



Revisions, Transparency, and Communication

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Revisions are important

- Mechanism that allows BEA to publish timely, relevant statistics while still ensuring accuracy
- They are an integral part of GDP estimates
- They are expected and often anticipated by our users
- Ensures GDP remains relevant and reflects current economic realities

BEA's GDP Revision Cycle

- 1 – advance October 2011
- 2 – 2nd November 2011
- 3 – 3rd December 2011
- 4 – 1st annual revision July 2012 (2009 – 2011)
- 5 – 2nd annual revision July 2013 (comprehensive revision) (1929 – 2012)
- 6 – 3rd annual revision July 2014 (annual revision) (2011 – 2013)
- 7 – 4th annual revision July 2015 (flexible annual revision could include 2011)
- GDP statistics are never really final 😊

Revision

- Balance between providing most accurate measure of the economy while maintaining **credibility** with the public
- Requires transparency and good **communication** with and **education** of the public

Why Revise?

- Allows for more timely estimates
- Detailed source data comes with a lag (up to 5 years)
- Minimize assumptions
- Seasonal factors change due to longer time period for analysis
- Keep up with evolving international guidelines for measuring economic accounts
- Introduce changes in concept, estimation methods, or source data

Truth and Myths about Revisions

- M. Revisions mean you were wrong before
- M. Data that are revised are less accurate
- M. Timing of revision is political (1992)
- T. Revisions and accuracy are related, but not the same
- T. Some of the most inaccurate data have never been revised
- T. Some of the most accurate data are subject to regular revisions

Transparency

- Transparency and objectivity are vital!
 - Enables replication of the estimates by others
 - Provides an independent check on credibility
 - Builds TRUST with STAKEHOLDERS
- How do you do it?
 - Remain outside of political influences
 - Publish methodologies
 - Publish key source data and assumption tables
 - Publish revision studies
 - Publish preview articles describing upcoming changes
 - Provide equal access of statistics to all users
 - TALK WITH / EDUCATE STAKEHOLDERS

Communication

- Key to ensuring transparency
 - Publically available strategic plan
 - User conferences
 - Advisory committees
 - Active solicitation from key data users
 - Papers on planned changes and research agendas
 - Press briefings
 - Conference participation
 - Press releases
 - Technical notes
 - FAQs

 - Never-ending process!
 - No Surprises!

Memorable BEA's Experiences

- Implementation of Fisher chain-weighted measures (1996)
- Recording of software as investment (1999)
- Significant revisions to corporate profits (2002)
- Revised methodology for measuring un-priced financial services (2003)
- Revised methodology for measuring property insurance services (2003)
- Significant revision to 2008Q4 GDP (2011)

Fisher Chain-weighted measures

- Started communication early
 - Several years in advance (parallel release 4 yrs)
- Educated users
 - Articles
 - Conferences
- Educated BEA staff
 - Training sessions
 - Required to include calculations in processing
- Developed supplemental tools to help users
 - Contributions to growth

Software as investment

- Educated users
 - Articles
 - Conferences
- Introduced before measurement issues worked out
 - Subsequent revisions as methods were modified
 - Some complaints from users
- Lessons learned – satellite accounts
 - R&D investment

Revised Corporate Profits (2002)

- Larger than expected revisions to business income
 - Revised tax revenue data on the heels of the U.S. accounting scandals (1998, 1999, & 2000)
 - Accused of “cooking the books” to harm previous administration
- Defended estimates and methods
 - FAQs
 - News show interviews
 - Papers and conferences to explain methods

