UMBB
Faculty of Economics, Commercial and Management sciences
Management Sciences department

Economics

01- Definition of economics:

The Economist's Dictionary of Economics defines economics as "The study of the production, distribution and consumption of wealth in human society."

Indiana University - Purdue University Indianapolis answers the question "What is Economics?" with the explanation "Economics is a social science that studies human behavior. Economics has a unique method for analyzing and predicting individual behavior as well as the effects of institutions such as firms and governments, or clubs and religions."

From this definitions we can define the economics as" the study of how individuals and groups make decisions with limited resources as to best satisfy their wants, needs, and desires".

From this definition, we can break down the study of economics into two broad categories - microeconomics and macroeconomics.

02- Branches of economics:

02-01- microeconomics:

The Economist's Dictionary of Economics defines Microeconomics as "The study of economics at the level of individual consumers, groups of consumers, or firms... The general concern of microeconomics is the efficient allocation of scarce resources between alternative uses but more specifically it involves the determination of price through the optimizing behavior of economic agents, with consumers maximizing utility and firms maximizing profit."

02-02- macroeconomics:

The Economist's Dictionary of Economics defines Macroeconomics as "The study of whole economic systems aggregating over the functioning of individual economic units. It is primarily concerned with variables which follow systematic and predictable paths of behavior and can be analysed independently of the decisions of the many agents who determine their level. More specifically, it is a study of national economies and the determination of national income."

03- Indicators of economics:

03-01- definition of economic indicator:

An economic indicator is simply any economic statistic, such as the unemployment rate, GDP, or the inflation rate, which indicate how well the economy is doing and how well the economy is going to do in the future. Investors use all the information at their disposal to make decisions. If a set of economic indicators suggest that the economy is going to do better or worse in the future than they had previously expected, they may decide to change their investing strategy.

03-02- Attributes of Economic Indicators:

1- Relation to the Business Cycle / Economy: Economic Indicators can have one of three different relationships to the economy:

a. Procyclic: A procyclic (or procyclical) economic indicator is one that moves in the same direction as the economy. So if the economy is doing well, this number is usually increasing, whereas if we're in a recession this indicator is decreasing. The Gross Domestic Product (GDP) is an example of a procyclic economic indicator.

b. Counter cyclic: A counter cyclic (or countercyclical) economic indicator is one that moves in the opposite direction as the economy. The unemployment rate gets larger as the economy gets worse so it is a counter cyclic economic indicator.

c. Acyclic: An acyclic economic indicator is one that has no relation to the health of the economy and is generally of little use. The number of home runs the Montreal Expos hit in a year generally has no relationship to the health of the economy, so we could say it is an acyclic economic indicator.

2- Frequency of the Data:In most countries GDP figures are released quarterly (every three months) while the unemployment rate is released monthly. Some economic indicators, such as the Dow Jones Index, are available immediately and change every minute.

3- Timing:Economic Indicators can be leading, lagging, or coincident which indicates the timing of their changes relative to how the economy as a whole changes:

a. Leading: Leading economic indicators are indicators which change before the economy changes. Stock market returns are a leading indicator, as the stock market usually begins to decline before the economy declines and they improve before the economy begins to pull out of a recession. Leading economic indicators are the most important type for investors as they help predict what the economy will be like in the future.

b. Lagged: A lagged economic indicator is one that does not change direction until a few quarters after the economy does. The unemployment rate is a lagged economic indicator as unemployment tends to increase for 2 or 3 quarters after the economy starts to improve.

c. Coincident: A coincident economic indicator is one that simply moves at the same time the economy does. The Gross Domestic Product is a coincident indicator.