding risks and reserves for with-profits insurance	
	F 92 Pre-payments of premiums and reserves against unsettled claims	
	F 40 Bills and short term bonds	
	F 50 Long term bonds	
	F 60 Shares and other equities	
	F 61 Shares	
	F 62 Other equities	
	F 00 Financial gold	
	F 10 Special drawing rights (SDRs)	
	F 11 Assets consisting of special drawing rights (SDRs)	
	F 12 Counterpart of the net allocation of SDRs	
	F 70 Short term loans	
	F 71 Short term trade credit	
	F 72 Accounts receivable and payable	
	F 79 Other short term loans	
	F 80 Medium and long term loans	
	F 81 Medium and long term trade credit	
	F 89 Other medium and long term loans	
	Total	Total
	N 6 <i>Net change in financial assets and liabilities</i>	

	Adjustment between balancing item of capital account and balancing item of financial account (N 5 – N 6)	
--	--	--

Households (S 80)

Code	Uses	Code	Resources
Production account (C 1)			
This account is combined with the production account of non-financial corporate and quasi-corporate enterprises (S 10)			
Generation of income account (C 2)			
This account is combined with the generation of income account of non-financial corporate and quasi-corporate enterprises (S 10)			
Distribution of income account (C 3)			
R 41	Actual interest	N 2	Gross operating surplus
R 43	Income from land and intangible assets	R 10	Compensation of employees
R 51	Net accident insurance premiums	R 41	Actual interest
R 61	Current taxes on income and wealth	R 42	Imputed interest accruing to insurance policy holders
R 62	Actual social contributions	R 43	Income from land and intangible assets
R 63	Imputed social contributions	R 44	Dividends and other income distributed by corporate enterprises
R 64	Social benefits	R 45	Withdrawals from the entrepreneurial income of quasi-corporate enterprises
R 66	Current transfers to private non-profit institutions	R 46	Profits assigned to employees
R 68	Private international transfers	R 52	Accident insurance claims
R 69	Miscellaneous current transfers	R 63	Imputed social contributions
N 3	<i>Gross disposable income</i>	R 64	Social benefits
A 1	Consumption of fixed capital	R 68	Private international transfers
N 13	Net disposable income	R 69	Miscellaneous current transfers
	Total		Total
Use of income account (C 4)			
P 3A	Final national consumption	N 3	Gross disposable income
N 4	<i>Gross saving</i>	F 911	Change in the actuarial reserves for pensions
A 1	Consumption of fixed capital		
N 14	Net saving		
	Total		Total
Capital account (C 5)			
P 41	Gross fixed capital formation	N 4	Gross saving
P 42	Change in stocks	R 71	Investment grants
P 71	Net purchases of land	R 79	Other capital transfers
P 72	Net purchases of intangible assets		
R 72	Capital taxes		
R 79	Other capital transfers		
N 5	<i>Net lending (+) or net borrowing (-)</i>		
	Total		Total

Households (S 80) (continued)

T 3

Change in assets	Code	Change in liabilities
	Financial account (C 6)	
	F 20 Currency and transferable sight deposits	
	F 21 Currency and transferable sight deposits, in national currency	
	F 22 Currency and transferable sight deposits, in foreign currency	
	F 23 Net position in the IMF	
	F 30 Other deposits	
	F 31 Other deposits in national currency	
	F 32 Other deposits in foreign currency	
	F 90 Insurance technical reserves	
	F 91 Actuarial reserves against outstanding risks and reserves for with-profits insurance	
	F 92 Pre-payments of premiums and reserves against unsettled claims	
	F 40 Bills and short term bonds	
	F 50 Long term bonds	
	F 60 Shares and other equities	
	F 61 Shares	
	F 62 Other equities	
	F 00 Financial gold	
	F 10 Special drawing rights (SDRs)	
	F 11 Assets consisting of special drawing rights (SDRs)	
	F 12 Counterpart of the net allocation of SDRs	
	F 70 Short term loans	
	F 71 Short term trade credit	
	F 72 Accounts receivable and payable	
	F 79 Other short term loans	
	F 80 Medium and long term loans	
	F 81 Medium and long term trade credit	
	F 89 Other medium and long term loans	
	Total	Total
	N 6 <i>Net change in financial assets and liabilities</i>	

	Adjustment between balancing item of capital account and balancing item of financial account (N 5 – N 6)	
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Rest of the world (S 90)

Member countries of the European Communities (S 91)
 Institutions of the European Communities (S 92)
 Third countries and International Organisations (S 93)

