

24 October 2008

Coverage
United Kingdom

Theme
The Economy

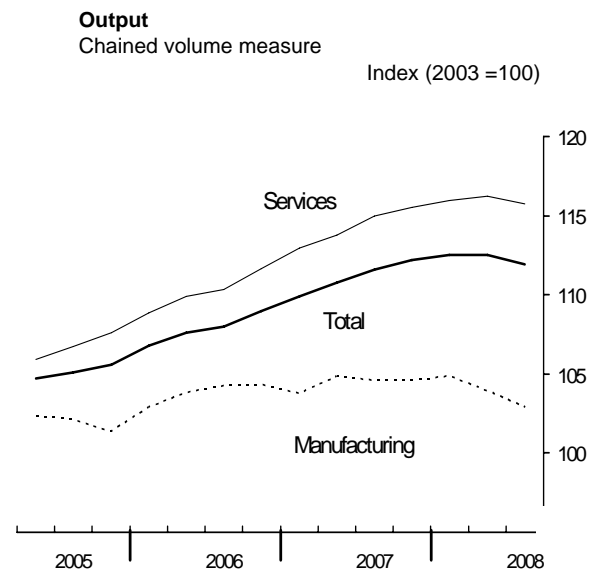


Gross domestic product Preliminary estimate – 3rd quarter 2008

The preliminary estimate shows that the chained volume measure of gross domestic product (GDP) decreased by 0.5 per cent in the third quarter of 2008 compared with the previous quarter. The slowdown was the result of both reduced services and production activity. Distribution, hotels and restaurants made the largest contribution to the deceleration in services.

The volume of output in the production industries is estimated to have decreased by 1.0 per cent this quarter. Manufacturing output decreased by 1.0 per cent. Mining and quarrying decreased by 0.7 per cent and Electricity, gas and water supply decreased by 1.0 per cent.

Output of the service industries is estimated to have decreased by 0.4 per cent.



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Next publication date

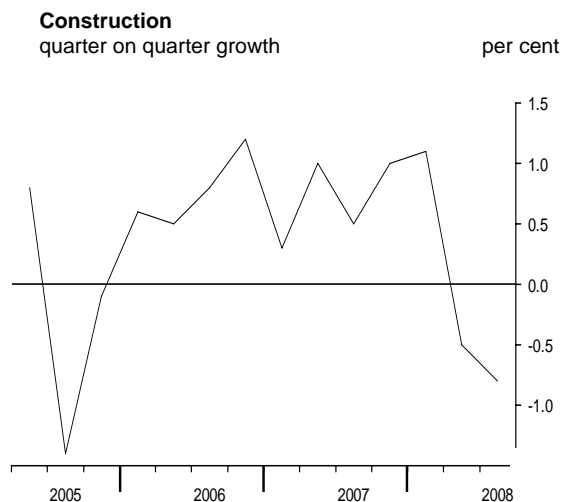
23 January 2009

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				
2006	Q4	109.0	0.9	0.0	-0.3	1.2	
	2007	Q1	109.9	0.9	-0.5	-0.1	1.2
		Q2	110.8	0.8	1.0	0.9	0.7
		Q3	111.6	0.8	-0.3	-0.1	1.0
2008	Q4	112.2	0.5	0.0	0.2	0.5	
	Q1	112.5	0.3	0.3	-0.4	0.4	
	Q2	112.5	0.0	-0.9	-0.7	0.2	
	Q3	111.9	-0.5	-1.0	-1.0	-0.4	

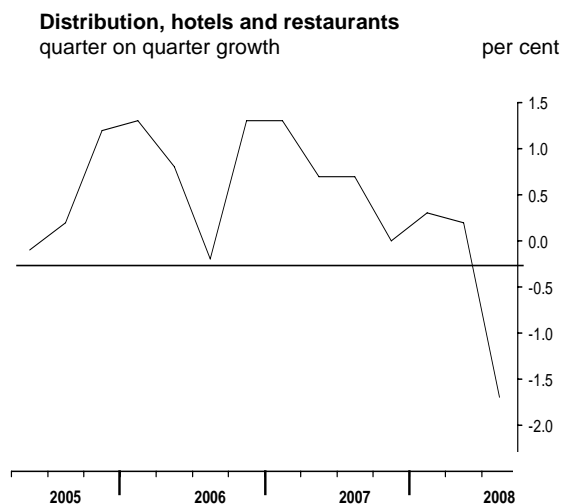
Construction

Output within construction decreased by 0.8 per cent compared with a decrease of 0.5 per cent in the previous quarter. It should be noted that the output survey results used to compile more complete estimates are not available at this stage and the preliminary results are based on a smaller survey of changes in the balance of activity in the sector.



