




BEA
BUREAU OF ECONOMIC ANALYSIS
U.S. DEPARTMENT OF COMMERCE

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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Overview

- National accountants face a number of issues in measuring financial services:
 - Implementation of new guidelines of *System of National Accounts 2008*
 - 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

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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.”

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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

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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?

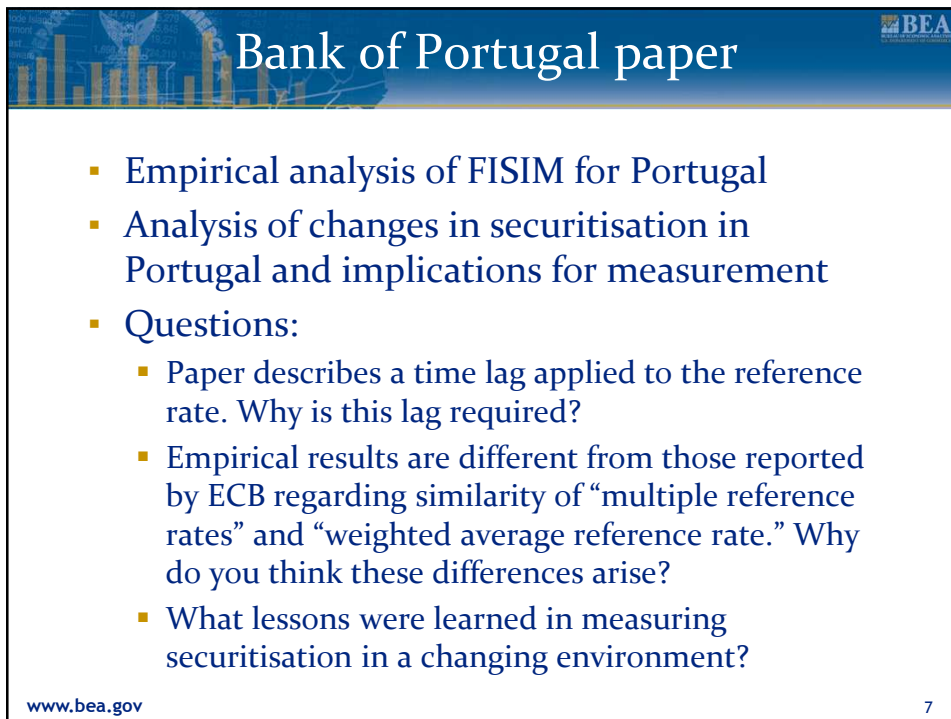
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ECB paper

- 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?

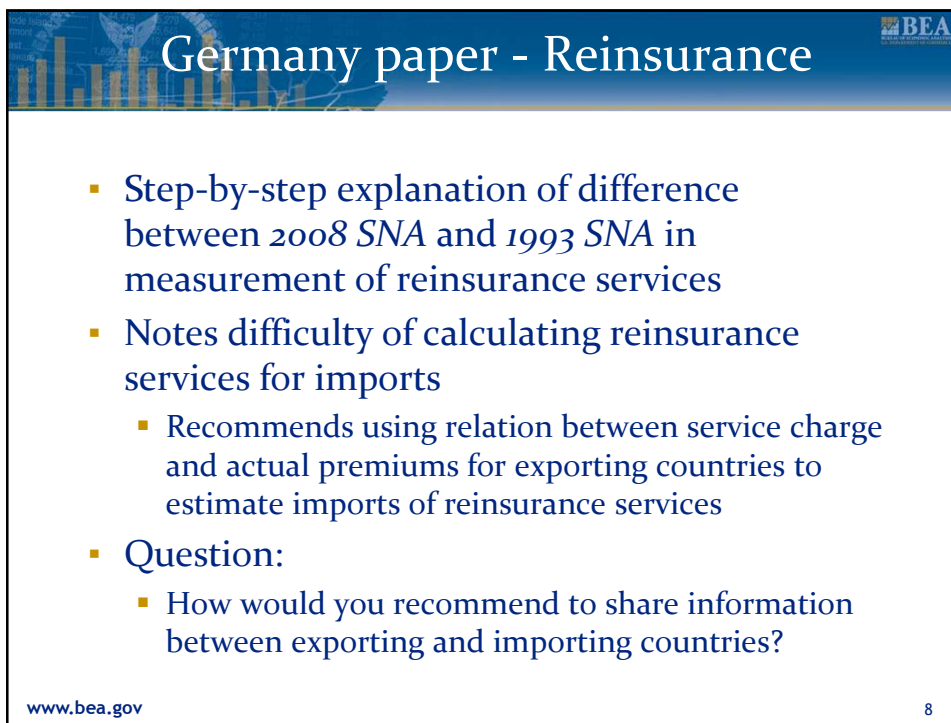
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Bank of Portugal paper

- 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?