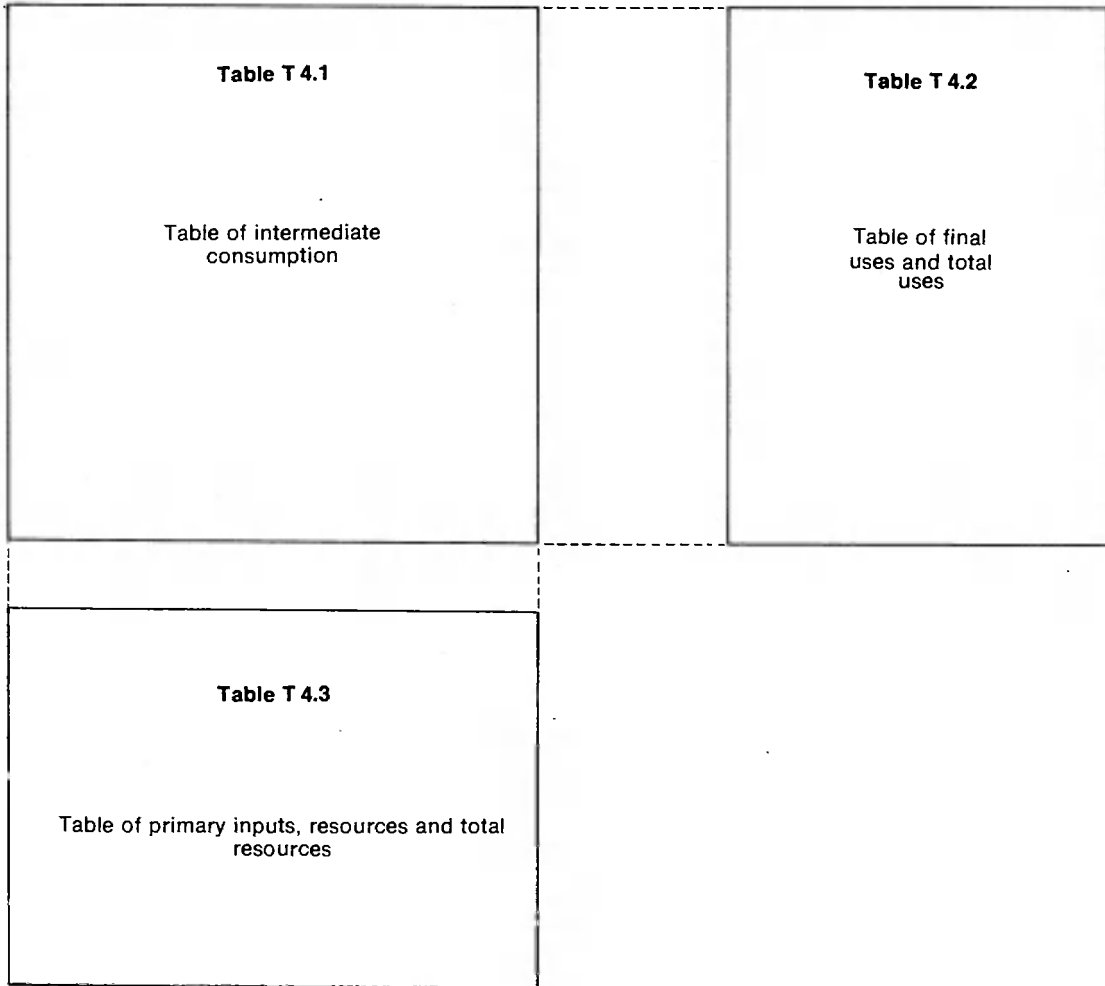
T 3

Code	Uses	Resources			
		S 91	S 92	S 93	S 90
Current transaction account (C 7)					
P 51	Exports of goods (fob)	P 61	Imports of goods (cif)		
P 52	Exports of services	P 62	Imports of services		
P 33	Final consumption of non-resident households on the economic territory	P 32	Final consumption of resident households in the rest of the world		
R 10	Compensation of employees	R 10	Taxes linked to production and imports		
R 30	Subsidies	R 40	Actual interest		
R 41	Actual interest	R 41	Imputed interest accruing to insurance policy holders		
R 42	Imputed interest on insurance technical reserves	R 42	Income from land and intangible assets		
R 43	Income from land and intangible assets	R 43	Dividends and other income distributed by corporate enterprises		
R 44	Dividends and other income distributed by corporate enterprises	R 44	Withdrawals from the entrepreneurial income of quasi-corporate enterprises		
R 45	Withdrawals from the entrepreneurial income of quasi-corporate enterprises	R 45	Profits assigned to employees		
R 46	Profits assigned to employees	R 46	Net accident insurance premiums		
R 51	Net accident insurance premiums	R 51	Accident insurance claims		
R 52	Accident insurance claims	R 52	Current taxes on income and wealth		
R 61	Current taxes on income and wealth	R 61	Actual social contributions		
R 62	Actual social contributions	R 62	Imputed social contributions		
R 63	Imputed social contributions	R 63	Social benefits		
R 64	Social benefits	R 64	Current transfers to private non-profit institutions		
R 66	Current transfers to private non-profit institutions	R 66	Private international co-operation		
R 67	Private international co-operation	R 67	Private international transfers		
R 68	Private international transfers	R 68	Miscellaneous current transfers		
R 69	Miscellaneous current transfers	R 69	Change in the actuarial reserves for pensions		
F 911	Change in the actuarial reserves for pensions	F 911	Balance of current transactions with the rest of the world		
	Total	N 7	Total		
Capital account (C 5)					
N 7	Balance of current transactions with the rest of the world	R 71	Investment grants		
P 71	Net purchases of land	R 72	Capital taxes		
P 72	Net purchases of intangible assets	R 79	Other capital transfers		
R 71	Investment grants	N 5	Net lending (+) or net borrowing (-) of the nation		
R 72	Capital taxes		Total		
R 79	Other capital transfers		Total		
Transactions recorded on the basis of imports of goods valued f.o.b.					
P 52a	Actual exports of services ⁽¹⁾	P 61a	Imports of goods (fob)		
		P 62a	Actual imports of services ⁽¹⁾		

⁽¹⁾ See explanations in paragraphs 382-386.

T 4

Input-output table
Structure of the tables



N.B.: The rows of the tables T 4.1 and T 4.2 may be subdivided into:

- domestic output
- imports from EEC countries
- imports from third countries

T 4.1

Table of intermediate consumption

Branches NACE-CLIO (R 44)	1	n	Total of intermediate uses
Branches NACE-CLIO (R 44)				
1				
.				
.				
.				
n				
Total of intermediate inputs				

Table of final uses and total uses

T 4.2

