

IFC Workshop on the use of financial accounts, co-organised with the Central Bank of the Republic of Turkey  
18-20 March 2019, Istanbul, Turkey

## Financial accounts and balance sheets as a co-ordinating framework for monitoring financial developments<sup>1</sup>

Peter van de Ven,  
OECD

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<sup>1</sup> This presentation was prepared for the meeting. The views expressed are those of the author and do not necessarily reflect the views of the BIS, the IFC or the central banks and other institutions represented at the meeting.



# FINANCIAL ACCOUNTS AND BALANCE SHEETS AS A CO-ORDINATING FRAMEWORK FOR MONITORING FINANCIAL DEVELOPMENTS

Workshop on the Use of Financial Accounts  
Istanbul, March 18 – 20, 2019

Peter van de Ven  
Head of National Accounts, OECD



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# Introduction





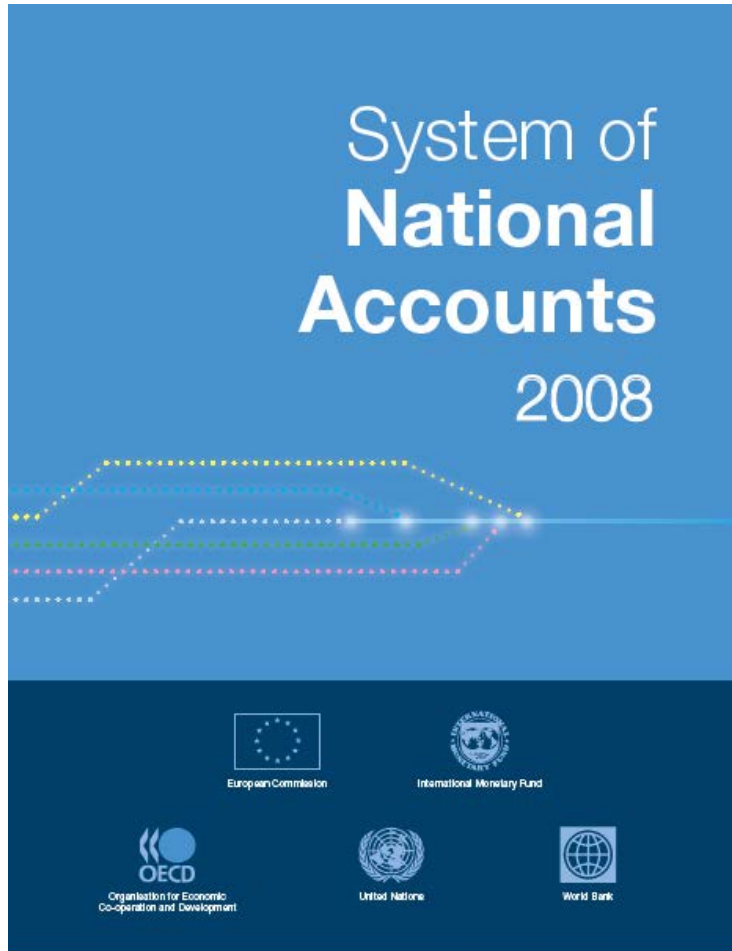
# Overview

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- Advantages and disadvantages of using sector accounts
- Sector accounts as an organising framework
- Some examples on the use of financial accounts and balance sheets
- An extra???



