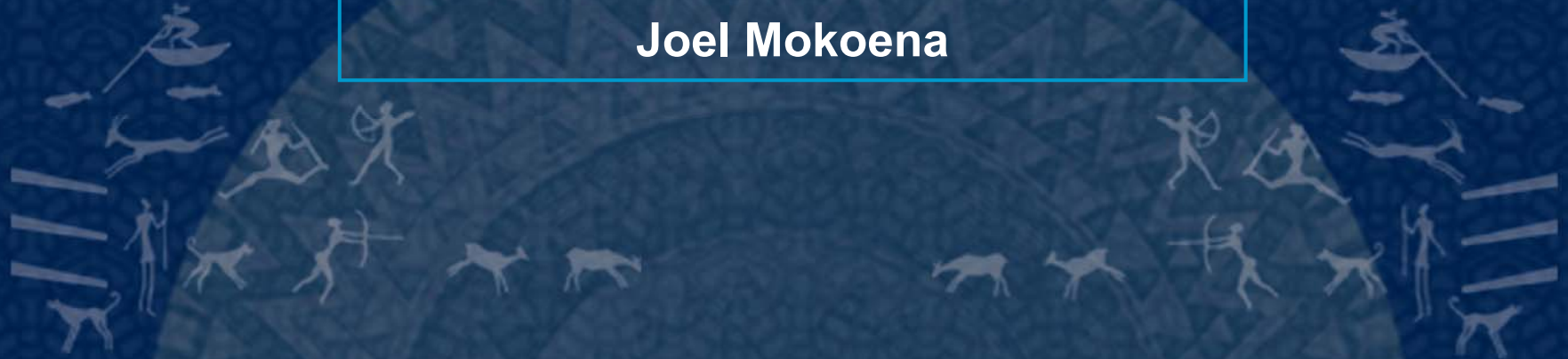




South African Reserve Bank

# Development of the South African institutional sector accounts

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# Outline

- ❖ Background
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  - ❖ Detailed institutional sector breakdown
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# Background

- ❖ The responsibility for Integrated Economic Accounts lies with the South African Reserve Bank (SARB)
- ❖ The National Accounts division publish the current and capital account by institutional sector annually as well as the household balance sheet
- ❖ Current and capital account data from 1995 and balance sheet data from 1975
- ❖ The Capital Market and Flow of Funds division publish the national financial account
- ❖ Financial account quarterly data from 1992
- ❖ In 2015 the SARB established a project to further develop the Integrated Economic accounts for South Africa (Institutional sector balance sheets)

# Integrated Economic Accounts Project

- ❖ Objectives of IEA project:
  - ❖ Comply with G-20 Data Gaps recommendation #8 which aims at promoting the compilation and dissemination of the balance-sheet approach (BSA), the flow of funds and non-financial sectoral accounts data
  - ❖ In the interest of providing reliable and relevant statistics for national policy formulation
    - ❖ Assist the Bank in understanding interconnectedness between the real and financial sector and linkages between various sectors
    - ❖ Identify risks, vulnerabilities, and spill-over effects for financial stability purposes
- ❖ Initial target – produce institutional sector balance sheets for 2010 to 2015 period at the end of 2016
  - ❖ The milestone achieved at the end of 2016 – preliminary and experimental high-level institutional sector balance sheets for 2010 and 2011
  - ❖ Next target – December 2017 but will exclude some non-produced financial assets due to data constraints

# Detailed institutional sector breakdown

- ❖ Institutional sector delineation applied in the IEA project is obtained from a combination of delineation contained in the SNA 2008 as well as national requirements

Main institutional sectors	Subsectors		
Non-financial corporations	Public		
	Private		
Financial corporations	Monetary financial institutions	Monetary authority	Central bank
			Corporation for Public Deposits
		Other monetary financial institutions	Deposit-taking corporations (banks)
			Money-market funds
	Other financial corporations <sup>1</sup>	Non-money market investment funds	
		Other financial intermediaries <sup>2</sup>	
		Financial auxiliaries	
		Captive financial institutions and money lenders	
Insurance corporations and pension funds	Insurance corporations		
	Pension funds		
General government	Central and provincial government		
	Local government		
Households <sup>3</sup>			
Rest of the world			

<sup>1</sup> Except monetary financial institutions and insurance corporations and pension funds

<sup>2</sup> Except insurance corporations and pension funds

<sup>3</sup> Including non-profit institutions serving households

# Measurement and estimation of non-financial assets

- ❖ The minimum SNA breakdown of nonfinancial assets considered in IEA project includes the items listed below:

