

# ECS 1500

# Introduction to Economics

## Boston | UNISA 2015

Unit 6: Measuring Economic Performance

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# Lecture Outcomes

Units 1 - 10

## **Outcome 1 – Introduction**

- 01 Introduction to Economic Environment
- 02 Understanding economic graphs

## **Outcome 2 – Price determination**

- 03 Supply, Demand, Prices
- 04 Changes in Supply and Demand
- 05 Elasticity

## **Outcome 3 – Macroeconomic perspective**

- 06 Measuring economic performance
- 07 Economic indicators

## **Outcome 4 – 3 important sectors**

- 08 The Public Sector
- 09 The Financial Sector
- 10 The Foreign Sector

## **6.1 Introduction**

- 6.1.1 Microeconomics vs. Macroeconomics
- 6.1.2 Macroeconomic objectives

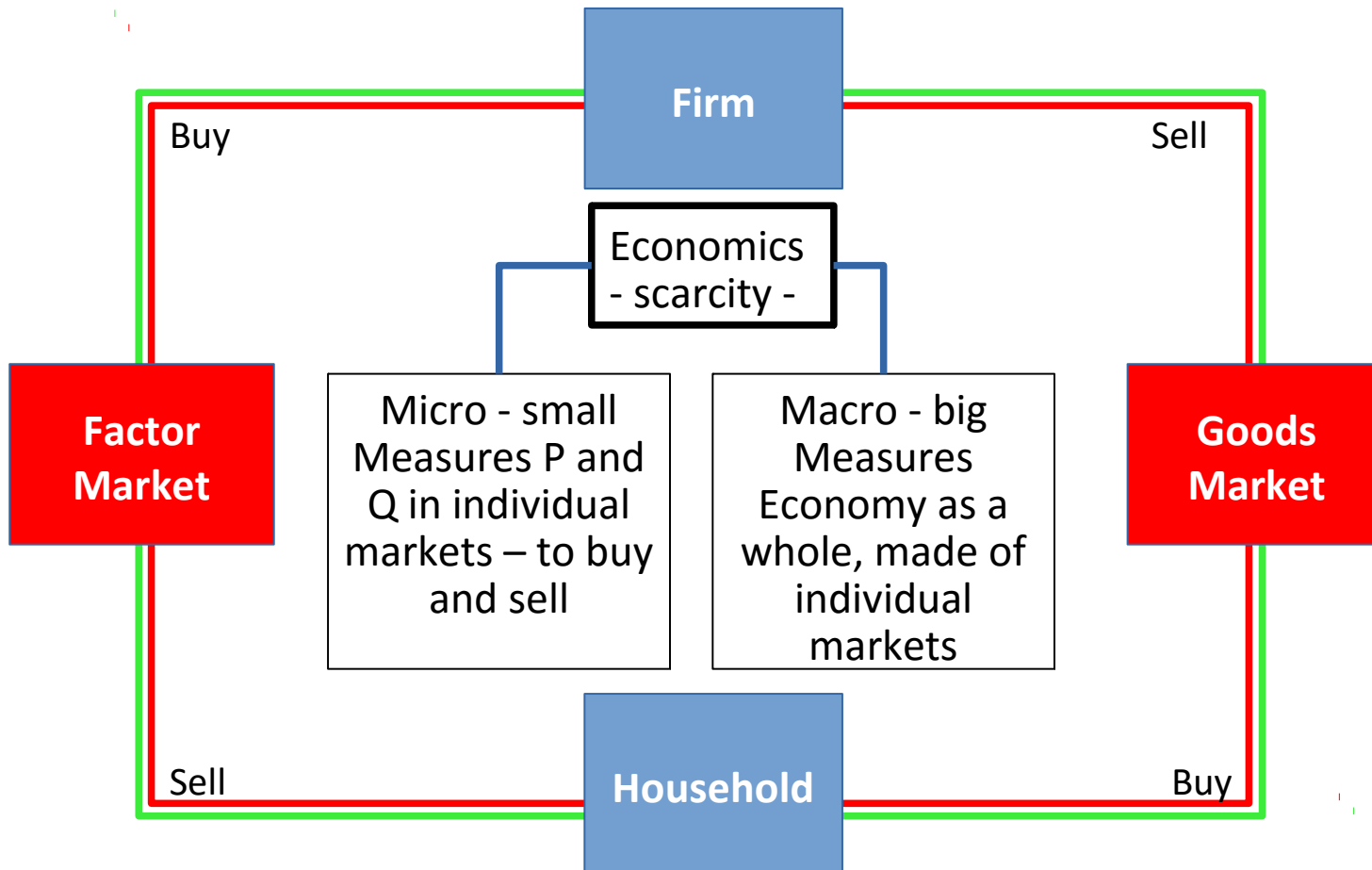
## **6.2 The Measurement of Production**

- 6.2.1. The importance of national accounts
- 6.2.2 GDP
- 6.2.3 Real vs. nominal values
- 6.2.4 The composition of GDP
- 6.2.5 Shortcomings of GDP

## **6.3 Summary**

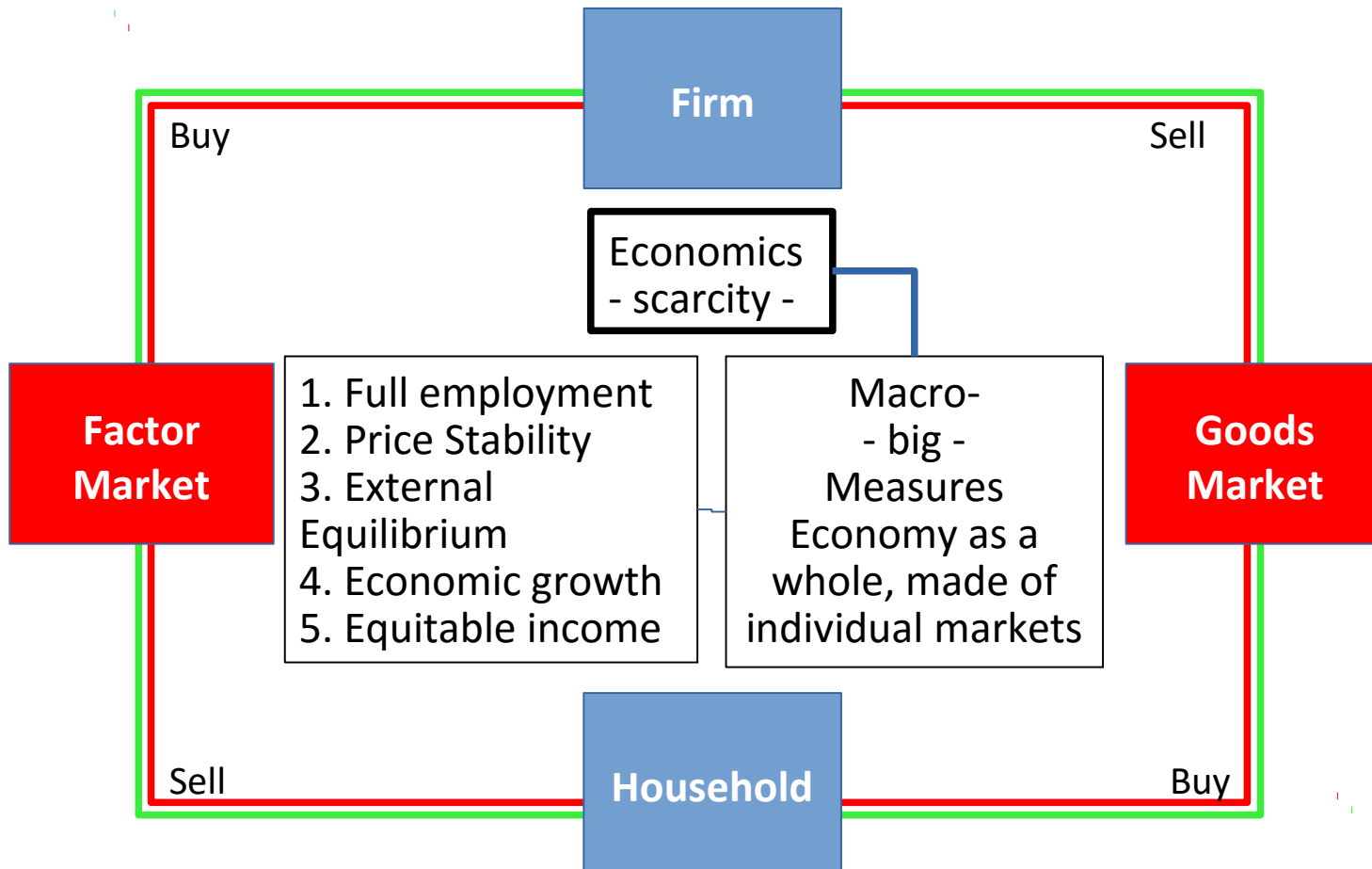
# 6.1.1 Microeconomics vs Macroeconomics

