

How Can the GDP Accounts Be Made More Effective for Business Cycle Analysis?

Brent R. Moulton

BEA Advisory Committee Meeting

November 7, 2008

Measuring the Nation's Economy.



BEA data and business cycles

- Data in the GDP accounts play an important role in analysis of business cycles:
 - “The [NBER Business Cycle Dating Committee] views real GDP as the single best measure of aggregate economic activity.” (NBER, Oct 21, 2003)
- Data other than real GDP are also important.
- What additional data might BEA provide to assist in business cycle analysis?
 - Data included in the accounts that are not well known.
 - Estimates that could be created with “minimal” cost.
 - New estimates that might require additional resources.
- Open to suggestions from Advisory Committee and others.

Other concepts in the GDP accounts

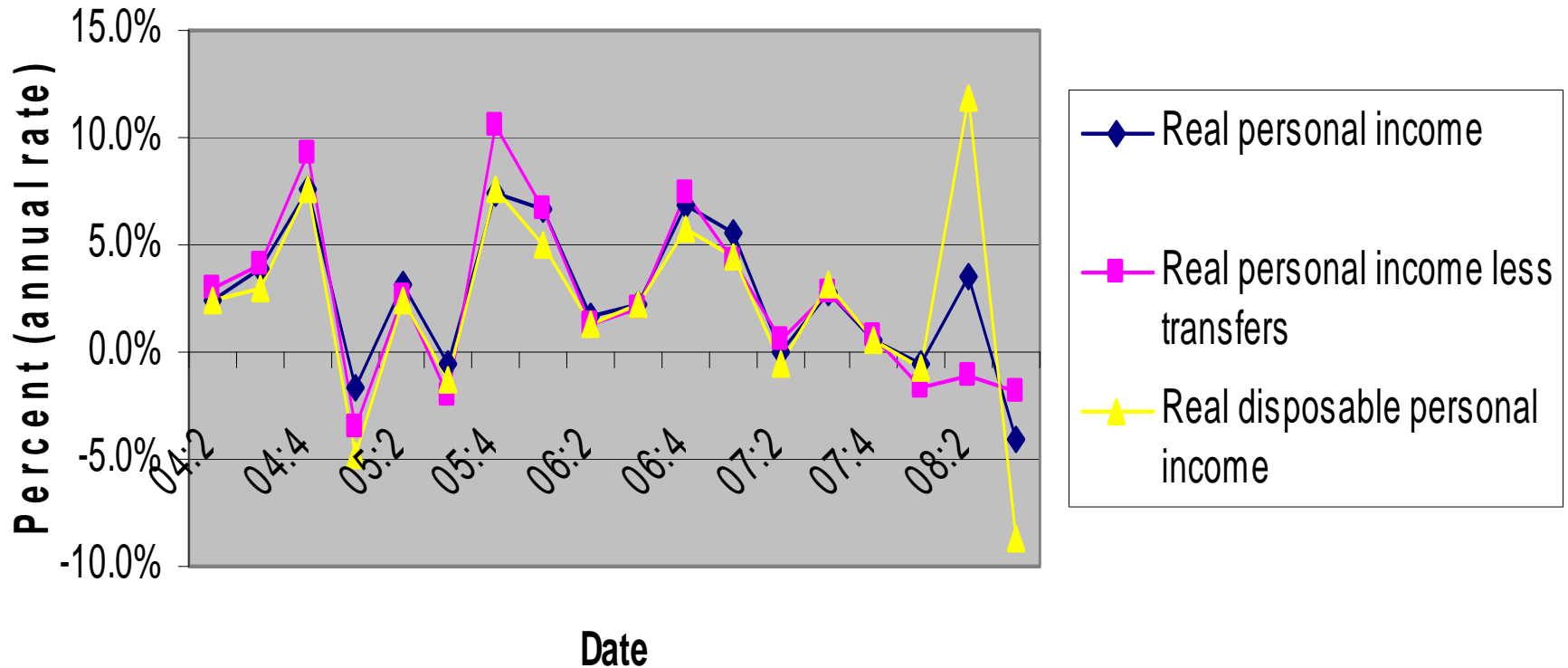
- GDP is a measure of production, not well-being.
- Net domestic product (NDP) - deducts charge for capital depreciation.
- Gross/net national income - adds net income receipts from the rest of the world.
- Purchasing power of income:
- Wealth - expanded reconciliation with flow of funds accounts to include changes in net worth.

