

Introduction to Growth, its Measurement and Market Fluctuations

Dr Amir Ullah Khan

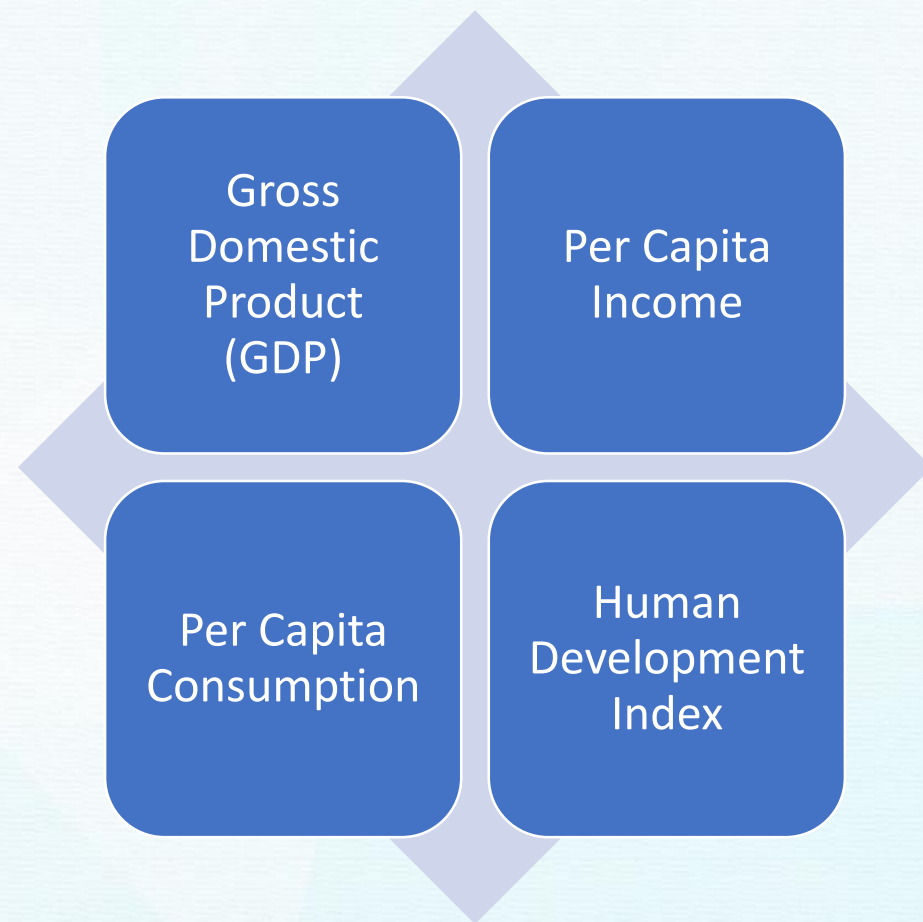
- Video Link- <https://www.youtube.com/watch?v=UHiUYj5EA0w>

Economic Growth

Economic growth is the process by which a nation's wealth increases over time. Rate of economic growth affected by:

- Natural Resources
- Human Resources
- Capital Resources
- Technological Development
- Trade

Measures of Economic Growth



Gross Domestic Product (GDP)

GDP is the real rate of growth in a country's total output of goods and services produced in a year

Largest category of spending measured – consumer spending

Calculation: Price x
Quantity

How is GDP Measured?

GDP is defined as:

The total production
of goods and services
in the economy

GDP can be measured by:

Production

GDP (P)

Income

GDP (I)

