

# BEA GDP Accounts for Puerto Rico, 2012-2018

Comments - Barry Bosworth

# Introductory Comments

- The BEA project is an important improvement on available statistics documenting the economic situation in Puerto Rico
  - It represents a substantial updating and modernizing of available information.
  - It highlights the extent to which Puerto Rico has been excluded from basic national data collection programs.
- The project provides a “benchmark’ that could be used to modernize the existing statistical system of Puerto Rico and bring it in line with international standards.
- It needs to continue under the auspices of either BEA or the Puerto Rico Planning Board to include other important elements of the system of economic accounts including personal income and the distinction between GDP and GNP.

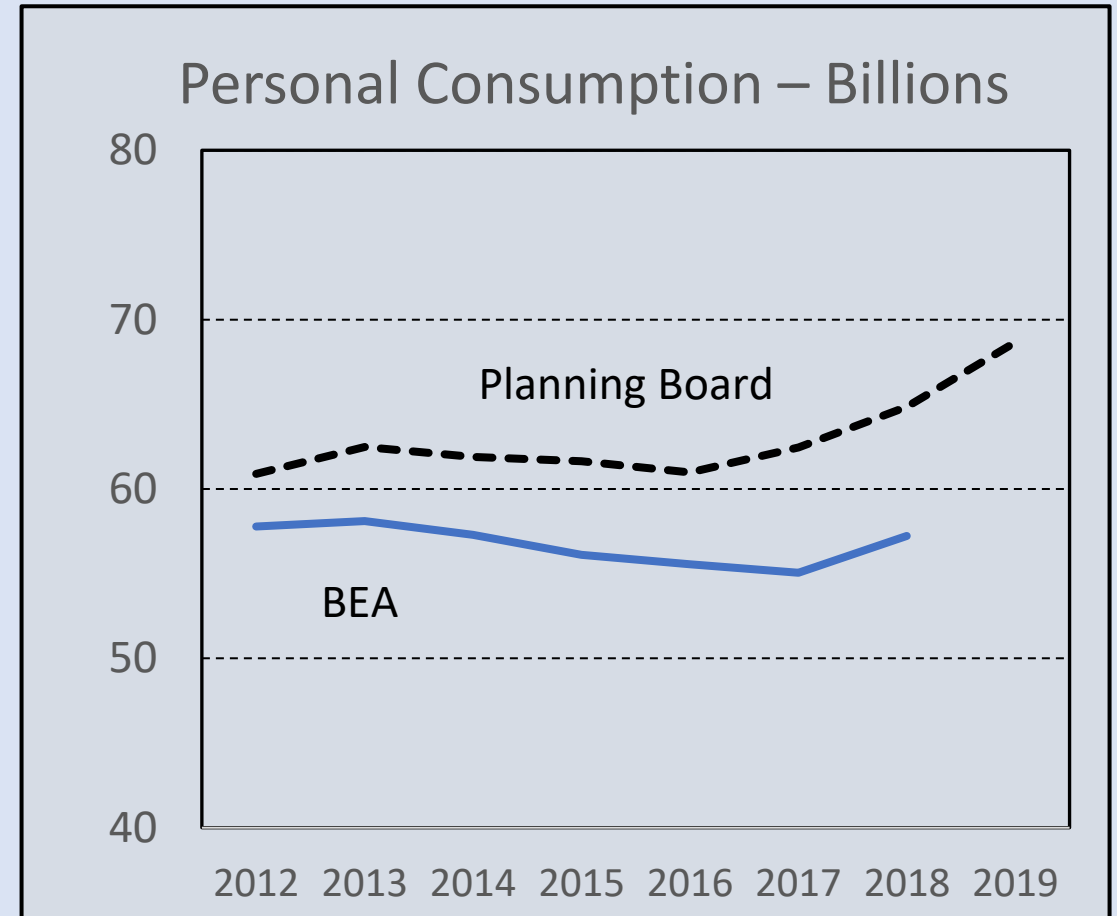
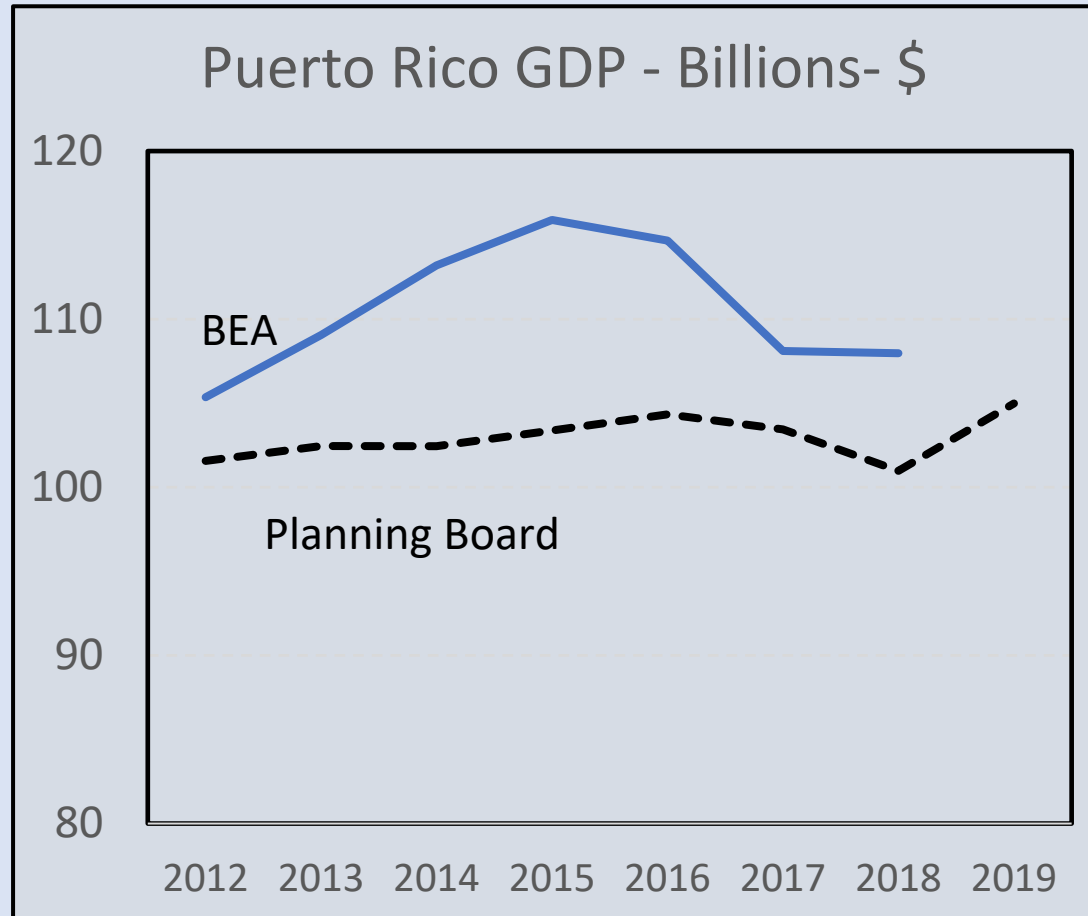
# Background

