

Unit two : the Macro Economy

Lesson: gross domestic product

1_ Definition of Macro Economy :

Is the study of economy as a whole not just small part . It is economy of the whole country .

Instead of focusing on one person , business or market it studies the overall performance like the total amount of goods and services produced. How many people have jobs , how prices are rising (inflation) and how the government manages money and spending.

2_ Definition of Gross Domestic Product: (GPD) :

Is the total monetary value of all final goods and services produced within a country's border during a specific period of time (usually a year) .

Is one of the most important indicators used to measure the Economic performance of a nation .

2_ key elements of GPD :

_ Gross: includes total value without deducting depreciation.

_ Domestic: refers to production within the geographical boundaries of country regardless of who owns the production .

_ Product : refers to goods and services produced .

- So GPD = total value of everything produced inside a country.

3_ importance of GPD :

_ Measure the economic performance of a country.

- _ Shows if the economy is growing or shrinking .
- _ Helps governments plan budgets and policies.
- _ Allows comparisons between countries or time periods .
- _ Used estimate living standards (GPD per person)

4_ Componants Of GPD :

Economists often calculate GPD by adding all spending in the economy :

$$\mathbf{GPD : C + I + G + (X-M)}$$

Where :

C= consumption (households spending)

I= investment: (business spending)

G= government spending

X = exports

M= imports

5_ types of GPD :

- _ nominal GPD : measured using current price
- _ real per capital: adjusted for inflation shows true growth .
- _ GPD per capita : GPD devided by the number of people shows average incomes .