

The NIPA's and the Housing Financial "Crisis"

J. Steven Landefeld

Director

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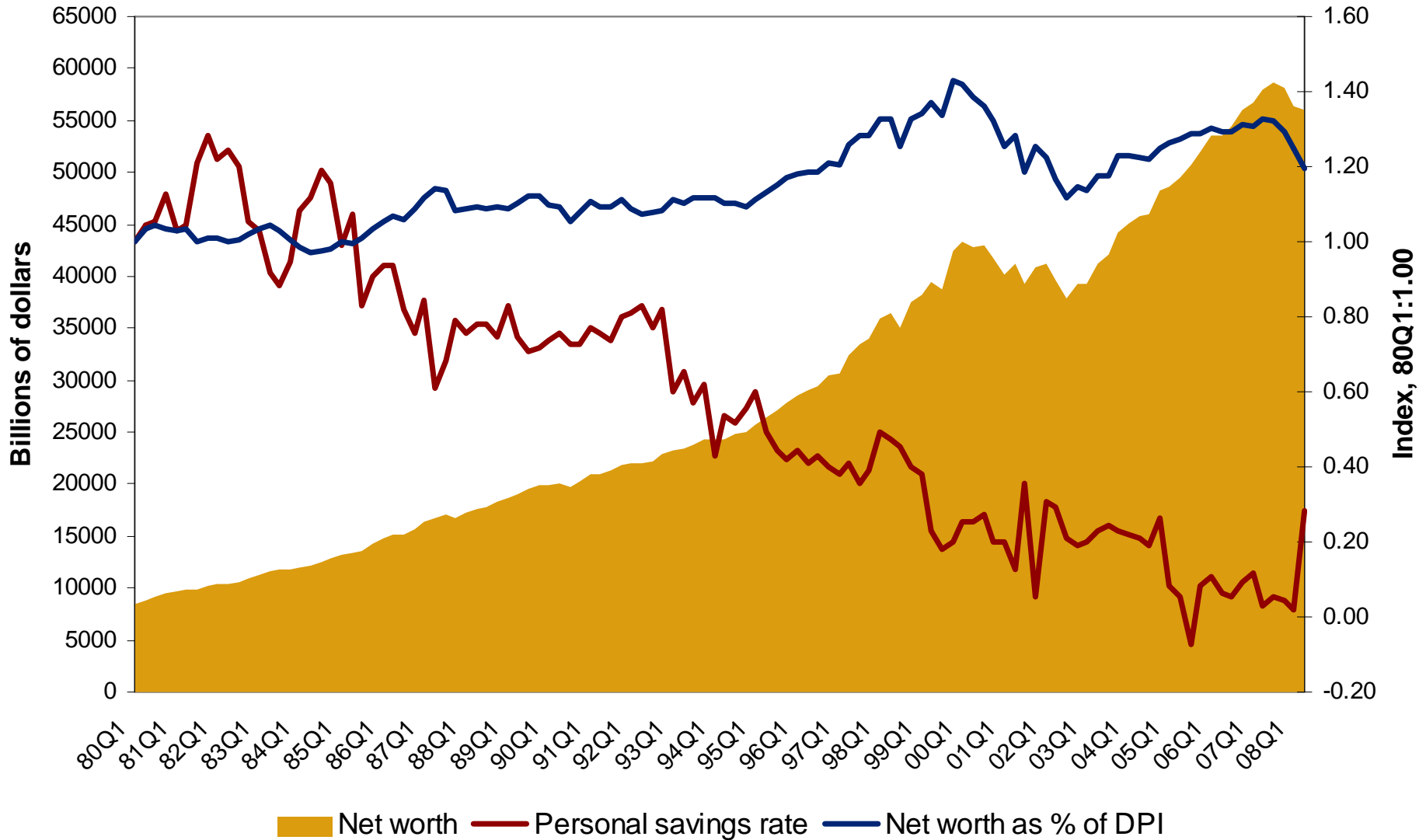
Measuring the Nation's Economy.



