Working Party on Financial Statistics

Financial Accounts and Balance sheets: Households

To be held on 1-2 October 2012
OECD Conference Centre
Beginning at 2:00 p.m. on the first day

This document has been prepared by Amanda Seneviratne (ABS - Australia) and will be presented under item 6 of the draft agenda

The complete document is only available in PDF format
Australian Financial Accounts and Balance sheets: Households

Amanda Seneviratne
Outline of Presentation

• Importance of household (HH) data produced within the Quarterly Australian Financial Accounts and Balance sheets
• Data source and methodology - Australian Financial Accounts and Balance sheets
• Comparisons with ABS Survey of Income and Housing
• Future work –distributional analysis and extension of quarterly household financial balance sheets
Households - Australian System of National Accounts

- HH data in Australian System of National Accounts (ASNA) – persons, unincorporated businesses and non-profit institutions serving households (NPISH)

- HH financial accounts and balance sheets - published by 12 financial instruments and 18 counterparty sectors and sub-sectors
Useful information from the HH Financial Accounts and Balance sheets

- Borrowing and debt positions
- Value of financial assets by type
- Debt to asset ratio
- Debt to liquid assets ratio
- Demand for credit

Quarterly time series spans about 25 years

- Growth rates
- Compositional shifts in balance sheets
Analytical Information

ASNA publishes annual and quarterly integrated set of national accounts for household sector - ability to derive analytical measures combining data from the different accounts over 25 year time span

• Interest payable to income ratio
• Debt to income ratio
• Net worth to income ratio (annual)
• Mortgage debt to residential real estate ratio (annual)
Compilation – Other National Account Aggregates

Household financial balance sheet estimates - used in the compilation of:

• Interest receivable and payable by financial instrument and counterparty
• Dividend receivable by counterparty
• FISIM
Data Sources: ASNA, Household Financial Accounts and Financial Balance sheets

- Administrative data collected by the Australian Prudential Regulatory Authority (APRA)
- ABS statistical surveys:
  - ABS Survey of Financial Information (SFI)
  - Survey of International Investment (SII)
- Other Data sources
  - Market capitalisation - share issuance from the Australian Securities Exchange data
  - Information on Commonwealth Government ledgers.
Methodology: ASNA, Household Financial Accounts and Financial Balance sheets

Currency

- Compiled from survey information from Reserve Bank of Australia (notes) and ledger information from national general government (coins) issuance
- Household and Other private non-financial - residual allocation (equally split) after all other counterparties allocated.

**Deposits**
- Compiled from administrative information from APRA banks and other depository corporations; and ABS Survey of International Investment (HH not residual)

**Short-term securities**
- *Bills of Exchange*
  - Bank acceptances by counterparty information from APRA banks
  - Household assets holdings is residual sector after all other counterparties allocated

Short-term securities

- *One Name Paper*
  - Bank and other depository corporations issuance from APRA
  - Household is residual sector after all other counterparties allocated

Long-term securities

- Bank and other depository corporations issuance from APRA
- Private non-financial investment funds, securitisers and rest of the world issuance from ABS survey information.
- Household is residual sector for all issuing sectors after all other counterparties allocated.

Loans and placements

- Issued by banks and other depository corporations from APRA data
- Issued by all other financial institutions from ABS Survey of Financial Information
- Issued by National general government from government ledgers
- Issued by Rest of the world from ABS Survey of International Investment
- HH not residual

Equities

*Listed shares and other equity*

- Total issuance by issuing sector from the Australian Securities Exchange
- Household is residual sector after all other counterparties allocated

*Unlisted shares and other equity*

- Total issuance by investment funds and rest of the world from ABS survey information
  - Household is residual sector after all other counterparties allocated
- Other private non-financial corporations
  - Household estimates from ABS Survey of Income and Housing

Net Equity in reserves

- In the ASNA, household claims on technical reserves of life insurance corporations and pension funds are derived residually from the balance sheets of pension funds and life insurance sectors. It follows that if reasonably accurate measurements of stocks/flows of the total assets and the repayable liabilities of pension and life insurance are compiled, an accurate measure of net equity in reserves (the residual) may be derived.

