

Glossary¹

account

An account is a tool which records, for a given aspect of economic life, (a) the uses and resources or (b) the changes in assets and the changes in liabilities and/or (c) the stock of assets and liabilities existing at a certain time; the transactions accounts include a balancing item which is used to equate the two sides of the accounts (e.g. resources and uses) and which is a meaningful measure of economic performance in itself.

acquisitions less disposals of valuables (P53)

Part of the category of capital formation which covers expenditures on produced assets that are not used primarily for production or consumption, but acquired and held as stores of value. Examples of valuables are precious metals (non-monetary gold if used as store of value) and stones, antiques and other art objects.

acquisition less disposal of non-produced non-financial assets (K.2)

Non-financial non-produced assets consist of land and other tangible non-produced assets that may be used in the production of goods and services, and intangible non-produced assets.

actual final consumption (P.4)

Actual final consumption of households is the value of the consumption goods and services acquired by households, whether by purchase in general, or by transfer from government units or NPISHs, and used by them for the satisfaction of their needs and wants; it is derived from their final consumption expenditure by adding the value of social transfers in kind receivable. See also: adjusted disposable income.

adjustment for the change in net equity of households in pension fund reserves (D.8)

The adjustment for the change in the net equity of households in pension funds reserves represents the amount necessary to explain the change to household savings resulting from those actuarial reserves for which households have a definite claim (a claim which re-appears in the financial accounts as an asset under heading F.61). These reserves are fed by premiums and contributions recorded in the secondary distribution of income account as social contributions.

adjusted disposable income (B.7)

Adjusted disposable income is derived from the disposable income of an institutional unit or sector by adding the value of the social transfers in kind receivable by that unit or sector and by subtracting the value of the social transfers in kind payable by that unit or sector. See also: actual final consumption.

allocation of other primary income account

The allocation of primary income account focuses on resident institutional units or sectors in their capacity as recipients of primary incomes rather than as producers whose activities generate primary incomes; it lists two kinds of income under "resources":

- (a) primary incomes already recorded in the generation of income account that are receivable by resident institutional units, and
- (b) property incomes receivable from the ownership of financial or tangible non-produced assets (mainly land or sub-soil assets).

¹ Most of the terms contained in this glossary are defined extensively in the ESA 95 (European System of Accounts 1995, Office for Official Publications of the European Communities, 1996).

A resource controlled by an enterprise as a result of past events and from which future economic benefits are expected to flow to that enterprise.

balancing item

An accounting construct obtained by subtracting the total value of the entries on one side of an account from the total value from the other side.

balance sheet

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

capital accounts

Part of the system of national (or euro area) accounts consisting of the change in the net worth that is due to net saving, net capital transfers and net acquisitions of non-financial assets.

capital formation (P.5)

Acquisition less disposals of fixed assets, improvements of land, changes in inventories and acquisition less disposals of valuables.

capital transfers (D.9)

Capital transfers are transactions, either in cash or in kind, in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, or in which cash is transferred to enable the recipient to acquire another asset, or in which the funds realised by the disposal of another asset are transferred.

central government (S.1311)

This is general government excluding regional and local governments. It includes all administrative departments of the (central) state and other central agencies whose competence extends over the entire economic territory, except for the administration of social security funds.

changes in inventories (P.52)

Changes in inventories are measured by the value of the entries into inventories less the value of withdrawals and the value of any recurrent losses of goods held in inventories.

compensation of employees (D.1)

The total remuneration, including gross wages and salaries as well as bonuses, overtime payments and employers' social security contributions, that is payable, in cash or in kind, by employers to employees in return for work done by the latter during the accounting period.

consumption of fixed capital (K.1)

Consumption of fixed capital represents the amount of fixed assets used up, during the period under consideration, as a result of normal wear and tear and foreseeable obsolescence, including a provision for losses of fixed assets as a result of accidental damage which can be insured against.

