



# Overview of the 2009 NIPA Comprehensive Revision

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NIPA Users' Briefing

Washington, DC

June 11, 2009

# 2009 NIPA Comprehensive Revision

- BEA prepares comprehensive revisions about every five years.
- Opportunity to make improvements to the accounts as outlined in BEA's strategic plan.
- Information on revision is available in the *Survey of Current Business* and at [www.bea.gov](http://www.bea.gov).

# BEA's strategic objectives

- BEA's mission:
  - “to promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic accounts data possible in an objective and cost-effective manner.”
- We improve accuracy by:
  - incorporating benchmark data,
  - integrating our accounts,
  - filling data gaps.
- We keep the accounts relevant by:
  - updating tables and classifications,
  - using new sources of information,
  - tracking new types of transactions.

# Overview (1): Changes in definitions and presentation

- Classification of personal consumption expenditures (PCE).
- New treatment of disasters.
- Insurance services of government enterprises.
- Transactions with Puerto Rico and U.S. territories.
- Classification of investment in structures.
- Reference year for chain-type measures – 2005.
- Terminology – vintages of current quarterly GDP estimates.

# PCE reclassification: Why?

- Consistency
  - International systems (COICOP / COPNI)
  - Available source data (NAICS)
  - Better price match
  
- Relevance
  - Remove antiquated categories.
  - Introduce relevant sectors.
  - Separate household spending and nonprofit institutions serving households (NPISH).

# PCE reclassification: What's new?

- New structures for presenting PCE
  - Function – by type of expenditure
  - Product – by durability (Goods / Services)
- Full time series on new basis
  - 1929 Annually, 1947 Quarterly, 1959 Monthly
- No change in the production boundary
- McCully and Teensma, *Survey of Current Business*, May 2008.

# PCE by function: Old to new

Old	2002	New	2002
1 Personal consumption expenditures	7350.7	1 Personal consumption expenditures	7350.7
2 Food and tobacco	1091.1	2 Household consumption expenditures	7188.0
3 Clothing, accessories, and jewelry	407.0	3 Food and beverages purchased for off-	
4 Personal care	96.7	premise consumption	589.1
5 Housing	1123.1	4 Clothing and footwear	310.4
6 Household operation	747.4	5 Housing and utilities	1291.5
7 Medical care	1441.2	6 Furnishings, household equipment and	
8 Personal business	547.0	routine household maintenance	347.6
9 Transportation	882.2	7 Health	1334.2
10 Recreation	629.9	8 Transportation	819.6
11 Education and research	190.2	9 Communication	160.0
12 Religious and welfare activities	200.1	10 Recreation	659.3
13 Foreign travel and other, net	-5.1	11 Education	156.4
		12 Food services and accommodations	442.7
		13 Financial services and insurance	573.7
		14 Other goods and services	508.9
		15 Net foreign travel and expenditures	
		abroad by U.S. residents	-5.1
		16 Final consumption expenditures of NPISH	162.7

Billions of Current-dollars, pre-benchmark  
 See: McCully and Teensma, *Survey of Current Business*,  
 May 2008



