

STATISTICAL PRESS RELEASE



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Banco de Portugal releases new statistical series

Banco de Portugal publishes today new statistical series on the following domains:

- Statistics on non-monetary financial institutions, except insurance corporations and pension funds (Chapter B.8 of the Statistical Bulletin);
- Central Credit Register statistical information (Chapter B.9);
- Balance of payments and international investment position statistics (Chapter C);
- National financial accounts (Chapter F);
- Statistics on non-financial corporations from the Central Balance-Sheet Database¹ (Chapter G);
- Non-financial sector indebtedness (Chapter K).

The new series mainly result from the revision of international manuals – System of National Accounts (SNA2008), European System of National and Regional Accounts (ESA2010) and Balance of Payments and International Investment Position Manual (BPM6)².

The new series on general government debt (Table A.15, in Chapter E of the Statistical Bulletin) was released on 30 September³. Furthermore, information on general government financing (Table A.15, Chapter E) has been updated in line with methodological changes incorporated in other statistical domains.

I. Statistics on non-monetary financial institutions, except insurance corporations and pension funds (Chapter B.8)

Given the new sectoral classification rules introduced by ESA2010, statistics on the sector of **non-monetary financial institutions, except insurance corporations and pension funds**, now include captive financial institutions and money lenders, covering entities previously classified in the non-financial corporations sector. In turn, some entities previously included in this sector were reclassified under the general government sector.

¹ For more information, see Statistical Press Release No 10|2014, at http://www.bportugal.pt/en-US/Estatisticas/PublicacoesEstatisticas/NIE/LinksLitsItemFolder/Attachments/72/PR_2014_10_20_CB.pdf

² For more information on these changes, please refer to Banco de Portugal's website, at <http://www.bportugal.pt/en-US/Estatisticas/MetodologiasEstatisticas/AlteracoesMetodologicasSEC2010BPM6/Pages/AlteracoesMetodologicasSEC2010BPM6.aspx>

³ For more information, see Statistical Press Release No 9|2014, at <http://www.bportugal.pt/en-US/Estatisticas/PublicacoesEstatisticas/NIE/LinksLitsItemFolder/Attachments/71/PR%202014%2009%2030%20AP.pdf>

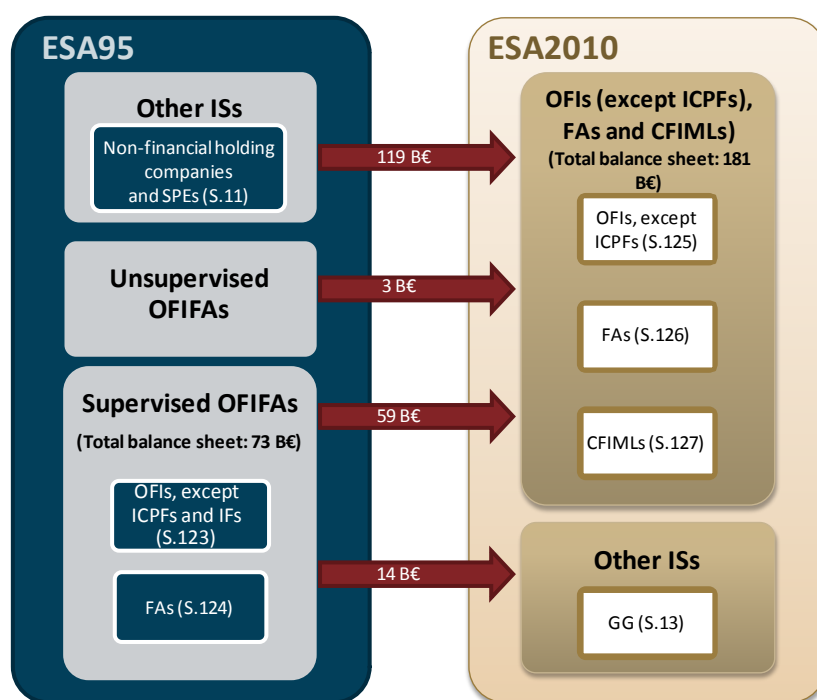
Subsectors have been reorganised, with the breakdown of investment funds, which were previously classified as other financial intermediaries.

