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# Comments on Measuring the Rapidly Changing U.S. Economy

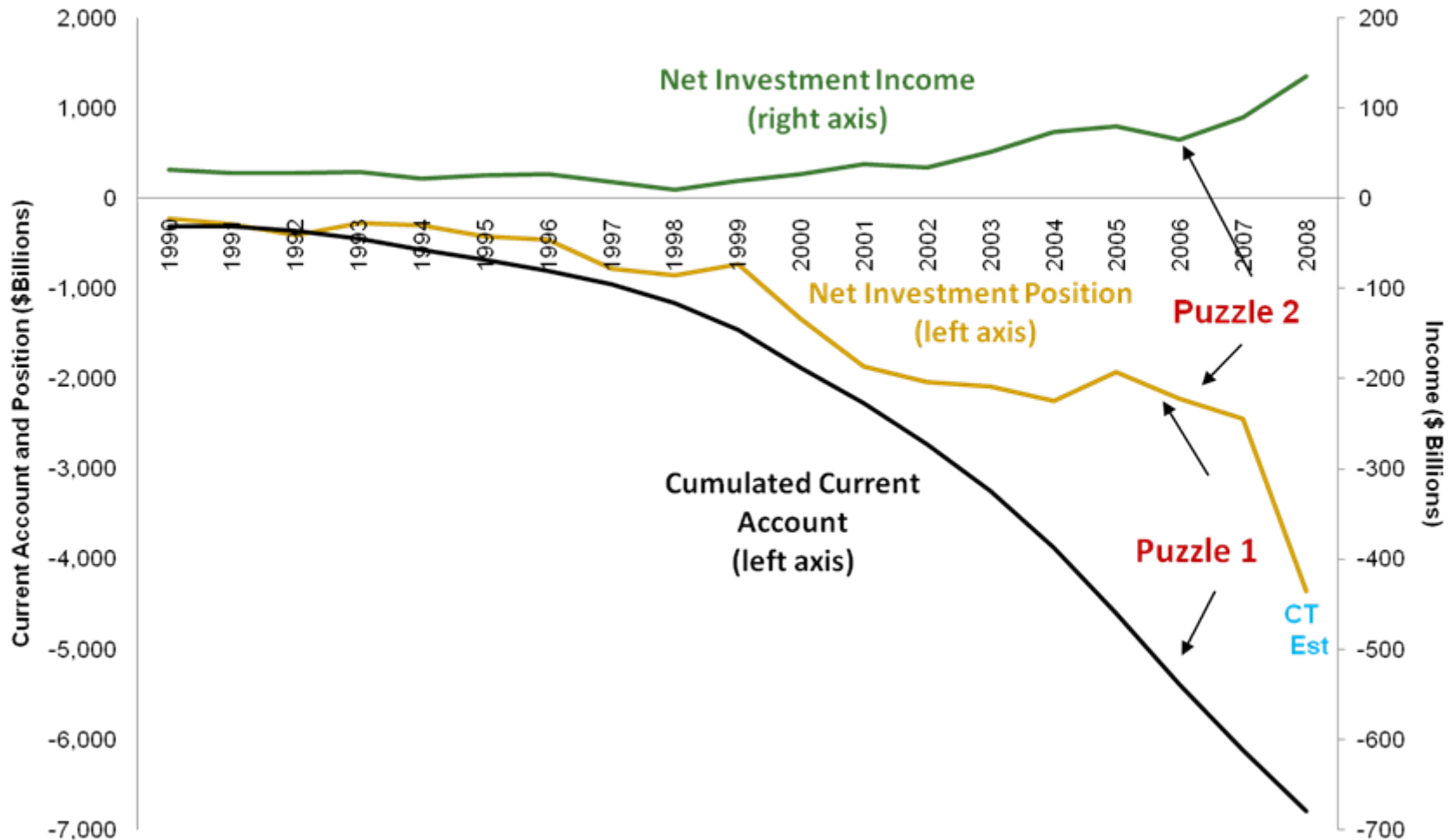
Prepared for BEA Advisory Committee Meeting, May 1, 2009

Charles P. Thomas  
(Board of Governors of the Federal Reserve System)

