

3 October 2011

Quarterly Spanish National Accounts. Base 2008
Quarterly non-financial accounts for the Institutional Sectors
Second quarter of 2011

Main results

- The savings rate for households and non-profit institutions serving households (NPISH) reaches 13.2% of their disposable income, 2.2 points more than the same period in 2010. Taking mobile periods of the last four quarters as a reference, this rate stands at 12.8% of disposable income, five tenths less than the previous period.
- Households and NPISH present, in the second quarter, net lending of 10,265 million euros, 3.7% of GDP. This amount is 1.658 million euros less than the second quarter of 2010. Accumulating the two quarters in 2011, net lending of households and NPISH reaches 8,946 million, 1.7% of GDP.
- Non-financial corporations have net lending of 8.848 million euros, 3.2% of quarterly GDP. This rate is 3.3 points higher than that estimated for the same quarter of the previous year. Thus, during the two quarters of 2011, this sector accumulates a net lending of 5,072 million euros, 0.9% of GDP.
- Public Administrations present net borrowing of 27,396 million euros, 9.9% of quarterly GDP in the second quarter. Accumulating the first two quarters of 2011, the sector has net borrowing of 41,348 millions, 7.7% of GDP.
- The financial corporations obtain a net borrowing of 1,713 million euros this quarter, 0.6% of GDP, and accumulate net lending of 4,860 million euros in the two quarters of 2011, 0.9% of GDP.
- Net borrowing of the economy as compared with the rest of the world is estimated at 6,570 million euros, accounting for 2.4% of quarterly GDP, 2.2 points less than one year ago. Thus, the total for the national economy accumulates net borrowing of 22,470 million euros in the first half of 2011, 4.2% of GDP.
- The quarterly series of the institutional sectors presented today refers to the new base 2008 of the Spanish National Accounts. Thus, the whole accounting series has been revised, from the first quarter of 2000, in order to incorporate the methodological and statistical changes inherent in this new accounting base. Annexed to the end of this press release is a methodological note explaining the changes most affecting interpretation of its results.

Households and Non-profit Institutions Serving Households Sector

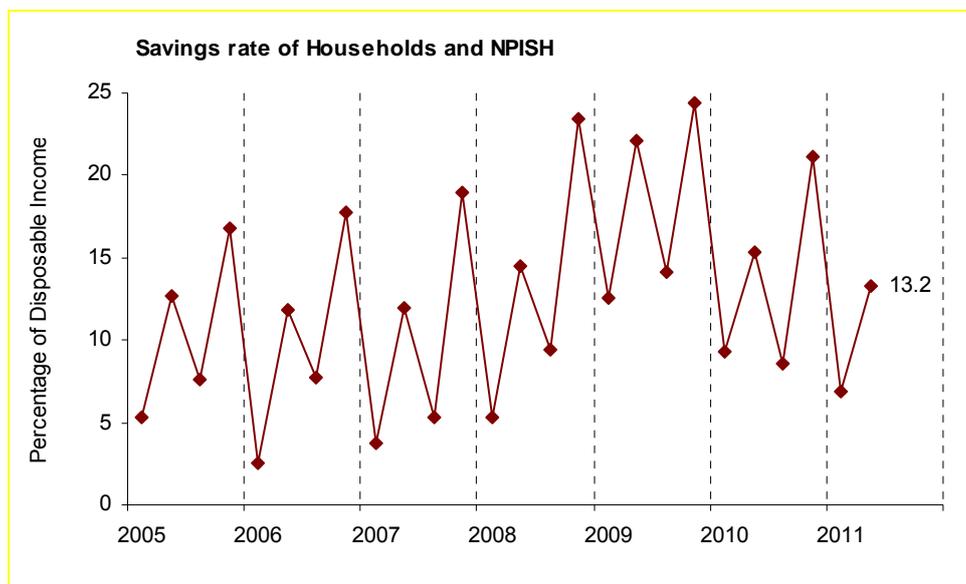
During the second quarter of 2011, disposable income for the Households and Non-Profit Institutions Serving Households (NPISH) Sector increased 1.2% interannually, reaching the figure of 181,818 million euros, 2,213 million higher than the income estimated in the second quarter of the previous year.

