



# COMMENTS: REVISIONS TO GDP AND GDI

BY ELLEN R. MCGRATTAN

NOVEMBER 2014



## MEASURES OF GDP/GDI

- Regularly revised because:
  - New or updated source data
  - Improved statistical methods
  - Changed economic concepts
  
- BEA's measure of success:
  - Policy decisions not affected



## THE REVISIONS

- Advance estimate based on projections/indicators
  - GDP: 74% low/ 26% high quality data
  - GDI: Not available
- Third annual estimate based on higher quality data
  - GDP: 12% low/ 88% high quality data
  - GDI: 3% low/97% high quality data
- Might expect large mean absolute revisions (MARs)....



## MAIN FINDINGS, 1993–2012

- MARs are surprisingly small
- 3rd annual estimates relative to:
  - Advance in GDP: 1.22 (percentage points)
  - Third in GDI: 1.34

... which are easier to visualize...

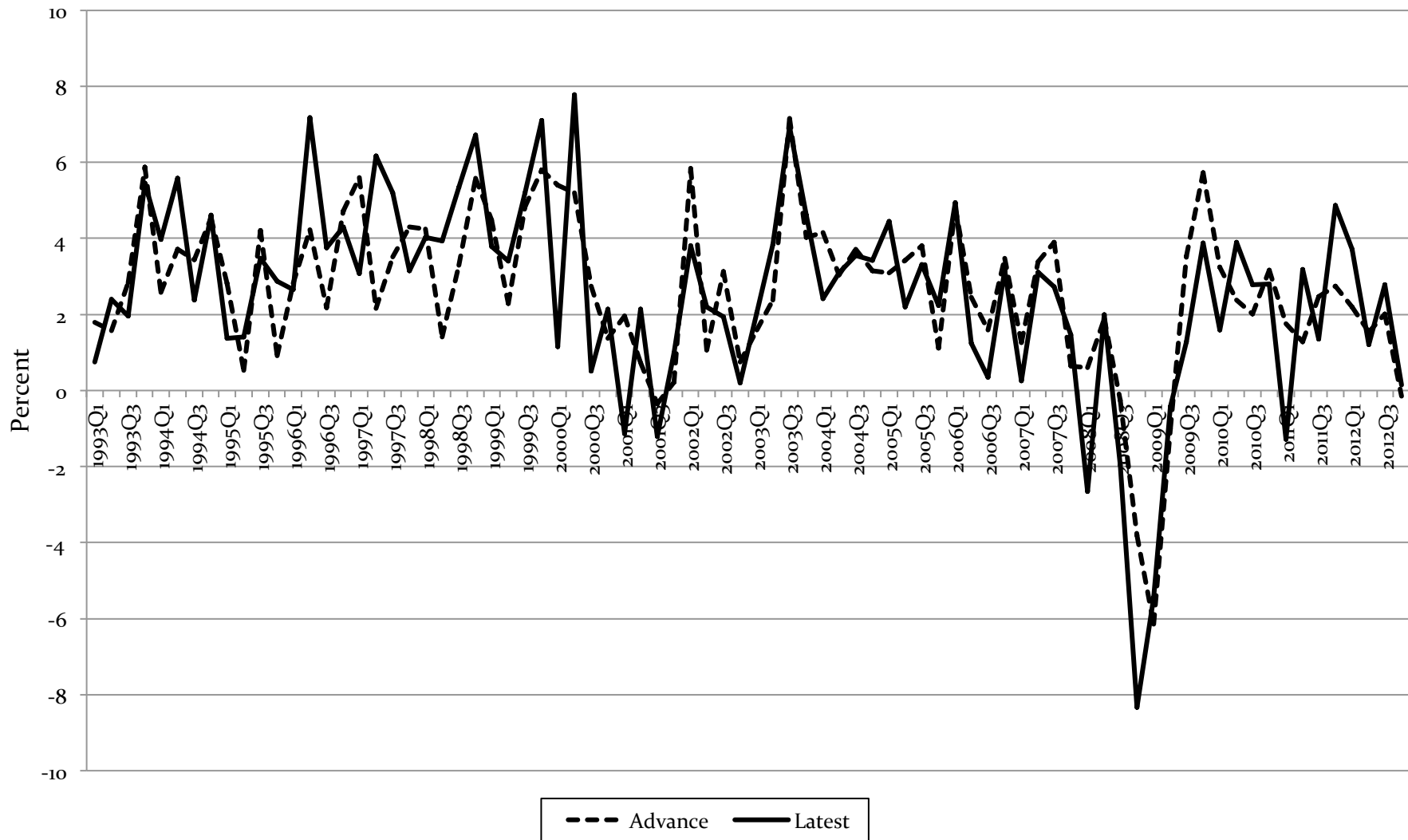


% CHANGE IN REAL GDP, 1993–2012

Show Chart 1

# Chart 1

## Change in Real Gross Domestic Product





## IMPACT ON POLICY DECISIONS

- Starting 2008 Q1, many policy interventions:
  - TARP (Feb. 2008)
  - Quantitative Easing 1 (Nov. 2008)
  - American Recovery and Reinvestment Act (Feb. 2009)
  - Homebuyer Tax Credit (Apr. 2009)
  - Cash for Clunkers (Jul. 2009)
  - Quantitative Easing 2 (Nov. 2009)
  - Payroll tax holiday (Dec. 2010)
  - Quantitative Easing 3 (Sep. 2012)
- Did BEA revisions affect these policy decisions?



