



**CONFERENCE ON STRENGTHENING SECTORAL POSITION AND FLOW DATA  
IN THE MACROECONOMIC ACCOUNTS**  
Jointly organized by the IMF and OECD  
February 28–March 2, 2011

**SUMMARY OF THE KEY CONCLUSIONS**

**Background**

The Conference on Strengthening Sectoral Position and Flow Data in the Macroeconomic Accounts was organized jointly by the IMF and OECD as part of international efforts to address information gaps exposed by the recent global crisis. The main objective of the Conference was to seek consensus on the strategy for expanding the dissemination and reporting of annual and quarterly sectoral accounts by G-20 economies and non-G-20 advanced economies. The expansion would involve improving the compilation of sectoral national accounts in terms of breakdowns (subsectors and asset details) and closing data gaps as well as developing flow of funds on a from-whom-to-whom basis.

The Conference was a part of the work program for implementing Recommendation 15 of the G-20 Data Gaps Initiative as described in the joint IMF and Financial Stability Board Secretariat report, *“The Financial Crisis and Information Gaps,”* available at [www.imf.org/external/np/g20/pdf/102909.pdf](http://www.imf.org/external/np/g20/pdf/102909.pdf) that was endorsed by G-20 finance ministers and central bank governors at their meeting in November 2009. Recommendation 15 calls for developing “a strategy to promote the compilation and dissemination of the balance sheet approach (BSA), flow of funds, and sectoral data more generally, starting with the G-20 economies.” This strategy is guided by a working group that has been created under the auspices of the Inter Agency Group on Economic and Financial Statistics (IAG), which is chaired by the IMF.<sup>1</sup>

In addition, the work program for the Eighth Review of the IMF’s Data Standards Initiatives, provisionally scheduled for the first half of 2012, also includes the possibility of strengthening the Special Data Dissemination Standard (SDDS) by considering the dissemination of sectoral balance sheet information.

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<sup>1</sup> The IAG comprises the Bank for International Settlements, the European Central Bank, Eurostat, the IMF, the OECD, the United Nations, and the World Bank.

The Conference was attended by 66 professionals from central banks and national statistical offices of the G-20 economies and some non-G-20 economies, as well as from international organizations.

In the opening remarks, Mrs. Adelheid Burgi-Schmelz (Director of the IMF's Statistics Department) and Mr. Paul Schreyer (Deputy Director of the OECD's Statistics Directorate) highlighted the broader tasks of the Conference, including seeking to provide a platform to reach common understanding for improvements in sectoral accounts, identify needed work towards a minimum set of internationally comparable sectoral accounts, and foster discussions on priorities for the compilation and dissemination of these data by G-20 economies and non-G-20 advanced economies. The statistical framework is provided by the well established System of National Accounts (SNA), but important gaps exist in disseminating the sectoral accounts as revealed by the recent global crisis.

Mr. Min Zhu, Special Advisor to the Managing Director of the IMF, emphasized, in his keynote speech, the need to have an even-handed approach to statistics to ensure cross-country comparison and provide an adequate tool for assessing financial interconnectedness both within and across economies and for strengthening financial sector surveillance. It is important to have a full picture of the linkages between the financial sector and the real economy as well as a detailed understanding of the financial sector to reflect its complexity. The development of sectoral accounts, including balance sheets and flow of funds, would, inter alia, give policymakers a better understanding of these inter-linkages and support the analysis of vulnerabilities within the economy.

The participants welcomed the Conference as providing a good opportunity to discuss the status of the availability of sectoral accounts. The Conference was seen as a timely event that will help countries to develop plans for strengthening sectoral accounts particularly in view of ongoing efforts to implement the *System of National Accounts 2008 (2008 SNA)* and European System of Accounts 2010 (ESA 2010). There was also an understanding that countries are at different stages of implementation of the sectoral accounts. Designing and implementing changes to or initiating new data collection systems are costly and that priorities must therefore be established among the various potential improvements. The key points made at the Conference are presented below.

## **Overview**

- The *2008 SNA* provides the conceptual framework for strengthening the sectoral accounts and an overarching framework for ensuring a holistic approach to macroeconomic statistics. However, it has now become imperative to agree on the dissemination of sectoral accounts that are internationally comparable to support the data needs for bilateral, regional and multilateral surveillance and policy coordination.

