

# Glossary

## Above the line

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

## Accruals basis

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

## Actual final consumption

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

## Advance and progress payments

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

## Asset boundary

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

## Assets

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

## Assurance

An equivalent term to insurance, commonly used in the life insurance business.

## Balancing item

A balancing item is an accounting construct obtained by subtracting the total value of the entries on one side of an account from the total value for the other side. In the sector accounts in the former system of UK economic accounts the term referred to the difference between the Financial Surplus or Deficit for a sector and the sum of the financial transactions for that sector, currently designated the statistical discrepancy.

## Balance of payments

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

## Balance of trade

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

## Balance sheet

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

## Bank of England

This comprises S.121, the central bank sub-sector of the financial corporations sector.

## Bank of England – Issue Department

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

## Banks (UK)

Banks are defined as all financial institutions recognised by the Bank of England as UK banks. For statistical purposes, this includes institutions which have a permission under Part 4 of the Financial Services and Markets Act 2000 (FSMA) to accept deposits, other than;

- credit unions
- firms which have a permission to accept deposits only in the course of carrying out contracts of insurance in accordance with that permission
- friendly societies
- building societies

European Economic Area credit institutions with a permission under Schedule 3 to FSMA to accept deposits through a UK branch the Banking and Issue Departments of the Bank of England (the latter from April 1998)

Prior to December 2001, banks were defined as all financial institutions recognised by the Bank of England as UK banks for statistical purposes, including the UK offices of institutions authorised under the Banking Act 1987, the Banking and Issue Departments of the Bank of England (the latter from April 1988), and deposit-taking UK branches of 'European Authorised Institutions'. This includes UK branches of foreign banks, but not the offices abroad of these or of any British owned banks.

An updated list of banks appears regularly in the Bank of England's Monetary and Financial Statistics publication, available at: [www.bankofengland.co.uk/statistics/ms](http://www.bankofengland.co.uk/statistics/ms)

## Basic prices

These prices are the preferred method of valuing gross value added and output. They reflect the amount received by the producer for a unit of goods or services minus any taxes payable plus

any subsidy receivable on that unit as a consequence of production or sale (that is the cost of production including subsidies). As a result the only taxes included in the basic price are taxes on the production process – such as business rates and any vehicle excise duty paid by businesses – which are not specifically levied on the production of a unit of output. Basic prices exclude any transport charges invoiced separately by the producer.

## Below the line

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

## Bond

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

## British government securities

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

## Building society

Building societies are mutual institutions specialising in accepting deposits from members of the public and in long-term lending to members of the public, mainly to finance the purchase of dwellings; such lending being secured on dwellings. Their operations are governed by special legislation which places restrictions on their recourse to other sources of funding and other avenues of investment.

## Capital

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

## Capital formation

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

## Capital Stock

Measure of the cost of replacing the capital assets of a country, held at a particular point in time.

## Capital transfers

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

### Cash basis

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

### Central monetary institutions (CMIs)

Institutions (usually central banks) which control the centralised monetary reserves and the supply of currency in accordance with government policies, and which act as their governments' bankers and agents. In the UK this is equivalent to the Bank of England. In many other countries maintenance of the exchange rate is undertaken in this sector. In the United Kingdom this function is undertaken by central government (part of HM Treasury) by use of the Exchange Equalisation Account.

### Certificate of deposit

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

### Chained volume measures

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

### c.i.f. (cost, insurance and freight)

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

### COICOP (Classification of Individual Consumption by Purpose)

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

### Combined use table

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

### Commercial paper

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

### Compensation of employees

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

### Consolidated Fund

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

### Consumption

See Final consumption, Intermediate consumption.

### Consumption of fixed capital

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

### Corporations

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

### Counterpart

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

### Debenture

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

### Depreciation

See Consumption of fixed capital.

### Derivatives (F.34)

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

### DIM (Dividend and Interest Matrix)

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

### Direct investment

Net investment by UK/foreign companies in their foreign/UK branches, subsidiaries or associated companies. A direct investment in a company means that the investor has a significant influence on the operations of the company, defined as having an equity interest in an

enterprise resident in another country of 10 per cent or more of the ordinary shares or voting stock. Investment includes not only acquisition of fixed assets, stock building and stock appreciation, but also all other financial transactions such as: additions to, or payments of working capital; other loans and trade credit; and acquisitions of securities. Estimates of investment flows allow for depreciation in any undistributed profits. Funds raised by the subsidiary or associate company in the economy in which it operates are excluded as they are locally raised and not sourced from the parent company.

