POTENTIAL GDP

ECOHOLICS

WHAT IS IT?

Measures/estimates the highest level of output that an economy can sustain over a period of time at a constant inflation rate.

The GDP GAP depicts the difference between Potential GDP & Real GDP.

FACTORS THAT AFFECT POTENTIAL GDP CAN BE

Sustainability

Full employment

Technological usage

Regulatory framework

Steady currency

MAJOR CHALLENGES FOR INDIA

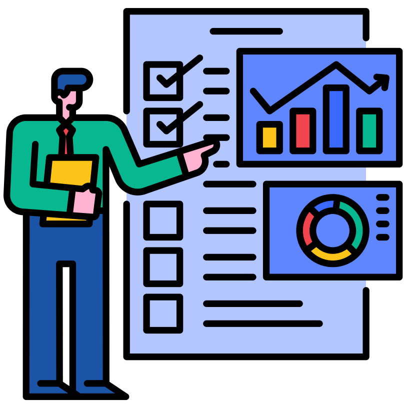
Gender Inequality

Unemployment & under employment

Use of old age production methods to produce goods

Need for a user friendly regulatory framework in terms of easy entry and exit policy for corporates.

IMPLICATIONS



Potential GDP is an important concept in macroeconomics as it helps policymakers to determine the GDP gap.

This can inform decisions about fiscal and monetary policy to help manage economic growth and stability.