

Impact of Covid-19 on BEA's Economic Accounts

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Advisory Committee Meeting

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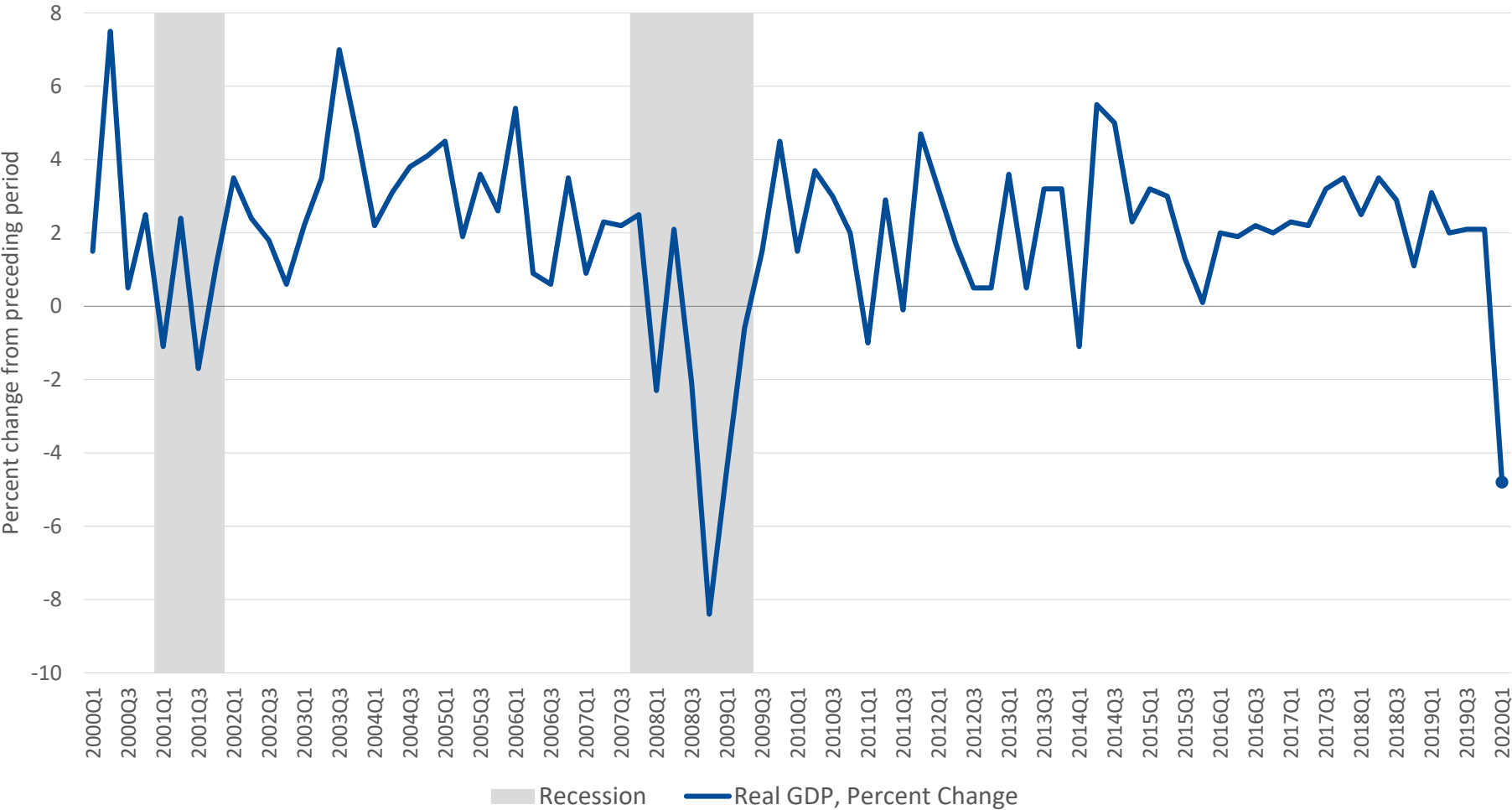


