II. OVERVIEW

INTRODUCTION

9. *Monetary statistics* consist of a comprehensive set of stock and flow data on the financial and nonfinancial assets and liabilities of an economy's financial corporations sector. The organization and presentation of monetary statistics, as recommended in this manual, follow a hierarchical approach based on two general data frameworks—sectoral balance sheets and surveys.

- The first and most basic framework is the *sectoral balance sheet*, which contains the highly disaggregated stock and flow data for all categories of assets and liabilities of an individual subsector within the financial corporations sector.

- The second framework is the *survey,* in which the data from the sectoral balance sheets of one or more of the financial corporations subsectors are combined into more aggregated asset and liability categories that are particularly useful for analytical purposes.

10. The surveys (described in Chapter 7 of this manual) comprise the following:

- Three surveys that cover the individual financial corporations subsectors—the *Central Bank Survey (CBS)*, the *Other Depository Corporations Survey (ODCS)*, and the *Other Financial Corporations Survey (OFCS)*.

- The *Depository Corporations Survey (DCS)*, which consolidates the *CBS* and the *ODCS*.

- A survey that contains consolidated data for the entire sector—the *Financial Corporations Survey (FCS)*, which consolidates the *DCS* and the *OFCS*.

11. *Financial statistics* consist of a comprehensive set of stock and flow data on the financial assets and liabilities of all sectors of an economy. The financial statistics are organized and presented in formats designed to show financial flows among the sectors of an economy and corresponding financial asset and liability positions.

12. *Flow of funds data*, presented in a matrix form showing the financial transactions among all subsectors of an economy, are a particular focus of the financial statistics described in Chapter 8 of this manual.

SCOPE AND USES OF THE STATISTICS

13. The statistics described in this manual cover all financial assets and liabilities of all institutional units within an economy, with a particular focus on the financial corporations sector. (Sectorization is described in Chapter 3.) Most financial assets are creditor claims that give rise to corresponding obligations, or liabilities, of debtors. A financial claim is an asset that entitles the creditor to receive a payment, or series of payments, from the debtor in the circumstances specified in the contract between them. Monetary gold and SDRs are considered financial assets even though their holders do not have claims on other units.

14. Other financial instruments of a contingent nature, such as loan guarantees, are not financial assets and therefore are not included in the monetary and financial statistics. (Chapter 4 contains a description of financial assets and other financial instruments.)

15. This manual and the *1993 SNA* contain principles and concepts for the measurement of financial flows and stocks. (Chapter 5 describes flows and stocks.) In particular, each financial flow is defined as the sum of one or more of the following:

- A transaction.
- A change in the value of a financial asset/liability.
- Other changes in the volume of an asset/liability.

In compiling monetary and financial statistics, these categories are used to account for all period-to-period changes in outstanding amounts (i.e., stocks) of financial assets and liabilities on the balance sheets of financial corporations.

16. Monetary and financial statistics are a prominent and somewhat special part of the macroeconomic statistical system of a country. Compared to many other types of macrostatistics (in particular, national accounts, balance of payments, and government finance statistics), most countries compile and disseminate monetary statistics on a more timely and more frequent basis, as dictated by law and regulation in many countries and by the needs of policymakers and market participants in all countries. Most countries compile monetary statistics on a monthly basis and disseminate them within a relatively short span of time.

17. For monetary policy purposes, the focus is on the data for the depository corporations sector, presented in the *CBS*, the *ODCS*, and the *DCS.* The *CBS* contains data on all components of the monetary base, which comprises the central bank liabilities underlying the monetary aggregates of the economy. The *DCS* contains data on all depository corporation liabilities included in the national definition of broad money. (Chapter 6 discusses monetary aggregates, the monetary base, and credit aggregates.)

18. The balance sheet identity in the *DCS* provides a direct link between the broad money supply and depository corporations' claims on nonresidents and the resident sectors of the economy. These data are important for the formulation and implementation of monetary policy and for broader types of macroeconomic policy.

