Office for National Statistics

Compendium

An introduction to the UK National Accounts

Chapter summary and general overview of the national and sector accounts.

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1 . Overview of the Blue Book

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

The UK National Accounts: The Blue Book, 2020 is available as a PDF by request only. To request a copy, please email blue.book.coordination@ons.gov.uk.

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
- GDP deflator
- gross value added (GVA) at basic prices
- gross national income (GNI)
- gross national disposable income (GNDI)
- population estimates
- employment estimates
- GDP 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 Blue Book 2019.

Chapter 2

Chapter 2 includes:

- input–output supply and use tables
- analyses of GVA at current market prices and chained volume measures
- capital formation
- workforce jobs by industry

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 subsectors of the economy (including the rest of the world)

Chapters 8 to 11

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

- supplementary tables for gross fixed capital formation (GFCF), national balance sheet and public sector
- statistics for EU purposes

Chapter 12

Chapter 12 covers the UK Environmental Accounts.

Chapter 13

Chapter 13 covers flow of funds.

2 . Overview of the UK National Accounts and sector accounts

In the UK, priority is given to the production of a single gross domestic product (GDP) estimate using income, production and expenditure data. Further analysis is available on:

- income analysis at current prices
- expenditure analysis at both current prices and chained volume measures
- value added analysis 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, households and non-profit institutions serving households (NPISH).

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.

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.

Institutional sectors

The accounting framework identifies two kinds of institutions: consuming units (mainly households) and 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 NPISH
- rest of the world

Types of transactions

There are three main types of transactions.

Transactions in products

Transactions in products are related to goods and services. They include output, intermediate and final consumption, gross capital formation, and exports and imports.

Distributive transactions

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.

Financial transactions

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 or units
- insurance, pension and standardised guarantee schemes
- financial derivatives and employee stock options
- other accounts receivable or payable

3 . Summary of changes

Several important methodological improvements have been incorporated into Blue Book 2020, impacting on current price and volume estimates of gross domestic product (GDP) as well as the sector and financial accounts and the balance of payments. The main improvements are in the areas of professional fees, financial intermediation services indirectly measured (FISIM), the chain-linking of business prices and improvements to trade data.

Further information about these improvements, and their associated data impacts, is available in Impact of Blue Book 2020 changes on current price and volume estimates and GDP and Detailed assessment of changes to sector and financial accounts, balance of payments and quarterly GDP: 1997 to 2018.

Professional fees in gross fixed capital formation

Gross fixed capital formation (GFCF) refers to the acquisition less disposals of fixed assets and includes the costs of ownership transfer of those assets. In Blue Book 2020, we have reviewed how we estimate the professional fees element of transfer costs, particularly those that relate to the purchase and sale of residential and non-residential buildings.

Residential buildings

We previously estimated the professional fees associated with residential buildings using a fixed proportion of the total expenditure on these buildings, taking the average property price in a given year and the number of transactions to estimate the total expenditure, of which we took a fixed proportion as referring to professional fees. In Blue Book 2020, we have incorporated direct estimates of these professional fees to help create a proportion that changes over time. This reflects information that is available from other government sources, price comparison websites and industry surveys to capture the expenditure on each component of residential professional fees. These include those fees for estate agents, conveyancing, home surveys, local authority searches and energy performance certificates (EPCs). This proportion will then be applied to the total expenditure on residential properties to estimate the total amount spent on professional fees.

Non-residential buildings

There are numerous estimation challenges for professional fees on non-residential property as there is no complete information available on these property transactions or average property prices. We only currently have an estimate for “land fees”. As part of this year’s Blue Book, we have taken on improved estimates of these professional fees, with which we are able to calculate a proportion for non-residential properties. This covers a similar scope of transfer costs for non-residential properties – for example, estate agents and conveyancing. Data are only available for 2018, so we have produced a backcast series based on information for residential buildings.

Financial intermediation services indirectly measured

Financial intermediaries explicitly charge commissions and fees to their customers, but there is also an implicit charge on these financial services, which reflects the interest margin. Financial intermediaries generally pay lower rates of interest to those that lend them money and charge higher rates of interest to those who borrow from them. Financial intermediation services indirectly measured (FISIM) is then calculated as the difference between these effective rates of interest payable and receivable and a “reference” rate of interest, which is a proxy of the pure cost of borrowing funds.

As part of Blue Book 2020, we have improved our estimates of FISIM in relation to other financial intermediaries (OFIs), a subsector of the financial sector. This incorporates updated estimates of loans to consumers collected by the Financial Services Survey (FSS) and loans secured on dwellings collected by the Bank of England survey to specialist mortgage institutions. We have also replaced the inter-bank reference rate that is used as a proxy for the cost of borrowing by OFIs. A new OFI-specific reference rate has been used, leading to improved estimates of margins. This has revised FISIM estimates produced by OFIs, including mortgage lenders and other credit grantors that charge an implicit margin on loans. It has also led to revised estimates of the consumption of FISIM by households.

