QTM350 Assignment 5

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Data Analysis

I conducted simple data analysis on the four selected indicators: `GDP per Capita`,`Life Expectancy`, `Unemployment Rate`, and `GDP Growth Rate`. Below is a table that includes descriptive statistics (mean, median, standard deviation, min, max). The distributions of these four indicators are also included. See Figure 1, Figure 2,Figure 3, Figure 4.

```
df = wdi[['gdp_per_capita', 'life_expectancy', 'unemployment_rate', 'gdp_growth_rate']].drop

descriptive_stats = df.describe().transpose()
descriptive_stats = descriptive_stats[['count', 'mean', 'std', 'min', '25%', '50%', '75%', '
descriptive_stats.columns = ['Count', 'Mean', 'Std Dev', 'Min', '25th Percentile', 'Median',

display(descriptive_stats)
```

```
/Users/apple/opt/anaconda3/lib/python3.9/site-packages/IPython/core/formatters.py:345: Future

In future versions `DataFrame.to_latex` is expected to utilise the base implementation of `St
```

	Count	Mean	Std Dev	Min	25th Percentile	Median	7
gdp__per__capita	178.0	17451.757472	23565.086367	259.025031	2298.698327	6861.582423	
life__expectancy	178.0	72.213439	7.856838	52.997000	66.099500	73.466000	
unemployment__rate	178.0	7.189169	5.831864	0.130000	3.500750	5.426000	
gdp__growth__rate	178.0	4.374640	6.411042	-21.401951	2.456264	4.112516	

```
plt.figure(figsize=(8,6))
sns.histplot(df['unemployment_rate'], bins=20, kde=True, color='red')
plt.xlabel("Unemployment Rate (%)")
plt.ylabel("Frequency")
```

```
plt.title("Distribution of Unemployment Rate")
plt.grid(True)
plt.show()
```
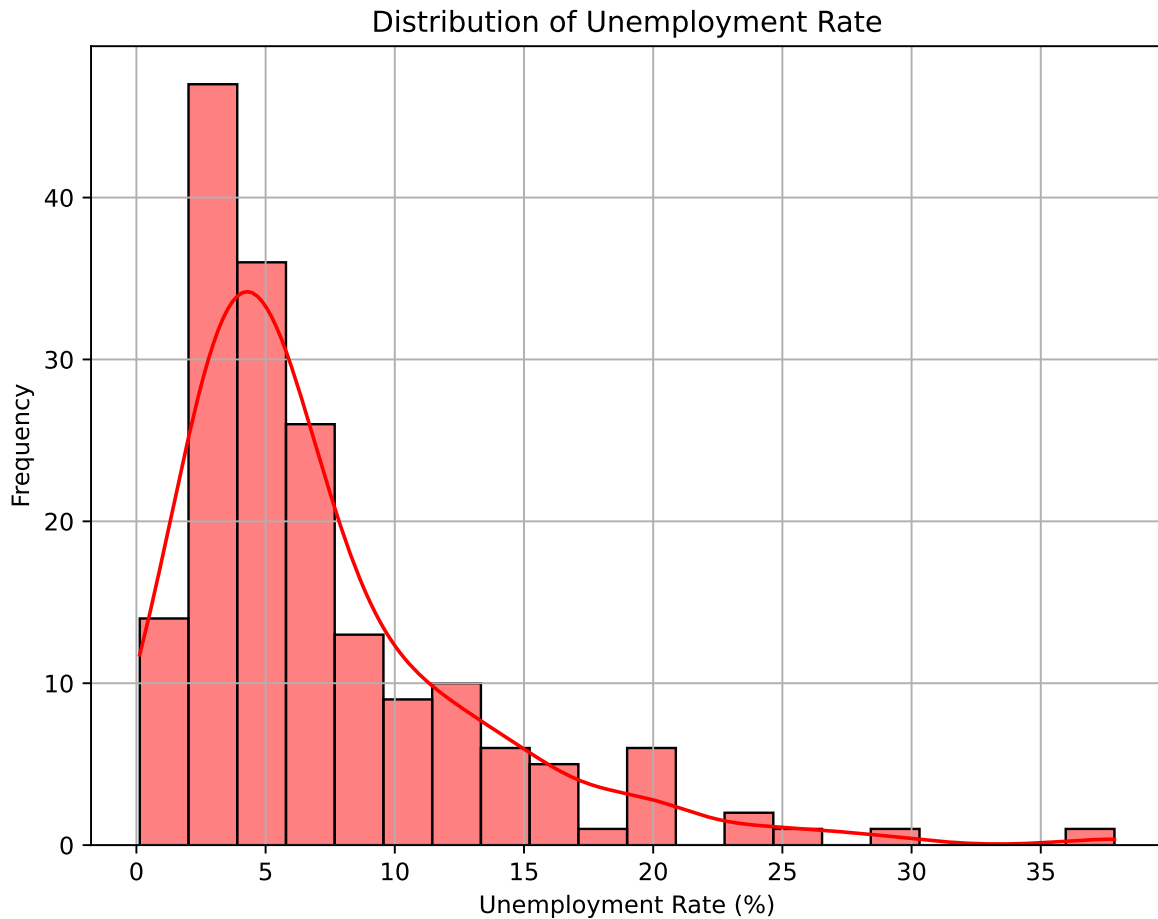
Distribution of Unemployment Rate

