

PRESS INFORMATION BUREAU

GOVERNMENT OF INDIA

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PRESS NOTE

METHODOLOGY FOR COMPUTING ADVANCE ESTIMATES & QUICK ESTIMATES OF NATIONAL INCOME

Some news items have appeared relating to quick estimates of national income for 2000-01 released by the Central Statistical Organisation (CSO) on 31.01.2002, and there appears to be a need for further clarifications on the methodology of estimation. The CSO has been releasing the Advance Estimates of national income, at constant prices, during January/February every year, beginning with the estimates of the year 1992-93. These estimates are based on Advance Estimates of agriculture production and partial information available on various sectors of the economy for part of the year, as the year is yet to close when Advance Estimates are released. The Advance Estimates are compiled by extrapolating the previous year's Quick Estimates with the growth rates observed in each of the physical indicators of various sectors, for a certain part of the year. To this extent, the current year's growth rates stated in the Advance Estimates are more or less independent of the previous year's levels of estimates. The Advance Estimates would undergo revision in the month of June, when more upto date data becomes available on various indicators. The Index of Industrial Production would be available for the whole year by June. The estimates of national income and other expenditure aggregates are compiled, when detailed data from various sources on different sectors become available in the month of January next year. The estimates are further revised in the subsequent years as updated data keeps on flowing from the source agencies. For example, for the agriculture and manufacturing sectors, the Advance Estimates are based on data on rabi sowings, and eight months' data on index of industrial production (IIP). The final estimates from these two sectors become available after two years from the Ministry of Agriculture and from the Annual Survey of Industries (ASI). Also for the Advance Estimates, in the absence of any information on non-banking financial institutions (NBFIs), the growth observed in the banking sector, via aggregate deposits and credits is applied. Accounts of these NBFIs become available only at the time of the Quick Estimates.

Revisions between the Advance and Quick Estimates, 2000-01

2. With reference to the revisions between the Advance Estimates and the Quick Estimates for the year 2000-01, it may be seen that the Ministry of Agriculture reported a foodgrain production of 199 million tonnes in January 2001, whereas the same now stands at 196 million tonnes. The downward revision is more prominent in the high valued pulses, in which the production for 2000-01 is now placed at 10.67 million tonnes, from the advance estimate figure of 12.3 million tonnes. In the case of oilseeds, cotton, and sugarcane, the production figures for 2000-01 now stand at 18.4 million tonnes, 9.65 million bales, and 299 million tonnes, against their corresponding figures reported in January 2001 of 18.6 million tonnes, 13.2 million bales, and 301 million tonnes. The downward revision in agriculture has led to the cascading effect in terms of lower growth in the sector, trade, hotels, etc. In the case of NBFIs, the growth rate observed in the banking sector of 10 per cent was used for extrapolating the estimates of NBFIs in the absence of any current data at the time of Advance Estimates. Now at the time of Quick Estimates, when the annual reports of these NBFIs have become available, the accounts showed a steep fall in their output, resulting in negative growth of the sector. Another revision in the estimates of GDP, 2000-01 between the advance and Quick Estimates is in the sector 'community, social & personal services'. The revision in this sector is due to the differences in the budget estimates and revised estimates of centre and state governments, as well as in the detailed analysis of the budget documents undertaken for the Quick Estimates.

3. The National Statistical Commission (NSC) discussed at length the reasons for revisions in the national accounts statistics and made elaborate recommendations for improving the coverage and quality of database required in the compilation of national accounts. The recommendations of the NSC, when implemented are expected to improve the data availability position as well the quality of the data presently available for compiling the national accounts, from various data sources.