INTT103

Economic Statistics and Indicators

MACROECONOMIC INDICATORS

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1. INTRODUCTION

As one of the major subjects of economic studies, macroeconomics integrates the economic indicators as a whole with microeconomic methods. Macroeconomic results are examined by the governments and enterprises to aid in the formulation of economic policies and strategies.

Macroeconomics is the discipline of economics that investigates the patterns, performance and behaviors of global economic actors. Macroeconomics is critical to determining the performance of an economy, understanding the forces that impact it, and forecasting how it might be improved. It concentrates on the general state of the economy, such as inflation, unemployment, GDP, and growth rate.

In this study, mentioned macroeconomic indicators are briefly explained and the relationship between them is examined in the conclusion part. Due to the conditions, all of the macroeconomic indicators could not be included and it should be taken into consideration that this study is an introduction to the subject.

2. MACROECONOMIC INDICATORS

2.1. Inflation

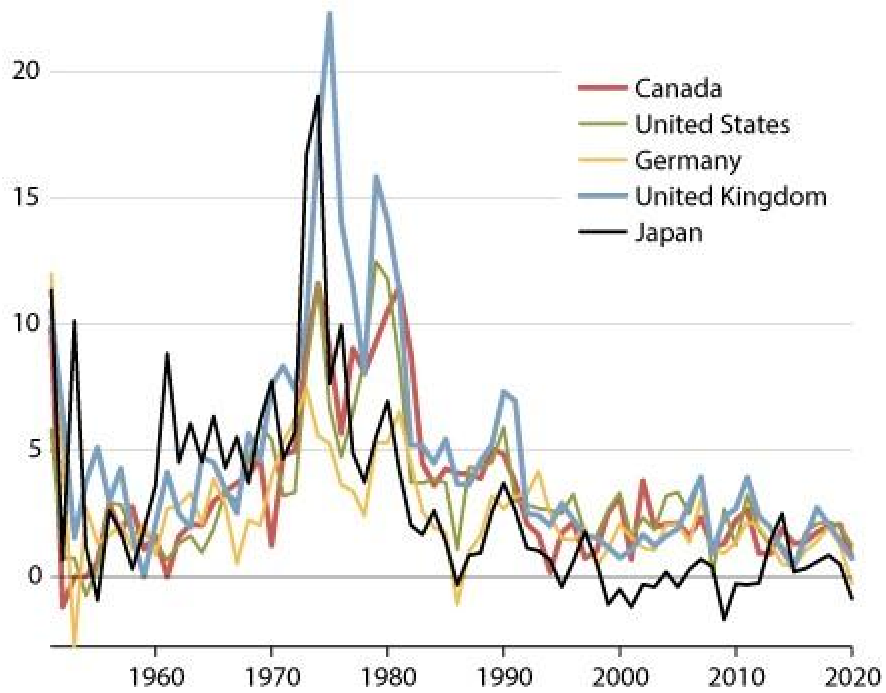
In the world of business, inflation is described as a rise in the price of goods and services. Inflation is more clearly defined as an increase in the overall price level of an economy and comes with instability. The annual statistical difference in the pricing of goods and services is measured by the inflation rate.

The causes of inflation can be examined under four key titles. The first one is demand-pull inflation and cost-push inflation. The demand-pull inflation refers to excessive growth which aggregate demand outpacing aggregate supply. Although, cost-push inflation means increased prices for one good result in higher costs. The second one is devaluation caused by rising import costs, as well as an increase in domestic demand. As a third, rising wages increase businesses' prices and consumers' disposable money, allowing them to spend more. Lastly, based on expectations of inflation, workers demand salary increases, while businesses raise prices resulting from high inflation expectations.

The consumer price index (CPI) is a measure of a country's average price level over time based on the cost of a typical basket of consumer goods and services. The rate of inflation is calibrated by the percentage change in the average CPI.[1]

Figure 1

Annual Inflation Rates of Selected Countries, 1951-2020



Note. The figure shows annual CPI inflation rates for Canada, the United States, Germany, the United Kingdom and Japan from 1951 through 2020. From "Global Financial Database; International Monetary Fund, International Financial Database; and Haver Analytics".

[1] International Monetary Fund. (2021). *World Economic Outlook: Recovery during a Pandemic—Health Concerns, Supply Disruptions, Price Pressures*. Washington, DC, October.

2.2. Unemployment

Unemployment can be explained in two ways, according to the individual and the society. In terms of society, unemployment means that a part of the productive resources are not being used. Unemployment, from the perspective of the individual, means that the individual, who is willing, able, and ready to work, seeks a job for specific periods at the current wage and working conditions. It is defined as the condition of being unable to locate it. [2]

To put it another way, unemployment is defined as a situation in which a person of working age is unable to obtain a job but desires full-time employment. But if a person quit her job to raise a kid or if someone went to college, they are not working, but they are not classified as unemployed because they are not seeking a job.

Voluntary unemployment is one gray area.[3] This happens when the unemployed refuse to accept a job that pays the existing wage rate (e.g., the incorrect job, benefits that are too high, etc.). They may be regarded as unemployed since they are still looking for work (they just don't want to take the job that is offered to them).

