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PROPOSALS FOR REVISION OF "A SYSTEM OF NATIONAL ACCOUNTS AND SUPPORTING TABLES" (STUDIES IN METHODS, SERIES F, NO. 2) AND "CONCEPTS AND DEFINITIONS OF CAPITAL FORMATION" (STUDIES IN METHODS, SERIES F, NO. 3)

1. At the request of the Statistical Commission, the Statistical Office published in July 1953 proposals for a standard system of national accounting in the document A System of National accounts and Supporting Tables. In taking note of this publication, the Commission at its seventh session requested the Secretariat to collect comments and information on the experience obtained by countries in applying the concepts and classifications proposed in the report, so as to provide a basis for further recommendations relating to international standards in this field. At its ninth session, in April 1956, the Commission reviewed the more important comments which had been received up to that time. In the light of this review, the Commission decided that, while no major changes were immediately necessary, several minor modifications were desirable to maintain or improve comparability with related international standards, and to take account of clarifications and adjustments sought by governments and international organizations. Accordingly, it requested the Secretariat to formulate proposals for the amendment of the existing system, to circulate these proposals to governments for comments, and to report to the Commission at its tenth session in April 1958.

2. The present documents sets out for comment a number of specific proposals for the amendment and adjustment of A System of National Accounts and Supporting Tables along the lines recommended. In order to avoid unnecessary duplication, it also covers the more important proposals for revising the related report

Conepts and Definitions of Capital Formation. A number of comparatively minor adjustments required in order to bring the two reports fully into conformity with each other are excluded from consideration, together with the numerous drafting changes which are contemplated in connexion with the general revision of the two documents.

3. To take account of the request of the Commission that special attention should be given to the needs of the under-developed countries in these reports, it is proposed to supplement the existing texts in a number of ways. In A System of National Accounts and Supporting Tables, it is hoped to improve certain areas of the text such as those relating to the treatment of financial intermediaries, pension funds, life insurance companies and real estate transactions, which, experience has shown, require clarification. It is also intended to add an appendix which would illustrate how the system might be adapted for use in under-developed countries, and provide further guidance on the application of specific recommendations to the particular institutional conditions in these countries. As an example of such guidance, a more detailed examination will be made of the rules suggested for imputations and an interpretation given of their application to specific cases.

4. In the revision of the report Concepts and Definitions of Capital Formation it is also proposed to devote special attention to the conceptual problems of under-developed countries. For example, the treatment of capital formation undertaken as voluntary work, and more generally the scope and valuation of capital formation in the rural sector, clearly require further consideration. Many problems remain to be resolved in the definition and measurement of capital consumption and it is hoped to include a fuller discussion of this question in the revised text. Another area which has caused particular difficulty in application, and which it is intended to examine more fully, is the classification of aggregate capital formation by industry of use.

5. Many of the proposals presented below have been formulated in co-operation with the Secretariats of the Organization for European Economic Co-operation and the International Monetary Fund. A report on meetings held in New York in 1956 to co-ordinate the standards proposed by the three organizations in the field of economic accounting has already been circulated to governments.[1]

1/ Final report of UN-OEEC-IMF discussions to co-ordinate the Balance of Payments Manual, A Standardized System of National Accounts and A System of National Accounts and Supporting Tables, New York, November 1956.

This report should be consulted for further background information on a number of the present proposals, in particular proposals 1-9, 11-13, 15 and 22-26.

6. Some of the proposals in this paper reflect recommendations of the Working Group on Statistics of Capital Formation of the Conference of European Statisticians. The recommendations of this Group, which have in general been embodied in programmes for the collection of statistics of gross fixed capital formation and aggregate stocks, are largely identical with, or supplementary to, the current international recommendations contained in the report Concepts and Definitions of Capital Formation. The subject of capital consumption has also been discussed by the Working Group but full agreement has not yet been reached on a statistical programme in that field. Pending such agreement, it has been thought inappropriate to include in this paper any proposals for the amendment of the existing treatment of capital consumption.

7. A number of objections have been raised to the existing functional division of the sector accounts in A System of National Accounts and Supporting Tables, particularly in relation to the division of the category of transfers into current and capital transfers, and more generally in relation to the usefulness of the capital reconciliation accounts in their present form. To meet some of these criticisms, proposals for minor modifications of the capital reconciliation accounts and for the consistent application of the transfer division to the rest of the world account are incorporated here. The wider question of the functional division of the sector accounts, bearing as it does on the future development of the general structure of the system of accounts, is considered to be outside the scope of the paper.

