

20 July 2007

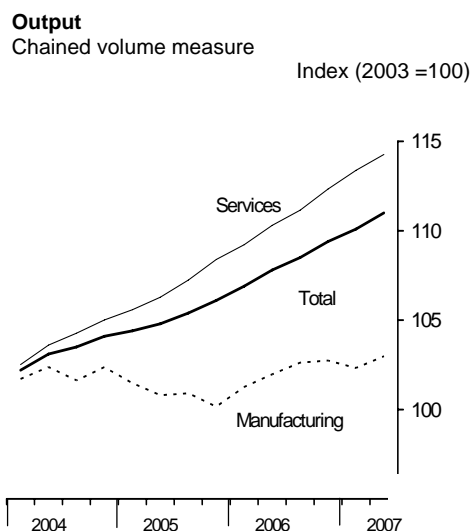
**Coverage**  
United Kingdom  
**Theme**  
The Economy

## Gross domestic product Preliminary estimate – 2nd quarter 2007

The preliminary estimate shows that the chained volume measure of gross domestic product (GDP) increased by 0.8 per cent in the second quarter of 2007 compared with the previous quarter. This is the same growth as for gross value added.

The volume of output in the production industries is estimated to have increased by 0.6 per cent this quarter. Manufacturing output increased by 0.6 per cent. Mining and quarrying increased by 1.1 per cent and electricity, gas and water supply decreased by 0.4 per cent.

Output of the service industries is estimated to have increased by 0.8 per cent.



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Next publication date

19 October 2007

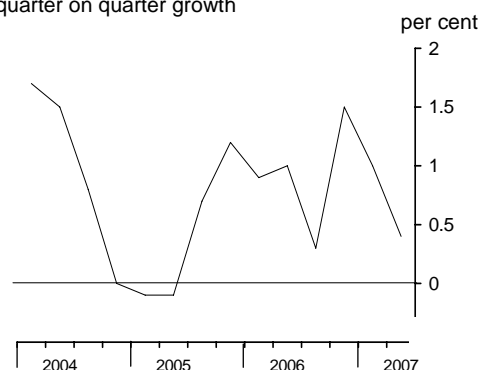
### GDP at market prices

		Chained volume indices 2003=100	GDP	Manufacturing	Total Production Industries	Total Services
		Seasonally adjusted	Percentage change: latest quarter on previous quarter			
2005	Q3	105.4	0.5	0.1	-0.7	0.9
	Q4	106.1	0.6	-0.7	-0.7	1.1
2006	Q1	106.9	0.8	1.1	0.9	0.8
	Q2	107.8	0.8	0.7	0.0	1.0
	Q3	108.5	0.7	0.6	0.2	0.8
	Q4	109.4	0.8	0.1	-0.2	1.1
2007	Q1	110.1	0.7	-0.4	-0.1	0.9
	Q2	111.0	0.8	0.6	0.6	0.8

**Distribution, hotels and restaurants**

Output within distribution, hotels and restaurants increased by 0.4 per cent compared with an increase of 1.0 per cent in the first quarter of 2007. The deceleration was mainly due to weaker growth within wholesale and hotels and restaurants. This was partially offset by stronger growth in retailing.

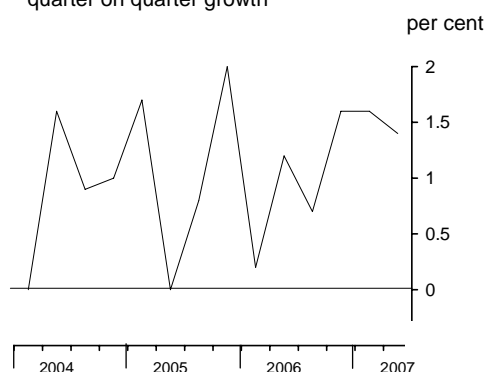
**Distribution, hotels and restaurants**  
quarter on quarter growth



**Transport, storage and communication**

Output within transport, storage and communication increased by 1.4 per cent compared with an increase of 1.6 per cent in the previous quarter. The deceleration was mainly due to weaker growth in land transport and post and telecommunications.

