

ECCBSO: a tool for the analysis of the non-financial sector of the economy (from individual to consolidated accounts)

Manuel Ortega¹

ECCBSO – A source of accounting micro-data on non-financial corporations

The European Central Balance Sheet Offices (ECCBSO) is an informal body created in the mid-1980s that currently integrates the Central Balance Sheet Data Offices (whatever this term may mean!) of around 20 European countries that create and maintain around 50 databases of micro-data, mainly based on accounting, directly or indirectly provided by non-financial corporations and groups. Since the inception of the ECCBSO, the work by its members has provided for the possibility of obtaining direct data from the core of the production system (the non-financial corporations, NFC), using to this end the more basic and clear data produced by NFC, namely their financial statements. ***The availability of these databases represents an alternative source so as to better understand the situation of and developments at the NFC.***

The document “Products and Services of the European CBSOs” (see at www.eccbso.org) provides a full overview of the institutional facts of the European CBSOs (most of them belong to National Central Banks, others to National Statistical Institutions), their databases (principally from accounting data of individual and consolidated accounts, in different annual, half-yearly or quarterly periods), their main objectives (statistics, risk assessment, economic analysis, legal publication of accounting data, others) and products and services. According to Eurostat data (statistics on Business Demography, 2012), 25 countries of the EU had in 2009 slightly less than 9 million corporations; the European CBSOs have in their databases information on more than 6 million of these corporations.

Moreover, the ECCBSO itself has two international databases of aggregated data comprising the individual accounts of non-financial corporation (BACH, diffused in www.bach.banque-france.fr) and the consolidated accounts of listed European groups (ERICA database, used only internally by the members of the Committee).

The purpose of this article does not extend to an integrated overview of the ECCBSO tasks and that of its members. It will concentrate its analysis instead on presenting one of the challenges currently faced by NFC statistics and how CBSO data can be of help in this connection: the creation of financial soundness indicators or scoreboards to evaluate the health of the NFC institutional sector. ***The need to use and integrate macro indicators with statistical distributions of micro-data*** (to better understand the concentration and/or dispersion shown by the picture

¹ ECCBSO & Central Balance Sheet Data Office, Banco de España, manuel.ortega@bde.es.

provided by National Accounts and Financial Accounts of the Economy) **could benefit from the use of micro-data available at European CBSOs**. Moreover, addressing this matter will pose the challenge, prompted by globalisation, of correctly interpreting the individual accounts of each single company compared with the consolidated accounts of the group it belongs to.

Key performance indicators of NFC: the need for accounting micro-data

Concepts such as production, gross added value, compensation per employee, gross capital formation, net lending or net borrowing, net financial transactions, market price and others are usual in the statistical domain (they form part of National Accounts manuals). **But they are far removed from normal language of business, i.e. the accounting standards**. Of course, transition tables can provide for switching from the available accounting data (with information elements such as net turnover, purchases, trade receivables, cash and cash equivalents, staff costs, investment in fixed assets, fair value accounting, and so on) to the equivalent concept in National Accounts guidelines. But there will in any case be concepts and ratios where the information available in European CBSOs will provide a unique and cheap (as it is currently available) source of information. Ratios related to profitability and indebtedness, which are necessary to analyse the resilience and confidence of the financial and economic structure of the NFC institutional sector, can benefit from the use of our databases. Moreover, studies on the financial stability of the NFC sector **do not only need the aggregate picture provided by the Financial Accounts of the economy, but also the subtle details given by statistical distributions, along with breakdowns by size and activity available in CBSO's databases**. It is important to know how the cake is cut and who eats each portion, isn't it?

