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 U.S. 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	Excluded from GDP calculations
Your morning coffee Consumption spending	**Flour bought for bread at bakery** Intermediate goods
A company's new factory Investment spending	**Shirt purchased at a thrift store** Previously used goods
Your city's new school Government spending	**Purchase of stocks and bonds** Pure financial transactions
Fighter jets sold to Canada Net exports	**Social Security benefits** Transfer payment

Get REAL!

2021 U.S.
(Base year 2012)

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

Nominal GDP — **$21.4 Trillion**

$$\text{Nominal GDP} = C + I + G + NX$$

GDP in current U.S. dollars

Real GDP — **$18.7 Trillion**

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

GDP adjusted for inflation

GDP Deflator — **114.4**

$$\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

A price index used to adjust GDP for inflation

Real GDP per Capita — **$56,777**

$$\text{Real GDP per Capita} = \frac{\text{Real GDP}}{\text{Population}}$$

The output of a country divided by its total population