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CHINA FUND FLOW ACCOUNT AND ITS ANALYSIS

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Here I would like to introduce fund flow account in China and its analysis, including principle of fund flow accounting sheet, sector classification and basic indexes , compiling of China fund flow (financial part) and its analysis.

Fund flow accounting starts from early 1980s. 1985 sees the staring of Fund Flow Accounting , National Bureau of Statistics in charge of the real business part and People's Bank in charge of the financial part. In 1997, Flow of Fund in China is published .

1. Fund flow accounting table

The matrix structure is adopted. The host column expressed the business item and the guest column expresses the institution sectors . There are two lines under the institution sector, including source and use, respectively inflect the inflow and outflow of capital of each institution.

2. Classification of sectors

In China Fund Flow Account , the institution unit is divided into five sectors: household , non-financial corporations , financial institution, government and rest of the world. The financial sector is divided into central bank , financial institiutions. This is consistent to the sector division in SNA, money and banking statistics , and BOP.

3.Basic indexes

This includes currency, deposits(demand deposits, time deposits, household ,fiscal , foreign exchange), loans(short-term, medium & long-term , foreign exchange ,), securities(bonds, shares), securities investment funds, margin deposits with securities trading account, insurance technical reserves, settlement funds, inter-financial institutions account, required & excessive reserves, cash in Vault, central bank loans, miscellaneous, foreign direct investment, changes in other foreign assets & debts, change in reserve assets, error & Omission in the BOP.

4.data source

More than half data in Flow of Fund of financial part in China comes from the monetary and bank statistics, which provides perfect basis to compile Flow of Fund of financial part. The reason is as follows : (1) monetary and bank statistics has a powerful base data flat form, and it has recorded all the financial business information which comes from the accounting and statistics statements of depositary institutions. (2) a uniform standard is adopted to classify the institution unit and financial business, and it is consistent to the <guide to monetary and financial statistics > of IMF. (3) our statistics principle follows the <guide to monetary and financial statistics >, including recording , value estimating, consolidating and netting。 (4)monetary and bank statistics provides a lot of financial business data of counterpart . The counterpart is

the institution unit which does business with the depositary institution. For example, when monetary and bank statistics reflects the Renminbi deposit of non-financial corporations, the deposit savings is subdivided by institution sector, so , there are fiscal deposits, corporation deposits, household deposits and deposits of rest of the world. On one side those are debt of financial institutions , on the other side, those are the asset of other sectors. If we cannot get the corresponding data of other institutions , the counterpart data of depositary institutions becomes the main data source of financial data of other institution sectors .

The financial business data of the rest of the world in the Flow of Financial Fund comes from the capital account and reserve asset account of BOP statistics. Just the same as monetary and bank statistics, the sector classification .

Financial market statistics includes stock market statistics, government bond statistics, enterprise bond statistics, money market statistics and forex market statistics. According to the Flow of Fund statistics principle , The compilers process and settle the financial market statistics data. At the same time, financial market statistics data can verify the reliability of other data. For instance, we can verify the bond repo business data of central and other depositary institutions by the bond repo data from monetary market.

Insurance statistics provides not only the data about insurance, but also other financial business data involving insurance company.

Social security is one part of government. Social security statistics provide the financial business data about social security institution.

5. the principle of aggregating, consolidating and netting

Globally, Flow of financial fund abides by the rule of aggregating, consolidating and netting in SNA. The specific sector data is derived by its sub-sectors, and the specific business data is derived by aggregating all the business. When consolidating institution units, the business data between ones in the same group is netted, consolidated data reflects mainly the business between the organization and units of other group. It must be pointed that, there are central bank, other deposit institutions, insurance companies and so on , they are of little homogeneity in the financial business, so , when summing data of above sub-sectors, we donot use the above netting principle.

6. sector account , business sector and matrix account

We publish Flow of Financial Fund account in the form of matrix account. In practice, we compile sector account and business account respectively, and then combine to the matrix account.

6.1 institution sector account

It reflects capital sources and uses of all the sectors in the form of matrix.

After we compile the sector account and business account, we aggregate it to reflect the business between all sectors and all financial tools. The matrix has some equation to test the equilibrium. They are :

Financial investment net = sum capital uses – sum capital sources

Financial investment net = difference of deposits to investment + error

Capital uses sum of some financial tool = its capital sources sum + error

Capital uses sum of all society = capital sources sum + error