Statistics on non-monetary financial institutions, except insurance corporations and pension funds, now also incorporate information on the activity of entities that are not supervised by Banco de Portugal.

Chart 1 briefly illustrates changes to this statistical domain, taking June 2014 as the reference period.

Chart 1

Main changes to the total balance sheet of non-monetary financial institutions, except investment funds, insurance corporations and pension funds (June 2014)



Abbreviations: B€ – billion euros; FAs – financial auxiliaries; GG – general government; IFs – investment funds; CFIMLs – captive financial institutions and money lenders; OFIs – other financial intermediaries; OFIFAs – other financial intermediaries and financial auxiliaries; ISs – institutional sectors; SPEs – special purpose entities; ICPFs – insurance corporations and pension funds.

In net terms, these changes led to an increase in the balance sheet of non-monetary financial institutions, except investment funds, insurance corporations and pension funds (Chart 2). Measured in terms of GDP, the sector's balance sheet as at June 2014 moves from 42% to around 105% of GDP (Chart 3).

Chart 2

Developments in total assets of non-monetary financial institutions, except investment funds, insurance corporations and pension funds on the basis of ESA95 and ESA2010

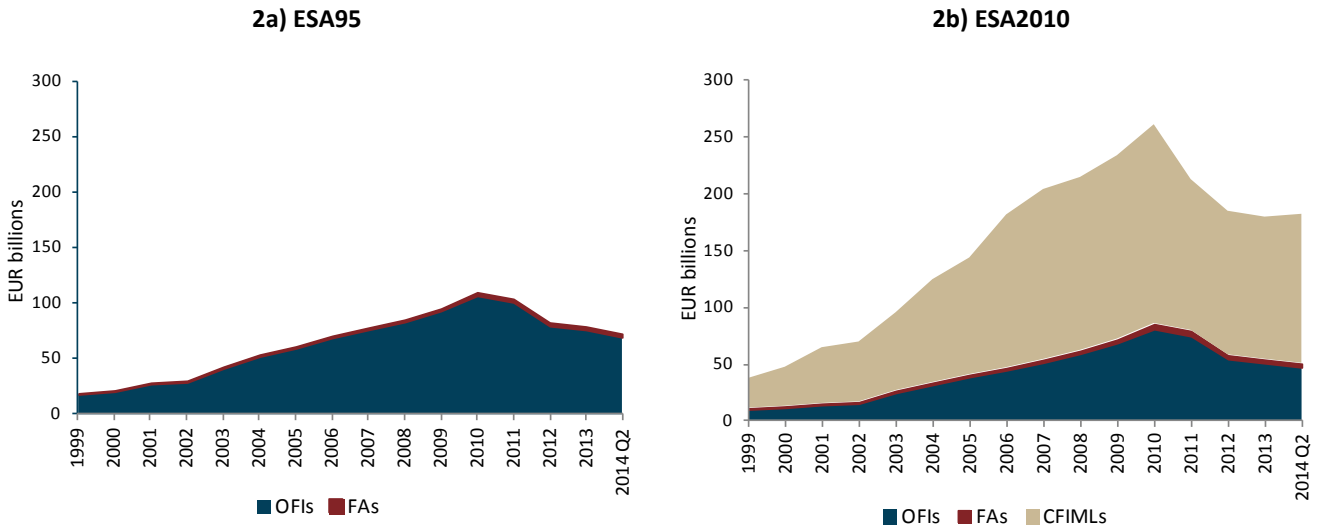
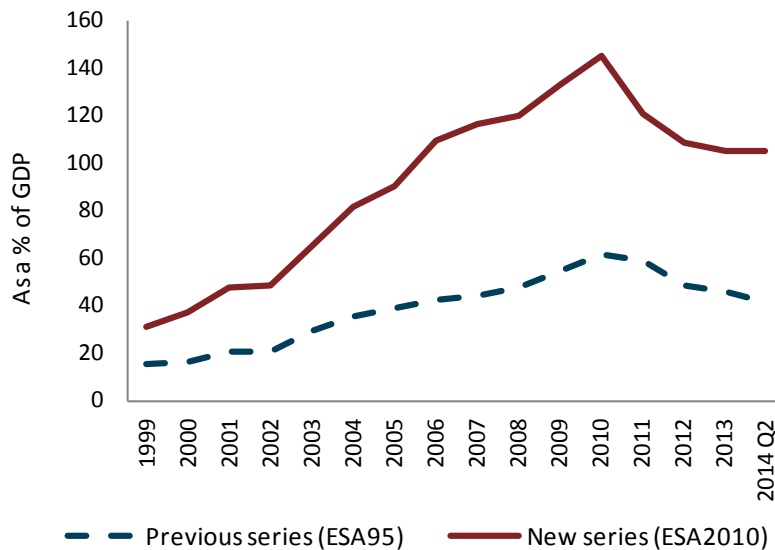