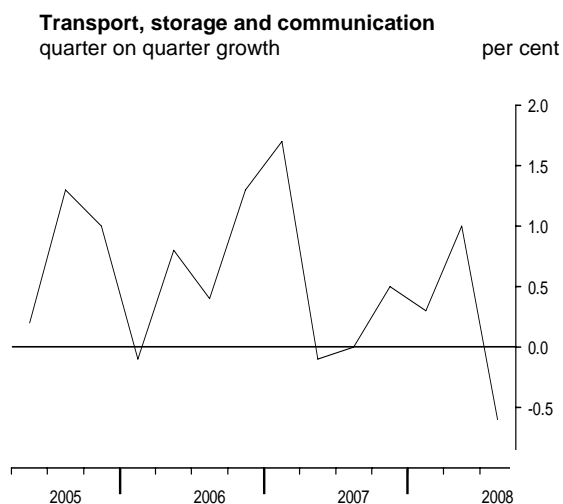
Distribution, hotels and restaurants

Output within distribution, hotels and restaurants decreased by 1.7 per cent compared with an increase of 0.2 per cent in the previous quarter. Motor trades and wholesale made the largest contribution to the reduced output.



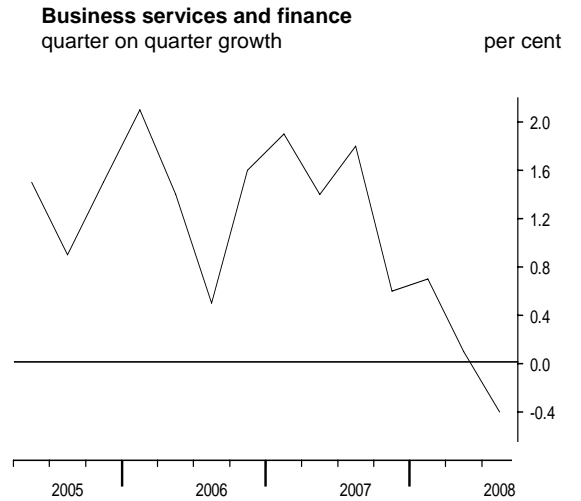
Transport, storage and communication

Output within transport, storage and communication decreased by 0.6 per cent compared with an increase of 1.0 per cent in the previous quarter. The reduction was driven by land transport and post and telecommunications.



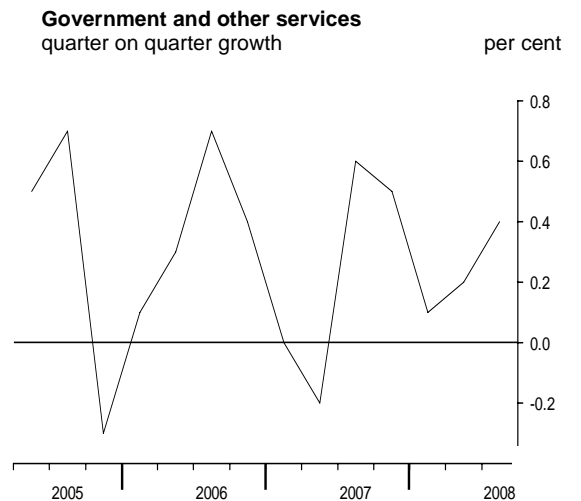
Business services and finance

Output of business services and finance decreased by 0.4 per cent, compared with an increase of 0.1 per cent in the previous quarter. Other business services made the largest contribution to the reduction in output. This was partly offset by increased growth in activities auxiliary to financial intermediation.



Government and other services

Output growth of government and other services increased by 0.4 per cent, compared with an increase of 0.2 in the previous quarter. The increase in growth was driven by education, health and recreation services.



BACKGROUND NOTES

Release policy

1. This release includes information available up to 23 October 2008.

Estimates of UK output, income and expenditure will be published on 26 November 2008. A full set of quarterly national accounts will be published on 23 December 2008. The preliminary estimate of GDP for the fourth quarter of 2008 will be published on 23 January 2009.

