
Methodological Changes to National Accounts: Transition to ESA 2010 – Changes to treatment of Non-Market Output and Social Transfers in Kind

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Executive summary

This article covers the changes to the treatment of Non-Market Output and Social Transfers in Kind that will be introduced when revised figures for the UK National Accounts, consistent with Blue Book 2016 and Pink Book 2016, are published in July 2016.

These changes are required under international standards and guidelines as a result of the implementation of European System of Accounts 2010 ([ESA 2010](#)). Only current price impact is considered.

Under the European System of Accounts 1995 ([ESA 1995](#)) any payments for goods and services received by non-market producers (Government and Non-Profit Institutions Serving Households (NPISH)) were allocated to market output. Only goods and services provided free of charge were allocated to non-market output. ESA 2010 further divides non-market output to include any payments for non-market output. In order for UK National Accounts to comply, some of the payments received by the non-market sectors will be reallocated between market and non-market output.

The treatment and concept of Social Transfers in Kind has altered from ESA 1995 standards. Social transfers in kind must now be separated to show whether non-market producers directly or indirectly provide the good or service to the household.

These changes are largely presentational for the National Accounts user. They have no direct impact on Gross Domestic Product (GDP), Gross National Income (GNI), Individual Final Consumption, or Actual Final Consumption. The change relating to social transfers in kind does change the overall measure of Government output, but not Government Gross Value Added (GVA). There is no impact from these changes to the fiscal aggregates published in the Public Sector Finances.

1 Introduction

The UK National Accounts comply with international standards set out in the European System of Accounts (ESA), Balance of Payments Manuals (BPM) and the Manual on Government Deficit and Debt (MGDD). These standards ensure that economic statistics produced by all EU member states are compiled in a consistent, comparable and reliable way.

Periodically, these manuals are reviewed to ensure that they continue to reflect economic and technological developments in domestic and global economies and meet user needs.

The new ESA 2010 introduces a number of new concepts that are being incorporated into the UK National Accounts between 2014 and 2017.

The revised standards change the way in which national accounts and balance of payments across the EU member states are produced and bring them into line with the worldwide

System of National Accounts 2008 ([SNA 2008](#)), already adopted by other parts of the world, including Canada, the United States of America and Australia.

ESA 2010 changes include:

- A requirement to sub-divide non-market output (P.13) into *payments for non-market output* (P.131) and *non-market output provided free of charge* (P.132). This requirement was subject to a derogation allowing UK compliance to be delayed until 2016.
- A requirement to sub-divide social transfers in kind (D.63), and separately provide data on *social transfers in kind non-market production* (D.631) and *social transfers in kind market production* (D.632) for the first time. This is an ESA 2010 transmission requirement and compliance has been delayed to 2016 to allow implementation alongside the non-market output change.

This article provides a technical overview of methodology associated with these two changes, as previously mentioned in [Planned Scope for UK National Accounts Blue Book 2016](#). This article does not provide a numerical assessment of the impact, which is included in the forthcoming article 'Impact of ESA10 changes on current price GDP estimates' (to be published on 23rd March 2016).

1.1 Summary of the change to reallocate payments for non-market output from market output

Previously, any payments for goods and services received by non-market producers (Government and Non-Profit Institutions Serving Households (NPISH)) were allocated to *market output* (P.11). Only transactions involving goods and services provided for free were classified as *non-market output* (P.13).

In order to comply with ESA 2010 (see ESA 2010 paragraph 3.23), non-market output must be sub-divided into *payments for non-market output* (P.131) and *other non-market output provided for free* (P.132). Payments received, except where they are classified as taxes or they are at economically significant prices (see section 2.1), will now mostly qualify as P.131. Provision of services such as public order and safety (police and fire services etc.) and defence will now qualify as P.132.

The P.131 transaction will consist of data reallocated from *market output* (P.11), whilst P.132 will be equal to that which was previously defined as total *non-market output* (P.13). The P.13 aggregate will therefore be increased by the same value as the P.11 decrease.

