Selected Challenging Issues on 2008 SNA Implementation for ESCWA region

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Content of Presentation

- **FISIM**

- **Allocation of FISIM to user industries**

- **Holding companies**

FISIM

- By convention the 2008 SNA recommends that FISIM applies only to loans and deposits and only when those loans and deposits are provided by or deposited with financial institutions. Output of FISIM is calculated only on deposits and loans using the reference rate.

$$f_L + f_D = (r_L - rr)L + (rr - r_D)D$$

Where, f_L: FISIM on loan,

f_D: FISIM on deposits

rr: reference rate,

r_L: interest rate on loans,

r_D: interest rate on deposit

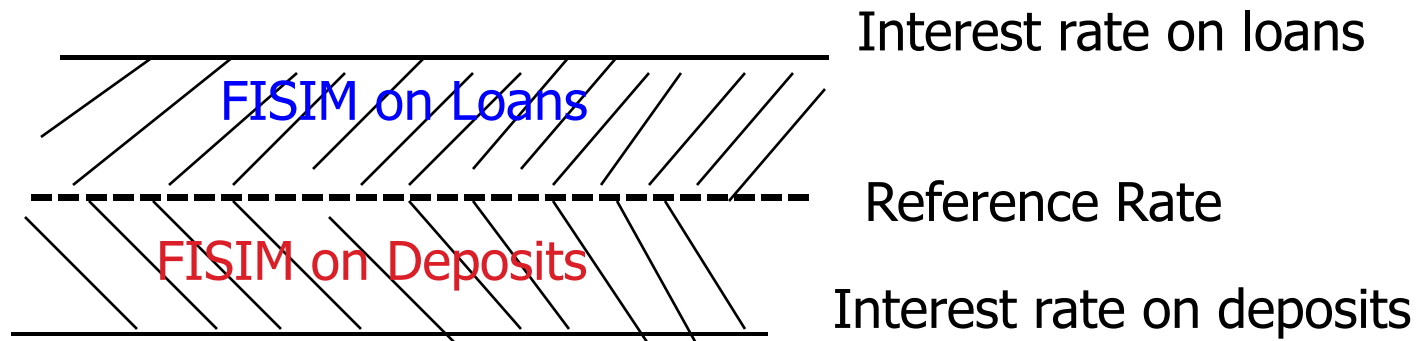L: stock of loans, and

D: stock of deposits.

FISIM

- FISIM on own funds:

$(r_L - rr)L$

- Advantage: FISIM can be easily allocated to borrowers and depositors.

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FISIM

Interest rate on loans

FISIM on Loans

Reference Rate

FISIM on Deposits

Interest rate on deposits

Reference Rate (RR) represents the pure cost of borrowing funds – that is, a rate from which the risk premium has been eliminated to the greatest possible and which does not include any intermediation services.

RR may differ from country to country but the inter-bank lending rate would be a suitable choice if available; alternatively, the central bank lending rate could be used.

Reference Rate

- A rate that has no service element in it and

- Reflects the risk and maturity structure of the financial assets and liabilities to which indirect service charges applies.

- Single reference rate should be used but, when relevant, a country could choose to use multiple rates.

- Different reference rates should be used for transactions in other currencies.

Output of Deposit-taking Corporations

- In the SNA, output of economic activities is always disposed of between different users

- Commissions and fees, allocated to user sectors

- Financial services indirectly measured should be allocated among the various recipients or users of FISIM
  - Output
  - Intermediate consumption
  - Final consumption
  - Imports/Exports

Allocating FISIM

- Based on reference rate – or bottom up method - where the use of FISIM is calculated first and then added up to total FISIM

- Top-down method as FISIM is first calculated and then distributed among users; based on

  - Proportional to financial assets and liabilities

                              or

  - loans and deposits of the IUs

Data required

- Average stocks of loans, deposits (split by user sectors) for the period (average of four quarters) and the accrued interest.

Breakdown into intermediate and final consumption of FISIM allocated to households

- Breakdown of loans to households (stocks and interest) into:
  - Dwelling loans (intermediate consumption)
  - Loans to households as owners of unincorporated enterprises (intermediate consumption)
  - Other loans to households (final consumption)
- Breakdown of household deposits (stocks and interest) into:
  - Deposits of households as owners of unincorporated enterprises (intermediate consumption)
  - Deposits of individuals (final consumption)

Holding Companies

- As described in section K class 6420 of the ISIC Rev. 4, a holding company holds the assets of subsidiary corporations but does not undertake any management activities. Such a unit therefore, produces only the financial service.

- **Holding company allocated to the financial corporations sector**

- *In the 1993 SNA the holding companies were recommended to be assigned to the institutional sector in which the main activity of the group of subsidiaries is concentrated.*

Output of Holding Companies

- As the services produced by the holding companies are consumed by the subsidiaries its output is estimated on cost basis.

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