This result was brought about as a result of an increase in the balance of primary income (1.6%) due to the increase in operating surplus and mixed income of households (8.0%), which compensated for both the decrease in remuneration of wage earners (0.4%) and that of net balance of income from property received (interest, dividends, etc.) resulting in 4.5% (those received increased 7.2%, and those paid, 38.3%).

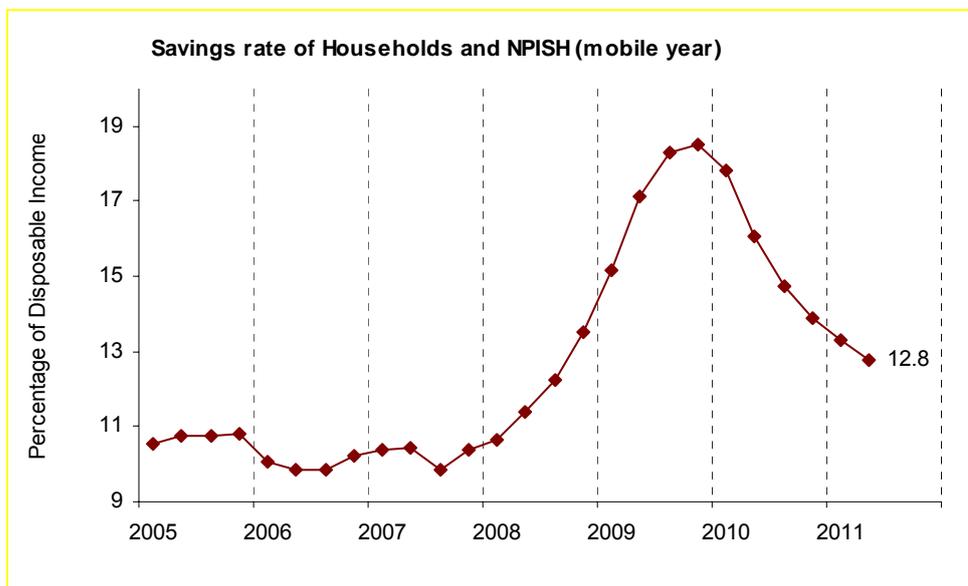
On the other hand, as far as secondary distribution of income was concerned, the increase in taxes on income and wealth (6.2%) and the decrease in current transfers received (14.8%) were compensated for by the decrease in social contributions (0.3%) paid by households, and by the increase in volume of benefits received (0.6%).

The joint consideration of all of the elements mentioned has determined that the interannual growth of the disposable income of households stood at 1.2%, as previously stated.

