

Our previous lecture and practice:

The place of the world economy in international business

1

WHY?

2

★

Why to learn the world economics?

3

★

(International business environment

Not only international...

4

★

What does it mean - "environment" here?

5

Everything, connected with economy, and that affects the business, the company from the outside.



6

★

When and who in the company follow the world economy issues?

7

When?

daily during news monitoring to update the information used to solve tactical and strategic tasks
or
at special meetings of the company's Board (once a week, once a month, depending on the specifics of the company) when discussing strategic management issues

Who?

8

★

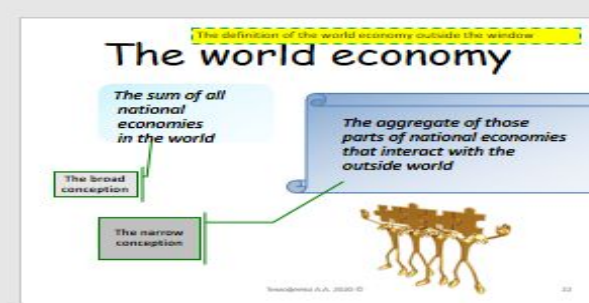


Definition and Levels of the economy

Because the world economy consists of all economies



MICROECONOMIC DEFINITION	MACROECONOMIC QUESTION
Go to business school or take a job?	How many people are employed in the economy as a whole?
What determines the salary offered by a company?	What determines the overall salary levels paid to workers in companies of similar industry?



See the next presentation #2

The place of the world economy in international business (company, divisions, processes)
Who, when, how, where?
(use the world economy factors)

1. What is business? (definition + elements)

On desk

Business (definition + elements)

idea → products
developing

management

demand → consumers
supply ← producers

aim - strategy

Set of act. and proc. incl. development an idea into products under conditions of competition and uses in order to get profits

risks of money

profits

conditions of competition

2. What is international business? (definition + elements)

Who? Or subjects

What are they doing? Or activities

How are they doing? Or conditions

Intern. business

Business including subjects/residents interaction from diff. countries

subjects: private, gov companies/organizations (physical eq) → legal entities → ind. activities

3. International business environment

What does it mean - "environment" here?

How could we classify factors of this environment?

Criteria?

int. business env't

intec → microec → macroec

econ. dir. (taxes)

political direction (wars, sanctions, etc)

geog. (logistic)

social dir. + dem.

technology industrial

moral urban

cultural

TYPICAL BUSINESS Board of directors

Chief executive officer
President
Vice president

Division manager
Regional manager
Plant manager

Department head
Supervisor
Team leader

Top managers

Middle managers

First-line managers

Nonmanagerial workers

Who follows international business environment?

Активация Windows

4. Functions of President, CEO, Vice-president, regional manager

Are these the only positions which are connected with the world economy?

President

"face" "main person?"

final decisions

law

financial flows

CEO

long-term strategy

decisions

implement

Vice-president

implement transfer decisions to regional and middle man.

The Strategic Management Process

Top managers

- Set objectives
- Scan environment
- Plan and make decisions

Middle managers

- Report to top management
- Choose first-line managers
- Develop and implement activities
- Allocate resources

First-line managers

- Report to middle managers
- Supervise employees
- Coordinate activities
- Are involved in day-to-day operations

5. Other departments/ positions/processes/activities in a company connected with the world economy (international business environment)

5.1processes/activities

A value chain is a set of activities that a firm operating in a specific industry performs in order to deliver a valuable product (i.e., good and/or service) for the market.

The concept comes through business management and was first described by Michael Porter in his 1985 best-seller, Competitive Advantage: Creating and Sustaining Superior Performance.

5.1 Lets find value chain elements connected with the world economy (monitoring, analyzing, planning)

Value Chain Analysis

Support Activities

- Firm Infrastructure: Management, finance, legal, planning
- Human Resource Management: Professional development, employee relations, performance appraisal, recruiting, competitive wages, training programs
- Technology Development: Integrated supply chain systems, customer data, e-marketing
- Procurement: Business partnering, collaboration with suppliers, Purchase negotiation and contracts

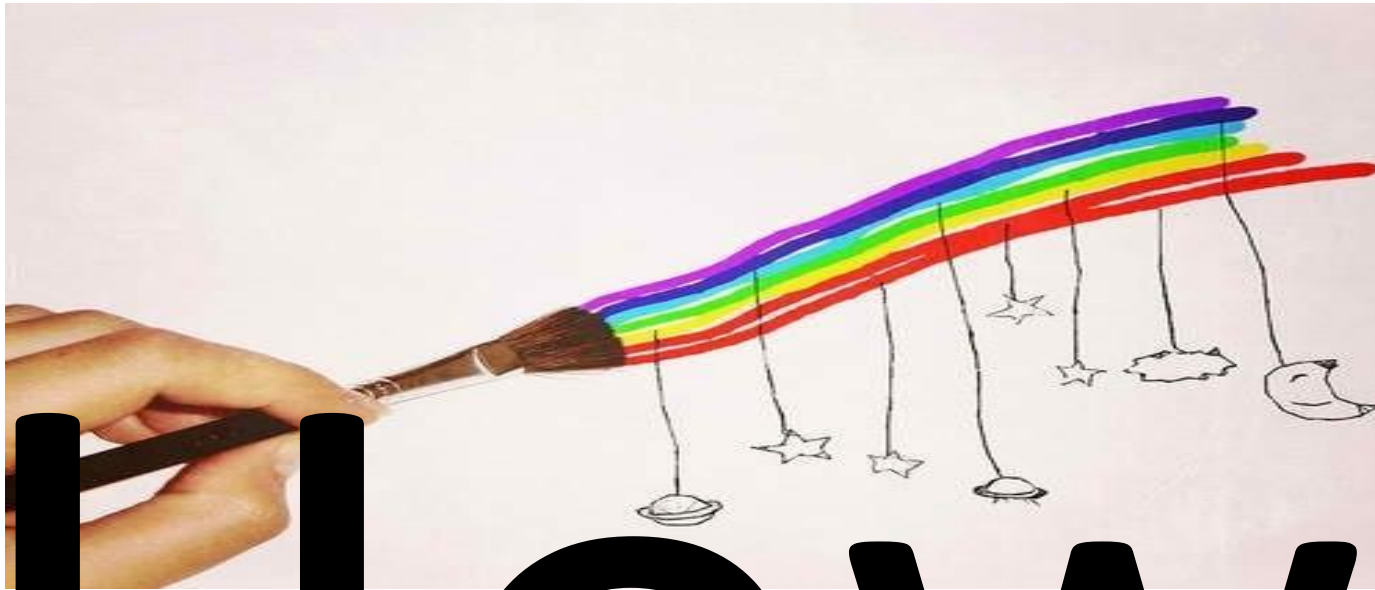
Primary Activities

- Inbound Logistics: Raw materials, inventory, receiving, storage, distribution, materials
- Operations: Manufacturing, assembly, and the like
- Outbound Logistics: Order processing, inventory, warehousing, distribution
- Marketing and Sales: Promotion, advertising, sales, distribution, pricing, financing, customer service
- Service: Delivery, installation, repair, maintenance, customer support

Margin

Активация Windows
Чтобы активировать Windows, перейдите

Today's lecture:



How?

And what for?



