How financial systems work: evidence from financial accounts

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Final remarks

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This conference has highlighted the usefulness of financial accounts for research and policy purposes. However, many challenges lie ahead of us. Let me briefly consider three of them: reconciliation between micro and macro household data, completion of sectoral balance sheets and challenges stemming from the globalization of economic activity.

Efforts aimed at strengthening the bridge between micro and macro statistics are devoted to gaining more insight into the economic behaviour of households and the distribution of wealth and financial liabilities among them. Financial accounts only convey an aggregate picture of households' conditions without any measurement of their heterogeneity, which would be useful for shaping economic and social policies and for assessing vulnerability. Questions addressed to assessing the extent of inequality in the distribution of wealth or on the saving behaviour of different types of households find no answers in financial accounts.

The fallout of the financial crisis and recent structural economic changes have increased the demand for consistent distributional statistics on the household sector. The G20 Data Gaps Initiative encourages the collection and dissemination of statistics on the distribution of income, consumption, savings and wealth in the household sector. This goal has also been fostered by the Stiglitz-Sen-Fitoussi Commission, whose report expresses concerns about the use of averages for measuring people's living standards and argues for the utility of distributional data.

In the past, comparisons between the micro and macro statistical domains showed low coverage of financial wealth in survey data, stressing the importance of aligning the methodologies of the two domains as much as possible. Substantial work has been done at the OECD, jointly with Eurostat and the ECB, to promote the methodology for building households' distributional accounts and to improve cross-country comparability of data. The Bank of Italy has vast experience in investigating the consistency between households' micro and macro data, thanks to the collection of households' statistics through the Survey on Household Income and Wealth. Currently, we are cooperating at international level, within the ESCB, to enhance the comparability and integration of financial accounts and survey data.

Up to now I have stressed the importance of combining micro and macro data. However, the current picture of wealth can be enlarged by completing the sequence of accounts for the institutional sectors. During recent years we have learned how the evolution of share and house prices can affect the value of assets and liabilities, generating large gains and losses for their owners. Economists are interested in assessing the link between wealth and consumption and more generally in the effects of wealth on financial stability. As for Italy, in 2015 Istat, the Italian National Institute of Statistics, made available yearly data on non-financial assets since 2005. This points to the production of complete balance sheets, which include both financial and non-financial assets at sectoral level. In this field many measurement issues have been faced by compilers, concerning for instance the valuation of non-produced non-financial assets, like land and mineral and energy resources. A key point for completing sectoral balance sheets is the accuracy of flow accounts. In this respect the Bank of Italy is actively cooperating with Istat in order to harmonize the production of financial and non-financial flows, identifying and resolving all sources of potential inconsistencies.

The pursuit of consistency and reliability for financial accounts also involves the external sector. Last year Irish GDP was revised upwards leading to a rate of growth exceeding 26 per cent. The fact that this revision was not due to any statistical failure raised a number of concerns from the community of users. In the first instance, issues to be tackled appeared to be related to globalization and firms' mobility, such as tax inversion and the relocation of 'intangibles'. In the second instance, the legitimate doubt was that issues concerning Ireland's external transactions and positions were simply making visible some statistical issues also affecting other countries, domestic transactions and the robustness to legal changes of harmonized measures of production and transactions. The issues highlighted by the Irish example were already on the research agenda of the statistical community; a shift in priorities has occurred, requiring an urgent response in order to preserve the integrity and credibility of the whole statistical system.

To conclude, I wish to thank the many economists and statisticians who have contributed to the lively and fruitful discussions that have taken place during the workshop and also the organizing committee for making it possible.