

STATISTICAL OFFICE
OF THE
EUROPEAN COMMUNITIES

EUROPEAN SYSTEM
OF INTEGRATED ECONOMIC ACCOUNTS

ESA

Revised 1977

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CHAPTER I

THE GENERAL FRAMEWORK OF THE SYSTEM

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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 every kind taking place between a great number of units which belong either to the country's own economy or to 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 an overall framework in order to be able to represent the working of the economic system in a way which is meaningful and suitable for purposes of economic analysis, forecasting and policy.

102. In recent years, this objective has been approached from a number of different directions. In addition to the disaggregation of traditional national accounts, attention must be drawn to the more or less parallel development of firstly, input-output tables for the detailed analysis of flows of goods and services and secondly, 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. The outline of the structure of the ESA must be sketched from this point of view by stressing its essential features, 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.

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THE CHOICE OF UNITS AND THEIR GROUPING

104. The ESA is characterised by the use of two types of unit and two ways of subdividing the economy, each of which is quite different and meets specific analytical needs. Chapter II deals with the definition of these units and the criteria which govern their grouping.
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 group together as units of homogeneous production units which are exclusively engaged in the production of a single product or group of products. The choice of such units emphasises the technico-economic relationships in the process of production, irrespective of the institutional context in which the 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 highlight behavioural relations which are important in the fields of income, final expenditure and financial transactions.
107. The use of two types of analytical units, 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 cross analysis 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. subsidies) 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.

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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.

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 is carried out 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 grouping 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

(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.

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

Code	Account	Balancing items	Code
<u>I. Domestic Accounts</u>			
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	Operation 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
<u>II. Rest of the World Accounts</u>			
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.

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! Given the different methods of valuation used for resources on the one hand
! and uses on the other, it is necessary to include on the resources side of
! the account the total VAT on products and the taxes on imports excluding VAT.

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

! The production account at national level includes in resources in addition
! to the output of goods and services, the total VAT on products and taxes on
! 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, as a result, can be broken down by both branch and sector. The resources consist of gross value added at market prices, excluding VAT, and subsidies; its uses are taxes on 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.

! The generation of income account at national level, since its resources
! include the gross domestic product at market price (the balancing item
! carried forward from the previous account), includes in its uses all taxes
! on production and on imports and not simply the taxes linked to production
! excluding VAT.

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 subsidies, appear adjusted for the flows of taxes linked to production and imports and of subsidies to and from the rest of the world,

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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 the 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 also capital transfers involving the distribution 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).
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 item to adjust for 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 specify for which groups of units these accounts are established. 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 provides for the establishment of all the accounts listed. 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).

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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 to this rule 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 appertain to the sector non-financial corporate and quasi-corporate enterprises or to the households sector (which includes sole proprietorships and partnerships which do not constitute 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, the ESA provides for three accounts only:
- a current transactions account (C 7) which, in principle, covers all the
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 annual input-output table (see Table 4).
- In the ESA, the breakdown by branches stops at the level of the operating surplus, which represents the balancing item of the generation of income account. Any decomposition 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, i.e. according to the branch in which the capital
formation takes place. This breakdown is provided in Table 7 b, but it does
not amount to the establishment of a proper capital account by branch.

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124. The requirements of economic and financial analysis sometimes call for a finer institutional breakdown of the national economy than that into sectors.

It is for this reason that 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, ranging from the production account to the financial account, is provided for the sub-sectors central government, local government and social security funds
- ! - the sector non-financial corporate and quasi-corporate enterprises for which separate accounts are established from the distribution of income account (C 3) for the sub-sectors non financial corporate enterprises and non-financial quasi-corporate enterprises.
- ! - the households sector for which separate accounts are established from the distribution of income account (C 3) for the sub-sectors households of proprietors of unincorporated enterprises, households of employees and other households.
- 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, third countries and international organisations.

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.

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GENERAL SUMMARY OF THE ANNUAL ACCOUNTS OF THE ESA

Accounts	C 0	C 1	C 2	C 3	C 4	C 5	C 6	
	Goods and services	Production	Generation of income	Distribution of income	Use of income	Capital	Financial	
Grouping of units	C 7 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 and sub-sectors	-	X	X	X	X	X	X	
S 80. Households and sub-sectors	-			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

1 126. The aggregates are composite values which are intended to measure the results of activity in the economy as a whole considered from a number of points 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 comparative indicators and reference scales for purposes of macro-economic analysis and comparisons over time and space.

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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 for 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 taxes on imports excluding VAT.

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

It is also equal to the sum of gross value added at market prices (excluding VAT) for all the different sectors plus VAT on products and 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.

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

This aggregate corresponds to gross domestic product at market prices, after deducting the net taxes levied at the stages of production and importation by general government and by the rest of the world (taxes linked to production and imports less subsidies) and deducting the compensation of employees paid by resident employers. It includes all other income generated in the course of production, i.e. property and entrepreneurial income 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 different 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 purposes of final consumption and saving.

The 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 change, positive or negative, in the actuarial reserves for pensions held by resident or non-resident households with non-resident or resident insurance institutions.

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

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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 (exports and imports) 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 land and 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 those 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.

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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 Nomenclature of Economic Activities in the European Communities used for the establishment of input-output tables (NACE/CLIO)(1). Each branch corresponds to one or several 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 special document.

- 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 purposes of the final consumption of households (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 listing the goods and services which it covers (see special document on the NACE/CLIO).

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

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- 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, as described above (see 110-125), can be regarded as the skeleton of the ESA. The system also includes a series of tables, which are intended in particular:

- 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 account (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. expenditures of the general government sector by purpose and by type of transaction)
- to show how to pass from certain aggregates shown in the accounts to 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 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 tables of the ESA, as well as all the classifications, are given in the annex "Classifications, accounts and tables".

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1 LIST OF THE ACCOUNTS AND TYPES OF 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)
- ! - Non-financial corporate enterprises (S 11)
- ! - Non-financial quasi-corporate enterprises (S 12)
- 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)
 - ! - Households of proprietors of unincorporated enterprises (S 81)
 - ! - Households of employees (S 82)
 - ! - Other households (S 83)
- 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 object
- b) by branch and by object

T 7. Gross fixed capital formation

- ! a) by product
- ! b) by branch of ownership
- ! c) by product and by branch of ownership

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T 8. Breakdown 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 earned 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 technical insurance 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 provided in Chapter IX.

(1) The financial accounts of the sub-sectors of the sector credit institutions (S 49) are shown in this table.

CHAPTER II

THE UNITS AND THE GROUPINGS OF UNITS

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201. The economy of a country reflects the activity of a very large number of units which carry out very many transactions of different kinds for purposes of production, finance, insurance, redistribution and consumption.
202. The units and groupings of units to be taken into consideration in the framework of national accounts must be defined with reference to the kinds of economic analysis for which they are intended, and not in terms of the types of unit habitually used for statistical enquiries. These latter units (enterprises, holding companies, establishments, local units, technical units, government departments, private institutions, households etc.) may not always satisfy the definitions of units required for the purposes of national accounts, since they are generally based on traditional criteria of a legal, administrative or accounting nature.

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

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

! On the basis of these two objectives, institutional units appropriate for the analysis of economic behaviour and units of homogeneous production appropriate for the analysis of technico-economic relations are defined later in this chapter. In practice, these two types of unit will be established by the grouping or subdivision of the basic units of statistical enquiries. Before giving precise definitions of these two types of analytical unit used in the ESA, it is necessary to fix the limits of the national economy.

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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 fixed 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 circulate 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, namely 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)(2).
- e) deposits of oil, natural gas etc. in international waters outside the continental shelf of the country, worked by units resident in the territory as it is defined in the preceding sub-paragraphs.

(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 territorial enclaves, however, are not considered part of the country's economic territory for transactions relating to land and building existing ! within these enclaves. Extraterritorial enclaves are considered part of the ! country's economic territory for transactions relating to land and buildings ! existing within these enclaves.

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206. The economic territory, on the other hand, excludes extra-territorial enclaves, that is to say those parts of the country's geographic territory used, under international treaties or agreements between States, by governments of other countries, by Institutions of the European Communities or by international organisations (1)(2).

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 (one year or more). It follows from this that a unit which carries out transactions under these conditions on the economic territory of several countries is deemed to have a centre of interest in each of those countries.

208. On the basis of these definitions, the units deemed to be residents of the country can be listed, distinguishing between:

- 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 respect of their activities 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 two following cases may be distinguished:

- a) activity exercised exclusively on the economic territory of the country: the units which carry on this activity are resident units of the country

(1) The territories used by the Institutions of the European Communities and international organisations thus constitute the territories of States sui generis. The characteristic of these States is that the only residents are the institutions themselves (see 210 e)

! (2) See para 205 note (2)

209 - 211

- b) activity carried on for one 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 country is deemed to be a resident unit. It may be:
- either an institutional resident unit (see 212) whose activities carried on for one 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 carried on in the country for one year or more by a unit resident in another country (1).

210. In the case of units which are principally engaged in consumption, except for their activities 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 one year). This includes 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 a few months, but less than one year to work in another country in sectors in which additional manpower is needed periodically
- c) tourists, spa patients, students, visiting officials, businessmen, salesmen, artists and crew members who travel abroad
- d) the 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 civil or military international organisations which have their headquarters in extra-territorial enclaves
- f) the official civil or military representatives of the government of the country (including their households) established in territorial enclaves.

! 211. All units carrying on activities as owners of land and existing buildings, are deemed - in respect solely of transactions relating to their ownership of land and existing buildings - to be institutional or notional resident units of the country in which the land or buildings in question are located.

(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 carried on for a year or longer, is insignificant.

212, 213

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 make use of its own current resources, capital resources and financial resources.
213. Given these criteria, the following principles apply whenever entities do not clearly possess the two characteristics of an institutional unit:
- a) households, which always possess autonomy of decision in the exercise of their activities, must 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
 - d) entities which satisfy the definition of an institutional unit are treated as such, even if they do not publish their accounts in any form
 - 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 surrendered part of their autonomy of decision to the central organisation (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 - 216

214. Notional resident units are defined as:

- those parts of non-resident units which have a centre of interest, that is which carry out economic transactions for a period of a year or more, on the economic territory of the country;
- non-resident units which are the 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 even though, in general, they may not enjoy autonomy of decision, are treated as institutional units.

! ACCOUNTING TRANSACTIONS

215. Where an institutional unit carries out transactions involving redistribution of income or financial transactions on behalf of another institutional unit, these transactions should be shown 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 the 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 222 e), 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).

217

THE INSTITUTIONAL SECTORS

217. The need for aggregation means that it is impossible to consider individual institutional units separately; the latter must be combined into groups called institutional sectors or simply sectors, which may in turn be subdivided 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
Non-financial corporate enterprises	S 11
Non-financial quasi-corporate enterprises	S 12
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
Households of proprietors of unincorporated enterprises	S 81
Households of employees	S 82
Other households	S 83
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

(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).

218, 219

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

The institutional units are grouped in sectors on the basis of their PRINCIPAL FUNCTION, this being considered as representative of their economic behaviour; if the principal function of the unit is not evident, it is determined by reference to 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 behaviour 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 principally engaged in the production of goods and services, it is necessary, in deciding the sector to which it should be allocated, to distinguish first of all whether goods and services are market, that is to say, sold on the market, or non-market, that is to say, distributed free of charge or virtually free of charge.

The following conventions are 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 services (see 313 a)) is always deemed to be non-market production
- d) the production of certain services (see 308 b) and 313 b)) is deemed:
 - to be market production if the resources of the producer unit are mainly (1) derived from the sale of its output at a market price, whatever this price may be called in practice:
 - 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 render them services in exchange (see 308 b))
 - 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 public transfers, voluntary contributions from households in their capacity as consumers, or from property income (see 313 b)).

(1) "Mainly" must be understood to mean about 50% or more of the total current resources.

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 (S 10)(see 221)	The production of goods and non-financial market services	Receipt from sales of output
Credit institutions (S 40) (see 224)	Finance, i.e. the collection, conversion and distribution of available funds	Funds derived from liabilities incurred; interest
Insurance enterprises (S 50)(see 234)	Insurance, i.e. the conversion of individual risks into collective risks	Contractual premiums
General government (S 60) (see 239)	The 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 (S 70)(see 246)	The production of non-market services for particular groups of households	Voluntary contributions made by households in their consumer capacity; income from property
Households (S 80) - as consumers	Consumption	Remuneration of factors of production; transfers from other sectors
- as entrepreneurs (see 249)	The production of market goods and non-financial services	Receipts from sales of output
Rest of the world (S 90) (see 252)	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	

221, 222

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 financial transactions and transactions relating to distribution of income are separate 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))(1).

! The sector non-financial corporate and quasi-corporate enterprises is sub-
! divided into 2 sub-sectors:

! - non-financial corporate enterprises (S 11)

! - non-financial quasi-corporate enterprises (S 12).

! 222. Sub-sector non-financial corporate enterprises (S 11)

! Non-financial corporate enterprises include all legal bodies recognised as
! independent legal entities, whose main activity is the production of goods
! and non-financial market services.

! The institutional units included in the sub-sector S 11 are the following:

a) private companies, 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, which are principally engaged in the product-
ion of goods and non-financial market services

d) non-profit institutions or associations serving enterprises recognized as
independent legal entities which are principally engaged in the production
! of goods and non-financial market services (2).

! (1) By convention, market regulator organisations whose exclusive or principal
! activity is to buy, hold and sell agricultural and other food products are
! classified as S 10 (see 240 a) reference 1)).

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

222, 223

! e) holding companies directing a group of companies the majority of which
! are classified as non-financial corporate enterprises.

! 223. Sub-sectors non-financial quasi-corporate enterprises (S 12)

! Non-financial quasi-corporate enterprises include all those organisations
! without independent legal status which are primarily concerned with 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
! but comparable with 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 government 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 resembles that
of companies. Units of this kind, which are principally engaged in the pro-
duction of goods and non-financial market services, are treated as institution-
al units and called non-financial quasi-corporate enterprises.

223 bis! To determine importance at a local level, different criteria are adopted
! for quasi-corporate public enterprises and for quasi-corporate private
! enterprises.

! - quasi-corporate public enterprises (public enterprises without independent
! legal status). To be very important at a local level they must sell most of
! their output, i.e. at least 50 per cent, to sectors other than the general
! government sector.

! - quasi-corporate private enterprises

! For quasi-corporate private enterprises (sole proprietorships, partnerships
! without independent legal status) to be very important at a local level they
! must, in agriculture (classes 01, 02, 03 of NACE) have 20 or more employees,
! for industry (NACE classes 11 to 50) 100 or more employees and for services
! (NACE classes 60 to 99) 50 or more employees.

223 ter! Also included in the sub-sector non-financial quasi-corporate enterprises
! are notional resident units arising from non-resident units which are
! principally producers of goods and non-financial market services.

