

How do you find the percentage changes in nominal GDP and real GDP?

Answer:

A **nominal GDP** is GDP figure that has not been adjusted for inflation. It can be misleading when inflation is not accounted for in the GDP figure because the GDP will appear higher than it actually is. Unlike nominal GDP, **real GDP** can account for changes in the price level, and provide a more accurate figure.

The percentage change in the nominal GDP can be calculated by the formula below:

$$\Delta = \frac{NGDP_{1-} - NGDP_0}{NGDP_0},$$

where $NGDP_{0(1)}$ - nominal GDP for the previous (current) year.

The percentage change in the real GDP can be calculated by the formula below:

$$\Delta = \frac{RGDP_{1-} - RGDP_0}{RGDP_0},$$

where $RGDP_{0(1)}$ - nominal GDP for the previous (current) year.

For example:

Year	NGDP	Percentage change in nominal GDP	RGDP	Percentage change in real GDP
1	\$200		\$180	
2	\$240	$= (240 - 200) / 200 = 0,2$ (20%)	\$210	$= (210 - 180) / 180 = 0,167$ (16,7%)