# 10. NATIONAL ACCOUNTS

## Methodological notes

**Annual National Accounts** represent a compatible accounting framework for the systematic and detailed description of the total economy as well as particular institutional sectors and subsectors where all stages of the economic process are recorded (output, generation and distribution of income, use of income, accumulation and financial transactions). In line with the methodology, each account has the resources side and the uses side and the balancing item of each account has its own economic contents. Transactions represent economic operations and the related flows carried out between economic units. According to their nature, they can be broken down into four main groups:

- transactions in goods and services (code P) which are related to production (national output or imports), exchange and use of goods and services (intermediate consumption, final consumption, capital formation or exports),
- distributive transactions (code D) by means of which the value added generated by residents is being distributed and the income or wealth is redistributed,
- financial transactions (code F) (transactions in financial means) are related to changes in financial assets and liabilities in particular sectors,
- other flows in accumulation accounts (code P.5), for instance, consumption of fixed capital (P.51c), acquisition less disposal of non-financial non-produced assets (NP).

The code B is assigned to balancing items, which express the difference between the resources and uses in the current accounts and the difference between assets and liabilities in the capital and financial accounts.

Balancing items in the tables are given in gross term, i.e. including fixed capital consumption or in net term, i.e. without fixed capital consumption. The code for balance item in gross term is created by the code of item and by the letter "g". Also the letter "n" is linked to the code relating the net balance item. Item code with sign "*" creates balance item for economy in total.

The balancing item of Production Account is **gross domestic product at market prices (B.1*g)** for economy in total which is the final result of activities of resident producers. In the sector classification the balancing item is **gross value added B.1g.** After subtracting of fixed capital consumption both items are created in net form **(B.1*n, B.1n).**

**Net operating surplus (B.2n)** is balancing item of the Generation of Income Account, which include distributive transaction linked to production. Net operating surplus corresponds to the net domestic product at market prices less the compensation of employees and net taxes on production and imports. In the sector of households it is also the **net mixed income (B.3n)**. It includes profit and compensation for work of entrepreneurs not registered in the Business Register.

The balancing item of the Allocation of Primary Income Account is **net national income (B.5*n)**. According to the sector classification the balancing item is **net balance of primary income (B.5n)**. The balancing item of Secondary Distribution of Income Account is **net disposable income (B.6n)** which expresses the income of the country (or the given sector) usable for the final consumption and saving.

The Redistribution of Income in Kind Account records flows related to the use of particular goods and services and services that households receive free of charge. The balancing item is **net adjusted disposable income (B.7n).**

**Net saving (B.8n)** is the balancing item of the Use of Disposable Income Account.

The balancing items of the Capital Account, which records the acquisition less disposal of non-financial assets of resident units and measures the changes in the net worth due to saving (the last balance item of current accounts) and capital transfers, **are net lending (+) or net borrowing (–) (B.9)** for total economy which are the sum of net lending and net borrowing of institutional sectors. They represent net resources which the total economy lends abroad (if they are plus) or borrows from abroad (if minus). The net lending (+) or borrowing (–) for total economy are equal, however with the opposite sign, to the net borrowing (–) or lending (+) from abroad. Net lending (+) or borrowing (–) should correspond to B.9 item's value in the Financial Account. The differences between items are caused by using of different data sources in non-financial and financial accounts and timing difference.

Changes **in the net worth due to saving and capital transfers (B.10.1)** are not balancing item in the system structure. But it is important part of changes of net worth, therefore it is coded together with others balancing items.

External Account of Goods and Services records imports of goods and services on resources side of the account and exports of goods and services on the uses side. The difference between resources and uses is balancing item called **external balance of goods and services (B.11).**

External Account of Primary Incomes and Current Transfers are determined by **current external balance (B.12)**, which in the structure of the system corresponds to saving by the institutional sectors.

**Industry accounts** form an interface between sector accounts and supply and use tables. They present the individual indicators in the industry breakdown according to SK NACE Rev. 2. classification, which captures the structure of the economy from the predominant activity of residents perspective. They are compiled at current prices and at constant prices chain-linked volumes with reference year 2015.

**Definitions**

**Output** represents the value of goods and services, which are the result of the activity of resident units during the accounting period in the territory of the Slovak Republic. Output according to the ESA 2010 is broken down into market output, output for own final use and non-market output.

**Intermediate consumption** consists of services and goods of a short-term use which have been consumed or transformed by the production process within the accounting period.

