

Teaching Manual Word Economy. Macroeconomic Indicators: GDP, ITS Components and other aggregates

Practical Application

Encarnación Moral Pajares
Juan Ramón Lanzas Molina
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**Teaching Manual World
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Introduction

The economic activity that takes place in a geographic unit (a country, a region or a municipality) results from allocating scarce resources—which could be put to alternative uses to produce goods and services that satisfy human needs. Societies face the problem of organizing the production and distribution of goods and services, requiring them to answer the questions of what, how and for whom to produce. Macroeconomic indicators quantify the multiple economic transactions that take place between the different economic agents (families, companies and the State) that participate in economic activity. A National Accounting system establishes the concepts, nomenclatures and accounting procedures with which the national accounts are compiled. These accounts also incorporate macroeconomic statistics, forming an orderly and reliable information system for documenting what happens in a real economy. In the countries of the European Union, the National Accounting System applied is ESA-2010, prepared by the EU statistical office EUROSTAT. It is an internationally approved methodology, meaning it can be used for comparative purposes.

6_ This study manual for students of the Bachelor's degree in Business Administration and Management aims to provide those taking the World Economy subject with a basic theoretical and practical understanding of the main indicators used to measure economic activity. To that end, numerous practical examples are included that allow us to understand these measures and their main components. The answers to these exercises are included below each one, with a clear, precise explanation. The manual thus responds to students' need for a reference text to go to when studying macroeconomic indicators.

The manual is of an eminently pedagogical and practical nature. The different sections provide assumptions, examination exercises, definitions that support the study of theoretical concepts and explanatory notes that help students understand the solutions.

This learning manual presents a detailed specification of the different components of the studied indicators, with the aim of facilitating their understanding and offering a deeper knowledge of the most commonly used macroeconomic indicators. The content is organized so as to clearly present basic concepts and content that facilitate the study of economics from a more practical perspective. To this end, the text is arranged in six sections, with a standardized explanatory structure, which helps students to consolidate the basic knowledge of economic analysis and understand its practical application. In the first section, the macroeconomic indicators are detailed, including theoretical concepts to help students understand the exercises. The second section addresses the comparison of macroeconomic indicators over time while the third covers their comparison in space. The fourth section deals with the main economic indicators and the fifth contains an example of an exam question. The sixth presents a glossary of terms used in this the subject and, finally, the references are presented.

Section I - Macroeconomic indicators

1.1. General distinctions and definitions SOTOC

STOCK VARIABLE AND FLOW VARIABLE

STOCK VARIABLE	Variable that represents a situation at a certain moment in time. (e.g. wealth).	<i>Wealth: stock variable (set of goods and rights—that is, economic assets—less obligations or debts—that is, liabilities).</i>
FLOW VARIABLE	Variable that is expressed in units of time. It captures the variations in a stock variable. (e.g. monthly salary, annual dividend, monthly savings, annual taxes).	<i>Income: flow variable (result of the country's economic activity during a particular period).</i>

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REAL AND FINANCIAL TRANSACTIONS

REAL TRANSACTIONS	Those associated with the production of goods and services.
FINANCIAL TR	Purchase and sale of financial securities through financial intermediaries (banks, savings banks, insurance institutions or stock exchanges)

ECONOMIC CIRCUIT

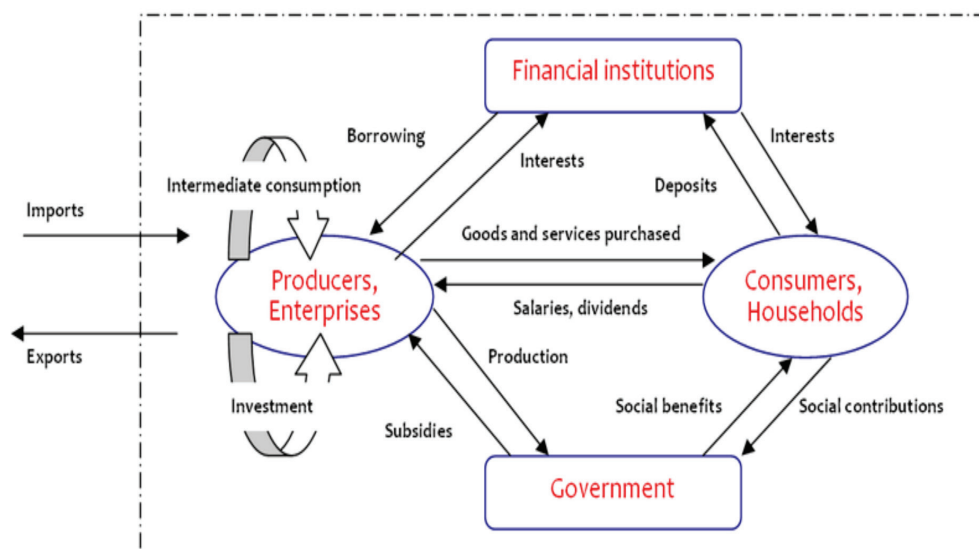
Simplified diagram or representation of the transactions carried out by agents in an economy.

CIRCULAR FLOW OF INCOME IN A CLOSED ECONOMY	Labor and capital are used by companies to start productive activity. Factors are provided by households, which receive the corresponding income in return, in the form of wages and salaries or interest, rents and dividends.
	Companies produce goods and services, selling them on the market to be purchased by households.
	Government also uses the factors provided by households, in exchange for remuneration, and generate social benefits directed to households and companies. Taxes from households and companies are also necessary, as most of those public services are provided free of charge.
	Redistribution of income among economic agents is carried out by the government, generating transfers.

CIRCULAR FLOW OF IN AN OPEN ECONOMY	The incorporation of the rest of the world entails some changes to the estimation of income
	1) Imports and exports of goods and services must be considered.
	2) With respect to factors, national productive factors are operating abroad (and collecting rents abroad) and foreign productive factors are operating in the country (and collecting rents in the country), which must be taken into account.
	3) Any transfers (receipts and payments) with the rest of the world must be incorporated.

INCORPORATION OF FINANCIAL TRANSACTIONS	Households transfer their savings or profit from the acquisition of securities.
	Households may need financing, borrowing from financial intermediaries or selling their securities.

NATIONAL INCOME	Takes into account the criterion of residence in the country of measurement. It includes the income generated by the activity of national factors located abroad and excludes those corresponding to foreign factors that operate in the country.
DOMESTIC INCOME	Takes into account the criterion of territory. The income generated within the domestic territory regardless of the residence of the productive factors.



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1.2. Distinction between transactions

Economic activity includes transactions (operations) that take place between institutional sectors. There are three types:

1) Operations in goods and services (production and use)

Production is an activity carried out under the control and responsibility of an institutional unit (usually a company) that uses goods and services, labor and capital to obtain other goods and services.