8. To minimize the length of the present document the textual changes involved in implementing specific proposals are not spelled out. Reference is, however, made to the relevant passages in the texts of the two reports and to the consequential modifications, if any, to the system of accounts as such.

I. Concept of domestic product (SNA[2/] page 7)

9. It has been suggested that the concept of domestic product might be clarified by changing the definition from "product within the domestic territory" to "product attributable to factor services rendered to residents". Under this

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2/ A System of National Accounts and Supporting Tables.

definition factor services rendered to residents of the given country when they are located abroad, including resident institutions functioning abroad, would be included in domestic product. Domestic and national products would thus be defined in the same terms: domestic product as the total of production attributable to factor services *rendered to* residents of the given country; national product as the total of production attributable to factor services *supplied by* residents of the country.

10. An alternative, though essentially similar, approach to the problem would be to distinguish three concepts of aggregate product: (1) territorial or geographical product, (2) domestic product and (3) national product. Contrary to the existing treatment, only the first of these would be given explicit territorial reference. It would be defined as the aggregate product of all producers located within the actual domestic territory of the given country. Domestic (or resident) product, on the other hand, would be defined as the aggregate product of all *resident* producers of the given country. It would thus equal the territorial product *plus* the product of resident producers located abroad *less* the product of non-resident producers located within the domestic territory. It would consequently be equivalent to the existing concept of domestic product. Finally, national product, as now, would be defined as the aggregate product attributable to factors of production supplied by residents of the given country. It would thus equal the domestic product *plus* the product of non-resident producers attributable to factors supplied by residents *less* the product of resident producers attributable to factors supplied by non-residents.

II. Private consumption expenditure in the domestic market (SNA page 7)

11. For certain purposes it may be useful to distinguish the aggregate of private consumption expenditure in the domestic market. This concept differs from the existing concept of private consumption expenditure by excluding expenditure of residents abroad and including expenditure of non-residents on domestic territory, together with the value of gifts in kind sent abroad. It is proposed that a short paragraph be inserted on page 7 to define the concept and the relevant sub-total entered in Table XIII on page 24.

III. Concept of domestic fixed capital formation (SNA page 7; CF[3] para. 19)

12. It is proposed that the construction of buildings for use by embassies, consulates and international governmental agencies should be considered as part of domestic fixed capital formation of the country of location irrespective of ownership. Buildings purchased or rented by these non-resident institutions should, in similar fashion, remain part of domestic fixed capital.

IV. Internationally-operated enterprises (SNA page 7; CF para. 19)

13. Where transportable assets, such as ships or aircraft, are owned and operated jointly by a number of countries, the question arises of the respective shares of each country in these assets. It is proposed that an allocation should be made according to the participation of each country in the financial capital of the enterprise.

V. Foreign commercial agencies (SNA page 7; CF para. 21)

14. It is proposed that commercial agencies transacting business for foreign principals be treated as resident institutions of the country of location. The acceptance of this proposal would maintain uniformity of treatment with the revised Balance of Payments Manual.

VI. Time charter of ships (SNA page 7; CF para. 41)

15. In order to clarify para. 2 of section (d) of SNA it is proposed to add a few sentences to define the treatment of ships on time-charter, with the following provisions. The operation of ships on time-charter should be treated as an enterprise activity of the country in which the ships' operators are resident, the value added in production by that enterprise being net of the rent paid to the ships' owners. This rent would constitute a payment for a non-factor service produced in the country of the owner. The ships involved would remain part of the domestic capital of the country owning them.

VII. Metropolitan administration in associated territories (SNA page 7)

16. It is not clear from the text whether civil servants of the metropolitan countries who are engaged in the general administration of associated territories and who are located in these territories, should be treated as residents of these territories. It is proposed to add a sentence to establish this treatment. As

3/ Concepts and Definitions of Capital Formation a consequence payments made by metropolitan governments to their civil servants in associated territories, performing general administrative functions for these territories, constitute international transfers.

