



Measuring the Rapidly Changing Economy:

GDP, National Income, Financial Sector, and Government Programs

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Background

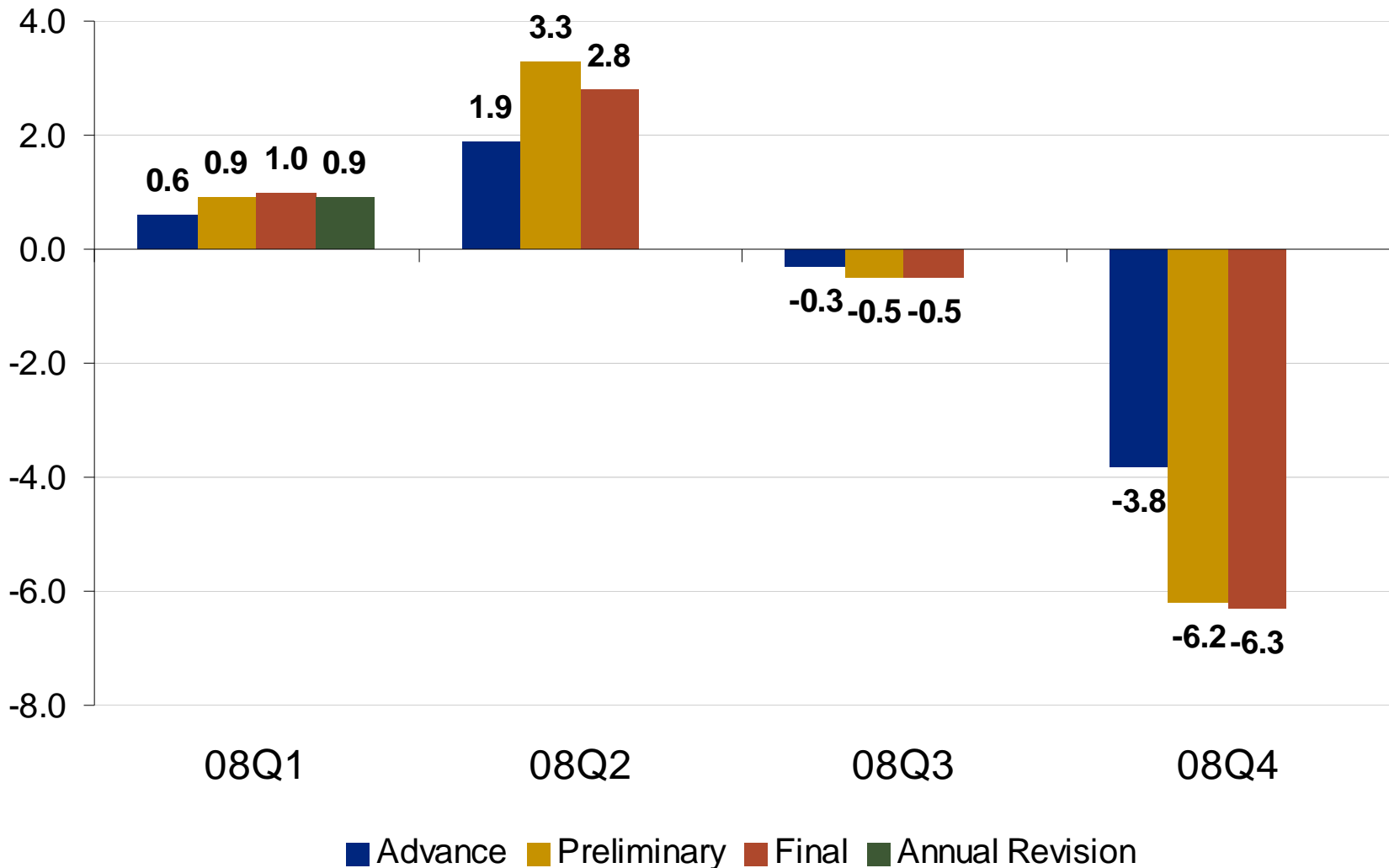
- The current recession presents challenges for BEA's national accounts.
 - Changing structure of the economy; from goods production to services and finance.
 - Profits data—difficult to interpret.
 - Large-scale government responses—stimulus spending and credit market intervention.

Overview

- Quarterly GDP estimates – how have we done?
- Profits and compensation of employees.
- A closer look at the finance and insurance sector.
- Measuring the government responses—TARP, GSEs, stimulus bill, etc.

