Flow of Funds Accounts of Pakistan

2018-19

Flow of Funds and Prices & Publication Division
Statistics & DWH Department
State Bank of Pakistan

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Preface

Statistics & DWH Department provides quality statistics on economic sectors of Pakistan. The department strives to cope with the data needs of internal and external stakeholders and to fulfill the requirements of international institutions. The data compilation, methodologies and procedures are aligned with international guidelines for harmonization with the international standards and comparability.

The Flow of Funds (FoF) accounts for FY19 have been prepared from the data collected from all sectors of the economy. The data has been transformed into sectoral balance sheets as per guidelines of System of National Accounts 2008 (SNA-2008). FoF Accounts of Pakistan for the year 2018-19 (final) contain a brief description of theoretical framework pertaining to detailed flow of funds, financial, capital accounts and stocks of non-financial corporate, general government and other sectors of the economy. These accounts highlight the statistical relationship of financial activities of all sectors of the economy with one another and the non-financial activities that generate income and production. The system provides extensive sectoral and transaction coverage of financial developments in the economy, i.e. saving & investment, borrowing and lending.

We feel that these statistics would be useful for financial analysis, policy formulation, planning, and decision making. Comments and suggestions for further improving the publication are welcome.

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List of Abbreviations

BOP	Balance of Payments
CB	Central Bank
DTC	Deposit Taking Corporations
FA	Financial Auxiliaries
FC	Financial Corporations
FoFs	Flow of Funds
Govt.	Government
HH	Households
IC	Insurance Companies
MMF	Money Market Fund
NBFC's	Non-Bank Financial Corporations
NFA	Non-Financial Assets
NFC	Non-Financial Corporations
NFPSE	Non-Financial Public Sector Enterprises
NMMF	Non-Money Market Fund
NPA	Non-Produced Assets
NPISH	Non-Profit Institutions Serving Households
OFI	Other Financial Intermediaries
PF	Pension Fund
PIB's	Pakistan Investment Bonds
PSE's	Public Sector Enterprises
ROW	Rest of the World
SBP	State Bank of Pakistan
SDR's	Special Drawing Rights
SECP	Securities & Exchange Commission of Pakistan
SNA	System of National Accounts
T Bills	Treasury Bills
TFC	Term Finance Certificate

1. Introduction

The State Bank of Pakistan (SBP) initiated flow of funds accounts compilation in 1982 in collaboration with Pakistan Bureau of Statistics and Planning Commission of Pakistan. The framework including sectoral classification, transaction categorization, and compilation procedure was prepared by SBP under the guidelines of System of National Accounts - 68 (SNA-68). State Bank of Pakistan (SBP) has start compiling flow of funds according to SNA-93 in 2005 and later implemented SNA-2008 back in 2012-13 and since then these Accounts are compiled according to SNA-2008 guidelines for institutional sectors of the economy and classification of transactions, estimate of sectoral savings and investment together with financial flows classified by instruments.

1.1. Conceptual Framework of Accounts

Flow of Funds arises when transactions of purchase or sale of goods and services or exchanges of assets and liabilities are taking place in the economy. These transactions reflect funds flow from one agent to other and from one sector to other. These accounts at national level provides a record of these flows for the whole economy. In other words, these accounts record and summarize the financial transactions of the economy in a systematic way. The accounts are also record and maintain the borrowing and lending operations among various sectors of the domestic economy and with the rest of the world and helps to trace the flows of savings through different channels and into the financing of capital formation.

Flows of Funds are transactions accounts, but they are often linked to balance sheet accounts prepared in combination with accounts of stocks of financial assets and liabilities of each institutional sector. The flow of funds accounts mainly consists of two parts, i.e.

1. Non-Financial Flows and
2. Financial Flows

Non-financial flows are the flow of current income and expenditure, saving and investment. Income and outlay account of a sector is the incoming of factor income and outgoing of consumption expenditure including net current transfers and presents saving as a balancing entry. Saving is transferred from the income and outlay account to the capital account and is used for investment purposes. Lending/borrowing are the balancing entry of this account depending on whether uses are less or more than the resources of the sector. The essential feature of the non-financial flows is thus to present saving, investment and net lending/borrowing. The surplus/deficit in the non-financial flows indicates the saving investment gap. In fact, the non-financial flows in the flow of funds accounts are the same as the capital account with saving and investment as resources and uses.

The financial flows account is an extension of capital account and describes lending and borrowing operations of the different sectors in the economy. Sectors borrow by issuing claims on themselves or lend to others by accepting claims on them. A sector may carry out both activities in varying degrees. A sector is classified as a deficit sector when the claims issued are more than the claims accepted. Net lending to other sectors is the indication of a surplus sector. The borrowing transactions take the form of increase in liabilities, sale of financial assets or reduction of money balances. The lending operations are acquisition of financial assets, increase in money balances or repayment of past debts. Increase in liabilities and decrease in financial assets are termed as the financial resources of funds or incurrence of liabilities while increases in financial assets and decreases in liabilities are known as the financial uses of funds or acquisition of financial assets.

The flow of funds accounts are presented on from whom to whom basis and are classified by type of the financial instruments. Funds obtained (resources of funds) in any type of financial instrument should be equal to the uses of funds in that form as the financial claims issued by one sector are held by others. The non-financial flows display the current and capital receipts and payments while the financial flows present the changes in financial obligations. The financial surplus/deficit shows the difference between financial resources and uses of a sector. The sum of the financial surplus/deficit across the sectors should be zero, because any change in one sector’s financial liabilities must be equals to change in another sector’s financial assets.

A balanced resource and use of funds account are drawn for each sector to record its savings and borrowings (resources of funds) and its real investment, lending and accumulation of money balances (uses of funds). The surplus/deficit of a sector can be analyzed into issue and acquisition of financial claims. These sector accounts interlock because the issue of claims by one sector generates corresponding entry for acquisition of claims by other (i.e. double entry bookkeeping system). The complete set of flow of funds accounts summary matrix for any year is, therefore, an interlocking set of resources and uses for the economy.

1.2. Purpose and Value of Accounts

The flow of funds accounts houses many channels through which financial policies are implemented, particularly if data for the sectors and subsectors responsible for implementing policies are presented separately from other sectors. For example, to analyze how changes in financial positions affect spending decisions and economic behavior, it is possible to trace the effects of monetary policy actions through the accounts of the Central Bank, Other Depository Corporations, and Nonfinancial sectors. The linkages examined in flow of funds accounts are more extensive than those presented in monetary statistics. These accounts are also useful for financial projections and forecasting, by ensuring both:

1. The internal consistency of financial forecasts and
2. The consistency of financial forecasts with national accounts forecasts.

The accounting constraints in the matrix can be built into economic models in which the variables are forecasted simultaneously, or they can be used as a consistency check on forecasts of variables that have been derived independently of one another. Flow of funds accounts are useful in macroeconomic modeling and provide a framework for financial programming. These accounts demonstrate several sectoral relationships (including consistency of flows between sectors with macroeconomic objectives such as a sustainable balance of payments position, adequacy of credit from depository corporations to specified sectors, financing central government deficit, etc.).

The accounts facilitate analysis of sectoral movements that balance supply and demand for funds coming from significant sectors of the economy. The quantum and nature of funds that are transferred directly from savers to the investors as also those routed through financial intermediaries are revealed. Changes in the liabilities and assets of foreign countries\institutions are listed separately in the Rest of the World sector. Thus, the level of domestic savings via financing by the Rest of the World may also be ascertained from these accounts.

The flow of funds accounts provides a useful macro-economic framework for investment program analysis. The intermediary role, played by the financial institutions such as banks, non-bank financial institutions and insurance companies in attracting funds and responding to the investment needs of the economy may be assessed from flow of funds accounts. The operations of the financial intermediaries in relation to sectoral flows and the structural changes in various forms of their borrowing and lending activities are important to analysts in many ways. This is more important for developing countries where demand for funds and for material resources normally exceeds supply. When sector accounts are placed side by side, the flow of funds matrix for the economy is constructed as a whole, a variety of analytical questions about capital market process, and problems of growth can be answered like how private and public capital formation is being financed in a plan period? How much capital is provided from domestic savings and how much from abroad?

Compilation of flow of funds accounts is important for Pakistan as it provides a framework for the analysis of several key financial problems in development planning. The financing of the public sector development program including financing of the budgetary deficit and the public sector enterprises, management of the balance of payments to ensure adequate foreign exchange reserves and the control of the monetary and banking system with a view to ensuring availability of adequate funds are the problems which can be tackled within the flow of funds framework.

1.3. The Structure of Accounts under SNA-2008

SNA-2008 contains a consistent and integrated set of economic accounts that cover all institutional sectors and subsectors of the economy and the economic relationships of an economy with the Rest of the World (ROW). The SNA contains a full set of interrelated accounts for transactions and other flows, as well as balance sheets that show the stocks of non-financial assets, financial assets, and liabilities.