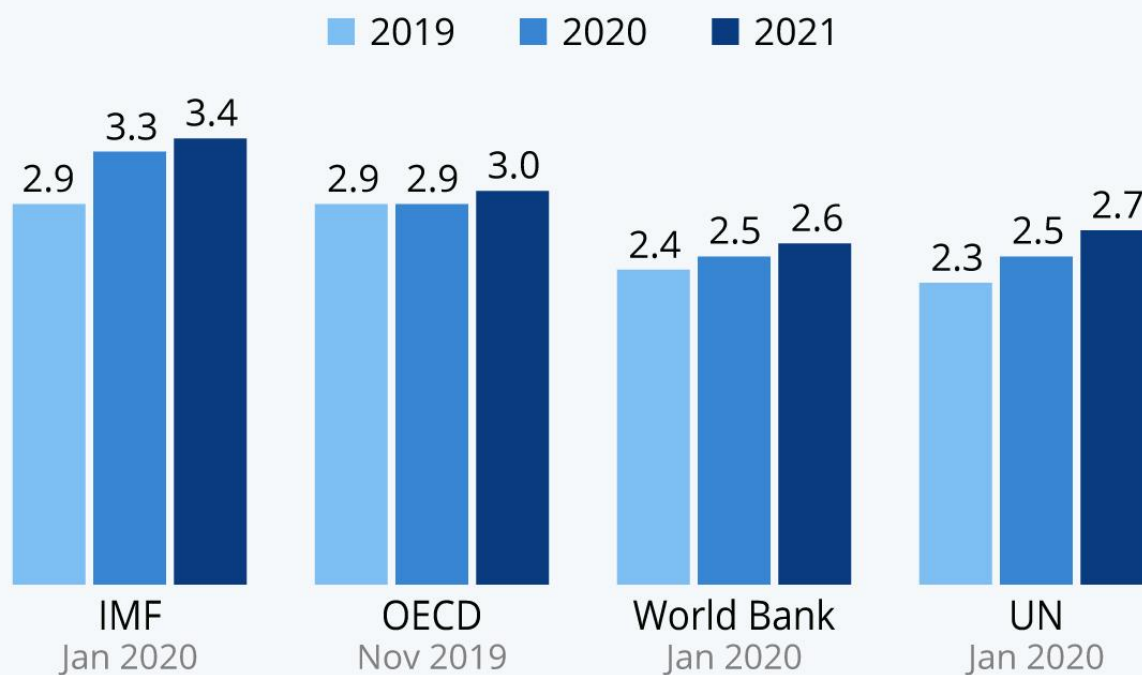
Expenditure

GDP (E)

Average of
these three –
GDP (A)

Where Is the World Economy Headed?

Global GDP growth forecasts by major international organizations (in %)



Sources: IMF, OECD, World Bank, UN



statista

2020-21

Country	Nominal GDP	Share in global GDP
United States	21,922	24.2
China	16,835	18.6
Japan	5,103	5.6
Germany	4,318	4.8
France	2,918	3.2
United Kingdom	2,856	3.1
India	2,834	3.1






Source: International Monetary Fund, World Economic Outlook, October 2020

GDP RANK BY COUNTRY (2021)

Total World GDP: \$91.98 TN



GDP	3.26 TN	4.16 TN	5.50 TN	15.47 TN	22.20 TN
GDP PER CAPITA	\$2,338	\$49,548	\$43,597	\$10,710	\$66,678
MANUFACTURING OUTPUT	1,393,409,038	83,900,473	126,050,804	1,444,216,107	332,915,073

Name of the country	Global Manufacturing Output
 CHINA	28.7%
 UNITED STATES	16.8%
 JAPAN	7.5%
 GERMANY	5.3%
 INDIA	3.1%

Real and Nominal GDP

Basis For Comparison	Nominal GDP	Real GDP
Meaning	Nominal GDP is Sum-total of economic output produced in a year valued at current market price	Real GDP is Sum-total of economic output produced in a year valued at a pre-determined base market price
Effect of Inflation	Nominal GDP doesn't take inflation into account	Real GDP is a Inflation-Adjusted GDP
Expressed in	Current Market Price	Base Year's Market Price
Value of GDP	Is much higher since current market changes are taken into effect	Is much lower since market price of the base year is taken into consideration
Uses	Can be compared with various quarters of the given year	Can be compared with two or more financial years
Economic Growth	From Nominal GDP, economic growth can't be analysed easily	Real GDP is a Good Indicator of economic growth

