Documentation of Statistics for

Financial Accounts 2015

MIP Report

Placement in Statistics Denmark's subject levelhierarchy

1:National accounts and government finances
2:Annual national accounts
3:Annual national accounts, sectors

Printing date: June 30, 2016

1. INSTITUTIONAL ENVIRONMENT

1.1. *CoP1 Professional Independence / PC1 Professional Independence*

1.1.1 Legal basis:

According to the Act on Statistics Denmark, Art. 2: "Statistics Denmark is an independent institution under the direction of a Board consisting of the National Statistician as chairman, and six other members with insight into social and economic conditions". Art. 2, The procedure for appointment of the members of the Board is not specified in the Act, except that they are to be appointed by the Minister of Economic Affairs and the Interior, and that they shall comply with the criteria of having insight into social and economic conditions, including business, industrial and labor conditions.

According to the Act "the Board will decide the working programme for Statistics Denmark…" (Art. 3) and "the professional and administrative management of Statistics Denmark rests with the National Statistician" (Art. 4). paragraph 2: "The National Statistician shall be appointed by the King. The recommendation of the Minister of Economic Affairs shall be submitted after consultation with the Board" (Act on Statistics Denmark, http://www.dst.dk/pukora/epub/upload/10035/lovsam2006.pdf pp. 127-130). The Act does not explicitly spell out the independence of the NSI from political or other external interference in developing, producing and disseminating official statistics.

1.1.2 Statistics work programme:

The work programme is annual, and the status on major projects will be updated in the following annual programme. Statistics Denmark does not publish a specific progress report on the statistical work programme. No national request has been made for such a Important developments of new statistics, including deadlines for finalisation as well as quality indicators of the statistical production have for many years been part of Statistics Denmark's yearly contract with the Ministry of Economic Affairs and the Interior.

1.1.4 Legal basis (s7.1):

Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union.

1.2. *CoP6 Impartiality and objectivity / PC6 Impartiality and objectivity*

1.2.1 Advance release calendar (s9.2):

The Release Calender can be accessed on our English website: <u>Release Calender</u>.

1.2.2 Revision policy

(s20.1): Statistics Denmark revises published figures in accordance with the <u>Revision Policy for Statistics Denmark</u>. The common procedures and principles of the Revision Policy are for some statistics supplemented by a specific revision practice.

(s9.1): The publication date appears in the release calendar. The date is confirmed in the weeks before.

1.4. Contact information

The administrative placement of this statistics is in the division of Government Finances.
The person responsible is Katja Møller Hjelvang,
tel. +45 3917 3472,
e-mail: <u>kmo@dst.dk</u>

2.   STATISTICAL PROCESSES

2.1.   CoP7 Sound methodology / PC7 Sound methodology

2.1.1 General remarks (s14.3):
Financial accounts comply with Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union.

2.2.1 Main features
(s21.1): Sources for financial accounts include:
- Reports from The Danish Financial Supervisory Authority.

- Monetary and financial 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

(s21.2): Yearly.

(s21.3): Not relevant for these statistics.

(s21.4): 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. This process is the first part of the quality assurance of statistics where it may be necessary to contact the specific source to clarify certain characteristics of the data, or if the new data is significantly different than expected. As data is collected continuously throughout the year, it may be necessary to make imputations for the data that are not available at the time of publication. The internal consistency of financial accounts functions as a quality control in the production, as different sources with the same information can be compared.

(s21.5): The data is collected continuously throughout the year from many different sources. It is then processed in relation to the national accounts system, where it may be necessary to contact the specific source to clarify certain characteristics of the data. It may be necessary to make imputations in cases where the data isn't available at the time of publication. After the first quality assurance where data is validated and the concepts of the national accounts are adapted a full set of financial accounts for all (sub-)sectors are designed. For each (sub-)sector the transition from the *opening balance sheet account* to the *closing balance sheet account* is calculated as below:
opening balance sheet + financial transactions + other changes in volume + revaluations = closing balance sheet

Financial accounts make up a consistent system, showing the financial flows and net worth of each sector of the economy over time. Corrections is carried out due to the internal consistency, which is the basis of national accounts.

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 zero.

The internal consistency of financial accounts functions as a quality control in the production, as different sources with the same information can be compared.

