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CHAPTER I - INTRODUCTION

1. This paper concerns those aspects of the proposals for revising the SNA in document E/CN.3/320 which have been the subject of extensive consultation and study during the last year and a half. Detailed discussions have been held in each region of the world on the structure, definitions and classifications, and accounts and supporting tables of the proposed system, other than balance sheets and income distribution statistics.^{1/} The working group which met in Africa, Latin America, and Asia, also dealt with the adaptation of the full system to the requirements and circumstances of the countries of these regions. The proposals in document E/CN.3/320 have been considered by the thirteenth session of the Statistical Commission^{2/}; and were discussed by the Lom meeting of the International Association on Research in Income and Wealth, and a special meeting of the Conference on Research in Income and Wealth, which is associated with the National Bureau of Economic Research. Special studies have been carried out in respect of

^{1/} The reports of the meetings held in Europe are Report of the Working Group on National Accounts and Balances, First Session, Conf. Eur. Stats./WG.22/7; Report of the Group of Rapporteurs on Activity and Commodity Classification, Conf.Eur.Stats./WG.22/GR.2/4; Report of the Group of Rapporteurs on Public Sector Statistics, Conf.Eur.Stats./WG.22/GR.3/4; Report of Rapporteurs on Concepts and Definitions, Conf.Eur.Stats./WG.22/GR.4/4; Report of the Working Group on National Accounts and Balances, Second Session, Conf.Eur.Stats./WG.22/14. The reports of the meetings held in Africa, Latin America and Asia, respectively, are: Report of the Working Group on the Adaptation of the Revised SNA to Africa, E/CN.14/CAS.4/NAC/21; Report of the Working Group on National Accounts, ST/ECLA/Conf.22/L.5; Report of the Working Group on National Accounts, E/CN.11/ASTAT/NA.2/L.3.

^{2/} Statistical Commission, Report of the Thirteenth Session, E/CN.3/339.

such questions as the treatment of private non-profit organizations, the distinctions to be drawn in respect of the various transactions between general government and other economic agents, and the definition and classification of current and capital transfers. Except for the proposed tables, national accounting data in constant prices has not yet been the subject of detailed study.

2. The paper gives the parts of the proposed revision in the SNA which has been the subject of extensive consideration, modified and detailed, as indicated by the studies and discussions. Unlike document E/CN.3/320, little attention is devoted to discussing alternatives for resolving problems in respect of concepts or classifications which raise problems. Instead, a specific solution is adopted and detailed in the light of discussions which have taken place. This is not to say that international consensus has been reached, or that entirely satisfactory solutions have been formulated, in respect of all the problems and questions concerning the main body of accounts which are enumerated in document E/CN.3/320. For example, general agreement still does not exist as to the way in which to deal with the bank service charge, the imputation of net rent on government owned and occupied buildings, or the allocation of certain outlays between general government and households. Nonetheless, detailed proposals for resolving almost all of these questions are included in this paper, based on the approach toward which the discussions seem to lead.

3. The study and consideration of document E/CN.3/320 during the last year and a half have given rise to additional questions, some of which are dealt with sketchily in this paper. For example, it has become evident that the revised SNA should include explanations of the range of analytical interests which the wealth of data in the proposed tables and accounts might serve, and should furnish guidance as to the extent, frequency and priority with which these data might be published. Or, the need has been emphasized to study the compilation of data on the total consumption of the population and the appropriate treatment outlays by employers on general recreational, health and educational facilities for their employees. Questions have also been raised as to links between the data of the system on establishment-type and enterprise-type transactor units.

4. This paper does not provide nearly as adequate a discussion of the structure

of the system as document E/CN.3/320, or as should eventually be furnished in the publication on the revised SNA. Further, the paper does not deal with input-output analysis, the principles, concepts and methods of national accounts data in constant prices or regional national accounting. These subjects are discussed in document E/CN.3/320 and should be covered in the publication on the revised SNA.

5. On the other hand, this paper furnishes full definitions of the transactors of the proposed system and the transactions on all accounts except balance sheets. These definitions were not covered in document E/CN.3/320. Also included in the paper are detailed schemes for all the classifications of the system except for commodities and the kind of economic activity of enterprises. It should be noted that the proposed classification of the activities of establishment-type transactors is an interim scheme, pending revision of the International Standard Industrial Classification and that full agreement has not been reached on the details of the other classifications.

6. A chapter of this paper is devoted to discussion of the adaptation of the proposals for the full version of the revised SNA to the needs and circumstances of the developing countries of the world. This question is not dealt with in document E/CN.3/320.

7. The aims and basic structure of the proposals for revising the SNA remain essentially the same as is described in document E/CN.3/320. The objective is to provide a full and detailed treatment of flows and stocks in an economy. The proposed system is designed to furnish a basis for integrating economic statistics, as well as for the compilation of national accounts, input-output tables, flow-of-funds statements, and so on. The intention is to provide a framework that is capable of extension as greater integration of existing statistics is sought and as new problems come to be tackled. At the same time, by the appropriate consolidation of accounts the framework can be reduced to the national accounts themselves. In this way, it provides a link between simple statistical systems in which only the main aggregates are presented and highly elaborated systems in which a wealth of detail is brought together in a coherent and manageable form.

8. Thus, the proposed system furnishes goals for the coordinated and orderly development of economic statistics and national accounting. The assimilation of the

concepts, definitions and classifications of the main economic statistics into an integrated framework of accounting should be of assistance in this effort.

Evolution of the full system will no doubt take many years in the case of a number of countries. Each country will, of course, need to decide on the priorities with which, and the detail in which, the various aspects of the system should be developed in the light of its requirements and circumstances.

9. The new SNA, as adopted by the Statistical Commission, will also furnish the basis for revising international reporting of national accounting data according to the system. For this purpose it will be essential to make a selection from the wealth of data included in the system in the light of the availability of information nationally and the requirements of analysis and the possibilities of publication internationally.

10. The structure of the proposed system, as modified as a result of the discussions during the last year and a half, is outlined in Chapter II. This chapter starts from the national accounts which connect the main flows in an economic system and shows how these flows are related to the assets and liabilities, i.e., stocks, as they would appear on a national balance sheet. It then takes the national accounts and balance sheet, in turn, divides the flows and stocks that appear in them into classes and divides the classes into categories. The result is a structure of accounts and balance sheets designed to show the relationships between magnitudes which are important in studying an economic system but to avoid, as far as possible, the proliferation of distinctions which are regarded as of minor importance.

11. The starting point of the system is the national accounts with their distinction between current accounts and capital accounts. The current accounts are divided into two main classes, one relating to the production of goods and services, and the other to the receipt of income and its use for buying consumption goods and services, making transfers and saving. In the first case, the current accounts are divided into the main categories of commodities and the activities of producers. In the second case, the main categories are consumption expenditure incomes and other outlays and the institutional sectors that make the outlays and receive the incomes. A similar distinction runs through

the capital accounts. The capital expenditure accounts relate to use of goods and services in gross capital formation and the capital finance accounts relate to the means whereby the institutional sectors finance this expenditure.

12. The flows in the system are closed by the introduction of the usual rest of the world accounts; and flows are related to stocks by the introduction of a national balance sheet, or when the system is disaggregated by a set of sector balance sheets.

13. Chapter III is concerned with the definition and classification of the transactors of the system; i.e., the resident economic agents of a country. In the case of the production, consumption expenditure and capital expenditure accounts, the transactors are classified into industries, services of general government agencies, the services of private non-profit institutions serving households and households; and the transactor units employed for producers are defined so as to attain as much homogeneity as is possible in respect of their kind of economic activity. In the income and outlay and capital finance accounts, the institutional sectors which are the focus of attention consist of non-financial corporate and quasi-corporate enterprises, financial institutions, general government, private non-profit institutions serving households, and households, including many of the unincorporated enterprises. The emphasis in delineating transactor units for these accounts is on the units which receive and dispose of incomes and which manage property. Non-financial corporate and quasi-corporate enterprises are classified according to kind of economic activity.

14. Chapters IV and V give the detailed definitions and classifications of the various transactions of the system, except balance-sheet data. Chapter IV is concerned with transactions in the supply and use of goods and services, i.e., the production, consumption expenditure and capital expenditure accounts.

Chapter V relates to transactions in the receipt and disbursement of incomes and in investment and the finance of this investment, i.e., the income and outlay and capital finance accounts.

15. Chapter VI sets out the standard accounts and supporting tables of the system. The accounts are intended as a description of the structure of the system, supplementary to the matrices of Chapter II, and as an integrated way

of presenting the main data. The supporting tables follow from the accounts; and are designed for the compilation of data which are of interest analytically but can not be appropriately shown in the form of accounts. In a number of instances, the tables call for classification of a given flow according to the characteristics of the transactors and the constituent transactions. This is the case for most of the supporting tables to the production accounts. In other instances, the tables are designed to show the income and outlay or capital finance accounts for sub-divisions of the institutional sectors. In still other tables, the focus of attention is on the interrelations between accounts, e.g., input-output or flow-of-fund tables. Included among the supporting tables are tables on production-account flows in constant prices and on employment.

16. In Chapter VII, the full system is considered from the point of view of the requirements and circumstances of the developing countries. It is found that the character of these economies call for some classifications, accounts and tables supplementary to those of the main system. The co-existence of widely differing modes of production result in the proposal to distinguish between traditional and modern forms of carrying on and organizing those activities in the tables relating to the production accounts. The need to stimulate the development of stagnant rural areas, where subsistence farming is important, calls for the compilation of special accounts in respect of these areas. In order to follow the shrinkage in subsistence activity as development proceeds, as well as to estimate total production, a table is required on the output for the market and output on own account. In view of the strategic role of a few industries and the public sector in development, special sets of accounts are required for them. For the same reason publicly owned or controlled industries need to be distinguished from other industries in the tables relating to the production accounts.

17. The meetings on the revision of the SNA in the developing regions of the world reached the conclusion that the proposed full system provided suitable goals for the development of economic statistics and national accounting in these countries. It was considered that guidance was needed on the order of priority of developing the data of the system in the light of the urgency of analytical requirements and the difficulties of compilation. The generally agreed four orders of priorities are set out in Chapter VII. In general, the higher orders of priority were assigned to the supporting tables of the production and capital expenditure accounts and the accounts for the special segments and external transactions of the economy. The lower orders of priority were assigned to most aspects of the income and outlay and capital finance accounts. In order to advance the stage at which the main series on these accounts could be compiled, it was recommended that the concepts of gross operating surplus and gross saving be utilized.

CHAPTER II THE STRUCTURE OF THE SYSTEM

A. The National Accounts

1. For present purposes the most convenient point of departure is the simplest form of the system of accounts underlying the present SNA rather than the standard accounts actually presented there which are complicated by the introduction of a small amount of institutional sectoring useful for practical purposes and which are so arranged that the entries on either side of the accounts sum to totals which are conceptually important.
2. The underlying accounts are four in number and relate, respectively, to production, consumption, accumulation and economic transactions with the rest of the world. Production is represented by the entries in a production (or operating) account. Consumption is represented by the entries in an appropriation (or income and outlay) account. Accumulation is represented by the entries in a capital reconciliation (or capital transactions) account. Transactions with other countries are represented by the entries in an external account (or an account for the rest of the world). These four national accounts can be derived conceptually by assigning such a set of accounts to each transactor unit in an economy and consolidating the entries in all accounts of a given type without making any distinctions between industries or between institutional sectors. The precise system that emerges from this operation depends on the precise way in which transactions are classified.
3. Thus it can be said that the system of national accounts encompasses all the transactions, or flows, in an economy though it groups them into a small number of large aggregates. But, it does not record assets and liabilities, or stocks, at all. It contains accounts but no balance sheets.

B. The Matrix Form of an Accounting System

4. A generally accepted way of presenting an accounting system, which is of particular value in studying its structure, is to identify the accounts with a set of intersecting row and column pairs which, taken together, form a matrix. The elements of the matrix are the entries in the accounts and, by convention, incomings (or revenues) are placed in the rows and outgoings (or costs) are placed in the columns. Accordingly, at the intersection of row j and column k of the matrix we find the transaction, or aggregate of transactions, which constitutes an incoming for account j and an outgoing for account k .

5. In these terms, the four national accounts could be presented as in Table 1.

Table 1
The National Accounts in Matrix Form

		Current accounts		Capital accounts	All accounts
		Production	consumption	Accumulation	Rest of the world
		1	2	3	4
Current accounts	Production 1		C	V	E
	Consumption 2	P		-D	Z
Capital account	Accumulation 3		S		K
All accounts	Rest of the world 4	I	G	B	

6. In this table mnemonic notation, C, V, E, etc. has been used instead of a place notation, say, t_{12} , t_{13} , t_{14} etc., since the system is a very simple one and it is useful to be able to take in the entries at a glance. A key to the notation used throughout this chapter of the report is given in Section C below.

7. The first account shows that

$$C + V + E = P + I \quad (I.1)$$

or, in words, consumption plus gross domestic capital formation plus exports which are the sources of revenue for domestic production, are equal to gross value added plus imports, which are the corresponding outgoings. This equation is often rewritten in the form

$$P = C + V + (E - I) \quad (I.2)$$

or, in words, gross value added (or gross domestic product) equals consumption plus gross domestic capital formation plus net exports. If indirect taxes and subsidies are present in the system and if the flows on the right-hand side of (I.2) are valued at market prices, then P must be interpreted as the gross domestic product at market prices.

8. The second account shows that

$$P - D + Z = C + S + G \quad (I.3)$$

or, in words, net value added plus net income from abroad equals consumption plus saving plus net current transfers (or gifts) abroad. This equation is often rewritten by subtracting net indirect taxes, T say, from both sides. thus

$$(P - D - T) + Z = C + S + G - T \quad (I.4)$$

The left-hand side of this equation is the national income since the first term is equal to domestic income and to this is added net income from abroad.

9. The third account shows that

$$S + K = V - D + B \quad (I.5)$$

or, in words, national saving plus net capital transfers from abroad (or foreign saving transferred to the economy whose accounts we are keeping) equals net domestic capital formation plus net investment abroad, that is the net addition to the country's wealth, all problems of revaluation being

ignored for the time being.

10. The fourth account shows that

$$I + G + B = E + Z + K \quad (I.6)$$

or, in words, imports plus net current transfers to abroad plus net investment abroad equals exports plus net income from abroad plus net capital transfers from abroad. This result can equally well be derived from (I.1), (I.3) and (I.5) since (I.6) is not independent of them. Equation (I.6) can be used to express the balance of trade ($E - I$), the balance of current payments, ($B - K$), and net investment abroad, B , in terms of the other transactions between the country considered and the rest of the world.

C. Introducing a National Balance Sheet

11. The introduction of a national balance sheet into the system of national accounts set out in Table 1 follows immediately from what was said in Paragraph 9, namely that the sum of the entries in the capital account was equal to the net addition to the country's wealth if problems of revaluation of existing assets are ignored. This is equivalent to the statement that opening and closing liabilities, L_0 and L_1 say, are connected by the entries in the row of the capital accounts, $S + K$, plus revaluations, R say; and that opening and closing assets, A_0 and A_1 say, are connected by the entries in the column of the capital account, $V - D + B$ plus revaluations, again equal to R . The two revaluations are necessarily the same since the capital account balances and so do the opening and closing balance sheets. Thus if we revalue net existing assets, real and financial, from one year's end to another, we imply a corresponding revaluation of net worth, the excess of all assets held over liabilities to third parties, in this case the rest of the world. In the present example, net worth is simply accumulated saving plus accumulated net capital transfers received suitably revalued.

12. The result of introducing a national balance sheet and the necessary revaluations into the system of national accounts given in Table 1 is set out in Table 2.

Table 2

The National Accounts and Balance Sheets in Matrix Form

		Open- ing bal- ance sheet	Current accounts		Capital accounts	All accounts	Re- valu- ations	Clos- ing bal- ance sheet
			Produc- tion	Consump- tion	Accumu- lation	Rest of the world		
		1	2	3	4	5	6	7
Opening balance sheet					A_0			
Current accounts	Production	2		C	V	E		
	Consumption	3	P		-D	Z		
Capital account	Accumulation	4	L_0	S		K	R	L_1
All accounts	Rest of the world	5	I	G	B			
Revaluations		6			R			
Closing balance sheet		7			A_1			

13. From this table we can add some further relationships to those given in the preceding section. In the first place,

$$A_0 = L_0 \quad (I.7)$$

or, in words, assets at any point of time o are equal to liabilities at the same point of time. In the second place,

$$L_1 = L_o + S + K + R \quad (I.8)$$

or, in words, closing liabilities are equal to opening liabilities plus saving plus net capital transfers from abroad plus revaluations.

And finally,

$$A_1 = A_o + V - D + B + R \quad (I.9)$$

or, in words, closing assets are equal to opening assets plus net domestic capital formation plus net investment abroad plus revaluations.

14. So much for the national accounts and balance sheets. Let us now turn to some of the problems that have to be faced if these national totals are to be disaggregated.

D. Extending The National Accounts:

Multiple Classifications

15. The accounts and balance sheets of the preceding section each relates to the whole economy; none of them contains any kind of sub-division. But in order to get a full description of an economic system a good deal of further sub-division is needed. The first step is to take each account and balance sheet in Table 2 and divide it into a number of appropriate classes; and the second step is to take each class and divide it into a number of appropriate categories. When we do this we must recognize that economically interesting classifications vary from one part of the system to another and that in the interests of simplicity and practicality, we must avoid superimposing classifications on one another more than is necessary.

16. These remarks can be illustrated from the first account of the tables, which relates to production. If we were asked what we needed to know in order to analyse production, we should probably start our list with two kinds of statistics: first, statistics of the sources and uses of commodities; and, second, statistics of the activities that were responsible for producing these commodities. Although, as we shall see, matters are not quite so simple when we take account of the varied uses that such statistics should

serve, we can say for the moment that the two main classes of statistics to be represented in the production account are commodities and activities. The categories of each main class are then simply the elements of a commodity or an activity classification.

E. The Main Classes of the System

17. With this example in mind, let us now elaborate Table 2 in accordance with step 1, leaving step 2 to be dealt with later. The results of the first step are set out in Table 3 below.

18. Apart from the correction of a few minor errors and omissions, this table is virtually the same as Table 9 of E/CN.3/320 apart from one important conceptual change. It became clear from the many discussions on the revised SNA that there is a general feeling that the treatment proposed did not sufficiently emphasise the role of general government and of private non-profit institutions serving households in production nor distinguish this role sufficiently clearly from their role as consumers. This conceptual difficulty can be met, without however increasing the amount of information needed to fill in the system, by introducing a new set of consumption accounts (numbers 7, 8 and 9 in Table 3) and by changing the headings and content of the last two accounts (numbers 5 and 6) dealing with production.

19. In Table 3, the symbols denote submatrices whose elements will be spelt out at step 2. Let us look at the entries in the order of the groups of rows and columns separated by lines.

a. Opening Balance Sheet Accounts

20. Row and column 1. The symbol A_0 denotes a matrix with real and financial assets in the rows and institutional sectors in the columns; thus each column represents the assets appearing in the opening balance sheet of one

Table 3. MATRIX ACCOUNTS AND BALANCE SHEETS THE SUBMATRICES

			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Opening balance sheets			1																				A ₀			
Production	Comm.	Commodities	2				U	U	U	U						U	U	U	U	U					U	
		Commodity taxes	3				X	X	X	X							X	X	X	X	X				X	
	Activities	Industries	4		M	X																				
		Services of private non-profit institutions serving households	5		M	X			O	O	O															
		Government services	6		M	X				O		O														
		Consumption	Consumption expenditure	Households' goods and services	7											C										E
Purposes of private non-profit institutions serving households	8														C											
Government purposes	9														C											
Income and outlay	Value added		10		T		P	P	P														-D			
	Income transfers		11												J									J		
	Institutional sectors		12										Q	J										W		
Accumulation	Capital formation	Industries (increase in inventories)	13																	V						
		Government services (increase in inventories)	14																			V				
		Industries (fixed capital formation)	15																	V						
		Services of private non-profit insts. serving households (fixed cap. form.)	16																			V				
		Government services (fixed cap. form.)	17																			V				
	Capital finance	Industrial capital formation, land etc.	18																			V	V			
		Financial claims	19																			F	F			
		Capital transfers (net)	20																							
		Institutional sectors	21	L ₀											S						N	K		R	L ₁	
		Rest of the world		22		I			I	I			W	J						I		N	K			
Revaluations		23																				R				
Closing balance sheets		24																				A ₁				

of the sectors. Similarly, the symbol L_0 denotes a matrix with institutional sectors in the rows and net worth and financial liabilities in the columns; thus each row represents the liabilities (including net worth) appearing in the opening balance sheet of one of the sectors. The column sums of A_0 are equal to the row sums of L_0 since each sector's balance sheet balances. In general, however, the row sums of A_0 are not equal to the corresponding column sums of L_0 since the sectors are national sectors and do not include the rest of the world. The totals of these row sums and column sums are, of course, equal, reflecting the fact that the national balance sheet balances.

b. Production Accounts

21. Rows and columns 2 and 3. These rows and columns relate to commodities valued exclusive of the commodity taxes levied on them and to the corresponding commodity taxes. If the two entries are added together, a commodity flow is obtained valued at the producer's price including tax. This separation is made in order to provide a more homogeneous valuation of the different entries in row 2. These entries relate to the absorption of commodities in different uses. Thus the entry in column 4 represents the absorption of commodities in the productive activity of industries, that in column 7 represents the absorption of commodities in the purchases of goods and services by households, and so on. For example, when the submatrices are further disaggregated, we should find in one of the columns contained in column 4, the commodity and commodity tax components of, say, household expenditure on clothing, which appears as one of the rows contained in row 7. For commodities, these components would be textiles, leather and clothing products, rubber products together with the trade and transport margins on these products; and, for commodity taxes, they would relate to any purchase tax levied on clothing.

22. The total supply of commodities from domestic and foreign sources and the commodity taxes associated with these supplies are shown in columns

2 and 3. Thus in row 4 columns 2 and 3 we find the commodities produced by domestic industries and the associated taxes. Similarly, in rows 5 and 6 we find the small quantities of commodities produced incidentally in the rendering of services by private non-profit institutions and general government. The entries in rows 10 and 22 relate to commodity imports; the commodities imported appear in row 22, the associated import duties in row 10.

23. Row and column 4. This row and column relate to industries. In any row contained in row 4 we find a particular industry's output of commodities, and in the corresponding column we find the cost structure of this output. Apart from the input of commodities and the associated commodity taxes which bring the inputs up to market values we find, at the intersection with row 10, the cost of non-produced inputs, that is to say, compensation of employees, operating surplus and provisions for the consumption of fixed assets together with indirect taxes, net. The sum of these items is gross value added at market prices and represents the industry's contribution to the gross domestic product.

24. Rows and columns 5 and 6. These rows and columns relate to the production of services by private non-profit institutions serving households and general government. The present treatment differs from the one proposed in E/CN.3/320 and, as we have seen, is designed to give greater emphasis to the fact that these institutions should be recognised as rendering services to the community even if, financially speaking, they can be said to consume them themselves.

25. The position can be illustrated by the case of educational services which may be provided either by private non-profit institutions or by government. The educational services of private non-profit institutions relate to the same activities as the purpose "education" of these organizations; and the sub-matrices at the intersection of row 5 and column 8 are diagonal.

This will frequently not be the case for the government service and purpose, "education". The government purpose "education" may include general administrative and research activities, which are part of the service "public administration", in addition to the management, operation and inspection of public schools and other educational facilities, which constitute the service "education". However, it is desirable that a one-to-one correspondance exist between at least the detailed categories of classifications of government purposes and government services. Otherwise, the cost structure of the whole state educational system, including all forms of administration, would be lost. In order to avoid this where the condensed categories of the two classifications should not be similarly defined, distinctions will be drawn in the detailed categories of the classifications of government purposes and government services so that these categories may be arranged according to either classification. It is in this way that a one-to-one correspondance is attained in the scalars of the sub-matrices at the intersection of row 6 and column 9.

26. A significant portion of the revenue of the educational services rendered by private non-profit organizations will be received from the purpose "education" of these institutions. As is shown in row 5, column 7, the rest of this revenue is likely to consist of tuition and other charges paid by students attending these institutions. In the case of the government service "education", most of the revenue will be received from the government purpose "education"; and is likely to be supplemented by various fees and charges payable by parents to the public educational system. The net expenditure of government on the purpose "education" will also frequently include outlays on the government service "public administration, education". The entries in row 6, columns 2 and 3 are likely to be small since government educational services are not likely to produce commodities, except,

perhaps, for own-account construction. The cost structures of the education services of the private non-profit institutions and the government will be shown in the vectors of columns 5 and 6, respectively. The cost structure of the government service "public administration, education", will also be delineated in a vector of column 6.

27. The non-zero elements in the sub-matrices at the intersection of row 5 and column 8 and of row 6 and column 9 are the same as those of the C-vectors in rows 8 and 9, respectively, column 12. Apart from the separation of the activities of non-profit institutions from the rest of private consumption, no new information is needed to implement the new proposals which are simply a rearrangement of the former entries. As before, commodities are defined as marketable commodities, that is to say as the products of industries.

28. Rows and columns 2 and 3, dealing with commodities, and 4, 5 and 6, dealing with activities, constitute the main classes into which production is divided. It can easily be seen from Table 3 that, if all these accounts are consolidated, we obtain: on the incoming side, revenues from consumption in the domestic market (including the consumption of foreign visitors), gross capital formation and exports; and, on the outgoing side, the gross domestic product (in row 10) and imports of commodities, together with direct expenditures abroad in connection with government services, (in row 22).

c. Consumption Expenditure and Income and Outlay Accounts

29. We come now to the rows and columns dealing with consumption. Numbers 7, 8 and 9 form a new set of accounts relating to consumption; numbers 10, 11 and 12 remain unchanged and relate to income, its redistribution and disposal.

30. Row and column 7 relate to the consumption expenditures of households and foreign visitors and the cost structures of these expenditures in terms of commodities, commodity taxes and direct expenditures abroad.

31. Rows and columns 8 and 9 relate to the purposes of private non-profit institutions and of government. These accounts show the revenue of the

different purposes in the rows and the expenditure on the corresponding services in the columns.

32. Row and column 10 take the income and indirect taxes, net, originating in domestic activities (depreciation being cancelled out in column 21) and distribute them over the institutional sectors and the rest of the world.

33. Row and column 11 redistribute these incomes and similar incomes originating abroad among the institutional sectors and the rest of the world by means of entrepreneurial and property income, direct taxes on income and other transfers.

34. Row and column 12 contain the income and outlay accounts of the institutional sectors.

35. If all the consumption accounts are consolidated, we obtain: on the incoming side, income from domestic production and indirect taxes, net, plus income received from abroad; and on the outgoing side, consumption expenditures, saving and income paid abroad.

d. Capital Formation and Finance Accounts

36. We come now to the rows and columns dealing with accumulation. Numbers 13 through 17 deal with gross capital formation; numbers 18 through 21 complete the transformation of gross capital formation from an activity to an institutional classification and introduce capital transfers and transactions in land and other non-reproducible tangible assets, in mineral and patent rights and some other intangible assets, and in financial claims among the institutional sectors.

37. Rows and columns 13 and 15 carry the changes in industrial inventories and the gross fixed capital formation to a dummy account, in 18, which in turn carries these components of capital formation into a classification by institutional sectors. The purpose of this arrangement is to replace industry by sector matrices for the components of capital formation by the

marginal vectors of these matrices. If this simplification were not needed for practical reasons, the dummy account could be dispensed with and the V-entries in column 18 could be moved over to column 21. This treatment is shown in the case of row and column 14, which handle the increases in the inventories of general government services and in the case of rows and columns 16 and 17, which handle gross fixed capital formation in the services of private non-profit institutions and general government. Here it is assumed that the construction of activity by sector matrices will not lead to practical difficulties.

38. It will be noticed that, in comparison with E/CN.3/320, an I-entry has been made in row 22, column 17. This entry refers to capital expenditure on embassy buildings, etc., abroad. Since the embassies and the like are deemed to be located on domestic territory, such an entry is needed to ensure that rows and columns 13 through 17 cover the whole of domestic investment. By implication the building of embassies and the like by foreign countries forms part of exports. The building and equipment of factories and installations abroad forms part of the domestic capital formation of foreign countries which is offset by a claim held by the country whose company does the investment. In a similar way the building and equipment of factories and installations on domestic territory by foreign companies forms part of domestic investment and is also offset by a claim.

39. Row and column 18 contain not only dummy accounts, concerned with the transformation of the components of industrial investment from an industrial to an institutional classification, but also accounts designed to handle transfers of land, other non-reproducible tangible assets, mineral and patent rights and some other intangible assets. These transfers are between institutional sectors and sum to zero in the case of land and rights to use land. This is not the case for other non-reproducible tangible assets such as art objects, antiques, etc. or intangible assets such as patent rights. The entry at the intersection of row 18 and column 22 relates to the net sales of these items to the rest of the world.

40. Row and column 19 relate to transactions in financial claims. These are shown in the row as acquisitions in the period by the institutional sectors and the rest of the world. They are shown in the column as net new claims of various kinds issued by the institutional sectors and the rest of the world.

41. Row and column 20 relate to capital transfers. These are shown as net receipts by the institutional sectors; accordingly, there are no entries in the row and the column entries sum to zero.

42. Row and column 21 relate to the capital finance accounts of the institutional sectors and their link, through revaluations, with the opening and closing balance sheets. The incomings into these accounts, shown in this row, are saving, net issues of new claims and capital transfers net. These are balanced in the column by net capital formation in fixed assets and stocks and net acquisitions of financial claims.

e. External Transaction Accounts

43. Row and column 23 relate to all outgoings to and incomings from the rest of the world for the economy under study. Recorded therefore are the transactions of residents of the given country with the rest of the world on all the accounts of the system.

f. Closing Balance-Sheet and Revaluation Accounts

44. Row and column 24 relate to the closing balance-sheet accounts of each of the institutional sectors. As in the case of the corresponding opening balance-sheet accounts, A_1 denotes a matrix with real and financial assets in the rows and institutional sectors in the columns; and L_1 denotes a matrix with institutional sectors in the rows and liabilities to third parties (i.e., to individuals or organizations other than the proprietors) and net worth in the columns. The links between the opening and closing balance sheets of the institutional sectors consist of their capital and revaluation accounts. The revaluation accounts for each of the institutional sectors shown in row and column 23 form a set of balanced accounts. The

revaluation account for the nation as a whole also balances in total.

F. The Main Categories of the System

45. Let us now turn to the second step in detailing the accounts of the system, namely, the subdivision of each class of transactions into a number of appropriate categories. Practically all the results of this step are illustrated in Table 4. This table details the structure of the system.

a. Production Accounts

46. As we have seen, the transactions on the production accounts relate to the activities of industries, private non-profit institutions serving households and the government services and to commodities. Included among industries are private non-profit institutions serving them and wholly or mainly financed and controlled by enterprises; and included in government services are private non-profit institutions which are wholly or mainly financed and controlled by organs of Government. The transactions concerning the activities of these economic agents relate to their output of goods and services and the cost structure of their production. The transactions concerning commodities relate to the domestic supply and disposition of marketable goods and services primarily. The domestic supply of commodities comes in the main from industries and imports.

47. Rows and columns 2 through 9 of Table 4 exhibit a classification of commodities according to the domestic industry in which they are characteristically produced. A class of commodities will in general also be part of the secondary output of other industries, in particular when a substantial number of categories are utilized in the classification. Nonetheless linking the classification of commodities directly to the classification of industries is essential for purposes of input-output and other forms of economic analysis. For use in input-output analysis it is desirable

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that the same number of categories be utilized in the classifications of commodities and industries. This however should not obviate the use of a more detailed classification of commodities in supplementary tabulations for other analytical purposes.

48. Rows and columns 10 through 13 involve a classification of industries which is as homogeneous as is feasible in terms of what they produce and the technology and cost-structure of this output. This leads to the definition, in principle, of the unit of observation and classification for industries in terms of technical criteria. In most instances, the establishment is likely to be the statistical unit which results in the most homogeneous classification of industries that is feasible. If a more homogeneous unit were employed, for example, the technical unit, it might not be possible to compile data on all elements of its cost structure, in particular, the ancillary and overhead and costs.

49. Rows and columns 14 through 16. In these rows and columns private non-profit organizations serving households are classified according to the kind of services they provide. As was noted in paragraph 25, this classification should be, and can be, identical with the classification of these institutions according to the purposes they serve. Further, the classification should be identical with the classifications of industries and government services rendering the same kind of services since for certain analytical purposes, the value added, employment or gross output of these three classes of producers of the same service need to be compared or summed.

50. Rows and columns 17 through 19. Here government services are sub-divided according to kind of activities in which they engage. As paragraph 25 emphasized, the elementary categories of this classification should be designed so that they are in one-to-one correspondance with the elementary categories of the classification of government purposes. In order to effect

this, it will be necessary in some instances, to sub-divide the same kind of activity into two or more categories, corresponding to the differing government purposes served. The classification of government services should also be aligned with the classification of industries and private non-profit institutions engaged in the same kind of activities. Thus, units of observation and classification are wanted which are homogeneous as is feasible in respect of both kind of activity and type of purpose served.

b. Consumption Expenditure and Income and Outlay Accounts

51. In the consumption expenditure and income and outlay accounts the center of interest shifts from commodities and the activities of production to the purposes for which goods and services are acquired and the forms in which incomes are received and disposed of. Consequently the classifications used in these accounts relate to object of outlays for consumption and the types of income receipts and disbursements. The categories of economic agents needed also change as we pass from the production accounts to the consumption and income and outlay accounts. What is wanted is a grouping of economic agents who receive and dispose of incomes according to their similarities in these respects; i.e., according to institutional sectors.

52. Rows and columns 20 through 22. The classification of households' goods and services focuses on the object of, or purpose to be served by, the outlays of households on goods and services so as to yield useful data for demand and welfare analysis. The categories of the classification should also be co-ordinated to the extent that it is feasible, with the categories of the purpose classifications of the outlays of general government and private non-profit institutions. This will allow for combination of data on the consumption of the three sectors into figures of goods and services accruing to the population.

53. Rows and columns 23 through 25 and 26 through 28. The purpose classifications of private non-profit institutions and general government

and the entries in their consumption expenditure accounts have been dealt with above.

54. Rows and columns 29 through 32. Shown in the rows are the constituents of value added in domestic production, i.e., compensation of employees, operating surplus, consumption of fixed capital and indirect taxes, net. The columns indicate the routing of the elements of value added other than depreciation to the institutional sectors and the rest of the world. Consumption of fixed capital is shown as negative entries at the intersection of the capital finance accounts of the institutional sectors and row 31 in order to decompose net fixed capital formation into gross fixed capital formation and depreciation.

55. Rows and columns 33 through 37. Accumulated in the rows are entrepreneurial and property incomes accruing from domestic and foreign production and other forms of income transfers made by residents and non-residents. The transfers of income are distributed in the columns to the institutional sectors and the rest of the world. The classification of income transfers is designed to distinguish between (i) required (contractual) transfers, (ii) obligations to, and commitments of, general government, and other unrequited but voluntary grants.

56. Rows and columns 38 through 41. The current incomings and outgoings of the institutional sectors are recorded on a gross basis. The main categories of the classification of institutional sectors are non-financial corporate and quasi-corporate enterprises, financial institutions, general government, private non-profit institutions serving households, and households, including private non-financial unincorporated enterprises other than those considered to be quasi-corporate in character. Each of these main categories except private non-profit institutions serving households are sub-divided into more detailed categories, for example, financial institutions are classified into the monetary authority, other monetary institutions,

insurance companies and pension funds, and other financial institutions. Non-financial corporate and quasi-corporate enterprises are also to be classified according to kind of economic activity.

c. Capital Formation and Finance Accounts

57. Rows and columns 42 through 56. Capital formation by industries and the services of private non-profit institutions serving households and government is delineated in the columns; and the transfer of this capital formation to the capital finance accounts of the institutional sectors, is shown in the rows. In the case of industries, in order to avoid the practical difficulties cross-classifying the activities of establishments and the institutional and other classifications of the parent enterprises, their capital formation is transferred to a dummy account "Industrial capital formation" in column and row 57.

58. Rows and columns 57 through 58. In addition to this dummy account, net purchases of land, of non-reproducible tangible assets (e.g., art objects and antiques), and of intangible assets such as mineral concessions and rights, leases, copyrights, patents, are entered in row 58. Transactions in land will take place between residents only; and will therefore sum to zero for the nation. This is not the case for the other items dealt with in row 58.

59. Rows and columns 59 through 61. In classifying financial assets and liabilities emphasis will be placed on the criteria of the technical character (e.g., the manner in which it was contracted, the type of instrument, the date of maturity and the degree of liquidity of claims and the markets in which transactions in claims take place.

60. Row and column 62. It is useful to classify the capital transfers of general government agencies according to purpose and to distinguish between the net capital transfers between general government, on the one hand, and the other institutional sectors and the rest of the world, on the other.

61. Rows and columns 63 through 65. Delineated in these rows and columns are the capital finance, revaluation and balance-sheet accounts of the institutional sectors. The sectoring to be employed is identical with that in rows and columns 38 through 41. Here too, non-financial corporate and quasi-corporate enterprises are to be classified according to kind of economic activity.

62. Row and column 67. The row and column for the rest of the world sets out the transactions of the resident economic agents with foreigners on all the accounts of the system.

G. The Symbols Used in This Chapter

63. The capital letters which appear in the text and tables of this chapter have the following meanings:

A	Assets.
B	Investment abroad, net.
C	Consumption expenditure.
D	Consumption of fixed capital (depreciation).
E	Exports at market prices.
F	Net acquisitions of financial assets.
G	Current transfers other than direct taxes on income.
H	Direct taxes on income.
I	Imports.
J	Entrepreneurial and property income, direct taxes on income and other current transfers. $J = Z + H + G$.
K	Capital transfers, net.
L	Liabilities.
M	Commodity outputs.
N	Net incurrence of liabilities.
O	Consumption of goods and services other than commodities.
P	Gross value added at market prices. $P = W + Y + D + T$.

Q	Net value added at market prices. $Q = P - D = W + Y + T$.
R	Revaluations.
S	Saving.
T	Indirect taxes, net; i.e., indirect taxes less subsidies.
U	Use of domestic supply of commodities.
V	Gross domestic capital formation at market prices; net purchases of land; net purchases of other non-reproducible tangible assets; net purchases of leases, concession and patent rights, etc..
W	Compensation of employees.
X	Commodity taxes, net.
Y	Operating surplus.
Z	Entrepreneurial and property income.

CHAPTER III THE TRANSACTORS OF THE SYSTEM

1. Described in this chapter are the types of transactors utilized in the system and the schemes for classifying them into sectors and in other manners. Also defined below are the resident economic agents, to whom all the accounts relate. As was indicated in the preceeding chapter, differing, though linked, kinds of statistical units (i.e., units of observation and classification) are employed for transactors in the production and consumption and capital expenditure accounts and in the income and outlay, capital finance and balance-sheet accounts of the system; and differing schemes for classifying these units are utilized in the two sets of accounts.
2. In the first set of accounts, attention is focussed on the role of economic agents in the production of goods and services. Distinctions are therefore drawn between industries, which in the main produce goods and services for sale on the market; the services of government or private non-profit agencies serving households, which essentially produce non-marketed goods and services; and households, which are consumers, but not producers, of goods and services. In order to effect this classification, not infrequently institutional units must be split into at least two transactor units - for example, farming by households from their other economic activities or the industrial production of government organizations from their other activities. Though for this purpose, incorporated or similar enterprises need not be split into a number of transactors, sub-division into establishments may be necessary so that the statistical units for the production and capital expenditure accounts will be as homogeneous as is feasible in respect of the character and technology of their production. This stems from the interest in classifying producers, the services of general government and private non-profit institutions as well as industries, into relatively homogeneous categories according to kind of economic activity.

3. In the case of the consumption expenditure account, the agencies of general government and private non-profit institutions are classified according to purpose. These two classifications also appear in the income and outlay accounts. As was noted in Chapter II, there is a one-to-one correspondance between the categories of the classification of the private non-profit organizations according to type of purpose and kind of activity. In the case of general government organizations, this correspondance will exist in respect of the main or detailed categories of the two classifications.
4. In the income and outlay, capital finance and balance-sheet accounts of the system, the centre of attention is the receipt and disposition of incomes, investment and its source of finance, and the distribution of property. What is therefore wanted are the transactor units which receive incomes and own property and which control and manage these affairs. The classification of these units should therefore be based on differences in the ways in which they receive and dispose of incomes, in their role in capital investment and in the forms in which they hold property. These considerations lead to the use of institutional units (e.g., legal entities, general government agencies, households) as transactors in the financial accounts; and the classification of these statistical units into categories such as incorporated and quasi-corporate non-financial enterprises, financial institutions or households, including selected unincorporated private enterprises. In addition to the classification of transactors by institutional sector, corporate and quasi-corporate non-financial enterprises are to be classified according to kind of economic activity. The categories of the latter scheme will necessarily be fewer in number and broader in scope than the classification of establishment-type units by kind of economic activity.

A. The Transactor Units

a. Industries and Enterprises

5. In the case of industries, the establishment or a similar unit is likely to be the most homoneneous statistical unit in respect of the composition and cost-structure of production and the resources and technology employed which it will be feasible to delineate. Ideally, the establishment is a unit which engages, under a single ownership or control, in one, or predominantly one, kind of economic activity at a single location. A single legal entity may engage in more than one kind of industry and/or carry on its activities at more than one location; and the extent which the legal entity may be sub-divided into establishments, ideally defined, will depend on the manner in which the legal entity organizes and manages its production and keeps its records. In order to take this into account while preserving the basic concept, the establishment is defined in operational terms as: the combination of activities and resources directed by a single owning or controlling entity towards the production of the most homogeneous collection of goods and/or services, usually at one location but sometimes over a wider area, for which separate data can be compiled on the production and all the commodities, labour and capital resources employed for this purpose directly and in support of, or ancillary to, the production.

6. Extensive use is made in the real accounts of the classification of producers according to kind of economic activity; and at this juncture, little attention is being devoted to the classification of producers according to area of location or size. Emphasis should therefore be placed on the use of an establishment-type unit which is as homogeneous as is feasible in respect of kind of economic activity, i.e. types of commodities produced.

7. In the case of enterprises, the suitable and practical unit of observation and classification will, in many instances, be the legal entity itself, e.g. the corporation, joint stock company, limited liability partnership, co-operative.

