# **CHAPTER 14: GROSS DOMESTIC PRODUCT**

# **INTRODUCTION**

Human activities can be classified broadly into economic activities and non-economic activities. Economic activities are those, which are devoted to making use of the scarce resources (including time and labor) in the production and distribution of economic goods i.e. goods and services (needed to satisfy human wants), which are scarce in relation to demand and are transferable. Economic goods command a price on the market for their being scarce and transferable.

The end result of all the economic activities that has taken place in an economy during an accounting period is reflected in gross domestic product (GDP). GDP represents the money value of all the goods and services that have been produced within the territorial limits of the country and are available for final uses like consumption, gross capital formation and net exports.

GDP can be measured both at current and constant prices. When expressed at current prices it reflects the money value of the goods and services produced in an accounting year measured in the prices of that year. On the other hand GDP expressed at constant prices reflects the money value of such goods and services for all the years measured in one year's (base year) prices. In this case the base year prices are kept constant for evaluation purposes for all the year under review, for measuring the performance of the economy with regard to the production of the goods and services in real terms over a period constant price estimates of GDP have to be taken into account. Current price estimate of GDP give a view of the levels of production performances of the economy for all the years under review at changing current prices.