

GDP –CPI Exercise

Try these for practice

Free response/essay- Read the following and answer each part as completely and correctly as possible.

Assumptions:

1. There were only three goods in Computerland below.
2. The following prices and quantities produced were recorded in Computerland during the years shown.
3. The typical consumer is assumed to purchase 2 mousepads, 5 maps, and 3 modems each year.
4. Base year is 1992.

	<u>Mousepads</u>		<u>Maps</u>		<u>Modems</u>	
	Price	Quantity	Price	Quantity	Price	Quantity
1992	\$8	17	\$3	9	\$5	11
1993	\$10	29	\$5	11	\$5	15
1994	\$14	48	\$6	16	\$7	17

Calculate the following and show your work.

1. What was the nominal GDP in 1993? 420
2. What was the real GDP in 1994? 517
3. What is the cost of the consumer's market basket in 1992? \$46
4. What was the consumer price index (CPI) in 1994? 171.7
5. Using the CPI what was the average annual rate of inflation during 1993 and 1994? 35.9% or 31.1%

6. What was the GDP deflator in 1994? ____171.6_____
7. What was the percentage change in real GDP from 1993 to 1994? ____52.1%_____
8. What was the percentage change in nominal GDP from 1993 to 1994? ____111.2%_____
9. What was the percentage change in nominal GDP from 1992 to 1993? ____92.7%_____
10. What was the GDP deflator in 1993? ____123.5_____