**Value added** is a balancing item and is calculated by a subtraction of intermediate consumption from output of individual institutional sectors or branches.

**Domestic product** at market prices expresses the final result of the production activity of resident producers for economy in total. It corresponds to the total output (at basic prices, i.e. it includes other net taxes on production) of resident producers after subtracting their intermediate consumption and adding the net taxes on products.

Within the **final consumption**, two types of consumption are distinguished: **expenditures on final consumption**, which include expenditures on the consumption of goods and services and may occur in the sector of government, households and non-profit institutions serving households and **actual final consumption** related to the acquisition of consumer goods and services, which can be of a nature of the collective or individual consumption.

**Gross fixed capital formation** for total economy consists from expenditures on acquisition of new tangible and intangible fixed assets or from other specific expenditures, which the producers spend on goods and services in order to retain, increase or expand their production capacity or to create new production possibilities in the future. In addition to the costs on purchase of new tangible and intangible fixed assets (without lands, valuables and valuable rights) there are also the costs on purchase of used tangible and intangible fixed assets included. The value of formation is reduced by sales of tangible and intangible fixed assets, passing by barter exchange or natural capital transfer.

**Changes in inventories** are defined as the difference between inflows and outflows stocks of the relevant time period. Inventories consist of materials, work in progress, semi-finished goods of the own-production, finished goods, animals and goods for resale.

**Valuables** are non-financial assets bought or held by people in order to preserve the value.

**Consumption of fixed capital** represents the amount of fixed assets consumed for surveyed period in consequence of normal depreciation and foreseeable obsolescence.

**Exports and imports of goods and services** include exports and imports of goods surveyed in the framework of the trade balance and exports and imports of services surveyed in the framework of the balance of services. Exports and imports of services include all services related to the foreign activity (services of freight, passenger and other transport, insurance and other services).

**Compensation of employees** covers total compensation in a monetary form or in kind which is paid by an employer to the employee as a compensation for the work performed by the employee during the given accounting period. Compensation of employees is broken down into wages and salaries and social contributions of employers. Social contributions of employers are further broken down into actual social contributions of employers and imputed social contributions of employers.

**Taxes on production and imports** are compulsory unrequited payments, in cash or in kind, which are levied by general government. They are divided into taxes on products and other taxes on production. On the uses side, there are only other taxes on products listed in institutional sectors.

**Subsidies** are current unrequited payments, which general government provides to resident producers. They include subsidies on products and other subsidies on production. On the uses side, there are only other subsidies on production listed in institutional sectors.

**Property income** results from the ownership of financial assets, i.e. deposits, bonds or tangible non-produced assets (land and sub-soil assets) which the owner obtains as compensation for putting them available for another institutional unit. Property income includes interest, distributed income of corporations (dividends, withdrawals from the income of quasi-corporations), reinvested earnings from foreign direct investment, other investment income and rent.

**Current taxes on income and wealth**, etc. are of the same nature as tax on income (of households, from the profit of corporations, of non-profit institutions), as well as the tax on wealth which are being paid regularly each tax period (on the contrary to the taxes on capital which are being levied irregularly). The transfers are in question because the government does not provide any counter-value to the individual unit paying taxes. Current taxes on income and wealth do not include inheritance taxes, death duties or taxes on gifts, occasional or exceptional levies on capital or wealth, taxes on land, buildings or other assets (owned or rented) which are used for production.

**Social contributions** are broken down into social contributions (actual and imputed), social benefits other than social transfers and social transfers in kind which the government units and non-profit institutions serving households provide to individual households.

**Other current transfers** cover non-life insurance premiums and claims, transfers within general government, current international co-operation and miscellaneous current transfers which represent transfers to non-profit institutions, transfers between households, fines and penalties, lottery, winnings and bets, etc.

**Adjustment for the change in pension entitlements** is an item harmonizing household´s savings and a change in net equity of households in pension funds reserves in the financial account.

**Financial transactions** are transactions in financial assets and liabilities between resident institutional units, and between them and non-resident institutional units. A financial transaction between institutional units is a simultaneous creation or liquidation of a financial asset and the counterpart liability, or a change in ownership of a financial asset, or an assumption of a liability.

**Monetary gold** includes gold held by monetary authorities or other institutions under supervision of monetary authorities as foreign exchange reserve.

**Special drawing rights** include all transactions with international reserve assets created by the International Monetary Fund.