Purchasing power of income

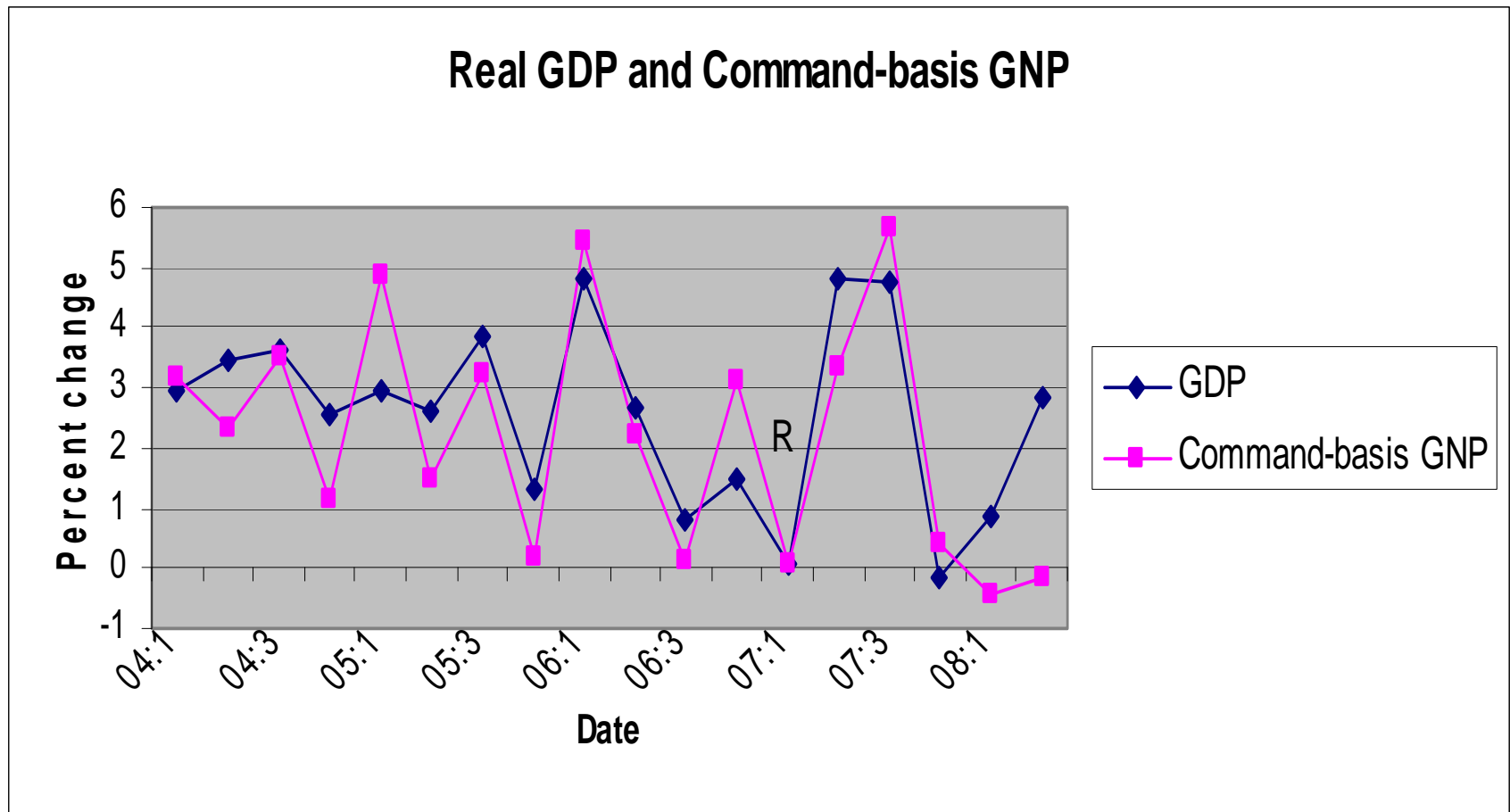
- Real disposable personal income - uses consumption-based (PCE) deflator.
- Real gross domestic (national) income, or command-basis GNP - using deflator based on purchasing power (gross domestic purchases). Marshall Reinsdorf will discuss this afternoon.
- Other measures of real income, such as real compensation of employees.

