

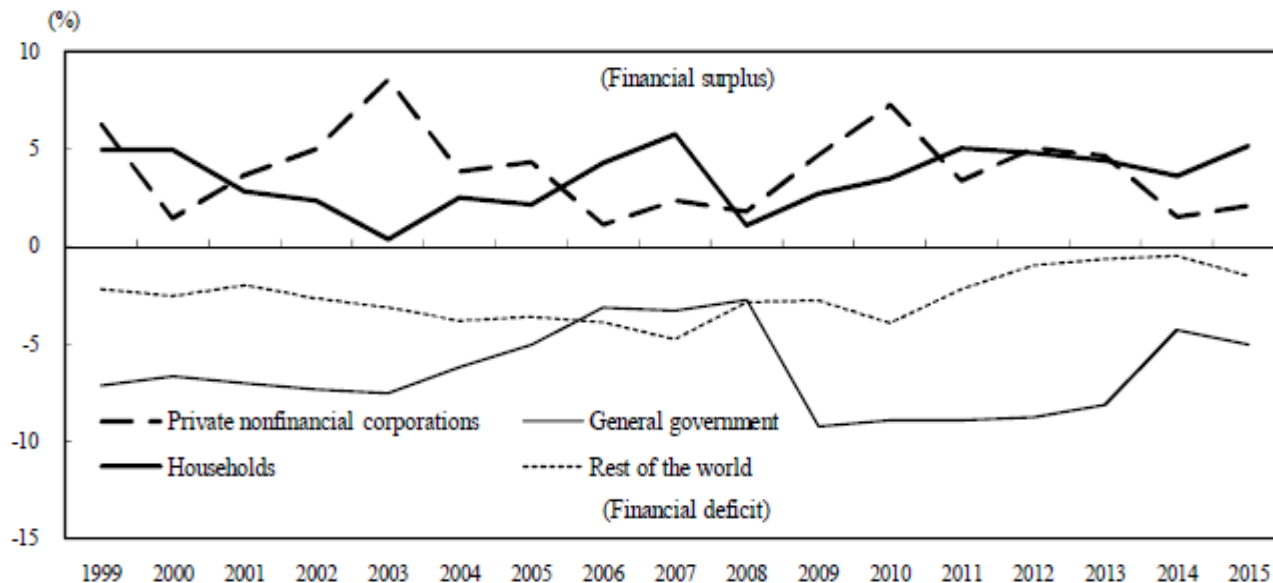
# **Implications of 2008 SNA Recommendations for the Measurement of Households' Income and Savings**

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# Issues with Financial Surplus/Deficit

- Financial surplus/deficit should reflect **the real side of economy**
  - eg, cash rich NFCs not spending enough capex; cash rich HHs saving too much during economic recovery
- However, are **current methodologies adequate**? Consistent with reality?
  - What implications with **2008 SNA**?



Note: as a ratio to nominal GDP

Source: BOJ

# 2008 SNA Recommendations that affect households' income and savings

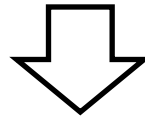
- Employment-related pension schemes
- Investment funds
- Standardized guarantees
- Employment stock options

# Employment-related pension schemes

- 2008 SNA recommends...
- ...Record different schemes separately  
**Defined Benefit (DB)** vs **Defined Contribution (DC)**
- ...Record **DB** scheme on an **accrual basis**