World
economy
main
preliminary
indicators

1. Population Connected indicators (and tools)

How many countries?

195 states, 72 dependent areas

1 billion in 1820

2 billion in 1930

3 billion in 1960

4 billion in 1974

5 billion in 1987

6 billion in 1999

7 billion in 2012

Top ten most populous countries (in millions):

#	Country	Population (2020)
1	<u>China</u>	1,439,323,776
2	<u>India</u>	1,380,004,385
3	<u>United States</u>	331,002,651
4	<u>Indonesia</u>	273,523,615
5	<u>Pakistan</u>	220,892,340
6	<u>Brazil</u>	212,559,417
7	<u>Nigeria</u>	206,139,589
8	<u>Bangladesh</u>	164,689,383
9	<u>Russia</u>	145,934,462
10	<u>Mexico</u>	128,932,753
11	<u>Japan</u>	126,476,461

7,095,217,980 (July 2013)

7,174,611,584 (July 2014)

7,256,490,011 (July 2015)

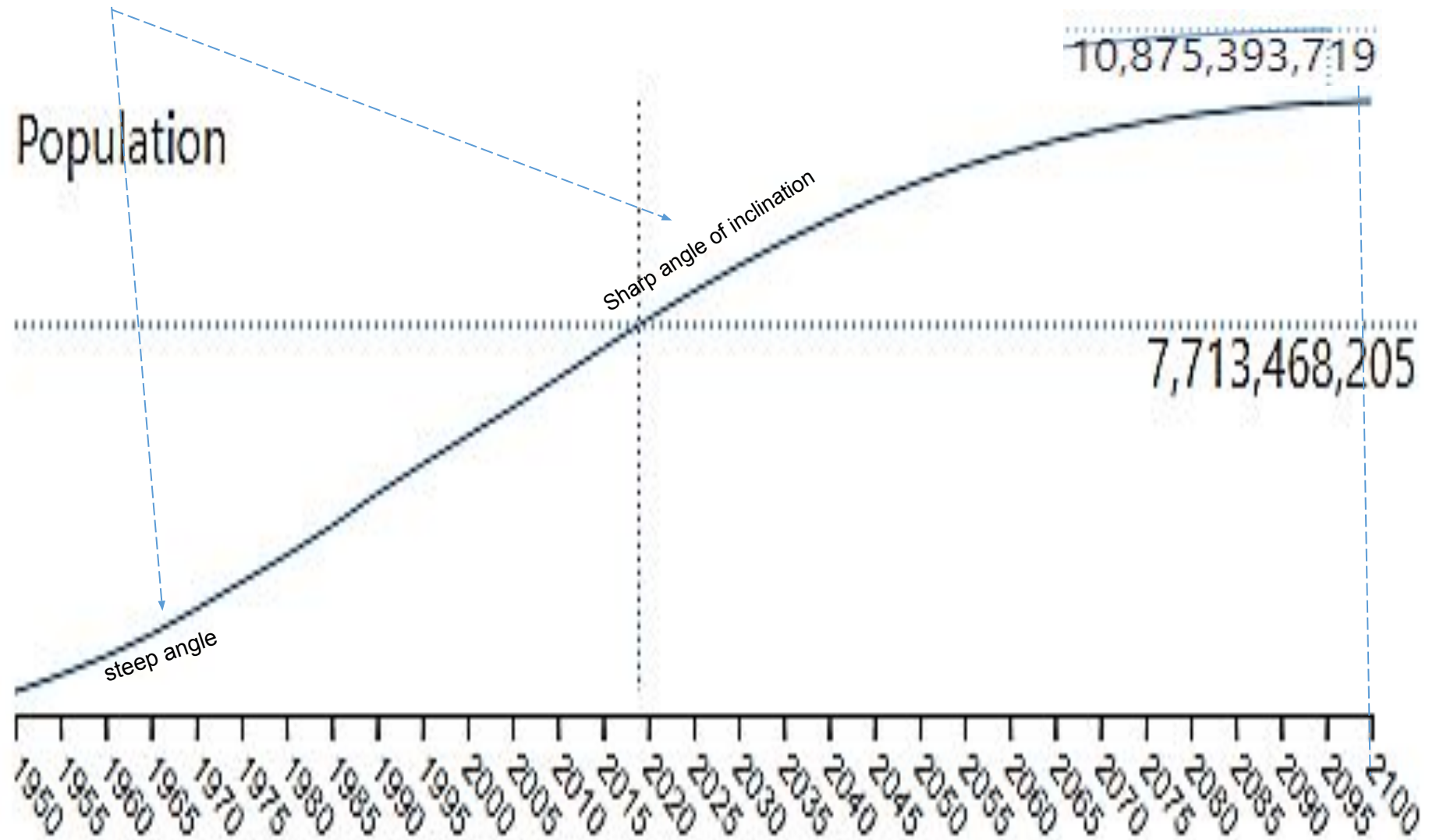
7,323,600,000 (July 2016)

7,405,107,650 (July 2017 est.)

7,808,412,650 (July 2020 est.)

**Number of states, dependent areas
Population 2020
Top-3 most populated countries with
numbers, top-11 – only names**

Growth rate



Age structure

Age structure 2016 :

0-14 years: 25%

15-24 years: 16.8%

25-54 years: 40.6%

55-64 years: 8.4%

65 years and over: 8.3%

Age structure 2020 :

0-14 years: 25.33%

15-24 years: 15.42%

25-54 years: 40.67%

55-64 years: 9.09%

65 years and over: 9.49%

Labor force:

