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Gross Domestic Product (GDP) (Economics)

Gross Domestic Product (GDP), or the measure of all the products made, services offered, and business conducted in a country over a set period of time, is another one of those business terms that's frequently referenced but seldom understood. Once again, GDP is simply a calculation of the business that's taken place in a country annually. The United States, for example, has the largest GDP in the world, thanks to its free market and large population; other nations have solid GDPs as well, and the exact number usually corresponds to its country's economic system, development, natural resources, education, and more.

Similarly, the process of calculating GDP is simple and straightforward. GDP is comprised of "private consumption   total investments   government investments   government spending   the value of exports minus imports." In other words, gross domestic product, which is once again the measure of all the business that's taken place in a country over a period of time, is determined by adding together money spent on private consumption, personal investments, government investments, government spending, and the value of exports (minus imports, so that the total reflects the trade agreements that give money to the country at-hand).

Lastly, nominal GDP refers to a specific year's gross domestic product purely in terms of production, while real GDP accounts for inflation, and is typically consulted by economists attempting to contrast a country's current output with those of the past.

Did you understand the text?

1) What is gross domestic product (GDP)?

a) The measure of all the products made, services offered, and business conducted in a country over a set period of time
b) All the money currently in a country
c) The total value of assets currently in a country
d) An indicator of inflation

2) Which country has the largest GDP in the world?

a) China
b) Australia
c) Russia
d) United States

3) How is GDP calculated?

a) By counting all the money in a country's banks
b) By referencing a country's national debt
c) By adding up private and public consumption
d) None of the above

4) What is the main difference between nominal and real GDP?

a) Nominal calculates for inflation and real does not
b) There are no differences between the GDP types
c) Real GDP accounts for annual inflation
d) Real GDP is accurate, while nominal GDP is not

5) Why is GDP important?

a) It can be used by businesses to maximize profits
b) It can help a country be as successful as possible, as GDP can be shown-off on the world stage to attract investors
c) It indicates the relative economic capabilities of a country
d) A and B