

Use of financial accounts for analytical purposes

Private Sector Debt with a focus on NFCs

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 - Private debt numbers by the IMF
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 - NFC debt by counterpart
 - Intra group loans
 - NFC consolidated debt excluding 'pass through loans'

Consolidated private sector debt as an indicator

- The **private sector debt** is the stock of liabilities held by the sectors Non-Financial Corporations (NFC), Households and Non-Profit institutions serving households (S.11+S.14+S.15).
- The instruments that are taken into account to compile private sector debt are Debt securities and Loans .
- Data are presented in consolidated terms, i.e. do not taking into account transactions within the same sector
- It is one of the main indicators of the Macroeconomic Imbalance Procedure (MIP) of the EU
- *The MIP aims to identify, prevent and address the emergence of potentially harmful macroeconomic imbalances that could adversely affect economic stability in a particular Member State, the euro area, or the EU as a whole*
- According to MIP consolidated private sector debt should stay below 133% of GDP

Consolidated private sector debt as an indicator

- Usefull insight in your economy
- Communicated to the press

■ The private sector debt ratio in Belgium continued to fall in 2022, from 174.3% to 162.8% of GDP, mainly as a result of rising GDP. The rise in GDP was nominally greater than the increase in the liabilities of non-financial corporations and households. In nominal terms, the liabilities of non-financial corporations nonetheless rose slightly, by 0.35% (from €560.3 billion to €562.3 billion). Consolidated household debt increased by 5.3% (from €315.5 billion to €332.2 billion), primarily due to growth in mortgage loans in 2022. ¶

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CONSOLIDATED DEBT OF THE BELGIAN PRIVATE SECTOR ¹								
(in % GDP)¶								
°	2015	2016	2017	2018	2019	2020	2021	2022
Non-financial corporations	115.7%	135.2%	126.7%	121.1%	118.0%	117.7%	111.5%	102.3%
Households	57.9%	58.2%	58.9%	59.2%	60.5%	65.4%	62.8%	60.5%
Total	173.6%	193.4%	185.5%	180.3%	178.5%	183.1%	174.3%	162.8%

Source: NBB.