Per Capita Income

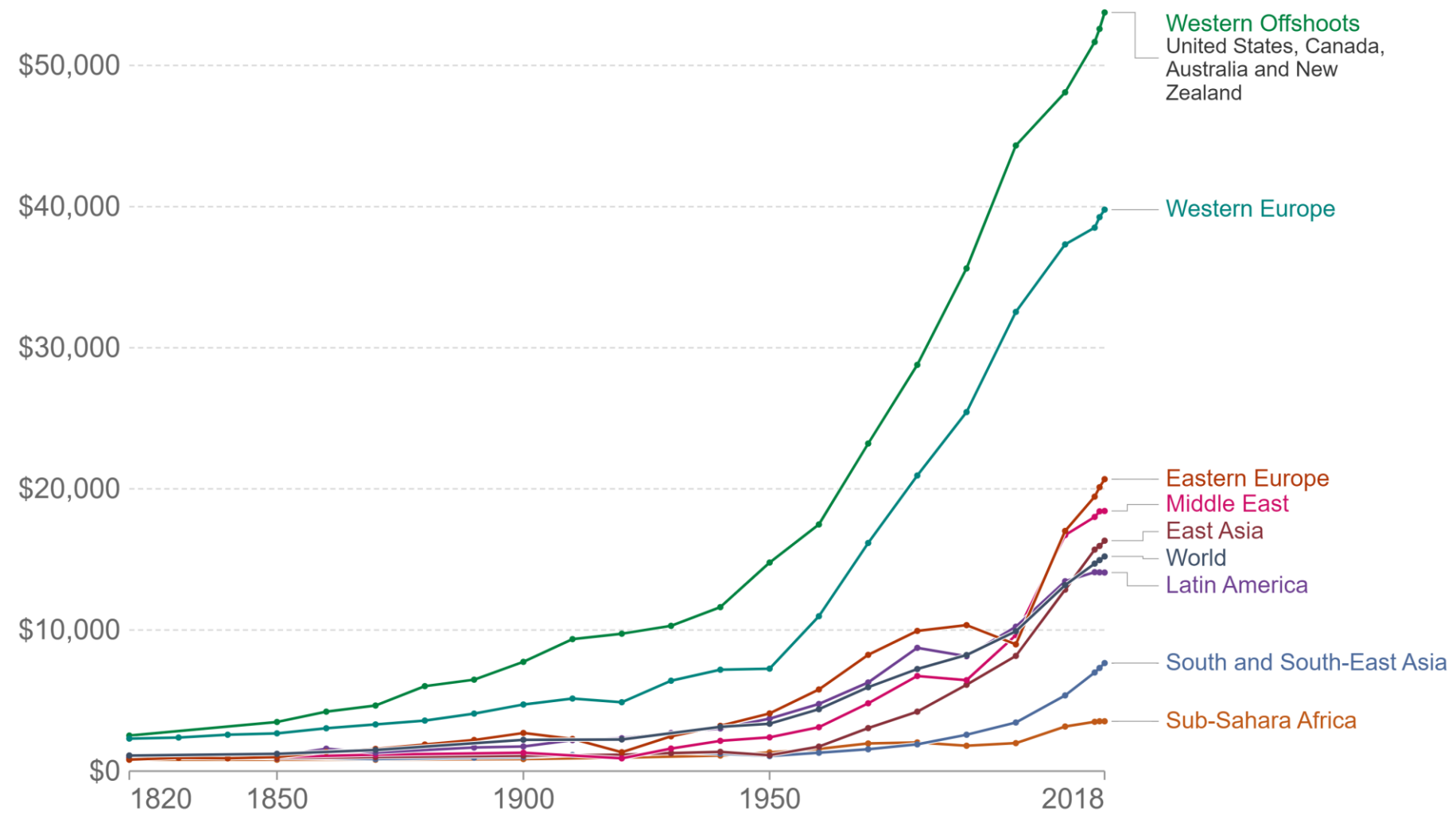
Per capita income of a country refers to income per head of the population of that country.

It can be calculated at current prices or at constant prices.

Per capita income can be used to determine the average per-person income for an area and to evaluate the standard of living and quality of life of the population.

GDP per capita, 1820 to 2018

GDP per capita adjusted for price changes over time (inflation) and price differences between countries – it is measured in international-\$ in 2011 prices.



Source: Maddison Project Database 2020 (Bolt and van Zanden (2020))

OurWorldInData.org/economic-growth • CC BY

TOP 10 GDP PER CAPITA (2021)

GDP PER CAPITA (Nominal)

\$100
Each box this size represents \$100



Source: International Monetary Fund (IMF), 2021



BOTTOM 10 GDP PER CAPITA (2021)

GDP PER CAPITA (Nominal)

Most of the bottom 10 countries are located in Africa, where the regional GDP per capita sits at \$1,960

