

## DEVELOPMENT OF THE NATIONAL ACCOUNTING SYSTEM IN HUNGARY

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This paper presents the characteristics of the National Accounting System of Hungary and outlines its development in the last decades and the insufficiencies still existing. Hungary has joined with great interest in the work performed within the frame of the United Nations Statistical Commission concerning the development of the Systems of National Accounts, being interested in applying—as far as possible—the results of the revision of the SNA and MPS in its national practice. The paper first presents a conceptual matrix containing all the major items in the MPS system in order to explain the contents of the items and the interdependencies among them. In this connection a brief account is given of the major differences between the SNA and MPS. The following part of the paper presents the National Accounting System introduced in Hungary in 1968. It is put also within the framework of a matrix, which supplies the items of both the SNA and MPS by means of simple aggregation as well as satisfying the national requirements, so that it is possible to compare the structure and development of the Hungarian economy with those of any other countries. The major differences between the Hungarian system and the current MPS and the revised SNA are then presented.

The Hungarian national accounting system is of the type which in international circles is usually referred to as the “Material Product System”, MPS. The system was introduced in the early fifties, but has since been improved and developed in many important respects. On the one hand, the statistical basis of the system has been strengthened, resulting in a significant improvement in the reliability of the data; and on the other hand, the system has been extended in both the horizontal and the vertical directions. Examples of the extensions are: the establishment in conjunction with the system of a set of comprehensive accounts and tables on different aspects of the living conditions of the population (the level and distribution of income and consumption); the introduction of tables showing the stocks of fixed assets (balance sheet types of tables); and the completion of detailed input-output tables directly related to the system.

In spite of these improvements, it was felt in Hungary that the accounting system did not yet provide an adequate basis for the analysis of the complex process of the creation of income in production and the distribution and redistribution of this income. While in MPS recommendations are made for the presentation of the different aspects of this process, these were not yet fully reflected in the Hungarian national system. Also on other points it was considered that the national accounts were not yet either sufficiently elaborate or sufficiently consistent. Therefore, when the Statistical Commission of the United Nations took the initiative for a revision and extension of the System of National Accounts and supporting tables (SNA) and subsequently, the countries which are members of the Council for Mutual Economic Assistance undertook a review of MPS, Hungary joined these activities with great interest. The rich results of this work, performed partly by the countries themselves and partly in meetings in which

all countries concerned participated, were of maximum use to Hungarian statisticians in developing their national statistics.

The parallel revision of the two systems, and the opportunity given to MPS experts to participate in the revision of SNA, and to SNA experts in that of MPS, enabled experts from both sides to benefit from each other's experience and made it possible to extend the common ground between the two systems on many important points. The earlier detailed studies of the Conference of European Statisticians on the conceptual relationship between SNA and MPS no doubt contributed significantly to the success of this work.

The review of SNA was greatly facilitated by the conceptual matrix presenting the relationships among the different parts of the system drawn up by Professor Stone of Cambridge University. This matrix proved to be of considerable help in understanding the new SNA, not only by experts of countries using this system, but also by MPS experts. In the light of this experience, it was felt that for further work in MPS a similar conceptual matrix would also be very valuable and would be indispensable as a basis for the development of the system in new directions. Hungarian experts participating in the revision of SNA and MPS undertook to start work in this field. They prepared two matrices, the first describing the conceptual relationship between the various parts of MPS in its present form, and the second, a further developed version, reflecting the directions in which it is proposed to develop the Hungarian national accounting system. In the following description of these matrices they are referred to as the "MPS matrix" and the Hungarian matrix respectively, in order to distinguish them from the "SNA matrix".

#### CONCEPTUAL MATRIX OF MPS

The conceptual matrix drawn up for MPS is set out in Annex 1 of this article. In the interest of comparability, the notation adopted in the construction of the MPS matrix follows that employed in the SNA matrix. The MPS matrix is based on the description of MPS given in "Basic Principles of the Statistical Balance of the National Economy", a document which was prepared by the Statistical Office of the Soviet Union in consultation with the Statistical Offices of other countries with centrally planned economies, and submitted to the Working Group of the Conference of European Statisticians charged with the review of SNA and MPS.

