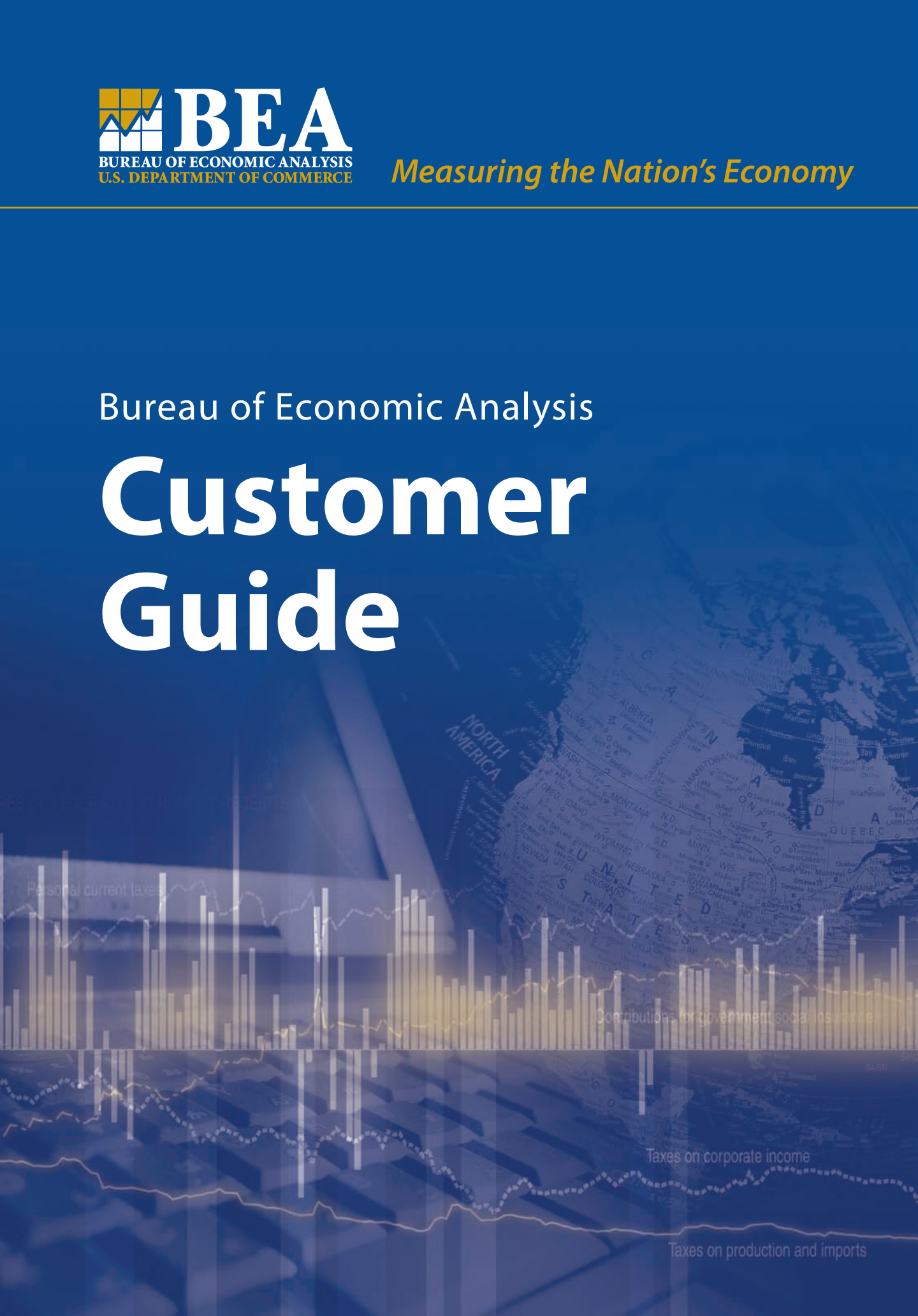


Bureau of Economic Analysis

Customer Guide



Personal current taxes

Contributions for government social insurance

Taxes on corporate income

Taxes on production and imports

MEASURING
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ECONOMY

BUREAU OF ECONOMIC ANALYSIS
ECONOMICS & STATISTICS ADMINISTRATION
U.S. DEPARTMENT OF COMMERCE

2010 CUSTOMER GUIDE

Measuring the Nation's Economy

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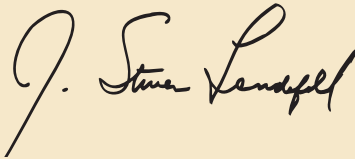
Message From the Director

The Bureau of Economic Analysis (BEA) produces some of the world's most important economic statistics. Our economic accounts enable government officials, business leaders, academic researchers, and the American public to follow and understand the U.S. economy. And understanding today's economy is more important than ever before.

While our mission is to provide the most timely and accurate economic statistics, we are always looking to the future. BEA is developing a set of research and development (R&D) statistics to more fully and accurately reflect the impact of R&D spending on the U.S. economy. We are also establishing a set of health care account statistics to show spending by type of disease and treatment as well as health care spending patterns over time on a real, or inflation-adjusted, basis.

As we continue to move our accounts forward—keeping our statistics relevant for our customers—we will consider designing a new suite of statistics to help American businesses grow and remain competitive. We are also researching a set of household economic statistics to more clearly connect the well-being of the American family to the state of the economy.

Integrity, quality, responsiveness, and innovation are hallmarks of BEA's work. Success depends on your trust in the data BEA produces. We take pride in our work and are eager to help you understand these statistics and how they can be used.



J. Steven Landefeld, Director

Bureau of Economic Analysis

About BEA

The U.S. Bureau of Economic Analysis is one of the world's leading statistical agencies. BEA promotes a better understanding of the U.S. economy by providing timely, relevant, and objective economic data.

Our accounts cover national, international, regional, and industry data. These closely watched statistics present information on key issues such as U.S. economic growth, regional economic development, inter-industry relationships, and the nation's position in the world economy. BEA's economic statistics include such vital measures as gross domestic product (GDP), personal income and outlays, corporate profits, income and GDP by state and metropolitan area, balance of payments, and GDP by industry.

BEA's Web site: www.bea.gov

The BEA Web site provides the most accurate and timely statistics for its visitors. The latest economic statistics can be accessed on the right-hand navigation bar of the home page. Selecting the latest economic news release links will provide detailed versions of the releases along with supporting tables, highlights, and technical notes.

