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## **Updated System of National Accounts (SNA):**

### **Chapter 9: The use of income accounts**

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## Chapter 9: The use of income accounts

### A. Introduction

- 9.1 The purpose of the use of income accounts is to show how households, government units and non-profit institutions serving households (NPISHs) allocate their disposable income between final consumption and saving. Throughout this chapter, unless otherwise stated, the expression consumption should be taken to mean final consumption. There are two use of income accounts that correspond to two concepts of disposable income and consumption. In the first account, the use of disposable income account, shown in table 9.1, attention is focused on disposable income and the expenditure on consumption goods and services that can be met out of that income. In the second account, the use of adjusted disposable income account, shown in table 9.2, attention is focused on the consumption goods and services acquired and used by institutional units, especially households, whether acquired by expenditure or by social transfers in kind. To explain the difference between the two accounts it is necessary to define some key terms.
- 9.2 *A consumption good or service is defined as a good or service that is used (without further transformation in production as defined in the System) by households, NPISHs or government units for the direct satisfaction of individual needs (or wants) or for the collective needs of members of the community.*
- 9.3 *An individual consumption good or service is one that is acquired by a household and used to satisfy the needs or wants of members of that household.* Individual goods and services can always be bought and sold on the market, although they may also be provided free, or at prices that are not economically significant, as social transfers in kind. In practice, all goods and most services are individual.
- 9.4 *A collective consumption service is a service provided simultaneously to all members of the community or to all members of a particular section of the community, such as all households living in a particular region.* Collective services are automatically acquired and consumed by all members of the community, or section of the community, without any action on their part. Typical examples are public administration and the provision of security, either at a national or local level. Collective services are the “public goods” of economic theory. By their nature, collective services cannot be sold to individuals on the market, and they are financed by government units out of taxation or other revenues. The differences between individual and collective consumption goods or services are elaborated further in paragraphs 9.93 to 9.68.
- 9.5 Some of the services provided by NPISHs to the members of the associations that own them have some of the characteristics of collective services; for example, some research carried out by NPISHs may benefit all members of the community. However, most of the services provided by NPISHs are individual in nature and, if it is not possible to identify the outputs of NPISHs that may be considered to be collective in nature, all the services provided by NPISHs may be treated as individual.
- 9.6 As explained in later sections of this chapter, expenditure is attributed to the institutional units that bear the costs even if they are not the units to whom the goods or services are delivered. Thus, expenditures that government units or NPISHs make on individual goods and services that they provide to households as social transfers in kind are recorded as final consumption expenditure incurred by government units or NPISHs. Although they do not physically consume the goods and services provided as social transfers in kind, government units or NPISHs are the units that pay for them and take the decisions about the amounts to be provided. Information about their expenditure on such goods and services must, therefore, be recorded in the accounts of the System in conjunction with their disposable income. However, merely to record the expenditure is not sufficient when the goods and services are consumed by units different from those that control and finance the expenditure. In order to identify the units that benefit from their consumption it is necessary to recognize that the goods and services are in fact transferred to, and used by, households.
- 9.7 In the use of disposable income account, the main resource is disposable income, which is the balancing item carried down from the secondary distribution of income account. The main use is final consumption expenditure. *Final consumption expenditure is the amount of expenditure on consumption goods and services.* In the use of adjusted disposable income account, the main resource is adjusted disposable income which is the balancing item carried down from the redistribution of income in kind account. The main use is actual final consumption. *Actual final consumption measures the amount of consumption goods and services acquired.*
- 9.8 In the redistribution of income in kind account, described in [chapter 8](#), the adjusted disposable income of households is derived from their disposable income by adding the value of social transfers in kind receivable, while that for government units and NPISHs is derived by subtracting the value of social transfers in kind payable. Corresponding to the redistribution

of income in kind account, is the use of adjusted disposable income account in which the actual final consumption of households is derived from their final consumption expenditure by adding the value of social transfers in kind receivable, while the actual final consumption of government units and NPISHs is derived by subtracting the value of social transfers in kind payable. Thus there are two accounts describing the derivation of disposable income in the System and two use of income accounts.

- 9.9 In both the use of disposable income account and the use of adjusted disposable income account, an adjustment item is needed in order to show the change in pension entitlements recorded in the financial account. Saving is the balancing item for both the use of disposable income account and the use of adjusted disposable income account. It is calculated as disposable income adjusted for the change in pension entitlements less final consumption expenditure, or as adjusted disposable income adjusted for the change in pension entitlements less actual final consumption. It follows that saving is the same whether it is calculated in the use of disposable income account or the use of adjusted disposable income account.
- 9.10 Saving, like disposable income and adjusted disposable income, may have to be recorded gross of consumption of fixed capital because of the difficulty of measuring the latter. As elsewhere, however, the net figures are conceptually preferable.
- 9.11 As well as saving, the current external balance is shown in both accounts. The current external balance is the balancing item of the current account for the rest of the world. It is treated as an analogue of the saving for domestic sectors and is necessary to ensure that all income in the total economy is exhausted either by final consumption or saving.
- 9.12 Corporations do not have final consumption expenditure. They may purchase the same kinds of goods or services as households use for final consumption (for example electricity or food) but such goods or services are either used for intermediate consumption or provided to employees as

remuneration in kind. It is assumed in the System that corporations do not make transfers of consumption goods or services to households. As corporations neither make nor receive social transfers in kind, it is also not possible to draw a meaningful distinction between their disposable and adjusted disposable incomes. It follows that both the use of disposable income account and the use of adjusted disposable income account for corporations are only dummy accounts that contain no entries for final consumption expenditure or actual final consumption. Apart from the adjustment item for pension entitlements referred to above and explained in more detail in paragraphs 9.21 to 9.26, the gross or net saving of corporations must be equal to their gross or net disposable, or adjusted disposable, incomes. In other contexts, the *saving of corporations is often described as the “retained earnings” or “undistributed incomes” of corporations.*

## 1. The use of disposable income account

- 9.13 As shown in Table 9.1, the use of disposable income account contains only three main entries apart from the balancing item, saving. Disposable income, the balancing item carried forward from the secondary distribution of income account, is recorded on the right-hand side of the account under resources, while final consumption expenditure is recorded on the left-hand side under uses. As just noted, the account is relevant mainly for the three sectors that incur final consumption expenditure, namely the general government, NPISHs and household sectors and, of course, for the total economy.
- 9.14 The balancing item for the account is saving. Before the balance is struck, however, the adjustment item showing the change in pension entitlements is entered in order to reallocate a certain amount of saving between sectors. This item is needed because of the way in which pension contributions and benefits are recorded in the secondary distribution of income accounts. The adjustment is shown on the right-hand side under resources for households and on the left-hand side under uses for financial corporations or other units responsible for pension liabilities.

