
November 15, 2002

BUREAU OF ECONOMIC ANALYSIS

The 2002 Annual Revision of the NIPA's: What We Learned

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For the BEA Advisory Committee Meeting

GDP highlights

- From 1998-2001, the economy grew at a slower rate than in the previously published estimates.
 - GDP declined in three quarters of 2001 instead of one.
 - Major contributors to the slowdown continued to be downturns in investment spending and exports and a slowdown in consumer spending.
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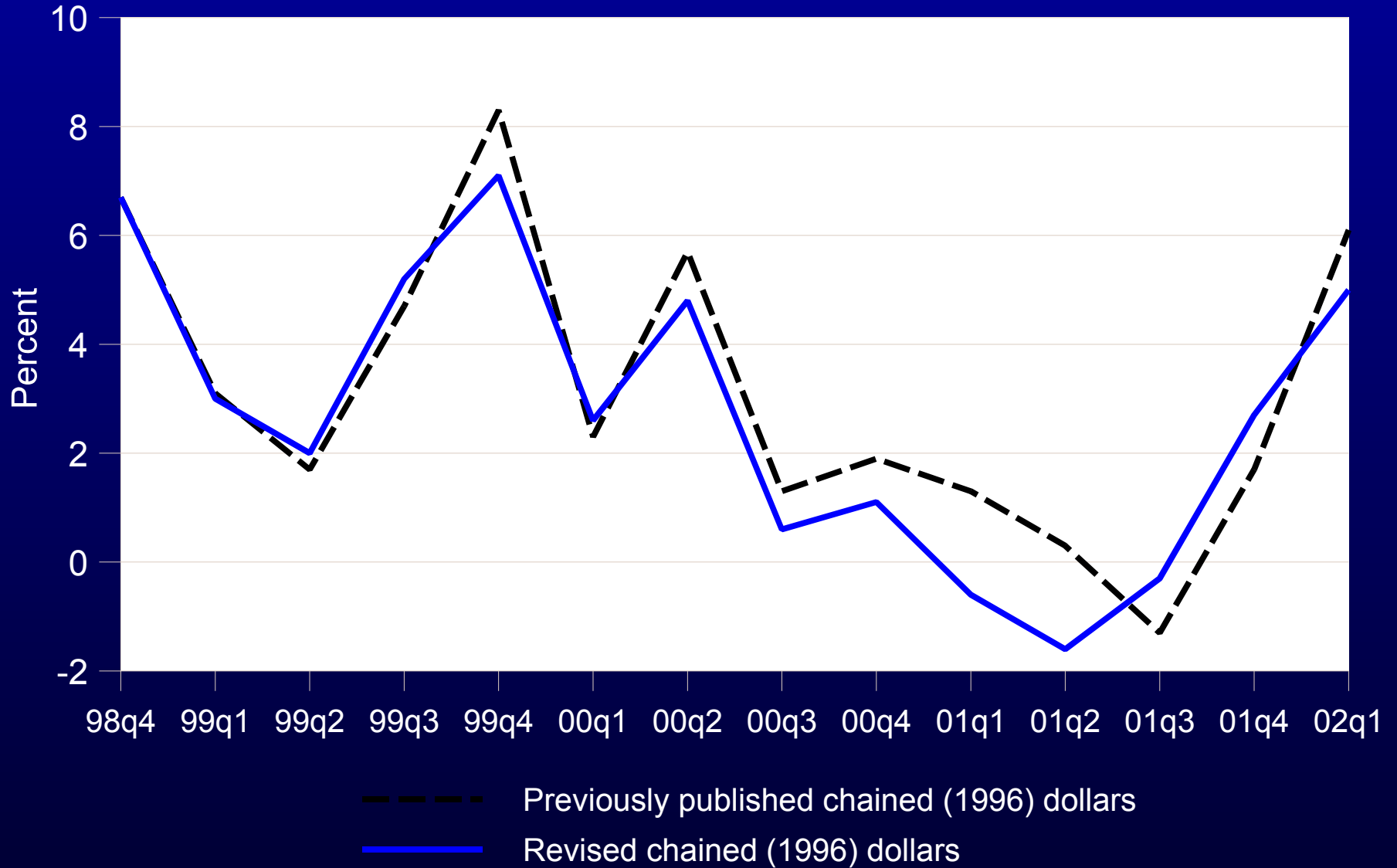
Other highlights

- Real GDP average annual growth rate:
 - < For 1995-2000, revised from 4.1 percent to 4.0 percent.
 - < For 1995-2001, revised from 3.6 percent to 3.4 percent.