### Discount market

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

### Double deflation

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

### Dividend

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

### ECGD

See Export Credit Guarantee Department.

### Economically significant prices

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

### Enterprise

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

### Environmental accounts

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

### Equity

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

### ESA

European System of National and Regional Accounts. An integrated system of economic

accounts which is the European version of the System of National Accounts (SNA).

### European Investment Bank

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

### Exchange Cover Scheme (ECS)

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

### Exchange Equalisation Account (EEA)

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

### Export credit

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

### Export Credit Guarantee Department (ECGD)

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

### Factor cost

In the former system of national accounts this was the basis of valuation which excluded the effects of taxes on expenditure and subsidies.

### Final consumption expenditure

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

### Finance houses

Financial corporations that specialise in the financing of hire purchase arrangements.

### Financial auxiliaries

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

### Financial corporations

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

### Financial intermediation

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

### Financial leasing

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

### Financial surplus or deficit (FSD)

The former term for Net lending(+)/Net borrowing (-), the balance of all current and capital account transactions for an institutional sector or the economy as a whole.

### FISIM

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

### Fixed assets

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

### Flows

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

### F.o.b. (free on board)

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

### Futures

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

### GFCF

See Gross fixed capital formation.

### Gilts

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

### Gold

The SNA and the IMF (in the 5th Edition of its Balance of Payments Manual) recognise three types of gold:

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

This is a significant change from previous UK practice and presents problems such that the United Kingdom has received from the European Union a temporary derogation from applying this fully.

The present treatment is as follows:

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

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

### Grants

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

### Gross

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

### Gross domestic product (GDP)

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

### Gross fixed capital formation (GFCF)

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

### Gross national disposable income

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

### Gross value added (GVA)

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

### Hidden economy

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

### Holding gains or losses

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

### Households (S.14)

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

### Imputation

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

### Index-linked gilts

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

### Institutional unit

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

### Institutional sector

See Sector.

### Input–Output

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

### Intangible assets

Intangible fixed assets include mineral exploration, computer software and

entertainment, literary or artistic originals. Expenditure on them is part of gross fixed capital formation. They exclude non-produced intangible assets such as patented entities, leases, transferable contracts and purchased goodwill, expenditure on which would be intermediate consumption.

### Intermediate consumption

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

### International Monetary Fund (IMF)

A fund set up as a result of the Bretton Woods Conference in 1944 which began operations in 1947. It currently has 187 member countries including most of the major countries of the world. The fund was set up to supervise the fixed exchange rate system agreed at Bretton Woods and to make available to its members a pool of foreign exchange resources to assist them when they have balance of payments difficulties. It is funded by member countries' subscriptions according to agreed quotas.

### Inventories

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

### Investment trust

An institution that invests its capital in a wide range of other companies' shares. Investment trusts issue shares which are listed on the London Stock Exchange and use this capital to invest in the shares of other companies (see also Unit trusts).

### Kind-of-activity unit (KAU)

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

### Liability

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

### Liquidity

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

### Lloyd's of London

The international insurance and reinsurance market in London.

### Marketable securities

Securities which can be sold on the open market.

### Market output

Output of goods and services sold at economically significant prices.

### Merchant banks

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

### Mixed income

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

### Monetary financial institutions (MFIs)

Banks and building societies

### Money market

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

### NACE

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

### National income

See Gross national disposable income and Real national disposable income.

### National Loans Fund

An account of HM Government set up under the National Loans Fund Act (1968) which handles all government borrowing and most domestic lending transactions.

### Net

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

### Non-market output

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

### NPISH

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

### Operating surplus

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

### Operating leasing

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

### Ordinary share

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

### Output for own final use

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

### Own-account production

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

### Par value

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

### Pension funds

The institutions that administer pension schemes. Pension schemes are significant investors in securities. Self-administered funds are classified in the financial accounts as pension funds. Those managed by insurance companies are treated as long-term business of insurance companies. They are part of S.125, the insurance corporations and pension funds sub-sector of the financial corporations sector within the National Accounts.