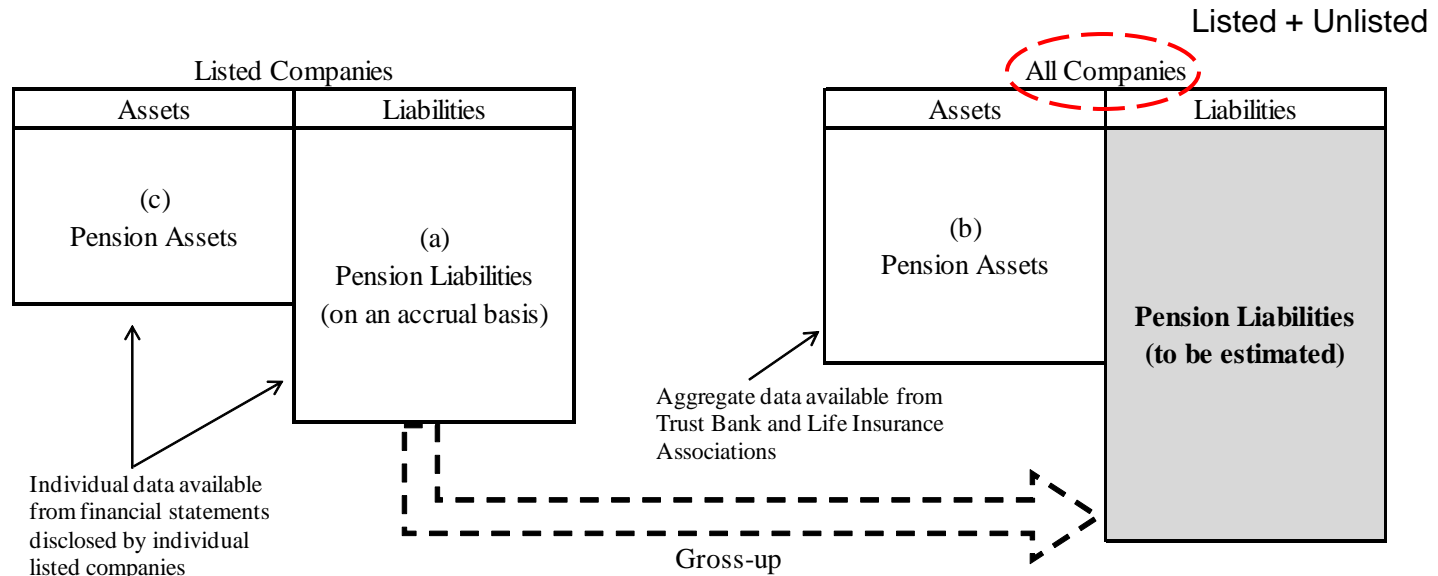
# Challenges: DB Pension Schemes

- **No aggregate data** available on pension entitlements to DB schemes in Japan



- use disclosed assets/liabilities data on an **accrual basis** by **individual listed companies** in financial statements; and
- use **aggregate assets** data on **all listed and unlisted companies** to estimate aggregate liabilities

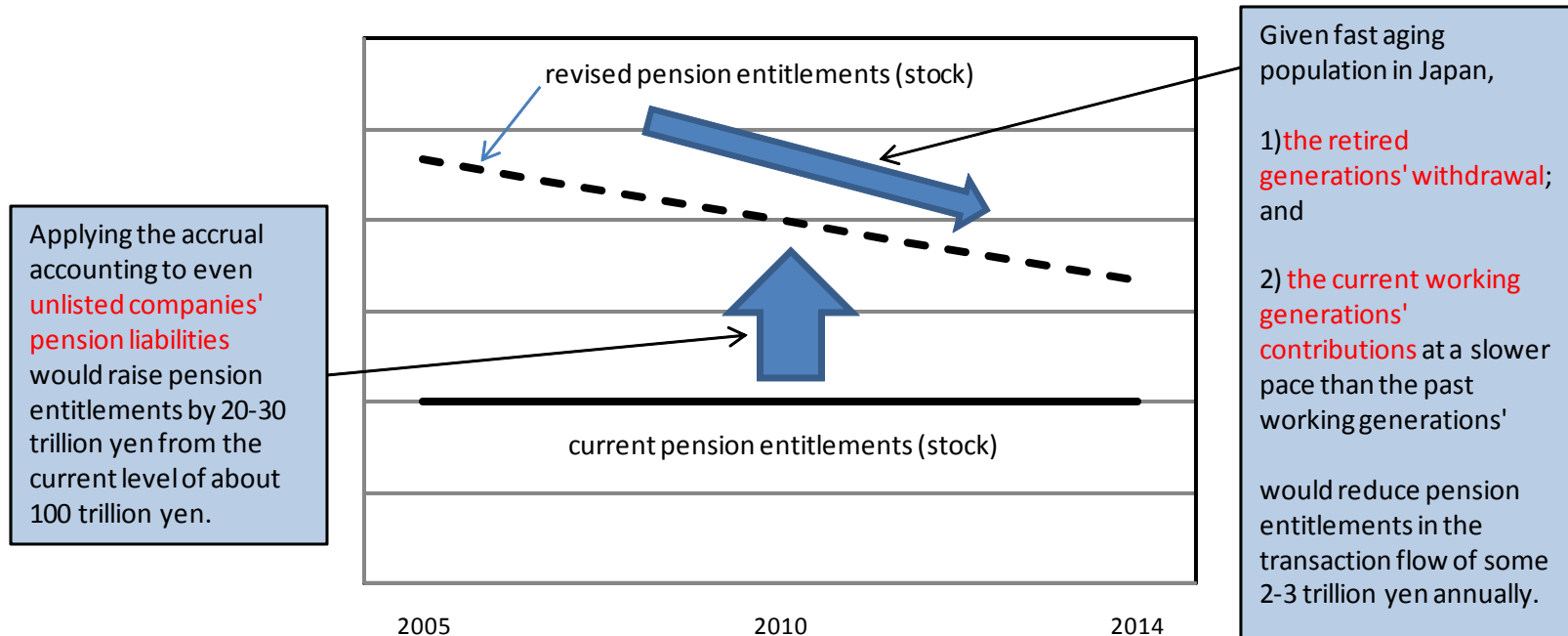
# Estimation Method: Pension Entitlements to DB Schemes



