



Microeconomics vs. Macroeconomics

Understanding the Two Branches of Economics



What is Economics?

Economics is the study of how societies allocate **scarce resources** to meet unlimited wants and needs. This fundamental challenge shapes every economic decision we make.

Microeconomics

Individual units: consumers, firms, markets

Macroeconomics

Economy as a whole: national and global level

Understanding both branches together provides a complete picture of how economies function at every level.

Microeconomics: The Building Blocks

Microeconomics examines the **decision-making behaviour** of individual economic units - consumers, firms, and specific markets.



Demand & Supply

How prices are determined through market forces and consumer preferences



Consumer Behaviour

Understanding how individuals make purchasing decisions and allocate income



Production & Costs

How firms decide what to produce, how much, and at what cost



Market Structures

Perfect competition, monopoly, oligopoly - different competitive environments



Why Microeconomics Matters

Price Determination

Explains how market forces interact to set prices for goods and services in individual markets

Business Strategy

Helps companies make informed decisions about production, pricing, and resource allocation

Policy Design

Guides government policies on taxation, subsidies, and market regulation at the industry level

Consumer Analysis

Provides tools for understanding and predicting consumer behaviour and market trends



Macroeconomics: The Big Picture

Macroeconomics studies the economy as a **complete system**, focusing on aggregate economic behaviour and national-level outcomes.

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National Income

Total economic output and income generation across the entire economy



Inflation & Unemployment

Price level changes and joblessness affecting the entire population



Economic Growth

Long-term expansion of the economy's productive capacity



Economic Policy

Monetary and fiscal policies that influence the entire economy

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International Trade

Trade relationships and balance of payments with other countries

The Power of Macroeconomics



Economic Planning

Enables comprehensive economic planning and evidence-based policy formulation



Economic Stability

Helps stabilise the economy through strategic government interventions and regulations



Business Cycles

Explains economic fluctuations: boom, recession, depression, and recovery phases



Global Relations

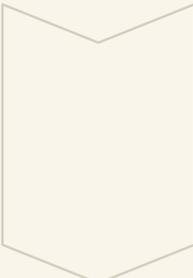
Analyses international economic relationships and global market dependencies

Micro vs. Macro: Key Differences

Aspect	Microeconomics	Macroeconomics
Unit of Study	Individual consumers, firms, markets	Entire economy, aggregate behaviour
Scope	Small-scale, specific markets	National and global scale
Focus	Prices, individual output decisions	National income, inflation, growth
Policy Use	Business strategy, market regulation	National economic policy making
Example	How a firm sets product prices	How inflation affects entire economy

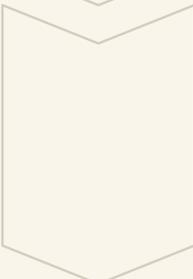


Two Sides, One Economy



Microeconomics

Provides the **foundation** - understanding individual behaviour and market mechanisms



Macroeconomics

Offers the **broader perspective** - seeing how individual actions aggregate into economy-wide outcomes

Both branches are **interdependent and essential** for understanding economic systems. Together, they provide the complete toolkit for analysing resource allocation, improving economic growth, and making informed decisions at every level.