

Keeping monetary and financial statistics fit for use

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Frankfurt am Main, 27 June 2011

Reasons and objectives of new statistics

Keep statistics “fit for use”:

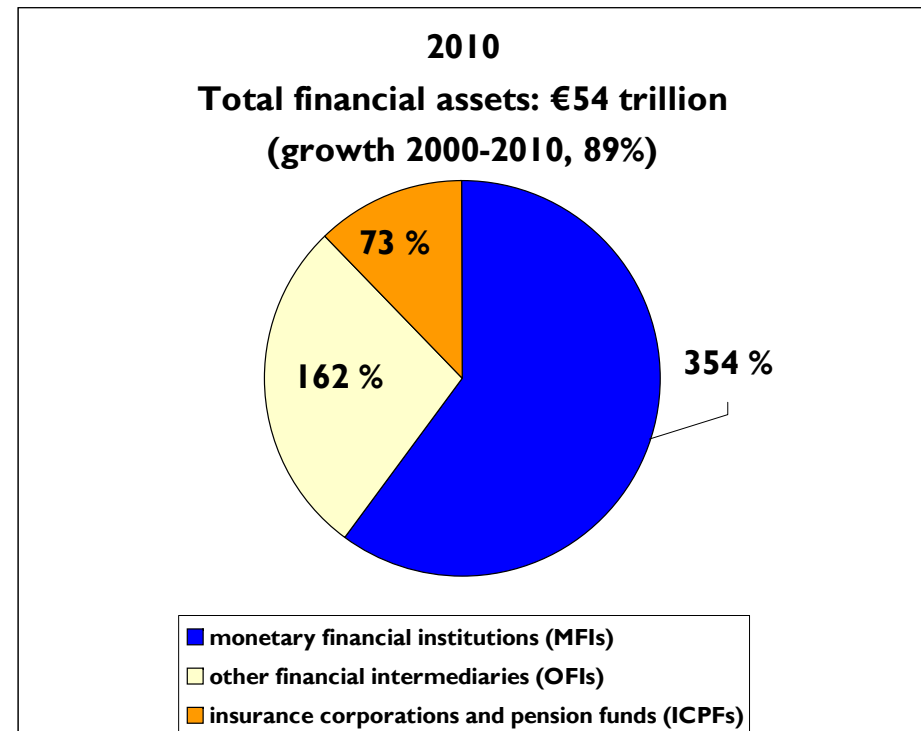
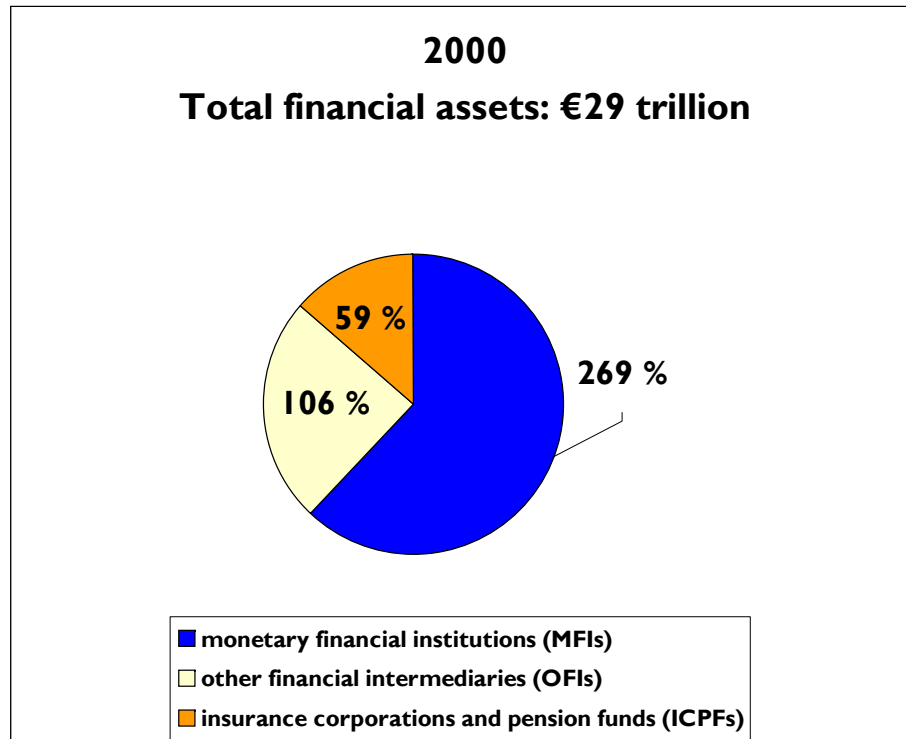
- enhanced **monetary analysis** requires detailed data
- support for **other ECB analyses** requires more comprehensive data
(e.g. *financial stability*)
- **financial innovation** requires continuous updates to statistics
- growing **non-bank financial sector** requires improved statistical coverage of these institutions
(e.g. “*shadow banking*”)

