

CONCEPT: DETAILED EXPLANATION OF GDP COMPONENTS

- **Consumption** – spending by _____ on goods and services

- ☐ **Services** – An (intangible) act or use for which a consumer, firm, or government is willing to pay.

- > In the United States, consumer spending on services is greater than spending on goods

- ☐ **Nondurable Goods** – products with less than _____ years of expected life

- ☐ **Durable Goods** – products with more than _____ years of expected life

Examples of Services:	Examples of Nondurable Goods:	Examples of Durable Goods:

- **Investment** – spending on capital equipment, inventory, and structures

- ☐ **Business Fixed Investment** – spending by firms on new factories, buildings, and equipment to produce goods

- ☐ **Residential Investment** – spending by households and firms on _____ homes (single family or multi-unit)

- > Note that the resale of previously constructed homes are NOT included in investment

- ☐ **Changes in Inventories** – changes in the supply of goods produced but not yet sold

- > The change in inventory can be positive or negative

January 1: Sony had \$100M of unsold televisions December 31: Sony had \$20M of unsold televisions	January 1: Sony had \$100M of unsold televisions December 31: Sony had \$160M of unsold televisions
The _____ in inventory would _____ investment	The _____ in inventory would _____ investment

- ☐ Financial transactions (sale of stocks/bonds) are _____ included in Investment

- **Government Purchases** – spending on goods and services by local, state, and federal _____

- > Does not include *transfer payments*, such as welfare (does not result in production)

- **Net Exports** = Exports _____ imports

- ☐ **Exports** – goods produced _____ but sold _____

- ☐ **Imports** – goods produced _____ but sold _____