1 U.S. Economy at a Glance

BEA produces some of the most closely watched economic statistics that provide a comprehensive, up-to-date picture of the U.S. economy. The data on the BEA Web site are the most recent indicators, charts, and maps drawn from featured BEA economic accounts.

2 Current Releases

Select the left-hand sidebar link to review current and past releases by subject and date. Each economic news release is also listed on the home page within its respective account area.

3 Newsroom

The BEA newsroom provides journalists and other news professionals with a snapshot of the most current release information as well as quick links to additional resources.

4 Survey of Current Business

BEA's monthly journal, SURVEY OF CURRENT BUSINESS, is the definitive source of information about BEA's economic accounts.

Articles in the SURVEY present the latest national, international, regional, and industry statistics; describe the methods used to prepare the statistics; and discuss major revisions and other relevant information. Each issue includes numerous tables and charts that present various statistics in historical context. The SURVEY also provides updates of key research and other important initiatives at BEA. You can access the SURVEY on BEA's Web site or subscribe to the printed version by contacting the U.S. Government Printing Office at 202-512-1800.

The screenshot shows the BEA website home page. At the top, the BEA logo and 'U.S. Department of Commerce Bureau of Economic Analysis' are visible. A navigation bar includes links for Home, About BEA, National, International, Regional, Industry, Glossary, and FAQs. The main content area is divided into several sections: News, Publications, Resources, National, Regional, Industry, and Integrated Accounts. A sidebar on the left contains a 'Did You Know?' section. A footer at the bottom provides contact information and a last modified date of 3/4/2010 3:56. The page also includes a small bar chart and a 'Latest Information' section.

1 U.S. Economy at a Glance
2 Current Releases
3 Newsroom
4 Survey of Current Business
5 Interactive Data Tables
6 Papers and Working Papers
7 Frequently Asked Questions
8 E-mail Subscriptions
9 Did You Know?

5 Interactive Data Tables

You can view, download, and print BEA data using BEA's interactive tables, charts, or maps. The data can be highly customized. For example, you can create broad time-series tables or focus on a specific year, quarter, industry, or country. Most interactive tables can be downloaded as a comma separated value (.csv) file or spreadsheet and can be displayed in a file optimized for easy printing. In some areas of the site, you can choose to display data graphically in bar or line charts or in a map.

The screenshot shows the BEA website interface. At the top, there's a header with 'erence' and 'Analysis'. Below that, there's a search bar with a 'Go' button and links for 'Advanced', 'FAQ', and 'A-Z Index'. The main content area is divided into several sections: 'Accounts' (with a sub-section for 'International' and links like 'Balance of Payments', 'Trade in Goods and Services', etc.), 'Industry' (with a sub-section for 'Annual Industry Accounts' and links like 'GDP by Industry', 'Input-Output Accounts', etc.), and 'Of Interest...' (with a red '10' badge and a list of recent news items like 'The Haiti earthquake and the international accounts', 'Experimental quarterly GDP by industry statistics (PDF)', etc.). There are also sections for 'Latest Statistics' with sub-sections for 'Real GDP', 'Personal Income', 'Int'l Trade in Goods and Services', and 'U.S. Int'l Transactions'. The footer contains the time '0 3:56:04 PM' and links for 'Quality Guidelines', 'Data Dissemination Practices', 'Privacy Policy', and 'USA.gov'.

10 Of Interest

Watch BEA's "Of Interest" section for the latest news and special information featured on BEA's Web site.

6 BEA Papers

Formal papers and presentations by BEA staff are available on BEA's Web site. Working papers—research papers and analytical presentations that may later be developed into formal papers or presentations—are also available.

7 Frequently Asked Questions

If you need more information, you can browse BEA's frequently asked questions (FAQs). Questions can be grouped by national, international, regional, and industry account areas. The FAQs also include questions about specific occurrences (such as hurricanes) and how to use BEA's Web site.

8 Subscribe to News Updates

Too busy to check the Web site? Subscribe to receive free e-mail updates on up to 18 selected news releases and announcements via the e-mail subscription service.

9 Did You Know?

Access to interesting BEA-related information can be found on the home page as a "Did You Know?" These facts change on a daily basis and provide a look into information that can be generated using BEA statistics.

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and click on
“National”

U.S. Economic Accounts

BEA prepares the U.S. national, international, regional, and industry accounts. These accounts present a broad, integrated picture of the U.S. economy according to international standards for such accounts.

National Economic Accounts

The national economic accounts tell us about the structure and growth of the U.S. economy. The core of these accounts is the national income and product accounts (NIPAs), which are organized into seven summary accounts.

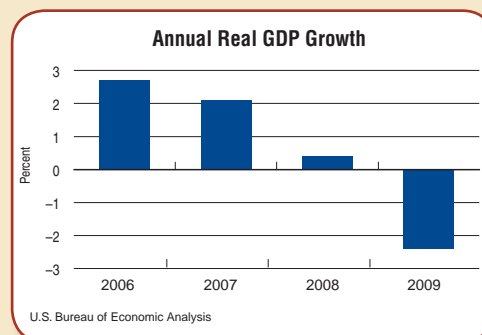
1. The *domestic income and product account* shows the production of all sectors of the economy. The right (product) side of the account shows gross domestic product (GDP) measured as the sum of goods and services sold to final users, and the left (income) side of the account shows GDP as measured by the incomes earned in production—gross domestic income (GDI) plus the “statistical discrepancy” (the difference between GDP and GDI).
2. The *private enterprise income account* provides information on the sources of income received by private businesses and other private enterprises and the distribution of this income among the various types of private enterprises.
3. The *personal income and outlay account* shows the sources of income received by persons and the uses of that income for spending, taxes, or saving.
4. The *government receipts and expenditures account* summarizes the transactions of federal, state, and local governments.
5. The *foreign transactions current account* summarizes the current transactions of the United States with the rest of the world. The account provides information on the receipts and payments associated with foreign trade and on other transactions that do not involve the transfers of assets.

6. The *domestic capital account* shows the relationship between saving and investment for the economy.
7. The *foreign transactions capital account* provides information on transactions of the United States with the rest of the world that are linked to the acquisition or disposition of nonproduced nonfinancial assets and capital transfers.

