

## Declarations of Contents, Financial accounts.

### 0 Administrative Information about the Statistical Product

#### **0.1 Name**

Financial accounts.

#### **0.2 Heading**

National accounts and balance of payments

#### **0.3 Responsible Authority, Office, Person, etc.**

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#### **0.4 Purpose and History**

The aim of financial accounts is to clarify how institutional sectors in the economy place/finance their net lending/net borrowing, and to show how the financial net worth is placed in financial instruments.

The financial accounts for Denmark were published for the first time in 2001 with data for the period 1995-1999. The last time the financial accounts were published was in November 2012 with data for the period 1995-2011.

Quarterly financial accounts are published by the Danish Central Bank. The two statements are basically alike except for a few differences in the choice of sources and methods.

### **0.5 Users and Application**

The users of financial accounts are expected to be Danmarks Nationalbank, financial institutions, economic ministries, lobby organizations, financial analysts in general for the purpose of analysis, forecasting and modelling.

### **0.6 Sources**

Sources for financial accounts include:

Reports from The Danish Financial Supervisory Authority.

MFI-statistics from Danmarks Nationalbank

Foreign debt from Danmarks Nationalbank.

Balance of payments from Danmarks Nationalbank.

Statistics on quoted shares.

Statistics on quoted bonds.

Statistics on loans and deposits.

Quotations from Copenhagen Stock Exchange.

Statistics on major insurance companies and consumer credit companies.

Accounting and VAT statistics.

Accounts in general.

Tax return statistics.

Accounts for general government

### **0.7 Legal Authority to Collect Data**

Not relevant since it is not primary statistics

### **0.8 Response burden**

The burden for the respondents is zero since all information is gathered through registers or through other published statistics.

### **0.9 EU Regulation**

Council Regulation (EC) no. 2223/96 from the 25th of June 1996 about the system of national and regional accounts in the European Community.

## 1 Contents

### 1.1 Description of Contents

Financial accounts make up a consistent system, showing the financial flows and net worth of each sector of the economy over time.

The financial sector accounts

For each sector the *financial (transactions) account*, which shows buying and selling of financial instruments, describes an important part of the transition from the *opening balance sheet account* to the *closing balance sheet account*.

Because the financial instruments are valued at market price, another important part of the transition is made up by revaluations, which are shown in the *revaluation account*. The remaining part is found in the *account of other changes in volume*, showing e.g. losses on debtors and relocations of units between sectors.

*opening balance sheet +*

*financial transactions + other changes in volume + revaluations ≡*

*closing balance sheet*

The financial instruments

The financial accounts are - on both the asset and liability side - based on a number of financial instruments. It is an inherent quality of a financial instrument that if it appears as an asset for one unit it will simultaneously appear as a liability for another unit. An example is bank deposits of households, which are an asset for households and a liability for banks. For each account and instrument this sector/counter-sector relationship implies that the sum of all assets equals the sum of all liabilities. Also by definition the sum of net lending / net borrowing across sectors equals nil.

### 1.2 Statistical Concepts

Financial accounts are compiled according to the guidelines in the European System of Accounts, ESA95.

Financial accounts consist of:

Opening balance sheet account: Describes the holding of financial instruments at the beginning of the year by each sector.

Financial account: Describes the transactions of financial instruments throughout the year by each sector. The difference between transactions in assets and transactions in liabilities equals the net financial assets.

Other changes in volume account: Describes changes in assets and liabilities which cannot be explained by financial transactions or revaluations.

Revaluation account: Revaluations covers changes in value of the financial instrument caused by changes in the market value e.g. changes in the stock prices.

Closing balance sheet account: Describes the holding of financial instruments at end of the year by each sector.

Net financial assets: Calculated in the financial accounts as the difference between transactions in assets and transactions in liabilities. Net financial assets are equivalent to the financial net savings, which ties the non-financial part and the financial part of the national accounts.

The financial instruments are divided into:

Monetary gold and special drawing rights (SDRs) (A)F.1 consists of the gold stock held by the Danish Central Bank (A)F.11 and SDRs allocated to the membership countries by The International Monetary Fund (IMF) (A)F.12.