VIII. Staff of international organizations (SNA page 7)

17. The existing text on page 7 of SNA indicates that, while international governmental agencies should not be treated as resident institutions of the country in which they are located, the permanent staff of these agencies should be considered as normal residents of that country. It is proposed to define this treatment further by considering the wages and salaries paid to the permanent staff as factor income paid by the international agencies. The corresponding factor services would thus be included in the national but not the domestic product of the country of location.

IX. Locally-recruited staffs of embassies, consulates, etc. (SNA page 7)

18. According to the present text on page 7 of SNA, locally-recruited staffs of foreign diplomatic and military establishments are considered to contribute to the domestic product of their country of residence. This implies that they contribute non-factor rather than factor services to the non-resident institutions employing them. It is proposed to alter this treatment to bring it into line with the normal practice of treating such services as factor services. The effect will be as in Proposal VIII, last sentence.

X. Definition of enterprise (SNA page 11)

19. The existing definition of enterprises includes "all firms, organizations and institutions which produce goods and services for sale at a price intended approximately to cover the cost of production". It is proposed to replace the word "approximately" in this definition by "at least".

XI. Pension funds (SNA passim)

20. It is proposed to amend and supplement the existing treatment of private pension funds, including schemes run by government for its own employees. The main proposal is to consider these pension funds, including funds imputed where contractual pension rights exist, consistently as part of the households and private non-profit institutions sector. In the case of contributory schemes, the contributions of both employers and employees would be considered part of

wages and salaries, and premium payments and pension receipts would not appear explicitly, constituting internal transactions of the households and non-profit institutions sector. Investment income of the funds would appear as part of income from property of households and non-profit institutions while administration costs would appear as part of private consumption expenditure. In the case of non-contributory schemes the imputed contributions of employers would appear as part of wages and salaries while the excess of imputed contributions by employers <u>plus</u> imputed investment income over actual pension payments <u>plus</u> costs of administration would constitute borrowing from the households sector by employers. The magnitude of these imputed contributions would be determined by comparison with the actual contributions paid in the case of schemes with similar pension rights.

21. Where non-residents are the beneficiaries of pension funds, it is proposed that the treatment should be analogous to that employed in the case of residents. Pension funds for non-residents would thus be segregated and consolidated with the rest of the world (households) sector. The entries in the external account of the country of the beneficiary in respect of premiums paid, income received on pension reserves and pension receipts would be limited to (1) expenditure on non-factor services equivalent to the administrative charges of the pension fund (2) receipt of income on invested funds and (3) net lending equal to the excess of premiums and investment income over administrative charges and pension payments.

22. The full implementation of these proposals would require, in addition to some amplification of the text, amendments to a number of existing recommendations of SNA:

(a) social security schemes run by the government for its own employees are included with other government agencies (page 12)

(b) pensions actually paid to employees may be included as part of wages and salaries of government employees in lieu of contributions to pension funds (page 28)

(c) pensions received by residents from abroad or paid to non-residents are treated as international transfers (pages 31 and 38)

23. These changes apply, it should be noted, only in the case of <u>contractual</u> pension schemes. <u>Non-contractual</u> pensions, it is proposed, should be consistently regarded as transfers.

XII. Recording of direct taxes (SNA page 14)

24. The relevant text on this page suggests that in principle direct taxes are payable at the date of the earning of income rather than on demand. It is proposed to redraft the text to make it clear that in principle these taxes should be recorded as of the date when they are due to be paid without penalty.

XIII. Recording of dividends (SNA page 14)

25. It is suggested that a brief paragraph be added to the text to clarify the recording of dividends. In consonance with the basic principle of recording transactions, these would be recorded when payable, rather than when earned or declared.

XIV. Classification of private consumption expenditure (SNA pages 27 and 41-43)

26. The following minor changes are suggested in the detailed classification on pages 41-43 of SNA:

1a. Bread and cereals. Sago, tapioca and arrowroot to be classified here instead of under item 1f.

5. Rent and water charges. To be retitled Rent, rates and water charges. It will be made clear that this category includes imputed gross rents on owner-occupied houses as well as all actual and imputed ground rents payable.

8a. Domestic services. It will be made clear that this category includes the value of income in kind provided by employers to domestic servants, as well as the contributions of employers to social security on behalf of these servants.