Figure 1: Unemplotment Plot

```
plt.figure(figsize=(8,6))
sns.histplot(df['gdp_growth_rate'], bins=20, kde=True, color='purple')
plt.xlabel("GDP Growth Rate (%)")
plt.ylabel("Frequency")
plt.title("Distribution of GDP Growth Rate")
plt.grid(True)
plt.show()
```
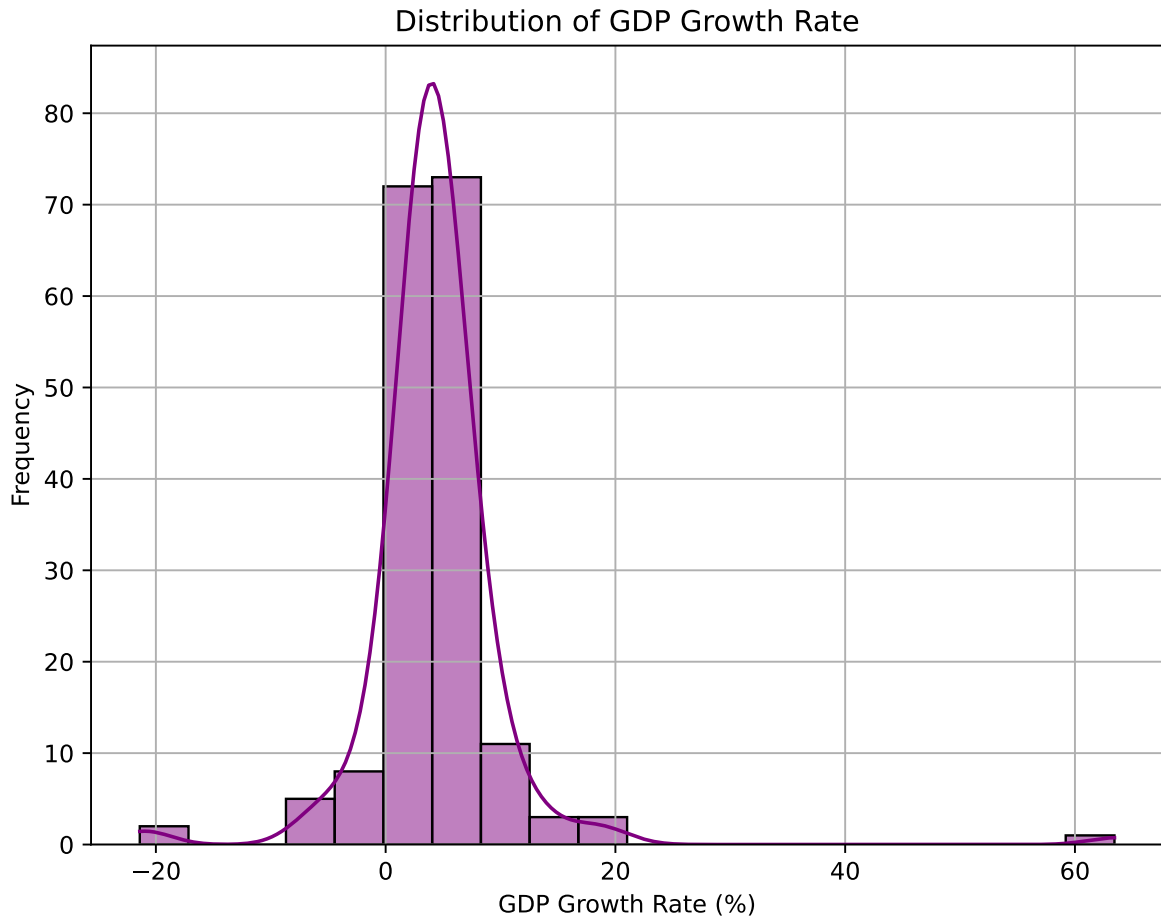
Figure 2: GDP Growth Rate Plot

```python
plt.figure(figsize=(8,6))
sns.histplot(df['gdp_per_capita'], bins=30, kde=True)
