

Gross Domestic Product Preliminary Estimate - Q3 2011



Coverage: UK

Date: **01 November 2011**

Geographical Area: **UK and GB**

Theme: **Economy**

Key Points

- The chained volume measure of GDP increased by 0.5 per cent in the third quarter (Q3) of 2011
- Output of the production industries increased by 0.5 per cent in 2011 Q3, compared with a fall of 1.2 per cent in the previous quarter
- Construction sector output decreased by 0.6 per cent in 2011 Q3, compared with an increase of 1.1 per cent in the previous quarter
- Output of the service industries increased by 0.7 per cent in 2011 Q3, compared with a rise of 0.2 per cent in the previous quarter
- GDP in volume terms increased by 0.5 per cent in 2011 Q3 compared with 2010 Q3

Key Figures

GDP at market prices

Percentage change: latest quarter on previous quarter

seasonally adjusted

		Chained Volume Measure	GDP	Total Construction Production		Total Services
2009	Q4	96.2	0.7	0.3	0.3	0.8
2010	Q1	96.4	0.2	1.3	0.9	-0.1
	Q2	97.4	1.1	1.2	8.2	0.4
	Q3	98.0	0.6	0.3	3.2	0.4
	Q4	97.5	-0.5	0.1	-1.8	-0.4
2011	Q1	97.9	0.4	-0.1	-2.7	0.7
	Q2	98.0	0.1	-1.2	1.1	0.2
	Q3	98.5	0.5	0.5	-0.6	0.7

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Supplementary analysis

Gross Domestic Product (GDP) rose by 0.5 per cent in the third quarter (Q3) of 2011, driven by strength in the Services sector (in particular) and the Production sector. The Construction sector showed a small decline.

The interpretation of the estimate for Q3 is complicated by the special events in Q2 (for example, the additional bank holiday in April for the royal wedding), which are likely to have depressed activity in that quarter. As with 2010 Q4 and 2011 Q1 (affected by the bad weather in Q4) it may be wise to look at 2011 Q2 and 2011 Q3 together, rather than separately. On that basis GDP has grown by 0.6 per cent in the last two quarters and by 0.5 per cent in the last year.

Returning to the latest quarter, there is no evidence to suggest that the riots in August had any significant impact on GDP for Q3.

An article on [Analysing the path of GDP in the presence of special events \(26.5 Kb Pdf\)](#) can be found on the ONS website.

GDP in detail

Gross Domestic Product measures the chained volume index movements of the UK. The services sector accounts for more than three quarters of total gross domestic product. Figures are adjusted for seasonal variations unless otherwise stated and the reference year is 2008=100. For an explanation of the terms used in this bulletin, please see the Background Notes section. An assessment of the quality of the services statistics is available in the background notes.

Index of production

The seasonally adjusted index of production in 2011 Q3 increased by 0.5 per cent compared with a decrease of 1.2 per cent in the previous quarter:

1. Output increased in three of the four sub-sectors
2. Electricity, gas, steam and air conditioning supply contributed the most to the growth, followed by manufacturing and then mining and quarrying

Production output decreased by 0.7 per cent between 2011 Q3 and 2010 Q3.

Construction

The seasonally adjusted index for construction in 2011 Q3 decreased by 0.6 per cent compared with an increase of 1.1 per cent in the previous quarter. Construction decreased by 4.0 per cent between 2011 Q3 and 2010 Q3.

Distribution, hotels and restaurants

The seasonally adjusted index for distribution, hotels and restaurants in Q3 2011 increased by 0.4 per cent compared with a 0.4 per cent increase in the previous quarter:

1. Output increased in two of the five components
2. Food and beverage service activities and accommodation made the largest contributions to the increase

Distribution, hotels and restaurants increased by 0.8 per cent between 2011 Q3 and 2010 Q3.

Transport, storage and communication

The seasonally adjusted index for transport, storage and communication in 2011 Q3 increased by 0.9 per cent compared with flat growth in the previous quarter:

1. Output increased in nine of the twelve components
2. Telecommunications and computer programming, consultancy and related activities made the largest contributions to the increase

Transport storage and communication increased by 1.9 per cent between 2011 Q3 and 2010 Q3.

Business services and finance

The seasonally adjusted index for business, services and finance in 2011 Q3 increased by 0.8 per cent compared with an increase of 0.3 per cent in the previous quarter:

1. Output increased in twelve of the twenty-one components
2. Office administration made the largest contribution to the increase. A number of other business services components contributed significantly

Business services and finance increased by 1.0 per cent between 2011 Q3 and 2010 Q3.

Government and other services

The seasonally adjusted index of government and other services increased by 0.5 per cent in 2011 Q3 compared with an increase of 0.2 per cent in the previous quarter:

1. Output increased in ten of the thirteen components
2. Health and education made the largest positive contributions to the quarterly increase

Government and other services increased by 1.4 per cent between 2011 Q3 and 2010 Q3.

Background notes

1. This is the first Gross Domestic Product Preliminary Estimate publication to be released in accordance with the 2007 UK Standard Industrial Classification System (SIC 07). The reference year has also been moved forward by two years, so that the latest base year for the chained volume measure of GDP is 2008. Further information can be found in the article [Blue Book 2011: Improvements to GDP\(O\), IoS and IoP](#) on the ONS website.

