Gross national product (GNP)

- Gross national product (GNP) is the value of all goods and services made by a country's residents and businesses, regardless of production location.

- GNP counts the investments made by U.S. residents and businesses—both inside and outside the country—and computes the value of all products manufactured by domestic companies, regardless of where they are made.

- GNP doesn't count any income earned in the United States by foreign residents or businesses, and excludes products manufactured in the United States by overseas firms.

- Gross National Product (GNP) is the total value of all finished goods and services produced by a country's citizens in a given financial year, irrespective of their location.

- GNP also measures the output generated by a country's businesses located domestically or abroad. It can be defined as a piece of economic statistic that comprises Gross Domestic Product (GDP), and income earned by the residents from investments made overseas.

- Simply put, GNP is a superset of the GDP. While GDP confines its analysis of the economy to the geographical borders of the country, GNP extends it to also take account of the net overseas economic activities performed by its residents.

- Basically, GNP signifies how a country's people contribute to its economy. It considers citizenship, regardless of the location of the ownership.

- GNP does not include foreign residents' income earned within the country. GNP also does not count any income earned in India by foreign residents or businesses, and excludes products manufactured in the country by foreign companies.

In calculation, GNP adds government expenditure,

- personal consumption expenditure,
- private domestic investments,
- net exports, and income earned by nationals overseas,
- and eliminates the income of foreign residents within the domestic economy.

- Moreover, GNP omits the value of intermediary goods to avoid double counting, as these entries get included in the value of final products and services.
- Gross national product (GNP) is a broad measure of a nation's total economic activity. GNP is the value of all finished goods and services produced in a country in one year by its nationals.

GNP Formula

The formula to calculate the components of GNP is **Y = C + I + G + X + Z**.

That stands for GNP = Consumption + Investment + Government + X (net exports) + Z (net income earned by domestic residents from overseas investments minus net income earned by foreign residents from domestic investments).

GNP includes income earned by citizens and companies abroad, but does not include income earned by foreigners within the country.

- The figures used to assess GNP include the manufacturing of tangible goods (cars, furniture and agricultural products) and the provision of services (education, healthcare, and business services).
- GNP does not include the services used to produce manufactured goods because their value is included in the price of the finished product.
- However, GNP does include depreciation and indirect business taxes like sales tax.

Thus GNP is: **Consumption + Government Expenditures + Investments + Exports + Foreign Production by U.S. Companies – Domestic Production by Foreign Companies = Gross National Product**

Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is the broadest quantitative measure of a nation's total economic activity.

More specifically, GDP represents the monetary value of all goods and services produced within a nation's geographic borders over a specified period of time.

The Department of Commerce releases GDP data for the U.S. economy on a quarterly basis at 8:30 am EST on the last business day of the next quarter.

The equation used to calculate GDP is as follows:

GDP = Consumption + Government Expenditures + Investment + Exports – Imports

The components used to calculate GDP include: Consumption:
-- Durable goods (items expected to last more than three years)
--Nondurable goods (food and clothing)
--Services Government Expenditures:
--Defense
--Roads
--Schools Investment Spending:
-- Nonresidential (spending on plants and equipment), Residential (single-family and multi-family homes)
--Business inventories

Net Exports:
-- Exports are added to GDP
-- Imports are deducted from GDP

The GDP report also includes information regarding inflation:
-- The implicit price deflator measures changes in prices and spending patterns.
-- The fixed-weight price deflator measures price changes for a fixed basket of over 5,000 goods and services.

GDP is calculated both in current dollars and in constant dollars. Current Dollar GDP involves calculating economic activity in present-day dollars. This, however, makes time period comparisons difficult due to the effects of inflation. By comparison, Constant Dollar GDP factors out the impact of inflation and allows for easy comparisons by converting the value of the dollar in other time periods to present-day dollars.

Difference between GNP, GDP and GNI

The difference between GNP and gross domestic product (GDP) is that GNP includes the value of products made by a country's citizens and companies abroad, while GDP only accounts for products made within a country's borders.

However, GNP excludes the value of products made by foreign companies within the reporting country.

GNP and GDP both reflect the national output and income of an economy. The main difference is that GNP (Gross National Product) takes into account net income receipts from abroad.