Currency and deposits (A)F.2 consists of notes and coins in circulation issued by the Central Bank (A)F.21, deposits which are immediately convertible into currency by cheque, bankers order or the like (A)F.22 and other deposits (A)F.29

Securities other than shares (A)F.3. Includes financial assets which are negotiable and bearer instruments, are usually traded on secondary markets, and do not grant the owner any ownership rights in the institutional unit issuing them. Includes bills of exchange, bonds, treasury notes, certificates of deposit, commercial papers, financial derivatives or the like, which are normally traded at the financial markets. The instrument is divided into securities other

than shares, excluding financial derivatives (A)F.33, short-term securities other than shares, excluding financial derivatives (A)F.331, long-term securities other than shares, excluding financial derivatives (A)F.332 and financial derivatives (A)F.34.

Loans (A)F.4 consists of financial assets created when creditors lend funds to debtors, either directly or through a broker, evidenced by non-negotiable documents or not evidenced by documents. The instrument is divided into short-term loans (A)F.41 and long-term loans (A)F.42.

Shares and other equity (A)F.5. Financial assets which represent property rights on corporations or quasi-corporations. These financial assets generally entitle the holders to a share in the profits of the corporations or quasi-corporations and to a share in their net assets in the event of liquidation. The instrument is divided into shares and other equity, excluding mutual funds shares (A)F.51, quoted shares (A)F.511, unquoted shares (A)F.512, other equity (A)F.513 and mutual funds shares (A)F.52.

Insurance technical reserves (A)F.6. Consists of net equity of households in life insurance and in pension funds reserves, which includes technical provisions of insurance corporations and pension funds against policy holders or beneficiaries. In addition the instrument includes prepayments of insurance premiums and reserves for outstanding claims. Prepayments of insurance premiums consist of the amount representing that part of gross premiums written which is to be allocated to the following account period. Reserves for outstanding claims consist of the total estimated cost of settling all claims arising from the events which have occurred up to the end of the accounting period, whether reported or not, less amounts already paid in respect of such claims. The instrument is divided into net equity of households in life insurance reserves (A)F.611, net equity of households in pensions funds reserves (A)F.612 and prepayments of insurance premiums and reserves for outstanding claims (A)F.62.

Other accounts receivable/payable (A)F.7 financial assets which are created as a counterpart of a financial or a non-financial transaction in cases where there is a difference between this transaction and the corresponding payment. The instrument is divided into trade credits and advances (A)F.71 and "other" (A)F.79.

Institutional units

Non-financial corporations (S.11) consists of institutional units whose distributive and financial transactions are distinct from those of their owners and which are market producers, whose principal activity is the productions of goods and non-financial services.

Financial corporations (S.12) consist of all corporations and quasi-corporations which are principally engaged in financial intermediation and/or auxiliary financial activities. The sector is divided into 5 sub-sectors:

Central Bank (S.121)

Other monetary financial institutions (S.122)

Other financial intermediaries, except insurance corporations and pension funds (S.123)

Financial auxiliaries (S.124)

Insurance corporations and pension funds (S.125)

In placecountry-regionDenmark the Central Bank (S.121) consists solely by the Danish National Bank.

Other monetary financial institutions (S.122) consist of all financial corporations except the Central Bank which are principally engaged in financial intermediation and whose business is to receive deposits and/or close substitutes for deposits from institutional units other than monetary financial institutions, and, for their own account, to grant loans and/or to make investments in securities. The sector includes:

Commercial and deposit banks

Mortgage banks

Other bond issuing institutions

Other financial intermediaries, except insurance corporations and pension funds (S.123) consists of all financial corporations which are principally engaged in financial intermediation by incurring liabilities in forms other than currency, deposits and/or close substitutes for deposits from institutional units other than monetary financial institutions, or insurance technical reserves. The sector includes:

Corporations engaged in financial leasing

Corporations engaged in hire purchase and the provision of personal or commercial finance

Corporations engaged in factoring

Specialized financial corporations such as venture and development capital companies, export/import financing companies

In placecountry-regionDenmark the sector also includes Den Særlige Pensionsopsparing (SP) and Lønmodtagernes Dyrtdidsfond (LD).

