Office for National Statistics

Compendium

United Kingdom National Accounts, The Blue Book: 2014 Edition

An annual publication of National Accounts statistics and the essential data source for macro economic policies and studies.

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Chapters in this compendium

Compendium

Correction notices

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1 . Wednesday 24 June, 2015 09:30

An error has been identified in the estimate of expenditure on Narcotics within Household Final Consumption Expenditure. Data from 1997 to the latest period are affected for series' ABPB, ABPF, ABQI, ABQJ, ADFL, ADIS, MNC2, MNC4, UTIE, UTIG, UTII and UTIK. Higher level aggregates including Gross Domestic Product are also affected, and details of the impact on current price GDP up to 2010 have been provided in an article. Further impacts for later years will be provided for Chained Volume Measure estimates and more recent periods during July and August, and the revised figures will be published within the National Accounts on 30 September 2015. In the meanwhile users of these series are advised to check with ONS before using these series.

An error has been identified in the estimate of insurance industry output within Financial Corporations Output. Data from 2009 to the latest period are affected for series' NHCT, NHCX, FAIQ, NSSG, KTMQ, NQNV, NQBE, NHDB, FAIS and QWLK. Higher level aggregates including Gross Domestic Product are also affected, and details of the impact on current price GDP up to 2010 have been provided in an article article. Further impacts for later years will be provided for Chained Volume Measure estimates of GDP and more recent periods during July and August, and the revised figures will be published within the national Accounts on 30 September 2015. In the meanwhile users of these series are advised to check with ONS before using these series.

2 . Monday 18 May, 2015 15:10

Following publication on 23 February 2015 of the historic 'Income and Capital' Sector Accounts and 'Balance of Payments' pre-1997 data on a European System of Accounts 2010 (ESA 2010) basis, ONS is today publishing the 'Financial Account' pre-1997 data on an ESA 2010 basis. ONS apologises for any inconvenience this delay may have caused.

For a short while there will be an inconsistency between the Rest of the World sector within the Sector Accounts and the Balance of Payments for the period 1987 to 1996 as it has not been possible to publish an updated Balance of Payments dataset due to additional time required to process the changes. Balance of Payments pre-1997 will be updated and brought in line with the Sector Accounts at the same time as the next Balance of Payments publication, 2015 Q1, on 30 June 2015.

3 . Friday 1 May, 2015 10:30

Following publication on 23 February 2015 of the historic 'Income and Capital' Sector Accounts and 'Balance of Payments' pre-1997 data on a European System of Accounts 2010 (ESA 2010) basis, ONS is today announcing that the 'Financial Account' pre-1997 data on an ESA 2010 basis will be published on 18 May 2015.

4 . Monday 16 February, 2015 10:30

ONS previously announced in November 2014 its intention to publish the Historic Sector and Financial Accounts data pre-1997 on a European System of Accounts 2010 (ESA 2010) basis at the end of November 2014. ONS will now publish on 23 February 2015 pre -1997 data for both the 'Income and Capital' Sector Accounts and 'Balance of Payments' Primary and Secondary Income. The 'Financial Account' data will follow at a later date.

5 . Friday 9 January, 2015 10:30

An error was found in net capital stocks and gross capital stocks estimates, which affected the following Blue Book 2014 tables:

1.6.9; 3.1.9; 4.1.9; 6.1.9; 10.1; 10.2; 10.3; 10.6; and 10.10.

The CDIDs that have changed are: CGRV, CGRU, CGRC, CGDA, NG23, NG26, MU7W, CGRA, MJG6, NG22, NG2A, CGDA, NG2D, NG2G, MU7X, CGUX, MKV7, NG2C, NG2I, CGRV, NG33, NG36, MU82, NG32, NG38, CGRU, NG45, NG48, MU86, CGRM, NG44, NG4A and CGRC.

ONS have now corrected these.

6 . Wednesday 19 November, 2014 17:00

An error has been found in net capital stocks and gross capital stocks estimates, which affects the following Blue Book 2014 tables:

1.6.9; 3.1.9; 4.1.9; 6.1.9; 10.1; 10.2; 10.3; 10.6; and 10.10.

The CDIDs that will change are: CGRV, CGRU, CGRC, CGDA, NG23, NG26, MU7W, CGRA, MJG6, NG22, NG2A, CGDA, NG2D, NG2G, MU7X, CGUX, MKV7, NG2C, NG2I, CGRV, NG33, NG36, MU82, NG32, NG38, CGRU, NG45, NG48, MU86, CGRM, NG44, NG4A and CGRC.

ONS will correct these at the earliest opportunity.

ONS apologises for any inconvenience this may cause.

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1 . Acknowledgements

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3. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

   These National Statistics are produced to high professional standards and released according to the arrangements approved by the UK Statistics Authority.

Compendium

An introduction to the UK National Accounts

Contact:
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1 . What is the Blue Book?

The United Kingdom National Accounts Blue Book was first published in August 1952 and presents a full set of economic accounts (National Accounts) for the United Kingdom. These accounts are compiled by the Office for National Statistics (ONS). They record and describe economic activity in the UK and as such are used to support the formulation and monitoring of economic and social policies.

2 . Chapter 1

Chapter 1 of the Blue Book provides a summary of the UK National Accounts, including explanations and tables covering the main national and domestic aggregates, for example:

- gross domestic product (GDP) at current market prices and chained volume measures,
- gross domestic product deflator,
- gross value added (GVA) at basic prices,
- gross national income (GNI),
- gross national disposable income (GNDI),
- population estimates,
- employment estimates,
- gross domestic product per head,
- the UK summary accounts (the goods and services account, production accounts, distribution and use of income accounts and accumulation accounts).

Chapter 1 also includes details of revisions to data since the UK National Accounts: The Blue Book 2013.

3 . Chapter 2

Chapter 2 includes:

- Input-Output Supply and Use tables,
- analyses of gross value added at current market prices and chained volume measures,
- capital formation,
- workforce jobs by industry.

4 . Chapters 3 to 7

Chapters 3, 4, 5, 6 and 7 provide:

- a description of the institutional sectors,
- the sequence of the accounts and balance sheets,
- an explanation of the statistical adjustment items needed to reconcile the accounts,
- the fullest available set of accounts providing transactions by sectors and appropriate sub-sectors of the economy (including the rest of the world).

5 . Chapters 8 to 12

Chapters 8, 9, 10, 11 and 12 cover additional analysis and include:

- tables showing the percentage growth rates of the main aggregates,
- supplementary tables for gross fixed capital formation, national balance sheet and public sector,
- statistics for European Union purposes.

6 . Chapter 13

Chapter 13 covers:

- UK environmental accounts.

7 . Chapter 14

Chapter 14 covers:

- flow of funds.

8 . Overview of the UK National Accounts

In the UK priority is given to the production of a single estimate of GDP using income, production and expenditure data.

- Income analysis is available at current prices.
- Expenditure analysis is available at both current prices and chained volume measures.
- Value added analysis is compiled on a quarterly basis in chained volume measures only.

Income, capital and financial accounts are produced for non-financial corporations, financial corporations, general government and households and non-profit institutions serving households.

The accounts are fully integrated, but with a statistical discrepancy, known as the statistical adjustment, shown for each sector account. This reflects the difference between the sector net borrowing or lending from the capital account and the identified borrowing or lending in the financial accounts, which should theoretically be equal.

Financial transactions and balance sheets are produced for the rest of the world sector in respect of its dealings with the UK.

9 . Summary of changes

The main categories of improvements implemented in Blue Book 2014 are:

1. Changes required under international standards and guidelines; European System of Accounts 2010 (ESA 2010); Balance of Payments Manual 6 (BPM6) and the updated Manual on Government Deficit and Debt.

2. Changes from ensuring comparability in measuring Gross National Income (GNI) across European Union countries.

3. Other changes to meet user needs, including implementing the review of public sector finances, improved methods for inventories and gross fixed capital formation; updating the latest base year and reference year from 2010 to 2011; Producer Price Index and Services Producer Price Index rebasing from 2005 to 2010.

A series of articles have been published describing in detail the improvements and their impact. The articles can be accessed via the Changes to National Accounts page on the ONS website.

10 . The basic accounting framework

The accounting framework provides a systematic and detailed description of the UK economy, including sector accounts; and the Input-Output framework.

All elements required to compile aggregate measures, such as GDP, gross national income, saving and the current external balance (the balance of payments) are included.

The economic accounts provide the framework for a system of volume and price indices, to allow chained volume measures of aggregates such as GDP to be produced. It should be noted that in this system value added, from the production approach, is measured at basic prices (including other taxes less subsidies on production but not on products) rather than at factor cost (which excludes all taxes less subsidies on production).

The whole economy is subdivided into institutional sectors with current price accounts running in sequence from the production account through to the balance sheet.

The accounts for the whole UK economy and its counterpart, the rest of the world, follow a similar structure to the UK sectors, although several of the rest of the world accounts are collapsed into a single account as they can never be complete when viewed from a UK perspective.

11 . Table numbering system

The table numbering system is designed to show relationships between the UK, its sectors and the rest of the world. For accounts drawn directly from the European System of Accounts 2010 (ESA 2010), a three-part numbering system is used, whereby the first two digits denote the sector with the third digit denoting the ESA account. Not all sectors can have all types of account, so the numbering is not necessarily consecutive within each sector's chapter. The rest of the world's identified components of accounts 2-6 inclusive are given in a single account numbered 2. UK whole economy accounts consistent with ESA 2010 are given in section 1.6 (816.5 Kb Excel sheet) as a time series and in section 1.7 (816.5 Kb Excel sheet) in detailed matrix format with all sectors, the rest of the world, and the UK total identified.

The ESA 2010 code for each series is shown in the left-hand column, using the following prefixes:

- prefix S for the classification of institutional sectors,
- prefix P for transactions in products,
- prefix D for distributive transactions,
- prefix F for transactions in financial assets and liabilities,
- prefix K for other changes in assets,
- prefix B for balancing items and net worth.

Within the financial balance sheets, the following prefixes are used:

- prefix AF for financial assets/liabilities,
- prefix AN for non-financial assets/liabilities.

12 . What is an account? What is its purpose?

An account records and displays all flows and stocks for a given aspect of economic life. The sum of resources is equal to the sum of uses with a balancing item to ensure this equality.

The system of economic accounts allows the build up of accounts for different areas of the economy, highlighting, for example, production, income and financial transactions.

Accounts may be elaborated and set out for different institutional units/sectors (groups of units).

Usually a balancing item has to be introduced between the total resources and total uses of these units/sectors. When summed across the whole economy these balancing items constitute significant aggregates.

Table I.1 (34 Kb Excel sheet) provides the structure of the accounts and shows how GDP estimates are derived as the balancing items.

13 . The integrated economic accounts

The integrated economic accounts of the UK provide an overall view of the economy. Table I.1 (34 Kb Excel sheet) presents a summary view of the accounts, balancing items and main aggregates and shows how they are expressed. The accounts are grouped into four main categories:

- the goods and services accounts,
- current accounts,
- accumulation accounts,
- balance sheets.

14 . The goods and services account (Account 0)

The goods and services account is a transactions account balancing total resources, from outputs and imports, against the uses of these resources in consumption, investment, inventories and exports. No balancing item is required as the resources are simply balanced with the uses.

15 . Current accounts: The production and distribution of income accounts

The production account (Account I)

The production account displays transactions involved in the generation of income by the activity of producing goods and services. The balancing item is value added (B.1). For the nation's accounts, the balancing items (the sum of value added for all industries) is, after the addition of taxes less subsides on products, gross domestic product (GDP) at market prices or net domestic product when measured net of capital consumption. The production accounts are also shown for each industrial sector.

The distribution and use of income accounts (Account II)

The distribution and use of income account shows the distribution of current income (value added) carried forward from the production account and has saving as its balancing item (B.8). Saving is the difference between income (disposable income) and expenditure (or final consumption).

Three sub-accounts break down the distribution of income:

- the primary distribution of income,
- the secondary distribution of income,
- the redistribution of income in kind.

The primary distribution of income account

Primary incomes are accrued to institutional units due to their involvement in production or their ownership of productive assets and include the following:

- property income (from lending or renting assets),
- taxes on production and imports.

The following are excluded:

- taxes on income or wealth,
- social contributions/benefits,
- other current transfers.

The primary distribution of income shows the way these are distributed among institutional units and sectors. The primary distribution account is divided into two sub-accounts – the generation and the allocation of primary incomes.

The secondary distribution of income account

The secondary distribution of income account shows how the balance of primary incomes for an institutional unit or sector is transformed into its disposable income by the receipt and payment of current transfers (excluding social transfers in kind). The two further sub-accounts (the use of disposable income and the use of adjusted disposable income) look at the use of income for either consumption or saving.

The redistribution of income in kind

The redistribution of income in kind account shows how gross disposable income of households and non-profit institutions serving households and of government are transformed by the receipt and payment of transfers in kind. The balancing item for this account is adjusted gross disposable income (B.7g).

The accumulation accounts (Accounts III and IV)

The accumulation accounts cover all changes in assets, liabilities and net worth. The accounts are structured into two groups.

The first group of accounts cover transactions which would correspond to all changes in assets/liabilities and net worth which result from transactions and are known as the capital account and the financial account. They are distinguished to show the balancing item net lending/borrowing.

The second group of accounts relate to all changes in assets, liabilities and net worth due to other factors, for example, the discovery or re-evaluation of mineral reserves, or the reclassification of a body from one sector to another.

Capital account (Account III.1)

The capital account concerns the acquisition of non-financial assets (income creating or wealth only) such as fixed assets or inventories, financed out of saving, and capital transfers involving the redistribution of wealth. Capital transfers include, for example, capital grants from private corporations to public corporations.

The account shows how savings finance investment in the economy. In addition to gross fixed capital formation and changes in inventories, it shows the redistribution of capital assets between sectors of the economy and the rest of the world. If the balance on the account is negative, it is designated net borrowing and measures the net amount a unit or sector is obliged to borrow from others. If positive, the balance is described as net lending and measures the amount the UK or a sector has available to lend to others. This balance is also referred to as the financial surplus or deficit and the net aggregate for the five sectors of the economy equals net lending/borrowing from the rest of the world.

Financial account (Account III.2)

The financial account shows how net lending and borrowing are achieved by transactions in financial instruments. The net acquisitions of financial assets are shown separately from the net incurrence of liabilities. The balancing item is net lending/borrowing.

In principle, net lending or borrowing should be identical for both the capital account and the financial account. In practice, however, due to errors and omissions this identity is very difficult to achieve for the sectors and the economy as a whole. The difference is known as the statistical discrepancy.

The balance sheet (Account IV)

The second group of accumulation accounts complete the sequence of accounts. Included in these accounts are the balance sheets and a reconciliation of the changes that have brought about the change in net worth between the beginning and end of the accounting period.

The opening and closing balance sheets show how total holdings of assets by the UK or its sectors match total liabilities and net worth (the balancing item). Various types of assets and liabilities can be shown in detailed presentations of the balance sheets. Changes between the opening and closing balance sheets for each group of assets and liabilities result from transactions and other flows recorded in the accumulation accounts, or reclassifications and revaluations.

Net worth equals changes in assets less changes in liabilities.

The rest of the world account (Account V)

The rest of the world account covers the transactions between resident and non-resident institutional units and the related stocks of assets and liabilities. Written from the point of view of the rest of the world, the account is similar in role to an institutional sector.

16 . Satellite accounts

Satellite accounts cover areas or activities not included in the central framework due to them either adding additional detail to an already complex system or them conflicting with the conceptual framework. The UK environmental accounts are satellite accounts linking environmental and economic data in order to show the interactions between the economy and the environment.

See UK Environmental Accounts, 2014 for further information.

17 . The limits of the national economy: Economic territory, residence and centre of economic interest

Economic territory and residence of economic interest

The economy of the UK is made up of institutional units which have a centre of economic interest in the UK economic territory. These units are known as resident units and it is their transactions which are recorded in the UK National Accounts.

UK economic territory

The UK economic territory includes:

- Great Britain and Northern Ireland (the geographic territory administered by the UK government within which persons, goods, services and capital move freely),
- any free zones, including bonded warehouses and factories under UK customs control,
- the national airspace, UK territorial waters and the UK sector of the continental shelf.

The UK economic territory excludes:

- Crown dependencies (Channel Islands and the Isle of Man).

ESA 2010 economic territory

Within ESA 2010, the definition of economic territory also includes:

- territorial enclaves in the rest of the world (embassies, military bases, scientific stations, information or immigration offices, aid agencies, used by the British government with the formal political agreement of the governments in which these units are located),

but excludes:

- any extra territorial enclaves (that is, parts of the UK geographic territory like embassies and US military bases used by general government agencies of other countries, by the institutions of the European Union or by international organisations under treaties or by agreement).

Centre of economic interest

When an institutional unit engages and intends to continue engaging (normally for one year or more) in economic activities on a significant scale from a location (dwelling or place of production) within the UK economic territory, it is defined as having a centre of economic interest and is a resident of the UK.

If a unit conducts transactions on the economic territory of several countries, it has a centre of economic interest in each of them.

Ownership of land and structures in the UK is enough to qualify the owner to have a centre of interest in the UK.

Residency

Resident units are:

- households,
- legal and social entities such as corporations and quasi corporations, for example, branches of foreign investors,
- non-profit institutions,
- government,
- also included are so called ‘notional residents’.

Travellers, cross border and seasonal workers, crews of ships and aircraft and students studying overseas are all residents of their home countries and remain members of their households.

When an individual leaves the UK for one year or more (excluding students and patients receiving medical treatment), they cease being a member of a resident household and become a non-resident, even on home visits.

18 . Economic activity: What production is included?

GDP is defined as the sum of all economic activity taking place in UK territory. In practice a ‘production boundary’ is defined, inside which are all the economic activities taken to contribute to economic performance. In order to decide whether to include a particular activity within the production boundary the following factors are considered:

- Does the activity produce a useful output?
- Is the product or activity marketable and does it have a market value?
- If the product does not have a meaningful market value, can one be assigned (imputed)?
- Would exclusion (or inclusion) of the product of the activity make comparisons between countries over time more meaningful?

The following are recorded within the ESA 2010 production boundary:

- production of individual and collective services by government;
- own-account production of housing services by owner-occupiers;
- production of goods for own final consumption e.g. of agricultural products;
- own-account construction, including that by households;
- production of services by paid domestic staff;
- breeding of fish in fish farms;
- production forbidden by law; as long as all units involved in the transaction enter into voluntarily;
- production from which the revenues are not declared in full to the fiscal authorities.

The following fall outside the production boundary:

- domestic and personal services produced and consumed within the same household, e.g. cleaning, the preparation of meals or the care of sick or elderly people;
- volunteer services that do not lead to the production of goods e.g. care-taking and cleaning without payment;
- natural breeding of fish in open seas.

(European System of Accounts ESA 2010 (2013) paragraphs 1.29 and 1.30)

19 . Prices used to value the products of economic activity

In the UK a number of different prices may be used to value inputs, outputs and purchases. The prices are different depending on the perception of the bodies engaged in the transaction, that is, the producer and user of a product will usually perceive the value of the product differently, with the result that the output prices received by producers can be distinguished from the prices paid by producers.

Basic prices

Basic prices are the preferred method of valuing output in the accounts.

They are the amount received by the producer for a unit of goods or services minus any taxes payable plus any subsidy receivable as a consequence of production or sale.

The only taxes included in the price will be taxes on the output process, for example business rates and vehicle excise duty, which are not specifically levied on the production of a unit of output. Basic prices exclude any transport charges invoiced separately by the producer. When a valuation at basic prices is not feasible, producers’ prices may be used.

Producers’ prices

Producers’ prices are basic prices plus those taxes paid per unit of output (other than taxes deductible by the purchaser such as VAT, invoiced for output sold) minus any subsidies received per unit of output.

Purchasers’ or market prices

Producers’ or market prices are the prices paid by the purchaser and include transport costs, trade margins and taxes (unless the taxes are deductible by the purchaser).

Purchasers’ or market prices are producers’ prices plus any non-deductible VAT or similar tax payable by the purchaser plus transport costs paid separately by the purchaser (not included in the producers’ price).

They are also referred to as ‘market prices’.

The rest of the world: national and domestic

Domestic product (or income) includes production (or primary incomes generated and distributed) resulting from all activities taking place ‘at home’ or in the UK domestic territory.

This will include production by any foreign owned company in the UK, but exclude any income earned by UK residents from production taking place outside the domestic territory.

Gross domestic product equals the sum of primary incomes distributed by resident producer prices.

The definition of gross national income can be introduced by considering the primary incomes distributed by the resident producer units. Primary incomes, generated in the production activity of resident producer units, are distributed mostly to other residents’ institutional units. For example, when a resident producer unit is owned by a foreign company, some of the primary incomes generated by the producer unit are likely to be paid abroad. Similarly, some primary incomes generated in the rest of the world may go to resident units. It is therefore necessary to exclude that part of resident producers’ primary income paid abroad, but include the primary incomes generated abroad but paid to resident units.

Gross domestic product (or income) less primary incomes payable to non-resident units plus primary incomes receivable from the rest of the world equals gross national income.

Gross national income at market prices equals the sum of gross primary incomes receivable by resident institutional units/sectors.

National income includes income earned by residents of the national territory, remitted (or deemed to be remitted in the case of direct investment) to the national territory, no matter where the income is earned.

Real GDP (chained volume measures) plus trading gain equals real gross domestic income (RGDI).

Real gross domestic income (RGDI) plus real primary incomes receivable from abroad less real primary incomes payable abroad equals real gross national income (real GNI).

Real GNI (chained volume measures) plus real current transfers from abroad less real current transfers abroad equals real gross national disposable income (real GNDI).

Receivables and transfers of primary incomes, and transfers to and from abroad are deflated using the gross domestic final expenditure deflator.

20 . Gross domestic product: The concept of net and gross

The term gross refers to the fact that when measuring domestic production capital consumption or depreciation has not been allowed for.

Capital goods are different from the materials and fuels used up in the production process because they are not used up in the period of account but are instrumental in allowing that process to take place. However, over time, capital goods wear out or become obsolete and in this sense gross domestic product does not give a true picture of value added in the economy. When calculating value added as the difference between output and costs we should also show that part of the capital goods are used up during the production process (the depreciation of capital assets).

