National Institute of Economic and Social Research

NIESR Monthly GDP Tracker

Omicron effect on GDP small, but economy still only expected to grow by 1% in 2022 Q1

Rory Macqueen

11 February 2022

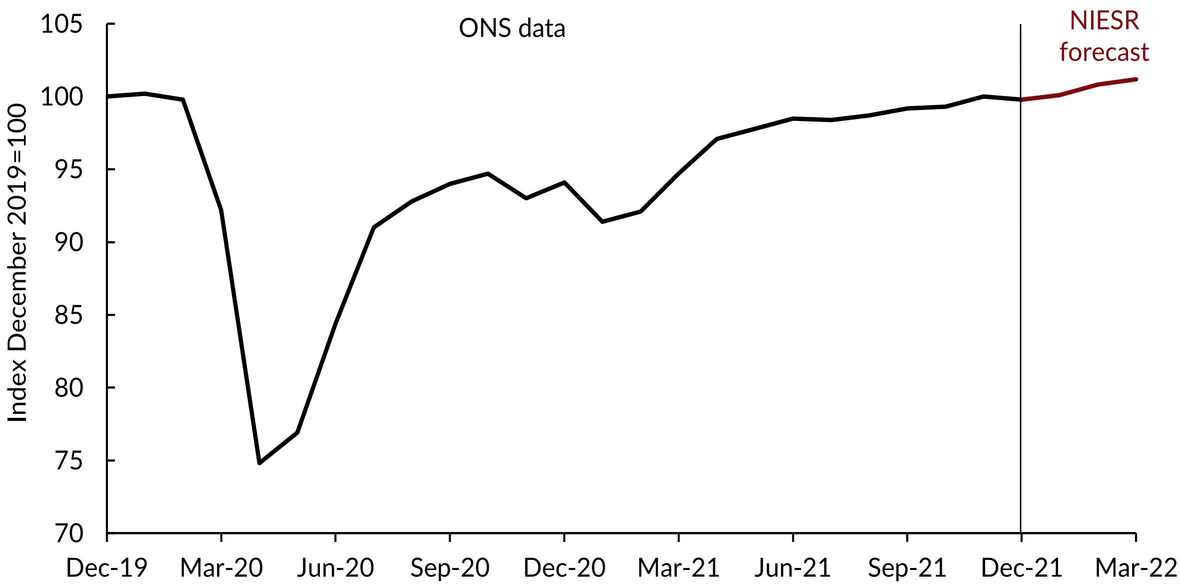
"The economic impact of Omicron was far smaller than that of either of the two previous major waves of Covid-19: a mere 0.2 per cent fall in December was even stronger than consensus forecasts, but in line with NIESR's January GDP tracker, suggesting the possibility of a positive reading in January. Unsurprisingly, retail and hospitality contributed the most to December's fall, with the healthcare sector providing the largest positive contribution."

Rory Macqueen
Principal Economist, NIESR

Main points

- Latest ONS estimates suggest the UK economy grew by 1.0 per cent in the fourth quarter of 2021, slightly weaker than we anticipated. We now forecast growth of 1.0 per cent in the first quarter of 2022.
- However, the economic impact of Omicron was far smaller than that of either of the two previous major waves of Covid-19. The 0.2 per cent fall in GDP in December was stronger than consensus forecasts, but in line with NIESR's January *GDP tracker*, suggesting the possibility of a positive reading in January.
- Retail and hospitality contributed the most to December's fall, with the healthcare sector providing the largest positive contribution.
- UK economy grew by 7 ½ per cent in 2021 after 9 ½ fall in 2020, but GDP in the 3 months to December still around half a per cent below pre-pandemic levels.

Figure 1 - UK GDP



Economic setting

NIESR's Winter Economic Outlook estimated 2021 growth at 7.3 per cent and forecast growth for 2022 at 4.8 per cent, conditional on there not being a further wave of Covid-19 on the scale of those seen already. With omicron expected to cause less harm to economic growth than either of the previous major waves of Covid-19, attention has largely turned to rising inflation, its sources and persistence. With supply chains and labour markets under unusual pressure in the latter part of 2021, our CPI Tracker and Wage Tracker next week will give further indications of whether temporary dislocations between supply and demand are likely to lead to a prolonged bout of above-target inflation.

