



## **Principles of Macroeconomics**

Section 1 2021 Session

### **Principles of Macroeconomics (SBSD 1053)**

#### **Group Assignment 1**

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## Question 1

1. The macroeconomics fundamentals that will be discussed in this report are Gross Domestic Product (GDP), unemployment rate, inflation, and imports of goods and services. All of the data are from the World Development Indicators (WDI). Countries that will be discussed in this report are Indonesia, Japan, France and Germany.

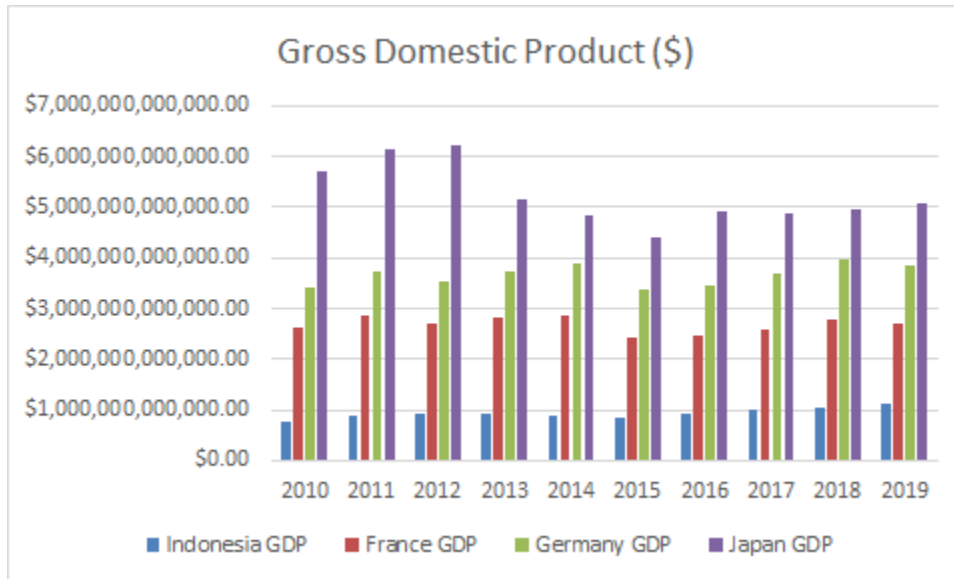


Figure 1.1

According to the graph shown in Figure 1.1, the data shows that Japan has the highest level of GDP compared to Germany, France and Indonesia. The country's GDP from 2010-2019 reached its highest level in 2012 and experienced its lowest in 2015. After having suffered a heavy blow in 2009 with a growth rate of minus 5.53 percent, Japan may rise the following year, recording a significant growth rate of 4.65 percent. However, after that the economy was sluggish again with a negative growth rate of 0.45 percent. In 2012 and 2013, Japan was again able to record positive growth of 1.75 percent and 1.65 percent, respectively. However, in 2014, the country's economic growth rate decreased, recorded as negative 0.1 percent.

Then followed by Germany and France which have stable GDP each year, and Indonesia which occupies the lowest position. Unlike Japan, Indonesia experienced a slowdown in economic growth from 2011 to 2015, but its economy remained stable at around 3.5 percent year on year

