

# **Financial sector accounts: The Chilean experience in their use for financial stability monitoring**

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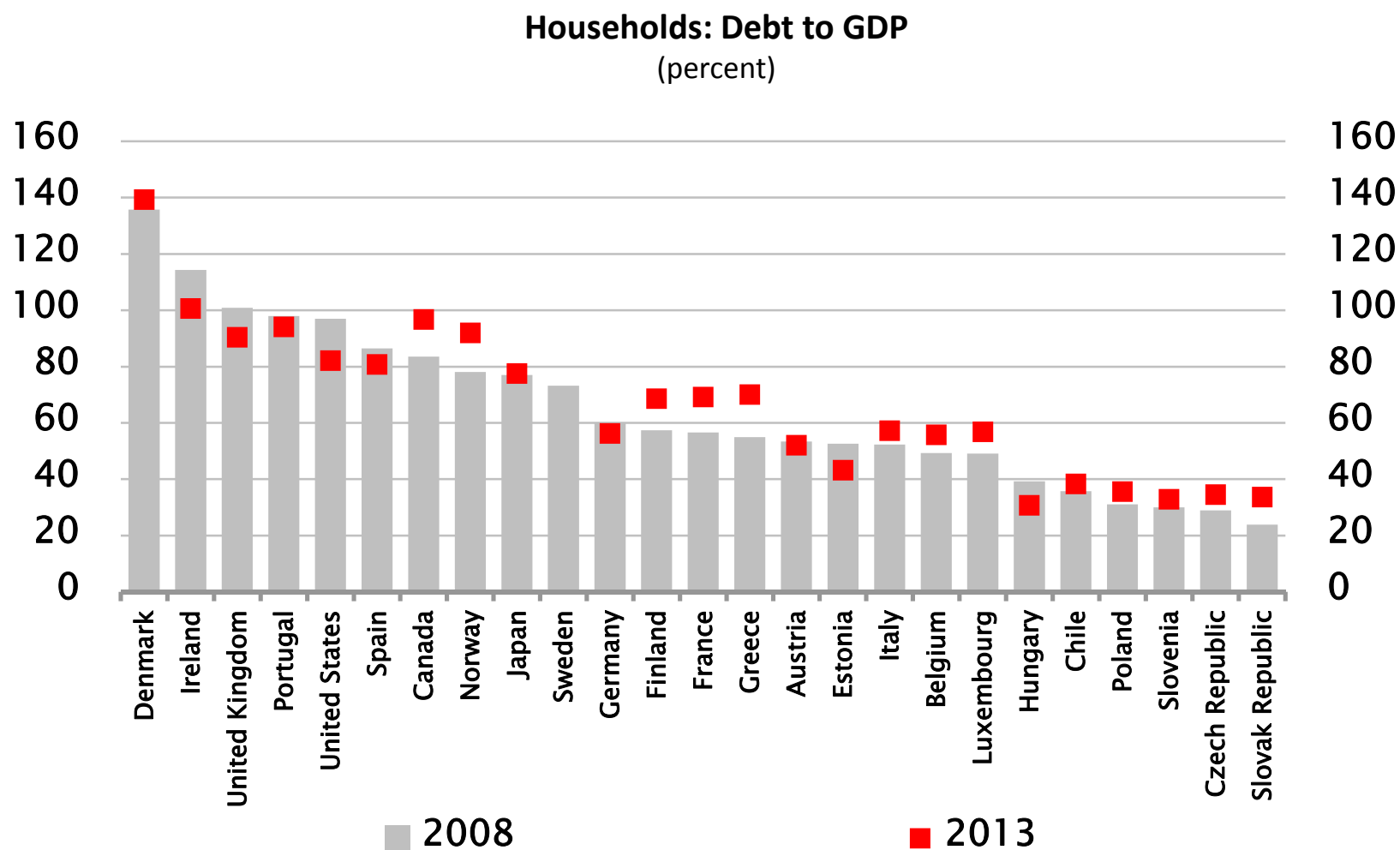
# Introduction

- One ingredient of financial stability is the monitoring and oversight of leverage and asset holdings by different agents
- Who holds the liabilities of whom is an important element, and can be extended to derivative positions
- The international comparison is also a key benchmark for the assessment

# Introduction

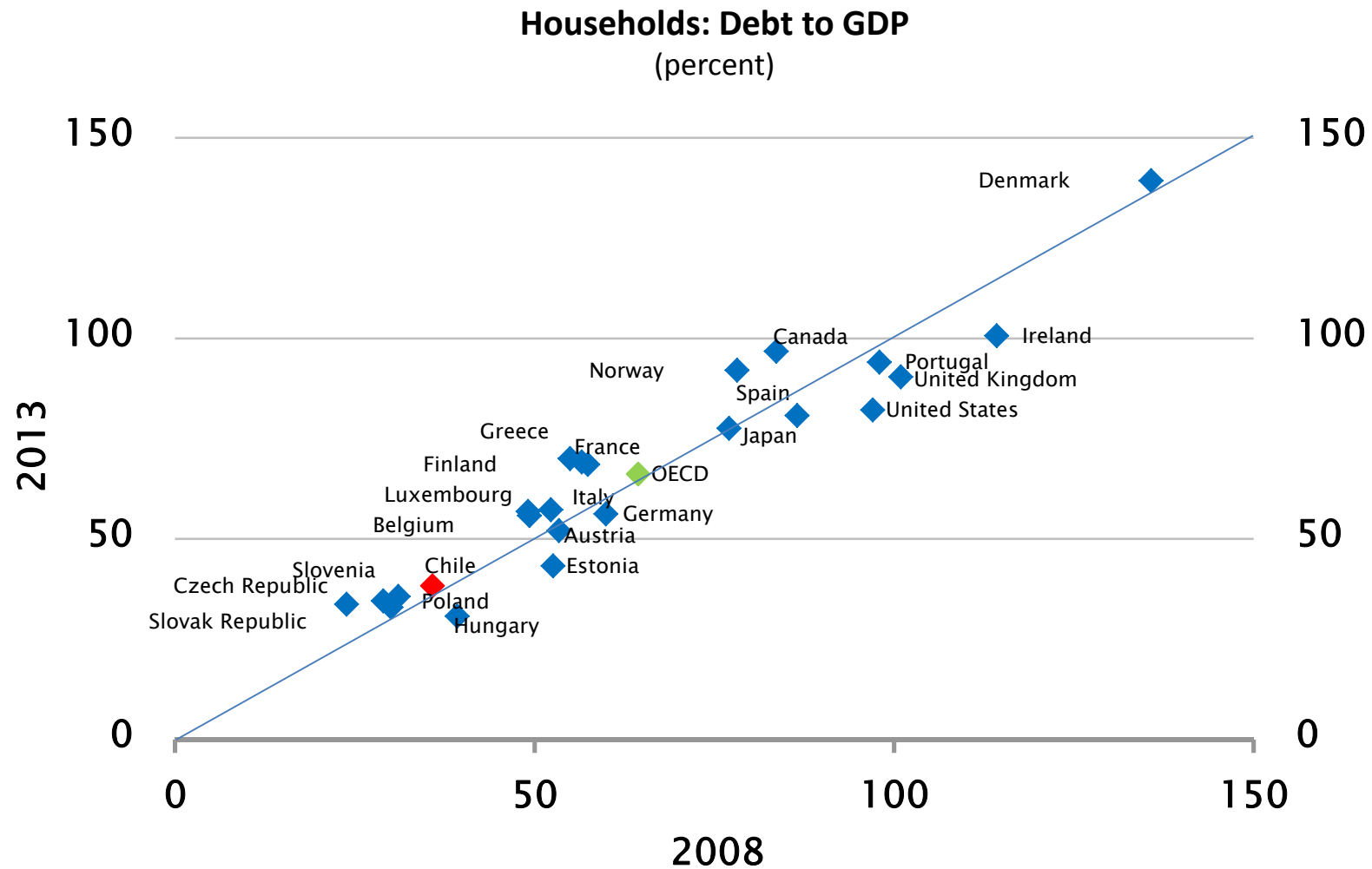
- In this presentation we show how the use of financial sector accounts is used in this benchmarking exercise for the case of Chile
- OECD database provides an important source for the international comparison
- However data gaps remain to make a complete assessment
- Some of these challenges are discussed

## There is a significant cross country dispersion of household indebtedness, and it is persistent over time



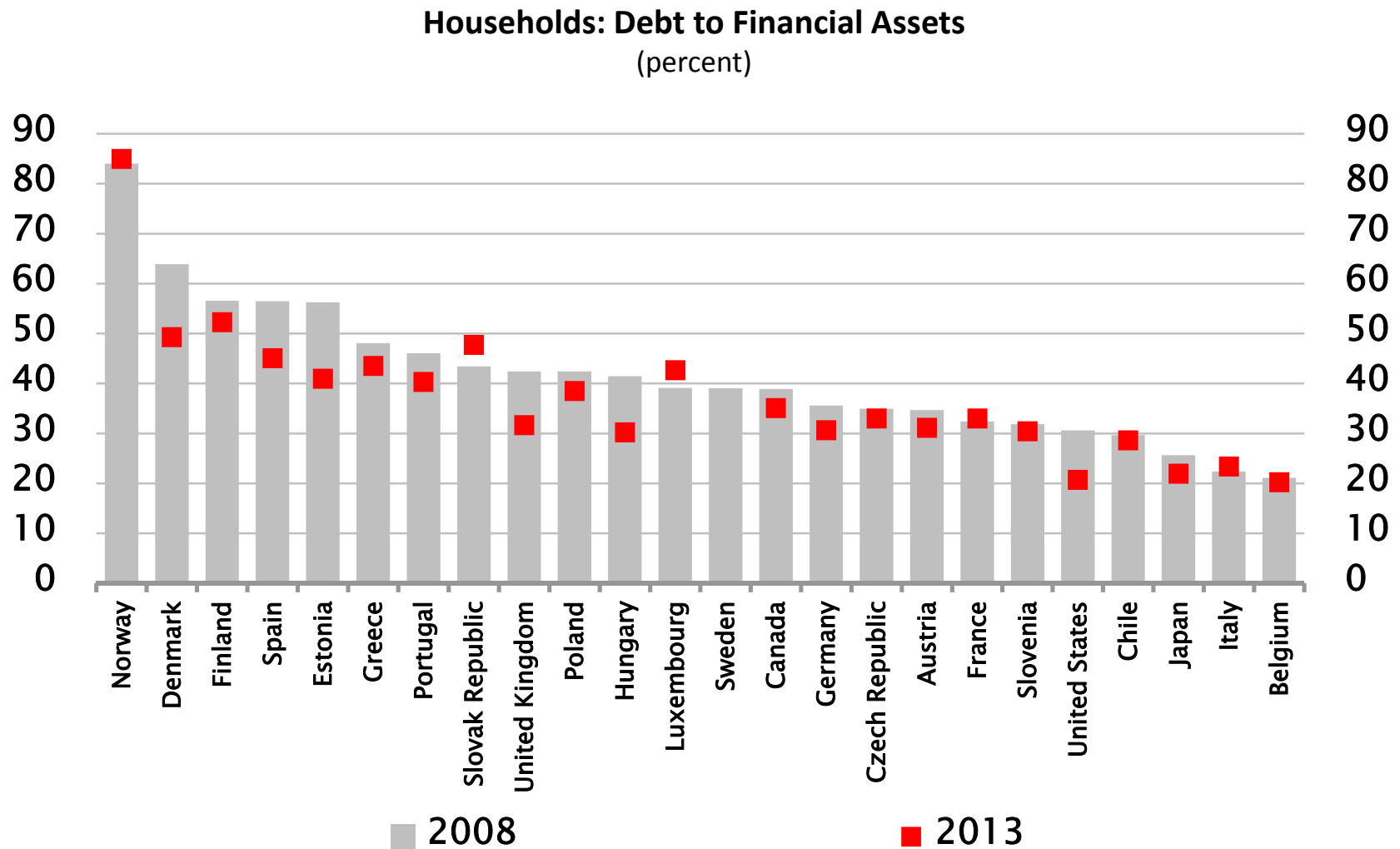
Source: Organisation for Economic Co-operation and Development (OECD).

# Chilean households do not appear overly indebted according to this metric



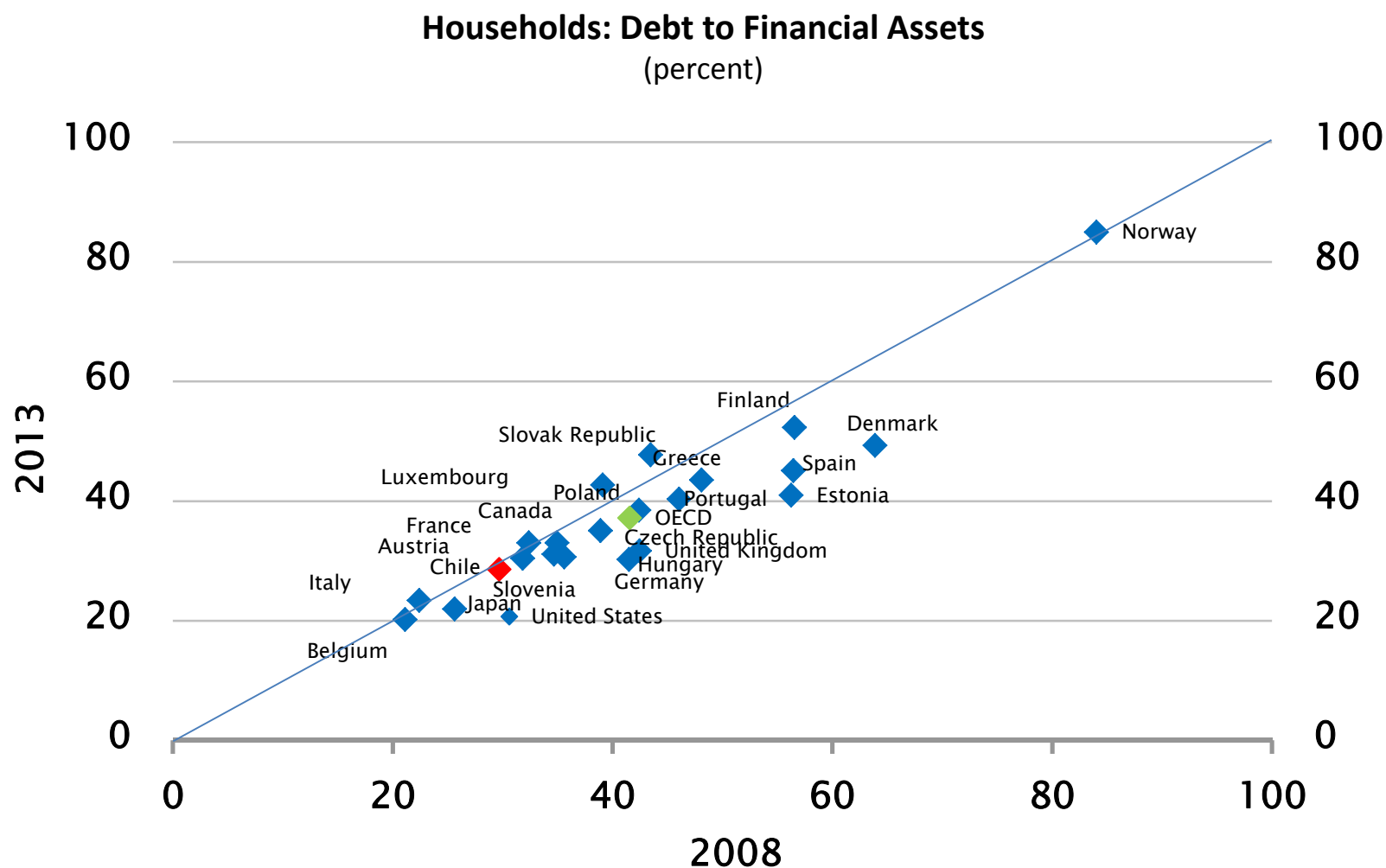
Source: Organisation for Economic Co-operation and Development (OECD).