Columns Branches NACE-CLIO (R 44)	01	02	03	09	19	29	41	42	49	89	Total uses
1											
.											
.											
.											
n											
Total											

Transactions Code	Column Code	Items
-	01	Final consumption of households on the economic territory
-	02	Collective consumption of general government
-	03	Collective consumption of private non-profit institutions serving households
P 3B	09	Final consumption on the economic territory (01 + 02 + 03)
P 41	19	Gross fixed capital formation
P 42	29	Change in stocks
-	41	Exports of goods and services to EEC countries
-	42	Exports of goods and services to third countries
P 50	49	Exports of goods and services (41 + 42)
-	89	Total final uses (09 + 19 + 29 + 49)
-	99	Total uses (total intermediate uses + 89)

Table of primary inputs, resources and total resources

T 4.3

Rows Branches NACE-CLIO (R 44)	1	n	Total
Total resources				

The rows of this table depend on the type of valuation used (see below)

T 4.3

Basic prices			Producers' prices and mixed prices		
Transaction code	Row code	Item	Transaction code	Row code	Item
R 101	01	Gross wages and salaries	R 101	01	Gross wages and salaries
R 102 } R 103 }	02	Employers' social contributions	R 102 } R 103 }	02	Employers' social contributions
N 12	03	Net operating surplus	N 12	03	Net operating surplus
-	07	Net value added at factor cost (01 + 02 + 03)	-	07	Net value added at factor cost (01 + 02 + 03)
A 1	08	Consumption of fixed capital	A 1	08	Consumption of fixed capital
-	09	Gross value added at factor cost	-	09	Gross value added at factor cost
-	21	Taxes linked to production (excluding deductible VAT) net of subsidies on the products used	R 22	11	Taxes linked to production (excluding VAT)
-	22	Net taxes linked to imports of products used (excluding deductible VAT) originating in the EEC	R 31	12	Production subsidies
-	23	Net taxes linked to imports of products used (excluding deductible VAT) originating in third countries	-	17	Taxes linked to production (excluding VAT) net of production subsidies (11 - 12)
-	27	Taxes linked to production and imports (excluding deductible VAT) net of production and import subsidies on the products used (21 + 22 + 23)	N 10	18	Net value added at market prices (07 + 17)
			N 1	19	Gross value added at market prices (09 + 17)
-	28	Actual output at basic prices (total of intermediate inputs + 09 + 27)	P 10	29	Actual output at producers' prices (total of intermediate inputs + 19)
-	31	Transfers of ordinary by-products and of adjacent products at basic prices	-	31	Transfers of ordinary by-products and of adjacent products at basic prices
-	33	Transfers of incidental sales at basic prices	-	33	Transfers of incidental sales at basic prices
-	39	Total transfers at basic prices (31 + 33)	-	39	Total transfers at basic prices (31 + 33)
-	48	Distributed output at basic prices (28 + 39)	-	49	Distributed output at producers' prices (29 + 39)
-	51	Cif imports of similar products from EEC countries	-	51	Cif imports of similar products from EEC countries
-	52	Cif imports of similar products from third countries	-	52	Cif imports of similar products from third countries

