

# [Example of distinctions between gdp and gnp essay](https://assignbuster.com/example-of-distinctions-between-gdp-and-gnp-essay/)

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## Distinctions between GDP and GNP

Both GDP and GNP indicate the national income account and output of an economy used in forecasting. However, they differ in definition, formula and application. GDP indicates the strength of a nation's local economy. It measures the total worth of an economy’s production and services by nationals and foreigners within a calendar year. Arguably, GNP indicates how citizens in a country fair in economic terms. It estimates the total worth of goods and services produced by citizens of a country at home and abroad within a calendar year. GNP = GDP + net income inflow from abroad – net payment outflow of foreign assets

## What agency reports GDP, turning point of the business cycle and how is economic recession or recovery determined?

The national government statistical agency measures GDP. In the U. S., the Bureau of Economic analysis estimates GDP while in the U. K it gets estimated by the UK statistics authority. The National Bureau of Economic Research a private nonprofit research organization reports business cycle turning points in the U. S. Economists use macroeconomic indicators such as GDP, inflation and unemployment among others to analyze the state of the economy. A recession occurs during a business cycle contraction characterized by the economic activities slow down. On the other hand, economic recovery occurs after a recession as a result increased business activities.

## Make up of index of industrial production

The index of industrial production details the growth of various industrial sectors in the economy in time compared to a base period. The index rages up to 100 points based on a reference year. The index gets released on a monthly basis by the Federal Reserve board. The central statistics office compiles and published this index. This index helps to estimate and calculate the capacity utilization ratios in each production sector with a base year as a benchmark level of 100%. It measures monthly changes in price adjusted output of industries.