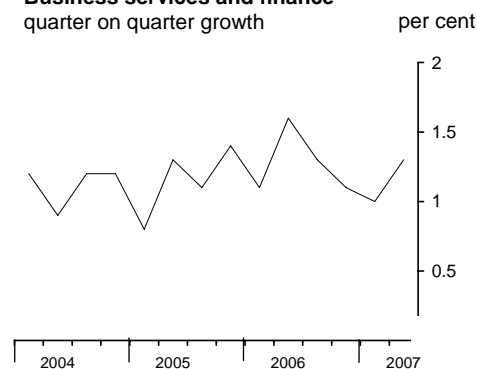
**Transport, storage and communication**  
quarter on quarter growth



**Business services and finance**

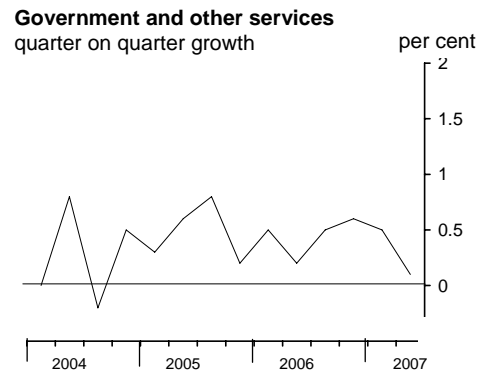
Output of business services and finance increased by 1.3 per cent, compared with an increase of 1.0 per cent in the previous quarter. The acceleration in growth was mainly due to stronger computing. The largest contribution to growth was from other business services, which includes legal services, labour recruitment and architects and engineers.

**Business services and finance**  
quarter on quarter growth



**Government and other services**

Output within government and other services increased by 0.1 per cent compared with an increase of 0.5 per cent in the previous quarter. The deceleration in growth was mainly due to weaker growth in recreation services.



## BACKGROUND NOTES

### Release policy

1. This release includes information available up to 16 July 2007.

Estimates of UK output, income and expenditure will be published on 24 August 2007. A full set of quarterly national accounts will be published on 26 September 2007. The preliminary estimate of GDP for the third quarter of 2007 will be published on 19 October 2007.

### Data sources

2. This Preliminary estimate for gross domestic product is based on the estimate of the index of output of the production industries for the first two months of the quarter, as published on 6 July 2007, together with limited information on the output of the rest of the economy. Deflated turnover from the Monthly Inquiry into the Distribution and Service Sector (MIDSS) is used to estimate around half of the service sector. For the Preliminary estimate of GDP MIDSS estimates are available for the first two months of the quarter, and an estimate based on early responses to the monthly survey is used for the third month. For the retail trade, the data source for 2007Q2 is consistent with that used within the Retail Sales Index for June 2007 as published on 19 July 2007. Some components of this First Release, particularly within the service sector and construction, include a large proportion of estimation. At this stage, the industry detail is subject to revision, as is the total GDP growth estimate, as more information becomes available.
3. DTI quarterly construction output survey results for 2007Q2 are not available at this stage. This early construction estimate is based on an Activity Balance model. Other information used to inform the estimate includes monthly new construction orders for the first two months of the quarter and an estimate from the Northern Ireland Statistics and Research Agency. As the quarterly construction output survey results become available they may lead to revisions to the estimate of growth in construction output.

## Basic quality information for the GDP First Release

### Summary quality report

4. A summary Quality Report for this First Release can now be found on the National Statistics website at:

<http://www.statistics.gov.uk/cci/article.asp?ID=1180>

### Key quality issues

5. *Common pitfalls in interpreting series:* Expectations of accuracy and reliability in early estimates are often too high. Revisions are an inevitable consequence of the trade off between timeliness and accuracy. Early estimates are based on incomplete data.

Very few statistical revisions arise as a result of 'errors' in the popular sense of the word. All estimates, by definition, are subject to statistical 'error' but in this context the word refers to the uncertainty inherent in any process or calculation that uses sampling, estimation or modelling. Most revisions reflect either the adoption of new statistical techniques, or the incorporation of new information which allows the statistical error of previous estimates to be reduced. Only rarely are there avoidable 'errors' such as human or system failures, and such mistakes are made quite clear when they do occur.