New euro area monetary and financial statistics

- **Improved statistics on the balance sheets of monetary financial institutions (MFIs)**
- **New statistics on MFI securitisation and financial vehicle corporation (FVC) balance sheets**
- **Improved statistics on MFI interest rates**
- **New statistics on insurance corporations and pension funds balance sheets**

The euro area financial sector

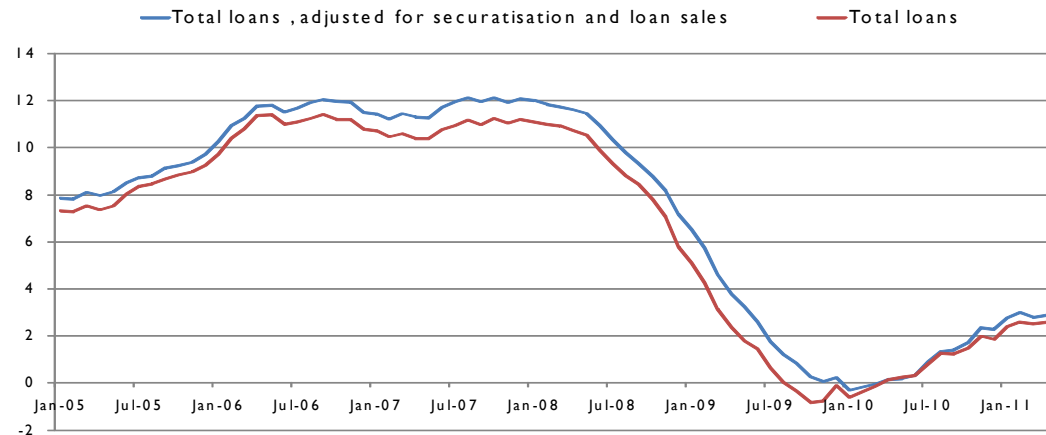
Euro area financial sector balance sheets as a percentage of nominal GDP



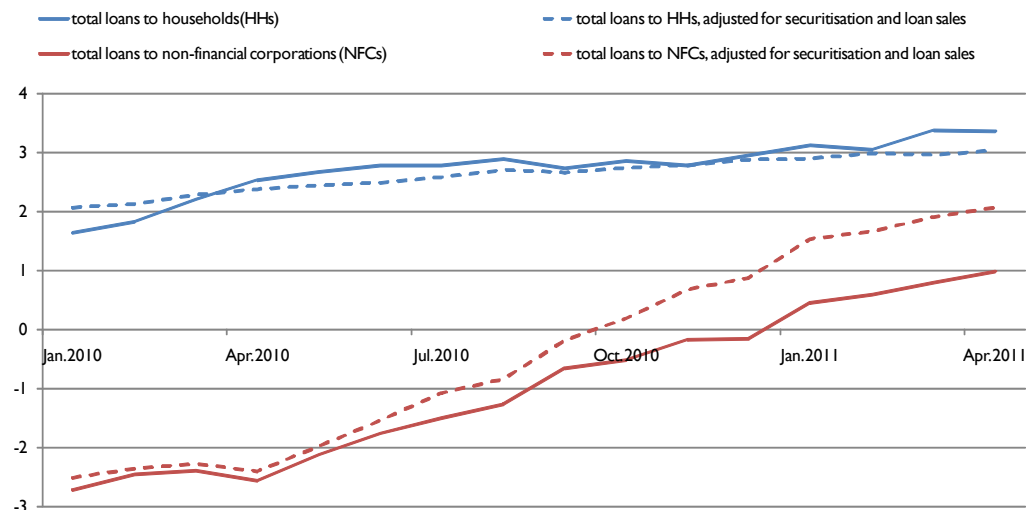
MFI balance sheets: loans and securitisation