## Other measures of household leverage paint a similar picture



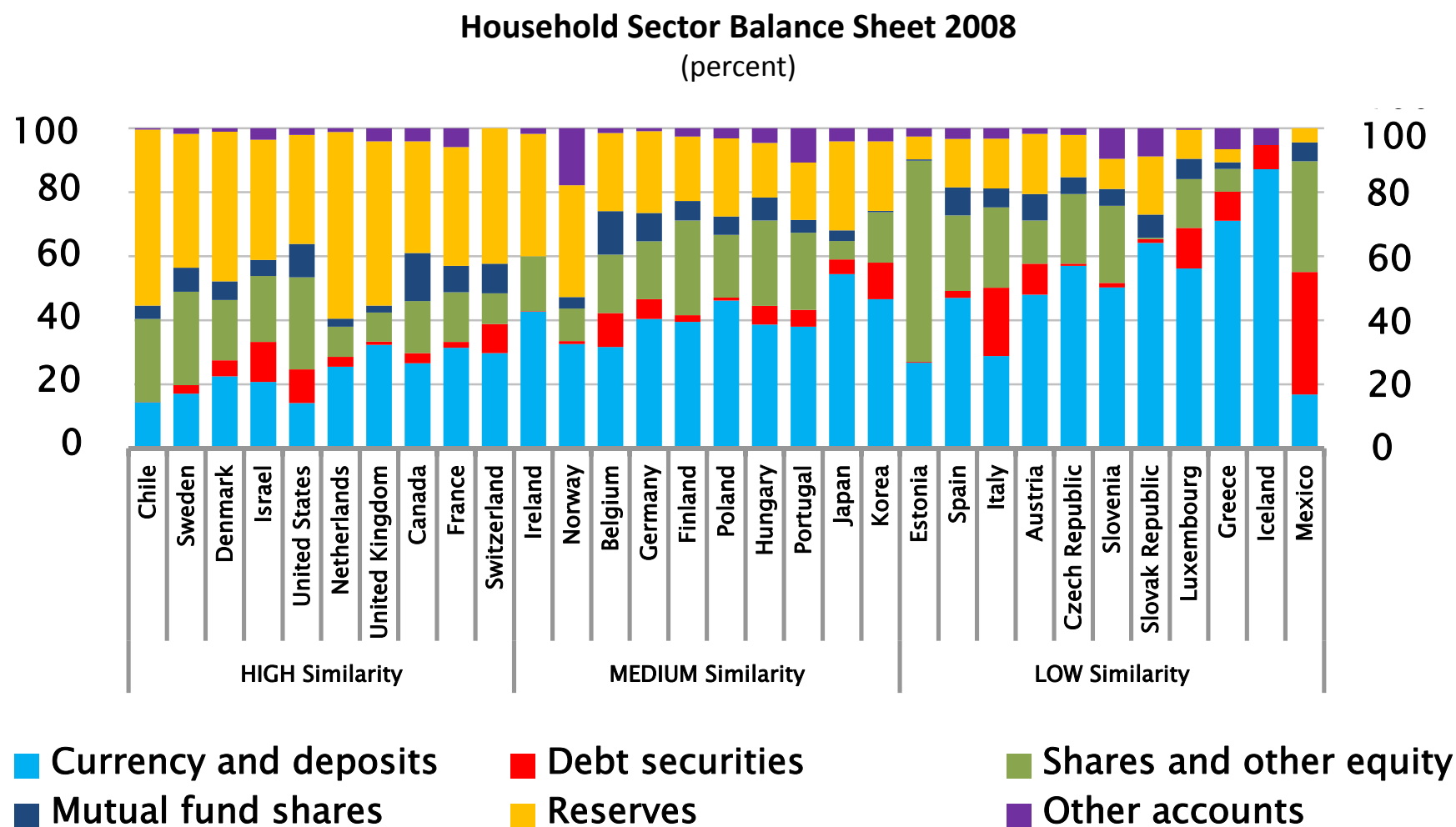
Source: Organisation for Economic Co-operation and Development (OECD).

## The ratio of household debt to financial assets shows more clearly the deleveraging in several advanced economies



Source: Organisation for Economic Co-operation and Development (OECD).

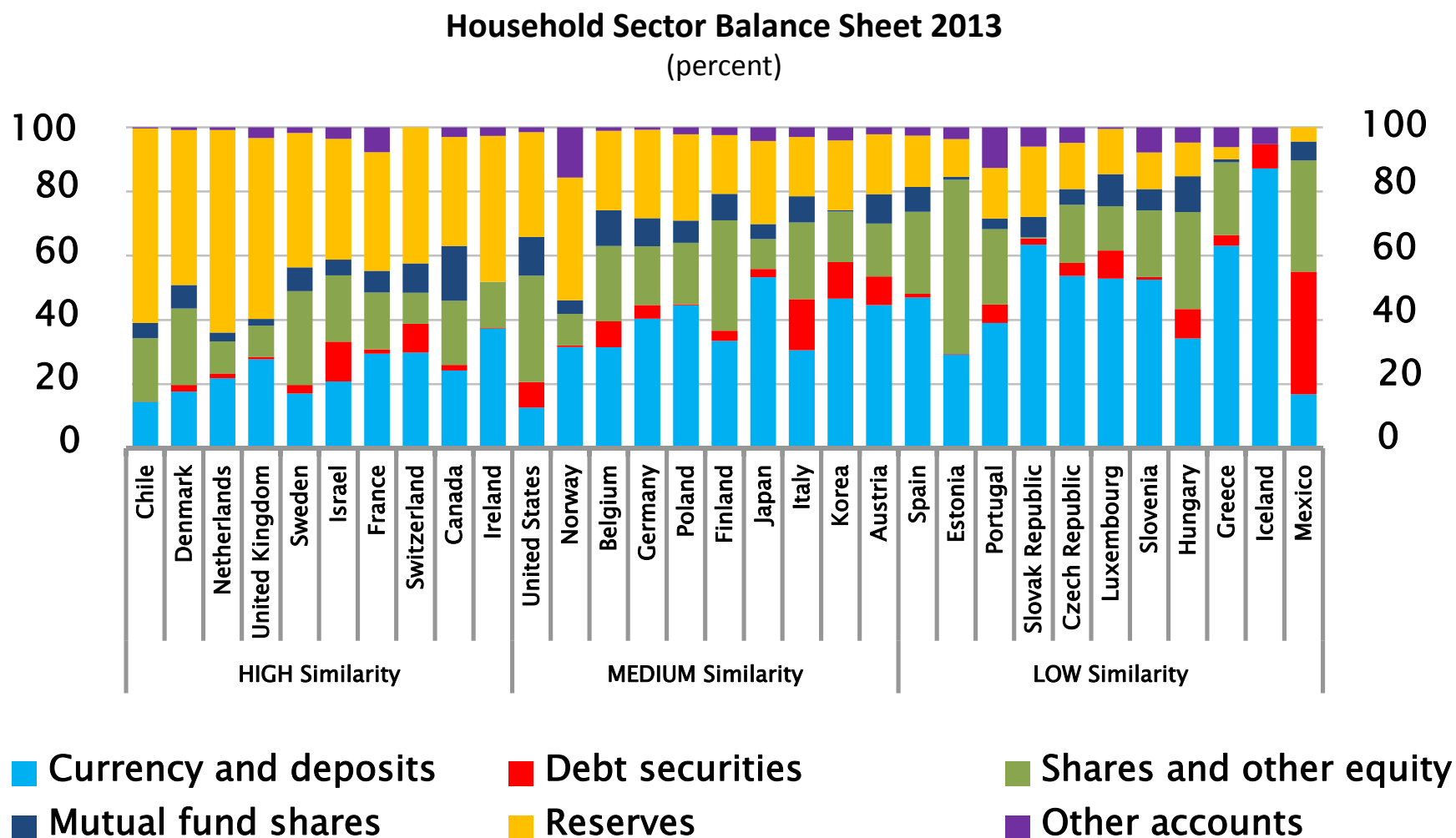
# Households in Chile have a significant share of their assets in reserves: a reflection of social security arrangements



Source: Organisation for Economic Co-operation and Development (OECD).