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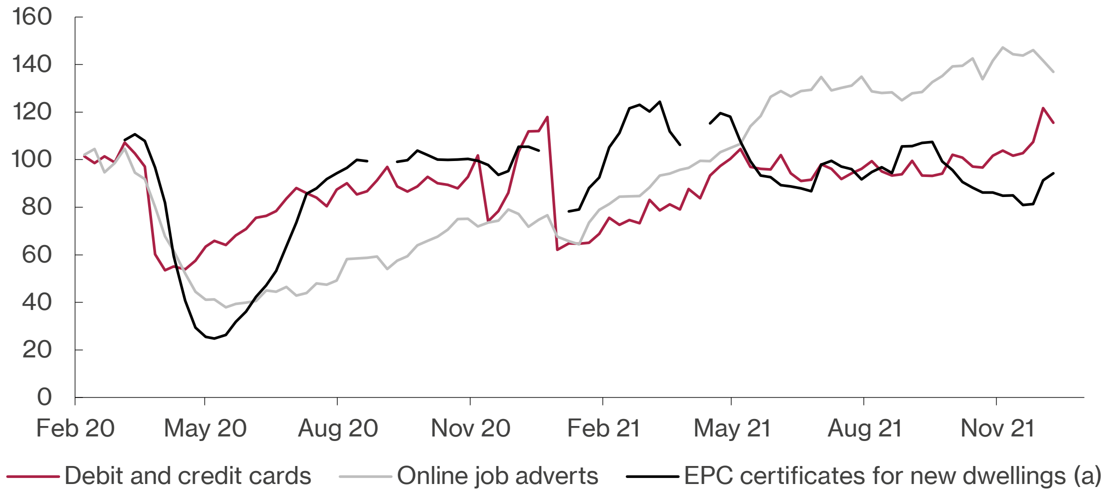
Figure 2 – Spending and hiring indicators.

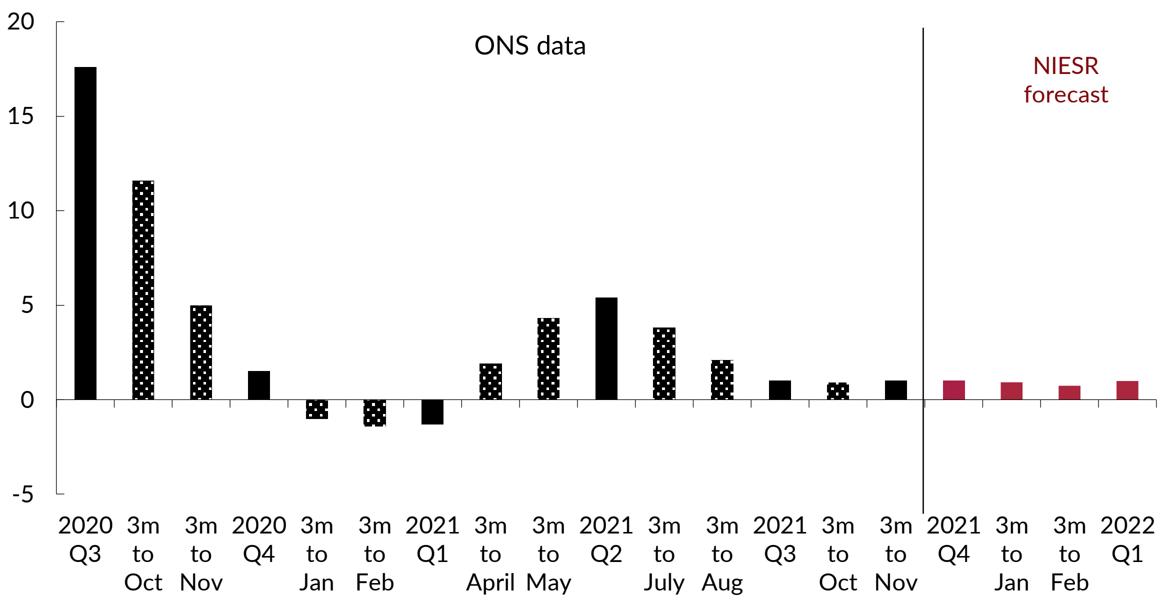


Notes: (a) England and Wales. Debit and credit cards (CHAPS-based): 100 = February 2020, percentage change on a backward looking seven-day rolling average, non-seasonally adjusted, nominal prices. Job adverts: change from the same week in 2019. EPC certificates: change from the same week in 2019/2020, four–week rolling average, adjusted for timing of holidays.

Source: ONS, BoE, Adzuna, MHCLG, NIESR.

High frequency indicators suggest that hiring remains close to record levels. Card spending declined as expected in January.

Figure 3 – UK GDP growth (3 months on previous 3 months, per cent)



News in latest ONS data

The monthly GDP data for December were in line with our forecast in January, GDP falling by 0.2 per cent month-on-month.

Figure 4 shows how our short-term forecasts for recent quarters have changed as new information has become available.

Figure 4 - Evolution of the NIESR quarterly GDP forecast (3 months on previous 3 months, per cent)

