

Explain how trends in the national income accounts help us to understand the coun...

[Economics](#), [Macroeconomics](#)



Explain how trends in the national income accounts help us to understand the country's economic performance in recent years? Introduction National Income (Current Market Prices) €m Gross Product 2007 2008 2009 2010<sup>1</sup>

	2007	2008	2009	2010 <sup>1</sup>
GDP - Value	189,933	179,990	160,596	155,992
GNP - Value	163,413	154,673	132,233	128,207
GNI - Value	164,621	155,986	133,592	129,301
GDP - per capita	43,773	40,702	36,014	34,892
GNP - per capita	37,661	34,977	29,653	28,677
GNI - per capita	37,940	35,274	29,958	28,922

<sup>1</sup>Preliminary Source: CSO National Income (Current Market Prices) €m Gross Product 2007 2008 2009 2010<sup>1</sup>

Accounts are used to measure how much spending, income and output is being created in an economy over a period of time and they measure three things:

1. Output: The money value of the flow of output of goods and services produced within an economy over a period of time.
2. Spending: The total amount of expenditure taking place in the economy.
3. Incomes: The total income generated through production of goods and services.

Measuring the level and rate of growth of National Income (referred to as Y for short) is important to economists when they are considering: " Economic Growth " Inflation " Employment/Unemployment " Public Finances The three areas I will focus on in this assignment are Economic Growth, Inflation and Unemployment. Economic Growth 2011 is an ESRI estimate and 2012 is a forecast. " Gross Domestic Product (GDP) is the measure of the total income of a nation. This measurement includes both total income of everyone in the economy and the total expenditure on an economy's output of goods and services. " An important point is that our GDP includes the output of foreign

owned businesses that are located in Ireland following foreign direct investment in the Irish economy. We exclude from the accounts the following items: - Transfer payments e. g. The state pension paid to retired people; income support paid to families on low incomes; the jobseekers' allowance given to the unemployed and other forms of welfare assistance including child benefit and housing benefit. - Private transfers of money from one individual to another. - Income that is not registered with the inland revenue or customs and excise. Every year, billions of pounds worth of economic activity is not declared to the tax authorities. This is known as the shadow economy where goods and services are exchanged but the value of these transactions is hidden from the authorities and therefore does not show up in the official statistics!). It is impossible to be precise about the size of the shadow economy but some economists believe that between 8 — 15 per cent of national output and spending goes unrecorded by the official figures.