

**GOVERNMENT OF INDIA
MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION**

**Updation of GDP Estimates with New series of PPI and IIP
Frequently Asked Questions**

1. Why Producer Price Index (PPI) has been used in place of Wholesale Price Index (WPI) in GDP compilation? How does it improve GDP estimates?

PPI measures changes in the prices received by domestic producers for their output and is therefore conceptually more closely aligned with the producer side of economic activity. It provides a more appropriate measure of producer prices for relevant components of National Accounts. So, use of PPI is recommended in the UN System of National Accounts (SNA). In the absence of PPI, WPI was being used as proxy. Now, with the release of PPI in June 2026, it is used in place of WPI.

The use of PPI is expected to improve the measurement of price changes used for deriving volume measures and, consequently, improve the measurement of real GDP and GVA. However, PPI is not being used universally; the price index appropriate to the nature of each activity is used in the National Accounts.

2. Does replacing WPI with PPI mean that the earlier GDP estimates were incorrect?

No. The earlier estimates were compiled using the best available data and price indices at the time of their release. National Accounts estimates are subject to revisions as more comprehensive and improved data become available.

The present exercise incorporates a newly available and improved price indices. Therefore, the revised estimates should be viewed as improved estimates based on updated information, rather than as a correction of an error in the earlier estimates.

3. Why the new series of PPI and IIP have been incorporated at later stage of the GDP series?

The new series of PPI and IIP have been incorporated at later stage of the GDP series because these indices have become available subsequent to the release of the new GDP series with 2022-23 as the base year. At the time of release of the new GDP series in February 2026, the latest available price and volume indicators were used for compiling the estimates. The new PPI and IIP series, both with 2022-23 as the base year, have since become available and have been incorporated to ensure that the GDP estimates use the most appropriate and updated data inputs.

It is important to clarify that this does not amount to introducing a new methodology or changing the GDP series in the middle of the series. The GDP base year continues to be 2022-23, and the underlying National Accounts framework remains unchanged.

4. Whether only real GDP growth rates have been changed or nominal GDP growth rates have also been revised?

No. Changes due to incorporation of PPI, are not limited to real estimates only. Both current-price and constant-price estimates are impacted, depending on the use of relevant price information in the estimation process.

At constant prices, the revisions are more visible in sectors where the PPI is used as a price measure in place of old WPI. At current prices, revisions in GVA are primarily associated with updated estimates of General Government and Departmental Enterprises. Such revision is mainly due to updated estimates of Net Fixed Capital Stock and Consumption of Fixed Capital (CFC) owing to incorporation of PPI series.

Consequently, revisions have been observed in nominal GDP/GVA, real GDP/GVA and the corresponding growth rates. The impact differs across sectors.

5. Does the incorporation of PPI necessarily increase the GDP growth rate?

No. The impact depends on the difference between the PPI and the price indices used earlier, as well as the relative importance of the affected activities. Consequently, GDP growth for a particular year or quarter has been revised either upward or downward. The revised estimates are generated through the prescribed methodology regardless of its impact on the growth rate.

6. Did the revision affect both annual and quarterly GDP estimates?

Yes. The incorporation of the new PPI and IIP affected both annual and quarterly estimates from FY 2022-23 onwards, wherever the relevant price indices or indicators are used.

Quarterly estimates are compiled using high-frequency indicators and are benchmarked to the annual estimates. Therefore, changes in the underlying price indices and high-frequency indicators resulted in revisions to both quarterly levels and growth rates. The extent of revision varies across sectors and periods.

7. Why quantum of change in quarterly growth differs from the changes in annual growth on incorporation of PPI in place of WPI and other new indicators?

The impact of the new PPI on quarterly and annual growth rates differs because quarterly National Accounts estimates are compiled using high-frequency indicators and are benchmarked to the annual estimates of previous year. Changes in underlying price measures, such as the new PPI, therefore affect individual quarters differently, depending on the movement of prices and activities in those quarters. As a result, even when the impact on the annual estimate is relatively small, the quarter-wise growth rates may show comparatively larger changes.

However, regardless of variation in quarterly growth, the growth rate arrived at combining all quarterly estimates combined is consistent with the annual growth.

8. What is the Implicit Price Deflator (IPD) of GDP?

The Implicit Price Deflator (IPD) of GDP is a broad measure of the overall price change in the economy, derived from the relationship between GDP at current prices and GDP at constant prices.

It is calculated as:

$$\text{IPD of GDP} = (\text{GDP at Current Prices} \div \text{GDP at Constant Prices}) \times 100$$

Unlike a specific price index such as CPI or PPI, the IPD of GDP is not a directly computed as an index from collected prices. It is derived from the National Accounts aggregates and reflects the combined price movements of all goods and services included in GDP.

9. Why does the GDP Implicit Price Deflator not necessarily move in line with PPI or CPI?

The GDP IPD and indices such as PPI and CPI measure following different concepts and have different coverage.

PPI primarily captures changes in the producer prices for the products covered in the PPI basket, while CPI measures changes in retail prices faced by household consumers for a basket of goods and services. In contrast, the GDP IPD covers the entire domestic production represented in GDP, including investment goods, government services and other components.

Further, GDP is a value added concept, and the IPD is derived from current and constant price estimates. Therefore, changes in the composition of output, relative prices and the prices of different components of GDP can cause the GDP IPD to move differently from CPI or PPI. Hence, the GDP IPD should not be expected to correspond one-to-one with any single price index.

10. What price indices are used for services in the compilation of GDP?

Unlike manufacturing and some other goods-producing activities, a comprehensive Services Producer Price Index (SPPI) covering the entire services sector is not currently available. Therefore, National Accounts uses the most appropriate available price/volume indicators for individual service activities.

Depending on the sector, these may include CPI based indices, sector-specific price indices, unit value indices, output or volume indicators and other relevant administrative or industry-specific data.

11. Why growth in IPD of Manufacturing GVA do not matches with PPI-based inflation?

In 2022-23 series, MoSPI has adopted double deflation for manufacturing sector wherein Output is deflated using item-level Output PPI, and Intermediate Consumption (IC) is deflated separately with relevant indices for input items. Real GVA is the difference between deflated Output and deflated IC, i.e., $\text{Real GVA} = \text{Deflated GVO} - \text{Deflated IC}$.

Therefore, IPD of Manufacturing GVA having the net effect of IPD of Output and IPD of IC, may not be directly comparable with PPI-based inflation, as both the IPD may grow at different pace.

12. Why IIP growth is differing from the growth of Manufacturing GVA?

IIP measures the changes in physical volume of a fixed, sample-based item basket with weights, set at a point in time. Therefore, being a volume index, growth in IIP is comparable with growth in GVO at constant prices rather than GVA.

Minor differences can be attributed to incorporation of data from unincorporated sector as well as dynamic input-output structure as against fixed based and fixed data collection units in IIP.