

2. The table provided shows the quantity and price of food and clothing, the only two goods produced and consumed in the country of Maltrose, in year 1 and year 2. Assume that year 1 is the base year.

	Year 1 Price	Year 1 Quantity	Year 2 Price	Year 2 Quantity
Food	\$10	12	\$13	10
Clothing	\$5	16	\$4	20

- (a) Calculate the nominal GDP in year 2. Show your work.
- (b) Calculate the GDP deflator in year 2. Show your work.
- (c) What was the numerical value of the inflation rate from year 1 to year 2 ?
- (d) Assuming that the expected inflation rate between years 1 and 2 was 3%, were each of the following better off, worse off, or unaffected as a result of the economic conditions between year 1 and year 2 ?
- (i) People living on a fixed income
 - (ii) Borrowers with fixed interest-rate loans. Explain.

Begin your response to this question at the top of a new page in the separate Free Response booklet and fill in the appropriate circle at the top of each page to indicate the question number.