Our previous lecture and practice:

1. The place of the world economy in international business

2. WHY?

3. Why to learn the world economics?

4. [International] business environment

Not only international...

5. What does it mean – "environment" here?

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

7. When and who in the company follow the world economy issues?
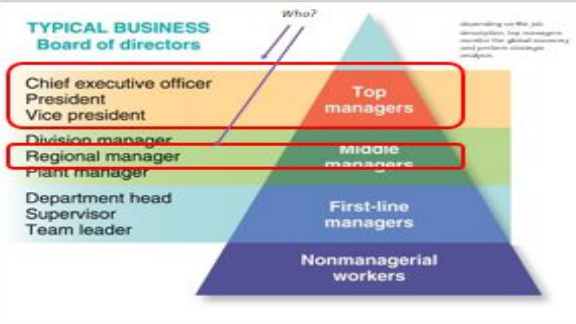
8. When?

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
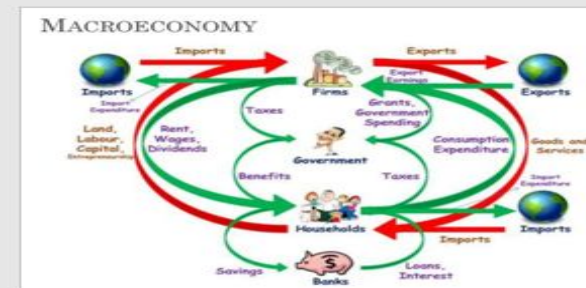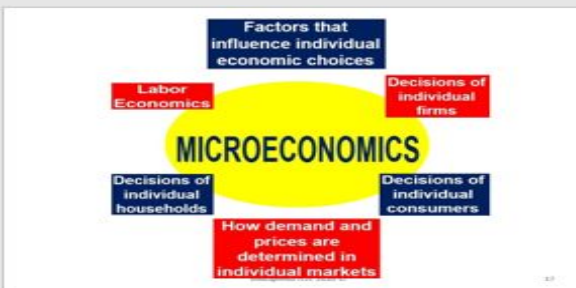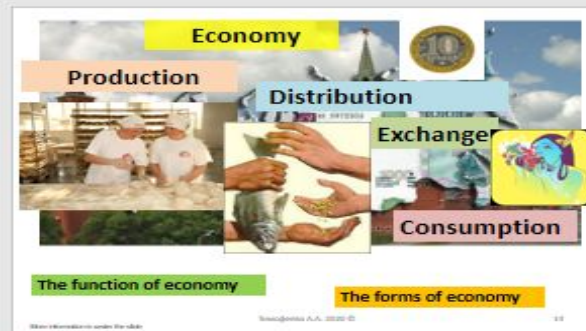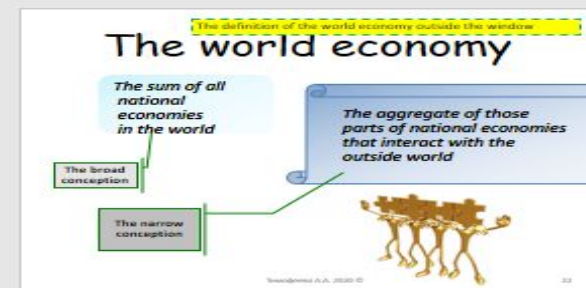
Who?

9

TYPICAL BUSINESS
Board of directors

Who?

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

10

When or how?

The Strategic Management Process

Top managers
- Set objectives
- Scan environment
- Plan and make decisions

Middle managers
- Report to top management
- Oversee 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

11

The Strategic Management Process

World economy issues are here

Scan External Environment
- National
- Global

Identify Strategic Factors
- Opportunities
- Threats

Evaluate Current
- Mission
- Goals
- Strategies

Define New
- Mission
- Goals
- Grand Strategy

Formulate Strategy
- Corporate
- Business
- Functional

Implement Strategy via Changes in:
- Leadership/culture
- Structure
- Human resources
- Information and control systems

