Student ID: 6304641258

Question 1 Fill in the blanks. You must show your work.

Year	2014	2015
Nominal gross national income (GNI) ($ billion)	291.53	425.38
Factor income sent abroad ($ billion)	68.30	75.90
Factor income earned abroad ($ billion)	8.13	9.49
Nominal gross domestic product (GDP) ($ billion)	231.36	358.97
GDP deflator	100 = 1	100.88 = 1.0088
Real GDP ($ billion)	231.36	355.83866201

$\frac{358.97}{1.0088}$

2014 GDP = GNP − (Factor income from abroad − Factor income to abroad)

= 291.53 − (68.30 − 8.13)

= 231.36

2015 GNP = GDP + (Factor sent abroad − Factor earned abroad)

= 358.97 + (75.9 − 9.49)

= 425.38

2014 Real GDP = $\frac{\text{Norminal GDP}}{\text{deflator}}$ = $\frac{231.36}{1}$ = 231.36

Current CPI − Past CPI ÷ Current CPI ×100

Question 2 Fill in the blanks. You must show your work.

Year	2012	2013	2014	2015
Consumer price index (CPI)	99.08	100.55	102.51	107.52
Inflation rate (%)	–0.92	1.48	1.95	4.89
Employed (millions)	12.50	12.60	12.85	13.05
Unemployed (millions)	0.99	0.71	0.68	0.61
Population (millions)	20.75	21.48	21.82	22.02
Unemployment rate (%)	7.33	5.33	5.03	4.47

$\frac{0.99}{13.49}$ ×100 = 7.3387

$\frac{0.71}{13.31}$ ×100 = 5.3343

$\frac{102.51 - 100.55}{100.55}$ ×100 = 1.95

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Question 3 Calculate GDP and GNP. You must show your work.

Item	$ billion
Imports	289
Transfer payments	253
Saving	82
Exports	234
Income from employment	1160
Taxation	396
Consumer spending	745
Investment	229
Net factor income from abroad	–111
Government spending on goods and services	437

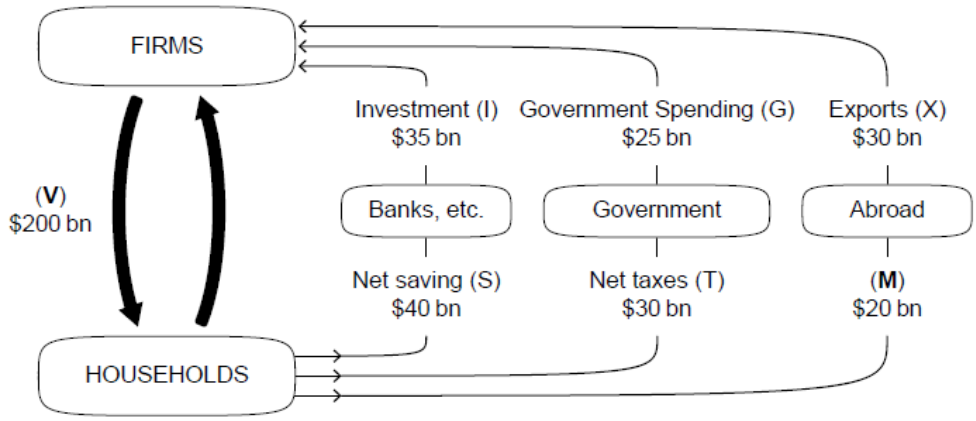
GDP = C + I + G + (X - M)

GDP : 745 + 229 + 437 + (234 - 289) = 1356

GNP : GDP - Net income

= 1356 + (-111) = 1245 #

Question 4 Answer the following questions.



4.1 What do the flows (V) and (M) represent?

V : wage M : import

4.2 Does the government run a budget deficit or surplus? By how much?

Budget surplus ∵ because the different between the amount of Tax and spending is 5 bn which mean government gain 5 bn profit.

4.3 Does the country run a trade deficit or surplus? By how much?

trade surplus ∵ The amount of export is more than the import (30 - 20) = 10 bn.

4.4 Is the economy in equilibrium? Why or why not?

The economy in equilibrium injection equal to leakage

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Question 5 Why does CPI tend to be higher than GDP deflator?

Year	Consumer price index (CPI)	GDP deflator	GDP ($ million)
2014	100	100	4465
2015	105.35	105.11	4814
2016	109.21	108.92	5026

CPI tend to be higher than GDP deflator because CPI fixed quantity but price can change it make overall CPI have higher than GDP deflator because inflator affect the price of product higher than previously

Question 6 Answer the following questions.