Basic prices			Producers' prices and mixed prices		
Transaction code	Row code	Item	Transaction code	Row code	Item
P 60	59	Total cif imports of similar products (51 + 52)	P 60	59	Total cif imports of similar products
			-	61	Net taxes linked to imports (excluding VAT) of similar products from EEC countries
			-	62	Net taxes linked to imports (excluding VAT) of similar products from third countries
			R 29	69	Total of net taxes linked to imports (excluding VAT) of similar products (61 + 62)
			-	71	Imports of similar products from EEC countries at ex-customs prices (51 + 61)
			-	72	Imports of similar products from third countries at ex-customs prices (52 + 62)
			-	79	Total imports of similar products at producers' prices (59 + 69)
			R 21	87	VAT on products (of domestic origin and imported)
			-	88	Trade and transport margins on final uses (tables at mixed prices only)
-	97	Total resources at basic prices (48 + 59)	-	98	Total resources at producers' prices (49 + 79 + 87)
			-	99	or Total resources at mixed prices (49 + 79 + 87 + 88) (tables at mixed prices only)

T 5

Occupied population and wage and salary earners by branch

Branches NACE-CLIO	Occupied population Mean	Wage and salary earners	
		Mean employment	Hours worked
1			
.			
.			
.			
.			
n			
Total			

Transition from total occupied population (domestic concept) to civil occupied population (national concept)	Occupied population	Wage and salary earners
Total occupied population (domestic concept)		
minus: Armed forces		
plus : Residents employed by non-resident producer units		
minus: Non-residents employed by resident producer units		
Civil occupied population (national concept)		

**Final consumption of households on the economic
territory by purpose**

T 6a

Code	Object	
1	Food, beverages and tobacco	
11	Food	
111	Bread and cereals	
112	Meat	
113	Fish	
114	Milk, cheese and eggs	
115	Oils and fats	
116	Fruits and vegetables other than potatoes and similar tubers	
117	Potatoes, manioc and other tubers	
118	Sugar	
119	Coffee, tea, cocoa	
1110	Other foods, including preserves and confectionery	
12	Non-alcoholic beverages	
13	Alcoholic beverages	
14	Tobacco	
2	Clothing and footwear	
21	Clothing other than footwear, including repairs	
22	Footwear, including repairs	
3	Gross rent, fuel and power	
31	Gross rent and water charges	
32	Fuel and power	
4	Furniture, furnishings and household equipment and operation	
41	Furniture, fixtures, carpets, other floor coverings and repairs	
42	Household textiles, other furnishings and repairs	
43	Heating and cooking appliances, refrigerators, washing machines and similar major household appliances, including fitting and repairs	
44	Glassware, tableware and household utensils including repairs	
45	Household operation except domestic services	
46	Domestic services	
5	Medical care and health expenses	
51	Medical and pharmaceutical products	
52	Therapeutic appliances and equipment	
53	Services of physicians, nurses and related practitioners	
54	Hospital care and the like	
55	Service charges on accident and health insurance	
6	Transport and communication	
61	Personal transport equipment	
62	Operation of personal transport equipment	
63	Purchased transport	
64	Communication	
7	Recreation, entertainment, education and cultural services	
71	Equipment and accessories, including repairs	
72	Entertainment, recreational and cultural services, excluding hotels, restaurants and cafés	
73	Books, newspapers and magazines	
74	Education	
8	Miscellaneous goods and services	
81	Personal care and effects	
82	Goods n.e.c.	
83	Expenditure in restaurants, cafés and hotels	
84	Package tours	
85	Financial services, n.e.c.	
86	Services n.e.c.	
	Final consumption of households on the economic territory	

T 6b

**Final consumption of households on the economic territory
by branch and by purpose**

Branch	Purpose ⁽¹⁾				Total
1					
.					
.					
.					
n					
Total					

⁽¹⁾ See "Classification and coding of the purposes of final consumption of households" (Annex 7).