SWOT

Scan Internal Environment
- Core Competence
- Synergy
- Value Creation

Identify Strategic Factors
- Strengths
- Weaknesses

12

Definition and Levels of the economy

Because the world economy consists of all economies

13

START

14

Economy

Production

Distribution

Exchange

Consumption

The function of economy

The forms of economy

15

Learn video 3
What is economics

Positive economics
Normative economics
Econometrics

16

Economic science

levels

✓ Microeconomics

✓ Macroeconomics

✓ The world economics

17

Factors that influence individual economic choices

Labor Economics

Decisions of individual firms

MICROECONOMICS

Decisions of individual households

Decisions of individual consumers

How demand and prices are determined in individual markets

18

MACROECONOMY

Imports

Exports

Imports

Firms

Exports

Grants, Government Spending

Taxes

Consumption Expenditure

Goods and Services

Rent, Wages, Dividends

Land, Labour, Capital,

Government

Benefits

Taxes

Households

Imports

Savings

Banks

Loans, Interest

Imports

19

Microeconomics

Macroeconomics

Focuses on the individual, person-to-person behaviors and operations of "particular markets."
- John's Bread Firm
- The entire market for laptops
- Trade between two firms

Share common assumptions about human behavior (see basic assumptions of economics)

Focuses on the overall or aggregate performance of the national economy of particular country or state.
- The U.S. Economy in the 1930's
- The unemployment rate in Ghana.

20

Microeconomics
- It deals with the economic issues related to single unite of an Economy
- It is also called the theory of price
- It is concerned with price and output of one firm only
- Here we assume macrovariables constant
- Components
(i) consumer behaviour
(ii) producer behaviour

Macroeconomics
- It deals with the economic issues related to economy as a whole
- It is also called theory of employment or income
- It is concerned with aggregate output and general price level of an economy
- Here we assume microvariables constant
- Components
(i) equilibrium in economy

MICROECONOMIC QUESTION
Go to business school or take a job?
What determines the salary offered by a company?

MACROECONOMIC QUESTION
How many people are employed in the economy as a whole?
What determines the overall salary levels paid to workers in companies of similar industry?

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The world economy as a science is a part of the theory of market economy, which studies the regularities of economic interaction between different States in the field of international exchange of goods and services, the movement of factors of production

22

The definition of the world economy outside the window

The world economy

The sum of all national economies in the world

The aggregate of those parts of national economies that interact with the outside world

The broad conception

The narrow conception

23

How?

And what for?

24

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
management
demand → consumers
supply → producers
aim – strategy
conditions of competition

Set of act. and proc. incl. development an idea into products under conditions of competit. and risks in order to get profit
risks → money $ profits

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

Who? Or subjects

What are they doing? Or activities

How are they doing? Or conditions

On desk)

management
demand → consumers
supply → producers
aim – strategy
conditions of competition

Intern. business
business including subjects/residents interaction from dif. countries
subjects: private, gov. companies/organizations (physical and legal entities/ind entrepren

**3. International business environment
What does it mean – "environment" here?**
How could we classify factors of this environment?

Criteria?

? ? ?

On paper)

int. business env-t
intec
microec
macroec
econom. dir (taxes)
political direction (wars, sanctions, taxes)
ecolog. dir
geogr. (logistics)
social dir + demogr
cultural
technology industrial
moral religion

Who follows international business environment?

depending on the job description, top managers monitor the global economy and perform findings analysis.

**TYPICAL BUSINESS
Board of directors**

Chief executive officer
President
Vice president — Top managers

Division manager
Regional manager — Middle managers
Plant manager

Department head
Supervisor
Team leader — First-line managers

Nonmanagerial workers

?

Активация Windows
Чтобы активировать Windows, перейди

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

?

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

On desk)

President   CEO   Vice-president
"face"   long-term strategy   implement transfer
"main person?" →   decisions to regional and middle man.
final decisions   decisions
law   implement
financial flows

The Strategic Management Process

Top managers
• Set objectives
• Scan environment
• Plan and make decisions

Middle managers
• Report to top management
• Oversee 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)

5.1.....processes/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 appraisals, recruiting, competitive wages, training programs

Technology Development — Integrated supply chain system, real-time sales information

Procurement — Real-time inventory, Connectedness with suppliers, Purchase supplies and materials

Primary Activities:
Inbound Logistics
Operations
Outbound Logistics
Marketing and Sales
Service

Margin

Активация Windows
Чтобы активировать Windows, перейдит

Todays lecture:

How?

And what for?

