



2

National Income and Product Account

2.1 The component of Macroeconomy

Macroeconomics focuses on five groups:

(1) Households

(2) Firms

(1) + (2) = **the private sector**

(3) Government (**the public sector**)

(4) The rest of the world (**the international sector**)

(5) Financial institution

2.2 Circular flow diagram

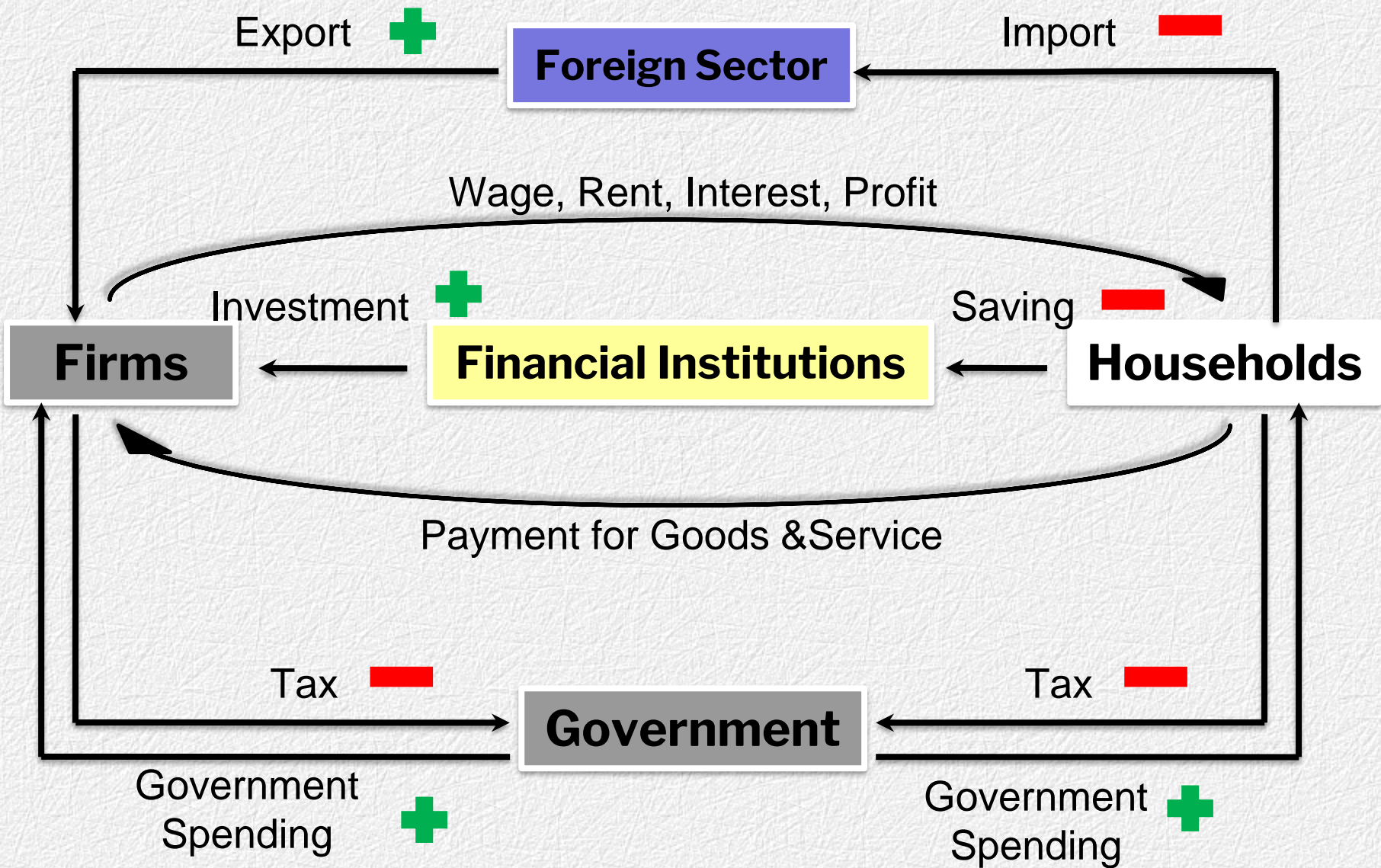
Circular flow: A diagram showing the income received and payments made by each sector of the economy.



Injection



Withdrawal



2.3 National Income and Product Account

❖ **National income and product accounts:**

Data collected and published by the government describing the various components of national income and output in the economy.

❖ **Office of the National Economics and Social Development Board (NESDB)**

www.nesdb.go.th

Gross Domestic Product

Gross Domestic Product (GDP): The total market value of **all final goods and services** produced **within a given period** by **factors of production located within a country**.

Concept of final goods and services

Final goods and services: Goods and services produced for final use.

Intermediate goods: Goods that are produced by one firm for use in further processing by another firm.

Value added: The difference between the value of goods as they leave a stage of production and the cost of the goods as they entered that stage.

2.4 GDP versus GNP

❖ Gross Domestic Product (GDP):

Look at output that **use factor of production within the country** to produce goods and services

❖ Gross National product (GNP)

The total market value of all final goods and services produced within a given period by **factors of production owned by a country's citizens, regardless of where the output is produced.**

2.4 GDP versus GNP

Example

- o Profit from factory located in other country
Count as GNP but not GDP in our country
but count as GDP in foreign country
- o Maid and labor work in other country
- o **GNP = GDP +** Income from Thai factors of production used to produce G&S abroad - Income from foreign factors of production used to produce G&S in Thailand
- o **GDP = GNP +** Income from foreign factors of production used to produce G&S in Thailand - Income from Thai factors of production used to produce G&S abroad

2.5 Measurement of GDP

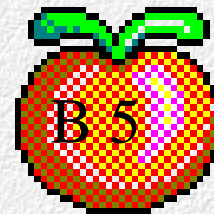
- Production approach
- Expenditure Approach
- Income Approach

2.5.1 Production Approach

- Calculated from value of final goods and services
- Calculated using value added method

Production Approach: using final G&S values

- Calculate total value of final goods and service:
suppose there are 400 apples and 300 oranges in the economy



$$\begin{aligned} \text{GDP} &= (\text{price of apples} \times \text{amount of apples}) \\ &\quad + (\text{price of oranges} \times \text{amount of oranges}) \\ &= (\mathbf{B\ 10} \times \mathbf{400}) + (\mathbf{B\ 5} \times \mathbf{300}) \\ \text{GDP} &= \mathbf{B\ 4,000} + \mathbf{B\ 1,500} = \mathbf{B\ 5,500} \end{aligned}$$

Production Approach: using value-added values

Value added The difference between the value of goods as they leave a stage of production and the cost of the goods as they entered that stage.

Production Approach: using value-added values

Value added in production of bottle orange juice

Stage of production	Sales	Value Added
(1) Orange	500	500
(2) Orange juice	650	150
(3) Orange juice in bottle (factory level)	900	250
(4) Retail sale (Supermarket level)	1200	300
Total value added		1200

Some concerns: measuring GDP

EXCLUSION OF USED GOODS AND PAPER TRANSACTIONS

GDP is concerned only with new, or current, production.

GDP ignores all transactions in which money or goods change hands and in which no new goods and services are produced.

Example:

➤ **A house build 3 years ago, should it be counted in GDP this year ?**

It should not be counted as GDP this year

➤ **How about commission fee for the commissioner who sell the house?**

It should be counted as GDP this year
