5. NATIONAL ACCOUNTS

National accounts compiled in the Czech Republic are based on the ESA 2010 European standard (the Regulation (EU) No 549/2013 on the European system of national and regional accounts in the European Union) and many additional and specifying regulations.

The skeleton of the Czech national accounts consists of a set of sector accounts followed by other tables and balances, especially supply and use tables and balances of non-financial assets and a detailed overview of tax receipts and social contribution receipts.

Sector accounts capture all material, income, financial, and other flows among all businesses in the national economy as well as vis-à-vis the rest of the world (the ROW, non-residents) and at the same time results of these flows. To allow to capture such a complex economic mechanism (as the national economy is) in its complexity and in a rather simple form, all businesses in the national economy are grouped to several groups (the so-called institutional sectors) according to their prevailing role in the economy and all the various flow and stock quantities are arranged to a system of accounts and tables.

Institutional sectors

*National accounts describe the economic process broken down by institutional sector and subsector. Each sector/subsector comprises units similar in basic activities, functions, and economic behaviour and belonging to the same type of producer. Each unit is classified only to one sector/subsector. The total economy **(S.1)** consists of **resident institutional sectors** as follows:*

- ***non-financial corporations (S.11)** principal activity of which is production of goods and non-financial services; they include e.g. agricultural, industrial, construction and transport corporations, schools and health establishments (joint-stock companies, cooperatives, state-owned corporations, etc.);*
- ***financial corporations (S.12)**, which are primarily engaged in financial intermediation or auxiliary financial activities; they include e.g. banks, credit cooperatives, money market funds, investment funds, financial leasing companies, captive companies (e.g. holding financial companies), auxiliary financial institutions (stock exchanges or investment companies), insurance companies, and pension funds;*
- ***general government (S.13)**, output of which is designed for individual and collective consumption and that are financed particularly by obligatory payments from units classified to other sectors; they are organisational units of the state (e.g. ministries, central authorities and organizations managed by the authorities), extra-budgetary funds and other central institutions, territorial self-governing units (regions, municipalities, towns, voluntary unions of municipalities, and Regional Councils of Cohesion Regions), semi-budgetary organizations, and social security funds (health insurance companies). There are also non-profit institutions and non-financial and financial corporations, which are dealt with as non--market units, classified in S.13 in accordance with the qualitative and quantitative criteria of the ESA 2010;*
- ***households (S.14)**, which include individuals or groups of individuals as final consumers and small entrepreneurs producing market goods and services (craftsmen, self-employed own-account farmers, physicians, barristers, solicitors, tax advisers, etc.), and dwelling unit owners associations;*
- ***non-profit institutions serving households (S.15)**, which are non-market producers; they include political parties, churches or religious societies, foundations, trade unions, professional or learned societies, interest organizations and charities, etc.*

*National accounts also describe economic transactions with the rest of the world (also referred to as non--residents), i.e. with units seated outside the economic territory of the Czech Republic for at least one year. The **rest of the world (S.2)** is a grouping of units (whatever their function and resources are), which is divided to Member States and institutions of the European Union (EU) and states outside the EU. They include e.g. embassies of foreign countries or international organizations, which were founded and operate under international agreements, or detached parts of parent companies (e.g. branches of manufacturing enterprises, banks, and insurance companies). Data for the rest of the world are not included in items of the total economy (S.1).*

In Czech national accounts, in each institutional sector, all production units are grouped to economic activities also according to the character of their prevailing activity. For classification of each production unit to an economic activity the Classification of Economic Activities (CZ-NACE) is used, which corresponds to the European standard of the Statistical Classification of Economic Activities in the European Community, Rev. 2 (NACE Rev. 2).

Sequence of accounts

Another characteristic of the national accounts is that all flow and stock quantities are grouped according to their economic character and they are arranged to a system of accounts and tables. General principles of the arrangement and records in the national accounts are basically similar to general principles known from the business accounting.

Each of the accounts in the system is balanced. It results either from the definition of the accounts (goods and services account) or a balancing item is used, which is then transferred to the next account. Balancing items are recorded in the accounts either as net or gross. The difference in both concepts lies in consumption of fixed capital. The goods and services account is compiled only for the total national economy, while all other accounts are compiled for each institutional sector and subsector, and, naturally, also for the total national economy.

