

## ***WATCHING OUR WEIGHTS: KEEPING GDP RELEVANT***

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Constant price series are used to show changes in quantities by excluding the effects of price changes. When constant price time series are aggregated by summing together, the relative importance, or weight, of each series to the aggregate is fixed according to its value in the base year. Rebasing is the process by which these fixed weights are updated. In the New Zealand national accounts, key production and expenditure aggregate components of gross domestic product (GDP) are reweighted annually. Some low level series, however, still contain fixed weights. Statistics New Zealand recently updated the base year and expression year for GDP volume series from 1995/96 to 2009/10. Using examples, we explain the distinction between base and expression years, the importance of regularly updating both, and why revisions occur. Updating the weights in the New Zealand accounts resulted in revisions to overall movements for both the production and expenditure measures of GDP. We discuss the experience of rebasing the New Zealand accounts, and possible future changes to volume series. Removing fixed weights entirely would eliminate the need for rebasing, ensure volume measures of GDP are relevant, and allow for more regular updates to the expression year. Introducing constant price supply-use balancing would expand the use of detailed annual data in volume measures and increase coherency between the production and expenditure volume measures of GDP.