1.4. Sectors of Economy

A significant element in the preparation of flow of funds accounts is the appropriate grouping of commonly identifiable economic units (institutional units) into sectors. A sector refers to a subdivision of the economy, in particular a group of decision-making units within the economy that are more or less homogeneous in certain characteristics. The choice is governed by such considerations as the homogeneity of groups of decision-making units, the availability of basic data, and ease in handling. The sectors and sub-sectors classification are as following:

1. Non-financial corporations
    a. Public non-financial corporations
    b. National private non-financial corporations
    c. Foreign controlled non-financial corporations
2. 2. Financial corporations
    a. Central bank
    b. Deposit taking corporations except the central bank
    c. Money market funds
    d. Non-money market funds
    e. Other financial intermediaries except insurance corporations and pension funds
    f. Financial auxiliaries
    g. Captive financial institutions
    h. Insurance corporations
    i. Pension funds
3. General government
    a. Federal government including NPIs and excluding public corporations
    b. Provincial & local governments including NPIs and excluding public corporations
4. Households and non -profit institutions serving households (NPISH)
5. Rest of the world

2. Overview

Total outstanding Financial Assets[1] amounted to Rs. 87,720.0 billion at the end of 2018-19, depicting an increase of 19.6% (i.e. Rs. 14,391.7 as compared to last year). In similar fashion, total outstanding liabilities amounted to Rs 128,732.9 billion at the end of period under review, reflected an increase of 23.0% (i.e. Rs 24,099.6 billion as compared to last year).

The outstanding financial assets of Households and Non-Profit Institutions Serving Households (NPISH) increased by 34.1% reflected a change of Rs. 6,322.1 billion to touch Rs. 24,847.3 billion whereas their liabilities have been decreased by Rs. 114.1 billion (i.e. 4.8%) and reached to Rs. 2,261.6 billion as compared to last year. Resultantly, the Net Financial Assets (financial assets minus liabilities) of this sector increased from Rs. 16,149.6 billion to Rs. 22,585.7 billion (i.e. the increase is Rs 6,436.2 billion). Likewise, the ratio of financial assets to liabilities of households & NPISH rose from 7.8 times at the end of previous year to 11.0 times.

The fund raised by Non-financial Corporate sector decreased from Rs. 2,667.3 billion to Rs. 2,246.5 billion during 2018- 19. Similarly, funds utilization of this sector decreased from Rs 1,846.7 billion to Rs 1,308.9 billion during 2018-19. This shows a deficit which increased from Rs. 820.6 billion to Rs. 937.6 billion during the period.

Table 1: Flow of Funds during 2018-19 (Billion Rs.)

Funds Supply	Uses	Sources	Financial Surplus		Net Financial Investment / Net External Funding		Funds Demand	Uses	Sources	Financial Deficit
Households & NPIs Serving Households	6464.6	291.1	6173.6	→	Net Financial Investment / Net External Funding 49.6	←	General Government	1455.5	8872.3	7416.9
Rest of the World	1597.1	-262.3	1859.4	→		←	Non-Financial Corporations	1308.9	2246.5	937.6
Financial Corporations	5039.5	4668.4	371.1	→						

The Households & NPISH sector is in surplus that increased from Rs. 1,334.1 billion to Rs 6,173.6 billion during 2018-19. During 2018-19, funds raised by the government has been increased from Rs 2,865.8 billion to 8,872.3 billion. Similarly, in same period, funds utilization by government has

[1] The Financial Assets are derived from Domestic Financial Assets plus ROW Liabilities.

been increased from Rs. 404.2 billion to Rs. 1,455.5 billion. Therefore, in net term, government is in deficit that increased from Rs 2,461.6 billion to Rs 7,416.9 billion in 2018-19. The rest of the world's funds utilization increased from Rs 1,548.8 billion in previous year to Rs 1,629.8 billion. During the year 2018-19, the volume of fund-raising by financial corporations increased from Rs 2,696.0 billion to Rs 4,668.4 billion. On the other hand, the scale of financial corporations' funds utilization has also been increased from Rs 2,756.3 billion to Rs 5,039.5 billion. Therefore, the financial corporations' funds are in surplus that has been increased from Rs 60.3 billion to Rs 371.1 billion.

2.1. Financial Assets and Liabilities

2.1.1. Financial Assets

Outstanding financial assets stood at Rs 87,720.1 billion at the end of 2018-19 that has been increase by 19.6% as compared to last year. The summary of trends in Financial Assets is presented in Table 2.1.

Table 2.1: Trends in Financial Assets

End Year - Million Rs.

Items	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**% Share**	
					2017-18	**2018-19**
Total Financial Assets	**60,006,650**	**65,643,996**	**73,328,417**	**87,720,141**	**100.0**	**100.0**
YoY Changes (%)	*23.5*	*9.4*	*11.7*	*19.6*		
Currency & Deposits	20,910,398	23,338,952	25,068,395	27,314,029	34.2	37.2
Debt Securities	11,820,891	13,427,497	15,497,936	25,755,654	21.1	31.1
Loans & Advances	9,071,461	10,237,245	11,742,769	12,204,692	16.0	29.4
Shares Capital	3,798,029	4,495,591	3,877,031	3,514,799	5.3	13.9
Trade Credit & Advances	3,537,590	2,614,468	3,361,386	3,643,943	4.6	4.0
Other Accounts Receivables[2]	10,868,281	11,530,243	13,780,899	15,287,024	18.8	4.2

Notes:

1. Figures in italic represents the YoY Change.

2. Includes Monetary Gold & SDR, Insurance & Technical Reserves, Financial Derivatives and Miscellaneous Financial Assets, etc.

2.1.2. Liabilities

The Outstanding Liabilities[2] at the end of 2018-19 stood at Rs 128,732.9 billion that have been increase by 23.0 % as compared to last year. The summary of trends of liabilities is presented in Table 2.2.

Table 2.2: Trends in Financial Liabilities

End Year - Million Rs.

Items	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**% Share**	
					2017-18	**2018-19**
Total Financial Liabilities	**82,404,823**	**91,462,119**	**104,633,314**	**128,732,905**	**142.7**	**146.8**
YoY Changes (%)	*19.1*	*11.0*	*14.4*	*23.0*		
Currency & Deposits	20,597,339	22,938,421	25,126,968	29,021,192	34.3	39.6
Debt Securities	12,105,277	13,985,041	16,795,258	27,355,784	22.9	33.1
Loans & Advances	21,438,383	24,811,751	30,202,333	39,676,731	41.2	31.2
Shares Capital	11,632,138	13,595,232	15,318,589	14,741,114	20.9	45.2
Trade Credit & Advances	3,091,475	2,614,468	2,901,898	2,992,952	4.0	16.8
Other Accounts Payables[2]	13,540,211	13,517,205	14,288,266	14,945,132	19.5	3.4

Notes:

1) Figures in italic represent shares in total liabilities.

2) Includes monetary gold & SDR, Insurance & technical reserves, financial derivatives and miscellaneous financial liabilities whereas Reserves and Valuation are excluded.

2.1.3. Financial Assets and Liabilities of Households and NPISH

The financial assets of households & NPISH increased by 34.1 % from Rs 18,525.2 billion to Rs 24,847.3 billion at the end of 2018-19 whereas the liabilities have been decreased by 4.8% from Rs. 2,375.7 billion to Rs. 2,261.6 billion at the end of 2018-19. The detail of financial assets and liabilities is presented in table 2.3.

At the end of 2018-19, the net financial assets of households & NPISH stood at Rs 22,585.7 billion that has been increase by Rs 6,436.2 billion from Rs 16,149.6 billion last year. Meanwhile, the ratio of this sector has been increased from 7.8 times at the end of 2017- 18 to 11.0 times. The details are presented in Table 2.3.

[2] Total Financial Liabilities are derived from domestic financial liabilities excluding reserves & ROW Assets

Table 2.3: Financial Assets and Liabilities of the Households and NPISH

End Year - Million Rs.

