



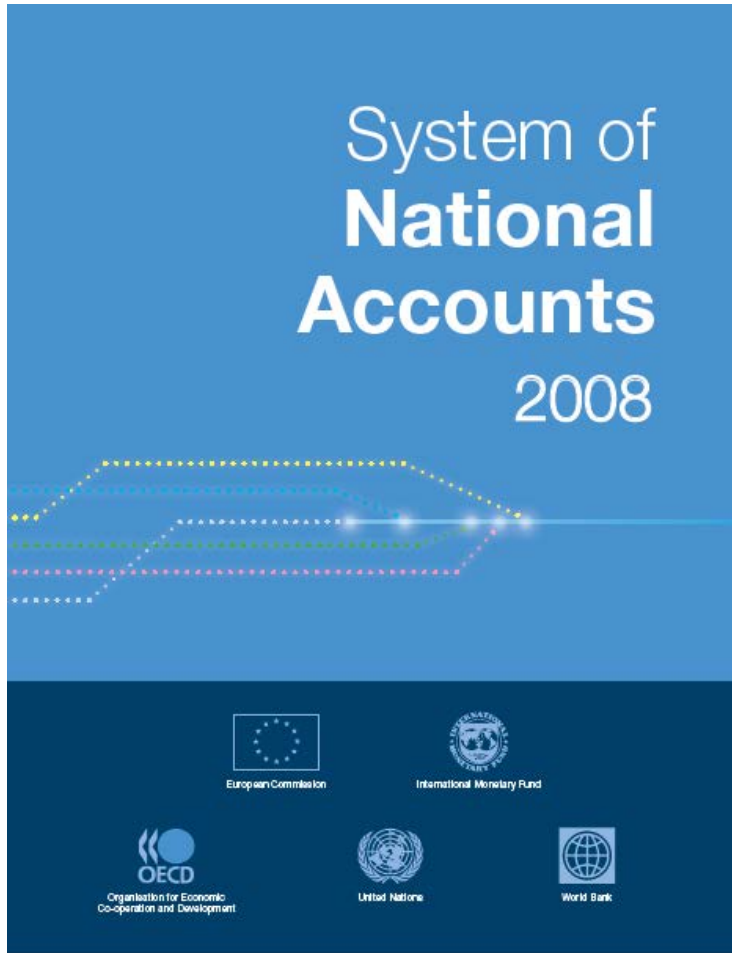
NEW PUBLICATION “*UNDERSTANDING FINANCIAL ACCOUNTS*”

Conference Banca d'Italia on “How Financial Systems
Work: Evidence from Financial Accounts”
Rome, November 30 – December 1, 2017

Presented by Peter van de Ven
Head of National Accounts, OECD



An expression of love and admiration



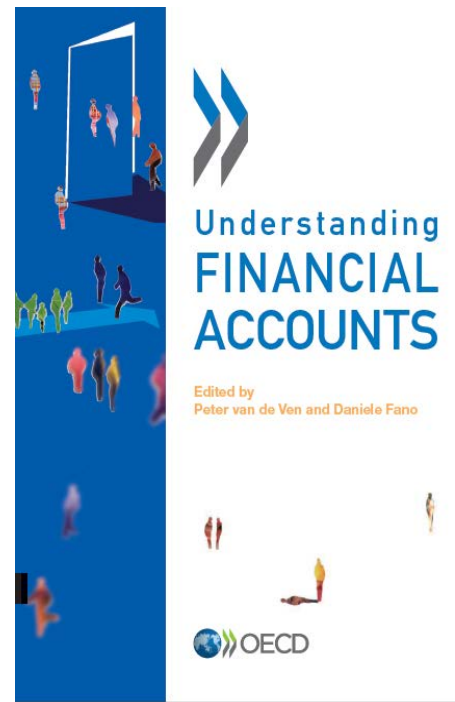
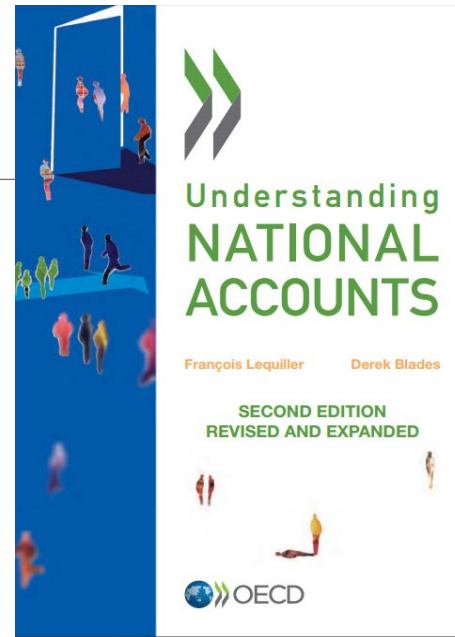
National Accounts

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



Short historic overview

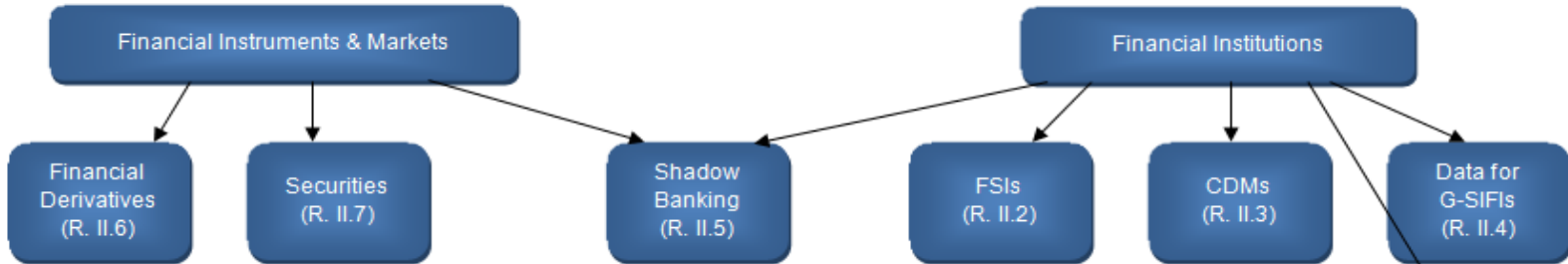
- ***Understanding National Accounts***
 - 1st edition: 2006
 - 2nd edition: 2014
 - Translated in Chinese and Spanish
- ***Understanding Economic Statistics*** (2008)
- ***Understanding Financial Accounts***