The ***goods and services account*** *shows how total sources (production, imports, and net taxes on products) for the total national economy are used (for intermediate consumption, final consumption, capital formation, and for exports). In accordance with the general definition, the total volume of sources is balanced with their uses. Since this account captures flows of goods and services, which have the opposite direction in an economy than flows of money paid for them, the sources and uses are shown on the opposite sides than it is in sector accounts.*

Current accounts *capture generation, distribution, and redistribution of income and its uses for final consumption. Saving (B.8) is the resulting balancing item; it is a newly created source for accumulation. Current accounts are: production account, generation of income account, primary distribution of income account (it is further broken down into entrepreneurial income account and distribution of other primary income account), secondary distribution of income account, redistribution of income in kind account, and use of income account. The use of income account has the form of two accounts that are different in their contents – the use of disposable income account and the use of adjusted disposable income account.*

Accumulation accounts *show for each sector changes in volume and valuation of respective components of its assets and liabilities. The entire set of accumulation accounts consists of the following accounts: the capital account (broken down into the change in net worth due to saving and capital transfers account and the acquisition of non-financial assets account), the financial account, and other changes of assets accounts (broken down into the other changes in volume of assets account and the revaluation accounts – nominal, neutral, and real holding gains/losses accounts).*

Balance sheets accounts *capture values of assets and liabilities, which are at a certain moment (at the beginning and the end of a calendar year) in holding of a given sector or subsector and changes in the balance sheet. Net worth (B.90) is the balancing item; in the total for the national economy it expresses the national wealth, i.e. all non-financial and financial assets after deduction of financial liabilities vis-à-vis the rest of the world (non-residents). The importance of a balance sheet for the entire national accounts system is that it makes the sequence of accounts complete, because it shows the final result of records in current and accumulation accounts. Balance sheet accounts are: the opening balance sheet, changes in balance, and the closing balance sheet.*

Accounts of the rest of the world (non-residents) *are used to capture transactions between resident units and the rest of the world (non-resident units); thus that, what is a resource for the non-residents is a use for the residents. The sequence of accounts is similar as for accounts of resident institutional sectors, i.e. the goods and services account of the ROW, the primary income account and the current transfers account of the ROW, accumulation accounts of the ROW (split into a capital account and a financial account of the ROW, the other changes of assets account of the ROW, i.e. the other changes in volume of assets account of the ROW and the a revaluation account), and balances of the ROW.*

Accounts of the ROW (non-residents) capture flows and stocks between non-residents and residents; they do not capture relationships among non-residents, i.e. they do not show the total for the rest of the entire world. Therefore, the same detailed breakdown of individual flows and stocks in the accounts of the ROW is used in the Czech practice as at resident sectors including detailed breakdown of accumulation accounts and balance sheet accounts.

Characteristics of indicators

Each indicator in the system of national accounts (transactions, other flows, and stocks) is designated by a code, which is consistent with the ESA 2010 international standard or results from it. Transactions in goods and services are designated by ***P*** *codes (and in non-produced assets by NP codes), distributive transactions by* ***D****, balancing items by* ***Bg*** *(gross approach incl. consumption of fixed capital) or* ***Bn*** *(net approach excl. consumption of fixed capital), transactions in financial assets and liabilities by* ***F****, and other changes in assets, liabilities, and net worth by* ***K****. Stocks of non-financial assets presented in opening and closing balance sheets are designated by* ***AN*** *codes and stocks of financial assets including other accounts receivable/payable by* ***AF*** *codes. A more detailed breakdown of the standard national accounts items is supplemented by an X code, e.g. XAF.*

The ESA 2010 covers also functional classifications: the COFOG (Classification of the Functions of Government), the COPNI (Classification of the Purposes of Non-Profit Institutions Serving Households), the COICOP (Classification of Individual Consumption According to Purpose), the NACE Rev. 2 for economic activities, and the CPA 2015 (Classification of Products by Activity) for products by economic activity.

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Output (P.1) *is the value of market and non-market goods and services produced by resident units on the territory of the Czech Republic in a given period. It is composed of:*

- ***market output (P.11)****, which includes, above all, sales of goods and services of own production, trade margin, and changes in inventories of work in progress and goods;*
- ***output for own final use (P.12)*** *– i.e. non-market output that is retained by a unit either for its capital formation or for its own final consumption. It includes especially the capitalization of goods and services, agricultural output of households for own consumption, individual housing construction of households, and imputed rental of households living in owner-occupied dwellings;*
- ***non-market output (P.13)****, which is the sum of non-market output provided at economically insignificant prices (P.131 payments for non-market output) and non-market output provided for free (P.132 non-market output, other). The latter is expressed as the difference between operating expenses, inclusive of net taxes on production and imports, spent by the general government and non-profit institutions serving households (NPISHs) on the one hand and their sales of goods and services (P.11 + P.131) and output for own final use (P.12) on the other hand.*

Intermediate consumption (P.2) *is the value of the goods and services (including financial intermediation services indirectly measured – FISIM) used up by resident producers in the process of producing other goods (products) and services during the relevant period.*