- Puerto Rico's population is approximately 2.9 million (U.S citizens), in line with the 30<sup>th</sup> state, and it has been declining since 2002.
  - Average household income is less than half the poorest state.
  - The poverty rate is about 43%, compared to a U.S. average of 13%
- The Puerto Rico Planning Board currently prepares a surprisingly detailed set of income and product accounts dating back to the 1940s.
  - They are compiled (18 tables & 5 accounts) on a fiscal year basis, but
  - the basic framework of the presentation has remained largely unchanged over that time( Laspeyres price indexes are published on a base of 1954 and the accounts exclude many IP products.
  - It relies on many of its own statistical surveys and has been unforthcoming about the details of its statistical methodology.

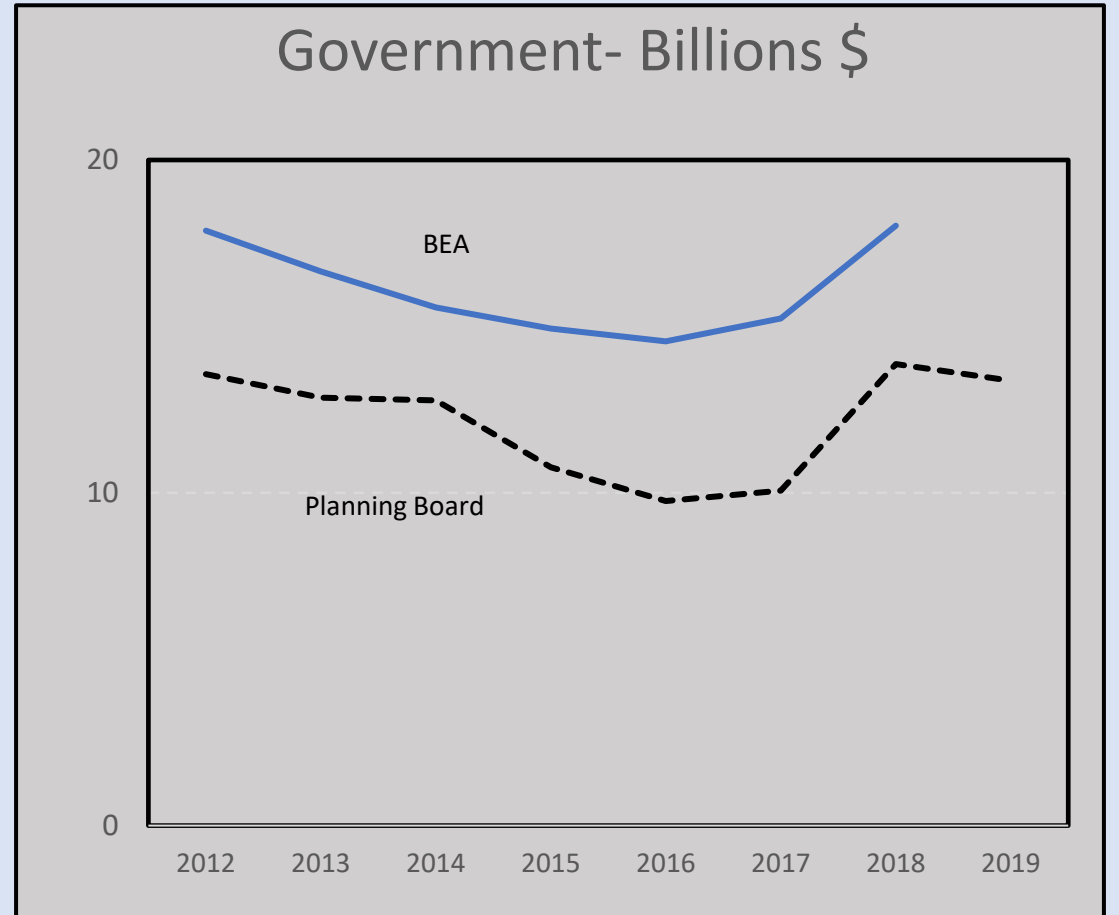
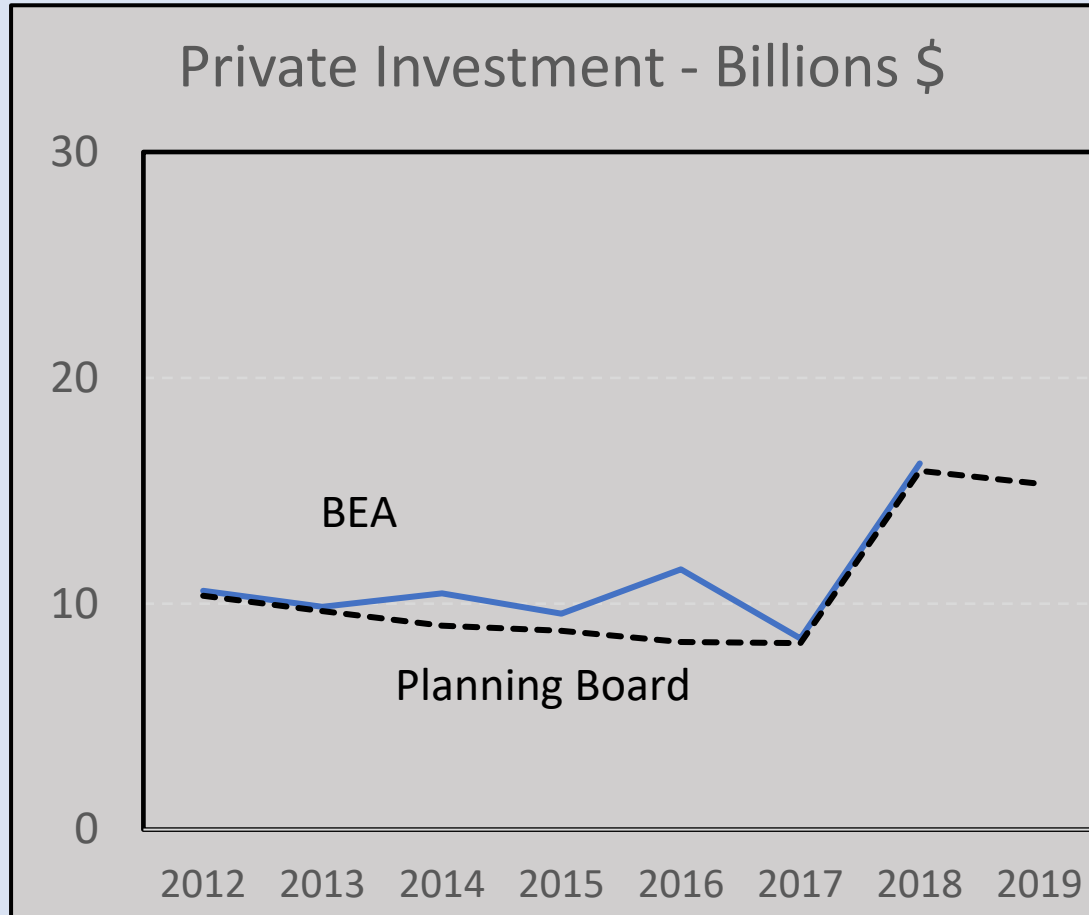
# National Accounts Comparison

