

Taking Account...

BEA publishes additional NIPA handbook chapters

The Bureau of Economic Analysis (BEA) has made available two more chapters of its national income and product accounts (NIPAs) handbook, which is being released in stages on the BEA Web site.

The NIPAs are a critical piece of the broad U.S. national economic accounts, displaying the value and composition of national output and the distribution of incomes generated in its production. The NIPA handbook describes the fundamental concepts, definitions, classifications, and accounting framework that underlie the accounts and the source data and methodologies used to calculate the estimates.

The two newly available chapters focus on exports and imports (chapter 8) and on government consumption expenditures and gross investment (chapter 9). This *Taking Account* will discuss exports and imports. Next month's item will focus on government spending.

Chapter 8 discusses foreign transactions—definitions and concepts, recording in the NIPAs, an overview of source data and estimating methods, benchmark year estimates, non-benchmark year estimates, current quarterly estimates, and price and quantity indexes.

In estimating gross domestic product (GDP), the relevant measure of foreign transactions is net exports of goods and ser-

vices, which is the difference between U.S. exports of goods and services and U.S. imports. Exports are defined as the portion of total U.S. production of goods and services—GDP—that is provided to the rest of the world; thus, movements in exports reflect changes in foreign demand for U.S.-produced goods and services.

Imports are defined as the portion of total U.S. expenditures—gross domestic purchases—that is accounted for by goods and services provided by the rest of the world; thus, movements in imports reflect changes in domestic demand for foreign-produced goods and services. The impact of imports on the U.S. economy depends on the degree to which they act as substitutes for, or as complements to, domestic production.

Together, exports and imports reflect the extent to which the United States participates in the global marketplace, which provides broad opportunities for specialization and other economic efficiencies. As the difference between exports and imports, net exports represents the gap between U.S. domestic production and U.S. domestic demand and the extent to which a surplus or deficit of domestic production relative to domestic demand is addressed by foreign markets.

Net exports in the NIPAs corresponds to the measure “balance on goods and services”—commonly referred to as the

“trade deficit” (when imports exceed exports) or the “trade surplus” (when exports exceed imports)—in the international transactions accounts (ITAs), which are also produced by BEA.

The ITA and NIPA measures of exports and imports are similar, but they differ in coverage, definitions, and the timing of revisions. Net exports is also a component of the “balance on current account,” a measure in both the ITAs and the NIPAs that also includes receipts and payments of income and net unilateral current transfers.

In addition, net exports also relates GDP to other important aggregates in the NIPAs. GDP less net exports is equal to gross domestic purchases. Final sales of domestic product (worldwide final sales of U.S. production) less net exports is equal to final sales to domestic purchasers, which is the market value of final goods and services purchased by U.S. residents regardless of where those goods and services are produced.

The NIPA handbook in its entirety can be accessed at www.bea.gov/methodologies/index.htm#national_meth.

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