- **MFIs (banks) securitise loans to transfer credit risk and to obtain new funding for lending**
- Securitisation and the related loan derecognition from MFI balance sheet have an impact on measured MFI loan **transactions**
- Similar effects are due to transfers to e.g. **“bad banks”**
- **New harmonised data** make it possible to identify effects and to adjust MFI loan series
- **Recent trend:** compensating effects for loans to households (HHs) and non-financial corporations (NFCs)

Loans to euro area private sector
(annual percentage changes)



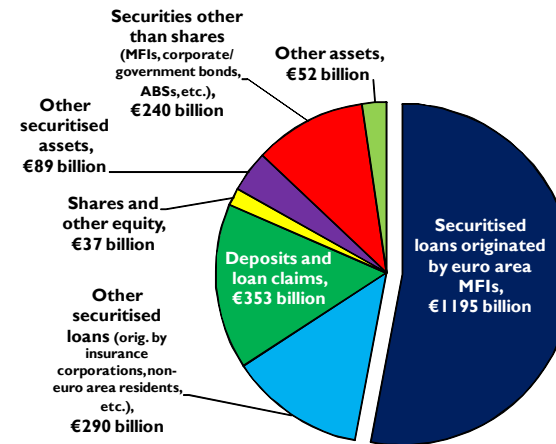
Loans adjustment by sector
(annual percentage changes)



FVC balance sheets: assets

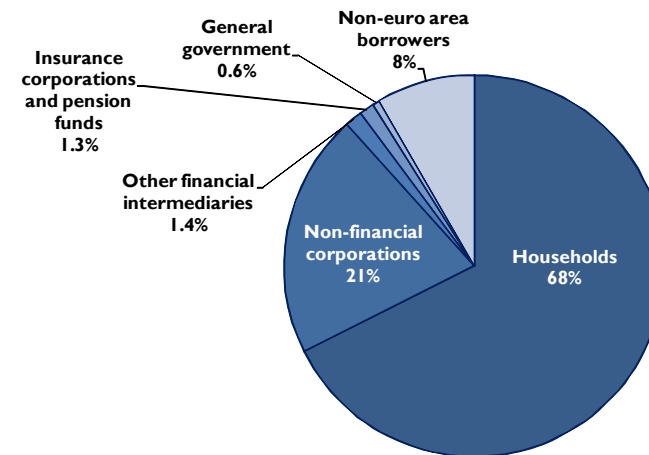
- FVCs are entities set up for the purpose of securitisation (“**securitisation vehicles**”)
- Euro area FVCs’ balance sheets total around **€2.3 trillion** (approx. *one tenth of the euro area non-bank financial sector*)
- Euro area FVCs mainly hold loans securitised by euro area banks
- Euro area banks use euro area FVCs for almost all their loan securitisations
- Underlying assets are mainly loans to **households (68%)** and **non-financial corporations (21%)**