Chart 3

Developments in total assets of non-monetary financial institutions, except investment funds, insurance corporations and pension funds on the basis of ESA95 and ESA2010 (as a % of GDP)



II. Central Credit Register statistical information (Chapter B.9)

Central Credit Register statistical information was revised, impacting the whole series, due to sectoral reclassifications in terms of credit customers and lenders (for more information on these changes, see section IV, on national financial accounts).

In August 2014, the latest period for which data are available, loans granted to non-financial corporations stood at €88.4 billion, i.e. €5.6 billion below the value obtained using the ESA95 methodology (Chart 4).

The non-performing loans ratio of non-financial corporations stood at 14.7%, i.e. 0.6 percentage points above the value for the same date according to the ESA95 methodology (Chart 5), which results from the exclusion of entities with a lower non-performing loans ratio.

Chart 4

Loans granted by the financial sector to non-financial corporations, end-of-period positions

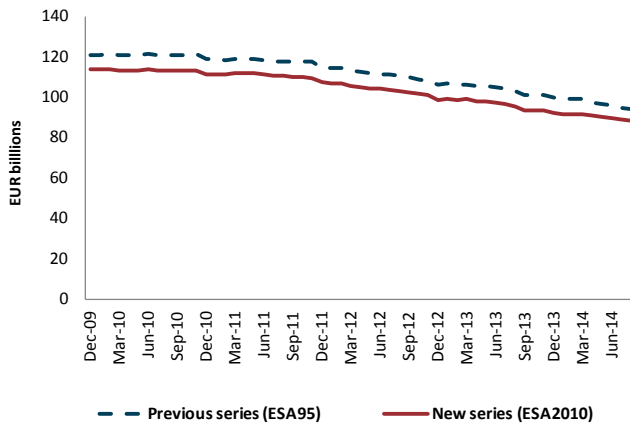
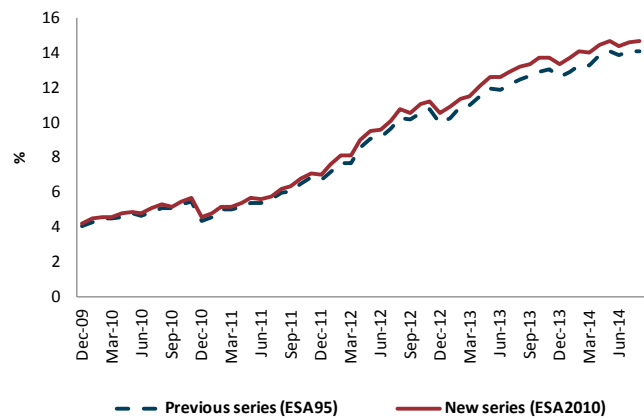


Chart 5

Loans granted by the financial sector to non-financial corporations, non-performing loans ratio (%)



III. Balance of payments and international investment position statistics (Chapter C)

Changes to the balance of payments and international investment position statistics cover the long series in its entirety (since 1996) and mainly result from the new methodological guidelines established in BPM6. Improvements stemming from the new information collection system, launched in April 2013, were also introduced.

Main methodological changes resulting from BPM6 or guidelines established by international bodies:

1. Triangular trade or merchanting (sales and management of manufacturing that do not involve physical possession): previously, this was recorded as services (inflows/outflows), while now it is always recorded in the goods account, under exports (credits), with a positive or negative value. This change resulted in a decrease in debits/credits in the services account, which was offset by an increase, in net terms, in the goods account.