$$\text{all companies' pension liabilities} = \frac{\text{(b) all companies' pension assets}}{\text{(c) listed companies' pension assets}} \times \text{(a) listed companies' pension liabilities}$$

# Impacts of Revisions: DB Pension Entitlements

(An illustration)



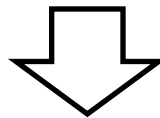
# Investment Funds

- 2008 SNA recommends...
- ...**Retained earnings** of investment funds to be recorded as investors' income; and
  - Retained earnings = investment income that funds receive and reinvest without distributing to investors
- ...**Imputed** as if distributed to and reinvested by investors



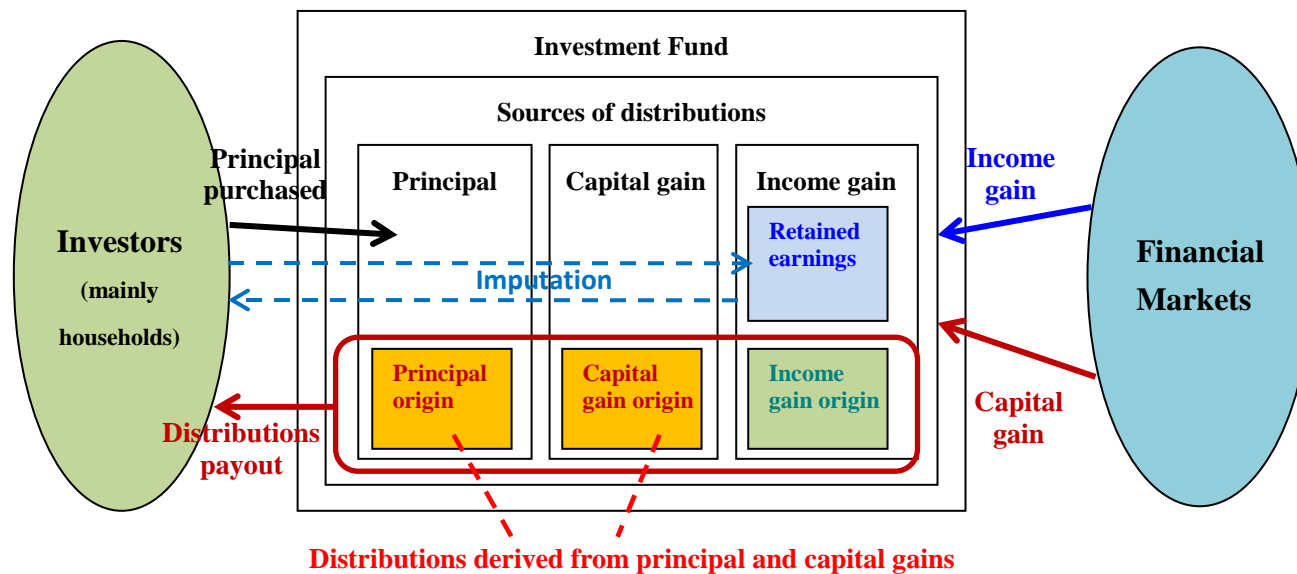
# Challenges: Investment Funds

- No aggregate data available on retained earnings in Japan
- A Peculiar Issue in Japan, unrelated to 2008 SNA: distributions include capital gains and the principle, which should not be recorded as HHs' income in SNA



