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GROSS DOMESTIC PRODUCT (GDP) AS A MEANS OF ANALYSIS OF THE SCALE AND RATE OF ECONOMIC GROWTH

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Abstract: Our article is devoted to the analysis of gross domestic product (GDP) as a key indicator for assessing the scale and pace of economic growth. We consider the theoretical foundations of calculating GDP, its role in determining the state of the economy, and the use of this indicator to monitor economic processes at various levels: from individual countries to the global economy. Particular attention is paid to the methods of estimating GDP, as well as the limitations associated with using this indicator as a universal measure of economic growth. The article also presents examples of the use of GDP in the analysis of the dynamics of economic development, and discusses modern challenges such as the instability of global markets and the impact of external factors on growth rates.

Key words: Gross domestic product, economic growth, macroeconomic analysis, economic indicators, growth rates, methods of calculating GDP, global economy, economic processes.

Аннотация: Наша статья посвящена анализу валового внутреннего продукта (ВВП) как ключевого индикатора для оценки масштабов и темпов экономического роста. Мы рассматриваем теоретические основы расчета ВВП, его роль в определении состояния экономики, а также использование этого показателя для мониторинга экономических процессов на различных уровнях: от отдельных стран до глобальной экономики. Особое внимание уделяется методам оценки ВВП, а также ограничениям, связанным с использованием этого показателя в качестве универсального измерителя экономического роста. В статье также представлены примеры применения ВВП в анализе динамики экономического развития, а также обсуждаются современные вызовы, такие как нестабильность глобальных рынков и влияние внешних факторов на темпы роста.

Ключевые слова: Валовой внутренний продукт, экономический рост, макроэкономический анализ, индикаторы экономики, темпы роста, методы расчета ВВП, глобальная экономика, экономические процессы.

Introduction. Gross Domestic Product (GDP) is one of the most widely used economic indicators for assessing the state of the economy and measuring its growth. This indicator reflects the total volume of goods and services produced in a country over a certain period of time and serves as the main tool for analyzing macroeconomic processes. GDP allows us to assess not only the scale of economic activity, but also the rate of its growth, which is an important aspect for making economic decisions at the level of the state, business and international organizations. However, the use of GDP as a means of analyzing economic growth has its own characteristics and limitations. Firstly, despite its widespread use, this indicator does not always adequately reflect the quality of life of the population, the sustainability of the economic structure and the environmental consequences of production. Secondly, the dynamics of GDP can be influenced by external factors, such as world prices for raw materials, political events and international financial crises. The purpose of this article is to consider the role of GDP as a means of analyzing the scale and rate of economic growth, to study its methodological aspects, and to determine the limitations and prospects for using this indicator in the context of globalization and instability of world markets.

Main part. Gross Domestic Product (GDP) is the total value of all goods and services produced within a country over a given period of time, usually a year or a quarter. GDP is one of the most important macroeconomic indicators used to measure a country's economic activity. There are several approaches to determining GDP: through production, income, and expenditure.

The production approach involves summing up the value of added output produced by all enterprises in the country.

The income approach is based on taking into account all income received by participants in the economic process, including wages, profits, rent, and interest.

The expenditure approach is calculated as the sum of all expenditures on final goods and services, including consumption, investment, government spending, and net exports (exports minus imports).

Each of these methods produces similar results, but the choice of approach depends on the purpose of the analysis.

One of the main functions of GDP is to assess the scale of the economy. It allows you to clearly reflect the total volume of production in the country and compare it with other countries or regions. In this context, GDP provides an understanding of how large a country's economy is and how efficiently it uses its resources to create goods and services.

The size of an economy can also be assessed using per capita indicators, which allows for more accurate comparisons of living standards across countries or regions.

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For example, a high per capita GDP may indicate a high standard of living, while a low per capita GDP may indicate problems in income distribution or limited economic opportunities.

The most important aspect of GDP analysis is its dynamics. The rate of GDP growth helps to assess how quickly a country's economy is developing. Positive growth indicates an expansion of production and an improvement in living standards, while a contraction in GDP may indicate an economic downturn or recession.

To assess the rate of GDP growth, the real GDP growth rate is used, which adjusts nominal GDP for inflation. This allows for a more accurate reflection of changes in production volumes by eliminating the impact of price changes.

The rate of economic growth can be used to analyze the stability of an economy and its ability to adapt to changes in the external and internal environment. Comparing GDP growth rates at the country level allows us to analyze which countries are using their resources most effectively to achieve economic development.

Despite its universality, GDP has several limitations that should be taken into account when using it as an indicator of economic growth.

First, GDP does not take into account key aspects of quality of life, such as the informal economy, the environment, social inequality, and income distribution. For example, GDP growth may be accompanied by environmental degradation or increased social inequality, which remains outside the scope of traditional GDP analysis.

Second, GDP does not reflect differences in well-being between different segments of the population. It is an aggregate indicator that does not take into account how income is distributed within a country. This can create a false impression of the real standard of living of the population if wealth is concentrated in the hands of a small number of people.

Third, GDP does not take into account the impact of external factors, such as natural resources or technological changes, which can significantly affect economic growth. For example, high GDP growth rates may be temporary if they are based on the export of natural resources, which will sooner or later run out.

In recent decades, GDP has faced new challenges. Globalization, technological change and changes in the structure of the world economy require a more comprehensive approach to the analysis of economic growth. In this regard, along with GDP, more and more attention is paid to indicators such as the Human Development Index (HDI), indicators of social and environmental sustainability, as well as qualitative aspects of economic growth, such as innovation, digitalization and resilience to external shocks.

