

## BENCHMARK REVISION OF FINANCIAL ACCOUNTS STATISTICS (OCTOBER 2024)

- As part of the general five-year revision (“benchmark revision”) of European macroeconomic statistics, the time series of Italy’s financial accounts have been revised. The changes reflect both several innovations of the sources and the inclusion of revisions made in other statistical domains, in particular balance of payments and non-financial sector accounts.
- Although the revisions had a significant impact for some sectors and instruments, the main trends observed in the annual financial accounts did not change.
- The revisions affected mainly the sectoral allocation of the holdings of debt securities issued by general government, the issues of securities by the non-banking private sectors, the technical reserves of pension funds and insurance companies, the holdings of unlisted shares and other equity.
- As a result, the discrepancies of net lending/net borrowing between the financial accounts and the non-financial accounts published by Istat decreased on average for the period 1999-2023 from 1.3 to 0.4 percentage points of GDP for households, from 0.7 to 0.1 percentage points for non-financial corporations and from 1.4 to 0.7 percentage points for financial corporations. The discrepancies of the international investment position between balance of payments statistics and financial accounts statistics decreased from 2.6 to 0.8 percentage points of GDP on average.

As part of the general five-year revision (“benchmark revision”) of European macroeconomic statistics, on 15th October 2024 the new historical series of Italy's financial accounts were released in the Statistical Database of the Bank of Italy. The changes concerned several financial instruments, with different historical depths, and arose both from the use of new statistical sources and from the implementation of the revisions made in other statistical domains, such as in particular balance of payments and non-financial sector accounts.

### *Summary of methodological innovations*

**Securities issued by central government.** The revisions mainly concerned the period 2012-2023. On the liability side, the quarterly disaggregation of the timing difference between accrued transactions and payments (coupons, issue discounts and capital revaluations of index-linked securities) was revised following the rules on accrual recording required by SEC 2010. On the asset side, instead, improvement in the consistency with banking custodian data and, from 2016 onward, with SHS (“Securities Holdings Statistics”) determined revisions on central government debt securities held by non-banking private sectors (in particular households<sup>1</sup>, financial auxiliaries and other financial intermediaries).

**Debt securities issued by non-financial corporations, other financial intermediaries, financial auxiliaries and insurance companies.** From 2020 data have been aligned with the new CSEC

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<sup>1</sup> Non-profit institutions serving households are included in the sector.

statistics ("CSDB based Securities Issues Statistics") produced by the European Central Bank (ECB) jointly with national central banks. These statistics are estimated by using microdata on single securities and provide directly market values of debt securities. Previously, market values were estimated by applying a price indicator to the nominal values of the issued bonds.

**Loans.** Medium and long-term loans granted by central government to resident counterparts have been revised downwards starting from 1995. Data has been revised in line with national accounting rules by including information on companies reclassified within the general government sector. Further revisions concerned loans granted by the insurance sector, using data provided by IVASS. In particular, the new source allowed a more precise classification of the aggregates between the counterpart sectors.

**“Life insurance and pension fund reserves” and “Other reserves”.** For insurance corporations and pension funds, the consistency with the ICPF (“Insurance Corporations and Pension Funds”) statistics published by the ECB has been improved. In particular, the reserves on the liabilities side of pension funds have been increased since 1998 to take into account the mathematical reserves that some pre-existing pension funds set with insurance companies; the same amounts appear on the assets side of pension funds, under the item "Other reserves", so that the net position of the pension fund sector remained unchanged. At the same time, on the liabilities side of the insurance companies, the pension entitlements managed by them on behalf of the pension funds were subtracted from the amount of the life insurance technical reserves and added to the other reserves. Regarding the "life insurance reserves and pension funds" held by households, the new series incorporate the Istat revisions on the aggregate of the "adjustment for changes in pension rights".

**Unlisted shares and other equity.** Some estimates have been revised to ensure consistency in net lending/net borrowing between the non-financial sector accounts published by Istat and the financial accounts, coherently with international standards<sup>2</sup>. Some revisions of non-financial accounts published by Istat since 1999 have therefore been included into the estimates of equity transactions in financial accounts.

**Rest of the world sector.** Revisions to the balance of payments and international investment position statistics for the period 2017 to 2023 have been included<sup>3</sup>. Furthermore, on this occasion, a better alignment was done with the balance of payments statistics for previous periods, in particular on shares issued by non-residents.

#### *The impact of revisions on main aggregates*

Although the revisions had a significant impact for some sectors and instruments, at annual level the major trends observed in the financial accounts did not change.

Revisions in government debt securities, on the liability side, had a moderate effect on stocks at market value (less than 0.8 per cent of GDP) and changed the composition of annual transactions at

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<sup>2</sup> More details on reconciliation techniques between non-financial and financial account balances can be found in the document jointly produced by the ECB and Eurostat in 2022: [“Report on developing a common approach to improve vertical consistency”](#).

<sup>3</sup> The changes are described in the Note "Benchmark revision of balance of payments and international investment position statistics", available on the Bank of Italy website: [Balance of payments](#).

quarterly level. In the period 2013-2016, the revision affected significantly medium and long-term debt securities on the asset side, both stocks and flows, with an average increase of stocks held by households by nearly 3 GDP percentage points and a reduction of stocks owned by financial auxiliaries and other financial intermediaries.

The alignment with the CSEC statistics for debt securities issued by other sectors had a very small impact on stock and flows (less than 0.2 GDP percentage points on average).

Medium and long-term loans of general government have been revised downwards by approximately 1 GDP percentage point on average from 1995. Loans granted by insurance corporations instead have been revised upwards, although the increase was lower than 0.4 points of GDP per year.

