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NNP_{FC} = Net National

Product at
Factor Cost

↓
Factor Income

Market Price



includes taxes

over & above the factor cost

— Depreciation

$NNIP_{mp}$

— Net Indirect Taxes

$NNIP_{FC} = NNI = NI$

1. GDP
2. GNP
3. NNP
4. NNP_{FC}
5. PCI

5. PCI = Per Capita Income



National Income

Population

prices, then, the word, real is used before them because they show real change in production or income.

For constant prices, a year is used as the base-year which is 2011-12 in India presently since 2015.

$$10 \times ₹ 10 = ₹ 100$$

$$10 \times ₹ 5 = ₹ 50$$

2022-23

$$Q \times P = \text{Value}$$

$$10 \times ₹ 20 = ₹ 200$$

$$10 \times ₹ 5 = ₹ 50$$

(7) Nominal GDP, GNP etc.



If GDP, GNP — — etc.
are calculated on the basis
of current market prices, then,
the word, 'nominal' is applied
before them.

There shall be

De jure

Defacto

8. GNP Deflator -



$$\frac{\text{Nominal GNP}}{\text{Real GNP}}$$

Sometimes it is multiplied by 100. In such a case, the formulae will be the following -

$$\text{Real GDP} \times 100$$

We can also show GDP deflator -

$$\downarrow$$
$$\frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

Note - GDP/GDP deflators
can be used to infer about
inflation.

of the AD -

$$AD = C + I + G + X - M$$

Here -

(i) $C =$ Consumption



It is an expenditure to be done for getting utility/satisfaction by consuming various goods & services.

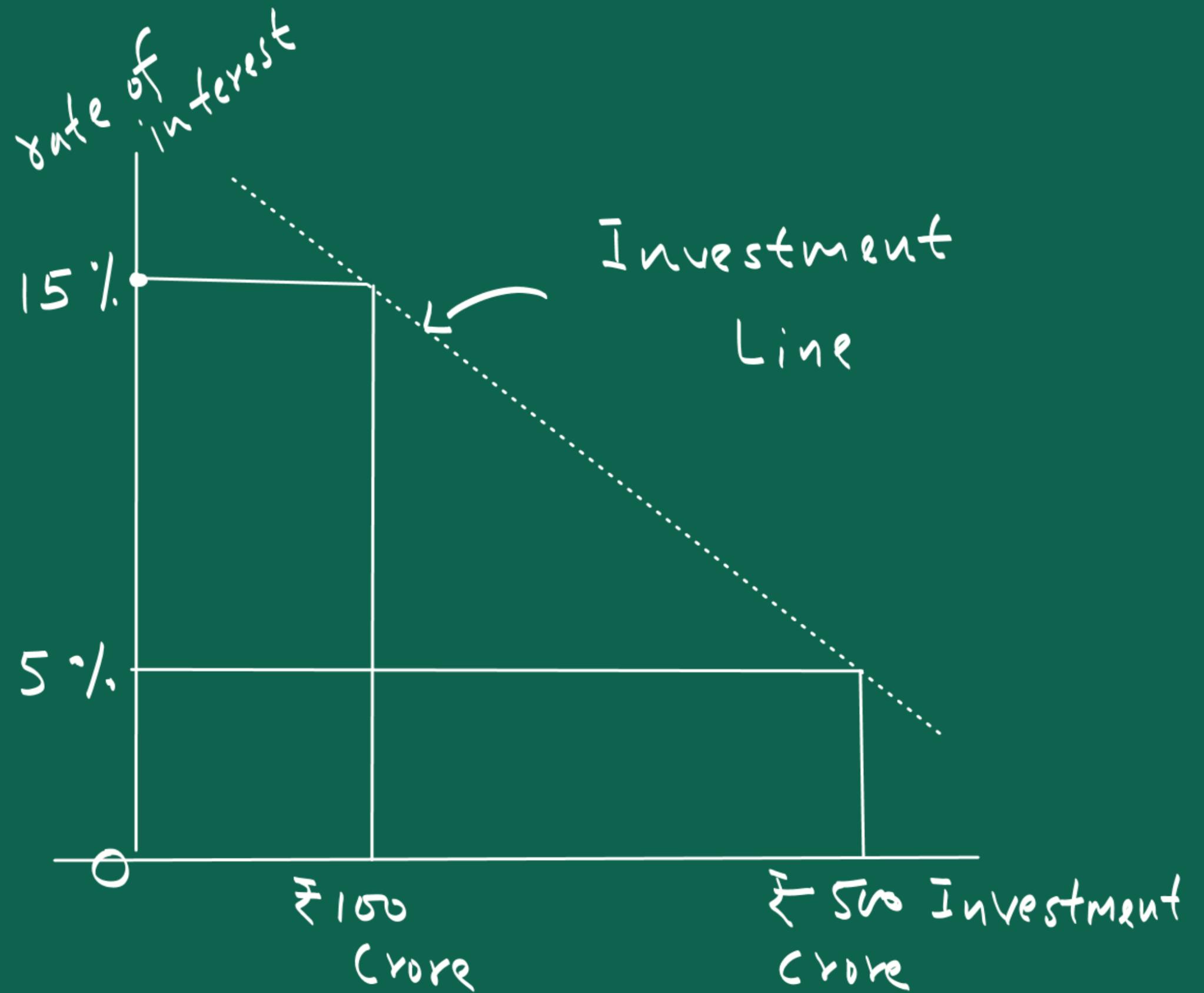
(ii) \bar{I} = Investment



An expenditure to be done for enhancement of production capacity.

