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BASIC METHODOLOGICAL RULES FOR THE COMPILATION OF THE
STATISTICAL BALANCE OF THE NATIONAL ECONOMY

..... Note by the Secretary-General: The attached document contains the final version of the System of Material Product Balances (MPS). At its fifteenth session, the Commission requested the Secretary-General to distribute the final version of the MPS (resolution 2 (XV)). The Commission may wish to discuss the System of Material Product Balances on the basis of this document.

BASIC METHODOLOGICAL RULES
FOR THE COMPILATION OF THE SYSTEM
OF THE BALANCES OF THE NATIONAL
ECONOMY

MOSCOW, 1969

CONTENTS

	<u>Page</u>
Introduction	1
Chapter I. <u>Basic Concepts and Definitions</u>	
1. The subject-matter of the system of the balances of the national economy	3
2. Branch and social classifications in the system of the balances of the national economy	7
3. The conceptual frame of the system of the balances of the national economy	16
4. The basic indicators of the system of the balances of the national economy	18
5. The production, distribution and disposition of incomes	28
6. The indicators of national wealth and the balances of fixed assets	31
7. The reproduction of manpower resources	31
8. Valuation of the indicators of the system of balances of the national economy	35
9. Total consumption of material goods and services by the population	42
10. Reflection of the links with foreign countries in the system of balances of the national economy	45
Chapter II. <u>The Balance of Production, Consumption and Accumulation of the Global Product</u>	
<u>(The Material Balance)</u>	
1. General characterisation of the material balance	52
2. Conceptual frame of the balance of production, consumption and accumulation of the global product	53
3. Calculation of the global product	56
4. The Section " <u>Disposition of Material Goods</u> "	67
5. The production, as shown in the table of the material balance, of the means of production and of consumer goods	76

6. Principles of construction of the input-output table	77
7. Supplementary tables of the material balance	81
Chapter III. The Balance of the Production, Distribution, Redistribution and Final Disposition of the Global Product and of the National Income	
(<u>The Financial Balance</u>)	
1. General description of the financial balance	84
2. The summary table of the balance of the production, distribution, redistribution and final disposition of the global product and of the national income	88
3. Supplementary tables of the financial balance	99
Chapter IV. <u>The Manpower Balance</u>	
1. General description of the manpower balance	105
2. The tables of the balance of manpower resources	106
Chapter V. <u>The Indicators of National Wealth and the Balance of Fixed Capital</u>	
1. General characterisation of the national wealth	107
2. The indicators of the national wealth	108
3. The balance of fixed assets at original cost less depreciation	112
4. The balance of fixed assets at full value	114

TABLES

1. The balance of production, consumption and accumulation of the global product (material balance)	117
1a. The balance of production, consumption and accumulation of the global product (at producer prices)	121
2. The balance of production and utilization of the global product	125
3. The balance of national income and its utilization	126

	<u>Page</u>
4. The global product by branches and social sectors	127
5. Intermediate consumption (material inputs), by branches and social sectors	128
6. National income produced, by branches and social sectors	129
7. Final consumption, by branches and social sectors	134
8. Personal consumption of material goods by sources of origin	133
9. Net fixed capital formation and increase in material circulating assets and stocks in the branches of the national economy, by social sectors	130
10. Balance of production, distribution, redistribution and final utilization of the global product and the national income	136
11. Inter-relations between financial and credit institutions	140
12. Balance of money income and expenditure of the population	141
13. Balance of manpower resources	145
14. Distribution of persons engaged in the national economy, by social sectors	147
15. The indicators of national wealth	149
16. Balance of fixed assets of the national economy, at original cost less depreciation	151
17. Balance of fixed assets of the national economy, at full value	152

INTRODUCTION

The methodology of the system of the balances of the national economy set forth in this paper has been developed on the basis of the Marxist-Leninist theory of social production, and embodies the experience in the application of the methodological propositions of the system of the balances of the national economy in the states-members of the Council for Mutual Economic Assistance.

This paper gives the basic principles of compilation of the system of the balances of the national economy that are common to all such states-members. In practice, however, there are certain differences in the methodology of the several states in respect of the calculation of the indicators and in the tables of the system of the balances of the national economy. Thus, for example, in some countries the branches of material production do not include the passenger transport and communications serving the non-material sphere; there are also individual differences in the relationship between the several branches of material production - the cutting, preliminary processing and removal of lumber is in some cases included in the branch "Forestry"; and there are also special features in the methodology of computing the gross output of external trade, or capital repairs, in reflecting financial operations in the balance of the national economy, and in other respects.

The paper consists of five chapters. Chapter I gives the basic concepts and definitions of the theory of production on which the conceptual frame of the system of the balances of the national economy is based. It also considers the definitions, and some of the most general problems of the methodology of calculating the indicators of the system of the balances of the national economy.

The following chapters present the conceptual frame, the content, and the methodology of calculating the indicators of each of the main divisions of the system of the balances of the national economy: the material balance, the financial balance, the manpower balance and the fixed capital balance, and the indicators of national wealth. Each section of the system of the balances of the national economy consists of a main table and a series of supplementary tables. The content and composition of the main indicators of the system of the balances of the national economy, and, in particular, the methodology of calculating the individual indicators, render international comparisons possible.

This paper is an augmented and revised version of the report "Uniform Principles of the Statistical Balance of the National Economy", submitted in January, 1965, to the Secretariat of the Economic Commission for Europe of the United Nations.*

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CHAPTER I

BASIC CONCEPTS AND DEFINITIONS

1. The subject-matter of the system of the balances of the national economy

1. Guidance of the economy and planning demand information on the most general and substantial aspects of the development of the national economy.

These most essential aspects of economic development may be brought out by special treatment of the relevant statistical data. This requires the character and method of data processing to be based on a rigorous theoretical foundation.

The theory and practice of the processing of statistical data to bring out the most general patterns of national economic development have today been segregated into a special branch of economic statistics: the system of the balances of the national economy, or national accounting.

The system of the balances of the national economy is a system of economic tables and indicators designed to give in generalized form a concrete characterization of the process and results of social reproduction.

2. The primary functions of the system of the balances of the national economy are to provide a characterization of:

the production and disposition of the global product and of the national income;

the relationships and proportions established during social reproduction;

the production, distribution, redistribution and final use of incomes;

the level of incomes and of the total consumption of material goods and services by the population;

the manpower resources of the community, their distribution between the

branches of the national economy, and their use;

the size and the structure of fixed capital and other parts of the national wealth and their use in the national economy;

the social composition of production.

3. The economic process is the continuous renewal and repetition of production, distribution, exchange and consumption.

This process constitutes the continuous flow of the material goods required, both to replace the means of production consumed, and for final consumption and net capital formation.

The link between production, and consumption, i.e. between the initial and final stage of the economic process is established by means of distribution and exchange.

In the economic process, the material conditions for the existence of Society are continuously undergoing renewal, together with the entire aggregate of social relationships responsible for the specific forms of organisation of production, exchange and accumulation.

Two aspects of the process of production are considered: production of material goods for sale and for own use, and the formation of incomes. This allows us to represent the process of production in the form of flows of material goods, and also in the form of flows of incomes and expenditures.

Production is the basic stage of the economic process. Social production results in the creation of the material goods to be used for consumption and for the expansion of production.

Replacement of manpower takes place during the economic process.

The Division of the National Economy into Two Spheres

4. All the multiplicity of the various forms of economic activity in the national economy of a country may be reduced to two main groups or spheres: the sphere of material production and the non-material sphere, or the sphere of services. The character and results of the application of labour in each of these spheres differ substantially.

The productive character of labour is the criterion delineating the sphere of material production. Productive labour is considered to be labour performed by Man in acting on Nature to satisfy human needs, i.e., labour expended on the production of goods; and labour expended in the sphere of circulation (transport, goods turnover) is a continuation of the process of production.

The process of production of material goods is accomplished in the sphere of material production. The final result of activity in the material sphere is material goods designed to provide the community with means of production and objects of consumption.

6. The non-material sphere embraces the activity directed towards rendering services to the population in order to satisfy certain personal and social needs of people. The result of activity in the non-material sphere is the satisfaction of individual and collective needs of the members of the community in respect of cultural activities and amenities. The input of social labour into the non-material sphere does not increase the total quantity of material goods at the disposition of the community.

The non-material sphere includes the activities in rendering services in the field of housing, utilities and household services, in the medical field, and in the educational and cultural fields. It likewise includes services connected with the social welfare of the community.

7. All fields of productive activity are based on material production, which is primary in comparison with the activities rendering services. The production of material goods is the sphere where the global product and national income are produced. The rendering of services depends on the production of material goods, since it would be impossible without the consumption of such goods. The wealthier a community is, the more material goods it produces, the greater the share of these goods which it can make available for the rendering of services.

In turn, the services exert a certain influence on the production of material goods by ensuring the conditions necessary for the development of material production.

The non-material sphere creates neither product nor income; in it takes place only the process of use and redistribution of material goods and incomes produced in the sphere of material production.

8. Material goods are the reproducible result of the application of labour to the transformation of natural materials and natural forces into forms suitable for the satisfaction of personal and collective needs. They embrace the production of material products in the form of things and power and what are called material services (transport, commodity circulation, storage, etc.).

The following three components constitute the necessary conditions for the process of production of material goods: first, labour itself; second, the objects of labour, on which the work is done; and third, the implements

of labour, with which Man acts on the objects of labour.

9. Services are the results of activities satisfying personal and collective needs, but not embodied in a material product.

The features of services are, first, that the time they are rendered is, as a rule, the same as the time they are consumed, and, second, that the object of application of labour is Man himself, while the objects of application of labour in the production of material goods are natural things and natural forces. Services exist only during their rendering and are as a rule inseparable from those performing them.

10. In studying the process of production it is most essential to distinguish between economic activities of a collective nature and other forms of activity lying outside the boundaries of economic relations and belonging to the field of pure consumption, without touching the social relationships between people. Economic activity consists in inputs of collective labour in connection with production, distribution, exchange and consumption in the course of the process of production, i.e., it is labour activity in the production of material goods and in the rendering of services. Activity outside the boundaries of production, is not connected with the process of movement of the global product and the national income and is called forth by the need to adapt products for personal consumption. This activity occurs in the households of the population.

2. BRANCH AND SOCIAL CLASSIFICATIONS IN THE SYSTEM OF THE BALANCES OF THE NATIONAL ECONOMY

Classification by Branches in the Balance of the National Economy

11. All forms of activity in the production of material goods and the rendering of services can be subsumed under groups or branches, depending on the nature and results of the application of labour. The classification

of similar forms of activity into branches of the national economy reflects the social division of labour in the economy of the countries, as well as the place of certain forms of activity in the economy.

12. The branches of the national economy are divided into branches of the sphere of material production and branches of the non-material sphere. The former group of branches relates to those forms of economic activity whose results appear as material goods. In the branches of the non-material sphere, the results of economic activity are services.

13. The various forms of activity in the sphere of material production are classified into the following branches of the national economy:

- industry;
- construction;
- agriculture;
- forestry;
- transport *;
- communications *;
- distributive trades;
- other branches of material production.

The input-output table is developed not only for the groups of branches of the national economy but also by individual branches of industry and branches of other parts of the national economy.

14. All branches of the sphere of material production are divided into two groups. The first group includes the branches in which use-values, in their concrete form, are created, together with their values. These branches

* Only goods transport and communications serving branches of material production belong to the sphere of material production. But, for practical reasons, in the interests of comparability of data, transport and communications are entirely included in the sphere of material production.

transform natural materials and forces of nature into materially-determinate objects capable of satisfying the various needs of the community. To this group belong: manufacturing industry, construction, agriculture, forestry and the other branches of material production.

For practical reasons, passenger transport and communications are also included in this group.

The second group embraces those branches that bring the products produced in the first group of branches to their final consumers. These branches make no changes whatever in the material form of the product. They add, to the work of processing natural materials and forces of nature, the work of delivering the product to the consumers, thereby increasing the value of the material goods already produced. This group includes goods transport and the distributive trades. They are assigned to the sphere of material production because the function of delivering products to the consumers constitutes a necessary condition of the process of production of material goods. This function is nothing but a continuation of the process of production.

15. Activities in the non-material sphere are divided into the following branches:

Housing, public utilities, communal and recreational services;
 Education, culture and art;
 health services, social security and sports;
 science and scientific services;
 finance, credit and insurance;
 general government;
 other branches of the non-material sphere.

16. The branches of the non-material sphere are divided into two groups, according to the function their services perform in the community.

The first group includes the branches whose services are designed to satisfy the individual cultural and everyday needs and the collective needs of the members of the community. To this group belong: housing, public utilities,

communal and recreational services; education, culture and art; health services, social security and physical culture.

The second group of branches embraces services satisfying the general, collective needs of the community. To this group belong: science and scientific services; finance, credit and insurance; general government; and other branches of the non-material sphere.

The branches of the non-material sphere have been divided into two groups, in this way, because certain forms of services satisfy only the individual needs of the members of the community, and must be taken into consideration in determining the level of living of the population, while a considerable number of services ensure the conditions necessary for the collective life of the community as a whole.

Some branches of the non-material sphere also render services in the material sphere of production (for example, banks).

17. Economic activity is accomplished in economically independent primary units of the socio-economic division of labour, i.e., in enterprises, institutions, personal holdings (of workmen, employees and co-operative members), and individual holdings (private peasant farms and private establishments of craftsmen and artisans not belonging to co-operatives).

(a) The enterprise (unsubsidized) is an economically independent primary unit with the primary function of producing material goods. The concept of "enterprise" is also used to define economic units whose activities consist in rendering services (for example, housing and other utilities operated by local authorities, etc.). Enterprises have a complete system of accounting and their own current accounts at banks, and cover their current expenditures from the proceeds of the sale of goods and services. In many cases the expenditures of self-supporting independent enterprises may be

covered in part by budgetary grants. Productive co-operatives (agricultural and other) are considered enterprises. Small private non-co-operative enterprises registered as independent units are likewise included in this category, even if they keep only simplified accounts, or none at all (for example, a private artisan's shop, etc.);

(b) Financial institutions comprise the state banks, and other credit institutions, state labour savings banks, state insurance offices and the State Lottery. This category is governed by its own special regulations.

(c) Budgetary institutions and budgetary units comprise the institutions and organizations that cover their current expenditures to a predominant extent from State budget allocations instead of the proceeds of sales. The expenditures of budgetary institutions may be covered in part by payments from persons, enterprises and institutions;

(d) Associations are units deriving their fixed and circulating assets from voluntary donations of their members, grants from the State budget, and part of the operating surplus earned by enterprises that are their members;

(e) Private farms are independent units producing agricultural products by the aid of means of production that are the private property of peasants;

(f) Personal holdings and other private activities of the population comprise the activities of persons engaged for their own account in the production of material goods and services (as distinguished from households which are themselves the consumers). This activity is conducted outside of organized units and can be only arbitrarily interpreted as an activity of organized units. This group includes the personal plots of workmen and employees, the personal plots of

co-operative members, and other forms of private activity, such as individual building, gathering mushrooms and berries, collecting scrap and other salvage, producing wine, slaughtering cattle for own consumption, etc.

18. The above division of the national economy into groups of organised units does not directly affect the balance of the national economy itself, where economic activity is not, on the whole, divided into spheres and branches of the national economy by assigning the individual organisational units (enterprises, institutions, etc.) to their respective sphere of activity and branches of the national economy, but primarily by kind of economic activity. In this connection it is considered that if an enterprise or institution, or other organizational unit, carries on non-uniform activity, it consists of two or more establishments, each belonging to its respective sphere and branch.

19. An enterprise has a main establishment and may also have subsidiary establishments which belong to other branches.

A subsidiary line of production, while distinct from the main line of production in organization and industrial technology, does not independently keep its financial accounts nor operate on an independent balance sheet. The criterion of organizational segregation of the subsidiary production line is its establishment as a separate, independent report unit, i.e. the existence, in the accounting system of the organisation or institution, of data on the extent of the activities of that subsidiary production line.

It is as a rule so established when the activities covered belong to a different branch of the national economy than those for which the enterprise or institution was originally founded, and when the activities

so segregated are important enough to warrant it. This is true in the following cases: a subsidiary industrial production-line, a subsidiary agricultural operation, or own-account construction, will be segregated in enterprises and institutions with primary activities in a different branch of the national economy. Forms of non-productive activity related to the satisfaction of individual needs of the members of the community are also subject to segregation.

Various different forms of activity may also take place in the same unit of private activities of the population.

The economic management units of groups or combines directly controlling subordinate enterprises and institutions are included in the branch to which those subordinate bodies belong, if the expenses of maintaining such management units are included in the cost of production of those subordinates.

If such groups or combines include enterprises and institutions belonging to different branches, then these management units are included in the branch to which the predominant activity of the group or combine belongs.

The structural subdivisions of enterprises and institutions - shops, departments, etc. - which handle current repairs on fixed assets transport within the enterprise, procurement and marketing, etc., i.e. the auxiliary lines of production directly serving the productive process of the enterprise or institution, are not as a rule segregated as separate report-units.

20. In addition to the above organisational units performing economic activities, there is also the concept of the household.

The household is outside the boundaries of economic activities, i.e., the activities performed in it do not increase the volume of material

goods, nor do they render services. The household is a unit of consumption whose incomes are generated outside it, either as a result of the process of primary distribution or as a result of the process of redistribution. It does not participate in the formation of the national income.

The activities of consumer nature in the households include keeping the dwelling clean, preparing food, laundering, mending and cleaning clothing, current repair of furniture and other household equipment, etc.

Social Classification in the Balance of the National Economy

21. The basic features of production are largely determined by the social structure of the community. The rates of the development of the national economy, the economic proportions, the relationships and inter-relationships appearing in the process of social production are the result of the action of economic laws which follow from the character of the productive relations, i.e., of the interpersonal relationships which have been built up during the economic process.

In order to study this process it is therefore necessary to classify, by socio-economic sectors, the various activities involved in the production of material goods and services.

This classification is based on the form of ownership of the fixed and circulating capital.

The form of ownership of the means of production determines the form of ownership of the product and of the incomes generated by its disposal.

22. The basic socio-economic sectors are the socialist sector and the private sector.

23. The socialist sector embraces the enterprises and institutions in public, socialist ownership. The fixed and circulating capital of these enterprises are public property. The socialist sector also includes the

personal holdings and other private activities of workmen and employees of socialist enterprises and of members of co-operatives.