The need to measure in numbers



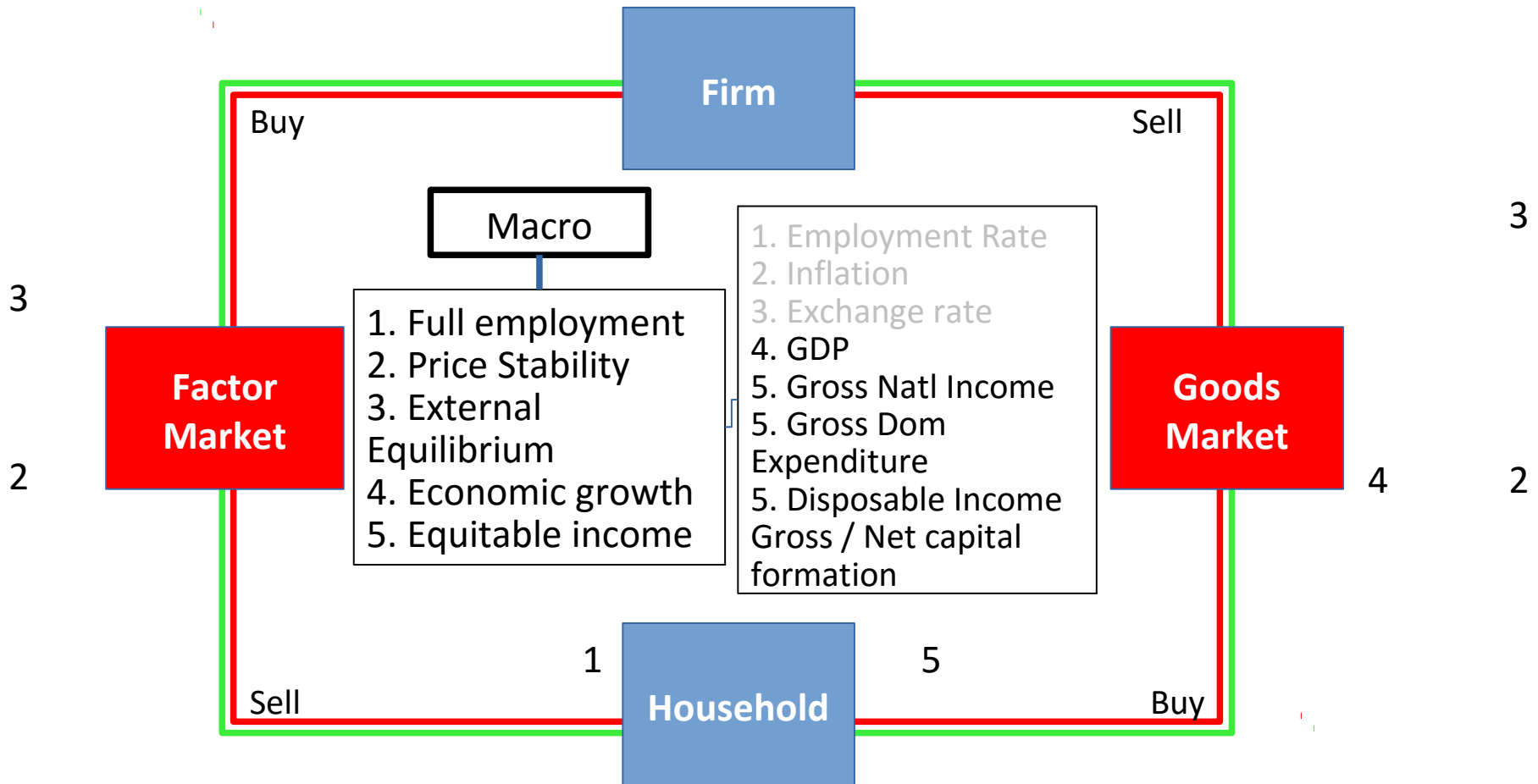
# 6.1.2 Macroeconomic objectives

The need to measure in numbers



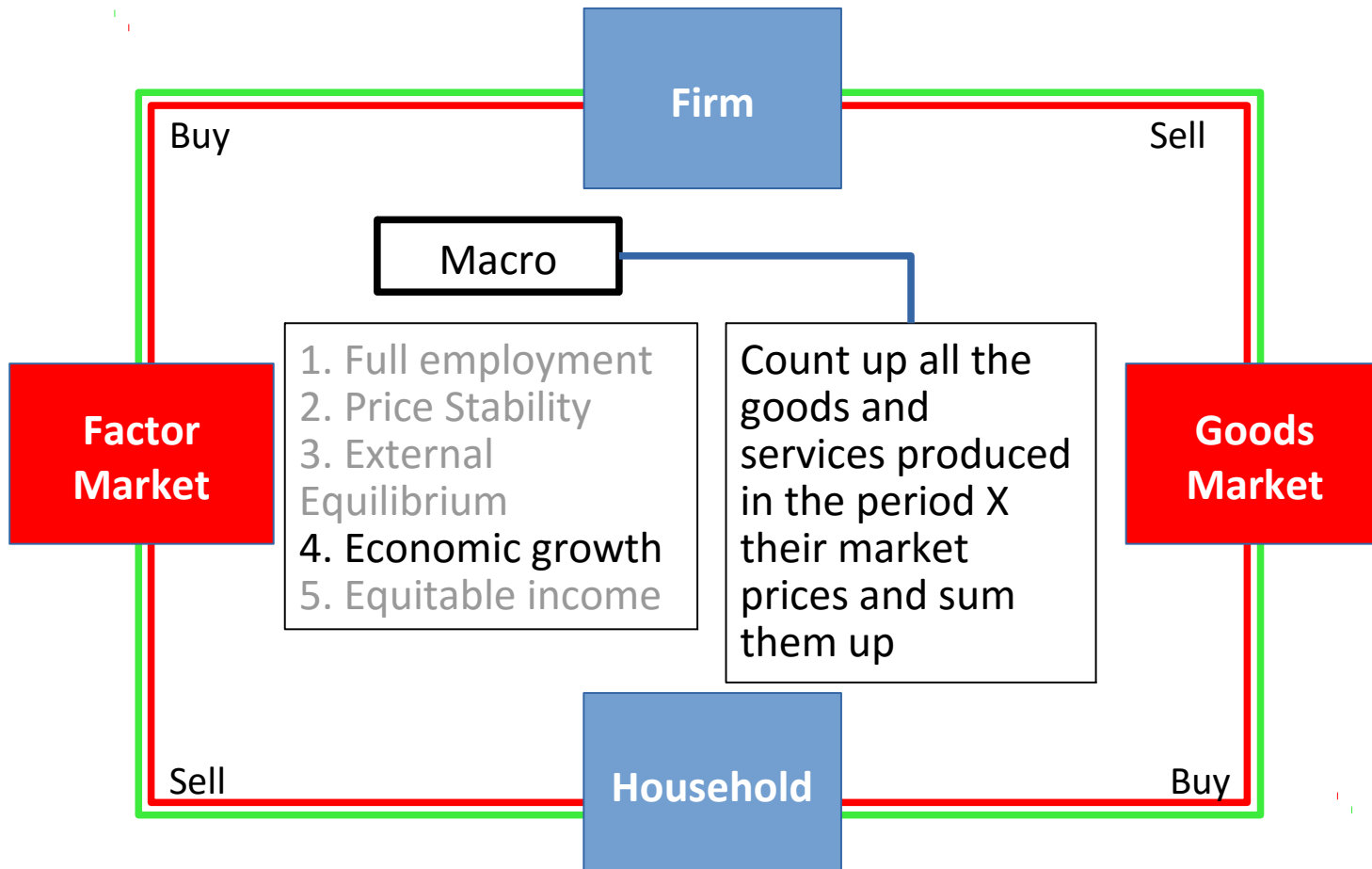
# 6.2.1 National Accounts

The need to measure in numbers



