Mospi may use GST data to calculate GDP figures

SHIVA RAJORA & ASIT RANJAN MISHRA
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In a bid to improve the calculation of gross domestic product (GDP), the Ministry of Statistics and Programme Implementation (Mospi) is expected to incorporate goods and services tax (GST) data as a new source once the ongoing revision of the national accounts' base year is completed, according to a senior official.

Until now, the Goods and Services Tax Network (GSTN) has been reluctant to share such data with Mospi, citing confidentiality concerns.

"When the base year is revised for national accounts, new data sources will be included, with monthly GST data being one of them. We will anonymise the data before its use. Introducing new data sources at this stage would create issues of comparability. An expert committee will determine the method and technique for its inclusion," the official stated.

Use of GST data for GDP calculation would be done after base year revision of national accounts

In June 2024, the ministry constituted a 26-member expert advisory committee on National Accounts Statistics (ACNAS), chaired by economist Biswanath Golder, to oversee the base revision process, which is set to conclude by February 2026.

Himanshu, a professor at Jawaharlal Nehru University, suggested that GST data could replace company balance sheets from the Ministry of Corporate Affairs (MCA), which is currently used to calculate GDP. "The challenges with using MCA data in GDP calculations are well-known. The volume of transactions and value of output can be better estimated from GST data," he said.

Mospi faced significant criticism from experts when it adopted MCA data for the current 2011-12 GDP series, as the statistics department did not allow independent verification of the data set used.

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Double deflation method may be adopted for GDP computation

R Nagaraj, distinguished senior fellow at the Centre for Liberal Education at IIT Bombay, said Mospi should not repeat the mistakes made in using MCA data in the previous revision. "The GST data is at present a big black box. Its suitability for GDP estimation should first be adequately tested and allowed to be verified by a group of independent scholars before making it a source for GDP data," he added.

Madan Sabnavis, chief economist at Bank of Baroda, welcomed the potential use of GST for data on companies and individual incomes. "Monthly GST data is a better indicator than the quarterly company results, which are not extremely reliable as most company results are not released in a timely manner."

P C Mohanan, former acting chairman of the National Statistical Commission (NSC), echoed similar sentiment, noting that using GST data for GDP computation is a welcome move. "As a consumption-based tax, GST will provide a clearer picture of consumption demand in the economy. Additionally, since it covers services firms, it will offer a more comprehensive view of the industry," Mohanan said.

Currently, GSTN data is only being used to assess the total number of firms in the country, said the official cited above.

Other improvements to GDP computation will include the adoption of a double deflation method to calculate real estimates. "MoSPI needs to move away from the single deflation method, which is less robust for producing real estimates. To the extent of data availability and single extrapolation, the method will be improved," the official stated.

The recently released Annual Survey on Unincorporated Sector Enterprises (ASUSE), which captured the vast informal sector of the Indian economy, will also be "partially" utilised in GDP calculations for FY25.

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