Net concepts are net of this capital depreciation, for example:

Gross domestic product minus consumption of fixed capital equals Net domestic product.

21 . Special events calendar

The Office for National Statistics has a policy on special events and maintains a special events calendar. Special events are events which are identifiable, do not occur on a regular cycle and which have at least the potential to have an impact on statistics.

22 . Symbols used

In general, the following symbols are used:

.. not available

nil or less than £500,000

£ billion denotes £1,000 million

23. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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1 . An introduction to sector accounts

The sector accounts summarise the transactions of particular groups of institutions within the economy, showing how the income from production is distributed and redistributed and how savings are used to add wealth through investment in physical or financial assets.

2 . Institutional sectors

The accounting framework identifies two kinds of institutions:

- consuming units (mainly households),
- production units (mainly corporations, non-profit institutions or government).

Units can own goods and assets, incur liabilities and engage in economic activities and transactions with other units. All units are classified into one of five sectors:

- non-financial corporations,
- financial corporations,
- general government,
- households and non-profit institutions serving households (NPISH),
- rest of the world.

3 . Types of transactions

There are three main types of transactions:

1. **Transactions in products** are related to goods and services. They include output, intermediate and final consumption, gross capital formation and exports and imports.
2. **Distributive transactions** transfer income or wealth between units of the economy. They include property income, taxes and subsidies, social contributions and benefits and other current or capital transfers.
3. **Financial transactions** differ from distributive transactions in that they relate to transactions in financial claims, whereas distributive transactions are unrequited. The main categories in the classification of financial instruments are monetary gold and special drawing rights; currency and deposits; debt securities; loans; equity and investment fund shares/units; insurance, pension and standardised guarantee schemes; financial derivatives and employee stock options and other accounts receivable/payable.

4 . Sequence of accounts

Transactions can be grouped broadly according to purpose in the production, distribution and use of income, capital or financial accounts.

The production account displays the transactions involved in the generation of income by the production of goods and services. For each of the four sectors (the rest of the world does not have a production account), the balancing item, gross value added, is shown as output less intermediate consumption.

Gross value added at basic prices for each sector differs from gross domestic product for the UK total economy. The difference occurs because taxes less subsidies on products are not included in the production account by sector and are instead included within resources for the UK total economy. The sum of gross value added and taxes less subsidies on products for the UK economy is equal to GDP at market prices.

5 . Distribution and use of income accounts

The distribution and use of income accounts exist for all the institutional sectors. These accounts describe the distribution and redistribution of income and its use in the form of final consumption. The distribution and use of income are analysed in four stages, each of which is presented as a separate account.

1. Generation of income account

This is the first of the distribution and use of income account and shows the sectors and industries which are the source of income. The generation of income account details how value added is distributed in the form of labour costs (compensation of employees) and taxes minus subsidies on production. The balance is gross operating surplus (plus mixed income in the household sector), which is the surplus or deficit on production activities before interest, rent and income taxes. Gross operating surplus is therefore the income which units generate from their own use of the production.

2. Allocation of primary income account

This account shows the resident units and institutional sectors as recipients rather than producers of primary income. It demonstrates the extent to which operating surpluses are distributed (for example by dividends) to the owners of the enterprises. Also recorded in this account is the property income received by an owner of a financial asset in return for providing funds to, or putting a tangible non-produced asset at the disposal of, another unit. The receipt by government of taxes on production less subsidies is shown in resources.

The resources side of this account includes the components of the income approach to measuring gross domestic product and is the starting point for the quarterly sector accounts. The accounts also include property income recorded as both resources for receipts and uses for payments.

The balance of this account is the gross balance of primary income (B.5g) for each sector. If the gross balance of primary income is aggregated across all sectors of the UK economy, the result is gross national income.

3. Secondary distribution of income account

This account describes how the balance of primary income for each institutional sector is allocated by redistribution; through transfers such as taxes on income, wealth, social contributions and benefits and other current transfers. It excludes social transfers in kind.

The balancing item of this account is gross disposable income (B.6g) which reflects current transactions and explicitly excludes capital transfers, real holding gains and losses and the consequences of events such as natural disasters.

4. Use of disposable income account

This account illustrates how disposable income is split between final consumption expenditure and saving. In the system for recording economic accounts, only the government and households and NPISH sectors have final consumption. In addition, for households and pension funds, there is an adjustment item in the account which reflects the way that transactions between households and pension funds are recorded (this adjustment is D.8: Adjustment for the changes in the net equity of households in pension funds reserves).

The balancing item for this account and for the whole group of distribution and use of income accounts is gross saving (B.8g). It is only in the case of non-financial corporations (public and private) that undistributed income and saving are equivalent.

6 . Capital account

The capital account is presented in two parts.

The first part shows that saving (B.8g), the balance between national disposable income and final consumption expenditure from the production and distribution and use of income accounts, is reduced or increased by the balance of capital transfers (D.9) to provide an amount available for financing investment (in both non-financial and financial assets).

The second part shows total investment in non-financial assets. This is the sum of gross fixed capital formation (P.51g), changes in inventories (P.52), acquisitions less disposals of valuables (P.53) and acquisitions less disposals of non-financial non-produced assets (NP). The balance on the capital account is known as net lending or borrowing. Conceptually, net lending or borrowing for all the domestic sectors represents net lending or borrowing to the rest of the world sector.

If actual investment is lower than the amount available for investment, the balance will be positive – representing net lending. Similarly, when the balance is negative, borrowing is represented. Where the capital accounts relate to the individual institutional sectors, the net lending/borrowing of a particular sector represents the amounts available for lending or borrowing to other sectors. The value of net lending/borrowing is the same irrespective of whether the accounts are shown before or after deduction consumption of fixed capital (P.51c), provided a consistent approach is adopted throughout.

7 . Financial account

The financial account shows the acquisition and disposal of financial assets and liabilities. Examples of financial assets include: bank deposits (which are assets of the depositors and liabilities of the banks), unit trust units (assets of the holders and liabilities of unit trusts), and Treasury Bills (assets of the holders and a liability of central government). The balance of all transactions in the financial account is net lending or borrowing.

8 . The statistical adjustment items

Although in theory the net lending/borrowing from the financial account and the net lending/borrowing from the capital account for each sector should be equal, in practice they are not. The difference between the two balances is known as the statistical adjustment item.

Part of the balancing process of economic accounts statistics for the previous year (that is, for years t–1 and earlier) involves assessing and modifying the component variables so that the estimates of net lending/borrowing made from the income and capital accounts and from the financial accounts are the same at the level of the whole economy and reasonably close to each other at the sector level.

The sector statistical adjustment items are shown in Table C (83 Kb Excel sheet) .

9 . Balance sheets

A financial balance sheet for each sector has been compiled using the same financial instrument classification as that used for financial transactions. The changes in the end period levels in the financial balance sheets do not equal the financial transactions because of holding gains or losses and reclassifications of units between sectors.

10. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

   These National Statistics are produced to high professional standards and released according to the arrangements approved by the UK Statistics Authority.

Compendium

Chapter 01: National Accounts at a glance

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To be announced

Table of contents

1 . Corrections

Wednesday 24 June, 2015 09:30

An error has been identified in the estimate of expenditure on Narcotics within Household Final Consumption Expenditure. Data from 1997 to the latest period are affected for series' ABPB, ABPF, ABQI, ABQJ, ADFL, ADIS, MNC2, MNC4, UTIE, UTIG, UTII and UTIK. Higher level aggregates including Gross Domestic Product are also affected, and details of the impact on current price GDP up to 2010 have been provided in an article. Further impacts for later years will be provided for Chained Volume Measure estimates and more recent periods during July and August, and the revised figures will be published within the National Accounts on 30 September 2015. In the meanwhile users of these series are advised to check with ONS before using these series.

Wednesday 24 June, 2015 09:30

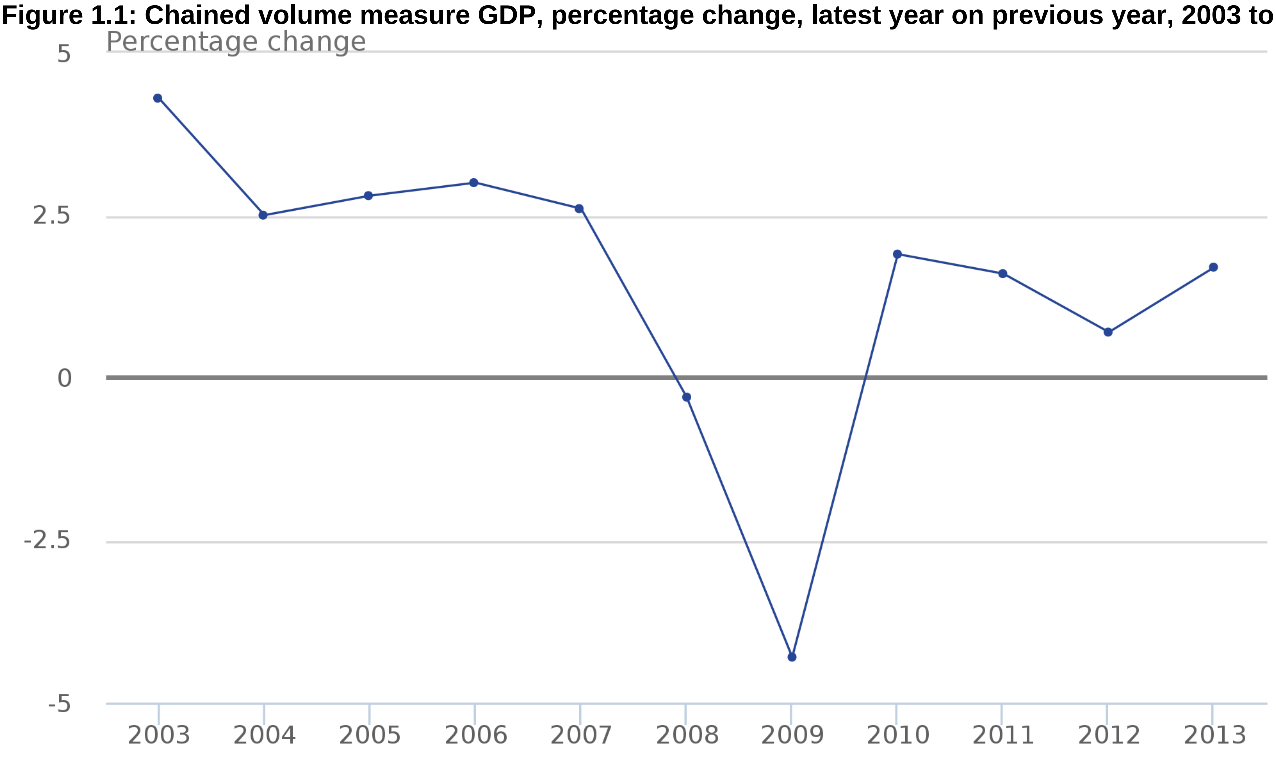
An error has been identified in the estimate of insurance industry output within Financial Corporations Output. Data from 2009 to the latest period are affected for series' NHCT, NHCX, FAIQ, NSSG, KTMQ, NQNV, NQBE, NHDB, FAIS and QWLK. Higher level aggregates including Gross Domestic Product are also affected, and details of the impact on current price GDP up to 2010 have been provided in an article article. Further impacts for later years will be provided for Chained Volume Measure estimates of GDP and more recent periods during July and August, and the revised figures will be published within the national Accounts on 30 September 2015. In the meanwhile users of these series are advised to check with ONS before using these series.

ONS apologises for any inconvenience this may cause.

2 . National Accounts at a glance

This chapter provides a summary of the UK National Accounts, including gross domestic product (GDP) and gross final expenditure.

Figure 1.1: Chained volume measure GDP, percentage change, latest year on previous year, 2003 to 2013

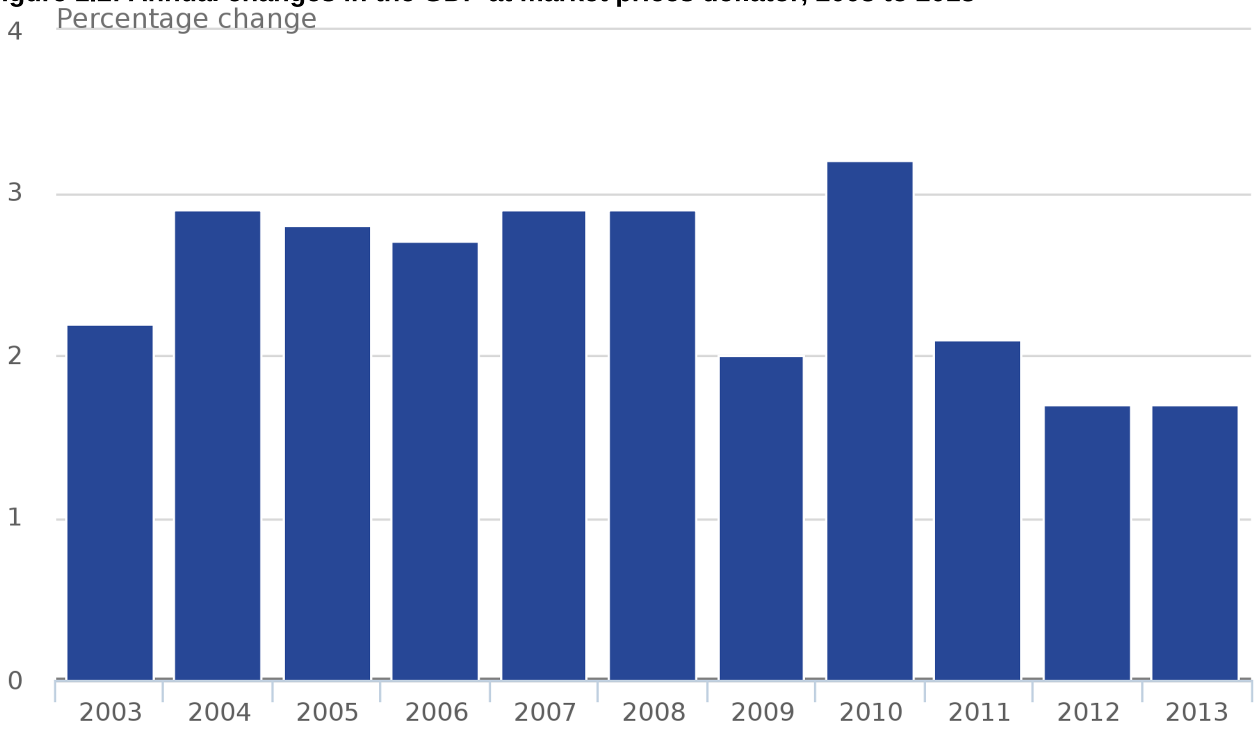


Source: Office for National Statistics

In 2013 economic activity, as measured by the chained volume measure of GDP – sometimes referred to as real GDP – was 1.7% higher than in 2012, compared with growth of 0.7% in the previous year. GDP growth was relatively stable between 2003 and 2007. In 2008 GDP fell by 0.3% and fell again in 2009 by 4.3%, before a recovery of 1.9% in 2010.

GDP in current market prices – sometimes referred to as nominal GDP – increased by 3.5% between 2012 and 2013, compared with growth of 2.3% between 2011 and 2012.

Figure 1.2: Annual changes in the GDP at market prices deflator, 2003 to 2013



Source: Office for National Statistics

The GDP implied deflator at market prices was 1.7% in 2013. The GDP implied deflator is calculated by dividing current price (nominal) GDP by chained volume measure (real) GDP and multiplying by 100 to convert to an index.

Table 1a: Contributions to annual growth in the chained volume measure of GDP, 2013

		Change in GDP
Component	£ million	Percentage points[2]
Households and non-profit institutions serving households final expenditure	17,107	1.1
General government final expenditure	2,548	0.2
Gross fixed capital formation	8,321	0.5
Change in inventories	5,423	0.3
Net trade	-223	0.0
Other[1]	-5,016	-0.3
Total	28,160	1.7%

Source: Office for National Statistics

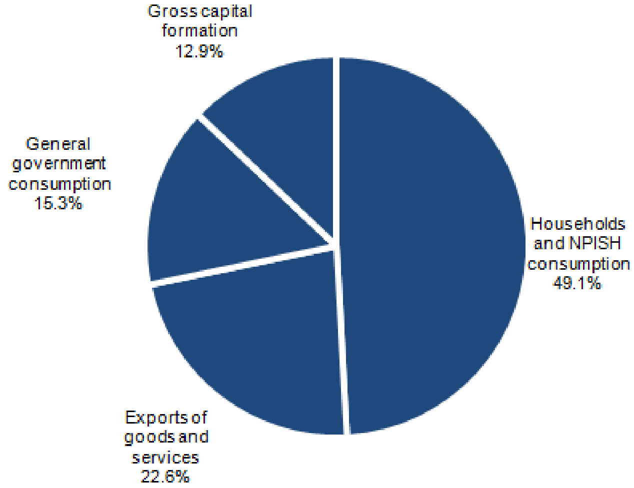
Notes:

1. Comprises acquisition of valuables and the statistical discrepancy between the expenditure measure and the average measure of GDP.

2. Components may not sum to total due to rounding

The chained volume measure of GDP grew by 1.7% in 2013. Total expenditure can be decomposed into components. Table 1a shows what effect each component would have if all other components had remained unchanged. Four of the six components had a positive contribution, with households and non-profit institutions serving households having the largest contribution of 1.1%.

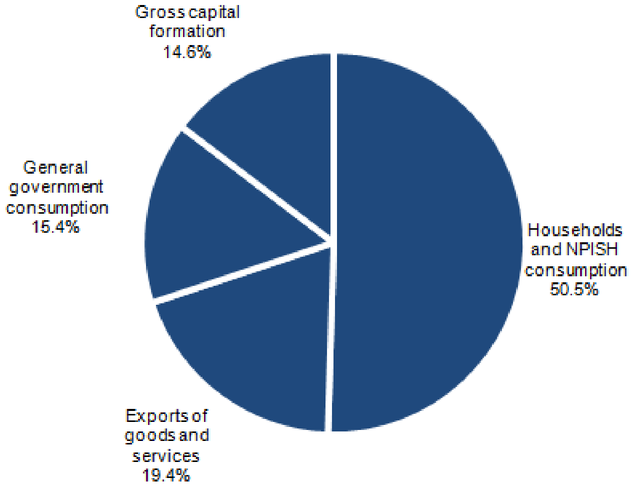
Figure 1.3: Gross Final Expenditure at current prices: share by category of expenditure, 2013



Source: Office for National Statistics

Gross final expenditure (GFE) measures the sum of the final uses of goods and services produced by, or imported to the UK. In 2013, households and non-profit institutions serving households (NPISH) final consumption expenditure contributed the largest share of GFE in current prices, accounting for 49.1%. Exports of goods and services accounts for 22.6%, with general government (15.3%) and gross capital formation (12.9%) making up the remainder.

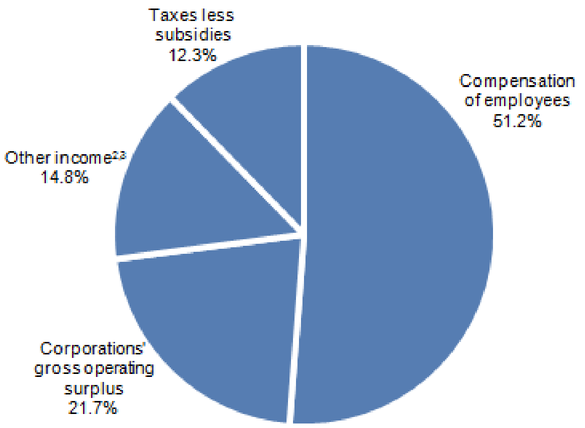
Figure 1.4: Gross Final Expenditure at current prices: share by category of expenditure, 2003



Source: Office for National Statistics

In 2003 there was a similar pattern with households and NPISH accounting for 50.5% of GFE, followed by exports of goods and services (19.4%), general government consumption (15.4%) and gross capital formation (14.6%).

Figure 1.5: GDP at current market prices: share by category of income, 2013



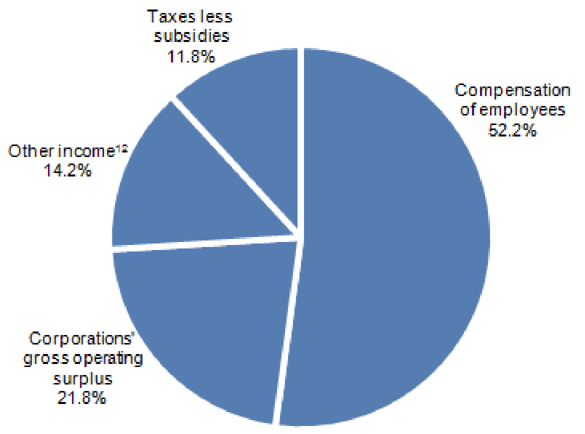
Source: Office for National Statistics

Notes:

1. Totals may not sum to 100 due to rounding.
2. Includes mixed income and the operating surplus of the non-corporate sector.
3. Includes statistical discrepancy.

