

Methodological note on quarterly non-financial accounts for the institutional sectors.

Legal framework

This is the first time the National Statistics Institute publishes quarterly non-financial accounts for the institutional sectors, in line with European Parliament and Council Regulation 1161/2005, which establishes the deadlines and content of the accounts EU Member States are requested to report to EUROSTAT.

The compilation of these accounts is part of the global objective to obtain a system of annual and quarterly accounts for the EU and the European Monetary Union (EMU). This system encompasses, in a coherent and integrated manner, both conceptually and numerically, the main macro-economic aggregates, estimated in the accounting framework that defines the supply, demand and income balance, as well as the series of transactions and aggregates that integrate the accounts of the institutional sectors compiled from both a non-financial and a financial perspective.

The Action Plan on the statistical needs of the EMU, set up in the year 2000, and, subsequently, the joint report by the ECOFIN Council and the Commission presented to the European Council in 2003, have stressed the urgency of the compilation of these accounts on a European level so as to provide macro-economic statistics on the behaviour and interrelation of the different institutional sectors, to analyse European economic cycles, and to act as the base for the definition and monitoring of the EMU's monetary policy.

The Regulation establishes the maximum delay for the presentation of these accounts at 95 days. Likewise, all the historical series for the transactions should start with the first quarter of 1999.

The aforementioned Regulation is the culmination of a string of norms thanks to which a series of accounts have finally been made available. Consequently, as regards the Public Administrations sector, the accounts compiled by the General State Administration Intervention (GSAI) have been reported to EUROSTAT regularly since July 2003, as established by European Parliament and Council Regulation 1221/2002. These accounts are exactly the same as the ones published at present, although this new framework provides information on the transactions in greater detail.

Likewise, the Balance of Payments, compiled by the Bank of Spain, is regulated by the Guideline of the European Central Bank ECB/2004/15 and the European Parliament and Council Regulation 184/2005, both of which establish the obligatory nature of reporting information on direct foreign investment and international reserves. The Balance of Payments is used as the base for the compilation of the Quarterly non-financial account for the rest of the world. This fact, in itself, determines the coherence between both statistics.

Finally, Quarterly Financial Accounts, compiled by the Bank of Spain, are also regulated by European institutions, in this case the Guideline of the European Central Bank ECB/2002/7 amended by Guideline ECB/2005/13 in the field of series of accounts, as well as the European Parliament and Council Regulation 501/2004 in the field of quarterly financial accounts of the Public Administrations. These accounts, which offer the opposite perspective of the non-financial accounts, are completely coherent with the latter, although the balances

do not coincide strictly in numerical terms in the case of the household and non-financial corporate enterprise sectors. In this sense, it is important to note that the process for the creation of the aforementioned accounts has promoted and improved the coordination and collaboration that must exist between the institutions in charge of compiling each account (INE, GSAI and Bank of Spain).

Conceptual framework

The quarterly sectors accounts provide a quarterly description of the Spanish economy based on the analysis of the behaviour (regarding income flows, savings, investment, financing, etc.) of the different institutional sectors: Households and Non-profit making institutions serving households, Non-Financial Corporate Enterprises, Financial Institutions and Public Administrations. Furthermore, from a numerical perspective, they are completely coherent with the latest annual accounts for the different sectors, estimated in the scope of the Spanish National Accounts, 2000 base, disseminated last December 30th for the 2000 - 2004 period.

This description complements the one offered to date by the Quarterly Spanish National Accounts, based exclusively on the analysis of the process for the production and use of goods and services; in other words, the GDP and its supply, demand and income components.

All accounting regulations, definitions, classifications and rules regarding the compilation of quarterly non-financial accounts for the institutional sectors, abide to those established in the principles of the European System of National and Regional Accounts (ESA-95).

Economic accounts record flows and stocks in an ordered series of accounts that describe the economic cycle, from the production of goods and services, the generation and distribution of income to the accumulation of income as assets.

Each of the accounts shows transactions that are balanced either by the definitions adopted or by a significant balance transferred to the following account.

Accounts can be grouped into three categories:

Current accounts, which describe the production, generation, distribution and redistribution of income, as well as its use as final consumption. They can be used to calculate savings, an essential element of the accumulation of assets

Accumulation accounts, which analyse the different components of the variations of assets and liabilities, allowing the recording of the variations of net capital gains

Balances, which present the total stock of assets and liabilities at a specific moment, as well as the net capital gains

The scope of the Regulation that governs these quarterly sector accounts does not include the compilation of balances. Likewise, of all the accumulation accounts, only the capital account is considered in this scope. Said account describes the lending / borrowing capacity, that is to say, the extent to which savings and net capital transfers have sufficed to finance the gross formation of capital and the net purchase of other non-financial assets.