The matrix, like the SNA matrix, embraces all essential elementary processes which take place in the economy, both in the sphere of material goods and that of services. Thus, one can find the amounts of capital and labour inputs used by society for the satisfaction of its needs for food, clothing, housing and other material goods; and the cost, in terms of capital and labour inputs, of cultural activities, health, and, in addition, public administration and defence. It also shows the proportions in which society divides its resources between the satisfaction of present day and future requirements, i.e. between consumption and capital formation (in MPS usually referred to as "accumulation").

The MPS matrix not only resembles the SNA matrix as regards the economic processes which it describes, but also shows great similarity with it in the ways

in which these processes are grouped. In both matrices a central place is occupied by the analysis of the origin and destination of goods produced. The MPS matrix describes these processes in as much detail and as comprehensively as the matrix of SNA.

Though there are several basic features common to the two matrices, there are also significant differences between them. These are due to differences in (i) the concepts on the basis of which the economic processes are systematized; (ii) the importance attached to the various processes within the system; and (iii) the aggregates applied in assessing economic progress. Thus, in spite of the fact that both the SNA and the MPS matrices cover essentially the same elementary economic processes, different handling of these processes results in significant differences as regards both the form and the contents of the matrices. The most important differences between SNA and MPS, as they are reflected in the matrices, are reviewed in the following paragraphs.

As is well known the main difference between SNA and MPS is that of the scope of the concept of production. While in SNA all kinds of socially organized economic activities are treated as production, in MPS the production concept is limited to the production of material goods, and such services as transport, distribution, and repairs, which are directly related to the production of material goods. The rendering of other services, e.g. personal services; banking and insurance; health, cultural and educational services; public administration and defence, is not considered part of production. Material inputs into these services are therefore treated as final consumption, and the other expenditure incurred in rendering the services is shown as secondary distribution (redistribution) of income. The scope of income redistribution in MPS is therefore significantly broader than in SNA.

Another significant difference between the two systems is that within the framework of income distribution MPS does not, like SNA, differentiate between current and accumulation processes, but by summing up all receipts and transfers shows a final income representing the source of financing material goods for both consumption and net capital formation. Thus, in MPS there is no concept of "saving", while in SNA, as a result of the consistent distinction between current and capital flows, this concept has an important role.

MPS in its present form does not differentiate between classifications by branches and by products as does the revised SNA, but considers that the classification by branches should follow as far as possible the division according to the character of the activity. Further, MPS evaluates all economic processes at market prices and does not show indirect taxes separately. The system therefore does not provide data on production expressed in terms of factor cost. As a difference in context, rather than form, mention should be made also of the fact that the summary input-output tables in MPS show the distribution of material goods at final consumption prices (including trade and transport margins) whereas in SNA, producers' price valuation is used. Thus, in MPS the output of trade and freight transport is not allocated as such to intermediate consumption, final consumption and capital formation, but as part of the value of the products in which it is incorporated. It should be noted, however, that in the detailed input-output tables compiled in most CMEA countries (fifty to one hundred

industries) the output of branches is generally shown at producers' prices. This method was also recommended by a Working Group of the CMEA countries, which discussed the unification of input-output tables. The Working Group suggested, however, that tables should also be compiled in terms of final use prices as an alternative basis of valuation.

