

BANCO DE ESPAÑA

**Changes to the tables presenting the
Balance of Payments**

17 April 2001

I. INTRODUCTION

The impact of the creation of EMU and of the euro on the Spanish Balance of Payments, especially in euro transactions with residents from the rest of the world settled via TARGET, needed to be reflected appropriately accountingwise in the presentation tables drawing these data together. These tables are disseminated monthly with the Press Release and in the indicators 7.1 and 7.2 that are simultaneously updated by the Banco de España on its website. This note explains the changes to these tables.

The Banco de España also intends to adapt Chapter 16 of its "Boletín Estadístico", its associated time series and the annual publication of the Spanish Balance of Payments to the changes presented in this note. Further, once the forthcoming data for the International Investment Position corresponding to December 2000 are released, the appropriate adaptations will be made both to Indicator 7.6 and the related tables of the "Boletín Estadístico" and the annual Balance of Payments publication.

Until EMU was set in place, the Banco de España's reserves were the counterpart of the total net result of transactions between Spanish residents and rest-of-the-world residents. Until then, moreover, the Banco de España's financial assets and liabilities other than reserves were of less significance, and were recorded under the heading "Other investment", along with the transactions of the other sectors. Since the creation of the euro, a substantial part of this counterpart is reflected in the change in the Banco de España's account with the Eurosystem.

From an analytical standpoint, it has thus been considered more appropriate to present the data separating all the Banco de España's financial transactions from those of the other sectors, offering explicit and itemised information of the changes in the Banco de España's account vis-à-vis the Eurosystem. In this way, and in addition to the value of this heading per se, the "Other investment" transactions (loans, deposits and asset repos) of the other sectors are not mixed with a heading with a different analytical meaning, and whose absolute magnitude is significant.

The change in the presentation of the tables has provided the opportunity for other changes in style, but not in substance, aimed at unifying terminology and making analysis easier.

Nonetheless, it should be noted that the changes in presentation merely re-allocate the same information, which continues to be compiled in accordance with the methodological guidelines of the IMF Balance of Payments Manual (5th edition).

The IMF has to present the data in its publications in a similar fashion for all countries, so as to allow international comparability. Hence, in the wake of a singular phenomenon such as EMU, it has had to opt for a uniform accounting solution. This involves including the change in Member State central banks' assets

vis-à-vis the Eurosystem in "Other investment" (albeit segregating explicitly the assets and liabilities of these institutions in the sector called Monetary Authority), and leaving only reserves as the final counterpart of the rest of the balance.

The IMF's solution, which had been followed in the previous design of the Spanish Balance of Payments tables, is not only consistent with the presentation for most countries but also with that of the overall euro area aggregate Balance of Payments vis-à-vis the rest of the world. However, it is not the most useful presentation for analysing the Balance of Payments of each country in isolation.

Accordingly, in the table presentation discussed here, an alternative analytical design - but one adhering strictly to IMF accounting rules - has been considered useful. In this connection it is recalled that, for reserves, from January 2000, the IMF guidelines in the October 1999 document "Data Template on International Reserves and Foreign Currency Liquidity. Operational Guidelines" (<http://dsbb.imf.org/guide.htm>) are followed.

II. CHANGES IN THE PRESENTATION OF THE TABLES ACCOMPANYING THE PRESS RELEASE

The changes listed below follow the order of the lines presenting the data.

- 1) There is no change in the current and capital account, except the purely stylistic change of naming more accurately the "Tourism" heading "Tourism and travel", since it includes travel of whatever nature, even if it is not for leisure purposes.
- 2) The sum of the current account is added to that of the capital account (this latter account essentially includes capital transfers from the EU), giving the economy's total non-financial transactions with the external sector. The resulting balance therefore represents the net borrowing or lending arising from these transactions.
- 3) A purely stylistic change has also been made in the financial account. The change in assets and that in liabilities have been more accurately called "Net change in assets" and "Net change in liabilities". It is sought hereby to highlight the fact that both a change in assets and a change in liabilities reflects the net amount resulting from purchases of the corresponding financial instruments less repayments or sales thereof. For example, a loan from abroad is recorded as a "Net increase in liabilities", and its repayment as a "Net reduction in assets".
- 4) The financial account is broken down into that of the Banco de España and that of the other sectors. The total financial account remains identical to that hitherto published in these tables.