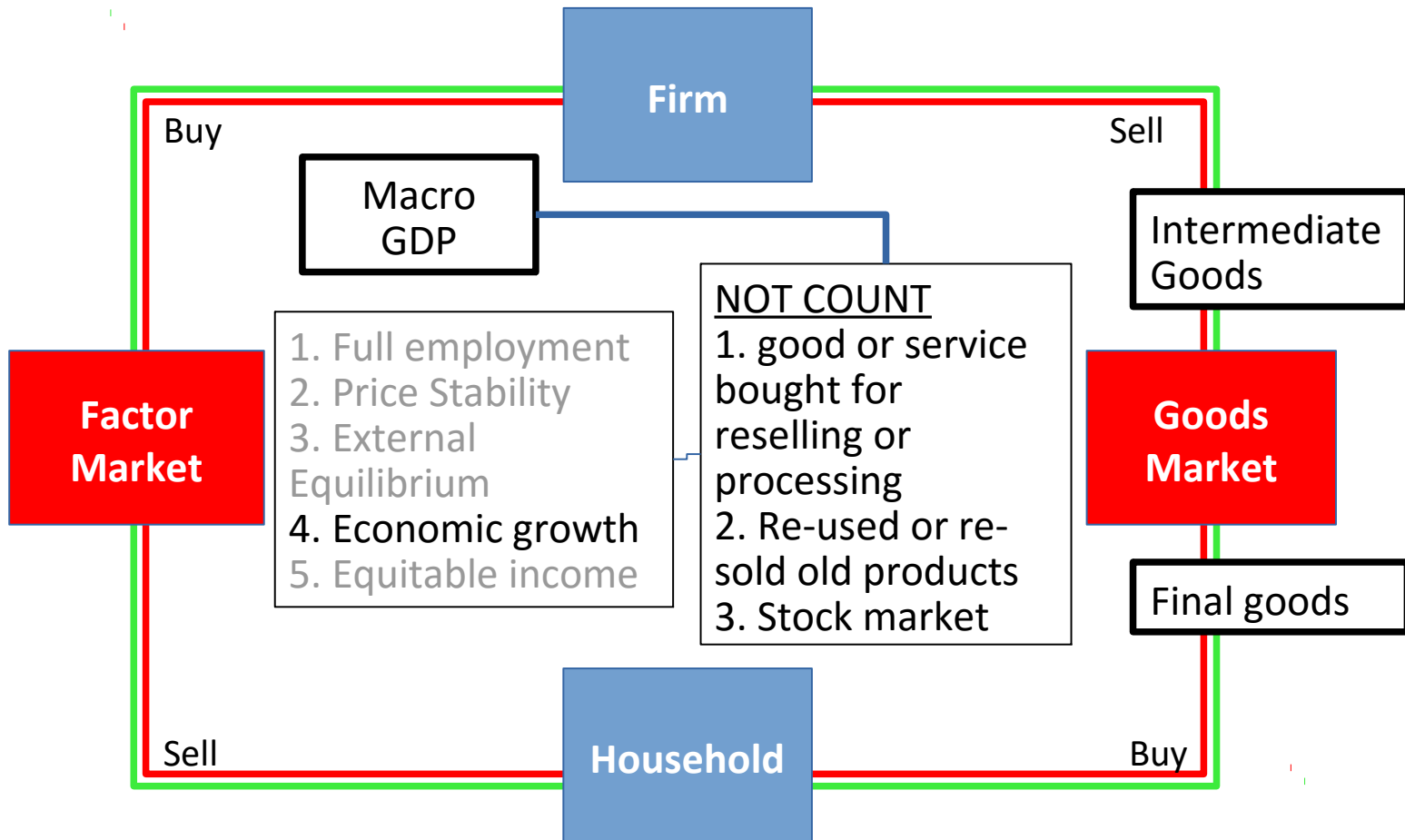
# 6.2.2 Gross Domestic Product

Total value of all final goods and services produced within the boundaries of a country during a certain period