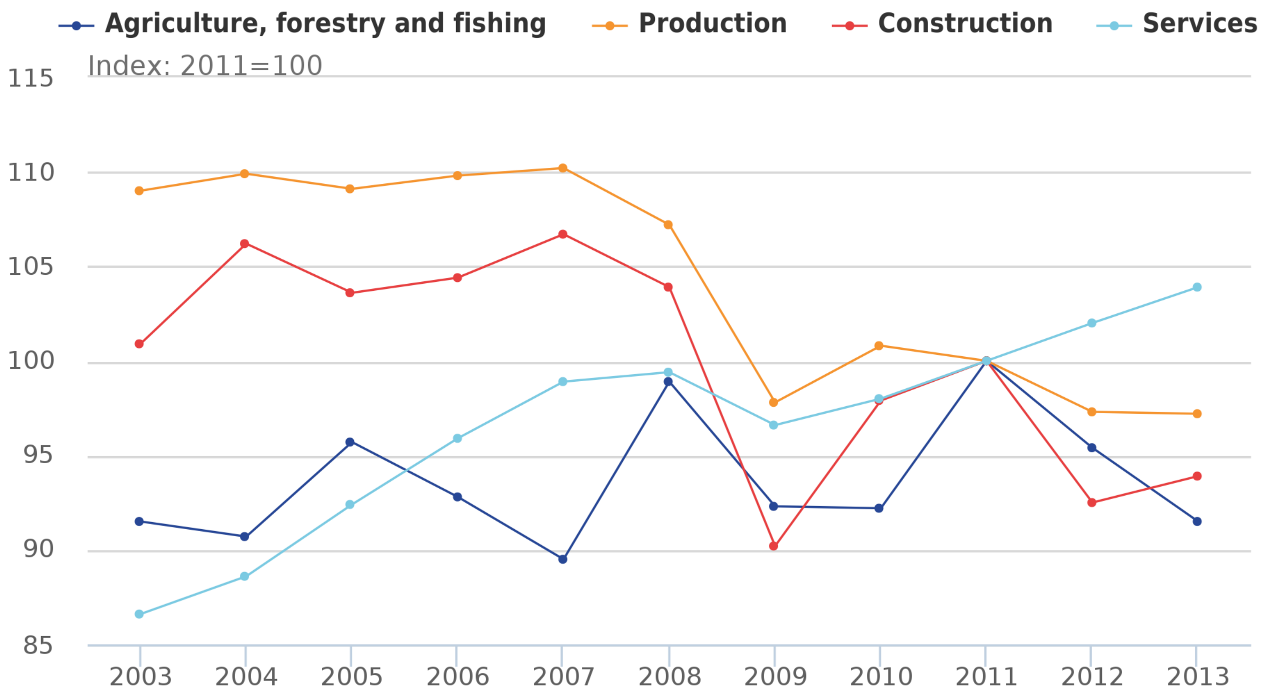
The income approach to GDP measures the income earned by individuals and corporations in the production of goods and services. In 2013, more than half (51.2%) of GDP at current market prices was accounted for by compensation of employees, which comprises mainly of wages and salaries, but also pension contributions. Corporations' gross operating surplus, the profits of UK-based companies, accounted for a further 21.7% which, when combined with compensation of employees, contributed almost three quarters of the income measure of GDP. The remaining quarter comprises other income (14.8%) and taxes less subsidies (12.3%).

Figure 1.6: GDP at current market prices: share by category of income, 2003



In 2003 there was a similar pattern; more than half (52.2%) of GDP at current market prices was accounted for by compensation of employees, with gross operating surplus of corporations contributing just over a fifth (21.8%).

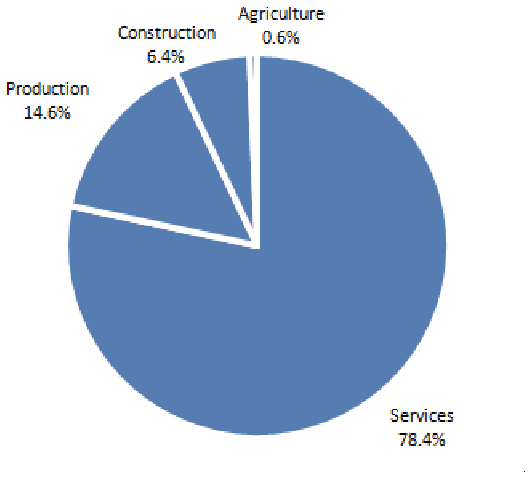
Figure 1.7: GVA at basic prices, by industry , 2003 to 2013



Source: Office for National Statistics

Gross value added (GVA) measures the sum of the value added created through the production of goods and services within the economy. In 2013, GVA grew by 1.6%, with the largest component, services, increasing by 1.8%. The construction industry increased by 1.5%, whilst production and agriculture, forestry and fishing fell by 0.1% and 4.1% respectively. Between 2003 and 2013 the service industry grew in every year with the exception of 2009 when it fell by 2.9%.

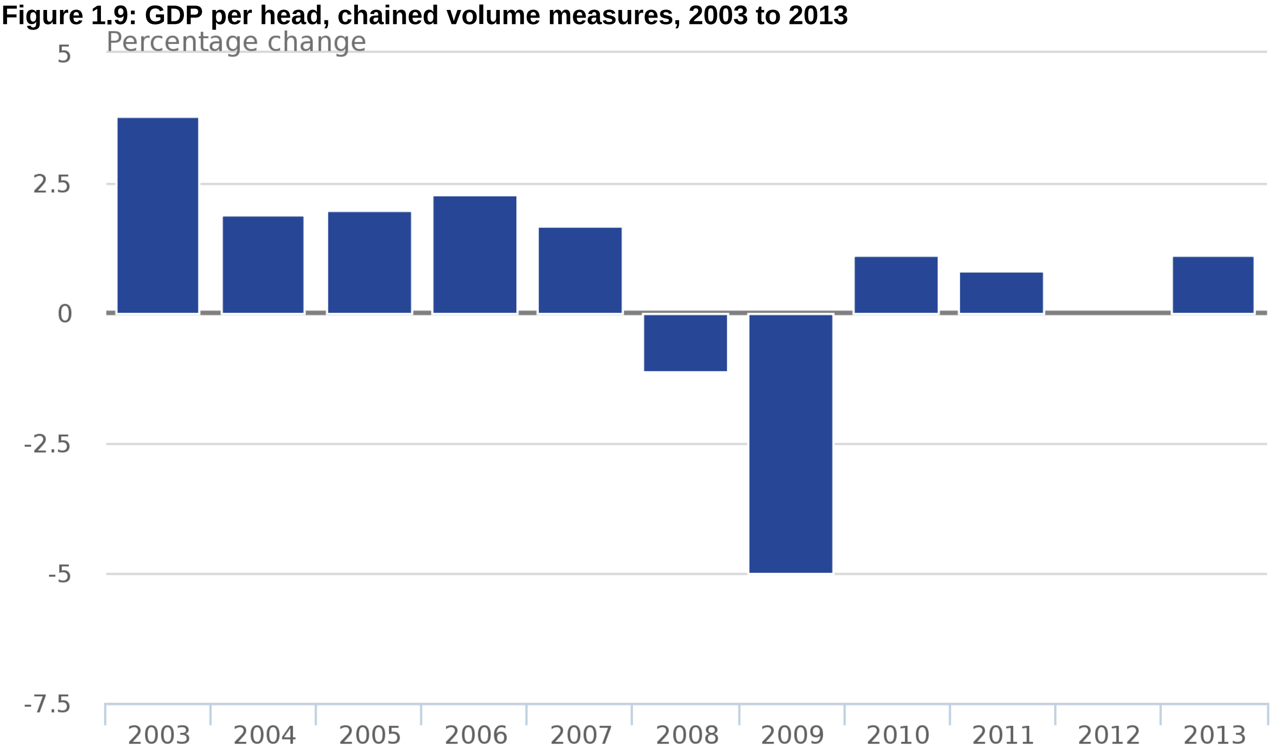
Figure 1.8: Gross value added at basic prices, by industry, 2011



Source: Office for National Statistics

In 2011, the latest base year, the service industries were the largest component of GVA at 78.4%. Representing more than three-quarters of the economy and emphasising their importance to the UK, services are more than five times larger than the production industries which account for 14.6%. The remainder consists of construction (6.4%) and agriculture, forestry and fishing (0.6%).

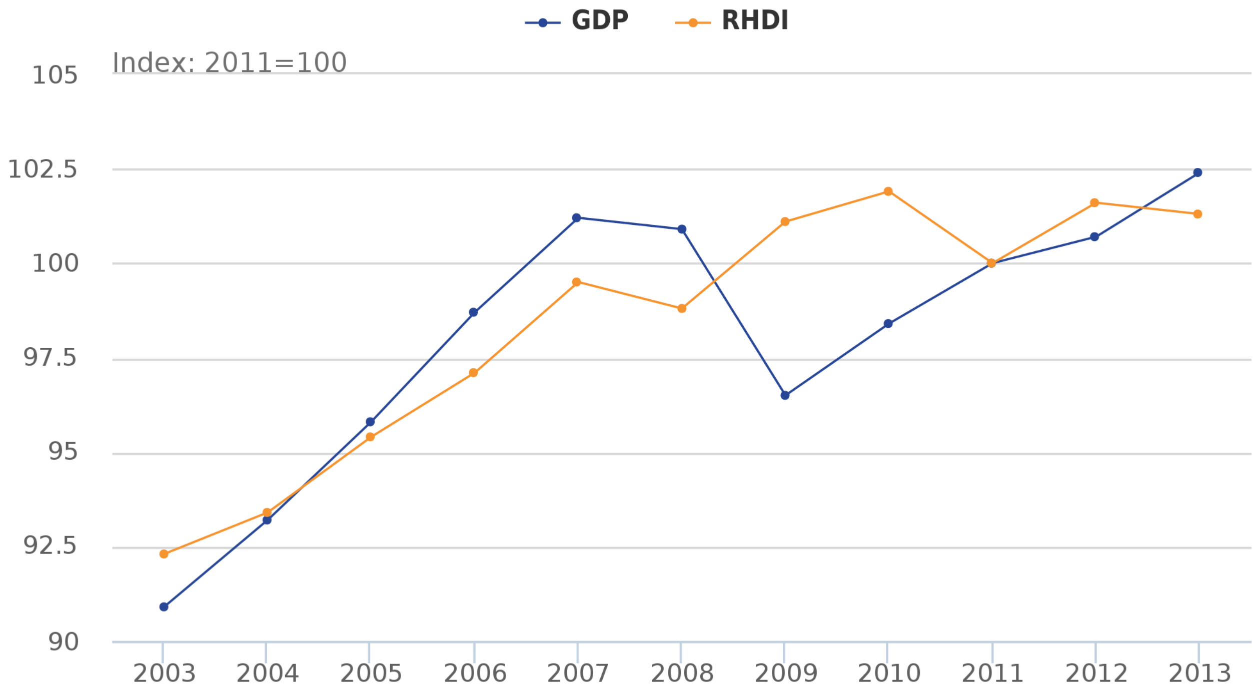
Figure 1.9: GDP per head, chained volume measures, 2003 to 2013



Source: Office for National Statistics

In 2013 GDP per head increased by 1.1%. This is in contrast to falls of 1.1% and 5.0% during 2008 and 2009 respectively, when GDP growth failed to keep up with population increases.

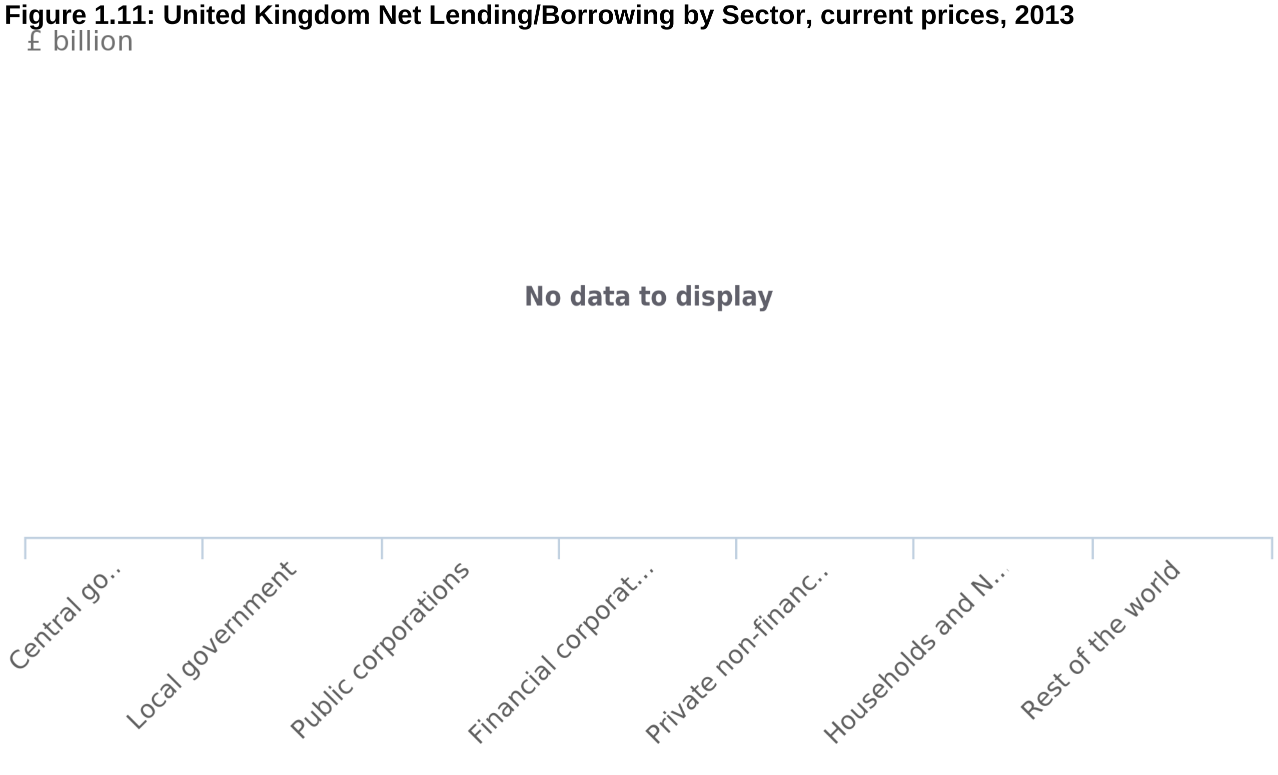
Figure 1.10: GDP and real households' disposable income (RHDI), chained volume measures, 2003 to 2013



Source: Office for National Statistics

Real households' disposable income (RHDI) is the estimate of the total amount of money from income that households have available from wages, self-employed income, social benefits and net property income (interest on savings and dividends from shares) less taxes on income wealth, adjusted for the effects of inflation. RHDI fell by 0.2% in 2013, while the chained volume measure of GDP increased by 1.7%.

Figure 1.11: United Kingdom Net Lending/Borrowing by Sector, current prices, 2013



Source: Office for National Statistics

In 2013 the central government sector was the largest net borrower, borrowing £89.6 billion. Local government, financial corporations and households and NPISH sectors were also net borrowers. The rest of the world sector was the largest net lender, lending £71.9 billion. Private non-financial corporations and public corporations sectors were also net lenders.

3 . Main aggregates and summary accounts

Gross domestic product at current prices

The three approaches and the need for balancing

Gross domestic product (GDP) is used as a summary indicator for economic analysis and comparisons over time. It measures total domestic activity and can be defined in three different ways:

- the sum of gross value added of the institutional sectors or the industries plus taxes less subsidies on products (which are not allocated to sectors and industries). It is also the balancing item in the total economy production account
- the sum of final uses of goods and services by resident institutional units (actual final consumption and gross capital formation), plus exports and less imports of goods and services
- the sum of uses in the total economy generation of income account (compensation of employees, taxes on production and imports less subsidies, gross operating surplus and gross mixed income of the total economy)

This is also the basis of estimating GDP. Using the three different methods avoids sole reliance on one source and allows greater confidence in the overall estimation process. In order to obtain the best estimate of GDP (the published figure), the estimates from all three approaches are reconciled. Annually, this reconciliation is carried out through the construction of the Input-Output Supply and Use tables for the years which data are available and for subsequent periods by carrying forward the level of GDP set by the annual balancing process, using the quarterly movements in production, income and expenditure indicators.

For years in which no supply and use balance has been struck, a statistical discrepancy exists between estimates of the total expenditure components of GDP and the total income components of GDP after the balancing process has been carried out. Two components make up this statistical discrepancy:

- the statistical discrepancy (expenditure adjustment): the difference between the sum of the expenditure components and the definitive estimate of GDP
- the statistical discrepancy (income adjustment): the difference between the sum of the income components and the definitive estimate of GDP (with sign reversed)

The income approach

The income approach provides estimates of GDP and its ‘income’ component parts at current market prices. All income earned by resident individuals or corporations in the production of goods and services is totalled to give the sum of uses in the generation of income account for the total economy.

Transfer payments such as unemployment benefit, child benefit or state pensions are not included as although they do provide individuals with money to spend, they are a redistribution of existing incomes as they are made out of taxes and national insurance contributions. To avoid double counting, these transfer payments are excluded from the calculation of GDP, although they are recorded in the secondary distribution of income account.

In the UK the income approach to GDP is obtained by summing:

gross operating surplus

plus

gross mixed income

plus

compensation of employees (wages and salaries and employers' social contributions)

plus

taxes on production and imports

less

any subsidies on production.

Mixed income is effectively the operating surplus of unincorporated enterprises owned by households, which implicitly includes remuneration for work done by the owner or other members of the household. This remuneration cannot be identified separately from the return to the owner as entrepreneur.

As most of these incomes are subject to tax, the figures are usually obtained from data collected for tax purposes by HM Revenue & Customs. However, because there is some delay in providing good quality estimates by this method, other sources are used to provide initial estimates.

Operating surplus and mixed income are measures of profit that exclude any holding gains. Holding gains result when, although no new goods or services have been produced, the value of inventories and fixed assets has increased simply as the result of an increase in the price of the item.

The Office for National Statistics aims to cover the UK economy as comprehensively as possible. It is recognised that some income is not declared to the tax authorities and to allow for this adjustments are routinely made to the GDP income approach. In 2012 the adjustment for undeclared income was £25.8 billion, approximately 1.6% of GDP.

Although the income approach cannot be used to calculate chained volume measures directly, some estimates are obtained indirectly. The expenditure-based GDP deflator at market prices is used to deflate the current market price estimates to provide a chained volume measure of the total income component of GDP for balancing purposes.

Data for the income components can be found in Table 1.2 (816.5 Kb Excel sheet) .

The expenditure approach

The expenditure approach measures the sum of final uses of goods and services by resident institutional units less the value of imports of goods and services.

The total is obtained from the sum of final consumption expenditure by:

- households
- non-profit institutions serving households (NPISH)
- government on goods and services
- gross capital formation
- net exports of goods and services

This approach can be represented by the following equation:

GDP = C + G + I + (X – M)

Where: C = final consumption expenditure by households and NPISH sectors G = government consumption expenditure I = investment or gross capital formation X = exports M = imports

Data for these categories are estimated from a wide variety of sources including expenditure surveys, the government's internal accounting system, surveys of traders and the administrative documents used in the importing and exporting of some goods. In order to avoid double counting, consumption expenditures need to be classified as either final or intermediate.

Final consumption is the consumption of goods purchased by or for the ultimate consumer or user and is final because the goods are no longer part of the economic flow or being traded in the market place.

Intermediate consumption is the consumption of goods and services which are used or consumed in the production process. Gross capital formation is treated separately from intermediate expenditure, as the goods involved are not used up within the production process in an accounting period.

Data on the current price expenditure components can be found in Table 1.2 (816.5 Kb Excel sheet). As well as GDP at current prices, the expenditure approach is used to estimate chained volume measures of GDP. The chained volume measure shows the change in GDP after the effects of inflation have been removed.

Table 1b: GDP at market prices

£ million

Year	Current prices	Chained volume measure
1997	878,780	1,210,277
1998	923,294	1,252,767
1999	963,196	1,292,244
2000	1,023,512	1,340,947
2001	1,062,262	1,376,677
2002	1,117,171	1,410,437
2003	1,190,525	1,471,091
2004	1,255,191	1,507,191
2005	1,326,660	1,549,491
2006	1,403,726	1,596,628
2007	1,480,956	1,637,432
2008	1,518,675	1,631,995
2009	1,482,144	1,561,646
2010	1,558,365	1,591,494
2011	1,617,677	1,617,677
2012	1,655,384	1,628,338
2013	1,713,302	1,656,498

Source: Office for National Statistics

Two methods are used to remove the effects of inflation to obtain these chained volume measures. For some series, price indices for particular goods and services – such as components of the Consumer Prices Index (CPI) or the Producer Prices Index (PPI) – are used to 'deflate' the current price series. For other series, chained volume measures are assumed to be proportional to the volume of goods or services. Chained volume measures of GDP and its main expenditure components can be found in Table 1.3 (816.5 Kb Excel sheet).

The production approach

The production approach (output approach) looks at the contribution to production of each economic unit, that is, their total output less the inputs used up in the production process. This figure, plus taxes and less subsidies on products for all producers, is GDP at market prices: the production account balancing item.

Chained volume measures of value added should be estimated by deflating separately the inputs and outputs of each economic unit (double deflation) and subtracting one from the other. However, as it is hard to get reliable data on intermediate consumption, double deflation is only used in the estimation of output for the agriculture and electricity industries. For most industries, movements in the chained volume measures for gross value added (GVA) are estimated by the use of output series. Industries, whose outputs are goods, have outputs estimated from the physical quantities of goods produced, or from the value of output deflated by an index of price.

In addition to the use of output to estimate chained volume measures of value added, changes in inputs, where the inputs chosen may be materials used, employment, or some combination of these, might also be used as a proxy for the change in gross value added.

In the short-term it can be assumed that movements in value added can be measured this way. However, changes in the ratio of output and inputs to gross value added can be caused by new production processes, new products made and inputs used and changes in inputs from other industries. Aggregated over all industries, the impact of these changes will be lessened. Indicators are under constant review, with more suitable ones being used as they become available.

The estimate of gross value added for all industries is finally obtained by combining or 'weighting together' the estimates for each industrial sector according to its relative importance. These weights are based on supply and use data for the immediately preceding year, although supply and use data for 2011 is used for more recent years. Table 2.4 (185 Kb Excel sheet) shows this data.

4 . Headline GDP

The 'headline' GDP (chained volume measure of gross domestic product at market prices) provides the key indicator of change in the economy. The chained volume measure of gross value added at basic prices is the headline measure for the production approach and is compiled relatively free of short-term fluctuations due to uncertainties of timing. The construction of chained volume measures of gross domestic product at factor cost, however, requires an adjustment for the relevant taxes and subsidies which can be subject to erratic changes. As a result, the factor cost measure is less suitable as an indicator of short-term movements in the economy.

Table 1c: Distinction between market prices, basic prices and factor cost measures

ESA 2010 code	
	Gross domestic product, at market prices
D.211	Less value added taxes (VAT) on products
D.212, D.214	Less other taxes on products (for example, alcohol duty)
D.31	Plus subsidies on products
	Gross value added, at basic prices
D.29	Less taxes on production other than taxes on products (for example, business rates)
	Gross value added, at factor cost

GDP at market prices includes taxes on production.

GDP at basic prices includes only those taxes on production, such as business rates, which are not taxes on products.

GDP at factor cost excludes all taxes on production.

