



Standard Economic Sector Classifications of Australia (SESCA)

1998

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PREFACE

This edition of the *Standard Economic Sector Classifications of Australia (SESCA)* (ABS Cat. no. 1218.0) replaces the 1987 *Standard Institutional Sector Classification of Australia (SISCA)* (ABS Cat. no. 1218.0). This publication includes the revised SISCA and the other economic sector classifications which are normally used in conjunction with it. The classifications in this publication were revised as part of the general review of statistical standards by the Australian Bureau of Statistics, following its adoption of the revised international statistical standards embodied in the System of National Accounts 1993 and the fifth edition of the Balance of Payments Manual.

The revised institutional classification structure reflects the increased importance of the financial corporations sector in economic data analysis by providing additional subsector detail. It also recognises the emergence of user interest in the activities of non-profit institutions by adding the non-profit institutions serving households sector. The classifications are shown in detail in Appendix 1, while Appendix 7 shows concordances between the revised institutional sector classification and other classifications.

The main uses of the classifications described in this publication are in the compilation and publication of national accounts, government finance and international accounts statistics. The new international standards are being introduced progressively to these statistics, commencing with balance of payments statistics from September 1997.

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LIST OF ABBREVIATIONS

ABS	Australian Bureau of Statistics
ANA	Australian National Accounts
APRA	Australian Prudential Regulatory Authority
BOP	Balance of Payments
BPM5	Fifth edition of the Balance of Payments Manual
CBA	Central Borrowing Authorities
FCA	Financial Corporations Act
GFS	Government Finance Statistics
IIP	International Investment Position
IMF	International Monetary Fund
JUR	Jurisdiction
LOG	Level of government
n.e.c.	not elsewhere classified
NPI	Non-profit institution
NPISH	Non-profit institution serving households
RBA	Reserve Bank of Australia
ROW	Rest of the world
SESCA	Standard Economic Sector Classifications of Australia
SISCA	Standard Institutional Sector Classification of Australia
SNA93	System of National Accounts 1993
..	not applicable

CHAPTER 1

INTRODUCTION

SECTOR CLASSIFICATIONS

1.1 Standard classifications and definitions of statistical units and items are essential elements underlying the compilation and presentation of statistics produced by national statistical offices such as the Australian Bureau of Statistics (ABS). Use of such standards ensures that statistics are comparable across a wide range of subject matter.

1.2 This publication describes a number of standard classifications used by the ABS in the compilation of statistics that involve dividing the national economy into broad economic sectors. Dividing the economy into sectors provides information about groups of economic units, such as financial corporations or households, that have similar economic functions and institutional characteristics. The main purpose of the various classifications is to facilitate analysis of economic activity along sectoral or institutional lines.

1.3 Many of the macro-economic statistics produced by the ABS are classified by sector, including the national accounts, balance of payments (BOP) statistics, international investment position (IIP) statistics, government finance statistics (GFS), and other financial statistics.

1.4 A key classification is the Standard Institutional Sector Classification of Australia (SISCA), which was previously described and explained in the *Standard Institutional Sector Classification of Australia (SISCA), 1987* (ABS Cat. no. 1218.0), published in 1987. However, there are other sector classifications. This publication, which contains the revised SISCA and all related economic sector classifications that are used by the ABS, is broader in scope and replaces the previous ABS Cat. no. 1218.0.

INTERNATIONAL SECTOR CLASSIFICATIONS

1.5 Use of internationally accepted standards ensures that statistics are comparable across all countries that apply the standards. The standards are developed in consultation with national statistical agencies, including the ABS, and other bodies with an interest in internationally comparable statistics. Like most national statistical agencies, the ABS applies international statistical standards to a wide range of statistics.

INTERNATIONAL SECTOR CLASSIFICATIONS *continued*

1.6 Most of the classifications discussed in this publication are based on classifications included in *System of National Accounts 1993* (SNA93)¹. SNA93 replaces the 1968 version of the *System of National Accounts*², which provided the basis for the 1987 version of SISCO. The SNA93 classifications are also the basis for classifications used in the International Monetary Fund's (IMF) fifth edition of the *Balance of Payments Manual* (BPM5)³ and will be used in the forthcoming second edition of the IMF's *A Manual of Government Finance Statistics*⁴. The classifications in this publication include elements drawn from all three of these international standards.

PURPOSE OF THIS PUBLICATION

1.7 The principal purpose of this publication is to provide users of ABS statistics employing economic sector classifications with an understanding of

- the nature of the standards and their application in ABS statistics;
- the international standards on which the classifications are based; and
- the links between the various classifications.

1.8 The publication is also intended as a guide to ABS staff who are responsible for applying the classifications in the diverse range of ABS statistics.

STRUCTURE OF THIS PUBLICATION

1.9 A complete understanding of statistical classifications requires an understanding of the standard statistical units to which the classifications are applied. Statistical units are the basic entities about which information is recorded. The statistical units to which the ABS economic sector classifications are applied are described in chapter 2.

1.10 The revised version of the SISCO is the subject of chapter 3. The SISCO is the central classification in the system of economic sector classifications, and most of the other sector classifications can be related to, or derived from, the SISCO.

1.11 The remainder of the economic sector classifications are discussed in chapter 4. The classifications discussed are as follows:

Public/private
 Level of government
 Jurisdiction
 BOP sector
 Direct investment enterprise/other investment enterprise
 Direct investor/other investor

¹ Commission of the European Communities, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations & World Bank, *System of National Accounts 1993*, printed in Canada, 1993.

² United Nations, *A System of National Accounts*, New York, 1968.

³ International Monetary Fund, *Balance of Payments Manual, Fifth Edition*, 1993, Washington D.C., 1993.

⁴ At the time of print, this publication was being developed and had not been published.

STRUCTURE OF THIS PUBLICATION *continued*

1.12 Appendix 1 comprises a complete list of the sector classifications discussed in this publication. Appendixes 2–3 provide decision tables that illustrate the processes applied by the ABS in allocating statistical units to economic sectors. Appendixes 4–6 illustrate ways in which the Standard Economic Sector Classifications of Australia (SESCA) are combined in the presentation of ABS economic statistics. Appendix 7 contains a series of concordances that provide links between the current SISCAs and the previous version, and between the current SISCAs and the institutional sector classification in SNA93. A glossary of the main terms used in the SESCAs is provided at the end of this publication.

IMPLEMENTATION OF CLASSIFICATIONS IN AUSTRALIAN BUREAU OF STATISTICS PUBLICATIONS

1.13 The ABS sector classifications described in this publication will be progressively implemented in ABS publications, as the new international standards to which the classifications relate are implemented. For BOP statistics, the classifications were largely implemented from September 1997. For national accounts statistics, the classifications will be implemented from October 1998. For GFS, the classifications will be implemented from November 1998. Further information on the timing of ABS first releases of statistics based on the revised international standards is available in the following ABS publications *Information Paper: Implementation of Revised International Standards in the Australian National Accounts, 1997* (ABS Cat. no. 5251.0), *Information Paper: Implementing New International Statistical Standards in ABS International Accounts Statistics, 1997* (ABS Cat. no. 5364.0), and *Information Paper: Developments in Government Finance Statistics, 1997* (ABS Cat. no. 5516.0).

CHAPTER 2

THE UNITS THAT ARE CLASSIFIED

STATISTICAL UNITS

2.1 Statistical units are units about which statistics are tabulated, compiled or published. Each statistical unit is classified according to the unit's characteristics of analytical interest. Statistics can then be presented for groups of units with common characteristics (e.g. all lone person households, all businesses in a certain industry, etc.).

2.2 Units that are the subject of statistics compiled from different sources should be defined in the same way and classified according to standard classifications in each of the statistical compilations in which they are included. Such an approach is necessary to allow users of the statistics to make valid comparisons of information compiled from different statistical sources.

2.3 To ensure consistent definition and classification of statistical units in its economic censuses and surveys, the ABS maintains a list of the statistical units that can be selected in ABS censuses and surveys or matched to units in other sources used to compile economic statistics. This list is called the business register. Each unit is recorded only once in the business register so that the classifications attributed to the unit will be the same in all ABS economic statistics in which the unit is included.

INTERNATIONAL STANDARDS FOR INSTITUTIONAL UNITS

2.4 As noted in chapter 1, the ABS bases its sector classifications on the international standards set out in SNA93. Unless otherwise indicated, all of the SNA93 concepts described in this chapter are applied by the ABS. The basic SNA93 unit that is classified by sector is the *institutional unit*, which is defined as 'an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities'.¹

2.5 An institutional unit can therefore be described as a unit that is:

- able to own or exchange goods and assets in its own right;
- able to make economic decisions and engage in economic activities for which it is held directly responsible and accountable at law;
- able to enter into contracts and incur liabilities on its own behalf; and
- able to compile a complete set of accounts, including a balance sheet of assets and liabilities.

2.6 ABS economic statistics use a number of types of statistical units. These are included in a units model described in the last section of this chapter. The units model includes a legal entity unit, which closely resembles the SNA93 institutional unit. The relationship between the legal entity unit and the institutional unit is discussed in paragraph 2.51.

¹ SNA93, para. 4.2.

INTERNATIONAL STANDARDS FOR INSTITUTIONAL UNITS *continued*

2.7 SNA93 recognises two main broad types of institutional units

- households
- legal or social entities

and then splits the second type into a number of different kinds of entities.

HOUSEHOLDS

2.8 A household is defined in SNA93 as 'a small group of persons who share the same living accommodation, who pool some, or all, of their income and wealth and who consume certain types of goods and services collectively, mainly housing and food'.²

2.9 Individual members of households are not treated as institutional units because many assets are owned (and liabilities incurred) jointly by two or more members of a household. Income can be pooled and expenditure decisions are often made for the household as a whole. Some households include unincorporated enterprises (e.g. sole proprietorships, partnerships) which engage in market production. SNA93 recommends that an unincorporated enterprise which is entirely owned by a household should be treated as an integral part of that household unless the enterprise qualifies as a quasi-corporation (see paragraphs 2.12 and 2.22).

2.10 Households in ABS economic statistics are defined in the same way as in SNA93. In ABS population statistics, such as the Census of Population and Housing, and ABS household surveys, the definition of a household is conceptually consistent with the SNA93 definition.

2.11 While the ABS generally adopts the SNA93 household definition in economic statistics, it is not possible to identify all unincorporated enterprises that qualify as quasi-corporations. This situation is explained in paragraphs 3.15 and 3.16.

LEGAL OR SOCIAL ENTITIES

2.12 Legal or social entities are defined in SNA93 as institutional units that are 'recognized by law or society independently of the persons, or other entities, that may own or control them'.³ They are created by law, either individually, as in the case of some government authorities, or as a class, as in the case of corporations, local government authorities, etc. The law establishes the existence of such entities as separate from their owners or members (e.g. companies exist as entities separate from their shareholders and unions exist as entities separate from their members). Although unincorporated enterprises do not exist as separate legal entities, they often act like corporations and keep a full set of accounts. SNA93 treats certain unincorporated enterprises as quasi-corporations (see paragraph 2.22) and therefore as legal or social entities. Three types of legal or social entities are recognised in SNA93 — corporations and quasi-corporations, government units, and non-profit institutions (NPIs).

² SNA93, para. 4.132.

³ SNA93, para. 4.3.

CORPORATIONS AND QUASI-CORPORATIONS

2.13 In SNA93, a corporation is defined as 'a legal entity, created for the purpose of producing goods and services for the market, that may be a source of profit or other financial gain to its owner(s); it is collectively owned by shareholders who have the authority to appoint directors responsible for its general management'.⁴

2.14 SNA93 lists the following typical features of corporations:

- they are created by processes of law that establish their existence as independent from other institutional units (i.e. other corporations, households, government units and NPIs) that may own shares or other equity in the corporations;
- they are created for the purpose of market production, i.e. production of goods and services for sale on the market at 'economically significant prices', which are defined as prices that have a significant influence on the amounts that producers are willing to supply and purchasers wish to buy;
- ownership is vested in shareholders collectively and profits are usually distributed to shareholders in proportion to their shareholdings; if a corporation is bankrupted, shareholders are not liable to repay the corporation's outstanding liabilities;
- corporations are fully accountable at law for their actions, obligations and contracts and are liable to pay taxes; and
- control of corporations is exercised ultimately by shareholders because their vote determines appointments to the board of directors; however, some shareholders may exert more control than others because of variations in voting rights or failure of shareholders to exercise their voting rights.

