

Financial Accounts data on New Member States

Financial balance sheets

Statistics in focus

ECONOMY AND FINANCE

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Currency and finance

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On 1st of May 2004 ten countries from Central and Eastern Europe and the Mediterranean joined the European Union. In terms of number of countries, this enlargement is the largest in the history of the EU. It is also notable for the fact that most of the New Member States underwent a transition process that lasted more than a decade, from a planned to a market economy.

Over the recent years, Eurostat has taken an active role in encouraging the production of various sets of statistics by New Member States (NMS – former Acceding Countries), including financial accounts, which give information on financial instruments by institutional sector. Due also to the responsiveness of these countries, financial accounts data are now available for most NMS, or are being developed.¹

In this publication we will focus on the financial structure of six New Member States, as derived from the non-consolidated stocks of financial assets and liabilities in 2001. The available data for this year refer to the following NMS: Czech Republic, Estonia, Hungary, Latvia, Lithuania and Poland.

First of all, total financial assets and liabilities of the total economy and institutional sectors are stated in relation to GDP, to examine the level of financial development. Secondly, financial balance sheets of institutional sectors in each NMS are presented by types of financial assets and liabilities in relation to the total, to enable cross-country comparisons.

The following conclusions can be drawn:

- The percentage of financial assets and liabilities in relation to GDP is generally much lower for all institutional sectors than for the average of the EU-15 Member States.
- The proportion of liabilities issued by domestic sectors and held by the rest of the world, and vice versa, is generally lower than the average for the EU-15 Member States.



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¹ The legal framework for the provision of financial accounts in EU Member States is the Council Regulation (EC) No 2223/96 on the 'European system of national and regional accounts'. This Regulation is included in the 'acquis communautaire', the body of legislation with which New Member States have to comply as members of the EU. For Greece, Ireland and Luxembourg the transmission of financial accounts data is under derogation until 2005. As a consequence, the values for these three countries are not included in the EU averages referred to in the text, which refer to twelve countries.

