

Module4: Sector Accounts

1. Sector Accounts

1.1 Welcome



Office for National Statistics




RPEES
Regional Performance and Economic Statistics

UNITED NATIONS
SIAP
Statistical Institute for Asia and the Pacific

Module4: Sector Accounts

Integrated Economic Statistics to Support 2008 SNA Implementation

1.2 Content



Content

1. Introduction
2. Structure and sequence of the Accounts
3. Institutional Units and Sectors
4. The Non-Financial Account
5. The Financial Account
 - a) Accounting identity of the Financial Account
 - b) Financial Instruments
 - c) From-whom-to-whom (w2w) /Flow of Funds (FoF)

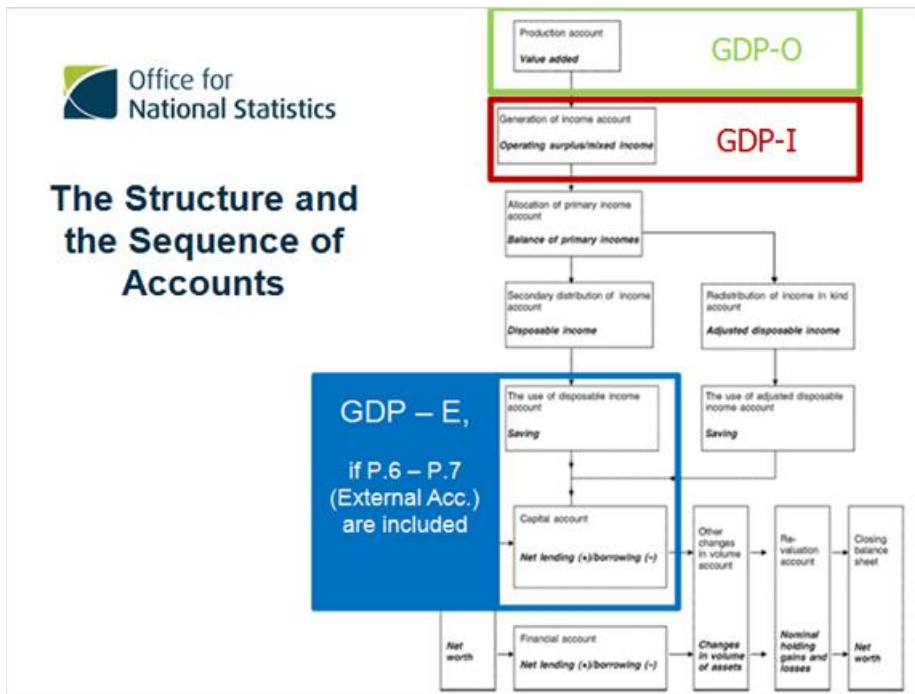
1.3 Introduction



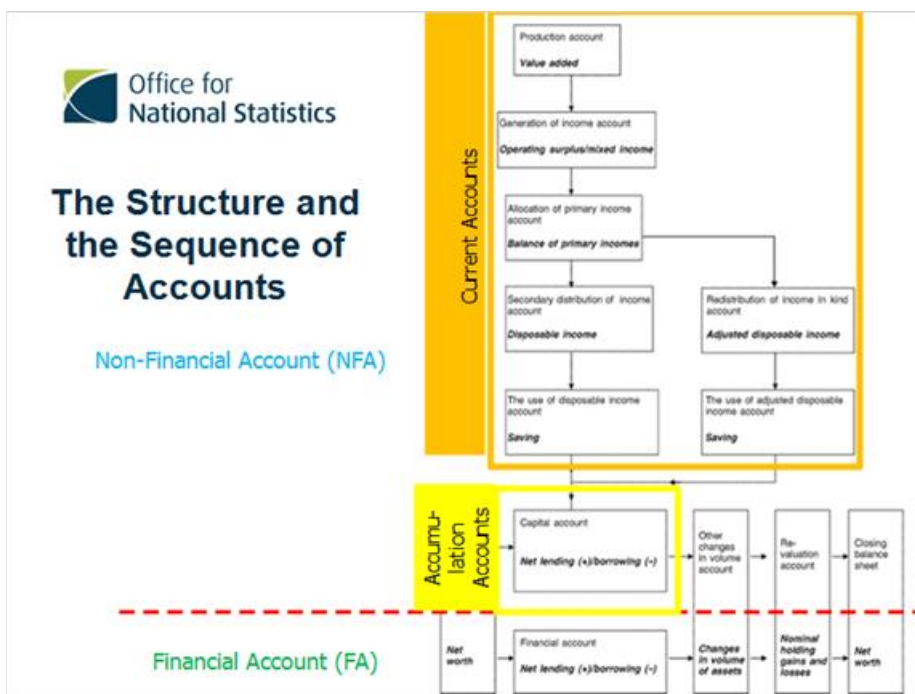
Introduction

- Sector Accounts records non-financial and financial stocks , transactions, and other flows;
- Sector Accounts are ordered in a set of accounts according to a logical analysis of economic life, which provide the aggregates, e.g.: Operating Surplus, Disposable Income, Saving, financing aspects
- Sector Accounts are required to study of interactions between sectors.
- The institutional sectors are a breakdown of the economy by groups of similar producing or consuming institutional units
- There are four domestic sectors and the rest of the world

