

'GDP scepticism arises only when numbers surprise on the upside'

PERSPECTIVE SHIFT. Need to change the mindset that India's data methodology is inferior: CEA Nageswaran

Shishir Sinha
New Delhi

Chief Economic Adviser V Anantha Nageswaran on Tuesday said questions over the credibility of India's gross domestic product (GDP) data tend to arise only when growth estimates exceed expectations, arguing that similar scepticism is largely absent when official numbers disappoint.

"We are engaged in an exercise of estimation, and all estimation methodologies will have limitations, but we seem to be particularly fond of questioning our methods, and less so of others, somehow thinking that our methods are inferior to others. It also reflects our mindset, and that is something that we need to change," he said while addressing a pre-release consultative workshop on base revision of CPI, GDP

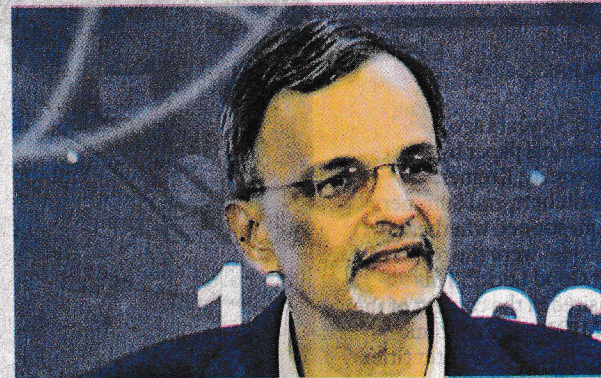
and IIP. Nageswaran's remarks have come at a time when there has been scepticism about economic growth rate reaching 8.2 per cent during July-September quarter. It was mainly because the IMF assigned a 'C' grade to the country's national income data.

Nageswaran said the criticism reflected a pattern of selective questioning rather than genuine methodological concern.

LITTLE QUESTIONING

"We don't hear too many murmurs when GDP data disappoint on the downside," he said, recalling that there was little public questioning of official estimates when the economy contracted sharply during the pandemic.

He cited 2020-21, when India's GDP shrank by around 25 per cent year-on-year in the first quarter and



CALLING OUT BIAS. Similar scepticism is largely absent when the official numbers disappoint, says CEA Nageswaran

by 5.5 per cent for the full year, noting that the statistical methodology, deflators and reliability of data were not challenged at the time.

"When the data met people's priors, there was no complaint about methodology," he said, adding that doubts tend to surface only when growth numbers "sur-

prise on the upside". Addressing one of the recurring criticisms, use of a single Wholesale Price Index (WPI) deflator for the services sector, the CEA said objections have emerged only in the last two years, when WPI inflation has been low or negative.

"We didn't hear about

WPI inflation rate understating services sector growth in 21-22 and 22-23, when WPI inflation was 13 per cent and 9.6 per cent in those two years. Which probably overstated the inflation or the deflator being applied to services sector growth and depressing the services sector growth in real terms. We didn't hear any such complaint at that time that India is understating its growth rate in 21-22 and 22-23," he said.

GDP ESTIMATES

Nageswaran said alternative exercises using proxy services-sector deflators showed that the difference in GDP estimates would be less than one percentage point, arguing that claims of significant overstatement were not borne out by evidence.

"It is not as if Indian GDP numbers are overstating the growth case," he said.