\$100
Each box this size represents \$100

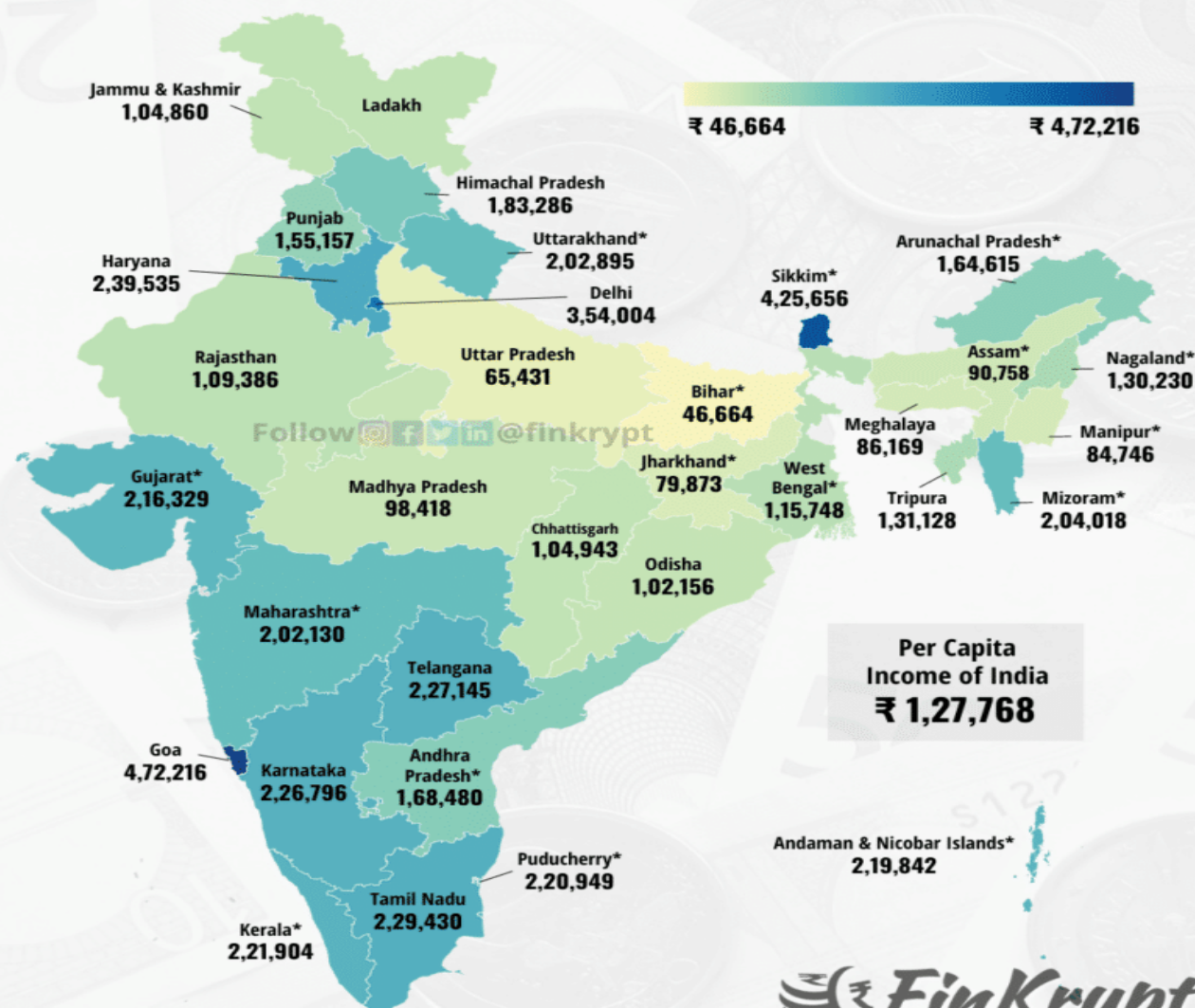


Source: International Monetary Fund (IMF), 2021



GEOGRAPHY OF GROWTH

Mapping State-wise Nominal Income per Capita (₹)