Assets held by euro area FVCs



Q1 2011

FVC holdings of loans originated by euro area MFIs

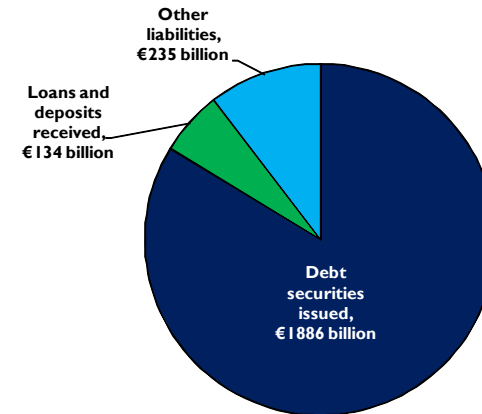


Q1 2011

FVC balance sheets: liabilities

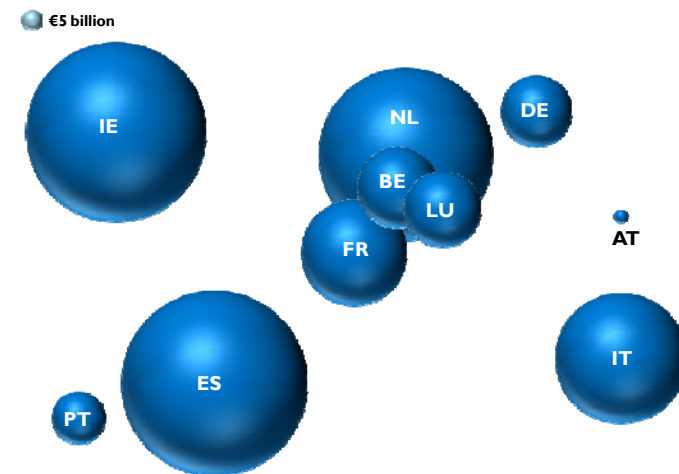
- **Primarily financed through the issuance of debt securities**, backed by the underlying assets (RMBS, CMBS, etc.)
- **FVCs in four countries account for approx. 80% of total size of the sector's issuance in the euro area**
- **Recent trend: retained securitisation**, i.e. securities issued by FVCs are held by originating banks and used for Eurosystem refinancing operations

Liabilities issued by euro area FVCs



Q1 2011

Debt securities issued by FVCs by euro area country



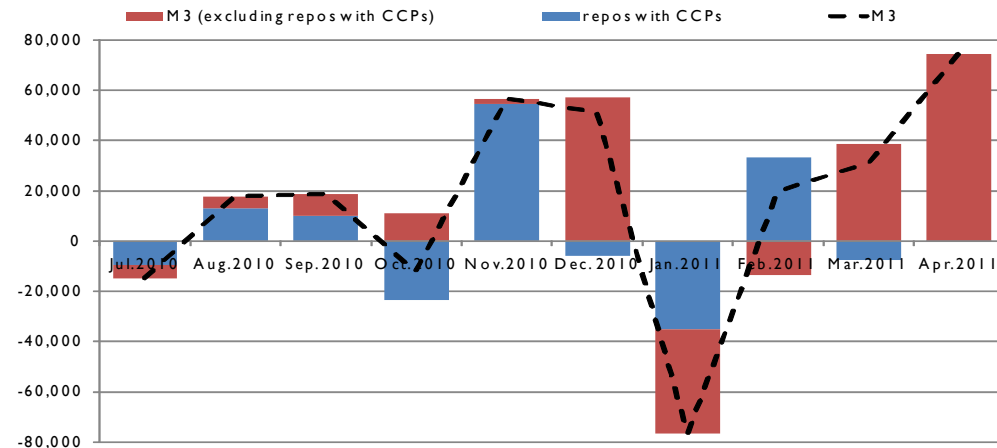
Q1 2011

MFI balance sheets: repos and CCP business

- **Central (clearing) counterparties (CCPs) are intermediaries for secured inter-MFI lending**
- **CCPs belong to “money holding sector”**
- **Transactions with CCPs are part of M3 and of loans to “other euro area residents”**
- **Significant impact on recent M3 and loan developments**
- **New data allow a better analysis of M3 and credit developments**

