

Remote Meeting  
July 10–13, 2023

SNA/M2.23/07\_02

Issues note on: A.9 Consistency in measuring the output of central banks



## Outcomes of the global consultation regarding Issue Note on Action Point A.9 on Consistency in Measuring the Output of Central Banks

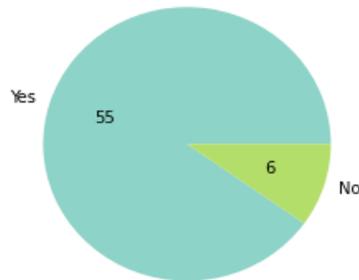
### Summary of the outcomes of the global consultation

The Issue Note on Action Point A.9 on Consistency in Measuring the Output of Central Banks was circulated for global consultation on May 22, 2023, with a deadline to complete the questionnaire by June 20, 2023. A total of 62 respondents contributed to the consultation.<sup>1</sup> The responses to the global consultation are summarized in the table below. The remainder of this note contains a more detailed discussion of the responses to each of the questions.

	Yes	No	Unsure	Total
<b>Q1A.</b> To remove, for conceptual reasons, the references to FISIM from the estimation of central bank output	55	6	1	62
<b>Q2A.</b> To update the guidance regarding the typical services provided by central banks, by also recognizing other services, for instance those related to promoting financial stability and managing the payments system. In doing so, the possible existence of other services provided by central banks will also be acknowledged.	55	1	6	62
<b>Q3A.</b> To treat all services provided by central banks as collective services, to be valued at the sum of costs.	58	3	1	62
<b>Q4A.</b> In relation to the way of recording non-market output of the central bank and related income transfers, please indicate your preferred option.				Frequency
Option B3. Recording of the actual payments as current transfers from the financial corporations' sector to the central bank, while the collective services, in this case total central bank output, are allocated to the central bank (THE ADVISORY EXPERT GROUP ON NATIONAL ACCOUNTS RECOMMENDED THIS OPTION).				38
Option A1. Recording of the actual payments as purchases of services by the financial corporations' sector, while the resulting collective services (after deduction of the sales of services) are allocated to government, requiring a concomitant current transfer from the central bank to government (i.e., recording according to the 2008 SNA).				5
Option A2. Recording of the actual payments as purchases of services by the financial corporations' sector, while the remaining collective services (after deduction of the sales of services) are allocated to the financial corporations' sector, requiring a concomitant current transfer from the central bank to the relevant financial corporations (i.e., treatment according to ESA 2010).				5
Option C1. Recording of the actual payments as taxes paid by the financial corporations' sector to government, while the collective services, in this case total central bank output, are allocated to government, thus requiring a concomitant current transfer from the central bank to government for the balance of the two transactions.				3
Unsure				9
No response				2
Total				62

<sup>1</sup> Completely anonymous contributions have been excluded.

**Q1. To remove, for conceptual reasons, the references to FISIM from the estimation of central bank output**



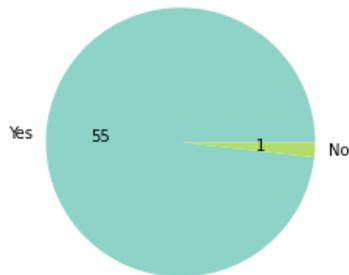
A very large majority, 55 out of 61 respondents who expressed an opinion, supported the exclusion of references to FISIM from the estimation of central bank output.

The reasons mentioned in support of the recommendation are very much in line with the rationale provided in the issue note: central banks are atypical financial intermediaries, who do not hold loans and deposits for commercial purposes (i.e., to earn a profit margin), but to conduct monetary policy and to meet other public functions; the primary purpose of central banks is not to match savers with borrowers; the reference rate is in part based on the inter-bank market, thus leading to a reference rate used to compute central bank FISIM that is more or less an endogenous rate. In addition, it was mentioned that the central banks act as a lender of last resort, who may purchase non-performing loans and riskier securities during specific or exceptional circumstances.

Quite a number of countries also mentioned the improved alignment with the current guidance in ESA 2010, and the difficulties in practically measuring FISIM for central banks. In respect of the latter, several countries noted that they currently do not estimate FISIM for the central bank.

One of the respondents who did not support the recommendation noted that in cases that the central banks grant loans with interest rates misaligned with the market (especially lower interest rates) due to political intervention, in fact, a financial intermediation service is being provided and, at the same time, a subsidy is being granted. Here, it should be noted that the AEG already decided to exclude the guidance on adjusting interest rates charged by central banks from the SNA. Another respondent would like to retain a reference to FISIM for reasons of conceptual consistency.

**Q2. To update the guidance regarding the typical services provided by central banks, by also recognising other services, for instance those related to promoting financial stability and managing the payments system. In doing so, the possible existence of other services provided by central banks will also be acknowledged.**



The recommendation to also recognise other services, for example those related to promoting financial stability and managing the payments system, and possibly other services as well, was supported almost unanimously, by 55 out of 56 of the respondents who expressed an opinion.

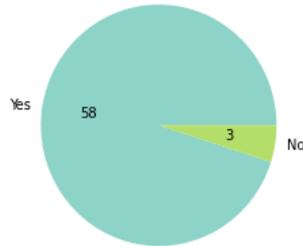
The respondents agreed with the recommendation, because it would provide an improved picture of the services provided by the central banks. Several respondents also noted that central banks may provide more services than the ones mentioned in broadening the scope of central bank services, such treasurer of the government, lender of last resort, etc. Others noted that central banks may also provide market services. All in all, the new guidance would allow for an improved acknowledgement of the differences across countries.

