

Towards a monthly indicator of economic growth

- abstract -

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The paper describes the research carried out by Statistics Netherlands in developing a monthly indicator of economic growth. Although a lot of information on short-term economic movements is available on a monthly basis, a monthly overall measure of the state of the economy is still lacking. A monthly overall indicator gives a very timely and up-to-date picture of the economy and could be of great use in timely and correctly identifying turning points in the business cycle.

The newly developed indicator is built from the supply side of the economy, using structural information from the national accounts and monthly year-on-year volume growth rates for separate industries. For some sectors (industry, construction, mining and quarrying and energy and water supply), monthly source statistics on the output produced are available. Where monthly data are lacking, for example for commercial services, econometric techniques are used to arrive at a monthly series using quarterly data and additional indicator series that are available at a monthly frequency.

Real-time simulation over a number of years demonstrates that the monthly indicator performs quite well. Compared to the final year estimates of GDP volume growth, the monthly indicator has only a small downward bias. Other summary statistics (mean absolute revision, root mean square revision, maximum positive/negative revision) also show that the monthly indicator performs well, and in fact outperforms the official quarterly (flash and regular) estimates.