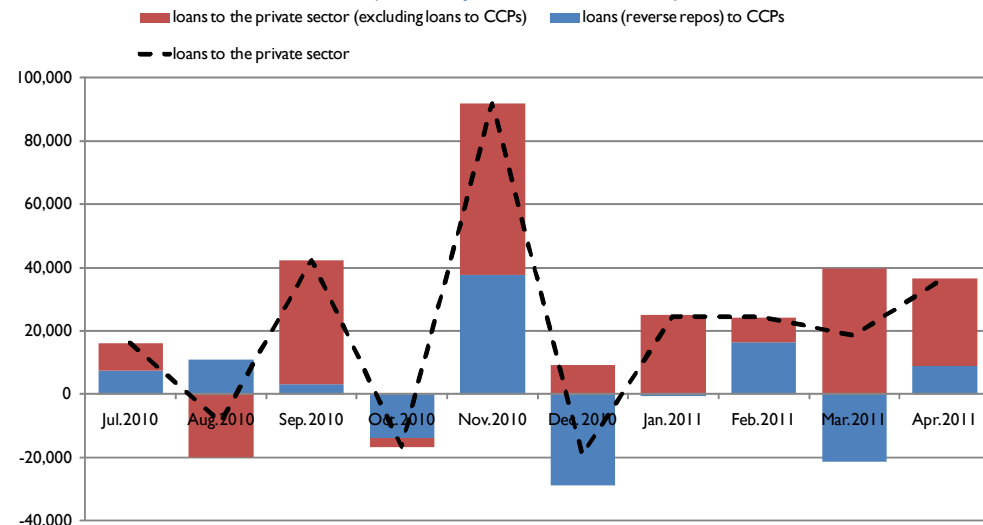
Repos with CCP and M3

(monthly flows, € millions)



Reverse repos to CCP and loans to private sector

(monthly flows, € millions)



MFI interest rates: new breakdowns

Households:

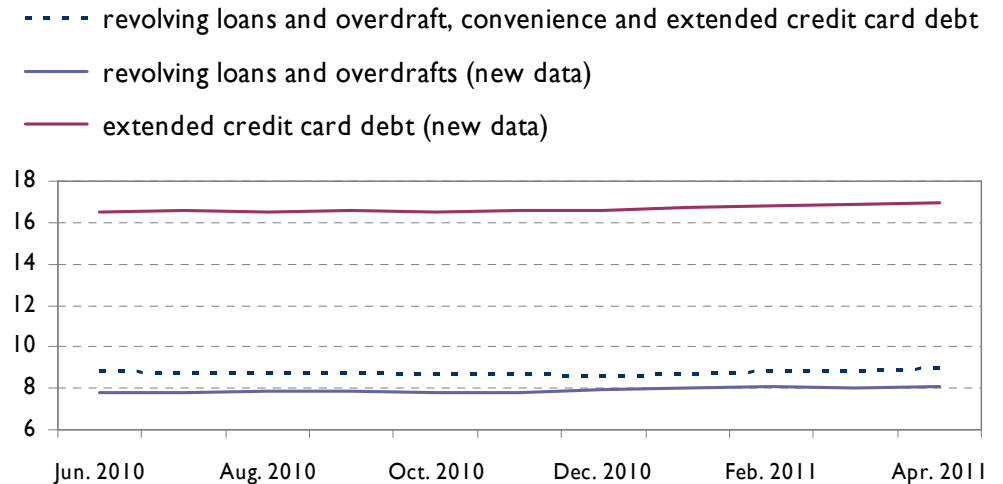
- **High interest rates for extended credit card credit** as compared with interest rates on revolving loans and overdrafts.
- Separation of “revolving loans and overdrafts” from “extended credit card credit” and “convenience credit card debt” (the latter at 0% rate).