- BEA estimates of GDP averages about 7% higher than the Planning Board
  - Significantly lower estimate of consumption, but
  - Much higher for government and net exports.
  - Investment is similar.
- GDP severely overstated as an income measure because drug companies shift income to Puerto Rico to avoid taxes.
- Huge gap between GDP and GNP ( $GNP \approx 2/3^{\text{rd}}$  of GDP)

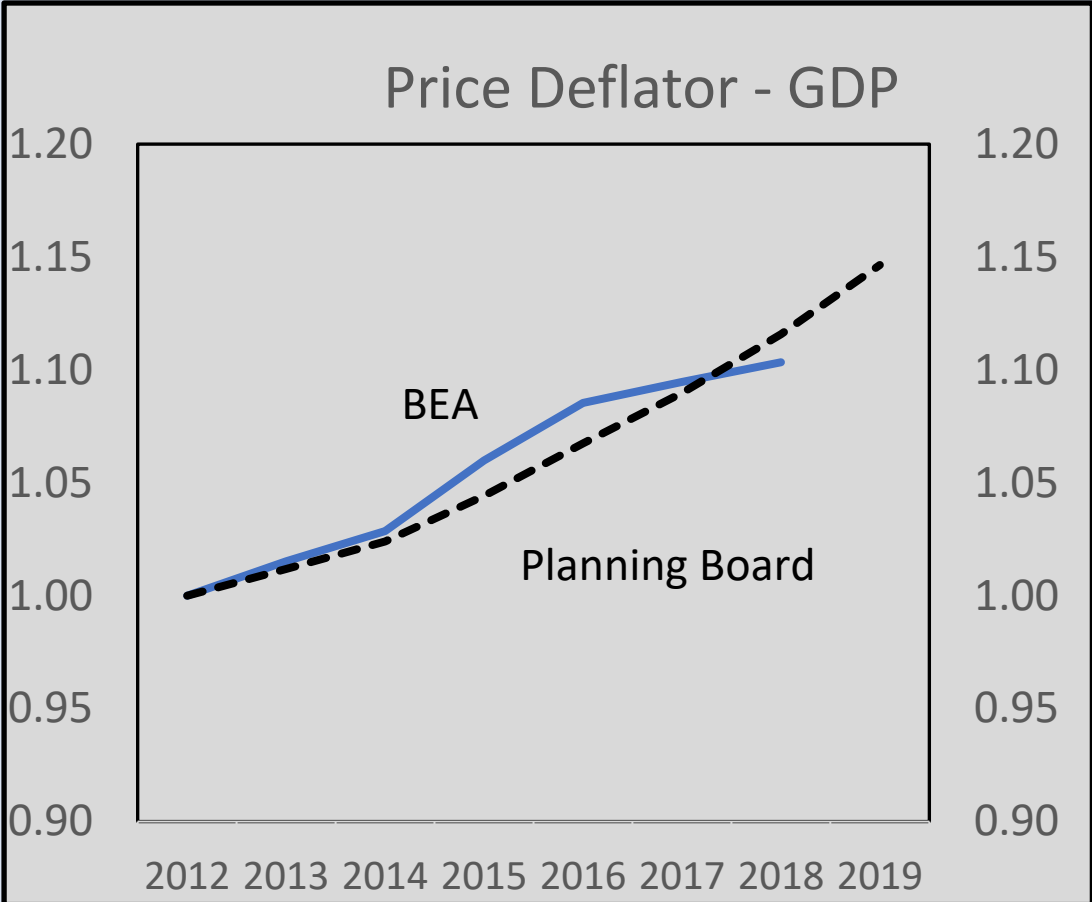
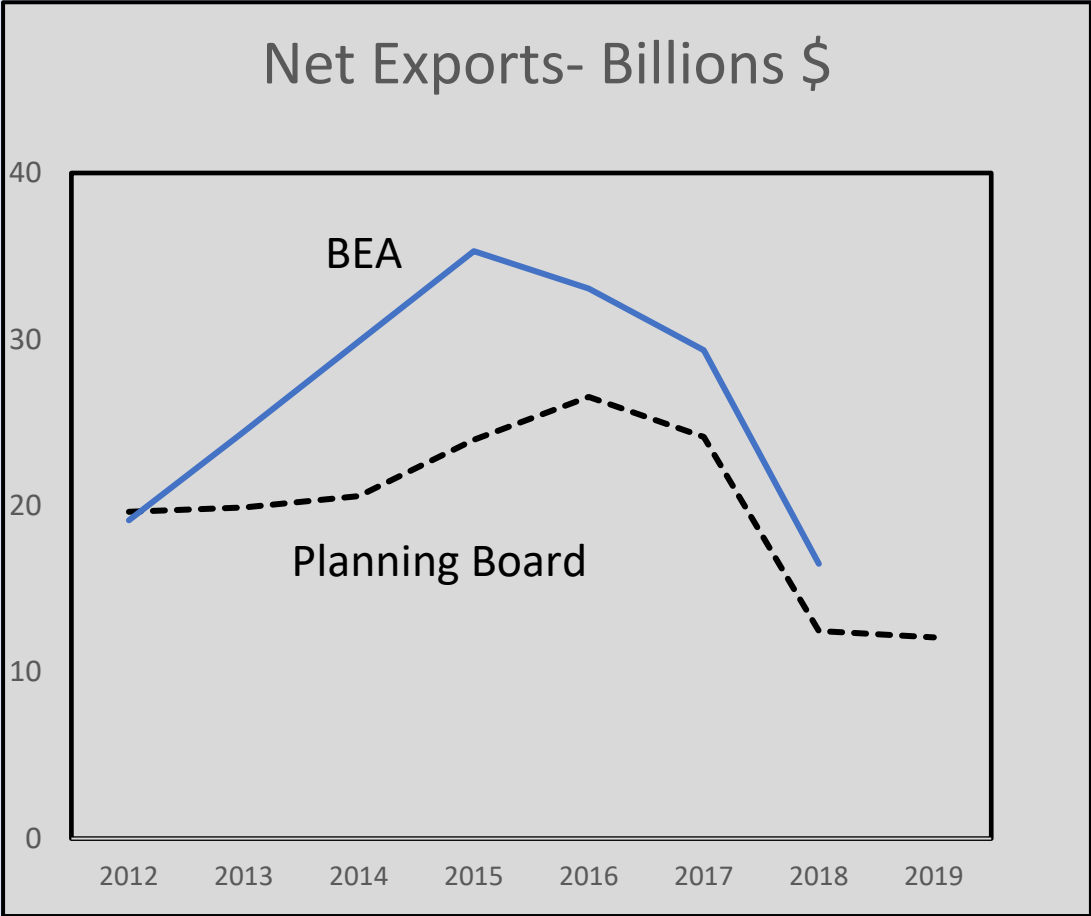
# National Account Comparisons (1)



