Impact of Covid-19 on BEA's Economic Accounts

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Advisory Committee Meeting

May 15, 2020



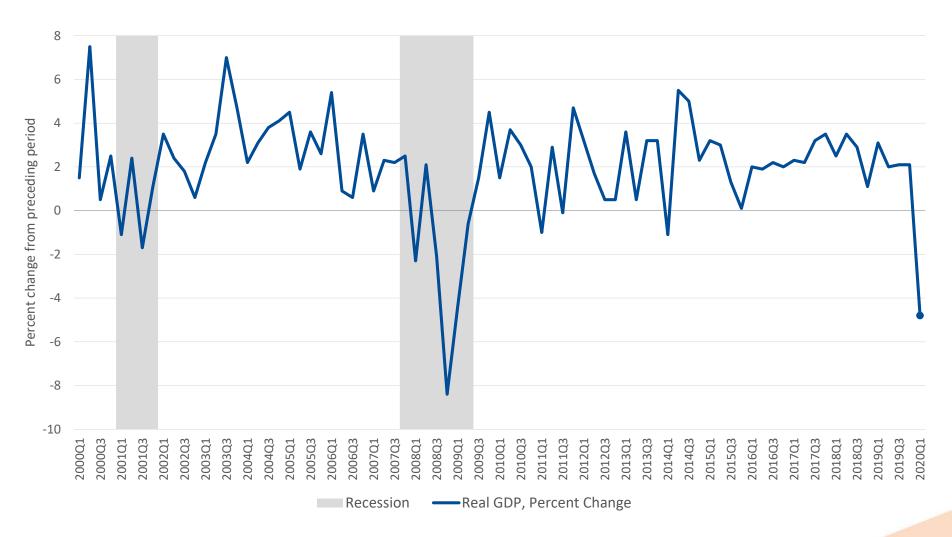
Snapshot: What We'll Cover



- Overview of first quarter GDP
 - A look at the data
 - Measurement challenges and solutions
- Pandemic response: new recovery laws
 - Classification of new programs
 - Brief overview of NIPA Impacts
- Communications strategy

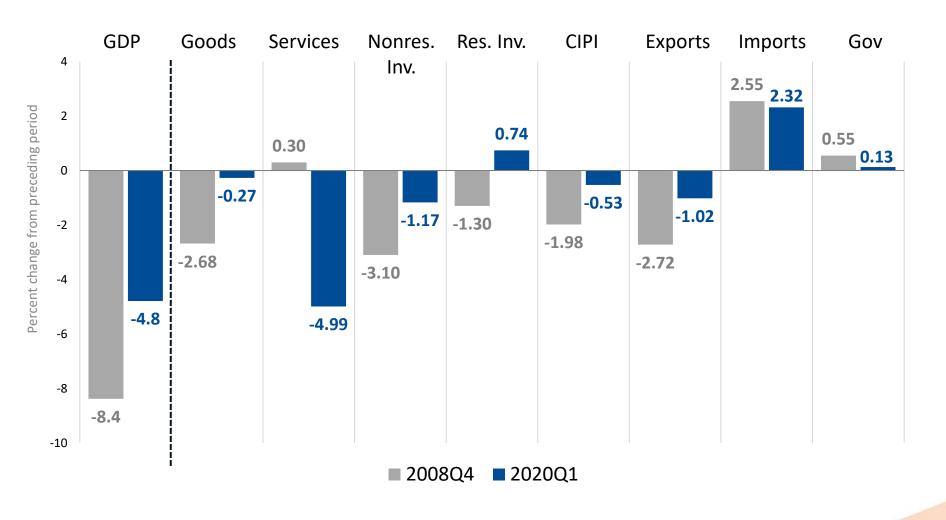
Gross Domestic Product





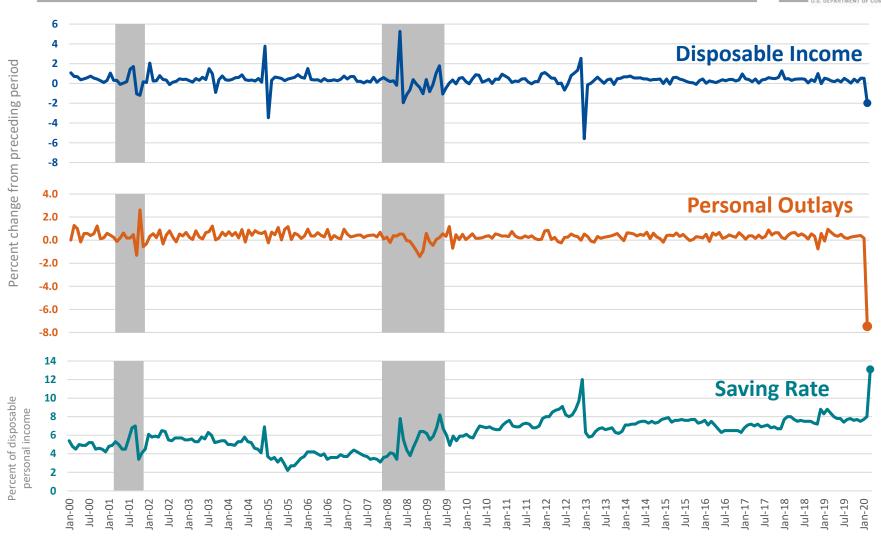
Contributions to Percent Change in Real GDP