5 . Taxes

Taxes on production and imports, including taxes on products (D.2), along with subsidies (D.3) (which can be regarded as negative taxes) make up the factor cost adjustment. This represents the difference between GDP at market prices (sum of final expenditures) and GVA at factor cost (sum of incomes). This adjustment has to be added to the sum of incomes to obtain GDP at market prices. The basic price adjustment (the sum of taxes on products less subsidies on products) is the difference between GVA at basic prices and GDP at market prices. Details of the taxes which comprise taxes on production are included in Table 11.1 (88.5 Kb Excel sheet).

Taxes on production and imports are taxes paid during the production or import of goods and services and are paid even when profits are not made. They consist of taxes on products and other taxes on production.

Taxes on products are taxes paid per unit of good or service produced, sold, leased, transferred, exported or imported. They are included in the prices paid to suppliers of goods and services and are therefore included in intermediate consumption at purchasers' prices (except for deductible Value Added Tax). An example of this is fuel duty.

Deductible VAT is slightly different as producers are reimbursed by government for the amount they pay when goods and services are bought. Intermediate consumption at purchasers' prices is the price paid less deductible VAT refunded. The value of sales or production at producers' prices excludes deductible VAT charged.

Suppliers' net revenue is the selling price less the taxes on products required to pay to the government. This is called the basic price and is the price at which market output is measured as it represents the producers' actual revenue.

Other taxes on production are taxes which producers have to pay but are not paid when goods and services are bought and are therefore not included in intermediate consumption. Examples are non-domestic rates and vehicle excise duty.

6 . Other aggregates – gross national income and gross national disposable income

Gross national income (GNI) represents the total income of UK residents and is the balancing item of the UK allocation of primary income account. This can also be derived from GDP by adding net employment income and net property income from the rest of the world, however UK residents' command over resources are also affected by two other areas.

Flows in and out of the country which are not concerned with economic production are current transfers from abroad and current transfers paid abroad. Included in this are transactions with the European Union, overseas aid and private gifts. An estimate of gross national disposable income (GNDI) is reached by adjusting GNI by the amount of net income received. GNI and GNDI are shown in Table 1.1 (816.5 Kb Excel sheet).

Secondly, disposable income is affected by the terms of trade effect. Some expenditure by UK residents is on imported goods and services and some of the income earned by residents is from exports of goods and services. If UK exports prices fell relative to the price of imports, residents would have to sell more exports in order to continue to buy the same amount of imports, causing the terms of trade effect to move against the UK. Similarly, if UK exports prices rose relative to prices of imports then the effect would be opposite and the purchasing power of residents would rise. An adjustment is made specifically for the terms of trade effect in calculating the chained volume measure of GNDI, also shown in Table 1.1 (816.5 Kb Excel sheet).

Many calculations and decisions are based on the UK GNI figures. Table 1d shows the value of changes to GNI as a direct result of the implementation of ESA 2010 and removes this figure from the ESA 2010 GNI total in order to obtain an estimate of the UK GNI if ESA 2010 had not been implemented. Data changes not related to the introduction of ESA 2010 which were implemented in Blue Book 2014 are still included in both estimates. A more detailed breakdown (34 Kb Excel sheet) was published on the ONS website on 17 October 2014.

Table 1d: Gross National Income (GNI) estimates on an ESA 2010 and an ESA 95 basis

Current prices, £ millions

	2010	2011	2012	2013
Gross national income (ESA 2010)	1,575,535	1,636,409	1,650,124	1,700,170
Less total impact of differences in definitions between ESA 2010 and ESA 95 on GNI (ESA 2010 minus ESA 95)	29,361	31,821	32,102	32,409
Gross national income (ESA 95)	1,546,174	1,604,588	1,618,022	1,667,761

7 . UK GDP chained volume measures

Tables 1.1, 1.3, 1.4 (816.5 Kb Excel sheet)

When comparing change in the economy over time, it is usual to look at whether the goods and services produced have increased. Changes in current price GDP over time reflect changes in the monetary value of the components of GDP. These changes in value can show changes in both price and volume, therefore it is difficult to establish if an increase in the series is due to increased activity in the economy or an increase in the price level. It is therefore useful to measure GDP excluding price effects as well as in current prices. Revaluation of current price data to remove price effects (known as deflation) is carried out by using price indices such as component series of the Consumer Prices Index or Producer Prices Index to deflate current price series at a detailed level of disaggregation. Annual chain-linking (a method of measuring GDP in real terms) was introduced in the 2003 edition of the Blue Book to replace fixed base chain-linking. The real GDP time series produced by annual chain-linking are referred to as chained volume measures.

The expenditure approach is used to provide current price and chained volume measures of GDP in the UK economic accounts. It is not possible to obtain direct chained volume measures of GDP from the income data due to difficulties in accounting for changes in labour productivity. An approximate aggregate measure is calculated by deflating the current price estimates using the GDP deflator derived from the expenditure measure for balancing purposes. The production measure of GDP is based largely on output measures.

The introduction of annual chain-linking

The 2003 edition of the Blue Book replaced the fixed-base linking method with an annual chain-linking process which produces ‘chained volume measures’ of GDP. The calculation of chained volume measures involves applying the price structure prevailing in the previous year for each year, except the most recent available years where chained volume measures are calculated by applying the price structure prevailing in 2011. The year 2011 is the ‘latest base year’ for chained volume measures published in the Blue Book 2014. Estimates for 2012 and 2013 are based on 2011 prices, estimates for 2011 based on 2010 and so on. ‘Previous year’s prices’ data are then chain-linked to produce continuous time series called ‘chained volume measures’.

These chained volume measure series are shown in £ million and referenced onto the ‘latest base year’ (currently 2011), therefore current price data equals chained volume measures annually in 2011. The annual chain-linking ‘previous year’s prices’ data onto a continuous time series referenced onto the latest base year causes loss of additivity in the annual data prior to the latest base year. Chained volume measures prior to 2011 are non-additive. Usually the ‘latest base year’ and therefore the ‘reference year’ will move forward by one year.

The expenditure approach to measuring GDP involves all of the components being annually chain-linked, with the chained volume measure of total GDP aggregated from these.

The output approach involves weighting together the detailed components using the contribution to current price GVA (or weight) in the immediately preceding year and annually chain-linking to produce a continuous time series.

The move to annual chain-linking is consistent with international guidelines (System of National Accounts 2008) and provides more accurate measures of growth in the economy.

Index numbers and price indices

Some chained volume measure series are expressed as index numbers where the series are scaled proportionately to a value of 100 in the reference year. These index numbers are volume indices of the 'base weighted' or 'Laspeyres' form, whereas aggregate price indices are of the 'Paasche' or 'current-weighted' form. They are generally calculated indirectly by dividing the current price value by the corresponding chained volume measure and multiplying by 100. Examples of these are the GDP deflator and the households' consumption deflator.

Value indices are calculated by scaling current price values proportionately to a value of 100 in the reference year. If divided by the corresponding volume index and multiplied by 100, such a value index will give the corresponding price index.

8 . Population, employment and GDP per head

Table 1.5 (816.5 Kb Excel sheet)

Population and employment data are supplementary to the system of accounts. The estimated population of the UK is taken on 30 June and includes all those resident in the UK, whatever their nationality. They include members of both UK and non-UK armed forces and their dependants stationed in the UK and excludes members of H.M. Armed Forces stationed in the rest of the world (not in strict accordance with ESA 2010 requirements which includes all UK armed forces and dependants, wherever stationed and excludes all non-UK ones). At present, this is the most appropriate estimate available and is used to calculate GDP per head.

Total employment data are taken from the UK Labour Force Survey (LFS) – recognised as the most appropriate source for coherent national aggregate labour market estimates. The LFS is a household survey which uses definitions consistent with the International Labour Organisation recommendations adopted by all EU member countries. Coverage of the LFS includes people living in private households and, from 1992, student halls of residence and NHS accommodation and is not precisely consistent with the home population or ESA 2010 requirements.

Employment data in Table 1.5 (816.5 Kb Excel sheet) are estimates of people according to their economic and employment status. They are not comparable with estimates of jobs (Table 2.5 (185 Kb Excel sheet)) as some people have more than one job. The total employment figures include people on government sponsored training and employment programmes and unpaid family workers.

9 . UK summary accounts

Tables 1.6.0-1.6.9 (816.5 Kb Excel sheet)

The UK summary accounts show the full set of accounts for the UK total economy. The accounts are made up of:

- the goods and services account
- the production account
- the distribution and use of income account
- the accumulation accounts

The structure of the accounts is explained in An Introduction to the United Kingdom National Accounts.

10 . UK summary accounts by sector

[Tables 1.7.1-1.7.9 (816.5 Kb Excel sheet)]

The framework

As displayed in Table 1.7, the UK sector accounts can be used to show the economic accounting framework in considerable detail by elaborating the accounts in three different dimensions:

- the institutional sectors
- the types of transactions
- the national and sector balance sheets

The institutional sectors

The first dimension involves the breakdown of the current account into institutional sectors grouped broadly according to their roles in the economy.

Examples of these roles are:

- income distribution
- income redistribution
- private consumption
- collective consumption
- investment
- financial intermediation

Most units have more than one role but are distinguished between corporations, government and households. The rest of the world sector is identified as having a role as it is not part of the domestic economy.

Table 1e: Summary of United Kingdom institutional sectors

Sector and sub-sectors	ESA 2010 code	
Non-financial corporations	S.11	
Public		S.11001
National private and foreign controlled		S.11002 /3
Financial corporations	S.12	
Central bank		S.121
Deposit taking corporations except the central bank		S.122
Money market funds (MMF)		S.123
Non-MMF investment funds		S.124
Other financial intermediaries, except insurance corporations and pension funds		S.125
Financial auxiliaries		S.126
Captive financial institutions and money lenders		S.127
Insurance corporations		S.128
Pension funds		S.129
General government	S.13	
Central government		S.1311
Local government		S.1313
Households	S.14	
Non-profit institutions serving households	S.15	
Rest of the world	S.2	

Source: Office for National Statistics

The types of transaction

The second dimension is that of the type of transaction relating to the particular account within which the transaction appears. These can be grouped broadly according to purpose, whether current, capital or financial.

The national and sector balance sheets

The full set of accounts is completed by including balance sheets and a reconciliation of the changes that have brought about the change between the beginning and the end of the period. The UK presently does not compile the latter except for the general government sector, available in the ONS public sector finances release.

Net lending or borrowing from the capital account should, in theory, equal net lending or borrowing from the financial account, however due to errors or omissions in the accounts, a balance is rarely achieved and the difference is known as the statistical discrepancy. Across all accounts, when a supply and use balance is available, these sum to zero. Consolidating the current and accumulation accounts would provide a balanced account which would look like many of the presentations of commercial accounts.

Spurious accuracy and rounding to the nearest £ million

It must be noted that in most of the published tables no attempt has been made to round estimates beyond the nearest £ million. In some instances this shows figures which appear to have more precision than evidence warrants. The reasons are:

- rounded figures can distort differences over time or between items
- some estimates in the tables are fairly precise and if such an estimate is small, rounding would unnecessarily distort it, however if such series were not rounded to the nearest £ million the major aggregates of which they are components would appear precise although other components were heavily rounded
- not rounding beyond the nearest £ million aids users who prepare derived statistics by avoiding the accumulation of rounding errors which can occur when a number of rounded numbers are manipulated
- when numbers are presented to the nearest £ million, the rounding is usually such that the components add to the total at current prices in order for the accounts to balance. Particularly, quarterly estimates, before and after seasonal adjustment, add up to the calendar year totals. There are, however, small differences between the sum of component series and the total shown due to rounding

11 . Tables

Chapter 01 tables (224.7 Kb Pdf)

12. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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Compendium

Chapter 02: The industrial analyses

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Release date:
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2. Input-Output Supply and Use Tables

3. Summary Supply and Use Tables for the United Kingdom

4. Gross Value Added (GVA)

5. Tables

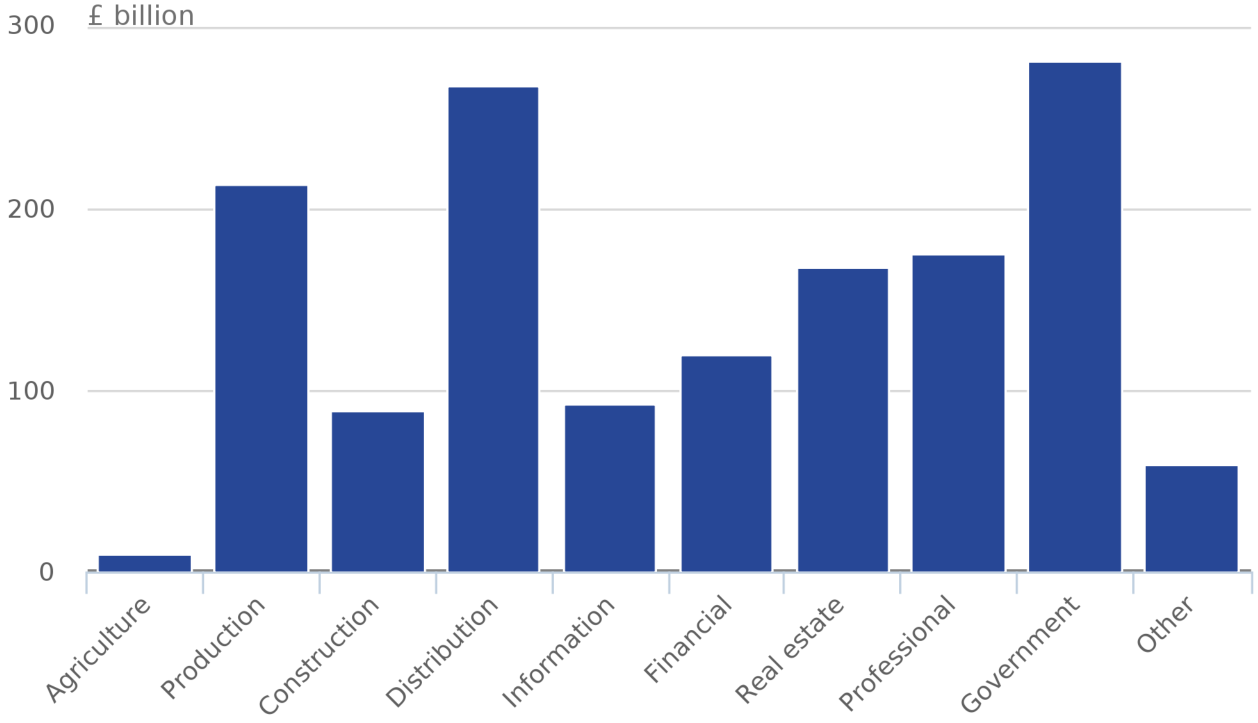
6. Background notes

1 . Explanation of industrial analyses

The industrial analysis

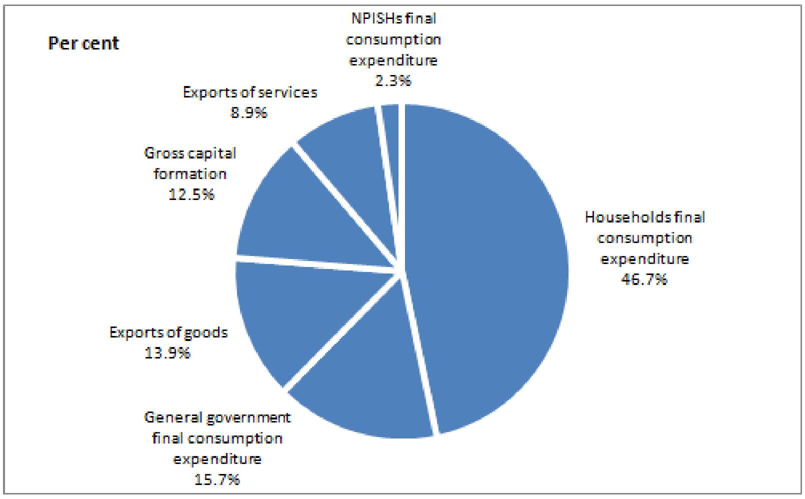
Analysis of the ten broad industrial groups shows that in 2012, the government, health and education industries provided the largest contribution to gross value added at current basic prices, at £281.9 billion out of a total of £1,476 billion (19.1%). The distribution, transport, hotel and restaurant industries contributed 18.1%; the production industries accounted for 14.4%; and the professional and support activity industries accounted for 11.9%.

Figure 2.1: Breakdown of gross value added at basic prices by industry, 2012



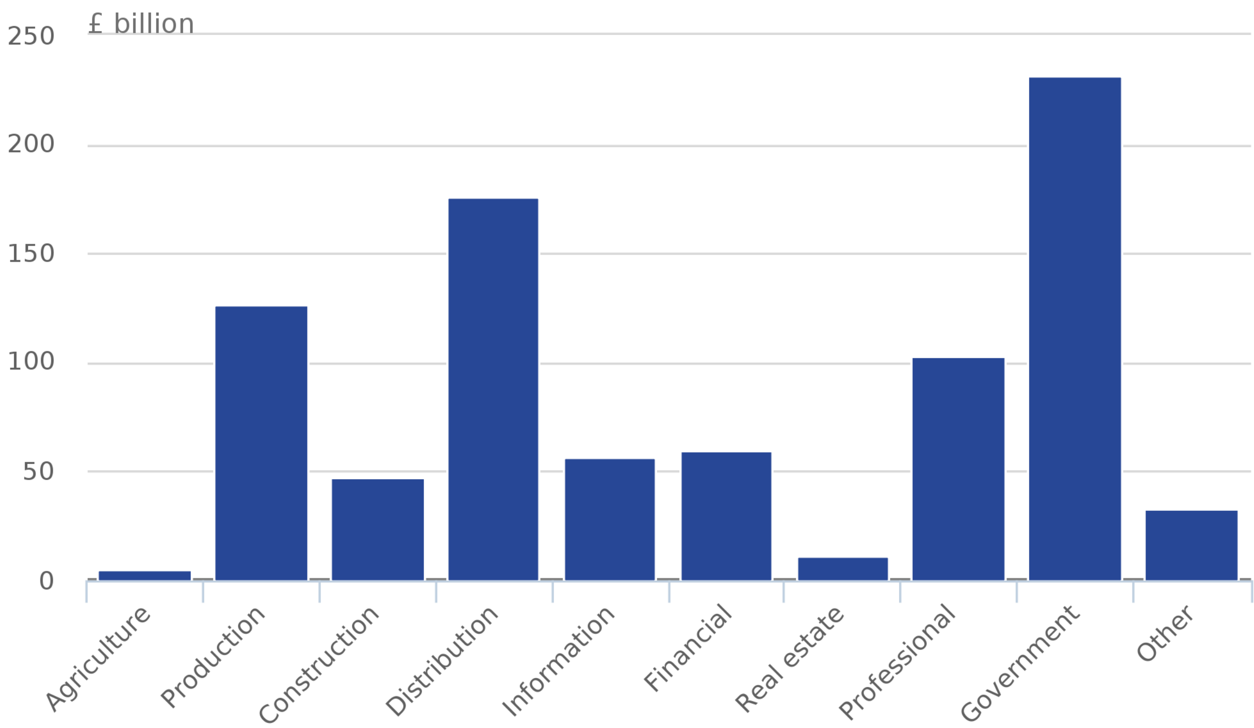
In 2012, just under half (46.7%) of all goods and services entering into final demand were purchased by households, 15.7% were consumed by government, both central and local. 13.9% of goods and 8.9% of services were exported. Gross capital formation by all sectors of the economy amounted to 12.5% of the total. Non-profit institutions serving households (NPISH) consumed 2.3% of goods and services entering final demand.

Figure 2.2: Composition of final demand, 2012



The government, health and education industries showed the highest level of compensation of employees in 2012 at £231.4 billion (27.2%). The second largest industry group in terms of its contribution to total compensation of employees was the distribution, transport, hotel and restaurant industries at £176.1 billion (20.7%).

Figure 2.3: Compensation of employees by industry, 2012



2 . Input-Output Supply and Use Tables

The annual estimates prepared for the UK National Accounts Blue Book incorporate the results of annual inquiries which become available in the first part of the year, although latest year estimates are still largely based on quarterly information. Any newly collected data are shown as revisions. In order to reassess these estimates Supply and Use tables are prepared using all the available information on inputs, outputs, gross value added, income and expenditure. Production of the consolidated sector and financial accounts requires preparation of 'top-to-bottom' sector and sub-sector accounts to identify discrepancies in the estimates relating to each sector.

The latest annual Supply and Use tables provide estimates for the years 1997 to 2012, with data for 2012 being balanced for the first time and 2010 to 2011 being fully re-balanced. Data from 1997 to 2009 have also been revised to incorporate changes required under new international standards and guidelines, changes from ensuring comparability and other changes to meet user needs. For full details, see ' Commentary on Supply and Use balanced estimates of annuals GDP, 1997-2012' (Wild, R and Whiting, G, ONS, 2014)' (924.7 Kb Pdf).

Further general information regarding the Supply and Use framework and the balancing process can be found in guidance and methodology.

Current price analysis

The analyses of gross value added and other variables by industry shown in Tables 2.2 and 2.3 (185 Kb Excel sheet) reflect estimates based on Standard Industrial Classification 2007 (SIC 2007). These tables are based on current price data reconciled through the Input-Output Supply and Use framework from 1997 to 2012.

Estimates of total output and gross value added are valued at basic prices, the method recommended by European System of Accounts 2010 (ESA 2010). Thus the only taxes and subsidies included in the price will be those paid or received as part of the production process (such as business rates) rather than those associated with the production of a unit of output (such as VAT).

Chained volume indices (2011=100) analyses

Table 2.4 (185 Kb Excel sheet) shows chained volume estimates of gross value at basic prices by industry. The output approach provides the lead indicator of economic change in the short-term. In the longer-term it is required to follow the annual path indicated by the expenditure measure of real GDP (usually to within 0.2 per cent of the average annual gross value added growth). To achieve this, balancing adjustments are sometimes applied to the output-based gross value added estimates.

The Office for National Statistics has developed an automatic function for assigning the annual adjustments to gross value added. This is designed to be as faithful as possible to the quarterly paths whilst adjusting the overall annual growth rate. For technical and other reasons the adjustments are not, at present, made to retail or the non-service industries for any years.