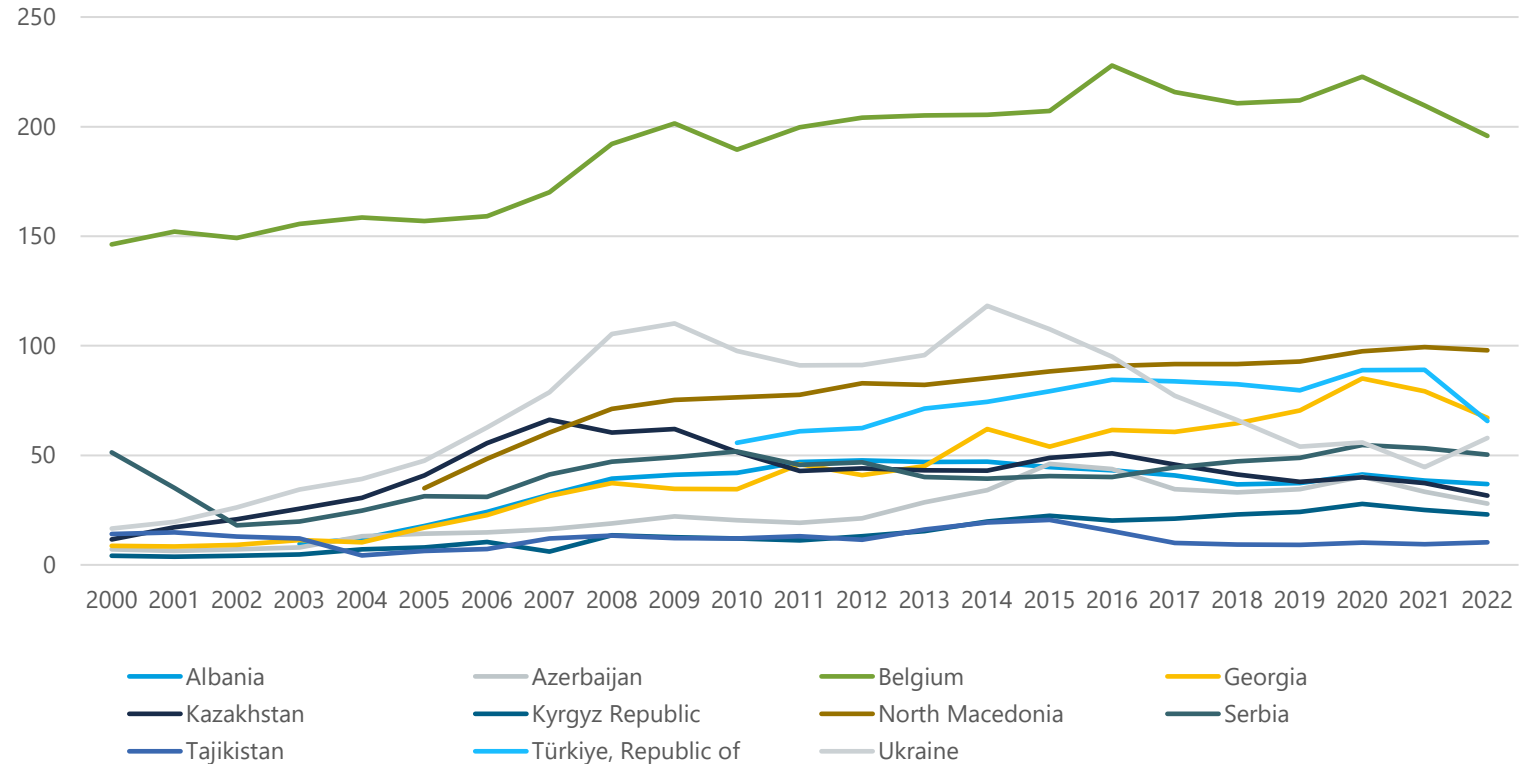
1 - Loans and debt securities outstanding at the end of the year, excluding liabilities within the same sector, defined in accordance with the Macroeconomic Imbalance Procedure. ¶



