

Managerial Economics

Unit 5

MBA/BBA/B.com /B.Tech /UGC Net

By

Dr. Anand Vyas

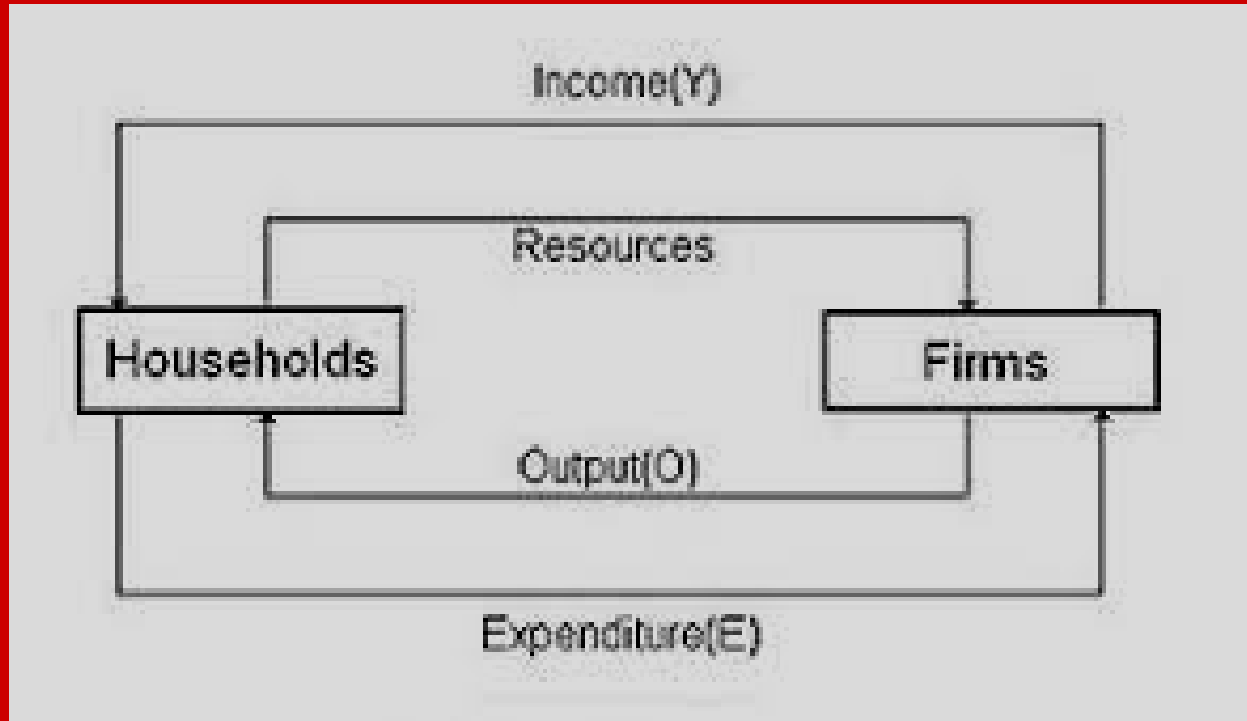
National Income

National income means **the value of goods and services produced by a country during a financial year**. Thus, it is the net result of all economic activities of any country during a period of one year and is valued in terms of money.

Concepts and various methods of its measurement

- The national income of a country can be measured by three alternative methods
- **(i) Product Method**
- **(ii) Income Method, and**
- **(iii) Expenditure Method.**

Circular flows in 2 sector, 3 sector, 4 sector economies



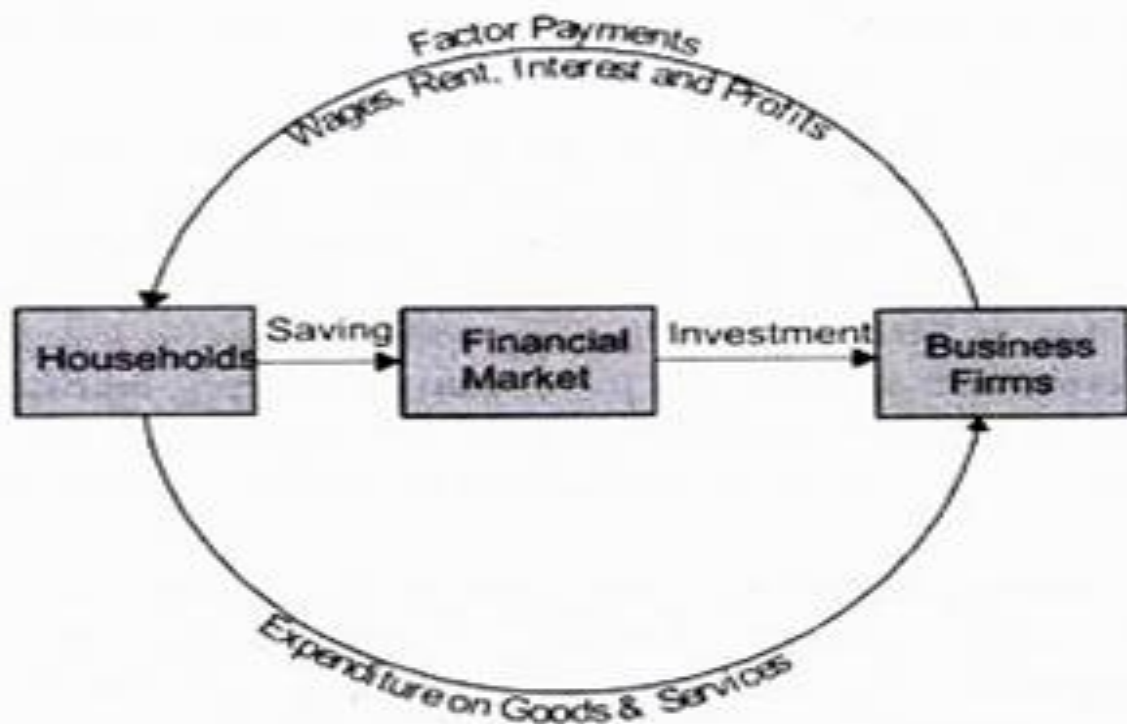


Fig. 6.2. *Circular Money Flow with Saving and Investment*



Fig. 6.4. *Circular Flow of Income in an Open Economy with Government and Foreign Sector*

Inflation meaning

Inflation is **the rate of increase in prices over a given period of time**. Inflation is typically a broad measure, such as the overall increase in prices or the increase in the cost of living in a country.

Inflation types

Inflation is sometimes classified into three types: **Demand-Pull inflation, Cost-Push inflation, and Built-In inflation.** The most commonly used inflation indexes are the Consumer Price Index (CPI) and the Wholesale Price Index (WPI).

Inflation causes

1. Demand-pull inflation. Demand-pull inflation happens when the demand for certain goods and services is greater than the economy's ability to meet those demands.
2. Cost-push inflation.
3. Increased money supply.
4. Devaluation.
5. Rising wages.
6. Policies and regulations.

Business Cycle & its phases

Business cycles are identified as having four distinct phases: **peak**, **trough**, **contraction**, and **expansion**. Business cycle fluctuations occur around a long-term growth trend and are usually measured by considering the growth rate of real gross domestic product.