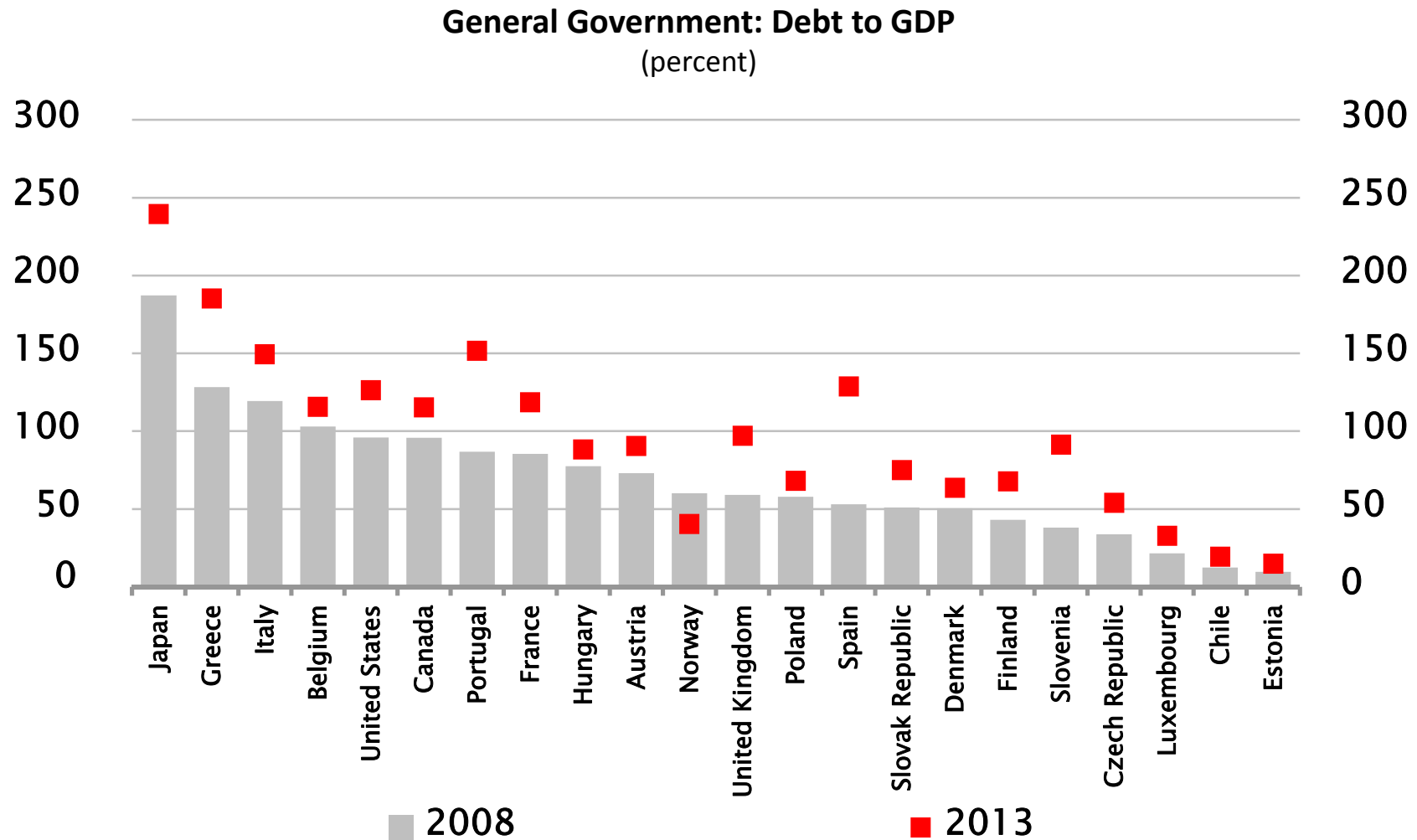


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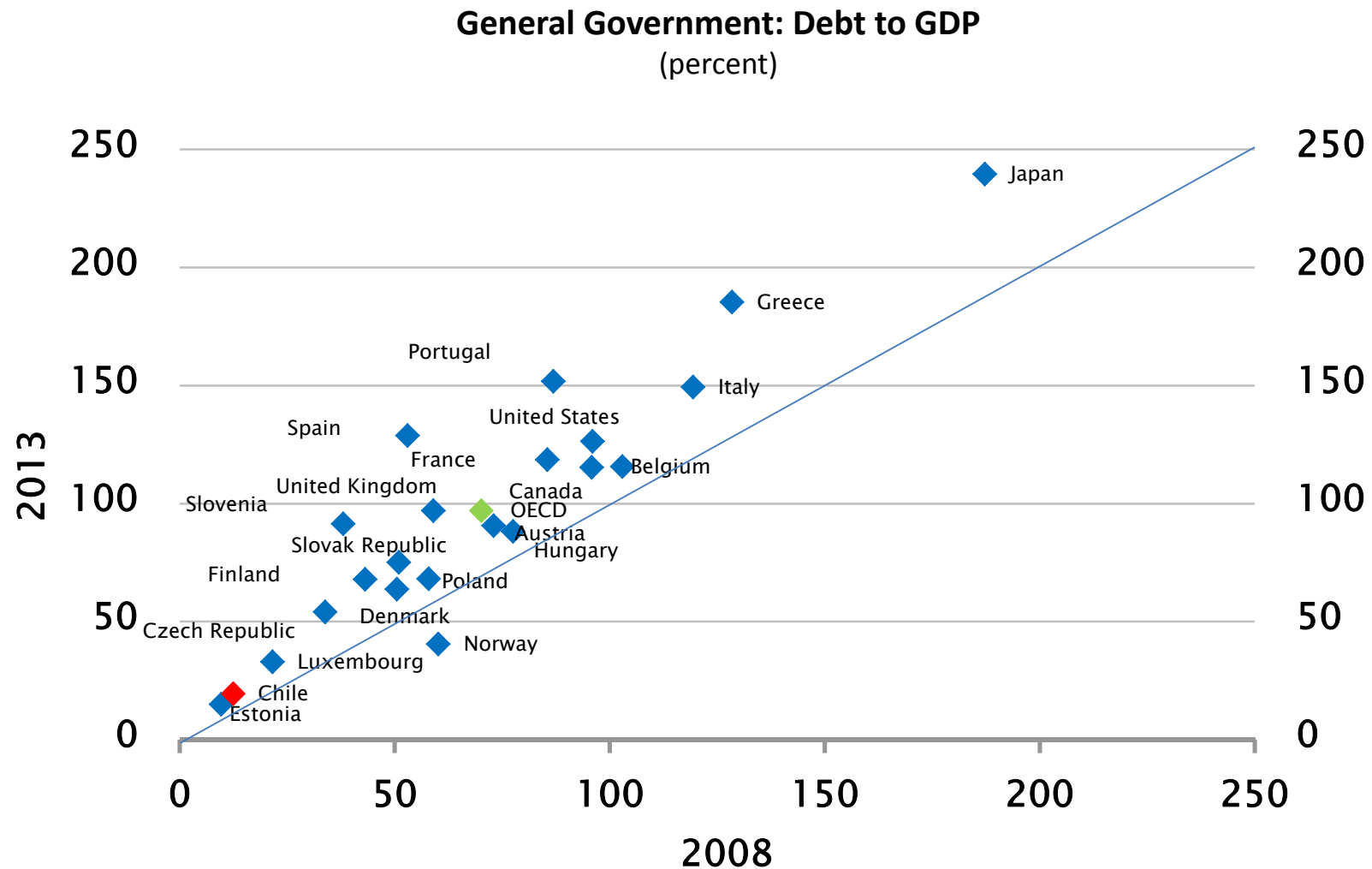
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# The General Government has a very low level of gross debt



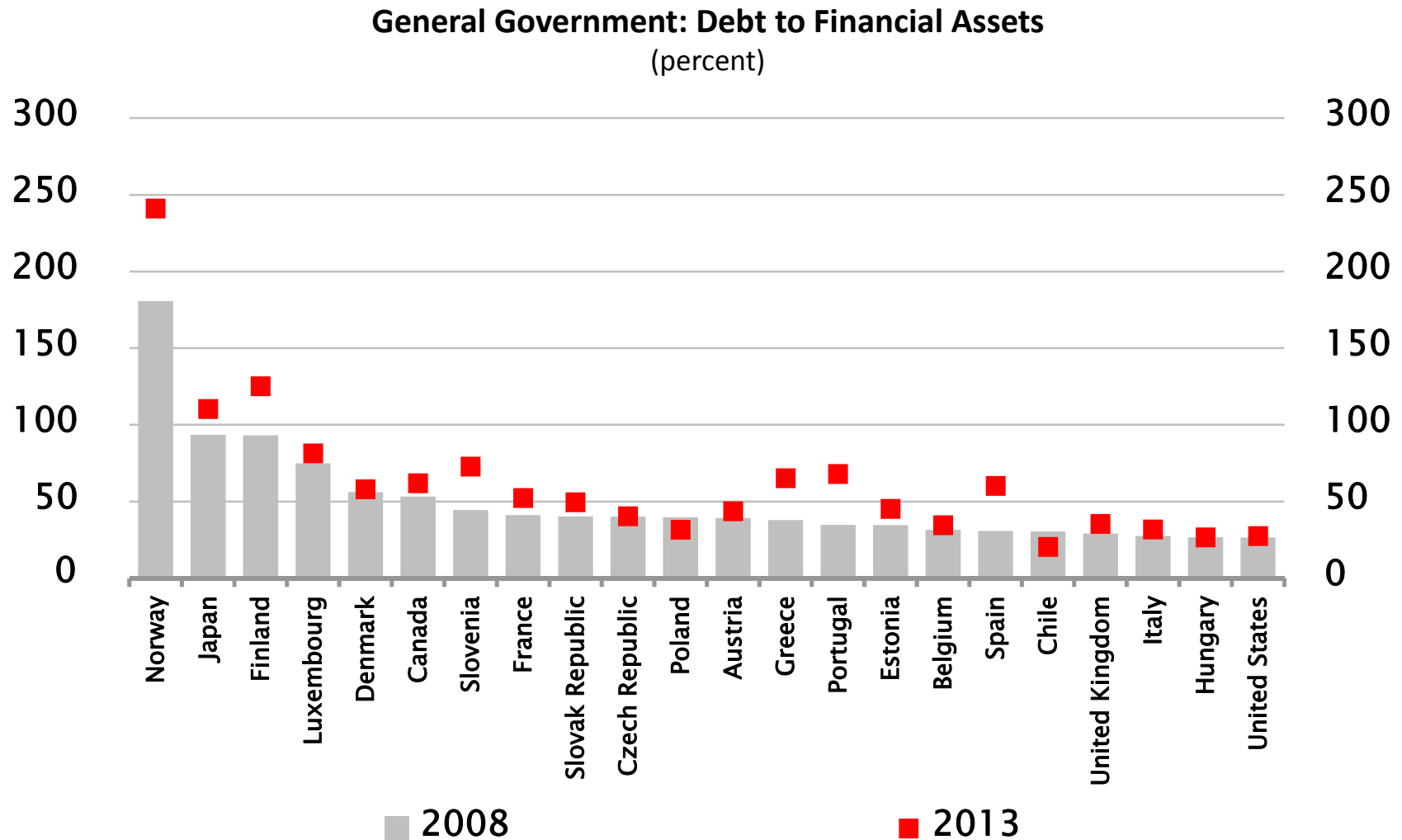
Source: Organisation for Economic Co-operation and Development (OECD).

# Most economies have experienced an increase in government debt after the 2008-2009 crisis



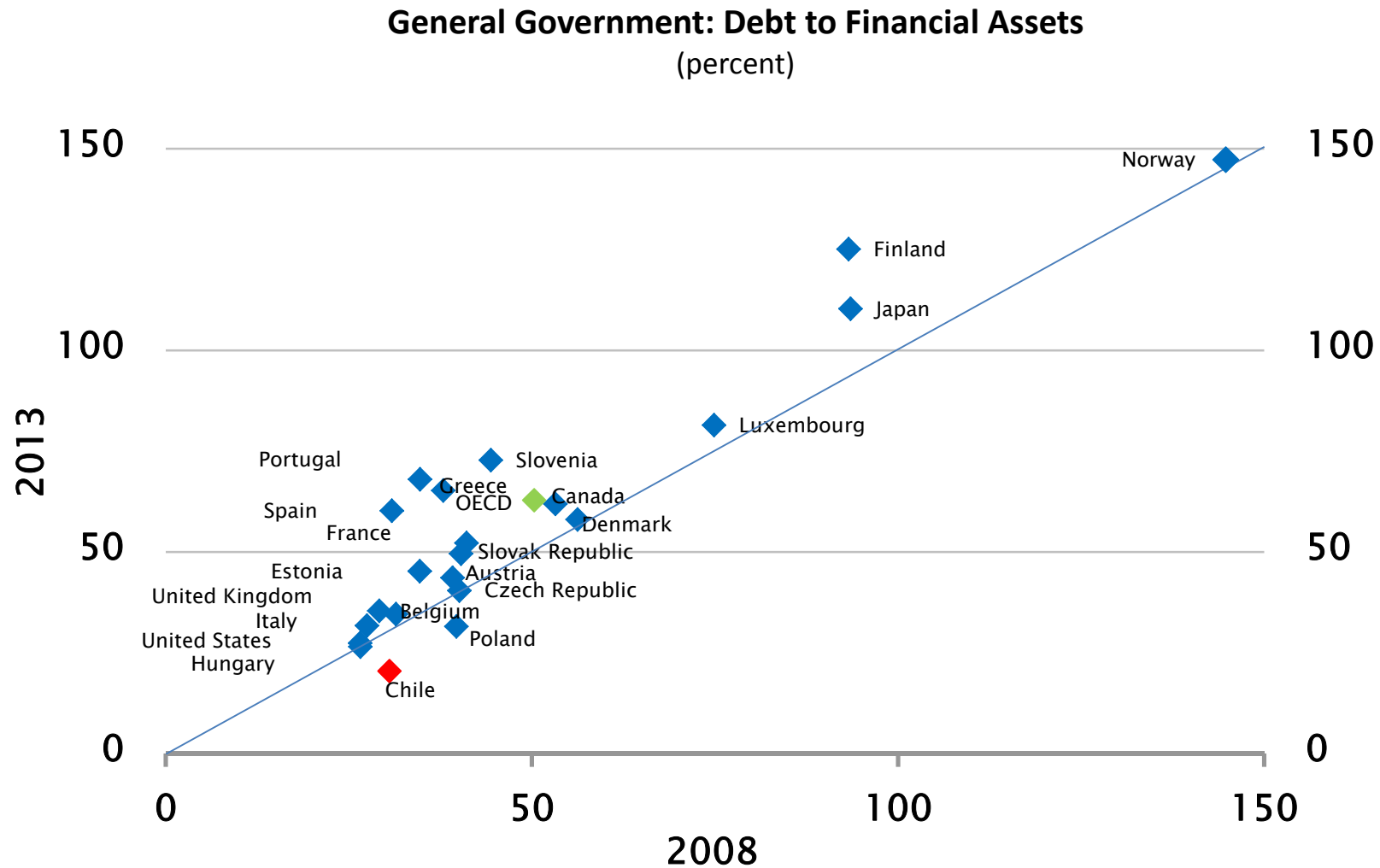
Source: Organisation for Economic Co-operation and Development (OECD).

