

The Balance Sheet Approach: Data Needs, Data on Hand, and Data Gaps

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Key words: Balance Sheet Approach, Statistics

This paper focuses on the data required for the Balance Sheet Approach (BSA), and discusses the availability of information and the data gaps that remain to be addressed. Ongoing initiatives to address these gaps are also discussed. The BSA examines balance sheets of key sectors of a country's economy in a framework that (i) provides important insights into balance sheet mismatches which could exacerbate a sector's vulnerability to shocks, and (ii) helps identify interlinkages among sectors that could increase spillover risks. While traditional macroeconomic analysis is typically concerned with aggregate flows (e.g., fiscal and current account balances), the BSA focuses on stocks (e.g., asset and liability positions); it is a key component of a flow-of-funds framework. Data limitations notwithstanding, the insights from even a partial BSA analysis are useful.

The BSA uses data consistent with the basic system of accounts of the System of National Accounts (SNA) that provides the internationally accepted comprehensive, integrated framework for both flows and stocks for an economy. Key official macroeconomic statistics methodologies consistent with the SNA and relevant for the BSA are the methodology for the balance of payments statistics (*Balance of Payments Statistics and International Investment Position Manual, Sixth Edition, BPM6*; IMF, 2008; recently updated from *BPM5*), the methodology for the monetary and financial statistics (*Monetary and Financial Statistics Manual, MFSM*; IMF, 2000; and *Monetary and Financial Statistics: Compilation Guide*; IMF, 2008), and the methodology for government finance statistics (*Government Finance Statistics Manual 2001, GFSM 2001*; IMF, 2001). The methodologies for the Financial Soundness Indicators (*Financial Soundness Indicators: Compilation Guide*; IMF, 2006), external debt statistics (*External Debt Statistics, Guide for Compilers and Users*; IMF, 2003), the *Coordinated Portfolio Investment Survey Guide, Second Edition*; IMF, 2002; and the *International Reserves and Foreign Currency Liquidity, Guidelines for a Data Template*; IMF, 2001 (*Reserves Template*), complement the methodological background for the BSA.

The operational basis of the balance sheet approach is a matrix summarizing the asset and liability positions of the main sectors of the economy. Ideally, the analysis starts with a compilation of the data needed to fill the cells of this matrix for the central bank, the general government, other depository corporations, other financial corporations, the nonfinancial sectors (nonfinancial corporations, and the households and other resident sectors), and the rest of the world vis-à-vis each other. Availability of data for applying the BSA is improving, but gaps remain to be addressed mainly regarding the timeliness and frequency of external sector and government finance data. Also, the ongoing global financial crisis has highlighted the need to enhance data availability for the nonbank financial corporations, and the nonfinancial sectors (households and corporations) as well as regarding ultimate risk and credit risk transfers.