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PRESS RELEASE

The financial position of non-financial corporations

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As entities where the production process takes place, non financial corporations deserve full attention in the analysis of the real and financial accounts. However, the examination of the financial behaviour of non financial corporations is traditionally confined to their financing: thus, the Bank's annual report generally only considers their liabilities.

Yet the formation of financial assets by non financial corporations is a significant item of information, in both statistical and economic terms. The total financial assets held by non financial corporations in Belgium are considerable, as they far exceed the total financial assets of households. A study recently revealed the historically high level of financial asset formation by non financial corporations in the main industrialised countries, a factor which could help to explain the relatively low level of long-term interest rates.

In recent years, Belgian non financial corporations have formed substantially more financial assets than their counterparts in the euro area. In 2005, the financial assets held by Belgian companies were – partly for that reason – almost double the financial assets, expressed in percentages of GDP, of non financial corporations in the euro area.

However, this situation certainly does not indicate any risk aversion on the part of Belgian non financial corporations. In fact the liabilities side of their balance sheets also records growth of new financial liabilities in excess of the figure for non financial corporations in the euro area, so that – in terms of liabilities, too – the outstanding total in Belgium is comparatively much higher than the outstanding total in the euro area.

This paradoxical situation of Belgian non financial corporations – the fact that they hold much more substantial assets while at the same time contracting significantly greater liabilities – is due to the fact that the Belgian non financial corporations sector includes coordination centres and non financial holding companies, i.e. undertakings acting, as it were, as financial intermediaries. If the coordination centres and non financial holding companies are excluded, the overall outstanding total gross assets and liabilities of Belgian non financial corporations reverts to a level very close to the figure for the euro area.

Finally, in 2005 Belgian non financial institutions recorded an outstanding total of net liabilities amounting to around 100 p.c. of GDP, i.e. slightly more than the outstanding total for non financial corporations in the euro area. It is also apparent that the exclusion of the coordination centres and non financial holding companies has hardly any effect on Belgium's net debtor position, confirming that these two types of institutions perform an intermediary function.

Although it is not possible to isolate the coordination centres and non financial holding companies in the case of new transactions (flows), there is no reason to think that the effect would be any different: there would be a significant decline in the gross flows of new assets and liabilities, but that would have a negligible influence on the financial balance. That balance is very similar to the one for the euro area.