

Measurement of Gross Domestic Product

Presented by

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Gross Domestic Product (GDP)

- ▶ It is the market value of all final goods and services produced within a country in a given period of time
- ▶ GDP adds together many different kind of products using market prices
- ▶ These prices reflect how much people are willing to pay

- ❑ GDP includes all items produced in the economy and sold in the market
- ❑ For example, economy produces four apples and three oranges
- ❑ If apples cost Rs. 15 each and oranges cost Rs. 10 each, GDP would be,
- ❑
$$\begin{aligned} \text{GDP} &= (\text{Price of Apples} \times \text{Quantity of Apples}) + (\text{Price of Oranges} \times \text{Quantity of Oranges}) \\ &= (\text{Rs. } 15 \times 4) + (\text{Rs. } 10 \times 3) \\ &= \text{Rs. } 90 \end{aligned}$$

- ▶ GDP includes both tangible (food, clothing) and intangible services (doctor's visit, house cleaning)
- ▶ when we pay to hear a concert, we are buying a service and the ticket price is also a part of GDP

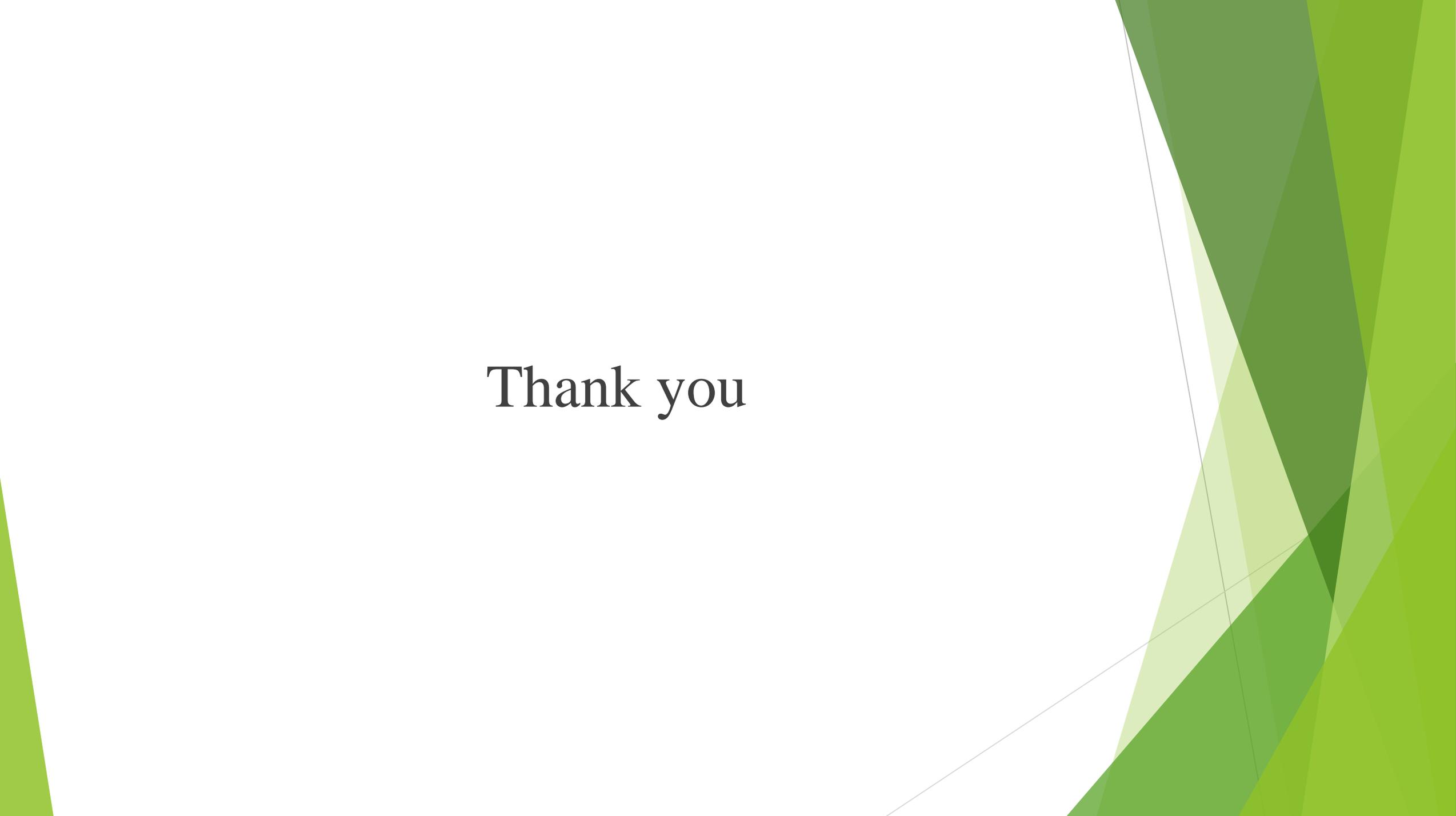
- ▶ There are many goods which are not traded through official recorded market
- ▶ Vegetables bought at the Super Market are part of GDP
- ▶ Vegetables grown in your garden are not included in GDP
- ▶ There are some services which value are not included
- ▶ The value of work carried out by housewives and househusbands
- ▶ The value of childcare work carried out by parents

- ▶ GDP includes only the value of final goods
- ▶ Suppose, a meat seller sells 1 kg meat to KFC at Rs. 500 and KFC makes burger and sells the burger at Rs. 200.
- ▶ The meat is called an intermediate good and burger is called a final good
- ▶ GDP includes only the price of burger (Rs. 200)
- ▶ The value of meat is already included in the burger
- ▶ Adding market value of meat (Rs. 500) to the market value of burger would be double counting

- ▶ GDP does not include transaction involving items produced in the past (used goods)
- ▶ When we buy a new Macroeconomics book, the value of the text book is included in the GDP
- ▶ If we sell the used book to another person, then the value is not included
- ▶ It is only a transfer of an asset not an addition into the economy

- ▶ GDP measures the value of production within the geographic boundary of a country
- ▶ When a Japanese citizen works in India, their production is a part of India GDP
- ▶ Items that are produced domestically are included regardless of the nationality of the producer
- ▶ GDP measures the value of production that take place within a specific interval of time
- ▶ A year or a quarter of a year (three months)

Thank you

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. These shapes are primarily located on the right side of the frame, creating a modern, layered effect against the white background.