**Table 9.1: The use of disposable income account – uses**

Uses										
Code	Transactions and balancing items	S11 Non-financial corporations	S12 Financial corporations	S13 General government	S14 Households	S15 NPISHs	S1 Total economy	S2 Rest of the world	Goods and services	Total
P3	Final consumption expenditure			368	1 015	16	1 399			1 399
P31	Individual consumption expenditure			212	1 015	15	1 242			1 242
P32	Collective consumption expenditure			156		1	157			157
D7	Change in pension entitlements	0	11	0		0	11	0		11
B8g	Saving, gross	182	1	- 23	260	26	446			446
B8n	Saving, net	45	- 9	- 53	218	23	224			224
B12	Current external balance							- 32		- 32

9.15 Final consumption expenditure is shown in table 9.1, disaggregated between individual consumption expenditure and collective consumption expenditure to bring out the accounting interrelationships described below. However, it is usually desirable to break down final consumption expenditure using a classification of expenditure by purpose or by type of good or service. Most users will expect at least some degree of disaggregation, for example, between expenditures on goods or services or between expenditures on durable and non-durable goods. Disaggregation by type of goods and services is needed for the supply and use tables, as explained in [chapter 14](#).

## 2. The use of adjusted disposable income account

9.16 As shown in Table 9.2, the use of adjusted disposable income account also contains three main entries apart from the balancing item, saving. Adjusted disposable income, the balancing item brought forward from the redistribution of income in kind account, is recorded on the right-hand side of the account under resources, while actual final consumption is recorded on the left-hand side under uses. As with the use of disposable income account, before the balancing item, saving, is struck, the change in pension entitlements is entered. The account is relevant mainly for the general government, NPISHs and household sectors as well as for the total economy.

9.17 The actual final consumption of households is obtained by augmenting their final consumption expenditure by the value of social transfers in kind receivable, while that for government units and NPISHs is obtained by subtracting from their final consumption expenditure the value of social transfers in kind payable. Some social transfers in kind may be receivable by non-residents, for example emergency medical treatment in a public hospital for a non-resident tourist, but the figures involved are likely to be very small compared with total social transfers in kind. Further, residents abroad may also benefit from social transfers in kind from a non-resident government (or NPISH) in like manner. Unless there is strong reason to believe otherwise, therefore, it is assumed these two figures offset one another so that all social transfers in kind can be shown as payable to

resident households. Thus, the value of actual final consumption for the total economy is equal to that of total final consumption expenditure.

9.18 The actual final consumption of households is a measure of the value of the consumption goods and services acquired by households, whether by purchase or by transfer from government units or NPISHs, and used by households for the satisfaction of their needs (or wants). It is therefore a better indicator of their living standards than their final consumption expenditure. In some countries, the value of the individual non-market goods and services provided to households as social transfers in kind may be quite large, depending upon the kinds of economic and social policies pursued by their governments, so that the value of the actual final consumption of households may exceed that of their expenditure by a significant margin. For these reasons, the actual final consumption of households has sometimes been described as their “enlarged” consumption or their “total” consumption, although these terms are not used in the System. The actual final consumption of the general government sector is correspondingly smaller than government final consumption expenditure.

## 3. The relationship between the two versions of the use of income account

9.19 The two use of income accounts are neither sequential nor hierarchical. They are parallel accounts that serve different analytical or policy purposes. One shows which units incur expenditure; the other which unit benefits from the expenditure and the extent to which households’ consumption levels are provided by themselves. The values of the goods and services involved in social transfers in kind are recorded in two different ways in the System, both of which represent uses of resources by government units or NPISHs:

- As final consumption expenditure, payable by government units or NPISHs; and
- As social transfers in kind, payable by government units or NPISHs but receivable by households and recorded as part of their actual final consumption

**Table 9.1: The use of disposable income account – resources**

Code	Transactions and balancing items	S11	S12	S13	S14	S15	S1	S2	Resources	
		Non-financial corporations	Financial corporations	General government	Households	NPISHs	Total economy	Rest of the world	Goods and services	Total
	Disposable income, gross	182	12	345	1 264	42	1 845			1 845
	<i>Disposable income, net</i>	45	2	315	1 222	39	1 623			1 623
P3	Final consumption expenditure								1 399	1 399
P31	Individual consumption expenditure								1 242	1 242
P32	Collective consumption expenditure								157	157
D7	Change in pension entitlements				11		11	0		11
B8g										
B8n										
B12										

9.20 Although the difference between disposable and adjusted disposable income is attributable to social transfers in kind, even disposable income should not be interpreted as if it were a measure of income available in cash. Its several non-cash elements, such as those associated with production for own consumption or remuneration in kind, were pointed out in paragraphs 8.22 and 8.23.

#### 4. Change in pension entitlements (D7)

9.21 As individuals accrue pension entitlement throughout their working lives, the corresponding entitlements become their assets and the liabilities of the units ultimately responsible for paying the pensions. Pensions due under social assistance are excluded because the amounts due do not necessarily accrue in a predictable fashion over time or for predictable reasons. Similar arguments apply to benefits due under social security. In some countries, government assumes responsibility for paying pensions even for non-government employees and these pensions are paid via social security funds. There is detailed discussion in part 2 of chapter 17 about when the liabilities for these schemes can be integrated into the sequence of accounts and when they only appear in a complementary table. In this chapter, the expression “pension scheme” is used to cover those parts of social security schemes where liabilities can be integrated into the sequence of accounts, including the accumulation accounts and balance sheets, and all other employment-related schemes.

9.22 Pension schemes are treated in the System as having liabilities towards the households with claims on the schemes. The payments of pension contributions into the funds and the receipts of pensions by pensioners constitute the acquisition and disposal of financial assets. However, this may not accord with the perception of the households concerned, especially pensioners’ households, who tend to regard the pensions they receive as income in the form of current transfers. Moreover, at least some pensions received under social security schemes and those received under social assistance are in fact treated as current transfers in the System.

9.23 In order to present income information that may be more useful for analysing the behaviour of the households concerned, the payments of pension contributions to all pension schemes and to social security and the receipts of pensions by pensioners’ households under both pension schemes and social security are recorded in the secondary distribution of income account as social contributions and social insurance benefits, respectively. They therefore affect the level of disposable incomes of households.

9.24 The rationale for treating pension contributions and benefits as current transfers is that pension provision is essentially a redistributive process among households and over time. To the extent that contributions and benefits are not exactly equal, there is an impact on household saving. For example, if households as a whole pay more contributions than they receive as benefits, their saving is reduced by this difference. However, because the change in pension entitlement is shown in the financial account as an addition to net worth of households, this amount must be added back to household saving. Similarly if household benefits exceed their contributions, saving does not reflect the fact that the negative change in entitlements represents a reduction in net worth.

