



STATE STATISTICAL COMMITTEE OF THE REPUBLIC OF AZERBAIJAN
CENTRAL BANK OF THE REPUBLIC OF AZERBAIJAN

Measuring of financial services in National Accounts and Balance of Payments statistics of Azerbaijan: methods and sources of information

Geneva, 22 May 2018

THE FINANCIAL CORPORATIONS SECTOR

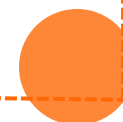
The financial corporations sector includes all resident corporations whose principal activity is providing financial services including financial intermediation, insurance and pension fund services, and units that provide activities that facilitate financial intermediation. In addition, the sector includes NPIs engaged in market production of a financial nature such as those financed by subscriptions from financial enterprises whose role is to promote and serve the interests of those enterprises (*p.4.29, SNA2008*).



SUBSECTORS OF THE FINANCIAL CORPORATIONS SECTOR IN 2008 SNA

1993 SNA subsectors			2008 SNA subsectors	
Central Bank	S.121	→	S.121	Central Bank
Other depository corporations	S.122	↘	S.122	Deposit-taking corporations, except the central bank
			S.123	Money market funds
Other financial intermediaries, except insurance corporations and pension funds	S.123	↘	S.124	Non-MMF investment funds
			S.125	Other financial intermediaries, except insurance corporations and pension funds
Financial auxiliaries	S.124	↘	S.126	Financial auxiliaries
			S.127	Captive financial institutions and money lenders
Insurance corporations and pension funds	S.125	↘	S.128	Insurance corporations
			S.129	Pension funds

Holding companies (from S.11)



ALLOCATION OF UNITS ENGAGED IN FINANCIAL AND INSURANCE ACTIVITY IN AZERBAIJAN TO SUBSECTORS OF THE FINANCIAL CORPORATIONS SECTOR

	Subsectors	Institutional units	NACE rev.2
S 121	Central Bank	Central Bank of the Republic of Azerbaijan	6411
S 122	Deposit-taking corporations, except the central bank	Commercial Banks	6419
S 124	Non-MMF investment funds	Investment companies	6430
S 125	Other financial intermediaries, except insurance corporations and pension funds	Non-banking credit institutions, leasing companies	6491, 6492

**ALLOCATION OF UNITS ENGAGED IN FINANCIAL AND INSURANCE
ACTIVITY IN AZERBAIJAN TO SUBSECTORS OF THE FINANCIAL
CORPORATIONS SECTOR (*CONTINUATION*)**

	Subsectors	Institutional units	NACE rev.2
S 126	Financial auxiliaries	Brokers, stock exchanges and etc.	6499, 661, 662, 663
S 127	Captive financial institutions and money lenders	Credit unions, institutions through which state loan programs are implemented, pawnshops	6492
S 128	Insurance corporations	Insurance corporations, Deposit Insurance Fund	651, 652

CALCULATION OF THE OUTPUT FOR CERTAIN TYPES OF FINANCIAL AND INSURANCE SERVICES

OUTPUT OF CENTRAL BANK (CB)

Stand out

market output
and
non-market output

The calculation is carried out in two stages

OUTPUT OF CENTRAL BANK (*CONTINUATION*)

At the first stage the total output of the CB is calculated as sum of costs according to the data reflected in the report on profit and loss of the CB for the following items:

- fees and commission income;
- expenses for employees;
- expenses for preparation and transport of banknotes and coins;
- administrative costs;
- depreciation costs for plant, equipment and intangible assets;
- other costs.

OUTPUT OF CENTRAL BANK (*CONTINUATION*)

The fees payable and other revenues are considered as *market output* of Central Bank.


Non-market output of Central Bank is calculated as the difference between total output and market output.

Market output of the Central Bank is used as the intermediate consumption by other financial corporations, units of public administration and non-financial corporations.

