Taking Account...

New experimental financial subsector estimates

The financial crisis of 2008 led to calls for improved economic statistics for the financial sector. In particular, the G–20 group of nations established the Data Gaps Initiative (DGI) with a goal of improving financial sector statistics around the world.

The DGI subsequently recommended a disaggregated presentation of statistics for the financial sector, as various financial subsectors each face different risks. The *System of National Accounts 2008* (SNA) also recommends a disaggregated approach to financial sector estimates.

A recent paper by economists at the Bureau of Economic Analysis (BEA)—Robert Kornfeld, Lisa Lynn, and Takashi Yamashita—notes that for the United States, a detailed presentation of such "sectoral data" can be facilitated through the integrated macroeconomic accounts (IMAs), which are jointly produced by BEA and the Federal Reserve Board.

These accounts—which harmonize data from the BEA national economic accounts and the Fed's financial accounts—relate income, saving, investment in real and financial assets, and asset revaluations to changes in net worth for major economic sectors.

Using the framework of the IMAs, the paper presents preliminary experimental statistics on production, income, and saving for several financial subsectors: depository institutions, Federal Reserve banks, property and casualty as well as life insurers, defined benefit and defined contribution pension funds, and a final category for all other financial businesses.

The experimental estimates are consistent with the recommendations for more detailed estimates from the DGI and the SNA.

The estimates show that recent trends in gross value added varied considerably across these financial subsectors; that is, these subsectors made different contributions to changes in gross domestic income over the course of the recession and recovery.

In addition, trends in other major aggregates—notably net operating surplus, net national income, net interest received, and net lending or borrowing—also varied across the financial subsectors, all of which have faced very different markets, risks, and regulations.

The variation in major aggregates across subsectors highlights the value of a more detailed presentation of the financial industry and the need for more research in this area.

A major share of the large declines in gross value added, net operating surplus, net national income, and net lending or net borrowing—reflected trends in the other financial institutions category.

One challenge the authors faced: BEA's traditional source data for business income in the national accounts—Internal Revenue Service tabulations of data from tax returns—are reported on a consolidated basis for companies that include several enterprises from different subsectors; for example, banks are often consolidated with bank holding companies. The authors used other, enterprise-level data sources to produce statistics for specific financial subsectors.

The paper by Kornfeld, Lynn, and Yamashita is available on the BEA Web site.

NIPA method handbook recently updated

BEA recently updated its methodologies handbook for the national income and product accounts (NIPAs).

The handbook notes that the Bureau has improved its estimates of current-dollar gross domestic product (GDP), current-dollar gross domestic income (GDI), and real GDP as part of the 2014 annual revision of NIPAs. A chapter on nonfarm proprietors' income is also available.

BEA videos offer additional insights on key topics

Videos available on the BEA Web site offer insights into key topics and services, the new BEA international data tool, how consumers are faring across the states, how specific industries affect the U.S. economy, and quarterly industry statistics.