

Economic and Finance statistics



Income and sequence of accounts

John Verrinder (Eurostat)

Spring semester 2021

Jointly organised by

European Statistical System (ESS)



EMOS core module on economic and finance statistics

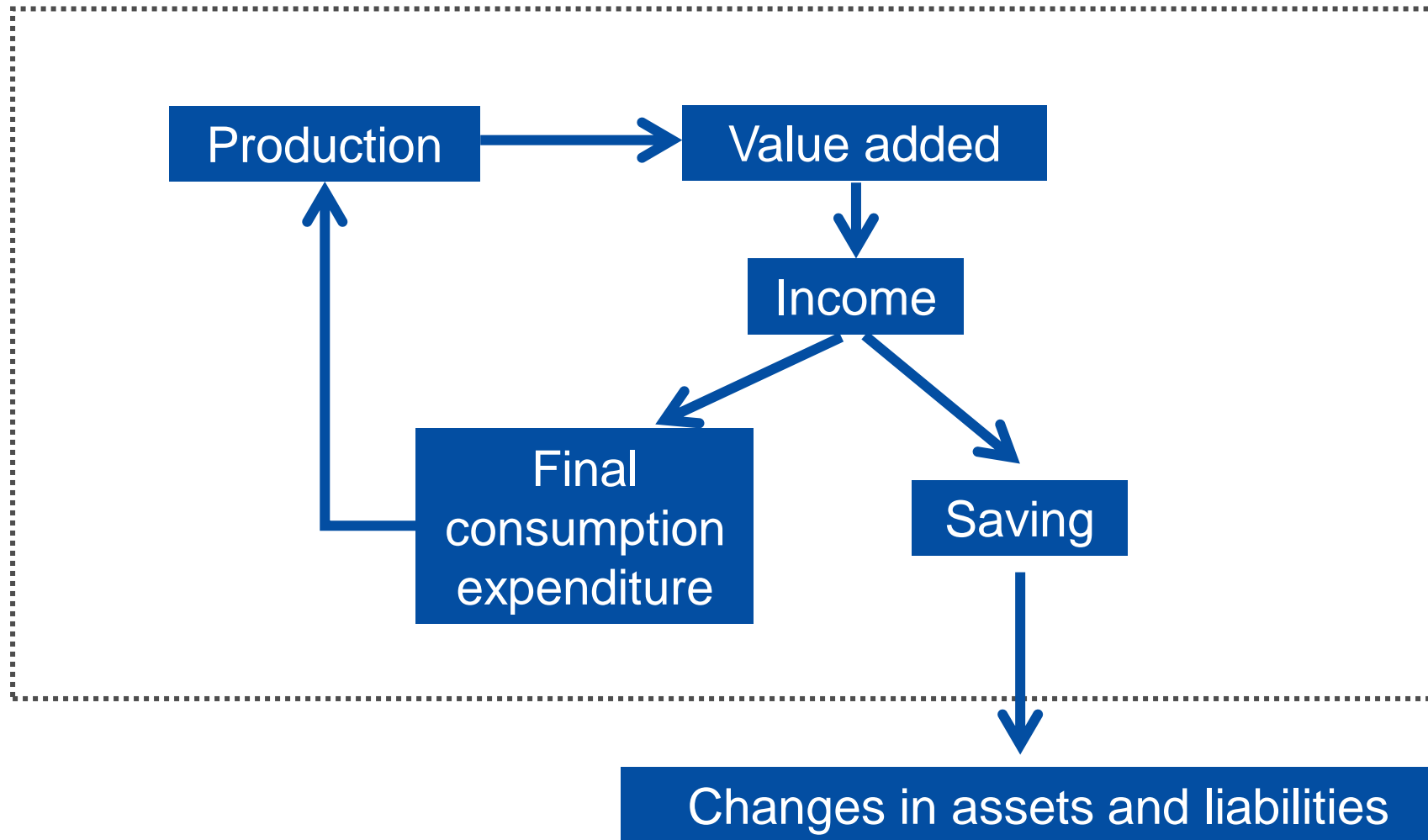
European System of Central Bank (ESCB)



EMOS labelled programmes



A map of ESA 2010 flows



What is an “account”?

Note “Uses” and “Resources”

USES		RESOURCES	
Transaction	10	Transaction	40
Transaction	20	Transaction	30
Balancing Item	40		

**Note: “Balancing Item” as difference between Uses and Resources
These items are often key indicators for analysis**

The “sequence of accounts” ...

