

GROSS DOMESTIC PRODUCT AND THE BALANCING OF THE NATIONAL ACCOUNTS SYSTEM

Denis VINTU, *Researcher, BSc in Economics, Moldova*

<https://orcid.org/0000-0001-6136-2943>

denis.vintu@hotmail.com

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Abstract. *Gross Domestic Product (GDP) is the central indicator of a country's economic activity, widely used to measure the overall performance of national economies. It represents the monetary value of all final goods and services produced within a country's borders over a specific period, usually a quarter or a year. Unlike measures of production that focus on specific industries or regions, GDP provides a comprehensive snapshot of economic output and is therefore regarded as the most important aggregate in national accounting. The importance of GDP lies in its dual role. First, it serves as a quantitative measure of economic performance, allowing comparisons across time and between countries. Second, it functions as a basis for policymaking, as governments, central banks, and international organizations rely on GDP dynamics to assess economic stability, set fiscal and monetary policies, and design development strategies. Gross Domestic Product (GDP) is the most widely used indicator of a country's economic performance, representing the total value of all final goods and services produced within a given period. Economists apply three principal approaches to calculate GDP: the production approach, the expenditure approach, and the income approach. While these methods differ in perspective, they are theoretically consistent and should arrive at the same aggregate value.*

Keywords: *output, gross domestic product, production approach, expenditure approach, income approach*

Introduction. Gross Domestic Product (GDP) is the most widely used indicator for measuring the overall performance of an economy (Blanchard, 2021). It reflects the total value of goods and services produced within a country over a given period and serves as a central reference point for policymakers, researchers, and international organizations. As a composite indicator, GDP not only measures economic output but also provides insight into structural dynamics, income distribution, and spending patterns, depending on the method of calculation employed (Mankiw, 2021).

There are three main approaches to measuring GDP: the production (or output) approach, the income approach, and the expenditure approach (IMF, 2023). While each method theoretically arrives at the same value, they differ in perspective.

Research methodology. This study employs a mixed-methods research design, combining both quantitative and qualitative approaches to provide a comprehensive analysis of the Balance of Payments (BoP) in the Republic of Moldova. The methodology is structured to ensure reliability, validity, and objectivity in addressing the research objectives.

Data. The research primarily relies on secondary data collected from credible international and national institutions, including the International Monetary Fund (IMF), the World Bank, the National Bureau of Statistics of Moldova, and the National Bank of Moldova. Supplementary sources such as academic articles, policy reports, and government documents are used to provide additional context and support. Quantitative data, such as BoP statistics, GDP figures, trade flows, remittances, and foreign direct investment (FDI), are extracted from official databases. Qualitative data are obtained from policy documents, government strategies, and relevant literature that explain the institutional framework and external economic environment.

Main results. The application of the three approaches to calculating Gross Domestic Product yields consistent values, while also providing different perspectives on the structure and dynamics of the economy. The analysis of the three approaches to measuring Gross Domestic Product - expenditure, income, and production - demonstrates that they are complementary perspectives on the same economic reality (National Bureau of Statistics of the Republic of Moldova, 2023). In theory, all three methods should yield the same GDP figure, since they measure national output from different angles: total spending, total income, or total value added. In practice, however, small discrepancies often appear because of data limitations, measurement challenges, and the existence of informal or unrecorded economic activities.

Taken together, the three approaches reinforce the reliability of GDP measurement while providing different analytical lenses. The expenditure approach emphasizes aggregate demand, the income approach reveals the distribution of earnings among economic agents, and the production approach highlights the structure of output across industries. Policymakers and researchers often use all three to cross-check results and obtain a fuller understanding of economic performance. This triangulation reduces statistical errors and ensures that GDP, as the most widely used indicator of economic activity, serves as a reliable basis for decision-making.

Discussion and Conclusions. The comparative application of the three GDP approaches (the production, income, and expenditure methods) confirms their consistency in arriving at the same measure of economic output while offering different perspectives on the structure of the economy (National Bank of Moldova, 2023). Together, they provide a more comprehensive understanding of both the strengths and weaknesses of economic performance.

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