



Service Sector Improvements in the National Economic Accounts

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Measuring Up in a Changing Economy: A Look at New U.S. Service
Sector Data and Why It Matters

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Updating Measures of Services to Reflect the Expanding Role of Services in the Economy

- Despite their key role in today's economy, services data have seriously lagged data on manufacturing:
 - Services account for over 2/3 of GDP
 - Manufacturing now accounts for less than 1/5 of GDP
- As a result of work by Census, BEA, BLS and other statistical agencies, there have been significant advances in services measurement, but further work is needed.

Updating Measures of Services to Reflect the Expanding Role of Services in the Economy

- The improvements in services measurement have:
 - Provided a much better understanding of services contribution to the revival of productivity growth since the mid-1990's
 - Brookings, Triplett and Bosworth, 2004
 - These improvements were in response to concerns by the business, academic, and policy community
 - Greenspan, and Corrado and Slifman (1996)
 - AEA, NABE, CEA (Boskin)

Updating Measures of Services to Reflect the Expanding Role of Services in the Economy

- Reduced the share of the early GDP estimates accounted for by extrapolation and improved the accuracy of these estimates for business and public decision makers.
 - The latest QSS expansion lowered the trend-based share of the early GDP estimates from 23 to 13 percent.

Updating Measures of Services to Reflect the Expanding Role of Services in the Economy

- Improved the accuracy of the input-output coefficients for services industries.
 - Such coefficients are used to assess a broad range of economic events
 - Hurricane Katrina
 - Impact of public investments under the Recovery Act

Updating Measures of Services to Reflect the Expanding Role of Services in the Economy

- Greater detail in international trade in services.
 - Breakdown of affiliated trade by type facilitates analysis of services trade and off-shoring issues.
 - Large expansion of quarterly detail with key countries such as China.

Improvements to the National Accounts: Use of QSS Data in PCE Estimates (July 2010)

	<u>% Based on QSS</u>	<u>% Not Based on QSS</u>
■ HCE		
■ Health Care Services	92%	8%
■ Transportation Services	58%	42%
■ Recreational Services	76%	24%
■ Other Services	65%	35%
■ NPISH		
■ Gross Output of NPISH	74%	26%

HCE - Household Consumption Expenditures for Services

NPISH - Final Consumption Expenditures of Nonprofit Institutions Serving Households

Improvements to the National Accounts: Percentage Share of QSS-based NIPA Estimate

	Before 2009 Expansion	After 2009 Expansion
■ GDP ¹	8%	19%
■ Total PCE	10%	25%
■ PCE Services	16%	39%

1) Includes QSS-based estimate for private fixed investment in software

Improvements to the Industry Accounts

- Services Annual Survey (SAS) expansion
 - Better information on industry receipts and expenses in BEA's input-output accounts

- QSS expansion
 - More accurate “advance” GDP by industry statistics

- NAICS updates focus on improved coverage in key growth sectors, such as Information

Improvements to the International Accounts: Cross-Border Trade

- Surveys converted from annual to quarterly
- Integration of data collection for affiliated and unrelated-party trade
- Improved mailing lists through data sharing with Census
- New credit card survey will improve statistics on international travel

Improvements to the International Accounts: Affiliated Services Trade

- Coverage expanded to include banks
 - Added 12 percent to services provided to foreign markets by foreign affiliates of U.S. companies
 - Added 8 percent to services provided to U.S. markets by U.S. affiliates of foreign companies
- Improved measures for finance, insurance, and wholesale and retail trade
 - Un-priced financial services of banks included along with explicit fees

Research and Development

- Published experimental annual industry-level satellite account for Research and Development (R&D):
 - Between 1959-2004, R&D accounted for 5 percent of growth in real GDP
 - Between 1995-2004, R&D's contribution rose to 7 percent
 - In comparison, business investment in commercial and all other types of buildings accounted for just over 2 percent of real GDP growth.

Remaining Challenges

- Complete annual and quarterly coverage of services.
 - Incorporation of the latest SAS expansion will fill key gaps in utilities, transportation, finance, real estate, leasing and education. Also, 2011 SAS will provide greater detail on expenses.

- Complete coverage of producer prices for all major service industries.
 - PPI coverage of services has gone from less than 10 percent to over 80%.

