

# How revisions in FY12 GDP rewrote high-growth years

## A beginning

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New Delhi, 26 February

Under 2004-05 series, India recorded 3 straight yrs of 9%-plus growth

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After a prolonged wait, the statistics ministry is slated to release a new gross domestic product (GDP) series on Friday, with 2022-23 as the base year. Base revisions are technical exercises, but history shows they can significantly reshape the narrative around India's growth performance.

Under the 2004-05 series, India recorded three consecutive years of 9 per cent-plus growth — 9.3 per cent in 2005-06 (FY06), 9.3 per cent in FY07, and 9.8 per cent in FY08 — all falling under the Manmohan Singh government 1.0. That three-year run remains unprecedented in India's economic history. No other period has seen such sustained near-double-digit expansion. The momentum culminated in 10.3 per cent growth in FY11 under the Singh government 2.0, marking the second time when India crossed the double-digit mark. For the first time the country achieved the feat by recording 10.2 per cent growth in FY89 under 1999-00 series. FY22's 9.7 per cent print came closer, which was largely a rebound from the pandemic-induced contraction of FY21.

But when the 2011-12 base series was introduced, those headline numbers were revised downward for overlapping years. The three-year 9 per cent streak was recalibrated to 7.9 per cent, 8.1 per cent, and 7.7 per cent, respectively. The 10.3 per cent figure for FY11 was scaled back to 8.5 per cent. While still robust, the image of an economy flirting with double digits was moderated.

One can point the finger by accusing the statistics office of undermining the growth period of the Singh government, but the new series (2011-12) also lifted the GDP growth on the older base (2004-05) of policy paralysis years of the same government — FY13 and FY14. The size of the economy was also adjusted. For FY08, GDP was estimated at ₹49.9 trillion under the 2004-05 base, compared with ₹49 trillion under the 2011-12 series. By FY14, the old series showed ₹113.5 trillion while the revised one placed it at ₹112.3 trillion. In dollar terms, FY11 GDP was pegged at \$1.71 trillion under the 2004-05 base, and \$1.68 trillion under the 2011-12 series.

The changes stemmed from a substantial methodological overhaul. The 2004-05 series calculated GDP growth at factor cost by summing sectoral output. The 2011-12 series shifted to GDP at market prices. Factor cost excludes indirect taxes, whereas market price includes them.

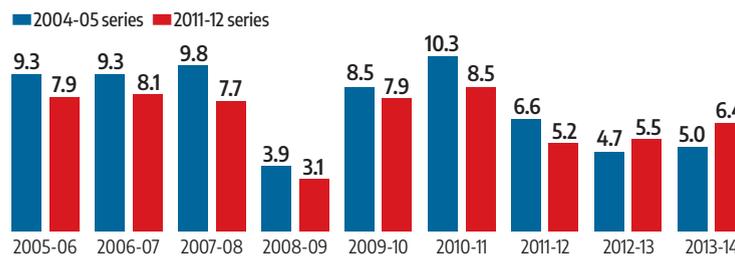


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## Taking a closer look

### Comparing growths

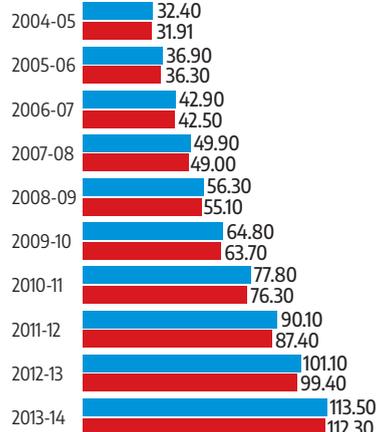
GDP growth rate (%)



### Recording the boom

Economy size (₹ trn)

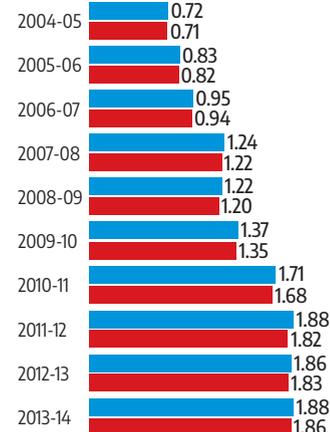
2004-05 base 2011-12 series



Sources: Mospi, RBI, BS calculations

Economy size (\$ trn)

2004-05 base 2011-12 series



Data sources also changed materially. The 2004-05 series relied heavily on the Index of Industrial Production (IIP) and the Annual Survey of Industries (ASI) for industrial output. The 2011-12 series expanded coverage by using corporate filings from the MCA-21 database and stock exchange

disclosures, significantly widening the sample base, especially in manufacturing and services.

The revision effectively diluted some of the sharp peaks seen during the Singh years, even though the period still stands out as one of India's strongest growth phases.

### What exactly is GDP?

The gross domestic product (GDP) is the total value of all goods and services produced within a country's borders during a specific period, usually a year or quarter. It's like a snapshot of the economy's health, and the most common measure for the "size" of an economy. When GDP grows, it means businesses are producing more, people are earning more, and in general, economic activity is expanding. When GDP shrinks, it signals the economy is slowing down.

### How do economists measure it?

They use three different lenses to assess growth. The production method, which adds up the value added at every stage of production across industries. The expenditure method, which totals up spending by households, businesses, government, and net exports (exports minus imports). And, third is the income method, which adds up everyone's earnings from wages, rents, interest and profits. Whichever way you calculate it, if done

## What shifts

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India unveils its most comprehensive overhaul of national accounts in over a decade today, with the shift of base year of gross domestic product (GDP) from 2011-12 to 2022-23, and a bid to capture structural economic shifts like the rise of services, digital economy, and post-Covid changes, incorporating new data sources and improving methodology in line with international norms.

Work on the GDP rebasing was originally to begin around 2019-20, but was delayed by Covid-19 disruptions that distorted consumption, labour and migration patterns. Saurabh Garg, Secretary, Ministry of Statistics and Programme Implementation (Mospi), said undertaking the revision amid such volatility risked embedding temporary distortions into the indices calculated, so they waited for these impacts to settle down.

A key pillar of the new series is the improved measurement of the household and informal sectors that account for a significant share of output and employment. Instead of proxy indicators or inter-survey growth, the new series adopts annual, survey-based level estimates, using data