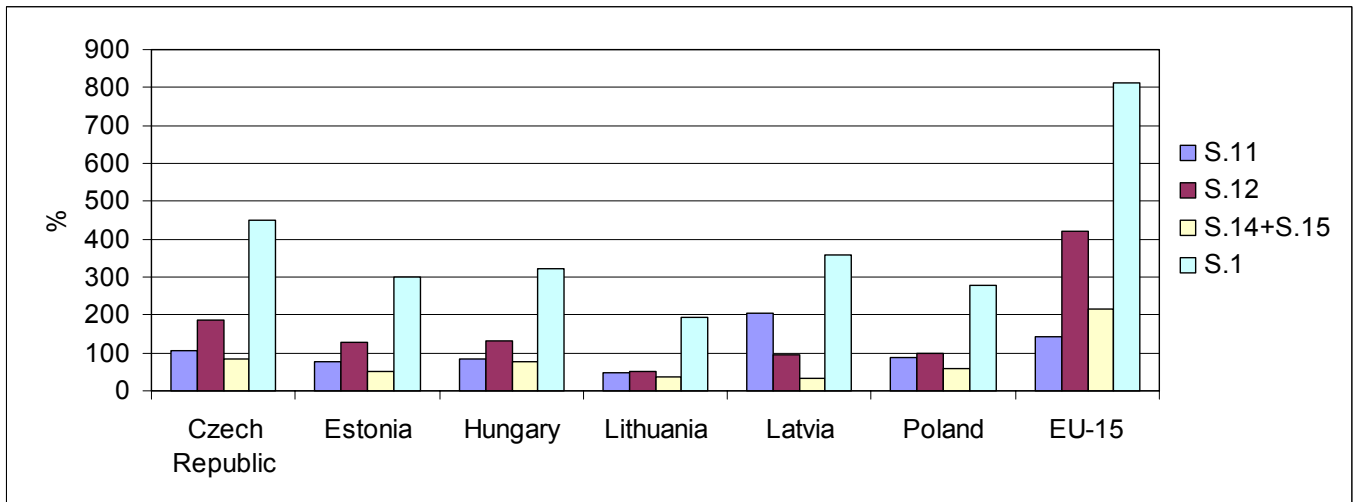


Figure 1: Financial assets in relation to GDP

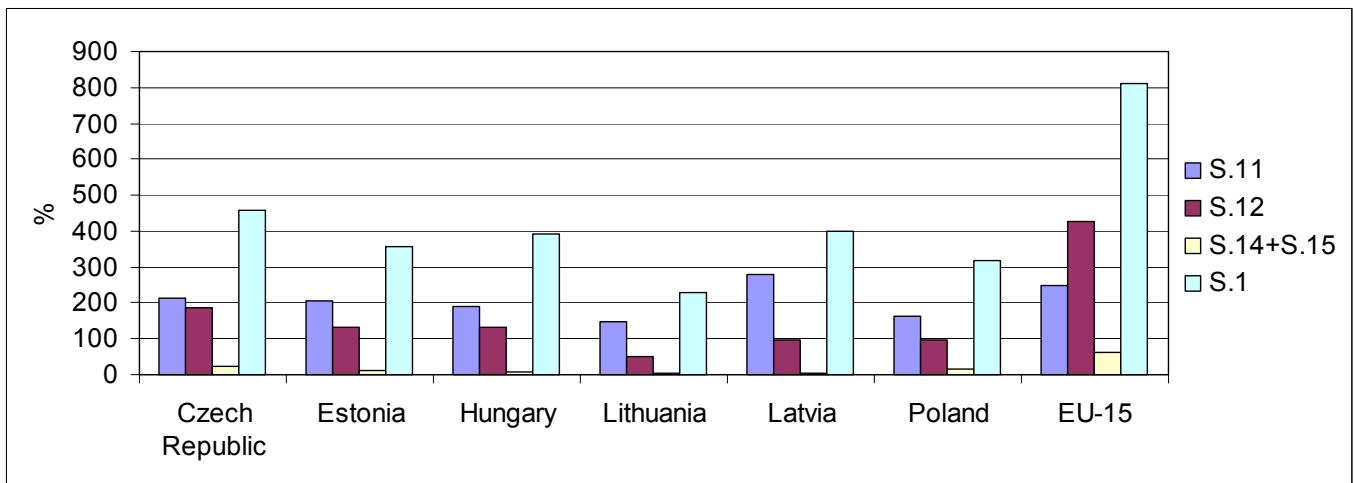


Figure 2: Financial liabilities in relation to GDP

Total economy – S.1

Structure of liabilities: Shares and other equity (AF.5) is the most important liability category in all countries except the Czech Republic. The proportion varies from 23% (Czech Republic) to 39% (Estonia and Lithuania). Securities other than shares (AF.3) range from 4% to 17% across the countries. Loans (AF.4) are relatively more important in Estonia (31%) and Hungary (29%) whereas in Latvia the relative share of loans to all liabilities amounts just to 15%. Currency and deposits (AF.2) range from 16% to 22%. Insurance technical reserves (AF.6) generally have a minor importance (0-2%). Other accounts payable (AF.7) are significant in all countries except Hungary.

Structure of assets: Shares and other equity (AF.5) is the most important financial asset in Lithuania (36%) and Estonia (30%). Also in Latvia it constitutes a large proportion of total financial assets (31%).

Financial assets and liabilities in relation to GDP: The percentage of financial assets varies from 195% in Lithuania to 449% in the Czech Republic. The percentage of liabilities varies from 229% in Lithuania to 459% in the Czech Republic. The ratios for NMS are generally much lower than the corresponding ones for the EU-15 Member States.

Non-financial corporations – S.11

Structure of liabilities: Shares and other equity (AF.5) is the most important liability category for all countries, varying from 40% in Poland to 56% in Lithuania. In every country, Securities other than shares (AF.3) have a minor importance for non-financial corporations. The share of debt securities represents less than 3% of the total liabilities of non-financial corporations.

Structure of assets: With the exception of Hungary, Other accounts receivable (AF.7) are the most important financial asset. This is mainly due to two factors. One factor leading to the high proportion was

high interest rates on company loans in some of these countries, which forced companies to delay payments, using F.7 as a financing source when borrowing on the market was too costly. Another important factor is probably that this item is used to reconcile discrepancies in net lending/net borrowing between financial and non-financial accounts indicating consistency problems. In two countries (Estonia and Lithuania) the proportion of assets held as Currency and deposits (AF.2) is significant (23% in both countries).

Financial corporations – S.12

Structure of liabilities: Currency and deposits (AF.2) is the most important liability item among all countries. In three countries the proportion exceeds 60% (Lithuania, Latvia and Poland).

