

Article

Alternative measures of UK real households disposable income and the saving ratio: Mar 2017

This article investigates the impact of removing “imputed” transactions to construct measures of RHDI and the saving ratio to better represent the economic experience of households.

Contact:
Nicola Curtis
sector.accounts@ons.gsi.gov.uk
+44 (0)1633 456377

Release date:
19 April 2017

Next release:
13 July 2017

Table of contents

1. [Main points](#)
2. [Things you need to know about this release](#)
3. [Why do we estimate cash measures of real households disposable income and the saving ratio?](#)
4. [How do we estimate cash measures of real households disposable income and the saving ratio?](#)
5. [Real households and NPISH disposable income on a cash basis fell in Quarter 4 \(Oct to Dec\) 2016 but rose overall in 2016](#)
6. [The households and NPISH saving ratio on a cash basis was negative 2.2% in Quarter 4 \(Oct to Dec\) 2016](#)
7. [The households and NPISH saving ratio on a cash basis fell in Quarter 4 \(Oct to Dec\) 2016 but by less than the national accounts saving ratio](#)
8. [How do changes in the value of imputed transactions in Quarter 4 \(Oct to Dec\) 2016 cause the saving ratio on a national accounts basis to fall by more than the saving ratio on a cash basis?](#)
9. [Quality and methodology](#)

1 . Main points

- Real households and non-profit institutions serving households (NPISH) disposable income (RHDI) on a cash basis decreased by 0.7% in Quarter 4 (Oct to Dec) 2016, following a decrease of 0.5% in Quarter 3 (July to Sept) 2016.
- For the year 2016, real households and NPISH disposable income on a cash basis increased by 1.4%, following an increase of 3.6% in 2015.
- In Quarter 4 2016, RHDI on a cash basis was 9.7% higher than its pre-downturn peak in Quarter 3 2007.
- In Quarter 4 2016, the households and NPISH saving ratio on a cash basis fell to negative 2.2%; the lowest quarterly saving ratio on a cash basis since Quarter 3 2008, when it was negative 3.2%.
- Between Quarter 3 2016 and Quarter 4 2016, the saving ratio fell by 1.5 percentage points on a cash basis compared with a fall of 2.0 percentage points on a national accounts basis; the saving ratio on a cash basis last fell by more in Quarter 3 2014, when it fell by 1.9 percentage points.
- The difference in the magnitude of the falls in the saving ratio in Quarter 4 2016 reflects smaller falls in gross saving and total available resources on a cash basis in Quarter 4 2016 than on a national accounts basis.
- For the year 2016, the households and NPISH saving ratio was negative 0.5%, compared with 0.9% in 2015.

2 . Things you need to know about this release

This article provides an update to data for the experimental [Alternative measures of real households disposable income and the saving ratio: Dec 2016](#), which was published on 12 January 2017. These data estimate disposable income and the saving ratio less the transactions that are imputed and unobserved by households.

This article compares experimental cash-based measures of real households disposable income and the saving ratio with the internationally comparable national accounts defined methodology as published in the [Quarterly National Accounts](#) and [Quarterly Sector Accounts](#), which were last published on 31 March 2017.

For a further explanation of the statistical terms used in this article, please refer to the “Things you need to know” section of the [Quarterly Sector Accounts](#) bulletin.

From 30 September 2017, the UK Economic Accounts will present separate estimates for the households sector and the non-profit institutions serving households (NPISH) sector. Currently, these two sectors are presented as though they are one sector, households and NPISH. Within this bulletin, a separate estimate will be presented for households (for real households disposable income and the households saving ratio). This work is part of the [scope of methodological improvements](#) being introduced as part of “UK National Accounts: The Blue Book: 2017 edition”, due to be published on 31 October 2017.

We published two articles on 19 April 2017 to inform users of the indicative impact of splitting the households and NPISH sector into two separate sectors: [National Accounts articles: Improving the household, private non-financial corporations and non-profits institutions serving households sectors' non-financial accounts](#) and [National Accounts articles: Impact of Blue Book 2017 changes on the Sector and Financial Accounts, 1997 to 2012](#). These articles include indicative impacts on RHDI and the saving ratio.

Until September 2017, this article continues to present combined estimates for the households and non-profit institutions serving households (NPISH) sectors as though they were one sector.