Workforce jobs by industry

Workforce Jobs (WFJ) is the preferred measure of the change in jobs by industry. A person can have more than one job; therefore the number of jobs is not the same as the number of people employed.

Table 2.5 (185 Kb Excel sheet) breaks down WFJ into ten broad industry groupings on SIC 2007.

The main component of WFJ are employee jobs and these are obtained mainly from surveys of businesses selected from the Inter-Departmental Business Register (IDBR).

The Labour Force Survey (LFS) is used to collect self-employment jobs. This is a household survey which codes respondents according to their own view of the industry in which they work and therefore the industry breakdown is less reliable than the business surveys.

WFJ also includes Her Majesty's Forces (contained within industry section O) and government supported trainees from administrative sources (split by industry using the LFS).

3 . Summary Supply and Use Tables for the United Kingdom

Table 2.1a: Summary Supply and Use tables 2009 (52 Kb Excel sheet)

Table 2.1b: Summary Supply and Use tables 2010 (51.5 Kb Excel sheet)

Table 2.1c: Summary Supply and Use tables 2011 (51 Kb Excel sheet)

Table 2.1d: Summary Supply and Use tables 2012 (51 Kb Excel sheet)

4 . Gross Value Added (GVA)

The United Kingdom National Accounts: The Blue Book provides a comprehensive industry breakdown of gross value added (GVA), with activities grouped into twenty broad sections in accordance with SIC 2007.

The Blue Book also includes supplementary information regarding different components that make up GVA for each industry. Under the income approach, GVA is split into compensation of employees (CoE), taxes less subsidies, gross operating surplus (GOS) and mixed income. Estimates of each industry's intermediate consumption and total output are also published, with the difference between the two equalling GVA.

Such additional information available in Blue Book allows for more detailed analysis of national output to be conducted. For example, CoE can be used to calculate how much of an industry's production income is spent on wages & salaries and employers' social contributions, whereas GOS data can be used to estimate how much profit is generated by companies after considering labour costs and taxes less subsidies.

In the UK, the share of GVA attributable to both CoE and GOS and mixed income have remained relatively stable, averaging at around 58% and 40% of nominal GVA respectively between 1997 and 2012. These ratios do however vary markedly by industry; with CoE as a per cent of GVA ranging from a high of 82% in government services in 2012 to a low of 7% in real estate. CoE can also show how an industry's labour share changes over time. For example, the distribution, transport, hotels and restaurants industries have been experiencing a steady rise in CoE as a proportion of GVA, increasing from 57% in 1997 to 66% by 2012.

5 . Tables

Chapter 02 tables (147.7 Kb Pdf)

Table 2.1a: Summary Supply and Use tables 2009 (52 Kb Excel sheet)

Table 2.1b: Summary Supply and Use tables 2010 (51.5 Kb Excel sheet)

Table 2.1c: Summary Supply and Use tables 2011 (51 Kb Excel sheet)

Table 2.1d: Summary Supply and Use tables 2012 (51 Kb Excel sheet)

6. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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Compendium

Chapter 03: Non-financial corporations

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1 . Non-financial corporations

Non-financial corporations produce goods and services for the market and do not, as a primary activity, deal in financial assets and liabilities.

This sector includes, for example, retailers, manufacturers, utilities, business service providers (such as accountancy and law firms), caterers, haulage companies, airlines, construction companies and farms.

The non-financial sector is broken down into two sub-sectors:

- public sector non-financial corporations
- private sector non-financial corporations

Tables 3.2.1 to 3.2.9 (461 Kb Excel sheet) relate to public non-financial corporations, which are government owned trading businesses.

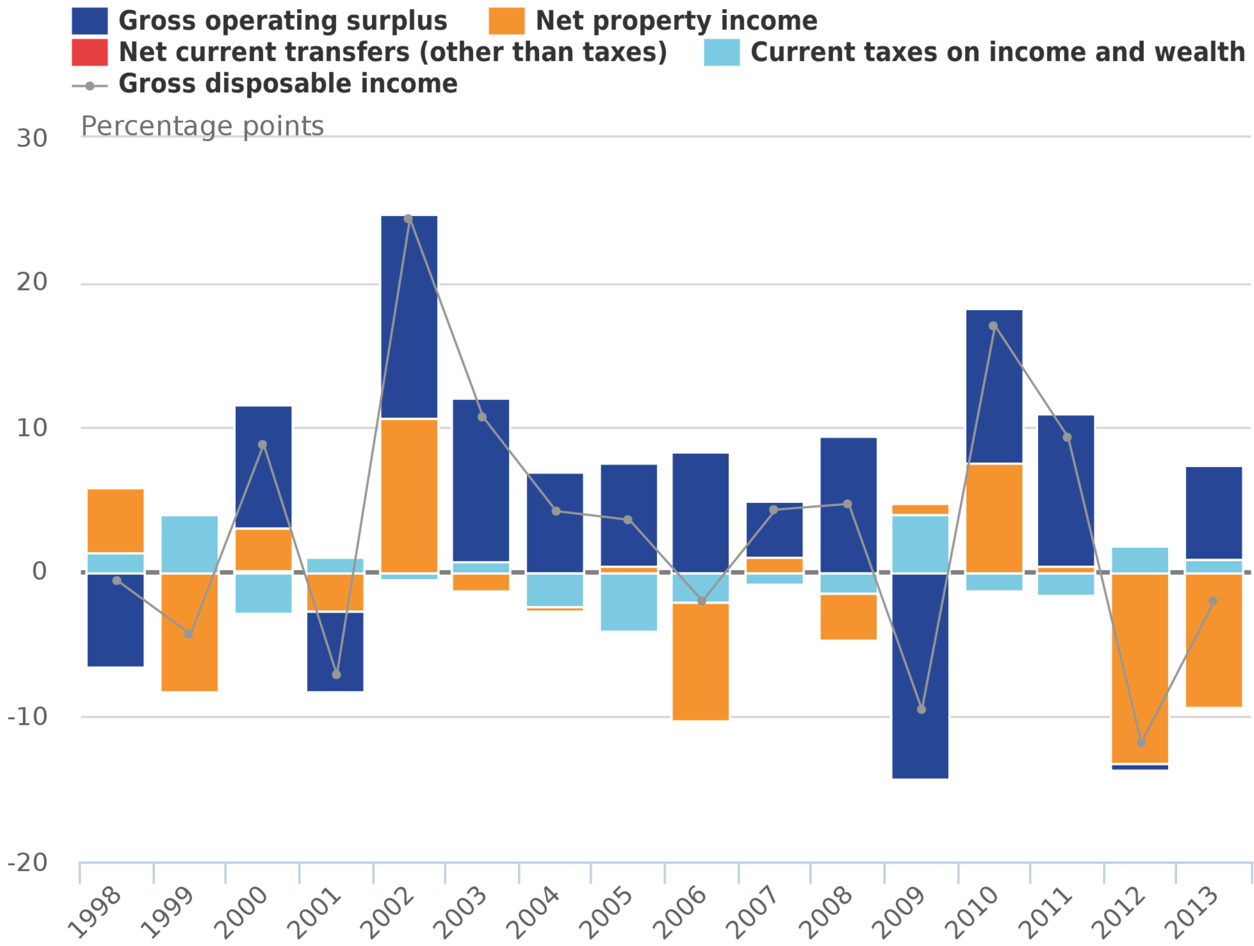
Further information on sector classifications and classification decisions can be found in the National Accounts Classification section of the Office for National Statistics (ONS) website.

2 . Private non-financial corporations at a glance

Gross operating surplus of corporations (company gross trading profits plus rental of buildings less holding gains of inventories) account for the majority of private non-financial corporations (PNFC) primary resources, supported by some additional property income (such as interest received on investments and reinvested earnings on foreign direct investment). However property income paid (primarily dividends that are paid by PNFCs) has exceeded property income received for the period 1997 to 2013.

Figure 3.1 shows the contributions of certain resources and uses to total gross disposable income growth in the PNFC sector. Rising gross operating surplus supported positive disposable income growth over the decade prior to the downturn, with the exception of 1998, 1999 and 2001. Disposable income fell quite sharply over the economic downturn due to lower profits, and has fallen in 2012 and 2013 as a result of property income paid exceeding property income received to a greater extent than previous years. In the most recent year, this was driven by a 5.5% rise in dividend payments.

Figure 3.1: Contributions to annual growth in PNFC gross disposable income (percentage points)

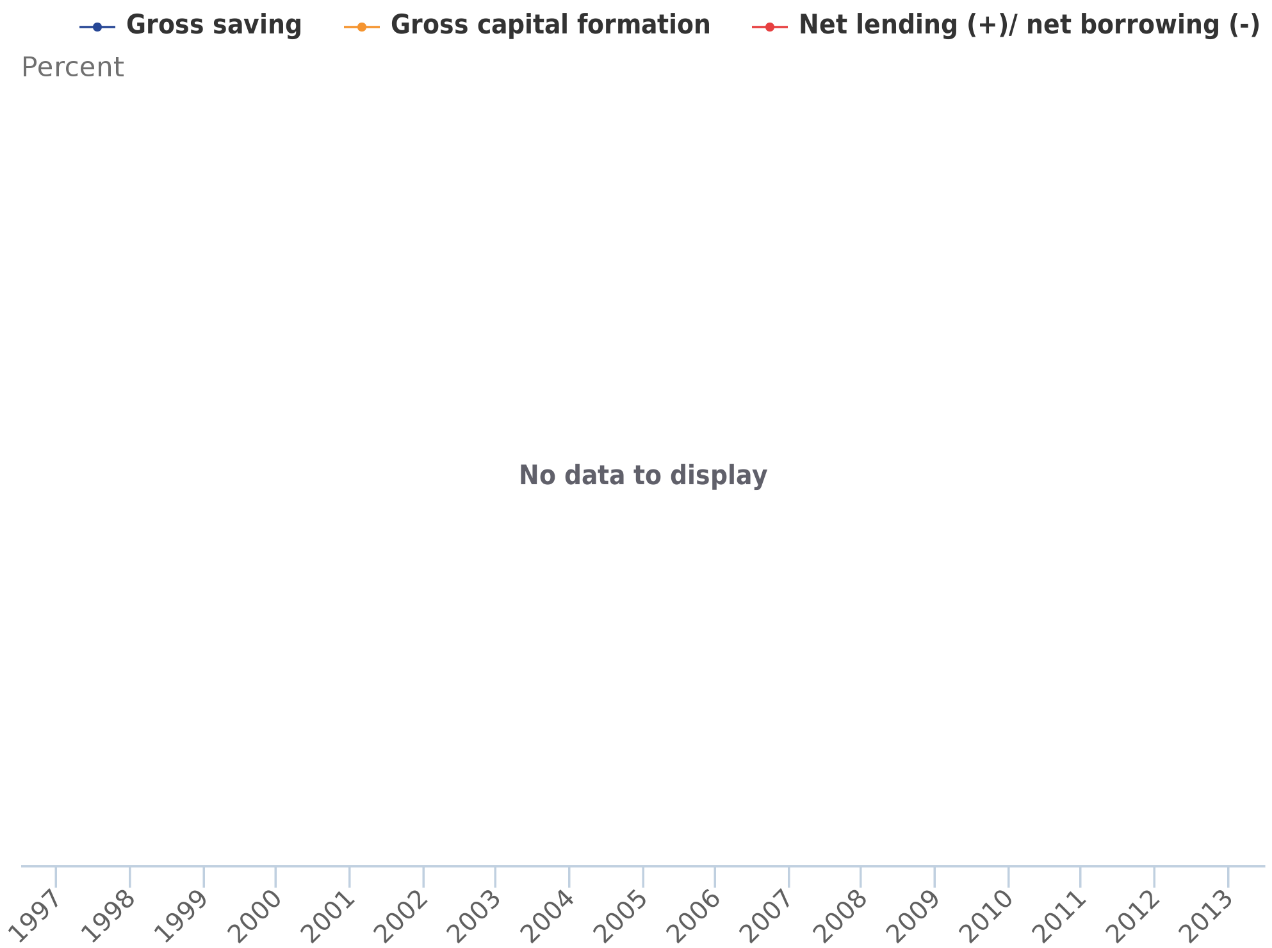


Source: Office for National Statistics

In the PNFC sector, gross saving equates to gross disposable income (the two terms are interchangeable for this sector). Gross saving equates to retained profits, representing the internally generated funds available for firms to invest. Positive net lending arises when the gross saving of firms exceeds their capital expenditure. In contrast, if the sector as a whole were a net borrower, it would imply that internally generated funds were insufficient to meet planned capital expenditures (hence necessitating the borrowing of funds from other sectors).

As Figure 3.2 shows, the PNFC sector became a net lender after 2002 due to broadly stable gross saving, and a gradual fall in gross capital formation. In 2012 and 2013, PNFC net lending as a proportion of GDP has fallen quite sharply, due to declining corporate savings and rising gross capital formation.

Figure 3.2: Net lending in the UK PNFC sector and its components as a proportion of GDP



Source: Office for National Statistics

3 . Tables

Chapter 03 tables (139.6 Kb Pdf)

4. Background notes

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Compendium

Chapter 04: Financial corporations

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1 . Financial corporations

Financial corporations sector (S.12) consists of institutional units which are independent legal entities and market producers, and whose principal activity is the production of financial services. Such institutional units comprise all corporations and quasi-corporations, which are principally engaged in:

(a) financial intermediation (financial intermediaries); and/or

(b) auxiliary financial activities (financial auxiliaries).

Also included are institutional units providing financial services, where most of either their assets or their liabilities are not transacted on open markets.

Financial intermediation is the activity in which an institutional unit acquires financial assets and incurs liabilities on its own account, by engaging in financial transactions on the market. The assets and liabilities of financial intermediaries are transformed or repackaged in relation to, for example, maturity, scale, risk, etc. in the financial intermediation process.

Auxiliary financial activities are activities related to financial intermediation but which do not involve financial intermediation themselves.

Financial corporations are presented in the following groupings:

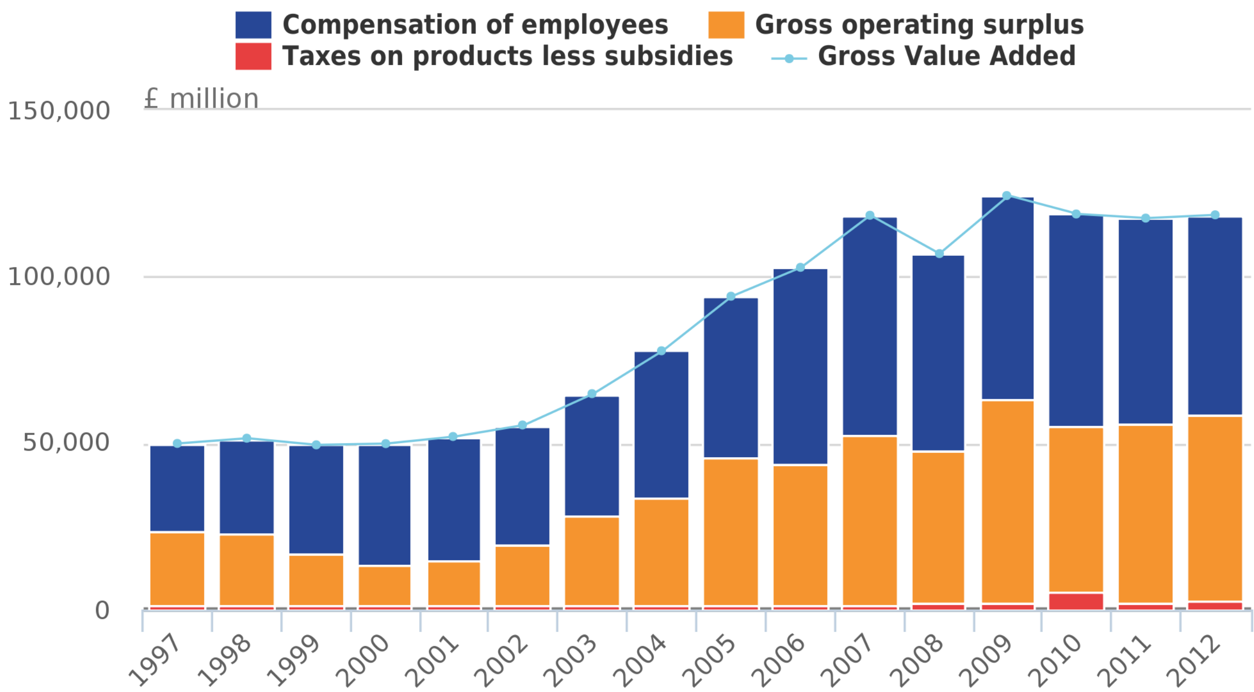
- monetary financial institutions (MFI)
- financial corporations except MFI and ICPF
- insurance corporations and pension funds (ICPFs)

Further information on sector classifications and classification decisions can be found in the National Accounts Classification section of the Office for National Statistics website.

2 . Financial corporations at a glance

Nominal gross value added (GVA) generated by financial corporations rose steadily in the decade prior to 2007. Following the global financial market shock, GVA fell by 9.7% before recovering again in 2009 (reaching £124.3 billion); but in subsequent periods GVA growth has been subdued. GVA is allocated to profits (often referred to as Gross Operating Surplus or GOS), compensation of employees – which is comprised of wages & salaries and employers' social contributions - and taxes less subsidies on production. Before the downturn, the share of GVA attributable to compensation of employees is shown to be larger than the profit share, averaging 60% and 38% respectively. However, since 2009 this share is now shown to be more evenly split, at 51% and 46% respectively.

Figure 4.1: Gross value added and its components, financial corporations sector (£ million)



Source: Office for National Statistics

In contrast to other sectors, the main source of income (primary income) that financial corporations receive is in the form of interest. Interest received by financial corporations peaked at £481.1 billion in 2008, but more than halved subsequently to £170.2 billion in 2010, and declined further since then (falling to £150.2 billion in 2013). Interest payments similarly form a major component of expenditure by financial corporations which also more than halved through the downturn to reach £134.3 billion in 2010; this too has subsequently declined further since (reaching £114.4 billion in 2013). The fall in both resources and uses has coincided with a fall in Bank Rate and financial corporation activity since the onset of the downturn.

With interest received falling to a greater extent compared with interest paid between 2007 and 2013, Gross disposable income of financial corporations (which represents the difference between resources and uses in the primary and secondary income accounts) was £67.1 billion in 2013, down 14.6% on 2007 levels.

3 . Tables

Chapter 04 tables (161 Kb Pdf)

4. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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Chapter 05: General government

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1 . General government

The general government sector is made up of those units providing services for collective or individual consumption that are not sold at market prices. These units are usually funded by compulsory payments from units in other sectors (taxes) and may be involved in the redistribution of national income (for example, benefits and state pension).

The sector includes, for example, government departments and agencies, local authorities, the devolved administrations in Northern Ireland, Scotland and Wales, the state education system, the National Health Service, the armed forces and the police. Non-departmental public bodies are also included in the general government sector.

The United Kingdom National Accounts: The Blue Book 2014 presents estimates for the general government sector and sub-sector breakdowns for:

- central government
- local government

2. Further information

Further information on sector classifications and classification decisions can be found in the National Accounts Classification section of the Office for National Statistics website.

3. Tables

Chapter 05 tables (202.1 Kb Pdf)

4. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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Compendium

Chapter 06: Households and non-profit institutions serving households

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1 . Corrections

Wednesday 24 June, 2015 09:30

An error has been identified in the estimate of expenditure on Narcotics within Household Final Consumption Expenditure. Data from 1997 to the latest period are affected for series' ABPB, ABPF, ABQI, ABQJ, ADFL, ADIS, MNC2, MNC4, UTIE, UTIG, UTII and UTIK. Higher level aggregates including Gross Domestic Product are also affected, and details of the impact on current price GDP up to 2010 have been provided in an article. Further impacts for later years will be provided for Chained Volume Measure estimates and more recent periods during July and August, and the revised figures will be published within the National Accounts on 30 September 2015. In the meanwhile users of these series are advised to check with ONS before using these series.

Wednesday 24 June, 2015 09:30

An error has been identified in the estimate of insurance industry output within Financial Corporations Output. Data from 2009 to the latest period are affected for series' NHCT, NHCX, FAIQ, NSSG, KTMQ, NQNV, NQBE, NHDB, FAIS and QWLK. Higher level aggregates including Gross Domestic Product are also affected, and details of the impact on current price GDP up to 2010 have been provided in an article article. Further impacts for later years will be provided for Chained Volume Measure estimates of GDP and more recent periods during July and August, and the revised figures will be published within the national Accounts on 30 September 2015. In the meanwhile users of these series are advised to check with ONS before using these series.

ONS apologises for any inconvenience this may cause.

2 . Households and non-profit institutions serving households

The household sector covers both consumers and producers. Households as consumers comprise of groups of people sharing the same living accommodation who share some or all of their income and collectively consume certain types of goods and services, such as food, electricity or housing. This sector also includes the self-employed who are treated as producers. A smaller group of units within the household sector comprises of those living permanently in institutions with little economic autonomy, such as prison populations and members of religious orders living in monasteries.

Non-profit institutions serving households (NPISH) are institutions which:

- provide goods and services; either free or below the market prices
- mainly derive their income from grants and donations
- are not controlled by government

In the UK the NPISH sector includes:

- charities
- trade unions
- religious organisations
- political parties
- the majority of universities

The United Kingdom National Accounts: The Blue Book 2014 presents combined estimates for the household and NPISH sectors.

Further information on sector classifications and classification decisions can be found in the National Account Classification section of the Office for National Statistics website.

