

The 2011 Flexible Annual Revision

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Presentation outline

- What's a “flexible” revision?
- 2011 Changes.
 - Revisions prior to 2008.
 - Other changes.
 - Deflator for PCE for property & casualty insurance.
 - Expanded use of Census QSS data.
 - Source data.
 - Presentational changes.
- Availability of table updates and estimate release schedule.

NIPA annual revisions

- In the June 2008 *Survey of Current Business*, BEA announced that it would undertake “flexible annual revisions” that include revisions for longer periods than the traditional 3-year period.

Why flexible annual revisions?

- To incorporate important statistical and conceptual improvements sooner.
- To incorporate source data for longer periods than the 3 most recent years.
 - Substantive effect on a major aggregate.
 - Provides a significantly clearer picture of economic activity.
- To strengthen the integration of BEA's national, industry, and other accounts.

The 2011 NIPA annual revision

- Scheduled for release on July 29, 2011.
- The reference year will remain 2005.
- Some series revised back to 2003.
- Components with revisions for 2005 will result in revisions to the indexes and chained-dollar estimates *for the entire historical time span*.
- Revisions to percent changes before the first quarter of 2003 will be small.
 - Affected only by rounding and interpolation.

PCE: Incorporation of revised ARTS and SAS

- Revised back to 2003.
- Census Bureau annual retail trade survey (ARTS) and service annual survey (SAS) have been benchmarked to the 2007 Economic Census.

PCE: New merchandise-line (M-L) data

- Revised back to 2003.
- New data from 2007 Economic Census captures changing patterns of consumer spending.

Comparison of PCE commodity with new M-L indicator [Change from 2002-2007]		
	PCE	New M-L indicator
Dishes & glassware	+20%	-12%
Software (inc. downloads)	+50%	+260%
Newspapers & magazines	+30%	-3%

