

# [How is economic growth measured?](https://assignbuster.com/how-is-economic-growth-measured/)

[Economics](https://assignbuster.com/essay-subjects/economics/)

Answered by Jacquelline Hill

The most common way of economic growth measuring is to evaluate it as a final characteristic of the national economy for certain period, measured either by growth rates of real GDP or by the rate of GDP growth per capita.

Why is economic growth important?

Economic growth is an indicator of the economic stability of a country. Its importance is determined by the fact that it affects the level of employment and solvency of the population. GDP reduction is a signal of a bad state of the economy, which, as a rule, is followed by the decline in the exchange rate of the national currency.

Why would the difference between a 2. 5 percent and a 3 percent annual growth rate be a great significance over several decades?

Even 0. 5 % annual growth rate means trillions of dollars, and this difference becomes noticeable over a long period because the sum ofmoneyis doubled every year. If the country loses 0. 5% of GDP annually, in 10 years, it will be already 5%.