## Unlike most economies, the ratio of debt to financial assets has decreased in Chile since 2008



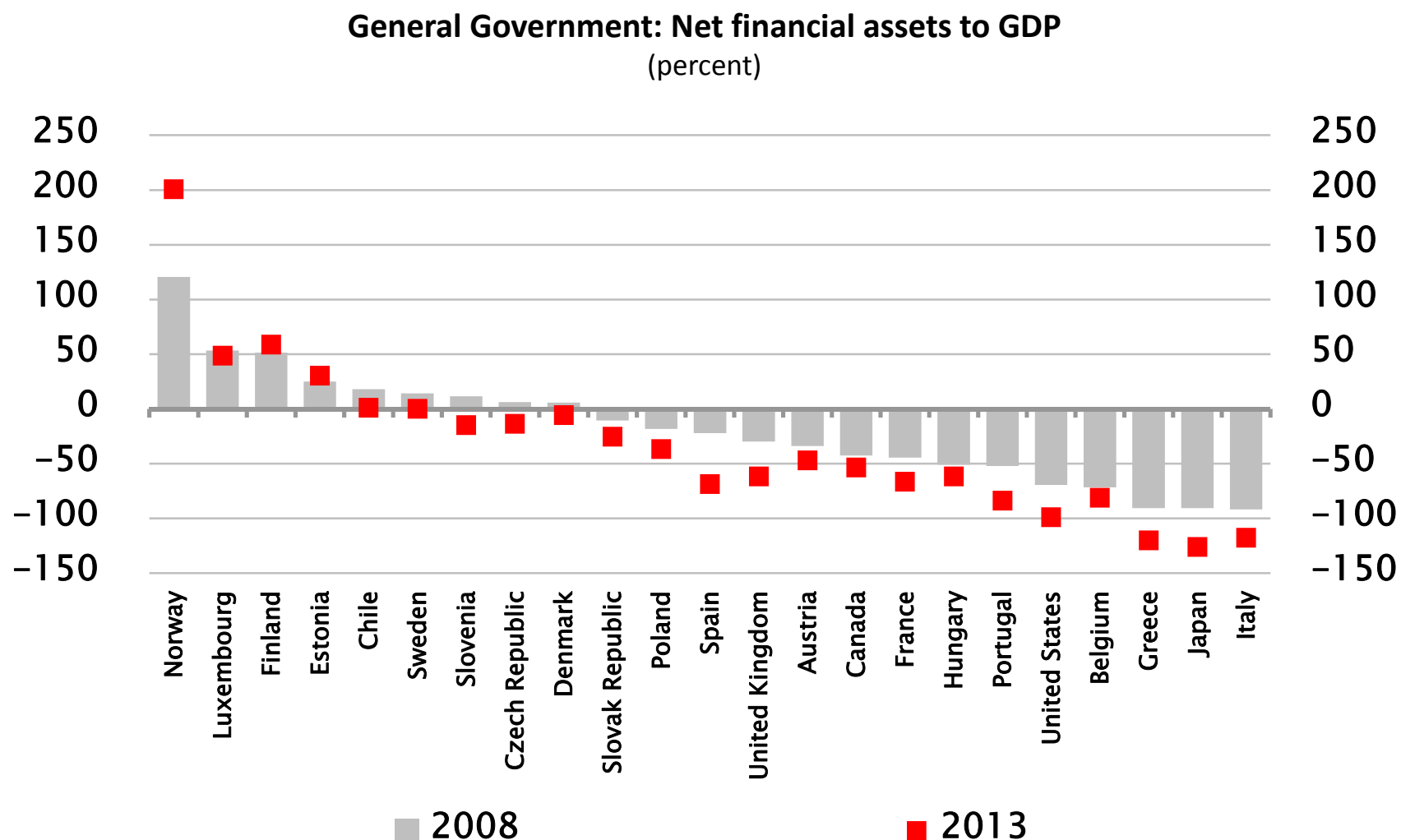
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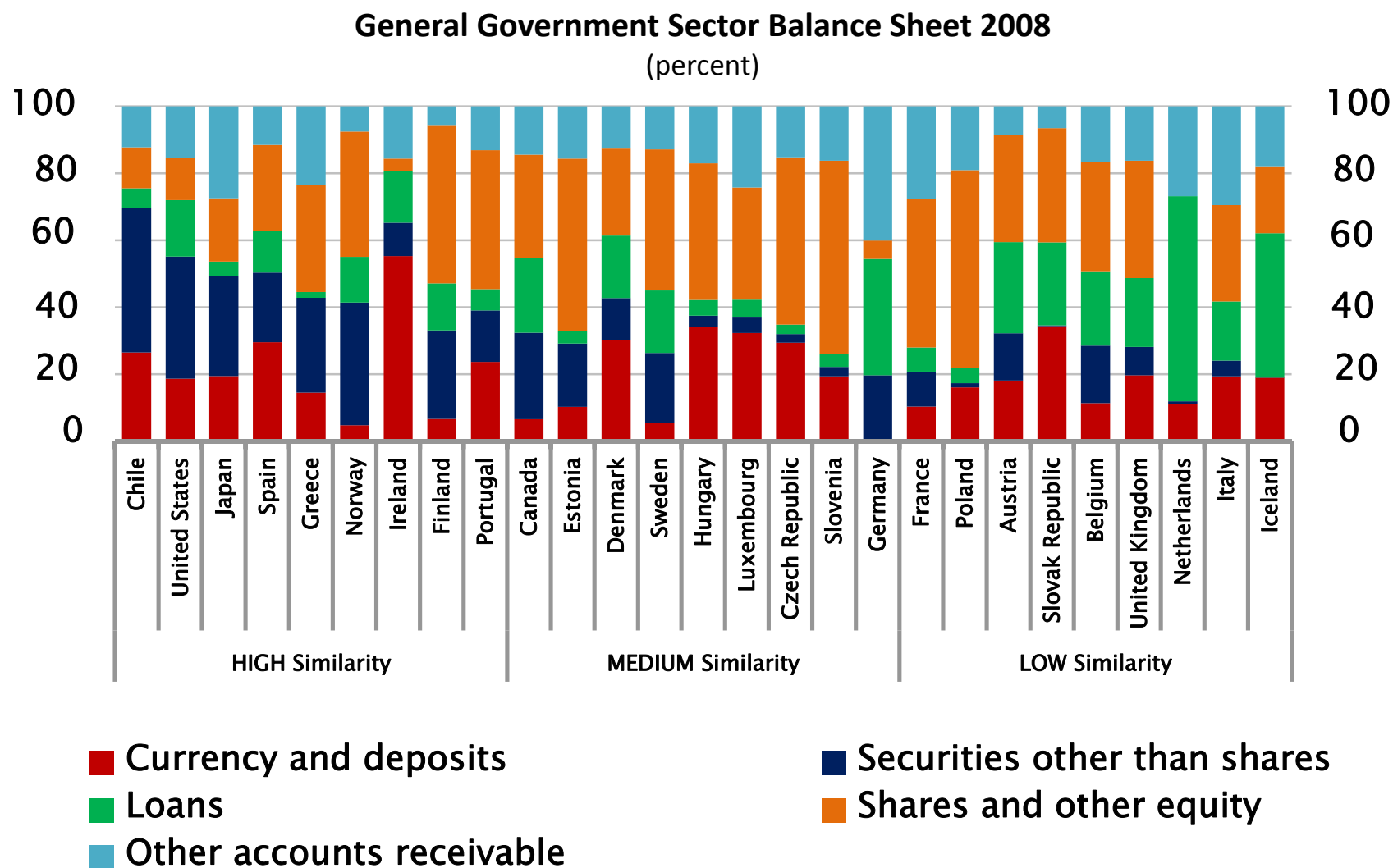
Source: Organisation for Economic Co-operation and Development (OECD).

## A sovereign wealth fund holds a significant fraction of Chile's public financial assets



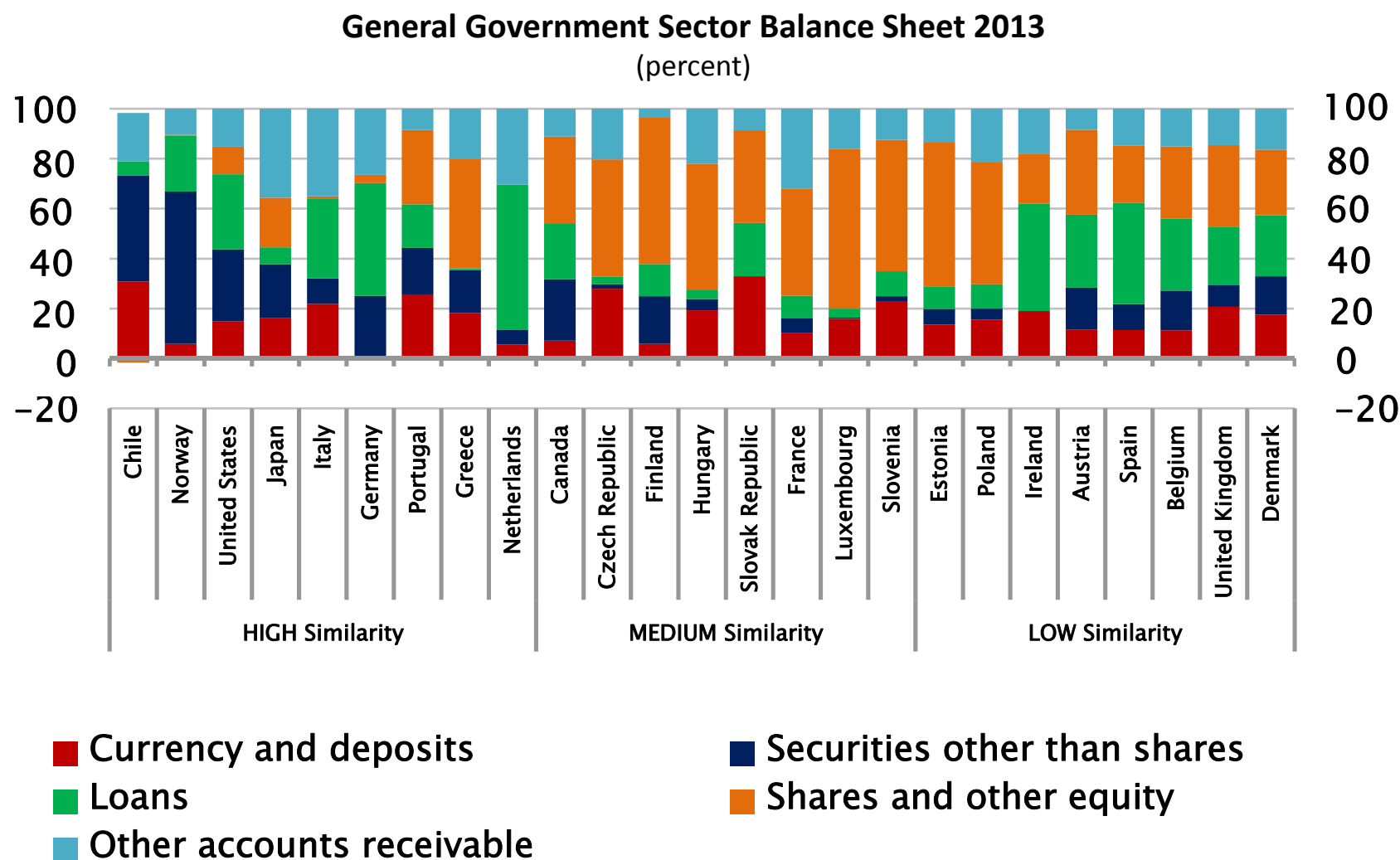
Source: Organisation for Economic Co-operation and Development (OECD).

# Which explains the composition of the General Government's assets



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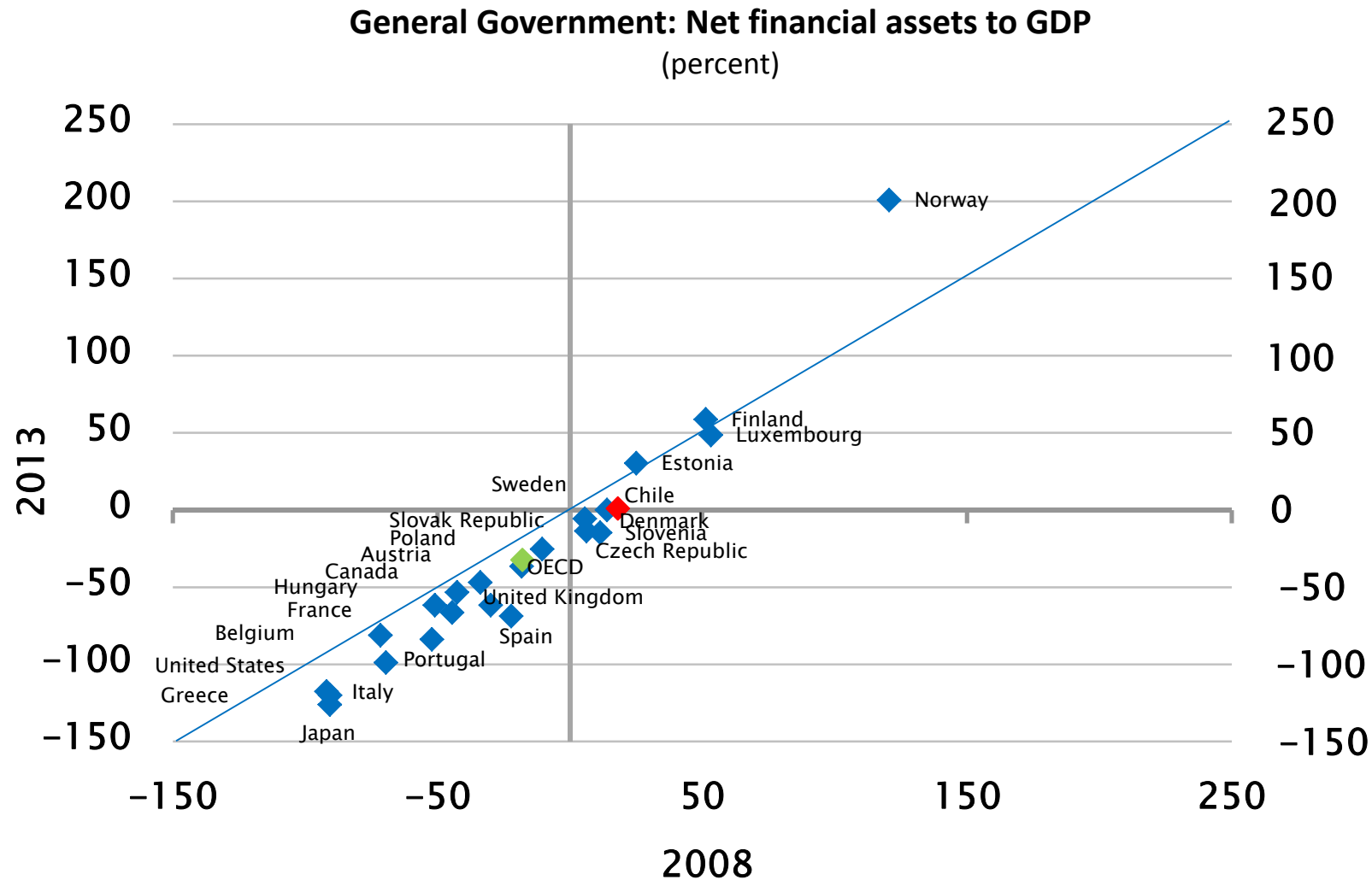
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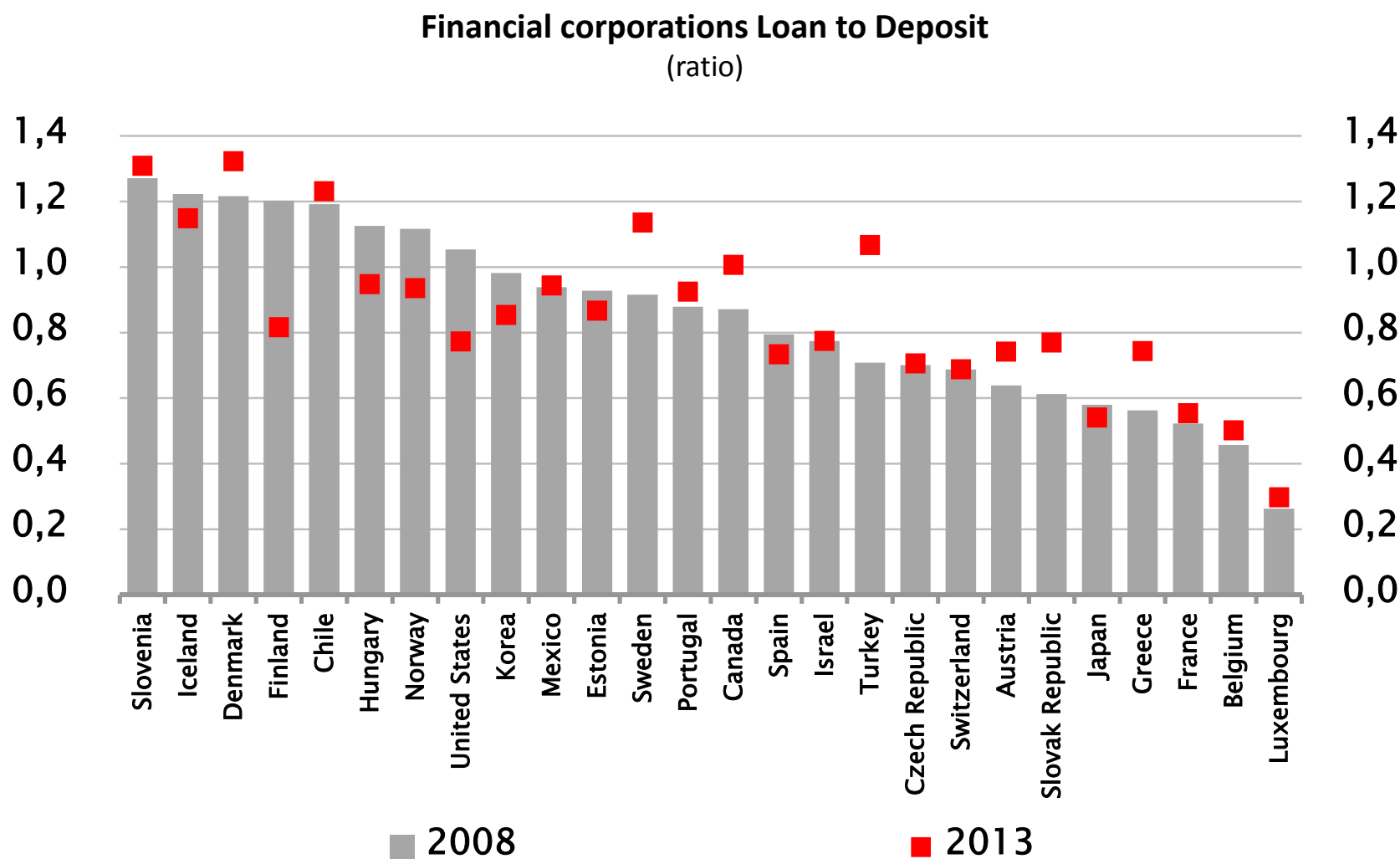


