The 2002 Annual Revision of the NIPA’s: What We Learned

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For the BEA Advisory Committee Meeting
From 1998-2001, the economy grew at a slower rate than in the previously published estimates.

GDP declined in three quarters of 2001 instead of one.

Major contributors to the slowdown continued to be downturns in investment spending and exports and a slowdown in consumer spending.
Other highlights

- **Real GDP average annual growth rate:**
  - For 1995-2000, revised from 4.1 percent to 4.0 percent.
  - For 1995-2001, revised from 3.6 percent to 3.4 percent.

- **BLS average annual labor productivity measure for nonfarm business:**
  - For 1995-2000, revised from 2.6 percent to 2.5 percent.
  - For 1995-2001, revised from 2.4 percent to 2.3 percent.
  - For 2000, revised from 3.3 percent to 2.9 percent.
  - For 2001, revised from 1.9 percent to 1.1 percent.
Real gross domestic product
[Percent change from preceding period, SAAR]

Previously published chained (1996) dollars
Revised chained (1996) dollars
The 2001 contraction in historical perspective

- For the 7 previous contractions since 1955, the average total decline in real GDP was 2.3 percent (not at an annual rate).

- For the most recent contraction, from the peak (2000q4) to the trough (2001q3), GDP declined 0.6 percent.
GDI Highlights

- Wages and salaries was revised down 2.9 percent for 2001. Leading to the adoption of a new quarterly methodology and revision schedule for wages and salaries.

- Corporate profits:
  - Downward revisions.
  - Peaked earlier than in the previously published estimates.

- Net interest:
Largest contributors to downward revisions to real GDP for 2000 & 2001

- For 2000:
  - Equipment and software investment.
  - PCE for nondurable goods.
  - PCE for durable goods.

- For 2001:
  - PCE for services.
  - Equipment and software investment.
  - Change in private inventories.
  - State & local consumption expenditures and gross investment.
Improved methods for PCE Services

- Improved measures of imputed commissions on equities transactions:
  
  < Now based on monthly quoted spreads of “market makers” from the NASDAQ National Market System.
  
  < Previously, based on annual samples of bid-ask spreads.
Other methodology changes-Prices

- Newly available BLS PPI for securities brokers, dealers and investment banking used to deflate brokerage and investment counseling services within PCE, exports, and imports.

- BLS PPI’s for life insurance and for property and casualty insurance used to deflate insurance services within exports and imports.

- New price indexes used to deflate several categories of Federal defense and nondefense services.
Price index for gross domestic purchases

[Percent change from preceding period, SAAR]

Previously published
Revised
Earlier incorporation of comprehensive data on wages & salaries

- BLS quarterly tabulations of wages and salaries of employees covered by unemployment insurance (UI) available about 5 to 6 months after end of quarter.
- In the past, annual UI data incorporated into NIPA’s in annual revision.
- For current estimates, wages extrapolated using BLS monthly current employment statistics.
- New method: UI data now provide the quarterly pattern for the wage estimates.
- New revision schedule: For “final” GDP releases, private wages and salaries and other income-side estimates for prior quarter are revised to incorporate UI data.
Earlier incorporation of comprehensive data on wages & salaries (con’t)

Additional series revised for the prior quarter:

< Personal taxes.

< Employer & employee contributions to Federal social insurance (for private employees only).
Wage and salary accruals

[Percent change from preceding period, SAAR]
Corporate Profits


- New estimates show that corporate profits peaked in 1999q4, not 2000q3.

- Financial accounting measures and tax-accounting measures can provide very different pictures.
  - Stock options.
  - Pension issues.
  - Coverage issues.
  - Special charges.
Corporate Profits - Profits After Taxes

Previously published Revised S&P
Lessons learned from 2002 annual revision

- Importance of incorporation of new quarterly wages and salaries methodology and adoption of new revision schedule.

- Make better use of available data in tracking PCE for services.