It is also worthwhile mentioning that in the description of MPS mentioned above there is insufficient discussion of the treatment of transactions with foreign countries. In order to understand the recording of these transactions in the MPS matrix, it is necessary to know that in countries with centrally planned economies the state has a monopoly of holdings of foreign currencies. Each transaction with a foreign country is therefore channelled through the state budget not only notionally, but also in actual practice. Thus in the case of exports of goods, the proceeds of the transaction appear as a receipt in foreign currency of the state budget, and as a payment in domestic currency by the state budget to the foreign trade enterprise involved in the transaction. Similarly in the case of imports of goods two transactions appear in the state accounts: a payment in foreign currencies, and a corresponding receipt in domestic currencies. In the MPS matrix, only the transactions between the state budget and the domestic economic units concerned are recorded. There are two entries: E-I, the balance of Exports over Imports, and r, the net balance of other foreign transactions. As these entries reflect the settlement of the state budget with domestic units, they appear as expenditure of the state budget in the case of an active balance of goods turnover or other foreign transactions, and as receipts of the state budget in the case of a passive balance.

#### PLANS FOR THE DEVELOPMENT OF THE HUNGARIAN NATIONAL ACCOUNTING SYSTEM

With a view to meeting the present-day requirements and, even more, the requirements that will arise when economic reform has been introduced in Hungary, a considerable extension of the Hungarian national accounting system is planned. On some points, this extension does not represent a further development of MPS, but merely the compilation of some already existing MPS tables which have not yet been included in the Hungarian system. On other points, however, it is intended to develop the system significantly beyond what is now covered in MPS.

An important consideration in designing the new system envisaged in Hungary has been that it should be fully consistent with, and preserve the conceptual basis of, the revised MPS which is being worked out jointly by CMEA countries. Thus the concepts relating to material production will be retained, and clearly distinguished from concepts relating to flows pertaining to non-material services. However, some categories will be subjected to a more detailed and deeper investigation than is the case in either MPS or SNA.

As compared with the present Hungarian national accounts, the new system will constitute an extension in two main directions. First, the field of non-material services will be interpreted not only as a process in the scope of secondary income distribution, but also as a field of great and increasing importance in connexion with the social distribution of labour. Secondly, besides the "real flows", a much

more comprehensive treatment of income and financial flows will be included. In the elaboration of the system in these directions, naturally the revisions and extensions of MPS and SNA already agreed upon, or which will be agreed upon, will be taken into account.

The elaboration of the actual form of the extended accounting system will, like the SNA, be based on a conceptual matrix. This matrix constituting the backbone of the system was constructed in such a way that it shows each of the economic processes the knowledge of which is likely to be necessary in the future, i.e., that it satisfies to a maximum extent all requirements for information arising from the introduction of the new system of economic management. As the expected requirements call for a system which is significantly more comprehensive and detailed than the present one, *the elementary processes included in the new system envisaged are generally no more concise or narrower than in either the revised MPS, worked out by CMEA countries, or the revised SNA*. The proposed new system will thus ensure comparability with the two international systems, each of which can be derived from it, at any level of detail wanted, by regrouping of the data. The system thus elaborated, besides the fact that each part of it is important for the purpose of economic analysis, will therefore at the same time make it possible to furnish the data needed by both the CMEA and the United Nations, and—no less important—to compare the economic situation in Hungary with that in any other country.

The matrix constituting the basis of the planned system and the notation used are set out in Annex 2 of this article. The Hungarian matrix differs in a number of essential points from both the MPS matrices and the SNA matrix. The main differences are discussed in the following paragraphs.

As compared with the system being drawn up jointly by the CMEA countries, the most essential difference lies in the fact that in the Hungarian matrix the sphere of non-material services is treated as an independent area of social activity. The inputs and outputs in the material and non-material sphere, though kept separately, are recorded in a symmetrical manner. Data relating to material and non-material activities can therefore be brought together, so that—a result which is considered most important for certain analytical purposes—an overall picture of the structure and results of all activities in the economy can be obtained. At the same time, the Hungarian matrix preserves consistency with the MPS matrix, in that the various “material” concepts can be directly derived from it. This is achieved by recording material products used for rendering services first as products leaving the boundary of material production (c), and then as inputs in respect of services (items U of row 13). In addition, the “value added” relating to non-material services is shown separately, which enables the broader concepts, including both material and non-materials, to be derived from the matrix. In this connexion, it should be noted that the concept of “final consumption” as defined in MPS can be derived from the Hungarian matrix, but is not shown explicitly. In order to arrive at this concept, depreciation in respect of fixed assets used in the non-material sphere (shown as  $D_2$  in another part of the matrix) should be added to the entries in columns 11–13.

