

National Income Formula

National Income is referred to as the total monetary value of all services and goods that are produced by a nation, during a period of time. In other words, the sum of all the factor incomes that is generated during a production year.

National income serves as an indicator of the nation's economic activity. National income can be calculated by three methods, such as income method, value added method and expenditure method.

Income method is mainly based on the incomes generated by the factors of production such as labour and land. Expenditure method is based on investment and consumption, while the value added method is mostly based on the value added to a product during the stages of production.

Formula for National Income

$$\text{National Income} = C + G + I + X + F - D$$

Where,

C denotes the Consumption

G denotes the Government expenditure

I denotes the Investments

X denotes the Net Exports (Exports minus Imports)

F denotes the National Resident's Foreign Production

D denotes the Non-National Resident's Domestic Production