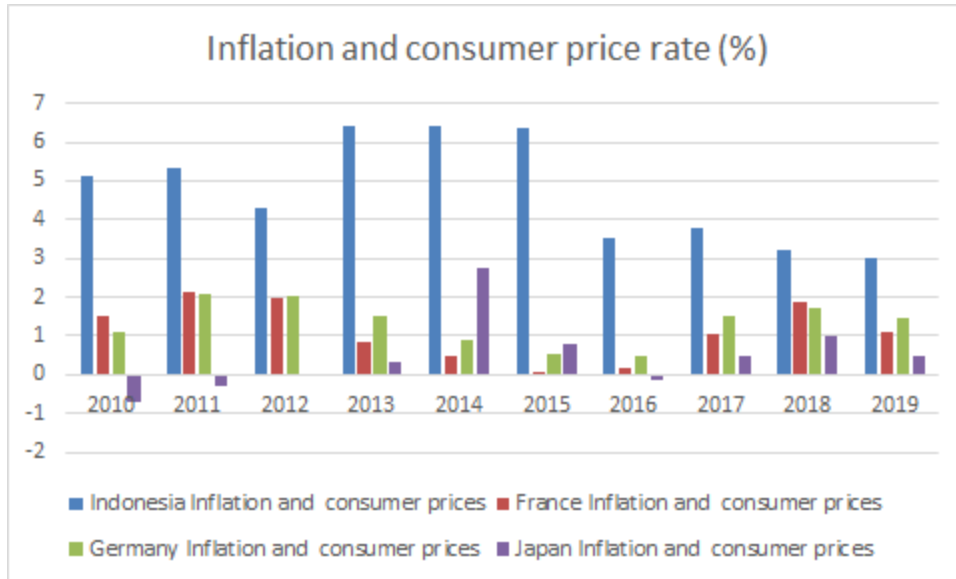


Figure 1.2

According to the graph in Figure 1.2, it can be shown that Indonesia has the highest percentage of inflation from 2010 to 2019. One of the reasons for Indonesia's highest number is because of the rise in the price of raw materials and the circulatory system of money has increased. Similarly, inflation in Germany has a high valuation as compared to France and Japan from 2010 to 2012, but also from 2018 to 2019. Both can be shown that Germany and France have almost the same number of presentations, but Germany's percentages are higher than France's. And, as seen in the graph, Japan has a lower presentation of the rate of inflation, which is due to Citizens with a quite small consumer spending for goods.

As we can see inflation have effect impact to income, the financial cost, spending capital, investments, corporate and government bond rates, and any other part of a country's economy are all affected.

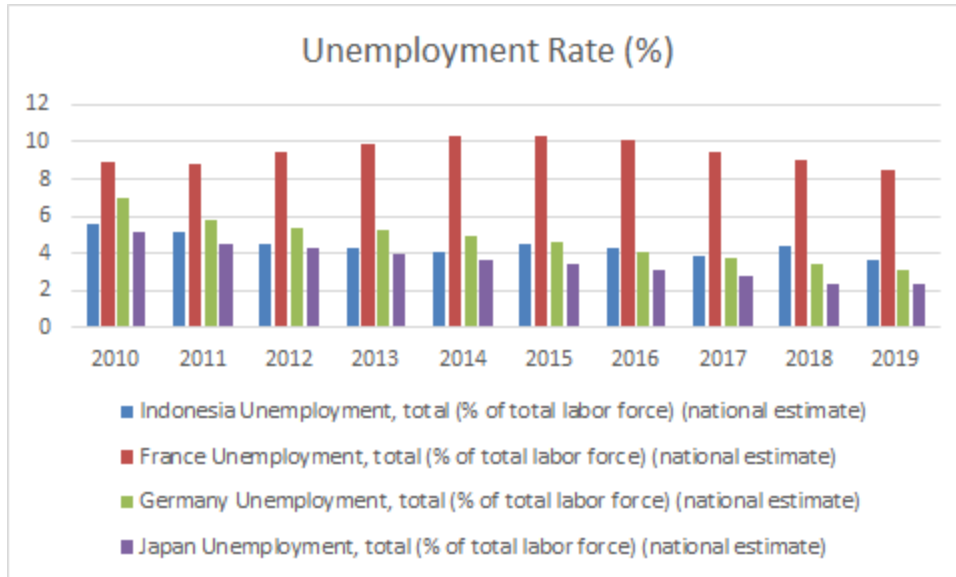


Figure 1.3

Unemployment is a term used to describe individuals who are employable and actively seeking a job but are unable to find a job. From the graph in Figure 1.3, we can clearly see that France has the highest unemployment rate compared to other countries. Although the unemployment rate in France has continued to improve since 2014 which is a sign of positivity. If we compare France's unemployment rate to Germany, it is very inversely proportional. Germany's unemployment rate is closer to Indonesia and Japan. France has around 6.6 million people unemployed in 2014.

Every country has good unemployment rate development. The graph of every country shows that after reaching their peak, the percentage of unemployment keeps decreasing. Japan has the lowest unemployment rate compared to other countries, with only 2.4% in 2019 which is around 3 million people. Japan is also known as one of the countries with the lowest unemployment rate and high GDP per capita. Late 2019 might be a hard time for every country because most of the companies release some of their employees to deal with the Covid19 pandemic, and makes the unemployment rate somehow increase by a bit.