224 - 226

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, convert and distribute available funds. The main resources of these units consist of funds derived from liabilities incurred (demand 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 companies, 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 and to be 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 under the name of 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 the 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).

227 - 230

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 to be responsible for 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, essentially of public origin, (e.g. agencies managing the foreign exchange, agencies operating with a view to stabilizing the bond market or influencing the money supply), provided they keep a complete set of accounts and are autonomous in relation to the central government.

! In practice, most of the general government agencies engaged in monetary activities are not institutional units; it is for this reason that the issue of currency by the State, its transactions with the IMF and its management of portfolio investments designed to influence the money supply, remain assigned 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 the following (1):

- a) clearing banks
- b) regional and local banks
- c) popular banks
- d) credit co-operatives

(1) Not all these types of institutions are found in every country.

230 - 232

- e) certain savings banks (see 232 a))
- f) 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 by reference to 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, will be classified in this sub-section:

- 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

(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 another (see 215).

232-234

- 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 maintain control of the enterprises in which they have acquired interests
- f) building and loan associations
- ! g) those security brokers and dealers principally acting as the other party
! in the buying and selling of securities.
- ! h) leasing organisations. A leasing transaction is a transaction involving
! the sale of capital goods, financed by a medium or long term loan.
! Organisations principally concerned with this activity are considered
! as financial intermediaries.

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

- ! a) those security brokers and dealers whose principal activity is the
! selling of a service by acting as an intermediary between buyers and
! sellers of securities and not by acting as the other party in the trans-
! action. They must be considered as non-financial enterprises and class-
! ified, 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. These units are included according to their
! characteristics 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).

-
- (1) Contractual premiums include two elements:
 - one which represents payment for the service of insurance (see 315 k)
 - the other which covers the indemnities incurred (see 315 k) note 2 and 453) and the insurance technical reserves (see 569 to 579).

235, 236

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

- a) private companies, 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, which are principally engaged in insurance
- d) non-profit institutions recognized as independent legal entities which are 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 and to be independent of their owners. Their economic and financial behaviour resembles that of insurance enterprises constituted as private companies, public corporations and public companies. It is for this reason that all sole proprietorships, all partnerships and all public enterprises other than those mentioned under a), b) and c) which keep a complete set of accounts (1) 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 (2)) is to administer individual or group contracts (3), whether or not participation results from

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

(2) 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

Since there is no complete set of accounts, they are not institutional units and remain part of the institutional unit which set them up.

(3) 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 compulsory for all the parties represented by the agent.

236 - 240

a general obligation imposed by the 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), 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 main 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 the 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, carried on for the benefit of the community (1)

! (1) By convention, market regulator organisations which are either exclusively
! or principally the 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.

240 - 245

- b) non-profit institutions recognized as independent legal entities which are principally engaged in the production of non-market services and whose main 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 the administrative departments of the State (1) and other central agencies whose competence extends over the whole economic territory, with the exception of the central administration of the social security funds (2).

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 social 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).

(1) The central administration of the 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 their principal financing administration.

246 - 251

Private non-profit institutions serving households (S70)(1)

246. Definition: The sector private non-profit institutions consists of private
! non-profit institutions recognized as separate legal entities
! and serving households which are principally engaged in the
production of non-market services intended for particular groups
of households; their main resources, apart from those derived
from occasional sales, are derived from voluntary contributions
from households in their capacity as consumers, and from property
income.
247. Where these institutions are very unimportant, they are not included in this
sector, their transactions being consolidated 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) includes individuals or groups of
! individuals both as consumers and in their possible rôle as entre-
! preneurs whenever, in this latter case, the corresponding activ-
! ities are not those of separate entities treated as quasi-corpor-
! ate enterprises.
!
! The principal resources of these units are the compensation of
! employees, property income, transfers from other sectors or the
! proceeds from the sale of products.
- ! 250. The household sector is divided into 3 sub-sectors, each characterised by the
! nature of their principal resources:
!
! - households of proprietors of unincorporated businesses (S 81)
! - households of employees (S 82)
! - other households (S 83).
- ! 251. Households of proprietors of unincorporated businesses (S 81).
! Definition: The households of proprietors of unincorporated businesses in-
! cludes the individuals or groups of individuals whose principal
! resources are derived from the sale of their production.

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

! Included in this sub-sector are:

- ! a) the households of owners of sole proprietorships and partnerships which do not have separate legal entity and the enterprises themselves whenever these enterprises are not considered as quasi-corporate (see para 223).
- ! b) notional resident units, other than those treated as non-financial quasi-corporate enterprises.

251 bis ! Households of employees (S 82) .

! Definition: Households of employees include those individuals or groups of individuals whose principal resources are derived from the compensation of employees (R 10)

251 ter ! Other households (S 83).

! Definition: Other households include those individuals or groups of individuals whose resources are derived principally from property income (e.g. shareholders) and transfers from other sectors (e.g. retired persons, pensionners).

! Included in this sub-sector are:

! non-profit making organisations serving households, which do not have separate legal entity and those which have separate legal entity but are of only minor importance (see 247). The principal resources of these organisations are derived from voluntary contributions by households in their rôle as consumers and from property income.

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 relationship 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:

! (1) Thus the totals for the rest of the world are always conceived from the point of view of the national economy.

- 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 gives rise to the recording, in the rest of the world accounts, of an increase in the gold reserves and also of an export of industrial gold. Similar accounting procedures are followed, but in the reverse direction, 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 relations 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 rest of the world accounts, broken down geographically; 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 and Luxembourg, United Kingdom, Ireland, Denmark (S 91)
- the Institutions of the European Communities (S 92)
- third countries and international organisations (S 93).

Sectoral 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.

256 - 259

256. Private companies, public companies and public corporations are classified as follows:

- a) those principally engaged in the production of goods and non-financial market services: in the sector S 10, non-financial corporate and quasi-corporate enterprises (see 222 a))
- b) those principally engaged in finance: in the sector S 40, credit institutions (see 225 a))
- c) those principally engaged in insurance: in the sector S 50, insurance enterprises (see 235 a)).

257. Co-operatives and partnerships recognized as independent legal entities are classified as follows:

- a) those principally engaged in the production of goods and non-financial market services: in the sector S 10, non-financial corporate and quasi-corporate enterprises (see 222 b))
- b) those principally engaged in finance: in the sector S 40, credit institutions (see 225 b))
- c) those principally engaged in insurance: in the 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:

- a) those principally engaged in the production of goods and non-financial market services: in the sector S 10, non-financial corporate and quasi-corporate enterprises (see 222 c))
- b) those principally engaged in finance: in the sector S 40, credit institutions (see 225 c))
- c) those principally engaged in insurance: in the 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)):

- a) those principally engaged in the production of goods and non-financial market services: in the sector S 10, non-financial corporate and quasi-corporate enterprises (see 222 e))

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- b) those principally engaged in finance: in the sector S 40, credit institutions (see 225 e))
- c) those principally engaged in insurance: in the sector S 50, insurance enterprises (see 235 e))

- if they are not quasi-corporate: in the 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:

- a) those principally engaged in the production of goods and non-financial market services: in the sector S 10, non-financial corporate and quasi-corporate enterprises (see 222 d))
- b) those principally engaged in finance: in the sector S 40, credit institutions (see 225 d))
- c) those principally engaged in insurance: in the sector S 50, insurance enterprises (see 235 d))
- d) those principally engaged in the production of non-market services:
 - in the sector S 60, general government, if their resources come mainly from the departments of general government (see 240 b))
 - in the 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 the sector S 10, non financial corporate and quasi-corporate enterprises (see 222 e))
 - b) those principally engaged in finance: in the sector S 40, credit institutions (see 225 e))
 - c) those principally engaged in insurance: in the sector S 50, insurance enterprises (see 235 e)).
- if they are not quasi-corporate they are classified in the sector S 80, households (see 250 b)).

262. Holding companies (i.e. companies which direct a group of companies) are classified as follows:
- a) in the 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 f))
 - b) in the sector S 40, credit institutions, when most of the companies which they control are classified in this sector (see 225 f))
 - c) in the sector S 50, insurance enterprises sector when most of the companies which they control are classified in this sector (see 235 f)).
263. The accompanying table illustrates in schematic form the various cases which are enumerated above.

SECTORIAL CLASSIFICATION OF PRODUCER UNITS FOR MAIN STANDARD LEGAL FORMS OF OWNERSHIP

PRINCIPAL FUNCTION (otherwise, principal resources)		THE PRODUCTION OF GOODS AND NON-FINANCIAL MARKET SERVICES	FINANCE	INSURANCE	THE PRODUCTION OF NON-MARKET SERVICES	
					Compulsory pay- ments made by the other units	Voluntary contributions made by households, in their capacity as con- sumers, and from property income
STANDARD LEGAL DESCRIPTION						
Private companies, public companies and public corporations		S10 non-financial corporate and quasi-corporate enterprises, (see 222 a)	S40 credit institutions (see 225 a)	S50 insurance enterprises (see 235 a)		
Co-operatives and partnerships recognized as independent legal entities		S10 non-financial corporate and quasi-corporate enterprises (see 222 b)	S40 credit institutions (see 225 b)	S50 insurance enterprises (see 235 b)		
Public enterprises which by virtue of special legislation are recognized as independent legal entities		S10 non-financial corporate and quasi-corporate enterprises (see 222 c)	S40 credit institutions (see 225 c)	S50 insurance enterprises (see 235 c)		
Public enterprises not recognized as independent legal	those with the characteristics of quasi-corporate enterprises	S10 non-financial corporate and quasi-corporate enterprises (see 222 e)	S40 credit institutions (see 225 e)	S50 insurance enterprises (see 235 e)		
	the rest	S60 general government (see 240 a)			S60 general government (see 240 a)	
Non-profit institutions recognized as independent legal entities		S10 non-financial corporate and quasi-corporate enterprises (see 222 d)	S40 credit institutions (see 225 d)	S50 insurance enterprises (see 235 d)	S60 general government (see 240 b)	S70 private non-profit institutions (1)(see 246)
Partnerships not recognized as independent legal entities Sole proprietorships	those with the characteristics of quasi-corporate enterprises	S10 non-financial corporate and quasi-corporate enterprises (see 222 e)	S40 credit institutions (see 225 e)	S50 insurance enterprises (see 235 e)		
	the rest	S80 households (see 250 b)				
Holding companies		The sectorial classification of these units is not based directly on their principal function, but on that of the majority of companies controlled by them: they should be allocated as appropriate, to S10 non-financial corporate or quasi-corporate enterprises (see 222 f), S40 credit institutions (see 225 f), S50 insurance enterprises (see 235 f).				

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

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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 their degree of processing but also by the technique of production used. The inputs and outputs 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 - namely, activities appertaining to other branches - and some ancillary activities such as administration, purchase, sale, 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.

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 and services specified in the classification, produces all the products specified and only those products.

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

- a) it produces services
- b) because of its nature, it is found to some extent or other in every similar producer unit
- c) it provides services only for that particular producer unit.

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269. At the level of the national economy, the entire set of units of homogeneous production which are grouped into branches plus households which do not have a productive activity, correspond to the entire set of institutional units, which are grouped into sectors. This means that a unit of homogeneous production is considered as a resident unit, when the national economy is subdivided into sectors, in as much as a unit of homogeneous production corresponds to a resident institutional unit or to a part of such a unit (see 212, 214).
270. Branches are units of analysis which cannot usually be observed directly; data collected from the units used for purposes of statistical enquiries have to be reconstituted to form the branches.
271. Branches may be classified into four categories:
- a) branches producing goods and market services: namely, market branches
 - b) branches producing the non-market services of general government: namely, non-market government branches
 - c) branches producing the non-market services of private non-profit institutions: namely, non-market private non-profit institutions branches
 - d) the branch consisting of non-market services produced by households: namely, domestic services.
272. The market branches consist of all units of homogeneous production of whatever institutional sector, which are entirely engaged in the production of goods and market services. Activities within the sectors general government or private non-profit institutions, which consist of producing goods and market services (including those intended for themselves), constitute units of homogeneous production and should be classified in some market branch or other (1).
- The non-market government branches consist of all units of homogeneous production in the sector general government which produce non-market services (see 312, 313)
- The non-market private non-profit institutions branches consist of all units of homogeneous production in the sector private non-profit institutions which produce non-market services (see 312, 313).
- The branch non-market domestic services consists of the productive activity of households in so far as they are employers of paid domestic staff.

(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).

THE CLASSIFICATION OF BRANCHES

273. The classification of branches used in the input-output tables is based on the NACE - that is, the version used for the establishment of the input-output tables (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 homogenous production.

Each group of the NACE/CLIO (1) is defined as follows

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

OTHER GROUPINGS OF UNITS

274. In the tables of financial transactions, another grouping, called financial intermediaries, has been utilised as well.

This grouping 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).

! (1) See Annex: Classification of NACE/CLIO groups and the groupings used in the
! ESA framework.

CHAPTER III

301, 302

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 and which are
responsible for the creation of Gross Domestic Product, and those relating
to external trade and 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 (P31 + P32)	P 3A
Final consumption on the economic territory (P31 + P33)	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:

- a) the goods and services account (C 0)
- b) the production account (C 1)
- c) the use of income account (C 4)
- d) the capital account (C 5)
- e) the current transactions account of the rest of the world (C 7).

OUTPUT OF GOODS AND SERVICES (P 10)

304. Definition: The result of the economic activity of resident units which consists of producing goods and services during a given period is termed output.

The total output recorded is that shown in the input-output tables (see 606).

! These tables determine how far, in the ESA, one should show in the accounts the
! output of goods and services which are utilised within productive units (insti-
! tutional and of homogeneous production) without being marketed.

The following types of output are distinguished:

- the output of goods (P 11)
- the output of market services (P12, P13)
- 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 represent 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. These goods 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 ex-
! cluded from actual output of forestry products but included in the 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 internal consumption by institutional units whose activity spans several groups of the NACE/CLIO, and the output of
! certain specified goods (see NACE/CLIO) for consumption by the groups which
! produce them

306, 307

- c) the output of agricultural and food products for own account consumption by farm households
- d) the output of agricultural and food products for own account consumption by non-farm households
- e) the output of goods other than agricultural and food products for own account consumption by households (1)
- 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 (2) 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)).

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

- ! - services produced for internal consumption by institutional units whose activity spans several market groups of NACE/GLIO
- ! - the services which producer units furnish to their employees as remuneration in kind
- ! - housing services provided for own use by households as owners of 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).

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

(2) Mainly must be understood to mean about 50% or more of the total current resource

308

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 (1): - 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*(2): 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 rail-
! ways, 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 rail-
! ways, 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 trans-
! port

! . 764: services associated with air transport

! (1) See para 137 nomenclature of branches

! (2) The group 672* of NACE/CLIO represents the groups 672 to 675 of NACE.