Final consumption expenditure (P.3) *includes expenditure on final consumption of households, the general government, and non-profit institutions serving households. Final consumption is the value of goods (products) and services designed to satisfy collective and individual needs. It is broken down from the point of view of the payment (who is usually the payer) and from the point of view of the consumer. Final consumption expenditure is further split into:*

- ***individual consumption expenditure (P.31)****, which is the sum of individual consumption expenditure of households, the general government, and NPISHs. Household expenditure on individual consumption include especially purchases of goods and market services (including FISIM), dwelling services (imputed rental for households living in owner-occupied dwellings), the value of products produced by households for their own consumption, e.g. fruit and vegetables; products and services provided for free or at a discount and purchases of Czech tourists abroad. Expenditure covered by the general government is determined according to the corresponding government functions (COFOG). Final consumption expenditure of non-profit institutions serving households are set at the level of the free non-market services of these institutions, and the whole of it is considered to be individual final consumption expenditure;*
- ***collective consumption expenditure (P.32)*** *of the general government is set in the scope of its expenditure on collective consumption according to the corresponding functions (COFOG).*

Actual final consumption (P.4) *is the sum of actual (final) individual consumption of households (P.41 or the sum of expenditure of households, the general government, and non-profit institutions serving households on individual consumption) and actual (final) collective consumption of the general government (P.42, which is the expenditure of the general government on collective consumption). The actual final consumption (P.4) is thus equal to the sum of all final consumption expenditure (P.3) at the level of the national economy.*

Gross fixed capital formation (P.51g) *includes acquisitions less disposals of fixed assets (P.511), plus certain additions to the value of non-produced assets, costs of ownership transfer on non-produced assets (P.512), and acquisitions less disposals of non-produced assets (NP). The acquisitions of fixed assets include new or existing fixed assets purchased (including own account production of the assets) technical improvements (reconstruction, modernization, reclamation of land and the like), and free acquisitions of existing fixed assets The disposals of fixed assets include sales and free transfers of existing fixed assets. Gross fixed capital formation comprises also acquisitions less disposals of military equipment (which were previously, in compliance with the ESA95 methodology, included in the intermediate consumption and final consumption of the general government). The P.51g item is showed in the breakdown by fixed asset (dwellings, buildings and structures, machinery and equipment, weapon systems, etc.).*

Changes in inventories (P.52) *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, adjusted for price changes and accidental damage.*

Acquisitions less disposals of valuables (P.53) *is acquisition of such goods that are not used primarily for production or consumption, do not deteriorate (physically) over time under normal conditions and that are acquired and held primarily as stores of value.*

Exports (P.6) and imports (P.7) of goods and services *refer to the value of goods and services traded among resident and non-resident units. Imports include, for example, the consumption by Czech citizens abroad and, vice-versa, exports include consumption by foreigners in the Czech Republic. The transactions are recorded split into transaction in goods and in services (exports and imports) and also within EU Member States and outside the EU. Exports are recorded in the FOB prices (i.e. free on board, prices on the border of the exporting country) and imports are recorded in the CIF prices (i.e. cost, insurance and freight, prices* on the border of the importing country) in the supply and use tables and for the purposes of the gross domestic product (GDP) estimates. In sector accounts, both the exports and imports are recorded in the FOB prices. Data on exports cover also the value of FISIM.

Compensation of employees (D.1) – both in money and kind includes wages and salaries and social contributions paid by employers:

- **wages and salaries (D.11)** – total remuneration of employees (in cash or in kind) for work they had done. They include wages and salaries for work done for the employer; salaries of members of cooperatives and associates; salaries and expenditure on uniforms of professional members of the armed forces; contributions to employees for commuting to and from work, their meals, cultural and sports interests, and other; products and services provided to employees free of charge or at a reduced price are also included. They are given before income tax, statutory (mandatory) contributions to general social and health insurance schemes and other deductions, if any;
- **employers' social contributions (D.12)** – paid by employers for their employees to general social and health insurance schemes, supplementary pension and health insurance, compulsory accident insurance (employers' actual social contributions) and direct social assistance provided by employers (non-recoverable assistance paid, e.g. from the social fund) and a wage compensation (sickness benefit) paid by an employer in the period of incapacity for work of employees during the period stipulated by law (employers' imputed social contributions). The D.12 item is further split into pension insurance contributions and other social insurance contributions.

Taxes on production and imports (D.2): indirect taxes, which include taxes on products (e.g. value added tax (VAT), duties, taxes on imports, excise duties, etc.) and other taxes on production (e.g. real estate taxes, road tax, air and water pollution charges, etc.). Data on tax revenue adjusted by the time-shift method (deferral) are the basis for the calculation, i.e. the corresponding amount is shifted to the period, in which the tax liability incurred.