# Most economies have seen a deterioration of their net financial asset position



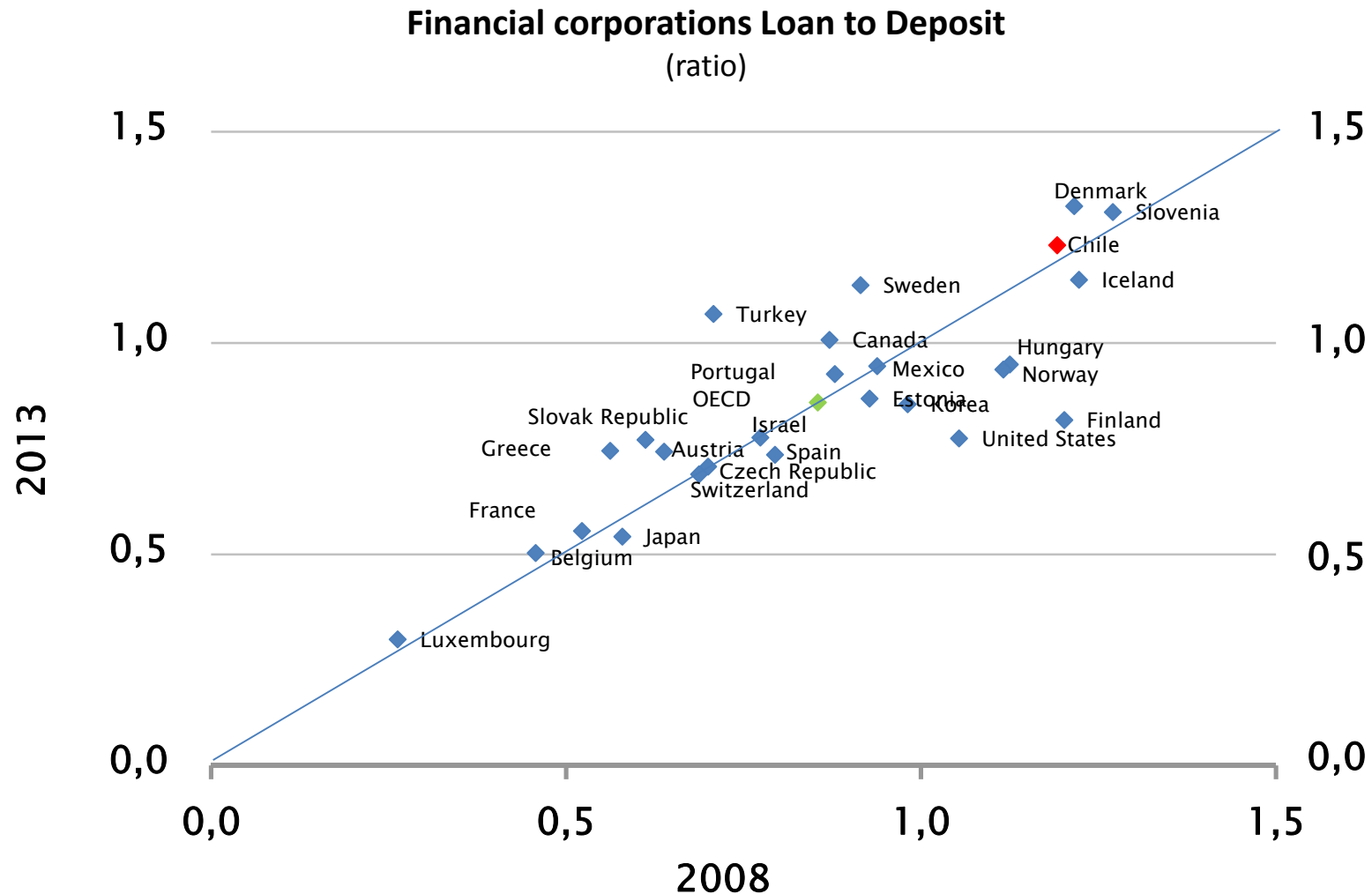
Source: Organisation for Economic Co-operation and Development (OECD).

## The loan to deposit ratio is usually a determinant of funding condition for the banking system



Source: Organisation for Economic Co-operation and Development (OECD).

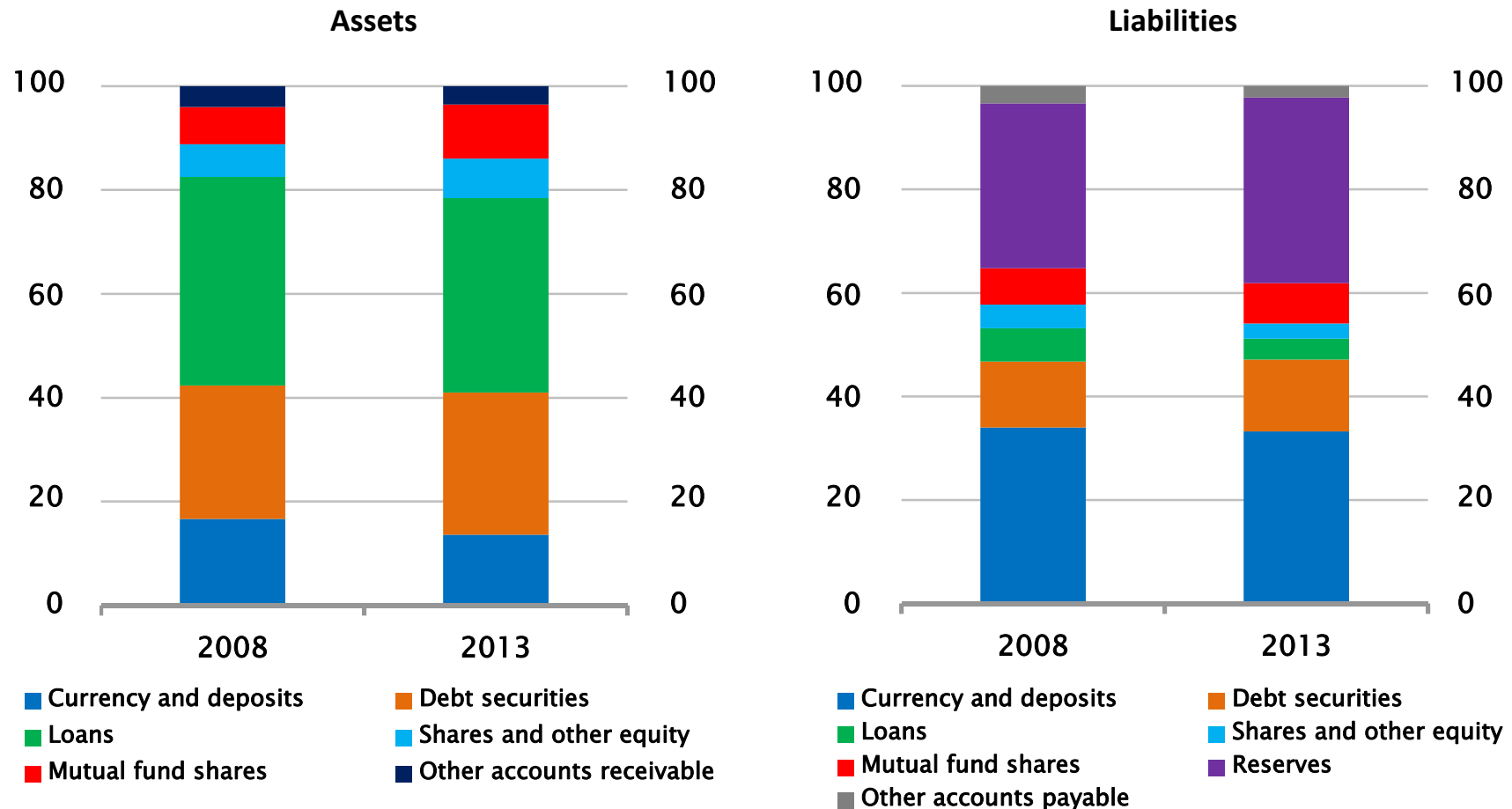
## The Chilean system has a relatively high, and persistent, loan to deposit ratio due to structural factors



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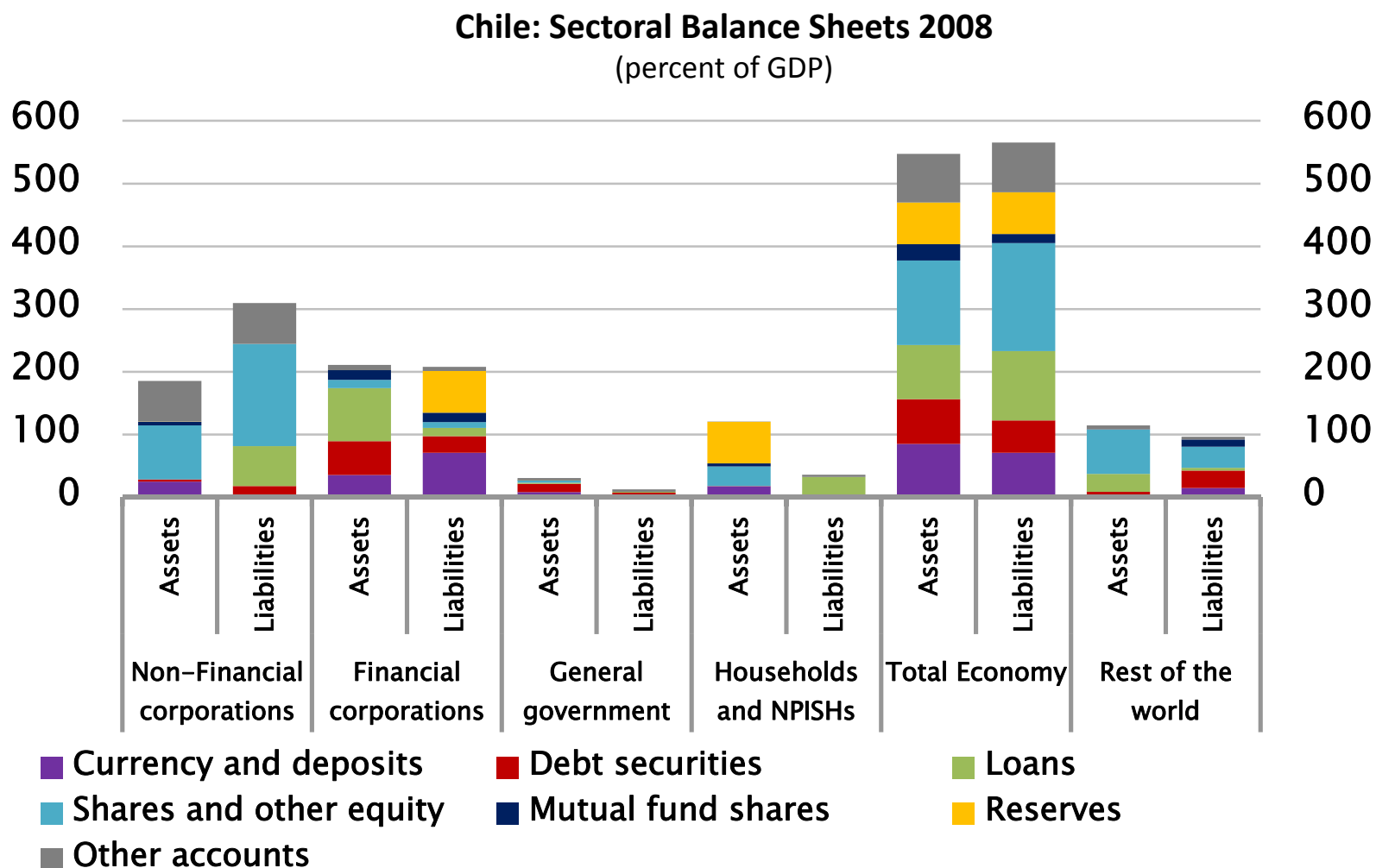
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Chile: Financial corporations Balance Sheet  
(percent)