Technical reserves on the liability side of pension funds increased by about 1 percentage point of GDP on average; as mentioned above, this determined a symmetric change on the asset side of pension funds and a shift between life insurance entitlements and other reserves on the liability side of insurance corporations. The flows of “life reserves and pension schemes” of households’ asset have been revised downwards from 2007 to 2020; at the end of 2023, stocks were lower by approximately 1 GDP percentage point.

Transactions of shares (non-quoted shares and other equity) have been mainly revised on the asset side of households (around 1.1 per cent of GDP on average since 1999), of other financial intermediaries (0.9 per cent) and of non-financial corporations (0.7 per cent)<sup>4</sup>. In general, the effects are more significant in the period preceding 2018, when the discrepancies with non-financial accounts were wider.

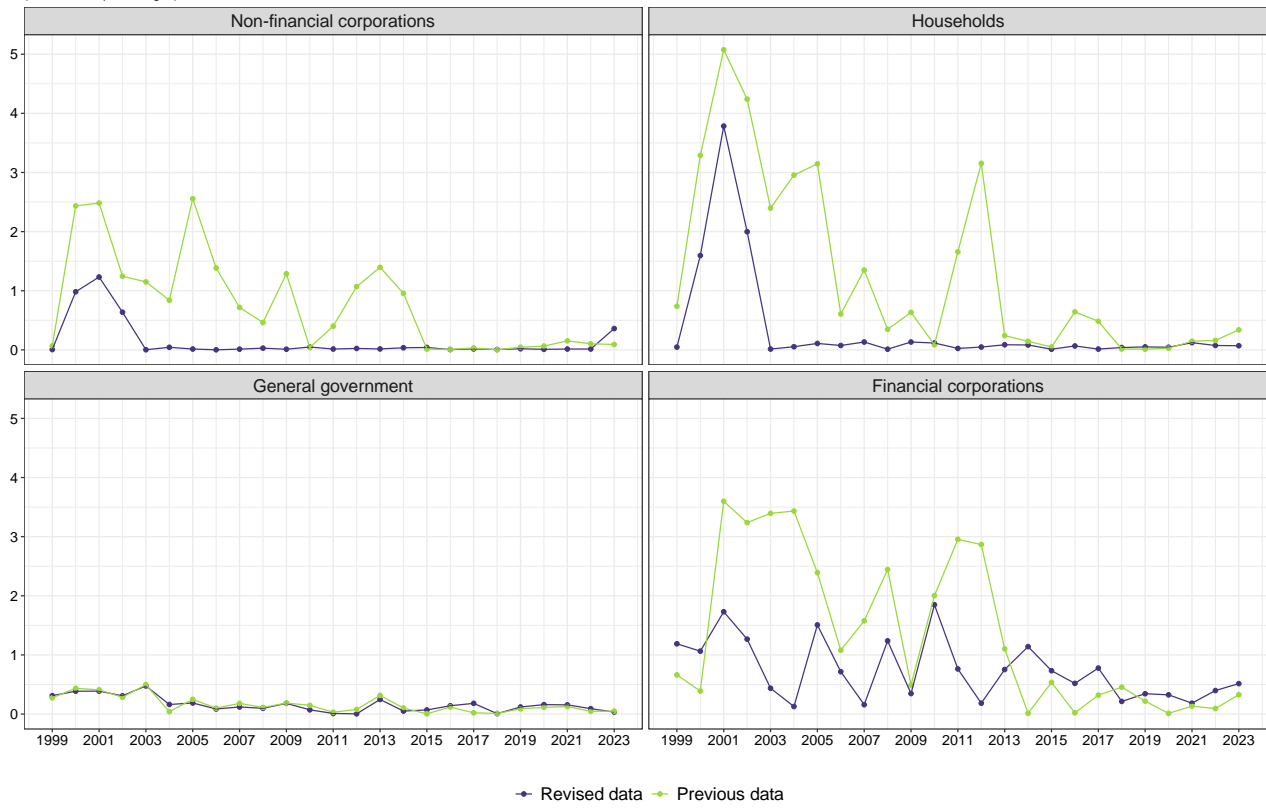
Overall, the discrepancy in net lending/net borrowing between financial accounts published by Bank of Italy and non-financial accounts published by Istat decreased in the period 1999-2023. The discrepancies ranged, on average, from 1.3 to 0.4 percentage points of GDP for households, from 0.7 to 0.1 for non-financial corporations and from 1.4 to 0.7 for financial corporations (Fig. 1).

The acquisition of revisions from balance of payment and net international investment position statistics covered the period 2017-2023, with limited impact on the net lending/net borrowing of the rest of the world (0.1 per cent of GDP on the annual average). With reference to stocks, the revisions were mainly reflected on trade credits (0.8 percentage points of GDP in 2023) and shares asset and liability side (about 0.3 percentage points on average); medium and long-term debt securities and loans showed small changes. Further revisions, primarily concentrated on shares, derive from the alignment between financial accounts and balance of payments statistics in the years preceding 2017: the overall impact on the net lending/net borrowing of the rest of the world amounted to 0.9 percentage points of GDP on average per year. As a result of the revisions, the discrepancy in the international investment position between financial accounts and external statistics improved consistently, decreasing from 2.6 to 0.8 percentage points of GDP on average in the period 1999-2023 (Fig. 2).

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<sup>4</sup> This instrument, as anticipated, includes balancing items for discrepancies in net lending/net borrowing between sectoral financial accounts and non-financial accounts published by Istat.

**Figure 1 – Discrepancy between net lending/net borrowing in financial accounts and non-financial accounts**  
*(annual data; absolute values as percentages of GDP)*



**Figure 2 – Discrepancy in net international investment position between financial accounts and balance of payment statistics**  
*(annual data; absolute values as percentages of GDP)*

