

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

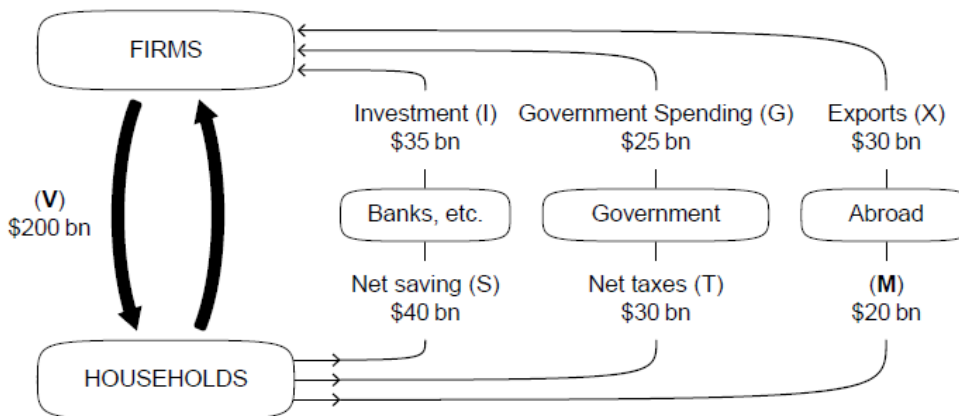
$GDP = \text{Consumer spending} + \text{Investment} + \text{Government spending} + (\text{export} - \text{import})$

$= 745 + 229 + 437 + (234 - 289) = 1356 *$

$GNP = GDP + \text{Net factor income from abroad}$

$= 1356 + (-111) = 1245 *$

Question 4 Answer the following questions.



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

(M) = import (V) = income (wage, rent, profit, interest, dividend) good & service.

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

Budget surplus \$ 5 bn

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

trade surplus \$ 10 bn

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

the economy in equilibrium because injection equal to leakage.