



Statistics Canada
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SPPI for Banking Services in Canada

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User Needs

Users	Purposes	Needs
SNA	Deflate output	<ul style="list-style-type: none"> ▪ Implicit fees on loans (mortgage & non-mortgage) and deposits ▪ Explicit fees ▪ Booked in Canada
<ul style="list-style-type: none"> ▪ BoC ▪ Finance ▪ Industry Canada ▪ Others? 	<ul style="list-style-type: none"> ▪ Inform Financial Regulation ▪ Productivity Research 	<ul style="list-style-type: none"> ▪ SPPIs by product line (e.g. mortgage loans, small business loans, deposits, brokerage services, investment banking, securitization, etc) ▪ SPPIs by type of financial firm (Schedule I, II, III banks, Credit Unions, etc) ▪ Booked worldwide
Producer Price Division	Aggregate PPI to measure overall producer price trends	<ul style="list-style-type: none"> ▪ Indexes for NAICS and eventually NAPCS

Development Objectives (1)



- Produce an SPPI for 5-digit NAICS *52211 Banking*

- Would like to produce SPPIs at 6-digit NAICS;
 - *522111 Personal and Commercial Banking Industry*

 - *522112 Corporate and Institutional Banking Industry*

Development Objectives (2)

SPPIs by product line



Table 1: Product Lines

Product Lines	Schedule I	Schedule II	Schedule III
Personal loans for non-business purposes	In scope	In scope	Not in scope
Other non-mortgage loans	“	“	“
Residential mortgage	“	“	“
Non-residential mortgage	“	“	“
Demand and notice deposits	“	“	“
Fixed-term deposits	“	“	“

Issues (1)



- *What is the appropriate choice of a reference rate for risky loan assets?*
- *Should it be the risk free rate or should it comprise rates containing some risk premium, such as the securities rate?*

Issues (2)



- *What is the appropriate choice of reference rate for fixed-term deposits?*

- *Would the medium-term risk free government bond rates be more suitable than the securities rate?*

Issues (3)



- *The experimental banking SPPIs calculated to date exhibit a great deal of volatility. This effect can make trends in our indexes more difficult to identify.*
- *Does it make sense to smooth the series, and if so, how?*

Issues (4)



- *Key players and products lines have been quite stable throughout the period under review.*
- *We are considering updating the basket (product lines and their weights) every 5 years. Is this sufficient for this industry?*

Issues (4)



- *What about quality change?*

- *We are studying quality change for banking services,*
 - *Can we qualify it? (ABMs, internet banking, longer hours,...)*

 - *Can we quantify it? (hedonics, production cost,...)*

 - *Can we adjust for it? (implementation)*