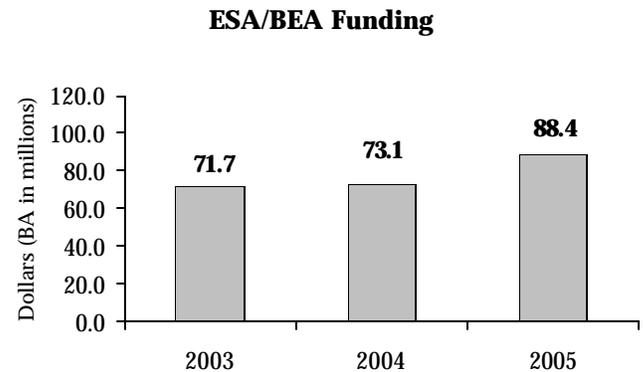


Economic and Statistical Analysis

Includes the Bureau of Economic Analysis and the Economics and Statistics Administration Headquarters

The United States is widely recognized as the world's economic information leader, due in large part to the statistics produced by the Economics and Statistics Administration's (ESA) Bureau of Economic Analysis (BEA) and the Bureau of the Census. The BEA produces such key economic measures as the gross domestic product (GDP) and the balance of payments; the Census Bureau conducts the quinquennial Economic Census and produces important economic measures including durable goods, wholesale and retail trade, and new construction. ESA provides economic policy analysis that dramatically impacts the decision making of the President and Congress, as well as business leaders, and affects the lives of all Americans.



ESA includes: **ESA Headquarters, the Bureau of Economic Analysis, and the Bureau of the Census.**

ESA Headquarters consists of the Office of the Under Secretary for Economic Affairs, the Policy Support Staff, and STAT-USA. The Office of the Under Secretary provides leadership and executive oversight of all ESA activities. The Office of Administration provides management, financial, and administrative services. The Policy Support Staff provides economic policy analysis and conducts research on such topics as the factors contributing to U.S. industrial strength and the relationship between industry performance and economic growth, including recent major studies on the scope and economic impacts of electronic commerce. STAT-USA provides data dissemination services through an easy-to-use, "one-stop shop" that provides a focal point for business, economic, and trade statistics. STAT-USA operates under a revolving fund account that requires no government funding.

The Bureau of Economic Analysis seeks to strengthen the understanding of the U.S. economy and its competitive position by providing the timely, relevant and accurate GDP and other economic data in an objective and cost-effective manner. Although a relatively small agency, BEA produces some of the Nation's most closely watched economic statistics that influence the decisions made by policy makers, business leaders, households and individuals. BEA's economic statistics, which provide a comprehensive, up-to-date picture of the U.S. economy, are key ingredients in critical decisions affecting monetary and fiscal policy and business planning. The cornerstone of BEA's statistics is the National Income and Product Accounts (NIPAs), which feature the estimates of the GDP and related measures. Since the NIPAs were first published, BEA has developed and extended its estimates to cover a wide range of economic activities. Today, BEA prepares national, regional, industry and international accounts that present essential information on such key issues as economic growth, regional economic development, inter-industry relationships and the Nation's position in the world economy.

The BEA Strategic Plan provides a detailed outline for improving the quality and accuracy of BEA economic statistics. Annually reviewed by BEA and provided to stakeholders, users and the public for comment, the BEA Strategic Plan calls for a number of specific activities to improve its measures and better meet its mission for FY 2005. These activities include:

- Acceleration of the release of additional BEA measures including gross state product, metropolitan and county personal income, GDP and personal income, international trade, and annual input-output tables. This acceleration effort was begun in FY 2003.
- Meet U.S. international obligations by continuing to address the requirements of the Special Data Dissemination Standards and completing the incorporation of the North American Industry Classification System (NAICS) into BEA accounts. This multi-year project was begun in FY 2003.
- Acquisition and incorporation of real-time data into core BEA statistics that will result in data being more quickly available to policy makers, business leaders and others to make informed decisions. This method is a simple and

proven method of improving the accuracy and quality of BEA statistics. As part of this initiative, BEA also will conduct the quarterly surveys of international transactions in selected unaffiliated services.

- Production of new estimates, on an annual basis, of business investment spending by industry in order to more accurately discern where high-tech and other investments are being made in manufacturing and services as well as provide employment and compensation breakdowns by industry. This new FY 2005 initiative will allow Congress, the Administration and industry to determine “who buys what from whom” as they examine tax and investment policies.

