

Back Series of GDP

December 7, 2018

Manifest Pedagogy

The issue has been highly politicized. Aspirants rather than looking at the political issues, should focus on technical concepts and static related portions like role of CSO and its functions.

In news

Recent estimates disputing claims of high growth in UPA era.

Placing it in syllabus

Basic concepts of economy

Static dimensions:

1. What is GDP?
2. Difference between new and old method
3. Methods for calculation of GDP

Current dimensions:

1. Credibility of GDP estimation
2. NITI Ayog estimates v/s NSSO v/s CSO
3. Fears of GDP and jobless growth

Content

What is GDP?

Gross domestic product is a monetary measure of the market value of all the final goods and services produced in a period of time, often annually or quarterly.

Difference between new and old method

1. Base year for old method is 2004-05 and for new method it is 2011-12
2. Factory data of ASI(annual survey of industry) is for old method and for the new is MCA -21 (Enterprise data)
3. GDP at factor cost and GVA at basic price.

Credibility of GDP estimation

1. The base of the GDP calculations has been shifted to 2011-12 in 2015. **This is done periodically to realign national accounts to the changing structure of the economy** (which may result in increase or decrease of the growth rate)
2. When this series was originally released in 2015, one of the results was that the growth rates for 2012-13 and 2013-14 were revised up very significantly.
3. In the case of 2012-13, it was revised up significantly (twice), from 4.7% to 5.1% and then further to 5.5%.
4. Hence the new series increased the growth rates of the previous government and was welcomed. If the same methodology now lowers the growth rates of the earlier years, that is how it is.

Test yourself: Mould your thoughts

Growth is meaningless if it is non-inclusive. Critically examine.