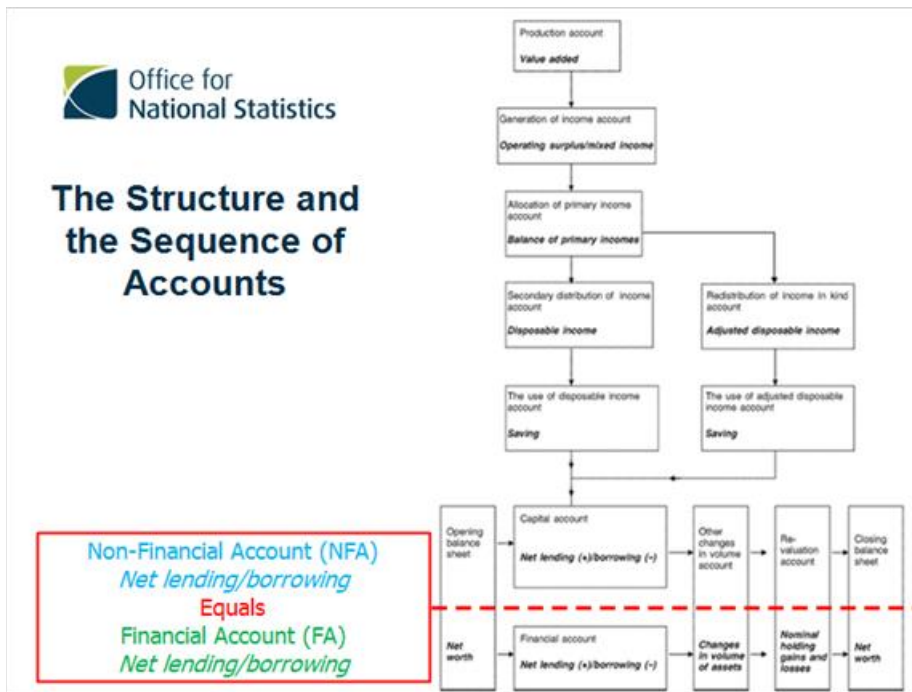
1.4 The Structure and the Sequence of Accounts



1.5 The Structure and the Sequence of Accounts



1.6 The Structure and the Sequence of Accounts



1.7 Institutional Units

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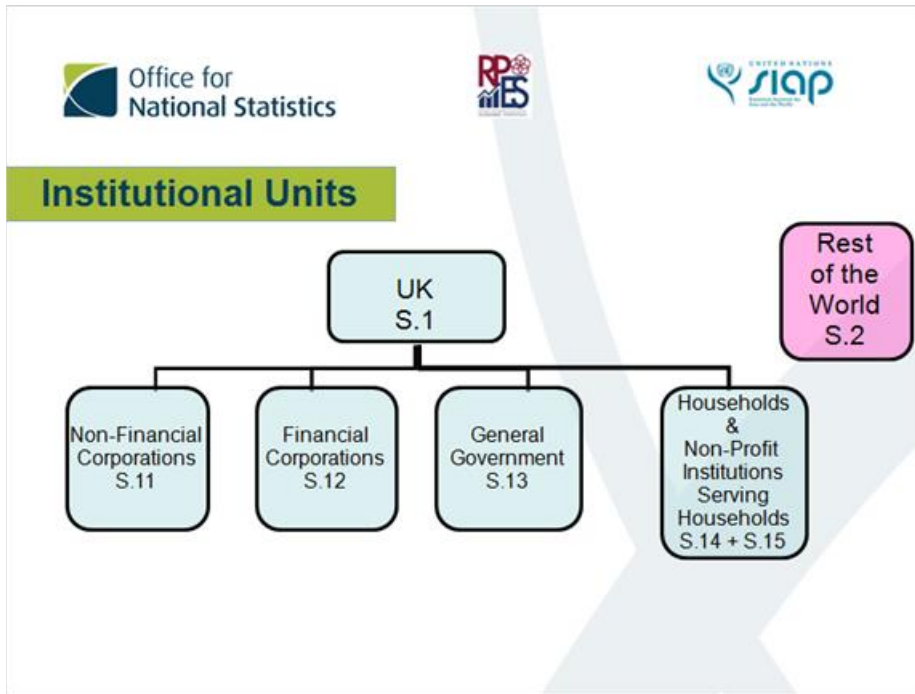
Institutional Units

An **institutional unit** is an economic entity characterised by *decision making autonomy* in the exercise of its principle function, and it either keeps or is able to compile *a complete set of accounts*.

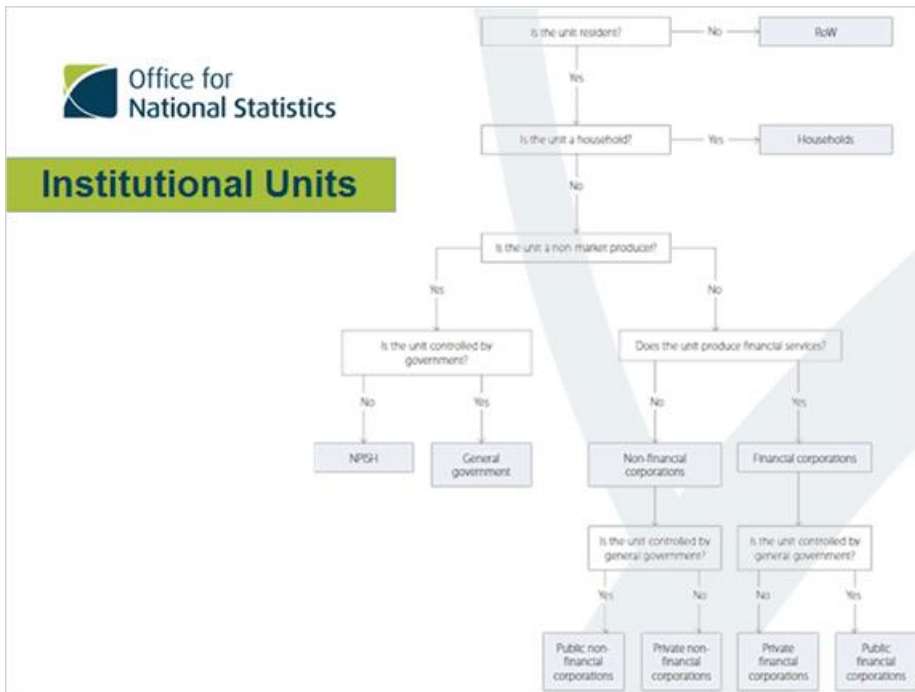
It is also:

- Entitled to **own goods or assets** in its own right;
- Able to take **economic decisions** and **engage in economic activities**;
- Able to **incur liabilities** on its own behalf and it is **accountable at law**.