3 . Households and NPISH at a glance

Gross disposable income

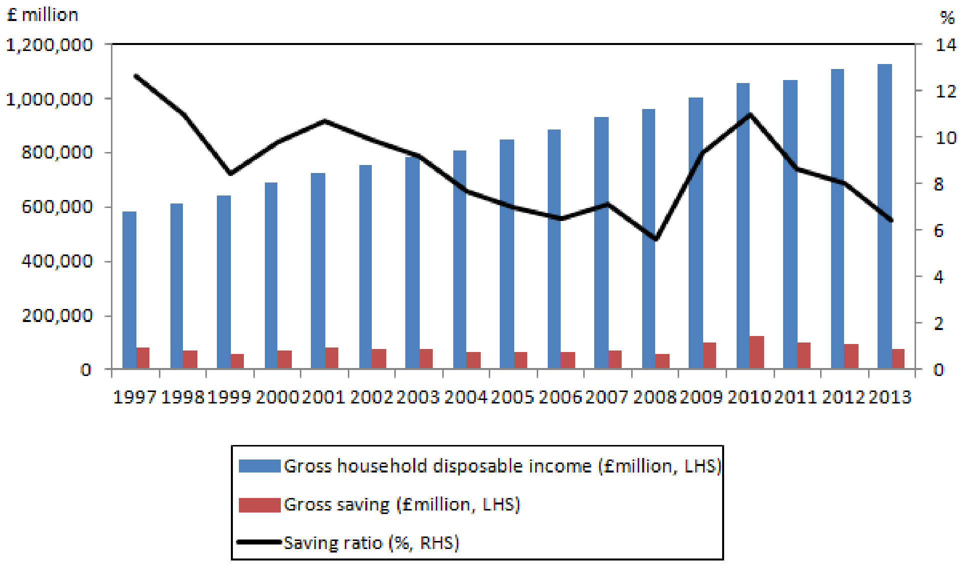
In 2013, nominal gross disposable income (GDI) for households and NPISH was £1.1 trillion, 1.7% higher than in the previous year. GDI is comprised of resources (inflows into the household sector) less uses (outflows from the household sector) and represents the amount available to the household for consumption and saving. In the primary account, the largest resource for households and NPISH was compensation of employees, in particular wages and salaries which made up 56.4% of primary resources in 2013.

The secondary distribution of the income account shows that 'social benefits other than social transfers in kind' was the largest secondary resource in 2013, at £328.4 billion. Such benefits include social security benefits in cash, private funded social benefits, and social assistance benefits provided by government.

Household saving ratio

This chapter also includes estimates of the household saving ratio, which is defined as nominal gross saving as a per cent of nominal gross disposable income. In 2013, the level of gross saving was £76.5 billion, resulting in a saving ratio of 6.4%, the lowest since 2008 when it was 5.6%. The fall in the saving ratio in recent years can be attributed to a combination of rising GDI and a falling level of gross saving, which fell by 18.1% on an annual basis in 2013. Figure 6.1 shows that while GDI has increased steadily, year on year, since 1997, gross saving has been shown to be more volatile.

Figure 6.1: Gross disposable income, saving and the saving ratio in the households and NPISH sector



Source: Office for National Statistics

4 . Tables

[Chapter 06 tables (121.8 Kb Pdf)](#)

5. Background notes

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Compendium

Chapter 07: Rest of the world

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To be announced

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1 . Rest of the world

The rest of the world sector includes all those institutions or individuals not resident in the UK which have economic interactions with resident units. It can include overseas corporations, charities, governments or private individuals. The sector also includes foreign embassies and consulates on UK soil.

2. Further information

United Kingdom Balance of Payments - The Pink Book 2014 summarises the balance of payments accounts, which contain detailed statistics for the current account including; trade in goods and services, income, current and capital transfers, transactions in UK external assets and liabilities, and levels of identified assets and liabilities.

3. Tables

Chapter 7 tables (146.5 Kb Pdf)

4. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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Compendium

Chapter 08: Percentage distributions and growth rates

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Release date:
31 October 2014

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To be announced

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1 . Corrections

Wednesday 24 June, 2015 09:30

An error has been identified in the estimate of expenditure on Narcotics within Household Final Consumption Expenditure. Data from 1997 to the latest period are affected for series' ABPB, ABPF, ABQI, ABQJ, ADFL, ADIS, MNC2, MNC4, UTIE, UTIG, UTII and UTIK. Higher level aggregates including Gross Domestic Product are also affected, and details of the impact on current price GDP up to 2010 have been provided in an article. Further impacts for later years will be provided for Chained Volume Measure estimates and more recent periods during July and August, and the revised figures will be published within the National Accounts on 30 September 2015. In the meanwhile users of these series are advised to check with ONS before using these series.

Wednesday 24 June, 2015 09:30

An error has been identified in the estimate of insurance industry output within Financial Corporations Output. Data from 2009 to the latest period are affected for series' NHCT, NHCX, FAIQ, NSSG, KTMQ, NQNV, NQBE, NHDB, FAIS and QWLK. Higher level aggregates including Gross Domestic Product are also affected, and details of the impact on current price GDP up to 2010 have been provided in an article article. Further impacts for later years will be provided for Chained Volume Measure estimates of GDP and more recent periods during July and August, and the revised figures will be published within the national Accounts on 30 September 2015. In the meanwhile users of these series are advised to check with ONS before using these series.

ONS apologises for any inconvenience this may cause.

2 . Percentage distributions and growth rates

Chapter 8 includes:

- the composition of gross domestic product by category of expenditure and income
- gross value added by industry in current prices
- aggregates related to gross national income
- average rates of change of gross domestic product and household disposable income

3 . GDP revisions triangles and real-time database

Revisions triangles and the real-time database provide estimates of growth rates for Gross Domestic Product (GDP) and its key output (production), expenditure and income components. They are presented in spreadsheets containing charts and statistical analyses of the data. They do not contain new data, but provide previously published data.

4 . Tables

Chapter 08 tables (134.2 Kb Pdf)

5. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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Compendium

Chapter 09: Gross fixed capital formation supplementary tables

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Release date:
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1 . Gross fixed capital formation supplementary tables

Gross fixed capital formation (GFCF) is the estimate of net capital expenditure (acquisitions less the proceeds from disposals) on fixed assets by both the public and private sectors. Fixed assets are produced assets used in production processes for more than one year. Examples of capital expenditure include spending on machinery and equipment, transport equipment, software, artistic originals, new dwellings and major improvements to dwellings, other buildings and major improvements to buildings, and structures such as roads. The additional assets research and development and military weapons systems were introduced into the definition of GFCF in the Q2 2014 Revised Results release, consistent with the European System of Accounts 2010, and are included in UK National Accounts: The Blue Book 2014.

2 . Business investment

Business investment is a component of GFCF. It includes investment by the private sector and public corporations, in transport, information, technology and communications (ICT) equipment and other machinery and equipment, cultivated assets, intellectual property products (IPP, formerly known as intangible assets), and buildings and other structures. It does not include investment by central or local government, or investment in dwellings or the costs associated with the transfer of non-produced assets (such as land). Business investment is not an international concept, and international comparisons cannot be made. Estimates of business investment are published in the Business Investment statistical bulletin.

3 . Tables

Chapter 09 tables (132.5 Kb Pdf)

4. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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Compendium

Chapter 10: National Balance Sheet

Contact:
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Release date:
31 October 2014

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1 . Correction

Wednesday 19 November, 2014 17:00

An error has been found in net capital stocks and gross capital stocks estimates, which affects the following Blue Book 2014 tables:

1.6.9; 3.1.9; 4.1.9; 6.1.9; 10.1; 10.2; 10.3; 10.6; and 10.10.

The CDIDs that will change are: CGRV, CGRU, CGRC, CGDA, NG23, NG26, MU7W, CGRA, MJG6, NG22, NG2A, CGDA, NG2D, NG2G, MU7X, CGUX, MKV7, NG2C, NG2I, CGRV, NG33, NG36, MU82, NG32, NG38, CGRU, NG45, NG48, MU86, CGRM, NG44, NG4A and CGRC.

ONS will correct these at the earliest opportunity and apologises for any inconvenience that this may cause.

2 . National Balance Sheet

The national balance sheet is a measure of the wealth, or total net worth, of the UK. It shows the estimated market value of financial assets, for example shares and deposits at banks, and non-financial assets, for example dwellings and machinery. Market value is an estimate of how much these assets would sell for, if sold on the market.

The data are used to monitor economic performance, inform monetary and fiscal policy decisions as well as for international comparisons.

Financial assets and liabilities include:

- means of payment, such as currency
- financial claims, such as loans
- economic assets, which are close to financial claims in nature, for example shares

Non-financial assets include both produced and non-produced assets.

Produced non-financial assets include:

- property
- machinery and equipment
- certain types of farming stocks, mainly dairy cattle and orchards
- intellectual property products (formerly intangible fixed assets), such as computer software and databases and research and development
- inventories

Non-produced assets (formerly intangible non-produced assets) include:

- radio spectrum
- personalised number plates

Data sources include:

- other government departments and agencies
- annual reports of public corporations and major businesses
- industry publications
- Chartered Institute of Public Finance and Accountancy report on Local Authority Assets

The time series of these estimates has changed since Blue Book 2013. These data now include new ESA10 assets, such as research and development, and includes changes introduced in the past year to the capital stocks dataset.

Where non-financial asset market valuations are not readily available, a proxy is used based on the UK net capital stocks data modeled in the Perpetual Inventory Method (PIM) within the Office for National Statistics. For central government, data are taken from returns made by government departments to HM Treasury.

Local authority housing is shown in the public non-financial corporations sector. This is because government-owned market activities are always treated as being carried out by public corporations, either in their own right or via quasi-corporations.

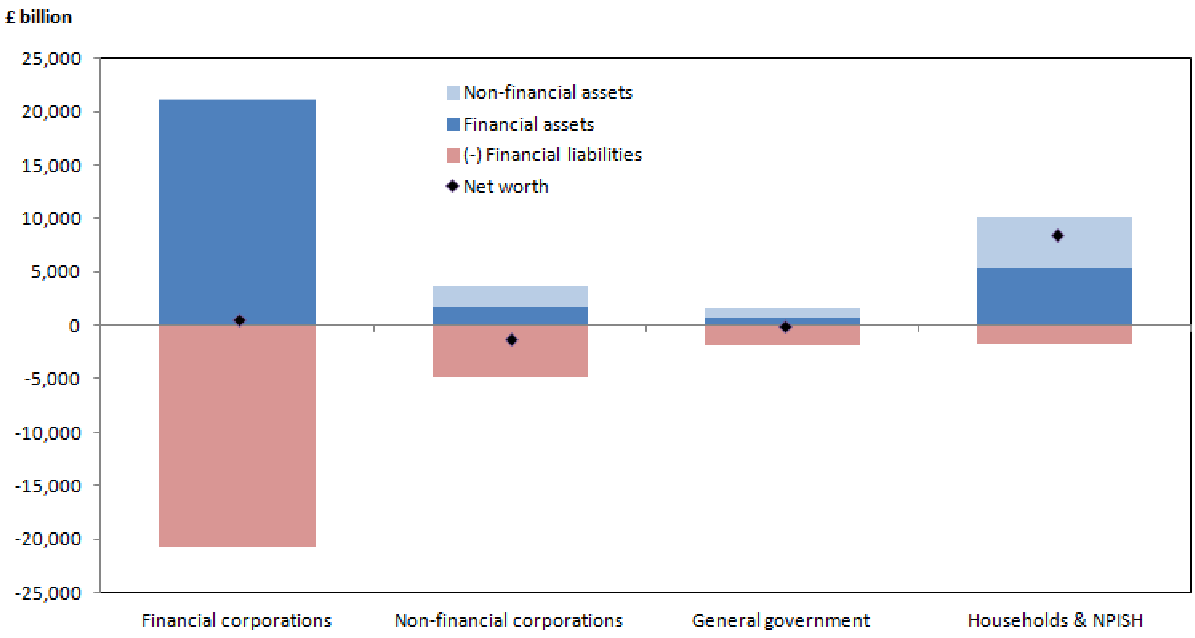
The latest available national balance sheet statistical bulletin is available on the Office for National Statistics website. The 2014 bulletin will be published on 20 November 2014.

3 . Net worth

The total net worth of the UK economy was £7.6 trillion in 2013, a 4.4% rise on the previous year. This represents the value of financial and non-financial assets, less financial liabilities across the four headline sectors: non-financial corporations, financial corporations, general government and households & non-profit institutions serving households (NPISH).

Figure 10.1 shows the values of financial assets and liabilities, non-financial assets and net worth for the four broad sectors. This shows that the positive net worth experienced in the UK can be primarily attributed to UK household and NPISH financial and non-financial assets outstripping the value of financial liabilities. More broadly, it can be observed that the net worth position is small compared to the relative sizes of the constituent assets and liabilities, especially in the financial corporation sector.

Figure 10.1: Assets, liabilities and net worth across the headline sectors (2013, £ billion)



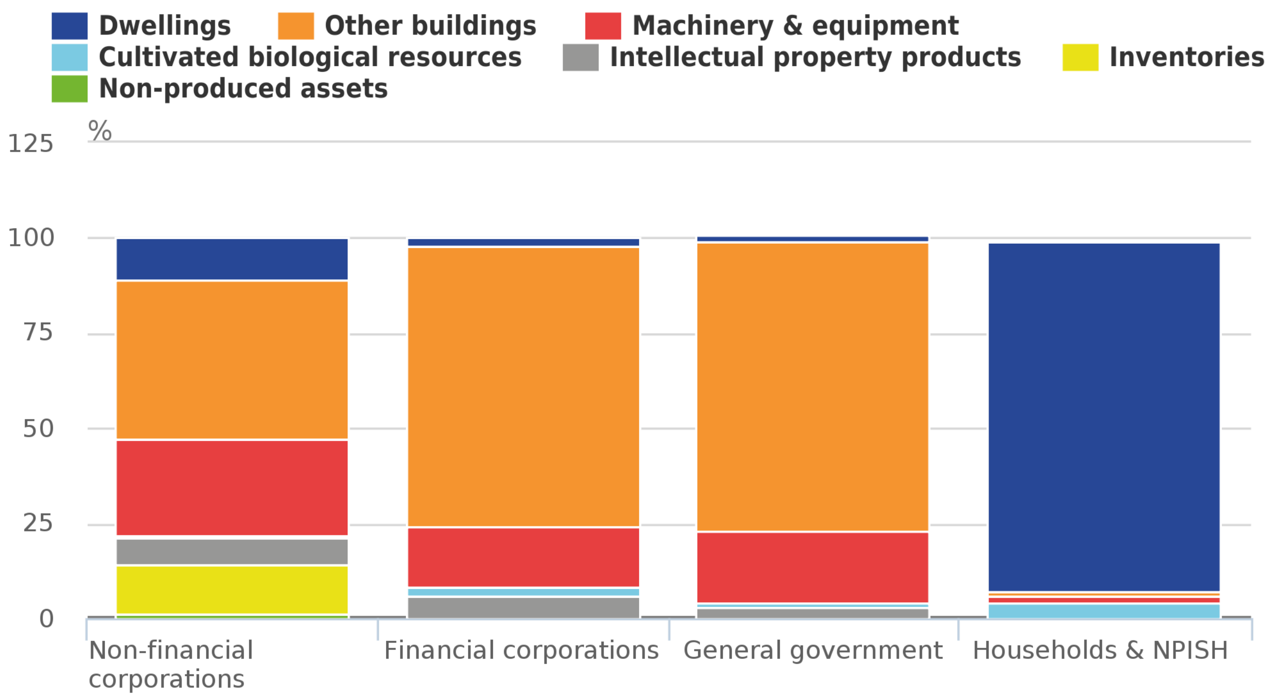
4 . Assets and liabilities

The total value of non-financial assets in the UK was £7.9 trillion in 2013. This is primarily comprised of dwellings and other buildings & structures, which together make up over 80% of the value of non-financial assets in the UK. Over 95% of dwellings are held by households while other buildings & structures are predominantly held by the private non-financial corporations and general government sectors.

The total value of financial assets was £28.7 trillion in 2013; this includes a range of different asset types such as monetary gold, currency, securities, loans and insurance. This was matched by £29.0 trillion of financial liabilities, giving a net balance for financial assets of -£0.3 trillion. These assets and liabilities were primarily held by financial corporations.

Figure 10.2 shows the decomposition of non-financial assets held in 2013 by each sector. UK household and NPISH non-financial assets are shown to be almost entirely held as residential dwellings (92%), while non-financial corporations hold a broader, more evenly distributed range of asset classes, such as inventories, and machinery. The general government and financial corporation sectors have a very similar asset mix, holding a large proportion of ‘other buildings and structures’ with some machinery and equipment.

Figure 10.2: Non-financial assets breakdown by sector, 2013



There are also vast differences in the financial asset and liability mix across sectors. The general government sector is shown to hold most of its liabilities in ‘debt securities’ (formerly known as ‘securities other than shares’), which reflects the fact that government tend to raise liquidity through government bonds. In contrast, households hold most of their liabilities in loans; of the £1.7 trillion of total financial liabilities in the household and NPISH sector in 2013, 92% came from loans, which can be attributed to mortgage debts necessary to pay for the residential dwellings assets held. Non-financial corporations hold most of their liabilities in ’equity and investment fund shares/units’.

On the financial assets side, households hold the majority of assets in ‘insurance, pension and standardised guarantee schemes’, (which can be attributed to pensions and insurance products owned by households), but also hold some equity and investment fund shares/units, currency and deposits. Other sectors hold a greater proportion of equity and investment fund shares/units, debt securities and loans.

5 . Tables

[Chapter 10 tables (98.8 Kb Pdf)](#)

6. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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Chapter 11: Public sector supplementary tables

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Table of contents

1 . Public sector supplementary tables

The majority of government income is provided by taxes and social contributions. Table 11.1 provides a breakdown of the main taxes and social contributions payable by UK residents to both the UK Government (both central and local government) and to the European Union.

2 . Taxes and social contributions payable by UK residents

Table 11.1 (88.5 Kb Excel sheet) shows the taxes and National Insurance Contributions payable to central government, local government, and to the institutions of the European Union.

Taxes on production are included in GDP at market prices.

Taxes on products are taxes levied on the sale of goods and services, of which the most significant are Value Added Tax (VAT) and fuel duty.

Other taxes on production include taxes levied on inputs to production, of which the most significant are National Non-Domestic Rates also known as Business Rates and a range of compulsory unrequited levies that producers have to pay.

Taxes on income and wealth include Income Tax and Corporation Tax. Income Tax is the largest single source of tax revenue paid by UK residents. This category also includes a number of other charges payable by households including Council Tax, the BBC Licence Fee and taxes (for example motor vehicle duty) which, when payable by businesses, are classified as taxes on production. The totals are measured gross of any tax credits and reliefs recorded as expenditure in the National Accounts, such as working families and Child Tax Credit.

The European System of Accounts 2010 (ESA 2010) has a specific category of payments to government called compulsory social contributions. These are payments made to government associated with social security schemes for things like unemployment benefit and pensions. In the UK accounts this category includes all National Insurance contributions.

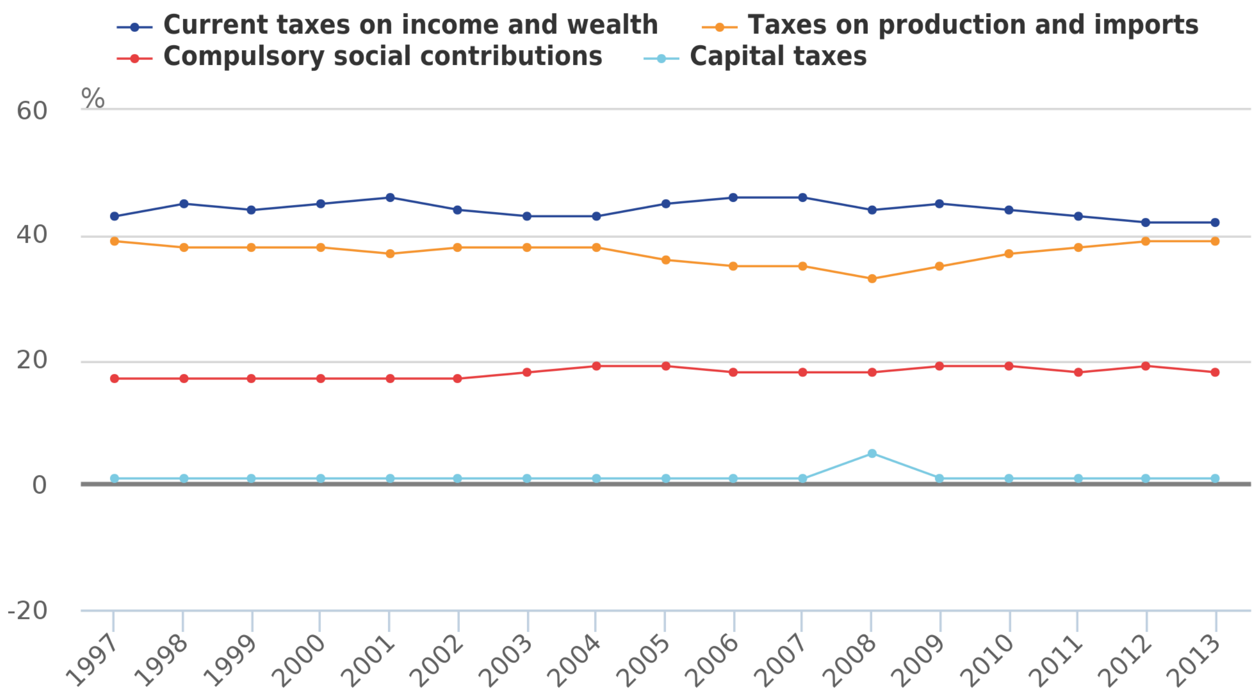
Details of total social contributions and benefits are shown in Tables 5.2.4S and 5.3.4S (533.5 Kb Excel sheet).

Capital Taxes are taxes levied at irregular or infrequent intervals on the values of assets, gifts or legacies. In the UK the main capital tax is Inheritance Tax.

Some UK taxes are recorded as the resources of the European Union. These include taxes on imports and a proportion of VAT receipts, which are payable to the EU under the EU Treaties.

Total taxes paid can be categorised by the following: current taxes on income and wealth, compulsory social contributions, taxes on production, and imports and taxes on capital and wealth. Changes in these categories' relative importance to government revenue since 1997 can be seen in Figure 11.1.

Figure 11.1: Breakdown of taxes paid by UK residents since 1997 (% of total taxes paid)



Source: Office for National Statistics

Current taxes on income and wealth refers to taxes that are paid by individuals and businesses when they generate income – such as Income Tax, Corporation Tax and Council Tax – and are the largest of the four tax categories in terms of tax receipts, generating £240 billion in 2013. The largest component of these receipts is Income Tax paid by households, which make up 63% of this category. This is followed by Corporation Tax, which accounts for 16%.