- The importance of coordinating with the ongoing work to address other data gaps in the context of the G-20 Data Gaps Initiative was emphasized because of the potential links with the sectoral accounts. This should ensure the consistency of “building blocks” of macroeconomic statistics (for example, data on fiscal, financial, and external sectors).
- Participants emphasized a need to strike a balance between priorities arising from the national policy point of view on the one hand and priorities arising from the international perspectives (bilateral, regional, or multilateral).
- Several participants pointed out problems with respect to the statistical discrepancies between data on financial flows and on real flows, as well as methodological differences among countries. The application of consistent concepts and definitions is needed to ensure convergence within and across economies. The Conference noted the existing initiatives by international organizations in promoting and collecting data on sectoral accounts. In particular, the efforts of Eurostat and the ECB were commended. The cooperation among Eurostat, the ECB, and the OECD is well established and can provide the basis for the wider global cooperation needed to implement Recommendation 15.

### **Balance sheet approach and flow of funds**

- Country experiences in compiling flow of funds revealed the following issues.
  - Currently, the statistical capacity devoted to the compilation of GDP is much greater than that for producing full sectoral accounts, including balance sheets and flow of funds. If priorities are to be refocused, a substantial structural change is required in countries’ compilation program at both ends of the accounts.
  - Better integration of financial and nonfinancial accounts including consistency between stocks and flows, and the enhancing of accuracy and timeliness were emphasized. Participants shared experiences on analyzing data discrepancies and communicating the results to policy makers.
  - Countries reported and exchanged views on their practices on estimating data between censuses and on performing the revision of historical time series upon arrival of new source data. Some considered that there may be an advantage in more fully exploring the use of administrative sources, particularly for sectors for which the statutory powers to collect survey data are weak.
  - In terms of accuracy of data, following points were made: (i) standardized financial statements including balance sheets and well-defined and organized

administrative data are generally considered to be reliable sources; (ii) obtaining accurate data on mutual funds, hedge funds, and on the liability side of unlisted stocks is challenging; and (iii) consistent valuation methods need to be improved.

- The usefulness of seasonal adjustments for data series on financial positions and flows was questioned. The global crisis introduced uncertainties in the validity of seasonal patterns in these series prompting the application of discretionary approaches toward seasonally adjusted series in some countries.
- Development of financial positions and flows on a from-whom-to-whom basis has become important to analyze domestic and global financial interconnectedness. However, implementation of such data frameworks is seen to be the most challenging in terms of resource requirements and data collection. Further, more detailed data implies a need to address the issue of confidentiality, especially for small economies or highly specialized economies.
- Participants considered that while the implementation of the from-whom-to-whom framework for financial positions and flows may be a longer-term goal for many countries, it can be pursued in the following steps, depending on current development status, resource requirements, and analytical and policy needs: (1) traditional financial transactions and positions by main sectors, (2) further details for financial corporations subsectors and general government subsectors, (3) from-whom-to-whom financial positions and flows for subsectors of financial corporations and general government and/or for specific financial instruments, and (4) fully integrated financial positions and flows on a from-whom-to-whom basis.
- The development of sectoral financial positions on a from-whom-to-whom basis will be an important tool for implementing the balance sheet approach (BSA). While the BSA promotes the production of data on currency breakdowns and remaining maturity, the former should be pursued with caution given the existence of foreign currency hedging, while the latter is challenging to implement.

### **Country practices and challenges in compiling sectoral flows and positions for financial assets and liabilities**

- The Conference acknowledged the existence of well elaborated sectoral financial accounts data in many advanced economies. Nonetheless many challenges going forward were identified: (i) ensure better cross-country comparisons; (ii) address discrepancies between financial and nonfinancial accounts; (iii) develop approaches for assessment of inter-sectoral links; and (iv) agree on the common data dissemination template. Despite potential constraints, including resources, the

Conference saw the benefit in establishing a common initial development program with assigned priorities.

