

The macroeconomic environment analysis economics essay

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Introduction

Nike, Inc. was founded in 1964 and is headquartered in Beaverton, has become one of most recognizable companies all over the world. NKE is now the most popular brand in, not just America, but throughout the whole world. Nike is the world's leading sporting goods manufacturers, the company hold their wish for every athlete and offer them the best products as a glorious task. It is target market for their shoes, clothes, and other accessories are males and females between 18 and 35 years old. It also designs, distributes, and licenses athletic and casual footwear, apparel and accessories under the Converse, Chuck Taylor, All Star, One Star, Star Chevron, and Jack Purcell trademarks; and designs and distributes various action sports and youth lifestyle apparel and accessories under the Hurley trademark. NKE Competitive market has expanded and dominated in the international market. The company sells its products to through its retail stores and Internet sales, as well as independent distributors, licensees, and sales representatives. In the gradually growing emerging markets of China, Nike has the most numbers of customers and the main competitors are Adidas and Li Ning. According to estimates from market research firm, Nike has the largest share of the sportswear market in China with 16 percent; Adidas comes in second with 13 percent, while local brands Li-Ning and Anta have around 10 percent and 8 percent, respectively.

Macroeconomic environment analysis

Macroeconomics is focused on the movement and trends in the economy as a whole, while in microeconomics the focus is placed on factors that affect

the decisions made by firms and individuals. The factors that are studied by macro and micro will often influence each other, such as the current level of unemployment in the economy as a whole will affect the supply of workers which an oil company can hire from, for example. When we study macroeconomics we are looking at topics such as economic growth; inflation; changes in employment and unemployment, company trade performance with other countries (i. e. the balance of payments), the relative success or failure of government economic policies and the decisions made by the company.

China Economic Growth

The Gross Domestic Product (GDP) in China expanded 7.70 percent in the first quarter of 2013 over the same quarter of the previous year. GDP Annual Growth Rate in China is reported by the National Bureau of Statistics of China. Historically, from 1989 until 2013, China GDP Annual Growth Rate averaged 9.22 Percent reaching an all-time high of 14.20 Percent in December of 1992 and a record low of 3.80 Percent in December of 1990. In China, Gross Domestic Product is divided by three sectors: Primary, Secondary and Tertiary. The Primary Industry includes Farming, Forestry, Animal Husbandry, and Fishery and accounts for around 9 percent of GDP. The Secondary sector, which includes Industry (40 percent of GDP) and Construction (9 percent of GDP) is the most important. The Tertiary sector accounts for the remaining 44 percent of total output and consist of Wholesale and Retail Trades; Transport, Storage, and Post; Financial Intermediation; Real Estate; Hotel and Catering Services and Others. (Table 1)

From these data, it is obvious to see that China's gross domestic product (GDP) is increasing, China's GDP has ranked second in the world, constantly improve the level of the economy means that the level of consumption of the people. For foreign enterprises such as Nike, it would be a huge opportunity. 2012 is the 30th anniversary of Nike to enter the Chinese market, the world's largest sporting goods manufacturing business for 26 years to achieve \$1 billion in sales in China, but it only took four years to double the number. Today, China has accounted for 8% to 9% of global market share, it become Nike's largest overseas markets.

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China's Inflation

The inflation rate in China was recorded at 2.10 percent in March of 2013. In China, the most important components of the CPI basket are Food (31.8 percent of total weight) and Residence (17.2 percent). (Table 2) Currently, most of the world's factories are located in China, because China has one of the lowest minimum wages for factory workers and has an almost infinite supply of workers willing to work for these low wages. As a result, China probably has the lowest costs of production compared to anywhere else. As a result, more people throughout the world are able to afford purchasing much more than ever before, including people in China. This increase in the number of worldwide consumers and increase in goods sold has increased demand for all basic resources, commodities, and oil, thus steadily increasing the prices of these resources, commodities, and oil. There is one problem with China's inflation is that it does not affect just China. Since there are very few alternatives to Chinese factories and labor, companies (such as Wal-Mart) will unlikely be able to outsource these factories again (from China to a cheaper country) to further reduce or stabilize costs. Therefore, the worldwide costs of manufactured goods from China will roughly increase at the same rate as the Chinese inflation rate. And since China is the world's factory, the global inflation rate is directly coupled with the Chinese inflation rate.

