

**MEETING OF THE TASK FORCE ON
FINANCIAL INTERMEDIATION SERVICES INDIRECTLY MEASURED (FISIM)**

Hosted by the IMF

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IMF Headquarters 1 (HQ1)
Room 2-530, 700 – 19th Street N.W., Washington D.C.

**A Progress Report on ABD Investigations in FISIM in the National
Accounts, the Consumer Price Index, and the Balance of Payments**

To be presented by Derick Cullen, Director, Economic Analysis and Reporting Branch,
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A progress report on ABS investigations
into FISIM in the National Accounts, the
Consumer Price Index and the Balance of
Payments

Derick Cullen

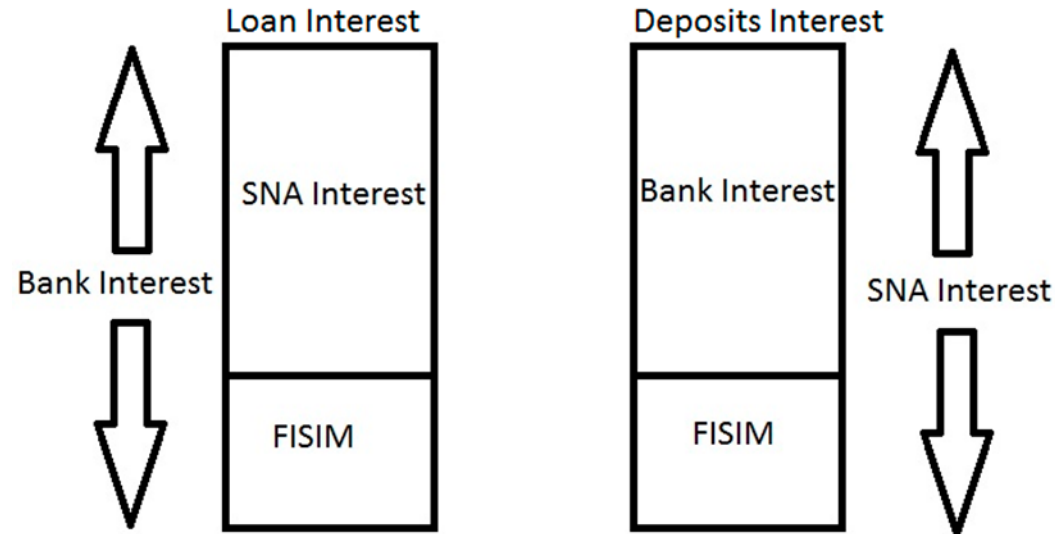
Australian Bureau of Statistics

Financial Intermediation Services Indirectly Measured (FISIM) in ABS statistics

- FISIM introduced with 1993 SNA
- Implemented by ABS in
 - National Accounts (1998)
 - Balance of Payments (1997)
 - Consumer Price Index (2005)
- 2008 SNA changes anticipated
 - Total loans, total deposits
- Midpoint of loan and deposit reference rate
- Balance of payments uses flows not balances

SNA Interest and Bank Interest

1993 SNA : Interest and FISIM



FISIM is a service charge that is bundled with loan interest receipts by banks, and is added to deposit interest payments by banks.
SNA calls the payments bank interest and the components SNA interest and FISIM.

FISIM and Global Financial Crisis Volatility

Interpretation of FISIM results during 2008

- Errors or real phenomenon?
- Methods errors or Data errors?
- Price or volume?

National accounts volumes were smooth

Implicit CPI volumes were smooth

Some improvements in data and methods

Conclusion: volatility a price effect

User concerns with FISIM in CPI

Conceptually FISIM should be in CPI, but...

- Volatility in price effects
- Predictability / forecasting difficult
- Concerns about cost of wholesale funds and treatment of fixed rate products
- Sensitivity and impact on headline
- And therefore choice of reference rates

Performance indicator for inflation management

Unpredictability of regulatory outcomes

Way forward

Conceptually

- FISIM belongs in all macroeconomic accounts

Methodologically

- Measurement of aggregate FISIM by observing margins, not reference rates
- Accounting for cost of wholesale funds
- Accounting for fixed rate products
- Allocation of aggregate by reference rate
- Improved price and volume measurement

Data Sources

- Product detail and improved reporting
- Transparency and predictability

Questions?