

New Back Series GDP Data

What is the issue?

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The Central Statistics Office (CSO) and NITI Aayog recently released the back series detailing growth numbers for 2005-06 to 2011-12.

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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, for better comparison of growth over the years.

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- The Central Statistics Office (CSO) moved to a new base year of 2011-12 from 2004-05 for national accounts, in January 2015.

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- A back series GDP data report was earlier released by an expert committee set up by National Statistical Commission (NSC). Click [here](#) to know more.

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- There were differences of opinion on the methodology adopted for this calculation. Click [here](#) to know more.

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- So the final back series data is now jointly released by the CSO and NITI Aayog.

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What led to the complication in the earlier report?

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- The CSO faced issues in evaluating GDP with the new base year for years preceding 2011-12 due to lack of availability of the MCA-21 database.

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- MCA-21 is an e-governance initiative of the Ministry of Company Affairs launched in 2006.

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- This was to allow firms to electronically file their financial results.
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- With the shift to the new base year 2011-12, the CSO did away with Gross Domestic Product (GDP) at factor cost.
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- It instead adopted the international practice of valuing industry-wise estimates as gross value added (GVA) at basic prices.
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- Also, the MCA-21 database got used in addition to
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- i. the volume index of Index of Industrial Production (IIP)
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- ii. establishment-based dataset of Annual Survey of Industries (ASI)
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- So the calculation methodology was questioned, and the government termed the committee report 'unofficial'.
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What are the highlights of the new report?

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- The back series has trimmed the growth numbers for the UPA government's two terms (2005-06 to 2008-09 and 2009-10 to 2013-14).
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- Indian economy growth is recorded at an average 6.7% in UPA's first term as well as the second term.
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- [Significantly, these are lower than the earlier estimates of 8.1% and 7% respectively, with 2004-05 base.]
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- These growth rates compare with an average 7.4% (2011-12 base year) in the first four years of the present NDA government.
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- But the earlier report stated a faster growth under the UPA government from 2004-05 to 2013-14 than during the first four years of the current government.

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- The new back series data released for years preceding 2011-12 scaled down growth rates for 2005-06 to 2013-14 by 0.8 to 2.1 percentage points.
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- For 2012-13, with the new base year (2011-12), the GDP growth rate is revised upwards to 5.5% from 4.7% estimated earlier (2004-05 base year).
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- Likewise, for 2013-14, the GDP growth rate was revised up to 6.4% from 5% estimated earlier.
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- Sharp downward revisions were seen particularly for two years, 2007-08 and 2010-11.
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- For 2010-11, the growth got revised downwards from a double-digit rate of 10.3% to 8.5%.
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- The 8.5% cent growth in 2010-11 is the highest growth rate in the back series dating back to 2005-06.
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What are the concerns?

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- **Data** - The CSO release mentioned usage of several proxies.
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- But there is not enough explanation for the choice of datasets and proxies, especially those datasets that did not exist before 2011-12.
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- E.g. For years preceding 2006, when the MCA-21 database did not exist, the CSO has used Annual Survey of Industries (ASI) data for estimating manufacturing growth.
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- But economists say there could have been other indicators for the same metric.
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- **Calculation** - The current series is based on company data, MCA-21, which is the balance sheet data (financial).
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- But the back series is based on volume data. E.g. the Annual Survey of

Industries data for secondary sector

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- The key difference between the volume index approach and the financial data approach is that the financial data captures changes in quality which volume data does not.
- So if a substantial part of the growth has been coming from quality, then the volume approach could have potentially underestimated growth.
- **Institution** - The CSO comes under the Ministry of Statistics and Programme Implementation (MoSPI).
- So the role of the NITI Aayog in the release of the statistical exercise has also been questioned as it goes against convention.

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What could the implication be?

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- During earlier instances of backcasting of GDP data, the political environment was not as deeply polarised as it is now.
- So the exercise remained more academic.
- But the present data show that India never really grew in double-digits in 2010-11.
- Also, India is projected not to be the high-growth economy in the five years preceding this as earlier thought to be.
- It so happens that this period covers the two terms of the Congress-led United Progressive Alliance government.
- The political influence in such professional data should seriously be taken note of by the policymakers, in long term interests.

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Source: Indian Express, The Hindu

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