Compulsory social contributions refer mainly to National Insurance Contributions, which are payable by employers, employees and self- and non-employed individuals. Social contributions received by central government rose to £106 billion in 2013 from £104 billion in the previous year.

Taxes on production and imports refer to taxes payable by UK residents when producing or purchasing goods and services. These taxes rose to £223 billion in 2013 from £214 billion in 2012. Just over half of the receipts collected in this category relate to VAT paid to central government.

The smallest of the four tax categories is the Capital Account, which generated around £4 billion tax receipts in 2013. This category involves taxes paid on capital and wealth, namely Inheritance Tax.

3 . Tables

Chapter 11 tables (129.6 Kb Pdf)

4. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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Compendium

Chapter 12: Statistics for European Union purposes

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Release date:
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Table of contents

1 . Foreword

The European Union uses National Accounts data for a number of administrative and economic purposes. Gross National Income (GNI), calculated in accordance with the European System of Accounts, is used to set a ceiling on the EU budget and to calculate part of Member States contributions to the budget.

2 . UK transactions with the institutions of the European Union

Table 12.1 (62.5 Kb Excel sheet) shows payments flowing between the European Union and the UK. The first part of the table shows the payments flowing into the UK in the form of European Union expenditure. The second part of the table shows the UK contribution to the EU budget, which depends on UK Gross National Income (GNI).

3 . Data to monitor government deficit and debt

The convergence criteria for Economic and Monetary Union (EMU) are set out in the 1992 Treaty on European Union (The Maastricht Treaty). The Treaty, plus the Stability and Growth Pact, required Member States to avoid excessive government deficits - defined as general government net borrowing and gross debt as a percentage of GDP.

Member States report their planned and actual deficits and the levels of their debt to the European Commission. Data to monitor excessive deficits are supplied in accordance with EU legislation.

The Treaty does not determine what constitutes ‘excessive’. This is agreed by the Economic and Finance Council (ECOFIN).

The UK submitted the estimates in Table 12.a to the European Commission in October 2014.

Table 12.a: Government deficit and debt

	2009 /10	2010 /11	2011 /12	2012 /13	2013 /14
General government deficit					
Net borrowing (£ billion)	162.7	143.1	123.7	125.8	102.3
As a percentage of GDP	10.8	9.1	7.6	7.6	5.9
General government debt					
Debt at nominal value (£ billion)	1,073.8	1,212.1	1,345.2	1,420.6	1,521.2
As a percentage of GDP	71.5	76.9	82.6	85.4	87.8

Source: Office for National Statistics

4 . Tables

Chapter 12 tables (124.7 Kb Pdf)

5. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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Compendium

Chapter 13: UK environmental accounts

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Release date:
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1 . UK environmental accounts

Environmental Accounts are:

- ‘satellite accounts’ to the main National Accounts
- compiled in accordance with the System of Integrated Environmental and Economic Accounting (SEEA), which closely follows the United Nations System of National Accounts (SNA)

Environmental Accounts measure:

- the impact of the economy on the environment
- how the environment contributes to the economy by using the accounting framework and concepts of the national accounts

Environmental Accounts are used to:

- inform sustainable development policy
- model impacts of fiscal or monetary measures
- evaluate the environmental impacts of different sectors of the economy

Environmental Accounts data:

- are mostly provided in units of physical measurement (mass or volume)
- can be provided in monetary units, where this is the most relevant or only data available

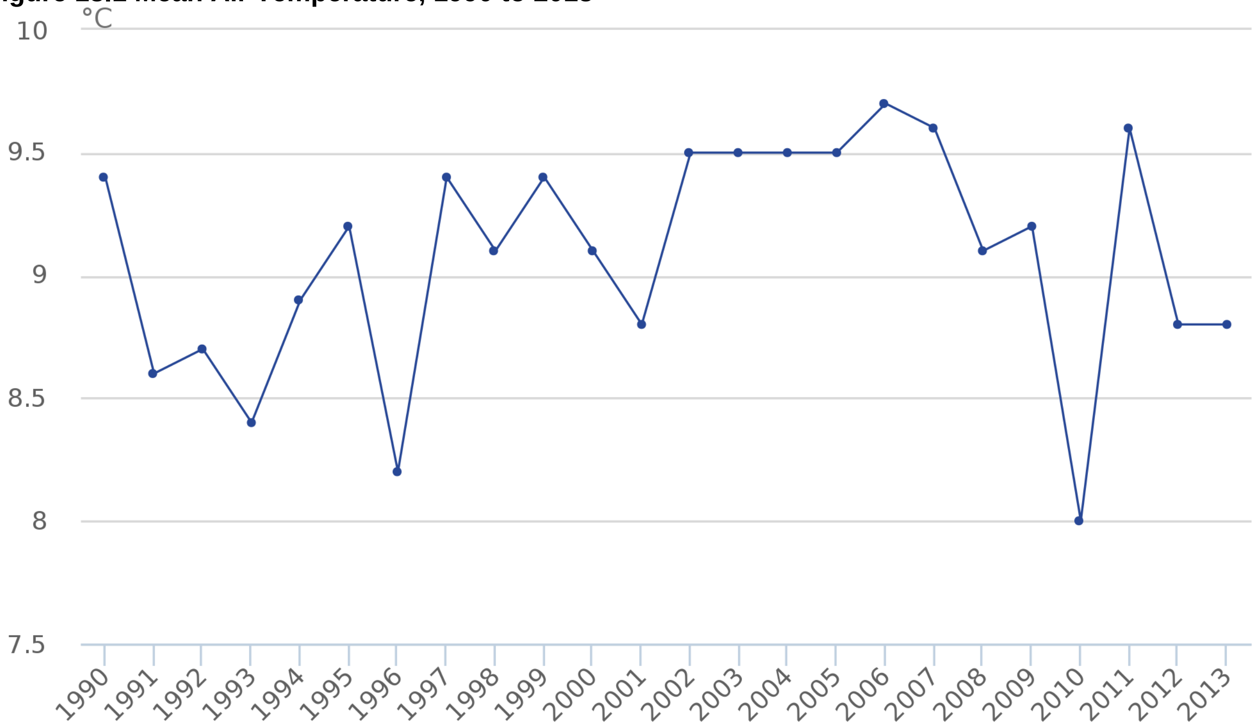
The United Kingdom National Accounts: The Blue Book 2014 separates environmental accounts into three categories:

- natural capital accounts
- physical flow accounts
- monetary accounts

2 . Changes in key environmental and economic measures 2011-2012

A number of factors contribute to annual changes observed in the measures that are reported in the Environmental Accounts. Average temperature is one such factor which influences the data. Figure 13.1 shows how mean air temperature has varied between 1990 and 2013. The UK was cooler in 2012 compared with 2011, with average air temperature in the UK 0.9C lower.

Figure 13.1 Mean Air Temperature, 1990 to 2013



Source: Met Office

Total energy consumption increased by 1.2% from 2011 to 2012, contrary to the declining trend since 2005. Energy consumption, particularly by households, is closely related to air temperature (DECC 2013a). The increase observed in 2012 was mainly driven by the cooler weather compared to that experienced in 2011 (DECC 2013b). Similarly, the 2.2% increase in greenhouse gas emissions observed between 2011 and 2012 is likely to be partly due to the declining air temperature.

Economic growth also has an impact upon many of the accounts. The UK grew by 0.7% in 2012, compared to 1.6% in 2011.The slower economic growth reported in 2012 will have influenced many of the statistics reported in the account.

The UK Physical Trade Balance, calculated by subtracting the weight of exports from the weight of imports, remained positive for 2012. This means more materials and products were imported than exported. This measure declined during the economic downturn in 2008, 2009 and 2010, but peaked in 2012 at 129.9 million tonnes. The widening gap between physical imports and exports suggests the UK is becoming more reliant on the production of materials in other countries.

The relationship between the economy and the environment are further explored in Tables 13.1 – 13.5 (164 Kb Excel sheet). More detail can be found in UK Environmental Accounts, 2014.

3 . Tables

Chapter 13 tables (138 Kb Pdf)

4. Background notes

1. Since the release of UK Environmental Accounts 2013, a number of changes have been made to the Material Flows data sources and methodology. This is to bring the account in line with European regulation requirements. The changes are detailed in Improvements to UK Environmental Accounts. The impacts of these improvements on estimates are reported in UK Environmental Accounts, 2014.

2. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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Compendium

Chapter 14: Flow of funds

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1 . Introduction

The recent financial crisis exposed a significant lack of information about the financial sector. Developing financial data is considered essential for identifying the build-up of risks in the financial sector and to understand financial connections amongst the institutional sectors and sub-sectors within the economy. An important part of this development is the ‘Flow of Funds’.

2 . What is Flow of Funds?

The Flow of Funds (FoF) measures the financial flows across sectors of the economy, tracking funds as they move from those sectors that serve as sources of capital, through intermediaries (such as banks), to sectors that use the capital to acquire physical and financial assets. It therefore presents information on debtor/creditor relationships and captures the changes in financial assets and liabilities in the economy. Flow of Funds is based upon the principle that the movement of all funds must be accounted for. Therefore, in the economy, total sources of funds must equal total uses of funds and, financial asset transactions must equal transactions in liabilities.

A natural progression in the development of Flow of Funds data is to include details of counterparties in the transaction line. This is also known as whom-to-whom (w2w) data. Including counterpart data has an added benefit of giving an indication of the exposure of each individual sector to the risk which may build up in other sectors.

Flow of Funds data are presented in Chapter 14 as a series of tables which measure the net acquisition of financial assets and liabilities by sector. Although these data are already included in the United Kingdom National Accounts Blue Book 2014 publication we are introducing the data in a new format within this chapter based on user requirements and long-term plans to expand the data presented.

- Table 14.1 (284.5 Kb Excel sheet) presents flows (or transactions) of assets and liabilities for each sector (financial account)
- Table 14.2 (284.5 Kb Excel sheet) presents levels (or stocks) of assets and liabilities for each sector (balance sheet)
- Tables 14.3.1 to 14.3.8 (284.5 Kb Excel sheet) presents selected individual financial transactions by sectors

In future, Flow of Funds matrices for individual financial instruments will be developed to include the necessary counterparty information. Flow of Funds matrices on this basis will act as a financial complement to the National Accounts and enable more understanding of macroeconomic behaviour.

3 . Tables

Chapter 14 tables (170.8 Kb Pdf)

4. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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Compendium

Description of changes to the presentation of tables in Blue Book 2014

Contact:
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To be announced

Table of contents

1 . Introduction

In September 2014, the Office for National Statistics (ONS) published revised figures for the UK National Accounts, and Balance of Payments, consistent with Blue Book and Pink Book 2014. These revisions reflected significant changes to the international standards adopted by all European Union (EU) member states as well as other improvements designed to ensure that the UK National Accounts and Balance of Payments continue to provide a reliable framework for analysing the UK economy and comparing it with other countries. As a result there are presentational changes to the tables in United Kingdom National Accounts: The Blue Book 2014 tables (204.8 Kb ZIP).

2 . Overall structure of Blue Book 2014

The structure of the Blue Book 2014 will remain broadly similar to previous editions.

The key changes are:

- inclusion of new transactions codes and associated four letter identifiers (CDIDs) required under ESA 2010 and BPM6,
- re-naming of transactions required under ESA 2010 and BPM6,
- removal of five tables (A, 1.7A, 1.7B, 1.7C and 1.7D),
- Flow of Funds data will be presented in Chapter 14 of Blue Book as a series of tables which measure the net acquisition of financial assets and liabilities by sector. Although these data are already included in the Blue Book publication the data are being introduced in a new format within this chapter based on user requirements and with a long-term plan to expand the coverage of the data to include the necessary counterparty information.

The presentation of a number of tables will change including additional titles, changes to titles, additional series, the removal of series and changes to coding. A matrix provides details of all the table changes (204.8 Kb ZIP).

3. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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Compendium

Glossary

Table of contents

1 . National Accounts supplementary information

This section includes a national accounts glossary of terms and definitions.

2 . A to B

Above the line

Transactions in the production, current and capital accounts which are above the Net lending (+)/Net borrowing (-) (financial surplus or deficit) line in the presentation used in the economic accounts. The financial transactions account is below the line in this presentation.

Accruals basis

A method of recording transactions to relate them to the period when the exchange of ownership of the goods, services or financial asset applies (see also cash basis). For example, Value Added Tax accrues when the expenditure to which it relates takes place, but Customs and Excise receive the cash some time later. The difference between accruals and cash results in the creation of an asset and liability in the financial accounts, shown as amounts receivable or payable (F7).

Actual final consumption

The value of goods consumed by a sector but not necessarily purchased by that sector (see also Final consumption expenditure, Intermediate consumption).

Advance and progress payments

Payments made for goods in advance of completion and delivery of the goods and services. Also referred to as staged payments.

Asset boundary

Boundary separating assets included in creating core economic accounts (such as plant and factories, also including non-produced assets such as land and water resources) and those excluded (such as natural assets not managed for an economic purpose).

Assets

Entities over which ownership rights are enforced by institutional units, individually or collectively; and from which economic benefits may be derived by their owners by holding them over a period of time.

Balancing item

A balancing item is an accounting construct obtained by subtracting the total value of the entries on one side of an account from the total value for the other side.

Balance of payments

A summary of the transactions between residents of a country and residents abroad in a given time period.

Balance of trade

The balance of trade in goods and services. The balance of trade is a summary of the imports and exports of goods and services across an economic boundary in a given period.

Balance sheet

A statement, drawn up at a particular point in time, of the value of assets owned and of the financial claims (liabilities) against the owner of these assets.

Bank of England

This comprises S.121, the central bank sub-sector of the financial corporation's sector.

Bank of England – Issue Department

This part of the Bank of England deals with the issue of bank notes on behalf of central government. It was formerly classified to central government though it is now part of the central bank/monetary authorities sector. Its activities include, inter alia, market purchases of commercial bills from UK banks.

Basic prices

These prices are the preferred method of valuing gross value added and output. They reflect the amount received by the producer for a unit of goods or services minus any taxes payable plus any subsidy receivable on that unit as a consequence of production or sale (that is the cost of production including subsidies). As a result the only taxes included in the basic price are taxes on the production process – such as business rates and any vehicle excise duty paid by businesses – which are not specifically levied on the production of a unit of output. Basic prices exclude any transport charges invoiced separately by the producer.

Below the line

The financial transactions account which shows the financing of Net lending (+) /Net borrowing (–) (formerly financial surplus or deficit).

Bond

A financial instrument that usually pays interest to the holder. Bonds are issued by governments as well as by companies and other institutions, for example local authorities. Most bonds have a fixed date on which the borrower will repay the holder. Bonds are attractive to investors since they can be bought and sold easily in a secondary market. Special forms of bonds include deep discount bonds, equity warrant bonds, Eurobonds, and zero coupon bonds.

British government securities

Securities issued or guaranteed by the UK government; also known as gilts

3 . C to D

Capital

Capital assets are those which contribute to the productive process so as to produce an economic return. In other contexts the word can be taken to include tangible assets (for example buildings, plant and machinery), intangible assets, and financial capital (see also fixed assets, inventories).

Capital formation

Acquisitions less disposals of fixed assets, improvement of land, change in inventories and acquisitions less disposals of valuables.

Capital Stock

A measure of the cost of replacing the capital assets of a country held at a particular point in time.

Capital transfers

Transfers which are related to the acquisition or disposal of assets by the recipient or payer. They may be in cash or kind and may be imputed to reflect the assumption or forgiveness of debt.

Cash basis

The recording of transactions when cash or other assets are actually transferred, rather than on an accruals basis.

Certificate of deposit

A short term interest-paying instrument issued by deposit-taking institutions in return for money deposited for a fixed period. Interest is earned at a given rate. The instrument can be used as security for a loan if the depositor requires money before the repayment date.

Chained volume measures

Chained volume measures are time series which measure GDP in real terms (that is excluding price effects). Series are calculated in the prices of the previous year and in current price and all of these two-year series are then "chain-linked" together. The advantage of the chain-linking method is that the previous period's price structure is more relevant than the price structure of a fixed period from further into the past.

C.i.f. (cost, insurance and freight)

The basis of valuation of imports for Customs purposes, it includes the cost of insurance premiums and freight services. These need to be deducted to obtain the free on board (f.o.b.) valuation consistent with the valuation of exports which is used in the economic accounts.

COICOP (Classification of Individual Consumption by Purpose)

An international classification which groups consumption according to its function or purpose. Thus the heading clothing, for example, includes expenditure on garments, clothing materials, laundry, and repairs. Used to classify the expenditure of Households.

Combined use table

Table of the demand for products by each industry group or sector, whether from domestic production or imports, estimated at purchaser's prices. It displays the inputs used by each industry to produce their total output and separates out intermediate purchases of goods and services. The table shows which industries use which products. Columns represent the purchasing industries; rows represent the products purchased.

Commercial paper

This is an unsecured promissory note for a specific amount and maturing on a specific date. The commercial paper market allows companies to issue short-term debt directly to financial institutions, who then market this paper to investors or use it for their own investment purposes.

Compensation of employees

Total remuneration payable to employees in cash or in kind. Includes the value of social contributions payable by the employer.

Consolidated accounts

Those accounts which are drawn up to reflect the affairs of a group of entities. For example, a ministry or holding company with many different operating agencies subsidiary companies may prepare consolidated accounts reflecting the affairs of the organisation as a whole, as well as accounts for each operating agency/subsidiary.

Consolidated fund

An account of central government into which most government revenue (excluding borrowing and certain payments to government departments) is paid and from which most government expenditure (excluding loans and National Insurance benefits) is paid.

Consumption

See Final consumption, Intermediate consumption.

Consumption of fixed capital

The amount of capital resources used up in the process of production in any period. It is not an identifiable set of transactions but an imputed transaction which can only be measured by a system of conventions.

Corporations

All bodies recognised as independent legal entities which are producers of market output and whose principal activity is the production of goods and services.

Counterpart

In a double-entry system of accounting each transaction gives rise to two corresponding entries. These entries are the counterparts to each other. Thus the counterpart of a payment by one sector is the receipt by another.

Debenture

A long-term bond issued by a UK or foreign company and secured on fixed assets. A debenture entitles the holder to a fixed interest payment or a series of such payments.

Depreciation

See Consumption of fixed capital.

Derivatives (F.71)

Financial instruments whose value is linked to changes in the value of another financial instrument, an indicator or a commodity. In contrast to the holder of a primary financial instrument (for example a government bond or a bank deposit), who has an unqualified right to receive cash (or some other economic benefit) in the future, the holder of a derivative has only a qualified right to receive such a benefit. Examples of derivatives are options and swaps.

DIM (Dividend and Interest Matrix)

The Dividend and Interest Matrix represents property income flows related to holdings of financial transactions. The gross flows are shown in D.4 property income.

Direct investment

Net investment by UK/foreign companies in their foreign/UK branches, subsidiaries or associated companies. A direct investment in a company means that the investor has a significant influence on the operations of the company, defined as having an equity interest in an enterprise resident in another country of 10 per cent or more of the ordinary shares or voting stock. Investment includes not only acquisition of fixed assets, stock building, and stock appreciation, but also all other financial transactions such as: additions to, or payments of working capital; other loans and trade credit; and acquisitions of securities. Estimates of investment flows allow for depreciation in any undistributed profits. Funds raised by the subsidiary or associate company in the economy in which it operates are excluded as they are locally raised and not sourced from the parent company.

Discount market

That part of the market dealing with short-term borrowing. It is called the discount market because the interest on loans is expressed as a percentage reduction (discount) on the amount paid to the borrower. For example, for a loan of £100 face value when the discount rate is 5%, the borrower will receive £95, but will repay £100 at the end of the term.

Double deflation

Method for calculating value added by industry chained volume measures, which takes separate account of the differing price and volume movements of input and outputs in an industry's production process.

Dividend

A payment made to company shareholders from current or previously retained profits. Dividends are recorded when they become payable. See DIM.

4 . E to F

ECGD

See Export Credit Guarantee Department.

Economically significant prices

These are prices whose level significantly affects the supply of the good or service concerned. Market output consists mainly of goods and services sold at 'economically significant' prices, while non-market output comprises those provided free or at prices that are not economically significant.

Employee Stock Options

An employee stock option is an agreement made on a given date (the "grant" date) under which an employee may purchase a given number of shares of the employer's stock at a stated price (the "strike" price) either at a stated time (the "vesting" date) or within a period of time (the "exercise" period) immediately following the vesting date.

Enterprise

An institutional unit producing market output. Enterprises are found mainly in the non-financial and financial corporation's sectors but exist in all sectors. Each enterprise consists of one or more kind-of-activity units.

Environmental accounts

A satellite account describing the relationship between the environment and the economy.

Equity

Equity is ownership of a residual claim on the assets of the institutional unit that issued the instrument. Equities differ from other financial instruments in that they confer ownership of something more than a financial claim. Shareholders are owners of the company whereas bond holders are merely outside creditors.

ESA

European System of National and Regional Accounts. An integrated system of economic accounts which is the European version of the System of National Accounts (SNA).

European Investment Bank

This was set up to assist economic development within the European Union. Its members are the member states of the EU.

Exchange Cover Scheme (ECS)

A scheme first introduced in 1969 whereby UK public bodies raise foreign currency from overseas residents, either directly or through UK banks, and surrender it to the Exchange Equalisation Account in exchange for sterling for use to finance expenditure in the United Kingdom. HM Treasury sells the borrower foreign currency to service and repay the loan at the exchange rate that applied when the loan was taken out.

Exchange Equalisation Account (EEA)

The government account with the Bank of England in which transactions in reserve assets are recorded. These transactions are classified to the central government sector. It is the means by which the government, through the Bank of England, influences exchange rates.

Export credit

Credit extended abroad by UK institutions, primarily in connection with UK exports but also including some credit in respect of third country trade.

Export Credit Guarantee Department (ECGD)

A non-ministerial government department, classified to the public corporations sector, the main function of which is to provide insurance cover for export credit transactions.

Factor cost

In the System of National Accounts 1968 this was the basis of valuation which excluded the effects of taxes on expenditure and subsidies.

Final consumption expenditure

The expenditure on those goods and services used for the direct satisfaction of individual needs or the collective needs of members of the community, as distinct from their purchase for use in the productive process. It may be contrasted with actual final consumption, which is the value of goods consumed but not necessarily purchased by that sector (see also Intermediate consumption).

