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***Given the following Hypothetical Example الله ؛questions that follow***

| **Year** | **X** | | **Y** | | **Z** | | **Nominal**  **GDP** | **Real**  **GDP** | **GDP**  **Deflator** | **Real GDP**  **Growth** | **Inflation**  **Rate** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Q** | **P** | **Q** | **P** | **Q** | **P** |
| **2017** | **1** | **2** | **2** | **4** | **4** | **2** | **18** | **32** | **56.25%** | **-** | **-** |
| **2018** | **3** | **3** | **2** | **5** | **5** | **3** | **34** | **44** | **77.2727%** | **37.5%** | **37.3736%** |
| **2019** | **4** | **4** | **3** | **6** | **6** | **4** | **58** | **58** | **100%** | **31.818%** | **29.411%** |
| **2020** | **5** | **5** | **4** | **7** | **7** | **5** | **88** | **72** | **122.222%** | **24.1379%** | **22.222%** |

1. Calculate the nominal GDP in the three years

**Nominal GDP = sum product of price and quantity of each year .**

1. Why does the value of the nominal GDP increase over time?

**The calculation of the nominal GDP depends on the prices and quantities of the current period, so the increase in prices over time represented by inflation leads to an increase in the nominal GDP. In addition to the increase in the quantities and types of services and goods and the developments that occur on them, this leads to an increase in the nominal gross product and an increase in economic activity**

1. Calculate the real GDP in the three years.

**Real GDP = sum product of price of 2019 and quantity of each year**

1. Compare value of the nominal GDP in 2017 to the real GDP. Explain why?

**( Nominal GDP = 18 / Real GDP = 32 / The difference = 14 )**

**The prices in 2017 are less than the prices in 2019 " the base year " so the real GDP is greater than the nominal GDP thus there is deflation .**

1. Calculate the GDP deflator in the three years

**GDP Deflator = (Nominal GDP/Real GDP)\*100%**

1. Compare value of the GDP deflator in 2017 to the GDP deflator in 2018. Explain why?

**( GDP deflator in 2017 = 56.25% / GDP deflator in 2018 = 77.2727% / The difference = 21.022% )**

**The GDP deflator is a price index, which means it measures the average prices of goods and services produced that increased by 21.022% in 2018 compared to average prices of goods and services produced 2017.**

1. Calculate the real GDP growth between 2018 and 2019

**GDP growth = (GDP in current period - GDP in the previous period) / GDP in the previous period \* 100%**

**(58-44)/44\*100% =31.818**

1. Calculate the rate of inflation in 2019

**Inflation rate =( GDP deflator current year - GDP deflator previous year )/GDP deflator previous Year \*100%**

**(100 - 77.2727)/77.2727\*100% =29.412%**