



EUROPEAN CENTRAL BANK

EUROSYSTEM

Pierre Sola

External Statistics and Sector Accounts
Division
Directorate General Statistics
European Central Bank

Financial accounts and economic analysis at the ECB – a few examples

Financial Accounts Workshop

Brussels

14 November 2022

Presentation outline

- 1 Financial projections in the context of the Eurosystem forecasting exercise
- 2 NFC leverage and financing
- 3 Vulnerability of household sector
- 4 Financial intermediation

1 Financial projections in the context of the Eurosystem forecasting exercise

2 NFC leverage and financing

3 Vulnerability of household sector

4 Financial intermediation

- **Part of the ESCB/ECB projection exercises since mid-2003**
- **Projections cover now:**
 - *all new transactions (net) occurring between the non-financial corporate (NFC) and household sectors vis-à-vis other sectors of the economy (Monetary Financial Institutions, Other Financial Institutions, Insurance Corporations and Pension Funds, General Government and Rest-of-the-World);*
 - *balance sheet positions of the NFC and household sectors for each instrument for which data exist in the euro area accounts;*
 - *both on the assets and liabilities sides.*
- **Full set of financial projections produced for the euro area as a whole** *(based on quarterly data).*
- **Financial projections derived conditional on growth and price projections** *as well as forecast technical assumptions.*

1 Financial projections in the context of the Eurosystem forecasting exercise

2 NFC leverage and financing

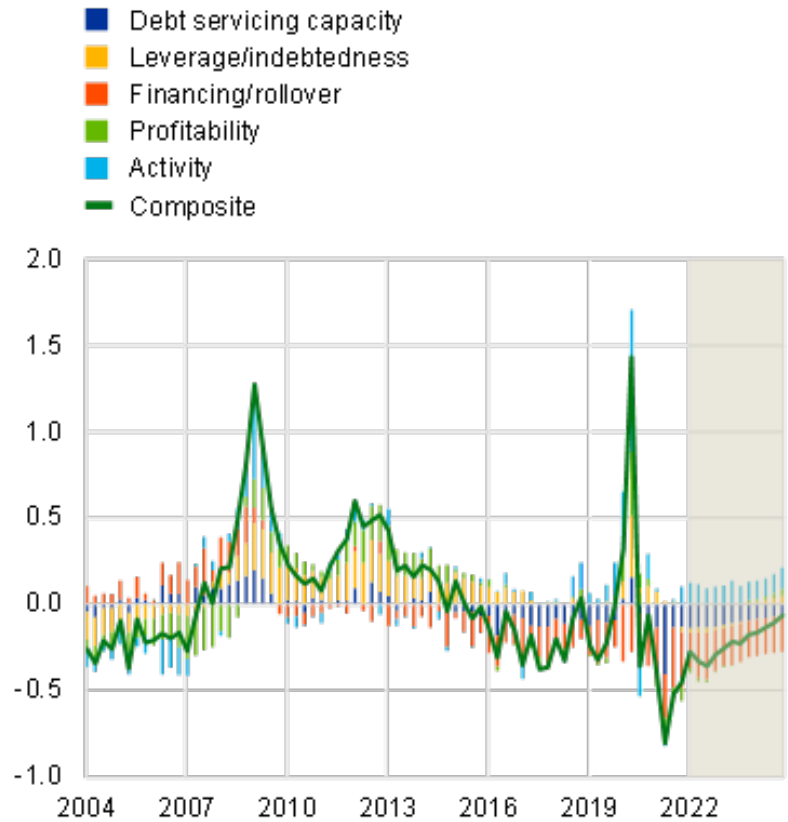
3 Vulnerability of household sector

4 Financial intermediation

Extract from the ECB's Financial Stability Review (Nov. 2022)

a) Composite indicator of corporate vulnerabilities and contributing factors

(Q1 2004-Q1 2024E, z-scores)



b) Ratio of sales and EBIT to total assets for euro area non-financial corporations

(Q1 2000-Q4 2021, percentages)