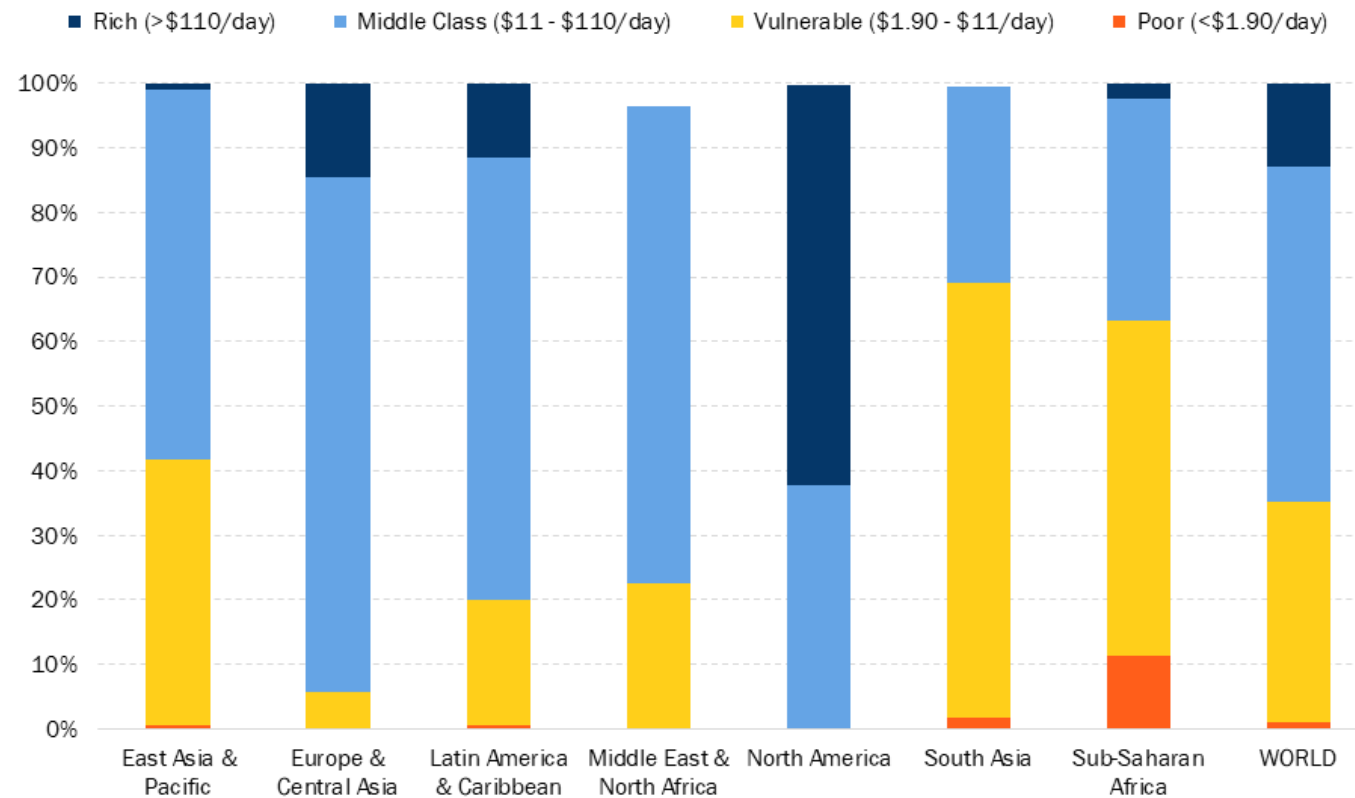


Source: MOSPI, Wikipedia

Data- NSDP per capita (INR at Constant prices) FY21. *Data of FY20.
No data are available for the union territories of Dadra and Nagar Haveli and Daman
and Diu, Ladakh and Lakshadweep.

Per Capita Consumption

Figure 1: Share of total consumption growth accruing to various income groups, 2010-2020



Source: Author's calculations, based on distributional data from World Bank PovCal and household consumption expenditures from WDI