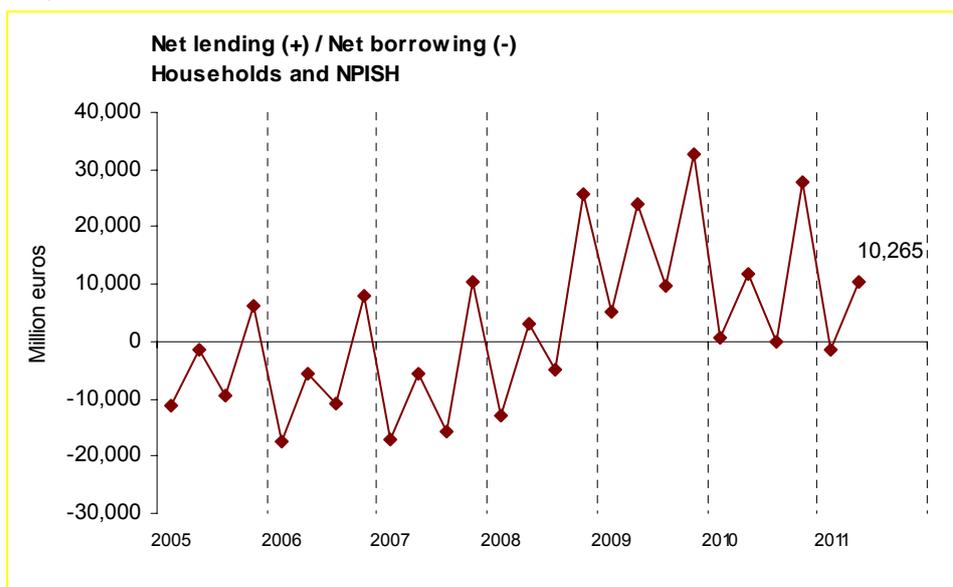
As regards the use of this disposable income, it was worth mentioning that final consumption expenditure by households and NPISH during this period increased 3.6%, with the result that savings reached 24,056 million euros (3,660 million less than the same quarter the previous year). The savings rate stood at 13.2% of disposable income, 2.2 points less than one year ago.



Taking mobile periods of four quarters, the period from the third quarter of 2010 to the second quarter of 2011 showed a savings rate for the sector that reached 12.8% of disposable income, five tenths less than the previous period.



On inspection of the capital account, it was clear that this saving, generated by households and NPISH, together with a positive balance of 1,010 million euros due to net capital transfers received, has been sufficient to finance the considerable volume of investment for the sector, which reached 14,801 million euros in this quarter, 9.1% more than in the same period of 2010. Thus the sector generated net lending of 10,265 million euros (3.7% of quarterly GDP).



Accumulating the first two quarters of 2011, the sector had net lending of 8,946 million euros, 1.7% of GDP.

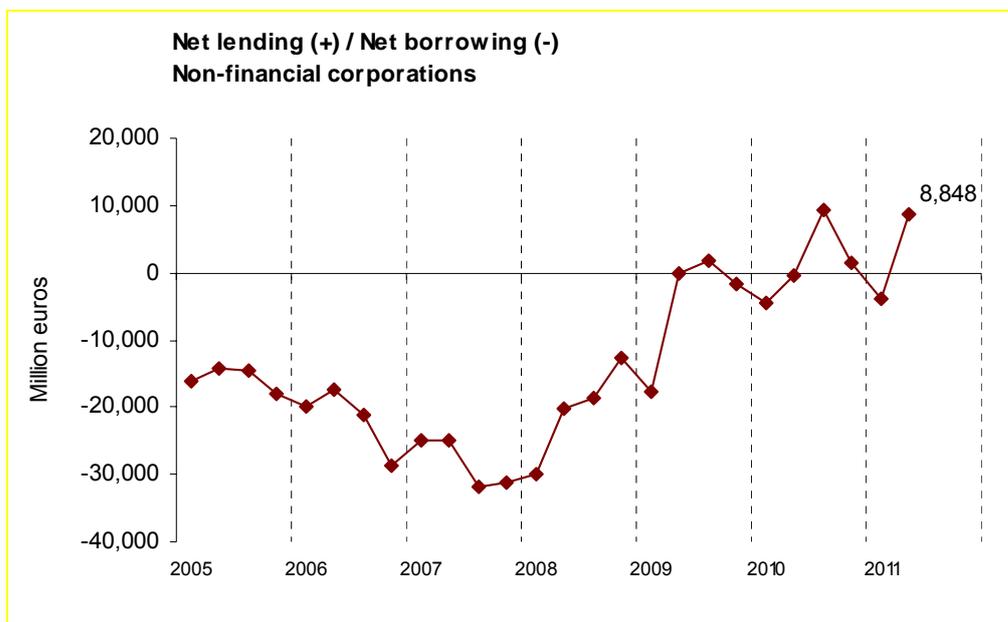
Non-financial Corporations Sector

During the second quarter of 2011, non-financial corporations experienced an interannual increase of 24.3% in disposable income.

