5. National Accounts Statistics - Economy

The International Monetary Fund's (IMF) annual review has given India's national accounts statistics, which includes key figures such as Gross Domestic Product (GDP) and Gross Value Added (GVA), a grade of 'C'.

Introduction

The IMF, as part of its global data standards assessment, has evaluated the quality of India's National Accounts Statistics (NAS). India received an overall grade of 'B', but for certain crucial components—especially national accounts—the IMF assigned a 'C' grade, indicating significant methodological challenges. This assessment aligns with global concerns about the need to modernize India's statistical system in line with rapidly evolving economic structures.

Understanding the IMF Grading System

Grade 'A' - Data are comprehensive, reliable, timely, and fully adequate for macroeconomic surveillance. High international comparability.

Grade 'B' - Data have minor limitations but remain sufficiently robust for economic analysis.

Grade 'C' - Indicates multiple methodological shortcomings. These issues moderately hinder surveillance, policy analysis, and global comparability. Represents the second-lowest grade, unchanged from last year, signalling *persistent* systemic weaknesses.

Grade 'D' - Data suffer from major deficiencies, severely obstructing effective surveillance.

'C' Grade Signifies for India – Regular data availability exists, but methodological weaknesses undermine quality. Cross-country comparability is weakened due to outdated frameworks and inconsistent sub-series. Statistical limitations affect -

1. Real GDP estimation
2. Quarterly analysis
3. Trend detection
4. Policy modelling

Indicates that India's statistical ecosystem needs urgent structural modernization.

Key Issues Highlighted by the IMF

Outdated Base Year (2011–12) - GDP and CPI continue to use a base year nearly 14 years old.The 2011-12 economy does *not* represent -

1. Digital consumption
2. E-commerce
3. Platform economy
4. Renewable energy shift
5. Structural changes in informal sector

Results in misaligned weights, inaccurate price indices, and outdated consumption baskets.

Inadequate Use of Deflators - India still relies heavily on the Wholesale Price Index (WPI) as a deflator, especially for services and manufacturing. A full-fledged Producer Price Index (PPI) is still under development. This distorts -

1. Real GDP growth
2. Sectoral GVA
3. Inflation-adjusted estimates

IMF notes that deflator weaknesses are one of the most critical statistical gaps.

Discrepancies Between Production and Expenditure Approaches - IMF highlights "sizeable discrepancies" between GDP (production) vs. GDP (expenditure) calculations. Causes include -

1. Underestimation of the informal sector
2. Gaps in household consumption surveys
3. Weak corporate reporting compliance
4. Incomplete coverage of small enterprises

These discrepancies reduce confidence in the internal consistency of national accounts.

Limited Seasonal Adjustment - India's quarterly GDP series lacks robust seasonal adjustment methods used by advanced statistical systems. Without proper treatment of seasonality -

1. Trend analysis becomes blurred
2. Short-term macro forecasting becomes difficult
3. Monetary and fiscal policymaking suffers

Comparable economies use X-13-ARIMA, TRAMO-SEATS, etc.

Need for Stronger Statistical Techniques - IMF recommends -

1. Better modelling frameworks
2. Higher data granularity
3. Improved sectoral break-ups, especially for GFCF
4. Higher precision in quarterly estimates

Calls for stronger integration of administrative data, GST returns, income tax data, digital transactions, and high-frequency indices.

About National Accounts Statistics (NAS)

What NAS Represents - NAS is India's principal macroeconomic database, offering a detailed quantitative assessment of national economic activity.

Prepared By - National Statistical Office (NSO) under MoSPI.

Methodological Framework

NAS uses the following approaches aligned with UNSNA 2008 -

Income Approach - Measures GDP by summing -

1. Compensation of employees
2. Operating surplus
3. Mixed income

Useful for sectors with reliable wage and profit data.

Production / Sectoral GVA Approach - Dominant method used for most sectors - GVA = Gross Output – Intermediate Consumption Applied to agriculture, manufacturing, mining, electricity, and services.

Expenditure Approach (Supplementary) - GDP = C + I + G + (X – M) Helps assess demand patterns, consumption and investment trends.

Key Components of NAS - GDP (current & constant prices) GVA by industry National Income, NNI, Personal Income Consumption expenditure Capital formation (GFCF) Savings and capital stock Per capita indicators

Importance of NAS - Basis for -

1. Fiscal policy
2. Monetary policy

3. Budget preparation
4. Investment decisions

Tracks structural changes -

5. Services-led growth
6. Decline in agriculture share
7. Rise of digital economy

Enables international comparability with countries following SNA standards.

Efforts to Improve NAS Estimation

Base Year Revision - MoSPI is revising the base year to 2022–23, replacing 2011–12. Expected release - February 27, 2026. Will update -

1. Production structure
2. Consumption basket
3. Input-output tables

Methodological Modernisation - Integrating -

1. GST data
2. Corporate filings (MCA-21)
3. High-frequency indicators
4. Satellite-based datasets

Enhancing measurement of -

5. Informal sector
6. Services
7. Digital economy

Advanced estimation techniques under development.

Strengthening Institutional Capacity - IMF acknowledges that India is steadily improving, with stronger -

1. Data management systems
2. Human capital
3. Inter-agency coordination
4. Statistical governance

Conclusion

India's 'C' grade reflects significant methodological and structural gaps in national accounts, impacting data accuracy and macroeconomic surveillance. However, ongoing reforms mark a decisive shift toward modernization. Revised base years (2022–23), better deflators, granular data integration, and advanced modelling techniques are expected to substantially improve -

1. Reliability
2. Transparency
3. International credibility

The upgraded NAS system will strengthen policy-making, investment planning, and economic monitoring, aligning India's statistics with global standards.

Source - https -//www.thehindu.com/opinion/editorial/data-deficiencies-on-india-and-the-imfs-low-grading/article70335187.ece