

## METHODOLOGICAL SUMMARY



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### 1 Introduction

The *Financial Accounts of the Spanish Economy* form part of the Spanish system of National Accounts<sup>1</sup> and are the statistical basis for the financial analyses of the economy, including those contained in the Banco de España's *Annual Report*, published in June each year, and in its quarterly reports on the Spanish economy, published in the *Economic Bulletin* in January, April, July and October of each year. This publication, which is released at the same time as the *Annual Report*, contains the financial accounts for the period 2003-2010 in Chapter 2. It also includes a Chapter 1 with the non-financial accounts and a Chapter 3 with a set of supplementary national and international statistics.

Chapter 1 is a summary of the Spanish National Accounts or non-financial accounts of the economy, compiled by the National Statistics Office (INE), relating to the macroeconomic setting and to the accounts of the different sectors and sub-sectors, providing a means whereby the operations to be financed can be related to their financial counterparts, which are covered in Chapter 2. The basic source for the data included in Chapter 1 are the INE publications *Contabilidad Nacional de España. Base 2000. Serie Contable 1995-2009 y Cuadros Contables 2000-2009, Cuentas Trimestrales no Financieras de los Sectores Institucionales. Base 2000* (quarterly series for 2000 Q1 - 2010 Q4) and *Contabilidad Nacional Trimestral de España. Base 2000* (quarterly series for 1995 Q1 - 2010 Q4). Where these sources do not offer all the details that feature in the accounts, Banco de España estimates have been included, made drawing on information released by the INE, the IGAE (National Audit Office) on general government, the National Stock Market Commission (CNMV) and the Banco de España itself.

Chapter 3 completes and summarises statistics included in the monthly *Boletín Estadístico* and in other publications of the Banco de España, the INE and other national and international agencies quoted as the source of the tables. This information, combined with that of the preceding chapters, makes this publication an annual of monetary, financial and general economic statistics relating to both the Spanish economy and the international sphere.

Up until the 2009 edition of the *Financial Accounts*, this publication included detailed Methodological Notes with references to the main categories of the system and certain aspects of the compilation procedure, as well as a very detailed set of schemes. From this edition, an expanded and more systematic version of these Methodological Notes is available as an independent document at [www.bde.es](http://www.bde.es). This document will be regularly updated in order to include any modifications that may arise, without having to wait, as in the past, until the accounts are published. Accordingly, the following sections of this Methodological Summary refer only to certain matters that have been considered of most importance, to make it easier for readers to consult the basic aspects of the accounts, which are explained in more detail in the aforementioned Methodological Notes. The second section of this Summary summarises the main features of the financial accounts; the third section outlines the main methodological aspects (the classification of the institutional units and of the financial instruments of the Spanish economy, and the main valuation methods used in the financial accounts); the fourth section details the requirements of international or-

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<sup>1</sup> The National Statistics Plan currently in force relates to the period 2009-12 (RDL 1663/2008). As in the case of previous plans, this one includes the *Financial Accounts of the Spanish Economy* (statistical operation 5858), which the Banco de España is responsible for compiling.

rganisations in relation to these statistics; and, finally, the fifth section briefly describes the project under way to modify the European System of National Accounts, which is the framework for these statistics.

## 2 Main features of the financial accounts

The *methodology* used in compiling these Accounts is that established by the European System of Accounts (ESA 95), contained in Council Regulation (EC) No 2223/96 of 25 June 1996,<sup>2</sup> which also governs the compilation of non-financial accounts. One of the key features of this System is that, since it was enacted through a Regulation, it is binding upon all European Union (EU) Member States, thereby ensuring that the methodology used and the deadlines for data availability are the same in all countries. Furthermore, the ESA 95 accounting system is also harmonised with the System of National Accounts (SNA 93), drawn up under the aegis of the Statistical Office of the United Nations, the World Bank, the OECD, the IMF and the European Commission (Eurostat), and with the IMF *Balance of Payments Manual* (5th edition).<sup>3</sup> Of particular significance in the European context is the inclusion in the System of a specific sub-sector within the sector financial institutions, namely the sub-sector monetary financial institutions (MFIs), which is the grouping the European System of Central Banks (ESCB) defines as the money creating sector, reinforcing the link between monetary and national accounts statistics.

