Overview of charges for financial services

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Overview of charges for financial services

Financial services are provided and charged for in four main ways

- Financial charges provided in return for explicit charges (this presentation)
- Financial services provided in association with interest charges on loans and deposits
  - Financial intermediation services indirectly measured (FISIM)
  - Financial services associated with institutional units which engage in lending using own funds or funds provided by a sponsor
  - Financial services provided by the central bank
Overview of charges for financial services

Financial services are provided and charged for in four main ways

- Financial services associated with acquisition and disposal of financial assets and liabilities in financial markets
- Financial services associated with insurance and pension schemes
  - Non-life insurance
  - Standardized guarantee schemes
  - Life insurance and annuities
  - Reinsurance
  - Social insurance schemes
Overview of charges for financial services

- Many charges for financial services are implicit rather than explicit
- Getting information on fees for financial services can be a frustrating experience (see Wall Street Journal dated 7 May 2017)
Overview of charges for financial services

- This complicates attempts to measure the output of these services in the national accounts.
- Measuring implicit charges for financial charges typically involves combining/partitioning a number of observed transactions.
Overview of charges for financial services

- Table 3.1 on page 49 of Handbook on Financial Production Flows and Stocks in the System of National Accounts summarizes the methods to calculate output of financial corporations
- Chapter 3 has illustrative worked examples on production of financial services
Financial services provided in return for explicit charges

- Examples include
  - Fees to arrange mortgage
  - Fees to manage investment portfolio
  - Fees to provide tax advice
  - Fees to arrange flotation of shares
  - Credit card transaction fees
  - Credit card annual fees
  - Remittance fees
  - Etc.

- Data sources include
  - Surveys
  - Returns of residential financial institutions to monetary authority
  - Balance of payments
Financial services provided in return for explicit charges

Volume measures – 2 methods

- Deflate current-price explicit charges using appropriate price indices such as CPI, PPI, export price index, import price index
- Extrapolate base-period explicit charges using volume indicators such as changes in the number of credit cards in circulation in the case of credit card annual fees
Thank you