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 explictly address technical difficulties when measuring price development

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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

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SUMMARY

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Major problems arising with SPPI for FISIM

➢ Choice of reference rate

➢ Negative values (prices)

➢ Volatility

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Solutions proposed

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

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