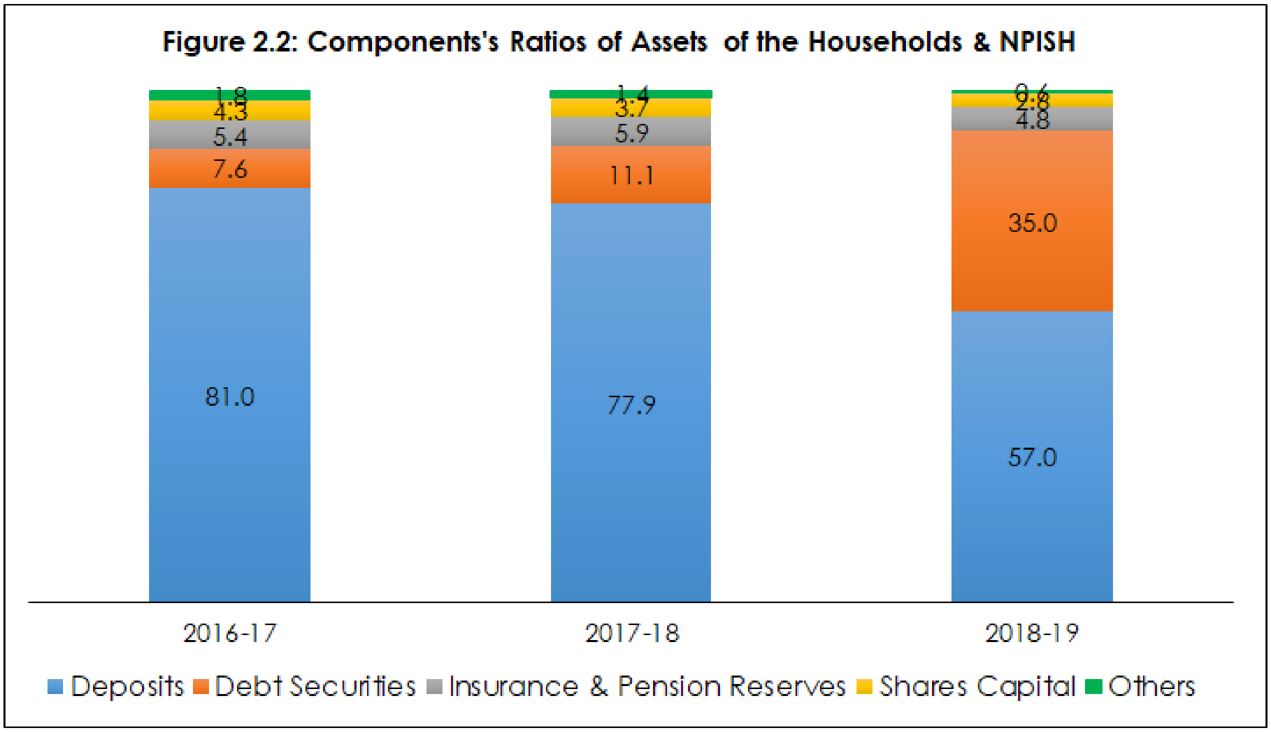
Items	2014-15	2015-16	2016-17	2017-18	2018-19
Financial Assets (A)	**12,052,389**	**14,045,698**	**16,238,755**	**18,525,247**	**24,847,311**
Growth(%)	10.4	16.5	15.6	14.1	34.1
Changes	1,137,444	1,993,309	2,193,057	2,286,492	6,322,064
Currency & Deposits	8,691,260	11,805,776	13,147,203	14,434,219	14,161,960
Debt Securties	2,663,515	566,432	1,238,653	2,057,241	8,694,847
Insurance & Pension Reserves	141,710	741,262	874,473	1,088,830	1,196,752
Shares Capital	374,124	595,714	692,110	679,145	650,055
Other Accounts Receivables[2]	181,781	336,514	286,316	265,812	143,697
Financial Debt (B)	**1,703,443**	**1,755,827**	**1,578,859**	**2,375,670**	**2,261,562**
Growth(%)	3.1	3.1	-10.1	50.5	-4.8
Changes	51,765	52,384	-176,968	796,812	-114,108
Borrowing From Central Bank	19,033	24,027	16,827	20,046	21,626
Borrowing From DTC's[3]	760,737	893,938	1,047,106	1,235,027	1,406,945
Borrowing From NBFC's[4]	107	159	166	190	210
Borrowing From NFC's[5]	27,980	48,533	33,979	30,929	33,452
Insurance & Pension Funds	948	1,811	225,209	83,405	99,261
Other Accounts Payables[6]	894,639	787,359	255,571	1,006,073	700,068
Net Financial Assets (A-B)	**10,348,945**	**12,289,871**	**14,659,896**	**16,149,577**	**22,585,749**
Financial Ratio	**7.1**	**8.0**	**10.3**	**7.8**	**11.0**

1. Figures in italic represent changes from the ends of the previous years
2. Include trade credit & advances, loans etc
3. Loans extended by commercial banks
4. Loans extended by other accepting deposit institutions, other financial intermediaries and financial auxiliaries
5. Non-Financial Private and Public Sector Enterprises
6. Trade credits, miscellaneous financial debts, etc.

The main highlights of financial assets and liabilities are as follows:

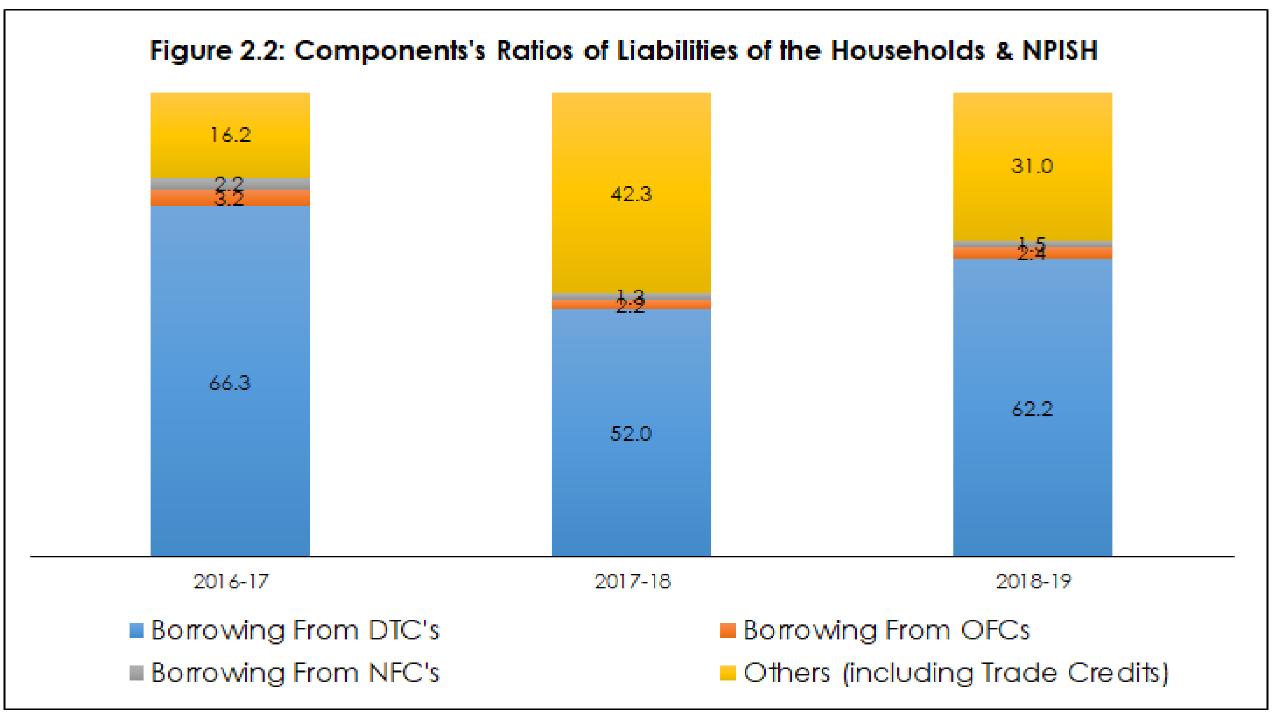
A. Financial Assets

1. The major components of financial assets of Households & NPISH is their Currency & Deposits and although their %share to total assets has been decreased from 77.9% to 57.0%.
2. The second contribution to their financial assets is from Debt Securities and their %share has been increased from 11.1% to 35.0%.



B. Liabilities

1. The major component of Households & NPISH liabilities is the borrowing from DTCs and the %share of this to total liabilities has been increased from 52.0% to 62.2%.
2. The second contribution to their liabilities is from Other Accounts Payables and their %share to total liabilities has been decreased from 42.3% to 31.0%.



2.2 Financial Transactions by Sector

2.2.1. Non-Financial Corporate Sector

During the year 2018-19, fund-raising of non-financial corporate sector decreased from Rs. 2,667.3 billion to Rs. 2,246.5 billion from the previous year.

Table 2.4 Fund Raising and Utilization by the Non-financial Corporation Sector

During Period - Million Rs.

Items	2014-15	2015-16	2016-17	2017-18	2018-19
Fund Raising	**688,331**	**1,794,400**	**3,213,415**	**2,667,280**	**2,246,482**
Indirect Finance[1)]	**256,845**	**605,813**	**904,482**	**1,059,791**	**767,309**
Borrowing From NFC's	-7,797	41,851	9,684	5,529	19,997
Borrowing From Central Bank	-4,847	0	-935	0	-515
Borrowing From DTC's	212,792	399,072	748,834	906,904	652,843
Borrowing From NBFC's	-1,305	1,126	4,563	5,348	-1,858
Borrowings from Government	12,060	122,077	107,721	112,582	94,460
Borrowings from Other Resident Sector	45,941	41,687	34,616	29,428	2,382
Direct Finance[2)]	**420,490**	**648,745**	**1,458,993**	**753,304**	**508,356**
Deposits	91,854	148,091	167,441	231,626	128,331
Debt Securties	16,467	24,460	120,292	-12,936	216,501
Shares Capital	312,170	476,193	1,171,260	534,613	163,524
Borrowings from Overseas	12,315	111,012	190,456	275,270	168,888
Other Accounts Payables[3)]	-1,319	428,830	659,483	578,914	801,929
Fund Utilization	**645,580**	**1,518,345**	**2,320,614**	**1,846,654**	**1,308,889**
Currency & Deposits	**400,645**	**43,848**	**516,801**	**301,072**	**94,352**
Currency	-3,680	6,703	-9,390	434	-1,676
Transferable deposits	395,695	-209,047	320,488	191,286	1,447
Other Transferable deposits	64,366	95,305	90,144	94,129	14,399
Other deposits	-55,736	150,887	115,560	15,223	80,182
Debt Securties	-76,223	122,356	48,144	4,959	47,833
Loans Extended	4,974	-17,218	-1,708	11,161	23,445
Shares Capital	78,855	93,363	233,499	-7,770	-5,468
Insurance & Technical reserves	1,849	23,831	34,157	36,930	1,488
Foreign Claims	-412	34,842	-63,274	284	16,435
Other Accounts Receivable	235,893	1,217,322	1,552,996	1,500,019	1,130,804
Funds Shortage[4)]	**42,751**	**276,055**	**892,801**	**820,625**	**937,593**

Notes:

1) Borrowings from financial & non financial corporations
2) Shares and other equity, securities, corporate bonds, etc
3) Trade credits, bills payable, etc
4) Positive figures represent financial surplus, negative figures represent financial deficit

The details are as follows:

1. The amount of indirect financing of non-financial corporations decreased to Rs 767.3 billion from Rs 1,059.8 billion of the previous year.
2. Direct financing also decreased from Rs 753.3 billion to Rs 508.4 billion which is mainly due to a decrease in the share capital.
3. Borrowing from non-residents also decreased from Rs 275.3 billion to Rs 168.9 billion and
4. Others account payables has been increased from Rs 578.9 billion to Rs 801.9 billion.