8b. Household operation, other expenditures. To be divided into the following:

- 8b. Non-durable household goods
- 8c. Household services

12a. Financial services. To be defined to include also administrative charges of private pension schemes, household finance companies and other financial institutions rendering services to households.

12b. Other services. To be divided into two categories:

- 12b. Education and research
- 12c. Other services

27. In the existing classification the value of gifts in kind received from abroad is allocated among the respective product groups while a single adjustment is made for the value of gifts in kind sent abroad. It is suggested that an over-all adjustment for these gifts might be more practical and at the same time more convenient for the derivation of the aggregate of private consumption expenditure in the domestic market. Thus item 15 on page 43 of SNA would become "value of gifts in kind received from abroad (net)".

XV. Defence transactions (SNA pages 27, 28 and 31)

28. The existing recommendations with respect to donations of military equipment from one government to another are that such transfers should be treated as general government consumption expenditure of the donor country and that consequently they should be omitted from the external accounts of the donor country and both the external and internal accounts of the recipient country. It is now proposed that, in view of the distortions incidental to this procedure particularly in the case of offshore procurement, such transfers be treated in principle as normal international transactions and registered as exports and imports respectively of the donor and recipient countries. They would also be entered as general government consumption expenditure of the recipient country financed by an imputed current transfer of cash between the governments concerned (see Proposal XXVI). This proposed treatment conforms with that to be recommended in the forthcoming revision of the Balance of Payments Manual.

XVI. Capital formation of general government (CF para. 60)

29. In paragraph 60 of Concepts and Definitions of Capital Formation it is suggested that "if more convenient for statistical reasons, fixed capital formation of general government may be defined to exclude expenditure on machinery and equipment". It is proposed to delete this alternative recommendation.

XVII. Work in progress in the building and heavy construction industries (SNA - page 29; CF para. 90)

30. The definition of gross fixed capital formation given on page 29 of SNA includes "the value of the change in work in progress on domestic account in the building and heavy construction industries, such as shipbuilding". It is proposed that, in accordance with the principle of recording transactions when change of ownership occurs, this extension of the existing definition be suppressed and the

value of this element of the change in work in progress considered as part of the item "increase in stocks". Alternatively, for statistical convenience, it is suggested that the value of the change in work in progress on domestic account in the "construction" industry - defined as in the International Standard Industrial Classification to exclude certain industries, such as shipbuilding, considered in the preceding definition as "heavy construction" - should be retained as part of gross domestic fix capital formation.

XVIII. Capital formation in dwellings (SNA page 29; CF para. 93)

31. It is stated on page 29 of SNA that the expenditure included as part of capital formation in dwellings covers the cost of "external and internal painting and all permanent fixtures such as furnaces, fixed stoves, central heating and water supply installations. Furniture and household equipment are excluded from this item and included in consumption expenditure". It is proposed to amend this definition to include expenditure on all equipment "customarily installed" before renting, thus bringing it into line with the related definition of gross rent paid by households given on page 42 of SNA.

XIX. Recording of transactions in used assets (SNA page 30; CF paras. 35-36)

32. In setting out the classifications of gross fixed capital formation by industrial use and by type of purchaser (Table VI) it is recommended on page 30 that these classifications should preferably be constructed on a "net flow basis". This is defined to mean that "only new production, purchases from the rest of the world and transportation and installation costs incurred in connexion with sales of already existing capital goods are shown as acquisitions of capital goods by the various industries or sectors". It is now proposed that this recommendation be changed and that acquisitions of capital goods should preferably be defined as all purchases of new and used assets less sales of used assets. The two concepts give identical results for the economy as a whole but may differ substantially for individual sectors. The latter concept, which is termed the "gross" concept in SNA and CF, is recommended as being the more realistic.

XX. Transactions in land (SNA pages 29-30; CF paras. 39-40)

33. It is proposed to clarify the treatment of transactions in land in SNA by supplementing the existing text at a number of points. In the classifications of fixed capital formation by industry of use and sector of purchase acquisitions of

land will be considered as acquisitions of used capital assets. Acquisitions by the industry "public administration and defence" will include the value of land purchased or rented for defence purposes while acquisitions by the industry "ownership of dwellings" will include the value of land purchased or rented for residential or private recreational purposes. Where the land is purchased by the user the income originating in these sectors will include elements of imputed rent; corresponding imputed expenditures will appear as part of general government consumption expenditure and private consumption expenditure respectively.