Snapshot: What We'll Cover



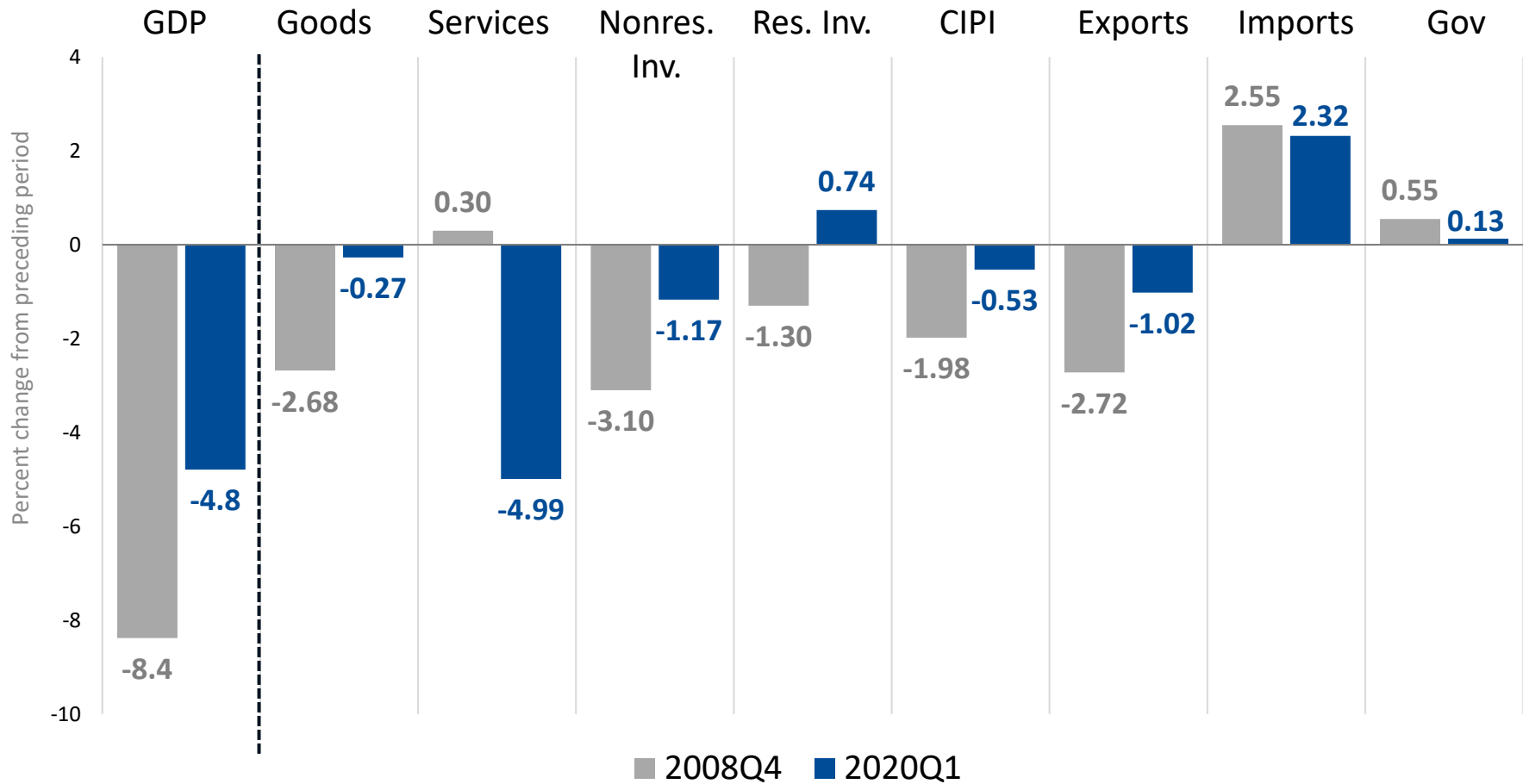
- Overview of first quarter GDP
 - A look at the data
 - Measurement challenges and solutions
- Pandemic response: new recovery laws
 - Classification of new programs
 - Brief overview of NIPA Impacts
- Communications strategy

