TESTS GSTN DATA FOR Q2 AND Q3 GDP NUMBERS

GST data to be used to peg GDP in new series

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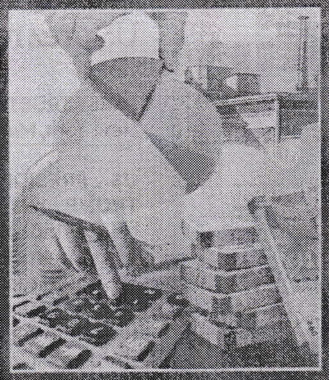
UPDATING PROCESS

- Inclusion of data sourced from GSTN for computing private consumption activity, will lead to more accurate GDP estimation
- In the coming quarters, the flow of data from GSTN to improve
- More GSTN data to have a direct impact on cutting down the magnitude of GDP revisions
- Last month, the NSO revised the FY24 GDP print upwards by 100 bps to 9.2%, the highest in recent times
- Govt final consumption expenditure was revised higher from 2.5% to 8.1%



- Govt final consumption expenditure share in GDP is in the range of 9-9.5%
- The statistics ministry has formed Advisory Committee on National Accounts Statistics

THE NATIONAL STATISTICAL Office (NSO) may incorporate Goods and Services Tax Network (GSTN) data into GDP computation as part of the new national income series, which will be unveiled in the next financial year.

Revenue collection data from GST — the principal indirect tax — will serve as a key indicator for private final consumption expenditure (PFCE) in the GDP series, scheduled for release in February 2026, official sources said.

The NSO has tested Goods and Services Tax (GST) data to compute GDP numbers for the July-September and October-December quarters of the current fiscal year, the sources added. However, the GDP figures released so far do not yet reflect this data.

Officials state that the inclusion of data sourced from GST Network for computing the private consumption activity, a component in the GDP, will likely lead to more accurate estimation of the latter. "This has been done (testing) to check the robustness of data quality," said a source.

In the coming quarters, the flow of data from GSTN will improve, which will have a direct impact of cutting down the magnitude of GDP revisions, as the data will be real-time and more accurate, the sources said.

Concerns over large GDP revisions have been raised by economists and statisticians in recent weeks. Last month, the NSO revised its FY24 GDP growth estimate upward by 100 basis points (bps) to 9.2%, marking one of the largest recent revisions.

The private final consumption expenditure (PFCE), the component carrying a share 56-57% in the GDP, was revised upwards from 4% earlier (provisional estimates) to 5.6% (first revised estimates).

The government final consumption expenditure (GFCE) too was revised higher from 2.5% to 8.1%. However, the GFCE's share in GDP is much lower, in the range of 9-9.5%.

"The GST data comes with no time lag. It also has a wide coverage, and will certainly help reduce some of the sampling errors we make," noted NR Bhanumurthy, director, Madras School of Economics.

"We need to ensure stability of the estimates. The GSTN data should be used for estimating PFCE for at least eight quarters, before using it to calculate GDP estimate," he added.

The statistics ministry has formed Advisory Committee on National Accounts Statistics (ACNAS), to deliberate upon the various aspects of base revision of the GDP. The committee is meeting on regular intervals to also discuss how the revisions can be reduced.

According to the sources, the first GDP estimates, on the new base year will be released in February 2026. The ACNAS is likely to choose 2023-24 as the new base year of GDP, they stated. The new GDP series will incorporate data from Annual Survey of Unincorporated Sector Enterprises (ASUSE) 2022-23, Annual Survey of Industries (ASI) 2022-23, and other sources.

Further, to improve the computation of real GDP numbers, the ministry is working on improving the method of deflation. Sources said that the method of deflation will be improved to double deflation, as the single deflation method is a "less sound" method of arriving at real estimates.

Double deflation is a method through which nominal outputs are deflated through an output deflator, and inputs are deflated using a separate input deflator.