- 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 auxiliaires; real estate (except letting of real estate by the owner) and business services
- 840: Services of renting, leasing and hiring of movables, 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: Cinema halls
 - ! . 974: Radio and television
 - ! . 976: Liberal, artistic and literary professions
 - ! . 980: Personal services

! In the last group of cases mentioned above (codes greater than 900), the letter
! C is added to the code of 3 figures 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):

(1) "Mainly" must be understood to mean about 50% or more of the total current resources.

308, 309

- ! 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

309. The output of market services excludes:

- ! - certain renting considered not as output of a service but as payment for a factor of production
 - . the renting of agricultural land (farm tenancies, share-cropping) and of non-agricultural land (see 436 a and b)
 - . the renting of intangible assets (patents, copyrights, concession rights) (see 436 c)
- ! - leasing, treated not as output of a service but as a loan granted to the user of the good or building which is the object of the lease (see 232h and 567bis).

310 - 312

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

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

The imputed output of bank services is, by convention, measured by the excess of the property income received by credit institutions (other than income from the investment of their own funds) over the amount of 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 by 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 with the opposite sign to ! the value of this imputed output. In this way, value added of all market branches ! or sectors is reduced in total by an amount which ought to be allocated to the intermediate consumption of the various users of bank services (and ought, there- for, to be deducted from their respective values added) and to final consumption (2).

Output of non-market services (P 14)

312. Non-market services are:

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

-
- (1) The imputed output of bank services excludes 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 so that gross domestic product is thereby arbitrarily reduced.
 - (3) Domestic services produced by households not employing paid staff are excluded from production.

313 - 315

313. The output of collective services covers:

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

- ! NACE/CLIO: - 910: 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: Tourists associations, tourist information offices
- ! - 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 3 figure scale as follows:

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

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: take same list and commentary as 308 b.

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 also occasionally produce goods and market services on a small scale, the amount received is treated as an incidental sale 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 (see 629) subject to the following exceptions and explanations:

-
- (1) "Mainly" must be understood to mean about 50% or more of the 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 approximate basic prices, see 635.

315.

- a) intermediate goods and services produced for their own internal consumption ! by institutional units are valued at approximate basic prices plus any taxes linked to production which happen to be incurred on the exchange of these goods within the unit
- b) the output of agricultural and food products for own-account consumption by ! households is valued at the approximate basic prices of similar products sold on the market
- c) the own-account output of fixed capital goods is valued at approximate 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 approximate 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 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, which represent the difference between the value of the goods sold by traders and the value of the goods bought for resale which are in fact 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 excess of the gross premiums earned (2) over the sum of the following items:

-
- (1) The value of the notional renting of non-residential buildings used directly by the owning units is not taken into account;
 - (2) Premiums earned are that part of the premiums paid intended to cover risks during the relevant period.

315 - 320

- claims due (1)
 - 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 profit sharing, less:
 - imputed interest on liabilities resulting from insurance contracts (see 432)
 - realised capital gains which are in fact distributed (see 4112 h).
316. The value of the imputed output of bank services is measured, by convention, by the excess of the property income received by credit institutions (other than income from the investment of their own funds), over the amount of 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 the intermediate consumption, compensation of employees, consumption of fixed capital and taxes linked to production paid by 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 employers 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).

INTERMEDIATE CONSUMPTION (P 20)

320. Definition: The intermediate consumption of resident producer units represents the value of all goods (other than fixed capital goods) and of all market services consumed during the course of the relevant period in order to produce other goods and services.

(1) Claims due are those to which the insured are entitled during the relevant period. By convention, right to indemnity is deemed to begin from the same moment when the accident occurs.

321, 322

! 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 do not form 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, as well as to stocks held by market regulatory organisations insofar as these belong to the general government sector; other products are, by convention, consumed immediately upon purchases by general government;
- b) services purchased during the relevant period (1) with the exception of:
 - 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 their own internal consumption by institutional units whose activity spans several groups of the NACE/CLIO (see 607 b) and certain goods produced for their own consumption within the groups which produce them (see 608 a)

(1) The value of insurance services will be allocated among branches or sectors in proportion to the amount of the gross premiums earned, for each type of insurance.

(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 636).

322, 323

- 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) the purchases of goods and services made by producer units and 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, supplying 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) the purchases by households of tools, equipment or special clothing needed for their work
- 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 these organisations 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 U.A.) 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 other fixed capital goods
- f) purchases of durable goods for military purposes; 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, hospitals and other medical institutions and in educational establishments

- ! i) current expenditure on the sinking of wells during prospecting for gas
- ! and oil etc. i.e. current expenditure prior to a decision to exploit
- ! the seam or field (see 324 j).

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 such distribution is manifestly and principally for the benefit of the employees. Goods and services thus distributed are treated as final consumption of households (see 330 b)
- 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) expenditures for the purpose of rebuilding fixed capital goods (reconstruction of roofs, gutters, aerials, or electrical and heating installations in buildings etc.) and expenditures on the repair and improvement of movable fixed capital goods which are intended to prolong their normal lives, to increase their capacity or improve their performance. These expenditures are considered as gross fixed capital formations (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, which are considered as gross fixed capital formation (see 338 d)
- h) the rents paid for the use of land or intangible assets which are treated as income from land or intangible assets (see 436 a)
- ! i) the periodic repayments for the renting of goods under the system of leasing
- ! which are considered as both redemption of credit received (see 567 bis) and
- ! the corresponding interest (see 430 a)

324 - 328

- ! j) expenditure on the sinking of wells for extraction of oil, gas etc.
- ! i.e. expenditure incurred after the decision to exploit the reserves
- ! has been made (see 323 i).

325. Valuation of the various elements of intermediate consumption.

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

- a) for goods and services bought, at purchasers' prices
- b) for goods and market services produced for their own internal consumption by institutional units whose activity spans several groups of the NACE/CLIO, and also for certain specified goods (see NACE/CLIO) produced for their own consumption within the groups which produce them, at approximate basic prices plus any taxes linked to production which happen to be 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 excess of the property income received by credit institutions (other than income from the investment of their own funds) over the amount of 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 wants, 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)

(1) This paragraph applies to valuation in the input-output table at producers' prices; for valuation in the input-output table at approximate basic prices see 635.

328 - 330

- 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 3 A) which groups together flows P 31 and P 32 and is shown among uses in the use of income account (C 4)
- final consumption of the economic territory (P 3 B) 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 with 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 with 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 their own household consumption by farmers, and also the products of private gardens
- d) goods, other than agricultural and food products, produced by households for their 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
- g) social benefits in kind granted to households by general government or private non-profit institutions under social security or social assistance arrangements

(1) As the value of this consumption is minute and impossible to measure statistically, in the member countries of the European Communities, it has been agreed not to include it in the accounts.

330 - 333

- 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
l (see 620 a and c)
- l) incidental sales treated in the accounts as direct deliveries to households from the non-market branches 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
- d) expenditures by producer units which are 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 values of goods and services purchased by the households must then be broken down between intermediate and final consumption in proportion of their use for purposes of business and for the satisfaction of household wants 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 - 336

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 approximate basic prices for agricultural and food products produced for own consumption
 - ! - at approximate 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).

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 account current transactions with the rest of the world (C 7) in respect of final consumption of non-resident households on the economic territory
- among resources in the account current transactions with 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.

(1) This paragraph applies to the input-output table at mixed prices; for valuation in the input-output table at approximate basic prices and at producers' prices, see 635 and 636.

337 - 339

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 and are meant to be used for a period of more than one year in their process of production, including the value of any services embodied in the fixed capital goods acquired.

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 units of account.

338. Gross fixed capital formation consists of:

- a) new durable goods bought on the market, acquired under a leasing arrangement, or produced by the producer units themselves during the relevant period and intended to be used, for a duration of more than one year, in the 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) immovable fixed capital goods:
 - residential buildings, including accommodation for the households of members of the armed forces
 - non-residential civil buildings
 - other civil construction and works

(1) According to prices in force in 1970.

339 - 341

- b) movable fixed capital goods (including used imported goods)
 - transport equipment
 - machinery and other equipment
 - change in producers' livestock (1) in respect of:
 - adult cattle (2 years old or more)
 - - breeding pigs
 - goats, sheep, horses and other equine 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 units of account) 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 wants; 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) services of 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.

(1) To avoid treating as existing goods animals forming part of fixed capital which are slaughtered, only the net change in the animals intended for slaughter is treated in the accounts as gross fixed capital formation.

341 - 343

In the case of work in progress on immovable fixed capital goods (residential buildings, non-residential civil buildings, other civil construction and works), the value of work carried out during the period is treated as gross fixed capital formation, so long as 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 change in stocks.

In the case of work in progress on movable fixed capital goods (transport equipment, machinery and other equipment), the value of the work carried out during the period is not included in gross fixed capital formation but in change in stocks (see 351).

342. The value of goods and services incorporated into existing fixed capital goods for the purpose of improving them by prolonging their life, increasing their productive capacity or performance, or rebuilding or reconstructing them, includes the value of all replacement or spare parts of more than about 100 units of account 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 involves a transaction which constitutes fixed capital formation, while the replacement of the tyres constitutes intermediate consumption. Similarly, in the case of a building, the replacement of the central heating boiler or of the roof constitutes fixed capital formation, while the replacement of a boiler component or the repair of part of the roof is intermediate consumption.

343. The value of goods and services incorporated into land includes expenditures on improving the land and preparing it for other productive uses, excluding the costs of current maintenance. It includes:

- a) expenditures on clearing, draining, irrigation, or on regrouping of holdings of land; expenditures on improving land for building or industrial purposes; expenditures incurred drilling wells or shafts when extracting oil and natural gas (1) and for the purpose of exploiting mineral deposits
- b) expenditures on planting new forests or woodland; by convention, only the expenditures incurred during the first five years are taken into account

(1) All wells drilled before a decision to exploit the reserves has been made are treated as wells for research; from the moment when the decision to exploit is made, all expenditure on well or shafts for extraction, including new expenditure on old wells or shafts, is counted as fixed capital formation (see 323 i and 324 j).

343 - 348

c) expenditure on planting new orchards and vineyards; by convention, only the expenditures incurred during the first three years are taken into account.

344. The costs incurred when purchasing land, buildings, ²⁹ other fixed capital goods and intangible assets include the value of the services rendered by lawyers, estate agents, and other intermediaires, 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 similarly 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 (1), the goods
! and market services which enter into gross fixed capital formation are valued
! at purchasers' prices if they are bought or at approximate 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), other than fixed capital goods, 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 held as strategic or emergency stocks or for purposes of regulating the market in so far as the institutions concerned are classified in the general government sector (see 240 note 3).

(1) This paragraph relates to the input-output table at mixed prices; for valuation in the input-output table at approximate basic prices and at producers' prices, see 635 and 636.

349 - 353

! 349. Stocks of goods may refer to:

- ! - harvested agricultural products
- ! - cattle of less than 2 years old, non-breeding pigs, poultry and other | ←
- ! small farm animals (1)
- ! - nuclear products
- ! - industrial products
- ! - new immovable products (completed and uncompleted) for which no buyer has
- ! been found.

! 350. Services do not form part of stocks. The value at purchasers' prices of
! goods put into stock at the users factory includes however, the costs of
! distribution.

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 movable fixed capital goods (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 immovable fixed capital goods (residential
! buildings, non-residential civil buildings) 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 immovable fixed capital goods for which a buyer has been found is
! treated as 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 enter into the economic system only from the time when the minerals are worked, the timber felled or the crops harvested.

! 353. Deleted.

! (1) Other animals are a part of fixed capital (see 339 b).

354 - 356

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 when it involves stocks held on the premises of users or in retail and wholesale establishments and at approximate basic prices (1) when the stocks are in the hands of the producers
- ! - withdrawals from stocks: valued at replacement cost, i.e. at the purchasing price in force at the time of withdrawal. For stocks held on the premises of users or in retail and wholesale establishments, and at approximate basic prices (1) at the time of withdrawal for stocks in the hands of the producers.

! One method of applying the theoretical valuation set out above consists of valuing stocks at the beginning and end of the period at the average prices of the period (purchasers' prices for stocks held by users or in retail and wholesale establishments and approximate basic prices (1) for stocks of goods made by and held on the premises of the producers) and taking the difference between the values so obtained. However, when there are significant seasonal fluctuations in stocks, it is preferable to calculate the change in stocks as the difference between the quantities or average values of the stocks during the periods in question.

355. Change in stocks 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).

EXPORTS OF GOODS AND SERVICES (P 50)

Export of goods (P 51)

356. Definition: Exports of goods include all goods (2) (national or nationalised (3) new or existing) whether charged for or free, which permanently leave the economic territory of a country for some destination in the rest of the world (4).

-
- !(1) To value the change in stocks held by producers, the approximate basic price net of profits is used.
 - (2) It is worth noting that, in the terminology currently used in foreign trade statistics, goods are generally called merchandise.
 - (3) 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.

357 - 359

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

358. Exports of goods include the following items:

- a) special exports (1) 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, coming from the economic territory of the country, enter extra-territorial enclaves
- 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 the 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 or spare parts used and the value added by the repairers).

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- (1) 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 again
 - foreign merchandise which is re-exported from the country after it has been subjected to processing or repair, having been temporarily imported for this purpose.

359, 360

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

360. It should be noted that, when their value is not 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 and 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
- i) goods sent abroad to be used there by non-residents under the heading of leasing.

-
- ! (1) Gold for industrial use corresponds to the following sub-headings of NIMEXE
 - ! 71.07.10 Unworked gold and alloys of gold in the form of ingots or bars with
 - ! purity of at least 995/1000 and with a guarantee and smelters hallmark
 - ! 71.07.20 Gold and alloys of gold in the form of bars, wire, sections, sheets,
 - ! foil and strips, other than financial gold
 - ! 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 Dust, purl, cuttings, scale and punchings of gold and its alloys
 - ! 71.08.00 Rolled or plated gold on base metals and on unworked or semi-worked
 - ! silver
 - ! 71.11.10 Gold ash, scrap and waste.

361 - 363

361. Returned goods, i.e. goods exported and subsequently returned to the consigner, must be specially mentioned: in practice, 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 happen to be needed 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 having been in free circulation on the country's economic territory are deposited in bonded customs warehouses of the same country
- b) the departure of goods in direct or indirect transit (1)
- 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 equipments 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.

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
- commercial margins
- the costs of transport as far as the frontier

(1) Only the value of services rendered by resident units in connection with the transit of these goods on the territory of the country (transport, warehousing, trans-shipment, insurance etc.) affects the national economy and is shown in the accounts as an export of services.

363 - 367

- the costs of loading on the ship or on any 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 account current transactions 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.)

(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 206).

367 - 370

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, charged on imported merchandise, which resident transporters have received from resident importers (1).

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 travel ticket, even if this price includes the value of ancillary 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 the export 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 fully commissioned and operated by residents.

These services are valued at market prices.