Current accounts and the capital account are compiled for the different institutional sectors, including the rest of the world, and for the national economy:

5.1. National economy

- 5.11. Non-Financial Corporate Enterprises
- 5.12. Financial institutions
- 5.13. Public Administrations
- 5.14. Households and Non-profit institutions serving households
- 5.2. Rest of the world

The following table presents a simplified and summarised sequence of the accounts presented, as well as their corresponding accounting balances:

<i>Accounts for the National Economy and the sectors</i>	<i>Balances</i>
<i>Current accounts</i>	
Production account	Added Value (sectors) Domestic product (total economy)
Primary income distribution account	
Operation account	Operating surplus and Mixed Income
Primary income assignment account	Balance of primary income (sectors) National income (total economy)
Secondary income distribution account	Disposable Income
In-kind income redistribution account	Adjusted disposable income
Use of income account	Savings
<i>Accumulation accounts</i>	
Capital account	Lending or Borrowing capacity
<i>Accounts for the rest of the world</i>	<i>Balances</i>
<i>Current accounts</i>	
Foreign goods and services exchange account	Balance of foreign exchanges of goods and services
Primary income and current transfers foreign account	Balance of current transactions abroad
<i>Accumulation accounts</i>	
Capital account	Lending or Borrowing capacity

The presentation of these accounts is performed both as integrated economic accounts and as detailed accounts for the sectors of the national economy and the rest of the world. The first version, integrated economic accounts, groups all the accounts for the total of the national economy and the rest of the world on a single table, presenting the interaction existing between resident sectors and foreign sectors in the economy. In this version

transactions are presented in less detail. The second version, detailed accounts for the sectors, offers a greater level of breakdown of the transactions of the accounts. However, the national economy and the rest of the world sectors are analysed separately. These two systems for presenting accounts are exactly the same as those used traditionally to publish the annual accounts of the institutional sectors.

The balances of these accounts are established both in gross and net terms (excluding the consumption of fixed capital). Net balances are obtained from the gross amounts after deducting the consumption of fixed capital, which represents the total of the fixed assets consumed, as a result of the normal wear and the expected obsolescence of the former.

Quarterly estimates for the operations included in the sector accounts are considered *gross or non-corrected data*, that is, data that does not include seasonal corrections, calendar corrections or smoothing.

These estimations and the data from the macroeconomic chart in *gross or non-corrected* terms compiled by the Quarterly Spanish National Accounts are completely homogeneous, from a conceptual perspective, although numerically the sector accounts present some revisions regarding transactions that use statistical sources that have been updated in the interval passed between the publication of both series of accounts.

Specifically, for a current quarter, the updating sequence for the most important sources would be as follows:

<i>Estimated Calendar</i>	<i>Statistics</i>	
t+55 days	Quarterly Spanish National Accounts	
t+75 days	Balance of payments	Updates the estimates for the Rest of the world Account
t+90 days	Quarterly non-financial accounts for the Public Administrations	Update the Public Administrations' flows
t+95 days	Quarterly non-financial accounts for the institutional sectors	Include the updates of the Quarterly non-financial accounts for the Public Administrations and the Rest of the world account Methodological coherence with the financial accounts
t+110 days	Financial accounts for the Spanish economy	Methodological coherence with the quarterly non-financial accounts for the institutional sectors

Obviously, the updating of the sources used by the sectors quarterly accounts will also be included in the estimates for the Quarterly Spanish National Accounts in the following current quarter.

Finally, the quarterly accounts of the institutional sectors are completely coherent with annual accounts, so that, for each transaction, the sum of the information for the quarters in a natural year coincides with the annual figure estimated in the annual accounts.

Calendar

The legal act that regulates the compilation and dissemination of these accounts establishes 95 days from the reference period as the maximum delay for publication. However, tasks inherent to the compilation of a new statistic (construction of data base structures and the files for the publication, establishment of the mechanisms for the transmission of information as well as of the calendars for the different source institutions, performance of contrast controls, data validation, coherence with financial accounts, etc.) have caused a delay of almost one month in the first dissemination of this statistical operation.

During the rest of the 2006 publications, this delay will be cut back to three weeks. All adaptation works will be completed in 2006 and the deadline established in the Regulation will be followed in the publication issued in January 2007.

Thus, the calendar for this statistical operation in 2006 will be as follows:

Reference period	Publication date
Third quarter of 2005	January 30th 2006
Fourth quarter of 2005	April 11th 2006
First quarter of 2006	July 10th 2006
<u>Second quarter of 2006</u>	<u>October 9th 2006</u>

The estimate period established in this first publication goes from the first quarter of 2000 to the third quarter of 2005.

The annual accounts for 1999 will be estimated in February. Consequently, in the publication for April, corresponding to the fourth quarter of 2005, the quarterly accounts will be backdated to the first quarter of 1999, thus fulfilling another of the requirements established in the Regulation.

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