



**NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH
ESTIMATES OF MONTHLY GDP
Embargo until 00:01 hours on 8th February 2007**

We project that the output of the economy in the three months ending in January was 0.8% higher than in the previous three months. Our recent quarterly forecast pointed to the need for at least one further interest rate increase in order to keep inflationary pressures in check. While there is always a tendency to wait to see what the effects of the recent increases have been, the main route by which monetary policy works is through its influence on expectations. For this reason and bearing in mind the recent pattern of pay settlements, we think that the Bank of England should err on the side of caution and raise the interest rate again this month.

Our track record in producing early estimates of GDP suggests that our projection for the most recent three-month period has a standard error of 0.14% point when compared to the first estimate produced by the Office for National Statistics. This comparison can be made only for complete calendar quarters. Outside calendar quarters the figures are less reliable than this. A paper describing the methodology used to produce the data was published in the February 2005 volume of the *Economic Journal*. From April until October 2006 our estimates were computed using the Index of Services published by ONS. However this monthly series shows considerable volatility which has caused us some problems in estimating GDP. From our November 2006 press release we have therefore reverted to using a model of private services output based on indicator variables. This means that, while all our figures for calendar quarters are fully coherent with ONS data, our estimates of monthly private service output are not. The series can be thought of as indicating the underlying value of the ONS series.

For more information please telephone Simon Kirby on 020 7654 1916.

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Table 1: Summary Table of Quarterly Growth Rates

2003=100

	Monthly Data		3 months ending in month shown		Quarterly Growth % per quarter	
	<i>Industry</i>	<i>GDP</i>	<i>Industry</i>	<i>GDP</i>	<i>Industry</i>	<i>GDP</i>
Jan-06	98.6	106.7	98.4	106.6	0.3%	0.9%
Feb-06	98.3	106.8	98.4	106.7	0.4%	0.7%
Mar-06	99.1	107.5	98.7	107.0	0.6%	0.7%
Apr-06	98.5	107.2	98.6	107.2	0.3%	0.6%
May-06	98.9	107.9	98.8	107.6	0.4%	0.8%
Jun-06	98.9	107.9	98.8	107.7	0.1%	0.7%
Jul-06	98.9	108.2	98.9	108.0	0.3%	0.8%
Aug-06	98.9	108.5	98.9	108.2	0.0%	0.6%
Sep-06	99.3	108.8	99.0	108.5	0.2%	0.7%
Oct-06	98.7	109.0	99.0	108.8	0.0%	0.7%
Nov-06	99.0	109.5	99.0	109.1	0.1%	0.8%
Dec-06	98.9	109.7	98.9	109.4	-0.2%	0.8%
Jan-07	98.8	109.8	98.9	109.7	-0.1%	0.8%

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Table 2: Output by Sector (2003=100)

	Industry	Agriculture	Construction	Private Services	Public Services	GDP(B)	GDP
Jan-06	98.6	100.8	105.5	110.5	105.5	106.8	106.7
Feb-06	98.3	100.5	105.8	110.9	105.4	106.9	106.8
Mar-06	99.1	100.2	106.1	111.7	106.0	107.6	107.5
Apr-06	98.5	99.7	106.1	111.6	105.9	107.4	107.2
May-06	98.9	99.4	106.3	112.7	106.0	108.1	107.9
Jun-06	98.9	99.3	106.5	112.7	106.1	108.1	107.9
Jul-06	98.9	99.5	106.7	113.0	106.1	108.3	108.2
Aug-06	98.9	99.4	107.0	113.4	106.5	108.6	108.5
Sep-06	99.3	99.3	107.3	113.7	106.8	108.9	108.8
Oct-06	98.7	99.0	107.7	114.1	107.0	109.0	109.0
Nov-06	99.0	98.9	107.9	115.0	107.1	109.6	109.5
Dec-06	98.9	98.8	108.1	115.3	107.2	109.7	109.7
Jan-07	98.8	98.8	108.1	115.7	107.2	109.9	109.8

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Table 3: Output in Quarter Ending in Month Shown (2003=100)

	Industry	Agriculture	Construction	Private Services	Public Services	GDP(B)	GDP
Jan-06	98.4	100.8	105.1	110.5	105.2	106.7	106.6
Feb-06	98.4	100.7	105.5	110.7	105.4	106.8	106.7
Mar-06	98.7	100.5	105.8	111.0	105.6	107.1	107.0
Apr-06	98.6	100.2	106.0	111.4	105.7	107.3	107.2
May-06	98.8	99.8	106.2	112.0	105.9	107.7	107.6
Jun-06	98.8	99.5	106.3	112.3	106.0	107.9	107.7
Jul-06	98.9	99.4	106.5	112.8	106.1	108.2	108.0
Aug-06	98.9	99.4	106.7	113.1	106.3	108.4	108.2
Sep-06	99.0	99.4	107.0	113.4	106.5	108.6	108.5
Oct-06	99.0	99.3	107.3	113.7	106.8	108.8	108.8
Nov-06	99.0	99.1	107.6	114.3	107.0	109.2	109.1
Dec-06	98.9	98.9	107.9	114.8	107.1	109.4	109.4
Jan-07	98.9	98.8	108.0	115.4	107.2	109.7	109.7

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Table 4: Growth in Quarter Ending in Month Shown over Previous Quarter (% at annual Rate)

	Industry	Agriculture	Construction	Private Services	Public Services	GDP(B)	GDP
Jan-06	1.4%	-0.9%	1.0%	6.4%	1.8%	4.1%	3.8%
Feb-06	1.6%	-1.0%	2.9%	3.8%	2.3%	2.9%	2.8%
Mar-06	2.6%	-1.6%	3.9%	3.6%	2.7%	3.0%	3.0%
Apr-06	1.1%	-2.7%	3.6%	3.2%	2.1%	2.4%	2.3%
May-06	1.6%	-3.6%	2.7%	5.0%	2.3%	3.5%	3.2%
Jun-06	0.4%	-3.9%	1.9%	4.8%	1.5%	3.0%	2.6%
Jul-06	1.1%	-2.9%	1.8%	5.2%	1.3%	3.3%	3.1%
Aug-06	0.3%	-1.5%	2.1%	3.7%	1.2%	2.3%	2.5%
Sep-06	1.1%	-0.4%	2.7%	3.7%	1.9%	2.6%	3.0%
Oct-06	0.3%	-0.6%	3.2%	3.3%	2.7%	2.4%	2.9%
Nov-06	0.4%	-1.4%	3.5%	4.4%	2.7%	3.0%	3.4%
Dec-06	-0.7%	-2.0%	3.4%	5.2%	2.3%	3.1%	3.4%
Jan-07	-0.3%	-1.8%	2.6%	5.8%	1.4%	3.3%	3.4%

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