

Quarterly financial accounts: 2nd quarter 2008

Despite a slightly positive financial balance, the net financial wealth of individuals declined by some 22 billion euro during the second quarter of 2008, down from 712.6 billion to 690.4 billion, mainly because of capital losses sustained on their investments in shares and mutual funds shares.

The formation of financial assets by individuals totalled 7.1 billion euro over the three-month period. As in the previous quarter, individuals gave preference to sight and time deposits, the outstanding amount of which increased by some 7 billion. In spite of the drop in stock market prices, they also made net purchases of quoted shares. The outstanding amount of insurance products increased once again, albeit to a lesser extent than in previous quarters. On the other hand, private investments in regulated savings deposits, fixed-interest securities and mutual funds shares fell back.

New financial liabilities taken on by individuals reached 5.4 billion euro. Once again, it was mortgage loans that were the main factor behind the rise in these financial liabilities. Their total thus increased to 173.3 billion as at 30 June 2008.

TABLE 1 CHANGE IN THE NET FINANCIAL WEALTH OF INDIVIDUALS IN THE 2ND QUARTER OF 2008
(Billions of euro)

	Net financial wealth as at 31 March 2008	Financial transactions in the 2 nd quarter of 2008	Other flows ¹	Net financial wealth as at 30 June 2008
Financial assets	880.9	7.1	-24.3	863.7
Notes and coins	19.1	0.6	0.0	19.7
Sight and time deposits	97.1	7.0	0.0	104.2
Regulated savings deposits	142.7	-2.0	0.0	140.7
Fixed-interest securities	73.1	-2.4	-0.5	70.3
Quoted shares	86.6	3.7	-10.8	79.6
Mutual funds shares	114.7	-0.9	-7.0	106.7
Insurance products	206.0	2.1	-0.4	207.7
Miscellaneous ²	141.5	-1.1	-5.7	134.7
Financial liabilities	168.3	5.4	-0.5	173.3
Mortgage loans	125.0	2.8	-0.5	127.3
Other loans	34.1	1.2	0.0	35.3
Other accounts payable ³	9.2	1.5	0.0	10.7
Net financial wealth	712.6	1.7	-23.9	690.4

Source: NBB

1. Other flows include price and exchange rate variations. They may also include selective elements such as the reclassification of operations with regard to other sectors.
2. Unquoted shares and other equity, other accounts receivable within the meaning of ESA 95 and statistical adjustments.
3. Mainly social security contributions and taxes due but not yet paid.

Corporations recorded a financial deficit of 9 billion euro. Their net financial liabilities nevertheless shrank by about 40 billion after taking account of price and exchange rate fluctuations. Losses recorded on shares actually affected their liabilities more than their assets, because the total amount of shares is much higher on the liabilities side than the assets side of corporate balance sheets and also because share portfolios held by corporations are partly made up of foreign stock, which did not fall as much as Belgian share prices during the quarter.

As is normally the case in the second quarter, general government posted a financial surplus, which reached 4.3 billion euro. Its financial liabilities thus came down from 250.4 to 247.8 billion.

In total, the domestic sectors taken together recorded a financial deficit of 3.1 billion euro. Large price and exchange rate fluctuations nevertheless led to an increase in Belgium's net claim on the rest of the world, by more than 20 billion. As at 30 June 2008, this claim thus totalled 86.4 billion euro.

TABLE 2 CHANGE IN THE NET FINANCIAL WEALTH OF THE MAJOR ECONOMIC SECTORS IN THE 2ND QUARTER OF 2008

(Billions of euro)

	Net financial wealth as at 31 March 2008	Financial balances for the 2 nd quarter of 2008	Other flows ¹	Net financial wealth as at 30 June 2008
Individuals	712.6	1.7	-23.9	690.4
Corporations	-396.2	-9.0	49.1	-356.1
General government	-250.4	4.3	-1.7	-247.8
Rest of the world	-66.0	3.1	-23.5	-86.4

Source: NBB

¹ Other flows include price and exchange rate variations. They may also include selective elements such as the reclassification of units or operations from one sector to another.

Methodological change

Compared with the previous version of the accounts, a major change in methodology has been made for unquoted shares issued by non-financial corporations and the rest of the world. Up until now, these unquoted shares were valued at own funds at book value. However, the European system of national accounts recommends valuation at market value. This is why outstanding amounts of unquoted shares issued by non-financial corporations and the rest of the world are from now on valued on the basis of the ratio between the stock market capitalisation and the own funds at book value of quoted companies. This new valuation method influences the holding of unquoted shares by private individuals, the rest of the world and non-financial corporations themselves.

The new methodology will be set out in more detail in an article published in the next issue of the Statistical Bulletin.

Methodological note

The financial balance sheets provide a summary of the financial assets and liabilities of national institutional sectors (individuals, financial and non-financial corporations, general government). These assets and liabilities are broken down by financial instrument (currency and deposits, loans, fixed-interest securities, shares, mutual funds shares, insurance products).

The net financial wealth of the different sectors is the result of the difference between the total of their respective financial assets and liabilities. When the net financial wealth of a sector is negative, the term net financial liabilities is used.

Since each financial asset held by a sector corresponds to a financial liability for another sector, the result is that the total net financial wealth of the internal sectors is equal to the net financial liabilities of the rest of the world in respect of Belgium or, and this amounts to the same thing, to Belgium's net claim on the rest of the world.

The change in net financial wealth between the beginning and the end of a quarter is the result, on the one hand, of financial transactions carried out in the course of the period, and on the other, of other flows consisting mainly of price and exchange rate variations.

Financial transactions are recorded in the financial accounts, which highlight the manner in which the different institutional sectors allocate their financial savings or find the financial resources which they need.

In the European system of national accounts, the financial accounts are linked together with the non-financial accounts of the different institutional sectors. Thus, while the non-financial accounts show the financing positions from receipt and payment items, the financial accounts explain how the different sectors invest their surplus or finance their deficits. However, in practice, there are differences between real and financial balances associated mainly with the use of different sources.

Statistical data: [Belgostat Online](#)