¹ On the other hand, the following transport services are not included:

- the value of fuel, ballast and 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.

(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).

370, 371

Exports of insurance services are valued by applying, for each type of insurance, the ratio of the payments for insurance services to that of gross premiums as calculated for resident units as a whole 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 to be settled between resident and non-resident units on the basis of clearing arrangements
- b) services involving the hire of films, the hire of transport equipment not fully commissioned, and the hire of other movable goods. These services are valued on the basis of the gross rents received by resident units
- c) services involving study, research, industrial assistance, advertising participation in shows, congresses, exhibitions etc. These services are valued on the basis of the amounts received by resident units
- 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) services of management, administration and other services provided by the head office of an enterprise (a resident unit) to its foreign subsidiaries, branches or agencies (non-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).

371 - 374

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 merchandise which has at no time been admitted to free circulation on the territory of the country
- ! j) the cost of collection of taxes linked to production and imports 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 4)
- 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).

- ! e) the regular repayments by non-resident units to resident units under the
! system of leasing. These repayments are treated in the accounts as redemp-
! tion of credit received (see 567 bis) and as payment of interest (see 430 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 account current transactions of the rest of the world (C 7).

375 - 377

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).
376. In this definition, the basic criterion used is when the goods actually cross the limits of the economic territory; in the case of imports of transport equipment, however, transfer of ownership from resident to non-resident units is always used as the criterion.
377. Imports of goods include the following items:
- a) special imports (4) 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

-
- (1) It is worth noting that, in the terminology currently used in foreign 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.
 - (4) 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 purposes of processing (refining, blending, finishing, assembling, packaging, or for various minor modifications etc.) or for purposes of repair, 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.

377 - 379

- f) financial gold sold from 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 of the re-imported repaired goods before they were repaired, only the value of the repairs themselves (replacement of spare parts used and the value added by the repairers) being thus included in the accounts under imports.

379. It is advisable to specify that, in cases where their values may not be 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 and 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 on arrival at ports or aircrafts within 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 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
- ! i) goods received from abroad for use by residents on the economic territory
- ! under the system of basing.

380 - 382

380. Returned goods, i.e. goods imported and subsequently returned to the consigner, 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 registered as imports. On the other hand, any replacements which happen to be needed for returned goods should be included in imports in the normal way.

381. Imports of goods do not include the following items:

- a) national (or nationalised) goods 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 hired 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 206)
- 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. (costs, 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)

382 - 384

- 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 linked to imports ! collected on importation.

It is possible - for the total imports of a country - to arrive at the f.o.b. value from the c.i.f. value; but it is, on the contrary, practically 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 valuing imports makes it necessary to adopt the two following conventions.

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

At the level of the national economy, it is assumed, by convention, that the amount of net premiums paid to insure the whole of the goods imported corresponds to the value of the losses and damage incurred by the goods in the course of transport between the frontiers of the exporting and importing countries. It can thus be taken that, at the level of the national economy, the total c.i.f. value of all the goods actually imported by a country includes, 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 relating to the 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

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

384 - 388

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 the value of transport and insurance services excluding those on imported goods.

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

- the heading (P 61) consists of imports of goods (valued f.o.b.) plus the value of transport and insurance services on imported goods
- the heading (P 62) consists of imports of services excluding transport and insurance services on imported goods
- the 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 account current transactions with 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 account current transactions of the rest of the world (C 7)

Imports of services (P 62)

388. Definition: Imports of services include all services (transport, insurance, others)(1) provided by non-resident units (2) to resident units (3).

(1) See 356 note 3 concerning repairs.

(2) Including those resident in extra-territorial enclaves (see 206).

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

389 - 392

389. Imports of services include the following items:

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

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 ancillary services such as meals, accommodation and meals 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 rendered 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 fully commissioned and operated by non-residents.

(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).

392 - 394

These services are valued at market prices.

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

- the value of fuel, ballast and 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 to the international transport of imported goods (1).

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

Imports of other services

394. This heading covers all other services rendered 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 to be settled between resident and non-resident units on the basis of clearing arrangements

b) services involving the renting of films, the renting of transport equipment not fully commissioned and the renting of other movable goods.

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 shows, 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.

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

394, 395

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) services of 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 which happens to occur on arbitrage transactions carried out by resident units in respect of merchandise which has 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)

- e) the regular repayments by resident units to non-resident units under the system of leasing.

These repayments are treated in the accounts as redemption of credit received (see 567 bis) and as payment of interest (see 430 c).

396 - 3100

Valuation of imports of services

396. Imports of services are valued according to the conventions indicated 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 account current transactions of the rest of the world (C 7).

NET PURCHASES OF LAND AND INTANGIBLE ASSETS (P 70)

398. The 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 (2).

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

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

! (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) The purchases cover also leasing transactions.

3101 - 3105

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. Definition: Net purchases of intangible assets represent the balance (purchases less sales)(1) of transactions in intangible assets such as patent, trademarks, designs, copyright, concession rights affecting the soil and subsoil, rights which do not entitle the holder to a share in the net assets in the event of liquidation (see 549), etc.
3104. Transaction 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, the 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 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 - 403

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 deduction 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 the internal accounts of an enterprise) must be estimated starting from the value of the stock of fixed capital goods and the probable economic life of the different categories of these goods. In estimating the value of the stock of capital goods, their current value at replacement prices should be taken into account and not their initial cost.

Consumption of fixed capital is calculated according to the method of "straight line" depreciation, that is by treating the rate of depreciation as uniform over the whole life time of a capital good.

(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.

403

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 due 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).

404

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
Subsidies to domestic production	R 31
Subsidies to imports	R 32
Other transactions involving the distribution of income	
Property and entrepreneurial income	R 40
Actual interest	R 41
Imputed interest on insurance technical reserves	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 distributed to employees	R 46
Accident insurance transactions	R 50
Net accident insurance premiums	R 51
Accidents 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 - 407

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

! a) VAT on products (R 21) and taxes linked to imports excluding VAT (R 29)
! appear in the goods and services account. In the sector accounts the flows
! are included in the transaction R 20, in the resources of the revenue account
! of general government and in the current transactions account of the rest
! of the world.

! Other distributive transactions directly linked to the production processes -
! compensation of employees (R 10), taxes linked to production excluding VAT
! (R 22) and subsidies (R 30) appear in the generation of income accounts of
! producer branches and sectors. Corresponding entries appear in the distri-
! bution of income account of the sectors concerned (households for the com-
! pensation of employees, central government for taxes linked to production
! excluding VAT and for subsidies) or in the account current transactions of
! the rest of the world

b) other transactions involving the distribution of income - property and
entrepreneurial income (R 40) accident insurance transactions (R 50) unre-
quited current transfers n.e.c. (R 60) - appear in the distribution of
income accounts of sectors and in the account current transactions of the
rest of the world;

c) 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

d) 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 account current transactions 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)

407 - 409

! 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, if the distribution is not linked
! to the realisation of the profits of management, if the payments are
! regular and payable to employees independent of realised profits
- i) payment 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) expenditures by employers which are 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
 - expenditures on providing amenities at the place of work, medical examinations, supplying 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 their employers.

These expenditures are included in the intermediate consumption of employers (see 323 a).

(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.

409 - 411

- b) allowances 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, employees are required to devote to such purchases. These expenditures are included in the intermediate consumption of employers (see 323 b).
- 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. The 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 (i.e. without any contributory scheme) by employers 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 form part of employers' labour costs, the ! amount should also be included in the compensation of employees.

(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).

412, 413

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 the actual social contributions of employers, which pass through the accounts for households and which are 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 the heading R 63 (see 468 - 473).

413. The compensation of employees may consist of:

- a) the compensation of resident employees by resident employers (R 11)
- b) the compensation of resident employees by non-resident employers (R 12)
- c) the compensation of non-resident employees by resident employers (R 13).

These different items are recorded in the ESA as follows:

- the compensation of resident and non-resident employees by resident employers (R 1 B) groups together items a) and c) and appears among uses in the generation of income account (C 2) of employers sectors and branches
- the compensation of resident employees by resident and non-resident employers (R 1 A) 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 (R 12) appears among uses in the account current transactions of the rest of the world (C 7)
- item c), compensation of non-resident employees by resident employers (R 13) appears among resources in the account current transactions of the rest of the world (C 7).

414 - 416

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 importation of goods and services or the use of factors of production. These taxes are payable whether or not profits are made.

415. The amount 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. Taxes linked to production and imports may be divided into:

! - VAT on products

! - taxes linked to production excluding VAT (R 22)

! - taxes linked to imports excluding VAT (R 29)

! VAT on products (R 21)

416 bis ! The heading R 21 comprises the tax on values added which is collected by the State and which is applied to national and imported products as well as, where necessary, to other taxes deductible according to methods similar to those in force for VAT.

! At the level of the national economy VAT on products is equal to the balance between invoiced VAT and deductible VAT.

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

!(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

! Taxes linked to production excluding VAT (R 22)

! 417. Taxes linked to production excluding VAT comprises all taxes and duties other
! than VAT which are applied to the productive activity. They are broken down
! into:

! a) taxes on products (R 221) i.e. taxes which are levied proportional 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 deeds and licences necessary
! for the activity of the resident producer units.

17 bis ! Taxes on products (R 221) include, in particular:

- ! - excise duties and consumption taxes on products produced within the country
- ! - registration fees on changes of ownership which are subject to payment and
! which by convention are imposed on the services of intermediaries (lawyers,
! etc.) and not the object of change (goods, land, intangible assets or
! financial assets)
- ! - taxes on the flow of capital, which by convention are imposed on the services
! of intermediaries
- ! - taxes on entertainments
- ! - taxes on lotteries, gambling and betting, other than those imposed on
! realised gains
- ! - taxes on insurance premiums
- ! - profits of fiscal monopolies which are transferred to the State
- ! - the operating surpluses of public enterprises which, without being constituted
! as fiscal monopolies, occupy a monopolistic position to the extent that the
! surpluses tend to always exceed a normal margin of profit
- ! - export duties.

! Net taxes on production, a heading distinguished in the input-output-tables,
! are obtained by deducting subsidies on home-products (R 311) from the taxes
! on products (R 221).

7 ter ! Other taxes linked to production (R 222) include in particular:

- ! - taxes on land and buildings; however, in the case where these taxes form a
! particular aspect of the calculation and collection of the overall tax on
! income, they are treated as current taxes on income and saving (see 459 a)

417 - 419

- ! - taxes on the total wage bill, the effective numbers employed and the motive power installed
- ! - taxes on motor vehicles whenever they constitute fixed capital goods
- ! - stamp duties except those paid by households for services provided by general government
- ! - duties, fees or contributions to costs paid by producer units to general government in respect of services 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 governments or 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
- ! - compensatory monetary amounts levied on exports or imports
- ! - excise duties and single taxes on imported products.

! Net taxes on imports excluding VAT, a heading distinguished in the input-output tables, are derived by deducting subsidies on imports (R 32) from taxes on imports excluding VAT (R 29).

! 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 includes:

- ! - 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 the institutions of the European Communities, namely:

419 - 422

- ! - customs duties levied on the basis of the common customs tariff (CCT)
- ! - levies on imported agricultural products
- ! - compensatory monetary amounts levied on exports and imports
- ! - sugar quota
- ! - the part of VAT receipts allotted to the institutions of the European Communities (from 1978).

! 420. In the system of accounts, the total taxes linked to production and imports (R 20) appear:

- ! - among uses in the generation of income account (C2) of the national economy
- ! - among resources in the distribution of income account (C 3) of the general government sector and the account current transaction of the rest of the world (C 7).

! VAT on products (R 21) and taxes linked to imports excluding VAT (R 29) appear in the resources of 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 inclusive of these taxes.

! The taxes linked to production excluding VAT (R 22) appear among the uses of the generation of income accounts of branches and sectors *who pay the taxes*

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 and social policy to resident units producing 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 concern only current transfers made directly by them for the benefit of resident market producer units.

! (1) Units of non-market homogeneous production which produce as by products, goods and market services cannot receive any subsidies as a result of this market production.

423, 424

423. As the producer units classified in the market branches may belong to different institutional sectors, 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
- 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 part of general government 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, on the other hand, the balance of the two flows is negative from the point of view of the public enterprise, 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, according to the status of the enterprise.

425, 426

425. Grants to cover interest relief made to producer units must also be treated in the accounts as subsidies, even when they are intended to encourage capital formation (1). In effect, these are current transfers designed to alleviate 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 relevant credit institution.

425 bis | Subsidies are divided into:

| - Subsidies on domestic production (R 31). These include:

| - subsidies on products of domestic origin (R 311)

| These are all subsidies granted proportional to the quantity or value of the goods and services produced, sold on the domestic market or exported by resident producer units, including compensatory monetary amounts granted to exports

| - other 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

| - Subsidies on imports (R 32). These are subsidies granted to imported agricultural products, including compensatory monetary amounts awarded to imports.

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)

- 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 c)

(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).

426, 427

- 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. Such transfers 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 f)
- payments made by general government or by the rest of the world for damages to, or losses of, capital goods as a result of acts of war, other political events or national disasters. These payments 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. In the system of accounts, subsidies appear:

- among resources in the generation of income account (C 2) of the branches or sectors to whom they are paid (1)
- among uses in the distribution of income account (C 3) of general government
- among uses in the account current transactions of the rest of the world (C 7)

! PROPERTY AND ENTREPRENEURIAL INCOME (R 40)

427 bis ! Property and entrepreneurial income (R 40) covers the following income
! distribution transactions:

- ! - actual interest (R 41)
- ! - imputed interest on insurance technical reserves (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 distributed to employees (R 46)

! (1) Except grants to cover interest relief which are recorded as resources of
! the units which benefits from them.

428 - 432

Actual interest (R 41)

428. Definition: Actual interest (R41) 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.

! 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, as a result of the conventions adopted in the ESA (see 211), to be national 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.
- ! c) the part of regular repayments provided for in leasing contracts which ! corresponds to the interest on the original loan.

! 431. In the system of accounts, actual interest is shown:

- among resources and among uses in the distribution of income account (C 3) sectors (2)
- among resources and among uses in the account current transactions of the rest of the world (C 7).

Imputed interest on insurance technical reserves (R 42)

432. Definition: The imputed interest on insurance technical reserves (R 42) represents 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.

-
- (1) Also included in actual interest is the difference between the nominal value of a bill and the price at which it is sold on issue (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.

433 - 436

433. The amount of imputed interest is valued as follows:

- a) in the case of profit-making life insurance and accidents insurance institutions, it includes that part of the interest yielded by the technical reserves (1) which is
 - added to the actuarial reserves against outstanding risks
 - added to the reserves for sharing profits among the insured
 - 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 of insurance technical reserves 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 account current transactions of the rest of the world (C 7).

Income from land and intangible assets (R 43)

435. Definition: Income from land and intangible assets (R43) 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 charged against 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 gasfields, forests and fishing ground, 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 of literary and artistic works etc.

