

Monetary statistics: integration of revisions in the System of National Accounts 2008

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1. Introduction

Introduction of revised methodology for the System of National Accounts (SNA) – as incorporated in the *System of National Accounts 2008* (2008 SNA), Volume 1 – will result in a relatively modest set of modifications in the economic sectorization, financial asset classification, and accounting rules for the monetary statistics. In particular, the SNA revisions do not lead to major changes in the Standardized Report Forms (SRFs), which the IMF introduced in 2005 for monthly reporting of countries' monetary data.

Revisions in the monetary statistics methodology are facilitated by the pre-existing frameworks in which a single set of definitions and concepts, classifications, and accounting rules is applied in the *System of National Accounts 1993* (1993 SNA) and the IMF's *Monetary and Financial Statistics Manual* (MFSM; 2000). Some of the new methodology in the 2008 SNA has already been incorporated in the IMF's *Monetary and Financial Statistics: Compilation Guide* (MFS Guide; 2008). The other revisions in the 2008 SNA will be accommodated by including new memorandum items in the SRFs and the Supplementary Data Report Forms (SDRFs), which are at the pilot-project stage. The SDRFs are designed for reporting of quarterly data on financial corporations' balance-sheet accounts disaggregated by maturity (the short-/long-term classification in the SNA) and by other criteria, as well as for reporting several categories of off-balance-sheet data.

The descriptions provided in this paper directly apply only to the methodology for the monetary statistics that non-EMU countries report to the IMF.² The European Central Bank has produced extensive documentation (available on-line at www.ecb.int) of the methodology of the monetary statistics for the European Monetary Union (EMU) and the individual EMU countries. The ECB and IMF closely collaborate on the harmonization of the monetary statistics for the EMU members and non-EMU countries. In place of the SRF-based reporting, the EMU countries rely on the ECB for efficient electronic transmission of each countries' monetary statistics to the IMF. These data are published in the EMU country pages and Euro Area page of the IMF's *International Financial Statistics*.

2. Harmonization of the monetary and national accounts statistics

The major objective is to collect and compile monetary data that are consistent with the financial asset/liability data in the Financial Account and related accounts of the SNA, recognizing that each statistical system has unique requirements for data presentations.

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² The descriptions in this paper refer only to the monetary statistics, given that the financial statistics in the MFSM and MFS Guide are synonymous with the Financial Account and related accounts of the SNA. Revision of the financial statistics entails direct implementation of the new methodology in the 2008 SNA.

Data sets in the two macroeconomic systems are designated as *consistent* if (1) data are the same, (2) data discrepancies can be explained (and eliminated, if possible), or (3) data in one system can be constructed from “building blocks” of data from the other system. Data for financial corporations’ assets and liabilities are obtainable from a single source – namely, the accounting records of these institutional units. However, specific data requirements and analytical presentations for the monetary statistics depart from the data requirements and presentations of the Financial Account and related accounts of the SNA. For example, the monetary statistics methodology disaggregates deposit liabilities of financial corporations into separate components for (1) deposits included in the national definition of broad money and (2) deposits excluded from broad money. Such disaggregation is not found in the SNA.

3. The financial corporations sector

A major change in the sectorization of an economy is the revision in the subsectors of the financial corporations sector. The five subsectors of the financial corporations sector in the 1993 SNA, MFSM, and MFS Guide and the nine subsectors in the 2008 SNA are shown in Table 1. In the 2008 SNA, *Other depository corporations* (ODCs) has been renamed *Deposit-taking corporations except the central bank*. *Insurance corporations and pension funds* has been divided into separate subsectors, and new subcategories of *Other financial intermediaries, except insurance corporations* have been delineated.

The financial corporations sector in the MFSM and MFS Guide consists of the five subsectors in the 1993 SNA. However, the data lines in the SRFs contain disaggregation only for the *Central bank*, ODCs, and *Other financial corporations* (OFCs) – a composite subsector consisting of *Other financial intermediaries*, *Financial auxiliaries*, and *Insurance corporations and pension funds*. In the future, the OFC subsector will comprise MMFs (except those issuing liabilities included in broad money), *Non-MMF investment funds*, *Other financial intermediaries except insurance corporations and pension funds*, *Financial auxiliaries*, *Captive financial institutions and money lenders*, *Insurance corporations*, and *Pension funds*.

Table 1
Financial Corporations Subsectors

1993 SNA, MFSM, and MFS Guide

1. Central bank
 2. Other depository corporations
 3. Other financial intermediaries, except insurance corporations and pension funds
 4. Financial auxiliaries
 5. Insurance corporations and pension funds
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2008 SNA

1. Central bank
 2. Deposit-taking corporations except the central bank
 3. Money-market funds (MMFs)
 4. Non-MMF investment funds
 5. Other financial intermediaries except insurance corporations and pension funds
 6. Financial auxiliaries
 7. Captive financial institutions and money lenders
 8. Insurance corporations
 9. Pension funds
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Aggregate (unconsolidated) data for separate subcategories of financial corporations in the OFC category can be obtained by sorting and aggregating the data reports, by OFC type. This approach can also be applied to obtain aggregate data for other subcategories of financial corporations. Aggregate data can be compiled using various criteria for disaggregation to obtain aggregate data for large/small ODCs, offshore financial corporations, government-owned ODCs, foreign- and domestic-owned insurance corporations, etc.

