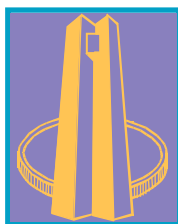


Notes to tables

June 1999



South African Reserve Bank

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Public finance

National government finances – S-54 to S-57

The separate analysis of the Exchequer Account and the Revenue Statement was replaced by a consolidated analysis of the National Revenue Fund that includes both accounts. Data in these tables were rearranged to indicate clearly the relationship between the national government deficit as reported by the Minister of Finance and the deficit adjusted for cash flows which is calculated for purposes of monetary analyses.

Ownership distribution of domestic marketable stock debt of sundry public-sector borrowers – S-67

Data on the ownership distribution of domestic marketable stock debt contained in this table were revised from the June quarter of 1990 to exclude the Land and Agricultural Bank, which forms part of the monetary sector. No information was available to identify the holders of debt issued by the Land Bank in the period prior to June 1990.

Balance of payments

Balance of payments – S-84 and S-85

The analytical presentation of the balance of payments was changed to coincide with the implementation of the guidelines for the compilation of balance-of-payments statistics as explained in the fifth edition of the *Balance of Payments Manual* of the International Monetary Fund. The reclassification of certain transactions, previously recorded in the services account to the goods account of the current account, has caused minor changes to merchandise trade statistics. The list of subcomponents identified in the services account has been expanded and the new presentation distinguishes between income (i.e. compensation of employees and investment income) and other services. Furthermore, the component for “net transfer receipts” has been subdivided into net current transfer receipts (classified as part of the current account) and net capital transfer receipts which are reflected in the newly created capital transfer account. The former capital account was renamed the financial account and consists of direct investment, portfolio investment and other investment flows – in all cases, liabilities are separated from assets. Unrecorded transactions, i.e. errors and omissions on either the current, capital transfer or financial account of the balance of payments, are now shown separately.

Current account of the balance of payments – S-86

Columns were added for income receipts and income payments. Only net current transfer receipts form part of the current account of the balance of payments; net capital transfer receipts from the rest of the world are shown separately.

Foreign trade – S-87

The base year for estimating aggregates at constant prices has changed from 1990 to 1995 to correspond with the practice followed in estimating national accounts aggregates.

Services, income and transfer receipts/payments – S-88 and S-89

These tables reflect the main components of payments and receipts for services rendered and income earned according to the specifications of the fifth edition of the *Balance of Payments Manual*. “Transportation” differentiates between passenger fares and other transport-related services, whereas the component for “travel” distinguishes between business and other travel. The sub-account for income distinguishes between compensation of employees and investment income (interest, dividends, branch profits, etc.). Seasonally adjusted and annualised values are also presented with a quarterly frequency. In the case of both current and capital transfers, a distinction is made between transactions of the central government and that of other institutional sectors.

Capital movements – S-90 and S-91

Inward and outward investment to and from South Africa, reflected in changes in foreign liabilities and foreign assets, distinguishes between (a) subcategories for direct investment, portfolio investment and other investment flows and (b) the monetary authorities, public authorities, public corporations, the banking sector and the private non-banking sector.

International investment position – S-92 to S-99

The presentation of the international investment position has been changed to reflect firstly, a classification by direct, portfolio and other investment of assets and liabilities, secondly, the domestic economic agent classified by kind of economic activity and thirdly, the underlying financial instruments. Where possible, direct and portfolio investment have been valued marked-to-market as opposed to the net worth concept used in previous presentations of the international investment position.

Foreign debt of South Africa – S-100 and S-101

South Africa's outstanding foreign debt statistics expressed in US dollar and rand are now shown in two se-

parate tables on page S-100. Time-series numbers have been allocated to the various components of foreign debt.

The table containing ratios of selected foreign debt data has been moved to page S-101.

National accounts

Introduction

In this issue of the *Quarterly Bulletin*, the South African Reserve Bank in cooperation with Statistics South Africa presents revised estimates of the national accounts, on an annual basis for 1991 to 1998 and on a quarterly basis from 1995 to the first quarter of 1999. As is usual in these five-yearly revisions of the national accounts and the change of the base year for constant-price estimates, these estimates incorporate source data that are more complete, detailed and otherwise more appropriate than those that were previously available. In addition, the recommendations of the revised System of National Accounts 1993 (1993 SNA), including some changes in methodology and terminology, have been introduced. These developments inevitably entailed changes to the national accounts tables in the *Quarterly Bulletin*. The changes are summarised in the following paragraphs.

