

Date ___/___/___

Given that,

$$\text{GDP Deflator} = 110.$$

How the value of GDP deflator is interpreted? For this we have to know the formula for GDP Deflator i.e.,

$$\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

✓ If GDP Deflator is 100, we can say that real GDP equals nominal GDP and there is no rise in the general price level.

But as the GDP deflator becomes more than 100, it shows the rise in the general price level.

Here, in this case it is 110 which shows that there is 10% rise in the general price level.

In this case, we can assume that

$$\text{Real GDP} = 100, \text{ Nominal GDP} = 110$$

$$\text{then GDP Deflator} = \frac{110}{100} \times 100 = 110$$

So, now we can conclude that

∴ 10 shows 15% of growth.

∴ 1 will show $\frac{15\%}{10}$ growth i.e.,

$$= \frac{15\cancel{\%}}{10 \times 100} = \frac{15}{1000}$$

∴ 100 will show $\frac{15}{1000} \times 100$
(Real GDP)

= 1.5% Growth.