

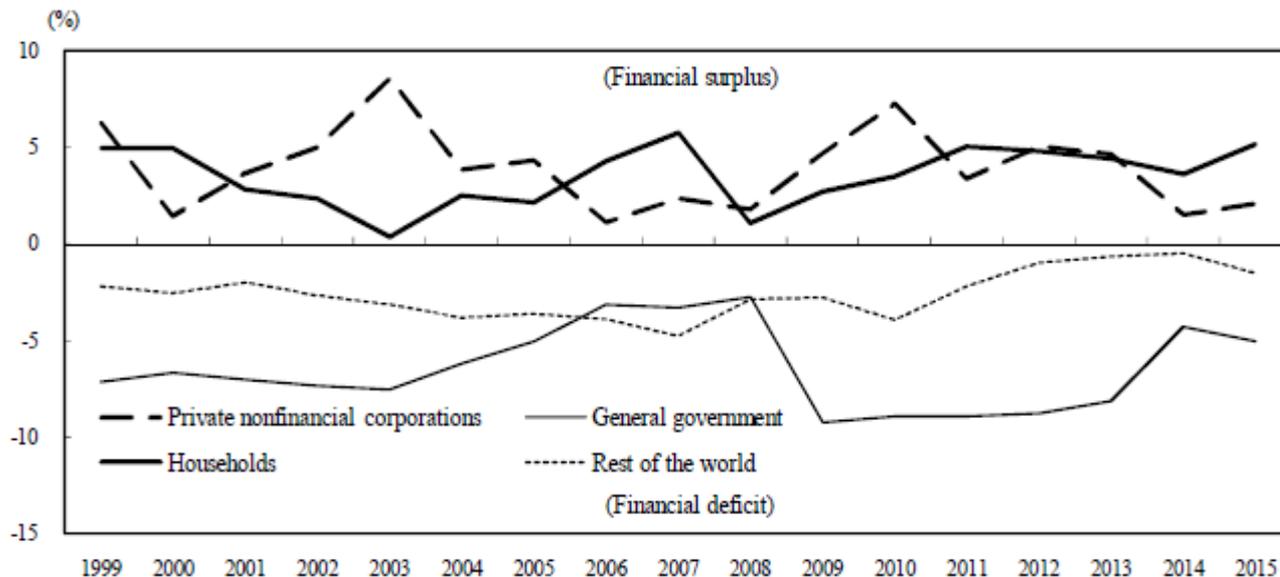
Implications of 2008 SNA Recommendations for the Measurement of Households' Income and Savings

Masahiro Higo, Naoto Osawa, and Yoshiko Sato
Bank of Japan, Tokyo, Japan

The 60th ISI World Statistics Congress, Rio de Janeiro, Brazil, July 26-31, 2015

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

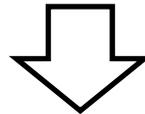
- Employment-related pension schemes
- Investment funds
- Standardized guarantees
- Employment stock options