2. New rules for the recording of processing: goods sent over the country's borders to be processed are now recorded under import/export of goods only where ownership changes. The value of processing work is recorded as export/import of services. This methodological change leads to revisions to import/export flows, but does not have an impact on GDP or the goods and services account balance.

3. Greater detail in terms of foreign direct investment relationships and transactions: information on foreign direct investment is now presented according to two principles: the assets/liabilities principle (Tables C.2.3.1 and C.3.3.1) and the directional principle (as was previously the case) (Tables C.2.3.4 and C.3.3.4).

According to the directional principle, direct investment is presented as follows: Portuguese direct investment abroad and foreign direct investment in Portugal, whereby what prevails is always the investor/investee relationship. For instance,

investment by a Portuguese company in a Spanish company is recorded as direct investment abroad, with a positive value; if that Spanish company invests in its investor, this is also recorded under direct investment abroad, but with a negative value (the so-called reverse investment).

According to the assets/liabilities principle, focus is placed on the creation of net external assets or liabilities. As such, according to the above example, investment by a Portuguese company in a Spanish company is recorded as an asset; investment by the Spanish company in its investor is recorded as a liability.

Main changes to Chapter C of the Statistical Bulletin:

1. Chapter C.4, on (gross and net) external debt, was created;
2. Seven institutional sectors are now presented (instead of four);
3. Items were renamed. ‘Income’ is now ‘primary income’ and ‘current transfers’ is now ‘secondary income’;
4. In the financial account, the sign convention was changed (Table 1):

Table 1

Financial account: main change from BPM5 to BPM6

BPM5 (symmetric sign to that of the current and capital accounts)		BPM6 (same sign as the current and capital accounts)	
Credit	Debit	Net acquisition of financial assets	Net incurrence of liabilities

5. The subchapter on the international investment position (Chapter C.3) was reorganised, making its link with the financial account more perceptible (Chapter C.2).

6. Details on the geographical breakdown and by economic activity are only provided through BPstat (multidimensional component).

Charts 6 to 9 illustrate the impact of the main changes on the various series.