- BLS average annual labor productivity measure for nonfarm business:
 - < For 1995-2000, revised from 2.6 percent to 2.5 percent.
 - < For 1995-2001, revised from 2.4 percent to 2.3 percent.
 - < For 2000, revised from 3.3 percent to 2.9 percent.
 - < For 2001, revised from 1.9 percent to 1.1 percent.

Real gross domestic product

[Percent change from preceding period, SAAR]



The 2001 contraction in historical perspective

- For the 7 previous contractions since 1955, the average total decline in real GDP was 2.3 percent (not at an annual rate).
- For the most recent contraction, from the peak (2000q4) to the trough (2001q3), GDP declined 0.6 percent.

GDI Highlights

- Wages and salaries was revised down 2.9 percent for 2001.
 - < Leading to the adoption of a new quarterly methodology and revision schedule for wages and salaries.
- Corporate profits:
 - < Downward revisions.
 - < Peaked earlier than in the previously published estimates.
- Net interest:
 - < Large upward revisions for 2000 and 2001.

Largest contributors to downward revisions to real GDP for 2000 & 2001

- For 2000:
 - < Equipment and software investment.
 - < PCE for nondurable goods.
 - < PCE for durable goods.

- For 2001:
 - < PCE for services.
 - < Equipment and software investment.
 - < Change in private inventories.
 - < State & local consumption expenditures and gross investment.