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

437 - 440

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 intermediate consumption (see 323 e) or as 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 account current transactions 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) covers 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)
- bonus shares issued to shareholders and financed out of profits realised ! during the financial year (see 724).

441 - 445

441. In the system of accounts, dividends and other income distributed by corporate enterprises appears:

- 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 account current transactions 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) consists of the amounts which entrepreneurs actually withdraw for their own uses from the profits earned by the quasi-corporate enterprises (1) which they own and operate.

443. These amounts are to be recorded before the deduction of any current taxes on income and wealth, which are always deemed 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-office, 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 on which they depend.

(1) For the definition of a quasi-corporate enterprise see 222 e), 225 e) and 235 e).

446 - 448

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 the government, as a subsidy (see 423 b).

447. The item 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 298)
- from withdrawals of capital (e.g. the total or partial liquidation of their equity in the quasi-corporate enterprise, see 551 d).

448. 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 account current transactions of the rest of the world (C 7).

! Profits distributed to employees (R 46)

448 bis ! Definition: Profits distributed to employees (R 46) comprises that part of
! profits which employers, taking into account the results of their
! business, are obliged to pay to their employees by virtue of a
! legal agreement or convention.

448 ter ! The profits distributed to employees do not include the payments made by
! employers to their employees for the creation of wealth whenever these payments
! are made to employees irrespective of the actual profit made (see 408).

quater ! In the system of accounts, profits distributed to employees appear:

- ! - among uses in the distribution of income account (C 3) of employers' sectors
- ! - among resources in the distribution of income account (C 3) of households
- ! - among uses and resources of the account current transactions of the rest of
! the world (C 7)

449 - 452

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(1).

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 (2), 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 sharing profits among the insured, less, on the one hand, interest received apart from interest originating from the investment of technical reserves and, on the other hand, 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 c).

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 account current transactions with the rest of the world (for non-resident policy holders)(C 7)

-
- (1) 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.
- (2) 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 contributions
 - 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 - 456

- among resources in the distribution of income account (C 3) of resident insurance enterprises
- among resources in the account current transactions 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 indemnities 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 distributed gains.

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 account current transaction of the rest of the world (in 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 account current transactions of the rest of the world (in the case of non-resident beneficiaries)(C 7).

UNREQUITED CURRENT TRANSFERS (N.E.C.) (R 60)

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

(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).

457 - 460

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 amount 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 rebates made by general government as a matter of economic policy and any refunds made as a result of over-payments.
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 land and buildings whenever these constitute merely an administrative device for assessing and collecting the total income tax (see 417 j)
 - b) taxes on the profits of companies and of other corporate bodies
 - ! b') capital gains taxes
 - c) current taxes on the capital or wealth of households, corporate enterprises and non-profit institutions
 - d) taxes on the amounts won in lotteries, gambling or betting
 - e) taxes paid by households on the use of vehicles when these are not utilised in the course of production.
460. Current taxes on income and capital 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 taxes on capital (see 4109 a)
 - b) occasional or exceptional levies on capital or wealth which are shown under the heading taxes on capital (see 4109 b)
 - c) licence fees for using 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 - 464

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 account current transactions 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. Among actual social contributions, a distinction is drawn between:

- 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 provided 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 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 returns to which the contributions are entitled constitute social benefits (see 478 b)
- ! a') social contributions to non-financial corporate and quasi-corporate enter-
! prises
- d) social contributions to the rest of the world.

465 - 567

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 envisaged here relate to:

- 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 contributions which represents the value of the insurance service provided to (resident and non-resident) households. Under the conventions adopted, this part of the contributions 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 account current transactions 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 account current transactions of the rest of the world (in the case of non-resident insurers)(C 7).

468 - 471

Imputed social contributions (R 63)

468. Definition: Imputed social contributions (R 63) represent the counterpart to social benefits paid directly (i.e. without any contributory scheme) by employers 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 with 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.

471

! 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 become 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 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 can be assumed that there is a stable and normal ratio between the number of current employees and the number receiving of 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 assumed that the ratio between current and retired personnel is disproportionate (see 471 b).

472 - 475

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 has to be 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 account current transactions of the rest of the world (C 7)
- among resources in the distribution of income account (C 3) of the employers sectors and in the account current transactions 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 persons and which are intended to cover charges incurred by households because of the appearance, or existence, of certain risks or needs, without there being any simultaneous, equivalent counterpart provided by the beneficiary.

!

476 - 478

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.

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 charges resulting from the risks or needs in question. Thus, for example, expenditures on medical attention or medicines actually borne, in whole or in part, by a household itself in the event of sickness remain outside the scope of social welfare benefits.
- ! b) it further implies that the coverage of the risks or needs results from an act of collective foresight, 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

! (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 particular benefits paid by public authorities in their capacity as employers (see 408 k).

478 - 480

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 the level of the industry or enterprise) 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 thus 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 by the employer of wages and salaries in the event of the employees' ! sickness, maternity, disability, industrial injury, dismissal, etc. These payments should be regarded as social benefits paid directly by the employer (see 409 c).

480. The definitions 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, rewards, etc.) serve a different purpose from that of social benefits and are shown among miscellaneous current transfers (see 496 e).

481 - 484

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 (for example pensions or allowances)
- paid on a single occasion (for example, rebates of pensions, or benefits paid in a lump sum instead of on a regular basis, extracted 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 account current transactions of the rest of the world (in the case of benefits granted by the rest of the world)(C 7)
- among resources in the distribution of income account (C 3) of households
- among resources in the account current transactions 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 subsidies (see 423 c), investment grants (see 4104) and other capital transfers (see 4111).

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

485 - 488

! 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 behalf of which the transaction
! is made. This situation arises particularly when a government agency (e.g.
! a central government department) collects taxes which are automatically trans-
! ferred, 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 even
! more so in the case of taxes destined for another government agency which are
! in 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 trans-
! fer from central government to another government agency are included in
! current transfers within general government. Indeed, these transfers do not
! correspond to any specific category of taxes and they are not made automatic-
! ally. They are mainly made through certain funds (county and community funds)
! and according to the guidelines for distribution laid down by central govern-
! ment.

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 (1).

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 grants which private non-profit institutions (see 246) receive from households, and to a lesser extent, from other units.

488. The following are included under the heading R 66:

- a) regular subscriptions paid by households to trade unions and political, sporting, cultural or religious organisations classified in the sector private non-profit institutions

(1) Current transfers within general government are flows internal to the general government sector, they disappear when a consolidated account is established for the sector as a whole.

488 - 491

- 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 formation 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 account current transactions 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. The 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 (for example, payments intended to finance the budget deficits of foreign countries or overseas territories) or in kind (for example, gifts of food or military equipment).

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

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

492 - 496

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 account current transactions of the rest of the world (C 7).

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 account current transactions of the rest of the world (C 7).

Miscellaneous current transfers (R 69)

495. Definition: Miscellaneous current transfers (R 69) cover a certain 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. The 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 (for example, passport and driving test and licence fees, legal costs)(2).

! (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 paid by producer units, such payments are shown in the accounts under the heading "other taxes linked to production"(see 417 ter).

496 - 499

- b) the proceeds from fines and penalties (1)
- 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 rewards paid to resident or non-resident households by general government or private non-profit institutions
- f) payments by general government in compensation for the loss of consumer goods (e.g. furniture lost as a result of natural disasters)
- g) bonus payments on savings granted each period by general government to households in order to reward them for their saving during the period
- h) bonuses distributed on a voluntary basis by employers to their employees in the case where the bonuses are linked to the profits made by the enterprise (see 724)
- 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 account current transactions of the rest of the world (C 7).

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 (2), for the purpose of financing, in whole or in part, transactions specifically intended for gross fixed capital formation by other institutional units.

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

(2) Investment grants made by the rest of the world include those paid directly by the institutions of the European Communities, e.g. capital transfers made by the European Agricultural Guidance and Guarantee Fund (AGGF).

4100 - 4102

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. The 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 represents 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 to cover 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 account 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 treat it as 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 indicates, in effect, that while its capital can be separated from that of its owner an accounting point of view, its capital cannot be so separated from a legal point of view.

4103 - 4108

4103. Investment grants to the households sector include, in addition to equipment and modernisation grants to businesses other than corporate or quasi-corporate enterprises, grants to households for the construction purchase and development of dwellings.
4104. Investment grants to general government include all payments made to sub-sectors 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 expenditures on capital formation.
4105. Investment grants to private non-profit institutions from general government and from the rest of the world should be 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 buildings, bridges, roads, factories, hospitals or schools in developing countries, or for constructing buildings for international organisations. They can include instalment payments over a period of time as well as bloc payments. This heading also covers the supplying of fixed capital goods free.
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.

(1) Investment grants within general government are flows internal to the general government sector; they disappear when a consolidated account is established for the sector as whole.

4109 - 4112

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 (1).

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, while not constituting transactions affecting the distribution of income, achieve a redistribution of saving or wealth among the different sectors or sub-sectors of the economy or with the rest of the world.

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 happenings 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
- ! b') transfers between sub-sectors of general government designed to cover un-
! expected expenditure (2) or accumulated deficits
- c) unilateral annual payments into pension funds in so far as these payments are essentially designed to increase the actuarial reserves of these funds
- d) 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

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

(2) These transfers between sub-sectors of general government are flows within the general government sector (S 60) and disappear when a consolidated account for the sector as a whole is set up.

- e) legacies and donations between institutional units belonging to different sectors
- f) 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)
- g) confiscation
- h) that part of realised capital gains (or losses) which is redistributed to another sector (1).

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 capital account and the financial account. Examples are:

- the shift to the sector non-financial corporate and quasi-corporate enterprise of the capital of a sole proprietorship which is converted into 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)(F911)

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 deficit 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.

(1) 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 profit-sharing among the insured (see 576).

4116 - 4118

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

CHAPTER V

FINANCIAL TRANSACTIONS

501 - 502

501. Financial transactions are transactions which have the effect of changing the amount of financial assets and/or liabilities of institutional units.
502. Assets and liabilities are classified exactly the same way, so that for every asset in the accounts a corresponding liability appears.

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 profit-sharing among the insured	F 91
Pre-payments of premiums and reserves against unsettled claims	F 92

503 - 505

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 extinguished
 - 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 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

505, 506

single out the financial claims acquired from the rest of the world and the corresponding change in liabilities, and, on the other hand, to display to what extent these consist of 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 these 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 when 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 all the other characteristics of a financial asset from being conferred on it.

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 as a whole, 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 beginning in 1970, have the unconditional right to obtain means of payment for settling international transactions, these rights are considered as financial assets.

- Those benefitting 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.

(1) The expression monetary authorities is used to designate all the central institutions engaged in the issue of money, 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).

506 - 509

f) Net position in the IMF

- ! - As the countries which have a reserve position in the Fund (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 used up credits granted by the Fund (Use of Fund Credit) are obliged to repay these credits, 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 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 meant 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 smelters 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.

(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 smelters hallmark
72.01.11 Gold coin

509 - 511

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 (1).

510. 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 treat 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 the levels of exports or imports of goods (see 358 f, 377 f)(2).

510 bis ! All institutional sectors are 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 "currency convert-

! (1) Gold actually held by central banks (monetary gold - see 585) includes also
! a small number of ingots obtained from the fusion of gold coins which have
! been in circulation with a purity less than 995/1000. These ingots can only
! circulate between the central banks. Other elements of monetary gold, parti-
! cularly those acquired from other sectors, comply with the abovementioned
! conditions of purity.

(2) 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.

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ible in fact" in exchange for SDRs offered by another country, and to accept them in payment instead of gold or foreign currency (1).

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.

(1) When SDRs are distributed 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 foreign currency convertible in fact increase or its liabilities in national currency convertible in fact 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 treating SDRs in the accounts explained above for the most frequent 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) affecting the period in question.

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514. The sub-heading F 11 covers the balance between

- on the one hand, SDRs originating from the IMF allocations, plus any acquisitions from other countries participating in the scheme or even 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 even to the IMF itself.

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 indefinite period - to reimburse in whole or in part the SDRs in the event of:

- the possible withdrawals by the country from the system on its own initiative
- a possible reduction in the volume of the SDRs in circulation
- the possible liquidation 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 fiduciary currency and sight deposits 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. It 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).

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

518, 519

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 national fiduciary currency 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)(1)
- b) transferable sight deposits in national currency
 - 1) with resident credit institutions
 - 2) with resident institutional units (for example, with the State) belonging to other sectors
 - 3) with non-resident credit institutions.

! Transferable sight deposits in national currency include, in particular, those held by credit institutions with other credit institutions (2), such as:

- sight deposits which resident credit institutions hold with the Central Bank to satisfy compulsory reserve requirements, in so far as such deposits remain transferable (3)
- 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.

! (1) 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.

(2) It should be noted that inter-bank transactions are not shown as a whole as a single item, their components being included, according to their liquidity characteristics, under the appropriate headings of the system. The detail of inter-bank transactions will appear, in the tables of financial transactions, as the difference between the consolidated and unconsolidated figures for the transactions of the sector credit institutions.

(3) 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).

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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 considered here nor under any other heading of the system; they correspond to the opening of a credit so long as the IMF does not draw on the money for the benefit of another country (1)

- (1) 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 is 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, for example 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 same 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 national currency convertible in fact (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.

519 - 521

- 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 foreign fiduciary currency 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.

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 (for example, with the State) belonging to other sectors
 - 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)

(1) A "swap" agreement is the 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. 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 country drawn against, the exchange means an increase in sight assets in the foreign 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).

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- 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, that is 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 and without some previous arrangement. These assets constitute instruments of financing.

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

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

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526. Other deposits in national currency (F 31)

526. Definition: This sub-heading 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 before the deposit 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 purely because of the existence of a fixed term or period of prior notice.

529. Usually, 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. It is for this reason that time deposits are made more often by enterprises than by households.

530. The sub-position F 311 includes:

- a) time deposits in national currency (deposits with fixed term or period of prior notice) 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.

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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 which can be realised only on the production, for each withdrawal, of a document materially substantiating the deposit (savings books, savings certificates, statements of account, etc.), and which can then be immediately converted into currency of 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 movement, in particular, tend to be very slight in comparison with fluctuations in short term rates on the money market
- d) savings deposits are sometimes restricted to persons.

It follows from these basic features that savings deposits are primarily the concern of households rather than of 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. The 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 (see 721).

Time savings deposits in national currency (F 313)

534. Definition: The sub-position time savings deposits in national currency (F 313) covers deposits 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).

(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.

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535. The characteristics mentioned under times 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. The sub-position F 3131 includes, in particular:

- deposit certificates which have a fixed term and which are not negotiable, or those whose negotiability, while theoretically possible, is very restricted (see 721)
- 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 are usually made by means of premiums which are considered to be either miscellaneous current transfers (see 496 g) or other capital transfers (see 4112 d). 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)
- savings certificates issued by credit institutions, and especially by savings banks, if these certificates are negotiable (see 540).