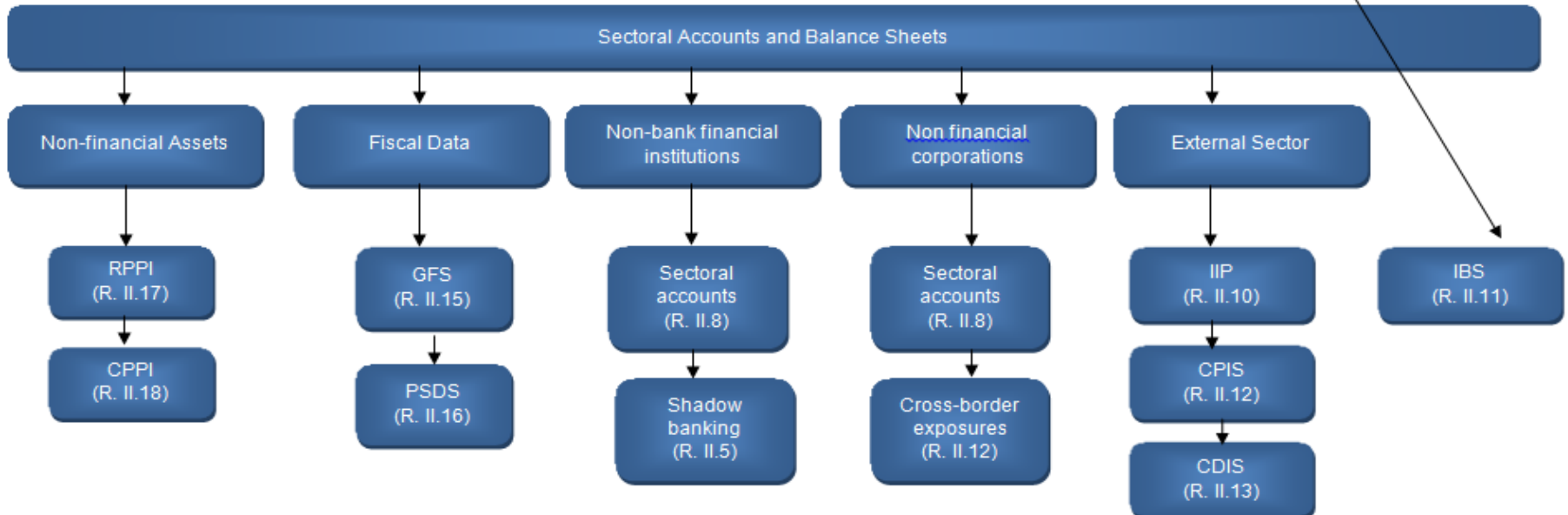


G-20 Data Gaps Initiative

I. Monitoring risk in the financial sector



II. Vulnerabilities, Interconnections, and Spillovers



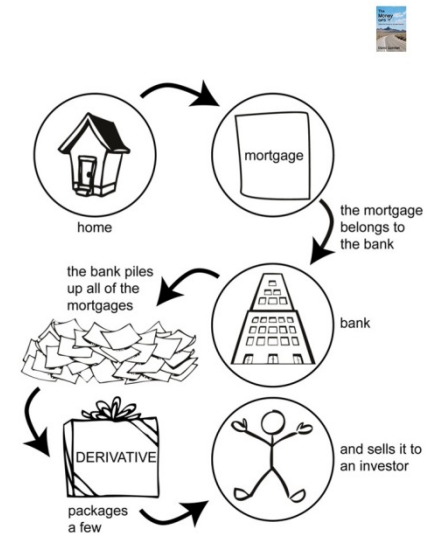


Background

- Push from under-usage, and lack of knowledge and understanding of relevant data
- Importance of having good tools for education and training



WHAT IS A DERIVATIVE? **EASY** **EXPLANATION** **WITH DIAGRAMS**





General information

- **Editors:** Peter van de Ven and Daniele Fano
- **Contributions from:**
 - National central banks of Austria, Italy and Portugal
 - National statistical offices of Australia and Canada
 - Treasury of Canada
 - Fondazione AIB
 - BIS, ECB, IMF and OECD



EUROPEAN CENTRAL BANK



BANK FOR INTERNATIONAL SETTLEMENTS



OESTERREICHISCHE NATIONALBANK
EUROSYSTEM



BANCA D'ITALIA
EUROSISTEMA



BANCO DE PORTUGAL
EUROSISTEMA



Statistics
Canada

Statistique
Canada



Associazione
Industriale
Bresciana





Chapters

- ***Introduction.*** A brief overview of financial accounts and balance sheets
- ***Chapter 1.*** Financial accounts and balance sheets within the system of national accounts
- ***Chapter 2.*** The role of financial markets
- ***Chapter 3.*** The role of financial corporations in the financial system
- ***Chapter 4.*** Households and their financial behaviour
- ***Chapter 5.*** The financing of non-financial corporations



Chapters

- ***Chapter 6.*** Deficit and debt of general government and public sector
- ***Chapter 7.*** The financial relationships with the rest of the world
- ***Chapter 8.*** A full accounting for wealth: including non-financial assets
- ***Chapter 9.*** Accounting for the financial consequences of demographic changes
- ***Chapter 10.*** Globalisation, financial innovation and crises
- ***Chapter 11.*** Financial accounts uses



***Chapter 6.* Deficit and debt of general government and public sector**

by:

Robert Dippelsman (IMF)

Gabriele Semeraro (Banca d'Italia)

João Cadete de Matos (Banco de Portugal)

Julia Catz (ECB)

Gabriel Quirós (IMF)

Filipa Lima (Banco de Portugal)



***Chapter 11.* Financial accounts uses**

by:

Riccardo De Bonis (Banca d'Italia)

Celestino Girón (ECB)

Luigi Infante (Banca d'Italia)

Gabriel Quirós (IMF)



Chapter 11. Financial accounts uses

by:

Riccardo De Bonis (Banca d'Italia)

Celestino Girón (ECB)

Luigi Infante (Banca d'Italia)

Gabriel Quirós (IMF)

Perhaps only chapter 8 slightly better!



Some Examples from
Understanding Financial Accounts



General overview of sector accounts

- S11 Non-financial corporations
- S12 Financial corporations
- S13 General government
- S14 Households
- S15 Non-profit institutions serving households
- S2 Rest of the world

<u>Current accounts</u>					
Transaction Accounts					
S11	S12	S13	S14	S15	S2
<u>Production and generation of income</u>					
GDP					
<u>Distribution and use of income</u>					
Net saving					

<u>Accumulation accounts</u>					
Transaction Accounts			Other Flows Accounts		
S11	S12	S13	S14	S15	S2
<u>Capital</u>					
Net Lending/Net borrowing					
<u>Financial accounts</u>					
Net Lending/ Net borrowing					
<u>Revaluations</u>			<u>Other changes in volume</u>		
Non-financial assets			Non-financial assets		
Financial assets and liabilities			Financial assets and liabilities		

Stock Accounts					
S11	S12	S13	S14	S15	S2
<u>Opening balance sheet</u>					
Non-financial assets				Net worth	
Financial assets and liabilities					

Stock Accounts					
S11	S12	S13	S14	S15	S2
<u>Closing balance sheet</u>					
Non-financial assets				Net worth	
Financial assets and liabilities					

Non-Financial accounts

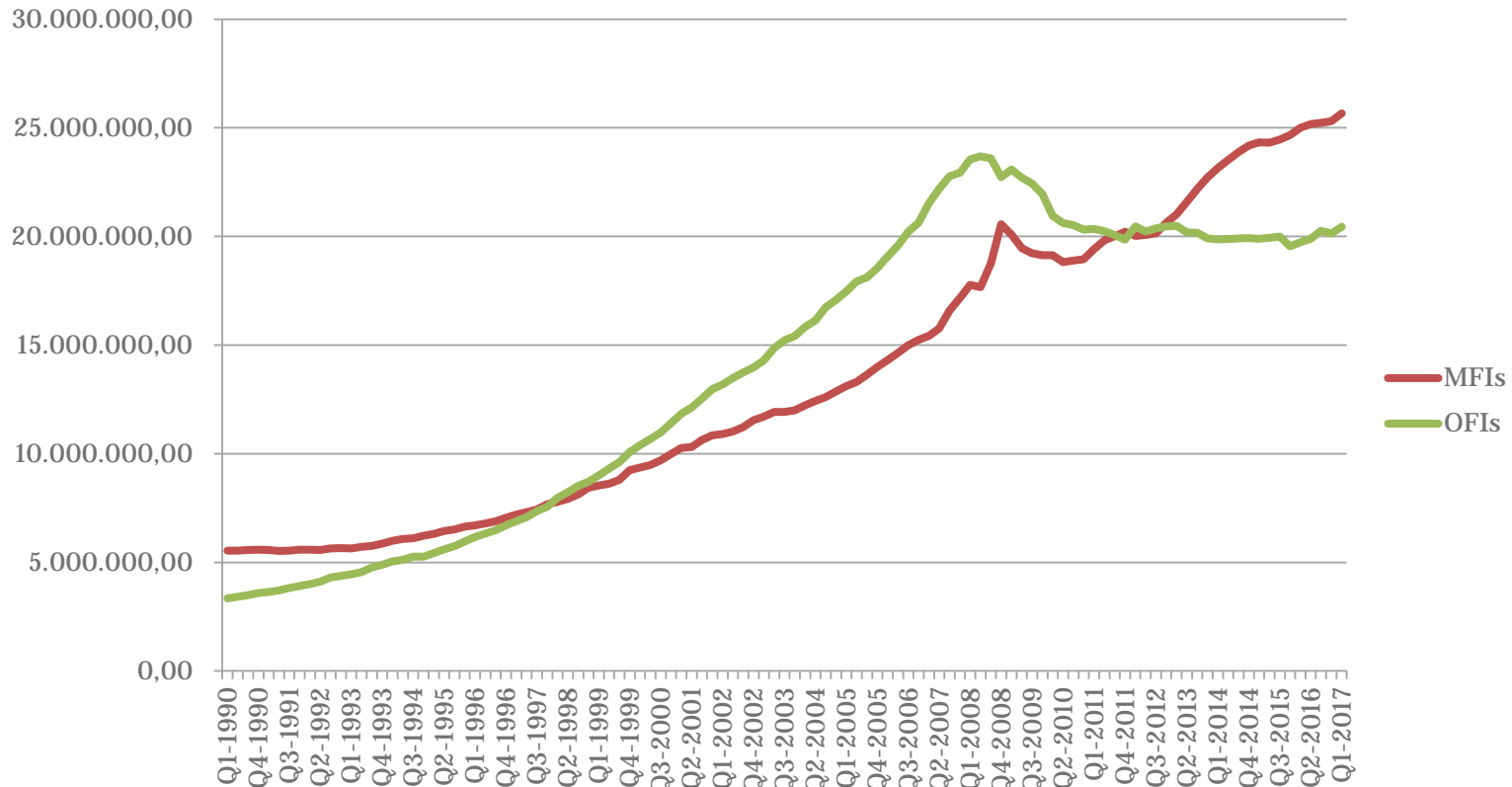
Financial accounts

Opening stocks	+	Transactions	+	Other changes	=	Closing Stocks
----------------	---	--------------	---	---------------	---	----------------



