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? India's GDP Revisions in 2026: New PPI-Based Deflation and Improved Measurement of Real Economic Growth

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Recent Developments:

- The **Ministry of Statistics and Programme Implementation (MoSPI)** has revised India's GDP estimates from FY 2022–23 onwards after incorporating the new **Producer Price Index (PPI)** and **Index of Industrial Production (IIP)** series with base year 2022–23. MoSPI clarified that the revision reflects improved data inputs and does not represent a change in the GDP base year or a mid-series change in the underlying National Accounts framework.
- The latest revision follows the introduction of the **new GDP series with 2022–23 as the base year** in February 2026, replacing the earlier 2011–12 base year. The new series incorporated methodological improvements, wider administrative data use, improved quarterly benchmarking and **double deflation** in agriculture and manufacturing.
- MoSPI released the **Q1 FY 2026–27 GDP estimates on 31 August 2026**, while the updated PPI and IIP series were incorporated into the National Accounts estimates as planned.
- The revisions can move GDP growth **upward or downward**, because the effect depends on the difference between the newly available price indicators and the indicators previously used. Therefore, incorporation of PPI should not automatically be interpreted as an upward revision of economic growth.

Why GDP Estimates Are Revised:

Routine Revision of National Accounts:

- GDP estimates are revised because the initial estimates rely partly on **advance indicators**, while more comprehensive production, corporate, administrative and survey data become available later.
- Quarterly GDP estimates use high-frequency indicators and are subsequently benchmarked to annual estimates, causing revisions in both quarterly levels and growth rates when underlying information changes.
- Revisions are therefore a normal feature of national accounting and do not necessarily indicate that earlier estimates were erroneous.

Base-Year Revision versus Regular Revision:

- A **base-year revision** changes the benchmark structure and may incorporate new data sources, improved coverage, updated weights and methodological improvements.
- The 2026 GDP series changed the base year from **2011–12 to 2022–23**, with FY 2022–23 selected as a recent normal year with comparatively comprehensive economic data.
- Regular revisions mainly incorporate newly available information within the existing framework, whereas base-year revisions can substantially improve the conceptual and statistical framework.

Understanding GDP, GVA and Deflation:

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GDP and GVA:

- **Gross Domestic Product (GDP)** measures the value of final goods and services produced within an economy during a specified period.
- From the production approach, GDP is derived from **Gross Value Added (GVA)** across economic activities, adjusted for taxes on products and subsidies on products.
- **GVA** represents the value added by producers and is broadly calculated as output minus intermediate consumption.
- GDP at current prices reflects both changes in production volumes and changes in prices, whereas GDP at constant prices attempts to isolate changes in real economic activity.

Need for a Price Deflator:

- Nominal economic output cannot directly measure real growth because an increase in its value may result from higher prices rather than greater production.
- A **price deflator** removes the price effect from nominal values so that changes in the volume of economic activity can be estimated.
- The choice of deflator is therefore important because an inappropriate price index can distort measured real growth.

Single Deflation: Earlier Approach:

Method and Limitation:

- Under **single deflation**, output and intermediate consumption were generally adjusted using the same or closely related price deflator, although sector-specific approaches existed.
- The method can produce misleading real GVA when input prices and output prices move at different rates.
- For example, if input costs rise sharply while output prices increase only slightly, applying a common deflator may fail to capture the actual change in value added.
- This limitation becomes particularly important in sectors where input and output price movements are structurally different.

Double Deflation: Improved Measurement:

Concept and Application:

- **Double deflation** separately adjusts output and intermediate consumption using price indicators appropriate to their respective price movements.
- Real value added is then derived from real output minus real intermediate consumption.
- The method is intended to provide a more theoretically consistent estimate of real GVA because producers may face substantially different inflation rates for their inputs and outputs.
- In the 2022–23 GDP series, MoSPI adopted **double deflation for agriculture and manufacturing**, while different volume or extrapolation approaches are used for other sectors according to data availability and activity characteristics.

Why Double Deflation Matters:

- If input prices rise faster than output prices, producer margins can be squeezed even when nominal output increases.
- If output and input prices move differently, a common deflator may either overstate or understate real value added.
- Double deflation attempts to capture these relative price movements separately and thereby improve the measurement of **real GVA growth**.