19. The *FCS* is the broadest set of monetary statistics in terms of institutional coverage. This survey contains consolidated data for all institutional units within the financial corporations sector. The data in the *FCS* are particularly useful for analyzing the financial corporations sector's claims on (i.e., credit to) the other sectors of the economy and nonresidents.

20. The financial statistics provide data for use in compiling the financial account of the *1993 SNA*. It is possible to realize resource savings by treating the compilation of the financial statistics and the financial account of the *1993 SNA* as a single process or, at least, a highly cooperative effort of the compilers of the monetary and the national accounts statistics. However, the financial account of the *1993 SNA* also includes a large set of data from outside the financial corporations sector.

21. This manual contains descriptions of the flow of funds—a matrix showing the intersectoral financial transactions for an economy—and corresponding stock data on financial claims and liabilities among sectors. The focus is on those columns of the flow of funds matrix that pertain to financial corporations subsectors' claims on and liabilities to

- each other financial corporations subsector
- the nonfinancial sectors of the economy, and
- nonresidents.

For the financial corporations subsectors, the data for these rows and columns derive directly from the sectoral balance sheets, as described in Chapter 7. Data for the matrix entries that do not pertain to claims on or liabilities to the financial corporations sector are obtained from other sets of macrostatistics, including national accounts.

22. Data on the market prices of financial assets and on market exchange rates are necessary for the implementation of this manual's recommendations on the valuation of financial assets and liabilities. (The next section of this chapter summarizes valuation principles.) However, monetary and financial statistics, as defined in this manual, do not cover the compilation and presentation of macroeconomic data on interest rates, security prices, share prices, or exchange rates. Countries use a variety of reporting formats, sample designs, interest compounding formulas, averaging methods, and data presentations for indices and other data series on interest rates, security prices and yields, share prices, and exchange rates. This manual does not provide guidelines beyond the general recommendation that such data should reflect market prices and effective (rather than nominal) interest rates and should be representative of the financial assets and markets to be covered.

RELATIONSHIP TO THE *1993 SNA*

23. Because of the integral links between the monetary and financial statistics and the financial account of the *1993 SNA*, there is an almost complete concordance between this manual and the *1993 SNA* with respect to principles and concepts. In particular, these two sets of international guidelines are consistent on such issues as the delineation of resident and nonresident entities, sectorization of the economy, classification of the various categories of financial assets and liabilities, time of recording of transactions and other flows, financial asset and liability valuation, and data aggregation and consolidation[1]

24. Because of its broader scope, the *1993 SNA* contains many principles and concepts not directly relevant to this manual. This manual contains a few concepts not found in the *1993 SNA*, as well as more detailed treatment of some concepts contained therein. The most important difference pertains to issues concerning the definition of monetary aggregates. The *1993 SNA* does not deal with these issues, whereas issues related to the definitions of monetary aggregates are fundamental to monetary statistics; Chapters 6 and 7 of this manual cover these issues in some depth. The other differences between the *1993 SNA* and this manual are described in the context of the principles and concepts covered in the remainder of this chapter.

PRINCIPLES AND CONCEPTS

25. This section deals with the set of principles and concepts underlying the monetary and financial statistics recommended in this manual. Adherence to these principles and concepts, and to the resulting systematic recording and presentation of data, promotes internal consistency between debtor and creditor records, ensures consistency with other major sets of macrostatistics, and facilitates cross-country comparisons. Subsequent chapters of this manual will thoroughly cover more detailed aspects of these principles and concepts.

ECONOMIC TERRITORY, RESIDENCE, AND CENTER OF ECONOMIC INTEREST

26. The delineation between resident and nonresident entities is a key feature of all macrostatistical systems, including the monetary and financial statistics described in this manual. The separate identification of stocks and flows associated with claims on and liabilities to nonresidents is necessary for the measurement of a country's international reserves and its external debt. Likewise, since monetary aggregates usually include only liabilities to residents, the distinction between residents and nonresidents is crucial.

[1]The principles and concepts in this manual also accord with those in the fifth edition of the *Balance of Payments Manual (1*993) and the forthcoming IMF manual on government finance statistics, which are designed to have consistency with the *1*993 *SNA.* Recent revisions in the *1*993 *SNA* and the *Balance of Payments Manual*—in particular, those dealing with the statistical treatment of financial derivatives—have been incorporated into the principles and concepts of this manual.

