ECON 3123: Macroeconomic Theory I

Tutorial Note 1: Measurement of Macroeconomy

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Output

Calculation of GDP There are 3 definitions of GDP, each corresponding to a way to calculate it.

(1) GDP is the market value of the **final** goods and services produced **in the economy** during a given period.

- Intermediate goods and services are not considered in this way of calculation.
- Foreign producers' production within the economy is counted into this economy's GDP.

(2) GDP is the sum of **value added** in the economy during a given period.

- Value added = Value of production − Value of intermediate goods used in production.

(3) GDP is the sum of **incomes** in the economy during a given period.

Exercise 1. *Consider the following NIPA:*