What Is Gross National Income (GNI)?

GNI is the total amount of money earned by a nation's people and businesses. It is used to measure and track a nation's wealth from year to year. The number includes the nation's gross domestic product plus the income it receives from overseas sources.GNI is an alternative to gross domestic product (GDP) as a means of measuring and tracking a nation's wealth and is considered a more accurate indicator for some nations.GNI calculates the total income earned by a nation's people and businesses, including investment income, regardless of where it was earned. It also covers money received from abroad such as foreign investment and economic development aid.The more widely known GDP is an estimate of the total value of all goods and services produced within a nation for a set period, usually a year. Finally, there's gross national product (GNP), which is a broad measure of all economic activity.Gross national income is an alternative to gross national product as a measure of wealth. It calculates income instead of output.GNI can be calculated by adding income from foreign sources to gross domestic product.Nations that have substantial foreign direct investment, foreign corporate presence, or foreign aid will show a significant difference between GNI and GDP.

Gross National Income (GNI)

Residence, rather than citizenship, is the criterion for determining nationality in GNI calculations, as long as the residents spend their income within the country.GNI has come to be preferred to GDP by organizations such as the World Bank. It also is used by the European Union to calculate the contributions of member nations.The U.S. Bureau of Economic Affairs (BEA) tracks the GDP to measure the health of the U.S. economy from year to year. The two numbers are not significantly different.To calculate GNI, compensation paid to resident employees by foreign firms and income from overseas property owned by residents is added to GDP, while compensation paid by resident firms to overseas employees and income generated by foreign owners of domestic property is subtracted.GNI is preferred to GDP by the World Bank. It is used by the European Union to calculate the contributions of member nations.Product and import taxes that are not already accounted for in GDP are also added to GNI, while subsidies are subtracted.

Pakistan Gross National Product

Pakistan’s Gross National Product was reported at 301.799 USD bn in Dec 2019. This records a decrease from the previous number of 331.967 USD bn for Dec 2018. Pakistan’s Gross National Product data is updated yearly, averaging 41.684 USD bn from Dec 1960 to 2019, with 60 observations. The data reached an all-time high of 331.967 USD bn in 2018 and a record low of 3.803 USD bn in 1960. Pakistan’s Gross National Product data remains active status in CEIC and is reported by CEIC Data. The data is categorized under World Trend Plus’s Global Economic

Monitor – Table: Gross National Product: USD: Annual: Asia. CEIC shifts year-end for annual Gross National Product and converts it into USD. The Pakistan Bureau of Statistics provides Gross National Product in local currency. The State Bank of Pakistan average market exchange rate is used for currency conversions. Gross National Product is reported in annual frequency, ending in June of each year. Gross National Product prior to 2000 is sourced from the World Bank.

How to calculate GNI?

GNI is calculated from GDP:

GNI = GDP + [(income from citizens and businesses earned abroad) – (income remitted by foreigners living in the country back to their home countries)].6

GNP is calculated from GDP:

GNP = GDP + [(income earned on all foreign assets – income earned by foreigners in the country)].7

GNI is calculated from GNP:

GNI = GNP + [(income spent by foreigners within the country) – (foreign income not remitted by citizens)].

Why use GNI?

The income groupings use GNI per capita (in U.S. dollars, converted from local currency using the Atlas method) since they follow the same methodology used by the World Bank when determining it's operational lending policy. While it is understood that GNI per capita does not completely summarize a country's level of development or measure welfare, it has proved to be a useful and easily available indicator that is closely correlated with other, nonmonetary measures of the quality of life, such as life expectancy at birth, mortality rates of children, and enrollment rates in school.

Limitations.

There are some limitations associated with the use of GNI that users should be aware of. For instance, GNI may be underestimated in lower-income economies that have more informal, subsistence activities. Nor does GNI reflect inequalities in income distribution. Users should also note that the Atlas method used to convert local currencies into a common U.S. dollar is based on official exchange rates, which do not account for differences in domestic price levels. The Atlas method, with three-year average exchange rates adjusted for inflation, lessens the effect of exchange rate fluctuations and abrupt changes, but an alternative method would be to use the purchasing power parity (PPP) conversion factors of the International Comparison Program. To date, however, issues concerning methodology, geographic coverage, timeliness, quality and extrapolation techniques have precluded the use of PPP conversion factors for this purpose