Structure of assets: Loans (AF.4) are the predominant

financial asset held by financial corporations in four countries. In Estonia, Hungary, Latvia and Lithuania, the share of Loans represents more than 40%. For all countries except Estonia holdings of Securities other than shares (AF.3) represent some 25% to 35% of total financial assets.

General government – S.13

Structure of liabilities: In all countries except Estonia debt securities (AF.3) are the main source of government financing. They represent more than 40 % in Czech Republic, Hungary, Lithuania, Latvia and Poland. The share of loans (AF.4) is particularly high in

Estonia (81%).

Structure of assets: In all countries, Shares and other equity (AF.5) is the most important financial asset held by governments.

Households (including HPISH) – S.14+S.15

Structure of liabilities: In all countries except the Czech Republic loans (AF.4) are the main liability instrument for households. The high proportion of Other accounts payable (AF.7) for some countries is probably because this item is used to reconcile discrepancies in net lending/net borrowing between financial and non-financial accounts.

Structure of assets: In all countries except Estonia Currency and deposits (AF.2) is the main financial instrument held by households, ranging from 44% to 62% of the overall financial assets. The relative importance of holdings of shares (AF.5) is high in several countries.

Rest of the world – S.2

The proportion of total liabilities issued by residents and held by the rest of the world shows a great variety between the countries, ranging from 18% (Czech Republic) to 31% (Estonia and Hungary). The kinds of assets held by the rest of the world mainly relate to securities ('securities other than shares' and 'shares') and loans reflecting the high amounts of foreign investment in NMS.

The proportion of total assets issued by the rest of the world and held by residents indicates in general smaller ratios than for liabilities. In all NMS the ratio of liabilities

exceeds the ratio of assets.

None of the New Member States has a proportion of total assets issued by the rest of the world and held by residents above the EU average (24%). However, four NMS have financing from abroad above the EU average. These countries are Estonia (31%), Hungary (31%), Lithuania (27%), and Latvia (25%). In New Member States there is often a large gap between financing received and supplied. The most significant cases are Hungary, Estonia and Lithuania (16% for the former and 14% for the latter two).

Table 1. Balance sheet, non-consolidated (assets)
Cross-country table - 2001

Assets		Czech Republic	Estonia	Hungary	Lithuania	Latvia	Poland
Total economy (S.1)							
% of total							
Monetary gold and SDR	AF.1	0	0	0	0	0	0
Currency and deposits	AF.2	25	20	19	20	16	25
Securities other than shares	AF.3	15	10	19	10	8	12
Loans	AF.4	16	30	30	15	11	12
Shares and other equity	AF.5	14	30	22	36	31	21
Insurance technical reserves	AF.6	2	0	3	0	0	2
Other accounts receivable	AF.7	27	10	7	19	33	28
Total		100	100	100	100	100	100
Non-financial corporations (S.11)							
% of total							
Currency and deposits	AF.2	15	23	16	23	6	10
Securities other than shares	AF.3	3	0	4	0	0	2
Loans	AF.4	2	22	36	0	0	5
Shares and other equity	AF.5	15	24	29	17	41	29
Insurance technical reserves	AF.6	1	1	1	1	0	1
Other accounts receivable	AF.7	65	31	14	59	53	53
Total		100	100	100	100	100	100
Financial corporations (S.12)							
% of total							
Monetary gold and SDR	AF.1	1	0	1	1	1	1
Currency and deposits	AF.2	20	10	8	12	22	23
Securities other than shares	AF.3	33	20	37	37	29	29
Loans	AF.4	28	57	49	43	41	28
Shares and other equity	AF.5	4	10	3	5	2	4
Insurance technical reserves	AF.6	0	0	0	0	0	0
Other accounts receivable	AF.7	14	3	2	3	5	15
Total		100	100	100	100	100	100
General government (S.13)							
% of total							
Currency and deposits	AF.2	13	9	16	8	18	8
Securities other than shares	AF.3	4	8	11	0	0	6
Loans	AF.4	24	1	8	12	2	4
Shares and other equity	AF.5	33	81	46	73	57	58
Insurance technical reserves	AF.6	0	0	0	0	0	0
Other accounts receivable	AF.7	27	1	19	8	22	25
Total		100	100	100	100	100	100
Households+NPISH (S.14+S.15)							
% of total							
Currency and deposits	AF.2	60	47	44	47	61	62
Securities other than shares	AF.3	1	0	9	0	3	1
Loans	AF.4	0	0	0	0	0	1
Shares and other equity	AF.5	22	51	35	46	35	17
Insurance technical reserves	AF.6	9	2	11	2	1	6
Other accounts receivable	AF.7	8	1	1	5	0	14
Total		100	100	100	100	100	100
Rest of the world (S.2)							
% of total							
Currency and deposits	AF.2	12	7	3	2	32	4
Securities other than shares	AF.3	3	6	22	15	5	8
Loans	AF.4	19	29	31	37	29	43
Shares and other equity	AF.5	54	47	44	30	24	38
Insurance technical reserves	AF.6	0	0	0	0	0	0
Other accounts receivable	AF.7	12	10	1	15	10	7
Total		100	100	100	100	100	100