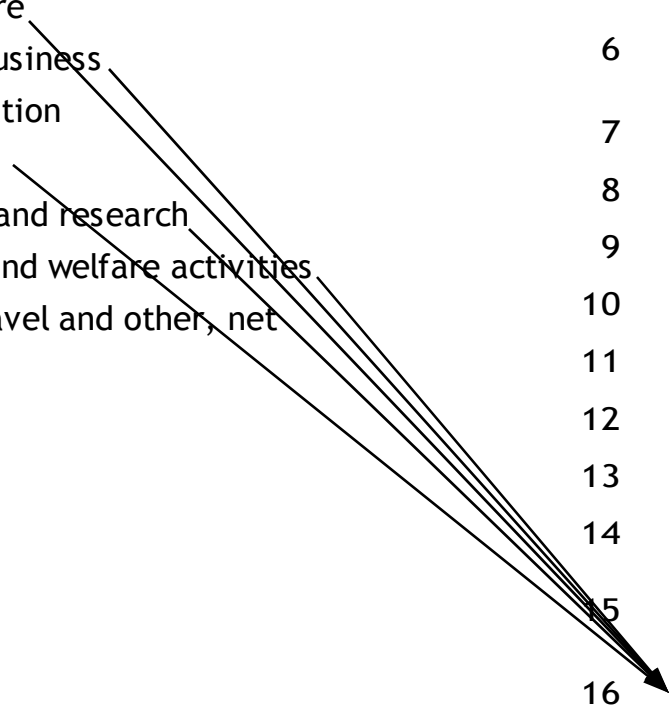
# PCE by function: Old to new

## Old

- 1 Personal consumption expenditures
- 2 Food and tobacco
- 3 Clothing, accessories, and jewelry
- 4 Personal care
- 5 Housing
- 6 Household operation
- 7 Medical care
- 8 Personal business
- 9 Transportation
- 10 Recreation
- 11 Education and research
- 12 Religious and welfare activities
- 13 Foreign travel and other, net

## New

- 1 Personal consumption expenditures
- 2 Household consumption expenditures
  - 3 Food and beverages purchased for off-premise consumption
  - 4 Clothing and footwear
  - 5 Housing and utilities
  - 6 Furnishings, household equipment and routine household maintenance
  - 7 Health
  - 8 Transportation
  - 9 Communication
  - 10 Recreation
  - 11 Education
  - 12 Food services and accommodations
  - 13 Financial services and insurance
  - 14 Other goods and services
  - 15 Net foreign travel and expenditures abroad by U.S. residents
- 16 Final consumption expenditures of NPISH





# PCE by product: Old to new

## Old

- 1 Durable goods
- 2 Motor vehicles and parts
- 3 Furniture and household equipment
- 4 Other
- 5 Nondurable goods
- 6 Food
- 7 Clothing and shoes
- 8 Gasoline, fuel oil, and other energy goods
- 9 Other
- 10 Services
- 11 Housing
- 12 Household operation
- 13 Transportation
- 14 Medical care
- 15 Recreation
- 16 Other

## New

- 1 Goods
- 2 Durable goods
- 3 Motor vehicles and parts
- 4 Furnishings and durable household equipment
- 5 Recreational goods and vehicles
- 6 Other durable goods
- 7 Nondurable goods
- 8 Food and beverages purchased for off-premise consumption
- 9 Clothing and footwear
- 10 Gasoline and other energy goods
- 11 Other non-durable goods
- 12 Services
- 13 Household consumption expenditures
- 14 Housing and utilities
- 15 Health care
- 16 Transportation services
- 17 Recreational services
- 18 Food services and accommodations
- 19 Financial services and insurance
- 20 Other services
- 21 Final consumption expenditures of nonprofit institutions serving households
- 22 Gross output of nonprofit institutions
- 23 Less: Receipts from sales of goods and services by nonprofit institutions

