Taking Account...

A look at measuring GDP at the county level

Continuing its long-standing effort to provide regional economic data with greater geographical detail, the Bureau of Economic Analysis (BEA) has outlined a potential project to develop gross domestic product (GDP) by county statistics.

In a recent working paper, BEA economists Ledia Guci and Sharon D. Panek and former BEA economist Charles Ian Mead discuss the benefits of such statistics and identify issues to be resolved in order for these statistics to be produced on an ongoing basis.

BEA has long produced GDP statistics for states and metropolitan areas. The recent recession and recovery, however, highlighted the need for even more geographically detailed regional economic data. GDP by county statistics would potentially provide several benefits:

- **A richer picture of local economic activity.** For example, one bright spot during the latest U.S. recession and recovery was the natural resource boom in areas in which the Bakken and Marcellus Shale Formations are located. Because mining and extraction occur where natural resources are found, this activity often occurs in rural areas that are not clearly circumscribed by state or metropolitan area boundaries. County-level statistics for the mining industry would allow users to customize areas that include portions of metropolitan areas and nonmetropolitan areas and cross state boundaries to better delineate the impact of mining on economic growth.
- **Support for better resource allocation decisions.** GDP by county statistics would complement BEA's county-level personal income statistics, helping planners analyze and develop policies to spur local economic activity over the long term as well as the short term.
- **Improvements for other statistics.** The development of new methodologies and the eventual acquisition of new data sources to produce GDP by county estimates will likely lead to improvements in BEA's GDP by state and metropolitan area statistics.

As proof of concept, the authors prepared experimental GDP by county statistics for the 10 largest counties in metropolitan areas and the 10 largest nonmetropolitan counties using a methodology similar to the one BEA currently uses to produce GDP by state and metropolitan area statistics.

In addition, GDP by county statistics were prepared for all counties in the state of Texas to provide a sense of the differences in industry composition and economic activity that would be revealed if GDP by county statistics were available. Texas was chosen because it is a large state with at least one dominant industry sector, natural resources, and mining.

The results confirm that BEA's current GDP by state and metropolitan area statistics are not fully adequate for measuring economic activity and conditions at the county level. Many counties experience growth patterns that are very different from the growth patterns observed at the state and even metropolitan area level.

Going forward, research efforts at BEA would need to concentrate on improving methodologies and data sources for industries for which earnings do not currently provide good indicators of output or value added. For these industries, potential new data sources would need to be explored.

Additional data sources that can help assess labor trends, business climate, and industry trends would be helpful in corroborating the trends in the GDP by county statistics. Future work would also include data acquisition, development of prototype statistics, and evaluation of the results.

BEA is interested in the views of data users on the proposed methodologies and the level of industry detail. Please e–mail your comments or questions to BEA at gdpbycounty@bea.gov.

(This summary was prepared by Survey of Current Business staff in conjunction with the authors. The paper is available on the BEA Web site.)