1.8 Institutional Sectors



1.9 Institutional Sectors



1.10 Non-Financial corporations sector



Institutional Sectors

Non-Financial corporations sector (S.11)
Principally engaged in production of market goods and non-financial services

- private corporations
- co-operatives and partnerships
- public producers recognised as separate units
- non-profit institutions serving corporations
- head offices controlling a group of corporations
- SPEs
- quasi-corporations

1.11 Financial corporations sector



Institutional Sectors

Financial corporations sector (S.12)
Consists of institutional units which are independent legal entities and market producers, and whose principal activity is the production of financial services. Such institutional units comprise all corporations and quasi-corporations which are principally engaged in:

1. **Financial intermediation** (financial intermediaries); and/or
2. **Auxiliary financial activities** (financial auxiliaries).

1.12 Institutional Sectors

Institutional Sectors

Financial intermediation is a process of channelling funds between parties with a surplus and those with a lack of funds.

In the financial intermediation process, assets and liabilities of financial intermediaries are transformed or repackaged, e.g. in relation to maturity, scale, risk, etc.

Auxiliary financial activities are activities related to financial intermediation but which do not involve financial intermediation themselves, e.g. **head offices, brokers, fund managers**

1.13 Sectors and subsectors

Institutional Sectors

Sectors and subsectors			
Financial corporations		S.12	
Monetary financial institutions (MFI)	Central bank	S.121	
	Other monetary financial institutions (OMFI)	Deposit-taking corporations except the central bank	S.122
		MMF	S.123
Financial corporations except MFI and ICPF	Non-MMF investment funds	S.124	
	Other financial intermediaries, except insurance corporations and pension funds	S.125	
	Financial auxiliaries	S.126	
	Captive financial institutions and money lenders	S.127	
Insurance corporations and pension funds (ICPFs)	Insurance corporations (IC)	S.128	
	Pension funds (PF)	S.129	

1.14 General Government sector



General Government sector (S.13)

- Produces non-market services
for individual and collective consumption
- Redistributes income or wealth
- Sub-sectors
 - Central (S.1311)
 - State (S.1312)
 - Local (S.1313)
 - Social security funds (S.1314)




1.15 Household sector



Household sector (S.14)

- Consumers
- Person living in institutions
- Entrepreneurs (market producers)
- Producers exclusively for own final use

1.16 NPISH sector



Institutional Sectors

NPISH sector (S.15)

Non-profit institutions serving households

- Separate legal entities
- Serving households
- Resources mainly voluntary contributions
- Examples are: **trade unions, political parties, churches, charities; hospitals/universities!**

1.17 Rest of the World sector



Institutional Sectors

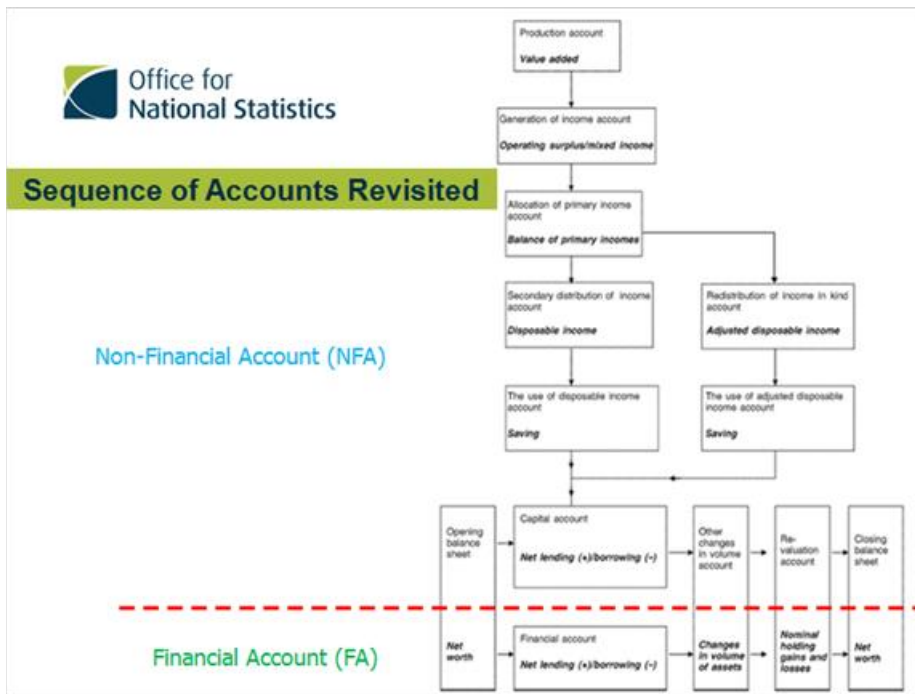
Rest of the World sector (S.2)

Not strictly sector
= non-residents transactions within our economy

→ Only counter-part (mirror) of domestic economy

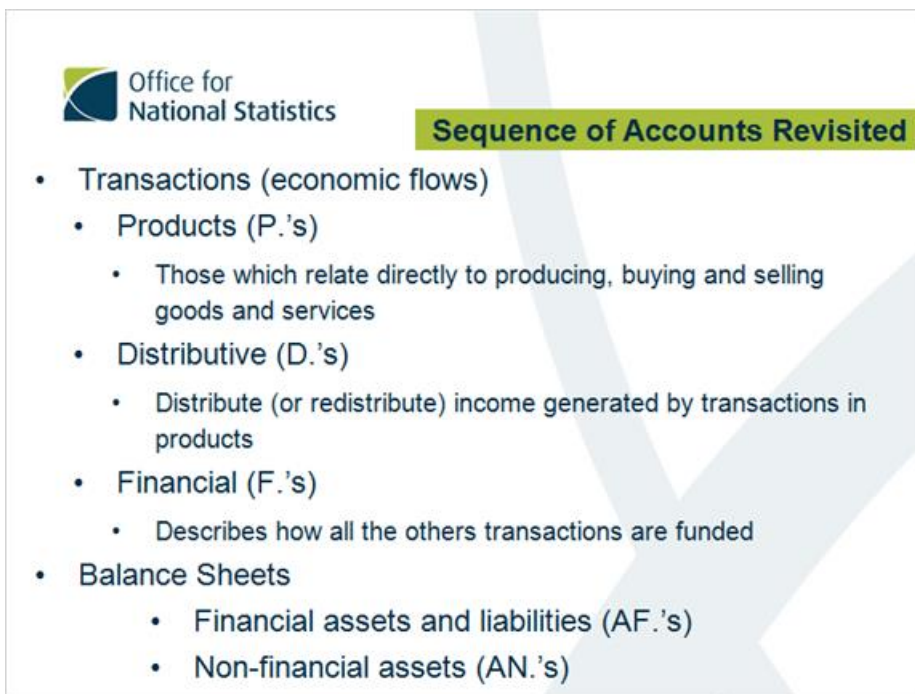
The relationship: $\text{RoW} = - \text{BOP}$