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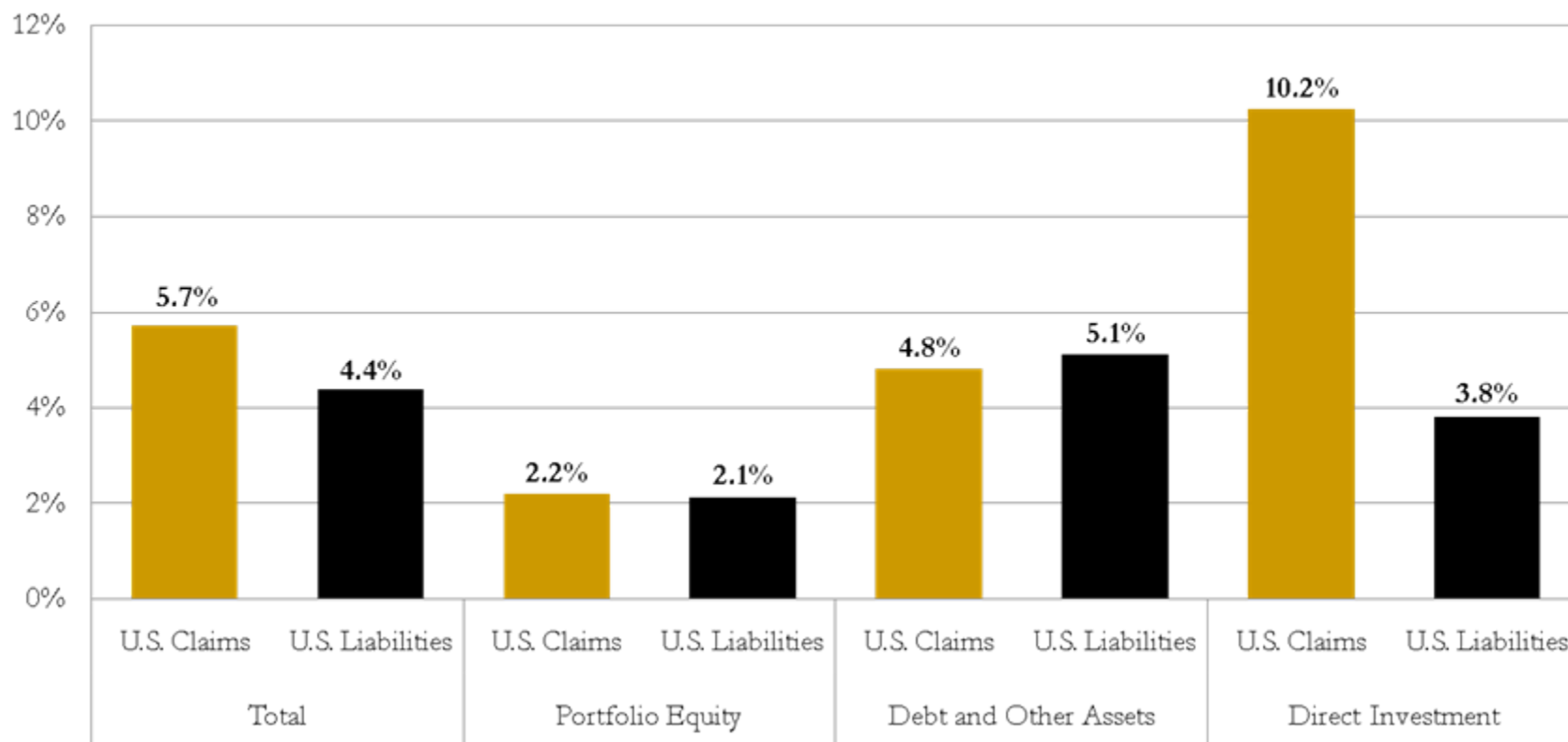
# Puzzles in the International Accounts