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 7 October 2008, 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. MIDSS estimates are available for the first two months of the quarter for the Preliminary estimate of GDP, 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 2008Q3 is consistent with that used within the Retail Sales Index for September 2008 as published on 23 October 2008. 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. Quarterly construction output survey results for 2008Q3 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

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. The result of the test is that the average revision is not statistically different from zero. 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 GVA. The analysis of revisions between month 1 and month 2 uses month 2 estimates published from November 2003 (2003q3) to August 2008 (2008q2). The analysis of revisions between month 2 and month 3 uses month 3 estimates published from December 2003 (2003q3) to September 2008 (2008q2).

Table 1: Revisions to early estimates of GVA growth

Revisions to GVA growth	GVA Growth in the latest period (per cent)	Revisions between early estimates of GVA 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	-0.5	-0.01	0.03
Between M2 and M3	-0.5	-0.01	0.03

Table 2 below shows the revisions to GVA 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 Dec 2000 (2000q3) to Sept 2005 (2005q2).

Table 2: Revisions to month 3 estimates of GVA growth

	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)
GVA growth (quarterly, CVM)	-0.5	0.11	0.21

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>

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 2008.

Gross Domestic Product by Gross Value Added¹

chained volume measures of industry output at basic prices

2003 = 100

 Analysis by categories of output³

	Production						Service industries					Gross domestic product at market prices ^{4,5}	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		
2003 Weights²	10	21	143	16	180	59	148	75	299	229	752	1000	981
Index numbers													
	GDQA	CKYX	CKYY	CKYZ	CKYW	GDQB	GDQE	GDQH	GDQN	GDQU	GDQS	YBEZ	JUNT
2003	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2004	99.8	92.1	102.2	101.0	100.9	103.4	103.6	103.7	104.6	101.0	103.2	102.8	102.9
2005	105.1	84.2	102.0	100.7	99.8	104.5	104.9	108.3	109.6	102.3	106.3	104.9	105.3
2006	107.9	78.0	103.8	100.1	100.5	105.5	108.3	111.0	116.1	103.4	110.2	107.8	108.6
2007	107.0	76.7	104.5	101.3	100.9	108.6	111.8	114.5	123.0	104.5	114.3	111.1	111.9
2004 Q4	100.4	89.4	102.4	99.4	100.6	104.5	104.3	106.1	106.5	101.2	104.4	103.6	103.9
2005 Q1	103.4	87.0	102.1	100.7	100.2	104.6	104.5	107.2	107.5	101.6	105.1	104.0	104.4
Q2	105.4	86.2	102.4	101.3	100.4	105.4	104.5	107.4	109.1	102.1	105.9	104.7	105.1
Q3	105.4	82.2	102.2	100.2	99.7	104.0	104.7	108.8	110.2	102.8	106.7	105.1	105.6