XXI. Classification of increase in stocks (SNA pages 30 and 31)

34. It is proposed to include in Table VI a classification of the item "increase in stocks" into the following categories:

1. raw materials
2. work in progress
3. finished goods held for sale.

This classification is already recommended in Concepts and Definitions of Capital Formation.

XXII. Goods and services (SNA passim)

35. The term "goods and services" is conventionally employed in both text and accounts of SNA to refer to "goods and 'non-factor' services". This usage, however, conflicts in the rest of the world account with the terminology of the Balance of Payments Manual where the term "goods and services" is more properly defined to include "factor" as well as "non-factor" services. It is therefore proposed that wherever appropriate in the text and accounts of SNA the words "good and services" be replaced by "goods and non-factor services".

XXIII. Gold transactions of households (SNA page 31; CF para. 44)

36. It is at present recommended in SNA that for purposes of national income analysis increases in private gold hoards should be regarded as an element of foreign investment, that is, like changes in stocks of monetary gold, rather than as domestic capital formation or consumption. To implement this recommendation the non-monetary gold movement as defined in the Balance of Payments Manual must be adjusted by including net increases in private hoards; a corresponding adjustment therefore appears in the total value of net exports of goods and services.

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Since it is desirable to maintain uniformity of definition as far as possible, it has been proposed that the above recommendation should be revised and net increases in private hoards treated as domestic capital formation or consumption.

37. While the acceptance of this proposal would serve statistical convenience and would improve consistency of definition in the external account with the Balance of Payments Manual, treatment of increases in private hoards of gold as either domestic capital formation or private consumption involves certain obvious disadvantages. Of these two alternatives inclusion as part of the item "increase in stocks" in domestic capital formation would appear to be preferable. Clearly, however, with either alternative increases in private hoards of gold should be recorded separately whenever their value is substantial.

XXIV. Interest on the public debt (SNA page 36)

38. In the existing text of SNA payments of interest on the public debt are regarded as current transfers from general government rather than as payments for factor services. In the external account, however, following the Balance of Payments Manual, interest on the public debt paid to the rest of the world is classified as factor income paid abroad rather than as an international transfer. As a result of this inconsistency, in deriving national product in Account 2 of the system, imputed factor services from non-residents are deducted from domestic product, though they are not already included in it, since in calculating domestic product the corresponding interest payments were treated as transfers. Similarly, on the other side of this account, in order to arrive at national income interest on the public debt paid abroad is deducted from income items 2.3 to 2.6, although it has not been already included in them.

39. A number of alternative proposals have been suggested to improve this situation:

(a) By introducing a category of current international transfers the treatment of interest on the public debt as a transfer could be consistently implemented. A minor modification of this proposal is to treat interest on the public debt "like" a transfer and maintain a separate category specifically for these transactions. The application of this proposal to the SNA system of accounts is illustrated in an Appendix to this paper. This procedure involves the definition of national income as excluding all public debt interest received, both domestic and foreign.

(b) Interest on the public debt could be treated consistently as a payment for a factor service and so included in the national income. The application of this proposal would imply the inclusion of all payments of such interest in general government consumption expenditure, while, in Account 2, item 2.7 would be eliminated.

(c) The existing distinction in the accounts between interest paid domestically and interest paid abroad could be preserved and implemented consistently. Interest paid domestically would be specified separately in Account 5 and again as a deduction replacing the present flow 2.7 in Account 2; interest paid abroad, being regarded as a payment for a factor service, would be included as part of general government consumption expenditure.

40. These alternative suggestions for the amendment of the existing treatment are presented impartially by the Secretariat, since in the comments which have been received on this point there has been insufficient agreement to justify any specific recommendation. For convenience the application of the first of these suggestions is illustrated in the draft revision of the system of accounts attached as an Appendix. This should not, however, be taken to imply any predilection in favour of that procedure or of the particular method of presentation adopted.

XXV. Interest on consumers' debt (SNA page 36)

41. The inconsistencies in the existing system in the treatment of interest on the public debt in principle apply equally to the case of interest on consumers' debt. The corresponding proposals under XXIV above for the removal of these inconsistencies apply in this case also.

