

The wealth effect in the system of national accounts

Václav Rybáček, Czech statistical office

Key words: Financial accounts, revaluation, wealth effect

The necessary condition for economic policy exercise is correct and timely information on the economic activity, on incomes, consumption and savings. From the perspective of future development are much relevant the changes in the wealth due to changes in the prices. Economic agents usually react on the nominal changes in the prices of assets (so called „wealth-effect“), but these changes need not mean that the real value of the wealth has moved in the same size. Put precisely, perceived change in the value of the wealth can be higher than the real change does. Then, the changes in behaviour of agents due to nominal increases of value assets can create the situation of excess consumption. The system of national accounts has tools how to record the reality of nominal changes due to prices movements – nominal and real holding gains and losses.

Evaluation of holding gains and losses is based on the revaluation accounts. The revaluation account as a part of financial statistics records the positive or the negative changes in the net worth due to changes in their prices. The neutral and the real holding gains and losses, as a subaccounts of the revaluation account, detect reality of changes in the value of assets and liabilities of economic subjects, i.e. nominal changes are deflated by price index. In this paper, first results of experimental calculations of CZSO for the Czech Republic are presented. There are some sticking points in the process of balancing also discussed in the paper that can make the interpretation of the results more difficult. Some concrete implications for economic policy are outlined in the last section of the paper.