Solutions

2.1

- Expenditure: $500 + 150 + 200 + 90 - 140 = £800$bn.
- Income: $430 + 60 + 190 + 55 + 30 + 70 - 35 = £800$bn.
- They tie – the two sides are the same loop counted at two points.

2.2

- Deflator $= 880/800 \times 100 = 110.0$.
- Nominal growth 10.0% since 2020 (from 800).
- Real growth 0.0% – all of it was prices.

2.3

- The final sale: £300.
- Or value added: £80 at the mill + £220 at the bakery = £300 – the same total, no double count.

2.4

- Per person 2020: $800/8.00 = 100$; 2024: $800/8.32 = 96.2$.
- Change: $96.2/100 - 1 = -3.8\%$.
- Zero output growth plus 4% population growth is a 3.8% fall in living standards.

2.5

- The pension: a transfer, nothing produced – GDP unchanged.
- The van: government investment, produced this year – GDP +25.

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