	Price per unit in dollars ($)	
	2013	2014
Pizza	12.50	12.90
Chocolate milk (litres)	1.15	1.25
Jazz concert	45.00	46.00
Total cost of the typical basket	58.65	60.14

for 2013 ; (12.5)(10) + (1.15)(100) + (45)(10) = 690

2014 ; (12.9)(10) + (1.25)(100) + (46)(10) = 714

The typical basket of goods purchased by an average consumer consists of 10 pizzas, 100 litres of chocolate milk and 10 jazz concerts.

6.1 With 2013 as the base year, calculate CPI of 2013 and 2014.

CPI 2013 : $\frac{690}{690} \times 100 = 100\%$

2014 : $\frac{714}{690} \times 100 = 103.48\%$

6.2 Calculate the inflation rate of 2014.

Inf rate 2014 : $\frac{103.48 - 100}{100} \times 100 = 3.48\%$

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Question 7 Fill in the blanks. You must show your work.

Year	Nominal GDP ($ billions)	GDP deflator	Real GDP ($ billions)	Annual real growth rate (%)	Population	Real GDP per capita ($)
2014	308.12	98.9	311.54		13 273 644	23470.5
2015	321.99	100	321.99	3.35%	13 340 012	24137.2
2016	332.65	102.2	325.49	1.09%	13 473 412	24157.9

$\frac{RGDP}{pop}$

R GDP 2014 : $\frac{308.12}{0.989}$: 311.54

R GDP 2015 : $\frac{321.99}{1}$: 321.99

RGDP 2016 : $\frac{332.65}{1.022}$: 325.49

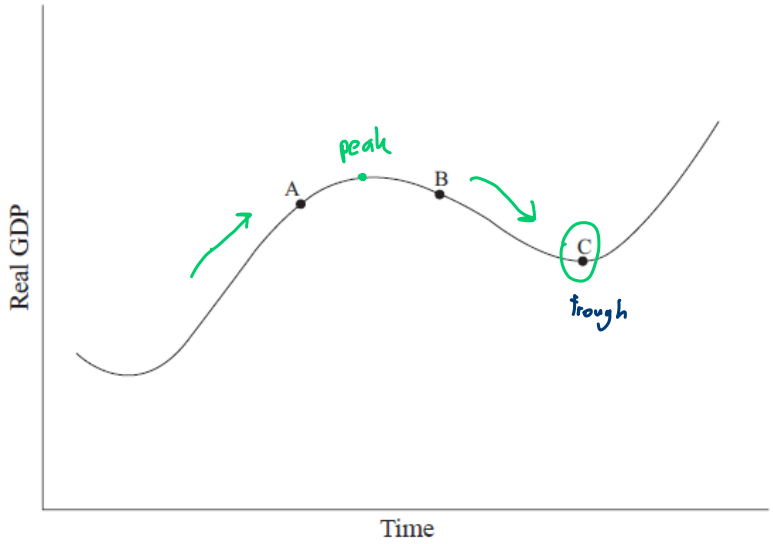
growth rate 2015 : $\frac{321.99 - 311.55}{311.55} \times 100$

: 3.35%

2016 : $\frac{325.49 - 321.99}{321.99} \times 100$

: 1.09%

Question 8 Based on the data above, which position – A, B, or C – best describes the economy in 2016? Why?



(a) : Expansion time ▷ this period the economy is growing up

(B) : Recession time ▷ this period the economy is down.

(C) : trough ▷ this period is low economy have high unemployment rate

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Question 9 Answer the following questions.

Country A is a closed economy with no government. The marginal propensity to save in the country is 0.25.

9.1 Calculate the value of the (investment) multiplier.

Close economy no government MPS = 0.25

$\frac{1}{1-MPC} = \frac{1}{1-0.75} = \frac{1}{0.25} = 4$ MPS + MPC = 1 | MPC = 0.75

9.2 Due to the initial investment made by firms and the multiplier effect, the (equilibrium) output in the economy has increased by $200m. Calculate the value of the initial investment.

I_1 = sensitivity of investment to change income = 4

$\frac{\Delta Y}{\Delta I} = 4$ $Y \uparrow 1 = I \uparrow 4$

$Y \uparrow 200 = I \uparrow 800$

Country B is an open economy with government.

9.3 Do you think the multiplier effect in Country B will be larger than that of Country A? Why or why not?

The multiplier effect in Country B will be less than Country A because with the access of government, trade will be easier.