Developments within financial corporations

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

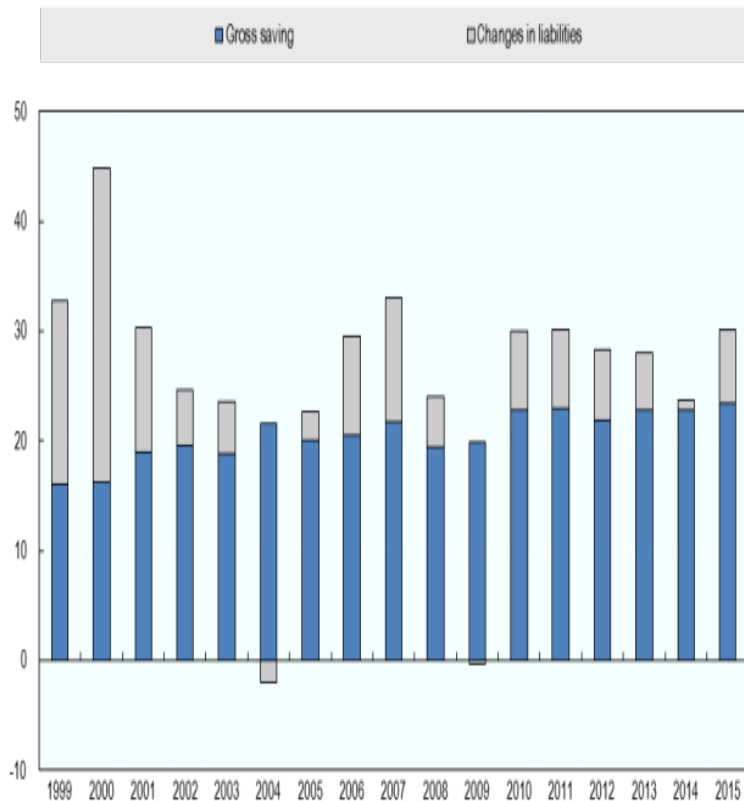




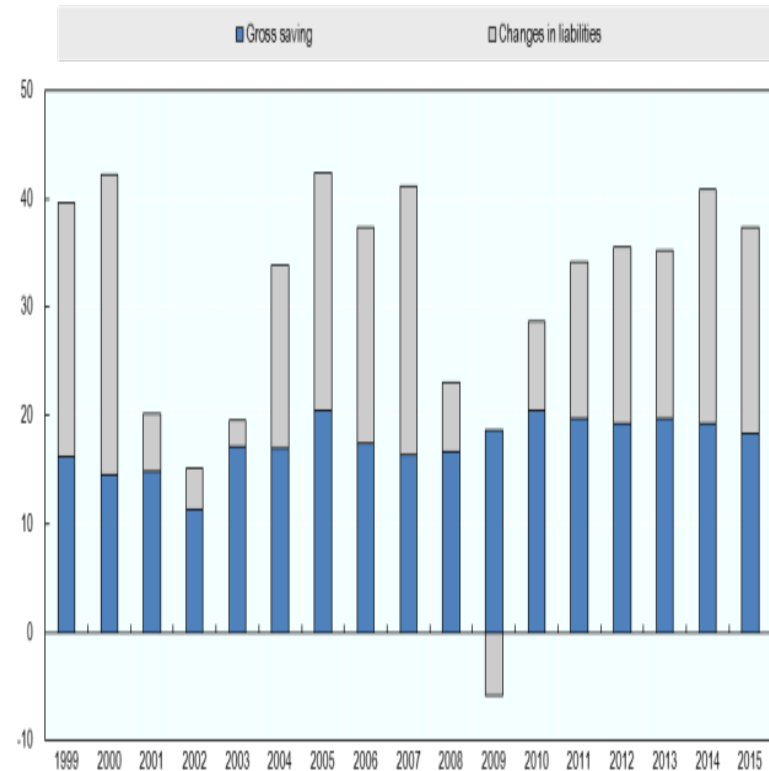
Internal and external sources of funding for non-financial corporations

