



## NEWS RELEASE



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### **Benchmark Input-Output Account of the U.S. Economy, 2007**

The Bureau of Economic Analysis (BEA) today released its 2007 Benchmark Input-Output (I-O) Account of the U.S. Economy. This widely used account—which provided the foundation for BEA’s 2013 comprehensive revision of its gross domestic product (GDP) statistics—offers a comprehensive picture of the inner workings of the U.S. economy, showing production relationships among nearly 400 industries and commodities.

For the first time, the benchmark I-O accounts are fully consistent with both BEA’s national income and product accounts (NIPAs) and industry economic accounts, including the annual I-O accounts and the GDP-by-industry accounts. (See the box “Integration of the 2007 Benchmark Accounts.”) This integration has resulted in more accurate measures of the value added of specific industries.

Benchmark I-O accounts are prepared roughly every 5 years and are based on the highest quality source data, notably the economic censuses conducted by the Bureau of the Census. Largely because of their rich source data, the benchmark I-O accounts are the most important statistical source of information for comprehensive revisions of the NIPAs and are widely used by other statistical agencies. (See the box “Usage of the Benchmark I-O Accounts.”)

### **Highlights from the 2007 benchmark I-O account**

Current-dollar GDP was raised \$451.6 billion in 2007, up 3.2 percent from the previous estimate. The new estimate reflects various enhancements to the account.

Research and development (R&D) is now treated as investment. This “capitalization” of R&D boosted GDP by \$330.9 billion, with notable revisions to the following industries: federal government, chemical products manufacturing, computer and electronic products manufacturing, and motor vehicles, bodies and trailers, and parts manufacturing.

Entertainment, literary, and artistic originals are also now treated as investment. The new treatment increased GDP by \$70.4 billion, with notable revisions to the following industries: motion picture and sound recording, broadcasting and telecommunications, publishing, except internet, and “performing arts, spectator sports, museums, and related activities.”

In addition, a more expansive capitalization of the ownership transfer costs of residential fixed assets increased GDP by \$57.0 billion. And an improved accrual accounting treatment of transactions for defined benefit pension plans increased GDP by \$29.7 billion, which affected the contributions to GDP by the federal as well as state and local governments.

A complete discussion of all improvements introduced by the 2007 benchmark account will be provided in the article “Industry Economic Accounts: Results of the Comprehensive Revision (Revised Statistics for 1997–2012)” in the February 2014 *Survey of Current Business*. The 2007 benchmark account is available on BEA’s Web site ([www.bea.gov/industry/io\\_benchmark](http://www.bea.gov/industry/io_benchmark)).

### **Additional Information:**

BEA also publishes annual industry accounts that cover 70 industries. On January 23, 2014, BEA will release the results of the 2013 comprehensive revision of the industry economic accounts that will cover the years 1997-2012.

In April 2014, BEA will begin publishing quarterly gross output and GDP by industry statistics for 22 industry sectors. These quarterly statistics will enable users to quickly identify fluctuations across sectors and thus improve their ability to understand a given sector’s economic performance.

#### **Integration of 2007 Benchmark Accounts**

The 2007 benchmark account is the first benchmark I-O account to be fully integrated with the time series of the NIPAs and the industry economic accounts. The 2007 benchmark I-O accounts released today, along with a revised time series of the industry economic accounts that will be released in January 2014, are fully consistent with the results of the July 2013 NIPA comprehensive revision.

Traditionally, benchmark I-O accounts have been released before the comprehensive revision of the NIPAs and have not been revised to reflect the results of comprehensive revisions. As a consequence, benchmark I-O accounts have not been fully consistent with the NIPAs nor with the annual industry accounts. This has resulted in mixed usefulness of the benchmark I-O accounts. They have provided an accurate and detailed set of inter-industry relationships to analyze structural changes, and they have been used to benchmark the NIPAs and annual industry accounts, but their relevance has been somewhat diminished because they have lacked a time series dimension.

The integration allows for a higher degree of consistency among the NIPAs, the benchmark I-O accounts, and the annual industry accounts. Moving forward, benchmark I-O accounts will be revised to reflect revisions stemming from the NIPAs, and they will be published with the revisions to the time series of the industry economic accounts.

## Uses of the Benchmark I-O Accounts

The benchmark I-O accounts, produced every 5 years by BEA, are used by economists and policy makers in a variety of ways. Broadly speaking, they facilitate the study of economic activity by providing a comprehensive look at inter-industry activity. Within BEA, benchmark I-O data are used as the starting point for other accounts, including the NIPAs.

**General usage.** The I-O accounts, both benchmark and annual, allow researchers to analyze the economic effects of specific events. For example, they can be used in emergency planning and in estimating the economic effects of natural disasters and strikes. Supplemented with additional information, the I-O accounts can be used for broader analyses, such as estimating the effects of an increase in exports on employment or the impact of a petroleum price increase on production in specific industries and on commuting patterns and consumer spending.

Many economists also use I-O data to examine the role of information technology on structural change, productivity, and the sources of economic growth.<sup>1</sup>

In business, economists use data from the I-O accounts and other BEA accounts to develop economic projections and forecasting models, which estimate future industry trends and earnings among other things.

**BEA usage.** BEA uses the benchmark I-O accounts as the foundation for several other accounts. The benchmark I-O accounts are the most important statistical source for the comprehensive revision of the NIPAs. They are used to establish the benchmark-year level for consumer spending and private investment, and to provide information on the composition of final demand. This in turn provides the basis for the estimates of GDP for the nonbenchmark years.

Also, the benchmark I-O accounts provide the framework and foundation for the time series of the industry economic accounts. Beginning with the first quarterly release of industry account statistics in April 2014, the benchmark I-O accounts will also provide the framework and foundation for both the quarterly gross output and the quarterly GDP by industry statistics.

BEA's regional program uses data from the I-O accounts to generate its Regional Input-Output Modeling System (RIMSII), which can be used to analyze the impact of various projects or changes in economic programs on local economies. For example, state and local government planners can use the model to assess the impact of a military base closing or a new development project.

**Other statistical agencies' usage.** The benchmark I-O accounts also are used by other statistical agencies as a framework for preparing further economic statistics. For example, the I-O accounts provide the detail that is essential in determining quantity weights for price indexes, such as the producer price index that is compiled by the Bureau of Labor Statistics (BLS). BLS also uses the benchmark I-O accounts in their projections of industry employment.

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<sup>1</sup> For example, see Jorgenson, Dale W. 2012. "The World KLEMS Initiative." *International Productivity Monitor* (November): 5–19.