

9 April 2007

**Quarterly National Accounts of Spain. Base 2000**  
**Quarterly non-financial accounts for the Institutional Sectors**  
**Fourth quarter of 2006**

**Main results**

**Fourth quarter of 2006**

- The savings ratio for non-profit households and institutions (NPISH) reaches 16.2% of their disposable income, nearly two points more than one year ago. Taking the last four mobile quarters as a reference, this ratio is 10.1% of the rent available, six tenths more than during the previous period.
- The financing capacity for households and NPISH in the fourth quarter reached 9,532 million euros, 3.6% of the GDP.
- Non-financial corporations have financing needs of 6,800 million euros, 2.6% of quarterly GDP. This rate is 2.2 points above that estimated for the same quarter of the previous year.
- Public Administrations show financing needs of 20,663 million euros, 7.9% of the GDP.
- Financial corporations have a financing capacity of 432 million euros in this quarter, 0.2% of the GDP.
- The financing needs of the economy versus the rest of the world is estimated at 17,499 million euros, 6.7% of the GDP for this quarter, eight tenths more than one year ago.

**Year 2006**

- The savings ratio of households and NPISH decreases in 2006 to 10.1% their disposable income, half a point less than in 2005. Their financing needs increase to 21,958 million euros, 2.2% of the GDP.
- The fall in disposable income together with the increase in investments from non-financial corporations increases their financing needs to 79,177 million euros, 8.1% of the GDP for 2006.
- For the second consecutive year the Public Administrations have a financing capacity estimated in 17,575 million euros for this year, 1.8% of the GDP.
- Financial corporations have a financing capacity in 2006 of 7,109 million euros, 0.7% of the annual GDP
- The financing needs for the economy against the rest of the world in 2006 is estimated at 76,451 million euros, 7.8% of the GDP, 1.3 points more than in 2005.

## Households and Non-profit Institutions Serving Households Sector

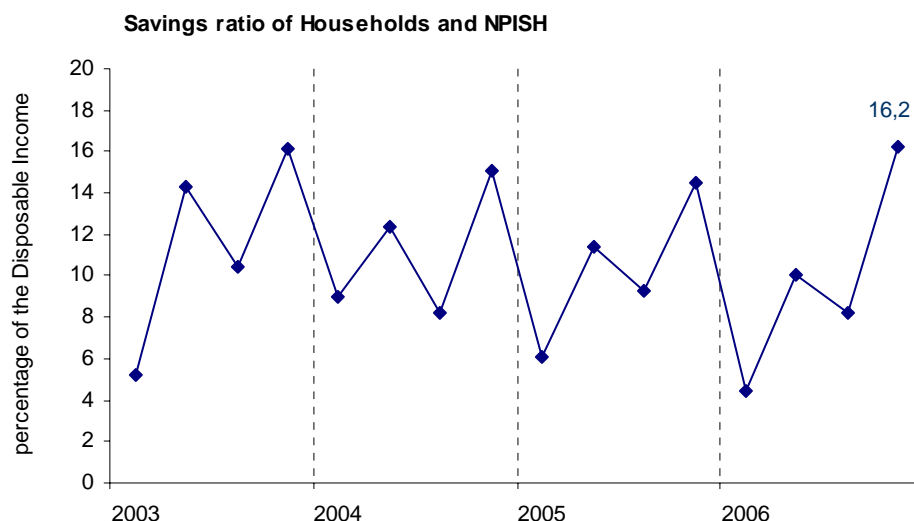
During the fourth quarter of 2006, the Households and Non-profit Institutions Serving Households Sector (NPISH) remarkably increased its disposable income (9.4%), which implies 15,270 million euros more than in the same quarter of the previous year.

This result originates, in the first place, from the significant growth of the balance of primary incomes (8.9%), which highlights the increase in operating surplus and mixed income, as well as compensation of employees, which grow 9.8% and 7%, respectively. Similarly, we must highlight the difference between property income (interests, dividends, etc.) received and paid, which increases 33.6% (received income grows 31% and paid income 26.8%).