Improved methods for PCE Services

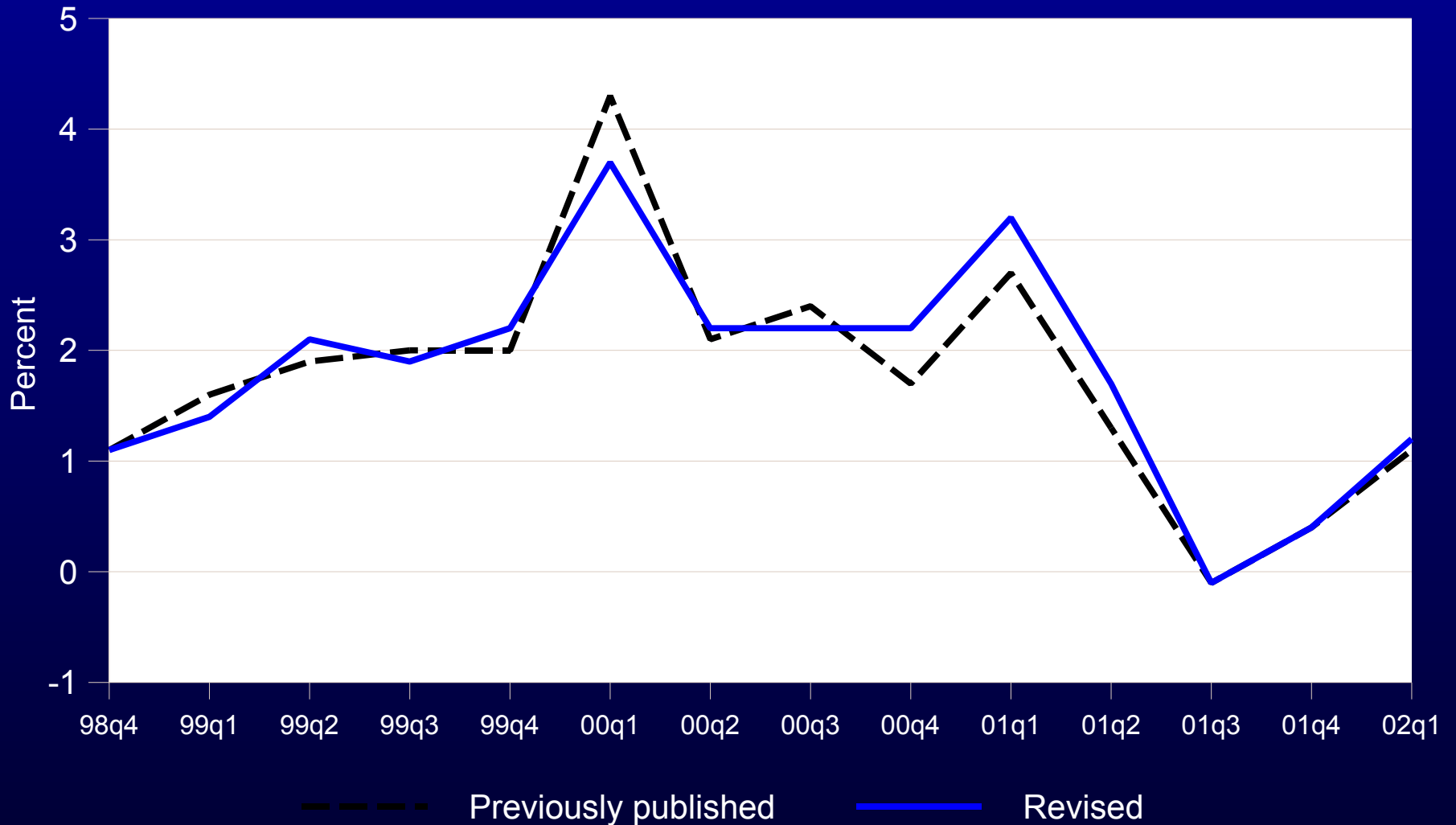
- Improved measures of imputed commissions on equities transactions:
 - < Now based on monthly quoted spreads of “market makers” from the NASDAQ National Market System.
 - < Previously, based on annual samples of bid-ask spreads.

Other methodology changes-Prices

- Newly available BLS PPI for securities brokers, dealers and investment banking used to deflate brokerage and investment counseling services within PCE, exports, and imports.
- BLS PPI's for life insurance and for property and casualty insurance used to deflate insurance services within exports and imports.
- New price indexes used to deflate several categories of Federal defense and nondefense services.

Price index for gross domestic purchases

[Percent change from preceding period, SAAR]