- Use individual fund-level data disclosed in the financial statement
- Refer to Osawa (2015) for details

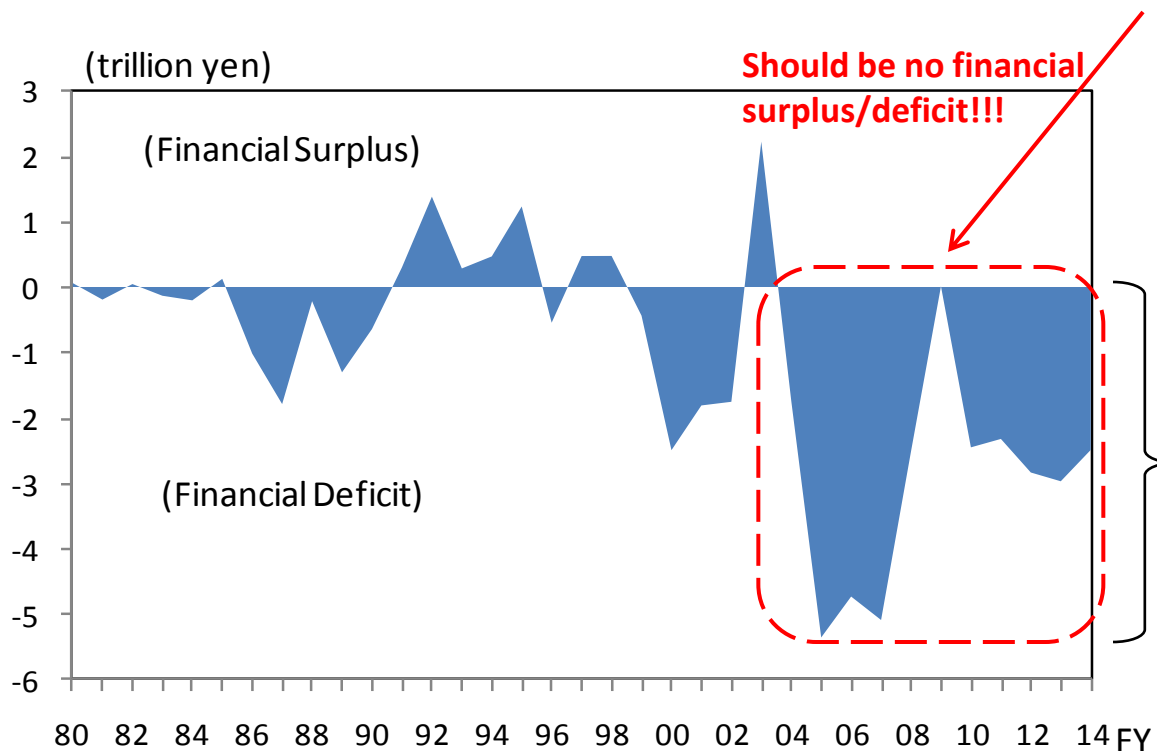
# Investment Funds Sector's Retained Earnings and Distributions



Note: concept of income in SNA = income gains, excluding capital gains and the principal (withdrawal of capital).

# Financial Deficit of Investment Funds Sector in Japan

-- A peculiar issue regarding IFs in Japan, given **the role of conduits**



IFs pay out more distributions than income gains, thus **financed by capital gains and the principal**