Non-market output of the Central Bank is reflected in the secondary distribution of income account as a current transfer from the of financial corporations sector to the general government sector


OUTPUT OF CREDIT ORGANIZATIONS

The total output of credit institutions consists of 2 types of services:

- financial services provided in return for explicit charges;
 - financial intermediation services indirectly measured (FISIM).
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OUTPUT OF CREDIT ORGANIZATIONS (*CONTINUATION*)

Information sources:

- Profit and loss statement (Central Bank)
 - Consolidated balance sheets of commercial banks (Central Bank);
 - Data on interest rates by loans and deposits (Central Bank);
 - Data from statistical questionnaires.
- 

OUTPUT OF CREDIT ORGANIZATIONS (*CONTINUATION*)

Output of services provided in return for explicit charges is calculated by summing following items on the profit and loss statement:

- commission income from account services;
- commission income from other services;
- other non-interest income types.

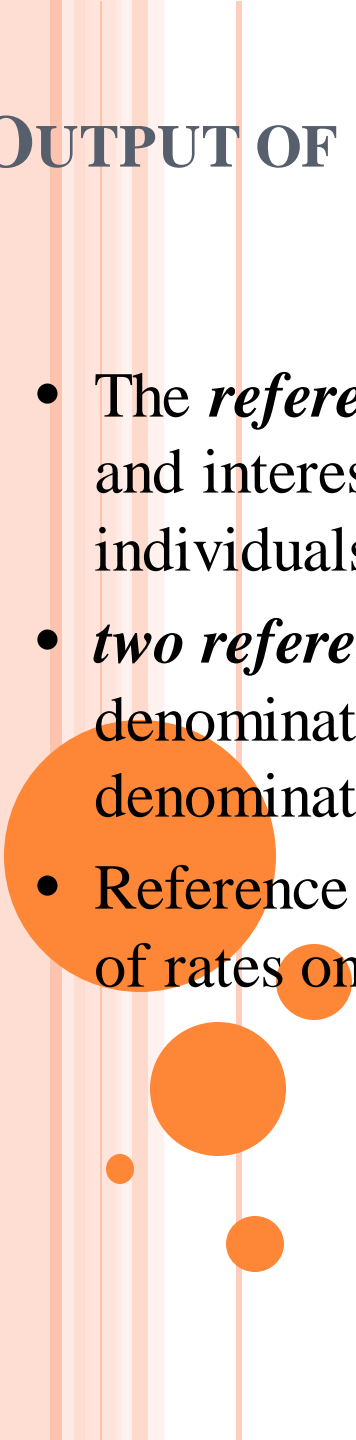
OUTPUT OF CREDIT ORGANIZATIONS (*CONTINUATION*)

Financial intermediation services indirectly measured (FISIM) is calculated by the standard formula:

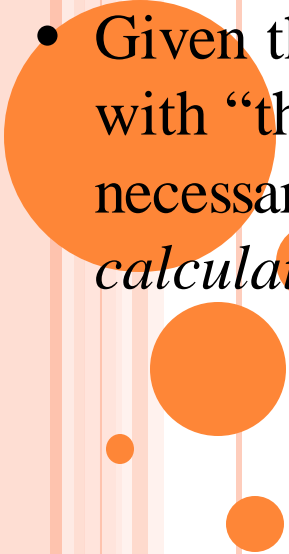
$$\text{FISIM} = [(r_L - r_r) \times y_L] + [(r_r - r_D) \times y_D] ,$$

where, y_L – the average stocks of loans;
 y_D – the average stocks of deposits;
 r_L – interest rate on loans,
 r_D – interest rate on deposits,
 r_r – reference rate.

OUTPUT OF CREDIT ORGANIZATIONS (*CONTINUATION*)

- The *reference rate* is calculated by using the data on stocks and interest rates on loans and deposits of legal entities and individuals, denominated in domestic and foreign currencies;
 - *two reference rates* are calculated - for monetary assets denominated in domestic currency and monetary assets denominated in foreign currency;
 - Reference rates are calculated as average weighted amounts of rates on loans and deposits.
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OUTPUT OF CREDIT ORGANIZATIONS (*CONTINUATION*)

- *FISIM is allocated to institutional sectors and subsectors proportionally to the average annual stocks of loans and deposits using the data from statistical questionnaires and information provided by the Central Bank;*
 - *Given the small share of transactions on loans and deposits with “the rest of the world” and the absence of all the necessary data, export and import of FISIM have not been calculated.*
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OUTPUT OF INSURANCE SERVICES

Output of insurance services consists of following types of insurance services:

- direct insurance services

including:

- life insurance;
- non-life insurance;
- reinsurance services.