The legal entity owns the property of the business, receives and disposes of its incomes, and maintains complete profit-and-loss and balance sheet accounts on all aspects of the business. Though the resident branches of foreign organizations and the quasi-corporate enterprises defined in paragraph 35 are legally part of entities encompassing the other economic activities of their owners, these organizations will need to be identified as distinct transactor units. Quasi-corporate enterprises are defined in such a manner that the incomes, investments and property involved in the business will in fact be held and managed apart from the other interests of the owners and that separate and complete accounting records will be maintained on all aspects of the business.

8. Not infrequently, the property and financing of a collection of resident legal entities which are bound together by ties of ownership, are in fact managed and controlled by the common owners. This is likely to be the case where a consolidated balance sheet, as well as profit-and -loss statement, is maintained for the collection of resident entities or where the majority of the equity (i.e. shares or other forms of capital participation) of each member of the group is owned by the same interests. In these circumstances it is desirable to employ a transactor unit consisting of the collection of resident legal entities, provided that this does not result in much more heterogeneity in respect of class of activity than if each of these entities were considered a separate transactor unit. This limitation on heterogeneity is suggested as corporate and quasi-corporate non-financial enterprises are to be classified according to kind of activity.

b. General government

9. For use in the classification of the agencies of general government according to kind of economic activity and purpose, transactor units are wanted which are as homogeneous as is feasible in respect of the kind of service rendered and the type of purpose served by this activity. Both criteria are needed in delineating the transactor units in order to reach correspondance between the categories of the classification of government

services and government purposes.

10. In view of the close correlation that often exists between the kind of activities in which government organizations engage and the purposes for which these activities are carried on, the statistical unit which would be suitable for classification according to kind of activity or purpose only, will also be appropriate for cross-classification according to class of service rendered and type of purpose served. In some instances however a transactor unit of more limited scope will be required for the categories of the cross-classification. Two or more kinds of activity may combine to serve a single purpose, for example, the general policy making, administrative and regulatory activities of a Ministry of Education and the management and operation of the public school system. Or, two purposes may be served by a single kind of activity, for example, hospitals serving members of the armed forces only and public hospitals serving the population at large.

11. The degree of homogeneity in the transactor units which can in fact be attained in respect of class of service rendered and kind of purpose served, will depend on the manner in which the organs and agencies of general government are organized, controlled and managed and the way in which their records of outlays and employment are kept.

12. An additional type of statistical unit is required for use in the income and outlay, capital finance and balance-sheet accounts in respect of the general government sector. Each of these transactor units should encompass the government organs and agencies for which policies and decisions as to the sources and disposition of funds are made and carried out in common. These transactor units should, in general, correspond, to the organs of general government for which funds are provided, budgeted and disbursed in common, for example, central government, the various local governments, social security funds. In the aspects of these accounts where this type of

transactor unit is required, it may be utilized directly in the gathering and compilation of data or be arrived at through the consolidation of the transactions of the statistical units of much more limited scope described above. In many instances, only the first approach is likely to be practical.

c. Private Non-Profit Institutions

13. In the case of private non-profit organizations, the practical, as well as desired, type of transactor units for use in all accounts of the system is likely to be the same in a number of instances. These transactor units should correspond to the legal entities according to which the non-profit institutions are organized, e.g. the corporate body, association, fund or foundation. A single legal entity of this type will often engage in one class of activities for a single type of purpose; and will independently manage its activities, property and financial affairs. However, in some instances, a single non-profit organization may engage in multiple activities, each of which are managed, operated and accounted for separately, for example, a university, its dormitory and boarding facilities, and research institutes and organizations. In these instances, separate transactor units should be employed for each class of activity for purposes of the production and consumption and capital expenditure accounts. The dormitory and boarding facilities, and perhaps the research organizations, should often be included among industries. In any case, the educational and research facilities should be classified to differing categories of services and purposes of private non-profit institutions. On the other hand, in the case of the other accounts of the system, the legal entity, including the university proper, its dormitories and similar facilities, and its attached research institutions, should be utilized as the transactor unit.

d. Households

14. For purposes of the classification of households into the institutional sub-sectors included in the supporting tables to the income and outlay and capital finance

accounts, use of the housekeeping concept of the household will, in general, result in suitable transactor units. Under this concept, each household consists of: (i) a single individual or family (e.g. husband and wife, mother and her children) who lives in a lodging house, old-age home or other welfare institution, penal establishment, military barracks or the like; or (ii) a single individual who makes his own housekeeping arrangements or a group of individuals who pool at least part of their income in order to provide themselves with housing, food and perhaps other essentials of living. This group of individuals usually occupies the same dwelling; all the individuals need not be related, one to the other. The first type of households have been called institutional households; the second kind of households have been named private households.

15. Household transaction units thus defined will in general encompass the outlays on consumption which are made in common as well as the correlated sources of, and other disposition made of, income. However, in the case of some countries, the prevailing institutional arrangements may make a more restricted concept of the private household - the family household - more suitable for use in delineating transactor units. Under this concept the private household is limited to related persons living together who pool at least part of their income to provide themselves with housing, food and perhaps other essentials of living. It should also be noted that for purposes of studies of the distribution of incomes accruing from production (compensation of employees, entrepreneurial incomes, property incomes), transactor units made up of single individuals, as well as of households, will be needed.

B. Sectors of the Production and Consumption and Capital Expenditure Accounts

16. The definitions of industries, general government services, private non-profit institutions serving households, and households are set out in the following paragraphs.

the following paragraphs.

a. Industries

17. Industries include all privately and publicly owned or controlled establishments, organizations, and other similar units which produce goods and services for sale at a price intended to approximate their costs of production. The services of financial intermediaries, i.e., units mainly engaged in incurring financial liabilities and acquiring financial claims on others in the market, are covered.

18. These criteria need amplification as strict application of the intention to make a profit and sale on the market only, would not cover certain publicly and privately owned or controlled units which in view of their kind of activity and mode of operation should be included among industries. These units produce goods and services, in most instances for the market, which are characteristically part of the output of business establishments; and exhibit similar cost-structures and technologies as business units.

19. Public (i.e. publicly owned or controlled) industries should encompass government agencies, departments or units mainly engaged in activities such as operating farms, nationalized industries, electricity plants, water services, railways, harbours, toll roads, postal services, banks and other financial intermediaries, providing housing, or buying and selling commodities on the market, though as a matter of policy, the charges made for the goods and services may not be set to approximate the full current costs of operation, as long as these charges are proportioned to the goods and services provided. This situation may also be brought about by governmental policies in the case of privately owned or controlled organizations.

20. However governmental agencies engaged in the usual social or community activities of government (e.g. national parks, health, educational, museum, sanitary services or scientific or technical research and assistance) should not be considered public industries unless the fees set for these services

are designed to approximate the costs of production. Where the commodities are sold incidental to providing these services (e.g. timber in the case of forest preserves, products made at vocational schools, seeds from experimental farms, postcards and art reproductions by museums), it is generally undesirable and impracticable to isolate these activities as public industries. Governmental units engaged in providing services of a regulatory character (e.g. issuing passports or licenses, administering driving tests or courts) are not to be considered industries though the payments for these services may cover the current costs of operating the agencies.

21. Public industries should also encompass government departments or units which furnish goods and services to the government itself of a kind often provided by private establishments. Examples are munition factories, repair shops, navy dockyards, printing and publishing services, building and construction. In order to include these ancillary government activities among public industries, it is essential to isolate the operating and capital expenditures involved. This is most practical where the activities are the functions of a government organization established independently of the agencies served. Under these circumstances, not infrequently, the costs of production of the ancillary agency is financed by charges made to other government departments for the goods and services provided. Where the ancillary activities are undertaken within the government department served, it becomes difficult to isolate the related expenditures; and efforts should be made to encompass the activities in an industry only if these activities do not form a minor part of the government department.

22. Certain own-account activities of households, private non-profit organizations serving households and government agencies, should also be segregated into industries. This is the case for owner-occupied dwellings, own-account construction of dwellings and other structures, and other own-account construction. The activities of households, as well as non-profit institutions and government agencies, as owners of let dwellings and other structures,

are already included as industries by virtue of the definitions given above. All other dwellings owned by households and private non-profit organizations and family dwellings owned by government agencies should also be part of this sector. Also to be included among industries is household production for own consumption of primary commodities, i.e. agricultural, forestry, fishing, hunting, mining and quarrying products. This production accounts for a substantial portion of the output in a number of countries. The domestic services which members of households render directly to other households are also covered in this sector.

23. Though non-profit institutions mainly serving business establishments are not covered by the general definition set out above, it is desirable to include them in the industries sector as long as they are not wholly or mainly financed and controlled by government. Examples of such private non-profit institutions are technological, design or testing institutes, organizations engaged in economic or management studies, trade associations and chambers of commerce. These institutions provide services designed to increase the efficiency or earning capacity of business establishments which in many instances are similar in character to the activities these establishments might otherwise carry on themselves. They are often founded by particular industries and are financed or controlled, wholly or mainly, by enterprises. Financing may take the form of membership dues by business units, which are not necessarily proportional to the services rendered to them, grants and endowments by enterprises and others, income from property, and charges for services which do not approximate the current costs of operation. Enterprises may control the institutions in question, which are generally incorporated, through choosing the majority of the managers and executives and/or the board of directors.

b. General Government Services

24. General government services includes all government agencies, departments,

units and organizations, central, state, district, municipal or village, other than those covered in the industries sector. The government units included here engage in a wide range of activities, for example, administration and defence and regulation of the public order; health, educational, cultural, recreational and other social services; fire protection, lighting, sanitary, roads and other community services; promotion of economic growth and welfare and technological development. The function of general government is to organize for, but not normally to sell to, the community those common services which cannot otherwise conveniently and economically be provided, and to administer the State and the economic and social policy of the community. These agencies and units of government are included independently of their treatment in the actual government accounts. It is immaterial whether they are accounted for in ordinary or extraordinary budgets or in extra-budgetary funds.

25. It is convenient to encompass in this sector, in addition to government agencies in the narrower sense, certain social security arrangements and non-profit organizations, even though they are not already formally part of government.

26. The social security arrangements to be included are those which may be regarded as an instrument of the social policy of the government. This will be the case with schemes imposed by the government which involve compulsory contributions by employees and/or employers and which cover the whole community or particular sections of the community. Schemes formulated by the government solely in its role as an employer of personnel are not included here. Even if a scheme does not involve compulsory contributions imposed by the government, it should nevertheless be included as part of general government services if by way of public regulation and supervision, or by virtue of the existence of a system of government grants, the scheme clearly forms part of the social policy of the government.

27. The non-profit institutions and organizations to be included in this sector are those mainly serving business organizations or households which are wholly or mainly financed and controlled by the public authorities and those mainly serving general government. This financing may take the form of grants and of fees for services and publications which do not fully cover current costs of operation. Control consists of effectively determining the policies, programmes and standards of operation of the organization through specifying these aspects of management as conditions for the receipt of grants and fees from government, choosing their boards of management or executive staff, or similar devices. The role of the public authorities in the financing and control should be such that these organizations are clearly instruments of government.

28. Non-profit institutions mainly serving government are organizations which are not established primarily with the aim of earning a profit and which are mainly engaged in research and similar activities with regard to public administration.

c. Services of Private Non-Profit Institutions Serving Households

29. The services of private non-profit institutions serving households consist of health, cultural, recreational, charitable, and other social and community services to individuals the payments for which do not fully cover the current costs of operating these services. In addition to revenue from the direct sale of these services and related publications, the services are financed through dues of members; contributions, grants and endowments from enterprises, individuals and government; and income from property. The non-profit organizations rendering these services may be associations, societies, clubs, foundations or other private organizations incorporated or not, which are not established with the aim of making a profit. Non-profit institutions serving households which are wholly or mainly financed and controlled by government are considered public, not private, organizations; and are included under general government.

d. Households

30. Households comprise all individuals who are residents of the given country (See paragraph 69 below for the definitions of residents.)

C. The Institutional Sectors

31. The categories of the institutional sectors for use in the income and outlay, capital finance and balance-sheet accounts are described below.

a. Non-financial Enterprises, Corporate and Quasi-corporate

32. Non-financial corporate and quasi-corporate enterprises consist of private corporate and quasi-corporate entities and public enterprises mainly engaged in activities other than providing financial and insuring services. Each of these enterprises consists of one or more establishments which are included among industries in the case of the production and capital expenditure accounts. The sector is sub-divided into privately and publicly owned or controlled enterprises.

33. Public Enterprises. Corporations are to be considered publicly owned or controlled if the public authorities wholly or mainly own the shares or other forms of capital participation and/or control the management of the corporation. The public authorities may control (i.e. effectively determine) all the main aspects of the management of a corporation through choosing the majority of the board of directors or the managing directors, providing the staff of the organization, specifying the policies or operating practices of the enterprises, or similar means. In view of the many forms in which the government may exercise control over enterprises, it is difficult to describe the means of control in all cases, but the important consideration is an effective influence in all the main aspects of management and not merely such influence as is derived from the use of regulatory powers of a general kind.

34. Public corporations are entities which in view of incorporation under

company or other public acts, special legislation or administrative regulations, hold the financial assets and liabilities, as well as real assets, involved in their business. In addition to public corporations it will be desirable to cover in this sector, selected publicly owned and controlled units included among industries which are financially integrated with general government and do not keep their own reserves apart from working balances, i.e., selected government enterprises. These are relatively large government enterprises which sell goods and services to the population and which maintain complete profit-and-loss statements and balance-sheet accounts on the assets and liabilities involved in their business.

35. Private enterprises. The non-financial privately owned or controlled enterprises included in this sector comprise (i) incorporated enterprises, i.e. corporations, joint stock companies, limited liability partnerships or other units registered under company or similar acts, co-operatives, and other forms of business associations which are recognized legal entities apart from their owners; (ii) the resident branches of foreign enterprises; (iii) relatively large ordinary partnerships and sole proprietorships which have complete profit-and-loss statements and complete balance-sheet accounts on the financial assets and liabilities, as well as the real assets, involved in the businesses; and (iv) non-profit institutions and associations which mainly serve enterprises and are wholly or mainly financed and controlled by these business units. These non-profit institutions and associations are generally incorporated under special statutes, regulations or company acts.

36. The inclusion of ordinary partnerships and sole proprietorships which may be expected to be managed and to behave as though they were incorporated units, is suggested in order to enhance the homogeneity and comparability internationally of the institutional sectors. In the case of some countries, most major enterprises of this character will in fact be corporations; and it may not be worthwhile or feasible to identify the ordinary partnerships

and sole proprietorships which could be considered quasi-corporations. In the case of other countries, however, the incorporation of major enterprises engaged in selected kinds of business, or in general, is not the common practice though in other respects these business units are similar in character to corporations. Moreover, it may not be difficult to identify the major ordinary partnerships and sole proprietorships which satisfy the criteria outlined above. In these circumstances it is desirable to include these private non-financial enterprises in the same institutional sector as the private non-financial corporations.

b. Financial Institutions

37. Institutions, enterprises, associations and funds engaged in financial and insuring activities under the circumstances described below are included in this sector, irrespective of their form of legal organization or size. In view of the nature of their activities, unincorporated financial enterprises would usually be required by statutes or administrative regulations to segregate the financial assets and liabilities of the business from those of its owners; or would find it essential to follow this practice. All publicly owned or controlled financial institutions, agencies or funds included in this sector would hold financial claims independently of general government.

38. Financial institutions are classified into sub-sectors in the light of the differences in their functions in the financial market. Each of the sub-sectors is further sub-divided into privately and publicly owned or controlled entities. The criteria for drawing this distinction are the same as for non-financial corporate and quasi-corporate enterprises. The publicly owned entities are all classified as public corporations since in order to be included in this sector they must hold their financial assets and liabilities independently.

39. The Monetary System The monetary system is the part of the financial system which provides assets considered as money, i.e., notes, coin and transferable deposits. The sub-sector is divided into the monetary authority and monetary institutions.

40. The monetary authority is the Central Bank. Other monetary institutions include all banks other than the Central Bank which have liabilities for deposits transferable by cheque or otherwise used in making payments, whether under public or private ownership or control.

41. Insurance Companies and Pension Funds Insurance companies consist of organizations providing life, accident, sickness, fire, casualty or other forms of insurance. Separately organized insurance activities of fraternal organizations and friendly societies and government agencies established to provide various forms of insurance on a voluntary basis are included.

42. Also part of this sub-sector are pension funds established for particular groups of employees, including government employees, which engage in financial transactions in the capital market. Pension funds established for the employees of general government or enterprises which are not independently organized, or the reserves of which are added to the reserves, or invested in these securities only, of the employer, are included in general government or the sector in which the employer is classified, respectively.

43. Other Financial Institutions. Included here are all institutions, organizations and enterprises other than those described above, which primarily engage in financial activities, i.e., in incurring financial liabilities and acquiring financial claims on others in the market. Examples are building and loan associations and societies; private savings banks and government savings institutions, the funds of which do not flow directly and automatically into government balances or special issues of public debt; government lending

institutions the liabilities of which are not solely to the government; credit unions; sales finance, hire-purchase, and other business and personal finance companies; security brokers and dealers performing financing and depository functions; investment companies, funds, societies or trusts; savings banks and other banking institutions. The application of the general definition given above will probably result in differences among countries in the specific list of organizations to be included in the sub-sector.

c. General government

44. General government encompasses the general government services defined in paragraphs 24-28 and those government enterprises not covered under non-financial corporate and quasi-corporate enterprises. General government consists of the following sub-sectors.

45. Central Government. This sub-sector consists of central government agencies of all types other than those included elsewhere (e.g., in social security funds, pension funds, financial institutions, non-financial corporate and quasi-corporate enterprises) irrespective of whether these agencies are covered in ordinary or extraordinary government budgetary accounts or extra-budgetary funds.

46. Local Government. Included are local agencies of all types, e.g., state, provincial, district, county, town, village, other than those included elsewhere, irrespective of whether the agencies are covered in ordinary or extraordinary government budgetary accounts or extra-budgetary funds.

47. Social Security Funds. The social security arrangements covered here are those described in paragraph 26, where the assets and liabilities involved in the arrangement are held separately from those of the central or local governments.

48. Private Non-Profit Institutions. Covered are private non-profit institutions wholly or mainly financed and controlled by general government organs and agencies or mainly serving these bodies; and any public bodies

included in general government which are not exclusively agencies of either the central government or the local governments.

d. Private Non-Profit Institutions Serving Households

49. This institutional sector consists of private non-profit organizations which mainly serve households and are not wholly or mainly financed and controlled by governments. Included are all aspects of the activities of these organizations.

e. Households, Including Selected Private Unincorporated Non-Financial Enterprises

50. Included here are resident households and unincorporated non-financial enterprises which are not covered in non-financial corporate and quasi-corporate enterprises. This institutional sector is sub-divided into the households of owners of unincorporated enterprises and other households.

D. Classifications According to Kind of Economic Activity

51. An interim scheme of classifying industries, general government services and private non-profit organizations serving households according to kind of economic activity is set out in Table 1 appended to this chapter. The classification is an adaptation of the existing International Standard Industrial Classification of all Economic Activities (ISIC) in the light of the requirements of the accounting system and considerations of international comparability in national accounting. For these purposes it has been found necessary to splinter some groups (the most detailed level of classification) of the ISIC and to alter in a greater number of instances the way in which the groups and major groups (the next level of classification) of the ISIC are combined.

52. In order to attain correspondance between the classifications of the services and purposes of general government agencies, in the case of either the main or the detailed categories, the major group of the ISIC "Public administration and defence" has been sub-divided into a number of categories,

each of which relate to a differing purpose. As a result of this step the classification of general government services may, for all practical purposes, be transposed into the classification of general government purposes.

53. A scheme for classifying enterprises according to kind of economic activity is also needed. This scheme will differ from, but be linked to, the classification of industries according to kind of economic activity. The categories of the former classification will be much fewer in number and wider in scope than those of the latter classification.

E. The Purpose Classifications

54. The classifications of general government agencies and private non-profit organizations serving households according to purpose are shown in Tables 2 and 3, respectively, appended to this chapter. The alignment reached between the purpose classifications of government and private non-profit organizations and the kind-of-activity classification also substantially improves the co-ordination between the purpose classifications and the portions of the classification of households goods and services relating to social and community services. The classification of government purposes systematically distinguishes between government activities the purposes of which are to serve the community as a whole (e.g., general government services, community development, sanitary services), to provide services to households on an individual basis (e.g., education, health, housing) and to regulate, promote and assist economic activity (e.g., the categories of economic services). So as to allow for the preparation of complementary tables to the system on the total value of food, beverages and tobacco, clothing, shelter, and medicines and pharmaceuticals made available to the population, it is suggested in Tables 2 and 3 that figures of the total consumption expenditure and receipts

of general government and private non-profit agencies in respect of selected purposes be supplemented by data on the outlays on, and receipts from the sale of, these items.

F. The Resident Economic Agents

55. All the accounts of the system for a given country refer to the transactions of the same resident agents, i.e., establishments and enterprises, general government agencies, private non-profit institutions, or households.

56. The transactions relating to the production of goods and services (e.g., gross output, intermediate consumption, value added) cover the activities of all resident producers only. Resident producers are defined so that all, but solely, production taking place on the domestic territory of a given country is encompassed. The production accounts of the system therefore relate to the activity of resident producers and not to the return to resident factors of production.

57. Resident economic agents receive compensation as employees and entrepreneurial and property incomes from their participation in the production of the given economy and in production abroad. Some of the incomes accruing from the production in the country in question are also paid to non-residents. Thus the final incomes accruing to resident agents for contributing to production, which are recorded on the income and outlay accounts of the system, differ from the incomes accruing from domestic production.

58. The consumption and capital accounts of the system also relate to the transactions of resident agents only. Consumption expenditures covers the outlays of resident households, private non-profit institutions serving households and general government agencies. Use is made in the supporting tables of the system of a supplementary concept of the consumption expenditure of resident and non-resident households in the domestic market (i.e., on the domestic territory) of the given country. Fixed capital formation relates to the

to the acquisitions of fixed assets by resident producers. The increases in inventories of resident producers are defined so as to be consistent in scope with the definition of imports and exports.

a. Industries and Enterprises

59. Resident establishments, enterprises or similar economic units are units which are engaged in production and in transactions in land on the domestic territory of a given country. The domestic territory of a country is defined to exclude the overseas territory and possessions and to include, in addition to the territory lying within its political frontiers, (i) ships and aircraft operated entirely, or primarily, between two or more countries by producers resident (e.g. registered) in the given country and (ii) oil and natural gas rigs operated in international waters by resident enterprises of the country. Ships and aircraft operated entirely, or primarily, within the territory of a country are considered to be resident units of the given country.

60. These definitions with respect to the residence of ships apply whether the ships are operated on charter or are owned by the operators. If a ship is owned by an enterprise resident in a country other than that of the operating unit, the payment of the charter fees constitute a payment for a service produced in the country in which the owner is resident and the ship is part of the domestic fixed capital of this country.

61. Problems of definition of residence arise where the operation of ships or aircraft is not concentrated in either international service or in one country. Similar difficulties occur in respect of railway, motor or pipe-line transport, electricity or gas services and similar operations of concerns in several countries. The principle adopted in these cases, in conformity with the practice of the International Monetary Fund, is that production and the income therefrom should be ascribed to the country in which the production takes place, i.e., resident economic units are delineated for this purpose; and the costs and proceeds of these units are calculated as if they bought and sold at market prices even if in fact part, or most, of what they receive from, or transfer to,

the other units of the complex of which they are members are omitted from their records or entered only at a nominal value. The costs of operation should include an appropriate share of head office expenses of the parent concern when the head office is located abroad. The capital formation on the territory of the country should be attributed to the resident units in question; and in addition, part of the capital formation of the parent concern in transportable fixed assets (e.g. aircraft, railway cars, lorries) employed in the operations in the given country should be allocated to them, perhaps in proportion to their share in the operating revenue of the concern. The profits (net earnings) of the resident units in question should be transferred to their parent concern if this concern is a resident unit of another country. If a parent concern is owned by a number of Governments, one of which is the Government of the country in question, the saving, net lending and other financial transactions of the concern should, in principle, be allocated to the resident unit in proportion to the participation of the Government of the country in question in the financial capital of the parent entity.

62. Computations such as are outlined above, may also be required in the case of the aircraft or ships of a foreign concern operating exclusively, or primarily, in the territory of a given country or the branches (unincorporated units) and subsidiaries (incorporated units) of foreign concerns in the country. The profits of the unincorporated units in question should be transferred to their foreign owners.

63. Problems of definition of residence also arise where an entity operating aircraft or ships entirely, or primarily, in international commerce is owned jointly by a number of Governments or countries. In this case, the proceeds and operating costs, the saving and capital formation, and the financial transactions of the given entity should, in principle, be allocated to a resident enterprise of each country in proportion to the share of its Government in the financial capital of the concern.

64. Commercial agencies transacting business for foreign principals should be treated as resident enterprises of the country of location. When the transactions of the agency are for its own account, the transactions would be allocated to the country in which the agency is located; when it acts as agent for the account of a foreign principal, the transactions would be classified according to the country of the principal. The transactions of foreign commercial travellers in the country in which they are travelling are not considered as the transactions of a resident economic unit of the given country.

65. Problems of defining domestic production are also encountered where employees of a resident enterprise travel abroad in order to install machinery and equipment which the enterprise has sold to non-resident producers. In principle, the part of the proceeds from the sale which is payment for the installation services, should be attributed to a notional industry resident in the country where the machinery and equipment is installed. However, it may not be practical to follow this procedure, in particular where the work of installation is not substantial and takes relatively little time to complete.

b. General Government and International Organizations

66. The resident government institutions of a country include all agencies of its central and local Governments located in its domestic territory and the embassies and consulates and military establishments of its Government located elsewhere. Embassies, consulates and military establishments of a foreign Government are considered as extra territorial by the country in which they are located. The production, fixed capital formation and other transactions of these organs are therefore attributed to their home country, and not the country in which they are located. The construction of embassies, structures and other works in extra-territorial enclaves by resident producers

of the country in which the enclaves are located is part of the production and exports of the country in question. Wages and salaries paid to locally recruited staff of foreign diplomatic and military establishments are wages and salaries paid to residents of the country in which these establishments are located.

67. International agencies, such as political, administrative or financial organizations in which the members are Governments, are not considered residents of the country in which they are located. The staff of these agencies are however residents of the country in which they live, which in most cases will be the country in which the given international agency is located. Under these circumstances the wages and salaries paid by the international agency would be wages and salaries paid to residents of the country in which the given agency is located. The value added or capital formation of an international agency would however not be part of the domestic product or capital formation, respectively, of the country in which the agency is located.

c. Private Non-Profit Organizations

68. All non-profit organizations located on the domestic territory of a country are resident institutions of the country.

d. Households

69. Individuals living in the domestic territory of a country, even on a temporary basis, are considered as residents, except those who have come to the country explicitly for temporary seasonal employment, tourists, commercial travellers and members of official missions travelling in the country who came from abroad and members of foreign armed forces and official diplomatic and consular representatives stationed in the country. Civil servants of metropolitan countries who are engaged in the administration of an associated territory abroad and who live in this territory, should be treated as residents of the given territory. The internationally recruited staff of international agencies are included among the residents of the country in which they live.

Table 1. Classification of Kind of Economic Activity

Condensed and more detailed list	ISIC Major Groups or Groups ^{1/}
1. Agriculture and hunting	
1.1 Agriculture ^{2/}	01, Agriculture, excluding cemetery upkeep and landscaping.
1.2 Hunting, trapping and game propagation.	03, Hunting, trapping and game propagation.
2. Forestry and logging	
2.1 Forestry	021, Forestry
2.2 Logging	022, Logging
3. Fishing	04, Fishing
4. Mining and quarrying	In each case below, the preparation of mining site is included in category 13, Construction.
4.1 Coal mining	11, Coal mining; Peat cutting and digging, from ISIC 199.
4.2 Metal mining	12, Metal mining.
4.3 Crude petroleum and natural gas	13, Crude petroleum and natural gas.
4.4 Other mining	14, Stone quarrying, clay and sand pits; 19, Other non-metallic mining and quarrying n.e.c., except peat cutting and digging and salt refining.
5. manufacture of food, beverages and tobacco	
5.1 Food manufacturing industries, except beverage industries	20, Food manufacturing industries except beverage industries; 312, vegetable and animal oils and fats.
5.2 Beverage industries	21, Beverage industries.
5.3 Tobacco manufactures	22, Tobacco manufactures.

^{1/} For the definition of the ISIC major groups or groups and the principles of the classification, see Indexes to the International Standard Industrial Classification of All Economic Activities, Statistical Papers, Series M, No.4, Rev. 1, Add.1, Statistical Office of the United Nations, New York.

^{2/} If wine making, oil seed crushing and other processing of agricultural products on farms can not be separated from cultivation, these activities would be classified in agriculture.

Table 1. Classification of Kind of Economic Activity (continued)

Condensed and more detailed list	ISIC Major Groups or Groups ^{1/}
6. Manufacture of textiles, wearing apparel and leather	
6.1 Textile industry	23, Manufacture of textiles, excluding artificial leather.
6.2 Manufacture of wearing apparel, except footwear and of other made-up textile goods.	243, Manufacture of wearing apparel, except footwear; 244, Manufacture of made-up textile goods, except wearing apparel.
6.3 Manufacture and repair of footwear	241, Manufacture of footwear; 242, Repair of footwear.
6.4 Manufacture of leather and fur products, except footwear and other wearing apparel	29, Manufacture of leather, leather and fur products, except footwear and other wearing apparel, excluding fellmongery; Manufacture of artificial leather, from ISIC 239.
7. Manufacture of wood and wood products	
7.1 Manufacture of wood and cork, except manufacture of furniture	25, Manufacture of wood and cork, except manufacture of furniture.
7.2 Manufacture of furniture and fixtures	26, Manufacture of furniture and fixtures, excluding metal furniture and fixtures.
7.3 Manufacture of paper and paper products	27, Manufacture of paper and paper products.
8. Manufactures of rubber, chemicals, petroleum and coal	
8.1 Manufacture of rubber products	30, Manufacture of rubber products.
8.2 Manufacture of chemicals and products	31, Manufacture of chemicals and chemical products, excluding 312, Vegetable and animal oils and fats, but including Photo-chemical materials, from ISIC 392.
8.3 Manufacture of products of petroleum and coal	32, Manufacture of products of petroleum and coal, excluding tar and asphalt roofing and building papers, felts, bricks and similar construction materials but including coke manufacturing, from ISIC 341.

Table 1. Classification of Kind of Economic Activity (continued)

Condensed and more detailed list	ISIC Major Groups or Groups ^{1/}
9. Manufacture of non-metallic mineral products	
9.1 manufacture of glass, pottery, china and earthenware	332, Manufacture of glass and glass products; 333, Manufacture of pottery, china and earthenware.
9.2 Manufacture of non-metallic mineral construction materials (except glass)	331, Manufacture of structural clay products; 334, Manufacture of cement (hydraulic); 339, Manufacture of non-metallic mineral products n.e.c. including tar and asphalt roofing and building papers, felts, bricks and similar construction materials, from ISIC 329.
10. Basic metal industries	
10.1 Iron and steel basic industries	341, Iron and steel basic industries, excluding the manufacturing of coke.
10.2 Non-ferrous metal basic industries	342, Non-ferrous metal basic industries.
11. Manufacture of metal products, machinery and equipment	
11.1 Manufacture of metal products, except machinery and transport equipment	35, Manufacture of metal products, except machinery and equipment; Metal furniture and fixtures, from ISIC 26; Metal smallware, from ISIC 399.
11.2 Manufacture of machinery, except electrical	36, manufacture of machinery, except electrical machinery.
11.3 Manufacture of electrical machinery, apparatus, appliances and supplies	37, Manufacture of electrical machinery, apparatus, appliances and supplies.
11.4 Manufacture of transport equipment	38, Manufacture of transport equipment, excluding motor vehicle garages.
11.5 Manufacture of professional and scientific equipment, measuring and controlling instruments, and photographic and optical goods	391, Manufacture of professional, scientific, measuring and controlling instruments; 392, Manufacture of photographic and optical goods; 393, Manufacture of watches and clocks.

Table 1. Classification of Kind of Economic Activity (continued)

Condensed and more detailed list	ISIC Major Groups or Groups ^{1/}
12. Other manufacturing industries	
12.1 Manufacture of plastic products	Manufacture of plastic products, from ISIC 399.
12.2 Printing, publishing and allied industries	28, Printing, publishing and allied industries'; Film copying, from ISIC 841.
12.3 Miscellaneous manufacturing industries	394, Manufacture of jewellery and related articles; 395, Manufacture of musical instruments; 399, Manufacturing industries, n.e.c., excluding metal smallware and plastic products.
13. Electricity, gas and steam and water supply	
13.1 Electricity	511, Electric light and power.
13.2 Gas and steam manufacture and distribution	512, Gas manufacturing and distribution; 513, Steam heat and power.
13.3 Water works and supply	521, Water supply.
14. Construction	40, Construction; Preparing mining sites, from ISIC 1; Significant own-account construction.
15. Transport and communication	
15.1 Transport	71, Transport, excluding dining-car and other catering services provided in transport when operated as a separate establishment.
15.2 Communication	73, Communication.
16. Wholesale and retail trade, restaurants and hotels, and storage	
16.1 Wholesale and retail trade	61, Wholesale and retail trade; Fellmongery, from ISIC 292.
16.2 Storage and warehousing	72, Storage and warehousing; Motor vehicle garage, from ISIC 384.
16.3 Restaurants, cafés and other eating and drinking places	852, Restaurants, cafés, taverns and other eating and drinking places; Dining-car service and the like, from ISIC 71.
16.4 Hotels and other lodging places	853, Hotels, rooming houses, camps and other lodging places.

Table 1. Classification of Kind of Economic Activity (continued)

Condensed and more detailed list	ISIC Major Groups or Groups ^{1/}
17. Personal services	
17.1 Laundries and laundry services, cleaning and dyeing	854, Laundries and laundry services, cleaning and dyeing.
17.2 Miscellaneous personal services except domestic services	855, Barber and beauty shops; 859, Personal services, n.e.c., excluding char, chimney and window cleaning, exterminating, fumigating, janitor and like services, baby sitting, and football and racing pool operations and the like; cemetery upkeep, from 01.
17.3 Domestic services	851, Domestic services; Baby sitting services, from 859.
18. Banking and insurance	
18.1 Banks and other financial institutions	62, Banks and other financial institutions.
18.2 Insurance	63, Insurance.
19. Real Estate and other business services	
19.1 Real estate	Owning and letting of houses and other structures, from ISIC 64, including owner-occupied dwellings.
19.2 Other business services	64, Real estate, excluding owning and letting of structures; 83, Business services; Geological surveys and prospecting as independent service; 856, Portrait and commercial photographic studios.
20. Sanitary and similar community services	522, Sanitary services, Char, chimney and window cleaning, exterminating, fumigating, janitor and the like services, from ISIC 859; Landscaping, from ISIC 01.

Table 1. Classification of Kind of Economic Activity (continued)

Condensed and more detailed list	ISIC Major Groups or Groups ^{1/}
21. Public administration and defence	81, Government services.
21.1 General government services	The definition of these categories of the detailed list is identical with the corresponding categories of the classification of government purposes set out in Table 2 below.
21.2 Defence	
21.3 General administration, economic policies and services	
21.4 General administration, education policies and services	
21.5 General administration, health policies and services	
21.6 Administration, social security and assistance	
21.7 Administration, housing and community development policies and services	
22. Social, recreational and related community services	
22.1 Education	821, Education services.
22.2 Research and scientific institutions	823, Research and scientific institutions.
22.3 Health services	822, Medical and other health services.
22.4 Welfare services	825, Welfare institutions.
22.5 Recreational and cultural services	84, Recreational services, excluding film copying; 827, Libraries, museums, botanical and zoological gardens; Football and racing pool operations and the like, from ISIC 859.
22.6 Religious, professional and labour organizations, civil associations, and the like	824, Religious organizations; 826, Trade associations and professional and labour organizations; 829, Community services n.e.c.

Table 2. Classification of General Government Agencies According to Purpose

1. General government services

1.1 General administration

Organs of government; financial affairs and fiscal administration; institutions serving general government, such as planning services, statistical offices and personnel administration; general services such as printing, purchasing, operation of government buildings; and other aspects of general administration not included elsewhere. Organs of government include the legislative bodies and chief executive organs of all levels of government, their staff and library, research and other facilities and personnel; and audit organizations, permanent or ad hoc commissions and similar agencies acting on behalf of these bodies. Financial affairs and fiscal administrations consist of such tasks as the collection of taxes, raising of public money, management of public debt and control over the disbursement of public funds. The typical agencies concerned are the treasury or ministry of finance, the budget office, and internal revenue and customs authorities.

Institutions serving general government comprise such agencies as planning services, statistical offices, central personnel administration and management. General services such as printing, purchasing and operation of government buildings also include central motor vehicle pools, repair and maintenance and similar services which it is not feasible to treat as government enterprises of an auxiliary character.

1.2 External affairs

Covers expenditures of all agencies charged primarily with the formulation and execution of foreign policy and the handling of foreign relations; and all expenditures on foreign economic aid and contributions to international bodies other than military alliances and organizations. Broadly speaking, included are the expenditure of all agencies stationed abroad except military agencies, outlays on broad-

casting services and other means of information directed to foreign countries, as well as libraries and other cultural activities conducted abroad; all grants and loans in kind or cash for economic aid to foreign countries and expenditure on technical assistance and the administration of foreign economic aid; and all contributions in cash or kind to international civilian organizations and programmes.

1.3 Public order and safety

Administration and research connected with the maintenance of internal order; law courts; police; fire protection; prisons and other places of detention and correction. Covers all expenditure for law courts and the judicial system, including all general legal tribunals and related agencies in charge of parole and probation activities and the registration of legal titles to property; transfer payments for legal aid to households and private non-profit institutions; expenditure for police activities including traffic control; expenditure for fire fighting forces; expenditure for the operation, upkeep and new construction of prisons and other places of detention and correction, such as criminal asylums, reformatories and reform schools.

2. Defence

Central administration and research in connexion with activities serving defence purposes; expenditure on military and civil defence; and foreign military aid and contributions to international military organizations. Covers all expenditure, whether by defence or other departments, on recruiting, training, equipping, moving, feeding, clothing, housing, giving medical care to or otherwise providing for the needs of the armed forces, including expenditure for military construction and equipment, inspection and storage; capital expenditure for the provision of quarters to families of military personnel; military schools; expenditure for the strengthening of public services to meet war-time emergencies, training of civil defence personnel and acquisition of inventories and equipment for these purposes;

and contributions to international military organizations and alliances.

3. General research ^{1/}

Institutions, agencies and organizations engaged in basic and general research and the promotion of such research and general scientific knowledge and endeavors. Covers expenditure for basic and general research and scientific endeavors in the biological, physical or social sciences which are not linked to the provision or promotion of any particular type of service or activity.

4. Education

4.1 General administration, regulation and research ^{2/}

Administration of ministries or central departments of education; general regulation and promotion of school systems, institutions of higher learning and adult and other educational activities; expenditure on research into objectives, organization, administration and methodology of all types of education.

4.2 Schools, universities and other educational facilities

Provision, management, inspection and support of primary and secondary schools, colleges and universities, technical training institutions, schools for the deaf, blind and dumb of a non-custodial character and adult education facilities, including scholarships; loans and similar grants to individuals for educational and training purposes.

4.3 Subsidiary services

Transportation of schoolchildren, school meals, and other auxiliary services designed to promote and facilitate school attendance.

^{1/} In addition, it is desirable to furnish data of total outlays on the all research and scientific endeavors, i.e., on these activities, services and promotional schemes included under other categories of the classification as well as in Category 3.

^{2/} Some expenditure on educational or health research will be classified under Categories 4.2 or 5.2, respectively.

5. Health

5.1 General administration, regulation and research

Ministries of health and similar government departments; regulation of standards in respect of hospitals, medical and dental clinics, doctors, dentists, nurses and mid-wives and health and sanitation controls; administration of national health schemes and medical insurance schemes, medical, dental and health research; and registration and collection of statistics on vital events, infectious diseases and the like.

5.2 Hospitals and clinics ^{3/}

Hospitals and similar institutions, including insane asylums and care of mentally defective; and expenditure on medical and dental clinics and similar centres.

5.3 Individual health services

Medical, dental and mid-wifery services except in hospitals and clinics; provision of drugs and appliances; immunization, vaccination and similar field programmes.

6. Social security and welfare services

6.1 Social security and assistance

Administration of payments and funds for unemployment benefits, old-age pensions, accident, injury and sickness benefits, family and widows' allowances, public relief, war veterans' benefits and the like.

6.2 Institutional welfare services ^{3/}

Child welfare services and institutions; homes for and care of the aged, disabled, blind, etc; family welfare agencies and services; and other special welfare institutions and organizations.

^{3/} It is desirable to compile separate data on the outlays and receipts of these institutions for food, beverages and tobacco, clothing, and medicines and pharmaceuticals for individual use.

7. Housing and community amenities

7.1 Housing

Administration, regulation of standards and promotion of activities and facilities in respect of housing; and research, subsidies and capital expenditure in connexion with housing. Includes expenditure for provision, assistance or support of housing and related slum clearance activities and management expenses of government financial enterprises engaged in mortgage financing of residential buildings.

7.2 Community development

Agencies engaged in town and country planning and the promotion and assistance of these activities; administration, promotion and assistance of urban and rural renewal and community facilities; and research in connexion with community development.

7.3 Sanitary services

Facilities and services for collection and disposal of garbage and refuse, for sewerage and operation of drainage systems, for street cleaning and other sanitary services; regulations in respect of smoke, disinfection, disposal of refuse, etc.; public baths and comfort stations; and other sanitary activities not elsewhere classified.

8. Other community and social services

8.1 Recreational services

Provision and upkeep of facilities such as parks, playgrounds, athletic fields, beaches, swimming pools, camps, hostels and other lodging places, which are not operated on a commercial basis; botanical and zoological gardens; libraries, museums and like institutions; theatres, orchestras and art groups; including support payments to non-profit institutions engaged in recreational and cultural services.

8.2 Religion and services n.e.c.

Expenditure for religious purposes or contributions to religious organizations for general assistance; and contributions to fraternal,

civic, youth and social organizations.