This is an experimental product and we are reviewing the methodology used to produce the cash measures of real households disposable income and the saving ratio. We welcome feedback from users about the future content of this article and publication tables and are particularly interested to know how you make use of these data to inform your work. Please email us at sector.accounts@ons.gsi.gov.uk

Estimates within this release

Revisions in this article are made in line with the [National Accounts Revisions Policy](#). The earliest period open for revision in this release is Quarter 1 (Jan to Mar) 2016.

Data within this article are estimated in current prices (also called nominal terms), with the exception of real households and NPISH disposable income, which is estimated in chained volume measures. Current price series are expressed in terms of the prices during the time period being estimated. In other words, they describe the prices recorded at the time of production or consumption and include the effect of price inflation over time. Chained volume measure price series (also known as real terms) remove the effect of price inflation.

All figures given in this article are adjusted for seasonality, unless otherwise stated. Seasonal adjustment removes seasonal or calendar effects from data to enable more meaningful comparisons over time.

3 . Why do we estimate cash measures of real households disposable income and the saving ratio?

The measures of real households and non-profit institutions serving households (NPISH) disposable income (RHDI) and the saving ratio published within the Quarterly Sector Accounts follow the [European System of Accounts 2010 \(ESA10\)](#) manual to produce a sequence of internationally comparable national accounts.

However, within this sequence of accounts are transactions that are not directly observed by households.

For example, imputed rental represents the value of housing services that owner-occupiers derive from their homes. This is the amount that they would have to pay in rental to achieve the same consumption of housing services. Whilst this concept is important when measuring economic activity, it is not expenditure (or income) directly observed by homeowners. As a result, the national accounts measure of RHDI can differ from the perceived experience of households.

We therefore consider “cash RHDI”. This measure removes imputed rental and other imputed transactions resulting in a measure of RHDI that is a closer representation of disposable income as measured by social surveys. This is mainly achieved by following guidance within the [Organisation for Economic Co-operation and Development Framework for Statistics on the Distribution of Households Income, Consumption and Wealth](#) and the [United Nations Economic Commission for Europe \(UNECE\) Canberra Group Handbook on Household Income Statistics](#).

We also consider a “cash” saving ratio. This measure removes imputed transactions from the use of disposable income account (the adjustment for the change in pension entitlements and imputed rental and financial intermediation services indirectly measured (FISIM) from the national accounts measure of final consumption expenditure), resulting in a measure of gross saving that better reflects households saving in the respective quarter or year.

4 . How do we estimate cash measures of real households disposable income and the saving ratio?

To calculate gross disposable income (GDI), we have to work through the allocation of primary income account and secondary distribution of income account of the households and non-profit institutions serving households (NPISH) sector.

The tables in the [Quality and Methodology](#) section illustrate the allocation of primary income account, secondary distribution of income account, and the use of disposable income account. The tables also contain the four letter series identifiers (CDIDs), which are presented in the accompanying dataset to this article to allow users to further explore the data and methodology used.

To calculate GDI in accordance with the [European System of Accounts 2010 \(ESA10\)](#), we add up all of the resources and subtract all of the uses in the allocation of primary income account and the secondary distribution of income account. To calculate GDI on a cash basis, we exclude imputed resources and uses in the allocation of primary income and secondary distribution of income accounts from the calculation.

There are 11 transactions that are included in the national accounts calculation of GDI, but are excluded from the cash measure of GDI. These are:

- B.2g (resource) Gross operating surplus
- D.12 (resource) Employers' social contributions
- P.119 (resource) (Plus) Financial Intermediation Services Indirectly Measured (FISIM)
- D.442 (resource) Property income payable on pension entitlements
- D.4432 (resource) Investment income attributable to collective investment fund shareholders - Retained earnings
- P.119 (use) (Less) Financial Intermediation Services Indirectly Measured (FISIM)
- D.612 (resource) Employers' imputed social contributions
- D.72 (resource) Non-life insurance claims
- D.611 (use) Employers' actual social contributions
- D.612 (use) Employers' imputed social contributions
- D.614 (use) Households' social contribution supplements

Within the national accounts, in accordance with the [European System of Accounts 2010 \(ESA10\)](#), there are accounting identities which mean that the values of some of the above transactions net to zero:

- employers' social contributions (D.12r) is equal and opposite to the sum of employers' actual social contributions (D.611u) and employers' imputed social contributions (D.612u)
- income payable on pension entitlements (D.442r) is equal and opposite to households social contributions supplements (D.614u)

Therefore, only the removal of the following six transactions explains the differences between gross disposable income on a cash basis and a national accounts basis:

- B.2g (resource) Gross operating surplus
- P.119 (resource) (Plus) Financial Intermediation Services Indirectly Measured (FISIM)
- D.4432 (resource) Investment income attributable to collective investment fund shareholders - Retained earnings
- P.119 (use) (Less) Financial Intermediation Services Indirectly Measured (FISIM)
- D.612 (resource) Employers' imputed social contributions
- D.72 (resource) Non-life insurance claims

A further explanation of these excluded transactions, including the reason for their exclusion, can be found in the Quality and Methodology section of this article. A more detailed explanation of all the transactions used in this article and its accompanying dataset can be found in the [European System of Accounts 2010 \(ESA10\)](#) manual.