Among the most closely watched measures of U.S. economic activity shown in the NIPAs are GDP, personal income and outlays, and corporate profits. In addition to the NIPAs, BEA also prepares statistics for the stocks of fixed assets and consumer durable goods. To view or download the national accounts statistics in interactive tables, visit BEA’s Web site at www.bea.gov and click on “National.”

Gross domestic product

GDP is the most comprehensive measure available of U.S. economic activity. It measures the value of the goods and services produced by labor and property in the United States. The change in “real” (inflation-adjusted) GDP is considered the primary measure of growth in the U.S. economy.



GDP is estimated as the sum of final-expenditure components: personal consumption expenditures (consumer spending), gross private domestic investment (business investment in structures, equipment and software, and inventories), net exports (exports of goods and services less imports of goods and services), and government consumption expenditures and gross investment (government spending). The contributions of each of these components to U.S. economic growth are also provided.

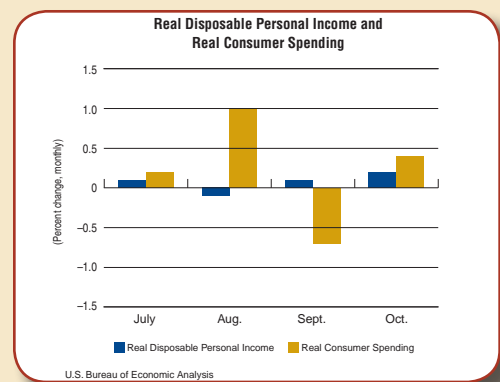
The quarterly GDP and most other NIPA statistics are released on the following schedule: “advance” statistics are released about 1 month after the end of the quarter; as more detailed and more comprehensive data become available, “second” and “third” statistics are released about 2 and 3 months after the end of the quarter, respectively.

How are GDP and related NIPA statistics used?

- By the Administration and Congress to prepare the federal budget projections and to formulate fiscal policy
- By the Federal Reserve Board to formulate monetary policy
- By the business community to plan financial and investment strategies
- By academia to undertake macroeconomic research

Personal income and outlays

Monthly statistics of personal income and outlays measure the income U.S. residents receive and how they spend or save it. *Personal income* is the income received by persons from all sources—that is, from participation in production (such as compensation of employees, income from self-employment, and rental income) and from current transfer receipts from both government (such as Social Security and Medicare benefits) and business (such as pension benefits). *Personal outlays* consists of consumer spending, personal interest payments, and personal transfer payments.



Personal income less personal current taxes equals *disposable personal income* (DPI). DPI measures the income that is available to spend or save. DPI less personal outlays equals *personal saving*, and personal saving as a percentage of DPI is the *personal saving rate*.

Personal income and outlays statistics for a month are released about 1 month after the end of that month and are subject to revision in each of the next few months.

How are the personal income and outlays statistics used?

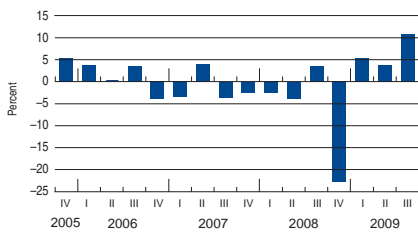
- To track the path of overall U.S. economic activity
- To study the relationships among income, spending, and saving
- To project consumer behavior using econometric models

Corporate profits

The quarterly estimate of corporate profits provides a comprehensive, consistent measure of the income earned from current production by U.S. corporations. Income consists of receipts that arise from current production less associated expenses. Because of the focus on current production, receipts exclude dividend income and capital gains, and expenses exclude bad debts, depletion, and capital losses.

The NIPA estimate of corporate profits is on an economic-accounting basis. It contains adjustments to the value of inventories and

Quarter-to-Quarter Growth in Corporate Profits



Corporate profits growth is measured as the percent change from the previous quarter.

U.S. Bureau of Economic Analysis

Fixed assets and consumer durable goods accounts

The annual statistics for net stock of fixed assets and consumer durable goods are BEA's featured measure of U.S. fixed nonfinancial wealth. *Fixed assets* are produced assets (such as buildings, equipment, or software) owned by business and government that are used repeatedly or continuously in the process of production for more than 1 year. *Consumer durable goods* are commodities purchased by consumers that can be used repeatedly or continuously over a prolonged period. Statistics for net stock, investment, depreciation, other changes in volume of assets, and average age of net stock are generally prepared by type of asset, by industry, and by legal form of organization.

of depreciation to account for the effects of price changes. In this and other ways, NIPA profits differ from the financial accounting of profits that underlies corporate annual reports and the tax accounting of profits that are reported on corporate tax returns. BEA prepares corporate profits statistics before and after tax and by industry.

In general, the preliminary corporate profits statistics for a quarter are released about 2 months after the end of the quarter as part of the "second" GDP estimate. Revised statistics are released 1 month later as part of the release of the "third" GDP estimate.

The fixed assets and consumer durable goods statistics for the most recent year are available about 8 months after the end of that year.

How are the corporate profits statistics used?

- By Wall Street to track overall U.S. corporate financial health
- By industry analysts to track industry financial health
- By macroeconomic forecasters to project investment in plant and equipment
- By government policymakers to project tax receipts

How are the fixed assets and consumer durable goods statistics used?

- By researchers in studies of national income and wealth
- By the Federal Reserve Board in preparing the flow of funds accounts
- To calculate rates of return for corporations and make international comparisons of profitability
- By researchers to prepare alternative estimates of personal saving

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"International"

International Economic Accounts

The international economic accounts tell us about the relationship between the U.S. economy and the rest of the world. They provide information on international transactions, trade in goods and services, international services, the U.S. international investment position, and direct investment and the activities of multinational companies. In support of this program, BEA conducts a number of mandatory surveys of international services and of direct investment.

International transactions accounts (balance of payments)

The international transactions accounts (ITAs) present annual and quarterly statistics that summarize the transactions between the United States and foreign countries. The ITAs consist of a current account, a capital account, and a financial account.