T 7a

**Gross fixed capital formation by product
(branch producing capital goods)**

Branch NACE-CLIO RI 7/RI 26	Description	
Total		

N.B. Gross fixed capital formation by producer branch in accordance with the NACE-CLIO is given in Table 4.2.

T 7b

Gross fixed capital formation by branch of ownership

Branch NACE-CLIO R 6/R 25	Description	
Total		

Gross fixed capital formation by product and by branch of ownership

T 7c

Products (RI 7)	Items	Ownership branch				Total
		01			86	
01	Agriculture, forestry and fishery products					
20	Metal products and machinery					
28	Transport equipment					
53.1	Housing					
53.3 + 53.5	Non-residential buildings and civil engineering works					
84	Other products					
	Total					

Analysis of change in stocks

T 8

1. Work in progress	
2. Livestock	
3. Stocks of goods	
a) held by producers	
b) held by users	
c) in wholesale and retail trade	
Total (1 + 2 + 3)	

T 9**Purchases and sales of goods and services by the general government sector**

<p>I 1 Intermediate consumption (P 20)</p> <p>2 plus: Purchases for wages and salaries in kind (ex R 101)(¹)</p> <p>3 plus: Purchases for current transfers in kind Social benefits (ex R 64) Current transfers to private non-profit institutions (ex R 66) Current international cooperation (ex R 67) Miscellaneous current transfers (ex R 69)</p> <p>4 minus: Current international cooperation received in kind (ex R 67)</p> <p>5 plus: Change in stocks of goods purchased by the sector (ex P 42)</p> <p>6 plus: Sales of existing consumer goods (ex P 20)</p> <p>7 minus: Consumption of goods produced for own account (ex P 20)</p> <p>8 = Current purchases of goods and services</p> <p>II 9 Gross fixed capital formation (P 41)</p> <p>10 minus: Investment in fixed capital goods produced for own account (ex P 41)</p> <p>11 plus: Sales of existing fixed capital goods (ex P 41)</p> <p>12 plus: Purchases of fixed capital goods for investment grants in kind (ex R 71)</p> <p>13 = Purchases of fixed capital goods</p> <p>III 14 = 8 + 13 = Total purchases of goods and services</p> <p>IV 15 Output of goods and services (P 10)</p> <p>16 minus: Collective consumption (P 3B)</p> <p>17 minus: Output of goods for own account (ex P 20 + ex P 41)</p> <p>18 minus: Change in stocks of goods produced by the sector (ex P 42)</p> <p>19 = Current sales of goods and services</p>	
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⁽¹⁾ "ex" here means "part of".**T 10****Compensation of employees and its components**

<p>Compensation of resident employees by resident and non-resident employers (R 10):</p> <p>A. Gross wages and salaries (R 101)</p> <p>1) Wages and salaries net of all social contributions</p> <p>2) Employees' social contributions</p> <p>a) Pension and survivorship contributions</p> <p>b) Other contributions</p> <p>B. Employers' actual social contributions (R 102)</p> <p>a) Actual pension and survivorship contributions</p> <p>b) Other actual contributions</p> <p>C. Imputed social contributions (R 103)</p> <p>a) Imputed pension and survivorship contributions</p> <p>b) Other imputed contributions</p>	
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Actual social contributions by receiving sector and by type

T 11

Type of contributions	Actual social contributions R 62	Employers' actual social contributions R 621	Employees' social contributions R 622	Social contributions by self-employed and non-employed persons R 623
Receiving sector or sub-sector	1 = 2 + 3 + 4	2	3	4
A. Actual social contributions received by resident institutions				
1. Non-financial corporate and quasi-corporate enterprises (S 10)				
2. Insurance enterprises (S 50)				
a) Autonomous pension funds				
b) Other insurance enterprises				
3. General government (S 60)				
a) Central government (S 61)				
b) Local government (S 62)				
c) Social security funds (S 63)				
B. minus: Actual social contributions from the rest of the world (S 90)				
C. plus: Actual social contributions to the rest of the world (S 90)				
D. Actual social contributions of resident households				