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

Germany



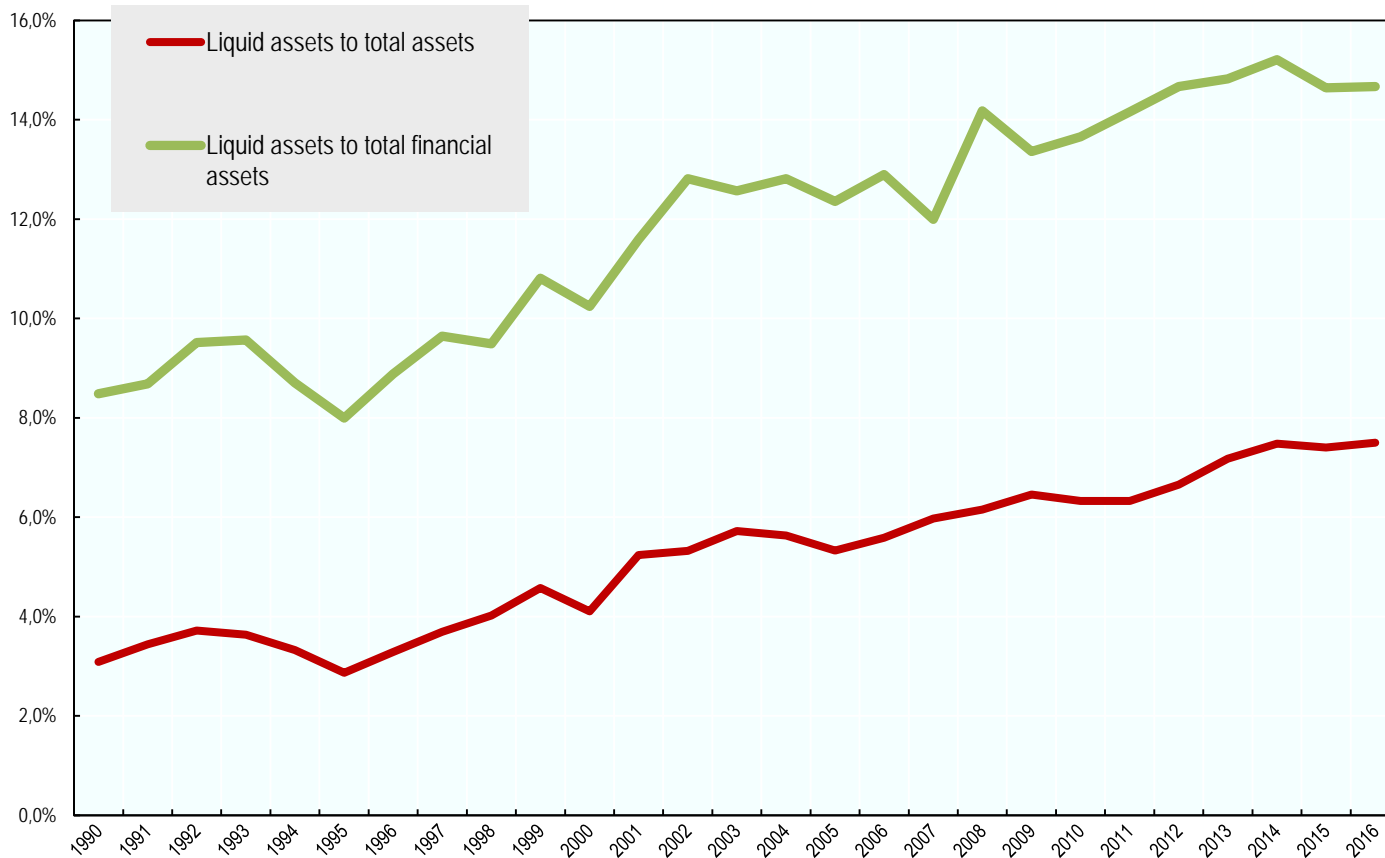
USA





Liquid assets of non-financial corporations

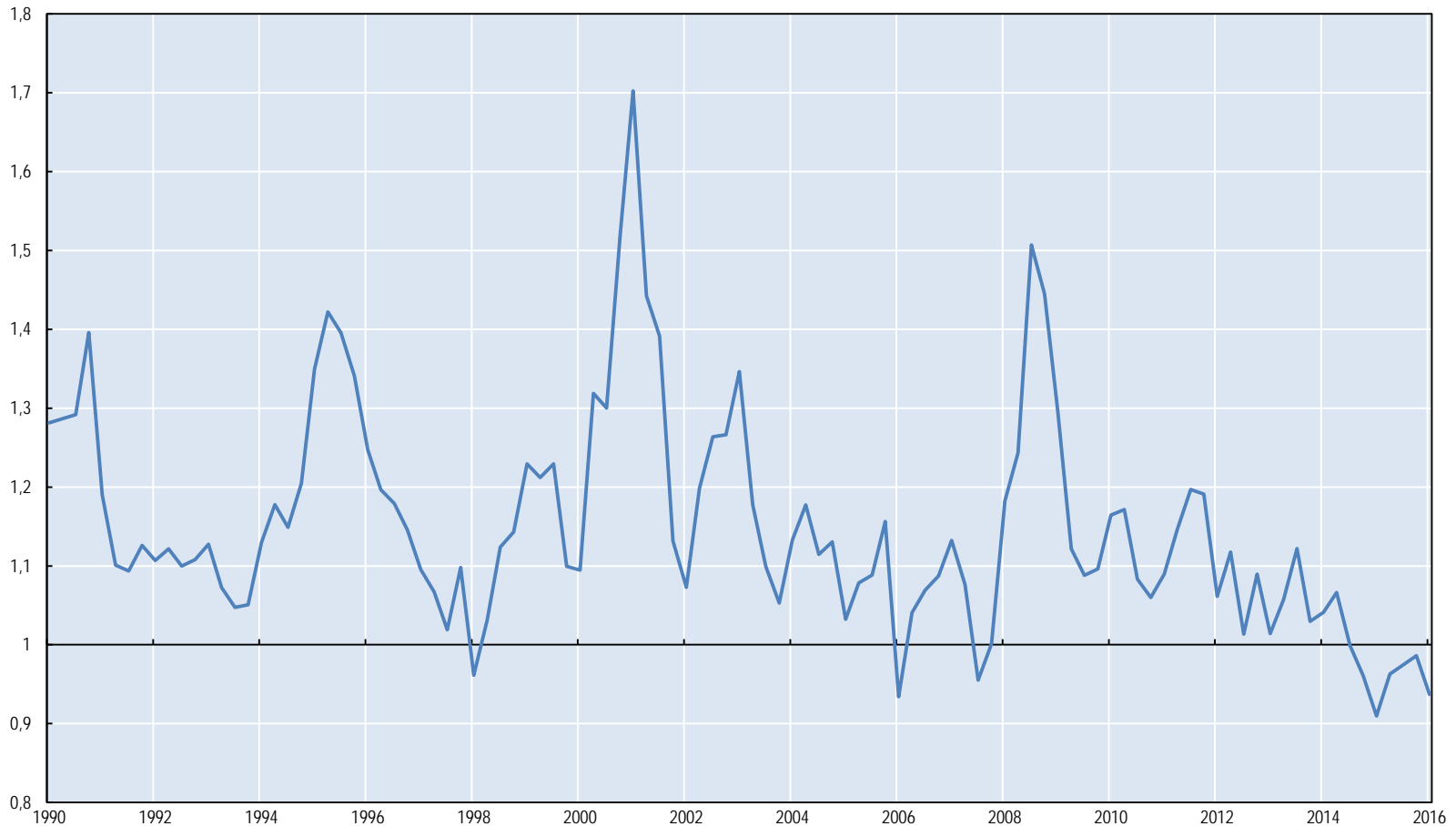
Liquid assets of Canadian non-financial corporations, 2000 – 2016





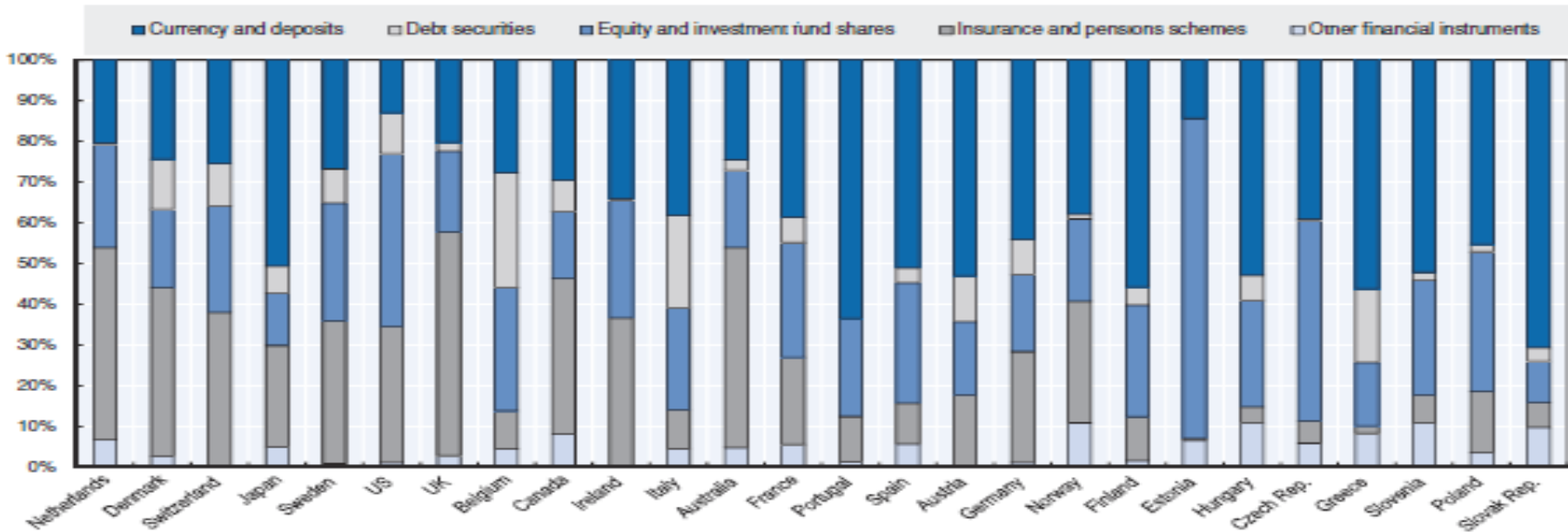
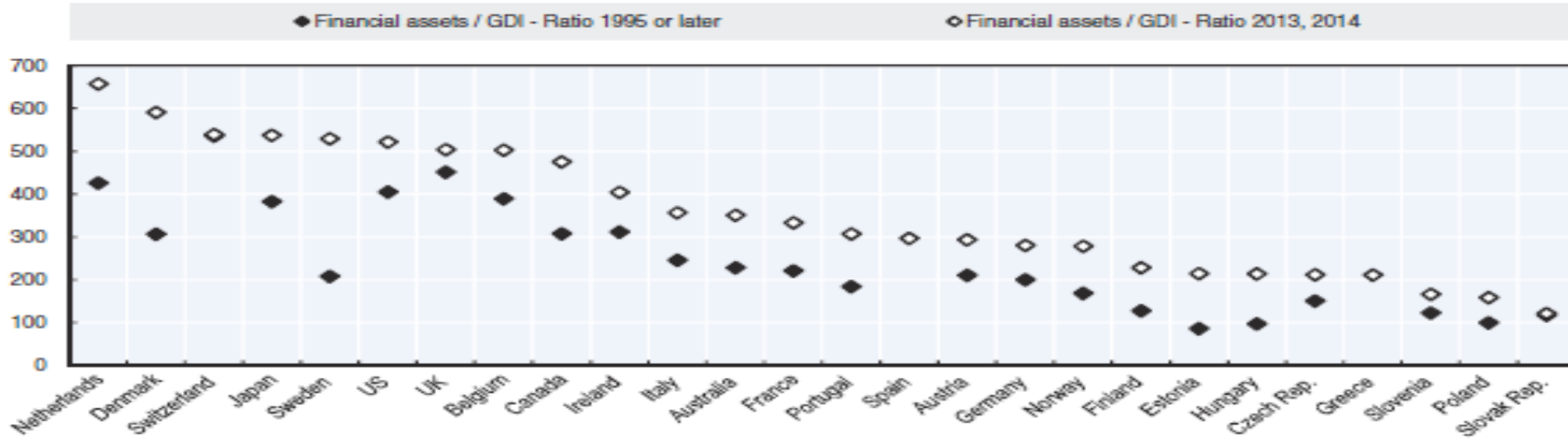
Tobin's q for non-financial corporations