## **Total produced**

Total fixed assets

Dwellings

Buildings other than dwellings

Other structures

Machinery and equipment

Cultivated biological resources

Intellectual property

Inventories

## **Non-produced**

### **Total underlying land**

Dwellings

Buildings other than dwellings and other structures

### **Total real estate\***

Dwellings

Buildings other than dwellings and other structures

### **Total produced including underlying land**

\* Fixed assets and underlying land

- ❖ Valuables, mineral and energy resources, non-cultivated biological resources, other natural resources and radio spectra are not included in the scope of the project due to data constraints
- ❖ All nonfinancial assets are measured in market prices

# Financial instrument delineation in the financial balance sheets and accumulation accounts

- ❖ Financial instrument delineation in the financial balance sheets and accumulation account based on 2008 SNA Classification

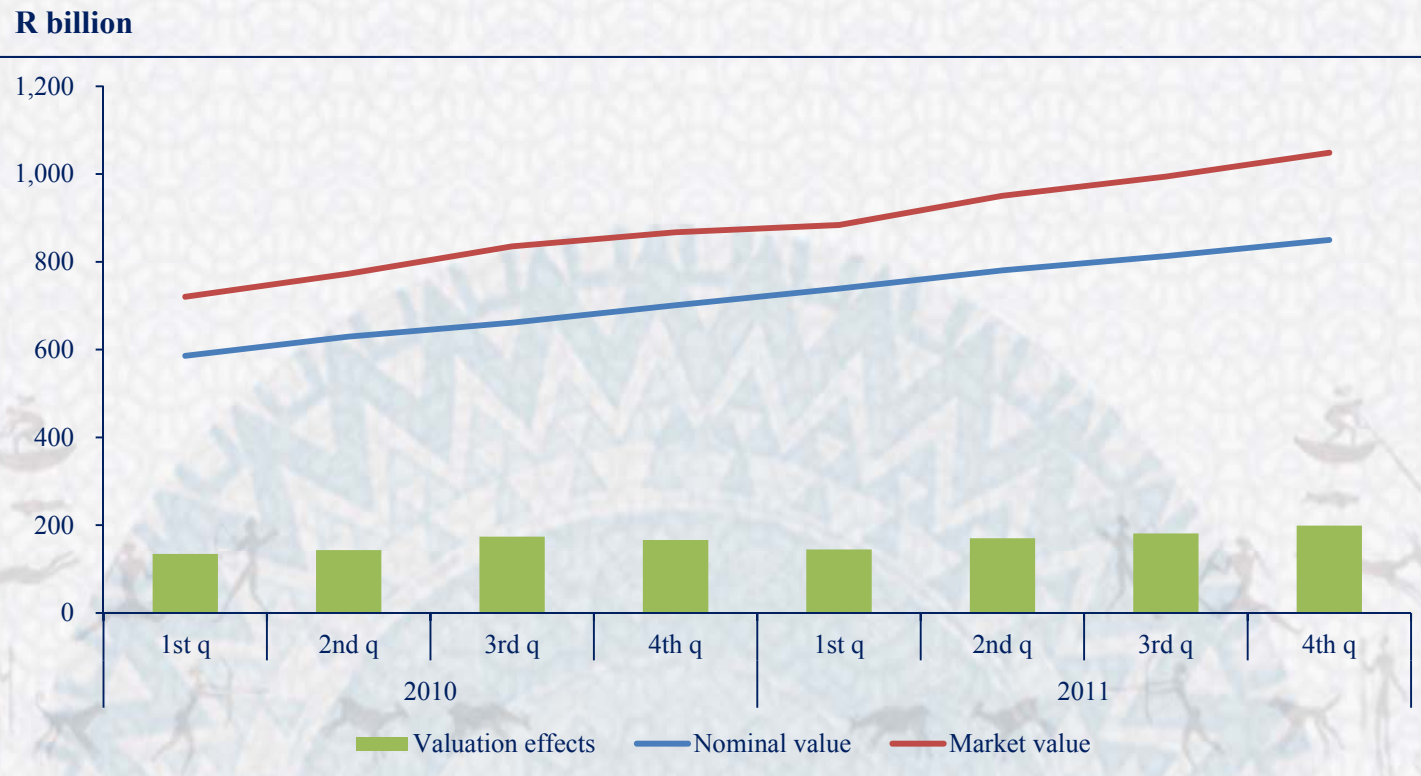
Financial instrument
1. Monetary gold and special drawing rights
2. Currency and deposits
3. Debt securities
4. Loans
5. Equity and investment fund shares or units
6. Insurance, pension and standardised guarantee schemes
7. Financial derivatives and employee stock options
8. Other accounts receivable and/or payable

- ❖ Each financial asset has a counterpart liability, with the exception of the gold bullion component of monetary gold held by monetary authorities as a reserve asset, which is classified in the category monetary gold and special drawing rights