The ESA 95 includes a *comprehensive system of accounts* comprising financial balance sheets and flow accounts, which explain the changes between the opening and closing balance sheets of each period. In addition to encompassing financial transactions, the flow accounts also address other changes in financial assets (and liabilities). The latter are made up, in turn, of: a) accounts of changes in volume, which reflect changes in the amount of financial assets and liabilities as a result of the appearance or disappearance thereof (e.g. loan write-downs/write-offs and sectorisation changes); and b) revaluation accounts, which reflect changes in the value of assets and liabilities as a result of changes in the prices thereof or in the exchange rate of the currency in which they are denominated. Thus, the ESA 95 Accounts constitute an integrated system in which, for each sector and sub-sector, the difference between financial stocks or balance sheets at any two moments in time is explained by the three accounts mentioned: financial transactions, revaluation and other changes in volume.

The application of the principles established in the ESA 95 to the Spanish institutional, economic and financial reality, as well as the general outline of the compilation procedure and the different sources of information used, are described in detail in the Methodological Notes referred to in the previous section.

The *Financial Accounts of the Spanish Economy*, in relation to the various groupings, are presented in a non-consolidated version in the tables of Sections 2.b), 2.d) and 2.e) (see Contents). However, it is possible to prepare the consolidated accounts from the information in Section 2.d), which includes, for the different sectors, the summary by instrument and counterpart sector, including the counterpart vis-à-vis the sector itself; so that, by elimination of the asset and liability positions within the sector itself, the consolidated accounts of each sector may be obtained. Obviously, the consolidated account of the Spanish economy is equivalent to presenting the rest of the world account from the standpoint of the resident sectors.

<sup>2</sup> It is expected that the revision of this Manual will be completed during the course of 2011 with its legal approval and that it will come into force in 2014.

<sup>3</sup> In 2008, new versions of the SNA 93 (SNA 98) and of the IMF *Balance of Payments Manual* (6th edition) were approved. The new version of the ESA will be consistent with the new versions of these manuals.

Regarding the *periodicity* of the Spanish financial accounts, and although the ESA 95 Regulation requires only annual series, the Banco de España has been releasing the data, from the outset, with quarterly periodicity, to meet user demand. In recent years, an intensive legislative programme has been conducted within the EU, aimed at increasing the periodicity of the National Accounts and other key macroeconomic statistics, and also at reducing the lag in their availability to a minimum, the objective being 90 calendar days in the case of the financial accounts, which is somewhat shorter than the lag with which the Spanish financial accounts are currently released.

*Time series* for the financial transactions and financial balance sheets of the Spanish financial accounts are available with quarterly data for the period 1990-2010 and annual data for the period 1980-1989. The revaluation and other changes in volume accounts are disseminated for the years and quarters contained in the annual publication and its quarterly updates. All the time series, both annual and quarterly, are methodologically homogeneous.

The *Financial Accounts of the Spanish Economy* are disseminated in two editions, one in printed form and the other in electronic form, available at [www.bde.es](http://www.bde.es). The print edition comes out in June and is the same as the electronic edition, which is updated quarterly with a lag of approximately 110 calendar days. These updates are preceded by a brief note describing the changes introduced. Both editions include annual and quarterly series. The series for the last eight quarters and the last eight years are disseminated in PDF files. The complete period available for the time series is disseminated through the Time Series Search Engine (BIEST)<sup>4</sup> and also in CSV<sup>5</sup> files. The specific dates of the updates of the Accounts appear in a release calendar for the publication and for other Banco de España statistics that may be consulted at [www.bde.es](http://www.bde.es).

The experience acquired since these Accounts were first published on the basis of the ESA 95 in 2000 has made it possible to establish a *revision* policy which, while ensuring that the modifications that occur and that generally affect the most recent quarters to a greater extent are incorporated, gives the published series a degree of stability. Thus, when the accounts for each quarter are updated, at most the accounts of the eight preceding quarters and their corresponding years are revised. In addition to the quarterly updates and revisions, in June of each year, before the annual print edition is published, the quarterly update made in April is revised (also with application of the policy of extending the revision to the eight preceding quarters and their corresponding years). This regular revision procedure does not rule out exceptional revisions when the circumstances warrant (conceptual changes, new source information, extension of the time series and the like).

### 3 Summary of the classification criteria and valuation methods

This section briefly sets out some methodological aspects of the financial accounts relating to the delimitation of institutional groupings, the classification of financial instruments and the valuation methods used, as part of the System of National Accounts.

In the financial accounts, as in the non-financial accounts, the institutional units are classified into *institutional sectors and sub-sectors* on the basis of their economic function. Specifically, the following institutional sectors are distinguished: *non-financial corporations*, which produce market non-financial goods and services; *financial corporations*, which engage in financial intermediation; *general government*, whose main functions are

<sup>4</sup> BIEST may be accessed at [http://app.bde.es/tsi\\_www/paginaBienvenida.do](http://app.bde.es/tsi_www/paginaBienvenida.do)

<sup>5</sup> CSV stands for "comma separate values".