Revisions to GDP estimates

GDP Growth Rate: Quarters, 2008



Revisions to GDP for QII, QIV

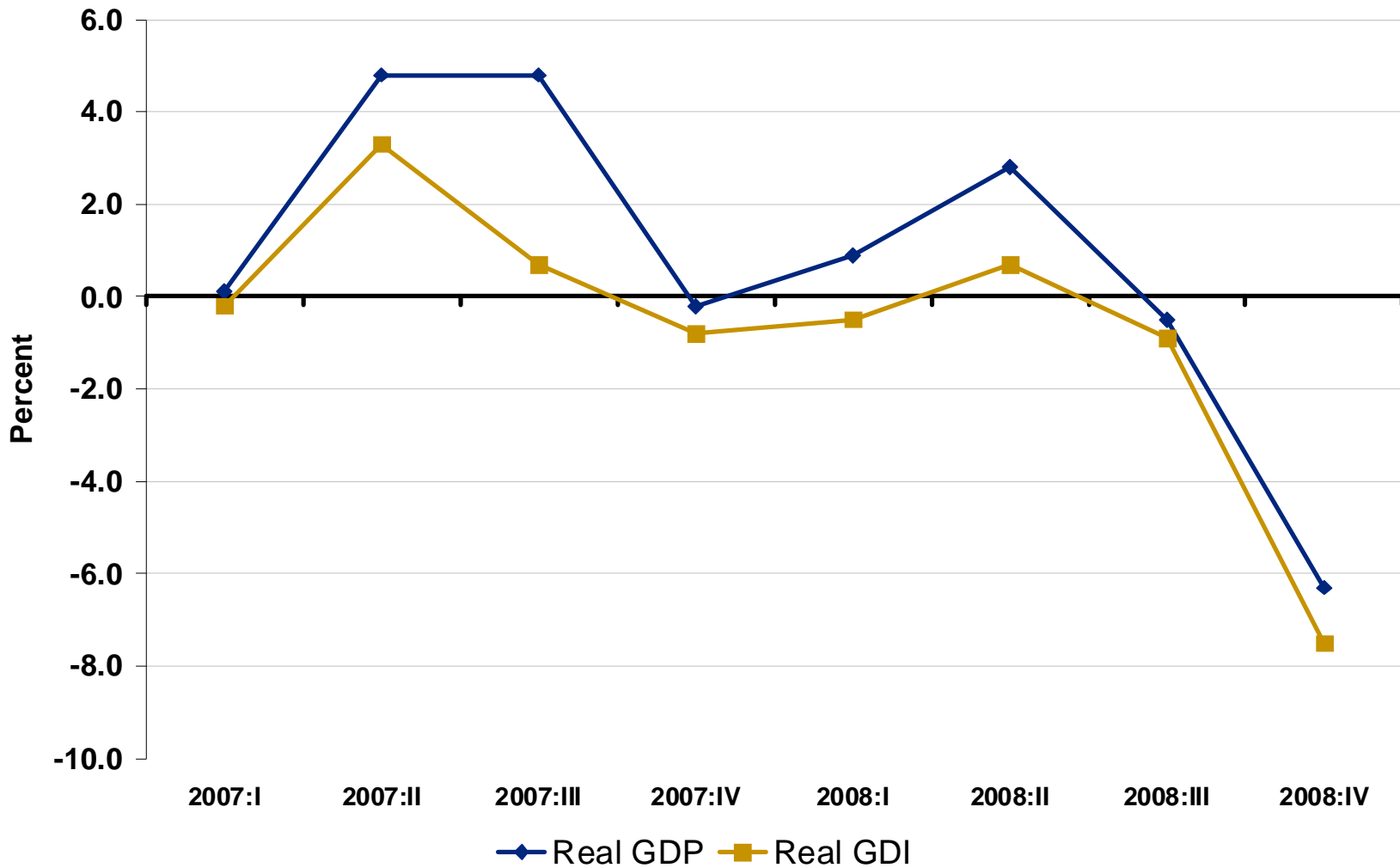
- Large changes in energy prices (upward in QII, downward in QIV).
 - Wedge between GDP and Gross domestic purchases prices.
 - Inventory valuation adjustment.
- Difficulty of projecting data for the missing month.
- Importance of publishing “key assumptions.”

