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

Errors and omissions in French BOP

Source: IMF – Authors’ calculations

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