

## Macro-economics: Introduction

Micro-economics studies one part of a larger study of macro-economics.

The basic economic problem is finite resources and infinite demand, and so how to use these scarce resources most efficiently.

Aspect to monitor	Why?
GDP	Increase in GDP represents an increase in living standards as more goods and services are available for consumption.
Unemployment	Unemployed labour is a wasted resource, so this needs to be kept as low as possible. Currently unemployment is about 5% in the UK. This is good a low rate compared to previous percentages for the UK and other European countries.
Inflation	This should ideally be low and stable. High inflation causes uncertainty and discourages saving. Unexpected high inflation causes problems for those on fixed incomes (like pensioners). If inflation is not stable people will be uncertain to spend or save and it is unlikely businesses will invest. Currently inflation is about 2.9% in the UK.
Balance in trade	A deficit/surplus can cause problems in trade. Currently the UK is ~£2.4bn in deficit.