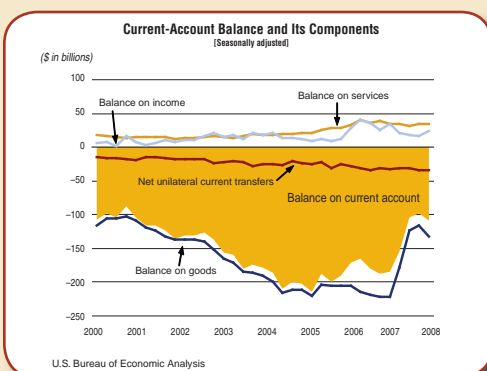
The current account records exports of goods and services (for example, wheat shipped from the United States to Russia or legal services provided by a U.S. firm to a client in Japan) and receipts of income on U.S.-owned assets abroad (for example, the income earned by a U.S. company from the operations of a plant it owns in Canada) as credits—that is, with a plus sign. It records imports of goods and services and payments of income on foreign-owned assets in the United States as debits—that is, with a minus sign. Unilateral current transfers (such as gifts to other countries) are recorded on a net basis. The sum of the credits and debits in the current account is the *current-account balance*.

The capital account mainly records capital transfers, such as debt forgiveness and disaster-related insurance settlements.

The financial account records net acquisitions of U.S.-owned assets abroad (for



example, the funds a U.S. company uses to acquire a British company) and of foreign-owned assets in the United States (for example, the funds deposited by a French company in a U.S. bank). Net acquisitions abroad are recorded as debits and net acquisitions in the United States are recorded as credits. The sum of the credits and debits in the financial account is *net financial flows*.



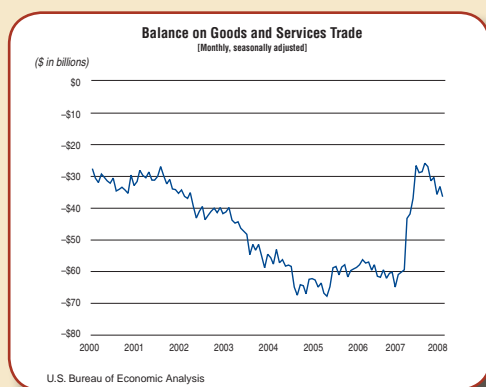
How are the ITAs used?

- To assess the impact of international trade and investment (globalization) on the U.S. economy
- To analyze the balances on transactions between the United States and other areas and countries
- By business managers to assess market size and market share

Preliminary ITA statistics for the quarter are released about 2 1/2 months after the end of that quarter and preliminary statistics for the year are released about two and a half months after the end of that year. Revised statistics are released 3 months after the preliminary statistics.

Trade in goods and services

The monthly statistics on U.S. trade in goods and services provide up-to-date information on U.S. exports to and imports from foreign countries. The goods statistics, which are largely prepared by the U.S. Census Bureau, are available by detailed product category and by country and area. The services statistics, which are prepared by BEA, are available by major category. The difference between exports and imports is the overall *balance on trade in goods and services* for the United States.



How are the trade statistics used?

- By trade policy officials to negotiate international trade agreements
- By trade association officials to identify key export markets and to assist in deliberations on trade agreements
- By business managers to assess market size and market share and to judge market direction

Preliminary trade statistics for the month are jointly released by BEA and the Census Bureau about 6 weeks after the end of that month. Revised statistics are released 1 month after the preliminary statistics.

International services

The annual statistics on U.S. international services provide detailed information on two types of transactions. The first type consists of U.S. exports and imports of services recorded in the international transactions accounts. The second consists of (a) services supplied to foreign residents by majority-owned affiliates of U.S. companies located abroad and (b) services supplied to U.S. residents by majority-owned affiliates of foreign companies located in the United States. Thus, the second type of transaction, "services supplied through affiliates," is distinguished from the first type, "cross-border trade," by the fact that it is not made up of transactions between U.S. and foreign residents. The inclusion of both cross-border trade and services supplied through affiliates recognizes the way that multinational companies fashion their worldwide operations and the importance of proximity to customers in the delivery of services.

The detailed annual statistics on international services—for the preceding year for cross-

How are the international services statistics used?

- To assess the size and composition of trade in services by country and type of service
- To compare the prevalence of cross-border trade in services to that of services supplied through affiliates
- By trade policy officials to negotiate international trade agreements
- By business managers to assess market size, market share, and market trends

border services and for the year before that for services supplied through affiliates—are usually published in the October issue of the SURVEY OF CURRENT BUSINESS.

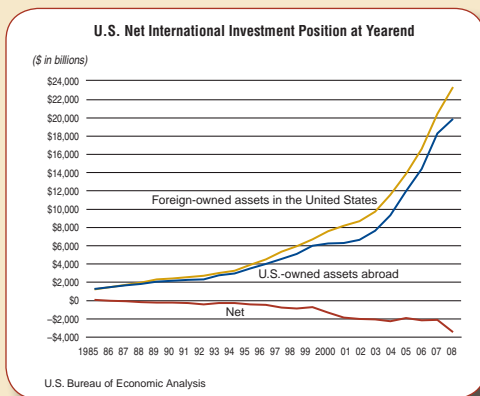
International investment position accounts

International investment position accounts show the cumulative value of U.S.-owned assets abroad and of foreign-owned assets in the United States at the end of each year. U.S.-owned assets consist of accumulated stocks of U.S. official assets (e.g., gold reserves), other U.S. government assets (e.g., U.S. government loans to foreign governments), direct investment (U.S. ownership of foreign business enterprises), portfolio investment (U.S. holdings of foreign stocks and bonds), other private investment (e.g., U.S. loans to foreigners), and U.S. holdings of financial derivatives with gross positive fair value. Foreign-owned assets consist of foreign official assets (e.g., foreign government holdings of U.S. Treasury securities), direct investment (foreign ownership of U.S. business enterprises), private portfolio



investment (private foreign holdings of U.S. stocks and bonds), foreign holdings of U.S. currency, other private investment (e.g., foreign loans to U.S. residents), and U.S. holdings of financial derivatives with gross negative fair value. U.S.-owned assets abroad less foreign-owned assets in the United States equals the *net international investment position* of the United States.

International investment position statistics for a given year are released in June of the following year.



How are the international investment position accounts used?

- To analyze the size and composition of U.S. investment abroad and of foreign investment in the United States
- To assess the impact of international investment on the U.S. economy

Direct investment and the activities of multinational companies

The annual statistics on U.S. direct investment abroad and foreign direct investment in the United States provide information on transactions between parent companies and their affiliates, on related positions, and on the financial and operating characteristics of the firms involved. Direct investment is defined as ownership by the investor of at least 10 percent of a foreign business.