Current Issues - Housing and Finance

- NIPA's useful framework for examining how we got here and where we might go.
- How we got here:
 - Rising housing and equity values and declining personal saving: why the NIPA definition of saving out of current income is relevant.
 - In addition to its importance to macro concepts (sustainable growth and external balance), important to analysis of household wealth creation and its effect on the economy.
 - Recent experience underlines the importance of integrated balance sheet and flow estimates.
 - Also, illustrates trade-off between additions to wealth out of current income and additions through appreciation.

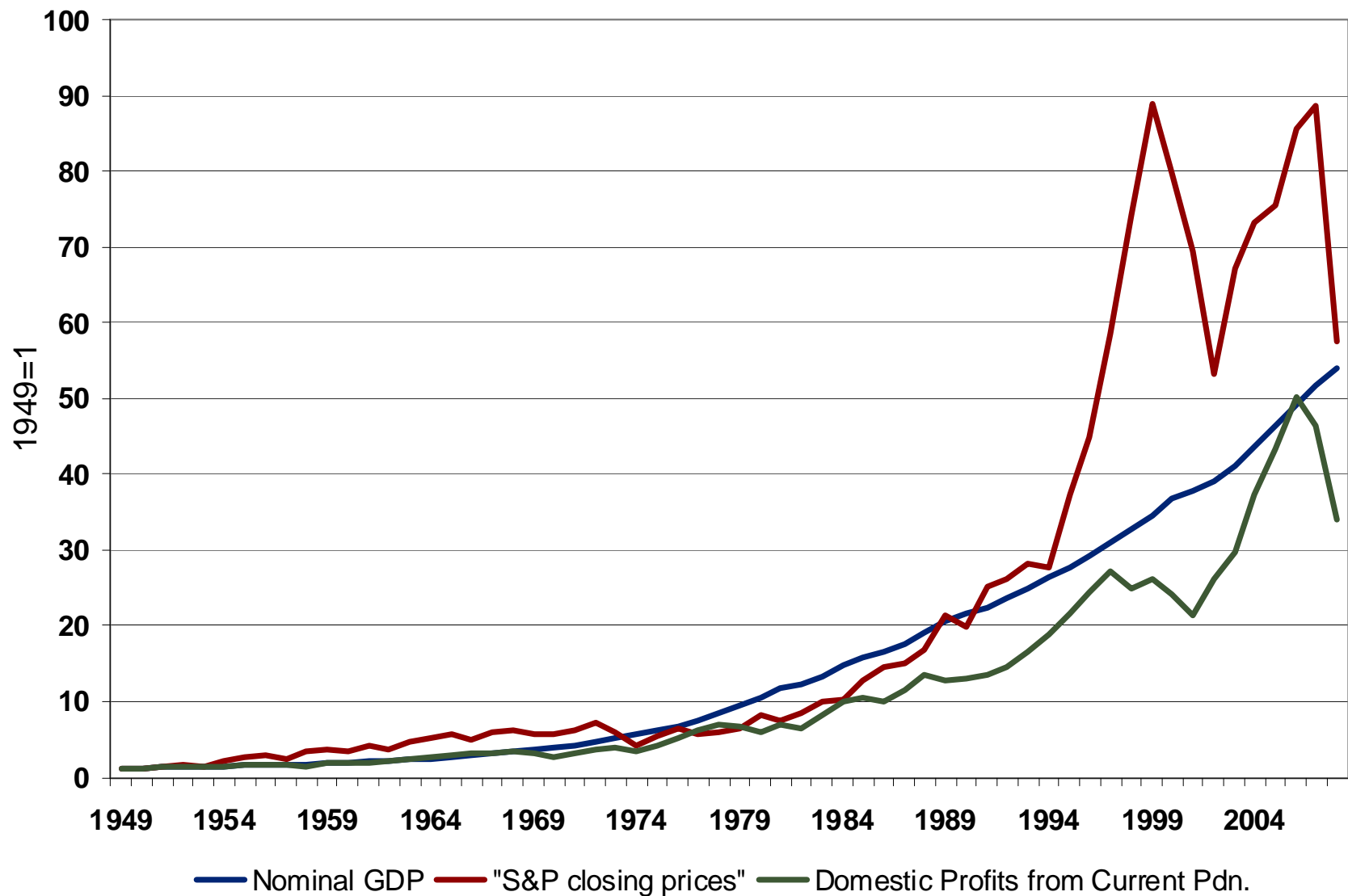
Assets Values and Saving



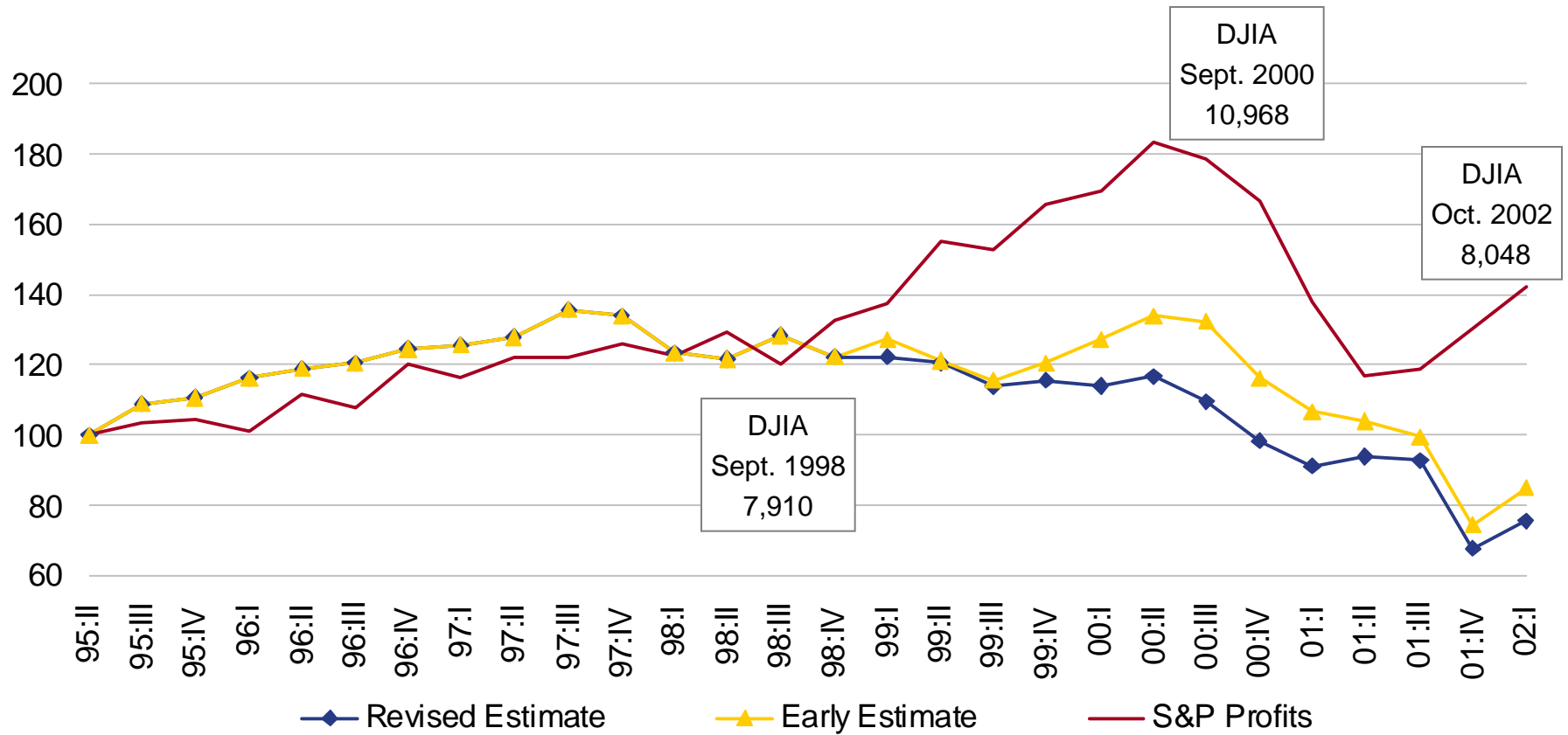
Current Issues - Housing and Finance

- The NIPA's as a reality check on asset values:
 - Above trend growth in equity prices ultimately must come from:
 - Above trend growth in the economy (technological change) that leads to above trend growth in profits.
 - A growing share of GDP going to profits
 - A growing share of profits coming from higher return on overseas investments