Private sector debt by the IMF

- Data available at IMF
- Non consolidated
- Source is often BIS
- Vintage issues with country data

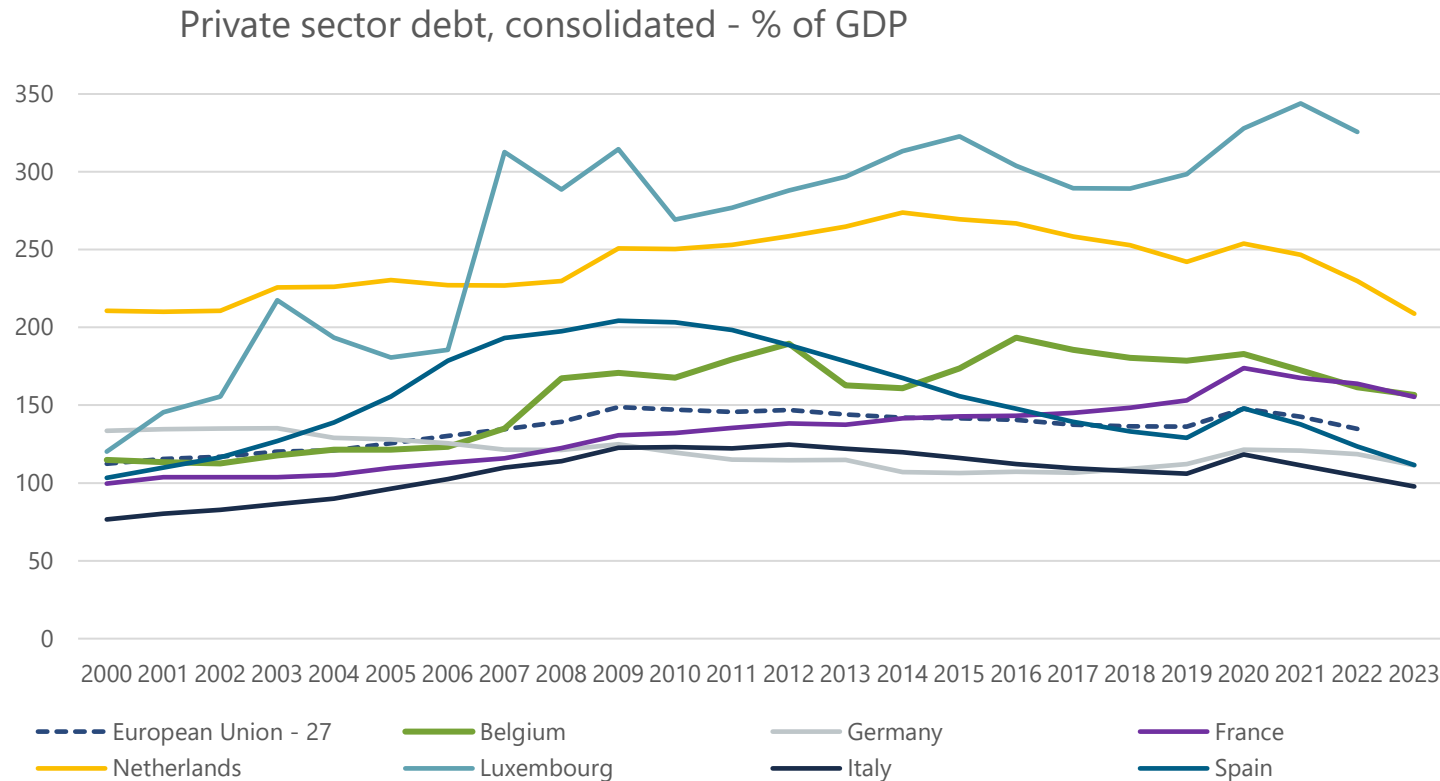
Private debt, loans and debt securities (% GDP)