1.1.1 Summary of impact on National Accounts and Public Sector Finances

The reallocation of P.11 receipts into P.131 will have no effect on the calculation of total output (P.1), since any increases in total *non-market output* (P.13) will be offset by an equal decrease in P.11.

Previously, the National Accounts convention was that P.13 was equal to *final consumption expenditure* (P.3) for Government and NPISH. The introduction of the P.131 transaction creates a new relationship where P.132 will now equal P.3 (although this relationship is further modified for Government by the social transfers change outlined below). This ensures that final consumption expenditure for the non-market sectors will remain unchanged.

For the Public Sector Finances, there is no impact from this change since the reallocations in the Government sector are all within calculation of current expenditure on goods and services. Therefore, the key fiscal aggregates of Public Sector Net Borrowing, Public Sector Current Budget Deficit and Public Sector Net Debt are unaffected.

1.2 Summary of the change for treatment of Social Transfers in Kind

Social transfers in kind (D.63) consist of individual goods and services provided free, or at prices which are not economically significant, to individual household units by non-market producers: Government or NPISH (see ESA 2010 paragraph 4.108). Under ESA 1995, there was no requirement to further subdivide D.63, and consequently only the D.63 aggregate was published in the UK Accounts.

ESA 2010 requires D.63 to be subdivided to represent whether Government or NPISH directly provide the good and service to the household: *social transfers in kind non-market production* (D.631), or if a third party is paid by Government or NPISH to do so: *social transfers in kind market production* (D.632).

1.2.1 Summary of impact on National Accounts and Public Sector Finances

During implementation of this change it was concluded, in line with ESA 2010 guidance, that NPISH provision of *social transfers in kind market production* (D.632) was negligible. Therefore, all NPISH social transfers in kind will be classified as non-market produced (i.e. D.631). It is possible that some D.632 transactions for NPISH may be identified in the future during work to separate the Household and NPISH sectors for the National Accounts dataset released in 2017.

A substantial number of payments, currently classified as *intermediate consumption* (P.2) of Government, will now be reallocated to D.632 following the introduction of *social transfers in kind market production*. This reclassification causes a decrease in the level of both *non-market output* (P.13 - which is valued using a sum of costs approach), and total *output* (P.1). However, the change is neutral for both Gross Value Added (GVA) and GDP since the change in P.2 is offset by the change in P.1.

Social transfers in kind market production (D.632) are presented as a net value, that is contributions from Households are netted-off the D.632 Government spending value. The main impact from this is a reallocation Government income from prescription charges paid by Households from P.131 (but previously classified as P.11) into negative D.632. In this case, the reduction in P.131/P.11 is offset by a corresponding increase in P.132 (due to the sum of costs calculation) with no impact on Government output or the subsequent aggregates.

Overall, D.632 will equal reallocations from P.2 less reallocations from P.131. *Social transfers in kind non-market production* (D.631) are then calculated as a residual from *Individual final consumption expenditure* (P.31), since D.63 is equal to P.31.

Total *final consumption expenditure* of Government (P.3) will now equal *non-market output provided for free* (P.132) plus *social transfers in kind market production* (D.632). This ensures that final consumption expenditure is unchanged.

Again, for the Public Sector Finances, there is no impact from this change since the reallocations are all within calculation of net current expenditure. Therefore, key fiscal aggregates are unaffected.

2 National Accounts concepts

Introduction of these new transactions has a significant effect on how the Production and Expenditure components of GDP for Government and NPISH sectors are derived. Calculation of the GDP Income component is not affected by these changes. In order for the change to be balanced, the overall change in both the Production and Expenditure components is therefore zero.

2.1 Payments of non-market output

Previously, any payments (for goods and services) received by non-market producers were allocated to *market output* (P.11), with transactions relating to goods and services provided for free (valued by a sum of costs approach) allocated to *non-market output* (P.13).

