

MACRO FINANCIAL ACCOUNT

Daniele FANO¹

Abstract

Financial Account, at the Macroeconomic level, is a section of the SNA, the System of National Accounts, a standard defined by a group of International Organizations under the guidance of the UNITED NATIONS. The Financial Account reflects the balance of financial transactions at the level of an Institutional Sector or at the level of the entire domestic economy. Such transactions are broken down by Financial Instrument.

Financial Account, at the Macroeconomic level, is a section of the SNA, the System of National Accounts, a standard defined by a group of International Organizations under the guidance of the **UNITED NATIONS (UN) (Encyclopedia)**. Strictu sensu, the Financial Account reflects the balance of financial transactions (Net Acquisition of **FINANCIAL ASSET** minus Net Incurrence in Liabilities) at the level of an Institutional Sector (Non-Financial Corporations, Financial Corporations, Government, Households and Non Profit Institutions, Rest of the World) or at the level of the entire domestic economy. Such transactions are broken down by Financial Instrument.

With a statistical discrepancy due to the difference of sources, the Financial Account balance must equal the Capital Account balance, which, in turn, reflects the difference between Savings and Investments as corrected by Capital Transfers.

The Capital Account and The Financial Account are part of the section of the SNA defined as Accumulation Accounts. The Accumulation Accounts are the complement

¹ Daniele Fano dirigente Pioneer Investments

to Current Accounts (that reflect transactions in the circular flow of income). The Accumulation Accounts include all the items that concur in the determining the changes in Balance Sheet from one accounting period to the other, not only Financial Transactions but also other flows such as Revaluation (or price) effects and Change in Volume effects.

The Balance Sheet, in turn, allows to evaluate the stock (or level) of wealth as of the end of each accounting period, with the breakdown of Financial Assets and Financial Liabilities by instrument, along with the breakdown of Non-financial Assets. Financial Accounts and, more broadly, Accumulation Accounts and Balance Sheets have represented an important section of National Accounts since their creation in the Ninety-fifties, in parallel with development of the system of Flow of Funds by the US Federal Reserve, the most complete and systematic compilation to date. The financial crisis (**SUBPRIME CRISIS**) that exploded after 2007 has given further impulse to the production of information on financial flows and stocks. The new SNA 2008 Standards are to be implemented by 2014 and include many important new features and concurrent initiatives such as a quarterly release of financial stock and flow figures by the main **G20** countries.