S11 Non-financial corporations		Comprising: public limited companies, private limited companies, other non-financial corporations that are separate legal entities and other market-producer public bodies
S12 Financial corporations	S121 Banco de España	The national central bank
	S122 Other monetary financial institutions	Comprising: deposit institutions (commercial banks, savings banks and credit co-operative banks), the Instituto de Crédito Oficial, specialised credit institutions, money market funds (MMFs) and electronic money institutions
	S123 Other financial intermediaries, except insurance corporations and pension funds	Comprising: collective investment institutions (other than MMFs), securities-dealer companies, financial vehicle corporations, venture capital funds and companies, financial holding companies and issuers of preference shares
	S124 Financial auxiliaries	Comprising: deposit guarantee funds, securities agencies, mutual guarantee companies, appraisal companies, management companies (of pension funds, mutual funds and portfolios), operators of organised markets and companies performing settlement and market clearing functions
	S125 Insurance corporations and pension funds	Comprising: life and risk insurance corporations, non-profit insurance institutions, the Consorcio de Compensación de Seguros and autonomous pension funds
S13 General government	S1311 Central government	Comprising: the State and its autonomous agencies, public corporations that are non-market producers, the Fund for the Acquisition of Financial Assets (FAAF), the Fund for the Orderly Restructuring of the Banking Sector (FROB) and the Electricity Deficit Amortisation Fund (FADE)
	S1312 Regional (autonomous) governments	Comprising: management institutions of the regional (autonomous) governments and their autonomous agencies, including universities, transferred social security and public corporations that are non-market producers
	S1313 Local governments	Comprising: provincial, municipal, island, town and minor local authorities and their groupings, autonomous agencies and public corporations that are non-market producers
	S1314 Social security funds	Comprising: the General Treasury and other management entities (including mutual insurance companies covering workplace accidents and occupational diseases), the State Employment Public Service and the Wage Guarantee Fund
S14 Households		Comprising: individuals and groups of individuals (families and other groups) as consumers and as sole proprietors (firms that are not legal entities separate from their owners)
S15 Non-profit institutions serving households		Comprising non-profit institutions that provide services to households and that are “non-market” producers, such as non-government organisations, foundations, associations, religious entities, political parties, trade unions, etc.

the production of “non-market” goods and services and the performance of transactions for the redistribution of national income and wealth; *households*, in their twofold function as consumers and producers (sole proprietors); and, finally, *non-profit institutions serving households*, which produce “non-market” goods and services and make them available to households. Against this background, the legal entities existing in Spain are allocated to one institutional sector/sub-sector or another, as detailed in Table 1.

In accordance with the methodology mentioned above, the financial instruments included in the financial accounts are classified in the *financial asset categories* according to their legal characteristics and their degree of liquidity, as detailed in Table 2.

The ESA 95 establishes homogeneous valuation methods for the financial assets in financial balance sheets and in transactions accounts, which are applicable in all institutional

ESA 95 CATEGORIES		MAIN FINANCIAL INSTRUMENTS INCLUDED
1 Monetary gold and SDRs	1.1 Monetary gold	Gold of the Banco de España and of the Treasury
	1.2 Special drawing rights (SDRs)	SDRs allocated and acquired from other central banks
2 Currency and deposits	2.1 Currency	Banknotes and coins. Including residents' holdings of euro issued by Eurosystem NCBs other than the Banco de España
	2.2 Transferable deposits	Overnight deposits and savings deposits (in the latter case, since 2005)
	2.9 Other deposits	Interbank deposits and funding received in securitisation transactions, savings deposits (until 2005), time accounts, structured deposits, MFIs' repos, special covered bonds and accounts held abroad. In addition, the counterpart of the assets transferred and the positions vis-à-vis the ECB and IMF are included
3 Securities other than shares	3.3.1 Short-term securities	Treasury bills. Commercial paper at up to one year issued by general government, financial corporations and non-financial corporations
	3.3.2 Long-term securities	Medium and long-term public debt. Commercial paper at more than one year and bonds issued by financial corporations and non-financial corporations and securities issued by non-residents that are held by residents
	3.4 Financial derivatives	Options, futures and similar instruments and (since 2005) swaps.
4 Loans	4.1 Short-term loans	Loans from resident credit institutions to resident and non-resident sectors, loans from non-residents to resident sectors and loans between non-financial sectors and from the latter to non-resident sectors. Non-MFIs' repos and reverse repos of financial corporations vis-à-vis non-financial sectors. Non-interbank transfers of private assets, general government loans to public corporations, Development Fund loans, issues of non-marketable securities and liabilities to the IMF
	4.2 Long-term loans	
5 Shares and other equity	5.1.1 Quoted shares	Shares of financial and non-financial corporations quoted on domestic and foreign markets
	5.1.2 Unquoted shares	Unquoted shares of financial and non-financial corporations
	5.1.3 Other equity	Capital of companies and public bodies that do not have the legal status of a <i>sociedad anónima</i> (public limited company), capital contributions to branches (of non-residents in Spain and of residents in Spain abroad), non-residents' real-estate investments, investments in the capital of international organisations and contributions from deposit guaranteed funds to the FROB
	5.2.1 Mutual funds shares	Shares in capital-market and real-estate investment funds
	5.2.2 Shares issued by investment companies	Shares in capital-market and real-estate investment companies
	6 Insurance technical reserves	6.1.1 Life insurance reserves
6.1.2 Pension funds reserves		Reserves and funds set aside for the payment of pensions by non-profit insurance institutions and pension funds
6.2 Prepayments of insurance premiums and reserves for outstanding claims		Non-life technical provisions of life and risk insurance corporations and non-profit insurance institutions. Including reinsurance
7 Other accounts receivable/payable	7.1 Trade credits and advances	Client/supplier accounts and the like of non-financial corporations (and counterpart sectors)
	7.9 Other accounts receivable/payable, excluding trade credits and advances	Diverse accounts receivable/payable, interest accrued on deposits/loans and pending receipt/payment, outstanding transactions between financial corporations and between general government bodies, outstanding taxes and contributions

