



# The numbers game

Posted at: 17/12/2018

## **The numbers game-A structural break can be observed in the GDP back series before and after the year 2011-12**

- India's national income statistics are under a cloud.
- The Central Statistics Office (CSO) has released official revisions of the GDP estimates for the years 2004-05 to 2013-14 in the Manmohan Singh-led government's tenure.
- The revisions make the Narendra Modi government's performance on the economic front appear better than that of its predecessor.
- In 2015, when the CSO had first computed this set of estimates, the growth rates for the years in Dr. Singh's tenure were higher.
- The NITI Aayog rejected those numbers and blocked their release.
- In the recomputed estimates, which were released last month by the CSO under the guidance of the NITI Aayog, GDP growth does not exceed 9% even once during Dr. Singh's tenure.
- In fact, the growth rates for the majority of years in Dr. Singh's term have been cut drastically.
- Besides 2010-11, the growth rate was slashed quite sharply for 2007-08, from 9.8% to 7.7%.
- Besides the political duel between former Finance Minister P. Chidambaram and his successor Arun Jaitley, eminent statisticians have posed questions over the technical issues at hand.

### **Statistical stunts**

- Mr. Jaitley is at pains to stress the CSO's credibility, and has emphasised that the revisions are compliant with the international guidelines, the System of National Accounts (SNA), 2008.
- The truth is, many of the proxies and techniques that the CSO has used are, in fact, not recommended by the SNA, at best, they are tolerated.
- Macroeconomic aggregates such as GDP and GVA (gross value added) are estimated every year at the prices of a selected year, the base year.
- But there was a problem: non-availability of appropriate databases

complicated the re-estimation backwards.

- Three years ago, at the time of re-basing the GDP series, the forward computation was done using data sourced from the Ministry of Corporate Affairs' MCA-21 database of balance sheets.
- The CSO worked out a proxy.
- Its use would have led to growth rates getting revised upwards in the years before 2011-12.
- This was not agreeable to the NITI Aayog, and the back series computed with it was withheld.
- For three years, the CSO and the NITI Aayog could not resolve the problem.
- Now, the CSO, under the rather controversial guidance of the NITI Aayog, has for a proxy used data extracted from the Annual Survey of Industries (ASI), the database that was used for the earlier 2004-05 base year series.

### **Complications**

- Consider one of the complications introduced by the ASI's relatively smaller coverage than the MCA's. Take a company that has manufacturing establishments across the country. Such a company may also have non-manufacturing establishments as part of its set-up.
- The total corporate GVA should ideally be the sum of manufacturing and non-manufacturing establishments.
- While the MCA would cover both the manufacturing and non-manufacturing GVA of this company from 2011-12 onwards, the ASI has been found to cover only manufacturing establishments in such cases.
- Non-manufacturing GVA inside a manufacturing corporate enterprise is not captured by it.
- This GVA, in fact, does not get covered at all as the service sector surveys also leave it out.
- Some of the GVA in the years before 2011-12 in the back series has escaped estimation altogether due to such holes in the ASI's coverage, making the year 2011-12 a point of discontinuity.
- A structural break can be observed in the back series before and after the year 2011-12.
- The upgradation to MCA from ASI data 2011-12 onwards had led to upward revisions.
- Going backwards, the revisions are by and large sharply downwards.

### **Glossing over challenges**

- The statistical challenge before the CSO is to estimate the GVA that remained uncaptured by the ASI.
- The trouble is, rather than admitting to these challenges transparently, the CSO has sought to gloss over them.

The Hindu

