

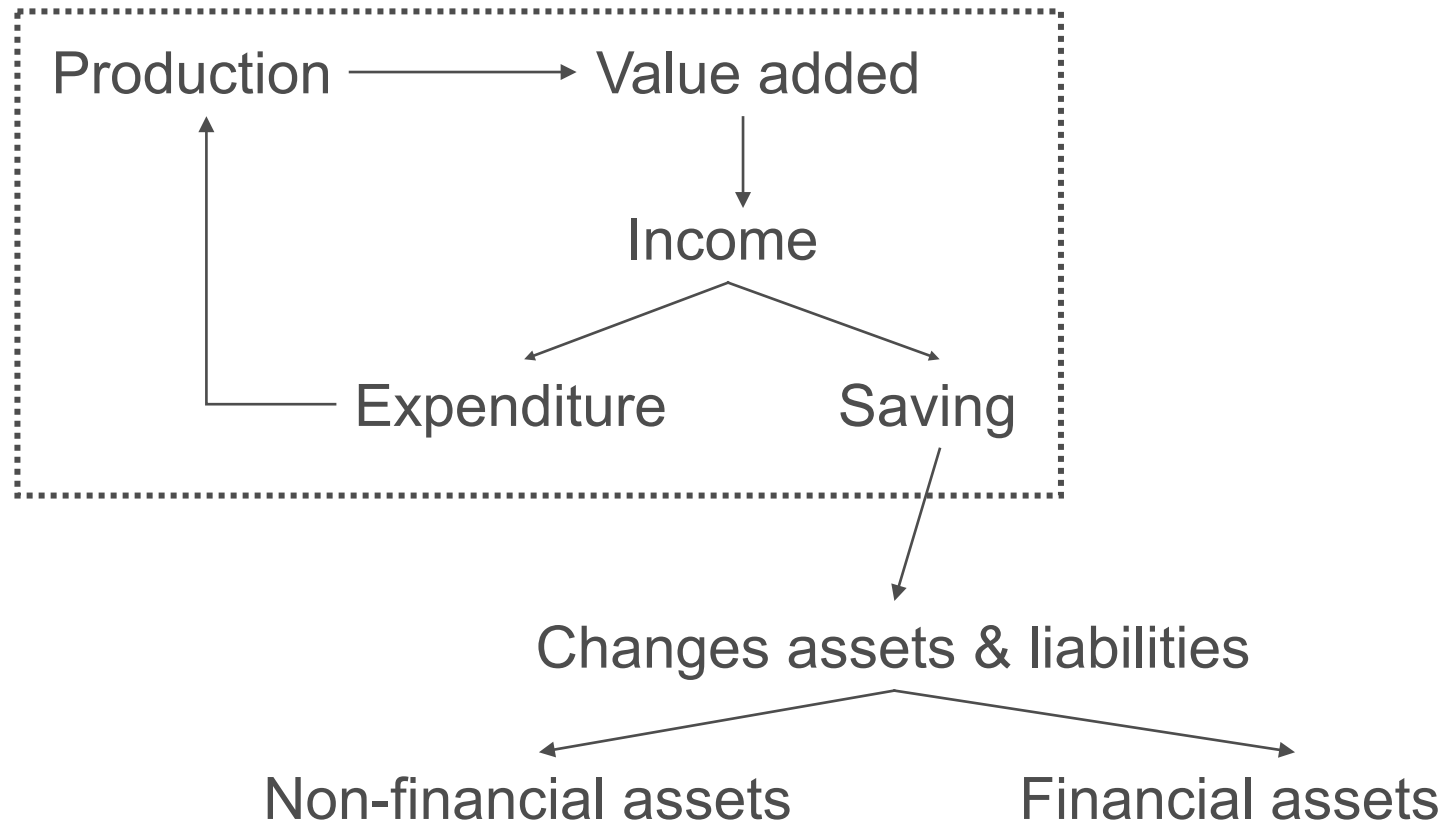


2a. Position of FA in the sequence of accounts, units and sectors, consolidation, whom to whom tables

Workshop on Financial Accounts

14 – 16 October 2022

Flows in the economy



Accounts

Non-financial accounts

Financial accounts

Balance sheets



Flows
(transactions)

Stocks

for the national economy, for ROW, for each sector

Reconciling stocks and flows

Changes between balance sheets made up of different types of flows:

- Transactions
- Other economic flows
 - Revaluations (price changes)
 - Other changes in volume of assets (diverse, e.g. write-off of loan)

Key features of accounts

- Gross recording (two columns)
 - Separate assets and liabilities, do not net them off
- Balancing item for each account (usually has “meaning”)
 - Examples are Gross Value Added (GDP), GNI, saving, Net lending/borrowing
- Some types of transaction can appear on both sides of an account
 - Examples are interest and transfers

Sequence of transaction accounts

- Production account
- Primary income accounts
- Secondary income account
- Use of income account
- Accumulation (“capital”) accounts
- Financial accounts

Example of an Account (Capital)

<i>Changes in assets</i>	<i>Changes in liabilities and net worth</i>
	<i>Saving</i>
Capital transfers (payable)	Capital transfers (receivable)
Gross capital formation	
(-) Consumption of fixed capital	
Acquisitions less disposals of non-produced non financial assets	
<i>Net lending (+)/Net borrowing (-)</i>	

A financial (transactions) account

	Acquisition less disposals of financial assets	Incurrence of liabilities less repayment
F1		
F2	+50	
F3		+30
...		
Net lending / Net borrowing		+20

The balance between financial and non-financial accounts

- The balance between the financial investment and financial liabilities is the net lending (of positive) or the net borrowing (if negative) : B9F
- This balance is equal to the net lending/net borrowing from the non-financial account (that is, to simplify, the difference between gross saving and gross capital formation).
- Indeed : a non-financial transaction (haircut by household : - 15 euros : consumption ; $B9 = -15$) will translate into a reduction in bank account of -15 ($B9F = -15$)

Institutional units

Elementary decision-making units

units capable of owning assets and incurring liabilities

Practical criteria:

⇒ autonomy of decision (tricky in practice...)

⇒ complete accounts

⇒ + residents!

Institutional Sectors

Grouping of institutional units:

S.11 Non-financial corporations

S.12 Financial corporations (breakdown into sub-sectors S121-S129)

S.13 General Government

S.14 Households

S.15 Non-profit institutions (NPISH)

S.2 Rest of the World (ROW)

Consolidation

- We record transactions and stocks “gross” but we can present sector data “consolidated” or “non-consolidated”
- Consolidation eliminates transactions and stock positions within the same sector (or sub-sector)
- Example – two banks: Bank A lends 50 to a household and 30 to Bank B. Bank B lends 20 to a household. Total non-consolidated lending is 100 ($50+30+20$). Total consolidated lending is 70 ($50+20$). Both measures have meaning...
- Data source needs – must separate ‘within-sector’ from ‘extra-sector’

Whom to whom analysis

- Extend sector accounts to show which sectors transact (or who have a stock position) with which other sectors (“counter-parties”). Also presented as “flow of funds”.
- Whole “matrix” is possible, but at a minimum it is helpful to distinguish residents from non-residents, for example:
 - Total liabilities of general government in bonds 100
 - Counterparties holding the bonds as assets: resident 80 / non-resident 20
- Source data requirements can be heavy (breakdown by counterparty), but this analysis can improve overall data quality by pointing to where balancing efforts are needed.

Thank you