Subsidies (D.3) are unrequited payments, which the general government or institutions of the European Union make to producers. They are split into subsidies on products and other subsidies on production:

- **subsidies on products (D.31)** – provided per unit of produced goods and provided services; mostly compensation for losses in production and providing of services; they include, e.g., subsidies on agricultural products, passenger transport, or heat;
- **other subsidies on production (D.39)** – cover subsidies to businesses and subsidies to enterprises, which employ persons with reduced capacity to work, especially subsidies to cover current losses, or subsidies on intentional reduction of mining and quarrying activities, or subsidies to production from EU funds.

Net property income (D.4) is the difference between receivable and payable income from the ownership of financial and tangible non-produced assets. It includes interest (on deposits, debt securities, loans including financial leasing, adjusted for the value of FISIM), dividends and profit share (excluding superdividends), some other income from distributed profit, and drawing of entrepreneurial income and rents on land. Interest on swap and forward rate agreement (FRA) operations is recorded on the financial account; superdividends (e.g. retained and paid at once for several years) are recorded on the financial account as withdrawal of shares by their owner.

Current taxes on income, wealth, etc. (D.5) are taxes on income and capital gains (direct taxes), including additional tax payments and tax penalties. They are taxes on income of natural and legal persons including taxes on interest, dividends, winnings from betting and lotteries, and real estate purchase and sale taxes. Data on tax revenue adjusted by the time-shift method (deferral) are the basis for the calculation. Further, they include some of administration charges (e.g. dog fees or entry fees, etc.). Since January 2014, taxes on income include also revenue from inheritance and gifts that cannot be identified. Property taxes on financial assets have not been introduced to the tax system of the Czech Republic.

Net social contributions (D.61) – compulsory and voluntary: are split by payer (paid by employers for their employees and by households, i.e. by employees, private payers (the self-employed, own-account workers)) and into actual and imputed social contributions. Actual social contributions show in total all payments to providers of social benefits, i.e. contributions to compulsory social, health, and compulsory accident insurance and supplementary pension insurance. Imputed social contributions are direct social support from employers (this second imputation results from the need to balance the relation to social benefits). Within the social contributions, pension and non-pension social contributions are reported, too. Social contributions comprise also payment for services provided by corporations that administer the contributions. Social contributions revenue of the general government is adjusted by the time-shift method.

Social benefits other than social transfers in kind (D.62): benefits resulting from participation in social insurance schemes, i.e. under the social security system (general social insurance scheme and compulsory accident insurance schemes paid by employers for their employees) and supplementary pension insurance schemes. They also include social benefits in cash paid by municipalities (from the budget, outside insurance schemes) in the framework of care for the family or care for senior citizens and wage compensation (sickness *benefit) paid by an employer in the period of incapacity for work of their employees. Social benefits are presented as split into benefit from pension insurance, other social insurance benefits, and social assistance benefits.*

Other current transfers (D.7) *include non-life insurance premiums and reinsurance premiums, non-life insurance claims, payments within the general government sector, current international cooperation, and other current transfers. Non-life insurance is recorded as net non-life insurance premiums (i.e. insurance premiums after deducting the service charges of insurance enterprises arranging the insurance) and insurance claims. They exclude transactions linked to life insurance, supplementary pension insurance or general social and health insurance. Current transfers within the general government sector comprise non-investment transfers between the state budget and local government budgets; transfers between units of the same subsector of the general government sector are consolidated (e.g. between the state budget and public universities). Current international cooperation includes transfers between the Government of the Czech Republic and governments of other countries or international organisations (e.g., payments within the European Union and the United Nations Organization or subsidies from the EU funds, or grifts of food, technical assistance, and other assistance). The miscellaneous current transfers include current transfers to non-profit institutions serving households (membership subscriptions and financial support to political, trade union, church and similar institutions, payments for humanitarian purposes), current transfers between households (financial assistance and gifts from relatives, child support (maintenance) or alimony, including private international transfers), other transfers not included above (such as fines, penalties imposed in an administrative procedure, on-the-spot fines, winnings or bets up to the level of winnings, compensation payments – sanction and recourse claims, etc.), and payments of government units to the EU institutions (so-called EU own resources derived from the VAT and the gross national income).*

Social transfers in kind (D.63)*: transfers from the general government or from non-profit institutions serving households to households. They refer to the value of goods and services provided, above all, in the form of health and social care, education, housing. They include especially benefits in kind related to health insurance (payments for health aids, medical and dental treatment, medical operations, and the like) paid by health insurance companies to providers of such goods and services. They also include benefits in kind provided by municipalities and the value of goods and services amounting to expenditure of the general government and non-profit institutions serving households on individual consumption. Social benefits in kind are divided according to whether the goods and services were produced as non-market output by the government units and NPISHs or purchased by the units on the market (including reimbursements of approved expenditure of households for some specific goods or services).*