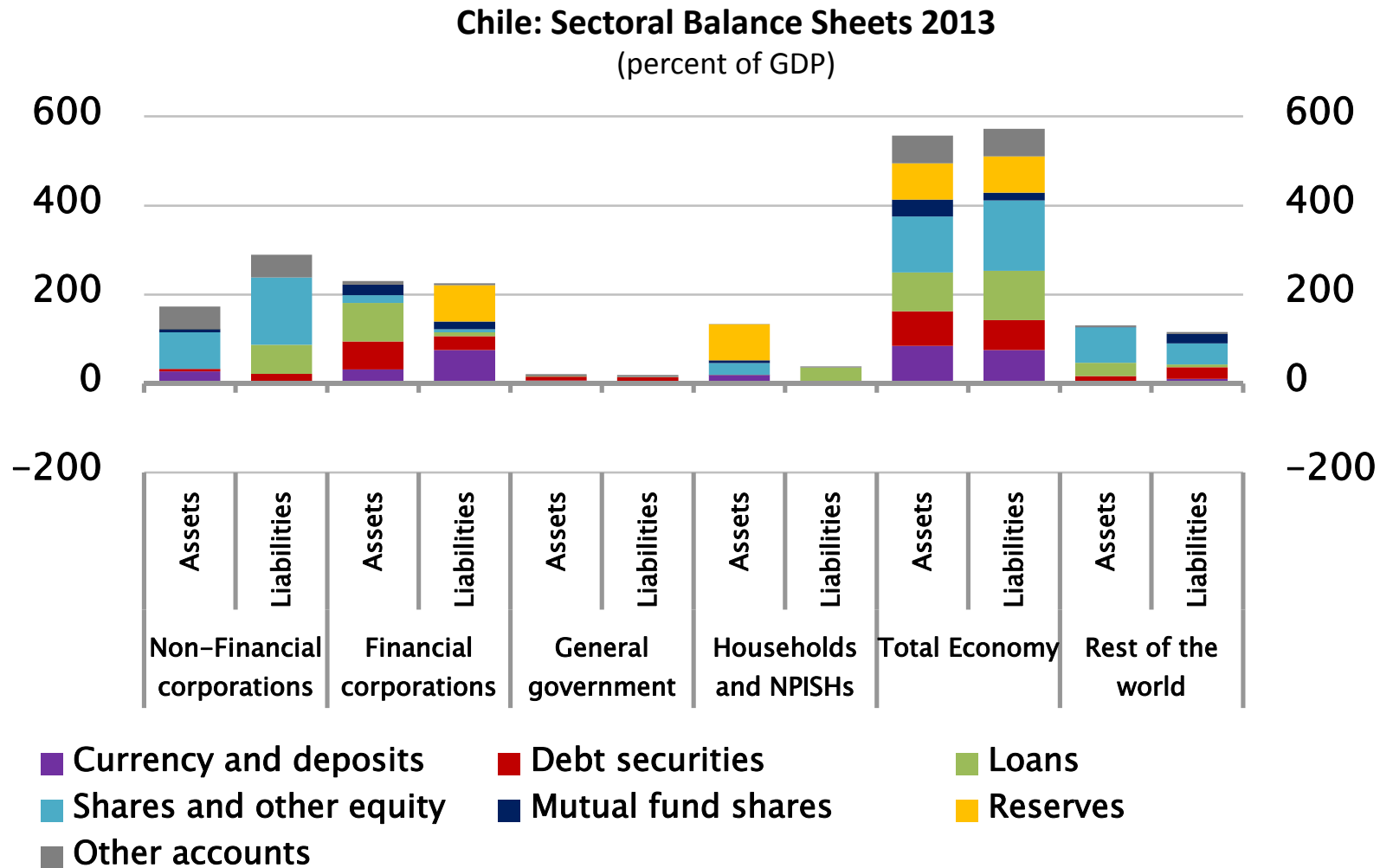
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# Non Financial corporations represent a significant share of total liabilities



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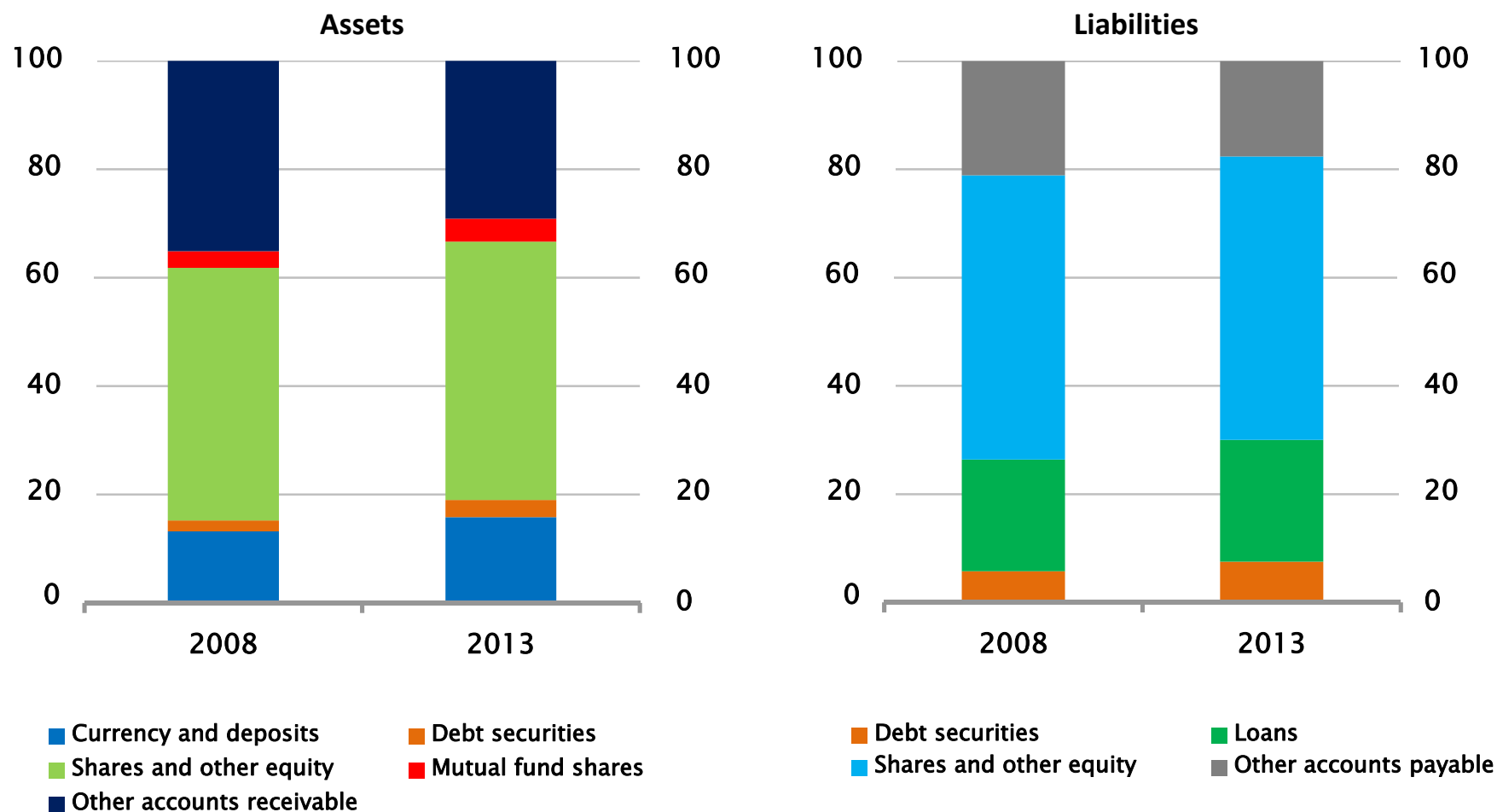
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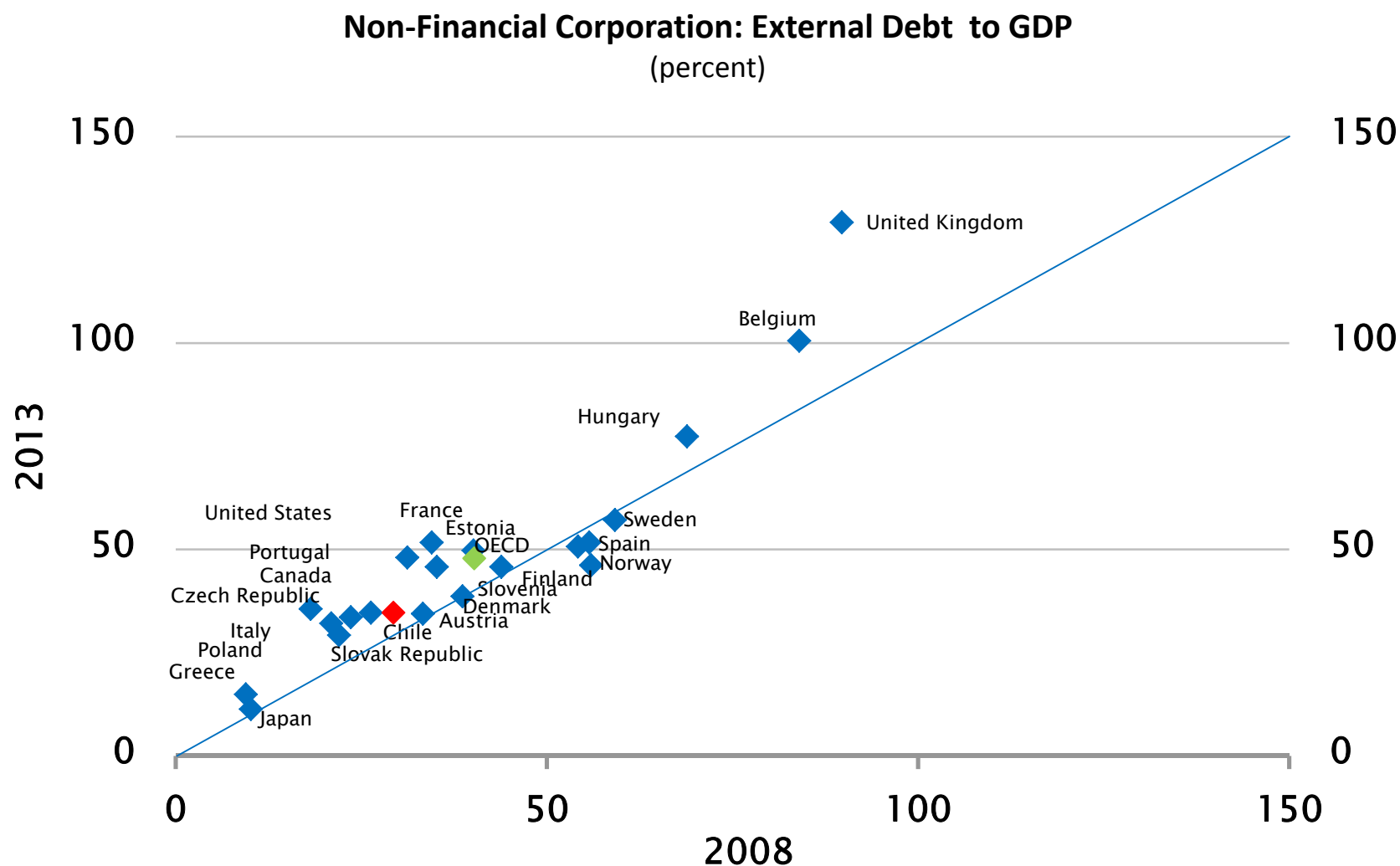
# The structure of the NFC sector has remained broadly stable

Chile: Non-financial Corporations Balance Sheet  
(percent)



Source: Organisation for Economic Co-operation and Development (OECD).

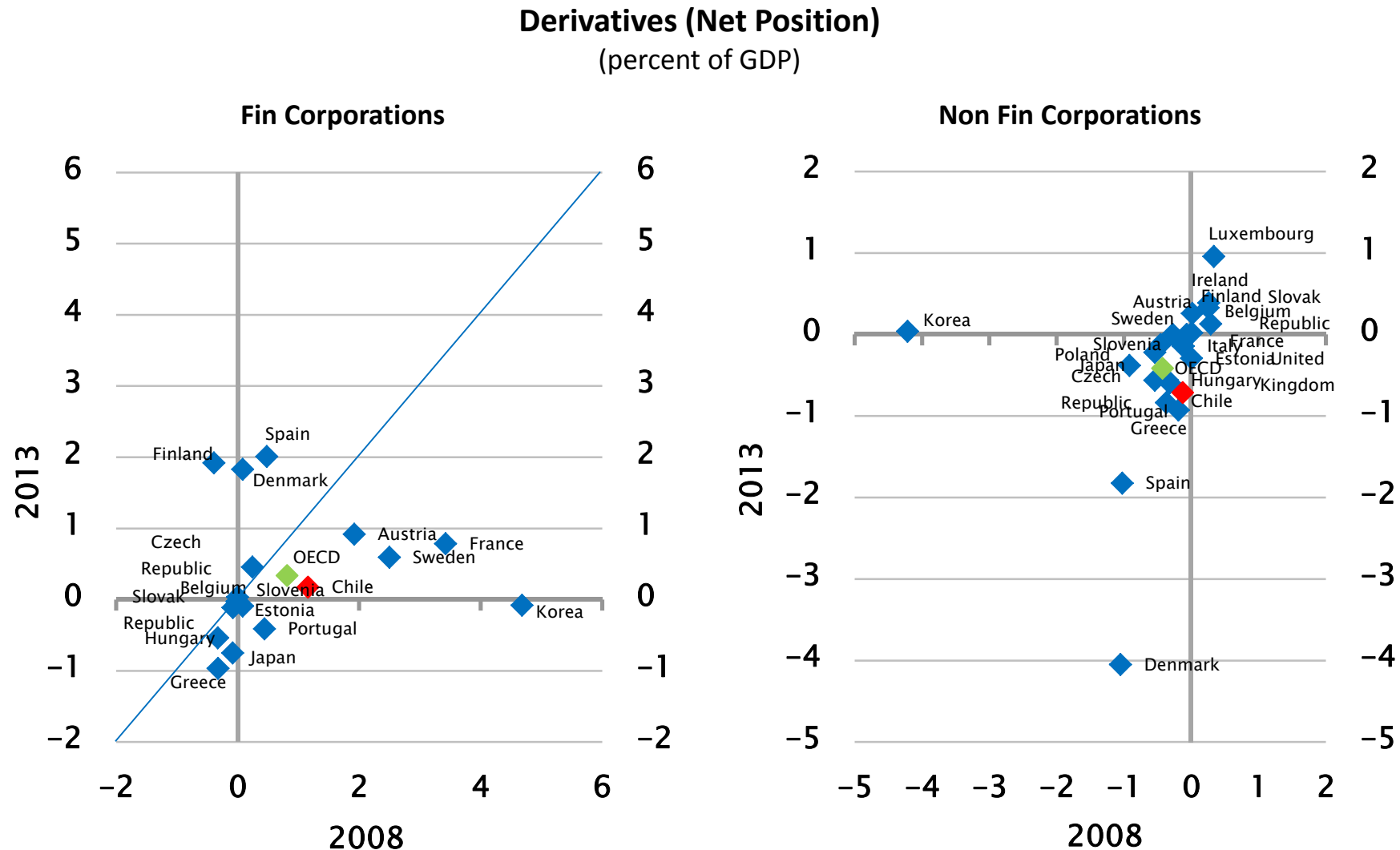
## NFC liabilities have an important component of external debt. FSA accounts could have coverage on this issue.