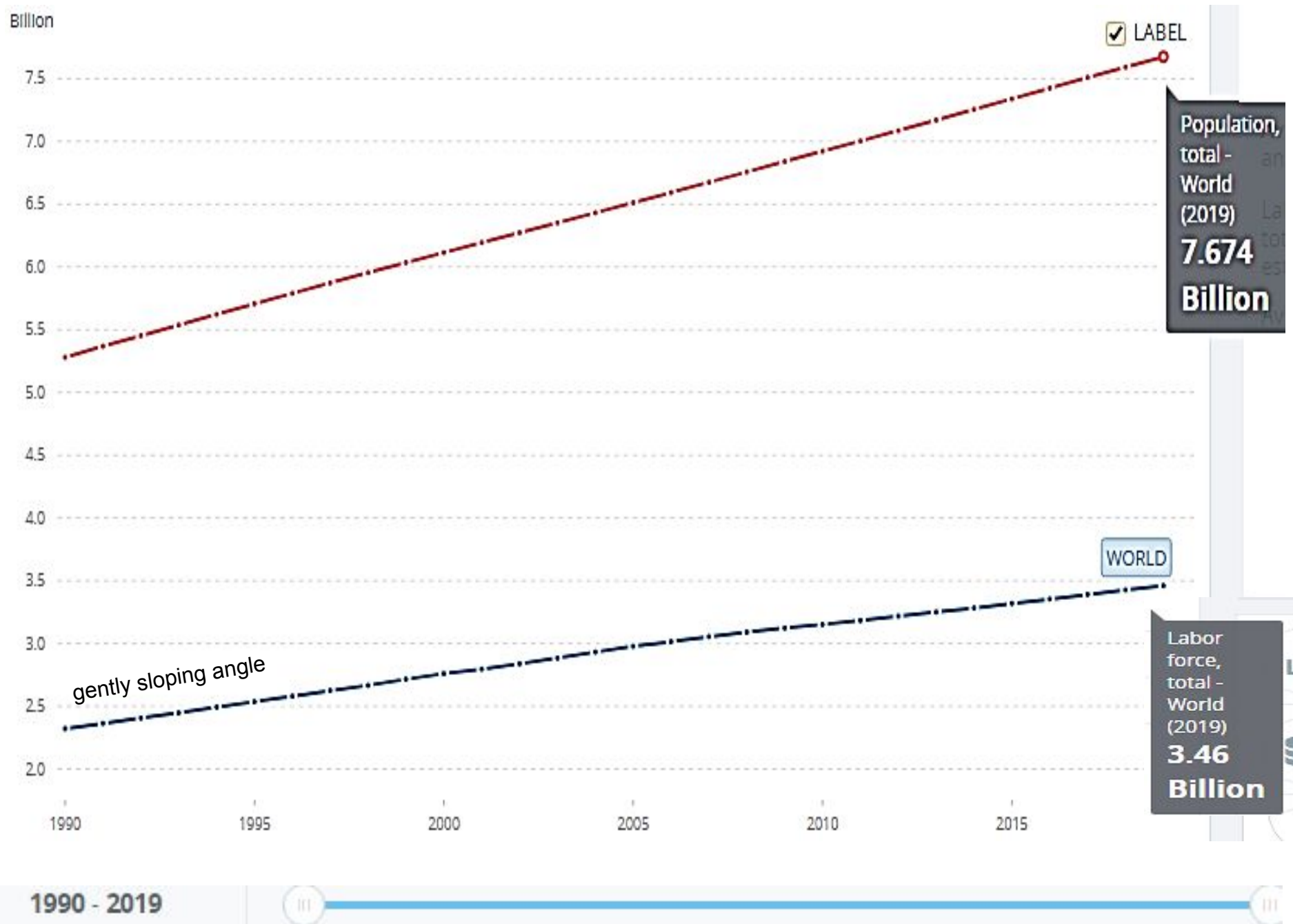
3,49 billion (2019)

3,36 billion (2014)

3.308 billion (2013)

3.297 billion (2012)

