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India's Eighth National Accounts Revision with 2022-23 Base Year Introduces Double Deflation and Broader Data Improvements

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Recent Developments:

- The **Ministry of Statistics and Programme Implementation** released India's new series of **National Accounts Statistics with 2022-23 as the base year** on **27 February 2026**, replacing the earlier 2011-12 base-year series. This represents India's **eighth base-year revision** of the National Accounts.
- The series was subsequently **updated on 31 August 2026** to incorporate the new **Producer Price Index, Index of Industrial Production** and other updated data inputs released in June 2026.
- On **21 September 2026**, MoSPI released the **Sources and Methods for Compilation of National Accounts Statistics**, providing a consolidated account of concepts, definitions, data sources and methodologies used in the new series.
- The new series introduces important methodological improvements, including **double deflation in agriculture and manufacturing**, greater use of administrative data, improved coverage of the unincorporated sector and integration with the **Supply and Use Table framework**.

What are National Accounts?

Meaning and Framework:

- **National Accounts Statistics** provide a systematic framework for measuring an economy's **production, income, expenditure, saving, investment and external transactions**.
- They provide major macroeconomic aggregates such as **Gross Domestic Product, Gross Value Added, consumption, investment, saving and trade**, following the principles of the **United Nations System of National Accounts**.
- National Accounts therefore provide the statistical foundation for assessing **economic growth, structural transformation, sectoral performance and macroeconomic policy**.

Evolution of India's National Accounts Base Year:

Major Base-Year Revisions:

Base Year Year of New-Series Release

1960-61 1967

1970-71 1978

1980-81 1988

1993-94 1999

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1999-2000 2006

2004-05 2010

2011-12 2015

2022-23 2026

- Base-year revision is undertaken periodically to ensure that **relative prices, production structures, consumption patterns and emerging economic activities** are adequately reflected in national income estimates.
- For the current revision, **2022-23** was selected because it was considered a relatively normal economic year and relevant survey information was available; intervening years were affected by events such as the **GST transition and COVID-19 pandemic**.

Calculation of GDP and GVA:

Three Approaches to National Income Accounting:

- **Production Approach:** GDP is derived from **GVA of industries + taxes on products ? subsidies on products**.
- **Expenditure Approach:** GDP is measured through **final consumption expenditure + gross capital formation + exports ? imports**.
- **Income Approach:** National income is derived through **compensation of employees + operating surplus/mixed income + taxes less subsidies**.

Nominal and Real Estimates:

- **Current-price estimates** measure economic activity using prices prevailing during the reference period, whereas **constant-price estimates** remove the effect of price changes to measure real economic growth.
- Deflators and price indices are therefore essential for converting nominal values into **real output and GVA**.
- The new series uses more granular price indices, including **CPI, WPI, PPI and other appropriate indicators**, depending on the nature of the activity.

Key Change: Double Deflation in Manufacturing:

Single Deflation versus Double Deflation:

- Under the earlier **single-deflation approach**, nominal manufacturing GVA was converted into real GVA using an aggregate price deflator.
- Under **double deflation**, the prices of **output and intermediate inputs are adjusted separately**, allowing real value added to be derived after removing price changes from both sides.
- Conceptually:
- **Real GVA = Deflated Gross Value of Output ? Deflated Intermediate Consumption**
- Therefore, changes in both **output prices and input prices** are captured separately.

Data Sources and Item-Level Deflation:

- MoSPI uses **Annual Survey of Industries data** together with **item-level Output Producer Price Indices** based on ex-factory prices for manufacturing deflation.
- The Output PPI includes both **final goods and intermediate goods**, allowing the output price of one industry to serve as an input-price indicator for another industry.
- Relevant items include **wheat, milk, bauxite, coking coal, electricity, refined palm oil, gram flour, cotton yarn, sacks, leather, naphtha, phosphoric acid, cement and semi-finished iron and steel**.

- Items accounting for around **80% of output and input value** are selected after ranking by value, and ASI-derived weights are used to deflate individual items separately.

Coverage and Limitations within Manufacturing:

- Of the **30 manufacturing categories**, **processed food and oils** and **pharmaceuticals** are excluded from the double-deflation exercise because of high imported-input shares and difficulties in directly mapping input items with elementary output PPI.
- For **service inputs** where suitable producer price indices are unavailable, MoSPI uses consumer prices and implicit deflators as appropriate.
- The new methodology therefore represents a significant increase in **price-measurement granularity**, rather than simply replacing one aggregate deflator with another.

Double Deflation Beyond Manufacturing:

Agriculture and Other Sectors:

- The new National Accounts framework adopts **double deflation in agriculture as well as manufacturing**, while using **volume or single extrapolation** in other sectors where appropriate.
- This represents a methodological shift because the new framework has moved away from the earlier practice of **single deflation as the general approach**.
- The objective is to use the methodology most appropriate to the availability and characteristics of sector-specific data rather than applying a uniform deflation method across all activities.

Other Major Methodological Improvements:

New Data Sources and Sectoral Coverage:

- The new series incorporates greater use of **GST data, Public Financial Management System data, e-Vahan data and other administrative datasets**, alongside survey information.
- Coverage of the **unincorporated sector** has been improved through annual survey information, enabling better capture of changing economic activity.
- Activities of **multi-activity enterprises** are classified more accurately by segregating different activities instead of allocating the entire enterprise to a single major activity.