About description
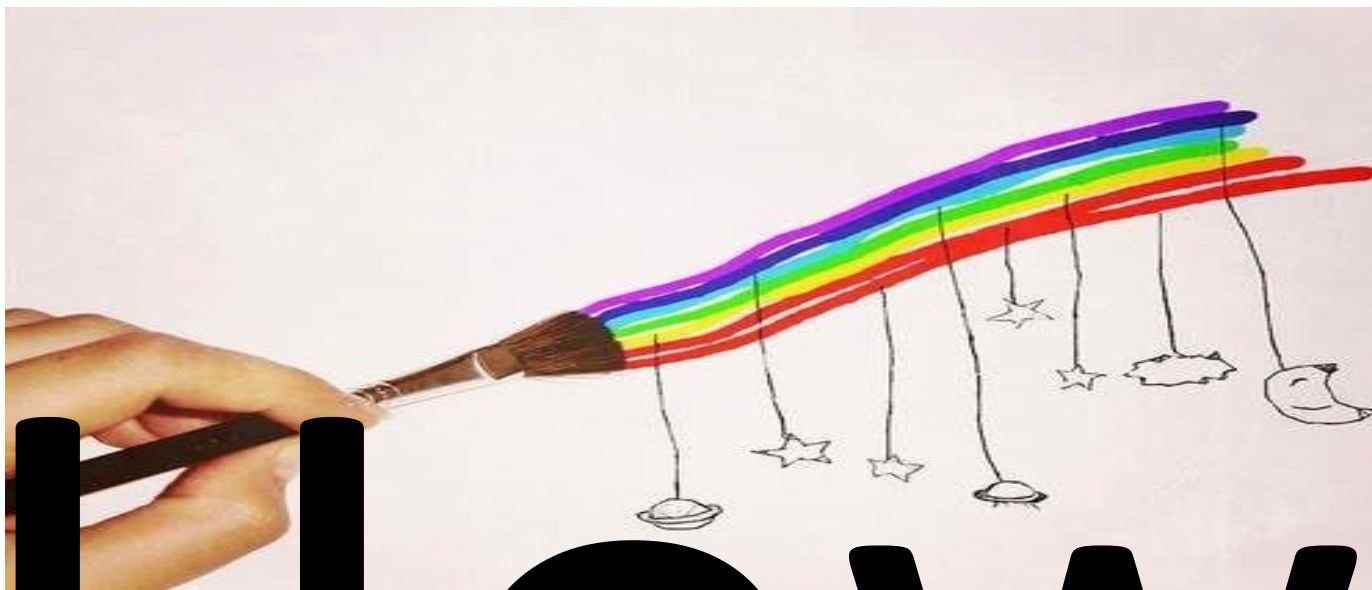
World economy main preliminary indicators

