New GDP Methodology

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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.

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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.

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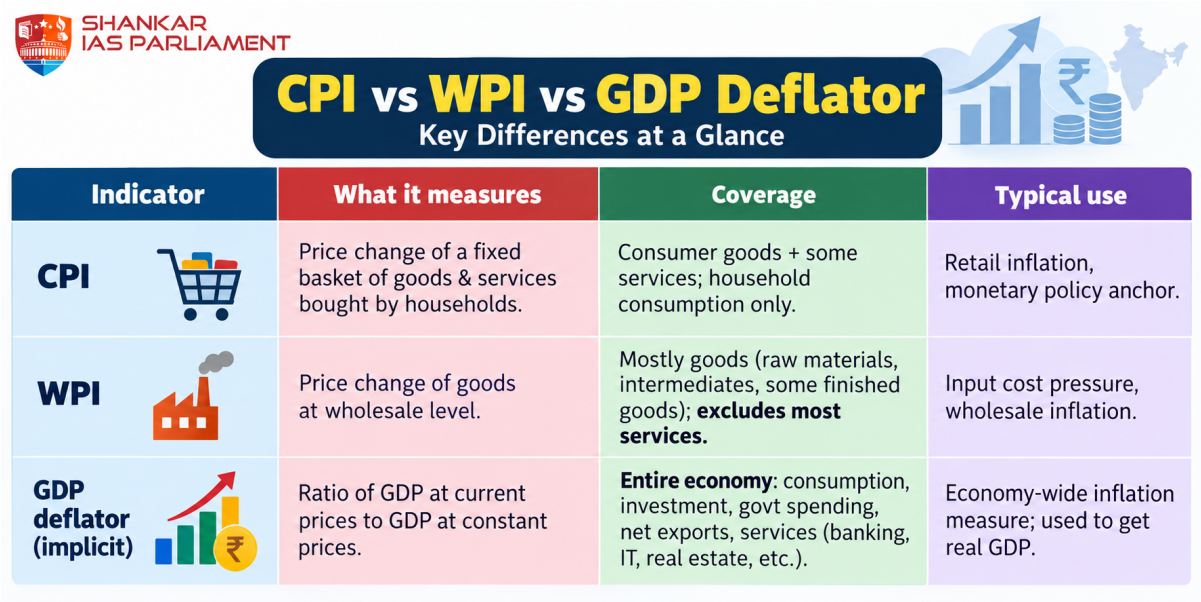
Q1 2025–26 Current-price GDP

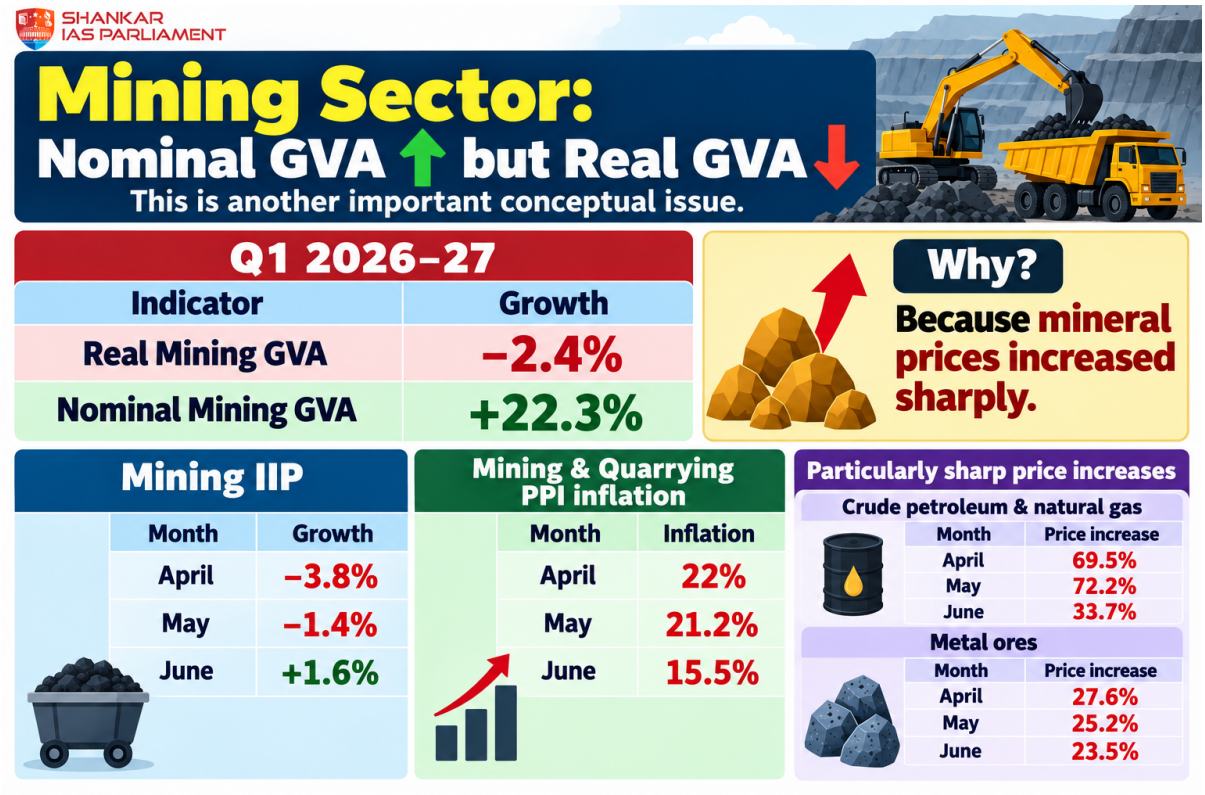
Stage	GDP estimate
Initial estimate — old **2011–12 base**	₹86.05 lakh crore
New **2022–23 base series**	₹80.32 lakh crore
Updated estimate — **June 2026**	₹80.44 lakh crore
Latest revision after new **IIP & PPI data**	₹80.00 lakh crore

- **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**



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



- 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