27. This manual bases its definition of residence, as discussed further in Chapter 3, on the concepts of economic territory and center of economic interest rather than on nationality or legal criteria. This manual uses concepts identical to those in the *1*993 *SNA* and the fifth edition of the *Balance of Payments Manual (BPM5)*.

28. Economic territory may not be identical with boundaries recognized for political purposes. A country's economic territory consists of a geographic territory administered by a government; within this geographic territory, persons, goods, and capital circulate freely.

29. An institutional unit has a center of economic interest and is a resident of a country when, from some location (dwelling, place of production, or other premises) within the economic territory of the country, the unit engages and intends to continue engaging (indefinitely or for a finite period) in economic activities and transactions on a significant scale. Entities that do not satisfy the above requirements are referred to as nonresidents.[2]

SECTORIZATION

30. In defining monetary and credit aggregates (described in Chapter 7), it is necessary to identify the money (credit) issuing and holding sectors. Sectorization is also crucial to constructing the financial statistics (described in Chapter 8) and, in particular, the flow of funds which deal with intersectoral financial stocks and flows.

31. Institutional units differ with respect to their economic objectives, functions, and behavior and are grouped into sectors that include units with similar characteristics. The resident units of the economy are grouped into the following mutually exclusive institutional sectors:

- Financial corporations.
- General government.
- Nonfinancial corporations.
- Households.
- Nonprofit institutions serving households (NPISH).

Chapter 3 contains a description of these sectors.

32. The financial corporations sector contains five subsectors (1) the central bank; (2) other depository corporations (3) other financial intermediaries, except insurance corporations and pension funds; (4) insurance corporations and pension funds; and (5) financial auxiliaries. For the monetary and financial statistics, this manual combines categories (3) through (5) into a single subsector called the *other financial corporations* subsector. This consolidation of all financial corporations subsectors except the central bank and other depository corporations subsectors does not appear in the *1*993 *SNA*.[3]

33. The general government sector is divided into central government and state and local government.

34. The nonfinancial corporations sector contains three subsectors: (1) public nonfinancial corporations; (2) national private nonfinancial corporations; and (3) foreign controlled nonfinancial corporations. For monetary and financial statistics, this manual divides the nonfinancial corporations sector into only two subsectors—*public nonfinancial corporations* and *other nonfinancial corporations*. Thus, unlike the *1*993 *SNA*, this manual does not divide nonfinancial corporations into separate subsectors based on the residency of the units that own and control them.

35. The *1*993 *SNA* makes extensive use of separate data categories for the household and nonprofit institutions serving households (NPISH) sectors but, in some instances, combines

[2]The *1993 SNA* uses "rest of the world" to refer collectively to nonresidents. In this manual, nonresidents refers to all entities, or groupings of entities, that are not residents of an economy.

[3]The *1993 SNA* also contains two separate subcategories of other depository corporations, namely, deposit money corporations (which accept transferable deposits) and "other" (which do not accept transferable deposits). These subcategories are not used in the construction of the monetary and financial statistics as presented in this manual. Supplementary data for these subcategories may be of analytical usefulness in the context of the monetary and financial statistics in some countries.

these sectors into a single sector referred to as *other resident sectors. Other resident sectors* is the most basic level of sectorization for the monetary statistics presented in Chapter 7 and for the detailed flow of funds presented in Chapter 8. Separate data can be presented for the household and the NPISH sectors if needed in the national context.

CLASSIFICATION

36. The assets and liabilities of the financial corporations sector are classified in the following broad categories:

Monetary gold and SDRs.
Currency and deposits.
Securities other than shares.
Loans.
Shares and other equity.
Insurance technical reserves.
Financial derivatives.
Other accounts receivable/payable.
Nonfinancial assets.

The secondary level of classification disaggregates currency and deposits into separate categories for currency, transferable deposits, and other deposits; it also disaggregates insurance technical reserves and other accounts payable.[4] (Chapter 4 describes these classifications.)

