



## U.S. Bureau of Economic Analysis FY 2005 Budget Request

The Bureau of Economic Analysis (BEA) seeks 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 achieve this mission, President Bush has requested a FY 2005 budget for BEA that totals \$82.0 million. This total represents a \$14.9 million or 22 percent increase over FY 2004 funding levels. Of this \$14.9 million increase,

- \$12.2 million is dedicated to new initiatives to improve the accuracy and timeliness of the Nation's economic statistics;

These funds support the final steps required to complete an ambitious program begun in 2002 to return BEA statistics to the quality demanded by users. The remaining \$2.7 million is required to maintain current BEA programs, primarily to pay for an increase in the building rent and for cost of living adjustments.

### Budget Initiatives:

The FY 2005 budget request for BEA commits \$12.2 million to achieve the following projects:

- **Accelerate the release of six key economic statistics** (\$5.2 million): U.S. policymakers, business leaders, and the American public demand more current economic statistics to make decisions involving monetary policy, fiscal and tax policy, business investment strategies, and household finances. To meet these demands, BEA began a multi-year program in 2003 to accelerate the release of eight of its most important economic measures, one of most ambitious accelerations efforts ever undertaken by BEA. Two accelerations were funded and achieved in 2003. For 2005, BEA seeks to complete the acceleration of the remaining six statistics (see list below).

Statistic	Uses	Acceleration
International trade in goods and services <sup>1</sup>	Trade negotiations, trade policy development and international competitiveness analyses	Accelerate by 2 weeks
Gross state product	Allocation of federal funds, local budget planning and economic development purposes	Accelerate by 13 months
Metropolitan personal income	Business location planning, transportation planning, and environmental policy	Accelerate by 8 months
County personal income	Allocation of local funds, economic development, and local budget forecasts	Accelerate by 7 months
U.S. personal income	Provides broadest measure of household spending and economic well-being.	Accelerate by 2 weeks
Gross domestic product	Monetary, fiscal and public policies, business strategic planning, investment and financing.	Accelerate by 2 weeks

<sup>1</sup> Contingent on Census Bureau work to accelerate trade data.

- **Improve accuracy of GDP and related statistics using real-time data** (\$3.2 million): The U.S. economy is constantly changing as new industries prosper while others fail. To produce the most accurate economic data possible, BEA must capture these changes. Often the federal statistical system is not prepared to reveal these changes in a timely fashion. BEA seeks to correct this problem by acquiring and incorporating real-time data, such as monthly scanner data and business-to-business resell, into its accounts. This simple and proven method of improving data quality will help BEA provide users with information that more quickly reflects current economic conditions.
  
- **Continue to meet U.S. international commitments** (\$2.3 million): As part of this two-year initiative, BEA has worked to ensure the Nation's compliance with international statistical obligations. Last year, BEA made substantial progress in converting its programs to the North American Industry Classification System (NAICS). The U.S. and the International Monetary Fund (IMF) have stated that past debt crises may have been exacerbated because timely and accurate data about worsening financial conditions were unavailable. U.S. leadership in complying with the Special Data Dissemination Standards (SDDS) will ease this data gap and encourage other nations to begin and strengthen their compliance. The SDDS were developed under an international agreement to increase the transparency of data on economic conditions, particularly of countries that wish to borrow internationally. Funds for 2004 will allow BEA to meet this U.S. commitment as well as update the U.S. Balance of Payments to recognize financial derivatives and other new instruments important to the U.S. and world financial markets.
  
- **Develop current business investment data with employment and compensation impacts** (\$1.5 million): 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 when published. 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 new estimates on employment and compensation data by industry that provide information on the impacts on economic change on job losses and gains, and on average earnings by industry.