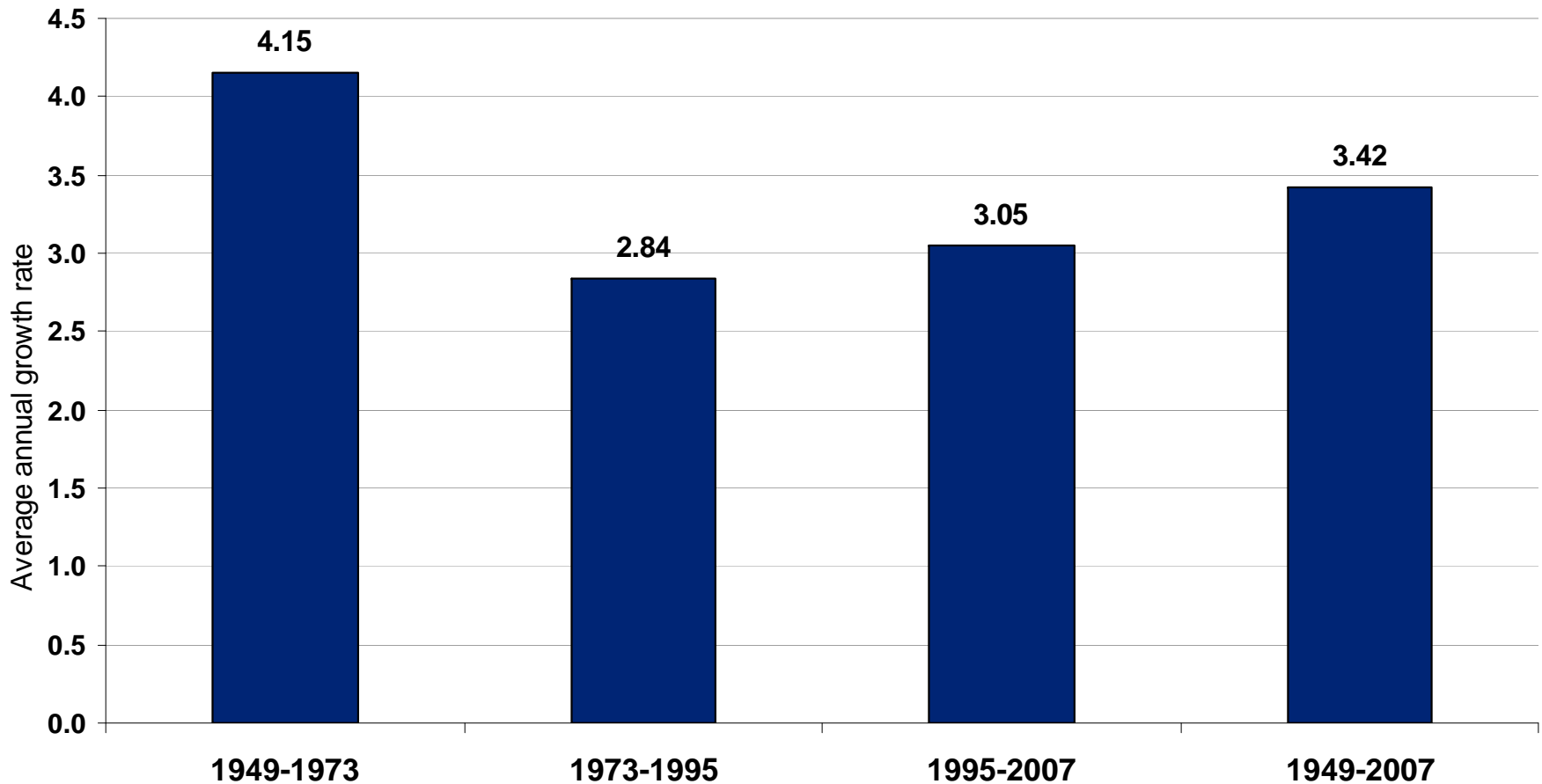
Growth in Equity Prices relative to GDP & NIPA Profits