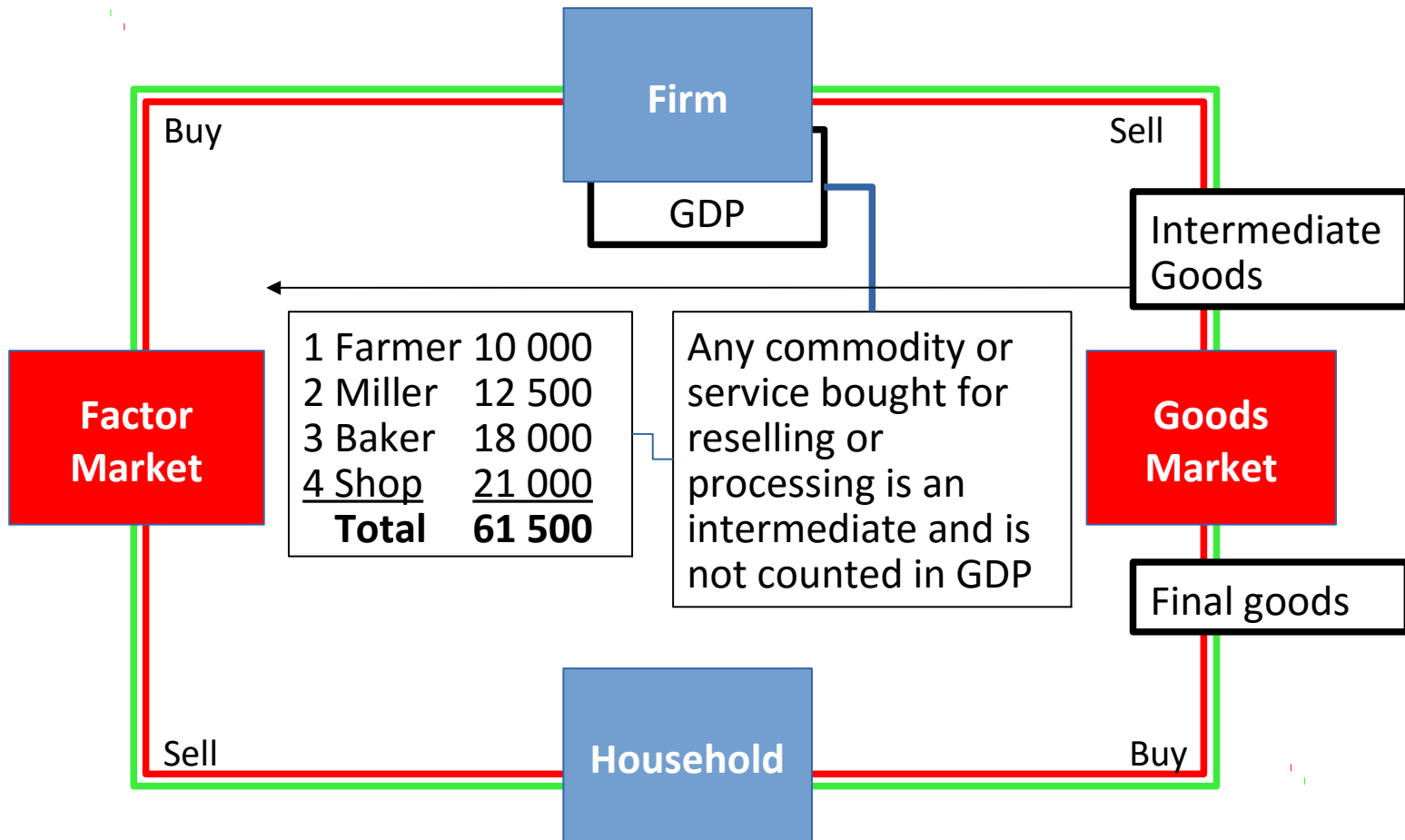
# 6.2.2.1 Avoiding Double Counting

Total value of all final goods and services produced within the boundaries of a country during a certain period



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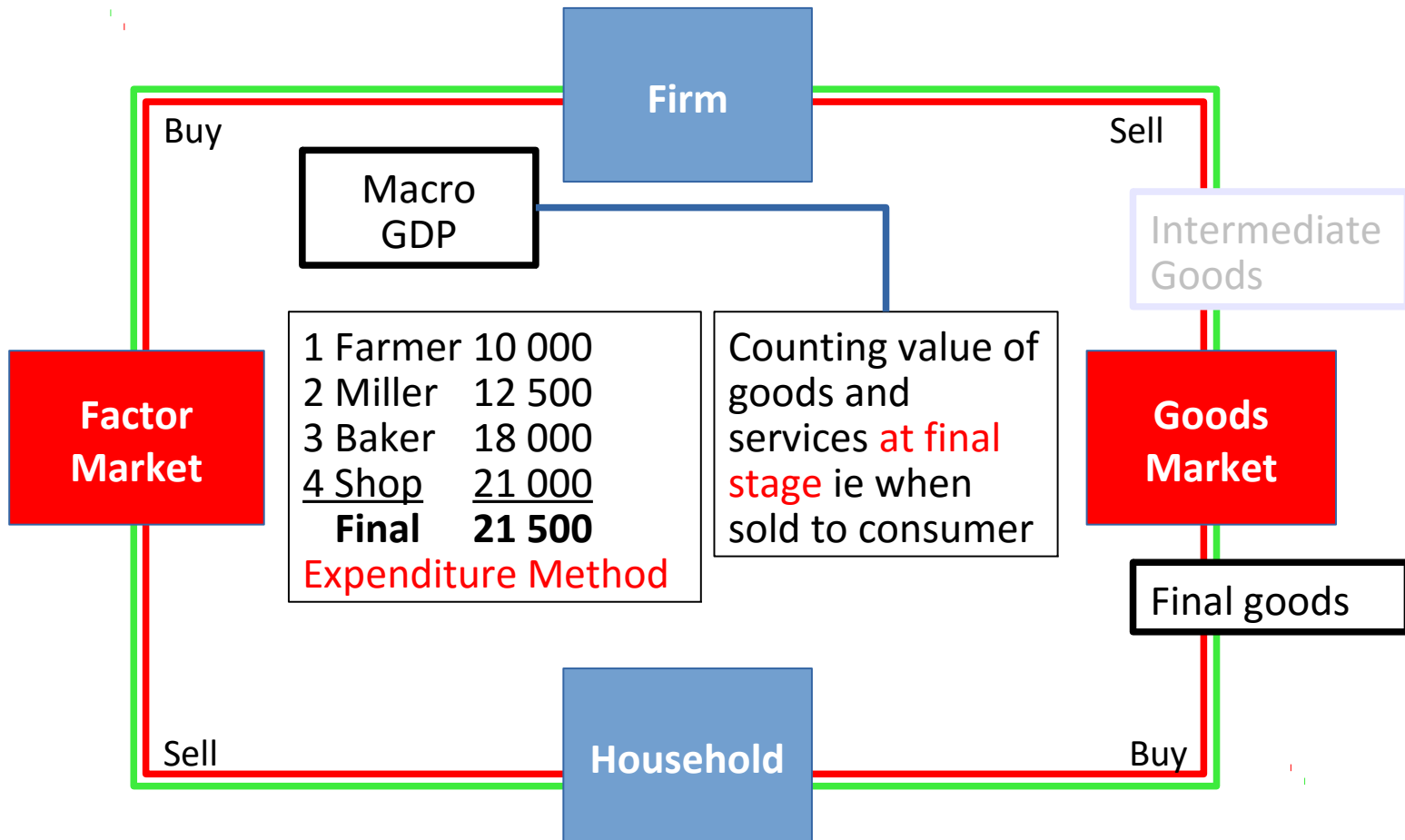
Total value of all final goods and services produced within the boundaries of a country during a certain period