*An expression of love and admiration*



I ❤️

**National Accounts**  
**She is beautiful,**  
**she is elegant,**  
**she is ...**



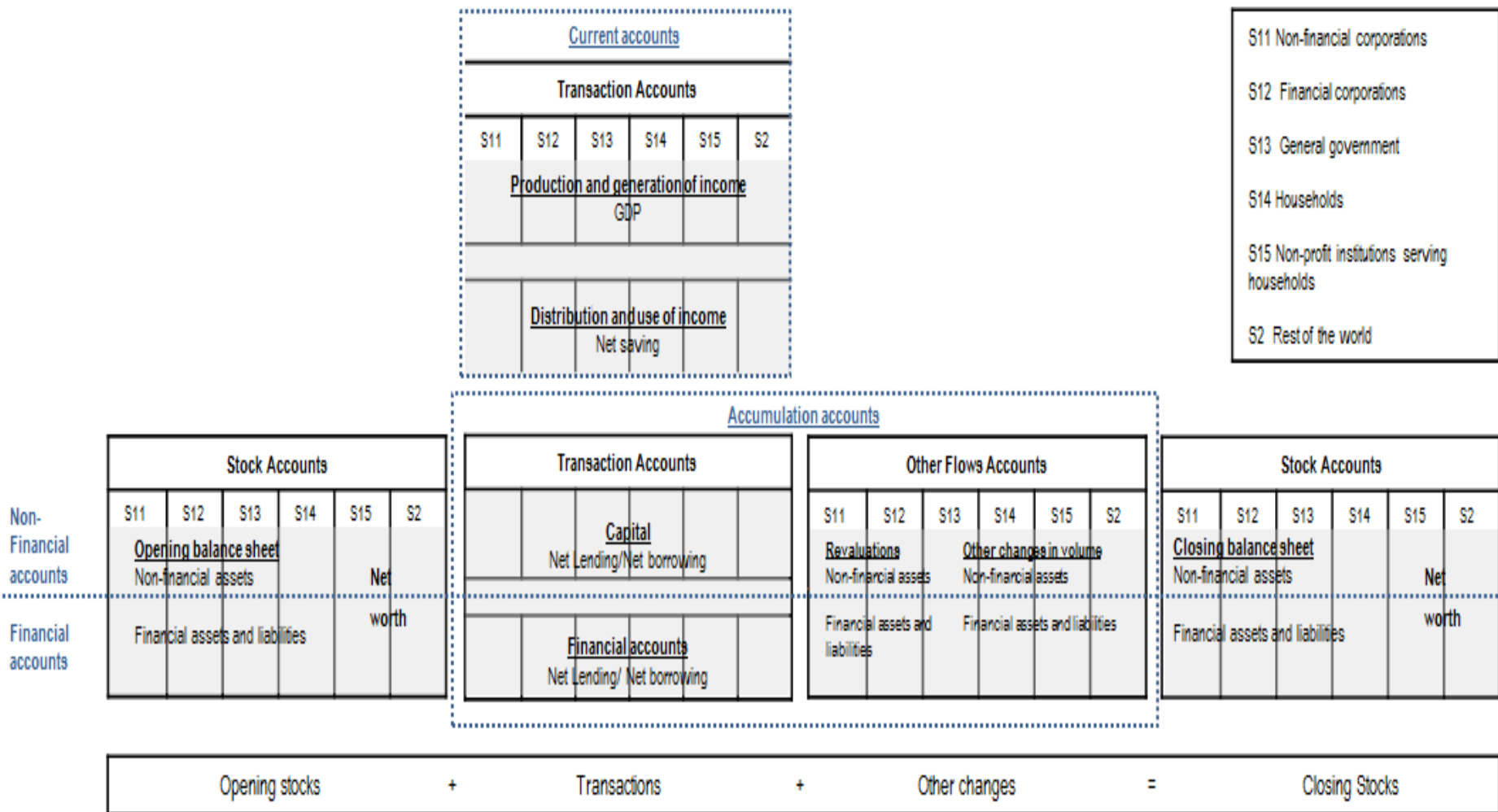


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# **Advantages (and Disadvantages) of Institutional Sector Accounts**



# A Snapshot of Sector Accounts





# Why Having Sector Accounts?



- Provides a **macro-economic overview** of financial developments:
  - for the **whole economy**
  - **all economic transactions and positions**
  - according to a conceptual framework with a **consistent set of definitions**
- Advantages from a **producer's perspective**:
  - **exhaustiveness** of estimates, detection of gaps
  - **rigour** of a system's approach, **using identities** to improve statistics, and to arrive at a **consistent set of information**:
    - **Budget identity** for each (sub)sector: balance of non-financial transactions = balance of financial transactions
    - **Transaction identity** for each transaction: sum of receipts = sum of payments
    - **Balance sheet identity**: Stocks at end of period = stocks at the start of the period + transactions + revaluations + other changes







# Why Having Sector Accounts?

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- Advantages from a **user's perspective**:
  - **consistent set of information**
  - **international comparability**
  - **comparability over time** (consistent time series)
  - analysis of **links between sectors**
  - analysis of **links between production, income and finance**
- However ...
  - **viewpoints of economic agents may differ** (e.g. pensions)
  - alternative perspectives (e.g. nationality point of view)
  - growing demand for **granularity** (e.g. distributional data, shadow banking, corporations by ownership, etc., etc.) => **micro-macro linkage** becoming more and more important



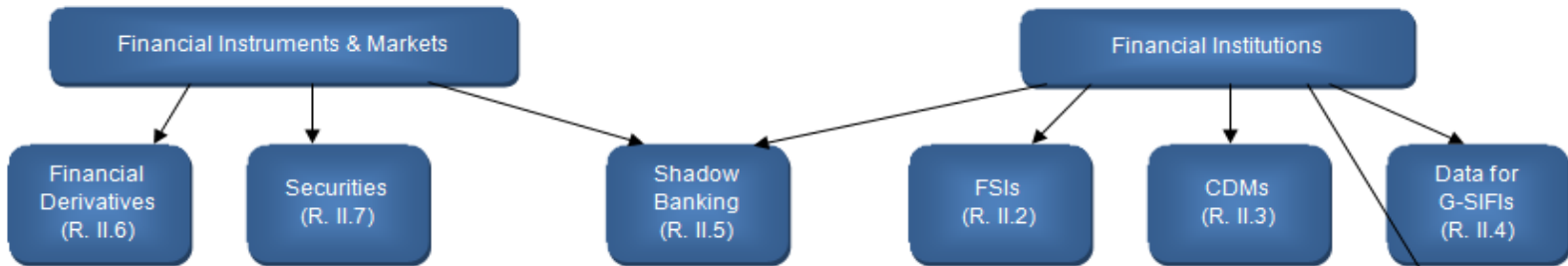
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# **Institutional Sector Accounts as an Organising Framework**

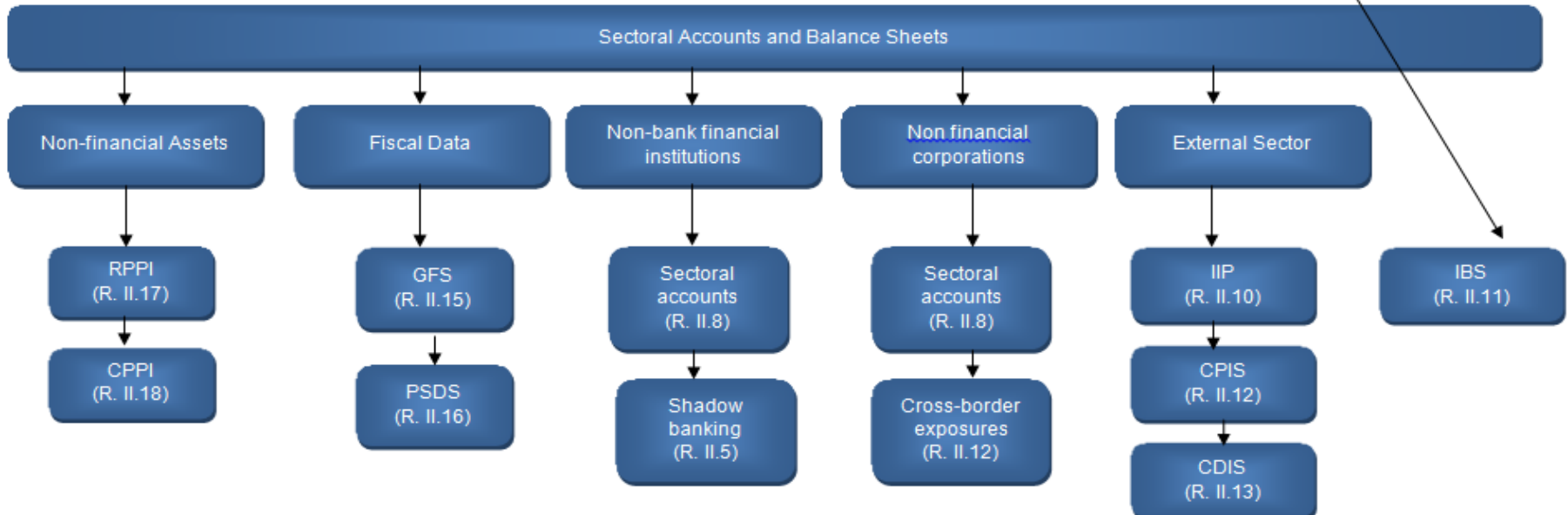


# Sector Accounts as an Organising Framework: the G-20 Data Gaps Initiative

## I. Monitoring risk in the financial sector



## II. Vulnerabilities, Interconnections, and Spillovers





# Linking Micro and Macro

- **User demands**

- Quickly evolving
- More specific
- More granular data
- More integrated
- More timely