9. Economic services.

9.1 General administration, regulation and research

Ministries and central departments concerned with the general administration of economic commercial and labour affairs; general regulation and registration of business concerns; and technological, engineering, market and related research not allocable to particular industry group. Included are price and wage control agencies; labour arbitration boards; agencies charged with the regulation of weights and measures; general meteorological and map-making services. Expenditures on regulation, promotion and research linked to particular industries are classified to the group concerned.

9.2 Agriculture, forestry, fishing and hunting

Advisory services, conservation, assistance and investment for the development and effective use of the soil, forests, livestock, fishing resources, and wild-life of a country. Includes outlays for veterinary services, extension services, irrigation and drainage of lands, reclamation of waste lands, land settlement, reforestation, forest fire prevention, propagation and protection of fish and wild-life, and agricultural price support and marketing schemes and subsidies to farmers.

9.3 Mining, manufacturing and construction

Promotion, regulation, research, assistance and investment in connexion with the extraction and development of coal, petroleum and other natural resources, geological and prospecting surveys, manufacturing, and facilities connected with the building and construction industry.

9.4 Electricity, gas, steam and water

Promotion, regulation, research, assistance and investment in connexion with the production, transmission and distribution of electricity, gas, steam, heat and power and with services pertaining to the conservation,

collection, purification and distribution of water.

9.5 Roads

Administration, research, investment and other outlays for the promotion, provision and upkeep and lighting of highways, roads, bridges and tunnels, carparks, etc.

9.6 Inland and coastal waterways

Administration, research, investment and other outlays for the promotion and provision and maintenance of facilities for navigation on inland and coastal waters; and the regulation of the use of these facilities. Includes expenditure for dredging of canals, rivers and lakes; for lighthouse operation, for buoys and other navigational aids; for construction of new canals, for construction, maintenance and operation of dock, harbour and other port facilities; and for coast protection.

9.7 Other transportation and communication

Promotion, regulation, research, assistance and investment in respect of railways, road transport, water transport, air transport and communication.

9.8 Other economic services

Promotion, regulation, research, assistance and investment in respect of commerce, including storage and warehousing, and other economic activities, n.e.c. Includes multi-purpose flood-control, irrigation, electric-power and navigation projects.

10. Unallocable

10.1 Public debt transactions

10.2 General transfers to other government sectors

10.3 Expenditure in connection with disasters and other calamities

10.4 Other

Table 3. Classification of Private Non-Profit Institutions Serving Households According to Purpose

1. Education services 1/

Universities and colleges, primary and secondary schools, technical, vocational, arts and crafts schools, dramatic, music, dancing and other art schools, blind and deaf schools; research into the objectives, organization and administration, and methodology of all types of education; scholarships and other grants in support of educational research and programmes and for training purposes.

2. Research and scientific institutes

Institutions and organizations engaged in basic and general research in the biological, medical, psychological, social and related physical sciences; and in promoting and assisting such research.

3. Medical and other health services 2/

Medical, surgical, dental and other health services, including hospitals, sanatoria, nursing homes and similar institutions, medical, maternity dental and mental health clinics, and insane asylums and care of mentally defective the provision of individual medical, dental, nursing and mid-wifery care; and immunization, vaccination and similar field programmes.

4. Welfare services 2/

Child welfare services and institutions; homes for and care of aged, disabled, blind, etc.; family welfare agencies and services; travellers' aid legal aid societies, Red Cross and similar organizations; agencies for the collection and allocation of contributions for charity.

5. Recreational and cultural services

Dramatic, opera, concert and similar companies and organizations; libraries, museums and like institutions; botanical and zoological gardens; parks, playgrounds, swimming pools, gymnasiums, camps, hostels and other lodging places, which are not operated on a commercial basis.

6. Religious, professional and labour organizations, civil associations and the like 1/

Churches and other religious organizations; trade unions professional societies and similar organizations; social clubs; fraternal and civic societies political organizations and associations.

1/ Where educational institutions furnish boarding facilities and social clubs furnish restaurants and bar facilities, for which it is not feasible to cover in a statistical unit separate from the statistical unit relating to the other activities of these organizations, supplementary data should be compiled on the outlays and receipts for food and beverages and shelter included in the total outlays and receipts of these institutions.

2/ It is desirable to compile supplementary data on the expenditures and receipts of these organizations and institutions in respect of food, beverages and tobacco, clothing, and medicines and pharmaceuticals for individual use.

CHAPTER IV. TRANSACTIONS ON THE PRODUCTION, CONSUMPTION
EXPENDITURE AND CAPITAL EXPENDITURE ACCOUNTS

1. The structure of the production, consumption expenditure and capital expenditure accounts of the system was outlined in Chapter II, and transactors involved in these accounts were described in Chapter III. This chapter is concerned with the definition and classification of the transactions in goods and services on these accounts.
2. Production accounts are established in this system for industries, the services of general government agencies, and the services of private non-profit institutions mainly serving households. It should be recalled that other private non-profit organizations are covered in industries or general government services. Capital expenditure accounts are also provided for the three classes of producers. Consumption expenditure accounts relate to general government agencies and private non-profit organizations serving households, as well as to households.

A. The Supply and Use of Goods and Services

3. The point of departure in the system for measuring production is the value of the gross output of goods and services by industries and the services of general government and private non-profit organizations. A class of gross output which is the subject of particular interest is commodities, namely, current goods and services which are characteristically sold on the market. All goods and services produced by industries are classified as commodities. Commodities are also produced, but to an insignificant extent, by the services of general government and private non-profit organizations. These commodities consist of sales of current goods and services to industries and of the own-account fixed capital formation (essentially construction) of general government services which cannot be segregated into an establishment.
4. Practically all of the gross output of the services of general government and private non-profit organizations serving households is not sold on the market. Instead, these services are directly disposed of to the consumption of the organizations themselves. A small portion of the output of these services will be purchased for consumption by households. In addition, general government services may buy services from private non-profit organizations for use in production. These purchases of services are not included in the gross output of commodities in view of

the special circumstances of pricing and sale, as compared to the bulk of marketed goods and services.

5. The supply of goods and services to an open economy is augmented by imports of goods and services. All imports of goods and services, except direct purchases abroad by general government services and households, are included in the domestic supply of commodities of an economy. The direct purchases abroad of general government services are charged directly to the cost of production or capital expenditure of these services. The direct purchases abroad of households are included directly in their consumption expenditure.

6. The domestic supply of commodities is used (i) in the production of industries, the services of general government, and the services of private non-profit organizations, (ii) the consumption of households, (iii) the capital formation of the three classes of producers, and (iv) in exports. Industries and general government services accumulate inventories of commodities; and all classes of producers engage in fixed capital formation. The use of commodities, as well as of other current goods and services, in production is referred to as intermediate consumption. The disposition of commodities, or of other goods and services, to consumption, capital formation and exports are considered forms of the final use of the supply of goods and services.

7. Dealt with below are the definition, valuation and classification of gross output, intermediate consumption, final consumption, increases in inventories and gross fixed capital formation, and exports and imports of goods and services. An important aspect of defining the categories of use of the supply of goods and services is distinguishing between intermediate consumption, final consumption and gross capital formation and between inventories and fixed assets.

B. The Gross Domestic Product

8. The value of the gross output of goods and services of course includes the value of the intermediate consumption in production. For a number of analytical purposes, measures of production which are free of the value of intermediate consumption, are required. The basic measure of this type employed in the system is the gross domestic product, i.e., the value added of resident producers, measured in market prices.

9. This measure may be obtained in three ways. The first is to take the sum of the difference during the period of accounting between the value of gross output, measured in market prices at producing units, and the value of intermediate consumption for producers; and to add import duties to this sum. The difference in the case of each producing unit, represents its contribution to the gross domestic product, or its value added. The second is to sum up the value of the final uses of goods and services measured in market prices, and to deduct imports of goods and services, measured in c.i.f. values. This is equivalent to isolating the final products of producers, i.e., the part of their outputs which flows to final uses, reduced by the imports of goods and services which have been used up in intermediate consumption. The third approach is to take the sum of the income and related payments accruing from production, i.e., the provision for consumption of fixed assets, compensation of employees, operating surplus and the excess of indirect taxes over subsidies.

10. The gross domestic product is also valued at factor incomes in this system, i.e., exclusive of the excess of indirect taxes over subsidies. Another measure of production that is utilized is the net domestic product at factor incomes, the preceding aggregate less the consumption of fixed assets.

C. Gross Output

11. The scope assigned to the flow, gross output, coupled with the definition of the producers of the economy, delineates the boundaries set for production in the system of accounts. Production is in a broad sense related to the general provision of goods and services. It is therefore necessary to identify the activities of producers which in this system are considered to add to the domestic supply of goods and services during the period of accounting.

12. The way in which it is proposed to value gross output also sets the principles on which the other flows of goods and services are to be valued

a. General Principles in Respect of Industries

13. In the case of industries, the gross output during a given period is equivalent to the gross value of the commodities (goods and services) produced during the period. These commodities may be provided for intermediate consumption or for final use, including the fixed capital formation and additions to the inventories of the work-in-process and finished goods of the industry. The commodities produced are valued at

producer prices (market prices at the producing unit) or at these prices exclusive of net commodity taxes, depending on the account or table of the system in which the flow appears.

14. The content of net commodity taxes (indirect taxes reduced by subsidies) will vary from one country to another. A major purpose of valuing at producer prices exclusive of net commodity taxes is to avoid distorting the relative weight of various uses in the demands for a class of commodities because of significant variation in the ratio of these taxes to the producer prices from one use to another in the case of the various commodities of the group. Such distortions in the data on commodities hamper the use of these data in input-output and related analysis. The scope of net commodity taxes may therefore be limited to indirect taxes and subsidies the ratio of which to the associated producer prices, differs significantly from one to another of the various commodities included in a single class of products. However, for the purposes of other, though less essential, analytical requirements, it is desirable to broaden the coverage of net commodity taxes. There are advantages to extending this category of taxes to all indirect taxes and subsidies which are proportioned to the quantity or the value of commodities produced or sold.

15. Producer prices should, as far as possible, be assigned in terms of market (sales) prices at the moment of production. In general, the appropriate price is the price at which commodities are sold against immediate cash payment. The amount of cash discount that would be granted in case of immediate payment should, in principle, be subtracted from the nominal sales price in order to arrive at the market price. The market price should also include rebates made on the nominal sales price. Where an additional quantity of the commodity is provided free at the time of sale, the nature of the transaction may indicate that the effective market price of the commodity is below its nominal value or the quantity sold is above the nominal quantity.

b. Unmarketed Output of Industries

16. Not all the production to be entered in the gross output of industries is eventually sold on the market. In a number of countries, for example, a significant portion of the output of agricultural producers will be consumed in their households. In many instances, producing units of the same enterprises may supply commodities,

one to the other; producers may manufacture or construct capital assets for their own use; or they may supplement the wages and salaries of their employees by goods which they produce. The flow of housing services to the owners and occupiers of dwellings will also not be recorded on the market.

17. (a) Own-account Production for Consumption: Subsistence production of primary products (agricultural, forestry, fishing, hunting, mining and quarrying goods) is of considerable importance in the developing countries; and a shift takes place from subsistence to market production as development proceeds. In order to include this major source of sustenance for the population of the developing countries in production and in order to attain some measure of comparability in national accounting data, it was recommended in Chapter III that producer units be delineated to cover these activities where such units do not already exist by virtue of production for the market. For the same reasons, all production of primary products should be included in gross output, whether for own-account consumption, for barter, or for sale for money. It is also desirable to include in gross output, (i) the output by producers of other kinds of commodities which are consumed in their households, provided they also produce these commodities for the market; and (ii) the processing of primary commodities by farmers, to produce butter, cheese, flour, wine or oil for their own use, though they may not sell any of these manufactures.

18. The gross output for own consumption should be valued at producer prices on the market. Where the producer does not sell any of his output, the relevant prices are those at which producers of the same or similar commodities sell in the same or neighbouring localities.

19. The imputation of gross rent on owner-occupied dwellings, which is included in gross output, should also be based on the principle of valuation at market prices. The imputation should cover such costs as operating, maintenance and repairs, water charges, insurance rates and taxes, depreciation and mortgage interest, in addition to net rent. The same type of imputation is required for dwellings owned by private non-profit organizations and family dwellings owned by general government agencies which they do not let on the market.

20. (b) Own-account Fixed Capital Formation: All production of fixed assets on own account should be included in the gross output of commodities. It is recommended in Chapter III that when possible, an establishment be delineated where households or

general government agencies engage in own-account construction of structures, roads and similar works. Where establishments make tools, instruments and similar commodities for their own account, they may treat the cost of these items as expenditure on intermediate consumption, even where the lifetime of these items is one year or more. Though, in principle, such items should be considered capital assets, it may not be worth the effort to treat these outlays as capital expenditure if the items are of small value. Similarly, in principle, fixed assets made on own-account should be valued at market prices, but it may be necessary to resort to valuation at explicit costs because of the serious difficulties of market valuation. This will not infrequently be the case for own-account construction of structures and other works.

21. (c) Supplements in Kind to Wages and Salaries: Goods and services which industries produce and furnish to their employees free of charge or at markedly reduced cost and which are of clear benefit to these employees, should be considered supplementary to wages and salaries and be included in the gross output of the establishment at the cost of production. The final use of this addition to gross output is in the consumption of households.

c. Other Problems of Defining the Output of Industries

22. The proceeds from the sales of business units do not invariably indicate the value of the gross output that has been produced. These receipts may include elements which do not represent production during a given period.

23. (a) Second-Hand Goods and Scrap: When used (second-hand) fixed capital assets are sold by one producer to another, the gross output involved is equivalent to the dealers' margin and other transfer costs only. However, the seller will record the full sales price as negative capital promotion and the buyer will record the full purchase price as positive capital formation. The same principles should be applied in dealing with transactions in other types of second-hand commodities and in scraps and wastes from used commodities. The final use accounts which would be debited and credited, respectively, for the full transaction values will of course depend on the character of the commodity and transactors involved. The full value of the sale and purchase of a scrapped fixed asset would, for example, be recorded as a reduction in fixed capital formation by the seller and an increase in inventories by the purchaser. However, the full sales value of scraps and wastes resulting from the

manufacture of commodities (e.g., scrap produced in making metal products) should be included in the gross output of the seller and treated as the output of a commodity.

24. The gross output generated by transactions in non-reproducible tangible assets (e.g., land, art objects and antiques) and intangibles (e.g., financial claims, patents and copyrights, mineral concessions), is also equivalent to the dealers' margins and other transfer costs.

25. (b) Hire-purchase Sales: The proceeds from sales of goods on credit may contain an element of interest and a service charge for administering the credit terms, as well as payment for the goods themselves. This, for example, is the common practice in the case of hire-purchase sales. In principle, the interest charged for delayed payment should be recorded on the income and outlay account, rather than the production account, of the producer. When the surcharge for credit consists of an element of interest and a service charge, it would therefore be desirable to subdivide the surcharge into the two components. However, it may not always be practicable to follow this procedure.

26. (c) Banks and Similar Financial Intermediaries: These organizations are usually financed to a small extent only, out of direct payments for their services, but are able to show a gain from their activities as a whole because their income from the investment of deposits exceeds the interest paid to depositors. If banks were treated like other industries, income from investments would not appear as a credit on their production account. As a result, the operating surplus of, and even the value added by, banks might be negative since bank expenses, and even bank expenses less wages and salaries, may exceed the sum actually paid by depositors for bank services.

27. The anomaly of these institutions showing a very small or even negative contribution to the gross domestic product can be avoided by imputing a service charge, valued as the excess of investment income accruing to banks over interest accruing to depositors. (Recommendations concerning the disposition of this element of commodity production to await further study.)

28. (d) Insurance and Pension Funds: The premiums for insurance against risks (e.g., accident, fire and other casualties, life insurance and pension funds), consist of a charge for the service of insuring, a payment for the risk of insuring,

and, in the case of life insurance and pension funds, a substantial element of saving. In ascertaining the gross value of the commodities produced (the services rendered), it is therefore necessary to separate out the charge for the service of insuring from the other components of the premiums paid.

29. In the case of casualty insurance, the payment for the risk of carrying the insurance during a given period is taken to be equal to the claims paid during the period. The service charge is therefore equivalent to the difference between the premiums received and the claims paid. The amount of the service charge, thus computed, may not be equivalent to the actual risks of insuring (i.e., frequency and severity of insured casualties) during a given year since the service charge included in the premium is based on the normal risks. In other words, the estimated service charge may contain an element of capital gain or loss. Nonetheless, it is not suggested that gross output on casualty insurance be equated to the normal service charge. However, in compiling national accounts on a quarterly or semi-annual basis, the service charge should be computed in the light of the experience during the preceding year in order to avoid marked variation in the recorded amount from one period to the next.

30. In the case of life insurance, the service charge is considered to be equivalent to the excess of premiums received over the sum of the claims paid and the additions to the actuarial reserves, excluding interest on these reserves accruing to policy holders. The actuarial reserves, as here defined, cover reserves set aside to cover the risk of insuring, pre-payments for future risks of insuring, and other elements of saving involved in life insurance policies. In some instances, it may not be feasible to identify each year, these reserves or the interest on the reserves accruing to policy holders. Instead, it may be necessary to resort to estimates of the service charge based on additions to life funds and the interest which insurance companies earn on these funds. Life funds are reserves earmarked for policy holders, which include contingency, as well as actuarial, reserves. As for casualty insurance, the service charge recorded in quarterly or semi-annual national accounts should be estimated in the light of the experience during the preceding year.

31. Where it is necessary to allocate the service charge for casualty or life insurance among various classes of policy holders, this should be done in proportion

to the amount of premiums paid for each type of this insurance.

32. In the case of pension funds, the service charge is considered to be equivalent to the administrative expenses of these funds. Where necessary, this service charge is to be allocated to the various types of households the individuals of which participate in the funds, in proportion to the contribution to these funds made on their account during the period in question.

d. Services of General Government and Private Non-Profit Organizations Serving Households

33. The value of the gross output of the services of general government and private non-profit organizations serving households, is equivalent to their costs of production. These costs consist of outlays for the intermediate consumption of commodities and other goods and services and the components of value added. Value added is made up of the compensation of employees, the consumption of fixed assets and any direct payments of indirect taxes by these services. Their value added does not include net rent on the office and other buildings which they own and occupy or on other fixed assets which they own and use in production. The costs of production are to be recorded at the time the costs are incurred. For commodities and other goods and services, this is at the time these goods and services are purchased. Inventory accounts are included in the system for the stockpiling of strategic materials and important commodities by the services of general government only.

34. As has already been noted above, the gross output of the services of general government and private non-profit organizations serving households is, except for a few transactions, not included in the supply of commodities. The exceptions consist of sales of current goods and services to industries and own-account construction which cannot be segregated into an establishment of the industries sector.

e. The Classification of Commodities

35. (a) The Character of the Classification: For purposes of studies of input-output relationships, quantity and price data, and imports and exports of goods and services in the context of the national accounts, a classification of commodities is required which is linked directly to the classification of industries. Such a classification may be constructed in terms of the industries in which the various commodities are characteristically produced. When utilized in input-output analysis, it is desirable that the number of categories

in the commodity and industry classifications be equivalent.

36. For a number of international purposes, a classification of commodities based on the more detailed list of the classification of industries suggested in Table 1 of Chapter III, will be adequate. The number of categories suggested is manageable for most countries; and the scope of each of these categories is, on the whole, narrow enough to avoid grouping together markedly different outputs and production processes but wide enough to accommodate national divergencies in the structure of production. For some other international uses and for many national uses, more detailed classifications of commodities and industries would be needed in the case of manufacturing. This would be the case, for example, when sub-dividing imports into competitive and complementary or when utilizing input-output data to assess the implications of changes in the structure of production. Internationally, use might be made for these purposes of the most detailed level (i.e., groups) of the ISIC after this classification is revised. However, nationally, more detailed categories than the groups of the ISIC will be required for at least some categories of manufacturing.

37. The detail to which classification may be carried in the case of commodities is greater than in the case of industries. Further, a substantial amount of detail in the classification of commodities is needed for supplementary analysis of external trade or price and quantity statistics. For these purposes, the commodity classification should consist of at least one, or perhaps two, further levels of classification beyond the groups of the ISIC. The more detailed levels of the commodity classification might be based on such criteria as the physical characteristics, technology of production and use of commodities.

38. (b) The Development of the Classification: Since a detailed industrial classification is required for devising a suitable commodity classification, this work is being delayed until the review and revision of the ISIC has reached an advanced stage. At that time the commodity classification may be devised by linking the sub-groups of the Standard International Trade Classification, Revised (SITC)^{1/}

^{1/} Standard International Trade Classification, Revised, Series M, No. 34, Statistical Office of the United Nations, 1961.

to the most detailed level of the industrial classification. In the meantime, the publication, Classification of Commodities by Industrial Origin, has been issued.^{2/} This publication relates to the groups of the present ISIC and the sub-groups and items of the SITC, one to the other. The categories of the SITC of course furnish a relatively detailed classification of commodities which move in international trade only. For purposes of a complete commodity classification, it will be necessary to add categories for products which do not move in international trade.

39. (c) The Classification of Second-Hand Goods and Scraps: It will also be necessary to raise separate categories in the classification for transactions in second-hand (used) goods and in scraps and wastes. This will allow segregating sales and purchases of these goods from acquisitions of commodities and other current goods and services on the capital and consumption expenditure accounts of transactors. Scraps and wastes which should be considered part of the gross output of commodities will also be classified in the latter category.

f. The Classification of Rents

40. The letting of dwellings, non-residential buildings, equipment and other reproducible fixed assets is classified as the provision of a commodity-type service. Net rents in respect of the use of these fixed assets are therefore part of the operating surplus of the business unit letting these assets. However, rents solely for the use of agricultural and other land are explicitly recorded as part of property income on the income and outlay accounts. Where the owners of this land are responsible for maintenance, improvement and similar outlays in connexion with the land, the portion of the rent covering these costs should be recorded as gross rents on the production accounts. The net rent for the land would still be recorded in the property income. The use of this approach is also desirable where rent for farms cover buildings, equipment, etc. in addition to agricultural land. Where it is not feasible to sub-divide the rent into the two components, the total rent should be recorded as part of property income.

^{2/} Statistical Papers, Series M, No. 43.

D. Intermediate Consumption

41. The three classes of producers-industries, general government services and private non-profit institutions serving households - make outlays on goods and services for consumption in production. There are differences between industries, on the one hand, and the services of general government and private non-profit organizations, on the other, in the way in which intermediate consumption is precisely defined and in the problems of distinguishing between intermediate consumption and other uses of goods and services. These topics are therefore dealt with below separately for industries and the two other classes of producers.

a. Definition in Respect of Industries

42. The intermediate consumption of industries consists of expenditure on non-durable goods and services all of which are classified as commodities and which are used up in the output of commodities. These outlays should be valued at cost on delivery (purchase price in the market) at the unit consuming the commodities at the moment the commodities enter into its production. This principle of pricing ensures that charges for intermediate expenses will be equivalent to the costs of replacing intermediate commodities at the time these items are consumed. All the costs involved in delivery to the establishment should be included, e.g., distribution and transport margins and commodity taxes in addition to the price of the commodity at the establishment where it was produced. Some tabulations of the system call for sub-division of the market price into the three elements of (i) producer price exclusive of net commodity taxes, (ii) distribution and transport costs incurred in the course of the transfer of the goods from the establishment of the producer to the establishment of the user, and (iii) net commodity taxes levied on the commodities at the establishment of the producer or while the goods are in transit between the two establishments.

b. Boundary Problems

43. In compiling data on the intermediate consumption of industries, problems arise of discriminating between intermediate and final consumption and between intermediate consumption and fixed capital formation.

44. (a) In Respect of Final Consumption: Business units may acquire goods and services for provision to employees free of charge or at markedly reduced costs. As long as these goods and services are of clear benefit to the employees, these outlays should be classified as supplements in kind to wages and salaries, not as intermediate consumption. Nonetheless, not infrequently the expenditure will be shown in business accounts as intermediate consumption rather than as compensation of employees. Conversely, the accounts may show commodities allocated to a final use when from the standpoint of the national accounts an intermediate consumption is involved. For example, under certain contractual agreements, miners are required to purchase working tools, such as lamps and explosives out of their monetary wages. It is reasonable to regard these expenditures as direct business costs. To record them as such in the national accounts require a downward adjustment to the wages and salaries entered in the mining companies' accounts and corresponding upward adjustment in its intermediate consumption. In general, these types of imputations should be confined to cases in which there is a contractual obligation on the part of employees to use part of their compensation for purchases which have no direct utility to them. No adjustments are to be made for the fact that many expenditures by consumers, such as expenditure on the journey to work, contain an element akin to business expenses. On the other hand, travel, entertainment and similar expenses incurred by employees in connexion with the business of their employer for which they are reimbursed should be classified as outlays on intermediate consumption.

45. (b) In Respect of Fixed Capital Formation: Mentioned earlier was the likelihood that the accounts of producers will show the costs of producing tools, small items of equipment and similar commodities as current expenditure, but, in principle, at least some of these outlays should be recorded as capital expenditure. A number of other problems of discrimination between current expenses and capital outlays that will arise are discussed in the section below on fixed capital formation. Some examples of these problems are outlined in the following paragraphs.

46. Some of the expenditure on repair and on similar activities which may be recorded in business accounts as intermediate consumption should be considered capital outlays. These are outlays which lengthen the expected lifetime of a fixed asset or increase its productivity substantially, e.g., significant alterations or additions to pieces of machinery and equipment, or in plant and other structures. Outlays on repair and maintenance required to make good breakages and to keep the stock of fixed assets in proper working conditions, are classified as intermediate consumption. In the case of residential and non-residential structures, for example, outlays on painting, replacing damaged gutters and plumbing, or repairing lighting or heating systems, should be classified as intermediate consumption.

47. In general, expenditure on operating farms, plantations, mines and similar units is a form of intermediate consumption. However, significant outlays on the development and extension of these units should be classified as fixed capital formation. Such outlays may be for land clearance and reclamation, irrigation works, extension of mining shafts, planting new timber tracts, planting and tending new orchards and other new holdings of fruit-bearing and sap-bearing plants which yield products only after a number of years of cultivation. When these new holdings become productive, such outlays should be classified as intermediate consumption.

48. The commodities used up in research, technological development and exploratory activities of industries, are considered part of intermediate consumption though these outlays may be capitalized in the accounts of some business units. These activities may be directed towards specific business purposes, e.g., prospecting for minerals, developing new commodities or improving the technology of particular kinds of production, or towards more general ends, e.g., extending scientific knowledge. As these expenditures may not yield concrete benefits and, in any case, are not embodied in tangible assets, the convention has been adopted that these outlays are a form of intermediate consumption. A similar approach is taken in respect of expenditure on advertising and market research and on public relations and other activities designed to improve the good will of business units.

c. Definition in Respect of Services of General Government and Private Non-Profit Organizations Serving Households

49. The intermediate consumption of the services of general government and private non-profit organizations consist of outlays on current account on goods and services, reduced by net sales (sales less purchases) of similar second-hand (used) goods and scraps and wastes therefrom. The net sales of these goods will be classified in a separate category from the outlays on current account on goods and services. Some countries may find it advantageous to present in their accounts or supporting tables, this part of intermediate consumption separately from the outlays on current goods and services. This is allowed for in the separate categories of the commodity classification for second-hand goods and scraps.

50. The acquisitions of goods and services for intermediate consumption are to be valued at cost on delivery (i.e., market price) at the organization. As in the case of industries the market price is decomposed in some of the supporting tables of the system, into price at the establishment of the producer, distribution and transport margins, and net commodity taxes. The intermediate consumption of the services of general government and private non-profit institutions is recorded at the moment the goods and services are purchased since except for the circumstances indicated below, inventory accounts are not established for these sectors. This is one reason for suggesting that the intermediate consumption of these producers be recorded on a net instead of a gross basis. In the absence of inventory accounts, the net approach portrays more realistically the stock of goods and services available for use in the production of these two classes of producers.

51. In the case of private non-profit units, the gross additions to the stock of goods and services for intermediate consumption consist of non-durable commodities acquired from industries and similar second-hand goods. Acquisitions of second-hand goods by these organizations exclude any goods gathered for direct distribution to households. The gross withdrawals consist of non-durable second-hand goods and scraps and wastes therefrom.

52. In the case of general government services, the gross additions to goods and services for intermediate consumption come from direct purchases abroad by the extra-territorial organizations of general government located in foreign countries and purchases of services from private non-profit organizations, in addition to commodities produced by industries and imported. These goods and services consist of non-durable goods and services (in principle, those with an expected life-time of less than one year) and durable goods primarily for military purposes. The construction of family dwellings for military personnel is considered to be an industry activity; and capital expenditure for purposes of civil defence is classified as gross fixed capital formation. If military hospitals, schools, airfields or roads are shifted to civilian use, the market value of these items at that time should, in principle, be credited to gross fixed capital formation and debited to intermediate consumption.

53. Acquisitions of strategic materials or emergency stocks of commodities for purposes of special importance to the nation are excluded from purchases for intermediate consumption. Instead, these acquisitions should be recorded in the inventory accounts of general government services. Government sales of large quantities of surplus stocks should also be entered on the inventory account though these commodities may have originally been charged to intermediate consumption. This is recommended in order to avoid distorting the data on the intermediate consumption of general government services for a given period. It is desirable, if feasible, to adjust the inventory and intermediate consumption accounts retroactively, based on the time during which the commodities sold as surplus were acquired.

d. Problems of Allocation in Respect of the Services of General Government and Private Non-Profit Organizations

54. Not infrequently questions will arise concerning the appropriate allocation of outlays on commodities between the intermediate consumption of the services of general government or private non-profit organizations, on the one hand, and the final consumption of households, on the other; and the intermediate consumption of various organs of Government.

55. (a) Supplements to Wages and Salaries: Where supplements in kind to the wages and salaries of the employees of general government and private non-profit agencies consist of commodities, i.e. goods and services acquired from industries and imports, (e.g., the provision of housing, food or clothing at reduced charges or free), the value of the supplements in kind will be recorded as household consumption expenditure, and not as the intermediate consumption of these agencies. However, where the supplement in kind consists of a service produced by the general government or private non-profit agencies (e.g., services in government or private non-profit hospitals furnished free of charge to employees), a counterpart entry on the production accounts of the agencies to the supplement to wages and salaries will be a sale of services to households.

56. (b) In Respect of Intermediate and Final Consumption: Problems of the appropriate allocation of outlays also arise in respect of commodities supplied by industries or private non-profit organizations and consumed by households, the acquisition of which is financed, in whole or in part, by general government agencies. The principle adopted in dealing with these transactions is that the outlay should be considered the expenditure of the sector which actually makes (decides on) the purchase. Major considerations in determining who makes the purchase, are who decides to buy (acquire) the goods and services in each individual case and who decides from which business unit or private non-profit institution the purchase should be made. This approach follows from the proposition that outlays on commodities should reflect voluntary decisions; and yields the most useful data for demand analysis. If data are required on the total of given commodities available to households for consumption, the value of these commodities recorded as the intermediate consumption of general government units, together with other associated costs, might be isolated and added to the consumption expenditure of households.

57. When, for example, a government agency provides free medicine, food or clothing directly to the poorer members of the community, the costs of these items should be regarded as purchases by general government and should be included in the government outlays on intermediate consumption. Where these

commodities are provided directly by government agencies at a reduced charge, whether this charge is to be considered a transfer to (i.e., nominal fee), or a purchase from, general government by households, will depend on the magnitude and circumstances of the charge. The distinction between transfers and purchases in these instances is discussed in the next section of this chapter on final consumption. Where government agencies subsidize the purchases of individuals of medical and hospital services from industries, or private non-profit institutions, in whole or in part, the subsidies are to be recorded as current transfers from general government to households; and the purchases are to be credited to household consumption expenditure. The subsidies may consist of payments made directly to the individual or to the doctors and hospitals furnishing the services.

58. (e) In Respect of Government Organs, Questions in respect of allocating outlays on commodities for intermediate consumption as between resident and foreign governments and the central and local governments will arise in the case of transfers of such items as relief food, clothing or other civilian supplies or military equipment. The convention adopted is that these transfers in kind are excluded from the intermediate consumption of the government organ making the grant, and included in the intermediate consumption of the government organ receiving it. The grant is financed by a current transfer between the two organs of government. In the case of such transactions between a resident and foreign government, the goods and services involved are included in the exports of the donor country and the imports of the recipient country. The same type of treatment should be adopted in the case of transfers of non-durable goods and services from general government services to private non-profit institutions.

59. (f) Contributions to Joint Military Arrangements: The net contribution of a government to the common construction works and equipment under a joint military agreement, should be recorded in the intermediate consumption of the government in question. If the net contribution of a government exceeds the value of the works and equipment produced in her domestic territory, the difference would be included in the direct imports of the country of the given government. If it falls short of the value, the difference would be recorded in the exports of the country in question.

E. Final Consumption

60. Final consumption expenditures on goods and services are made by households, private non-profit institutions serving them, and general government agencies. Households make outlays for consumption on commodities acquired from industries, goods and services purchased from general government services and private non-profit institutions, and goods and services purchased directly abroad. As was indicated earlier in this chapter, the consumption expenditure of general government agencies and private non-profit organizations is equivalent to the value of their gross output, reduced by sales of current goods and services. The purchases of households are likely to account for the largest portion of these sales.

a. General Definition of Household Consumption Expenditure

61. The consumption expenditure of households encompasses outlays on durable, as well as non-durable, commodities and other current goods and services. In aggregative form, it is reduced by net sales (sales less purchases) of second-hand reproducible goods and scraps and wastes therefrom and of non-reproducible art objects acquired by households when these items were first created by resident artists. In the case of other non-reproducible goods (e.g., other art objects, antiques, land), only the dealers' margins and transfer costs involved in purchases by households, are included in consumption expenditure. The remainder of the purchase or the sale of these items is recorded on the capital finance account of households.

62. It should be recalled that the purchases and sales of reproducible second-hand goods and the sales of scraps and wastes are to be classified to individual categories in the commodity classification. This furnishes the basis for drawing distinctions between these transactions and purchases of current goods and services in presenting data on household consumption expenditure if countries so wish.

63. Outlays on household consumption expenditure are recorded at the time the purchase is made, irrespective of the time of delivery of the goods. These outlays should, in general, be valued at the purchase price of the goods and

services, including all additional expenses in connexion with acquisition other than interest charges for delayed payment, e.g., delivery and installation charges.

b. Direct Imports and Exports of Households

64. The consumption expenditure of resident households include their direct imports. These imports consist of expenditure abroad made by residents of the given country, e.g., tourists and diplomatic and military personnel stationed abroad. Where commercial and other travellers on business abroad make outlays on lodging, food and the like for which they are reimbursed, these expenditures are not included in the direct imports or consumption expenditure of households. Instead the expenditures are part of another category of imports of goods and services of the country in question; and are included in the intermediate consumption of their employer.

65. Outlays made by non-resident individuals (e.g., tourists, commercial travellers, foreign diplomatic and military personnel) while on the domestic territory of a country, are included in the data of the given country on the consumption expenditure of households in the domestic market. In arriving at the consumption expenditure of resident households, the outlays of non-resident households are deducted and credited to the exports of goods and services of the country.

c. Household Consumption Expenditure in Selected Situations

66. The gross output of industries for use in the household of the owner (e.g., agricultural products, gross rent on owner-occupied dwellings) and supplements in kind to the wages and salaries of employees are covered in the outlays of households on consumption. On the other hand, outlays by employees which are treated as the intermediate consumption of business units, and therefore reductions in wages and salaries, should not be recorded in the consumption expenditure of households.

67. Questions of apportionment between the consumption expenditures of households and the intermediate and capital expenditures of industries will occur

in the case of goods utilized by professional practitioners and other independent proprietors for business and household purposes, e.g., automobiles. In principle, the costs of acquiring and operating such automobile should be divided between households and industries, based on the relative extent to which the automobile is utilized for business and household purposes. Similar problems will arise in respect of rents, fuel, lighting, etc. of quarters utilized for both business and living purposes. Again, it is desirable to sub-divide the outlays between the intermediate consumption of industries and the final consumption of households in terms of the relative extent to which these facilities are put to business and household use.

d. Household Purchases of Goods and Services from General Government and Private Non-Profit Organizations

68. As households make a number of different kinds of payments to general government agencies, it is necessary to define as clearly as possible which of these payments are to be classified as purchases of goods and services from general government. The general criteria for identifying purchases of goods and services is that there should be a clear and direct link between the payment and the acquisition of the goods and services (e.g., the amount of the payment is proportional to the quantity and quality of the goods and services received) and the decision to make the payment (purchase) is voluntary; i.e., is in no circumstances required by the public authority. Examples of purchases of goods and services from general government agencies by households are charges for entering museums and public recreational facilities, for publications, for post cards and art reproductions from museums, or for goods produced in vocational schools as an incidental part of education. Supplements in wages and salaries in kind in the form of the services of general government (e.g., care in a public hospital) are also included in household purchases of goods and services from general government.

69. Payments by households to general government which refer to services, the primary purpose of which is to serve as an instrument of government policy and which are compulsory but unavoidable in the only circumstances in which they are useful, should be considered as current transfers. Examples of such payments are fees paid for passports, driving tests, licenses and other court services. Nominal fees in connexion with public schools or hospitals should also be recorded as current transfers. Such fees are relatively insignificant charges which are in no way related to the value (i.e., cost of production) of the services received. Household payments to Government for charges which are mainly designed to raise revenue and which do not involve the provision of an identifiable service to the payer (e.g., motor vehicle duties, social security taxes and income taxes) are classed as indirect or direct taxes. (See Chapter V for further discussion of these payments.)

70. The general principles for identifying households payments to general government agencies for purchases of goods and services, also hold in respect of the transactions of households with private non-profit organizations. For example, unless they are purely nominal in character, tuition fees paid by students to educational institutions and charges to patients by hospitals, should be considered to be payments for the purchase of goods and services. Membership dues to trade unions, political associations, sporting or social clubs, and gifts to churches and welfare organizations, should be considered as transfers.

71. General government agencies may also make payments to private non-profit organizations for goods and services for the benefits of individuals or in connexion with the purposes of the agencies themselves. The first example raises the question of the allocation of the outlays between household and general government consumption expenditure. This question should be resolved in the light of the criteria for determining who makes the purchase. The second situation involves drawing a distinction between purchases of services and transfer payments. This distinction will depend on the basis and circumstances

of the payment. For example, if the payment is made in connexion with a contract between the government agency and the private non-profit agency which specifies the work to be accomplished, the reports to be delivered, etc. in some detail, the payment will represent the purchase of a service.

c. Sales to Industries

72. The general criteria for distinguishing payments by business units to general government agencies which are for purchases for goods and services from other payments, are similar to the principles in the case of households. Examples of purchases of goods and services by business units are payments for timber from forest preserves or seed from agricultural experimental and research stations. Examples of payments which are compulsory and unavoidable in the only circumstances in which they are useful, are fees for business licenses or court services. Examples of payments of charges and levies which are mainly designed to raise revenue and which do not involve the provision of an identifiable service are real estate taxes, motor vehicle duties or income taxes. The latter two classes of payments are considered transfers in the form of taxes.

73. In the case of payments by business units to private non-profit organizations serving households, the criteria for distinguishing between purchases of goods and services and transfers should be the same as in the case of general government payments to these institutions.

f. The Classification of Households' Goods and Services

74. The scheme to be utilized in classifying the consumption expenditure of households is set out in Table 1 below. The basic criteria employed in delineating the categories of the classification are (i) the object of, or purpose to be served by, the expenditure on households' goods and services, (ii) the distinction between services and non-durable, semi-durable and durable goods and (iii) the alignment between the classification and the purpose

TABLE 1. Classification of Households' Goods and Services

(The symbols D, SD, ND and S stand for items classified as durable, semi-durable, or non-durable goods and services, respectively).

1. Food, beverages and tobacco (ND)

1.1 Food

1.1.1. Bread and cereals

Rice, glazed or polished, but not otherwise worked (including broken rice); maize, meal and flour of wheat, barley and other cereals; cereal preparations; malt (including malt flour) and malt extract; macaroni, spaghetti, noodles, vermicelli and similar products; bread, biscuits, cake and other bakery products; preparations of flour, starch or malt extract, used as infant food or for dietetic or culinary purposes; sealing wafers, communion wafers and similar products. Includes tarts and pies other than meat and fish tarts and pies; macaroni and spaghetti cooked, ready for consumption; farinaceous products stuffed with substances other than meat; rice, cooked, ready for consumption.

1.1.2. Meat

Fresh, chilled and frozen meat of bovine animals, sheep and goats, swine, poultry, horses, game, and edible offal; bacon, ham and other dried, salted or smoked meat and edible offals; meat extracts and meat juices, sausages, meat preparations; and canned meat. Includes meat pies; frog meat; meat of marine mammals such as seals, walruses and whales; meat soups in liquid, solid or powder form, whether or not containing vegetables, spaghetti, rice, etc.; paste products filled with meat such as canelloni, ravioli and tortellini.

1.1.3. Fish

Fresh, frozen, canned and preserved fish and other sea food and fish preparations. Included are tinned fish soup; snails, fish pie.

1.1.4. Milk, cheese and eggs

Fresh, evaporated, condensed and dried milk and cream (including buttermilk, skimmed milk, whey and yoghurt); cheese and curd; eggs, including treated eggs.

1.1.5. Oils and fats

Butter; margarine, lard and other prepared edible fats; edible oils, mayonnaise.

1.1.6. Fruits and vegetables other than potatoes and similar tubers

Fruits and other vegetables, fresh, dried, frozen or preserved, juices and nuts. Includes fruit-peel, nuts and parts of plants preserved by sugar (drained, glacé or crystallized); edible seeds; peanut butter; garlic; herbs, culinary; mushrooms; rhubarb; potato starch; sago, tapioca and other starches; tomatoes; truffles; vegetable soups, without meat or meat extracts or only traces; dried beans, lentils and other pulses.

1.1.7. Potatoes, manioc and other tubers

Potatoes, manioc, arrowroot, cassava, sweet potatoes and other starchy roots; including tinned and other products, like meal, flour, flakes, chips, except starches.

1.1.8. Sugar

Refined sugar and other products of refining beet and cane sugar (not including syrups).

1.1.9. Coffee, tea, cocoa

Coffee, tea, cocoa and their substitutes.