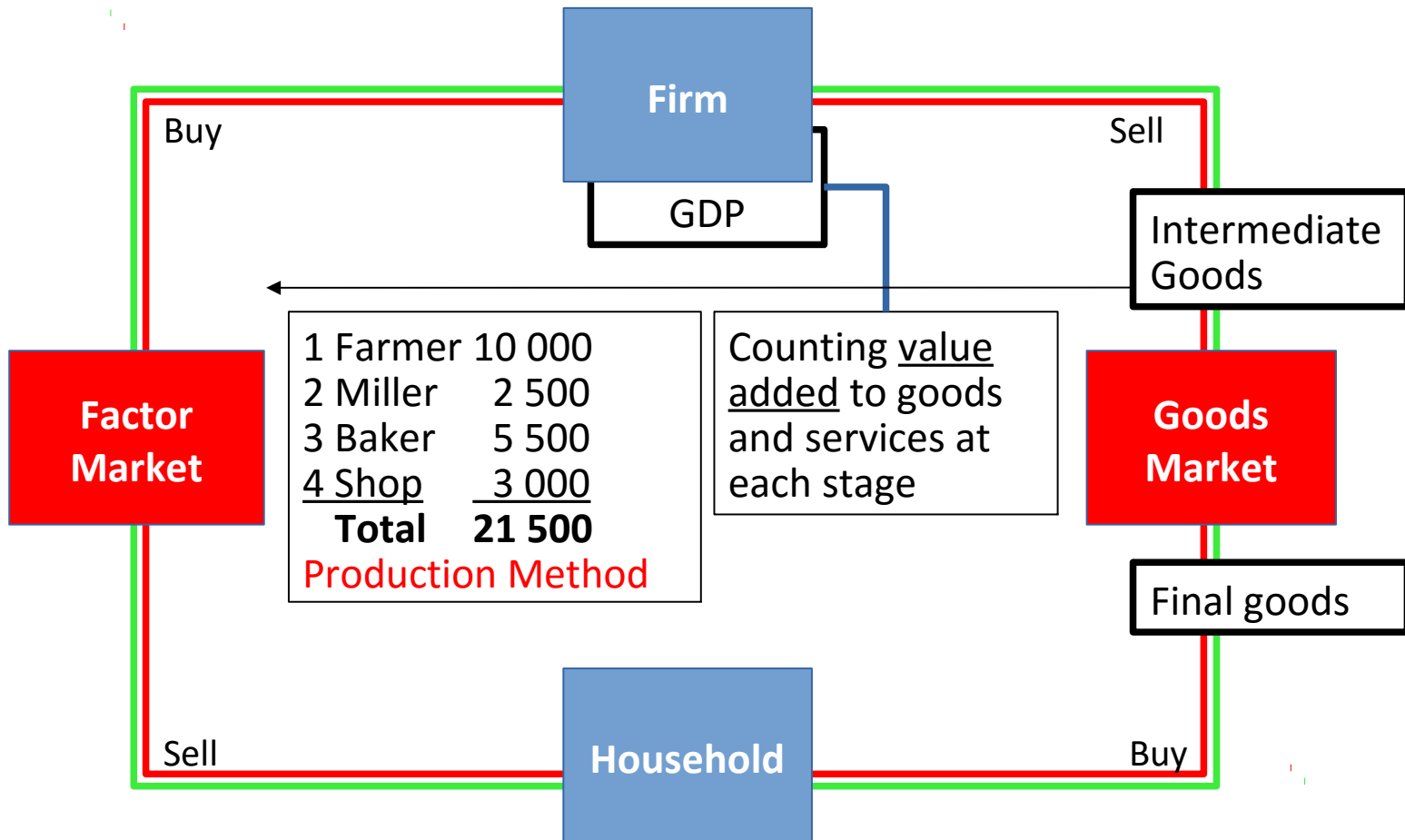
# 6.2.2.2 3 ways to count GDP

Total value of all final goods and services produced within the boundaries of a country during a certain period



