# India’s 2026 GDP Base Year Revision and Its Global Impact

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## India GDP Base Year Revision Latest News

- The Ministry of Statistics and Programme Implementation is set to revise the base year for calculating India’s GDP from 2011-12 to 2022-23, with the updated data series to be released on February 27, 2026.
- In addition, the base years for the Index of Industrial Production (IIP) and Consumer Price Index (CPI) will be updated to 2022-23 and 2023-24 respectively, reflecting broader efforts to align key macroeconomic indicators with current economic realities.

## Rationale Behind GDP Base Year Revisions

- The upcoming 2026 GDP base year revision will be the eighth such update in India’s economic history.
- **Purpose of Revising the Base Year**
    - The primary aim of updating the GDP base year is to ensure more accurate measurement of the economy.

    - Precise GDP data is essential for policy formulation, business decisions, and broader economic analysis.
- **Complexity of GDP Estimation**
- GDP tries to capture the entire economic activity in one number, but estimating it is challenging because:
    - It must exclude the value of intermediate goods to avoid double counting.
    - GDP only includes the market value of final goods and services.
    - Even when data is available, calculations are complex; often, all required data isn’t fully accurate or updated.
- **Evolving Economic Structure**
    - India’s economy has transformed structurally over the decades:
        - Earlier: Predominantly agrarian economy.
        - Now: Services sector contributes over 55% to GDP; agriculture’s share has declined.
    - Estimating output in these sectors requires different data sources and methods, reflecting the economy’s changing nature.
- **Improvements in Data and Methodology**
    - With better data availability and evolving global best practices, statistical methods must be revised to:
        - Expand sectoral coverage.
        - Use updated datasets.
        - Reflect new economic activities (e.g., digital economy).

# Benefits of Regular Revisions in GDP Base Year and Methodology

- **Reflects Structural Changes in the Economy**
    - Regular updates help capture shifts in economic composition.
    - New and emerging industries can be included, while outdated sectors can be excluded.
    - This ensures GDP calculations stay aligned with present-day realities.
- **Provides Accurate Measure of Real Growth**
    - Revising the base year helps in better adjustment for inflation.
    - It improves the estimation of real GDP, which reflects actual increase in output, not just price rise.
    - This leads to a clearer picture of true economic performance, aiding policymakers and analysts.

# Why the GDP Base Year Was Not Revised After 2011-12

- **Initial Plan for 2017-18 Revision**
    - In 2017, the government announced plans to revise the GDP base year to 2017-18.
    - The revision was to be based on updated data from the Consumer Expenditure Survey (CES) and Periodic Labour Force Survey (PLFS).
- **Data Quality Concerns**
    - Both surveys faced setbacks:
        - PLFS (2017-18) revealed 45-year high unemployment, which the government initially questioned.
        - CES (2017-18) showed a decline in consumption, suggesting rising poverty—a reversal of historical trends.
        - While PLFS was later accepted post-2019 elections, CES results were never released due to reliability concerns.
- **Policy Disruptions Made 2017-18 an Abnormal Year**
    - The year 2017-18 witnessed major economic disruptions:
        - Demonetisation in November 2016.
        - GST rollout in July 2017.
    - These events contributed to a significant slowdown in GDP growth, making 2017-18 unsuitable as a representative base year.
- **COVID-19 Further Delayed the Update**
    - From 2020 onwards, the COVID-19 pandemic caused severe economic disruptions.
    - As a result, subsequent years could not be considered “normal”, delaying the revision further.

# Why the Upcoming GDP Revision Is Crucial for India’s Global Standing

- **Past Controversies Have Undermined Credibility**
    - The last GDP revision in 2015 faced heavy criticism.
    - Experts, including former Chief Economic Advisor Arvind Subramanian, argued that India was overstating its GDP.
    - Critics pointed to discrepancies between different data sources, especially in the manufacturing sector.
- **Missed 2017-18 Revision Added to Inaccuracies**
    - The failure to revise the base year in 2017-18 likely led to data inaccuracies.
    - This delay has caused methodological gaps in current GDP estimates.
- **Widening Trust Deficit in Macro Data**
    - Disputes over the PLFS and CES surveys and the absence of a Census have raised concerns.
    - There are gaps in poverty and inequality data, further eroding trust in India’s macroeconomic statistics.

- **High Stakes for Credibility and Investment**
  - The new GDP series will be released when India is poised to become the world's third-largest economy (in nominal GDP).
  - As a result, global investors, institutions, and analysts will scrutinize the data more rigorously than ever.
  - The revision's accuracy and transparency will affect:
    - Investor confidence, with billions of dollars at stake.
    - Policymaking, as reliable data is vital for effective governance.
    - India's reputation in the global economic community.

**Source:** IE | ETN

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