

GDP and Related Terms

Here, GDP Deflator would be - 1,650 ÷ 1,100 = 1.50 (or 150%)

GDP AND RELATED TERMS **GROSS DOMESTIC PRODUCT (GDP): -**Total monetary value of all finished goods/services produced Measures economic activity within the physical borders of a country within a country in one year **3** methods to calculate GDP - expenditures, production, Producers can be native or foreignincome Method owned entities Provides an economic snapshot to estimate a country's Measures overall production of people/ corporations native to a country **GNP** economy/growth rate Includes those based abroad (by natives) but not foreign-owned domestic production • GDP is not an accurate measure of the overall living standard/ well-being of a country Sum of all income earned by citizens/nationals of a country (domestic + abroad) ● GDP = Goods and services consumed (C) + Investments (I) + Govt expenditures(G) + (Exports(X) - Imports(M)) GNI = domestic income + indirect business taxes + depreciation + net foreign factor income GNI GDP = NDP Nominal Real **GDP GDP** +(NFIA) +(NFIA) (NGDP) (RGDP) Inflation-adjusted GDP ■ GDP at current prices Includes inflation/pace of More accurate reflection of the **d** = depreciation NFIA = Net Factor Income from Abroad output of an economy than NGDP rising prices Used to compare GDP of Used to compare different quarters of output (in same year) NNP = Net National Product NDP = Net Domestic Product Calculated using a GDP Price Deflator = Total value of the inputs that go into manufacturing a good arket Price (MP) = Factor Cost + Indirect Taxes - Subsidies OGDP at FC = GDP at MP + Subsidies - Indirect Taxes GDP Price Deflator = (NGDP ÷ RGDP) * 100 GDP at MP = GVA x MP GDP at MP is the measure of GDP in India Example: Assume a country that only produces bread ed (GVA) = GDP + subsidies on products - taxes on products Year 2021: It produced 100 units of bread @ price Rs 10 (each) Then, GDP @ current price - Rs 1000 Year 2022: It produced 110 units of bread @ price Rs 15 (each) Then, GDP @ current price - Rs 1650 RGDP for year 2022 (base year - 2021) = 110 × Rs 10 = Rs 1,100