- Need to quickly adapt => only possible in the case of a **flexible system**, in which statistics are either consistent, or closely linked to each other
- **Typical changes to original source data:**
  - Adjustments to **definitions** (including population)
    - Note BPM6 and GFSM2012 (almost) consistent with SNA 2008/ESA 2010
  - Adjustments for **exhaustiveness**
  - Adjustments for **discontinuity**
  - **Balancing** adjustments
- **Process tables** may enhance linkages, also for users



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# **Some Examples on the Use of Financial Accounts and Balance Sheets**



# Developments within financial corporations

## Monetary Financial Institutions (MFIs) versus Other Financial Intermediaries (OFIs) in the USA, 1990-2017

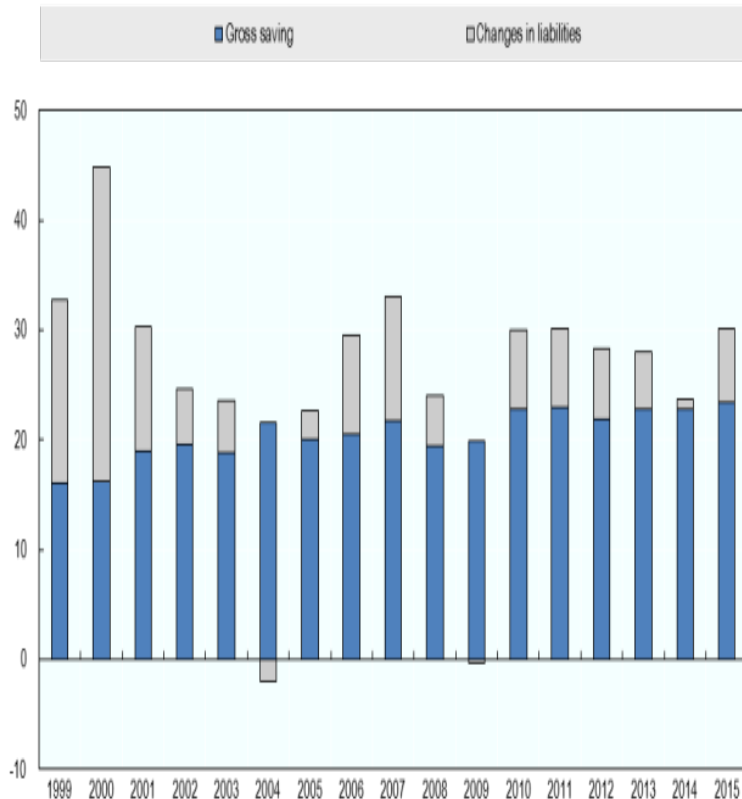




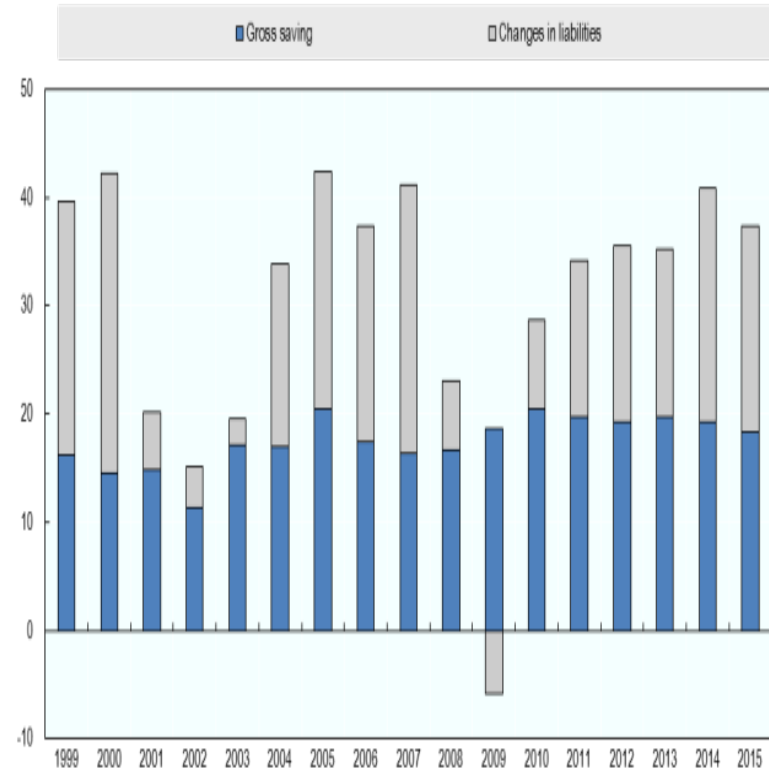
# Internal and external sources of funding for non-financial corporations

Internal sources (gross saving) and external sources (change in liabilities) of funds of non-financial corporations in Germany and USA, 1999 – 2015

