

Economic Indicators — Part 1: GDP and GNP, the Major Thermometers of the Global Economy

by Max Farrington and Michael Hirsch — Updated Edition 2025–2026

We often hear that GDP is rising or that PMI is improving, but we do not always know what these terms actually mean, and it is easy to get lost among economic indicators. This edition of EconoMag aims to demystify these concepts and explain how they are calculated and interpreted. Today, we will focus on production indicators, the most widely used tools in global economic analysis.

GDP: Definition and How It Works

Let us begin with GDP — Gross Domestic Product. This indicator represents the total value of goods and services produced within a country during a fiscal year, measured at market prices and excluding net income from abroad.

Nominal GDP, sometimes called current GDP, reflects current prices and exchange rates without adjusting for inflation or differences in the cost of living. It is calculated each year by various institutions such as the International Monetary Fund (IMF), the World Bank, and the United Nations.

Global rankings may vary slightly depending on the source, but the differences are usually minor.

The Global Ranking in 2024–2025: A Changing Order

The United States remains the world's largest economy, a position it has held since it surpassed the British Empire in the early twentieth century.

In 2024, the U.S. economy reached \$29.168 trillion, representing nearly one quarter of global GDP.

The rest of the top three included China (\$18.273 trillion) and Germany (\$4.710 trillion), Europe's largest economy.

However, the ranking has evolved significantly since our previous episode. Japan (\$4.070 trillion) and India (\$3.889 trillion) complete the top five, followed by the United Kingdom in sixth place (\$3.588 trillion) and France in seventh place (\$3.174 trillion).

India is the most significant disruptor in this ranking. Its rapid growth — around 6.5% per year — has allowed it to surpass both France and the United Kingdom, and it is expected to climb even further in the coming years.

The Main Limitation of GDP: Size Does Not Equal Wealth

The main criticism of GDP remains unchanged: it measures total production, but it does not take into account population size.

A highly populated country will naturally produce more, without necessarily making its citizens richer. China is a perfect example: while it is the second-largest economy in the world in total GDP, it ranks much lower in terms of wealth per capita.

Interestingly, when GDP is measured using purchasing power parity (PPP) — which adjusts comparisons by taking into account differences in the cost of living between countries — China surpasses the United States, with around \$33 trillion compared with about \$26.9 trillion for the U.S.

This illustrates the difference between raw economic power and actual living standards.

GDP per Capita: A Measure of Living Standards

To better measure the real wealth of citizens, economists use GDP per capita, which is calculated by dividing a country's total GDP by its population.

In 2024, Monaco ranked first in the world with a GDP per capita of \$240,862, followed by Liechtenstein (\$197,504) and Luxembourg.

These microstates and small wealthy countries dominate the ranking thanks to highly specialized economies, attractive tax systems, and relatively small populations.

According to the IMF, France ranked 24th in the world in GDP per capita in 2024, a significant decline compared with the 1990s, when it held 11th place globally. It was even 13th in 1980.

Within the European Union, France ranks 11th, with 39,100 purchasing power standards (PPS) per inhabitant in 2024, slightly below the EU average. Luxembourg remains by far the richest EU country, with 96,200 PPS per inhabitant, or roughly 2.4 times the French level.

GNP: A Complementary Measure

Let us now turn to GNP — Gross National Product.

While GDP measures production within a country's borders, GNP measures the production generated by a country's citizens, whether they live inside the country or abroad.

This distinction is particularly relevant for countries such as India or the Philippines, where many citizens work abroad and send significant income back to their home country.

In such cases, GNP can be higher than GDP.

PMI: The Pulse of Economic Activity in Real Time

Finally, the PMI — Purchasing Managers' Index — is a particularly useful indicator because it provides a near real-time snapshot of economic activity.

It is expressed on a scale from 0 to 100:

- Below 50: economic activity is contracting
- Above 50: the sector is expanding

Several components are taken into account in its calculation, including production, employment, new orders, delivery times, and inventories.

The PMI is published monthly and is widely used to measure activity in both the manufacturing and service sectors. Investors and central banks closely monitor this indicator because it often signals economic trends before official GDP data are released.

Recession and Growth: What the Numbers Tell Us

The official definition of a recession is directly based on GDP: if economic growth is negative for two consecutive quarters, the economy is considered to be in recession.

In 2025, the United States and China still dominate global GDP rankings, together representing more than 40% of the world economy.

However, countries such as India, Indonesia, and Saudi Arabia show particularly dynamic growth prospects, highlighting a shift toward a greater role for emerging markets in the global economy.

Conclusion

GDP remains the most widely used and most publicized economic indicator, but it does not tell the whole story.

It measures total production, but not wealth distribution, citizens' well-being, or the environmental impact of growth.

For this reason, economists increasingly rely on complementary indicators — GDP per capita, the Human Development Index (HDI), happiness indicators, and sustainability metrics — to provide a more comprehensive picture of a country's economic health.

Join us for the next episode of EconoMag, where we will explore other essential economic indicators!

Vocabulary:

GDP (Gross Domestic Product) – PIB (Produit Intérieur Brut)

GNP (Gross National Product) – PNB (Produit National Brut)

Economic indicators – Indicateurs économiques

Global economy – Économie mondiale

Nominal GDP / Current GDP – PIB nominal / PIB courant

Inflation – Inflation

Purchasing power parity (PPP) – Parité de pouvoir d'achat (PPA)

GDP per capita – PIB par habitant

Population – Population

Wealth / Living standards – Richesse / Niveau de vie

Fiscal year – Année fiscale

International Monetary Fund (IMF) – Fonds monétaire international (FMI)

World Bank – Banque mondiale

United Nations – Nations unies

Economic growth – Croissance économique

Recession – Récession

Emerging markets – Marchés émergents

Monaco / Liechtenstein / Luxembourg – Monaco / Liechtenstein / Luxembourg

Microstates – Micro-États

Purchasing Managers' Index (PMI) – Indice des directeurs d'achats (PMI)

Economic activity – Activité économique

Manufacturing sector – Secteur manufacturier

Service sector – Secteur des services

New orders – Nouvelles commandes

Employment – Emploi

Delivery times – Délais de livraison

Inventories / Stock levels – Inventaires / Niveaux de stocks

Human Development Index (HDI) – Indice de développement humain (IDH)

Happiness indicators – Indicateurs de bonheur

Sustainability metrics – Indicateurs de durabilité