Also as regards the concepts of income and consumption the Hungarian matrix provides for a more detailed analysis of the non-material sphere. In

addition to wages and other income originating in material production, income from the rendering of non-material services is explicitly shown; and besides "personal consumption" (i.e. consumption by the population of material goods), "total consumption of the population" (defined as expenditure by the population on both goods and services, plus the cost of free services rendered to the population<sup>1</sup>). In Hungary great importance is attached to these broader concepts for the purpose of studying the level of living of the population. However, as they do not appear in the accounting system at present in use, until now such studies had to rely partly on data outside the field of the national accounts.

Another difference between the Hungarian matrix and MPS is that within income flows, a systematic distinction is made between incomes used for financing the increase in fixed assets and stocks and other incomes, and that at the same time the concept of savings has been introduced. The latter concept is deemed essential for a consistent and comprehensive investigation of accumulation processes.

Compared with SNA, one of the main differences is that in the Hungarian system a more consistent distinction between material and non-material activities is made, with a view to providing the basis for analysing these two spheres separately, according to their respective economic function and content.

Another important difference between the Hungarian matrix and SNA is that while in the revised SNA different sectors are used for the analysis of production flows and income and financial flows (for production flows: functional sectors, with the establishment as the statistical unit; for income and financial flows: institutional sectors, with the enterprise as the statistical unit), in the Hungarian system, the same classification is used throughout the system. The statistical unit is the "economic unit" defined as a unit with an independent organizational form and with complete accounting records covering its activity as a whole. The economic unit as a whole is classified to a single branch, and within that branch to a single sector ("sector" in this context is a kind of activity group, rather than sector in the SNA sense). In the majority of cases the economic units are enterprises.

Importance is attached to the use of a single classification and the same units throughout the system because it enables data on production, income formation and distribution, capital formation and the finance of capital formation to be compiled with the same scope, and therefore provides a more adequate basis for studies of the interrelationships between the different aspects of the economic process. On the other hand, of course, the use of the enterprise rather than the establishment as the unit to be classified involves some loss of homogeneity of the "sectors" in terms of kind of economic activity. In Hungary, however, where industrial enterprises are state owned, the organizational units are usually more homogeneous as regards their activities than in countries with market economies. In fact the secondary activities of enterprises rarely exceed

<sup>1</sup>The concept of total consumption and the way in which it is shown in the Hungarian matrix are described in more detail below, where the differences between the matrix and SNA are considered.

what may be called normal complementary or ancillary activities.<sup>2</sup> Use of the enterprise instead of the establishment would not significantly affect the classification by kind of activity, and the disadvantage of a loss of homogeneity is relatively unimportant compared with the advantage of the use of a single unit and the same "sectors" in the different parts of the system. It is recognized that in the future secondary activities may become more important as a result of the greater independence of enterprises, but it is not expected that this will fundamentally distort the classification within the next five or eight years.

Another reason why less importance is attached to the loss of homogeneity resulting from the use of the enterprise as the statistical unit is that in addition to such an "institutional" classification, it is also envisaged, in the context of the new system, to include a purely "functional" classification, i.e. a classification of products, in which products are classified to the same group irrespective of whether they are produced by an enterprise as part of its main activity or as a secondary activity.

