

because the quantity of every good produced remains the same.

Nominal GDP

The value of goods and services measured at current prices is called nominal GDP.

Real GDP

This is the value of goods and services measured using a constant set of prices. That is, Real GDP shows what would have happened to expenditure on output if quantities had changed but prices had not.

Note Real GDP provides a better measure of economic well-being than nominal GDP. — day

~~Because~~ As prices are held constant while calculating Real GDP, it varies from year to year only if the quantities produced vary. Because a society's ability to provide economic satisfaction for its members ultimately depends on the quantities of goods and services produced.