9.25 An item described as the change in pension entitlements therefore appears in both the use of disposable income account and the use of the adjusted disposable income account. It is equal to:

the total value of the actual and imputed social contributions payable into pension schemes

*plus* the total value of contribution supplements payable out of the property income attributed to pension fund beneficiaries

*minus* the value of the associated service charges

*minus* the total value of the pensions paid out as social insurance benefits by private funded pension schemes.

**Table 9.2: The use of adjusted disposable income account – uses**

Uses										
		S11	S12	S13	S14	S15	S1	S2		
		Non-financial corporations	Financial corporations	General government	Households	NPISHs	Total economy	Rest of the world	Goods and services	Total
Code	Transactions and balancing items									
P4	Actual final consumption			156	1 242	1	1 399			1 399
P41	Actual individual consumption				1 242		1 242			1 242
P42	Actual collective consumption			156		1	157			157
D7	Change in pension entitlements	0	11	0		0	11	0		11
B8g	Saving, gross	182	1	- 23	260	26	446			446
B8n	Saving, net	45	- 9	- 53	218	23	224			224
B12	Current external balance							- 32		- 32

9.26 Opposite adjustments are, of course, needed in the use of income accounts of the units responsible for paying pensions. These adjustments can affect non-resident institutional units, both households and pension providers.

## 5. Saving (B8)

9.27 Saving is the balancing item in the two use of income accounts. Its value is the same whether it is derived as disposable income less final consumption expenditure or as adjusted disposable income less actual final consumption (in both cases, after making the adjustment for the change in pension entitlements just described).

9.28 As already noted, non-financial and financial corporations have no final consumption expenditure or actual final consumption. Their net saving is equal to their net disposable, or adjusted disposable, income (apart from the adjustment item for pension entitlements).

9.29 *Saving represents that part of disposable income (adjusted for the change in pension entitlements) that is not spent on final consumption goods and services.* It may be positive or negative depending on whether disposable income exceeds final consumption expenditure, or vice versa. Assuming that saving is positive (and in the absence of capital transfers), the unspent income must be used to acquire assets (possibly only an increase in cash) or reduce liabilities. If saving is negative, some financial or non-financial assets must have been liquidated, (including a run down of cash) or some liabilities increased. Thus, saving provides the link between

the current accounts of the System and the subsequent accumulation accounts.

9.30 If saving is zero, that is, if (in the absence of capital transfers) final consumption expenditure equals disposable income plus the change in pension entitlements, the institutional unit is not obliged to dispose of any assets or increase any of its liabilities. As already indicated in chapter 8, disposable income can, therefore, be interpreted as the maximum amount that an institutional unit can afford to spend on final consumption goods and services in the accounting period without having to reduce its cash, liquidate other assets or increase its liabilities. The sum of disposable income plus the change in pension entitlements can thus be seen as corresponding to the economic theoretical concept of income.

## 6. Calculating savings ratios

9.31 The savings ratio, especially for households, is a key economic variable. It is usually calculated by dividing saving by disposable income for the sector. However, the entry of the change in pension entitlements in both the use of disposable income account and the use of adjusted disposable income account complicates this calculation. It is necessary to use not the balancing item from the secondary distribution of income account (disposable income) or from the redistribution of income in kind account (adjusted disposable income) but to add the change in pension entitlements to each of these figures to derive a figure for total disposable income or total adjusted disposable income. It is this total figure that should be the denominator in the savings ratio calculation.

## B. Expenditures, acquisitions and consumption of goods and services

9.32 The distinction between final consumption expenditure and actual final consumption depends on the general distinction between expenditures on, and acquisitions of, goods and services. The purpose of this section is to explain not only

how expenditure differs from acquisition but also how both of them differ from the actual or physical use of goods and services.

Table 9.2: The use of adjusted disposable income account – resources

Code	Transactions and balancing items	S11	S12	S13	S14	S15	S1	S2	Resources	
		Non-financial corporations	Financial corporations	General government	Households	NPIs	Total economy	Rest of the world	Goods and services	Total
	Adjusted disposable income, gross	182	12	133	1 491	27	1 845			1 845
	Adjusted disposable income, net	45	2	103	1 449	24	1 623			1 623
P4	Actual final consumption								1 399	1 399
P41	Actual individual consumption								1 242	1 242
P42	Actual collective consumption								157	157
D7	Change in pension entitlements					11	11	0		11
B8g										
B8n										
B12										

## 1. Expenditures

- 9.33 *Expenditures on goods and services are defined as the values of the amounts that buyers pay, or agree to pay, to sellers in exchange for goods or services that sellers provide to them or to other institutional units designated by the buyers.* The buyer incurring the liability to pay need not be the same unit that takes possession of the good or service. As already noted, it is common for government units or NPISHs to pay for goods or services that the sellers provide to households. Moreover, as explained below, the liability incurred by the buyer does not necessarily have to be settled by a payment of cash.

### The timing of expenditures on goods and services

- 9.34 Expenditures on goods or services occur at the times when buyers incur liabilities to sellers. These are usually the times when:
- The ownership of the good is transferred from the seller to the new owner; or
  - The delivery of a service by the producer is completed to the satisfaction of the consumer.
- 9.35 The times at which sellers are actually paid for the goods or services they deliver are not necessarily the times at which the expenditures occur. As explained in **chapter 3** payments may either precede, or lag behind, the actual deliveries of the goods or services sold. For this reason, the values of expenditures are measured by the values of the amounts receivable and payable at the times the expenditures are incurred. When payments take place before or after the expenditures are incurred, there must be consequential changes in the financial assets or liabilities (other than cash) of the two units concerned at the time the change of ownership takes place or the service is delivered.
- 9.36 The precise moment at which the ownership of a good is transferred, or delivery of service completed to the satisfaction of the consumer, may not be easy to determine in practice in some cases. It may be perceived differently, or even disputed, by the two parties concerned.

## 2. Acquisitions

- 9.37 *Acquisitions of goods and services by institutional units occur when they become the new owners of the goods or when the delivery of services to them is completed.* Acquisitions are valued at the transaction prices paid by the units that incur the expenditures. In most cases, the transaction price is the market price. The value of the goods or services acquired by an institutional unit or sector consists of the value the goods or services acquired through its expenditure plus the value of goods or services received through social transfers in kind less the value of goods or services paid to other units as social transfers in kind.
- 9.38 The difference between final consumption expenditure and actual final consumption is exactly the difference between expenditure on consumption goods and services and

acquisition of consumption goods and services. Since all consumption goods and services must be both the subject of expenditure and also be acquired, this difference between final consumption expenditure and actual final consumption, sector by sector, explains the redistribution of goods and services by means of social transfers in kind.