Adjustment for the change in pension entitlements (D.8) *is the amount designed to adjust disposable income of households and pension funds to balance pension claims of households with changes in pension liabilities ("reserves") of pension funds on the financial account. It is determined as the difference between insurance premiums received and pensions paid. Life insurance of (members of) households is understood as saving in the national accounts.*

Capital transfers (D.9) *are unrequited transactions, which result in a change of ownership of non-financial or financial assets. They include capital taxes (inheritance tax and gift tax), investment grants (e.g. from the funds of the EU), and other capital transfers, especially inheritance and gifts of investment nature, tangible and financial restitution compensation, free transfers of property, or transfers by virtue of called government guarantees and debt cancellation. Inheritance and gift taxes were cancelled at the end of 2013 and all revenue from inheritance or gifts have become part of income tax since January 2014.*

Non-financial assets (AN) *include produced (AN.1) and non-produced non-financial assets (AN.2). The produced non-financial assets are further split into fixed assets (AN.11), inventories (AN.12), and valuables (AN.13).*

The ***fixed assets (AN.11)*** *include non-financial (produced) assets used in a production process for a period longer than one year. They include e.g. dwellings, other buildings and structures, machinery and equipment, weapon systems, cultivated assets, costs of ownership transfer on non-produced assets and intellectual property products.*

Inventories (AN.12) *comprise materials and supplies intended for intermediate consumption, work in progress, finished goods, military inventories, and goods for resale. Inventories include also strategic reserves of the state, constructions reported by producers, and standing timber inventories.*

Valuables (AN.13) *include e.g. precious stones and metals, antiques, and works of art acquired and held by their owners for the purpose of preserving value.*

Non-produced non-financial assets (AN.2) *encompass tangible non-produced assets, i.e. natural resources (AN.21) – land, mineral and energy reserves, non-cultivated biological resources, water resources, and other natural resources (e.g. radio spectra) and contracts, leases and licences (AN.22) (e.g. marketable operating leases, purchased goodwill, or emission permits).*

Financial assets and liabilities (F, AF) *comprise stores of value representing benefit accruing to an economy owner by holding means of payment, debt securities, provided loans, shares, financial derivatives,* *and other receivables. Financial assets have a corresponding counterpart in liabilities, which represent debtor's obligation to make the payment/payments to the creditor.*

Monetary gold and Special Drawing Rights (F.1, AF.1)*: monetary gold is a financial (reserve) asset of the Czech National Bank (F.11, AF.11) and part of the foreign currency reserves of the Czech Republic. Special Drawing Rights (SDRs) are international reserves of assets with the International Monetary Fund (F.12, AF.12). Their holders have exclusive and unconditional rights to acquire other reserve assets; they create framework for disposable loans.*

Currency and deposits (F.2, AF.2) *comprise the following in national and foreign currencies: currency (notes and coins in circulation that are commonly used to make payments – F.21, AF.21), transferable deposits (deposits on current and giro accounts, savings books without notice – F.22, AF.22, including inter-bank deposits), and other deposits (F.29, AF.29) – term deposits or deposits restricted in any other way, including saving deposits and non-negotiable debt securities, deposit certificates and deposit sheets.*

Debt securities (F.3, AF.3) *comprise transferable securities showing the issuer´s debt and the receivable of the creditor. Transactions in debt securities are divided by original maturity, i.e. short-term debt securities (with maturity up to one year – F.31, AF.31) and long-term debt securities (maturity of which exceeds one year – F.32, AF.32). They are treasury bills and bonds with a fixed or floating interest rate, in national or foreign currency.*

Loans (F.4, AF.4) *are non-transferable financial instruments. They comprise, above all, bank loans (of investment, consumer, mortgage etc. types), other loans (incl. financial leasing loans and hire purchase) and other recoverable financial assistance between institutional units, including relations to the International Monetary Fund or EU Member States. They are divided into short-term loans (F.41, AF.41) with original maturity up to one year plus loans repayable on demand and long-term loans (F.42, AF.42) with original maturity over one year.*

Equity *and investment fund shares or units* ***(F.5, AF.5)*** *are the share in assets of corporations and quasi-corporations and express the right to receive income from ownership. They refer to the value reported by institutional units in their assets as participating interest (shares, units) in materialised and dematerialised forms. In balance sheet of non-financial and financial corporations and quasi-corporations they are reported predominantly as registered capital on the liability side. The F.5, AF.5 item is measured broken down into equity (F.51, AF.51 – in the form of listed shares, unlisted shares, and other equity) and investment fund shares or units (F.52, AF.52 – in the form of money market fund (MMF) shares or units and non-MMF investment fund shares/units). The 'other equity' item contains equity in limited liability companies, cooperatives, and in the general government sector, also equity in state enterprises and equity in international banks.*