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**

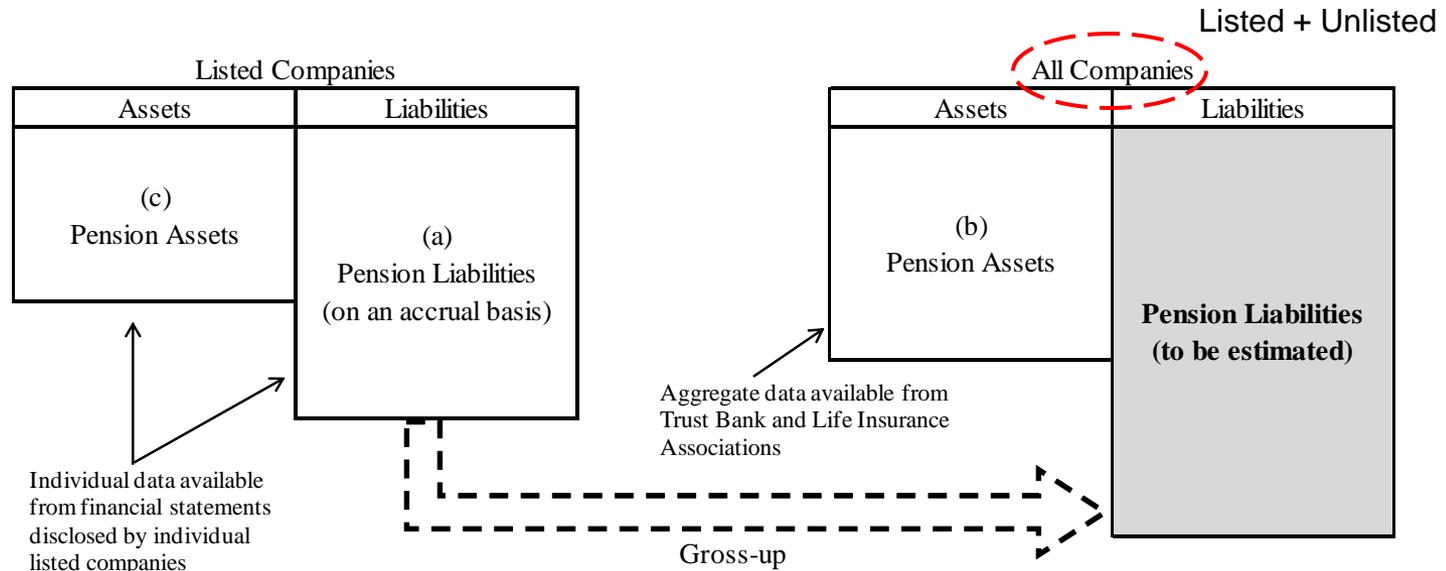
Challenges: DB Pension Schemes

- **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

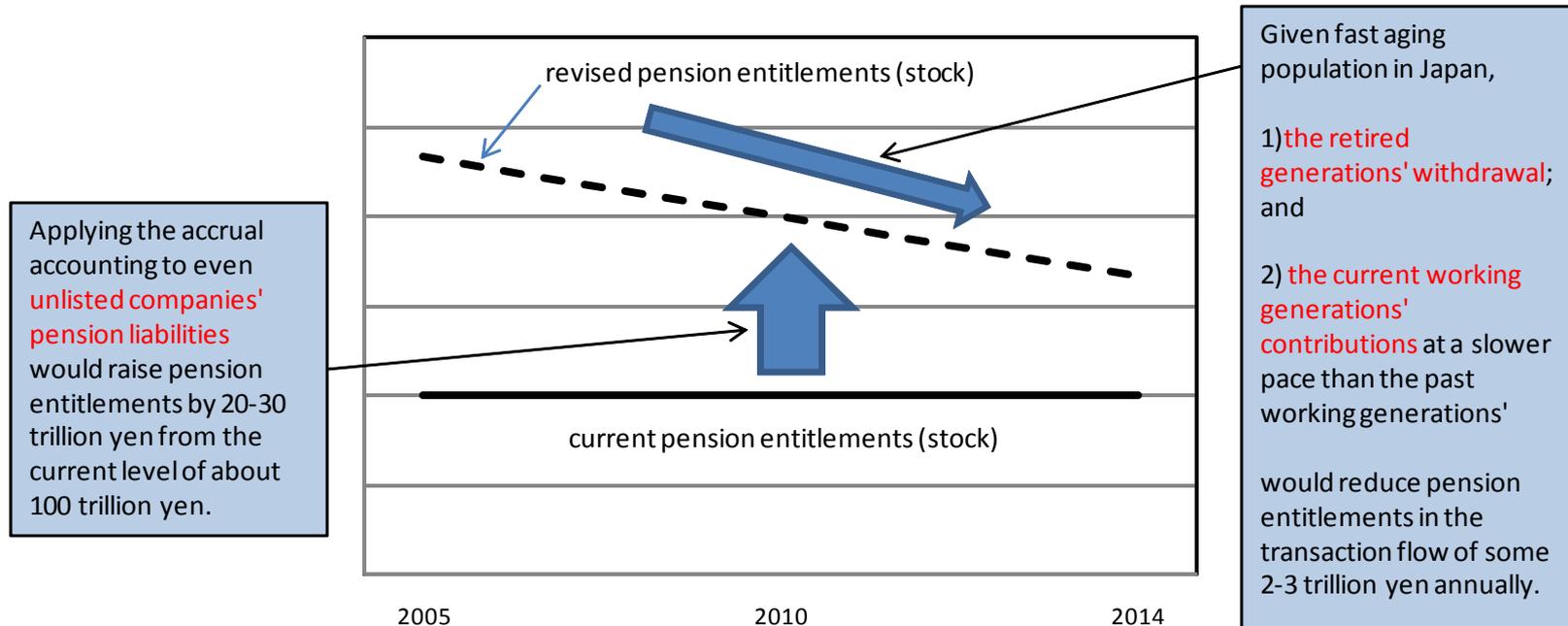
Estimation Method: Pension Entitlements to DB Schemes