BROOKINGS

Human Development Index

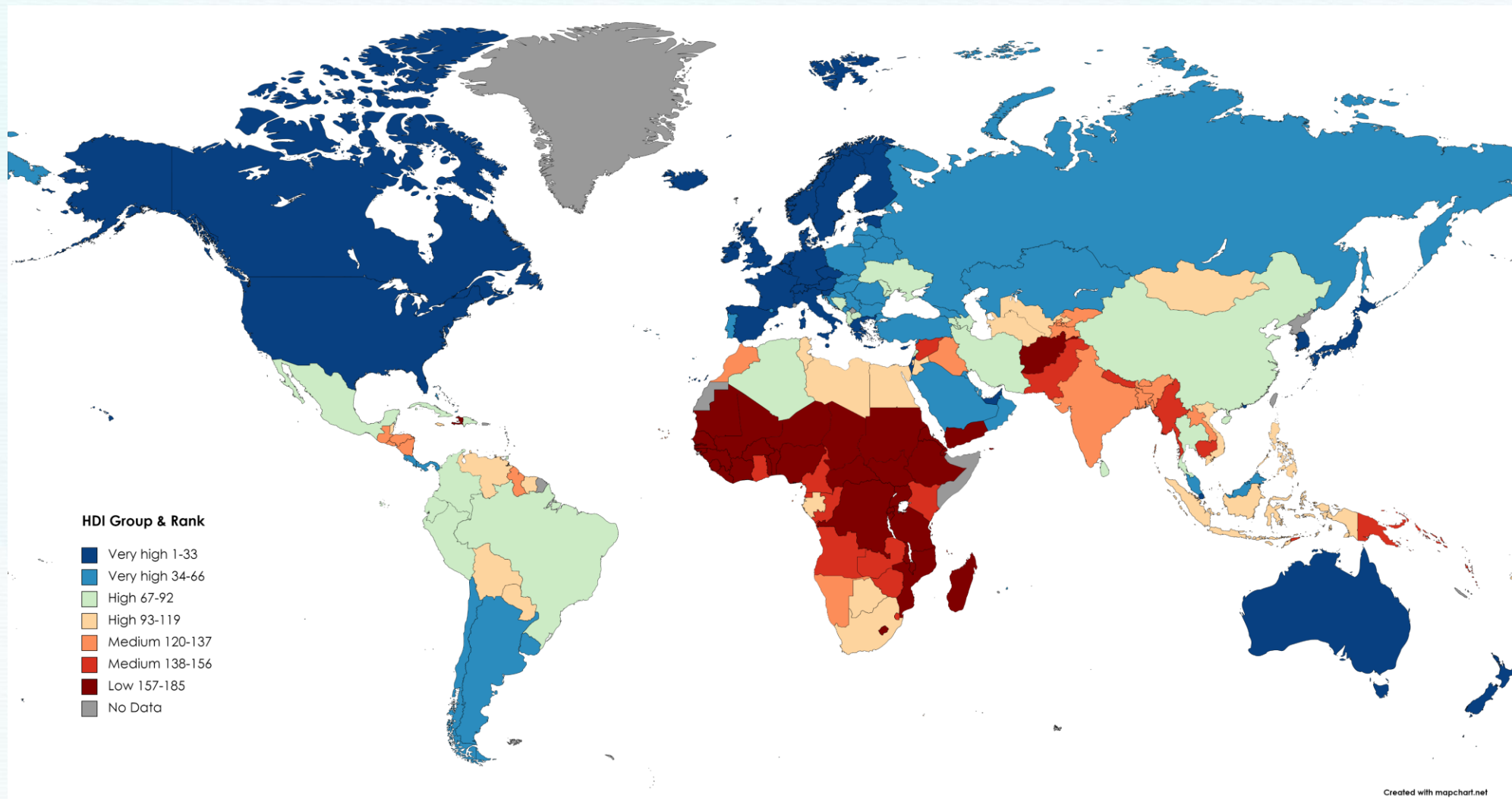
- The Human Development Index is a statistic composite index of life expectancy, education, and per capita income indicators, which are used to rank countries into four tiers of human development
- $HDI = 1/3 L + 1/3 E + 1/3 Y$

E = Educational attainment

L = Life Expectancy

Y = Income

HDI Global Index



Human Development Index, 2020

1. Norway

2. Ireland

2. Switzerland

4. Hong Kong

4. Iceland

131. India

Out of 189
Countries

by (UNDP)

