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Back Series GDP Data

Why in news?

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- The report on back series GDP data by an expert committee set up by National Statistical Commission (NSC) was released recently.
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- It has led to debates on the validity of the figures, and the MoSPI has termed the estimates 'unofficial'.
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What is the report on?

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- Back series calculations are done to link a new series of national accounts with an old series.
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- This gives a better comparison of growth over the years.
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- The NSC had constituted a Committee on Real Sector Statistics under the Chairmanship of Sudipto Mundle in 2017.
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- The objective was improvement and modernisation of the real sector database.
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- The committee has worked out a back series for economic growth from 1994-95.
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What is the complication?

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- The report compared growth rates between old series (2004-05) and new

series based on 2011-12 prices.
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- E.g. As per the old series (2004-05), the expansion in the GDP at constant prices was 9.57% during 2006-07.
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- As per the new series (2011-12), the growth number stands revised at 10.08%.
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- The committee has thus adjusted the GDP figures from 2005-06 to 2014-15.
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- This was based on the new base period adopted in 2015 (from 2004-05 to 2011-12).
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- Notably, the series was for the new form of calculation of gross domestic product (GDP) and gross value added (GVA).
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- GVA gives a picture of the state of economic activity from the producers' side or supply side.
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- On the other hand, GDP gives the picture from the consumers' side or demand perspective.
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- The back series calculation has been complicated because of the change in methodology.
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- As, some of the data used under the new methodology is not available for earlier years.
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- These recommendations of the NSC Committee will be examined by MoSPI and other experts.
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- The appropriate methodology to be adopted for generating the back series estimates will then be decided.
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- The data would be released officially later by the MoSPI.
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What are the highlights?

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- The GDP growth, calculated at market prices, touched double digits twice - in 2007-08 and in 2010-11.

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- The overall trend follows a spurt in growth during the boom of the mid-2000s.
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- It is followed by a sharp deceleration in 2008-09, the year of the global financial crisis.
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- GDP growth at factor cost went down from 9.3% in 2007-08 to 6.7% in the crisis year.
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- However, there was a quick recovery, with unprecedented increase in public spending and subsidies in that year.
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- The stimulus helped the economy reach boom-level heights in the first years of the second UPA government.
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- But a combination of over-extension, high oil prices and administrative paralysis following the anti-corruption movement caused a swift fall.
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- The country went down to 5.4% growth in 2012-13 but recovery then began in 2013-14.
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- It was benefitted from the current government's cautious approach to macroeconomic stability.
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- Also, rapidly improving global growth and a sharp fall in oil prices helped.
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What does it imply?

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- The broad structural trends in the Indian economy have not been changed by these figures.
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- The average growth rate under the current NDA does not reach the levels achieved under either the first or second terms of the UPA.
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- The back series reveals again that much of the expansion in the 2000s was driven by government action.

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- This is the period when GDP growth is higher than GVA growth.
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- (Both measures need not match because of the difference in treatment of net taxes)
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- This means that subsidies are increasing more than indirect taxes.
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- Worryingly, there was no major upward momentum since the broad recovery that began in 2012-13.
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- This is despite the fact that global growth has largely recovered, in the past few quarters in particular.
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How does the future look?

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- The macroeconomic stability must be examined more closely as recent gains are now at risk.
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- At $18 billion, the trade deficit was at a 62-month high in July, 2018.
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- It is argued that the full-year current account deficit will be at least 2.8% of GDP.
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- This is riskier given the fact that global capital is turning unfavourable for emerging markets.
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- The government will thus have to examine ways to reach the heights of GDP growth scaled by its predecessor.
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- This should, however, be done without further destabilisation of the macro-economy.
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Source: Business Standard, Firtspost

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