1.18 Financial and Non-financial Accounts



1.19 Sequence of Accounts

Revisited






1.20 Production Account

Office for National Statistics		RPES	UNITED NATIONS SIAP
Non-Financial Account			
I. Production Account			
Uses	Resources		
Intermediate consumption (P.2)	Output (P.1)		
<i>Gross value added (B.1g)</i>			

1.21 Generation of Income Account

Office for National Statistics		RPES	UNITED NATIONS SIAP
Non-Financial Account			
II.1.1. Generation of Income Account			
Uses	Resources		
Compensation of employees (D.1)	Gross value added (B.1g)		
<i>Gross operating surplus (B.2g)</i> <i>Mixed income (household sector only) (B.3g)</i>			

1.22 Allocation of primary income account








Non-Financial Account

II.1.2. Allocation of Primary Income Account

Uses	Resources
	Gross operating surplus (B.2g) Mixed income (B.3g)
	Compensation of employees received (D.1)
Property income paid (D.4)	Property income received (D.4)
<i>Balance of primary incomes (B.5g)</i>	

1.23 Secondary distribution of income account

Non-Financial Account

II.2. Secondary Distribution of Income Account

Uses	Resources
	Balance of primary incomes (B.5g)
Current taxes on income and wealth paid (D.5)	Current taxes on income and wealth received (government only) (D.5)
Social benefits and contributions paid (D.6)	Social benefits and contributions received (D.6)
Other current transfers paid (D.7)	Other current transfers received (D.7)
<i>Gross disposable income (B.6g)</i>	




1.24 Use of income account

Office for National Statistics	RPES	UNITED NATIONS SIAP
Non-Financial Account		
II.4.1. Use of Disposable Income Account		
Uses	Resources	
	Gross disposable income (B.6g)	
Adjustment for the change pension entitlements (D.8)	Adjustment for the change pension entitlements (D.8)	
Final consumption expenditure (P.3)		
Gross saving (B.8g)		

1.25 Capital account

Office for National Statistics	RPES	UNITED NATIONS SIAP
Non-Financial Account		
II.1. Capital Account		
II.1.1 Changes in Net Worth due to Savings and Capital Transfers Account		
Uses	Resources	
	Gross saving B.8g	
	Capital transfers received (D.9r)	
	<i>less</i> Capital transfers paid (D.9p)	
Changes in Net Worth due to Savings and Capital Transfers Account (B.101)		