Insurance, pension and standardised guarantee schemes (F.6, AF.6) *reflect liabilities of units administrating funds from the schemes and claims of beneficiaries (for compensations for damage, payments of future pensions, or called guarantees). They are divided into six groups: non-life insurance technical reserves (F.61, AF.61), life insurance and annuity entitlements (F.62, AF.62), pension entitlements (F.63, AF.63), claims of pension funds on pension managers (F.64, AF.64), entitlements to non-pension benefits (F.65, AF.65 – representing surplus of contributions over benefits and equal adjustment on the use of income account), and provisions for calls under standardised guarantees (F.66, AF.66).*

Financial derivatives and employee stock options (F.7, AF.7) *– are financial instruments (secondary assets) in the form of contractual agreement linked to* ***a*** *specified financial instrument (e.g. debt securities) or to an indicator or commodity (e.g. non-financial assets), which enable transferring specific financial risk to other entity. They include options, forwards, swaps, forward rate agreements, etc. The F.7, AF.7 item includes financial derivatives (F.71, AF.71) and employee stock options (F.72, AF.72).*

Other accounts receivable/payable (F.8, AF.8) *result from time delay between a transaction and the corresponding payment. They include trade credits (i.e. receivables/payables from supplier-customer relations except for bank credits and loans to pay business credits), trade credits and advances (F.81, AF.81), and other accounts receivable/payable (F.89, AF.89), which were not accounted for in other items of the financial account and are related e.g. to taxes, social contributions, interest, wages, etc.*

Consumption of fixed capital (P.51c) *is the decline in value of fixed assets owned, as a result of normal wear and tear and obsolescence. For all types of fixed assets it is calculated by the perpetual inventory method (PIM) in the entire time series.*

Acquisitions less disposals of non-produced assets (NP) *include acquisitions less disposals of tangible and intangible non-produced assets, i.e. natural resources (NP.1), contracts, leases and licences (NP.2) and purchases less sales of goodwill and marketing assets (NP.3). Costs of ownership transfers of non-produced assets are included in the gross fixed capital formation (P.51). Acquisitions less disposals of tangible non-produced assets are balanced for the total national economy because all owners of these assets are considered as residents.*

National accounts record also ***other economy flows*** *that effect changes in assets and liabilities, which are not recorded in the form of transactions on the capital and financial account. They are other changes in the volume of assets and liabilities (K.1 to K.6) and nominal holding gains and losses (K.7).*

__Other changes in the volume of assets and liabilities (K.1 to K.6)__ record the impact of extraordinary and unpredictable events on the volume of assets and liabilities. National accounts record the economic appearance of assets (K.1) such as economic appearance of exploitable natural resources or introduction of emission permits, economic disappearance of non-produced assets (K.2) such as depletion of natural resources, catastrophic losses (K.3), uncompensated seizures (K.4), other changes in volume n.e.c. (K.5, e.g. transfers of land, losses due to fire, theft or losses on insect-infected inventories), and changes in classification (K.6), i.e. in sector classification of institutional units and changes in classification of assets and liabilities. 5

__Nominal holding gains/losses (K.7)__ show a change in the value of assets (of both liabilities and net worth) resulting from changes in the level and structure of prices. From an analytical point of view it is very important that the system splits nominal holding gains/losses (K.7) into neutral holding gains/losses (K.71) and real holding gains/losses (K.72). Neutral holding gains/losses express a change in the general price level (for all assets and liabilities they are calculated by the same price index for final national use excluding change in inventories). Real holding gains/losses are calculated as the nominal minus neutral holding gains/losses and express the value, which was gained or lost by the owner of a given asset or liability during the reference period in relation to the average price movement of other assets.

__Gross domestic product (B.1g) or net domestic product (B.1n)__ – gross domestic product at market prices – as the final result of the production activity of resident producers, is calculated on the basis of a production, expenditure, and income method. The production method is based on the sum of the value added and net taxes on products. The expenditure method is the sum of expenditure on final consumption, gross capital formation, and net exports. The income method is based on the sum of compensation of employees, gross operating surplus, and mixed income, and net taxes on production and imports. The GDP is a result of the production activity of resident units.

__Operating surplus – gross (B.2g) or net (B.2n)__ includes mainly profits of enterprises (adjusted e.g. by holding gains), interest and other income from ownership of capital. It is determined as the balancing item between the gross value added, compensation of employees and net taxes on production and imports. The operating surplus in the sector of households includes also activities of living in owner-occupied dwellings.