sectors and to financial instruments both when they are financial assets and when they are liabilities.<sup>6</sup> As a result of this homogeneity the system of accounts has a high degree of internal consistency, leaving aside particular compilation problems that may exist. As a general principle financial assets are valued in the financial balance sheets at current prices, which is either their nominal value or, in the case of instruments traded on markets,

<sup>6</sup> All financial assets are liabilities from the standpoint of the issuer/debtor. Moreover, all liabilities are, by definition, financial, while there are non-financial assets (the capital stock of the various sectors that are not reflected in the financial accounts). The net financial assets (also called net financial wealth) of each institutional grouping represent the difference between financial assets and liabilities.

	FINANCIAL BALANCE SHEET	FINANCIAL TRANSACTIONS ACCOUNT
1 Monetary gold and SDRs	Market value	Amount of the transactions
2 Currency and deposits	Face value (currency) or nominal value (deposits)	Difference between balances, excluding revaluations and changes in volume
3 Securities other than shares	Market value (including interest accrued during the period)	Value of the transactions. The interest accrued less the interest paid is treated as if it were re-invested in the financial instrument
4 Loans	Principal of the debt	Difference between balances, excluding revaluations and changes in volume
5 Shares and other equity		
511 Quoted shares, and		
52 Mutual funds shares	Market value	Value of the transactions
512 Unquoted shares	Estimation of the market value based on the valuation of quoted shares and accounting information on the unquoted shares	Value of the transactions
513 Other equity	Book value of own funds	Net contributions of funds
6 Insurance technical reserves	Current value of future payment commitments in accordance with the technical provisions and funds set aside	Premiums and net contributions including the investment income
7 Other accounts receivable/payable	Nominal value on the balance sheet	Difference between balances

their market value. At the same time, as a general rule, transactions with financial assets are recorded at their transaction value, i.e. the value at which the specific transactions have been carried out. The financial accounts reflect the balances of financial assets and the corresponding transactions among the residents of the Spanish economy and between the latter and residents of the rest of the world, as well as other financial flows, which are changes in the value of the financial assets and liabilities that appear in the balance sheets of the various agents that do not arise from transactions, such as changes in asset prices (revaluations), accounting reclassifications, changes in the sector in which institutional units are classified, etc. Table 3 shows *how the main categories of the system are valued* following the general rules mentioned above. Finally, it should be noted that the basic accounting information or administrative registers are not always strictly compiled in accordance with the method mentioned, so that sometimes adjustments have to be made to maintain the system's consistency.

#### 4 Financial accounts in the international sphere

International organisations compile financial accounts data within their own sphere. In some cases, these organisations have formalised, by means of legally binding rules, the information requirements that must be met by the national institutions responsible for compiling such data or which are members of the organisation. Also, these international organisations make available to users the data compiled for different countries with a homogeneous format and with dissemination tools that make the information easier to compare.