2.15 In Australia, most companies registered under corporations law meet the SNA93 definition of a corporation. These include proprietary companies, limited liability companies and no liability companies. However, some registered companies are not engaged in market production as defined in SNA93 and are classified as government units or NPIs (see paragraph 2.37). Conversely, certain types of legal entities that are not registered as corporations but engage in market production are treated as corporations. These include producer co-operatives in which profits are distributed according to shareholdings, and partnerships that enjoy limited liability and behave like corporations, such as large accounting firms. As well, certain trusts and their trustees that operate like corporations are treated as corporations. In effect, any entity that is engaged in market production, is authorised to distribute profits or surpluses, and keep a full set of accounts, is potentially classifiable as a corporation or a quasi-corporation.

Subsidiary corporations

2.16 In SNA93, corporations that are more than 50% owned by another corporation are defined as *subsidiaries* of that corporation. Corporations that are up to 50% owned by another corporation can also be subsidiaries if the other corporation has the right to appoint or remove a majority of the directors of the corporation. For ABS economic collections, the definition of a subsidiary corporation is based on corporations law and is essentially the same as the SNA93 definition.

⁴ SNA93, para. 4.23.

Subsidiary corporations *continued*

2.17 Groups of corporations may be formed in which a parent corporation controls a number of subsidiaries. SNA93 recommends against treating a group of corporations as an institutional unit because subsidiary corporations meet all the requirements for recognition as institutional units in their own right. As well, the composition of groups of corporations can change rapidly and the groups are often too heterogeneous to be useful for statistical purposes. The ABS units model includes a unit, called the enterprise group, which is defined as a group of legal entities that are under common ownership and/or control (see paragraph 2.47). The enterprise group unit is used mainly to assist administration of the business register and is not often used in the compilation of economic statistics.

Ancillary corporations

2.18 SNA93 includes the concept of ancillary corporations and recommends that, for statistical purposes, such corporations should be merged with their parent corporation. An ancillary corporation is defined as 'a subsidiary corporation, wholly owned by a parent corporation, whose productive activities are ancillary in nature: that is, strictly confined to providing services to the parent corporation, or other ancillary corporations owned by the same parent corporation'.⁵

2.19 Typical services provided by ancillary corporations to parent corporations include transport, purchasing, sales, financial services, computing, communications, security, maintenance and cleaning. SNA93 states that 'Ancillary corporations are not treated as separate institutional units because they can be regarded as artificial units created to avoid taxes, to minimise liabilities in the event of bankruptcy, or to secure other technical advantages under the tax or corporation legislation in force in a particular country'.⁶

2.20 For the purposes of institutional classifications the ABS recognises and applies the SNA93 concept of ancillary corporations, but in practice identification of all such corporations is not possible. Ancillary corporations that are identified include intra-group financiers and other corporations that undertake a range of ancillary activities, such as corporations that are head offices. (However, for the purpose of industry classifications, the ABS does not apply the SNA93 concept of ancillary corporations.)

Holding corporations

2.21 Holding corporations are defined in SNA93 as 'corporations that control a group of subsidiary corporations and whose principal activity is owning and directing the group'.⁷ A holding corporation is classified as a financial corporation if the predominant type of activity of the group of corporations as a whole is financial intermediation or auxiliary financial services. Otherwise, the holding corporation is classified as a non-financial corporation. In the absence of suitable information about the relative sizes of the subsidiaries, a holding corporation may be classified as financial or non-financial if a majority of the corporations it controls are financial or non-financial, respectively.

⁵ SNA93, para. 4.40.

⁶ SNA93, para. 4.44.

⁷ SNA93, para. 4.100.

Quasi-corporations

2.22 SNA93 recommends that unincorporated enterprises which engage in market production and function as if they are corporations should be treated as quasi-corporations and therefore as separate institutional units. Two main types of quasi-corporations are recognised in SNA93

- unincorporated enterprises owned by resident institutional units (resident units are defined in paragraphs 3.59–3.72) and operated as if they are separate corporations having (1) the same relationship to their owners as a corporation has to its shareholders and (2) a full set of accounts, including a balance sheet; and
- unincorporated enterprises owned by non-resident units (non-resident units are defined in paragraphs 3.59–3.72) that engage in significant production in the economic territory of the subject country; such quasi-corporations include local branches and offices of non-resident corporations.

2.23 In Australia, both categories of quasi-corporations are recognised but the ABS is unable to identify all household unincorporated enterprises that qualify as quasi-corporations (as explained in paragraph 3.16). However, in the first category in paragraph 2.22, the following types of unincorporated enterprises are recognised as quasi-corporations:

- unincorporated financial enterprises, except for financial auxiliaries;
- unincorporated partnerships of companies and trading trusts;
- unincorporated enterprises owned by government which sell output at market prices; and
- unincorporated enterprises assessable for income tax purposes as companies.

GOVERNMENT UNITS

2.24 Government units are described in SNA93 as 'unique kinds of legal entities established by political processes which have legislative, judicial or executive authority over other institutional units within a given area'.⁸

2.25 The principal functions of government units are:

- to provide goods and services to individuals or the community at large;
- to redistribute income and wealth by means of transfers; and
- to engage in non-market production.

2.26 Non-market production consists of production that is made available free of charge or at prices that are not economically significant. Prices are defined as not economically significant if they do not have a significant influence on the amounts that producers are willing to supply and purchasers wish to buy.

⁸ SNA93, para. 4.104.

GOVERNMENT UNITS *continued*

2.27 In Australia, the majority of government units are readily identifiable in that their operations are mainly financed from taxation and they redistribute income by means of transfers (e.g. subsidies, grants, welfare payments) or engage in other forms of non-market production, which means they provide government services (e.g. defence, education, health services, economic advice) free of charge or at nominal prices.

2.28 Departments and authorities operating from the public accounts of the Commonwealth Government or a State or Territory Government collectively constitute a government unit of the parent government. Other authorities operating outside the public accounts, and local government authorities, qualify individually as government units. Included are the executive, judicial and legislative arms of government, including the Governor General and each of the State governors and their establishments, all courts of law, each parliament, all parliamentary departments, and all parliamentarians' offices that are funded from taxation.

2.29 Statutory authorities that are mainly funded from taxation are also government units. They are entities created by legislation or regulation for the purpose of implementing government policy by providing goods or services free or at economically insignificant prices.

2.30 Government units do not include government-owned companies or quasi-corporations (see paragraph 2.22) mainly engaged in market production. Such companies are considered to be corporations.

2.31 SNA93 specifies that, to qualify as a separate institutional unit, a government unit must

- have funds of its own, raised by taxing other institutional units or received as transfers from other government units;
- have authority to disburse some, or all, of such funds in the pursuit of policy objectives; and
- have authority to borrow funds on its own account.

2.32 Units that do not meet all of these criteria are treated as part of a wider government unit. For example, government departments, ministries and authorities are generally not capable of owning assets, incurring liabilities or engaging in transactions in their own right and therefore are usually combined in a wider unit.

2.33 In the ABS business register, for practical reasons, individual government departments are treated as individual legal entities, even though they may not satisfy SNA93 criteria for recognition as institutional units. However, because the departments all fall within the same sector (the general government sector), this difference does not affect conformity of ABS sector statistics with the international standard. ABS GFS (the statistics most affected) include units that cover all departments and authorities included in the public accounts of the Commonwealth Government, and each State and Territory Government. Each of these units meets SNA93 criteria for recognition as an institutional unit. Units not covered by the various public accounts are also included in ABS GFS. These units individually satisfy the SNA93 definition of an institutional unit.

GOVERNMENT UNITS *continued*

2.34 Governments may operate units that qualify as quasi-corporations. Generally to qualify as quasi-corporations, such units would engage in market production, be managed and operated in a similar way to a corporation and have a complete set of accounts, including a balance sheet. Such units are not classified as government units.

2.35 However, difficulties can arise in interpreting SNA93 criteria for recognising government-owned quasi-corporations. In particular, the SNA definition of economically significant prices is open to interpretation. In deciding whether a government-owned unit should be treated as a quasi-corporation, the ABS is guided by characteristics of the unit additional to those set out in SNA93, including whether the unit:

- generates sufficient revenue to cover its production costs (excluding interest);
- is not limited to selling its output to units of the same government;
- is in open competition with other producers of its types of products;
- prepares accounts that comply with accounting standards or regulations and are subject to audit; and
- relies more on independent sources of revenue than on government subsidies to remain in operation.

2.36 The existence of some or all of these characteristics is used as a guide and each case is judged on its merits. In cases where there are only minor differences between units of the same type, consistent treatment of the same type of unit in all government jurisdictions is sometimes considered more important than application of precise rules that give different results across jurisdictions.

NON-PROFIT INSTITUTIONS

2.37 NPIs are defined in SNA93 as 'legal or social entities created for the purpose of producing goods and services whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control or finance them'.⁹

2.38 SNA93 lists the following main characteristics of NPIs:

- most NPIs are created by processes of law that establish the NPIs' separate existence from the units that establish, finance, control or manage them; the purposes of NPIs are usually set out in articles of association;
- many NPIs are controlled by associations with members who have equal voting rights and limited liability with respect to the NPIs operations;
- profits of NPIs are retained by the NPIs and cannot be distributed to members (the term 'non-profit institution' reflects the embargo on distribution of financial gains and is not intended to imply that NPIs cannot make a profit); and
- direction of NPIs is usually vested in a group of officers, an executive committee or a similar body elected by a majority of members.

⁹ SNA93, para. 4.54.

NON-PROFIT INSTITUTIONS *continued*

2.39 NPIs that are group employers for taxation purposes are recorded in the business register, but not all are specifically identified as NPIs. NPIs include trade unions, trade associations, social and sporting clubs, welfare and religious organisations, universities and charitable institutions. Smaller NPIs that rely solely on voluntary workers are out of scope of the business register.

2.40 NPIs can be set up by governments, corporations or households. Some NPIs, particularly those established by governments, may be difficult to distinguish from government units. In such cases, the units may be predominantly funded from taxation through government subsidies or transfers and the critical determinant may be whether the establishing legislation gives the government control of the management of the unit or vests the control in an independent board or similar entity. However, the source of control of NPIs is not always clear-cut and is discussed further in chapter 3.

2.41 NPIs are subdivided between those that are predominantly engaged in market production (called market NPIs) and those that are predominantly engaged in non-market production (called non-market NPIs). Market NPIs sell their output at economically significant prices; non-market NPIs dispose of their output free of charge or at prices that are not economically significant. However, NPIs that are created by associations of businesses in order to provide services to association members (e.g. trade associations, employer groups, industry chambers, lobbying organisations) are regarded as engaged in market production irrespective of the method of disposing of their output. Contributions made by members to such NPIs are regarded as payments for services rendered.

2.42 The distinction between market and non-market NPIs is important in determining the institutional sector to which individual NPIs are allocated. As with certain government units, difficulties may arise in deciding whether a NPI is disposing of its output at economically significant prices. Other characteristics of NPIs, additional to those specified in SNA93, are often taken into account when deciding whether a NPI is a market NPI or not. These include:

- whether or not the NPI's revenue covers its costs of production;
- whether or not the NPI relies on government subsidies to operate; and
- whether or not the NPI sells to the public at large or only to members.

2.43 As with government units, when differences between individual NPIs are minor, the requirement for consistent treatment of the same types of NPIs may be considered more important than the precise application of the rules to each NPI.

UNITS IN THE AUSTRALIAN SYSTEM

2.44 Statistical units recorded in the business register are defined according to a units model that reflects business structures and contains several levels of units. The units that are classified to economic sectors are described as financing units and are recorded with links to the producing units that they own and finance. A diagram of the units model is provided in paragraph 2.45 and short definitions of the financing units are provided in paragraphs 2.46–2.53. The relationship between the ABS units and the SNA93 concept of institutional units is also discussed.

UNITS IN THE AUSTRALIAN SYSTEM *continued*

2.45 The financing units of the ABS economic units model can be depicted diagrammatically as follows:

Enterprise group

|

Enterprise <-----> Legal entity

2.46 The units that are relevant to this discussion are the enterprise group, the enterprise and the legal entity. There are another three units, known as producing units, that are owned and operated by the higher level financing units. (Definitions of each producing unit are provided in the Glossary. More information about producing units can be obtained from the Director, Economic Standards Section, ABS, Canberra.) Producing units are included in the sector of their parent enterprise unit.

Enterprise group

2.47 The enterprise group is defined as a unit covering all the operations in Australia of one or more legal entities under common ownership and/or control. It includes all the operations in Australia of legal entities that are related in terms of the current corporations law. These may be companies or other legal entities such as trusts and partnerships. Majority ownership is not required for control to be exercised.

