

2nd Workshop on Financial Accounts, 9-11 October

Conclusions and way forward



Brussels, EFTA House

Conclusions and way forward

- **Financial accounts are part of a larger system of (macro)economic statistics**
 - Important to coordinate, cooperate and align with other subsystems
 - E.g. Balance of Payments/IIP, Government Finance Statistics (GFS), Monetary Statistics, non-financial accounts
 - But also with Business Statistics, other Financial Statistics and social statistics
- **Use all data sources available**
 - Start with the data you have/can easily access (real sector, corporation sector, household sector, public accounts and balance of payments including if available and accessible data from the stock market, administrative and other commercial data)
 - Assess the quality of each data sources, strive to improve gradually
 - Create (and maintain) quality hierarchy of data sources (for each instrument and sector) and be transparent (e.g. publically available methodological report)
 - Align to financial account data from GFS and BOP/IIP

Conclusions and way forward

- **Always respect and maintain the identities in (balancing) the financial account**
 - Balancing is part of the game; challenging but essential part of compiling (financial) accounts
 - Usually, large corrections are found with financial accounts because of volatility and magnitude of market values of securities
 - Be pragmatic (and optimistic and creative), but be transparent and provide metadata to users, and also provide feedback to data suppliers (and continuously improve)
- **Statistical discrepancies are inevitable and can be seen as an opportunity!**
 - One of the quality indicators of your accounts
 - Don't hide them, but try improve quality by analyzing them
 - But also discuss and decide what you can and will tolerate
 - And what you can do to decrease them, take inspiration from existing reports e.g.
 - Eurostat/ECB Task Force on vertical consistency (statistical discrepancies):
https://www.ecb.europa.eu/stats/pdf/Recommendations_on_Vertical_consistency.en.pdf

Conclusions and way forward

- **Organizational and institutional aspects may also be a source of discrepancies**
 - Different (or differently interpreted) data sources, data gaps, mismeasurement of certain activities, assumptions, different revision policies, etc.
 - Coordination and cooperation amongst key data providers and compilers is key
 - Good business register helps to minimize misclassifications
- **Improve communication**
 - With respondents (if possible)
 - With holders of (new) administrative data
 - With your other data providers
 - With other compilers of macroeconomic statistics (nationally and internationally)
 - With your users (seek for (new) policy applications)

Conclusions and way forward

- **Set up working groups to facilitate the process**
 - Distribution of responsibilities based on national circumstances
 - Data discussion with each data provider – Business and trade, government, real sector, financial sector and external sector (rest of the world)
 - Data discussions with BOP to discuss mergers and acquisitions
- **Automate your compilation process as much as possible**
 - From ingesting input data to automatic balancing procedures
 - But be aware what technology can and cannot do, some inconsistencies really need to be solved “by hand”
 - Learn from others
 - Use the Generic Statistical Business Process Model (GSBPM - statswiki.unece.org/display/GSBPM) to structure the process and Generic Statistical Information Model (GSIM - statswiki.unece.org/display/GSBPM/Information+flow+within+GSBPM+using+GSIM) for information flow
 - Create reports to facilitate detection of outliers and other errors, incl. analytical reports

Conclusions and way forward

- **Who-to-whom matrices provide an overview of sectoral interlinkages in the economy**
 - Start with aggregates where counterparty information is readily available – financial corporations' loans and deposits
 - Progress to more detailed instruments later
 - Experience in many countries showed this is a best practice
 - Consistent with macroeconomic aggregates
 - Positions and flows are broken down by counterpart sectors
 - There is always room for improvement but set priorities (which action has the most value added (for your users))
 - Data challenges: not complete counterpart data in primary sources → analysis, reconciliation of different sources, estimation for missing data, other adjustments
 - Adds analytical value to the accounts by assisting compilers to evaluate initial estimates
 - Important information for the analysis of financial vulnerabilities (internal and external)
 - Develop visualization tools to better service external users

Conclusions and way forward

- **Enhancing the integration of monetary statistics with financial account statistics is challenging**
 - Different standards
 - Need to collect more (bank to non-bank) information to allow for a good bridging between the two datasets
 - Would allow linking the monetary dynamics to saving and financing development at sector (households, corporations) level
- **Information on the sensitivity of sectors' balance sheet to interest rates changes (gross flows, variable/fixed rates composition, bank retail rates) is useful in monitoring vulnerabilities and monetary policy pass through**
- **FISIM relates sector's financial balance sheets to GDP - take it into account during calculation**

Conclusions and way forward

- **Financial Institutions: ideal is to collect the balance sheet of all significant financial institutions**
 - Estimations or additional information is usually needed to compile positions at market value (depending on the local accounting standards)
- **Non-Financial Institutions: the ideal is also to collect balance sheet, and if possible, some additional information, from the most relevant institutions**
 - Securities statistics may be an alternative for actively traded securities
- **Households: indirect sources have to be used**
 - Counterpart information from financial corporations should be collected
 - A survey of households is possible and useful, but unlikely to provide trustable annual data without high costs
 - For securities: securities statistics are usually very helpful