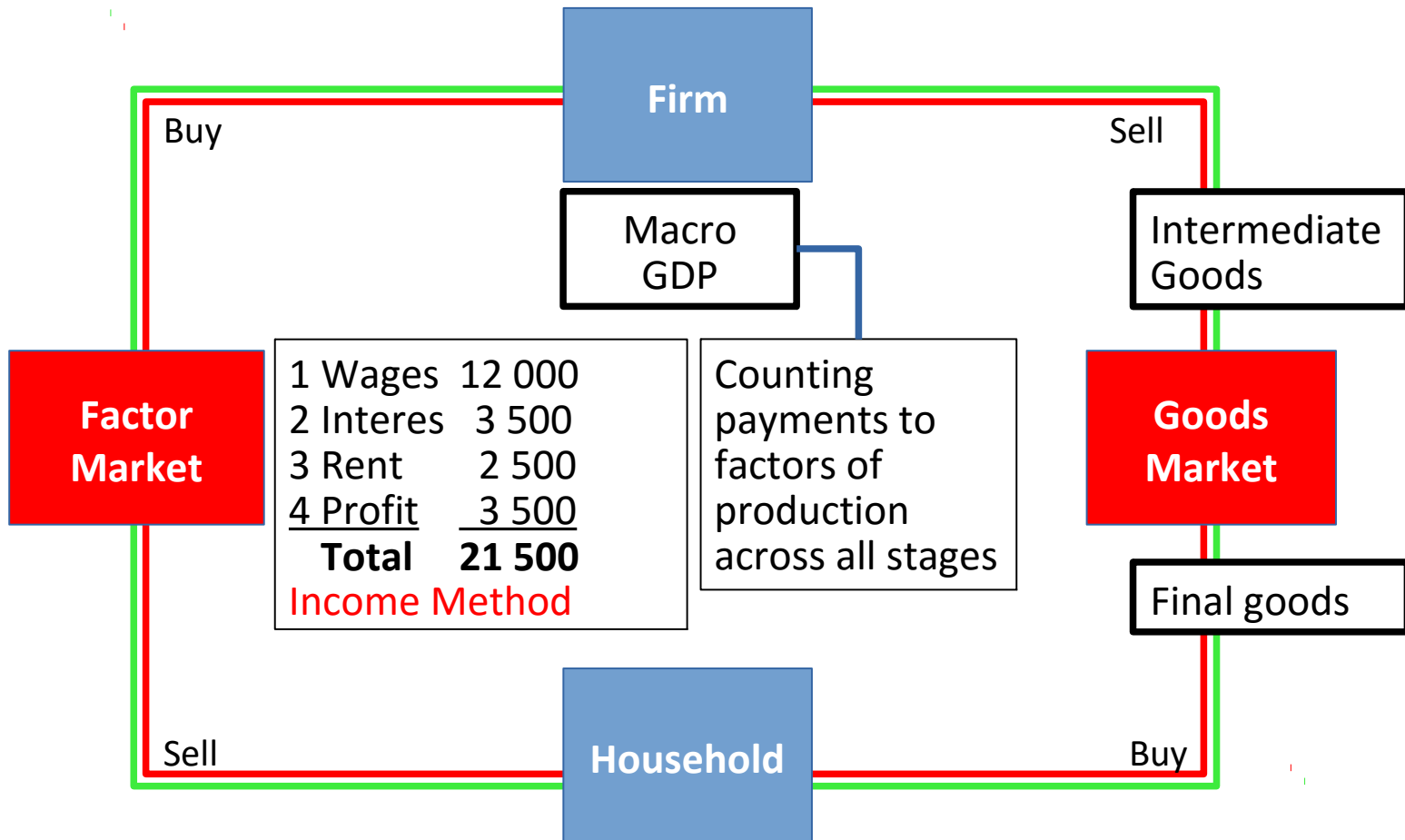
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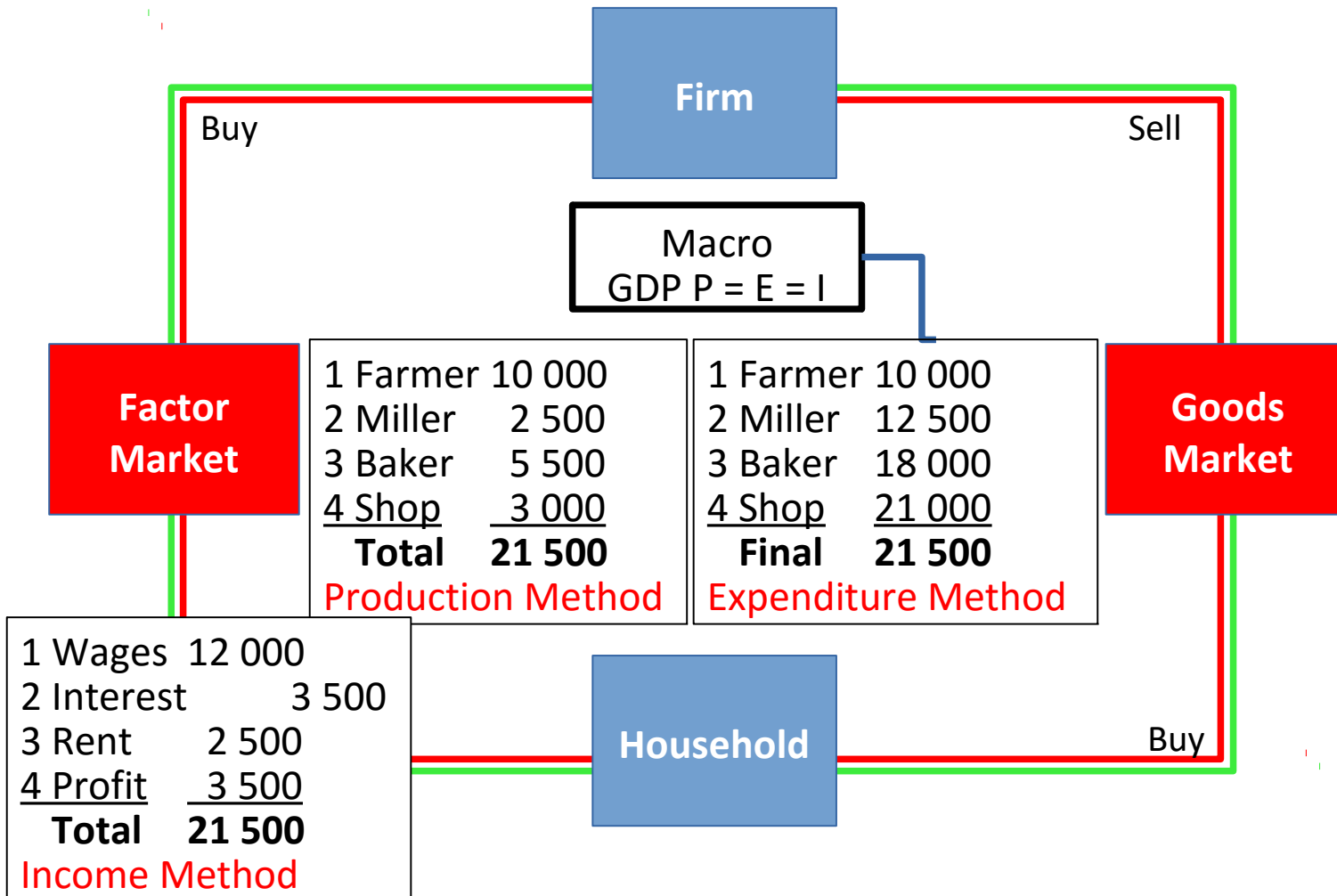
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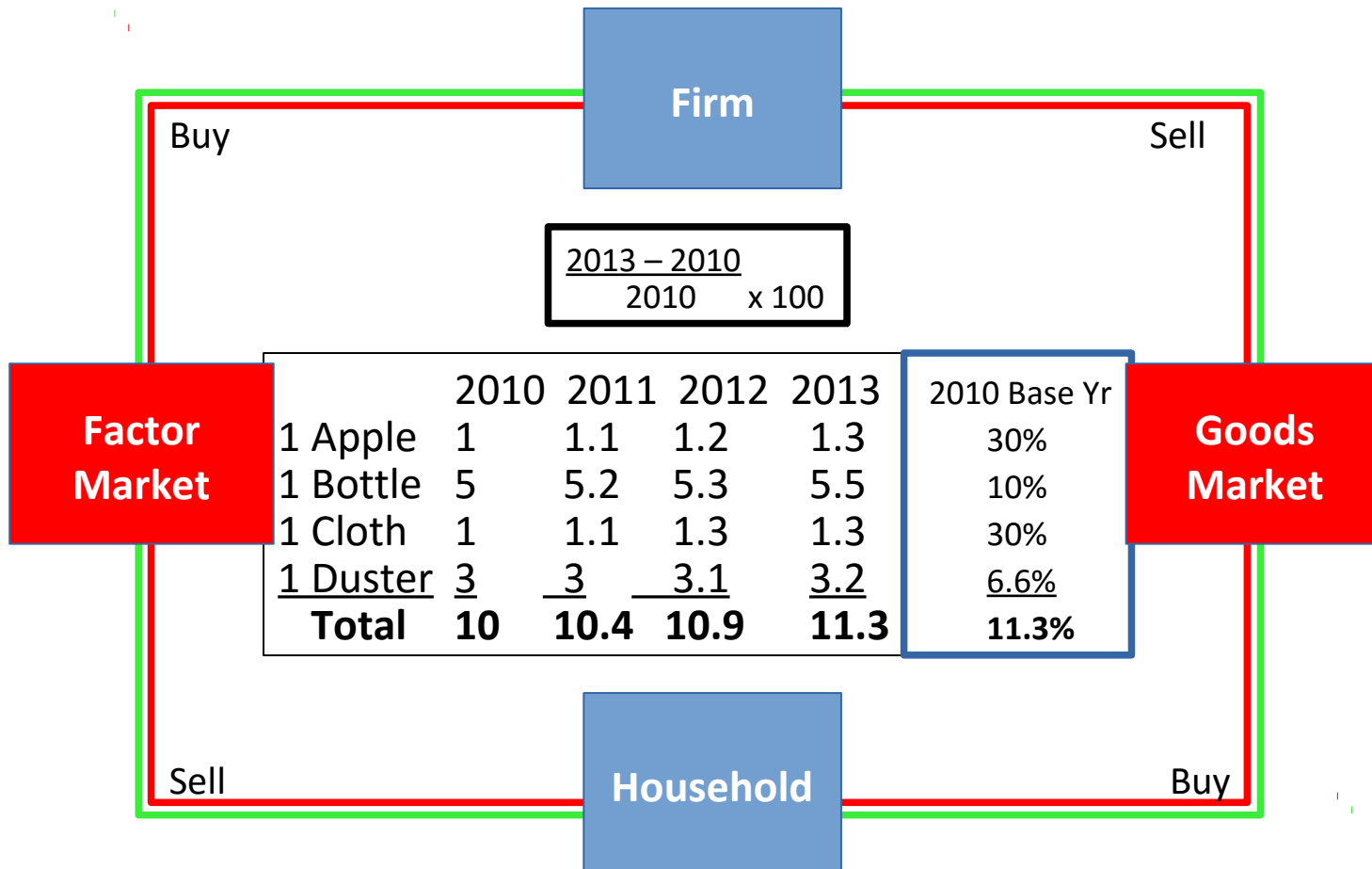
# 6.2.2.2 3 ways to count GDP

