

Governments Revises GDP Base Year

Prelims - Economy| Current events of national and international importance.

Why in news?

The Government of India recently proposed to revise the Gross domestic Product (GDP) base year along with base year of other macro-economic metrics.

- **GDP base year** - The base year is the **reference year** used for comparing GDP figures across years to calculate real (inflation-adjusted) growth.
- **Current base year in India - 2011-12.**
- **New proposed base year - 2022-23** (to be implemented from Feb 2026).
- **Industrial Production (IIP)** - The base year for IIP will also be revised **to 2022-23**.
- IIP tracks volume of production in manufacturing, mining, and electricity sectors and it is also used to gauge short-term economic activity and industrial health.
- **Consumer Price Index (CPI)** - The base year for CPI, which is used to assess the rate of inflation faced by consumers, will be revised **to 2023-24**.

Government has constituted Advisory Committee on National Accounts Statistics under the Chairmanship of Biswanath Goldar to oversee and guide the revision of the GDP base year and advise on new methodology, data sources, and estimation techniques.

- **Past GDP base year revisions in India** - It is done 7 times since Independence and it is revised every 10 years, typically choosing years that ended in 1 (E.g., 2001, 2011) aligning with census.
- From 1999 onward, the GDP base year was revised **every 5 years** which is based on the recommendation of the National Statistical Commission (NSC).
- 2017-18 is not used as base year due to the disruptions in economic data caused by demonetisation (2016) and GST (2017).

Significance of Base Year Revision

- **Reflect structural economic changes** - It captures economic reality better by inclusion of **emerging industries**.
- **Update data sources** - Inclusion of better and more recent data (like new surveys or digital databases).
- It improves real growth measurement by adjusting inflation more accurately.
- It informs better policymaking by reliable GDP estimates which is essential for resource allocation.
- Global investors demand credible data as India is nearing status as the 3rd largest

economy.

Reference

[The Indian Express| Govts Revise GDP Base Year](#)