The direct investor is known as the parent company and the foreign business is known as an affiliate. The combined operations of the parent and its affiliates constitute a multinational company. (Examples of direct investment by a parent company include providing funds for the acquisition of a foreign company or for the expansion of an existing facility in a foreign country.)



BEA produces two broad sets of statistics on direct investment. The first set consists of international transactions statistics, which are included in the ITAs, and direct investment position statistics, which are included in the international investment position accounts. The international transactions statistics cover transactions between affiliates and their parent companies. The direct investment position statistics measure the cumulative stock of U.S. direct investment abroad and of foreign direct investment in the United States. The second set consists of financial and operating statistics on multinational companies. These statistics cover the overall activities of U.S. parent companies and their affiliates abroad and of foreign-owned U.S. companies.

U.S. direct investment abroad

The international transactions statistics on foreign affiliates' transactions with their U.S. parent companies include financial flows, which measure the funds that U.S. parents provide to their foreign affiliates, and income, which measures the return on those funds. The direct investment position statistics are cumulative; they measure the total outstanding level of U.S. direct investment abroad.

The financial and operating statistics cover overall activities—such as sales, value added, employment, and capital

expenditures—of foreign affiliates and their U.S. parent companies. The most detailed financial and operating statistics cover majority-owned foreign affiliates (U.S. ownership exceeds 50 percent).

Summary statistics on the finances and operations of U.S. multinational companies for the year are usually released about 16 months after the end of that year. Detailed statistics are released later in the year.

How are the statistics on U.S. direct investment abroad used?

- To measure the value of and returns on U.S. direct investment abroad
- To measure the share of U.S. and foreign gross domestic product, employment, exports and imports of goods, capital stock, and research and development accounted for by U.S. multinational companies
- To analyze the characteristics of firms, industries, and countries that influence the decision to undertake direct investment abroad

Foreign direct investment in the United States

International transactions statistics on U.S. affiliates' transactions with their foreign parent companies include financial flows, which measure the funds that foreign parents provide to their U.S. affiliates, and income, which measures the return on those funds. The direct investment position statistics are cumulative; they measure the total outstanding level of foreign direct investment in the United States.

The financial and operating statistics cover the overall activities—such as sales, value added, employment, and capital expenditures—of U.S. affiliates. In addition, in a joint project with the Census Bureau, BEA periodically publishes detailed industry data on foreign-owned establishments (plants) in the United States.



Summary statistics on the finances and operations of U.S. affiliates of foreign companies for the year are usually released about 16 months after the end of that year. Detailed statistics are released later in the year.

How are the statistics on foreign direct investment in the United States used?

- To measure the value of and returns on foreign direct investment in the United States
- To measure the share of U.S. gross domestic product, employment, exports and imports of goods, and research and development accounted for by U.S. affiliates of foreign companies
- To analyze the differences between foreign- and domestically owned establishments for such characteristics as wage rates, plant size, capital intensity, domestic content, profitability, and productivity
- To analyze trends in employment by foreign-owned firms in individual U.S. states and industries

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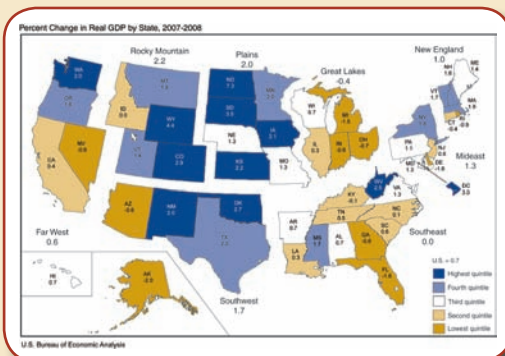
Regional Economic Accounts

The regional economic accounts tell us about the geographic distribution of U.S. economic activity and growth. They provide statistics of gross domestic product (GDP) for states and metropolitan areas, personal income for states and local areas, and regional economic multipliers for any county or group of counties.

GDP by state

The annual GDP-by-state statistics measure the value added to U.S. production by the labor and property in each state. GDP by state is the conceptual counterpart of gross domestic product, the featured measure of economic activity in the national accounts. Thus, these statistics provide a framework for analyzing the contributions of regions and states to U.S. economic activity.

GDP by state is measured as the sum of the distributions by industry and state of the costs incurred and the income earned in producing GDP by state (such as employee



compensation, business taxes, and corporate profits). Thus, the GDP-by-state statistics are consistent with the GDP-by-industry statistics in the industry accounts as well as with the GDP statistics in the national accounts.

Advance GDP-by-state statistics for the year are released 6 months after the end of the year, along with revisions for the preceding 3 years.

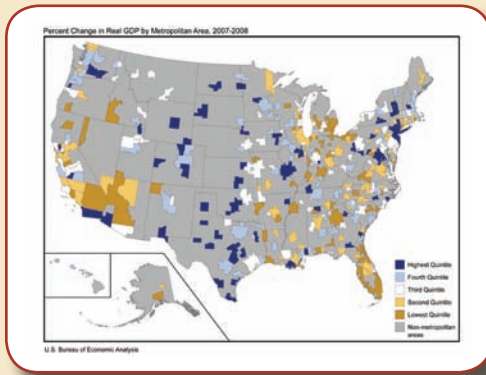
How are the GDP-by-state and metropolitan area statistics used?

- To analyze the state and local economic impacts of national or state economic trends
- By state and local governments to project tax revenues, the need for public services, and to promote economic development opportunities in their states and local areas
- By federal government agencies to allocate funds to states and to project energy and water uses for states and cities
- By academic researchers to conduct applied economic research
- By businesses, trade associations, and labor organizations to conduct market research

GDP by metropolitan area

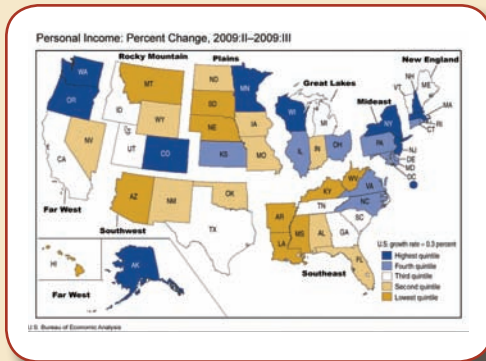
Annual statistics of GDP for metropolitan statistical areas are also prepared. As the most comprehensive measures of economic activity for metropolitan areas, these statistics provide a framework for analyzing the areas' contributions to state and U.S. economic growth by industry.