- 9.39 Transfers of goods and services to other units that are not regarded as social transfers in kind are recorded as if they were transfers in cash. Accordingly, the values of the goods or services received are actually recorded as expenditures by the institutional units or sectors that acquire them. The institutional units or sectors making the transfer record negative acquisitions. This applies to transfers of goods and services within general government, current international cooperation, and miscellaneous current transfers. The same recording is adopted for transfers of capital; that is there are no capital transfers in kind in the System. The value of the transfers to be recorded must exactly match the expenditure valuation of the goods and services by the unit making the transfer.

## 3. Consumption of goods and services

- 9.40 *Consumption of goods and services is the act of completely using up the goods and services in a process of production or for the direct satisfaction of human needs or wants. The activity of consumption consists of the use of goods and services for the satisfaction of individual or collective human needs or wants.* The satisfaction of needs or wants is immediate and direct in the case of final consumption; it is indirect and delayed in the case of intermediate consumption where goods and services are used to produce other goods and services that ultimately lead to the satisfaction of human needs or wants.
- 9.41 In the case of goods, the distinction between acquisition and consumption is clear. Producers acquire goods that they may hold for varying periods of time before physically using them up in processes of production. Households may hold consumption goods before using them for the satisfaction of their needs or wants. Few goods are so perishable that they have to be used immediately. For example, most foodstuffs need not be eaten until some time after they have been acquired.

- 9.42 In the case of services, however, the distinction between acquisition and use may not be relevant in a practical sense. The situations of units to whom services are delivered are automatically affected by those services and no further action may be needed in order to benefit from them.

### Durable versus non-durable goods

- 9.43 In the case of goods, the distinction between acquisition and use is analytically important. It underlies the distinction between durable and non-durable goods that is used extensively in economic analysis. In fact, the distinction between durable and non-durable goods is not based on physical durability as such. Instead, the distinction is based on whether the goods can be used once only for purposes of production or consumption or whether they can be used repeatedly, or continuously. For example, coal is a highly

durable good in a physical sense, but it can be burnt only once. *A durable good is one that may be used repeatedly or continuously over a period of more than a year, assuming a normal or average rate of physical usage. A consumer durable is a good that may be used for purposes of consumption repeatedly or continuously over a period of a year or more.*

### Consumption as the using up of goods and services

- 9.44 A consumption function that expresses utility as a function of the quantities of goods and services consumed describes the using up of those goods and services rather than expenditures or acquisitions. In order to measure consumption as an activity, it would be necessary to adopt accounting

procedures similar to those used in a production account, where a clear distinction is drawn between purchases of goods to be used in production and their subsequent use as inputs.

- 9.45 In practice, the System measures household consumption by expenditures and acquisitions only. The repeated use of durables by households could be recognized only by extending the production boundary by postulating that the durables are gradually used up in hypothetical production processes whose outputs consist of services. These services could then be recorded as being acquired by households over a succession of time periods. However, durables are not treated in this way in the System. A possible supplementary extension to the System to allow for such an extension of the production boundary could usefully take place in a satellite account.

## C. Measuring the value of non-monetary transactions indirectly

- 9.46 By mutual agreement between the buyer and the seller, the liability incurred by the buyer may be discharged by providing a good, service or asset other than cash in exchange. For example, goods or services may be exchanged for each other in barter transactions, or employees may provide labour in exchange for goods or services received as remuneration in kind.

- 9.47 When the buyers do not pay cash, or expect to pay cash, values have to be imputed for the expenditures using the appropriate prices of similar goods or services sold for cash on the market.

- 9.48 The value of goods produced and consumed within the same household as well as for those household services falling within the production boundary must also be measured indirectly.

- 9.49 In the interests of brevity, a transaction for which a value has to be imputed may be described as an “imputed expenditure” and this terminology is used below. Strictly speaking, however, the imputation refers to the value of goods or services involved and not to the expenditure itself. In other words it is the valuation that is imputed, not the fact that the transaction takes place. It is therefore preferable to refer to measuring the flows indirectly rather than by imputation.

### 1. Barter transactions

- 9.50 *A barter transaction is one where one basket of goods and services is exchanged for another basket of different goods and services without any accompanying monetary payment.* The values of the goods or services acquired in barter transactions constitute imputed expenditures. Values have to be imputed for goods or services exchanged in barter transactions equal to their market values. Thus, when the goods or services obtained through barter are used for household consumption their imputed values must be recorded as household final consumption expenditure. When a good offered for barter is an existing good and not newly

produced output, negative imputed expenditure must be recorded for the unit offering the good, in the same way that sales of existing goods are recorded as negative expenditures.

- 9.51 In barter, both parties to a transaction must be recorded as making expenditures. The value of these expenditures should be based on the basic values these bartered products could be exchanged for or, if this is not possible or appropriate, at the sum of costs of producing the items. As the values the goods or services bartered may not be the same, the values imputed for the barter transaction should be a simple average of the estimated values of the goods or services exchanged, so that equal expenditures are recorded for both parties.

### 2. Expenditures on goods and services received as income in kind

- 9.52 *Income in kind received by employees is measured by the value of the goods and services provided by employers to their employees in remuneration for work done.* Workers receiving remuneration in kind are treated as making expenditures equal to the market value of the goods or services received (at producers’ prices if produced by the employer or at purchasers’ prices if bought by the employer), the costs of the expenditures being met out of the income they receive as remuneration in kind. Thus, the values of the goods and services must be recorded as final consumption expenditure incurred by households as well as income in kind.

- 9.53 A distinction has to be made between goods or services provided to employees as remuneration in kind and goods or services provided because they are needed at work, the latter constituting intermediate consumption by the enterprise. In principle, the distinction is clear. Goods or services that employers are obliged to provide to their employees to enable them to carry out their work, such as tools, equipment, special clothing, etc., constitute intermediate consumption. On the other hand, goods or services that employees are able to use in their own time for the direct satisfaction of their needs or

wants, or those of their families, constitute remuneration in kind. In practice, there are inevitably borderline cases, such as uniforms that must be worn at work but are also worn extensively by employees away from work. A detailed listing of the kinds of goods and services that are included in remuneration in kind is given in the section on compensation of employees in [chapter 7](#).

### 3. Expenditure on goods and services produced on own account

9.54 When institutional units retain goods or services produced by themselves for their own final consumption or gross fixed capital formation, they clearly bear the costs themselves. They are, therefore, recorded as incurring expenditures whose values have to be imputed using the basic prices of similar goods or services sold on the market or their costs of production in the absence of suitable basic prices.