Enterprise

2.48 The enterprise is defined as all legal entities within an enterprise group that are classified to the same institutional subsector. (Institutional subsectors are described in chapter 3.)

Legal entity

2.49 The legal entity is defined as a unit covering all the operations in Australia of an entity that possesses some or all of the rights and obligations of individual persons or corporations; or that behaves as such, in respect of those matters of concern for economic statistics. Examples of legal entities for statistical purposes include companies, partnerships, trusts, sole proprietorships, government departments, and statutory authorities.

2.50 Enterprise units (and their management units) are the most commonly used units in ABS sector statistics. As is evident from the enterprise definition, legal entities must be classified by sector before individual enterprise units can be formed. Enterprise groups often cross sectoral boundaries and consequently are not used to compile sector statistics.

Legal entity *continued*

2.51 The ABS legal entity unit is considered to approximate closely the SNA93 concept of an institutional unit. An institutional unit is defined as an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and transactions with other entities. The legal entity unit is defined as an entity with all of the rights and obligations of individual persons or corporations; or that behaves as such, in respect of those matters of concern for economic statistics. The 'rights and obligations of individuals' etc. that are of concern for economic statistics are considered to be the same as the capabilities (to own assets etc.) referred to in the institutional unit definition.

2.52 One variation, noted in paragraph 2.33, is that the ABS includes, as legal entities, some government departments and authorities that do not meet the SNA93 criteria for classifications as separate institutional units.

2.53 The ABS business register records unincorporated enterprises (e.g. sole proprietorships, partnerships, family trusts) that are owned/operated by one or more households and employ staff. Households that do not operate unincorporated businesses, or operate unincorporated businesses that do not employ staff are out of scope of the business register. Economic statistics covering all households (including non-employing unincorporated businesses) are produced from sources other than register-based surveys, such as population censuses, household surveys, and taxation statistics.

2.54 The ABS enterprise unit comprises one or more legal entities within the same subsector, and is therefore defined more broadly than the SNA93 institutional unit. The wider enterprise unit is preferred in ABS collections because many legal entities are non-operating created only for taxation or similar purposes. ABS sector and subsector statistics based on enterprise (and lower level) units would, however, be no different if compiled using legal entity units, because the enterprise is defined in such a way that it does not cross subsector boundaries.

CHAPTER 3

STANDARD INSTITUTIONAL SECTOR CLASSIFICATION OF AUSTRALIA

INTRODUCTION

3.1 The SISCA is the central classification among the classifications that are the subject of this publication. The SISCA is based on the SNA93 institutional sector classification, and includes the following sectors:

- Non-financial corporations
- Financial corporations
- General government
- Households
- NPIs serving households
- Rest of the world

3.2 The Rest of the world (ROW) sector includes only non-resident units. Non-resident units are excluded from all other sectors. The distinction between resident and non-resident units is discussed in paragraphs 3.59–3.72.

3.3 SNA93 divides the non-financial corporations, financial corporations, general government and household sectors into subsectors. In SISCA, only the financial corporations sector has subsectors. This difference is discussed further in paragraph 3.11. A table showing links between the SNA93 institutional sector classification and the SISCA is included in Appendix 7.

3.4 Resident units are allocated to one of the five domestic institutional sectors based on whether the unit is a household, corporation or quasi-corporation, government unit or NPI, as defined in chapter 2. Units classified to the financial corporations sector are then classified to subsectors according to other SNA93-based rules.

3.5 The discussion in this chapter begins with the rules for allocating the different types of resident units to domestic institutional sectors. The composition of each of the sectors and subsectors is then discussed. Attention is given to special cases which require some adaptation of the SNA rules to suit Australian circumstances. Rules are then discussed for allocating NPIs to sectors, and the distinction between financial and non-financial activities is explained. Finally the composition of the ROW sector is discussed.

ALLOCATION OF RESIDENT UNITS TO RESIDENT INSTITUTIONAL SECTORS

3.6 The allocation of resident units to institutional sectors is best described by starting with the following table adapted from SNA93 table 4.1.

RELATIONSHIP OF INSTITUTIONAL UNITS AND SECTORS

INSTITUTIONAL SECTOR.....					
<i>Type of institutional unit</i>	<i>Non-financial corporations</i>	<i>Financial corporations</i>	<i>General government(a)</i>	<i>Households</i>	<i>NPISH</i>
Corporations (private and public)	Non-financial corporations (including quasi-corporations)	Financial corporations (including quasi-corporations)	..	..	..
Government units(b)	..	..	Government units(b)	..	..
Households	..	..	..	Households	..
NPIs	Non-financial market NPIs	Financial market NPIs	Non-market NPIs controlled and mainly financed by government	..	Other non-market NPIs

(a) The general government sector undertakes regulatory functions, provides goods and services to the community or to individual households by financing their provision out of taxation or other income, redistributes income and wealth by means of transfers and engages in non-market production. It does not include government-owned or controlled businesses.

(b) Government units referred to in the SISCA do not include government-owned or controlled corporations and quasi-corporations.

3.7 In the table in paragraph 3.6, the first column lists the types of units identified in chapter 2 and the remaining five columns show how the units are allocated to institutional sectors. The institutional units are classified to institutional sectors in the following way:

- corporations are divided between two sectors: the non-financial corporations sector, and the financial corporations sector;
- all government units are classified to the general government sector;
- all household units (including unincorporated enterprises operated by households that are not treated as quasi-corporations) are classified to the households sector;
- market NPIs are divided between the non-financial corporations sector and the financial corporations sector; and
- non-market NPIs are divided between the general government sector and the NPIs serving households (NPISH) sector.

ALLOCATION OF RESIDENT UNITS TO RESIDENT INSTITUTIONAL SECTORS *continued*

3.8 The broad composition of each sector can be seen by looking down the columns for each of the institutional sectors, that is:

- the non-financial corporations sector comprises non-financial corporations, non-financial quasi-corporations and non-financial market NPIs;
- the financial corporations sector comprises financial corporations, financial quasi-corporations and financial market NPIs;
- the general government sector comprises government units and non-market NPIs that are controlled and mainly financed by government;
- the households sector comprises household units, including unincorporated enterprises that have not been identified as quasi-corporations; and
- the NPISH sector comprises other non-market NPIs.

STANDARD INSTITUTIONAL SECTOR CLASSIFICATION OF AUSTRALIA SECTORS AND SUBSECTORS

3.9 The sectors and subsectors of the SISCAs are as follows:

- 1 Non-financial corporations
- 2 Financial corporations
 - 2.1 Central bank
 - 2.1.1 Reserve Bank of Australia
 - 2.1.2 Other central bank institutions
 - 2.2 Depository corporations
 - 2.2.1 Banks
 - 2.2.2 Other depository corporations
 - 2.3 Insurance corporations and pension funds
 - 2.3.1 Life insurance
 - 2.3.2 Pension funds
 - 2.3.3 Other insurance corporations
 - 2.4 Other financial institutions
 - 2.4.1 Central borrowing authorities
 - 2.4.2 Financial intermediaries n.e.c.
 - 2.4.3 Financial auxiliaries
- 3 General government
- 4 Households
- 5 NPISH
- 6 ROW

3.10 The remainder of this chapter discusses the composition of each of the SISCAs sectors and subsectors. Special cases which require some adaptation of SNA93 rules for classifying units to sectors are identified.

STANDARD INSTITUTIONAL SECTOR CLASSIFICATION OF AUSTRALIA SECTORS AND SUBSECTORS *continued*

3.11 The SISCA does not include the same subsectors as the SNA93 institutional sector classification. The main differences are as follows:

- SNA93 divides the non-financial corporations sector between public corporations, national private corporations and foreign-controlled corporations. The same subsectoring is also applied to the financial corporations subsector as an additional subsectoring to that shown above. The ABS public/private classification, which is discussed in chapter 4, can be used to make the distinction between public and private corporations. Foreign-controlled corporations are not identified in ABS sector statistics.
- The central bank subsector in SNA93 is not subdivided. However the equivalent subsector in SISCA is split into the Reserve Bank of Australia (RBA) and other central bank institutions subsectors.
- The insurance corporations and pension funds subsector is not subdivided in SNA93.
- Central borrowing authorities (CBAs) are not recognised separately in SNA93. However, the SNA93 subsector in which the borrowing authorities would be included can be derived by consolidating subsectors 2.4.1 and 2.4.2 above.
- The general government sector in SNA93 is subdivided into subsectors for central government, state government, local government, and social security funds. In the SESCA, a level of government (LOG) classification provides the breakdown by level of government. There are no separately constituted social security funds in Australia. The LOG classification is discussed in paragraphs 4.16–4.23.
- The household sector in SNA93 is subdivided into subsectors for employers, own account workers, employees and recipients of property and transfer income. This subdivision is not included in the SISCA.

NON-FINANCIAL CORPORATIONS SECTOR

3.12 This sector comprises all resident corporations and quasi-corporations mainly engaged in the production of market goods and/or non-financial services (as defined in paragraphs 3.55–3.58), and holding companies (as defined in paragraph 2.21) with mainly non-financial corporations as subsidiaries. Also included are NPIs that mainly engage in market production of goods and non-financial services. These NPIs include those set up by associations of non-financial corporations to mainly provide member corporations with services, for which the members pay directly or by way of regular membership fees.

3.13 For the purposes of sector classification, ancillary corporations are merged with their parent corporation and are therefore included in the non-financial corporations sector if the parent corporation is mainly engaged in production of market goods and/or non-financial services. Ancillary corporations are wholly owned subsidiary corporations that mainly provide services to their parent corporation or other corporations in the same enterprise group.

3.14 The corporations and quasi-corporations in this sector may be controlled by other corporations, households, NPIs, government units or non-resident units.

NON-FINANCIAL CORPORATIONS SECTOR *continued*

3.15 Practical circumstances limit the extent to which the ABS includes non-financial quasi-corporations in the non-financial corporations sector. In general, full coverage can be assumed for only the following categories of non-financial quasi-corporations:

- unincorporated enterprises owned by government units which sell output at market rates;
- unincorporated partnerships of companies and trading trusts;
- unincorporated enterprises controlled by non-resident units; and
- unincorporated enterprises assessable for income tax purposes as companies.

3.16 There are particular difficulties in determining which non-financial unincorporated enterprises owned by households qualify as quasi-corporations. Rather than adopt a piecemeal approach, the ABS does not treat household-operated non-financial unincorporated enterprises as quasi-corporations unless they fall into one of the categories above.

FINANCIAL CORPORATIONS SECTOR

3.17 This sector comprises all resident corporations and quasi-corporations mainly engaged in financial intermediation and provision of auxiliary financial services (see paragraphs 3.55–3.58 for a description of financial intermediation and financial auxiliary services). Holding companies with mainly financial corporations as subsidiaries are also included, as are market NPIs that mainly engage in financial intermediation or production of auxiliary financial services. These NPIs include those set up by associations of financial corporations to mainly provide member corporations with services, for which the members pay directly or by way of regular membership fees.

3.18 For the purpose of sector classification, ancillary corporations are merged with their parent corporation and are therefore included in the financial sector if the parent corporation is mainly engaged in financial intermediation or production of auxiliary financial services. Ancillary corporations are wholly owned subsidiary corporations that mainly provide services to their parent corporation or other corporations in the same enterprise group.

3.19 The corporations and quasi-corporations in the sector may be controlled by other corporations, households, NPIs, government units or non-resident units.

3.20 The practical circumstances that limit the extent to which non-financial quasi-corporations owned by households are reflected in the non-financial corporations sector (see paragraph 3.15) generally do not apply to financial quasi-corporations owned by households. Full coverage of financial quasi-corporations can therefore be assumed, with the exception of unincorporated financial auxiliaries, for which adequate coverage sources have yet to be established.

3.21 Some financial corporations mainly provide services within the enterprise group to which they belong and are often described as intra-group financiers. Such corporations generally qualify as ancillary corporations and are only included in the financial corporations sector if the parent corporation is a financial corporation. Otherwise, such ancillary corporations are included in the non-financial corporations sector.

Central bank

3.22 The central bank subsector includes institutional units which mainly engage in one or more of the following functions:

- monetary policy development
- issuing of national currency
- custodian of the country's international reserves
- custodian of reserve deposits
- provision of banking services to government
- regulation of the financial system

3.23 In some countries, some of the above functions, for example, coin issue and the administration of consumer protection laws in respect of the financial system, are carried out by agencies which remain financially integrated with other government units. In such cases, the functions are included within the general government sector.