**Currency and deposits** include currency (notes and coins in circulation), transferable deposits, which are immediately convertible into currency or which are transferable by cheques, banker's order, debit entry or the like both without any kind of significant restriction or penalty. There are included other deposits not negotiable, in national or in foreign currency (e.g. time deposits, savings certificates, etc.).

**Debt securities** cover debt securities as bills, bonds, certificates of deposit, commercial paper, debentures and similar instruments normally traded in the financial market.

**Loans** are unconditional debts to the creditor which have to be repaid at maturity and which are interest-bearing. There are included bank credits, loans to foreign institutions and loans between institutional units.

**Equity and investment fund shares or units** are residual claims on the assets of the institutional units that issued the shares or units. They are divided into two subcategories, equity and investment fund shares or units.

**Insurance, pension and standardised guarantee schemes** are divided into six subcategories; non-life insurance technical reserves, life insurance and annuity entitlements, pension entitlements, claims of pension funds on pension managers, entitlements to non-pension benefits and provisions for calls under standardised guarantees. Non-life insurance technical reserves and life insurance and annuity entitlements are financial claims that life insurance and non-life insurance policy holders have against corporations providing non-life and life insurance.

**Financial derivatives and employee stock options** are financial instruments linked to a specified financial instrument or indicator or commodity, through which specific financial risks can be traded in financial markets in their own right.

**Other accounts receivable/payable** include trade credits and advances, which create financial claims relating to the delivery of goods and services, where payment has not taken place. Other accounts receivable/payable arise from timing difference between distributive transactions or financial transactions on the secondary market and the corresponding payment.

**Purchasing Power Parity** is an artificial rate of currency conversion of different countries, which takes into account price levels of purchased goods and services in these countries. It is possible to see it as well as a price index which compares the prices of goods and services in these countries. It serves as well for more realistic explanation of various economical relationships as provide official exchange rate of currencies of these countries.

**Total employment** according to ESA 2010 is expressed by number of employed persons – employees and self-employed engaged in productive activity that falls within the production boundary of the national accounts. It covers residents and non-residents working for resident producer units (domestic concept).

**Total hours worked** represent the aggregate number of hours actually worked by employees and self-employed in all jobs during the accounting period. Hours paid for but not worked, such as paid annual leave, public holidays, meal breaks, paid sick leave etc., are excluded.

**Final consumption of households** broken down by COICOP classification is compiled within the expenditure approach of GDP. Calculation is based on statistical surveys, administrative and other data sources. The data from statistical surveys (goods, services) are adjusted by purchases and expenditures of non-residents, business entities and institutions. The final consumption of households is furthermore adjusted by grossing-ups made according to particular types of exhaustiveness within the framework of ESA 2010 (e.g. natural incomes, production for own use, imputed rents, non-registered economy).

**Final consumption of general government sector** is compiled in the framework of expenditure approach of GDP calculation. It can be broken down by COFOG classification which is the appropriate basis to examine the structure of government expenditure. The data are compiled from administrative data sources namely from expenditure of general government.

**Net lending (+)/net borrowing (–) of the general government sector** means the difference between general government revenue and general government expenditure. Net lending is a surplus of a general government financing, and net borrowing is the financing of a deficit.

**General government consolidated gross debt** by definition presented in Protocol 12, annexed to the consolidated version of the Treaty on the Functioning of the European Union, means total gross debt at nominal value outstanding at the end of the year and consolidated between and within the subsectors of sectors of general government.

This definition is supplemented by Commission Regulation (EU) No 220/2014 specifying the components of government debt with reference to the definitions of financial liabilities in ESA 2010.

In this context, the stock of government debt in the Excessive Deficit Procedure (EDP debt) is equal to the sum of liabilities, at the end of year N, of all units classified within the general government sector in the following categories:
AF.2 (currency and deposits)
AF.3 (debt securities)
AF.4 (loans)

**Source**

The compilation of the National Accounts is based on the following data sources:
- annual and quarterly state statistical surveys,
- banking information, e.g. monetary overview, balance of payments, banking statistics data,
- accounting statements and administrative data sources of the Ministry of Finance of the SR and other ministries and central bodies,
- qualified estimates of data based on the methodological recommendations of experts from Eurostat.

More detailed information can be found on the Statistical Office of the SR website in the section Macroeconomic statistics – National accounts and in the public database of the Statistical Office of the SR DATAcube., where are data regularly updated based on the Calendar of Revision of the Statistical Office of the SR.