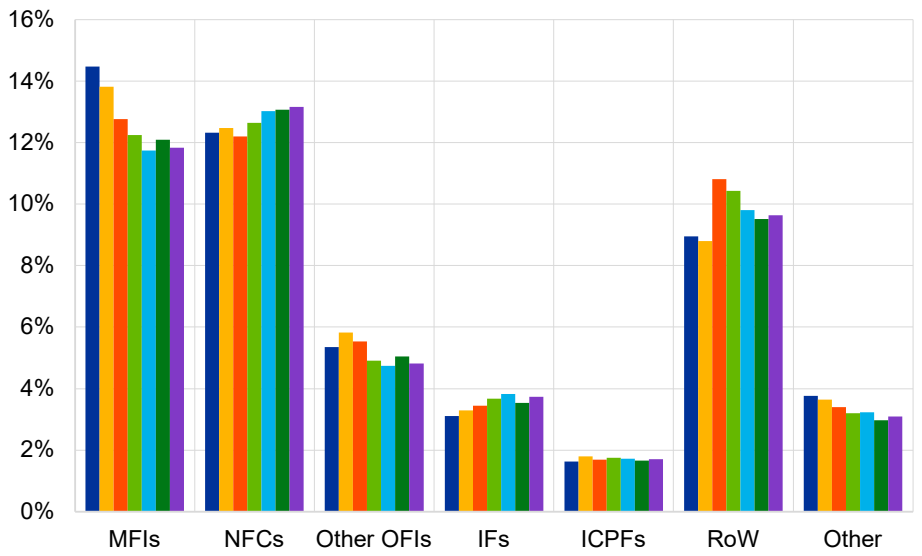
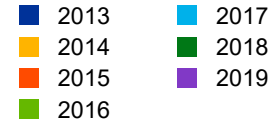
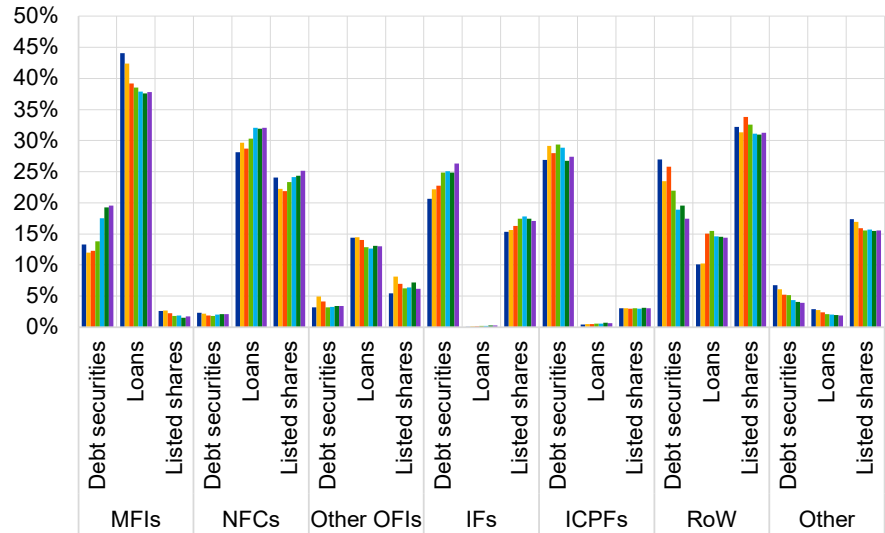


An important analytical tool for this analysis is the who-to-whom tables:

		FINANCING							
		Total	Non-financial corporations	MFIs ¹⁾	Non-MMF investment funds	Other financial institutions ²⁾	Insurance corporations and pension funds	General government	Households ³⁾
2022 Q1									
INVESTMENT	Total	-22.5	-6.3	-0.9	0.0	6.1	0.0	0.0	-21.4
	Non-financial corporations	43.8	45.8	2.6	0.0	1.4	-1.2	0.0	-4.8
	MFIs ¹⁾	-6.6	-0.8	1.6	0.0	-3.5	3.1	0.0	-6.9
	Non-MMF investment funds	-81.5	-58.4	-2.7	0.0	0.5	0.4	0.0	-21.3
	Other financial institutions ²⁾	17.6	23.3	-2.6	0.0	-4.6	0.4	0.0	1.0
	Insurance corporations and pension funds	-1.0	-2.9	0.3	0.0	-0.3	1.8	0.0	0.0
	General government	-1.7	-2.9	-0.4	0.0	-0.4	0.6	0.0	1.3
	Households ³⁾	12.8	3.8	2.4	0.0	0.4	-0.4	0.0	6.6
	Rest of the world ⁴⁾	-5.8	-13.3	-2.1	0.0	12.8	-4.8	0.0	