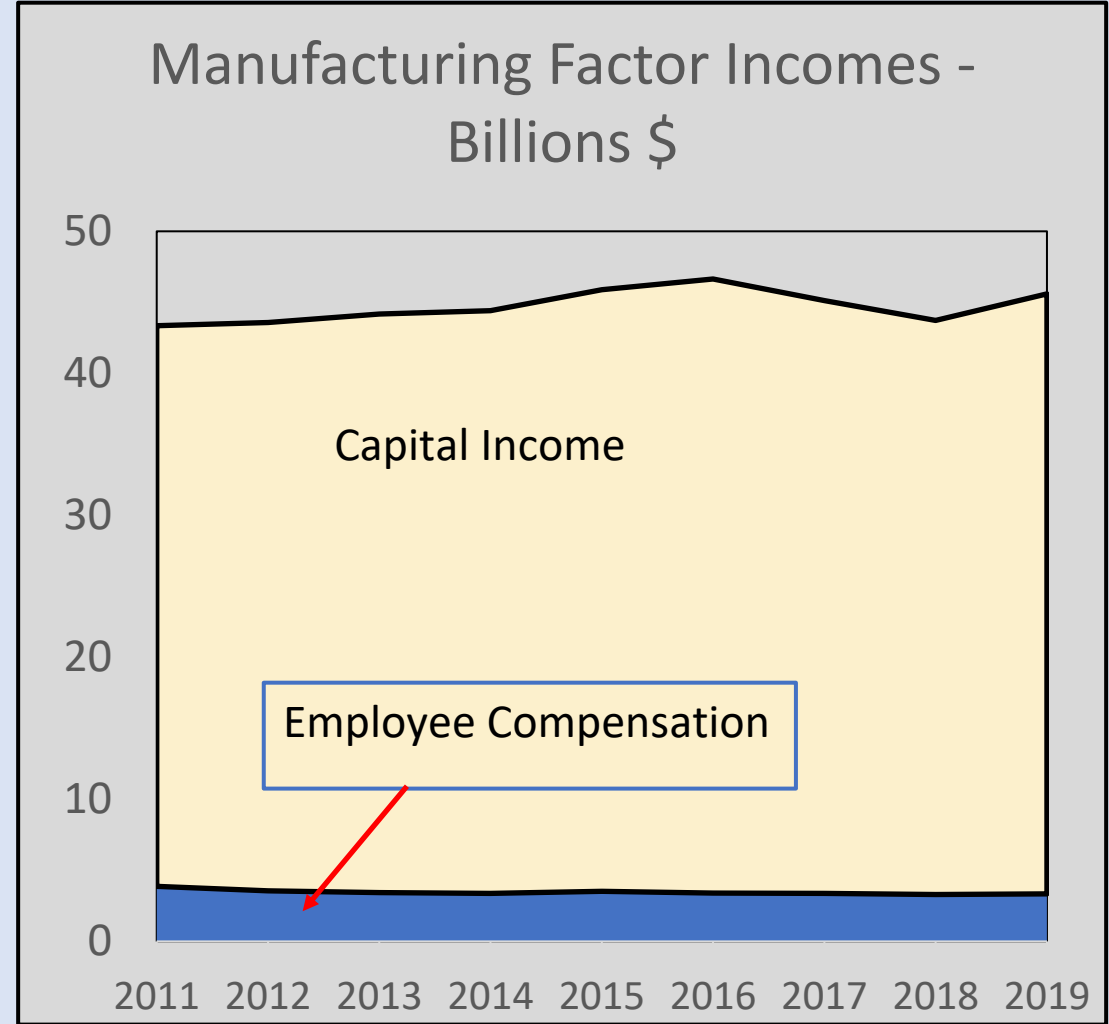
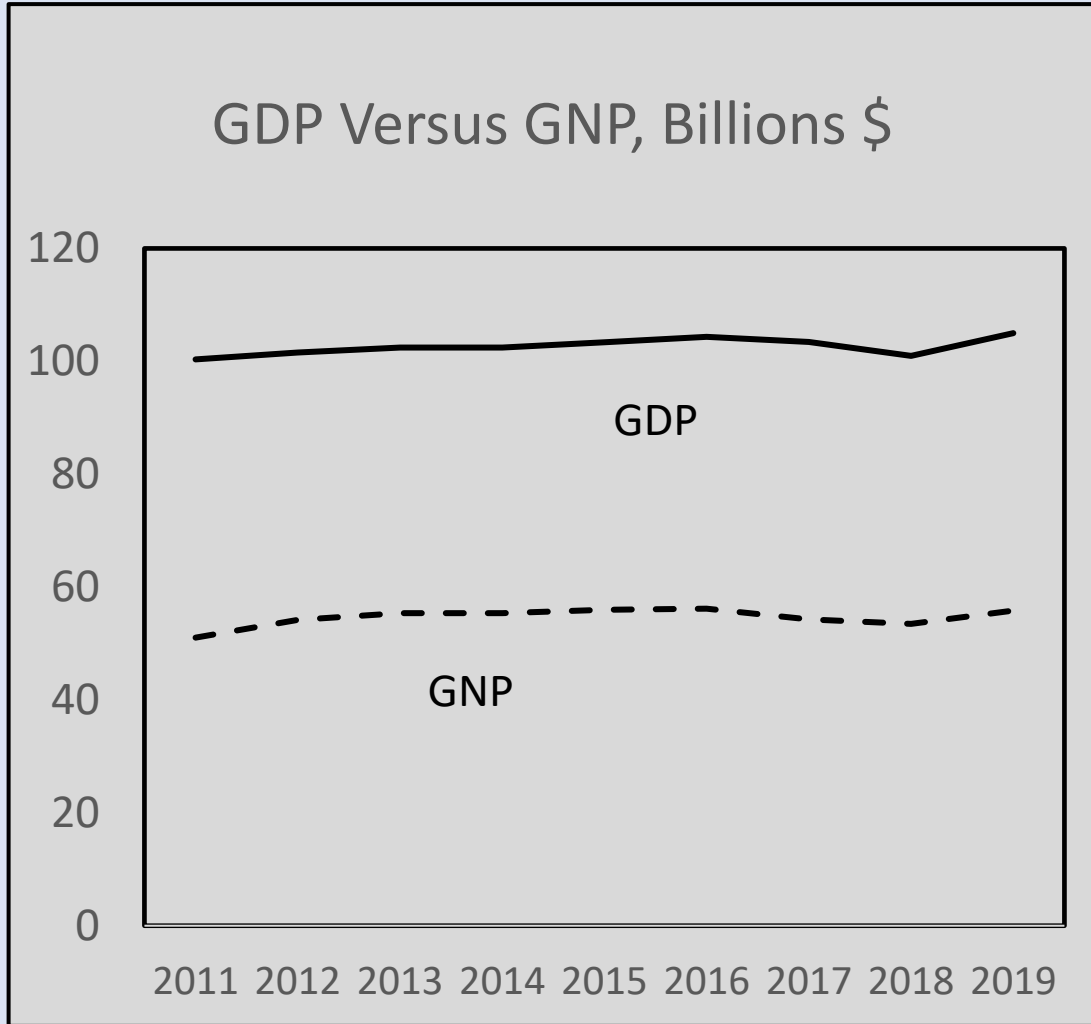
# National Accounts Comparison (2)



# National Accounts Comparison (3)



# Puerto Rico National Accounts





# Future Directions

- The new BEA measures need to be fully integrated with the far more detailed Planning Board Income and Product Accounts.
  - the existing PB accounts need to be modernized.
  - The BEA lacks the resources to do it alone
  - Will the planning board accept BEA assistance?
  - As a one-time project, it will be a waste.
- The most critical data needs are on the income side.
  - Personal Income
  - National Income
- Puerto Rico also produces employment and wage estimates in conjunction with the BLS that should be integrated with the revised income and product accounts.