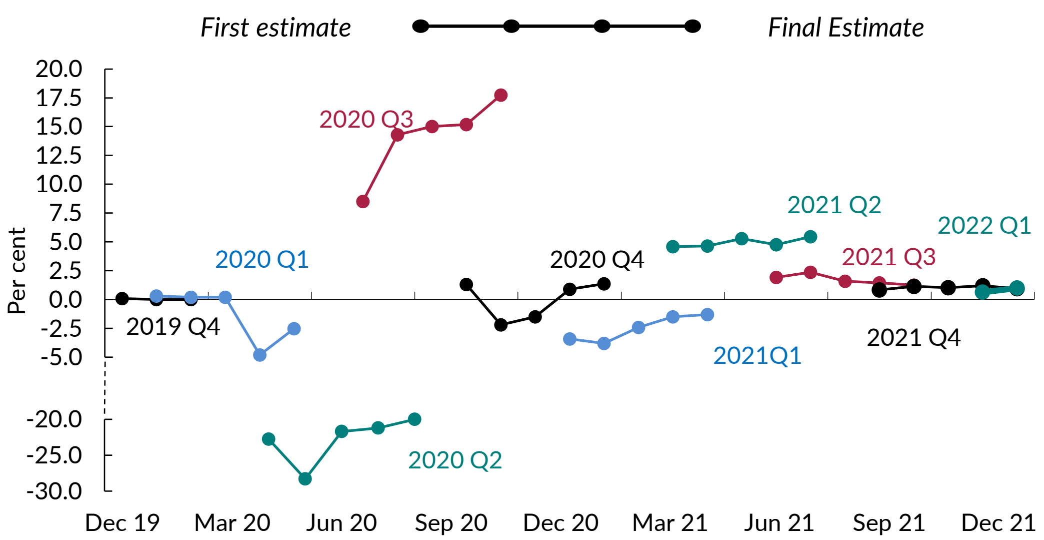


Figure 5 shows a heat map of the data surprises across sectors in the monthly data, relative to last month's GDP Tracker, highlighting the sectors where the surprises are large relative to the volatility of the output data. This month, there were positive surprises in water supply, sewerage, waste management, transport, and in construction. There were negative surprises in extraction and distribution, hotels and restaurants.

Figure 5 - Surprises in monthly data

	12/20	01/21	02/21	03/21	04/21	05/21	06/21	07/21	08/21	09/21	10/21	11/21	12/21
Business services and finance	0.7	0.9	0.1	0.6	-0.4	-0.1	0.5	-0.9	-0.1	0.3	0.0	0.1	0.1
Government	-0.5	3.3	-0.5	0.2	1.0	0.3	0.6	-0.4	-0.3	0.7	0.3	0.0	0.0
Distribution , Hotels and Restaurants	-1.3	-0.9	0.5	-0.1	1.1	-0.9	0.0	-0.5	0.0	-0.2	-0.1	0.0	-0.3
Transport, Storage and Communication	-0.3	1.1	-0.2	-0.1	-0.1	0.0	-0.1	0.4	0.4	-0.4	0.3	0.5	0.5
Manufacturing	0.8	0.1	0.6	-0.1	-0.4	-0.2	-0.2	-0.4	0.0	-0.2	0.0	0.2	0.0
Electricity	-1.1	1.8	0.4	-0.2	0.4	2.4	-0.2	-0.5	-1.2	-0.2	0.0	-0.4	0.4
Extraction	-0.7	-0.5	-0.8	0.4	-3.0	-0.1	-2.5	2.7	1.9	-1.2	-0.9	-0.4	-0.8
Water Supply, Sewerage, Waste Management	-0.5	1.6	1.1	1.1	-0.7	-0.3	0.6	0.8	-0.6	-0.4	0.1	1.0	1.3
Construction	1.2	0.0	0.7	0.5	-0.3	-0.5	0.0	-0.2	0.0	0.3	-0.4	0.7	0.4
Agriculture	0.5	0.1	0.6	0.0	0.2	-0.2	0.1	-0.1	-0.1	0.1	0.0	0.0	0.0

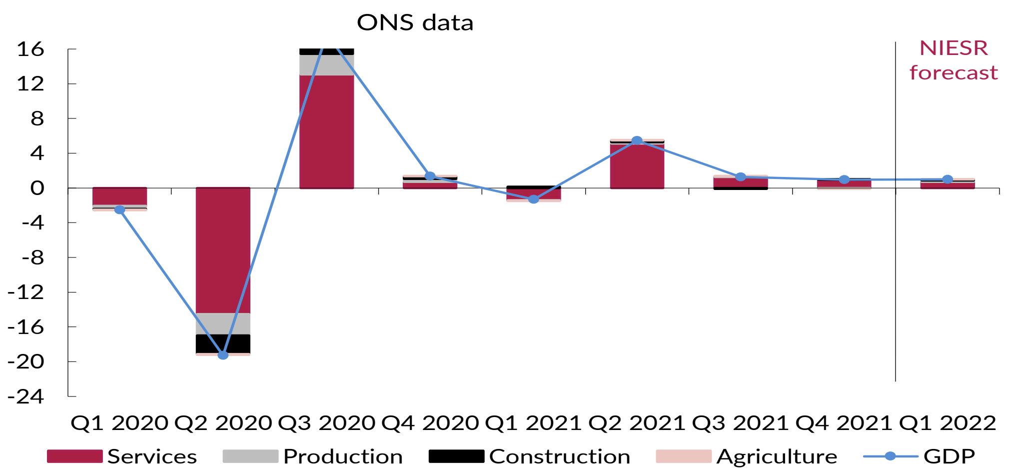
below expectation — above expectation
-3 -1 0 1 2

Note: Cells show forecast errors as a fraction of the standard deviation of errors for each series. Green cells are greater than expected, red cells are less than expected.

Sectoral detail

We now forecast GDP to grow by 1.0 per cent in the first quarter of 2022.

