

Attributing GDP growth to final demand categories

Topic: Final demand in input-output analysis

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For economists to analyse economic growth it is important to understand the underlying driving forces. Particularly in the current volatile economic climate this type of analysis is vitally important. One of the analyses which is used is the attribution of GDP growth rates to final demand components such as household consumption, gross fixed capital formation and exports. Two methods are available: Firstly, there is the "net-exports method". In this method, the growth rate is decomposed using a net measure for exports i.e. imports are subtracted from exports. Secondly, there is the "attribution method" which adopts input-output modelling techniques to decompose the effects of changes in final demand components. In this study we show that the "attribution method" is the preferable method but has greater data requirements. Empirical applications for the Euroarea and the Netherlands are used to illustrate the relevance of this method in understanding the current economic turmoil.