How Can the GDP Accounts Be Made More Effective for Business Cycle Analysis?

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BEA Advisory Committee Meeting
November 7, 2008
Data in the GDP accounts play an important role in analysis of business cycles:
- Data other than real GDP are also important.
- What additional data might BEA provide to assist in business cycle analysis?
  - Data included in the accounts that are not well known.
  - Estimates that could be created with “minimal” cost.
  - New estimates that might require additional resources.
- Open to suggestions from Advisory Committee and others.
Other concepts in the GDP accounts

- GDP is a measure of production, not well-being.
- Net domestic product (NDP) - deducts charge for capital depreciation.
- Gross/net national income - adds net income receipts from the rest of the world.
- Purchasing power of income:
- Wealth - expanded reconciliation with flow of funds accounts to include changes in net worth.
Purchasing power of income

- Real disposable personal income - uses consumption-based (PCE) deflator.
- Real gross domestic (national) income, or command-basis GNP - using deflator based on purchasing power (gross domestic purchases). Marshall Reinsdorf will discuss this afternoon.
- Other measures of real income, such as real compensation of employees.
Percent change - real personal income, PI less transfers, DPI

Percent change - real income

Date

Percent (annual rate)

Real personal income
Real personal income less transfers
Real disposable personal income

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Real GDP and command-basis GNP

Real GDP and Command-basis GNP

Date

Percent change

GDP

Command-basis GNP
Real compensation per worker versus real average weekly earnings

[Graph showing real compensation per worker--BEA and real weekly wage per worker--BLS over the years from 1967 to 2007.]

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<tr>
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<tbody>
<tr>
<td>Per worker compensation</td>
<td>1.3</td>
<td>1.0</td>
<td>2.1</td>
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<tr>
<td>Per worker wage and salary disbursements</td>
<td>1.0</td>
<td>0.8</td>
<td>2.0</td>
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<tr>
<td>Per worker supplements to wages and salaries</td>
<td>3.0</td>
<td>2.0</td>
<td>2.5</td>
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<td>Weekly earnings per worker</td>
<td>-0.3</td>
<td>-0.3</td>
<td>0.2</td>
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Estimates of GDP trend

- Along with estimates of quarterly change in GDP, some countries also highlight estimates of GDP trend.
- Estimates readily available from time-series seasonal adjustment package (X-12-ARIMA).
Measures of GDP Trend

Percent Change: Real GDP and Trend
Currently, BEA produces “underlying detail” tables on monthly PCE, inventories, sales, and motor vehicles, and quarterly fixed investment and government spending.

Would it be useful to add monthly estimates of fixed investment?

Reconciliation of corporate profits with S&P?

Other underlying data?

Monthly GDP?
Quarterly GDP by Industry

- More timely industry data for business cycle analysis and for policy and research
- Industry price and quantity measures in a NIPA framework provide an industry dimension to quarterly GDP growth
- Quarterly real output indicators for both goods and services-producing industries