Comments: Revisions to GDP and GDI

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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

- Percent Change in Real Gross Domestic Product

- Advance vs. Latest

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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

TARP, Feb–08
QE 1, Nov–08
ARRA, Feb–09
Homebuyer credit, Apr–09
Cash 4 Clunkers, Jul–09
QE 2, Nov–09
Tax holiday, Dec–10
QE 3, Sep–12
Bottom Line

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