plt.xlabel("GDP per Capita (USD)")
plt.ylabel("Frequency")
plt.title("Distribution of GDP per Capita")
plt.grid(True)
plt.show()
```
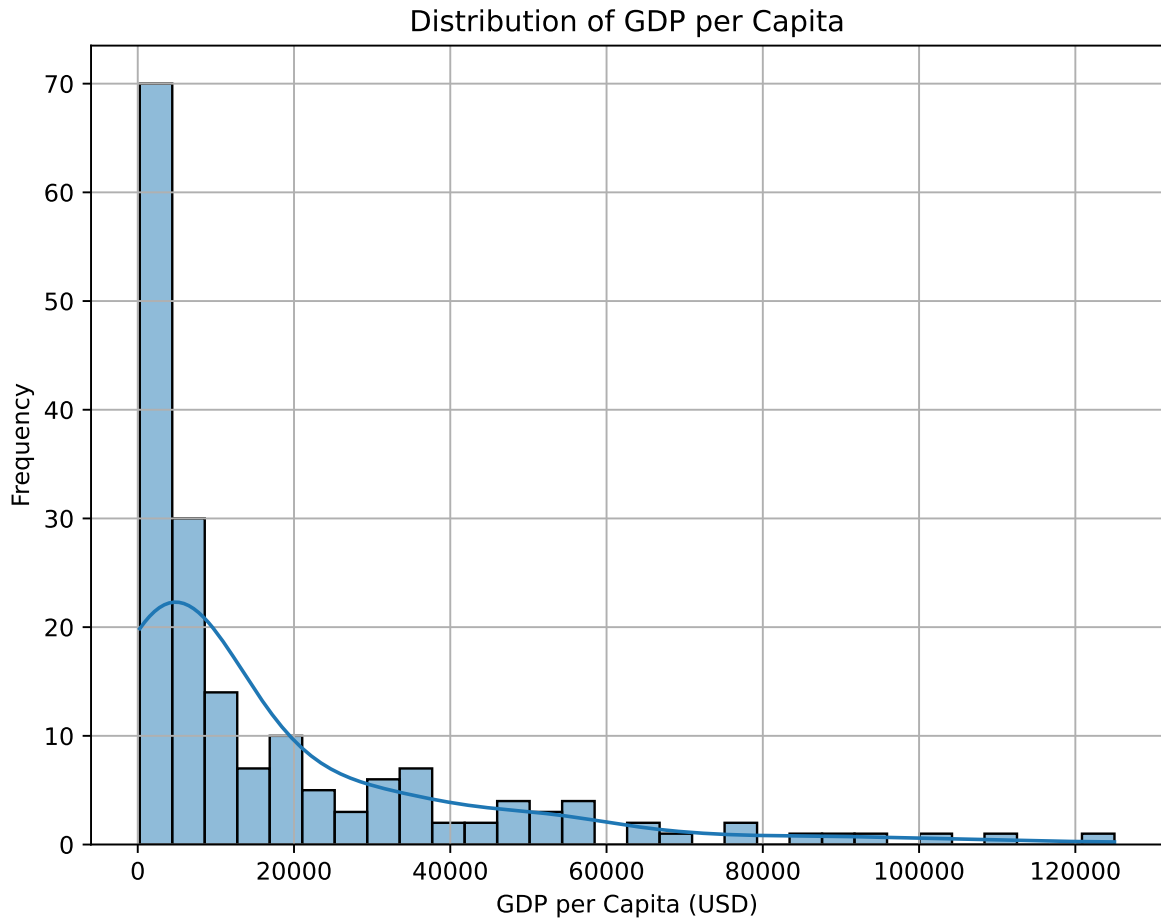
Figure 3: GDP per Capita Plot

```
plt.figure(figsize=(8,6))
sns.histplot(df['life_expectancy'], bins=20, kde=True, color='green')
plt.xlabel("Life Expectancy (Years)")
plt.ylabel("Frequency")
plt.title("Distribution of Life Expectancy")
plt.grid(True)
plt.show()
```