9.55 Household final consumption expenditure includes the imputed values of goods or services produced as outputs of unincorporated enterprises owned by households that are retained for consumption by members of the household. The production of services for own consumption within the same household falls outside the production boundary of the System, except for housing services produced by owner-occupiers and services produced by employing paid domestic staff. As the costs of producing goods or services for own consumption are borne by the households themselves, it is

clear that the expenditures on them are also incurred by households, even though their values must be imputed. The main types of goods and services produced and consumed within the same household are as follows:

- a. Food or other agricultural goods produced for own final consumption by farmers, including subsistence farmers, or others for whom agricultural production is only a secondary, or even a leisure, activity;
- b. Other kinds of goods produced by unincorporated enterprises owned by households that are consumed by members of the same households;
- c. Housing services produced for own final consumption by owner-occupiers (discussed further below); and
- d. Domestic or other services produced for own final consumption by households that employ paid staff for this purpose (domestic staff, cooks, gardeners, chauffeurs, etc.)

9.56 Values are imputed for these goods or services on the basis of the estimated current basic prices of similar goods or services sold on the market, or by costs of production when suitable prices are not available, except for the services of paid staff; by convention, services of paid staff are valued simply by the compensation of employees paid, in cash and in kind.

## D. Household final consumption expenditure (P3)

### 1. Introduction

9.57 *Household final consumption expenditure consists of expenditure incurred by resident households on consumption goods or services.* Final consumption expenditure includes imputed expenditure on barter transactions, on goods and services received in kind, and on goods and services produced and consumed by the same household, valued as explained in section C.

9.58 Final consumption expenditure excludes expenditure on fixed assets in the form of dwellings or on valuables. Dwellings are goods used by their owners to produce housing services. Expenditure on dwellings by households, therefore, constitutes gross fixed capital formation. When dwellings are rented by their owners, rentals are recorded as output of housing services by owners and final consumption expenditure by tenants. When dwellings are occupied by their owners, the imputed value of the housing services enters into both the output and final consumption expenditure of the owners. Valuables are expensive durable goods that do not deteriorate over time, are not used up in consumption or production, and are acquired primarily as stores of value. They consist mainly of works of art, precious stones and metals and jewellery fashioned out of such stones and metals. Valuables are held in the expectation that their prices, relative to those of other goods and services, will tend to increase over time, or at least not decline. Although the owners of

valuables may derive satisfaction from possessing them, they are not used up in the way that consumption goods, including consumer durables, are used up over time.

9.59 The treatment of expenditure in some specific situations or on certain specific types of goods and services is outlined in the following sections.

### 2. Expenditures by households owning unincorporated enterprises

9.60 When a household includes one or more persons who own an unincorporated enterprise, all expenditure incurred for business purposes is excluded from household consumption expenditure. It is necessary to ensure that only expenditure for the direct satisfaction of human needs and wants is included in household final consumption expenditure. This may not be easy in practice when the same good or service (for example, electricity or other fuels) may be used equally well for business purposes or for final consumption. Business expenditures cannot therefore be identified purely on the basis of the type of good or service purchased. Particular care needs to be exercised in the case of farms, including subsistence farms, where goods that have been purchased, or produced on own account, may be used either for household final consumption or for intermediate consumption; for example, corn or potatoes may be

consumed by members of the households, fed to animals or used as seeds for future crops.

- 9.61 Care is also needed with purchases of consumer durables such as vehicles, furniture, or electrical equipment, which are to be classified as gross fixed capital formation by the household enterprise when purchased for business purposes but as final consumption expenditure when purchased for the personal use of household members. While the nature of the distinction may be clear in principle, it is often blurred in practice, especially when the owner of the business uses a durable good, such as a vehicle, partly for business purposes and partly for personal benefit. In such cases, the expenditure on the purchase of the durable should be split between gross fixed capital formation by the enterprise and household final consumption expenditure in proportion to its usage for business and personal purposes. When durables are purchased wholly or partly for business purposes, the decline in their value attributable to their use within the business should be recorded under the consumption of fixed capital of the unincorporated enterprise.

### **3. Expenditures on particular types of goods and services**

#### **Expenditures on financial services**

- 9.62 When appropriate, values must be imputed for the expenditures that households incur on services provided by financial institutions for which no explicit charges are made. Expenditures on services for which financial institutions do make charges are recorded in the usual way.

#### *Financial services, except insurance and pension fund services*

- 9.63 Financial institutions, except insurance corporations and pension funds, and money lenders charge interest rates higher than a reference rate and pay interest at a rate lower than the reference interest rate. As already explained in **chapters 6 and 7**, SNA interest is recorded in the distribution of primary income account at a reference rate and the difference between SNA interest and bank interest is recorded as final consumption expenditure of households. (If it is possible to identify interest payments and receipts relating exclusively to unincorporated household enterprises, the charges would appear as intermediate consumption of those enterprises, but this is often not possible.)
- 9.64 When households acquire or dispose of foreign exchange and some other financial assets, the dealer in the financial asset will typically quote a buying price and a selling price for the asset. The difference between the price actually receivable or payable and the average of the buying and selling price at the time of the transaction is also treated as expenditure on the services of financial institutions.

#### *Insurance and pension fund services*

- 9.65 The way in which the value of the services produced by insurance enterprises and pension schemes is calculated in the System has been explained in **chapter 6**. The values of the

insurance services consumed by different sectors, sub-sectors or institutional units are estimated by allocating the value of the services produced by an insurance enterprise in proportion to the actual premiums. When the value of output is estimated by line of business, which is desirable if practicable, the allocation of the service charge across premiums should also be done by line of business. The amounts paid by households are recorded as final consumption expenditure (except for the insurance services purchased by unincorporated enterprises owned by households, which are treated as intermediate consumption). The whole of the service charge on pension schemes is borne by households (some of which may be non-resident).

### **Services of dwellings, repairs and improvements**

#### *Services of owner-occupied dwellings*

- 9.66 Persons who own the dwellings in which they live are treated as owning unincorporated enterprises that produce housing services that are consumed by the household to which the owner belongs. The housing services produced are deemed to be equal in value to the rentals that would be paid on the market for accommodation of the same size, quality and type. Care must be taken in respect of any taxes paid on housing. Taxes such as value added tax are rarely paid on housing services, but if they are payable, they should be excluded from the value of owner-occupied housing if the owner-occupier is exempt from payment. The imputed values of the housing services are recorded as final consumption expenditures of the owners.

#### *Decoration, minor repairs and maintenance*

- 9.67 “Do-it-yourself” activity of decoration and undertaking minor repairs, often of a routine nature, of a kind carried out by tenants as well as owners are treated as falling outside the production boundary. Purchases of materials used for such decoration or repairs should therefore be treated as final consumption expenditure, as should fees and service charges paid to builders, carpenters and plumbers etc. Maintenance that is the responsibility of tenants is also treated as final consumption expenditure.
- 9.68 As already noted in chapter 6, expenditures that owners, including an owner-occupiers, incur on the decoration, minor repairs and maintenance of the dwelling should not be treated as household final consumption expenditure but as intermediate expenditure incurred in the production of housing services. These expenditures may consist either of payments for services provided by professional builders or decorators or purchases of materials for “do-it-yourself” repairs and decoration. In the latter case, no cost of the labour involved in the activity is included. The only value added for the imputed rent of owner-occupied housing is operating surplus.