1.1.10. Other foods, including preserves and confectionery
syrup; jam; marmalade; honey; chocolate and sugar
confectionery; table jellies; salt; spices; prepared
baking powders; sauces; mixed condiments and mixed
seasonings; ice cream; vinegar; yeast.

1.2 Beverages

1.2.1. Non-alcoholic beverages

Mineral waters and other soft drinks.

1.2.2. Alcoholic beverages

Spirits, wine; beer and cider, including beer and cider with
low alcohol content.

1. 1.3 Tobacco

Cigars and cheroots; cigarettes; smoking and chewing tobacco;
snuff.

2. Clothing, footwear and accessories (3D)

2.1 Clothing other than footwear, including repairs.

2.1.1. Clothing other than footwear

All made-up clothing and clothing materials including
haberdashery, millinery and custom tailoring and dressmaking.
Includes aprons, smocks and bibs; belts; gloves and mittens
other than rubber; handkerchiefs except paper handkerchiefs;
muffs, sleeve protectors; sports clothing including bathing
suits and crash helmets; suspenders, accessories for making
clothing such as buckles, buttons, fasteners, patterns,
zippers, etc; hire of clothing.

2.1.2. Repairs to clothing other than footwear

2.2 Footwear, including repairs

2.2.1. Footwear

All footwear including rubbers; gaiters; spats, leggings;
puttees; sports footwear other than boots and shoes with ice
or roller skates attached.

2.2.2 Repairs to footwear

2.3 Accessories and similar personal effects, including repairs

2.3.1. Accessories and similar personal effects

Umbrellas; walking sticks and canes; travel goods; handbags and smaller articles; precious stones, jewellery; watches; rings.

2.3.2. Repairs to accessories and similar personal effects

3. Gross rent, fuel and light

3.1 Gross rents and water charges

3.1.1. Gross rents (S)

All gross rent (actual house and ground rents payable, imputed gross rents on owner-occupied houses and imputed ground rents) including local rates. Rent will in general be space rent covering heating and plumbing facilities, lighting fixtures, fixed stoves, wash basins and other similar equipment which is customarily installed in the house before selling or letting. Rents paid for rooms in boarding houses, but not in hotels, are included. Rents of secondary dwellings such as summer cottages, mountain chalets, etc. and payments for garbage and sewage disposal are also included.

3.1.2. Water charges (iD)

3.1.3. Expenditures of tenants and owner-occupiers on indoor repair and upkeep (SD)

Indoor painting, wallpaper, decorating, etc.

3.2 Fuel and power (ND)

3.2.1. Electricity

3.2.2. Gas

Natural and manufactured gas, including liquefied petroleum gases (butane, propane, etc.)

3.2.3. Other fuels

Coal; coke; briquettes; firewood; charcoal; peat; heating and lighting oils; purchased heat.

- 4. Furniture, furnishings, household equipment and household operation
 - 4.1 Furniture, fixtures, carpets, other floor coverings and repairs (D)
 - 4.1.1. Furniture, fixtures, carpets, other floor coverings
Beds; bedding; chairs; tables; sofas; storage units;
carpets; cribs; high chairs; play pens; hallboys; door
and dividing screens; venetian blinds; other furniture and
fixtures.
 - 4.1.2. Repairs to furniture, fixtures, carpets, other floor
coverings
 - 4.2 Household textiles, other furnishing, and repairs (5D)
 - 4.2.1. Household textiles and other furnishing
Curtains, sheets, table-cloths and napkins, tapestries, mattress
and other coverings, of all materials; furnishings like
ash-trays, candlesticks, mirrors, vases; paintings, drawings,
engravings, prints, etc.; sculptures, carvings, figurines and
smaller ornamental articles; awnings; counterpanes; door mats;
flags; garden umbrellas; garment and shoe bags, laundry hampers
and bags; mosquito nets; steamer and travelling rugs; towels;
fireplace equipment; flower and plant boxes and pots; shoe
racks; wastepaper baskets.
 - 4.2.2. Repairs to household textiles and other furnishing
 - 4.3 Heating and cooking appliances, refrigerators, washing machines
and similar major household appliances, including fittings and
repairs. (D)
 - 4.3.1. Heating and cooking appliances, refrigerators, washing
machines and similar major household appliances,
including fittings

Covers major equipment like clothes-drying, dishwashing, washing,
ironing, sewing or knitting machines; electric floor scrubbing,
waxing and polishing machines; vacuum cleaners; water softening
machines; refrigerators, food freezers; ice boxes; room air-
conditioning units; cooking appliances other than spirit stoves

and plate-warmers, reflector ovens; camping stoves and similar appliances; toasters; fans; electric coffee-makers, heating appliances; garden tractors, power-driven lawn mowers; non-portable safes; water pumps.

4.3.2. Repairs to heating and cooking appliances, refrigerators, washing machines and similar major household appliances

4.4 Glassware, tableware and household utensils including repairs (SD)

4.4.1. Glassware, tableware and household utensils

Pottery; glassware; cutlery; silverware; hand kitchen and garden tools (not power-driven); all types of kitchen utensils; portable toilet and sanitary utensils for indoor use; electric bulbs, plugs, wire, cable and switches; heating-pads, sauce-pans, non-electric coffee-makers; thermos bottles and flasks; watering cans, wheelbarrows, garden hose and sprinkling devices, lawn-mowers (not power-driven) and other garden appliances; portable money boxes and strong boxes; household scales; ladders, locksmith's wares.

4.4.2. Repairs of glassware, tableware and household utensils

4.5 Household operation

4.5.1. Non-durable household goods (ND)

Household goods of limited durability such as matches; household soap, scourers, polishes, cleaning materials; household paper products; candles; lamp wicks; clothes hangers; shoe polish; clothes pins; mops, brooms and brushes; rope, string and twine; dyes for dyeing clothing and household textile furnishing; nails, nuts and bolts, screws, tacks, washers, hooks, knobs etc.; needles and pins; insecticides, fungicides and disinfectants; aluminium foil, etc.

4.5.2. Domestic services (S)

Remuneration in cash and in kind of domestic servants, cleaners, etc. Includes payments in cash and in kind to baby sitters, chauffeurs, gardeners, governesses, tutors, etc.

4.5.3. Household services (S)

Cleaning, dyeing and laundering; hire of furniture, furnishings and household equipment, including payments by sub-tenants for the use of furniture, etc., net premiums for insurance of household property against fire, theft and other accidents; payments for services such as chimney cleaning, window cleaning, snow removal, exterminating, disinfecting and fumigating, etc.

5. Medical care and health expenses

5.1 Medical and pharmaceutical products and therapeutic equipment (ND)

Medicines, vitamins and vitamin preparations, cod and halibut liver oil, clinical thermometers, hot water bottles and ice bags, massage equipment.

5.2 Services of physicians, nurses and related practitioners (S)

Fees paid to physicians, nurses, etc. who are not employed by hospitals; payments to medical and dental laboratories for tests, analyses, etc.; hire of therapeutic equipment.

5.3 Hospital care and the like^{1/} (S)

Fees to hospitals (including fees for services provided by physicians, nurses etc. employed by these hospitals).

5.4 Service charges on accident and health insurance (S)

6. Transport and communication

6.1 Personal transport equipment (D)

Motor cars, trailers, motor cycles and bicycles, including invalid carriages, motorized or not.

6.2 Operation of personal transport equipment

6.2.1. Parts and accessories; tyres, tubes; gasoline, oils and greases (ND)

6.2.2. Repair charges (ND)

6.2.3. Other expenditure (S)

Payments for parking and garaging; bridge, tunnel, ferry and road tolls; driving lessons; motor vehicle duties; hire of personal transport equipment; net payments for insurance of

personal transport equipment. Includes payments for transporting personal transportation equipment on ships, trains and aircraft.

6.3 Purchased transport (S)

Fares on railways, trams, buses, cabs, ships and airlines, baggage transfers; storage and excess charges, tips to porters, etc.; moving and storage of household goods; postal, telephone and telegraph services, including all expenditure on new postage stamps.

7. Recreation, entertainment and cultural services

7.1 Equipment and accessories, including repairs

7.1.1. Wireless and television sets, pianos and gramophones (D)

Wireless and television sets; pianos; gramophones; tape recorders; radio transmitting and receiving sets for amateur radio stations, clock-radios; organs.

7.1.2. Repairs to wireless and television sets, pianos and gramophones (D)

7.1.3. Photographic equipment, boats and other major durables (D)

Aeroplanes; boats; cameras; projection equipment, binoculars; microscopes; telescopes; outboard motors; photographic equipment other than cameras and projection equipment; typewriters; power-driven equipment for wood-working, metal-working etc.; horses; swimming pools which are not permanent fixtures; repairs to such items.

7.1.4. Other recreational goods (SD)

Musical instruments not included in 7.1.1; goods purchased in connexion with hobbies which are not included in 7.1.3; records; flowers; all sports equipment and supplies except sports clothing and sports footwear; camping equipment; films and other photographic supplies; used postage stamps for philatelic purposes; children's outdoor play equipment; pets other than horses; feeding stuffs for pets; exercising equipment; slide rules, drawing sets and similar instruments; parts and accessories for and repairs of these recreational goods.

7.2 Entertainment, recreational and cultural services, excluding hotels, restaurants and cafés (S)

Expenditure on theatres, cinemas, sports and other places of public amusement; expenditure on private entertainment such as payments for hiring musicians, magicians, clowns, etc. for private parties; bridge, social dancing and sports lessons; expenditure on gambling; photographic portraits and other services provided by photographers such as film developing and processing of prints; hire of wireless and television sets, aeroplanes, boats, horses and other recreational goods; veterinary and other services for pets; payments for the use of teleferics, ski-lifts and similar conveyances; payments to mountain, ski, tourist and other guides; aeroplane, boat, radio, television, hunting, fishing, dog and gun licenses; admission fees to museums, art galleries, historical monuments and botanical and zoological gardens.

7.3 Books, newspapers and magazines (ND)

Books, newspapers and other printed matter, stationery; rulers; erasers; ink; staplers; pens; pencils; pencil sharpeners; paper punches; paper clips; carbon and stencil paper; typewriter ribbons and hand stamps and seals.

8. Education (S)

Fees to schools, universities, etc. except the portion representing payments for food, beverages and shelter.

9. Other goods and services

9.1 Personal care and effects and other goods n.e.c.

9.1.1. Services of barber and beauty shops, etc. (S)

Services of barber and beauty shops, baths and massage parlours.

9.1.2. Goods for personal care and other goods n.e.c. (SD)

Toilet articles and preparations including shaving equipment, electric hair driers; hair clippers, electric or not; permanent wave sets for home use; tooth brushes; toilet brushes; baby carriages; pipes; lighters; tobacco pouches; pocket knives; sun glasses; clocks; repairs to such items.

9.2 Expenditure in restaurants, cafés and hotels^{1/} (S)

Included are the value of food, drinks and tobacco consumed; tip, for services rendered by the personnel of restaurants, cafés and hotels; fees for use of camping sites and facilities.

9.3 Financial services, n.e.c. (S)

Operating expenses of life insurance companies; charges for insurance against civil responsibility for injuries to other persons or other persons' property not arising from the operation of personal transport equipment; charges for baggage insurance; actual and imputed bank charges, brokerage charges and investment counselling; money order fees and other financial services provided by the post office; fees to tax consultants; administrative charges of private pension schemes, household finance companies and other financial institutions rendering services to households.

9.4 Other services, n.e.c. (S)

Legal services; employment agencies; professional associations; dealers' margins on purchases from pawnbrokers; undertaking and other funeral services; payments for duplicating, blue-printing, photostating, addressing, mailing and stenographic services; payments for copies of birth, death and marriage certificates; payments for newspaper notices and advertisements; fees to house agents, etc.

^{1/} In addition, it is desirable to have separately the expenditure on food, beverages and tobacco in restaurants, cafés and hotels and in educational and medical institutions.

classifications for general government and private non-profit institutions. The alignment of the three classifications will facilitate combining data which are arrayed according to these classifications, on the total consumption of the population.

F. Gross Capital Formation

75. Gross capital formation (additions to the stock of fixed assets and increases in inventories) covers the expenditure of producers on the domestic supply of commodities other than for intermediate consumption. It should be noted that gross capital formation also includes the direct imports of fixed assets by general government agencies.

76. The fundamental distinction between intermediate consumption and capital formation is whether the commodity is considered to be used up in the period of account or to yield benefits in the future. However, non-reproducible tangible assets (e.g., land, mineral deposits, art objects unless newly created) and the natural growth of standing timber or crops, are not included in capital formation, just as these assets are excluded from the supply of commodities. Gross capital formation therefore falls short of measuring gross additions to real wealth during a period of account. Also, as was indicated earlier in this chapter, outlays from which benefits may accrue in the future but which are not embodied in tangible assets, e.g., expenditure on research and development, advertising, education, are considered to be intermediate consumption during the period of account.

77. It is convenient to deal with the definition, valuation and classification of increases in inventories and of gross additions to the stock of fixed assets separately, though certain problems of distinguishing between these two flows do arise.

a. Scope and Recording of Inventories

78. (a) General Principles: Inventories consist almost entirely of the materials and supplies, work-in-progress, and finished products and merchandise which have not yet been sold and which are held by resident business units.

Standing timber and crops are excluded from inventories, but stocks of logs and harvested crops are included. General government services may also engage in some transactions in inventories. These transactions involve the stocks of strategic materials, the emergency stocks of important commodities and sales of large lots of surplus goods discussed earlier.

79. In principle, inventories held by producers consist of goods to which they have legal title (i.e. have purchased), irrespective of whether they are in physical possession of the goods. In practice, however, in particular in the case of imports of commodities, it may be necessary to deviate from this principle of the time of recording additions to inventories.

80. (b) Boundary Problems: Problems of the boundary line between increases in inventories and fixed capital formation occur in the case of heavy machinery, structures and other forms of construction which are produced on order and take a considerable time to complete. It is recommended that uncompleted capital assets of this type be included in inventories. Where the purchaser makes progress payments during the course of the construction of these items, the progress payments would be recorded as his financial claim on (a trade advance to) the producer of the good.

81. Questions of distinguishing between inventories and fixed assets also arise in respect of livestock. Breeding stocks, draught animals and dairy cattle are classified in fixed assets. Other livestock (i.e., livestock raised for meat and other products) are considered to be part of inventories.

b. Measurement of Change in Inventories

82. In principle, gross additions to inventories should be valued at purchase price, or at current cost, including operating surplus, if the additions have been processed internally. Inventories withdrawn on sale should be valued, at current market prices and inventories withdrawn for internal processing should be valued at current cost prices, including operating surplus. This method of inventory accounting ensures that whenever part of the inventory is either sold or withdrawn and used up in production, a charge will be

in the production account that is sufficient to provide for its replacement at current prices. In this way the provision for replacing inventories is identical in concept to that made for the replacement of fixed assets through the valuation of the consumption of fixed capital at current prices.

83. The principles of inventory valuation used by business vary; and are often different from those required for the national accounts. As recorded by a business unit, the change in the value of stocks of a given commodity may reflect the influence of two factors: Change in value per unit of a commodity; and change in the quantity of the commodity. Only the latter is to be taken to affect capital formation and that part of the change in value due to change in price, is treated as capital gain or loss in the national accounts. It would be valuable to have separate data on the amount of these capital gains or losses.

84. The value of the physical change in stocks which enters the national accounts represents the differences between gross additions to stocks in the course of the period valued at purchase prices, or cost, including operating surplus, if internal processing is involved, at the time the additions are made; and gross withdrawals valued at market prices on sale, or cost, including operating surplus, if for internal processing, current at the time the withdrawals are made. The gross withdrawals should include the normal losses and damage experienced in respect of stocks of commodities. In practice, it may not always be possible to adhere strictly to this procedure; and instead, the difference between stocks at the beginning and the end of the period, both valued at the average prices ruling over the period may have to be used as an approximation.

c. Classification of Inventories

85. Changes in inventories are classified in the standard tables of the system according to the kind of economic activity of the holder or according to type. The latter classification is given in Table 2 below.

d. Principles of Defining Gross Fixed Capital Formation

86. (a) Scope: Gross capital formation comprises the gross additions to the stocks of reproducible fixed assets of industries, general government services and private non-profit organizations, net of sales or similar withdrawals from these stocks, but gross of the consumption of these assets in production.

87. Gross additions to the stocks of reproducible fixed assets consist of (i) purchases and own-account production of new fixed assets, (ii) acquisitions of similar second-hand (used) fixed assets, and (iii) the transfer costs (e.g., legal fees, brokers' commissions) on purchases of such non-reproducible assets as land, mineral deposits, forests, art objects which are not newly created domestically, antiques and the like. The main part of the costs of purchasing these non-reproducible tangible assets is recorded in another flow of the capital finance account of this system. It should be noted however that the full value of purchases of the newly created art of resident artists is included in fixed capital expenditure. Gross withdrawals from the stock of reproducible fixed assets consist of sales or other transfers of used reproducible fixed assets or of scraps therefrom.

88. The new fixed assets may be acquired from the supply of domestically produced or imported durable goods. The domestically produced new durable goods and the imported new or second-hand durable goods, except the direct imports of general government agencies, are part of the domestic supply of commodities. Except for the involved transfer costs (e.g., dealers' margins, transport and installation charges), the second-hand and scrapped fixed assets sold by producers are not part of the domestic supply of commodities.

89. The reproducible durable goods of interest here are those employed by industries, private non-profit organizations, and general government services in civilian production. Outlays on these goods made by general government agencies for military purposes primarily, are included in intermediate

Table 2. Classification of Increases in Inventories

1. Materials and supplies

All materials acquired for further processing, including product components held in the form in which they are purchased; coal, oil and other fuels purchased for consumption by industries; and non-durable containers, greases and other factory and office supplies of these establishments.

2. Work-in-progress

Commodities which have been partially processed, fabricated or completed by establishments or similar units of the industries sector but which are not usually sold, shipped or turned over to other establishments without further processing. Included is work-in-progress on buildings and other construction projects and other capital goods which take a relatively long period of time to complete.

3. Finished goods .

Goods ready for sale or shipment; all commodities held by wholesale and retail trade; and stocks of strategic materials and emergency stocks of important commodities held by general government.

4. Livestock except breeding stock, dairy cattle, etc.

Livestock raised for slaughter.

consumption. In principle, durable commodities comprise reproducible goods which have an expected life of use of one year or more (e.g., machinery, transport, other equipment, dwellings, industrial and commercial structures and other construction works), and expenditures on improvements and alterations in tangible capital assets which significantly extend the expected life-time of use or productivity of these assets. As has already been indicated, outlays on the transfer costs involved in transactions in such tangible assets as land, mineral deposits, forests, antiques, art objects, are also included.

90. As fixed capital formation relates to the expenditure of resident producers, the outlays on fixed assets, transportable and non-transportable, made abroad by embassies, consulates and similar diplomatic establishments of the government of a country, are part of the gross fixed capital formation of the country in question. These expenditures are the direct imports mentioned above. Similarly, the outlays on fixed assets produced on the domestic territory of a country by foreign embassies, consulates and diplomatic establishments located there, are recorded in the exports, not the fixed capital formation, of the given country. The fixed capital expenditure of international agencies located in the country is treated in the same fashion.

91. (b) Method and Time of Recording: The practice adopted of recording gross acquisitions and dispositions of fixed assets in the capital accounts of producers, gives the identical value of gross fixed capital formation for a country as defining the aggregate in terms of those gross additions and withdrawals only which effect the stock of reproducible fixed assets of the country, taken as a whole. This is so as counter-balancing credit and debit entries are recorded in the case of transactions in second-hand fixed assets between resident producers. The practice of recording all gross acquisitions and withdrawals in the fixed capital accounts of the various transactors is suggested since it furnishes a more realistic portrayal of the situation of each class of transactors and of the transactions which actually take place in the economy. However, it will be desirable for some

purposes to segregate net sales of second-hand and scrapped fixed assets from acquisitions of new fixed assets. This is provided for in the system by the inclusion in the classification of commodities of separate categories for second-hand goods and for scrap and wastes.

92. Transactions on the capital expenditure account should, in principle, be recorded on a payable-receivable basis. Acquisitions of fixed assets are to be entered when the purchaser takes legal possession of the fixed asset. In the case of structures and other construction projects or heavy machinery and equipment made on order, the legal title usually passes to the purchase when the fixed asset is completed.

93. (c) Valuation: Outlays on gross additions to the stock of fixed assets should, in principle, be valued at the cost of purchase on the market, including delivery to, and installation for use by, the purchaser. However, it may be impracticable to value fixed assets produced on own-account at these prices, particularly in the case of construction of structures and other projects and alterations in these and other fixed assets. Not infrequently, it may therefore be necessary to resort to valuing such own-account production at explicit cost, i.e., exclusive of the profit margin which would be realized by the producer of the same commodity for sale.

94. The value to be assigned to acquisitions of fixed assets should cover all costs directly related to acquiring the capital assets and installing them for use. This value comprises the purchase price of the fixed asset, customs and other indirect taxes, transportation, delivery and installation charges, direct preliminary outlays connected with the capital asset such as site clearance and fees paid to architects and engineers, and all legal costs and any fees paid to Government. Indirect expenditures for financing the acquisition of the capital assets, such as flotation costs, including underwriters' fees and commissions and expenses connected with special advertising campaigns, are excluded. Such expenditures are treated as intermediate consumption in the period of account in which they are incurred even where they are capitalized by the business which makes the outlays.

e. Boundary Problems between Fixed Capital Formation and Intermediate Consumption

95. In addition to questions of the borderline between increases in inventories and fixed capital formation such as were discussed above, difficulties may occur in drawing distinctions between intermediate consumption and fixed capital formation. Though relatively common problems of the type have already been dealt with in an earlier section of this chapter, it will be useful to consider some of these questions in greater detail here.

96. (a) Military Facilities: Outlays by general government on the construction or alteration of dwellings for military personnel other than military barracks, are classified as fixed capital formation. The distinction between family dwellings and military barracks should be based on the type of housing provided as these dwellings are included in capital formation because the facilities furnished are similar to those which would normally be rented. On the other hand, the construction of schools, hospitals, airfields or roads for use by the armed forces is classed as intermediate consumption even if these facilities might be put to civilian use. The transfer of such facilities to civilian purposes at a later date constitutes an addition to the stocks of capital assets, which should be valued at current market prices. The counterpart entry is a reduction, preferably retroactive, in the intermediate consumption of general government services. Outlays on the conversion of these facilities to civilian use are also to be included in fixed capital formation.

97. (b) Capital and Current Repairs: It is necessary to distinguish between outlays which make good breakages in fixed assets and keep them in proper working order, i.e., current repair and maintenance, and outlays which lengthen the expected normal life of use of fixed assets or increase the productivity of these goods substantially, i.e., capital expenditures. The capital expenditures often consist of significant alterations and

additions to, or replacements in the parts of fixed assets. Outlays on new parts which have an expected life of use of one year or more should be classed as capital expenditure only if the outlays are substantial and the parts involved are not short-lived relative to the remaining life of use of the fixed assets or alter the character or volume of the services furnished by the capital assets. Thus, for example, the replacement of the tyres of trucks, dies, bits and cutting parts on presses or lathes, painting and re-decorating of dwellings, should not be treated as capital formation. On the other hand, the replacement of engines in trucks or motors in presses and lathes, or the addition of rooms to dwellings, should be classified as capital formation. It is likely to be convenient, in practice, to classify relatively small outlays on tools and office and other equipment as intermediate expenditures even if these items have an expected lifetime of one year or more. This is often the practice followed in business accounts.

98. (c) Outlays on Development: Significant outlays on the development and extension of farms, plantations, timber tracts, mines and the like, should be treated as capital formation rather than as intermediate consumption. These expenditures may be for land clearance and reclamation, preparation and extension of sites for extracting minerals and petroleum, construction of irrigation works, water holes and wells, preparation and initial stocking of fish ponds, clearing and planting new timber tracts, and planting and tending new orchards, rubber plantation and other new holdings of fruit-bearing or sap-bearing plants which yield products only after a number of years of cultivation. When these new holdings become productive, outlays on replanting, cultivation and other aspects of operating them, should be classified as intermediate consumption. In general, relatively small outlays for such purposes as fencing, water holes and wells in the case of farms and ranches which are in operation, should be considered intermediate consumption. Expenditures on timber supports and similar aspects of operating mines and on sinking test shafts and similar small-scale construction activities in prospecting for minerals, are also classed as intermediate consumption.

99. (d) Buildings: In the construction of dwellings or industrial and

commercial buildings, all outlays made to put these structures in condition for use, excluding the value of the land before improvement, should be included in fixed capital formation. In the case of dwellings, for example, this expenditure will cover the cost of external and internal painting, all permanent fixtures such as fixed stoves, central heating and water supply installations and all equipment customarily installed before renting. Not included are furniture, household implements and similar equipment.

100. Capital formation in dwellings, industrial and commercial buildings will also include major alterations and additions, e.g., installation of new central heating and air conditioning systems, addition of space, major changes in dividing walls. However, external and internal painting of existing structures or repair and replacement of worn-out and damaged gutters, plumbing, boilers, steam pipes, should be classified as intermediate consumption. In the case of rented dwellings, outlays on current repair and maintenance should be included in intermediate consumption if paid for by the owner, but in household consumption expenditure if paid for by the tenant. In the case of owner-occupied dwellings, these outlays would be included in the intermediate consumption of the industry ownership of dwellings, and in the consumption expenditure of the occupying household as part of imputed gross rent.

f. Classification of Gross Fixed Capital Formation

101. Gross fixed capital formation is classified in the supporting tables of the system according to the kind of economic activity of the owner or the type of fixed asset involved. The classification according to type of fixed asset is given in Table 3 below. The definitions of the categories shown in the table supplement the definitions of gross fixed capital formation given above.

G. Exports and Imports of Goods and Services

102. Exports and imports comprise the transactions in goods and non-factor services of resident economic agents with the rest of the world. These transactions

Table 3. Classification of Gross Fixed Capital Formation by Type

1. Dwellings

Finished residential buildings, excluding the value of the land before improvement if this can be separately estimated; and major alterations and improvements of residential buildings. Includes the cost of external and internal painting of new buildings and of all permanent fixtures such as furnaces, fixed stoves, central heating and water supply installations and all equipment customarily installed before a dwelling is occupied. Hotels, autocourts and similar buildings operated on a purely transient basis are considered as non-residential.

2. Non-residential buildings

Finished buildings and structures other than dwellings; and major alterations and improvements of non-residential buildings. Includes the construction of factories, warehouses, office buildings, stores, restaurants, hotels, farm buildings such as stables and barns, and buildings for religious, educational, recreational and similar purposes and of the fixtures and non-moveable equipment which are an integral part of these structures.

3. Other construction except land improvement

Completed new construction and major alterations and renewals of non-military projects such as the permanent ways of railroads, roads, streets, sewers, bridges, viaducts, subways and tunnels, harbours, piers and other harbour facilities, car parking facilities, airports, waterways, pipe-lines, oil-wells and mine shafts, water-power projects, dams, dykes, aqueducts, drainage and sanitation projects, athletic fields, electricity transmission lines, gas mains and pipes, telephone and telegraph lines, etc. Includes the cost of raising the surface of future building sites, levelling the sites and laying out the necessary streets and sewers, but excludes groundwork within the building line, when a start is made on the actual construction, which should be included in dwellings or non-residential buildings, as the case may be.

4. Land improvement and plantation and orchard development

4.1 Land improvement

All land reclamation and land clearance, regardless whether it represents an addition to total land availability or not; irrigation and flood control projects and dams and dykes which are part of these projects; forest clearance

and afforestation; and transfer costs in connexion with transactions in land, mineral deposits and concessions, forests, fishing concessions and the like.

4.2 Plantation, orchard and vineyard development

Planting and tending until they yield products of new orchards, rubber plantations, and other new holdings of fruit-bearing and sap-bearing plants.

5. Transport equipment

Finished ships, motor vehicles, aircraft, railway and tramway rolling stock, tractors for road haulage, carts and wagons acquired and disposed of by the establishments of enterprises, civilian sector of general government and private non-profit organizations; and major alterations and improvements of existing transport equipment of this type owned by these sectors.

6. Machinery and other equipment

6.1 Agricultural

Agricultural machinery and equipment like harvesters, threshers, ploughs, harrows and other cultivators, and tractors other than for road haulage; and major alterations and improvements in these kinds of equipment.

6.2 Other

Power-generating machinery; office machinery, equipment and furniture; metal working machinery; mining, construction and other industrial machinery; cranes, fork-lift equipment and the like; durable containers; equipment and instruments used by professional men; furniture, furnishing and other durable equipment for use by hotels, boarding houses and non-profit institutions, etc; and major renovations and alterations in these types of machinery and equipment. Items of small value such as hand tools and office desk equipment may be excluded on practical grounds if the customary accounting procedure is to treat them as a current expense.

7. Breeding stock, draught animals and dairy cattle

Included are breeding stock, draught animals and dairy cattle.

should, in principle, be recorded in the accounts at the time at which the ownership of (legal title to) the goods passes, or the services are rendered, consistent with the principles of recording in the case of the inventory and other final use accounts of the system. However, as most of the data on exports and imports of goods will necessarily be based on external trade statistics, the time of recording transactions employed in these statistics will determine the approach to recording which, in practice, can be adopted in the national accounts. In most instances, external trade statistics record the physical movement of goods across the customs and free-zone frontiers of a country. Where this is the basis for recording the exports and imports of most goods in the national accounts, payments received for such exports or payments made for these imports before the goods cross the customs frontiers should be recorded as trade advances received from or made to, respectively, the rest of the world.

103. As external trade statistics do not cover all exports and imports of goods and services, it is necessary to supplement these data for purposes of the national accounts. Table 4 below sets out the categories of exports and imports to be utilized in the system and the way in which these categories should be defined and the transactions included are to be valued. The recommendations given in the table are designed to attain as much consistency as is possible with external trade statistics and the Balance of Payments Manual of the International Monetary Fund while providing for data on exports and imports which are co-ordinated with the other transactions in goods and services recorded in the system. Another consideration in devising the classification of exports and imports has been the analytical requirements for these data within the framework of national accounting.

104. The definition of the category "Exports or Imports of Merchandise" is essentially identical with the concept of general trade in external trade statistics. The use of the concept of general trade brings about the highest degree of consistency between this category and the corresponding

Table 4. Classification and Definition of the Categories of
Exports and Imports of Goods and Services

(The first portion of the code for exports of goods and services is 2.7; the first portion of the code for imports of goods and services is 1.6)

2.7.1 and 1.6.1 Exports and imports of merchandise.

The concept is that of general trade in external-trade statistics and the Balance of Payments Manual, i.e., goods crossing the customs and free-zone boundaries of a given country, except goods in transit. All items covered in external-trade statistics are included in exports and imports of merchandise. Covered in addition are ship stores and bunkering; gold ore, unrefined gold and gold for industrial use; and exports of newly refined gold ingots and bars for non-industrial uses.

(Newly refined gold ingots and bars for non-industrial uses are considered an export though not crossing customs boundaries in order to make the shift from a commodity produced in the course of smelting and refining, to a financial asset.)

Except for the portion which is newly produced, refined non-monetary and non-industrial gold is not included in the export and import of goods and services in this system, but is covered in these transactions in the Balance of Payments Manual.

Certain items included in merchandise trade in the Manual which are not actually movements of goods across customs borders and are therefore not covered in external-trade statistics, are classified under other categories of external transactions in this system. Goods purchased by a Government in a foreign country for shipment to and use in another foreign country, are included under "Direct purchases abroad of general government" of the given Government; and income on goods bought in a foreign country by resident enterprises of a given country for sale in another foreign country, is included in receipts of "Property and entrepreneurial income" of the country in question. On the other hand, certain items excluded from merchandise trade in the Manual which are actually movements of goods across customs borders and are therefore covered in external-trade statistics, are classified under merchandise trade in this system. The full value of all exports and imports of goods for processing is included here, but where a change of ownership is not considered to take place, the value of the service rendered is covered under the item, Other services, in the Balance of Payments Manual.

Merchandise exports should be valued f.o.b. customs frontier of the exporting country, including export duties; and merchandise imports are to be valued c.i.f. customs frontier of the importing country. The value of imports will therefore exclude import duties but include the freight and insurance to bring the goods to the customs frontier which is paid to residents, as well as non-residents. It will be desirable, where feasible, to compile supplementary data on (i) imports valued f.o.b. the customs frontier of the exporting country, (ii) freight and insurance paid to non-residents, and (iii) freight and insurance paid to resident industries.

2.7.2 and 1.6.2 Transport and communication

i. Freight on international shipments

Covers shipments by ocean vessels, aircraft, railways, motor vehicles and other road carriers, inland waterway carriers, and oil and gas pipe lines. Includes freight on goods not included in merchandise trade, such as gold and household goods of diplomats, as well as the value of transportation services rendered.

Exports include payments to resident carriers by non-residents for freight on the country's exports; for transport of goods between any two foreign countries; and for foreign transit traffic within the country. If important, freight received by domestic carriers from non-residents or residents on the transport of the country's imports of merchandise should also be included. Imports include freight paid by residents to foreign carriers on transport of goods between any two foreign countries and imports of goods not included in merchandise trade.

ii. Passenger fares

Fares for international transport of passengers, including shipboard and similar expenses and fees charged for excess baggage and other articles accompanying passengers, e.g. automobiles.

iii. Other transportation and communication

Receipts and expenditures for time charter, harbour and airfield fees and towage, as well as international settlements on account of post, telegraph, telephone, radio and television. The following items included under the equivalent heading in the Balance of Payments Manual are excluded here:

Ship stores and bunkering (included under merchandise trade), expenditures of crews in foreign ports (included under Direct purchases by households), and repair and maintenance services (included under Other goods and services.

2.7.3 and 1.6.3 Insurance service charges

i. Insurance of international shipments

Exports include the share of non-residents in the insurance service charges of domestic insurance companies on the country's exports of merchandise, on shipments of merchandise and gold between foreign countries; and on shipments to the country in question of non-merchandise items. In principle, exports should also include insurance service charges paid to resident companies on a country's imports of merchandise.

Imports include the share of residents in the insurance service charges of foreign insurance companies on international shipments other than goods included in merchandise trade.

ii. Other insurance

The share of non-residents in the service charges of domestic producers and of residents in the service charges of foreign producers, respectively, on insurance, except on international shipments, against fire, theft, damage and other accidents; on reinsurance of international shipment; and for life insurance and participation in pension funds.

2.7.4 and 1.6.4 Direct purchases by households

Expenditure in the country by non-residents and expenditure abroad by residents, such as tourists, students, travelling businessmen, government officials, crews, border and temporary seasonal workers, and diplomatic and military personnel stationed abroad. Covers expenditure for personal consumption of goods, whether consumed on the spot or brought into the country of residence, and of services, including local transportation.

2.7.5 or 1.6.5 Direct purchases by extra-territorial organizations or general government, respectively

Exports of this type by a country consist of purchases, net of sales, of supplies, equipment and other goods and services by extra-territorial civilian or military agencies stationed in the given country; and Imports of a country consist of purchases, net of sales, in foreign countries of goods and services for the extra-territorial agencies and other direct uses abroad by the Government of the given country. Includes rents paid for embassy buildings and other real estate and underwriters' commissions on government securities sold outside the country of issue.

Also includes transactions in military buildings and other construction located in foreign countries; and the deficit or excess, respectively of the contributions of a country to joint military installations and specific common defense expenditures over these expenditures on goods and services on the domestic territory of the given country. The following items included under comparable items of the Balance of Payments Manual are excluded here: Personal expenditures of diplomatic and military personnel in the foreign country where they are stationed (included in items 2.7.4 and 1.6.4 above); and leases of naval and other bases (included in Property and entrepreneurial income).

2.7.6 and 1.6.6 Other goods and services

Payments and receipts for repair of goods sent abroad and received from abroad, respectively, for this purpose; management fees and reimbursements for home office expenses to parent companies from foreign branches and subsidiaries; underwriters' commissions on private securities sold outside the country of issue; fees to agents operating for foreign principals; film and other rentals; advertising; membership dues; rents for office space etc. paid by non-resident commercial travellers; direct subscriptions to newspapers and magazines; commissions and handling charges on gold; and transactions in goods and services not elsewhere classified.

The following transactions included under comparable items of the Balance of Payments Manual are not classified here: Personal expenditure of border and other non-resident workers (included in items 2.7.4 and 1.6.4 above); settlements on communication accounts (included in items 2.7.2 and 1.6.2); copyright and patent royalties, and profits or losses on arbitrage transactions in foreign exchange with non-residents (included in Property and entrepreneurial income).

class of the Balance of Payments Manual and the widest possible coverage of exports and imports in external trade statistics. Co-ordinating the category with the scope of general trade in external trade statistics has resulted in some divergencies from the definition of merchandise trade in the Manual. For example, goods purchased in a foreign country by a government for use in another foreign country is not recorded under merchandise trade, as in the Manual, but under "Direct purchases abroad of general government." This classification of the transactions is also consistent with the definition in the system of "Direct purchases abroad of general government. Or, all exports and imports for processing are included under "Exports or Imports of Merchandise" here, but not always in merchandise trade in the case of the Manual.

105. As in external trade statistics, exports are recorded FOB (i.e., the market value of goods at the customs frontier of a country, covering all costs of transport to the frontier and the costs of loading on to ships or other international carriers) and imports are entered CIF (i.e., the market value of the goods at the customs frontier of a country, but excluding the costs of unloading from ships or other international carriers). Import duties levied on the goods or subsidies granted on the imported merchandise are not covered in the flow. Provision is made for supplementary data on the freight and insurance payments to resident and non-resident producers which are included in the CIF valuation of imports. In view of the basic use of CIF valuation for imports, the categories on exports of transport and insurance services cover purchases of these services from resident producers when rendered in respect of merchandise imports.

106. The classes "Transport and communication" and "Insurance service charges" are defined in the same way as the corresponding categories of the classification of commodities of the system. As a result the scope of the former category differs in certain respects from that of the corresponding class

of the Manual. For example, expenditure of ship crews in foreign ports is classified under transport in the Manual, but under "Direct purchases abroad by households" in Table 4. This classification of the personal expenditure of ship crews abroad is called for by the definition in the system of direct purchases abroad by households.

107. The category "Other goods and services" is designed to accommodate non-factor services which should not be classified under any of the other categories of the classification in Table 4. Included are payments and receipts for the repair of goods shipped from one country to another for this purpose. This treatment of exports and imports for repair is consistent with that of the Manual, but not with the approach taken in external trade statistics. Receipts and payments for the use of property are included in the comparable category of the Manual, but in "Property and entrepreneurial income" in this system.

CHAPTER V. TRANSACTIONS ON THE INCOME AND OUTLAY AND CAPITAL FINANCE ACCOUNTS

1. This chapter deals with the definition and classification of the transactions of the system other than in goods and services. The two sets of transactions are linked through the incomes derived from the production of goods and services and the outlays made on final consumption and capital formation.

A. The Classes of Transactions

2. The value added in domestic production, net of the consumption of fixed capital, is distributed to residents and non-residents in the income and outlay accounts. Employee compensation may be paid to resident or non-resident individuals, but the operating surplus and the indirect taxes reduced by subsidies from domestic production, are the incomes of resident institutions only. Compensation of employees and operating surplus are the two forms of factor income in the system. Also shown on the income and outlay accounts are the wages and salaries received by residents who are employed in other countries, and the transfers, disbursements and receipts, of entrepreneurial and property income. These transfers take place among the resident institutions and between them and the rest of the world. The sum of the employee compensation and the net incomes from entrepreneurship and property of residents, gives the national income.

3. The income and outlay accounts also portray the redistribution of incomes among the institutional sectors by means of unrequited current transfers. The net result of the receipts of factor incomes and the transfers of incomes is the disposable income of residents. Finally, the way in which the institutions apportion disposable income between consumption expenditure and saving, is indicated on the income and outlay accounts.

4. The capital finance accounts delineate the types of gross investment made by residents and the manner in which the investment is financed. Key types

of investment are, of course, gross fixed capital formation and the accumulation of inventories. The other forms of investment consist of purchases of non-reproducible tangible and selected intangible assets and acquisitions of financial claims on national and foreign institutions. Saving, carried down from the income and outlay account, and consumption of fixed capital, provided for in value added, are major ways of financing gross investment. The other sources of finance are capital transfers and the incurrence of liabilities to resident and non-resident institutions.

5. The classes of transactions outlined above, except for outlays on final consumption and on gross capital formation, are discussed in this chapter. Expenditures on final consumption and gross capital formation have been dealt with in the preceding chapter.

B. The Components of Value Added

6. Value added at market prices comprises compensation to employees, operating surplus, the consumption of fixed capital and the excess of indirect taxes over subsidies. Operating surplus is simply the excess of value added (the difference between gross output and intermediate consumption, both valued at market prices) over the sum of the three other flows.

a. Compensation of Employees

7. (a) General Definition: Compensation of employees comprises all payments by resident producers of wages and salaries, including supplements whether in cash or in kind, and of contributions to social security, pension and similar schemes in respect of their employees. Members of the armed forces, irrespective of the duration and type of their service, are included among employees. Wages and salaries cover such payments as commissions, tips and bonuses; cost-of-living or dearness allowances; vacation, sick-leave and lay-off payments made by the employer; fees to directors and ministers of religion; contributions in respect of social security, pension and like schemes; and the cost to the employer

of supplements in kind to wages and salaries such as food, lodging and clothing. Excluded from compensation of employees are such items as family allowances not financed directly by the employer; travelling and other expenditure incurred for business purposes and reimbursed by the employer; and pension payments. Wages and salaries and other payments in respect of employees should be recorded as of the time services are rendered by the employees.

8. (b) Classification: Compensation of employees should be classified into payments in respect of civilian employees and payments in respect of members of the armed forces. It is also of value to sub-divide compensation of civilian employees into (i) wages and salaries, including supplements in cash and in kind, (ii) employers' contributions to social security schemes in respect of their employees and (iii) employers' contributions to pension and similar schemes in respect of their employees. Compensation of members of the armed forces will be classified into (i) wages and salaries, including supplements in cash and in kind, and (ii) employers' contributions to social security, pension and similar schemes.

