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## The FRED® Blog

### Is the economy growing? Depends on how you measure it

#### GDP vs. GDI



Posted on September 1, 2022



**CPI +3.2 %** Chg. from Yr.  
Ago on Feb 2024

**Civ. Unemploy. Rate 3.9 %** on Feb 2024

**10-Yr. Treas. Rate 4.27 %** on 2024-03-21

**Real GDP +3.2 %**, Comp.  
Annual Rate of Chg.  
on Q4 2023

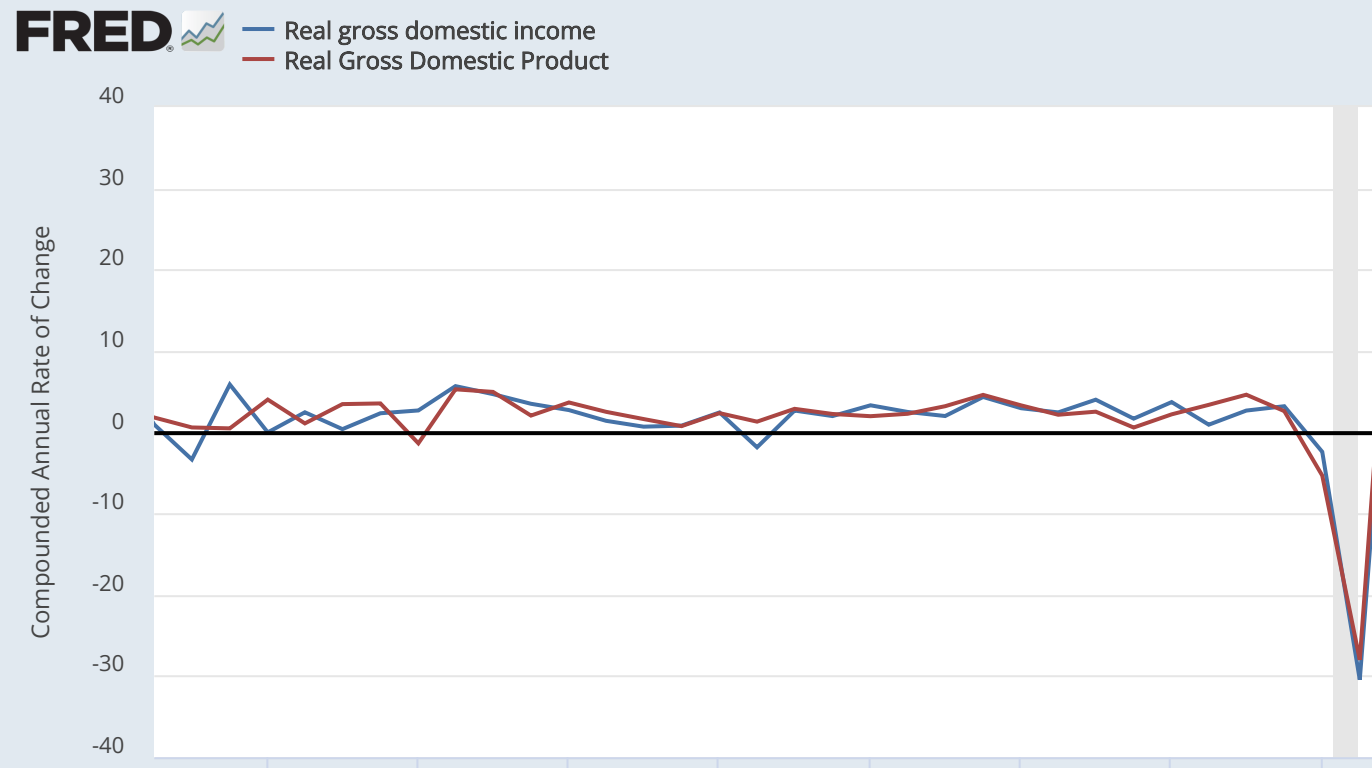
**IP +0.1 %** Chg.  
on Feb 2024

**Payroll Employment +275** Chg., Thous. of  
Persons on Feb 2024

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One of the most watched U.S. economic indicators is the growth of real gross domestic product (GDP). A similar but lesser-known economic indicator has also been in the [news](#) lately—real gross domestic income (GDI). [According to the Bureau of Economic Analysis](#), both real GDP and real GDI measure the real output of the U.S. economy. Real GDP measures the value of goods, while real GDI measures the income of employees and corporations. In theory, the growth rates of real GDP and real GDI should be equal.

Lately, this hasn't been the case. The FRED graph above displays the compounded annual rate of change of real GDP and real GDI over the past 10 years. As the graph shows, growth in GDP and GDI have both slowed recently and have also diverged, with real GDP growth turning negative and real GDI growth remaining positive.

What's going on here? Although there's no consensus, a few [possible explanations](#) include

- measurement error

- [Accounting for the Effects of Fiscal Policy Shocks on Exchange Rates through Markup Dynamics](#)
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- missing data
- sampling errors
- non-sampling errors such as survey nonresponse
- business cycles

Although the statistical discrepancy tends to change quarter to quarter, some scholars have found predictability in this change. When GDP and GDI data are revised, the revisions tend to be smaller for GDI, which may make it a more-accurate indicator than GDP. See [Owyang \(2016\)](#) for more details. For example, GDI growth is currently higher than GDP growth; in the past when this has occurred, GDP has typically been revised up.

There's room for debate on whether GDP or GDI should be the primary economic indicator for determining the health of the economy. GDP is released in a more timely manner, which may explain why it garners more attention. However, it's clear that both measures of economic output offer valuable information on the health of the economy.

**How this graph was created:** Search FRED for “real gross domestic income” and select the series “A261RX1Q020SBEA.” The default graph will be a quarterly graph of the gross domestic income in terms of billions of chained 2012 dollars. Use the “Edit Graph” button to open the editing box: Here, change the series into a rate of change and add the real gross domestic product series. In the “Units” dropdown menu, change it to “Compounded Annual Rate of Change.” Next, use the “Add Line” tab to “Create user-defined line.” Search for “real gross domestic product” or equivalently the series name “GDPC1.” Click “Add series” and make sure the units are also in compounded annual rate of change. Return to the main graph. Use the date range boxes to set the beginning date to “2012-04-01.”

Suggested by [Charles Gascon](#) and [Cassie Marks](#).

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