

## ECONOMIC GROWTH AND WAYS TO MEASURE IT

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### Abstract:

Economic growth is an increase in the volume of production of goods and creation of services in the country compared to previous years (periods). Ensuring economic growth is the main goal of any country's economic policy. Year after year, the increase in the number of the population and the continuous increase in the needs of people are among the main reasons that make economic growth a condition. Economic growth serves to raise the standard of living of the population and ensure the well-being of the people. The basis of economic growth is the development of the leading industries in the economy. This article provides information on Economic Growth and its measurement methods.

**Key words:** economic growth, production, foreign market, demand, supply, product.

Economic growth relies on an advanced structure of production, high labor productivity, production of competitive products in high demand in the domestic and foreign markets, and sale of products in favorable markets. In other words, economic growth means a constant increase in the real volume of production and, at the same time, an improvement in the technological, economic and social characteristics of the development of society serves as a basis and shows a positive change in the volume of real GDP during a certain period of economic growth. The rate of economic growth is reflected in the rate of GDP growth. Economic growth represents the general state of development of the country's economy. Although the change in the volume of real GDP provides information about the state and dynamics of the country's economy, it does not fully reflect economic growth. For example, the growth rate of the country's population was 3%, and the real GDP growth rate was 3%. In this case, even though GDP has increased, people's incomes remain the same. Therefore, to fully reflect economic growth, another indicator - the change in real GDP per capita - is used. If the change in the size of the real GDP represents the development of the country's economy in a certain period of time, the change in the size of the real GDP per capita serves to assess the economic development through the standard of living of the people. . These are quantitative factors of economic



growth (for example, the expansion of cultivated land has a positive effect on GDP growth). Economic growth that occurs as a result of the wider involvement of these factors in the production process is called extensive growth.

There are also qualitative factors of economic growth, which include labor, capital and land (natural) resource productivity. Economic growth that occurs at the expense of qualitative factors is called intensive growth. Limited production factors limit the possibilities of extensive growth. Therefore, intensive growth is effective in the context of limited resources. Technological progress also stimulates intensive economic growth. In recent years, a number of social indicators are considered as a condition and result of economic growth. In the area of growth, the dynamic of employment; in the field of distribution - the dynamics of real incomes of the population and a number of other indicators; in the field of exchange - the development of the material base of trade and catering, the dynamics of retail trade turnover; in the field of consumption - the growth of consumption and non-production accumulation is included in such indicators. The main positive aspect of economic growth is its effect on changes in the structure of production and consumption. In the above picture, we can see the growth values of the gross domestic product in different countries. While analyzing the macroeconomic processes using the gross demand-gross supply model, we encountered the problem that the possibilities of increasing the real GDP in the short term are limited by the vertical section of the gross supply. After reaching the level of full employment, in order to further increase the volume of real GDP, it is necessary to shift the aggregate supply curve to the right, that is, to increase the amount of used resources. "If the short-term state of the economy is determined by the large aggregate demand, the long-term development of the economy is determined by the large production possibilities. Therefore, the real sector is in the center of attention in the modeling of economic growth. Economic growth means an increase in aggregate supply, or in other words, an increase in the size of real and potential GDP. Economic growth means not only the growth of real income of the country, but also the growth of real income per capita. Therefore, economic growth is measured in two different ways. In the first method, economic growth is determined as a change in real GDP compared to the previous period and is used to determine the dynamics of the country's overall economic opportunities.

In the second method, economic growth is determined as a change in real GDP per capita compared to the previous period.



SIM, YAMD, SMD indicators can be used instead of GDP in economic growth theory and models. In economic theory, economic growth is considered to depend on the ratio of income to consumption and investment. If the dynamics of the volume of consumption indicates the purpose of economic growth and the increase in the standard of living, the change in the volume of investments means the growth of resource opportunities and the materialization of technical innovations. . There is a sufficient reciprocity between consumption and investment, because the increase in the amount of current consumption and the decrease in the share of investment in income reduce the opportunities for economic growth.

Economic growth is measured in real terms, in comparative terms.

Every country strives for economic growth, because economic growth leads, firstly, to an increase in the size of the national product and income, secondly, to the effective use of resources, thirdly, to the emergence of new opportunities and opportunities, and fourthly, to international leads to an increase in the country's reputation in the markets. The category of economic growth is the most important characteristic of social production in any economic system. Economic growth means that in a certain period of time it becomes easier to solve the problem of limited resources and it becomes possible to meet human needs more widely. Economic growth is a component of economic development. Measuring economic growth in terms of absolute GDP or real per capita GDP depends on the purpose of the growth. Usually, the economic growth of a country is measured by the increase in the absolute size of the gross domestic product in the assessment of its economic potential, and the measurement by the increase in the real gross domestic product per capita is used to compare the standard of living in the country. These indicators describing the rate of economic growth of the country (real GDP growth and real GDP growth per capita) are quantitative indicators, which, firstly, do not fully take into account the increase in product quality, and therefore, it does not fully describe the real increase in well-being; secondly, the growth of real GDP and GDP per capita does not reflect a significant increase in leisure time and leads to an understatement of the real level of well-being; thirdly, quantification of economic growth, on the other hand, does not take into account its negative impact on the environment and human life. Economic growth is expressed in the growth of the potential and real gross national product (GDP Fig. 1), the increase in the economic power of the nation, the country, the region. In the narrow sense, economic growth is a process that is born directly at the production stage, acquires a stable character in the remaining stages of social production, leads to quantitative and qualitative changes



of productive forces, social product in a certain period leads to increase and increase of people's well-being.

In a broad sense: economic growth, as a criterion of economic development, by its very nature, is the main component of the overall trajectory of society's development. Together with other components (social, political, demographic, etc.), it determines the direction of social movement, the character of the entire social development (progressive, regressive or inertial). Today, economic growth is an important feature of the modern world. An increasing population, the scale of production and employment, national product, standard of living, and more free time from work indicate economic growth. Gross domestic product is a reduction in gross receipts and a macroeconomic indicator that directly reflects the market value of goods and services at the end of each year (that is, intended for direct consumption). Also, the report produced during the year for consumption in all spheres of the economic territory of the YIMA countries, the national equipment production factors are the reserves of fixed exports. This concept was first proposed by Simon Kuznets in 1934. Economists of the world share the consistency of production of countries with GDP as an annual report. GDP determines the price increase for the current year based on current prices (without ratio) in world markets. The IMF (with a proper assessment of the crisis) seals the price increase feature of the previous or any other into the annual reserve distribution. GDP always takes into account existing products and to what extent countries have production growth, prices are determined using the GDP level. Next to GDP, the economy returns to its potential by employing a fully sold labor force. The opportunity for FDI is to increase the importance of direct and reciprocal relationships with research in other areas of full employment and economic opportunity with FDI.[2] GDP is calculated at exchange points between countries at exchange rates in any national currency or valued using foreign currencies. In order to evaluate these values, Parity Purchasing Power Parity (PPP) is introduced in the world market (to find out the accuracy or excess of international comparison). Today, products of a fixed amount or stable size known as "Market Value" can be traded in the free world market.

### **Conclusion:**

Gross domestic product is also an indicator that describes the overall results of the country's economic activity during a certain period (month, quarter, year). It is the expression of the market value of goods and services produced by all the enterprises located on the territory of the country (including foreign and joint enterprises) with



total factors of production, and its amount is calculated on the basis of the system of national accounts. It is used to describe and analyze the development of the country's economy at the macro level.

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