Net Exports Formula

Net exports is defined as the amount by which the total exports of a country surpasses its total imports.

Net exports is an important component of the calculation of Gross domestic product of an economy. If the total exports have a value that is less than the total value of goods and services that is imported, it will be considered as a positive value of net exports.

Similarly, if the value of exports are less than imports, it is considered to be negative. The positive and negative values of net exports help people witness trade surplus or trade deficit in an economy.

A country that receives trade surplus shows it receives more money from other countries whereas a trade deficit economy is spending more money in the foreign market.

The net export formula can be represented as follows

Net Exports = Value of Exports – Value of Imports

Where

Value of exports is the money that is earned by a country from foreign countries towards providing goods and services.

Value of imports is the money that is spent by a country towards availing goods and services from other countries.

Net export serves as an indicator of economic growth of a country as having a high net export amount will contribute to the GDP of the nation and also makes the country an attractive destination for conducting business.