

Irving Fisher Committee
30th – 31st August 2018

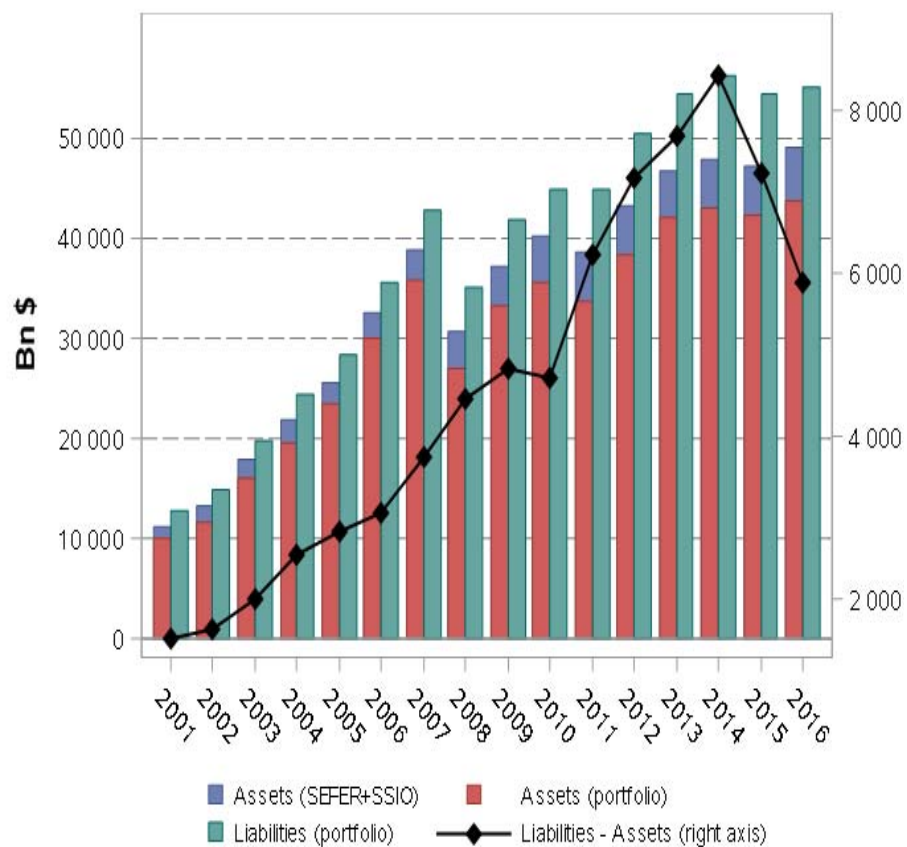
**How to identify “hidden securities
assets” in the Balance of Payments:
Methods of Banque de France**

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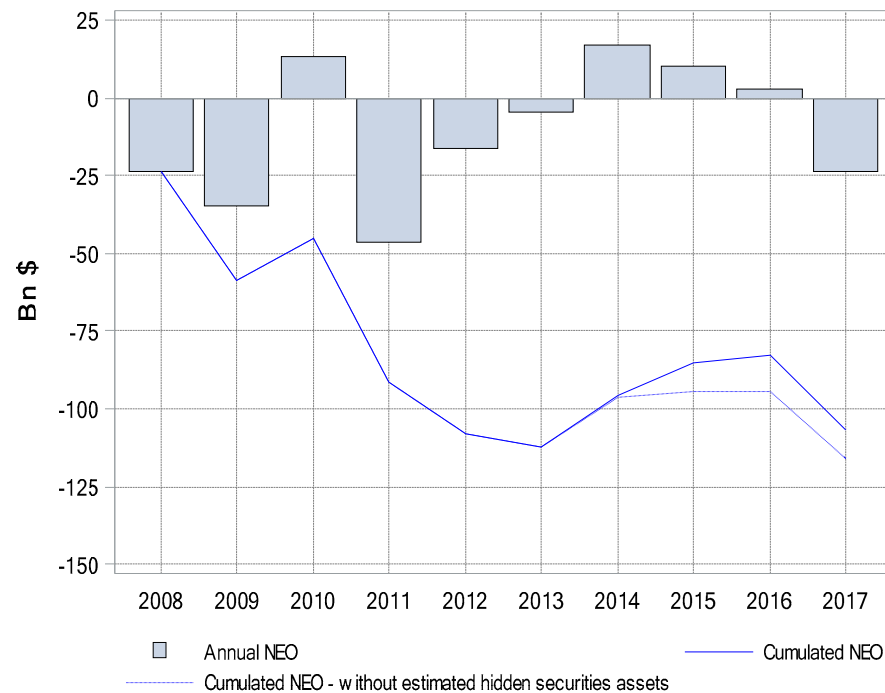
Statistical inconsistencies may be accounted for by « hidden assets »

