



National Income: the total of money earned within a country

Intercountry: growth within various countries such as India, US, China, etc.

Intracountry: within the country what is growth in comparison to previous year

Measures and Aggregates of NI

GDP

GNP

NDP

NNP

- **GDP:** Gross Domestic Product

Total value of all final goods and services produced **within the territory of a country**

- **GNP:** Gross National Product

Total value of all final goods and services produced **by the nationals of the country**

- $GNP = GDP - \text{Factor Income to Abroad} + \text{FI from Abroad}$

- $GNP = GDP + \text{Net factor income from abroad}$

- **NDP:** Net Domestic Product

$NDP = GDP - \text{Depreciation}$

↓
Monetary value of an asset decreases over time due to various factors

→ goods and services

factors of production:

- Land
- Labour
- Capital
- Entrepreneurs

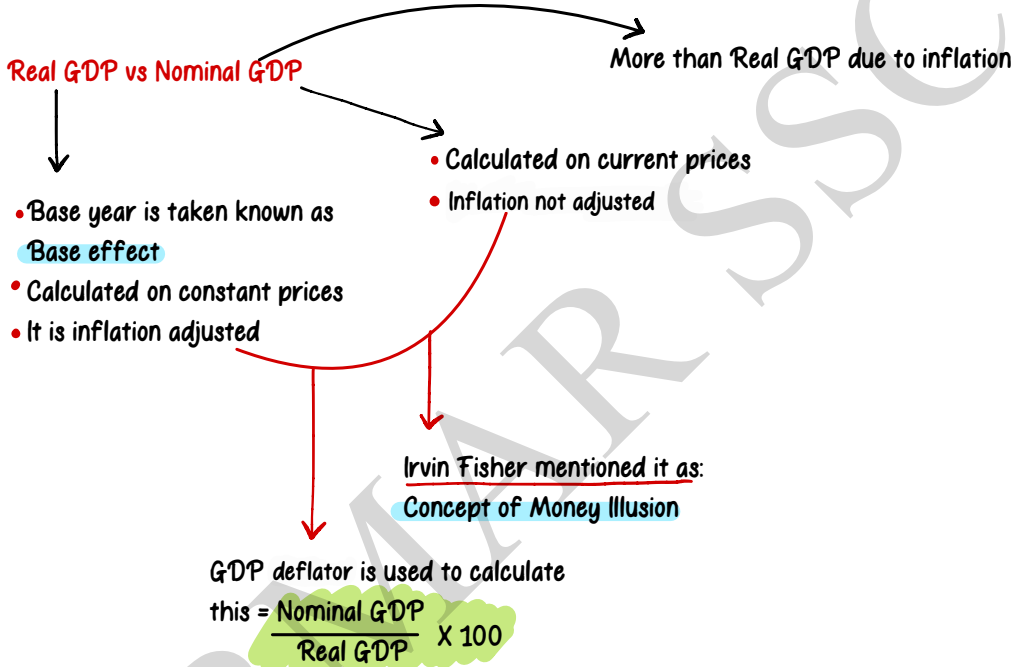
- **Financial year:** 1 April to 31st March

→ In GDP second hand goods are never counted

- **NNP**: Net National Products

$$\text{NNP} = \text{GNP} - \text{Depriciation}$$

- GDP was developed by American Economist "Simon Kuznetsk" in 1934



- Methods to calculate GDP

1. Value Added Method

- Also known as Production Method

$$\text{Value added method} = \text{Output} - \text{Input}$$

2. Income Method

- Compensation to employees
- Operating surplus
- Mixed income

3. Expenditure Method

$$C + G + I + (X - M)$$

- C: Consumption
- G: Govt. expenditure
- I: Investment
- X: Export
- M: Import

- **Per Capita Income = $\frac{\text{National Income}}{\text{Population}}$**

- **Purchasing Power Parity = A common basket of goods**

India → GDP: 5th in the world

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PPP: 3rd after USA and China

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Economy is inflated

Ranking (according to GDP)

USA
China
Germany
Japan
India

- **Personal Income:** Total income of an individual earned from all the sources before taxes

$$PI = \text{National Income} + \text{Income received not earned} - \text{Income earned but received}$$

$$PI = NI + \text{Transfer payment} - \text{Undistributed corporate profit}$$

↓
eg: subsidy by govt.

- **Personal Disposable Income: $PI - \text{tax}$**

GDP Calculation: by National Statistical Office under MOSPL (Ministry of Statistics and Program)

- $GDP_{FC} = GDP_{MP} - \text{Net Indirect Taxes}$

NNP_{FC} is also called National Income

- $GDP_{FC} = GDP_{MP} - (\text{Indirect tax} - \text{Subsidy})$

- $GDP_{FC} = GDP_{MP} - \text{Indirect tax} + \text{Subsidy}$

- $GDP - \text{Depreciation} = \text{Net DP}$

- $GDP + NFIA = \text{Gross NP}$

- Household income is not under GDP

Market Price

Factor Cost

The market price is the final value of the product being sold, which includes indirect taxes

Factor cost is the cost of factors of production, or total value of inputs, where indirect tax is not included

- $\text{Green GDP} = \text{GDP} - \text{Environmental Damage}$

- $\text{Potential GDP} - \text{Real GDP} = \text{Recessionary Gap}$