

28 September 2007

Experimental statistics are published for expert and user comment prior to being assessed for National Statistics quality.

See background notes.

Financial Intermediation Services Indirectly Measured 2nd Quarter 2007

This experimental statistics release shows the quarterly impact of Financial Intermediation Services Indirectly Measured (FISIM) on UK Gross Domestic Product (GDP) at current market prices. FISIM estimates are published as experimental statistics.

The estimate of FISIM allocated to GDP at current market prices is estimated at £6.5 billion in the second quarter of 2007. This compares with £6.1 billion in the previous quarter and £5.8 billion in the second quarter of 2006.

Adding FISIM to UK Gross Domestic Product (GDP) at current market prices for the second quarter of 2007, as published in the Quarterly National Accounts First Release of 26 September, would raise the level by 1.9 per cent, from £344.3 billion to £350.8 billion.

Detailed information on the methodology and analyses of FISIM and its impact on GDP are explained in the article "improving the measurement of banking services in the UK National Accounts" published on the National Statistics website on 30 March 2007 to coincide with the first issue of this release.

Financial Intermediation Services Indirectly Measured

	2005	2006	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2
FISIM allocated to GDP at current prices (£ bn)	23.1	25.0	5.8	6.2	6.8	6.1	6.5
GDP at current market prices (£ bn)	1234	1302	321.9	329.0	332.9	337.9	344.3
FISIM as a percentage of GDP	1.9	1.9	1.8	1.9	2.1	1.8	1.9
GDP adjusted for FISIM (£ bn)	1257	1327	327.7	335.2	339.7	344.0	350.8

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The estimate of total FISIM allocated to GDP consists of FISIM allocated to final consumption expenditure plus net trade in FISIM. In the second quarter of 2007, the estimate of:

- FISIM allocated to final consumption expenditure was £6.1 billion. This compares with £6.1 billion in the previous quarter and £5.6 billion in the second quarter of 2006.
- Net trade in FISIM was £0.4 billion, higher than in the previous quarter when it was £0.03 billion, and £0.2 billion in the second quarter of 2006.

BACKGROUND NOTES

Experimental Statistics

1. Experimental statistics are those which are in the testing phase and are not yet fully developed. However the exact boundary between experimental and mainstream National Statistics is largely a matter of statistical judgement. The reason why FISIM is still designated as an experimental statistic is that, although the methods and calculations have been finalised, the changes to the National Accounts are complex, and they impact on every industry and institutional sector. In order to ensure that FISIM is accurately implemented in the National Accounts, this must be done during the annual compilation processes, and balanced using the input-output and supply-use framework. After FISIM is fully implemented, the new National Accounts series can be developed including chained volume measures estimates.

Further information on experimental statistics can be found on the National Statistics website at: <http://www.statistics.gov.uk/CCI/nugget.asp?ID=173>

2. The experimental quarterly FISIM is published in order to give users a guide to the potential impact on nominal GDP. The estimates have also been incorporated in the "Government debt and deficit under the Maastricht Treaty" on an ongoing basis, and are published every six months.

A more detailed description of the methodology, an update and analysis of the results, and assessment of the impact of FISIM on GDP in both nominal and real terms is available in the article entitled "improving the measurement of banking services in the UK National Accounts" on the National Statistics website at: <http://www.statistics.gov.uk/cci/article.asp?ID=1761>

3. The experimental quarterly FISIM statistics include small revisions to the estimates published in the dataset of the previous release.

Methodological Note

4. Financial Intermediaries (FIs) charge explicit commissions and fees for their services to their customers, as well as implicit ones by paying or charging different rates of interest to borrowers and lenders. FIs pay lower rates of interest than would otherwise be the case to those that lend them money, and charge higher rates of interest to those who borrow from them. The resulting receipts of interest are used to offset their expenses and provide an operating surplus. This is reflected by the action of the FIs observed on the market: they do not charge customers individually for services provided, but benefit from the implicit margin between their interest rates on lending and deposit business. However, in this situation, the national accounts must use an indirect measure of the value of the services for which the FIs do not charge explicitly - called financial intermediation services indirectly measured (FISIM).

FISIM output generated by FIs is allocated between the various users of the services for which no explicit charges are made. Hence it is treated in national accounts as: intermediate consumption by businesses; final consumption by households, general government, and non-profit institutions serving households; and exports to non-residents.

There is also an estimate for imported FISIM, generated by the non-resident FIs, and allocated into intermediate and final consumption.

To calculate FISIM output and allocate it into the user sectors, detailed sectorised interest and stocks data on loans and deposits are required. The FISIM output series, generated by banks and building societies are compiled differently for each of the two time periods:

- from 1999 onwards, the FISIM series were compiled the Bank of England using detailed data sourced from its own specially designed inquires, and
- before 1998, the series were compiled by the ONS using detailed stocks data sourced from the Bank of England. The required interest data were derived from the effective interest rates used elsewhere in the National Accounts.

The remaining FISIM output generated by the other financial intermediaries and the FISIM import series were compiled by ONS using the ONS enquires and the Balance of Payment Statistics data sources.

