New National Accounts Series:
An Exposition and Key Issues in the Debate

by

J Dennis Rajakumar

S L Shetty

(EPWRF Research Foundation, Mumbai)

Structure of Presentation

- Introduction
- Radical changes introduced in NAS latest revision
- Have these impacted NAS numbers?
- Needs attention

Introduction

- Shifting base year to 2011-12 and NAS new series released in Jan 2015
- Guidelines of SNA 2008 mostly followed resulting in far changes
- Mixed response
- Some methodological corrections done in January 2016 revision

Radical changes introduced in NAS latest revision

a) *Conceptual changes*
b) *Classificatory changes at sectoral level*
c) *Methodological changes in compilation*
d) *Improvements in coverage of sectors*

Conceptual changes

"GDP as a statistical indicator has a limited purpose, which is to describe and quantify the process of value addition in the economy"(CSO)

- GDP at factor cost has been discontinued
  - income based and *not based on output with observable vector of prices*
- Introduction of Gross Value Added (GVA) at basic prices
- Gross Domestic Product (GDP) at market prices as GDP
- Savings rate to be worked as GS as percentage of Gross Disposable National Income

Classificatory changes at sectoral level

Separate estimates of various aggregates for institutional sectors for the first time in the Indian NAS because *"intrinsic difference in their economic objectives, functions and behaviour"*

non-financial

financial corporations

general government

households

Refinement in the coverage of institutional categories

separation of quasi-corporations from the household sector and adding them to the corporate sector

Methodological changes in compilation

Shifting to the enterprise approach from the establishment approach

head office operations have been allocated to the non-financial corporations in the mining and manufacturing sectors

Adoption of effective labour input method instead of the bland labour input method (LI method) for a majority of unincorporated enterprises

Scope of capital formation have been broadened

intellectual capital and cultivated biological resources added

Improvements in coverage of sectors

- Use of MCA 21 e-governance data for a comprehensive set of over 5.5 lakh companies instead of the RBI sample study of around 4,500 companies

- A substantially improved coverage of local bodies and autonomous institutions under the General Government

- Financial corporations to cover a number of capital market enterprises

Methodological changes in compilation

A few other important changes

FISIM based on the Reference Rate approach

Output of RBI treated as non-market at cost

Estimates for the unorganised financial services based on specific field surveys rather than the blanket 1/3rd approach.

Method of estimation that did not change

- Commodity flow approach to estimates of capital formation
- Residual approach to household sector
- Blow up factor

Correlation coefficient between sectoral share in employment and GDP

Variables	GDP 2004-05		GDP 2011-12	
	1999-2000 series	2004-05 series	2004-05 series	2011-12 series
Employment: 2004-05	0.759	0.755		
Employment: 2011-12			0.692	0.756

Needs attention

- corporate data and motivation of companies
- reference estimates for arriving at growth rate for later periods
- declining trend in saving and investment rate and rising growth rate do not tie up
- reconstruction of IIP with rebasing of NAS
- WPI to the base year of NAS – but PPI is more appropriate
- reconciling production-side and consumption-side estimates
- double deflation method

Needs attention ….

- Non comparison over the previous years due to changes in scope

  Capital formation, savings and institutional categories

  though suitable adjustments may be made, data availability in the past will leave much desired