2.3. Gross Domestic Product (GDP)

Gross Domestic Product is one of the most important indices of a states' economic health (GDP). GDP, "measures the monetary value of final goods and services—that is, those that are bought by the final user—produced in a country in a given period of time." [4] It refers to all of the goods and services produced inside a state's borders. GDP is calculated by the commodities and services produced for market sale as well as certain non-market output, such as education and health services supplied by the government. A change in terms, gross

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[2] Dornbusch, R., Fischer, S., & Startz, R. (2017). *Macroeconomics* (13th ed.). McGraw Hill.
[3] Ibid.
[4] Callen, T. (2020, February 24).*Gross Domestic Product: An Economy's All*.Finance & Development, F&D.

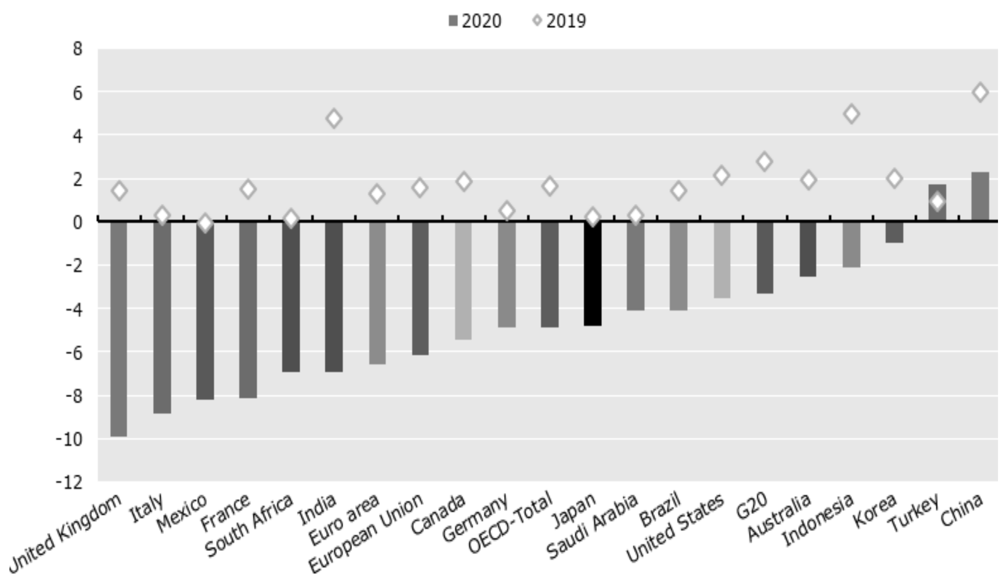
national product accounts for all of a country's output. As stated by the IMF sources, "Gross domestic product is the most commonly used single measure of a country's overall economic activity."[5].

2.4. Growth

In addition to the indicators mentioned above, production, monetary policies, fiscal policies, and exchange rate indicators can be used to gain a better understanding of the concept of growth. There is a demand for insufficient unemployment during a recession or a time of very low growth. If aggregate demand is insufficient, firms will lower output. They will have to recruit fewer staff if they cut output. Companies will either reduce their hiring or lay off employees. The longer the recession lasts, the higher the unemployment rate will be due to a lack of demand. During a downturn, this is frequently the leading cause of unemployment. This is sometimes referred to as cyclical unemployment, as it refers to how unemployment rises during a recession.[6]

Figure 2

GDP Growth Rate of the G20 Countries, Fourth Quarter of 2020.



[5] International Monetary Fund. (2021).
[6] Mankiw, G. N. (2020). *Principles of Macroeconomics (MindTap Course List)* (9th ed.). Cengage Learning.

Note. The figure shows growth of gross domestic product (GDP) in the G20 area in the fourth quarter of 2020 and 2019 comparatively. From “OECD Quarterly National Accounts Database”.

3. CONCLUSION

As one of the major disciplines of economics, macroeconomics studies the behavior and performance of an economy**.** Macroeconomics aims to quantify an economy's performance, identify the forces that drive it, and foresee how performance might be improved. It focuses on aggregate economic developments including unemployment, growth rate, GDP, and inflation.

GDP corresponds to the total value of goods produced and services provided inside the borders of the country over a specific time period, mostly annually. The rate of increase of a state's GDP is an important indication of its economic performance. An increase in the rate of GDP in the state's economy adds to economic growth and dynamism in general. A drop in GDP could send the state's economy into a tailspin and into an economic disaster.

Inflation is an increase in the price level of living caused by increasing prices for goods and services. Inflation has a big impact on an economy's GDP as a result of the effects of inflation on GDP. The Real Economic Growth Rate is adjusted for inflation and takes purchasing power into account. As a result, it is considered to be a more accurate indication of growth than the nominal growth rate. It would be insufficient to study and interpret these indicators, which I have briefly described, in solitary. As a result, macroeconomics encompasses all of these indicators and methodologies as a whole.

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