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 sector.

currency (F.21)

Banknotes and coins in circulation that are commonly used to make payments. Since 1 January 2002, currency in circulation in the euro area has included banknotes issued by the Eurosystem and other

other current transfers (D.7)

Other current transfers consist of net premiums and claims for non-life insurance, current transfers between different kinds of government units, usually at different levels of government and also between general government and foreign governments, and current transfers such as those between different households.

debt (financial accounts)

Loans taken out by households, as well as the loans, debt securities and pension fund reserves (resulting from employers' direct pension commitments on behalf of their employees) of non-financial corporations, valued at market prices at the end of the period.

debt security (F.33)

A promise on the part of the issuer (the borrower) to make one or more payment(s) to the holder (the lender) on a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term (F.332). Money market paper (F.331) and, in principle, securities issued as private placements are included in the debt securities statistics of the ECB.

deposits with an agreed maturity

Mainly time deposits with a given maturity that, depending on national practices, may be subject to the payment of a penalty in the event of early withdrawal. Some non-marketable debt instruments, such as non-transferable (retail) certificates of deposit, are also included.

derivatives (F.34)

Financial instruments whose value is linked to changes in the value of another financial instrument, an indicator or commodity.

disposable income (B.6)

Disposable income is derived from the balance of primary incomes of an institutional unit or sector by adding all current transfers, except social transfers in kind, receivable by that unit or sector and subtracting all current transfers, except social transfers in kind, payable by that unit or sector; it is the balancing item in the Secondary Distribution of Income Account.

distributed income of corporations (D.42)

Dividends paid by corporations and withdrawals from the income of quasi-corporations. Withdrawals consist of the amounts which entrepreneurs actually withdraw for their own use from the profits earned by the quasi-corporations which belong to them.

entrepreneurial income (B.4)

The entrepreneurial income for a corporation, quasi-corporation, or institutional unit owning an unincorporated enterprise engaged in market production is its operating surplus or mixed income plus property income receivable on the financial or other assets owned by the enterprise, minus interest payable on the liabilities of the enterprise and rents payable on land or other tangible non-produced assets rented by the enterprise.

entrepreneurial income account

The purpose of the entrepreneurial income account is to determine a balancing item corresponding to the concept of current profit before distribution and income tax, as normally used in business accounting.

Securities representing ownership of a stake in a corporation, i.e. shares traded on a stock exchange (quoted or listed shares), unquoted or unlisted shares and other forms of equity. Equities usually produce income in the form of dividends.

euro area

The area encompassing those EU Member States in which the euro has been adopted as the single currency in accordance with the Treaty, in which a single monetary policy is conducted under the responsibility of the Governing Council of the ECB. The euro area currently comprises Belgium, Germany, Ireland, Greece, Spain, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.

export of goods and services (P.6)

Exports of goods and services consist of sales, barter, or gifts or grants, of goods and services from residents to non-residents.

financial accounts

Part of the system of national (or euro area) accounts showing the financial positions (stocks), financial transactions and other changes of the different institutional sectors of an economy by type of financial instrument.

financial asset

Any asset that is (i) cash; or (ii) a contractual right to receive cash or another financial instrument from another enterprise; or (iii) a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable; or (iv) an equity instrument of another enterprise.

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 liability

Any liability that is a legal obligation to deliver cash or another financial instrument to another enterprise or to exchange financial instruments with another enterprise under conditions that is potentially unfavourable.

financial transaction

The creation, transformation, exchange, transfer or extinction of economic value involving a change in the ownership of financial assets or liabilities, the provision of services or the provision of labour and capital. Flows can be calculated as differences in stocks adjusted to remove the effect of reclassifications, exchange rate variations, other revaluations and any other changes that do not arise from transactions.

financial wealth (worth)

Comprises total financial assets less total liabilities for a given economic area, institutional sector or sub-sector. It is usually referred to as "net financial wealth (worth)". Changes in net financial wealth (worth) are equal to the sum of changes in net financial wealth (worth) due to transactions (lending/net borrowing from the financial account) and other changes in net financial wealth (worth).

FISIM

Financial intermediation services indirectly measured (FISIM) is an indirect measure of the value of intermediation services provided by financial institutions on transactions involving deposits and loans and for which no explicit fee is charged.

general government (S.13)

A sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

It analyses the extent to which value added can cover compensation of employees and other taxes less subsidies on production. It measures the operating surplus, which is the surplus (or deficit) on production activities before account has been taken of the interest, rents or charges which the production unit.