Non-financial corporations:

- **Interest rates on small loans** (used as a proxy for loans to small and medium sized enterprises, SMEs) **and on loans to sole proprietors are far higher than interest rates on large loans.**
- Indirect monitoring of **financing costs of SMEs.**

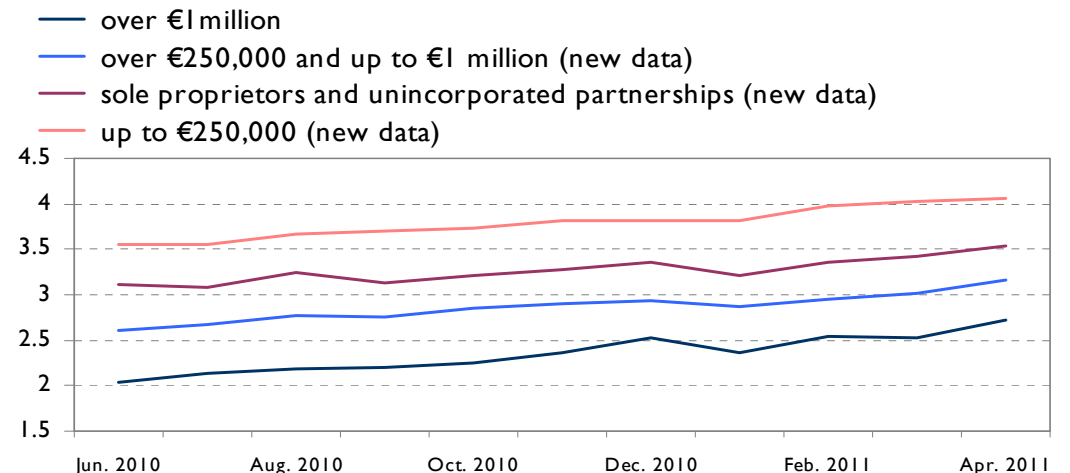
Loans to households

(percentages per annum; period average rates)



Loans to non-financial corporations

(percentages per annum; period average rates)



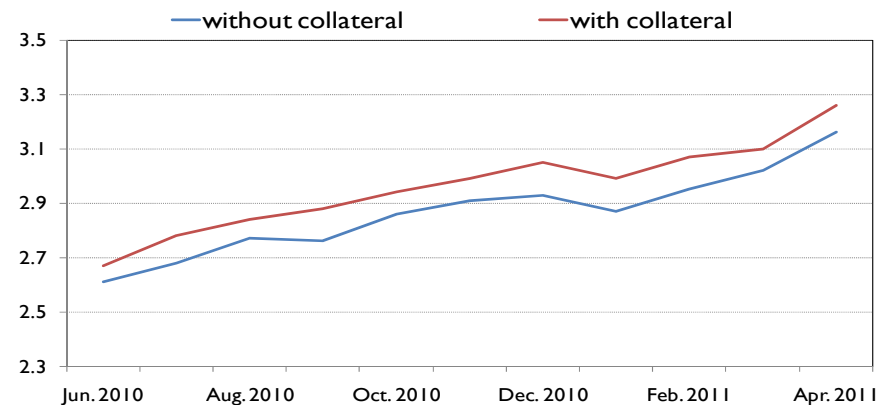
MFI interest rates: secured loans

Mixed behaviour of interest rates for loans with collateral / guarantees:

- Interest rates on new collateralised loans to non-financial corporations are in some categories higher than those on loans without collateral
- (Possibly due to a selection bias, i.e. banks are more likely to ask for collateral where corporations have a lower rating)
- Due to the provision of collateral, new collateralised consumption loans to households have far lower interest rates than loans without collateral

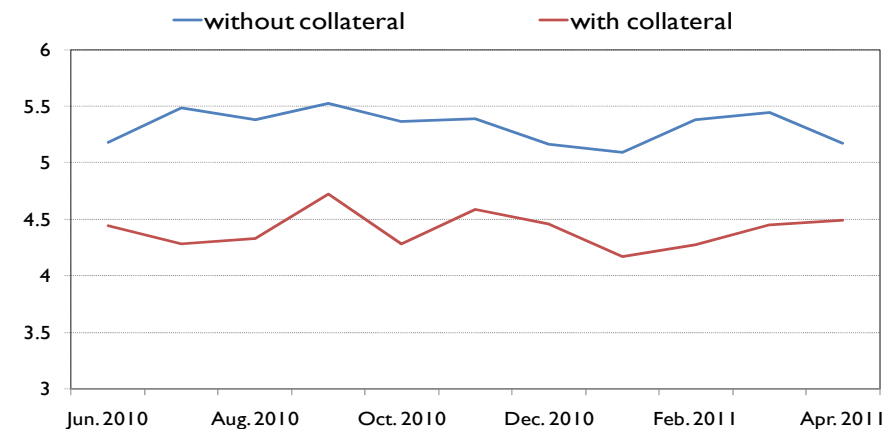
Loans to non-financial corporations

Over €250,000 and up to €1 million
(percentages per annum; period average rates)