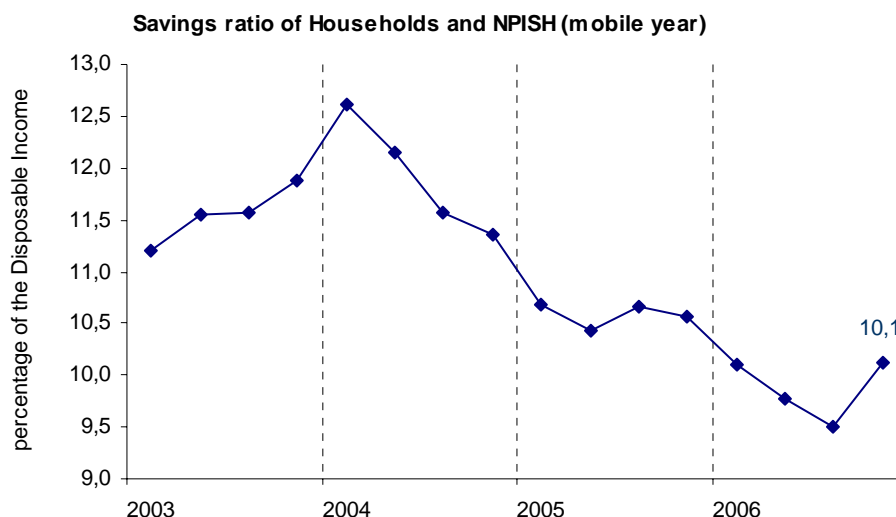
Moreover, the disposable income of households has been affected by the high growth in net other current transfers (those received grow 8.8% and those paid decrease 1%), as well as by a greater volume of social benefits received than that of social contributions paid (8.8% of the former versus 7.1% of the latter). Finally, taxes on income, wealth, etc, paid by households, grew 15.1% in this quarter.

In absolute terms, the disposable income of the sector is estimated at 178,089 million euros in this fourth quarter.

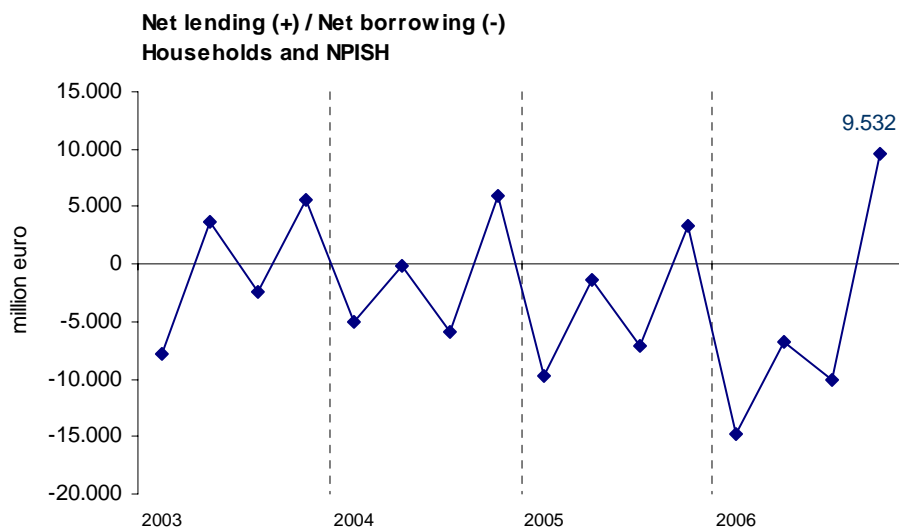
Regarding the use of said disposable income, the smaller growth of household and NPISH final consumption expenditure in the period (7.3%) has favoured an interannual growth of 22.8% of their savings, the total value of which reaches 28,930 million euros this quarter. The savings ratio is therefore 16.2% of the disposable income, almost two points higher than one year ago.



