

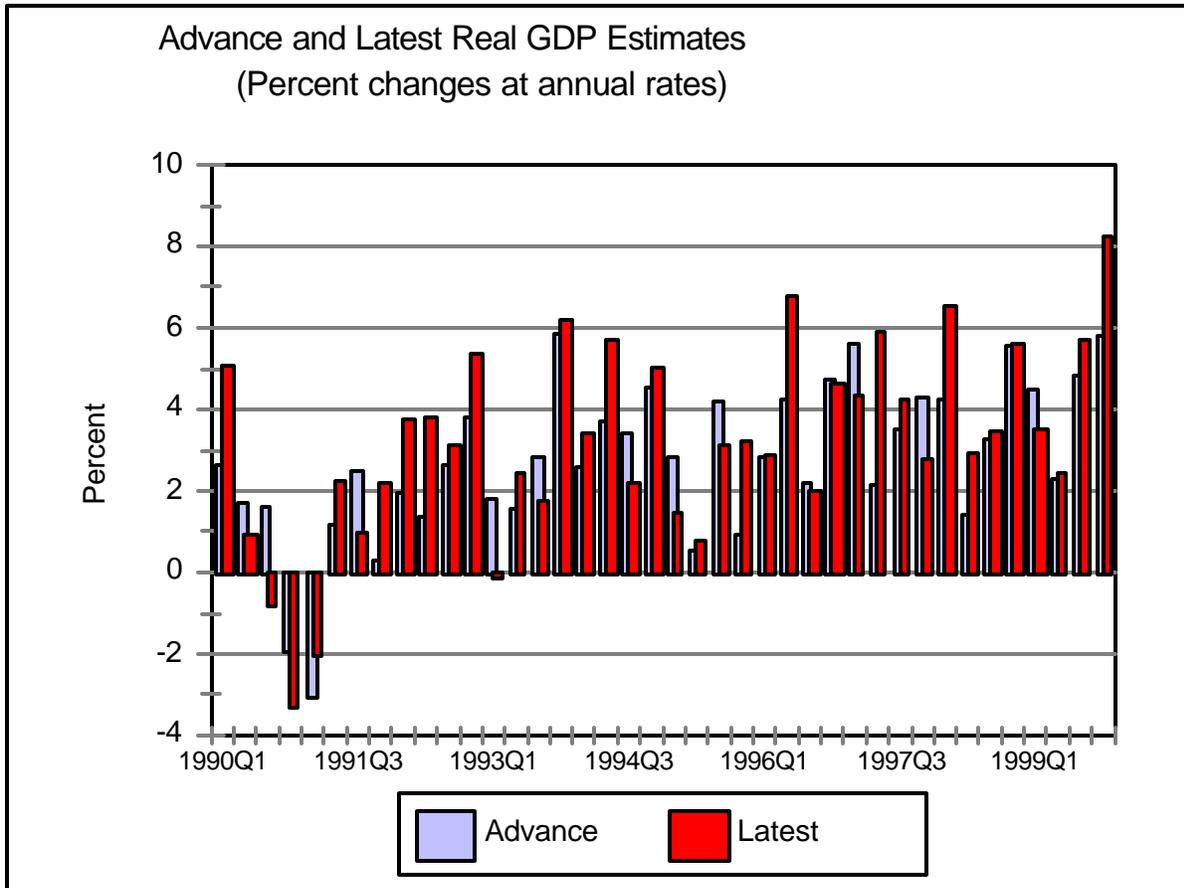
Revisions to GDP
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The estimates of real GDP and its major components provide a relatively reliable general picture of economic activity:

- For example, using the latest estimates as standards of reliability, the current-quarterly estimates of growth in real GDP over the last decade have had average revisions—without regard to sign—of about one percentage point at annual rate. During that period, real GDP growth averaged 3.0 percent; ranging from a high of 8.3 percent to a low of -3.3 percent.
- Since the early nineteen eighties, the estimates of the direction of change in real GDP have been correct over 95 percent of the time.
- The estimates of whether real GDP is accelerating or decelerating have been accurate nearly three-quarters of the time.
- The estimates of whether real GDP is growing above, near, or below its trend growth rate have also been accurate nearly three-quarters of the time.
- The estimates of cyclical peaks and troughs have also provided an accurate general picture of the cycles:
 - S The cyclical peak was correctly captured in four of the last five recessions. The miss was for 1990-1991 recession; the early estimates correctly recorded a dramatic slowdown in the first half of 1991, but showed a further slowing in the third quarter—rather than a small decline
 - S The cyclical trough was correctly captured in three of the last five recessions.
 - S All of the misses were within one quarter of the latest estimates of the timing of peaks and troughs.
- C The estimates of trends are also relatively reliable:
 - S Over the last 5 expansions, the early estimates for the major components and sub-components of GDP correctly indicated the relative magnitude of growth of the components – high, average, or low— 81 percent of the time.

- S GDP estimates have also provided relatively accurate general pictures of trends and for analytic variables such as investment and saving rates, government expenditures as a percent of GDP, export and import shares, and real GDP per capita.
- C Three things should be emphasized about revisions:
 - C Some revisions are due to later conceptual changes made to adapt the GDP measures to a changing economy.
 - C Revisions to seasonal factors are about as large as average revisions to GDP, and are probably the largest contributors to the GDP revisions.
 - C Many of the NIPA estimates are not based on sample data, and the underlying true values will never be known; large average revisions are not necessarily indications of low accuracy, and low revisions are not necessarily indicators of high accuracy.

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