It is also important to take into account that economic growth is not always sustainable. External economic crises, political instability, pandemics and other factors can dramatically change the dynamics of GDP. This emphasizes the need for more flexible and diverse methods of analysis.

Gross domestic product remains an important tool for assessing the scale and pace of economic growth. However, for a more accurate analysis, it is necessary to take into account the limitations of this indicator and apply it in the context of other indicators that reflect a wider range of economic and social processes. In a rapidly changing world, where traditional growth models face new challenges, it is important to develop and improve analysis methods in order to adequately assess both the dynamics of GDP and its impact on society and the environment.

When considering the topic, we identified the following problems and put forward our scientific proposals on them, including:

1. Insufficient accuracy of GDP as an indicator of well-being

GDP measures the volume of goods and services produced in a country, but does not take into account the most important aspects of the well-being of the population, such as income inequality, quality of life, level of health and education, as well as the environmental consequences of economic activity. As a result, GDP growth may be accompanied by a deterioration in the social situation or environmental condition.

Our proposal: For a comprehensive analysis of well-being and sustainable economic growth, additional indicators should be used, such as the Human Development Index (HDI), the Happiness Index, as well as environmental indicators. Including these indicators in the analysis system will allow more accurate reflection of the real standard of living of the population and the quality of economic growth. It is also important to develop "green" growth methods that take into account the impact on the environment and sustainability of resources.

2. Impact of inflation on the reality of GDP growth

Nominal GDP may grow not because of an increase in output, but because of inflation. This makes it difficult to assess the real rate of economic growth, especially in countries with high inflation.

Our proposal: For a more accurate analysis, it is necessary to use real GDP, which takes into account inflation, and apply GDP deflator indicators to adjust for price changes. However, it is important to keep in mind that the GDP deflator does not always accurately reflect changes in the cost of consumer goods and services. Therefore, in addition to the GDP deflator, other methods of measuring real growth can be used, such as the consumer price index (CPI) or other aggregate price indicators.

3. Limitations of GDP as an indicator of economic progress

GDP does not reflect the informal economy, which accounts for a significant share in a number of countries. This can lead to a distorted assessment of real economic

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growth, especially in developing countries, where much of the economic activity is not included in official calculations.

Our proposal: For a more accurate assessment, it is necessary to develop methods for taking into account the informal economy in GDP calculations. This could include surveys, shadow sector studies, and the use of indirect indicators to estimate the volume of unregistered production. Developing models that integrate the informal sector into statistics will allow for a more accurate reflection of real economic development.

4. The risk of excessive dependence on GDP when analyzing economic sustainability

In countries with highly developed sectors, such as raw materials or finance, GDP growth may not be sustainable in the long term, since these sectors are subject to fluctuations in world markets (for example, changes in oil prices, metals, or financial crises). Such growth may be temporary and unsustainable.

Our proposal: To assess the sustainability of economic growth, it is necessary to use multi-index models that include a variety of indicators, such as investment in innovation, labor productivity, the state of the financial sector, and others. It is important to conduct stress tests, analyzing how economic growth depends on external factors and how resilient various sectors are to possible economic shocks.

These issues highlight the importance of a comprehensive approach to using GDP as a tool for analyzing economic growth. In a changing world, new methods of analysis need to be developed and complemented by traditional macroeconomic indicators to provide a more accurate and comprehensive assessment of economic progress.

Conclusions and suggestions. Gross domestic product remains one of the main instruments for measuring the scale and pace of economic growth. This indicator allows us to reflect the total volume of goods and services produced, and also allows us to assess changes in the country's economy over time. Despite its widespread use, GDP has several limitations. It does not take into account key aspects of quality of life, such as social inequality, environmental factors and the sustainability of the economic model. GDP also does not reflect the informal sector of the economy, which may distort the true picture of economic activity. GDP should be considered in combination with other indicators, such as the Human Development Index (HDI), the happiness index, environmental indicators and social justice indicators, for a more accurate and comprehensive assessment of the state of the economy and the quality of life of the population. GDP growth rates can be affected by external factors, such as global economic crises, natural disasters or political instability. This highlights the importance of developing more comprehensive models to analyze the sustainability of economic growth and the impact of external risks. To compare GDP between countries with different currencies and price levels, one should use GDP in purchasing power parity

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(PPP) terms, which removes the effects of exchange rates and provides a more accurate picture of real living standards and economic activity.

Suggestions:

1. Developing a system of comprehensive indicators - It is recommended to develop a system of comprehensive indicators that take into account not only economic growth, but also aspects of social and environmental sustainability. Including such indicators as the HDI, sustainability index and environmental performance indicators will help create a more accurate picture of the development of society and the economy.

2. Accounting for the informal economy in GDP calculations - To more accurately reflect real economic growth, it is necessary to develop methods for accounting for the informal economy, which can be a significant part in some countries, especially developing ones. This will improve the accuracy of calculations and avoid distortions.

3. Using modeling to account for external risks - In the context of globalization and instability of world markets, it is necessary to use more complex econometric models that take into account the impact of external factors on the economy. This will help to more adequately predict growth rates and adapt economic policy to changing conditions.

4. Using indicators to assess the sustainability of growth - It is important to use additional indicators to assess not only the volume of production, but also the sustainability of economic growth. For example, indicators of investment activity, the innovative capacity of the economy and its adaptability to external shocks can serve as additional tools for assessing the quality of economic growth.

Thus, for a more accurate and multifaceted analysis of economic growth, GDP must be considered in the context of other economic, social and environmental indicators, and the influence of external factors must be taken into account so that accounting and forecasts more accurately reflect the real state and dynamics of the economy.

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