Update on BEA Activities

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Director

BEA Advisory Committee Meeting
November 3, 2006
Current Events

- GDP revisions
  - Annual Revision 2006 - Lower growth - 3.8 to 3.6 percent, 2002:IV - 2006:I
  - Slightly higher inflation - 3.0 to 3.1 percent, 2002:IV - 2006:I
  - Pattern of downward revisions post 1995-but not large in magnitude

<table>
<thead>
<tr>
<th>Mean Growth Rates for period</th>
<th>March 03</th>
<th>March 04</th>
<th>March 05</th>
<th>March 05</th>
<th>July 06</th>
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<td>1995-2002</td>
<td>3.11</td>
<td>3.14</td>
<td>3.10</td>
<td>3.05</td>
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<td>1995-2004</td>
<td>3.30</td>
<td>3.22</td>
<td>3.15</td>
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<td>1995-2005</td>
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<td>3.22</td>
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BEA’s measure of motor vehicle output

- In question: 2006Q3 increase in real motor vehicle - in contrast to a decrease in physical units
- GDP measure broader than physical unit production
  -- Includes value added from the retail and wholesale margins (including sales taxes) for new, used and imported vehicles
- Production data counts all vehicles equally, motor vehicle output - reflects mix of vehicle, weighted by price
Unit Production Indicator vs. BEA’s GDP Measure of MV output

Percent Change Difference

Motor Vehicle Output Comparison

Mean absolute difference: 11.5 percentage points

1. Equals percent change of BEA motor vehicle output less the percent change in Federal Reserve Board's Industrial Production Index for motor vehicles
Flow of Funds/BEA integration

- SCB article due out December 2006
- Updated quarterly with new FFA and NIPA data as they become available
- New accounts expanding on currently available NIPA/FFA Savings rate comparison: http://www.bea.gov/bea/dn/nipaweb/Nipa-Frb.asp
OECD workshop- Nonmarket Output of Education and Health services held October 2006
  - Quantity/Activity indicators - general agreement on direct volume measures but significant cross national differences on methods and data sources
  - BEA research underway:
    - Consideration of “market-transaction-equivalent price” approach to measuring real output
    - Education and human capital estimates
    - AEA Session on Health Accounts

Incorporated new/real-time data to improve accuracy of consumer spending and investment in GDP
SNA Update

- Substantive changes reached by Advisory group - to be presented to UN Statistical Commission in March 2007
- Several key end-of-process concerns
- Despite rumblings from various countries, we hope that update remains on schedule for completion and approval in March 2008
International Accounts

- New surveys of trade in services - 2007
  - Collect affiliated and unaffiliated trade at exactly the same level of detail by type of service

- Improvements to sample frame
  - For services: questions added to Census Company Organization Survey
  - For direct investment: working to obtain expanded access to IRS data (IRS regulation change)

- Expanded geographical detail: quarterly balance of payments accounts to 37 countries/regions including China and India (previously 10)

- Feasibility study by BEA for ITA to measure exports of services by State
New standards for international accounts:

- Balance of Payments Manual - BOP Committee reviewing selected chapters; final in 2008

- Benchmark Definition of Foreign Direct Investment - core manual largely complete; final in 2008

- Compilation Guide for Remittances - Luxembourg Group formed
Regional Accounts

- Article on Inter-area prices- published Sept. 2006-
  *Monthly Labor Review*
  - Presents inter-area prices for 2003 and 2004 for 38
    metropolitan areas
  - Short cut approach cutting down on number of hedonic
    regressions required

- Acceleration estimates: Released 2005 metropolitan
  area personal in Sept.06 (7 month acceleration)

- Newly available detail: State earnings for NAICS
  industries for 1990 - 2000
Industry Accounts

- **External Integration efforts - BEA-BLS**
  - Identifying industries for analysis: selected 10 industries for further analysis of differences in real growth rates of output based on magnitude of difference and importance of industry
  
  - Back-casting estimates: Gross output on NAICS basis back to 1972 underway, BLS currently developing NAICS based detailed manufacturing sector data for production accounts back to 1987
    -- Released NAICS based employment estimates back to 1948
**Industry Accounts**

- **Internal Integration efforts**
  - Moving forward with applying Generalized Least Square (GLS) reconciliation method to strengthen estimates of value added for 2002 benchmark I-O accounts
  - Continued “NIPA feedback” reconciliation efforts: larger discrepancies identified in this years annual revisions of industry and national accounts, investigation will start early next year
Chief Statistician

- **Health Account Funding**
  - Planning a CNSTAT spring workshop on improving measures of health expenditures in the national accounts

- **Data Sharing**
  - In July, IRS published a regulation change that allows BEA expanded access to tax data
  - BEA and BLS entered into a data sharing agreement to assist off-shoring study by NAPA and work by each agency’s reasearchers.
Further development of systems

- Production Side GDP system (STATS): Ran first successful Annual Revision in 2006
  -- Upgraded with several performance improvements - significant increase in processing speed

- Interactive archival data for Industry data - all program areas now have historical data accessible through website
Further improvements in electronic data collection

- **RIMS**: Web-based redesign provides faster delivery of multipliers to customers - online ordering and paying for RIMS products through PAY.GOV
  -- Online in November 2006

- **ASTAR**: Upgrades to reduce respondent burden, user friendly screens, validity checks, and easier password management for reports
  -- 38% received by ASTAR
In addition to customer driven data initiatives:

- **Digital Library**
  - Important documents related to the history of the U.S. national economic accounts made available online to the public.

- **Newsroom**
  - Portal to BEA Web site designed specifically for media

- **Website Preview**
  - Proposed redesign of BEA Web site available, with improved usability, consistency, and navigation.

- **Expanded Outreach**
PART: Scored 92 out of 100 - ranks BEA among top 5 percent of federal programs assessed by OMB; review of goals suggest that BEA is on target for another good rating

OPM-OAS: BEA scored higher on every aspect than other Federal agencies and private sector

PMA: Achieved green on 4 of PMA scorecards: human capital, budget and performance integration, financial performance, competitive scoring
  - Green on progress on e-commerce; and awaiting IG report

GPRA: Successfully met all six measures - releases on schedule/on time, customer satisfaction, surpassing expectations on accuracy of initial GDP estimates, cost of dissemination, cost of collection

Personnel Changes

Budget Challenges