Gross Domestic Product

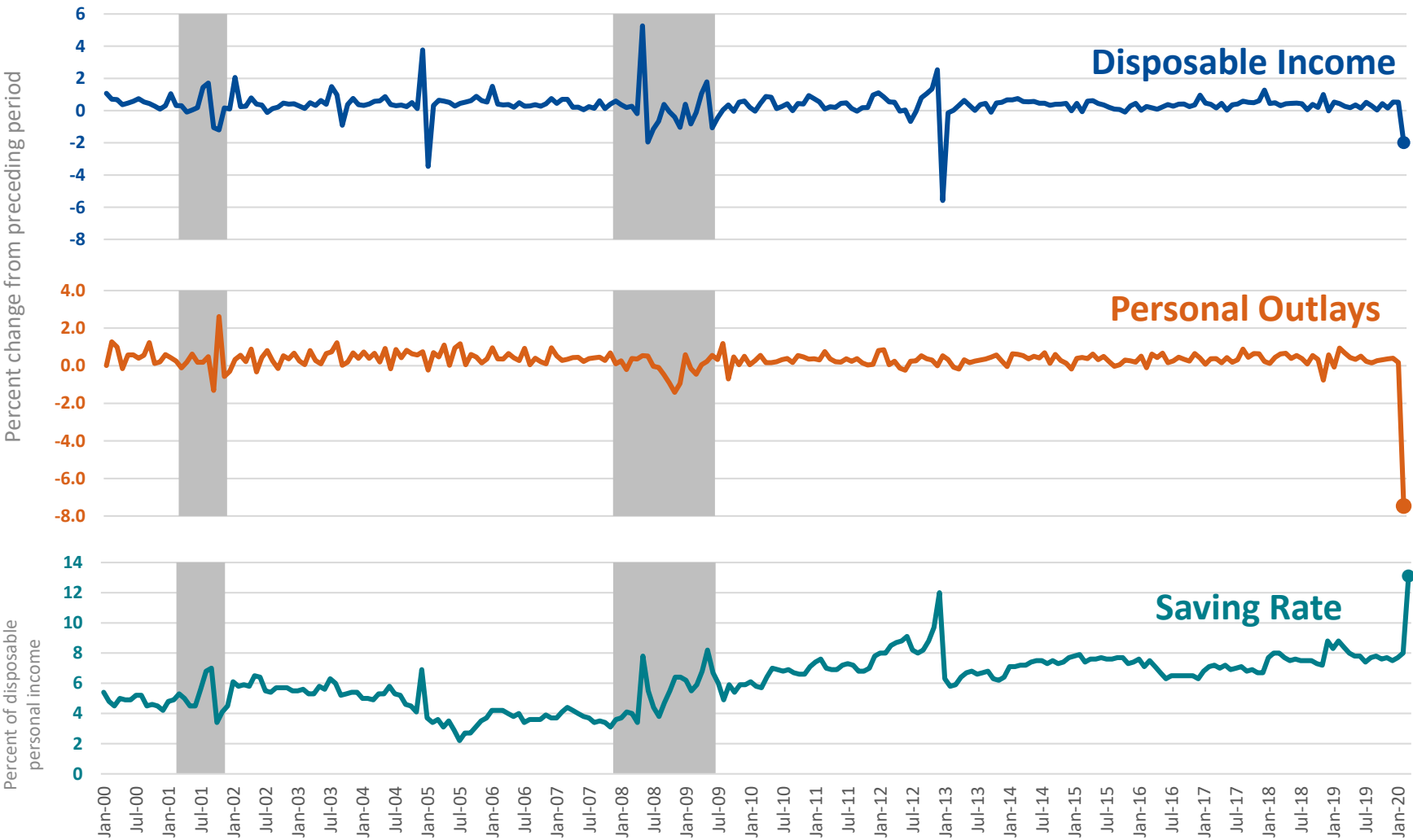


Real (inflation-adjusted) estimates seasonally adjusted at annual rates

Contributions to Percent Change in Real GDP

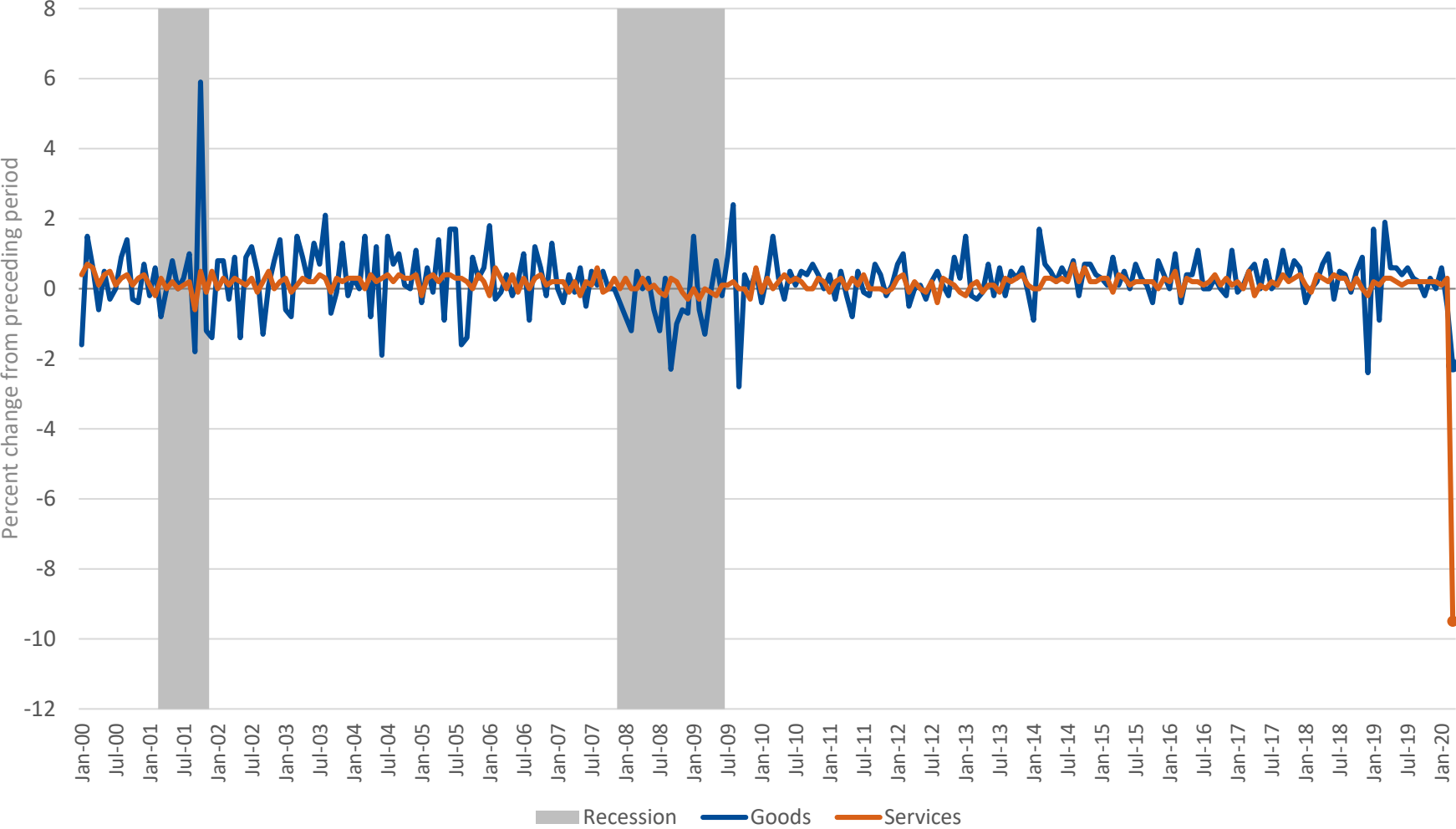


Current Dollar DPI, Personal Outlays, and Saving



Estimates are seasonally adjusted at monthly rates

Real Consumer Spending on Goods and Services



Real (inflation-adjusted) estimates seasonally adjusted at monthly rates

- 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



- 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 [COVID-19: How to Record Government Support to Employers, Self-employed and Households](#))
 - BEA published [COVID-19 Pandemic: Federal Recovery Legislation and the NIPAs](#) 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.

Federal Government Purchases: Consumption & Investment

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

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 Businesses: Subsidies

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

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



An official website of the United States government

bea Bureau of Economic Analysis
U.S. DEPARTMENT OF COMMERCE

Home | Federal Recovery Programs and BEA Statistics

Federal Recovery Programs and BEA Statistics

COVID-19 and Recovery

