

November 26, 2001

STRATEGIC PLAN: 2001 - 2005

BUREAU OF ECONOMIC ANALYSIS

OVERVIEW

MISSION

BEA produces economic accounts statistics that enable government and business decision-makers, researchers, and the American public to follow and understand the performance of the Nation's economy. To do this, BEA collects source data, conducts research and analysis, develops and implements estimation methodologies, and disseminates statistics to the public.

VISION

To be the world's most respected producer of economic accounts statistics.

VALUES

- Integrity – maintaining the sterling reputation of BEA and its statistics.
- Quality – producing accurate, relevant, and timely statistics.
- Staff excellence – fostering, recognizing, and rewarding contributions of employees.
- Responsiveness to customers – providing what they want, when and how they want it.
- Innovation – meeting the challenges of new technology and the changing economy.

GOALS

Goal 1: Make BEA's statistical accounts and services more responsive to the needs of its customers and partners. BEA is concentrating on improving its relationships with its customers and partners. The Strategic Plan identifies specific actions that address such objectives as establishing and improving two-way communication with customers through regular customer surveys and other sources of feedback; expanding outreach efforts to data users, the Congress, trade associations, the business community, and the media through the more effective use of technology, partnerships, and informational materials; upgrading the technology used to collect and disseminate information; and redesigning BEA's Web site to provide more explanations, background information, searchable links to meta-data, and other interactive features.

Performance: Performance under goal 1 will be monitored by measures such as the following:

- Customer satisfaction with BEA's products and services, as determined by regular customer surveys;
- Number of outreach activities/events;
- Number of Web site users.

Goal 2: Retain, attract, and develop a highly qualified, diverse workforce prepared to innovate and improve BEA's statistics. BEA faces a variety of workplace challenges. The Strategic Plan identifies specific actions that address such workplace objectives as improving employee retention and recruitment through more effective use of the Personnel Management Demonstration Project's flexibilities, supporting continuous career development for all employees, aiming employee training plans toward future workforce needs, and improving the system for recognizing and rewarding employees for their work.

Performance: Performance under goal 2 will be monitored by measures such as the following:

- Employee satisfaction, as determined by regular employee surveys;
- Employee retention rate;
- Speed of recruitment actions;
- Training program milestones met.

Goal 3: Upgrade resource management to support BEA's strategic goals. Support for the initiatives outlined in the Strategic Plan will come from more effective use of existing resources (through productivity-enhancing IT investments and changes in work processes and products), as well as from incremental resources. To manage its resources effectively, BEA will have to better account for the costs and benefits of existing and proposed work. Armed with new financial accounting support and stepping up its interaction with customers, the Department, and statistical agency partners, BEA will more effectively conduct its programs, allocate resources, and plan for the provision of resources to achieve the Bureau's goals.

- ***Upgrading BEA's financial management*** – BEA is developing a cost-based budget for existing and proposed work that is directly linked to Bureau products. This will not only enable the Bureau to better identify the costs and benefits of its programs for its customers, the Administration, and the Congress as a part of the budget formulation process, but will be key to the effective tracking and management of existing resources. This will be accomplished by obtaining the resources for an internal budget staff, implementing an activity-based cost system, and completing a smooth transition of our core financial system to the Commerce Department's new CAMS system.
- ***Investing in information technology (IT)*** – BEA's economic programs require the IT support provided by the Office of the Chief Information Officer. Much has been accomplished to enhance BEA's IT infrastructure, especially the establishment of a stable local area network (LAN) with strong backup capabilities for BEA systems, but significant work remains in the redesign of critical estimation systems. The Strategic Plan emphasizes four areas in which further IT investment is needed: (1) continuing support of BEA program

staff with more efficient IT tools (software) to enhance their performance; (2) ongoing upgrades of the IT infrastructure (servers, workstations, telephones) to ensure reliability and security; (3) redesigning of core estimation systems to maximize the use of database technologies; and (4) harnessing of rapidly developing web-based technologies to improve data dissemination.

- ***Updating and better focusing existing programs*** – Meeting customer needs and working to better focus the Bureau’s resources require a continuing reevaluation and improvement of products and work processes. This effort includes looking at internal work processes and asking whether resources are being devoted to the highest priorities. This reevaluation will be accomplished by annual bottom-up reviews of work processes, with changes incorporated in annual updates of the Bureau’s Strategic Plan and in unit and individual work plans.
- ***Focusing BEA’s products and services to meet the needs of business, policymakers, and households*** – To make sure that its existing statistical products are effectively utilized, BEA must provide expanded and more accessible information on its Web site and improve the dissemination of information directly to the press and to potential users of BEA’s products in the business community, State and local governments, academia, think tanks, the Administration, and the Congress. Then, armed with cost and benefit information for existing and proposed products, BEA must work with these constituencies to develop products and services that meet their needs. This will be accomplished by upgrading BEA’s public affairs function, establishing a Congressional liaison function, interacting regularly with BEA’s customers on their needs, and updating and refocusing BEA’s Strategic Plan and individual unit plans.