## Germany



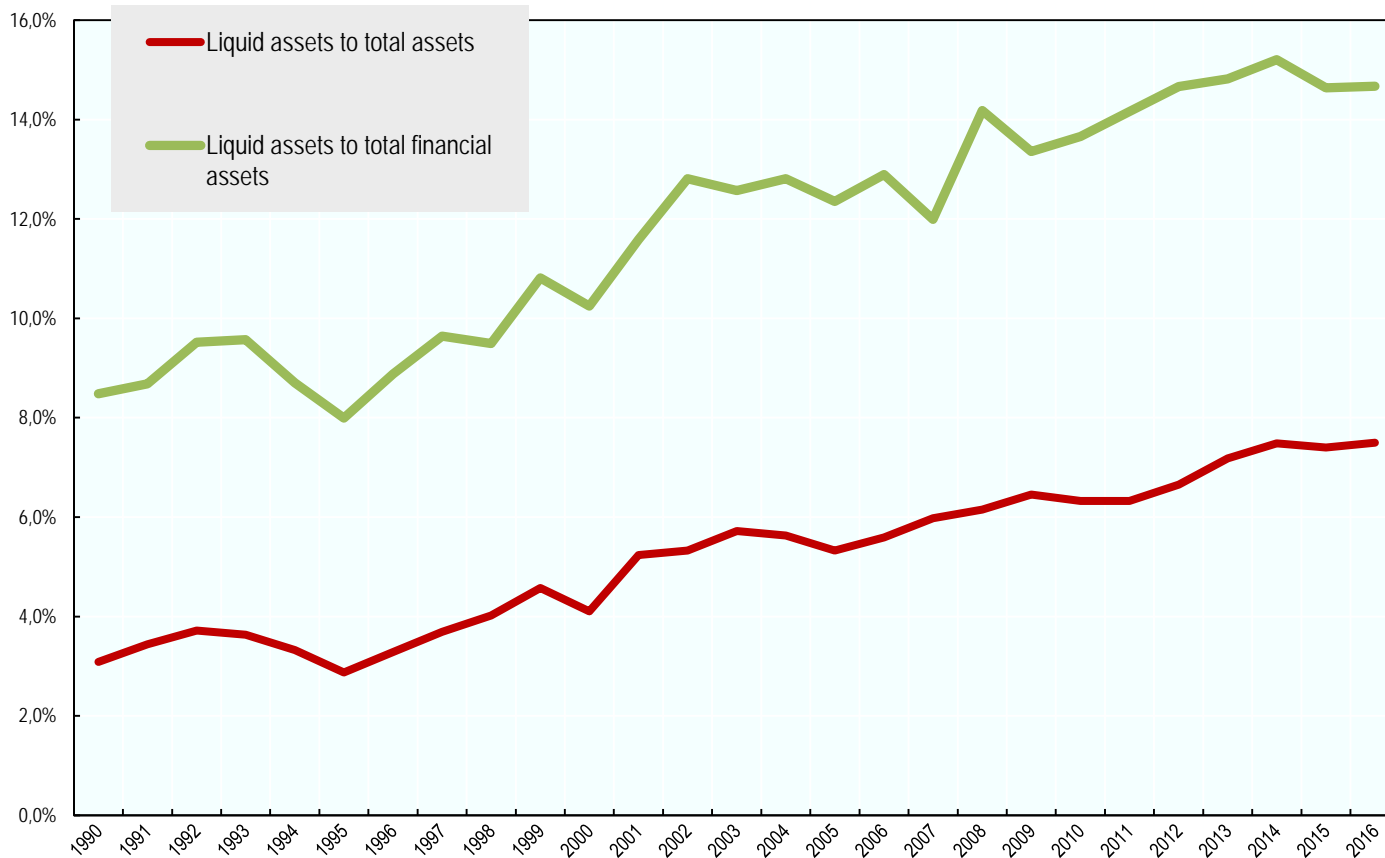
## USA





# Liquid assets of non-financial corporations

## Liquid assets of Canadian non-financial corporations, 2000 – 