Source: IMF

- https://www.imf.org/external/datamapper/PVD_LS@GDD/ARM/AZE/BEL/MDA/MNG/IND/RUS/QAT

Consolidated private sector debt according to ESA2010



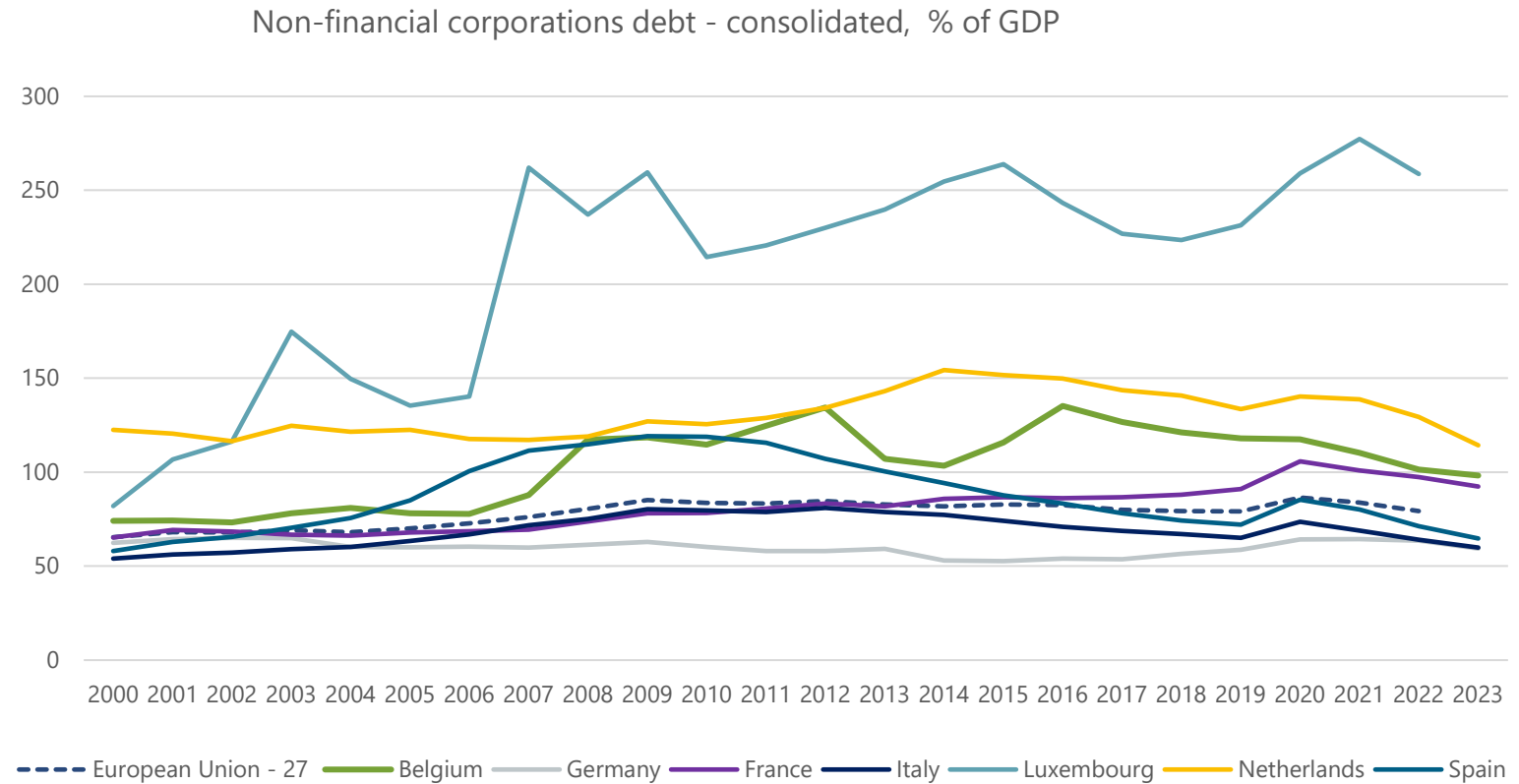
- Source = Eurostat or ECB
- Consolidated
- Many above 133% GDP
- Intragroup & intrasector loans
- Belgium: High