A further difference with SNA that should be mentioned is that of the treatment of total consumption of the population. In the SNA matrix only one consumption concept is shown explicitly. This concept relates essentially to consumption financed by the population out of its own income. The matrix makes it possible to determine "total consumption of the population", i.e., including consumption financed by the Government, as an auxiliary computation outside the system (with the help of a corresponding classification of general government consumption expenditure), but does not show this concept explicitly. On the other hand, the Hungarian matrix, apart from analysing all aspects of consumption covered in SNA, also shows the various elements of consumption which are financed by the government (health services, cultural services and other services provided free of charge or at reduced rates) and provides an analysis of total consumption according to whether it is financed by individual incomes, by the budget or welfare institutions of enterprises or otherwise. In the interest of this more shaded investigation, any contribution which the population may make to services provided by budget institutions is treated as personal consumption, and only the net expenditure by the government budget is recorded as consumption financed by the government. The various parts of consumption are recorded in the matrix as follows: total consumption of the population appears in rows 24–29 and columns 49–52; columns 49 and 50 relate to consumption financed by the population out of its own income, and columns 51 and 52 to consumption financed by social organs or the state budget. For each of these columns the rows 24 to 29 provide a classification according to the objects of consumption. In this way, all important categories of consumption of the population can be expressed in the matrix in an explicit form.

In this connexion, it should be noted that in contrast to the SNA matrix, in the Hungarian system the state budget as an independent income-recipient is distinguished from government institutions, as a separate economic unit. This

<sup>2</sup>Moreover, in the few cases where significant proportions of an enterprise's activities are in different branches, separate data can usually be obtained in respect of each of the activities. In these cases the enterprise is split into two or more units, which are classified according to their own kind of activity.

distinction is made, on the one hand, in order to make it possible to study the state budget as a special kind of "state pay-office" and on the other hand, in order to show income flows between government institutions and the state budget which are worth investigating and which would disappear if the state budget and government institutions were consolidated under a single heading. Moreover, this distinction also enables payments made by the population for services rendered by budget institutions to be separated (and treated as consumption) from other transfer payments into the budget.

As regards the treatment of capital transactions there is no main difference between the Hungarian matrix and SNA. On two points however a solution different from that adopted in SNA is proposed. The first is that the provision of funds by the state budget for the finance of capital formation is treated as an independent source of finance, rather than as a financial transaction. The reason for this treatment is that up to now some 80 per cent of total investment was financed by the state, and that this percentage will remain high even when the economic reform has been put into effect. The second point of difference is that it is considered essential to show not only finance of net capital formation but also of gross capital formation, on the one hand because it is the latter that represents a "visible" financial process, and on the other hand because the finance of net and gross capital formation may be different. In this connexion it should be pointed out that in Hungary state enterprises pay part of their depreciation allowances into the state budget; the payments received by the state budget, increased by savings, are used for financing new investments. Thus some state enterprises finance their new capital formation partly from depreciation allowances of other enterprises.

#### FURTHER WORK ENVISAGED IN HUNGARY

On the basis of the matrix described in this article, work has started on the elaboration of the content and form of a revised national accounting system and the preparation of the detailed definitions of the various concepts to be included, which are appropriate to Hungarian conditions. In doing this an important consideration is to ensure maximum coordination with the book-keeping system in use in enterprises, so that the annual balance-statements which are prepared in a uniform way for all enterprises can be directly used for national accounting purposes. It is intended to put into effect beginning with 1968 the rich programme presented in the Hungarian matrix.

#### NOTATION USED IN THE MPS MATRIX

- a—Stock of fixed assets and inventories, reduced by depreciation. Includes only material goods.
- B—Net capital formation, i.e. the value of fixed capital formation and changes in stocks reduced by depreciation.  $B = V - D$ .
- c—Final consumption of material goods, including also the value of material goods incorporated in non-material services. Depreciation of fixed assets is excluded.
- D—Depreciation of fixed assets.  $D_1$ —in the branches of material production,  $D_2$ —in the branches of non-material production,  $D_3$ —depreciation of owner-occupied dwellings.
- e—Direct exports.