In order to comply with ESA 2010, transactions of non-market output should be sub-divided into *payments for non-market output* (P.131), and *other non-market output provided for free* (P.132). Any payments for non-market output should now be identified and removed from *market output* (P.11), and reallocated to the new P.131 transaction.

The distinction between P.11 and P.131 relates to whether the goods and services being sold are at an economically significant price. In order to be economically significant the producer can adjust supply in order to achieve a profit (or cover capital costs as a minimum), and customers must have the choice to purchase that good or service. *Market output* (P.11) transactions are considered to be economically significant, whereas P.131 transactions are not economically significant (see ESA 2010 paragraph 20.81).

The ESA 2010 and Government Finance Statistics (GFS) guidance suggests that in the majority of cases goods and services provided to Households (at a price), by Government are considered P.131. In ESA 2010, there are cases where Government output is seen as economically significant, but since Government is the sole legal provider of that good or service any income is still considered to be a P.131 transaction.

GFS guidance clearly states that following research, if information is not available in the detail necessary, or P.131 transactions cannot be distinguished from P.11, the default position for National Accounts will be P.131. For example, incidental sales from a museum shop or café would be considered *market output* (P.11) whilst entrance fees may be *payments for non-market output* (P.131). If these are recorded together and are difficult to distinguish, the combination of payments would default to *non-market output* (P.131). This process has been graphically represented in a decision tree at Annex A.

For NPISH, the GFS guidance does not apply and transactions will only be reclassified from P.11 to P.131 where there is evidence that the transactions are not at economically significant prices.

2.2 Social transfers in kind

Social transfers in kind are revised for ESA 2010 (see ESA 2010 paragraph 4.104), with a sub-categorisation dependent on whether the individual goods and services are provided directly by General Government and NPISHs to Households. When provided directly, these are categorized to as *social transfers in kind non-market production* (D.631). When purchased from a third party these are categorized as *social transfers in kind market production* (D.632).

During implementation of this change it was decided, in line with ESA 2010 guidance, that NPISH provision of social transfers in kind market production (D.632) was negligible. Therefore, all NPISH social transfers in kind will currently be classified as non-market produced (that is D.631).

All social transfers in kind are provided free, or at not economically significant prices, for the end user. However, the individual good and service provided could include *market output* (P.11) or *non-market output* (P.131), for example medical or dental treatments, spectacles, social housing or day nurseries. Social transfers in kind can only include individually consumed goods and services, and hence only occur in the following Classification of Functions of Government (COFOG) categories ([COFOG manual](#)).

- COFOG 07: Health;
- COFOG 08: Recreation, Culture and Religion;
- COFOG 09: Education; and,

- COFOG 10: Social Protection.

In all cases, sub-categories covering “Research and Development” and “Not Elsewhere Classified” are excluded.

3 Data sources and methodology

The impact of these methodological changes for reallocation of non-market output and social transfers in kind are graphically displayed in a flow diagram in Annex B, which supplements the description below.

3.1 Current data source for payments of Non-Market Output

Government:

The main source of data for Central Government is OSCAR (Online System for Central Accounting and Reporting) which is published and maintained by HM Treasury. The OSCAR database provides records on revenue and expenditure across all departments within Central Government. It is provided to National Accounts and Public Sector Finances on a monthly basis, with aggregated transactions and accounts made available to the public on a quarterly basis. Revenue data (currently coded as P.11) is available in this dataset at a fairly low level of aggregation.

Within Local Government, the main source of data is provided from the Department for Communities and Local Government (DCLG) and the devolved administrations, through budget and outturn forms completed by the English, Northern Irish, Scottish, and Welsh local authorities. Additional information is taken from publically available data sources. Revenue data (currently P.11) is available within these data sources although the level of aggregation is higher than that available in Central Government.

NPISH:

Charities are the main component of the NPISH sector. This data comes from the National Council for Voluntary Organisations (NCVO), an umbrella organisation for charities in England and Wales. A market test is applied to unit level NCVO data to establish which units do not cover their costs with income and are hence NPISH. The data is further adjusted for National Accounts purposes, for example an adjustment is made to transform the data to a UK basis.