3.24 SNA93 does not subdivide this subsector. However, to enable a closer approximation of the BPM5 concept of monetary authorities, in Australia's BOP and IIP statistics, this subsector is divided between the RBA and other central bank institutions that are not monetary authorities.

RESERVE BANK OF AUSTRALIA

3.25 This subsector includes only the RBA, which has responsibility for monetary policy, issuing banknotes, holding Australia's international reserves, holding reserve deposits and providing banking services to the Commonwealth.

OTHER CENTRAL BANK INSTITUTIONS

3.26 This subsector includes the Australian Prudential Regulation Authority (APRA) only. It is responsible for regulation of the financial system, and currently undertakes prudential supervision of banks, life and general insurance companies, and superannuation funds. Supervision of building societies, credit unions and friendly societies is expected to transfer to APRA from State Governments during 1998–99.

Depository corporations

3.27 The depository corporations subsector includes all resident financial corporations and quasi-corporations, other than the RBA, that have liabilities in the form of deposits or deposit-substitutes such as short-term certificates of deposit. In the Australian context, this subsector includes all financial corporations which have liabilities included in the RBA's definition of *broad money*, namely all banks, cash management trusts and corporations registered in categories A to G of the Financial Corporations Act (FCA) (i.e. permanent building societies, credit co-operatives, money market corporations, pastoral finance companies, and general financiers). The subsector is divided into the banks and the other depository corporations subsectors.

BANKS

3.28 The banks subsector corresponds to the SNA93 subsector for *deposit money corporations*, and is defined as all financial enterprises licensed by APRA to operate as a bank.

Depository corporations *continued*

OTHER DEPOSITORY CORPORATIONS

3.29 The other depository corporations subsector comprises all depository corporations (as defined in paragraph 3.27) other than those that are categorised as banks.

Insurance corporations and pension funds

3.30 The insurance corporations and pension funds subsector includes all resident insurance corporations and quasi-corporations, and autonomous pension funds. Insurance corporations consist of incorporated, mutual and other entities with a principal function of providing life, accident, sickness, fire or other forms of insurance. Pension funds included in the subsector are constituted as legal entities separate from the units that created them and are established to provide retirement benefits for specific groups of people. Such funds have assets and liabilities of their own and undertake financial transactions in the market on their own account. The subsector is further divided into the life insurance, the pension funds and the other insurance corporations subsectors.

LIFE INSURANCE

3.31 The life insurance subsector comprises all insurance corporations registered as life insurers with APRA.

PENSION FUNDS

3.32 The pension funds subsector includes all superannuation funds that are regarded as complying funds for the purposes of the Superannuation Industry Supervision Act and other autonomous funds established for the benefit of public sector employees. Superannuation funds with all of their assets invested with insurance offices are included.

OTHER INSURANCE CORPORATIONS

3.33 The other insurance corporations subsector includes all corporations that provide insurance other than life insurance. Included are general, fire, accident, employer liability, household, and consumer credit insurers and health insurance funds. Also included is the Export Finance Insurance Corporation.

3.34 Friendly societies are not included in the subsector, even though they may offer a form of health insurance. Their liabilities are in the form of flexible insurance deposits, which are mutual aid schemes and not insurance in the sense used in SNA93. The flexible insurance deposits are regarded as investment services and friendly societies therefore are classified as financial intermediaries n.e.c. (see paragraph 3.37).

Other financial institutions

3.35 The other financial institutions subsector includes all resident financial corporations and quasi-corporations other than central bank institutions, depository and insurance corporations, and pensions funds. The subsector is divided into the CBAs, the financial intermediaries n.e.c. and the financial auxiliaries subsectors.

Other financial institutions *continued*

CENTRAL BORROWING AUTHORITIES

3.36 The CBAs subsector is not included in SNA93 but, in the Australian context, is considered sufficiently important and unique to justify separate categorisation. A CBA has been established by each State and Territory Government primarily to provide finance for public corporations and quasi-corporations, and other units owned or controlled by the Government, and to arrange investment of their surplus funds. The CBAs borrow funds, mainly by issuing securities, and on-lend to their public sector clientele. However, they also engage in other financial intermediation activity for investment purposes, and may participate in the financial management activities of the parent government. Although the CBA of the Australian Capital Territory strictly does not qualify as a separate institutional unit, it is treated as such to ensure uniform treatment of CBA activities across all States and Territories.

FINANCIAL INTERMEDIARIES N.E.C.

3.37 The financial intermediaries n.e.c subsector comprises all financial intermediaries other than central bank institutions, depository corporations, insurance corporations, pension funds and CBAs. As noted in paragraph 3.34, friendly societies are included in this subsector. Also included are:

- economic development corporations owned by governments;
- common funds, including cash common funds;
- mortgage, fixed interest and equity unit trusts;
- issuers of asset-backed securities;
- co-operative housing societies; and
- corporations registered in Category J of the FCA (mainly credit union leagues).

3.38 This subsector also includes various housing finance schemes established by State Governments to assist first home buyers. Although the schemes are established under a variety of arrangements, some of which indicate that the schemes could be considered part of the general government sector, they are all classified as public financial corporations or quasi-corporations so that there is a uniform treatment.

FINANCIAL AUXILIARIES

3.39 The financial auxiliaries subsector comprises corporations predominantly engaged in providing financial services other than financial intermediation. Included in this subsector are fund managers, stock brokers, stock exchanges, insurance brokers, and arrangers of hedging instruments such as swaps, options and futures.

GENERAL GOVERNMENT SECTOR

3.40 The general government sector comprises all government units (as defined in paragraph 2.24) of the Commonwealth Government, each State and Territory Government, each local government authority, and all resident non-market NPIs that are controlled and mainly financed by those governments.

3.41 Included in the sector are government-controlled unincorporated enterprises that engage in market production but do not qualify as quasi-corporations because their operations are too closely integrated with the operations of other government units and are not the subject of a separate full set of accounts.

GENERAL GOVERNMENT SECTOR *continued*

3.42 All of Australia's public universities are treated as NPIs that are controlled and mainly financed by government and are therefore included in the general government sector. Each university is established by legislation which gives it the capacity to own assets, incur liabilities and engage in economic activity in its own right. Each university therefore clearly qualifies as a separate institutional unit.

3.43 Although these universities are funded indirectly from taxation, they each have a high degree of independent revenue-raising capacity and authority to decide how funds are expended. For these reasons, they are not considered to be government units as defined in paragraph 2.24. The universities are treated as NPIs because they cannot distribute surpluses. The question of the institutional sector classification of the universities therefore rests on whether they are controlled and mainly financed by government.

3.44 As discussed in paragraph 3.50, SNA93 defines government control of a NPI as the ability to determine policy by having the authority to appoint officers managing the NPI. Legislation establishing each of the universities vests responsibility for their management in senates or councils, which include appointees of the establishing government but also include elected and non-elected representatives of other stakeholders. The degree of government control exercised through appointment of officers varies from university to university. Also, other forms of government control are exercised. For example, the fact that the universities are mainly financed by the Commonwealth Government gives that Government a significant degree of control.

3.45 Taking into account the combined degree of control of universities exercised in various forms by the Commonwealth Government and State Governments, and the high degree of government financing, the universities are considered to be mainly controlled and financed by government. Strict application of the rules to each public university individually might result in a minority of them falling outside the general government sector. However, uniform sector classification of all public universities is regarded as an overriding consideration and all have been classified to the general government sector.

3.46 Further discussion relevant to the delineation of the general government sector is included in paragraphs 4.4–4.15.

HOUSEHOLDS SECTOR

3.47 The households sector comprises all resident households as defined in paragraph 2.8. Included are all non-financial unincorporated enterprises, other than those listed in paragraph 3.15, that are owned and controlled by households. Also included are any financial unincorporated enterprises that are owned by households and do not qualify as quasi-corporations (see paragraph 2.22).

NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS SECTOR

3.48 The NPISH sector comprises all resident non-market NPIs that are not controlled and not mainly financed by government. Such NPIs provide goods and services to households free or at prices that are not economically significant. Two types of NPIs are included in the sector:

- NPIs that are mainly financed from household member subscriptions and produce benefits primarily for the household members. Such NPIs include professional or learned societies, political parties, trade unions, consumers' associations, churches and religious societies, and social, cultural, recreational and sports clubs.
- Charities, relief and aid agencies that are created for philanthropic purposes and not to serve the interests of the members, and are financed mainly from donations or government grants. Such NPIs provide goods or services free or at economically insignificant prices to households in need.

ALLOCATION OF NON-PROFIT INSTITUTIONS TO SECTORS

3.49 In allocating NPIs to sectors, the distinction between market and non-market NPIs is important. Market NPIs are classified to the corporate sectors and non-market NPIs are allocated to the general government sector or the NPISH sector. Market NPIs that are engaged primarily in financial intermediation (as defined in paragraph 3.55) or auxiliary financial services (as defined in paragraph 3.57) are classified to the financial corporations sector. These include NPIs formed as associations of financial corporations to provide services to member corporations. All other market NPIs are allocated to the non-financial corporations sector, including NPIs formed as associations of non-financial corporations to provide services to member corporations.

3.50 Non-market NPIs that are controlled and mainly financed by government are classified to the general government sector. SNA93 defines government control of a NPI as 'the ability to determine the general policy or programme of the NPI by having the right to appoint the officers managing the NPI'.¹

3.51 According to SNA93, government-controlled NPIs may be engaged in research or development or the setting or maintenance of standards in fields such as health, safety, the environment, accounting, finance, education, etc., for the benefit of both corporations and households. Governments create NPIs for such purposes rather than using agencies of government to carry out the same functions. This is because NPIs concerned with public standards may need to be seen as detached and objective, and not subject to political pressures that might apply to government departments. NPIs controlled and mainly financed by government are allocated to the general government sector, irrespective of the types of units that mainly benefit from their activities.

¹ SNA93, para. 4.62.

ALLOCATION OF NON-PROFIT INSTITUTIONS TO SECTORS *continued*

3.52 In some cases, the SNA93 criteria for including NPIs in the general government sector are not sufficiently definitive, and other factors have to be taken into account. Such factors can include:

- the proportion of government appointees to NPI management boards;
- the extent to which control and majority financing lies with one government or is divided among different governments and non-government sources;
- whether government control exists without predominant government financing or predominant government financing exists without government control; and
- the degree of independence from government influence able to be exercised by the NPI in day-to-day management of its affairs.

3.53 The most prominent Australian NPIs classified to the general government sector are the public universities. The issues addressed in the classification of the universities to the general government sector are discussed in paragraphs 3.42–3.45.

3.54 All other non-market NPIs (i.e. those that are not controlled and mainly financed by government) are classified to the NPISH sector.

DISTINCTION BETWEEN FINANCIAL AND NON-FINANCIAL ACTIVITIES

3.55 The allocation of corporations and market NPIs to the non-financial corporations sector or the financial corporations sector is based on the SNA93 distinction between financial intermediation and auxiliary financial activities and other market activities. Financial intermediation is defined in SNA93 as 'a productive activity in which an institutional unit incurs liabilities on its own account for the purpose of acquiring financial assets by engaging in financial transactions on the market'.²

3.56 The role of financial intermediaries is described as channelling funds from lenders to borrowers by collecting funds from lenders and transforming or repackaging them in ways which suit the requirements of borrowers. Liabilities are incurred by accepting deposits and issuing bills, bonds or other securities. The funds are used to acquire financial assets, principally by making advances or loans to others but also by purchasing bills, bonds or other securities. A financial intermediary does not simply act as an agent for other units, but places itself at risk by incurring liabilities on its own account.

3.57 Auxiliary financial activities are services that are closely related to, and designed to facilitate, financial intermediation. The activities may be performed as secondary activities, by financial intermediaries, or performed on an agency basis by specialists. The latter include securities brokers, flotation companies, loan brokers, agencies that guarantee bills by endorsement, and institutions that arrange hedging instruments such as swaps, options and futures. Such units are not financial intermediaries because they do not incur liabilities on their own account.

3.58 In summary, corporations, quasi-corporations and market NPIs that are engaged primarily in financial intermediation or auxiliary financial services are classified to the financial corporations sector. All other corporations, quasi-corporations and market NPIs are classified to the non-financial corporations sector.

² SNA93, para. 4.78.

REST OF THE WORLD SECTOR

3.59 The ROW sector consists of all non-resident units that enter into transactions, or have other economic links, with Australian resident units. The sector is included in many of the economic statistics produced by the ABS. However, most non-resident units do not have a physical presence in Australia and are not included in ABS statistical collections. Few are therefore recorded in the ABS business register. (Information about the sector is usually compiled from records relating to resident parties engaged in transactions with non-residents.) The small number of non-resident units that are located in Australia are identified in the business register only so that they can be distinguished from resident units.