Regulation (EC) No 2223/96 on the European System of National and Regional Accounts, besides being the main methodological reference in the area of financial accounts, incorporates a Transmission Programme of national accounts data to *Eurostat*, the EU body charged with compiling national statistics of EU interest and making them available to users. In relation to the financial accounts, this Transmission Programme establishes the obligation to send annual data for *financial balance sheets and financial accounts of the institutional sectors, consolidated and non-consolidated*, with a lag of nine months. However,



Spain, like other countries, has been sending data with a significantly shorter lag, of six months. In the case of Spain this shorter lag does not give rise to excessive difficulties since the Spanish financial accounts are disseminated with a lag of less than four months. The *European Sector Accounts* database<sup>7</sup> contains the financial accounts data (Tables 6 and 7 of the Transmission Programme) of the 27 EU countries.

In addition, Regulation (EC) No 501/2004 establishes the obligation on Member States to compile quarterly non-financial and financial *accounts for the general government sector*, with a lag of 90 calendar days with respect to the last quarter of reference. The *Government finance statistics* database<sup>8</sup> contains the public finances data for the 27 EU countries.

The European Central Bank (ECB), meanwhile, has established obligations relating to information on financial accounts by means of Guideline ECB/2007/13. This Guideline obliges the euro area national central banks (NCBs) to submit *quarterly financial accounts* to the ECB with a lag of 110 calendar days with respect to the last quarter included in the accounts. There are certain differences between the quarterly data that the NCBs send to the ECB and the annual data that are sent to Eurostat (apart from the different periodicity), although they should be fully consistent.<sup>9</sup> In general, although the quarterly data sent to the ECB are somewhat less detailed than the Eurostat data as regards the institutional sectors/sub-sectors and the categories of financial assets for which information is presented, they incorporate the details of the counterpart sectors for the main categories of financial assets, and distinguish, within the positions vis-à-vis the rest of the world, between those that have euro area countries and those that have other countries as counterpart, which enables the ECB to compile euro area accounts, consolidating the internal euro area positions. A significant portion of this information is disseminated in the *Euro area accounts* section of the ECB's *Statistical data warehouse*.<sup>10</sup>

Finally, it should be mentioned that the international financial crisis of the last few years has given rise to intense work by international organisations to develop proposals to improve the quality and content of the statistical information on balance sheets and financial transactions. In the context of the G20, the member countries and observers of this group and the international organisations of a financial nature, led by the *IMF*, have identified a set of financial statistics that need to be developed in order to achieve the quality standards and greater detail, including *balance sheets and sector accounts, with counterpart details*.

## 5 Revision of the European System of Accounts

The annual edition of the *Financial Accounts of the Spanish Economy* for 2009 included a reference to the process of revision of the national accounting manuals. In the same way as the ESA 95 (which is currently in force) is compatible with the SNA 93, the new version (ESA 2010), which will come into force in 2014, is fully compatible with the recent version of the SNA (2008 SNA). The fact that the ESA 2010 is approved by means of legislation and is, therefore, binding on all the countries that make up the European Union, means that its guidelines and recommendations are more specific and less subject to interpretation by compilers than 2008 SNA. Indeed, this greater precision of the ESA is necessary given its use in certain EU administrative procedures.

<sup>7</sup> Available at [http://epp.eurostat.ec.europa.eu/portal/page/portal/sector\\_accounts/data/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/sector_accounts/data/database)

<sup>8</sup> Available at [http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/data/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/data/database)

<sup>9</sup> Although this is true in the case of Spain, as there is only one procedure for compiling quarterly accounts, in some countries that have two compilation procedures, one annual and the other quarterly, the consistency is not complete.

<sup>10</sup> Available at <http://www.ecb.int/stats/acc/html/index.en.html>

The ESA 2010 incorporates a more detailed breakdown of sectors and financial instruments, to adapt them to the financial innovation recorded in recent years. These new categories will be incorporated in Tables 6 and 7 of the Transmission Programme of national accounts data to Eurostat. However, given their novelty and the difficulty of constructing time series, their transmission will in most cases be on a voluntary basis.

As regards *sectors*, the new ESA widens the definition of financial corporations, to ensure that it covers all financial intermediation activities, and expands the sub-sectoral breakdown (nine sub-sectors, as opposed to five in the ESA 95). Some of these sub-sectors arise from the division of previous ones, such as money market funds (MMF) and non-MMF investment funds, which previously formed part of other monetary financial institutions and other financial intermediaries, respectively, and pension funds and insurance corporations, which were previously presented jointly. At the same time, the new financial institutions which, following the revision, form part of this sector are included in a new sub-sector: “captive financial institutions and money lenders” within “other financial institutions”. The main changes affecting *financial instruments* relate to “financial derivatives”, which are now considered an independent category and include, as a distinct sub-category, “employee stock options”, and to “insurance technical reserves”, which are also expanded to include the sub-category “standardised guarantees”.