Social benefits by providing sector and by type

T 12

Type of benefit	Social benefits R 64	Social benefits linked to actual contributions R 641	Social benefits corresponding to imputed contributions R 642	Other social benefits ⁽¹⁾ R 643
Providing sector or sub-sector	1 = 2 + 3 + 4	2	3	4
A. Social benefits provided by resident sectors:				
1. Non-financial corporate and quasi-corporate enterprises (S 10)				
2. Households (S 80)				
3. Credit institutions (S 40)				
4. Insurance enterprises (S 50)				
a) Autonomous pension funds				
b) Other insurance enterprises				
5. General government (S 60)				
a) Central government (S 61)				
b) Local government (S 62)				
c) Social security funds (S 63)				
6. Private non-profit institutions serving households (S 70)				
B. minus: Social benefits to the rest of the world (S 90)				
C. plus: Social benefits provided by the rest of the world (S 90)				
D. Social benefits received by resident households				

⁽¹⁾ Benefits provided without any system of contributions or link with employment

Expenditure (uses) of the general government sector by purpose and by type of transaction

Transaction	Final consumption (P 3A)	Actual interest, income from land and intangible assets (R 41 + R 43)	Subsidies (R 30)	Unrequited current transfers n.e.c. and net accident insurance premiums (R 60 + R 51)	Gross capital formation (P 40)	Net purchases of land and intangible assets (P 70)	Capital transfers (R 70)	Total of final expenditure on goods and services and distributive transactions (Col. 1 to 7)	Financial uses ⁽¹⁾
	1	2	3	4	5	6	7	8	9
Purposes of government									
G 1 General public services									
G 2 Defence									
G 3 Education									
G 4 Health									
G 5 Social security and welfare services									
G 6 Housing and community amenities									
G 7 Other community and social services									
G 8 Economic services:									
- general administration, regulation and research (8.1)									
- agriculture, forestry, hunting and fishing (8.2)									
- industry, trade and handicraft (8.3 + 8.4 + 8.8)									
- transport and communication (8.5 + 8.6 + 8.7)									
G 9 Other purposes n.e.c.									
Total									

⁽¹⁾ Increase in financial assets and decrease in liabilities.

Total premiums earned by, and total claims due from, the insurance enterprises sector

T 14

	Total S 50	Autonomous pension funds	Other insurance enterprises
<p>I. Gross premiums</p> <p>A. Gross accident insurance premiums and contributions</p> <p>a) corresponding to actual social contributions</p> <p>1. Payments for insurance services</p> <p>2. Net premiums and contributions</p> <p>b) other accident insurance premiums</p> <p>1. Payments for insurance services</p> <p>2. Net premiums</p> <p>B. Gross life insurance and pension premiums and contributions</p> <p>a) corresponding to actual social contributions</p> <p>1. Payments for insurance services</p> <p>2. Net premiums and contributions</p> <p>b) other premiums</p> <p>1. Payments for insurance services</p> <p>2. Net premiums</p>			
<p>II. Claims</p> <p>A. Accident insurance claims</p> <p>1. Claims corresponding to social benefits</p> <p>2. Other current claims</p> <p>3. Claims on capital goods</p> <p>B. Life insurance and pension claims</p> <p>a) Claims corresponding to social benefits</p> <p>b) Other claims</p> <p>1. Annuities</p> <p>2. Capital indemnities</p>			

Arrangement of the tables relating to financial transactions

In the tables relating to financial transactions, the sectors and the financial transactions stipulated in the ESA are not arranged according to the numerical order of their codes. The order used is intended to portray the principal financial circuits existing between sectors – with each circuit corresponding to certain types of financial instruments – and to group the sectors according to their traditional roles in the financial markets: financial intermediaries, borrowers, or lenders.

Sectors

Order of the sectors	Traditional financial role
Credit institutions (S 40) Insurance enterprises (S 50) Credit institutions and insurance enterprises ⁽¹⁾ (S S)	Sectors whose principal function is to act as financial intermediaries
General government (S 60) Non-financial corporate and quasi-corporate enterprises (S 10)	Sectors which are primarily borrowers
Private non-profit institutions serving households (S 70) Households (S 80)	Sectors which are primarily lenders
Rest of the world (S 90)	Both borrower and lender

Financial transactions

Order of the headings	Traditional financial role
Currency and transferable sight deposits (F 20) Other deposits (F 30) Insurance technical reserves (F 90) Bills and short term bonds (F 40)	essentially financial assets of non-financial sectors and of the rest of the world essentially liabilities of financial sectors (S 40, S 50)
Long term bonds (F 50) Shares and other equities (F 60)	both financial assets and liabilities of all resident sectors and of the rest of the world
Financial gold (F 00) Special drawing rights (SDRs) (F 10) Short term loans (F 70) Medium and long term loans (F 80)	essentially financial assets of financial sectors (S 40, S 50) essentially liabilities of non-financial sectors and of the rest of the world

⁽¹⁾ See 217, footnote (1).

