Article


Provides details on how data could be produced to satisfy 2 of the requirements for the International Monetary Funds Special Data Dissemination Standards Plus (SDDS Plus).

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1. Abstract

This article describes the progress made to meet the fiscal sector requirements (General Government Operations and General Government Total Gross Debt) of the International Monetary Fund’s (IMF’s) third-tier data standards initiative, the Special Data Dissemination Standards Plus (SDDS Plus).

This work is part of the UK’s enhanced financial accounts (flow of funds) initiative which is a partnership between the Office for National Statistics (ONS) and the Bank of England (the Bank).

Included in this article is a presentation of the proposal to meet 2 of the requirements and accompanying metadata.

The author would like to acknowledge the following contributors to this article: Richard Campbell, Phillip Davies, Derek Bird, Pete Jones, Foyzunnesa Khatun, David Matthews and David Bailey.

2. Introduction

The Office for National Statistics (ONS) has ambitious plans to transform our economic statistics over the coming years, informed by our Economic Statistics and Analysis Strategy and with the aim of increasing the robustness and quality of UK economic statistics. Working in partnership with the Bank of England, a key element of our transformation work is the development of enhanced financial accounts – in particular more detailed “flow of funds” statistics (published on our website) – to meet evolving user needs.

As part of the Enhanced Financial Accounts initiative, we continue to evaluate and progress the UK position in relation to meeting the full suite of the Special Data Dissemination Standards Plus (SDDS Plus) requirements.

We have assessed the feasibility of producing the required data to meet the 2 fiscal sector recommendations of the SDDS Plus. This article highlights the existing available data and details how the additional series required could be calculated.

The International Monetary Fund (IMF) launched the Data Standards Initiatives to enhance member countries data transparency and to promote their development of sound statistical systems. The need for data standards was highlighted by the financial crises of the mid-1990’s in which information deficiencies were seen to play a role. Under the Data Standards Initiatives, the IMF established the Special Data Dissemination Standard (SDDS) in 1996 to provide guidance to countries that have, or seek, access to capital markets to disseminate key data so that users in general, and financial market participants in particular, have adequate information to assess the economic situations of individual countries.

In February 2012, the IMF approved the establishment of the SDDS Plus as a part of the IMF’s Data Standards Initiatives to address data gaps revealed during the global crisis. This builds on the SDDS to guide member countries on the provision of economic and financial data to the public in support of domestic and international financial stability. The SDDS Plus aims to include economies that play a leading role in international capital markets and have institutions that are interconnected; through channels such as interbank lending, security lending, repurchase agreements, and derivatives contracts. The SDDS Plus goes beyond the focus of the SDDS on access to international capital markets by putting an emphasis on countries that have systematically important financial sectors that are integral to the working of the international monetary system.

The SDDS Plus sets out 9 recommendations which fall into 4 main sectors – real, fiscal, financial and external. In the following sections, we discuss the 2 fiscal sector requirements for General Government data. General Government, within the UK, consists of a consolidated view of local government and central government. This article discusses the methodology behind the compilation of these data as well as illustrating the SDDS Plus Fiscal tables in the Annex.
3. Requirements

If a country adheres to Special Data Dissemination Standards Plus (SDDS Plus), it is required to publish data for the General Government Operations (see Annex table 3.1) using the Government Financial Statistics Manual 2014 framework (GFSM 2014), as set out by the International Monetary Fund. Data should be compiled on a quarterly basis for all components and should be disseminated within 12 months of the end of the reference period.

For the General Government Total Gross Debt requirement (see Annex table 3.2) the data should again be based on concepts and definitions in the GFSM 2014. In most respects these definitions are aligned with those within the European System of Accounts 2010 (ESA 2010) sectoral balance sheet and external data. It should include all liabilities that are debt instruments at nominal value (rather than the usual market value used in most balance sheet statistics). Data should be compiled on a quarterly basis and disseminated within 4 months of the end of the reference period. It also includes 2 memorandum items which should be provided on a “best effort” basis.

The metadata for both tables should include any specific concepts, definitions and classifications used in the data compilation and highlight any differences between national practices and international or regional guidelines.