Source: data from database Quarterly External Debt Statistics/SDDS, World Bank.



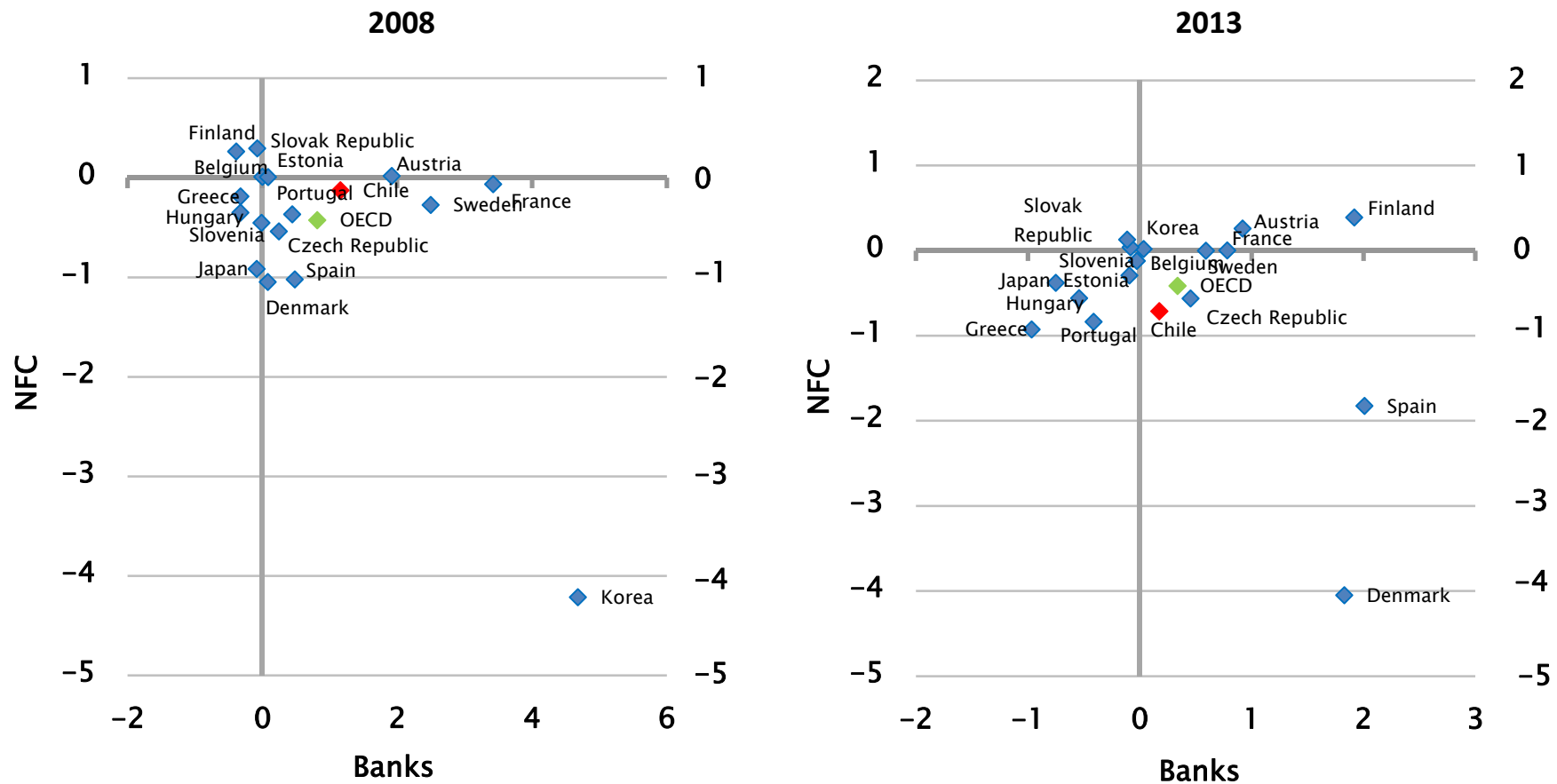
# Derivative positions are also significant, both in financial and non financial corporations



Source: Organisation for Economic Co-operation and Development (OECD).

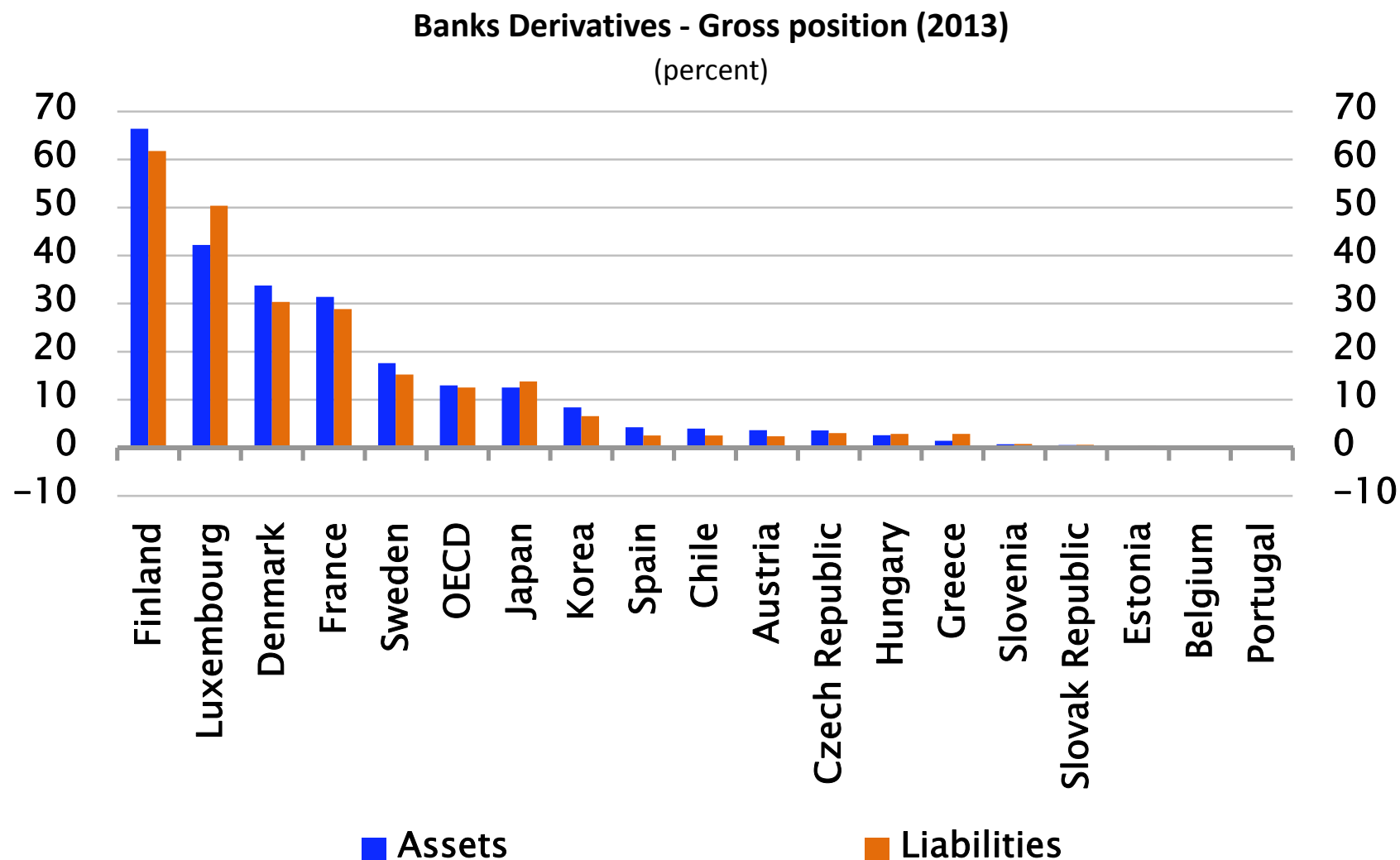
# Derivative positions are also significant, both in financial and non financial corporations

Net derivatives Banks - NFC to GDP  
(percent)



Source: Organisation for Economic Co-operation and Development (OECD).

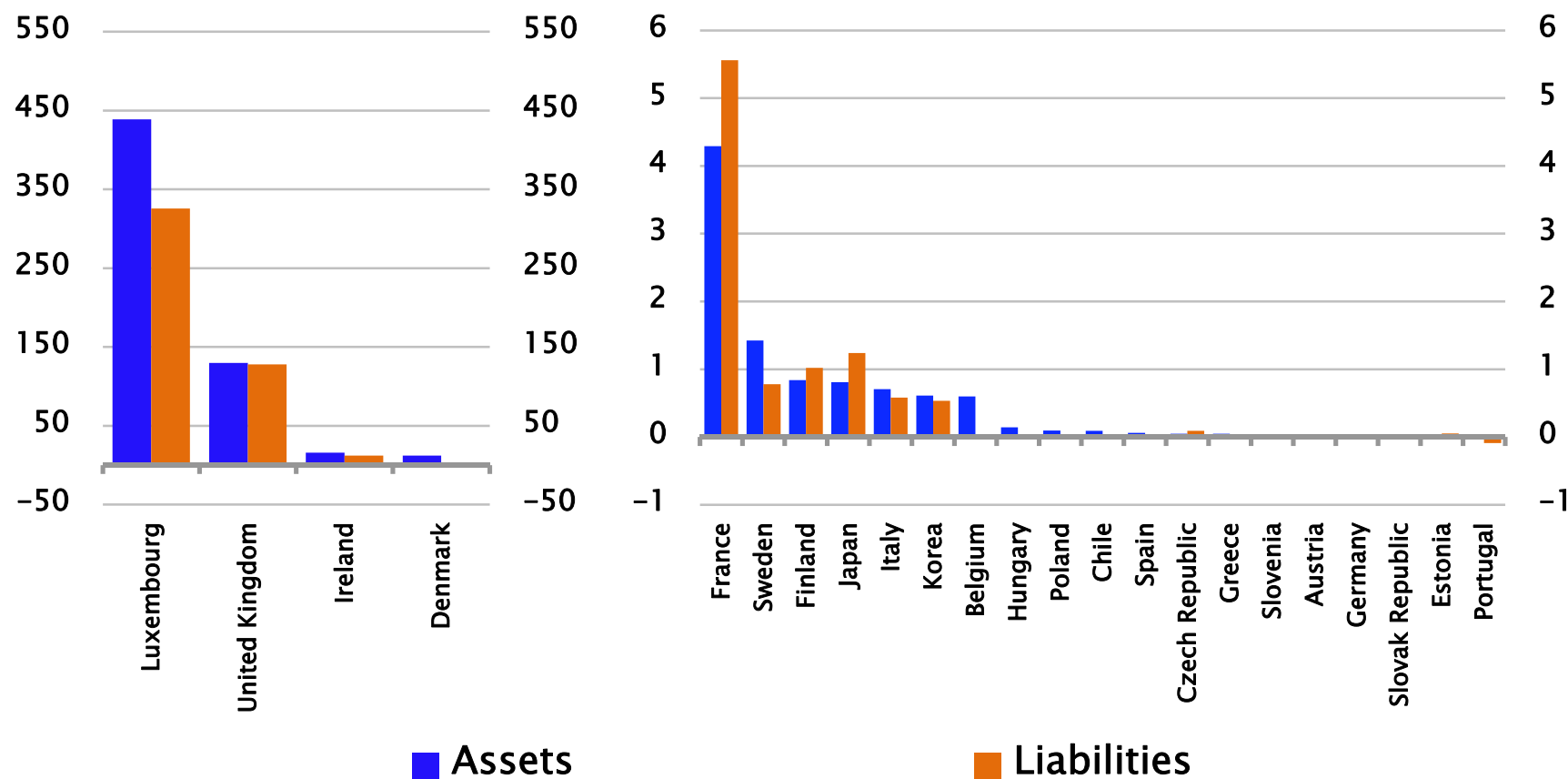
## Gross positions are much larger than net positions, particularly in Eurozone economies



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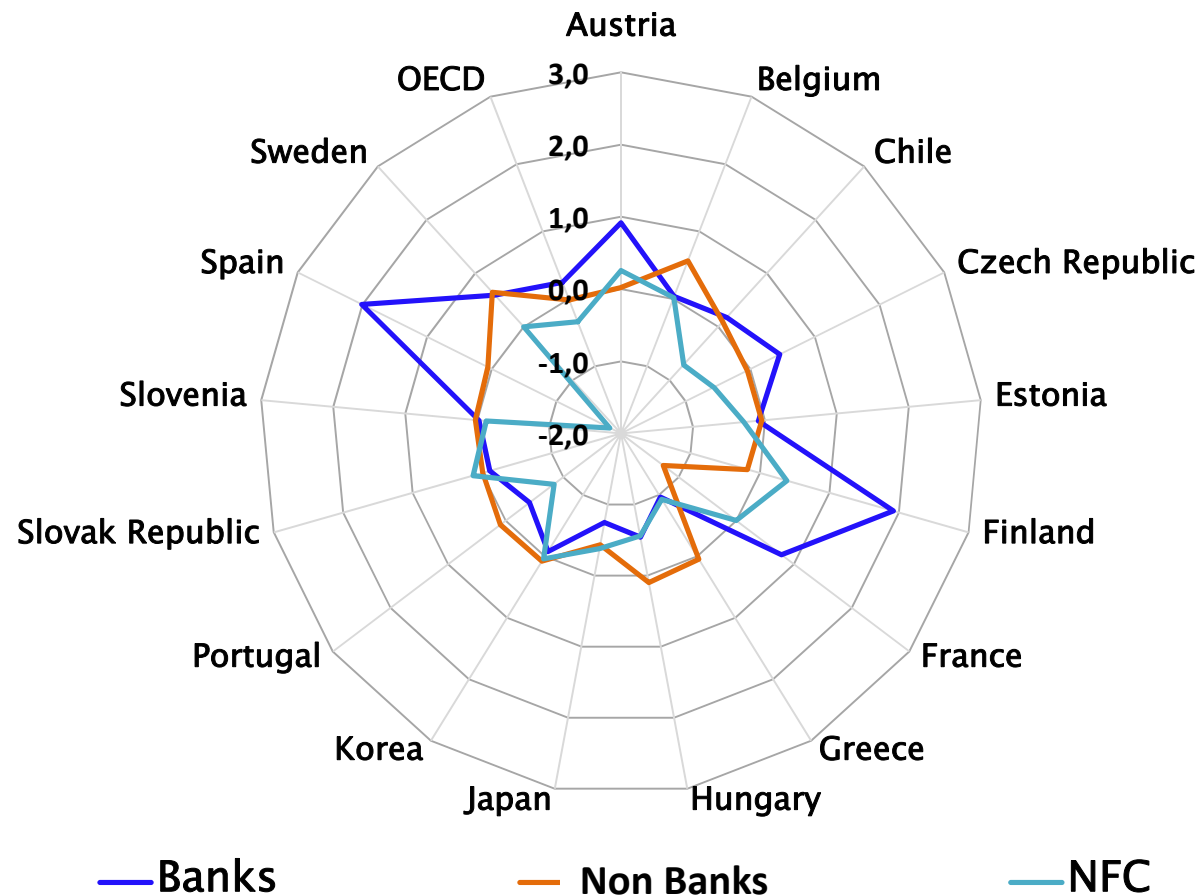
Non Banks Derivatives – Gross position (2013) (\*)  
(percent)



(\*) Non banks include: Other financial intermediaries, financial auxiliaries, insurance corporation and pension funds.  
Source: Organisation for Economic Co-operation and Development (OECD).