4. Financial asset classification

The financial asset classification in the 1993 SNA, *MFSM*, and *MFS Guide* and the revised classification in the 2008 SNA are shown in Table 2. The revisions include new terminology and new subcategories within the major categories of financial assets.

Table 2

Financial Asset Classification

1993 SNA, *MFSM*, *MFS Guide*, and 2008 SNA

Monetary gold and SDR holdings
Monetary gold (New subcategory in 2008 SNA)
SDR holdings (New subcategory in 2008 SNA)
Currency and deposits
Currency
Transferable deposits
<i>Inter-bank positions</i> (New subcategory in 2008 SNA)
<i>Other transferable deposits</i> (New subcategory in 2008 SNA)
Other deposits (Specifically includes unallocated gold deposits in <i>MFS Guide</i> and 2008 SNA)
Securities other than shares ("Debt securities" in 2008 SNA)
Loans
Shares and other equity ("Equity and investment fund shares" in 2008 SNA)
<i>Equity</i> (New subcategory in 2008 SNA)
<i>Investment fund shares/units</i> (New subcategory in 2008 SNA)
<i>Money market fund shares/units</i> (New subcategory in 2008 SNA)
<i>Other investment fund shares/units</i> (New subcategory in 2008 SNA)
Insurance technical reserves ("Insurance, pension, and standardized guarantees schemes" in 2008 SNA)
Net equity of households in life reserves ("Life insurance and annuity entitlements" in 2008 SNA)
Net equity of households in pension funds ("Pension entitlements" in 2008 SNA)
Prepayment of premiums and reserves against outstanding claims ("Non-life insurance technical reserves" in 2008 SNA)
<i>Claims of pension funds on sponsors</i> (New subcategory in 2008 SNA)
<i>Provisions for calls under standardized guarantees</i> (New subcategory in 2008 SNA)
Financial derivatives ¹ ("Financial derivatives and employee stock options" in 2008 SNA)
<i>Options</i> (New subcategory in 2008 SNA)
<i>Forwards</i> (New subcategory in 2008 SNA)
Other accounts receivable/payable

¹ Included in *Securities other than shares* until 1997 revision in the 1993 SNA text: *The Statistical Measurement of Financial Derivatives* (IMF, November 1997).

Monetary gold and SDR holdings. The *MFSM*, *MFS Guide*, and 2008 SNA contain separate classifications for monetary gold and SRD holdings.

Inter-bank positions. The framework of the *MFSM* and *MFS Guide* contains comprehensive and separate data categories for (1) central bank claims on and liabilities to ODCs and OFCs, respectively; (2) ODC claims on and liabilities to other ODCs; (3) ODC claims on and liabilities to OFCs, and (4) OFC claims on and liabilities to other OFCs. These data are used in the consolidation for compilation of the *ODC Survey* (consolidation of the ODC accounts), *Depository Corporations Survey* (consolidation of the central bank and ODC accounts), *Other Financial Corporations Survey* (consolidation of the OFC accounts), and *Financial Corporations Survey* (consolidation of the entire financial corporations sector's accounts).

Unallocated gold deposits. Deposit claims on gold (as opposed to title claims on physical gold) are included in *Deposits* in the *MFS Guide*, as well as in the 2008 SNA.

Employee stock options. The *MFS Guide* describes the classification and valuation of employee stock options and includes these options in *Financial derivatives*. The SDRFs will include a memorandum item for separate data on employee stock options.

Investment fund shares/units. In the *MFSM* and *MFS Guide*, investment fund shares are included indistinguishably in *Shares and other equity*, but money market shares included in the national definition of broad money are classified as *Deposits included in broad money*. Data for liabilities in the form of *Money market fund shares* and *Investment fund shares other than money market fund shares* are reported in the SRFs for MMFs and non-MMF investment funds, respectively.

Provisions for calls under standardized guarantees. The SDRFs will include credit guarantees in the memorandum section for off-balance-sheet items, which will also include data lines for loan commitments and credit lines. The credit guarantee series in the SDRFs will show the total amounts of loans and securities covered by credit guarantees, rather than the amount of credit guarantees that are expected to be activated by credit defaults (*Provisions for calls under credit guarantees*).

Options and forward contracts. In the SRFs, the asset/liability accounts for financial derivatives are disaggregated by debtor/creditor sector, but not into the separate categories of options and forward contracts. The SDRFs will include balance-sheet data disaggregated by option/forward contract (and by subcategories of options and forward contracts). The memorandum items in the SDRFs will include off-balance-sheet data for the notional principal amounts for futures contracts and interest-rate and currency swap contracts.

Asset/liability classification by currency of denomination. In the *MFSM*, *MFS Guide*, SRFs, and SDRFs, all assets/liability categories are disaggregated, where applicable, into separate categories for those denominated in national currency units and those denominated in foreign currency. The 2008 SNA categorically recommends cross-classification by currency of denomination only for *Other deposits*.