5. At present, the concept of FISIM allocation has not been fully implemented into the UK National Accounts, but what is done does comply with a treatment permitted in the 'System of National Accounts 1993'. According to this treatment, FISIM output is recorded as the intermediate consumption of a 'nominal sector'. In consequence, GDP is invariant to the size of the FISIM output

Release Policy

6. Details of the policy governing the release of new data are available from the press office.
7. **National Statistics** are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference. © Crown Copyright 2007.

FISIM Effect of FISIM allocation on GDP in the expenditure measure

Current prices

£ million

	Fisim allocated to GDP			GDP (UK National Accounts)	GDP including FISIM	Percentage increase in GDP level due to FISIM allocation
	Final consumption expenditure	Net trade (Exports less imports)	Total			
	1	2	3=1+2			
	D8ON	D8OC	C95M	4	5=3+4	6=3/4
				YBHA	D8NF	
1993	7 268	1 537	8 805	645 500	654 305	1.4
1994	7 259	1 887	9 146	684 067	693 213	1.3
1995	7 976	2 404	10 380	723 080	733 460	1.4
1996	9 719	3 252	12 971	768 905	781 876	1.7
1997	11 542	2 701	14 243	815 881	830 124	1.7
1998	13 075	465	13 540	865 710	879 250	1.6
1999	14 801	1 983	16 784	911 945	928 729	1.8
2000	16 235	1 075	17 310	958 931	976 241	1.8
2001	15 810	2 299	18 109	1 003 297	1 021 406	1.8
2002	17 010	2 461	19 471	1 055 793	1 075 264	1.8
2003	18 093	3 231	21 324	1 118 245	1 139 569	1.9
2004	19 917	2 446	22 363	1 184 296	1 206 659	1.9
2005	21 322	1 814	23 136	1 233 976	1 257 112	1.9
2006	23 272	1 758	25 030	1 301 914	1 326 944	1.9
1996 Q1	2 283	333	2 616	187 833	190 449	1.4
Q2	2 384	914	3 298	191 339	194 637	1.7
Q3	2 459	935	3 394	194 152	197 546	1.7
Q4	2 593	1 070	3 663	195 581	199 244	1.9
1997 Q1	2 608	787	3 395	198 827	202 222	1.7
Q2	2 824	505	3 329	202 127	205 456	1.6
Q3	3 045	1 028	4 073	205 958	210 031	2.0
Q4	3 065	381	3 446	208 969	212 415	1.6
1998 Q1	3 209	107	3 316	211 806	215 122	1.6
Q2	3 226	-67	3 159	214 581	217 740	1.5
Q3	3 357	-203	3 154	218 649	221 803	1.4
Q4	3 283	628	3 911	220 674	224 585	1.8
1999 Q1	3 923	26	3 949	222 868	226 817	1.8
Q2	3 655	391	4 046	226 393	230 439	1.8
Q3	3 401	692	4 093	230 225	234 318	1.8
Q4	3 822	874	4 696	232 459	237 155	2.0
2000 Q1	4 169	190	4 359	236 057	240 416	1.8
Q2	4 176	258	4 434	238 629	243 063	1.9
Q3	4 165	140	4 305	241 105	245 410	1.8
Q4	3 725	487	4 212	243 140	247 352	1.7
2001 Q1	4 152	797	4 949	247 905	252 854	2.0
Q2	3 868	560	4 428	249 597	254 025	1.8
Q3	4 027	610	4 637	251 028	255 665	1.8
Q4	3 763	332	4 095	254 767	258 862	1.6
2002 Q1	4 197	341	4 538	259 054	263 592	1.8
Q2	4 080	582	4 662	262 774	267 436	1.8
Q3	4 281	703	4 984	265 836	270 820	1.9
Q4	4 452	835	5 287	268 129	273 416	2.0
2003 Q1	4 351	987	5 338	272 953	278 291	2.0
Q2	4 433	875	5 308	277 119	282 427	1.9
Q3	4 515	746	5 261	281 996	287 257	1.9
Q4	4 794	623	5 417	286 177	291 594	1.9
2004 Q1	4 808	570	5 378	288 912	294 290	1.9
Q2	4 889	548	5 437	295 066	300 503	1.8
Q3	5 088	590	5 678	297 941	303 619	1.9
Q4	5 132	738	5 870	302 377	308 247	1.9
2005 Q1	5 205	552	5 757	303 996	309 753	1.9
Q2	5 290	110	5 400	307 306	312 706	1.8
Q3	5 341	604	5 945	308 515	314 460	1.9
Q4	5 486	548	6 034	314 159	320 193	1.9
2006 Q1	5 614	541	6 155	318 171	324 326	1.9
Q2	5 572	242	5 814	321 860	327 674	1.8
Q3	5 983	238	6 221	329 009	335 230	1.9
Q4	6 103	737	6 840	332 874	339 714	2.1
2007 Q1	6 083	28	6 111	337 877	343 988	1.8
Q2	6 088	378	6 466	344 321	350 787	1.9