# Valuation of financial instruments in the balance sheet

- ❖ Financial assets and liabilities are valued at current market prices as at the balance sheet date
- ❖ Some datasets only available in nominal terms which pose a problem

Outstanding nominal and market value of national government long-term debt securities





# Major components of the FBSAA model

- ❖ The building block component
  - ❖ Deals with the source data inputs from contributing institutional sector compilers
  - ❖ Data sourcing is conducted through the utilisation of financial asset and liability templates for each institutional sector which in effect produces unbalanced balance sheets for the institutional sectors and which is based on templates provided by the IMF
  
- ❖ The balancing component
  - ❖ These financial asset and liability templates are introduced into the balancing system where balancing assumptions are made based on a detailed hierarchy of sources
  - ❖ Once the balancing assumptions have been applied to the unbalanced financial asset and liability templates the balanced financial asset and liability templates for each institutional sector is generated
  - ❖ This is the current status of the project and rendered the data shown and discussed in this presentation
  
- ❖ The revaluation estimation component
  - ❖ The balanced asset and liability stock positions will be utilised to estimate nominal holding gains and losses at detailed instrument level where after financial transactions will be derived as the residual
  - ❖ Demanding requirement placed upon the FBSAA measurement system due to the fact that most of the institutional sector data available only relates to stock positions

# Preliminary results

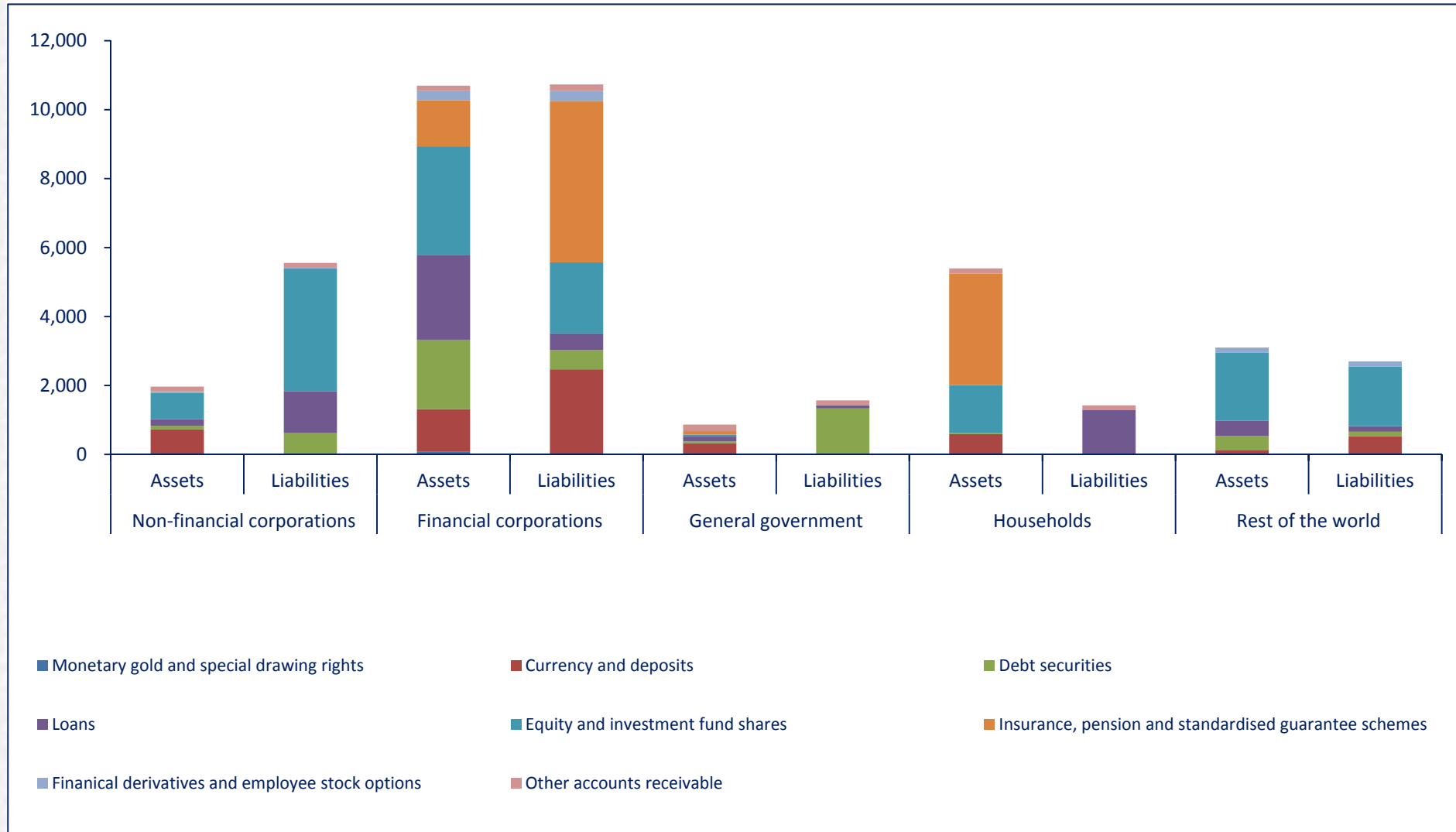
## Non-financial assets stock position at market prices, 31 December 2011

