

insight into reading the depository corporations survey

Reading and interpreting the depository corporations survey is similar to reading and interpreting the analytic balance sheet of the central bank and that of other depository corporations. Specifically (with a slight change in the interpretation of changes):

- An increase in broad money and a decrease in NFA and NDA **provide financing** to depository corporations.
- A decrease in broad money and an increase in NFA and NDA **require financing**.

A complete analysis of the monetary sector requires analyzing the changes in the broad aggregates and linking these to the broad developments in the economy. The table and discussion below illustrate how to use this approach to analyze developments in ODCs' balance sheet. This example is a continuation of the examples provided for the central bank and other depository corporations.

Monetaria: Depository Corporation Survey			
	2011	2012	Difference: 2012 - 2011
ASSETS			
NFA	-560	-280	280
NDA	4920	5395	475
Domestic Credit	4610	5030	420
Net claims on the government	1360	1850	490
Claims on other dom. ec. sect.	3250	3180	-70
Other Items Net	310	365	55
LIABILITIES			
Broad Money (M2)	4360	5115	755
Currency in circulation	450	530	80
Deposits	3910	4585	675

Looking at the table it appears that:

- During 2012 broad money increased by 755, which is a 17 percent increase in the stock of broad money. This increase reflects the large increase in the central bank's base money (25 percent in 2012--as evidenced from the central bank's balance sheet). The increase in deposits was used to finance the government (490) and improve the NFA position (280). As the use of financing exceeded the sources of financing, credit to the private sector declined.

To complete the analysis one would have to link these developments to those in the rest of the economy.

For example, and using the example developed before, suppose that in 2012 the economy slowed down owing to a decline in capital inflows, and suppose that the government ran a large deficit in support of economic activity. These developments would help explain why net claims on the government increased, and why NFA improved (notice, NFA improved from negative 560--foreign liabilities are greater than foreign assets--to negative 280--which in this context means lower liabilities--as depository corporations were not able to roll over expiring foreign debt owing to lack of foreign financing).

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