- The Conference supported the compilation of sectoral accounts on an unconsolidated basis to avoid disguising the risk exposures.
- The challenges that the growth of structured products has presented to compilers was discussed. First, within the *2008 SNA* instrument classification, such products could be classified as debt securities, equity securities or financial derivatives depending upon their construction. The borderline between structured securities and financial derivatives was particularly difficult to draw. Second, the Conference considered it important to distinguish the structured debt securities from the fixed coupon bonds, although this is not specified in the *2008 SNA*.
- For many countries, due to the timeliness constraints of selected data sources, there is very limited room to improve timeliness without compromising the quality of data.

#### **Country practices and challenges in compiling sectoral flows and stocks for nonfinancial assets**

- The Conference discussed the country practices in compiling sectoral stock and flow data for nonfinancial assets. Within this category, the valuation of land and dwellings is central, and relevant for analyzing sectoral financial flows. Most countries experience difficulties in separating land and structures (land underlying dwellings and land underlying nonresidential buildings) in the balance sheets. Problems also arise in valuing agricultural land, estimating other volume changes, and the treatment of catastrophic losses to fixed assets. Some participants expressed the view that the value of structures derived with the Perpetual Inventory Method (PIM) does not necessarily represent reality, and may need to be adjusted. Besides, in applying the PIM there is a need to review the asset life almost continuously, which is resource intensive.
- Data on stocks of nonfinancial assets are generally available on an annual frequency only. Furthermore, it may not be feasible to compile these data by subsectors.

#### **Strengthening sectoral position and flow data in the macroeconomic accounts—a way forward**

##### *Template for a minimum set of internationally comparable sectoral accounts*

- The Conference welcomed the proposal for developing a template for sectoral accounts. It was stressed that the template be cast within the framework of and in the process of implementing the *2008 SNA/ESA 2010*.

- The Conference provided sufficient guidance and recommendations for the international agencies within the IAG to develop a draft template for a minimum set of internationally comparable sectoral accounts. The guidance included four building blocks that will determine the scope of the template: (i) minimum sector and subsector breakdowns; (ii) transactions breakdowns of the current and capital accounts; (iii) financial instrument classification (including debt on remaining maturity and currency composition); and (iv) classification of nonfinancial assets. These four building blocks discussed at the Conference are provided in the attachment to this summary report. The Conference made the following suggestions for refining these building blocks:
  - Subsectoral details for financial corporations are necessary. However, apart from the central bank and other deposit-taking corporations, insurance and pension funds can be combined, money-market mutual funds should be separately identified, and all other financial corporations can be grouped together. Further classification by control (public, national private and foreign controlled) would be difficult to achieve even in the medium-term. The *2008 SNA* classification of subsectors for financial corporations can be considered as encouraged items. For nonfinancial corporations, the distinction of subsectors by control may be considered as encouraged details.
  - With respect to transactions in the current and capital accounts, the Conference suggested a more aggregated approach than that in the *2008 SNA*. Also, it was deemed sufficient to have sectoral current and capital accounts for the minimum sector classification.
  - For financial instrument classification, further breakdown of equity (into listed, unlisted, and other equity) and financial derivatives (into options and forwards) should be considered as encouraged items. Currency breakdowns and remaining maturity information in particular will require additional data collection and will not be feasible in the short-run.
  - The classification of nonfinancial assets for stocks may be feasible only for selected assets and only for the minimum sector classification.
  - There is a need to provide a correspondence between the *System of National Accounts, 1993 (1993 SNA)* and *2008 SNA* so that data on the *1993 SNA* basis can be made comparable to those reported on the *2008 SNA* basis.
- With respect to the frequency of sectoral accounts, the Conference agreed that there should be a move toward quarterly frequency. It, however, noted that while quarterly financial data are important, certain data categories, such as stocks of nonfinancial assets could be available with annual frequency only.

### ***Financial positions and flows on a from-whom-to-whom basis***

- The Conference noted the importance of data on financial positions and flows on a from-whom-to-whom basis, particularly in view of the need to understand, as revealed by the recent global crisis, the financial interconnectedness among the sectors of an economy and between them and rest of the world. The Conference acknowledged that the compilation of such data will require more resources and intensive data collection efforts. Nonetheless, the Conference agreed that development of these data should be pursued in the medium term as encouraged items. Where possible, countries are to be encouraged to initiate compiling financial positions on a from-whom-to-whom basis, even if on a partial basis, starting with specific sectors or subsectors of financial corporations and general government and/or with specific financial instruments (particularly nonnegotiable financial instruments, such as deposits and loans).