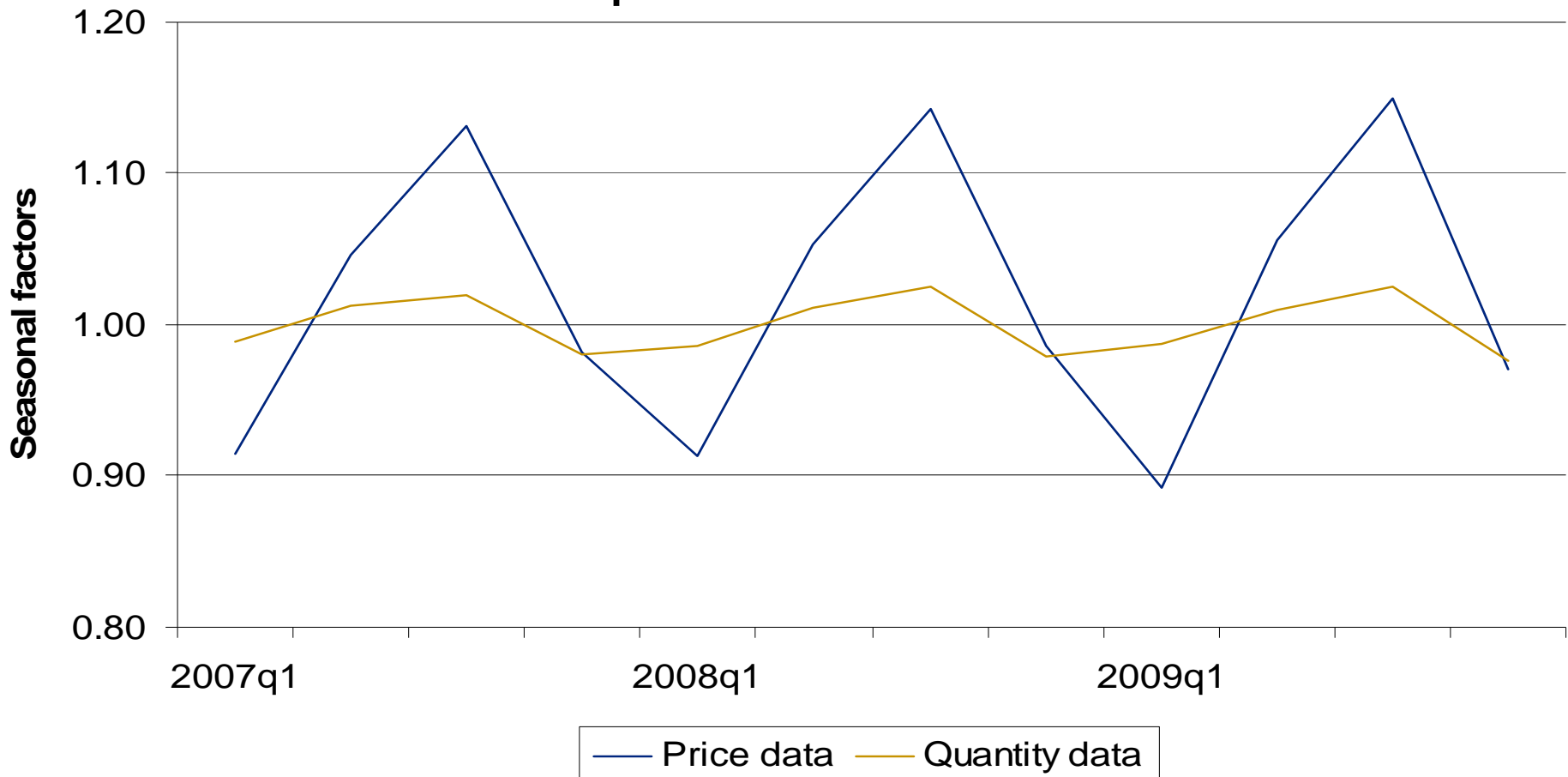
PCE: Additional improvements

- Medical and hospitalization insurance services.
 - Incorporation of annual AM Best data.
 - Allows for more frequent updates to the estimates.
- Retail control.
 - Removal of food services.
 - Improves the allocation of industry sales to PCE commodities.

Imports of petroleum: New seasonal adjustment

- Revised back to 2007.
- Direct seasonal adjustment of quantity data.