#### *Major improvements*

- 9.69 Expenditures on major improvements (that is, reconstructions, renovations or enlargements) to dwellings are not classed in the same way as decoration, minor repairs

and maintenance. They are excluded from household consumption expenditure and are treated as gross fixed capital formation on the part of the owners of those dwellings, including owner-occupiers.

### The repair and maintenance of durables

- 9.70 Expenditures on all repair and maintenance of consumer durables, including vehicles, are treated in the same way as minor repairs to dwellings. They constitute final consumption expenditure whether the repairs and maintenance are carried out by specialist producers or by members of the household as “do-it-yourself” activities. In the latter case, only the values of the materials purchased should be included in household consumption expenditure.

### Licences and fees

- 9.71 Households make payments to government units to obtain various kinds of licences, permits, certificates, passports, etc., and in some cases it is not clear whether the government units actually provide services in return, such as testing or inspection, or whether the payments are de facto taxes. As explained in paragraph 8.62 (c), the treatment of certain borderline cases has been decided by the following convention, based on the practices followed in the majority of countries: payments by households for licences to own or use vehicles, boats or aircraft and also licences for recreational hunting, shooting or fishing are treated as taxes. Payments for licences to undertake a specific activity, for example a taxi licence, are treated as a tax on production. Payments for all other kinds of licences, permits, certificates, passports, etc., are treated as purchases of services and included in household consumption expenditure.

## 4. Classification of household final consumption expenditure

- 9.72 Household final consumption expenditure is typically a large aggregate covering a wide range of goods and services. It is thus usually desirable to break down the figure. The Central Product Classification (CPC) may be used for a breakdown by type of good or service. The Classification of Individual Consumption by Purpose (COICOP) may be used for a breakdown by purpose or function, such as food, health and education services.

## 5. Timing and valuation of household final consumption expenditure

### Timing

- 9.73 In accordance with the general principles adopted in the System, expenditures should be recorded when the payables are created, that is, when the purchaser incurs a liability to the seller. This implies that expenditure on a good is to be recorded at the time its ownership changes while expenditure on a service is recorded when the delivery of the service is completed. The timing of imputed expenditures (see section C) is when the goods involved are made available to the household.

- 9.74 When a good is acquired under a hire purchase agreement, financial lease or similar method of financing, the purchaser accepts the risks and rewards of ownership on the good from the time the good is delivered. A change of ownership is therefore imputed at the time of delivery. Even though there is no legal change of ownership at this point, it is assumed that there is a change of economic ownership. The purchaser must also be shown in the financial accounts as incurring a liability to the hire purchase or finance corporation.

### Valuation

- 9.75 Household expenditure is recorded at the purchasers' prices paid by households including any taxes on products that may be payable at the time of purchase. As defined in paragraphs 6.62 to 6.66, the purchaser's price of a good is the amount payable to take delivery of a unit of the good at the time and place required by the purchaser. It includes any transport charges incurred by the purchaser not already included in the seller's invoice price.
- 9.76 Imputed expenditure on barter and goods received as income in kind are recorded at the prices paid by the units incurring the expenditure initially. Imputed expenditures on goods produced on own account are valued at basic prices, consistently with their valuation as production.
- 9.77 Different households may pay different prices for identical products because of market imperfections. Price differences may persist because households may not be aware of them, or they may have imperfect information because the costs of searching for the retail outlets selling at the lowest prices may be too great. Even when households are aware of the price differences, it may be too inconvenient or costly to visit the outlets selling at the lowest prices. Another reason for the persistence of price differences is that many service producers deliberately practice price discrimination by charging different households different prices for identical services (for example, by charging lower prices or fees to pensioners or people with low incomes). As services cannot be retraded, price discrimination is extremely common, or even prevalent, among service producers. Household expenditures are nevertheless recorded at the prices actually paid, as this is the appropriate value of the transaction.

- 9.78 Apparent price differences between the same goods or services are often not genuine price differences as they may be due to differences in quality, including differences in the terms or conditions of sale. For example, lower prices are often charged for bulk purchases of goods or off-peak purchases of services. Such expenditures must, of course, be recorded at the prices actually paid; that is, after deducting from the standard or list prices or charges any discounts for bulk or off-peak purchases.

### Valuation of purchases on credit

- 9.79 The purchaser's price does not include any interest or service charges that may be added when the seller arranges for credit to be provided to the purchaser. Similarly, the purchaser's price does not include any extra charges that may be incurred as a result of failing to pay within the period stated at the time the purchases were made, such charges being effectively

interest payments on the credit extended by the seller. If the credit is arranged by a financial institution, the total charge may need to be allocated between a financial service charge and interest, as explained in paragraph 9.63. If the credit is provided by a non-financial institution, no financial service charge is provided. Note, however, that many large retailers have subsidiaries handling credit facilities, which are classed as financial institutions in their own right.

## 6. Expenditures by resident and non-resident households

9.80 Resident households make expenditures while travelling abroad, and non-resident households may make expenditures inside the economic territory of a country. Household final

consumption expenditure in the System refers to the expenditure incurred by resident households, whether that expenditure is incurred within the economic territory or abroad.

9.81 In order to calculate total household final consumption expenditure it may be convenient to calculate the total expenditure made by all households, whether resident or not, within the economic territory and to adjust this figure by adding expenditures by residents abroad and subtracting expenditures by non-residents within the economy territory. Expenditures by residents abroad constitute imports, while expenditures by non-residents are exports. However, while the total expenditures by all households within the economic territory may be used for calculation in this way, it is not an aggregate recognized within the System.

## E. Household actual final consumption (P4)

9.82 *Household actual final consumption consists of the consumption goods and services acquired by individual households.* The value of household actual final consumption is given by the sum of three components:

- a. The value of households' expenditures on consumption goods or services including expenditures on non-market goods or services sold at prices that are not economically significant;
- b. The value of the expenditures incurred by government units on individual consumption goods or services provided to households as social transfers in kind; and
- c. The value of the expenditures incurred by NPISHs on individual consumption goods or services provided to households as social transfers in kind.

9.83 The values of expenditures on social transfers in kind incurred by government units or NPISHs are equal to the imputed values of the goods or services supplied to households less the amounts of any expenditures incurred by households when the prices charged are not economically significant.

9.84 As described in sections F and H, the individual expenditure of both general government and NPISHs is broken down between those that are produced by the units themselves as non-market producers and those that are purchased from market producers for onward transmission to households free or at prices that are not economically significant. This means that total household actual final consumption can also be split into these two components.