24. Within the socialist sector the following socio-economic subsectors are distinguished:

- the state subsector;
- the co-operative subsector,
 - which includes:
 - agricultural productive co-operatives;
 - associations;
 - personal holdings and other private activities of workmen and employees;
 - personal holdings and other private activities of members of co-operatives.

25. The state subsector includes the enterprises and institutions in state ownership. The state allots them the fixed and circulating capital required for their operation. These economic units are administratively subordinated to central or local organs of state authority. The production of the state subsector and the income generated in it belong to the people of the whole country.

26. The co-operative subsector embraces the enterprises and institutions in collective, group, ownership. The fixed and circulating capital of these economic bodies are originally constituted from the entrance fees (initiation fees) of their members and the proceeds of sales of shares to them; and later by a part of their operating surplus. The output and income of the enterprises and institutions of the co-operative subsector are the property of their members.

27. The association subsector includes the enterprises and institutions owned by voluntary or semi-voluntary associations. The fixed and circulating capital of the economic bodies of this subsector are constituted by the voluntary contributions of their members and by part of the operating surplus of such bodies. The output and income in this subsector belong to the associations.

28. The personal holdings and other private activities of workmen and employees, and of co-operators, embrace agricultural output, construction and other forms of activity gathering of wild fruits and berries, scrap collection, etc.).

29. The private sector includes the enterprises and institutions with fixed and circulating capital in private ownership. The classification of enterprises and institutions of the private sector is based on the specific economic conditions in the country involved. Within this sector it is advisable to distinguish the subsector of craftsmen, artisans and peasants who are not co-operators.

Peasants, craftsmen and artisans who do not belong to co-operatives operate small private ventures in which the productive process is carried out by their owners in person, as a rule without recourse to hired labour.

This group also includes the subsidiary activities of the population occupied in the private sector of the national economy.

3. The Conceptual Frame of the System of the Balances of the National Economy

30. The system of the balances of the national economy is a system of interrelated economic tables, each describing a specific aspect of production, and, taken together, giving a generalised characterisation of the economy.

It is calculated for the calendar year.

31. The system of the balances of the national economy consists of four basic sections, each including one main table and a number of supplementary tables designed to present specific details amplifying the description of the processes reflected in the main table.

The main tables (or sections) are as follows:

The balance of production, consumption and accumulation of the global product (material balance);

The balance of production, distribution, redistribution and final utilization of the global product and the national income (financial balance);

The manpower balance;

The indicators of national wealth and the balance of fixed assets

The first two sections characterize the production of the global product and the national income.

As already noted, the process of production of the global product is of dual nature: on the one hand it is manifested as a flow of material goods, and on the other, as a flow of incomes. It would quite naturally be impossible, in the statistical characterization of production, to take both material and financial flows into account at the same time without establishing the distinctions between them.

The two sides of the production of the global product are reflected in the following way in the system of the balances of the national economy. The balance of production, consumption and accumulation of the global product (material balance) considers the movement of the product in its physical, tangible form. In the balance of production, distribution, redistribution and final disposition (the financial balance), the object of study is instead the movement of product and incomes, i.e., the value aspect.

One of the most important components of the material balance is the input-output table, designed to provide a detailed characterisation of the industrial relationships and proportions in the process of production.

The third section of the system of the balances of the national economy, the manpower balance, shows the supply and utilisation of the manpower available to the community, together with its distribution between the branches and socio-economic groups of the national economy.

The fourth section of the balance of the national economy characterises the national wealth of the community, comprising fixed capital, material circulating assets, stocks and reserves. This section of the balance is also intended to be used in the study of the indicators of the distribution and use of the national wealth.

4. The Basic Indicators of the System of the Balances of the National Economy

The Global Product and the National Income

32. The global product is the entire mass of material goods produced in the branches of material production during a given period.

In its physical tangible composition, the global product consists of means of production and consumer goods.

The means of production include machinery and equipment used in transforming labour and raw materials into processed goods.

In the process of production the means of production may be used either to replace the material goods consumed in the process of producing the global product or for fixed capital formation and increase in material circulating assets of enterprises.

34. Consumer goods include the material goods which, in a given tangible form, finally leave the sphere of material production and enter final consumption, during the current period or some future period, in the country of the producer or abroad.

35. In respect of value, the global product is distributed between material input and added value.

To material input corresponds the means of production consumed in the process of production (comprising the value of raw materials, auxiliary materials, fuel, electric power, depreciation of fixed assets). The inclusion of the transferred value in the composition of the global product means that the value of this product contains an element of duplication. The analysis of

the social production demands the consideration of the entire mass of material goods circulating in the national economy. The interrelations between enterprises in the process of production assume the form of purchases and sales. Their product is as a rule realised in the monetary form and consequently appears as commercial product.

36. National income is a newly created value

In the stage of production it is measured by that part of the global product that remains after the replacement of all means of production which have been consumed.

In the stage of distribution, the national income is broken down into the primary incomes of the population engaged in the sphere of material production, and the primary incomes of the enterprises of that sphere.

The final utilisation of the national income equals the sum of final consumption, net capital formation, replacement of losses, and import-export balance.

The Generation of the Global Product and of the National Income

37. The global product and the national income are generated in the sphere of material production. The global product equals the sum of the gross output of the branches of material production; while the national income equals the sum of their net outputs.

38. The gross output is the value of the production of a given branch of material production. It includes the commodity output and that part of output that, without assuming the commodity-monetary form, is used for intermediate and final consumption or net capital formation. In calculating the gross output of the individual branches of material production, however, certain deviations from this principle are in practice possible.

Thus, for example, the value of semi-manufactures turned out by the enterprise itself and used within it for productive purposes is in some cases included in its gross output.

39. Net output is the value added by labour in some branch of material production. It is calculated as the difference between gross output and the sum of the material inputs of that branch of material production.

In the stage of distribution, the net output may be calculated as the sum of the primary incomes of the productive enterprises and the primary incomes of the population in the sphere of material production.

Utilisation of the global product

40. The global product is used for the following purposes:

for intermediate material consumption

for final consumption;

for net capital formation

to replace losses;

for the import-export balance.

INTERMEDIATE CONSUMPTION

41. Intermediate consumption is the current input of material goods into the productive process, such goods appearing as objects of labour, i.e. being completely consumed in that process, and the consumption of means of labour, the value of which is transferred to the product in successive stages with the depreciation of such means.

42. Objects of labour participate only once in the process of production, and their full value enters into the value of the output manufactured from them. The objects of labour are classified as follows:

raw materials and basic supplies, which constitute the tangible physical content of the output produced; and

auxiliary materials which are designed to serve the productive process;

Fuel and electric power form a special group of objects of labour, closely related, in character of operation in the productive process, to the auxiliary materials.

43. The means of labour participate repeatedly in the process of production, without change of tangible physical form. Their value is transferred to the product successively, as depreciation proceeds. The means of labour are fixed productive capital. They include the implements of labour, by means of which the workman acts on the object of labour, and productive buildings, structures, etc. which represent the material conditions necessary for the accomplishment of the productive process.

The gradual transfer of the value of productive fixed assets to the manufactured output, expresses the consumption of those assets, which is allowed for by depreciation charges.

44. Depreciation charges are based on standards prescribed by law. The total amount of the depreciation charges included in the material input is intended to restore the productive fixed assets retired for age and wear and tear, and for capital repairs. The inputs for capital repairs do not increase the original cost of the fixed assets, but, by decreasing the wear and tear, they do increase their residual or depreciated value.

In fixing the likely economic period of service for productive fixed assets, obsolescence is also taken into account.

45. The actual service life of productive fixed assets may differ from the standard service life used in establishing the depreciation rates.

The actual receipts for the material values remaining after the retirement of fixed assets and the actual expense connected with their retirement may likewise differ from those given in the accounting guidelines.

The amount of deviation of the actual depreciation of productive fixed assets from the standard depreciation corresponding to the amount of the accumulated depreciation charges pursuant to the established average rates is termed the depreciation adjustment. This quantity is defined as the difference between the depreciated book value of productive fixed assets retired by reason of dilapidation and wear (including expenses connected with their retirement), and the material values received by the retirement of such assets. This adjustment may be either positive or negative. In the former case the material inputs are increased; in the latter, they are decreased. The operating surplus is decreased or increased accordingly. The depreciated book value of fixed assets equals the original cost less all depreciation allowances charged up to the time of retirement, plus the amount of capital repairs.

Final Consumption

46. Final consumption (the consumption fund) is the consumption of material goods by the population and material inputs to institutions of the non-material sphere. The consumption fund embraces that part of the global product which consists of consumer goods and is eliminated from the further circulation of material goods. It includes both the current consumption of material goods and the consumption of non-productive fixed assets as measured by their annual depreciation.

47. Final consumption is divided into the following groups:

I. Personal consumption of material goods by the population.

II: Consumption of material goods in institutions providing social amenities and social welfare services for the population.

III. Other forms of final consumption.

48. The criterion of the direct purchase of consumer goods is used to determine whether consumption, in any specific case, is to be attributed to personal consumption or to consumption in institutions of the non-material sphere. The material goods acquired by institutions providing social amenities and social welfare services for their operations are attributed to consumption in these institutions.

49. Other forms of final consumption embrace the material consumption of institutions satisfying the general collective needs of the community (institutions of science and scientific service, financial, credit and insurance agencies, general government services, and others).

50. The personal consumption of material goods by the population, together with the consumption of material goods in institutions providing amenities and social welfare services, make up the total volume of consumption of material goods by the population.

51. Final consumption also includes the consumption of non-productive fixed assets as measured by their annual depreciation.

52. Non-productive fixed assets are durable assets designed for service of the population and non-productive institutions, which, during the process of consumption, conserve their tangible physical form, but gradually wear out and lose their value progressively as depreciation advances.

Personal consumption of material goods by the population includes the depreciation on state, cooperative, individual and private housing.

The consumption of non-productive assets of institutions (excepting that of housing) is included in their material consumption.

When institutions of the non-material sphere deduct depreciation allowances from the book value of fixed assets, the consumption of these assets is taken as equal to such allowances.

If depreciation allowances are made only to cover the expense of capital repairs, then the consumption of fixed assets is determined in its full amount from the accounting data on the fixed assets.

The consumption of fixed assets of institutions of the non-material sphere that make no depreciation allowances is based on the composition of their fixed assets and the current depreciation standards applicable to similar fixed assets. The consumption of fixed capital in respect of housing owned by the population is determined by a similar method.

53. By far the largest part of the consumption fund relates to the personal consumption of products and commodities by the population, for which direct statistical data are not always available. In this case, statisticians do have information on the volume of the various consumer goods supplied to the population, classified by source (commerce, collective farms, personal holdings and activities, etc.). In this connexion a problem arises: the data on the volume of supply must be converted into data on the volume of consumption. To accomplish this, the following categories of consumer goods must be distinguished:

(a) Consumer goods used only once

This category largely consists of food products. The annual consumption of such products is taken as equal to their annual supply, except in the case of agricultural products received from agricultural co-operatives by way of distribution of incomes, and also from personal holdings and from private

farms. Since these supplies are received by the population during the last months of the year, while their consumption to a very considerable extent will take place in the following year, the annual consumption of such products may be considered equal to their annual supply, adjusted to reflect the changes in such stocks held by the population. In other words, what is taken into account is their actual consumption, not their supply. The change in the stocks of such products held by the population is taken into account in the accumulation of consumer stocks.

(b) Non-durable consumer goods with a service life shorter than a year (underwear, shoes, certain articles of clothing, etc.). The annual consumption of these goods may also be taken as equal to their annual supply to the population.

(c) Durable consumer goods, i.e. with a service life longer than a year. This group includes housing facilities, furniture, motor cars, certain electrical appliances, various recreational and household goods, etc. The annual consumption of such goods should, in principle, be taken as equal to their annual depreciation.

In statistical practice, however, the consumption of non-housing durable goods is taken as equal to their annual supply instead. The annual consumption of housing by the population is equated to the annual depreciation (cf. para. 52).

Accumulation

54. Accumulation (the accumulation fund) is that part of the global product which is utilised for:

- (a) Net fixed capital formation, and
- (b) increase in material circulating assets.

Accumulation may also be defined as the excess of the global product over consumption (productive and non-productive), the replacement of

losses, and the excess of exports over imports.

55. Net fixed capital formation is the increase of the value of productive and non-productive fixed assets.

The increase in the value of the fixed assets over the entire national economy is defined according to the following scheme:

New fixed assets put into use (including those supplied from abroad), plus the inputs on completed capital repairs, minus depreciation (for renewal and for capital repairs), minus the depreciation adjustment minus the value of the material values received as a result of the retirement and write-off of fixed assets, and minus the accidental losses of fixed assets (based on their depreciated book value).

56. The increase in material circulating assets and stocks is the increment of stocks of material goods and includes the increase of

- (a) stocks of raw material and supplies, fuel, spare parts, and semi-manufactured goods;
- (b) work in progress;
- (c) stocks of finished goods held by producers and by enterprises of the sphere of circulation;
- (d) commodities in transit;
- (e) the value of livestock for slaughter and young livestock;
- (f) state stockpiles (including defense items).

The state stockpiles also include the increment of the state reserves of precious metals and precious stones.

Replacement of Losses

57. In indicating the disposition of the social product and of the

national income, the item of "Losses" is separately shown. Losses are divided into two groups:

- (a) Losses not connected with current production, for example, disaster losses;
- (b) Losses in connexion with current production, for example, losses from spoiled work or losses in storage.

The losses of group (a) are considered as a diminution of the national wealth generated in previous periods, and are not parts of the global product and national income produced during the current year. It is only these losses that are shown as a separate item in the system of balances of the national economy. This first group of losses also includes the losses due to abandonment of unfinished construction. The nature of these losses closely resembles disaster losses of fixed assets.

The losses of group (b), depending on their nature, are either omitted altogether from the social product (spoilage) or are carried under material inputs (losses in storage), and are thus excluded from the national income. The inputs of seed and fertilizers, the expenditures for cultivating the soil and other similar inputs in connexion with the technology of crop production are regarded as material inputs instead of losses in cases where there was no harvest owing to natural conditions, such as drought, frost, and the like. The explanation of this approach is that the above expenditures are the direct result of the nature of the technological process in agriculture and appear as additional expenditures in the production of agricultural products, by analogy to irreparable spoilable in industry.

The saldo of imports and exports

57a. The saldo of imports and exports is expressed in domestic currency by using current foreign exchange rates. However in some countries the saldo of

foreign trade used in compiling the balance of global product and national income is converted by using domestic selling prices of import and domestic buying prices of export.

5. The Production, Distribution and Disposition of Incomes

58. The national income is the source of the generation of incomes.

In the process of reproduction, incomes undergo a complex motion, comprising the following stages:

production;

primary distribution;

redistribution;

final use.

59. The primary distribution of the national income takes place in the sphere of material production. In this sphere the total newly generated value, or national income is distributed between the participants in production, i.e. the workers and enterprises, and constitutes their primary incomes. Thus the national income produced may be calculated by adding the primary incomes of all branches of material production.

60. The primary incomes of the population embrace that part of the national income produced that reaches the population occupied in the sphere of material production directly from that sphere under the procedure of primary distribution, and also in the form of the net output of the personal holdings of the population.

The composition of the primary incomes of the population includes:

- (a) all forms of wages in money and in kind paid to the workers occupied in the sphere of material production;
- (b) the net output of the personal holdings of the population;
- (c) the incomes of small private producers (net output less non-material outlays in connexion with production, and less the turnover tax);

(d) the wage-type incomes in connexion with official missions, and other receipts from enterprises, in money and in kind accruing to workers of such enterprises.

61. The primary incomes of the population include both incomes which are part of the business costs of enterprises and incomes of wage type received by the workers of enterprises as a result of the distribution of the profit of these enterprises.

The transfer by enterprises of part of their net output to their workers is an element of the primary distribution of the national income.

All the net output produced in the personal holdings of the population is attributed to the population as a part of its primary incomes.

All primary incomes are shown before taxes and charges.

62. The primary incomes of enterprises are that part of the net output of enterprises of the sphere of material production that remains after deduction of the net incomes of the population.

The primary incomes of enterprises include:

- (a) the turnover tax on sold production
- (b) profit (after depreciation adjustment and various distributions to the workers of enterprises, in money and in kind out of profit);
- (c) contributions paid by enterprises in respect of social insurance;
- (d) taxes, dues and fees chargeable to the enterprises;
- (e) the balance of fines and penalties chargeable to the enterprises;
- (f) payments by enterprises for services of institutions of the non-material sphere;
- (g) interest on bank loans;
- (h) deductions for various types of funds set up at the enterprises

and payments to administratively superior organizations in cases where such payments and deductions are included in cost of production;

- (i) insurance premiums;
- (j) other non-material expenditures.

63. The primary incomes after their formation are subject to redistribution, consisting in the last analysis in the transfer of incomes from the enterprises and workers engaged in the sphere of production to the non-material sphere and the population. Redistribution of incomes also takes place between branches and within branches.

64. From the economic point of view, the process of redistribution is accomplished through the following channels:

I. Financial and credit system:

- (a) Receipts by the state budget and disbursements by the state budget;
- (b) social insurance;
- (c) property and personal insurance;
- (d) credit system balance;
- (e) interest on bank credit and loans (including interest on consumer credit);
- (f) payments into special non-budget funds;
- (g) other payments.

II. Redistribution of incomes outside the financial and credit system between economic units and households:

- (a) purchase and sale of services;
- (b) wages in the non-material sphere;
- (c) direct transfers of the incomes of economic units to other economic units to cover part of their expenditures;
- (d) balance of borrowing and lending;
- (e) other forms of incomes and expenditures.

65. The result of distribution and redistribution is the generation of the final incomes of the material sphere, the non-material sphere and the population which are used for consumption and accumulation.

6. The Indicators of National Wealth and the Balance of Fixed Assets

66. National wealth is the material prerequisite of the process of reproduction and of its results.

The elements of the national wealth are divided, according to their economic purpose, into the following groups: productive and non-productive fixed capital, material circulating assets and stocks, state stockpiles, and durable goods in the households of the population.

The national wealth also includes the natural resources that have been brought into the economic cycle (land, forests and waters prepared for exploitation).

67. Fixed capital, or fixed assets, are the most important element of national wealth. The balance of fixed assets at cost less depreciation is set up to characterize the reproduction of fixed capital.