Chart 6

Current and capital accounts, as a % of GDP

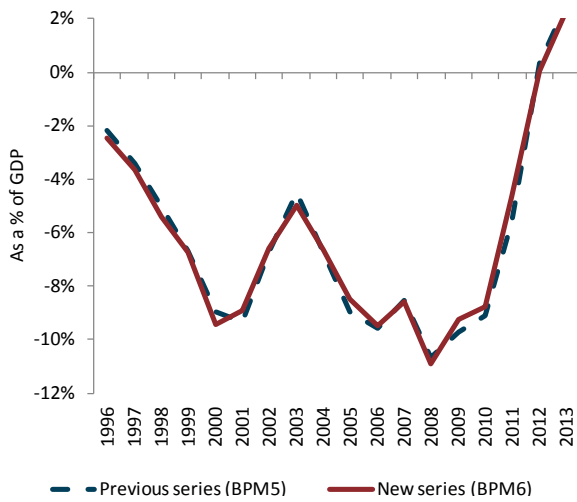


Chart 7

International investment position, as a % of GDP

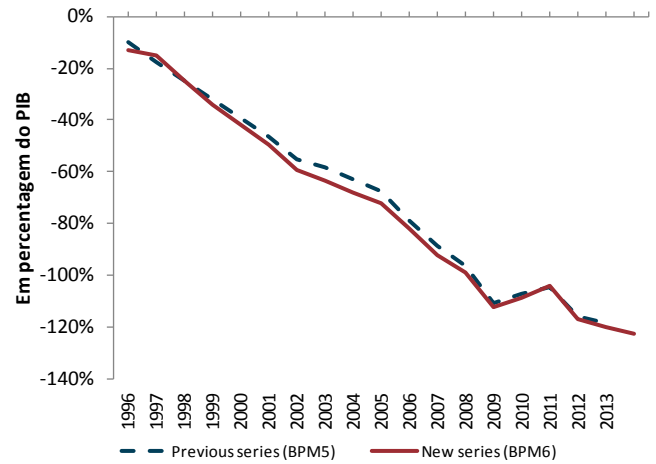


Chart 8

Goods account, as a % of GDP

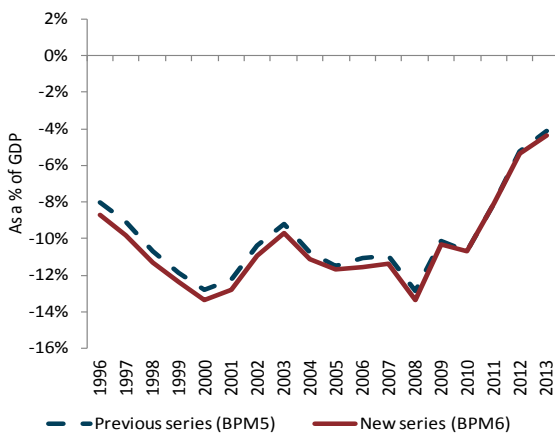
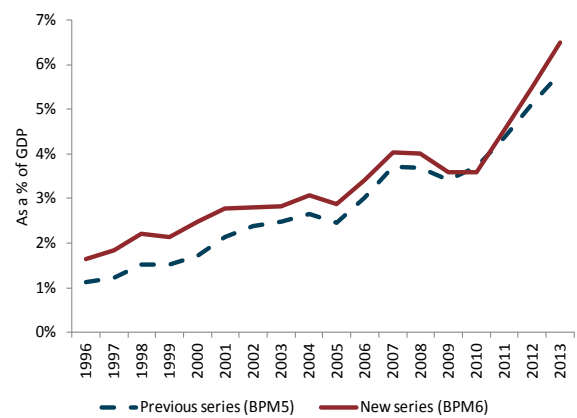


Chart 9

Services account, as a % of GDP



IV. National financial accounts (Chapter F)

Changes to national financial accounts cover the whole of the series (since 1995) and largely stem from the new methodological guidelines established by ESA2010. Changes were also introduced to the compilation system for these statistics, namely those resulting from the incorporation of extrapolated Central Balance-Sheet Database data⁴.

⁴ See the Supplement to the Statistical Bulletin No 2/2013, *Statistics on non-financial corporations of the Central Balance-Sheet Database — Methodological notes* (<http://www.bportugal.pt/en-US/Estatisticas/PublicacoesEstatisticas/Thumbnails%20List%20Template/Suplemento-2-2013-en.pdf>).

Main methodological changes stemming from ESA2010⁵ or guidelines established by international bodies:

1. **New sectoral classification rules** were incorporated, impacting on the following sectors:

Financial corporations:

A substantial number of holding companies and special purpose entities (SPEs), which were previously classified as non-financial corporations, are now included in the financial corporations sector. This change results from the fact that these entities are not directly involved in the main activity of their investees, and act only as asset management companies or financial vehicles.

Financial corporations’ subsectors were also changed (Chart 10).

Chart 10

Financial corporations by subsector: ESA95 and ESA2010

ESA95 – Financial corporations’ subsectors			ESA2010 – Financial corporations’ subsectors		
Central bank	S.121	→	S.121	Central bank	MFIs
Other monetary financial institutions	S.122	→	S.122	Deposit-taking corporations except the central bank	
		↘	S.123	Money market funds	
Other financial intermediaries	S.123	→	S.124	Non-MMF investment funds	NMFIs
		→	S.125	Other financial intermediaries	
Financial auxiliaries	S.124	→	S.126	Financial auxiliaries	
		→	S.127	Captive financial institutions and money lenders	
Insurance corporations and pension funds	S.125	→	S.128	Insurance corporations	
		↘	S.129	Pension funds	
Non-financial corporations	S.11		S.11	Non-financial corporations	

Abbreviations: MMF – money market funds; MFIs – monetary financial institutions; NMFIs – non-monetary financial institutions.

General government:

The quantitative criterion used to classify entities was revised, and the calculation of the merchantability ratio now includes net interest expenditure as part of operating costs.

⁵ For additional information on the impact of the implementation of ESA2010 on national accounts, see Statistics Portugal’s (INE) highlights:
http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_destaquas&DESTAQUESdest_boui=211353592&DESTAQUESmodo=2
http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_destaquas&DESTAQUESdest_boui=211351763&DESTAQUESstema=55557&DESTAQUESmodo=2

ESA2010 also introduced new qualitative criteria relevant to the classification of state-owned entities, namely the degree of control by general government and the nature of the institution's sales. Following these changes, several public institutional units, which were previously classified as financial corporations or non-financial corporations, were incorporated in the general government sector.

