



First IMF Statistical Forum
Statistics for Global Economic and Financial Stability

Comments on
«Risk Exposures in International
and Sectoral Balance Sheets»

Peter van de Ven
OECD

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DISCUSSANT NOTES IN RELATION TO PAPER « RISK EXPOSURES IN INTERNATIONAL AND SECTORAL BALANCE SHEETS » BY PHILIP R. LANE

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2013)*

Peter van de Ven
Head of National Accounts, OECD



Introduction

Perspective of statistician (National Accountant)

- “There are three kinds of lies: lies, damned lies, and statistics” (Benjamin Disraeli)



Introduction

Perspective of statistician (National Accountant)

- “There are three kinds of lies: lies, damned lies, and statistics” (Benjamin Disraeli)
- “An unsophisticated forecaster uses statistics as a drunken man uses lamp-posts - for support rather than for illumination” (Andrew Lang)



Foreign Assets and Liabilities

- $\Delta \text{NIIP} = \text{Current Account} + \text{Net Capital Transfers} + \text{Holding Gains and Losses} + \text{Other Changes}$
- $\Delta \text{NIIP} = \text{Financial Transactions} + \text{Holding Gains and Losses} + \text{Other Changes}$
- $\text{Financial Transactions} = \text{Current Account} + \text{Net Capital Transfers}$
- Statistical Discrepancies!!!
- Lots of focus on transaction identity, less so on arriving at budget identity => Improved balancing needed for analysis



Foreign Assets and Liabilities

- Favour second equation: $\Delta \text{NIIP} = \text{Financial Transactions} + \text{Holding Gains and Losses} + \text{Other Changes}$
 - Probably data on balance sheets and financial transactions better aligned and more consistent
 - Allows for an analysis by financial instrument
 - In System of National Accounts, part of the statistical discrepancies may have been addressed



International Currency Exposures

- Hardly data available on positions by currency
- For me, it raises a more general question on accounting for risk exposures, as many positions will be covered by derivatives, options, swaps, etc.
- How could additional, more detailed data support this type of risk analysis?



Sectoral Analysis

Philip Lane's paper clearly shows some of the data needs for analysis:

- More granular information by subsectors of financial corporations
- Distinction between foreign-owned and domestically owned banks
- More detailed counterparty information:
 - “geographic and industrial composition of its loan book and bond holdings”
 - more generally, breakdown of the rest of the world
- Ultimate beneficial ownership



Sectoral Analysis

- Need for very granular information by subsector and by counterparties of financial assets and liabilities
- G20 DGI, recommendation 15:
 - develop a strategy to promote the compilation and dissemination of the balance sheet approach (BSA), flow of funds, and sectoral data more generally
 - data on non-bank financial institutions should be a particular priority



Template: Minimum and Encouraged Sectors for Quarterly Financial Account and Positions

Non-financial corporations (S11)	Minimum
Of which: Public non- financial corporations	Encouraged
Financial corporations (S12)	Minimum
Monetary financial institutions (S121+S122 +S123)	Minimum
Central bank (S121)	Minimum
Other depository-taking corporations (S122)	Minimum
Money- market funds (S123)	Minimum
Insurance corp. and pension funds (S128+ S129)	Minimum
Insurance corp. (S128)	Encouraged
Pension funds (S129)	Encouraged
Other financial corporations (S124+ S125+ S126+ S127)	Minimum
Of which: Non-money market investment funds (S124)	Encouraged
Of which: Other financial intermediaries except insurance and pensions (S125)	Encouraged
Of which: Financial Auxiliaries (S126)	Encouraged
Of which: Captive financial institutions and money lenders (S127)	Encouraged
Of which: Public financial corporations	Encouraged
General government (S13)	Minimum
Of which: General Government Social Security (S1314)	Encouraged
Households and NPISHs (S14+S15)	Minimum
Households (S14)	Encouraged
NPISH (S15)	Encouraged
Rest of the World (S2)	Minimum

Minimum
Encouraged



Sectoral Analysis

A lot of information needs to be (further) developed => need to set clear priorities:

- Full set of financial transactions and balance sheets for main sectors, as much as possible balanced with non-financial accounts
- More granular information for financial corporations
- From-whom-to-whom tables for main sectors, with a focus on the distinction between financial corporations and other sectors
- Full-fledged system of from-whom-to-whom tables for main sectors
=> Note: make it an implicit part of the compilation of balance sheets
- Need for compilation of databases with very granular information (e.g. securities database)
- Need to establish improved link between macro-data and more detailed source data and databases => more flexibility



Some other remarks

- Households: more detailed data by household group
 - Macro-data may not show underlying vulnerabilities
 - More generally, distributional issues matter for well-being and social cohesion
 - G20 DGI, recommendation 16
- Government: analysis based on gross government debt flawed
 - More attention needed for net (financial) debt levels
 - More data on (unfunded) pension liabilities
 - More information on guarantees and contingent liabilities
- More general: clear conceptual framework to account for risk exposure would help to define data needs



Thank you for your attention!