

# Taking Account...

## **BEA Releases Preliminary R&D Satellite Account**

The Bureau of Economic Analysis (BEA) has released a new satellite account that estimates research and development (R&D) activity and its impact on the economy.

Satellite accounts do not affect BEA's core accounts, but they provide an opportunity to develop new methodologies and provide greater detail about specific economic activity, such as R&D. The release updates earlier BEA work on R&D from 1994, 2002, and 2005. The preliminary estimates show the following:

- Recognizing R&D as investment increases the level of GDP by an average of about 2½ percent between 1959 and 2002.
- R&D investment and the income arising from accumulated R&D capital accounted for about 4½ percent of growth in real GDP between 1959 and 2002. Between 1995 and 2002, its contribution to GDP growth rose to about 6½ percent. In comparison, business investment in commercial and other types of buildings accounted for just over 2 percent of real GDP growth between 1959 and 2002.
- Estimates of gross private domestic investment (in cur-

rent dollars) in 2002 would be more than 11 percent, or \$178 billion, higher after recognizing R&D as investment; the 2002 national saving rate would be 16 percent, instead of 14 percent.

The satellite account details how R&D, treated as investment rather than consumption, would affect BEA's measures of economic activity in various sectors, such as business, nonprofit institutions serving households, and general government. The proposed treatment of R&D is similar to BEA's treatment of software, which was capitalized in the national income and product accounts (NIPAS) in 1999.

An article about the new R&D account will be published in a later issue of the *SURVEY OF CURRENT BUSINESS*. In fall 2007, final R&D account estimates are scheduled to be released.

If resources allow, BEA plans to incorporate R&D into its input-output accounts in 2012 and into the NIPAs around 2013. These actions are expected to be recommended by the next version of the *System of National Accounts*, an internationally accepted standard for economic accounting practices.

The R&D satellite account was developed with the National Science Foundation, which pro-

vided the expenditure data used to produce the account, reviewed the estimates, and provided general guidance.

The R&D satellite account marks another step by BEA toward its goal of providing more data about the effect of intangibles on the economy. BEA is currently engaged in research about health care, human capital, and education. The new R&D account is available on BEA's Web site, <[www.bea.gov](http://www.bea.gov)>.

## **BEA Holds Government Data Users Conference**

BEA recently held a conference in Washington, DC, for users of its government statistics. Similar to a conference held in September 2004, this year's event gave users an opportunity to hear about BEA research, provide feedback on key issues, and discuss the future development of BEA's government accounts. BEA Director Steve Landefeld delivered opening remarks.

Topics discussed included government accounts and the revised *System of National Accounts*, government insurance programs, new territorial adjustments, and new perspectives on government pensions.

Material from the event is available on the BEA Web site at <[www.bea.gov/bea/dn/govt\\_conf\\_2006.htm](http://www.bea.gov/bea/dn/govt_conf_2006.htm)>.