

How microeconomics affects business assignment

[Economics](#), [Microeconomics](#)



Businesses use microeconomics data to make a variety of critical choices, any one of which could mean the success or failure of their enterprise. How does macroeconomics affect business? Macroeconomics is the field of economics that studies the behavior of the economy as whole and not just specific companies, but the entire industries and economies. This study looks at economy-wide phenomena, such as Gross National product and how it is affected by changes in McKenzie 2 employment, national income, rate of growth, and price levels.

Macroeconomics look at how an increase or decrease in net exports and how it will affect a nation's capital account or how the Gross Domestic Product (GAP) would be affected by unemployment. Businesses uses macroeconomics to determine whether expanding production would be welcomed by the market or will consumers have enough money to buy the products, or will the products sit on shelves and gather dust. Why is it important for businesspeople to understand the fundamentals of each?

It is important for businesspeople to understand the fundamentals of micro- and macro- economic because they are both essential to sustain the overall growth and standard of the economy. What are the four stages of the business cycle? The four stages of the business cycle are: 1. Prosperity: is characterized by low unemployment and strong consumer confidence. 2. Recession: may include consumers postponing major purchases, layoffs, and decreased household savings. 3. Depression: occurs when an economic slowdown continues in a downward spiral over a long period of time.

Recovery: is consumer spending increases and business activity accelerates. McKenzie 3 In which stage do you believe the U. S. Economy is now? Why?

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US. Economy is now in a recovery stage. Research shows that the U. S. Economic data that has been trickling and it looks like 2015 could be a stronger year for the economy. The U. S. Has announced a strong of three-quarter gross domestic product (GAP) growth of 3. 9%. The U. S. Economy has been showing signs of sustained growth, not only in GAP growth, but also the jobs market is also improving with unemployment at 5. 8%.

Consumer confidence is up, and so too is retail spending. What is the gross domestic product? The Gross Domestic Product (GAP) is what the primary indicators use to gauge the health of a country's economy. It represents the total dollar value of all goods and services produced over a specific time period. What is its relationship to productivity? The relationship between gross domestic product and productivity goes hand in hand. In general, as productivity rises, so does an economy's growth and the wealth of its citizens. What are the effects of inflation on an economy?

Inflation affects both the economy of a country and its social conditions, as well as, the political and moral lives of its inhabitants. Inflation also devalues money, causing people to purchase less with what they have. McKenzie 4
What are the effects of deflation? Deflation generally exerts negative impact on a country's economic conditions. Deflation discourages both investment and expenditure. How does Consumer Price Index (ICP) works? Consumer price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, DOD and medical care.

The ICP is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in ICP are used to assess price changes associated with the cost of living. Explain the difference between monetary policy and fiscal policy. Monetary policy and fiscal policy are functional tools that allow policymakers to guide economic activity towards more desirable outcomes: higher growth, shortened recessions and controlled inflation.