The operating surplus corresponds to the income which the units obtain from their own use of their production facilities.

goods and services account

Describes the supply and use of goods and services.

gross domestic product (B.1g)

The value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

gross fixed capital formation (P.51)

Gross fixed capital formation consists of resident producers' acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets realised by the productive activity of producer or institutional units. Fixed assets are tangible or intangible assets produced as outputs from processes of production that are themselves used repeatedly, or continuously, in processes of production for more than one year.

gross national income (B.5g)

Gross National Income comprises the total value of goods and services produced within a country (i.e. its gross domestic product), together with its income received from other countries (notably interest and dividends), less similar payments made to other countries.

household housing wealth

All residential dwellings owned by households, whether primary or secondary residences, including the value of the underlying or residential land.

households (S.14)

One of the institutional sectors in the European System of Accounts 1995 (ESA 95). The household sector covers individuals or groups of individuals not only as consumers, but also as entrepreneurs (i.e. sole proprietorships and partnerships). Non-profit institutions serving households are a separate institutional sector according to the ESA 95, although they are often reported together with households. (In the EAA the household sector is reported jointly with the NPISH sector.)

imports of goods and services (P.7)

Imports of goods and services consist of purchases, barter, or receipts of gifts or grants, of goods and services by residents from non-residents.

interest (D.41)

Interest is a form of property income that is receivable by the owners of certain kinds of financial assets (notably deposits, loans and debt securities). These financial assets are all claims of creditors over debtors. Creditors lend funds to debtors that lead to creation of one or other of the financial instruments. The amount of the debtor's liability to the creditor at any point of time may be described as the principal outstanding. It is the amount that the debtor must repay to discharge the liability and thereby extinguish the creditor's claim over the debtor.

See also: FISIM.

intermediate consumption (P.2)

Intermediate consumption consists of the value of the goods and services consumed as inputs by a process of production, excluding fixed assets whose consumption is recorded as consumption of fixed capital. The goods and services are transformed or used up in the production process.

Credit extended to households for the purpose of investment in housing, including building and home improvements. Included are loans secured by residential property (i.e. mortgage loans) that are used for house purchase and, where identifiable, other loans for house purchase provided on a personal basis or secured by other types of asset.

local government (S.1313)

A sector defined in the ESA 95 as comprising public authorities and/or bodies, excluding social security funds' local agencies, whose competence extends only to a local area of the country's economic territory.

market price

Market price valuation refers to the actual price agreed upon by transactors (i.e., the amount that a willing buyer pays to acquire something from a willing seller when the exchange is one between independent parties and one into which nothing but commercial considerations enter).

monetary aggregate

Currency in circulation plus outstanding amounts of certain liabilities of monetary financial institutions (MFIs) that have a relatively high degree of liquidity and are held by non-MFI euro area residents outside the central government sector.

monetary financial institutions (MFI) (S.121 and S.122)

Financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

money market fund

A collective investment undertaking that primarily invests in money market instruments and/or other transferable debt instruments with a residual maturity of up to one year, and/or in bank deposits, and/or that pursues a rate of return that approaches the interest rates on money market instruments.

net

After the deduction from a gross balancing item of the consumption of fixed capital. The term is also used in the context of financial accounts and balance sheets to denote, for example where financial assets subtracted from liabilities produces net financial assets.

net lending/net borrowing (B.9)

Net lending is the net amount a unit or a sector has available to finance, directly or indirectly, other units or other sectors. It is the balancing item in the capital account and is defined as: (Net saving plus capital transfers receivable minus capital transfers payable) minus (the value of acquisitions less disposals of non-financial assets, less consumption of fixed capital). Negative net lending may also be described as "net borrowing".

net worth

The net worth (wealth) of a given economic area, institutional sector or sub-sector comprises its non-financial assets and net financial worth (wealth).

non-financial corporations (S.11)

Corporations or quasi-corporations that are not engaged in financial intermediation but are active primarily in the production of market goods and non-financial services.

non-financial non-produced asset

An economic asset that has not come into existence through a production process. These assets can be broken down further into tangible assets (including all natural assets, such as land, subsoil assets, water resources and non-cultivated biological resources) and intangible assets (including patented entities,

transferable contracts and purchased goodwill).

