



## THE ECONOMY: MACROECONOMIC SECTORS OF THE ECONOMY

There are four basic macroeconomic sectors of an economy, namely, household, business, government and foreign. These sectors reflect four key macroeconomic functions and are responsible for four expenditures on gross domestic product (GDP). Each sector has a unique role to play in macroeconomic activity.

**The household sector (the consumers)** – this sector includes everyone in society who consumes goods and services. In a complex economy, consumption is expenditure by the household sector for the purchase of final goods and services.

**The business sector (the producers)** – this sector produces the goods and services that are consumed by the household sector. It is responsible for production by combining the four basic resources i.e. labour, capital, land and entrepreneurship, while it buys raw materials, intermediate goods and other things. The most important purchase of the business sector is capital goods, or investment in capital which is important for future production. An economy which is not investing in capital will have production limitations in future.

**The government sector (the regulators and taxers)** – this sector affects resource allocation and production by imposing laws and regulations that force decisions that might not be made otherwise, on the rest of the economy. A government can choose to open up or close its economy, provide incentives to lure investment or enact nationalistic policies which scare away foreign investment or interfere less in the economy to let agents freely execute their business mandates. All this has an impact on the growth prospects of the economy. The government sector collects taxes and buys a share of the economy's production.

**The foreign sector (non-domestic participants)** - this sector is comprised of everyone and everything outside the political boundaries of the domestic economy. It includes households, businesses, and governments in other countries. Any resident, business or government of another country is part of the foreign sector.

**STAY SAFE! #Mask Up, #Maintain Social Distance, #Wash Hands, #Sanitise**

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