**Name:** Shadab Iqbal

**ID:** 19101072

**Sec:** 08

**Mini Activity**

Q: WHICH FACTOR IS MORE AFFECTED BY THE CURRENT PANDEMIC?

**ANSWER:**

Actually both micro and macroeconomics are being affected but ‘**Macroeconomics**’ is being more influenced for the time being. As this is a pandemic, its’ impacts are now global.

* Factory workers due to staying at home is leading to interruptions in factories which eventually plays an important role in the fall in production and decrease in GDP.
* Spending less on Face to Face industries because of decreased number of customers, will drag the prices down in near future on these goods and services.
* Pandemic is also affecting exchange rates. Currencies of vulnerable states are weakening against other states’ currencies. The reasons are debts issued in foreign currencies, which are exceeding foreign exchange reserves, as well as dependence on commodity and energy exports.
* Increase in unemployment and decrease in output is caused by demand and supply shocks. Low-paid unskilled workers, as well as young workers, are much more suffering during a decrease in consumption.
* The temporary negative supply shock might be a reason behind the stagflation in short run-high unemployment and inflation, with falling in outputs as central banks tend to increase interest rates to react high inflation.

**Real life Example:**

Like most developing countries Uzbekistan’s one of the main sources of income comes from trade. And China is a significant trade partner in Uzbekistan. As China is struggling on its’ own to cope up with this pandemic, consumption decreases which leads to decrease of demand. For Uzbekistan, it means a decrease in trade operations with China. Lower consumption of oil and gas reduced the export of these types of goods and services form Uzbekistan. According to World Bank economic growth in Uzbekistan will be around 1.6% compared to predicted 5.7% growth before the pandemic. According to Seitz (2019) if money transfers stop the poverty rate in Uzbekistan will increase to 16.8 %. This will lead to the decrease of demand and consumption. With the lockdown, most firms, especially small enterprises, and businesses stopped operating, leading to a decrease in production. In the future, they will have a hard time dealing with their loans and obligations leading to decrease in revenue resulting in an increased rate of unemployment.