Summary table of financial transactions
consolidated/non-consolidated

T 15

Change in assets					Change in liabilities			
Sectors and sub-sectors					Sectors and sub-sectors			
S 41	----	S 90	Total sectors		S 41	----	S 90	Total sectors
				F 20 Currency and transferable sight deposits				
				F 21 Currency and transferable sight deposits, in national currency				
				F 22 Currency and transferable sight deposits, in foreign currency				
				F 23 Net position in the IMF				
				F 30 Other deposits				
				F 31 Other deposits in national currency				
				F 311 Time deposits in national currency				
				F 312 Sight savings deposits in national currency				
				F 313 Time savings deposits in national currency				
				F 32 Other deposits in foreign currency				
				F 90 Insurance technical reserves				
				F 91 Actuarial reserves against outstanding risks and reserves for with-profits insurance				
				F 92 Pre-payments of premiums and reserves against unsettled claims				
				F 40 Bills and short term bonds				
				F 50 Long term bonds				
				F 60 Shares and other equities				
				F 61 Shares				
				F 62 Other equities				
				F 00 Financial gold				
				F 10 Special drawing rights (SDRs)				
				F 11 Assets consisting of special drawing rights (SDRs)				
				F 12 Counterpart of the net allocation of SDRs				
				F 70 Short term loans				
				F 71 Short term trade credit				
				F 72 Accounts receivable and payable				
				F 79 Other short term loans				
				F 80 Medium and long term loans				
				F 81 Medium and long term trade credit				
				F 89 Other medium and long term loans				
				Total				
				<i>Net change in financial assets and liabilities (N 6)</i>				
				Adjustment between balancing item of capital account and balancing item of financial account (N 5 - N 6)				
				<i>Net lending or net borrowing (N 5)</i>				
				Financial assets and liabilities vis-à-vis the rest of the world				
				L 10 Gross official reserves of the monetary authorities (and corresponding liabilities)				
				L 11 Monetary gold				
				L 12 Assets consisting of special drawing rights (SDRs)				
				L 13 Net position in the IMF				
				L 14 Other sight and short term assets				
				L 15 Medium and long term assets				
				L 20 Financial assets and liabilities vis-à-vis the rest of the world, except the official reserves				
				L 21 Financial gold other than monetary gold				
				L 22 Sight and short term assets				
				L 23 Medium and long term assets				
				Total				Total
				For reference:				
				L 30 Forward counterpart of swap transactions				
				L 31 with resident units				
				L 32 with non-resident units				
				L 40 Assets of the IMF in national currency (as a result of drawings recorded in the General Account)				

Summary table of financial transactions
consolidated/non-consolidated

Changes in assets					Change in liabilities			
Sectors and sub-sectors					Sectors and sub-sectors			
S 41	----	S 90	Total sectors		S 41	----	S 90	Total sectors
				<p>The financial transactions listed in this table are the same as those included in Table 15.</p> <p>For each of these transactions as well as for their grand total, the breakdown by debtor and creditor sectors likewise relates to the same sectors and sub-sectors as those included in Table 15.</p> <p>In addition, a similar breakdown is given – for reference – for mobilizable medium-term loans (see 568), which are included in medium- and long-term loans (F 80).</p> <p>F 20 Currency and transferable sight deposits</p> <p>S S) Credit institutions and insurance enterprises</p> <p>S 40) Credit institutions</p> <p> S 41) Central banking authorities</p> <p> S 42) Other monetary institutions</p> <p> S 43) Other credit institutions</p> <p>S 50) Insurance enterprises</p> <p>S 60) General government</p> <p> S 61) Central government</p> <p> S 62) Local government</p> <p> S 63) Social security funds</p> <p>S 10) Non financial corporate and quasi-corporate enterprises</p> <p>S 70) Private non-profit institutions serving households</p> <p>S 80) Households</p> <p>S 90) Rest of the world</p> <p align="right">Total</p> <p>F 21 Currency and transferable sight deposits in national currency</p> <p>(same breakdown as F 20)</p> <p>.....</p>				

T 17

Long term bonds and medium and long term loans (recorded gross)

consolidated⁽¹⁾/non-consolidated

Change in assets					Change in liabilities			
Sectors and sub-sectors					Sectors and sub-sectors			
S 41	----	S 90	Total sectors		S 41	----	S 90	Total sectors
				<i>F 50 Long term bonds</i>				
				Subscriptions + purchases - sales				Issues
				Acquisitions - redemptions				- refunds
				Net change				Net change
				<i>F 80 Medium and long term loans</i>				
				Loans granted - redemptions				Loans received - refunds
				Net change				Net change

⁽¹⁾ The figures in question relate only to medium and long-term loans (see 715).