XXVI. International transfers (SNA page 36-38)

42. In the present system of accounts all international transfers are treated for convenience as capital transfers, that is, they are recorded in the capital reconciliation account of the rest of the world. This procedure is justified on page 38 of SNA by the following argument:

(a) the distinction between current and capital transfers is less obvious and useful in the case of international transfers, the most important of which take place between governments, than in the case of domestic transfers;

(b) the amount of current transfers between governments and the rest of the world is insignificant; and

(c) a considerable part of the international transfers of the private sector are capital transfers.

43. In a number of circumstances, however, these conditions do not obtain. It is therefore proposed that a category of current international transfers be distinguished in the system of accounts. Current international transfers between general government and households would be defined as in the case of similar domestic transfers to include direct taxes, non-contractual pensions, etc.; current international transfers between households would largely consist of personal and institutional remittances in cash and in kind; while those between governments would consist of all grants in cash and in kind for consumption purposes (excluding under existing recommendations, transfers of military equipment).

XXVII. Modification of capital reconciliation accounts (SNA page 38)

44. A number of minor modifications are proposed in the form and content of the capital reconciliation accounts in order to bring them into closer conformity with the accounting structure defined in section 5(c) of Chapter II. The following proposals are made:

(a) provisions for the consumption of fixed capital should be distinguished in Account 1 as the sum of the provisions appropriate to each of the three major sectors in the system. These elements would then be transferred to the respective capital reconciliation accounts.

(b) the gross capital formation of each major sector, viz., corporate, non-corporate private and non-corporate public, should be directly available from the accounts. This could be effected by dividing the present item 4.11 and 5.11 "net capital transfers to domestic capital formation" to obtain flows representing the relevant sector capital formation. By implementing the previous proposal these flows would represent gross rather than net capital formation as at present. Gross corporate capital formation would then be given as the sum of the remaining flows entered on the credit side of Account 3.

(c) the flow "net capital transfers from households" in Account 5 should be absorbed in a new flow "net capital transfers to non-corporate private sector" which would include government investment grants to unincorporated enterprises and private non-profit institutions.

45. The implementation of these proposals is illustrated in the Annex to the present paper.

XXVIII. Undistributed profits of foreign branches and subsidiaries (SNA page 7)

46. In accordance with the existing practice of the International Monetary Fund, the profits of foreign branches and subsidiaries of domestic enterprises are credited to the parent concern, irrespective of whether or not they are actually distributed. Thus an imputed distribution of the undistributed profits of branches and subsidiaries is made to the parent concern in proportion to its stockholding and these profits recorded in the current part of the rest of the world account as an element of international factor income payments. This entry is then offset in the capital reconciliation account by a corresponding imputation of foreign investment.

47. Owing to the conceptual and statistical difficulties encountered by countries in implementing this recommendation, it is now under reconsideration. Alternative procedures, such as recording the undistributed profits as memorandum items in the balance of payments, have been examined by the International Monetary Fund and discussed with the Secretariat. It would be helpful in formulating specific proposals for the revision of SNA on this point if the views of governments and international organizations on this question could be ascertained.

Annex

Draft revision of the SNA system of accounts illustrating the application of some of the proposals contained in the preceding memorandum

Account 1. Domestic product

1.1 Net domestic product at factor cost (2.10)	1.5 Private consumption expenditure (4.1)
1.2 Provisions for domestic fixed capital consumption (3.4 + 4.15 + 5.18)	1.6 General government consumption expenditure (5.1)
1.3 Indirect taxes (5.9)	1.7 Gross domestic fixed capital formation (3.1)
1.4 Less: subsidies (5.4)	1.8 Increase in stocks (3.2)
	1.9 Exports of goods and non-factor services (6.1)
	1.10 Less: imports of goods and non-factor services (6.5)
Gross domestic product at market prices	Expenditure on gross domestic product

Account 2. National income

2.1 Compensation of employees (4.7)	2.10 Net domestic product at factor cost (1.1)
2.2 Income from unincorporated enterprises (4.8)	2.11 Net factor income from the rest of the world (6.2)
2.3 Income from property (4.9)	
2.4 Saving of corporations (3.3)	
2.5 Direct taxes on corporations (5.10)	
2.6 General government income from property and entrepreneurship (5.8)	
2.7 Less: interest on the public debt paid domestically (5.2)	
2.8 Less: interest on public debt received from rest of world (6.3)	
2.9 Less: interest on consumers' debt (4.2)	
National income	Net national product at factor cost

Notes: (1) An asterisk denotes "part of" item listed.