1.26 Capital account

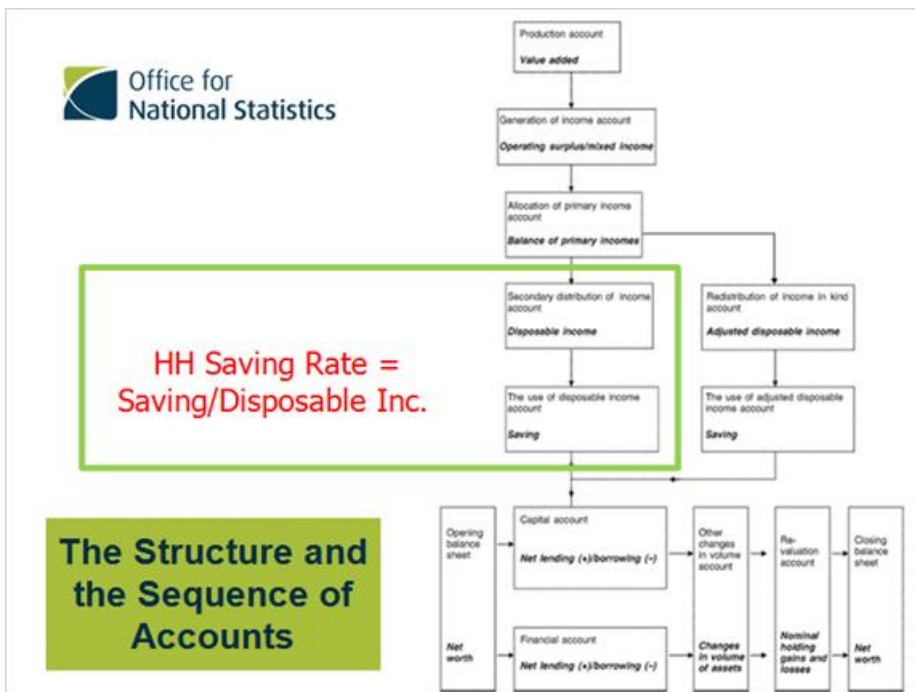
Non-Financial Account

II.1. Capital Account

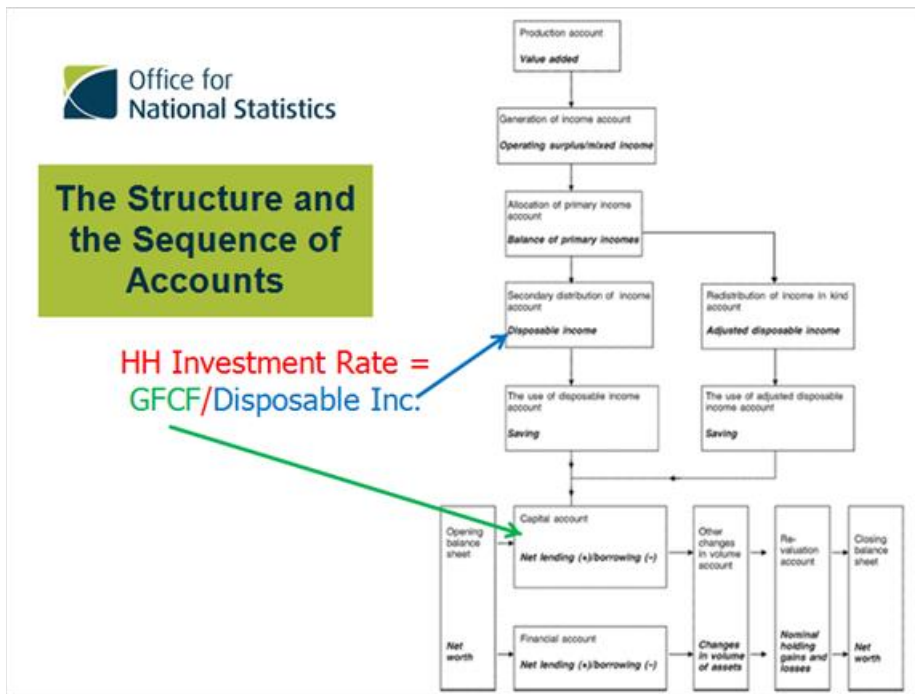
II.1.2 Acquisition of Non-Financial Assets Account

Uses	Resources
<p>Gross capital formation (P.5g)</p> <p>Acquisitions less disposals of non-produced (NP)</p> <p><i>Net lending(+) / borrowing(-) (B.9)</i></p>	<p>Changes in Net Worth due to Savings and Capital Transfers Account (B.101)</p>

1.27 HH Saving Rate

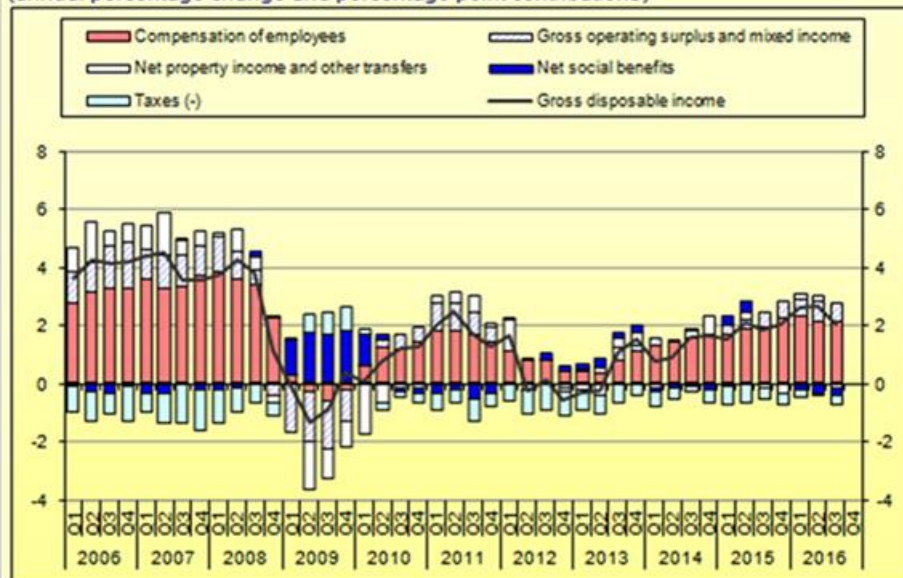


1.28 HH Investment Rate



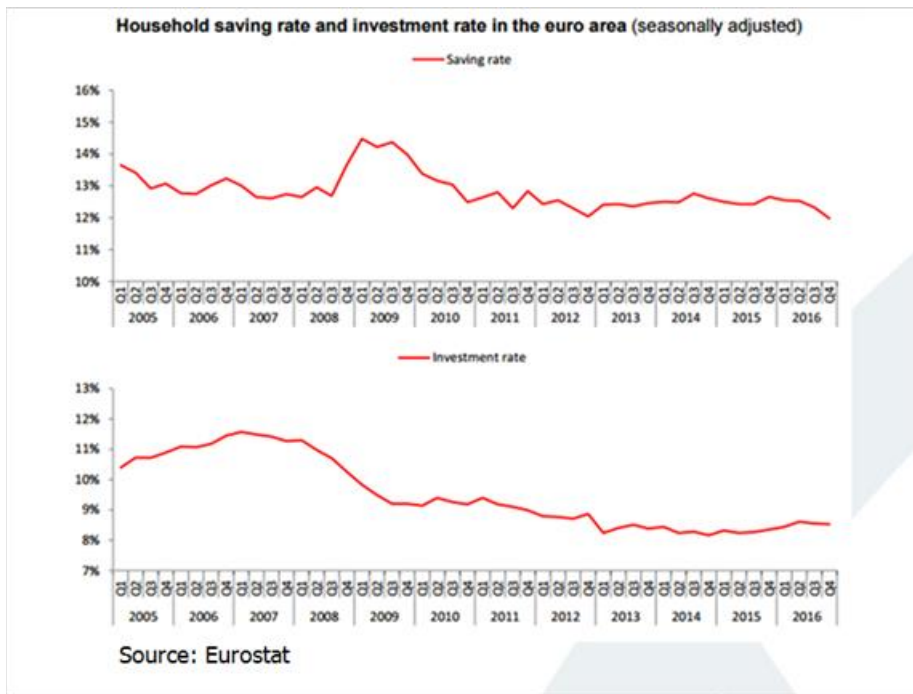
1.29 Capital account

Contributions of components to the growth of nominal gross disposable of households in the euro area
(annual percentage change and percentage point contributions)