3.60 The concept of residence is based on the concept of the economic territory of a country rather than legal or political concepts. The economic territory of a country is defined in the SNA93 as 'the geographic territory administered by a government within which persons, goods and capital circulate freely'.³ The economic territory includes:

- the airspace, territorial waters, and continental shelf lying in international waters over which the country enjoys exclusive rights or jurisdiction in respect of the right to fish or to exploit fuels or minerals below the sea bed;
- territorial enclaves in the rest of the world (clearly demarcated areas of land which are located in other countries and which are used by the government which owns or rents them for diplomatic, military, scientific or other purposes); and
- any free zones, or bonded warehouses or factories operated by offshore enterprises under customs control (these form part of the economic territory of the country in which they are physically located).

3.61 The economic territory of Australia includes the Cocos (Keeling) Islands and Christmas Island. It does not include the external territory of Norfolk Island or foreign governments' territorial enclaves (e.g. embassies, consulates, scientific stations, information and immigration offices, etc.) located in Australia. Conversely, Australia's economic territory includes Australian territorial enclaves in foreign countries, such as Australia's embassies, consulates, trade offices, etc.

3.62 SNA93 states that a unit has a centre of economic interest within a country when there exists some location — dwelling, place of production, or other premises — within the economic territory of the country on, or from which [the unit] engages, and intends to continue to engage, in economic activities and transactions on a significant scale, either indefinitely or over a finite but long period of time. The location need not be fixed so long as it remains within the economic territory.⁴

3.63 If a unit has operated (or intends to operate) in Australia for one year or more, it is regarded as having a centre of economic interest in Australia.

³ SNA93, para. 14.9.

⁴ SNA93, para. 14.12.

REST OF THE WORLD SECTOR *continued*

3.64 The ownership of land and structures within the economic territory of Australia is deemed sufficient justification to record a centre of economic interest in Australia on the grounds that the property can be used for production. However, if the non-resident owner does not have any economic interest other than ownership of the land and structures, ownership is treated as having been transferred to a notional resident unit in Australia. The notional unit is treated as a quasi-corporation owned and controlled by the non-resident actual owner, who is treated as receiving rent from the quasi-corporation.

3.65 A household is considered to have a centre of economic interest in Australia when it maintains a dwelling in Australia that household members use as their principal residence. If a household member leaves to live in another country, the member is no longer treated as part of that household. A resident household member who leaves Australia for a limited period of time (i.e. less than one year) continues to be treated as a resident even if short journeys abroad are made frequently. Accordingly, the following categories of persons are treated as residents:

- individuals who leave Australia's economic territory for less than one year for recreation, business, health, education, religious, or other purposes, e.g. travellers or visitors;
- persons who work for less than one year in another economic territory, including seasonal workers, but who maintain their principal residence in Australia;
- persons who work all of the time in another economic territory, including border workers, provided they return regularly to their main household in Australia;
- non-diplomatic staff of international agencies located in Australia who remain here for one year or more;
- the Australian recruited staff of foreign embassies, consulates, military bases, etc. in Australia; and
- Australian crews of ships, aircraft, or other mobile equipment operating partly, or wholly, outside the economic territory.

3.66 As indicated in paragraph 2.22, quasi-corporations that are located in Australia and are owned by non-resident units are treated as resident units and not as part of the ROW sector.

3.67 Australian military personnel and public servants, including diplomats, who work in Australia's territorial enclaves abroad (i.e. military bases, embassies, consulates, etc.) are considered to have a centre of economic interest in Australia, however long they work in the enclaves. They are considered to be resident in Australia even if they live in dwellings outside the enclaves.

3.68 Students are treated as residents of their country of origin, however long they study abroad, provided that they continue to form part of a household in their home country. Medical patients abroad also are treated as residents of their country of origin, even if their stay is one year or more, provided that they continue to form part of a household in their country of origin.

3.69 Technical assistance personnel on long-term assignments are treated as residents of the country in which they work.

REST OF THE WORLD SECTOR *continued*

3.70 A special case is cited in the SNA93 concerning units using mobile equipment, such as ships, aircraft, drilling rigs and platforms, railway rolling stock, etc., outside the economic territory in which the units are resident. Where the operations are in international waters or airspace, these activities are attributed to the economy of residence of the operator. Where the operation is in another economic territory, the unit is treated as a resident of the economy in which the activity (production) occurs, if accounted for separately by the operator and if so recognised by the tax and licensing authorities there. Otherwise, the activity may be attributed to the country of residence of the original operator. In cases involving the leasing of mobile equipment to one unit by another for a long or indefinite period, the lessee unit is deemed to be the operator and activities are attributed to the country in which the lessee is resident, unless the lessee operates the unit in another country.

3.71 International organisations such as the United Nations and its agencies and the IMF, are not considered to be residents of any national economy, including those in which they are located or conduct their affairs. They are treated as non-residents by all economies. However, persons working for these organisations are treated as residents of the economies in which they live.

3.72 After application of the foregoing rules, all units identified as non-resident units are allocated to the ROW sector.

CHAPTER 4

ASSOCIATED CLASSIFICATIONS

INTRODUCTION

4.1 This publication discusses a group of ABS statistical classifications that can be described collectively as economic sector classifications. Chapter 3 describes the SISCAs, which is regarded as central amongst ABS sector classifications. The subject of this chapter is the other ABS classifications that can be classed as sector classifications. They are described as associated classifications because they are used in conjunction with the SISCAs to provide classifications tailored to particular statistical requirements.

- 4.2** The classifications discussed in this chapter are as follows:
- Public/private
 - Level of government
 - Jurisdiction
 - BOP sector
 - Direct investment enterprises/other enterprises
 - Direct investors/other investors

4.3 As for the SISCAs, the basic unit of classification for each of these classifications is the legal entity unit, which is the Australian counterpart of the SNA93 institutional unit. Each of the classifications can also be applied to enterprise units.

PUBLIC/PRIVATE CLASSIFICATION

4.4 This classification subdivides the Australian economy between

- resident units that are part of the general government sector or are controlled by units of the general government sector (the *public sector*); and
- all other resident units (the *private sector*).

4.5 The public sector therefore comprises

- all resident units that are classified in the SISCAs to the general government sector, including all government units and non-market NPIs that are controlled and mainly financed by government;
- all resident units that are classified to the non-financial corporations sector and are controlled by government units (*public non-financial corporations*); and
- all units that are classified to the financial corporations sector and are controlled by government units (*public financial corporations*).

4.6 The second and third categories include quasi-corporations as well as corporations.

4.7 The criteria for recognising units of the general government sector are discussed in chapter 3. The criterion for recognising government-controlled corporations and quasi-corporations is based on the SNA93 definition of control, which is 'the ability to determine general corporate policy by appointing appropriate directors, if necessary. Owning more than half the shares of a corporation is evidently a sufficient, but not a necessary, condition for control'.¹ Thus, government controls a corporation when a government unit owns more than 50% of the shares in the corporation. However, in some cases, government control can also exist when a government unit owns 50% or less of the shares of a corporation. For example, government control can exist where special legislation or regulations empower a government to determine corporate policy or to appoint the directors of a corporation. Corporations controlled by other government-controlled corporations are considered to be government controlled.

4.8 For the purposes of the public/private classification, government control of corporations does not include a government's ability to exercise general legislative or regulatory powers over corporations as a group. Government authority to determine the general policy of a corporation usually comes from legislation that is specific to the individual corporation over which control is exercised.

¹ SNA93, para. 4.30.

PUBLIC/PRIVATE CLASSIFICATION *continued*

4.9 In some cases, the existence of government control may not be clear. In Australia, such is the case with superannuation funds that governments have established for the benefit of their employees. Legislation places responsibility for the day-to-day operation of the superannuation funds with a board of trustees that is created as a separate legal entity. The establishing governments generally receive no monetary benefits from the funds, which are accordingly treated as NPIs. Because the costs of the funds' operations are recovered from the pool of contributions, the funds are treated as market NPIs and are included in the financial corporations institutional sector. Although the establishing government has the power, under the legislation, to appoint and dismiss some or all of the trustees, the boards of trustees are typically not under the direction of government and are required to act in the beneficiaries' interests, and not those of the government. Accordingly, the funds are not considered to be under government control. Although the circumstances of individual funds may vary, in the interest of uniformity, all superannuation funds with arrangements broadly similar to those described are included in the private sector.

4.10 Statistics for the public sector are usually presented separately for the general government sector component and each of the two corporate components, as follows:

General government (1)	Public non-financial corporations (2)	Public financial corporations (3)	Public sector (1) + (2) + (3)
---------------------------	------------------------------------------	--------------------------------------	----------------------------------

4.11 For some purposes, statistics are compiled for a combination of the general government sector and all public non-financial corporations (i.e. (1) and (2) above), which is described as the *non-financial public sector*.

4.12 The private sector comprises all resident units other than those classified to the public sector. It therefore includes:

- all resident households (including unincorporated enterprises that are not treated as quasi-corporations);
- all resident NPIs other than non-market NPIs that are controlled and mainly financed by government; and
- all resident corporations and quasi-corporations that are not controlled by units of the general government sector.

4.13 Control of resident private sector corporations can be exercised by households, NPIs (other than those controlled and mainly financed by government) or non-residents.

4.14 Instances can arise in which the public and private sectors share ownership of a corporation. In such cases, the corporation is allocated to the sector that has effective control over the determination of the activities and policy of the corporation.

PUBLIC/PRIVATE CLASSIFICATION *continued*

4.15 The public/private classification can be used to subdivide the two corporate sectors in the SISCAs, that is, the non-financial corporations sector and the financial corporations sector, between public and private corporations as follows:

- Non-financial corporations sector
 - ◆ Public corporations
 - ◆ Private corporations
- Financial corporations sector
 - ◆ Public corporations
 - ◆ Private corporations

LEVEL OF GOVERNMENT CLASSIFICATION

4.16 The general government sector in SNA93 is divided into subsectors representing three levels of government (Central, State and Local). In Australia, the corresponding levels of government are described as National, State/Territory and Local. The SNA93 level of government classification is an integral part of the institutional sector classification whereas, in Australia, a separate LOG classification is defined which can be applied to public corporations as well as to the general government sector. Having a separate classification enables the public sector and each of its components to be classified by LOG, as shown in the following table.

COMPONENTS OF THE PUBLIC SECTOR

PUBLIC SECTOR.....				
<i>Level of government</i>	<i>General government</i>	<i>Public non-financial corporations</i>	<i>Public financial corporations</i>	<i>Total public sector</i>
National				
State/Territory				
Local				

4.17 Appendix 3 outlines the procedure involved in applying LOG to institutional units.

National

4.18 All units that have a national role or function are classified to the National LOG. Units are generally considered to have a national role or function if the political authority underlying their functions extends over the entire territory of Australia or the functions involve policies that are primarily of concern at a national level. The fact that a unit is controlled by the Commonwealth Government is *prima facie* (but not necessarily conclusive) evidence that the unit has a national role or function. Currently, all Commonwealth-controlled public sector units are classified to the National LOG. Such units include government units controlled by the Commonwealth Government, non-market NPIs that are controlled and mainly financed by the Commonwealth Government, and public non-financial and financial corporations (including the RBA) controlled by the Commonwealth Government.

4.19 Units that are not controlled by the Commonwealth Government can also be classified to the National LOG. Currently, the only such cases are 'multi-jurisdictional' units (see paragraphs 4.24–4.27) that have a national role or function. Multi-jurisdictional units are public sector units that cannot be defined unambiguously as under the control of a single government. The only multi-jurisdictional units currently classified to the National LOG are the public universities which, as described in chapter 3, are mainly financed and partly controlled by the Commonwealth Government but are subject to a degree of control by the establishing State or Territory Government. On balance, the public universities are considered to be implementing policy (i.e. tertiary education) that is primarily of concern at a national level.

State/Territory

4.20 All units that have a State or Territory role or function are classified to the State/Territory LOG. Units are generally considered to have a State or Territory role or function if the political authority underlying their functions is limited to a State or Territory or the functions involve policies that are primarily of concern at a State or Territory level. The fact that a unit is controlled by a State or Territory Government is prima facie (but not necessarily conclusive) evidence that a unit has a State or Territory role or function. Currently, all State/Territory-controlled public sector units are classified to the State/Territory LOG. Such units include government units controlled by a State or Territory Government, non-market NPIs that are controlled and mainly financed by a State or Territory Government, and all public non-financial and financial corporations that are controlled by a State or Territory Government.