Remaining Challenges

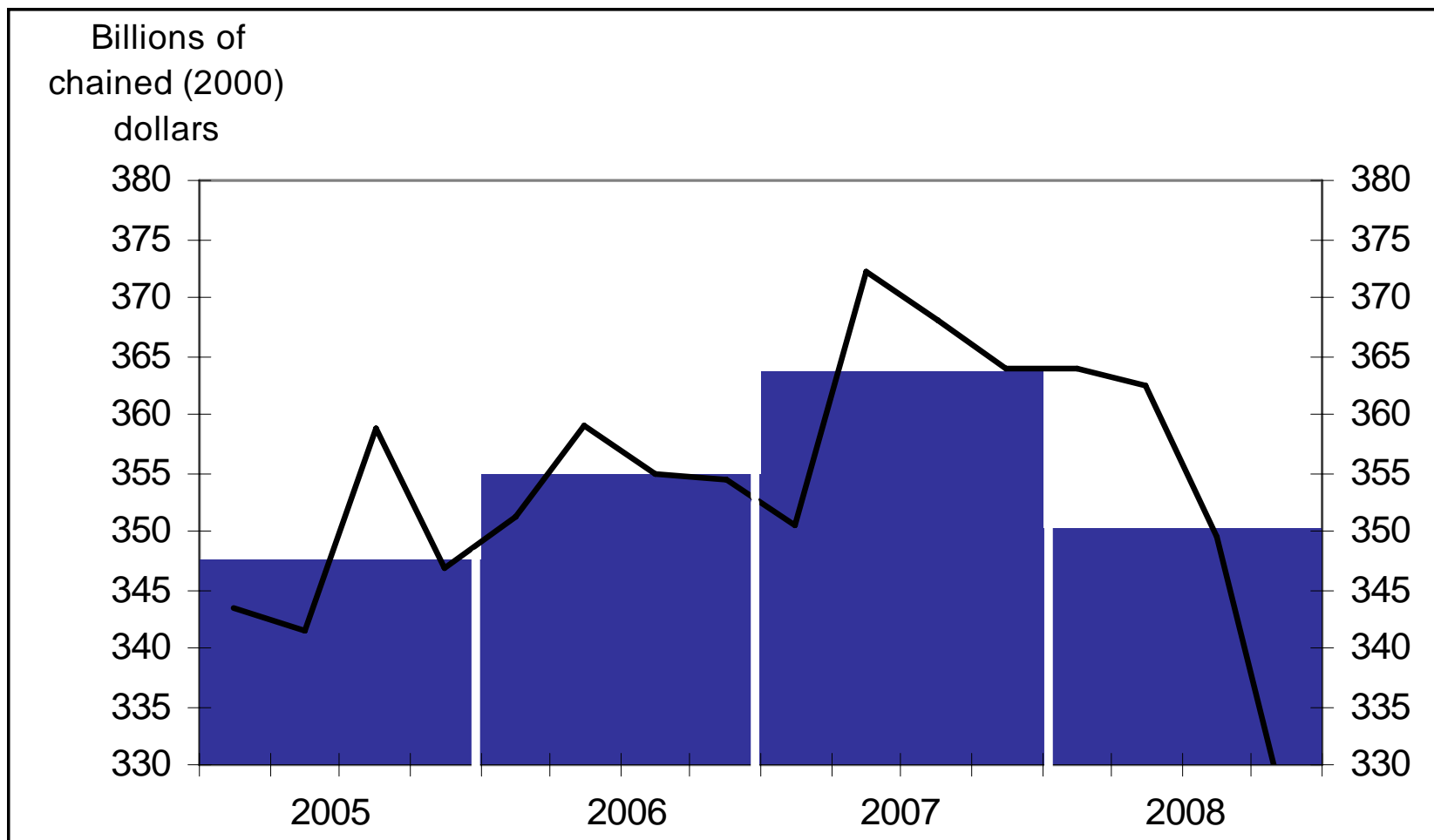
- Explore and adjust for potential biases in import prices.
- Expand measures of innovation
 - R&D accounts for approximately 1/5 of a broader measure of innovation that BEA hopes to measure.
- Improve measures of financial services.