### ***Time frame and priorities***

- The initial phase of the implementation of the sectoral accounts is proposed to be completed within three years (by 2014) to coincide with the implementation of the 2008 SNA/ESA 2010 by many of the advanced economies.
- The Conference agreed on the priorities for strengthening sectoral accounts. Initial focus should be given to the minimum set of internationally comparable sectoral accounts. Countries should then work on expanding the breakdowns for sectors, financial instruments, and nonfinancial assets. Finally, the compilation of financial positions and flows on a from-whom-to-whom basis should be given priority in the medium term. Such prioritization will allow countries with different level of development in the sectoral accounts to make progress. While the minimum set will serve as a benchmark for countries with no or partial sectoral accounts, countries with sufficient sectoral accounts can move towards implementing the fully integrated sectoral accounts and the compilation of financial positions and flows on a from-whom-to-whom basis.
- It was recognized that for countries that do not yet compile sectoral accounts, the development of such statistics will require addressing large data gaps in their existing statistical systems. There is a need to study carefully the requirements, resource implications, institutional issues and reporting burden before designing necessary surveys to collect data. Countries should evaluate what can be achieved by integrating and using available statistics. For countries that do not yet compile sectoral accounts, there is an advantage in making a quick start with sectors for which a significant amount of data is or may be made available (most likely, financial corporations and general government).

### ***Outreach, technical assistance, and training***

- The implementation of the integrated sectoral accounts will have different implications in terms of resources and institutional setup in different countries.
- A two-track approach is needed to assist countries with advanced or good statistical systems (most of the advanced economies) and countries with less developed statistical systems (most of the emerging market economies). While some outreach programs (workshops to discuss compilation issues) might be sufficient for the first group of countries to implement the sectoral accounts initiative, technical assistance and training programs will be needed to assist the second group of countries. International cooperation and some division of responsibilities among the international agencies might be necessary.

### ***Arrangements for collection and dissemination of sectoral accounts***

- The Conference welcomed the cooperation among Eurostat, the ECB, the OECD and the IMF to enhance the effectiveness of data collection and dissemination in the future to reduce response burden. In particular, the participants welcomed the principle that a country should be required to complete the template for a given reference period or date and submit data to only one international institution.

### **Next steps for the way forward**

In concluding remarks, Mrs. Adelheid Burgi-Schmelz and Mr. Paul Schreyer summarized the following roadmap for the way forward:

- The outcome of the Conference will be discussed at the IAG meeting on March 3, 2011. The IAG will take into account the main points and recommendations of the Conference for developing the template for the minimum set of internationally comparable sectoral accounts.
- The G-20 Senior Official Conference during March 30–31, 2011 will discuss the progress and programs for all the G-20 data recommendations, along with those for Recommendation 15 on sectoral accounts. The outcome of this Conference on sectoral accounts will be reported to the G-20 Senior Official Conference.
- The IAG will finalize the template taking into account any feedback received from the G-20 Senior Official Conference. G-20 economies and those represented at the Conference will get an opportunity to comment on the template.
- All these efforts will feed into the report that is due to the G-20 finance ministers and central bank governors in June 2011. The report will provide a sound foundation for



countries to plan the implementation of the sectoral accounts over the next couple of years as an integral part of the migration to the *2008 SNA/ESA* 2010.

- Existing international forums (such as the OECD working parties on financial accounts and national accounts) will be used to provide methodological support in the implementation of sectoral accounts.
- International organizations will work together to collect and disseminate internationally comparable sectoral accounts. The IMF plans to make sectoral account data available on the Principal Global Indicators website.
- In early 2012, the IMF Executive Board will discuss enhancements to the SDDS and the new SDDS Plus, which will reflect key (and feasible) results from the sectoral accounts initiative.