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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?

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Status of FISIM debate

- 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
 - Volume measures of FISIM
- 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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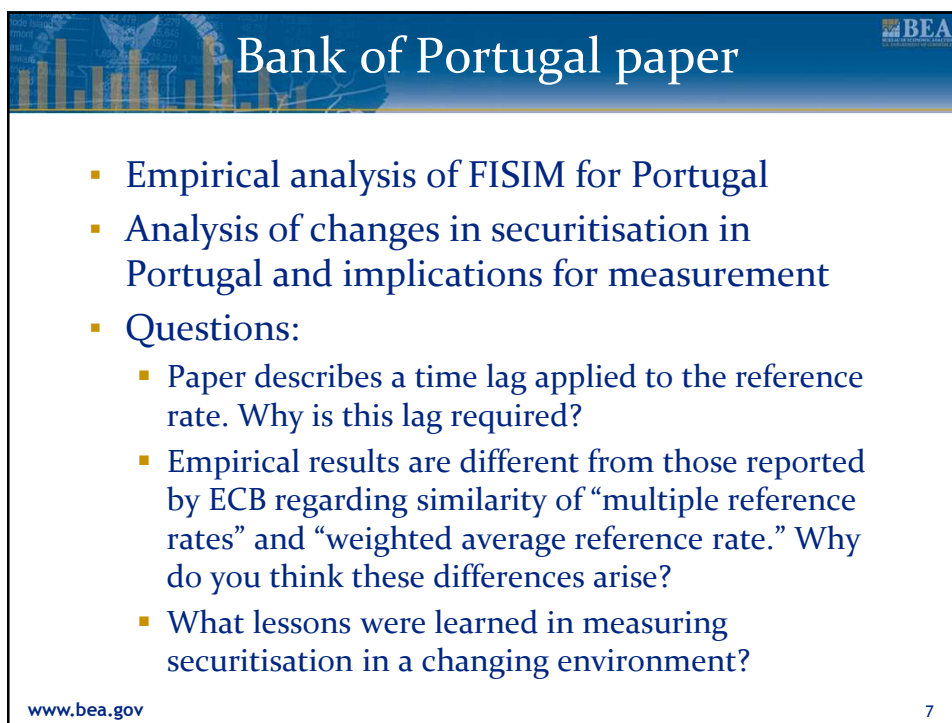
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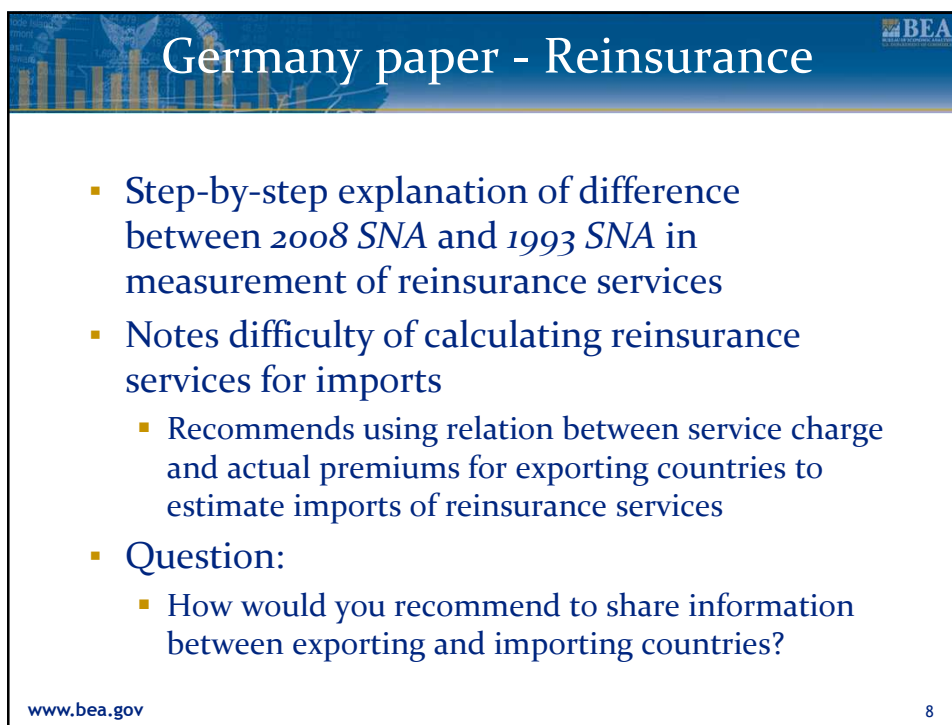


