

Interpreting GDP

GDP is a...	measure of the size of the economy, allowing us to compare among years and countries
To measure actual changes in aggregate output...	GDP must be modified for price change into <i>real GDP</i>
Aggregate Output	The total quantity of final goods and services produced within an economy

Real GDP

Definition	The total value of all final goods and services produced in the economy during a year, calculated as if prices had stayed constant at the level of some given base year in order to remove the effects of price change
Formula	Sum of all final goods and services values = (this year's quantity)(previous year's price)
Chain-linking	The method of calculating changes in the real GDP using the average between the growth rate calculated using an early base year and the growth rate calculated using a late base year
GDP per capita	GDP divided by the size of the population or average GDP per person (does not include happiness, quality of life, income inequality, etc)
Nominal GDP	The total value of all final goods and services produced in the economy during a given year, calculated with the prices current in the year in which the output is produced



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Not published yet.
Last updated 14th February, 2019.
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