Performance: Performance under goal 3 will be monitored by measures such as the following:

- Upgrading financial management – project milestones met;
- Investing in IT – project milestones met for IT upgrades;
- Updating existing programs – number of products and processes reevaluated;
- Focusing on users’ needs – number of outreach activities/events.

Goal 4: Improve BEA’s economic statistics through improved statistical methodologies, utilization of new technology, and better source data. This first version of the Strategic Plan identifies statistical program priorities for FY 2001 through FY 2005. These priorities are summarized below by economic account, followed by an across-the-board review of source data improvements.

A. National Accounts: BEA produces the national income and product accounts (NIPA’s), including gross domestic product (GDP), monthly personal income and outlays, and estimates of the stocks of fixed assets and consumer durable goods. The Strategic Plan identifies the following areas for improvement in the national accounts:

- ***Improving processing systems*** – The estimation of GDP can be made more reliable, efficient, and flexible through a comprehensive effort to improve the underlying processing

systems. The Strategic Plan identifies actions such as the creation of a new central system to replace the two outdated and overburdened systems now in use, the replacement of the time series database software used by analysts to prepare the estimates, and the overhaul of estimation subsystems. Special attention will be paid to good programming practices, including documentation of requirements and programs, thorough testing prior to implementation, and use of modern standards and best practices.

- ***Addressing data gaps and other shortcomings*** – Although the overall quality of the NIPA estimates is very high, that quality is jeopardized by several gaps resulting from inadequate source data or recent changes in the economic environment. Also, there are long-standing measurement problems, such as quality adjustments of prices and the measurement of services. A systematic plan to minimize these problems will improve the quality and usefulness of the national accounts. The Strategic Plan identifies specific actions that address such needs as implementing the North American Industry Classification System, developing new quality-adjusted prices, developing improved measures of services, developing improved estimates of software investment, and conducting research on and developing better estimates of employee stock options and other components of income.
- ***Improving consistency and integration with other accounts*** – In order to assemble an overall picture of the economy, many users want to move seamlessly not only among the BEA accounts but also between them and the Federal Reserve’s flow-of-funds accounts and the BLS productivity accounts. Such comparisons are now impeded by inconsistencies in definitions and presentation. Several elements of the Strategic Plan are designed to facilitate those comparisons and provide more useful information by improving the consistency, coherence, and presentation of the accounts.
- ***Improving consistency with international standards*** – International guidelines for national economic accounts generally reflect best practices, and BEA’s estimates of major aggregates, such as GDP, are largely consistent with international guidelines and are an example of best practices. However, the Strategic Plan identifies several areas where BEA could improve the estimation, presentation, and usefulness of its national accounts by more fully adopting the recommendations contained in the international guidelines.

B. International Accounts: BEA produces the balance of payments and international investment accounts, as well as financial and operating data on multinational companies. The Strategic Plan addresses efforts to improve productivity or outputs in the existing areas of work and to improve coverage in areas where major gaps have recently appeared.

- ***Improving productivity or outputs in existing areas of work*** – Several initiatives are designed to enable BEA to do more with less. For example, with increased investment in IT infrastructure, BEA plans to expand electronic data collection and dissemination and improve the usefulness of the international accounts section of its Web site. BEA will conduct research to study the implementation of new sampling and imputation techniques that would reduce the resources required to estimate data for relatively small companies that

now must report in BEA surveys. In addition, BEA must improve the usefulness of its estimates of international trade in goods and services by accelerating their release.

- ***Closing data gaps in the accounts*** – A number of the initiatives pertain to closing data gaps that have recently developed. One initiative addresses the potential under reporting of U.S. goods trade, while others would alleviate the data gaps in international services by developing more frequent (quarterly instead of annual) surveys of unaffiliated services and broadening the coverage of existing surveys. Additional initiatives focus on closing gaps in the measurement of financial flows, such as those stemming from transactions under derivatives and other types of short-term financial instruments, reverse or short transactions, and transactions in traditional instruments that now bypass the international capital reporting system.
- ***Improving consistency with international standards*** – In general, BEA’s international accounts are highly consistent with international standards; in fact, BEA has played a lead role in carrying out the conceptual work necessary to establish many of the standards. However, international standards are continually evolving and expanding, and in some areas – such as insurance services – BEA’s methodologies probably could be improved. Proposed initiatives would enable BEA to keep abreast of the changing standards and to comply more fully with existing standards.