Q4	105.9	81.6	101.4	100.6	99.0	103.9	106.0	109.9	111.8	102.5	107.6	105.6	106.2
2006 Q1	108.7	82.6	102.9	103.7	100.6	104.4	107.4	109.7	114.2	102.7	108.9	106.8	107.5
Q2	106.8	77.3	103.8	99.7	100.4	104.9	108.2	110.6	115.8	103.0	109.9	107.6	108.3
Q3	108.9	77.1	104.3	99.3	100.6	105.8	108.0	111.1	116.4	103.7	110.4	108.0	108.8
Q4	107.3	75.1	104.3	97.9	100.3	107.0	109.4	112.5	118.2	104.2	111.6	109.0	109.8
2007 Q1	106.7	76.6	103.8	99.7	100.2	107.3	110.8	114.4	120.5	104.1	113.0	109.9	110.7
Q2	106.8	77.1	104.9	99.9	101.2	108.4	111.7	114.3	122.2	104.0	113.8	110.8	111.5
Q3	106.4	76.7	104.6	101.5	101.1	108.9	112.4	114.3	124.3	104.6	115.0	111.6	112.4
Q4	108.1	76.3	104.6	104.2	101.3	110.0	112.5	114.9	125.1	105.1	115.5	112.2	112.9
2008 Q1	108.3	72.7	104.9	102.0	100.8	111.1	112.8	115.2	125.9	105.2	116.0	112.5	113.3
Q2	108.7	72.6	104.0	101.9	100.1	110.6	113.0	116.4	126.1	105.4	116.2	112.5	113.4
Q3	109.2	72.1	102.9	100.8	99.1	109.7	111.1	115.7	125.6	105.8	115.7	111.9	112.8
Preliminary estimate													
2008 Q3	109.2	72.1	102.9	100.8	99.1	109.7	111.1	115.7	125.6	105.8	115.7	111.9	112.8
Percentage changes: annual and latest quarter on previous quarter													
	GDQV	ERIB	ERIT	ERJJ	ERID	GDQW	GDQZ	GDRC	GDRI	GDRP	GDRN	IHYP	JUNW
2003	-1.7	-5.0	-0.3	1.7	-0.7	5.1	3.4	2.0	4.6	2.7	3.5	2.8	3.0
2004	-0.2	-7.9	2.2	1.0	0.9	3.4	3.6	3.7	4.6	1.0	3.2	2.8	2.9
2005	5.3	-8.5	-0.2	-0.3	-1.1	1.0	1.2	4.4	4.8	1.2	3.0	2.1	2.3
2006	2.7	-7.4	1.8	-0.5	0.7	1.0	3.2	2.4	5.9	1.1	3.6	2.8	3.1
2007	-0.9	-1.7	0.6	1.1	0.4	2.9	3.3	3.2	5.9	1.0	3.7	3.0	3.0
2004 Q4	0.7	ERIJ -3.3	ERJA 1.0	ERJL -1.2	ERIH 0.4	0.8	0.1	1.5	1.4	0.2	0.8	IHYQ 0.7	JUNU 0.8
2005 Q1	3.0	-2.7	-0.3	1.3	-0.4	0.1	0.2	1.1	1.0	0.4	0.7	0.4	0.5
Q2	1.9	-1.0	0.3	0.7	0.2	0.8	-0.1	0.2	1.5	0.5	0.8	0.6	0.7
Q3	-	-4.6	-0.2	-1.1	-0.7	-1.4	0.2	1.3	0.9	0.7	0.8	0.4	0.5
Q4	0.5	-0.8	-0.8	0.3	-0.7	-0.1	1.2	1.0	1.5	-0.3	0.9	0.5	0.6
2006 Q1	2.6	1.2	1.5	3.1	1.6	0.6	1.3	-0.1	2.1	0.1	1.2	1.1	1.2
Q2	-1.8	-6.4	0.9	-3.8	-0.2	0.5	0.8	0.8	1.4	0.3	0.9	0.7	0.8
Q3	2.0	-0.3	0.4	-0.5	0.3	0.8	-0.2	0.4	0.5	0.7	0.4	0.5	0.4
Q4	-1.5	-2.6	-	-1.4	-0.3	1.2	1.3	1.3	1.6	0.4	1.2	0.9	0.9
2007 Q1	-0.6	2.0	-0.5	1.8	-0.1	0.3	1.3	1.7	1.9	-	1.2	0.9	0.8
Q2	-	0.8	1.0	0.2	0.9	1.0	0.7	-0.1	1.4	-0.2	0.7	0.8	0.7
Q3	-0.3	-0.5	-0.3	1.6	-0.1	0.5	0.7	-	1.8	0.6	1.0	0.8	0.8
Q4	1.6	-0.5	-	2.6	0.2	1.0	-	0.5	0.6	0.5	0.5	0.5	0.5
2008 Q1	0.1	-4.8	0.3	-2.1	-0.4	1.1	0.3	0.3	0.7	0.1	0.4	0.3	0.3
Q2	0.4	-0.1	-0.9	-0.1	-0.7	-0.5	0.2	1.0	0.1	0.2	0.2	-	-
Q3	0.5	-0.7	-1.0	-1.0	-1.0	-0.8	-1.7	-0.6	-0.4	0.4	-0.4	-0.5	-0.5
Preliminary estimate													
2008 Q3	0.5	-0.7	-1.0	-1.0	-1.0	-0.8	-1.7	-0.6	-0.4	0.4	-0.4	-0.5	-0.5
Percentage changes: latest quarter on corresponding quarter of previous year													
	GDRQ	ERIC	ERIU	ERJK	ERIE	GDRR	GDRU	GDRX	GDSD	GDSK	GDSI	IHYR	JUNV
2008 Q3	2.6	-6.1	-1.6	-0.7	-1.9	0.7	-1.2	1.2	1.1	1.2	0.7	0.3	0.3

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.