## Puzzles in the U.S. International Transactions Accounts

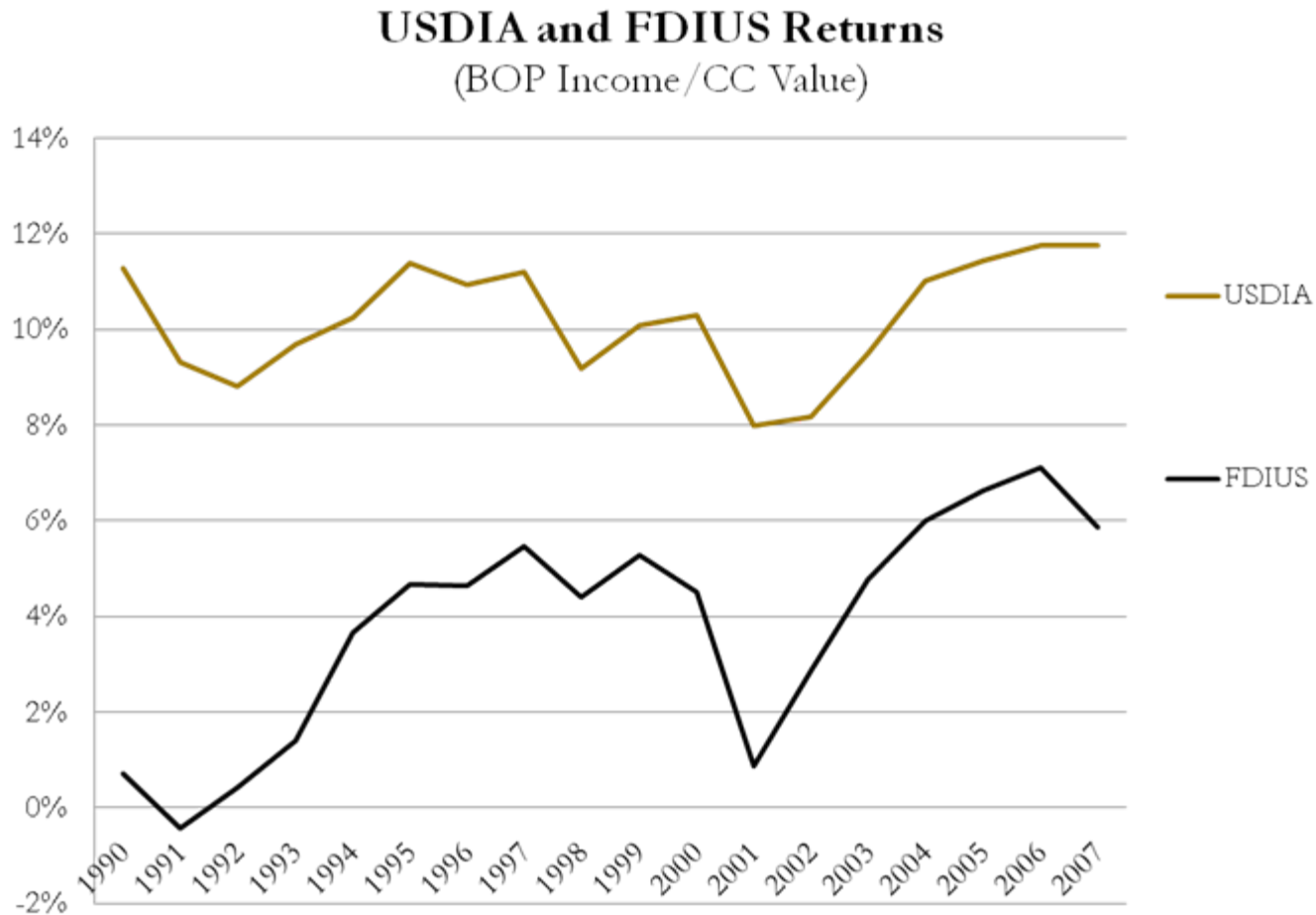


# Puzzle 2: Differences in Rates of Income

**Average Rates of Income**  
(1990-2007 Average)



# Difference in DI Income Rates is Large and Persistent



# Composition of Direct Investment

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## Share of Historical-Cost Value (by NAICS industry of affiliate, 2005)

	<b>USDIA</b>	<b>FDIUS</b>
Mining	5%	3%
Mgt. of Holding Cos.	<b>32%</b>	10%
Information	5%	6%
Other industries	10%	16%
Wholesale trade	6%	14%
Insurance	5%	8%
Finance (non-bank)	16%	5%
Manufacturing	19%	<b>31%</b>
Depository Insts.	3%	7%
<b>All Industries</b>	<b>100%</b>	<b>100%</b>