Figure 6 - Contributions to quarterly GDP growth (percentage points)

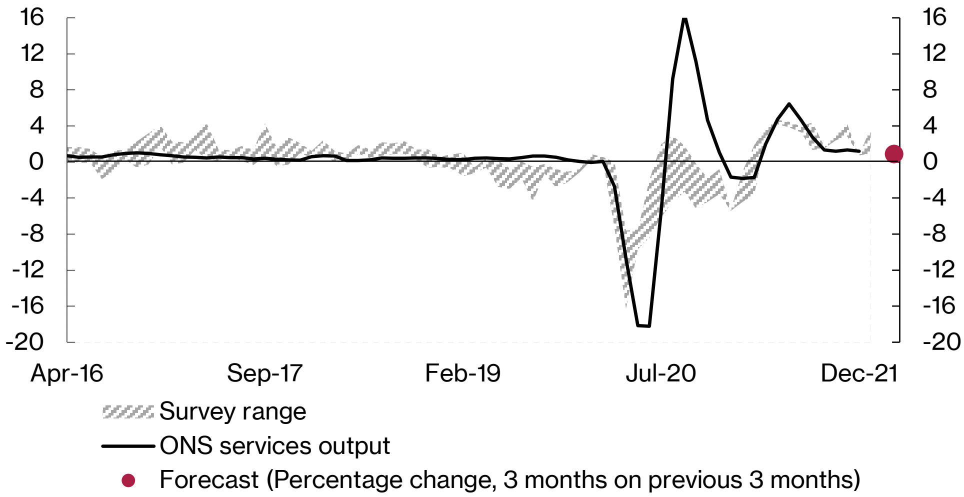


Services (80 per cent of GDP)

The survey balances point to a slowing in the growth rate of activity in January, as shown by the swathe of survey indicators in figure 7. The headline business activity balance in the IHS Markit/CIPS UK services PMI registered 54.1, up from 53.6 in December. Internationally, the JPMorgan Global Services Business Activity Index fell to an eighteen-month low of 51.3.

Based on recent developments we expect service sector activity to grow by 0.9 per cent in the first quarter of 2022.

Figure 7 - ONS service sector growth (3 months on previous 3 months, per cent) compared with swathe of business survey balances (standardised)



Note: The shaded swathe shows the highest and lowest values each month of a range of business survey balances that have been standardised so that they have the same mean and standard deviation as the quarterly growth of the ONS series.
Source: ONS, CBI, Markit, Bank of England Agents, EC, NIESR calculations.

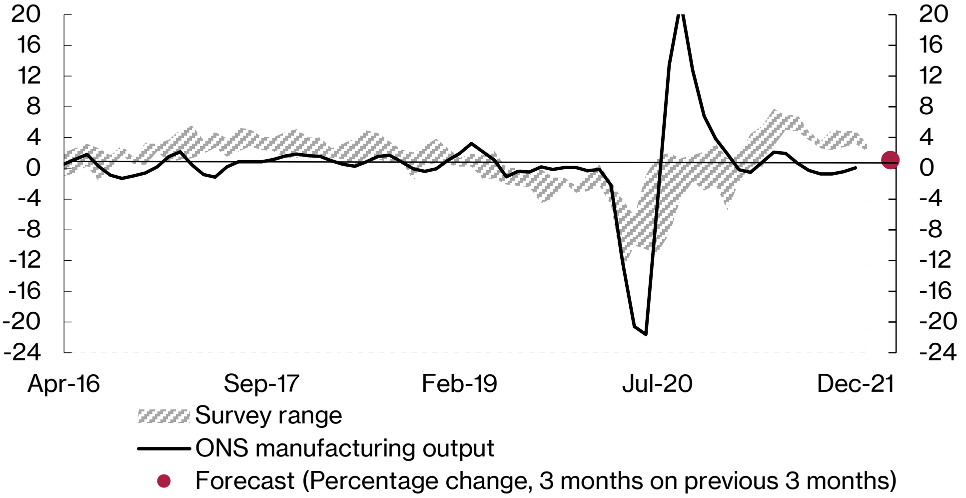
Production (14 per cent of GDP)

We forecast that production sector output will grow by 1.1 per cent in the first quarter of 2022, though output in this sector is volatile and difficult to predict with accuracy on a quarterly basis. The production sector comprises manufacturing; mining and quarrying; electricity gas, steam and air conditioning; water supply and sewerage; and oil and gas extraction. The largest of these sectors is manufacturing, accounting for 10 per cent of GDP.

Manufacturing (10 per cent of GDP)

The IHS Markit/CIPS UK manufacturing PMI fell slightly to 57.3 in January from 57.9 in December. The JPMorgan Global Manufacturing Output PMI eased to 53.2 from 54.3. Our forecast for the first quarter of 2022 is for manufacturing to grow by 1.1 per cent.

Figure 8 - ONS manufacturing sector growth (3 months on previous 3 months, per cent) compared with swathe of business survey balances (standardised)



Note: The shaded swathe shows the highest and lowest values each month of a range of business survey balances that have been standardised so that they have the same mean and standard deviation as the quarterly growth of the ONS series. Source: ONS, CBI, Markit, Bank of England Agents, EC, NIESR calculations.

