

Distr.  
GENERAL

CES/AC.68/2000/32  
29 March 2000

ENGLISH ONLY

STATISTICAL COMMISSION and  
ECONOMIC COMMISSION FOR EUROPE

ORGANISATION FOR ECONOMIC  
CO-OPERATION AND DEVELOPMENT (OECD)

CONFERENCE OF EUROPEAN STATISTICIANS

COMMISSION OF THE EUROPEAN  
COMMUNITIES (EUROSTAT)

Joint ECE/Eurostat/OECD

Meeting on National Accounts

(Geneva, 26-28 April 2000)

#### INSTITUTIONAL SECTOR ACCOUNTS OF MEXICO (1993-1998)

Supporting paper submitted by the National Institute for Statistics of Mexico

#### Introduction

1. The Instituto Nacional de Estadística, Geografía e Informática has finished the most recent and important implementation to the Sistema de Cuentas Nacionales de México (SCNM), which consists of the Institutional Sectors Accounts (CSI)<sup>1</sup>. This has been completed in 1998, and is the third revision since the first edition (1993-1996). We have also developed the methodology for revising them annually.

#### Presentation of the project

2. The project consists of several matrices that contain the statistical description about the Mexican economic structure. The CSI was divided into five institutional sectors: Non-financial corporations, Financial corporations,

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<sup>1</sup> By its name in Spanish: Cuentas por Sector Institucional; (CSI).

General government, Households, and Non-profit institutions that serve households (NPISH). All this concerns the domestic economy and was extended to include the relationship of these sectors with the Rest of the world.

3. The matrices describe through all sectors the economic relationship between the real circuit and financial circuit, and how their activities affect the overall economy and their links with the Rest of the world. The structure of these tables consists of current accounts and accumulation accounts. We don't have any possibility to elaborate the complete set of accounts to the balance sheet for all sectors, like Households, for instance.

4. Some elements for implementing the accounts by institutional sectors were developed since 1993. We can mention the valuation of the production at basic prices; the distinction between market, final use or non market production; the new treatment of taxes, distinguishing, taxes related to specific products from those related more generally to imports and exports; the amplification of concepts of households consumption incorporated to the expenditures on goods and services. Those final expenditures in which the government has incurred on individual and collectives goods and services (education, health, etc.), final consumption distributed between institutional sectors.

5. The institutional sector accounts really add to the coverage that INEGI generates in the SCNM. These accounts are currently structured in: annual accounts (institutional sectors accounts, by economic sector source and region); quarterly accounts (by economic sector source, by final expenditures components); monthly indicators (by national and local coverage in gross domestic product, gross fixed investment, industrial production and manufacturing and electricity production).

6. In the context of the institutional sector accounts, the economic process is described in detail. Now we can analyse which institutional sector generates market production, non-market production, or produces for its own use. In the same way we can identify the principal transactions which occur in the production, generation of income, primary and secondary distribution of income, or another kind of transaction.

### **Presenting the results**

7. The object of this explanation is to present the main results of some selected variables contained in the institutional sector accounts for the third actualization in 1998. The related publication presents the information with

greater introduction for the sectors and sub-sectors of each economic and financial variable.

### **Production account**

8. Three elements are derived from this account: production, intermediate consumption and the value added. Therefore, in the goods and services account, production generated by non-financial corporations represents 64.8% of all economy, while households generate 26.0%. Then continues with the general government with 6.4%; financial corporations represent 2.5%; and the NPISH participate with 0.3% of the total production. Analyzing the kind of production, it was observed that the destination of the sales to market represents a great proportion of the total, something that can be an indication of the expansion of the goods and services markets. The non-market production that is provided by the general government and the NPISH has shown very little variation. On the other hand, the production for Households for own final use is characterized by its low percentage when compared to the rest of the sectors in the total economy.

#### **PRODUCTION BY TYPE**

(Percentage in respect to total production)

Production	1993	1994	1995	1996	1997	1998
Total	100.0	100.0	100.0	100.0	100.0	100.0
Market	87.2	86.9	87.9	88.6	88.4	88.1
Other non market	7.4	7.6	6.6	6.1	6.5	6.7
Of own final use	5.5	5.5	5.5	5.3	5.1	5.2

SOURCE: Sistema de Cuentas Nacionales de México. Cuentas por Sectores Institucionales.

