

# **Introduction to Macroeconomics**

**By**

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# Major Sectors of an Economy

- ▶ **Firms-** collect different factors of production produce goods, sell different products.
- ▶ **Households-** single individual or group of individuals who jointly take decisions, owners of factors of production, earn factor incomes, buy various goods.
- ▶ **The Government-** institution of state in an economy, making laws, enforcing laws, delivering justice to the people. Imposes tax and collect revenues, government spends on the purchase of food grains etc. to meet the needs of its defense force, spends to build public infrastructure.
- ▶ **External Sector-** trade relations with the rest of the world, receives payment of exports and makes payment for imports

# Final Goods & Intermediate Goods

- ▶ **Final Goods-** Ready for final use or consumption
- ▶ **Intermediate Goods-** used as raw materials for further production of other goods
- ▶ **E.g.** – Raw cotton and Cloth

# Types of Final Goods-

## Consumer Goods & Capital Goods

- ▶ **Consumer Goods**- Used to satisfy the human wants  
e.g.- Food, Clothing, Services of doctor and teacher
  
- ▶ **Capital Goods**- Meant for final investment.  
e.g.- Machines, tools, equipments

# Depreciation & Investment

- ▶ **Depreciation-** Fall in value of fixed assets due to normal wear and tear
- ▶ **Investment-** Addition to the stock of capital
- ▶ **Gross Investment-** An increase in the stock of capital goods in a year
- ▶ **Net Investment-** Real increase in the stock of capital after making payments of depreciation
- ▶ **Net Investment= Gross Investment- Depreciation**

# Stocks & Flows

▶ **Stocks-** At a point of time

e.g.- Cash in hand as on 6<sup>th</sup> June 2021

▶ **Flows-** Over a period of time

e.g. – Income of a household or a nation

# Factor Income & Transfer Income

- ▶ **Factor Income-** received in return of rendering services  
e.g.- **Rent, Wage, Interest, Profit**
- ▶ **Transfer Income-** Received without providing any services  
e.g.- Gifts, Donations, Subsidies, Scholarships

# Questions

- ▶ Describe the four major sectors in the economy
- ▶ Define final goods with example.
- ▶ What are intermediate goods? Give examples.
- ▶ What are consumer goods and capital goods?
- ▶ What is depreciation?
- ▶ What do you mean by stock and flow variables?
- ▶ Distinguish between factor income and transfer income.
- ▶ Define gross investment and net investment.



**Thank You**

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. These shapes are primarily located on the right side of the frame, with some extending towards the center. The overall composition is clean and modern.