

GDP Price Deflator

Like the consumer price index (CPI), the GDP price deflator (GDP stands for gross domestic product) is a measure of the degree of general price inflation or deflation in the economy. However, the GDP price deflator is ***not*** calculated by measuring a fixed basket of goods and services.

The GDP price deflator is the number necessary to convert nominal GDP into real GDP. And the “basket” it utilizes is allowed to vary. Also the GDP price deflator is calculated by the U.S. Bureau of Economic Analysis, not the Bureau of Labor Statistics.

CPI is usually more widely reported, but the GDP price deflator is usually viewed by market professionals as more accurate; and for those people who care about inflation only to the extent that it affects the economy, corporate profits, and stock prices, the GDP price deflator is more relevant than the CPI.