

# 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

2015 Nominal U.S. GDP (Current \$)

**C I G NX**

Personal  
Consumption  
Expenditures

**68%**

+

Private  
Investment

**17%**

+

Government  
Expenditures

**18%**

+

Net  
Exports

**-3%**

**= 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!

**2015 U.S.**

(Base year 2009)

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

**Nominal GDP**

**\$17.9**  
Trillion

**Nominal GDP = C + I + G + Nx**  
GDP in current U.S. dollars

**Real GDP**

**\$16.3**  
Trillion

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

**GDP Deflator**

**109.8**

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

**Real GDP per Capita**

**\$50,993**

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