



National Income

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National Income Accounting

PRODUCTION	INCOME	EXPENDITURE
<p>$PDB = P_1Q_1 + P_2Q_2 + \dots + P_nQ_n$</p> <p>Q= Type and number of end products produced</p> <p>P= The market price of each type of product produced</p> <p>GDP shows the value of final product (PQ) produced an economy over a certain period (usually one year)</p>	<p>$PDB = Y_w + Y_r + Y_i + Y_p + DEP + PTL$</p> <p>$Y_w$=Labor compensation (wage or salary), including individual business income</p> <p>Y_r= Rental income</p> <p>Y_i= Net interest income, the amount of interest received minus the amount of interest paid</p> <p>Y_p=Corporate profits</p> <p>DEP= Depreciation PTL= Indirect Tax</p>	<p>$PDB = C + I + G + XM$</p> <p>C= Household consumption expenditure, which shows expenditure Household sector to buy goods and services</p> <p>I =Business sector investment expenditure (producers) which consists of the purchase of capital goods, housing, and supplies of goods</p>
		<p>G=Government spending, namely government spending (central and local) to purchase goods and services</p>

National Income Accounting

PRODUCTION	INCOME	EXPENDITURE
<p>GDP by Economic Activities:</p> <ul style="list-style-type: none">• Agriculture, Livestock, Forestry, and Fisheries• Mining and quarrying• Manufacturing Industry• Electricity, gas, water• Trade, hotels, and restaurants• Transportation and communication• Finance, leasing, and services companies• Services	<p><i>GDP indicates the amount of income received by the owners of production factors of an economy plus depreciation and indirect taxes over a certain period (usually one year)</i></p>	<p>XM=Expor neto</p> <p><i>GDP indicates the amount of the value of an economy's total expenditure over a certain period (usually one year)</i></p>



The importances in Calculating GDP

1. Products valued at market prices
2. Items assessed include only the final product (final goods).
How to add value added (value added) of each stage of production
3. Economic activities are not counted in GDP:
 - a. Economic activity that is illegal
 - b. Gains or losses because of inflation of capital goods
 - c. Which are transfer payments
 - d. Productive activities that are not through the market: the product itself to be used alone
4. GDP and GNI
5. GDP nominal, GDP real, the deflator of GDP and Economic Growth Rate
- 6 Potential GDP and Actual GDP



Gross Domestic Product

- All final products are produced every person or company (national or foreign) which is in the territory of a country



Gross National Product

- All final products produced by any citizen or national of a state enterprise

Indonesia's GDP by Type of Use

- Household consumption expenditure (C)
- Government consumption expenditure (G)
- Private domestic capital formation Gross(I)
- Exports of goods & services(X)
- *Minus* imports of goods and services(M)
- $GDP = C+I+G+X-M$
- Minus/Plus: Net income of foreign and production factors(F)
- $GNP = C+I+G+X-M \pm F$
- Di Indonesia, $GNP =GDP\pm F$

Dimana: $F = \text{Net income from abroad of production factors} = A - B$

A → The amount of income from production factors of a country's citizens who work abroad

B → Total revenue of production factors owned foreign citizens working in the country a country

If $A > B$, positive F values and if $A < B$ negative F value

GDP nominal, GDP real, The deflator of GDP and Economic Growth Rate

- GDP nominal → GDP which produced the final product is judged according to the prevailing price. Be called GDP according to the prevailing price = PQ
- GDP real → GDP which produced the final product is judged according to constant prices = $P \text{ constant} \times Q$
- GDP deflator (implicit price deflator of GDP) reflects the general price level (P) which occurs in the economy, and is defined as the ratio of nominal GDP to GDP ratio reals, or as the prevailing prices of base year price
- Observing the fluctuations of economic growth from year to year can be identified patterns of business cycles (business cycles) of the economy concerned.
- Business cycle → fluctuations in economic growth around the trend, including the depression, recovery, boom and recession

Tabel 1

Year	Q	P	GDP nominal	GDP Riel (Constant Price 1997)	GDP Deflator
1997	20	10	$20 \times 10 = 200$	$20 \times 10 = 200$	1
1998	18	15	$18 \times 15 = 270$	$18 \times 10 = 180$	1,5
1999	18	25	$18 \times 25 = 450$	$18 \times 10 = 180$	2,5





Potential GDP and actual GDP

- Potential GDP (potential output) shows the level of GDP that the economy can produce if all resources are owned economy fully utilized
- Actual GDP indicates that the level of GDP could actually produced by an economy
- Every economy in the world is always trying to achieve the conditions in which actual GDP equals potential GDP
- Actual GDP = potential GDP, the economy is said to be in full employment conditions

Indonesia's GDP by Type of Use of 1999 (1993 Constant Prices)

Type Use	Amount (Billion Rupiah)	Proportion of GDP (%)
Household consumption expenditure	271867,3	72,13
Government consumption expenditure	27014,3	7,17
Private domestic capital formation Gross	64755,6	17,18
Exports of goods & services	91517,6	24,28
<i>Minus</i> imports of goods and services	78252,3	20,76
GROSS DOMESTIC PRODUCT	376902,5	100
Net income from abroad of production factors	-22.133,8	5,87
GROSS NATIONAL PRODUCT	354768,7	94,13
Reduced Indirect Tax	7771,6	2,06
Reduced Depresiation	18845,1	5,00
NATIONAL INCOME	328151,9	87,07

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- Every time at dawn, a deer awake, he know today he must run faster than the fastest lion. If not, he would have been killed
 - Every time at dawn, a lion roused from his sleep. These days he know he should be able to catch the slowest gazelles. If not, he will die of hunger

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- *No matter you are a gazelle or a lion. Because, every time the crack of dawn should you start running!*