Gross Domestic Product

How do countries measure output? 
MACROECONOMICS

What Is Gross Domestic Product (GDP)?

The total value of all final goods and services produced within a country’s borders in a given time period.

What Is Included in and Excluded from GDP?

Included in GDP calculations
- Flour bought for bread at bakery
- Intermediate goods
- Shirt purchased at a thrift store
- Previously used goods
- Purchase of stocks and bonds
- Pure financial transactions

Excluded from GDP calculations
- Floor bought for bread at bakery (intermediate goods)
- Shirt purchased at a thrift store (previously used goods)
- Purchase of stocks and bonds (pure financial transactions)
- Social Security benefits (transfer payment)

Get REAL!

Real GDP is nominal GDP adjusted for inflation using a price index.

2021 Nominal U.S. GDP (Current $)

C I G NX

Personal Consumption Expenditures 68%
Private Investment 18%
Government Expenditures 18%
Net Exports -

= Gross Domestic Product

Included in GDP calculations
- Your morning coffee
- Consumption spending
- A company’s new factory
- Investment spending
- Your city’s new school
- Government spending
- Fighter jet sold to Canada
- Net exports

Excluded from GDP calculations
- Floor bought for bread at bakery
- Intermediate goods
- Shirt purchased at a thrift store
- Previously used goods
- Purchase of stocks and bonds
- Pure financial transactions
- Social Security benefits
- Transfer payment

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GDP Expenditure Model

2021 Nominal U.S. GDP (Current $) = Gross Domestic Product

C
Personal Consumption Expenditures 68%

I
Private Investment 18%

G
Government Expenditures 18%

NX
Net Exports -

Real GDP per Capita

The output of a country divided by its total population

2021 U.S.
(Base year 2012)

Real GDP is nominal GDP adjusted for inflation using a price index.

Real GDP = Nominal GDP / Price Index

Real GDP Deflator

Nominal GDP / Real GDP

Price Index

Get REAL!

Real GDP per Capita

Real GDP per Capita = Real GDP / Population

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