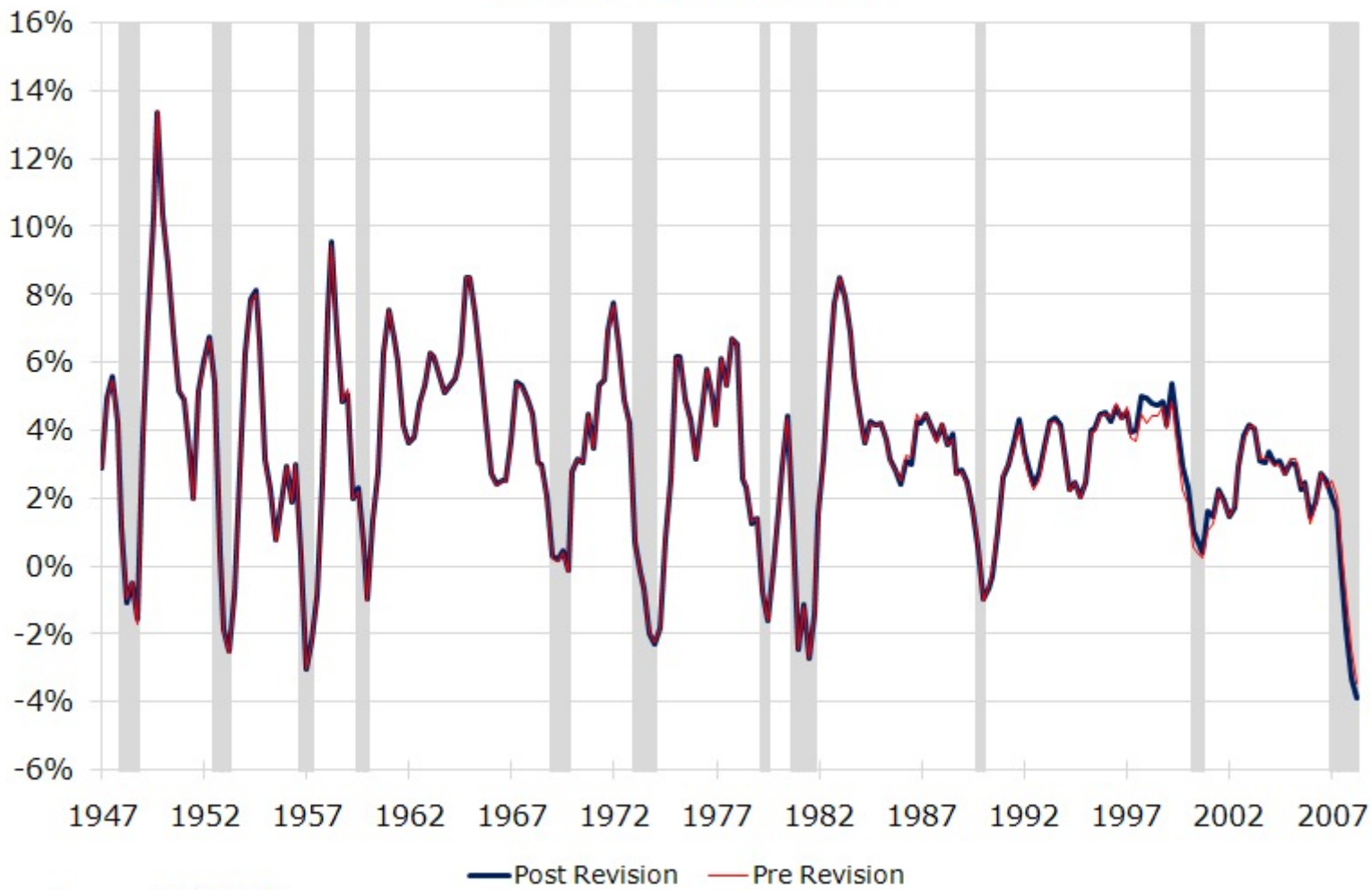


August 4, 2009

## GDP benchmark revisions: Count me very surprised

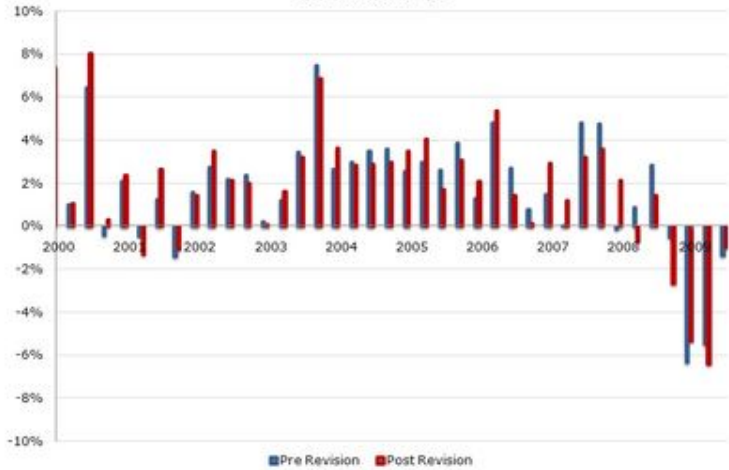
Last Friday morning, the Bureau of Economic Analysis released its advanced estimate for second quarter gross domestic product (GDP) as well as its benchmark data revisions. These revised data tell us a slightly different story with a rather negative twist in looking at the last two recessions. The new GDP numbers show that the 2001 recession was not as severe as originally thought while the 2007 recession is worse than first reported. Below are the comparisons of the pre- and post-2005 benchmark data:

### GDP Growth Rate Year over Year % Change



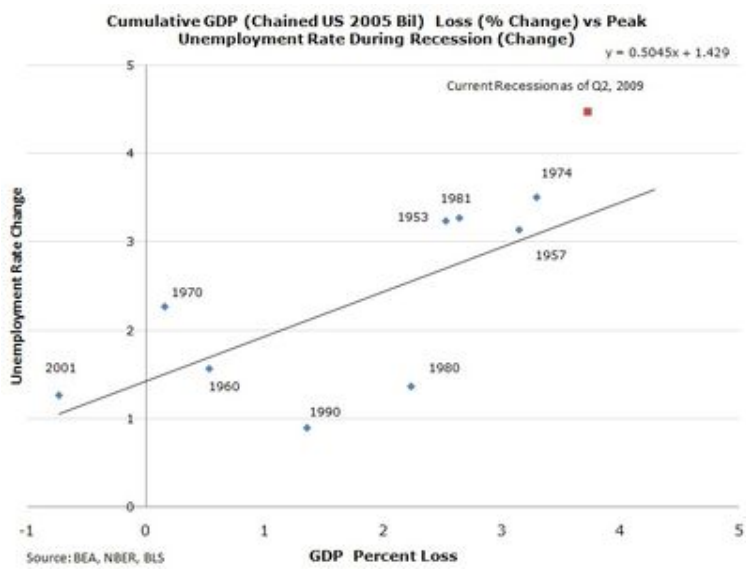
Source: BEA, NBER

### GDP Growth Rate Quarterly Change



Source: BEA

As a follow up to David Altig's blog posting, "[Unemployment Rate: Count Me Surprised](#)," I took the graphs he used measuring cumulative percentage change loss for GDP against the peak unemployment rate during the recession. The GDP numbers below are updated with the new benchmark revision data:



Note: Macroeconomic Advisors data were used in the original post from July 23. However, since Macroeconomic Advisors has not yet updated their forecasts, I am assuming for the purposes of this blog post that the recession ended with the second quarter of 2009.

After these revisions it's clear to see that the current recession is *even more* of a dramatic Okun's Law outlier than was originally thought when observing the pre-revised data. As background, Brad DeLong described Okun's Law thus in a [recent blog post](#):

"If GDP (production and incomes, that is) rises or falls two percent due to the business cycle, the unemployment rate will rise or fall by one percent. The magnitude of swings in unemployment will always be half or nearly half the magnitude of swings in GDP."

Although the revised GDP data show more negative growth rates for the current recession, which should make the current recession less of an outlier using Okun's Law, GDP growth during the 2001 recession was higher than the first observations, which changed the trend line and outweighed the effects of the revision to the data of the current recession.

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