Once we have calculated GDI, we use the households and NPISH final consumption expenditure implied deflator to remove the effect of price changes (which are included in GDI because it is a current price series) to calculate real households and NPISH disposable income (RHDI). RHDI is a measure of the real purchasing power of households and NPISH incomes, in terms of the physical quantity of goods and services they would be able to purchase if prices remained constant over time.

The saving ratio estimates the amount of money households and NPISH have available to save (known as gross saving) as a percentage of their total disposable income (known as total available resources).

To calculate the saving ratio, we must first calculate gross saving. Within the national accounts, in accordance with the [European System of Accounts 2010 \(ESA10\)](#), gross saving is calculated by subtracting final consumption expenditure from total available resources, where total available resources is the sum of GDI and the adjustment for the change in pension entitlements. The adjustment for the change in pension entitlements is excluded from the cash measure of the saving ratio. Therefore, on a cash basis, gross saving is calculated by subtracting final consumption expenditure from GDI.

Final consumption expenditure itself is calculated by subtracting the following from the national accounts measure of final consumption expenditure, to ensure that we are removing imputed transactions from both resources and uses where appropriate:

- imputed rental
- Financial Intermediation Services Indirectly Measured (FISIM)

The saving ratio is then gross saving expressed as a percentage of GDI (which is equal to the cash measure of total available resources).

5 . Real households and NPISH disposable income on a cash basis fell in Quarter 4 (Oct to Dec) 2016 but rose overall in 2016

Real households and non-profit institutions serving households (NPISH) disposable income (RHDI) on a cash basis fell by 0.7% in Quarter 4 (Oct to Dec) 2016, following a fall of 0.5% in Quarter 3 (July to Sept) 2016. The fall in RHDI on a cash basis in Quarter 4 2016 was larger than the fall in RHDI on a national accounts basis of 0.4%.

