

Measuring the Rapidly Changing Economy: Industry Economic Accounts

Nicole M. Mayerhauser

BEA Advisory Committee

Washington

May 1, 2009



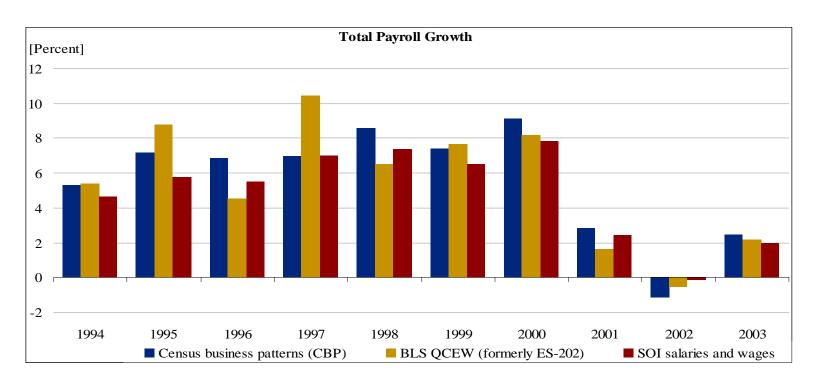
GDP by Industry Statistics

- Nominal VA uses income-based approach
- Gross output (GO) VA = Intermediate Inputs (II)
- Real VA = Real GO Real II
- GO data from Census, regulators, trade sources
 - Industry coverage varies
 - Changing industries mean new products to measure
 - Price coverage varies
- Value added
 - Compensation
 - Corporate profits
 - Innovative accounting practices can be hard to measure



Output and VA Inconsistencies

- Inconsistencies between data sources
 - Means adjustments to industry output and value added
 - Compensation is an example:

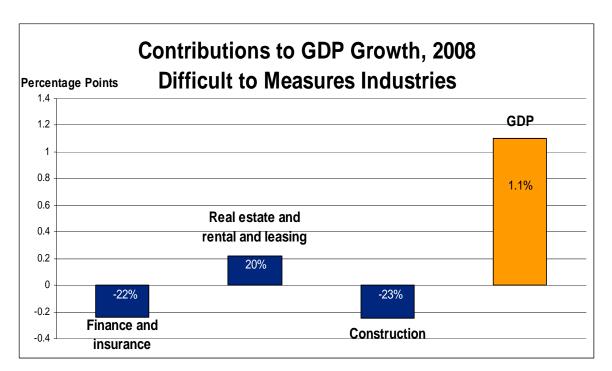


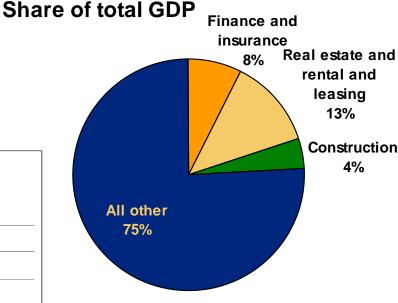


Key Industry Groups

But difficult to measure:

- Financial services
- Real estate/construction

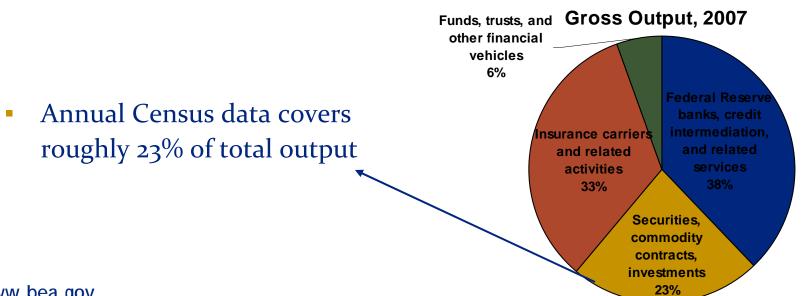






Financial Services – Gross Output

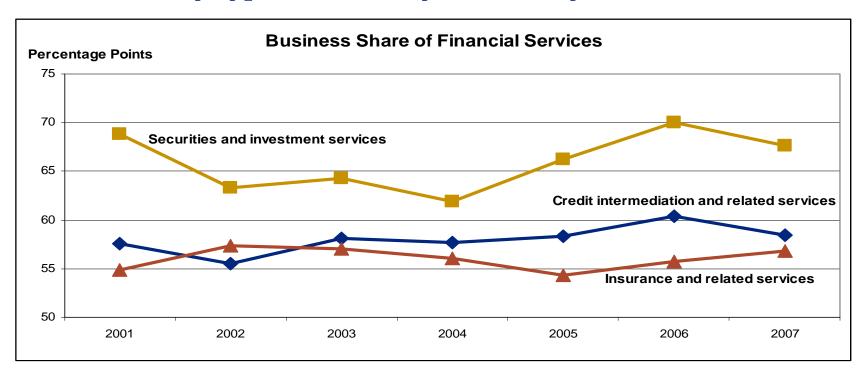
- Credit intermediation: priced and unpriced banking and non depository services
- Securities and investments: investment banking, commodity contracts brokerage, portfolio management services
- **Insurance:** service of pooling risk for health, life, P&C
- Funds and trusts: mutual funds, hedge funds, pension funds