This balance indicates the volume and distribution of fixed assets by branches of the national economy and forms of ownership, and serves as the tool for the determination of the net fixed capital formation.

68. A balance of fixed capital at original value is set up to characterize the volume and structure of fixed capital and its rate of growth.

7. The Reproduction of Manpower Resources

69. The level and rate of development of the national economy of a country and the nature of its social production depend largely on the

manpower resources and on their utilisation in the national economy.

The most important component element of social reproduction is the reproduction of manpower resources. In the process of reproduction of manpower resources, on the one hand, there is continuous replacement of the manpower dropping out by the manpower of the rising generation, involving of necessity the training of new skilled personnel, and on the other hand, there is the utilisation of these resources, as manifested in the employment of manpower and the productivity of labour under the appropriate conditions of the social and technical division of labour.

The process of reproduction of manpower resources and of their training is interrelated with the flow of material goods and incomes, and, more particularly, it is definitely related with the share of the incomes allocated to the satisfaction of the material and cultural needs of the population.

70. The term manpower resources means the population of both sexes of working age, less the non-working invalids and pensioners of working age, plus the persons of non-working age (under and over working age) who are nevertheless working in the national economy. The limits of working age are determined in accordance with the legislation in force in the several countries, reflecting their social conditions. To render the data comparable, the following working age may be adopted: for men, from 16 through 59 years, and for women, from 16 through 54 years.

The average annual population of working age is the simple arithmetic average based on the population data at the beginning and end of the year. The population of working age is calculated from the census data for the census year, adjusted for migration and natural movement of the population for each succeeding year.

71. The number of persons engaged in the national economy includes

all persons so engaged, whether or not of working age. It includes the following categories of the engaged population:

72. Workmen and employees are persons with a labour contract with an enterprise, institution or organisation, involving ~~corresponding~~ rights and obligations prescribed for both parties by the relevant legislation of the country, who are carried on the pay-roll of the enterprise, institution or organisation as permanent, seasonal or temporary workers, regardless of the nature of their work. In contradistinction to the actual number of workers and employees reporting for work on any given day, the pay-roll also includes workers temporarily absent on sick leave, on annual leave, on official missions, or for other reasons, so long as their labour contract still remains in full force and effect.

The average annual number of workmen and employees is defined as the simple arithmetic mean of the average number of workmen and employees on the pay-roll for each month of the year.

73. Co-operative members include craftsmen, artisans and peasants belonging to co-operatives.

Craftsman and artisan co-operators are members of craft co-operatives working in co-operative enterprises or organisations and participating, pursuant to the statutes of the co-operative, in the management and in the distribution of the incomes received as a result of their operation. The number of craftsman co-operators is determined, like that of workmen and employees, from the pay-rolls of the co-operative enterprises and organisations.

Peasant co-operators are members of agricultural productive co-operatives and members of their families permanently working in them. Permanent working members are all peasant co-operators and members of their families

for whom the co-operative farm is the principal place of work, regardless of the number of man-days or labour-days worked by them. The number of peasant co-operators does not include persons who have not worked at least one man-day or labour-day on the collective farm during the month, nor does it include, in compiling the balance of manpower resources, persons temporarily working at the co-operative for whom it is not the principal place of work (for example, workmen and employees engaged in other branches of the national economy). Such persons are included in the manpower balance under their principal place of work.

The average annual number of peasant co-operators permanently working is defined as the arithmetic mean calculated by dividing the sum of the monthly totals of permanently working peasant co-operators for each month of the year by 12.

74. Other categories of the population include:

craftsmen and artisans not members of co-operatives;
 peasants not members of co-operatives;
 private entrepreneurs;
 other persons (ministers of religion, members of the liberal professions, etc.).

Craftsmen and artisans not members of co-operatives are persons engaged privately (individually) in handicrafts or as artisans.

Peasants not members of co-operatives are owners of individual private farms and members of their families whose work on such farms is their principal activity.

Private entrepreneurs are persons engaged in private entrepreneurial activity in manufacturing industry, trade or transport.

75. All persons engaged in the national economy are classified by branches according to the nature of the activity of the enterprise, institution

or organisation where they work. Exceptions to this rule are workmen, employees and craftsmen or peasant co-operators performing work not connected with the principal productive activity of the enterprise. These workers are classified in the appropriate branch of the national economy according to the nature of the activity of the structural subdivision of the enterprise in which they work rather than according to the nature of the principal activity of the enterprise itself. Thus, for example, the workmen of industrial enterprises working in cafeterias and subsidiary farms belonging to these enterprises would be assigned respectively to the branch "trade" or to the branch "agriculture" instead of the branch "manufacturing industry".

76. Persons of working age studying outside of the productive sphere are that part of the manpower resources who are not working because they are studying. This item shows the university students and all other students in all educational establishments of the country of working age who do not work in addition to their study. It does not, however, include those students enrolled in correspondence or evening courses, nor those who, as a rule, work at the same time they study.

The annual average number of students of working age is defined as the arithmetic mean of the number of such students at the beginning of the current and preceding academic years.

77. "Other categories of the working-age population" is defined as the difference between the total manpower resources, on the one hand, and the number of persons engaged in the national economy or studying full-time, at working age, outside of the material sphere, on the other. This item includes persons doing housework, etc.

8. Valuation of the Indicators of the System of Balances of the National Economy

78. Since the balance of the national economy embraces all products

formed and all incomes generated in the national economy, it can be compiled only in terms of money.

All indicators relating to products and incomes, including non-marketed products must therefore be evaluated in money terms.

79. Prices of two categories are usually distinguished in such calculations, final consumer prices and producer prices.

Final consumer prices are the prices at which material goods are used as material inputs, for net capital formation or for final consumption, i.e. the prices paid by the consumer of means of production or of consumer goods.

80. Producer prices are the prices at which enterprises sell their output. The incomes of the enterprises of the branches of material production are based on these prices. The producer price includes the turnover tax, which is the fixed part of net income to be paid by the enterprises into the state budget as the output is sold.

81. The value of that part of output that has not entered the sphere of circulation is usually calculated at cost. This item includes work in progress, the increase in stocks of raw materials and supplies produced for their own use by the enterprises, construction by the own-labour [non-contractor] method, and the expenditure of self-produced means of production in agriculture (animal feeds or seeds). The subsistence output of personal holdings of the population is valued at the average prices of commodity products. In many cases output that has not entered the sphere of circulation may be valued at the selling prices of similar products.

Valuation at current prices

82. The indicators of the balance of the national economy are estimated first of all in actual current prices. The balance of the national economy at the prices of the report period (actual current prices) shows the actual inter-relations and proportions in the national economy at current prices in all stages of the economic process.

It is necessary to estimate the indicators of the national economy at actual current prices in order to characterize the processes of distribution and redistribution of the national economy, and to reflect the monetary interrelations of the material sphere with the financial and credit system, the monetary interrelations of the population with the productive sphere, the financial and credit system, etc.

Valuation at constant prices

83. The valuation of the balance of the national economy at constant prices is necessary in order to measure the rate of growth of the physical volume of the most important statistical indicators expressing the development and structure of the national economy and its variation with time, and to study the rate of growth of the productivity of social labour and to characterise the material position of the population. The parallel study of the indicators at current prices and at constant prices can yield a comprehensive characterisation of the variation of prices and permit investigation of the influence of price variation on the income levels of the various branches of the national economy.

84. The tangible physical elements of the system of balances of the national economy, valued at constant prices, are the global product, the fund for replacement of material inputs, the national income, the final consumption, the net capital formation etc.

85. For the growth series calculated on the basis of the valuation of output in constant prices to reflect the actual variation of the volume of output, the actual prices in a certain period taken as the base period must be used as standards of reference.

86. Two mutually opposed requirements must be taken into account in selecting the base period:

(a) the problems of studying the dynamics and structure of the national economy require the calculations of the relevant indicators to cover a more or less prolonged period using the same base;

(b) the variations continuously taking place in the structure of social production, in the price relationships of individual products, and the appearance of new products, all require, instead, as frequent a change of the base period as possible.

As a compromise between these two requirements, the base period should be changed at approximate intervals of five years.

87. The methods of estimating the relevant indicators in constant prices are as follows:

(a) the method of direct valuation of the output.

In this case the individual products of the report and base periods are directly valued at the prices of the base period.

The calculation may be either centralised or by individual enterprises.

(b) the method of deflation by price indexes

Like the first method, the method of deflation by price indexes is widely used. It requires value data for the indicators and corresponding individual or group price indexes. In this case a harmonic index is used.

Valuation of the global product at constant prices

88. The valuation of the global product at constant prices is carried out by individual branches of material production.

89. In estimating the gross output of the manufacturing industry at constant prices, the question of estimating the turnover tax in constant prices arises.

This question arises only insofar as the turnover tax is a part of the final price of the manufacturing output. It is only natural that in this case the only correct solution of the question should be the estimation of the turnover tax with the help of the volume index of the output on which the turnover tax is levied.

90. In estimating the gross output of agriculture, the constant prices adopted are the mean unweighted prices of the commodity and non-commodity portions of the gross agricultural output for the period of time during which the prices are taken as constant.

91. The revaluation of the gross output of construction by state and co-operative enterprises and organisations at constant prices is carried out by types of work, with the help of price indexes of actual value of the individual works.

92. The gross output of forestry in constant prices in respect of the care for the forests and their maintenance in suitable condition for exploitation is valued according to the index of rates of stump payments. The gross output in respect of new plantings and the growth of existing timber stands is valued according to the corresponding price indices for the components of the inputs connected with such work.

The gross output of transport is valued at constant prices on the basis of the application of the tariff index.

94. To value the gross output of trade in constant prices, the average trading mark-up during the base period is multiplied by the indicator of the course of the physical volume of commodity turnover, allowing for the changes in its structure.

Valuation of material inputs at constant prices

95. The material inputs in the manufacturing industry are valued in constant prices on the basis of the application of price indices.

Such valuations employ the data available in enterprise reports on the total of the price declines or price increases for the relevant forms of material outlays.

Material inputs are valued in agriculture at constant prices by individual sources of supply; while agricultural products are valued by direct estimate at the base-period prices of the corresponding source, and industrial products according to the corresponding price indices.

Material inputs in the branches of transport, trade, state procurement, and supplies of materials and machinery are valued at constant prices according to the relevant price indexes. Allowed depreciation is revalued when its rate is changed, and also when the value of the fixed assets involved is substantially changed by revaluation.

96. The net output of a branch in constant prices is found by taking the difference between the gross output at constant prices and the material inputs at constant prices.

Valuation of net fixed capital formation at constant prices

97. The accumulation of fixed capital (excluding livestock) is valued at constant prices by the individual items on the basis of which the net fixed capital formation is calculated: new fixed assets put into use, capital repairs, consumption of fixed assets and retirement of fixed assets.

Fixed assets put in use are valued in constant prices separately according to the equipment price index and the price index for construction and installation work.

Capital repairs of equipment are valued at constant prices according to the price index of the gross output of repair enterprises, while capital repairs to buildings and structures are valued according to the price index for construction and installation work.

Consumption of fixed assets is revalued only in cases where the rates of depreciation have been changed and in cases of substantial change in the value of the fixed assets involved due to revaluation.

The increase in livestock is determined on the basis of direct conversion, in constant prices, of the value of the livestock at the beginning and end of the year. The increase of fixed assets in livestock is defined as the difference between the value of the fixed assets in cattle at the end and beginning of the year.

Valuation of the increase in material circulating
assets and stocks at constant prices

98. The increase in stocks of agricultural products is valued by direct estimation at the prices for the beginning of the period taken as the base period. The increase in stocks of commodities of industrial origin is valued according to the relevant price indices.

Valuation of final consumption at constant prices

99. The final consumption of material goods by the population is valued in constant prices by individual sources of consumption.

The consumption of commodities purchased in state and co-operative retail trade is valued according to the index of prices of state and co-operative retail trade.

Consumption in respect of supplies from other sources (purchases at internal and external village markets, and consumption of products received from agricultural co-operatives, state farms, and their subsidiary personal holdings) is valued by direct estimate of the products by each source of supply at the prices of the base period of the corresponding source, or according to price indices.

The consumption of electric power, water and gas is valued in constant prices according to the tariff indices.

9. Total consumption of material goods and services by the population

100. In addition to the consumption of material goods by the population, out of the national income, indicators of the total consumption of services and material goods by the population may also be calculated. The total consumption of the population here includes the entire volume of marketed and unmarketed services, and exceeds the consumption of material goods by the population, and consequently also exceeds the national income used for consumption and net capital formation by the amount of the non-material part of the value of the services.

It is advisable to calculate this indicator of the total consumption of material goods and services by the population because it more completely describes the satisfaction of the personal needs of the population and the changes that have occurred in the structure of the consumption by the population.

101. The total consumption of material goods and services^v embraces the consumption of material goods and services by the population on account both of personal incomes and of the social consumption funds.

102. The total consumption of material goods and services by the population and its correlation with the national income may be shown in the following conceptual frame:

Personal consumption of material goods	<u>Consumption of Services</u>			Total consumption (1+2)	Of which the consumption of material goods from the national income (1+3)
1	Total	Material part of services	Non-material part of services	5	6

Total consumption of material goods and services

1. Personal consumption of material goods by the population

x x x

2. Consumption of services - total

x

1. Public utilities and amenities

x

2. Housing

x

3. Education

x

4. Culture and art

x

5. Health services and physical culture

x

6. Social welfare service

x

7. Other

x

103. The total consumption of material goods and services by the population is divided into the consumption of material goods and the consumption of non-material services.

The material goods include the output of the branches of material production.

The non-material services include the services of the public utility system and other services providing common amenities, housing, education, culture and art, health services and physical culture, social security, and other forms of service (by notaries and lawyers, services of banks to the public in exchanging foreign currency, transferring funds, issuing letters of credit, etc.).

The total consumption of services and material goods by the population does not include the services of general government, of financial and insurance organisations (besides those noted above), science and scientific service.

104. The classification and content of the individual sub-heads of the personal consumption of material goods by the public by sources of supply, and the consumption of material goods from the national income, are set forth in Chapter II, The Balance of Production, Consumption and Accumulation of the Global Product, paras. 195-201.

The consumption of services (col.2 of the Table) is valued at specified tariff rates, and for services rendered free of charge, or at charges less than cost, the value is shown as equal to the current expenditures of the enterprises and institutions rendering such services.

10. Reflection of the Links with Foreign Countries in the System of Balances of the National Economy

105. The economic links with foreign countries are defined, in the system of the balance of the national economy, by delineation of the concepts of the internal economy and of foreign countries. The activity of economic units located on the territory of the country involved, relates to the internal economy, while the activity of economic units located outside the frontiers of the country involved relates instead to foreign countries (an exception is the activity, outside the state frontiers, of the national merchant marine and civil air fleet, fishery in international waters, etc.).

Other principles of delineation of the activity of economic units between a given country and countries foreign to it may also be applied.

Thus, for example, when the criterion of nationality is applied, units exercising economic activity on the territory of the country, as well as enterprises and organisations of the country operating outside the state frontiers, are considered domestic units. Citizens residing outside the state frontiers are accounted foreign, regardless of whether they are abroad as tourists or in connexion with service duties.

Accordingly, foreign economic units operating on the national territory are considered foreign economic units. Foreign citizens residing in the country in connexion with their work or as tourists are accordingly considered foreign.

For practical reasons, only the territorial (national) principle is employed in this paper.

106. Economic links with foreign countries are divided into two classes.

The first class, embracing the goods turnover in foreign trade, the services of material nature, and the uncompensated aid, consists of the following sub-heads:

(1) Commercial exports and imports of commodities (except gold as a means of payment):

(a) Direct goods turnover;

(b) Re-export.

(2) Export and import of gold and precious metals as a means of payment.

(3) Uncompensated material aid;

(4) Export and import of services of material nature.

The second class, embracing the export and import of non-material services and redistributive-type payments, includes the following sub-heads:

1. Services of non-material nature.

2. Foreign tourism.

3. Maintenance of diplomatic and other official representations.

4. International membership fees and state subsidies.

5. Interest, insurance premiums, penalties for non-fulfillment of contracts, etc.

6. Transfers on capital investment account.

7. Other transfers.

The financial aspect of external economic links is characterised by comparison of the income and expenditure items, which are reflected in a change of foreign currency reserves and in a change of borrowing and lending.

The individual sub-heads of the external economic relations will now be defined.

Direct foreign-trade turnover includes the value of all commodities exported (i.e. crossing the state frontier of the seller country) and imported (i.e., crossing the state frontier of the purchaser country) on a commercial basis, together with the re-export commercial goods turnover.

The import and export of goods not of commercial nature are not included in the direct foreign goods turnover.

Re-export is:

- (a) commodities imported and re-exported without processing;
- (b) commodities purchased by external trade organisations of the country and forwarded directly to third countries.

The export and import of gold and precious metals reflects the turnover of gold and precious metals as means of payment. The export of gold and precious metals as luxury articles or objects of labour is classified in the first class.

The export and import of material services embraces transport services (ground, air, water and pipeline transport) and forwarding services, communications services, the value of licences and technical documentation (which do not enter into commercial export and import), expenditures on performing exporting contracts and the servicing of export, services in the field of production of material goods, expenditures on expositions and fairs. Material services also include the time charter of sea-going ships and other means of transportation.

Uncompensated material aid includes only donations of governments and associations.

The export and import of services of non-material nature includes foreign currency receipts and disbursements in connexion with athletic and cultural events, television license fees, external trade publicity and publicity for international tourism, etc.

International tourism and business trips include the foreign currency

receipts and disbursements in connexion with official missions and tourist travel, except transport receipts and expenditures.

The maintenance of diplomatic and other official representation includes payments in foreign currency for maintaining embassies and representations.

International membership dues and state subsidies include international membership dues and uncompensated state loans .

Interest, insurance premiums, penalties for non-fulfillment of contracts and late charges cover interest on bank credit and other fees on banking transactions, insurance premiums and insurance payments, penalties for non-fulfillment of contracts and other reimbursement of damage.

Transfers on account of capital investment are the amounts in foreign currency expended on capital investment in foreign countries, or, in the case of mixed companies, on a share of the investment.

Other transfers of incomes are payments, by foreign transfer, of wages and salaries, copyright royalties and authors' honoraria, grants, pensions and stipends.

107. The time of recording economic links with foreign countries varies from class to class of transactions. Direct foreign trade turnover and re-export are recorded as of the time the customs documents are prepared; membership dues and interest, as of their accrual dates; transport services and other material services, as well as non-material services, as of the invoice date; and other payments, as of the actual time of payment.