Earlier incorporation of comprehensive data on wages & salaries

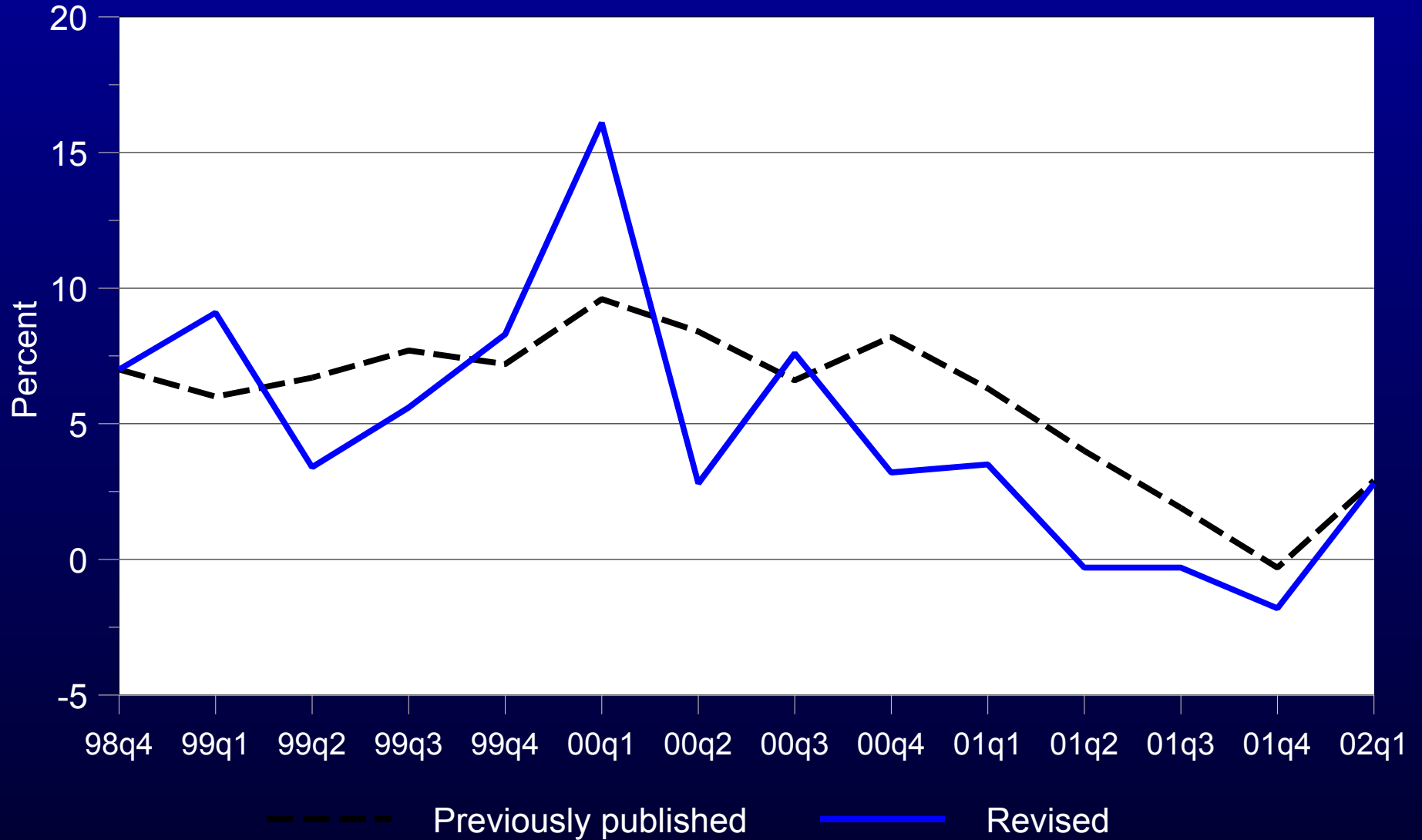
- BLS quarterly tabulations of wages and salaries of employees covered by unemployment insurance (UI) available about 5 to 6 months after end of quarter.
- In the past, annual UI data incorporated into NIPA's in annual revision.
- For current estimates, wages extrapolated using BLS monthly current employment statistics.
- New method: UI data now provide the quarterly pattern for the wage estimates.
- New revision schedule: For "final" GDP releases, private wages and salaries and other income-side estimates for prior quarter are revised to incorporate UI data.

Earlier incorporation of comprehensive data on wages & salaries (con't)

- Additional series revised for the prior quarter:
 - < Personal taxes.
 - < Employer & employee contributions to Federal social insurance (for private employees only).