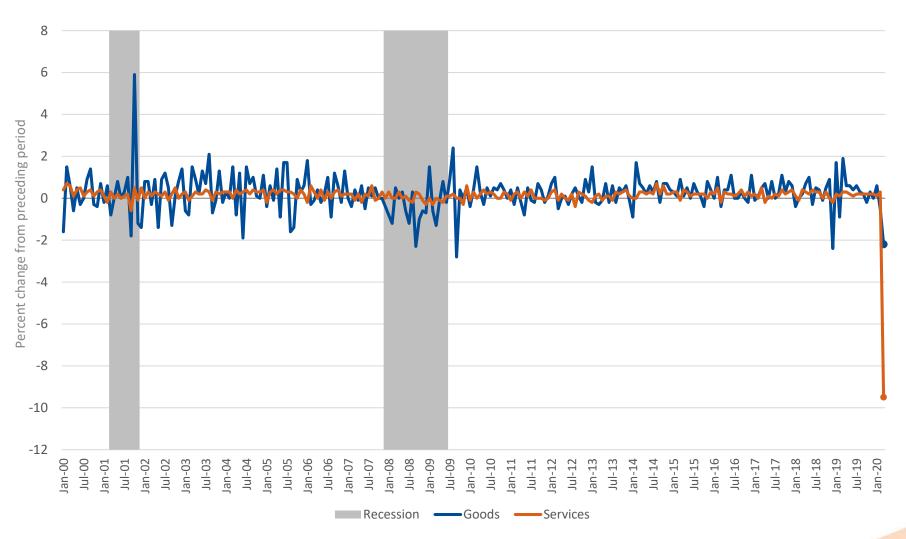
Current Dollar DPI, Personal Outlays, and Saving





Real Consumer Spending on Goods and Services





Measurement Challenges and Solutions Q1 2020



- Partnered with Census and BLS to understand quality and coverage of routine source data
- Identified and vetted alternative data sources and methods, and assessed closures to account for rapid shift in activity in March
- Monitored and evaluated government responses to ensure accurate and reliable treatment in the accounts

Pandemic Response: New Recovery Laws





Recording New Recovery Laws in the NIPAs



- Legislation Assessment
 - CBO and Congress' Joint Committee on Taxation (JCT) analysis
 - News reports
- Classification Assessment
 - Based on BEA NIPA methodologies and international guidelines (SNA) (see ISWGNA's <u>COVID-19</u>: How to Record Government Support to Employers, <u>Self-employed and Households</u>)
 - BEA published <u>COVID-19 Pandemic: Federal Recovery Legislation and the NIPAs</u> to communicate the likely classification of the major provisions
- Measurement Assessment
 - Source Data
 - Monthly Treasury Statement provides outlays and receipts by program
 - Agency reports or other sources as available
 - If no direct data are available, develop estimation assumptions and methods
 - Timing (accrual vs cash/disbursement)
 - Determine if adjustments are needed to record transactions in the correct time period

Example: Paycheck Protection Program (PPP)



See FAQ: How does the Paycheck Protection Program of 2020 impact the national income and product accounts (NIPAs)?

Classification of PPP

- Loan or transfer payment?
 - While structured as a loan, the intent of the program is to provide grants to businesses that use the funds for payroll and other specified expenses.
 - A portion of loans that are not forgiven should be treated as regular loans.
- Subsidy or Social Benefit?
 - BEA classifies the forgivable portion of these loan disbursements as subsidies.
 - Recognizes employers benefit by retaining the employer-employee relationship and by being positioned to re-open faster.

Measurement

- Subsidy amount should include only the portion of loans that will not be repaid, but this won't be known in the short-term.
- The subsidy payments are intended to pay payroll for eight weeks after the loan is disbursed, so timing adjustments may need to be made to align operating surplus, subsidies, and compensation.
- These subsidies need to be allocated to proprietors, corporations, and non-profits as well as by industry.

Recovery Laws' Impacts on Federal NIPA Transactions



Federal Government Purchases: Consumption & Investment

- Increased spending to replenish the Strategic National Stockpile
- Increased VA Hospital funding
- Increased R&D funding

Transfers to Businesses: Subsidies

- Paycheck Protection Program
- Tax credits to fund emergency sick and family leave
- Employee retention tax credit
- Support for hospitals

Transfers to People & Non-Profits: Social Benefits

- Economic impact payments
- Increased and expanded unemployment benefits
- Expanded SNAP benefits
- Non-profit support: community health centers, etc.

Transfers to State and Local Governments: Grants to S&L

- Increased Federal Matching Assistance Percentage (FMAP)
- Support for hospitals and community health centers
- Several other grants programs

Outreach & Communication: bea.gov/recovery