Changes in terminology are as follows:

Old	New
Remuneration of employees	Compensation of employees
Provision for depreciation	Consumption of fixed capital
Gross domestic product at factor cost	Gross value added at factor cost
Private consumption expenditure	Final consumption expenditure by households
Consumption expenditure by general government	Final consumption expenditure by general government
Gross domestic fixed investment	Gross fixed capital formation
Gross national product at market prices	Gross national income at market prices
National disposable income at market prices	Gross national disposable income at market prices
Real gross national product	Real gross national income
Net factor payments to the rest of the world	Primary income to and from the rest of the world
Finance, insurance, real estate and business services	Financial intermediation, insurance, real estate and business services
General government	General government services
Personal saving	Saving by households
Gross domestic saving	Gross saving
Net remuneration paid to non-residents	Net compensation to non-residents
Net factor payments for non-labour services to the rest of the world	Net property income to the rest of the world
Indirect taxes	Taxes on production and imports
Direct taxes	Current taxes on income and wealth
Personal disposable income	Disposable income of households
Household debt to personal disposable income	Household debt to disposable income of households

Summary of gross domestic product, expenditure and national disposable income – S-106

The recommendations of the 1993 SNA necessitate some changes to this table.

Indirect taxes which have now been renamed *taxes on production and imports* are classified into two categories, namely *taxes on products* and *other (non-product-linked) taxes on production*. Taxes on products are payable on goods and services when they are produced, sold or used and consist of taxes on imports and value-added type taxes. Other taxes on production may be levied on items such as the right to do business, land, fixed assets or the labour employed, for example business licences, stamp duties and payroll taxes. Subsidies are also classified into two subcategories, namely *subsidies on products* such as direct support to promote exports or on products used domestically, and *other (non-product-linked) subsidies on production*, such as subsidies on payroll or workforce and support to reduce pollution.

A new concept was introduced, namely *gross value added at basic prices*. Basic prices reflect the amount receivable by the producer from the purchaser for goods and services produced, *minus* any tax payable, *plus* any subsidies receivable on such goods or services (i.e. taxes and subsidies on products). The relationship between basic prices, factor cost and market prices can be described as follows:

Gross domestic product at market prices

Less taxes on products

Plus subsidies on products

Equals gross value added at basic prices

Less other taxes on production

Plus other subsidies on production

Equals gross value added at factor cost

Final consumption expenditure by general government can be divided into two categories, namely *individual consumption expenditure* and *collective consumption expenditure*. Expenditure on individual services, for example education, health and social services, reflects the benefits for individuals or small groups of individuals, payable by general government. In contrast, collective services comprise payables for services that are provided to the community as a whole or to large sections of it. Examples are the maintenance of law and order, public administration and defence expenditure.

The sum of gross fixed capital formation and the change in inventories, namely gross capital formation, is added to Table S-106. This aggregate represents the total investment to be financed by either domestic saving or a combination of domestic and foreign saving. In addition, the total of imports/exports of goods and services is divided into imports/exports of goods and the import/export components of services. Likewise, both net factor payments and transfers are divided to show primary income flows and transfers to and from the rest of the world, separately.

Gross value added by kind of economic activity – S-107 and S-108

The headings of these tables change from *gross domestic product* by kind of economic activity to *gross value added* by kind of economic activity and the value of output for the different sectors of the economy is now calculated at basic prices. This terminology and valuation conform with the 1993 SNA.

Another major change in this table comprises value added by the individual industries after adjustment for financial intermediation services indirectly measured (FISIM), which is basically calculated as the difference between interest received and paid. Financial intermediaries provide some services to their clients for which they do not charge explicitly. Generally, they apply different rates of interest to lenders and borrowers. From this difference the financial intermediaries earn a margin rather than to charge their clients individually for the services involved in the financial intermediation process, in order to recoup the actual cost of the services rendered. The national accounts has always kept track of FISIM, but is now facing the allocation thereof to various sectors.