9. The value added, the balance of the production account of each institutional sector, generated by non-financial corporations, constitutes 53.8% of Gross Domestic Product (GDP) of the country, while the productive activities (formal and informal) of households contribute with 35.0%. That means, these two sectors produce almost 9 of each 10 pesos of the total product of the economy. The General Government provides services to the community which is 9.0% of the total. The financial corporations and NPISH participate with 2.8% and 0.4%, respectively.

**Generation of income account**

10. Analyzing the two more important sectors in value added terms, it was observed that among the components of generated income in the productive process of the non financial corporations, 56.6% corresponded to the operating surplus, while 42.6% to remunerations. 0.8% was destined for payment of *other taxes on production*, which as mentioned previously, refer to land tax, vehicles, etc.

**GENERATION OF INCOME OF NON-FINANTIAL CORPORATIONS**

(Percentages in respect to the value added)

Uses		Resources	
Remunerations	42.6	Value Added	100.0
Other taxes on production	0.8		
Other subsidies on production	---		
Operating surplus	56.6		

SOURCE: Sistema de Cuentas Nacionales de México. Cuentas por Sectores Institucionales.

11. With regard to households, the most important component of the generated income is the *mixed income*, which represents 66.3%; the operating surplus 20.2%; and the remunerations, 13.5%. It is worth mentioning that the mixed income was conformed by the remuneration's work accomplished by the owner of the company as well as by the surplus generated by his family enterprise.

**INCOME GENERATION OF HOUSEHOLDS**

(Percentages in respect to the value added)

Uses		Resources	
Remunerations	13.5	Value Added	100.0
Operating Surplus	20.2		
Mixed income	66.3		

SOURCE: Sistema de Cuentas Nacionales de México. Cuentas por Sectores Institucionales.

NOTE: The taxes less subsidies to production that households pay are found added with those on companies.

**Allocation of income**

12. (Referred to the balance of the Secondary Distribution Income Account for each sector). The allocation of income of resident households in Mexico constitutes 83.0% of the allocation of income of the total economy. This is the

sector which receives the whole remunerations, most of the dividends and it accounts for the mixed revenue obtained through the companies not constituted into societies which are property of members of households sector.

#### DISPOSABLE INCOME BY INSTITUTIONAL SECTORS

(Percentages in respect the total economy)

Institutional sector	1998
Total economy	100.0
No-financial corporations	2.3
Financial corporations	-0.2
General Government	14.6
Households	83.0
Non-profit private institutions serving households	0.3

SOURCE: Sistema de Cuentas Nacionales de México. Cuentas por Sectores Institucionales.

13. The general government receives the taxes paid by the other institutional sectors, and the disposable income constitutes 14.6% of the total. The participations of the financial corporations and of the NIPSH in the total allocation of income have decreased in respect to another years.

#### Saving gross, total by institutional sector

14. (Corresponding to the balance of the Secondary Distribution Income Account). The analytical wealth of the information of the institutional sector accounts has also increased upon determining the saving rate of each sector. Because of the saving generated that reaches 44.1% of the total, households are the most important sector, followed by the general government 17.4%, the non-financial corporations with 14.3%; the participation of the financial corporations and the NIPSH was (-) 1.3% and (-) 1.7% respectively; while the Rest of the world sector had a significant contribution of 27.2%.

#### SAVING GROSS RATES BY INSTITUTIONAL SECTORS

(Composition percent of net saving into the total)

Year	Total	Rest of the world	NIPSH	Households	General Government	Financial corporations	Non financial corporations
1993	100.0	49.5	1.2	29.8	34.8	12.3	(-)27.3
1994	100.0	55.0	(-)0.2	20.2	31.3	31.3	(-)27.4
1995	100.0	6.4	(-)0.6	20.6	40.4	10.9	22.3
1996	100.0	5.3	(-)0.1	33.2	32.5	2.8	26.2

1997	100.0	11.8	(-)1.4	47.4	20.2	(-)1.6	(-)23.6
1998	100.0	27.2	(-)1.7	44.1	17.4	(-)1.3	(-)14.3

SOURCE: Sistema de Cuentas Nacionales de México. Cuentas por Sectores Institucionales.

### Capital and financial accounts by institutional sector

15. Gross fixed capital for 1998 was accomplished, mainly by the non-financial corporations, 73.8% of the total, in machinery and equipment acquisition and non-residential construction. Households participated with 20.2% and in this case, it was the construction the most favored sector. The fixed investment of the general government, basically in infrastructure constructions, represented 5.5% of the total; at the same time, the financial corporations acquiring mainly equipment 0.5% of the total.

16. To have an integral vision of the process saving/investment and their financing by institutional sector, below are presented the principal variables contained in the Capital and Financial Accounts for the year 1998. All the figures are expressed as percentages of total GDP in basic prices.