108. Exports are calculated at f.o.b. prices while imports are calculated c.i.f. This principle gives rise to certain peculiar features in the calculation of transport services, insurance services, etc. Services of

this type rendered by foreign economic units on import to the importing country are not carried under the import of services, since their cost is already included in the cost of imports calculated at c.i.f. prices, while the cost of the same services rendered by the importing country is shown as export (the import of commodities at c.i.f. prices includes the cost of such services).

The cost of services rendered by foreign economic units on the export of commodities is shown as an export (re-export) of services, and is calculated simultaneously as an import of services.

109. The output of foreign trade is the difference between the value of the imported products, sold at internal prices, and the value of the domestic acquisition of exported products, at the same prices. The value of the domestic sales of imports equals the amount received by the foreign-trade organisations from the domestic purchasers.

The value of the domestic acquisition of exports equals the amount paid by the foreign-trade organisations to the domestic producers.

The value of the output of foreign trade, however, may be determined by this method, only on condition that exports measured in international means of payment equals imports, i.e. the turnover is balanced.

If, therefore, imports exceed exports expressed in foreign currencies converted to domestic currency by current exchange rates, the difference between exports and imports at domestic prices, is decreased by the balance of foreign trade. If exports, at world prices, exceed imports, then the difference will instead be increased by the amount of the balance of foreign trade.

This balance is calculated as the difference between exports and imports, expressed in domestic currency at the current rate of exchange.

The gross output of foreign trade is calculated by the following formula:

$$T = (I_b - I_a) + (E_a - E_b) = (I_b - E_b) + C_a$$

where

T = gross output of foreign trade;

I_a = value of imports expressed in domestic currency at the current rates of exchange;

I_b = value of domestic sales of imports;

E_a = value of exports expressed in domestic currency at the current rates of exchange;

E_b = value of domestic acquisition of exports;

$$C_a = E_a - I_a .$$

III. The method described above has been adopted as the basic method for the system of the balances of the national economy.

It should be noted that in practice a number of countries, when they compile the balance of production, consumption and accumulation of the global product, convert the balance of foreign trade into prices of domestic sale of imports or prices of domestic acquisition of exports.

The calculation of the balance of foreign trade and of the corresponding gross product of foreign trade is then performed as follows:

If $I_a > E_a$,

then the balance of foreign trade at domestic prices will be

$$B_b = (I_a - E_a) \frac{I_b}{I_a} :$$

If $I_a < E_a$,

$$\text{then } B_b = (E_a - I_a) \frac{E_b}{E_a} ;$$

in this case the gross output of foreign trade will be of the form:

$$T = (I_b - E_b) + B_b$$

112. The economic links with foreign countries in the form of the rendering of non-material services and of transfer-type payments are valued at domestic prices at the current rates of exchange.

In the system of the balances of the national economy these links are reflected in the financial balance.

CHAPTER II

THE BALANCE OF PRODUCTION, CONSUMPTION AND ACCUMULATION
OF THE GLOBAL PRODUCT
(THE MATERIAL BALANCE)1. General Characterization of the Material Balance

113. The balance of production, consumption and accumulation of the global product (material balance) is an important section of the system of the balances of the national economy, and reflects the process and results of the production of the global product in its material form. This balance permits us to establish the tangible physical and social structure of the production of the global product and its utilisation for intermediate material consumption, for final consumption, for net capital formation for replacement of losses, and for export. The balance of the global product appears in the form of a material balance reflecting the relationships and proportions developed during the process of production and utilisation of the global product.

114. The balance of production, consumption and accumulation of the global product characterises:

the formation of material resources in the national economy, their distribution, and their final uses;

the volume, rate of growth and structure of the production, consumption and accumulation of the global product and of the national income;

the branch and socio-economic structure of the production and utilisation of the global product and the national income;

the basic proportions and interrelations arising, during the process of production of the global product and of the national income.

between production and consumption, between consumption and net capital formation and between production of means of production and production of consumer goods; and the volume, structure and growth of personal and collective consumption of material goods.

115. The conceptual frame of the table of the material balance contains a system of the following principal indicators.

Sources of supply of material resources

1. The global product produced on the territory of the country.
2. Imports

Total supplied

Utilisation of material resources

1. Intermediate consumption (material inputs).
2. Final consumption.
3. Net capital formation.
4. Replacement of losses.
5. Exports.

Total utilised.

2. Conceptual frame of the balance of production, consumption and accumulation of the global product

116. The balance of production, consumption and accumulation of the global product is drawn up according to the conceptual frame presented in Table 1.

117. The rows of the Table show the tangible physical composition of the global product. The table regards the social product as an aggregate of material goods divided according to tangible physical form into two basic economic classes, means of production and consumer goods, and classifies the products into groups by economic purpose and groups by originating branch of the national economy. The products are classified according to this

criterion into the following branches: manufacturing, construction, agriculture, forestry and other branches of material production. This group of branches also includes communications, the output of which is included in the value of the finished products together with the other material inputs. For practical reasons, passenger transport is also included in this group.

In these branches of material production, material goods in the form of products and material services are formed.

The remaining branches of material production - goods transport, trade, state procurement and material supply - perform a number of functions involved in bringing together the products formed in the first group of branches, and the consumer. These branches increase the value of the products already produced, and their output, represented by the trading and transport mark-up, enters into the final consumer prices of the material goods circulating in the national economy.

The outputs of transport and trade are not shown in separate rows of the material balance but are reflected in the columns provided for these branches.

118. The column captions of the balance show the sources of supply of material goods in the national economy and give the utilisation of the material resources for intermediate material consumption, for final consumption, for net capital formation, for replacement of losses, and for export.

The Section "Sources of Supply of Material Goods
(Resources)"

119. The section "Sources of supply of material goods (resources)" contains a characterisation of the production of the global product as a whole and by individual branches of material production, together with the imports of material assets.

This section shows the production of the global product at

producer prices (including the turnover tax) and at consumer prices (including the trading and transport mark-up).

120. This section begins with data on the output of the global product at producer prices.

It next shows the trade and transport mark-up on products entering the sphere of circulation. This mark-up is included in the final consumer price of the products of manufacturing industry, agriculture and the other branches of material production. For the branches where there is no such mark-up (for instance, in construction), the output at producer prices is the same as the output at final consumer prices.

121. The global product produced on the national territory for the whole national economy (row 01, column 5) is calculated by adding the gross outputs of manufacturing industry, construction, agriculture, forestry, passenger transport, communications and other branches of material production, all at final consumer prices.

122. The total volume of material resources of the country is made up of the output produced on the national territory, and imports. Adding the figures of col.5 and col.6 gives the volume of supply of material assets (resources).

123. Table 2 is compiled in addition to Table 1. It is entitled "Balance of Production and Disposition of the Global Product".

If, for any reason, it is difficult to compile a balance of the production, consumption and accumulation of the global product within the conceptual frame of Table 1, then such a balance may be compiled in the frame of Table 2 instead.

A table showing the material balance of the global product at producer prices (Table 1a) is annexed as a supplement to the conceptual frame of the material balance (Table 1).

3. Calculation of the Global Product

The global product consists of all the material goods produced by the branches of material production. It is calculated as the sum of the gross outputs of the individual branches of material production.

M A N U F A C T U R I N G

124. The gross output of manufacturing is defined as the sum of industrial production by the individual independent manufacturing enterprises, calculated by the enterprise method, and by the subsidiary establishments belonging to other branches of the national economy, to the extent that the output of such subsidiary establishments is sold to third parties or is used in the enterprise itself for capital investment, capital repairs, or final consumption.

The gross output of manufacturing industry includes the industrial production of non-co-operator craftsmen and artisans.

The gross output of manufacturing industry is calculated by the enterprise method, i.e. by excluding the value of output used for intermediate consumption by the enterprise in its own industrial production. The standard method of determining industrial output in terms of monetary value, in the statistical practice and planning of the socialist countries, is the enterprise method. In certain branches of industry, however, other methods of calculating industrial output are also used, as exceptions. They are the trust method, i.e. after deduction of the internal trust turnover, or the branch method, in which the intra-industrial turnover of output is deducted.

Occasionally, for practical reasons, the gross output of certain branches of industry may include the value of semi-manufactures and the industrial output of subsidiary and auxiliary shops, turned out

at the same enterprise and used there for its own industrial production. This method of calculating gross output is called the gross turnover method.

125. In the composition of the industrial output produced by enterprises we distinguish, by degree of completion, finished articles, semi-manufactures, and work in progress.

Finished goods are goods requiring no further processing or assembly by the enterprise involved and allocated for sale to third parties or delivery to non-industrial units of the enterprise itself.

Semi-manufactures are unfinished products on which the production process in one department of the enterprise has been completed, but which are scheduled for further processing or assembly at other departments of the enterprise.

Work in progress is work that has been started but not completed, in respect of production or assembly, at any department of the enterprise.

126. The gross output of manufacturing industry includes the value of:

finished goods turned out during the report period from raw materials and supplies owned by the enterprise itself or provided by an outside customer;

semi-manufactures turned out by the enterprise and the output of auxiliary and ancillary production lines (including electric power, thermal energy, steam, packing materials, tools, etc.) delivered outside the enterprise or delivered for construction, public utilities, capital repairs of buildings and other facilities, and for various needs of the enterprise in respect of non-industrial-productive purposes;

completed work of industrial nature performed on outside orders or on orders of nonindustrial divisions or activities of the enterprise itself, including the value of capital repairs and modernisation of its own equipment.

Such work of industrial nature includes individual operations of processing materials or parts and other elements of the technological process for outside customers, for the non-industrial needs of the enterprise itself, such as capital repair of equipment and means of transport included among the fixed assets for industrial production of the enterprise, or work on the capital, scheduled or current repair of industrial articles on outside order, etc.;

the increase, with a + sign, or the decrease, with a - sign, of remaining inventory of semi-manufactures of own production, and the change in inventory of special tools and jigs manufactured for own needs;

the increase (+) or decrease (-) of inventory of work in progress for all branches of industry, regardless of the length of the production cycle.

VALUATION OF THE GROSS OUTPUT OF MANUFACTURING INDUSTRY

127. In calculating the global product, the gross output of manufacturing industry is valued at current selling prices, i.e. including the turnover tax. In this case, the turnover tax is added by the respective branches to the value of production at wholesale prices of enterprises.

The value of semi-manufactures of own production, and of the products of ancillary and auxiliary industrial units which are used for industrial-productive needs within the enterprise itself, is as a rule determined by the production cost.

The value of capital repairs on machines and equipment provided by the own-labour method is included in gross output, and, as a rule, at production cost.

128. The gross industrial output of non-co-operator craftsmen and artisans includes the value of work of sewing and repairing clothing, shoes and other articles, valued at the actual selling prices after deducting the raw materials furnished by the customer.

C O N S T R U C T I O N

129. The gross output of construction is the value of all work involved in the erection of new buildings and structures and the extension and remodelling of existing ones, including the changes in inventories of work in progress of the building industry, together with the value of the capital repairs to buildings and structures.

130. The gross output of construction is divided, according to the nature of the building work, into the value of work done by the contractor method, i.e. by independent building enterprises, of work done by the direct-labour method, i.e. by the principals doing the job for their own account, and of work done by self-help groups of the population using their own labour and resources.

131. The gross output of construction includes:

the value of all construction and installation work, i.e. of work on the erection, reconstruction and extension of buildings and other facilities; work on sanitary engineering installations; highway and railroad construction, etc.; individual construction of housing; and construction of productive facilities by self-help groups of the population, using their own labour;

the value of geological prospecting and drilling work and the value of operational and exploration drilling of oil and gas wells in connexion with specific objects of capital construction;

the value of research and planning work in connexion with specific objects of capital construction;

the value of exported construction plans;

the value of capital repairs on buildings and other facilities (including highways and railroads), for productive and non-productive purposes, performed by either the contractor or the direct-labour method;

the value of current repairs on buildings and other facilities, performed by the contractor method;

the value of unmarketed work on local improvements performed by self-help groups of the population by their own labour.

132. The value of equipment, whether or not it requires installation work, and of tools and inventory, is not included in gross output of construction.

133. The branch method is used in calculating the gross output of construction. This means that, to avoid duplication, the value of work done

by one building enterprise as sub-contractor for another building enterprise as general contractor is not included independently in the gross output of construction, but passes into the total amount of work done for the customer by the general contractor.

VALUING THE GROSS OUTPUT OF CONSTRUCTION

134. The gross output of construction by the contractor method is valued at the contract prices based on the estimated prices plus the established allowances.

The gross output of construction by the direct-labour method is valued at the actual cost of the work.

Construction work in progress is valued according to the estimate prices and standards.

Work on designing and study, geological exploration and drilling is valued at the prices in the official tariffs.

Individual construction by the population is valued by the same method as similar construction by contracting organisations.

Unmarketed work on public improvements by self-help groups is also valued by this same method.

Capital and current repairs to buildings and other facilities done by the contractor method are valued at contract prices. Capital repairs done by the direct-labour method are valued at cost.

AGRICULTURE

135. The gross output of agriculture includes the value of all raw products resulting from breeding of plants and animals and their economic utilisation, pisciculture and fur farming (animal farms). The gross output of agriculture consists of the value of the output of cropping (plant growing) and the output of animal husbandry.

The gross output of cropping (plant growing) includes:

- the value of the gross harvest of all agricultural crops;
- the value of the increment (+) or decrement (-) of unfinished production (winter sowings, autumn ploughed areas, etc);
- the inputs on planting and growing orchards and other perennial plantations prior to their bearing (except forests);

The gross output of animal husbandry includes:

- The product of raising cattle and poultry, i.e. the value of the progeny, the growth and the weight gains of cattle and poultry;
- The value of the finished products of animal husbandry yielded by the living cattle and poultry (milk, eggs, wool, etc.);
- the value of the output of fur farming, dog-breeding for service and transport, pisciculture (raising fish in ponds and other waters).

The value of work in progress at the beginning of the year is defined as the inputs in the past year for the crop of the present year on sowings of winter crops, and on preparation of the soil for spring sowings. The value of work in progress at the end of the year is defined as the amount of similar inputs in the current year for the crop of the following year.

136. The gross output of agriculture includes all agricultural products, wherever produced, in specialised agricultural enterprises, in personal holdings of workers in enterprises in other branches of the national economy, or in personal holdings of the population.

The gross output of agriculture does not include raw products of fishery (except fish raised at piscicultural stations), hunting and trapping, the collection of finished products of nature (wild fruits, berries, mushrooms, nuts, herbs, etc.).

137. The gross output of agriculture is calculated by the gross turnover method, i.e., including the value of agricultural products produced

by the enterprise itself and used for productive purposes within the enterprise. For instance, gross output includes cereals and potatoes produced on its own farm and used there for seed or animal feed,

VALUATION OF THE GROSS OUTPUT OF AGRICULTURE

138. The gross output of agriculture at actual prices is calculated by valuing the products by separate forms of disposition.

Output for sale is valued at actual selling prices.

Output not for sale is valued at cost of production in state and collective farms, and in personal holdings of the population at the average prices received for their commercial output. In some countries the noncommercial agricultural output is valued at the selling prices of similar output.

Work in progress and the accrued growth of perennial plantings are valued at production cost.

Output delivered in kind by collective farms to their members as income distribution is valued at the average prices for the specific product realised by the collective farmers for the products of their personal plots.

Output for sale includes:

products sold to specialised state or co-operative procurement organisations under the procedure of compulsory state procurement at prices fixed by state authorities:

products sold at external and internal village markets at the free prices prevailing there;

products sold through other outlets.

Sales on the internal village market includes sales of products by collective and private farms, and by holders of private plots, to workmen, employees and organisations.

The internal village market embraces sales by collective and private farms and collective farmers to each other.

Agricultural output not for sale includes that part of the output not sold outside the farm and thus remaining there.

FORESTRY

139. The gross output of forestry includes the value of work of afforestation and forest management, and of maintaining the forests in condition suitable for exploitation, and the value of other work contributing to natural afforestation.

140. The gross output of forestry does not include the value of the raw products of hunting and trapping, forest utilisation, and wild plants, which are included in other branches of material production, nor the output of timber production and extraction, which is included in industry.

VALUATION OF THE GROSS OUTPUT OF FORESTRY

141. In calculating the value of the gross output of forestry, the work of afforestation and cultivation of plantings is valued at the actual expenditures for those purposes.

The work of forest management in connexion with natural afforestation is valued arbitrarily at the amount of stumpage due from forest procurement agencies for the right to cut trees. The valuation of forest management work at the amount of stumpage received by the state budget means that stumpage represents the proceeds of the sale of the commercial output of forestry that has entered the sphere of circulation.

T R A N S P O R T

142. The gross output of goods transport is defined as the gross receipts from the transport of goods and other work in connexion with such transport.

For practical reasons the receipts from passenger transport are included in the gross output of transport.

The output of transport is calculated by its individual forms, including pipeline transport of oil and gas, floatation and timber transport.

143. The gross output of public transport includes the receipts of independent transport organisations from goods transport, from transport of the mails, from loading and unloading, from forwarding operations, and from other work (income from servicing the sidings of industrial and other enterprises, from ferries, various fees, etc.).

Besides the receipts of independent transport organisations, it also includes the receipts from transport for outside customers by transport facilities belonging to enterprises of other branches of the national economy.

VALUATION OF THE GROSS OUTPUT OF TRANSPORT

144. The gross output of transport is taken as equal to the amount actually received from transport customers on the basis of current tariffs.

C O M M U N I C A T I O N S

145. The gross output of communications includes the following forms of income derived from its operations:

receipts from mail and from the sale of postage stamps;
 receipts from telegraph service;
 receipts from the delivery of printed matter and parcels post;

receipts from telephone service;
 receipts from radio communications service;
 other income.

146. The gross output of communications is taken as equal to the total receipts of communications enterprises from services to the enterprises of the branches of production. For practical reasons, however, this gross output also includes the receipts from services to the branches of the non-sphere and to the general public.

VALUATION OF THE GROSS OUTPUT OF COMMUNICATIONS

147. The gross output of communications is taken as equal to the actual receipts for the several forms of work, pursuant to the established tariffs.

BRANCHES SERVING COMMODITY CIRCULATION

148. The gross output of the branches serving commodity circulation is calculated separately for domestic and foreign trade.