Remaining Challenges

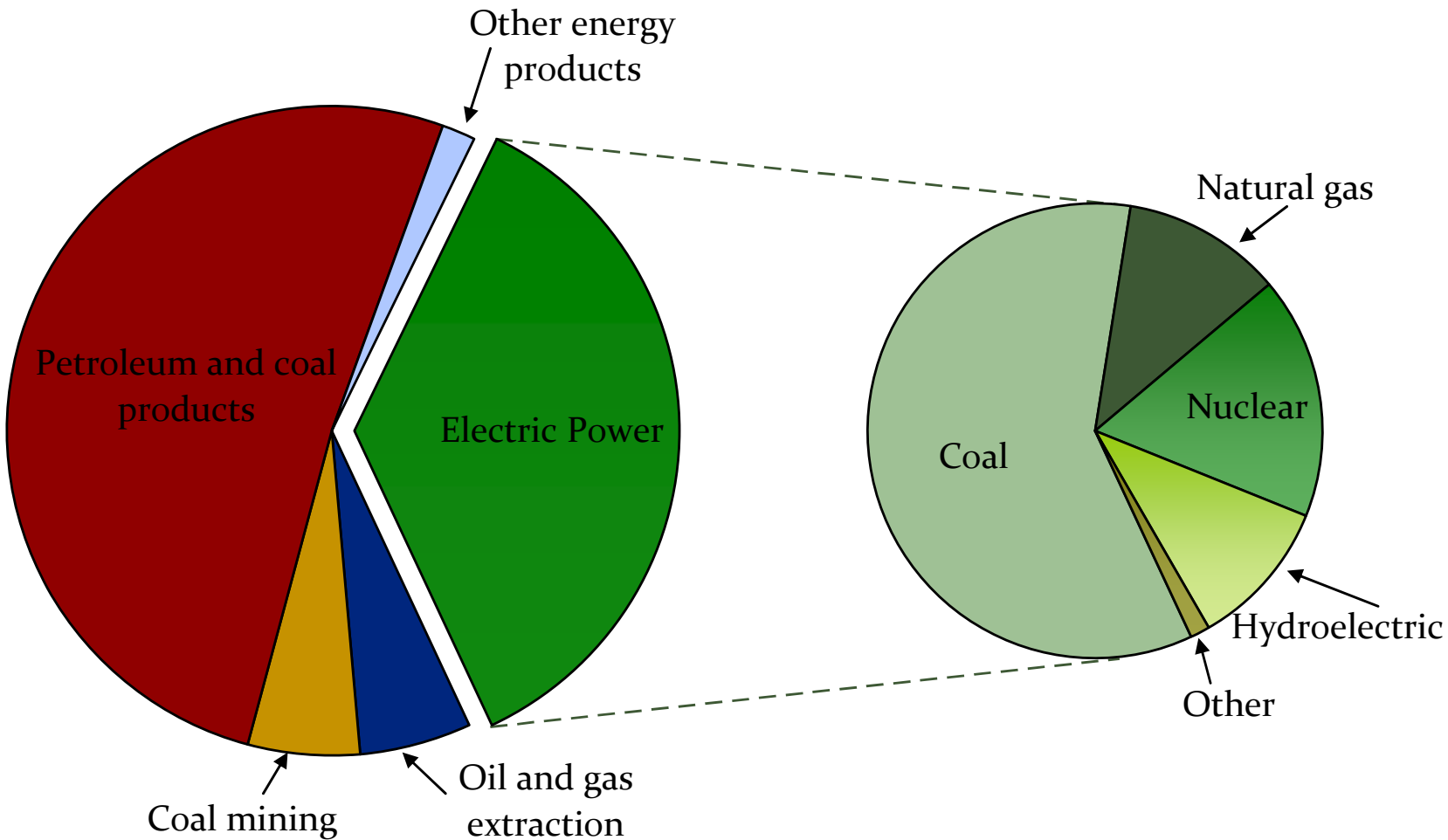
- Develop measures of small business for the national accounts.
- Develop measures of household income, spending, and financial condition
- Develop quarterly GDP by industry and other integrated measures of business conditions, particularly for service industries.
- Develop more detailed measures of energy services.

Experimental Quarterly GDP by Industry Estimates

Transportation and Warehousing Industry



Planned Expansion of Measures of Energy Services



Remaining Challenges

- Develop Improved Measures of Medical Care Services
- Better Integration of Economic Statistics:
 - Concepts and Methods
 - Presentation
 - Sample Frames
 - Classification
 - Data Synchronization