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

Impacts of Revisions: DB Pension Entitlements

(An illustration)

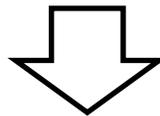


Investment Funds

- 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

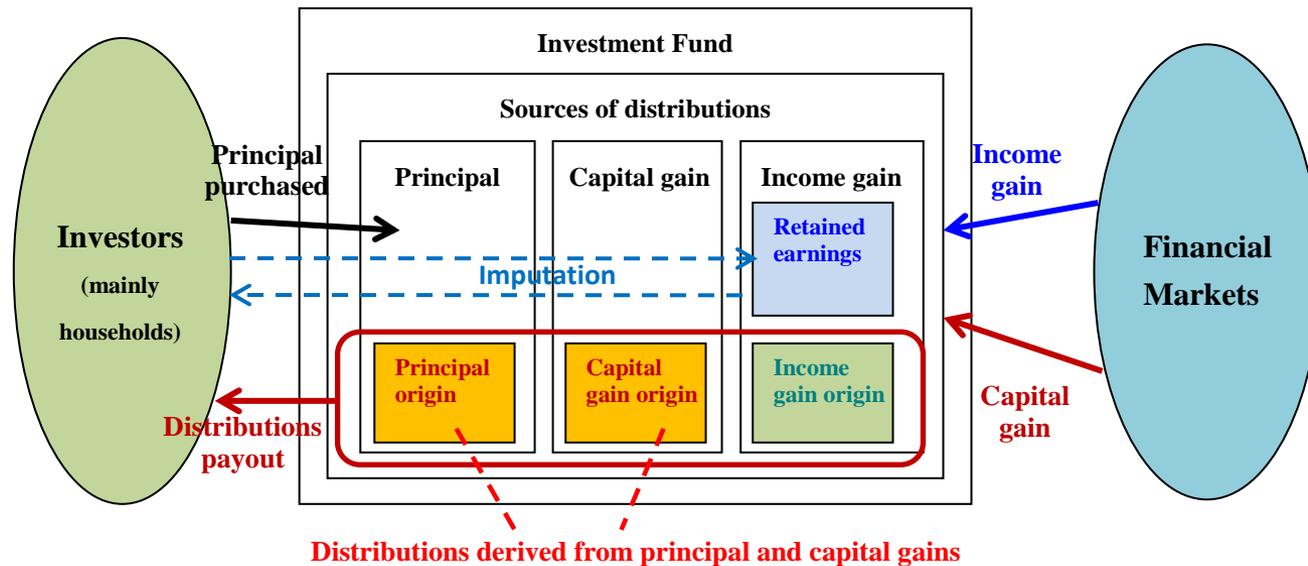
Challenges: Investment Funds