Source: Eurostat <https://ec.europa.eu/eurostat/databrowser/view/tipspd20/default/line?lang=en>



Non-financial corporations consolidated debt

- Similar pattern as total private debt
- Illustrates stability of household debt

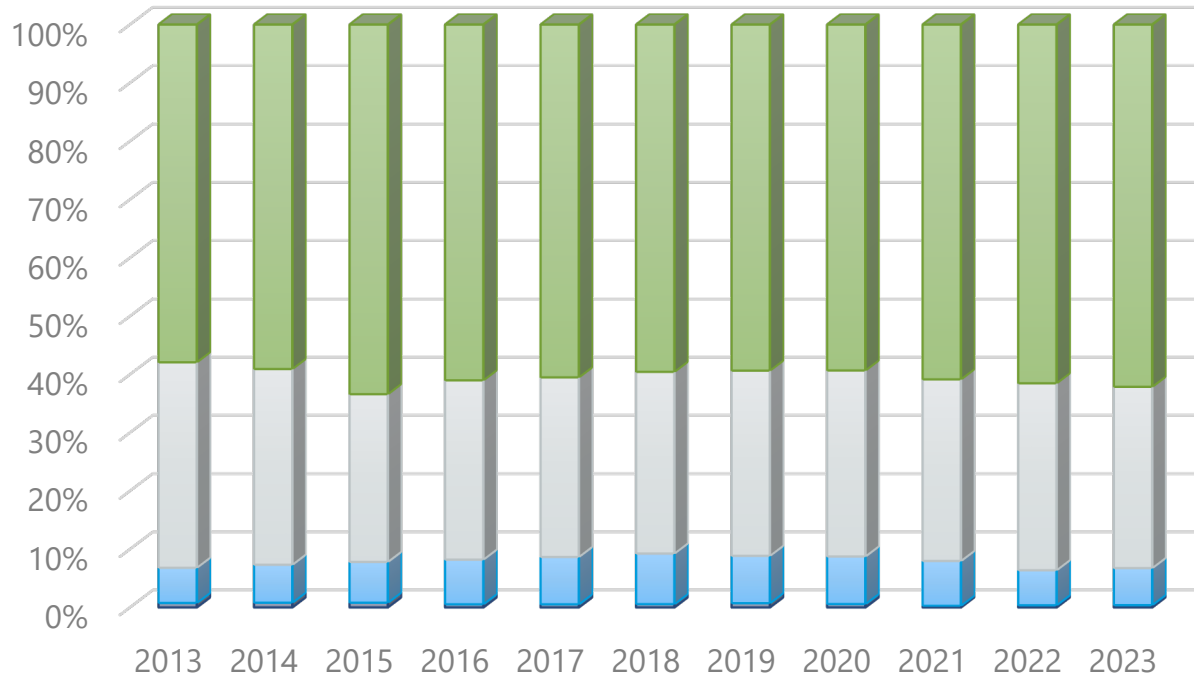


Source: Eurostat



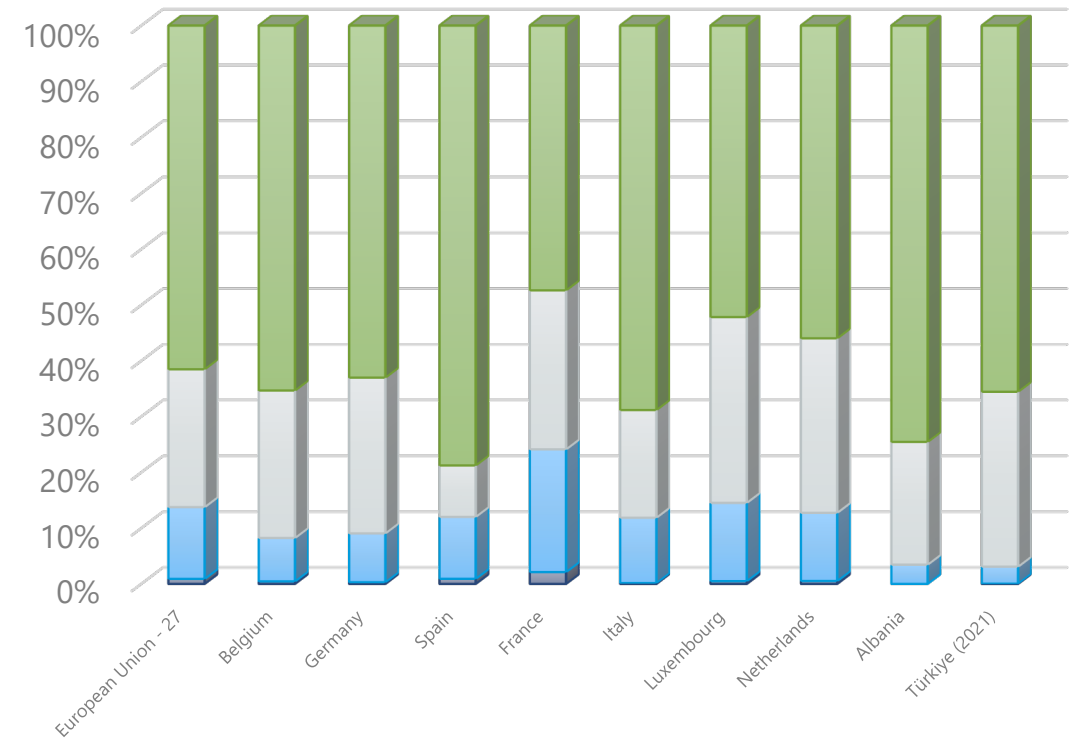
Non-financial corporations consolidated debt by instrument

