

GDP = Dollar value of new, final goods and services produced

If we use the **actual** prices paid during a given year, we get **Nominal** GDP



GDP at current
prices

$$\begin{aligned} &= \$P_{\text{rice of apple}}(\text{Quantity of apples}) \\ &+ \$P_{\text{rice of computer}}(\text{Quantity of computers}) \\ &+ \$P_{\text{rice of table}}(\text{Quantity of tables})+ \\ &+ \$P_{\text{rice of lawyer services}}(\text{Hours of lawyer services})+ \dots \end{aligned}$$

Nominal GDP

GDP = **Dollar** value of new, final goods and services produced

If we use the **actual** prices paid during a given year, we get **Nominal** GDP

$$\begin{aligned}\text{Nominal GDP} = & \$P_{\text{rice of apple}}(\text{Quantity of apples}) \\ & + \$P_{\text{rice of computer}}(\text{Quantity of computers}) \\ & + \$P_{\text{rice of table}}(\text{Quantity of tables}) + \\ & + \$P_{\text{rice of lawyer services}}(\text{Hours of lawyer services}) + \dots\end{aligned}$$

GDP at **current**
prices

A country produces three goods: X, Y and Z