Global portfolio positions : assets versus liabilities



Source: IMF – Authors' calculations

Errors and omissions in French BOP



Source: Banque de France

Likely impact of hidden assets on French IIP

- More on the assets side than on the liabilities side
 - Anecdotal evidence supports the idea that most of resident positions on French securities are held in France or in the Euro Area.
 - The share of liabilities calculated as a residual and thus estimated has been rather stable since 2008 (less than 10 %).
- Mainly held by households and non-financial corporations
 - In European law, financial corporations are required to report their whole portfolios whatever the « physical » location of their assets

Academic literature provides rather large estimates of unrecorded holdings attributed to French households

- Alstadsæter, Johannesen and Zucman (2017) allocate global households' "hidden wealth" across countries
 - Using Zucman (2013) estimates of global hidden wealth based on international inconsistencies
 - With BIS bilateral banking statistics and Swiss data
- For France, households' offshore financial wealth would be as large as 15 % of GDP in 2007 (vs. world average = 9.8 %)
 - → Additional position in portfolio investments would amount to 300 Bn \$
 - To be compared with 480 Bn \$ of households' holdings of securities in BDF statistics in 2017

Can these estimations be used in statistics?

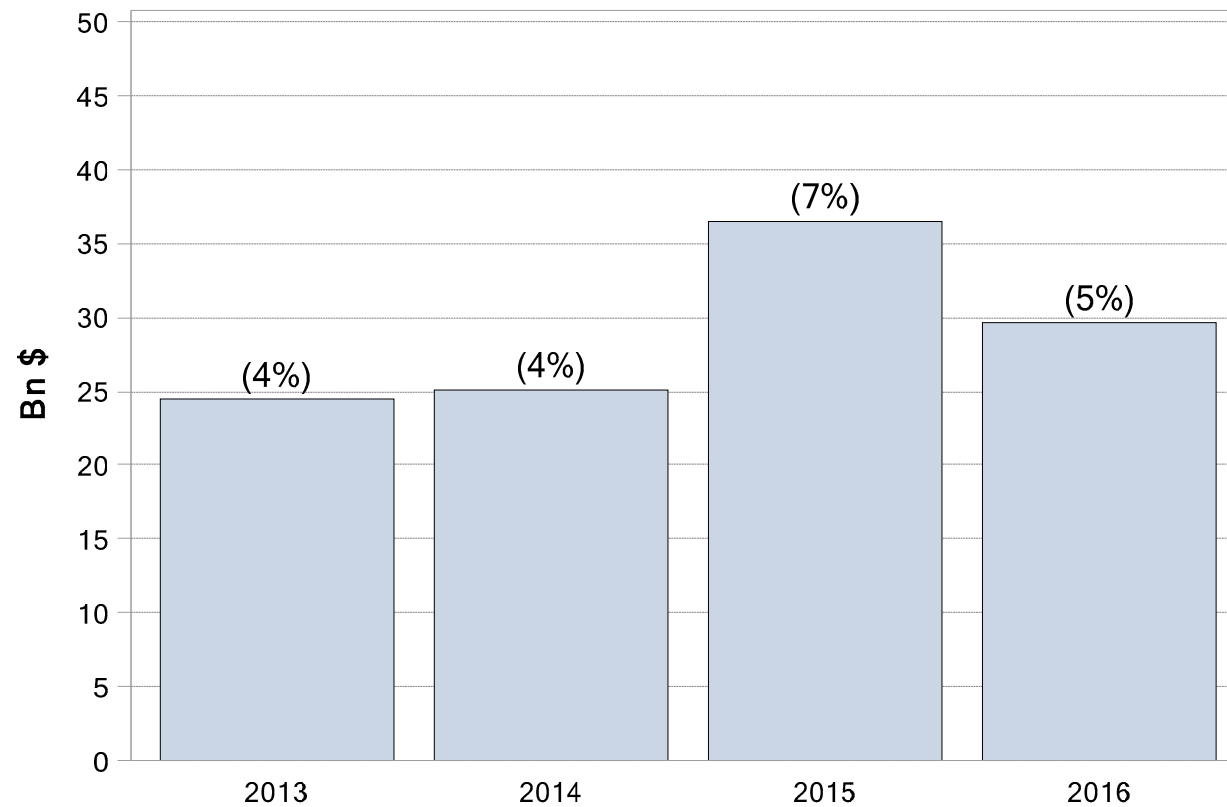
- They should be adjusted to statistics concepts and methodology
 - Difference between nationality and residency
 - Splitting between direct investments and portfolio investment
- Derivation of time series using these estimations would be difficult
- Non-financial corporations should also be taken into account