non-financial produced asset

An asset that has come into existence as an output resulting from a production process. On the basis of the asset's role in the production process, a distinction is made between: (i) fixed assets, which are used repeatedly or continuously in production for more than one year; (ii) inventories, which are used up in production as intermediate consumption, sold or otherwise disposed of; and (iii) valuables, which are not used primarily for production or consumption, but instead acquired and held primarily as stores of value.

non-financial transaction

A transaction is an economic flow that is an interaction between institutional units by mutual agreement or an action within an institutional unit that it is analytically useful to treat like a transaction, often because the unit is operating in two different capacities. Non-financial transactions are transactions which are not related to financial assets.

Non-profit institutions (NPIs)

Non-profit institutions are legal or social entities created for the purpose of producing goods and services whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control or finance them.

non-profit institutions serving households (NPISH) (S.15)

Non-profit institutions serving households (NPISHs) consist of NPIs which are not predominantly financed and controlled by government and which provide goods or services to households free or at prices that are not economically significant.

operating surplus/mixed income (B.3)

The surplus (or deficit) on the value of output of production activities after the costs of intermediate consumption, compensation of employees and taxes less subsidies on production have been deducted, but before payments and receipts of income related to the borrowing/renting or owning of financial and non-produced assets have been taken into account.

The surplus of household sector is called mixed income as it is often impossible in the case of households to distinguish compensation of employee and property income.

other changes

Differences between opening and closing balance sheets that are not due to interaction between institutional sectors by mutual agreement. These differences include the revaluation of assets and liabilities, as well as changes in the volume of assets and liabilities that are not due to transactions.

other financial intermediaries (OFI) (S.123)

Corporations or quasi-corporations other than insurance corporations and pension funds such as investment funds that are engaged mainly in financial intermediation by incurring liabilities in forms other than currency, deposits and/or close substitutes for deposits from institutional entities other than MFIs, also those entities engaged primarily in long-term financing, such as corporations engaged in financial leasing, financial vehicle corporations created to be holders of securitised assets, financial holding corporations, dealers in securities and derivatives (when dealing for their own account), venture capital corporations and development capital companies.

output (P.1)

Output consists of the products created during the accounting period. Output therefore includes goods and services that are produced and provided to other institutional units as well as goods and services that remain in inventories at the end of the accounting period.

pension funds

Institutions that administer pension schemes. Self-administered funds are classified in financial accounts as pension funds. Those managed by insurance companies are treated as long-term business of insurance companies.

portfolio investment

Euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments).

primary income

Primary income is the income which resident units receive by virtue of their direct participation in the production process, and the income receivable by the owner of a financial asset or other such assets in return for providing funds to another unit. The income can contain compensation of employees, taxes on production and imports less subsidies, operating surplus or mixed income and property income.

Part of the system of national (or euro area) accounts consisting of the transactions relating to the production process proper. It is drawn up for institutional sectors and for industries. Its resources include output and its uses include intermediate consumption, and the balancing item is value added.

property income (D.4)

Property income is the income receivable by the owner of a financial asset or a tangible non-produced asset in return for providing funds to or putting the tangible non-produced asset at the disposal of, another institutional unit; it consists of interest, the distributed income of corporations (i.e. dividends and withdrawals from income of quasi-corporations), reinvested earnings on direct foreign investment, property income attributed to insurance policy holders, and rent.

property income attributed to insurance policy holders (D.44)

The value of the premium or contribution supplements paid by the policyholders or beneficiaries is equal in total to the entirety of the income earned by the insurance corporations or pension funds by investing their technical or pension reserves. Although the income earned by the insurance corporation may not all have been earned as property income, when attributed to policyholders the whole amount is so regarded and appears as the item "property income attributed to policyholders".

reinvested earnings on direct foreign investment (D.43)

Reinvested earnings on direct foreign investment consist of the retained earnings of a direct foreign investment enterprise which are treated as if they were distributed and remitted to foreign direct investors in proportion to their ownership of the equity of the enterprise and then reinvested by them in the enterprise.

rent (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 building and other fixed assets, which is included in output.

resources and uses

Resources refers to the side of the current accounts where transactions which add to the amount of economic value of a unit or a sector appear (for example, wages and salaries are a resource for the unit or sector receiving them); by convention, resources are put on the right side of the account.

