



Press Release

GDP growth of 0.4 per cent in 2017Q3

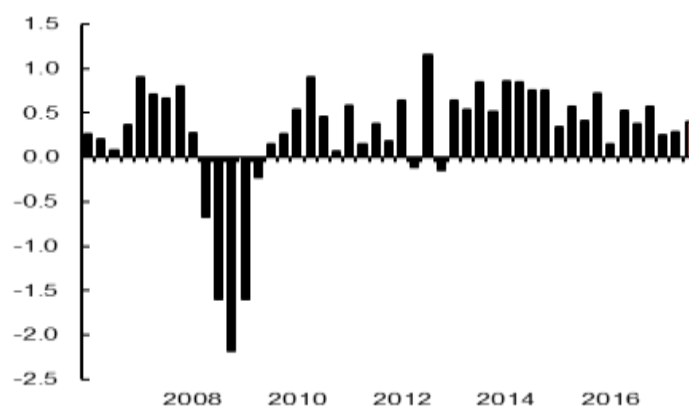
Our monthly estimates of GDP suggest that output grew by 0.4 per cent in the third quarter of this year, a slight increase in comparison with the second quarter when the economy expanded by 0.3 per cent. Although growth has nudged higher, the UK economy continues to lag behind other major industrial economies such as the Euro Area and US.

Amit Kara, Head of UK Macroeconomic Forecasting at NIESR, said *“We estimate that economic growth recovered to 0.4 per cent in the third quarter of this year from 0.3 per cent in the second quarter. Our third quarter GDP growth estimate is in line with the forecast published in August.”*

Although economic growth is likely to be a touch stronger in the second half of this year compared with the first, it is important to note that activity has slowed since last year and this at a time when real GDP growth in other major economies such as the Euro Area and the USA has strengthened. Looking ahead, we expect the pattern of demand in the UK economy to rebalance towards international trade in response to strengthening global growth and weaker sterling and away from domestic demand.

At the time of the August forecast, we had not expected Bank Rate to be changed before February 2018, but recent comments from the Bank of England point to a rate increase as early as next month. If forthcoming data releases show that CPI inflation has risen again and the labour market remains buoyant, there is a strong chance that the Bank of England will raise the policy rate in November, thereby reversing some of the emergency stimulus that was injected into the economy in response to the EU referendum result”.

Figure 1. Real GDP growth (per cent per quarter)



Source: ONS, NIESR. Note: red bar indicates NIESR estimate for 2017Q3

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.

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Table 1: Summary Table of Quarterly Growth Rates (2013=100)

	Monthly Data		3 months ending in month shown		Quarterly Growth % per quarter	
	Industry	GDP	Industry	GDP	Industry	GDP
Jan-16	102.4	101.3	102.2	101.1	-1.2%	0.5%
Feb-16	102.1	100.9	102.1	101.1	-1.1%	0.3%
Mar-16	102.8	101.1	102.4	101.1	-0.1%	0.2%
Apr-16	105.2	101.6	103.4	101.2	1.2%	0.1%
May-16	104.5	101.5	104.2	101.4	2.1%	0.3%
Jun-16	104.4	101.7	104.7	101.6	2.2%	0.5%
Jul-16	104.4	102.0	104.4	101.7	1.0%	0.6%
Aug-16	104.1	101.9	104.3	101.9	0.1%	0.5%
Sep-16	104.0	102.1	104.2	102.0	-0.5%	0.4%
Oct-16	103.1	102.2	103.7	102.1	-0.7%	0.3%
Nov-16	105.2	102.9	104.1	102.4	-0.2%	0.5%
Dec-16	106.4	102.6	104.9	102.6	0.7%	0.6%
Jan-17	105.9	102.7	105.8	102.8	2.0%	0.7%
Feb-17	105.1	103.0	105.8	102.8	1.6%	0.4%
Mar-17	104.4	102.7	105.1	102.8	0.2%	0.3%
Apr-17	104.6	103.2	104.7	102.9	-1.1%	0.2%
May-17	104.8	103.0	104.6	102.9	-1.1%	0.2%
Jun-17	105.2	103.2	104.9	103.1	-0.3%	0.3%
Jul-17	105.6	103.4	105.2	103.2	0.5%	0.2%
Aug-17	105.7	103.6	105.5	103.4	0.9%	0.5%
Sep-17	105.5	103.6	105.6	103.6	0.7%	0.4%

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Table 2: Output by Sector (2013=100)