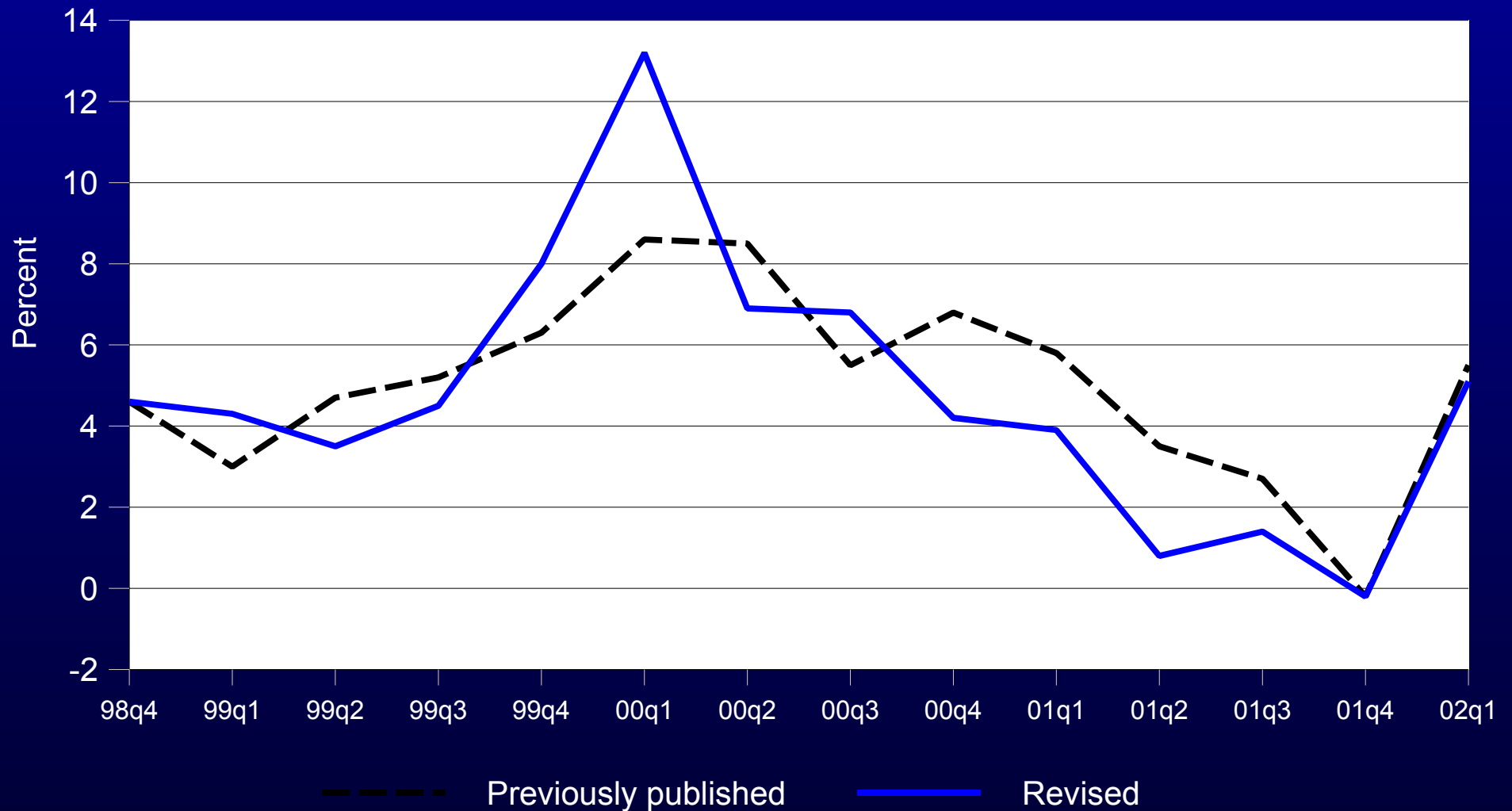
Wage and salary accruals

[Percent change from preceding period, SAAR]