Unemployment in China

Unemployment Rate in China remained unchanged at 4.10 percent in the fourth quarter of 2012 from 4.10 percent in the third quarter of 2012. In China, the unemployment rate measures the number of people actively

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looking for a job as a percentage of the labor force. (Table 3) Although the official estimates for China's unemployment situation appears to be very promising, this may not be the case. While estimating the unemployment figures, the government only includes individuals who were registered with the Chinese Ministry of Labor. The registered unemployed belonged only to the urban regions. So, people residing in rural areas were not covered in the estimation of total unemployment. Outreach objectives included assuring governments that NIKE, Inc. remained committed to the country and region, providing transparency and insight into NIKE, Inc.'s strategies and decisions, and welcoming government support and oversight with factories and communities during the transition period. Nike's strategies are working with and reminding their partners of the relevant legal and regulatory obligations regarding workers severance and consulting with government for job opportunities.

Nike's performance in China

Looking at future, Nike will get more aggressive. A lot has been made of Nike's technology leadership in footwear, and Nike is happy to talk about how the company has incorporated ideas/technologies like suspension bridges into its shoe design. However, the declines in Nike's business in China today are discouraging, but not altogether surprising. Local Chinese rivals like Li Ning and Anta are having an even worse time of it than Nike, and excess inventory is an industry-wide problem, not a Nike-specific execution error. There is no reason to believe that this isn't a pullback within a long-term uptrend, though. Nike remains a share leader in China, and if

Chinese discretionary spending doesn't continue to increase in the years to come, we'll all have bigger worries than what happens to Nike.

China's Opening-door Policy

When talk about China, the first reaction for the foreign traders is that China is a country with a population of 1.4 billion, the densely populated high. Second thing is that China's political stability. In fact, in 1978, the most important thing was the Chinese government to implement the policy of reform and opening, to attracting foreign investment and encourages the import and export trade. In 1994, the Chinese government issued the first 'foreign trade law', to consolidated the reform of foreign trade and economic laws and regulations in the field of stage, with international standards as their goal, the goods trade, foreign investment, intellectual property, anti-dumping and other fields has staged a series of laws and regulations, also continue to strengthen the policy of government transparency. Since China joined the WTO in 2001, China's market access, domestic measures, treatment of foreign investment, trade in services and other fields have better fulfill their commitments and obligations of the WTO, the World Bank and other international organizations. The Chinese government in the implementation of a series of economic since the reform and opening up policy, for Nike's sales in China provides a lot of favorable conditions, so that the Chinese consumers accept the international brands such as Nike products step by step.

Chinese Currency

Historically, from 1981 until 2013, the USDCNY averaged 7.0400 reaching an all-time high of 8.7300 in January of 1994 and a record low of 1.5300 in January of 1981. The USDCNY spot exchange rate specifies how much one currency, the USD, is currently worth in terms of the other, the CNY. (Table 4)

The yuan is already changing international commerce—especially as a trade currency. When Chinese exporters are paid in dollars, the country's foreign-exchange regulator steps in, verifying the transaction before releasing the funds. But the yuan escapes such scrutiny, making it increasingly popular with Chinese suppliers. The same is true for Chinese importers. Using China's currency brings other advantages too. It makes Chinese invoices cheaper and clearer: clearer because the supplier's costs and mark-ups are not obscured by their exchange-rate calculations, and cheaper because suppliers no longer add a bit extra in case the yuan goes up. This currency risk is instead passed on to the foreign buyer, who is typically better placed to hedge against it.

China Interest Rate and Government Budget

The benchmark interest rate in China was last recorded at 6 percent. China is expected to record a Government Budget deficit equal to 1.50 percent of the country's Gross Domestic Product in 2012. (Table 5 & 6)

Loose monetary policy in tandem with a weak economy have led to lower interest rates, as the competition for money has become less intense. The obvious way to reduce a budget deficit is to increase tax rates, and cut

government spending. A key factor is the timing of deficit reduction plans. If the country is already in recession, it is much more difficult to reduce the deficit because fiscal consolidation tends to worsen the economic situation leading to lower tax revenues. The best way to reduce the budget deficit is to aim for positive economic growth, but in the long-term evaluate government spending commitments and reduce spending to sustainable levels. China, as a developing country, its loose monetary policy and good government budget is extremely good speculative environment for foreign investors. Nike very understands the situation of the Chinese market and environment, so that increasing investment of China's vast market.

Reference

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