Taking Account...

An Industry Framework for an R&D Account

In a broad effort to better measure the effects of research and development (R&D) on the economy, the Bureau of Economic Analysis (BEA) has moved forward on several fronts. In September, for example, it released an updated R&D satellite account that explored the effect of R&D on the economy. BEA economists are also working on a wide range of papers that analyze various issues related to R&D and the national economic accounts.

One of these papers—"A Framework for an Industry-based R&D Satellite Account," by economist Sumiye Okubo, Associate Director of Industry Accounts at BEA—provides a framework for creating an R&D account based on BEA's annual input-output (I-O) accounts.

The industry-based framework uses the I-O approach to present a more detailed view of R&D in the economy. It creates a new industry and commodity, R&D, and shows the sources of R&D output and value added as well as the distribution of R&D output across investment, exports, consumption and other final use components.

This framework also provides a way to examine the composition of R&D funding and performance across industries and allows for improved R&D price measures.

In addition, the framework serves as a guide for using available data to provide reasonable approximations of the R&D investments by industry, nonprofits, and government and for collecting the additional data needed to produce a complete industry R&D satellite account. Over time, such an account could be used as the basis for incorporating R&D into gross domestic product and other statistics.

The paper is available on the BEA Web site by visiting <www.bea.gov> and clicking on "Papers and Working Papers."

Annual Industry Accounts Update Coming in January

The release of the annual industry accounts update has been rescheduled from December 13, 2007, to January 29, 2008.

This new schedule will allow BEA to incorporate data from the Census Bureau's 2006 Annual Survey of Manufactures (ASM). According to the previous release schedule, the ASM data, which provide the most accurate picture of manufacturing production, would not have been incorporated into the accounts until December 2008.

The accelerated incorporation was made possible by improved processing by the Census Bureau, which enabled it to accelerate the 2006 ASM release to November 6, 2007.

Several tables included in the annual industry accounts will be expanded in order to distinguish the effect of the ASM data. These table changes will be described in advance of the January 29, 2008, release on BEA's Web site.

The updated annual industry accounts will cover 2004–2006 and will be described in the SURVEY OF CURRENT BUSINESS early next year.

Loan Losses and NIPA Corporate Profits

Longtime users of BEA's accounts are aware of the differences between corporate profits as calculated by the NIPAs and corporate profits as calculated for financial statements.

The distinct treatments of bad-debt expenses, asset write downs, and loan-loss provisions by financial companies offers a telling example of the differences. The NIPAs treat these items as capital losses that reduce the value of assets on the balance sheet. Financial statements from corporations, however, treat such items as current-period expenses that cut profits.

A more detailed discussion is available via BEA's FAQ feature. Please visit <www.bea.gov> and click on FAQ. Enter "loan losses" as keywords.