2016

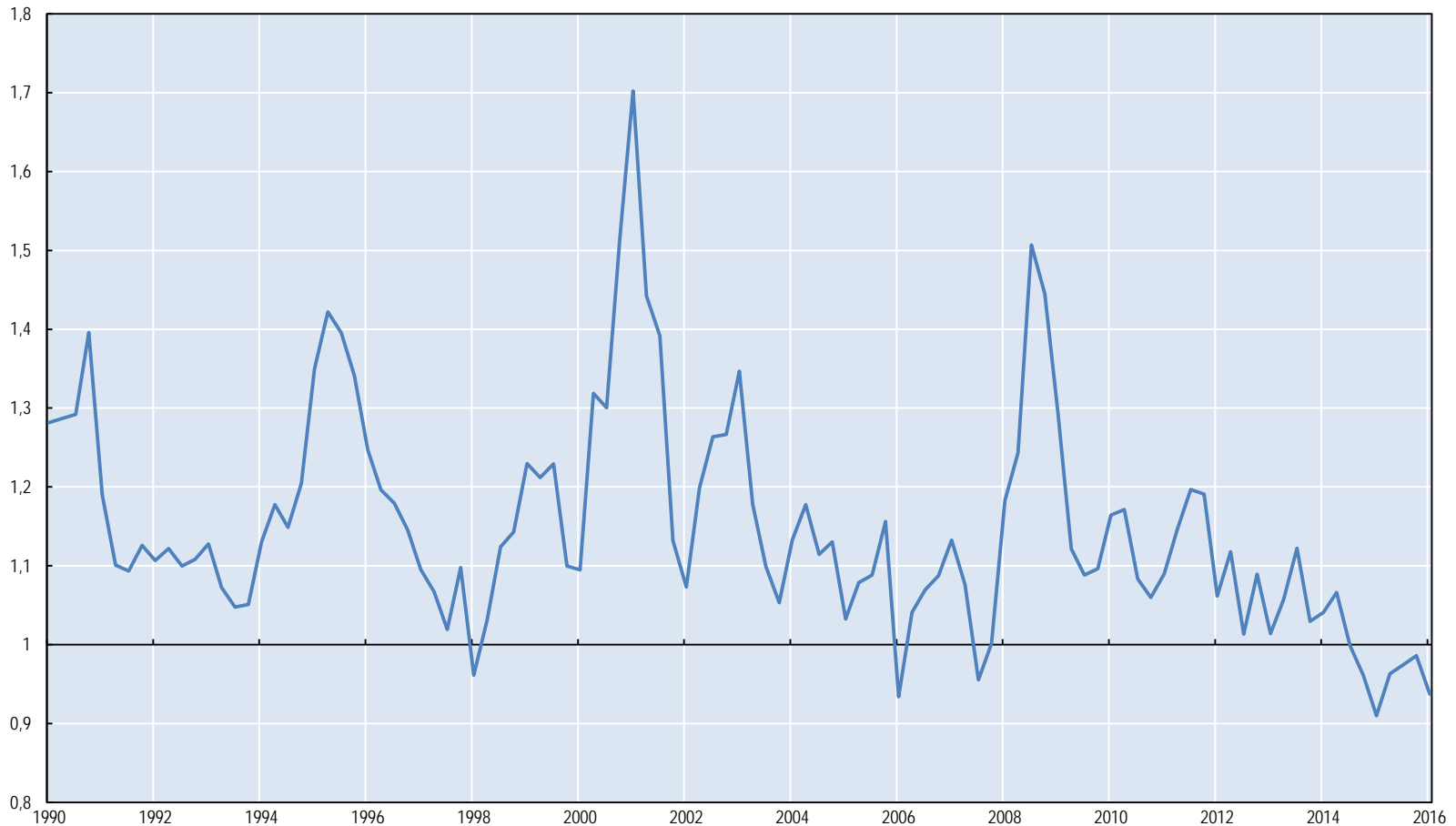






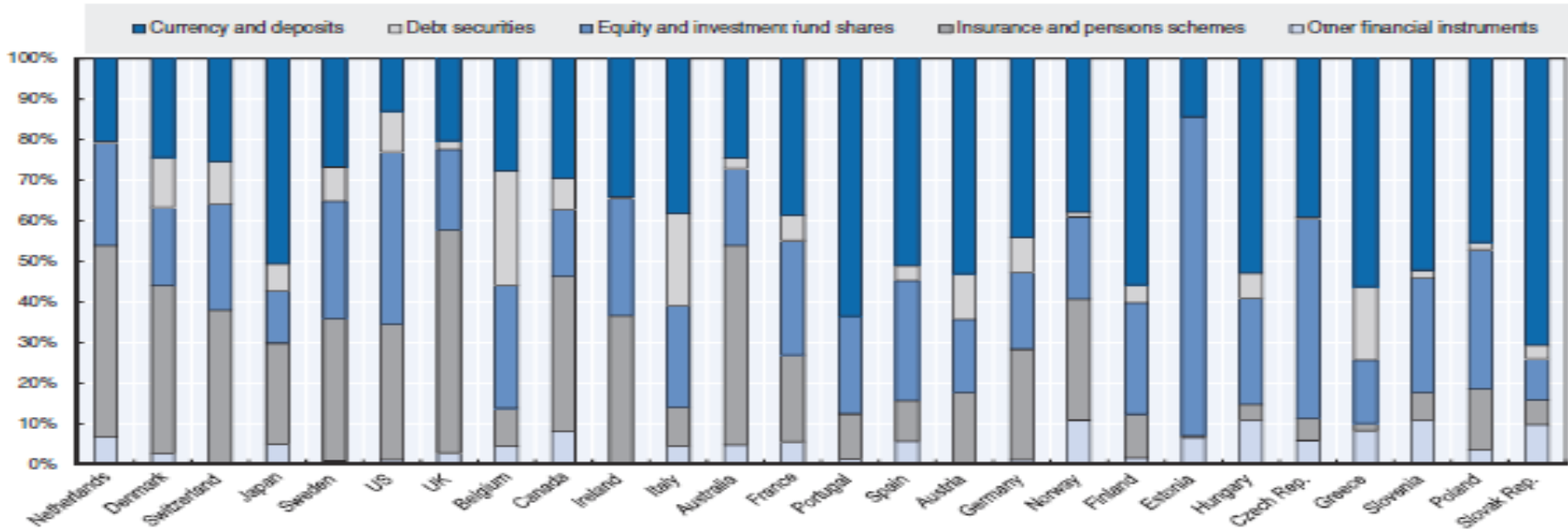
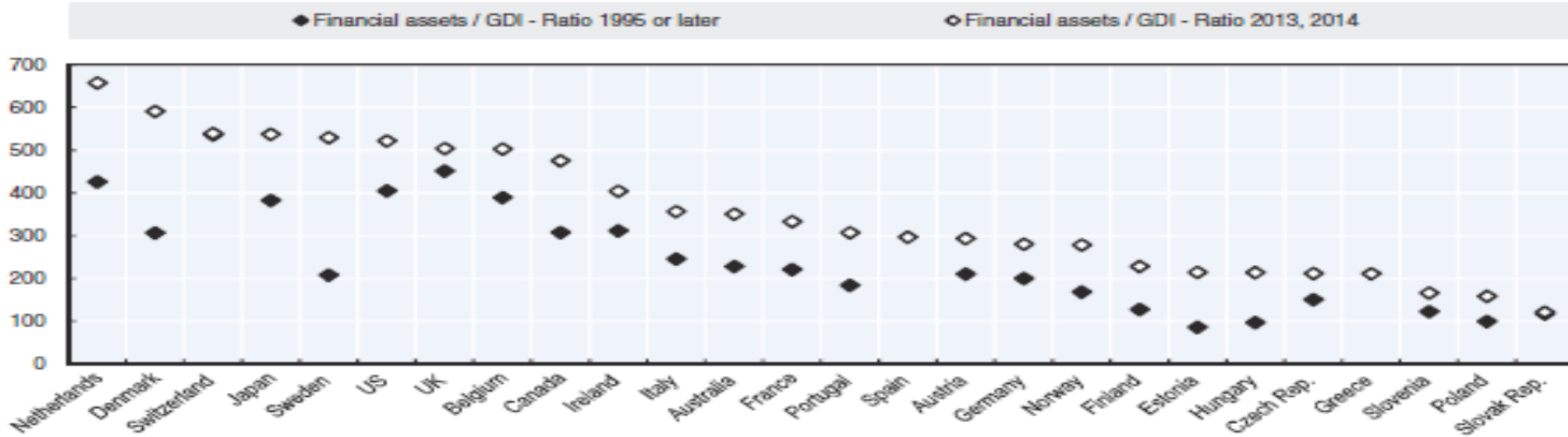
# Tobin's q for non-financial corporations