Taking mobile periods of four quarters, the last period (from the first to the fourth quarter of 2006) shows a recovery of six tenths in the savings ratio of the sector, reaching 10.1% of its disposable income, as can be seen in the following graph:



Considering the capital account, this saving generated by households and NPISH, together with a positive balance of 6,104 millions due to net capital transfers received, has been sufficient to finance the volume of their investment, which reaches 25,502 million euros in this quarter, 8.9% more than in the same period of 2005. Thus, the sector has obtained a net lending of 9,532 million euros (3.6% of quarterly GDP).



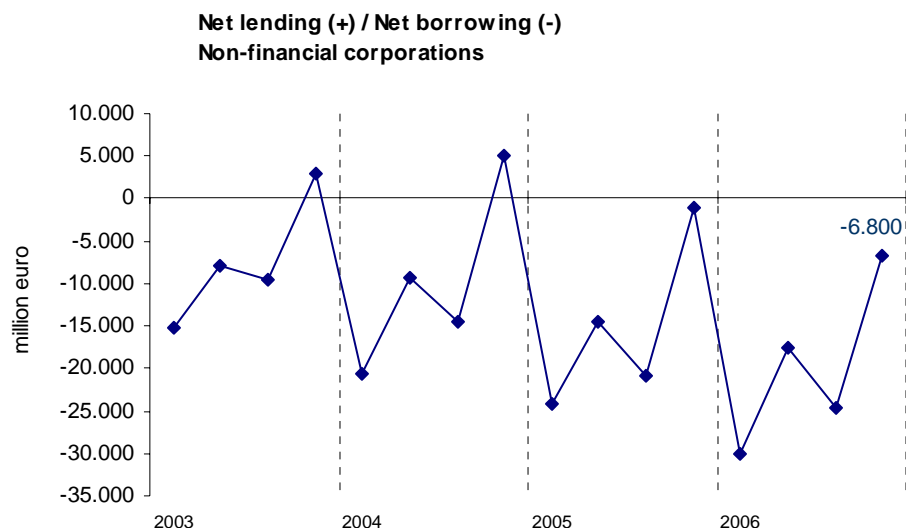
## Non-financial Corporations Sector

During the fourth quarter of 2006 non-financial corporations experienced a remarkable interannual decrease of their disposable income, estimated at 28.3%.

Contributing to this result are the slow growth of their operating surplus (5.7%), together with greater negative balance of net property income than that of the same quarter from the previous year. Specifically, property income received grew 27%, but property income paid grew 51.2%. The balance of primary incomes thus decreases in 10.9% with respect to the fourth quarter of 2005.

If we add to this balance the 12.3% increase of the amount of corporate tax paid by the sector, we obtain the aforementioned decrease of its disposable income. In absolute terms, it reaches 13,142 million euros in this fourth quarter.

This disposable income, together with the positive balance of 1,915 million received net capital transfers has not been enough to finance the total investment volume of the sector. Consequently, a net borrowing of 6,800 millions are estimated, a figure involving 2.6% of quarterly GDP, 2.2 points greater than that recorded one year ago.