A link between the non-financial sector accounts and the financial accounts is net lending/ net borrowing. The net lending/net borrowing obtained in the non-financial sector accounts is per definition identical to the net lending/net borrowing obtained in the financial accounts. This is due to the fact, that non-financial transactions always have a counterpart transaction in the financial accounts. However this is difficult to obtain in practice due to different sources, insufficient sources and time differences.
The deviation between the net lending/net borrowing obtained in non-financial sector account and the

net lending/net borrowing obtained in the financial accounts is used as an important quality indicator. This is especially true for sectors, where both the non-financial and financial parts are covered by good sources. This control measure gives rise to a re-evaluation and sometimes re-estimation of sources and calculation, but does not completely eliminate the differences.

Balancing the net lending/net borrowing (given by the total transactions in assets less of the total transactions in liabilities) is usually done in the financial accounts. This is due to the fact that transactions in the financial accounts usually are linked with greater uncertainty compared to the transactions in the non-financial accounts. The starting point in the financial accounts is usually balances, which are based on high quality sources. Thereafter revaluations and transactions are compiled from other sources or estimated. This composition of different sources can give rise to a biased distribution between revaluations and transactions, which leads to an inaccurate net lending/net borrowing in the financial accounts. The balancing of the net lending/net borrowing does not influence the balances. The balancing is done in the financial transaction account. To obtain the transition from beginning of the period to the end of the period a counterpart transaction is placed in the account for other changes in volume. This practice is chosen because the balances of the financial accounts have the most reliable sources.

(s21.6): There is no correction of data beyond what has already been described under data validation and data treatment.

3. STATISTICAL OUTPUT

3.1. *CoP11 Relevance / PC11 Relevance*

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(s14): The users of financial accounts are expected to be Danmarks Nationalbank, financial institutions, Eurostat, economic ministries, lobby organizations and financial analysts in general for the purpose of analysis, forecasting and modeling.

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3.2. *CoP12 Accuracy and reliability / PC12 Accuracy and reliability (including stability)*

3.2.1 Revisions
(s15): 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.

(s15.1): 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.

In principle, it is difficult 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. Quality performance indicators for the inaccuracy is under development.

(s15.2): Not developed for these statistics.

(s15.3): Not developed for these statistics.

(s20.2): The first temporary figures are published about 6 months after completion of the latest reference year with the release at the end of June. Final figures are published annually about three years after the reference year in the early November release. Upon publication in the end of June, the three latest years are temporary. Upon release in early November two latest year are temporary. At present, the years 1995-2012 are final figures. There will be some significant revisions to the latest year.

3.3. *CoP13 Timeliness and punctuality / PC13 Timeliness (including punctuality)*

3.3.1 National requirements (s16):
The first temporary figures are published about 6 months after completion of the latest reference year with the release at the end of June. Final figures are published annually about three years after the reference year in the early November release. Upon publication in the end of June, the three latest years are temporary. Upon release in early November two latest year are temporary. At present, the years 1995-2012 are final figures. There will be some significant revisions to the latest year. The statistics is normally published without delay compared to the announced date.

3.4. *CoP14 Coherence and comparability / PC14 Consistency and comparability*

3.4.1 General remarks/Bilateral asymmetries (s17.2):
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.

3.4.2 Consistency with related statistics (s18.1):
The sector definitions in the financial accounts follow ESA2010. This enables comparisons to be made with non-financial accounts nationally as well as internationally. 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.

3.4.4 Consistency across frequencies (s18.2):

By definition there is full internal consistency in the national accounts.

3.5.   *CoP15 Accessibility and Clarity / PC15 Accessibility and Clarity*

3.5.1 Data

(s11): The statistic is published in News from Statistics Denmark here: <u>Annual national accounts</u>. Data can be found in the following table in the StatBank: <u>Financial account and balance sheets</u>.

(s9.3): Statistics are always published at 9:00 a.m. at the day announced in the release calendar. No one outside of Statistics Denmark can access the statistics before they are published. Theme publications etc. may be published at other times of the day. The National Statistician can decide that such publications may be released before their official publication time, e.g. to the media and other stakeholders.

(s11.1): The statistic is published in News from Statistics Denmark here: <u>Annual national accounts</u>.

(s11.2): Data is part of:
- <u>Statistical Yearbook</u>
- <u>Statistical Ten-year Review</u>

(s11.3): Data can be found in the following table in the StatBank: <u>Financial account and balance sheets</u>.

3.5.2 Metadata (s12.1):

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