

Choosing a Method for the Deflation of FISIM

Paul den Boer
Statistics Netherlands (CBS)

The growth of the Financial Intermediation Services Indirectly Measured (FISIM) and the influence on the growth of GDP during the recent financial crisis years, is not without debate. Does it make sense that banks, mostly seen as at least in part guilty of the crisis, show big jumps in production and value added? FISIM represents the implicitly charged produced services on loans and saving accounts as part of part of the total output of banks. Are banks really producing so much more or less services as shown by the before mentioned jumps or is it a matter of higher prices or the way FISIM is calculated? Do other services which are explicitly priced show similar jumps? This paper presents the way FISIM is calculated in the Netherlands both in current and constant prices and how this relates productivity. Calculation of volume growth of FISIM is not straightforward and is subject of many discussions among statisticians and scholars. The main issue is ‘What is the best way to calculate volumes and growth of FISIM?’ Mostly used and recommended are the deflated stocks method and the output indicator method, as they are proposed in the ‘Handbook on price and volume measures in national accounts’. FISIM in volume terms can be seen from the perspective of the producer and from the perspective of the user (consumer). Do these perspectives influence the view on best the way to calculate the volume of FISIM? Closely related to the volume is the influence of FISIM on productivity measurement, raising questions as ‘How to interpret productivity growth?’ and ‘Does It make sense to use such data as a base for economic policy?’ For the calculations in the paper detailed data available at the Statistics Netherlands are used and a comparison is made between the present Dutch practice and methods proposed by Fixler & Reinsdorf [2006] and Inklaar & Wang [2011].