This performance was largely explained by the fact that the operating surplus increased 15.3%, compensated for by an increase of 1.7% in the balance of net property income received. Besides this, there was a 14.4% decrease in interannual terms in the amount of corporate tax paid by non-financial corporations.

In absolute terms, disposable income for the sector reached 41,030 million euros during the referenced quarter.

This amount, linked to the positive balance of 2,555 million in transfers of net capital received, was sufficient to finance the total investment volume of the sector (34,737 million euros). Consequently, net lending of 8,848 million was estimated, a figure involving 3.2% of quarterly GDP, 3.3 points higher than that recorded one year ago.



If the results of the first half of 2011 are aggregated, non-financial corporations presented net lending of 5,072 million, 0.9% of GDP.

Public Administration Sector

In the second quarter of 2011, Public Administrations decreased their disposable income 7.2% in interannual terms, reaching the figure of 40,551 million euros.

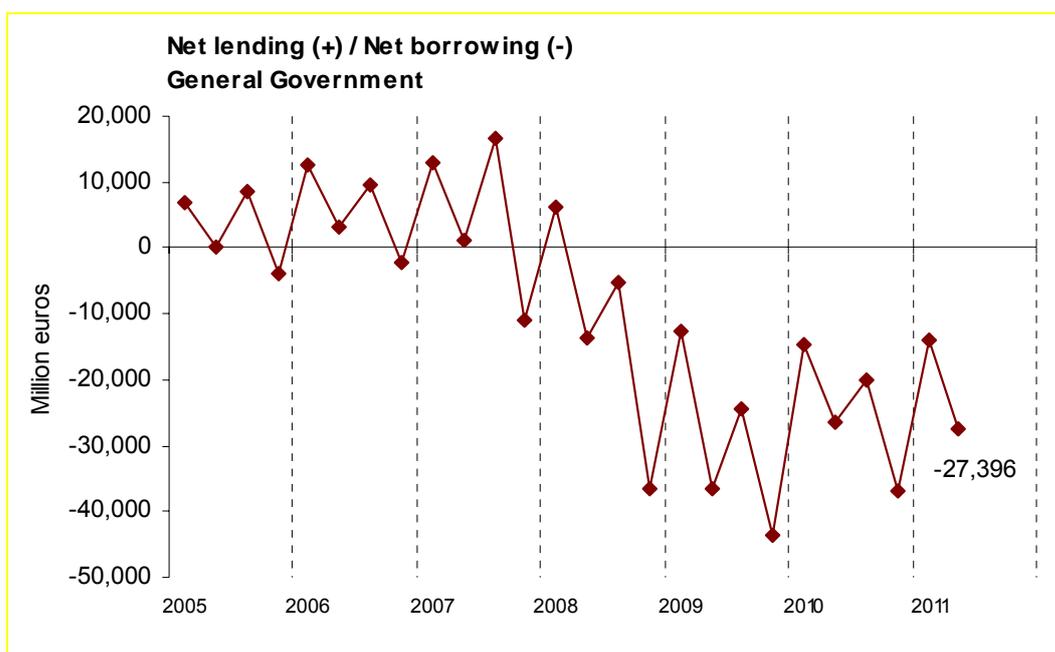
The essential factor that explains this result for the quarter, was the interannual decrease, at 6.0%, in the total value of net taxes received by the sector. Taxes from income and wealth increased at a rate of 2.3% (454 million more), whereas and those associated with production decreased 12.5% (3,188 million less).

This decrease in income due to taxes, linked to a slight decrease in social contributions received (0.7%) and the lower amount of net current transfers received (41.7%) was partly

compensated for by the reduction in social benefits paid (0.9%), resulting in the aforementioned 7.2% decrease in disposable income for the sector.

