



Revised estimates of GDP

Why in news?

\n\n

The Union Ministry of Statistics and Programme Implementation has recently released its revised estimates of national income for 2017-18.

\n\n

What does the data reveal?

\n\n

\n

- The CSO in its advance estimate had pegged the GDP growth rate for **2018-19** at 7.2%.

\n

- Growth in real GDP for **2017-18** was revised upwards to 7.2% from the earlier estimate of 6.7%.

\n

- It also revised the actual growth rate in **2016-17** to 8.2% from the 7.1% estimated earlier.

\n

- This relatively slow growth in 2017-18, when compared to 2016-17, is explained as due to a slowdown in manufacturing, communications, agriculture and mining.

\n

- Thus, it appears that growth immediately following the demonetisation exercise of November 2016 was not too badly affected on the one hand.

\n

- On the other hand, it appears there might have been something of a deceleration in 2017-18 following that high growth in 2016-17.

\n

- Also, the gross fixed capital formation (GFCF) as a proportion of gross domestic product went up marginally from 28.2% to 28.6% in the two years under consideration.

\n

- The government says that estimates of GDP have undergone revision on account of the use of the latest data available on agricultural production, industrial production, and government expenditure.

\n

- It is also due to more comprehensive data available from various source agencies like the MCA and the NABARD and State/Union Territory Directorates of Economics and Statistics.

\n

\n\n

What are the concerns?

\n\n

\n

- Though GFSF was raised, much of this was driven by government spending, and the proportion of household investment in GFCF fell.

\n

- Thus, it is not clear that private investment recovery had taken hold in 2017-18.

\n

- A major concern was laid upon in the demonetisation year of 2016-17, which shows a strong growth in sectors that were widely agreed to have been badly hit by the exercise.

\n

- For 2016-17, a hike of 1.1% in GDP growth was cited.

\n

- The main factor for this was cited as the increase in private final consumption expenditure, which has also increased 1 percentage point.

\n

- But post-demonetisation, people hold less cash to make purchases and hence it creates questions whether there was actually an increase in household expenditure.

\n

- Also, it was cited that the main driver of the upward revision on the output side in 2016-17 was the construction sector, which has been revised upwards by 4.7%.

\n

- However, Construction is also a sector which has a large informal sector component and all earlier analyses had indicated that demonetisation adversely affected the informal sectors.

\n

- Also, the other two main drivers of the upward revision — the mining and quarrying sector and the public administration sector, have data that is

compiled by the government itself.

\n

- So, it was criticised as it should not have undergone such a vast revision.

\n

\n\n

What should be done?

\n\n

\n

- In December 2018, the government announcement regarding the back series of GDP data with 2011-12 as the base year created a huge controversy.

\n

- The back series, which provided the GDP growth data from 2004-05 to 2010-11, seemed to run contrary to all the other available evidence for the years in question. Click [here](#) to know more.

\n

- This has raised doubts on the ability of the back series to accurately reflect what happened during those years.

\n

- With the latest GDP data, questions that were being asked about the credibility of official data back then will now become even louder and more pressing.

\n

- Thus, the government must take these concerns on board and should give a more credible picture of the economy.

\n

\n\n

\n\n

Source: The Hindu, Business Standard

\n



IAS PARLIAMENT
Information is Empowering
A Shankar IAS Academy Initiative