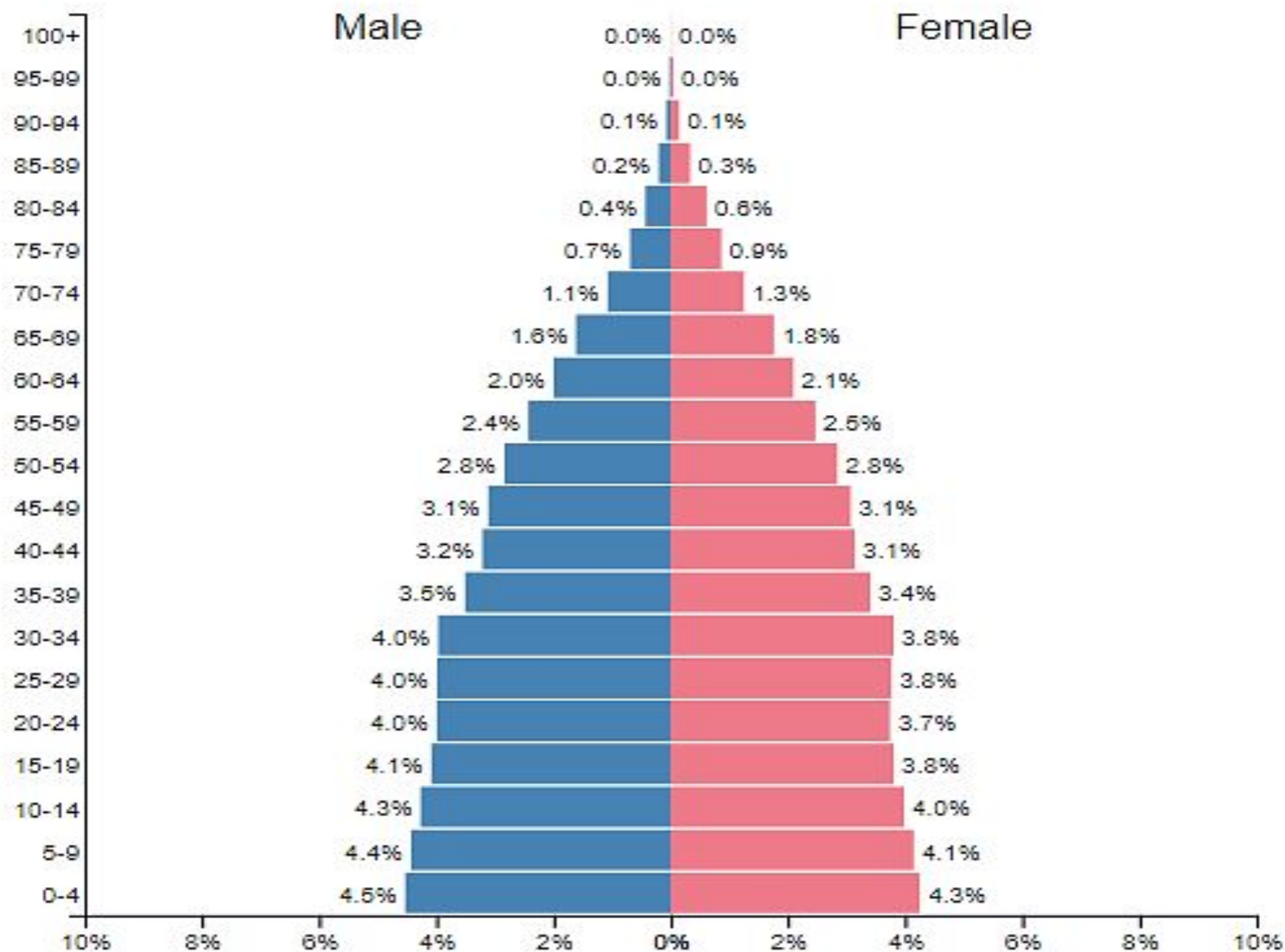




WORLD ▼

2019

Population: 7,713,468,205

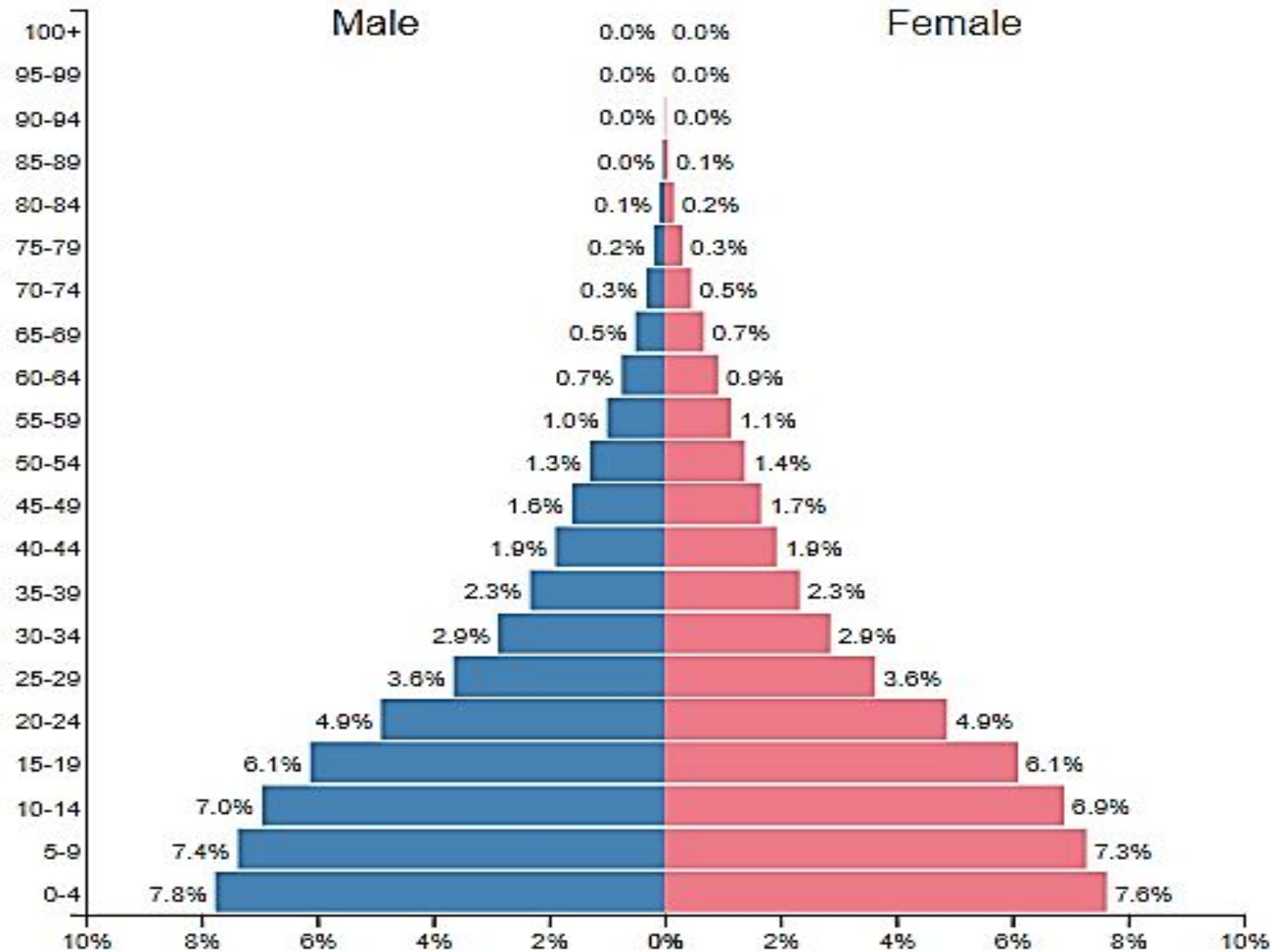


Central African Republic ▼

2019

Population: 4,745,179

"Expansive" pyramid



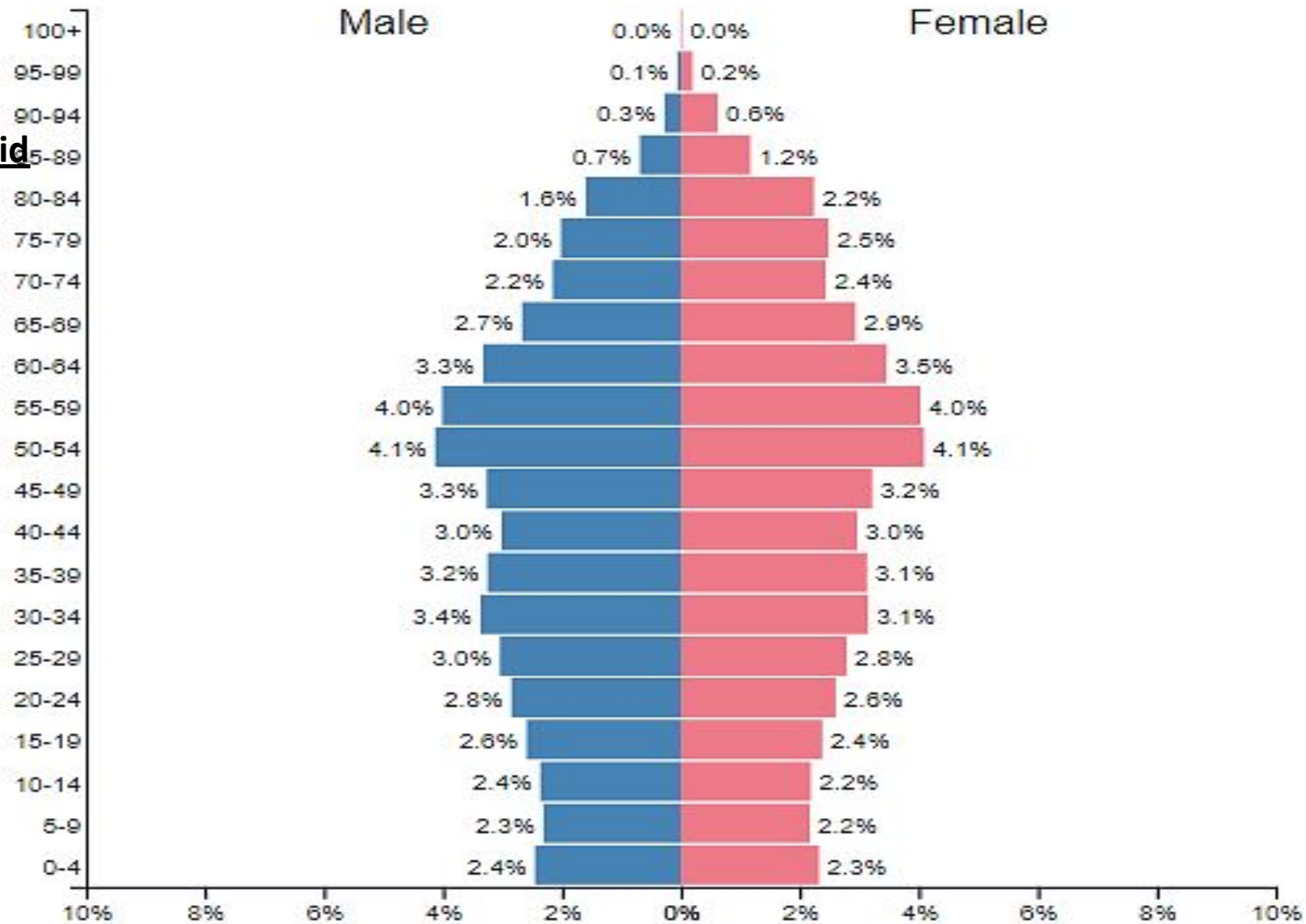
Germany ▼

A population pyramid

2019

Population: 83,517,046

"Constrictive" pyramid



Urbanization:

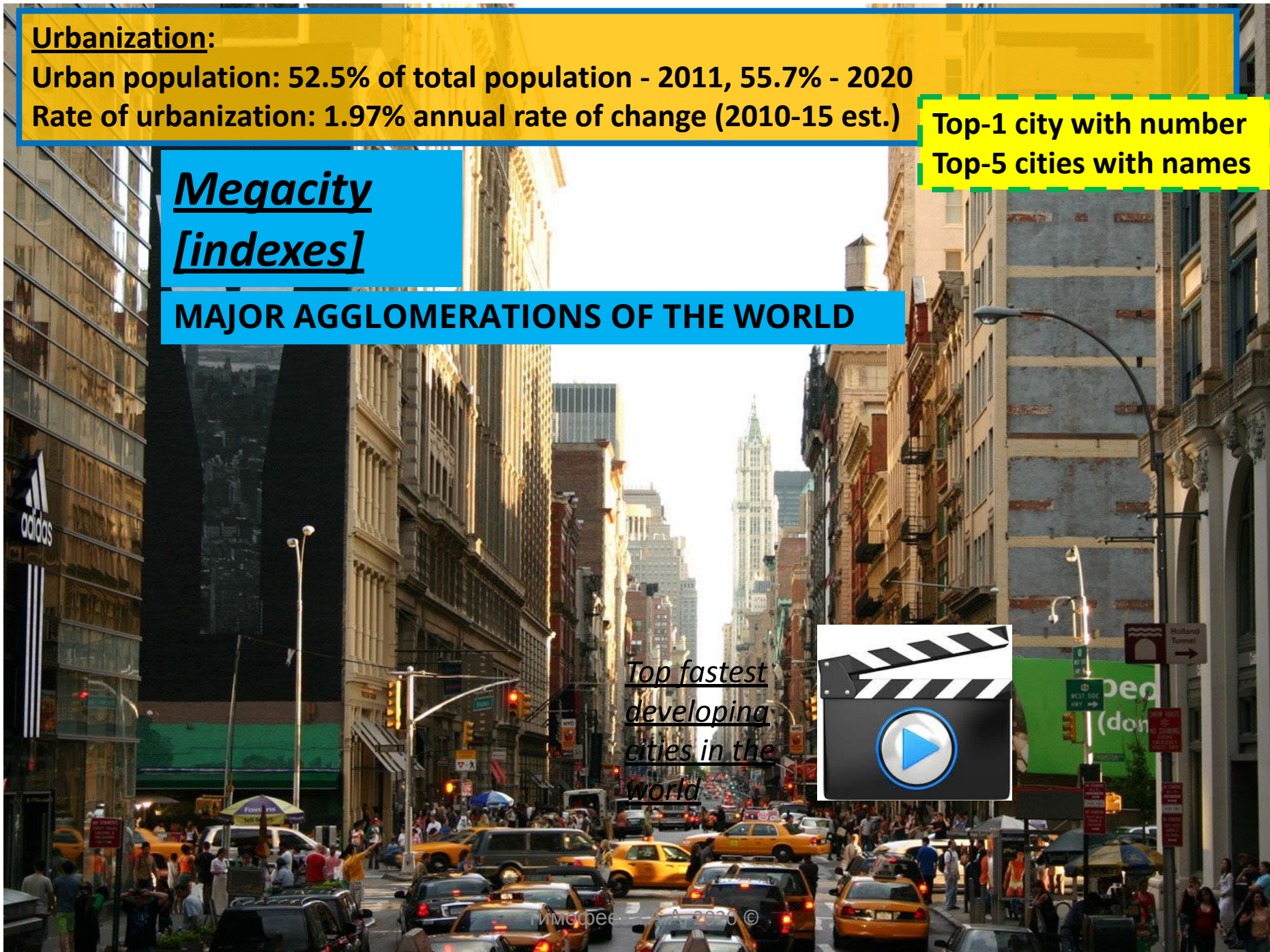
Urban population: 52.5% of total population - 2011, 55.7% - 2020

Rate of urbanization: 1.97% annual rate of change (2010-15 est.)

Top-1 city with number
Top-5 cities with names

**Megacity
[indexes]**

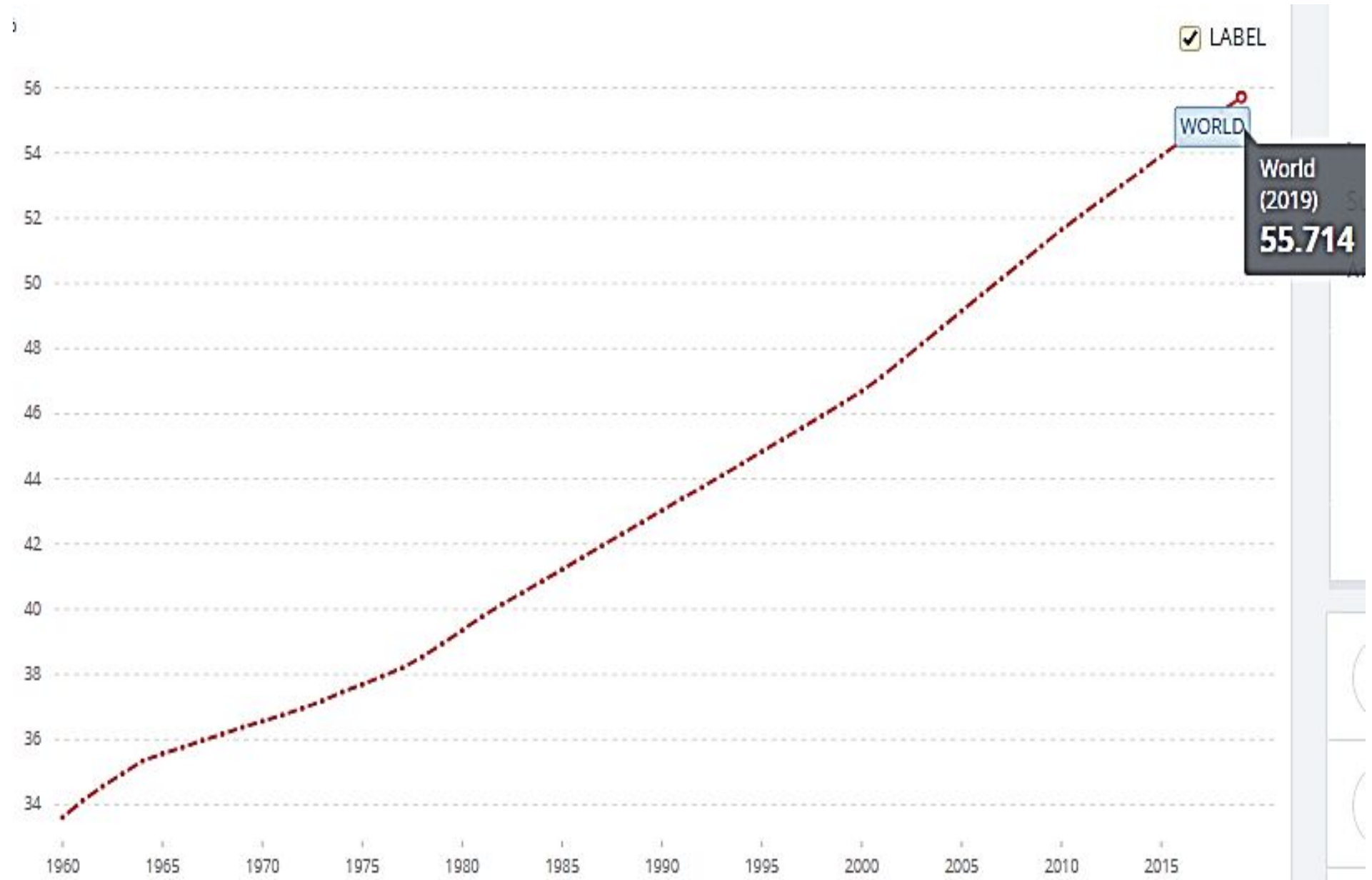
MAJOR AGGLOMERATIONS OF THE WORLD



*Top fastest
developing
cities in the
world*



URBAN POPULATION (% OF TOTAL POPULATION)