Other deposits in foreign currency (F 32)

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

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

539 - 541

BILLS AND SHORT TERMS 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 constitute 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).

(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.

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LONG TERM BONDS (F 50)

542. Definition: The heading long term bonds (F 50) groups together securities with maturities of several years which bear fixed rates of interest (or interest rates linked to some index), generally payable by coupons, and which are redeemable starting from a date fixed at the time of issue (1). Long term bonds are negotiable instruments of investment (see 503) generally quoted on the stock exchange.

! 543. Heading F 50 includes also:

- debentures, including debentures convertible into shares, so long as they are not actually so 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 (2). 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 722). When assets issued against payment are not fully taken up on issue, only the part actually paid up is shown in the accounts.

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

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

(1) Undated or perpetual bonds (Consols) are also included under the heading long term bonds (F 50)

(2) 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.

547 - 549

Shares (F 61)

547. Definition: The sub-heading shares (F 61) covers investments in the capital of corporate enterprises represented by negotiable securities.

548. The 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 share-holders meetings, etc.)
- which entitle the holders to a fraction 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).

549. The 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

549 - 551

- debentures convertible into shares; these assets are shown in the accounts under the heading F 50 up to the amount when they are so 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 corporated 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 recognised as independent legal entities
 - the capital invested in co-operative societies recognised as independent legal entities
- b) investments by general government in the capital of public enterprises which by virtue of special legislation are recognised as independent legal entities (see 216 c). These investments cover payments made by general government, whatever these payments may be called, which are intended to increase the funds at the disposal of these enterprises, in so far as the administration depositing the funds retains a financial claim on the public enterprise

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

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- 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
- d) capital invested in financial and non-financial quasi-corporate enterprises
(see 216 f). The amount of such investments is measured by new investments
(in cash or kind) less any capital withdrawals (1)

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 (2)
 - other financial claims which the owners may have against quasi-corporate
enterprises (e.g. the owner's personal account with a quasi-corporate
enterprise)
- ! 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 ter) and vice-versa.

552. Sub-heading F 62 does not include:

- shares issued by incorporated partnerships and subscribed by limited part-
ners (shareholders); these are shown under sub-heading F 61
- ! - the financial claims that non-resident (resident) units have against notional
! resident (non-resident) units, classified in the households sector (S 80)
! (see 251), to which the ownership of the land and existing buildings, bought
! in the country under consideration (the rest of the world) is attributed.
- government investments in the capital of the IMF (quota)(see 519 b, note 1).

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 whose original maturity, agreed by
contract, is normally one year at the maximum, or in exceptional

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- (1) 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 entre-
preneurial income of quasi-corporate enterprises (R 45)
 - ! (2) It should be remembered that, by convention, public quasi-corporate enterprises
! cannot receive investment grants (see 4102), and that the funds received from
the proprietary administration have therefore the character of a financial
transaction.

553 - 555

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 investments (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 the State, 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).

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- (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 - in the case of a country where the concept of short term is very extended.
 - (2) Consumer credits, 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 maturity, 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 relationships between the drawer and the drawee on the one hand, and between the assigning drawer and the banker, on the other hand, should be shown separately.

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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 credit (F 71)

557. Definition: The sub-heading short term trade credit (F 71) is intended to separate short term loans of a commercial nature, 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 credits, 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 - 564

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:

- elements 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
- elements 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.

561. Other short term loans (F 79)

! Definition: The sub-heading other short term loans (F 79) covers short term loans other than these 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 investments(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 7, etc.)

(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 - in the case of a country where the concept of the medium or long term is very restricted.

564 - 567

- medium and long term loans made by credit institutions to other sectors (in particular, loans in cash, advances on securities, discounting 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 para 251). The notional resident units are deemed to have received from non-resident units a loan equal to the price paid in acquiring 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
 - ! - community financial assistance for medium term monetary support.

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 separate 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).

567 bis ! This sub-heading includes loans granted under leasing transactions (see 232 h)(1)

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- ! (1) The regular repayments provided for under leasing transactions cover at one and the same time repayments of loans received (F 89) and the corresponding interest (R 41)(see 430 c).

568 - 572

568. The detailed table of financial transactions (T 16) also shows a further sub-breakdown, mobilisable 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 (F 90) covers the actuarial reserves against outstanding risks, prepayments of premiums, the reserves for profit sharing among the insured and the 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 the reserves for profit sharing among the insured
- 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, whatever the type of institution which holds them:

- 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 administered 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 those administering or managing 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).

(1) Especially pension schemes which are not classified as insurance enterprises.

572 - 575

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:(1):

- ! - actuarial reserves against outstanding risks and reserves for profit sharing among the insured (F 91)
- ! - prepayments of premiums and reserves against unsettled claims (F 92).

! Actuarial reserves against outstanding risks and reserves for profit sharing among the insured (F 91)

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

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 (2).

! 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 (3).

-
- (1) The four categories of technical reserves are, however, shown separately in Table 18.
 - ! (2) 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.
 - (3) 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.

576 - 579

- ! 576. The reserves for profit sharing among the insured 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, in particular 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. There are claims due, which means that the insurance enterprises recognise the right to indemnity at the moment when the accident occurs and that the indemnity is transferred to the beneficiary at that amount (see 453), even if it is paid over only much later. For this reason, reserves against unsettled claims represent liabilities of the insurers.

579, 580

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 1). These amounts are included for reference only, as they do not result from financial transactions as these are understood in the ESA.

581, 582

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

Items	Code
<u>Financial assets and liabilities vis-à-vis the rest of the world</u>	
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
<u>For reference</u>	
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, in SDRs, in foreign currency and in national currency) held by the monetary authorities, and the corresponding liabilities; these reserves are claims against non-residents.

! 583. Deleted.

584 - 588

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, that is 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

- ! - short notice disposable assets in foreign currencies (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 trans-

588 - 590

- ! actions should not be shown (see 507). Assets of the EMCF, 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).
- 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, but the corresponding forward transactions should
- ! not be shown. The liabilities of the EMCF, 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.

(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 months bills, must not be shown under L 14 in the accounts - to the extent that they cannot be immediately mobilised.

591 - 594

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 hold 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), the Community financial assistance for medium term monetary support, and the consolidated clearing balances (part of sub-heading F 89).

CHAPTER VI

THE FLOWS OF GOODS AND SERVICES IN THE INPUT-OUTPUT TABLE

601 - 603

601. An input-output table provides a coherent framework in which to present the flows 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.

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. 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.

! The goods and services account describes, for the product of each branch, the balance between the resources (output and import) and the uses (intermediate consumptions, final consumption, gross fixed capital formation, change in stocks and exports). It is, by definition, a balanced account.

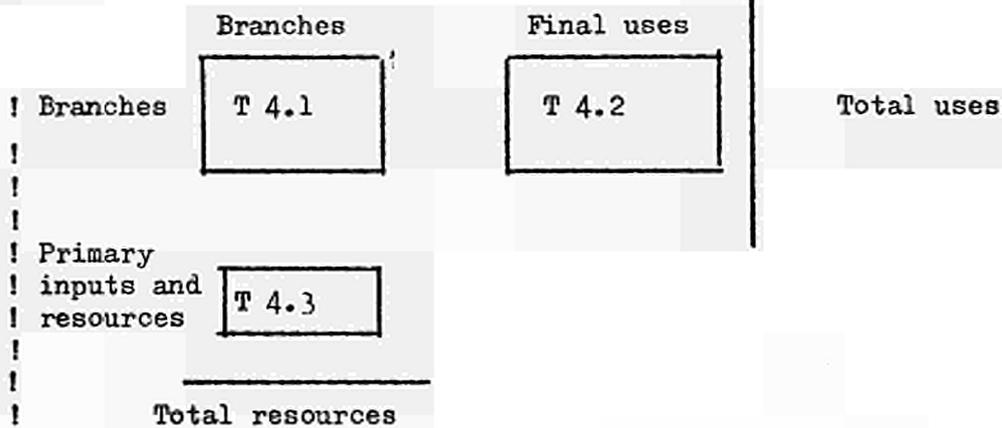
! The production account describes, for each branch, the relationship between the output (as resources) and the intermediate consumption of goods and services necessary to produce it (as uses). Gross value added - at market prices excluding VAT - forms the balance.

! The generation of income account describes, for each branch, the transactions distributing gross value added. The resources are: gross value added at market prices excluding VAT, the balance of the previous accounts, and subsidies received. The uses are: compensation of employees and taxes linked to production excluding VAT. The balance of the account is the gross operating surplus.

! 603. 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, 604



! 604. The various uses of goods and services can be divided into two groups:

- ! - the intermediate consumptions 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 the 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 final uses of this product.

04 bis ! For a given branch, the value of output is equal to the sum of two elements:

- ! - the intermediate consumptions or intermediate inputs, which show, for a given branch, the uses of the various products necessary for its production (columns of T 4.1)
- ! - the primary inputs which include the inputs which cannot be considered as produced by the producer branches (columns of T 4.3).

! Total resources of a product are equal to the value of the output of the corresponding branch plus the imports of products which are similar to this product.

! - For the product of each branch, total uses equal total resources, by definition

! - The three component tables contain the following elements:

- ! . T 4.1 contains all the intermediate inputs. It is a square table in which rows and columns represent the branches.
- ! . 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 (to EEC countries, to third countries), the total final uses and total uses.

604 - 606

! . T 4.3 contains for each branch, the primary inputs and resources, and
! total resources by product. The columns correspond to the producer branches.
! The rows give the main components of value added (compensation of employees,
! net operating surplus, consumption of fixed capital, net taxes on products,
! other net taxes linked to production), various transfers, the imports (from
! EEC countries, from third countries) or products similar to those of the
! branch, and total resources.

! Recording of out-of-the-market transactions

! 605. The transactions on goods and services recorded in the input-output table
! have all been defined in chapter III. It has to be noted 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 re-
! corded.

! 606. These conventions lead to the recording of:

! a) both in output of goods and services (P 10) and in final consumption of house-
! holds (P 30):

! - agricultural and food products produced for their own consumption by house-
! holds

! - products provided by the units which produce them as remuneration in kind
! for their employees

! - housing services consumed by the households as owners of their houses.

! b) both in output of goods and services (P 10) and in gross capital formation
! (P 40):

! - fixed capital goods produced on own account;

! - change in stocks of goods held by 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 goods specifically designated in the NACE/CLIO
! which, without being marketed, are consumed within the NACE/CLIO group
! which produces them (see 607 a).

607 - 610

! Consumption internal to the group and intra-branch consumption

! 607. Consumption internal to the group covers:

! a) the consumption of goods specifically designated in the NACE/CLIO, the output of which has been recorded and which are 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 and used for production of coal briquettes

! 112 Lignite consumed and used for 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.

! 608. Deleted.

! 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 up 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.

610 - 614

This breakdown poses methodological problems in the case of technologically linked products called by-products, and in the case of adjacent products.

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, which is technologically linked to the production of products † in group 252, petrochemical and carbochemical products; this hydrogen is identical † with that 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; whereas, 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 significant 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 with them and which have similar uses
- to obtain a significant balance between resources and uses, both domestic and foreign, for each product, with the constraint that the foreign trade in a product must appear in the same branch, in the case of imports as well as exports.

615. The method of treating ordinary by-products and adjacent products is as follows (see diagram):

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 with, or has 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 significant 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 or ordinary by-products and adjacent products between these groups are no longer needed.

615, 616

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, general government and private non-profit institutions, may occasionally happen to produce certain goods and market services, or may render non-market services to households for a nominal charge which covers only part of their production costs. The latter case concerns 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 and b).

616, 617

These sales are treated as follows:

- a) 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., they are transferred on a special row of the input-output table to the branches which normally produce similar goods and services)
- ! b) in the case of partial charges for non-market services, these charges are treated as direct deliveries from the non-market branches, general government and private non-profit institutions, to the final consumption of households.

! Treatment of subsidies linked to exports

! 16 bis Subsidies linked to exports are normally paid to the branch which distributes the goods and services when they are exported.

! By convention, the export is considered to be done by the trade branch: it pays to the producer the price it actually obtained for its production, and it receives the subsidy; as a result, actual output and value added of the trade branch are decreased.

! On the uses side, in the column for exports, the subsidy decreases the amount of exports of the relevant product.

! In order to maintain the balance between resources and uses, the row "Subsidies linked to exports" is inserted between actual output and distributed output. On that row, the various subsidies are entered with a negative sign in the columns of the relevant producer branches, and, for the trade branch, a positive number is entered, equal to the sum of the subsidies linked to exports. Therefore, the total for the row is zero.

! With this treatment, actual output of the producer branch can be valued independently of the subsidy, and, on the uses side, the subsidy can bear on the exports of the relevant product.

! Concepts of actual and distributed output

! 617. For each branch, except the trade branch, distributed output is equal to actual output,

616, 617

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! Concepts of actual and distributed output

! 617. For each branch, except the trade branch, distributed output is equal to actual
! output,

617 - 620

! . 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.

! . minus:

- ! - the amount of subsidies linked to exports of the products of the branch.

! For the trade branch, due to the treatment of subsidies linked to exports, distributed output is equal to actual output plus the 3 types of transfers mentioned above, and plus the total amount of subsidies linked to exports paid for all products.

! For the economy as a whole, transfers and subsidies linked to exports cancel each other out; therefore, distributed output of goods and services is 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 relevant period or a previous one, through being involved in transactions relating to production or importing, and to (intermediate or final) consumption or gross capital formation.

619. Existing goods feature in the input-output table only in so far as they are involved in new transactions (sales/purchases) during the relevant period.

620. Among existing goods may be distinguished:

- 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 results of the demolition, which usually consist of raw materials (e.g. scrap iron) used for the production of new goods (e.g. steel), are called demolition materials (1).

!(1)The breaking up of boats, however, is an activity of NACE/GLIO group 361, Boats, etc. The recovered goods are therefore treated as an ordinary by-product and transferred to group 620, Recovery Services.

620 - 624

- c) existing consumer durables which are sold by households and 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 required for the actual demolition itself and for the processing and treatment of the demolition materials (see 620 b) and of the 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 works on 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 (1) of existing durable consumer goods and recovered goods by the non-market branches, general government and private non-profit institutions. The total net purchases are recorded in the consumption of each of these groups

(1) Purchases less sales.

624 - 627

- 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
- 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 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 the case of a table valued at approximate factor 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 recorded in value terms, ! i.e. quantities multiplied by prices.