- 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

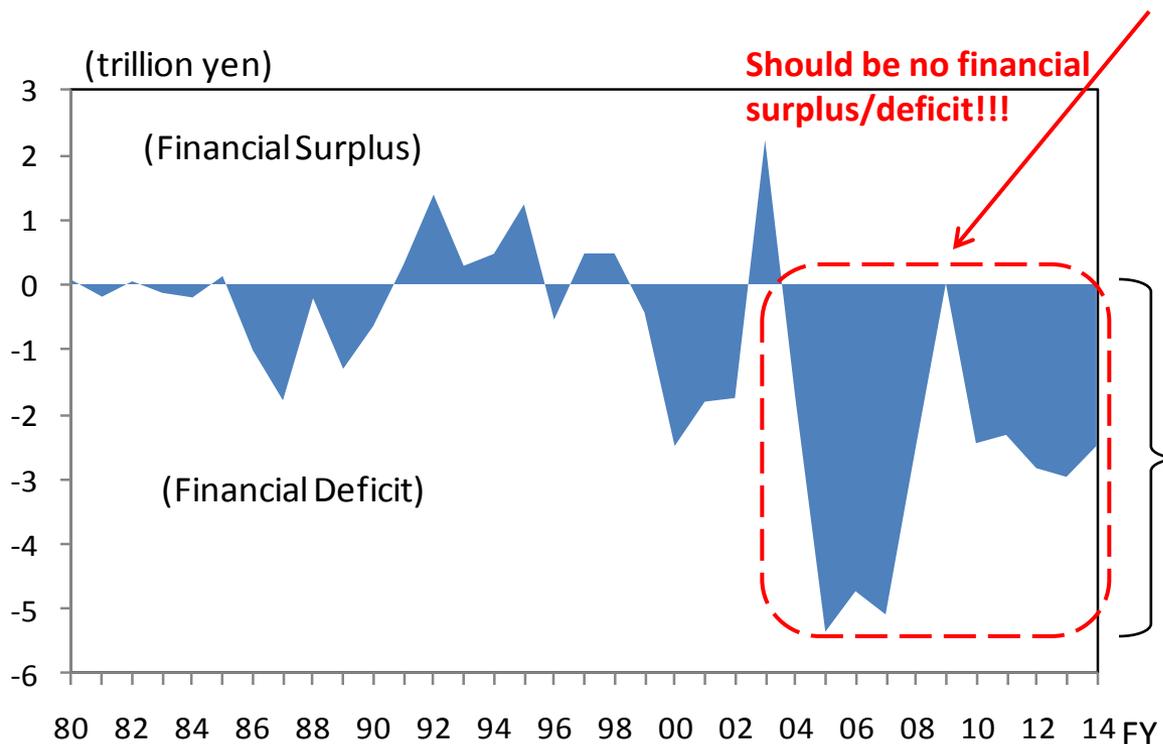
Investment Funds Sector's Retained Earnings and Distributions



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**



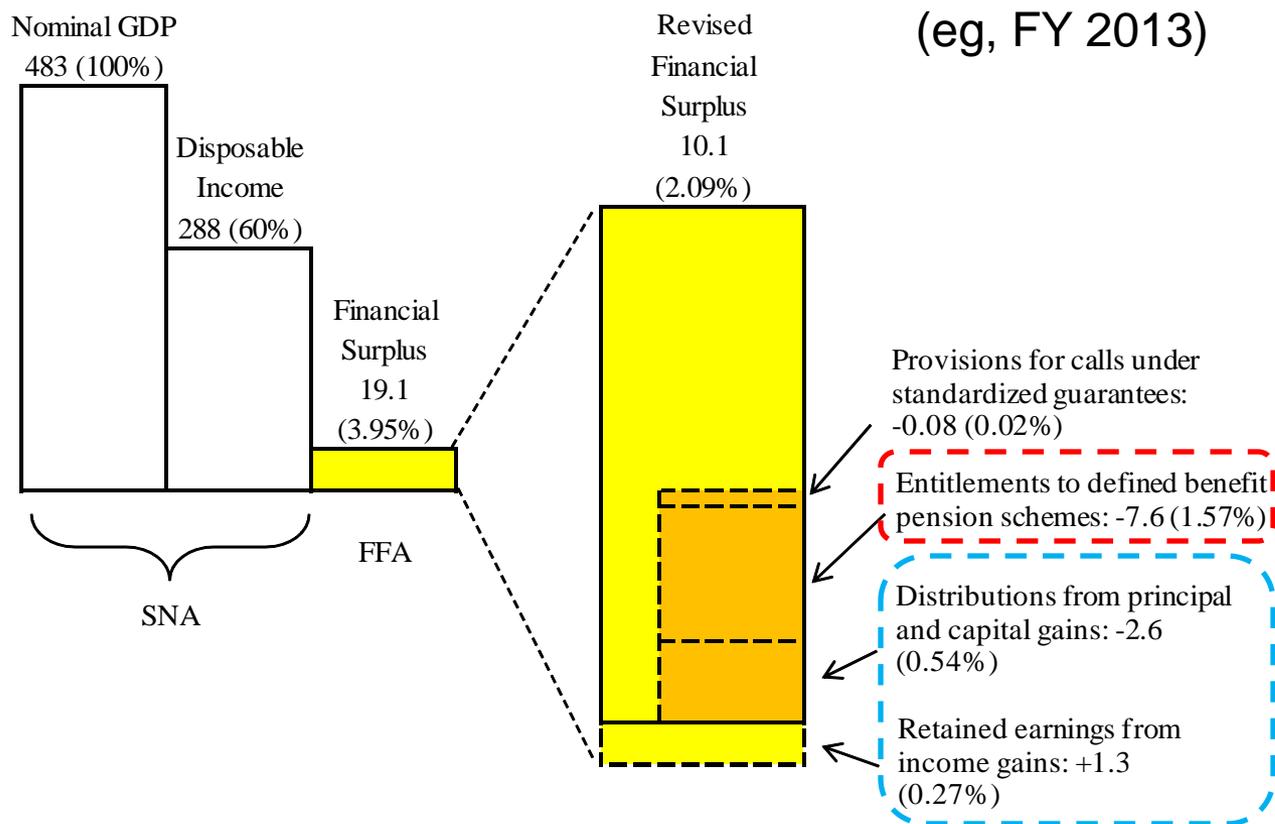
IFs pay out more distributions than income gains, thus **financed by capital gains and the principal**