Belgian NFC debt



■ Short-term debt securities ■ Long-term debt securities

2022

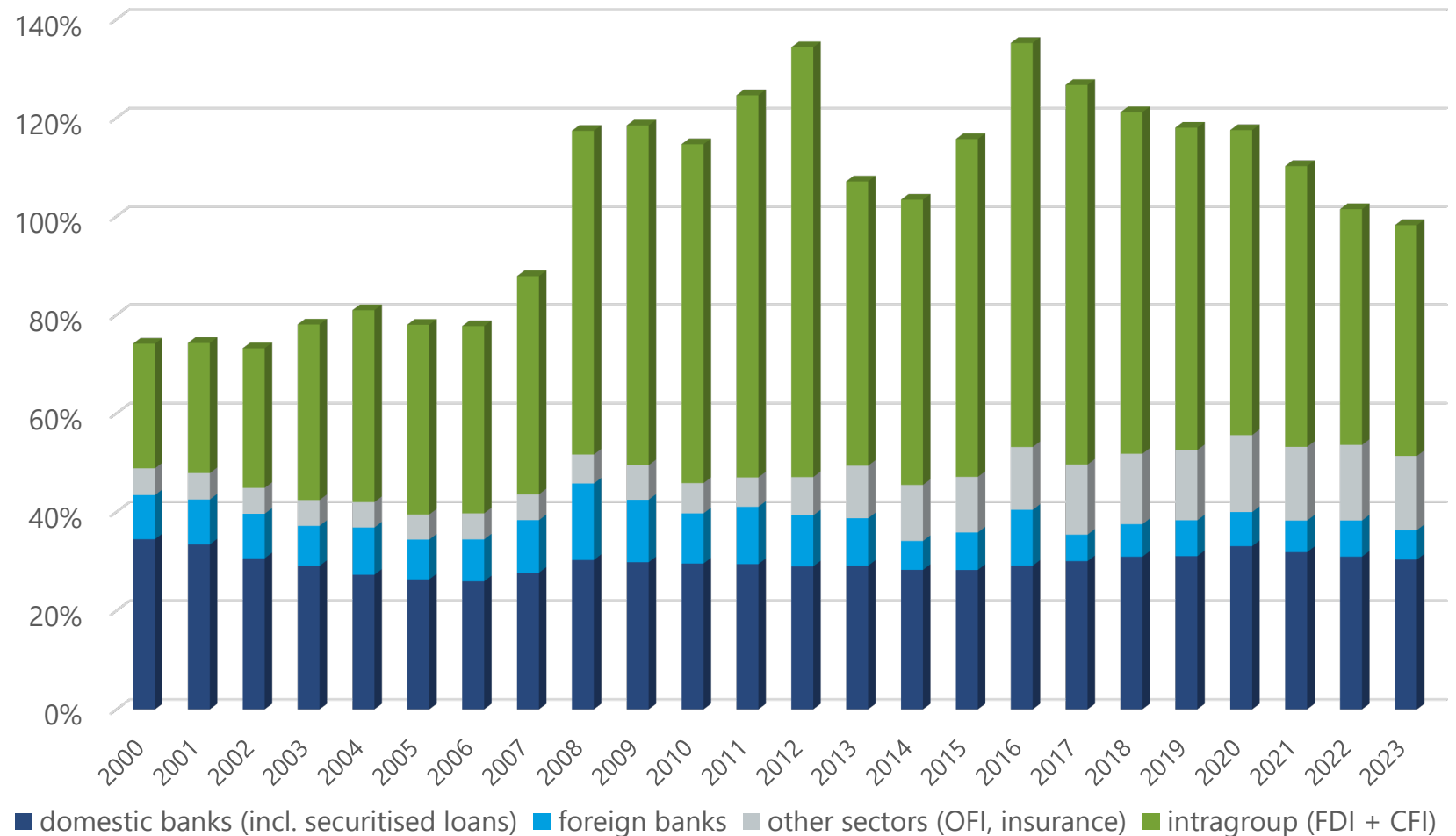


■ Short-term - Loans ■ Long-term - Loans

Source: NBB; Eurostat

Consolidated NFC debt in Belgium by counterpart sector

- Other sectors = gouvernement, financial leasing, insurance companies
- Banks, domestic & foreign
- Intra group loans, domestic & foreign
 - = foreign direct investment (linked foreign enterprises) & Captive financial institutions (holdings & treasury centers)
 - => Not considered to be aimed at financial intermediation



Source: NBB.

NFC debt: intra-group loans

- As recognized by Eurostat, the **intra-group loans** play an important role in NFC debt and could inflate the private sector debt ratio for countries with large FDI and intragroup loans for purely financial/tax reasons.
- A proxy for the pass-through loans could be identified as the **loans on the asset side** of the NFC. These loans are often provided to other related companies part of the (multinational) group of enterprises.

