What is GDP?

KS3 Ages 11-14 ⏰ 3 min read

You hear it on the news all the time: "GDP grew by 2%" or "GDP shrank in the last quarter." It sounds like an important number. It is — but it's also a surprisingly simple idea once you strip away the jargon.

What GDP stands for

GDP stands for **Gross Domestic Product**. Ignore the long name. All it means is: the total value of everything a country produces in a given year. Every car made, every haircut given, every meal served in a restaurant, every app sold — all of it added up into one giant number.

If the UK's GDP is £2 trillion, that means British businesses and workers produced £2 trillion worth of goods and services in that year.

Why does it matter?

GDP is used as a rough measure of how healthy an economy is. When GDP grows, it usually means businesses are busy, people are earning money, and jobs are being created. When GDP shrinks — especially for two quarters in a row — that's called a **recession**, and it typically means rising unemployment and financial stress for households.

Think of a country like a farm. GDP is the total harvest — every potato, every apple, every egg produced that year. If the harvest is bigger than last year, the farm is doing well. If it's smaller, something has gone wrong — maybe the weather was bad, or the workers got ill, or people stopped buying eggs.

GDP per person

GDP on its own doesn't tell you much about how well individuals are doing. A country with 1 billion people and a GDP of £1 trillion is very different from a country with 1 million people and the same GDP. That's why economists also look at **GDP per capita** — GDP divided by the number of people. It gives a better sense of average living standards.

What GDP misses

GDP is useful, but it has blind spots. It doesn't measure happiness, health, or inequality. A country might have high GDP while millions of its citizens live in poverty — because the wealth is concentrated at the top. GDP also doesn't count unpaid work like caring for children or elderly relatives, even though those things are enormously valuable to society.

Many economists argue that GDP is a good tool for measuring economic activity, but a poor tool for measuring whether people are actually doing well. It's a bit like judging how good a school is purely by counting how many lessons happen — without asking whether any of the children are learning anything.

Free for educational use