

New GDP Methodology

Prelims: Current events of national and international importance | Economy

Why in News?

Recently, the Ministry of Statistics and Programme Implementation (MoSPI) provided clarification on the latest GDP estimates for Q1 of 2026-27.

- **Double Deflation** - In this method, Gross Output and Intermediate Consumption are each independently adjusted to account for changes in price levels.
- **Real GVA** = Real Gross Output – Real Intermediate Consumption
- It provides a more accurate representation of the real value added by an industry, as it separately considers both output and input prices.
- **Negative GVA Deflator** - A negative Gross Value Added (GVA) deflator does not necessarily indicate a decline in manufacturing prices.
- This situation may arise **when input prices increase at a faster rate than output prices.**
- **Example** - Suppose:
 - Output price ↑ **5%**
 - Input price ↑ **10%**
- Although both output and input prices increased, input costs rose at a higher rate than output prices.
- As a result, Real Gross Value Added (GVA) may increase at a **faster rate than Nominal GVA.**
- Consequently, the implicit GVA deflator may become negative.



Q1 2026–27



Indicator		Growth
 Manufacturing Nominal GVA		7.7%
 Manufacturing Real GVA		9.2%
 Implicit GVA deflator		-1.5%

A negative deflator does not necessarily indicate declining prices.

- **GDP Revision** - This change represents a significant issue in data interpretation.



Q1 2025–26 Current-price GDP

Stage	GDP estimate
Initial estimate — old 2011–12 base	₹86.05 lakh crore
New 2022–23 base series	₹80.32 lakh crore
Updated estimate — June 2026	₹80.44 lakh crore
Latest revision after new IIP & PPI data	₹80.00 lakh crore

- **Factors Contributing to the Change**
- The revision occurred due to the following factors:

- **Change in base year**
- Improved data sources
- New **IIP data**
- Introduction of **PPI**
- Methodological improvements
- Successive revisions as better data became available
- **GDP Deflator vs CPI vs WPI**

CPI vs WPI vs GDP Deflator

Key Differences at a Glance

Indicator	What it measures	Coverage	Typical use
CPI 	Price change of a fixed basket of goods & services bought by households.	Consumer goods + some services; household consumption only.	Retail inflation, monetary policy anchor.
WPI 	Price change of goods at wholesale level.	Mostly goods (raw materials, intermediates, some finished goods); excludes most services .	Input cost pressure, wholesale inflation.
GDP deflator (implicit) 	Ratio of GDP at current prices to GDP at constant prices.	Entire economy: consumption, investment, govt spending, net exports, services (banking, IT, real estate, etc.).	Economy-wide inflation measure; used to get real GDP.

- **Difference between nominal and real GVA**
- **For example** - Mining Sector: Increase in Nominal GVA but Decrease in Real GVA

Mining Sector:

Nominal GVA ↑ but Real GVA ↓

This is another important conceptual issue.



Q1 2026-27

Indicator	Growth
Real Mining GVA	-2.4%
Nominal Mining GVA	+22.3%

Why?
Because **mineral prices increased sharply.**

Mining IIP			Mining & Quarrying PPI inflation			Particularly sharp price increases			
	Month	Growth		Month	Inflation		Crude petroleum & natural gas		
	April	-3.8%		April	22%		Month	Price increase	
	May	-1.4%		May	21.2%		April	69.5%	
	June	+1.6%		June	15.5%		May	72.2%	
							Metal ores		
							Month	Price increase	
							April	27.6%	
							May	25.2%	
								June	23.5%

- Real Gross Value Added (GVA) reflects the quantity effect.
- Nominal Gross Value Added (GVA) incorporates both quantity and price effects.

- Therefore, it is possible for output to decline while nominal GVA increases if price levels rise sufficiently.
- **Statistical discrepancy** - Gross Domestic Product (GDP) may be estimated using several primary approaches:
 - **Production approach** versus **Expenditure approach**
- In principle, **GDP calculated by the production approach should equal GDP calculated by the expenditure approach.**
- However, discrepancies may occur due to the following factors:
 - Use of different data sources
 - Timing differences in data collection
 - Incomplete or missing information
 - Measurement errors or inconsistencies
 - Preliminary status of quarterly GDP estimates
- The resulting difference is recorded as a **statistical discrepancy.**

Reference

[DD India | MoSPI Explains GDP Methodology](#)