### Reliability

6. Estimates for the most recent quarters are provisional and, as usual, are subject to revision in the light of updated source information. ONS currently provides analysis of past revisions in the GDP and other First Releases which present time series. Details can be found at:

<http://www.statistics.gov.uk/cci/article.asp?ID=793>

ONS has a webpage dedicated to revisions to economic statistics which brings together ONS work on revisions analysis, linking to articles, analysis and key documentation from the Statistics Commission's report on revisions. The webpage can be found at:

[http://www.statistics.gov.uk/about\\_ns/economic\\_revisions.asp](http://www.statistics.gov.uk/about_ns/economic_revisions.asp)

7. Revisions to data provide one indication of the reliability of key indicators. Tables 1 and 2 show summary information on the size and direction of the revisions which have been made to data covering a five year period. A statistical test has been applied to the average revision to find out if it is statistically significantly different from zero. An asterisk (\*) shows that the test is significant. The data used are consistent with that used in more detailed analysis that have been published in *Economic Trends*. The most recent article was published on the National Statistics website on 11 December 2006 and can be found at:

<http://www.statistics.gov.uk/cci/article.asp?ID=1694>

8. Table 1 below shows the revisions between the early estimates of GDP. The analysis of revisions between month 1 and month 2 uses month 2 estimates published from August 2002 (2002q2) to May 2007 (2007q1). The analysis of revisions between month 2 and month 3 uses month 3 estimates published from September 2002 (2002q2) to June 2007 (2007q1).

Table 1: Revisions to early estimates of GDP growth

Revisions to GDP growth	GDP Growth in the latest period (per cent)	Revisions between early estimates of GDP growth (quarterly, CVM)	
		Average over the last five years	Average over the last five years without regard to sign (average absolute revision)
Between M1 and M2	0.8	-0.01	0.04
Between M2 and M3	0.8	0.02	0.06

Table 2 below shows the revisions to GDP growth between the estimate published three months after the end of the quarter and the equivalent estimate three years later. The analysis uses month 3 estimates first published from September 1999 (1999q2) to June 2004 (2004q1).

Table 2: Revisions to month 3 estimates of GDP growth

GDP growth (quarterly, CVM)	Value in latest period (per cent)	Revisions between first publication and estimates three years later	
		Average over the last five years	Average over the last five years without regard to sign (average absolute revision)
GDP growth (quarterly, CVM)	0.8	0.10	0.18



Spreadsheets giving revisions triangles (real time databases) of estimates from 1992 to date, and the calculations behind the averages in both tables is available on the National Statistics website at:

<http://www.statistics.gov.uk/statbase/Product.asp?vlnk=13560&More=n>

Revisions triangles for the main components of gross value added by industry are also available at the link above.

An article by E George and D Obuwa 'National Accounts' Revisions Analyses: A summary to April 2005' is available on the National Statistics website at :

<http://www.statistics.gov.uk/cci/article.asp?ID=1140>

This article presents a summary of revisions analyses published up to April 2005 in ONS First Releases, including some more detailed analysis of revisions to GDP.

### **Deflation**

9. The UK National Accounts are compiled as annually weighted and chained estimates of volume measures.

### **Seasonal adjustment**

10. Index numbers in this First Release are all seasonally adjusted. This aids interpretation by removing annually recurring fluctuations, for example due to holidays or other regular seasonal patterns.

This release aims to provide the best measure of growth compared to the previous quarter. However longer-term seasonal patterns for earlier quarters have not yet been reassessed in light of the latest data set.

### **Further Information**

11. The complete run of data in the tables of this First Release are also available to view and download in other electronic formats free of charge using the ONS **Time Series Data service**. Users can download the complete release in a choice of zipped formats, or view and download their own selections of individual series. The Time Series Data service can be accessed at <http://www.statistics.gov.uk/timeseries>.

### **Advanced access**

12. Details of the policy governing the release of new data are available from the press office. Also available is the list of names of those given pre-publication access to the contents of this release.

### Code of practice

13. **National Statistics** are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from political interference. © Crown Copyright 2007.



