



Individual homework 1

Revised: September 12, 2011

Due Monday October 3rd at the start of class

1. *Forecasting* It's your first day at Toyota USA. Your first assignment is to summarize the macroeconomic conditions most likely to affect the US market for Toyota cars. Your boss explains that growth, employment, inflation are likely to have an impact on the US demand for Toyotas. She asks, specifically, for your forecasts of
 - (a) Economic growth: the (annualized) growth rate of real GDP in the third quarter 2011. The advance estimate for the third quarter is scheduled for release October 27th at 8.30AM by the **Bureau of Economic Analysis**.
 - (b) Employment: the seasonally adjusted change in non-farm payroll employment number for September 2011, and the seasonally adjusted unemployment rate for September 2011, scheduled for release by the **Bureau of Labor Statistics** on October 7, 2011 at 8.30 AM.
 - (c) Inflation: the monthly rate of inflation for the seasonally adjusted consumer price index (CPI) for all items less food and energy for September 2011, scheduled for release by the **Bureau of Labor Statistics** on October 19 at 8.30AM.

Each forecast should include a *very* brief rationale for it and should include the data and/or other sources you have used.

2. *National Accounts in Gopheria* Thanks to your solid economics training you land the job of CNA (Chief National Accountant) of Gopheria, a small country in South America founded by UoM graduates tired of the Minnesota winter. You have the following list of transactions for the year 2010.
 - (a) The local coffee shops sold \$10000 worth of coffee to local consumers. To produce the coffee they purchased \$2000 worth of beans from the local coffee growers. The coffee growers sold \$2000 of coffee beans to the local coffee shops and \$5000 to Starbucks (A foreign company).

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- (b) The local textile company bought \$1000 worth of wool from an Australian company and produced \$10000 worth of clothes. Of these clothes 60% were sold to domestic consumers 20% to the government of Gopheria and 20% to foreigners. The local textile companies also bought 10 trucks to do their deliveries, each worth \$1000, from FIAT (A foreign company).
 - (c) The local bananas producers produced \$50000 worth of bananas. \$30000 were sold to domestic consumers, \$10000 were sold to Chiquita (a foreign company) and \$10000 were sold to a local subsidiary of Dole (a foreign company). The subsidiary produced \$20000 worth of canned bananas that were sold to domestic consumers. Dole paid \$5000 in wages and repatriated the remaining income.
 - (d) The government raised \$2000 from Gopherians in taxes, paid \$1000 in pensions to retired Gopherians and purchased 1 Dell (A foreign Company) computer (worth \$1000) to keep track of its records.
 - (e) 3 Gopherians got consulting jobs in the US that gave each of them an income of \$500.

Calculate the following objects for 2010 in Gopheria: GDP, GNP, Private Consumption, Investment (Private and Government), Government Consumption, Current Account, Government deficit.