Update on BEA Activities

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Director

BEA Advisory Committee Meeting
Nov. 7th, 2007
GDP Revisions

- Mean absolute revision 0.27 percentage point

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<td>1995-2006</td>
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Little change in inflation - 3.2 to 3.3 percent, 2003:IV - 2007:I
PCE price index / CPI

- Fundamental differences in PCE price index & CPI lead to comparisons of differentials
  - PCE / CPI differential shrinking in most recent time period

Growth Rates PCE price index vs. CPI

Source: BEA/BLS
PCE price index / CPI

- Accounted for by medical, housing, and other services components

- Weighting, scope and formula differences make analysis on component contributions complex
  - BEA/BLS reconciliation article now available on BEA web site
Current Issues

- **BusinessWeek** and Offshoring:
  - Real imports understated and real GDP and productivity overstated
    - Import price indexes do not capture lower price level of imported goods
  - Similar to old and difficult “new” goods problem in price measurement.
    - Not clear how to “fix”
  - Probably offset as domestic production shifts to lower cost domestic suppliers and/or new goods and services with a lower quality-adjusted price
  - Likely to hear more: Sloan/NAPA and Congress
National Accounts

- NIPA annual revision, methodological improvements including:
  - Improved price index- Deflation of business purchases of light trucks (Source of part of BEA-FRB differences for Motor vehicles, 2006)
  - New BLS price indexes- Nonresidential construction—deflators for office buildings and for schools
  - Developed improved seasonal factors for new Census quarterly services survey QSS data
Looking ahead:

- Continued work on implementing flexible annual revisions with regular annual July releases
- Incorporation of revision to SNA, international guidelines

Research:

- Satellite accounts for health
- Data gaps and accounting issues - employee stock options, bonuses, compensation, and profits
International Accounts

- Annual Revisions, improved methodologies and source data including
  - New financial derivatives data
  - New source data and method for interest receipts and payments on long term securities

- Launched integrated services survey and other improvements recommended by NAS/NAPA on issues of offshoring
Looking Ahead:

- Develop state-level estimates of exports and imports of selected businesses (professional & technical)
- Continue phased incorporation of data from new integrated surveys
- Begin conducting new 2007 benchmark survey of FDI in U.S.
- Continue implementation of NAS/NAPA recommendations on issues of offshoring
Industry Accounts

- 2002 Benchmark I-O Account - uses new balancing method
- Next steps in BEA/BLS integration - BLS use of BEA KLEMS
- Improvements to Travel and Tourism and Transportation Satellite accounts, including coverage of vacation homes, gasoline consumption
- Provision of KLEMS decomposition of annual tables, 1998-2005
Industry Accounts

- Looking ahead:
  - Develop consistent NAICS time series for industry R&D performance and funding prior to 1987
  - Release 2002 Capital Flow table
  - Work on consistent time series of historical benchmark use tables to reflect changes introduced in 2003 NIPA comprehensive revision
  - Database re-engineering as part of research to prepare constant-price I-O tables
Regional Accounts

- New Associate Director - Joel Platt
- GDP by metropolitan area by NAICS sector (September 2007)
- 2006 GDP by state estimates released four months earlier
  - 2006 personal income for metro areas estimates one month earlier
- Follow-on experimental methodology for estimating state price levels for 2000
Regional Accounts

- Looking ahead:
  - Develop prototype estimates of pension and retirement distributions and income available to households
  - Develop disposable personal income for metro areas
  - Begin development of experimental estimates of state and metro area personal income and GDP adjusted for price level differences
  - Investigate acceleration of state personal income
- Health Accounting
  - March 2007 CNSTAT workshop with support from BEA

- Data Sharing
  - Census/BEA/Internal Revenue Service
  - BLS/BEA
Chief Information Officer

- New CIO: Brian Callahan
- Departmental selection of RIMS II as E-Gov success story
- Interactive mapping web application for state and local area personal income
- Good progress on all aspects of IT security and continuity
- Looking ahead:
  - International survey processing modernization
  - Implementation of high performance national accounts STATS engine
Customers

- Expanded outreach to users
  - 2nd NEA user conference in NYC
  - Industry Accounts user conference
  - Continued expansion of technical assistance, professional presentations, and other outreach
    - Reached an estimated 25,000 customers in FY 2007

- Data and Information Dissemination:
  - New NIPA methodologies
  - Working/background papers - www.bea.gov
    - Prototype and experiments measures
    - R&D
    - PCE/CPI reconciliation