#### CAPITAL AND FINANCIAL ACCOUNT BY INSTITUCIONAL SECTOR

(Percentages of the total GDP in basic prices)

	Non financial corporations	Financial corporations	General government	Households	NPISH	Total by sectors residents	Rest of world
Changes in liabilities							
(1) Gross saving	10.7	0.2	2.8	8.8	(-) 0.1	22.4	26.5
(2) Net capital transfers	0.1	0.0	(-) 0.7	0.3	0.0	0.0	0.0
Changes in Assets							
(3) Gross fixed capital formation	16.0	0.1	1.4	5.4	0.0	22.9	0.0
<b>(4) Net lending (+)/net borrowing (-)</b>	<b>(-) 8.8</b>	<b>(-) 0.0</b>	<b>0.9</b>	<b>3.8</b>	<b>(-) 0.1</b>	<b>(-) 4.1</b>	<b>4.1</b>
(5) Net acquisition of financial assets	10.0	7.5	2.9	14.7	0.0	35.1	3.7
(6) (-) Net incurrence of liabilities	13.2	18.5	5.1	7.8	0.1	44.6	(-) 0.5

SOURCE: Sistema de Cuentas Nacionales de México. Cuentas por Sectores Institucionales.

NOTE: The sum of the partial there can't coincide with the due round to totals.

17. Non-financial corporations accomplished expenses equivalent to gross fixed investment which is 16.0% of GDP (see line (3)), those which were financed by the Gross Saving of 10.7% generated in that sector and by the net capital transfers received of equivalent to 0.1% of GDP, (lines (1) and (2) respectively). To close the gap between the resources total sector (gross saving plus net capital transfers) and in the gross capital expenses, the non-financial corporations incurred in net indebtedness by (-) 8.8% of GDP, resulted from a net emission of passive 13.2% and financial assets acquisition of 4.3%, both figures as percentages of GDP. (lines (5) and (6)).

18. In contrast, the other institutional sectors were constituted to net lenders to be their greater resources to their expenses in fixed investment, obtaining thus a surplus that was used to acquire financial assets by an amount superior to their emission of passive.

19. To relate the balances of institutional sector (see line 4) it is observed that the economy was indebted with the rest of the world by (-) 4.1% of the GDP.

20. Extending the analysis on the evolution of the Loan (+) or Indebtedness (-) net for the period 1993-1998, is warned that the sector that customarily was indebted with the rest of the sectors and with the foreign, was that of the non financial corporations, while the financial corporations, the general government and the NIPSH had a surplus in the sense that was explained previously. With respect to households, once the 1995 crisis passed, they had a surplus, that is to say the variation of their financial assets was superior to that of their liabilities.

#### **Final comments**

21. This has been only a short sample about the analysis that is possible to do as a result of the SNA 1993 implementation. Definitely, the information available is now very much detailed and covers a wider part of the economy.

22. Undoubtedly, the implementation of the international recommendations in the national accounting of Mexico upset enormously the methodological routine. With the conclusion of the project to develop the accounts divided into institutional sectors, a new stage is opened for the basic statistics within

INEGI. This allows continuity and enriching the quantification of indicators that are necessary for the basic accounting.

23. One substantive change is reflected now in the collection of basic statistics because the questionnaires for data compilation were modified to agree with the new needs. It should be mentioned the effort accomplished with the census of 1999 to collect data for the distribution and redistribution of income accounts, as well as for the capital accumulation and its financing. It is particularly difficult to collect statistics in the case of households. In this sense, one must emphasize the new information that captures the surveys for households.

24. This is an important effort which will provide information on the global economy by institutional sector, by economic activity, for the government in particular, and by regions. A high priority is to examine special topics for the country, such as the local government accounts, ecological accounts and the tourism sector.

25. Associated with this are the quarterly figures of supply of the gross domestic product and the components of expenditure, as well as the monthly indicators of economic activity and investment.

26. Mexico has now a solid, efficient and timely National Account System. It is solid because it identifies the interrelationship of multiple variables that supported the System and efficient because permits an integral analysis of different aspects of the economy and allows additional information on its operation to be incorporated. It is timely because it reflects the changes that are being registered in the economic structure of the country and it also shows the evolution of the economy.

27. It is hoped that in the near future Mexico could improve its sources of information and that this will permit a better statistical definition of the institutional sectors. For the time being, it is intended to compile the complete set of accounts, at least for those sectors for which information is available.