Chain-linking

Chain-linked business prices have been implemented in Blue Book 2020 in line with international best practice and to improve consistency with other price indices such as the Consumer Prices Index (CPI). This was previously announced as part of a consultation and is a significant improvement to the weighting and linking of business inflation statistics, which include Producer Price Index (PPI), Export Producer Price Index (EPI), Import Producer Price Index (IPI) and Services Producer Price Index (SPPI). The implementation of chain-linking is recommended by Eurostat (PDF, 2.21MB), to ensure international comparability, as the weighting structures are updated more frequently. As such, these are more representative of the structure of the UK economy and any changes that take place over time. We also reflect some additional changes to our methods to support the implementation of chain-linking.

GDP is initially measured in current prices, with estimates valued in the prices of the period when the activity occurred. It is then deflated to remove the effects of price changes to give volume GDP, specifically using the expenditure approach to set the annual level of volume GDP. The implementation of chain-linked business prices has therefore had an impact on how we produce volume estimates of GDP, given how these improvements will impact upon our range of expenditure deflators. There is also an impact upon our current price estimates of GDP, as there are instances in which we use price estimates to reflate our volume estimates to produce our current price estimates. For example, within our inventories’ estimates, current price acquisitions and disposals of stock are calculated using volume estimates and deflators.

Trade including disbursements

We have continued to develop UK trade statistics as set out in the trade development plan, and we have introduced further improvements as part of the Blue Book 2020. This includes new data sources for road freight transport and the addition of cabotage, the transport of goods or passengers between two places in the same country by a transport operator from another country and cross trades to exports of freight services for the first time. For rail freight, we have updated tonnage information for the Eurotunnel and Northern Ireland to Republic of Ireland border along with updated cross-border freight rates. For air freight, data from the Civil Aviation Authority have been added so that existing financial data received from airports and airlines can be grossed up in a more representative way, which will better reflect fluctuations in the industry.

The majority of UK travel is collected via the International Passenger Survey (IPS) via air and seaports around Great Britain and Northern Ireland. However, no form of surveying takes place over the land border between Northern Ireland and the Republic of Ireland; therefore, “pseudo estimates” are currently used to compensate for this. The pseudo estimates have been re-calculated using data from the Northern Ireland Statistics and Research Agency’s (NISRA’s) Northern Ireland Passenger Survey (NIPS) and Continuous Household Survey (CHS) as well as the Central Statistics Office’s (CSO’s) Household Travel Survey (HTS).

In addition to these changes, trade in services has also been revised through the annual reconciliation of the three approaches to GDP: income, output and expenditure, enabling a single estimate of GDP to be determined through the production of supply and use tables.

Public sector finances alignment

Data published in the UK public sector finances (PSF) are not fully consistent with the core UK National Accounts. The differences between the outputs have existed for many years and are the result of different revisions policies in the UK National Accounts and the PSF, the former being revised less frequently because of the added complexity and integrated nature of the UK National Accounts, which need to balance across all sectors of the economy and not just the public sector.

While ensuring that the PSF reflects the most up-to-date picture of government finances, we regularly compare this with the UK National Accounts and seek to improve alignment where possible. On 30 September 2019, we published analysis that highlights the largest sources of differences between the PSF and national accounts measurement of net borrowing. These tables will be updated on 30 September 2020 to show the differences existing between the quarterly national accounts, published on 30 September 2020, and PSF, published on 25 September 2020. Please also see Alignment between PSF and national accounts.

Other changes

- Further improvements to the collection of non-monetary gold have been introduced building on previous work to improve its measurement.

- Having identified that our GFCF estimates did not previously cover higher education institutions, so we have benchmarked our GFCF estimates for Standard Industrial Classification (SIC) 85 – Education to those of the Office for National Statistics's (ONS's) Annual Business Survey (ABS).

- An improved sector allocation of data series on Securities Dealers introduced in Blue Book 2017 has been implemented, following a detailed review of survey responses.

- The balance of payments uses data from the quarterly and annual foreign direct investment (FDI) surveys; in the short term, the quarterly survey is used within the balance of payments, before later being revised when the more comprehensive annual survey data become available, known as the FDI benchmark process; this benchmark process is an annual reconciliation between the quarterly and annual surveys used in the production of FDI data.

- In line with usual practice, updated data sources have also been introduced, including pension data changes that replace a mixture of forecasts and imputations from 2016 onwards.

4 . 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 gross domestic product (GDP), gross national income (GNI), 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. 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.

5 . 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 (ESA) 2010, a three-part numbering system is used; the first two digits denote the sector and the third digit denotes the ESA 2010 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 two to six are given in a single account numbered two. UK whole economy accounts consistent with ESA 2010 are given in Section 1.6 as a time series and in Section 1.7 in a detailed matrix identifying all sectors, the rest of the world and the UK total.

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

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

Within the financial balance sheets, the following prefixes are used: AF for financial assets and liabilities and AN for non-financial assets and liabilities.

6 . The purpose of an account

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 or sectors (groups of units).