The gross output of such branches is determined separately for the independent trading organisations of the socialist and private sectors, and for those trading and state procurement enterprises which are independent accounting units in industry and other branches of the national economy.

149. The gross output of the branches serving commodity circulation is calculated as the realised trading margin representing the difference between the selling price and the purchase price of commodities.

The realised trading margin or mark-up is designed to cover selling costs and yield an operating surplus for the trading enterprises. The selling costs include the outlays for outside transport services. Since the receipts from trading enterprises are already included in the gross output of transport, the cost of transport by hired means of transport must be deducted from the realised trading margin in order to avoid duplication.

150. The gross output of domestic trade is calculated for the following branches: retail trade, including public catering, wholesale trade, supply, marketing and state procurement of agricultural products. In some countries the renting of motion-picture films is included in internal trade.

The gross output of foreign trade is calculated by the principle presented in Chapter I, para. 109-111.

OTHER BRANCHES OF MATERIAL PRODUCTION

151. The gross output of other branches of material production is the result of forms of activity which, owing to their organisational specificity, are not included in the above mentioned branches of material production.

Such other branches include publishing houses, motion-picture studios, organisations for state procurement and primary processing of scrap metal and other salvage, the collection of forest products, wild plants and fruits, individual fishery, hunting and trapping, and cottage industries.

152. The gross output of publishing houses includes the value of all their printed output, valued at their selling prices, which are the retail prices of the items of printed output less the trade margin, already included in the gross output of trade.

153. The gross output of organisations for state procurement and primary processing of scrap metal and other salvage is calculated as the value added during the current year by the work of collection and primary processing of ferrous and nonferrous scrap metal and other salvage. The gross output of the collection and primary processing of scrap metal includes the inputs in respect of the collection, the profits of the enterprises for collecting scrap metal, and the inputs and profits in respect of its primary processing. The gross output of the procurement and primary processing of other salvage includes the similar inputs and profits.

154. The gross output of motion-picture studios is composed of the production cost of motion-picture photography and the profits from the sale of originals of motion-picture films.

155. The gross output of the collection of forest products, wild plants and fruits, and individual fishery, hunting and trapping, is determined by valuing this output in kind separately, for each product, at the respective selling prices. The non-marketed part of this output is valued at the state procurement prices at which the population sells these products to state procurement organisations.

156. The gross output of the cottage industries is due to the work of the population in processing, by their own labour, agricultural products (cotton, flax, hemp, wool, grapes, oilseeds, etc.), certain purchased forms of industrial output (cotton yarn, caustic soda, etc.), and a few natural products (osier, reeds, rock stone, etc.). It does not include household work (Chapter I, para. 20).

The output of cottage industries is valued by the methods applied to agricultural output.

I M P O R T S

157. The value of the imports shown in Table 1, col.6, includes the value of the imported commodities listed in Chapter 1, para.106, first group of economic links.

The value of imported commodities is determined in domestic currency (I_a), that is, the value of commodities sold within the country less the foreign trade margin in connexion with importation.

4. The Section "Disposition of Material Goods"

158. This section of the balance reflects the disposition of the material resources of the country on intermediate consumption, final consumption, net capital formation, replacement of losses, and exports.

Intermediate Consumption (Material Inputs)

159. This section of the conceptual frame of the material balance reflects, on the one hand (in rows 01 through 15), the material inputs from each branch to production as a whole and to the individual branches of material production, and, on the other hand (in columns 8 through 16), the material inputs to each branch of the sphere of production. Thus this section in the conceptual frame of the balance here presented permits the establishment of the productive relationships between the branches of the national economy.

160. Row 01 for each of the columns 8 through 16 characterises the total volume of material inputs as a whole and to each branch of material production.

161. Row 02 for each of the columns 8 through 16 shows the disposition of the output of industrial origin as material inputs. Material input includes the value of the objects of labour together with the consumption of fixed assets for the current year.

162. The material input of the products of construction (row 03) equals the annual depreciation allowances on productive buildings and other facilities in each branch of material production, plus the sum of the outlays on current repairs of productive buildings and other facilities by the contractor method.

163. Rows 04-08 show the respective disposition of part of the gross output of agriculture, forestry, transport, communications, and other branches of material production, as material inputs. The gross output of forestry is shown by the amount of stumpage paid by industry and the population.

164. For practical reasons, the consumption of fixed assets may be shown.

not by the individual branches of the national economy, but as a total, by introducing a supplementary row and column for the consumption of fixed assets.

Calculation of material inputs

165. The methods of calculating the material inputs by branches of material production depend on the methods of determining the global product.

The item of material inputs include only the expenditures used in calculating the gross output of the branches of material production. If the gross output of industry includes intra-plant turnover or materials supplied by customers, then such turnover should be included, at the same value, in the material inputs.

166. Material inputs include all consumption of material goods during the year, whether objects of labour completely consumed in the given productive process, or in respect of fixed productive assets, whose value is transferred in successive parts to the product.

Material inputs include:

- the consumption of raw materials and supplies;
- the consumption of fuel and power;
- work of productive nature by outside enterprises and organisations;
- amounts paid for hired transport;
- amounts paid for communications services;
- other material inputs to production;
- consumption of fixed assets.

167. The amount of the depreciation allowances carried under material inputs is adjusted by the statistical organisations, which apply a depreciation adjustment for insufficient or excessive depreciation charges.

Valuation of material inputs

168. All elements of material input are valued at actual final consumer prices, i.e. including the trading and transport margin. Material goods used for intermediate consumption without passing through the market are valued in accordance with the methods adopted for the valuation of output.

Final consumption

169. Final consumption of the global product and of the national income is divided into the following categories of the material balance:

- I. Personal consumption of material goods by the population;
- II. The consumption of material goods by institutions providing cultural services, amenities, and social welfare services to the public:
 - housing, public utilities and amenities;
 - education, culture and art;
 - health services, social security and physical culture.
- III. The consumption of material goods by institutions meeting the collective needs of the community:
 - science and scientific services;
 - financial, insurance and credit institutions;
 - general government;
 - other non-productive institutions.

170. The personal consumption of material goods by the population is shown in column 17 of the table of the material balance. The data in rows 02, 04, 17 and 19 (manufactured industrial products and agricultural products, respectively) show respectively the manufactured and agricultural products supplied to the public for consumption. Rows 06, 07, 08 and 20-22 show the receipts of passenger transport and communications, the value of the consumption of printed products, the value of consumption of forest products,

the consumption of raw products of private fisheries, hunting and trapping, and the value of the output of cottage industries.

Rows 03 and 18 show the portion of the gross output of construction used to cover the physical depreciation of housing.

171. Column 18, rows 02-04, 06-08, 17-22 show, by branches, the structure of the consumption of material goods by institutions providing cultural services, amenities and social welfare services to the public. These rows show respectively the current consumption of products of industry, agriculture, forestry, passenger transport and communication and other branches of material production. Rows 02 and 17 also show the gross output of industry used to cover the depreciation of the equipment and inventory of these institutions. Rows 03 and 18 show the output of construction used to cover the depreciation of buildings and structures of these institutions.

172. Column 19 shows the total consumption of the population, determined by adding the personal consumption and the consumption by institutions providing cultural services, amenities and social welfare services for the public.

173. Column 20, "Other forms of final consumption", shows, by branches, the composition of the material goods consumed, in the course of the current activities of providing services, by institutions of general government, financial, credit and insurance agencies, scientific, scientific services and other non-productive institutions.

174. The final consumption by branches, is shown in column 21 by adding columns 19 and 20, row by row.

Calculation of the consumption fund

175. The personal consumption of products and commodities by the population includes the material goods directly acquired by them from their individual money incomes and those supplied to them in the form of incomes in kind.

The purchase of material goods at reduced prices by the population is included in personal consumption at the prices actually paid.

176. Material consumption by institutions providing cultural services, amenities and social welfare services includes all their material outlays on services paid for, in full or in part, by the population, or rendered free of charge, since the direct purchaser of the material goods required for such services is the institution, which finances their purchase out of its own funds. This item also includes that portion of the value of material goods that is not paid by the population (for instance, the supplementary payment towards the cost of drugs sold to the population at reduced prices).

Other categories of final consumption include the material consumption of institutions providing services that meet the general, collective needs of the community. This category includes, in particular, the current material outlays in connexion with the upkeep of publicly used roads (current repairs), together with the depreciation on such roads.

Consumption by institutions of this category is not included in the consumption of the population.

178. Final consumption includes the consumption of non-productive fixed assets as measured by their annual depreciation.

The personal consumption of the population includes the depreciation of state, co-operative, individual and private housing.

The consumption of the non-productive fixed assets of institutions of the non-material sphere (except housing) enters into the material consumption of such institutions.

Personal consumption of material goods by the population

179. For the calculation of the personal consumption of material goods by the population, the consumption goods supplied to it are classified by sources of supply, including:

purchase of goods in the trade network;
 purchase of goods on the free market;
 supply of products in kind;
 payment for handicraft work;
 output of cottage industries included in other branches of
 material production;
 purchase of electricity, water and gas for domestic purposes;
 depreciation of state, co-operative, individual and private-
 sector housing.

180. The purchase of goods in the trade network includes the acquisition of material goods by the public in socialist and private retail trade, including public catering and direct purchases in wholesale trade.

The purchases of goods in this category are determined by exclusion, from the total retail trade turnover, of the value of purchases by enterprises and institutions and the value of goods purchased by the population for intermediate consumption (for instance, for agricultural production, for individual construction and for capital repairs on housing).

The purchases of non-food commodities by the public in commission shops are measured by the amount of commission paid, i.e. the difference between the selling price and the amount paid to the owner of the article left for sale on commission.

181. The purchases of goods on the free market includes the purchases of agricultural products and products of other branches of material production at external and internal village markets. The volume of purchases of goods in this category is determined by subtracting the purchases by enterprises and institutions, and of means of production by the public, from the total turnover of the market.

182. Receipts in kind include agricultural and other consumer goods received free from state and co-operative enterprises, and the output of personal holdings and private farms.

Besides agricultural products, receipts in kind also include products of other branches of material production (collection of wild fruits, berries, etc., private fisheries, hunting and trapping, and cottage industries).

183. Payment for handicraft work directly by the public includes the value of work on sewing and mending clothing and shoes, repairing household appliances, etc. (not including the value of materials provided by the customer).

Material consumption by institutions and organisations of the
non-material sphere

184. The material consumption by institutions providing cultural services, amenities and social welfare services to the public includes their consumption of supplies, fuel and electricity required for their operation, food products, drugs and bandages, etc., and consumption of their fixed assets other than housing.

185. The material consumption of institutions satisfying the common, collective needs of the community (other forms of final consumption) includes the consumption of goods necessary for their operation, together with the depreciation on their fixed assets.

Net capital formation

186. Net capital formation is the portion of the global product that is used to increase the stock of fixed assets and material circulating assets.

187. In this section of the material balance, net capital formation is calculated by originating branch of the material goods being accumulated.

The net fixed capital formation includes the increase in the value of machinery and equipment (manufacturing production); the increase in the value of buildings and other structures (construction output); the increase in the value of cattle and perennial plantings (agriculture), etc.

The increase in material circulating assets and reserves covers the increase in stocks of raw materials, work-in-progress, finished products etc. in agriculture, industry, construction and other branches of the national economy. The increase in the value of young livestock and poultry, cattle raised for slaughtering and expenditure on forest planting are also included. In some countries the increase in the value of fruit bearing perennial trees is included as well.

188. As distinct from Table 1, where net capital formation is classified by industrial origin, Table 9 breaks it down by socio-economic sectors and branches of the national economy.

189. Net capital formation in the branches of the material sphere is the increase in productive fixed assets and in material circulating assets.

Net capital formation in the non-material sphere is the increase in non-productive fixed assets and in stocks of material goods.

Replacement of losses

190. The losses to be replaced out of the global product and the national income are carried as a separate item in the material balance.

This balance takes account of the following losses: losses of material circulating assets and stocks due to natural calamities; epizootic and other losses of adult productive and working cattle; losses of agricultural products in storage at state and co-operative agricultural enterprises and at farms of the population; replacement of fixed assets destroyed by natural calamities, at their depreciated value; losses due to the discontinuance of unfinished construction.

In some countries the epizootic and other losses of young cattle are also included.

Exports

191. The exports shown in Table 1, col.26 include the value of exported goods as specified in Chapter I, para. 108,

first category of economic links. The value of
 exported goods is determined in domestic currency (E_a), that is, as the value
 of goods sold for export at producer prices plus the foreign trade margin
 in connexion with export.

5. The production, as shown in the table of the material balance,
 of the means of production and of consumer goods

192. The table of the material balance gives a characterisation of
 the production of the global product by two economic subdivisions,
 means of production and consumer goods.

193. The division of the global product between these two great categories
 is based on the actual utilisation of the goods produced as means of production
 or as consumer goods.

In some cases the application of this criterion is difficult, as with
 a certain portion of net capital formation and with imports and exports.

In such cases the criterion of the predominant utilisation of the
 product involved may be used instead to assign the product to one of these
 economic categories.

The classification of the global product into means of
 production and consumer goods in accordance with its actual utilisation can
 be accomplished only if a material balance is drawn up. Statistical sources,
 as a rule, supply no information on this classification of output, since the
 actual use of a product is unknown to the enterprise producing it, a fortiori
 because the very same products may often be used for either intermediate or
 final consumption. When the material balance is set up, it is possible to
 determine the share of the global product that has actually been
 used for one or the other of these two purposes.

It is therefore advisable first to set up the material balance without this classification, and then, after the actual consumption of the product has been determined, this classification may be effected.

The means of production include all intermediate consumption of material goods, and the accumulated means of labour and objects of labour.

Objects of consumption include all final consumption together with the accumulated non-productive fixed assets and consumer goods.

The distribution of the replacement of losses between means of production and subjects of consumption follows the economic purposes of the products.

The distribution of imports and exports follows the criterion of the predominant purpose of the output.

6. Principles of construction of the input-output table

194. The input-output table is a further development and improvement of the system of the balance of the national economy, and, in particular, of its most important part, the material balance. This balance gives a characterisation of the circulation of the global product during the year in terms both of its tangible physical composition and its value, taken over the spectrum of a large number of branches. It permits a more profound and more comprehensive revelation of the inter-relations between all the branches of the national economy, the determination and analysis of the collective costs of production, branch by branch, the calculation of the input factors of production and the establishment of the most rational versions of the national economic plan.

195. The input-output table is an organic part of the system of the balances of the national economy. It assumes:

first, that the starting point in the construction of the input-output table should be the theoretical and methodological principles adopted in the construction of the system of the balances of the national economy;

second, the identical definition and interpretation of the economic content of the principal concepts and indicators;

third, that the basic results and proportions obtained in developing the system of the balances of the national economy (global product, intermediate material consumption, national income and its distribution between final consumption and net capital formation etc.) are still valid and are the starting points in the preparation of the input-output table.

This does not, however, imply that in isolated cases the data of the input-output table may not differ from the corresponding indicators of any other balance, but even in these cases the data of the input-output table should be related to the other balances. It must be emphasized that discrepancies of this character can be permitted only in exceptional cases. As a rule, correlation of the data of the input-output table with the other balances of the system should be complete, even in respect of the figures.

196. The conceptual frame of the input-output table corresponds to the well-known open statistical model. The input output table has three principal parts or quadrants, each characterising different aspects of expanded redistribution:

the inner quadrant	(I)
the side quadrant	(II)
the lower quadrant	(III)

The first and third quadrants characterise the inputs to production and reflect, in terms of value, the composition of the output of each branch. The first and second quadrants characterise the distribution of the output in the national economy.

In some countries a IV quadrant of the input-output table is also used to characterise the individual elements of the redistribution of the national income (wages and incomes of organisations of the non-productive sphere).

197. The most important part of the input-output table, the inner matrix (quadrant I) characterises the productive links between the branches.

It has the form of a square matrix with the same branches on rows and columns. The diagonal elements of the table characterise the intra-branch utilisation of output. The details of quadrant I are determined by the list of branches adopted in setting up the input-output table.

198. Quadrant II shows the utilisation of the final product.

199. Consumption of fixed assets is shown between quadrants I and III.

200. Quadrant III gives the structure of the national income in terms of value. It distinguishes

1. Primary incomes of the population.
2. Primary incomes of enterprises.

201. The input-output table may be compiled with the output valued at either producer prices or final consumer prices.

Both these methods of valuation are encountered in the practice of the socialist countries. They are equally justified and allow a study of the inter-industrial links in the national economy from various aspects. It would be advisable, from this point of view, to have the input-output table at both producer and final-consumer prices.

202. When the output is valued at producer prices, the trading and transport and state procurement expenditures are shown in a separate row and are distributed to the corresponding consuming branches. Quadrant I will here show the direct links between branches excluding the trading-and-transport and state-procurement expenditures, thus permitting the calculation of the technical coefficients of direct inputs of one category of products into the production of a different group of products, according to their material (physical) composition.

203. When the output is valued at final consumer prices, the value of the products used by the consumer includes the trade-transport and state

procurement costs in connexion with the delivery of each product from site of production to site of consumption. Quadrant I here expresses the productive links between branches in the prices at which the products are actually consumed.

204. The input-output table reflects foreign trade activity separately for export and import, as one of the branches of material production.

205. Depending on the method of showing imports, the input-output table may be set up in three versions:

Version A. In the inner and side quadrants I and II of the input-output table, the utilisation of products of domestic and imported origin is not distinguished, but is shown together for both.

Version B. The inner and side quadrants show the utilisation only of domestic products. The utilisation of imported products is given in summary form by a separate row, after the products of domestic origin.

Version C. Each row (branch) of the input-output table distinguishes the products of domestic and imported origin and shows them separately.

In order to prepare version C a separate matrix in respect of imports must be compiled.

206. One of the most important results of the compilation of an input-output table is that it opens up broad possibilities for the introduction of mathematical methods into statistical and economic research. Very important, in particular, are the matrices of coefficients of direct and total expenditures that can be obtained from the data of the input-output table. Input-output tables are being more and more extensively employed in the socialist countries.

207. More detailed methodological rules on the construction of the input-output table were adopted by the 9th session of the Permanent Commission on Statistics, Council for Mutual Economic Assistance.

7. Supplementary tables of the material balance

208. The supplementary tables of the material balance are designed for more specific investigation of the several aspects of the economic process.

These tables describe the social structure, relationships and proportions that have become established in consequence of the production and final disposition of the global product and the national income.

