

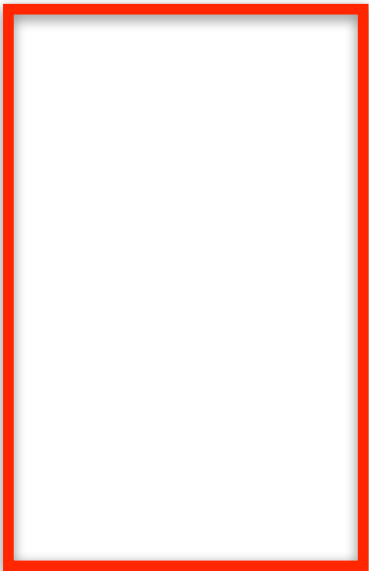
Comparing Real and Nominal GDP

| |
|------|
| Year |
| 1 |
| 2 |
| 3 |
| 4 |

In fact, the **combined**
increase in **both** prices and
quantities was **132%**

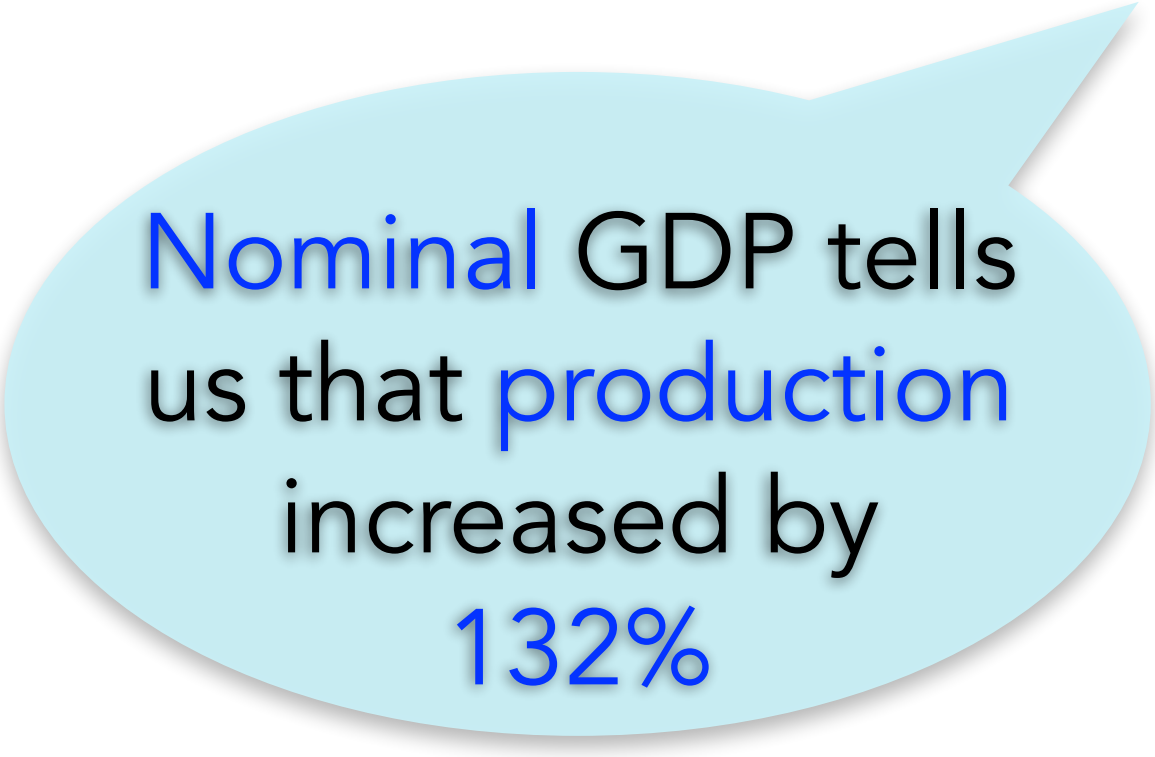
Since we keep prices the **same**, we know the increase in quantities **alone** was **16%**

Real GDP gives us an accurate measure of the actual change in quantities without the distorting effect of prices



Changes in **Nominal** GDP reflect
the **combined** change in **both**
prices and quantities

Changes in Real GDP
reflect changes in
quantity only



Nominal GDP tells
us that production
increased by
132%



Changes in
Nominal GDP are
always larger than
changes in **Real**
GDP

A large, light pink speech bubble with a tail pointing towards the top right corner, containing text.

Real GDP tells us
that production
increased by 16%

| Year |
|------|
| 1 |
| 2 |
| 3 |
| 4 |

Nominal GDP

131

304

692

1,552

| Year | Nominal GDP |
|------|-------------|
| 1 | 131 |
| 2 | 304 |
| 3 | 692 |
| 4 | 1,552 |

% Increase Nominal GDP

132.1

127.6

124.3

| Year | Nominal GDP | % Increase Nominal GDP |
|------|-------------|---------------------------|
| 1 | 131 | |
| 2 | 304 | 132.1 |
| 3 | 692 | 127.6 |
| 4 | 1,552 | 124.3 |

| |
|----------|
| Real GDP |
| 131 |
| 152 |
| 173 |
| 194 |

| Year | Nominal GDP | % Increase Nominal GDP | Real GDP |
|------|-------------|---------------------------|----------|
| 1 | 131 | | 131 |
| 2 | 304 | 132.1 | 152 |
| 3 | 692 | 127.6 | 173 |
| 4 | 1,552 | 124.3 | 194 |

% Increase Real GDP

16.0

13.8

12.1

| Year | Nominal GDP | % Increase Nominal GDP | Real GDP | % Increase Real GDP |
|------|-------------|---------------------------|----------|------------------------|
| 1 | 131 | | 131 | |
| 2 | 304 | 132.1 | 152 | 16.0 |
| 3 | 692 | 127.6 | 173 | 13.8 |
| 4 | 1,552 | 124.3 | 194 | 12.1 |

Comparing Real and Nominal GDP

Changes in Nominal GDP reflect the **combined** change in **both** prices and quantities

Changes in Real GDP reflect changes in quantity only

| Year | Nominal GDP | % Increase Nominal GDP | Real GDP | % Increase Real GDP |
|------|-------------|---------------------------|----------|------------------------|
| 1 | 131 | | 131 | |
| 2 | 304 | 132.1 | 152 | 16.0 |
| 3 | 692 | 127.6 | 173 | 13.8 |
| 4 | 1,552 | 124.3 | 194 | 12.1 |

Changes in Nominal GDP are always larger than changes in Real GDP

Real GDP gives us an accurate measure of the actual change in quantities without the distorting effect of prices

200 Countries, 200 Years

[Click here to view video](#)