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

Table I.1 provides the structure of the accounts and shows how gross domestic product (GDP) estimates are derived as the balancing items.

7 . The integrated economic accounts

The integrated economic accounts of the UK provide an overall view of the economy. Table I.1 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:

- goods and services accounts
- current accounts
- accumulation accounts
- balance sheets

8 . The goods and services account (Account 0)

The integrated economic accounts of the UK provide an overall view of the economy. Table I.1 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:

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9 . Current accounts: the production and distribution of income accounts

The production account (Account I)

This 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) are, after the addition of taxes less subsidies 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 account (Account II)

This 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).

The distribution of income compromises four sub-accounts:

- primary distribution of income account
- secondary distribution of income
- redistribution of income in kind
- use of income account

The allocation of primary income account (Account II.2.1)

Primary incomes are accrued to institutional units because of their involvement in production or their ownership of productive assets. They include property income (from lending or renting assets) and taxes on production and imports. They exclude taxes on income or wealth, social contributions or benefits, and 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 (Account II.2)

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 and so on, 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.

The redistribution of income in kind account (Account II.3)

This account shows how gross disposable income of households and non-profit institutions serving households (NPISH) and 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 use of income account (Account II.4)

The use of income account shows how disposable income is divided between final consumption expenditure and saving. In addition, the use of income account includes, for households and for pensions, an adjustment item (D. 8: adjustment for the change in pension entitlements), which relates to the way that transactions between households and pension funds are recorded.

The accumulation accounts (Account III)

These accounts cover all changes in assets, liabilities and net worth. The accounts are structured into two groups. The first group covers transactions that would correspond to all changes in assets, liabilities and net worth that result from transactions and are known as the capital account and the financial account. They are distinguished to show the balancing item net lending or borrowing.

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

The capital account (Account III.1)

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 or borrowing of a particular sector represents the amounts available for lending or borrowing to other sectors. The value of net lending or net borrowing is the same irrespective of whether the accounts are shown before or after deducting consumption of fixed capital (P.51c), provided a consistent approach is adopted throughout.

The financial account (Account III.2)

This 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 or borrowing.

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

The other changes in assets account (Account III.3)

The other changes in assets account is concerned with the recording of changes in the values of assets and liabilities, and thus of the changes in net worth, between opening and closing balance sheets that result from flows that are not transactions, referred to as “other flows”.

This account is further subdivided into: other changes in the volume of assets account, III.3.1, and revaluation account, III.3.2.

The other changes in the volume of assets account records the changes in assets, liabilities and net worth between opening and closing balance sheets that are neither because of transactions between institutional units, as recorded in the capital and financial accounts, nor holding gains and losses as recorded in the revaluation account. Examples include reclassifications and write-offs. The balancing item for this account is other changes in volume (B.102).

The revaluation account records holding gains or losses accruing during the accounting period to the owners of financial and non-financial assets and liabilities. The balancing item for this account is nominal holding gains and losses (B.103).

The balance sheet (Account IV)

The second group of accumulation accounts complete the sequence of accounts. These include 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)

This 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, its role is similar to an institutional sector.

10 . Satellite accounts

Satellite accounts cover areas or activities not included in the central framework because they either add additional detail to an already complex system or conflict with the conceptual framework. The UK Environmental Accounts are satellite accounts linking environmental and economic data to show the interactions between the economy and the environment.

See Chapter 12: UK Environmental Accounts for further information.

11 . 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 that have a centre of economic interest in the UK economic territory. These units are known as resident units, and it is their transactions that 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 the European System of Accounts (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 and aid agencies used by the British Government with the formal political agreement of the governments in which these units are located). However, it 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 EU, 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
- 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.

12 . Production included in economic activity

Gross domestic product (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. 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 European System of Accounts (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, for example, 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 it voluntarily
- production from which the revenues are not declared in full to the fiscal authorities, for example, clandestine production of textiles

The following fall outside the production boundary:

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

13 . 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 Value Added Tax (VAT), invoiced for output sold)
minus
any subsidies received per unit of output.

Purchasers’ or market prices

Purchasers’ 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).

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 (GDP)
equals
the sum of primary incomes distributed by resident producer prices.

The definition of gross national income (GNI) is GDP plus income received from other countries (notably interest and dividends), less similar payments made to other countries.

GDP
plus
net property income equals
GNI.

This 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.

GDP (or income)
less
primary incomes payable to non-resident units
plus
primary incomes receivable from the rest of the world
equals
GNI.

GNI at market prices
equals
the sum of gross primary incomes receivable by resident institutional units or 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).

RGDI
plus
real primary incomes receivable from abroad
less
real primary incomes payable abroad
equals
real GNI.

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

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

14 . Gross domestic product: the concept of net and gross

The term gross means 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 (GDP) 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:

GDP
minus
consumption of fixed capital
equals
net domestic product.

15 . Symbols used

In general, the following symbols are used:

.. denotes not available
– denotes nil or less than £500,000
£ billion denotes £1,000 million