

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

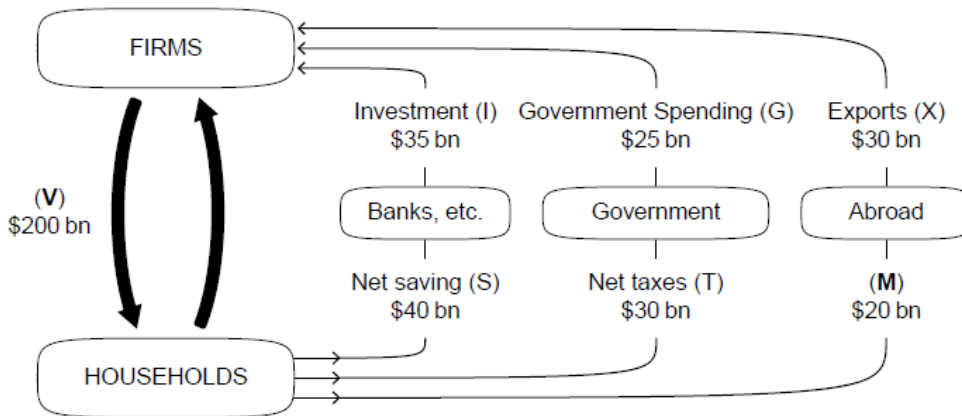
$$GDP = C + I + G + (X - M)$$

$$= 1356$$

$$GNI = GNP + NFPI$$

$$= 1356 - 111 = 1245$$

Question 4 Answer the following questions.



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

Flow V is flow of income in factor market. Flow M is import.

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

In this case government run a budget surplus by \$5 bn.

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

This is Trade surplus because $X > M$ by \$10 bn

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

$$\text{Injection} = \text{leakage} = \text{eq.} = S + T + M = I + G + X$$

$$90 = 90$$

equilibrium is equal to 90 because injection = leakage.