Comparison of Seasonal Factors

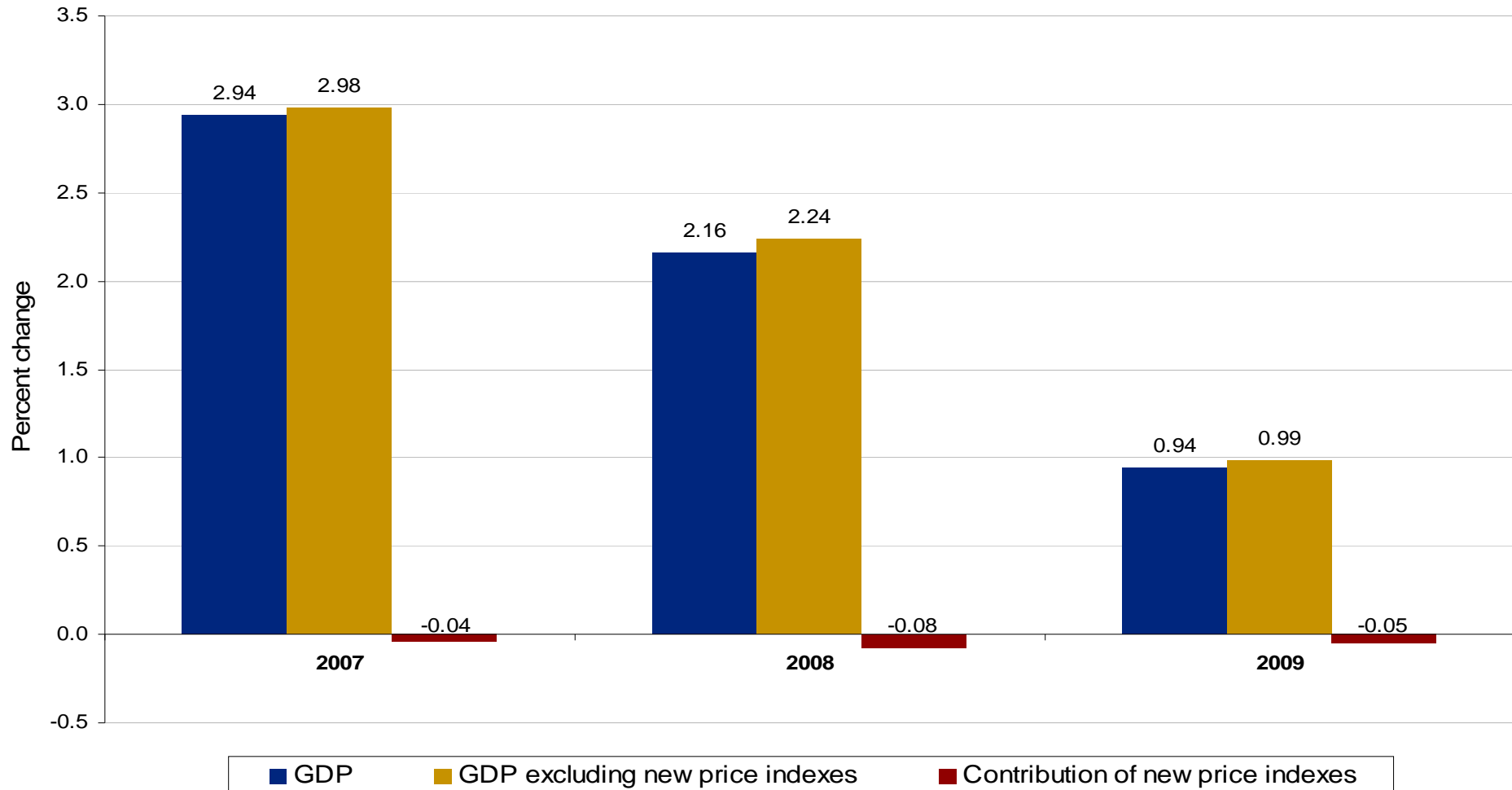


Communication equipment: Updated prices

- Impacts private fixed investment, exports, and imports of communication equipment.
- Revised back to 2003.
- Incorporate quality-adjusted Federal Reserve Board price indexes for several types of communication equipment.