- GDP (Gross Domestic Product) is a measure of (national income = national output = national expenditure) produced in a particular country.
- GNP (Gross National Product) = GDP + net property income from abroad. This net income from abroad includes dividends, interest and profit.
- GNI (Gross National Income) = (similar to GNP) includes the value of all goods and services produced by nationals – whether in the country or not.

GDP **Gross Domestic Product**	**GNP** **Gross National Product**	**GNI** **Gross National Income**
Value of national output produced in a country. - National income - National output - National expenditure	GNP = GDP + net property income from abroad.	Similar to GNP - Sum value of output by resident producers + net receipts of primary income from abroad + any product taxes (less subsidies) not included in the valuation of output.
Includes income of foreign multinationals	Excludes income earnt by multinational when profit is sent back to other country	A country which earns positive net income on FDI will include in GNI, but not GDP

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Example of how GNP is different to GDP

- If a Japanese multinational produces cars in the UK, this production will be counted towards UK GDP. However, if the Japanese firm sends £50m in profits back to shareholders in Japan, then this outflow of profit is subtracted from GNP. UK nationals don't benefit from this profit which is sent back to Japan.
- If a UK firm makes a profit from insurance companies located abroad, then if this profit is returned to UK nationals, then this net income from overseas assets will be added to UK GNP.
- Note, if a Japanese firm invests in the UK, it will still lead to higher GNP, as some national workers will see higher wages. However, the increase in GNP will not be as high as GDP.
- If a county has similar inflows and outflows of income from assets, then GNP and GDP will be very similar.
- However, if a country has many multinationals who repatriate income from local production, then GNP will be lower than GDP.

State Domestic Product (SDP)

- **State Domestic Product**, or **SDP**, is the total value of goods and services produced during any financial year within the geographical boundaries of a *state*.
- Also called the *state income*, SDP is always calculated or estimated in monetary terms, and is instrumental in the evaluation of per capita income.
- *State* here refers to a country subdivision, as in the states of the United States and the states of India. While GDP gives a good estimate of the entire nation's output, SDP provides more detailed economic details about subnational territories.
- The estimates of State Domestic Product (SDP) popularly known as State Income and related aggregates are very useful for planning and policy making purposes. With the gradual improvement in the availability of basic data over the years, a comprehensive review of methodology for state income has constantly been undertaken with a view to updating the database and shifting the Base Year to a more recent year.
- The Base Year of State Domestic Product has been shifted at regular intervals. It was estimated initially with the Base Year 1948-49. The Base Year of SDP was revised subsequently in 1960-61, 1970-71, 1980-81 and then in 1993-94 as per guidance of the CSO (NAD), New Delhi.

For the purpose of estimation of State Domestic Product, the Economy of the state is broadly divided into Primary, Secondary and Tertiary sectors.

Estimates for these sectors are prepared separately by adopting one or more of the following approaches:

(i) Production Approach

(ii) (ii) Income Approach

(iii) (iii) Expenditure Approach

(i) **Production Approach:** In this method, the sum of economic value of all goods and services produced within the state during the year is considered after deducting the inputs consumed in the process of production. This approach is followed in Agriculture, Livestock, Forestry, Fishing, Mining & Quarrying and Manufacturing.

(ii) **Income Approach**: The income accrued to the factors of production namely land, labour, capital and entrepreneurship in the form of rent, salaries and wages, interest and profit is taken into consideration in estimation of value added. This approach is followed in Manufacturing (un-registered), Electricity, Gas and Water supply, Trade, Hotel and

Restaurants, Transport, Storage and Communication, Financing, Insurance, Real Estate, Business Services, Public Administration and Other Services Sectors.

(iii) **Expenditure Approach:** This method is based on the Measurement of income at the stage of disposal. All that is produced is ultimately either consumed or part of it is saved for further consumption or future production of goods and services. Thus, the money value of consumption expenditure plus the saving gives the income. This approach is used in estimating income from Construction Sector.

Note: Compiled from below mentioned link for UG students only

https://www.thebalance.com/what-is-the-gross-national-product-3305847

https://www.business-standard.com/about/what-is-gross-national-product-gnp

https://investinganswers.com/dictionary/g/gross-national-product-gnp

https://www.economicshelp.org/blog/3491/economics/difference-between-gnp-gdp-and-gni/

http://dse.bih.nic.in/Publications/SDP-2008-09.pdf

https://en.wikipedia.org/wiki/State_Domestic_Product