The most important supplementary tables are:

209. Table 2, Balance of Production and Disposition of the Global Product, shows the volume and branch structure of the entire produced global product. It is a summary scheme of the material balance. All its rows coincide with the corresponding rows of the material balance, except the items of export and import, since they are reflected as a net balance on columns 6 and 26 of the material balance (Table 1).

If imports at world prices, expressed in domestic currency, exceed exports at the same prices, then the balance of exports and imports, converted to domestic prices, is shown with a plus sign. This means that the national economy disposes, for use within the country, of additional material goods, in the amount of the net imports, over and above the produced global product.

If, however, exports at world prices, expressed in domestic currency, exceed imports, then the net balance at domestic prices is shown with a minus sign. This means that not all the value of the global product produced is used inside the country, but only that value less the net exports.

The data in rows 01-04, 06 and 08 of Table 2 must correspond to the data in rows 02, 05, 07 and 08, column 1, of Table 1. The data in row 05 of Table 2 must correspond to the data in row 06 and column 01 of Table 1 plus 01, column 2 of Table 1. The data in column 07 of Table 2 must correspond to the data for the same indicators in row 01, column 3 of Table 1. The data in rows 12 through 23 of Table 2 must correspond to the data for the same indicators in row 01, columns 8 through 16, 21, 24 and 25 of Table 1.

210. Table 3, The Balance of National Income and Expenditure, shows the volume and branch structure of the production of national income, and of its expenditure on final consumption, net capital formation, replacement of losses, and the import-export balance. It also allows determination of the shares of the national income taken by final consumption and net capital formation.

211. The generation of the global product and of the national income is studied by socio-economic sectors and by branches of the sphere of material production in Table 4, The Production of the Global Product, by Branches and by Social Sectors, Table 5, Intermediate Consumption (Material Inputs), by Branches and by Social Sectors, and Table 6, National Income Produced, by Branches and by Social Sectors.

The indicators of global product in Table 4, column headed "Total" (column 1), must equal the corresponding indicators of Table 2.

The totals of material inputs for each branch in column 1, Table 5, must correspond to the data of row 01, columns 8 through 16, Table 1.

The data on national income and net output of the branches of material production by social sectors in Table 6 are obtained by subtracting the data

of Table 5 on the material inputs corresponding to the branches of the national economy from the data of Table 4 on the global product.

212. The indicators of expenditure of the national income on final consumption and accumulation by social sectors are given in Table 7, Final Consumption, by Branches and Social Sectors, Table 8, Personal Consumption of Goods by the Population, by Sources of Supply, and Table 9, Net Fixed Capital Formation and Increase in Material Circulating Assets and Stocks in the Branches of the National Economy, by Social Sectors.

CHAPTER III

THE BALANCE OF THE PRODUCTION, DISTRIBUTION,
REDISTRIBUTION AND FINAL DISPOSITION OF THE
GLOBAL PRODUCT AND OF THE NATIONAL INCOME

(The Financial Balance)

1. General Description of the Financial Balance

213. The balance of the production, distribution, redistribution and final disposition of the global product and of the national income gives a description, in terms of value, of the process of production of the global product. It shows how the generation, movement and final disposition of incomes proceeds on the basis of the generation, circulation and disposition of the global product. It reveals the processes resulting in the utilisation, by the economic units of the material and non-material spheres, and by the population, of the global product generated in the branches of material production, and also shows the inter-relations with foreign countries. The financial balance reflects the distribution of the incomes generated by the production and sale of output by the branches of material production, between the primary incomes of the population and the primary incomes of the enterprises, the process of generation of transfer incomes, or secondary incomes, and the disposition of these incomes, by the enterprises, institutions, organisations and population, for final consumption, net capital formation and replacement of losses.

The financial balance contains all the basic indicators of the material balance. However, in contrast to the material balance, which describes the movement of the physical products, the financial balance studies income flows. While the material balance shows the production and disposition of the global product, the financial balance describes not only these stages, but also the mechanism of the generation and flow of income during the process of its primary distribution and redistribution.

214. The system of indicators of the balance of the production, distribution, redistribution and final disposition of the global product and the national income describes

primary incomes and their distribution between the population and the enterprises;

the volume and movement of income in the sphere of material production;

structure of secondary (transfer) income of the non-material sphere and the population;

the methods and channels of income redistribution;

services, by branches;

material inputs;

structure and disposition of final income among non-productive consumption, accumulation, and replacement of losses;

the interrelations with the rest of the world.

The financial balance is computed for socio-economic sectors and branches

The conceptual frame of the financial balance

215. The conceptual frame of the financial balance that results from the problems that this balance must meet, comprises the following elements:

A. The production and primary distribution of the global product and the national income

I. The global product produced on the territory of the country

which includes:

1. Material inputs;

2. National income

including:

(a) primary incomes of the population;

(b) primary incomes of the enterprises.

II. The balance of imports and exports of material goods.

B. Redistribution of the global product
and of the national income

1. Incomes transferred
2. Incomes received
3. Balance of redistribution

C. Final disposition of the global
product and of the national income

1. Global product utilised on the territory of the country,
comprising:

2. Replacement of material inputs
3. National income

including

- (a) final consumption
- (b) net capital formation
- (c) replacement of losses

In addition to the main table of the financial balance, supplementary tables are also employed for the more detailed study of income flows.

216. The coincidence of the indicators of the production and disposition of the global product and the national income in the financial balance with the corresponding indicators of the material balance by branches and socio-economic sectors ensures the characterisation of the structure of production, in terms of flows of incomes and products, by the following indicators:

- global product produced on the territory of
the country;
- material inputs;
- national income;
- balance of imports and exports of material goods;
- global product utilised on the territory of
the country;

material input;
final consumption;
net capital formation;
replacement of losses.

In addition, the correlation of the indicators of the financial balance with those of the other sections of the system of the balances of the national economy permits it to serve as a check of the internal agreement and mutual correlation of the indicators of the system of the balances of the national economy.

217. The financial balance shows the primary income of the population in terms of the amounts accrued, not the amounts actually received. The primary incomes of the enterprises are determined on the basis of the volume of output. The full amount of the output produced and sold is shown, regardless of whether or not the seller has received payment. The same basis is used in establishing the final incomes of enterprises and institutions of the material and non-material spheres, and of the population, and also for a number of secondary incomes.

Thus the financial balance shows the primary incomes and final incomes used for consumption and net capital formation in terms of the amounts accrued. The interrelations of the branches of the national economy, by socio-economic sectors, and of the population, by socio-economic groups, with the financial and credit system are reflected on the basis of actual payments and receipts. The difference between income earned and income received is adjusted by indicators of change of debit and credit balances as one of the forms of redistribution.

The method of reflecting the flow of incomes adopted in the financial balance permits, on the one hand, establishing a relationship between its indicators and the material balance, and, on the other hand, the actual flow of money.

2. The Summary Table of the Balance of the Production, Distribution, Redistribution and Final Disposition of the Global Product and of the National Income

218. The summary table of the financial balance (Table 10) is constructed as follows:

The row captions of the table show:

- I. The sphere of material production.
- II. The Non-Material Sphere.
- III. The population.
- IV. The rest of the world (foreign countries).

Categories I and II are classified both by socio-economic sectors and by branches of the national economy.

Category III, the population, is classified by socio-economic groups.

The column captions of the table are so designed as to reflect the generation of income and its flow to the stage of utilisation. They show the global product, national income, primary incomes, redistribution of incomes and their utilisation for consumption, net capital formation and replacement of losses.

Part of the global product is used for intermediate consumption. The remainder of the global product consists of value added, or national income. The national income is subjected to primary distribution, resulting in the formation of the primary income of the population engaged in the material sphere, and the income of the enterprises of that sphere. A certain part of these incomes is then redistributed. Part of the receipts which measure depreciation allowances is redistributed through the financial system. Finally, the turnover of the global product and the flow of incomes (after deduction for material inputs) results in the formation of final consumption, net capital formation and replacement of losses.

The column captions of the summary table of the financial balance include indicators of the global product produced and the global product utilised, of the material inputs and of the fund for their replacement.

The Section Production and Primary Distribution of
the Global Product and National Income of the
Summary Table of the Financial Balance

219. This section of the table of the financial balance (columns 1 through 6) describes the gross output of enterprises of the sphere of material production by socio-economic sectors and branches, the national income, and its division between the primary incomes of the population and enterprises.

Since this section relates to the production of the global product, and the generation of primary incomes, data are supplied only for rows 1 through 16, i.e. for the part of material production. The rows of the table relating to the non-material sphere are left blank, since there are no indicators of production and primary distribution in this sphere.

The personal holdings and other personal activities of the population are included in the corresponding branches of material production. In this section the rows for the population are filled in only for column 16, regrouping of Primary Incomes.

220. The data of columns 1, 2 and 3 (global product, material input and national income) both by socio-economic sectors and branches, are filled in from the data of the material balance.

The Primary Distribution of the National Income

221. The primary distribution of the national income is accomplished at the stage of production and consists in the distribution of the value added

between the primary incomes of the population engaged in production and the primary incomes of the enterprises.

The primary incomes of the population are destined mainly for the satisfaction of personal needs.

The primary incomes of the enterprises serve mainly to satisfy social needs, i.e. to expand production and maintain the ~~non-material~~ sphere and those incapable of labour.

222. The composition of the primary incomes of the population is discussed in Chapter I, para. 60 and 61.

The financial balance shows, for each branch and socio-economic sector (rows 1 through 16, column 4), the total of the primary incomes of the population forming the wage fund in the sphere of material production.

The total primary income of the population is determined by adding the individual forms of incomes in money and in kind indicated in para.60.

223. The primary income of the enterprises is described in Chapter I, para. 62.

These incomes are determined for each branch by adding the individual forms of surplus value enumerated in para.62.

224. In order to reflect the further distribution of incomes, the primary incomes are now regrouped by recipients instead of by the branches in which they were generated. The regrouping of primary incomes is shown in a separate column 6, completing this section of the financial balance.

This regrouping consists in the transfer of the primary incomes of the population by socio-economic sectors and branches of material production, shown in column 4, to column 6 with a minus sign, while their total is carried in rows 30 through 33, relating to the population, with a plus sign.

These regroupings include all primary incomes of the population excepting the incomes (net output) generated in the personal

holdings of workmen and employees and members of co-operatives, and in the private activities or farms of non-co-operator craftsmen, artisans and peasants.

Only that part of the incomes produced in the personal holdings of workmen, peasants and co-operative members, and in the private activities of farms of non-co-operator craftsmen, artisans and peasants, which is disposed of by the population as consumers is subject to regrouping to rows 30 through 33.

That part of the produced incomes of personal holdings and private activities or farms which, together with the balance of redistribution, covers the utilisation of the national income in these holdings, activities and farms for the increase in productive fixed assets and in material circulating assets, and for the replacement of losses, is not subject to regrouping.

The Interrelations with Foreign Countries

225. In the row Foreign Countries the financial balance shows all economic links between domestic units and foreign countries. Thus this row reflects in summary form all items of the international balance of payments. The data of the balance of payments are used to set up the items of the financial balance.

If the balance of payments does not include the value of goods received or delivered in the form of uncompensated aid, then this value must be included both on the balance of exports and imports and in the corresponding items of income or expenditure of the financial balance.

The financial balance considers and shows two aspects of the interrelations with foreign countries:

(a) in respect of the settlements connected with the export and import of material goods, as expressed in the balance of exports and imports of material goods. This balance shows the difference between the global product produced and the amount utilised on the territory of the country;

(b) in the form of redistributive financial flows covering all financial economic interrelations with foreign countries in connexion with commercial exports and imports or with other forms of incomes and expenditures abroad. The balance of export and import of material goods is shown in column 7 and is calculated by the methodology presented in Chapter I, para. 109 through para. 111.

All financial flows are reflected in the financial balance in the section Redistribution of the Global Product and of the National Income, and show the incomes transferred to, or received from, foreign countries.

The individual forms of financial flows are shown in the corresponding columns of the financial balance.

These flows show both the changes in the foreign currency resources of the country and the decrease (or increase) of lending or borrowing (columns 12 and 25).

In the row "Foreign Countries", the redistribution balance (column 34) coincides in absolute value with the balance of exports and imports (column 7), but with the opposite sign.

The section "Redistribution of the Global
Product and of the National Income" of the summary
table of the financial balance

227. The primary incomes received by the enterprises and the population are not completely utilized by them, but are routed in part to further distribution.

As a result of redistribution, incomes of the non-material sphere and of households are generated, and there are also transfers of incomes between branches, enterprises, households, and foreign countries, according

to development needs of the national economy.

Redistribution results in the net balance of redistribution, completing this section of the summary table.

228. A considerable part of redistribution is effected through the financial and credit system, which includes the domestic channels of redistribution, i.e., the state budget, the credit system, etc. The transfer of income to the financial and credit system is balanced by the receipt of income from that system amounting to the total of all income flows through it (row 34 of the table). The total of the amounts in columns 9 through 15 of this row is equal to the total of columns 22 through 28. The main table of the financial balance does not show the inter-relations between the financial and credit institutions. The financial and credit system is the system of the redistributive financial relationships themselves and must not be identified with the institutions that perform its functions. Operational expenditures are financed in part from the income received by redistribution outside of the financial and credit system (for instance, as receipts from the sale of services), while the remainder is financed out of the other incomes of these institutions shown in column 28 and row 27.

The transfers of income in the redistribution process

229. This part of the section Redistribution of the Global Product and of the National Income is shown in columns 8 through 20 of the summary table of the financial balance, columns 9 through 20 representing the various forms of transfer of income, while column 8 gives the total amount of such transfers.

230. Payments into the budget (column 9) consist of:

the turnover tax;
 payments for fixed assets and circulating assets;
 deductions from the operating surpluses of enterprises and institutions of the sphere of material production and the non-material sphere;
 taxes on enterprises and institutions of the sphere of material production and the non-material sphere;
 transfer of incomes in order to adjust the price level;
 customs duties and related income;
 obligatory payments of various kinds by enterprises and institutions;
 transfers of excess circulating assets and excess depreciation allowances;
 taxes, dues and fees levied on the population;
 payments from foreign countries;
 other forms of payments (receipt of income of budgetary institutions, receipts for verifying measuring instruments, for issuing licence plates for means of transport, fines, etc.);

231. Social insurance contributions (deductions) (column 10) include deductions for these purposes by enterprises and institutions of the sphere of material production and of the non-material sphere, belonging to various socio-economic sectors.

This column is left blank in row 6 (personal holdings of workmen and employees) and row 7 (personal holdings of collective farmers).

Rows 30 through 33, relating to the population, show the deductions for social insurance of domestic servants.

232. Insurance premiums for property insurance and personal insurance (column 11) are payments to the insurance system from enterprises, institutions, the population, and foreign countries.

233. Payments into the credit system, net (column 12) includes:

decrease in indebtedness to banks and savings-banks;
 due to the repayment of all kinds of loans;

increase in deposits in savings accounts and current accounts maintained by enterprises and institutions with banks, regarded as temporary advances of funds to the bank;
 increase in savings-bank deposits;
 increase in cash on hand held by enterprises, institutions and the population;
 payments from abroad in foreign currency to pay amounts borrowed or to make loans;
 increase of domestic currency held in other countries and decrease in foreign currency held in this country (excepting decrease in gold reserves).

234. Interest on bank credit and loans (col.13) consists of payments by enterprises, institutions, the population and units in foreign countries for interest on credits and loans granted to them.

235. Deductions for special non-budget funds (column 14) consist of payments to funds not included in the budget, i.e. established as a single legal person and having its own accounts at a bank.

236. Other payments (column 15) include all receipts of the financial and credit system not enumerated above.

237. Payments for services (column 15) are shown in the corresponding rows, and include the amounts paid for services rendered by economic units of the non-material sphere and abroad (including services of notaries and lawyers and certain services by administrative agencies). These services also include the services of banks in exchanging currency, effecting transfers, issuing letters of credit, cash operations, etc. Payments from abroad for services are also included.

238. Wages and other types of income from work of the population engaged outside the sphere of material production (column 17) includes all forms of money payments and payments in kind for work done at the institutions of the non-material sphere. The wages of domestic servants are shown in columns 30 through 33.

239. Direct transfer of income of economic units to other economic units to cover part of their expenditures (column 18) includes the expenditures of economic units for complete or partial compensation for the outlays of other economic units. The principal direction of income flow is the transfer of funds from the material to the non-material sphere. In addition, there is also the transfer of funds within the sphere of material production, within the non-material sphere, and from the non-material to the material sphere. The incomes directly transferred by some economic units to others are originated in the profits, as well as in funds established from all sources included in business costs of the units of the material and non-material spheres, and allocations from the budget. In a number of cases the financing of organisational units from the budget is shown as financing of the primary activity, while the funds received from the budget are expended for other activities within the enterprise. The financing is shown in this case as the receipt, from the budget, of funds by the branch shown on the expenditure side of the budget, as the recipient of the financing, and then the transfer of these funds to economic units of other branches is shown. This form of redistribution also includes the utilisation of resources from special funds of the enterprises for the activities of cultural institutions, the profits of economic units used for the activities of other economic units, etc.

The direct transfer of income takes place between economic units

- (a) of the same organisational unit;
- (b) of different organisational units (for instance contributions by enterprises and institutions to voluntary associations).

240. Net increase in indebtedness (column 19) is the net balance of increase and decrease in liabilities of enterprises, institutions and foreign units. In particular, rows 30 through 33 show the liability for wages and for payment of labour in co-operatives.

241. Other redistributive payments (column 20) include penalties and fines in settlements between enterprises and institutions, various forms of payment to the population not involving payment for labour and not reflected in other items, transfer by enterprises to the population, of material goods other than as payment for labor, uncompensated shifts of fixed assets and circulating assets between economic units (net balance), membership dues and contributions of the population paid to voluntary associations, payments of organizations and the population for foreign currency received in connexion with foreign tourism, official missions, etc., and other forms.

Income Received by Redistribution

242. Income received by redistribution is shown in columns 21 through 33. Column 21 is the total amount of such income of all types received by the socio-economic sectors and by the branches of the national economy. Columns 22 and 23 show the various channels through which redistributive income is received.

243. Receipts from the budget (column 22) comprise the following categories:

financing capital construction and increase of circulating assets;
Government grants (including price differences);
financing current expenditures of budget institutions and operational and other expenditures of enterprises;
financing the maintenance of diplomatic missions, granting uncompensated aid, contributions to international organisations and other receipts of foreign units from the state budget.