4.21 Although units that are not controlled by a State or Territory Government, including multi-jurisdictional units, can be classified to the State/Territory LOG, none of them are so-classified currently.

Local

4.22 All units that have a local role or function are classified to the Local LOG. Units are generally considered to have a local role or function if the political authority underlying their functions is limited to a local government area or other region within a State or Territory or the functions involve policies that are primarily of concern at a local level. The fact that a unit is established as, or directly controlled by a local government authority is prima facie (but not necessarily conclusive) evidence that a unit has a local role or function. Currently, all local government authorities and the units they control are classified to the Local LOG. Such units include each local government authority constituted under one of the various Local Government Acts (or the equivalent) in each State and the Northern Territory, County Councils in New South Wales, all non-market NPIs that are controlled and mainly financed by a local government authority, and all public non-financial and financial corporations that are controlled by a local government authority.

4.23 Although units that are not controlled by local government, including multi-jurisdictional units, can be classified to the Local LOG, none of them are so-classified currently.

JURISDICTION CLASSIFICATION

4.24 GFS and other public sector statistics are often presented for 'jurisdictions'. In this context, jurisdiction means the public sector units over which the Commonwealth Government or an individual State or Territory Government has direct control or, in the case of local government authorities, the government which administers the legislation under which the authority was established. Each public sector unit is classified to jurisdiction by reference to the government which exercises such controls over its activities. The categories making up the jurisdiction classification (JUR) are as follows:

- 1 Commonwealth
- 2 New South Wales
- 3 Victoria
- 4 Queensland
- 5 Western Australia
- 6 South Australia
- 7 Tasmania
- 8 Northern Territory
- 9 Australian Capital Territory
- 10 Multi-jurisdiction

4.25 In most cases, classification of units to JUR is straight forward. Thus, each unit that is controlled by the Commonwealth Government is classified to the Commonwealth jurisdiction and each unit that is controlled by a State or Territory Government is classified to the jurisdiction of the controlling government. Each local government authority, and all units controlled by local government authorities, are classified to the jurisdiction that administers the local government legislation under which the authority was created. In all cases, this is the State or Territory in which the local government unit is located.

4.26 There are units, however, for which jurisdiction is shared between two or more governments, or classification of a unit to a jurisdiction is otherwise unclear. Such units are included in a 'multi-jurisdictional' category, and are excluded from statistics for each of the other jurisdictions. As explained in paragraph 4.19, the only type of units currently falling into this category are the public universities.

4.27 Appendix 3 outlines the procedures for applying the JUR classification to legal entities.

BALANCE OF PAYMENTS SECTOR CLASSIFICATION

4.28 ABS BOP and IIP statistics employ an institutional sector classification that is based on the functional classification included in the BPM5. The classification is a contraction of the institutional sector classification in the SNA93. The sectors in the BPM5 are as follows:

- 1 General government
- 2 Monetary authorities
- 3 Banks
- 4 Other

4.29 The BPM5 classification includes in the monetary authorities sector certain monetary functions that are often performed by institutional units classified to the general government sector. The functions concerned are issue of currency, maintenance and management of international reserves — including those resulting from transactions with the IMF — and the operation of exchange stabilisation funds. In other words, strict application of the BPM5 classification could see the functions of certain institutional units 'split' across two sectors.

4.30 The ABS BOP sector classification is based on the IMF classification but does not include any transfer of part of the monetary authority functions from the general government sector. In Australia, only relatively minor monetary authority functions are performed by the general government sector, including issue of coins, use of IMF credit (which is rare), and certain elements of Australia's reserve position with the IMF. In ABS BOP and IIP statistics, these functions are recorded in the general government sector, but are identified separately. The ABS BOP sectors are as follows:

- 1 General government
- 2 RBA
- 3 Depository corporations
- 4 Other

4.31 The ABS BOP general government sector coincides with the SISCAs general government sector. The RBA sector coincides with the SISCAs RBA subsector. The depository corporations sector coincides with the SISCAs depository corporations subsector. The other sector coincides with the SISCAs other central bank institutions subsector, insurance corporations and pension funds subsector, other financial institutions subsector, non-financial corporations sector, NPISH sector and households sector.

DIRECT INVESTMENT ENTERPRISE/OTHER ENTERPRISE CLASSIFICATION

4.32 This classification is used in ABS BOP and IIP statistics and is based on standards set out in the BPM5. The classification subdivides resident incorporated and unincorporated enterprises into direct investment enterprises and other enterprises. The classification enables measurement of flows of foreign direct investment into Australia and measurement of the stock of foreign direct investment in Australian resident enterprises. A direct investment enterprise is defined in Australia's BOP and IIP statistics as an incorporated or unincorporated enterprise resident in Australia in which an investor (referred to as a direct investor), who is resident in another economy, owns 10% or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise).

4.33 Direct investment enterprises include:

- subsidiaries (a non-resident investor owns more than 50% of the company): sub-subsidiaries are also direct investment enterprises;
- associate companies (a non-resident investor and its subsidiaries owns from 10 to 50%): subsidiaries of associate companies are also associates; and
- branches (permanent establishments of non-resident companies or other non-resident investors).

DIRECT INVESTOR/OTHER INVESTOR CLASSIFICATION

4.34 This classification is used in BOP and IIP statistics. The classification subdivides Australian resident investors in non-resident enterprises into direct investors and other investors. Identification of direct investors enables measurement of flows of Australian direct investment abroad and the stock of Australian direct investment in foreign enterprises. A resident direct investor is defined in Australia's BOP and IIP statistics as a resident enterprise or individual, who owns 10% or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise) of a non-resident enterprise.

4.35 An 'other investor' is a resident enterprise or individual who is an investor in one or more non-resident enterprises but is not a direct investor.

APPENDIX **1** CLASSIFICATIONS

STANDARD INSTITUTIONAL SECTOR CLASSIFICATION OF AUSTRALIA

- 1 Non-financial corporations
- 2 Financial corporations
 - 2.1 Central bank
 - 2.1.1 Reserve Bank of Australia
 - 2.1.2 Other central bank institutions
 - 2.2 Depository corporations
 - 2.2.1 Banks
 - 2.2.2 Other depository corporations
 - 2.3 Insurance corporations and pension funds
 - 2.3.1 Life insurance
 - 2.3.2 Pension funds
 - 2.3.3 Other insurance corporations
 - 2.4 Other financial institutions
 - 2.4.1 Central borrowing authorities
 - 2.4.2 Financial intermediaries n.e.c.
 - 2.4.3 Financial auxiliaries
- 3 General government
- 4 Households
- 5 Non-profit institutions serving households
- 6 Rest of the world

PUBLIC/PRIVATE CLASSIFICATION

- 1 Public
- 2 Private

LEVEL OF GOVERNMENT CLASSIFICATION

- 1 National
- 2 State/Territory
- 3 Local

JURISDICTION CLASSIFICATION

- 1 Commonwealth
- 2 New South Wales
- 3 Victoria
- 4 Queensland
- 5 Western Australia
- 6 South Australia
- 7 Tasmania
- 8 Northern Territory
- 9 Australian Capital Territory
- 10 Multi-jurisdiction

BALANCE OF PAYMENTS SECTOR CLASSIFICATION

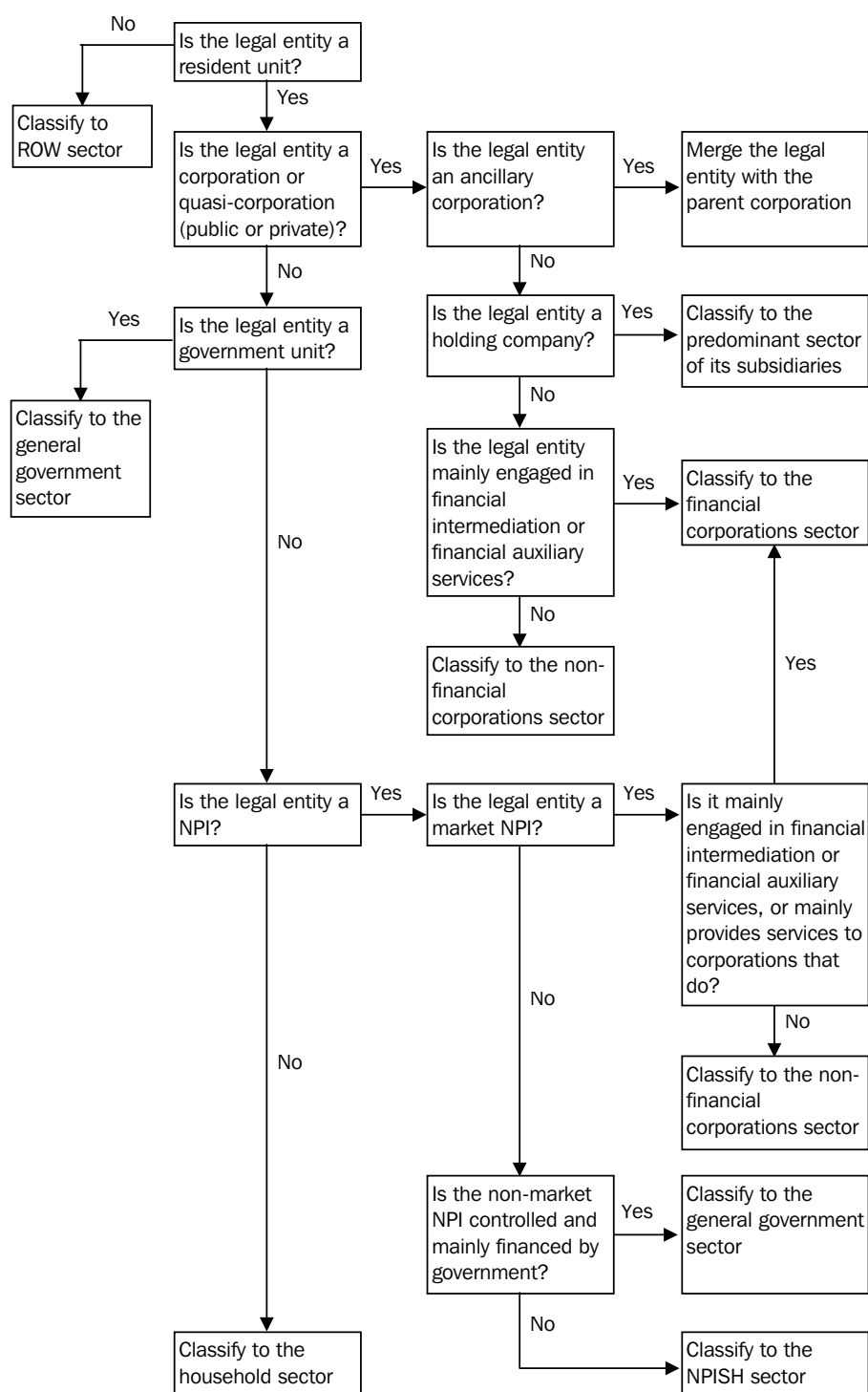
- 1 General government
- 2 Reserve Bank of Australia
- 3 Depository corporations
- 4 Other

