

Implicitly Priced Bank Services in the US National Accounts: A Look Back and a Look Forward

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The 1993 SNA recommends that implicit financial intermediation services (FISIM) of depository institutions be measured using a reference rate approach, which measures implicitly priced services to borrowers using the margin between the loan rate and the reference rate to loan balances, and implicitly priced services to depositors using the margin between the reference rate and the rate paid on deposits. An application of the theory of user costs from the literature on measuring services of fixed capital assets to financial assets and liabilities also implies a reference rate approach for measuring implicitly priced borrower and depositor services. Using this conceptual framework, a reference rate approach was developed and implemented in the 2003 comprehensive revision of the US national accounts.

This paper describes the decisions that were made in implementing the reference rate approach in the US and the estimates that were made of their quantitative effect. It looks at historical data to see whether the measures of depositor and borrower services in the US national accounts reflect major events in the history of the banking industry, such as the rise of money market mutual funds and the “savings and loan” crises of the 1980s. Finally, it discusses areas of current research on improvements in methods used to measure FISIM. One research topic is excluding expected credit losses (i.e. losses of principle due to default) from implicit revenue received from borrowers, in a manner analogous to the way that expected claims are excluded from the revenue of property-casualty insurers. A second topic is reducing the volatility of the split between borrower FISIM and depositor FISIM by smoothing the position of the reference rate in between average loan rates and the average rate paid on interest-bearing deposits. A third research topic concerns the measurement of volume change in borrower and depositor FISIM using deflators that incorporate the interest rate margins used to measure the nominal values of borrower and depositor FISIM.