

OLD

Prime Minister @
To be aware AT 31/7



1 JF
2 CP

cegro
ceb

CABINET OFFICE
Central Statistical Office
Great George Street, London SW1P 3AQ Telephone 01-233

29 July 1985

Dear Prime Minister

REVISIONS TO GDP GROWTH RATES

I am writing to say that an article reporting the results of an analysis of revisions to quarterly estimates of growth rates of Gross Domestic Product (GDP) will appear in the July issue of Economic Trends, which is expected to appear on 12 August. The analysis was carried out by the Research and Special Studies Unit of the Central Statistical Office, in collaboration with the National Accounts Branch. The results have been discussed with Treasury officials.

The analysis finds that revisions to growth rates of constant price GDP have been more often upward than downward. After five years the balance is about two thirds upward to one third downward. The range of revisions is quite large; historically two thirds of the revised annual growth rates after five years have been in the range from 0.3 percentage points below the first estimate to 1.7 percentage points above.

Prime Minister
10 Downing Street
London SW1

To assist in interpreting movements in the economy, we shall show the range within which the revised values of current growth rates are likely to lie, on the assumption that future revisions are similar to those in the past. The article quotes ranges calculated to include two thirds of the revised values, and announces that in future articles and press notices on GDP each growth rate estimate will have a similar range quoted. As an example, the growth rate between the fourth quarters of 1983 and 1984 was first estimated as 2.4 per cent (this being affected by the miners' strike); the article quotes the range within which the finally revised value is likely to lie as 2.1 to 4.1 per cent.

Yours sincerely
John Boreham

JOHN BOREHAM