Table 2. Balance sheet, non-consolidated (liabilities)
Cross-country table - 2001

Liabilities		Czech Republic	Estonia	Hungary	Lithuania	Latvia	Poland
Total economy (S.1)							
% of total							
Currency and deposits	AF.2	22	16	16	16	18	19
Securities other than shares	AF.3	10	4	17	7	3	9
Loans	AF.4	16	31	29	21	15	19
Shares and other equity	AF.5	23	39	30	39	33	27
Insurance technical reserves	AF.6	2	0	2	0	0	1
Other accounts payable	AF.7	27	10	6	18	30	25
Total		100	100	100	100	100	100
Non-financial corporations (S.11)							
% of total							
Currency and deposits	AF.2	0	0	0	0	0	0
Securities other than shares	AF.3	2	1	0	1	1	3
Loans	AF.4	22	30	37	19	14	19
Shares and other equity	AF.5	43	54	54	56	45	40
Insurance technical reserves	AF.6	0	0	0	0	0	0
Other accounts payable	AF.7	32	15	9	24	41	38
Total		100	100	100	100	100	100
Financial corporations (S.12)							
% of total							
Currency and deposits	AF.2	54	44	48	69	75	63
Securities other than shares	AF.3	13	8	15	0	2	4
Loans	AF.4	5	24	16	14	9	5
Shares and other equity	AF.5	6	20	12	12	6	17
Insurance technical reserves	AF.6	5	1	7	2	1	4
Other accounts payable	AF.7	17	3	2	2	7	6
Total		100	100	100	100	100	100
General government (S.13)							
% of total							
Currency and deposits	AF.2	0	0	0	1	0	0
Securities other than shares	AF.3	50	13	70	50	65	40
Loans	AF.4	23	81	23	37	34	34
Shares and other equity	AF.5	0	0	0	0	0	9
Insurance technical reserves	AF.6	0	0	0	0	0	0
Other accounts payable	AF.7	27	6	6	12	0	17
Total		100	100	100	100	100	100
Households+NPISH (S.14+S.15)							
% of total							
Currency and deposits	AF.2	0	0	0	0	0	0
Securities other than shares	AF.3	0	0	0	0	0	1
Loans	AF.4	36	92	100	75	97	69
Shares and other equity	AF.5	0	0	0	0	0	0
Insurance technical reserves	AF.6	0	0	0	0	0	0
Other accounts payable	AF.7	64	8	0	25	3	30
Total		100	100	100	100	100	100
Rest of the world (S.2)							
% of total							
Currency and deposits	AF.2	29	17	3	13	27	46
Securities other than shares	AF.3	35	43	46	50	38	40
Loans	AF.4	20	22	41	17	18	3
Shares and other equity	AF.5	7	10	10	2	4	1
Insurance technical reserves	AF.6	0	0	0	0	0	0
Other accounts payable	AF.7	9	8	0	18	12	11
Total		100	100	100	100	100	100