Financial auxiliaries (S.124) consist of all financial corporations which are principally engaged in auxiliary financial activities, that is to say activities closely related to financial intermediation but which are not financial intermediation themselves. The sector includes:

- VP - Securities Services
- Insurance brokers
- Stockbroker companies

Insurance corporations and pension funds (S.125) consist of all financial corporations which are principally engaged in financial intermediation as the consequence of pooling of risks. The sector includes:

- Non-life insurance corporations
- Life insurance corporations
- Pension funds
- Reinsurance corporations
- ATP

General government (S.13) includes all institutional units which are other non-market producers whose output is intended for individual and collective consumption, and mainly financed by compulsory payments made by units belonging to other sectors, and/or all institutional units principally engaged in the redistribution of national income and wealth. The sector includes the central government and hospitals. In placecountry-regionDenmark the sector is divided into 3 sub-sectors:

- Central government (S.1311)
- Local government (S.1313)
- Social security funds (S.1314)

Central government (S.1311) includes those non-profit institutions which are controlled and mainly financed by central government. In placecountry-regionDenmark the sector also includes the national church.

Local government (S.1313) includes municipalities, counties/regions and non-profit institutions financed by the local government.

Social security funds (S.1314) includes unemployment funds and Employees Guarantee Fund.

General government includes some corporations which are market producers called quasi-corporations, which are characterised by the fact that the turnover covers more than 50% of the production costs, they are non independent because they are owned and controlled by the general government. These corporations are placed in (S.11), but the general government demands are stated as ownership shares.

Households (S.14) include individuals or groups of individuals as consumers and self-employed persons.

Non-profit institutions serving households (S.15) consists of non-profit institutions which are separate legal entities, which serve households and which are private non-market producers. Their principal resources are derived from voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general government and from property income. The sector includes trade unions, political parties, charities, relief and aid organisations.

Rest of the world (S.2) is a grouping of units without any characteristic functions and resources; it consists of non-resident units insofar as they are engaged in transactions with resident institutional units, or have other economic links with resident units.

## **2 Time**

### ***2.1 Reference Period***

Opening and closing balance sheets are stock data for beginning of year and end of year. The flow accounts refer to the intervening period.

### ***2.2 Date of Publication***

Financial accounts are published in Juny and revised in November.

### **2.3 Punctuality**

The statistics is normally published without delay compared to the announced date.

### **2.4 Frequency**

Annual.

## **3 Accuracy**

### **3.1 Overall accuracy**

Because of the number of consistency checks, data confrontations and comparisons with the non-financial accounts facilitated by the system of accounts, the overall accuracy is considered to be relatively high.

### **3.2 Sources of inaccuracy**

The financial accounts are based on a number of sources that may be influenced by a certain degree of inaccuracy, which may affect the financial accounts. Because of the consistency checks and the data confrontations carried out, the influence of the inaccuracy of the sources is, however, reduced.

### **3.3 Measures on accuracy**

In principle, it is not possible to measure the level of inaccuracy. However, the net lending / net borrowing across sectors, which are calculated before the final balancing is carried out, are comparable with the same measure in the non-financial accounts. The differences can be regarded as a measure of accuracy for the national accounts as a whole.

## **4 Comparability**

### **4.1 Comparability over Time**

One of the fundamental goals when compiling national accounts statistics is to achieve a high degree of comparability over time. Therefore, the statistical sources are adapted in order to be consistent with the concepts of the national accounts and corrected to eliminate the consequences of changes in coverage, classifications etc.

#### **4.2 Comparability with other Statistics**

The sector definitions in the financial accounts follow ESA95. This enables comparisons to be made with non-financial accounts nationally as well as internationally.

#### **4.3 Coherence between provisional and final statistics**

At present the figures for 2010 and 2011 are temporary

### **5 Accessibility**

#### **5.1 Forms of dissemination**

Ongoing publication:

News from Statistics Denmark; <http://www.dst.dk/Statistik/Nyt.aspx>

Nationalregnskab og betalingsbalance (Statistiske Efterretninger),

Yearly books: Statistisk Årbog, Statistisk Tiårsoversigt, [WWW.dst.dk/aarbog](http://WWW.dst.dk/aarbog)

#### **5.2 Basic material: Storage and usability**

Basic material is stored electronically for further usage.

#### **5.3 Documentation**

A detailed description of sources and methods will be published in Statistical News.

#### **5.4 Other Information**

A general introduction to the national accounts is given in a textbook (Danish only) prepared by Bent Thage & Annette Thomsen: "*Nationalregnskabet*", Serien Erhverv og Samfund, Handelshøjskolens Forlag, 2004.

A thorough description of financial accounts definitions is available in:

"European System of Accounts ESA 1995".