- Balance sheet information for Life insurance and pension funds from APRA, Australian Tax Office ABS surveys

Prepayments of premiums and reserve against outstanding claims

- Prepayments of premiums and reserves against outstanding claims are constructed using unearned premiums and claims outstanding data from the following balance sheet data:
  - for private general insurers from APRA
  - for health insurers, from the annual Private Health Insurance Administration Council (PHIAC), quarterly data are modelled from the annual data.

Unfunded pension claims
• Actuarial estimates from National and State general governments

Accounts Receivable and Payable
• National general government from government ledgers
• All other resident sectors ABS Survey of Financial Information and APRA data
Overall Quality Assessment: ASNA, Household Financial Accounts and Financial Balance sheets

Good Quality
• Deposits
• Loans
• Listed shares and other equity

Fair Quality
• Currency
• Unlisted shares and other equity
• Debt securities
• Net equity in reserves
• Unfunded pension claims
• Prepayments of premiums and reserves against outstanding claims

Poor Quality
• Accounts receivable and payable
Comparison of Balance sheet between ABS Survey of Income and Housing (SIH) and ASNA

<table>
<thead>
<tr>
<th>ACCOUNTS HELD WITH FINANCIAL INSTITUTIONS</th>
<th>2003-04</th>
<th>2005-06</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIH item</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of accounts held with financial institutions $b</td>
<td>163</td>
<td>197</td>
<td>276</td>
</tr>
<tr>
<td>ASNA item</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total value of accounts held with financial institutions $b</td>
<td>298</td>
<td>355</td>
<td>562</td>
</tr>
<tr>
<td>SIH as percent of ASNA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>55</td>
<td>55</td>
<td>49</td>
</tr>
</tbody>
</table>

- The SIH item was around half the value of the ASNA items in all periods of analysis, for example, $276 billion compared with $562 billion in 2009–10.
- There are two main factors which may explain the different estimates:
  - the ASNA items include deposits belonging to unincorporated businesses, not included in the SIH for this item
  - the scope of the SIH excludes people living in non-private dwellings, many of whom would be older persons.
  - the SIH estimate does not include the value of bank accounts held by children.
Superannuation is the most significant form of financial asset reported by respondents in the SIH. Respondents to the survey were asked to report the total balance in each of their superannuation funds by referring to their last superannuation statement. The corresponding ASNA item is the pension fund component of net equity in reserves. In 2009–10, the value of superannuation assets reported in the SIH was slightly lower than the ASNA estimate.
Comparison of Balance sheet between ABS Survey of Income and Housing and ASNA

<table>
<thead>
<tr>
<th>Shares and Own Incorporated Business</th>
<th>2003-04</th>
<th>2005-06</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIH item: Total value of shares and other equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of own incorporated business (net of liabilities) $b</td>
<td>388</td>
<td>618</td>
<td>550</td>
</tr>
<tr>
<td>Value of shares (excl. own incorporated business)</td>
<td>177</td>
<td>359</td>
<td>332</td>
</tr>
<tr>
<td>Value of trusts (public and private)</td>
<td>141</td>
<td>180</td>
<td>187</td>
</tr>
<tr>
<td>Value of public unit trusts</td>
<td>71</td>
<td>80</td>
<td>na</td>
</tr>
<tr>
<td>SIH as percent of ASNA</td>
<td>31</td>
<td>na</td>
<td>na</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ASNA item: Total value of shares and other equity</th>
<th>2003-04</th>
<th>2005-06</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed shares and other equity</td>
<td>257</td>
<td>332</td>
<td>267</td>
</tr>
<tr>
<td>Unlisted shares issued by private non-financial corporations</td>
<td>151</td>
<td>224</td>
<td>177</td>
</tr>
<tr>
<td>Unlisted shares (other)</td>
<td>44</td>
<td>46</td>
<td>49</td>
</tr>
<tr>
<td>SIH as percent of ASNA</td>
<td>62</td>
<td>61</td>
<td>40</td>
</tr>
</tbody>
</table>
Comparison of Balance sheet between ABS Survey of Income and Housing and ASNA