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

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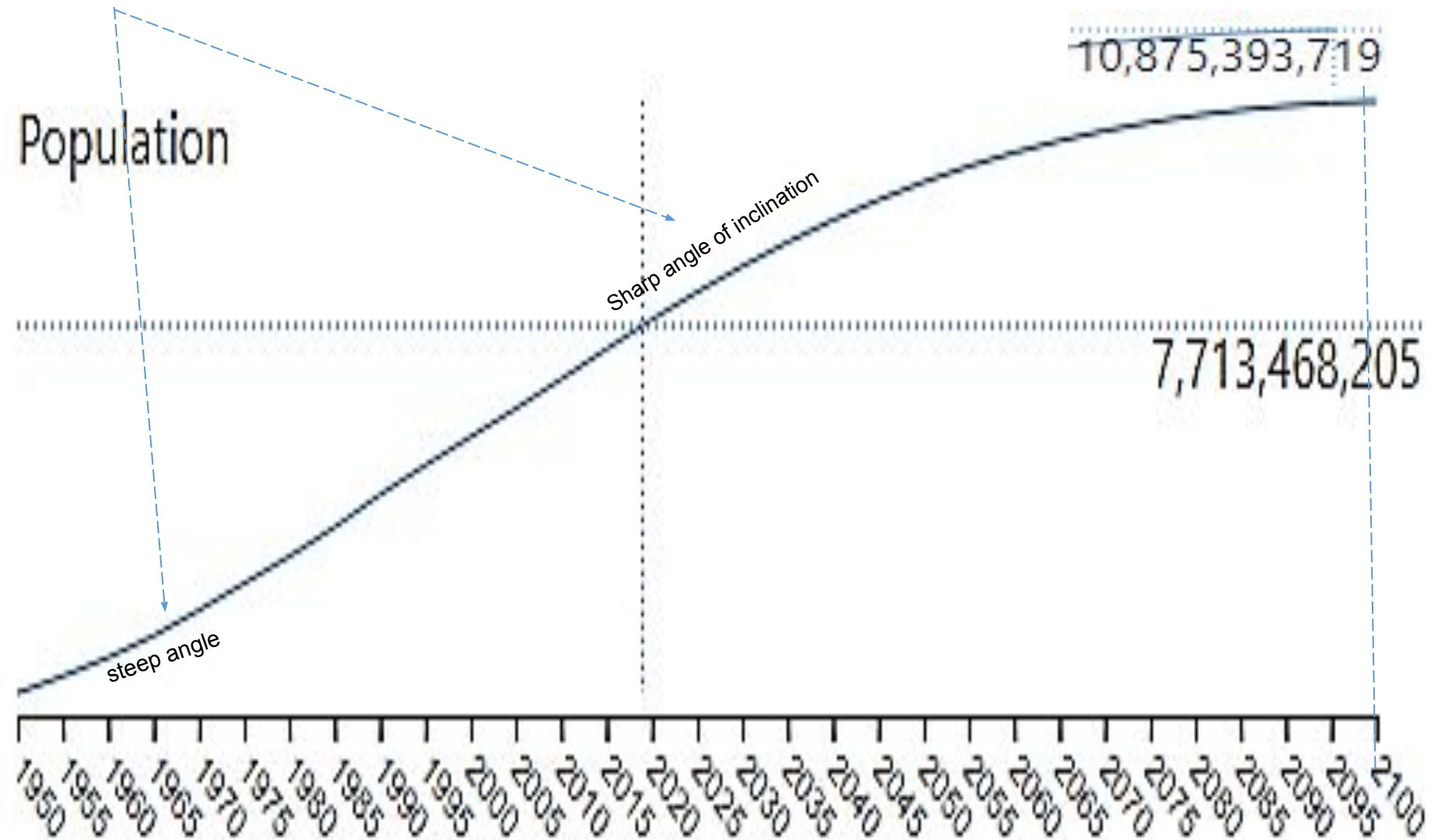
7,808,412,650 (July 2020 est.)

Top ten most populous countries (in millions):

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

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

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Growth rate

10,875,393,719

Population

Sharp angle of inclination

7,713,468,205

steep angle

1950 1955 1960 1965 1970 1975 1980 1985 1990 1995 2000 2005 2010 2015 2020 2025 2030 2035 2040 2045 2050 2055 2060 2065 2070 2075 2080 2085 2090 2095 2100