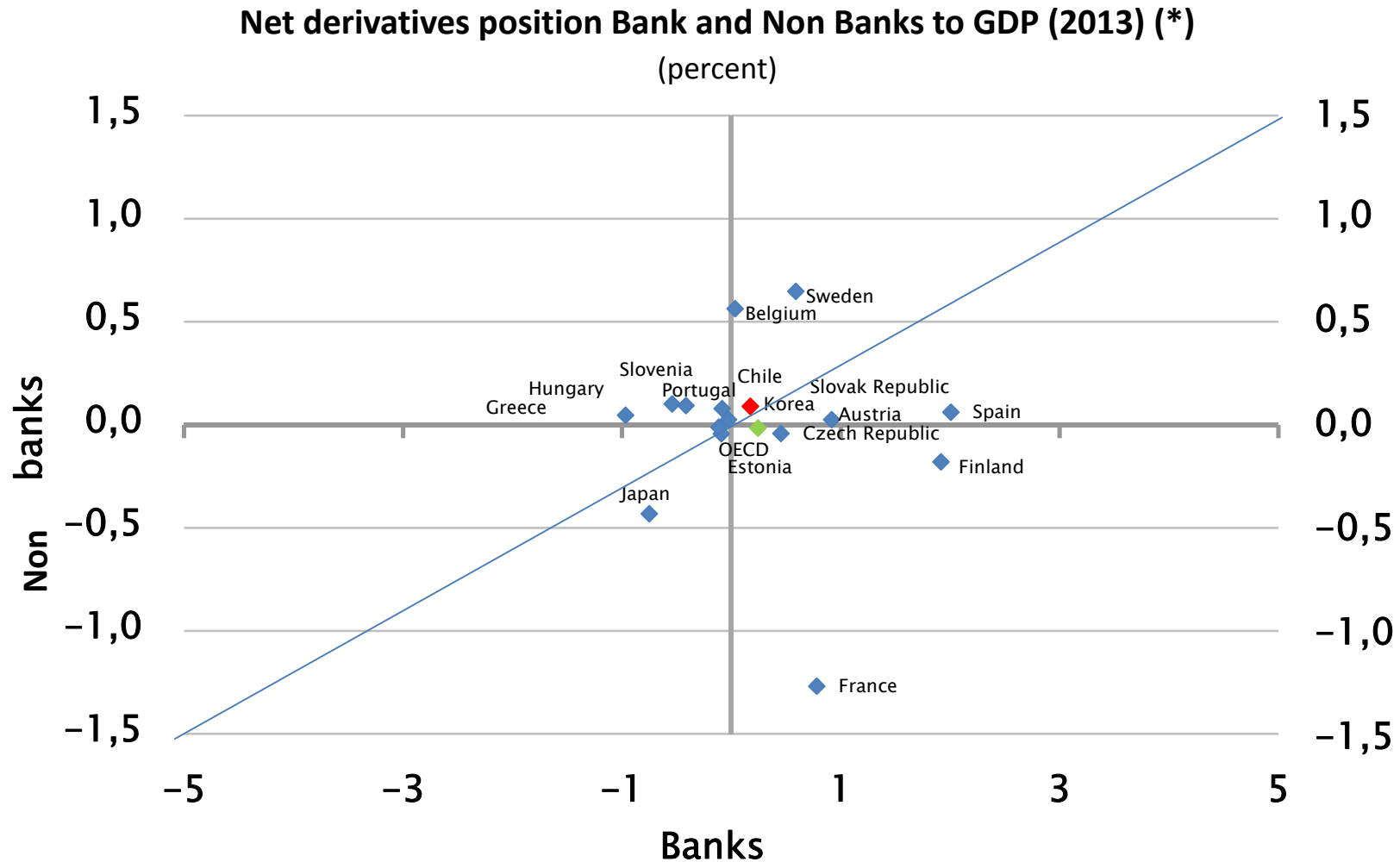
# Gross positions are much larger than net positions, particularly in Eurozone economies

Net derivatives position Bank, Non Banks and Non-Financial Corporations (NFC) to GDP (2013) (\*)  
(percent)



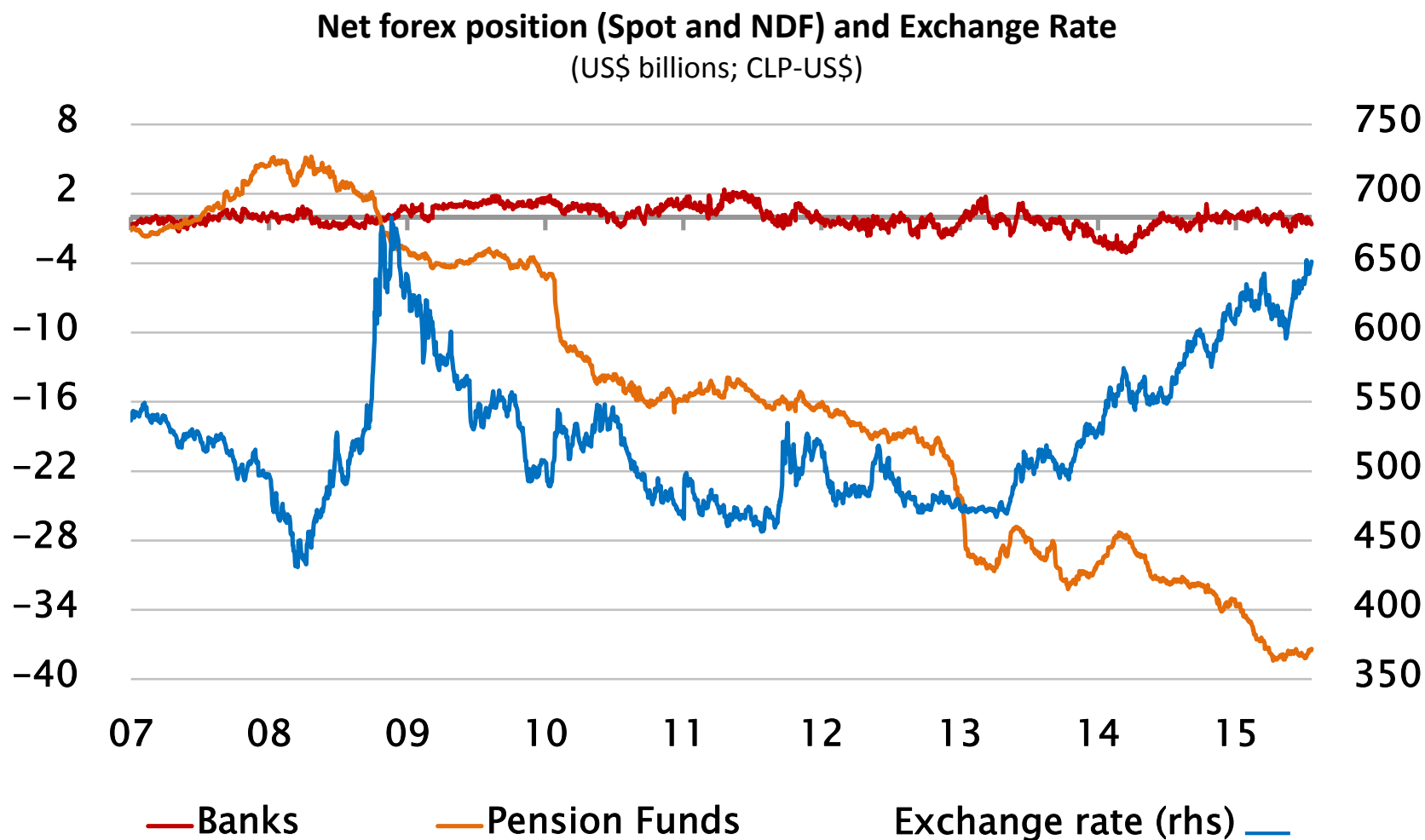
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Source: Organisation for Economic Co-operation and Development (OECD).

**It is not evident how these positions are structured, in particular between agents and across borders**



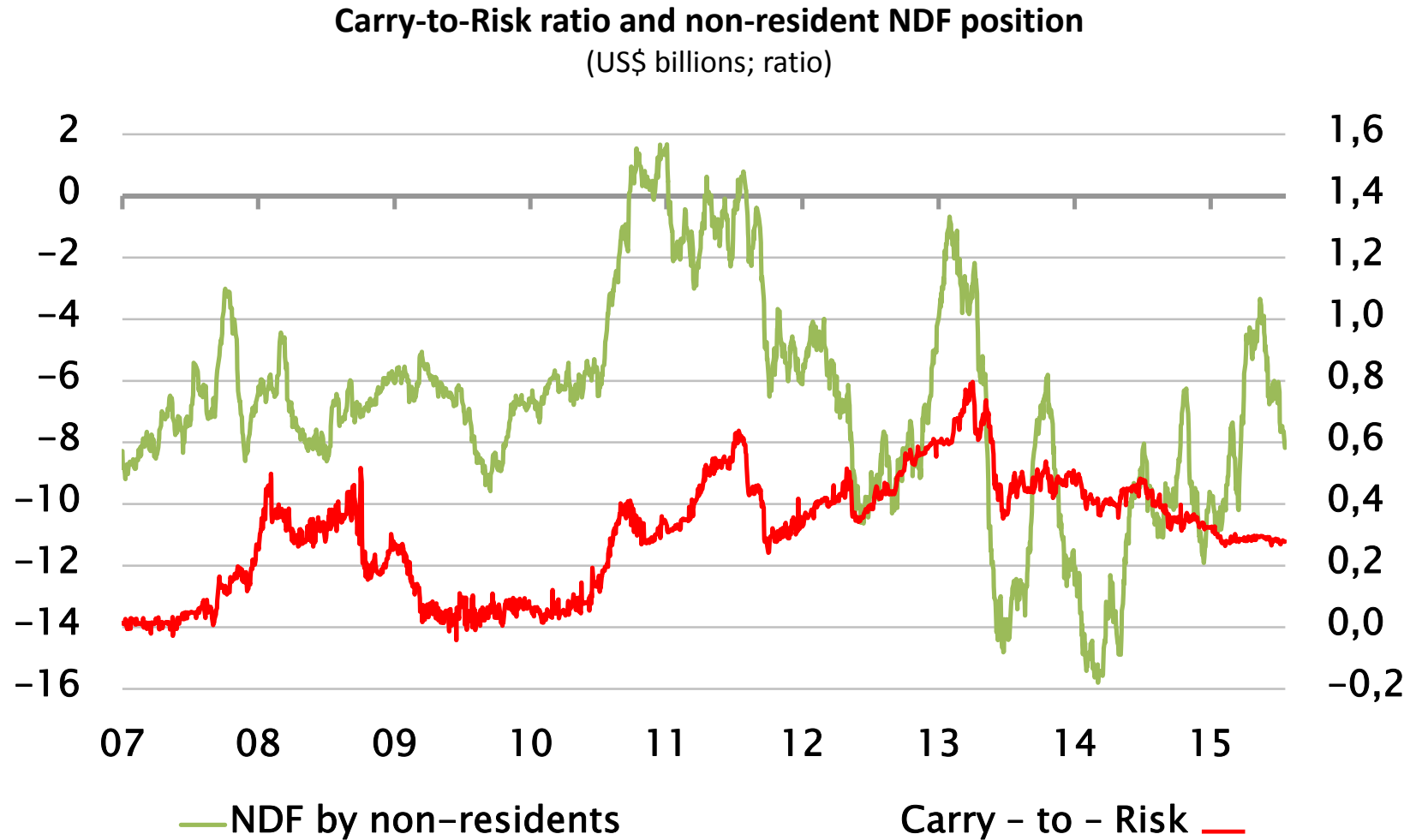
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Source: Organisation for Economic Co-operation and Development (OECD).

**This is an issue that the BCCh monitors and it would be useful to have cross border comparability**



Source: Central Bank of Chile

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# Future Challenges

- Timely information on who-to-whom holdings would improve the quality of assessments for financial stability and complement gross and net measures in the sectoral financial accounts
- Increased granularity in derivative exposures also would help fine-tune the analysis of, for instance, foreign exchange exposures
- Better measuring the accounts of non-listed and non-regulated NFC remains a key factor

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