

CEA: Revisions of earlier years made Q3 GDP seem tepid

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New Delhi, 1 March

A day after the October-December quarter (third quarter, or Q3) gross domestic product (GDP) growth estimates came in lower than market expectations, Chief Economic Advisor V Anantha Nageswaran said that the figures came across as tepid due to revisions made in earlier years, and had to be analysed in that context.

Addressing the media, Nageswaran said there was much misunderstanding of the data released on Tuesday evening by the National Statistical Office (NSO) because it also came with revisions to the data of the previous three years.

“Let us take private final consumption expenditure at constant prices. The data revision to the prior years has made a 6 per cent growth rate come down to 2 per cent in Q3 of 2022-23 (FY23),” Nageswaran told reporters.

Nageswaran said that even though one is comparing consumption to consumption, what is being compared is the cumulative base effect of the first revision of 2021-22 (FY22), the second revision of 2020-21 (FY21), and the third revision of 2019-

20 — all of which inflate the base period data and depress the growth rate for FY23. Nageswaran also cited the example of manufacturing gross value added (GVA) and said it would have grown 5.1 per cent year-on-year (YoY) in the full fiscal year of FY23, based on the Second Advance Estimates without the revised data. “However, it will grow 0.6 per cent YoY in this period after revision. That is a revision of 4.5 percentage points,” he said. For Q3FY23, Nageswaran said that manufacturing GVA would have grown 3.8 per cent YoY without the revised data.

However, it contracted 1.1 per cent due to revisions — a change of 4.9 percentage points. “When one is comparing a data point that has gone through three or four revisions and another which is still called ‘Advance Estimate’, one is not comparing apples to apples but apples to oranges,” he clarified.

“The argument that the recovery has become shallow-

er does not make sense since one is not making a fair comparison,” he added. However, Nageswaran’s contention can be countered by what State Bank of India’s Group Chief Economic Advisor Soumya Kanti Ghosh wrote late on Tuesday evening.

“There are large revisions in the quarterly number of FY21 with GDP growth of second quarter, Q3, and fourth quarter (Q4) of FY21 revised upwards by more than 90 basis points. However, GDP growth of Q3 and Q4 of FY22 are revised downwards,” said Ghosh, which means that just YoY, Q3 GDP is higher than what it should have been since the corresponding period last year was revised downwards.



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