Overview

- National accountants face a number of issues in measuring financial services:
  - Addressing changes that have arisen in structure and statistics of financial industries during the global financial crisis and the recession
  - Addressing conceptual and practical issues about the measurement of FISIM that were not fully resolved in the SNA update
FISIM concepts and background

- FISIM has been considered necessary since the beginning of national accounts.
- Lack of consensus on concepts and methods
- Margin between property income received and property income paid
- Reference rate:
  - 1993 SNA – “pure cost of borrowing funds”
  - 2008 SNA – “a rate between bank interest rates on deposits and loans... should contain no service element and reflect the risk and maturity structure of deposits and loans.”

SNA 2008’s unfinished business

- New approach advocated by Basu, Inklaar, and Wang (2008) and others:
  - “Compensation for bearing systematic risk is not part of bank output.”
  - Multiple reference rates
  - Large reduction in FISIM
- Other unresolved issues:
  - Foreign denominated balances
  - Treatment of term premium
  - Volume measures of FISIM
IMF paper

- Synthesis of old and new ideas in SNA
- Uses model of investment fund (with and without leverage) to derive reference rate
- Questions the SNA’s exclusion of “own funds”
- Concludes that depositor FISIM should be large and borrower FISIM small
- Questions:
  - How does this model address the risk premium for borrowers/depositors?
  - Does the author think risk bearing should be counted in production by financial intermediaries?

ECB paper

- Focuses on term premium issue
- Empirical tests of five methods
- Points out that negative FISIM can sometimes be justified
- Questions:
  - Do the “two reference rates” and “matched reference rate” reduce the overall output of FISIM?
  - How do you address Zieschang’s argument that FISIM should “exhaust the spread” between property income received and paid?
Bank of Portugal paper

- Empirical analysis of FISIM for Portugal
- Analysis of changes in securitisation in Portugal and implications for measurement
- Questions:
  - Paper describes a time lag applied to the reference rate. Why is this lag required?
  - Empirical results are different from those reported by ECB regarding similarity of “multiple reference rates” and “weighted average reference rate.” Why do you think these differences arise?
  - What lessons were learned in measuring securitisation in a changing environment?

Germany paper - Reinsurance

- Step-by-step explanation of difference between 2008 SNA and 1993 SNA in measurement of reinsurance services
- Notes difficulty of calculating reinsurance services for imports
  - Recommends using relation between service charge and actual premiums for exporting countries to estimate imports of reinsurance services
- Question:
  - How would you recommend to share information between exporting and importing countries?
The FISIM task forces appear to be near consensus on foreign denominated balances.

Less clear that consensus will be reached on other issues:
- Treatment of default risk premium
- Treatment of term premium
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Articles by Basu et al. and the IMF paper indicate that fundamental conceptual issues still need to be worked out, debated, and resolved.
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Measuring Financial Services Including FISIM

Discussant’s Intervention

Brent Moulton
Meeting of the Group of Experts on National Accounts
Geneva
3 May 2012

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