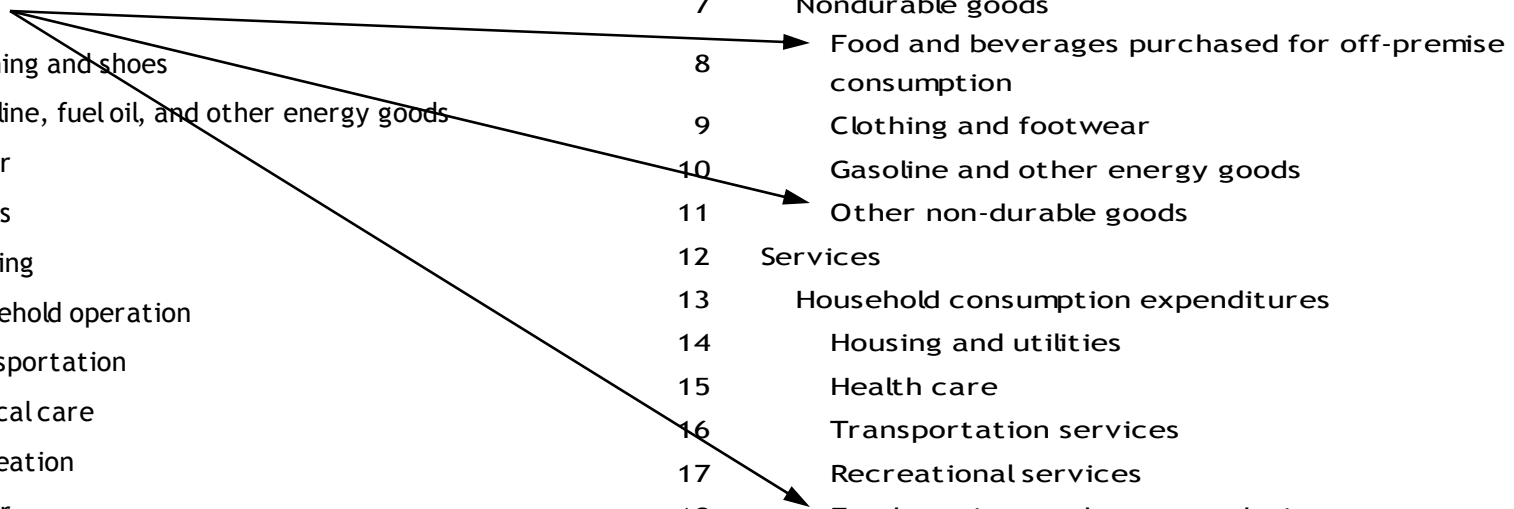
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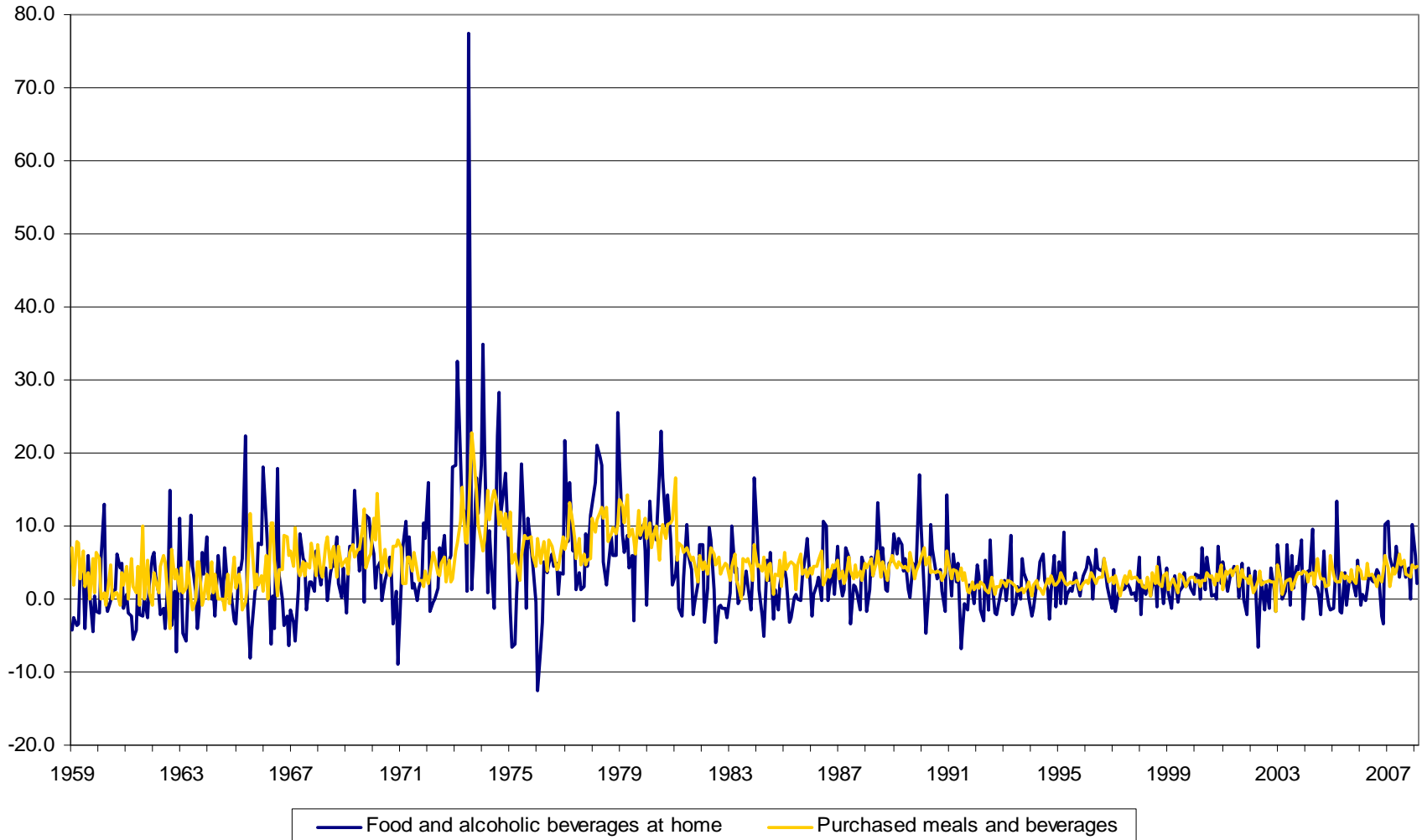