Impact on GDP prices

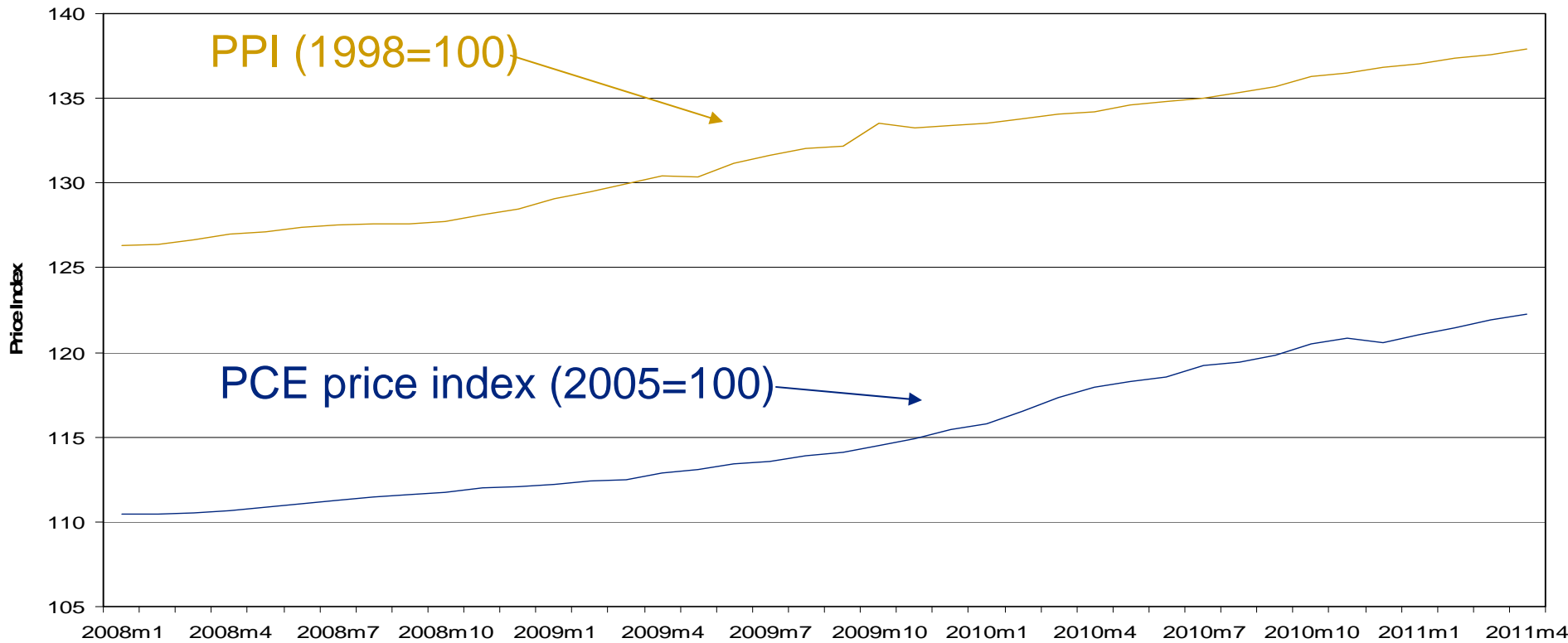
- The effect of incorporating the new indexes on GDP prices, based on last year's annual revision, was small.



PCE: Improved P&C insurance prices

- Revised back to 2008.
- New deflators based on BLS PPIs.

Price indexes for motor vehicle insurance, 2008-2011



PCE: Expanded use of QSS data

- PCE for portfolio management and investment advice services.
 - Begins with the first quarter of 2011.
 - Based on Census quarterly services survey (QSS) data on “other financial investment activities.”

New and revised source data

- Census Bureau surveys:
 - Annual survey of manufactures
 - Annual retail trade survey
 - Annual wholesale trade survey
 - Services annual survey
 - Construction spending (value put in place)
 - Government finances
- Bureau of Labor Statistics: wage and salary data
- Internal Revenue Service: tabulations of tax returns for corporations and for sole proprietorships and partnerships
- Office of Management and Budget: federal government budget data
- BEA: international transactions accounts

Government social benefits: Updated presentation

- New presentation will focus on the largest and most significant programs.

Current presentation	New presentation
Social benefits to persons	Social benefits to persons
OASDHI	Social security
Unemployment insurance	Medicare
Veterans benefits	Medicaid
Family assistance	Unemployment insurance
Other	Veterans benefits
	Other

- Affects NIPA tables 2.1, 2.6, 3.12, and some personal income and outlays news release tables.

Availability of table updates and estimates

- **Now Available:** Revised table stubs and news release stubs on [BEA's Web site](#).
- **July 29:** Advance GDP news release and “Selected” NIPA tables.
- **August 2:** Personal income and outlays news release for June 2011 and monthly NIPA tables.
- **August 5:** “Underlying Detail” tables.
- **August 9:** Most other NIPA tables.
- **Mid-August:** Annual revision *Survey* article.
- **August 26:** Second GDP news release.
- **August 29:** Personal income and outlays news release for July 2010.

2011 NIPA annual revision

Series	Revised period
Nominal GDP	2003-forward
Percent change in real GDP and prices*	2003-forward
Level of real GDP (quantity indexes and chained dollars) and price indexes	1929-forward

**Quarterly percent changes for some components may be revised slightly prior to 2003 because of rounding and interpolation.*