Non-financial corporations:

The universe of non-financial corporations was reduced, following the reclassification of entities under financial corporations and general government.

Households:

A number of non-profit institutions serving households were reclassified in other sectors, namely under financial corporations. Furthermore, savings banks and mutual associations are now included in the insurance corporations and pension funds sector.

2. **Transfers of pension funds** are now recorded as financial transactions (instead of capital transfers on the revenue side). As such, they cease to have an impact on the fiscal balance. Likewise, pensions paid over the following years to the beneficiaries of transferred funds have no impact on the balance. This methodological change alters the time profile of the general government deficit.

3. **Currency issuance** is recorded in accordance with the legal responsibility for the issuance of euro-denominated banknotes (instead of banknotes put into circulation), in line with the ECB's guidelines for the European System of Central Banks. Total banknotes in circulation are allocated to central banks within the Eurosystem, according to the banknote allocation key established by the ECB. The counterpart to the difference between the value of legally issued banknotes and the amount of banknotes actually placed gives rise to an intra-Eurosystem position (recorded under other deposits). Furthermore, coins are recorded as a central bank liability, with a corresponding claim (in other deposits) of central banks on general government.

4. **Interbank investment of funds**, which was previously recorded as loans, is now recorded as deposits.

5. The financial instrument '**insurance technical reserves**' is now called '**insurance, pensions and standardised guarantee schemes**', which includes new instruments, e.g. claims of pension funds on pension managers. The (positive/negative) imbalance in terms of defined benefit pension fund liabilities and assets is now recorded as financial asset/liability of the pension fund on the employer.

6. The instrument '**financial derivatives**' is now covered separately.

7. Valuation methods used in the financial instrument '**unlisted shares and other equity**' were clarified. Provisions and impairments were eliminated from 'own funds' in all sectors' accounts, which resulted in a downward revision of that instrument across all sectors, both on the assets (i.e., in investors' balance sheets) and the liabilities side (i.e., in issuers' balance sheets).

Charts 11 to 18 illustrate changes in financial assets and liabilities of the various resident sectors, in terms of stocks.

Financial assets - stocks - EUR billions (non-consolidated data)