- In the SIH, respondents who own their own incorporated businesses are asked to report the value of the businesses net of liabilities. In principle, this should equate to the share value of those incorporated businesses. Respondents are also asked to report the current value of their investments in shares and trusts.

- The total value of the selected SIH items was $550 billion in 2009–10, compared to the corresponding ASNA estimate of $267 billion. At the individual item level, it can be assumed that the ASNA item 'listed shares' equates with the SIH items 'shares (excl. own unincorporated business)'. In 2009–10, these assets were valued at $177 billion and $187 billion, respectively.

- There is less comparability between the SIH value of 'own incorporated business' and the ASNA value of 'unlisted shares issued by private non-financial corporations' ($332 billion and $49 billion, respectively, in 2009–10). The ASNA data sources for unlisted shares are recognised as being of relatively poor quality and are likely to have led to an underestimation of this item in the ASNA. Steps are currently being taken to improve the estimates of unlisted equity for the household sector in the ASNA.
Comparison of Balance sheet between ABS Survey of Income and Housing and ASNA

- SIH estimates of the value of property loans include the principal outstanding on loans, where the loans have been used both to finance the purchase or construction of, or alteration or addition to, an owner occupied dwelling, or to finance the purchase of other property. The SIH estimate includes loans for non-residential property not treated by respondents as part of the liabilities of their unincorporated business. However, it does not include loans for dwellings respondents regard as assets of their unincorporated businesses.

- In the ASNA, loans for housing relate to all loans originally for the purpose of housing. In 2009–10, total property loans were estimated to be valued at $882 billion in the SIH, compared with $1,080 billion in ASNA. The estimate for ASNA is likely to be overstated and work is currently underway with the Australian Prudential Regulation Authority (APRA) to improve the estimates for the household sector.

**PROPERTY LOANS**

<table>
<thead>
<tr>
<th></th>
<th>2003-04</th>
<th>2005-06</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIH item: Total property loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal outstanding on loans for owner occupied dwelling</td>
<td>$b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal outstanding on rental and other property loans</td>
<td>154</td>
<td>231</td>
<td>308</td>
</tr>
<tr>
<td>ASNA item: Total property loans</td>
<td>544</td>
<td>714</td>
<td>1080</td>
</tr>
<tr>
<td>Loans for owner occupied housing</td>
<td>298</td>
<td>375</td>
<td>666</td>
</tr>
<tr>
<td>Loans for investment housing</td>
<td>145</td>
<td>187</td>
<td>290</td>
</tr>
<tr>
<td>Loans for housing (type not determined)</td>
<td>101</td>
<td>153</td>
<td>124</td>
</tr>
<tr>
<td>SIH as percent of ASNA</td>
<td>85</td>
<td>88</td>
<td>82</td>
</tr>
</tbody>
</table>
Current and Future Work

- Australia is a participant in the Expert Group to Measure Disparities in the National Accounts (EGDNA). As part of this group, Australia has submitted some preliminary distributional estimates for the household income and consumption components within the national accounts.
  - Due to the good correlation between SIH/ASNA for household deposit assets, property loans and superannuation assets, the SIH distributional estimates for these wealth estimates were used to distribute income components such as interests received, interest paid on dwellings and imputed interest.
  - Australia is hoping to take our EGDNA distributional results forward for income and consumption and publish some Australian estimates in 2013.
- ASNA publishes annual household balance sheet back to 1988-89. In the last few years we have been undertaking some work to produce a quarterly household balance sheet, the results of which we are planning to publish by June 2013.
Questions?