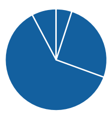
What is GDP?

Bureau of Economic Analysis
U.S. DEPARTMENT OF COMMERCE

GDP is the way we measure the U.S. economy and its growth.

Gross Domestic Product

Gross	Domestic	Product
Total market value	*Within the United States*	*Goods and services*
		

GDP = the ***total market value*** of the ***goods and services*** produced ***within the United States*** in a year.

A ***good*** is a video game, a car, an apple, a gold ring. Goods are things that people make, grow or extract from the land.

A ***service*** is a haircut, a bus ride, computer repair, a doctor's care. Services are actions that people do for someone else.

Market value is how much something costs in the marketplace. It's what you pay for that video game or haircut.

Why is GDP important?

- The pace of economic growth affects jobs, businesses and investments.
- Understanding the economy helps the public and policymakers make informed decisions.
- GDP helps compare the U.S. economy with economies around the world.

Who uses GDP?

Congress, the White House, the Federal Reserve, state and local governments, business leaders, analysts and researchers, and the American public rely on GDP and related statistics from the Bureau of Economic Analysis. These statistics inform decisions about taxes and spending, hiring and investing, interest rates and trade policy, and more.

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For more information about GDP or about BEA in general:
www.bea.gov // CustomerService@bea.gov // (301) 278-9004

How big is the economy?

- U.S. GDP is always a huge number — around **$19 trillion** per year right now.
- The economy's growth rate is watched closely, so you often hear GDP referred to as a percentage. For example, GDP was 1.5 percent higher in 2016 than the year before.
- The rate is based on "real GDP," numbers adjusted to remove the effects of inflation.

How is GDP calculated?

There is a four-part formula: **C + I + G + NX = GDP**

Personal ***C***onsumption Expenditures	Also called ***consumer spending***: the goods and services people buy, such as groceries, clothing, cellphone service and health care.
+ ***I***nvestment	This is ***business spending*** on fixed assets such as land, buildings and equipment, plus investment in unsold inventory; also includes purchases of homes by consumers.
+ ***G***overnment Spending	Spending by ***federal, state and local governments*** to provide goods and services, such as schools, roads or national defense.
+ ***N***et E***X***ports	Also known as ***exports minus imports (X – M)***: the value of exports to other countries minus the value of imports into the United States. *Why are imports subtracted? Consumers, businesses and governments spend some of their money on imports. U.S. production would be overstated if the formula didn't remove imports.*
= ***GDP***	The total market value of the goods and services produced within the United States in a year.

What is not in GDP?

Some productive activities are left out. For example, GDP doesn't count the value of services parents provide for their own children, work volunteers do for charities, or illegal activities.

Who calculates GDP?

- Economists at the **U.S. Bureau of Economic Analysis** estimate GDP using thousands of data points gathered by other federal agencies and some private data collectors.
- BEA is a nonpartisan, nonpolitical statistical agency. Its data are free to all on bea.gov.