Rana alyousef

Macro H.W 1 miss miryam

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**College of Business Administration**

**ECON 1311- Macroeconomics**

**Homework 1 (10% of total grade)**

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| --- | --- |
| **Student’s Name:** | **Faten alnassar** |
| **Student’s ID:** | **201302248** |
| **Course Section:** |  |

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| --- | --- | --- | --- |
|  | Mark out of | % | Letter grade |
| Maximum Grade | 10 | 100 | A+ |
| Student’s Grade |  |  |  |

**INSTRUCTIONS:**

Answer all the questions below. Your answers can be either handwritten or typed on a computer. Please, don’t forget to include your name, ID and course section on your homework.

Hand in your homework as a **hard copy** either to me in person or leave your homework in the box in front of my office F098. The deadline for submission is **Thursday, October 13, 2016**. **Submission after the deadline is under no circumstances possible.**

The homework will account for 10% of your final grade.

**QUESTIONS:**

1. **GDP (Gross Domestic Product)**

**Newspaper article:**

**Focus Economics August 24, 2016:***Europe’s largest economy lost some steam but outperformed expectations in the second quarter of this year. GDP grew 0.4% quarter-on-quarter, down from Q1’s two-year high of 0.7%. Trends within the domestic economy were divergent, with investment performing weakly and consumption remaining robust. Fixed investment deteriorated, swinging from Q1’s 1.7% increase to a sharp 1.5% drop in Q2, marking the largest fall in over four years. A temporary decline in construction investment was partly behind this fall: construction activity was exceptionally strong in Q1 as a mild winder allowed it to be front-loaded and Q2’s drop reflects normalization in construction. Conversely, household and public spending continued to support growth in Q1, though to a lesser extent than in the previous quarter. Private consumption slowed but still grew 0.2%. A strong labor market, rising wages and subdued inflation have been fueling private consumption in recent quarters and continued to do so in Q2. Government consumption decelerated but remained solid at a 0.6% growth rate in Q2.*

1. According to the above news article by how much did the German economy grew in the second quarter of 2016? **(0.5 Points)**

0.4%

1. List the components of the GDP equation that are mentioned in the news article. **(1 Point)**

Government expenditure

Consumption (Private consumption)

Investments (fixed and construction investments)

1. By how much did each of the components of the GDP equation grew in Q2 2016?**(2 Points)**

Government expenditure= 0.6%

Investments= Decreased by 0.2%

Consumption = 0.2%

1. **Calculate GDP**

|  |  |
| --- | --- |
| Item | Billions of $ |
| Consumption expenditure | 8,000 |
| Investment | 3,000 |
| Government Expenditure | 2,000 |
| Exports | 10,000 |
| Imports | 6,000 |

1. Calculate the GDP of the economy in the table above.**(1.5 Points)**

**GDP=G+I+C+NX**

**GDP=$2,000+$3,000+$8,000+ $(10,000-6,000)**

**GDP= $17,000**

**3.) Unemployment**

The table below shows the results of a labor survey for an imaginary country. Use the numbers to answer the questions below.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Population | Working age population | Non-working age population | Labor force | employed | unemployed |
| Total | 500,000 | 380,000 | 120,000 | 250,000 | 220,000 | 30,000 |
| Men | 230,000 | 180,000 | 50,000 | 150,000 | 140,000 | 10,000 |
| Women | 270,000 | 200,000 | 70,000 | 100,000 | 80,000 | 20,000 |

1. Calculate the unemployment rate for the whole country **and** calculate the unemployment rate for men and woman separate. **(1.5 Points)**

Unemployment Total:

(Unemployed/labor force)\*100

30,000/250,000\*100

=12%

Unemployment Men:

(Unemployed men/labor force men)\*100

10,000/150,000\*100

= 6.67%

Unemployment Women:

(Unemployed women/Labor force women)\*100

20,000/100,000\*100

= 20%

1. Calculate the labor force participation rate for the whole country **and** calculate the labor force participation rate for men and woman separate. **(1.5 Points)**

Labor Force Participation Rate Total:

= 250,000/380,000\*100

= 65.79%

Labor Force Participation Rate Men:

= 150,000/180,000\*100

= 83.33%

Labor Force Participation Rate Women:

= 100,000/200,000\*100

= 50%

**4.) Inflation**

A typical family in forest country consumes only nuts and orange juice. Last year, which was the base year, the family bought 35 tons of nuts and 50 gallons of orange juice. In the base year, nuts cost $600 a ton and orange juice cost $300 per gallon. This year, a ton of nuts costs $625 and a gallon of orange juice costs $310. Calculate the Consumer Price Index (CPI) **and** calculate the inflation rate.**(2 Points)**

**Consumer price index= (price of goods in current year/price of goods in base year)\*100**

Price of goods in current year= ($625\*35)+($310\*50)

= $37,375

Price of goods in base year= ($600\*35)+($300\*50)

=$36,000

CPI= $37,375/$36,000\*100

CPI= 103.8

Inflation rate:

Inflation rate= Difference in CPI between the 2 years/CPI of base year \* 100

103.8-(100/100\*100)

= 3.8%