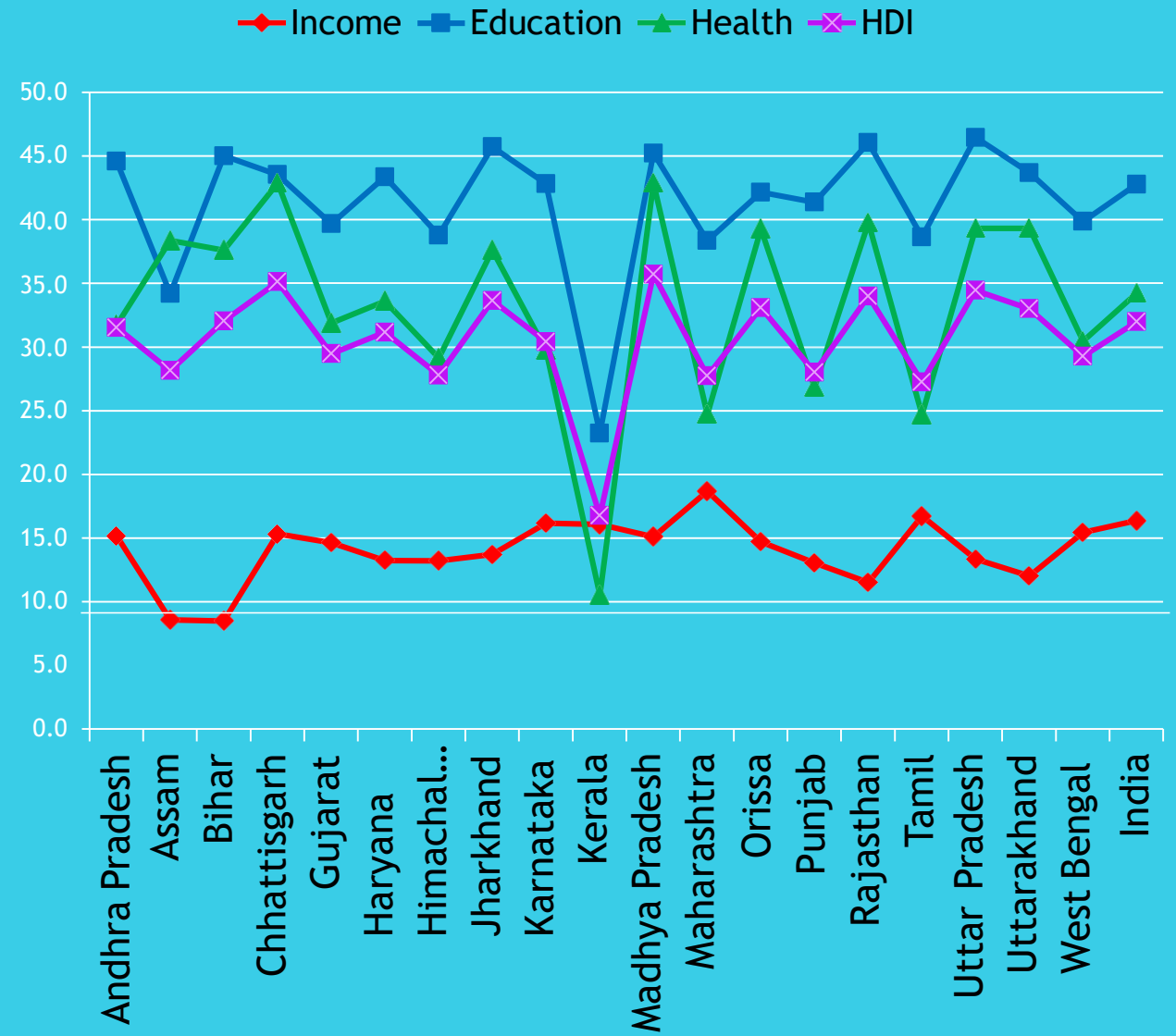
185. South Sudan

187. Chad

188. Central
African Republic

189. Niger

Percentage loss in the three inequality adjusted indices



Is Development synonymous with Economic Growth?

Different Development Goals of Society-

- Equality of opportunity
- Rising income and standard of living
- Equity in the distribution of income and wealth
- Political democracy and wide-spread participation
- A clean and healthy environment
- Efficient, competent and fairly administered public sector

The Indicators Criterion of Development

Measure of Economic Welfare (MEW)

Genuine Progress Indicator (GPI)

Human Development Index (HDI)

Gender-related Development Index (GDI)

