2. New GDP Series 2022–23 Base Year - Economy

India has adopted a new GDP series with 2022–23 as the base year, released by the Ministry of Statistics and Programme Implementation, leading to revisions in growth and sectoral estimates. The current revised new GDP series has received largely positive responses from economists, who describe it as comprehensive, realistic, and credibly executed. The Government of India periodically revises the GDP base year and methodology to reflect structural changes in the economy, improved data sources, and updated statistical standards. The revised GDP series with base year 2022–23 introduces methodological improvements in measurement, data coverage, and deflation techniques. These changes recalibrate sectoral contributions and provide a more accurate representation of India's economic structure.

1. Greater Stability in Real GDP Growth

1. Under the revised series, real GDP growth rates appear more stable, reflecting smoother economic performance.
2. For the period 2023–24 onwards, growth estimates fall within a narrower band of 7.1%–7.6%, compared to the earlier 6.5%–9.2% range under the previous series.
3. The improved stability results from-
    1. Better deflation techniques used to convert nominal GDP into real GDP.
    2. Improved sector-specific price indices, ensuring more accurate inflation adjustment.
    3. Enhanced data coverage of the informal sector.
4. These improvements reduce distortions caused by volatile sectoral measurements and provide a clearer picture of economic momentum.

2. Downward Revision in Nominal GDP Size

1. The nominal size of India's economy has been revised downward by approximately 3–4% under the new methodology.
2. This adjustment reflects statistical recalibration, not an actual economic contraction.
3. The revision arises from-
    1. Updated and more reliable data sources.
    2. Refined deflation methodology.
    3. Removal of estimation biases in earlier datasets.
4. Earlier GDP estimates relied heavily on proxies and extrapolation techniques, particularly for sectors lacking reliable data.
5. With improved datasets, some sectors—especially informal services—have been reassessed downward.

3. Recalibration of Sectoral Contributions

1. The revised GDP series changes the perceived contribution of major sectors such as agriculture, manufacturing, and services.
2. Improved data and revised estimation methods have resulted in-
    1. Higher measured output in agriculture and manufacturing.
    2. Lower estimated output in some service subsectors.
3. This recalibration affects the relative sectoral shares in Gross Value Added (GVA) and influences interpretations of India's growth structure.

4. Agricultural Sector in the Revised GDP Series

Upward Revision in the Size of Agriculture

1. Under the revised series, the agriculture, livestock, forestry, and fishing sector is estimated to be about 5% larger in current prices than earlier estimates.
2. The revision reflects improved measurement of agricultural output and input costs.
3. It also highlights the growing economic importance of high-value agricultural activities.

5. Reasons for the Increase in the Farm Sector's Share

1. Shift Toward High-Value Crops

   1. Indian agriculture has gradually shifted from low-value cereals to high-value crops, including-
      1. Fruits
      2. Vegetables
      3. Horticultural products
      4. Commercial crops
   2. These commodities generate higher market prices and greater value addition, raising agricultural GVA.
   3. Earlier statistical systems did not fully capture this transformation.

2. Reduction in Energy Input Costs

   1. Agricultural value added has increased partly due to declining energy costs.
   2. Earlier irrigation relied heavily on diesel-powered pumps, increasing production costs.
   3. Farmers are increasingly adopting-
      1. Electric irrigation pumps
      2. Solar-powered irrigation systems
   4. Lower energy costs improve net farm value added.

3. Role of the PM-KUSUM Scheme

   1. The Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan (PM-KUSUM) promotes solar-powered irrigation pumps.
   2. Key objectives include-
      1. Reducing farmers' dependence on diesel.
      2. Lowering irrigation costs.
      3. Promoting renewable energy in agriculture.
   3. Reduced fuel expenses improve farm profitability and increase agricultural GVA.

6. Agricultural Share in GDP

1. Because the overall nominal GDP has been revised downward, agriculture's share appears higher in the revised data.
2. Agriculture accounted for 18.2% of GDP in 2022–23, compared with 16.5% in the previous series.
3. However, this does not indicate structural reversal.

Continued Structural Transformation

1. Agriculture's share is projected to decline to 16.2% by 2025–26, compared with 15.2% in the old series.
2. This aligns with the typical development pattern where-
   1. Labour shifts from agriculture to industry and services.
   2. Agriculture's relative share declines as other sectors expand.

7. Manufacturing Sector in the Revised GDP Series

Higher Average Growth Performance

1. Manufacturing growth appears stronger and more consistent under the revised GDP series.
2. The sector recorded an average growth rate of about 11.2% between 2023–24 and 2025–26.

8. Reasons for Higher Manufacturing Estimates

1. Improved Data Sources

The revised estimates rely on better datasets, including-

1. Annual Survey of Unincorporated Sector Enterprises (ASUSE)
2. Periodic Labour Force Survey (PLFS)

These surveys provide better coverage of small and informal manufacturing units.

2. Abandonment of the Single-Deflator Method

1. Earlier estimates used a single-deflator method to convert nominal manufacturing output into real terms.
2. This method could distort growth estimates because different products experience different price trends.
3. The revised series uses multiple industry-specific deflators, improving accuracy.

3. Base Effect in the Old Series

1. Earlier GDP estimates showed 12.3% manufacturing growth in 2023–24, partly due to favourable base effects.
2. Base effects can exaggerate short-term growth trends.

4. Improved Measurement of Industrial Activity

The revised methodology better captures-

1. Informal manufacturing output
2. Small-scale production units
3. Employment-linked output indicators

As a result, manufacturing appears as a more significant growth driver.

9. Informal Economy in the Revised GDP Series

Addressing Underestimation of the Informal Sector

1. A major criticism of earlier GDP estimates was poor measurement of the informal economy.
2. Earlier methods used formal-sector performance as a proxy for informal sector growth.
3. This assumption often produced inaccurate estimates.

10. Improvements in Informal Sector Measurement

The new series improves measurement using surveys such as-

1. ASUSE
2. PLFS

These surveys provide direct data on-

1. Output
2. Employment
3. Value added
4. Enterprise characteristics

This allows more realistic estimation of informal economic activity.

11. Mixed Impact Across Sectors

Positive Impact on Manufacturing

1. Informal industrial activity had been previously undercounted.
2. Improved measurement now shows stronger production and employment in small manufacturing enterprises.

12. Downward Revision in Informal Services

1. Certain service sectors have experienced significant downward revisions, including-
    1. Trade
    2. Repair services
    3. Hotels and restaurants
    4. Transport and storage
    5. Communication and broadcasting
2. Gross Value Added in these sectors declined by about 25% annually between 2022–23 and 2025–26 under the revised estimates.
3. Earlier GDP calculations likely overestimated informal service activity due to reliance on indirect proxies.

Broader Implications of the Revised GDP Series

1. The revised GDP series provides a more accurate and data-driven picture of India's economic structure.
2. Agriculture appears slightly larger, reflecting changes in cropping patterns and improved energy efficiency.
3. Manufacturing emerges as a stronger engine of economic growth.
4. Measurement of the informal sector improves, correcting earlier statistical distortions.
5. Nominal GDP size declines slightly, but the reliability and quality of national income statistics improve.
6. These improved estimates allow better economic policy planning and sectoral analysis.

Conclusion

The revised GDP series with base year 2022–23 represents an important step in modernising India's national income statistics. By incorporating improved data sources, refined methodologies, and better coverage of the informal economy, the new series provides a more realistic understanding of India's economic structure and growth dynamics. These improvements enhance the ability of policymakers to design informed economic strategies and monitor India's structural transformation.

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