In turn, final consumption expense of Public Administrations (57,776 million euros) decreases 1.4%. As a result, the savings of the sector presented a negative amount of 17,225 million euros.

Taking this saving into account, together with the net balance of capital transfers paid (1,896 million euros) and of investment of Public Administrations this quarter, meant that the sector had net borrowing of 27,396 million euros, 9.9% of GDP for the sector.



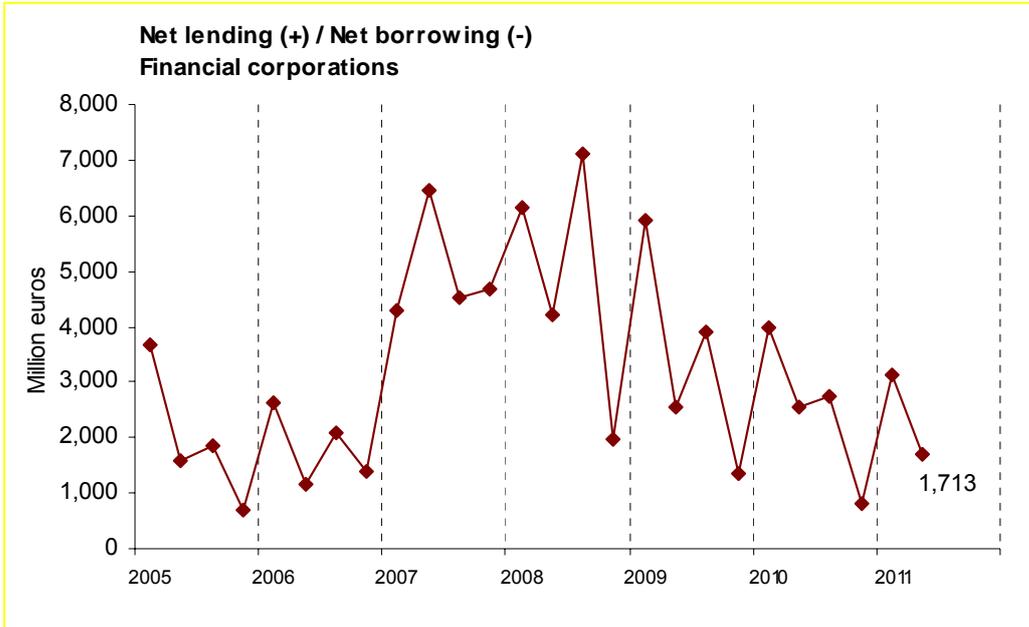
Accumulating the results for the first two quarters, Public Administrations had net borrowing of 41,348 million, 7.7% of GDP.

Financial Corporations Sector

In the third quarter of 2011, disposable income for the financial corporations sector increased 4.6% as compared with the same period of the previous year, standing at 5,188 million euros.

This result is due to an increase in property income received (20.6%) greater than that paid (13.3%) which compensated both the decrease in the excess gross operation of the sector (25.4%) and the increase in corporate tax paid by financial corporations (3.0%).