During 2018-19, the non-financial corporate sector's funds utilization decreased from previous year's Rs 1,846.7 billion to Rs 1,308.9 billion. The funds utilization by type of financial instrument is as follows:

1. Utilization of currency and deposit, other accounts receivable, and insurance & technical reserves decreased as compared to last year,
2. Foreign claims, debt securities and loans been increased as compared to last year. In the year 2018-19, the financial deficit (fund raising - fund utilization = savings - investment) of the non-financial corporate sector increased from Rs 820.6 billion to Rs 937.6 billion.

2.2.2 Households & NPISH

During the year 2018-19, funds raised by households & NPISH decreased from Rs. 528.7 billion to Rs 291.1 billion. The details are as follows:

1. The fund raising through deposit taking corporations has been decreased by Rs. 17.1 billion.
2. The fund raised through insurance companies and through Non-financial corporations has been increased by Rs. 8.6 billion and Rs. 0.2 billion, respectively.

The volume of households & NPISH funds utilization has been increased by Rs. 4,601.8 billion from Rs. 1,862.8 last year to touched at Rs. 6,464.6 billion. This sector has utilized most of their funds into Debt Securities that has been increased by Rs. 4,559.7 billion followed by Currency and Deposits that has also been increased by Rs. 144.5 billion as compared to last year. Summary of Funds raised/utilized by Households & NPISH is presented in Table 2.5.

Table 2.5 Fund Raising and Utilization by the Households and NPISH

During Period - Million Rs.

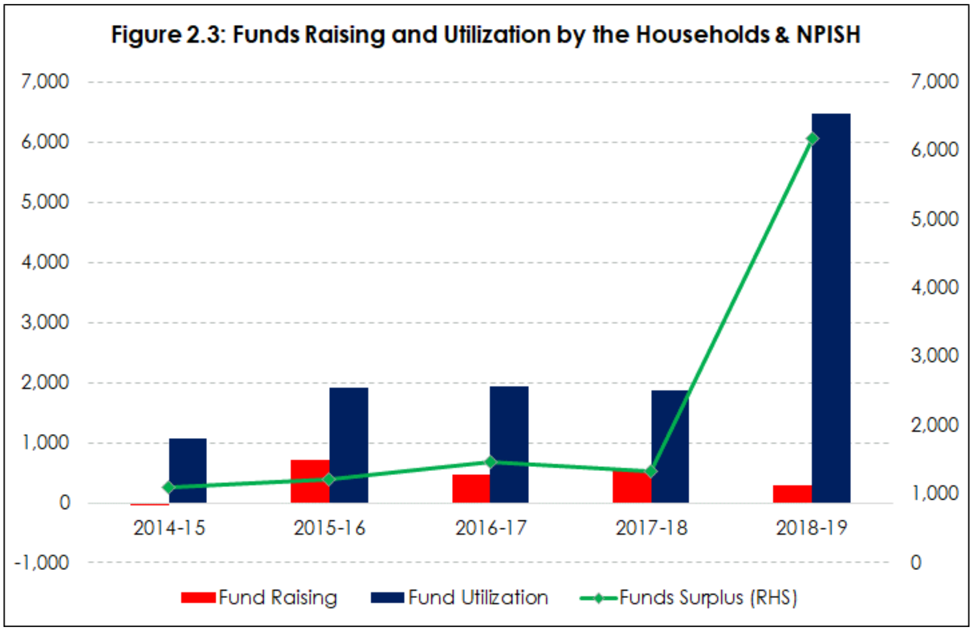
Items	2014-15	2015-16	2016-17	2017-18	2018-19
Fund Raising (A)	**-44,433**	**702,815**	**471,708**	**528,746**	**291,050**
Borrowing From Central Bank	1,179	1,665	-1,290	639	1,580
Borrowing From DTC's	87,819	127,419	153,968	188,999	171,918
Borrowing From NBFC's[1]	-57	44	-51	24	17
Borrowing From NFC's	1,608	-1,583	2,063	3,086	3,287
Borrowing from Insurance Cor	18	285	74,614	7,424	16,015
Others[2]	-135,000	574,985	242,404	328,574	98,234
Fund Utilization (B)	**1,063,869**	**1,921,072**	**1,942,197**	**1,862,848**	**6,464,641**
Currency & Deposits	1,010,070	1,760,369	1,378,378	1,286,477	1,430,972
Debt Securties	751	-82,111	252,476	303,215	4,862,898
Loans Extended	45,941	41,687	34,616	29,428	2,382
Shares Capial	25,163	90,213	130,086	52,445	55,256
Insurance & Technical reserve	15,573	99,580	133,211	190,724	108,315
Other Accounts Receivable[2]	-33,629	11,335	13,429	559	4,818
Difference (B– A)3	**1,108,302**	**1,218,257**	**1,470,488**	**1,334,102**	**6,173,590**

Notes:

1) Loans extended by securities institutions, other financial corporations and financial auxiliaries

2) Trade credits, miscellaneous financial debts, etc.

3) Positive figures represent financial surplus, negative figures represent financial deficit



The loans extended from Households & NPISH decreased from Rs. 29.4 billion to Rs 2.4 billion whereas, insurance & technical reserves of the same sector have also been decreased from Rs 190.7 billion to Rs 108.3 billion. Resultantly, Households & NPISH is in surplus that has been increased by Rs 4,839.5 billion from Rs 1,334.1 billion to Rs 6,173.6 billion.

2.2.3. General Government Sector

During 2018-19, funds raised by the government sector has been increased from Rs. 2,865.8 billion to Rs. 8,872.3 billion. The issuance of debt securities is the main contributor that has been increased by Rs. 6,429.7 billion. As far as, funds utilization is concerned, it has also been increased from Rs. 404.2 billion to Rs. 1,455.5 billion.

Table 2.6 Fund Raising and Utilization by the General Government Sector

During Period - Million Rs.

Items	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Fund Raising	**1,364,184**	**2,140,419**	**2,039,965**	**2,865,767**	**8,872,334**
Deposits	140,814	110,768	52,598	101,958	-61,936
Debt Securties	819,332	1,290,514	1,174,175	1,889,972	8,319,703
Borrowing	291,604	556,168	633,458	678,731	517,326
Other Accounts Payables	112,434	182,969	179,734	195,106	97,241
Fund Utilization	**74,158**	**753,359**	**228,396**	**404,233**	**1,455,458**
Currency & Deposits	20,018	466,475	-58,087	199,187	1,224,179
Debt Securties	0	2,941	2,374	-249	1,676
Loans Extended	18,109	122,391	110,006	118,326	101,057
Shares Capital	37,296	84,941	133,611	89,181	46,253
Others	-1,265	76,611	40,493	-2,213	82,293
Difference (B– A)	**-1,290,025**	**-1,387,060**	**-1,811,569**	**-2,461,535**	**-7,416,876**

2.2.4 Rest of the World Sector

During 2018-19, funds utilization of Rest of the World increased from Rs 1,548.8 billion in 2017-18 to Rs 1,629.8 billion in 2018-19. Same as the previous year, the ROW is in surplus of Rs. 1,892.1 billion decreased by Rs. 293.5 billion.

Table 2.7 Fund Raising and Utilization by the Rest of the World

During Period - Million Rs.