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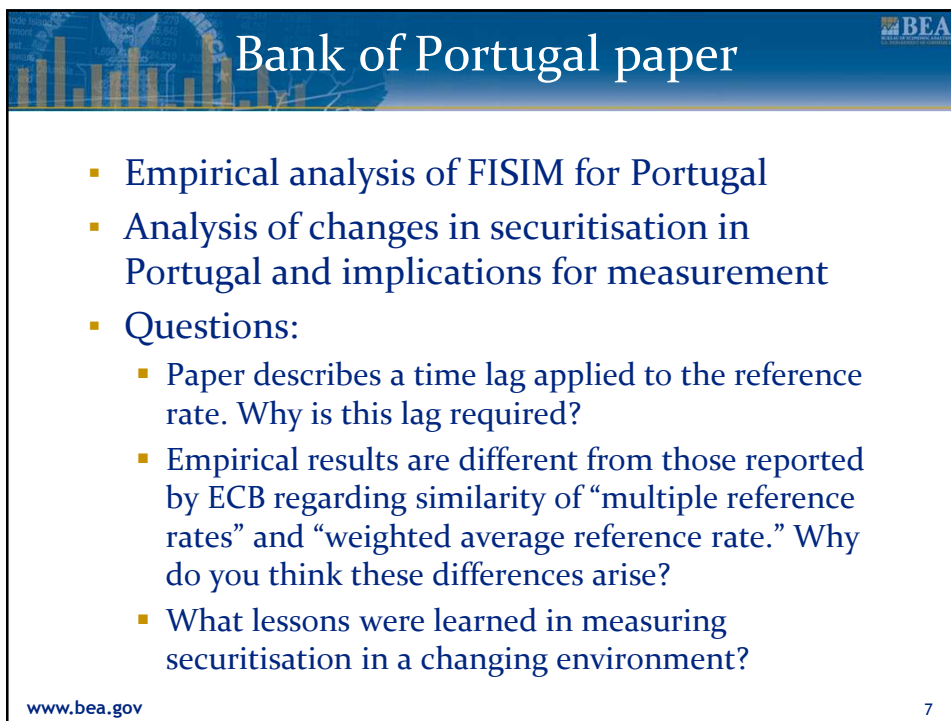
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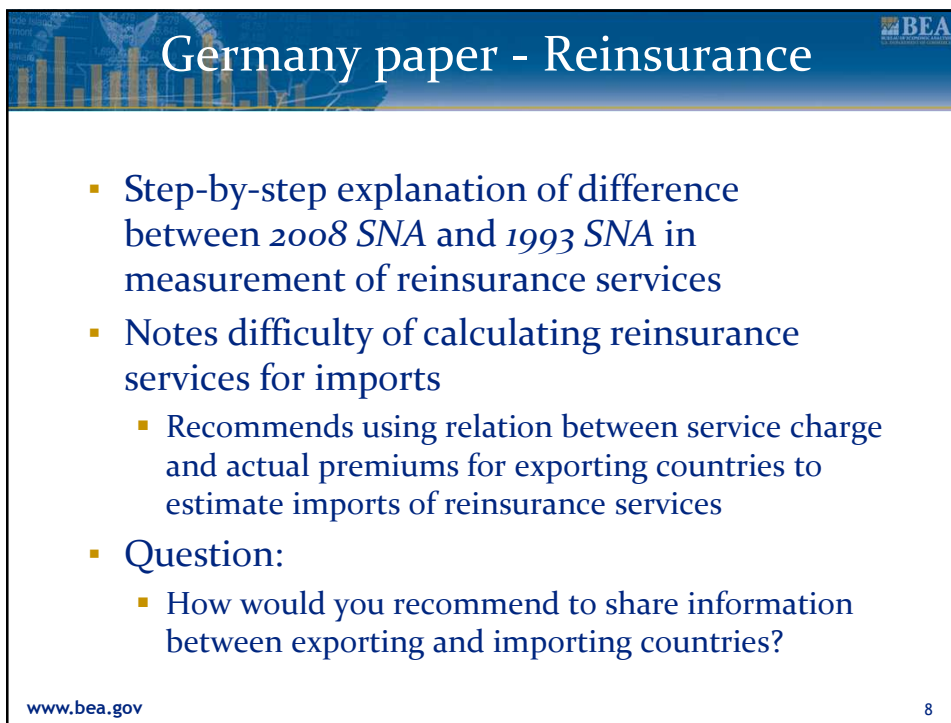
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