4 Measuring the economy – Part 1 —Answers

Answers

4.1 The value of all goods and services produced inside a country in a year.

4.2 Real GDP is adjusted to remove the effect of rising prices (so it shows the true change in output); nominal GDP is measured at current prices and is not adjusted.

4.3 (a) leakage; (b) injection; (c) injection.

4.4 Consumption (C), investment (I), government spending (G), and net exports (X − M).

4.5 The economy's price level and its real output.

4.6 Real growth $\approx 8\% - 6\% = 2\%$. It matters because only the *real* rise shows that the country actually produced more goods and services. The other 6% is just higher prices, not extra output —so nominal GDP overstates the true growth.