Gross Domestic Product (GDP)

Gross Domestic Product is an important concept of national income. Gross domestic product is the money value of all final goods and services produced by normal residents as well as non-residents in domestic territory of a country but does not include net factor income earned from abroad. Thus the difference between gross domestic product (GDP) and gross national product (GNP) at market prices arises due to the existence of net factor income from abroad. Gross domestic product does not include net factor income from abroad, whereas gross national product (GNP) includes it. On this basis, inference can be drawn that;

Gross Domestic Product (at market prices)

= Gross National Product (at market prices) − net factor income from abroad.

Hence,

$GDP_{MP} = GNP_{MP}$ − net factor income from abroad.

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Gross National Product (GNP)

Gross National Product is defined as the total market value of all final goods and services produced in a year in a country. Two important matters can be cited by the above given definition of gross national product.

First, it measures the market value of annual output. In other words, GNP is a monetary measure. There is no other way of adding up the different sorts of goods and services produced in a year except in terms of their money prices. But in order to know accurately the changes in physical output the figure for GNP is adjusted for price changes.

Secondly, for calculating gross national product accurately all goods and services produced in any given year must be counted once, and not more than once. Hence, gross national product includes the market value of only final goods and services.

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Net National Product (NNP)

In production of gross national product of a year, we consume or use up some fixed capital that is equipment, machinery etc. The capital goods like machinery wear out or fall in value as a result of its consumption or use in the production process. This consumption of fixed capital or fall in the value of fixed capital due to wear and tear is called depreciation. When charges for depreciation are deducted from gross national product we get net national product. Therefore,

Net National Product (NNP)
= Gross National Product (GNP)
− Depreciation.

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