DIRECT INVESTMENT ENTERPRISE/OTHER ENTERPRISE CLASSIFICATION

- 1 Direct investment enterprise
- 2 Other enterprise

DIRECT INVESTOR/OTHER INVESTOR CLASSIFICATION

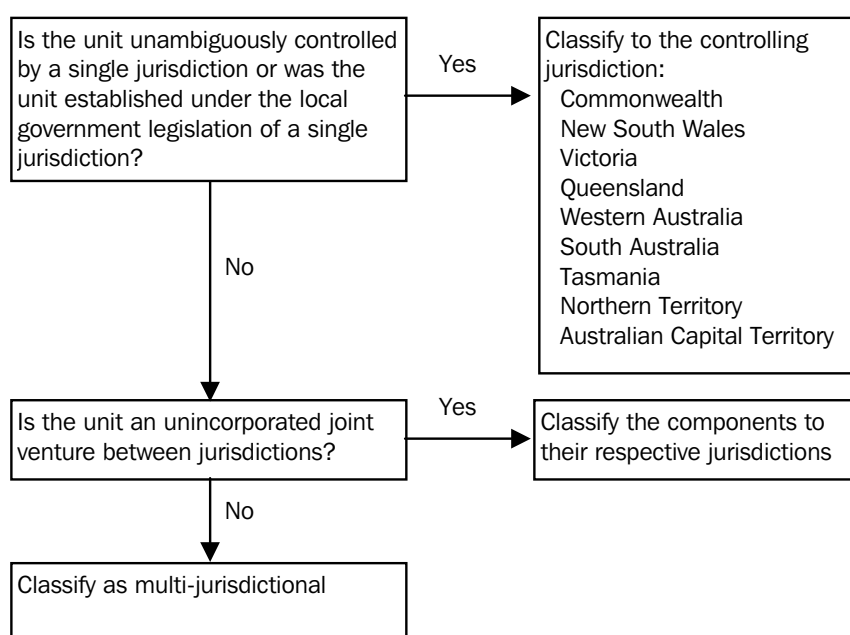
- 1 Direct investor
- 2 Other investor

**ALLOCATION OF LEGAL ENTITIES TO
INSTITUTIONAL SECTORS**

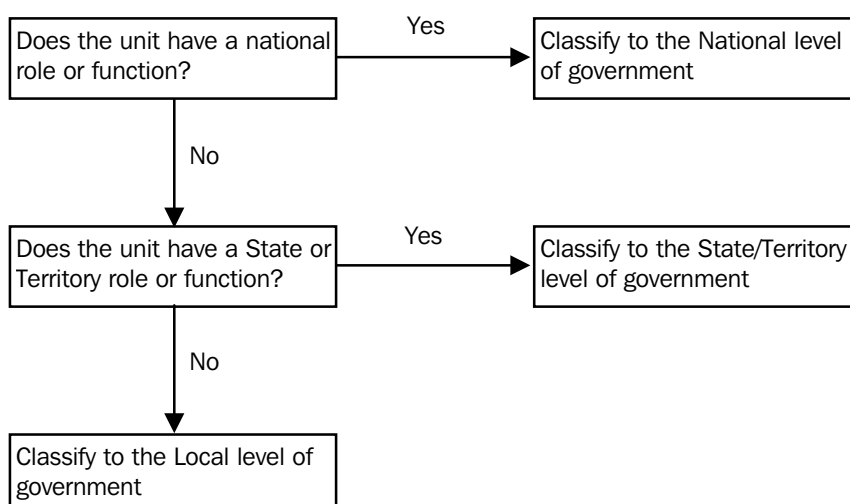
APPENDIX 3

PUBLIC SECTOR UNITS CLASSIFIED BY JURISDICTION AND LEVEL OF GOVERNMENT

JURISDICTION



LEVEL OF GOVERNMENT



APPENDIX 4

USE OF SESCA IN THE AUSTRALIAN NATIONAL ACCOUNTS

The presentation below illustrates the most detailed information based on the SESCA that the ABS is considering compiling in the following Australian National Accounts (ANA) publications:

- *Australian System of National Accounts* (ABS Cat. no. 5204.0) — annual
- *Australian National Accounts: National Income, Expenditure and Product* (ABS Cat. no. 5206.0) — quarterly
- *Australian National Accounts: State Accounts* (ABS Cat. no. 5220.0) — annual
- *Australian National Accounts: Financial Accounts* (ABS Cat. no. 5232.0) — quarterly

Not all of the above publications will include the degree of sector detail shown below. The extent to which sector detail is provided for the various accounts that make up the ANA will depend both on the relevance of providing sector details and on data availability. In particular, although the table indicates that separate information is to be available for the NPISH sector, no date has been set for the publication of that information which, for the time being, will be included with information for the households sector. As well, separate data are currently not available for *financial auxiliaries*, which are combined with *other financial intermediaries n.e.c.*

- Non-financial corporations
 - Private non-financial corporations
 - Public non-financial corporations
 - National government
 - State and local government
- Financial corporations
 - Central bank
 - Depository corporations
 - Banks
 - Other depository corporations
 - Insurance corporations and pension funds
 - Life insurance
 - Pension funds
 - Other insurance corporations
 - Other financial corporations
 - Central borrowing authorities
 - Financial intermediaries n.e.c.
 - Financial auxiliaries
- General government
 - National government
 - State and local government
- Households
- Non-profit institutions serving households
- Rest of the world

In the financial accounts publication (ABS Cat. no. 5232.0), a private/public dissection will not be available for the financial corporations sector. Consolidated financial accounts data will be available for two sector combinations not shown above

- the private non-financial sector, comprising the households sector and private non-financial corporations; and
- the public non-financial sector, comprising the general government sector and public non-financial corporations.

In general, the following classifications are not applied in the national accounts:

Jurisdiction

Balance of payments sector

Direct investment enterprises/other enterprises

Direct investor/other investor

However, in some tables, information can be presented for the Commonwealth jurisdiction.

**USE OF SESCA IN ABS GOVERNMENT
FINANCE STATISTICS**

The following table illustrates the most detailed analysis of ABS GFS that can be made using SESCA classifications.

In practice, information for public financial corporations is not yet incorporated in GFS and data for the public sector as a whole are therefore not yet available (this information is expected to be available from November 1998). At the present time, information is presented for the general government sector, public non-financial corporations and the consolidated total of these two categories, which is called the non-financial public sector.

The only multi-jurisdictional units currently included in GFS are the public universities, which are included in the National LOG.

GFS are often presented for a combination, not shown in the table, of the State/Territory LOG and the Local LOG. This combination is usually given the title 'State and local government'.

PRESENTATION OF PUBLIC SECTOR COMPONENTS IN GFS

.....

PUBLIC SECTOR.....

<i>LOG and JUR</i>	<i>General government sector</i>	<i>Public non-financial corporations</i>	<i>Public financial corporations</i>	<i>Total</i>
.....				
National				
Commonwealth				
Multi-jurisdictional				
<i>Total National</i>				
State/Territory				
New South Wales				
Victoria				
Queensland				
Western Australia				
South Australia				
Tasmania				
Northern Territory				
Australian Capital Territory				
Multi-jurisdictional(a)				
<i>Total State/Territory</i>				
Local				
New South Wales				
Victoria				
Queensland				
Western Australia				
South Australia				
Tasmania				
Northern Territory				
Multi-jurisdictional(a)				
<i>Total Local</i>				

Total

.....

(a) Not currently applicable.

APPENDIX 6

USE OF SESCA IN BOP AND IIP STATISTICS

The three main combinations of sector classifications used in ABS BOP and IIP statistics are shown below.

- 1 General government/other
 - General government
 - Other
- 2 Broad institutional sectors (i.e. the BOP sector classification)
 - General government
 - Reserve Bank of Australia
 - Depository corporations
 - Other
- 3 Combined public/private and sector classification
 - Public sector
 - General government
 - Public financial corporations
 - Reserve Bank of Australia
 - Depository corporations
 - Other public financial corporations
 - Central Borrowing Authorities
 - Other
 - Public non-financial corporations
 - Private sector
 - Financial corporations
 - Non-financial corporations

The first combination above is used to present information on the current and capital transfers from and to Australian residents.

The second combination is used mainly to present income credits, and transactions in, and levels of, foreign financial assets and liabilities.

The third combination is used mainly in the presentation of information on Australia's foreign debt transactions, levels of foreign debt, and the income accruing on that debt. Also used in ABS BOP and IIP statistics are the direct investment enterprise/other enterprise classification and the direct investor/other investor classification. These classifications are used in the standard presentation of, respectively, foreign equity in Australian enterprises and Australian equity in foreign enterprises.

APPENDIX 7

CONCORDANCES

INTRODUCTION

The concordances presented in this appendix compare the 1998 SISCA, the 1987 SISCA and the SNA93 institutional sector classification. The concordances show the categories of the reference classification on the left-hand side. The corresponding categories in the compared classification are shown on the right. Where there is no corresponding category, the symbol '.' is shown. Where part of the category matches the reference category, the symbol 'p' is shown against that category. The correspondence between categories will not always be one to one or exact. The content of each concordance is explained under 'Interpretation of this concordance'.

1987 SISCA TO 1998 SISCA

.....	
1987 SISCA.....	1998 SISCA.....
.....	
1 Corporate trading enterprises	1 Non-financial corporations
1.1 Private corporate trading enterprises	2.4.3 Financial auxiliaries
1.2 Public trading enterprises	..
2 Financial enterprises	2 Financial corporations (excluding CBAs and financial auxiliaries)
2.1 Private financial enterprises	..
2.2 Public financial enterprises	..
2.2.1 Reserve Bank	2.1.1 Reserve Bank of Australia
2.2.2 Other public financial enterprises	..
3 General government enterprises	3 General government
4 Households and other private enterprises	2.4.1 Central borrowing authorities
4.1 Households	4 Households
4.2 Private unincorporated trading enterprises	5 Non-profit institutions serving households
4.3 Non-profit institutions serving households	4 p Households
5 Non-resident enterprises in Australia	4 p Households
	5 Non-profit institutions serving households
	..
.....	

Interpretation of this concordance

All except one of the 1987 SISCA sectors can be mapped to the 1998 SISCA. The 1987 corporate trading enterprises sector equates to the 1998 non-financial corporations sector combined with the financial auxiliaries subsector (2.4.3). The 1987 financial enterprises sector equates to the 1998 financial corporations sector excluding the financial auxiliaries subsector (2.4.3) and the CBAs subsector (2.4.1). The 1987 general government sector equates to the combination of the 1998 general government sector and the CBAs subsector (2.4.1). The 1987 households sector equates to the combination of the 1998 households and NPISH sectors. The 1987 non-resident enterprises in Australia sector is not included in the 1998 SISCA.

Interpretation of this concordance *continued*

Although the 1998 SISCAs do not have equivalents of the 1987 subsectors 1.1, 1.2, 2.1, 2.2 and 2.2.2, equivalents can be derived using the 1998 SISCAs in combination with the Public/private sector classification. For example, the 1987 subsector 1.1, private corporate trading enterprises, can be derived by combining all private sector legal entities classified to the 1998 non-financial corporations sector and the financial auxiliaries subsector. Similarly, the 1987 subsector 1.2, public trading enterprises, equates to all public sector legal entities classified to the 1998 non-financial corporations sector and the financial auxiliaries subsector.

1998 SISCA TO 1987 SISCA

1998 SISCA.....	1987 SISCA.....
1 Non-financial corporations	1 Corporate trading enterprises (excluding financial auxiliaries)
2 Financial corporations	..
2.1 Central Bank	..
2.1.1 Reserve Bank of Australia	2.2.1 Reserve Bank
2.1.2 Other central bank institutions	..
2.2 Depository corporations	..
2.2.1 Banks	..
2.2.2 Other depository corporations	..
2.3 Insurance corporations and pension funds	..
2.3.1 Life insurance	..
2.3.2 Pension funds	..
2.3.3 Other insurance corporations	..
2.4 Other financial institutions	..
2.4.1 Central borrowing authorities	3 p General government enterprises
2.4.2 Financial intermediaries n.e.c.	..
2.4.3 Financial auxiliaries	..
3 General government	3 p General government enterprises
4 Households	4.1 Households
	4.2 Private unincorporated trading enterprises
5 Non-profit institutions serving households	4.3 Non-profit institutions serving households
6 Rest of the world	5 Non-resident enterprises in Australia(a)

(a) This is not a direct alignment. The ROW sector includes non-resident units located outside Australia as well as non-resident units located in Australia.

Interpretation of this concordance

Only two of the 1998 SISCA sectors can be derived exactly from the 1987 SISCA:

- the 1998 households sector is equal to the 1987 households subsectors 4.1 and 4.2; and
- the 1998 NPISH sector is equal to the 1987 subsector of the same name (4.3).

The 1998 financial corporations sector includes financial auxiliaries and CBAs which, in the 1987 classification, were included in the corporate trading enterprises and general government sectors respectively. For this reason, neither the 1998 financial corporations sector nor the 1998 general government sector can be mapped exactly from the 1987 classification, which did not identify CBAs separately.

The 1987 sector 5, non-resident enterprises in Australia, represents only part of the 1998 sector 6, ROW, which includes non-resident enterprises outside Australia that engage in transactions with Australian residents, or have financial claims with Australian residents. Of the 1998 SISCA subsectors, only subsector 2.1.1, RBA, has an equivalent in the 1987 SISCA.

