

## **Are the Financial Accounts a relevant tool to analyze the latest financial crisis? Banque de France – DGS-DSMF-SESOF**

The financial crisis which began in the United-States during the summer 2007, quickly spread across the rest of the world and to the real economy. It thoroughly disturbed the monetary and financial markets and had a noticeable impact on the investment and financing behaviors of the economic agents and on their assets and liabilities. In this view, the national accounts, particularly the financial ones, give an appropriate and natural framework for macroeconomic analysis. Indeed, they contain essential data not only regarding financial investments and financings of the economic agents of a country as a whole, but also regarding international capital movements between resident sectors and the rest of the world. However, against a background of increasing complexity of the financial operations and a growing number of market actors revealed during the crisis, are the financial accounts still a relevant framework for analyzing the recent financial turmoil?

We try to highlight the pros and cons of the financial accounts, in order to measure and relate the main signs of the financial crisis leaning, as much as possible, over the comparison of the French financial accounts with those of three other big countries or area (namely the United-States, the United-Kingdom and the Euro area).

This study is in three parts. First, the disruptions affecting “basic” financing instruments of households and non financial corporations (loans, shares and securities other than shares) will be examined. Second, the accounts of central banks and general government, who intervened largely so as to restore the normal functioning of markets, will be analyzed. Last but not least, the way the financial accounts take into account the changes in the financial assets of the households and their portfolio switches.

Changes affecting the most complex financial instruments (financial derivative instruments, securitization ...) still remain difficult to capture. Yet, the financial statistics describe quite well the latest financial crisis and its impact on the evolution of so-called ‘classical’ financings granted to the non financial private sector (households and corporations), in the shape of bank loans and securities issuance (quoted shares and securities other than shares), and concerning financial assets, wealth variations in households’ assets (even if securities portfolio are difficult to estimate). Financial accounts described rather well the difficulties encountered by financial institutions to get liquidity on the interbank market during the crisis and the policy responses made by the general government and the central banks to sustain economic activity.