9. (c) Supplements in Kind: Supplements in kind to wages and salaries should include the cost to the employer of those goods and services furnished to employees free of charge or at markedly reduced cost which are clearly and primarily of benefit to the employees as consumers. Expenditures by producers which are of benefit to them as well as their employees (e.g., on the amenities of the place of work, medical examinations, sports and other recreational facilities, travelling, entertainment and similar outlays by employees in connexion with the business), should be included in intermediate consumption rather than in compensation of employees. In general, expenditures by employees on tools, equipment and special clothing for use in their work will constitute deductions from wages and salaries only when the employees have a contractual obligation to make these outlays.

10. Free issues of food, beverages and tobacco, and clothing, including uniforms, to members of the armed forces are considered part of their wages and salaries.

On the other hand, uniforms and other work clothing furnished free of charge to civilian employees should not be classed as income in kind. The difference in treatment between uniforms issued to members of the armed forces and uniforms issued to civilian employees, is based on the common practice of wearing military, but not civilian work clothing whether or not on duty. The imputed gross rent of dwellings provided free or at reduced rent to employees should be included in their wages and salaries. This is the case for family dwellings, but not barracks, provided to military personnel.

11. (d) Imputations of Employers' Contributions to Pension Schemes: If the contributions to pension schemes due from employers on behalf of their employees are not actually recorded (e.g., where the employer pays pensions without having set up a special fund or reserve), the contributions should be imputed. If the number and age composition of the employees in respect of which the pension liability accrues and the scales of wages and salaries and pensions have remained relatively stable, the pensions actually paid to past employees might be utilized as the basis of estimating the imputed premium. Otherwise, comparisons with pension rights and contributions under similar schemes which cover a labour force similar in composition, may be of assistance in estimating the imputation. In lieu of more exact estimates of the contribution to be imputed, the actual pensions paid may be utilized as an estimate.

12. The imputed contributions will of course be included in the amount of compensation paid to employees. If the imputed premiums differ from the amount of actual pension paid during the period, the difference should be recorded on the income and outlay accounts as an imputed transfer payment between households and the employers.

b. Consumption of Fixed Capital

13. (a) Scope: Consumption of fixed capital may be defined in general terms as that part of the gross product which is required to replace fixed capital used up in the process of production during the current period of account. This flow is based on the concept of the expected economic life-time of the individual assets and is designed to cover the loss in value due to foreseen

obsolescence and accidental damage, as well as normal wear and tear. Unforeseen obsolescence is treated as a capital loss at the time at which it actually occurs, rather than as capital consumption. Charges for the depletion of exhaustible natural resources are not included in the consumption of fixed capital.

14. In principle, the scope of the capital equipment for which consumption should be recorded is given by the definition of gross fixed capital formation. Because of practical difficulties, consumption of fixed capital is not however provided for in the case of general government assets in the form of construction other than buildings. In such cases, it may be considered that expenditure on repair and maintenance is sufficient to maintain the assets in their original condition.

15. (b) Valuation: In a stationary economy, in which the quantity of fixed assets in use remains the same and does not change in quality, consumption of fixed capital can readily be defined so that in each year it is equal to the replacement needed. The problem of definition is, however, more complicated in an economy characterized by changes in demand or by technical changes leading to obsolescence; and no general rule can be formulated for such situations. It seems reasonable however, to value consumption of fixed capital on a straight-line basis with reference to the expected economic life-time of the individual assets.

16. (c) Estimation: In general, producers base their methods of computing annual provisions for wear and tear and obsolescence on the concept of maintaining the money value of their capital intact by allocating the original cost of the asset over its expected economic life-time. This procedure is open to objection since, as prices and techniques change, the cost of using fixed assets may be greater or less than that obtained by such a calculation. Accordingly, estimates of consumption of fixed capital should take into account the cost of replacing the assets in the year for which the estimates are being made.

17. A calculation of this character is however difficult to make since in most cases the only available data are the provisions actually made by producers. Information about the prices of comparable capital goods and about the changes in the productivity of these goods, that is required to convert the actual charges to a replacement-cost basis, is seldom adequate.

18. In view of the changes which may occur in the price level of capital goods, it is nevertheless important that some adjustment of the provisions actually made should be undertaken. In estimating this adjustment no attempt should be made to allow for arrears of depreciation arising from the fact that earlier provisions have been made at a lower price level since the estimates of consumption of fixed capital are treated as a current cost of production.

19. Since the adjustment for national accounts purposes may be considerable and subject to a large margin of error and since a knowledge of the actual provisions made, and of the net incomes calculated on the basis of these provisions, may be useful for various analytical purposes, it is recommended that the size of the adjustment be separately indicated, as in the case of the adjustment for inventory valuation. It will also be valuable, if feasible, to show these adjustments classified according to the sector and kind of economic activity of producers.

20. Estimates of the value of accidental damage to fixed assets arising from such events as fire and flood should be determined by reference to the unexpired economic life-time of these assets and valued at current prices. Where the assets are actually insured against such risks, estimates of the value of accidental damage may be approximated from the value of the related insurable claims paid.

c. Indirect Taxes and Subsidies

21. (a) General Criteria: Value added at market prices reduced by the excess of indirect taxes over subsidies, is equivalent to value added at factor incomes. Thus indirect taxes are considered to enter into market prices, but not to contribute to factor incomes. On the other hand, subsidies add to

factor incomes. One of the objects of making a distinction between direct taxes and other current transfers to government, on the one hand, and the excess of indirect taxes over subsidies, on the other, is to classify payments as to whether or not they are paid out of factor and other incomes. This leads to the use of the criteria of the basis on which and on whom taxes are levied in order to distinguish between indirect and direct taxes. The corollary of this is the use of similar criteria in order to separate subsidies from other forms of current transfers made by general government agencies.

22. (b) Time of Recording: For indirect taxes and subsidies, as for other transfers, the general rule adopted is to record them at the date when they are due to be paid. In the case of indirect taxes, an obligation usually arises at some clearly stated point in the production or sale of goods and services. This point of time may differ slightly from the time at which they should be recorded as due to be paid to the government, but the discrepancy involved is not likely to be large. This same is usually true with regard to subsidies. Where a subsidy takes the form of a difference between the buying and selling price of a government trading organization, however, the position is less clear. Subsidies of this type should be considered as payable to the public enterprises at the date the goods enter its inventory. This treatment implies that such inventories are valued at the selling price charged by the public enterprise to the buyer.

d. Indirect taxes

23. (a) Scope: When paid directly by industries, general government services or private non-profit units, indirect taxes are taxes assessed on the production, sale, purchase or use of goods and non-factor services which are chargeable to the expenses of production. When paid directly by households, indirect taxes are taxes on the possession or use of goods and services, in the assessment of which no account is taken of the personal circumstances (e.g., income or wealth) of the taxpayer. Common examples of indirect taxes are imports, exports and excise duties, sales taxes, entertainment

duties, betting taxes, motor vehicle duties, local rates, business licences and stamp duties. Real estate and land taxes are classed as indirect taxes except in those cases where they may be considered as merely an administrative procedure for the assessment and collection of income taxes.

24. (b) Fiscal and Other Public Monopolies: The operating surplus, reduced by the normal margin of profits of business units, of fiscal monopolies of government (e.g., for the production and distribution of tobacco and alcohol) are considered indirect taxes since at least this portion of the surplus would be designed to raise general revenue. Fiscal monopolies are utilized to raise the revenue which in other countries is often gathered through indirect taxes on the production and distribution of tobacco, alcohol and similar items by private business units. Difficulties will arise in respect of the treatment of the operating surplus of public industries which are in a monopolistic position, but cannot be classified as fiscal monopolies, and which are wholly owned by government. In such cases it will frequently be necessary to investigate the consideration behind the price-fixing policy of the public industry. Some guidance may be obtained from whether the surpluses (deficits) are of a permanent character or tend to cancel out over the years. If the surpluses, reduced by the normal margin of profits of business units, are of a permanent character, they may be assumed to be a means of government for raising general revenue; and be treated as indirect taxes.

25. (c) Boundary Problems: Problems arise in respect of the classification of certain payments by households to general government as indirect taxes, on the one hand, and purchases of goods and services or current transfers, on the other, e.g., in the case of licences for wireless and television sets, animal licences, airport duties, or fees for passports, driving licences and tests. Payments which are considered to be indirect taxes or purchases of goods and services would of course enter into household consumption expenditure. The charges to be treated as indirect taxes are those which are levied for general revenue purposes mainly and which are not payments for a service provided on a voluntary basis. Thus, among the examples listed above, licences

for wireless and television sets could be classed as indirect taxes if government broadcasting services are not available. If these services are available, it will be more appropriate to treat these licence fees as purchases of goods and services. None of the other charges mentioned above are likely to be levied for general revenue purposes. Except for airport duties, these charges are in respect of services the primary purpose of which is to serve as an instrument of government policy; and therefore should be included among current transfers to general government. Airport duties should be considered as the purchase of a service.

e. Subsidies

26. Subsidies include all current grants made by government to private industries. Transfers by the public authorities to private industries for investment purposes or to cover destruction, damage and other losses in capital and working assets are classed as capital transfers rather than as subsidies. Current grants made to private non-profit organizations serving households are not to be considered subsidies. Such payments will be classified as purchases of goods and services or current transfers by general government, depending on the circumstances and conditions of a given payment. Nor are any grants to households classed as subsidies. The value of coupons made available by government agencies to specific groups of the population to enable them to obtain goods at prices lower than the current market prices are classified as current transfers to households.

27. Under some circumstances subsidies also include the grants made by government organs to public corporations in compensation for losses (negative operating surplus), and the losses of government enterprises. This will be the case when the loss is clearly the consequence of the policy of the government to maintain prices at a level at which the proceeds of the public enterprises will not cover the current costs. In order to determine whether this is the situation, it may be necessary to investigate the considerations behind the price-fixing policy of the enterprise. Circumstances such as the following would suggest that the loss is a consequence of the price policy of the government: the public enterprise is in competition with private enterprises which receive subsidies; or the public enterprise in question is in a monopolistic position and has experienced losses over a number of consecutive years.

28. Grants made to public corporations which are not classified as subsidies, should be treated as capital transfers. In the case of government enterprises, losses which are not compensated for by subsidies should be transferred to the income and outlay account of general government agencies, either as negative entrepreneurial income or as negative operating surplus, depending on whether or not these enterprises are included in the non-financial corporate and quasi-corporate enterprise sector.

C. Transfers

29. A number of categories of transfers in addition to indirect taxes and subsidies are shown in the accounts and supporting tables of this system. The transfers may be classified into (i) transactions arising from the ownership of enterprises and other property; (ii) other requited (contractual) payments and receipts, e.g., those associated with casualty insurance or the non-fulfillment of contracts; (iii) obligations to, and commitments of, organs of government, all of which are unrequited transfers and (iv) other unrequited but voluntary grants. The last two classes of transactions are subdivided into current or capital transfers, depending on the basis on which, the purpose for which, and the frequency with which the transfer is made. For example, transfers are considered to be capital in character if they are based on the wealth of the payee or are intended to finance the investment of the recipient and if the transactions take place infrequently in the case of either the payee or the recipient. The principles adopted for distinguishing between current and capital transfers are described in some detail below, in the section on capital transfers.

D. Income from Property and the Entrepreneurship of
Quasi-Corporate Enterprises

30. Income from property and entrepreneurship may be generally defined as actual and imputed transfers of income accruing from the ownership of financial assets, agricultural and other land, patents, copyrights, concessions and the like; and from the ownership of those unincorporated enterprises which are not included in the same institutional sector of the system as their owners. The latter situation occurs in this system in respect of at least some government enterprises and other quasi-corporate non-financial enterprises and unincorporated financial institutions. The way and form in which income from property and entrepreneurship is distributed in the national accounts depends on the institutional structure and arrangements of an economy, as well as the character of the system of accounts.

31. Income from property should be recorded when payable. For example, no attempts should be made to apportion interest and net rent to different periods. Dividends should also be recorded when payable rather than when earned or declared.

a. Interest and Dividends

32. Interest and dividends are common forms of income transfers in respect of the ownership of financial assets and liabilities. Interest includes income payments in respect of such claims as bank and other deposits; promissory notes, bills, bonds and other loans, private and public; accounts receivable and payable; consumers' debt and advances; and equities on life insurance actuarial reserves and pension funds. Some of these flows of interest, e.g., on life insurance actuarial reserves, pension funds and bank deposits, may need to be imputed, at least in part. This would be the case for bank deposits, for example, if a service charge on the production account were imputed to industries and households as in the present SNA. Dividends are income payable and receivable in respect of equity in private incorporated

enterprises, co-operatives and public corporations.

b. Rent and Similar Flows

33. In principle, only net rents for use of agricultural and other land should be included in income from property. Uses of land for other than for agricultural purposes may consist of the granting of rights to exploit mineral deposits, timber tracts and fishing sites, to construct buildings and structures, to lay railroad rights of way, or to engage in other industrial and commercial activities on parcels of land. Net rents on residential and non-residential buildings and other structures, and on the use of other durable commodities, are included in the operating surplus of the owner of the fixed assets since the relevant rents are treated as payments for a commodity-type service in this system.

34. Where farms, including agricultural buildings and equipment, are let, it may not always be feasible to sub-divide the rent into net rent for the agricultural land and rent for the buildings and equipment. In that case the total rent should be included in the flow on property income. Where the owner of let land is responsible for taxes or expenditure on maintenance, the rent received should also be sub-divided into these current costs to the owner and net rent. The portion of the rent covering the current costs should be entered on the production account and the net rent should be recorded on the income and outlay account.

35. It should also be noted here that royalties and similar payments for the use of patents, copy rights and similar concessions, are included in income from property.

c. Income from the Ownership of Unincorporated Enterprises

36. In this system, at least some government enterprises and private unincorporated non-financial enterprises are included in the sector "Non-financial enterprises, corporate and quasi-corporate", but they do not have retained saving. Included among these private unincorporated non-financial enterprises

are the actual and notional branches of foreign enterprises engaged in production on the domestic territory of a country. All of the saving of the quasi-corporate non-financial entities is transferred to the sector of their owners as income from entrepreneurship. The approach taken in respect of private unincorporated financial organizations is identical.

37. In the case of the aforementioned private unincorporated enterprises, saving is equivalent to the balancing item on the income and outlay account exclusive of entrepreneurial income paid. In the case of government enterprises, the entrepreneurial income paid to general government is equivalent to the operating surplus reduced by any direct taxes which may be paid on the account of the enterprise.

E. Transactions in Respect of Insurance and Other Contracts

38. In view of the establishment of income and outlay accounts for the various institutional sectors, it is essential to record on these accounts the income transactions involved in the insurance of risks, such as fire, floods or accidents, and other forms of casualty insurance. The flows to be recorded are premiums payable (receivable) reduced by the service charge imputed on the production account, on the one hand, and claims receivable (payable), on the other.

39. Certain forms of casualty insurance cover the risk that the insured organization may inflict damages on third parties, e.g., insurance against claims arising from injuries to pedestrians inflicted by motor vehicles of the insured organization. In principle, when such claims are paid, they should be treated, firstly, as a transfer from the casualty insurance company to the insured organization and, secondly, as a transfer from the insured organization to the injured party. However, in practice, it may be preferable to treat the payment as a transfer from the casualty insurance company directly to the injured party.

40. Payments made by one institutional unit to another accruing from uninsured injuries or damages or breaches of contract, should also be treated as contractual

transfers of income.

F. Current Transfers To and From General Government Agencies

a. Taxes and Similar Payments

41. Practically all current transfers of income to general government agencies made by households, private non-profit organizations and enterprises may be considered to be obligatory in character. These payments are classified into (i) social security contributions, (ii) other direct taxes on income and (iii) compulsory and nominal fees, fines and penalties. While some of these payments may be made by non-residents (e.g., social security contributions or other direct taxes on employee income or interest), the overwhelming portion of the transfers will come from resident households and enterprises.

42. (a) Social Security Contributions: Social security contributions comprise obligations for payments to social security schemes. Since contributions payable by employers on behalf of their employees are included in compensation of employees, all of these contributions are considered to be paid by households. Social security contributions should be recorded when payable.

43. (b) Other Direct Taxes on Income: In the case of households and private non-profit organizations, this flow includes taxes levied on (i) the income and capital gains of households, except social security contributions, (ii) the income and capital gains of private non-profit organizations, and (iii) taxes levied at regular intervals as a charge proportioned to the value of the property of these institutional units (e.g., personal property taxes), except real estate and land. Real estate and land taxes are treated as indirect taxes except in those cases where they may be considered to be merely an administrative procedure for the assessment and collection of income taxes. Non-recurrent charges levied on the value of property (e.g., death duties) should be classed as capital transfers.

44. In the case of enterprises, direct taxes on income include all levies on the income, surplus profits and capital gains of these units and levies at

regular intervals on their capital or net worth. Non-recurrent capital and similar levies should be excluded and treated as capital transfers. Some of these taxes may be levied on unincorporated enterprises.

45. Several dates can be connected with income taxes, namely, the dates of earning, of assessment, of demand and of payment. Frequently the assessment is based on the earnings of a preceding year and demand is made in the year following the assessment. The general rule for transfer payment should be followed in this case, i.e., the direct taxes should be recorded as of the date when they are due to be paid without penalty. In addition, for some analytical requirements it would be useful to have data on income taxes in respect of the time when the income on which the taxes are levied, was earned.

46. (c) Compulsory and Nominal Fees, Fines and Penalties: Compulsory and nominal fees are transfers made by households to general government. Nominal fees are relatively insignificant charges paid in connexion with the receipt of free goods and services that are provided by general government services, which are in no way related to the value of these goods and services. Compulsory fees are payments to the public authorities for services the primary purpose of which is to serve as an instrument of government policy and which are obligatory but unavoidable in the only circumstances in which they are useful, e.g., fees for passports, driving tests and court services. Fines, penalties and the like may be made by households, private non-profit organizations or enterprises.

b. Transfers to Households

47. The current transfers made by general government agencies to households often are the result of commitments of the public authorities which are defined in laws, statutes and administrative regulations. This may also be the case in respect of a number of the transfers made to private non-profit organizations mainly serving households. It should be noted that these transfers may not be limited to resident households. It is useful to classify the transfers being dealt with here into two categories, namely, social security

benefits and social assistance grants.

48. (a) Social Security Benefits: Social security benefits will be payments made to individuals under social insurance schemes, usually out of a special fund. These payments will generally be related to wages and salaries earned by recipients and/or contributions made to social security schemes on their account. Examples of social security benefits are unemployment insurance payments and supplements, accident, injury and sickness benefits, reimbursement and social security funds for health expenditures, old-age pensions and family allowances.

49. (b) Social Assistance Payments: Social assistance payments will cover all other current transfers from the public authorities to households and to certain kinds of private non-profit organizations serving households. Examples of these transactions are public relief payments, widows' and guardians' allowances not connected with social insurance schemes, war bonuses, pensions and service grants, scholarships and maintenance allowances for educational purposes, and current grants (i.e., those designed to cover costs on current account) to private non-profit organizations which are mainly engaged in such activities as social welfare, health and education, recreation and the arts.

G. Other Current Transfers

a. From and To Government Agencies

50. Where the sector for general government is subdivided into central government, local government, social security funds and private non-profit institutions included therein, current transfers will occur between these sub-sectors. Further, current transfers will take place between the governments of different countries. Not infrequently, these current transfers, especially in connexion with the rest of the world, will not arise from statutory or similar commitments. A third class of current transfers from and to general government agencies is therefore needed, namely, other current transfers from or to the public authorities. It will be desirable to sub-divide this category of grants into two categories: "Other current transfers from or to resident institutions", and "Current transfers from or to abroad".

51. This category of transfers includes grants made by one level of government to another on a recurrent (i.e., relatively regular) basis or with a view to financing specific types of outlays or general deficits on current account. For example, unrequited current transfers between the governments of two countries will include all unilateral shipments of commodities for consumption (e.g. , food, clothing, military equipment) and the provision of cash to finance outlays on current account. Also included are grants to finance budgetary deficits on current account. Regular payments of assessments and other contributions to international organizations are classified in this category as well.

b. Between Other Pairs of Institutional Units

52. Voluntary transfers will take place mainly (i) between corporate and private quasi-corporate enterprises and financial institutions, on the one hand, and private non-profit organizations serving households and households, on the other hand, (ii) among households, and (iii) between households and private non-profit organizations serving them. These transfers will include transactions between resident institutions and the rest of the world.

53. (a) Transfers by Enterprises: Current transfers from corporate and private quasi-corporate enterprises and financial institutions include gifts and grants to foundations, educational, health, social welfare, religious, political and other non-profit organizations serving households for use on current account; and the direct provision of scholarships, fellowships and other forms of assistance to individuals. Allowances for bad debt of households are also covered here.

54. (b) Transfers by Households: Current transfers from households to private non-profit organizations serving them may be similar in character to the current grants to these institutions made by enterprises. In addition, membership dues and fees to trade unions, political organizations, sporting clubs and social organizations, are included here. Current transfers between resident households cover cash grants made by one individual to another and allowances for bad debt. Also included are current transfers between resident and non-

resident households. These transactions include personal remittances and gifts in kind, allowances for bad debt, and certain migrants' transfers. The transfers of real and financial assets by migrants and of legacies, are to be recorded as capital transfers, while ordinary migrants' remittances, such as remittances to dependent relatives, are recorded as current transfers.

55. (c) Transfers by Private Non-Profit Institutions Serving Households: Current transfers from these organizations to households cover grants of cash for scholarships, maintenance allowances for education and research, and other purposes. Transfers of funds on current account may also take place among the private non-profit institutions serving households.

H. Saving

56. Saving is the balancing item on the income and outlay accounts of the resident institutional units, after all current receipts and disbursements have been accounted for. Thus, saving is defined in terms of the flows which have been discussed in the preceding sections of this chapter. This implies that capital gains and losses associated with transactions in goods and services are excluded from the concept of saving. Other deviations from the definitions of saving in this system which may be encountered in the concepts utilized in business and government accounting, may be due to differences such as in the methods of evaluating consumption of fixed capital, the classification of transactions into current and capital flows, or the use of a cash, rather than an accrual, basis of recording transactions.

57. The entry for saving in the income and outlay accounts of the sectors "Non-financial corporate and quasi-corporate enterprises" and "Financial institutions" relate to the saving of incorporated units only. As was noted earlier in this chapter, the saving of the unincorporated private entities covered in these accounts is transferred to the accounts of their owners in the flow "Entrepreneurial income paid". In the case of government enterprises, this flow would include the transfer of practically the total operating surplus

to general government. The entry for saving in the income and outlay account of financial institutions is also net of the saving of pension funds, which is transferred to households in the form of interest, as well as of that part of the saving of life insurance companies which is represented in the interest added to the equity of households on their actuarial reserves. Only the free saving of life insurance companies is shown on their income and outlay account.

58. In some countries, public corporations will include authorities set up to administer marketing and price stabilization schemes, a part of the net income of which is set aside for future distribution to the producers on whose behalf the schemes were set up. This undistributed income will be part of the saving of these authorities; and where important, it might be shown separately. Schemes of this type may also be established as government enterprises; and the surplus of general government will then include the part of the net income from these marketing schemes which has been set aside for future distribution to the agricultural producers.

59. The other sources of finance of gross investment are the sums set aside for the consumption of fixed capital, capital transfers and the incurrence of liabilities. The flow "consumption of fixed capital" was dealt with in Chapter IV. The two other flows are discussed below.

I. Capital Transfers

a. General Principles of Definition

60. In this system, net capital transfers are recorded uniformly on the capital finance accounts of the various resident institutions so that in a closed economy, debits and credits on these accounts offset each other and no net contribution is made by these transfers to the finance of gross investment. In an open economy, net capital transfers received from the rest of the world constitute an independent source of finance for gross investment, and together with net borrowing from abroad, represent that part of the saving of the rest of the world placed at the disposal of the economy.

61. Capital transfers, as understood here, refer to those unrequited transfers which are not, in general, considered by the recipient as adding to his current income or by the payer as reducing his current income. Such transfers, in principle, influence the level of consumption only indirectly through their effects on the amount and composition of the assets of the recipient or the payer. Instead, they influence directly the level of capital investment or wealth of the recipient or the payer. In practice, however, intersectoral transfers of a mixed character may take place, particularly between general government and other sectors, in which one party regards the transfer to be of a current nature while the other party regards it as of a capital nature. The rule followed here is that all mixed transfers of this kind should be treated as capital transfers.

62. The adoption of this principle may be explained by considering what the situation would be if the accounts of the payer and recipient of an unrequited transfer were consolidated. Where the recipient utilizes the grant to finance gross investment, the funds would appear as part of saving on the consolidated account. Thus, the payee may be considered to be placing part of his saving at the disposal of the recipient. If the recipient utilizes the grant to finance his consumption expenditure, the saving on the consolidated account would be correspondingly reduced. Where taxes levied on wealth are utilized by the public authorities to finance outlays on consumption, the consolidated balance-sheet account for government and the private payer would show the drawing down of wealth.

63. The main criteria adopted to distinguish capital transfers from unrequited current transfers are therefore the purposes for which the transfer is to be utilized, the basis and source of the payment, and the frequency with which the transfer occurs from the point of view of either the payer or the recipient. Unrequited transfers which are non-recurrent (quite irregular) for either party to the transaction are considered to be capital transfers.

Also included among capital transfers are grants which are designed to finance fixed capital formation or long-term expenditure and unrequited payments which may be considered as transfers of wealth.

b. Application of the General Principles

64. As in the case of non-contractual current transfers, it is useful to describe the composition of capital transfers in terms of the pairs of institutional units which may engage in these transactions.

65. (a) From and To General Government Agencies: The public authorities may engage in capital transfers with resident corporate and private quasi-corporate and non-financial enterprises, financial institutions, private non-profit organizations, households and foreign governments. Where use is made of the sub-sectors of general government, capital transfers may occur between at least some of the sub-sectors, e.g., grants for capital formation from the central government to local governments. It will be useful to classify the net capital transfers made, or received, by general government into transactions with residents and the rest of the world.

66. General government agencies may make capital transfers such as investment grants, payments for damage due to war or floods, or as indemnities for other calamities, to enterprises. Capital transfers on account of the private unincorporated enterprises included in the household sector would be treated as grants to the owners of these units. The public authorities may receive payments of capital levies and confiscations from corporate and private quasi-corporate non-financial enterprises, financial institutions and the households of owners of other unincorporated enterprises.

67. In addition to the transactions mentioned in the preceding paragraph, the public authorities may indemnify households for war, flood and other damages in respect of personal property. Private non-profit organizations may also receive investment grants and indemnity payments. Households may make such payments as death duties, gift taxes, and capital levies and other confiscations to general government organs.

68. The capital transfers between the governments of two countries may consist of grants made primarily to finance deficits on external trade or fixed capital formation and unilateral transfers of capital goods or reparations.

69. (b) Other Pairs of Institutional Units: Corporate and private quasi-corporate non-financial enterprises and financial institutions may make grants to private non-profit organizations for capital investment and for establishing or augmenting funds for long-term expenditure and investments. Households may make the same type of capital transfers to private non-profit institutions. Included in addition in the net capital transfers between resident households and the rest of the world, are legacies and other gifts of a capital nature and real and financial assets transferred by migrants.

J. Net Purchases of Land, Other Non-Reproducible
Tangible Assets and Certain Intangible Assets

70. In this system gross investment consists of the following flows: gross capital formation, net purchases of land, net purchases of other non-reproducible tangible assets and of intangible assets unmatched by liabilities, and acquisitions of financial assets. Gross capital formation was considered in Chapter IV; and financial assets will be discussed below. This section is devoted to the second and third category of gross investment.

a. Land

71. Land is defined to include sub-soil deposits, forests and inland waters, but to exclude structures and similar construction works situated thereon. Though expenditures made on other types of improvements to, or the reclamation of, land are part of fixed capital formation, these improvements become an integral part of the value of the land. It is therefore desirable to cover such improvements to land in the concept of land after the period of account in which they are made.

72. Purchases and sales of land are considered to take place between resident institutions only. Where land is purchased by a non-resident, a resident institution is established as the owner of the land. The foreign

owner is considered to hold the equity of the notional resident institution, which is of course equal to the purchase price of the land. The value recorded in the item "Net purchases of land" will exclude the transfer costs involved in the transactions, e.g., brokers' commissions, fees for legal and title search services. These fees are to be recorded as part of fixed capital formation.

73. In recording transactions on land in the accounts and supporting tables of the system, sales are netted against purchases for all members of the sectors or sub-sectors shown, i.e., consolidation is employed. The time of recording of purchases (sales) is when the legal title to the land passes.

b. Other Non-Reproducible Tangible Assets and Selected Intangible Assets

74. Covered in non-reproducible tangible assets other than land are transactions in art objects, antiques and the like. Art objects which have been newly created by resident artists are included if they are acquired by the producer sectors of the system. Acquisitions of these newly created art objects by households are classed as household consumption expenditure on durable goods. All other transactions in these non-reproducible tangible assets, including imports and exports, are encompassed in this flow.

75. The portion of the sale by households of art objects acquired when newly created domestically which is equivalent to the differences between the sales price and the original price, will be recorded in the flow "Net purchases of other non-reproducible tangible assets and selected intangible assets". The difference between these two prices is to be netted against household consumption expenditure. The purchase price of the art objects in question, except for domestic dealers' margins and other domestic transfer costs, should be entered in the flow under discussion. The sales price and the purchase price, except for the aforementioned costs, of all other transactions in these non-reproducible assets will be recorded in the flow. Since any domestic dealers' margins and other transfer costs involved in the transactions are part of the capital expenditure of residents, it will be necessary to set up a notional industry in order to record these portions of the purchase price

when resident households make the purchases.

76. Transactions in intangible assets which are not matched by liabilities cover the purchases and sales of mineral rights, fishing rights, other concessions and leases in respect of the use of land, copyrights, patents and the like.

77. In recording the transactions dealt with above, sales are netted against purchases in the case of each institutional sector or sub-sector distinguished in the pertinent accounts and supporting tables of the system. Thus, these entries sum to the net purchases of the rest of the world from residents.

K. Transactions in Claims

78. The last half of the capital finance accounts of the institutional sectors show their transactions in financial assets and liabilities. The excess of net acquisitions of financial assets over net incurrences of liabilities is equivalent to the net lending of institutions. Net lending and capital transfers are the way in which the saving of institutions is made available to other organizations. Financial institutions play a key role as middle men for transactions in claims.

a. Classification

79. The classification of financial transactions of the system is set out in Table 1 below. The scheme is designed to classify claims in the first instance, according to the degree of liquidity, the kind of market and circumstances in which the transactions take place, and the type of instrument involved. For certain categories of claims which may be the liability of various kinds of institutions, the character of the debtor is of considerable interest from the point of view of one or more of the aforementioned criteria and of other analytical needs for data on transactions in, and holdings of, financial assets. In these instances, the classification calls for sub-division of the category according to kind of debtor. In view of the requirements for data, even in summary tabulations, on the foreign assets and liabilities of the institutional sectors, nationally and internationally, a basic distinction is drawn in the classification between these foreign

Table 1. The Classification of Transactions in Financial Claims

a. Classification (Definition of general terms, such as bills, bonds or loans, are given in the second section of the table)

The number 8 in the first portion of the code, identifies a financial asset; the number 9 in the first portion of the code, identifies a liability.

Foreign claims

8.2 Gold and foreign exchange

Holdings of gold and of claims on non-residents that may be considered to be immediately available, without risk of capital loss, for payments to residents or conversion into the national currency. Except for the monetary authority, the foreign financial assets to be classified here will be restricted in most instances to gold, foreign currency, deposits with foreign banks and the short-term securities of foreign central governments. In the case of the monetary authority, all foreign assets that are considered part of the foreign reserves should be included.

9.2 Currency, deposits and central government bills

Domestic currency, transferable and other deposits in resident banks, and central government bills and bonds maturing in less than one year held by non-residents.

8.3 or 9.3 Other claims

Financial assets of residents other than those included under gold and foreign exchange that are the liabilities of non-residents and liabilities of residents other than currency, transferable and other deposits, and central government bills and bonds maturing in less than one year that are held by non-residents.^{1/}

National claims

Financial claims of residents on residents

8.4 or 9.4 Currency and transferable deposits

Notes and coins in circulation; and deposits that are exchangeable on demand at par, and without penalty or restrictions, and that are transferable by check or are otherwise commonly used to make payments.

^{1/} This category should, in certain instances, be sub-divided according to the appropriate categories of the classification of national claims.

8.5 or 9.5 Other deposits

All claims, other than currency and transferable deposits, on the monetary system, other financial institutions and government that are represented by evidence of deposit. In the case of most countries, all deposits with savings banks would be included. Also to be included are shares in small denominations, or similar evidences of deposit, issued by savings and loan associations, building societies, credit unions and the like that are legally, or in practice, redeemable on demand or relatively short notice.

8.6 or 9.6 Bills and bonds with maturity of less than one year

It is preferable that actual maturity, not original maturity, be utilized. Claims with optional maturity dates, the closest but not the latest of which is less than one year away, should be considered long-term. However, where the criterion utilized is actual maturity, and where notice of redemption with one year has been given or may be expected, such claims should be classified as short-term. In some presentations of data on these claims, it will be desirable to sub-divide the category according to debtor, as follows: (i) Non-financial corporations, (ii) Financial institutions, (iii) Central government, (iv) Local government, and (v) Other national institutions, if any.

8.7 or 9.7 Bonds with a maturity of one year or more

In the case of corporate issues, included are preferred shares or stocks, excepting participating preferred securities, in addition to bonds, debentures, etc. In some presentations of data on these claims, it will be desirable to sub-divide the category in the same fashion as category 8.6. In addition, sub-division of these bonds into quoted in the stock exchange and not quoted will be of value.

8.8 or 9.8 Corporate equity securities, including capital participations

Instruments and records acknowledging claims to the residual value, and residual income of, incorporated enterprises, after the claims of all creditors have been met. Equity securities do not provide the right to a pre-determined income, or to a fixed sum on dissolution of the incorporated enterprise. Ownership of equity is usually evidenced by shares, stocks, participations or similar documents. Preferred stocks or shares that also provide for participation in the distribution of the residual earnings, or value on dissolution, of an incorporated enterprise are included.

2 i. Quoted on stock exchange

2 ii. Other

8.9 or 9.9 Other short-term loans

All loans not classified elsewhere with an original maturity of less than one year. All loans repayable on demand should be classified as short-term, even though these loans are expected to be outstanding for more than one year. Covered are loans extended to business, government, households, etc., by banks, finance companies and others, including instalment loans, hire-purchase credit and loans to finance trade credit. It will be of value to sub-divide this category according to institutional sector of debtor, in compiling detailed data on claims.

8.10 or 9.10 Other long-term loans

All loans not classified elsewhere with an original maturity of more than one year. It will be useful to sub-divide this category according to debtor institutions in compiling detailed data on claims. It will also be valuable to distinguish loans secured by mortgages.

8.11 or 9.11 Net equity of households on life insurance actuarial reserves and on pension funds

The reserves held against life assurance policies by insurance companies, whether mutual or incorporated; and the assets of employees' pension funds and of Friendly Societies and similar organizations providing life assurance or annuity benefits.

8.12 or 9.12 Proprietors' net investment in private quasi-corporate enterprises

The net value of the real and financial assets, after deduction of all liabilities to non-proprietors of the private unincorporated enterprises treated as quasi-corporate enterprises in the accounts--selected partnerships and sole proprietorships primarily engaged in non-financial activities, and private unincorporated enterprises primarily engaged in financial activities.

8.13 or 9.13 Proprietors' net investment in government enterprises

The net value of the real and financial assets, after deduction of all liabilities to non-proprietors of government enterprises included in the non-financial corporate and quasi-corporate sector.

8.14 or 9.14 Trade credit and advances

Trade credit extended to businesses, government and households, and advances for work in progress or to be undertaken. It will be of value to sub-divide this category according to the kind of debtor institutions in detailed tabulations of claims.

8.15 or 9.15 Other domestic claims

All domestic financial claims not included elsewhere. Among the items to be included are all differences between payables and payments not accounted for by trade credits or advances.

b. Definitions of general terms

Bill: A security that gives the holder the unconditional right to receive a stated fixed sum on a specified date and is issued and traded at a discount, depending on the rate of interest and the time of maturity.

Bond: A security that gives the holder the unconditional right to a fixed money income, i.e., payment of interest is not dependent on the earnings of the debtor. With the exception of perpetual bonds, a bond also gives the holder an unconditional right to a stated fixed sum on a specified date or dates. Mortgages are not classified here; they are included under loans.

Loan: A direct transaction between borrower and lender, where the lender receives no security evidencing the transaction or a non-negotiable document. Included are transactions which are essentially loans, though the debtors may issue a security, for example, bonds specifically issued by the government to the central bank as security for a note, liens and mortgages created as security for a loan.

claims and the claims of residents on residents. The detail in which foreign claims are to be classified in the standard accounts and supporting tables varies, depending on the purpose of the table and the institutional sector or sectors to which the account or supporting table relates. In the table where the most detailed classification of claims is suggested, foreign claims are to be sub-divided in the same detail as national claims.

80. It is convenient to indicate here the treatment of transactions in certain types of claims. The category "Proprietors' net investment in private quasi-corporate enterprises" is designed to accomodate the owners' financing during a period of account of the gross investment of private unincorporated enterprises covered in the sectors "Non-financial corporate and quasi-corporate enterprises" and "Financial institutions". It will be recalled that these enterprises do not retain saving though they do have sources of finance of gross investment other than funds from the owners. These enterprises hold their provisions for the consumption of fixed capital and may receive capital transfers or borrow from third parties. However, in the case of government enterprises which are included among the non-financial corporate and quasi-corporate enterprises, the sums shown under "Proprietors' net investment in government enterprises" would be the only source of finance of gross investment other than their provisions for the consumption of fixed capital. Net equity of households on life insurance actuarial reserves will show the additions (reductions) in these reserves arising from the sum of the difference between premiums paid by households, reduced by the service charge for this insurance, and claims received and of the undistributed interest on the actuarial reserves which accrues to households.

^b. Basis of Recording

81. Transactions in financial assets and liabilities during a period of account may be recorded according to varying degrees of netness (grossness). Acquisitions (purchases) of a given category of financial assets by each transactor unit may be netted against dispositions (sales) of the category; and incurrences of a given category of liabilities by each transactor unit may be netted against redemptions of the category. A less gross basis of recording than this is to net acquisitions of each category of financial

assets against dispositions and issues of each category of liabilities against redemptions for each class of transactor units shown in accounts or tables. Still lower degrees of grossness in recording are netting in the case of each class of transactors, of (i) transactions in a given category of financial assets against the same category of liabilities and (ii) transactions in one category of financial assets against liabilities of another category. In consolidation, netting is applied to the transactions in financial assets and the counterpart liabilities of a class of transactors, as well as to their additions to and reductions in each category of financial assets and liabilities.

82. It is recommended that the minimum degree of grossness utilized in respect of transactions in claims should in general be the netting for each class of transactor units shown in accounts or tables, of acquisitions (purchases) of each category of financial asset against dispositions (sales) of these financial assets and incurrences of each category of liabilities against redemptions of these liabilities. It may often be impractical to compile separate data for each transactor unit on acquisitions and dispositions in the case of each type of financial assets and on incurrences and redemptions in the case of each kind of liabilities. This will be the case, for example, when the data on transactions are derived from balance sheets as of the beginning and end of a given period. However, it may be desirable and feasible to compile the more gross data in respect of some categories of claims for national requirements.

83. In general, adopting a greater degree of netting than suggested in the preceding paragraph would seriously impair the analytical usefulness of the data on financial transactions. However, the use of consolidation would be appropriate in the case of certain presentations of data, e.g., the transactions of the monetary system and in respect of the rest of the world. In both instances, the transactions with other sectors are most significant.

c. Valuation and Time of Recording

84. In principle, transactions in financial assets and liabilities should be entered at the value at which the transactions take place, i.e., the sums actually paid or received excluding the involved commissions, service and similar charges. The transactions should, in general, be recorded when paid or received. When transactions in financial claims are the counterpart of transactions in goods and services, flows of income or transfers (e.g., trade credits and advances, accounts payable and receivable), the transactions should be recorded at the time the goods and services are purchased (sold), the income is earned, or the transfer becomes due. This timing for recording the counterpart financial asset (liability) furnishes the link between the principles of recording transactions in goods and services, flows of income and transfers, on the one hand, and transactions in claims, on the other. Any differences between the data in respect of the two groups of transactions which arise out of the differing principles of recording and which are not accounted for in the trade credit and advances, should be entered under the categories for other miscellaneous claims of the classification of claims. In addition to these differences, there may be statistical discrepancies between these data. It will be useful to indicate the amount of the statistical discrepancies.

CHAPTER VI. THE STANDARD ACCOUNTS AND SUPPORTING TABLES

1. This chapter sets out and describes the standard accounts and supporting tables of the system. The accounts and tables are shown in the annexes to this chapter. Also appended to this chapter is a table listing the transactions delineated in the accounts and tables and the codes which are uniformly utilized to identify these transactions. The text of this chapter describes the place of the accounts and supporting tables in the system and the character of, and relationships between, these tabulations.

A. Purpose of the Accounts and Tables

a. Accounts

2. The accounts of Annex I are designed to serve a dual purpose. They are intended as a means of describing the structure of the system in addition to the matrices employed for this purpose in Chapter II. They are also designed to furnish guidance as to the presentation of the main series of data of the system so that attention is focussed on the web of relationships between transactions. These interconnexions are definitional and economic in character; and relate to transactions between sectors of an economy, as well as between the facets of the experience of a given class of transactors.

Certain accounts may be of interest more as a description of the structure of the system than as a means of presenting data, e.g., some of the Class II accounts. Other accounts are likely to be valued from both points of view, e.g., the Class III accounts.

3. In order to utilize the accounts to present data for a succession of years, the debit and credit sides of the various accounts might form two halves of a table, arranged side-by-side. Alternatively, the credit and debit sides of the various accounts might form the upper and lower halves of a table, respectively. In this case some rearrangement of the entries in the account, in particular, the balancing item, may be required.

b. Supporting Tables

4. The supporting tables of Annex III follow from the accounts and the classifications of the system. The tables are designed to indicate the data of the full system which are of interest analytically, but which can not be appropriately shown in the form of accounts.

