

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

GDP Expenditure Model

2021 Nominal US GDP (Current \$)

C I G NX

Personal Consumption Expenditures
68%

+

Private Investment
18%

+

Government Expenditures
18%

+

Net Exports
-4%

= Gross Domestic Product

What Is Included in and Excluded from GDP?

Included in GDP calculations

Your morning coffee
Consumption spending



A company's new factory
Investment spending



Your city's new school
Government spending



Fighter jets sold to Canada
Net exports



Excluded from 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



Social Security benefits
Transfer payment



Get REAL!

2021 US
(Base year 2012)

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

Nominal GDP

\$21.4
Trillion

Nominal GDP = C + I + G + NX
GDP in current US dollars

Real GDP

\$18.7
Trillion

Real GDP = $\frac{\text{Nominal GDP}}{\text{Price Index}} \times 100$
GDP adjusted for inflation

GDP Deflator

114.4

GDP Deflator = $\frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$
A price index used to adjust GDP for inflation

Real GDP per Capita

\$56,777

Real GDP per Capita = $\frac{\text{Real GDP}}{\text{Population}}$
The output of a country divided by its total population