National income—profits, wages

- Statistical discrepancy has widened during economic downturn, with income-based estimate (GDI) weaker than expenditure-based GDP.
- Measuring corporate profits has been especially challenging
 - Bad debt expenses, asset write downs, etc.
- Decline in bonuses and stock options

Real GDP vs. real GDI

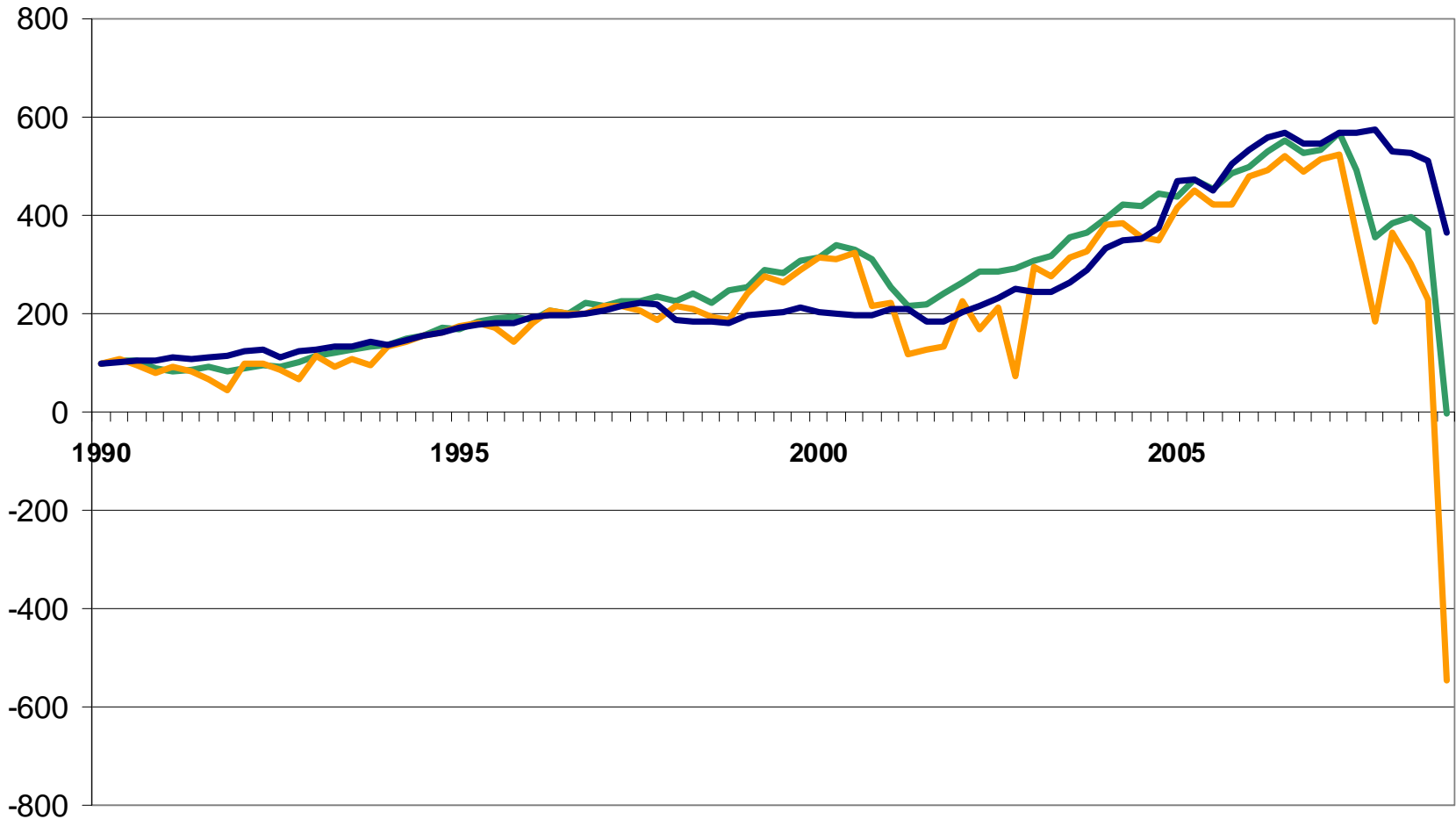
Percent changes: Real GDP & Real GDI



Comparison – BEA vs. S&P profits

BEA vs. S&P Indexed Profits

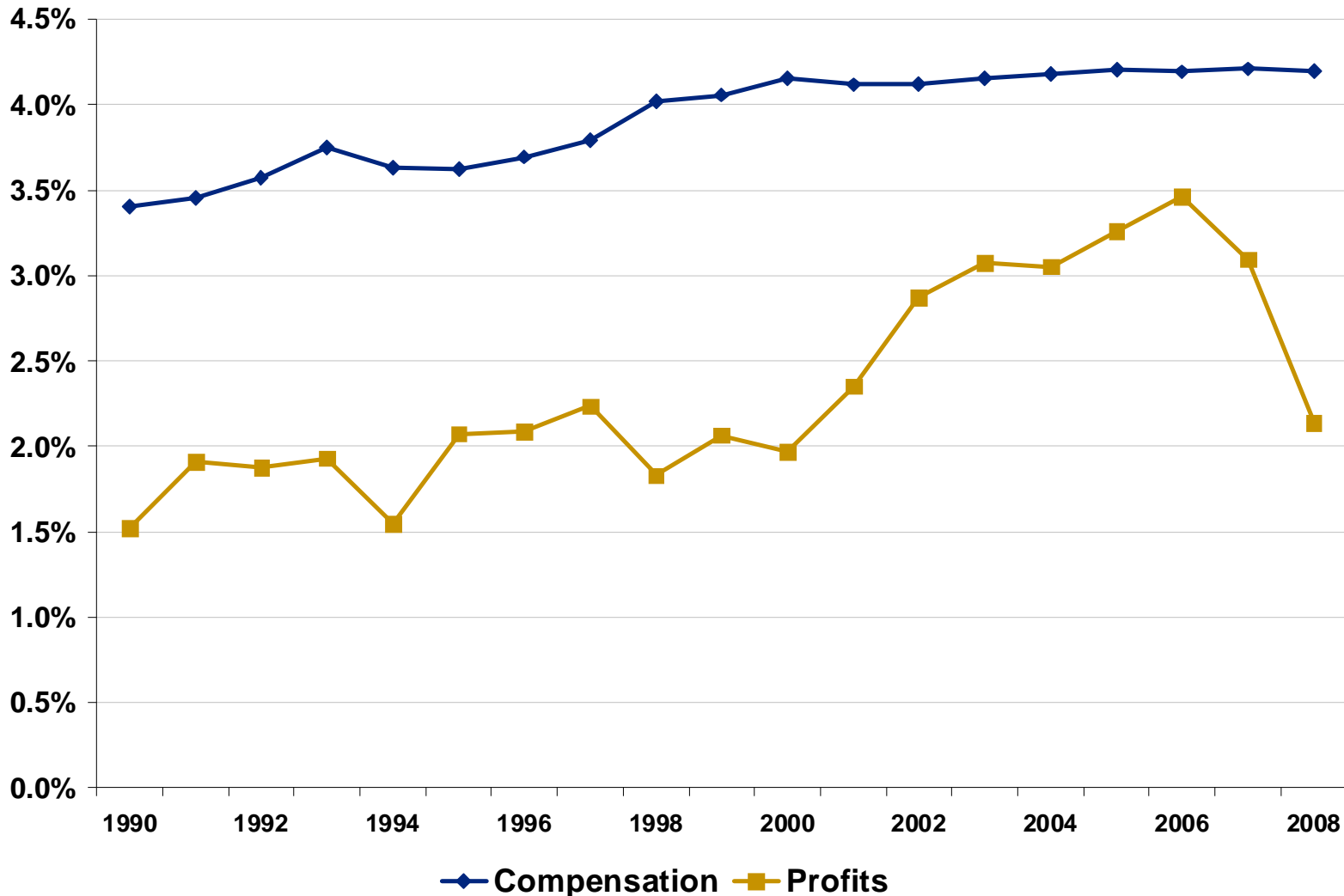
[Index, 1990 = 100]



— S&P OPERATING INDEX — S&P AS REPORTED INDEX — BEA NAT PAT INDEX

Changing economy: Growth of finance and insurance

Financial corporations: Employee compensation & profits as a share of GDI



Measuring government actions

- Troubled Assets Relief Program (TARP)
 - A portion of the cost is classified as an implicit capital transfer, the remainder as a financial transaction.
- GSEs – Fannie Mae and Freddie Mac.
- American Recovery and Reinvestment Act of 2009.

How to improve GDP statistics

- Continuously monitor and respond to developments.
- Expand coverage of service and financial sector.
 - Census Bureau: Service annual survey and quarterly services survey.
 - New regulations and reporting for finance sector—can they feed the statistics?
 - Need for improved transparency in financial reporting.
- Efforts to improve estimates of stock options, pensions, bonuses, etc.
- Flexible annual revisions to incorporate changes in a more timely manner.
- Work closely with other statistical agencies, including data sharing, integration with flow of funds accounts.
- Revisions at turning points—how much improvement is possible?