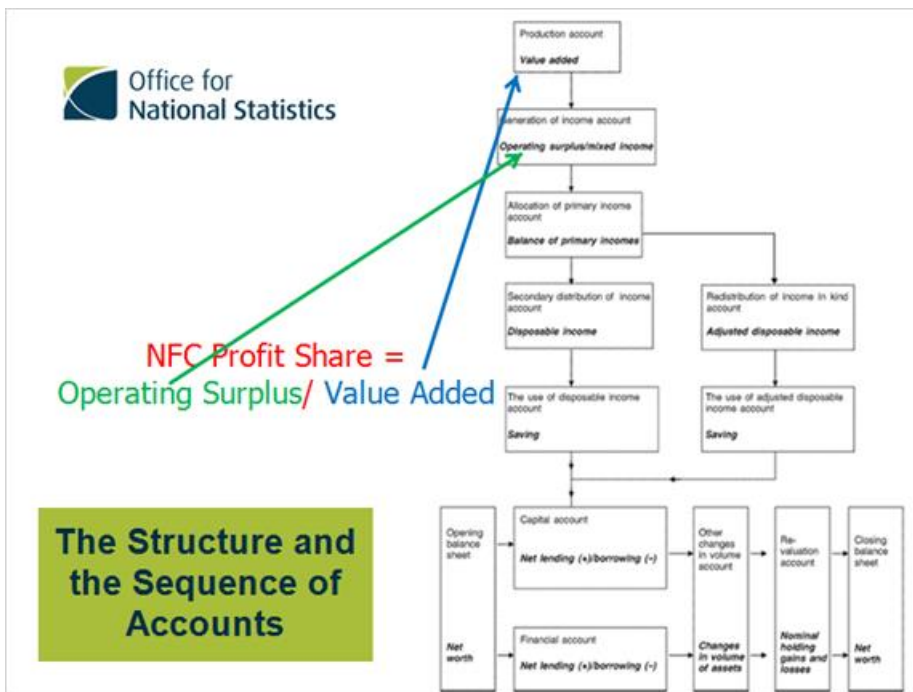


Sources: ECB and Eurostat.


1.30 Capital account



1.31 NFC Profit Share



1.34 Other Changes in Assets Accounts




Other Flows

III.3. Other Changes in Assets Accounts

III.3.1 Other Changes in Volume Assets Account

Changes in assets	Changes in liabilities & Net Worth
<ul style="list-style-type: none">- Financial Assets -> AF.1-AF.8- Non-Financial Assets -> AN.1-AN.2	<ul style="list-style-type: none">- Financial Liabilities -> AF.1-AF.8 <p><i>Changes in Net Worth due to OCVA (B.102)</i></p>

1.35 Revaluation Account


Other Flows


III.3. Other Changes in Assets Accounts


III.3.2. Revaluation Account

Changes in assets	Changes in liabilities & Net Worth
<ul style="list-style-type: none">- Financial Assets -> AF.1-AF.8- Non-Financial Assets -> AN.1-AN.2	<ul style="list-style-type: none">- Financial Liabilities -> AF.1-AF.8 <p><i>Changes in Net Worth due to Nominal Holding Gains/Losses (B.103)</i></p>