The other components of the NPISH sector are consumer associations; higher education establishments; trade unions; and political parties. Data for these institutions comes from a variety of sources including annual reports and accounts and the Higher Education Statistical Agency (HESA). These data sources are all adjusted in a variety of ways for national accounts purposes.

All of the NPISH data sources include some information on receipts from sales. However, this is rarely detailed enough for investigation into individual transactions.

3.1.1 New methodological approach to be implemented in July 2016

For Central Government, the details provided in OSCAR were used to investigate transactions included in market output and assess their suitability to reallocate them to P.131. The approach taken was pragmatic, using the decision tree available in Annex A.

Transactions automatically default to P.131 unless clear evidence for market output could be found through research. This included reviewing past cases considered by the Economic Statistics Classifications Committee (ESCC) and reviewing departmental annual financial accounts and reports. Transactions visible in the OSCAR data source but less than £100m defaulted to P.131. This approach followed a similar technique presented to the 2nd Task Force on Government Finance Statistics. This significantly decreased the number of lines requiring detailed research (in the example year 2014, only 8% of transaction lines for

market output were greater than £100m, but these contributed 87% of total market output). The outcome of the research was that only lines in OSCAR coded as rental income clearly qualified as P.11. All other lines will be reallocated to P.131.

For Local Government, there are differing reporting approaches used by English, Northern Irish, Scottish and Welsh local authorities for their revenue budget and outturn forms. Therefore the associated guidance was used to identify possible transaction lines of interest from income received through sales, fees and charges. Using the decision tree, transactions were assessed in a similar way to Central Government. If goods and services were provided in similar conditions to the private sector they should remain as P.11. However, if Local Government is the sole legal provider these are reallocated to P.131 (for example issuing birth, marriage and death certificates, which can only be done by local Government). The research concluded the majority of income from providing parking services would continue to be allocated to P.11 within Local Government, whereas all other income will be reclassified as P.131.

For NPISH, the GFS guidance which advises P.131 as the default position does not apply. Indeed, it is thought that NPISH will often charge economically significant prices for their output (for example sales of donated goods in charity shops). In NPISH, the only income reclassified from P.11 to P.131 is that which is described in the NCVO charities data as income from charitable activities to the general public. This covers less than 50% of the existing P.11 values.

3.1.2 Calculating payments for non-market output (P.131) and non-market output provided for free (P.132)

Following the above approach, transactions identified as market output are retained in P.11, with the remaining value reallocating to the default transaction of *payments for non-market output* (P.131). *Non-market output provided for free* (P.132) becomes a residual value, similar (and the same value) to how total *non-market output* (P.13) was calculated previously.

3.1.3 Changes in National Accounts transaction relationships

Total *non-market output* (P.13) now equals *payments for non-market output* (P.131) plus *non-market output provided for free* (P.132):

$$P.13 = P.131 + P.132$$

Non-market output provided for free (P.132) equals the sum of *intermediate consumption* (P.2) plus *compensation of employees* (D.1) plus *consumption of fixed capital* (P.51c) minus *market output* (P.11) minus *own account capital formation* (P.12) minus payments for non-market output (P.131). It is valued using a 'sum of costs' approach:

$$P.132 = P.2 + D.1 + P.51c - P.11 - P.12 - P.131$$

3.2 Current data source for social transfers in kind market production

Government:

Currently, spending on *social transfers in kind market production* will be included in Government intermediate consumption.

It was hoped that any payments now considered as social transfers in kind market production could be identified through the Central and Local Government data sources (OSCAR and DCLG etc) described in section 3.1. However, in practice, the data available was not disaggregated to an appropriate level to allow this.

NPISH:

During implementation of this change it was concluded in line with ESA 2010 guidance, that NPISH provision of *social transfers in kind market production* (D.632) was negligible.

