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Q1 :Define macroeconomics and how it differs from microeconomics?

Ans: **Macroeconomics:**

Macroeconomics is the branch of economics that studies the behavior and performance of an economy as a whole. It focuses on the aggregate changes in the economy such as unemployment, growth rate, gross domestic product and inflation

Microeconomics:

Microeconomics is the branch of economics that analyzes market behavior of individuals and firms in order to understand their decision-making

Microeconomics	Macroeconomics
Individual markets	Whole economy (GDP)
Effect on price of good	Inflation (General price level)
Individual labor market	Employment/unemployment
Individual consumer behavior	Aggregate demand (AD)
Supply of good	Productive capacity of economy

Q2; what is grass domestic product and what's are its components?

Ans: GDP:

GDP is the monetary value of all the finished goods and services produced within a country's borders in a specific time period and includes anything produced by the country's citizens and foreigners within its borders. It is primarily used to assess the health of a country's economy.

GDP is the most closely watched and important economic indicator for both economists and investors alike because it is a representation of the total dollar value of all goods and services produced by an economy over a specific time period. As a measurement, it is often described as being a calculation of the total size of an economy.

To avoid double-counting, GDP includes the final value of the product, but not the parts that go into it. For example, a footwear manufacturer uses shoelaces and other materials made in that country, but only the value of the shoe gets counted; the shoelaces don't.

The GDP growth rate is the percentage increase in GDP from quarter to quarter, and it changes as the economy moves through the business cycle. If the growth rate is negative, the economy contracts, and it signals a recession. If it contracts for years, that's a depression. If the growth rate is too high, it creates inflation.

Components of GDP:

The four components of gross domestic product are as follows:

1. Personal Consumption:

Personal consumption expenditures (PCEs) are imputed household expenditures defined for a period.

2. Business Investment:

The business investment includes purchases that companies make to produce consumer goods. But not every purchase is counted. If a purchase only replaces an existing item, then it doesn't add to GDP and isn't counted.

3. Government Spending:

Government spending or expenditure includes all government consumption, investment, and transfer payments.

4. Net Exports:

Imports and exports have opposite effects on GDP. Exports add to GDP and imports subtract.

Q3: What Is GNP and how it is calculated?

Ans GNP:

Gross National Product (GNP) is a measure of the value of all goods and services produced by a country's residents and businesses. It estimates the value of the final products and services manufactured by a country's residents, regardless of the production location.

GNP is calculated by adding personal consumption expenditures, government expenditures, private domestic investments, net exports, and all income earned by residents in foreign countries, minus the income earned by foreign residents within the domestic economy. The net exports are calculated by subtracting the value of imports from the value of the country's exports.

Gross National Product considers the manufacturing of tangible goods such as vehicles, agricultural products, machinery, etc., as well as the provision of services like healthcare, business consultancy, and education. GNP also includes taxes and depreciation. The cost of services used in producing goods is not computed independently since it is included in the cost of finished products.

How to calculate GNP?

The formula for calculating GNP of a country is as follows:

GNP= GDP + Net Income Inflow from Overseas – Net Income Outflow to Foreign Countries

Whereas,

GDP= Consumption + Investment + Government Expenditure + Exports – Imports

Q4: Explain what per capita income and what's PCI of Pakistan for 2020?

Ans: Per Capita Income:

Per capita income (PCI) or average income measures the average income earned per person in a given area (city, region, country, etc.) in a specified year. It is calculated by dividing the area's total income by its total population.

Per capita income is national income divided by population size. It is often used to measure a sector's average income and compare the wealth of different populations. It can also be used to measure a country's standard of living. It is usually expressed in terms of a commonly used international currency such as the euro or United States dollar, and is useful because it is widely known, is easily calculable from readily available gross domestic product (GDP) and population estimates, and produces a useful statistic for comparison of wealth between sovereign territories. This helps to ascertain a country's development status. It is one of the three measures for calculating the Human Development Index of a country. Per capita income is also called average income.

Per Capita Income of Pakistan for 2020:

The GDP per capita is obtained by dividing the country’s gross domestic product, adjusted by inflation, by the total population.

The Gross Domestic Product per capita in Pakistan was last recorded at 1185.50 US dollars in 2019. The GDP per Capita in Pakistan is equivalent to 9 percent of the world's average.

Whereas, GDP per capita in Pakistan is expected to reach 1130.00 USD by the end of 2020, according to Trading Economics global macro models and analysts' expectations. In the long-term, the Pakistan GDP per capita is projected to trend around 1190.00 USD in 2021 and 1250.00 USD in 2022, according to the latest econometric models.