

Roadmap for the Modernization of Puerto Rico's National Accounting

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Objectives

- Execute credible 5-year roadmap for methodological modernization of Puerto Rico's National Account statistics.
 - Ensure Puerto Rico's National Account statistics comply with global standards.
 - Measure the informal economy every year, and develop strategies to reduce it.
- ⇒ Required investment: \$3m annually

Background

- Questions have been raised on the reliability of official estimates and projections of Puerto Rico's economy and hence revenues.
- Currently, Puerto Rico's national accounting statistics are presented in accordance with the United Nations standards from 1968.
- About a quarter of Puerto Rico's economy is estimated to be informal.

Background

- In 2011, President Obama's Task Force Report on Puerto Rico recommended updating the methodology of Puerto Rico's macroeconomic statistics.
- As a result, the U.S. Bureau of Economic Analysis (BEA) published its evaluation and recommendations for methodological improvement of Puerto Rico's national accounting statistics.

Challenges

- Relatively few human resources with the necessary specialized skills in Puerto Rico.
- Unmotivated technical staff.
- Technical staff does not necessarily agree with needed methodological changes.
- Lack of an adequate central database that can manage production of national accounting statistics.

Milestone objectives

Spring 2016

- Revise underlying deflator methodology
- Update base year from 1954 to 2000
- Publish alternate estimates after incorporation of new methodology for banking and insurance services
- Implement secure electronic access to tax data
- Implement central database to store and manage national accounting statistics
- Publish Foreign Direct Investment estimates
- Publish results of R&D survey 2014-15
- Begin annual surveys on agriculture, travelers, and consumer expenditure surveys to measure agriculture, tourism, and the informal economy.
- Produce 2007 Input-Output Matrix in accordance with Ec. Census.

Milestone objectives

Spring 2017

- Incorporate new methodology for banking and insurance services
- Publish alternative estimates after benchmarking national accounting statistics to results from the 2012 Econ. Census.
- Publish alternative measures of national accounting statistics using chain-weighted Fisher index
- Publish independent estimates on expenditures on intangible assets (R&D, software development, artistic creations, etc.) for incorporation as an investment.
- Publish results of agriculture, travelers, and consumer expenditure surveys.

Milestone objectives

Spring 2018

- Benchmark to 2012 Economic Census
- Implement chain-weighted Fisher index
- Publish alternative estimates that reorganize and expand Puerto Rico's current 5 national accounts into 7 accounts:
 - Subdivide the Foreign Transactions account into two accounts (current & capital accounts)
 - Add Private Sector Income Account
- Publish alternative estimates that present the national accounting statistics in accordance with the 2008 UN standards.
- Publish Tourism Satellite Account

Milestone objectives

Spring 2019

- Reorganize and expand Puerto Rico's current 5 national accounts into 7 accounts
- Present the national accounting statistics in accordance with the 2008 UN standards
- Publish more detailed components of Puerto Rico's national accounting statistics.
- Produce 2012 Input Output Matrix in accordance with Economic Census.
- Develop new forecasting model for Puerto Rico's national accounts.

Milestone objectives

Spring 2020

- Produce final report to document the details of the new methodology.
- Publish official full-set of quarterly national accounting statistics that is consistent with annual estimates.

Regarding quarterly statistics

- As the implementation of this Road Map progresses, we will be seeking to produce experimental quarterly estimates of the national accounts from time to time.
- This will occur in several stages as the improvements to the annual estimates are implemented.
- As early as December 2015, we expect to publish a research note describing the results of an initial exercise to produce quarterly GNP.
- These will not be official estimates.
- Future quarterly estimates will depend on the progress of the improvements to the annual estimates.

Any questions?

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