Total value of all final goods and services produced within the boundaries of a country during a certain period



# 6.2.3 Real vs Nominal GDP

Total value of all final goods and services produced within the boundaries of a country during a certain period



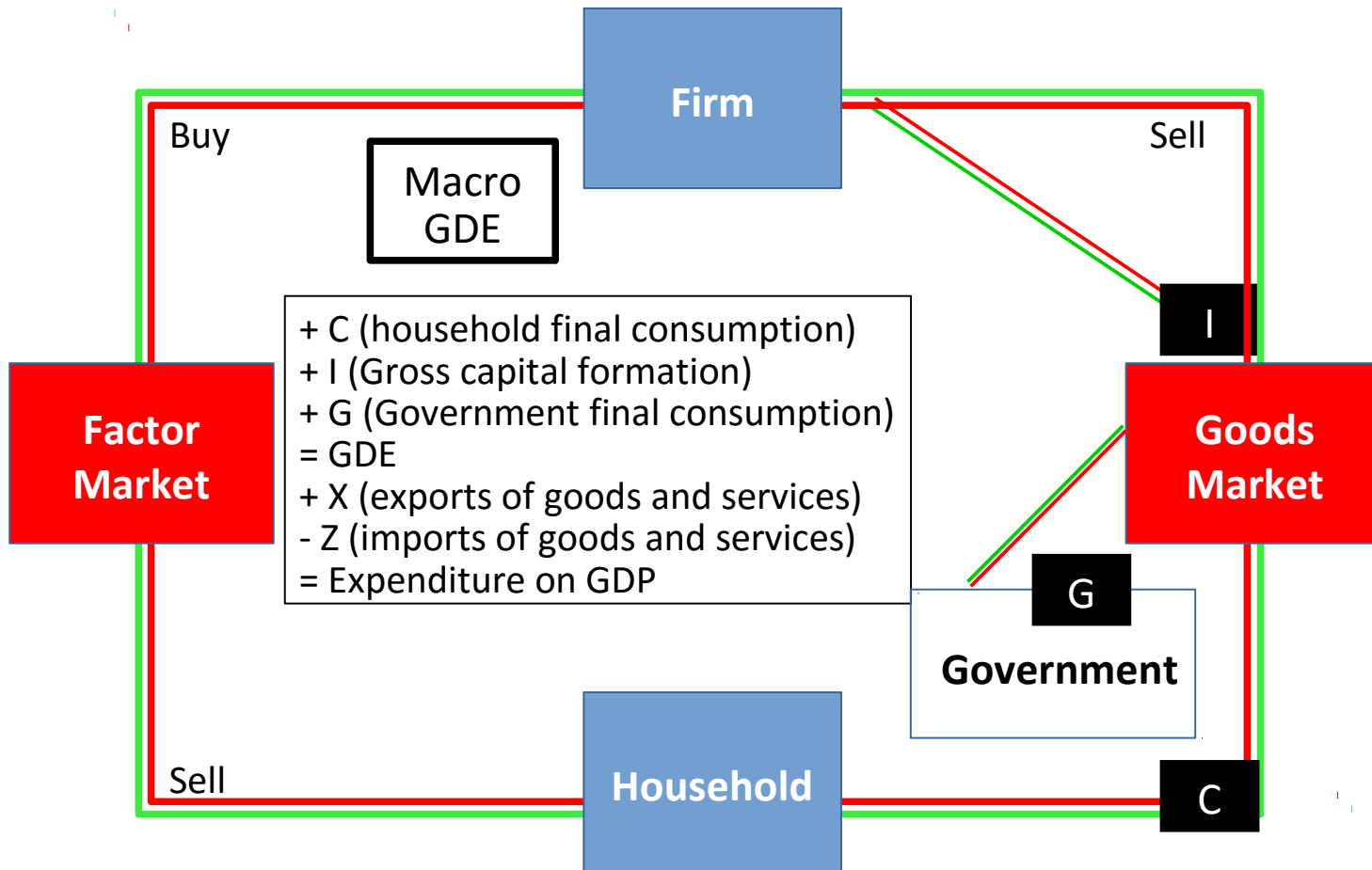
# 6.2.4.1 Composition of Nominal GDP

Total value of all final goods and services produced within the boundaries of a country during a certain period

South African Growth		2009				2010			
Overview		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Primary	Agriculture	-6	-15.9	-12.6	-9.2	3.8	10.8	14.4	9.2
	Mining	-23.6	12.9	-5.3	5.7	18	-20.8	32.4	15.1
Secondary	Manufacturing	-24	-10.3	9	11.2	7.1	7.6	-4	5.3
	Electricity	-4.3	2.1	3.5	1.2	4.9	-1.8	-2.2	5.6
	Construction	16.6	1.9	8.1	3.3	-2.7	-0.5	-0.8	0.8
Tertiary	Trade, hotels	-0.6	-2	1.8	1.9	4	6.6	4.4	4.5
	Trans & Comm	-1.6	-0.4	2.3	2.8	0.9	2.9	2.2	2.6
	Finance	-2.1	-4.4	0.6	-2	3.1	3.7	1.8	2.8
	Government	4.6	5	1.1	2	2	4.3	2.8	3.8
<b>GDP</b>		<b>-6.3</b>	<b>-2.8</b>	<b>1.8</b>	<b>3.5</b>	<b>4</b>	<b>2.8</b>	<b>3.1</b>	<b>4.5</b>

# 6.2.4.2 Components of Total Expenditure

$Y = C + I + G + (X - M)$  Total Expenditure is a reflection of demand in the economy



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## C (consumption)

normally the largest GDP component in the economy

private (household final consumption expenditure) in the economy

Durable goods, non-durable goods, and services.

e.g. food, rent, jewelry, gasoline, and medical expenses

Not include purchase of new housing

## I (investment)

business investment in equipment

not include exchanges of existing assets

e.g. construction of a new mine, purchase of software, or purchase of machinery and equipment households (not government) purchases on new houses

(buying financial products is classed as 'saving', as opposed to investment)

## G (government spending)

sum of government expenditures on final goods and services

e.g. salaries of public servants, purchases of weapons, any investment expenditure

not include any transfer payments, such as social security or unemployment benefits.