Supply and Use Table Integration:

- The new framework integrates National Accounts compilation more closely with the **Supply and Use Table framework** to reduce discrepancies between production-side and expenditure-side estimates.
- A Supply and Use Table records **what industries produce and how goods and services are used by industries, households and other final users**.
- The integration is intended to improve **internal consistency and reconciliation** within the National Accounts system.

Quarterly National Accounts:

- The new series introduces an improved **benchmarking methodology** for quarterly estimates, replacing the earlier proportional approach with **Proportional Denton Benchmarking**.
- Annual and quarterly estimates have been brought into closer alignment regarding **sectoral classification, deflation strategies and estimation practices**.

Revision in Treatment of Defined-Benefit Pensions:

Government Sector Accounting:

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- The new series revises the treatment of **defined-benefit pension schemes** by estimating the **present value of pension entitlements accruing to serving government employees**.
- Under the earlier methodology, pension payments made to retired employees were used as a proxy for the increase in pension entitlements of serving employees.
- The revised treatment follows the National Accounts principle that pension entitlements arising from current service should be reflected in **compensation of employees**.

Significance of the New Series:

Improved Measurement of Real Economic Activity:

- Double deflation provides a **conceptually more appropriate measure of real GVA** where reliable output and input price information is available.
- Item-level price measurement can improve consistency between **production statistics and price statistics**, particularly in manufacturing.
- Greater use of administrative datasets can improve **timeliness, coverage and granularity** of National Accounts estimates.

Better Representation of the Contemporary Economy:

- A new base year helps capture structural changes in **production, consumption, investment, technology and services** that may not be adequately represented by an older price structure.
- The new framework also improves the statistical representation of emerging activities and changing production relationships.

Concerns and Issues:

PPI and Deflator Challenges:

- India's **Producer Price Index remains experimental**, creating concerns regarding the robustness, continuity and wider availability of producer-price information.
- Mapping intermediate inputs, particularly **imported inputs and services**, to domestic producer-price indices remains technically difficult.
- Differences between price indices can significantly affect measured real GVA because output and input prices may move at different rates.

Interpreting Manufacturing GVA and IIP:

- **Index of Industrial Production growth and manufacturing GVA growth need not be identical** because IIP measures changes in the physical volume of a fixed basket of sampled items, whereas GVA also incorporates intermediate consumption and broader sectoral coverage.
- MoSPI states that IIP growth is more directly comparable with **Gross Value of Output at constant prices** rather than manufacturing GVA.
- Therefore, changes in real manufacturing GVA should be interpreted alongside **IIP, PPI, capacity utilisation and other industrial indicators**, rather than using any single indicator in isolation.

Way Forward:

Strengthening India's Statistical System:

- India needs to **institutionalise a comprehensive Producer Price Index**, improve item-level price collection and expand coverage of producer prices.
- **Annual Survey of Industries and administrative datasets** should be strengthened to improve coverage, quality and consistency.

- Better measurement of **imported inputs, services and emerging economic activities** is necessary for more accurate sectoral deflation.
- MoSPI should ensure **transparent methodological documentation, periodic validation and user consultation** as new data sources and price indices evolve.
- The continued alignment of **National Accounts, State Domestic Product and District Domestic Product** with the 2022-23 base year can improve comparability across levels of government.

Value Addition for UPSC:

Key Concepts:

- **Base Year:** A reference year whose prices are used to calculate constant-price estimates and measure changes in real economic activity.
- **GDP:** The monetary value of final goods and services produced within a country during a specified period.
- **GVA:** The value added by producers, calculated broadly as **value of output ? intermediate consumption**.
- **Deflator:** A price index used to convert nominal economic values into real or constant-price values.
- **Double Deflation:** A method in which **output and intermediate inputs are deflated separately** before calculating real value added.
- **Supply and Use Table:** A statistical framework that reconciles the supply of goods and services with their use across industries and final demand.
- **PPI:** A producer-side price measure used to capture changes in prices received by producers and support the estimation of real output.

UPSC GS Linkages:

- **GS-III:** National income accounting, GDP, GVA, inflation measurement, industrial growth, statistical systems, manufacturing and economic policy.
- **GS-II:** Evidence-based governance, institutional capacity and the role of official statistics in public policy.
- **Essay:** The quality of economic policymaking depends on the quality, comparability and transparency of underlying statistical systems.
- **Prelims Focus:** Base year, GDP versus GVA, nominal versus real GDP, single versus double deflation, PPI, IIP, Supply and Use Tables and National Accounts methodology.

Important Data Points:

- **2022-23:** New National Accounts base year.
- **27 February 2026:** New National Accounts series released.
- **31 August 2026:** Updated annual and quarterly series released with newer price and administrative data.
- **21 September 2026:** Sources and Methods publication released.
- **8th:** Base-year revision of India's National Accounts.
- **30:** Manufacturing categories covered in the double-deflation framework, with specified exclusions.
- **80%:** Approximate output and input value represented by selected items for item-level manufacturing deflation.
- **2011-12:** Base year of the previous National Accounts series.