



Back series GDP data

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What's with the back series GDP data?-Method to calculate data and manner in which it was released led to criticism from various quarters

- The government released the GDP growth estimates for previous years based on the new method of calculation and base year it had adopted in 2015.
- The new data and the manner in which it was released led to criticism from various quarters, including Opposition political parties and economists alike.

What happened?

- In 2015, the government adopted a new method for the calculation of the gross domestic product of the country, and also adopted the Gross Value Added measure to better estimate economic activity.

What does the new data say?

- The new data shows that, contrary to the earlier perception, the Indian economy never graduated to a 'high growth' phase of more than 9% in the last decade or so.

What were the changes made?

- The first and most basic change made in the data calculations was changing the base year.
- While using 2011-12 as the base year is simpler for calculations for subsequent years, it was a tougher exercise calculating backwards using the new base.
- According to the Ministry of Statistics and Programme Implementation, the method for preparing the back series is largely the same as what is used to calculate the data using the new base, which is how all national accounts calculations will be made going forward.
- While doing the exercise, the government adopted the recommendations

of the United Nations System of National Accounts, which included measuring the GVA, Net Value Added (NVA), and the use of new data sources wherever available.

- For most sectors, simply changing the price vectors from a 2004-05 to a 2011-12 base was enough, but others required a splicing of new and old data in the relevant proportions to arrive at the closest approximation.
- The new method is also statistically more robust as it tries to relate the estimates to more indicators such as consumption, employment, and the performance of enterprises, and also incorporates factors that are more responsive to current changes, unlike the old series that usually took 2-3 years to register an underlying change.

What are the problems with the new data?

- As even the government concedes, there are a number of ways to calculate the back series data.
- To arrive at the 'best' one, it held numerous consultations with leading economists and statisticians and even delayed the data release once to address all the questions the experts posed.

Are these numbers different from previous estimates?

- This report pegged the average GDP growth during UPA-I at about 8.4% and UPA-II at 7.7%.
- The government, however, was quick to clarify that this was just a draft report that used only one of the many methods on offer to estimate the back series, and that it was not the final number.

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