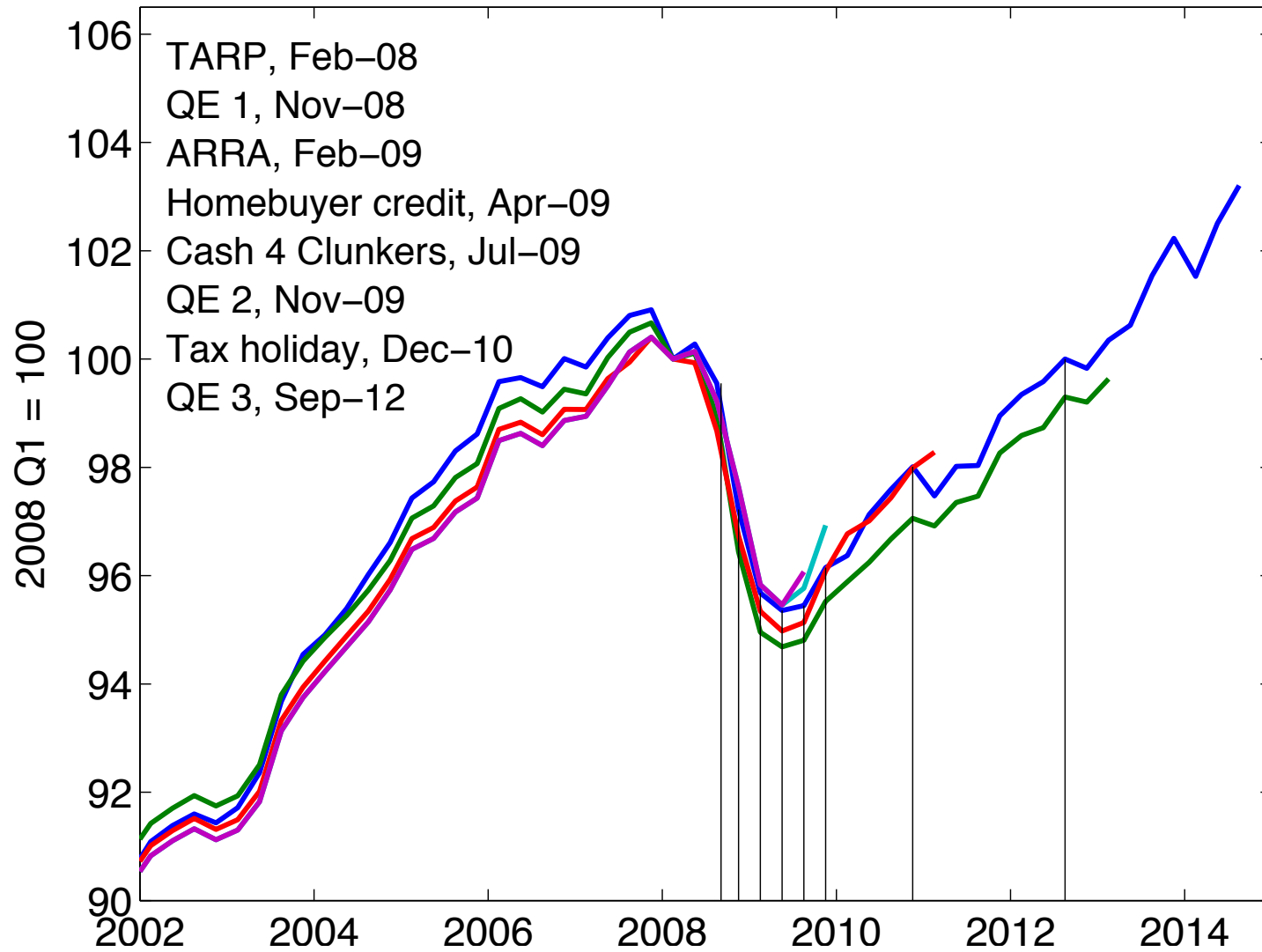
## AN UNSCIENTIFIC BUT SUGGESTIVE ANALYSIS

- Many vintages of BEA data on my computer
  - Spanning a decade of research projects
  - Spanning some major revisions
- How different is real per capita GDP?





# VINTAGES OF REAL GDP PER CAPITA





## BOTTOM LINE

- BEA does an excellent job
- Maybe too good...
  - Policymakers are reacting to all news
  - Should use rules rather than discretion