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EDITORIAL ANALYSIS

The 'Discrepancies' in India's New GDP Data — Measuring an Economy in Motion

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SUBJECTS COVERED**ECONOMY****GS PAPERS****GS3****CURATED & WRITTEN BY****Bharat Choudhary**

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GS3



The Indian Express

MAINS RELEVANCE:

GS Paper 3



INTERVIEW ANGLE

"India's GDP measurement has been a subject of methodological controversy since the 2015 base year revision. What does the ongoing debate reveal about the challenges of measuring a large, informal economy, and how should policymakers use GDP data responsibly?"

WHY IN NEWS

The National Statistical Office's (NSO) latest GDP estimates have sparked debate among economists, with discrepancies between different versions of national accounts data raising questions about measurement methodology, the treatment of the informal sector, and whether India's reported growth figures accurately reflect economic reality on the ground.

INDIA'S GDP MEASUREMENT ARCHITECTURE

India's gross domestic product is estimated by the **National Statistical Office (NSO)**, which was formed in 2019 by merging the **Central Statistics Office (CSO)** and the **National Sample Survey Office (NSSO)**, both under the Ministry of Statistics and Programme Implementation (MoSPI).

The Estimation Cycle

GDP estimates are released in a cascading sequence of progressively refined versions:

Estimate	Release Timing	Coverage
First Advance Estimate (FAE)	January 7 (before Budget)	Partly based on current data + extrapolation
Second Advance Estimate (SAE)	Late February	Uses more real data; revises FAE
First Revised Estimate (FRE)	January next year	Uses annual survey data
Second Revised Estimate (SRE)	One year later	Further refined
Final Estimate	3 years after reference year	Most accurate; used for historical series

This means **the GDP figure you read in today's newspaper is provisional** — the final estimate for any given year arrives 3 years later and may differ by several percentage points.

THE 2015 BASE YEAR CONTROVERSY

India shifted its GDP base year from **2004-05 to 2011-12** in January 2015. This revision:

- Adopted the **United Nations System of National Accounts (UN-SNA) 2008** methodology

- Changed the measurement approach from **production-based to expenditure-based** GDP as the primary measure

- Led to a dramatic upward revision: India's GDP growth for 2013-14 jumped from **4.7% to 6.9%**

This coincided with the NDA government's first year in power, leading to controversy — with critics arguing the methodology change was politically convenient.

Arvind Subramanian's Critique

In a 2019 paper (Harvard Kennedy School), former Chief Economic Adviser **Arvind Subramanian** estimated that India had overstated its GDP growth between 2011 and 2016 by approximately **2.5 percentage points** per year. His key arguments:

- Manufacturing GVA growth diverged from manufacturing sector indicators (credit growth, electricity consumption, exports, imports)

- IIP (Index of Industrial Production) showed much weaker industry trends than GDP

This triggered a fierce debate between NSO and independent economists. MoSPI defended its methodology.

CURRENT DISCREPANCIES

The Informal Sector Problem

India's **informal economy** — estimated at 40–50% of GDP — is notoriously difficult to measure:

Unregistered enterprises are not covered by Annual Survey of Industries (ASI)

Data proxies (CSO uses registered enterprises as a proxy for unregistered ones) may no longer reflect post-COVID structural changes

Demonetisation (2016) and **GST (2017)** disrupted informal sector patterns significantly

Post-COVID recovery in the informal sector is poorly captured

Two-Speed Recovery

The **discrepancy between formal and informal indicators** has widened:

Formal indicators: Corporate profits, direct tax collections, GST revenues — showing strong growth

Informal indicators: CMIE employment data, rural wage growth, consumer demand surveys — more subdued

The GDP, based largely on formal sector proxies, may be capturing the K-shaped recovery disproportionately

GVA vs GDP Gap

GVA (Gross Value Added) = GDP - net taxes on products + subsidies

In periods when the government increases subsidies (e.g., food/fuel subsidies), GVA and GDP diverge. This technical difference is often misunderstood in public discourse.

NEXT BASE YEAR REVISION

The government is planning to shift the GDP base year from **2011-12 to 2022-23**, which would:

Incorporate new and more comprehensive enterprise surveys (Economic Census 2023-24)

Better capture the formalisation of the economy post-GST

Revise historical growth series, potentially significantly

Include revised treatment of gig economy, digital services, platform economy

Base year revisions globally lead to upward revisions more often than downward — because economies grow and the reference basket becomes more representative over time.

UPSC RELEVANCE

Prelims: NSO, MoSPI, First Advance Estimate (January 7), GVA vs GDP, base year (currently 2011-12), UN-SNA 2008.

Mains GS-3: “India’s GDP measurement faces structural challenges in capturing the informal economy. Critically examine the limitations of current methodology and suggest improvements.”

FACTS CORNER — KNOWLEDGEPEDIA

INSTITUTIONS:

NSO: National Statistical Office; formed 2019 by merging CSO + NSSO

MoSPI: Ministry of Statistics and Programme Implementation

Current GDP base year: 2011-12 (revised from 2004-05 in January 2015)

Next base year revision: expected 2022-23 base

GDP ESTIMATE TYPES:

First Advance Estimate: released January 7 (before Union Budget; traditionally presented February 1)

Second Advance Estimate: released ~February 28

Final Estimate: released ~3 years after reference year

KEY CONCEPTS:

GVA = GDP – net taxes on products (subsidies added, indirect taxes deducted)

GDP = GVA + taxes on products – subsidies on products

Nominal GDP: at current prices; Real GDP: inflation-adjusted (at constant prices)

GDP deflator: used to convert nominal to real GDP; broader than CPI

GDP GROWTH DATA:

2024-25 SAE growth estimate: ~6.4% (RBI forecast range 6.4-6.6%)

India overtook UK and France in nominal GDP terms (early 2020s); now 5th largest

India’s projected GDP at PPP: already 3rd largest globally (after USA and China)

CONTROVERSY:

Arvind Subramanian paper (2019): claimed overstatement of ~2.5 percentage points per year (2011-2016)

NSO’s defence: new methodology compliant with UN-SNA 2008; international comparison valid

K-shaped recovery: upper income/formal sector recovered strongly post-COVID; informal sector lagged

OTHER RELEVANT FACTS:

India’s informal economy share of GDP: estimated 40-50% (varies by methodology)

Economic Census: conducted by MoSPI; 7th Economic Census completed 2019-20

IIP: Index of Industrial Production; base year 2011-12; released by NSO monthly

WPI: Wholesale Price Index; base 2011-12; released by DPIIT

CPI: Consumer Price Index; base 2012; released by NSO

Sources: Indian Express, MoSPI, RBI Annual Report

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