Working Party on International Trade in Goods and Trade in Services Statistics

PROGRESS REPORT ON FISIM
INTERNATIONAL TASK FORCE

To be held on 22-24 October 2012
OECD Headquarters

This document for item 15.3 of the agenda presents the progress report on FISIM International Task Force.

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Progress Report on FISIM International Task Force
OECD Working Party on International Trade in Goods and Services
Paris, October, 2012
Nadim Ahmad, OECD
Progress to date

- Has been slow.....
- Last meeting in July 2011:
  
  - Agreed:
    - That FISIM should be calculated by at least two groups of currencies, and FISIM in real terms should be calculated using deflated stocks on loans and deposits
  
  - Majority view
    - That Liquidity Transformation is a service, and so part of FISIM
    - And that Credit default risk should be removed from FISIM
  
  - No conceptual position established for the theoretical reference rate but TF recommended that a preferred rate should:
    - minimise limited, unexplainable volatility in CP and KP
    - Result in no sustained periods of negative FISIM
    - Give sensible movements of FISIM over the cycle
    - And be practical (Data availability)

  - Leading to the tests conducted by countries
• April 2012
  – Mirrored the position of the TF on LT and CDR
  – But also began to consider the notion of negative FISIM and whether this could theoretically exist, or whether it was only a function of the way we measure it
    • A slight majority took the view that negative FISIM was not conceptually possible – but that further work was needed
• Results point to some (marginal) improvements gained using an approach that defines the reference rate on the basis of a weighted long-term and short-term underlying rate.

• But not clear that this is significant. Likely that the Eurostat recommendation will be to remain with the current approach.
Next steps

• ISWGNA following WPNA agreed:
  – That the results of simulations should be disseminated to international Task Force for comment.
  – Likely to recommend continued use of single reference rate approach (that may or may not be based on a weighted average of maturities).
  – Likely also to rule out removal of credit default risk on practical grounds.
  – Further work on FISIM, for example the meaning of negative FISIM likely to be placed on long-term research agenda.