NSO Advance Estimates

Why in news?

The National Statistical Office (NSO) recently released the first advance estimates of the national income for 2019-20.

What are the highlights?

- NSO projected growth in India's GDP at market prices for 2019-20 at 4.98% in "real" terms.
- This is the lowest since the 3.89% in the global financial crisis year of 2008-09.
- More significantly, the estimated growth in "nominal" terms was 7.53%.
- This is the lowest since the 7.35% for 1975-76.
- Also, this is the first time since 2002-03 that nominal GDP growth has been in single digits.

What are nominal GDP and real GDP?

- GDP is the total market value of all goods and services produced in the economy during a particular year.
- This is inclusive of all taxes and subsidies on products.
- The market value taken at current prices is the nominal GDP.
- The value taken at constant prices (prices for all products taken at an unchanged base year) is the real GDP.
- In simple terms, real GDP is nominal GDP without the effect of inflation.
- Real GDP growth thus measures how much the production of goods and services in the economy has increased in actual physical terms during a year.
- On the other hand, nominal GDP growth measures the increase in incomes resulting from rise in both production and prices.

What does this imply?

- In the normal course, real growth is what is ordinarily looked at.
- But, the current fiscal year seems extraordinary because the gap between nominal and real GDP growth is just 2.6 percentage points.
- This is marginally higher than the difference of 2.5 percentage points in 2015-16.
- But in that year, real GDP growth was 8%, which translated into a nominal

growth of 10.5%.
- In 2019-20, the real GDP growth is expected to be the lowest in 11 years.
- Also, the implied inflation is just 2.6%.
- [It is also called GDP deflator, or the increase in prices of all the goods and services produced in the economy.]
- In simple terms, producers have not gained from either higher output or higher prices.

What are the concerns?

- In the 2019-20 Budget, Finance Minister had assumed nominal GDP would grow by 12% to Rs 211.01 lakh crore.
- However, the NSO's latest projection of nominal GDP for 2019-20 is only Rs 204.42 lakh crore.
- So, even if the Centre's fiscal deficit is contained at the budgeted numbers, it would be 3.44% of GDP, as against the originally targeted 3.3%.
- This is over and above the slippages in the absolute fiscal deficit itself due to the Centre's revenues turning out to be lower than the Budget projections.
- High nominal GDP growth also makes the government's debt seem more manageable, unlike with low nominal GDP.
- The debt stock (numerator) can keep going up so long as it does not exceed the nominal increase in GDP (denominator).
- This equation changes in a low nominal GDP growth scenario.
- For state governments too, low nominal GDP growth is a matter of concern.
- This is because their budgets normally assume double-digit increases in revenues.
- The Centre's compensation formula to states from the GST also promised to meet any annual revenue shortfall below 14%.
- That again, did not ever factor in the possibility of GDP growth (real GDP plus inflation) falling to 7.5% levels.

Source: Indian Express

Quick Fact

National Statistical Office

- The National Statistical Office (NSO) forms the Statistics Wing of the Ministry of Statistics and Programme Implementation.
- It consists of the Central Statistical Office (CSO), the Computer center and the National Sample Survey Office (NSSO).
- It is responsible for conduct of large-scale sample surveys in diverse fields on

All India basis.