5. In a number of instances, the tables call for classification of a given flow according to the characteristics of the transactors and/or the constituent transactions. For example, the gross domestic product at market prices and the components of this aggregate are to be classified according to the kind of economic activity of the classes of the producers in the system. Or, the cost structure of the consumption expenditure of general government is to be classified according to purpose. In these instances it is of particular interest to present the series of data for a number of years. In other cases, the tables are designed to show the income and outlay or the capital finance accounts of the system for sub-sectors, e.g., for the sub-divisions of general government or for the monetary system. Tables of this type are also suggested in order to present data for the combination of the institutional sub-sectors into the private and public sectors. In these instances also the data should be made available for a series of years. In still other tables, attention is focussed on the interrelations between the accounts, and the categories of transactions on these accounts, of the agents in the economy. Examples of these tables are the input-output and flow-of-funds tables. Also included in Annex II are tables on flows of the production accounts of the system in constant prices and on employment.

B. Use of the Tables and Accounts

6. The wealth of data proposed in the tables are intended to serve a wide range of uses. Part of the series will be of interest to observers of general economic conditions. Other series are directed toward meeting the requirements of deeper analysis of economic trends. Still other series

will be of interest primarily to specialists.

7. The priorities with which the various series of data are required and may be compiled also differ. Moreover, the data proposed in some of the tables, e.g., the input-output tables, may not be urgently required or feasible to compile annually in the case of a number of countries. It will therefore be of value to furnish guidance in respect of the types of uses the various series are designed to serve and the periodicity and priorities with which the series might be compiled nationally. For purposes of international reporting, once a revised SNA is adopted, it will be necessary to make selections from the supporting tables, as well as among the accounts, in the light of the availability of data, nationally and the requirements for information and the possibilities of publication, internationally.

8. In devising the supporting tables, more attention has been devoted to indicating the series of data which might be presented than to suggesting the way in which the series might be arrayed into tables. The manner in which the series of data would be organized into tables for publication or other presentations, nationally and internationally, will of course depend on the data available for presentation and the purposes for which and the format in which the data are being released.

C. The Accounts

9. The standard accounts of the system consist of three classes of accounts. The Class I Accounts are the national accounts. In the Class II Accounts, Account 1 of the national accounts is deconsolidated into the constituent production, consumption expenditure and capital expenditure accounts. The classes utilized are categories of commodities and categories of transactors. In the Class III Accounts, the income and outlay and capital finance accounts of the national accounts are deconsolidated into accounts for institutional sectors. The way in which the transactions recorded on the Class II or Class III accounts consolidate to the national accounts is shown in the table presented at the beginning of Annex I.

a. The Consolidated (I) Accounts

10. The Class I Accounts for the nation as a whole furnish a summary of the structure and transactions of the system. The five accounts of the system - production, consumption expenditure, income and outlay, capital expenditure and capital finance - are summarized; and the system is closed by the account on the external transactions of the nation. The Class I Accounts focus on the main aggregates of the system, for example, the gross domestic product, national disposable income, gross investment. The capital finance account is divided into two in order to indicate firstly, the character and sources of finance of gross investment and secondly, the transactions in claims which are involved. The external transactions account is also sub-divided in order to distinguish transactions on current (production and income and outlay) accounts and transactions on capital (capital finance) accounts.

b. The Production, Consumption Expenditure and Capital Expenditure (II) Accounts

11. The Class II Accounts consist of: (i) the A Accounts, on transactions in commodities; (ii) the B Accounts, on the transactions of industries on the production and capital expenditure accounts; (iii) the C and D Accounts, which relate to the transactions of the services of general government and private non-profit institutions, respectively, on the production, consumption expenditure and capital expenditure accounts; and (iv) the E Account, in respect of the transactions of households on the consumption expenditure account.

12. The B Accounts will be classified according to kind of industry and the A Accounts are to be sub-divided according to the characteristic products of each of these industries. In order to keep the number of A and B Accounts manageable, a small number of major classes of industry, perhaps 5 or 6 classes, might be utilized for this purpose. Classes of this type might be agriculture, forestry and fishing; mining, manufacturing and electricity and gas; construction; transport and distribution; and services.^{1/} In some

^{1/} Categories 1-3, 4-13, 14, 15-16, and 17-22 excluding 21 of the Interim Classification of Kind of Economic Activity.

cases, for example the developing countries, it may be of value to distinguish mining as a separate class.

13. The A Accounts show the origin of the supply of commodities in domestic production and imports and the absorption of this supply into intermediate and final uses. The B Accounts delineate the components of value added and the intermediate consumption of the various industries, on the one hand, and their gross output in terms of commodity-max, on the other.

14. The entries in the A and B Accounts for the various categories of commodities and industries are valued at producers' prices inclusive of commodity taxes, i.e., domestic transport and distribution margins on the flow of commodities to intermediate and final uses are recorded in the commodity and industries accounts in respect of transport and distribution. This is the approach taken in the system and is basic to the linkage between the commodity and industry accounts, on the one hand, and input-output Tables 2 and 3 of Annex II, on the other.

15. The capital expenditure accounts for the various categories of industries for which B Accounts would be established, will show the gross fixed capital formation and increases in inventories of the establishments classified to these industries. The entries are to be valued at market prices.

16. The production accounts in the C and D Accounts show the cost structure of the services of general government and private non-profit organizations, respectively, on the one hand, and the financing of these costs through own consumption expenditure and sales to other sectors, on the other hand. An element in the gross inputs into general government services is direct purchases abroad on current account. The remainder of the direct purchases abroad by general government services, i.e., on capital account, are entered in the capital expenditure account. The entries on these accounts are all valued at purchase (sales) prices.

17. The consumption expenditure account for households, the E Account, complete (close, in a sense) the deconsolidation of the product and expenditure account for the nation. The account shows the household purchases from industries, from the services of general government and private non-profit organizations, and directly abroad. Since direct purchases of non-resident households in the domestic market are included in the first three categories of transactions, an entry is provided on the account in order to segregate this element of exports of goods and services.

c. Income and Outlay and Capital Finance (III) Accounts

18. Income and outlay and capital finance accounts are shown for each of the institutional sectors into which the economy has been divided - non-financial corporate and quasi-corporate enterprises, financial institutions, general government, private non-profit institutions serving households, and households, including most private unincorporated enterprises. As in the case of the Class II Accounts, the Class III Accounts indicate the classes of transactions, as well as transactors, on these accounts.

19. Operating surplus is brought down from the production accounts to the income and outlay accounts of the appropriate institutional sectors and is partially transferred in these accounts as entrepreneurial and property incomes to resident sectors and to non-residents. Added to the receipts of property and entrepreneurial income by residents are the incomes of this type received from abroad. The other flows from the production accounts to the income and outlay accounts are compensation of employees to households, reduced by such payments to non-residents, indirect taxes and subsidies. Resident households also receive wages and salaries from abroad. The income which the institutional sectors derive from production is redistributed in the income and outlay accounts in the form of various types of transfers; and the appropriation of disposable income to consumption expenditure and saving is shown.

20. Saving is the link between the income and outlay and the capital finance accounts. Provisions for the consumption of fixed capital and the two components of gross capital formation are brought to the capital finance account from the production and capital expenditure accounts, respectively. The capital finance accounts also show net capital transfers received, which together with saving and provisions for the consumption of fixed capital, make up the sources for financing gross investment. Net purchases of land, other non-reproducible tangible assets and intangible assets unmatched by liabilities, and net lending, in addition to gross capital formation, make up gross investment. Recorded lastly in the capital finance accounts are the transactions in financial assets and liabilities, which consolidate to net lending.

D. The Supporting Tables

21. The tables in Annex II are arranged according to the accounts the series of which they supplement. In a later version of the document on the revised SNA relatively detailed explanatory notes will be added in respect of the tables.

a. Tables Relating to the Production, Consumption Expenditure and Capital Expenditure Accounts

22. The tables referring to the production, consumption expenditure and capital expenditure accounts deal with flows in current and constant prices. Also included is a table on employment. The employment covered should be the persons engaged in domestic production.

23. The tables in current prices relate to the classification of (i) value added and gross capital formation of the three classes of producers according to kind of economic activity, (ii) the consumption expenditure of households, private non-profit organizations serving households and general government agencies according to object or purpose of expenditure and (iii) the input-output tables of the system.

24. Table 1, on value added, also calls for the classification of the components of value added by kind of economic activity of the producing unit. Table 7, on gross capital formation, provides for separate series on the increase in inventories and the fixed capital formation of the owners of these assets, and the classification of these outlays according to type of good, in addition to the kind of activity of the establishment-type unit involved.

25. Consistent classifications according to purpose or object of expenditure are employed in Tables 4, 5, and 6, on the consumption expenditure of general government, private non-profit organizations and households. For want of adequate separate data it may be necessary to combine data on the consumption expenditure of the private non-profit institutions and households into a single table. In addition to consumption expenditure, Tables 4 and 5 indicate the structure of the services produced by general government and private non-profit organizations serving households.

26. Tables 2 and 3 are the input-output tables of the system. Table 2 details the commodity (A) accounts of the Class II Accounts, except that the pricing in Table 2 is at producers' prices exclusive of net commodity taxes. Table 3 details the industry (B) accounts of the Class II Accounts. In the case of Table 3, net commodity taxes are shown but are separated from the rest of the producers' price. For input-output analysis it is desirable to utilize producers' prices exclusive of net commodity taxes. However for other purposes, for example, estimation by means of the commodity flow approach or the compilation of commodity balances, the use of producers' prices or even market prices would be appropriate.

27. The tables dealing with data in constant prices call for similar, but less detailed, information as compared to the tables on data in current prices. Input-output tables in constant prices are not suggested. In addition, Table 8 relates to data in constant prices on the gross domestic product classified according to type of expenditure; and Table 15 concerns imports and exports in constant prices classified according to the industries where they are characteristically produced.

b. Tables Relating to the Income and Outlay and Capital Finance Accounts

28. Tables 16 through 24 of Annex II are supporting tables to the income and outlay and capital finance accounts of the system.

29. Tables 17 and 19 call for sub-division of the income and outlay of general government and households, respectively, according to sub-sectors. Tables 20 and 21 relate to data in respect of the capital finance accounts of the detailed sub-sectors of the system. Table 20 concerns gross investment, i.e., the first half of the capital finance account; and Table 21 covers transactions in claims, i.e., the second half of the account. In Table 23, a consolidated capital account is shown for the monetary system.

30. Table 16 sets out the national income at market prices and indicates the contributions of domestic factor incomes and net receipts of property and entrepreneurial income from the rest of the world to the national income. This table also shows the incomes from production and the disposable income of the private and public sector. Table 22 consists of capital finance accounts for the public and private sectors.

31. Table 18 deals with selected outlays of the consolidated general government sector, e.g., consumption expenditure, gross capital formation, current and capital transfers, loans. Table 24 gives the income and outlay and capital finance of non-financial corporate and quasi-corporate enterprises, classified according to kind of economic activity.

c. All Accounts

32. The last supporting table provides details in respect of external transactions, supplementing the corresponding account in the national accounts.

Table 1. The Coding of Transactions in the Standard Accounts
and Supporting Tables

1. Supply of goods and services
 - 1.1 Gross output of industries, i.e., commodities
 - 1.1i. Characteristic products of specified industries produced by these industries
 - 1.1ii. Characteristic products of specified industries produced by other industries
 - 1.1iii. Other products of specified industries
 - 1.2 Gross output of commodities by general government services
 - 1.3 Gross output of other goods and services by general government
 - 1.4 Gross output of commodities by the services of private non-profit organizations serving households
 - 1.5 Gross output of other goods and services by private non-profit organizations serving households
 - 1.6 Imports of commodities and direct purchases abroad of general government services and resident households
 - 1.6.1. Imports of merchandise, c.i.f.
 - i. Imports, f.o.b
 - ii. Freight and insurance paid to non-residents
 - iii. Freight and insurance paid to resident industries
 - 1.6.2. Transport and communication
 - 1.6.3. Insurance service charges
 - 1.6.4. Direct purchases abroad by resident households
 - 1.6.5. Direct purchases abroad by general government services
 - 1.6.6. Other goods and services

- 1.9 Gross output of goods and services
- 2. Uses of commodities
 - 2.1 Commodities consumed, industries
 - 2.2 Commodities consumed, general government services
 - 2.3 Commodities consumed, services of private non-profit organizations serving households
 - 2.4 Commodities consumed, households
 - 2.5 Increase in inventories
 - 2.6 Gross fixed capital formation
 - 2.7 Exports of commodities and direct purchases on domestic territory by non-residents
 - 2.7.1. Exports of merchandise, f.o.b.
 - 2.7.2. Transport and communication
 - 2.7.3. Insurance service charges
 - 2.7.4. Direct purchases in domestic market by non-resident households
 - 2.7.5. Direct purchases in domestic market by extra-territorial organizations
 - 2.7.6. Other goods and services
- 3. Uses of other goods and services and consumption expenditure
 - 3.1 Household purchases of current goods and services from general government services
 - 3.2 Household purchases of current goods and services from private non-profit organizations serving households
 - 3.3 General government purchases of current goods and services from private non-profit organizations serving households
 - 3.4 Household consumption expenditure
 - 3.5 Consumption expenditure, private non-profit organizations serving households
 - 3.6 Private consumption expenditure
 - 3.7 General government consumption expenditure
 - 3.8 Private consumption expenditure in the domestic market

- 4. Value added
 - 4.1 Compensation of employees payable
 - 4.2 Operating surplus
 - 4.3 Consumption of fixed capital
 - 4.4 Indirect taxes
 - 4.5 Subsidies
 - 4.6 Gross domestic product at market prices
 - 4.7 Gross domestic product at factor incomes
 - 4.8 Net domestic product at factor incomes
- 5.1-5.9 Employee, entrepreneurial and property incomes; and national income
 - 5.1 Compensation of employees receivable
 - 5.2 Entrepreneurial income of government enterprises and/or private unincorporated enterprises
 - 5.3 Property income payable
 - 5.4 Property income receivable
 - 5.5 Property and entrepreneurial income payable
 - 5.6 Property and entrepreneurial income receivable
 - 5.7 Property and entrepreneurial income receivable, net
 - 5.9 National income at market prices
- 5.10-5.13 Casualty insurance transactions
 - 5.10 Net casualty insurance premiums payable, i.e., premiums reduced by the service charge
 - 5.11 Casualty insurance claims payable
 - 5.12 Net casualty insurance premiums receivable, i.e., premiums reduced by the service charge
 - 5.13 Casualty insurance claims receivable

- 6.1-6.11 Classification of current transfers other than property and entrepreneurial income
 - 6.1 Social security contributions
 - 6.2 Other direct taxes on income
 - 6.3 Compulsory and nominal fees and fines
 - 6.4 Social security benefits
 - 6.5 Other social assistance payments
 - 6.6 Current transfers, n.e.c. to residents
 - 6.7 Current transfers, n.e.c. to non-residents
 - 6.8 Current transfers, n.e.c. to residents and non-residents
 - 6.9 Current transfers, n.e.c. from residents
 - 6.10 Current transfers, n.e.c. from non-residents
 - 6.11 Current transfers, n.e.c. from residents and non-residents
- 6.15-6.18 Current transfers other than property and entrepreneurial income; and disposable income
 - 6.15 Other current transfers payable
 - 6.16 Other current transfers receivable
 - 6.17 Other current transfers receivable, net
 - 6.18 Disposable income
- 7. Balancing items and transactions on capital account n.e.c. other than financial claims
 - 7.1 Saving
 - 7.2 Surplus of the nation on current account, as debit
 - 7.3 Surplus of the nation on current account, as credit
 - 7.4 Net capital formation
 - 7.5 Purchases of land, net
 - 7.6 Capital transfers received, net
 - 7.7 Net purchases of non-reproducible tangible assets except land, e.g., art

objects, antiques, and of intangible assets except financial claims, e.g., mineral projects, leases, patents, copyrights

7.8 Net lending , as debit

7.9 Net lending, as credit

7.10 Capital transfers made

Transactions in financial claims: 8. Financial assets; 9. Liabilities

Foreign claims

1. Net acquisitions of foreign financial assets; Net incurrence of foreign liabilities

2. Foreign assets: Gold and foreign exchange, Foreign liabilities: currency, deposits and central government bills and bonds maturing in less than one year held by non-residents

3. Other foreign financial assets; Other foreign liabilities

National claims

4. Currency and transferable deposits

5. Other deposits in resident institutions by resident sectors

6. Bills and bonds with maturity of less than one year

7. Bonds with a maturity of more than one year

8. Corporate equity securities, including capital participations

9. Other loans, short-term

10. Other loans, long-term

11. Net equity of households on life insurance actuarial reserves and on pension funds

12. Proprietors' net investment in quasi-corporate private enterprises

13. Proprietors' net investment in government enterprises considered to be quasi-corporate

14. Trade credit and advances

15. Other domestic claims

ANNEX I

THE STANDARD ACCOUNTS

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	Account 3. Income and outlay account	
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Connexions Between Entries in the I Accounts and Entries in
the II or III Accounts

(A or B before summation sign indicate summation over sub-classes of Accounts II A or II B; n signifies summation over pertinent accounts A or B of the II Accounts and N indicates summation over pertinent III Accounts.)

Accounts 1, 2 and 4

Consolidated (I) Accounts		Production, Consumption Expenditure and Capital Formation (II) Accounts	
Compensation of employees	: 1.4.1	=	B n 1.4.1 + C 1.4.1 + D 1.4.1
Operating surplus	: 1.4.2	=	B n 1.4.2
Consumption of fixed capital	: 1.4.3	=	B n 1.4.3 + C 1.4.3 + D 1.4.3
Indirect taxes	: 1.4.4	=	B n 1.4.4 + C 1.4.4 + D 1.4.4 + C 3.4.4i
<u>Less</u> Subsidies	: 1.4.5	=	B n 1.4.5
Private consumption expenditure	: 1.3.6	=	D 1.3.5 + E 2.3.4
General government consumption expenditure	: 1.3.7	=	C 1.3.7
Increase in inventories	: 1.2.5	=	A n 1.2.5 = B n 4.2.5 + C 4.2.5
Gross fixed capital formation	: 1.2.6	=	A n 1.2.6 + C 4.2.6ii = B n 4.2.6 + C 4.2.6 + D 4.2.6
Exports of goods and services	: 1.2.7	=	A n 1.2.7 + (-E 2.2.7)
Imports of goods and services	: -1.1.6	=	A n 1.1.6 + C 1.1.6 + C 4.2.6ii + E 2.1.6 - C 3.4.4i

Accounts 3 and 5

Consolidated (I) Accounts		Income and Outlay and Capital Finance (III) Accounts	
Private consumption expenditure	: 3.3.6	=	D 3.3.5 + E 3.3.4
General government consumption expenditure	: 3.3.7	=	C 3.3.7
Saving	: 3.7.1	=	N 3.7.1
Operating surplus	: 3.4.2	=	N 3.4.2
Compensation of employees	: 3.5.1	=	E 3.5.1

Accounts 3 and 5 (cont'd)

Consolidated (I) Accounts

Income and Outlay and Capital Finance
(III) Accounts

Property and entrepreneurial income from the rest of the world, net	: 3.5.7	=	≡N 3.5.4 - ≡N 3.5.3 + C 3.5.2 + E 3.5.2 - A 3.5.2 - B 3.5.2
Indirect taxes	: 3.4.4	=	C 3.4.4
<u>Less</u> subsidies	: 3.4.5	=	-C 3.4.5
Other current transfers from the rest of the world, net	: 3.6.17	=	≡N 3.5.13 + B 3.5.12 - ≡N 3.5.10 - B 3.5.11 + ≡credit N 3.6.n - ≡debit N 3.6.n
Increase in inventories	: 5.2.5	=	≡N 5.2.5
Gross fixed capital formation	: 5.2.6	=	≡N 5.2.6
Net purchases of non-reproducible tangible assets except land and intangible assets except financial claims, from the rest of the world	: 5.7.7	=	≡N 5.7.7
Net lending to the rest of the world	: 5.7.8	=	≡N 5.7.8
Saving	: 5.7.1	=	≡N 5.7.1
Consumption of fixed capital	: 5.4.3	=	≡N 5.4.3
Capital transfers from the rest of the world, net	: 5.7.6	=	≡N 5.7.6
Net acquisition of foreign financial assets	: 5.8.1	=	≡N 5.8.2 + ≡N 5.8.3
Net lending to rest of the world	: 5.7.9	=	≡N 5.7.9
Net incurrence of foreign liabilities	: 5.9.1	=	≡N 5.9.1 + ≡N 5.9.2 + ≡N 5.9.3

I. CONSOLIDATED ACCOUNT FOR THE YEAR

Account 1. Domestic product and expenditure

1.4.1 Compensation of employees (3.5.1*+6.4.1)	1.3.6 Private consumption expenditure (3.3.6)
1.4.2 Operating surplus (3.4.2)	1.3.7 General government consumption expenditure (3.3.7)
1.4.3 Consumption of fixed capital (5.4.3)	1.2.5 Increase in inventories (5.2.5)
1.4.4 Indirect taxes (3.4.4)	1.2.6 Gross fixed capital formation (5.2.6)
1.4.5 <u>Less</u> subsidies (3.4.5)	1.2.7 Exports of goods and services (6.2.7)
	1.1.6 <u>Less</u> imports of goods and services (-6.1.6)

Gross domestic product at market prices	Expenditure on the gross domestic product at market prices
---	---

Account 3. National disposable income and its appropriation

3.3.6 Private consumption expenditure (1.3.6)	3.4.2 Operating surplus (1.4.2)
3.3.7 General government consumption expenditure (1.3.7)	3.5.1 Compensation of employees (1.4.1*+6.5.1)
3.7.1 Saving (5.7.1)	3.5.7 Property and entrepreneurial income from the rest of the world, net (6.5.6-6.5.5)
	3.4.4 Indirect taxes (1.4.4)
	3.4.5 <u>Less</u> subsidies (1.4.5)
	3.6.17 Other current transfers from the rest of the world, net (6.6.16-6.6.15)

Appropriation of national disposable income	National disposable income
--	----------------------------

Account 5. Capital transactions

5.2.5 Increase in inventories (1.2.5)	5.7.1 Saving (3.7.1)
5.2.6 Gross fixed capital formation (1.2.6)	5.4.3 Consumption of fixed capital (1.4.3)
5.7.7 Net purchases, non-reproducible tangible assets except land and intangible assets except financial claims, from the rest of the world (6.7.7)	5.7.6 Capital transfers from the rest of the world, net (6.7.6)
5.7.8 Net lending to the rest of the world (5.7.9)	

Gross investment	Finance of gross investment
------------------	-----------------------------

5.8.1 Net acquisition of foreign
financial assets (6.8.1)

5.7.9 Net lending to the rest of the
world (5.7.8)

5.9.1 Net incurrence of foreign
liabilities (6.9.1)

Net acquisition of foreign financial
assets

Net incurrence of foreign liabilities
plus net lending

Account 6. External transactions

Current transactions

6.2.7 Exports of goods and
services (1.2.7)

6.1.6 Imports of goods and
services (-1.1.6)

6.5.1 Compensation of employees from
the rest of the world (3.5.1*)

6.4.1 Compensation of employees to
the rest of the world (1.4.1*)

6.5.6 Property and entrepreneurial income
from the rest of the world
(3.5.7+6.5.5)

6.5.5 Property and entrepreneurial
income to the rest of the
world (6.5.6-3.5.7)

6.6.16 Other current transfers from the
rest of the world (3.6.17+
6.6.15)

6.6.15 Other current transfers to
the rest of the world
(6.6.16-3.6.17)

6.7.3 Surplus of the nation on
current transactions (6.7.2)

Current receipts

Disposal of current receipts

Capital transactions

6.7.2 Surplus of the nation on current
transactions (6.7.3)

6.7.7 Net purchases, non-reproducible
tangible assets except land
and intangible assets except
financial claims, from the
rest of the world (5.7.7)

6.7.6 Capital transfers from the rest
of the world, net (5.7.6)

6.9.1 Net incurrence of foreign
liabilities (5.9.1)

6.8.1 Net acquisition of foreign
financial assets (5.8.1)

Receipts

Disbursements

II. PRODUCTION, CONSUMPTION EXPENDITURE
and CAPITAL FORMATION ACCOUNTS

A. Commodities

(Illustrative Account for b. Characteristic Products
of Mining, Manufacturing and Electricity, Gas
and Water Supply)

Account 1. Production account

b 1.1.1i	Industrial commodities from domestic industrial activity (B.b.1.1.1i)	b.1.2.1	Consumption, industries (B n.1.2.1*)
b 1.1.1ii	Industrial commodities from other domestic industries	b 1.2.2	Consumption, general government services (C 1.2.2*)
b 1.1.6	Imports of industrial commodities 1) Competitive imports 1i) Complementary imports	b.1.2.3	Consumption, services of private non-profit organizations serving households (D 1.2.3*)
		b.1.2.4	Consumption, households (E 2.2.4*)
		b.1.2.5	Increase in inventories (B n.4.2.5* + C 4.2.5*)
		b.1.2.6	Gross fixed capital formation (B n.4.2.6* + C 4.2.6* + D 4.2.6*)
		b.1.2.7	Exports (1.2.7*)
<hr/> Total supply		<hr/> Total use	

B. Industries

(Illustrative Accounts for b. Mining, Manufacturing and
Electricity, Gas and Water Supply)

Account 1. Production account

b 1.2.1	Commodities consumed	b 1.1.li	Characteristic products of domestic industrial activity (A.b. 1.1.li)
b 1.4.1	Compensation of employees (1.4.1*)		
b 1.4.2	Operating surplus (1.4.2*)	b 1.1.liii	Other products of domestic industrial activity
b 1.4.3	Consumption of fixed capital (1.4.3*)		
b 1.4.4	Indirect taxes (1.4.4*)		
b 1.4.5	<u>Less</u> subsidies (1.4.5*)		
Gross input		Gross output	

Account 4. Capital expenditure account

b 4.2.5	Increase in inventories held by domestic industrial establishments (1.2.5*)	b 4.4.3	Consumption of fixed capital (b 1.4.3)
b 4.2.6	Gross fixed capital formation (1.2.6*)	b 4.7.4	Net capital formation (b 4.2.5 + b 4.2.6 - b 4.4.3)
Gross domestic capital formation		Gross domestic capital formation	

C. General Government Services

Account 1. Production account

C 1.2.2	Commodities consumed (A/n.1.2.2)	C 1.3.7	General government consumption expenditure (1.3.7)
C 1.3.3	Purchases from private non-profit organizations serving households (D 1.3.3)	C 1.3.1	Sales to households (E 2.3.1)
C 1.1.6	Direct purchases abroad of goods and services on current account (-1.1.6*)	C 1.1.2	Commodities produced) Own-account construction not covered as an industry
C 1.4.1	Compensation of employees (1.4.1*)	ii)	Sales to industries
C 1.4.3	Consumption of fixed capital (1.4.3*)		
C 1.4.4	Indirect taxes paid directly to general government agencies (1.4.4*)		

Gross input

Gross value of services

Account 4. Capital expenditure account

C 4.2.5	Increase in inventories held by general government services (1.2.5*)	C 4.4.3	Consumption of fixed capital (C 1.4.3)
C 4.2.6	Gross fixed capital formation (1.2.6*) i) From domestic commodities ii) From direct purchases abroad (-1.1.6*)	C 4.7.4	Net capital formation (C 4.2.5+ C 4.2.6 - C 4.4.3)

Gross domestic capital formation

Gross domestic capital formation

D. Services of Private Non-Profit Organizations Serving Households

Account 1. Production account

D 1.2.3	Commodities consumed (Ann.1.2.3)	D 1.3.5	Private non-profit organizations consumption expenditure (1.3.6*)
D 1.4.1	Compensation of employees (1.4.1*)	D 1.3.2	Sales to households (E 2.3.2)
D 1.4.3	Consumption of fixed capital (1.4.3*)	D 1.3.3	Sales to general government services (C 1.3.3)
D 1.4.4	Indirect taxes paid directly to general government (1.4.4*)	D 1.1.4	Commodity sales to industries
Gross input		Gross value of services	

Account 4. Capital expenditure account

D 4.2.6	Gross fixed capital formation (1.2.6*)	D 4.4.3	Consumption of fixed capital (D 1.4.3)
		D 4.7.4	Net capital formation (D 4.2.6 - D 4.4.3)
Gross domestic capital formation		Gross domestic capital formation	

E. Households

Account 2. Consumption expenditure account

E 2.2.4	Commodities consumed (A n.1.2.4)	E 2.3.4	Household consumption expenditure (1.3.6*)
E 2.3.1	Purchases from general government services (C 1.3.1)		
E 2.3.2	Purchases from private non- profit organizations (D 1.3.2)		
E 2.1.6	Direct purchases abroad by resident households (-1.1.6*)		
E 2.2.7	Less purchases in the domestic market by non-resident households (-1.2.7*)		
Gross value of outlays		Household consumption expenditures	

III. INCOME AND OUTLAY AND CAPITAL FINANCE ACCOUNTS

A. Non-Financial Enterprises, Corporate and Quasi-corporate

Account 3. Income and outlay account

A 3.5.2	Entrepreneurial income of quasi-corporate enterprises	A 3.4.2	Operating surplus (3.4.2*)
A 3.5.3	Property income payable	A 3.5.4	Income from property
A 3.5.10	Net casualty insurance premiums	A 3.5.13	Casualty insurance claims receivable
A 3.6.2	Direct taxes on income		
A 3.6.8	Current transfers n.e.c. made, net		
A 3.7.1	Saving of incorporated enterprises (A 5.7.1)		

Disbursements

Receipts

Account 5. Capital finance account

A 5.2.5	Increase in inventories (5.2.5*)	A 5.7.1	Saving of incorporated enterprises (A 3.7.1)
A 5.2.6	Gross fixed capital formation (5.2.6*)	A 5.4.3	Consumption of fixed capital (5.4.3*)
A 5.7.5	Purchases of land, net	A 5.7.6	Capital transfers received, net
A 5.7.7	Purchases of other non-reproducible tangible assets and intangible assets, net		
A 5.7.8	Net lending (A 5.7.9)		

Gross investment

Finance of gross investment

A 5.8.2	Gold and foreign exchange (5.8.1*)	A 5.7.9	Net lending (A 5.7.8)
A 5.8.3	Other foreign financial assets (5.8.1*)	A 5.9.1	Net incurrence of foreign liabilities (5.9.1*)
A 5.8.4	Currency and transferable deposits	A 5.9.6	Bills and bonds, short-term
A 5.8.5	Other deposits	A 5.9.7	Bonds, long-term
A 5.8.6	Bills and bonds, short-term	A 5.9.8	Corporate equity securities, including capital participations
A 5.8.7	Bonds, long-term	A 5.9.9	Other loans received, short-term
		A 5.9.10	Other loans received, long-term
		A 5.9.12	Proprietors' net investment in quasi-corporate private enterprises (E 5.8.12*)
		A 5.9.13	Net investment in government enterprises (C 5.8.13)

A 5.8.8	Corporate equity securities, including capital partici- pations	A 5.9.14	Trade credit and advances received
A 5.8.9-10	Other loans made	A 5.9.15	Other domestic liabilities
A 5.8.14	Trade credit and advances extended		
A 5.8.15	Other domestic financial assets		
Net acquisition of financial assets		Net incurrence of liabilities plus net lending	

B. Financial Institutions
Account 3. Income and outlay account

B 3.5.2	Entrepreneurial income of private unincorporated institutions (E 3.5.2*)	B 3.4.2	Operating surplus (3.4.2*)
B 3.5.3	Property income payable	B 3.5.4	Income from property
B 3.5.10	Net casualty insurance premiums payable	B 3.5.12	Net casualty insurance premiums receivable
B 3.5.11	Casualty insurance claims payable	B 3.5.13	Casualty insurance claims receivable
B 3.6.2	Direct taxes on income		
B 3.6.8	Current transfers n.e.c. made, net		
B 3.7.1	Saving of incorporated enterprises (B 5.7.1)		
Disbursements		Receipts	

Account 5. Capital finance account

B 5.2.5	Increase in inventories (5.2.5*)	B 5.7.1	Saving of incorporated enterprises (B 3.7.1)
B 5.2.6	Gross fixed capital formation (5.2.6*)	B 5.4.3	Consumption of fixed capital (5.4.3*)
B 5.7.5	Purchases of land, net	B 5.7.6	Capital transfers received, net
B 5.7.7	Purchases of other non-reproducible tangible assets and intangible assets, net		
B 5.7.8	Net lending (B 5.7.9)		
Gross investment		Finance of gross investment	
B 5.8.2	Gold and foreign exchange (5.8.1*)	B 5.7.9	Net lending (B 5.7.8)
B 5.8.3	Other foreign financial assets (5.8.1*)	B 5.9.2	Currency issued by Central Bank and deposits of non-residents (5.9.1*)
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B 5.8.6	Bills and bonds, short-term	B 5.9.5	Other deposits of residents
B 5.8.7	Bonds, long-term	B 5.9.6	Bills and bonds, short-term
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B 5.8.9	Other loans made, short-term: i) Between institutions of the monetary system ii) Other	B 5.9.8	Corporate equity securities, including capital participations
B 5.8.10	Other loans made, long-term	B 5.9.9	Other loans received, short-term
B 5.8.14-15	Other domestic financial assets	B 5.9.10	Other loans received, long-term
		B 5.9.11	Net equity of households on life insurance actuarial reserves and on pension funds (E 5.8.11)
		B 5.9.12	Proprietors' net investment in unincorporated private enterprises (E 5.8.12*)
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Net acquisition of financial assets		Net incurrence of liabilities plus net lending	

C. General Government
Account 3. Income and outlay account

C 3.3.7 Consumption expenditure (3.3.7)	C 3.4.2 Operating surplus (3.4.2*)
C 3.5.3 Interest on public debt	C 3.5.2 Income from entrepreneurship (A 3.5.2*)
C 3.5.10 Net casualty insurance premiums	C 3.5.4 Income from property
C 3.4.5 Subsidies (-3.4.5)	C 3.5.13 Casualty insurance claims receivable
C 3.6.4 Social security benefits	C 3.4.4 Indirect taxes (3.4.4) (i) Import duties (ii) Other indirect taxes
C 3.6.5 Other social assistance payments (E3.6.5)	C 3.6.1 Social security contributions
C 3.6.6 Current transfers n.e.c. to other sectors	C 3.6.2 Other direct taxes on income
C 3.6.7 Current transfers n.e.c. to rest of the world	C 3.6.3 Compulsory and nominal fees and fines
C 3.7.1 Saving (C 5.7.1)	C 3.6.9 Current transfers n.e.c. from other sectors
	C 3.6.10 Current transfers n.e.c. from the rest of the world

Disbursements

Receipts

Account 5. Capital finance account

C 5.2.5 Increase in inventories (5.2.5*)	C 5.7.1 Saving (C 3.7.1)
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C 5.7.5 Purchases of land, net	C 5.7.6 Capital transfers received, net (i) From other sectors (ii) From the rest of the world (5.7.6*)
C 5.7.7 Purchases of other non- reproducible tangible assets and intangible assets, net	
C 5.7.8 Net lending (C 5.7.9)	

Gross investment

Finance of gross investment

C 5.8.2	Gold and foreign exchange(5.8.1*)	C 5.7.9	Net lending (C 5.7.8)
C 5.8.3	Other foreign financial assets (5.8.1*)	C 5.9.2	Currency issued by Treasury and central government deposits and bills held by non-residents (5.9.1*)
C 5.8.4	Currency and transferable deposits of: (i) Central government (ii) Other parts of sector	C 5.9.3	Other foreign liabilities (5.9.1*)
C 5.8.5	Other deposits	C 5.9.4	Currency issued by Treasury held by residents
C 5.8.6	Bills and bonds, short-term i. Central government issues ii. Local government issues iii. Corporate issues	C 5.9.5	Deposits of residents
C 5.8.7	Bonds, long-term i. Central government issues ii. Local government issues iii. Corporate issues	C 5.9.6	Bills and bonds, short-term i. Central government issues ii. Local government issues
C 5.8.8	Corporate equity securities, including capital participa- tions	C 5.9.7	Bonds, long-term i. Central government issues ii. Local government issues
C 5.8.9-10	Other loans made	C 5.9.9	Other loans received, short-term i. Central government ii. Local government
C 5.8.13	Net investment in government enterprises considered quasi corporate (A 5.9.13)	C 5.9.10	Other loans received, long-term Central government Local government
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Net acquisition of financial assets		Net incurrence of liabilities plus net lending	

D. Private Non-Profit Institutions Serving Households

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D 3.5.10	Net casualty insurance premiums	D 3.5.13	Casualty insurance claims receivable
D 3.6.3	Current transfers n.e.c. made	D 3.6.5	Other social assistance payments (C 3.6.5*)
D 3.7.1	Saving (D 5.7.1)	D 3.6.11	Current transfers n.e.c.: received
Disbursements		Receipts	

Account 5. Capital finance account

D 5.2.6	Gross fixed capital formation (5.2.6*)	D 5.7.1	Saving (D 3.7.1)
D 5.7.5	Purchases of land, net	D 5.4.3	Consumption of fixed capital (5.4.3*)
D 5.7.7	Purchases of other non- reproducible tangible assets and intangible assets, net	D 5.7.6	Capital transfers received, net
D 5.7.8	Net lending (D 5.7.9)		
Gross investment		Finance of gross investment	
D 5.8.2	Gold and foreign exchange (5.8.1*)	D 5.7.9	Net lending (D 5.7.8)
D 5.8.3	Other foreign financial assets (5.8.1*)	D 5.9.1	Net incurrence of foreign liabilities (5.9.1*)
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Net acquisition of financial assets		Net incurrence of liabilities plus net lending	

E. Households, including Selected Unincorporated Private Non-financial Enterprises

Account 3. Income and outlay account

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E 3.6.1 Social security contributions	E 3.5.4 Income from property
E 3.6.2 Other direct taxes on income	E 3.5.13 Casualty insurance claims
E 3.6.3 Compulsory and nominal fees and fines	E 3.6.4 Social security benefits
E 3.6.8 Current transfers n.e.c. made	E 3.6.5 Other social assistance payments (C 3.6.5*)
E 3.7.1 Saving (E 5.7.1)	E 3.6.11 Current transfers n.e.c. received

Disbursements

Receipts

Account 5. Capital finance account

E 5.2.5 Increase in inventories (5.2.5*)	E 5.7.1 Saving (E 3.7.1)
E 5.2.6 Gross fixed capital formation (5.2.6*)	E 5.4.3 Consumption of fixed capital (5.4.3*)
E 5.7.5 Purchases of land, net	E 5.7.6 Capital transfers received, net
E 5.7.7 Purchases of other non- reproducible tangible assets and intangible assets, net	
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Gross investment

Finance of gross investment

E 5.8.2	Gold and foreign exchange (5.8.1*)	E 5.7.9	Net lending (E 5.7.8)
E 5.8.3	Other foreign financial assets (5.8.1*)	E 5.9.1	Net incurrence of foreign liabilities (5.9.1*)
E 5.8.4	Currency and transferable deposits	E 5.9.9	Other loans received, short-term
E 5.8.5	Other deposits	E 5.9.10	Other loans received, long-term
E 5.8.6	Bills and bonds, short-term	E 5.9.14	Trade credit and advances received
E 5.8.7	Bonds, long-term	E 5.9.15	Other domestic liabilities
E 5.8.8	Corporate equity securities, including capital participa- tions		
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E 5.8.12	Proprietors' net investment in quasi-corporate private enterprises (A 5.9.12 + B 5.9.12)		
E 5.8.14	Trade credits and advances		
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<hr/> Net acquisition of financial assets		<hr/> Net incurrence of liabilities plus net lending	

ANNEX II

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I PRODUCTION' CONSUMPTION EXPENDITURE AND CAPITAL EXPENDITURE ACCOUNTS

A. Current Prices

Table 1. Gross Domestic Product and Factor Incomes,
by Kind of Economic Activity

Kind of economic activity ^{1/}		Gross output	Intermediate consumption	Gross domestic product at market prices	Indirect taxes less subsidies	Compensation of employees	Consumption of fixed capital	Operating Surplus
Condensed list	More detailed list							
Flow		1.9	2.1-2.3	4.6	4.4 - 4.5	4.1	4.8	4.2
(1a)	(1b)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Agriculture, Hunting, Forestry, and Fishing				a. Industries				
1. Agriculture, and hunting	1.1,1.2							
2. Forestry and logging	2,1,2.2							
3. Fishing	3							
Industrial Activity								
4. Mining and quarrying	4.1,4.2,4.3, 4.4							
5. Food, beverages and tobacco	5.1,5.2,5.3							
6. Textiles, wearing apparel and leather products	6.1,6.2,6.3, 6.4							
7. Wood and wood products	7.1, 7.2,7.3							
8. Manufactures of rubber, chemicals, petroleum and coal	8.1,8.2,8.3							
9. Non-metallic mineral products	9.1,9.2							
10. Basic metal industries	10.1,10.2							
11. Metal products, machinery and equipment	11.1,11.2 11.3,11.4,11.5							
12. Other manufacturing industries	12.1,12.2, 12.3							
13. Electricity, gas and steam, and water supply	13.1, 13.2, 13.3							
Other Goods								
14. Construction	14							

^{1/} See Table 1, Chapter III for description of categories of the condensed and more detailed list of kinds of economic activity.

Table 1. (Cont'd) Gross Domestic Product and Factor Incomes,
by Kind of Economic Activity

Kind of economic activity ^{1/}		Gross output	Intermediate consumption	Gross domestic product at market prices	Indirect taxes less subsidies	Compensation of employees	Consumption of fixed capital	Operating surplus
Condensed list	More detailed list							
Flow		1.9	2.1- 2.3	4.6	4.4 - 4.5	4.1	4.8	4.2
(1a)	(1b)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
15. Transport and communication services	15.1,15.2							
16. Wholesale and retail trade, restaurants and hotels, and storage Services	16.1,16.2, 16.3,16.4							
17. Personal services	17.1,17.2, 17.3							
18. Banking and insurance	18.1,18.2							
19. Real estate and business services	19.1,19.2							
20. Sanitary and similar community services	20							
22. Social, recreational and related community services	22.1, 22.2, 22.3, 22.5 rest							
Sub-Total								
Agriculture and Hunting, Forestry and Fishing								
1. Agriculture and hunting	1,1,1.2							
2. Forestry and logging	2.1 only							
3. Fishing	3							
Industrial Activity	Perhaps 13.3							
15. Transportation and com- munication services	15.1 and perhaps 15.2							
p. General Government Services ^{2/}								

^{1/} See Table 1, Chapter III for description of categories of the condensed and more detailed list of kinds of economic activity.

^{2/} Intermediate consumption also includes Flow 3.3 and direct purchases abroad of goods and services on current account.

