Imported Inputs and Industry Contributions to Economic Growth: An Assessment of Alternative Approaches

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Over the past decade imports have become an increasingly important source of supply for both U.S consumers and producers, partly due to changes in the relative prices of imported and domestic goods. This aspect of globalization has affected the size and structure of the U.S. economy, especially the manufacturing sector, but it has also complicated the task of measuring economic growth and industry performance. Statistical agencies use different, but complementary, methods to measure gross domestic product (GDP), and limitations in the measurement of imports have somewhat different implications for these various approaches. For this paper, we use data from the BEA's Annual Industry Accounts and from BEA's surveys of multinational companies (MNCs) to determine how growth in imported intermediate inputs has affected growth in real value added by industry (real GDP growth), and to assess the impact of alternative assumptions about the use of imports and the behavior of import prices. The balanced I-O use tables of BEA's Annual Industry Accounts provide the product detail needed to aggregate estimates of intermediate inputs into cost categories, and the MNC data provides an alternative view of import shares. In preliminary findings, we show that over the period 1999-2006, import shares of materials for manufacturing based on the MNC data are consistently higher than those constructed for the industry accounts using standard assumptions and data sources; however, the pattern of growth between the two series is similar.