Homework 1

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# Gross Domestic Product (GDP)

## Real and Nominal GDP

* Enter into the World Bank’s Human Development Indicators database using the link:

<[**https://databank.worldbank.org/source/world-development-indicators**](https://databank.worldbank.org/source/world-development-indicators)>

* In *Country* select *Colombia*
* In *Series* select *GDP (current LCU)*
* In *Time* select *VIEW RECENT YEARS: 50*
* Apply changes and download the data using *Download options > Excel* at the upper right corner of the platform

1. Make a plot of the **Nominal GDP** of *Colombia* where the x-axis corresponds to the years and y-axis corresponds to the value of the **Nominal GDP**. **(4 points)**
2. Explain why **Nominal GDP** is not a good measure of the aggregate production for *Colombia*. **(4 points)**

* In *Country* select *Colombia*
* In *Series* select *GDP (constant LCU)*
* In *Time* select *VIEW RECENT YEARS: 50*
* Apply changes and download the data using *Download options > Excel* at the upper right corner of the platform

1. Make a plot of the **Nominal GDP** and the **Real Nominal GDP** of *Colombia* where the x-axis corresponds to the years and y-axis corresponds to the values of the **Nominal GDP** and **Real GDP**. **(4 points)**
2. Explain why **Real GDP** is a better measure of the aggregate production than **Nominal GDP** for *Colombia*. **(4 points)**
3. Explain why **Real GDP** and **Nominal GDP** have the same value in one year. **(4 points)**

* In *Country* select *Colombia*
* In *Series* select *Population, total*
* In *Time* select *VIEW RECENT YEARS: 50*
* Apply changes and download the data using *Download options > Excel* at the upper right corner of the platform

1. Calculate *Real GDP per-capita* for **Colombia**. **(4 points)**
2. Explain why *Real GDP per-capita* is a better measure for the production than *Real GDP* for *Colombia* **(4 points)**
3. Plot the growth of the *Real GDP per-capita* for *Colombia*. **(4 points)**

# Inflation

1. Calculate the **GDP Deflator** using the information collected in the previous section. **(4 points)**
2. Calculate the annual **inflation** for *Colombia* using the **GDP Deflator**. **(4 points)**
3. Make a plot of the **inflation** where the x-axis corresponds to the years and y-axis corresponds to the values of the **inflation**. **(4 points)**
4. Describe what you see in the plot and point out why it is important for a company in a country to have an economic macroenvironment with a low and stable **inflation** rate. *Hint*: Review the videos found in **Primer corte 30% > Learning Resources > Links of interest**. **(6 points)**