Measures of Economic Activity

GDP, GNP, GNI, NNP, Real GDP, Nominal GDP…...

GDP vs GNP / GNI

- GDP is a total value of all goods and services produced in an economy in a year. It includes all economic activity in a country. Therefore if a British company operating and earning profits in Japan, then its income is included on the Japanese GDP

- GNP / GNI is the total income earned by a country's factors of production regardless of where the assets are located. So, the British company would not appear in the Japanese GNP / GNI. But, the profits of a Japanese firm operating in Britain would be included in the GNP / GNI, but not the GDP

Nominal GDP vs Real GDP

The main difference between **nominal** and **real**values is that **real** values are adjusted for inflation, while **nominal** values are not. As a result, **nominal GDP** will often appear higher than **real GDP**. ... Values for **real GDP** are adjusted for differences in prices levels, while figures for **nominal GDP** are not.

Three ways to measure GDP

The **income** flow is numerically equivalent to the **expenditure** flow and the **value of output** flow

Income for the factors of production. = Goods and services **expenditure** = **Total value of all goods and services produced**
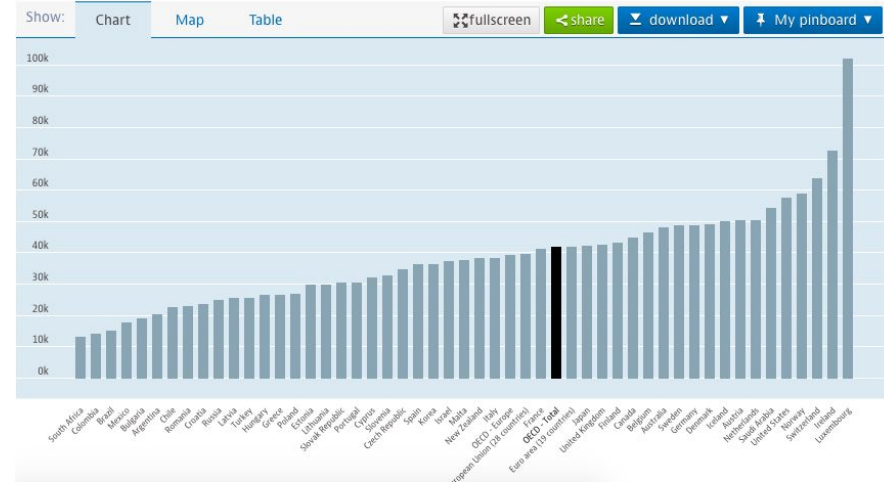
Be an inquirer………..

Go to the OECD country website.

www.oecd.org.

Look at the GDP of Ireland. Why do you think it is so high?

Gross domestic product (GDP) Total, US dollars/capita, 2016   Source: Aggregate National Accounts, SNA 2008 (or SNA 1993): Gross domestic product

Exam Practice

Distinguish between GDP, GNP and NNP (10 marks)

Evaluate the use of GDP figures as a means of comparing countries (15 marks)

Net National Income and Depreciation

Depreciation is the concept that assets decrease in value over time.

This happens with cars that lose about a third of its value as soon as it is bought even if it has never been driven. What have you bought that has depreciated? Why do assets depreciate in value?

➔ Normal wear and tear through usage
➔ Technological change, making either the asset, or the product it is used to make, obsolete
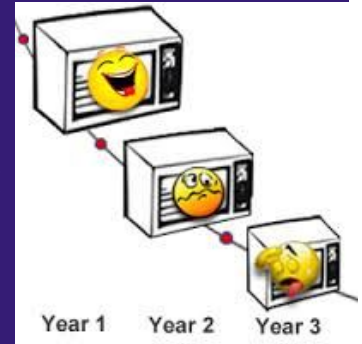
Total up your assets.
- How did they cost? _____
- How much are they worth now? _____

National Net Product

NNP = GNP/GNI – depreciation.

National Income Statistics

The uses of national income statistics

Measuring the level and rate of growth of national income is important for seeing:

- The rate of **economic growth**
- Changes to average **living standards**
- Changes to the **distribution of income**
- **Making comparisons** between countries and overtime

*National income is usually calculated using GDP

Green GDP

Economic growth with the environmental consequences of that growth is factored into a country's conventional **GDP**.

Green GDP monetizes the loss of biodiversity, and accounts for costs caused by climate change.

Green GDP is actual GDP less the external costs of production.