### Perpetual Inventory Model (or Method) (PIM)

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

### Portfolio

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

### Preference share

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

### Prices

See economically significant prices, basic prices, producers' prices.

### Principal

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

### Private sector

Private non-financial corporations, financial corporations other than the Bank of England, households and the NPISH sector.

### Production boundary

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

### Promissory note

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

### Property income

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

### Public corporations

These are public trading bodies which have a substantial degree of financial independence from the public authority which created them. A body is normally treated as a trading body when more than half of its income is financed by fees. A public corporation is publicly controlled to the extent that the public authorities appoint a majority of the board of management or when public authorities can exert significant control over general corporate policy through other means. Since the 1980s many public corporations, such as British Telecom, have been privatised and reclassified within the accounts as private non-financial corporations. Such bodies comprise much the greater part of sub-sector S.11001, public non-financial corporations.

### Public sector

Central government, local authorities and public corporations.

### Purchasers' prices

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

### Quasi-corporations

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

### Real national disposable income (RNDI)

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

### Related companies

Branches, subsidiaries, associates or parents.

### Related import or export credit

Trade credit between related companies, included in direct investment.

### Rental

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

### Rents (D.45)

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

### Repurchase agreement (Repo)/reverse repo

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

### Reserve assets

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

### Residents

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

### Residual error

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

### Resources and Uses

The term resources refers to the side of the current accounts where transactions which add

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

### Rest of the world

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

### Satellite accounts

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

### Saving

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

### Sector

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

### Secondary market

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

### Securities

Tradable or potentially tradable financial instruments.

### SIC

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

### SNA

System of National Accounts, the internationally agreed standard system for macroeconomic accounts. The latest version is described in System of National Accounts 1993.

### Special Drawing Rights (SDRs)

These are reserve assets created and distributed by decision of the members of the IMF. Participants accept an obligation to provide

convertible currency, when designated by the IMF to do so, to another participant, in exchange for SDRs equivalent to three times their own allocation. Only countries with a sufficiently strong balance of payments are so designated by the IMF. SDRs may also be used in certain direct payments between participants in the scheme and for payments of various kinds to the IMF.

### Staged payments

See Advance and progress payments.

### Stocks, stockbuilding

The terms used in the former system corresponding to inventories and changes in inventories.

### Subsidiaries

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

### Subsidies (D.3)

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

### Suppliers' credit

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

### Supply table

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

### Tangible assets

These comprise produced fixed assets and non-produced assets. Tangible fixed assets, the acquisition and disposal of which are recorded in gross fixed capital formation (P.51), comprise buildings and other structures (including historic monuments), vehicles, other machinery and equipment and cultivated assets in the form of livestock and trees yielding repeat products (for example dairy cattle, orchards). Tangible non-produced assets are assets such as land and sub-soil resources that occur in nature over which ownership rights have been established. Similar assets to which ownership rights have not been established are excluded as they do not qualify as economic assets. The acquisition

and disposal of non-produced assets in principle is recorded separately in the capital account (K.2). The distinction between produced and non-produced assets is not yet fully possible for the United Kingdom.

### Taxes

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

### Technical reserves (of insurance companies)

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

### Terms of trade

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

### Transfers

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

### Treasury bills

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

### Unit trusts

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

underlying pool of securities, whereas the price of shares in investment trusts are affected by the usual market forces.

#### Uses

See Resources and Uses.

#### Use Table

See Combined Use Table.

#### United Kingdom

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

excludes the Channel Islands and the Isle of Man.

#### Valuables

Goods of considerable value that are not used primarily for production or consumption but are held as stores of value over time. They consist of, for example, precious metals, precious stones, jewellery, works of art. As a new category in the accounts the estimates for them are currently fairly rudimentary, though transactions are likely to have been recorded elsewhere in the accounts.

#### Valuation

See Basic prices, Purchasers' prices, Factor cost.

#### Value added

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

#### Value Added Tax (VAT) (D.211)

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