

Revisiting India's Growth Pattern

GDP Rebasing and the Decline in Consumption Share

Koji Nomura (Keio University) and Mun S. Ho (Harvard University)

April 13, 2026

KEY MESSAGE

India's 2022–23 GDP rebasing leads to a substantial downward revision in household consumption and a corresponding increase in the investment share. This revision suggests that India's growth has been less consumption-driven and more investment-oriented than previously indicated, without implying a change in underlying economic activity.

WHY THIS MATTERS

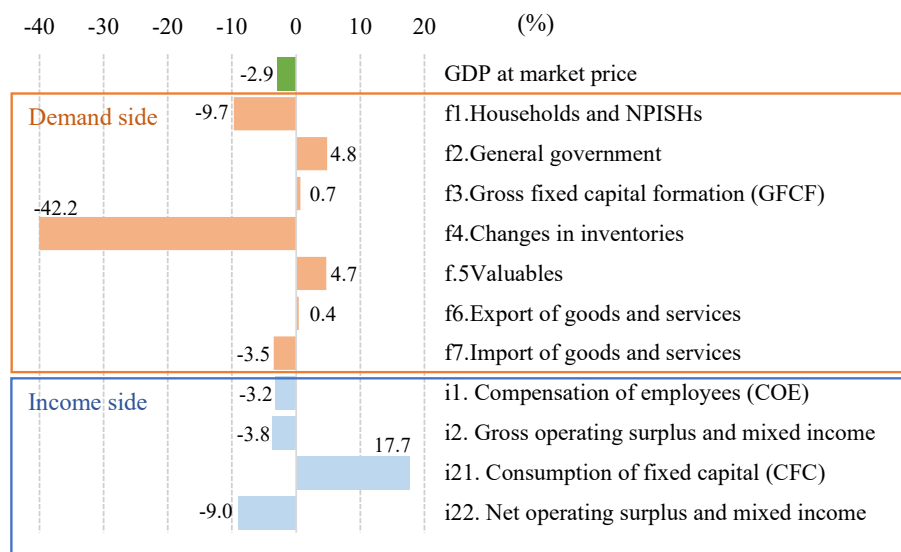
India has often been characterized as a consumption-driven economy, particularly in comparison with more investment-oriented Asian economies. This characterization is reflected in relatively high consumption shares observed in South Asia. Understanding the sources and implications of national accounts revisions is therefore essential for accurate cross-country comparisons and growth analysis.

EVIDENCE FROM GDP REBASING

The latest national accounts revision, published in February 2026, updates the benchmark year from 2011–12 to 2022–23 and results in a sizable downward revision to private final consumption expenditure. Figure 1 compares the revisions in final demand and income components between the two benchmark estimates for fiscal year 2022–23. Household consumption is revised down by about 10% in nominal terms, leading to a decline in its share in GDP from 61.5% to 57.1%.

Figure 1. Final Demand and Income Structure Revision: Revised vs. Previous Series (India, FY2022–23)

Unit: Percentage (changes to revised series from previous series). Notes: Statistical discrepancy is eliminated in the revised series through the integration of supply-use tables. Changes in inventories remain positive in both series; the revision reflects a reduction in magnitude.



INTERPRETATION

These changes primarily reflect improvements in measurement rather than shifts in economic behavior (MoSPI 2026; PIB 2026). In national accounts compiled without fully integrated supply–use tables, discrepancies between the production and expenditure sides are often absorbed into final consumption, implicitly inflating its measured level. The improved reconciliation reallocates these discrepancies to intermediate use, implying that part of the previously measured consumption reflected balancing residuals rather than actual final demand. The revision also changes the relative importance of demand components: while gross fixed capital formation (GFCF) was revised only modestly in level terms, its share in GDP increases from 31.2% to 32.4%, reinforcing the interpretation that India’s recent growth has been more investment-oriented than previously suggested.

MEASUREMENT CONSIDERATIONS

The revision also affects the income side of the accounts. Consumption of fixed capital (CFC) is revised upward, while net operating surplus declines (bottom panel of Figure 1), reflecting both a reallocation within capital income and the downward revision to value added. Taken together, these changes imply a lower Jorgensonian ex-post nominal rate of return to capital in the revised series. Under standard growth accounting frameworks, the revision alters measured income shares for both capital and labor, with corresponding implications for the decomposition of growth and the residual TFP contribution. The magnitude of these effects, and whether the downward revision to the consumption share extends to earlier periods, will become clearer once MoSPI releases the official back-series data, currently expected by December 2026. More broadly, the results highlight how improvements in national accounting—particularly the integration of supply–use tables—can materially affect the measured composition of demand and income without altering underlying economic activity.

IMPLICATIONS

01

In the revised national accounts series, India’s growth pattern appears less consumption-driven than previously suggested.

02

Measured demand structures in South Asia may be less consumption-driven than previously indicated, reflecting India’s large weight in regional aggregates.

03

Changes in measured income components call for a reassessment of the role of capital formation, income shares, and returns in growth accounting.

REFERENCES

MoSPI (2026) “Press Note on New Series of GDP Estimates with Base Year 2022–23,” Ministry of Statistics and Programme Implementation, Government of India, February 27.

PIB (2026) “Redefining Growth: India’s Revised GDP Estimates and the New Measurement Framework,” Press Information Bureau, Government of India, February 27.

This note is part of the Productivity Research Notes series, examining key issues in productivity and economic performance in Asia. The views expressed are those of the author(s). Inquiries may be directed to sankenoffice@info.keio.ac.jp.