Mining and quarrying (1 per cent of GDP)

Mining and quarrying is a small but erratic component of industrial production that can have an influence on overall GDP growth. We forecast a fall of 1.7 per cent in the first quarter of 2022.

Construction (6 per cent of GDP)

The IHS Markit/CIPS construction PMI survey registered 56.3 in January, up from 54.3 in December. We expect construction output to grow by 2.2 per cent in the first quarter of 2022.

Table 2 - Summary Table of GDP growth (2019=100)

2019=100	GDP index	Index of Services	Index of Services - Components: Business services and finance	Government and other services	Distribution, Hotels and Restaurants	Transport, Storage and Communications	Index of Production	Index of Production - Components: Manufacturing	Electricity, gas, steam and air conditioning	Mining and Quarrying	Water Supply, Sewerage and Waste Management	Index of Construction	Agriculture
Latest weights	1000	796	339	217	133	108	136	102	15	6	13	61	7
Mar-20	92.3	92.1	97.6	87.4	84.7	93.8	93.4	93.1	99.3	81.1	99.7	92.5	95.1
Apr-20	74.9	76.7	88.9	71.5	51.8	79.7	74.1	69.2	89.7	77.6	92.2	53.9	83.0
May-20	77.0	78.1	88.6	72.8	58.7	80.1	78.8	75.5	88.6	80.7	92.7	58.9	83.6
Jun-20	84.5	85.0	91.9	79.0	77.4	86.2	87.8	85.0	95.0	91.3	98.4	71.9	85.3
Jul-20	91.1	91.4	93.5	89.0	91.3	90.0	92.4	91.3	100.6	83.9	99.0	84.5	87.2
Aug-20	92.9	93.3	93.7	91.7	97.2	89.6	93.6	93.5	100.9	78.9	98.9	87.0	89.2
Sep-20	94.1	94.4	95.3	94.7	94.5	90.7	94.4	94.6	101.7	75.9	99.4	89.7	91.0
Oct-20	94.8	95.1	95.9	95.6	93.1	93.0	95.2	95.9	98.3	78.5	99.7	91.1	91.5
Nov-20	93.1	92.7	95.6	95.0	83.0	91.9	96.2	97.7	98.4	75.4	99.7	92.1	91.1
Dec-20	94.2	94.3	96.5	96.5	86.5	92.3	95.9	96.5	101.0	77.2	100.5	90.6	89.9
Jan-21	91.5	91.1	96.0	90.8	78.8	91.8	94.7	95.1	102.3	74.3	100.1	89.5	88.9
Feb-21	92.2	91.7	96.6	90.8	80.9	91.2	95.2	96.1	102.3	70.2	101.1	92.5	88.7
Mar-21	94.8	94.5	98.1	97.1	82.4	92.9	96.4	97.4	101.5	73.3	102.6	96.1	88.6
Apr-21	97.2	97.5	97.0	101.5	94.5	94.6	96.2	98.1	104.8	60.3	101.4	96.4	90.2
May-21	97.9	98.3	96.6	102.1	99.5	94.5	96.9	98.2	108.3	62.8	101.8	95.5	91.0
Jun-21	98.6	99.4	97.9	103.2	101.2	94.9	95.5	97.9	102.1	55.7	103.4	95.6	92.2
Jul-21	98.5	99.3	97.0	103.4	101.0	96.1	96.1	97.5	99.8	68.4	104.5	94.6	92.2
Aug-21	98.8	99.6	97.7	101.7	103.0	96.9	96.6	97.5	96.3	80.2	104.4	93.8	91.2
Sep-21	99.3	100.3	98.9	103.7	102.0	96.5	96.1	97.1	95.2	78.7	103.7	95.0	90.9
Oct-21	99.4	100.7	98.5	104.2	101.7	98.0	95.3	96.9	92.2	74.6	104.2	93.6	91.0
Nov-21	100.1	101.3	99.4	104.4	102.5	99.9	96.0	97.6	94.2	72.4	106.2	95.4	91.1
Dec-21	99.9	100.8	99.6	104.8	97.7	100.8	96.3	97.8	95.7	70.1	108.0	97.3	91.5
Jan-22	100.2	101.2	99.8	104.7	98.9	101.2	96.7	98.2	95.4	71.2	107.5	96.8	92.0
