

| GROSS DOMESTIC PRODUCT PER CAPITA |                           |                |
|-----------------------------------|---------------------------|----------------|
| Economic development              | Macroeconomic Performance | Core indicator |

## 1. INDICATOR

- (a) **Name:** Gross domestic product (GDP) per capita.
- (b) **Brief Definition:** Levels of GDP per capita are obtained by dividing GDP at current market prices by the population. A variation of the indicator could be the growth in real GDP per capita, which is derived as the percentage change in real GDP divided by the population.
- (c) **Unit of Measurement:** \$US.
- (d) **Placement in the CSD Indicator Set:** Economic development/ Macroeconomic performance.

## 2. POLICY RELEVANCE

- (a) **Purpose:** The indicator is a basic economic indicator and measures the level of total economic output relative the population of a country. It reflects changes in total well being of the population.
- (b) **Relevance to Sustainable/Unsustainable Development (theme/sub-theme):** Growth in the production of goods and services is a basic determinant of how the economy fares. By allocating total production to each head of population, shows the extent to which the total production of a county can be shared by its population. The growth in real GDP per capita indicates the pace of income growth per head of the population. As a single composite indicator it is a powerful summary indicator of economic development. It does not directly measure sustainable development but it is a very important measure for the economic and developmental aspects of sustainable development.
- (c) **International Conventions and Agreements:** None.
- (d) **International Targets/Recommended Standards:** National targets are generally oriented towards priorities, availability of resources and, in large measure, to historical economic performance. International targets are most often established by financial institutions and international organizations only for the purposes of inter-country comparison of economic performance in determining the direction of aid distribution or resource allocation projects. Country groupings to form economic entities, for example, the European Union, Organization of Petroleum Exporting Countries (OPEC), also set international targets among constituent members to serve as guidelines in setting priorities for national policy. . Moreover, the United Nations uses per capita

income to determine the level of relief allowance for countries and in its formulation of the scale of assessments of member states.

- (e) **Linkages to Other Indicators:** As a highly aggregated composite measure, this indicator has close links with many, more disaggregated indicators. Examples would include population growth, net migration, other GDP indicators, land use change, arable land per capita, and forest area.

### 3. METHODOLOGICAL DESCRIPTION

(a) **Underlying Definitions and Concepts:** GDP as described in the 1993 SNA can be derived in three ways: Firstly, it is the sum total value added of all production units including all taxes and subsidies on products which are not included in the valuation of output. It is also equal to the sum of final uses of goods and services measured in purchasers' prices, less the value of imports of goods and services. Finally, it can be measured as the sum of primary incomes distributed by resident producer units.

(b) **Measurement Methods:** The current price estimates of GDP are adjusted to GDP at constant prices using appropriate price deflators. Real GDP can also be derived by extrapolating total value added in the base year with production indicators in physical terms. GDP divided by population estimates enable the conversion of GDP to per capita levels. ,.

(c) **Limitations of the Indicator:** As a necessary condition to being a key economic performance indicator of sustainable development, one of the often-cited limitations of GDP is that it does not account for the social and environmental costs of production; it therefore is not a good measure of the level of over-all well being. For example, GDP per capita reveals nothing concerning energy and material interactions with the environment.

(d) **Status of Methodology:** The 1993 System of National Accounts (SNA) provides international standards for national accounts. There may be some differences in national accounting and demographic reporting procedures and practices between countries. One other possible drawback could be the comparability of price information used in deflating current price data and technical differences in the choice of base year for the original data. Additionally, a considered basic limitation is related to the conversion of GDP into a common denomination as a result of current misalignments in exchange rates for some countries vis-a-vis the comparator currency (US dollar) particularly for those countries in transition whose market exchange rates produce unrealistic levels of GDP, making any meaningful inter-country interpretation difficult.

(e) **Alternative Definitions/Indicators:** Economic indicators that measure the achievement of higher levels of goods and services more efficiently are better indicators of sustainable development. Consumption trends are better reflected by such indicators as final consumption expenditure by households as used in the USA. Such indicator can be derived from the SNA. The GDP indicator and its GDP growth variant may be broken down by economic activity. Such indicator, expressed as value added per (main) economic

activity, can also be derived from the SNA and provides information on shifts in economic structure in general and the degree of industrialization in particular.

#### **4. ASSESSMENT OF DATA**

**(a) Data Needed to Compile the Indicator:** The conversion rates used by the UN Statistics Division (UNSD) are normally the market or blended rates of exchange obtained from the International Monetary Fund (IMF). In some cases, use is made of UN operational rates that are established primarily for the settlement of administrative transactions between host countries and the UN. In very unique circumstances the use of purchasing power parities (PPP) or price-adjusted rates of exchange (PARE) is necessary. The World Bank also uses a special exchange rate where the official exchange rate produces distortion in the dollar levels of GDP.

**(b) National and International Data Availability and Sources:** The indicator has no serious limitations in terms of data availability. The principal data elements for a majority of countries are mostly and regularly available from national and international sources on a historical basis. Internationally accepted conceptual guidelines, are also available to assist with the compilation of the indicator. Annual GDP data in current and constant prices are generally reported by national statistical offices or central banks through the United Nations National Accounts Questionnaire (UN NAQ) and supplemented by estimates prepared by the UN as well as other international organizations such as the World Bank and the IMF. The Organisation for Economic Co-operation and Development (OECD) compiles quarterly GDP estimates for its Members. Population data are mainly obtained either through censuses or surveys. These are supplemented by growth estimates prepared by the UN Population Division.

**(c) Data References:** Comprehensive national accounts statistics are published by the UN in the series *National Accounts Statistics: Main Aggregates and Detailed Tables*. A historical series of GDP is available from the national accounts database of the UN Statistics Division. Population data and projections are available in the World Population Prospects published by the Population Division of the UN Department of Economic and Social Affairs. Exchange rates are published by the IMF in *International Financial Statistics*.

#### **5. AGENCIES INVOLVED IN THE DEVELOPMENT OF THE INDICATOR**

**(a) Lead Agency:** The lead agency is the United Nations Department of Economic and Social Affairs (DESA). The contact point is the Director, Statistics Division, DESA; fax no. (1 212) 963 9851.

**(b) Other Contributing Organizations:** None.

#### **6. REFERENCES**

**(a) Readings:** The 1993 SNA provides international standards on national accounts and is the product of collaborative efforts between EUROSTAT, IMF, OECD, UN and the World Bank.

**(b) Internet site:**

United Nations Statistics Division: <http://www.un.org/Depts/unsd>