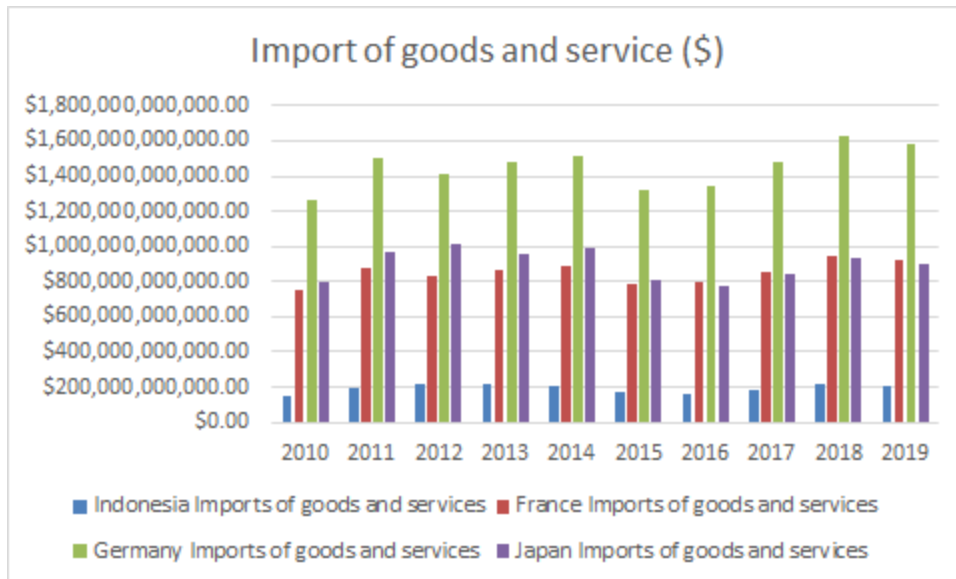


Figure 1.4

Based on the graph shown in Figure 1.4 it can be seen that Indonesia is the lowest when it comes to import of goods and services. The amount of import of goods and services for Indonesia tends to be more stable than the other three countries. Meanwhile, Germany leads as the country with the most imported goods and services followed by Japan and France. Even though Germany imports the most from the other three countries, Germany has been facing an export surplus for years.

Usually, import is associated with export. The statistic between import and export is something that can determine the economy of a country. Indonesia might have the lowest import goods and services, but Indonesia still needs to import less in order to have a better economy. From these four countries, Indonesia is the only country that needs to import less because the other three countries, Germany, Japan, and France, export more than import. Especially Germany who has been facing an export surplus for years that made them might face some disadvantages.

In 2020, these countries might face decreases in terms of import and export since there was a pandemic of Covid-19 that slowed down the economy of almost every country all over the world and postponed the travelling and shipping process.

## Question 2

There are a few macroeconomics issues discussed in the International Monetary Fund (IMF) World Economic Outlook video. Covid-19 pandemic has been the biggest threat for the economy since early 2020. It was said that covid-19 deaths have doubled to over two million since the IMF's forecast in October. The mutating virus also adds to the uncertainty of the future of the economy. Even though the estimated collapse for 2020 is rather less dire than the IMF have projected in October, the crisis in 2020 still remains the worst peacetime global contraction since the Great Depression. Because of the partial nature of the rebound, per capita incomes in over 150 economies are projected to be lower in 2021 than they were in 2019.

Oil exporters and tourism-dependent economies also have been hit especially hard, and their prospects appear to be dire, considering that oil prices remain low and cross-border travel is unlikely to resume anytime soon. Moreover, in 2021 lots of individuals are expected to enter extreme poverty following mass unemployment especially individuals that are less educated, informal workers, youth and women.

The policies mentioned in IMF World Economic Outlook video are the urge of accelerating vaccinations in all countries, setting a well targeted economic lifelines to households and firms where the virus is surging to help maintain livelihoods and prevent bankruptcies of otherwise viable firms, the ensurement of financial stability and providing more help to the poorer nation.

