Measuring the Rapidly Changing Economy:
GDP, National Income, Financial Sector, and Government Programs

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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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Advance</th>
<th>Preliminary</th>
<th>Final</th>
<th>Annual Revision</th>
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<td>0.6</td>
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<td>08Q2</td>
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<td>3.3</td>
<td>2.8</td>
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<td>08Q4</td>
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</table>
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.”
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

Real GDP
Real GDI
Financial corporations: Employee compensation & profits as a share of GDI
• 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.
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?