Distribution of Life Expectancy

Figure 4: Life Expectancy Plot

Further Analysis

Relationship Between GDP per Capita and Life Expectancy

In Figure 5, I applied scatter plot to visualize the relationship and calculated the pearson correlation between these two vairables.

```
df1 = wdi[['gdp_per_capita', 'life_expectancy']].dropna()

# Scatter plot
plt.figure(figsize=(8,6))
sns.scatterplot(x=df1['gdp_per_capita'], y=df1['life_expectancy'])
plt.xlabel("GDP per Capita (USD)")
plt.ylabel("Life Expectancy (Years)")
```

```
plt.title("Relationship Between GDP per Capita and Life Expectancy")
plt.grid(True)
plt.show()

# Pearson correlation
correlation = np.corrcoef(df1['gdp_per_capita'], df1['life_expectancy'])[0, 1]
print(f"Pearson Correlation: {correlation:.4f}")
```
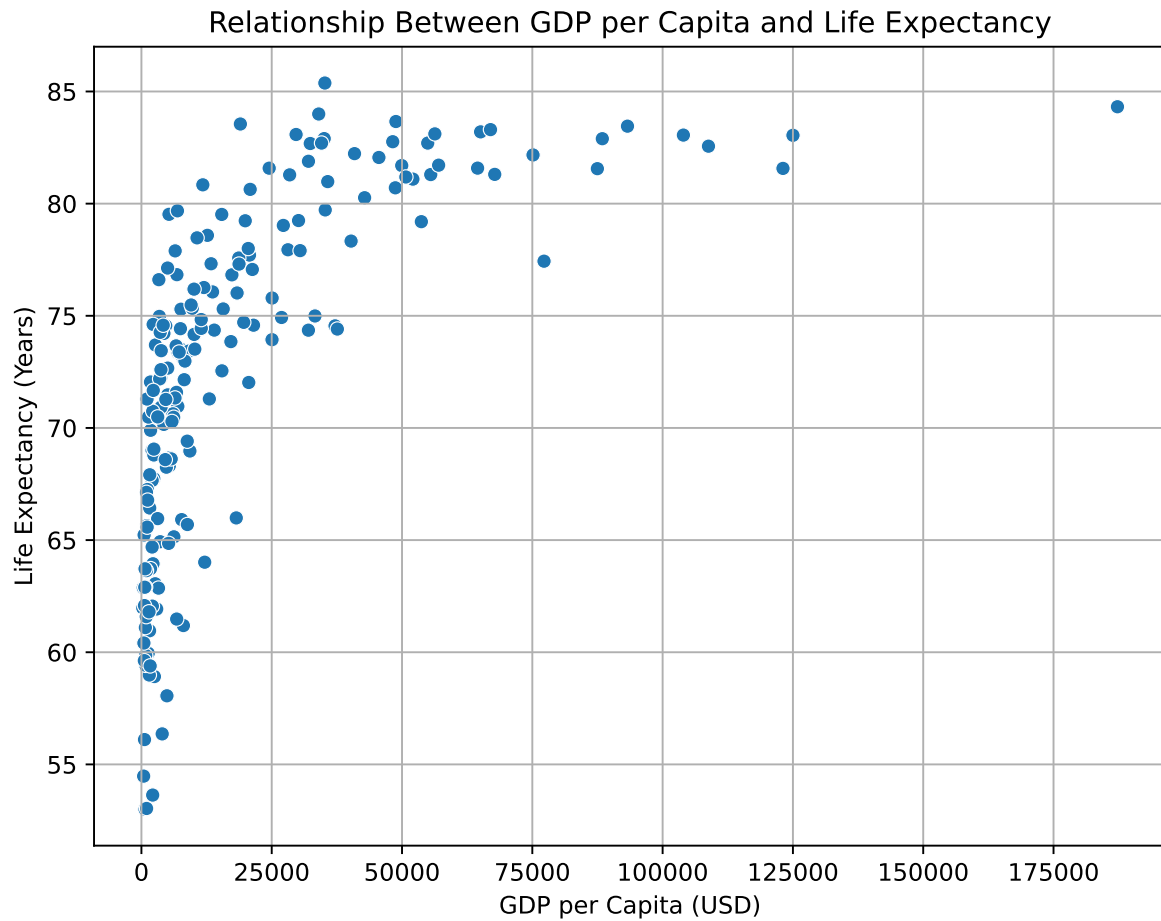