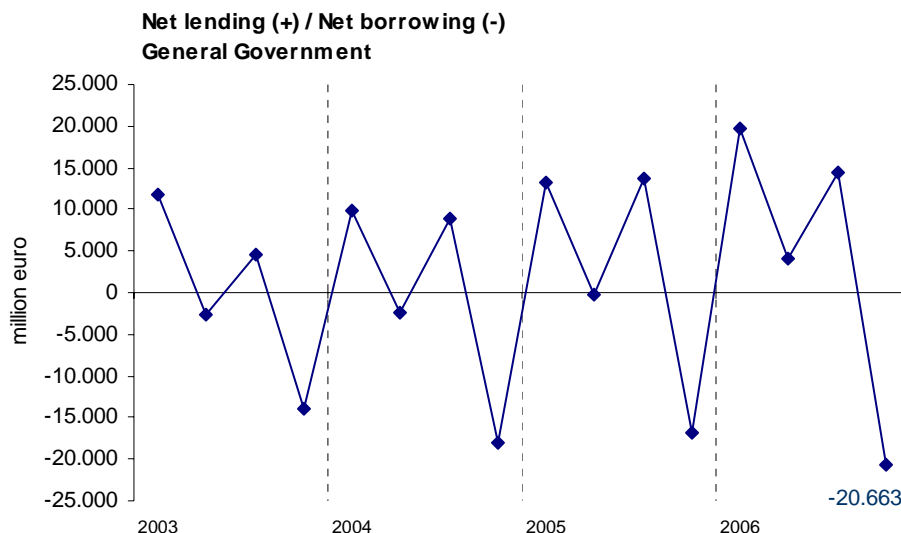


## General Government Sector

In the fourth quarter of 2006 General Government increased their disposable income by 7.9%, up to 61,321 million euros. This performance is mainly due to the interannual increase experienced by net taxes (11.4%), both those linked to production and imports (9.4%) and those of income and wealth (13%) and, also to the less negative pattern of net property income. This growth is compensated by a smaller growth of interannual growth of received social contributions (4.6%) than that of paid social benefits (7.4%), resulting in the aforementioned increase in disposable income.

On the other hand, General Government final consumption expenditure increased 9.9%, which implies that savings generated are less than those of the fourth quarter of the previous year, with an absolute value of 3,841 million euros (15.3% less).

This saving, reduced in 2,621 millions by the net balance in capital transfers, has allowed partially financing the remarkable investment flow of public administrations in this fourth quarter (it grows 13.6%, in interannual terms, until reaching 21,883 millions). As a result, a net borrowing of 20,663 million euros have been estimated, 7.9% of the GDP for the quarter.

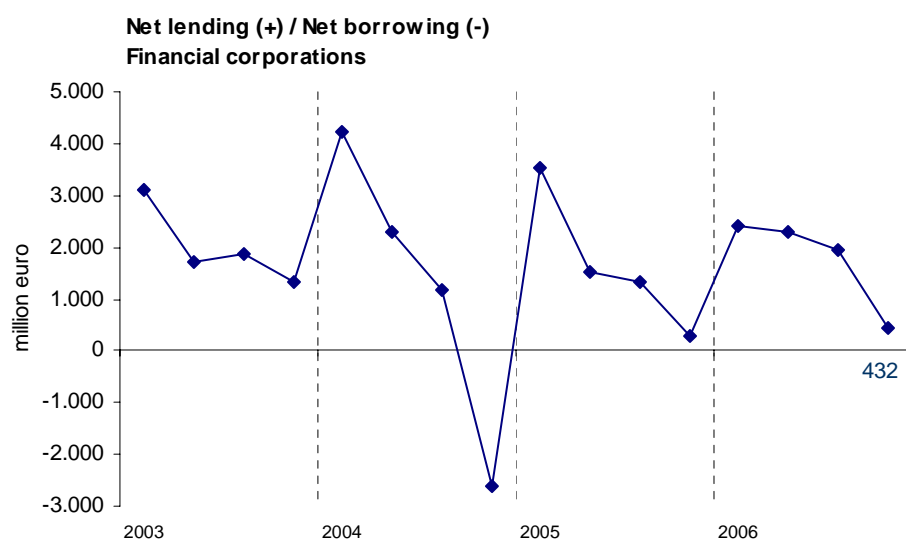


## Financial Corporations Sector

In the fourth quarter of 2006 disposable income of the financial corporations sector experienced a significant interannual growth of 87.9%, up to 5,831 million euros.

