What is GDP-CVM and what is the advantage of doing GDP-CVM?

GDP or Gross Domestic Product can measure the total market value from all domestic goods and services produced in a given year. But why is that not enough? Why has GDP-chain value measures come to the show and used by Thailand?

GDP-CVM or Gross Domestic Product-Chain Volume Measures is Another method of calculating Real GDP, which is now widely used in developed countries. That is, the final measure of the value of goods and services with the previous year's average price to determine the “quantity” of the actual production of goods and services in that year by making a weighted volume index using the previous year price. The calculation by this method changes the base year of the prices of goods and services every year, making the economic structure in each year modern because it is only one year away from the present and makes the economic growth rate more accurate. Use a price base that changes every year This makes us unable to compare GDP growth numbers each year.

Therefore, each year quantity index has to be linked into the same series of data to be able to compare the growth each year. Which is why we call this method Chain Volume measures (CVM) The Office of the National Economic and Social Development Board (NESDB) has officially started publishing quarterly GDP-CVM in its first quarter 2015 GDP figure in May. 2015, instead of using the traditional Real GDP.

What is the advantage of doing GDP-CVM? The target of doing CVM is to find the real growth of the GDP which calculating for the real GDP may not be as accurate as the chain volume measures of GDP. A technical feature of the chain volume measures is that for earlier years, the GDP components in real terms may not add up to the GDP aggregate, owing to the fact that the price weights are updated every year. However, it should be noted that this non-additivity element arises from purely mathematical reasons; the discrepancy should not be interpreted as an indication of the quality of the GDP measure.

Most importantly, the enhanced calculation method provides a better measure of the real growth of GDP. Last but not least, the growth rate of GDP-CVM is less fluctuated than the traditional real GDP. With this difference, the movement is the same and a slight decrease of fluctuation. In summary, the change in the Real GDP calculation method allows us to obtain more accurate economic growth and the international standard on par with developed countries.

In Thailand, there was a significant lag of time to release the GDP data and the actual GDP growth is not a good guide to identifying the current economic health. Moreover, they can collect data for just most of the sectors but not all, so it might not be accurate. So, the CVM is a huge improvement in measuring economic growth and allows much more flexibility in dealing with new goods and services.

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