

Official Statistics and the Age of Turbulence

J. Steven Landefeld

May 12th, 2008

2008 World Congress on National Accounts

Measuring the Nation's Economy.



National Accounts: An Essential Tool

- Greenspan on the power of National Accounts:
 - Framework for examining interdependencies
 - Framework for assessing relative importance:
 - Macro
 - Industry
 - Regional
 - International

The Role of Official Statistics: Four Examples

- Sustainable growth:
 - Capturing IT in trend growth in real GDP and productivity
- Wage inflation?:
 - Measuring pensions and fringe benefits
- The stock market bubble:
 - Irrational exuberance or mis-measured profits?
- Hurricane Katrina:
 - Assessing the size of the problem

Sustainable Growth: IT and Services

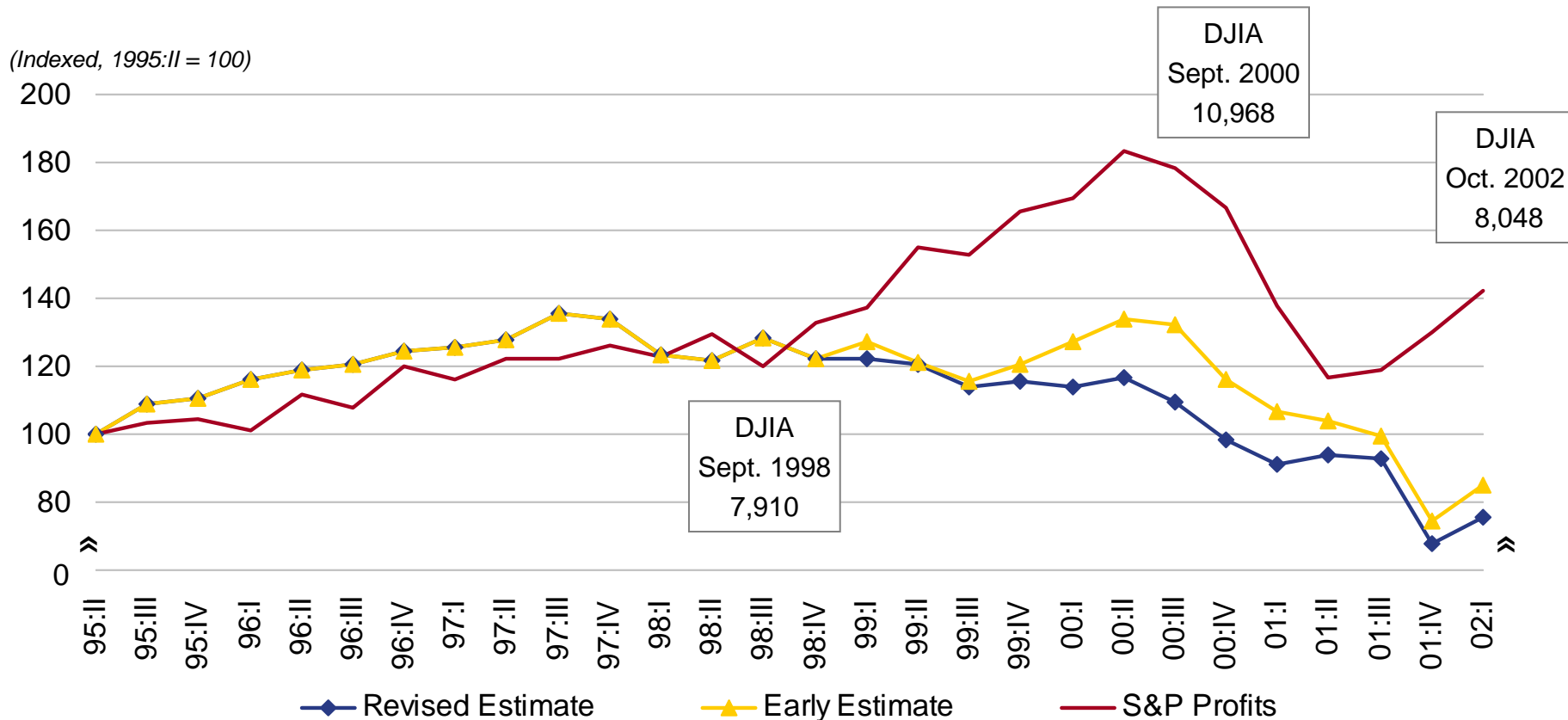
[Percent]	<u>1948-2002</u>	<u>1948-1973</u>	<u>1973-1989</u>	<u>1989-1995</u>	<u>1995-2002</u>
Gross domestic product	3.46	3.99	2.97	2.43	3.59
Hours worked	1.23	1.06	1.60	1.02	1.16
Average labor productivity	2.23	2.93	1.36	1.40	2.43
Contribution of capital deepening	1.23	1.49	0.85	0.78	1.52
Information technology	0.33	0.14	0.34	0.44	0.88
Non-information technology	0.90	1.35	0.51	0.34	0.64
Contribution of labor quality	0.33	0.43	0.23	0.36	0.20
Total factor productivity	0.67	1.00	0.29	0.26	0.71
Information technology	0.17	0.05	0.20	0.23	0.47
Non-information technology	0.50	0.95	0.09	0.03	0.24
		Addendum-Growth Rates			
Labor input	1.81	1.83	1.99	1.64	1.50
Labor quality	0.58	0.77	0.39	0.61	0.33
Capital input	4.13	4.49	3.67	2.92	4.92
Capital stock	3.29	4.13	2.77	1.93	2.66
Capital quality	0.84	0.36	0.90	0.99	2.27

Better Measuring Unit Labor Costs

- Understanding growth in labor costs
 - Despite a robust economy -- and some increase in hourly wages - the increase in overall NIPA compensation and unit-labor costs seemed low.
 - FRB (and BEA) research on pension expenses showed that unit labor costs were increasing faster than official data showed.
 - Provided support for Fed's progressive tightening between mid 2004 and mid 2006.
 - Revised NIPA estimates of supplements to wages, compensation, and unit labor costs to better reflect rising pension expenses.

Irrational Exuberance or Measurement?

Corporate Profits Estimates (2002 Annual Revision) vs. S&P Index



Source: BEA press releases and Standard & Poor's, Inc.

The NIPA's as a Framework: Impact of Katrina

- Early estimates suggested a large impact from Katrina.
 - Analysis of BEA's data indicated a relatively small impact.
- “While these unfortunate developments (associated with Katrina) have increased uncertainty about near-term economic performance, it the Committee's view that they do not pose a more persistent threat. ”
 - FOMC statement of 9/20/05 announcing another 25 basis point increase in the federal funds rate.