Chart 11

Non-financial corporations

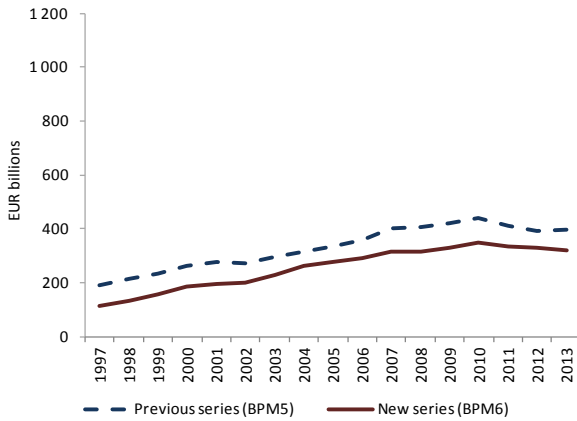


Chart 12

Financial corporations

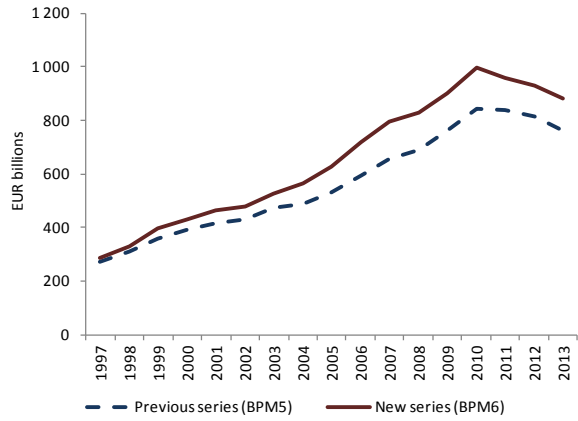


Chart 13

General government

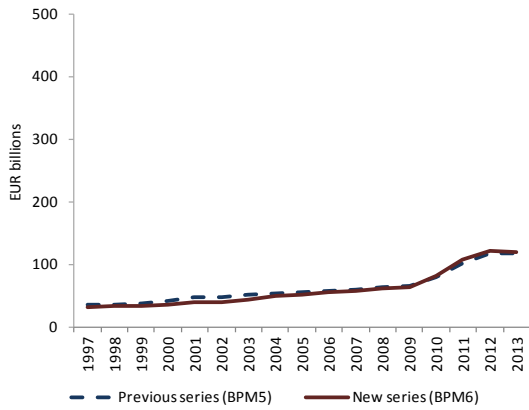
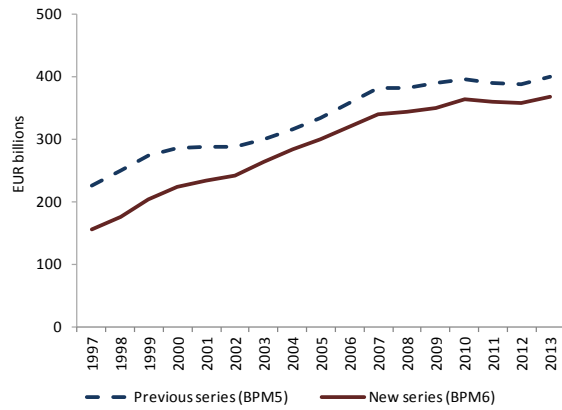


Chart 14

Households



Liabilities - stocks - EUR billions (non-consolidated data)

Chart 15

Non-financial corporations

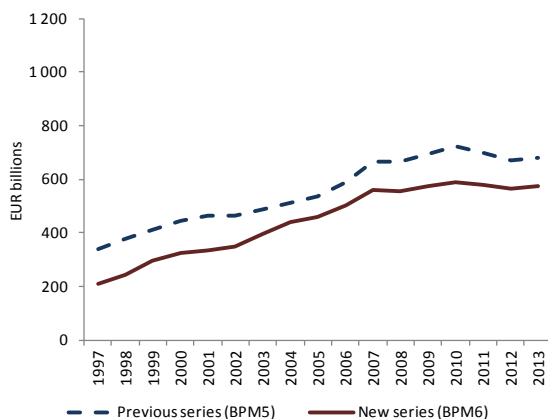


Chart 16

Financial corporations

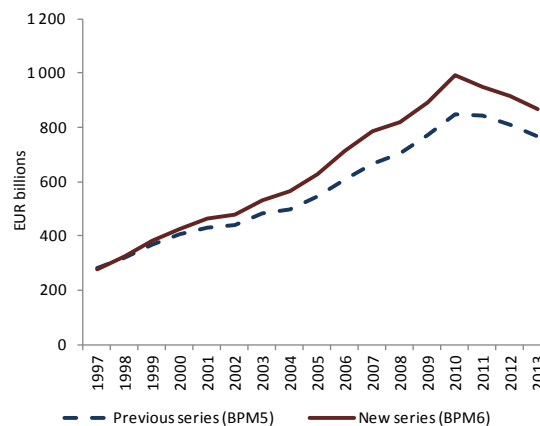


Chart 17

General government

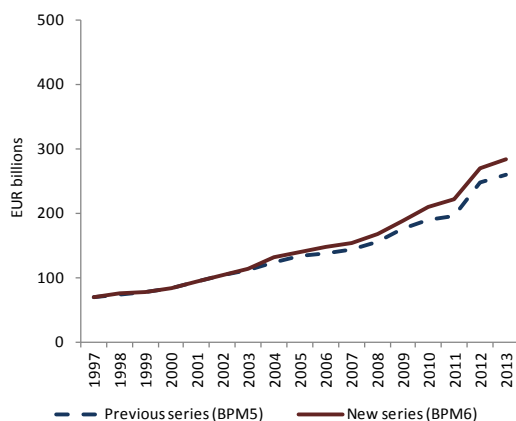
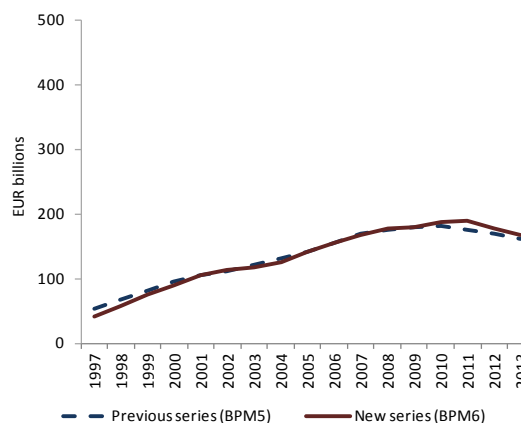