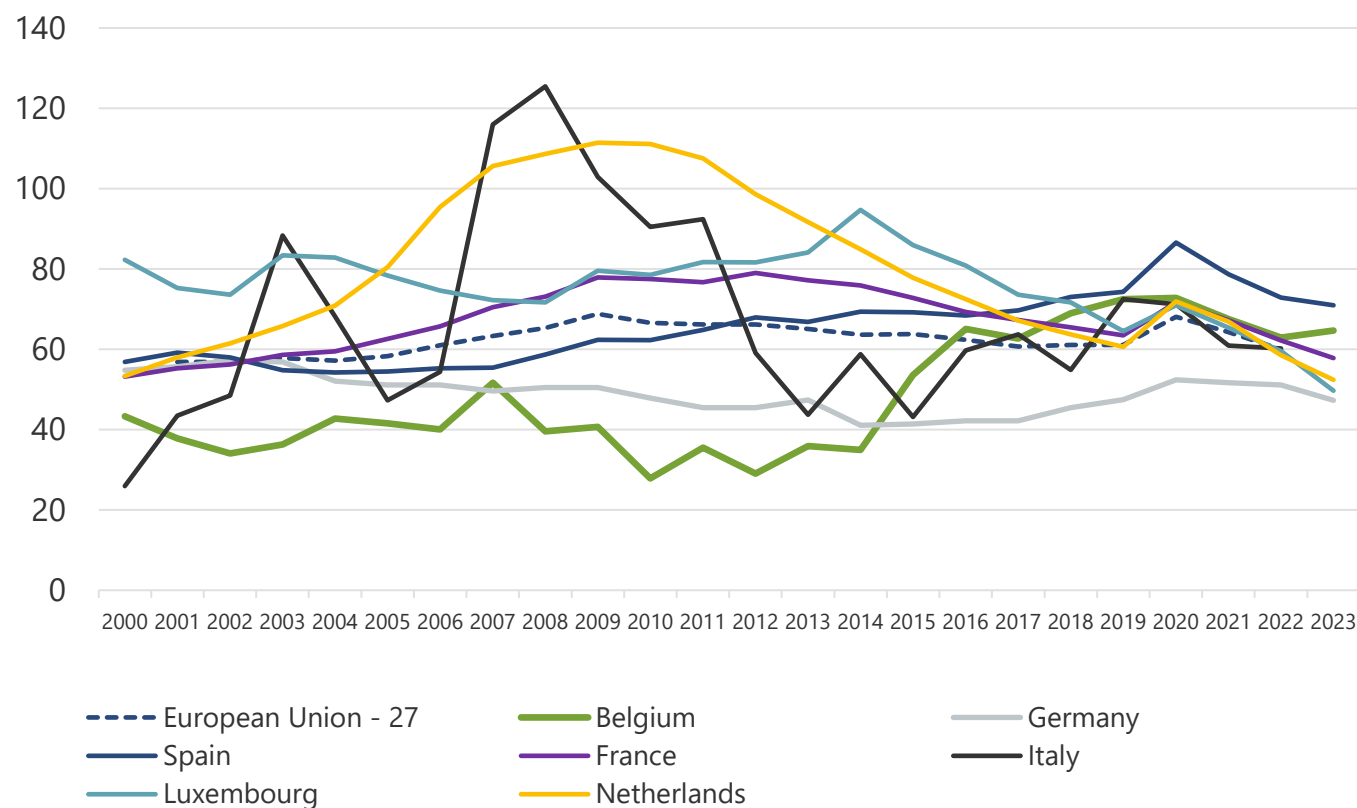
Simplified balance sheet of NFC sector

Assets	Liabilities
Non-financial assets	Own funds
Participations	Bank loans & loans from other sectors
Loans	Intragroup loans
Liquid assets	Other liabilities

NFC consolidated debt excluding 'pass through loans'

Consolidated debt of non-financial corporations (in % GDP) disregarding "pass through" loans

- Assumption all loan assets of NFC are intra group
- Consolidated NFC debt minus NFC loan assets
- Clearly important for Be, Lu and NI
- Around EU average
- Below 133% of GDP



Source: Eurostat; NBB Calculations

Questions?

October 1th 2024