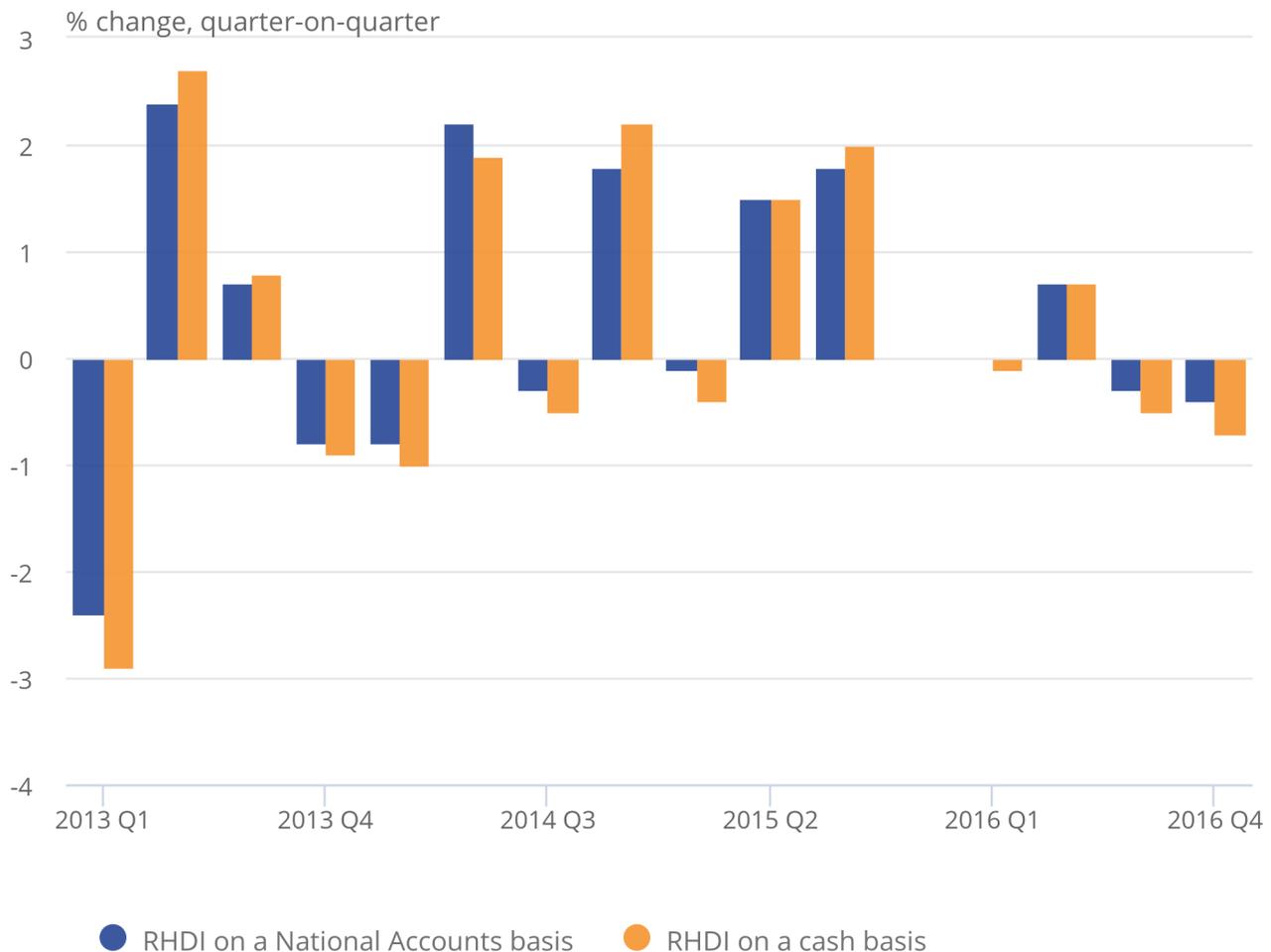
In Quarter 4 2016, RHDI on a cash basis was 9.7% higher than its pre-downturn peak in Quarter 3 2007. In Quarter 4 2016, RHDI on a national accounts basis was 7.7% higher than its pre-downturn peak in Quarter 4 2007.

Figure 1: UK RHDl on a national accounts basis and RHDl on a cash basis, percentage change quarter-on-quarter

Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2016

Figure 1: UK RHDl on a national accounts basis and RHDl on a cash basis, percentage change quarter-on-quarter

Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2016



Source: Office for National Statistics

Source: Office for National Statistics

The fall in RHDl on a cash basis in Quarter 4 2016 was due to a fall in nominal gross disposable income on a cash basis of 0.1% and a rise in the households and NPISH final consumption implied deflator of 0.6%.

This fall in nominal gross disposable income was primarily due to falls in investment income attributable to insurance policy holders of £1.8 billion and net miscellaneous current transfers of £0.6 billion, partially offset by rises in wages and salaries of £1.1 billion and dividends of £1.1 billion.

RHDl on a cash basis increased by 1.4% in 2016, following an increase of 3.6% in 2015. In comparison, RHDl on a national accounts basis increased by 1.5% in 2016, following an increase of 3.6% in 2015.

The rise in RHDl on a cash basis in 2016 was due to a rise in nominal gross disposable income on a cash basis of 2.5%, partially offset by a rise in the households and NPISH final consumption implied deflator of 1.2%.

This rise in nominal gross disposable income on a cash basis in 2016 was primarily due to rises in wages and salaries of £24.9 billion, net social benefits other than transfers in kind of £9.5 billion, and gross mixed income of £8.4 billion. This was partially offset by a rise in taxes on income and wealth of £7.9 billion, and falls in net social contributions of £3.8 billion, dividends of £2.5 billion, and investment income attributable to insurance policy holders of £2.2 billion.

6 . The households and NPISH saving ratio on a cash basis was negative 2.2% in Quarter 4 (Oct to Dec) 2016

The households and non-profit institutions serving households (NPISH) saving ratio fell to negative 2.2% in Quarter 4 (Oct to Dec) 2016 from negative 0.7% in Quarter 3 (July to Sept) 2016. This represents the lowest households and NPISH saving ratio on a cash basis since Quarter 3 2008, when it was negative 3.2%.

A negative saving ratio on cash basis implies that households and NPISH have spent more than they have earned in income during the quarter.

The households and NPISH saving ratio on a cash basis was negative in every quarter between Quarter 1 (Jan to Mar) 2004 and Quarter 3 (July to Sept) 2008. The lowest households and NPISH saving ratio on a cash basis was in Quarter 1 2008, when it was negative 6.7%.