Advance GDP-by-metropolitan-area statistics for the year are released 9 months after the end of the year, along with revisions for the preceding 3 years.



State personal income

The annual and quarterly state personal income statistics measure the income received by or on behalf of the residents of the state. They are the state counterpart of the national personal income statistics, and they provide a consistent framework for analyzing and comparing individual state economies.



The state statistics provide detailed information by type of income (such as wages and salaries, dividend income, and Social Security benefits) that is comparable across all states and with the nation as a whole. Statistics of compensation and of earnings by place of work indicate the economic activity and industrial structure of business and government within the state, while statistics of personal income by place of residence provide a measure of the fiscal capacity of the state.

BEA also prepares annual state statistics of disposable personal income (personal income less personal current taxes), per capita personal income (personal income divided by total population), and employment. State disposable personal income provides a measure of the income available for spend-

ing and saving, and state per capita personal income is an indicator of the economic well-being of the residents of a state.

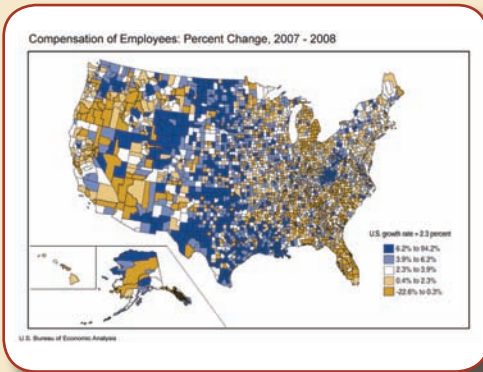
The state personal income statistics for the quarter are released 3 months after the end of that quarter. Preliminary annual statistics of state personal income are released 3 months after the end of that year. Revised and more detailed annual statistics are released 6 months later.

Local area personal income

The annual statistics of personal income for local areas measure the income received by or on behalf of the residents of the area. BEA prepares statistics for counties, metropolitan areas, micropolitan areas, metropolitan divisions and combined statistical areas, and BEA economic areas. These statistics provide a consistent framework for analyzing and comparing individual local area economies. BEA also prepares annual statistics of per capita personal income for local areas, which is an indicator of the economic well-being of the residents of an area.

How are the state and local area personal income statistics used?

- To measure and track the levels and types of incomes that are received by people who live or work in a state, county, metropolitan area, or BEA economic area
- By federal government agencies to allocate funds to states and in economic models, such as those to project energy use
- By state governments to measure the economic base of state planning areas and to project tax revenues and public utility needs
- By academic researchers to conduct theoretical and applied economic research
- By businesses, trade associations, and labor organizations to conduct market research



The local area statistics also provide detailed information by type of income that is comparable across all local areas and with the state statistics. Statistics of compensation and of earnings by place of work indicate the economic activity and industrial structure of business and government within the area and statistics of personal income by place of residence provide a measure of fiscal capacity of the area.

The statistics of personal income for metropolitan areas for the year are released 8 months after the end of the year. Annual county statistics of compensation by industry are released 12 months after the end of the year. The annual statistics of personal income for counties are released 16 months after the end of the year.

On the BEA Web site under "Regional," users may obtain a quick summary of the economy of a state or local area through BEA's Regional Facts, or BEARFacts. BEARFacts are computer-generated narratives for states, counties, metropolitan statistical areas, and BEA economic areas that describe the area's personal income using current statistics, growth rates, and a breakdown of the sources of personal income.

Regional input-output multipliers

BEA prepares economic multipliers for states and local area economies. The multipliers are produced by the Bureau's Regional Input-

Output Modeling System (RIMS II) using state and local personal income data and national input-output accounts data. RIMS II multipliers can be used not only to estimate industry-wide impacts but also the impacts on each of the 20 industry sectors in RIMS II.

RIMS II multipliers are used to study how changes in the production of one or more industries are likely to affect other industries in the study region. For example, they can be used to estimate how an increase in an industry's production will affect the production of other industries in the region or how a decrease in the number of jobs in an industry is likely to affect the number of jobs in other industries. Impacts can also be estimated in terms of labor earnings and value added.

Multipliers can be ordered and interactively retrieved from the BEA Web site. A fee is charged to cover the cost of preparing multipliers. Detailed information on RIMS II is available on BEA's Web site.

How are the regional multipliers used?

- To estimate the economic impacts of a wide range of projects, such as building a new sports facility or expanding an airport
- To assess the effects of natural disasters, such as hurricane damage
- By federal, state, and local government agencies to study the local impact of regulations on specific industries or of actions, such as closing a military base
- By state and local governments to estimate the economic impacts of firms locating within their state or the impact of tourism on the local area economy

MEASURING
THE NATION'S
ECONOMY

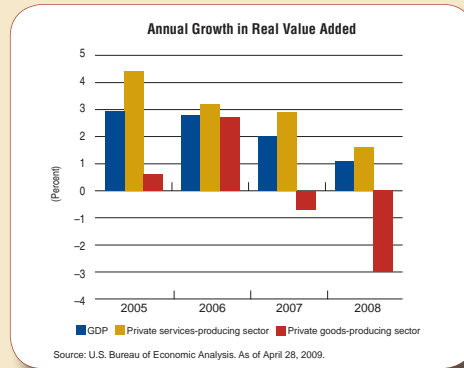
For more
information, go
to www.bea.gov
and click on
"Industry"

Industry Economic Accounts

The industry accounts tell us about the relationships among the industries that make up the U.S. economy. They consist of the annual industry accounts, the benchmark input-output accounts, and the U.S. travel and tourism satellite accounts.

Annual industry accounts

The annual industry accounts for the United States consist of the gross domestic product-by-industry and annual input-output accounts. These accounts provide detailed, consistent information on the changing structure of the U.S. economy. By tracking the detailed flows of goods and services in the economy, these accounts show the contributions of private industries and government to gross domestic product (GDP), the featured and most comprehensive measure of U.S. production.



GDP-by-industry accounts

The GDP-by-industry accounts provide annual statistics of value added, the industry counterpart of GDP. Value added is measured as an industry's gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus the intermediate inputs that are used in the production process (energy, raw materials, semi-finished goods, and purchased services). BEA prepares statistics of each industry's gross output and intermediate inputs and of the composition of the income earned in producing output (for example, employee compensation, business taxes, and corporate profits).