Example: role of financing providing sectors in the external financing of euro area NFCs By type of financial instrument (left panel) and as a share in total euro area NFC liabilities (right panel)

(percent; annual data; 2013 to 2019)



1 Financial projections in the context of the Eurosystem forecasting exercise

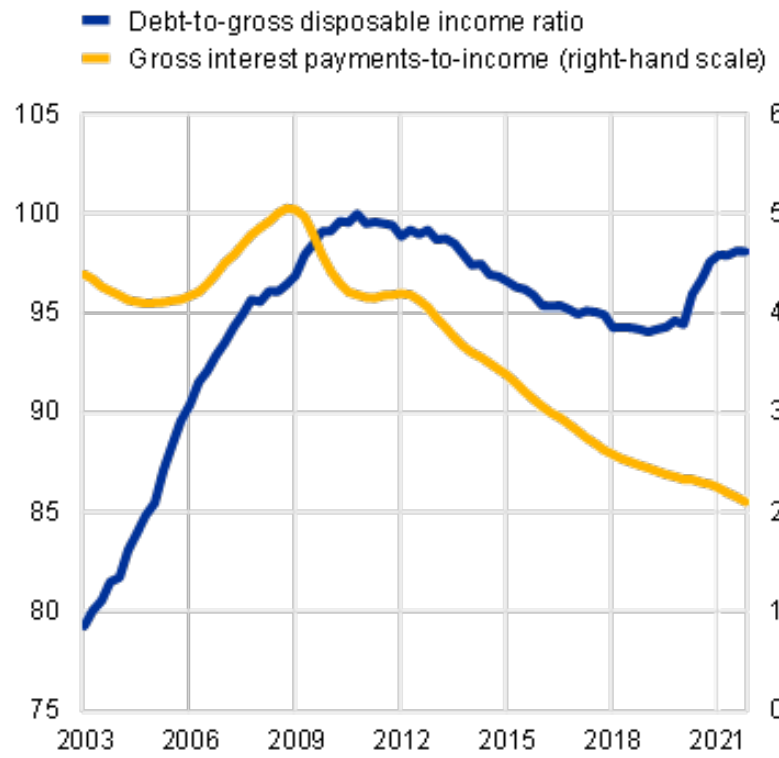
2 NFC leverage and financing

3 Vulnerability of household sector

4 Financial intermediation

a) Debt- and gross interest-to-gross disposable income ratios

(Q1 2003-Q4 2021, percentages)



b) Inflation and consumer confidence

(Jan. 2019-Apr. 2022, left-hand scale: percentages, right-hand scale: index)