244. Pensions and allowances (column 23) include all categories of pensions and allowances received by the population from the social insurance budget.

245. Payments of claims arising from property insurance and personal insurance (column 24) are the amounts received as insurance payments on all types of insurance.

246. Receipts from the credit system (column 25) include the increase in indebtedness on credits granted by the banking system and the savings banks, the decrease in deposits in clearing and current accounts of enterprises, foreign units and institutions, the decrease of deposits in current accounts with savings banks, the decrease of cash on hand held by enterprises, institutions, the population, foreign units, etc.

247. Interest from the credit system (column 26) includes interest received on clearing and current accounts with banks and saving banks and the payment of interest on credits received from abroad.

248. Payments from special non-budgetary funds (column 27) include the financing of capital investments and capital repairs and other grants.

249. Other receipts (column 28) include all receipts from the financial and credit system not enumerated above, including the transfer of funds for current maintenance of activities by unsubsidised, economically independent financial and credit institutes.

250. Columns 29 through 33 include the amounts similarly reflected in the transfer of income in columns 16 through 20 of the financial balance.

251. The section Redistribution of the Global Product and National Income of the summary table of the financial balance is completed by data characterising the net balance of transfer and receipts of income under redistribution (column 34) for each branch, socio-economic sector, and population. For the national economy as a whole (row 34) the net balance of redistribution equals the net balance of imports or exports of material goods, but for the grand total of the Table (row 36) it is zero.

The net balance of redistribution is calculated for each row by subtracting the data of column 8 from the data of column 21.

For the sphere of material production as a whole (row 1), it must always have a minus sign. This means that the sphere of material production transfers more income than it receives. The magnitude of the net balance on this row shows

the total transfers of income of the sphere of material production to the non-material sphere, the population, and abroad.

For the total of the non-material sphere (row 17), the net balance of redistribution is always positive, because this sphere does not generate income but uses part of the income of the material sphere. The net balance of redistribution in row 17 shows the total income received from the material sphere. During the process of redistribution the population receives more income than it transfers.

The section "Final Disposition of the Global
Product and National Income within the Country" of the
summary table of the financial balance

252. All indicators of this section - intermediate material consumption (column 36), national income (column 37), final consumption (column 38), net capital formation (column 39) and replacement of losses (column 40) - are equal to the corresponding indicators of the material balance.

The data of the section Final Disposition correspond as follows to the data of the section Production.

The global product utilised in the branches of the sphere equals the global product generated, plus the net balance of redistribution, minus the result of regrouping of primary incomes.

The national income utilised in the national economy equals the primary incomes of the population and the enterprises, plus the net balance of redistribution.

For the non-material sphere, and for the population, the global product utilised equals the sum of consumption, net capital formation and replacement of losses.

3. SUPPLEMENTARY TABLES OF THE FINANCIAL BALANCE

The supplementary tables of the financial balance characterise certain additional aspects of the flow of income. They include:

The interrelations between financial and credit institutions (Table 11);

The balance of money income and expenditure of the population (Table 12).

The Interrelations Between Financial and Credit Institutions

254. Table 11, on the interrelations of financial and credit institutions, is in matrix form, with the same indicators in row and column captions: the budget, the banking system, savings banks, social insurance, property and personal insurance, and non-budget funds.

When this table is filled in, the mutual relations between financial-and-credit institutions are established, the receipts of one institution corresponding to the disbursements of another and the sum of the receipts being equal to the sum of the disbursements. This is reflected in the equality of the sum of the totals of all rows and the sum of the totals of all columns.

The Balance of the Money Incomes and Expenditures
of the Population

255. The Balance of the Money Incomes and Expenditures of the Population performs the following functions:

- to determine the magnitude, structure and sources of the money income of the population as a whole and by socio-economic groups;
- to determine the magnitude and structure of the money expenditures of the population: purchase of goods, payment for services, taxes, charges, etc., and savings, etc.;
- to reveal the relationships between money incomes and money expenditures.

The balance analyses all money receipts of the population and all its expenditures both by cash transactions and transfers without actual cash payments.

It does not consider non-monetary income of the population. For instance, it does not take account of consumption out of the income in kind received by the population from personal holdings, etc.

The table of the balance of money income and expenditure of the population is constructed by entering in the row captions the principal sources of money receipts and the principal directions in which they are utilised, and in the column captions the socio-economic groups of the population.

The income and expenditure sides of the balance show separately the inter-relations of the population with state, co-operative and private enterprises and organisations (part A) and the relationships between the individual groups of the population (part B).

The expenditure side of the balance also shows the change in cash held by the population (part B).

In contrast to the main tables of the balance of the national economy, in this balance the money income and expenditure of the population include both consumption expenditure and income and the income and expenditure of the personal holdings and private activities and farms in connexion with their productive activities.

Money income of the population

256. The income side of part A, relating to the money income of the population, shows their money receipts from state and co-operative enterprises, institutions and organisations.

The most important forms of these receipts are:

Wages, which include all receipts of the population for labour, and constitute the wage fund of state and co-operative enterprises, institutions and organisations.

The balance includes all actual payments of money wages during the year, i.e., the accrued wages are adjusted for the change in the wage liability of the enterprise. Wages are shown before taxes.

Non-wage income from enterprises and organisations includes bonuses and other forms of payment for labour not carried under wages, permanent wage supplements for work involving travel, and payments on official missions.

Money income from collective farms includes money received by collective farmers as distribution of income for labour, and by persons engaged for temporary work.

Receipts from sale of agricultural and other products include income of the population from the sale of agricultural and other products of personal holdings and private farms, and of products received from collective farms in payment for work:

to state and co-operative procurement agencies under the centralised additional purchase procedure;
 other sales to state and co-operative agencies for trade, processing and other productive purposes;
 to sanatoria, vacation homes, children's and medical institutions, schools and other organisations of non-productive type;

The item Pensions includes all forms of pensions paid to the population out of state budget funds or funds of enterprises.

Allowances include allowances payable from the budget or funds of enterprises.

Stipends include all money payments to students at educational institutions from the budget or funds of enterprises.

Receipts from the financial system include premiums and capital on bonds drawn for redemption, interest on deposits, insurance payments, loans for housing construction and economic equipment, lottery winnings, etc.

Other receipts include income from miscellaneous sources, for instance, receipts from sales of articles through commission shops and purchasing centers or from the sale of salvage, and the increase in outstanding liabilities for goods purchased on credit. It also includes the income of foreign tourists, measured by the cash received on the exchange of foreign for domestic currency.

Money expenditures of the population

257. The side Money Expenditures of the Population distinguishes the following four principal items:

1. Purchase of goods.
2. Payment for services and other expenditures.
3. Obligatory payments and voluntary contributions.
4. Increase in savings.

Purchase of goods includes money expenditures to acquire food, clothing, shoes, furniture, appliances, conveniences and cultural goods, drugs, building materials and other material goods in the state and co-operative retail trade system, including the catering system (dining rooms, restaurants, cafes, etc.), and to make purchases at the collective farm markets.

Payment for services and other expenditures include the following disbursements by the population:

apartment rent and payments for public utilities (electricity, gas, water, sewer service, etc.);

payment for services of enterprises providing amenities to the population (baths, laundries, hairdressers, photographers, inns, etc.);

educational expense (payment for certain special forms of instruction);

fees paid to children's institutions (fees of the population for keeping children in nurseries, kindergartens, boarding schools, etc.);

expenditures for stays in sanatoria and vacation resorts;

medical expense;

expenditures for motion pictures, theatres, and other entertainments;

transport expense, including payments for forwarding and storing baggage, use of bed linen, for the services of porters and similar services rendered to the population on journeys. This item does not include the cost of travel insurance for the population, which should be carried under Insurance Payments instead;

payment for communications services;

other expenditures (payment for milling grain, for haulage, etc).

Obligatory payments and voluntary payments include:

taxes and service fees;
payments for state insurance;
repayment of bank loans;
interest on consumer credit;
contributions to voluntary associations and co-operative organisations;
purchase of lottery tickets;
purchase of state bonds.

Increase of savings includes:

increase of deposits in savings banks and banks.

Part B of the balance shows the sale and purchase of agricultural products on the market, sale and purchase of services, and other exchange transactions (except barter) between groups of the population.

CHAPTER IV

THE MANPOWER BALANCE

1. General Description of the Manpower Balance

258. The manpower balance describes the manpower resources. It reflects the general size of the manpower resources of the country, the facilities for their training and the sources of their recruitment, their level of employment, their social composition, their distribution among the branches of the national economy, the skills of the labour force, and the utilisation of working time.

Only a single aspect of the manpower balance, the balance of manpower resources to be described below, has as yet been developed and tested in the statistical practice of the states-members of the Council for Mutual Economic Assistance (MEA). Questions relating to the methodology of other parts of the manpower balance will be included in this document at later stages of the work.

The balance of manpower resources is organically linked with the other sections of the balance of the national economy. These links between such sections permit determination of labour productivity in the several branches of material production, the fixed productive capital available per worker, the income by socio-economic groups of the population, etc.

259. The balance of manpower resources is based on the average annual number of persons employed (it may be simultaneously compiled on the basis of the number on a specific date) and consists of two parts: manpower resources and the utilisation of manpower resources.

The balance of manpower resources based on the average annual number employed is compiled according to the conceptual frame presented in Table 13.

Manpower resources are divided into persons of working age fit to work and persons not of working age who are, nevertheless, working.

In the distribution of manpower resources, three principal types of

utilisation are distinguished: (a) manpower resources engaged in the national economy; (b) persons of working age who are studying outside the productive system; (c) other persons of working age occupied in the household or in child care. The population in the latter group is not at present enlisted in the process of production, but under certain conditions some portion of it might be regarded as a labour reserve.

2. The Tables of the Balance of Manpower Resources

260. Table 13 describes in expanded form the size of the manpower resources, the number of occupied persons by branches of the national economy, and the number of persons not so occupied. The specific content of each of these categories and the methods of calculating them are given above at para. 69 through para.77, Chapter I.

Table 14 describes the distribution, by socio-economic sectors, of the persons engaged in the national economy.

This distribution is based on the socio-economic sector to which the enterprise, institution or organisation employing such persons is assigned.

Persons engaged in the personal holdings of workmen and employees and in the personal holdings of collective farmers are members of the families of these groups of the population who are engaged in the relevant personal holdings and activities (agriculture, construction for own account, collection of ferrous and nonferrous scrap metal, etc.). The members of a co-operative whose primary activity is work at the co-operative, independent of work in the personal holding, is taken into account only at the place of primary work, i.e. as working at a co-operative enterprise. By analogy, workmen and employees who work simultaneously in a personal holding, are entered likewise as working at the place of primary work.

The private sector includes those peasants, craftsmen and artisans who do not belong to a co-operative, and private entrepreneurs.

Members of the liberal professions, if they belong to their professional association (for instance, a painter who is a member of the union of painters, a writer belonging to the union of writers, or a lawyer belonging to the union of advocates and defense counsel, and so on) belong to the socialist sector and to the sub-sector of public associations. Members of the liberal professions who do not belong to the relevant public associations, belong to the private sector.

CHAPTER V

THE INDICATORS OF NATIONAL WEALTH AND THE BALANCE OF FIXED CAPITAL

1. General Characterisation of the National Wealth

261. The national wealth is the aggregate of accumulated material goods created by labour, reserves of foreign currency and foreign credit balances (net) available to the community at a given time.

In calculating the national wealth of a country, the following should be included:

- (a) productive and non-productive fixed assets;
- (b) material circulating assets and reserves (including work in progress of industrial production, agriculture, and construction);
- (c) durable household consumer goods;
- (d) foreign currency reserves, which are the equivalent of property rights to part of the national wealth of another country;
- (e) balance of foreign indebtedness;
- (f) material goods in national ownership but located abroad.

The national wealth also includes natural resources that have been brought into the economic cycle (reclaimed lands, developed forests and waters).

Undeveloped natural resources are not counted as part of the national wealth.

The national wealth is closely interrelated with the other important categories of reproduction, primarily with the global product and the national income.

This interrelation consists in the fact that, while, on the one hand, the national wealth is a material prerequisite for the process of production of the global product, on the other hand the national wealth is also the result of that process, due to the excess of the volume of production over the volume of current intermediate and final consumption. The concept of final consumption is narrower here than in the other tables of the system of the balances of the national economy, on account of the durable consumer goods with the population, which are included in the volume of net capital formation.

The economic content of these concepts, their position and roles in the process of production are different. The global product is the result of production over a specific period of time. The national wealth comprises the stock of material assets and the other elements of wealth available to the community at any given instant of time.

The indicators of the volume and structure of the national wealth are reflected, in the system of the balances of the national economy, by the tables Indicators of National Wealth and Balance of Fixed Assets. Besides these, a number of supplementary tables can be drawn up, to provide a more detailed characterisation of individual elements of the national wealth.

2. The Indicators of the National Wealth

262. The national wealth is calculated in order to characterise its dimensions, its material structure in physical terms, its distribution by branches of the national economy, and the forms of its ownership.

The table Indicators of the National Wealth shows the variation in the volume of the national wealth.

The indicators of the national wealth, on comparison with the other indicators of the system of the balances of the national economy, yield materials for studying the effectiveness of the utilisation of productive fixed assets, the fixed productive capital available per worker, and related questions.

The conceptual frame of the table of indicators of the national wealth is of the form:

- (a) national wealth at the beginning of the year;
- (b) national wealth at the end of the year;
- (c) growth during the year.

The row captions of the table contain the principal groups of elements of the national wealth, arranged according to their role in the process of production, and by the form of ownership.

The column captions of the table show the actual wealth at the beginning and end of the year and its growth during the year.

263. The elements of the national wealth are divided, according to economic purpose, into the following groups: productive and non-productive fixed assets, material circulating assets and reserves, state stocks, and durable consumer goods in the households of the population.

264. Productive fixed assets are the means of labour operating in the sphere of material production and participating repeatedly in the process of production of material goods while conserving their natural form.

Productive fixed assets gradually wear out and transfer their value to the output in successive parts, as they wear out.

Productive fixed assets are classified as follows:

- (a) those participating directly in the productive process (machines, equipment, etc.);
- (b) those creating the necessary conditions for that process (buildings and other structures);
- (c) those used to move the subjects of labour and the finished output (means of transport);

The productive fixed assets include:

- productive buildings and other structures;
- power transmission equipment;
- prime movers;
- working machines and equipment;

means of transport;
 working and productive cattle;
 measuring and control instruments and devices and laboratory
 equipment;
 tools;
 productive and economic inventory;
 perennial plantings;
 other fixed assets.

Fixed assets also include capital investment in land (planting of sites, removing stumps from arable land, weeding, cleaning channels and water reservoirs, and outlays on forest management).

In many cases objects which by purpose and characteristics are elements of fixed assets are classified for practical reasons as material circulating assets (inexpensive and short-lived tools, inventory, protective clothing, etc.).

The criterion for classifying material values as fixed or circulating assets may be their established life or a cost limit determined in advance.

The quantitative characteristics of these criteria vary from country to country.

265. Non-productive fixed assets are assets destined for purposes of final consumption. They operate in the branches of the non-material sphere and in households. Durable non-productive fixed assets operate in the non-material sphere, wear out gradually, and lose their value in successive parts. They include dwelling houses, buildings and equipment of educational institutions, hospitals, kindergartens, nurseries, institutions of general government, public utilities and entertainment, and voluntary associations. In contrast to productive fixed assets, which are replaced by means of depreciation allowances included in material input, non-productive fixed assets are replaced out of the national income.

266. Material circulating assets consist of circulating productive capital and that part of circulating capital that is composed of finished goods.

Circulating productive capital comprises stocks of objects of labour available to the enterprises. They participate in each productive cycle and are completely consumed in it. They include stocks of:

raw material and supplies;

auxiliary materials;

fuel;

semi-manufactures;

objects of small value and short life;

manufacturing and agricultural work in progress and construction in progress;

seed and animal feed;

young cattle and poultry;

other material assets.

267. Construction in progress represents the value of uncompleted construction jobs.

268. Other material assets include those inputs on afforestation which are included in the gross output of forestry, and inputs for the planting of young perennial plantings if not included in other elements of fixed assets.

Circulating capital in finished output and commodities includes stocks of finished output in the warehouses of enterprises, in transit, in trade, and in procurement, supply and marketing organisations.

269. State stocks consist of stocks of means of production and consumer goods available to the government to ensure uninterrupted production in the event of unforeseen difficulties and to ensure the national defence.

Under this item in the table Indicators of the National Wealth there are also shown the balances of foreign currency and the balance of foreign settlements.

270. Durable consumer goods in households are a special group, including furniture, motor cars, bicycles and other means of transport, household appliances, etc. The nature of such property would dictate its classification under non-productive fixed assets. For practical reasons, however, durable consumer goods are classified in an independent category.

271. The elements of the national wealth are valued as follows:

Fixed assets are valued at original cost less depreciation.

Stocks of material circulating assets and consumer goods are valued at cost of acquisition, including trade and transport inputs.

Stocks of output of own production are valued at cost of production.

3. The Balance of Fixed Assets at Original Cost Less Depreciation

272. Fixed assets constitute the most important part of the national wealth. To describe the stocks of fixed assets and fixed capital formation, the balance of fixed assets at original cost less depreciation is compiled.

This balance should show:

the volume and distribution of fixed assets by branches and forms of ownership;

the flow of fixed assets during the course of the year;

the net fixed capital formation.

The conceptual frame of this balance is of the form:

(a) Fixed assets at the beginning of the year;

- (b) Total fixed assets received during year,
 including:
 new fixed assets put into use;
 capital repairs completed.
- (c) Depreciation and residual value of fixed assets retired during
 the year - Total
 including:
 depreciation;
 depreciated cost of fixed assets retired, including losses.
- (e) Fixed assets at end of year.
- (f) Net fixed capital formation:(e) minus (a).

The row captions of the table of the balance of fixed assets give the categories of fixed assets by economic use, by branch and by form of ownership.

The column captions contain the indicators that characterise the amounts of fixed assets at the beginning and end of the year, and their flow.

273. The fixed assets at the beginning and end of the year are shown at original cost less depreciation, i.e. at depreciated cost.