1993 SNA TO 1998 SISCA

1993 SNA.....		1998 SISCA.....
S.1 Total economy		
S.11 Non-financial corporations	1	Non-financial corporations
S.11001 Public non-financial corporations	..	
S.11002 National private non-financial corporations	..	
S.11003 Foreign controlled non-financial corporations	..	
S.12 Financial corporations	2	Financial corporations
S.121 Central bank	2.1	Central bank
S.122 Other depository corporations	2.2	Depository corporations
S.1221 Deposit money corporations	2.2.1	Banks
S.12211 Public	..	
S.12212 National private	..	
S.12213 Foreign controlled	..	
S.1222 Other depository corporations, except deposit money corporations	2.2.2	Other depository corporations
S.12221 Public	..	
S.12222 National private	..	
S.12223 Foreign controlled	..	
S.123 Other financial intermediaries, except insurance corporations and pension funds	2.4.1	Central borrowing authorities
S.12301 Public	..	
S.12302 National private	..	
S.12303 Foreign controlled	..	
S.124 Financial auxiliaries	2.4.3	Financial auxiliaries
S.12401 Public	..	
S.12402 National private	..	
S.12403 Foreign controlled	..	
S.125 Insurance corporations and pension funds	2.3	Insurance corporations and pension funds
S.12501 Public	..	
S.12502 National private	..	
S.12503 Foreign controlled	..	
S.13 General government	3	General government
S.1321 Central government	..	
S.1322 State government	..	
S.1323 Local government	..	
S.14 Households	4	Households
S.141 Employers	..	
S.142 Own account workers	..	
S.143 Employees	..	
S.144 Recipients of property and transfer income	..	
S.1441 Recipients of property income	..	
S.1442 Recipients of pensions	..	
S.1443 Recipients of other transfers	..	
S.15 Non-profit institutions serving households	5	Non-profit institutions serving households
S.2 Rest of the world	6	Rest of the world

Interpretation of this concordance

The sectors in the 1998 SISCAs and the 1993 SNA institutional sector classification are identical. The SNA93 makes a primary distinction between the 'total economy' and the 'rest of the world' that is not made in the 1998 SISCAs. However, the SISCAs ROW sector is the same as the 'rest of the world' category in the SNA classification. As well, the consolidated total of economic activity in all the SISCAs domestic sectors would be the same as the total of economic activity in the SNA93 category for the 'total economy'.

The SNA93 includes subsectors in all of the domestic sectors whereas the 1998 SISCAs includes subsectors in only the financial corporations sector. However, most of the SNA93 subsectors can be achieved by using the ABS Public/private classification in combination with the 1998 SISCAs. The SNA93 non-financial corporations sector, and each of the subsectors in the financial corporations sector, are divided between public corporations, national private corporations and foreign-controlled corporations. The Public/private classification can be used to identify public corporations and private corporations (including foreign-controlled corporations) in the SISCAs non-financial corporations sector and each of the subsectors in the SISCAs financial corporations sector. However, the classification does not distinguish between national and foreign-controlled private corporations.

In the SNA, the general government sector is subdivided into subsectors for Central government, State government and Local government. These subsectors coincide respectively with the categories of National government, State/Territory government and Local government in the ABS LOG classification.

The SISCAs does not include any of the subsectors of the household sector that are included in the SNA93.

1998 SISCA TO 1993 SNA

1998 SISCA.....	1993 SNA.....
1 Non-financial corporations	S.11 Non-financial corporations
2 Financial corporations	S.12 Financial corporations
2.1 Central Bank	S.121 Central bank
2.1.1 Reserve Bank of Australia	..
2.1.2 Other central bank institutions	..
2.2 Depository corporations	S.122 Other depository corporations
2.2.1 Banks	S.1221 Deposit money corporations
2.2.2 Other depository corporations	S.1222 Other depository corporations, except deposit money corporations
2.3 Insurance corporations and pension funds	S.125 Insurance corporations and pension funds
2.3.1 Life insurance	..
2.3.2 Pension funds	..
2.3.3 Other insurance corporations	..
2.4 Other financial institutions	S.123 Other financial intermediaries, except insurance corporations and pension funds
	S.124 Financial auxiliaries
2.4.1 Central borrowing authorities	S.123 p Other financial intermediaries, except insurance corporations and pension funds
2.4.2 Financial intermediaries n.e.c.	S.123 p Other financial intermediaries, except insurance corporations and pension funds
2.4.3 Financial auxiliaries	S.124 Financial auxiliaries
3 General government	S.13 General government
4 Households	S.14 Households
5 Non-profit institutions serving households	S.15 Non-profit institutions serving households
6 Rest of the world	S.2 Rest of the world

Interpretation of this concordance

As previously noted, the sectors in the 1998 SISCA and the 1993 SNA institutional sector classification are identical. As well, each subsector in the SNA93 classification matches a subsector in the SISCA. However, the SISCA has some further subsector breakdowns:

- the central bank subsector is further divided to identify the RBA and other central bank institutions;
- the insurance corporations and pension funds subsector is further divided to separately identify life insurance, pension funds and other insurance corporations; and
- the other financial institutions category includes a category for CBAs that is not included in the SNA93 classification (in the SNA93, CBAs are included subsector S.123, other financial intermediaries except insurance corporations and pension funds).

GLOSSARY

Ancillary corporation	a wholly owned subsidiary corporation with productive activities strictly confined to providing services to the parent corporation or other ancillary corporations in the same enterprise group.
Centre of economic interest in Australia	a legal entity has a centre of economic interest in Australia when there exists a fixed or mobile location, dwelling, place of production, or other premises within Australia's economic territory, on or from which the legal entity engages, or intends to engage in economic activities and transactions, on a significant scale, for a year or more.
Corporation	a legal entity that <ul style="list-style-type: none"> ▪ is created for the purpose of producing goods and services for the market; ▪ may be a source of profit or other financial gain to its owner(s); and ▪ is collectively owned by shareholders who have the authority to appoint directors responsible for its general management.
Direct investment enterprise	an incorporated or unincorporated enterprise resident in Australia in which an investor (referred to as a direct investor), who is resident in another economy, owns 10% or more of the ordinary shares or voting power (of an incorporated enterprise) or the equivalent (of an unincorporated enterprise).
Direct investor	an enterprise or an individual, resident in Australia, which owns 10% or more of the ordinary shares or voting power or the equivalent of an enterprise (incorporated or unincorporated) which is resident in another economy.
Economically significant prices	prices that have a significant influence on the amounts that producers are willing to supply or on the amounts that purchasers wish to buy (sometimes also called 'market prices').
Economic territory of Australia	the geographic territory administered by the Australian Government within which persons, goods and capital circulate freely. It includes the airspace, territorial waters, and continental shelf lying in international waters which Australia has jurisdiction, the Cocos (Keeling) Islands and Christmas Island, and Australian embassies, consulates, military bases and similar enclaves located in other countries.
Enterprise	all legal entities within an enterprise group that are classified to the same institutional subsector.
Enterprise group	a unit covering all the operations in Australia of one or more legal entities under common ownership and/or control.
Establishment	in ABS economic statistics, a statistical unit, which (1) is a producing unit below the level of the management unit in the ABS units model, (2) is used mainly to compile detailed statistics classified by industry, and (3) is defined as the smallest type of accounting unit within a management unit within a State or Territory of Australia which controls its productive activities and for which a specified range of detailed data is available, at least on an annual basis, thus enabling measures such as value added to be calculated.

Financial auxiliary services	services, delivered on an agency basis, which facilitate financial intermediation without requiring the service provider to engage in financial intermediation.
Financial corporation	a corporation or quasi-corporation that is mainly engaged in financial intermediation or provision of auxiliary financial services.
Financial corporations sector	an institutional sector comprising resident corporations, quasi-corporations, and market NPIs mainly engaged in financial intermediation or financial auxiliary services, and market NPIs serving financial corporations.
Financial intermediation	a productive service in which the service provider incurs liabilities on its own account for the purpose of acquiring financial assets by engaging in financial transactions on the market.
Financing units	in the hierarchy of the ABS units model, the upper group of statistical units, which (1) own and finance producing units, and (2) comprise enterprise groups, enterprise and legal entities.
General government sector	an institutional sector comprising resident government units and non-market NPIs that are controlled and mainly financed by government units.
Government unit	a legal entity, which <ul style="list-style-type: none"> ▪ is established by legislation, regulation or government administrative action; ▪ is financed mainly from taxation or government transfers; ▪ exercises legislative, judicial, or other government authority over other units within a given area; and ▪ mainly provides its services free or at economically insignificant prices.
Holding company	a corporation with no significant productive activity other than to control and direct a group of subsidiary corporations.
Household	a small group of persons who share the same living accommodation, who pool some, or all, of their income and wealth and who consume certain types of goods and services collectively, mainly housing and food.
Households sector	an institutional sector comprising resident households, including resident household unincorporated enterprises.
Household unincorporated enterprise	an unincorporated enterprise that is owned by a household and does not qualify as a quasi-corporation and is therefore included in the household unit.
Institutional unit	in SNA93, the statistical unit that is used in institutional sector classification and is defined as an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities (see also Legal entity).
Jurisdiction	the jurisdiction of a unit is the government (the Commonwealth or an individual State or Territory Government) which controls the unit or, if the unit is a local government authority, the government that administers the legislation under which the unit was established.
Legal entity	in the ABS business register, the statistical unit which (1) is the first unit classified to institutional sector, (2) is the ABS unit closest in concept to the SNA93 <i>institutional unit</i> , and (3) is defined as a unit covering all the operations in Australia of an entity that possesses some or all of the rights and obligations of individual persons or corporations; or that behaves as such, in respect of those matters of concern for economic statistics.

Level of government	a three-way classification of public sector units based on whether the role, function and geographical extent of the units' political authority is National, State/Territory or Local.
Location	in the ABS business register, a statistical unit which (1) is used to compile small area statistics, and (2) is defined as a site, occupied by an establishment, at/or from which the establishment engages in productive activity on a relatively permanent basis.
Management unit	in ABS economic statistics, a statistical unit which (1) is a producing unit below the level of the enterprise unit in the ABS units model, (2) can be used to present sector information, and (3) is defined as the largest type of unit within an enterprise group which controls its productive activities and for which accounts are kept.
Market NPI	a non-profit institution that either <ul style="list-style-type: none"> ▪ mainly disposes of its output at economically significant prices; or ▪ is established, financed or controlled by corporations and mainly provides services to member corporations.
Market prices	see Economically significant prices.
Market production	production of output which is sold at prices that are economically significant.
Multi-jurisdictional	the classification given to a public sector unit that cannot be allocated unequivocally to a single jurisdiction.
Non-financial corporation	a corporation or quasi-corporation that is mainly engaged in market production of goods and/or services other than financial intermediation or auxiliary financial services.
Non-financial corporations sector	an institutional sector comprising resident corporations, quasi-corporations and market NPIs mainly engaged in producing goods and non-financial services, and NPIs serving non-financial corporations.
Non-financial public sector	the combination of the general government sector and all public non-financial corporations.
Non-financial services	services other than financial intermediation and financial auxiliary services.
Non-market NPI	a non-profit institution that disposes of its output free or at prices that are not economically significant.
Non-market production	production of output which is disposed of free or at prices that are not economically significant.
Non-profit institution	a legal entity which <ul style="list-style-type: none"> ▪ is created for the purpose of producing goods and services; and ▪ is not authorised to be a source of income, profit or other financial gain to the units that establish, control or finance the legal entity.
Non-resident unit	a legal entity with a centre of economic interest outside the economic territory of Australia.
Private sector	the combination of the household sector, the NPISH sector and all resident corporations and quasi-corporations not controlled by the general government sector.

Producing units	in the hierarchy of the ABS units model, the lower group of statistical units which (1) are owned and financed by financing units, (2) are so-named because they exercise a degree of control over production activities, and (3) comprise management units, establishments and locations.
Public financial corporation	a resident financial corporation or quasi-corporation that is controlled by a unit of the general government sector.
Public non-financial corporation	a resident non-financial corporation or quasi-corporation that is controlled by a unit of the general government sector.
Public sector	the combination of the general government sector, all resident public non-financial corporations and all resident public financial corporations.
Quasi-corporation	<p>an unincorporated legal entity that</p> <ul style="list-style-type: none"> ▪ is created for the purpose of producing goods and services for disposal at economically significant prices; and ▪ has a de facto relationship to its owner, akin to that of a corporation to its shareholders, including availability of a complete set of accounts; <p>or</p> <ul style="list-style-type: none"> ▪ is owned by a non-resident unit and is deemed to be a resident unit because it engages in a significant amount of production in the economic territory of Australia for one year or more.
Resident unit	a legal entity that has a centre of economic interest within the economic territory of Australia.
Rest of the world sector	an institutional sector comprising all non-resident units that engage in transactions with resident units, hold financial claims against resident units, or have financial claims against them that are held by resident units.
Statistical units	units about which statistics are tabulated, compiled or published.
Subsidiary corporation	a corporation that is more than 50% owned by another corporation.
Unincorporated enterprise	an entity that engages in market production but does not qualify as a quasi-corporation and is included in the statistics as part of the government unit, household or NPI that owns the enterprise.

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