The left hand side of the accounts, which relates to the transactions that reduce economic value of a unit or sector, is termed uses

rest of the world (S.2)

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

saving (B.8)

Saving is disposable income less final consumption expenditure (or adjusted disposable income less actual final consumption), in both cases after taking account of an adjustment for pension funds; saving is an important aggregate which can be calculated for each institutional sector or for the whole economy.

secondary distribution of income account

The secondary distribution of income account shows how the balance of primary incomes of an institutional unit or sector is transformed into its disposable income by the receipt and payment of current transfers excluding social transfers in kind.

sector

In the economic accounts, the economy is split into different institutional sectors, i.e. groupings of units according to their role in the economy.

Securities are financial instruments such as debt securities or equities which are normally traded or potentially tradable in organised or other financial markets.

sequence of accounts

This refers to the structured recording of transactions according to a logical analysis of economic life. It provides the aggregates required for the study of an industry, an institutional sector or sub-sector, or the total economy.

The ordered sequence of accounts describes the economic cycle from the generation of income, through its distribution and redistribution, to its accumulation in the form of assets.

social benefits (D.62)

Social benefits are current transfers received by households intended to provide for the needs that arise from certain events or circumstances, for example, sickness, unemployment, retirement, housing, education or family circumstances. There are two kinds of social benefits: social insurance benefits and social assistance benefits.

social contributions (D.61)

Social contributions are actual or imputed payments to social insurance schemes to make provision for social insurance benefits to be paid. They may be made by employers on behalf of their employees or by employees, self-employed or non-employed persons on their own behalf.

social security funds (S.1314)

A sector defined in the ESA 95 as comprising all central, state and local institutional units, the principal activity of which is to provide social security benefits and which fulfil both of the following two criteria: (i) certain groups of the population are required by law or by regulation to participate in the scheme or to pay contributions; and (ii) the general government is responsible for the management of the scheme.

social transfers in kind (D.63)

Social transfers in kind consist of individual goods and services provided as transfers in kind to individual households by government units (including social security funds) and non-profit institutions serving households (NPISHs), whether purchased on the market or produced as non-market output by government units or NPISHs.

special drawing rights (SDR)

An international reserve asset created by the IMF to supplement other reserve assets that are periodically allocated to IMF members in proportion to their respective quotas. SDRs are not considered liabilities of the Fund, and IMF members to whom SDRs are allocated do not incur actual (unconditional) liabilities to repay SDRs allocated.

state government (S.1312)

A sector defined in the ESA 95 as comprising separate institutional units exercising some of the functions of government (excluding the administration of social security funds) at a level below that of the central government and above that of local government.

subsidies on production, other (D.39)

Other subsidies on production consist of subsidies, except subsidies on products, which resident enterprises may receive as a consequence of engaging in production (e.g. subsidies on payroll or

workforce or subsidies to reduce pollution).

subsidies on products (D.31)

Other subsidies on products (other than export or import subsidies) consist of subsidies on goods or services produced as the outputs of resident enterprises that become payable as a result of the There are three broad categories:

- (a) subsidies on products used domestically,
- (b) losses of government trading organisations, and
- (c) subsidies to public corporations and quasi- corporations

taxes on production, other (D.29)

Other taxes on production consist of taxes other than those incurred directly as a result of engaging in production; they mainly consist of current taxes on the labour or capital employed in the enterprise, such as payroll taxes or current taxes on vehicles or buildings.

taxes on products (D.21)

Taxes on products, excluding value added tax, import and export taxes, consist of taxes on goods and services that become payable as a result of the production, sale, transfer, leasing or delivery of those goods or services, or as a result of their use for own consumption or own capital formation.

taxes on income and wealth (D.5)

Most current taxes on income, wealth, etc consist of taxes on the incomes of households or profits of corporations and taxes on wealth that are payable regularly every tax period (as distinct from capital taxes levied infrequently).

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.

use of disposable income account

The use of disposable income account starts with disposable income. It includes the concept of final consumption expenditure financed by the various sectors concerned: households, general government and non-profit institutions serving households. The balancing item in the use of disposable income account is saving.

value added

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