- E—Value of exported goods and services (in terms of the value in national currency paid against the sum of foreign currency received from abroad).  $E_1$ —Value of exported material goods including also receipts from abroad in respect of transport.  $E_2$ —Domestic value of foreign currency receipts from rendering services.
- F—Net changes in financial assets (net credit granted, increases in the stock of cash and deposits, policies, increase in holdings of securities, etc.).
- g—Payments into the state budget (turnover taxes and other taxes, contributions to social security schemes, taxes on wages and salaries, payments by state enterprises of part of their operating surplus, and depreciation allowances, charges, fines, etc.).
- G—Other income transfers (penalties, dividends, etc.).
- h—Receipts from the budget (social security benefits, finance of current maintenance cost of general government institutions, sums received by state enterprises and budget institutions for investment purposes).
- i—Direct imports.
- I—Imported material goods and services in terms of the sum of domestic currency received against the sum of foreign currencies paid to abroad.  $I_1$ —Imports of material goods.  $I_2$ —Domestic value of foreign currencies paid for the input of services.
- m—Value of the output of non-material services,  $m_1$ —services of a market type (i.e. services which are customarily sold in the market).
- M—Gross output of goods created in the process of material production.  $\bar{M}_1$ —Gross output of the branches of trade and transport.  $M_1$ —gross output of other branches of material production (at producers' prices including turnover tax).
- N—Net changes in financial liabilities (credits received, etc.).
- O—Losses in fixed capital and stocks.
- r—Balance of foreign operations other than commercial imports and exports.  $r = (E_2 + e + w_3) - (I_2 + i + w_4)$ .
- u—Use of services of a market type for domestic purposes:  $u_1$ —services used in material production,  $u_2$ —services used up in non-material production,  $u_3$ —services bought by the population.
- U—Use of material goods for domestic purposes.  $U_1$ —Use of material goods in material production. (See also remarks as regards X.)
- V—Gross capital formation (fixed assets and stocks).
- w—Wages and salaries and net individual incomes of producers excluding contributions to social security schemes and costs of welfare institutions of enterprises.  $w_1$ —wages and salaries and net individual incomes in material production,  $w_2$ —wages and salaries and net individual incomes outside material production,  $w_3$ —wages and salaries transferred from abroad,  $w_4$ —wages and salaries transferred to abroad.
- X—A symbol not used in the MPS-matrix. In the SNA matrix it represents indirect taxes on domestic products; and items "U" therefore relate to values excluding turnover tax. In the MPS-matrix items "U" are shown at prices of final utilization including also turnover tax and trade and transport margins.
- y—Net social income of enterprises in material production, i.e. the difference between the net value of production and wages and salaries paid. This item therefore includes: turnover taxes, the amounts paid for services, contributions to social security schemes, welfare benefits paid and the operating surplus of enterprises.

NOTATION USED IN THE HUNGARIAN MATRIX (AND ITS RELATION TO THE NOTATION ADOPTED IN THE MPS MATRIX AND SNA MATRIX RESPECTIVELY)

- a—Stock of fixed assets and inventories, reduced by depreciation.
- A—Total value of assets.  $A_0 = a_0 + F_0$ .
- B—Net capital formation.  $B = V - D$ .
- c—Final consumption of material goods, including the value of material goods used up in non-material services. Depreciation of fixed assets is excluded.
- C—Total value of the final consumption of material goods and non-material services.  $C_1$ —consumption bought by the population at full prices,  $C_2$ —contributions by the population to the budget of social institutions or welfare institutions of enterprises for services rendered at reduced rates.  $C_3$ —final consumption expenditure financed by the budget. (Net operating costs of budget institutions covered by the budget),  $C_4$ —final consumption expenditure covered by social institutions and welfare institutions of enterprises.

