

## Unit cost of financial intermediation in Japan, 1954–2020

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### Abstract

This study estimates the unit cost of financial intermediation in Japan over the period 1954–2020. We measure the cost as the ratio of financial intermediaries' income (financial income) to the financial output provided to non-financial end-users by integrating hand-collected data from various sources. To measure financial income, we use semi-aggregated data to take into account several income components that are not considered in the financial industry's value added in the current System of National Accounts. We find that the unit cost of financial intermediation in Japan exhibits a secular decline. No similar decline is observed in the United States, Germany, and United Kingdom, where the unit cost of financial intermediation has been relatively stable over time. The decrease in Japan's unit cost is due to the stagnation of financial income, even though financial output increased. The stagnation of financial income is due to the absence of growth in asset management services and the decrease in net interest income from loans and deposits.

**JEL classifications:** E44, G20, N25

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