4. Data and methods development

The majority of the data requirements set out in table 3.1 and 3.2 are already published within either the current ONS monthly Public Sector Finance release or the quarterly Government Debt and Deficit Statistics release. Existing disaggregated data will need to be aggregated to the required level to meet the Special Data Dissemination Standards Plus (SDDS Plus) requirements. These data, including the required metadata, could then be presented in the required format.

However, part of the requirement for the General Government Gross Debt table (table 3.2), asks for additional data that we do not currently produce. Specifically, there are two memorandum items that ask for debt securities and loans to be separated based on residual maturity.

Residual maturity refers to the remaining time to maturity of an instrument from the current reference period. Currently, such instruments are classified by original maturity, that is, the maturity at the time the instrument is taken out. These are published within the UK Economic Accounts (UKEA) under European System of Accounts 2010 (ESA 2010) methodology (where short-term debt securities are those with a duration of less than 1 year and long-term debt securities have a lifetime of 1 year or more). These memorandum items are requested on a “best effort basis”, which allows participants to publish data that could be improved at a later date. However, a clear explanation of the methodology used to construct the data has to be included in the metadata. Sections 5 and 6 set out how we could calculate these data from existing identified data sources.

5. Calculation of residual maturity of debt securities

The Debt Management Office (DMO) publishes on its website (daily) a report on issued gilts which identifies the current issued short-term and long-term gilts within the market. The DMO categorises gilts into 5 categories, ultra-short (redemption date less than 3 years), short (redemption date between 3 and 6 years), medium (redemption date between 6 and 14 years), long (redemption date over 14 years) and index linked (which will have varying redemption dates). The gilt data in this report can be analysed by both the current or residual maturity of the gilt and the original maturity.
For the purposes of Special Data Dissemination Standards Plus (SDDS Plus), short-term is classed as anything less than 1 year before redemption and therefore it consists of some of the ultra-short gilts as well as some of the index-linked gilts. Which gilts mature within 1 year can be identified from the information in this report and the total amount in issue is aggregated to give the short-term residual maturity breakdown of debt securities. The long-term aspect is then simply the remaining amount of the published debt securities figure from the UK sector accounts.

Once the data have been aggregated for the short-term gilts and the residual has been calculated for long-term, it can then be used as the debt security residual maturity memorandum item. When compared over time, this shows similar patterns of maturity levels to the original maturity, which is to be expected, as shown in Figure 1.

Figure 1: Residual maturity of debt securities from 1997 to 2016 compared to original maturity

Source: Office for National Statistics United Kingdom Economic Accounts (UKEA) and Debt Management Office Gilts in Issue
Although this approach does not take into account other debt securities, it covers the largest proportion of government debt securities (around 95%) and therefore could be used as a proxy for the split overall, as they are likely to share similar characteristics. With regards to treasury bills, they are all considered to be of a maturity of less than 1 year as they are either of 3- or 6-month maturity and so can be added into the short-term residual maturity category. This memorandum item can therefore be produced quarterly as required on a “best effort” basis.

6. Calculation of residual maturity of loans

Special Data Dissemination Standards Plus (SDDS Plus) table 3.2 also asks for the residual maturity of loans data to be identified as a memorandum item however, a clear data source for this has not been identified. The National Loans Fund (NLF) produces an annual report that identifies some loan maturity stock data but this is not a complete government picture and therefore cannot be used directly. It does however, give a possible proxy split that could be used to determine this item. Further analysis is required to evaluate the suitability of this proxy. Figure 2 shows the initial split derived using the NLF data.

Figure 2: Residual maturity of loans from 1997 to 2016 compared to original maturity

Source: Office for National Statistics United Kingdom Economic Accounts (UKEA) and National Loans Fund Residual Loan Maturity
7. Conclusion

This development has shown that the UK is, subject to quality assurance by the International Monetary Fund (IMF) as part of the normal adherence process, able to meet the Fiscal recommendations of the Special Data Dissemination Standards (SDDS) Plus for these 2 requirements. We continue to evaluate options to meet the memorandum item breakdowns for SDDS Plus table 3.2 in the future.

