

Unclassified

STD/CSTAT/WPNA(2009)2

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

15-Oct-2009

English - Or. English

STATISTICS DIRECTORATE
COMMITTEE ON STATISTICS

Working Party on National Accounts

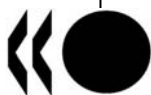
“QUARTERLY ACCOUNTS FOR INSTITUTIONAL SECTORS” PROJECT

**To be held on 4 November 2009
OECD Conference Centre, Paris
Beginning at 9:30 on the first day**

This document has been prepared by Carmen-Gloria Escobar - Central Bank of Chile and will presented under item 4 of the draft agenda

JT03271999

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1. Introduction

The institutional sector accounts are broken down into two measurement areas: (i) **nonfinancial accounts**, which record the transactions and operations involving income generation, allocation, distribution, and utilization and capital formation; and (ii) **financial accounts**, which record the transactions and operations involving financial assets and liabilities. The two areas together determine the economy’s net lending or net borrowing, by institutional sector.¹ International practice indicates that the central banks are usually responsible for preparing the financial accounts.² Currently, the diffusion of the annual institutional accounts occurs with a lag of fifteen months from the reference year.

In developed countries, there is a trend toward quarterly measures with a publication lag of less than three months. This is the case, for example, with the quarterly accounts for institutional sectors in the euro area, which are prepared by the European Central Bank based on data provided by the member central banks,³ and the flow-of-funds accounts put out by the U.S. Federal Reserve.⁴ The current international financial crisis has highlighted the usefulness of quarterly statistics from an institutional perspective, in that they make it possible to more closely monitor trends in asset and liability creation and movements, and in income and expenditures, both for the economy as a whole and for each of its sectors.⁵

In the case of Chile, an initiative to develop a quarterly measure of institutional accounts has been under way since 2008. This initiative rests on the experience of the National Accounts Department using annual measures to date, as well as knowledge of the methods and data sources used by the Spanish Banco de España for calculating quarterly accounts.

The objective of this document is to discuss the current status of the project. The document is divided into four sections. Section 2 outlines the basic definitions used in measuring institutional accounts. Section 3 describes the main products that are expected to result from the initiative and reports on the progress achieved to date. Finally, section 4 reviews the data delivery models for quarterly accounts in other countries and discusses how the project addresses the issue of diffusing the results in Chile.

¹ This balance, aggregated for the overall economy, is equivalent (with the opposite sign) to the balance of the financial accounts plus errors and omissions or, similarly, to the current account and capital account balances of the balance of payments.

² In Chile, the financial accounts date back to the late 1960s, when the source and use of funds accounts were calculated for 1960–1970. These estimates were discontinued and then reinitiated in the early 1990s. Starting with the benchmark compilation in 1996, the integrated economic table began to be constructed with more input on institutional units, covering the sequence from the current account to the capital account.

³ <http://www.ecb.int/stats/acc/html/index.en.html#data>.

⁴ <http://www.federalreserve.gov/releases/z1/>.

⁵ For example, U.S. household wealth fell in December 2008 and was published by the Federal Reserve in March of this year.

2. Basic Definitions of Institutional Sector Accounts

Institutional sector accounts (also called integrated economic accounts) are defined as the sequential presentation of the system of national accounts, which allows the analyst to synthetically observe the main interactions between the different agents of the economy. The institutional sector accounts bring together, into a single table, the accounts for the different sectors, the total economy, and the rest of the world, and they balance all income and expenditure flows and all asset and liability movements. The sequence of accounts includes current accounts, accumulation accounts, and balance sheets, which are linked through the accounting balances.

The current accounts record the production of goods and services, the generation of income in the productive process, the distribution and redistribution of income among the institutional units, and its utilization for consumption and saving. In these accounts, resources correspond to transactions that increase the economic value of a unit or sector, and employment or use corresponds to transactions that reduce the economic value of a unit or sector.

The accumulation accounts record the acquisition and disposal of financial and nonfinancial assets and liabilities, which either are carried out by institutional units via transactions or occur as a consequence of other facts. This group includes the capital account and the financial account. The accounting balance that arises from this complete set of current accounts represents saving, which constitutes the connection with the accumulation accounts. The accumulation account balance is the net lending or net borrowing.

The institutional sector accounts are prepared for the institutional sectors, which correspond to groups of institutional units, based on their main activities, performance, and objectives. The large categories of institutional sectors are as follows: nonfinancial corporations, financial corporations, the General Government, non-profit institutions serving households sector (NPISHs), and households. These five institutional sectors make up the “total economy;” the system also includes the account for the rest of the world, which comprises all transactions between resident and nonresident units.

3. The Quarterly Accounts for Institutional Sectors (QAIS) Project

Given their quality and robustness (annual reconciliation), the current annual measures of institutional accounts in Chile will serve as an anchor for the quarterly estimates. From a methodological perspective, the quarterly measures of institutional accounts will be based on the construction of indicators for each of the variables estimated in the annual institutional accounts, which will be harmonized to their corresponding annual benchmark. The objective is to replicate the methodology currently used in the compilation of the quarterly national accounts.

