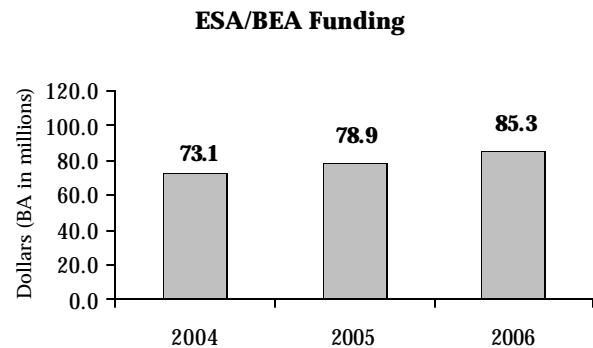


# Economic and Statistical Analysis

*Includes the Bureau of Economic Analysis and the Economics and Statistics Administration Headquarters*

The United States is widely recognized as the world's economic information leader, due in large part to the timely and accurate data and analyses produced by the Economics and Statistics Administration's (ESA) Bureau of Economic Analysis (BEA) and the Bureau of the Census. The BEA produces such key economic measures as the gross domestic product (GDP) and the balance of payments; the Bureau of the Census conducts the quinquennial Economic Census and produces important economic measures including durable goods, wholesale and retail trade, and new construction. ESA provides economic policy analysis that is used in the decision making of the President and Congress, as well as business leaders.



ESA includes: **ESA Headquarters, the Bureau of Economic Analysis, and the Bureau of the Census.**

**ESA Headquarters** staff consists of the Office of the Under Secretary for Economic Affairs, the Policy Support Staff, STAT-USA and support personnel. The Under Secretary for Economic Affairs provides leadership and executive oversight of all ESA activities. The Policy Support staff conducts economic research and policy analysis in support of the Secretary of Commerce and the Administration. ESA monitors and interprets economic developments and domestic fiscal and monetary policies, and analyzes economic conditions and policy initiatives of major trading partners. STAT-USA provides fee-based data dissemination services that provide a focal point for business, economic and trade statistics. STAT-USA operates under a revolving fund account. In FY 2006, ESA headquarters will significantly reduce its operating costs by decreasing the number of personnel and realigning and consolidating functions.

**The Bureau of Economic Analysis (BEA).** Funding requested in FY 2006 will help the Bureau of Economic Analysis (BEA) achieve its mission to promote the understanding of the U.S. economy by providing the timely, relevant and accurate economic accounts data in an objective and cost-effective manner. Although a relatively small agency, BEA's economic statistics are among the Nation's most closely watched. BEA's comprehensive statistics of the U.S. economy influence the decisions made by policy makers, business leaders, households and individuals. These statistics are key ingredients in critical decisions affecting interest and exchange rates, tax and budget projections, business investment plans, and the allocation of over \$191 billion in Federal funds. The cornerstone of BEA's statistics is the National Income and Product Accounts (NIPAs), which feature the estimates of the GDP and related measures. Since the NIPAs were first published, BEA has developed and extended these estimates to keep pace with the constantly changing nature of U.S. economic activity. Today, BEA prepares national, regional, industry and international accounts that present essential information on such issues as economic growth, regional economic development, inter-industry relationships and the Nation's position in the world economy.

The BEA Strategic Plan provides a detailed outline for improving the quality and accuracy of BEA economic statistics. Annually reviewed by BEA and provided to stakeholders, users and the public for comment, the BEA Strategic Plan calls for a number of ambitious undertakings to improve its measures and better meet its mission in FY 2006. These initiatives are detailed in the "Highlights of Budget Changes" section.

Because the **Bureau of the Census** receives its funding from a separate congressional appropriation; its budget is discussed in its own section.

## Summary of Appropriations

### Funding Levels

<b>Appropriation</b>	2004 <u>Actual</u>	2005 <u>Estimate</u>	2006 <u>Estimate</u>	Increase <u>(Decrease)</u>
Salaries and Expenses	\$74,211	\$78,931	\$85,277	\$6,346
Unobligated balance, rescission	(1,096)	0	0	0
<b>TOTAL BUDGET AUTHORITY</b>	<b>73,115</b>	<b>78,931</b>	<b>85,277</b>	<b>6,346</b>

### **FTE**

Salaries and Expenses	499	525	559	34
Reimbursable	15	17	17	0
Revolving Fund	11	10	10	0
<b>Total</b>	<b>525</b>	<b>552</b>	<b>586</b>	<b>34</b>

