MEASUREMENT OF FISIM IN MALAYSIA

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Introduction

• Financial intermediaries output in the System of National Accounts 2008 (2008 SNA)
  i. Directly measured (explicit charges)
  ii. Indirectly measured (implicit charges) included interest and services charges
  iii. FISIM to be allocated to institutional unit or economic sectors

• FISIM Implementation in Malaysia
  i. Use Imputed Banking Services Charges (IBSC) until 2005 (base year 1987)
  ii. Rebasing base year 2000, FISIM incorporated but not allocated.
  iii. Rebasing base year 2005, FISIM allocated to economic sectors
Measurement of FISIM in Malaysia

- **Estimation of FISIM**

FISIM is calculated using the following formula:

\[
FISIM = FISIM \text{ on Loans} + FISIM \text{ on Deposits}
\]

- **FISIM on Loans**
  \[
  = \text{Stock of Loans} \times [\text{Lending Rate} - \text{Reference Rate}]
  \]

- **FISIM on Deposits**
  \[
  = \text{Stock of Deposits} \times [\text{Reference Rate} - \text{Deposits Rate}]
  \]

- **Reference Rate**: Midpoint between the loan and deposit rate
  - less volatile
  - FISIM values with greater transparency
Measurement of FISIM in Malaysia

- Allocation of FISIM
  - Before 2012, FISIM was not allocated to economic sectors
  - FISIM on Loans were allocated to industry, government and household based on Classification of Loans by Sector data.
  - FISIM on Deposits were allocated based on Deposit by Holder data.
Challenges

- Single reference rate used for both short term and long term maturity
- Measurement of Islamic intermediaries output
- Development of Services Producer Price Index (SPPI) for banking activities
- Allocation of Exports and Import FISIM