Personal income

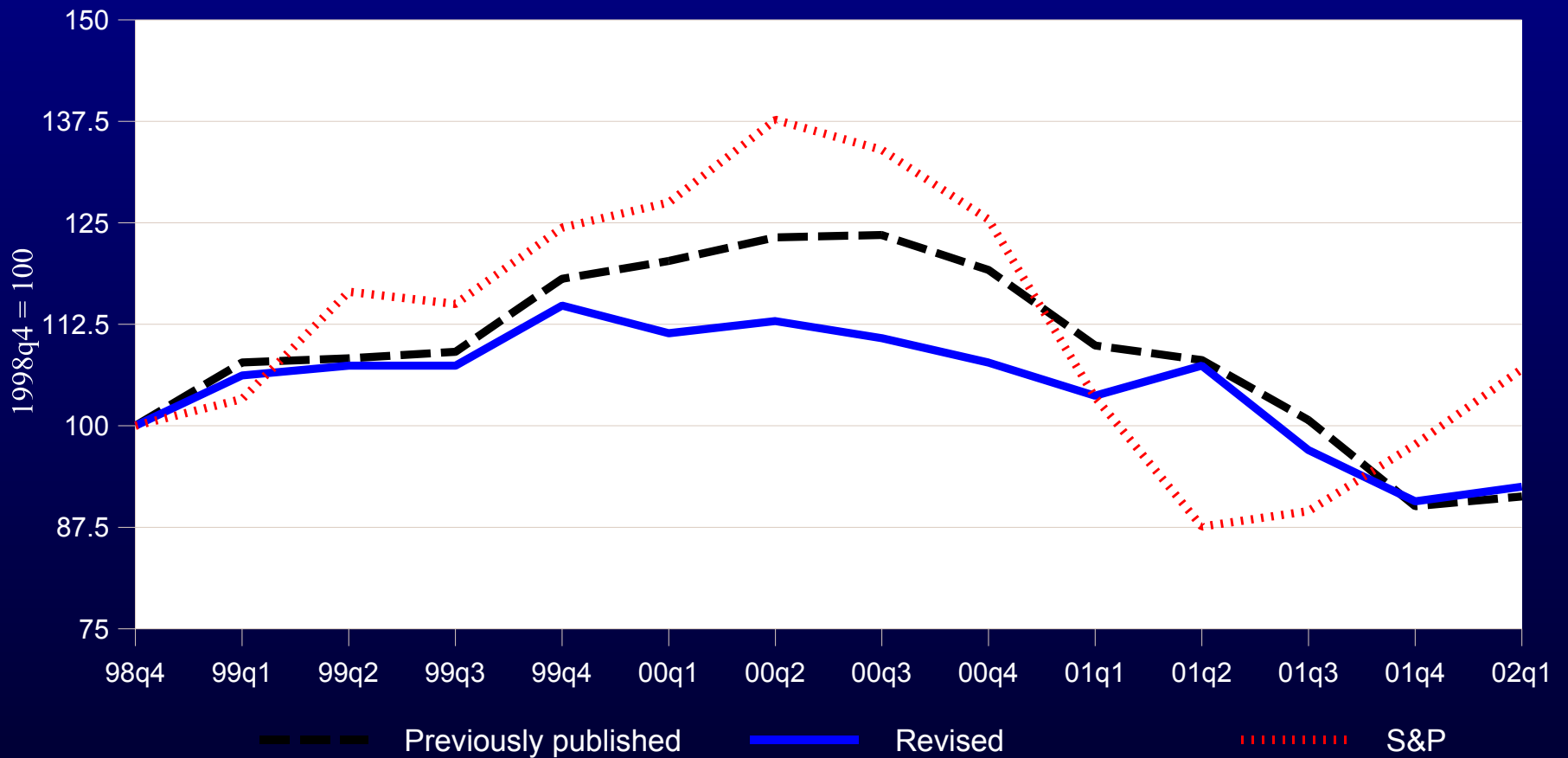
[Percent change from preceding period, SAAR]



Corporate Profits

- Incorporated revised 1999 and preliminary 2000 IRS tabulations--downward revisions, especially large for 2000.
- New estimates show that corporate profits peaked in 1999q4, not 2000q3.
- Financial accounting measures and tax-accounting measures can provide very different pictures.
 - < Stock options.
 - < Pension issues.
 - < Coverage issues.
 - < Special charges.

Corporate Profits - Profits After Taxes



Lessons learned from 2002 annual revision

- Importance of incorporation of new quarterly wages and salaries methodology and adoption of new revision schedule.
 - Make better use of available data in tracking PCE for services.
 - Importance of adjusting financial-accounting measures to tax-accounting measures in estimating corporate profits.
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