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





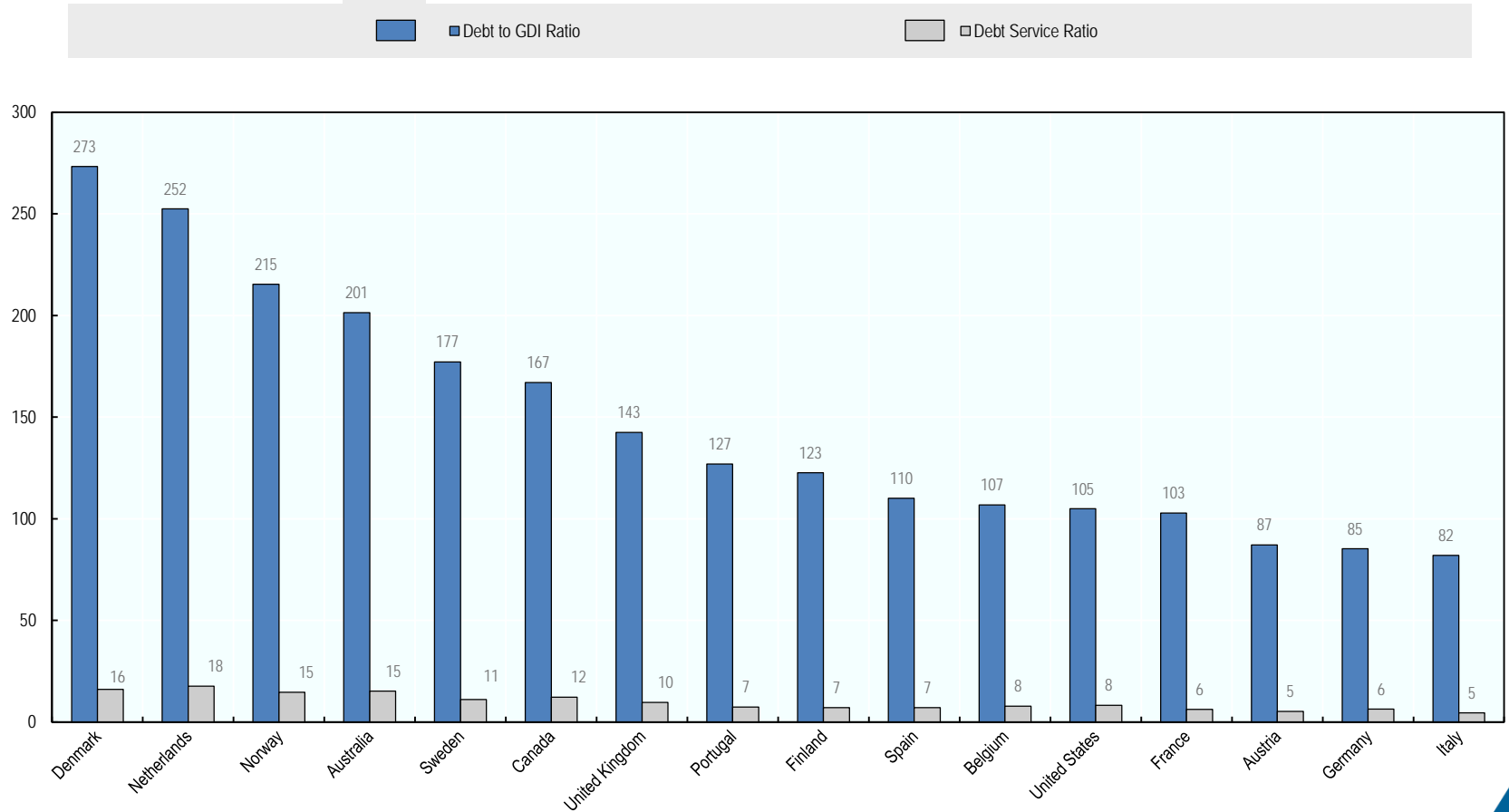
Level and composition of households' financial assets





Debt and debt service of households

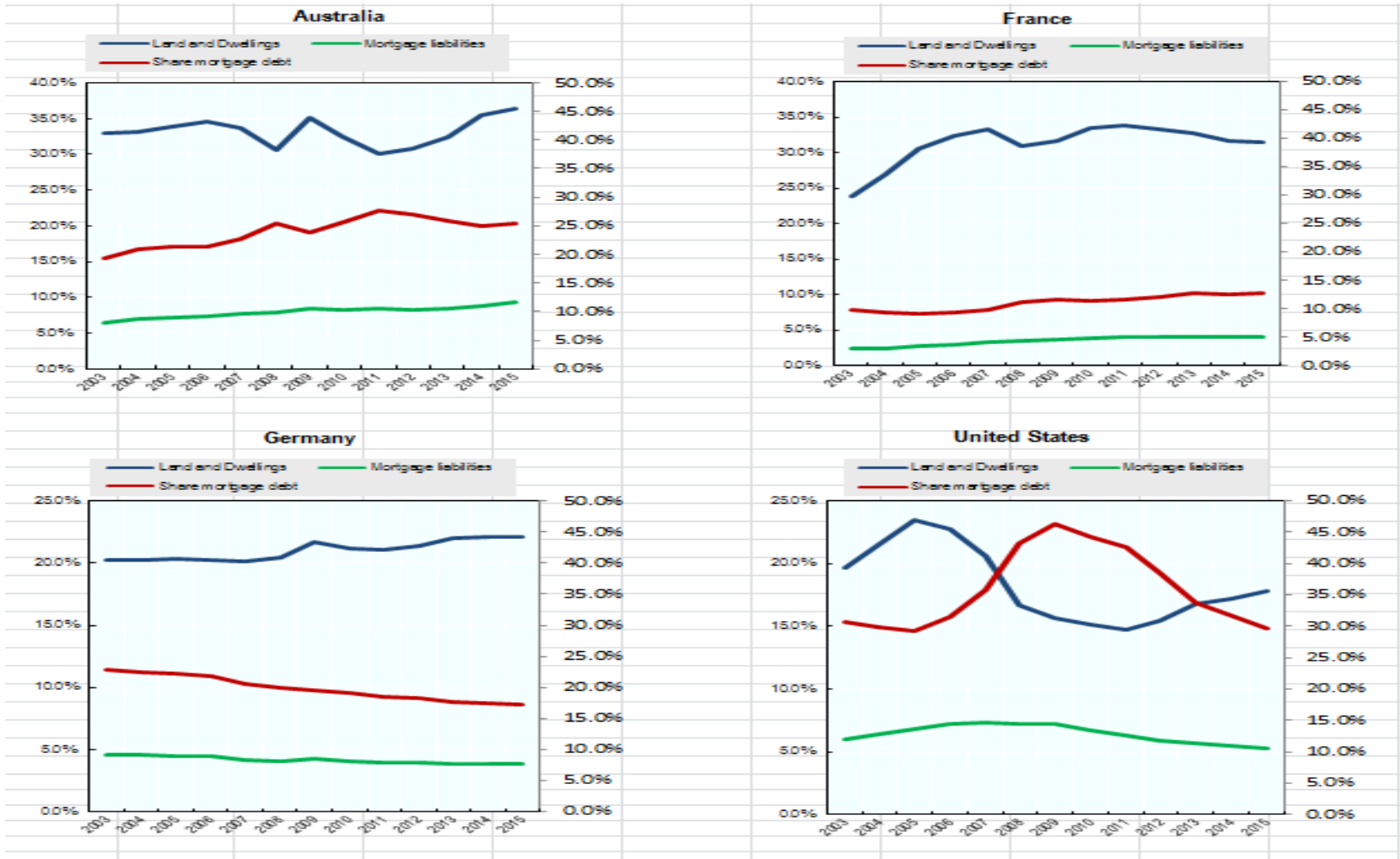
Debt and debt service ratios of households (% of disposable income) in OECD countries, 2016