Current data sources for NPISH showed no spending which could unequivocally be regarded as D.632. However, it is possible that some D.632 transactions for NPISH may be identified in the future during work to separate the Household and NPISH sectors for the National Accounts dataset released in 2017.

3.2.1 New methodological approach to be implemented in July 2016

The approach taken for the Government sector was to identify types of activity with an element of third-party provision. The criteria for the types of activities that could be included is restricted to individually provided services, which in ESA 2010 is limited to health, education, recreation and culture and social protection provision. This means that, for example, third party provision of prison services (included in COFOG 03 – Public Order and safety) is excluded. Additionally, the funding had to be for the provision of a specific service, as opposed to general grants given to third parties.

Third party provision based on unit classifications then guided the following specific activities, identified by the Economic Statistics Classifications Committee (ESCC):

- Third party provision of healthcare, e.g. government funding for provision of prescription medicines, private GPs, dental and ophthalmic care (COFOG 07 – Health). This is sourced from Central Government Annual Reports.
- Third party provision of social protection, for example funding for the provision of private provision of home care, care homes for the elderly and day care centres (COFOG 10 – Social Care). This is sourced from the Health and Social Care Information Centre.

A number of other activities were considered and subsequently not classified as D.632 by ESCC (e.g. apprenticeships in the work place, village hall activities).

3.2.2 Calculating Social Transfers in Kind non-market production

For the Government sector, once the market production element of *social transfers in kind* (D.632) has been estimated, the non-market production element (D.631) can be calculated by residual from individual final consumption expenditure (P.31), which is the same value as D.63.

$$P.31 = D.63$$

$$D.631 = P.31 - D.632$$

Since no *social transfers in kind market production* (D.632) have currently been identified for NPISH, all *individual final consumption expenditure* of NPISH (P.31) continues to also be classified as D.631.

$$P.31 = D.63 = D.631$$

3.2.3 Changes in methodological relationships

For the Government sector, under ESA 2010, *final consumption expenditure* (P.3) equals *non-market output provided for free* (P.132) plus *social transfers in kind market production* (D.632):

$$P.3 = P.132 + D.632$$

For NPISH, *final consumption expenditure* (P.3) equals *non-market output provided for free* (P.132), although this may change in the future.

$$P.3 = P.132$$

4 Impact of the changes

This article does not provide a numerical assessment of the impact resulting from these changes. This can be found in an associated article 'Impact of ESA 2010 changes on current price GDP estimates' to be released 23 March 2016.

In general terms, the following key National Accounts aggregates are affected:

- For the Government sector, a significant amount of *intermediate consumption* (P.2) is reallocated to *social transfers in kind market production* (D.632). This will lead to a decrease in *Government output* (P.1).
- The majority of data currently recorded as *market output* (P.11) in the Government sector is reallocated to *payments for non-market output* (P.131). The reallocation of P.11 into P.131 will have no effect on the calculation of *total output* (P.1), since any increases in *non-market output* (P.13) will be offset by an equal decrease in P.11.
- For Central Government, *payments for non-market output* (P.131 but previously in P.11) will not equal the decrease in *market output* (P.11) as income from prescription charges paid by Households are reclassified to negative *social transfers in kind market production* (D.632).
- In the Government sector, *non-market output provided for free* (P.132) plus *social transfers in kind market production* (D.632) will now equal *final consumption expenditure* (P.3).
- The value of *Government final consumption expenditure* (P.3) is not affected by any these changes.
- Theoretically, *individual final consumption* (P.31) and *actual final consumption* (P.32) are also unchanged. However, reconsideration of raw data as part of introducing these changes in the Government sector is likely to cause minor change to the individual/collective ratio.
- Household *actual final consumption* (P.41) will also therefore be subject to some minor change due to the relationship with Government P.31.
- For NPISH, some current *market output* (P.11) is reclassified to *payments for non-market output* (P.131). As with Government, there is no impact on *output* (P.1) from this change.
- NPISH are not currently affected by the social transfers in kind change. Therefore, *final consumption expenditure* of NPISH (P.3) will now be equal to *non-market output provided for free* (P.132). Hence, P.3 of NPISH is also unchanged.