Feb-22	100.9	101.9	100.4	104.8	101.1	101.9	97.0	98.5	97.2	71.4	107.6	97.9	92.3
Mar-22	101.3	102.4	100.8	104.9	102.4	102.2	97.0	98.7	94.8	70.9	107.9	97.9	92.4
	Percentage change, 3 months on previous 3 months												
Mar-20	-2.7	-2.7	-0.9	-4.3	-4.7	-2.6	-2.4	-2.2	-5.1	-3.7	0.5	-1.6	-7.7
Apr-20	-11.1	-10.7	-4.7	-14.9	-21.3	-8.6	-10.3	-12.1	-7.1	-5.2	-2.5	-16.9	-12.1
May-20	-18.7	-18.1	-8.6	-24.1	-35.0	-15.0	-17.0	-20.6	-8.5	-6.4	-4.7	-29.8	-15.3
Jun-20	-19.2	-18.2	-9.7	-23.2	-34.1	-15.8	-17.3	-21.6	-8.5	-1.0	-5.3	-35.7	-15.9
Jul-20	-5.4	-5.4	-4.4	-7.4	-3.8	-6.0	-2.8	-4.1	-1.4	4.7	-0.3	-11.6	-8.2
Aug-20	10.0	9.2	1.5	12.1	36.2	4.8	11.2	13.5	6.8	6.1	4.1	18.5	0.0
Sep-20	17.6	16.4	4.9	23.3	50.6	9.9	16.5	21.6	10.9	-4.4	4.9	41.4	6.2
Oct-20	11.6	11.1	4.0	17.1	25.2	6.6	9.3	12.8	5.9	-8.8	2.7	24.4	6.1
Nov-20	5.0	4.6	2.8	9.9	1.8	3.7	4.4	6.8	0.6	-9.6	0.8	12.1	4.5
Dec-20	1.4	1.1	1.9	4.2	-7.2	2.6	2.5	3.8	-1.8	-3.2	0.9	4.8	1.9
Jan-21	-1.1	-1.7	1.1	0.1	-12.8	1.0	1.3	1.9	0.3	-2.7	0.8	1.6	-0.7
Feb-21	-1.5	-1.8	0.8	-2.5	-9.0	-0.1	0.0	-0.2	2.4	-3.5	1.0	-0.1	-2.2
Mar-21	-1.3	-1.7	0.9	-2.9	-7.8	-0.5	-0.3	-0.5	2.8	-5.8	1.3	1.6	-2.3
Apr-21	1.9	2.0	1.2	2.5	3.8	1.0	0.3	0.8	2.3	-10.2	1.6	4.7	-0.9
May-21	4.3	4.8	0.9	8.1	12.3	2.4	1.3	2.1	2.9	-11.4	1.4	5.7	0.9
Jun-21	5.5	6.5	0.3	10.1	21.9	2.9	0.8	1.9	3.0	-17.9	0.9	3.4	2.7
Jul-21	3.8	4.7	-0.1	6.7	17.0	2.4	0.2	0.7	0.5	-8.3	1.5	0.3	3.0
Aug-21	2.1	2.8	0.3	2.5	10.4	2.1	-0.4	-0.3	-5.2	4.0	2.1	-1.4	2.1
Sep-21	1.0	1.4	0.7	0.7	3.7	1.9	0.1	-0.7	-7.6	27.1	2.0	-1.4	0.3
Oct-21	0.8	1.2	1.2	0.3	1.7	2.1	-0.2	-0.7	-8.5	24.9	0.8	-1.1	-0.8
Nov-21	1.0	1.3	1.4	1.3	0.3	2.3	-0.3	-0.4	-5.6	10.5	0.6	0.0	-0.9
Dec-21	1.0	1.2	1.3	1.5	-1.3	3.2	-0.4	0.1	-3.2	-4.5	1.9	1.0	-0.3
Jan-22	0.9	0.9	1.3	1.4	-2.5	3.6	0.3	0.7	0.6	-8.5	3.0	2.5	0.5
Feb-22	0.7	0.5	1.0	0.6	-2.8	3.2	0.9	1.0	2.4	-5.8	2.8	2.8	1.0
Mar-22	1.0	0.9	1.2	0.3	0.2	2.2	1.1	1.1	1.9	-1.7	1.4	2.2	1.1
	Percentage change, month on same month in previous year												
Mar-20	-7.6	-7.4	-1.9	-11.8	-15.3	-5.4	-8.7	-8.9	5.5	-31.0	-0.2	-7.0	3.0
Apr-20	-24.9	-22.9	-10.6	-27.9	-48.3	-20.5	-25.3	-30.0	-9.7	-24.1	-8.2	-48.0	-10.7
May-20	-22.9	-21.7	-11.0	-26.8	-41.4	-19.7	-21.4	-24.6	-12.4	-18.6	-8.3	-42.9	-11.9
Jun-20	-15.6	-15.0	-7.8	-21.1	-22.8	-14.2	-11.8	-14.9	-7.0	1.3	-3.1	-29.6	-12.2
Jul-20	-9.2	-8.9	-6.8	-11.0	-9.0	-10.9	-7.5	-9.0	0.1	-10.6	-1.5	-15.9	-14.3
Aug-20	-7.3	-7.1	-7.0	-8.8	-2.7	-10.4	-5.5	-5.9	2.5	-15.4	-1.7	-12.2	-15.9
Sep-20	-6.2	-6.1	-5.1	-5.9	-5.8	-10.0	-5.2	-5.1	0.7	-20.9	-0.4	-8.8	-17.1
Oct-20	-5.6	-5.6	-4.9	-5.1	-6.7	-7.7	-4.9	-4.8	-6.2	-12.0	0.5	-5.8	-17.5
Nov-20	-6.9	-7.5	-4.2	-6.3	-16.7	-7.7	-3.1	-1.8	-7.2	-14.2	0.5	-5.8	-16.8
Dec-20	-5.9	-6.2	-3.8	-5.1	-13.4	-7.4	-3.0	-3.0	-2.8	-9.0	1.4	-7.2	-13.8
