

Box 5

New flash estimates of quarterly real GDP for the euro area

On 15 May 2003, Eurostat published for the first time a flash estimate of euro area and EU GDP, referring to developments in the first quarter of 2003. GDP flash estimates provide information on quarter-on-quarter growth in real GDP as a whole. This box discusses the motivation for, and the estimation methodology of, the flash estimates. As described below, GDP flash estimates provide useful additional information for the analysis of conjunctural developments in euro area activity.

GDP flash estimates improve the availability of euro area national accounts data for business cycle analysis. The publication of GDP flash estimates was foreseen in the September 2000 Action Plan on EMU Statistical Requirements (EMU Action Plan), established by the European Commission (Eurostat) in close co-operation with the ECB. With a publication delay of 45-48 days after the end of the reference quarter, the release of GDP flash estimates for the euro area follows a similar timetable to the publications for several euro area countries and is a significant step towards the “first-for-Europe” principle¹. It also brings the timeliness of euro area statistics closer to the situation prevalent in the United Kingdom and the United States, where preliminary national accounts estimates are released after 30 days.

In respect of the underlying methodology, Eurostat follows the same practice for the compilation of GDP flash estimates as for traditional euro area national accounts. It uses data, transmitted by the Member States, which comprise two main elements. First, annual euro area GDP, computed as the sum of national GDPs for the twelve euro area countries. Second, information about the quarterly profile of the series is derived from available quarterly data for a sub-set of Member States. More specifically, a regression is carried out between annual euro area GDP and the quarterly indicators. The estimated relationship is used to infer a quarterly series for euro area GDP. In the case of euro area GDP flash estimates, the set of quarterly indicators comprises early GDP results produced by the national statistical institutes for Germany, Greece, Italy and the Netherlands (which account for around 55% of euro area GDP), as well as related indicators, mainly industrial production indices, for France and Spain.

The reliability of the new euro area flash estimates depends on two factors: first, how reliable national flash estimates are; second, how closely the quarterly profile indicated by the national flash estimates and the French and Spanish indicators matches that of euro area GDP. With regard to the first point, greater timeliness of national GDP flash estimates compared with national accounts data may be achieved by relying on a more limited information set. Their track record so far is satisfactory. However, publication of national flash estimates is generally relatively recent and it is too early to be able to assess confidently the degree of accuracy of these data. Turning to the second point, the coverage of the euro area flash estimates will increase when additional countries start publishing results in time for the euro area estimation, as is planned. In order to provide an indication of the reliability of euro area flash estimates, Eurostat has carried out a number of simulations. Over the period from the fourth quarter of 2000 to the fourth quarter of 2002, the difference in quarter-on-quarter growth between the flash estimate computed according to the flash methodology and the national accounts releases would not have exceeded 0.1 percentage point. As regards the latest release, the national accounts data for the first quarter of 2003 confirmed the growth rate in GDP indicated by the flash estimate three weeks earlier.

While a welcome complement to statistics on the euro area economy, GDP flash estimates are not intended to be a substitute for euro area national accounts releases. First, information on the composition of GDP growth continues to be available from the national accounts release only, i.e. about 65-70 days after the end of the quarter. Statistical information from either national sources or euro area-wide indicators that would allow for estimates of GDP components at an earlier date with sufficient reliability are currently not available. Second, unlike national accounts releases, GDP flash estimates do not provide information about revisions to past quarters.

¹ See the article entitled “Developments in general economic statistics for the euro area” in the April 2003 issue of the ECB’s Monthly Bulletin.