The financial account, excluding the Banco de España, represents the net financial saving obtained from the rest of the world by the economy (except Banco de España) to finance the outstanding balance of non-financial transactions included in the current and capital accounts.

If, for instance, the balance of these latter transactions is negative, and the financial resources received from abroad, measured by the financial-account balance without Banco de España, amount to less than this deficit, the net external assets of the Banco de España will fall.

- 5) Information on the total balances of direct and portfolio investment is offered. These are calculated as the net change in liabilities minus the net change in assets.
- 6) In the new presentation, the heading "Other investment" has, as discussed above, ceased to include the financial transactions of the Banco de España, which are now recorded separately. This is undoubtedly the most significant change in the new presentation, as it means that the change in the balance of the Banco de España's account with the Eurosystem, the size of which is significant in both quantitative and analytical terms, is excluded from the heading "Other Spanish investment abroad". For the sake of clarity, the other foreign assets and liabilities of the Banco de España have also been excluded from this heading although, as earlier indicated, they are much less significant in quantitative terms.

Consequently, the heading "Other investment" includes financing extended abroad and financing received from abroad by the economy, excluding the Banco de España, in the form - above all - of loans, deposits and asset repos.

- 7) As mentioned, the financial account of the Banco de España records the changes in its foreign assets and liabilities, broken down into the change in reserves, the change in the Banco de España's account with the Eurosystem and the change in other assets and liabilities, reflected net in "Other net assets".

There are no changes in how reserves are recorded compared with their previous presentation. With EMU in place, reserves are defined as the liquid assets of the Banco de España denominated in currencies other than the euro and held vis-à-vis residents of countries other than euro-area member states. Therefore, they do not include any type of claim on euro area residents (nor, obviously, assets in euro).

The change in the Banco de España account with the Eurosystem is under the heading "**Banco de España assets vis-à-vis the Eurosystem**". As earlier indicated, since the creation of EMU and the setting in place of the Target system for the settlement of cross-border transactions in euro, the changes in this account are a significant part of the counterpart of the financial transactions

of the rest of the economy. Consequently, the presentation of the related information, segregated from the transactions of the other sectors, is warranted not only for its quantitative significance but also for its analytical worth.

Other foreign assets and liabilities are less significant and included net under the heading "**Other net assets**" of the Banco de España. Note that, despite the generic name, the items are recorded, like all the flows of the financial account, as a change in liabilities minus the change in assets. Recorded under this heading are the liabilities that the IMF calls "liabilities linked to reserves" (see the above-mentioned IMF publication on the methodological guidelines for the reserves heading).

III. CHANGES IN ECONOMIC INDICATORS 7.1 AND 7.2

These indicators have been adapted along the same lines, and to the same end, as the tables accompanying the Press Release. There is thus no need to reiterate the arguments outlined above.

Indicator 7.1 includes an additional column to those previously presented in order to reflect the sum of the current account plus the capital account. Conversely, indicator 7.2, which offers the breakdown of the financial account, had to be overhauled to include the new information it is sought to provide and, moreover, to make presentation uniform with the tables accompanying the Press Release. As earlier indicated, it is sought to achieve uniformity of presentation in the other Banco de España publications containing Balance of Payments data.

As a result, instead of organising the information on the basis of the breakdown of transactions into changes in assets and changes in liabilities, Indicator 7.2 has been structured on the basis of the division of the financial account into transactions of the Banco de España and those of the other sectors. Since the content of the headings has changed exclusively in the terms set out in this note, users' attention need only be drawn to the footnotes. These explain in detail the accounting convention used in the sign of the change in the various assets and liabilities included in the table. With the same aim of overall uniformity, it is this convention which is used in the tables accompanying the Press Release.

Lastly, the heading "**Banco de España assets vis-à-vis the Eurosystem**" includes, in addition to the changes in the account brought about by settlement via Target, the transfer of reserves to the ECB. This is recorded as a reduction in reserves and in increase in the balance of this account. The transfer took place in January 1999. The contribution of the Banco de España to ECB capital in 1998 is recorded under the heading "**Other net assets**" of the Banco de España.