



Press Release

GDP growth of 0.5 per cent in 3 months to January 2018

For Immediate release

Our monthly estimates of GDP suggest that output grew by 0.5 per cent in the 3 months to January, unchanged from the preliminary ONS estimate for the final quarter of 2017.

Amit Kara, Head of UK Macroeconomic Forecasting at NIESR, said *“We estimate that economic growth was steady at 0.5 per cent in the 3 months to January. Activity picked up in the second half of 2017 after a period of subdued growth in the first half of the year. The recovery was driven by both the manufacturing and the service sectors, supported by a buoyant global economy, while construction output continued to lag.*

We are forecasting GDP growth of close to 2 per cent this year assuming a soft Brexit scenario. At this speed the economy could start to overheat unless the Bank of England withdraws some of the stimulus that it has injected by raising the policy rate. Our forecast assumes a 25 basis point increase in May and then every 6 months until Bank Rate reaches 2 per cent by mid-2021. If instead, Brexit talks fail, the UK economy will in our view suffer a marked slowdown with damaging longer term consequences.”

NIESR’s latest quarterly forecast (published February 2018) projected GDP growth of 1.9 per cent per annum in 2018 and 1.9 per cent in 2019 (see [here](#) for the associated press release).

Technical notes: Our track record in producing early estimates of GDP suggests that our projection for the most recent three-month period has a root mean squared error (RMSE) of 0.224% point (for the full sample period 1999Q3-2015Q4) when compared to the first estimate produced by the ONS. For the period 2008Q1 to 2015Q4 the RMSE is 0.290% point. The impact of the adverse weather in 2010Q4 is a noticeable outlier. Excluding 2010Q4 from the analysis, the RMSE for the full sample period is 0.188% point, and for 2008Q1 to 2015Q4 the RMSE is 0.231% point. These comparisons 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*:

Mitchell, J. Smith, R. J., Weale, M. R., Wright, S. and Salazar, E. L. (2005) ‘An Indicator of Monthly GDP and an Early Estimate of Quarterly GDP Growth’, *Economic Journal*, No. 551, pp. F108-F129.

- Available from: [http://onlinelibrary.wiley.com/journal/10.1111/\(ISSN\)1468-0297](http://onlinelibrary.wiley.com/journal/10.1111/(ISSN)1468-0297)

A paper describing the methodology used to produce the data for the inter-war period was published in the October 2012 volume of *Explorations in Economic History*:

Mitchell, J., Solomou, S. and Weale, M. (2012) 'Monthly GDP estimates for inter-war Britain', *Explorations in Economic History*, Vol. 49, No. 4, pp. 543-556.

- Available from: <http://www.journals.elsevier.com/explorations-in-economic-history/>

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.

Notes for editors: For further information please contact the NIESR Press Office or Paola Buonadonna on 020 7654 1931/ p.buonadonna@niesr.ac.uk

National Institute of Economic and Social Research
2 Dean Trench Street
Smith Square
London, SW1P 3HE
United Kingdom

Switchboard Telephone Number: 020 7222 7665

Website: <http://www.niesr.ac.uk>