	Industry	Agriculture	Construction	Private Services	Public Services	GDP(B)	GDP
Jan-16	102.4	95.9	100.9	102.2	100.9	101.1	101.3
Feb-16	102.1	94.7	101.2	101.7	101.3	100.7	100.9
Mar-16	102.8	94.1	101.9	102.1	100.9	100.9	101.1
Apr-16	105.2	94.1	103.0	102.4	100.9	101.4	101.6
May-16	104.5	94.0	103.6	102.4	101.1	101.3	101.5
Jun-16	104.4	93.9	103.9	102.9	101.3	101.5	101.7
Jul-16	104.4	93.7	103.7	103.3	101.6	101.7	102.0
Aug-16	104.1	93.7	103.9	103.3	101.5	101.6	101.9
Sep-16	104.0	94.0	104.4	103.6	101.5	101.7	102.1
Oct-16	103.1	94.5	105.4	104.1	101.5	101.9	102.2
Nov-16	105.2	94.8	106.3	104.7	101.6	102.6	102.9
Dec-16	106.4	94.8	107.2	103.7	101.7	102.4	102.6
Jan-17	105.9	94.5	108.0	103.8	102.0	102.5	102.7
Feb-17	105.1	94.4	108.4	104.5	101.8	102.8	103.0
Mar-17	104.4	94.3	108.4	104.1	102.1	102.5	102.7
Apr-17	104.6	94.3	108.0	104.8	102.3	103.0	103.2
May-17	104.8	94.3	107.6	104.5	102.2	102.8	103.0
Jun-17	105.2	94.3	107.5	104.8	102.2	103.0	103.2
Jul-17	105.6	94.3	107.5	105.0	102.3	103.2	103.4
Aug-17	105.7	94.3	107.5	105.4	102.3	103.4	103.6
Sep-17	105.5	94.3	107.5	105.4	102.3	103.4	103.6

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Table 3: Output in Quarter Ending in Month Shown (2013=100)

	Industry	Agriculture	Construction	Private Services	Public Services	GDP(B)	GDP
Jan-16	102.2	97.7	100.9	101.5	100.9	100.9	101.1
Feb-16	102.1	96.2	101.0	101.7	101.1	100.9	101.1
Mar-16	102.4	94.9	101.3	102.0	101.0	100.9	101.1
Apr-16	103.4	94.3	102.0	102.0	101.0	101.0	101.2
May-16	104.2	94.1	102.8	102.3	101.0	101.2	101.4
Jun-16	104.7	94.0	103.5	102.5	101.1	101.4	101.6
Jul-16	104.4	93.9	103.7	102.8	101.3	101.5	101.7
Aug-16	104.3	93.8	103.8	103.2	101.4	101.6	101.9
Sep-16	104.2	93.8	104.0	103.4	101.5	101.7	102.0
Oct-16	103.7	94.1	104.6	103.7	101.5	101.8	102.1
Nov-16	104.1	94.4	105.4	104.1	101.5	102.1	102.4
Dec-16	104.9	94.7	106.3	104.2	101.6	102.3	102.6
Jan-17	105.8	94.7	107.2	104.1	101.8	102.5	102.8
Feb-17	105.8	94.6	107.9	104.0	101.9	102.6	102.8
Mar-17	105.1	94.4	108.3	104.1	102.0	102.6	102.8
Apr-17	104.7	94.3	108.3	104.4	102.1	102.7	102.9
May-17	104.6	94.3	108.0	104.4	102.2	102.7	102.9
Jun-17	104.9	94.3	107.7	104.7	102.2	102.9	103.1
Jul-17	105.2	94.3	107.5	104.8	102.2	103.0	103.2
Aug-17	105.5	94.3	107.5	105.1	102.2	103.2	103.4
Sep-17	105.6	94.3	107.5	105.3	102.3	103.4	103.6

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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-16	-4.8%	-9.4%	3.8%	3.9%	3.9%	2.1%	2.2%
Feb-16	-4.2%	-13.6%	2.4%	3.7%	3.4%	0.8%	1.1%
Mar-16	-0.4%	-15.6%	2.0%	4.0%	1.6%	0.4%	0.8%
Apr-16	4.8%	-13.1%	4.3%	2.3%	0.6%	0.1%	0.4%
May-16	8.5%	-8.4%	7.3%	2.4%	-0.5%	1.2%	1.3%
Jun-16	9.1%	-3.7%	9.0%	2.2%	0.4%	2.0%	2.0%
Jul-16	4.2%	-1.8%	7.0%	3.2%	1.3%	2.1%	2.2%
Aug-16	0.5%	-1.3%	3.9%	3.4%	1.9%	1.8%	2.0%
Sep-16	-2.0%	-0.8%	1.9%	3.4%	1.6%	1.2%	1.6%
Oct-16	-2.7%	0.9%	3.2%	3.3%	0.6%	0.9%	1.3%
Nov-16	-0.8%	2.9%	6.2%	3.9%	0.3%	1.8%	2.0%
Dec-16	2.8%	3.9%	9.1%	3.1%	0.4%	2.4%	2.4%
Jan-17	8.3%	2.7%	10.4%	1.7%	1.3%	3.0%	2.8%
Feb-17	6.7%	0.6%	9.9%	-0.5%	1.4%	1.8%	1.5%
Mar-17	0.9%	-1.3%	7.7%	-0.2%	1.6%	1.2%	0.8%
Apr-17	-4.2%	-1.6%	4.1%	1.3%	1.2%	0.9%	0.6%
May-17	-4.5%	-1.1%	0.4%	1.7%	1.3%	0.8%	0.6%
Jun-17	-1.0%	-0.4%	-2.2%	2.1%	0.8%	1.2%	1.2%
Jul-17	1.9%	-0.1%	-2.7%	1.2%	0.4%	0.9%	1.0%
Aug-17	3.5%	0.0%	-1.9%	2.4%	0.1%	1.8%	1.8%
Sep-17	2.8%	0.0%	-0.8%	2.4%	0.3%	1.8%	1.8%

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