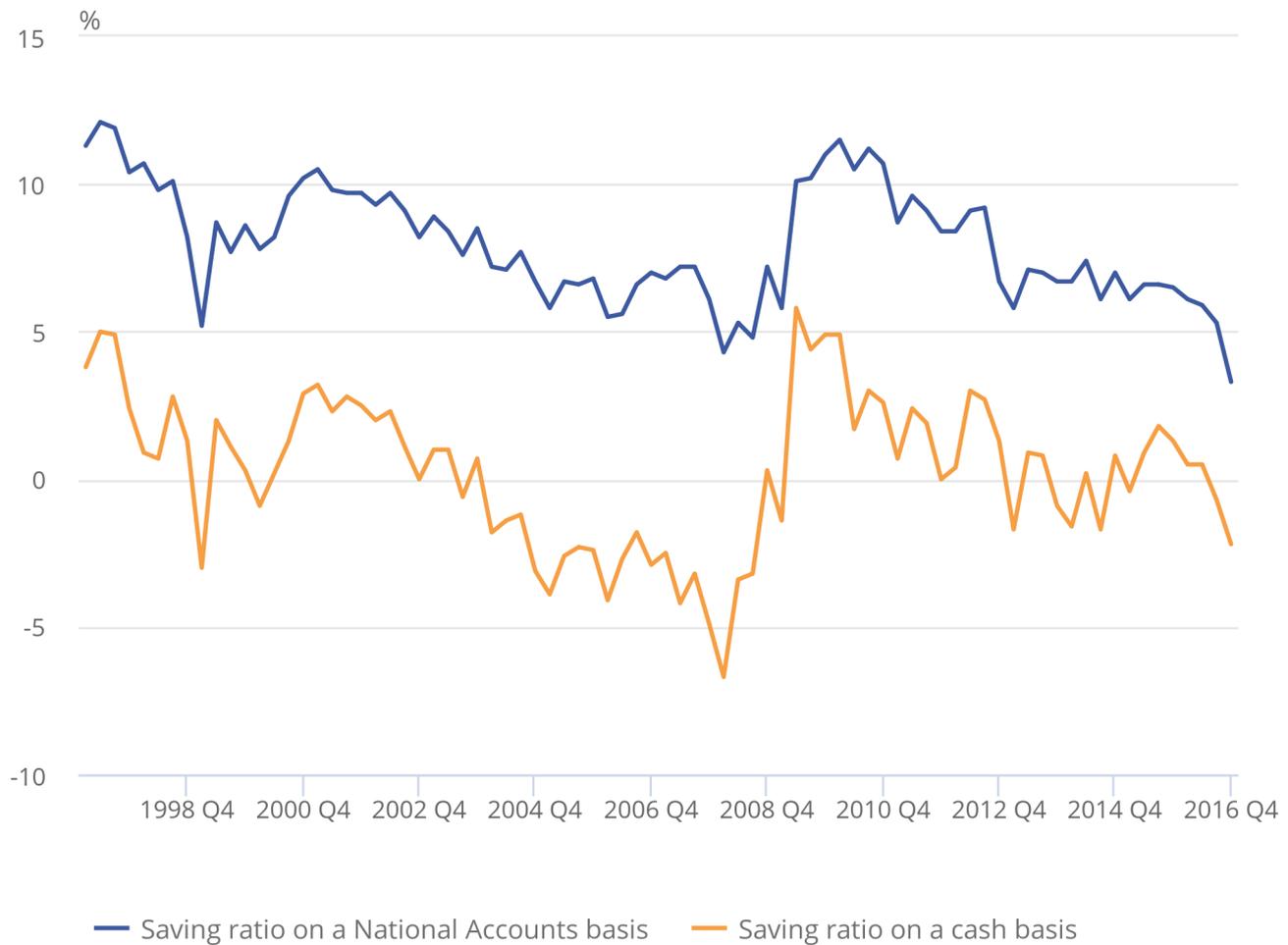
More recently, the households and NPISH saving ratio on a cash basis has been negative in 7 of the last 16 quarters since Quarter 1 (Jan to Mar) 2013.