This work represents an important milestone in the Enhanced Financial Accounts initiative as we start publishing the findings of our research into investigating new data sources. Over the next year we will be publishing further articles outlining the findings of our research into improving the quality, coverage and granularity of financial accounts statistics through utilising commercial data and other sources. We will publish experimental statistics based on these sources before starting to integrate these statistics into the existing financial accounts.

It is important for us to continually hear the views of users (current and potential) of these statistics. Please contact us via FlowOfFundsDevelopment@ons.gov.uk if you have any views that you would like to share with us.

8. Further information

For further information please contact us by email: FlowOfFundsDevelopment@ons.gsi.gov.uk

Flow of Funds archived background information

30 January 2017 Article: The UK Enhanced Financial Accounts: changes to defined contribution pension fund estimates in the national accounts; part 2 – the data

16 January 2017 Article: The UK Enhanced Financial Accounts: changes to defined contribution pension fund estimates in the national accounts; part 1 – the methodology


14 July 2016 Article: Flow of Funds - the international context

14 July 2016 Article: Developing the enhanced financial accounts (UK Flow of Funds)

10 March 2016 Article: Identifying Sectoral Interconnectedness in the UK Economy

24 February 2016 Article: Improvements to the Sector and Financial Accounts

12 January 2016 Article: Historical Estimates of Financial Accounts and Balance Sheets

8 November 2015 Article: Comprehensive Review of the UK Financial Accounts

13 July 2015 Article: Introduction Progress and Future Work

Financial Statistics Expert Group minutes:
• 21 October 2014
• 22 January 2015
• 22 July 2015

Any further minutes from this quarterly meeting can be requested from FlowOfFundsDevelopment@ons.gov.uk

9. Annex

Tables 3.1 and 3.2 highlight the format of required Special Data Dissemination Standards Plus (SDDS Plus) tables and what transactions they cover. Data would be compiled on a quarterly basis and presented on the Office for National Statistics (ONS) website following formal adherence.
Table 3.1: Statement of Government Operations
## Transactions affecting net worth

### Revenue
- Taxes
- Social contributions
- Grants
- Other revenue

### Expenses
- Compensation of employees
- Use of goods & services
- Consumption of fixed capital interest
- Interest
- Subsidies
- Grants
- Social benefits
- Other expenses

### Net operating balance
- Gross operating balance

## Transactions in nonfinancial assets

### Net acquisition of nonfinancial assets
- Fixed assets
- Change in inventories
- Valuables
- Nonproduced assets

### Net lending / borrowing

## Transactions in financial assets and liabilities (financing)

### Net acquisition of financial assets
- Domestic
<table>
<thead>
<tr>
<th></th>
<th>Foreign Net incurrence of liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td></td>
</tr>
<tr>
<td>Foreign</td>
<td></td>
</tr>
</tbody>
</table>

Source: International Monetary Fund Special Data Dissemination Standard Plus recommendations

Notes:

1. The net operating balance equal revenue minus expense. The gross operating balance equals revenue minus expense other than consumption of fixed capital.

2. Acquisitions minus disposals minus the consumption of fixed capital.

3. Net lending/borrowing equals the net operating balance minus the net acquisition of nonfinancial assets. It is also equal to the net acquisition of financial assets minus the net incurrence of liabilities.
Table 3.2: General Government Total Gross Debt

<table>
<thead>
<tr>
<th>Government Total Gross Debt in Nominal Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total gross debt</td>
</tr>
</tbody>
</table>

- By type of instrument
  - SDRs
  - Currency & deposits
  - Debt securities
  - Loans
    - Insurance, pensions & standardized guarantee schemes
    - Other accounts payable

- By currency of denomination
  - Domestic currency
  - Foreign currency

- By residence of the creditor
  - Domestic creditors
  - Foreign creditors

Memorandum items

- Debt securities at market value
  - Payable within one year or less (residual maturity)
    - Debt securities
    - Loans
  - Payable in more than one year (residual maturity)
    - Debt securities
    - Loans

Source: International Monetary Fund Special Data Dissemination Standard Plus recommendations

Notes:
1. To be reported consistent with coverage in the sectoral balance sheets and the general government operations data.
2. Memorandum items should be provided on a best effort basis.