Items	2014-15	2015-16	2016-17	2017-18	2018-19
Fund Raising	**455,235**	**499,824**	**-69,256**	**-636,785**	**-262,312**
SDRs	**-3,841**	**-6,463**	**-3,668**	**-14,060**	**-19,733**
Foreign Exchange Holdings	465,663	475,416	-120,239	-667,102	-211,686
Foreign Direct Investment	3,282	12,422	8,905	-879	-29,668
Others[3]	-9,868	18,449	45,746	45,256	-1,225
Fund Utilization	**690,816**	**980,035**	**1,252,308**	**1,548,789**	**1,629,789**
Foreign Exchange Holdings	107,302	41,616	170,376	195,193	794,222
Overseas Securities[1]	93,900	-917	27,440	269,169	-136,360
Loans	297,560	703,392	771,668	785,168	818,718
Shares Investment by Non-re	186,434	207,064	234,134	354,830	128,849
Trade credits	14,985	-9,782	5,234	879	1,089
Others[4]	-9,365	38,662	43,456	-56,450	23,271
Difference (B– A)[2]	**235,581**	**480,211**	**1,321,564**	**2,185,574**	**1,892,101**

Notes:

1) Debt securities held by non-residents

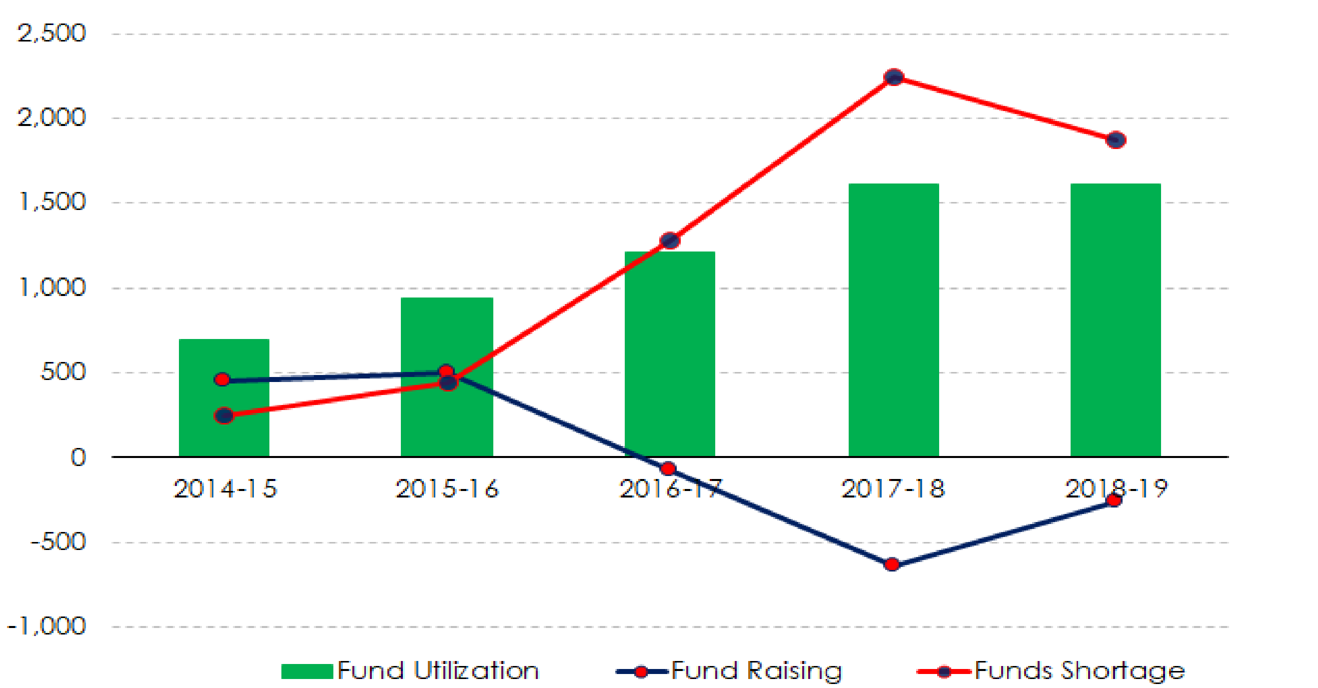
2) Positive figures represent financial surplus, negative figures represent financial deficit

3) Loans & Trade Credit

4) Eroor & Ommision and Capital Transfers

The graphical presentation of Fund Raising and Utilization of ROW is given below

Figure 2.4: Funds Raising and Utilization by the Households & NPISH



2.2.5 Financial Corporations Sector

2.2.5.1 Fund-Raising

During the year 2018-19, fund-raising by financial corporations increased from Rs. 2,696.0 billion to Rs. 4,668.4 billion. The main highlights are as follows:

1. **By Financial Institutions**
   a. Funds raised from Central Bank are increased by Rs. 2,642.4 billion
   b. Funds raised from Deposits Taking Corporations has been decreased by Rs. 566.4 billion.
2. **By Financial Instruments**
   a. Currency and Deposits is the main source of funds raising of Financial Corporations that increased by Rs. 2,667.6 billion.
   b. Borrowing from Non-residents has also been increased by Rs. 38.2.
   c. Financial Corporations borrowing from domestic financial institutions has fell by Rs. 925.2 billion.

Table 2.8: Fund Raising by the Financial Corporations Sector

(During period - Million Rupee)

	Items	2014-15	2015-16	2016-17	2017-18	2018-19
	Fund Raising	**2,290,966**	**3,749,252**	**3,096,861**	**2,695,973**	**4,668,409**
By Financial Institution	Central Bank	549,127	1,259,309	456,955	903,836	3,546,219
	Deposit Taking Corp.	1,727,695	2,241,489	2,192,125	1,553,284	986,869
	Financial Auxiliaries	-7,155	15,523	14,235	9,296	4,726
	Other Financial Corporations	5,852	96,084	254,069	14,006	-26,789
	Insurance Companies & Pension Funds	15,447	136,847	179,476	215,551	157,383
By Financial Instrument	Currency & Deposits	1,319,212	2,615,745	2,070,426	1,901,119	4,568,711
	Debt Securties	-17,889	-3,651	-1,203	4,593	26,523
	Borrowings from Domestic Institutions	531,589	878,783	356,412	273,497	-651,746
	Borrowings from Overseas	17,787	40,580	171,497	-14,420	23,813
	Shares Capital	-31,546	162,986	286,182	53,334	-22,255
	Insurance & Technical reserves	16,922	126,696	173,895	204,859	119,903
	Financial Derivative	33,526	-15,606	-12,829	205,375	71,844
	Other Accounts Payable	421,363	-56,281	52,481	67,617	531,616

2.2.5.2 Fund Utilization

During 2018-19, the financial corporation sector's funds utilization increased from the Rs 2,756.3 billion to Rs 5,039.5 billion reflects an increase of Rs. 2,283.2 billion. The most of their funds are utilized in Debt Securities that increased Rs. 2,308 billion.

Table 2.9: Fund Utilization by the Financial Corporations Sector

(During period - Million Rupee)

	Items	2014-15	2015-16	2016-17	2017-18	2018-19
	Fund Utilization	**2,300,380**	**3,713,899**	**3,009,177**	**2,756,293**	**5,039,464**
By Financial Institution	Central Bank	367,571	1,259,950	447,466	901,664	3,856,513
	Deposit Taking Corp.	1,875,134	2,147,765	2,115,525	1,584,863	1,087,063
	Financial Auxiliaries	-7,274	17,984	11,602	393	9,760
	Other Financial Corporations	24,964	133,296	203,742	38,043	-29,223
	Insurance Companies & Pension Funds	39,985	154,904	230,842	231,330	115,352
By Financial Instrument	Monetary Gold & SDR	-27,431	-6,463	-20,603	39,135	142,253
	Currency & Deposits	306,122	627,474	553,557	-352,182	865,573
	Debt Securties	882,683	1,394,172	736,120	1,378,351	3,686,310
	Loans Extended	1,093,788	1,421,015	1,347,843	1,522,554	136,777
	Shares Capital	-76,923	128,800	317,599	44,110	-122,174
	Insurance & Technical Reserves	43,838	10,334	-30,445	476	1,796
	Financial Derivative	-26,225	-7,968	-4,598	-14,436	-30,817
	Other Accounts Receivable	104,529	146,534	109,703	138,286	359,746

3. Integrated Capital and Financial Account of Pakistan

A sector's non-financial transactions generate changes in financial assets or liabilities. These changes are in turn, recorded as the sector's financial transactions. This interrelationship sets the stage for the development of the flow of funds account, which provides a record of non-financial and financial transactions among the main macroeconomic sectors in a consistent and comprehensive framework. The integrated financial and capital account is a two-dimensional matrix that covers all institutional sectors and financial assets categories. For each sector and for the total economy, it presents net incurrence of liabilities (resources) and net acquisition of financial assets (uses).

The account shows movements in financial assets and liabilities along with non-financial saving and investment of all sectors of economy. The sectoral accounts of deposit taking corporations, financial auxiliaries, other financial corporations, money market funds, non-money market funds, pension funds, insurance corporations, central bank, rest of the world, non-financial public sector enterprise's sectors' accounts do not reflect any discrepancy between financial and non-financial lending and borrowing because the two sets of data sources are same, i.e. sectoral balance sheets using original source, while general government sector showing discrepancy of Rs 4,309.2 billion and the residual sector i.e. other resident sector shows a discrepancy of Rs 4,494.8 billion. Therefore, the statistical discrepancy stood at Rs. -104.6 billion as a whole. This was because we used estimates of non-financial saving and investment for the compilation of the accounts as reported by Planning Commission of Pakistan and PBS.

4. Capital Account

The Capital Account of Pakistan 2018-19 shows gross savings related to all sectors of the domestic economy and Rest of the World. The Gross National Saving of Pakistan stood at Rs. 4,100.0 billion including household & NPISH's. While the savings investment gap is filled by rest of the world sector, estimated as current account deficit of Rs. 1,828.2 billion, as reported in BOP. The general government sector comprising of Federal, Provincial Governments and NPI's, showing a composite saving of Rs. -2,128.9 billion and gross capital formation of Rs. 897.8 billion with net deficit of Rs. 3,026.7 billion. The resources gap was largely met through issue of Debt Securities.

The non-financial private corporate sector recorded gross savings of Rs. 468.2 billion while the gross capital formation amounted to Rs. 487.2 billion resulting in a deficit of Rs. 382.9 billion. The other resident sector showed a surplus/lending of Rs. 1,678.8 billion and recorded a statistical discrepancy of Rs 4,494.8 billion. During FY19, the overall economy is in deficit, with inflow (borrowing) of Rs 1,859.4 billion from rest of the world sector.