Figure 2: UK national accounts saving ratio and cash saving ratio

Quarter 1 (Jan to Mar) 1997 to Quarter 4 (Oct to Dec) 2016

Figure 2: UK national accounts saving ratio and cash saving ratio

Quarter 1 (Jan to Mar) 1997 to Quarter 4 (Oct to Dec) 2016



Source: Office for National Statistics

Source: Office for National Statistics

The fall in the saving ratio on a cash basis in Quarter 4 2016 reflects a fall in total available resources on a cash basis of £0.2 billion and a rise in final consumption expenditure on a cash basis of £3.6 billion. This resulted in a fall in gross saving on a cash basis of £3.9 billion. In Quarter 4 2016, gross saving on a cash basis of negative £5.8 billion was the lowest since Quarter 3 2008, when it was negative £6.5 billion. Gross saving on a cash basis has been lower than £5.8 billion in 8 quarters since comparable records began in Quarter 1 1997.

In Quarter 4 2016, the fall in total available resources on a cash basis was primarily due to falls in investment income attributable to insurance policy holders of £1.8 billion and net miscellaneous current transfers of £0.6 billion, partially offset by rises in wages and salaries of £1.1 billion and dividends of £1.1 billion.

The households and NPISH saving ratio on a cash basis fell to negative 0.5% in 2016 from 0.9% in 2015. On an annual basis, the households and NPISH saving ratio on a cash basis has been negative in 3 of the last 4 years.

The fall in the saving ratio on a cash basis in 2016 reflects a rise in total available resources on a cash basis of £25.6 billion, and a rise in final consumption expenditure on a cash basis of £39.9 billion. The rise in final consumption expenditure on a cash basis in 2016 was the largest annual rise since 2007, when final consumption expenditure on a cash basis rose by £41.4 billion. This resulted in a fall in gross saving on a cash basis of £14.4 billion to negative £5.1 billion in 2016.

Although gross saving on a cash basis was negative in 2016, there were 6 years since comparable records began in 1997 during which gross saving on a cash basis was lower. Gross saving on a cash basis was negative for 5 consecutive years between 2004 and 2008; it was lowest in 2007, when it was negative £28.7 billion.

In 2016, the rise in total available resources on a cash basis was primarily due to rises in wages and salaries of £24.9 billion, net social benefits other than transfers in kind of £9.5 billion, and gross mixed income of £8.4 billion. This was partially offset by a rise in taxes on income and wealth of £7.9 billion, and falls in net social contributions of £3.8 billion, dividends of £2.5 billion, and investment income attributable to insurance policy holders of £2.2 billion.

7 . The households and NPISH saving ratio on a cash basis fell in Quarter 4 (Oct to Dec) 2016 but by less than the national accounts saving ratio

The saving ratio on a national accounts basis fell to 3.3% in Quarter 4 (Oct to Dec) 2016 from 5.3% in Quarter 3 (July to Sept) 2016. This was the lowest quarterly saving ratio (on a national accounts basis) since comparable records began in 1963. In Quarter 4 2016, the saving ratio on a cash basis of negative 2.2% was the lowest quarterly saving ratio on a cash basis since Quarter 3 2008, when it was negative 3.2%.

The fall in the saving ratio on a cash basis in Quarter 4 2016 of 1.5 percentage points was smaller than the fall in the saving ratio on a national accounts basis of 2.0 percentage points. The difference in the magnitude of the falls in the saving ratio in Quarter 4 2016 reflects smaller falls in gross saving and total available resources on a cash basis in Quarter 4 2016 than on a national accounts basis.

8 . How do changes in the value of imputed transactions in Quarter 4 (Oct to Dec) 2016 cause the saving ratio on a national accounts basis to fall by more than the saving ratio on a cash basis?

Table 1 presents the changes in the values of the transactions that are included in the calculation of the saving ratio on a national accounts basis, but are excluded from the saving ratio on a cash basis. The exclusion of these transactions (and the changes in the value of these transactions) explains the differences between the cash measure and national accounts measure of the saving ratio.

Within the national accounts, in accordance with the [European System of Accounts 2010 \(ESA10\)](#), there are accounting identities, which mean that the changes in the value of some of the transactions presented in Table 1 net to zero. These transactions are marked with an asterisk (*). Therefore, it is only the removal of the other transactions presented in Table 1 that explains the difference between the saving ratio on a cash basis and a national accounts basis.

Table 1 also contains the four letter series identifiers (CDIDs), which are presented in the accompanying dataset to this article to allow users to further explore the data and methodology used. The codes included in Table 1 are [European System of Accounts 2010 \(ESA10\)](#) codes, which enable a comparison of UK data with data from other European economies that follow the same statistical framework.

