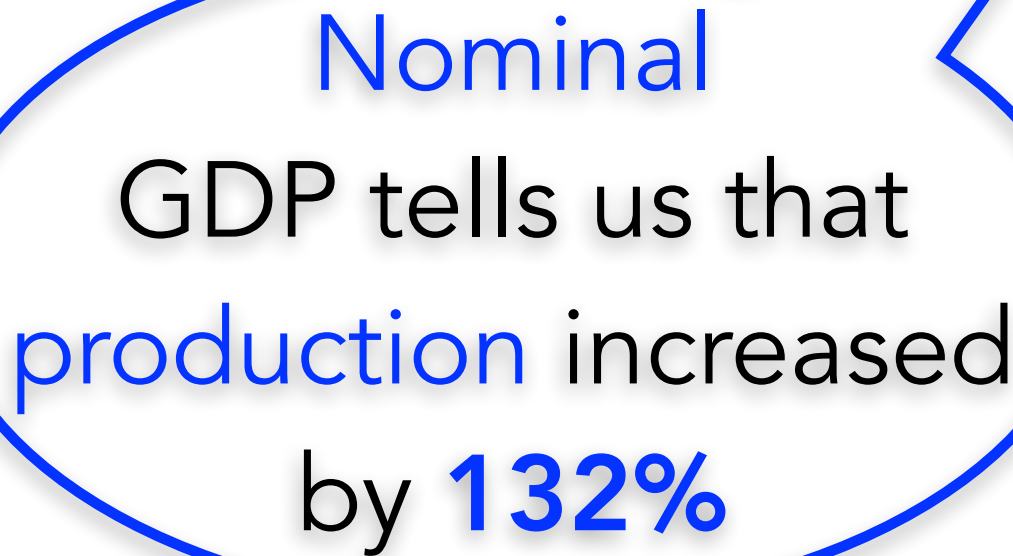


Comparing Real and Nominal GDP

Year
1
2
3
4



Nominal
GDP tells us that
production increased
by **132%**

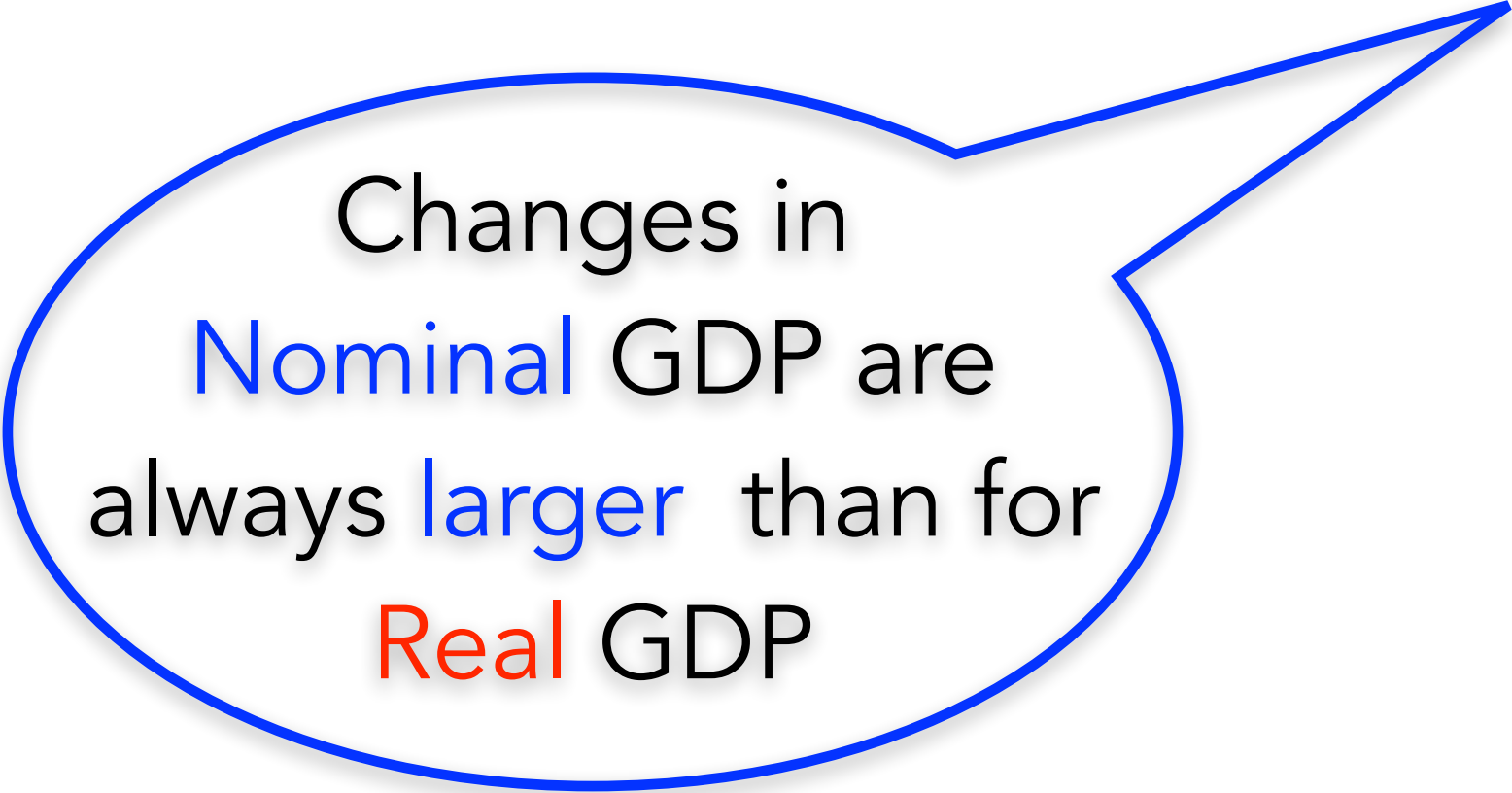


Real GDP tells us
that production
increased by 16%

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

Since we keep prices the
same, 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

A blue speech bubble with a tail pointing towards the top right corner of the image. Inside the bubble, the text reads: "Changes in Nominal GDP are always larger than for Real GDP". The words "Nominal" and "larger" are in blue, and "Real" is in red. The rest of the text is in black.

Changes in
Nominal GDP are
always larger than for
Real GDP

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

Changes in Real GDP
reflect changes in
quantity only

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	
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Changes in
Nominal GDP are
always **larger** than for
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

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