3.1 Measures of economic performance

Name: _____ Class: _____ Date: _____ **Total: 26 marks**

KEY WORDS consumer price index • recession • underemployment

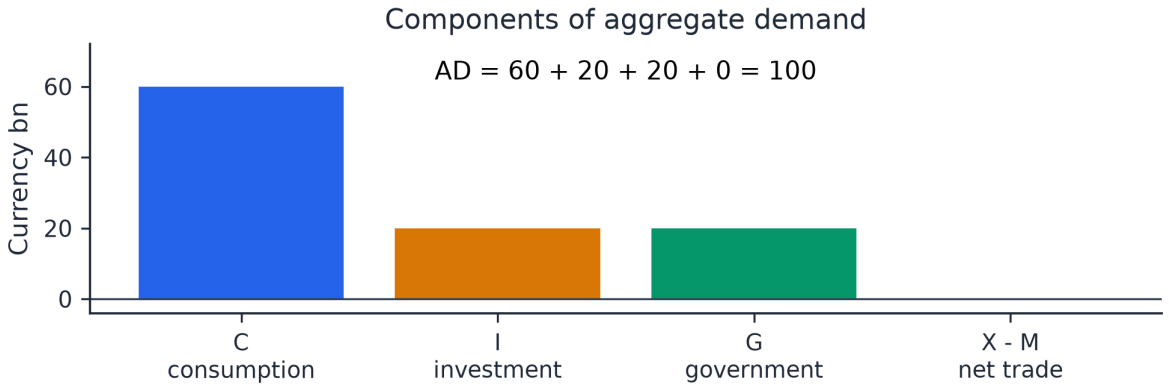
Measures of economic performance

Objective

Calculate and interpret GDP, GNI, per-capita and PPP measures, inflation from a weighted CPI basket, unemployment by the ILO definition, and balance of payments positions (spec 2.3.1, rows 1–4).

1 Key knowledge and worked examples

Measuring the economy. Real GDP = nominal ÷ deflator × 100; per capita divides by the population index. CPI = the weighted sum of price relatives × 100. Recession = two consecutive quarters of negative growth. The ILO measure counts those without work, available and actively seeking. The current account = trade in goods and services + primary and secondary income.



Original data; used across the topic's sheets.

2 Practice

2.1 Nominal GDP index is 112, the price deflator 108 and the population index 102. Calculate real GDP and real GDP per capita. [3]

2.2 Define a recession and state how it differs from one quarter of negative growth. [2]

2.3 A CPI basket has three goods with weights 50, 30 and 20. Their prices this year are 110%, 100% and 120% of last year's. Calculate the CPI and the inflation rate. [3]

2.4 *(SAM WEC12/01 Q12(b), adapted.)* India's inflation fell from about 12% in 2010 to about 9% in 2011. Was this deflation? Explain. [2]

2.5 State the ILO definition of unemployment. [2]

2.6 Give two reasons why higher GDP per capita may not mean better living standards. [2]

2.7 Name the three components of the current account of the balance of payments. [2]

3 Exam-style questions

3.1 *(Original.)* Using an AD/AS diagram, distinguish demand-pull from cost-push inflation. [4]

3.2 *(Original.)* Classify each as frictional, seasonal, structural, demand-deficiency or real-wage unemployment: (a) a shipyard closes and its workers lack other local skills; (b) a ski instructor in July; (c) spending falls in a recession; (d) a new graduate looking for a first job. [4]

3.3 *(Original.)* Explain why Purchasing Power Parities are used when comparing real GDP between countries. [2]