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.

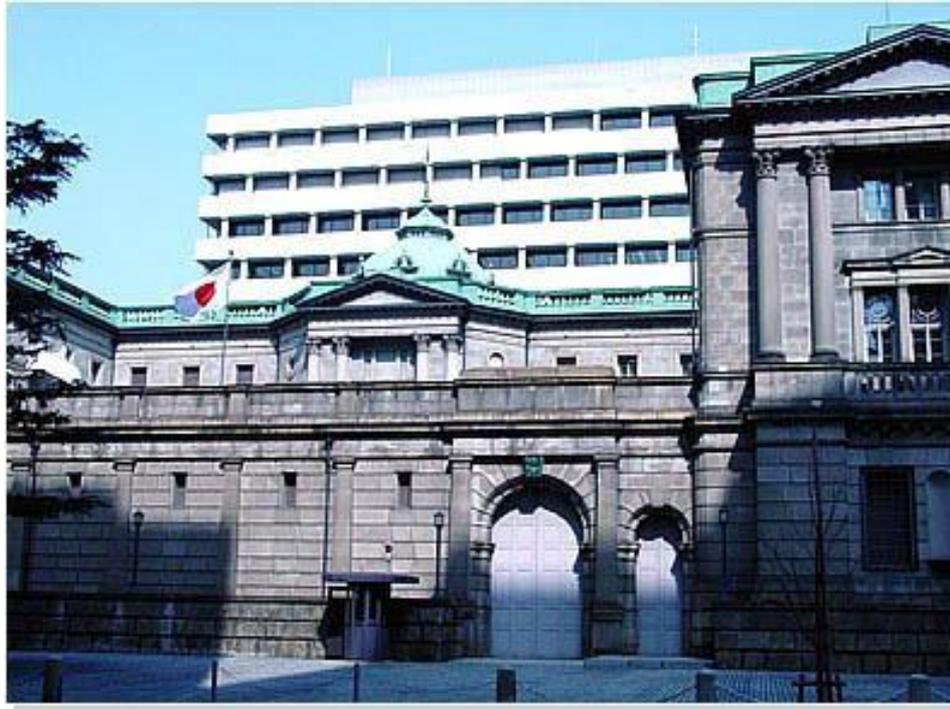
Final Remarks

- 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



Corresponding Author: Naoto Osawa, Bank of Japan
naoto.oosawa@boj.or.jp