## F. Consumption expenditures incurred by general government (P3)

9.85 Expenditures on a wide range of consumption goods and services are incurred by general government, either on collective services or on selected individual goods or services.

9.86 The final consumption expenditures of general government can be classified in several ways. In particular, they may be classified:

- a. According to whether the goods or services have been produced by market or non-market producers;
- b. According to whether the expenditures are on collective services or individual goods or services;

c. By function or purpose according to the classification of the functions of government (COFOG); or

d. By type of good or service according to the CPC.

### 1. Expenditures on the outputs of market and non-market producers

9.87 Expenditures on the outputs of non-market producers that are provided free, or at prices that are not economically significant, to individual households or the community account for most of the final consumption expenditure by general government. It is therefore appropriate to take them first.

## Expenditures on the outputs of non-market producers

- 9.88 Most production by units of general government is non-market in nature and, as explained in **chapter 6** the value of the non-market output is estimated by the sum of the costs involved in production. Although government delivers goods and services to the population individually and collectively, the costs of so doing are shown as final consumption expenditure by government.
- 9.89 The value of government final consumption expenditure on non-market goods and services is not necessarily exactly equal to the value of government output of these goods and services. The values of these expenditures are equal to the imputed values of the non-market outputs less the value of production for own capital formation and less the values of any receipts from sales. These receipts may be derived from sales of some goods or services at prices that are not economically significant or from sales of a few goods or services at prices that are economically significant (sales of secondary market output).

## Expenditures on consumption goods and services produced by market producers

- 9.90 Government units also purchase consumption goods and services produced by market producers that are supplied directly to households. The role of the government unit is confined to paying for the goods or services and ensuring that they are distributed to households as social transfers in kind. The government unit does not engage in any further processing of such goods or services and the expenditures are treated as final consumption expenditure and not intermediate consumption of the government unit. The values of the goods or services distributed in this way form part of social transfers in kind. In this way, expenditure by government on market goods and services on behalf of households is recorded as both final consumption expenditure of government and actual final consumption of households.

## Government output and final consumption expenditure

- 9.91 Final consumption expenditure of government can be derived as follows:
- The value of non-market output of general government,
- less* the value of output for own account capital formation
- less* the value of sales of goods and services at both economically insignificant prices and at economically significant prices,
- plus* the value of goods and services purchased from market producers for delivery to households free or at economically insignificant prices.

## 2. Expenditures on individual and collective goods and services

- 9.92 The consumption expenditures incurred by government units have to be divided into those incurred for the benefit of individual households and those incurred for the benefit of the community as a whole, or large sections of the community.

### Individual goods and services (P31)

- 9.93 Individual goods and services are essentially “private”, as distinct from “public”, goods and services. They have the following characteristics:
- It must be possible to observe and record the acquisition of the good or service by an individual household or member thereof and also the time at which it took place;
  - The household must have agreed to accept the provision of the good or service and to take whatever action is necessary to make it possible, for example, by attending a school or clinic; and
  - The good or service must be such that its acquisition by one household or person, or possibly by a small, restricted group of persons, precludes its acquisition by other households or persons.
- 9.94 The reference to a small, restricted group of persons is needed because certain services are provided to small groups of people simultaneously; for example, several persons may travel in the same bus, train, ship or plane or attend the same class, lecture, concert or live theatre performance. However, these are still essentially individual services if there is a restriction on the number of individuals who can consume them. Other members of the community are excluded and derive no benefit from them.
- 9.95 From a welfare point of view, the important characteristic of an individual good or service is that its acquisition by one household, person or group of persons brings no (or very little) benefit to the rest of the community. While the provision of certain individual health or education services (for example, vaccination or immunization) may bring some external benefits to the rest of the community, in general the individuals concerned derive the main benefit. Thus, when a government unit incurs expenditures on the provision of individual goods or services, it must decide not only how much to spend in total but how to allocate, or distribute, the goods or services among individual members of the community. From the point of view of economic and social policy, the way in which they are distributed may be as important as the total amount spent.

### *Individual consumption by type of producer (P311, P312)*

- 9.96 The whole of individual consumption of general government is treated as social transfers in kind in the redistribution of income in kind account and in the use of adjusted disposable income account. It is analytically interesting to split

individual consumption into those goods and services produced by general government as a non-market producer and those that are purchased by general government from market producers for onward transmission to households either free or at prices that are not economically significant.

### Collective services (P32)

9.97 Most goods can be privately owned and are individual in the sense used here. On the other hand, certain kinds of services can be provided collectively to the community as a whole. The characteristics of these collective services may be summarized as follows:

- a. Collective services are delivered simultaneously to every member of the community or to particular sections of the community, such as those in a particular region of a locality;
- b. The use of such services is usually passive and does not require the explicit agreement or active participation of all the individuals concerned; and
- c. The provision of a collective service to one individual does not reduce the amount available to others in the same community or section of the community. There is no rivalry in acquisition.

9.98 The collective services provided by government consist mostly of the provision of security and defence, the maintenance of law and order, legislation and regulation, the maintenance of public health, the protection of the environment, etc. All members of the community can benefit from such services. As the individual usage of collective services cannot be recorded, individuals cannot be charged according to their usage.

### The borderline between individual and collective services

9.99 Expenditures incurred by governments in connection with individual services such as health and education are to be treated as collective when they are concerned with the formulation and administration of government policy, the setting and enforcement of public standards, the regulation, licensing or supervision of producers, etc. For example, the expenditures incurred by Ministries of Health or Education at a national level are to be included in collective consumption expenditures as they are concerned with general matters of policy, standards and regulation. On the other hand, any overhead expenses connected with the administration or functioning of a group of hospitals, schools, colleges or similar institutions are to be included in individual expenditures. For example, if a group of private hospitals has a central unit that provides certain common services such as purchasing, laboratories, ambulances, or other facilities, the costs of these common services would be taken into account in the prices charged to patients. The same principle must be followed when the hospitals are non-market producers: all the costs which are associated with the provision of services to particular individuals, including those of any central units

providing common services, should be included in the value of expenditures on individual services.

### The classification of individual and collective government expenditures

9.100 The classification of the functions of government (COFOG) is a classification of transactions designed to apply to general government and its sub-sectors. There are ten classes in the classification as follows:

- 01 General public services
- 02 Defence
- 03 Public order and safety
- 04 Economic affairs
- 05 Environmental protection
- 06 Housing and community amenities
- 07 Health
- 08 Recreation, culture and religion
- 09 Education
- 10 Social protection

9.101 All of classes 01 to 06 are collective services, as are section 07.5 and 07.6 of health, sections 08.3 to 08.6 of recreation, culture and religion, sections 09.7 and 09.8 of education, and sections 10.8 and 10.9 of social protection. These sections cover expenditures on general administration, regulation, research that is not recorded as capital formation and so on. The remaining sections of health, recreation, culture and religion, education and social protection (which dominate each of the classes) are individual services.