The Bureau of the Census receives its funding from a separate congressional appropriation; therefore, its budget is discussed in a separate section of this document.

Summary of Appropriations

Funding Levels

Appropriation	2003 <u>Actual</u>	2004 <u>Estimate</u>	2005 <u>Estimate</u>	Increase <u>(Decrease)</u>
Salaries and Expenses	\$71,689	\$74,211	\$88,400	\$14,189
Unobligated balance, rescission	0	(1,096)	0	1,096
TOTAL BUDGET AUTHORITY	71,689	73,115	88,400	15,285

FTE

Salaries and Expenses	471	522	554	32
Reimbursable	13	23	17	(6)
Revolving Fund	10	10	10	0
Total	494	555	581	26

Highlights of Budget Changes

Appropriation: Salaries and Expenses

Summary of Requirements

	<u>Detailed</u>		<u>Summary</u>	
	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
2004 Appropriation			522	\$74,211
Adjustments to Base				
Other Changes				
2004 Pay raise		\$1,049		
2005 Pay raise		553		
Payment to Working Capital Fund		15		
Change in compensable day		(195)		
Civil Service Retirement System (CSRS)		(114)		
Federal Employees' Retirement System (FERS)		174		
Thrift Savings Plan		73		
Federal Insurance Contributions Act (FICA) -OASDI		81		
Health insurance		295		
Employee Compensation Fund		1		
Travel: Per diem		5		
Rent payments to GSA		917		
Printing and reproduction		3		
Other services: Working Capital Fund		105		
NIST Accounting		(173)		
General Pricing Level Adjustments				
Transportation of things		1		
Communications, Utilities, & misc.		5		
Other services		114		
Supplies		6		
Equipment		19		
Subtotal, other cost changes			0	2,934
Less amount absorbed			0	(908)
Total, Adjustments to Base			0	2,026
2005 Base			522	76,237
Program Changes			32	12,163
2005 APPROPRIATION			554	88,400

Comparison by Activity

	2004 Currently Avail.		2005 Base		2005 Estimate		Increase / Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
DIRECT OBLIGATIONS								
Bureau of Economic Analysis	470	\$69,238	470	\$69,835	502	\$81,998	32	\$12,163
Policy Support	52	6,624	52	6,402	52	6,402	0	0
TOTAL DIRECT OBLIGATIONS	522	75,862	522	76,237	554	88,400	32	12,163
REIMBURSABLE OBLIGATIONS	23	2,346	15	1,921	17	1,945	2	24
TOTAL OBLIGATIONS	545	78,208	537	78,158	571	90,345	34	12,187
FINANCING								
Unobligated balance, start of year (Direct)		(2,747)						
Unobligated balance, start of year (Reimbursable)		(100)						
Offsetting collections from:								
Federal funds	(21)	(2,106)			(16)	(1,845)		
Non-Federal sources	(2)	(140)			(1)	(100)		
Subtotal, financing	(23)	(5,093)			(17)	(1,945)		
TOTAL BUDGET AUTHORITY	522	73,115			554	88,400		
Unobligated balance, rescission	0	1,096						
TOTAL APPROPRIATION	522	74,211						

Highlights of Program Changes

	Base		Increase / Decrease	
	FTE	Amount	FTE	Amount
Bureau of Economic Analysis	522	\$76,237	+32	+\$12,163

The FY 2005 budget request for BEA includes four initiatives. The first is an initiative to produce current, annual business investment data by industry coupled with compensation and employment information. Policy makers, financial and industry analysts, and others need more current business investment data in order to understand who buys what from whom, so they can address issues of tax policy, economic growth, and productivity. The second initiative seeks to continue the accelerated production of a number of economic measures. The third initiative would fund efforts to meet U.S. international statistical reporting obligations. The fourth initiative includes funds for the FY 2004 initiative to use real-time data to quickly and effectively improve the quality of BEA's economic accounts, including the GDP. All of these activities are reflected in the BEA Strategic Plan. More information on these initiatives follows.

Produce Current Business Investment and Employment Data	92	\$15,900	+7	+\$1,507
---	----	----------	----	----------

Wall Street, industry analysts, business leaders, and academics are increasingly interested in which industries are buying what technology from other industries and their relative impacts on productivity and employment. The data on such business investments, also known as capital flows, provide information on the flow of investment dollars to purchase and lease high-tech and other equipment. These estimates currently are produced every five years following the release of data from the Census Bureau's Economic Census; and as a result, are at least five years old. This initiative would result in the production of up-to-date, annual estimates on business investment spending by industry for equipment and other goods, which will tell where high-tech and other investments are going and how they affect productivity in manufacturing and other industries. The initiative also provides funding for the production of employment and compensation data by industry, which would provide information on the impacts of economic change in terms of job losses and gains, and change in average earnings by industry.