# PCE price index changes

- PCE excluding food and energy
  - Will include Food services
    - Prices less volatile than Food purchased for off-premise consumption
  - Core CPI not changing
    - Will develop new PCE-CPI comparison
      - Tentative re-release in late Fall 2009

# PCE price index changes

Percent change from previous month, annual rate



# New treatment of disasters

- **Current treatment** – distorts current production measures of national income & personal income.
- **New treatment** – better relates income to current economic activity.
- **Example** – 2005:III – Hurricanes Katrina and Rita (*based on published data*)
  - National income revised from -6.4% to +7.7% (annual rate).
  - Personal income revised from +4.2% to +8.3%.

# Current treatment of disasters

- Losses of capital assets recorded as an increase in consumption of fixed capital (CFC, or “depreciation”).
- Insurance payouts recorded as current transfer payments.
- Leading to swings in the measures of current income from production.

# Reasons for change

- **CFC** defined as the decline in the current value stock of fixed assets as a result of physical deterioration, normal obsolescence or normal accidental damage.
- **Insurance payments for disaster losses** are not financed from current revenue of insurance companies.
- Recipients generally use insurance payments to pay for rebuilding (investment), not for current consumption.
- NIPAs more in line with updated international guidelines (*System of National Accounts 2008*).



# New treatment

- **Record loss of fixed assets**
  - as other changes in volume of assets,
  - NOT CFC.
  
- **Record insurance payouts**
  - as capital transfer payments/receipts,
  - NOT as a charge against current production expenses/income.

# Effects in 2005:III

- **GDP unrevised.**
- **Net operating surplus revised upward.**
  - CFC revised downward.
- **Personal income revised upward.**
  - Proprietors' income and rental income of persons revised upward.
  - Downward revision to personal current transfers.

# Calculating disaster effects

- BEA will continue to provide the effects of catastrophic disasters on a quarterly basis.
  - As “other changes in volume of assets” in the fixed asset account.
  - As capital transfer payments for catastrophic losses in the capital account.

# Insurance – government enterprises

- Government insurance enterprises:
  - National Flood Insurance Program
  - Federal Crop Insurance Corporation
  - Florida Citizens Property Insurance Corporation
- Will adopt same measure of insurance services that is used for private insurance:
  - = premiums + premium supplements
    - normal losses
- Treatment of disasters same as new treatment being adopted for private insurance.

# Transactions with territories

- Puerto Rico and territories are not included in GDP.
  - “Domestic” in international transactions accounts.
- For estimating NIPA exports and imports, BEA makes “territorial adjustments”.
- Similar adjustments will be made for social insurance contributions, benefits, grants, and subsidies.
- Small effects on government saving.
- Long-run goal: Expand GDP coverage to include the territories.

