

# WHAT IS GROSS DOMESTIC PRODUCT?



BANKA QENDRORE E REPUBLIKËS SË KOSOVËS  
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# WHAT IS GROSS DOMESTIC PRODUCT?

Millions of products are produced and different services are provided in the economies of different countries. Computers, cars, clothes, food or services such as transportation, medical visits, communications, etc. are produced.

**Have you ever wondered what is the total value of all these goods and services, and how is this value calculated?**

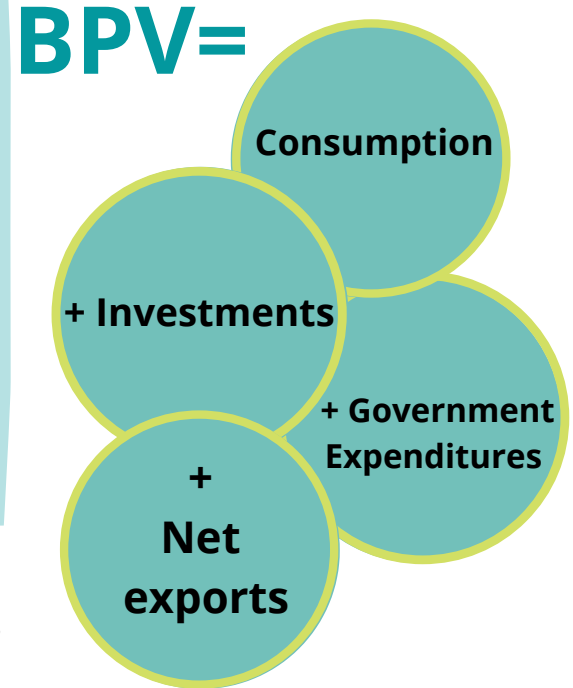
A very good way to measure this is Gross Domestic Product (GDP).



# BUT WHAT EXACTLY IS GDP AND HOW IS THE ECONOMY MEASURED BY GDP?!?

GDP - Gross Domestic Product is the value of all final goods and services produced in a country's economy over a specific period. GDP enables us to estimate the size and growth rate of a country's economy and to know whether that country's economy is healthy or not.

GDP can be measured with different approaches but the most commonly used is the expenditures approach, which has this formula:



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\*Net exports= (Exports – Imports)

# GDP= Consumption + Investments + Government Expenditures + Net Exports (Exports - Imports).



Consumption



Investments



Government Expenditures



Net exports

## GDP components

# CONSUMPTION

Consumption represents the expenses of consumers, i.e. the things we buy every day such as food, clothes, transportation.



# INVESTMENTS

Another part of the GDP formula is Investments - which represent the purchase of capital goods by enterprises such as: new commercial real estate (buildings, factories, and shops), business equipment, construction of new residential buildings and inventory. It also includes household investments such as buying a new house.



# GOVERNMENT EXPENDITURE

Government expenditures - are expenditures that the government makes to provide services in the public sector such as health, education, protection, road construction, etc.



# NET EXPORTS (EXPORTS – IMPORTS)



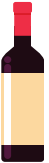

Net export (Export - Import) represents goods and services entering and leaving a country.

For example: Goods produced in our country that are sold in other countries, minus goods produced in other countries and sold in our country. So all goods and services imported from another country are not included in GDP.





If you bought 1 liter of milk imported from Slovenia, this is not included in Kosovo's GDP but is included in Slovenia's GDP. Whereas if a bottle of wine produced in Kosovo is sold in Slovenia, this will be calculated in Kosovo's GDP. Also, if a bottle of wine produced in Kosovo is consumed in Kosovo, this will be added to Kosovo's GDP.

	Produced in	Sold in	Included in	
	Slovenia	Kosovo	 GDP of Slovenia	✓
	Kosovo	Slovenia	 GDP of Kosovo	✓



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