

## Controversial “Base Year Revision” Plans

### What is the issue?

\n\n

\n

- Presently the base year for most national statistics calculations is 2011-12.
- \n
- The Union ministry of statistics and programme implementation (MoSPI) has proposes to change the base year to 2017-18.
- \n

\n\n

### What parameters are likely to be rebased?

\n\n

\n

- MoSPI plans to rebase the calculations for the GDP, Index of Industrial Production (IIP), and the consumer price index (CPI) to the year 2017-18.
- \n
- These changes will be implemented in 2018-19 after the latest Employment Survey and Household Expenditure Survey are tabulated.
- \n
- Fiscal and monetary policies are both tied to changes in GDP, which provides the reference for all other variables such as revenue collections and deficits.
- \n
- IIP measures factory and mining output while the CPI is the official benchmark used by the RBI for assessing inflation.
- \n
- It is only normal practice to revise base years regularly for indexing key macroeconomic statistics to accurately reflect the changes in the economy.
- \n

\n\n

### What are the challenges with rebasing?

\n\n

\n

- **Continuity** - Base year revisions and changes in calculation methodology

must be accompanied by backward calculations for better analysis.

\n

- Without the back series (based on older methods), it becomes difficult to make substantial and meaningful assessments about the changes.

\n

- However, the back series for the pervious base year revision was not released, which made credible trend analysis difficult for a while.

\n

- **Stable Referencing** - If base year changes are brought about too frequently, they can also cause confusion and make it very hard to read economic trends.

\n

- As this will distort our analysis of policy impact, there needs to be a rational and an apolitical logic in changing base years for better analysis.

\n

- But the current proposal seems too early a revision, considering that many metrics were revised only recently.

\n

- **Recently Revised Metrics** - The base year for GDP and wholesale price index (WPI) calculations was last revised in 2014-15 from 2004-05 to 2011-12.

\n

- In fact, even the calculation methodology for GDP was radically changed and the data sample was greatly expanded to include more companies.

\n

- The proportional weights of sectors and base year for IIP was revised even more recently, in 2017 (from 2004-05 to 2011-12).

\n

- A new integrated Consumer Price Index (CPI) was also introduced to make it possible for the central bank to shift its focus for targeting inflation.

\n

\n\n

## **What is problem with choosing the base year as 2017-18?**

\n\n

\n

- Traditionally, only normal years are identified for basing macroeconomic parameters, in order to avoid anomalies in trends and ensure credible analysis.

\n

- Hence, while 2014-15 would've been an ideal year for such calculations, MoSPI's proposal has chosen 2017-18, which is contentious.

\n

- Notably, data for 2017-18 hasn't even been finalised yet and it is also a year that had the lingering effects of demonetisation and GST disruptions.  
\n
- Hence, instead of making more changes to the base year, MoSPI should prioritise restoring credibility and comparability, through back series data.  
\n

\n\n

\n\n

**Source: Business Standard**

\n