Age structure

Age structure **2016** :
0-14 years: 25%
15-24 years: 16.8%
25-54 years: 40.6%
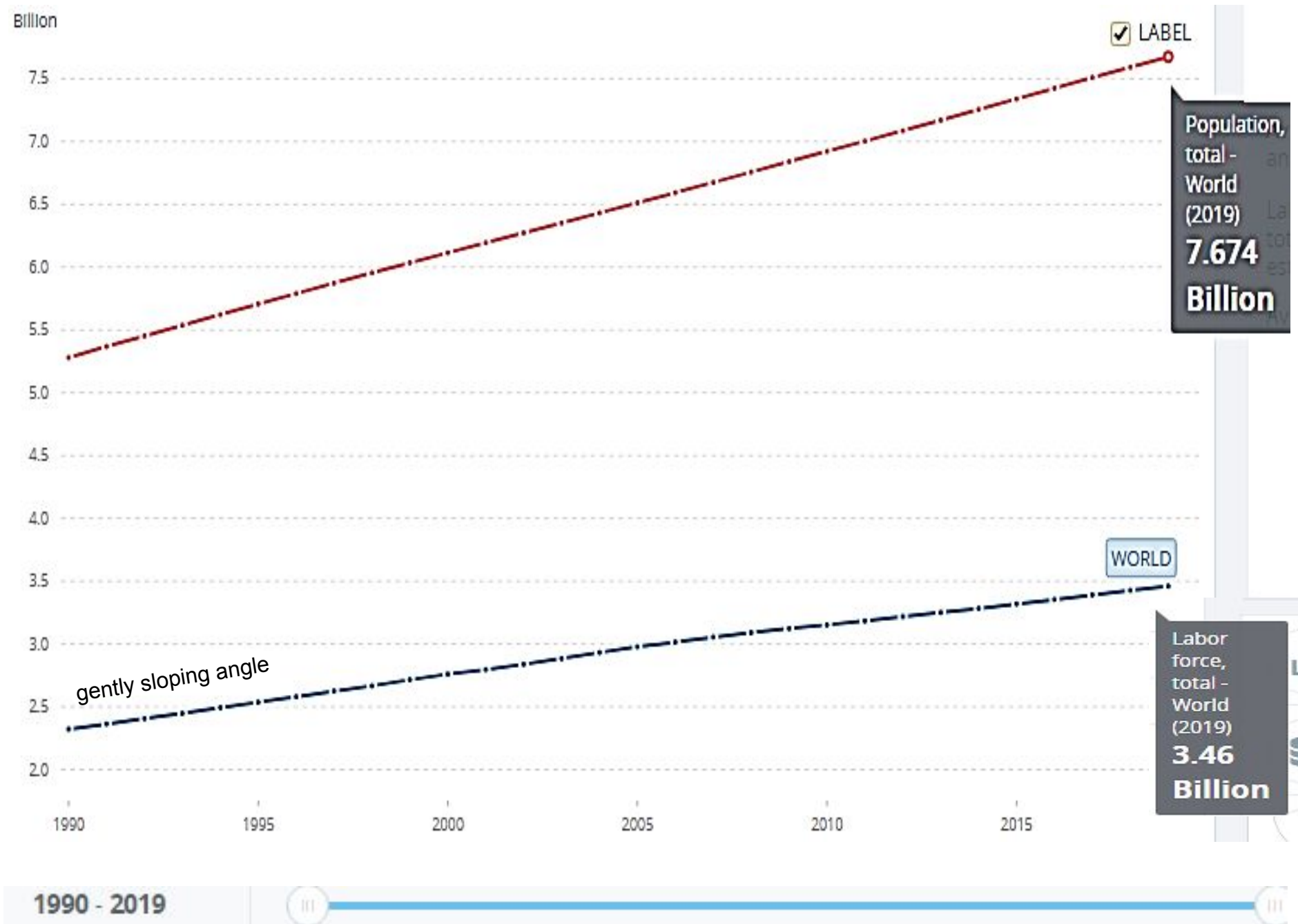**55-64 years:** 8.4%
65 years and over: 8.3%