Dwellings versus mortgage debt of households

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





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

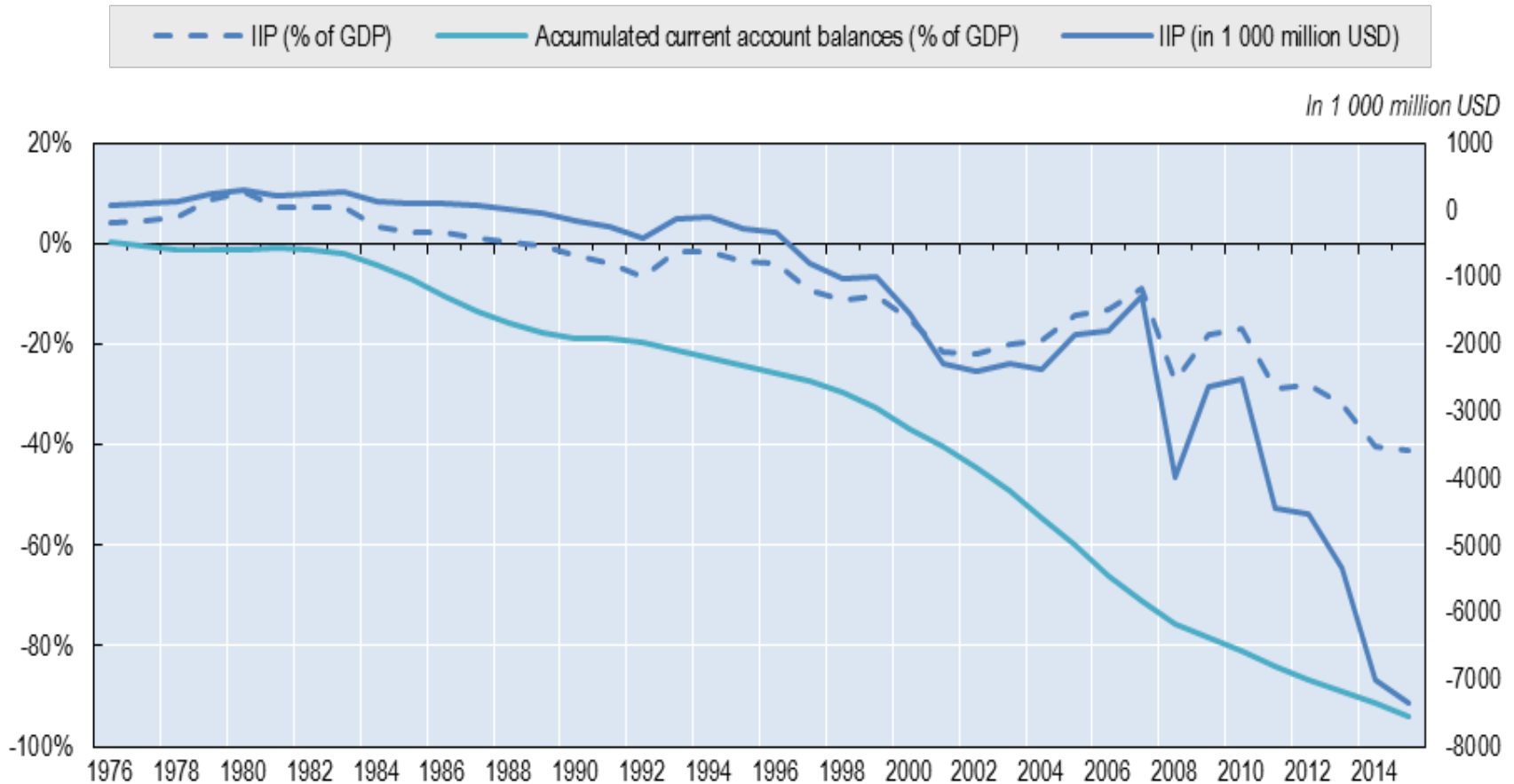
	Australia		France		Germany		United States	
	Australian dollar, billions	Percentage of GDP	Euro, billions	Percentage of GDP	Euro, billions	Percentage of GDP	US dollar, billions	Percentage of GDP
Total fixed assets	655	39.6	1,156	52.7	1,338	44.1	12,340	68.4
Dwellings	11	0.7	60	2.7	28	0.9	399	2.2
Non-residential 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.
Including pension liabilities								
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
Excluding pension liabilities								
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



