

The choice between consumption and saving



GDP expenditure shares

Appendix to chap 3 on physical capital

Review: GDP by expenditure shares

$$Y=C+I+G+NX$$

- C: expenditures on consumer goods and services.
 - Durable goods: appliances, furniture, car, TV
 - Nondurable goods: food, fuel
 - Services: haircuts, hotel, cinema
- I: Investments (by firms and households)
 - Non-residential (business fixed investment): equipment (machines, trucks, computers), structures (buildings)
 - Residential: housing
 - Inventory: stored goods

GDP by expenditure shares

- G: government purchases
 - Gvt consumption: service provision in health care, education, police, army, salaries to civil servants
 - Gvt investment: hospital buildings, computers, roads, bridges
 - NB Does not include transfers.
- NX: Exports minus imports (later chapter)

GDP expenditure shares Canada 2010

□ C 57.9%

- Durables 6.9
- Semi-durables 4.4
- Nondurables 13.9
- Services 32.7

□ I 18.1

- Non-residential 11.0
- Residential 6.9
- Change in inventories 0.1

□ G 25.9

- Consumption 21.8
- Investment 4.1

□ NX -1.9

- Exports 29.4
- Imports -31.3