

# Macroeconomics impact on business operations

[Economics](#), [Macroeconomics](#)



Macroeconomics is reflection of performance and structure of economics of a nation or a region.

Gross Domestic Produce (GDP), consumption, unemployment, inflation, international trade etc come in ambit of Macroeconomics. Whereas, microeconomic is about actions of businesses (firms) and consumers in determining demand- supply/ prices at market place.

A Business Operation is very much part of Macroeconomic activities cycle. Other than Business Operation or ' Corporation', other key elements of macroeconomic cycle are ' household', ' workforce', ' government' and ' financial market'.

For illustration, following aspect of macroeconomics directly impact a business function

Increase in consumption: Positive macroeconomics indicates healthy economy which means high consumption or growing demand for products. High market demand for a product leads to opportunity for efficient business operations, and growth in top line of the business house. However there are industry specific business cycles which may have certain lead/ lag with the overall macroeconomic health of region/ country.

International trade: In case government promote imports by local industry, there is adverse impact on related business operation as increase in intensity of local competition asks for business to redefine their business strategy. Whereas any sop extended in macroeconomic policy for increasing

exports would provide bigger market to the business, asking for increasing capacities and manpower.

**Monetary Policy:** Monetary policy is an important lever with government to control supply of money in the system. Tightening of money supply by fed / apex bank impacts a corporate/ business considerably. For a business operation to raise debt at lower interest rates, macroeconomics of the country must be in healthy shape. Countries like Russia, Brazil etc have used monetary policy other macroeconomic measures to contain galloping inflation effectively.

In nut shell each nation use macroeconomic measure to keep good economy health, efficient business operations and well being of public.

## **References:**

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2. Heijdra, B. J. and F. van der Ploeg (2002), Foundations of Modern Macroeconomics, Oxford University Press