1 Financial projections in the context of the Eurosystem forecasting exercise

2 NFC leverage and financing

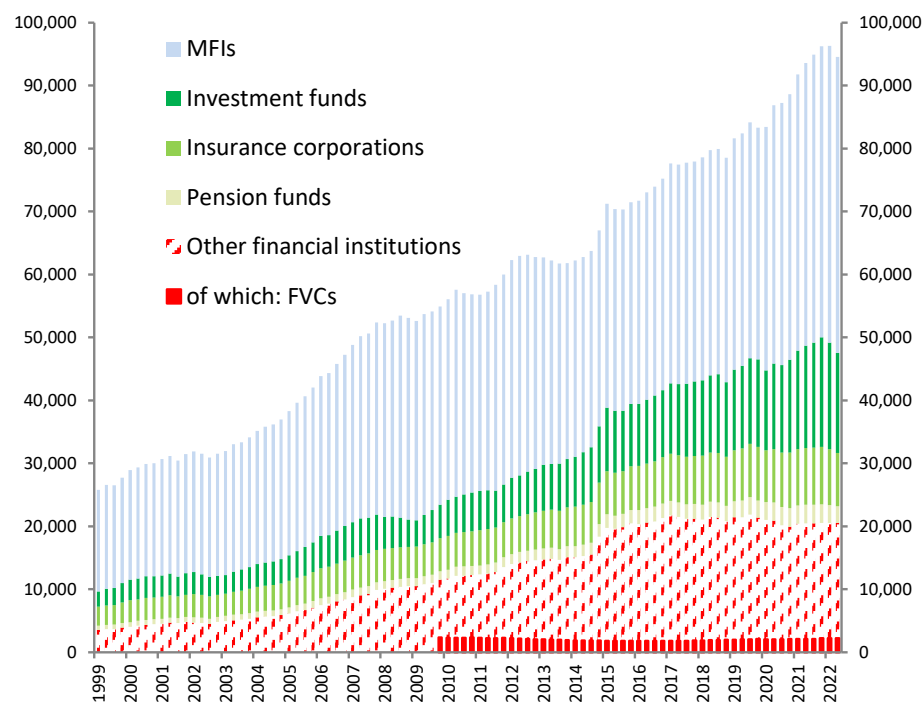
3 Vulnerability of household sector

4 Financial intermediation

- Financial crisis: **increased focus** on **non-bank financial institutions**
- => G20 Data Gaps Initiative
- => New and enhanced ECB reporting for Investment Funds, Insurance Corporations, Pension Funds, Systemic investment firms (large Securities and Derivative Dealers), Financial Vehicle Corporations
- However, a gap has increased over time regarding Other Financial Institutions:

Financial corporations by sub-sector

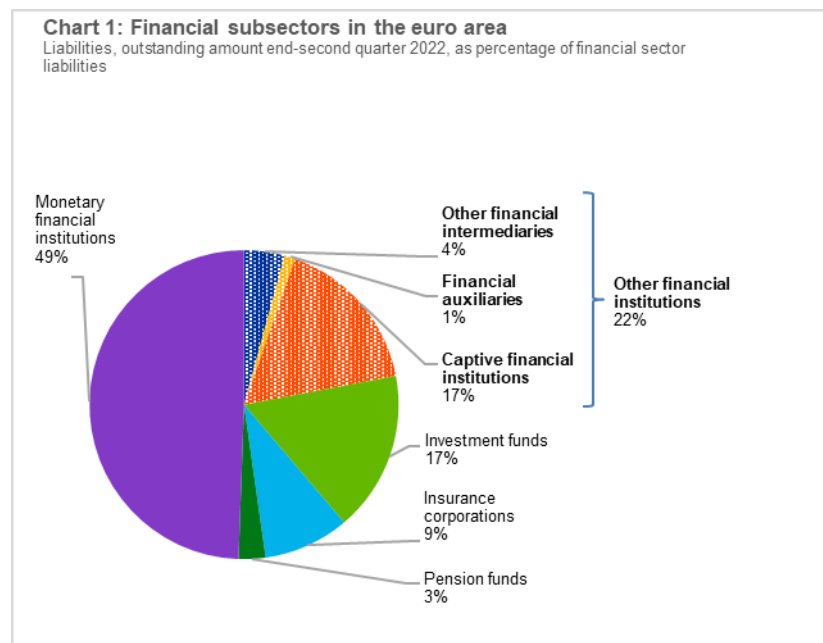
Liabilities, EUR billion



ECB press release 28 October 2022:

As of October 2022, the quarterly financial accounts published by the European Central Bank provide a more detailed breakdown of **other financial institutions (OFIs)**, which, after monetary financial institutions (MFIs – i.e. banks and money market funds), constitutes the **second largest financial sector in the euro area**.

The new breakdown distinguishes other financial intermediaries, financial auxiliaries, and captive financial institutions and money lenders.



- **Financial projections:** *focusing on key sectors and indicators sufficient => typically some additional variables included in more encompassing models.*
- **Balance sheet analysis:** *needs to rely on a number of indicators and models to complement the assessment of the state of the economy.*
- **Households vulnerability and other real-financial linkages:** *VAR (and structural) models can help to quantify potential impacts / best to integrate to main projection models.*
- **The rising role of non-MFIs:** *to be assessed for its possible repercussions on monetary policy transmission.*