

Chart of Difference between Gross Investment and Net Investment

Basis of Difference	Gross Investment	Net Investment
Meaning	It refers to the expenditure by producers on the purchase of new assets as well as the replacement of existing assets during a year.	It refers to the expenditure by producers on the purchase of new assets only.
Depreciation	It doesn't consider depreciation separately for finding total expenditure.	It considers depreciation while calculating the final value.
Calculation	Here, it is calculated by adding up all the expenditure incurred on all capital goods.	In this investment, the total amount is calculated by subtracting depreciation from gross investment.
Formula	Gross Investment = Expenditure during the year on (Fixed assets + Inventory stock)	Net investment = Gross investment – Depreciation (expenditure on replacement of worn-out fixed assets)
Includes	It includes all the purchases of fixed assets and inventory stock during a period.	It includes only a change in the existing stock during a period.
Indicator	It is not considered the best indicator of GDP growth.	It is considered the best indicator of GDP growth.
Significance	It helps in determining the total expenditure incurred on all capital goods.	It helps in enhancing the production capacity, labor efficiency, and growth of the economy.