Figure 5: GDP per Capita and Life Expectancy

Pearson Correlation: 0.6386

Key Findings:

- There's a non-linear relationship between GDP per capita and life expectancy. The scatter plot indicates diminishing returns:
  - At lower income levels, life expectancy increases sharply with GDP per capita.
  - At higher income levels, the relationship flattens, meaning additional GDP per capita has a smaller impact on life expectancy.
  - This suggests that basic economic growth significantly improves life expectancy in low-income countries, likely due to better healthcare, sanitation, and living standards. However, beyond a certain level, other factors like lifestyle, healthcare quality, and aging play a bigger role.

- The Pearson correlation coefficient of 0.6386 suggests a moderate to strong positive relationship between GDP per capita and life expectancy.
  - This implies that, in general, countries with higher GDP per capita tend to have longer life expectancies.

Unemployment Rate vs. GDP Growth Rate

```
df2 = wdi[['unemployment_rate', 'gdp_growth_rate']].dropna()

plt.figure(figsize=(8,6))
sns.regplot(x=df2['gdp_growth_rate'], y=df2['unemployment_rate'])
plt.xlabel("GDP Growth Rate (%)")
plt.ylabel("Unemployment Rate (%)")
plt.title("Unemployment Rate vs. GDP Growth Rate")
plt.grid(True)
plt.show()

X = df2['gdp_growth_rate'].values.reshape(-1,1)
y = df2['unemployment_rate'].values.reshape(-1,1)

# Perform linear regression
A = np.hstack([np.ones((X.shape[0], 1)), X])  # Add intercept term
coefficients = np.linalg.lstsq(A, y, rcond=None)[0]   # Solve least squares
intercept, slope = coefficients.flatten()

print(f"Linear Regression Equation: Unemployment Rate = {intercept:.4f} + {slope:.4f} * GDP (
```
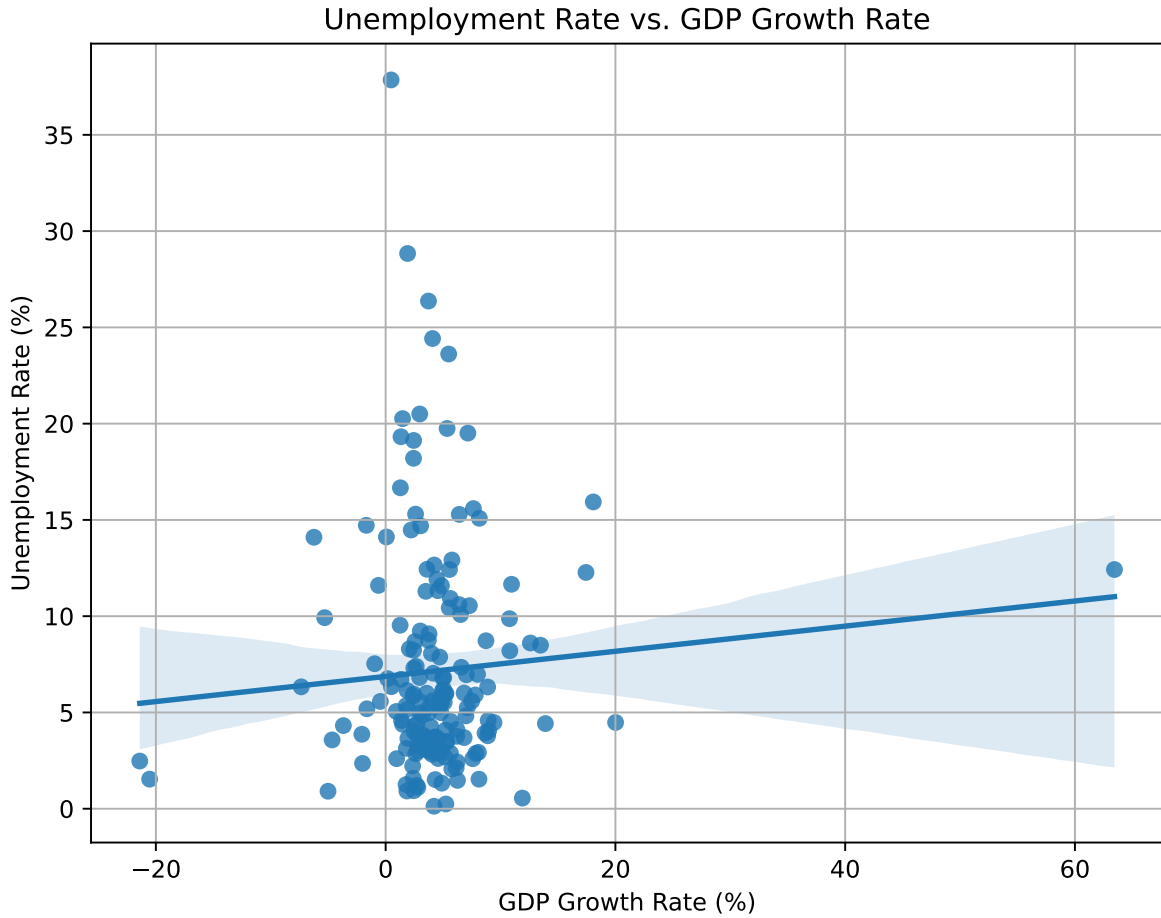
Figure 6: Unemployment Rate vs. GDP Growth Rate

```
Linear Regression Equation: Unemployment Rate = 6.8714 + 0.0653 * GDP Growth Rate
```