Estimation of non-financial corporations' offshore assets

- Regarding assets located in the Euro Area, we rely on the Eurosystem *Securities Holdings Statistics DataBase* (SHSDB)
 - SHSDB centralizes granular contributions from NCBs all compiled according to SHS Regulation
- For remaining assets, we compare the total of granular data to the aggregated portfolios of non financial corporations according to their balance sheet
 - These data come from a database maintained by the BDF
- The difference is deemed to be the assets located outside the Euro Area

Estimation of non-financial corporations' offshore assets

Estimated NFCs' offshore assets integrated in securities holdings statistics



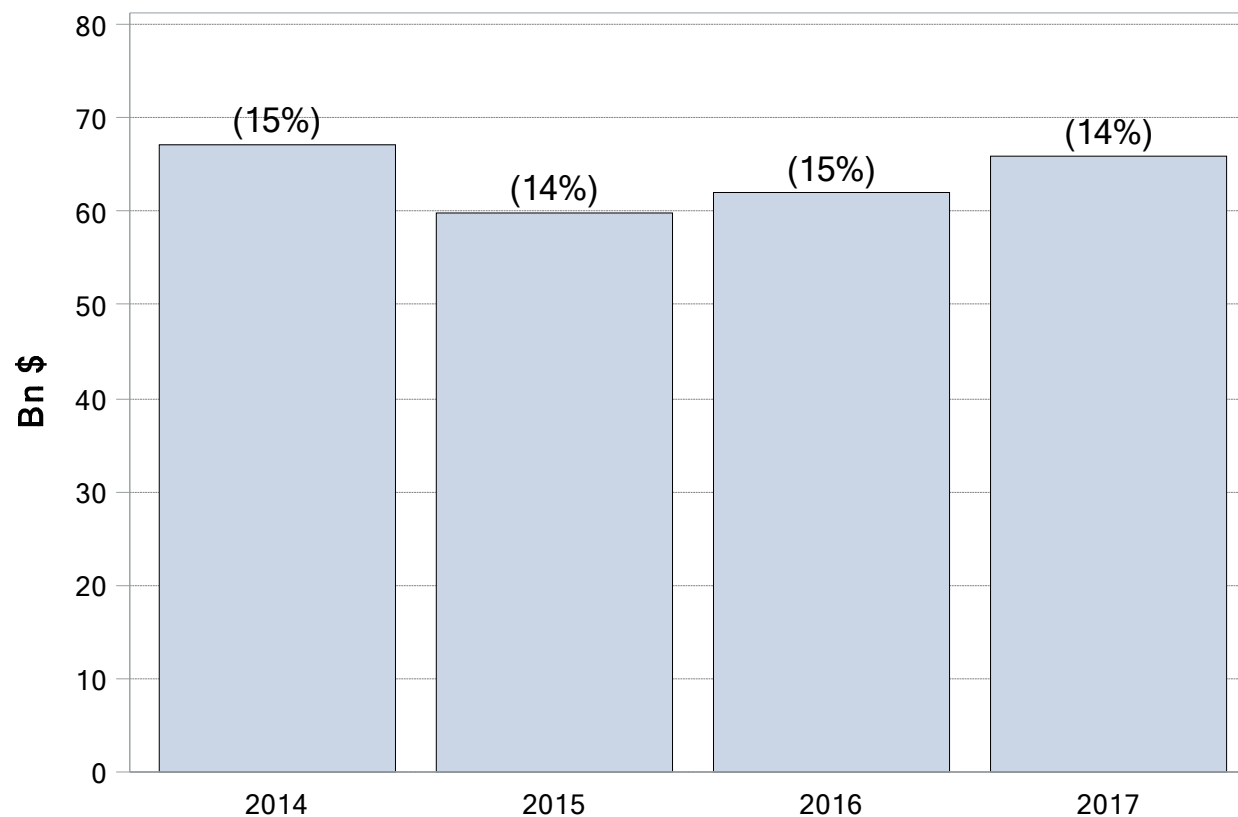
Source: Banque de France

Estimation of households' offshore assets

- Regarding assets located in the Euro Area, our source is SHSDB
- Regarding assets located outside the Euro Area, we extrapolate from French households' deposits in foreign banks
 - Based on BIS detailed Locational Banking Statistics
 - Using Swiss National Bank (SNB) published data on securities custody for non-resident customers to estimate a securities / deposits ratio for households' offshore wealth

Estimation of households' offshore assets

Estimated households' offshore assets integrated in securities holdings statistics



Source: Banque de France