Financial auxiliaries (S.126)

Auxiliary financial activities are ones closely related to financial intermediation but which are not financial intermediation themselves, such as the repackaging of funds, insurance broking and fund management. Financial auxiliaries therefore include insurance brokers and fund managers.

Financial corporations (S.12)

All bodies recognised as independent legal entities whose principal activity is financial intermediation and/or the production of auxiliary financial services.

Financial intermediation

Financial intermediation is the activity by which an institutional unit acquires financial assets and incurs liabilities on its own account by engaging in financial transactions on the market. The assets and liabilities of financial intermediaries have different characteristics so that the funds are transformed or repackaged with respect to maturity, scale, risk, etc., in the financial intermediation process.

Financial leasing

A form of leasing in which the lessee contracts to assume the rights and responsibilities of ownership of leased goods from the lessor (the legal owner) for the whole (or virtually the whole) of the economic life of the asset. In the economic accounts this is recorded as the sale of the asset to the lessee, financed by an imputed loan (F.42). The leasing payments are split into interest payments and repayments of principal.

FISIM

FISIM is an acronym for Financial Intermediation Services Indirectly Measured. It represents the implicit charge for the service provided by monetary financial institutions paid for by the interest differential between borrowing and lending rather than through fees and commissions.

Fixed assets

Produced assets that are themselves used repeatedly or continuously in the production process for more than one year. They comprise buildings and other structures, vehicles and other plant and machinery, and also plants and livestock which are used repeatedly or continuously in production, for example fruit trees or dairy cattle. They also include intangible assets such as computer software, research and development and artistic originals.

Flows

Economic flows reflect the creation, transformation, exchange, transfer, or extinction of economic value. They involve changes in the volume, composition, or value of an institutional unit’s assets and liabilities. They are recorded in the production, distribution, and use of income and accumulation accounts.

F.o.b. (free on board)

A f.o.b. price excludes the cost of insurance and freight from the country of consignment but includes all charges up to the point of the exporting country's customs frontier.

Futures

Futures are forward contracts traded on organised exchanges. They give the holder the right to purchase a commodity or a financial asset at a future date.

5 . G to H

Gilts

Bonds issued or guaranteed by the UK government. Also known as gilt-edged securities or British government securities.

Gold

The SNA and the IMF (in the 6th Edition of its Balance of Payments Manual) recognise three types of gold:

- monetary gold, treated as a financial asset;
- gold held as a store of value, to be included in valuables;
- gold as an industrial material, to be included in intermediate consumption or inventories.

The present treatment is as follows:

- In the accounts a distinction is drawn between gold held as a financial asset (financial gold) and gold held like any other commodity (commodity gold). Commodity gold in the form of finished manufactures together with net domestic and overseas transactions in gold moving into or out of finished manufactured form (i.e. for jewellery, dentistry, electronic goods, medals, and proof – but not bullion – coins) is recorded in exports and imports of goods.
- All other transactions in gold (that is those involving semi-manufactures, for example rods and wire; or bullion, bullion coins or banking-type assets and liabilities denominated in gold, including official reserve assets) are treated as financial gold transactions and included in the financial account of the Balance of Payments.

The United Kingdom has adopted different treatment to avoid distortion of its trade in goods account by the substantial transactions of the London bullion market.

Grants

Voluntary transfer payments. They may be current or capital in nature. Grants from government or the European Union to producers are subsidies.

Gross

Key economic series can be shown as gross (i.e. before deduction of the consumption of fixed capital) or net (i.e. after deduction). Gross has this meaning throughout this publication unless otherwise stated.

Gross Domestic Product (GDP)

The total value of output in the economic territory. It is the balancing item on the production account for the whole economy. Domestic product can be measured gross or net. It is presented in the accounts at market (or purchasers') prices.

Gross Fixed Capital Formation (GFCF)

Acquisitions less disposals of fixed assets and the improvement of land.

Gross national disposable income

The income available to the residents arising from GDP, and receipts from, less payments to, the rest of the world of employment income, property income and current transfers.

Gross National Income (GNI)

GNI is gross domestic product less net taxes on production and imports, less compensation of employees and property income payable to the rest of the world plus the corresponding items receivable from the rest of the world.

Gross Value Added (GVA) (B.1g)

The value generated by any unit engaged in production and the contributions of individual sectors or industries to gross domestic product. It is measured at basic prices, excluding taxes less subsidies on products.

Holding companies

A holding company is a purely financial concern which uses its capital solely to acquire interests (normally controlling interests) in a number of operating companies. Although the purpose of a holding company is mainly to gain control and not to operate, it will typically have representation on the boards of directors of the operating firms. Holding companies provide a means by which corporate control can become highly concentrated through pyramiding. A holding company may gain control over an operating company which itself has several subsidiaries.

Holding gains or losses

Profit or loss obtained by virtue of the changing price of assets being held. Holding gains or losses may arise from either physical or financial assets.

Households (S.14)

Individuals or small groups of individuals as consumers and in some cases as entrepreneurs producing goods and market services (where such activities cannot be hived off and treated as those of a quasi-corporation).

6 . I to J

Imputation

The process of inventing a transaction where, although no money has changed hands, there has been a flow of goods or services. It is confined to a very small number of cases where a reasonably satisfactory basis for the assumed valuation is available.

Index-linked gilts

Gilts whose coupon and redemption value are linked to movements in the retail prices index.

Institutional unit

Institutional units are the individual bodies whose data is amalgamated to form the sectors of the economy. A body is regarded as an institutional unit if it has decision-making autonomy in respect of its principal function and either keeps a complete set of accounts or is in a position to compile, if required, a complete set of accounts which would be meaningful from both an economic and a legal viewpoint.

Input–Output

A detailed analytical framework based on Supply and Use tables. These are matrices showing the composition of output of individual industries by types of product and how the domestic and imported supply of goods and services is allocated between various intermediate and final uses, including exports.

Institutional sector

In the economic accounts the economy is split into different institutional sectors, that is groupings of units according broadly to their role in the economy. The main sectors are non-financial corporations, financial corporations, general government, households and non-profit institutions serving households (NPISH). The rest of the world is also treated as a sector for many purposes within the accounts.

Intellectual property products (AN.112)

Intellectual property products include mineral exploration, computer software, research and development and entertainment, literary or artistic originals. Expenditure on them is part of gross fixed capital formation. They exclude non-produced non-financial assets such as leases, transferable contracts and purchased goodwill, expenditure on which would be intermediate consumption.

Intermediate consumption

The consumption of goods and services in the production process. It may be contrasted with final consumption and capital formation.

International Monetary Fund (IMF)

A fund set up as a result of the Bretton Woods Conference in 1944, which began operations in 1947. It currently has 188 member countries (as of October 2014) including most of the major countries of the world. The fund was set up to supervise the fixed exchange rate system agreed at Bretton Woods and to make available to its members a pool of foreign exchange resources to assist them when they have balance of payments difficulties. It is funded by member countries' subscriptions according to agreed quotas.

Inventories

Inventories consist of finished goods (held by the producer prior to sale, further processing, or other use) and products (materials and fuel) acquired from other producers to be used for intermediate consumption or resold without further processing as well as military inventories.

7 . K to L

Kind-of-activity unit (KAU)

An enterprise, or part of an enterprise, which engages in only one kind of non-ancillary productive activity, or in which the principal productive activity accounts for most of the value added. Each enterprise consists of one or more kind-of-activity units.

Liability

A claim on an institutional unit by another body which gives rise to a payment or other transaction transferring assets to the other body. Conditional liabilities, where the transfer of assets only takes place under certain defined circumstances, are known as contingent liabilities.

Life assurance

An insurance policy that, in return for the payment of regular premiums, pays a lump sum on the death of the insured. In the case of policies limited to investments which have a cash value, in addition to life cover, a savings element provides benefits which are payable before death. In the UK endowment assurance provides life cover or a maturity value after a specified term, whichever is sooner.

Liquidity

The ease with which a financial instrument can be exchanged for goods and services. Cash is very liquid whereas a life assurance policy is less so.

Lloyd’s of London

The international insurance and reinsurance market in London.

8 . M to N

Marketable securities

Securities which can be sold on the open market.

Market output

Output of goods and services sold at economically significant prices.

Merchant banks

These are monetary financial institutions whose main business is primarily concerned with corporate finance and acquisitions.

Mixed income

The balancing item on the generation of income account for unincorporated businesses owned by households. The owner or members of the same household often provide unpaid labour inputs to the business. The surplus is therefore a mixture of remuneration for such labour and return to the owner as entrepreneur.

Monetary Financial Institutions (MFIs) (S.121-S.123)

Monetary financial institutions (MFIs) as defined by the European Central Bank consist of all institutional units included in the central bank (S.121), deposit-taking corporations except the central bank (S1.22) and Money Market Funds (S.123) subsectors.

Money market

The market in which short-term loans are made and short-term securities traded. ‘Short-term’ usually applies to periods of under one year but can be longer in some instances.

NACE

The industrial classification used in the European Union. Revision 2 is the ‘Statistical classification of economic activities in the European Community in accordance with Commission Regulation (EC) No. 1893/2006 of 20th December 2006’.

National income

See Gross national disposable income and Real national disposable income.

Net

After deduction of the consumption of fixed capital. Also used in the context of financial accounts and balance sheets to denote, for example, assets less liabilities.

Non-market output

Output of own account production of goods and services provided free or at prices that are not economically significant. Non-market output is produced mainly by the general government and non-profit institutions serving households sectors.

Non-observed economy

Certain activities may be productive and also legal but are concealed from the authorities for various reasons – for example, to evade taxes or regulation. In principle these, as well as economic production that is illegal, are to be included in the accounts but they are by their nature difficult to measure.

NPISH (S.15)

Non-profit institutions serving households (S.15). These include bodies such as charities, universities, churches, trade unions, and members' clubs.

9 . O to P

Operating leasing

The conventional form of leasing, in which the lessee makes use of the leased asset for a period in return for a rental while the asset remains on the balance sheet of the lessor. The leasing payments are part of the output of the lessor, and the intermediate consumption of the lessee (see also Financial leasing).

Operating surplus

The balance on the generation of income account. Households also have a mixed income balance. It may be seen as the surplus arising from the production of goods and services before taking into account flows of property income.

Ordinary share

The most common type of share in the ownership of a corporation. Holders of ordinary shares receive dividends (see also Equity).

Output for own final use (P.12)

Production of output for final consumption or gross fixed capital formation by the producer. Also known as own-account production.

Own-account production

Production of output for final consumption or gross fixed capital formation by the producer. Also known as output for own final use.

Par value

A security’s face or nominal value. Securities can be issued at a premium or discount to par.

Pension funds (S.129)

The institutions that administer pension schemes. Pension schemes are significant investors in securities. Self-administered funds are classified in the financial accounts as pension funds. Those managed by insurance companies are treated as long-term business of insurance companies.

Perpetual Inventory Model (or Method) (PIM)

A method for estimating the level of assets held at a particular point in time by accumulating the acquisitions of such assets over a period and subtracting the disposals of assets over that period. Adjustments are made for price changes over the period. The PIM is used in the UK accounts to estimate the stock of fixed capital and hence the value of the consumption of fixed capital.

Portfolio

A list of the securities owned by a single investor. In the Balance of Payments statistics, portfolio investment is investment in securities that does not qualify as direct investment.

Preference share

This type of share guarantees its holder a prior claim on dividends. The dividend paid to preference share holders is normally more than that paid to holders of ordinary shares. Preference shares may give the holder a right to a share in the ownership of the company (participating preference shares). However in the UK they usually do not, and are therefore classified as bonds (F.3).

Prices

See Economically significant prices, Basic prices, Purchasers’ prices.

Principal

The lump sum that is lent under a loan or a bond.

Production boundary

Boundary between production included in creating core economic accounts (such as all economic activity by industry and commerce) and production which is excluded (such as production by households which is consumed within the household).

Promissory note

A security which entitles the bearer to receive cash. These may be issued by companies or other institutions (see Commercial paper).

Property income

Incomes that accrue from lending or renting financial or tangible non-produced assets, including land, to other units. See also Tangible assets.

Public corporations (S.11001 and S.12001)

These are public trading bodies which have a substantial degree of financial independence from the public authority which created them. A body is normally treated as a trading body when more than half of its income is financed by fees. A public corporation is publicly controlled to the extent that the public authorities appoint a majority of the board of management or when public authorities can exert significant control over general corporate policy through other means. Since the 1980s many public corporations, such as British Telecom, have been privatised and reclassified within the accounts as private non-financial corporations. Public corporations can also exist in the financial sector.

Public sector

Central government, local authorities and General Government

Purchasers' prices

These are the prices paid by purchasers. They include transport costs, trade margins and taxes (unless the taxes are deductible by the purchaser from their own tax liabilities).

10 . Q to R

Quasi-corporations

Unincorporated enterprises that function as if they were corporations. For the purposes of allocation to sectors and sub-sectors they are treated as if they were corporations, that is separate units from those to which they legally belong. Three main types of quasi-corporation are recognised in the accounts: unincorporated enterprises owned by government which are engaged in market production, unincorporated enterprises (including partnerships) owned by households, and unincorporated enterprises owned by foreign residents. The last group consists of permanent branches or offices of foreign enterprises and production units of foreign enterprises which engage in significant amounts of production in the territory over long or indefinite periods of time.

Real national disposable income (RNDI)

Gross national disposable income adjusted for changes in prices and in the terms of trade.

Related companies

Branches, subsidiaries, associates, or parents.

Related import or export credit

Trade credit between related companies, included in direct investment.

Rental

The amount payable by the user of a fixed asset to its owner for the right to use that asset in production for a specified period of time. It is included in the output of the owner and the intermediate consumption of the user.

Rents (D.45)

The property income derived from land and sub-soil assets. It should be distinguished in the current system from rental income derived from buildings and other fixed assets, which is included in output (P.1).

Repurchase agreement (Repo)/reverse repo

This is short for 'sale and repurchase agreement'. One party agrees to sell bonds or other financial instruments to other parties under a formal legal agreement to repurchase them at some point in the future - usually up to six months - at a fixed price. Reverse repos are the counterpart asset to any repo liability. Repo/reverse repo transactions are generally treated as borrowing/lending within other investment, rather than as transactions in the underlying securities. The exception is for banks, where repos are recorded as deposit liabilities. Banks' reverse repos are recorded as loans, the same as for all other sectors. Legal ownership does not change under a ‘repo’ agreement. It was previously treated as a change of ownership in the UK financial account but under the SNA is treated as a collateralised deposit (F.22).

Reserve assets

Short-term assets which can be very quickly converted into cash. They comprise the UK's official holdings of gold, convertible currencies, Special Drawing Rights and changes in the UK reserve position in the IMF. Also included between July 1979 and December 1998 are European Currency Units acquired from swaps with the European Co-operation Fund, EMI and the ECB.

Residents

These comprise general government, individuals, private non-profit-making bodies serving households and enterprises within the territory of a given economy.

Residual error

The term used in the former accounts for the difference between the measures of gross domestic product from the expenditure and income approaches.

Resources and uses

The term resources refers to the side of the current accounts where transactions which add to the amount of economic value of a unit or sector appear. For example, wages and salaries are a resource for the unit or sector receiving them. Resources are by convention put on the right side, or at the top of tables arranged vertically. The left side (or bottom section) of the accounts, which relates to transactions that reduce the amount of economic value of a unit or sector, is termed uses. To continue the example, wages and salaries are a use for the unit or sector that must pay them.

Rest of the world

This sector records the counterpart of transactions of the whole economy with non-residents.

11 . S to T

Satellite accounts

Satellite accounts describe areas or activities not dealt with by core economic accounts. These areas/activities are considered to require too much detail for inclusion in the core accounts or they operate with a different conceptual framework. Internal satellite accounts re-present information within the production boundary. External satellite accounts present new information not covered by the core accounts.

Saving (B.8g)

The balance on the use of income account. It is that part of disposable income which is not spent on final consumption and may be positive or negative.

Secondary market

A market in which holders of financial instruments can re-sell all or part of their holding. The larger and more effective the secondary market for any particular financial instrument the more liquid that instrument is to the holder.

Sector

See Institutional sector

Securities

Tradable or potentially tradable financial instruments.

SIC

Standard Industrial Classification. The industrial classification applied to the collection and publication of a wide range of economic statistics. The current version, SIC 2007, is consistent with NACE, rev.2.

SNA

System of National Accounts, the internationally agreed standard system for macroeconomic accounts. The latest version is described in System of National Accounts 2008

Special Drawing Rights (SDRs) (F.12)

These are reserve assets created and distributed by decision of the members of the IMF. Participants accept an obligation to provide convertible currency, when designated by the IMF to do so, to another participant, in exchange for SDRs equivalent to three times their own allocation. Only countries with a sufficiently strong balance of payments are so designated by the IMF. SDRs may also be used in certain direct payments between participants in the scheme and for payments of various kinds to the IMF.

Special Purpose Entities (SPEs)

1. generally organised or established in economies other than those in which the parent companies are resident; and

2. engaged primarily in international transactions but in few or no local operations.

SPEs are defined either by their structure (e.g., financing subsidiary, holding company, base company, regional headquarters), or their purpose (e.g., sale and regional administration, management of foreign exchange risk, facilitation of financing of investment).

SPEs should be treated as direct investment enterprises if they meet the 10 percent criterion. SPEs are an integral part of direct investment networks as are, for the most part, SPE transactions with other members of the group.

Staged payments

See Advance and progress payments.

Standardised Guarantees

Standardised guarantees are normally issued in large numbers, usually for fairly small amounts, along identical lines. There are three parties involved in these arrangements, the debtor, the creditor and the guarantor. Either the debtor or creditor may contract with the guarantor to repay the creditor if the debtor defaults. The classic examples are export credit guarantees and student loan guarantees.

Subsidiaries

Companies owned or controlled by another company. Under Section 1159 of the Companies Act (2006) this means, broadly speaking, that another company either holds a majority of the voting rights in it, is a member of it and has the right to appoint or remove a majority of its board of directors, or is a member of it and controls alone, pursuant to an agreement with other members, a majority of the voting rights in it. The category also includes subsidiaries of subsidiaries.

Subsidies (D.3)

Current unrequited payments made by general government or the European Union to enterprises. Those made on the basis of a quantity or value of goods or services are classified as 'subsidies on products' (D.31). Other subsidies based on levels of productive activity (for example numbers employed) are designated 'Other subsidies on production' (D.39).

Suppliers' credit

Export credit extended overseas directly by UK firms other than to related concerns.

Supply table

Table of estimates of domestic industries' output by type of product. Compiled at basic prices and includes columns for imports of goods and services, for distributors' trading margins and for taxes less subsidies on products. The final column shows the value of the supply of goods and services at purchaser's prices. This table shows which industries make which products. Columns represent the supplying industries: rows represent the products supplied.

Taxes

Compulsory unrequited transfers to central or local government or the European Union. Taxation is classified in the following main groups: taxes on production and imports (D.2), current taxes on income wealth, etc (D.5) and capital taxes (D.91).

Technical reserves (of insurance companies) (F.61)

These reserves consist of pre-paid premiums, reserves against outstanding claims, actuarial reserves for life insurance and reserves for with-profit insurance. They are treated in the economic accounts as the property of policy-holders.

Terms of trade

Ratio of the change in export prices to the change in import prices. An increase in the terms of trade implies that the receipts from the same quantity of exports will finance an increased volume of imports. Thus measurement of real national disposable income needs to take account of this factor.

Transfers

Unrequited payments made by one unit to another. They may be current transfers (D.5–7) or capital transfers (D.9). The most important types of transfers are taxes, social contributions, and benefits.

Treasury bills

Short-term securities or promissory notes which are issued by government in return for funding from the money market. In the United Kingdom every week the Bank of England invites tenders for sterling Treasury bills from the financial institutions operating in the market. ECU/euro-enominated bills were issued by tender each month but this programme has now wound down; the last bill was redeemed in September 1999. Treasury bills are an important form of short-term borrowing for the government, generally being issued for periods of 3 or 6 months.

12 . U to Z

Unit trusts

Institutions within sub-sector S.123 through which investors pool their funds to invest in a diversified portfolio of securities. Individual investors purchase units in the fund representing an ownership interest in the large pool of underlying assets, giving them an equity stake. The selection of assets is made by professional fund managers. Unit trusts therefore give individual investors the opportunity to invest in a diversified and professionally managed portfolio of securities without the need for detailed knowledge of the individual companies issuing the stocks and bonds. They differ from investment trusts in that the latter are companies in which investors trade shares on the Stock Exchange, whereas unit trust units are issued and bought back on demand by the managers of the trust. The prices of unit trust units thus reflect the value of the underlying pool of securities, whereas the price of shares in investment trusts are affected by the usual market forces.

Uses

See Resources and Uses.

Use Table

See Combined Use Table.

United Kingdom

Broadly, in the accounts, the United Kingdom comprises Great Britain plus Northern Ireland and that part of the continental shelf deemed by international convention to belong to the UK. It excludes the Channel Islands and the Isle of Man.

Valuables

Goods of considerable value that are not used primarily for production or consumption but are held as stores of value over time. They consist of, for example, precious metals, precious stones, jewellery and works of art.

Valuation

See Basic prices, Purchasers' prices, Factor cost.

Value added

The balance on the production account: output less intermediate consumption. Value added may be measured net or gross.

Value Added Tax (VAT) (D.211)

A tax paid by enterprises. In broad terms an enterprise is liable for VAT on the total of its taxable sales but may deduct tax already paid by suppliers on its inputs (intermediate consumption). Thus the tax is effectively on the value added by the enterprise. Where the enterprise cannot deduct tax on its inputs the tax is referred to as non-deductible. VAT is the main UK tax on products (D.21).

13. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

   These National Statistics are produced to high professional standards and released according to the arrangements approved by the UK Statistics Authority.

Compendium

Useful links

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The National Accounts section of the ONS website provides a variety of information including a guide to National Accounts, GDP revisions triangles and frequently asked questions. More detailed information on specific aspects of National Accounts can be found in the methodological and other articles section.

2 . Articles

Articles relating to The United Kingdom National Accounts: The Blue Book 2014 edition

The Changes to National Accounts section of the ONS website provides details of the changes implemented in the UK National Accounts in September 2014

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3 . Guides to National Accounts

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4. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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