__Mixed income – gross (B.3g) or net (B.3n)__ is the sum of income from business (profits) and income from work activities of the self-employed classified in the households sector.

__Entrepreneurial income – gross (B.4g) or net (B.4n)__ is a balancing item of the entrepreneurial income account; it corresponds to the concept of current profit before distribution and income tax as normally used in business accounting.

__National income – gross (B.5g) or net (B.5n)__ is a balancing item of the distribution of primary income account, i.e. income resulting from the use of production factors (labour, land, and capital including net taxes on production and imports); it is the sum of primary income balances for resident sectors.

__Disposable income – gross (B.6g) or net (B.6n)__ results from the generation and distribution of income and thus it is the balancing item of the secondary distribution of income account. It is an amount, which businesses can give to final consumption and saving, i.e. to accumulation in tangible, intangible or financial assets.

__Adjusted disposable income – gross (B.7g) or net (B.7n)__ is __a__ balancing item of the redistribution of income in kind account. It consists of disposable income of sectors adjusted for social transfers in kind between sectors. For the total national economy it is equal to the disposable income (B.6).

__Saving – gross (B.8g) or net (B.8n)__ is a balancing item of the use of income account. It is an amount, which is (if the saving is positive) available for acquisition of tangible, intangible, and financial assets or for lowering of financial liabilities or which (if the saving is negative) has to be provided for by lowering these assets or by an increase of the liability. Nevertheless, total resources of accumulation for respective sectors are either higher or lower by the effect of capital transfers. In the general government, NPISHs, and households sectors, saving is the difference between disposable income and final consumption. It equals disposable income in other sectors. National saving is the sum of saving of resident institutional sectors.

The __net lending (+) or borrowing (-) (B.9)__ is an amount that a given sector can lend to or has to borrow from another sector. For the total national economy, net lending (+) or borrowing (-) equals to resources that the economy made available to or borrowed from the rest of the world. In the general government sector, the government surplus or deficit (B.9) is evaluated in relation to the GDP according to the Maastricht criteria (3%). The B.9 item is a balancing item of the capital account and should correspond to the same item in the financial account, where it shows total changes in financial assets and liabilities. As a rule, there is a statistical discrepancy between the two approaches to the calculation of the balancing item. It reflects the use of different information sources, inaccuracies, errors, and mistakes involved in compiling and processing of data from accounting statements or statistical reports. There is also an influence of inconsistent adherence to the methodology for individual items. In the process of balancing, the final statistical discrepancy of respective non-financial and financial transactions is minimized and, in the end, usually placed to other accounts receivable/payable (F.8).

Changes in net worth (B.10) *express changes in the value of assets and liabilities during the accounting period and summarize amounts captured in the accumulation accounts, i.e. changes in net worth due to saving and capital transfers, changes in net worth due to other changes in the volume of assets and changes in net worth due to nominal holding gains/losses.*

External balance of goods and services (B.11) *– if it is positive, there is a surplus for the rest of the world and a deficit for the total economy and vice versa if it is negative.*

Current external balance (B.12)*, positive or negative, is the result of transactions between resident and non-resident institutional units in primary and secondary distribution of income.*

Net worth (B.90)*: for the total national economy also the term national wealth is used. The net worth of the total national economy is the sum of net worth of institutional sectors. It is the value of non-financial assets of the total national economy plus the balance of financial assets and liabilities to the rest of the world (non-residents).*

Valuation

Flows and stocks are valued at market prices; when no market prices are available (e.g. in the case of non-market services provided by the general government) valuation is made by summing production costs; they are expressed at current prices. Moreover, flows and stocks are also expressed at constant prices (i.e. at the prices of the previous period).

Due to transport costs, trade margins, and taxes on products less subsidies on products, the producer and the user of a given product usually perceive its value differently. In order to be as close to the views of both producers and customers as possible, the system records all uses at purchaser's prices, which include transport costs, trade margins, and taxes less subsidies on products, while output is recorded at basic prices, which exclude those elements. Imports and exports of commodities are measured at prices at the border. Total imports and exports are valued at the exporter's customs border, i.e. free on board (FOB). Foreign transport and insurance services between the exporter's and importer's borders are not included in the value of goods but are recorded under services.

Basic price *is the price receivable by the producer from the purchaser for a unit of a good or service produced as output excluding tax payable on that unit as a consequence of its production or sale (i.e. taxes on products), but inclusive of subsidy received on that unit as a consequence of its production or sale (i.e. subsidies on products). It excludes transport margins invoiced separately by the producer and holding gains and losses from non-financial and financial assets. It includes all transport margins charged by the producer on the same invoice, even if they are included as a separate item on the invoice.*

The ***purchaser's price*** *is the price the purchaser actually pays for a product at the time of purchase. It is composed of the basic price plus and minus the following items:*

plus taxes less subsidies on the products (but excludind deductible taxes like VAT on the products);

plus transport charges paid separately by the purchaser to take delivery at the required time and place;

minus deductions for any discounts for bulk or off-peak purchases from standard prices or charges;

minus interest or service charges added under credit arrangements;

minus extra charges incurred as a result of failing to pay within the period stated at the time the purchases were made.

