Approved by the order of the Chairman of the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan

November 1, 2016

no. 254

**Methodology for compiling the capital account**

**Chapter 1. General provisions**

1. Methodology for compiling the capital account (hereinafter - Methodology) refers to the statistical methodology, formed in accordance with international standards and approved in accordance with the Law of the Republic of Kazakhstan dated March 19, 2010 ["](http://adilet.zan.kz/rus/docs/Z100000257_#z0) On State Statistics".
2. This Methodology is intended for use by the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter - the Committee) in the formation of the capital account and is used for the purposes of the System of National Accounts.
3. The purpose of this Methodology is to describe the procedure for compiling the capital account, reflecting the main sources of data used to value non-financial assets and improving the quality of calculations of macroeconomic indicators.
4. The System of National Accounts 2008 prepared by the International Monetary Fund, the Organization for Economic Co-operation and Development, the Statistical Office of the European Communities, the United Nations and the World Bank was used as a methodological basis.
5. This Methodology uses the main definitions:
6. Capital transfers are gratuitous transfers in which the party making the transfer uses the appropriate resources by transferring an asset (other than cash and inventories) or repaying a financial claim (other than receivables), the party receiving the transfer is obliged to acquire some asset (other than cash), or both conditions are true;
7. valuables are produced goods of significant value that are not used predominantly for the purposes of production or consumption, but held for some period of time as a store of value;
8. change in inventories - the value of receipts into inventories less the cost of disposals from inventories and less the value of any current losses of goods that were in inventories during the reporting period;
9. gross fixed capital formation (hereinafter - GFCF) - the cost of acquisition by producers of new and existing fixed assets, less the cost of disposal of fixed assets used in production to create new income in the future;
10. fixed assets - produced assets that are used repeatedly or continuously in production processes for more than one year;
11. consumption of fixed capital - a decrease during the reporting period of the current value of the stock of fixed assets owned and used by the manufacturer as a result of physical wear and tear, normal obsolescence or accidental damage;
12. non-produced non-financial assets - assets that are not the result of production processes (natural resources, contracts, leases and licenses, acquired goodwill and marketing assets).

**Chapter 2 Methodological Framework of the Capital Account**

1. The capital account (hereinafter) is the first of four accounts that record changes in the value of assets held by institutional units. The Account records transactions with non-financial assets.
2. The structure of the Capital Account is presented in the appendix to this Methodology.
3. The right side of the Account reflects the resources for the accumulation of assets. They consist of net saving, a balancing item carried over from the use of income and capital transfers account.
4. Savings and capital transfers together show how much resources an economy has available for acquiring non-financial capital, in the form of accumulation as part of gross domestic product, and non-produced non-financial assets. This amount is shown as a separate aggregate called changes in net worth due to savings and capital transfers.
5. The left side of the use account reflects various investments in non-financial assets and consumption of fixed capital.

**Chapter 3** **Formation of the capital account**

1. The Account reflects transactions with non-financial assets under the following items :
2. gross fixed capital formation;
3. consumption of fixed capital ;
4. change in inventories;
5. acquisition of valuables less disposal ;
6. acquisition of non-produced assets , net of disposal.

 12. Data source for GFCF estimation serves as official statistical information on acquisitions (disposals) of fixed assets, investments in fixed capital of resident institutional units, production, exports and imports of products related to fixed assets. The breakdown of fixed assets by types of assets and types of economic activity depends on the availability of statistical data.

13. Consumption of fixed capital is calculated in respect of all fixed assets owned by the producer, with the exception of valuables (precious metals, stones). Consumption of fixed capital does not include contracts, leases and licenses, depletion or degradation of natural assets such as land, minerals or other minerals, coal, oil, natural gas.

14. As a result of physical deterioration and the emergence of new types of fixed assets, the value of assets decreases. Many structures, including roads and railways, are being demolished and demolished due to their moral obsolescence. Consumption of fixed capital is calculated for all types of buildings, machinery and equipment, including those owned by government units.

15. The consumption of fixed capital reflects the underlying resource inputs and the relative demand in the period in which production takes place. Consumption of fixed capital is calculated using actual or imputed prices and lease payments for the use of fixed assets that prevailed in this period, and not in the period in which they were acquired. To the historical cost of fixed assets refers to the value at the prices paid when they were acquired, and are not suitable for calculating the consumption of fixed capital, since prices change over time.

