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New GDP series to eliminate 'discrepancies' component; full back series by Feb 2027

The statistics ministry is in the process of revising India's GDP data, with the new series to have 2022-23 as the base year and several changes in how the data is calculated.

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In July-September, when the Indian economy grew by an unexpected 8.2 per cent in real terms, 'discrepancies' amounted to Rs 1.63 lakh crore, or 3.3 per cent of GDP.

India's statistics ministry, as part of the ongoing revision of the GDP data series, plans to do away with the contentious 'discrepancies' component that has, over the years, puzzled economists. In the second discussion paper on the methodological improvements in the compilation of GDP, released on Tuesday, the Ministry of Statistics and Programme Implementation (MoSPI) also said it plans to publish the GDP 'back series' with the new base year by February 2027.

"On launch of the new series of GDP estimates with the Base Year: 2022-23 on 27.02.2026 (February 27, 2026), it is planned to publish the back series of GDP estimates on the revised base year within one year," the MoSPI discussion paper said. The ministry has invited comments on the paper by January 7, 2026.

Discrepancies and GDP

The statistics ministry calculates GDP using two methods – production or income approach and the expenditure approach. But due to different sources of data used for the two approaches and variations in coverage, valuation, and lags in recording of data, the final GDP numbers arrived at through the two approaches may not match. As such, the difference is shown as 'discrepancies' under the expenditure approach along with Government Final Consumption Expenditure, Private Final Consumption Expenditure, Gross Fixed Capital Formation, change in stock, valuables, and net exports. This is because the expenditure-side GDP is seen as being less accurate than its production -side counterpart.

"The alternative is to remove the discrepancy by examining the data in the light of the many accounting constraints in the SNA (System of National Accounts), making the best judgement possible about where the errors are likely to have arisen and modifying the data accordingly," MoSPI's discussion paper said.

When 'discrepancies' are positive, it means that the GDP calculated through the production approach – by adding the value added of the various sectors, such as manufacturing, services, and agriculture – is greater than the GDP arrived at by adding together the different types of expenditures. Similarly, when 'discrepancies' are negative, the expenditure-side GDP is more than that computed from the production side.

In July-September, when the Indian economy grew by an unexpected 8.2 per cent in real terms, 'discrepancies' amounted to Rs 1.63 lakh crore, or 3.3 per cent of GDP. However, in nominal terms – or without adjusting for inflation – the 'discrepancies' figure was a negative Rs 2.46 lakh crore, or -2.9 per cent of GDP.

"It's very good if discrepancies are done away with," said Kunal Kundu, India Economist at French investment bank Societe Generale. "Ideally, discrepancies should come down over time, from one revised estimate to the next. However, we have seen in the past that sometimes this figure has increased in magnitude. This makes it very difficult to understand what has been driving GDP growth."

Removing discrepancies

As part of the new GDP series – the first number under which will be released on February 27, 2026 for the October-December quarter – MoSPI plans to integrate the so-called supply and use tables with the compilation of annual accounts "to ensure that discrepancies are limited in the early estimates and finally eliminated when full set of data becomes available at the time of final estimates".

Supply and use tables show how different goods and services are supplied by domestic industries and imports and how they are distributed between different intermediate or final uses, including exports. In this accounting framework, the total supply and use of each type of good and service must be balanced.

Large 'discrepancies' – the July-September figure of 3.3 per cent of GDP in constant prices was the largest on an absolute basis since April-June 2022 – can also lead to significant revisions in GDP growth rates in the future. There have also been sizable swings in 'discrepancies' in recent years, especially after the coronavirus pandemic. For instance, in January-March 2023, 'discrepancies' stood at (-)3 per cent of GDP. However, this changed to a positive 3.3 per cent of GDP in the subsequent quarter, April-June 2023.

"While the elimination of discrepancies would be a good move, it is just one aspect; we need to be mindful of how difficult it is to calculate GDP. The current series has been hampered by several issues, including the use of survey data from more than a decade ago," Kundu of Societe Generale added.

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