

FPP BizNewz

June - November 2025

MANAGEMENT • INVESTMENT • ECONOMICS • ENTREPRENEURSHIP • TECHNOLOGY



Publication Date
1 November 2025

Advertising to
CHILDREN
The Language of Manipulation

**Empowering
Future-Ready
Graduates through
AI Literacy**

SOCIAL LOAFING
in modern workforces

supply chain 2025
Beyond Mere Good Delivery

social sustainability
IN MALAYSIAN SME

Knowing the National Income: A Basic Guide for Everyone

*Nor Hamiza binti Mohd Ghani
Fakulti Pengurusan dan
Perniagaan
UiTM Cawangan Terengganu
norha825@uitm.edu.my*

Have you ever wondered how we calculate a nation's total income? That total income is known as National Income, and it's an important method of how well a nation's economy is doing. Don't worry if you have no background understanding of economics! Let's take an easily understood approach.

What Is National Income?

The sum of a nation's annual production of goods and services is known as its national income. It provides us with the amount of money a nation makes and sells both domestically and overseas (Ali, U.M.,2022).

How Is the National Income Calculated?

There are 3 main approaches to calculate National Income which are Product or Output Approach, Income Approach and Expenditure Approach.

1. Product or Output Approach

This approach calculates the total value of all products and services produced in a nation. For instance, imagine a country produces:

- Ships worth RM11 million
- Computer worth RM3 million
- Furniture worth RM4 million

So, total national income = RM11 million + RM3 million + RM4 million = RM18 million.

This approach focuses on what is produced.

2. Income Approach

This approach adds up all the incomes earned by people in the country. This contains:

- Wages and salaries (labours)
- Rent (property owners/ land)
- Interest (capital)
- Profits (entrepreneurs)



For instance,

- Wages = RM10 million
- Rent = RM2 million
- Interest = RM4 million
- Profits = RM2 million

Thus, the entire income of the country = RM10 million + RM2 million + RM4 million+ RM2 million = RM18 million.

This approach focuses on who earned the income.

3. Expenditure Approach

This approach computes the total amount of money spent by consumers on products and services. The components consist of:

- Household spending (C)
- Business investment (I)
- Government spending (G)
- Net exports (X - M) - exports minus imports

This formula will be used to determine national income using the expenditure approach:

National income = $C + I + G + (X - M)$

Example:

- Household spending = RM7 million
- Business investment = RM3 million
- Government spending = RM5 million
- Exports = RM 5million
- Imports = RM2 million

So, National Income of the country is = RM7 million + RM3 million + RM5 million+ RM5 million - RM2 million = RM18 million

This approach focuses on how income is spent.

But, why we do have 3 methods?

Since they analyse the economy from various angles, all 3 approaches should produce the same outcome even though they employ different method:

- Production: What we generate;
- Income: What we receive
- Spending → The amount we spend

Governments use national income to plan their budgets, corporations use it to make investment decisions, and the public uses it to evaluate the nation's economic health. Even if you're not an economist, understanding this gives you a better understanding of the situation of the economy in your nation!



Biznewz 2025
Faculty of Business and Management
Universiti Teknologi MARA Cawangan Terengganu Kampus Dungun
Sura Hujung, 23000 Dungun, Terengganu, MALAYSIA
Tel: +609 8400 400
Fax: +609 8403777
Email: biznewzuitm@gmail.com