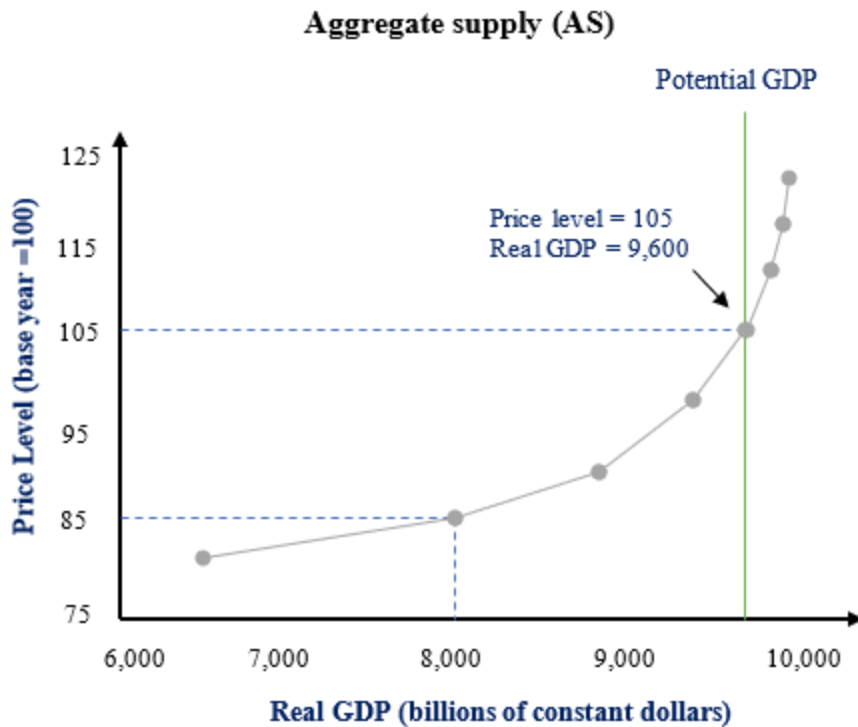


Figure 2.1

The horizontal axis of the diagram shows real GDP (level of GDP adjusted for inflation). The vertical axis shows the price level. Price level is the average price of all goods and services produced in the economy. The AS curve describes how suppliers will react to a higher price level for final outputs of goods and services while the prices of inputs like labor and energy remain constant.

If firms across the economy face a situation where the price level of what they produce and sell is rising but their costs of production are not rising, then the lure of higher profits will induce them to expand production. A higher price level for outputs continues to encourage a greater quantity of output.

From the four policies, beside the acceleration of vaccination, the other three policies can affect the aggregate supply curve. Since the horizontal axis of the diagram shows real GDP (level of GDP adjusted for inflation), these policies might help the producers to maintain and maybe increase their goods or services.

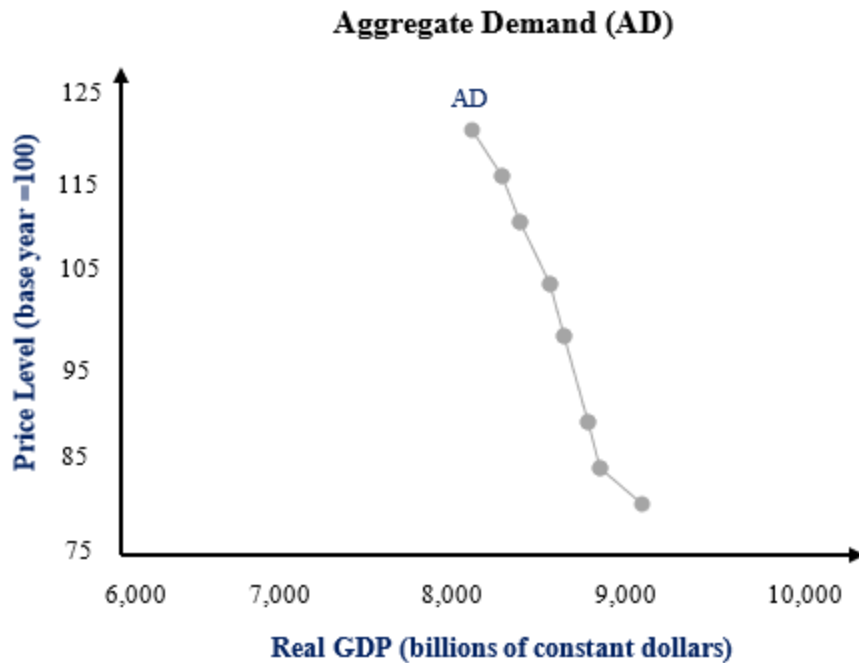


Figure 2.2

An aggregate demand curve shows the total spending on domestic goods and services at each price level. downward slope indicates that increases in the price level of outputs lead to a lower quantity of total spending.

All of the four policies can affect the Aggregate Demand Curve. The acceleration of vaccination and setting economic lifelines are related with the AD curve's components which is consumption spending. Meanwhile the other two policies can be considered as the investment and government spending which are also the components of AD.