OUTPUT OF INSURANCE SERVICES (*CONTINUATION*)

Information sources:

- the questionnaire form № 1-insurance “On the activities of insurers (reinsurers) and insurance brokers having the status of a legal entity”;
- data from the Financial Market Supervisory Authority.

OUTPUT OF INSURANCE SERVICES (CONTINUATION)

The calculation of output of *non-life insurance services* is carried out by following formula:

Actual premiums earned;
plus premium supplements;
minus adjusted claims incurred

where, *adjusted claims* are estimated according to the analysis of data for the last 5 years.



OUTPUT OF INSURANCE SERVICES (*CONTINUATION*)

Output of the life insurance services is calculated as:


Actual premiums earned
plus premium supplements;
minus payments due;
minus increases (*plus* decreases) technical reserves

The output of reinsurance is measured in the same way as the output of direct non-life insurance;

But there are some payments specific for reinsurance – *commissions and profit sharing payable to the direct insurer*, which reduce the output of the reinsurer.




IMPROVEMENTS OF EXTERNAL SECTOR STATISTICS

- There were five technical assistance missions from IMF at Statistics department during **2015-2018**.
 - Action plan suggested by IMF's experts: "Improvements on external sector statistics"
 - *transition to closed ITRS system (done),*
 - *adopting new reporting forms (ITRS) according to international standards (done),*
 - *implementing the new methodology of BPM6 (done).*
 - Legislative acts have been prepared in order to form legal and information basis for adequate statistics on the External Sector: BOP, IIP and ED. For IIP and ED - Resolution of Cabinet of Ministry of the Republic of Azerbaijan "On improvements of collection, generalization and dissemination mechanisms of ED and IIP statistics according to international standards" (*22 April 2015, № 118*);
 - New reporting forms for BOP, IIP and ED statistics corresponding to recommendation of IMF have been prepared and implemented .
 - Strengthen integration among macro-economical statistical reports.
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ITRS SYSTEM MEASURES:

- Individual cash transactions that pass through domestic banks and enterprise bank accounts abroad,
 - noncash transactions,
 - stocks (balance sheet positions)
- ⊕ A closed ITRS system:
- reported transactions are matching the net outstanding account balances

Banks report positions and transactions settled through their foreign correspondent accounts:

- Nostro account is a resident bank's account with a correspondent bank abroad;
 - Vostro (loro) account is a nonresident bank's account with reporting bank in the domestic economy;
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ITRS SYSTEM (AZERBAIJAN CASE)

Closed ITRS has some restrictions and rules:

- operations less than 20 thousand US dollars could be shown on cumulative base, but in that case all transactions must be in the same account, same currency, same country and same operation code.
- operations more than 20 thousand US dollars must be shown transaction by transaction
- for operations more than 200 thousand US dollars the ID number of the customer must be shown



FINANCIAL AND INSURANCE SERVICES

➤ **Data for the import and export of financial services mainly comes from 2 data sources:**