R millions	Non-financial corporations	Financial corporations	General government	Households	Total domestic economy
<b>Total produced assets</b>	<b>3,673,489</b>	<b>294,319</b>	<b>1,660,095</b>	<b>1,905,073</b>	<b>7,532,976</b>
Total fixed assets	3,112,793	278,497	1,656,494	1,872,662	6,920,446
Dwellings	243,334	10,070	237,628	1,660,831	2,151,863
Buildings other than dwellings	733,769	113,287	312,168	66,309	1,225,533
Other structures	983,612	7,198	938,444	68,365	1,997,619
Machinery and equipment	1,042,563	119,189	141,076	62,126	1,364,954
Cultivated biological resources	8,781	-	-	14,659	23,440
Intellectual property	100,734	28,753	27,178	372	157,037
Inventories	560,696	15,822	3,601	32,411	612,530
<b>Non-produced assets</b>					
<b>Total underlying land</b>	<b>563,191</b>	<b>33,113</b>	<b>525,811</b>	<b>760,363</b>	<b>1,882,478</b>
Dwellings	85,424	5,331	114,941	744,668	950,364
Buildings other than dwellings and other structures	477,767	27,782	410,870	15,695	932,114
<b>Total real estate*</b>	<b>2,523,906</b>	<b>163,668</b>	<b>2,014,051</b>	<b>2,555,868</b>	<b>7,257,493</b>
Dwellings	328,758	15,401	352,569	2,405,499	3,102,227
Buildings other than dwellings and other structures	2,195,148	148,267	1,661,482	150,369	4,155,266
<b>Total produced assets, including underlying land</b>	<b>4,236,680</b>	<b>327,432</b>	<b>2,185,906</b>	<b>2,665,436</b>	<b>9,415,454</b>

\* Fixed assets and underlying land

# Preliminary results (cont.)

Total financial assets and liabilities by institutional sector and financial instrument as at the end of December 2011  
R billion



# Preliminary results (*cont.*)

Whom-to-whom positions of total financial assets and liabilities between resident institutional sectors as well as the rest of the world as at the end of December 2011

R trillion

Institutional sectors		Liabilities by resident institutional sector and residency							
		Non-financial corporations	Financial corporations	General government	Households	Rest of the world	Total		
Assets by resident institutional sector and residency	Non-financial corporations	60	966	15	77	848	1 965	22 020	
	Financial corporations	2 525	4 075	1 002	1 270	1 773	10 696		
	General government	162	537	89	74	1	863		
	Households	1 070	4 149	102	0	73	5 394		
	Rest of the world	1 738	1 007	355	0	0	3 101		
	<b>Total</b>	<b>5 555</b>	<b>10 734</b>	<b>1 563</b>	<b>1 421</b>	<b>2 696</b>	<b>-405*</b>		
		21 969						51**	

# Preliminary results (*cont.*)

## Summary balance sheet by institutional sector

At market prices, 31 December 2011

R trillions

	Non-financial corporations		Financial corporations		General government		Households		Total domestic economy		Rest of the world	
	A	L	A	L	A	L	A	L	A	L	A	L
<b>Non-financial assets*</b>	4,2		0,3		2,2		2,7		9,4			
<b>Financial assets and liabilities</b>	2,0	5,6	10,7	10,7	0,9	1,6	5,4	1,4	18,9	19,3	3,1	2,7
<b>Net worth**</b>		0,6		0,3		1,5		6,7		9,0		
<b>Total assets and liabilities</b>	6,2	6,2	11,0	11,0	3,1	3,1	8,1	8,1	28,3	28,3	3,1	2,7

A = assets

L = liabilities

\* Total produced assets, including underlying land

\*\* Total assets minus financial liabilities

# The way forward

- ❖ The development of the integrated economic accounts (Balance sheet project) will stretch over an extended period of time
- ❖ Next priority is to expand the data set to cover period 2012 to 2016
- ❖ New data set will facilitate detailed from-whom-to-whom accounts of stock positions, transactions, revaluations and other volume changes
- ❖ Will allow for a systematic understanding of the important relationships in the South African economy

**Thank you**