Because of the difficulties with finding a proper method of allocating FISIM to the various institutional sectors and the sectors by kind of economic activity, the 1968 SNA suggested that the total of FISIM be treated as intermediate consumption of a nominal industry – where FISIM appears as an unallocated negative item in the table of gross domestic product by kind of economic activity. This was also the procedure followed by the South African national accounts system. However, the 1993 SNA recommendations suggest that FISIM should be allocated among the institutional sectors (i.e. businesses, households, government and the rest of the world) and also among the sectors by kind of economic activity.

In calculating and distributing FISIM between borrowers and depositors institutionally and among the economic sectors, calculations were based on data which banks are legally compelled to provide to the Reserve Bank. An average interest rate (reference rate) was calculated from the ratio between total interest paid and received, relative to the stock of deposits and advances. This reference rate was applied to the financial assets and liabilities of the institutional sectors to allocate FISIM to these sectors.

In addition, FISIM was allocated to the corporate sector by kind of economic activity, in accordance with the flow of interest payable or receivable as estimated for the non-financial corporate sector.

Finally, a new subtotal has been created in this table, namely community, social and personal services which comprise general government services, other services and other producers. *General government services* include the general activities of the central government, provincial governments and local authorities.

Other services include health activities such as medical and dental practices, veterinary services, recreational and sporting activities as well as miscellaneous activities such as laundering and dry-cleaning, hairdressing, funeral and other activities. *Other producers* include mainly non-profit institutions responsible for social work, the activities of membership organisations and cultural support services. This change brought the outlay of this table in line with the *Standard Industrial Classification of all Economic Activities*.

Final consumption expenditure by households according to purpose – S-115

This is a new table, comprising the classification of individual consumption by purpose (COICOP) in accordance with the recommendations of the 1993 SNA. COICOP specifically classifies the purpose of household or individual consumption and expenditure by broad type of service or goods. The intention of this modification in name and concept was to focus more directly on the purpose of the consumption and/or expenditure of households rather than on the type of products (goods or services) consumed.

Gross fixed capital formation – S-116 to S-121

The heading of the rows for fixed capital formation by *public authorities* was changed to *general government*. Similar changes apply to tables S-123, fixed capital stock; S-124 – S-125, change in inventories; and S-126, gross and net capital formation by type of organisation. These changes clarify the terminology and confirm the consistency between the concepts of saving and investment by general government in the national accounts tables.

National disposable income, saving and net borrowing – S-127

The heading of this table was changed from national disposable income and appropriation, to *national disposable income, saving and net borrowing*. In addition to the terminology changes previously mentioned, two rows were added to this table, namely *net capital transfers from the rest of the world* and *net lending or borrowing* for the total economy.

Account with the rest of the world – S-128

This is a new table, which summarises the transactions with the rest of the world. It also shows the link between the current account of the rest of the world accounts and the capital and financial accounts, i.e. the financing of the balance on the current account through the change in gold and other foreign reserves and the net capital inflow from the rest of the world.

Current income and expenditure of general government – S-130

Rows were added to this table to show separately the two categories of taxes on production and imports, namely taxes on products and other taxes on production. Likewise, subsidies were also divided into subsidies on products and other subsidies on production.

A new concept, namely *disposable income of general government* was added to this table. Disposable income is derived from current income *less* interest on public debt, *less* subsidies and *less* transfer payments to households and the rest of the world. In addition, final consumption expenditure was divided into individual consumption expenditure and collective consumption expenditure.

A subcomponent of this table shows the appropriation of disposable income. Disposable income is adjusted for social transfers in kind from general government to households, to derive the concept of *adjusted disposable income*. Finally, adjusted disposable income *less actual final consumption* (i.e. final consumption expenditure *minus* individual consumption expenditure) is again equal to saving by general government.

Current income and expenditure of households – S-131

The calculation of disposable income of households was changed from current income, *less* direct taxes, to current income, *less* current taxes on income and wealth (formerly direct taxes), *less* current transfers to general government and *less* transfers to the rest of the world. This change does not affect saving, but is consistent with national accounts practices. In addition, four rows were added to this table. These rows contain time series information on social transfers in kind receivable from general government, adjusted disposable income, actual final consumption and individual consumption by general government. These adjustments comply with the recommendations of the 1993 SNA to derive the *actual final consumption of households*, which is regarded as a better indicator of living standards than final consumption expenditure alone. It is important to note that these changes do not affect the value of saving of households.