C. Industry Accounts: BEA produces economic statistics on industries, including the input-output (I-O) accounts, GDP by industry, and occasional satellite accounts. The I-O account benchmarks underpin the NIPA and other account benchmarks. The Strategic Plan focuses on completing the 1997 benchmark I-O accounts by late 2002, thereby meeting a commitment to produce the benchmark accounts within 5 years of the reference year. The Plan also includes the following new elements that will provide customers with more useful industry statistics:

- ***Accelerating annual industry data*** – Research will be directed toward reducing the time lag for the release of the annual I-O accounts (from 3 years down to 1 year after the reference year) and the annual GDP by industry estimates (from 11 months down to 4 months after the reference year).
- ***Reconciling and improving the consistency of industry estimates*** – This element will be directed toward reviewing and partially reconciling the value-added estimates from the 1997 benchmark I-O accounts and GDP by industry to bring those estimates into closer alignment and developing approaches to improve the consistency of the I-O, GDP by industry, and gross state product (GSP) estimates.
- ***Improving estimating methods and processing systems and interfaces*** – This element will focus on improving estimating methodologies, designing and developing interactive software tools for accessing data, expanding integrated software applications to produce industry estimates, and developing processing systems to improve efficiency.

D. Regional Accounts: BEA produces estimates of quarterly and annual State personal income, annual county and metropolitan area personal income, annual GSP, wages and employment in varying degrees of detail by industry for each area, and regional input-output multipliers. The Strategic Plan identifies the following areas for improvement in the regional accounts:

- ***Accelerating the release of regional estimates*** – This project would provide the users of regional data with dramatically earlier access to these estimates. For example, the lag time for the release of GSP estimates would be reduced from 18 months down to 5 months after the reference year. Similar accelerations would be achieved for metropolitan and local area personal income.
- ***Continually improving methodologies*** – The methodologies used to produce the regional estimates must be updated and improved to keep pace with changes in the national and regional economies. Topics that need to be addressed are the estimation of stock options on a regional basis and the redefinition of the BEA Economic Areas to reflect new metropolitan area definitions.
- ***Improving source data*** – In order to improve the quality of the regional estimates, it is necessary to identify, develop, and implement new and more appropriate source data. For example, new source data would be needed to develop estimates of State capital stocks.

E. Source Data Improvement: BEA obtains most of its source data from other Federal government agencies – primarily the Bureau of the Census, the Bureau of Labor Statistics (BLS), and the Department of the Treasury, especially the Internal Revenue Service (IRS). Therefore, it is imperative that BEA staff at all levels work with their colleagues in those agencies to upgrade the economic accounts by improving the relevance, quality, and timeliness of existing source data, identifying untapped but potentially useful existing data, and developing new data.

The following key data sources are the focal points of BEA’s efforts to work with its partner agencies to improve source data for the economic accounts:

Bureau of Labor Statistics Data – BLS employment and price data are essential ingredients of BEA’s economic accounts. To improve its national, industry, and regional accounts, BEA will work with BLS to expand their Current Employment Statistics (790 program) to cover earnings of all employees. BEA also will work with BLS to explore expanding the coverage of the earnings concept to cover all types of earnings, including employee stock options, and benchmarking the earnings data to the BLS Covered Employment and Wages (ES-202) program. For its national accounts, BEA will work with BLS to improve the Producer Price Index program to provide quality-adjusted price indexes for high-tech goods and to continue expanding the coverage of financial and nonfinancial services and of nonresidential construction.

Bureau of the Census Data – For its industry and national accounts, BEA needs better and more

timely Census data on the intermediate outputs of industries. The international accounts need improved data on exports and imports of goods. The regional accounts stand to benefit greatly from the new American Community Survey, which (if funded) would provide more frequent data on variables now collected only in the Decennial Census.

Department of the Treasury Data – BEA’s international accounts need expanded coverage of the Treasury International Capital reporting system to include derivatives and improved coverage of short positions and cross-border holdings of securities. In the national accounts, the measurement of business income could be improved by a new IRS Taxpayer Compliance Measurement Program. The regional accounts could investigate IRS data to develop estimates of State capital stocks for non-manufacturing firms.

BEA International Transactions Data – For the international services data collected in BEA’s surveys, the biggest improvement would come from instituting quarterly surveys of international transactions in the most important services. Currently, only annual surveys are conducted for most types of unaffiliated services transactions.

Performance: Performance under goal 4 will be monitored by measures such as the following:

- Number of statistical improvement milestones met;
- Cycle time for production of major estimates and other statistical outputs;
- Resource requirements for production of major estimates and other statistical outputs;
- Number of meetings with key source data providers.

More detail on the Strategic Plan: The attached table, organized by program area, summarizes the elements of the Plan and provides milestones through FY 2005. The Plan will be updated early in FY 2002 to add milestones for FY 2006. **The activities listed in the table and the timing of the milestones are based on the assumption that BEA will receive adequate budget funding for each of those years.**

The Plan is intended to be a flexible, living document. All elements of the plan will be reviewed regularly and will be subject to alteration as needed to meet changes in resources and priorities or other unforeseen developments.

The performance measures listed in this overview provide a means of monitoring the results achieved under the Plan. They are preliminary measures that will be reevaluated, revised, and expanded as needed. In addition, individual BEA work units will be expected to develop other performance measures geared more specifically to the operations of their program areas.