- A cascade of accounts:
 - Production
 - Primary Distribution of Income
 - Secondary Distribution of Income
 - Use of income
 - Capital
 - Financial
- Each account’s balancing item feeds through to the next account...

Accounts by sector

Account	Economy	Non-financial corporations	Financial corporations	General Government	Households	NPISH
Production						
...						
...						
...						
...						
...						

Note accounts can be for the whole economy or for individual sectors (or sub-sectors)

The production account

USES		RESOURCES	
Intermediate consumption	40	Output	110
Gross Value added	70		

Note: Gross Value Added when measured at market prices = Gross Domestic Product (GDP)

Note: “Gross” means before subtracting Consumption of Fixed Capital (Depreciation)

The primary distribution of income account (I)

USES		RESOURCES	
		Gross Value added	70
Compensation of employees	30		
Taxes less subsidies on production	10		
Gross Operating surplus	30		

Compensation of employees

- Defined in ESA10 (para 4.02) as:

“total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the accounting period”

Key words...

Total (Wages, before taxes, include employer social contributions)

Cash or in kind

Employer to employee

Accounting period

Taxes

- Definition of a tax (ESA10 para 4.14): “compulsory, unrequited payments...”
- Types:

- Taxes on products

VAT, excise duties, imports

- Other taxes on production

- Taxes on income and wealth

- Taxes on capital



Treated as an increase in price



Treated as ‘distribution’

The primary distribution of income account (II)

USES		RESOURCES	
		Gross Operating Surplus	30
Property Income (payable)	10	Property Income (receivable)	5
Balance of primary income	25		

Note: Transactions can appear on both sides of the account, as payable and receivable

Property income: Interest, Dividends, Rent “Re-invested Earnings on Foreign Direct Investment”

Note: Balance for the whole economy is “National Income”

The secondary distribution of income account

USES		RESOURCES	
		Balance of primary income	25
Current taxes on income, wealth, etc. (payable)	5	Current taxes on income, wealth, etc. (receivable)	30
Social contributions and benefits in cash (payable)	25	Social contributions and benefits in cash (receivable)	0
Other current transfers (payable)	10	Other current transfers (receivable)	5
Disposable income	20		

Transfers

- Transfers (= one-way flows)
 - Current transfers
 - In cash
 - In kind
 - Capital transfers (in capital account)
- Current transfers
 - Income tax
 - Social contributions and benefits
 - Others (variety of flows)

The use of income account

USES		RESOURCES	
		Disposable income	20
Final consumption expenditure	15		
		Change in net equity of households in pension funds	5
Saving	10		

Final consumption expenditure

Final consumption \neq intermediate consumption

FC made by:

- Households
 - Government
 - NPISH
- } Collective consumption on behalf of the whole economy

(see ESA10 para 3.94)

Household Final Consumption

- Consumption by resident units
- Includes:
 - Consumer durables
 - Income in kind
- Main data sources
 - Household Budget Surveys
 - Retail trade stats
 - Tax/excise data

Government Final Consumption

- Final consumption expenditure includes:
 - Goods and services produced by general government other than own-account capital formation and sales
 - Social transfers in kind (paid by government and supplied free to households)
- Similar for FC expenditure of NPISHs

The capital account

CHANGE IN ASSETS		CHANGE IN LIABILITIES AND NET WORTH	
		Saving	10
Gross fixed capital formation	10		
Changes in inventories	-5		
Acquisitions less disposals of valuables	0		
Capital transfers (payable)	5	Capital transfers (receivable)	10
Net lending / Net borrowing	10		

Gross Fixed Capital Formation

- Acquisitions **less disposals** of productive assets
- Also includes:
 - Major improvements to tangible non-produced assets (land)
 - Changes in livestock and trees used in production
 - Improvements to fixed assets
 - Transfer costs

The financial account

CHANGES IN ASSETS		CHANGES IN LIABILITIES AND NET WORTH	
Currency and deposits	20		0
Bonds	10		30
Loans	0		-10
...			
		Net lending / net borrowing	10

**Note: breakdown by financial instruments on “gross” basis
negative entries mean reductions in assets or liabilities
Net lending / net borrowing is mirror of capital account balance**

Thank you! 😊

Contact: john.verrinder@ec.europa.eu