! The various types of prices

- ! 627. Among the various possible bases of valuation for the flows of goods and services, ! a first distinction has to be made between the prices which can be directly observed, and the prices or values which are built from accounting elements.
- ! 7 bis ! The prices which can be directly observed, for the products coming from domestic ! production and from imports are:

627 - 629

<u>! Products from domestic production</u>	<u>Imported products</u>
! a) the approximate basic price	a) the cif price
! b) the producers' price	b) the ex-customs price
! 1) excluding invoiced VAT	1) excluding invoiced VAT
! 2) including invoiced VAT	2) including invoiced VAT
! c) the purchasers' price	c) the purchasers' price
! 1) excluding deductible VAT	1) excluding deductible VAT
! 2) including deductible VAT	2) including deductible VAT

! 628. Approximate basic price

! The approximate basic price of a product is the sum of the costs of the goods
! and services used, and of the remuneration of the factors of production necessary
! to produce that product (1). It does not include net taxes on product but it in-
! cludes the other net taxes linked to production paid by the producer unit.

! The approximate basic price corresponds, in the terminology of the System of
! National Accounts of the United Nations, to the approximate basic value.

! 629. Cif price

! The cif price is the price at which imported products are recorded in the foreign
! trade statistics (see 382 and 384). 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.

!(1) By convention, in the following cases, the producers' profit, which is normally
! a component of the approximate 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 producers
! - non-market services.

!(2) In the whole of this chapter:
! - the expression net taxes on product is used to indicate taxes on product (R 221)
! net of subsidies on product of domestic origin (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 subsidies on imports (R 32).

630 - 633

! 630. Producers' price

! The producers' price is the approximate basic price plus net taxes linked to
! the product. It can be recorded:

! 1) excluding VAT invoiced on the product

! 2) including VAT invoiced 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 VAT invoiced on imports

! 2) including VAT invoiced on imports

! 632. Purchasers' price for products of domestic origin

! The purchasers' price is the total price paid by the user, after deduction of
! eventual rebates and refunds.

! In the case of domestic products used on the economic territory, the purchasers'
! price is the producers' price plus the distribution costs (trade and transport
! margins). It can be recorded:

! 1) excluding deductible VAT: this is the price actually paid by the purchaser,
! taking into account the mechanism 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 VAT invoiced by the
! producer, without considering the possibility for the purchaser to deduct
! the tax from the VAT he has invoiced.

! For exported products, the purchasers' price is considered to be the price at
! the border, i.e. the fob price. This price excludes VAT.

! 633. Purchasers' price for imported products

! The purchasers' price for imported products is the ex-customs price plus the
! trade and transport margins within the importing country; so it is the total
! price paid by the user of imported products, after deduction of eventual rebates
! and refunds.

633, 634

! It can be recorded:

- ! 1) excluding deductible VAT: this is the price actually paid by the purchaser, taking into account the mechanism 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 VAT invoiced on imported products, without considering the possibility for the purchaser to deduct the tax from the VAT he has invoiced.

} bis ! 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 production of a branch can be valued.

! a) at approximate factor value: by eliminating from the approximate basic value the taxes linked to production other than the ones levied on the products, 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 approximate basic value the taxes on the products levied on the intermediate inputs.

! Those three bases of valuation which are less close to a valuation using directly observed prices, are not retained in the ESA.

! Treatment of VAT

! 634. Value added tax is a tax linked to production and imports which is collected by the enterprises, and 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 it must pay (receipts from VAT invoiced on its own production), the amount of tax it has paid on its purchases of intermediate inputs or capital goods.

634

! bis ! 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
! as 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 calcul-
! ated at the rate applying to each product bought and which the producer has
! paid on all his intermediate inputs; this is subsequently referred to as VAT
! deductible on intermediate inputs

! c) VAT invoiced to the producer on purchases of fixed capital goods and of goods
! put into stock: this is called VAT deductible 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 (VAT deductible on intermediate in-
! puts)

! e) VAT paid by the producer (a-b-c): this is the difference between VAT invoiced
! by the producer and the VAT invoiced to the producer (VAT deductible on inter-
! mediate inputs and on purchases of capital goods)

! f) VAT on products: this is the difference between the VAT invoiced by the pro-
! ducer on each product and the VAT deductible by other producers on the pur-
! chases of this same product.

! ter ! 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 account of the
! nation, it is necessary to make a choice between two valuation systems: the net
! system and the gross system.

! The gross system was used in the framework of the ESA for the years 1970 to 1975.

! Considering the generalization of VAT and the adoption by the enterprises of an
! accounting system using values excluding deductible VAT, the net system has been
! introduced, starting from the final data for 1975.

! ater ! In the net system of VAT, the flows of goods and services are valued as follows:

! - production: excluding VAT invoiced by the producer

! - imports: excluding VAT invoiced on imports

! - intermediate uses: excluding deductible VAT

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- ! - final consumption: including VAT
- ! - gross capital formation: excluding deductible VAT
- ! - exports: excluding VAT.

quinqu. ! In the gross system of VAT, the flows of goods and services are valued as follows:

- ! - production: 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 products including VAT invoiced to the producer on purchases of capital goods. VAT deductible on purchases of capital goods is globally deducted in order to get total gross capital formation (1).
- ! - exports: excluding VAT.

sext. ! According to the valuation system adopted and the periodicity retained, three types of input-output tables can be distinguished in the framework of the ESA:

! a) the five-yearly input-output table at approximate basic prices

! The flows are valued at approximate basic prices for the products of domestic origin, and at cif prices for imports.

! The approximate 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; so the recorded values are representative of the quantities of products used.

! b) the five-yearly input-output table at producers' prices (table excluding deductible VAT)

! The flows are valued as follows:

- ! - production, 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", on the resources side of the table, makes the balance between total uses and total resources.

! (1) If that global deduction is not made, the system of recording of VAT is then called "integral gross system".

634, 635

! The producers' price is, in most cases, the one which producing units know
! best, and the most reliable one for statistical enquiries. It is also the
! price used by the producing units as a basis for their economic studies.

! c) the annual input-output table at mixed prices

! The flows are valued in the same way as in the previous table, with the ex-
! ception of the final uses which are valued at purchasers' prices excluding
! deductible VAT.

! The five-yearly table at approximate basic prices

! 635. In the five-yearly table at approximate basic prices, the flows are valued at
! approximate basic prices for the products of domestic origin, and at cif prices
! for imports.

! In an input-output table valued at approximate basic prices, 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 approximate basic prices, but their total is valued at pur-
! chasers' prices; they consist of the following components:

! - inputs of intermediate goods and services used by the particular branch,
! valued at approximate basic prices. This price does not include net taxes
! paid by the branch itself when making the purchase; it does, however,
! include net taxes already incorporated in the approximate basic prices of
! products purchased from other branches

! - total trade and transport margins (valued at approximate basic prices)
! paid by the branch on its inputs

! - total net taxes paid by the branch itself on its inputs (1), excluding
! deductible VAT (R 221 - R 331 + R 29 - R 32).

(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 out-
! side of the table of intermediate transactions. This is row 4 in the table.

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- ! 2) remuneration of factors or 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 approximate basic prices.

! The balances between resources and uses for the product of each branch can be written schematically:

! FIVE-YEARLY TABLE AT APPROXIMATE BASIC PRICES

Resources	Uses
! (1) Intermediate inputs at approximate basic prices	(a) Intermediate uses at approximate basic prices
! (2) Net value added at factor cost	(b) Final consumption of households, collective consumption, at approximate basic prices
! (3) Consumption of fixed capital	(c) Gross fixed capital formation at approximate basic prices
! (4) Net taxes on inputs (excluding deductible VAT)	(d) Change in stocks at approximate basic prices
! (5) Other net taxes linked to production	(e) Exports at approximate basic prices
! (6) Actual output at approximate basic prices (6)=(1)+(2)+(3)+(4)+(5)	(f) Total final uses at approximate basic prices (f)=(b)+(c)+(d)+(e)
! (7) Transfers	
! (8) Distributed output at approximate basic prices (8)=(6)+(7)	(g) Total uses at approximate basic prices (g)=(a)+(f)
! (9) Imports of similar products at cif prices	. subrow N = distributed output (8)
	. subrow C and P = imports cif (9)
! (10) Total resources at approximate basic prices (10)=(8)+(9)	. subrow T = total resources (10)

635, 636

! Each row of table T 4.1 and T 4.2 is sub-divided into 3 sub-rows: flow coming
! from domestic production (N), flow imported from EEC countries (C), flow
! imported from third countries (P); the overall balance between resources and
! uses is therefore sub-divided for each product into 3 balances:

! In summary, an input-output table at approximate basic prices is composed of:

- ! - a table of intermediate consumption valued excluding the net taxes on the
! products
- ! - a table of final uses valued excluding the net taxes on the 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;
! it provides value added at factor cost by branch but it does not provide value
! added at market prices.

! Five-yearly table at producers' prices (table excluding deductible VAT)

! 636. The flows of the five-yearly input-output table at producers' prices (table ex-
! cluding deductible VAT) are valued:

- ! - for domestic production, at producers' prices, excluding invoiced VAT
- ! - for imports, at ex-customs prices, excluding invoiced VAT
- ! - for uses, at producers'/ex-customs prices excluding deductible VAT
- ! - in the following cases, at approximate basic prices, or, if net taxes have
! actually been paid, at producers' prices excluding VAT:
 - ! . products exchanged within institutional units whose activity spans several
! groups of the NACE/CLIO and also products specifically designated in the
! NACE/CLIO which are consumed within the group which produces them
 - ! . agricultural and food products produced by households for their own con-
! sumption
 - ! . fixed capital goods produced on own-account
 - ! . goods and services provided by the enterprises which produce them as a form
! of supplementary remuneration to their employees
 - ! . goods put into stock by producers.

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! 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 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 linked to the products excluding invoiced VAT (R 221 - R 311)
- ! 5) other net taxes linked to production (R 222 - R 312).

! As the total costs of the products used are exactly the same at approximate 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.

! The input-output table at producers' prices makes it possible to calculate for each branch gross value added at factor cost (2 + 3) and gross value added at market prices excluding VAT (2 + 3 + 4 + 5), i.e. excluding VAT invoiced on sales and VAT deductible on purchases (also purchases of capital goods).

! 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 the products coming from domestic production, or at ex-customs prices excluding deductible VAT for imported products
- ! b) the various final uses valued at producers' prices excluding deductible VAT for the products coming from domestic products, or at ex-customs prices excluding deductible VAT for imported products.

! In practice, an enterprise can generally deduct from the amount of VAT it must pay, 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.

! (1) In the table valued at approximate 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.

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! The valuation of uses at producers' prices excluding deductible VAT is therefore
! close to the price actually borne by the purchasers.

! Since for each product, uses are valued excluding deductible VAT, and resources
! (from domestic production and imports) 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 product of each branch can be
! written schematically:

! FIVE-YEARLY 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, 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 linked to the 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	(g) Total uses at producers' prices
! (8) Subsidies linked to exports	(g)=(a)+(f)
! (9) Distributed output at producers' prices excluding invoiced VAT	= Total resources at producers' prices
! (9)=(6)+(7)+(8)	
! (10) Imports cif of similar products	
! (11) Taxes linked to imports (excluding VAT)	
! (12) Imports at ex-customs prices excluding VAT (12)=(10)+(11)	
! (13) VAT on products (domestic and imported)	
! (14) Total resources at producers' prices	
! (14)=(9)+(12)+(13)	

636, 638

! Here again, the rows of tables T 4.1 and T 4.2 are sub-divided into 3 sub-rows: flow coming from domestic production, flow imported from EEC countries, flow imported from third countries. The breakdown of total uses into 3 sub-rows is as before. It has to be noted that the breakdown is not the same as before for total resources, since row (13) gives total VAT on products, whether domestically produced or imported.

! In summary, an input-output table at producers' prices is composed of:

- ! - a table of intermediate consumption and a table of final uses both valued inclusive of all taxes except deductible VAT. The valuation of the same quantity of a given product depends therefore on the fiscal system to which the purchasers are subject
- ! - a table of primary inputs and resources in which VAT on products, domestically produced and imported, is given. However, VAT invoiced by a producer, VAT deductible on intermediate inputs and VAT payable by the producer on his current transactions are not explicitly given.

! In order to calculate gross value added at market prices by branch, one would need to know VAT invoiced by the producer and VAT deductible on his intermediate inputs (those last two values are not explicitly given in the table)(1).

! Gross value added at market prices (gross system) = gross value added at market prices excluding VAT + VAT invoiced on sales - VAT deductible on intermediate inputs

! 637. Deleted.
! The annual table at mixed prices

! 638. The flows of the annual input-output table at mixed prices are valued:

- ! - for domestic production and imports, at producers'/ex-customs prices excluding invoiced VAT
- ! - for intermediate uses, at producers' prices excluding deductible VAT
- ! - for final uses, at purchasers' prices excluding deductible VAT.

! Unlike the five-yearly tables, the annual input-output tables do not show the sub-division of the flows into 3 parts according to the origin of the products.

! The valuation of flows in tables T 4.1 and T 4.3 is identical to the one in the five-yearly tables at producers' prices (see 636).

(1) ! In the input-output table at producers' prices in the gross system of VAT, however:
! 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.

! To evaluate the final uses at purchasers' price excluding deductible VAT, the
! following are used:

! a) in the case of the final consumption of households:

- ! - the purchasers' price, for products bought on the market
- ! - the approximate basic price of similar products, for agricultural and food
! products produced by households for their own consumption
- ! - the approximate basic price (1), for goods and services provided by the
! enterprises which produce them as remuneration in kind for their employees

! b) in the case of the 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 333 and 616)

! c) in the case of gross fixed capital formation:

- ! - the purchasers' price excluding deductible VAT, for goods bought on the
! market
- ! - the approximate basic price (1), for goods produced on own account

! d) in the case of changes in stocks:

- ! - the approximate basic price (1), for stocks held by producers
- ! - the purchasers' price excluding deductible VAT for stocks held by users

! e) in the case of exports, the f.o.b. price.

! A supplementary row is added to the table of primary inputs and resources:
! Trade and transport margins on final uses. Along this row, the entry for each
! branch covers the trade and transport margins on the final uses of the product
! of that branch, while the entire trade and transport margins on final uses are
! recorded as negative entries for the branches trade and transport. Thus the total
! for this row is zero.

! The balance between resources and uses for the product of each branch can be
! written schematically:

(1) Increased by any net taxes whenever these have actually been paid.

