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Uses of the Economic Census

Supplementary Handout

Foundational Uses

The Economic Census has two types of foundational, or indirect, uses. The first is through the creation of an input/output model of the economy; the second is through increasing the reliability of sample surveys.

As the Economic Census covers the near totality of U.S. business activity, the Bureau of Economic Analysis uses it to construct an input-output (I/O) model, which shows the nature of inter-industry relationships. This I/O model in turn has several valuable uses.

- BEA uses it to fill in the national economic accounts that serve as the basis for its “benchmark” estimate of gross domestic product in the census year. Succeeding quarterly and annual GDP estimates are produced in relation to this benchmark, due to its high reliability.
- Federal, academic, and private organizations rely on the I/O model to help forecast national economic activity and federal fiscal inflows and outflows. These national forecasts in turn help generate state economic forecasts, which state governments use to project tax revenues.
- BEA and private firms apply the national I/O model to construct state and regional I/O models and social accounting matrices (which show funds flows between industries and households). States, local governments, and regional economic developers use these to estimate the impacts of proposed efforts on jobs, wages, the demand for public services, and tax revenues.

In a variety of ways, the Economic Census also helps improve the reliability of federal and private sample-based surveys.

- Sampling frame – The Economic Census, when combined with other administrative sources, generates the Business Register, a comprehensive listing of nearly every business in the nation. The Business Register provides the sampling frame for a substantial number of Census Bureau surveys—it allows the agency to build a sample that is truly representative of businesses targeted by the survey. A representative survey means more accurate economic estimates.
- Benchmarks – Federal data agencies and industry associations adjust their survey estimates to align with numbers generated by the Economic Census, which are much more accurate.

- Weights – Federal data agencies adjust their indices of industrial production, productivity, and prices to the industry and product mix identified by the Economic Census.

Survey-based federal economic estimates that use the Economic Census in one or more of these ways include:

- 12 monthly and quarterly Principal Federal Economic Indicators
 - Bureau of Economic Analysis – GDP (nominal and inflation-adjusted)
 - Bureau of Labor Statistics – labor productivity, producer price index
 - Federal Reserve – industrial production
 - Census Bureau – manufacturing (3 measures), wholesale trade, retail trade, services, financial reports (2)
- Other economic estimates
 - Bureau of Economic Analysis – annual GDP (nominal and inflation-adjusted)
 - Census Bureau – annual activity in manufacturing, retail trade, wholesale trade, services, capital expenditures, and information technology
 - National Science Foundation – annual research and development expenditures
 - Department of Housing and Urban Development – monthly estimates of new manufactured housing
 - Department of Health and Human Services – annual estimates of employer sponsored health insurance coverage
 - Department of Energy – manufacturing energy consumption (produced once every four years)
 - Department of Transportation – commodity flows (produced every five years, with the Economic Census)

Direct Uses

A multitude of private and public users look up and analyze Economic Census data to inform their decision-making.

Individual businesses use the Economic Census to compare their operations to industry norms, find markets, and make decisions about operating sites, capital investment, marketing, and product development.

Industry associations rely on data from the Economic Census to gauge sector organizational structure and product trends and guide their government relations strategy. Women- and minority-owned business associations use the Economic Census to assess and educate others about ownership patterns and how they change over time.

Analysts at the state and local levels use Economic Census data in conducting in-depth analyses of industry structure, competitiveness, demand for skilled labor, and entrepreneurship. State and local governments set small business procurement guidelines on the basis of the Economic Census.

Federal program agencies utilize the Economic Census to assess industry trends and generate policy recommendations. As examples:

- The International Trade Administration uses the Economic Census to assess the competitiveness and trade patterns of individual industries.
- The National Science Foundation makes use of R&D data from the Economic Census.
- The Small Business Administration and the Minority Business Development Administration analyze the results of the Survey of Business Owners to track trends in entrepreneurship development.

Microdata Research

Through the Census Bureau's Center for Economic Studies (under strict confidentiality protections), research economists analyze Economic Census records (microdata) to understand trends in industry and business development and the implications for public policy. To a large extent, these economists work with the Integrated Longitudinal Business Database, which contains data from each Economic Census and other economic surveys.

The Census Bureau's new Business Dynamic Statistics program regularly publishes analysis from the ILBD. A recent key BDS program finding is that new businesses are the primary job creators in the U.S. economy.

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