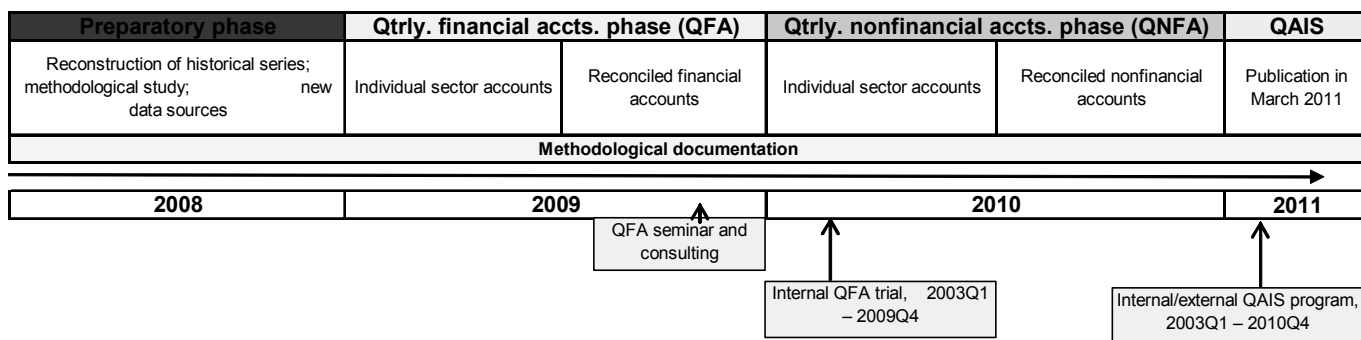
The project will last a total of three years, with a preparatory phase already completed in 2008. The phases planned for this year and next involve the compilation of the individual accounts and their later reconciliation in an integrated framework that guarantees a correct economic interpretation of the results, as well as replicability and comparability over time.⁶

In addition to the compilation, the project includes a financial accounts seminar to be held toward the end of this year, to disseminate the early results of the project to other users within the Bank and to representatives of institutions that provide key data for the measures.

⁶ One of the results of the reconstruction of the historical series will be the generation of multiple relational databases of cyclical financial information (e.g., financial statements, investment portfolios, financial asset prices).

Thus, according to the project schedule, the financial accounts will be compiled and internally disseminated starting in March 2010. The final results of the project will be fully released in March 2011.

Diagram 1. QAIS Project Phases



3.1 Quarterly Financial Accounts Phase, QFA (in 2009)

This phase encompasses the construction of the accounts using all available short-term data. However, given the need for a timely delivery of the quarterly accounting statements (estimated at 83 days), it does not seem feasible to undertake a detailed analysis of the notes to the financial statements, which is incorporated in the annual measurement methodology. The working proposal thus consists in estimating the quarterly financial accounts using a methodology that guarantees an optimal use of all the data sources, without sacrificing timeliness, and then shoring up the robustness of the quarterly results through harmonization with the annual benchmarks. These have the advantage of a more exhaustive construction since the data are less timely.

3.2 Quarterly Nonfinancial Accounts Phase, QNFA (in 2010)

This component of the project will be implemented next year, following the development of the financial measure in 2009. A prerequisite for measuring the nonfinancial accounts is the availability of quarterly accounts related to the decomposition of quarterly nominal value-added into its components of wages, taxes, consumption of fixed capital, and operating surplus/mixed income.

4. Prototype QAIS Publication

The future QAIS publication will contain financial and nonfinancial accounts, with the full sequence of relevant transactions and balances (such as household disposable income, government saving, etc.), the opening and closing quarterly financial balances, and their respective links. In the case of the financial accounts, a breakdown by sector and instrument will be presented, as shown in the example in the following table, taken from the “Financial Accounts of the Spanish Economy.”

Table 1. Financial Accounts of the Spanish Economy

<i>Financial accounts</i>								15/4/09
General tables								
2.1.a Link between the financial balance at the opening and closing of 2008-IV								
Total Economy and Rest of World accounts								millions of euros
	Code	Financial balance at start of period	Financial transactions account	Other changes in financial assets and liabilities account			Financial balance at end of period	
				Total	Revaluation	Other changes in volume		
		1	2	3 = 4 + 5	4	5	6 = 1+2+3	
		Financial assets / Activos financieros (FA / AF)						
TOTAL ECONOMY (consolidated)	S.1*	1,429,916	-30,057	-22,492	-20,645	-1,847	1,377,367	
BALANCES (FA-L)		-	-	-	-	-	-	
		1,429,916	-30,057	-22,492	-20,645	-1,847	1,377,367	
TOTAL INSTRUMENTS	F/AF							
Monetary gold and SDRs	F/AF.1	5,836	-	-48	-48	-	5,787	
Currency and deposits	F/AF.2	335,252	-40,256	-396	-396	-	294,600	
Securities other than shares	F/AF.3	383,814	1,471	2,768	2,768	-	388,053	
Loans	F/AF.4	157,046	787	-1,311	-1,312	1	156,523	
Shares and other equity	F/AF.5	484,791	6,776	-21,656	-21,656	-	469,911	
Insurance technical reserves	F/AF.6	4,998	327	-	-	-	5,325	
Other accounts payable/receivable	F/AF.7	58,179	838	-1,849	-	-1,849	57,168	
REST OF WORLD	S.2	2,286,726	-8,582	-29,380	-29,380	-	2,248,765	
BALANCES (FA-L)		-	-	-	-	-	-	
TOTAL INSTRUMENTS	F/AF	2,286,726	-8,582	-29,380	-29,380	-	2,248,765	
Monetary gold and SDRs	F/AF.1	-5,836	-	48	48	-	-5,787	
Currency and deposits	F/AF.2	538,155	6,667	-3,818	-3,818	-	541,004	
Securities other than shares	F/AF.3	812,995	-28,190	2,246	2,246	-	787,052	
Loans	F/AF.4	329,689	5,091	-2,486	-2,486	-	332,294	
Shares and other equity	F/AF.5	558,541	8,202	-25,371	-25,371	-	541,371	
Insurance technical reserves	F/AF.6	-	-	-	-	-	-	
Other accounts payable/receivable	F/AF.7	53,183	-351	-	-	-	52,831	

Source: Banco de España.

When in full operation, an electronic publication will be available with a lag of 3 months relative to the reference quarter, together with a note of the main results.