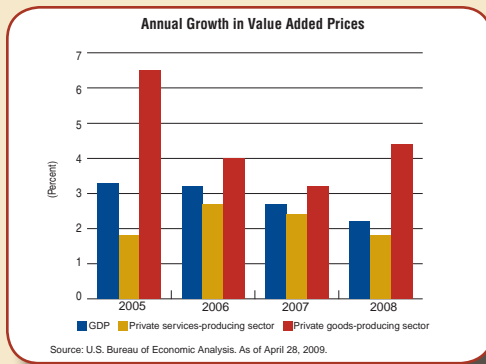
The GDP-by-industry statistics show the industrial composition of the U.S. economy. This detailed information provides the basis for comparing the performance of each industry relative to other industries and to the economy as a whole and for identifying each industry's contribution to U.S. economic growth.

Annual GDP-by-industry statistics are released about 4 months after the end of each year. More detailed statistics are available about 7 months later.



How are the GDP-by-industry statistics used?

- To study changes in the returns to labor and capital by industry
- To study production, capacity, and productivity across industries
- To compare price changes across industries



Benchmark input-output accounts

The benchmark input-output accounts provide the most comprehensive information available on the flows of goods and services to industries for use in their production processes and to final users in the economy. These accounts are prepared at 5-year intervals and are based on detailed data from the quinquennial economic censuses conducted by the U.S. Census Bureau. Detailed statistics are published for nearly 500 industries.

Annual input-output accounts

The annual input-output (I-O) accounts provide detailed information on the flows of goods and services that make up the production processes of industries. They show how industries interact as they provide inputs to and use outputs from each other to produce GDP.

The annual I-O accounts are presented in a series of make tables and use tables and supplementary requirements tables that are similar to those described below for the benchmark I-O accounts. Statistics are published for 65 industries.

The annual I-O accounts are available about 11 months after the end of each year.

At the heart of the I-O accounts are two basic national-accounting tables. The *make table* shows the detailed commodities (goods and services) that are produced by industries. The *use table* shows the detailed commodities that are used by industries (for example, steel) and those that are consumed by final users (for example, automobiles). The I-O accounts also include four *requirements tables* that facilitate the analysis of relationships between industry production and final demand. Additional tables include

How are the annual I-O accounts used?

- To study production capacity and productivity across industries
- To examine the direct and indirect effects of a strike or a natural disaster on the U.S. economy
- By the U.S. International Trade Commission to measure the impact of trade policies
- By trade associations to assess cross-industry impacts of economic and regulatory changes

How are the benchmark I-O accounts used?

- To estimate the direct and indirect effects of changes in final uses on industries and commodities (for example, to estimate the effects of a strike or a natural disaster on the U.S. economy); to estimate the effects of an increase in U.S. exports or in employment
- By business in macroeconomic and microeconomic forecasting models
- To provide the data and framework used to estimate GDP and its components for the preparation of other economic statistics, such as the travel and tourism satellite accounts

the *import matrix* and *bridge tables* between the I-O accounts and the national income and product accounts.

The I-O accounts for a benchmark year are available about 5 years after that year.

U.S. travel and tourism satellite accounts

U.S. travel and tourism satellite accounts present a detailed picture of the travel and tourism activity and its role in the U.S. economy. These accounts are based on the I-O benchmark accounts and are consistent with the annual industry accounts.

These accounts measure consumption expenditures by visitors and the effect travel and tourism has on U.S. production. They also provide statistics of the income generated by travel and tourism and of employment in the travel and tourism industries. These accounts are prepared with the support of the Office of Travel and Tourism Industries of the U.S. International Trade Administration.

BEA prepares quarterly statistics of output, prices, and employment in the tourism industries about 6 months after the end of the

quarter. These statistics rely on information from BEA's quarterly GDP accounts.

More detailed annual statistics are available about 6 months after the end of the year.

How are the U.S. travel and tourism satellite accounts used?

- To determine the shares of the goods and services that were sold to visitors and the shares that were sold to local residents
- To examine the relationship among travel and tourism industries and to compare these industries with other manufacturing and service industries
- To determine the expenditures of tourists
- To assess the impact of specific events on travel and tourism, such as that of September 11, 2001



BEA Research

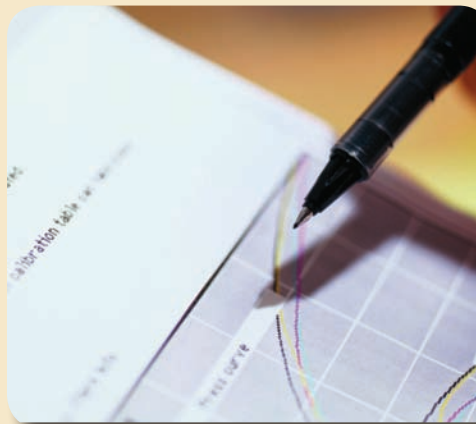
Maintaining GDP accounts that accurately depict economic growth in the U.S. in all its complexity requires continuous economic research. For example, business investment, household purchases, and financial transactions constantly change as supply and demand rise and fall and take on new forms. Members of the BEA research staff work with their statistics-producing colleagues as well as with business people and academic economists to refine the GDP statistics and present the economic story in new ways that address the questions of the day.

How does research and development (R&D) contribute to economic growth? How much are people paying for the treatment of different types of diseases? Questions such as these are being addressed by BEA. Other research projects include an investigation of energy use patterns throughout the economy as energy prices rise and improved measurement of the income of the growing population of retired Americans.