This release is consistent with the dataset to be published in this year's UK National Accounts Blue Book. Part 1 of the 2011 Blue Book and their datasets will be published on the ONS website on 1 November 2011.

2. Additional supporting economic analysis relating to the Preliminary Estimate of GDP can be found in the [Economic Review](#).
3. An article on [Analysing the path of GDP in the presence of special events \(26.5 Kb Pdf\)](#) can be found on the ONS website.
4. **Short Guide to GDP**

Gross Domestic Product (GDP) is an integral part of the UK national accounts and provides a measure of the total economic activity in the UK. GDP is often referred to as one of the main 'summary indicators' of economic activity and references to 'growth in the economy' invariably refer to the growth in GDP during the latest quarter.

In the UK three different but equivalent approaches are used in the estimation of GDP:

- GDP from the output or production approach - GDP(O) measures the sum of the value added created through the production of goods and services within the economy (our production or output as an economy). This approach provides the first estimate of GDP and can be used to show how much different industries (for example, agriculture) contribute within the economy.
- GDP from the income approach - GDP(I) measures the total income generated by the production of goods and services within the economy. The figures provided breakdown this income into, for example, income earned by companies (corporations), employees and the self employed.
- GDP from the expenditure approach - GDP(E) measures the total expenditures on all finished goods and services produced within the economy.

5. Figures for the most recent quarter are provisional and subject to revision in light of:

- late responses to surveys and administrative sources
- forecasts being replaced by actual data
- revisions to seasonal adjustment factors which are re-estimated every quarter and reviewed annually (changes from the latest review are included in this release)

6. **Chained volume measure** is an index number from a chain index of quantity. The index number for the reference period of the index may be set equal to 100 or to the estimated monetary value of the item in the reference period.

Index numbers are a measure of the average level of prices, quantities or other measured characteristics relative to their level for a defined base reference period or location. It is usually expressed as a percentage above or below, but relative to, the base index of 100.

7. A link to the GDP methodology and a [guide to UK National Accounts](#) can be found on the ONS website.

In the coming months ONS will be reviewing and updating existing guidance and methodology documents to reflect the move to SIC 2007.

8. The index numbers in this statistical bulletin are all seasonally adjusted. This aids interpretation by removing annually recurring fluctuations, for example, due to holidays or other regular seasonal patterns. Unadjusted data are also available.

Seasonal adjustment removes regular variation from a time series. Regular variation includes effects due to month lengths, different activity near particular events such as shopping activity before Christmas, and regular holidays such as the May bank holiday. Some features of the calendar are not regular each year, but are predictable if we have enough data - for example the number of certain days of the week in a month may have an effect, or the impact of the timing of Easter. As Easter changes between March and April we can estimate its effect on time series and allocate it between March and April depending on where Easter falls. Estimates of the effects of day of the week and Easter are used respectively to make trading day and Easter adjustments prior to seasonal adjustment.

9. It is common for the value of a group of financial transactions to be measured in several time periods. The values measured will include both the change in the volume sold and the effect of the change of prices over that year. Deflation is the process whereby the effect of price change is removed from a set of values to derive the volume. These volumes are described as 'at constant prices'.

Within GDP, all series, unless otherwise quoted, are measured at constant market prices. Deflators adjust the value series to take out the effect of price changes to give the volume series.

10. Basic quality information

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 statements 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.

11. A [Summary Quality Report for Gross Domestic Product \(GDP\) data releases \(518.9 Kb Pdf\)](#) can be found on the ONS website. This report describes in detail the intended uses of the statistics presented in this publication, their general quality and the methods used to produce them.
12. In accordance with the National Accounts revision policy, there are no periods open for revision.

This release includes information available up to 21 October 2011.

The [National Accounts: Revisions Statement \(41.6 Kb Pdf\)](#) is available on the ONS website.

13. Spreadsheets giving revisions triangles (real time databases) of estimates from 1992 to date are available to download from the data section of this release. Revisions triangles for the main components of gross value added by industry are also available.

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 [Revisions to quarterly GDP growth and its production \(output\), expenditure and income components \(130.4 Kb Pdf\)](#) was published on the ONS website in December 2006.

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 2006 (2006 Q3) to August 2011 (2011 Q2). The analysis of revisions between month 2 and

month 3 uses month 3 estimates published from December 2006 (2006 Q3) to September 2011 (2011 Q2).

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	0.05
Between M2 and M3	0.5	-0.04	0.08

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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 December 2003 (2003 Q3) to September 2008 (2008 Q2).

Table 2: Revisions to month 3 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)
GVA growth (quarterly CVM)	0.5	-0.02	0.23

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An article titled [Understanding the quality of early estimates of Gross Domestic Product](#), which was first published in December 2009, is available on the ONS website.

This article presents an analysis of revisions to the early estimates of GDP based on a long period database of real time GDP back to 1955. This database is regularly updated and is available on the ONS website.

14. You can follow ONS on [Twitter](#) and [Facebook](#).
15. Details of the policy governing the release of new data are available from the press office. Also available is a list of those given [pre-publication access \(36.4 Kb Pdf\)](#) to the contents of this release.

A complete set of series in the statistical bulletin are available to download within the data section of this publication.

Alternatively, for low-cost tailored data, call Online Services on 0845 601 3034 or email tailored@statistics.gov.uk

16. National Statistics are produced to high professional standards set out in the [code of practice](#). They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference.

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17. Next publication date is 24 November 2011 (Second Estimate of GDP)

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