The data is obtained from the World Development Indicators by the World Bank (Bank 2024).

Key Findings

- The regression equation is

$$\text{Unemployment Rate} = 6.8714 + 0.0653 \times \text{GDP Growth Rate}$$

    - The intercept (6.8714) suggests that when GDP Growth Rate is 0%, the expected Unemployment Rate is around 6.87%.
    - The slope (0.0653) indicates that for each 1% increase in GDP Growth Rate, the Unemployment Rate increases by 0.0653%.

- The regression line shows a slight upward trend, suggesting a very weak positive relationship between GDP Growth and Unemployment. Normally, Okun's Law states that GDP growth should reduce unemployment, but this plot does not show a strong negative correlation.

- Many countries with similar GDP Growth Rates have widely different Unemployment Rates. Some outliers suggest that other factors influence unemployment more than GDP growth alone.

- The weak relationship could be due to structural unemployment, where economic growth does not directly translate into job creation. (Öner 2024)

- Labor market policies, automation, and demographic trends might be stronger drivers of unemployment than short-term GDP fluctuations. (Hayes 2025)

Table of Key Statistics

See Table 1.

Table 1: Summary

Indicators	Findings
GDP per Capita	A right-skewed distribution, meaning a few wealthy countries significantly raise the average. Extreme economic disparity between countries.
Life Expectancy	The distribution is bimodal, with peaks around 60-65 years and 75-80 years.
Unemployment Rate	Right-skewed distribution. The peak occurs around 4-6%, suggesting that many economies operate at these levels. Some countries struggle with much higher unemployment rates.
GDP Growth Rate	Approximately normal distribution, centered around 0-5% growth. Some extreme cases where GDP growth is highly negative (e.g., recessions) or very high (above 20%).
GDP per Capita vs. Life Expectancy	Economic development is strongly linked to life expectancy, but the effect is more pronounced at lower GDP levels.

Indicators	Findings
Unemployment Rate vs. GDP Growth Rate	No strong evidence that higher GDP growth reduces unemployment significantly. Other economic and policy factors likely play a larger role.

Bank, World. 2024. "World Development Indicators." https://databank.worldbank.org/source/world-development-indicators.

Hayes, Adam. 2025. "What Is Unemployment?" https://www.investopedia.com/terms/u/unemployment.asp.

Öner, Ceyda. 2024. "Unemployment: The Curse of Joblessness." https://www.imf.org/external/pubs/ft/fandd/basics/unemploy.htm.