The respondent who did not agree with the recommendation referred to a lack of data availability, perhaps based on the false impression that all these services would need to be distinguished and treated separately.

Five respondents did not express an opinion. One of them noted that the scope of promoting financial stability is not entirely clear, while another respondent expressed concerns about opening the door for virtually endless additions of services.

**Conclusion: From this feedback, it is clear that the scope of services produced by central banks needs to be broadened. However, the guidance on central bank services would need to be formulated in a flexible way, to allow for the existence of other services, and also to allow for the recognition of differences across countries.**

**Q3. To treat all services provided by central banks as collective services, to be valued at the sum of costs.**



Again, a very large majority of those who expressed an opinion, 58 out of 61, agreed to treat services provided central banks as collective services to be valued at the sum of costs.

The respondents who expressed a favourable opinion noted that most central services are indeed aimed at meeting public needs and demands; that it is a rational, simple and pragmatic way to measure the output of central banks, with less imputations needed. One respondent mentioned that the method should also allow for the existence of some market services, while another respondent stated the importance of providing clarity on the classification of central banks as part of the financial corporations' sector, although they provide non-market services and thus extending the scope of production of non-market services beyond government and NPISHs.

Those who did not agree with the recommendation noted that central banks may also provide market services, which need to be deducted from total output, valued at the sum of costs.

The respondent who did not express an opinion noted that in the future central banks may also have deposits in the form of digital currencies held by non-financial sectors, which could re-open the debate on accounting for central bank output.

**Conclusion: From this feedback, it is clear that the recommendation is accepted as an excellent way forward for the treatment of central bank services. However, it is important to recognise the existence of possible market services. As it probably won't be possible to distinguish a separate establishment for these market services, they would need to be deducted from total output valued at the sum of costs.**

**Q4. In relation to the way of recording non-market output of the central bank and related income transfers, please indicate your preferred option.**

Option	Frequency
Option B3. Recording of the actual payments as current transfers from the financial corporations' sector to the central bank, while the collective services, in this case total central bank output, are allocated to the central bank (THE ADVISORY EXPERT GROUP ON NATIONAL ACCOUNTS RECOMMENDED THIS OPTION).	38
Option A1. Recording of the actual payments as purchases of services by the financial corporations' sector, while the resulting collective services (after deduction of the sales of services) are allocated to government, requiring a concomitant current transfer from the central bank to government (i.e., recording according to the 2008 SNA).	5
Option A2. Recording of the actual payments as purchases of services by the financial corporations' sector, while the remaining collective services (after deduction of the sales of services) are allocated to the financial corporations' sector, requiring a concomitant current transfer from the central bank to the relevant financial corporations (i.e., treatment according to ESA 2010).	5
Option C1. Recording of the actual payments as taxes paid by the financial corporations' sector to government, while the collective services, in this case total central bank output, are allocated to government, thus requiring a concomitant current transfer from the central bank to government for the balance of the two transactions.	3
Unsure	9
No response	2
Total	62

51 out of 62 respondents expressed a preference for one of the options presented for recording of non-market output of central banks and related income transfers. More than two-thirds agreed with the option recommended by the Advisory Expert Group (AEG) on National Accounts. Two options (A1 and A2) were favoured by five respondents, while option C1 was preferred by three respondents.

Those in favour of option B3 noted, amongst others, the following:

- Option B3 is relatively simple and straightforward, restricting the need for imputations to the maximum possible.
- The explicit recognition of the collective services provided by the central bank i.e., that the services benefit society as a whole.
- The recording of current transfers is justified based on the fact that contributions from corporations are mandatory, which does not fit a recording as purchases of services.
- Option B3 may also provide a solid foundation for dealing with new deposits in the form of digital currencies, which can be considered as a collective service.

On the other hand, concerns were raised about how to present the consumption of collective services by the central bank. In addition, one respondent was slightly concerned that this new treatment may open the door for also considering final consumption by corporations. One other respondent noted that more work will need to be done to determine how other supervisory

bodies that are apart from the central bank, but which also provide these collective services, would be treated given that they are currently consolidated with central government.

Those in favour of option A1 basically prefer not to change the guidance provided by the 2008 SNA.

From those in favour of option A2, one respondent noted that this method is consistent with the current guidance of ESA 2010, while another respondent did not prefer to have final consumption of collective services beyond government and NPISHs.

Only one respondent added further clarifications regarding their preference for option C1, noting that the fees paid to the central bank are not corresponding to a service provided to the contributor but relate to a mandatory legal framework initiated by public authorities for the sake of financial and monetary stability. Moreover, as the central bank services benefit the society as a whole, the fees collected should be considered as taxes paid to government.

One respondent expressed a preference for option A3, mainly because the recording of the actual payments made by financial corporations as transfers or taxes does not adequately reflect the rationale behind their existence.

From those who did not express a preference, two noted that option B3 would not allow for the recording of market output by the central bank (which is to be considered as a misinterpretation). Another respondent would like to see more information about the technical treatment, while yet another respondent preferred to allocate the services to the largest user. One respondent was concerned about opening the door for a further extension of the recording of consumption for own final use, while also raising possible confidentiality issues.

**Conclusion: All in all, one can only conclude that a clear majority of those who expressed an opinion favours option B3. However, it may be needed to add further clarification on the possible existence and treatment of market services provided by central banks. Furthermore, it needs to be made clear that this extension of consumption of collective services for own final use will not go beyond the central banks (in addition to government and NPISHs).**