T 18

Breakdown by sector of different types of insurance technical reserves

Change in assets				Types of reserves	Change in liabilities			
Sectors and sub-sectors					Sectors and sub-sectors			
S 41	----	S 90	Total sectors		S 41	----	S 90	Total sectors
				Actuarial reserves against outstanding risks				
				Reserves for with-profits insurance				
				Pre-payment of premiums				
				Reserves against unsettled claims				
				Insurance technical reserves (F 90)				
				Total				

Table of financial intermediaries⁽¹⁾
consolidated/non-consolidated

T 19

Change in assets					Change in liabilities			
Financial intermediaries ⁽¹⁾	Other resident units	Rest of the world	Total		Financial intermediaries ⁽¹⁾	Other resident units	Rest of the world	Total
				F 20 Currency and transferable sight deposits F 21 Currency and transferable sight deposits, in national currency F 22 Currency and transferable sight deposits, in foreign currency F 23 Net position in the IMF F 30 Other deposits F 31 Other deposits in national currency F 32 Other deposits in foreign currency F 90 Insurance and technical reserves F 91 Actuarial reserves against outstanding risks and reserves for with-profits insurance F 92 Pre-payments of premiums and reserves against unsettled claims F 40 Bills and short term bonds F 50 Long term bonds F 60 Shares and other equities F 61 Shares F 62 Other equities F 00 Financial gold F 10 Special drawing rights (SDRs) F 11 Assets consisting of special drawing rights (SDRs) F 12 Counterpart of the net allocation of SDRs F 70 Short term loans F 71 Short term trade credit F 72 Accounts receivable and payable F 79 Other short term loans F 80 Medium and long term loans F 81 Medium and long term trade credit F 89 Other medium and long term loans				
				Total of assets and liabilities				

⁽¹⁾ Financial intermediaries are all institutions whose principal or secondary function is finance, i.e. which collect, convert and distribute available funds: credit institutions, insurance enterprises, the treasury, post-office giro-agencies, and non-autonomous pension funds of general government, of private non-profit institutions and of non-financial corporate and quasi-corporate enterprises (see 274).

DE EUROPÆISKE FÆLLESSKABERS STATISTISKE KONTOR
STATISTISCHES AMT DER EUROPÄISCHEN GEMEINSCHAFTEN
STATISTICAL OFFICE OF THE EUROPEAN COMMUNITIES
OFFICE STATISTIQUE DES COMMUNAUTÉS EUROPÉENNES
ISTITUTO STATISTICO DELLE COMUNITA EUROPEE
BUREAU VOOR DE STATISTIEK DER EUROPESE GEMEENSCHAPPEN

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G. W. Clarke	Konsulent / Berater / Adviser / Conseller / Consigliere / Adviseur
N. Ahrendt	Assistent / Assistent / Assistant / Assistant / Assistente / Assistent
	Direktører / Direktoren / Directors / Directeurs / Direttori / Directeuren:
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D. Harris	Befolknings- og socialstatistik Bevölkerungs- und Sozialstatistik Demographic and social statistics Statistiques démographiques et sociales Statistiche demografiche e sociali Sociale en bevolkingsstatistiek
S. Louwes	Landbrugs-, skovbrugs- og fiskeristatistik Statistik der Landwirtschaft, Forstwirtschaft und Fischerei Agriculture, forestry and fisheries statistics Statistiques de l'agriculture, des forêts et des pêches Statistiche dell'agricoltura, delle foreste e della pesca Landbouw-, bosbouw- en visserijstatistiek
H. Schumacher	Industri-, miljø- og tjenesteydelsesstatistik Industrie, Umwelt- und Dienstleistungsstatistik Industrial, environment and services statistics Statistiques de l'industrie, de l'environnement et des services Statistiche dell'industria, dell'ambiente e dei servizi Industrie-, milieu- en dienstverleningsstatistiek
S. Ronchetti	Statistik vedrørende udenrigshandel, AVS og tredjelande Statistik des Außenhandels, der AKP-Länder und der Drittländer External trade, ACP and non-member countries statistics Statistiques du commerce extérieur, ACP et pays tiers Statistiche dell'industria, dell'ambiente e dei servizi Statistiek van de buitenlandse handel, ACS-Landen, derde landen

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