Measuring the Rapidly Changing Economy: Industry Economic Accounts

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Washington
May 1, 2009
GDP by Industry Statistics

- Nominal VA uses income-based approach
- Gross output (GO) – VA = Intermediate Inputs (II)
- Real VA = Real GO – Real II

- GO data from Census, regulators, trade sources
  - Industry coverage varies
  - Changing industries mean new products to measure
  - Price coverage varies

- Value added
  - Compensation
  - Corporate profits
  - Innovative accounting practices can be hard to measure
Output and VA Inconsistencies

- Inconsistencies between data sources
  - Means adjustments to industry output and value added
  - Compensation is an example:

![Total Payroll Growth Chart]

- Census business patterns (CBP)
- BLS QCEW (formerly ES-202)
- SOI salaries and wages
Key Industry Groups

But difficult to measure:
- Financial services
- Real estate/construction

Contributions to GDP Growth, 2008
Difficult to Measures Industries

Share of total GDP
- Finance and insurance 8%
- Real estate and rental and leasing 13%
- Construction 4%
- All other 75%

GDP
- 1.1%
- 20%
- 13%
- 4%
- 75%

Percentage Points
-0.4 to 1.4
- **Credit intermediation**: priced and unpriced banking and non depository services
- **Securities and investments**: investment banking, commodity contracts brokerage, portfolio management services
- **Insurance**: service of pooling risk for health, life, P&C
- **Funds and trusts**: mutual funds, hedge funds, pension funds

- Annual Census data covers roughly 23% of total output
Full accounting of financial services output

- ≈ 60% of output is for business (includes housing)
- ≈ 40% of output is for consumers (excludes housing)
- Varies by type of industry and tricky to measure

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**Business Share of Financial Services**

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<th>Percentage Points</th>
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- **Securities and investment services**
- **Credit intermediation and related services**
- **Insurance and related services**
Credit Intermediation Industries

- Commercial banks
- Thrifts
- Mortgage loan companies
- Consumer credit

- Priced services – non interest fee and other income (Census, FDIC, OTS, etc)
- Unpriced services – processing checks, transferring funds, intermediation between borrowers and lenders
  - Commercial Banks: user cost for depositor and borrower services
  - Others: property income received less interest income paid to depositors
- As institutions change charters, possible change to measuring unpriced output.
Financial Services Value Added

- Difficult to measure compensation and gross operating surplus (GOS)
  - Measuring employee benefits
  - Financial profits vs current production profits
  - Industry classification differences between output and value added data sources

![Components of Value Added, 2007](chart)

- Credit Intermediation includes adjustment of +350%
- Securities includes adjustment of +32%
- Insurance includes adjustment of -3%
- Funds and Trusts includes adjustment of +28%

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Real Measures of Financial Services

- Limited prices for deflation
  - BLS CPIs for personal financial services
  - Input prices as proxy for output prices
  - Average wage growth

- Limited quantity measures
  - BLS banking quantity index
  - BLS employee hours worked
Real Estate and Construction

- Real estate measures the service provided by real estate or “rental services” – not real asset appreciation/depreciation
- Construction measures the value put in place of buildings, non building, and maintenance and repairs on buildings
- Real estate output prices measure the price for shelter (residential rents or nonres rents – based on BLS CPIs and PPIs)
- Not asset prices (like OFHEO house price index)
Construction – Coverage Gaps

- Do not provide data by type of contractor
  - Small sample size
  - Small sole proprietors
- Limited data on maintenance and repair work
  - Expect demand to be countercyclical
  - Nonres - extrapolated using net capital stock
  - Res - extrapolate using existing home sales
  - Priced using new structures prices
How to Improve Industry Statistics

- Monitor changing industry conditions
- Data sharing
  - BLS, Census, IRS
- New Census initiatives
  - Expanded SAS and QSS data
- Quarterly GDP by industry statistics
  - Improve timeliness and usefulness of the industry statistics
- Other partnerships:
  - Expanded coverage of construction price indexes (BLS)
  - Joint BEA’s and BLS industry output measures - provide robust data sets for measuring productivity.