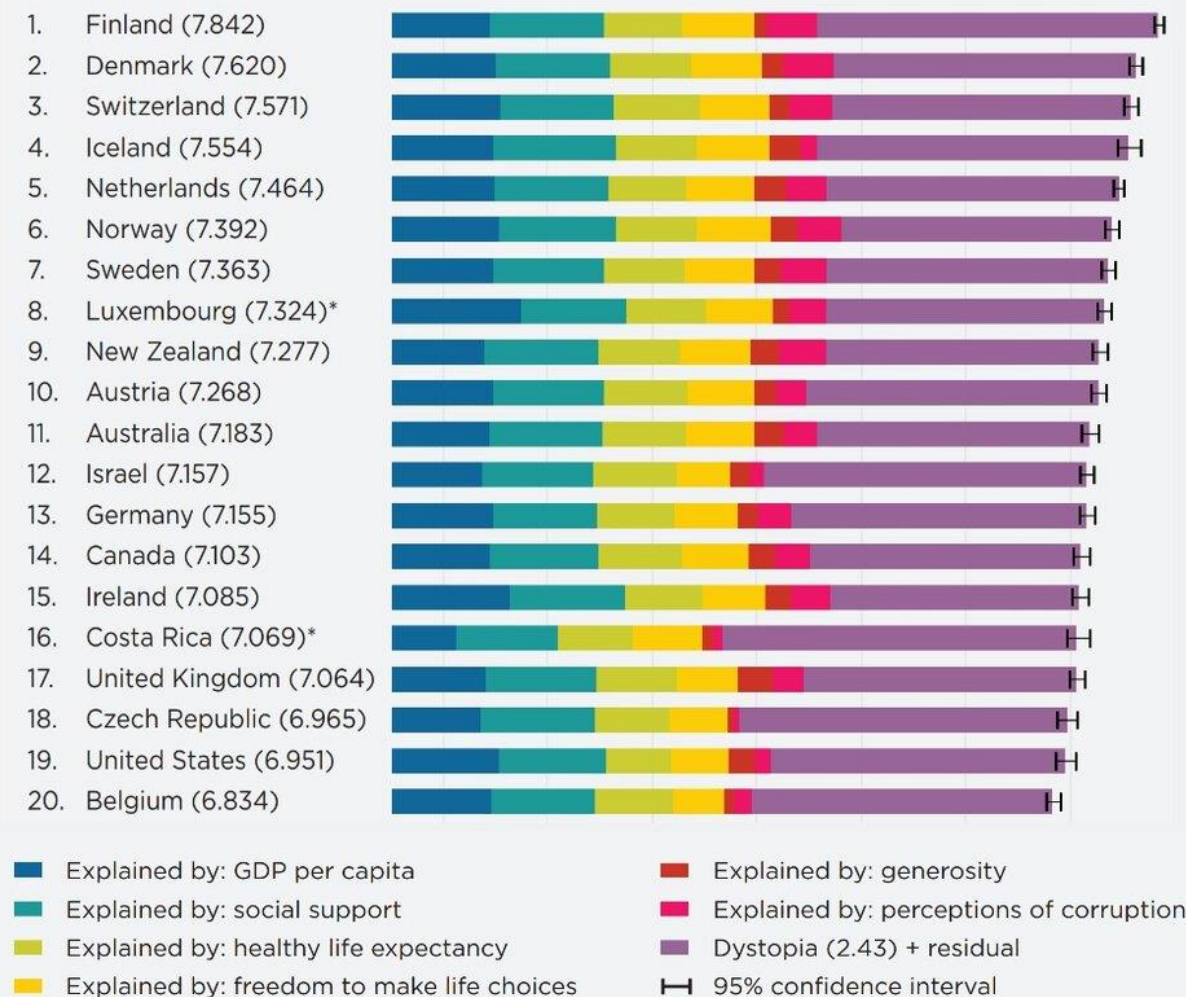
Human Poverty Index

Happiness Index:

A better indicator
to measure growth?

INDIA's Rank- 139

Ranking of happiness 2018-2020



Business Cycle: It describes short-run GDP fluctuations in overall economic activity.

- **Contraction** - When the economy starts slowing down.
- **Trough** - When the economy hits bottom, usually in a recession.
- **Expansion** - When the economy starts growing again.
- **Peak** - When the economy is in a state of "irrational exuberance."

The phases of a business cycle follow a wave-like pattern over time



BUSINESS INSIDER

Readings

- Iqbal, B. A., Rahman, M. N., & Hasan, M. (2019). Social Indicators: A Comparison Among Selected Countries. *Journal of Development Policy and Practice*, 4(2), 123–144.
<https://doi.org/10.1177/2455133319862405>
- Offer, A. (2000). Economic Welfare Measurements and Human Well-Being.