Asset/liability classification by maturity. The 1993 SNA and 2008 SNA contain supplementary classification of loans and debt securities by maturity (short-term and long-term). The SDRFs will be used to report data for loans disaggregated by short/long term to maturity, and for debt securities disaggregated in separate categories for zero-coupon, other short-term, and long-term securities. In the SDRFs, loans and securities are also disaggregated into separate categories for instruments with fixed or variable interest rates.

5. Valuation and other accounting rules

The 1993 SNA, *MFSM* and *MFS Guide* generally agree with respect to the rules for initial valuation and revaluation of financial assets/liabilities, specification of the time of recording of transactions in financial assets/liabilities, and other accounting rules. A major exception is valuation of liabilities in the form of *Shares and other equity*. In the monetary statistics methodology, equity liabilities are recorded at book value (on the basis of financial

corporations' balance-sheet records) and are divided into separate components for *Funds contributed by owners* (paid-in capital and surplus), *Retained earnings*, *General and special reserves*, and *Valuation adjustment*. In the 1993 SNA and 2008 SNA, equity liabilities are valued at market prices (or market price approximations). Equity valuations in the SNA and monetary statistics methodologies are harmonized through use of memorandum items for the market value of equity (disaggregated by sector of equity holder), which accompany the financial corporations' balance sheets in the monetary statistics. This departure from the SNA methodology for equity valuation is to be maintained in the monetary statistics.

The 2008 SNA revisions in the accounting rules that are of relevance for the monetary statistics pertain to treatment of non-performing loans, the recording of unfunded liabilities for defined-benefit pension funds, valuation of non-quoted equity shares, accounting for reinsurance corporations' transactions and positions, and recording of SDR allocations.

Non-performing loans. In the 1993 SNA, 2008 SNA, MFSM, and MFS Guide, total outstanding loans in nominal amount are recorded on the balance sheets of financial corporations. Non-performing loans are not covered in the 1993 SNA. The 2008 SNA includes a memorandum item for the *Market value of loans* (in the MFSM terminology, *Realizable value of loans*). The MFSM and MFS Guide include (1) *Provisions for loan losses* as a balance-sheet category within *Other accounts payable* and (2) memorandum items for *Expected loan losses* disaggregated by debtor sector. Harmonization of the monetary and SNA data is apparent from the derivation of *Realizable value of loans* (MFSM and MFS Guide) and the derivation of *Expected loan losses* (2008 SNA). In the MFSM and MFS Guide, the *Realizable value of loans* equals *Outstanding loans* minus *Expected loan losses*; in the 2008 SNA, *Expected loan losses* equals *Outstanding loans* minus *Market value of loans*. In addition, the MFSM, MFS Guide, SRFs, and 2008 SNA include memorandum items for interest and principal arrears on non-performing loans.

Unfunded liabilities of defined-benefit pension funds. The 1993 SNA (¶13.88) states: "It is recommended that the present value to households of promises by these schemes to pay future benefits be shown as a memorandum item in the balance sheet as assets of households. Liabilities of equivalent amount may also be shown as memorandum items for the employer sectors...." In the MFS Guide and the 2008 SNA, actuarial-based estimates of the present values of liabilities for future payments from fully funded, partially funded, and unfunded defined-benefit pension funds are recorded on the balance sheets of employers.

Valuation of unquoted equity shares. In the 1993 SNA and the MFSM, the present-value and market-capitalization methods are presented for the estimation of fair values of equity shares for which market-price quotations are unavailable. Additional estimation methods are described in the MFS Guide and the 2008 SNA.

Accounting for reinsurance corporations. The 1993 SNA (Annex IV, 28) states: "Reinsurance transactions between resident insurance corporations should be consolidated... without regard to the division between direct insurance and reinsurance." In the MFSM, MFS Guide, and 2008 SNA, reinsurance corporations are recognized as separate institutional units, and the stocks and flows for the balance-sheet accounts of all insurance and reinsurance corporations are presented on a gross basis.

Recording of an SDR allocation (central bank liability). In the 1993 SNA and MFSM, an SDR allocation enters the central bank accounts as an OCVA entry. In the 2008 SNA and the *Balance of Payments and International Investment Position Manual*, 6th edition (forthcoming), an SDR allocation enters the accounts as a transaction and is included in the category of *Debt securities*. In the revised monetary statistics, an SDR allocation will be recorded as a transaction, but will continue to be included in *Shares and other equity*.

6. The future of the *MFSM* and *MFS guide*

The *MFSM* and *MFS Guide* will be revised to incorporate the new terminology, sectorization, financial asset classifications, and other revisions in the *2008 SNA*. The *MFSM* and *MFS Guide* will be combined in a single publication (title not yet chosen) that will not coincide with the release of *2008 SNA, Volume 1* and *2*, but should follow relatively soon thereafter. At that time, the SRFs and SDRFs will be revised to incorporate the revisions in the *2008 SNA*.