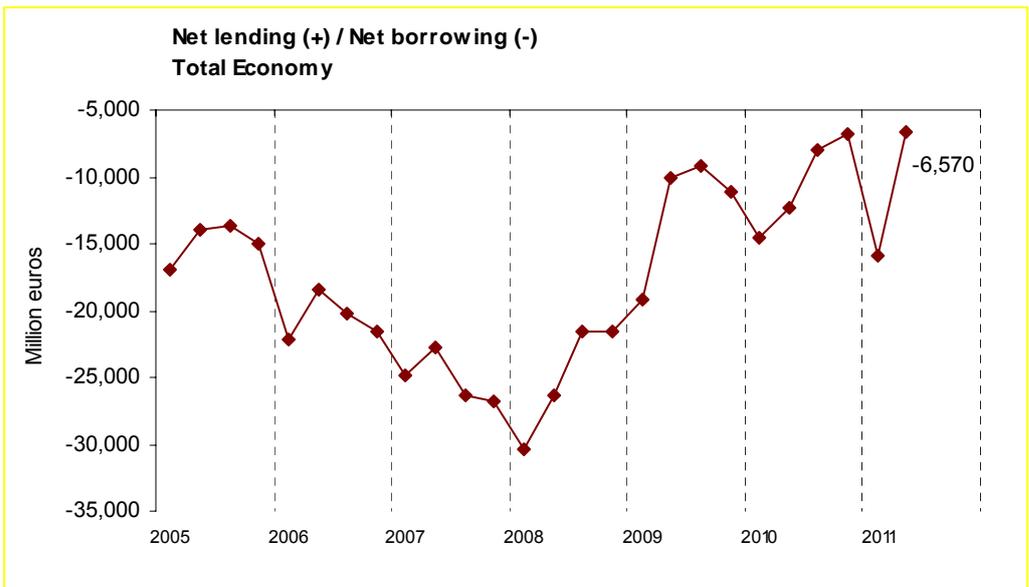
The available income generated this quarter, reduced by a negative balance of 363 millions in capital transfers, has been sufficient to finance the investment volume made by the sector (3,091 million euros) and so that financial corporations obtained a net lending of 1,713 million over this period—0.6% of GDP, three tenths less than one year ago.



Aggregating the results from the two quarters of 2011, the sector presented net lending of 4,860 million euros, 0.9% of GDP.

National Economy

As a result of the actions of all institutional sectors, the national economy presented net borrowing of 6,570 million euros against the rest of the world during the first quarter of the year (5,727 million more than estimated for the second quarter of 2011). This figure represented 2.4% of GDP, 2.2 points less than that estimated for the same period of the previous year.



The decrease in net borrowing of the Spanish economy was explained, firstly, by the less favourable behaviour of the balance of foreign exchanges of goods and services, which decreased 5,650 million euros, as a result of a greater increase in exports (14.0%) than in imports (5.6%). The second component contributing to this decrease was the improvement in the balance of income and current transfers and of capital, standing at 77 million euros.

On an aggregate basis, net borrowing for the Spanish economy stood at 22,740 million euros during the first semester of 2011.

Further information

The results for the period from the first quarter of 2000 to the second quarter of 2011 are available on the INE website (http://www.ine.es/en/welcome_en.htm).

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.

Annex. Methodological note on the base 2008 changes which affect the interpretation of the results of quarterly non-financial accounts for institutional sectors.

The results presented in this press release incorporate the methodological and statistical changes for the new base 2008 of Spanish National Accounts. This base change has been made transversally for all European Union member states in compliance with Commission Regulation number 715/2010.

The aim of this methodological note is to explain those changes which have had a more significant effect on institutional sector accounts, especially regarding the interpretation of their results, in a comparative way to those estimated in the previous base 2000 whose latest publication was made on 26 August.

First, and as a fundamental consequence of the changes to classifications of activities and products, the base change has determined a new estimate of quarterly GDP and therefore, its aggregates of supply, demand and income, a fact reflected in the different current accounts and accumulation presented today, affecting the estimates of all institutional sectors.

Secondly, methodological changes have been made which have an effect on net borrowing or lending for non-financial corporate sectors, households and NPISH and Public Administrations and which should be taken into account if they wish to compare the results of this base 2008 with those from the previous base 2000.

The first of these refers to the registry of taxes in public administration accounts. In base 2000, they were registered in accordance with the time at which the expenditure obligation arose, whereas in the new base 2008, a time adjustment is made to approximate the time of accrual (which is usually prior to the period in which payment is made) and which is the criterion which the European System of Accounts (ESA) indicates should be followed when estimating accounting operations. Depending on the kind of tax, the time adjustment is made between 1 and 2 months.

This change has modified the seasonal pattern of the series of Public Administration resources.