Percent change - real personal income, PI less transfers, DPI

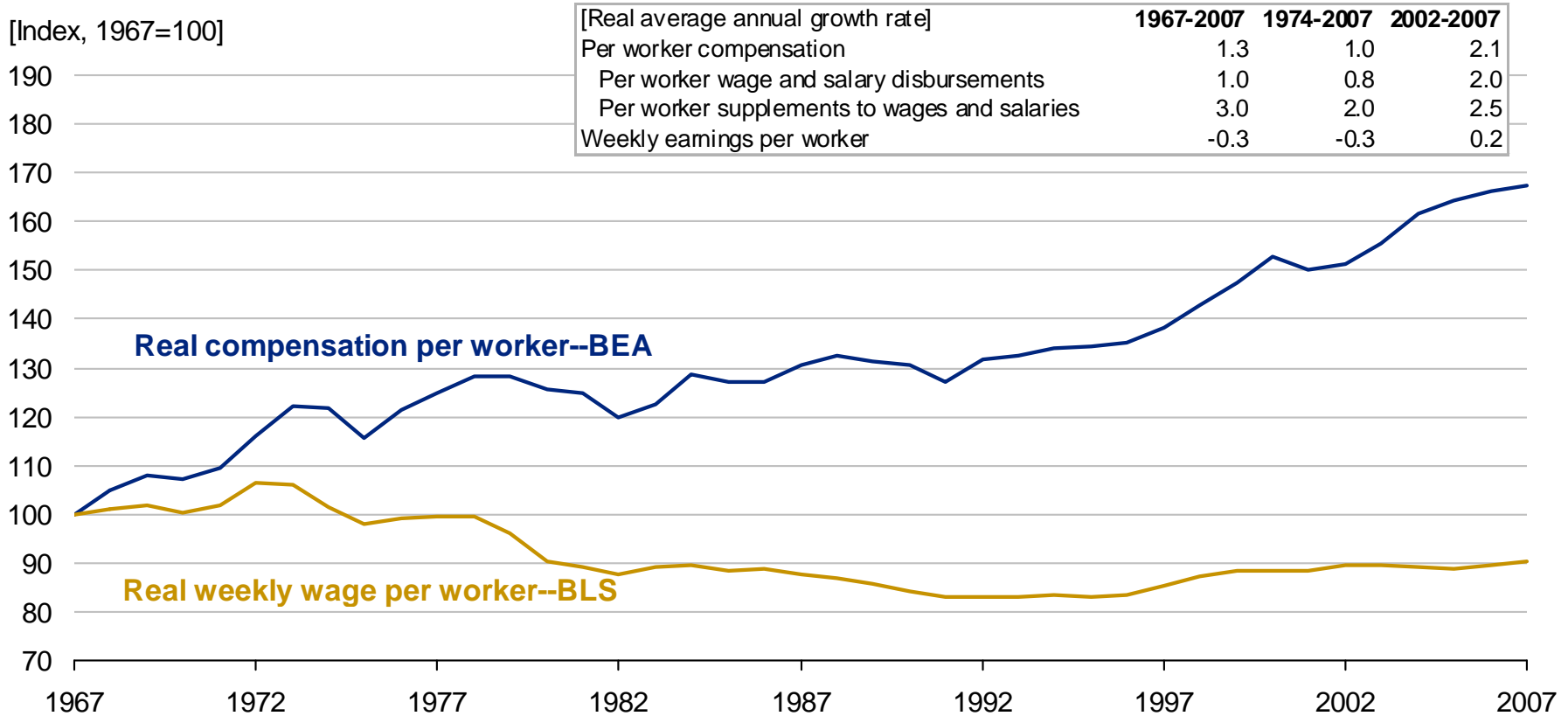
Percent change - real income



Real GDP and command-basis GNP



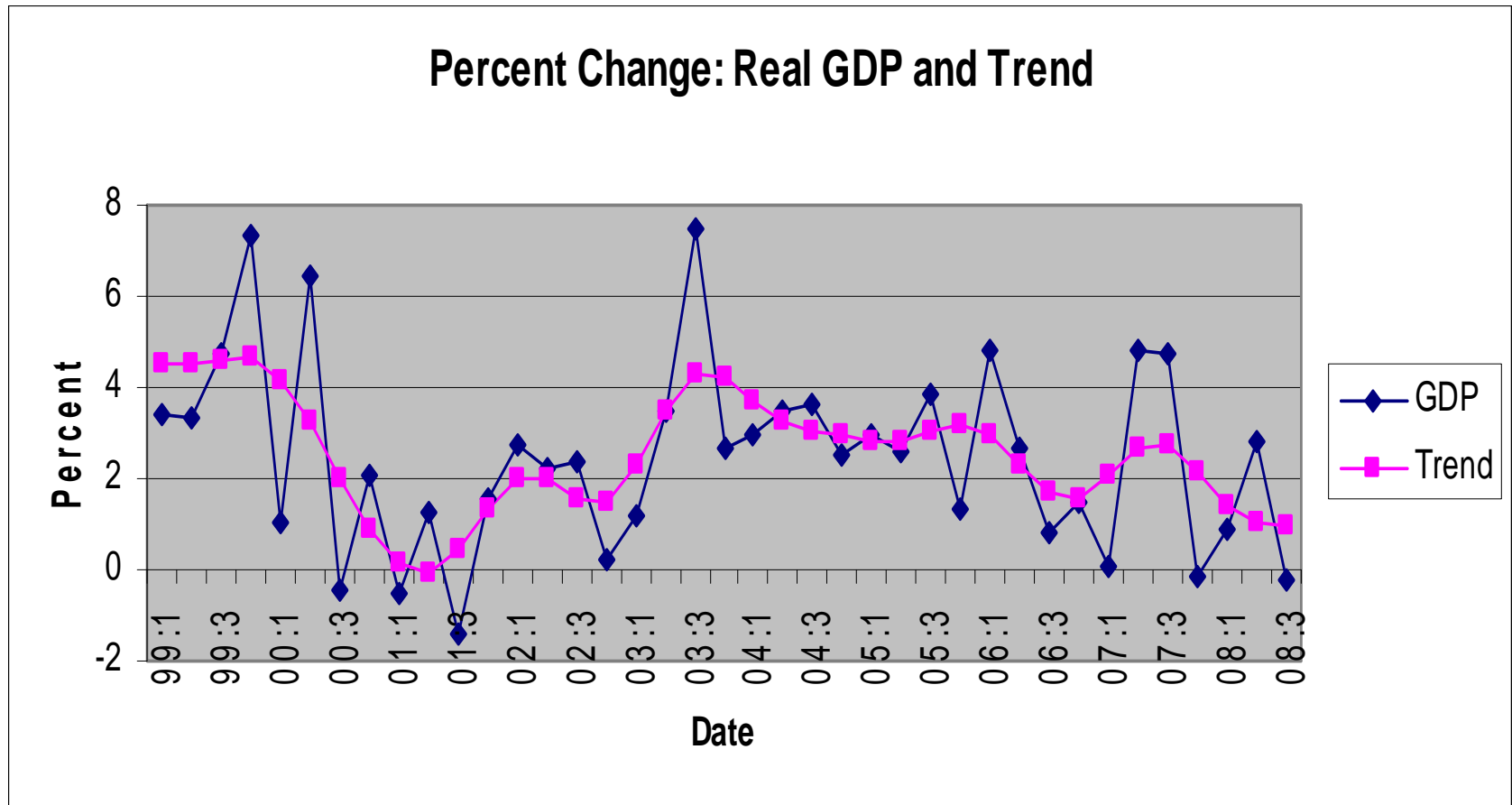
Real compensation per worker versus real average weekly earnings



Estimates of GDP trend

- Along with estimates of quarterly change in GDP, some countries also highlight estimates of GDP trend.
- Estimates readily available from time-series seasonal adjustment package (X-12-ARIMA).

Measures of GDP Trend



Monthly/underlying data

- Currently, BEA produces “underlying detail” tables on monthly PCE, inventories, sales, and motor vehicles, and quarterly fixed investment and government spending.
- Would it be useful to add monthly estimates of fixed investment?
- Reconciliation of corporate profits with S&P?
- Other underlying data?
- Monthly GDP?



Quarterly GDP by Industry

- More timely industry data for business cycle analysis and for policy and research
- Industry price and quantity measures in a NIPA framework provide an industry dimension to quarterly GDP growth
- Quarterly real output indicators for both goods and services-producing industries