ANNUAL 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, collective consumption, at purchasers' prices
! (3) Consumption of fixed capital	(c) Gross fixed capital formation at purchasers' prices excluding deductible VAT
! (4) Net taxes linked to the products excluding VAT	(d) Change in stocks at purchasers' prices excluding deductible VAT
! (5) Other net taxes linked to production	(e) Exports valued 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	(g) Total uses at mixed prices (g)=(a)+(f)
! (8) Subsidies linked to exports	= Total resources at mixed prices (15)
! (9) Distributed output at producers' prices excluding invoiced VAT	
! (9)=(6)+(7)+(8)	
! (10) Imports cif of similar products	
! (11) Taxes linked to imports, excluding VAT	
! (12) Imports at ex-customs prices excluding VAT	
! (13) VAT on products (domestic and imported)	
! (14) Trade and transport margins on final uses	
! (15) Total resources at mixed prices	
! (15)=(9)+(12)+(13)+(14)	

CHAPTER VII

RULES OF ACCOUNTING

701 - 704

- ! 701. This chapter reviews the set of accounting principles and conventions of the ESA. Some of these principles and conventions have already been described in connection with the particular transactions concerned, in which case they 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 involved 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 TRANSACTIONS

704. Valuation of transactions in goods and services

The criteria and conventions governing the valuation of transactions in goods and services have been specified when each transaction was defined in Chapter III or VI.

705

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 amount at which they should be recorded in the accounts is clearly established.

705 bis 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 on liabilities resulting from insurance contracts (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 measure the value of payments in kind.

The method of valuing them is determined according to the nature of transactions, whether in goods and services or in financial assets or liabilities.

This is the case for the following:

- goods and services given by the units which produce them to their employees as remuneration in kind: valued at approximate basic prices (see 315 d)
- other goods and services supplied by producer units to their employees as remuneration in kind: valued at purchasers' prices
- bonus shares distributed to employees when the value of these shares is included in gross wages and salaries; valued at stock exchange or market prices (see 730)
- social benefits in kind: 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 76), 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): valued at the purchasers' price of similar goods.

706, 707.

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 or liquidated its valued 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 ! elements which are themselves transactions provided for in the system; these 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.

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:

-
- (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, the premium is included in the issue price and is thus also recorded as actual interest (R 41).
 - (2) This includes redemption premiums (the difference between the redemption price value and the nominal value) but excludes payments by lottery (see 430 a), ! savings premiums (see 4112 d).

707

Output of goods and services (P 10)

These are to be recorded at the moment when the goods being processed become usable or at the moment when the services are rendered.

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 in progress carried out during that period
- the output of rent services should be recorded at the moment the rent is due
- the output of insurance services can be calculated only at the end of the period and should relate to the whole of the period (see 315 k)
- the imputed output of bank services (P 13) can be calculated only at the end of the period and should relate to the whole of the period (see 316)
- the output of non-market services (P 14), because of the way in which it is valued, is recorded at the same time as the costs of this output are recorded (see 317).

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 from those held in stock 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.

(1) In the case of hire-purchase, the time of recording is when the goods are delivered.

707

Gross fixed capital formation (P 41)

This is recorded at the moment when the capital goods are made available to the purchaser. The following, however, are recorded at the end of the accounting period:

- ! - the value of work in progress carried out during the period on immovable fixed capital goods whose construction extends over several periods and for which a buyer has been found during a previous period
- the total value of work carried out from the date of the beginning of the construction until the end of the period under consideration on immovable fixed capital goods whose construction extends over several periods and for which a buyer has been found during the period in question.

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 moment when they are produced if they are not sold immediately, or at the moment when they are bought if they are not used immediately - and goods taken out of stock - recorded at the moment when 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 gets recorded 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 movable fixed capital goods whose production extends over several periods
- ! - the value of work in progress carried out during the relevant period on immovable fixed capital goods 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 moment when the goods cross the limits of the economic territory, in the case of goods other than transport equipment
- at the moment of transfer of ownership, in the case of transport equipment.

Exports and imports of services (P 52, P 62)

These are recorded at the moment when the services are rendered.

707, 708

Net purchases of land and intangible assets (P 71, P72)

These can be calculated only at the end of the relevant period and should cover the whole of this period.

708. The time at which distributive transactions are recorded

Distributive transactions are recorded at the moment when payment becomes due i.e. on an accruals basis. Nevertheless, for certain transactions, it is difficult to specify the moment when an amount becomes due and there are grounds for recording such transactions at the moment when payment is made in cash or, failing this, the moment when benefits are actually provided.

Compensation of employees (R 10)

- gross wages and salaries (R 101) are recorded at the moment when they are due
- employers' actual social contributions (R 102) are recorded at the moment when 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 moment when these benefits are due
 - representing the counterpart of voluntary direct social benefits are recorded at the moment when these benefits are provided.

Taxes linked to production and imports (R 20)

are recorded at the moment when the goods and services are produced, sold or imported.

Subsidies (R 30)

are recorded at the moment they are due to the producers. 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 moment when the goods are bought by the agency, if the selling price is known at that moment
- subsidies intended to cover a loss incurred by a producer unit in a market branch (423 c) are recorded at the moment when the general government agency decides to cover the loss.

708

Actual interest (R 41)

is recorded at the moment when it falls due. If the interest relates to several accounting periods it is not necessary to distribute it among the different periods.

Imputed interest on insurance technical reserves (R 42)

this can be calculated only at the end of the relevant period and is meant to cover the whole of this period.

Income from land and intangible assets (R 43)

is recorded at the moment when it is due.

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

are recorded at the moment when they are due (and not when they are declared or earned).

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

are recorded when they are withdrawn by the owners.

! Profits distributed to employees (R 46)

! are recorded at the moment when 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 moment when 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 related are due. The actual social contributions of persons who are not employed should, however, be recorded when they are due.

708

Imputed social contributions (R 63)

- imputed social contributions which represent the counterpart of compulsory direct social benefits are recorded at the moment when the benefits are due
- imputed social contributions which represent the counterpart of voluntary direct social benefits are recorded at the moment when the benefits are provided.

Social benefits (R 64)

- benefits in cash are recorded at the moment when they are due
- reimbursements in cash for goods and services purchased by households are recorded at the moment when the goods and services are purchased
- benefits in kind are recorded at the moment they are provided.

Current transfers within general government (R 65)

are recorded at the moment they are due.

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

are recorded at the moment they are made. However, transfers received from general government should be recorded at the moment when they are due.

Current international co-operation (R 67)

is recorded at the moment when it is due.

Private international transfers (R 68)

are recorded at the moment when they are made.

Miscellaneous current transfers (R 69)

are recorded at the moment 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 moment they are due.

Capital taxes (R 72)

are recorded at the moment they are due, i.e., the last date on which they can be paid without penalty.

708, 709

Other capital transfers (R 79)

are recorded at the moment they are made. However, transfers received from (or made to) general government should be recorded at the moment 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 meant to cover the whole of this period.

709. The time at which financial transactions should be recorded

The time of recording depends on whether the parties to the transaction have agreed in advance that the transaction and its counterpart shall take place at different times, or whether no such arrangements has been made.

- When the two parties have expressly 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 moment when payment can be demanded. This is generally the moment when payment is made.

- both transactions are payments (1):

They are recorded at the moment when the first payment is made.

- neither of the two transactions is payment (1):

Both transactions are recorded at the moment when the first transfer of a financial asset is made.

(1) Payment should be understood to include remittances of financial gold (F 00), SDR's (F 11) payments by currency or by cheque or other means of transferring sight deposits (F 20).

709 - 711

- b) When the counterpart to the financial transaction is a non-financial transaction, both are recorded at the moment when the non-financial transaction takes place.

! 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 with the balance between changes in financial assets and changes in liabilities.

! Recording gross or net

711. When a transaction can figure among resources and among uses in an account, the transaction is said to be recorded net if only the balance is shown either under uses or under resources. In the contrary case, the recording is said to be gross.

-
- (1) However, in the input-output table and the goods and services account (C 0) the transactions relate to the physical movements of goods and services and not to the monetary movements which are their counterpart;
- ! (2) However, the concept of financial uses is used in the analysis of expenditure
! of the general government sector by purpose and transactions (see T 13).

711 - 714

- 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 based on the criterion of change in financial assets and change in liabilities, are recorded net.
- ! Nevertheless, to meet the needs of further analysis, Table T 17 relating to long term bonds (F 50) and medium and long term loans (F 80) records both increases and decreases in financial assets and increases and decreases in liabilities.

CONSOLIDATION OF TRANSACTIONS AND ACCOUNTS

712. Because of the difference in the criteria used for recording (see 711), the concept of consolidation operates 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 both on the side of uses and on the side of 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 607 to 611) and is retained throughout the whole of 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.

714, 715

! 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 taking place 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 the 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.

However, 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:

- ! - consolidated in the simplified accounts for the nation (T 1)
- ! - net consolidated in the accounts for sectors (T 3)
- consolidated and not consolidated in the tables of financial transactions (T 15, T 16, T 17, T 18, T 19).

715, 716

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 monetisation of industrial gold or demonetisation 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 organisation (S 93)
- transactions involving SDR's (F 10):
The following must be distinguished:
 - acquisitions (and remittances) of SDR's (F 11) from (or to) another country which are assigned to be contracting countries
 - net allocations of SDR's (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 SDR's (F 12); these cannot be allocated geographically and are assigned, by convention, to the sub-sector third countries and international organisations (S 93)
- other financial transactions:
 - the country of residence of the non-resident debtor or creditor.

(1) In the sense understood in foreign trade statistics.

718

! Multilateral payments

According to the criteria given above, 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 ...). For this reason, there may be divergences between the net lending or net borrowing (N 5) of a particular sub-sector and the net change in the financial assets and liabilities (N 6) of this same sub-sector with the rest of the world. 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.

! 717. Deleted.

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 or extinguished, but also each time they change hands.

Starting from the moment when 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 sectors and creditor sectors 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, however, therefore, for him to classify his liabilities according to the identity of the creditors.

718 - 720

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 extinguished.

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 which appertain both to those of instruments of investment and to those of instruments of financing. These are mainly bills of exchange and deposit certificates.

Bills of exchange

! 720. Bills of exchange and promissary notes are financial claims whose technical, legal and economic characteristics vary to some extent 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 promissary notes) towards an equally clearly specified creditor (the drawer ! of bills of exchange, the beneficiary of promissary 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 institu- ! tion. 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 form part of 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 bis When accounting for the relevant transaction, the bills of exchange are treated ! as instruments of financing. This means that when a bill of exchange is dis- ! counted, 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 - 723

720 ter However, for practical reasons, all bank refinancing cannot be recorded:
! by convention only the refinancing in which the creditor is the credit insti-
! tution holding the bill of exchange and the debtor the institution which had
! discounted the bill of exchange to a non-financial enterprise is shown.

! 721. Deposit certificates

! Deposit certificates, which are a means of acknowledging a short term debt,
! also have technical characteristics which vary to some extent 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 with the bearer and are destined for circula-
! tion, they are considered as bills and short term bonds (see para 540).

! RECORDING OF THE ISSUE AND DISTRIBUTION OF BONUS SHARES BY CORPORATE ENTERPRISES

! 722. An issue of bonus shares is that which has as a counterpart the capitalisation
! of own funds - reserves and undistributed profits - and which 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 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 correspond to 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 compulsory issues to be recorded as financial transactions in F 60.
! They are not necessarily intended for existing shareholders. The counterparts of
! these distributions cannot be detailed and the shares distributed do not neces-
! sarily result from a new issue. When the shares to be distributed are small in
! number, they are, in effect, bought initially by the corporate enterprises on
! the stock market, the buying transactions being recorded under the heading F 60.

- ! 724. Amongst the distributions which are supposedly free but have in fact a
! compulsory character, the ESA, given their importance, specifically notes
! the following cases where the counterpart is a known financial or non-financial
! transaction recorded in the system:
- ! - compensation of employees (408 h)
 - ! - sharing among the employees of the profits and benefits of the enterprise
! (496 h, 448 bis)
 - ! - distribution of profits made to shareholders (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. The discrepancies which occur as a result between the
! balancing items of the capital and financial accounts are covered in the ad-
! justments (N 5 - N 6).
- ! 725. The shares distributed in this way are to be recorded as a matter of course
! after distribution, among the liabilities of the corporate enterprise and the
! assets of the beneficiary units.
- ! 726. The recording criteria outlined in the preceding paragraphs are applicable
! for bonus issues of capital shares and redeemed shares (see 548) and equities
! (see 551).
- ! Dividend shares are not affected if it involves new issues because, at the
! time of issue these shares do not represent an actual financial liability of
! the corporate enterprise. The assets of the holder of these shares accrue from
! the time when one part of the profits is not distributed (see 548 c).
- ! 727 to 734 deleted.

CHAPTER VIII

POPULATION AND EMPLOYMENT IN THE CONTEXT OF NATIONAL ACCOUNTS (1)

801 - 804

801. The total population, the occupied population and wage and salary earners are defined in the ESA starting from 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 (2).

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 therein.

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, spa patients, students, etc.)
- foreign civilians settled in the country for a period of more than a year (including the personnel (3) of the institutions of the European Communities and of international civil organisations situated within the geographic territory of the country)
- foreign military personnel (3) working with international military organisations located within the geographic territory of the country.

(1) 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.

(2) This definition agrees with that used in the demographic statistics of the SOEC and corresponds to the OECD concept of adjusted present population.

(3) Including members of their households.

804 - 807

By convention, the total population also includes the following, irrespectively of the length of their stay in the rest of the world:

- 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, spa patients, students, etc.)
- national civilians staying abroad for a period of more than one year
- national military personnel working with international organisations situated 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 in area (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, are regularly domiciled 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 total population over the course of the year.

(1) Including members of their households.

808 - 809

OCCUPIED POPULATION

! 808. Definition: The occupied population covers all persons engaged in some product-
! iver activity (in the national accounting sense) whether these per-
sons are civilians or military personnel (1).

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

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 these who regularly help to run an agricultural establishment 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, whose origin is the economic territory of 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 2 d) - who remain in civil 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.

(1) With the exception of conscripts, this definition corresponds to that used by the SOEC for its enquiries concerning the labour force.

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 items:

- foreign frontier workers, namely persons who cross the border each day to engage in work in the country
- foreign seasonal workers, namely 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, namely nationals who are engaged in 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 bodies of foreign government situated on the geographic territory of the country
- the personnel of the institutions of the European Communities and international organisations situated on the geographic territory of the country
- members of the armed forces working with international military organisations situated on the geographic territory of the country
- nationals working in foreign scientific bases located in the country.

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 - 816

813. In order to be able to make the transition to 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 ESA).
- 3) non-residents working with resident producer units (not included in labour force statistics but included in the ESA).

814. As the levels to which the figures of occupied population refer represent annual figures they should be based on the mean occupied population over the course of the year. 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, the results should be adjusted to take account of 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, workers, employees, personnel, domestic staff engaged by an employer under a contract of service (2)
- civil servants and other government employees engaged under some legal contract of service
- 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.

(1) Thus, for example, a person who has worked for only three months of the year should be counted as 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, as such, considered to be salary earners.

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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.

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, the results should be adjusted to take account of the fact that some people do not work as wage and salary earners throughout the whole year; for example, occasional and/or seasonal workers (1)

- b) the number of hours worked represents the amount of work actually carried out 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 unit as that 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 $\frac{3}{12}$ of an employed person. On the other hand, a person who does part-time work throughout the year is counted as one employed person.