It is mostly done on machines, equipments etc.

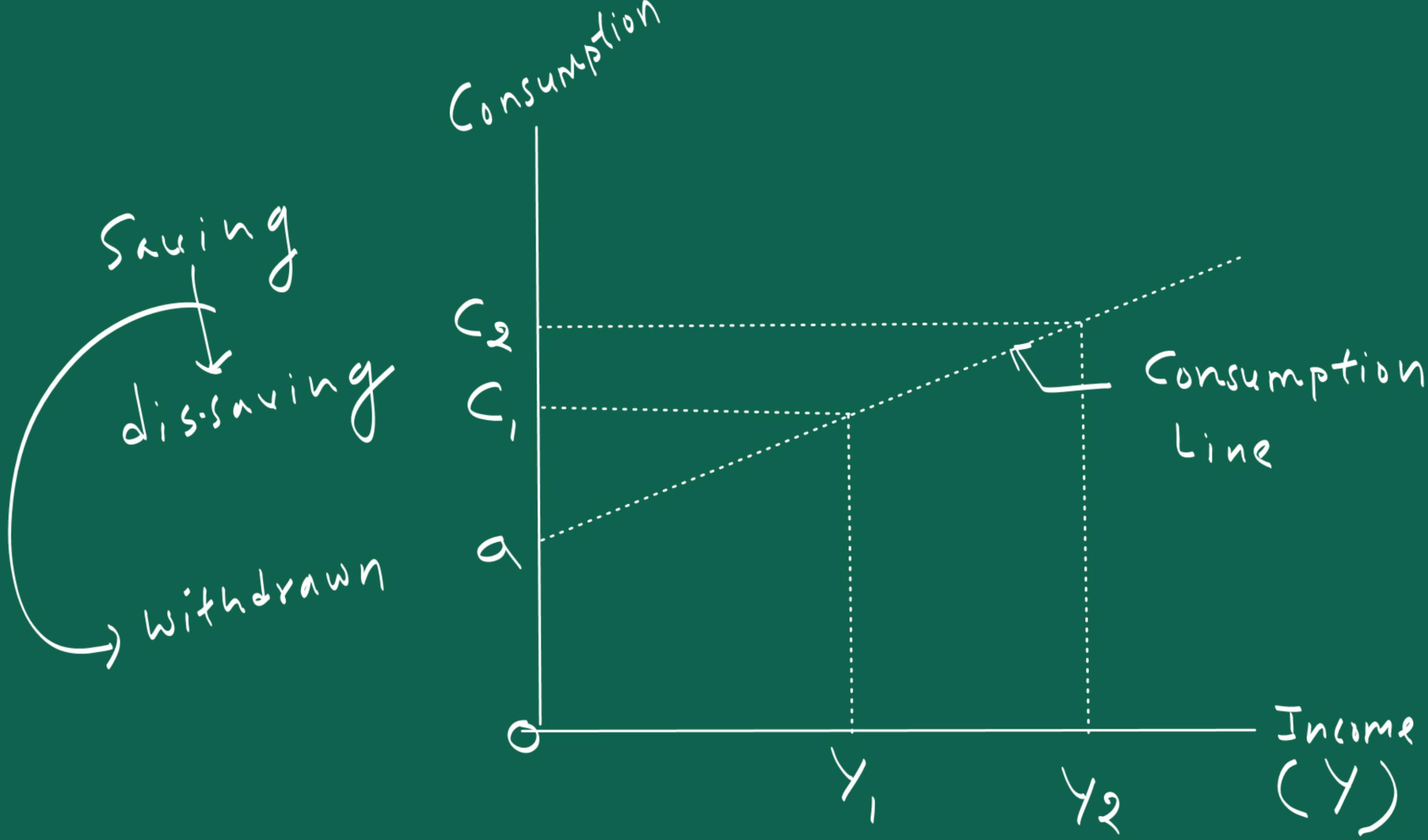
According to Keynes, investment has inverse relationship with the rate of interest in the following manner -



Consumption is positively associated with the income except a basic level.

In other words, the consumption depends on the level of income except a basic minimum level.

This can be shown through a diagram —



the change in consumption is less than the change in income.

In other words -

$$\frac{\Delta C}{\Delta Y} < 1$$

Here -

ΔC = Change in consumption

ΔY = change in income

0.5 0.8 0.9 0.99

0.16

~~₹ 80~~

~~₹ 100~~
0.8

~~₹ 100~~

~~₹ 100~~ = 1

Note -

This is due to
the allocation of a part
of income for savings.