Tobin's q for the non-financial corporations' sector in Canada, 1990 – 2016





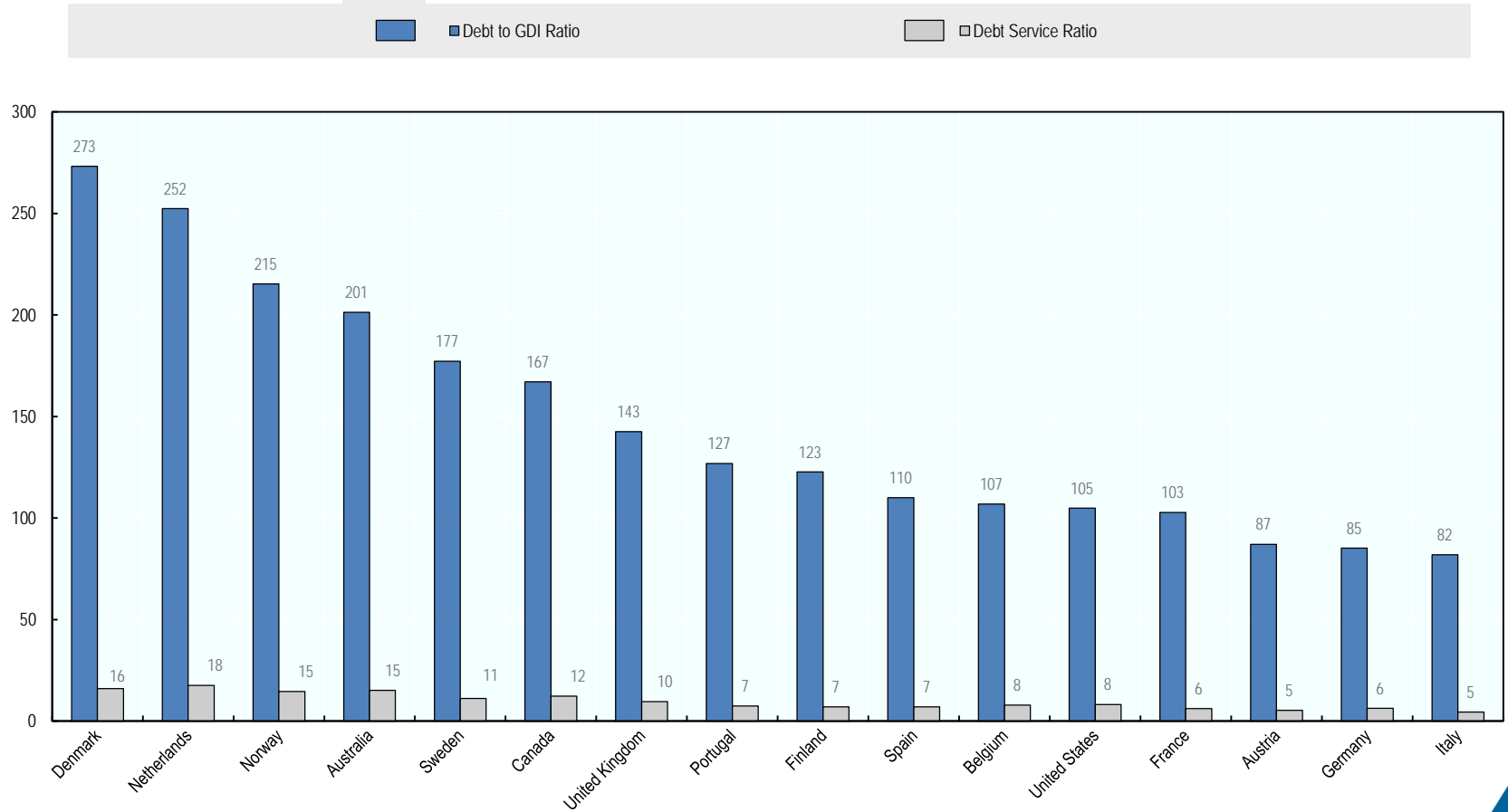
# Level and composition of households' financial assets





# Debt and debt service of households

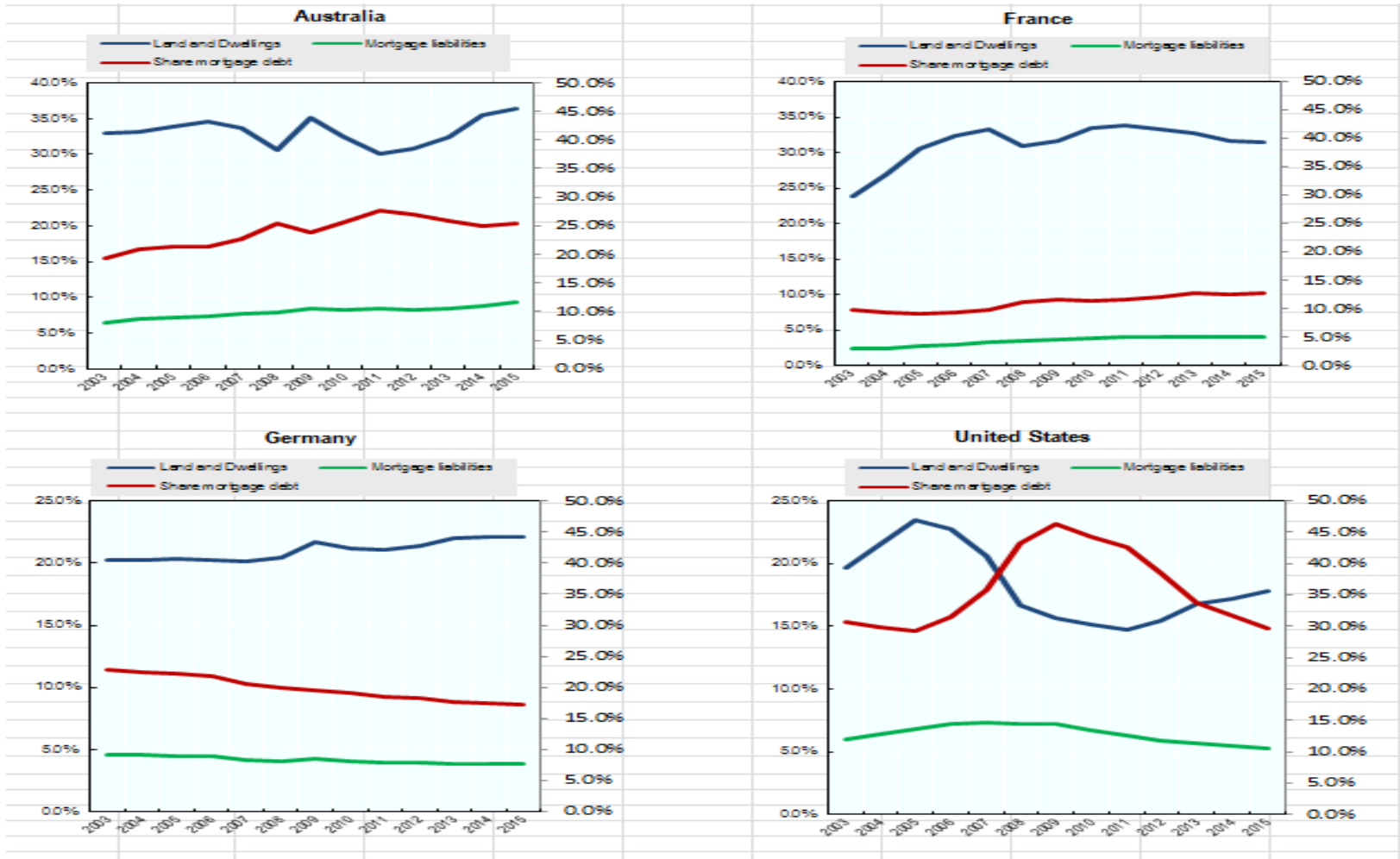
## Debt and debt service ratios of households (% of disposable income) in OECD countries, 2016