5. Financial Account

The financial accounts of Pakistan 2018-19 show the financial position of all sector of the economy and into financial assets and liabilities including, monetary gold & SDR's, currency & deposits, securities other than shares, loans, share & equity, insurance technical reserves and accounts receivable/payable. The balancing entry on top of the accounts shows net lending/net borrowing, i.e. change in assets acquired less change in liabilities incurred, because incurrence of liabilities reflects sources of funds while acquisition of assets shows uses of funds.

The accounts record acquisition of assets in the first part of accounts and changes in liabilities in the second part of the accounts, showing incurrence of liabilities to the sectors. Deposit taking corporations sector was surplus and net of Rs. 100.2 billion, as it incurred net liability of Rs. 986.9 billion mainly through deposits of Rs. 1,354.5 billion and acquired net financial assets of Rs. 1,087.1 billion mainly through loans of Rs 795.8 billion. The central bank incurred net liability of Rs. 3,546.2 billion and acquired net financial assets of Rs. 3,856.5 billion and have surplus of Rs 310.3 billion.

The non-financial private sector showed net borrower of Rs. 382.9 billion with net incurrence of liabilities of Rs. 988.0 billion. In FY19 federal government remained in deficit and is the largest net borrower of Rs. 7,655.1 billion in the economy and incurred net liability of Rs 8,955.4 billion mainly by issuing debt securities of Rs 8,319.7 billion and acquired net financial assets of Rs 1,300.4 billion. The sectoral data may be underestimated as the data has been compiled by using related data of different sectors.

The other resident sector including household & NPISH remained in surplus and is the largest lender sector of the domestic economy by providing Rs. 6,173.6 billion. This is the residual sector and having cross sector data including leftover. It maintained currency & deposits of Rs. 1,431.0 billion. The Rest of the World sector shows surplus/net lender to the domestic economy by Rs. 1,892.1 billion as it reduced net liability by Rs. 262.3 billion mostly through transferable deposits.

GLOSSARY

Financial Corporations

Financial Corporations consist of all resident corporations that are principally engaged in providing financial services, including insurance and pension funding services, to other institutional units. The production of financial services is the result of financial intermediation, financial risk management, liquidity transformation or auxiliary financial activities. The financial corporations' sector can be divided into eight sub sectors according to its activity in the market and the liquidity of its liabilities.

Deposit Taking Corporations

Deposit taking corporations except the central bank have financial intermediation as their principal activity. To this end, they have liabilities in the form of deposits or financial instruments (such as short-term certificates of deposit) that are close substitutes for deposits. The liabilities of deposit taking corporations are typically included in measures of money broadly defined. These include commercial banks, specialized banks, DFI, monetary & financial institutions and NBFC's.

Other Financial Intermediaries

Other financial intermediaries except insurance corporations and pension funds consist of financial corporations that are engaged in providing financial services by incurring liabilities, in forms other than currency, deposits or close substitutes for deposits, on their own account for acquiring financial assets by engaging in financial transactions on the market. These include discount houses, venture capital companies, mutual funds, housing finance companies, exchange companies and cooperative banks except Punjab Provincial Cooperative Bank.

Financial Auxiliaries

Financial auxiliaries consist of financial corporations that are principally engaged in activities associated with transactions in financial assets and liabilities or with providing the regulatory context for these transactions but in circumstances that do not involve the auxiliary taking ownership of the financial assets and liabilities being transacted. Financial Auxiliaries include money changers, stockbrokers and other institutions that provide auxiliary services.

Money Market Funds (MMF)

The money market funds are those that invest in money market instruments. Money market funds are collective investment schemes that raise funds by issuing shares or units to the public. The proceeds are invested primarily in money market instruments, MMF shares or units, transferable debt instruments with a residual maturity of not more than one year, bank deposits and instruments that pursue a rate of return that approaches the interest rates.

Non-Money-Market Funds (NMMF)

The non-money market funds are those that invest in stock markets and other non- money market instruments. Non-money market Funds are collective investment schemes that raise funds by issuing shares or units to the public. The proceeds are invested predominantly in financial assets other than short term assets and in non-financial assets (usually real estate). Investment fund shares or units are generally not close substitutes for deposits. They are not transferable by means of cheque or direct third-party payments.

Pension Funds

Pension liabilities arise when an employer or government obliges or encourages members of households to participate in a social insurance scheme that will provide income in retirement. The social insurance schemes may be organized by employers or by government, they may be organized by insurance corporations on behalf of employees or separate institutional units may be established to hold and manage the assets to be used to meet the pensions and to distribute the pensions. The pension fund sub-sector consists of only those social insurance pension funds that are institutional units separate from the units that create them.

Insurance Companies

Insurance corporations consist of incorporated, mutual and other entities whose principal function is to provide life, accident, sickness, fire or other forms of insurance to individual institutional units or groups of units or reinsurance services to other insurance corporations. Captive insurance is included, that is, an insurance company that serves only its owners. Deposit insurers, issuers of deposit guarantee and other issuers of standardized guarantees that are separate entities and act like insurers by charging premiums and have reserves, are classified as insurance corporations. Postal Life Insurance is also covered under this sector.

Central Bank

The central bank is the national financial institution that exercises control over key aspects of the financial system. As long as the central bank is a separate institutional unit, it is always allocated to the financial corporations' sector even if it is primarily a non-market producer.

Non-Financial Corporations

Non-financial corporations are corporations whose principal activity is the production of market goods or non-financial services.

Non-Financial Private Corporations

This includes privately owned and/or controlled enterprises primarily engaged in non-financial activities, which are: Incorporated enterprises, e.g. corporations, joint stock companies, limited liability partnerships, non-credit cooperatives and other forms of business associations which are registered under company and similar laws, acts or regulations and recognized as legal entities.

Non-Financial Public Corporations

This sub-sector covers enterprises principally engaged in non-financial activities owned or controlled by public authorities incorporating public corporations by virtue of company law or other public acts, special legislation or administrative regulations. It also holds and manages the financial assets and liabilities as well as the tangible assets involved in the business and that sells most of the goods or non-financial services it provides to the public. These enterprises do not hold and manage financial assets and liabilities apart from their working balances and accounts receivables/payable. As a practical rule, government corporations are considered publicly owned or controlled if either the government holds major shares, or the government representatives constitute a majority on the board or government effectively controls the operations of the organization. This also includes the quasi-corporations, which are financially integrated with the federal government (government enterprises) e.g. Pakistan Railways, Pakistan Post Office. These include both listed and non-listed companies having effective government control/management.

General Government

General Government includes federal government, provincial governments, local governments and governmental NPI's. The data related to provincial and federal NPI's have been merged into respective governments.

Federal Government

This includes all departments, offices, establishments and other bodies, an instrument of the federal government (other than those included elsewhere as financial institutions and non-financial public enterprises) irrespective of whether these agencies are covered in ordinary or extra ordinary government budgetary accounts or extra-budgetary funds.

Provincial Government

All departments, offices, establishments and bodies, constitute provincial and local governments. Included are the four provincial and the local government institutions e.g. district councils, municipal committees / corporations, town committees, union councils and rural works programs.

Federal and Provincial Government NPI's

Non-profit institutions are legal or social entities created for the purpose of producing goods and services, whose status does not permit them to be a source of income, profit or financial gain. The NPI's financed and controlled by federal or provincial governments are properly constituted legal entities exist separately from governments but are financed and regulated mainly by governments. The universities, colleges, boards of educations, research institutions and academies are included in this category.

Other Residents' Sector

This is the residual sector comprising the individuals, households, non-government non-corporate enterprises of farm/firm business and non-farm/firm business (like sole proprietorship and partnership), trusts and non-profit institutions. It is defined as a group of persons who share the same living accommodation, who pool some, or all, of their income and wealth and who consume certain types of goods and services collectively, mainly housing and food. In general, each member of a household should have some claim upon the collective resources of the household. At least some decisions affecting consumption or other economic activities must be taken for the household.

Rest of the World

The rest of the world consists of all non-resident institutional units that enter into transactions with resident units or have other economic links with resident units. It is not a sector for which complete sets of accounts must be compiled, although it is often convenient to describe the rest of the world as if it were a sector. The accounts, or tables, for the rest of the world are confined to those that record transactions between residents and non-residents or other economic relationships, such as claims by residents on non-residents, and vice versa. The rest of the world includes certain institutional units that may be physically located within the geographic boundary of a country; for example, foreign enclaves such as embassies, consulates or military bases, and also international organizations. It covers transactions of resident units with all non-resident units covering Pakistan nationals abroad, foreign nationals and international institutions.

Currency and Deposits

National Currency

Notes and coins of fixed nominal values accepted as legal tender in an economy, issued by the central bank and/or government. Notes are promissory notes (or bank notes) issued by State Bank of Pakistan in various denominations, with the promise to pay the said denomination (face value) in Pakistani rupee when called for payment. These are issued with the guarantee of the government of Pakistan. Coins are the currency coins issued with various denominations of currency units. This category should also include currency that is no longer legal tender, but that can be exchanged immediately for current legal tender. The commemorative coins have been excluded and counted as valuables under non-financial assets while analyzing the balance sheets of various sectors of the economy.