Demand for Financial Services

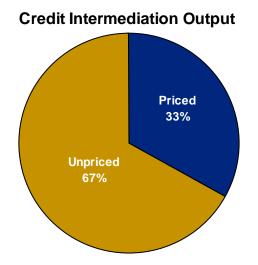
- Full accounting of financial services output
 - ≈ 60% of output is for business (includes housing)
 - \approx 40% of output is for consumers (excludes housing)
 - Varies by type of industry and tricky to measure





Credit Intermediation Industries

- Commercial banks
- Thrifts
- Mortgage loan companies
- Consumer credit

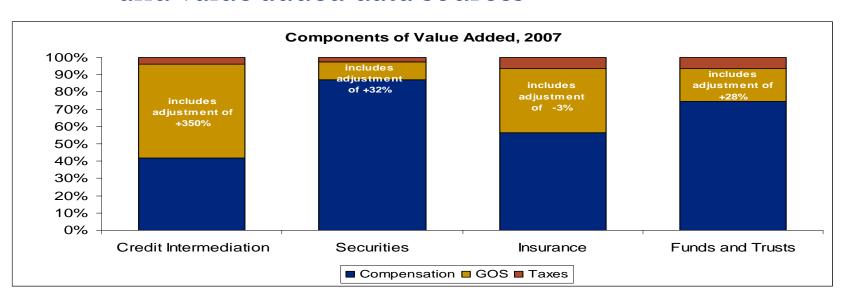


- Priced services non interest fee and other income (Census, FDIC, OTS, etc)
- Unpriced services –processing checks, transferring funds, intermediation between borrowers and lenders
 - Commercial Banks: user cost for depositor and borrower services
 - Others: property income received less interest income paid to depositors
- As institutions change charters, possible change to measuring unpriced output.



Financial Services Value Added

- Difficult to measure compensation and gross operating surplus (GOS)
 - Measuring employee benefits
 - Financial profits vs current production profits
 - Industry classification differences between output and value added data sources





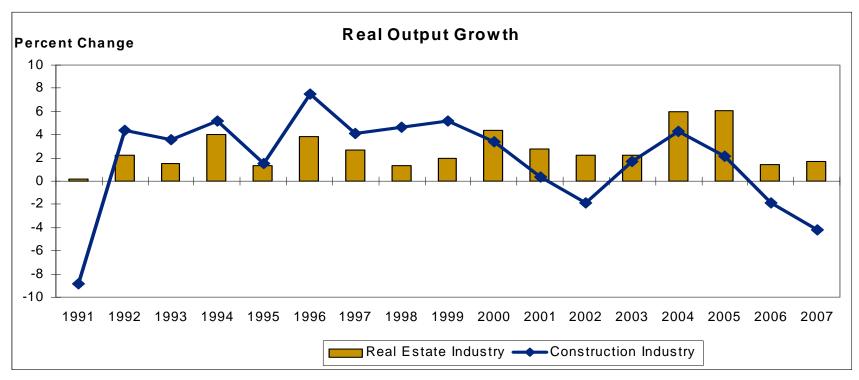
Real Measures of Financial Services

- Limited prices for deflation
 - BLS CPIs for personal financial services
 - Input prices as proxy for output prices
 - Average wage growth
- Limited quantity measures
 - BLS banking quantity index
 - BLS employee hours worked



Real Estate and Construction

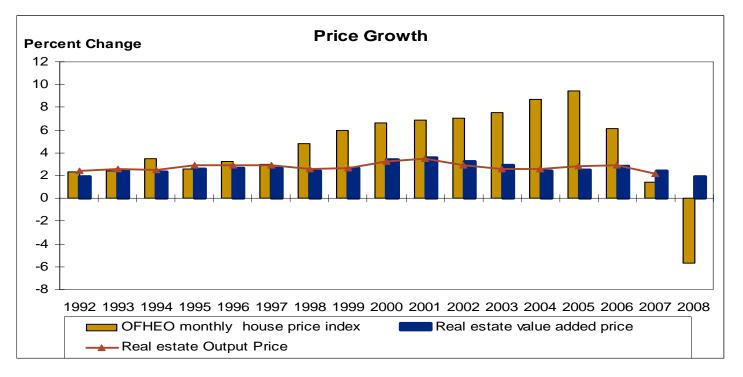
- Real estate measures the service provided by real estate or "rental services" – not real asset appreciation/depreciation
- Construction measures the value put in place of buildings, non building, and maintenance and repairs on buildings





Housing vs Real Estate Prices

- Real estate output prices measure the price for shelter (residential rents or nonres rents – based on BLS CPIs and PPIs)
- Not asset prices (like OFHEO house price index)

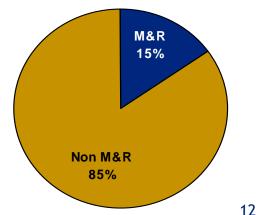




Construction – Coverage Gaps

- Do not provide data by type of contractor
 - Small sample size
 - Small sole proprietors
- Limited data on maintenance and repair work
 - Expect demand to be countercyclical
 - Nonres extrapolated using net capital stock
 - Res extrapolate using existing home sales
 - Priced using new structures prices







How to Improve Industry Statistics

- Monitor changing industry conditions
- Data sharing
 - BLS, Census, IRS
- New Census initiatives
 - Expanded SAS and QSS data
- Quarterly GDP by industry statistics
 - Improve timeliness and usefulness of the industry statistics
- Other partnerships:
 - Expanded coverage of construction price indexes (BLS)
 - Joint BEA's and BLS industry output measures provide robust data sets for measuring productivity.