# Dwellings versus mortgage debt of households

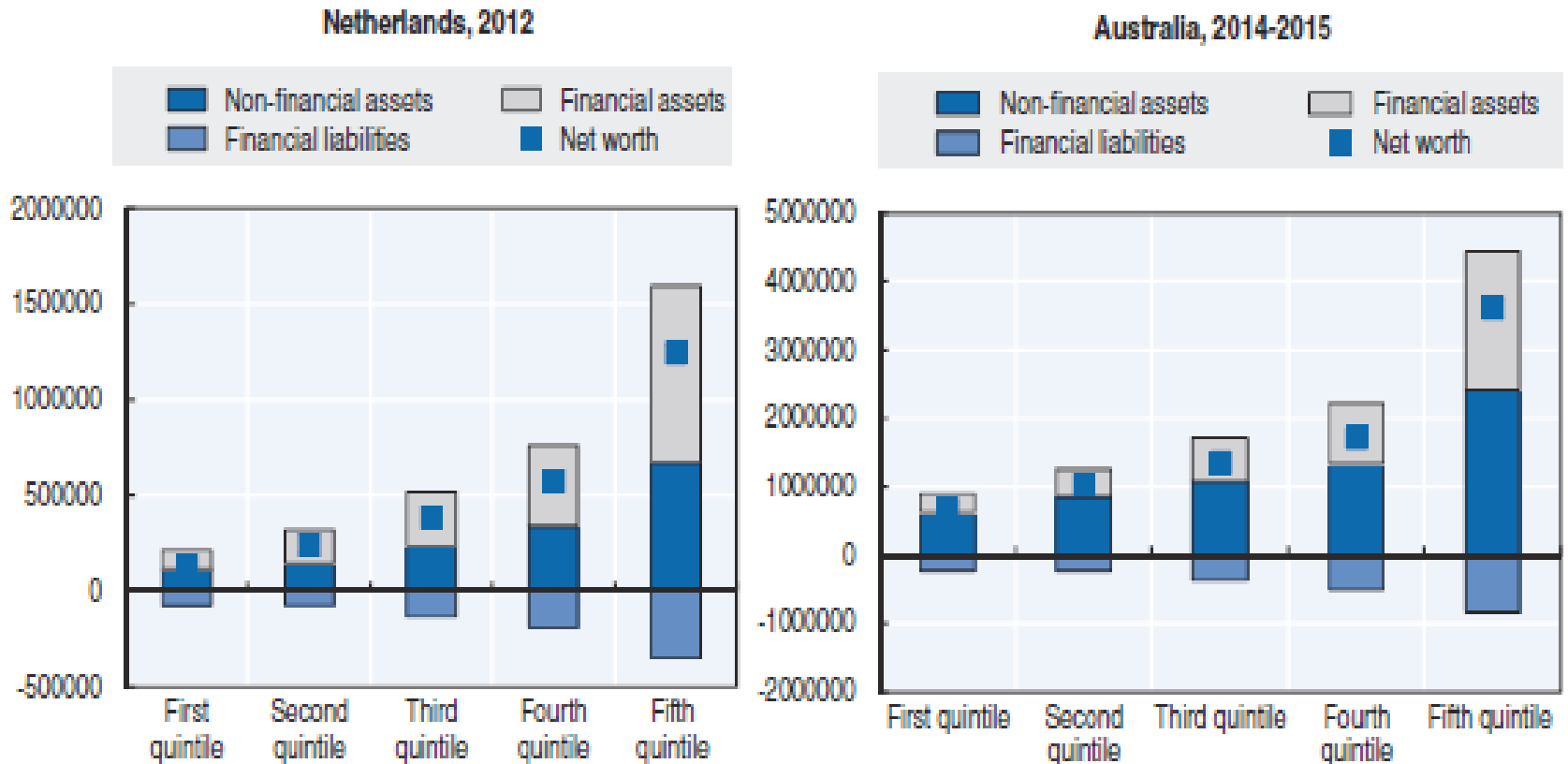
Dwellings (including underlying land) versus mortgage loans, 2003 – 2015





# Future needs: distributional data

Figure 8.6. **Wealth inequalities/indebtedness across household groups**  
Percentage of household disposable income





# Government debt: beware of the definition!

**Table 6.3. Consolidated gross government debt for Canada at nominal value, 31 December 2016**

Percentage of GDP

	Central government	General government	Public sector
Narrow*	35.1	77.8	90.9
Wide excl. IPSGS*	39.0	97.2	112.4
Wide*	47.1	114.2	129.4

\* The narrow definition covers only currency and deposits, loans, and debt securities. The wide definition includes all debt instruments recognised by the 2008 SNA, excluding financial derivatives. The wide measure excluding IPSGS refers to the wide measure excluding insurance, pensions, and standardised guarantee schemes.