Loans to households for consumption

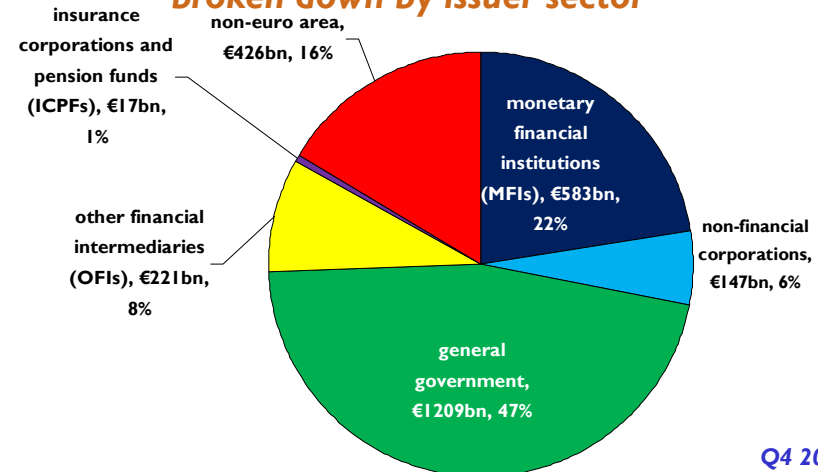
(percentages per annum; period average rates)



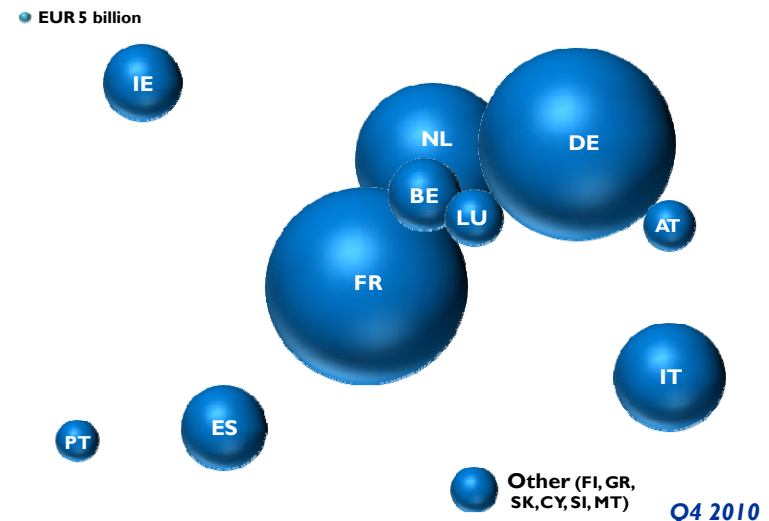
ICPFs: sector size and assets

- ICPF assets represent a **third** of euro area non-bank financial sector
- **ICPF assets: provider of funding for government, non-financial corporations and financial intermediaries**
- **ICPFs in three countries account for about 70% of total size of the sector in the euro area**

Investments in securities by euro area ICPFs (€2.6 trillion); broken down by issuer sector