This Bureau of Economic Analysis webpage will consolidate information about the COVID-19 virus and federal stimulus programs as they relate to BEA's economic data. Any technical information important to a particular news release will also be published with the news release.

Paper, Blogs, Articles

BEA Working Paper Series, WP2020-5

Measuring the Effects of the COVID-19 Pandemic on Consumer Spending Using Card Transaction Data

COVID-19 Pandemic: Federal Recovery Legislation and the NIPAs

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In response to the COVID-19 global pandemic that began in early 2020, Congress passed four major pieces of legislation to provide support to individuals, communities, and businesses. The legislation established several temporary support programs/initiatives as well as provided additional funding for existing federal pro-

Notes & Technical Information

Use of RIMS II Multipliers—COVID-19

BEA's Regional Input-Output Modeling System (RIMS II) provides a tool that can be used in estimating the economic impact of the COVID-19 pandemic. The model produces multipliers for a wide range of projects and programs. The basic structure of the model is based on the man-made disaster economic model changes in business government tax and RIMS II multipliers.

Technical Note

Gross Domestic Product First Quarter of 2020 (Advance Estimate)

April 29, 2020

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release. The complete set of estimates for the first quarter is available on BEA's Web site at www.bea.gov; a brief summary of "highlights" is also posted on the Web site. In a few weeks, the *Survey of Current Business*, BEA's online monthly journal, will publish a more detailed analysis of the estimates ("GDP and the Economy").

Coronavirus (COVID-19) Impact on First-Quarter 2020 GDP

Real GDP decreased 4.8 percent (annual rate) in the first quarter of 2020, following a 2.1 percent

FAQs

How did BEA adjust March 2020 wages and salaries to account for the effects of COVID-19?

How does BEA measure the impact of COVID-19 on college campuses?

How are the economic effects of COVID-19 recorded in the 2020 GDP?

How does the Payroll Survey account for COVID-19?

How does the 2020 GDP differ from the 2019 GDP?

Why does BEA publish the 2020 GDP?

In both examples, one can see the decline in GDI between these two periods. However, the impact on GDI is the same in Period 2 -- regardless of whether there is a subsidy. In effect, the subsidy in Period 2 transfers the cost of employment to the government and offsets the decline in net operating surplus. There is no change in compensation because only the source of funding has changed.

Example 1: No Subsidy
 Period 1 - Normal Business Operations: Business has 101 sales, 100 compensation expense, 0 subsidy
 Period 2 - Business Closed: Business has 0 sales, 100 compensation expense, 0 subsidy

	Period 1	Period 2	Change
GDI	101	0	-101