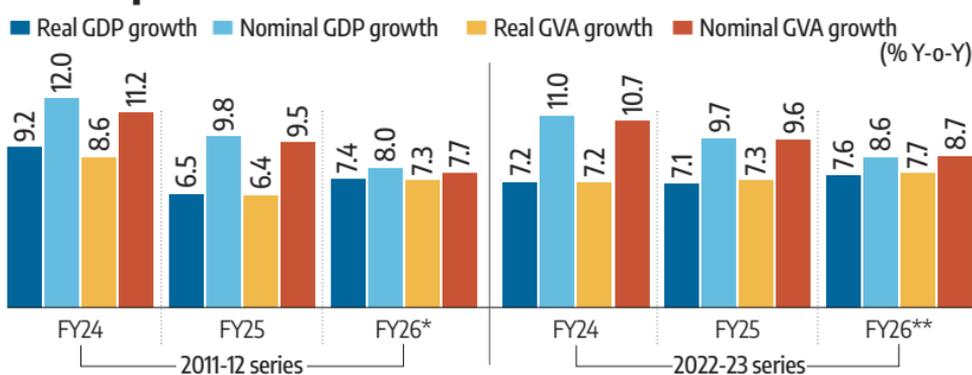


New series addresses lacunae in older GDP methodology

A comparison



Discrepancies between expenditure and production side of GDP at constant prices

■ FY24 ■ FY25
(% of GDP)



*First advance estimates
**second advance estimates
Source: Mospi

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The government has introduced wide-ranging methodological changes to measure gross domestic product (GDP) and allied numbers by heeding to the criticism over earlier single deflator method, which gave rise to discrepancies between production and expenditure sides of computing the numbers.

The revision goes beyond the routine base update of revising the base year to 2022-23 from 2011-12.

It incorporates structural improvements in estimation, including the adoption of double deflation in agriculture and manufacturing, expanded coverage of the unincorporated sector through the Annual Survey of Unincorporated Sector Enterprises (ASUSE), the use of Periodic Labour Force Survey (PLFS) data for labour input refinement, greater reliance on goods and services tax (GST) and other administrative databases, and tighter integration of production and expenditure accounts through the Supply Use Tables (SUT) framework.

Officials said these changes aim to better capture structural shifts in the economy, improve the use of deflators, and reduce statistical discrepancies between the two sides of GDP measurement.

Even then discrepancies still stood at 0.4 per cent of real GDP in 2023-24 and 1.2 per cent in 2024-25 in the new series, albeit lower than 0.8 per cent and (-) 1.6 per cent, respectively, in 2011-12 series. Discrepancies are smaller at current prices in the new series.

Former Chief Statistician Pronab Sen said that while the use of the SUT framework should, in principle, eliminate discrepancies between production- and expenditure-side estimates, some divergence continues.

“Once you fully integrate the accounts through the SUT, there should technically

be no discrepancy. The fact that there is still a gap means there are measurement issues that remain unresolved,” he explained. Sen further said the most important methodological change in the new series is the adoption of the double deflator. “The shift to double deflators is a very important improvement,” he said.

While the methodology itself is well-known internationally, he added that it is not yet clear how exactly it has altered the numbers in India’s case. “What we do not yet know is how much of the revision in growth rates is coming specifically from the double-deflator approach,” he added.

Another key change is the improved segregation of manufacturing and services activities, particularly within multi-activity enterprises. The new series attempts to better classify output between sectors rather than clubbing activities together.

Sen described this as an important conceptual correction but cautioned that its quantitative impact is unclear. “The segregation of manufacturing and services is important, especially in an economy where firms operate across activities. But how it has changed the numbers is not known yet,” he said.

“We do not know whether it has benefited manufacturing or services disproportionately, because at the aggregate sectoral level, there does not appear to be a dramatic structural shift,” Sen added.

The most visible impact of the rebasing is on the growth profile for 2023-24. Real GDP growth for that year, which was earlier estimated at 9.2 per cent under the 2011-12 base series, now stands at 7.2 per cent under the new 2022-23 series. Revised projections show growth at 7.1 per cent for 2024-25 compared with earlier estimates of 6.5 per cent. For 2025-26, second advanced estimates pegged GDP growth at 7.6 per cent under the new series against 7.4 per cent in the first one under the 2011-12 series. The revision is mirrored in GVA (gross value added) data too.