MAJOR AGGLOMERATIONS OF THE WORLD

Rank	Name	English Name	Country	Population
1	Guǎngzhōu	Canton	China	46,700,000
2	Tōkyō	Tokyo	Japan	40,400,000
3	Shànghǎi	Shanghai	China	33,600,000
4	Jakarta	Jakarta	Indonesia	31,300,000
5	Delhi	Delhi	India	30,300,000
6	Manila	Manila	Philippines	25,700,000
7	Mumbai	Bombay	India	25,100,000
8	Seoul	Seoul	Korea (South)	24,800,000
9	Ciudad de México	Mexico City	Mexico	23,000,000
10	São Paulo	São Paulo	Brazil	22,400,000
11	New York	New York	United States of America	22,100,000
12	Al-Qāhirah	Cairo	Egypt	21,000,000
13	Dhaka	Dacca	Bangladesh	20,200,000
14	Běijīng	Beijing	China	19,800,000
15	Lagos	Lagos	Nigeria	19,400,000
16	Krung Thep	Bangkok	Thailand	18,800,000
17	Karāchi	Karachi	Pakistan	17,800,000
18	Los Angeles	Los Angeles	United States of America	17,700,000
18	Ōsaka	Osaka	Japan	17,700,000
20	Moskva	Moscow	Russia	17,300,000

2. Production Connected indicators

RICHEST CITIES

S.No	City	GDP (Billion)
1	<u>Tokyo</u>	\$1,520
2	<u>New York</u>	\$1,210
3	<u>Los Angeles</u>	\$789.7
4	<u>Seoul</u>	\$779.3
5	<u>London</u>	\$731.2
6	<u>Paris</u>	\$669.2
7	<u>Osaka</u>	\$654.8
8	<u>Chicago</u>	\$524.6
9	<u>Moscow</u>	\$520.1
10	<u>Shanghai</u>	\$516.5

Agglomerations

Rank	Name	Population
1	Guǎngzhōu	46,700,000
2	Tōkyō	40,400,000
3	Shànghǎi	33,600,000
4	Jakarta	31,300,000
5	Delhi	30,300,000
6	Manila	25,700,000
7	Mumbai	25,100,000
8	Seoul	24,800,000
9	Ciudad de México	23,000,000
10	São Paulo	22,400,000
11	New York	22,100,000
12	Al-Qāhirah	21,000,000
13	Dhaka	20,200,000
14	Běijīng	19,800,000
15	Lagos	19,400,000
16	Krung Thep	18,800,000
17	Karāchi	17,800,000
18	Los Angeles	17,700,000
18	Ōsaka	17,700,000
20	Moskva	17,300,000

S.No

1

2

3

4

5

6

7

8

9

10

City

[Tokyo](#)

[New York](#)

[Los Angeles](#)

[Seoul](#)

[London](#)

[Paris](#)

[Osaka](#)

[Chicago](#)

[Moscow](#)

[Shanghai](#)

GDP (Billion)

\$1,520

\$1,210

\$789.7

\$779.3

\$731.2

\$669.2

\$654.8

\$524.6

\$520.1

\$516.5

GDP, PPP (constant 2017 international \$):

\$130.25 trillion (2019 est.)

\$127.25 trillion (2017 est.)

\$119.25 trillion (2016 est.)

\$115.97 trillion (2015 est.)

\$115.47 trillion (2014 est.)

note: data are in 2016 US dollars

World GDP - real growth rate:

2,47% (2019)

3,6% (2017)

3% (2016)

3,2% (2015)

3,3% (2014)

GDP per capita, PPP (current international \$) \$

\$17.673(2017)

\$ 17.300 (2017)

\$ 16.900 (2016)

\$16,000 (2015)

\$15,800 (2014)

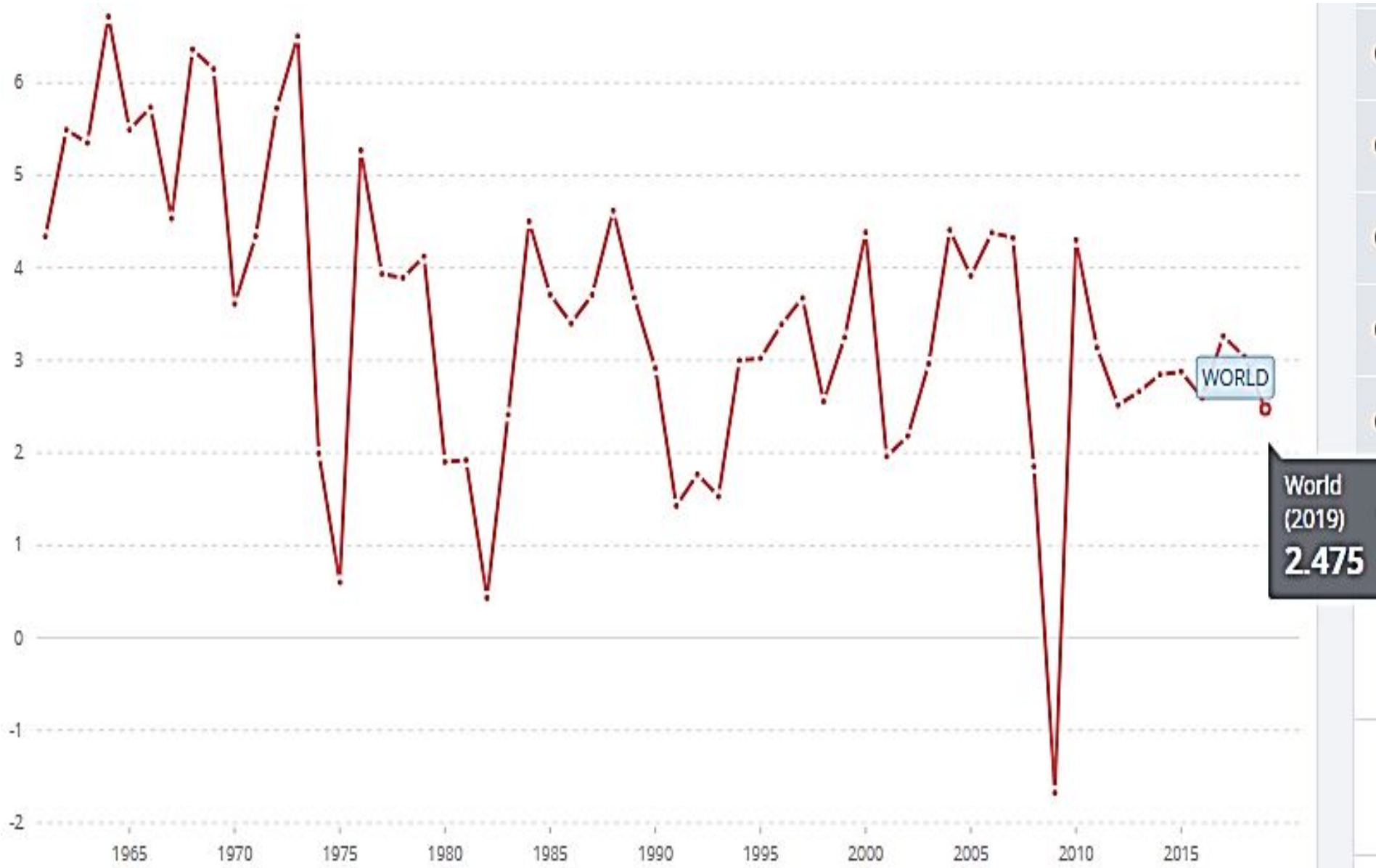
WGDP

WGDP growth rate

WGDP per capita



GDP growth (annual %)



GDP - composition by sector:

Agriculture: 6%

Industry: 31%

Services: 63% (2017 est.)