The challenge of integrating the pictures provided by individual and consolidated accounts

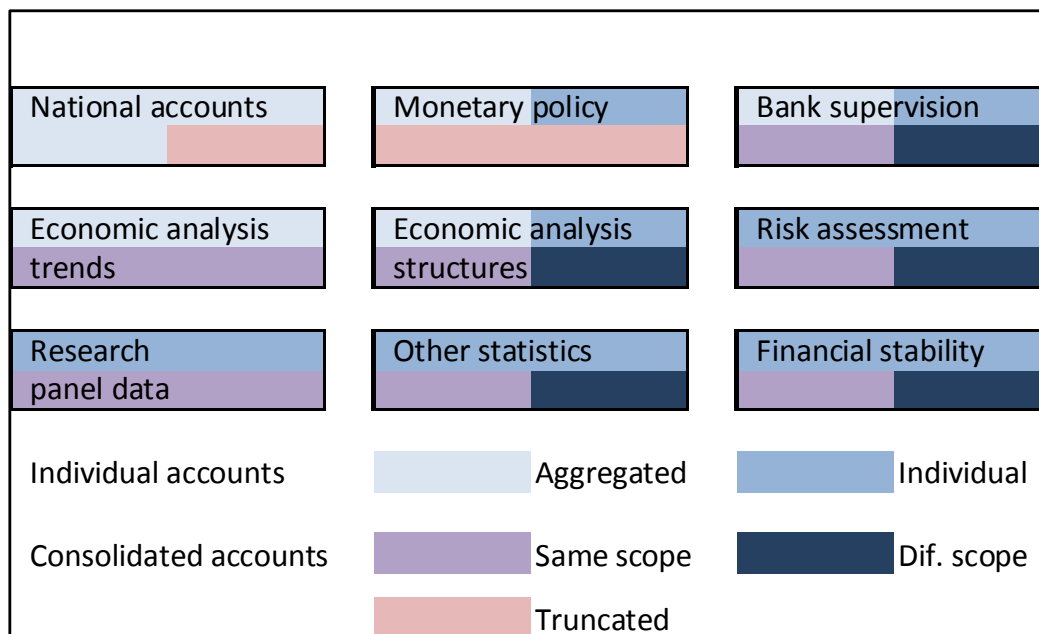
Although the use of individual accounts has been the main source of information for the European CBSOs, **only recently have they faced the challenge of integrating the data provided by the consolidated accounts of groups in their economic and financial analysis**. Of course, some CBSOs have worked since the late 80s with consolidated accounts, mainly for risk assessment analysis. But it was in the late 90s when new needs arose as a result of globalisation: whereas **previously, the mere aggregation of individual accounts offered a good picture of NFCs' behaviour, since then this process has had to deal with the "double accounting" problem**. Indeed, the aggregation of individual accounts doubles the profits of subsidiaries that belong to a parent company (which receives the dividends) when both are aggregated in a sample, as is also the case with the losses of the subsidiary, provisioned in the accounts of the parent. Intercompany loans (financial and commercial alike) should also be submitted to a process of consolidation, in order to create clear pictures of the financial structure of an aggregation of individual accounts. In short, the use of individual accounts, by

aggregation, to produce statistics and analysis on the behaviour of a set of companies, should be subject to certain adjustments, to eliminate the double accounting created. We might well ask:

- If we have the consolidated accounts of the group, what is the problem?
- Use it!

But here another problem arises: the scope (the perimeter) of the consolidation available is not what the statistician would like to have, but what the group decides to produce: a perimeter that includes subsidiaries abroad, on one hand, and one which changes continuously, every single year, making it difficult – if not impossible – to use consolidated accounts for the analysis of how the aggregates trend on a constant basis. For example, the increase in net turnover one year comprises its increase in companies that existed the previous year (organic growth) together with the rise brought about by the acquisition of new companies (corporate growth). In theory, the availability of truncated consolidated accounts (by region, or by sector of activity), and also restated annual accounts (comparing the group with the same perimeter in two consecutive years), could solve the problem.

Map of possible uses of individual/consolidated data



ECCBSO members are addressing within their working groups the issue of improving knowledge on how to deal with both kinds of data (individual and consolidated). The panel attached shows, from the experience of the different CBSOs belonging to the committee, a map of uses of both accounts, when it is necessary to use the micro-data and when the aggregation of individual data is enough for the analysis. For example, risk assessment needs individual accounts, treated on an individual basis (company by company), but also consolidated information on the group the company belongs to, irrespective of the changes in the scope (perimeter) of consolidation.

In an unsettled environment, globalisation challenges require statisticians to improve their data sources, reducing at the same time the reporting burden on companies. This new miracle of extracting so much for so many from so little can only be achieved using all the tools at hand. The Central Balance Sheet Data Offices databases can be one more tool on the list.