# Gross Domestic Product by Gross Value Added<sup>1</sup> chained volume measures of industry output at basic prices

2003 = 100

Analysis by categories of output<sup>3</sup>

	Production					Service industries						Gross domestic product at market prices <sup>4,5</sup>	Gross value added excluding oil & gas
	Agriculture, hunting, forestry and fishing	Mining & quarrying inc oil & gas extraction	Manu- facturing	Electricity gas and water supply	Total	Construction	Distribution hotels and catering; repairs	Transport, storage and communication	Business services and finance	Government and other services	Total		
<b>2003</b>													
<b>Weights<sup>2</sup></b>	10	22	147	17	186	61	153	78	277	235	744	1000	980
<b>Index numbers</b>													
	GDQA	CKYX	CKYY	CKYZ	CKYW	GDQB	GDQE	GDQH	GDQN	GDQU	GDQS	YBEZ	JUNT
2002	102.1	105.4	99.8	98.4	100.3	95.5	96.4	98.2	96.3	97.7	96.9	<b>97.3</b>	97.1
2003	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	<b>100.0</b>	100.0
2004	99.0	92.1	102.0	101.1	100.8	104.0	105.2	102.5	105.1	102.0	103.9	<b>103.3</b>	103.5
2005	103.3	83.7	100.8	100.7	98.8	105.6	106.4	106.9	109.7	103.8	106.9	<b>105.2</b>	105.7
2006	106.2	76.9	102.1	98.1	98.8	106.7	110.1	111.0	115.4	105.6	110.8	<b>108.1</b>	108.9
2003 Q3	100.1	98.9	100.0	100.6	100.0	101.7	100.6	100.3	100.4	100.3	100.4	<b>100.4</b>	100.4
Q4	100.9	96.3	101.3	102.3	100.8	102.4	101.8	100.7	102.2	101.3	101.7	<b>101.5</b>	101.7
2004 Q1	99.1	94.3	101.7	102.2	100.9	102.8	103.6	100.7	103.4	101.4	102.5	<b>102.2</b>	102.4
Q2	98.3	94.8	102.4	100.7	101.3	103.4	105.2	102.2	104.3	102.2	103.6	<b>103.1</b>	103.3
Q3	99.3	90.9	101.6	101.0	100.3	104.4	106.0	103.1	105.6	102.0	104.3	<b>103.5</b>	103.8
Q4	99.2	88.6	102.4	100.6	100.6	105.4	105.9	104.1	106.9	102.5	105.0	<b>104.1</b>	104.5
2005 Q1	101.3	86.8	101.5	99.8	99.6	106.0	105.8	105.9	107.7	102.8	105.6	<b>104.4</b>	104.8
Q2	102.9	86.8	100.8	101.6	99.2	106.4	105.7	106.0	109.1	103.5	106.3	<b>104.8</b>	105.3
Q3	103.8	80.5	100.9	101.0	98.5	105.0	106.4	106.8	110.3	104.3	107.2	<b>105.4</b>	106.0
Q4	105.2	80.6	100.2	100.4	97.9	104.8	107.8	108.9	111.9	104.6	108.4	<b>106.1</b>	106.7
2006 Q1	105.6	80.7	101.3	100.6	98.8	105.9	108.7	109.1	113.1	105.1	109.2	<b>106.9</b>	107.6
Q2	106.1	77.7	102.0	98.0	98.8	106.1	109.8	110.4	114.8	105.3	110.3	<b>107.8</b>	108.5
Q3	106.5	75.0	102.6	97.9	98.9	106.9	110.1	111.2	116.3	105.7	111.2	<b>108.5</b>	109.3
Q4	106.5	74.2	102.7	95.9	98.8	108.1	111.8	113.0	117.5	106.4	112.3	<b>109.4</b>	110.3
2007 Q1	107.4	75.0	102.3	97.3	98.7	108.8	112.9	114.9	118.7	106.9	113.4	<b>110.1</b>	111.1