5 Conclusions

This article describes a significant change to National Accounts systems and processes in order to comply with ESA 2010. However, the impact for users is largely presentational with the key aggregates of GDP and GNI being unchanged. Key fiscal aggregates in Public Sector Finance statistics are also unaffected by these changes.

Users of any of the aggregates described in section 4 of this article will need to be aware of these changes and may need to update any automated models that use existing national accounts identifiers (CDIDs). Further information on necessary changes to these identifiers will be released prior to publication of the final dataset.

6 Contact

Designated contacts to be added

7 References:

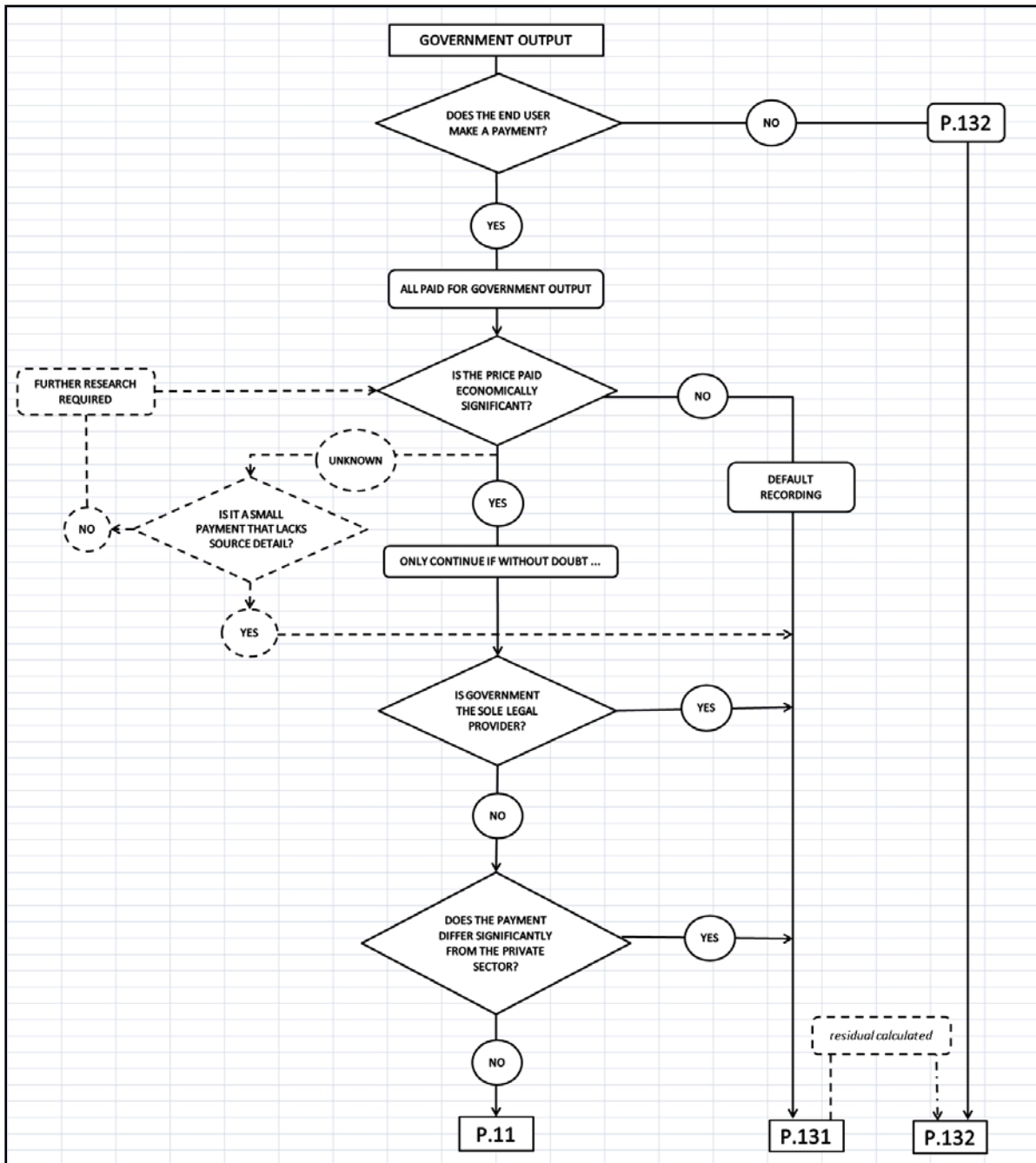
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Annex A. Decision tree for reallocation of Government receipts between P.11 and P.131 transactions