Jan-21	-8.8	-9.6	-4.5	-11.2	-21.7	-7.5	-4.1	-4.7	2.0	-12.9	-0.2	-8.4	-14.2
Feb-21	-7.7	-8.6	-3.5	-10.2	-18.9	-8.2	-3.7	-4.1	3.2	-18.2	2.0	-4.7	-12.1
Mar-21	2.7	2.6	0.5	11.1	-2.7	-1.0	3.2	4.6	2.2	-9.6	2.9	3.8	-6.8
Apr-21	29.8	27.1	9.1	42.0	82.4	18.7	29.8	41.8	16.8	-22.3	10.0	78.7	8.7
May-21	27.1	25.9	9.0	40.2	69.5	18.0	23.0	30.1	22.2	-22.2	9.8	62.1	8.9
Jun-21	16.7	16.9	6.5	30.6	30.7	10.1	8.8	15.2	7.5	-39.0	5.1	33.0	8.1
Jul-21	8.1	8.6	3.7	16.2	10.6	6.8	4.0	6.8	-0.8	-18.5	5.6	12.0	5.7
Aug-21	6.4	6.8	4.3	10.9	6.0	8.1	3.2	4.3	-4.6	1.6	5.6	7.9	2.2
Sep-21	5.5	6.3	3.8	9.5	7.9	6.4	1.8	2.6	-6.4	3.7	4.3	6.0	-0.1
Oct-21	4.9	5.9	2.7	9.0	9.2	5.4	0.1	1.0	-6.2	-5.0	4.5	2.7	-0.5
Nov-21	7.6	9.3	4.0	9.9	23.5	8.7	-0.2	-0.1	-4.3	-4.0	6.5	3.6	0.0
Dec-21	6.1	6.9	3.2	8.6	12.9	9.2	0.4	1.3	-5.2	-9.2	7.5	7.4	1.8
Jan-22	9.5	11.1	4.0	15.3	25.5	10.3	2.1	3.3	-6.7	-4.2	7.4	8.1	3.4
Feb-22	9.5	11.1	3.9	15.4	25.0	11.7	1.9	2.5	-5.0	1.7	6.4	5.8	4.0
Mar-22	6.8	8.3	2.7	8.0	24.3	10.1	0.6	1.4	-6.6	-3.2	5.1	1.9	4.3
	Percentage change, month on previous month												
Mar-20	-7.6	-8.2	-2.5	-13.6	-15.1	-5.5	-5.6	-7.1	0.2	-5.5	0.6	-4.6	-5.7
Apr-20	-18.9	-16.7	-8.9	-18.2	-38.8	-15.0	-20.7	-25.7	-9.7	-4.3	-7.5	-41.7	-12.7
May-20	2.8	1.8	-0.3	1.8	13.3	0.5	6.3	9.1	-1.2	4.0	0.5	9.2	0.7
Jun-20	9.7	8.8	3.7	8.5	31.9	7.6	11.4	12.6	7.2	13.1	6.1	22.0	2.0
Jul-20	7.8	7.5	1.7	12.7	18.0	4.4	5.2	7.4	5.9	-8.1	0.6	17.6	2.2
Aug-20	2.0	2.1	0.2	3.0	6.5	-0.4	1.3	2.4	0.3	-6.0	-0.1	2.9	2.3
Sep-20	1.3	1.2	1.7	3.3	-2.8	1.2	0.9	1.2	0.8	-3.8	0.5	3.1	2.0
Oct-20	0.7	0.7	0.6	1.0	-1.5	2.5	0.8	1.4	-3.3	3.4	0.3	1.6	0.5
Nov-20	-1.8	-2.5	-0.3	-0.6	-10.8	-1.2	1.1	1.9	0.1	-3.9	0.0	1.1	-0.4
Dec-20	1.2	1.7	0.9	1.6	4.2	0.4	-0.3	-1.2	2.6	2.4	0.8	-1.7	-1.3
Jan-21	-2.9	-3.4	-0.5	-5.9	-8.9	-0.5	-1.3	-1.5	1.3	-3.8	-0.4	-1.2	-1.1
Feb-21	0.8	0.7	0.6	0.0	2.7	-0.7	0.5	1.1	0.0	-5.5	1.0	3.3	-0.2
Mar-21	2.8	3.1	1.6	6.9	1.9	1.9	1.3	1.4	-0.8	4.4	1.5	3.9	-0.1
Apr-21	2.5	3.2	-1.1	4.5	14.7	1.8	-0.2	0.7	3.3	-17.7	-1.2	0.3	1.8
May-21	0.7	0.8	-0.4	0.6	5.3	-0.1	0.7	0.1	3.3	4.1	0.4	-0.9	0.9
Jun-21	0.7	1.1	1.3	1.1	1.7	0.4	-1.4	-0.3	-5.7	-11.3	1.6	0.1	1.3
Jul-21	-0.1	-0.1	-0.9	0.2	-0.2	1.3	0.6	-0.4	-2.3	22.8	1.1	-1.0	0.0
Aug-21	0.3	0.3	0.7	-1.6	2.0	0.8	0.5	0.0	-3.5	17.3	-0.1	-0.8	-1.1
Sep-21	0.5	0.7	1.2	2.0	-1.0	-0.4	-0.5	-0.4	-1.1	-1.9	-0.7	1.3	-0.3
Oct-21	0.1	0.4	-0.4	0.5	-0.3	1.6	-0.8	-0.2	-3.2	-5.2	0.5	-1.5	0.1
Nov-21	0.7	0.6	0.9	0.2	0.8	1.9	0.7	0.7	2.2	-2.9	1.9	1.9	0.1
Dec-21	-0.2	-0.5	0.2	0.4	-4.7	0.9	0.3	0.2	1.6	-3.2	1.7	2.0	0.4
Jan-22	0.3	0.4	0.2	-0.1	1.2	0.4	0.4	0.4	-0.3	1.6	-0.5	-0.5	0.5
Feb-22	0.7	0.7	0.6	0.1	2.3	0.6	0.4	0.2	1.8	0.3	0.1	1.1	0.4
Mar-22	0.4	0.5	0.4	0.1	1.3	0.4	-0.1	0.3	-2.5	-0.7	0.3	0.0	0.1