Table 1. (Cont'd) Gross Domestic Product and Factor Incomes,
by Kind of Economic Activity

Kind of economic activity ^{1/}		Gross output	Intermediate consumption	Gross domestic product at market prices	Indirect taxes less subsidies	Compensation of employees	consumption of fixed capital	Operating surplus
Condensed list	More detailed list							
Flow		1.9	2.1- 2.3	4.6	4.4 - 4.5	4.1	4.8	4.2
(1a)	(1b)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Services								
20. Sanitary services and similar community services	20							
21. Public administration and defense	21.1,21.2, 21.3,21.4, 21.5,21.6, 21.7							
22. Social, recreational and related community services	22.1,22.2, 22.3,22.4, 22.5,22.6							
Sub-Total								
c. Services of Private Non-Profit Organizations Serving Households								
22. Social, recreational and and related community services	22.1,22.2, 22.3,22.4, 22.5,22.6							
Import duties								
Total								

^{1/} See Table 1, Chapter III for description of categories of the condensed and more detailed list of kinds of economic activity.

Table 3. Gross Outputs and Inputs of Industries

Flow and classification		Gross output and input of industries						
		1	2	3	...	16.1	...	16.4 17-22 except 21
Gross output of industries (Flow 1.1)	Gross output at producer prices exclusive of commodity taxes, net							
	Commodity taxes, net							
Gross inputs of industries	Consumption of commodities (Flow 2.1) Characteristic products (producer prices exclusive of commodity taxes, net) of industries	1						
		Agriculture and hunting						
		2						
		Forestry and logging						
		3						
		Fishing						
		4.1						
		Coal mining						
		4.2						
		Metal mining						
		...						
		5.1						
		Food manufacturing						
		5.2						
		Beverage industries (More detailed list of Table 1)						
		15.1						
		Transport						
		15.2						
		Communications						
		16.1						
		Wholesale and retail trade						
		...						
		17-22						
		Services except 21						
	Commodity taxes, net							
	Compensation of employees Flow 4.1							
	Operating surplus 4.2							
	Consumption of fixed capital 4.3							
	Indirect taxes, net 4.4-4.5							

Table 4. General Government Consumption/Expenditure,
by Cost-Structure and Purpose^{1/}

Purpose of expenditure				Commodities consumed and direct purchases abroad on current account	Other outlays less sales to house- holds and sales of commodities	Con- sumption Ex- penditure
Condensed list	More de- tailed list	Compen- sation of em- ployees	Consump- tion of fixed capital			
Flow		4.1	4.3	2.2+1.6.5*	(3.3+4.4*)- (1.2+ 3.1)	3.7
(1a)	(1b)	(2)	(3)	(4)	(5)	(6)
1. General services ^{6/}	1.1,1.2,1.3					
2. Defence	2 ^{2/}					
3. Research	3 ^{2/}					
4. Education	4.1 ^{3/} ,4.2, 4.3 ^{4/}					
5. Health	5.1 ^{3/} ,5.2 ^{4/} , 5.3 ^{4/}					
6. Social security and welfare services	6.1 ^{3/} ,6.2 ^{3/} , 4 [/]					
7. Housing and community amenities	7.1,7.2,7.3					
8. Other community and social services	8.1,8.2					
9. Economic services	9.1 ^{3/} ,9.2, 9.3,9.4, 9.5,9.6, 9.7,9.8					
10. Unallocable ^{5/}						
Total						

- 1/ For the classification according to purpose, see Table 2, Chapter III.
- 2/ In addition, if feasible, data on the total consumption expenditure on research should be furnished, including such expenditure classified under other categories.
- 3/ At least these categories of the more detailed list should be shown separately, if feasible.
- 4/ It is desirable to compile data on the outlays and receipts of these institutions for food, beverages and tobacco, clothing, and medicines and pharmaceuticals for individual use.
- 5/ Includes consumption expenditures in connexion with disasters and other calamities and consumption of fixed capital which cannot be allocated to any of the purpose categories listed above.
- 6/ It would be desirable to compile data of the outlays on durable goods for military use.

Table 5. Consumption Expenditure of Private Non-Profit Organizations Serving Households, by Cost-Structure and Purpose^{1/}

Purpose of Expenditures	Compensation of employees	Consumption of fixed capital	Commodities consumed	Less sales to households and general government services	Consumption Expenditure
Flow	4.1	4.3	2.3	3.2+ 3.3	3.5
(1)	(2)	(3)	(4)	(5)	(6)
1. Education services ^{3/}					
2. Research and scientific institutes					
3. Medical and other services ^{3/}					
4. Welfare services ^{3/}					
5. Recreation and cultural services					
6. Religious, professional and labour organizations, etc.					
Total					
Of which:			Non-durable		
			Semi-durable ^{2/}		
			Durable ^{2/}		

^{1/} See Table 3, Chapter III, for classification according to purpose.

^{2/} Essentially commodities acquired for donation to households since most purchases of durable and semi-durable commodities will be for use by the organizations themselves and will, therefore, be part of fixed capital formation.

^{3/} Where educational institutions furnish boarding facilities and social clubs furnish restaurant and bar facilities which it is not feasible to cover in separate statistical units of the industries sector, supplementary data should be compiled on the outlays and receipts for food and beverages and shelter included in the total outlays and receipts of these institutions. It is desirable to compile supplementary data on the expenditure and receipts of medical and other health services and welfare services in respect of food, beverages and tobacco, clothing, and medicines and pharmaceuticals for industrial use.

Table 6. Composition of Household Consumption Expenditure

a. By type of expenditure		
Item	Flow	
1	2.4	Commodities consumed by households
2		Durable commodities
3		Semi-durable commodities
4		Non-durable commodities
5		Services
6	3.1+3.2	Purchases from general government and private non-profit institutions serving households
7	3.8	Consumption expenditure of households in the domestic market
8	1.6.4	Direct purchases abroad by households
9	2.7.4	Less Purchases by non-residents in the domestic market
10	3.4	Household consumption expenditure (Items 7+8+16)

b. Household consumption expenditure in the domestic market, by object^{1/}

Condensed list	More detailed list
1. Food, beverages and tobacco	1.1, 1.2, 1.3
2. Clothing, footwear and accessories	2.1, 2.2, 2.3
3. Gross fuel and fuel and light	3.1, 3.2
4. Furniture, furnishings, household equipment and household operations	4.1, 4.2, 4.3, 4.4, 4.5
5. Medical care and health expenses ^{2/}	5.1, 5.2, 5.3, 5.4
6. Transport and communication	6.1, 6.2, 6.3
7. Recreation, entertainment and cultural services	7.1, 7.2, 7.3
8. Education ^{2/}	
9. Other goods and services ^{2/}	9.1, 9.2, 9.3, 9.4
Household consumption expenditure in the domestic market (Flow 3.8)	

^{1/} See Table 1, Chapter IV for description and definition of the categories of the condensed and more detailed lists.

^{2/} Supplementary data should be furnished on the amounts included for food, beverages and tobacco consumed in restaurants, cafés and hotels, in hospitals, and in educational institutions and social clubs wherever feasible, in order to have estimates of the total outlays on these items. In the case of educational institutions, supplementary data on any payments included for lodging should be compiled.

Table 7. Gross Capital Formation

a. By type of capital goods ^{1/}				
1. Dwellings				
2. Non-residential buildings				
3. Other construction				
4. Land improvement and plantation development ^{2/}				
5. Transport equipment				
6. Machinery and other equipment ^{2/}				
7. Breeding stock, dairy cattle, etc.				
8. Gross fixed capital formation (Flow 2.6)				
9. Materials and supplies				
10. Work in progress				
11. Finished goods				
12. Livestock except breeding stock, dairy cattle, etc.				
13. Increase in inventories (Flow 2.5)				
14. Gross capital formation (Flows 2.6+2.5)				
b. By kind of economic activity ^{2/}				
Kind of economic activity		Gross capital formation	Gross fixed capital formation	Increase in inventories
Condensed list	More detailed list			
Flow		2.6+2.5	2.6	2.5
(1a)	(1b)	(2)	(3)	(4)
As in Supporting Table 1 except that the categories of the condensed list should be utilized for Agriculture, forestry and fishing and the Services. Increases in inventories will not apply to the Services.		a. Industries		
As in Supporting Table 1. Increases in inventories will apply to General government services only.		b. General Government Services		
As in Supporting Table 1. Increases in inventories will not apply.		c. Services of Private Non-profit Organizations serving Households		
Total				

^{1/} For the definition of the categories, see Tables 2 and 3, Chapter IV.

^{2/} It may be desirable to show separately categories 4.1 and 4.2 and categories 6.1 and 6.2.

^{3/} The classification according to kind of economic activity relates to the owner of the assets not the user.

^{4/} It may be desirable to sub-divide this column into construction of buildings and other projects; and machinery equipment and other fixed capital formation.

B. Constant Prices and Employment

Table 8. Value in Constant Prices and Correlative Price Indexes, Gross Domestic Product by Type of Expenditure

a. Value in constant prices		
Item	Flow	
1	3.6	Private consumption expenditure
2	3.7	General government consumption expenditure
3	2.6	Gross fixed capital formation
4	2.5	Increase in inventories
5		Consumption and gross capital formation
6	2.7	Exports of goods and services
7	1.6	Less Imports of goods and services
8	4.6	Gross domestic product at market prices
9	4.8	Net domestic product at factor incomes
b. Correlative price index numbers		
Item	Flow	
10	3.6	Private consumption expenditure
11	3.7	General government consumption expenditure
12	2.6	Gross fixed capital formation
13		Consumption and gross capital formation
14	2.7	Exports of goods and services
15	1.6	Less Imports of goods and services
16	4.6	Gross domestic product at market prices
17	4.8	Net domestic product at factor incomes

Table 9. Gross Domestic Product at Constant
Prices by Kind of Economic Activity^{1/}

Kind of economic activity		Gross domestic product at market prices	Gross domestic product at factor incomes	Net domestic product at factor incomes
Condensed list	More detailed list			
Flow		2.10	2.11	2.12
(1a)	(1b)	(2)	(3)	(4)
	a. Industries			
Agriculture, Hunting, Forestry, and Fishing				
1. Agriculture and hunting	1			
2. Forestry and logging	2.1, 2.2			
3. Fishing	3			
Industrial Activity				
4. Mining and quarrying	4.1, 4.2, 4.3, 4.4			
5. Food, beverages and tobacco	5.1, 5.2, 5.3			
6. Textiles, wearing ap- parel and leather products	6.1, 6.2, 6.3, 6.4.			
7. Wood and wood products	7.1, 7.2, 7.3			
8. Manufactures of rubber, chemicals, petroleum and coal	8.1, 8.2, 8.3			
9. Non-metallic mineral products	9.1, 9.2			
10. Basic metal industries	10.1, 10.2			
11. Metal products, machin- ery and equipment	11.1, 11.2, 11.3, 11.4, 11.5			
12. Other manufacturing industries	12.1, 12.2, 12.3			
13. Electricity, gas and steam, and water supply	13.1, 13.2, 13.3			
Other Goods				
14. Construction	14			

^{1/} See Table 1, Chapter III for description of the categories of the condensed and more detailed lists.

(over)

Table 9. (Cont'd) Gross Domestic Product at Constant
Prices by Kind of Economic Activity^{1/}

Kind of economic activity		Gross domestic product at market prices	Gross domestic product at factor incomes	Net domestic product at factor incomes
Condensed list	More detailed list			
Flow		2.10	2.11	2.12
(1a)	(1b)	(2)	(3)	(4)
15. Transport and communication services	15.1, 15.2			
16. Wholesale and retail trade, restaurants and hotels, and storage Services	16.1, 16.2, 16.3, 16.4			
17. Personal services	17			
18. Banking and insurance	18			
19. Real estate and business services	19.1, 19.2			
20. Sanitary and similar community services	20			
22. Social, recreational and related community services	22			
Sub-total				
b. General Government Services				
Agriculture and Hunting, Forestry and Fishing	1-3			
Industrial Activity	Perhaps 13.3			
15. Transportation and communication services	15.1 and perhaps 15.2			
Services				
20. Sanitary services and similar community services	20			
21. Public administration and defence	21			
22. Social, recreational and community services	22			
Sub-total				
c. Private Non-Profit Organizations Serving Households				
22. Social recreational and related community services				
Import duties				
Total				

Table 10. Employment by Kind of Economic Activity^{1/}

Kind of economic activity		Employment		
Condensed list	More detailed list	Full-time man-year equivalents ^{2/}		Man-hours worked by employees
		Number of persons engaged ^{3/}	Employees	
(1a)	(1b)	(2)	(3)	(4)
The categories of the condensed and detailed list are identical with those shown in Table 9.		a. Industries		
		b. General government service		
		c. Private non-profit organizations serving households		

The categories of the condensed and detailed list are identical with those shown in Table 9.

^{1/} The data relate to persons engaged in domestic production.

^{2/} If feasible, the data presented on numbers employed should relate to full time man-year equivalents, defined in terms of customary hours of work during the year and man-hours for employees only. Otherwise, data might be shown on the number of persons employed during each month or pay-period averaged over the year.

^{3/} The number of persons engaged includes in addition to employees, working proprietors and unpaid family workers of unincorporated units.

Table 11. General Government Consumption Expenditure at Constant Prices, by Purpose^{1/}

Purpose of expenditure	Consumption expenditure	Commodities consumed and direct purchases abroad on current account by general government services
Flow	3.7	2.2+1.65
(1)	(2)	(3)
1. General government services		
2. Defence ^{2/}		
3-8 Social, recreational and related community services, of which:		
4. Education ^{2/}		
5. Health ^{2/}		
6. Social security and welfare services		
9. Economic services		
Total ^{4/}		

^{1/} See Table 2, Chapter III in respect of the classification according to purpose.

^{2/} It is desirable to compile data on the outlays and receipts of these services for food, beverages, tobacco, clothing and medicines and pharmaceuticals for individual use.

^{3/} It would be desirable to compile data on the outlays on durable goods for military use.

^{4/} In addition to the categories listed, the total includes items of consumption expenditure which are unallocable.

Table 12. Consumption Expenditure at Constant Prices of Private
Non-Profit Organizations Serving Households, by Purpose^{1/}

Purpose of expenditure	Consumption expenditure	Commodities consumed by the services of private non-profit organizations
Flow	3.5	2.3
(1)	(2)	(3)
1. Education services ^{2/}		
3. Medical and other health services ^{2/}		
4. Welfare services ^{2/}		
2,5-6 Other services ^{2/}		
Total		

^{1/} See Table 3, Chapter III for classification according to purpose

^{2/} Where educational institutions furnish boarding facilities and social clubs furnish restaurant and bar facilities which it is not feasible to cover in separate statistical units of the industries sector, supplementary data should be compiled on the outlays and receipts for food, beverages and tobacco and shelter included in the total outlay and receipts of these institutions. It is desirable to compile supplementary data on the expenditure and receipts of medical and other health services and welfare services in respect of food, beverages and tobacco, clothing, and medicines and pharmaceuticals for individual use.

Table 13. Composition of Household Consumption Expenditure
in the Domestic Market at Constant Prices

a. By type of expenditure		
Item	Flow	
1.	2.4	Commodities consumed by households
2.		Durable commodities
3.		Semi-durable
4.		Non-durable commodities
5.		Services
6.	3.8	Private consumption expenditure in the domestic market (Flows 2.4+3.1+3.2)
b. By object ^{1/}		
Condensed list	More detailed list	
(1a)	(1b)	
1. Food, beverages and tobacco	1.1, 1.2, 1.3	
2. Clothing, footwear and accessories	2.1, 2.2, 2.3	
3. Gross rent and fuel and light	3.1, 3.2	
4. Furniture, furnishings, household equipment and household operation	4.1, 4.2, 4.3, 4.4, 4.5	
5. Medical care and health expenses	5.1, 5.2-5.4	
6. Transport and communication	6.1, 6.2, 6.3	
7. Recreation, entertain- ment and cultural services	7.1, 7.2, 7.3	
8. Education	8	
9. Other goods and services	9.1, 9.2, 9.3, 9.4	

^{1/} For description and definition of categories of condensed and detailed lists,
see Table 1, Chapter IV.

Table 14. Composition of Gross Domestic Capital
Formation at Constant Prices

a. By type of capital good ^{1/}			
1.	Dwellings		
2.	Non-residential buildings		
3.	Other construction		
4.	Land improvement and plantation development		
5.	Transport equipment		
6.	Machinery and other equipment		
7.	Breeding stock, dairy cattle, etc.		
8.	Gross fixed capital formation (Flow 2.6)		
9.	Materials and supplies		
10.	Work-in-progress		
11.	Finished goods		
12.	Livestock other than breeding stock, dairy cattle, etc.		
13.	Increase in inventories (Flow 2.5)		
14.	Gross capital formation (Flows 2.6+2.5)		
b. By kind of economic activity			
Kind of economic activity		Gross capital formation	Gross fixed capital formation
Condensed list	More detailed list		
Flow		2.6+2.5	2.6
(1a)	(1b)	(2)	(3)
The categories of the condensed and detailed list are identical with those shown in Table 9		a. Industries	
		b. General Government Services	
		c. Private Non-Profit Organizations Serving Households	

^{1/} For definition of the categories, see Table 3, Chapter IV.

Table 15. Imports and Exports at Constant Prices, Classified
According to Characteristic Products of Industries

Characteristic Products of Industries:		Imports	Exports
Condensed list	More detailed list		
Flow		1.6	2.7
(1a)	(1b)	(2)	(3)
Agriculture, Hunting, Forestry and Fishing			
1. Agriculture and hunting	1		
2. Forestry and logging	2		
3. Fishing	3		
Industrial Activity			
4. Mining and quarrying	4.1, 4.2, 4.3, 4.4		
5. Food, beverages and tobacco	5.1, 5.2, 5.3		
6. Textiles, wearing apparel and leather products	6.1, 6.2, 6.3, 6.4		
7. Wood and wood products	7.1, 7.2, 7.3		
8. Manufactures of rubber, chemicals, petroleum and coal	8.1, 8.2, 8.3		
9. Non-metallic mineral products	9.1, 9.2		
10. Basic metal industries	10.1, 10.2		
11. Metal products, machinery and equipment	11.1, 11.2, 11.3, 11.4, 11.5		
12. Other manufacturing industries	12.1, 12.2, 12.3		
13. Electricity, gas and steam, and water supply	13.1, 13.2-13.3		
15. Transport and communication services	15		
18.2 Insurance	18.2		
Other goods and services			
Total			

II. INCOME AND OUTLAY AND CAPITAL FINANCE ACCOUNTS

Table 16. National Income and Its Distribution

a. National income at market prices				
Item	Flow			
1	4.1	Compensation of employees		
2	4.2	Operating surplus		
3	4.8	Domestic factor incomes		
4	6.5.1.	Compensation of employees from		
	6.4.1.	rest of the world, net		
5	5.7	Property and entrepreneurial income		
		from rest of the world, net		
6	4.4.4.5	Indirect taxes <u>less</u> subsidies		
7	5.9	National income at market prices		
b. Distribution of Income				
Type of transaction		Private sector	Public sector	
Item	Flow	(1)	(2)	(3)
		a. Compensation of employees		
1		Civilian labour force		
2		i. Wages and salaries (in cash and kind)		
3		ii. Employers' contributions to social security		
4		iii. Other supplements		
5		Members of armed forces		
6		i. Wages and salaries (in cash and kind)		
7		ii. Supplements to wages and salaries		
8	5.1	Total		
		b. Entrepreneurial and property income receivable, net		
9		General government		
10		Private non-profit organizations serving households		
11		Households		
12		Incorporated enterprises		
13	5.7	Total		
14	4.4-4.5	Indirect taxes <u>less</u> subsidies		

Table 16. National Income and Its Distribution (cont.)

		Type of transaction	Private sector	Public sector
Item	Flow			
15	5.9	National income at market prices (8 + 13 + 14)		
		c. Other current transfers received, net		
16		General government		
17		Private non-profit organizations serving households		
18		Households		
19		Incorporated enterprises		
20	6.17	Total		
		d. Disposable income		
21		General government		
22		Private non-profit organizations serving households		
23		Households		
24		Incorporated enterprises		
25	6.18	Total (15 + 20)		

Table 17. Income and Outlay of the Sub-Sectors
of General Government

Type of transaction			Central government	Local government	Social security funds	Private non-profit and unattached organizations of the sector
Item	Flow	(1)	(2)	(3)	(4)	(5)
1	5.2	Income from entrepreneurship				
2	5.4	Income from property				
3	5.13	Casualty insurance claims				
4	4.4	Indirect taxes				
5		i. Import duties				
6		ii. Other indirect taxes				
7	6.1	Social security contributions				
8	6.2	Other direct taxes on income				
9	6.3	Compulsory and nominal fees and fines				
10	6.9	Current transfers n.e.c. from other sectors				
11	6.9	Current transfers except indirect taxes from other sub-sectors of general government				
12	6.10	Current transfers n.e.c. from rest of world				
13		Current receipts				

Table 17. Income and Outlay of the Sub-Sectors
of General Government (cont.)

		Type of transaction	Central government	Local government	Social security funds	Private non- profit and un- attach- ed organi- zations of the sector
Item	Flow	(1)	(2)	(3)	(4)	(5)
14	3.7	Consumption expenditure				
15	5.3	Interest on public debt				
16	5.10	Net casualty insurance premiums				
17	4.5	Subsidies				
18	5.3	Social security benefits				
19	5.4	Other social assistance payments				
20	6.6	Current transfers n.e.c. to other sectors				
21	6.6	Current transfers to other sub-sectors of general government				
22	6.7	Current transfers n.e.c. to rest of the world				
23		Current disbursements				
24	7.1	Saving (13-23)				

Table 18. Selected Outlays of General Government, Consolidated, by Purpose^{1/}

Purpose of outlay		Con- sump- tion expen- diture	Subsidies and other current unrequited transfers	Gross capital forma- tion	Capital trans- fers made	Loans made, net acqui- sitions of bonds and corporate equity securities and net investment in govern- ment enter- prises
Condensed list	More detailed list					
Flow		3.7	4.5+6.4+ 6.5+6.6+ 6.7	2.5+2.6	7.10	6-10
(1a)	(1b)	(2)	(3)	(4)	(5)	(6)
1. General services	1.1,1.2,1.3					
2. Defence	2					
3. General research	3					
4. Education	4					
5. Health	5					
6. Social security and welfare services	6.1,6.2					
7. Housing and community amenities	7.1,7.2+7.3					
8. Other community and social services	8					
9. Economic services	9.1+9.8, 9.2,9.3,9.4, 9.5,9.6,9.7					
10. Unallocable						
Total						

^{1/} For the classification and definition of general government agencies according to purpose, see Table 2, Chapter III.

Table 19. Income and Outlay of Sub-Sectors of Households, Including Selected Unincorporated Private Non-Financial Enterprises

Type of transaction			Households of:	
			Proprietors of unincorporated enterprises (2)	Persons in other status (3)
Item	Flow			
1	4.2	Operating surplus		
2	4.1	Compensation of employees		
3	5.2	Income from entrepreneur- ship of quasi-corporate enterprises		
4	5.4	Income from property		
5	5.13	Casualty insurance claims		
6	6.4	Social security benefits		
7	6.5	Other social assistance payments		
8	6.11	Current transfers n.e.c. received		
9		Current receipts		
10	3.4	Consumption expenditure		
11	5.3	Property income payable		
12	5.10	Net casualty insurance premiums		
13	6.1	Social security contributions		
14	6.2	Other direct taxes on income		
15	6.3	Compulsory and nominal fees and fines		
16	6.8	Current transfers n.e.c. made		
17		Current disbursements		
18	7.1	Saving (9-17)		

Table 20. Gross Investment of the Detailed Sub-Sectors

Type of transaction			Non-financial enterprises, corporate and quasi-corporate		Financial institutions						General government				Private non-profit organizations serving households	Households of		
			Private	Public	Monetary authority	Other monetary institutions		Insurance companies and pension funds		Other financial institutions		Central government	Local government	Social security funds	Private non-profit and attached organizations of sector (14)	Proprietors of unincorporated enterprises	Other	
Item	Flow	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1.	7.1	Saving																
2.	4.3	Consumption of fixed capital																
3.	7.6	Capital transfers received, net																
4.		Finance of gross investment																
5.	2.5	Increase in inventories																
6.	2.6	Gross fixed capital formation																
7.	7.5	Purchases of land, net																
8.	7.7	Purchases of other non-reproducible tangible assets and intangible assets, net																
9	7.8	Net lending 4-(5+6+7+8)																

Table 21. Financial Transactions of the Detailed Sub-Sectors^{1/}

Rest of the world	Columns 17-2 of Table 20	Total	Type of claim and debtor	Total	Columns 2-17 of Table 20	Rest of the world
Financial Assets				Liabilities		
a. Foreign and National Financial Assets or Liabilities						
			7.9 Net lending or borrowing Net incurrence of liabilities Net acquisition of financial assets			
			2. Gold only			
			4. Currency and transferable deposits			
			i. National sectors			
			ii. Rest of the world			
			5. Other deposits			
			i. National sectors			
			ii. Rest of the world			
			6. Bills and bonds, short-term			
			i. Non-financial corporations			
			ii. Financial institutions			
			iii. Central government			
			iv. Local government			
			v. Rest of the world			
			7. Bonds, long-term			
			i. Non-financial corporations			
			ii. Financial institutions			
			iii. Central government			
			iv. Local government			
			v. Rest of the world			
			8. Corporate equity securities, including capital participations			
			i. National corporations - quoted			
			ii. National corporations - other			
			iii. Rest of the world - quoted			
			iv. Rest of the world - other			
			9. Other short-term loans			
			i. Non-financial enterprises, corporate and quasi-corporate			
			ii. Monetary system			
			iii. Other financial institutions			
			iv. Central government			
			v. Local government			
			vi. Other national sectors			
			vii. Rest of the world			
			10. Other long-term loans sub-divided as category 9.			
			11. Net equity of households on life insurance actuarial reserves and on pension funds			
			12 and 13 Proprietors' net investment in quasi-corporate enterprises			
			14 Trade credit and advances			
			i. Non-financial enterprises, corporate and quasi-corporate			
			ii. Central government			
			iii. Local government			
			iv. Other sub-sectors of general government			
			v. Households			
			vi. Other national sectors			
			vii. Rest of the world			
			15. Other claims			
b. Foreign Financial Assets and Liabilities						
			2. Gold and foreign exchange, as asset, currency, deposits and central government bills, as liability			
			3. Other foreign financial assets or liabilities			

^{1/} For definition of categories of financial assets and liabilities, see Table 1, Chapter V.

Table 22. Capital Transactions of the Private and Public Sectors^{1/}

Item	Flow	Type of transaction and debtor in respect of selected classes ^{2/} (1)	Private sectors (2)	Public sectors (3)
1	7.1	Saving		
2	4.3	Consumption of fixed capital		
3	7.6	Capital transfers received, net		
4		Finance of gross investment		
5	2.5	Increase in inventories		
6	2.6	Gross domestic fixed capital formation		
7	7.5	Purchases of land, net		
8	7.7	Purchases of other non-reproducible tangible assets and intangible assets, net		
9	7.8 or 7.9	Net lending 4 - (5 + 6 + 7 + 8) or 40-70		
10	8.2	Gold and foreign exchange		
11	8.3	Other foreign financial assets ^{3/}		
12	8.4	Currency and transferable deposits		
13		i. Monetary system		
14		ii. Central government		
15	8.5	Other deposits		
16	8.6	bills and bonds, short-term		
17		i. Corporate issues		
18				
19		ii. Central government		
20		iii. Local government		
21	8.7	bonds, long-term		
22		i. Corporate issues		
23		ii. Central government		
24		iii. Local government		
25	8.8	Corporate equity securities, including capital participations		
26	8.9	Other loans, short-term		
27		i. Within monetary system		
28		ii. Other units of private sector		
29		iii. Other public corporations		
30		iv. Central government		
31		v. Local government		
32	8.10	Other loans, long-term		
33		i. Private sector		
34		ii. Public corporations		
35		iii. Central government		
36		iv. Local government		

(over)

Table 22. (Cont'd) Capital Transactions of the Private and Public Sectors^{1/}

Item	Flow	Type of transaction and debtor in respect of selected classes ^{2/} (1)	Private sectors (2)	Public sectors (3)
37	8.11	Net equity of households on life insurance actuarial reserves and pension funds		
38	8.14	Trade credit and advances		
39	8.15	Other domestic claims		
40		Net acquisition of financial assets		
41	9.2	Currency, deposits and central government bills of non-residents		
42	9.3	Other foreign financial liabilities ^{3/}		
Items 43-69		Liabilities of resident institutions one to the other, which are the counterpart of Items 12-38		
70		Net incurrence of liabilities		

^{1/} Entries have been eliminated for selected book transactions, namely for proprietors' net investment in quasi-corporate enterprises.

^{2/} For the definition of the categories of financial claims, see Table 1 of Chapter V.

^{3/} To the extent that it is feasible, it would be desirable to subdivide the entries, other foreign financial assets and liabilities in the same fashion, where applicable, as domestic financial assets and liabilities.

Table 23. Capital Transactions¹ of the Monetary System,
Consolidated²

Item	Flow	Type of transaction and debtor or creditor for selected claims ⁽¹⁾
1	7.1	Saving
2	4.3	Consumption of fixed capital
3	7.6	Capital transfers received, net
4		Finance of gross investment
5	2.5	Increase in inventories
6	2.6	Gross domestic fixed capital formation
7	7.5	Purchases of land, net
8	7.9	Purchases of other non-reproducible tangible assets and intangible assets, net
9	7.8 or 7.9	Net lending 4-(5+6+7+8) or 31-43
10	8.2	Gold and foreign exchange
11	8.3	Other foreign financial assets ^{2/}
12	8.4	Currency of Treasury
13	8.6	Bills and bonds, short-term
14		i. Central government issues
15		ii. Local government issues
16		iii. Corporate issues
17	8.7	Bonds, long-term
18		i. Central government issues
19		ii. Local government issues
20		iii. Corporate issues
21	8.8	Corporate equity securities, including capital participations
22	8.9	Other loans, short-term
23		i. Central government
24		ii. Local government
25		iii. Other
26	8.10	Other loans, long-term
27		i. Central government
28		ii. Local government
29		iii. Other
30	8.14-8.15	Other domestic financial assets
31		Net acquisition of financial assets

Item	Flow	Type of transaction and debtor or creditor for selected claims ^{2/} (1)
32	9.2	Currency and deposits of non-residents
33	9.3	Other foreign liabilities
34	9.4	Currency and transferable deposits
		held by:
35		i. Central government
36		ii. Other
37	9.5	Other deposits
38	9.6	Bills and bonds, short-term
39	9.7	Bonds, long-term
40	9.8	Corporate equity securities, including capital participations
41	9.9-9.10	Other loans
42	9.14-9.15	Other domestic liabilities
43		Net incurrence of liabilities

^{1/} Liabilities are not netted against financial assets, i.e., the transactions of the monetary system are not consolidated in the case of bills, bonds and corporate equity securities.

^{2/} For definition of the categories of financial claims see Table I, Chapter V.

Table 24. Income and Outlay and Capital Transactions of Non-Financial Corporate and Quasi-Corporate Enterprises, by Kind of Economic Activity

Type of transaction		Suitable classification of the enterprises according to kind of economic activity
Item	Flow	
	(1)	
1	4.2	Operating surplus
2	5.4+5.13	Property and other income
3		Current receipts
4	5.2	Entrepreneurial income of quasi-corporate enterprises
5	5.3	Property income payable
6	5.11	Net casualty insurance premiums
7	6.2	Direct taxes in income
8	6.8	Current transfers n.e.c. made, net
9	7.1	Saving 3-(4+5+6+7+8)
10	4.3	Consumption of fixed capital
11	7.6	Capital transfers received, net
12		Finance of gross investment (9+10+11)
13	2.5+2.6	Gross capital formation
14	7.5	Purchases of land, net
15	7.7	Purchases of other non-reproducible assets and intangible assets, net
16		Net lending 12-(13+14+15) or 27-38

Table 24. (Cont'd) Income and Outlay and Capital Transactions of
Non-Financial Corporate and Quasi-Corporate Enterprises,
by Kind of Economic Activity

		Type of transaction (1)	Suitable classification of the enterprises according to kind of economic activity
Item	Flow		
17	8.2	Gold and foreign exchange	
18	8.3	Other foreign financial assets	
19	8.4	Currency and transferable deposits	
20	8.5	Other deposits	
21	8.6	Bills and bonds, short-term	
22	8.7	Bonds, long-term	
23	8.8	Corporate equity securities, including capital participa- tions	
24	8.9+8.10	Other loans made	
25	8.14	Trade credit and advances extended	
26	8.15	Other domestic financial assets	
27		Net acquisition of financial assets	
28	9.1	Net incurrence of foreign liabilities	
29	9.6	Bills and bonds, short-term	
30	9.7	Bonds, long-term	
31	9.8	Corporate equity securities, including capital participations	
32	9.9	Other loans received, short-term	
33	9.10	Other loans received, long-term	
34	9.12	Proprietors' net invest- ment in quasi-corporate private enterprises	
35	9.13	Net investment in govern- ment enterprises	
36	9.14	Trade credit and advances received	
37	9.15	Other domestic liabilities	
38		Net incurrence of liabilities	

III. ALL ACCOUNTS
Table 25. External Transactions

Item	Flow	Type of Transaction
1	2.7.1	Exports of merchandise, f.o.b.
2	2.7.2	Transport and communication
3	2.7.3	Insurance service charges
4	2.7.4	Direct purchases by non-resident households
5	2.7.5	Direct purchases by extra-territorial organizations
6	2.7.6	Other goods and services
7	2.7	Exports of goods and services
8	4.1	Compensation of employees
9	5.6	Property on entrepreneurial income
10	6.16	Other current transfers from rest of the world
11		i. To general government
12		ii. To other resident sectors
13		Current receipts
14	1.6.1	Imports of merchandise, c.i.f.
15		i. Imports, f.o.b.
16		ii. Transport services of non-residents
17		iii. Insurance services of non-residents
18		iv. Transport services of resident industries
19		v. Insurance services of resident industries
20	1.6.2	Transport and communication
21	1.6.3	Insurance service charges
22	1.6.4	Direct purchases abroad by resident households
23	1.6.5	Direct purchases abroad by general government
24	1.6.6	Other goods and services
25	1.6	Imports of goods and services
26	4.1	Compensation of employees
27	5.5	Property and entrepreneurial income
28	6.15	Other current transfers to rest of the world
29		i. By general government
30		ii. By other resident sectors
31		Current disbursements
32	7.3	Surplus on current transactions(13-31)

Table 25 (cont'd)

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Item	Flow	Type of Transaction
33	7.6	Capital transfers from the rest of world, net
34		i. To general government
35		ii. To other resident sectors
36	7.8 or 7.9	Net lending 32 + 33 or 50-72
37	8.2	Gold and foreign exchange
38		i. Gold
39		ii. Foreign currency and transferable deposits
40		iii. Other foreign deposits
41		iv. Foreign central government bills and bonds, short-term
42	8.6	Other bills and bonds, short-term
43	8.7	Bonds, long-term
44	8.8	Corporate equity securities, including capital participations <u>1</u>
45	8.9	Other loans, short-term <u>1</u>
46	8.10	Other loans, long-term <u>1</u>
47	8.12	Net investment in unincorporated non-resident enterprises
48	8.14	Trade credits and advances
49	8.11 + 8.15	Other financial claims on non-residents
50		Net acquisition of foreign financial assets
51	9.2	Currency, deposits and short-term central government bills and bonds held by non-residents
52		i. Currency and transferable deposits
53		ii. Other deposits
54		iii. Central government bills and bonds, short-term
55	9.6	Other bills and bonds, short-term
56	9.7	Bonds, long-term
57		i. Central government issues
58		ii. Local government issues
59		iii. Corporate issues

Table 25 (cont'd)

Item	Flow	Type of Transaction
60	9.8	Corporate equity securities, including capital participations <u>17</u>
61	9.9	Other loans, short-term <u>17</u>
62		i. Central government
63		ii. Local government
64		iii. Other
65	9.10	Other loans, long-term <u>17</u>
66		i. Central government
67		ii. Local government
68		iii. Other
69	9.12	Net investment of non-residents in unincorporated resident enterprises
70	9.14	Trade credits and advances
71	9.11 + 9.15	Other liabilities to non-residents
72		Net incurrence of foreign liabilities

1/

It may be desirable to distinguish transactions with subsidiaries in the case of these foreign financial assets and transactions between non-resident parent companies and their resident subsidiaries in the case of these foreign liabilities. It would also be useful to compile separate data of the saving of the foreign and resident subsidiaries. An incorporated enterprise might be considered a subsidiary of another enterprise if the parent enterprise holds a majority of its equity.

CHAPTER VII. ADAPTATION OF THE SYSTEM TO THE DEVELOPING COUNTRIES

1. It is clear from the meetings and other consultations on the proposals for revising the SNA with the developing countries that the full system described in the preceding chapters of this paper furnishes suitable and valuable goals for the systematic development of economic statistics and accounts in these countries. It will take most developing countries many years to build systems of economic statistics adequate for the compilation of even those accounts and supporting tables of the system which they consider vital in economic planning. The working groups in the developing regions of the world all concluded that international guidance as to the order of priority in which the proposed system might be evolved, would be of assistance in the systematic development of their national accounting and series of basic statistics. Adaptations in the light of the current paucity of data, in some of the flows and tables of the full system would facilitate estimates of some of the urgently needed data. It was also considered that the full system needed to be supplemented with a few special classifications and accounts in order to satisfy the requirements for data.

2. This chapter sets out the proposed adaptations of the full system to the requirements and circumstances of the developing countries. Discussed firstly are the special aspects of the developing economies which give rise to the need for supplementary classifications, accounts and tables. Next, the supplementary classifications, accounts and tables are described. Lastly, the suggested orders of priorities of compiling the various accounts and tables of the system are discussed. These orders of priority are discussed primarily in the light of the requirements for, and the difficulties of collection of data in the developing countries.

A. Some Special Characteristics of the Developing Economies

3. A basic characteristic of many developing countries is the existence of what is sometimes called "dualism" - i.e., the simultaneous existence of tradi-

tional and modern modes of production and living. The technology, organization and productivity of the two modes of production and the attitudes and habits of the people involved, differ to such an extent that the situation may be described as the existence, side-by-side, of differing, loosely connected economies. Frequently these differences are regional in character, for example, between rural and urban areas.

4. Development does not take place in a uniform manner or pace throughout a developing country and tends to accentuate the differences between the traditional and modern parts of the economy. The modern portions of the economy grow very rapidly; other parts in proximity to them lag somewhat behind; and the traditional segments stagnate or wither away.

5. A basic difference between these disparate parts of the economy is the role and type of market served, i.e., production for one's self or for sale as exports, on the national market, or in the immediate locality. The export industries of a developing country are often the dynamic element in development. These industries are likely to be few in number. In fact, modern methods of production are likely to be characteristic of some kinds of industry only. The industrial and agricultural producers who supply the country as a whole are also likely to contribute to, and reflect, the development taking place in the economy. The small manufacturing units or artisans, especially in rural areas, and agriculturists who supply local needs may make up a stagnant segment of the economy. Agriculture which is primarily subsistence in character, is likely to wither away.

6. External trade is not only an important source of demand for the key products of developing countries. It is also the source of the capital goods needed to expand and rationalize production. And, the proceeds from exports or foreign loans and other aid are the ways in which these imports are financed.

7. In a number of developing countries, the public sector plays a vital and

direct role in growth. Modern, heavily capitalized public enterprises may account for a large share of the production of key or basic industries; and are likely to provide the power, transport and communication facilities of the economy. Government is likely to be making substantial investments in the infra-structure for development and be engaged in other measures to stimulate the economy. The government may, for example, be an important source of capital for the expansion of selected private industries. An aspect of the government's development effort will often be the detailed assessment and planning of projects, the expansion of given industries, and the growth of the economy as a whole.

B. Special Classifications

8. Because of the marked differences in character and experience between the modern and traditional types of producers, developing countries will find it desirable to classify certain data of the system on production and employment according to these categories in the case of selected industries. The series of data involved are those called for in supporting Tables 1, 9 and 10, Annex II of Chapter VI.

9. The distinction between modern and traditional forms of production is not relevant to all kinds of economic activity. For example, many of the service industries might be considered to be wholly traditional or modern in character. Services other than medical, educational and banking services, may be carried on in a traditional fashion. The classification into modern and traditional forms of production will probably be most useful in the case of agriculture, manufacturing and construction.

10. The classification according to mode of production should be based on criteria such as the organizational arrangements and facilities utilized and the magnitude of the activity. Traditional type producers will all be unincorporated; and production in household premises should be classified as traditional. In the case of mining, manufacturing and construction, the use of power equipment of two horsepower or less would also be indicative

of a traditional type of activity. Though the criterion of size should vary from industry to industry and even from one country to another, the engagement of less than five persons might be utilized as the dividing line.

11. In view of the role of public industries in the economies of a number of the developing countries, it will also be desirable to classify the data shown in supporting Tables 1, 9 and 10 into publicly and privately owned or controlled industries. It may be best to make this distinction by combining public industries with general government services, thereby furnishing data on the public sector as a whole. Similarly, data on private non-profit organizations might be combined with data on private industries.

C. Special Accounts

12. The material disparities in character and experience between various segments of the developing economies give rise to the need for sets of special accounts for at least some of these segments. These accounts will be of value in describing the character and magnitude of the segment, evaluating its potentialities for, and contribution to, economic development, and assessing its problems and experience as the economy as a whole changes. As has already been suggested above, some of these segments will consist of areas; other segments will be based on distinctions according to kind of activity.

a. Areas

13. The rural parts of the developing economies might be covered in one or more special sets of accounts. These portions of the country account for a large part of the population and production in the case of most developing countries. Backward methods of production are likely to be characteristic of a substantial part of agriculture; and much of the subsistence production of a country will take place in the rural areas. The rural areas furnish an important source of labour for expanding industries; and are the subject of

increasing attention in efforts to raise levels of living and productivity.

14. The A Accounts set out in Annex I to this chapter are illustrative of the accounts which might be established for rural areas in a developing country. It is assumed in the illustrative accounts that a significant part of the production will be traditional in character.

15. The full range of accounts of the system are employed in the illustration though the consumption expenditure and capital expenditure accounts are not made explicit.