### Non-market services to enterprises

9.102 Many government expenditures benefit enterprises as much as households; expenditures on the cleaning, maintenance and repair of public roads, bridges, tunnels, etc. including the provision of street lighting, are examples. These are services whose consumption can be monitored and for this reason they are frequently provided on a market basis by charging tolls on road usage. When they are provided free, however, it would be difficult to separate the services provided free to enterprises from those provided free to households and, by convention, all these expenditures are treated as collective final expenditure.

9.103 Collective services such as the provision of security by the police, fire services, etc. that are provided free to the community at large also benefit individual enterprises as well as households.

## G. Actual final consumption of general government (P4)

- 9.104 The value of the actual final consumption of general government is equal to the value of its total final consumption expenditure less its expenditure on individual goods or services provided as social transfers in kind to households. The value of the actual final consumption of government units is thus equal to the value of the expenditures they incur on collective services. Although collective services benefit the community, or certain sections of the community, rather than the government, the actual consumption of these services cannot be distributed among individual households, or even among groups of households such as sub-sectors of the household sector, or to enterprises, as just noted. It is therefore attributed to the government units that incur the corresponding expenditures.
- 9.105 The identification and measurement of government actual final consumption serves two main analytical or policy purposes:
- a. Collective services can be identified with “public goods” as defined in public finance and economic theory. While it may be technically possible to charge individual consumers of certain collective services according to their usage, the transactions costs of so doing would be prohibitively high. This provides an economic, rather than political, rationale for government involvement;
  - b. Collective services do not provide a mechanism for redistributing resources among individual households. As redistribution may be one of the main economic objectives of government policy, it is useful to separate the collective services that do not serve this purpose from the individual goods and services that are ultimately channelled to individual households, even though paid for by government.

## H. Consumption expenditures incurred by NPISHs (P3)

- 9.106 The treatment of consumption expenditures incurred by NPISHs is very similar to that for general government. This section itemises only those aspects that differ. Whereas government expenditures are financed in large part out of taxation, those of NPISHs are financed principally out of subscriptions, contributions or donations or property income.
- 9.107 The services provided by NPISHs are often confined to the members of the associations that own them, although they may also provide individual goods or services to third parties. Many NPISHs are only concerned with protecting the interests or welfare of their members or providing recreational, sporting or cultural facilities that households or persons cannot otherwise easily obtain for themselves acting individually. Although NPISHs may provide services to their members in groups, the services are essentially individual rather than collective. In general, persons other than their members are excluded and derive no benefit from the services provided.
- 9.108 It is possible for NPISHs to produce collective services. For example a privately funded non-profit institution may undertake medical research and make its results freely available. However, unless such activities are evident and quantifiable, the assumption can be made that the expenditure of NPISHs is on individual goods and services only.
- 9.109 The final consumption expenditures of NPISHs can be classified in several ways. In particular, they may be classified:
- a. According to whether the goods or services have been produced by market or non-market producers;
  - b. According to whether the expenditures are on collective services or individual goods and services.
  - c. By function or purpose according to the classification of the purposes of non-profit institutions serving households (COPNI); and
  - d. By type of good or service according to the CPC.
- 9.110 For NPISHs as for government, it is possible that they purchase goods from market producers for distribution to households. It is also possible that they may have some receipts from sales either of non-market output at prices that are not economically significant or from sales of secondary market production at economically significant prices. However for many NPISHs, the value of their consumption expenditure will exactly match the value of their non-market output.
- Individual consumption by type of producer (P311, P312)*
- 9.111 The whole of individual consumption of NPISHs is treated as social transfers in kind in the redistribution of income in kind account and in the use of adjusted disposable income account. It is analytically interesting to split individual consumption into those goods and services produced by NPISHs as non-market producers and those that are purchased by NPISHs from market producers for onward transmission to households either free or at prices that are not economically significant.

## I. Actual final consumption of NPISHs (P4)

9.112 The value of the actual final consumption of NPISHs is equal to the value of its total final consumption expenditure less its expenditure on individual goods or services provided as social transfers in kind to households. The value of the actual final consumption of NPISHs is thus equal to the value of the

expenditures they incur on collective services. If it is not possible to identify and measure collective services provided by NPISHs, there may be no actual final consumption of NPISHs shown in the accounts.

## J. Final consumption expenditure and actual final consumption: summary

9.113 The purpose of this section is to summarize the conceptual interrelationship between the main consumption aggregates for the three sectors in which final consumption takes place, namely, the household sector, the NPISH sector and the general government sector.

c. Those acquired as social transfers in kind from general government and NPISHs that have been purchased by these institutions from market producers for onward transmission to households free or at prices that are not economically significant

### 1. Final consumption expenditure

9.114 *Household final consumption expenditure consists of the expenditure, including imputed expenditure, incurred by resident households on individual consumption goods and services, including those sold at prices that are not economically significant and including consumption goods and services acquired abroad.*

9.118 *Actual final consumption of NPISHs is measured by the value of the collective consumption services provided to the community, or large sections of the community, by NPISHs.*

9.119 *Actual final consumption of general government is measured by the value of the collective consumption services provided to the community, or large sections of the community, by general government.*

9.115 *Final consumption expenditure of NPISHs consists of the expenditure, including imputed expenditure, incurred by resident NPISHs on individual consumption goods and services and possibly on collective consumption services.*

### 3. Total final consumption in the economy

9.120 Total final consumption in the economy may be viewed from two angles. It may be defined from the expenditure side as the total value of all expenditures on individual and collective consumption goods and services incurred by resident households, resident NPISHs and general government units. Or, it may be defined in terms of actual final consumption as the value of all the individual goods and services acquired by resident households plus the value of the collective services provided by general government and NPISHs to the community or large sections of the community.

9.116 *General government final consumption expenditure consists of expenditure, including imputed expenditure, incurred by general government on both individual consumption goods and services and collective consumption services.*

### 2. Actual final consumption

9.117 *Actual final consumption of households is measured by the value of all the individual consumption goods and services acquired by resident households.* There are three sets of goods and services entering into household actual final consumption:

9.121 The coverage of the goods and services is the same in both cases. In order to ensure that the values of the two aggregates are the same, the goods and services acquired by resident households through social transfers in kind must always be valued at the same prices at which they are valued in the expenditure aggregates and the time of recording the goods and services acquired by social transfers in kind must be the same as the time of recording in the expenditure aggregates.

- a. Those acquired through expenditure by households themselves;
- b. Those acquired as social transfers in kind from general government and NPISHs that are the output of these institution as non-market producers;