## Highlights of Budget Changes

### Appropriation: Salaries and Expenses

#### Summary of Requirements

	<u>Detailed</u>		<u>Summary</u>	
	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
<b>2005 Appropriation</b>			525	\$78,931
<b>Adjustments to Base</b>				
Non-recurring FY 2005 Initiative (NAPA Study)				(1,973)
<b>Other Changes</b>				
2005 Pay raise		\$442		
2006 Pay raise		945		
Payment to Working Capital Fund		13		
Change in compensable day		(206)		
Civil Service Retirement System (CSRS)		(163)		
Federal Employees' Retirement System (FERS)		249		
Thrift Savings Plan		135		
Federal Insurance Contributions Act (FICA) -OASDI		126		
Health insurance		246		
Employee Compensation Fund		(1)		
Travel: Per diem		5		
Rent payments to GSA		85		
Printing and reproduction		5		
NARA		3		
Other services: Working Capital Fund		102		
General Pricing Level Adjustments				
Transportation of things		1		
Rental Payment to Others		1		
Communications, Utilities, & misc.		5		
Other services		331		
Supplies		15		
Equipment		34		
Subtotal, other cost changes		0	2,373	
<b>Total, Adjustments to Base</b>			<u>0</u>	<u>400</u>
<b>2006 Base</b>			525	79,331
Program Changes			34	5,946
<b>2006 APPROPRIATION</b>			<u>559</u>	<u>85,277</u>

**Comparison by Activity**

	2005 Currently Avail.		2006 Base		2006 Estimate		Increase / Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>DIRECT OBLIGATIONS</b>								
Bureau of Economic Analysis	480	\$73,339	480	\$72,304	524	\$81,250	44	\$8,946
Policy Support	45	6,622	45	7,027	35	4,027	(10)	(3,000)
<b>TOTAL DIRECT OBLIGATIONS</b>	<b>525</b>	<b>79,961</b>	<b>525</b>	<b>79,331</b>	<b>559</b>	<b>85,277</b>	<b>34</b>	<b>5,946</b>
REIMBURSABLE OBLIGATIONS	17	2,800	17	2,460	17	2,460	0	0
<b>TOTAL OBLIGATIONS</b>	<b>542</b>	<b>82,761</b>	<b>542</b>	<b>81,791</b>	<b>576</b>	<b>87,737</b>	<b>34</b>	<b>5,946</b>
<b>FINANCING</b>								
Unobligated balance, start of year (Direct)		(1,030)						
Unobligated balance, start of year (Reimbursable)		(100)						
Offsetting collections from:								
Federal funds	(16)	(2,510)			(15)	(2,292)		
Non-Federal sources	(1)	(190)			(2)	(168)		
Subtotal, financing	(17)	(3,830)			(17)	(2,460)		
<b>TOTAL BUDGET AUTHORITY /</b>	<b>525</b>	<b>78,931</b>			<b>559</b>	<b>85,277</b>		
<b>APPROPRIATION</b>								

**Highlights of Program Changes**

	Base		Increase / Decrease	
	FTE	Amount	FTE	Amount
Policy Support Program Decrease	45	\$7,027	-10	-\$3,000

The Economics and Statistics Administration (ESA) is working to improve the efficiency and effectiveness of policy and administrative oversight of the Bureau of Economic Analysis (BEA) and the Bureau of the Census. This proposal will realign and streamline administrative, Chief Information Officer, and policy-making functions between ESA and BEA.

<b>Bureau of Economic Analysis</b>	480	\$72,304	+44	+\$8,946
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BEA has made significant progress over the past several years in improving the accuracy and relevance of its economic measures. In early FY 2001, BEA developed a detailed 5-year Strategic Plan to provide a framework for improving the timeliness, relevance, and accuracy of its statistics. With the support of the Administration and Congress, BEA already has achieved a number of important successes and continues to work to achieve all its goals. Although recent budget shortfalls have delayed some efforts to accelerate data releases, as well as efforts to continue meeting U.S. international obligations and incorporating real-time data into the accounts, BEA continues to seek ways to improve the products it provides to users.

Strengthening International Statistics			+16	+\$2,760
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Since late FY 2003, there have been frequent media reports about the effect of changes in the flow of jobs and production between the U.S. and world economies. Policymakers, business leaders and the American public are especially interested in these effects on the U.S. job market, trade, and economic growth. To answer these pressing questions, users are demanding more timely and comprehensive data on the activities of multinational companies (MNCs). In addition, more complete and better information on imports and exports of services is required to fully understand the effect of trade on U.S. jobs and economic growth. This budget initiative will fill data gaps in the Nation's economic accounts by improving

the information on MNCs and international trade in services. This work will improve the accuracy of BEA's major international statistics to help answer many important economic and policy questions. In addition, this work will help address newly emerging policy questions on a wide range of issues including the potential impact of a tax holiday on foreign affiliate dividends and questions about U.S. and foreign content of U.S. imports and exports.