# Classification of structures

- In 2003, BEA adopted a new classification of private investment in structures.
  - New classification began in 1997 (tables 5.4.1–5.4.6 “part B”).
  - Old classification retained for 1929–97 (“part A”).
- New classification will be carried back to 1929.
  - Time series will be consistent
  - Based on the newer classifications (“part B” tables).

# Other presentational changes

- Reference year for price and quantity measures will be updated to 2005.
  - Currently 2000.
- The three vintages of quarterly GDP estimates will be renamed:
  - “Advance” (no change)
  - “Second” (currently known as “preliminary”)
  - “Third” (currently known as “final”).



# Overview (2): Statistical changes

- Incorporate 2002 Benchmark Input-Output Accounts.
- Retail scanner data for consumer electronics.
- Improved retail control method for PCE.
- Census Service Annual Survey (SAS) data for hospital and telecommunications services.
- Seasonal adjustment of petroleum import prices.
- Better coverage of employee compensation—“cafeteria plans.”
- Updated adjustments for underreporting of income.

# 2002 Benchmark Input-Output Accounts

- Input-output accounts provide the benchmark for GDP.
  - Largely based on 5-year economic census.
- The NIPA comprehensive revision will incorporate these and other data.
- I-O estimates for 2002 show an upward revision to GDP level of nearly 2 percent.
  - Upward revisions to housing services and equipment and software investment.
- For more information, see *Survey of Current Business*, March 2008. (<http://www.bea.gov/>)

# Scanner data for electronics

- Census retail sales provide source data on sales by type of store.
  - Details on product lines available only every 5 years (for economic census).
  
- Need spending by type of product to deflate and calculate real PCE.
  
- BEA will use point-of-sale scanner data to estimate composition of PCE for electronics goods (TVs, audio equipment, cameras, etc.).

# PCE goods and retail sales

- Retail Control Group
  - “Gasoline and oil” and “tobacco” continue to be estimated independently.
  - Will exclude gasoline stations and tobacco stores (Census Retail Trade and Food Services).
  - Food and beverage categories not impacted by gasoline and oil volatility.

# Service Annual Survey

- **Census Bureau SAS data will be used to estimate PCE **hospital services** and **telecommunication services**.**
- Hospital services currently based on American Hospital Association data.
  - Cover expenses, not receipts.
- Landline telephone services currently based on Federal Communications Commission data.
  - Do not provide product detail or capture broadband telephone services.

# Seasonal adjustment

- In 2004, Census Bureau began seasonally adjusting *petroleum imports* (starting with the estimates for 1989).
  - Because of the revision schedule, the NIPAs only carried back the revisions to 2001.
- Prices of petroleum imports are currently *not* seasonally adjusted
  - Residual seasonality for real imports.
- Petroleum prices will now be seasonally adjusted.
  - Also, NIPAs will fully incorporate the seasonally adjusted petroleum imports data.

# Compensation – cafeteria plans

- “Cafeteria plans” – allow employees to use a portion of their salaries on a pretax basis to pay for health insurance, other medical care, or dependent care.
- Voluntary – should be included in NIPA wages and salaries.
- Wage estimates are based on the BLS Quarterly Census of Employment and Wages (state UI).
- Some states do not include cafeteria plan contributions in wage data.
- BEA wages will include an estimate of these contributions for states that do not already include them.



# Underreporting of income

- In principle, gross national income includes all income from current production, regardless of whether reported on tax returns.
- Income estimates include misreporting adjustments:
  - Nonfilers
  - Underreporting
- Underreporting adjustments currently extrapolated from 1980s-era Taxpayer Compliance Measurement Program.
- Revised estimates will incorporate new data from the IRS National Research Program.

# Beyond July 2009

- Research & development satellite account.
  - Treats R&D as investment.
  - Plan to incorporate in core BEA accounts in 2013.
- Health account
- Flexible annual revisions
- Improved integration

# For more information

- BEA's Web site provides considerable information:
  - FAQs
  - Articles from *Survey of Current Business* (four major articles so far).
  - Stubs for redesigned tables.
- Please visit this Web address:

<http://www.bea.gov/national/an1.htm>