	<u>Base</u>		<u>Increase / Decrease</u>	
	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
Generate More Timely Economic Data	12	\$5,130	+12	+\$5,167

The economic data produced by BEA are the timeliest economic statistics in the world. However, the U.S. economy requires even more timely data. The challenge of accelerating these measures is being met by BEA. In FY 2003, BEA began a multi-year project to accelerate a number of important economic measures. At present, BEA has accomplished a one-week acceleration of the international trade data and a seven-month acceleration of GDP-by-Industry estimates. Initial work to accelerate gross state product, metropolitan area personal income, and the input-output tables has begun and will be completed during FY 2005. In addition, BEA plans to successfully complete the acceleration of the GDP, personal income, and county area personal income.

Meet U.S. International Obligations	6	\$2,271	+6	+\$2,287
-------------------------------------	---	---------	----	----------

This initiative seeks to ensure the Nation's compliance with international statistical obligations. The U.S. and the IMF have stated that past debt crises resulted, in large part, because timely and accurate data about worsening financial conditions were unavailable in affected countries. U.S. compliance with the Special Data Dissemination Standards will ease this data gap and encourage other nations to similarly comply. In addition, BEA will complete the incorporation of NAICS into all of its accounts.

Acquire Real-Time Data to Improve Quality	7	\$3,179	+7	+\$3,202
---	---	---------	----	----------

Investments to purchase real-time data have proven to dramatically improve macro-economic measures such as the GDP. Funds requested will allow BEA to purchase and incorporate into its accounts real-time data such as monthly retail scanner data and business-to-business software resells to fill data gaps in current measures. In addition, BEA will conduct quarterly surveys of international transactions in the large and volatile services industries to provide more current data to use in its estimates.

BEA Performance Measures

The BEA Mission, derived directly from the U.S. Department of Commerce Strategic Plan for FY 2004-FY 2009, is to "promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic data in an objective and cost-effective manner." To monitor progress toward achieving this mission, BEA has developed six performance measures for FY 2005 that seek to measure long-term performance as well as track efforts to accomplish specific budget initiative requests. These performance measures include: (1) reliability of delivery of economic data, (2) customer satisfaction, (3) percent of GDP estimates correct, (4) improving GDP and the economic accounts, (5) accelerating economic estimates, and (6) meeting U.S. international obligations. The first three measures monitor BEA's long-term success at improving timeliness, relevance and accuracy, while the last three measures track specific budget requests for FY 2005.

The following table shows the measures that BEA uses to evaluate its performance. A more detailed description of these goals and measures is in the BEA section of the Department of Commerce budget.

Performance Goal (Obligations) and Measures (Targets)

(Dollars in millions)

	<u>2003</u> <u>Actual</u>	<u>2004</u> <u>Estimate / Target</u>	<u>2005</u> <u>Estimate / Target</u>
Goal 1: Promote a better understanding of the U.S. economy by providing the most timely, relevant and accurate economic data in an objective and cost-effective manner	\$74.3	\$79.9	\$92.0
Number of scheduled releases issued on time	48 of 48	54 of 54	TBD
Customer satisfaction with quality of products and services (5 point scale)	4.4	Greater than 4.0	Greater than 4.0
Percent of GDP estimates correct	88%	Greater than 84%	Greater than 85%
Improving GDP and economic accounts	BEA completed all major Strategic Plan milestones related to improving the economic accounts (completed 164 milestones out of 171 overall).	Successful completion of related Strategic Plan milestones	Successful completion of related Strategic Plan milestones
Accelerating economic estimates	BEA completed all major Strategic Plan milestones related to accelerating economic estimates (completed 98 milestones out of 103 overall).	Successful completion of related Strategic Plan milestones	Successful completion of related Strategic Plan milestones
Meeting U.S. international obligations	BEA completed all major Strategic Plan milestones related to meeting U.S. international obligations (completed 99 milestones out of 103 overall).	Successful completion of related Strategic Plan milestones	Successful completion of related Strategic Plan milestones

Note: The total obligations may differ from those reported in the Congressional Justification exhibits due to the inclusion of the revolving fund in the amounts cited above.