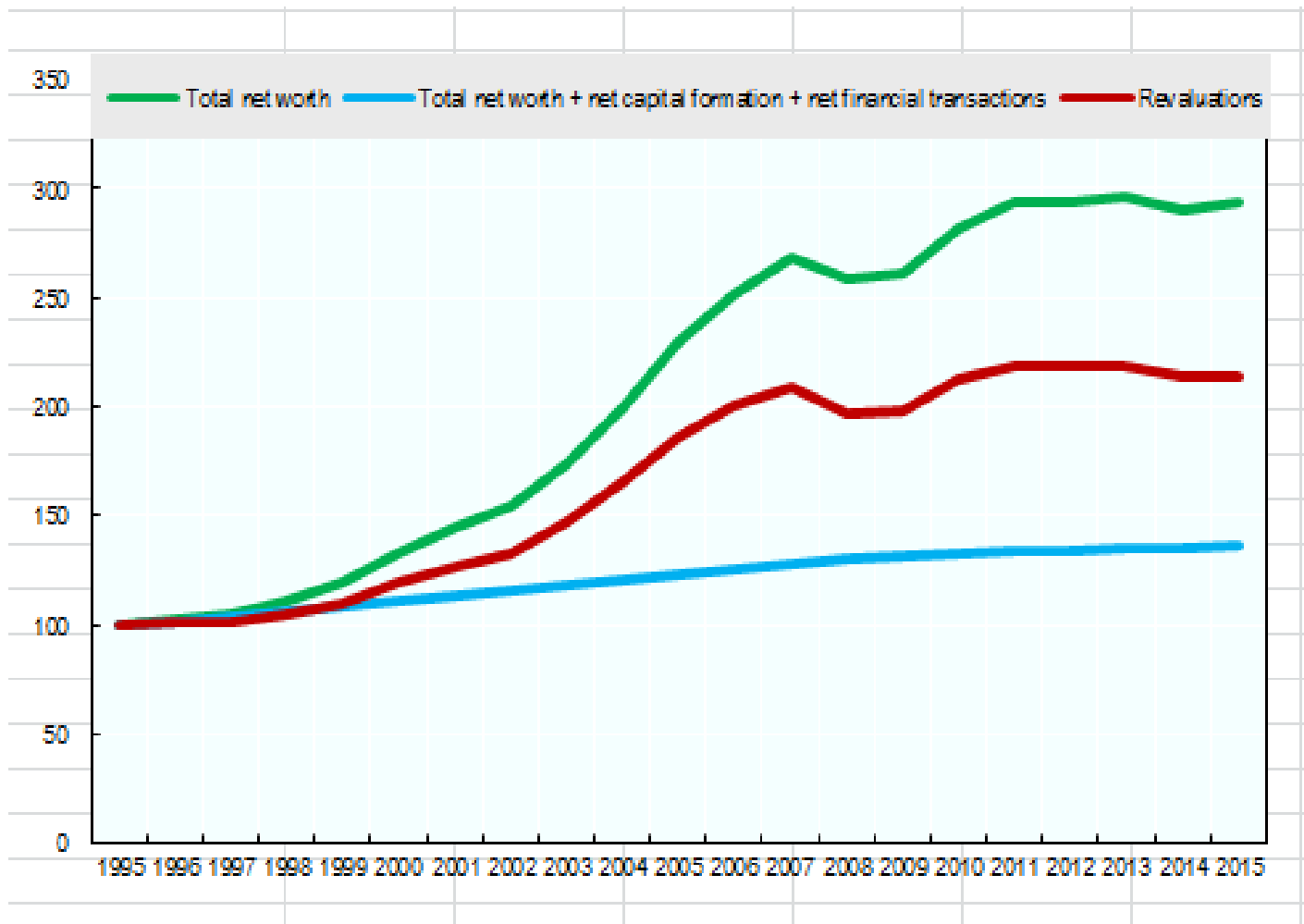


Some Examples from
Understanding Financial Accounts
Showing Future Needs



Future needs: improved accounting for non-financial assets

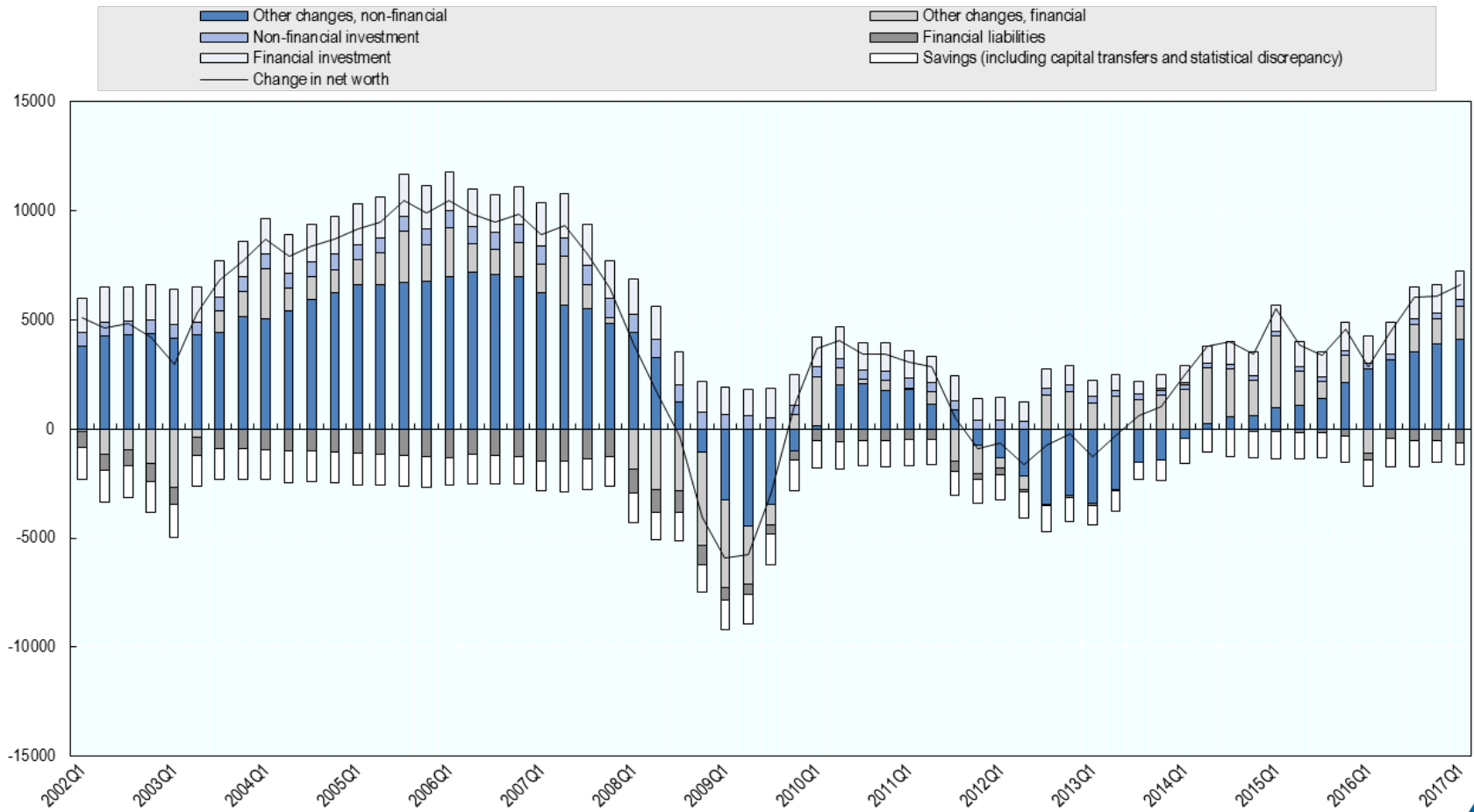
Development of net worth in France, 1995 – 2015





Future needs: improved accounting for revaluations

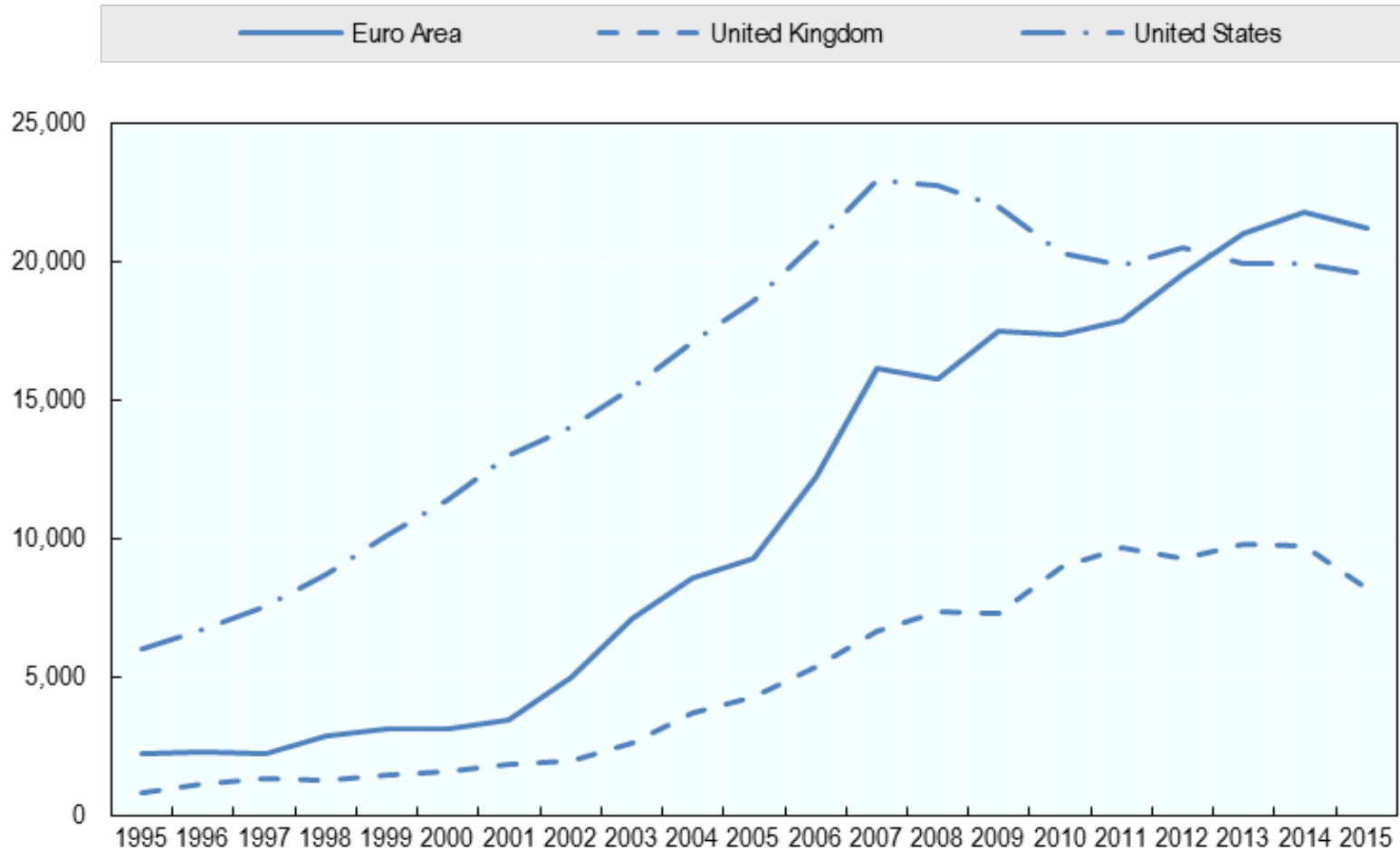
Accumulation of households' net worth, 2002 – 2017