These four major projects are underway or ready to be undertaken:

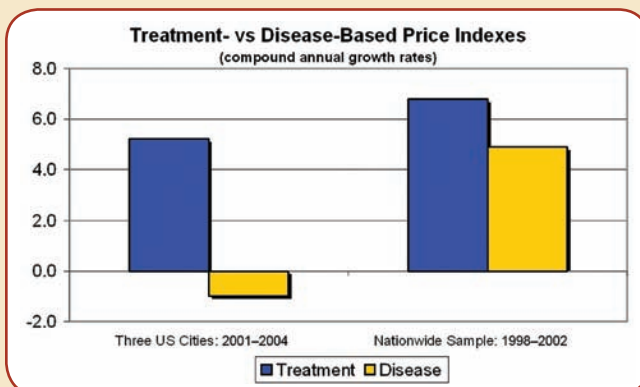
R&D satellite account

It is broadly understood by business people and economists that business spending on R&D constitutes a form of investment—spending that expands the production infrastructure and adds to GDP growth for years. BEA worked with the National Science Foundation to produce, in 2006, the first U.S. R&D satellite account, which continues to provide estimates of the contribution of R&D to U.S. economic growth. (A satellite account is an extension of the GDP accounts that provides new estimates of selected aspects of economic growth not covered in the traditional GDP account because either the processes are insufficiently understood or the data necessary to produce regular statistics are lacking.) This satellite account will be extended to include business investment in other types of innovation as well, within a broadened “innovation” satellite account.



GDP health care account

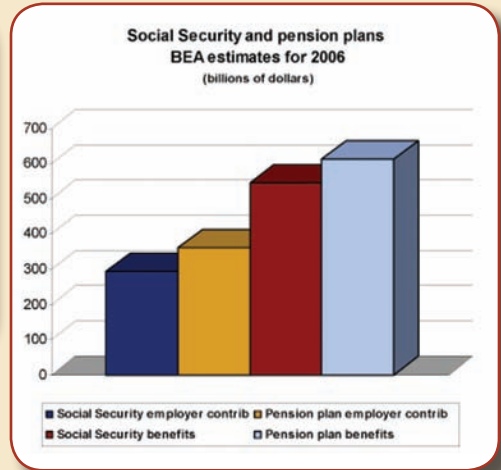
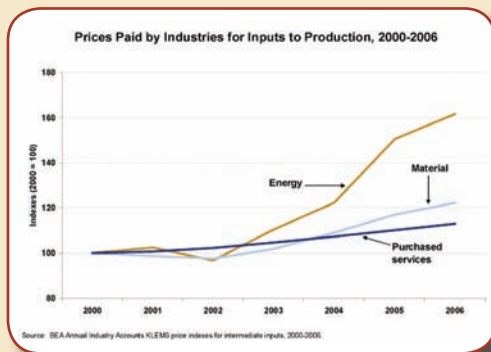
Health economists have long argued that measuring the cost of treating specific conditions is an important first step in identifying how much of the rising health care costs stem from increases in real services vs. how much is due to price increases. While existing data



“ Accurately depicting U.S. economic growth requires continuous economic research. ”

provide useful information on the flow of payments in this sector, they do not provide information on the uses of these funds. There is little information, for example, on what has happened to the cost of treating cancer during the past decade. This omission makes it difficult to assess the costs and benefits of health care spending.

BEA research staff are studying ways to measure U.S. spending on health care for specific diseases instead of by type of treatment. These measures will help inform public policy decisions about the efficacy of health care financing. BEA is working with the Centers for Medicare and Medicaid Services of the U.S. Department of Health and Human Services and health economists in academia to produce new statistics.

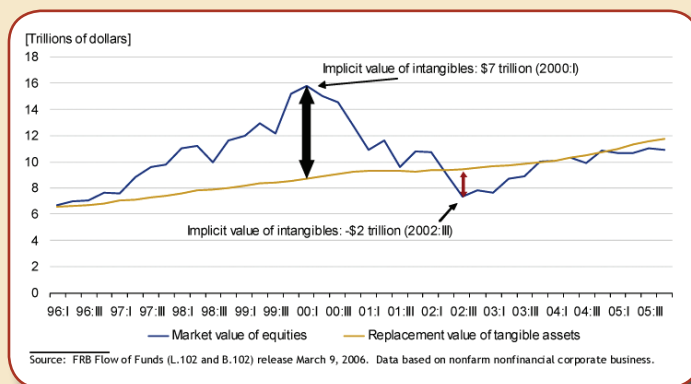


GDP energy-use account

Recent increases in world commodity prices, most notably energy prices, will affect U.S. production methods and overall U.S. economic growth. At present, the GDP statistics for each industry contain only limited information on energy use. BEA and the Energy Information Administration of the U.S. Department of Energy plan to combine statistics to produce the first GDP energy-use account.

GDP retirement-income account

BEA is conducting research to refine GDP measures of household purchasing power. The object is to develop the first-ever GDP statistics on private-pension retirement income as it is earned by the retiree. Present GDP retirement-income statistics are limited to the investment income earned by the retirement funds companies and do not accurately measure additions to household wealth. Another newly-developed statistic will place that income in the state in which the retiree resides (rather than in the state in which the company formerly employing the retiree is located).



Advisory Committee

The **BEA Advisory Committee** meets twice yearly to advise the Director of BEA on matters related to the development and improvement of BEA's national, regional, industry, and international economic accounts. Areas of new and rapidly growing economic activities arising from innovative and advancing technologies are emphasized. The committee provides recommendations from the perspectives of the economics profession, business, and government.

The members of BEA's Advisory Committee are:

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Brent R. Moulton, Associate Director for National Economic Accounts

Carol E. Moylan, Associate Director for Industry Accounts

Joel D. Platt, Associate Director for Regional Economics

Obie G. Whichard, Associate Director for International Economics

BEA Contacts

General inquiries

Public Information Office, 202-606-9900: CustomerService@bea.gov

Media inquiries

202-606-2649

Congressional affairs

202-606-2689

Inquiries about specific BEA estimates

National Economic Accounts

Gross domestic product: GDPNIWD@bea.gov

Personal income and outlays: PINIWD@bea.gov

Corporate profits: CPNIWD@bea.gov

Fixed assets: FANIWD@bea.gov

International Economic Accounts

International transactions, investment position, services, and direct investment:

internationalaccounts@bea.gov

Regional Economic Accounts

Gross domestic product by state accounts: gdpbystate@bea.gov

Gross domestic product by metropolitan area accounts: gdpbymetro@bea.gov

State and local area personal income accounts: reis@bea.gov

Regional Input-Output Modeling System (RIMS II) regional multiplier estimates:

rims@bea.gov

Industry Economic Accounts

Current industry accounts: currentindustry@bea.gov

Benchmark industry input-output accounts: benchmarkio@bea.gov

Travel and tourism satellite accounts: industrysatellites@bea.gov

www.bea.gov



1441 L Street, NW, Washington, DC 20230
U.S. Department of Commerce
Economics and Statistics Administration
(202) 606-9900