1.36 Balance sheets





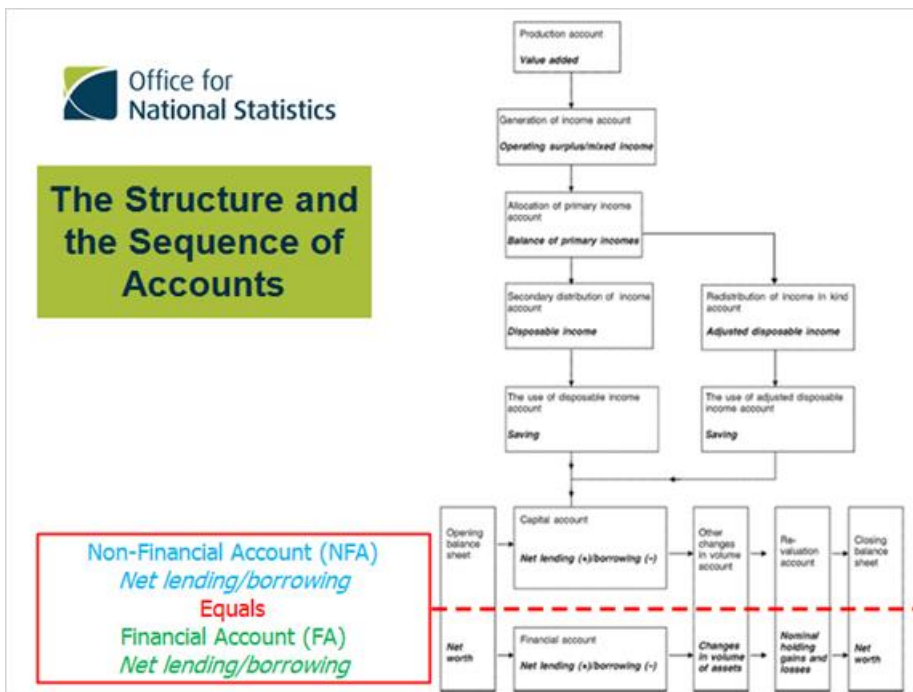


Other Flows

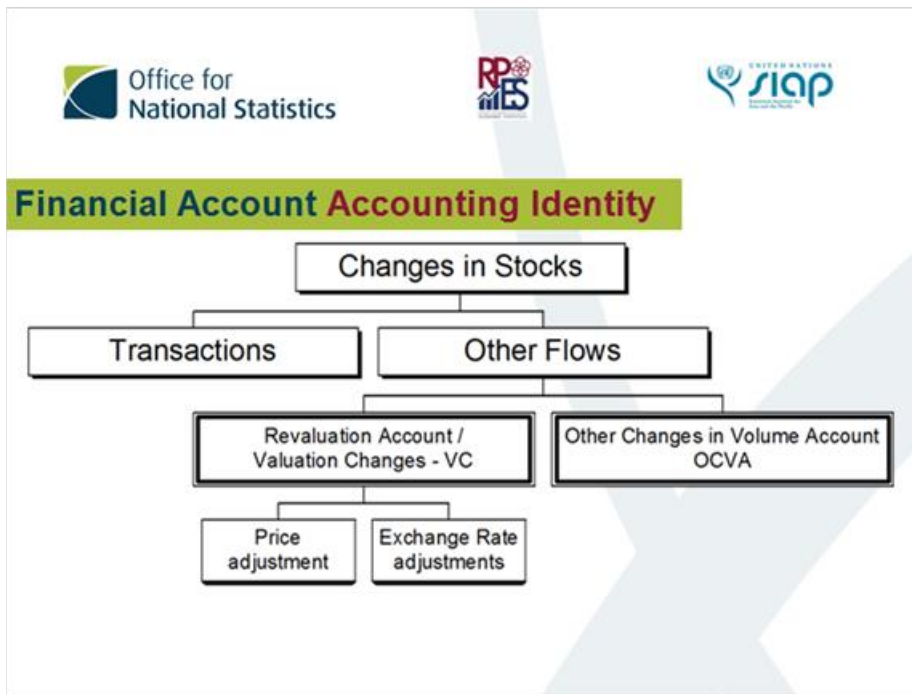
IV. Balance Sheet

Assets	Liabilities and Net Worth
AF.1 – AF.8	AF.1 – AF.8
Produced Non-Financial (AN.1) Non-Produced Non-Financial (AN.2)	
	<i>Net worth (B.90)</i>

1.37 Net lending/borrowing



1.38 Accounting Identity



1.39 Accounting Identity

The slide contains the following text:

Financial Account Accounting Identity

- **Balance Sheets:** show the value of the outstanding stocks of a category of financial assets or liabilities at a given accounting period;
- **Transactions:** are financial flows that arise, by mutual agreement between institutional units, from the creation, liquidation, or change in ownership of financial assets or liabilities. Changes in ownership occur through the sale, transfer, or other discharge of all rights, obligations, and risks associated with a financial asset or liability;

Logos for Office for National Statistics, RPIES, and UNCTAD SIAP are visible at the top of the slide.

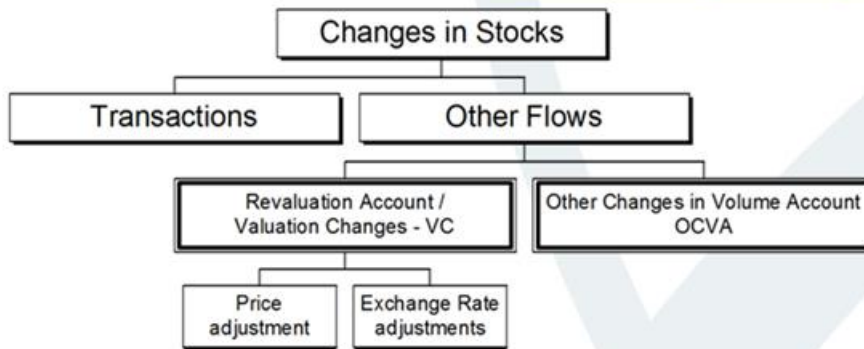
1.40 Accounting Identity

Financial Account Accounting Identity

- **Revaluation Account:** represents financial flows arising from changes in (1) the prices of financial assets and liabilities and/or (2) the exchange rates that affect the domestic currency values of assets and liabilities denominated in foreign currency.
- **Other Changes in Volume Account:** represents financial flows that arise from asset and liability changes other than those arising from transactions and revaluations. Included are write-offs of claims, reclassification of assets, monetization or demonetization of gold, changes in demographic assumption of actuarial liabilities, and other events.

1.41 Changes in Stocks


Financial Account Accounting Identity



$$\text{Stock}_t - \text{Stock}_{t-1} = \text{Transaction}_t + \text{VC}_t + \text{OVCA}_t$$

$$\text{Stock}_t - \text{Stock}_{t-1} - \text{Transaction}_t - \text{VC}_t - \text{OVCA}_t = 0$$

1.42 Financial Instruments

 Office for National Statistics

Financial Account

Financial Instruments

	Stocks	Transactions
Monetary gold and SDRs	AF.1	F.1
Currency and deposits	AF.2	F.2
Debt Securities	AF.3	F.3
Loans	AF.4	F.4
Equities and investment fund shares/units	AF.5	F.5
Insurance, pension & standard guarantees	AF.6	F.6
Financial derivatives and ESOs	AF.7	F.7
Other accounts receivable / payable	AF.8	F.8

1.43 Monetary gold and SDRs

 Office for National Statistics




 

Financial Account Financial Instruments

Monetary gold and SDRs (F.1)

- Monetary gold (F.11): held in reserve assets by monetary authorities. There is no counterpart liability for gold bullion;
- SDRs (F.12): created by IMF and allocated to member states to supplement reserves. Counterpart liability exists under ESA 2010.

1.44 Currency and deposits



Financial Account Financial Instruments

Currency and deposits (F.2)

- Currency (F.21): notes and coins in circulation, including foreign currency held by residents.
- Transferable deposits (F.22): exchangeable for currency on demand, at par, and directly usable for making payments.
- Other deposits (F.29): time deposits etc., not withdrawable on demand without restriction or penalty.

1.45 Debt securities



Financial Account Financial Instruments

Debt securities (F.3)

Defined as negotiable financial instruments serving as evidence of debt.

- Short-term debt securities (F.31): its original maturity is up to one year (inclusive)
- Long-term debt securities (F.32) its original maturity is beyond one year or has no stated maturity

1.46 Loans






Financial Account Financial Instruments

Loans (F.4)

Loans comprise short-term (F.41), and long-term loans (F.42) and normally are:

- non-negotiable, unconditional debt, interest-bearing, to be repaid at maturity;
- initiated by the borrower, while the conditions are set by the lender.

1.47 Equity and investment fund shares or units



Financial Account Financial Instruments

Equity and investment fund shares or units (F.5)

They represent a residual claim on the assets of the corporation or other institutional unit that issued them.

- Equity (F.51) is subcategorised into:
 - listed shares (F.511);
 - unlisted shares (F.512), and;
 - other equity (F.519).
- Investment fund shares/units (F.52) comprise of:
 - money market fund shares/units (F.521), and;
 - non-MMF shares/units (F.522).