The second change refers to accrual of most gross formation of fixed capital of public administration during the quarters of each year. For base 2000, the investment was recorded in accordance with the time in which the expenditure obligation was recognised by the public administrations. A large part of this expenditure is recognised in the fourth quarter of each year, for each reason the series presented seasonality which had no relationship with the variation in its actual production. For this reason, the base 2008 was corrected for the seasonal nature of this investment expenditure to make it more consistent with the variation in products in which these administrations invest—mainly, infrastructure building work. This change only affects the estimate of investment from the quarters of each year, but not the annual aggregate.

This second change does not only affect Public Administrations, but also the non-financial companies sectors and, to a lesser extent, households. For base 2000, since there are no investments recorded until the fourth quarter, during the first three quarters, this total appeared in the other two sectors mentioned. Currently, in base 2008, the effect of correcting for the seasonal nature of investment in Public Administrations affects investment by companies and households in opposing ways.

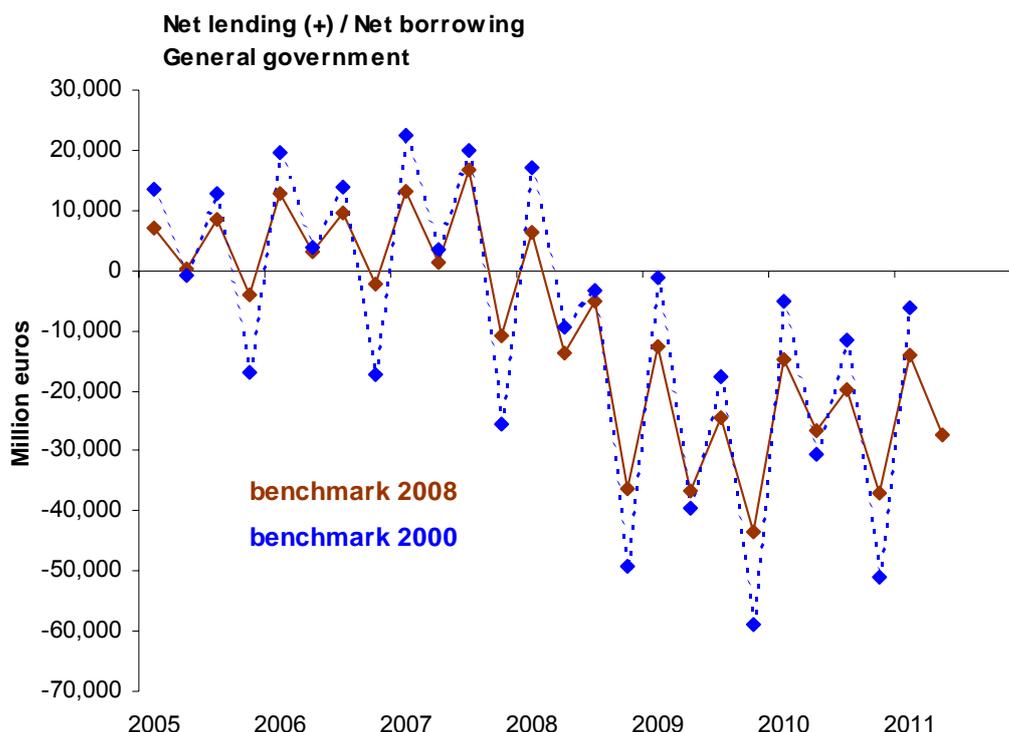
As a consequence of the changes, base 2008 will be compared to base 2000.

