

Modelling the interest payments and receipts of households and non-financial corporations in the euro area

Topic: 716A Special session: Flow of Funds Data and its Applications (2)

Author: Louis BÅŠ DUC

The very low interest rates in the euro area (similar to the rest of the world) have triggered a sharp decline in the interest rates flows in the in recent years. In this context, it appears useful to assess the sensitivity of households and non-financial corporationsâ€™ balance sheets to changes in interest rates. This paper aims thus at modeling the interest payments and receipts of households and non-financial corporations. For that purpose, it combines data available from financial accounts, MFI balance sheet, market or retail interest rates for the euro area in order to build a simplified balance sheet of sectors structured according to its sensitivity to interest rates changes.