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):
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