Health warning

The NIESR GDP Tracker provides a rolling monthly forecast for GDP growth. Our first estimate of growth for any particular quarter starts in the first month of that quarter and is then updated each month until the first official release in the second month of the following quarter. So, for example, our first estimate of growth in the first quarter of 2020 is published in January and will then be updated four times (in February, March, April and May) before the ONS publishes its first estimate for the first quarter of 2020 in May 2020. In other words, we publish four estimates of GDP for any particular quarter before the official release and change them as new evidence becomes available.

NIESR's short-term predictions of monthly GDP growth are based on bottom-up analysis of recent trends in the monthly sub-components of GDP. These predictions are constructed by aggregating statistical model forecasts of ten sub-components of GDP. The statistical models that have been developed make use of past trends in the data as well as survey evidence to build short-term predictions of the sub-components of monthly GDP. These provide a statistically-based guide to current trends based on the latest available data. Each month these predictions are updated as new ONS data and new surveys become available.

It is important to stress that the timelier NIESR guide to quarterly GDP growth is less reliable than the subsequent ONS data releases as its data content is lower, particularly for estimates of the current quarter which in some months will be based only on forecasts rather than hard data. To mitigate this issue, NIESR provides a guide to average errors based on past performance. NIESR also provides clear guidance on how the latest news has caused its estimates of GDP growth in the current and preceding quarter to change and thereby quantify how the short-term outlook is being affected by recent data releases.

As the bottom-up methodology for producing estimates of GDP growth for the current and preceding quarters is still relatively new, we do not yet have a long track record of estimates produced by this approach. To check how our methodology would work in real time we went back to late 2016 to produce judgement-free forecasts of GDP growth in future months based on the monthly data series available for the components in November 2016 (this was the earliest vintage then available on the ONS website) and in each subsequent three months. These are shown in Table 3, which has been updated to include estimates since we started producing the GDP Tracker in July 2018. We calculate the forecast quarter-on-quarter growth rates for the current quarter and compare these to the ONS first estimates of quarterly growth. The average absolute error for the quarters considered was 0.22 percentage points. The largest error was for 2020Q2 when our GDP tracker in May pointed to growth of -22.8 per cent, 2.4 points lower than the ONS first estimate of GDP growth.

Table 3 - Forecast Error Analysis: Quarterly GDP growth (%)

Quarter	ONS first estimate	ONS latest estimate	NIESR nowcast*	Error in NIESR nowcast**	ONS latest – first
2016Q4	0.6	0.7	0.7	-0.1	0.1
2017Q1	0.3	0.6	0.6	-0.3	0.3
2017Q2	0.3	0.3	0.4	-0.1	0.0
2017Q3	0.4	0.3	0.4	0.0	-0.1
2017Q4	0.5	0.4	0.4	0.1	-0.1
2018Q1	0.1	0.0	0.5	-0.4	-0.1
2018Q2	0.4	0.5	0.0	0.4	0.1
2018Q3	0.6	0.6	0.5	0.1	0.0
2018Q4	0.2	0.2	0.4	-0.2	0.0
2019Q1	0.5	0.6	0.2	0.3	0.1
2019Q2	-0.2	-0.2	0.3	-0.5	0.0
2019Q3	0.3	0.4	0.2	0.1	0.1
2019Q4	0.0	0	0.2	-0.2	0.0
2020Q1	-2.0	-2.1	0.2	-2.2	-0.1
2020Q2	-20.4	-20.4	-22.8	2.4	0.0
2020Q3	15.5	16.1	15.0	0.5	0.6
2020Q4	1.0		-2.2	3.2	
2021Q1			-3.8		
Average absolute error				0.22	0.08

Notes for Editors

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