Future needs: shadow banking

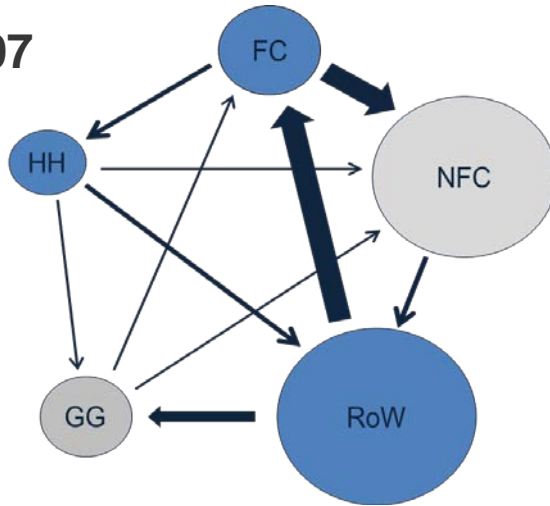
Other financial intermediaries, 1995 – 2015



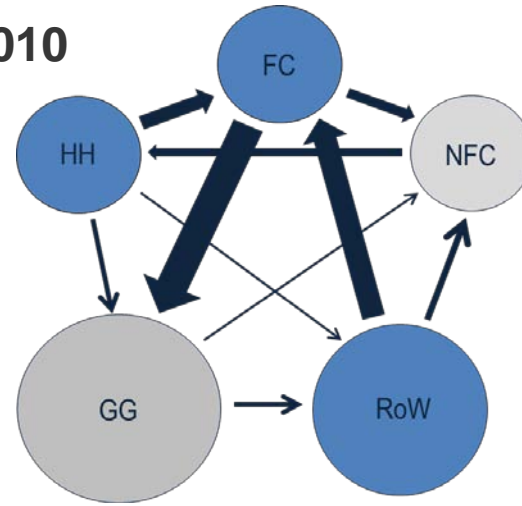


Future needs: from-whom-to-whom matrices (interconnectedness)

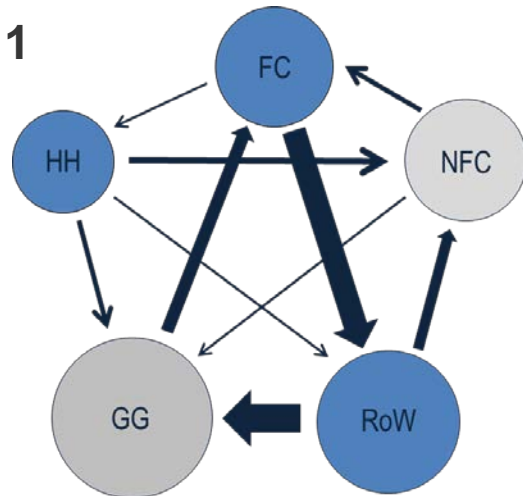
2007



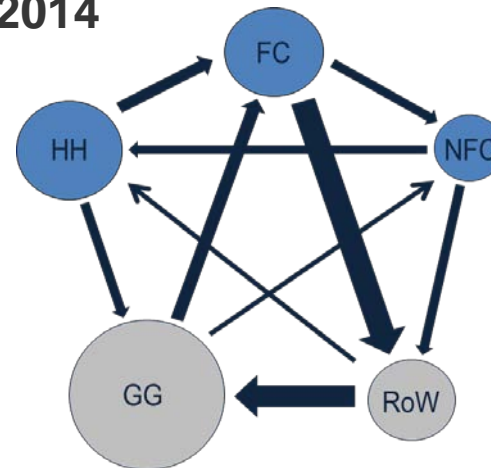
2010



2011



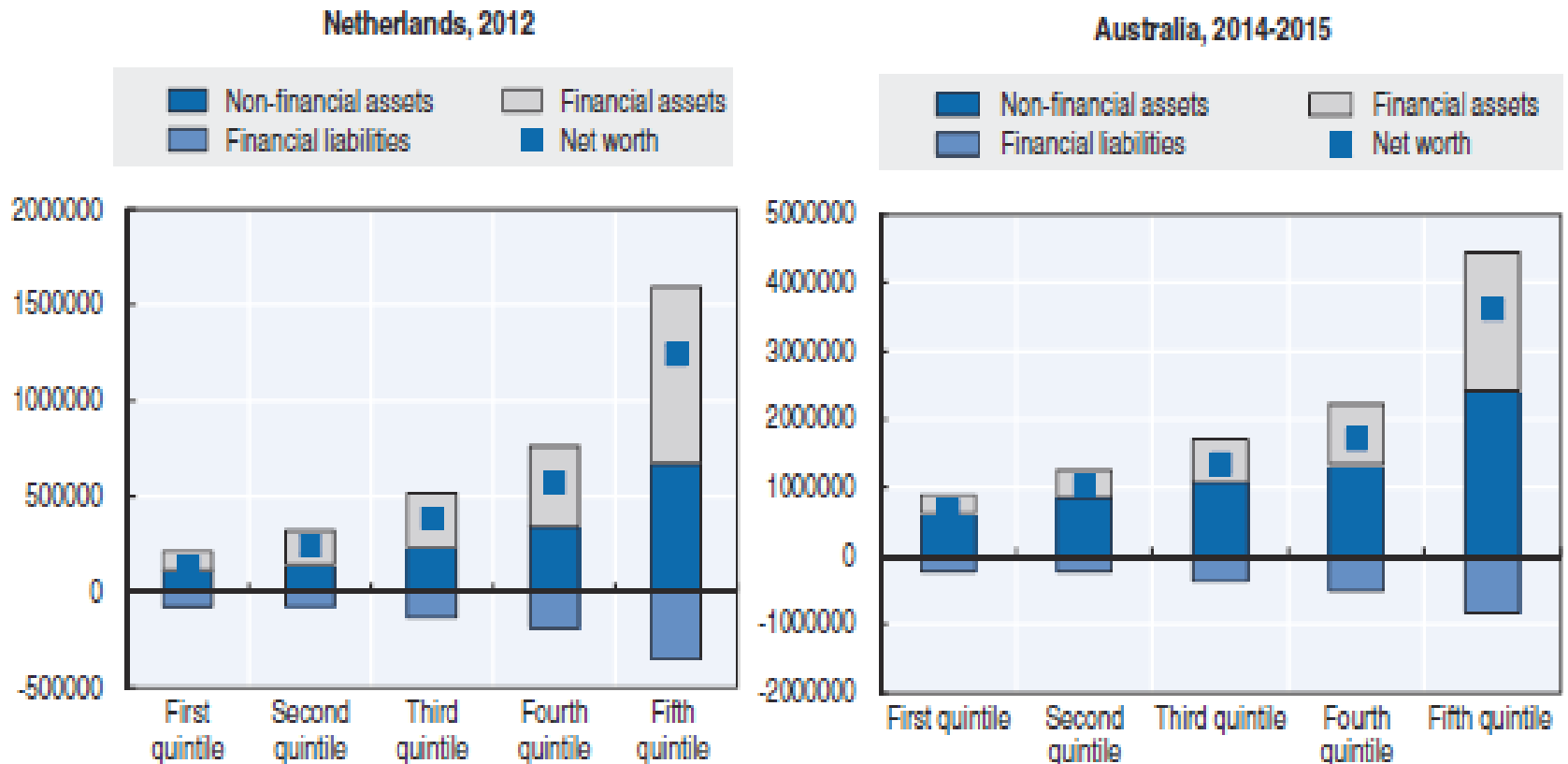
2014





Future needs: distributional data

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





Some Concluding Remarks



Concluding remarks

- Thanks and compliments to all contributors, among which Banca d'Italia
- A lot of work, but ...





Concluding remarks

- Thanks and compliments to all contributors, among which Banca d'Italia
- A lot of work, but ...
- ... rewarding, and hopefully it lives up to our expectations in providing value added





Concluding remarks

- Thanks and compliments to all contributors, among which Banca d'Italia
- A lot of work, but ...
- ... rewarding, and hopefully it lives up to our expectations in providing value added
- Not done yet! On-line version still needs to be supplemented with
 - Exercises
 - Multiple choice quiz





**Thank you for your
attention!**