274. New fixed assets put into use comprises the value of new fixed assets completed and placed in operation during the year, including cost of equipment acquired. This item also includes the value of young cattle transferred to the main herd, the cost of plans unless included in the cost of new fixed assets put into use, and the cost of geological exploration in connexion with definite construction jobs but not included in the cost of the fixed assets put into use.

275. Capital repairs of fixed assets comprise the cost of work, completed during the year, of partial restoration of the wear and tear of fixed assets. Outlays on capital repair, by decreasing the wear and tear of fixed assets, increase their depreciated value.

276. The physical depreciation of fixed assets expresses the decrease in their value as they wear out.

The annual depreciation allowances on fixed assets is determined directly at the enterprises in accordance with the standard depreciation rates in force. In cases where enterprises and institutions fail to make depreciation allowances, the depreciation is determined by calculation, based on the volume and composition of their fixed assets and the standard depreciation rates in force for similar objects. The depreciation on fixed assets belonging to the population is determined by a similar procedure.

The depreciation of productive fixed assets, including depreciation adjustment, is taken as a part of the material inputs of the relevant branches of material production, while the depreciation of non-productive fixed assets is included, instead, in final consumption.

277. The depreciated value of scrapped fixed assets is the value of iron and steel scrap, construction materials and useable parts, which is realized when the fixed assets are liquidated and transferred into circulating assets. Losses of fixed assets include the depreciated value of completely destroyed objects or objects partially damaged by natural calamities, accidents, etc.

278. Net fixed capital formation is calculated as the difference between the volume of fixed assets at year-end and beginning. Net fixed capital formation, as calculated in the balance of fixed assets according to depreciated value, must strictly correspond to the corresponding indicator in the material balance.

4. The Balance of Fixed Assets at Full Value

279. To characterise the volume and structure of fixed assets and their movements, the balance of fixed assets at full value is compiled.

The rows of this balance correspond to the rows of the balance of fixed assets at original cost less depreciation.

The columns of the balance of fixed assets at full value contain the following indicators:

1. On hand at the beginning of the year.
2. Total receipts
including:
New Fixed Assets put into use.
3. Total retirements
including:
Liquidated.
4. On hand at year end.

The balance of fixed assets at full value is compiled at current prices and at constant prices.

The Balance of Production, Consumption and Accumulation of the Global Product (Material Balance)

Table No.1

	Number of lines	Sources of material goods						Utilization of material goods																					
		The global product produced on the territory of the country						Intermediate material consumption							Final consumption					Net capital formation									
		At producers' prices			Transport charges and trade margins			In manufacturing industry	In construction	In agriculture	In forestry	In transport	In communication	In distributive trade	In other branches of material production	Total	Consumption of population					Other categories of final consumption	Total trend of final consumption	Fixed assets	Material circulating assets	Total	Losses	Exports	Total
		Gross transport	Distributive trade	Total	At final consumer's prices	Imports	Total										Personal consumption	Consumption of goods in institutions rendering services in the field of culture and everyday repairs and social services to the population	Total										
A	5	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	
Total for the national economy as a whole	01																												
Industrial goods	02																												
Output of construction	03																												
Agricultural products	04																												
Forestry products	05																												
Passenger transport	06																												
Output of communications	07																												
Products of other branches of material products	08																												
Total of means of product	09																												
Industrial goods	10																												
Output of construction	11																												
Agricultural products	12																												
Forestry products	13																												
Output of communications	14																												
Products of other branches of material products	15																												
Total of consumer goods	16																												
Industrial goods	17																												
Output of construction	18																												
Agricultural products	19																												
Passenger transport	20																												
Output of communications	21																												
Products of other branches	22																												

Table 2

The Balance of Production and Utilization of the Global Product

Sources of the supply of the material goods	Number of line	Sum	Utilization of the material goods	Number of lines	Sum
A	B	1	C	D	2
Manufacturing industry	01		Intermediate material consumption	12	
Construction	02		In manufacturing industry	13	
Agriculture	03		In construction	14	
Forestry	04		In agriculture	15	
Transport	05		In forestry	16	
Communications	06		In transport	17	
Distributive trades	07		In communication	18	
Domestic trade	071		In distributive trades	19	
External trade	072		Domestic trade	191	
Other branches of the material sphere	08		External trade	192	
The global product produced at the territory of the country	09		In other branches of the material sphere	20	
Excess of imports over exports	10		Final consumption	21	
Total	11		Net capital formation	22	
			Losses	23	
			Excess of exports over imports	24	
			Total	25	

118.

Table 3

The Balance of National Income and its Utilization

Sources of supply of material goods	Number of lines	Sum	Disposition of national income	Number of lines	Sum
Manufacturing industry	01		Final consumption - total	12	
Construction	02		Consumption of the population	13	
Agriculture	03		Personal consumption	14	
Forestry	04		Consumption of material goods	15	
Transport	05		in institutions rendering		
Communications	06		services in the field of		
Distributive trades	07		culture and everyday		
Domestic trade	071		repairs and similar and		
External trade	072		social services to the		
Other branches of material production	08		population		
National income produced at the territory of the country	09		Other categories of final consumption	16	
Excess of imports over exports	10		Net capital formation	17	
Total	11		Net fixed capital formation	18	
			Increase in material circulating assets	19	
			Losses	20	
			Excess of exports over imports	21	
			Total	22	

The Global Product by Branches and Social Sectors

Social sector Branches of the national economy	Number of lines	Total (2+8)	Social- ist sector	including					Private sector
				State sector	co-opera- tive sector	social organi- zations	Personal holdings of wage- earners and em- ployees	Personal holdings of mem- bers of co-opera- tives	
A	B	1	2	3	4	5	6	7	8
Total of the global product produced on the territory of the country	01								
Manufacturing industry	02						x	x	
Construction	03								
Agriculture	04								
Forestry	05					x	x	x	x
Transport	06						x	x	
Communications	07				x	x	x	x	x
Distributive trades	08						x	x	
Other branches of material production	09								

120.

Table no.5

Intermediate Consumption (Material Inputs), by Branches and Social Sectors

Social sector Branches of the national economy	Number of lines	Total (2+8)	Socialist sector	including					Private sector
				state sector	co-opera- tive sector	social organi- zations	personal holdings of wage- earners and employees	personal holdings of mem- bers of co-opera- tives	
A	B	1	2	3	4	5	6	7	8
Total	01								
Manufacturing industry	02						x	x	
Construction	03								
Agriculture	04								
Forestry	05					x	x	x	x
Transport	06						x	x	
Communications	07				x	x	x	x	x
Distributive trades	08						x	x	
Other branches of material production	09								

Table No.6

National Income Produced, by Branches and Social Sectors

Social sectors Branches of the national economy	Numbers of lines	Total (2+8)	Social- ist sector	Social sectors					Private sector
				State, sector	Co-oper- ative sector	social organiz- ations	personal holdings of wage-earners and employees	personal holdings of members of co-opera- tives	
A	B	1	2	3	4	5	6	7	8
Total of the national income produced on the territory of the country	01								
Manufacturing industry	02						x	x	
Construction	03								
Agriculture	04								
Forestry	05					x	x	x	x
Transport	06						x	x	
Communication	07				x	x	x	x	x
Distributive trades	08						x	x	
Other branches of material production	09								

Final Consumption, by Branches and Social Sectors

A	Numbers of lines B	Total (2+8) 1	Social-ist sector 2	including:			Private sector 6
				state sector 3	co-oper-ative sector 4	Social organi-zations 5	
Total of final consumption (I + II + III)	01						
I Total personal consumption of material goods by the population	02			x	x	x	
Including (by social categories of the population):							
II Total of the consumption of material goods by institutions rendering services in the field of culture and everyday repairs and similar services and social services to the population	03						
including:							
Housing and public utilities and everyday repairs and similar services	04						
Education, culture and art	05						
Health services, social welfare and sports	06						
III Total of the consumption of material goods by institutions satisfying the collective needs of the community	07						x
Including:							
Science and scientific services	08						x
Finance, credit and insurance	09						x
General government	10						x
Other branches of the non-productive sphere	11				x		

Personal Consumption of Material Goods, by Sources of Origin

Sources of origin	Number of lines	Total (specifying individual social
A	B	I
I Purchases of goods in the State and the co-operative retail trade	01	
II Purchases of goods in the private retail trade	02	
III Purchases of goods on the markets	03	
IV Total of goods in kind received	04	
including:		
From State and co-operative enterprises and institutions (excluding agricultural co-operatives)	05	
From agricultural co-operatives	06	
From personal holdings	07	
Production of forestry, fishing and hunting	08	
V Remuneration for handicraft work done by the population	09	
VI Payments for electricity, water and gas for domestic purposes	10	
VII Depreciation of housing	11	
Total of the personal consumption	12	

Table 10

Balance of Production, Distribution, Redistribution and Final Utilization of the Global Product and the National Income

	Production and primary distribution of the global product and the national income		Redistribution of the global product and the national income																											Final utilization of the global product and the national income									
	Global product	Material input	Income transferred																							Income received				Balance of redistribution	Total of the global product	including							
			Within the limits of the national income																							Through financial and monetary system		Outside the financial and monetary system				Through the financial and monetary system		Outside the financial and monetary system		Material input	National income	including	
			Total of the national income	Primary incomes of the population	Primary incomes of enterprises	Regrouping of primary incomes	Total of incomes redistributed (payments)	Payments into the budget	Social insurance contributions	Insurance premiums for goods and services and personal insurance	Payments into the credit system	Bank credit and loans	Payments into special non-budget funds	Other payments for services	Wages of the population in the non-material sphere	Direct transfer of the incomes of economic units to other economic units	Increase in debt balances	Other redistributive payments	Total of incomes redistributed (receipts)	Receipts from the budget	Pensions and allocations	Payments of claims arising from goods insurance and personal insurance	Payments from the credit system	Receipts from the credit system	Payments from special non-budget funds	Other receipts	Receipts for services sold	Wages of the population in non-material sphere	Direct transfers of the incomes of the economic units to other economic units			Increase in credit balances	Other receipts	Total of the global product	Material input			National income	Final consumption
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
1	A	Sphere of material production																																					
2	1	By social sector																																					
3	I	Socialist sector																																					
4	(a)	State sector																																					
5	(b)	Co-operative sector																																					
6	(c)	Social organizations																																					
7	(d)	Personal holdings of wage earners and employees																																					
8	(e)	Personal holdings of members of cooperatives																																					
9	2	Private sector																																					
10	II	By branches																																					
11	Manufacturing																																						
12	Construction																																						
13	Agriculture																																						
14	Forestry																																						
15	Transport																																						
16	Communications																																						
17	Trade																																						
18	Other branches of material sphere																																						
19	B	Non-material sphere																																					
20	III	By social sectors																																					
21	1	Socialist sector																																					
22	(a)	State sector																																					
23	(b)	Cooperative sector																																					
24	(c)	Social organizations																																					
25	2	Private sector																																					
26	IV	By branches																																					
27	Housing, public utilities																																						
28	Education, culture and art																																						
29	Health services, social welfare and sports																																						
30	Science and scientific services																																						
31	Finance, credit and insurance																																						
32	General government																																						
33	Other branches																																						
34	C	Population including wage earners and employees																																					
35	D	Members of cooperatives																																					
36	E	Other groups of the population																																					
37	F	Total for the national economy																																					
38	G	Foreign countries																																					
39	H	Total																																					

Table No. 11

Inter-Relations between Financial and Credit Institutions

Expenditure Incomes	State budget	Bank system	Savings banks	Social insurance	Goods insurance and per- sonal insurance	Special extra- budgetary funds	Total
	1	2	3	4	5	6	7
State budget	x						
Bank system		x					
Savings banks			x				
Social insurance				x			
Goods insurance and personal insurance					x		
Special extra-budgetary funds							
Total							

Balance of Money Income and Their Expenditure of the Population

Income	Total	including			Expenditure	Total	including		
		wage earners and em- ployees	members of co-ope- ratives	other groups of the popu- lation			wage earners and em- ployees	members of co-ope- ratives	other groups of the popu- lation
1	2	3	4	5	6	7	8	9	10
A <u>Total of income from State, co-operative and social enterprises and institutions</u>					A <u>Total of expenditure in State, co-operative and social enterprises and institutions and savings in the form of contributions</u>				
1 Wages and salaries, bonuses, payments on official missions, etc including wages and salaries					including				
2 Money income from agricultural co-operative enterprises					1. Total of purchases of goods				
3 Income from the sale of agricultural products and other products					(a) in the State and co-operative retail trade				
4 Pensions					(b) on the market from collective farms				
5 Allowances					2. Total of the payments for services and other expenditure				
6. Scholarships and fellowships					including				
7 Receipts from financial institutions					(a) rent for dwellings and payments to public utilities				
8. Other receipts					(b) payments for everyday repairs and similar services				
B <u>Total of income resulting from the exchange of goods and services between groups of the population</u>					(B) expenditure on education				
(a) receipts from the sale of agricultural products					(c) contributions to institutions for children				
(b) receipts from the sale of non-agricultural products					(A) expenditure for stays in sanatoria and rest homes				
(c) receipts from the sale of services (material and non-material)					(e) medical expenses				
(r) other receipts					(X) entertainment expenses				
					(J) transport expenses				
					(H) payments for communications				
					(K) other expenses				
					3. Total of obligatory payments and voluntary contributions				
					including				
					(a) taxes and fees				
					(b) insurance premiums				
					(c) contributions to social and co-operative enterprises and institutions				
					(r) reimbursement of loans				
					(A) interest on consumer credit				
					(e) purchases of lottery tickets				
					(X) purchases of bonds and government loans				
					4. Increase in savings				
					(a) increase in the amount of deposits in savings banks				
					(b) increase in the amount of savings in other banks				
					G <u>Expenditure resulting from the exchange of goods and services between groups of the population</u>				
					(a) expenditure on purchases of agricultural products				
					(b) expenditure on purchases of non-agricultural products				
					(B) expenditure on services (material and non-material)				
					(r) other transfers				
					Total expenditure (A+E)				
					B Change in cash held by the population (+ -)				
Total income (A + G)					Total (A + G B)				

Balance of Manpower Resources

	Numbers of lines	Annual average
A	B	1
<u>I. Manpower resources</u>		
Population of working age; those invalids and retired people who although of working age do not work are excluded	1	
Young persons under working age, but already working	2	
Persons over working age, but still working	3	
Total of manpower resources (1+2+3)	4	
<u>II. Distribution of manpower resources</u>		
Total of persons engaged in the national economy (6+15)	5	
Total of persons engaged in the sphere of material production	6	
in manufacturing industry	7	
in construction	8	
in agriculture	9	
in forestry	10	
in transport	11	
in communication	12	
in distributive trade	13	
in other branches of material product	14	
Total of persons engaged in the non-productive sphere	15	
in housing, public utilities and everyday repairs and similar services	16	
in education, culture and art	17	
in health services, social welfare and sports	18	
in science and scientific services	19	
in finance, credit and insurance	20	
in general government	21	
in other branches of the non-productive sphere	22	
Persons of working age studying full time	23	
Other categories of population of working age	24	
Total distribution of man-power resources (5+23+24)	25	

Distribution of Persons Engaged in the National Economy, by Social Sectors
(annual average)

	Number of lines	Total (2+8)	Socialist sector	including					Private sector
				state sector	co-operative sector	social organizations	personal holdings of wage-earners and employees	personal holdings of members of co-operatives	
A	B	1	2	3	4	5	6	7	8
Total of persons engaged in the sphere of material production including:	01								
- in manufacturing industry	02								
- in construction	03								
- in agriculture	04								
- in forestry	05					x	x	x	x
- in transport	06						x	x	
- in communications	07					x	x	x	
- in distributive trade	08						x	x	
- in other branches of material production	09								
Total of persons engaged in the non-productive sphere including:	10								
- in housing, public utilities and everyday repairs and similar services	11						x	x	
- in education, culture and art	12						x	x	
- in health services, social welfare and sports	13						x	x	
- in science and scientific services	14						x	x	
- in finance, credit and insurance	15					x	x	x	x
- in general government	16					x	x	x	x
- in other branches of the non-productive sphere	17						x	x	x
Total of persons engaged in the national economy (01+10)	18								

THE INDICATORS OF NATIONAL WEALTH

	At the beginning of the year	At the end of the year	Increase during the year
<u>A. Socialist property</u>			
1. State (national) property			
(a) Fixed assets:			
productive			
non-productive			
including housing . . .			
(b) Material circulating assets			
including productive stocks			
work in progress			
finished products			
and commodities . .			
(B) State stockpiles			
2. Co-operative and collective farm property			
(a) Fixed assets :			
productive			
non-productive			
including housing . . .			
(b) Material circulating assets and stocks			
including productive stocks . .			
work in progress . . .			
finished products . . .			
and commodities			
<u>B. Property of the population</u> (by social categories)			
(a) Fixed assets :			
productive			
non-productive (housing)			
(d) Durable goods in households			
(B) Stocks of agricultural products in producers' holdings			
Total:			
Plus lands and forests			

Balance of Fixed Assets of the National Economy, at Original Cost Less Depreciation

A	1	2	including:				7	8	including:			12	13
			3	4	5	6			9	10	11		
	Situation at the beginning of the year	Total fixed assets received during the year	Fixed assets installed	Major repairs completed	Fixed assets received from other sectors (forms of ownership) and other branches of the national economy	Fixed assets received from other sources	Total fixed assets consumed and scrapped during the year	Consumed	Residual cost of fixed assets scrapped	Fixed assets transferred to other sectors (forms of ownership) and other branches of the national economy	Fixed assets scrapped for other reasons	Situation at the end of the year	Increase (saving) during the year

Total fixed assets of the national economy including:

Total fixed productive assets also by forms of ownership and branches of the national economy

Total non-productive fixed assets also by forms of ownership and branches of the national economy

Table 17

Balance of Fixed Assets of the National Economy, at Full Value

A	1	2	including:			6	including:			10
			3	4	5		7	8	9	
	Situation at the beginning of the year	Total fixed assets received during the year	Fixed assets installed	Fixed assets received from other sectors (forms of ownership) and other branches of the national economy	Fixed assets received from other sources	Total fixed assets scrapped during the year	Full cost of fixed assets scrapped	Fixed assets transferred to other sectors (forms of ownership) and other branches of the national economy	Fixed assets scrapped for other reasons	Situation at the end of the year

Total fixed assets of the national economy including:

Total fixed productive assets also by forms of ownership and branches of the national economy

Total non-productive fixed assets also by forms of ownership and branches of the national economy