Shift from WPI to PPI:

Why PPI Is Important:

- **Producer Price Index (PPI)** measures changes in prices received by domestic producers for their output and is therefore conceptually closer to producer-side economic activity than a retail price index.
- India historically relied on **Wholesale Price Index (WPI)** as a proxy for producer-side price movements where suitable PPI information was unavailable.
- MoSPI stated that PPI is recommended for relevant National Accounts applications because it provides a more appropriate representation of producer prices.
- The new PPI series became available in 2026, enabling its incorporation into GDP compilation alongside the updated IIP series.

Why the Choice of Index Matters:

- **CPI** measures prices paid by consumers, while **PPI** measures producer-side prices and **WPI** primarily tracks wholesale prices of goods.
- These indices have different baskets, coverage and economic purposes; therefore, they cannot be treated as interchangeable measures of inflation.
- Using a price index that better corresponds to the underlying economic activity can improve the conversion of nominal values into real measures.

Services Sector and Deflation:

The Measurement Challenge:

- A comprehensive **Services Producer Price Index (SPPI)** covering the entire services sector is not currently available.
- Consequently, MoSPI uses the most appropriate available price or volume indicator for individual service activities, which may include CPI-based indices, sector-specific price indices, unit-value indices, output indicators and administrative data.
- Therefore, it is inaccurate to state that PPI has universally replaced WPI or CPI for every service-sector activity.

GDP Implicit Price Deflator:

Meaning and UPSC Relevance:

- The **GDP Implicit Price Deflator (GDP IPD)** is derived as: GDP at current prices divided by GDP at constant prices, multiplied by 100.
- Unlike CPI or PPI, the GDP IPD is not directly constructed from a single basket of surveyed prices.
- It captures the combined price movements of goods and services represented in domestic GDP, including components such as investment goods and government services.
- Consequently, GDP IPD should not be expected to move one-to-one with CPI or PPI because their coverage and conceptual bases differ.

Other Major Improvements in the 2022–23 GDP Series:

Methodological and Data Improvements:

- The new series introduced **double deflation** in agriculture and manufacturing and improved the use of volume-based measures in other sectors.
- MoSPI improved the treatment of **multi-activity enterprises** by segregating their activities for better estimation of the private corporate sector.

- The series incorporates improved coverage of the **unincorporated sector** through annual survey data.
- **GST data and other administrative databases** have been used more extensively for quarterly National Accounts.
- The quarterly series adopted **Proportional Denton Benchmarking** in place of the earlier pro-rata benchmarking approach.
- Improved integration with the **Supply and Use Table (SUT)** framework is intended to reduce discrepancies between production-side and expenditure-side estimates.
- Updated survey-based rates, ratios and methodological studies have also been incorporated to improve sectoral estimates.

Significance for the Indian Economy:

Better Measurement and Policy Use:

- More appropriate price indices can improve the measurement of **real GDP and GVA**, which are important for monetary policy, fiscal planning, investment decisions and international comparisons.
- Better sector-specific deflation can reduce distortions in measured growth caused by inappropriate price proxies.
- Greater use of GST, survey and administrative data can improve the timeliness and coverage of National Accounts.
- However, revisions should be interpreted carefully because an improved statistical methodology can alter historical growth rates without implying an equivalent change in the underlying physical output of the economy.

Remaining Limitations:

Statistical Challenges:

- The new methodology does not eliminate all measurement limitations because the availability and quality of sector-specific price indicators remain uneven.
- A comprehensive producer-price framework for the entire services economy is still unavailable, requiring MoSPI to use different indicators according to the nature of individual activities.
- The GDP IPD, PPI and CPI measure different concepts, so differences between their movements should not automatically be interpreted as statistical inconsistency.
- Continued revisions are likely as additional survey, administrative and sectoral information becomes available.

Value Addition for UPSC:

Conceptual Linkage:

- **Nominal GDP ? Deflation ? Real GDP ? Real Growth** represents the basic statistical chain through which price effects are separated from production changes.
- **PPI ? Producer-side prices ? Better deflation ? Improved real GVA measurement** provides the key conceptual link behind the 2026 revisions.
- **Base-year revision + better data sources + improved methodology + sector-specific deflators** collectively strengthen the credibility and analytical usefulness of India's National Accounts.