<b>Preliminary estimate</b>													
2007 Q2	107.5	75.9	103.0	97.0	99.2	110.0	113.3	116.5	120.3	107.1	114.3	<b>111.0</b>	112.0
<b>Percentage changes: annual and latest quarter on previous quarter</b>													
	GDQV	ERIB	ERIT	ERJJ	ERID	GDQW	GDQZ	GDRC	GDRJ	GDRP	GDRN	IHYP	JUNU
2002	12.3	0.4	-2.6	0.4	-1.9	3.6	4.6	1.2	2.0	2.5	2.6	2.1	2.2
2003	-2.1	-5.1	0.2	1.6	-0.3	4.7	3.8	1.9	3.9	2.4	3.2	2.8	3.7
2004	-1.0	-7.9	2.0	1.1	0.8	4.0	5.2	2.5	5.1	2.0	3.9	3.3	2.8
2005	4.4	-9.2	-1.2	-0.4	-2.0	1.5	1.2	4.3	4.4	1.8	2.9	1.8	2.1
2006	2.8	-8.1	1.3	-2.6	-	1.1	3.4	3.8	5.2	1.8	3.6	2.8	3.2
		ERIJ	ERJA	ERJL	ERIH							IHYQ	
2003 Q3	0.8	-0.9	0.7	1.7	0.6	2.9	1.2	0.5	1.5	0.8	1.1	1.1	1.2
Q4	0.9	-2.6	1.2	1.7	0.8	0.7	1.3	0.4	1.8	1.0	1.3	1.1	1.2
2004 Q1	-1.8	-2.1	0.4	-0.1	0.1	0.3	1.7	-	1.2	-	0.8	0.7	0.7
Q2	-0.8	0.5	0.7	-1.6	0.4	0.6	1.5	1.6	0.9	0.8	1.1	0.9	0.9
Q3	1.0	-4.1	-0.7	0.3	-1.0	1.0	0.8	0.9	1.2	-0.2	0.6	0.4	0.5
Q4	-0.1	-2.6	0.7	-0.4	0.3	1.0	-	1.0	1.2	0.5	0.7	0.6	0.7
2005 Q1	2.1	-2.0	-0.9	-0.8	-1.0	0.5	-0.1	1.7	0.8	0.3	0.5	0.2	0.3
Q2	1.6	-	-0.7	1.8	-0.4	0.3	-0.1	-	1.3	0.6	0.7	0.5	0.5
Q3	0.9	-7.2	0.1	-0.5	-0.7	-1.3	0.7	0.8	1.1	0.8	0.9	0.5	0.6
Q4	1.3	-	-0.7	-0.7	-0.7	-0.2	1.2	2.0	1.4	0.2	1.1	0.6	0.7
2006 Q1	0.4	0.2	1.1	0.2	0.9	1.1	0.9	0.2	1.1	0.5	0.8	0.8	0.8
Q2	0.5	-3.7	0.7	-2.6	-	0.1	1.0	1.2	1.6	0.2	1.0	0.8	0.8
Q3	0.5	-3.5	0.6	-0.1	0.2	0.8	0.3	0.7	1.3	0.5	0.8	0.7	0.7
Q4	-	-1.0	0.1	-2.0	-0.2	1.1	1.5	1.6	1.1	0.6	1.1	0.8	0.9
2007 Q1	0.8	1.0	-0.4	1.5	-0.1	0.7	1.0	1.6	1.0	0.5	0.9	0.7	0.7
<b>Preliminary estimate</b>													
2007 Q2	0.1	1.1	0.6	-0.4	0.6	1.1	0.4	1.4	1.3	0.1	0.8	0.8	0.8
<b>Percentage changes: latest quarter on corresponding quarter of previous year</b>													
	GDRQ	ERIC	ERIU	ERJK	ERIE	GDRR	GDRU	GDRX	GDSD	GDSK	GDSI	IHYR	JUNV
2007 Q2	1.4	-2.3	1.0	-1.1	0.5	3.7	3.2	5.5	4.8	1.7	3.6	3.0	3.2

1 Estimates are not accurate to the last digit shown.

2 Weights may not sum to the totals due to rounding.

3 Components of output are valued at basic prices, which excludes taxes less subsidies on products, whereas GDP is valued at market prices.

4 Includes an implicit statistical discrepancy compared with the sum of the previous columns, because the GDP aggregate takes account of other information based on income and expenditure.

5 In this, the preliminary estimate of GDP, series YBEZ (GDP chained volume indices) appears alongside GVA industry components as output is the sole contributor to GDP change for the latest quarter at this stage.