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)
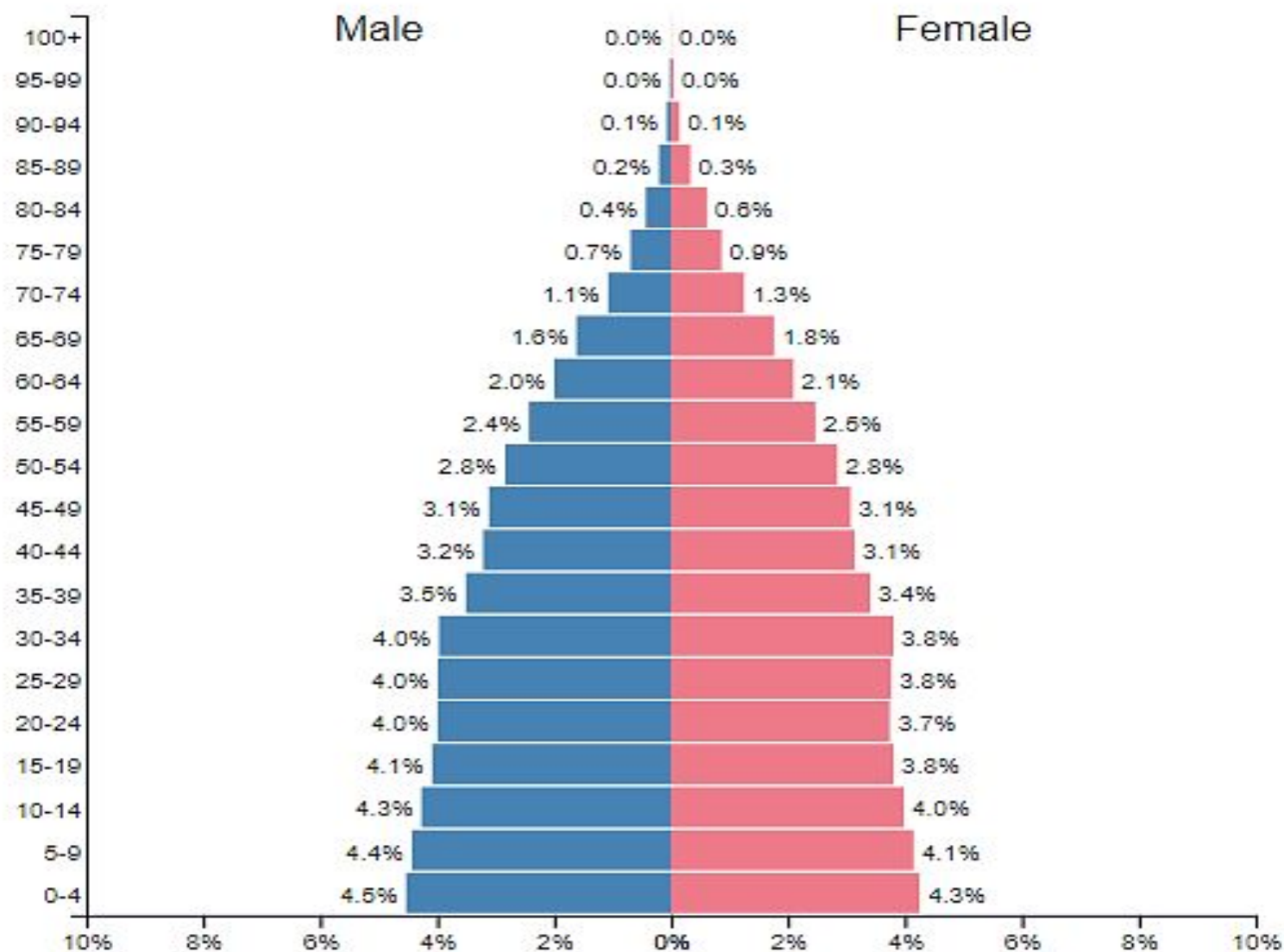**3,36 billion (2014)**
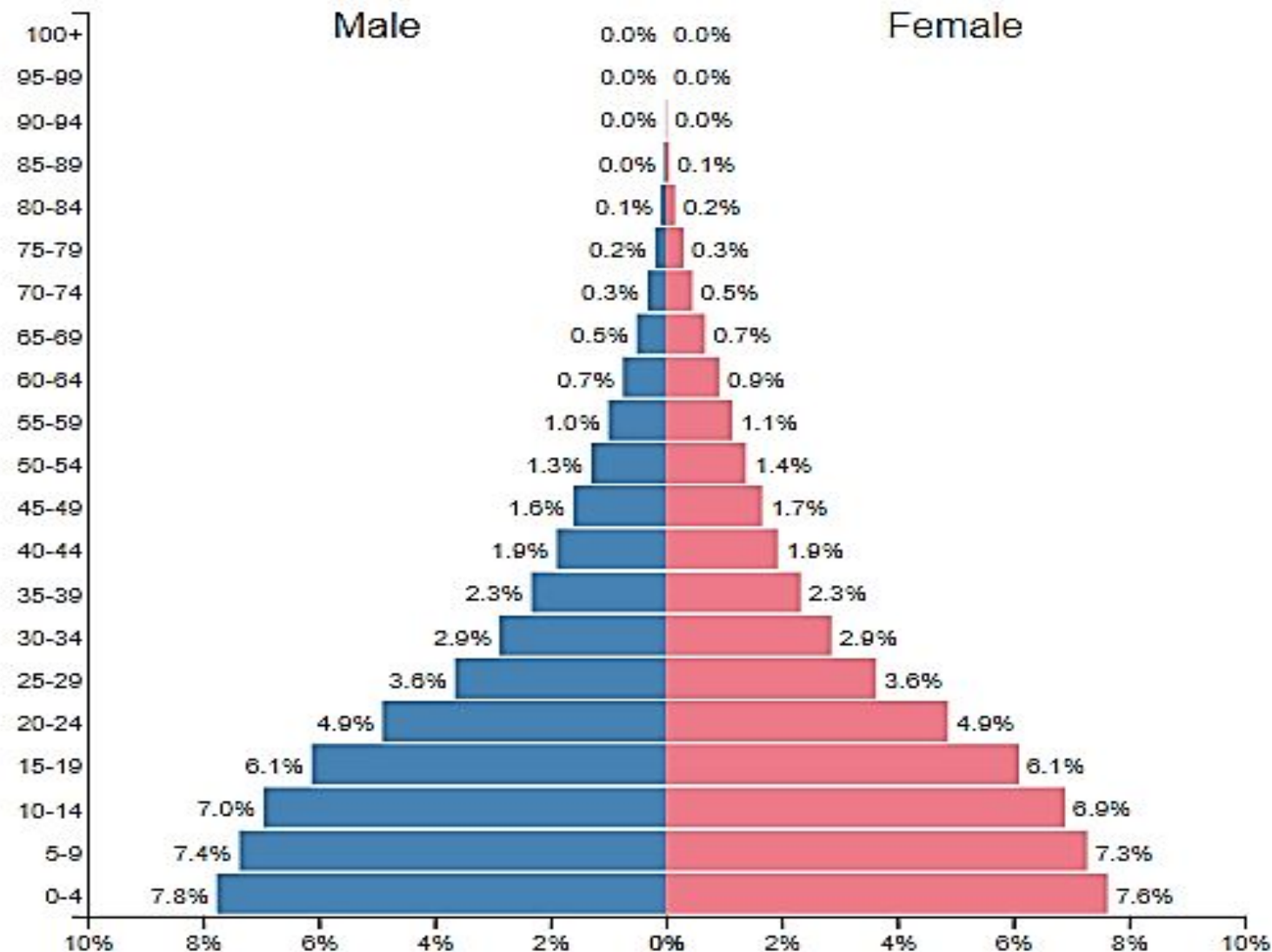**3.308 billion (2013)**
3.297 billion (2012)