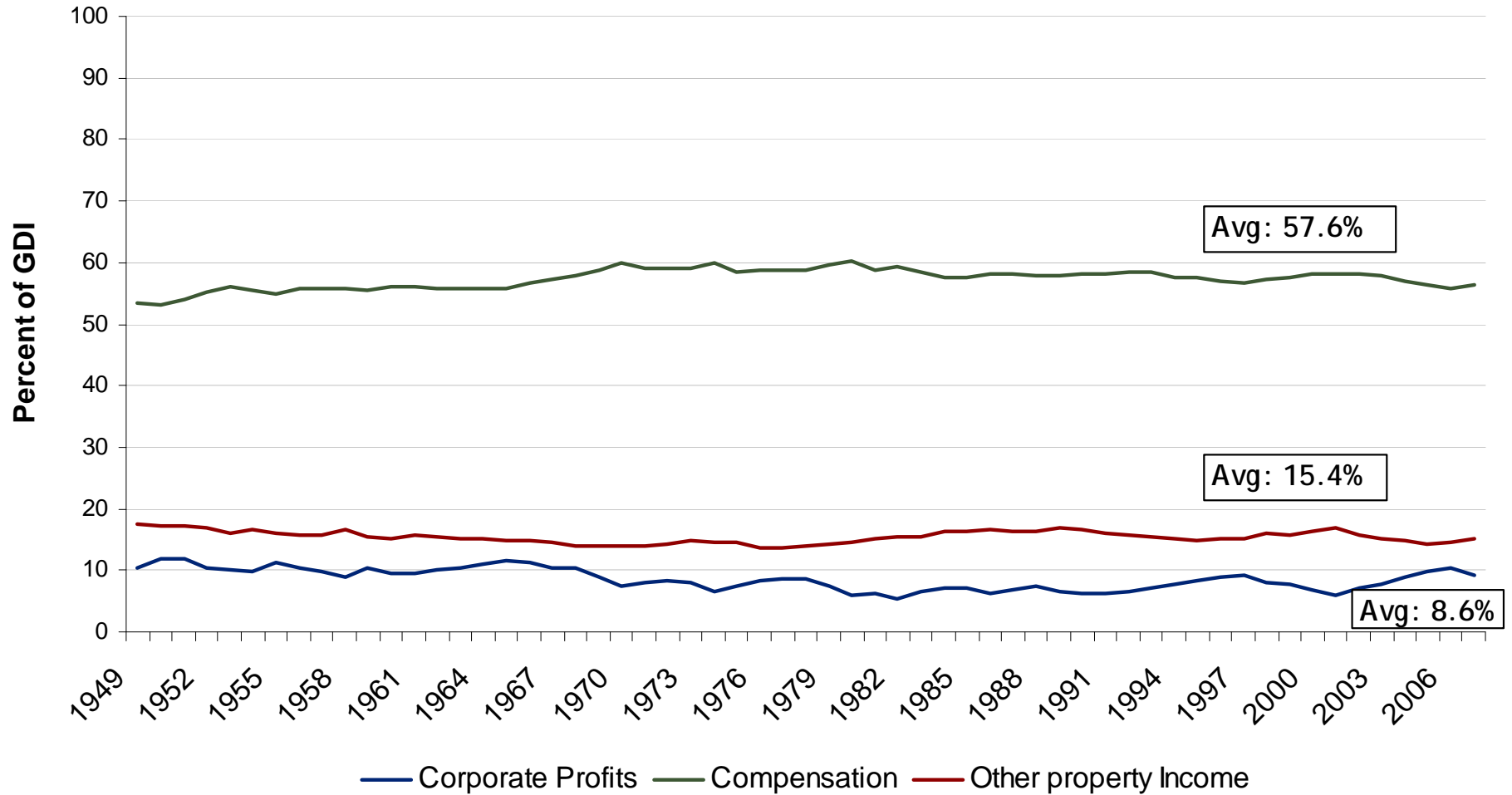
Differences in S&P and NIPA Profits



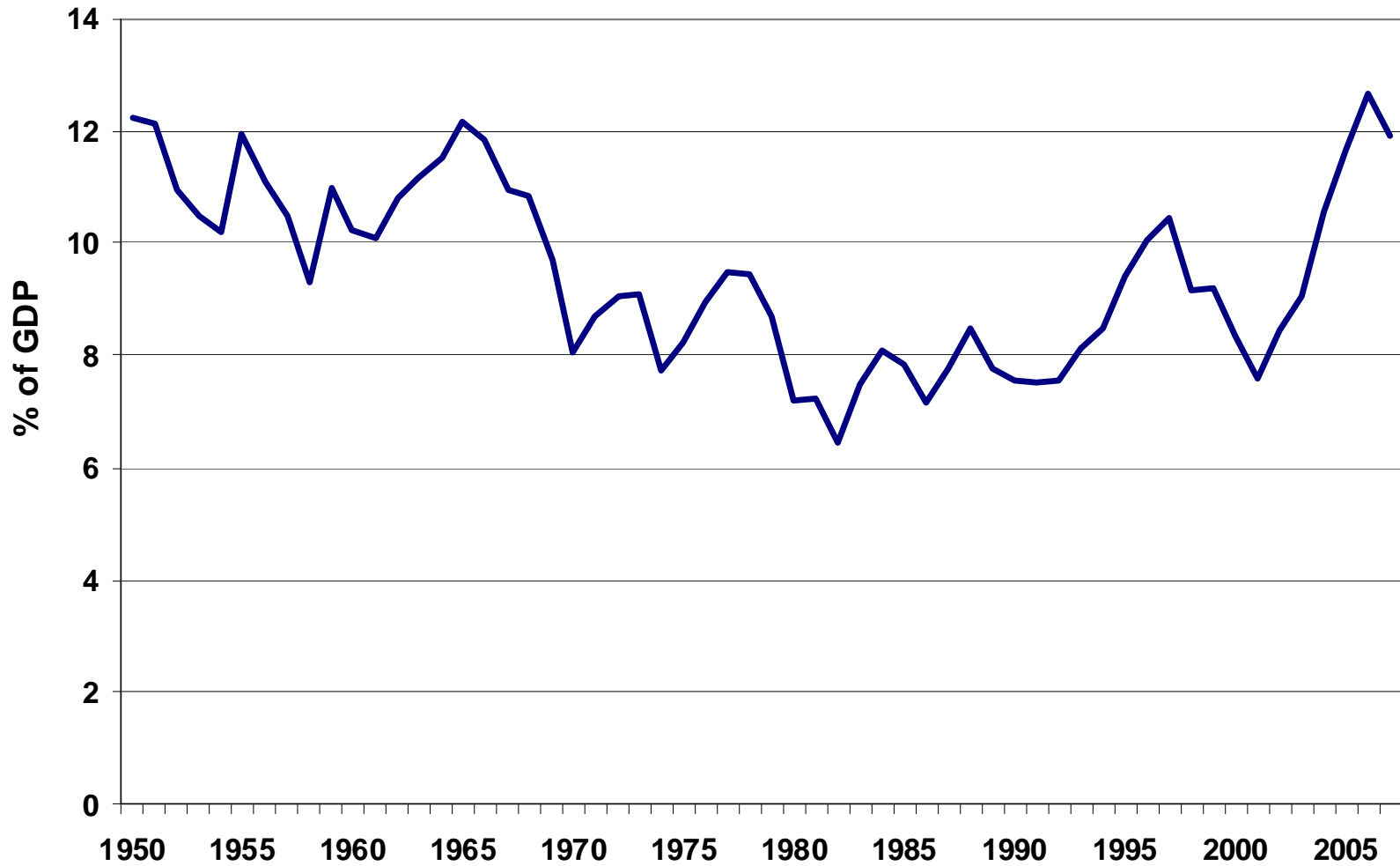
Trend Growth in Real GDP



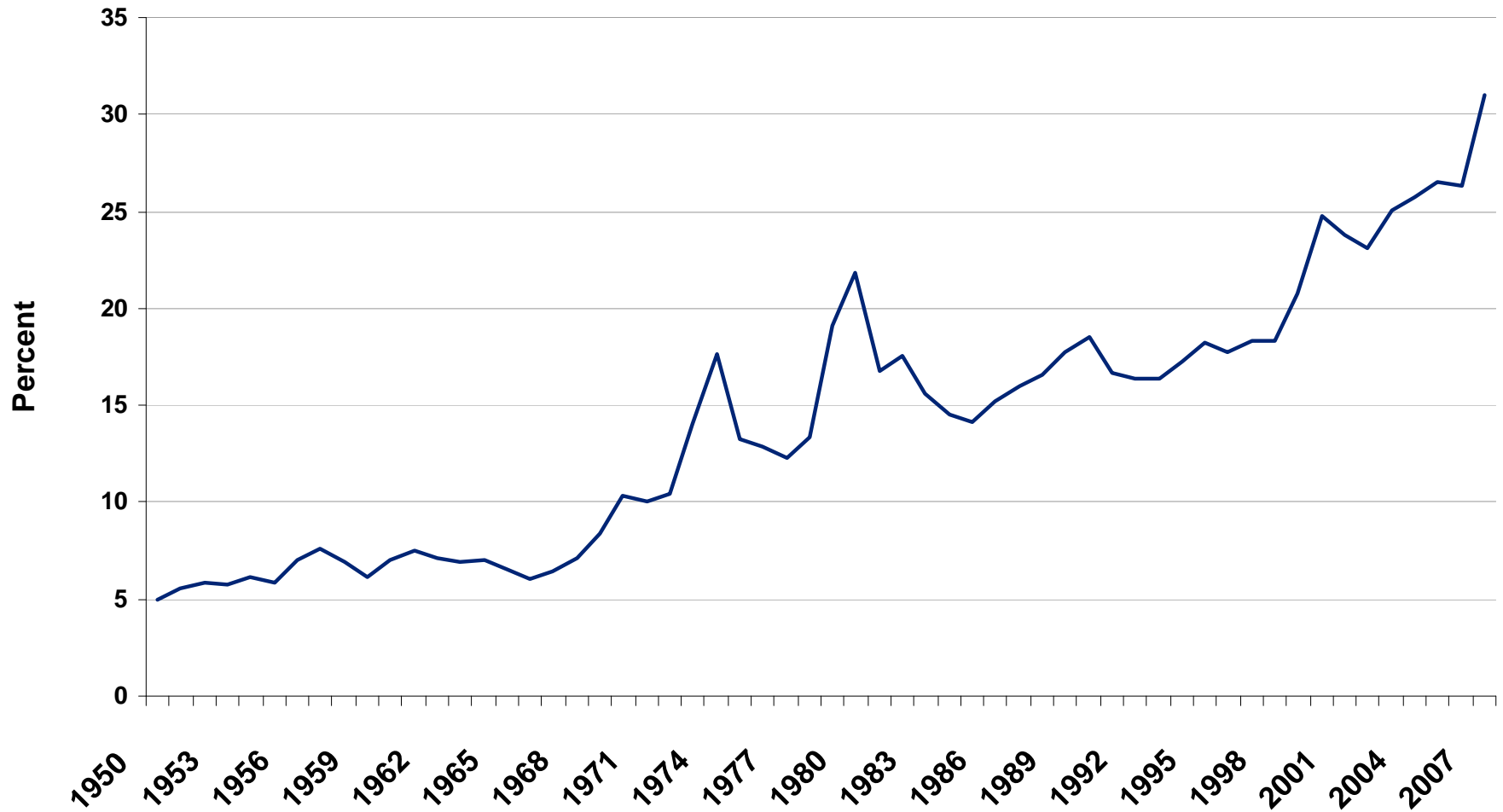
Stability in Shares of GDI



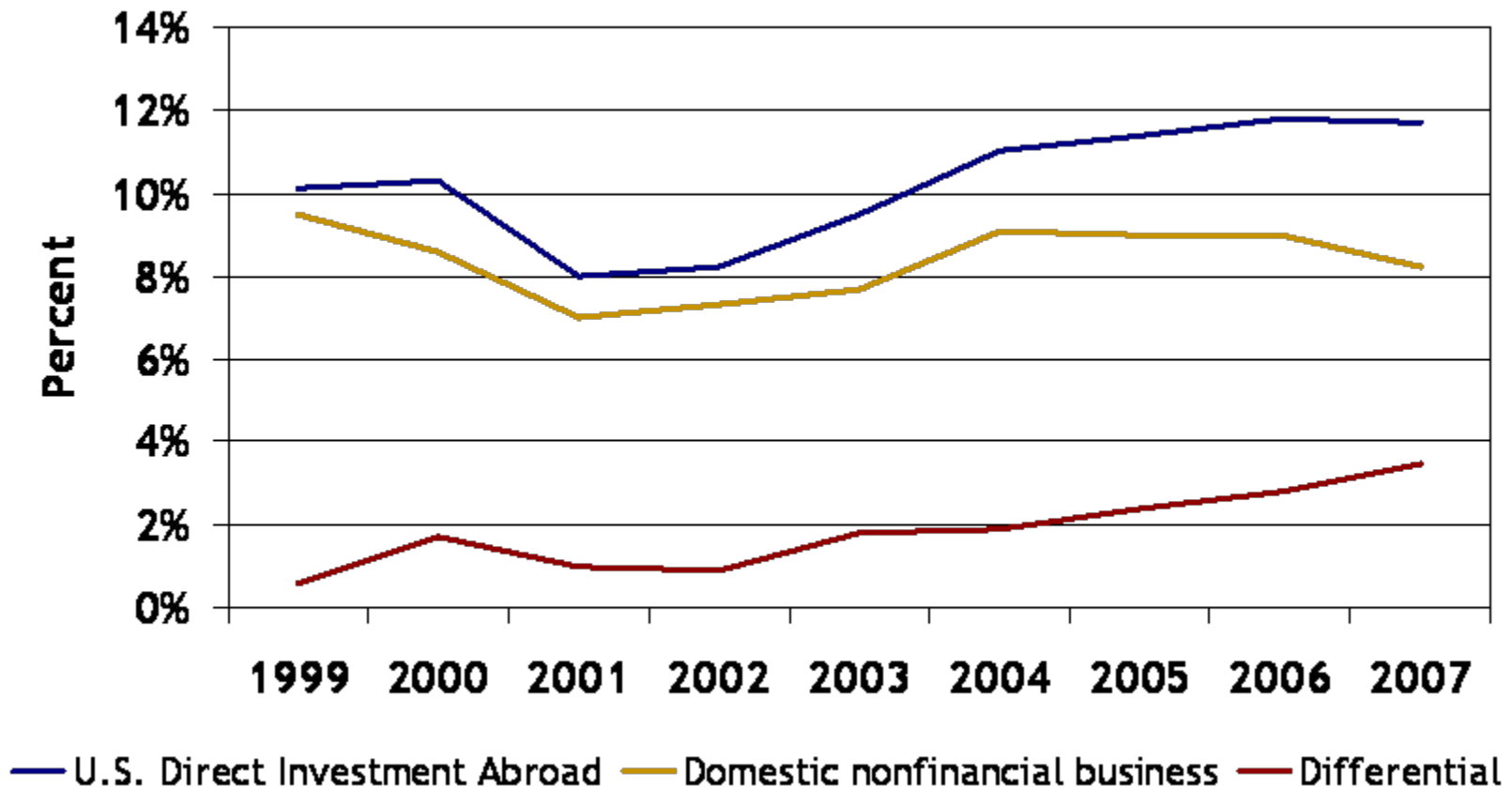
Profit Share of GDP



Foreign Share of Profits has Gone Up (as has foreign r.o.r. differential in recent years)



Foreign and Domestic Rates of Return



Long-Term Plans:

- Review of what we are thinking about:
 - New: R&D, Innovation, Health, Energy, and Pensions
 - New international guidelines: Incorporating SNA 2008, BPM6, etc.
 - Extensions of existing accounts: New real measures, quarterly industry accounts, accelerated regional data, and further integration.
 - Research on updating concepts and methods: offshoring, capital gains, and IIP changes?
 - Infrastructure: Expanded coverage of services, improved sample frames, data sharing, expanded documentation and more efficient data collection, processing, estimation, and dissemination systems

Long term plans:

We welcome your suggestions.