(2) It is assumed that international payments of interest on consumers' debt are normally insignificant. If this were not so in a given case the treatment of interest on consumers' debt would require elaboration in an analogous manner to that of interest on the public debt.

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Account 3. Domestic capital formation

3.1 Gross domestic fixed capital formation (1.7)	3.3 Saving of corporations (2.4)
3.2 Increase in stocks (1.8)	3.4 Provisions for fixed capital consumption in corporations (1.2 *)
	3.5 Net capital transfers to corporations (4.13 + 5.15 + 6.10)
	3.6 Net borrowing of corporations - (4.18 + 5.20 + 6.13)
	Finance of gross capital formation in corporations
	3.7 Finance of gross capital formation in non-corporate private sector (4.12)
	3.8 Finance of gross capital formation in non-corporate public sector (5.14)
Gross domestic capital formation	Finance of gross domestic capital formation

Account 4. Households and private non-profit institutions

Current Account

4.1 Consumption expenditure (1.5)	4.7 Compensation of employees (2.1)
4.2 Interest on consumers' debt (2.9)	4.8 Income from unincorporated enterprises (2.2)
4.3 Direct taxes (5.11)	4.9 Income from property (2.3)
4.4 Other current transfers to general government (5.12)	4.10 Current transfers from general government (5.5)
4.5 Current transfers to rest of the world (6.7 *)	4.11 Current transfers from rest of the world (6.4 *)
4.6 Saving (4.14)	
Disposal of income	Income of households and private non-profit institutions

Capital Reconciliation Account

4.12 Finance of gross capital formation in non-corporate private sector (3.7)	4.14 Saving (4.6)
4.13 Net capital transfers to corporations (3.5 *)	4.15 Provisions for fixed capital consumption in non-corporate private sector (1.2 *)
	4.16 Net capital transfers from general government (5.16)
	4.17 Net capital transfers from rest of the world (6.11)
	4.18 Net borrowing - (3.6 + 5.20 + 6.13)
Disbursements	Receipts

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Account 5. General government

Current Account

5.1 Consumption expenditure (1.6)	5.8 Income from property and entrepreneurship (2.6)
5.2 Interest on the public debt paid domestically (2.7)	5.9 Indirect taxes (1.3)
5.3 Interest on the public debt paid to rest of world (6.6)	5.10 Direct taxes on corporations (2.5)
5.4 Subsidies (1.4)	5.11 Direct taxes on households (4.3)
5.5 Current transfers to households (4.10)	5.12 Other current transfers from households (4.4)
5.6 Current transfers to rest of world (6.7 *)	5.13 Current transfers from rest of world (6.4 *)
5.7 Saving (5.17)	
Disposal of current revenue	Current revenue

Capital Reconciliation Account

5.14 Finance of gross capital formation in non-corporate public sector (3.8)	5.17 Saving (5.7)
5.15 Net capital transfers to corporations (3.5 *)	5.18 Provisions for fixed capital consumption in non-corporate public sector (1.2 *)
5.16 Net capital transfers to non-corporate private sector (4.16)	5.19 Net capital transfers from rest of the world (6.12)
	5.20 Net borrowing - (3.6 + 4.18 + 6.13)
Disbursements	Receipts

Account 6. External transactions (rest of world account)

Current Account

6.1 Exports of goods and non-factor services (1.9)	6.5 Imports of goods and non-factor services (1.10)
6.2 Net factor income from rest of world (2.11)	6.6 Interest on the public debt paid to rest of world (5.3)
6.3 Interest on public debt received from rest of world (2.8)	6.7 Current transfers to rest of world (4.5 + 5.6)
6.4 Current transfers from rest of world (4.11 + 5.13)	6.8 Surplus of nation on current account (6.9)
Current receipts	Disposal of current receipts

Capital Reconciliation Account

6.9 Surplus of nation on current account (6.8)	6.13 Net lending to rest of world - (3.6 + 4.18 + 5.20)
6.10 Net capital transfers from rest of world to corporations (3.5 *)	
6.11 Net capital transfers from rest of world to households (4.17)	
6.12 Net capital transfers from rest of world to general government (5.19)	
Receipts	Disbursements