16. When assessing the consumption of fixed capital, the method of linear depreciation of fixed assets is used. The average life of the main fund is calculated on the basis of data from national statistical observations. The results obtained are analyzed and compared with administrative data from administrative sources and data from other countries conducting ad hoc surveys. Inventories of an asset at current prices are revalued using price indices. Consumption of fixed capital is estimated using the following formula:

$CFC^{n}= \frac{S^{n}}{lt^{n}} $*,*

Where:

$CFC^{n}- $consumption of fixed capital asset n;

$S^{n}$$–$average annual reserves at current asset prices n;

$lt^{n}- $asset life n.

17. Change in inventories is the sum of raw materials, finished products, military inventories, goods for resale, work in progress, work in progress of cultivated biological resources and other work in progress. The algorithm for calculating changes in inventories is calculated according to the accounting for changes in inventories.

18. Experimental calculations are carried out on transactions with non-produced assets and valuables, they are not included in the Account due to the lack of all necessary data.

19. Capital transfers are large and irregular. If there is any doubt about whether a transfer is treated as current or capital, it is treated as current.

20. Capital transfers receivable are the result of increases in net worth and reflected on the right side of the account of the recipient of the transfer. The corresponding values of capital transfers payable are reflected for the payer also on the right side, but with a minus sign (they entail a decrease in the net worth). The main types of capital transfers consist of taxes on capital, investment grants, and other capital transfers.

21. The source of data on capital transfers is the publicly available data of the Balance of Payments of the Republic of Kazakhstan andof the state budget, posted on the official websites of state bodies.

22. Net lending or net borrowing is the balancing item in the capital account and is an important indicator for economic analysis.

23. The balancing item of the Account (hereinafter - Item) shows the value of the resources that were provided for lending or borrowed. Net lending measures the extent to which savings and capital transfers are actually used to finance the acquisition of nonfinancial assets and how much went to lending to the rest of the world. If it is pure borrowing, then the amount of savings and capital transfers is insufficient to finance the entire acquisition of non-financial assets and is borrowed from the rest of the world.

24. The item is transferred to the financial account. There are discrepancies in net lending and net borrowing in the capital account and in the financial account, which are caused by the use of different data sources. The main objective is to reduce the gap between net lending/borrowing in the capital and financial accounts.

Appendix to the Methodology for Compiling the Capital Account

**Structure of the capital account**

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|  |  |  |
| --- | --- | --- |
| Change in assets |  | Change in liabilities and net worth |
| Total | S15 | S14 | S13 | S12 | S11 | Operations and balancing items | S11 | S12 | S13 | S14 | S15 | Total |
|  |  |  |  |  |  | Resources |  |  |  |  |  |  |
|  |  |  |  |  |  | Gross saving |  |  |  |  |  |  |
|  |  |  |  |  |  | Capital transfers received from the ''rest of the world'' |  |  |  |  |  |  |
|  |  |  |  |  |  | Capital transfers given to the ''rest of the world'' |  |  |  |  |  |  |
|  |  |  |  |  |  | Total |  |  |  |  |  |  |
|  |  |  |  |  |  | Usage |  |  |  |  |  |  |
|  |  |  |  |  |  | Gross fixed capital formation |  |  |  |  |  |  |
|  |  |  |  |  |  | Consumption of fixed capital |  |  |  |  |  |  |
|  |  |  |  |  |  | Change in inventories |  |  |  |  |  |  |
|  |  |  |  |  |  | Acquisition of valuables less disposal |  |  |  |  |  |  |
|  |  |  |  |  |  | Acquisition of non-produced assets less disposal |  |  |  |  |  |  |
|  |  |  |  |  |  | Net lending (+), net borrowing(-) |  |  |  |  |  |  |
|  |  |  |  |  |  | Statistical discrepancy |  |  |  |  |  |  |
|  |  |  |  |  |  | Total |  |  |  |  |  |  |

 Note:

 S11 - non-financial corporations; S12 - financial corporations; S13 - public administration; S14 - households; S15 - non-profit organizations serving households.