Working Party on Financial Statistics

Household sector Financial Flow Accounts and National Balance Sheet Accounts estimates – Sources and methods

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This document has been prepared Patrick O’Hagan (Statistics Canada) and will be presented under item 6 of the draft agenda

The complete document is only available in PDF format
Household sector *Financial Flow Accounts* and *National Balance Sheet Accounts* estimates — Sources and methods

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Background

- FA developed in the late 1960s; BSA in the 1970s
- Household sector estimates from the beginning
- Improvements in quality over time
  - as enterprise survey vehicles improved ... especially NONFIN CORPS and financial institutions (about 20 sectors)
  - as administrative data improved
- Moved substantially in favour of counterpart entries in the 1970s and 1980s
- Added estimates of non-financial assets in 1980s
- Continued improvements (e.g., quarterly frequency, market valuation, pension satellite account, break out of NIPISH with 2012 historical revision, etc.)
- Plan to add OCAA (provisional estimates) by 2014
Non-financial assets/capital acquisition

- Dominated by residential real estate ... consumer durables; includes farms and other UIB assets
  - PIM-based housing stock allocated using type and tenure information; related capital formation flows supplemented with sales, by singles and multiples
  - Land estimated using historical land-to-structure ratios (sorted by location and type) from benchmark research (1990s) covering about 7 years ... And carried backward and forward using current real estate indicators. Flows primarily based on sales
  ... RRE stocks reconciled to micro-data asset-debt survey
  - PIM-based consumer durable stock ... No flows
  - Farm capital-inventories, CENSUS (% UIB), surveys
  - Other UIB quite small, in decline ... Various sources
Financial assets – stocks and flows

- Stocks confronted with micro-data asset-debt survey
- Counterpart entries are to some extent of better quality for stocks than for flows; mostly book value with market value available or estimated

Full counterpart entries
- Deposit assets (admin data)
- Life insurance asset components
- Pension fund asset components

Partial counterpart entries
- Investment funds
- Bonds ... dominated by government savings bonds
Residual derivation ... Good quality (more concern for transactions)

- Corporate shares in two components
  - Listed shares, based on solid quality estimates elsewhere in the matrix
  - Unlisted shares ... dominated by large private companies, confronted with related data

Components above account for overwhelming share of assets

Residual derivation lower quality

- Short-term debt securities ... Miniscule in size
- Other financial assets ... Small but of some concern given quality issues across the matrix
New financial asset details in the household sector … 2012 historical revision

- Split of insurance versus employer-based pension assets

- Split of shares
  - Listed shares
  - Unlisted shares
  - Investment fund units

- Detail for shares will first be available for the balance sheet categories
Liabilities – stocks and flows

- Stocks confronted with micro-data asset-debt survey
- Counterpart entries are to some extent of better quality for stocks than for flows; all at book value

Full counterpart entries
- consumer credit ... Significant in size
- bank loans (admin data)

Partial counterpart entries
- Mortgages (res, non-res) ... Substantial in size
- Other loans (incl. agricultural loans, and direct estimates of auto leases)

Constructed estimates, partly residual
- Trade payables ... Based on UIB
National Balance Sheet Accounts approach to matrix balancing - households

- First ... no matrix instrument imbalances
- Initial focus on the many top quality counterpart entries, as counterpart sectors closed or admin data become available
- Secondary focus on working down to the few and relatively small lesser quality (residual) instruments
- Review all sectors and instrument tables for any notable data challenges or data gaps
- Assess major instruments for market developments and against transaction based data
- Process times 2, for book and market value matrices
- Second, net worth is residually derived, but considered to be of good quality
**Financial Flow Accounts** approach to matrix and sector balancing - households

- **First**, approach followed for transactions same as for BSA ... volatility of transactions across matrix (select categories) can introduce complexities → review all sectors, instrument tables
- With few-small assets as residuals, reasonably good quality ... few issues with *Other assets*
- **Second**, turning to the S=U of funds balance (sector discrepancy) ... publish an imbalance
- Discrepancy confronted with discrepancies in other sectors and monitored over time w/r to (i) current / capital account issues, (ii) bias (sign) and (iii) growth
- Adjustments made when required (mainly to few instruments), stored for future reference / revisions
The other changes in asset accounts, households… provisional estimates in 2014

- Initial derivation of total OCAA early in 2013 in all sectors, as stock-flow differences (used now for data confrontation purposes) … Assessment of overall quality in time series
- More accurate estimates in the main institutional investors sectors of revaluations … Impact on household sector
- Insert known volume changes, supplement residuals … Impact on household sector
- Import of households as ultimate investor sector … Especially for revaluations on key instruments
- Implications for revisions to stocks and flows across sectors
Quality continues to evolve over time in the household sector financial statistics ... as sources continue to improve, partly offset by new developments in financial markets that can adversely impact household sector estimates if not properly known and accounted.

Household sector asset detail and component accounts also continue to expand over time meeting new relevance challenges.

Questions ... comments?