Provisional Estimates of Annual National Income

What is the issue?

A closer look at recent data on GDP shows that the numbers are flawed and recovery is incomplete.

What about the GDP growth in India?

- The National Statistical Office (NSO), Ministry of Statistics and Programme Implementation, has released the Provisional Estimates of National Income for the financial year 2020-21.
- It shows that GDP grew 8.7% in real terms and 19.5% in nominal terms making India the fastest growing major economy in the world.
- Further, the real economy is 1.51% larger than it was in 2019-20, just before the novel coronavirus pandemic hit the world.
- The picture implies almost no growth and high inflation since the pre-pandemic year.

To know more about GDP growth data, click here

What is the implication with the tag "the fastest growing economy"?

- **Fall and rise of economy**- If an economy drops sharply and then rises equally fast to reach its earlier level, that cannot be taken as an indication of a rapidly growing economy.
- **Price rise**- Price rise and impact on production are likely to persist.
- The rapid rise in prices will impact demand from the vast majority of citizens who are losing out reducing the growth further.
- **Correctness of data**- Very little data are available for quarterly estimates and even less is available for the unorganised sector.
- Since the same method is used to estimate the annual growth rate the errors get repeated.
- If GDP data are incorrect, data on its components - private consumption and investment must also be incorrect.
- **Errors-** The method using the organised sector to proxy the unorganised non-agriculture sector may have been acceptable before demonetisation (2016) but is not correct since then.
- Large parts of the unorganised non-agriculture sector have experienced a shift in demand to the organised sector and this introduces large errors in GDP estimates since official agencies do not estimate this shift.

References

1. https://www.thehindu.com/todays-paper/tp-opinion/india-is-not-the-fastest-growing-big-economy/article65516075.ece
2. https://pib.gov.in/PressReleasePage.aspx?PRID=1723153



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