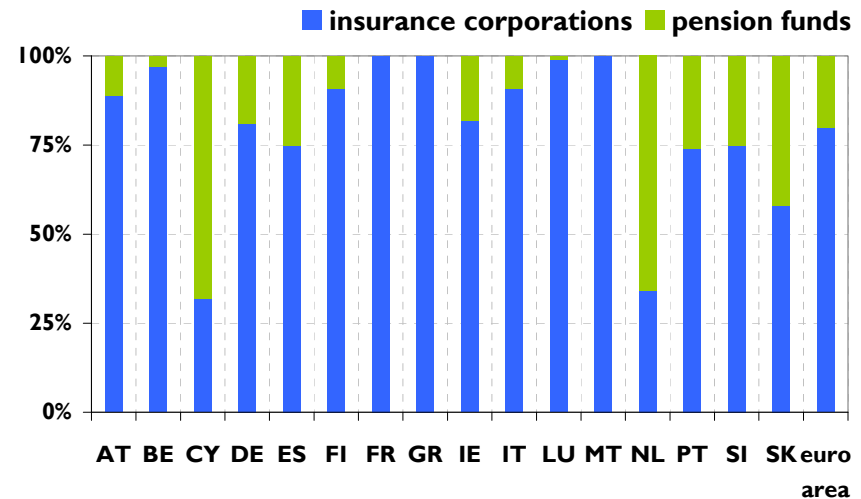
Total ICPF sector by euro area country



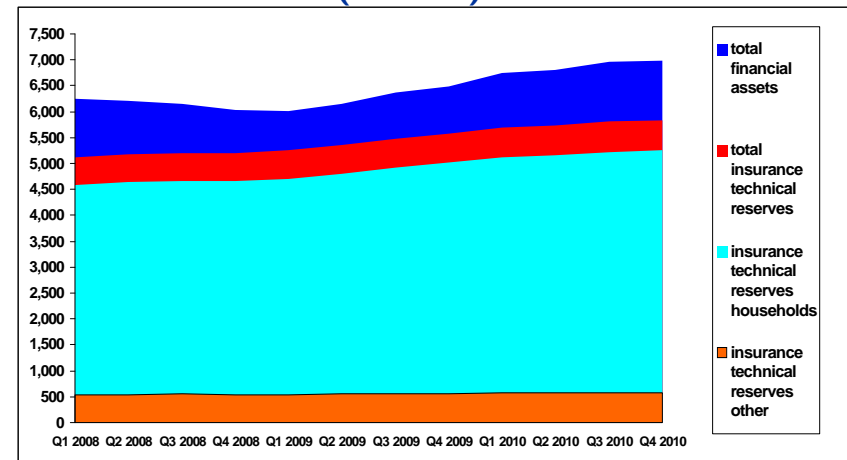
ICPFs: sector composition and liabilities

- **Insurance corporation** account for approx. **80%** of the total ICPF balance sheet
 - *Life insurance* (predominant)
(other types: *non-life* and *reinsurance*)
- **Pension funds** account for approx. **20%** of total ICPF (important in the Netherlands and Cyprus)
- **Households** are main “owners” of ICPF reserves, which account for approx. **30%** of households’ gross financial wealth
- **Insurance technical reserves: a split by insurance schemes and pension plans is also available (annually)**
 - *Life insurance: unit-linked and non-unit linked*
 - *Pension plans: defined benefit, defined contribution and hybrid schemes*

Total IC and PF assets, broken down by sub-sectors (percentages; Q4 2010)



Euro area ICPF's total financial assets and insurance technical reserves (€ billion)



Conclusions

- **New statistics will enhance monetary analysis, as well as other ECB analyses, including for financial stability purposes**
- **Amended monthly ECB press releases on MFI balance sheet statistics and MFI interest rate statistics**
- **New quarterly ECB press releases on FVC and ICPFs**
- **Euro area and selected euro area country data available on ECB's website
(Statistical Data Warehouse; Eurosystem Joint Dissemination Framework – end of summer)**

Conclusions

Next ECB Press Releases:

- **Monetary developments: 30 June (May 2011 data)**
- **MFI interest rate statistics: 7 July (May 2011 data)**
- **ICPF statistics: 13 July (first quarter 2011 data)**
- **FVC statistics: 18 August (second quarter 2011 data)**

New euro area monetary and financial statistics

Thank you for your attention !