Difference between GDP and GVA, Calculation, Market and Basic Prices

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The Difference between GDP and GVA is important to understand how a country's economic performance is measured. GDP (Gross Domestic Product) shows the total value of final goods and services produced in a country, while GVA (Gross Value Added) measures the value added by different sectors of the economy. In simple terms, GDP includes taxes and subsidies, whereas GVA focuses only on the actual production value.

Difference Between GDP and GVA

Difference between GDP and GVA are as follows:

Difference between GDP and GVA	
Gross Domestic Product (GDP)	**Gross Value Addition (GVA)**
Measures total value of final goods and services produced in the economy.	Measures value added by each producer or sector.

Calculated at Market Prices	Calculated at Basic Prices
Includes indirect taxes	Exclude indirect tax
Demand-side indicator	Supply-side indicator
Does not directly show sector contribution	Clearly shows contribution of agriculture, industry, and services

Gross Domestic Product (GDP)

Gross Domestic Product **(GDP)** refers to the **total monetary value of all final goods and services produced** within the **domestic territory** of a country during a specific period, usually a financial year.

GDP **captures the overall size of the economy and reflects aggregate demand**. It **includes consumption, investment, government expenditure, and net exports.**

Domestic Territory

Domestic territory in GDP calculations include:

- Political boundaries of the country: All land area, internal waters, and airspace.
- Territorial waters: Sea area up to the country’s legal maritime boundary.
- Embassies and consulates abroad: Treated as part of the domestic territory because they represent the country’s authority.
- Ships and aircraft operated by residents: Even if they are operating in international waters or airspace.
- Offshore installations: Such as oil rigs in international waters, if operated by the country’s residents.

Hence, Domestic territory may be defined as the political frontiers of the country including its territorial waters, ships, aircrafts, fishing vessels operated by the residents of the country, embassies and consulates located abroad etc.

Gross Domestic Product (GDP) Types

Nominal GDP

- Nominal GDP is the total value of final goods and services produced in a country **measured at current market prices of the same year.**
- It reflects changes in both production and price levels.
- An increase in prices (inflation) can raise Nominal GDP even if output does not increase.

Real GDP

- Real GDP is the total value of final goods and services produced in a country **measured at constant prices of a base year.**
- It removes the effect of inflation or deflation.
- It shows the actual growth in production.
- India uses Real GDP with **base year 2011-12** to measure economic growth.

GDP Calculation in India

- In India, GDP is calculated and released by the **Ministry of Statistics and Programme Implementation (MoSPI).**
- India primarily reports GDP at market prices, meaning it includes the impact of indirect taxes (like GST) and excludes subsidies.
- **In India, economic growth is measured by real GDP i.e., GDP at constant Market Prices.**

Gross Value Addition (Gross Value Added)

- **Gross Value Added** (GVA) measures the value added by different sectors of the economy such as agriculture, industry, and services after subtracting intermediate consumption (inputs used in production).
- In simple terms, GVA reflects the actual value created by producers in the economy.
- It shows how much each sector contributes to economic output. It is calculated at basic prices, which exclude indirect taxes and include subsidies.

GVA is considered a better indicator of the supply-side performance of the economy because it focuses on production rather than demand.

According to the **Economic Survey** **2025-26**, the Indian economy is driven by a strong services sector, which accounts for a record **56.4% of Gross Value Added (GVA)**. The industrial sector (including manufacturing) saw a 7% GVA growth in H1 FY26, with manufacturing showing robust acceleration (9.13% in Q2). Agriculture and allied sectors are projected to grow by 3.1% in FY26.
