Question 2: Short — 5 points

(a)	Calculate the nominal GDP in Maltrose in year 2 as $210 and show your work. $\text{Nominal GDP}_{\text{Year 2}} = (\$13 \times 10) + (\$4 \times 20) = \$210$	**1 point**
(b)	Calculate the GDP deflator in Maltrose in year 2 as 105 and show your work. $\text{GDP Deflator}_{\text{Year 2}} = \frac{\text{Nominal GDP}_{\text{Year 2}}}{\text{Real GDP}_{\text{Year 2}}} \times 100 = \frac{\$210}{(\$10\times10)+(\$5\times20)} \times 100 = 105$	**1 point**
(c)	State that the inflation rate from year 1 to year 2 was 5%.	**1 point**
(d) (i)	State that people living on a fixed income were worse off.	**1 point**
(ii)	State that borrowers with fixed-interest-rate loans were better off because the real value of their debt decreased by more than they expected or because the real interest rate was lower than expected.	**1 point**
	Total for part (d)	**2 points**
	Total for question 2	**5 points**