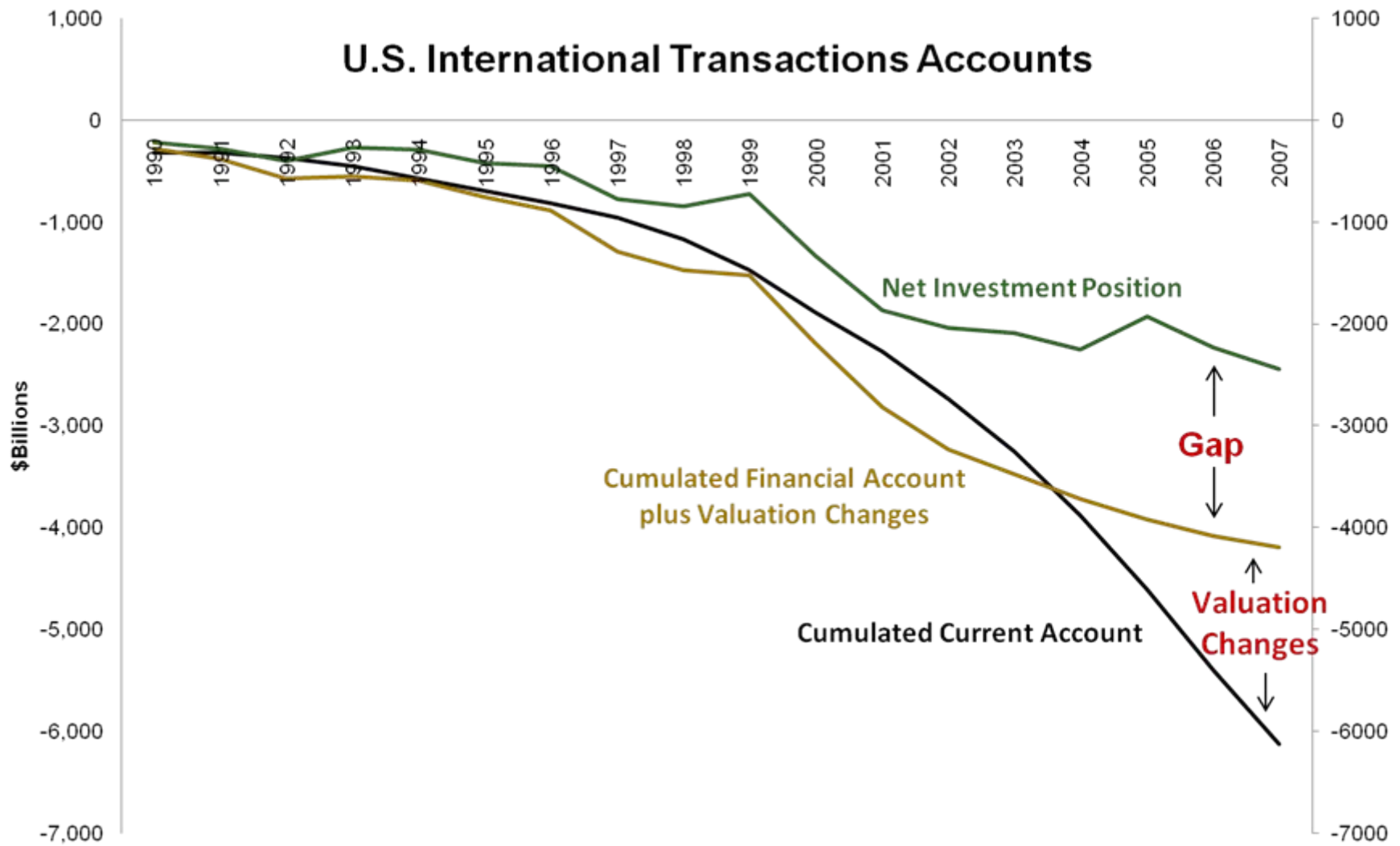
# Evidence of Widespread U.S. Return Advantage

## Return: BOP Income (ex ccadj) / HC Value

(by NAICS industry of affiliate, 2005)

	Return		USDIA return-
	USDIA	FDIUS	FDIUS return
Mining	22.5%	12.1%	10.4%
Mgt. of Holding Cos.	15.4%	5.1%	10.3%
Information	10.5%	2.7%	7.8%
Other industries	12.2%	4.6%	7.6%
Wholesale trade	18.4%	11.1%	7.3%
Insurance	10.7%	3.8%	6.9%
Finance (non-bank)	4.5%	-0.6%	5.1%
Manufacturing	10.9%	9.2%	1.6%
Depository Insts.	0.2%	4.0%	-3.7%
<b>All Industries</b>	<b>12.1%</b>	<b>6.8%</b>	<b>5.4%</b>

# Puzzle 1: A large 'Gap' remains after valuation adjustments are added to reported financial (or current) account data



# Need to Correct for Known Problems

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- Missing Asset Classes
  - Financial Derivatives (until 2006)
  - Residential Real Estate
- Problems with Transactions Data
  - US Flows into Foreign Equities and Bonds
  - Foreign Flows into US Equities and Bonds
  - Exports
- Problems with Positions Data
  - Short Sales
  - Research and Development



# Puzzle 1 narrows and shifts to the statistical discrepancy after CTW (2008) adjustments