	<u>FTE</u>	<u>Base Amount</u>	<u>Increase / Decrease</u>	
			<u>FTE</u>	<u>Amount</u>
Complete Statistical Improvement Program			+23	+\$5,161

BEA has undertaken an aggressive program to improve the quality and accuracy of its major economic accounts. Beginning in FY 2001, BEA committed to a statistical improvement program to: (1) accelerate the release of a number of key economic statistics; (2) improve the accuracy and relevance of its data by acquiring and incorporating real-time data into its accounts; and (3) improve its data on international financial transactions as it continues to meet U.S. international obligations. To date, BEA has made significant progress. This program and the steps to complete it are clearly defined in the BEA strategic plan. To complete the work begun in prior years and to avoid the loss of these past investments, funds are requested for FY 2006 for the following programs:

- **Generate More Timely Economic Data.** The economic data produced by BEA are among the most timely economic statistics in the world. Even as the world leader, BEA must meet the demands of its own users that require more accurate, timely and relevant data at home. The challenge of accelerating the release of economic measures is being met by BEA. BEA has made significant progress by accelerating a number of BEA products. With FY 2006 funds, BEA plans to complete the acceleration of three key regional statistics: gross state product, metropolitan personal income, and county-level personal income.
- **Acquire Real-Time Data to Improve Quality.** Investments to purchase real-time data have proven to dramatically improve macro-economic measures such as the GDP. BEA requests FY 2006 funds to allow it to purchase and incorporate real-time data; for example, monthly retail scanner data and business-to-business software resells from private sources can fill data gaps in current measures. This approach is a simple and proven method of improving the accuracy and relevance of BEA statistics, resulting in data that will quickly provide policy makers, business leaders, and others with more accurate data to enable more informed decisions. In addition, BEA will conduct quarterly surveys of international transactions in the large and volatile services industries to provide more current data to use in its estimates.
- **Improve Data on International Financial Transactions.** As part of the commitments made by the U.S. to the international community, BEA is requesting funds for FY 2006 to improve its data on international financial transactions. The U.S. and the International Monetary Fund have stated that past debt crises resulted, in large part, because timely and accurate data about worsening financial conditions were unavailable. The U.S.'s leadership in complying with the "Special Data Dissemination Standards" will ease this data gap and encourage other nations to maintain their compliance. BEA proposes to work with the U.S. Treasury and the Federal Reserve Board to incorporate newly developed estimates of derivatives and other financial instruments. It will also help address questions being raised about the U.S. current accounts deficit and the sources of funds used to finance that deficit.

Improve Business Investment Data			+5	+\$1,025
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Wall Street, industry analysts, business leaders, and academics are increasingly interested in which industries are buying what technology from other industries. The data on business investment, also known as capital flows, are designed to provide information on the flow of investment dollars to purchase and lease high-tech and other equipment. Currently these estimates are produced every five years following the release of data from the Census Bureau's Economic Census. As a result, the business investment data are at least five years old, thus limiting their usefulness. This initiative would result in the production of current, annual estimates on business investment spending by industry for equipment and other goods, which will indicate where high-tech and other investments are going and how they affect productivity in manufacturing and other industries.

## ESA / BEA Performance Measures

The BEA Mission, derived directly from the U.S. Department of Commerce Strategic Plan for FY 2004-FY 2009, is to “promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic data in an objective and cost-effective manner.” To monitor progress toward achieving this mission, BEA has developed six performance measures for FY 2006 that seek to measure long-term performance and track efforts to accomplish specific budget initiative requests. These performance measures include: (1) maintaining reliable delivery of economic data, (2) sustaining customer satisfaction, (3) ensuring greater than 85 percent of GDP estimates are correct, (4) improving GDP and the economic accounts, (5) accelerating economic estimates, and (6) meeting U.S. international obligations. The first three measures monitor BEA’s long-term success at improving timeliness, relevance and accuracy, while the last three measures track specific budget requests for FY 2006. The following table shows the measures that BEA uses to evaluate its performance. A more detailed description of these goals and measures is in the BEA section of the Department of Commerce budget.

### Performance Goal (Obligations) and Measures (Targets)

(Dollars in millions)

	<u>2004</u> <u>Actual</u>	<u>2005</u> <u>Estimate / Target</u>	<u>2006</u> <u>Estimate / Target</u>
<b>Goal 1: Promote a better understanding of the U.S. economy by providing the most timely, relevant and accurate economic data in an objective and cost-effective manner</b>	<b>\$76.9</b>	<b>\$83.0</b>	<b>\$87.7</b>
Number of scheduled releases issued on time	54 of 54	54 of 54	TBD
Customer satisfaction with quality of products and services (5 point scale)	4.3	Greater than 4.0	Greater than 4.0
Percent of GDP estimates correct	88%	Greater than 85%	Greater than 85%
Improving GDP and economic accounts	Completed all major Strategic Plan milestones related to improving the economic accounts	Successful completion of related Strategic Plan milestones	Successful completion of related Strategic Plan milestones
Accelerating economic estimates	BEA completed all major Strategic Plan milestones related to accelerating economic estimates	Successful completion of related Strategic Plan milestones	Successful completion of related Strategic Plan milestones
Meeting U.S. international obligations	BEA completed all major Strategic Plan milestones related to meeting U.S. international obligations	Successful completion of related Strategic Plan milestones	Successful completion of related Strategic Plan milestones

Note: The total obligations may differ from those reported in the Congressional Justification exhibits due to the inclusion of the revolving fund in the amounts cited above.