

Regional Directorate Research Update - Nov. 2010

Office of the Director

- **Regional Price Parities:** Led by Bettina Aten, this project has produced spatial price indexes that compare regional price variation for consumer goods and services for a given year. It uses the BLS Consumer Price Index and the Consumer Expenditure Survey as the main sources of data. Recent work to test the robustness of the methodology has focused on comparing aggregation methods and evaluating the stability of the implied growth rates of the price parities. Additionally, the project has recently incorporated data on housing costs from Census' American Community Survey to extend the work to the statistical areas defined by OMB (Office of Management and Budget), including metropolitan and state levels. BEA is hiring additional staff to update these indexes on an ongoing basis.

Regional Income Division

- **Acceleration of Local Personal Income Statistics:** Regional Income staff are developing and testing a six-month acceleration in the release of these statistics. There are two factors that allow the acceleration: recent investment in IT modernization and BEA research showing that reliable estimates can be developed using a more limited data set for the most recent year. These statistics, currently released 16 months after the reference period, will be released 10 months after the reference period (October instead of April).
- **Defined Benefit Pensions:** David Lenze has been working with Marshall Reinsdorf to evaluate the magnitude of defined benefit pension liabilities using an accrual approach rather than the current national accounts method, which is based on the timing of cash contributions. On a regional basis David's work has recalculated state personal income by treating pensions as income when received by retirees rather than as earned by workers. This alters the distribution of personal income, shifting it, for example away from Washington DC, and toward states like Florida, Arizona, and Michigan. The 2008 SNA recommends treating income and wealth from pension plans on this actuarial/ accrual basis; Marshall and David's research can prepare the groundwork for a possible future change in this treatment in BEA's core accounts.

Regional Product Division

- **GDP by County:** RPD plans to release prototype GDP by County statistics for all U.S. counties in early 2011, including annual data for 2001-2008. These new statistics will provide more complete coverage both geographically and by GDP component. Currently BEA provides personal income by county and GDP by metropolitan area.
- **GDP by State for NAICS industries:** In order to extend BEA's GDP by State statistics on a NAICS basis, Christian Awuku-Budu has been using CES microdata to develop a backcast of value added by NAICS industry for 1990 to 1996. The NAICS series currently begins in 1997.
- **R&D as investment in GDP by State statistics:** Updated experimental GDP by State impacts are being prepared for a December Survey article. A Center for Economic Studies project with NSF and Census microdata will develop indicators for a more complete allocation of business R&D to industries and states for the eventual incorporation of R&D as investment into BEA's core accounts.
- **PCE by State:** RPD staff members have begun to explore possible data sources and methodologies for developing experimental PCE by State statistics. These statistics could be used to develop state-level saving rates, and to begin to develop some of the components of expenditure-side GDP by state.