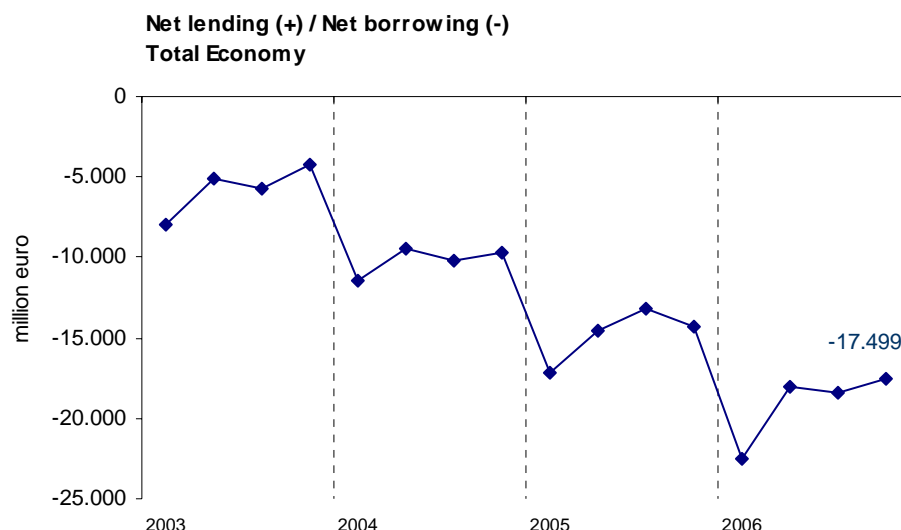
This result is mainly due to the increase in the balance of primary income and particularly to the net balance of property income, increasing from 1,154 millions in the fourth quarter of 2005 to 2,916 millions in the reference quarter (152.7% higher). To a lesser degree, the operating surplus also contributes positively to the increase in disposable income, increasing 16.1% with respect to the fourth quarter of the previous year.

This income is slightly reduced both by adjustment of household participation in pension funds (312 million) and by a negative balance of 1,153 million in received capital transfers has been enough to finance the investment volume of the sector (amounting to 2,659 millions). As a consequence, financial institutions reach a net lending of 432 million in this period, 0.2% of the GDP, one tenth more than one year ago.



## Total economy

Finally, in the fourth quarter of 2006 and as a result of the action of all institutional sectors, the total economy showed a net borrowing against the rest of the world of 17,499 million euros (3,249 (millions higher than that of the fourth quarter of 2005). This figure represents 6.7% of the GDP, eight tenths more than that estimated for the same period the previous year.

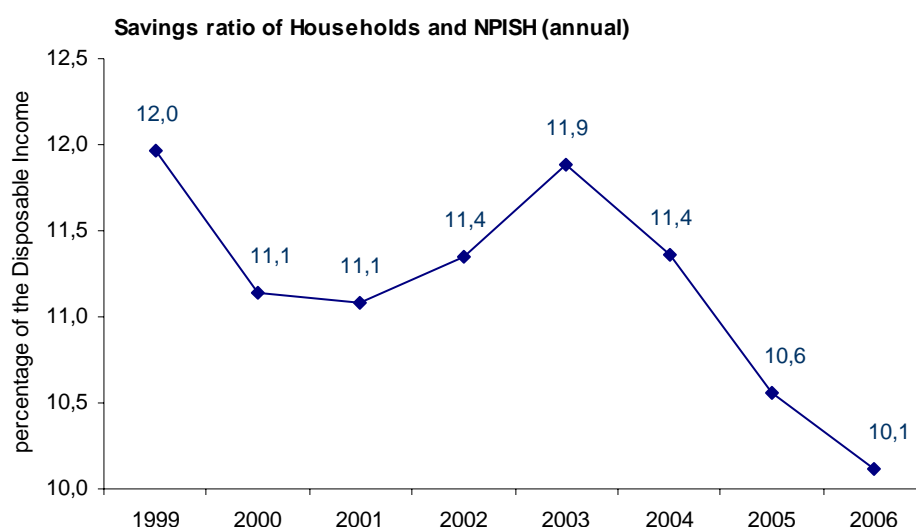


From the perspective of the rest of the world, the greatest net borrowing of Spanish economy are practically the result of a worse performance of our foreign balance of goods and services, 9.5% more negative, until reaching -16,701 millions. Nevertheless, we must highlight that in this quarter the increase in exports has been slightly greater than that of imports (10.8% versus 10.5%), a fact that did not occur since the third quarter of 2002; however, the greater weight of the latter has determined the negative result mentioned above. Finally, the net foreign balance of income and current and capital transfers has worsened by 798 million with respect to the previous result, thus reaching the aforementioned figure for the net borrowing of the total economy.