Annex B. Worked example to illustrate methodological impact of changes

Impact of non-market output (P.11/P.131) change on GDP production component:

CURRENT METHOD		NEW METHOD		Notes
CALCULATE NON MARKET OUTPUT (P.13)				
Compensation of Employees (D.1)	100	Compensation of Employees (D.1)	100	
plus		plus		
Intermediate Consumption (P.2)	100	Intermediate Consumption (P.2)	100	
plus		plus		
Capital Consumption (P.51c)	100	Capital Consumption (P.51c)	100	
less		less		
Market Output (P.11)	50	Market Output (P.11)	10	Some P.11 reclassified to P.131
less		less		
Non Market Output for own final use (P.12)	50	Non Market Output for own final use (P.12)	50	
		less		
		Payments for non market output (P.131)	40	P.131 value equals reduction in P.11
		equals		
		Non market output provided f.o.c (P.132)	200	P.132 becomes the residual instead of P.13
		Payments for non market output (P.131)	40	
		plus		
		Non market output provided f.o.c (P.132)	200	
equals		equals		
Non Market Output (P.13)	200	Non Market Output (P.13)	240	P.13 is increased
CALCULATE OUTPUT (P.1)				
Market Output (P.11)	50	Market Output (P.11)	10	P.11 is reduced
plus		plus		
Non Market Output for own final use (P.12)	50	Non Market Output for own final use (P.12)	50	
plus		plus		
Non Market Output (P.13)	200	Non Market Output (P.13)	240	P.13 is increased
equals		equals		
Output (P.1)	300	Output (P.1)	300	P.1 is unchanged
CALCULATE GVA (B.1g)				
Production (P.1)	300	Production (P.1)	300	P.1 is unchanged
Less		Less		
Intermediate Consumption (P.2)	100	Intermediate Consumption (P.2)	100	P.2 is unchanged
equals		equals		
Gross Value Added (B.1g)	200	Gross Value Added (B.1g)	200	GVA is unchanged

Impact of non-market output (P.11/P.131) change on GDP expenditure component:

CURRENT METHOD		NEW METHOD		Notes
CALCULATE FCE (P.3)				
Non Market Output (P.13)	200	Non market output provided f.o.c (P.132)	200	New relationship where P.132 now equal to P.3
equals		equals		
Final consumption Expenditure (P.3)	200	Final consumption Expenditure (P.3)	200	Therefore P.3 is unchanged
CALCULATE INCOL (P.31/P.32) - note that NPISH is 100% P.31				
Final consumption Expenditure (P.3)	200	Final consumption Expenditure (P.3)	200	GOV split based on COFOG allocation
equal		equal		
Individual Final Consumption (P.31)	100	Individual Final Consumption (P.31)	100	P.31 unchanged
plus		plus		
Collective Final Consumption (P.32)	100	Collective Final Consumption (P.32)	100	P.32 unchanged
CALCULATE STIKs (D.631/D.632)				
Individual Final Consumption (P.31)	100	Individual Final Consumption (P.31)	100	D.632 assumed zero therefore P.31 equal to D.631
equals		equals		
STIKs non market production (D.631)	100	STIKs non market production (D.631)	100	D.631 unchanged