# Framework for Sectors, Financial Instruments, and Nonfinancial Assets for Internationally Comparable Sectoral Accounts

|   |                                   |   |   |                            |  |  |  |                              |                             |   |                            |   |                             |                    |  |                |                      |           |
|---|-----------------------------------|---|---|----------------------------|--|--|--|------------------------------|-----------------------------|---|----------------------------|---|-----------------------------|--------------------|--|----------------|----------------------|-----------|
| Classification of Institutional Sectors | Non-financial corporations S11    |   |   | Financial corporations S12 |  |  |  |                              |                             |   |                            |   | General government S13      |                    | Households and NPISHs S14-15                 |                | Rest of the World S2 |           |
|   | Public non-financial corporations | National private non-financial corporations | Foreign controlled non-financial corporations | Central bank S121          | Other deposit-taking corporations S122   |  |  | Other financial institutions |                             |   |                            | Insurance and pensions                                |                             | General government | of which, general government social security | Households S14 |                      | NPISH S15 |
|   |                                   |   |   |                            | Public other deposit-taking corporations | National private other deposit-taking corporations | Foreign controlled other deposit-taking corporations | Money-market funds S123      | Non-money market funds S124 | Other financial intermediaries except insurance and pensions S125 | Financial Auxiliaries S126 | Captive financial institutions and money lenders S127 | Insurance corporations S128 |                    |  |                |                      |           |

| Classification of Financial Instruments for Financial Account, OCVA, Revaluation, and Positions and Financial Positions and Flows on a From-whom-to-whom Basis |  |
|--|--|
| F1   | Monetary gold and SDRs                                 |
|  | F11 Monetary gold                                      |
|  | F12 SDRs   |
| F2   | Currency and deposits                                  |
|  | F21 Currency   |
|  | F22 Transferable deposits                              |
|  | F221 Interbank positions                               |
|  | F229 Other transferable deposits                       |
|  | F29 Other deposits                                     |
| F3   | Debt securities  |
|  | F31 Short-term   |
|  | F32 Long-term  |
|  | With remaining maturity of one year and less           |
|  | With remaining maturity of more than a year            |
| F4   | Loans  |
|  | F41 Short-term   |
|  | F42 Long-term  |
|  | With remaining maturity of one year and less           |
|  | With remaining maturity of more than a year            |
| F5   | Equity and investment fund shares                      |
|  | F51 Equity   |
|  | F511 Listed shares                                     |
|  | F512 Unlisted shares                                   |
|  | F513 Other equity                                      |
|  | F52 Investment fund shares/units                       |
|  | F521 Money market fund shares/units                    |
|  | F522 Non MMF investment fund shares/units              |
| F6   | Insurance, pension and standardized guarantee schemes  |
|  | F61 Non-life insurance technical reserves              |
|  | F62 Life insurance and annuity entitlements            |
|  | F63 Pension entitlements                               |
|  | F64 Claim of pension fund on pension managers          |
|  | F65 Entitlements to non-pension benefits               |
|  | F66 Provisions for calls under standardized guarantees |
| F7   | Financial derivatives and employee stock options       |
|  | F71 Financial derivatives                              |
|  | F711 Options   |
|  | F712 Forwards  |
|  | F72 Employee stock options                             |
| F8   | Other accounts receivable/payable                      |
|  | F81 Trade credits and advances                         |
|  | F89 Other accounts receivable/payable                  |
| * Debt instruments classified by domestic and foreign currency.  |  |

|                              |   |
|------------------------------|---|
| Current and Capital Accounts | Classification of transactions as recommended in the 2008 SNA |
|------------------------------|---|

| Classification of Non-Financial Assets for Capital Account, OCVA, Revaluation, and Stocks |  |
|---|--|
| AN1   | Produced non-financial assets                              |
|   | AN11 Fixed assets by type of asset                         |
|   | of which,  |
|   | AN111 Dwellings  |
|   | AN112 Other buildings and structures                       |
|   | AN12 Inventories by type of inventories                    |
|   | AN13 Valuables   |
| AN2   | Non-produced non-financial assets                          |
|   | AN21 Natural resources                                     |
|   | of which,  |
|   | AN211 Land   |
|   | AN212 Mineral and energy reserves                          |
|   | AN22 Contracts, leases and licenses                        |
|   | AN23 Purchases less sales of goodwill and marketing assets |

= minimum  
 = encouraged