GDP - composition by sector



3. International economic relations ind.

International economic relations



Resident

**a legal or natural person,
registered or residing in this state**

A nonresident –

1) organization without legal entity status, established in accordance with the legislation of a foreign state or

2) diplomatic representative offices of foreign States or other official organizations located in the territory of the Russian Federation

3) natural person residing outside the Russian Federation for more than 183 calendar days within last 12 months, that is, not having permanent residence in the country.

- ✓ *Economic relations between residents and non residents of the country*
- ✓ *Including factors of production moving and all accompanying operations*

The forms of international economic relations

- ✓ International trade in goods and services;
- ✓ The international movement of capital;
- ✓ Labour migration;
- ✓ International exchange of knowledge;
- ✓ The international currency and settlement relations.

The forms of international economic relations (open ?)

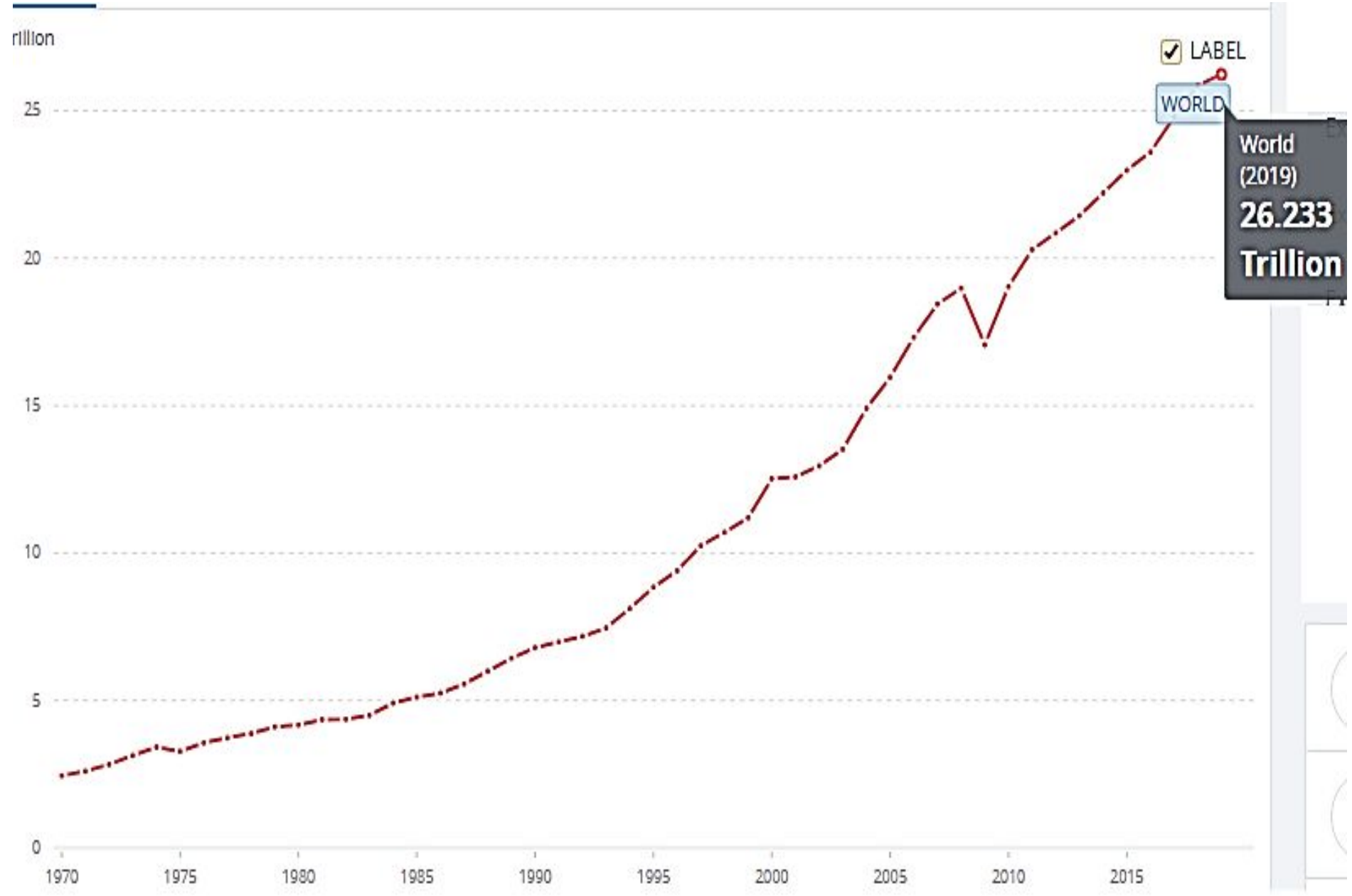
International trade in goods and services



Exports - commodities: top ten - share of world trade:

- ✓ electrical machinery, including computers 14.8%;
- ✓ mineral fuels, including oil, coal, gas, and refined products 14.4%;
- ✓ nuclear reactors, boilers, and parts 14.2%;
- ✓ cars, trucks, and buses 8.9%;
- ✓ scientific and precision instruments 3.5%;
- ✓ plastics 3.4%;
- ✓ iron and steel 2.7%;
- ✓ organic chemicals 2.6%;
- ✓ pharmaceutical products 2.6%;
- ✓ diamonds, pearls, and precious stones 1.9%