Additional Impact for Government:
 Social transfers in kind market production (D.632) - STIKs
 Change on GDP production component using provision of prescription medicines example:

METHOD INCORPORATING P.131/P.132 CHANGE		METHOD WITH ADDITIONAL D.632 CHANGE		Notes
CALCULATE NON MARKET OUTPUT (P.13)				
Compensation of Employees (D.1)	100	Compensation of Employees (D.1)	100	
plus		plus		
Intermediate Consumption (P.2)	100	Intermediate Consumption (P.2)	80	Spending on prescription medicines removed
plus		plus		
Capital Consumption (P.51c)	100	Capital Consumption (P.51c)	100	
less		less		
Market Output (P.11)	10	Market Output (P.11)	10	Prescription charges previously moved to P.131
less		less		
Non Market Output for own final use (P.12)	50	Non Market Output for own final use (P.12)	50	
less		less		
Payments for non market output (P.131)	40	Payments for non market output (P.131)	35	Prescription charge receipts now removed
equals		equals		
Non market output provided f.o.c (P.132)	200	Non market output provided f.o.c (P.132)	185	P.132 is reduced by the net spending on medicines
Payments for non market output (P.131)	40	Payments for non market output (P.131)	35	P.131 reduced by prescription charge receipts
plus		plus		
Non market output provided f.o.c (P.132)	200	Non market output provided f.o.c (P.132)	185	P.132 reduced by the net spending on medicines
equals		equals		
Non Market Output (P.13)	240	Non Market Output (P.13)	220	P.13 is reduced equal to reduction in P.2
CALCULATE OUTPUT (P.1)				
Market Output (P.11)	10	Market Output (P.11)	10	
plus		plus		
Non Market Output for own final use (P.12)	50	Non Market Output for own final use (P.12)	50	
plus		plus		
Non Market Output (P.13)	240	Non Market Output (P.13)	220	P.13 is reduced equal to reduction in P.2
equals		equals		
Output (P.1)	300	Output (P.1)	280	P.1 is changed equal to the reduction in P.2
CALCULATE GVA (B.1g)				
Production (P.1)	300	Production (P.1)	280	P.1 is reduced
Less		Less		
Intermediate Consumption (P.2)	100	Intermediate Consumption (P.2)	80	P.2 is reduced (same amount)
equals		equals		
Gross Value Added (B.1g)	200	Gross Value Added (B.1g)	200	GVA is unchanged

Additional Impact for Government:
 Social transfers in kind market production (D.632) - STIKs
 Change on GDP expenditure component using provision of prescription medicines example:

METHOD INCORPORATING P.131/P.132 CHANGE		METHOD WITH ADDITIONAL D.632 CHANGE		Notes
CALCULATE FCE (P.3)				
Non market output provided f.o.c (P.132)	200	Non market output provided f.o.c (P.132)	185	Reduced by net spend on medicines
		plus		
		STIKs market production (D.632)	15	Net spend is now D.632
equals		equals		
Final consumption Expenditure (P.3)	200	Final consumption Expenditure (P.3)	200	Therefore P.3 is unchanged
CALCULATE INCOL (P.31/P.32) - note that NPISH is 100% P.31				
Final consumption Expenditure (P.3)	200	Final consumption Expenditure (P.3)	200	GOV split based on COFOG allocation
equals		equals		
Individual Final Consumption (P.31)	100	Individual Final Consumption (P.31)	100	P.31 unchanged
plus		plus		
Collective Final Consumption (P.32)	100	Collective Final Consumption (P.32)	100	P.32 unchanged
CALCULATE STIKs (D.631/D.632)				
Individual Final Consumption (P.31)	100	Individual Final Consumption (P.31)	100	
equals		equals		
STIKs non market production (D.631)	100	STIKs non market production (D.631)	85	D.631 becomes a residual so is reduced
		plus		
		STIKs market production (D.632)	15	