1.48 Insurance, pension and standardised guarantee schemes



Financial Account Financial Instruments

Insurance, pension and standardised guarantee schemes (F.6)

Includes the following :

- Non-life insurance technical reserves (F.61)
- Life insurance and annuity entitlements (F.62)
- Pension entitlements (F.63)
- Claims of pension funds on pension managers (F.64)
- Entitlements to non-pension benefits (F.65)
- Provisions for calls under standardised guarantees (F.66)

1.49 Financial derivatives and employee stock options



Financial Account Financial Instruments

Financial derivatives and employee stock options (F.7)

- Financial derivatives (F.71) are instruments linked to a specified financial asset, indicator or commodity, through which specific financial risks can be traded. No principal amount is paid.
- Employee stock options (F.72): employee has the right to buy a given number of shares of the employer's stock at a stated price and time or within a stated period.

1.50 Other accounts receivable/ payable

Financial Account Financial Instruments

Other accounts receivable/ payable (F.8)

They are created when there is a timing difference between transactions and corresponding payments.

- Trade credits and advances (F.81): claims arising from the direct extension of credit by suppliers to customers, and prepayments
- Other accounts receivable/ payable excluding trade credits and advances (F.89)

1.51 Financial Account Revisited

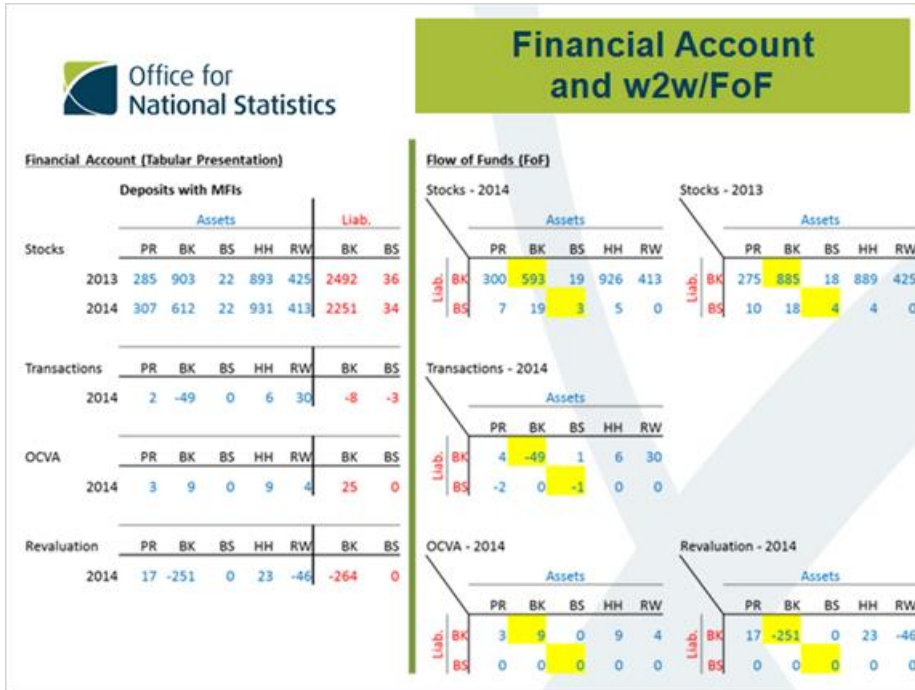
Financial Account Revisited

III.2. Financial Account

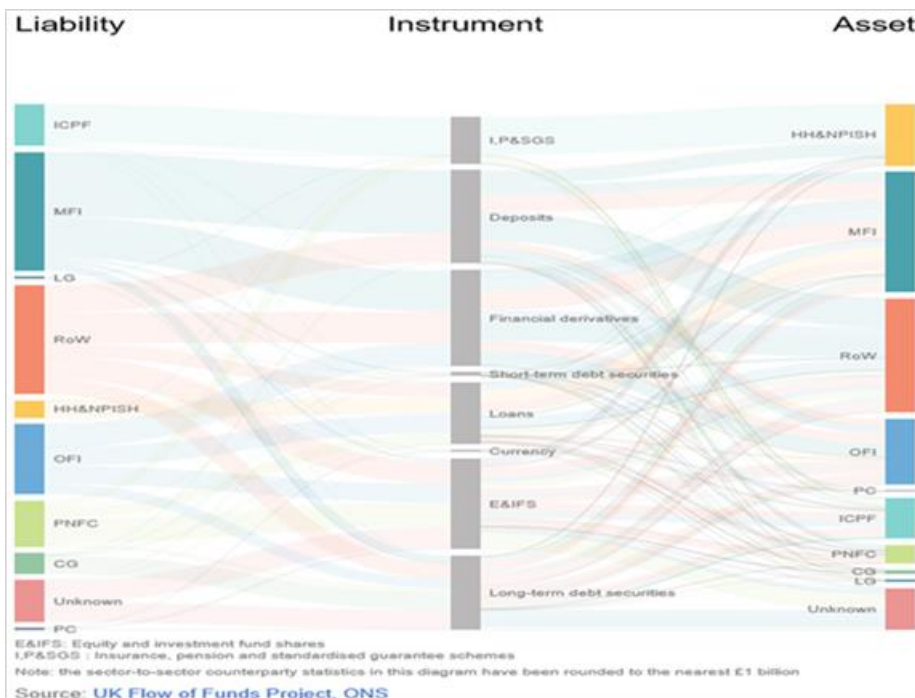
Changes in assets	Changes in liabilities
Monetary gold and SDRs (F.1)	Monetary gold and SDRs (F.1)
Currency and deposits (F.2)	Currency and deposits (F.2)
Debt Securities (F.3)	Debt Securities (F.3)
Loans (F.4)	Loans (F.4)
Equities and investment fund sh. (F.5)	Equities and investment fund sh. (F.5)
Insurance, pension & std garant. (F.6)	Insurance, pension & std garant. (F.6)
Financial derivatives and ESOs (F.7)	Financial derivatives and ESOs (F.7)
Other accounts rec / pay (F.8)	Other accounts rec / pay (F.8)
	<i>Net lending(+) / borrowing(-) (B.9)</i>

1.52 Financial Account

and w2w/FoF



1.53 Financial account



1.54 Thank you