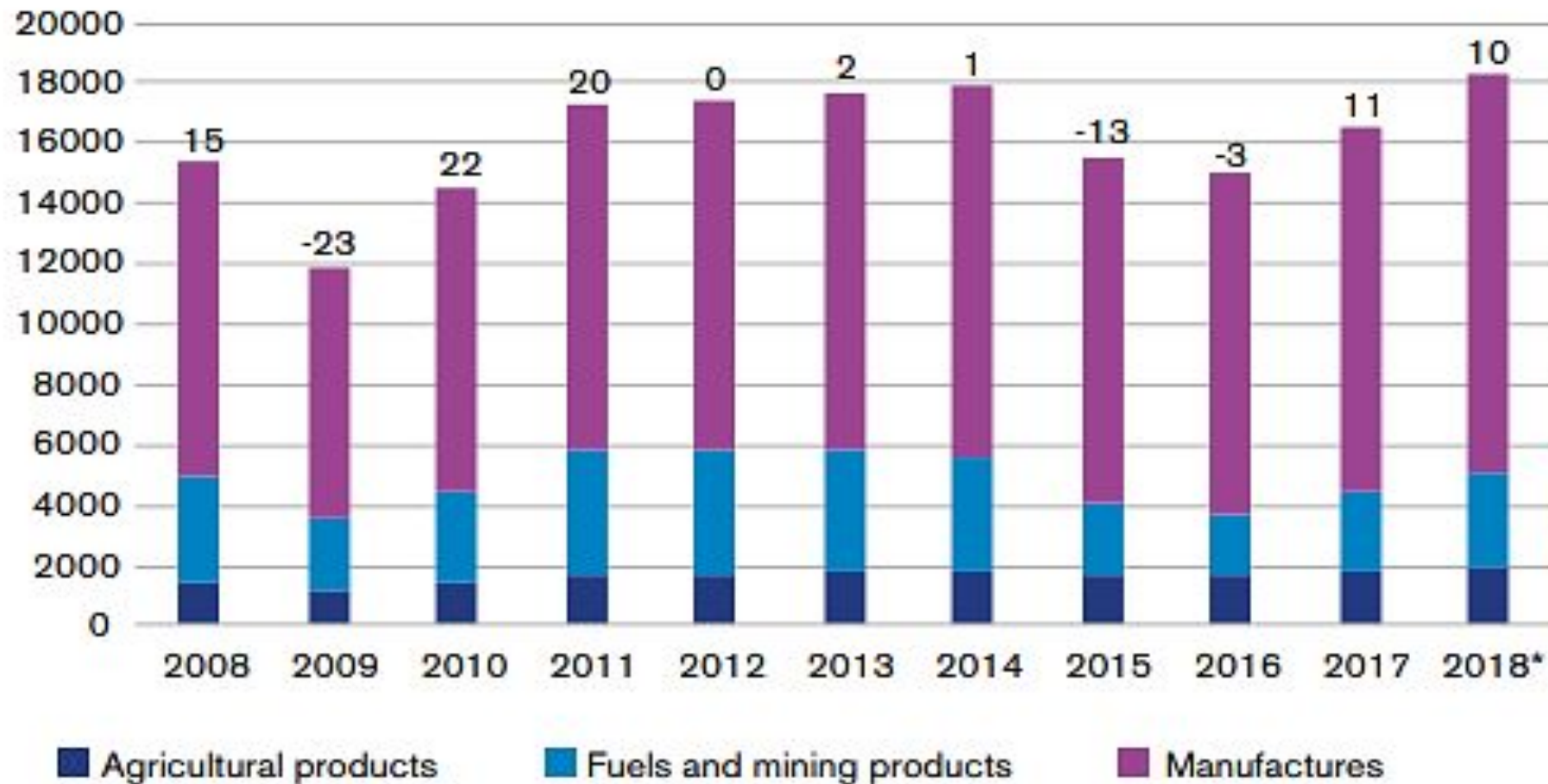
Exports of goods and services (constant 2010 US\$)



World exports of merchandise trade have increased by 20 per cent in value terms since 2008.
Exports of manufactured goods grew at an average annual rate of 2.3 per cent.

World merchandise exports by product group and annual growth, 2008-2018

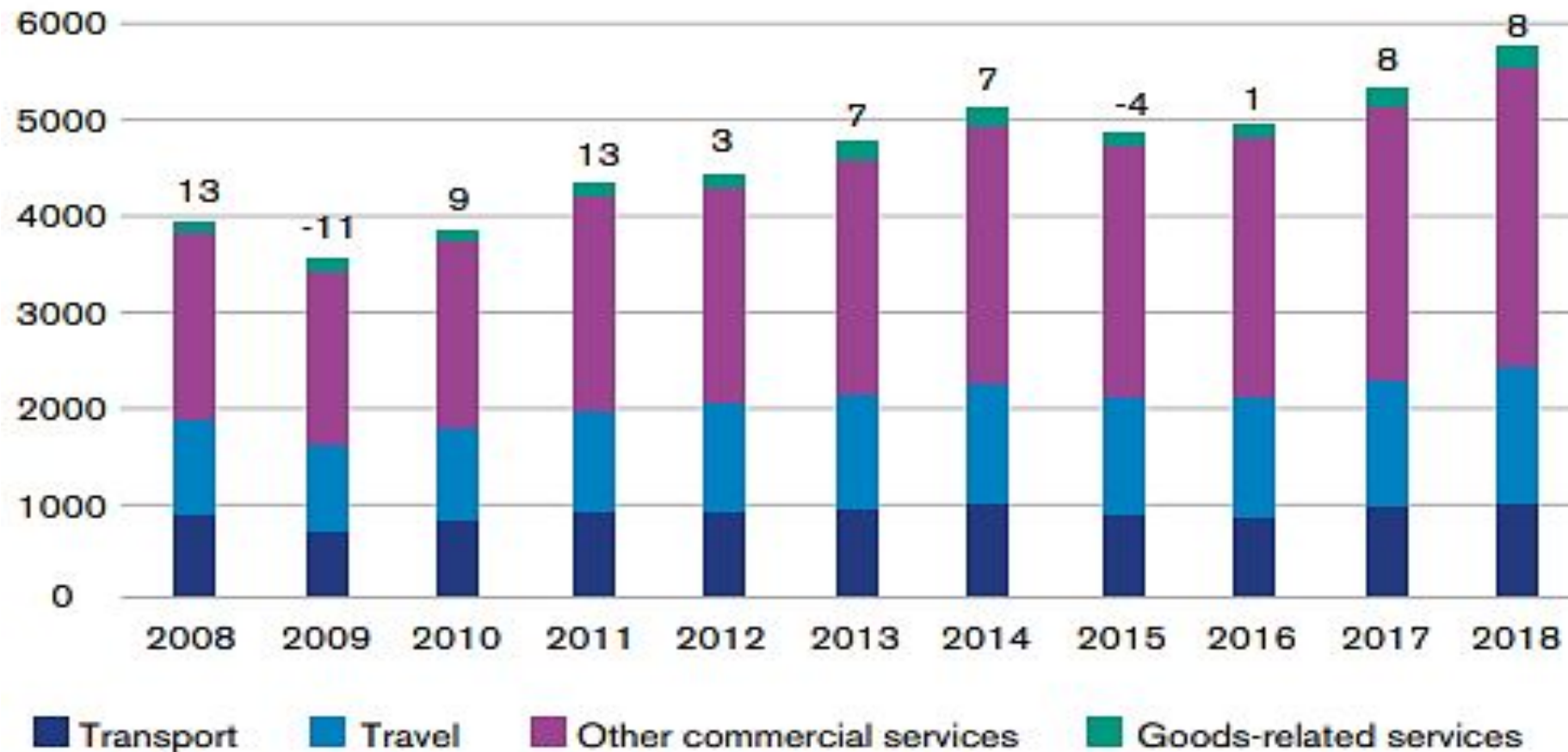
(US\$ billion and average annual percentage change)



World exports of commercial services have increased by 46 per cent in value terms since 2008 and services exports grew by an average annual rate of 3.9 per cent.

World exports in commercial services by sector and annual growth, 2008-2018

(US\$ billion and average annual percentage change)



The forms of international economic relations

- ✓ International trade in goods and services;
- ✓ The international movement of capital;
- ✓ Labour migration;
- ✓ International exchange of knowledge;
- ✓ The international currency and settlement relations.

The forms of international economic relations (open ?)

See the next
presentation
#3