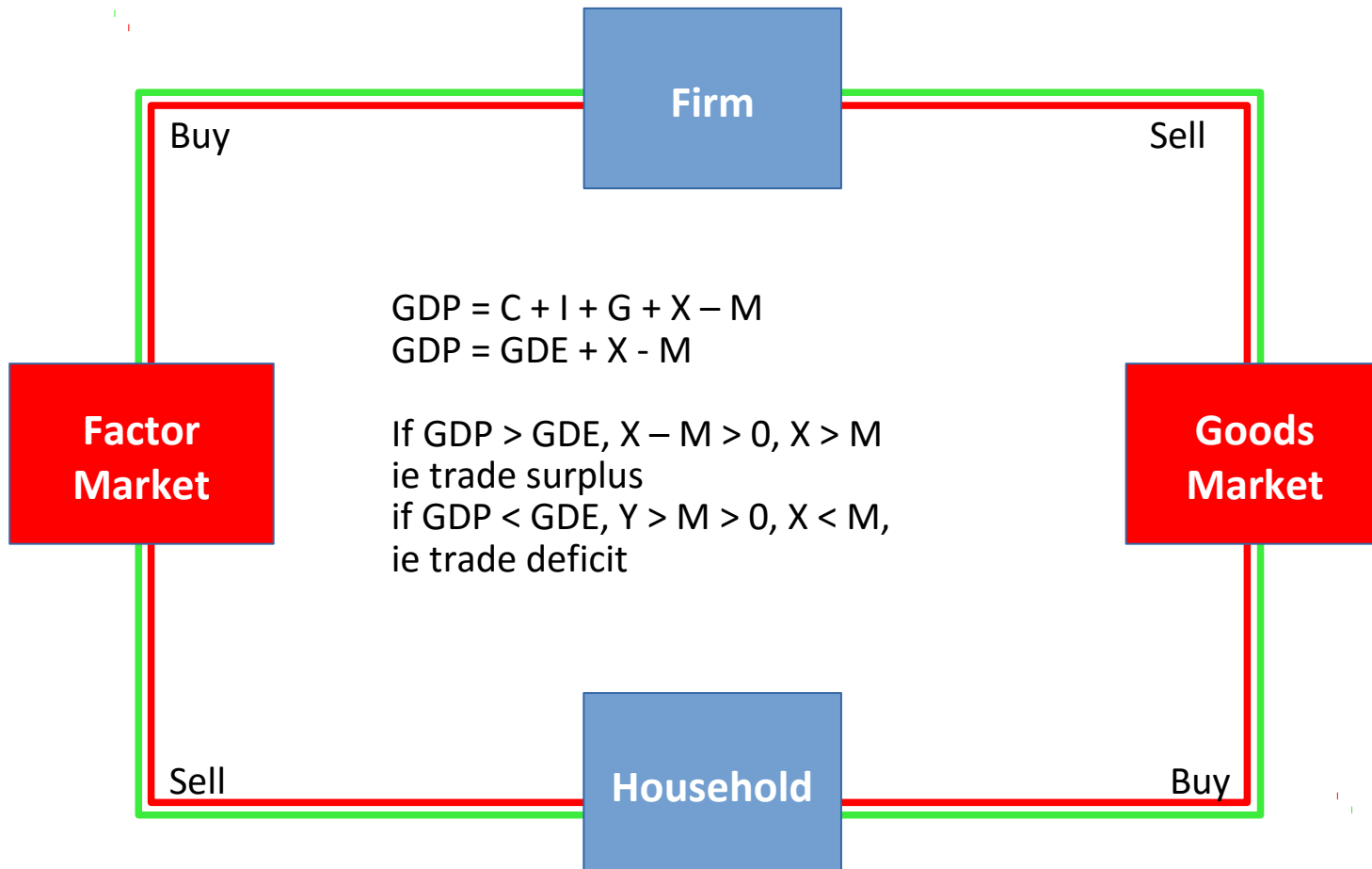
## X (gross exports)

## M gross (imports)



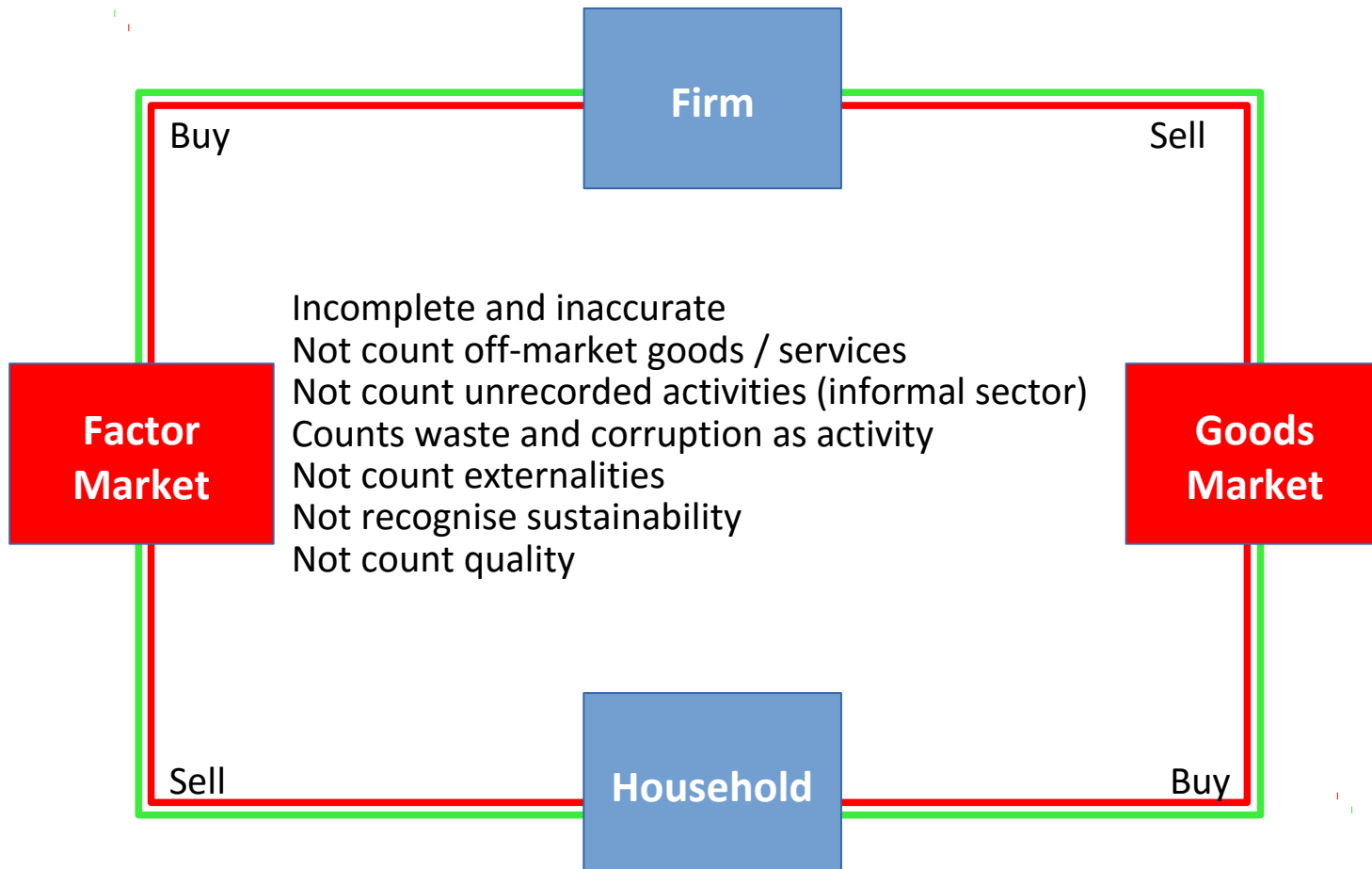
# 6.2.4.2 Components of Total Expenditure

Total Expenditure is a reflection of demand in the economy



# 6.2.5 Problems with GDP

Total Expenditure is a reflection of demand in the economy



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