GDP
Measuring the Economy
GDP – Did You Know?

Known As

• Gross Domestic Product
• National Output
• Measure of the Economy’s Health

Calculation

Three ways to measure national output:

• Expenditure Approach: sum of goods and services sold to final users (this is the most common approach)
• Income Approach: sum of income payments and other costs incurred in the production of goods and services
• Value-Added Approach: sum of the value added at each stage of production

Data Reports

• The Bureau of Economic Analysis (BEA) is responsible for calculating values of GDP
• The BEA publishes estimates on an annual and quarterly basis
• The “advanced” estimates of GDP are released roughly four weeks after the end of each quarter (January, April, July, and October)
• “Revised” estimates incorporate more complete and accurate source data


Source: Bureau of Economic Analysis

Annual Real U.S. GDP
(Trillions of chained 2012 dollars)

Source: www.frbsf.org/education/teacher-resources/datapost
FRBSF Economic Education
Components of GDP
(Expenditure Approach)

- **Consumption**
  - [C]
  - e.g., durables and nondurables

- **Investment**
  - [I]
  - e.g., business investment in equipment and factories

- **Government Spending**
  - [G]
  - e.g., government purchases of goods and services

- **Net Exports**
  - [X]
  - e.g., U.S. exports to other countries, less imports

Real GDP in 2018
(Trillions of chained 2012 dollars)

- 69% [C] = $12.94
- 18% [I] = $3.36
- 17% [G] = $3.22
- -5% [X] = $-0.92

Sources: Bureau of Economic Analysis & FRBSF Calculations

www.frbsf.org/education/teacher-resources/datapost
FRBSF Economic Education
U.S. Real GDP
by major spending category

(Annual values for years shown, trillions of chained 2012 dollars)

- Consumption
- Investment
- GovSpend
- Net Exports

Source: Bureau of Economic Analysis

www.frbsf.org/education/teacher-resources/datapost
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U.S. Real GDP by Quarter
(Trillions of chained 2012 dollars, SAAR)

Source: Bureau of Economic Analysis
Annotated Chart Notes

U.S. Real GDP by Quarter
(Trillions of chained 2012 dollars, SAAR)

- Gray bars indicate periods of economic recession according to the NBER Business Cycle Dating Committee.
- An inflation-adjustment method using 2012 dollars as the base year of comparison.
- Seasonally adjusted annual rate.

Source: Bureau of Economic Analysis

www.frbsf.org/education/teacher-resources/datapost
Real Gross Domestic Product (GDP)
Q4/Q4 Percent Change

Source: Bureau of Economic Analysis & FRBSF Calculations
Note: Values are percent change using trillions of chained 2012 dollars (SAAR)

The “Great Recession” is the 18-month period between Dec 2007 to June 2009, according to the NBER.

Source: Bureau of Economic Analysis & FRBSF Calculations
Note: Values are percent change using trillions of chained 2012 dollars (SAAR)
What Do You Think?

1. How has consumer spending changed since 1950? How have net exports changed since 1980? (See slide 4)

2. What was the lowest level of real GDP during the Great Recession? (See slide 5)

3. How does real GDP growth in the Great Recession compare to early 2000s recession? (See slide 7)

4. Why is GDP considered a good measure of the “health” of the economy?