CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
OCTOBER 2024 SEMESTER

COURSE CODE	:	EGB11003
COURSE NAME	:	PRINCIPLES OF MACROECONOMICS
PROGRAMME NAME	:	BACHELOR OF SCIENCE (HONS) IN ANALYTICAL ECONOMICS
DATE	:	7 FEBRUARY 2025
TIME	:	9.00 AM – 12.00 PM
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES

1. **Please CAREFULLY read the instructions given in the question paper.**
2. **This question paper has information printed on both sides of the paper.**
3. This question paper consists of **TWO (2) Sections; Section A and Section B**.
4. Answer **ALL** questions in **Section A and Section B**.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. **This question paper must not be removed from the examination hall.**

THERE ARE FOUR (4) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

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SECTION A – Case Study (Total: 25 marks)

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

Question 1

KUALA LUMPUR (Oct 18): In anticipation of a better economic outlook on both domestic and external fronts, Malaysia's labour market is poised to remain stable in 2025. The unemployment rate is expected to drop further to 3.1%, reaching its lowest point in a decade as the economy gains momentum and structural reforms take effect.

This improvement in labour force participation is expected to be driven by strategies aimed at addressing structural issues in the labour market, particularly concerning wages and productivity. These initiatives are expected to enhance business efficiency and boost labour demand, the Ministry of Finance (MOF) said in its 2025 Economic Outlook report.

Total employment is projected to grow by 2.1%, reaching 16.6 million people, with more than 80% of job opportunities concentrated in the services and manufacturing sectors.

For 2024, the ministry forecasted the overall unemployment rate to be around 3.2% or 534,500 unemployed individuals, while total employment is expected to grow by 3.9% to 16.2 million people.

The jobless rate has been on a downward trend over the past five years after peaking during the Covid-19 pandemic.

In 2020, the unemployment rate surged to 4.5%, representing 686,600 individuals, up from 3.3% or 508,200 individuals in the previous year. The rate increased slightly to 4.6% (707,600 people) in 2021, before easing to 3.9% (614,500 individuals) in 2022. By 2023, it further declined to 3.4%, with 553,400 people unemployed.

The report also emphasized the need to create more skilled job opportunities in the country, noting that attracting quality investment in high-tech and innovative industries is fundamental.

"Strategies will be rolled out under Budget 2025 to improve the business environment by streamlining regulatory processes and targeted incentives to drive economic growth through a more competent and adaptable workforce," the report said.

Digitalisation to boost labour productivity

Labour productivity, measured by value-added per worker, is projected to rise by 2.7% to RM101,700 in 2025, spearheaded by wider adoption of advanced technologies, digitalisation and modern management practices across enterprises to enhance value chains, particularly in high-growth high value (HGHV) industries.

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"The ongoing implementation of upskilling initiatives such as the Academy in Industry programme reflects the government's continuous efforts to address talent supply-demand mismatches.

"Likewise, programmes such as the e-shared prosperity organisation, productivity grants and good regulatory practices, will further enhance business efficiency and productivity across sectors," the report said.

Reference: Lim., J. (2024, October 18). Unemployment rate to hit a decade low of 3.1% in 2025. *Theedgemalaysia.Com*. Retrieved from https://theedgemalaysia.com/node/730649.

(a) With reference to the abovementioned news article, answer all the following questions.

(i) Define unemployment.

(2 marks)

(ii) Calculate the labour force for the years 2020, 2021, 2022, and 2023.

(4 marks)

(iii) Using the data provided in the article, compare the trends in Malaysia's unemployment rate from 2020 to 2025.

(4 marks)

(iv) Based on the data provided, estimate the percentage change in total employment between 2024 and 2025.

(2 marks)

(b) Based on the article, it mentions structural reforms aimed at addressing the issues of unemployment such as wages and productivity.

(i) Explain how structural unemployment differs from cyclical unemployment.

(2 marks)

(ii) Explain how sectoral shifts in employment influence structural unemployment.

(3 marks)

(iii) Discuss how the Malaysian government's strategies outlined in the report can address structural unemployment.

(4 marks)

(iv) Propose two policies Malaysia could adopt to minimize unemployment caused by sectoral changes and evaluate their potential effectiveness.

(4 marks)

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SECTION B (Total: 75 marks)

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

Question 2

Item/Years	2020	2021	2022	2023
Factor income from abroad	500	400	350	500
Gross Investment	1230	1500	1550	1450
Factor income paid to abroad	100	80	150	130
Household Consumption	3200	3300	3150	3450
Net Domestic Product	4300	3200	3600	4200
Gross National Product	7000	7300	7700	8000
Average Price	2100	2300	2400	2500

Table 1: GDP of Country Y.

(a) Based on the table above, compute the GDP for each year (i.e. 2020 – 2023).
(8 marks)

(b) If the computed GDP is at market price and in the year 2020, Indirect Tax = 200 and Subsidy = 300, compute the GDP at factor cost for that year.
(3 marks)

(c) Given that Country Y is a closed economy, compute the Government Spending for each year (i.e. 2020 – 2023).
(8 marks)

(d) Identify and define the **THREE (3)** methods of calculating GDP.
(6 marks)

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Question 3

(a) If the consumption function is C=500+0.75Y*d*, Government Spending is 50, and the initial equilibrium income is RM 1,100 (million), what is the new equilibrium income when the Government Spending increases by 100? (*hint: use Multiplier*).

(3 marks)

(b) By using the relevant diagrams of aggregate demand, discuss the differences between:

(i) recessionary gap, and

(ii) an inflationary gap.

(12 marks)

(c) Clearly explain **THREE (3)** causes of inflation.

(3 marks)

(d) Discuss the roles of government during recession when expansionary fiscal policy is being implemented.

(7 marks)

Question 4

(a) Currency is the most common medium of exchange accepted as a standard of by all parties in settling economic transactions. Briefly explain **FOUR (4)** characteristics that currency have in order to be accepted as medium of exchange.

(8 marks)

(b) (i) What is money multiplier?

(2 marks)

(ii) Compute money multiplier if a central bank sets the required reserve ratio at 10 percent. Interpret your answer.

(6 marks)

(c) Commercial bank is one the financial institutions that offer loans and savings to the public. With the aid of tabulate calculation, show the process on how the commercial banks can generate money in the economy based on services provided. Assume that total first money that has been deposited in Bank A is RM175,000 with a 10 percent of required reserve ratio.

(9 marks)

END OF EXAMINATION PAPER

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