Foreign Currency

All foreign currency notes and coins are liability of the foreign governments or non-resident issuing authorities/central banks. These are claims of the economy upon non-residents. While analyzing the balance sheets of various sectors of the economy the valuation changes were estimated by applying $ rate of reference date on the opening/closing balances and average $ rate on the transactions and item valuation adjustment on liability side has been used to set off its effect.

Transferable Deposits

All demand deposits in national or in foreign currency, i.e. exchangeable on demand at par without penalty or restriction, freely transferable by cheque or otherwise, commonly used to make payments are known as transferable deposits. These deposits include special savings accounts with a possibility of direct payments to third parties, savings accounts balance subject to automatic transfer to regular transferable deposits, and money-market fund that have unrestricted third-party transferability privileges. Transferable deposits that are held in banks in the process of liquidation have been excluded and classified as restricted deposits because these cannot be immediately used for direct third-party payments. Deposits denominated in national currency have been taken at book value (outstanding amount plus accrued interest). This category includes transferable deposits with SBP, deposit money institutions, or with non-residents.

Other Transferable Deposits

Other transferable deposits are those where one party or both parties to the transaction, or either the creditor or debtor or both of the positions, is not a bank.

Other Deposits

Other deposits comprise all claims and obligations other than transferable deposits in national currency or in foreign currency that are represented by evidence of deposits. Other deposits include: Sight deposits (which permit immediate cash withdrawals but not direct third-party transfers). Non-transferable savings deposits and term deposits, financial corporations' liabilities in the form of shares or similar evidence of deposits that are legal or in practice, redeemable immediately or at relatively short notice, shares of money-market funds that have restrictions on third-party transferability, call money deposits, margin payments related to options or futures contracts are very short-term repurchase agreements.

Restricted Deposits

The deposits for which withdrawals are restricted on the basis of legal, regulatory, or commercial requirements are called restricted deposits. Restricted deposits include compulsory savings deposits like import deposits, and similar types of deposits related to international trade, security deposits, margin deposits, sundry deposits, and deposits in financial corporations that are closed pending liquidation or reorganization.

Inter-bank Positions

Though not strictly accurate, the term bank is frequently used as a synonym for the central bank and other deposit taking corporations. Banks take deposits from and make loans to all other sectors. There may also be substantial borrowing and lending within the banking sub sector, but this is of different economic significance from their intermediation activities involving other sectors.

Debt Securities

Debt securities are negotiable instruments serving as evidence of a debt. Financial assets that are normally traded in the financial markets and give the holders unconditional right to receive stated fixed sums on a specific dates or unconditional right to fixed money incomes or contractually determined variable money incomes. These securities have been classified as short-term and long-term securities other than shares. These include Government treasury bills, Federal government bonds, Federal investment bonds, Commodity bonds, Pakistan investment bonds, Corporate bonds and Debentures, Negotiable certificates of deposits (non-negotiable have been categorized under deposits), Commercial paper, TFC's, PTC's, Modaraba certificates, and negotiable securities backed by loans or other assets. Preferred stock or shares that pay a fixed income but do not provide for participation in the distribution of residual value of an incorporated enterprise on dissolution have also been included in this category.

Loans

Loans are financial or other assets by a lender to a borrower in return for an obligation to repay on a specified date or dates, or on demand, usually with mark-up or interest. The value of a domestic currency loan is the amount of the creditor's outstanding claim (equal to the debtor's obligation), which comprises the outstanding principal amount plus any accrued interest (i.e., interest earned but not yet due for payment). Financial liabilities of corporations are created when creditors (financial institutions) directly lend funds to them. They include repurchase arrangements not included in national broad money definitions (Repo), money at call, export refinance from SBP, borrowing under LMM / LMFR from SBP, borrowings from financial institutions abroad, financial leases, subordinated Loans. Borrowings have further been classified by short-term and long-term.

Equity and Investment Fund Shares

All instruments and records acknowledging claims to the residual value of companies/corporations, after the claims of all creditors have been met are categorized as shares and other equity. Stock or share most commonly refers to a share of ownership in a company including the right to a fraction of the assets of the company, a fraction of the decision-making power, and potentially a fraction of the profits, which the company may issue as dividends. Preferred stocks or shares have also been included in this category. Investment in mutual funds and NIT units has also been put under this category, for the reason that it gives rise to the equity of issuing institution.

Listed Share

Listed shares are equity securities listed on an exchange (SECP). They are also referred to as quoted shares. The existence of quoted prices of shares listed on an exchange means that current market prices are usually readily available.

Unlisted Shares

Unlisted shares are equity securities not listed on an Exchange (SECP). Unlisted shares tend to be issued by subsidiaries and smaller scale enterprises and typically have different regulatory requirements but neither qualification is necessarily the case.

Insurance, Pension and Standardized Guarantee Schemes

Insurance, pension and standardized guarantee schemes all function as a form of redistribution of income or wealth mediated by financial institutions. The redistribution may be between individual institutional units in the same period or for the same institutional unit over different periods or a combination of the two. Units participating in the schemes contribute to them and may receive benefits (or have claims settled) in the same or later periods. While they hold the funds, insurance corporations invest them on behalf of the participants. The part of the investment income that is distributed to the participants as property income is returned as extra contributions.

Non-Life Insurance Technical Reserves

Non-life insurance technical reserves consist of prepayments of net non-life insurance premiums and reserves to meet outstanding non-life insurance claims.

Life Insurance & Annuities Entitlements

Life insurance and annuities entitlements show the extent of financial claims policyholders have against an enterprise offering life insurance or providing annuities. The only transaction for life insurance and annuity entitlements recorded in the financial account is the difference between net premiums receivable and claims payable.

Financial Derivatives

Financial derivatives are financial instruments that are linked to a specific financial instrument or indicator or commodity, through which specific financial risks can be traded in financial markets in their own right.

Options

Options are contracts that give the purchaser of the option the right, but not the obligation, to buy (a call option) or to sell (a put option) a particular financial instrument or commodity at a predetermined price (the strike price) within a given time span (American option) or on a given date (European option).

Forwards

Under a forward contract, the two counter parties agree to exchange a specified quantity of an underlying item (a particular product or financial asset) at an agreed contract price (the strike price) on a specified date. Futures contracts are forward contracts traded on organized exchanges. A forward contract is an unconditional financial contract that represents an obligation for settlement on a specified date. Futures and other forward contracts are typically, but not always, settled by the payment of cash or the provision of some other financial instrument rather than the actual delivery of the underlying item and therefore are valued and traded separately from the underlying item.

Employee Stock Options (ESO's)

An employee stock option is an agreement made on a given date (the grant date) under which an employee may purchase a given number of shares of the employer's stock at a stated price (the strike price) either at a stated time (the vesting date) or within a period of time (the exercise period) immediately follow the vesting date.

Other Accounts Receivable/Payable

Other accounts receivable are assets consisting of trade credit and advances, dividends receivable, settlement accounts, items in the process of collection, accrued income, head office/ inter-branch adjustment, expenditure account, suspense items and miscellaneous asset items, etc. Other accounts payable consist of provision for loan losses, provision for other losses, accumulated depreciation, adjustment for head office / branch, dividends payable, settlement accounts, suspense accounts, deferred tax liabilities, accrued wages, rent, social contributions, accrued taxes, mark-up/return/interest payable, mark-up on NPL & investment, income account, miscellaneous liability items.

Non-Financial Assets

Entities that give its owners economic benefits by holding them or using them over a period of time are called nonfinancial assets. Non-financial assets consist of tangible assets, both produced and non-produced, and intangible assets for which no corresponding liabilities are recorded.

Produced Assets

Produced assets comprise non-financial assets acquired as outputs from production processes. There are three main types of produced assets: fixed assets, inventories and valuables. Both fixed assets and inventories are assets that are held only by producers for purposes of production. Valuables may be held by any institutional unit and are primarily held as stores of value.

Fixed Assets that are used repeatedly, or continuously, in production processes for more than one year and that may be tangible (dwellings, other buildings and structures, machinery and equipment, and cultivated assets, such as livestock for breeding and plantations) or intangible (mineral exploration, computer software, and entertainment, literary, or artistic originals).

Inventories are produced assets that consist of goods and services, which came into existence in the current period or in an earlier period, and that are held for sale, use in production or other use at a later date. Inventories consist of materials and supplies, work-in-progress, finished goods, and goods for resale.

Valuables are produced goods of considerable value that are not used primarily for purposes of production or consumption but are held as stores of value over time. They consist of precious metals and stones, jewelry, works of art, commemorative coins etc.

Non-Produced Assets

These are both tangible and intangible assets acquired through other than processes of production. Tangible non-produced assets include land, subsoil assets, water resources, etc. Intangible non-produced assets include patents, leases, and purchased goodwill.

Valuation Adjustment

Valuation adjustment represents the net opposite of all changes (surplus/deficit on revaluation) in the values of assets and liabilities on the balance sheets of a corporation except for valuation changes recorded in the profit and loss accounts. The valuation adjustment is market valued by definition.

Capital Account

This account records acquisitions and disposals of non-financial assets resulting from transactions with other units or internal book keeping transactions linked to production (own account capital formation, changes in inventories, and consumption of fixed capital), and measures the changes in net worth as a result of saving and capital transfers received from abroad. The balancing item is net lending or net borrowing, depending on whether saving plus capital transfers are less than the net acquisition of non-financial assets.