This valuation is in compliance with the methodology of the European System of Accounts (ESA 2010); see Chapter 1 (points 1.94 and 1.100) and Chapter 3 (points 3.06 and 3.44) of the ESA 2010 for details.

Notes on Tables

Tables ***5****-1 to* ***5****-19* ***Income generation, distribution and use indicators, assets and liabilities indicators***

Goods and services account *(Tables* ***5****-1 and* ***5****-2) shows real flows of goods and services in the economy. It covers total resources (output and imports) of goods and services and their uses broken down by intermediate consumption, final consumption, gross capital formation (of fixed capital, changes in inventories including valuables) and exports. It also records taxes on products and subsidies on products, as the output is valued at basic prices and uses are valued at purchasers' prices.*

There is a balance in the goods and services account (it has no balancing item). It is part of the national accounts for the total national economy.

FISIM (P.119), i.e. financial intermediation services indirectly measured, are the sum of two implicit fees paid by the borrower and the lender. FISIM are calculated as a difference between the reference rate and the rate actually paid to depositors and charged to borrowers. It applies only to loans and deposits of financial institutions (S.122 and S.125; excluding interbank loans and deposits) and it is included in their output. The same amount is allocated to the intermediate consumption of other institutional sectors/subsectors, to final consumption, or it is included in exports.

*Tables **5**-3 to **5**-17 provide an overview of key macroeconomic indicators for the total national economy as well as broken down by economic activity and institutional sector. They characterize non-financial transactions (transactions in goods and services, distributive and capital transactions), financial transactions and balance sheet items (stocks). They also show the relation to the rest of the world, net worth including its changes, stocks of non-financial and financial assets, and stocks of liabilities.*

*Tables **5**-18 and **5**-19 **General government deficit** and **general government debt** present in the form of time series an overview of indicators which affect the deficit and debt of the general government sector (see institutional sectors) broken down by subsector. The definition of the general government deficit and debt complies with international standards and regulations of the EU authorities.*

The deficit of general government budgets is the amount of net borrowing (-B.9) of the general government; the surplus of general government budgets is the amount of net lending (+B.9) of the general government. The B.9 value of net lending (+) or borrowing (-) provides the basis for an assessment of the budget implementation of the general government according to the Maastricht criteria (3% of GDP). For this purpose (Excessive Deficit Procedure, EDP), the B.9 indicator is not modified by interest on swap operations and operations in forward rate agreement interest to the so-called EDP B.9. The D.4, D.7, and D.9 items are consolidated, i.e. transfers within each of the subsectors of the general government are excluded.

Calculation of the general government debt is based on the ESA 2010 methodology and on the Manual on the Government Deficit and Debt and it is evaluated in relation to the GDP, according to the Maastricht criteria (60% of GDP). The general government debt (in nominal value) is the sum of payables resulting from received currency and deposits, issued debt securities, and loans (AF.2+AF.3+AF.4). Received deposits (as part of the general government debt of the CR) were reported only from 2001 to 2006, due to classification of the Czech Consolidation Agency in S.13. At present, received deposits are part of the general government debt again, due to classification of the Czech Export Bank, the Czech-Moravian Guarantee and Development Bank, and the Deposit Insurance Fund into S.1311 (in compliance with the ESA 2010 methodology).

*Table **5**-20 **Detailed tax and social contribution receipts of the general government sector***

Current taxes (D.2 and D.5), capital taxes (D.91), and net social contributions (D.61) to social and health insurance, which are the source of income of the general government sector (subsectors). The data are in compliance with national accounts data for S.13 and the ESA 2010 rules. The calculation is based on the time--shift method, which allows eliminating of the effect of taxes (tax "income") that are unlikely to be collected. In view of that the items under D.995 code are blank.

*Tables **5**-21 to **5**-27 **Non-financial assets indicators***

The tables provide a view of the structure of non-financial assets by economic activity (in compliance with the NACE classification), their total volume, gross fixed capital formation, acquisition of selected types of fixed assets, and changes in inventories. The stocks of fixed assets are given in terms of net (book) replacement costs, i.e. in terms of purchasers' prices reduced by cumulated fixed capital consumption.

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Further information on annual and quarterly national accounts can be found on the website of the Czech Statistical Office at:

– www.czso.cz/csu/czso/gdp_national_accounts_ekon