37. Shares and other equity on the liability side of the balance sheets of financial corporations are disaggregated into the following categories (1) funds contributed by owners; (2) retained earnings; (3) general and special reserves; (4) SDR allocations (applicable to the central bank); and (5) valuation adjustments. Data for these categories are necessary for a detailed analysis of the shares and other equity of financial corporations in the context of the monetary statistics. These separate categories within shares and other equity do not appear in the *1993 SNA* or in the financial statistics in Chapter 8 of this manual.

VALUATION

38. This manual uses market price as the primary concept of valuation of transactions, other financial flows, and stocks (i.e., balance sheet amounts). It recognizes that market price quotations are not available for financial assets not traded in secondary markets or traded on an infrequent basis. Therefore, it is necessary to estimate market-equivalent values for such financial assets. This manual refers to estimates of market-equivalent values as fair values. (Chapter 5 describes the valuation principles, which are the same as those in the *1993 SNA*.)

39. For the financial statistics (described in Chapter 8), this manual recommends that shares and other equity on both sides of the balance sheet be valued at market prices, in concordance with the valuation principles in the *1993 SNA.* For the monetary statistics (described in Chapter 7), it is recommended that, while shares and other equity on the asset side of the balance sheet be valued at market prices, some components of shares and other equity on the liability side be valued at historical, or book, values. These valuation procedures (described in Chapter 5) are not applicable in the *1993 SNA*, because that system does not disaggregate shares and other equity. This manual also recommends that supplementary data on the market values of such shares and other equity be collected as memorandum items in the sectoral balance sheets.

40. The valuation of loans is an exception to the valuation principle based on market price or fair value. In particular, loan values should be based on creditors' outstanding claims without adjustment for expected loan losses.

41. The standard unit of account for the monetary and financial statistics is the national currency unit. Foreign-currency-denominated assets and liabilities must be converted to national currency units in the presentation of the monetary and financial statistics. In concordance with the principles of valuation and time of recording in

[4] Currency and deposits are further disaggregated by national/foreign currency of denomination. Insurance technical reserves are classified as (1) net equity of households in life insurance reserves and in pension funds and (2) prepayments of premiums and reserves against outstanding claims. Other accounts receivable/payable are classified as (1) trade credit and advances and (2) other.

this manual and the *1993 SNA*, the appropriate exchange rate to be used for conversion from a transaction currency into the national currency is the market exchange rate prevailing on the transaction date. For conversion of stocks of foreign-currency-denominated assets and liabilities, the market exchange rate prevailing on the balance sheet date should be used. The midpoint between the buying and selling rates should be used in converting both flow and stock data.

TIME OF RECORDING

42. This manual (like the *1993 SNA*) recommends recording transactions on an accrual, rather than cash, basis. Thus, the recording should coincide with the change in ownership of the asset rather than with the time of payment. (Chapter 5 describes these principles.)

AGGREGATION, CONSOLIDATION, AND NETTING

43. Aggregation refers to the summing of stock and flow data across all institutional units within a sector or subsector, or of all assets or liabilities within a particular category. This manual recommends reporting and organizing of the underlying data for the monetary and financial statistics on an aggregated basis.

44. Consolidation refers to the elimination of stocks and flows that occur between institutional units that are grouped together. For analytical purposes, the reported data are consolidated to obtain the surveys of the financial corporations sector and its subsectors, as presented in Chapter 7. (Chapter 5 describes aggregation and consolidation of the data.)

45. Individual units or sectors may have the same kind of transaction both as a use and as a resource (e.g., they both pay and receive interest) and the same kind of financial instrument as an asset and as a liability. Combinations in which all elementary items are shown at their full values are called *gross recordings*. Combinations whereby the values of some elementary items are offset against items on the other side of the account or that have the opposite sign are called *net recordings*. It is the general principle in this manual and in the *1993 SNA* that data should be recorded and compiled on a gross basis. However, in some circumstances, the presentation of data on a net basis is appropriate or the netting of data is necessitated by the unavailability of data on a gross basis. (Chapter 5 describes netting of data.)