# Debt and net (financial) worth of general government

## Government Balance Sheets, 2015

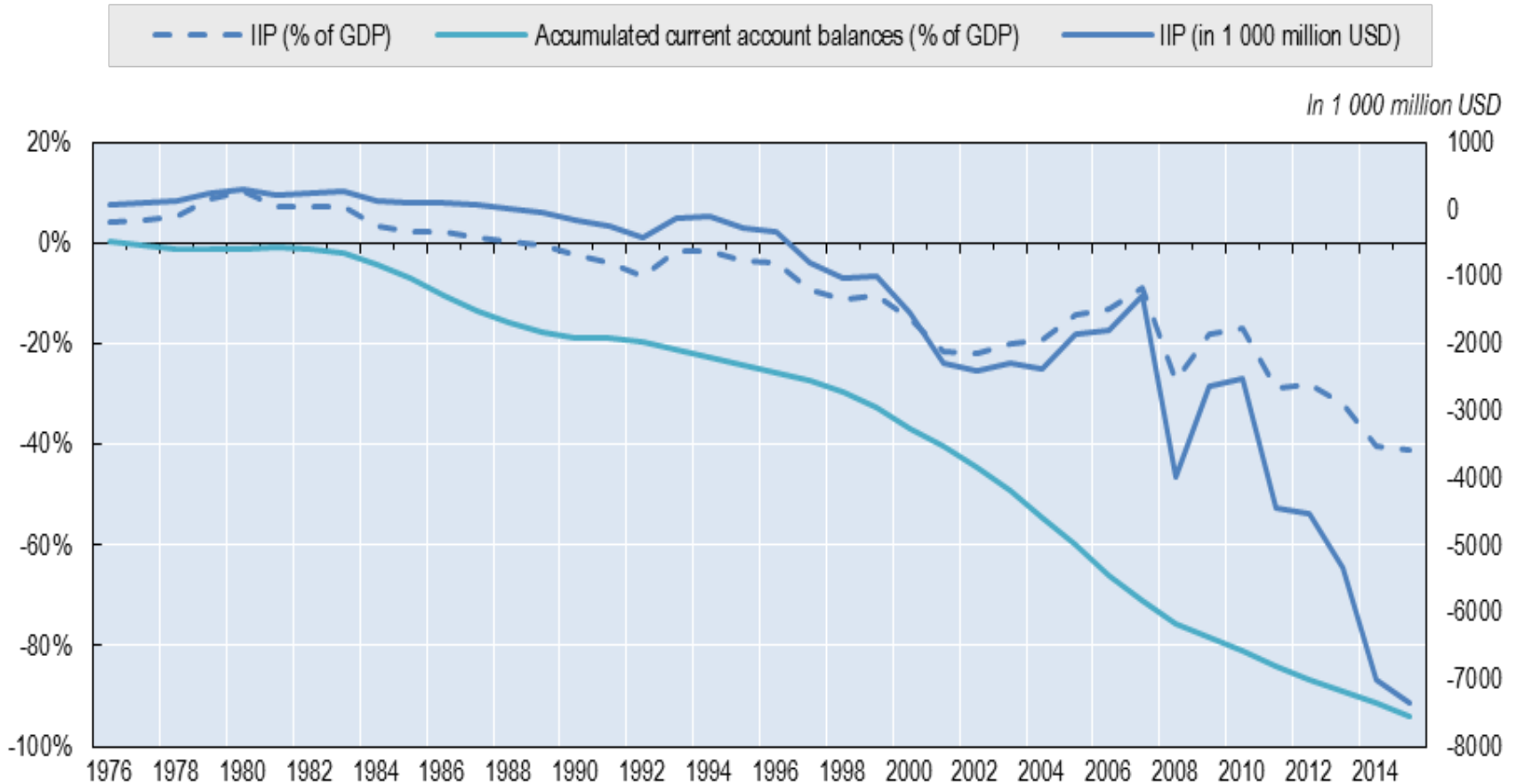
	Australia		France		Germany		United States	
	Australian dollar, billions	Percentage of GDP	Euro, billions	Percentage of GDP	Euro, billions	Percentage of GDP	US dollar, billions	Percentage of GDP
<b>Total fixed assets</b>	655	39.6	1,156	52.7	1,338	44.1	12,340	68.4
Dwellings	11	0.7	60	2.7	28	0.9	399	2.2
Non-residential buildings	516	31.2	328	14.9	1,139	37.6	5,404	30.0
Other structures *	n.a.	n.a.	612	27.9	n.a.	n.a.	4,425	24.5
Machinery and equipment	100	6.0	68	3.1	93	3.1	972	5.4
Intellectual property products	29	1.8	88	4.0	78	2.6	1,140	6.3
Land	322	19.5	726	33.1	454	15.0	n.a.	n.a.
Other non-produced assets	1,035	62.5	12	0.5	n.a.	n.a.	n.a.	n.a.
<b>Including pension liabilities</b>								
Gross government debt	1,127	68.1	2,639	120.3	2,365	78.0	23,698	131.4
Net financial worth	-167	-10.1	-1,659	-75.6	-1,296	-42.7	-18,190	-100.9
Net worth (excluding non-produced assets)	488	29.5	-503	-22.9	42	1.4	-5,850	-32.4
<b>Excluding pension liabilities</b>								
Gross government debt	722	43.6	2,639	120.3	2,365	78.0	19,729	109.4
Net financial worth	238	14.4	-1,659	-75.6	-1,296	-42.7	-14,221	-78.8
Net worth (excluding non-produced assets)	893	54.0	-503	-22.9	42	1.4	-1,881	-10.4

\* For Australia and Germany, other structures are included in non-residential buildings.



# Development of US external position

## US external position, 1976 – 2015





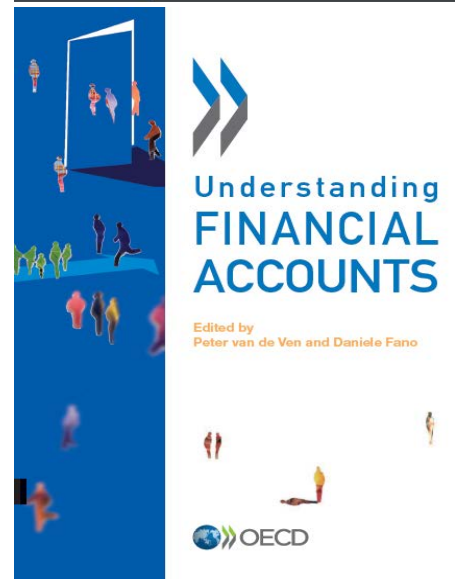
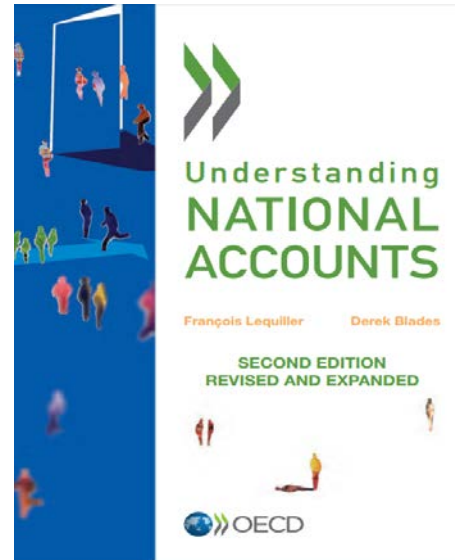


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**Advertisement Block**



# Understanding Financial Accounts

- **Understanding National Accounts**
  - 1<sup>st</sup> edition: 2006
  - 2<sup>nd</sup> edition: 2014
  - Translated in Chinese and Spanish
- **Understanding Economic Statistics** (2008)
- **Understanding Financial Accounts**
- <https://mdequeljoe.github.io/statsday/>





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**Thank you for your attention!**