- D—Depreciation of fixed assets.  $D_1$ —in branches of material production.  $D_2$ —in branches outside material production.  $D_3$ —depreciation of owner occupied dwellings.  $D'$ —part of depreciation paid into the budget.
- e—Direct exports.
- E—Value of exported material goods ( $E_1$ ) and services ( $E_2$ ).
- f—Net lending, by social sectors and branches.  $f = F - N$ .
- F—Net changes in financial assets.  $F = F_1 - F_0$ . ( $F_0$  = financial assets at the beginning of the year.  $F_1$ —financial assets at the end of the year).
- g—Payments into the budget.  $g = t + T + Z^* + H^* + G^*$ .  
(Items marked with an \* contain only part of the respective items paid into the budget).
- G—Other income-transfers.  $G'$ —social security benefits in cash (family-allowances, pensions, scholarships etc.).
- h—Receipts from the budget.  $h = C_3 + Z^* + G^* + j^* + q + f^*$ .
- H—Taxes on income.
- i—Direct imports.
- I—Imports of material goods ( $I_1$ ) and services ( $I_2$ ).
- j—Net capital formation from own savings, i.e. total savings reduced by net lending.  $j = S - f$ .  
This item excludes net investments from budget funds (q).
- J—Gross capital formation from own savings and retained depreciation.  $J = j + D$ .
- K—Regrouping of existing funds between branches or social sectors.
- L—Total liabilities.
- m—Value of output of non-material services.  $m_1$ —services of a market type (i.e. customarily sold in the market),  $m_2$ —services rendered by budget institutions,  $m_3$ —services rendered by social institutions and welfare institutions of enterprises.
- M—Gross output of goods of material production.  $M_1$ —output of the branches of trade and transport,  $M_2$ —Gross output of other branches of material production.
- n—Net borrowing by social sectors and branches.  $n = N - F$ .
- N—Net changes in financial liabilities.  $N = N_1 - N_0$ . ( $N_0$ —liabilities at the beginning of the year,  $N_1$ —liabilities at the end of the year).
- O—Losses.
- r—Balance of foreign operations other than commercial imports and exports.  $r = (E_2 + e + w_3) - (I_2 + i + w_4)$ .
- q—Net capital formation financed from the state budget.  $q = Q - D'$ .
- Q—Gross capital formation financed from the state budget.
- R—Revaluation.
- S—Net savings.  $S = j + q + f$ .
- t—Contributions to social security schemes, and taxes on wages and salaries (including both parts, employees' and employers' contributions).  $t_1$ —contributions in respect of employees employed in the material sphere,  $t_2$ —contributions in respect of employees employed in the sphere of services.
- T—Turnover taxes and payments for the use of funds reduced by subsidies.  $T_1$ —in material production,  $T_2$ —outside material production.
- u—Use of services of a market type.  $u_1$ —services used up in material production,  $u_2$ —services used up in non-material services,  $u_3$ —services bought by the population,  $u_4$ —total value of the output of services rendered by budget and welfare institutions to satisfy the personal needs of the population,  $u_5$ —total value of output of services rendered by budget institutions for collective purposes.
- U—use of material goods for domestic purposes.  $U_1$ —use of material goods in material production,  $U_2$ —use of material goods for rendering services of a market type,  $U_3$ —use of material goods for final consumption purposes in the form of consumer goods,  $U_4$ —material goods used up in administration, defence and communal services,  $U_5$ —material goods used up in health, cultural and social services, provided by budget institutions,  $U_6$ —material goods used up in services rendered by social organizations. (See also remarks under X.)
- v—Net operating costs of welfare institutions by enterprises.
- V—Gross capital formation (fixed assets and stocks).
- w—Net wages and salaries and individual incomes of producers excluding contributions to social security schemes.  $w_1$ —in material production,  $w_2$ —outside material production.
- W—wages and salaries and gross individual incomes.  $W = w + t + v$ . (It should be noted here that SNA shows the individual incomes of producers not in this category, but in that of operating surplus.)
- Z—Payments of operating surplus into the budget or receipts for covering losses from the budget.

- X—In the SNA matrix it represents indirect taxes on domestic products; therefore items “U” stand there for values excluding turnover tax. In the other two matrixes items “U” are shown at prices of final utilization including also turnover tax and trade and transport margins.
- y—Net social income of enterprises in material production, i.e. the difference between net value of production and wages, salaries and other income accruing directly to the population.  $y = Y_1 + t_1 + T_1 + v_1 + u_1$ .
- Y—Operating surplus.  $Y_1$ —in material production.  $Y_2$ —outside material production.