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Financial sector accounts and capital flows: The Chilean experience in their use for financial stability monitoring

Pablo García Silva, Josué Pérez Toledo
Central Bank of Chile
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Abstract

Chile is a small and financially integrated economy, with a substantial domestic financial market. As such, policymakers are keenly aware of the need to track the transmission of global shocks to domestic markets so as to implement appropriate policies. This paper will present Chile’s development of financial sector accounts since 2007, with the specific challenges that needed to be tackled given the idiosyncrasies of local financial markets. It will also present how statistics on bilateral bank loans have been utilized in financial stability monitoring and policy design.

This has allowed to evaluate the extent to which global bilateral databases are useful for financial stability analysis, focusing on portfolio and debt inflows, given the relative stability of FDI flows. This helps on the need to provide an overall assessment of spillovers from global shocks to domestic financial markets.

Moreover, financial sector accounts provide an appropriate statistical framework to understand domestic spillovers across the financial landscape from tensions in specific local entities and markets.

The paper concludes with some directions for further work both on the compilation and dissemination of financial sector accounts as well as their use for financial stability monitoring. We also aim to assess directions of new data initiatives to improve this analysis.