

Annex 19. Understanding the relevance of households in the System of National Accounts⁴⁹

The System of National Accounts (SNA2008) is a standard accounting system that summarizes the transactions within the economy and the rest of the world. More specifically, the system of national accounts represents an integrated set of standard concepts and classifications applicable to the most important macrodata of economic statistics and characterized by the fact that all concepts are interrelated within a system of definitional relations. They represent a useful frame for developing statistics, facilitating the identification of gaps and the setting of priorities in quantitative perspective (para. 371).

Of particular interest are the accounts by industries and *institutional sectors*. The breakdown of the economic accounts of the nation into institutional *sector units*, such as households, aims to study their economic behavior in terms of the kind of income they receive, how incomes are used, etc.

An *institutional unit* is an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities with other units. It takes economic decisions on what to produce and how to finance its activities and is directly accountable at law; household is one of such units. The resident institutional units make up the total economy

A household refers to “all persons who occupy the same housing unit and share responsibilities and resources. A household may consist of a family, one person living alone, two or more families living together, or any other group of related or unrelated persons who make joint decisions and share resources. These persons may or may not be related to each other”.

The sector includes resident household units as consumers and also most of all their economic activities. The household sector can be further subdivided by main sources of income (mainly into employers / own-account workers / employees / others) and by types of income for accountability or other analytical purposes

Institutional sector accounts derive for each institutional sector value added, primary income, disposable income, final consumption expenditure, saving, gross capital formation, net lending or net borrowing like those of the whole economy. Sector accounts provide information on transactions in income and financial flows between domestic sectors and between the domestic sectors and the rest of the world: this information allows for an analysis of the institutional structure and behavior of every institutional sector in the economy. In the case of the household sector the main objective is to measure the consumption of households not only from their own final expenditure but also from the expenditure of other sectors to benefit them.

⁴⁹ Handbook of Statistical Organization (third edition), Studies in Methods Series F No.88, United Nations, New York, 2003