16.1 Nominal GDP and Real GDP

1. Nominal GDP refers to the GDP measured in terms of _____ _____.

2. Real GDP refers to the GDP adjusted for _____. It is also called GDP in volume terms.

3. Real GDP = Nominal GDP × _____ _____

4. Implicit price deflator of GDP = _____ × 100 _____

5. When the percentage increase in nominal GDP is larger than the percentage increase in real GDP, the price level *(increases / decreases)*.

6. When the percentage increase in nominal GDP is *(larger / smaller)* than the percentage increase in prices, real GDP increases.

7. When the percentage decrease in real GDP is *(larger / smaller)* than the percentage increase in prices, nominal GDP decreases.

16.2 Per Capita GDP

8. Refer to the following information about a country.

Nominal GDP ($ million)	Real GDP ($ million)	Population (million)
15,000	12,000	10

Calculate the per capita real GDP and per capita nominal GDP respectively.

_____

_____

16.3 Growth Rate of GDP

9. To eliminate the effect of changes in the price level, the growth rate of *(real / nominal)* GDP is most commonly used to reflect the year-on-year changes in the economic performance of an economy.

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10. Refer to the following information about a country.

	Nominal GDP ($ million)
Year 1	18,000
Year 2	20,000

Calculate the growth rate of nominal GDP between year 1 and year 2.

_____

_____

11. The following table shows information about an economy in a certain year.

Change in real GDP	+3.0%
Change in nominal GDP	+1.5%
Change in population size	+2.1%

Based on the above information, we can conclude that

☐ the price level decreased in that year.
☐ the real output increased in that year.
☐ the per capita nominal GDP increased in that year.
☐ the per capita real GDP increased in that year.

16.4 Gross National Income (GNI)

12. Gross national income (GNI) measures _____ _____ irrespective of whether the economic activities are carried out within the economic territory or not.

13. GNI = GDP + _____

14. Net factor income from abroad = _____ _____ _____ – _____ _____ _____

15. If the net factor income from abroad is negative, GDP will be *(larger / smaller)* than GNI.

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16. Which of the following would be deducted from Hong Kong's GDP to calculate Hong Kong's GNI?

☐ the rental income received by a Japanese man from his property in Hong Kong
☐ the salary earned by a Korean who has worked as a dance teacher in Hong Kong for 2 years
☐ the dividends earned by a Hong Kong resident from holding shares of a listed company in Japan
☐ the capital gain earned by a Korean from investing in a Hong Kong stock

17. Explain whether the following should be included in the calculation of Hong Kong's GNI.

(a) the salary earned by a Hong Kong resident who has worked in Japan for half a year

_____

_____

(b) the dividends received by an Australian resident from shares of a Hong Kong company

_____

_____

16.5 Uses and Limitations of National Income Statistics

18. Which of the following are uses of national income statistics?

☐ reflection of the standard of living
☐ assessing the economic performance of an economy
☐ formulation of government policies
☐ basis for international comparison

19. Real GDP is a better measure of changes in the volume of output than nominal GDP as it removes the effect of *(price / output)* changes.

20. Given the same amount of goods and services produced, the larger the population, the *(larger / smaller)* the amount of output a person can consume on average. Per capita real GDP is a better measure to reflect people's average standard of living than real GDP.

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21. The per capita real GDP of a country may overstate the general living standard of its people because

- ☐ it does not consider the size of population.
- ☐ it does not reflect whether the income distribution has become more uneven.
- ☐ it does not reflect a reduction in people's leisure time.
- ☐ it does not reflect an increase in the proportion of capital goods and national defence in total output.
- ☐ it does not reflect a reduction in unreported production activities.
- ☐ it does not reflect the problems of pollution and traffic congestion caused by production.

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