Overview

- Motivation
- Proposed methodology
- Preliminary results
- Release and revision
- Tentative time frame
- Questions
Motivation

- More timely industry data for business cycle analysis and policy/research issues
- Industry price and quantity measures consistent with quarterly GDP for use in a NIPA framework
- Quarterly real output indicators for both the goods and services-producing sectors
Proposed Methodology

- Combined features used for
  - Advance annual GDP by industry
  - Quarterly travel and tourism

- Compiled experimental estimates for testing and evaluation starting with 2003 Q1
Proposed Methodology

- Nominal Value Added Estimates
  - NIPA estimates for farms and general government
  - For non-farm business, extrapolate industry compensation, taxes, and GOS separately
  - Insure that industry value added sums to GDP

- Real Value Added Estimates
  - Single deflation with industry gross output price
  - Price indexes are obtained from several sources
  - Aggregation over all industries for comparison with quarterly real GDP from the NIPAs
Preliminary Results

- Aggregate (all industry) real value added roughly tracks real GDP in recent quarters.
- As expected, quarterly nominal estimates are quite variable, especially for goods.
- Real estimates for goods show declines in several quarters when real GDP increases.
- Volatility of goods value added exceeds that of GDP goods in final expenditures.
Real GDP vs. All Industries

Real GDP and Real Value Added for All Industries

Quarter

Real GDP

Real VA for All Industries
Energy Price Volatility

Selected Import and Domestic Prices

Percent Change (Ann. Rate)

Quarter

[Graph showing selected import and domestic prices for various quarters from 2003Q2 to 2007Q1 with different categories such as Imported Petroleum, Oil & Gas GO, and Petrol. & Coal GO.]
Nominal Growth: Goods vs. Services

Nominal Value Added
Percent Change at Annual Rate

GDP Private goods Private services
Quarterly Volatility for Goods

Deviations of Quarterly Real Growth Rates from Annual Average Real Growth Rates, 2004-2006

Percentage points


Goods Real VA, Real GDP for Goods
### Percent Changes in Value Added by Industry Group, 2007 Q1
(seasonally adjusted at annual rates)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Nominal</th>
<th>Real</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Domestic Product</td>
<td>4.9</td>
<td>0.7</td>
</tr>
<tr>
<td>Private industries</td>
<td>4.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Agriculture, forestry, fishing, and hunting</td>
<td>30.1</td>
<td>-12.0</td>
</tr>
<tr>
<td>Mining</td>
<td>-24.5</td>
<td>-27.9</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.3</td>
<td>-11.9</td>
</tr>
<tr>
<td>Construction</td>
<td>-13.2</td>
<td>-15.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>10.1</td>
<td>7.3</td>
</tr>
<tr>
<td>Durable goods</td>
<td>6.8</td>
<td>5.7</td>
</tr>
<tr>
<td>Nondurable goods</td>
<td>14.5</td>
<td>9.2</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>11.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Retail trade</td>
<td>1.5</td>
<td>-0.1</td>
</tr>
<tr>
<td>Transportation and warehousing</td>
<td>3.7</td>
<td>-1.4</td>
</tr>
<tr>
<td>Information</td>
<td>20.4</td>
<td>20.6</td>
</tr>
<tr>
<td>Finance, insurance, real estate, rental, and leasing</td>
<td>-4.4</td>
<td>-6.5</td>
</tr>
<tr>
<td>Professional and business services</td>
<td>14.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Educational services, health care, and social assist.</td>
<td>4.5</td>
<td>-1.4</td>
</tr>
<tr>
<td>Arts, entertainment, recreation, accom., &amp; food ser.</td>
<td>25.4</td>
<td>20.6</td>
</tr>
<tr>
<td>Other services, except government</td>
<td>5.6</td>
<td>2.1</td>
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<tr>
<td>Government</td>
<td>7.0</td>
<td>1.0</td>
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</table>

### Addenda:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Nominal</th>
<th>Real</th>
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</thead>
<tbody>
<tr>
<td>Private goods-producing industries</td>
<td>1.8</td>
<td>-2.9</td>
</tr>
<tr>
<td>Private services-producing industries</td>
<td>5.4</td>
<td>1.2</td>
</tr>
</tbody>
</table>
Release and Revision Scenario

- Based on final quarterly GDP data
- Released 15-30 days later, 3 to 4 months after the end of the quarter
- Annual revisions each Spring would insure for nominal value added that
  - Sum of quarters for an industry equals annual VA
  - Sum of industry VA for a quarter equals NIPA GDP
Tentative Time Frame

- **FY08**: Complete testing and evaluation of methodology for quarterly estimates
- **FY09**: Complete systems development and testing of annual revision processes
- **FY10**: Release estimates for the first quarter of 2010 in July along with earlier quarters
- **FY11**: Release estimates for the rest of 2010 and revise estimates for earlier years
Questions

- How would quarterly GDP by industry data be used for analysis and research?
- Are the 15 broad industry groups sufficient for such uses of quarterly estimates?
- Are you concerned about differences between real GDP and aggregate real VA?
- Should BEA also consider providing gross output by industry quarterly?