Table 1: Change in the value of transactions removed from the national accounts methodology to calculate the cash measure of RHDl and the saving ratio

Quarter 4 (Oct to Dec) 2016

	CDID	£ million Change, quarter on previous quarter
B.2g (resource) Gross operating surplus	CAEN	382
D.12 (resource) Employers' social contributions*	ROYK	-137
P.119 (resource) (Plus) Financial Intermediation Services Indirectly Measured (FISIM)	IV8W	55
D.442 (resource) Property income payable on pension entitlements	L8HT	-2,326
D.4432 (resource) Investment income attributable to collective investment fund shareholders - Retained earnings*	L8IG	-21
P.119 (use) (Less) Financial Intermediation Services Indirectly Measured (FISIM)	IV8X	13
D.612 (resource) Employers' imputed social contributions	L8RG	-10
D.72 (resource) Non-life insurance claims	RPHN	533
D.611 (use) Employers' actual social contributions*	L8NK	-99
D.612 (use) Employers' imputed social contributions*	M9XB	-38
D.614 (use) Households' social contribution supplements*	L8Q8	-2,326
D.8 (resource) Adjustment for the change in pension entitlements	RPQJ	-3,261
Imputed rental for housing (removed from final consumption expenditure on a cash basis)	GBFJ	417
Financial Intermediation Services Indirectly Measured (FISIM) (removed from final consumption expenditure on a cash basis)	C68W	100

Source: Office for National Statistics

The exclusion of gross operating surplus, FISIM (resource and use), investment income attributable to collective investment fund shareholders - retained earnings, employers' imputed social contributions and non-life insurance claims, explains the difference between the value of gross disposable income on a cash basis and a national accounts basis.

In addition to this, the exclusion of the adjustment for the change in pension entitlements explains the difference between total available resources on a cash basis and a national accounts basis.

Furthermore, the removal of imputed rental and FISIM from final consumption expenditure explains the difference between final consumption expenditure on a cash basis and a national accounts basis.

While the value of the transactions excluded from the calculation of gross disposable income on a cash basis increased by £952 million, the value of the adjustment for the change in pension entitlements (which is removed from the calculation of total available resources on a cash basis) fell by £3.3 billion. This explains why total available resources on a national accounts basis fell by £2.3 billion more than total available resources on a cash basis. Overall, total available resources on a cash basis fell by £236 million, compared with a fall of £2.5 billion on a national accounts basis.

Furthermore, the value of the transactions excluded from the calculation of final consumption expenditure on a cash basis rose by £517 million. This rise meant that final consumption expenditure on a cash basis did not increase by as much as on a national accounts basis. Therefore, consumption growth did not have such a large downward impact on gross saving on a cash basis as it did on a national accounts basis.

9 . Quality and methodology

The tables in this section illustrate the allocation of primary income account, secondary distribution of income account, and the use of disposable income account. The tables also contain the four letter series identifiers (CDIDs), which are presented in the accompanying dataset to this article to allow users to further explore the data and methodology used. The codes included in the table are [European System of Accounts 2010 \(ESA10\)](#) codes, which enable a comparison of UK data with data from other European economies that follow the same statistical framework.

The transactions that are excluded from the national accounts methodology to calculate the cash basis measures are also explained further in this section.

To calculate gross disposable income (GDI), we have to work through the allocation of primary income account and secondary distribution of income account of the households and non-profit institutions serving households (NPISH) sector.

The transactions in grey in the tables have been excluded from the calculations of cash RHDl and the cash saving ratio in line with the [OECD Framework for Statistics on the Distribution of Household Income, Consumption and Wealth](#).

Allocation of primary income account

Resources			Uses		
Transaction	Code	CDID	Transaction	Code	CDID
Gross operating surplus	B.2g	CAEN	Interest before FISIM allocation	D.41g	J4X3
Gross mixed income	B.3g	ROYH	(less) FISIM	P.119	IV8X
Wages and salaries	D.11	ROYJ	Rent	D.45	ROYV
Employers' social contributions	D.12	ROYK			
Interest before FISIM allocation	D.41g	J4X2			
(plus) FISIM	P.119	IV8W			
Dividends	D.421	NRKU			
Withdrawals of income from quasi-corporations	D.422	NBOJ			
Earnings on property income	D.423	HHLI			
Income attributable to insurance policy holders	D.441	L8HM			
Income payable on pension entitlements	D.442	L8HT			
Collective investment fund shareholders – Dividends	D.4431	L8I9			
Collective investment fund shareholders – Retained earnings	D.4432	L8I9			
Rent	D.45	ROYQ			
Is carried over to the next account			Balance of gross primary income	B.5g	ROYS

