CPI: Consumer Price Index

Topic 1- GDP

- Microeconomics
- Macroeconomics
- GDP: standard of living
- GDP is only the goods or services produced or any new ‘money’ that is transferred
    - size of country’s economy and its composition
    - knowing correct size of diff economies has important policy and business implications
    - business and financial companies need to know how big an economy is now and in the near future in order to work out:
        - how much sale they can make in that economy
        - and therefore how much they can invest
- Larger country means:
    - ◇ provide a larger market for other countries’ exports
    - ◇ afford to make more investment overseas
    - ◇ afford to promote its culture and value overseas (e.g. Confucius Institute, British Council, Alliance Francaise, Goethe Institute)
    - ◇ afford larger contributions to international organizations (e.g. IMF, World Bank) and thus have a bigger say on their policies and decisions or even to challenge them
    - ◇ afford larger military expenses.

- Gross: total
- Product: output
- GDP measures the total market value of all final G&S newly produced in a specified country or region during a specified period of time
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- Expenditure Approach to GDP:
    - $Y = C + I + G + (X-M) = C + I + G + NX$
        - Y: GDP
        - C: (private) consumption
        - I: (private) investment
        - G: government purchases
- Govt purchases: consumption & investment
- Nominal GDP: calculated using current prices
- Real GDP: measurement of size of economy without changing price
    - using only one certain years price
        - Conceptually it involves fixing the prices at a specified ‘base year’, e.g. 1996, so the real GDP in 2012 is measured in 1996 prices.