## ANNUAL ESTIMATES

The data showing the behaviour of the different institutional sectors in the entire year are obtained from grouping the estimates corresponding to the four quarters of 2006. It is thus included as a further year in the accounting series published last December, now extending to the period 1999-2006.

Households and NPISH reduced their savings ratio by five tenths, down to 10.1% of their disposable income, as a consequence of the smaller increase in their gross disposable income (6.8%) than in their final consumption expenditure (7.4%).



In the analysis of the different resources of household income, we can observe that this increase in disposable income is determined almost exclusively by the growth in the balance of primary income, as a result of the increases in compensation of employees (6.8%), in operating surplus and mixed income (8.6%) and in net property income (11.7%).

Savings generated by households and NPISH reached 63,369 million euros. Nevertheless, these savings, together with the 10,181 million euros corresponding to the balance of received capital transfers (1,650 millions more than last year) did not allow financing the high investment flow in households and NPISH, calculated as 95,508 million euros, 11.9% higher than in 2005. This sector has thus increased its net borrowing to 21,958 million euros (2.2% of the GDP for 2006).

With respect to the remaining institutional sectors, the most remarkable fact from the point of view of examining their balances is that the General Government have financing capacity for a second consecutive year.

Indeed, the disposable income of General Government grew in 2006 at a rate of 13.5 percent, on the one hand due to the increase of received net taxes (12.5%), both those linked to production and to imports (9.6%) and those linked to income and wealth (15.5%), and on the other hand due to the greater growth in received social contributions (7.8%) than that of paid social benefits (7.3%).

As regards the final consumption expenditure of these administrations, it increased in 7.7%, which has facilitated an important increase in their savings, which reached a level sufficient

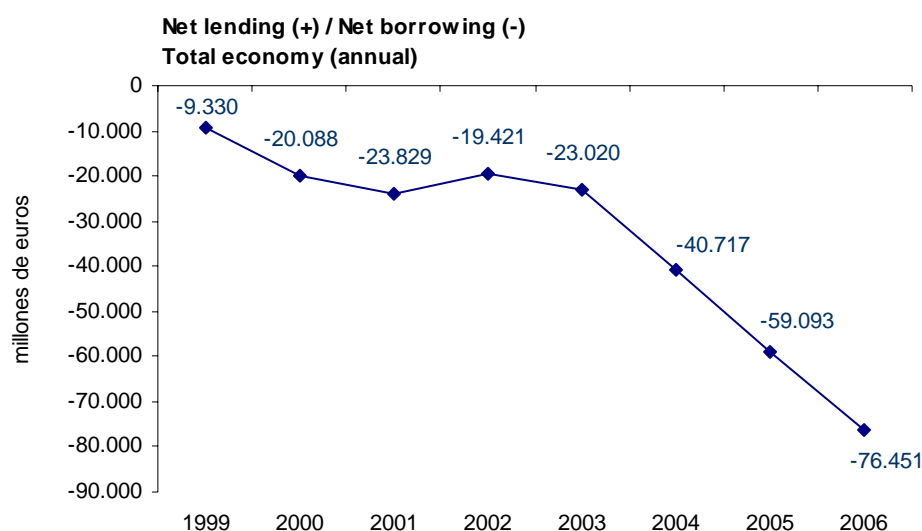
for financing public administration investment, obtaining a net lending of the sector of 17,575 million euros (1.8% of the GDP for 2006)<sup>1</sup>.

As regards non-financial institutions, their disposable income decreased in 2006 by 5.3% despite the 7.5% increase in operating surplus. The worse balances of net property income (10,782 million euros more negative than in 2005) and of current transfers (797 millions more negative than the previous year), together with the increase in payment of corporate tax (14.3%), compensated all the growth in operating surplus.

