

Final Goods

- These are the Goods that are meant for final use or final consumption. They do not pass through any more stages of production or transformation.
- A final good is thus a product that the consumer finally uses.
- For example, shirt is a final good, bricks used for construction of house are final goods.

- For example, tools, machinery, vehicle etc.

Intermediate Goods

- Intermediate goods are the goods that are utilized as a raw material or input for the production of final goods.
- For example, copper used for making utensils, steel sheets used for making automobiles, etc.

Consumption/Consumer Goods

- Consumer goods are those final goods which are bought for consumption by consumers.
- For example, food, clothing etc.

Capital/Producer Goods

- Capital goods are those final goods which help in the production of other goods.
- They do not get transformed during the production process rather they make production possible.

Why only final goods are counted?

- The value of final goods already includes the value of the intermediate goods that have entered into the production process as inputs.
- Counting them individually will lead to the error of double counting.
- Let us take an example of the agricultural sector. Suppose in a year a farmer produces 100 Rs. worth of potatoes. A Chips Company had to buy Rs. 50 worth potato to produce Chips worth Rs. 200. Now consider the following table:

| | Farmer | Chips company |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Production Value | 100 | 200 |
| Intermediate Good Used | 0 | 50 |
| Value added (Production Value - Intermediate Good) | $100 - 0 = 100$ | $200 - 50 = 150$ |
| Total GDP when intermediate goods are included | $100 + 200 = 300$ (Here, we can see the value of potato i.e. Rs. 50 is counted twice first in farmer's case then for chips Company) | |
| Total GDP when only Final Good are counted | $200 - 50 = 150$ | |