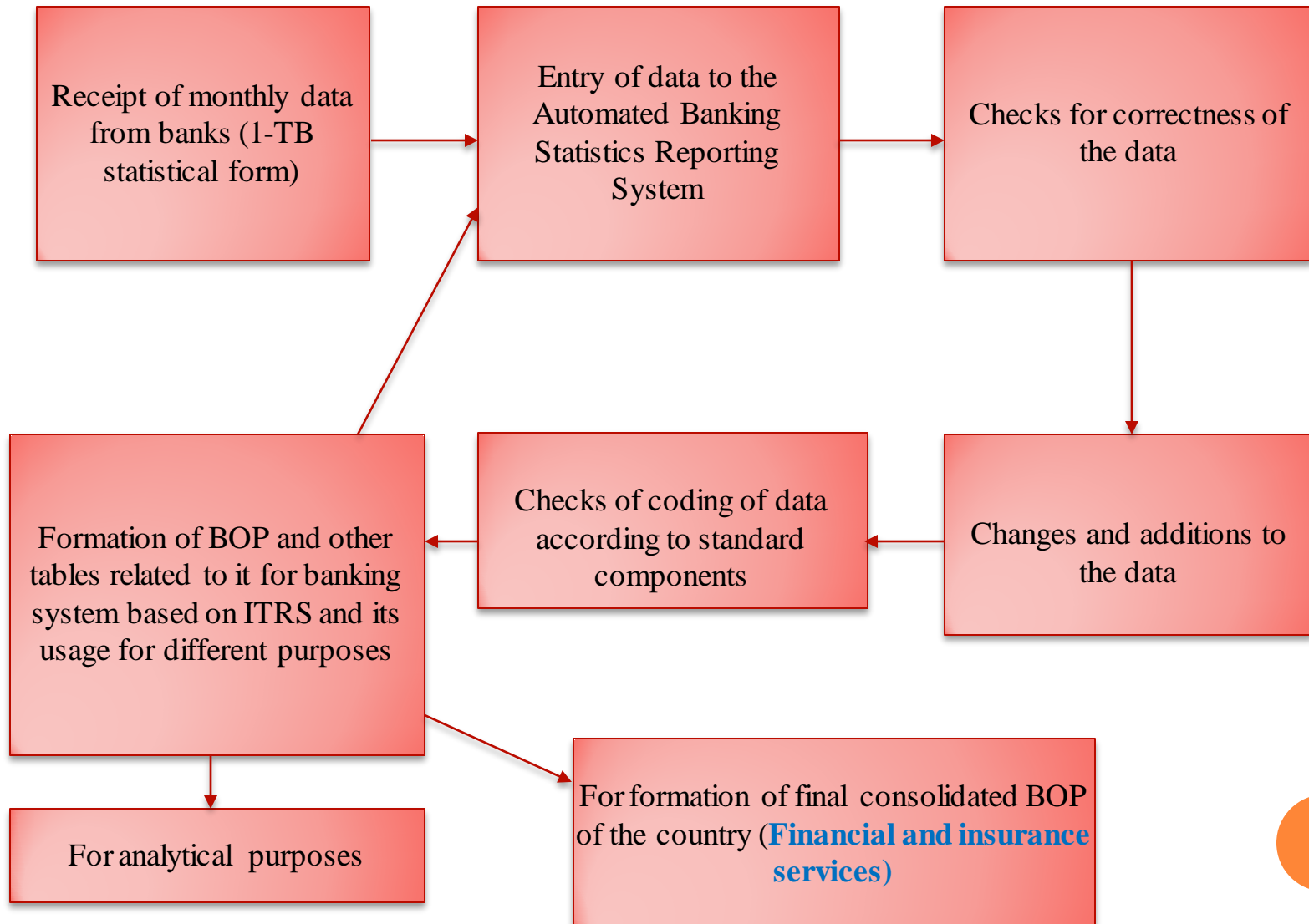
- *ITRS system (banking statistics),*
- *direct reporting (operations of oil and gas consortiums from their accounts in foreign banks).*

➤ **Data for the import and export of insurance services also mainly comes from 2 data sources:**

- *ITRS system (banking statistics),*
- *calculations from CIF-FOB (10% of transport expenses for import of goods)*