- lower net lending (or greater net borrowing) of Public Administrations in the first quarters of the year and, conversely, greater net lending (or lower net borrowing) by non-financial companies and households in those first quarters
- greater net lending (or lower net borrowing) of Public Administrations in the fourth quarters of the year and, conversely, greater net lending (or lower net borrowing) by non-financial companies and households in those first quarters

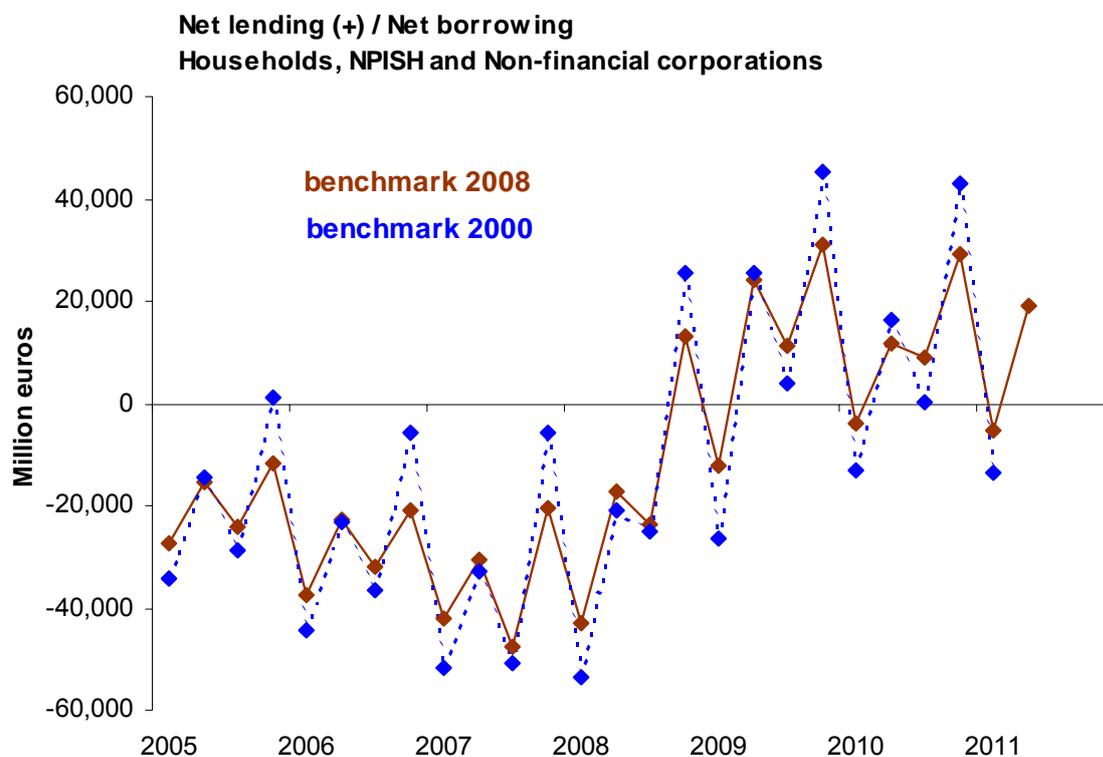
As an example, during the first quarter of this year net borrowing of Public Administrations was 5.3% of GDP in base 2008, compared to 2.4% of GDP with base 2000. Similarly, this same quarter, net borrowing for households, NPISH and non-financial companies was 2.0% of GDP in base 2008, compared to 5.1% estimated in base 2000.

The effects of these changes on net borrowing or financing for sectors during the second and third quarters of each year are less than for the other two.

The next graph shows the variation in this net borrowing or financing of the public administrations compared between the two accounting bases, base 2000 and base 2008 and in which the effect of the above reported changes can be observed.



Similarly, the reviews made for net borrowing or financing of non-financial companies and households and NPISH are those which appear in the following graph and replicate in an inverse way the reviews in public administrations.



For further information see INEbase-www.ine.es/en/welcome_en.htm All press releases at: www.ine.es/en/prensa/prensa_en.htm

Press Office: Telephone numbers: 91 583 93 63 / 94 08 – Fax: 91 583 90 87 - gprensa@ine.es

Information Area: Telephone number: 91 583 91 00 – Fax: 91 583 91 58 – www.ine.es/infoine/?L=1