25th Voorburg Group Meeting Vienna 2010

Session: Banking and Credit

22. SEPTEMBER 2010

We move information.

www.statistik.at
Banking and Credit Services again

- Primary purpose of Banking SPPI: to deflate FISIM → consistency with NA concepts
- Complex and difficult area: price of banking services not observable, must be derived, major problems (choice of reference rate, negative FISIM, volatility)
- Already subject to earlier VG discussions (1993, 1999, 2009)
  - Turnover/output: US, CAN, N
  - Prices: UK, US, CAN
- Conclusion of VG 2009:
  - ✔ Topic not ready for sector paper
  - ✔ clear explanation of FISIM-concept necessary
  - ✔ to explicitlly address technical difficulties when measuring price development
4 Mini-presentations

• An introduction to FISIM – Concepts and Measurement difficulties, Matt Berger, Office for National Statistics, United Kingdom

• Developing a Producer Price Index for Banking Service - Solutions for Mitigating the Incidence of Negative Prices in an SPPI for Banking Based on Administrative Data, presented by André Loranger – Statistics Canada

• The Australian Perspective on Financial Intermediation Services - Reference Rates and Negative Prices for Banking and Credit, Michael Morgan – Australian Bureau of Statistics (ABS)

• Reference Rate and Negative Prices, Kazuhiko Ishida, Bank of Japan
SUMMARY
Major problems arising with SPPI for FISIM

- Choice of reference rate
- Negative values (prices)
- Volatility
## Solutions proposed

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<th>STATCAN</th>
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<td>Choice of reference rate</td>
<td>Diversification (6 different product lines)</td>
<td>Proxy: mid-point rate (yields on deposits/loans)</td>
<td>1. Interest rate on gvmt. securities (different maturities) 2. Average inter-bank interest rate</td>
<td>LIBOR (London Inter-bank Offered Rate)</td>
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<td>Negative values (prices)</td>
<td>Individual solutions for each product line (e.g. medium/longterm government bonds)</td>
<td>Will look for alternative reference rate</td>
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<td>Sets price to zero</td>
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<td>Volatility</td>
<td>-Correct mismatch of calenderization -moving averages -annual &gt;quarterly data -aggregating products together -mid-point rate as reference rate</td>
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