COMPILATION OF BANKING STATISTICS



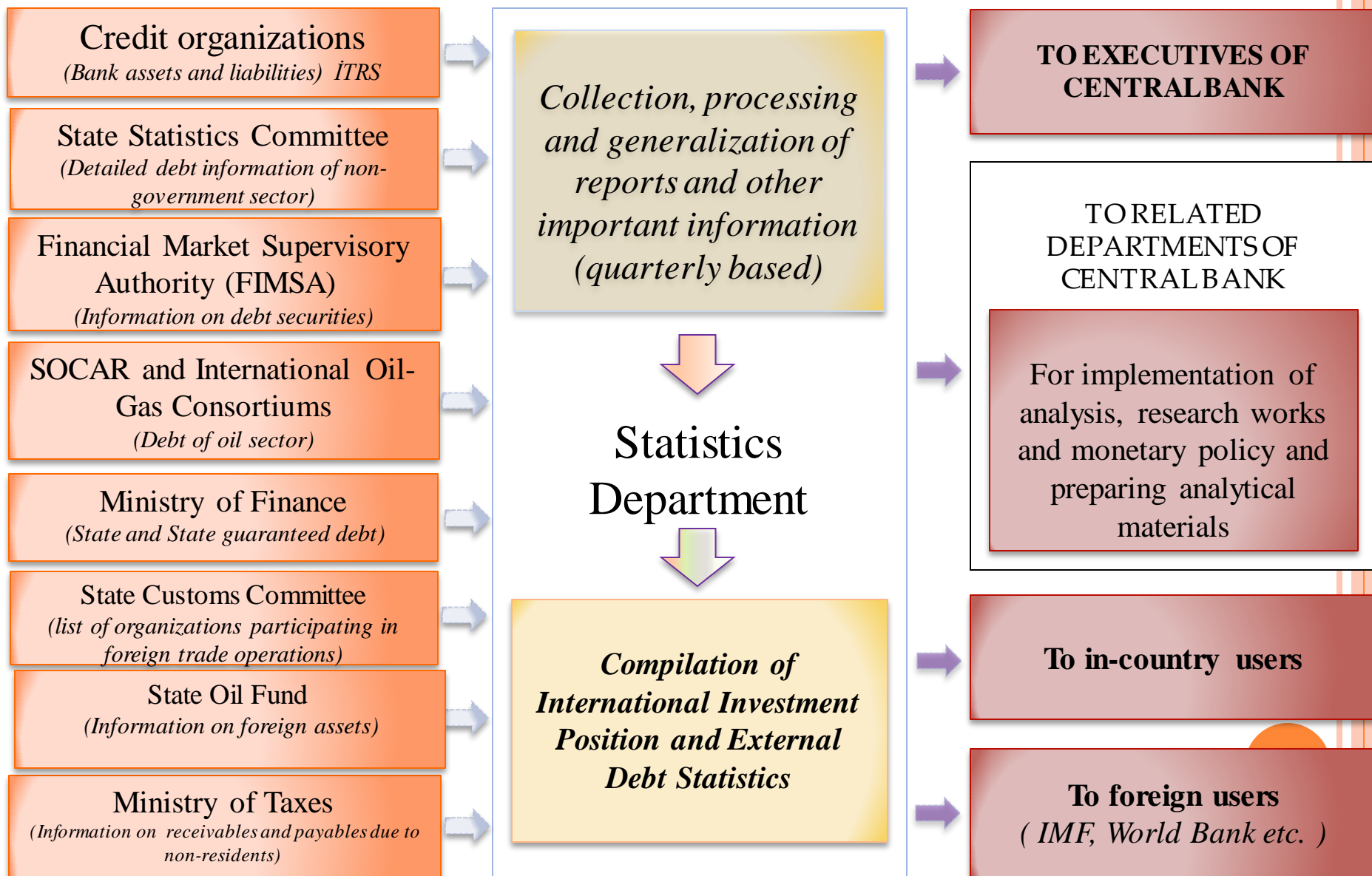
FINANCIAL AND INSURANCE SERVICES STATISTICS, MLN. US \$.

	2016	2017
Insurance services (net)	-106,4	-89,4
<i>export</i>	<i>12,5</i>	<i>23,5</i>
<i>import</i>	<i>118,9</i>	<i>112,9</i>
<i>of with</i>		
<i>Direct insurance</i>	<i>66,2</i>	<i>76,9</i>
<i>Reinsurance</i>	<i>46,9</i>	<i>31,1</i>
Financial services (net)	-4,4	-43,8
<i>export</i>	<i>6,7</i>	<i>6,1</i>
<i>import</i>	<i>11,1</i>	<i>49,9</i>

COMPILATION OF BOP, IIP AND ED STATISTICS

Sources:

Information
dissemination:



THANK YOU FOR ATTENTION!