Savings

In the major capital account components, saving is the final balancing item of the current accounts, the part of disposable income that is not spent on final consumption of goods and services and therefore is available for acquisition of non- financial or financial assets or repayment of liabilities. Saving is presented on both gross and net basis. The difference between gross and net saving is consumption of fixed capital. When positive, net saving represents that part of disposable income that is not spent on consumption goods and services and must, therefore, be used to acquire non-financial or financial assets of one kind or another, including cash, or to repay liabilities. When negative, net saving measures the amount by which final consumption expenditure exceeds disposable income: the excess must be financed by disposing of assets or incurring new liabilities.

Current External Balance

Current external balance represents the balance with the rest of the world on exports and imports of goods and services, net primary income from abroad, and net current transfers from abroad. It is also equal in magnitude, but opposite in sign, to the current account balance of the BOP. The current external balance is an integral part of an economy’s saving and is equal in magnitude, but opposite in sign, to the domestic economy’s the saving investment gap, is thus equal to the difference between an economy’s saving plus net capital transfers and capital formation.

Capital Transfers

Capital transfers receivable/payable are unrequited transactions, which may be in kind or in cash. Capital transfers in kind arise when ownership of an asset other than inventories and cash is transferred from one unit to another or liabilities are canceled by a creditor (debt forgiveness). A transfer in cash is capital when it is linked to, or conditional on the acquisition or disposal of an asset (other than inventories or cash) by one or both parties to the transaction. Both capital transfer receivable and payable are recorded on the right side of the account because they directly affect net worth. A capital transfer receivable increases net worth, while a capital transfer payable reduces net worth. Capital transfer are often large and irregular but neither of these are necessary conditions for a transfer to be considered a capital rather than a current transfer. If there is doubt about whether a transfer should be treated as current or capital, it should be treated as current.

Changes in net worth due to Saving and Capital Transfers

The total of the entries on the right-hand side of the account is explicitly shown and described as changes in net worth due to saving and capital transfers. It is not a balancing item. Changes in net worth due to saving and capital transfers represent the positive or negative amount available to the unit or sector for the acquisition of non-financial and financial assets.

Gross Capital Formation

Gross capital formation shows the acquisition less disposal of produced assets for purposes of fixed capital formation, inventories or valuables. Gross capital formation is measured by the total value of the gross fixed capital formation, changes in inventories and acquisitions less disposals of valuables.

Gross Fixed Capital Formation

Gross fixed capital formation includes acquisitions less disposals of new and existing fixed assets. Fixed assets are tangible and intangible assets created as outputs of production processes that are used repeatedly in production for a period of more than a year. Consumption of fixed capital during the accounting period is shown as a separate item, consumption of fixed capital rather than as disposal of an asset.

Dwellings are buildings, or designated parts of buildings, that are used entirely or primarily as residences, including any associated structures, such as garages, and all permanent fixtures customarily installed in residences. Houseboats, barges, mobile homes and caravans used as principal residences of households are also included, as are public monuments identified primarily as dwellings.

Other Buildings and Structures comprise of non-residential buildings, other structures and land improvements. Buildings other than dwellings include whole buildings or parts of buildings not designated as dwellings. Fixtures, facilities and equipment that are integral parts of the structures are included.

Machinery and Equipment cover transport equipment, machinery for information, communication and telecommunications (ICT) equipment, and other machinery and equipment.

Weapons Systems include vehicles and other equipment such as warships, submarines, military aircraft, tanks, missile carriers and launchers, etc.

Cultivated Biological Resources cover animal resources yielding repeat products and tree, crop and plant resources yielding repeat products whose natural growth and regeneration are under the direct control, responsibility and management of institutional units.

Intellectual Property Products are the result of research, development, investigation or innovation leading to knowledge that the developers can market or use to their own benefit in production because use of the knowledge is restricted by means of legal or other protection. Examples of intellectual property products are the results of research and development, mineral exploration and evaluation, computer software and databases, and entertainment, literary or artistic originals. They are characterized by the fact that most of their value is attributable to intellectual endeavor.

Changes in Inventories & Valuables

Change in inventories comprises the value of the inventories acquired by an enterprise less the value of the inventories disposed of during an accounting period. Acquisitions less disposals of valuables refer to net transactions in goods (artwork, antiques, numismatic coins of precious metal, etc.) that are held as stores of value over time or to realize holding gains.

Materials and Supplies consist of all products that an enterprise holds in inventory with the intention of using them as intermediate inputs into production.

Work-in-Progress consists of output produced by an enterprise that is not yet sufficiently processed to be in a state in which it is normally supplied to other institutional units.

Finished Goods consist of goods produced as outputs that their producer does not intend to process further before supplying them to other institutional units.

Military Inventories consist of single-use items, such as ammunition, missiles, rockets, bombs, etc., delivered by weapons or weapons systems.

Goods for Resale are goods acquired by enterprises, such as wholesalers or retailers, for the purpose of reselling them to their customers

Acquisitions less Disposals of Valuables

Valuables include precious metals and stones, antiques and other art objects and other valuables. However, not all items that may be described by one of these titles should necessarily be included as a valuable in the balance sheet of the owner. The intent of the heading is to capture those items that are often regarded as alternative forms of investment.

Precious Metals and Stones are treated as valuables when they are not held by enterprises for sale or use as inputs into processes of production nor are held as monetary gold and are not held as a financial asset in the form of un-allocated metal accounts.

Antiques and other Art are the Paintings, sculptures, etc., recognized as works of art and antiques are treated as valuables when they are not held by enterprises for sale.

Other valuables not elsewhere classified include such items as collections of stamps, coins, china, books etc. that have a recognized market value and fine jewelry, fashioned out of precious stones, and metals of significant and realizable value.

Consumption of Fixed Capital Expenditure

Consumption of fixed capital reflects the decline in the value of the stock of fixed assets used in production as a result of physical deterioration, normal obsolescence and normal accidental damage. It excludes the value of fixed assets destroyed by acts of war or exceptional events such as natural disasters. Gross fixed capital formation less consumption of fixed capital equals net fixed capital formation.

Changes in Non-Produced Assets

Acquisitions less disposals of non-produced non-financial assets refers to acquisitions less disposals of land, other non-produced tangible assets (e.g. subsoil assets) and intangible non-produced assets (e.g. patented entities, leases and purchased goodwill). Net lending/net borrowing is the balancing item of the capital account, calculated as net saving plus capital transfers receivable less capital transfers payable less acquisition less disposals of non-produced non-financial assets. The net resources available to an economy or sector from saving and net capital transfers that are not used for capital accumulation are the amount of resources available for net acquisition of financial assets, that is, net lending.

Natural Resources consist of Land, Mineral and energy resources, Non-cultivated biological resources, Water resources.

Contracts, Leases And Licenses are treated as assets only when the terms of the contract, lease or license specify price for the use of an asset or provision of a service that differs from the price that would prevail in the absence of the contract, lease or license. One party to the contract must be able legally and practically to realize this price difference. There are four classes of contracts, leases and licenses considered to be assets in the SNA: marketable operating leases, permits to use natural resources, permits to undertake specific activities and entitlement to future goods and services on an exclusive basis.

Goodwill is the potential purchasers of an enterprise that are often prepared to pay a premium above the net value of its individually identified and valued assets and liabilities. Marketing assets consist of items such as brand names, mastheads, trademarks, logos and domain names.

Statistical Discrepancy

The statistical discrepancy could be raised due to any of the following reasons:

1. Statistical discrepancy for a sector indicates the extent to which net lending/borrowing differs from the financial surplus/deficit for that sector.Net financial investment is always equal in concept to net lending/borrowing.
2. Discrepancy can arise in practice because of gaps in coverage or non-measurement of any of the items in the full sequence of accounts.
3. Statistical discrepancy is mainly attributable to data deficiencies in terms of reporting, coverage, classification, timing, valuation, etc.
4. The raising up of various assets/liabilities items on the basis of paid-up capital/sanctions by the Securities &Exchange Commission of Pakistan may be responsible for various discrepancies.
5. The flow of funds accounts have been drawn on June 30th basis. To match the resources and uses, it is necessary that all the data should relate to this date which is not the case. Sectors as well as constituent units of the sector may not follow uniform accounting periods. Joint stock companies adopt different accounting periods and deposit money institutions, insurance companies and non-bank financial institutions mostly publish their accounts on calendar year basis.

Financial Account

This account shows financial transactions among domestic institutional units and between domestic units and the rest of the world. Financial transactions cover all transactions involving change of ownership of financial assets, including the creation and liquidation of financial claims. Net lending/borrowing equals net acquisition of financial assets less net incurrence of liabilities.

Financial Assets: These consist of all financial claims, shares or other equity in corporations plus gold bullion held by monetary authorities as reserve assets.

Financial Liabilities: These are financial obligations of institutional units placed against financial assets of other units. Although financial account shows the net financial assets acquired and the net liabilities incurred by type of financial asset and by sector, the account does not link specific assets to specific liabilities. Net lending/borrowing is carried forward to the financial account as a resource. Within this framework, net incurrence of financial liabilities is treated as a source of funds, and the total of net lending/borrowing and net incurrence of liabilities can be used for net acquisition of financial assets as a use of funds.