Chart 18

Households



V. Statistics on non-financial corporations from the Central Balance-Sheet Database (Chapter G)

For more information on this update, please refer to the Statistical Press Release No 10|2014, published today by Banco de Portugal.

VI. Non-financial sector indebtedness (Chapter K of the Statistical Bulletin)

Amendments to series on non-financial sector indebtedness (Charts 19 to 22) mainly resulted from the above-mentioned changes, particularly as regards the reclassification of a substantial number of holding companies and SPEs, in the financial corporations sector, which were previously under non-financial corporations. Changes in SME indebtedness⁶ (Chart 21)

⁶ Small and medium-sized enterprises.

largely reflect the sectoral reclassification of SPEs, which, due to their low number of employees, are typically classified under this size class.

Non-financial sector indebtedness - EUR billions

Chart 19

General government

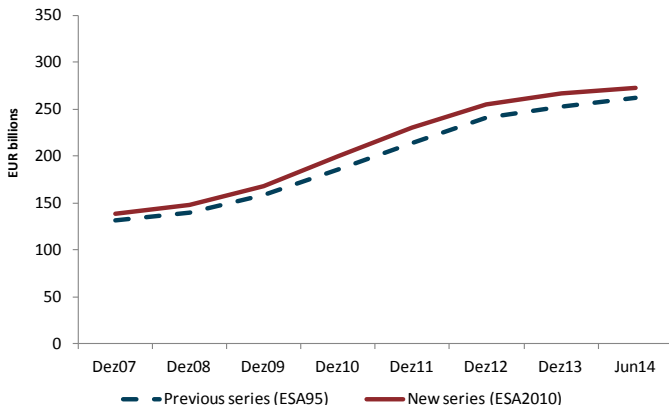


Chart 20

Private enterprises

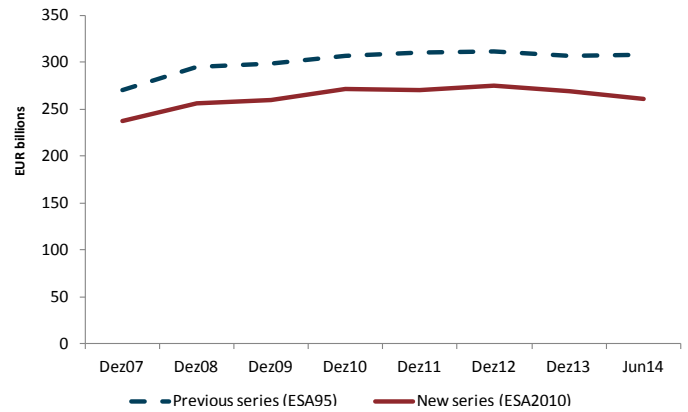


Chart 21

Small and medium-sized enterprises

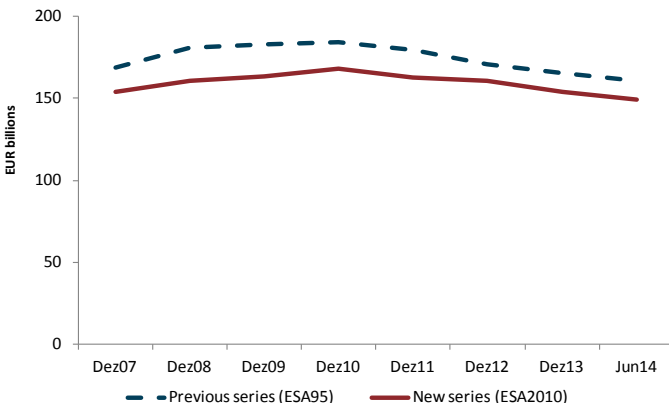


Chart 22

Non-financial holding companies