16. The production account is divided into an account for all goods and services produced, not only commodities, and an account for producers. Account 1a has been extended to all goods and services in order to indicate the role of general government services in the supply of goods and services and to make Accounts 1a and 1b co-extensive. The production of non-marketed services by general government and private non-profit organizations serving households is segregated in Accounts 1a and 1b from the production of commodities. Deconsolidated production accounts are suggested in view of the requirements for data on the supply and use of goods and services.

17. In Account 1b, the gross output of goods and services on own account, much of which will be subsistence in character, is clearly distinguished from production for the market. Attention should also be called to the combination of the flows on operating surplus and consumption of fixed capital into a single flow. Serious difficulties are encountered in making meaningful estimates of the consumption of fixed capital at early stages of statistical development.

18. Distinctions between goods and services acquired from others and produced on own account are also drawn in respect of outlays on consumption and capital formation. The proposed income and outlay and capital finance accounts have also been simplified and accommodated to the categories of transactions which may be expected to be significant in the case of rural areas in the developing countries. For example, in addition to suggesting that gross saving be recorded,

it is proposed that the categories of the system in respect of unrequited transfers, excepting direct taxes on income, be combined into a single flow. On the other hand, property income payable is sub-divided into payments in kind and in cash in view of the importance of share cropping in agriculture.

19. The proposed accounts are most suitable for use in respect of rural areas as such. However, the same type of accounts could be utilized to cover the transactions of given classes of transactor units, e.g., traditional agriculturists only, in a specified area. In that case the universe to be covered would consist of the households of these producers; and it is likely to be impractical to compile the external transactions account. Other kinds of special area accounts which the working groups considered it may be useful to compile are accounts for urban areas, traditional urban producers, or primarily subsistence producers only.

b. Key Kinds of Activity

20. It will be of value to compile sets of special accounts in respect of industries which produce the important exports of a developing country or play a dynamic role in economic development in other ways. So that their production of goods and services and capital formation may be interrelated with their receipts and disposition of income and other sources of finance, it will be desirable to have all the accounts relate to the same universe of transactors. For this purpose, the transactions of all enterprise-type transactors who have one or more establishment-type units mainly engaged in the key kind or kinds of activities to be accounted for, should be covered on all the accounts. Nonetheless, the transactor unit should be the establishment in the case of the production accounts and the enterprise, or a similar unit, in the case of the income and outlay and capital finance accounts.

21. The B Accounts of Annex I are illustrative of the set of accounts which might be set up for one or more key industries. The transactors to be covered on these accounts are all enterprises with one or more establishments classified to the key industry or industries.

22. However, in the case of the production account in respect of commodities (Account 1a), covered are the total supply and use of the commodities which are the characteristic products of the key industry or industries, as in the system itself. This approach furnishes essential information on other domestic, as well as foreign, sources of the supply of the commodities which are the subject of special interest. The production account on industries (Account 1b) is restricted to the establishments of the enterprises covered in the remainder of the B Accounts. It may be desirable to sub-divide Account 1b into those establishments which are mainly engaged in the key industry or industries and the other establishments of the parent enterprises.

23. Two groups of income and outlay and capital finance accounts are presented in the B Accounts because the enterprises covered may be corporate or quasi-corporate in character or may be unincorporated enterprises which should be classified in the institutional sector for households. The latter situation will occur where, for example, the key industry is the production of agricultural commodities.

24. The transactions on the proposed income and outlay and capital finance accounts are detailed to a less extent than in the case of these accounts in the full system. Transactions in current transfers and in claims have been respectively combined in some instances.

25. The working groups for the developing regions considered that it would be useful to compile B-type special accounts for agriculture as a whole, as well as for one or more key industries of a given country.

c. Public Sector
26. In view of the role government plays in a number of developing economies, the working groups of these countries considered that it is essential to compile a set of special accounts and supporting tables for the public sector, covering public enterprises and general government agencies. Not only are these accounts needed but also the basic materials for compiling these accounts should be available. It will be desirable to separate public

enterprises from general government in these accounts and tables. The commodity account for public industries should be limited to the gross output of these industries and its disposition. The supporting tables to the production and capital expenditure accounts should be patterned according to the corresponding supporting tables of Annex II, Chapter VI.

D. Special Tables

27. Two special tables are proposed in Annex I to this chapter. In Table A the gross output of goods and services is classified into output for the market, output for own use by producers who are part of the market, and subsistence production.

28. The data of this table should be of value in assessing the changing magnitude of subsistence production and correlating the money supply with the goods and services it is utilized to buy. Table B is designed to simplify one of the input-output tables of the full system, namely Table 2, Annex II of Chapter VI. Relatively detailed data on the supply and use of commodities are urgently required for purposes of economic analysis and planning, as well as for use of the commodity flow method of estimating national accounting data. In a number of the developing countries, statistics on commodities are more adequate than statistics on other aspects of production or outlays. However, Table 2 requires data which is unlikely to be available at the stage of statistical development of many of the developing countries. Unlike Table 2, compilation of Table B does not involve information on net commodity taxes or on producers' prices in respect of the distribution of the supply of a given commodity to intermediate or final uses. Further, the categories of fixed capital formation in Table 2 have been combined.

E. Orders of Priority

29. The order of priority in which it is suggested the various accounts and supporting tables of the system be evolved, are set out in Annex II. Four orders of priority have been employed for this purpose.

30. The suggested list of priorities is designed to furnish guide-lines as to the sequence in which a country may find it desirable to develop its system of accounts and the associated economic statistics. The list is the result of weighing the difficulties of gathering the basic series needed to estimate national accounts data against the urgency with which these data are required. Each country will of course find it necessary to adapt the suggested order of priorities to its own requirements and circumstances.

31. The highest order of priority has been assigned to the compilation of the accounts and supporting tables which are urgently needed and which may be prepared from basic data that are, for the most part already available in the case of many developing countries. Where the required basic series are not yet available, it is suggested that the highest priority be assigned to obtaining these series.

a. Priority 1

32. Priority 1 covers the consolidated accounts of the nation and many of the flows of the deconsolidated production accounts and the associated supporting tables in current prices. Also included in the first order of priority are data on external transactions, the activities of general government and the financial transactions of the monetary system.

33. The main aggregates of the consolidated accounts furnish a summary of the dimensions and workings of an economy. So that it may be feasible to compile the national accounts during the course of the first stage in evolving the system, use may be made of the concepts of gross operating surplus and gross saving.

34. The production accounts of the Class II Accounts and the related supporting tables furnish vital data for planning and furthering the production of goods and services which are essential development. Commodity statistics may be available at a relatively early stage of statistical advancement. As a

consequence, Priority 1 has been assigned to all the accounts and most of the supporting tables on commodity flows and to the production accounts and associated supporting tables on the goods producing industries and transport and distribution. The production accounts for the special segments are also included in this order of priority.

35. In the case of general government, income and outlay, as well as the production, accounts and a number of the associated series in the supporting tables have been assigned the first order of priority. Basic materials for making these estimates should be available in government budget and accounting records. The first order of priority has also been given to the income and outlay account and gross investment for non-financial corporate and quasi-corporate enterprises and the capital account of the monetary system. The administration of company and banking laws and regulations should yield the required data for compiling these tabulations.

b. Priority 2

36. The second order of priority has been allocated to series which are also urgently required but which involve the gathering of more difficult basic data. Included as second orders of priority are the remainder of the Class II Accounts and a number of the more detailed supporting tables to the production, consumption expenditure and capital expenditure accounts; the main series of data in constant prices; and essential data on income and outlay and capital finance. It is also suggested that at this stage of evolving the system, efforts be made to prepare suitable estimates of the consumption of fixed capital.

c. Priorities 3 and 4

37. Third and fourth orders of priority have been assigned to the parts of the system which are not urgently required or which are particularly difficult to compile. For example, the estimates in respect of the capital account, as well as the associated supporting tables, of households has been allocated to these orders of priority because of the difficulties and costs of gathering

the basic data required to compile these estimates. Though the input-output tables of the system are of considerable value for economic planning, these tables are included here in view of the problems of compiling them. Most of the data on transactions in financial assets and liabilities have been assigned the lower orders of priority in view of the lesser degree of need for this information than for other aspects of the system in the case of the developing countries, as well as the difficulties of these series.

ANNEX I. SPECIAL ACCOUNTS AND TABLES

A. Accounts for Segments Made Up of Areas

(Illustrative Accounts for a Rural Segment)

Account 1a. Production Account - Goods and Services

1a.1.1i	Characteristic products of agriculture and hunting, forestry and fishing	1a.2.n	Intermediate consumption (1b.2.n)
1a.1.1ii	Characteristic products of other industries	1a.3.6	Private consumption expenditure (3.3.6)
1a.1.3+5	Gross output of other services by general government and other non-profit services	1a.3.7	General government consumption expenditure (3.3.7)
1a.1.6	Purchases of goods and services outside the segment (6.1.6)	1a.2.5	Increase in inventories (5.2.5)
		1a.2.6	Gross fixed capital formation (5.2.6)
		1a.2.7	Sales of goods and services outside the segment (6.2.7)
Total supply		Total use	

Account 1b. Production account - Producers

1b.2.n	Intermediate consumption (1a.2.n)	1b.1.1i	Gross output of commodities produced on own account
1b.4.1	Compensation of employees (3.5.1-6.5.1)	1b.1.1ii	Gross value of commodities produced and sold
1b.4.4-5	Indirect taxes, net	1b.1.3+5	Gross output of other services by general government and other non-profit services
1b.4.3	Consumption of fixed capital (3.4.3)		
1b.4.2	Operating surplus (3.4.2)		
Gross input		Gross output	

Account 3. Income and Outlay account

3.3.6	Private consumption expenditure (1a.3.6)	3.4.2	Operating surplus (1b.4.2)
	1. Consumption of own produced commodities	3.4.3	Consumption of fixed capital (1b.4.3)
	ii. Consumption of purchased goods and services	3.5.1	Compensation of employees (1b.4.1+6.5.1)
3.3.7	General government consumption expenditure (1a.3.7)	3.5.4	Property income receivable
3.5.3	Property income payable	3.6.17	Current transfers n.e.c. received, net (6.6.17)
	i. In kind		
	ii. In money		
3.6.2	Direct taxes on income (6.6.2)		
3.4.3	Consumption of fixed capital (5.4.3)		
3.7.1	Saving (5.7.1)		
Disbursements		Receipts	

Account 5. Capital finance account

5.2.5	Increase in inventories (1a.2.5)	5.7.1	Saving (3.7.1)
	i. From own account production	5.4.3	Consumption of fixed capital (3.4.3)
	ii. From purchases	5.7.6	Capital transfers received, net (6.7.6)
5.2.6	Gross fixed capital formation (1a.2.6)	5.7.8	Net borrowing (6.7.8)
Gross investment		Finance of gross investment	

Account 6. External transactions

6.2.7	Sales of goods and services outside the segment (1a.2.7)	6.1.6	Purchases of goods and services outside the segment (1a.1.6)
6.5.1	Compensation of employees receivable from outside the segment, net (3.5.1-1b.4.1)	6.5.3	Property income payable outside the segment, net
6.6.17	Other current transfers n.e.c. received, net (3.6.17)	6.6.2	Direct taxes on income (3.6.2)
6.7.6	Capital transfers received, net (5.7.6)		
6.7.8	Net borrowing (5.7.8)		
Receipts		Disbursements	

B. Accounts for Segments Made Up of Key Kind(s) of Economic Activity

Account 1a. Production account - Commodities

1a.1.1i	Characteristic products of key industry(ies) produced by establishments of key segment(s) (1b.1.1i)	1a.2.1	Consumption, industries
1a.1.1ii	Characteristic products of key industry(ies) produced by other establishments	1a.2.2	Consumption, general government services
1a.1.1.6	Competitive imports	1a.2.4	Consumption, households and services of private non-profit organizations
		1a.2.5	Increase in inventories
		1a.2.6	Gross fixed capital formation
		1a.2.7	Exports
Total supply		Total use	

Account 1b. Production account - Industries

1b.2.1	Commodities consumed	1b.1.1i	Characteristic products of key industry(ies) (1a.1.1i)
1b.4.1	Compensation of employees	1b.1.1ii	Other products of the establishments of key segment(s)
1b.4.2	Operating surplus		
1b.4.3	Consumption of fixed capital		
1b.4.4	Indirect taxes		
1b.4.5	<u>Less</u> subsidies		
Gross input		Gross output	

a. Corporate and Quasi-corporate Enterprises Covered in Key Segment(s)

Account 3. Income and outlay account

a3.5.2	Entrepreneurial income of quasi-corporate enterprises	a3.4.2	Operating surplus (1b.4.2)
a3.5.3	Property income payable	a3.5.4	Income from property
a3.6.2	Direct taxes on income		
a3.6.8	Other current transfers n.e.c. made, net		
a3.7.1	Saving of incorporated enterprises (a5.7.1)		
Disbursements		Receipts	

Account 5. Capital finance account

a5.2.5	Increase in inventories	a5.7.1	Saving of incorporated enterprises (a3.7.1)
a5.2.6	Gross fixed capital formation	a5.4.3	Consumption of fixed capital (1b.4.3*)
a5.7.5+7	Purchases of land and other non-reproducible tangible assets and intangible assets, net	a5.7.6	Capital transfers received, net
		a5.7.8	Net borrowing (a5.7.9)

Gross investment

Finance of gross investment

a5.7.9	Net borrowing (a5.7.8)	a5.9.1	Net incurrence of foreign liabilities
a5.8.2	Gold and foreign exchange	a5.9.6	Bills and bonds, short-term
a5.8.3	Other foreign financial assets	a5.9.7	Bonds, long-term
a5.8.4	Currency and transferable deposits	a5.9.8	Corporate equity securities, including capital participations
a5.8.5	Other deposits	a5.9.9	Other loans received, short-term
a5.8.6	Bills and bonds, short-term	a5.9.10	Other loans received, long-term
a5.8.7	Bonds, long-term	a5.9.12+	Proprietor's net investment in quasi-corporate enterprises
a5.8.8	Corporate equity securities, including capital participation	13	
a5.8.9-10	Other loans made	a5.9.14	Trade credit and advances received
a5.8.14	Trade credit and advances extended	a5.9.15	Other domestic liabilities
a5.8.15	Other domestic financial assets		

Net acquisition of financial assets plus net borrowing

Net incurrence of liabilities

b. Households of Proprietors of Unincorporated Enterprises Included in Key Segment, Including These Enterprises
Account 3. Income and outlay account

b3.3.4	Private consumption expenditure	b3.4.2	Operating surplus (1b.4.2*)
b3.5.3	Property income payable	b3.5.1	Compensation of employees
b3.6.1	Social security contributions	b3.5.4	Income from property
b3.6.2	Other direct taxes on income	b3.6.4	Social security benefits
b3.7.1	Saving (b5.7.1)	b3.6.111	Other current transfers n.e.c. received, net

Disbursements

Receipts

Account 5. Capital finance account

b5.2.5	Increase in inventories	b5.7.1	Saving (b3.7.1)
b5.2.6	Gross domestic fixed capital formation	b5.4.3	Consumption of fixed capital (lb.4.3*)
b5.7.5+7	Purchase of land and other non-producible tangible assets and intangible assets, net	b5.7.6	Capital transfers received, net
		b5.7.8	Net borrowing (b5.7.9)
Gross investment		Finance of gross investment	
b5.7.9	Net borrowing (b5.7.8)	b5.9.1	Net incurrence of foreign liabilities
b5.8.2	Gold and foreign exchange	b5.9.9	Other loans received, short-term
b5.8.3	Other foreign financial assets	b5.9.10	Other loans received, long-term
b5.8.4	Currency and transferable deposits	b5.9.14	Trade credit and advances received
b5.8.5	Other deposits	b5.9.n	Other domestic liabilities
b5.8.9-10	Other loans made		
b5.8.14	Trade credit and advances extended		
b5.8.n	Other domestic financial assets		
Net acquisition of financial assets plus net borrowing		Net incurrence of liabilities	

Table A. Gross Output Classified into on Own-Account and for Sale

Item	Flow	Transaction	
		a. Industries	
1	1.1*	Gross output by industries not mainly producing for the market	
2		i. Final consumption of owners and other engaged persons	
3		ii. Increase in inventories	
4		iii. Fixed capital formation on own account	
5		iv. Sold to others	
6	1.1*	Gross output by industries mainly producing for the market	
7		i. Final consumption of owners and other engaged persons	
8		ii. Increase in inventories	
9		iii. Fixed capital formation on own account	
10		iv. Sold to others	
11	1.1	Total	
		b. Services of General Government and Private Non-Profit Organizations Serving Households	
12	1.2-1.5	Gross output of goods and services	
13		i. Consumption expenditure	
14		ii. Sold to others	
15		c. Total goods and services (11+12)	

Table B. Use and Domestic Supply of Commodities

Commodities classified according to industry in which characteristically produced (1)	Use (at market prices)						Total use and domestic supply (at market prices) (8)	Domestic Supply			
	Indus-tries' con-sump-tion of commo-dities (2)	General govern-ment con-sump-tion of commo-dities (3)	Private con-sump-tion of commo-dities (4)	In-crease in inven-tories (5)	Fixed capital forma-tion (6)	Exports (FOB) (7)		Imported commodities (CIF) (9)	Duties on imported commo-dities (10)	Domestically produced commodities at producer prices (11)	Transport and distribution margins and commodity taxes, net, on imported and domestically produced commodities (12)
Characteristic products of more detailed industrial classification, as shown in Table 1 of Chapter III except for services, and omission entirely of wholesale and retail trade - i.e., distribution ^{1/}											
Total											

^{1/} The entries on the line for transport, storage and communication relate to the transportation of passengers only in the case of transport. Any commodities produced by the services of general government or private non-profit organizations serving households which are included in the characteristic products of any of the industries should be separately identified.

ANNEX II. SUGGESTED ORDER OF PRIORITY OF COMPILATION

		Order of priority
<u>Accounts</u>		
I. Consolidated Accounts for the Nation (Accounts 1-6)		1
II. Production, Consumption Expenditure and Capital Expenditure Accounts		
A. Commodities (Account 1. Production account)		1
B. Industries (Separate sets of Accounts 1 and 3 for Agriculture, forestry and fishing, Mining, Manufacturing and electricity and gas, Construction, Transport and distribution, and Services)		
1. Agriculture, forestry and fishing, Mining, Manufacturing and electricity and gas, Construction, and Transport and distribution		
a. Account 1. Production account		1
b. Account 3. Capital expenditure account		1-2
2. Services		
a. Account 1. Production account		2-3
b. Account 3. Capital expenditure account		4
C. General government services (Accounts 1 and 3)		1
D. Services of private non-profit institutions serving households (Accounts 1 and 3)		2-3
E. Households (Account 2. Consumption expenditure account)		1

<u>Accounts</u> (Cont'd)	Order of priority
III. Income and Outlay and Capital Finance Accounts	
A. Non-financial enterprises, corporate and quasi-corporate	
Account 3. Income and outlay account	1
Account 5. Capital finance account	
a. Gross investment	1-2
b. Claims	3
B. Financial institutions	
Account 3. Income and outlay account	1-2
Account 5. Capital finance account	1-2
C. General government	
Account 3. Income and outlay account	1
Account 5. Capital finance account	
a. Gross investment	1
b. Claims	2-3
D. Private non-profit institutions serving households	
Account 3. Income and outlay account	3
Account 5. Capital finance account	4
E. Households, including most non-financial private unincorporated enterprises	
Account 3. Income and outlay account	3
Account 5. Capital finance account	
a. Gross investment	3
b. Claims	4
IV. Special Accounts for Segments of Economy	
A. Rural or traditional rural segment(s)	
Account 1. Production accounts	1-2
Account 3. Income and outlay account	2-3
Account 5. Capital finance account	3
Account 6. External transactions	3

<u>Accounts</u> (Cont'd)	Order of priority
B. Key kind(s) of economic activity	
Account 1. Production accounts	1
Accounts 3 and 5. Corporate and quasi-corporate enterprises	1-2
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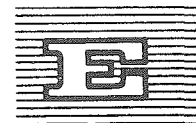
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(Report of the Secretary-General)

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I. INTRODUCTION

1. This paper describes the progress made since the thirteenth session of the Statistical Commission in the revision of the SNA; and suggests the further work that is required on this subject. The description of the progress made includes an outline of the major additions to, and modifications in, document E/CN.3/320, A System of National Accounts (Proposals for the Revision of SNA, 1952), which resulted from the studies and consultations in respect of the revised system that have been carried out during the last year and a half. It may be recalled that the thirteenth session of the Commission decided on the work to be done during the period in the light of the discussion of E/CN.3/320. The full details of the additions to, and alterations in, the proposals of E/CN.3/320 are incorporated in the latest version of the revised SNA, Proposals for Revising the SNA, 1952; June 1966, E/CN.3/345, coupled with part II of the Report of the Second Session of the Expert Group on the Review of National Accounts and Balances, E/CN.3/346. These documents have also been submitted for the consideration of the fourteenth session of the Commission. Most of the suggestions for further work on the revision of the SNA made in this paper have been drawn from the Report of the Expert Group.

2. In accordance with the programme of work outlined by the thirteenth session of the Statistical Commission, a full set of definitions and classifications has been devised for the revised SNA; and an adaptation of the system has been formulated for the use of the developing countries. Regional and other international consultations have been held on these aspects of the system and on its structure, concepts, standard accounts and supporting tables. For the purposes, special studies were carried out in respect of aspects of the system concerning which questions had been raised in the course of the review of these systems of national accounts and balances. Among the topics dealt with in these studies were: the definition of the categories of transactors in the system; the treatment of private non-profit organizations; the required concordance between the classifications of kind of economic activity and the purpose of general government and private non-profit institutions and between the classifications of final consumption; the distinctions to be drawn in respect of

the transactions of household and other economic agents with general government organs; the basis of recording and the classification of imports and exports; the definition and classification of current and capital transfers; and the needs and circumstances of the developing countries in respect of national accounting. In this work, special attention has been paid to extending the common ground between the SNA and the MPS.

3. National and sector balance-sheets and income distribution statistics were not discussed in the regional meetings, but were considered by the second session of the Expert Group on the Review of National Accounts and Balances. As the Commission had requested, the Expert Group examined the bearing of these statistics on the structure of the revised SNA. (See parts III and IV of E/CN.3/345). The consultations also did not deal with the concepts and methods of input-output analysis, national accounting data in constant prices, or regional accounting though these topics are discussed in E/CN.3/320. Proposed supporting tables on constant-price data were however considered by the regional working groups and the second session of the Expert Group.

4. The regional meetings devoted to the revision of the SNA consisted of working groups in the case of Africa, Latin America and Asia; and groups of Rapporteurs on Activity and Commodity Classification, Public Sector Statistics, and Concepts and Definitions and the second session of the Working Group on National Accounts and Balances in the case of the Conference of European Statisticians.^{1/} The working groups in the developing regions considered the adaptation of the new SNA to the conditions in the countries of their region, as well as the proposals in E/CN.3/320 on the main system itself. The full classifications and definitions of the system given in E/CN.3/345, were the subject of discussion in Europe and the second session of the Expert Group only. In addition to the meetings held under the auspices of the United Nations, the proposals for extending and revising the SNA were discussed at the 1965 Conference of the International Association for Research in Income and Wealth and at a special meeting of the Conference on Research in Income and Wealth of the National Bureau of Economic Research.

^{1/} Reference to the reports of these meetings are given in foot-note 1 of chapter I, E/CN.3/345.

5. The discussion below of the major aspects of the progress made in formulating the revised SNA and the proposals for continuing this work follows the order of the chapters of document E/CN.3/345.

II. THE OBJECTIVES AND STRUCTURE OF THE SYSTEM

6. The aims and structure of the revised SNA, as outlined in E/CN.3/345, have the approval, on the whole, of the regional meetings and the second session of the Expert Group on the Review of National Accounts and Balances. The second session of the Expert Group also concluded that the proposed structure will accommodate the national and sector balance-sheet accounts and tables which should be developed eventually. In the case of statistics of the distribution of income, the experts recommended further study in the near future, of the less detailed aspects of statistics of income shares which may appropriately be incorporated into the revised SNA itself. (See, for example, paragraphs 60-61 of E/CN.3/346.) This involves the question of the classifications of households and of property and entrepreneurial incomes required for this purpose. The development of a full system of income distribution statistics which is complementary to, but linked with, the systems of national accounts and balances, raises additional problems of classification, for example, distinguishing the outlays of producers on health, recreational, educational and similar facilities which they furnish to employees collectively, identifying the portions of the final consumption of general government and private non-profit institutions which should be included in the total consumption of the population, and devising a detailed classification of transfers and related transactions. (See paragraphs 13, 48 and 100 of E/CN.3/346.) It is suggested that these subjects be studied in the context of the complementary scheme of income distribution statistics.

7. The proposals of E/CN.3/345, taken in conjunction with the comments of the Expert Group, include some alterations in the structure of the revised SNA, as set out in E/CN.3/320. A separate sector is provided for private non-profit institutions mainly serving households; the roles of general government and these private non-profit institutions as producer and consumer are clearly segregated, one from the other, in the accounts of the system; and households are not considered to engage in production. "Pure" production accounts are therefore shown for the services of general government and the private non-profit

institutions and for domestic service; and consumption expenditure accounts are delineated for the purposes of general government and private non-profit organizations and for households. Further, provision is made for the classification of non-financial corporate and quasi-corporate enterprises according to kind of economic activity. This scheme of classification may also be required in the case of financial institutions and the households of owners of private unincorporated enterprises, in order to include adequate data on incomes shares.

8. The second session of the Expert Group, as well as the consultations on E/CN.3/320, emphasized the need to describe in some detail the purposes to be served by the new SNA in relation to the various aspects of the system and to devote attention to the pedagogical aspects of describing the structure of the system. It is proposed to do this in the full discussion of the objectives, character and structure of the revised SNA to be included in the next document on the revised SNA. It is thought that this document should also deal with the concepts and methods of input-output analysis, national accounting data in constant prices, and perhaps regional accounting. The chapter on constant-price data would be based on the results of regional meetings on the objectives, concepts and methods of constant-price data tentatively planned to take place during the period November 1966-May 1967.

III. THE DEFINITIONS AND CLASSIFICATIONS OF THE SYSTEM

9. The complete and detailed definitions and schemes of classification given in chapters III through V of E/CN.3/345 represent a major portion of the progress made in revising the SNA since the thirteenth session of the Statistical Commission. Practically all of the definitions were prepared during the last year; and the classifications of the purposes of private non-profit institutions, gross capital formation by type, imports and exports of goods and services, and current transfers, were added to the schemes of classification given in E/CN.3/320. In addition, the classifications of kind of economic activity, general government purposes, households' goods and services and financial claims shown in E/CN.3/320 were altered substantially in the course of the international discussions of the document. Though all the detailed definitions and classifications of E/CN.3/345 have been explicitly considered in Europe and by the Expert Group only, they also

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reflect the conclusions reached, and the questions raised, in respect of the proposals of E/CN.3/320 and the definitions and classifications of the present SNA during the other meetings and consultations on the review of national accounts and balances.

10. The definitions of E/CN.3/345 are more complete and detailed than the definitions of the present SNA. This is due primarily to the effort to provide descriptions of concepts and classifications which are clearer and furnish more precise guidance. In a number of instances, the need to clarify the import of definitions in the present SNA, to delineate more precisely the border lines between categories of transactors or transactions, or to take account of the practical problems which arise in applying the definitions, was indicated in the course of meetings, other consultations and investigations. The definitions and classifications of E/CN.3/345 are also organized differently from those of the present SNA. This is the consequence not only of the changes in the structure of the accounting system, but also of the effort to provide a document which may be more conveniently utilized. For example, all the definitions and classifications in respect of a particular category of transactors or transactions are given in a single place.

11. Document E/CN.3/345, coupled with the modifications therein recommended by the second session of the Expert Group, proposes the following major alterations in the concepts and classifications of E/CN.3/320:

(i) Sectoring: Private non-profit institutions which mainly serve business units or households and which are wholly or mainly financed by government organs, are classified in general government. This is also the case for private non-profit organizations which mainly serve general government agencies. Other private non-profit institutions which mainly serve business units are included among industries in the case of the accounts on the production and use of goods and services and among non-financial corporate and quasi-corporate enterprises in the case of the other accounts of the system, while other private non-profit institutions which mainly serve households form a separate sector of the system. The scope of the government enterprises and private unincorporated enterprises included in non-financial corporate and quasi-corporate enterprises has been

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narrowed. Only relatively large government enterprises which sell to the population and relatively large partnerships and sole proprietorships which have complete profit-and-loss and balance-sheet accounts for their business, are included. The monetary functions of the Treasury have been shifted from "Financial institutions" to "General government"; and the sub-sector "Monetary authority" is replaced by two sub-sectors - "Central bank" and "Other monetary institutions".

(ii) Other classifications of chapter III, E/CN.3/345: The interim classification of kind of economic activity has been modified so as to extend the common ground between the SNA and MPS, to reach one-to-one correspondence, in at least the detailed categories, between it and the purpose classification for general government, and to increase its usefulness for input-output analysis. Alterations have also been made in the classification of general government purposes in order to improve its usefulness in the analysis of all types of expenditure.

(iii) Gross output: The scope of gross output has been extended to cover all own-account construction by households, the processing of primary commodities by farmers for their own consumption, and the out-put of other goods and services for own consumption which are also sold in the market. The imputation of a service charge for banks and similar financial institutions has been reinstated; this service charge is to be paid by a nominal industry in order to avoid the problems of allocating the imputed charge among economic agents, in particular, various industries.

(iv) Allocation of consumption between households and general government and between governments: The basis for allocating the consumption of commodities acquired from industries (business units) between households and general government has been modified. Instead of the sums which households and general government pay directly to these business units, use is proposed of the criterion of who makes (decides on or initiates) the purchase, in order to avoid division of the outlay between the parties and variance in allocating the outlay, depending on the procedure for direct payment. In the case of household purchases of services produced by general government, the basis of allocation remains the amount paid, now including, however,

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nominal fees. Unilateral transfers of goods and services from one government to another, whether for civilian or military use, are to be included in the intermediate consumption of the receiving government, financed by transfers on income and outlay accounts from the donor to the recipient.

(v) Classification of households' goods and services: The classification now relates to households only; it has been altered in a few respects in order to attain concordance with the purpose classification of general government and private non-profit institutions serving households; and a third level of classification has been added in order to provide in all cases, for comparability between the SNA and MPS, separating the repair from the acquisition of goods, and classifying goods into non-durable, semi-durable and durable.

(vi) Gross capital formation: The scope of fixed capital formation has been extended to include increases in breeding stocks, draught animals and dairy cattle and significant outlays on the development of new orchards, rubber plantations, and holdings of other fruit and sap-bearing plants. Increases in other livestock are classed as increases in inventories.

(vii) Distinction between indirect and direct taxes: Taxes paid directly by households on the possession or use of goods and services, in the assessment of which no account is taken of the income or wealth of the taxpayers (e.g., motor vehicle duties), are to be classified as direct taxes instead of indirect taxes. On the other hand, the scope of indirect taxes paid by business units has been widened to include taxes assessed on value added.

(viii) Classification of current transfers: The proposed classification of current transfers distinguishes between the various transactions arising from the ownership of enterprises and other property, other requited (contractual) transfers, various categories of obligations to, and commitments of, organs of government, and categories of other unrequited but voluntary grants.

(ix) Saving: It is now proposed that the saving of private quasi-corporate enterprises be retained by them, instead of being transferred to their owners. However, the saving (loss) of the government enterprises

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included among non-financial enterprises is to be transferred to general government.

(x) Capital transfers: Though a more restricted concept of capital transfers was suggested in E/CN.3/320, the definition proposed in E/CN.3/345 is essentially similar in scope to that in the present SNA. The definition is designed to draw coherent distinctions between current and capital transfers which meet the analytical requirements for these data.

(xi) Non-reproducible tangible assets and intangible assets unmatched by liabilities: In order to account for all transactions which take place in an economy, a category of transactions, net purchases of non-reproducible tangible assets other than land (e.g., art objects, antiques) and intangible assets (e.g., patents, copyrights, leases and concessions), has been introduced in the capital finance accounts.

(xii) Classification of financial claims: The classification has been altered so that the main categories of the classification are based on type of instrument and degree of liquidity and subsidiary categories distinguish between kind of debtor, where necessary. Further, where required, original length of maturity, rather than actual maturity, is to be utilized in classifying instruments according to liquidity.

12. In the light of the report of the Expert Group, further study is required of a few aspects of the definitions and classifications of the revised SNA. The work which it seems possible to complete in the course of preparing the next document on the revised SNA is outlined below:

(i) Classification of households and flows of income: Devising a simplified socio-economic classification of households and individuals and a more detailed classification of property incomes than in E/CN.3/345 in order to incorporate more data on income shares.

(ii) Industrial classification of enterprises: Developing an interim classification of kind of economic activity for enterprises based on the interim classification for establishments. This will involve a request to national statistical offices for data that may be available on the relationship between the principal kind of economic activity of enterprises and the kind of economic activity of their constituent establishments.

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(iii) Other classifications: Further investigating modifications which may be required in the detail of the classifications of kind of economic activity, the purposes of general government and private non-profit organizations, and households' goods and services.

(iv) Definition of resident households: Studying the international movement of persons in order to clarify and amplify the definition of resident households.

13. In addition, in preparing the next version of the document on the revised SNA, the definitions of the categories of transactors in the system should be set out so as to indicate clearly the nature of, and reasons for, the differences and similarities in sectoring between the accounts on the production and use of goods and services and the other accounts of the system. Also, it will be essential to ensure that consistent and uniform terminology is employed throughout the definitions and classifications.

14. It appears likely that it will take considerable time to complete one aspect of the work on classifications for the revised SNA. This is the definitive classification of kind of economic activity for establishments and enterprises and the related classification of commodities. The introduction of these classifications must wait for the adoption of a revised International Standard Industrial Classification of all Economic Activities (SIC) by the Statistical Commission. Work has started on the revision of the ISIC, but it is not clear when the Commission will be in a position to adopt a revision. It should be noted that account is being taken, in detail, of the interim industrial classification for use in the systems of national accounts and balances, in the work of revising the ISIC. However, since the ISIC must be designed for use in a wide range of statistics, the arrangement and ordering of categories of the international classification may differ from that of the interim, or definitive, industrial classification of establishments in the systems of national accounts and balances.

IV. STANDARD ACCOUNTS AND TABLES

15. The study and discussion of the standard accounts and supporting tables in E/CN.3/320 during the last year and a half resulted in a number of additions

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to, and refinements and other modifications in, the accounts and tables. A system of coding transactions has been introduced where the last two elements of the code are identical for a given flow in the case of all accounts and tables and where in most cases, the penultimate element indicates the class of transactions in which the flow falls. An attempt will be made to improve the latter aspect of the system of coding so that it will reflect the most relevant classification of transactions in all instances. The effort to employ neutral terms to describe transactions also needs to be carried further. Some of the changes in the transactions needed in the accounts and tables are the consequence of modifications in the definitions and classifications of the system, while other alterations are due to the effort to provide for more adequate information.

16. The major additions and modifications in the standard accounts and tables of E/CN.3/320 proposed in E/CN.3/345 coupled with the report of the Expert Group, are outlined below.

(i) Class II Accounts: Separate and full production accounts are now provided for the services of general government, the services of private non-profit institutions serving households, and domestic service; separate consumption expenditure accounts are to be shown for households, the purposes of general government, and the purpose of the private non-profit organizations; and the Class II Accounts are to be organized into accounts for the production and use of commodities, accounts for industries, general government and private non-profit organizations, and accounts for domestic service and households.

(ii) Class III Accounts: Separate income and outlay and capital finance accounts are shown for private non-profit institutions serving households; a few additional transactions, in current transfers and in non-reproducible tangible assets other than land and intangible assets other than financial claims, are added; and the classification of transactions in financial claims is to be largely according to type of instrument.

(iii) Supporting tables, in current prices, to Class II Accounts: The tables on the gross domestic product and gross capital formation (tables 1 and 7) are sectioned into industries, general government services and the

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services of private non-profit institutions serving households; and the cost structure of the production of general government and the private non-profit organizations is shown classified according to purpose (tables 4 and 5). Data on private non-profit organizations serving households are separated from data on households in the case of all the supporting tables.

(iv) Supporting tables, in constant prices, to the Class II Accounts:

In addition to the alterations which are due to modifications in the corresponding tables in current prices, tables are added on commodities classified according to intermediate and final use and source of supply, on the consumption expenditure of general government and private non-profit institutions classified according to purpose (tables 11 and 12), and on imports and exports classified according to the industries of which they are characteristic products (table 15).

(v) Supporting tables to Class III Accounts: The distribution of disposable income according to institutional sector, as well as national income, is now shown (table 16); data on selected outlays of general government according to purpose have been added (table 18); the socio-economic classification of households in table 19 is to be elaborated further; table 20 is to be eliminated and the data called for on the transactions of general government and households are to be added to tables 17 and 19, respectively; the columns for the Central bank and for Central government in table 21 are to be divided into international reserve and domestic transactions and part (b) of the table eliminated; and a table is provided on the classification according to kind of economic activity of the income and outlay and capital finance accounts of non-financial corporate and quasi-corporate enterprises (table 24).

(vi) Supporting table to all accounts: A table is delineated on all external transactions classified in some detail (table 25).

17. Excepting the formulation of international reporting requirements based on the revised SNA, it seems possible to carry out the work which remains to be done on the standard accounts and tables in the course of preparing the next document on the revised system. The major facets of this work are briefly described below:

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(i) Examining the character and organization of the accounts with a view to enhancing the values of the accounts in explaining the structure of the revised system, as well as in setting out the main data of the system; and delineating in greater detail than was feasible in E/CN.3/345, the relationships between the standard accounts and the matrix accounts and the system of links of the standard tables to the accounts.

(ii) Formulating broad guidelines on the periodicity and order of priority of compiling the standard tables and accounts in the light of the character and relative urgency of the various analytical requirements for the information and the relative problems and burdens of compiling the data; and furnishing explanatory notes in respect of the tables and accounts.

(iii) Including more adequate data in the supporting tables on the distribution of incomes from participation in production and the ownership of property.

(iv) Adapting and amplifying the supporting tables on financial transactions in respect of monetary, fiscal and related institutions and activities so as to provide for adequate data for purposes of financial and monetary analysis.

18. International reporting requirements in respect of the new system should be framed immediately after the Statistical Commission adopts a revised SNA. This will involve selecting from the supporting tables and accounts of the system, the series to be reported in the light of the analytical requirements internationally and available data nationally; and should be carried out in co-operation with the interested international agencies. It will be desirable to consult national statistical offices on a draft of the questionnaire worked out.

V. ADAPTATION OF THE SYSTEM TO THE DEVELOPING COUNTRIES

19. The adaptation of the main system to the requirements and circumstances of the developing countries set out in chapter VII of E/CN.3/345 represents a major aspect of the work completed during the last year or so. The proposed adaptation exhibits the conclusions reached by the African, Latin American and Asian working groups which met during the latter half of 1965. It consists primarily of (i) a

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list of orders of priority for developing standard accounts and tables of the full system and (ii) special classifications, accounts and tables for the use of the developing countries.

20. The working groups thought that the full system provides suitable long-term goals for evolving national accounting and the co-ordinated basic statistics in these countries. They considered that for this purpose it is essential to have guidelines on the sequence in which the full system might be developed, based on the relative urgency of the analytical requirements for the data of the system and the relative difficulties and costs of compiling these data. They also concluded that supplementary classifications, accounts and tables were required in view of the economic and social conditions which characterize the less developed countries and the policies, institutions and instruments which a number of these countries employ to further economic and social development.

21. The supplementary classifications consist primarily of distinctions between traditional and modern forms of production and between privately and publicly owned and/or controlled industries. The special accounts involve all the accounts of the system; and relate to selected areas of a developing country (e.g., traditional or all parts of rural areas, particular or all urban areas) or kinds of activity which are of key importance to its economy (e.g., selected industries, the public sector). The supplementary tables concern the relative roles of production for own consumption and for the market and the sources of supply and use of commodities.

22. It is thought that chapter VII should be expanded in the next document on the revised SNA in order, inter alia, (i) to furnish detailed definitions of the special classifications, accounts and tables proposed and (ii) to explain the precise relations of these special features of the adaptation to the main system.

VI. PROGRAMME OF FUTURE WORK

23. The thirteenth session of the Statistical Commission thought that the fifteenth session should consider the revised and extended SNA which is to be published. For this purpose the following work should be completed:

- (i) Consultation, through regional conferences of statisticians and other means, on the objectives, concepts and methods of national accounting in constant prices and related aspects of the revised SNA.

(ii) Preparation of a new document on the revised SNA, in the light of the discussion of the fourteenth session of the Commission of the Proposals for Revising the SNA, 1952; June 1966, E/CN.3/345, and the Report of the Second Session of the Expert Group on the Review of National Accounts and Balances, E/CN.3/346, and the results of the consultations mentioned above. The new document should furnish a full description of the structure and concepts of the system, the complete definitions and classifications, and the standard accounts and tables which are to be integral parts of the system other than national and sector balance-sheets; and should contain discussion of input-output analysis, national accounting in constant prices and perhaps regional accounting.

(iii) Consultation on this document with national statistical offices; and preparation, with the assistance and advice of the Expert Group, of a proposed publication on the SNA for the consideration of the fifteenth session of the Commission.

24. The programme of work suggested above will leave the following major aspects of the review of the national accounts and balances which the thirteenth session of the Commission outlined, to be undertaken after the fifteenth session:

(i) Framing of international reporting requirements in respect of national accounting data, based on the revised systems of national accounts and balances and in consultation with national statistical offices.

(ii) Preparation of technical manuals on the revised SNA.

(iii) Development of detailed proposals on the definitions, classifications and tabulations of national and sector balance-sheet statistics integrated into the revised SNA. This question is discussed in document E/CN.3/347, which is before the fourteenth session of the Commission.

(iv) Development of proposals for systems of income distribution, labour, demographic and other social statistics which are closely related to the systems of national accounts and balances. The subject of income distribution statistics is discussed in document E/CN.3/348, which is before the fourteenth session of the Commission.

(v) Study, in co-operation with the Conference of European Statisticians, of the relationships and links between the revised SNA and MPS; and development of common basic aggregates of special interest. This aspect of the work is described in document E/CN.3/349, which is before the fourteenth session of the Commission.
