



A self-goal for India

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A self-goal for India-There are substantive reasons for the questions being raised about the new GDP back series

- Without in any way impugning the integrity of the Central Statistics Office (CSO), most knowledgeable people are asking: if most important indicators of the Indian economy were better in 2004-2014, how is the GDP growth rate higher in estimates just released (7.4% per annum since 2014 and only 6.7% per annum in 2005-2014).
- This is curious also because the Mundle expert panel, which was constituted to prepare the back series under the revised methodology, had not come up with the counter-intuitive estimates that have just been released.
- They estimated the average GDP growth at market prices at 8.37% (2004-05 to 2008-09), and then 7.69% (2009-10 to 2013-14).
- Three changes occurred in the revision that was first announced in 2015: first, in the base year; second, in the methodology from GDP at factor cost to GDP at market price (this is the international norm and the basis of the current government's claim that this is what CSO has followed); and third, in the method of estimating company output/revenue, which has been done in a much more detailed manner using new data collected by the Ministry of Corporate Affairs (MCA 21).

Questions over the new series

- MCA 21 is available since 2008 but is probably not available prior to that which could be one source of the problem.
- Another possible source may be that the CSO used a deflator which is different for the back series.

The situation in the labour force

- But it is the much lower job growth in the non-agricultural sector that really shows the difference in the real economy.
- More than 5 million workers from agriculture left farming for non-

agricultural work.

- This was the first time in India's history that the absolute number of workers in agriculture fell.
- That tightened labour markets in rural areas and, apart from a rise in demand for labour from MGNREGA from 2005 to 2012, raised open market rural wages, which had a ratchet effect on urban wages.
- As a result, monthly per capita consumption expenditure rose faster than hitherto, reducing poverty very sharply.
- More youth have become better educated since 2004, and yet non-agricultural jobs are not growing.
- Both my analysis until 2016 and the Centre for Monitoring Indian Economy data since then show beyond a shadow of doubt that job growth is lower in recent years than from 2004 to 2014.

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