Secondary distribution of income account

Resources			Uses		
Transaction	Code	CDID	Transaction	Code	CDID
Balance of gross primary income	B.5g	ROYS	Taxes on income	D.51	RPHS
Employers' imputed social contributions	D.612	L8RG	Other current taxes	D.59	RPHT
Social security benefits in cash	D.621	L8QG	Employers' actual social contributions	D.611	L8NK
Other social insurance benefits	D.622	L8QU	Employers' imputed social contributions	D.612	M9XB
Social assistance benefits in cash	D.623	MT3F	Households' actual social contributions	D.613	L8PS
Non-life insurance claims	D.72	RPHN	Households' social contribution supplements	D.614	L8Q8
Miscellaneous current transfers	D.75	RPHO	Social insurance scheme service charge	D.615C	L8LU
			Other social insurance benefits	D.622	L8S6
			Social assistance benefits in cash	D.623	MT3D
			Net non-life insurance premiums	D.71	RPIC
			Miscellaneous current transfers	D.75	RPID
			Gross disposable income	B.6g	RPHQ

Use of disposable income account

Additional transactions used to calculate the saving ratio.

Resources			Uses		
Transaction	Code	CDID	Transaction	Code	CDID
Gross disposable income	B.6g	RPHQ	Individual consumption expenditure excluding FISIM and imputed rental	P.31	RPQM-(GBFJ+C68W)
Adjustments for the changes to pensions	D.8	RPQJ			
			Gross saving	B.8g	RPQL

Transactions removed from the national accounts methodology to calculate real households and NPISH disposable income (RHDI) on a cash basis

Allocation of primary income account

Gross operating surplus (B.2g) – This is comprised almost entirely of imputed rental, a national accounts concept that estimates the value to owner-occupiers of living in their own home. This is not expenditure or income that households would observe and is therefore excluded.

Employers' social contributions (D.12) – This refers to the contributions made by employers towards social insurance schemes held by their employees. This is excluded as it is not seen by households until they draw their pension, which falls under a separate transaction.

FISIM resource and use (P.119) – FISIM, or financial intermediation services indirectly measured, refers to charges made by financial corporations acting as intermediaries that are implicitly included in the interest rates offered on loans and savings. Within the national accounts FISIM adjustments are made to return these implicit charges back to households, however, as these charges are real, the adjustment is excluded from cash RHDl.

Income payable on pension entitlements (D.442) – This comprises the earnings that arise from the investment of "technical funds" held by pension providers. These earnings are not actually seen by households as they are returned to the pension fund later in the accounts and as such have been excluded from cash RHDl.

Retained earnings attributable to collective investment fund shareholders (D.4432) – This represents the earnings made by collective investment funds that are not paid out as dividends. These are paid to households, such that the investment fund is left with no saving. These retained earnings are then paid back to the investment fund. Again, this is a transfer that households do not directly observe and as such it has been excluded from cash RHDl.

Secondary distribution of income account

Non-life insurance claims (D.72) – This refers to the funds received by households when making claims on non-life insurance policies. Whilst within the System of national accounts these are treated as current transfers, within social survey sources these sorts of transfers are not normally captured as income and have therefore been excluded from cash RHDl. (The [Canberra Group Handbook](#) provides guidance on the conceptual and practical issues related to the production of household income statistics).

Employers' actual social contributions (D.611) and employers' imputed social contributions (D.612) – Excluded as these transactions are the use counterparts to D.12, which was excluded above.

Households social contribution supplements (D.614) – Excluded as this is the use counterpart to D.442, which was excluded above.

Additional transactions removed from the national accounts methodology to calculate the saving ratio on a cash basis

Adjustment for the change in pension entitlements (D.8) – This adjustment adds the amount that households have paid into pension schemes net of any payments they have received from these schemes back into the accounts. This is because the contributions that households make to pension schemes are effectively a form of saving whilst the benefits received from these schemes effectively reduce savings. The cash saving ratio excludes this adjustment as it is not something that is directly observed by households.

Households and NPISH individual consumption expenditure (P.31) – To calculate saving, households and NPISH expenditure is deducted from households and NPISH disposable income. To reflect some of the changes made to the measurement of RHDl above, there are also corresponding changes that need to be made to the measurement of households and NPISH expenditure. Imputed rental of owner-occupiers and FISIM are deducted from expenditure as they are not directly observed by households.