On the other hand, non-financial institution investment has been 10.3% greater than in 2005, which has favoured the increase in net borrowing for this sector, reaching 79,177 million euros, 8.1% of the annual GDP.

Finally, financial institutions showed a net lending of 7,109 million euros, 0.7% of the GDP for 2006.

As an aggregate result, in 2006 the national economy had to seek foreign financing in an amount of 76,451 million euros (7.8% of the GDP). This fact implies the worsening of said balance with respect to that estimated for 2005, when it represented 6.5% of the GDP.



The following table and graph show the comparison of results by sectors between 2005 and 2006:

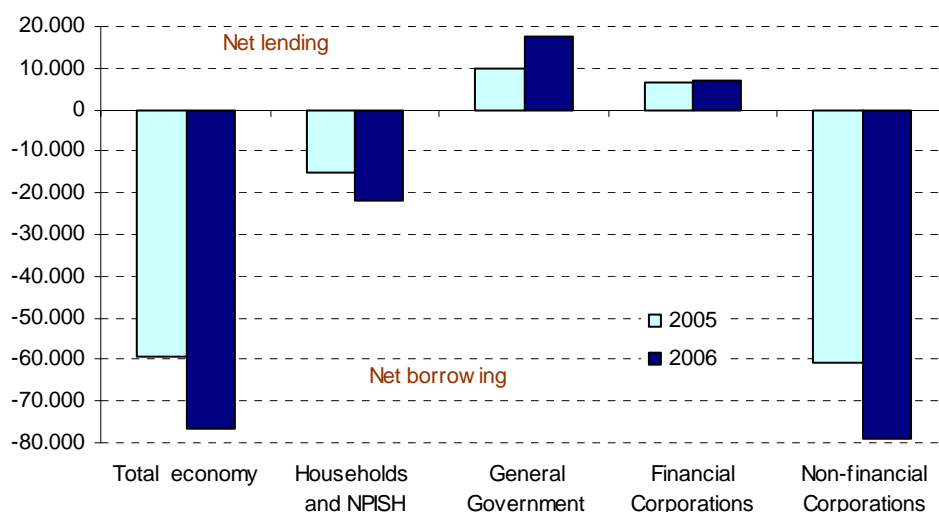
## Net lending (+) / Net borrowing (-)

unit: million euro

Institutional sector	2005	2006	difference
Households and NPISH	-14.984	-21.958	-6.974
General Government	9.858	17.575	7.717
Financial Corporations	6.681	7.109	428
Non-financial Corporations	-60.648	-79.177	-18.529
<b>Total Economy</b>	<b>-59.093</b>	<b>-76.451</b>	<b>-17.358</b>

<sup>1</sup>This fact is strictly coherent with the one transmitted to the European Authorities on 30 March within the framework of the Excessive Deficit Procedure





From the point of view of the rest of the world accounts, the increase in net borrowing of the economy between 2005 and 2006 is explained almost exclusively by the performance of the balance of foreign transactions in goods and services, which increased in 11,637 million euros, due to the greater weight of imports of goods and services, as well as a greater increase of imports (12.7%) than exports (10.4%).

**The results for the period since the first quarter of 1999 to the fourth quarter 2006** are available on the INE web page ([www.ine.es](http://www.ine.es)). The accounts are shown under two perspectives: integrated economic accounts and detailed accounts of the institutional sectors. This presentation is similar to that used traditionally with the Annual National Accounts of the Institutional Sectors.

For further information see **INEbase-[www.ine.es](http://www.ine.es)** All press releases at: **[www.ine.es/prensa/prensa.htm](http://www.ine.es/prensa/prensa.htm)**

**Press office:** Telephone numbers: 91 583 93 63 / 94 08 – Fax: 91 583 90 87 - [gprensa@ine.es](mailto:gprensa@ine.es)

**Information area:** Telephone: 91 583 91 00 – Fax: 91 583 91 58 – **[www.ine.es/infoine](http://www.ine.es/infoine)**