

## **ECONOMIC STATISTICS**

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|           |                         |
|-----------|-------------------------|
| Module 3  | National Income and GDP |
| Lecture 2 | 17 March 2026           |
| Topic     | National Income         |

# NATIONAL INCOME

How much of economic output is available as income for the country?

Who receives this income?

Are we borrowing from abroad?

How much of income do we save?

GDP can be estimated by three approaches, which in theory coincide (with statistical differences due to sources and rounding)

## Production (or value added) approach

The idea is to add the added value created by the productive sectors and then add the net taxes on products.

Standard formula:

$$\text{GDP} = \Sigma (\text{Value added to basic prices}) + \\ + \text{Product taxes} - \text{Product subsidies}$$

The reference to outputs minus intermediate consumption (and hence value added) is explicit in the statistical definition.

# FROM GDP TO GROSS NATIONAL INCOME

GDP and Gross National Income reflect the output and income of an economy, but the National Income takes into account **net income receipts from abroad**. As such, it considers the value of all goods and services produced by nationals, whether these residents are based in the country or not.

Gross national product (GNP) measures the value of output generated by factors of production owned by a nation's citizens, irrespective of the economic system—domestic or foreign—in which those factors are employed.

$$\text{GNP} = \text{GDP} + \text{TA} + \text{NFIA}$$

TA (Tax Abroad) = imposte indirette nette sui prodotti versate al resto del mondo

NFIA (Net Factor Income Abroad) = Redditi Netti dall'estero =

redditi percepiti all'estero da cittadini italiani - redditi percepiti in Italia da cittadini stranieri

## Net Domestic Product (NDP)

is defined as the difference between GDP and depreciation (i.e. consumption of fixed capital), namely:

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# GROSS AND NET NATIONAL INCOME

Associated with the GNP is a flow of Gross National Income (GNI), distributed to resident or non-resident households, which corresponds to the total of all incomes (wages, profits, rents, interest, etc.).

In aggregate terms, it makes no difference whether we speak of “product” or “income” →  $GNP = GNI$

$$\rightarrow GNI = GNP = GDP + TA + NFIA$$

$$\rightarrow NNI = NNP = GNI - \text{depretation}$$

# What do we mean by national income?

Within the economy, GDP has as its counterpart the income originating in the production process. But this is different from the amount of **income available for spending**.

The adjustments depend on the so-called – current transfers (from/to abroad).

Adding the net total of these flows to GNI gives gross national disposable income or GDI

$$\text{GDI} = \text{GNI}$$

$$+ \text{current transfers from abroad} - \text{current transfers to abroad}$$

GDI = This is the same as gross disposable household income. It is the amount of money that that all of the individuals in the household sector have available for spending or saving after income distribution measures (for example, taxes, social contributions and benefits) have taken effect.