



# National Income Accounting

## Expenditure and Output Measures

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# Example from Ghana - Newsletter

# Limitations of the GDP Measure

- Production that is not bought or sold does not generally get counted.
- Although GDP is often used to measure how well off people are in a material sense, it has deficiencies as a measure of economic welfare.
- Another problem with GDP involves the size of the "underground economy," the economic activity unreported to the government because those engaged in it are attempting to avoid taxes or because it is illegal.

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# From GDP to GNP

- With a net flow of property income between Ghana and the rest of the world, the output and expenditure approach measures of GDP will no longer equal the factor incomes earned by Ghanaian citizens
- Economists use the term Gross National Income (GNI) for GDP adjusted for net property income from abroad
- GNP (Gross National Product) measures total income earned by domestic citizens regardless of the country in which their factor services were supplied.
- $GNP = GDP + \text{net property income from abroad}$

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# Net National Product (National Income)

GNP – depreciation = Net National Product

- Depreciation or capital consumption is the rate at which the value of the existing capital stock declines per period as a result of usage or obsolescence
- This part of national income used to replace existing capital is not available for consumption, investments, government spending or exports

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# Net National Product (National Income)

- The Net National Product or National Income measures how much the economy can spend or save, after setting aside enough resources to maintain the capital stock intact by offsetting depreciation.
- Hence need to reduce the measure of the incomes available for spending on goods and services. Which is done by deducting depreciation from GNP

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# Comparing GDP in one country overtime

- The GDP measure at market prices is price sensitive.
- This implies that if prices increase as a result of inflation, GDP measured in 2010 will be higher than GDP in 2009, not just by the actual increase in output but also from price inflation
- Real GDP is GDP at constant prices, and is GDP adjusted for inflation by measuring GDP in different years at the prices prevailing at some particular date known as the base year

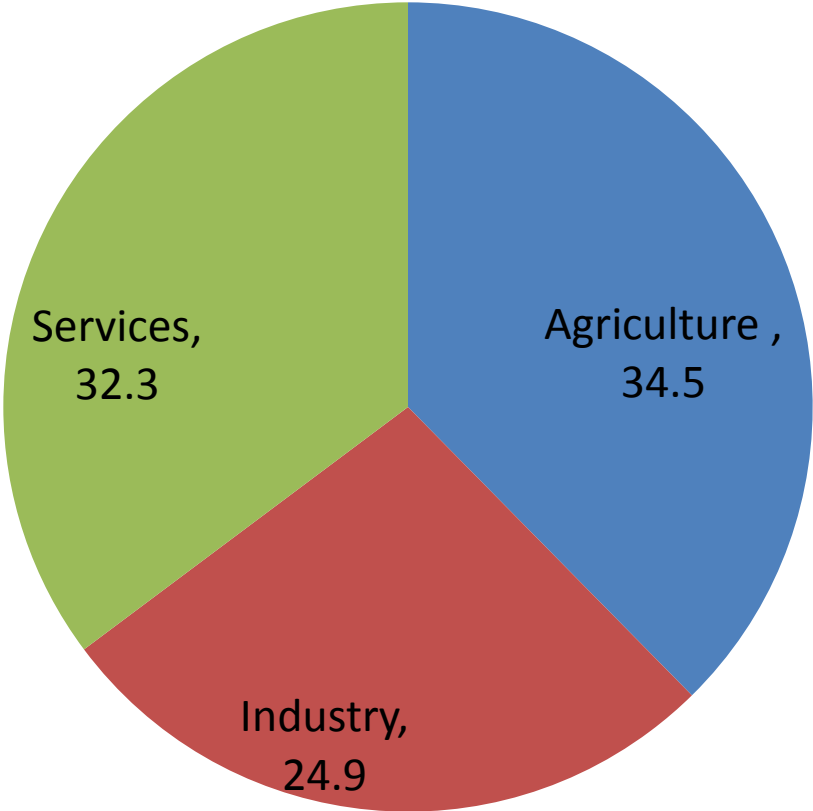
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# Structure of the Economy



# Sectoral Contribution to GDP in 2009



# Structure of the Economy

- The economic structure of the country has not changed much since independence. The primary sector (agriculture, mining and quarrying, forestry,) continues to dominate the economy, in terms of its contribution to output, employment, revenue generation, and foreign exchange earnings
  - Economy since independence continues to revolve around subsistence agriculture, which accounts for nearly 35% of GDP and employs 56% of the work force, mainly small landholders

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# Structure of the Economy

- Endowed with significant natural resources
  - gold, diamond, bauxite, manganese, timber, and cocoa.
- Exporter of largely primary commodities
- 28.5% (2008 estimate) of the population are estimated to be living below the poverty line
- 11% Unemployment rate (2000 est.)
- Labour Force – By Occupation (2005 est.)
  - Agriculture - 56
  - Industry - 15
  - Services - 29

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# Exports and Imports

Table 10: GHANA: DEVELOPMENTS IN TRADE DATA. 2008:Q1 – 2010:Q1								
In millions of US\$ unless otherwise stated								
	2008	2009					2010	
	Q1	Q1	Q2	Q3	Q4	Annual*	Q1*	Annual Proj
<b>Merchandise Exports (f.o.b.)</b>	1,314.9	1,450.2	1,578.8	1,145.1	1,665.5	5,839.7	1,753.2	6,258.2
Cocoa beans & products	403.2	548.1	516.7	223.6	577.6	1,866.0	704.1	1,772.5
Gold	608.9	581.9	681.5	557.4	730.5	2,551.4	678.2	3,050.6
Timber and timber products	69.5	39.2	44.8	50.3	45.6	179.8	40.7	172.7
Other exports	233.3	280.9	335.8	313.8	311.8	1,242.5	330.2	1,262.5
<b>Merchandise Imports (f.o.b.)</b>	-2,473.9	-2,115.7	-1,903.9	-1,919.4	-2,110.7	-8,046.3	-2,240.2	-10,178.1
Non-Oil	-1,830.0	-1,838.3	-1,599.8	-1,505.0	-1,617.6	-6,557.3	-1,841.2	-8,081.4
Oil	-643.9	-277.4	-304.1	-414.4	-493.0	-1,489.0	-399.1	-2,096.7
<b>Trade Balance</b>	-1,159.0	-665.5	-325.1	-774.2	-445.1	-2,206.6	-487.0	-3,919.8
* Provisional								
<b>Memo</b>								
Trade Balance/GDP (%)	-27.8	-17.2	-8.4	-20.0	-11.5	-14.2	-10.9	-21.9

Source: BOG – WEO and External Sector Developments, April 2010