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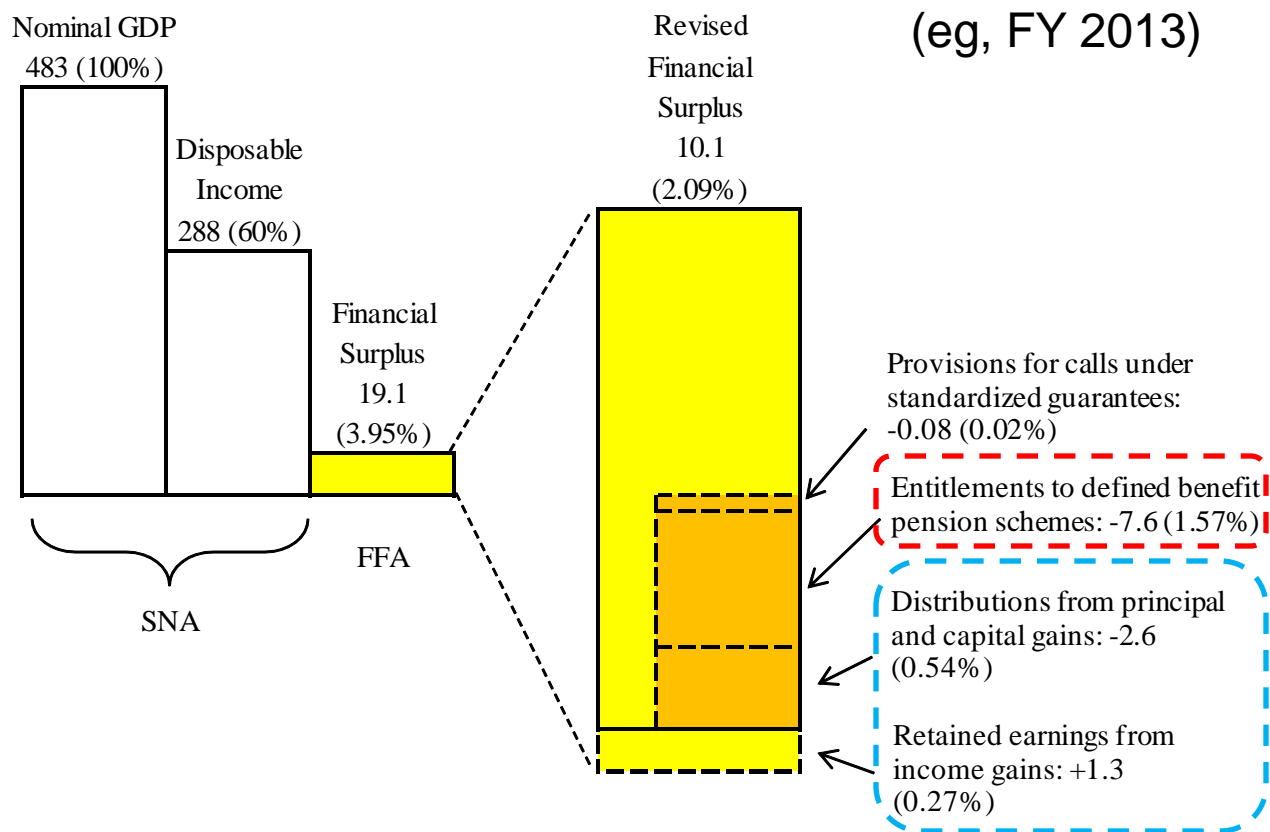
**Negative savings of IFs**

↓

That should be recorded as **dissaving by households**, given IFs' role as investment vehicles or conduits

Source: BOJ

# Estimated Impacts on Household Sector's Financial Surplus



Note: Preliminary figures for Fiscal Year 2013 (trillion yen) with GDP ratio in parentheses.

# Final Remarks

- Given aggregate data limitations, the BOJ makes use of **publicly disclosed data**
  - with the principle of minimizing the reporting burden...
  - but...at the expense of estimation accuracy and data coverage to some extent.
- Still, implementing **2008 SNA** makes financial statistics **more applicable and adequate**.
- The revised FFA is to be released in **1H 2016**.

# References

- Bank of Japan. (2014). “The Implementation of 2008 SNA Recommendations in Japan’s Flow of Funds Accounts,” Research and Statistics Department, BOJ Reports & Research Papers, July.
- Osawa, N. (2015). “Use of Micro-level Data on Mutual Funds to Better Determine Household Savings in Japan’s Financial Accounts,” **IFC Bulletin No. 39**, Indicators to Support Monetary and Financial Stability Analysis: Data Sources and Statistical Methodologies, Proceedings of the Seventh IFC Conference, 4 and 5 September 2014.

# The End



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