New measures of implicit bank services

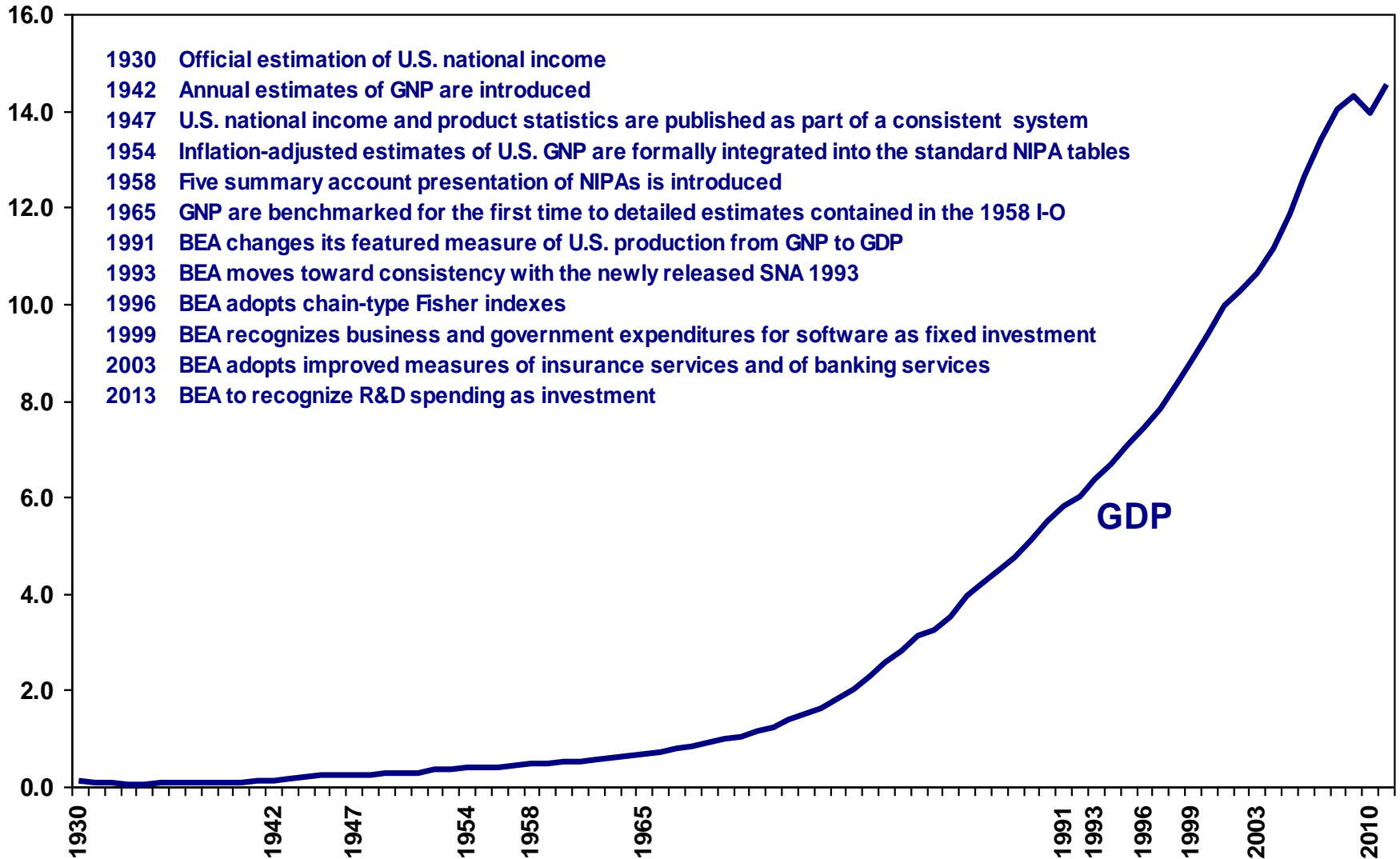
- Research papers
 - Early stages of research
- *BEA Survey of Current Business Articles*
 - Describing theory
 - Pre implementation affects on NIPAs (“no surprises”)
 - Post implementation revisions (transparency)
- Staff communication with users
 - Explain motivation and concept
 - Explain volatility in the PCE price index
- Developed new sub-aggregate price indexes
 - Excludes implicit financial services
 - Used by FRB as metric for inflation

Revision of 2008Q4 GDP (-5.1%)

- Significant revision (from -3.8% to -8.9%)
 - Revised seasonal factors
 - Revised annual source data and re-interpolation
- Accused of not knowing what we are doing
 - Negative newspaper articles
 - Opinionated blog entries
- BEA responded with education campaign
 - FAQs on methodologies
 - FAQs on reasons for the revisions
 - Meetings with Administration representatives

Major GDP milestones

Trillions \$



Conclusion

- Goal is to maintain credibility while continuing to evolve and remain relevant
 - Revisions have a place
 - Transparency is the best defense against skeptics
 - Communication before, during, and after are as important as the underlying estimate work to ensure users understand the changes