

# Spanish National Accounts 2000 Base

## Financial Intermediation Services Indirectly Measured (FISIM)

The Spanish National Accounts 2000 Base (SNA-2000) introduce an important methodological modification in the compilation of annual and quarterly accounts, that refers to how Financial Intermediation Services Indirectly Measured (FISIM) are processed.

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### Definition of FISIM

Broadly, FISIM could be defined as the indirect income obtained by financial institutions from transactions involving deposits and loans performed with their clients.

The FISIMs are determined on the basis of a model. Thus, when the financial institutions user performs a deposit (or takes out a loan), he/she receives (or pays) an amount in interests that does not explicitly include any amounts linked to the payment of financial intermediation services provided by the institution. Considering that a specific reference interest rate can be established in the market for each financial instrument (deposits and loans), the difference between the interest rate actually paid (or received) and the reference rate would be the financial intermediation service which, given the nature of its estimate, is said to be measured indirectly.

	<b>Deposits</b>	<b>Loans</b>
Amount	X	Y
Nominal interest rate	a	b
<b>Nominal interest (actually paid or received)</b>	aX	bY
Reference interest rate	c	c
<b>FISIM</b>	(c - a) X	(b - c) Y
<b>Adjusted FISIM interest recorded as property income in institutional sectors accounts (D.41)</b>	Nominal interest + FISIM	Nominal interest  FISIM

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### Treatment of the FISIMs in SNA 1995 Base

In the Spanish National Accounts Base 1995 and in accordance with the ESA-95 Regulation, FISIMs were produced by financial institutions and were not allocated to the sectors/branches of activity using said services, but were consumed as intermediate elements in their totality by a fictional sector/branch of activity.

Said fictional sector/branch of activity was characterised by having zero output and a negative added value that was equal to, but with a contrasting sign, the aforementioned intermediate consumption. Consequently, the global added value of all sectors/branches of activity was reduced in the amount of said negative added value; i.e., the FISIM production did not affect the economy's Gross Domestic Product (GDP) level.

## Treatment of the FISIMs in SNA 2000 Base

Regulations 448/98 and 1889/2002 establish that, as from 2005, the use of FISIMs should be allocated to user sectors/branches of activity, instead of to a fictional sector/branch of activity. Consequently, the use of FISIMs will no longer be recorded entirely as intermediate consumption (as established in the ESA-95 agreement), but also as final consumption and exports/imports of said services, which will affect the economy's GDP level.

Thus, in general and considering the new methodology, companies will have an intermediate consumption in these services, whilst households, public administrations (P.A.) and non-profit institutions serving the households (NPISH) will perform final consumption expenses of FISIM that will have a corresponding effect on the economy's GDP level.

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### Effects on the GDP and its components

In the SNA-2000, the global increase that this methodological change has implemented in the GDP for the base year amounts to 7,472 million euros, which equals an approximate 1.2 per cent increase in its level. The following chart shows the distribution of said effect on different transactions:

<b>2000</b>	<b>Millions of euros</b>	<b>Percentage regarding the GDP</b>
Total FISIM	18,958	
Intermediate demand	11,486	
<b>Final demand</b>	<b>7,472</b>	<b>1.19</b>
Household final consumption expenditure	7,413	1.18
NPISH final consumption expenditure	160	0.03
Final consumption expenditure of public administrations	347	0.05
Net exports	-448	-0.07
<b>Gross Domestic Product mp</b>	<b>630,263</b>	

The table presented hereunder includes the value of the FISIMs destined to the final demand for the 2000-2004 period 2000-2004.

<b>Year</b>	<b>Final FISIM demand (millions of euros)</b>	<b>GDP (millions of euros)</b>	<b>Percentage regarding the GDP</b>
2000	7,472	630,263	1.19
2001	7,947	679,848	1.17
2002	6,972	729,004	0.96

2003	5,936	780,557	0.76
2004	5,452	837,557	0.65

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### **Effects on institutional sectors' accounting balances**

The methodological change affects the institutional sector accounting balances as follows. Including the so-called Adjusted FISIM interests in the sector accounts instead of the nominal interests that were recorded in previous accounting series results in the immediate modification of the disposable income in the Households, Public Administrations and Non-profit institutions serving household sectors. The disposable income for the Non-financial companies and for the Financial institutions sectors remains invariable.

The increase of disposable income will compensate greater expenses in the sectors' final consumption, and will show no modification either in terms of savings or in the lending/borrowing capacity of the corresponding sectors.

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### **Implementation of the methodological change in the heart of the EU**

As aforementioned, this change is implemented as a consequence of the application of Regulations 448/98 and 1889/2002 modifying Regulation SEC-95. Except Luxembourg, in which financial activities are extremely relevant for the economy, in the rest of the European Union Member States, the effects on the respective GDPs fall between 1% and 1.5%. Consequently the implementation does not show major differences between countries.

On the other hand, said modification will not be considered in the calculation of the EU's own resources, since it is thus established in the corresponding legal documents (European Union Decision on Own Resources and Regulation on Gross National Income).

For further information on this methodological change, the INE website includes Council Regulation 448/98 which completes and amends Regulation 2223/96 in terms of the allocation of financial intermediation services indirectly measured (FISIM) in the European System of National and Regional Accounts (ESA-95) and its Implementation Regulation, number 1889/2002.

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