Table 3. Selected ratios on balance sheets
Cross-country table - 2001

		Czech Republic	Estonia	Hungary	Lithuania	Latvia	Poland
Financial assets in relation to GDP (% of total)							
Non-financial corporations	S.11	107.4	77.0	83.0	47.6	205.4	86.7
Financial corporations	S.12	186.7	126.7	130.5	52.2	96.9	99.4
General government	S.13	71.6	41.9	30.1	59.7	21.8	35.8
Households + NPISH	S.14+S.15	83.3	52.6	76.7	35.4	34.4	57.6
Total economy	S.1	449.0	298.3	320.3	194.8	358.5	279.5
GDP at market prices		68188.9	6256.6	57872.7	13259.0	8593.0	207126.1
Liabilities in relation to GDP (% of total)							
Non-financial corporations	S.11	214.3	206.3	188.6	146.4	280.3	161.3
Financial corporations	S.12	185.9	132.9	131.6	52.2	97.5	96.0
General government	S.13	33.7	5.3	65.2	28.0	16.7	48.2
Households + NPISH	S.14+S.15	24.0	12.8	8.1	2.7	5.2	13.7
Total economy	S.1	459.3	357.4	393.4	229.3	399.7	319.1
GDP at market prices		68188.9	6256.6	57872.7	13259.0	8593.0	207126.1
Proportion of non-resident liabilities to assets held by residents							
Currency and deposits	AF.2	18	15	2	9	27	18
Securities other than shares	AF.3	36	78	36	68	71	33
Loans	AF.4	19	13	20	15	25	2
Shares and other equity	AF.5	8	6	7	1	2	0
Insurance technical reserves	AF.6	0	0	0	0	1	0
Other accounts payable	AF.7	5	14	0	13	6	4
Total		16	17	15	13	16	10
Proportion of non-resident assets to liabilities issued by residents							
Currency and deposits	AF.2	9	14	5	4	43	4
Securities other than shares	AF.3	6	51	40	60	37	19
Loans	AF.4	21	29	33	48	48	47
Shares and other equity	AF.5	43	38	45	21	18	30
Insurance technical reserves	AF.6	0	1	0	5	0	0
Other accounts payable	AF.7	8	31	5	23	8	6
Total		18	31	31	27	25	21
Resident issuers of securities other than shares (% of total)							
Non-financial corporations	S.11	10	11	1	8	11	16
Financial corporations	S.12	54	84	30	1	11	14
General government	S.13	36	5	69	91	79	70
Households + NPISH	S.14+S.15	0	0	0	0	0	1
Total economy	S.1	100	100	100	100	100	100
Resident debtors of loans (% of total)							
Non-financial corporations	S.11	66	57	61	58	66	50
Financial corporations	S.12	12	29	19	16	15	8
General government	S.13	11	4	13	22	10	26
Households + NPISH	S.14+S.15	12	11	7	4	9	15
Total economy	S.1	100	100	100	100	100	100

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

New Member States

The New Member States (NMS) are the ten countries – Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia – that joined the European Union (EU) on 1 May 2004. In economic terms, the New Member States are small compared with the European Union, about 5% of the GDP.

The financial sectors in New Member States are relatively small (even in terms of GDP) and not yet as developed as those of older EU Member States, in terms of markets and instruments. They are also characterised by a high degree of foreign ownership, particularly in banking.

Financial accounts

Financial accounts provide for each institutional sector the transactions in financial assets and liabilities. A complete set of financial accounts includes also balance sheets, or stock values. Financial accounts are a part of the integrated System of National Accounts.

Financial accounts draw their information from a long and disparate list of elementary statistical sources. Complex methodological work is necessary to produce a standardized description of all institutional sectors according to the same categories of financial instruments. The methodological work requires an accurate analysis of definitions and valuations.

Uses of financial accounts

Once certain definitions and conventions have become familiar, financial accounts are sufficiently easy to use. Many analyses can be developed starting from financial accounts data. A first use of financial accounts is to study in detail the financial structure of a country over a number of years. As financial accounts in Europe are now standardized, according to ESA 95, they allow cross-country comparisons.

Data transmission

NMS, with the exception of Cyprus and Malta, have since 1999 regularly provided Eurostat with annual financial accounts on an ESA 95 basis. An important part of co-operation strategy with these countries has been the introduction of the same reporting practices as those currently used for the Member States. This is done in order to ensure that Candidate countries meet the statistical reporting requirements of the ESA 95 Regulation and to prepare with them for membership of the EU.

Data quality

NMS have in recent years made significant progress in improving the quality of their financial accounts. This was supported by PHARE multi-beneficiary programs for statistical co-operation, that have helped NMS to improve the sources and methods used to compile financial accounts. However, the financial accounts of NMS may in some cases not yet fully comply with the ESA 95 standard and transmission programme. In particular the timeliness of the data transmission needs to be improved. Some of the financial accounts of NMS may still be subject to revision.

Further information:

➤ Databases

NewCronos, Theme 2, Domain: fina

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