Understanding Back Series GDP Data

What is the issue?

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- An expert committee set up by National Statistical Commission (NSC) released recently the report on back series GDP data.
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- In this context, it is essential to understand certain aspects associated with the report and the calculations.
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What was the 2015 shift?

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- In 2015, the government moved to a new base year of 2011-12 from the earlier 2004-05 for national income accounting.
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- The base year of national accounts had been revised earlier in 2010.
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- In the new series, the Central Statistics Office (CSO) did away with Gross Domestic Product (GDP) at factor cost.
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- It adopted the international practice of valuing industry-wise estimates as gross value added (GVA) at basic prices.
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What was its effect?

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- With the new base year, the growth rate of the economy for 2013-14 was estimated at 6.9%.
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- But notably, it was 4.7% on the 2004-05 base.

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- Similarly, the growth rate for 2012-13 was revised upwards to 5.1% from 4.5%.
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- Growth of the manufacturing sector also became higher in the new series.
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What was the resultant challenge?

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- **MCA-21** - It is an e-governance initiative of the Ministry of Company Affairs (MCA) that was launched in 2006.
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- It allows firms to electronically file their financial results and advance filing of corporate accounts to calculate national accounts.
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- The CSO, as usual, used the establishment-based datasets.
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- These are Index of Industrial Production (IIP) and Annual Survey of Industries (ASI).
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- But apart from this, it started to use the enterprise-level corporate database of MCA-21.
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- **Data** - With the above change, for years preceding 2011-12, the CSO faced issues for evaluating GDP with the new base year.
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- This was due to the lack of availability of the MCA-21 database.
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- Hence the back series calculation proved to be a “major statistical challenge”.
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What does the GDP, GVA difference imply?

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- As per the new methodology, CSO calculates GDP by adding product taxes to the GVA at basic prices, and removing subsidies.
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- [GDP = GVA at basic prices + Product taxes - subsidies on products]

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- GDP, which incorporates indirect tax collections net of subsidies, should normally be higher than GVA.
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- But if net indirect tax collections grow slower than subsidies, GVA could be higher than GDP.
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- The new series shows that on at least 12 occasions out of 18 until 2011-12, GVA was higher than GDP.
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- This is possibly because fertiliser subsidy was scaled up significantly from 2005-06 following poor agricultural growth.
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Source: Indian Express

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