gently sloping angle

Billion

☑ LABEL	

Population, total - World (2019) **7.674 Billion**

WORLD

Labor force, total - World (2019) **3.46 Billion**

7.5
7.0
6.5
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0

1990   1995   2000   2005   2010   2015

1990 - 2019

11

A population pyramid

Central African Republic ▼
2019

Population: 4,745,179

"Expansive" pyramid

	Male		Female	
100+		0.0%	0.0%	
95-99		0.0%	0.0%	
90-94		0.0%	0.0%	
85-89		0.0%	0.1%	
80-84		0.1%	0.2%	
75-79		0.2%	0.3%	
70-74		0.3%	0.5%	
65-69		0.5%	0.7%	
60-64		0.7%	0.9%	
55-59		1.0%	1.1%	
50-54		1.3%	1.4%	
45-49		1.6%	1.7%	
40-44		1.9%	1.9%	
35-39		2.3%	2.3%	
30-34		2.9%	2.9%	
25-29		3.6%	3.6%	
20-24		4.9%	4.9%	
15-19		6.1%	6.1%	
10-14		7.0%	6.9%	
5-9		7.4%	7.3%	
0-4		7.8%	7.6%	

10% 8% 6% 4% 2% 0% 2% 4% 6% 8% 10%

A population pyramid

Germany ▼
2019

Population: 83,517,046

"Constrictive" pyramid

	Male		Female
100+		0.0%	0.0%
95-99		0.1%	0.2%
90-94		0.3%	0.6%
85-89		0.7%	1.2%
80-84	1.6%		2.2%
75-79	2.0%		2.5%
70-74	2.2%		2.4%
65-69	2.7%		2.9%
60-64	3.3%		3.5%
55-59	4.0%		4.0%
50-54	4.1%		4.1%
45-49	3.3%		3.2%
40-44	3.0%		3.0%
35-39	3.2%		3.1%
30-34	3.4%		3.1%
25-29	3.0%		2.8%
20-24	2.8%		2.6%
15-19	2.6%		2.4%
10-14	2.4%		2.2%
5-9	2.3%		2.2%
0-4	2.4%		2.3%

10%   8%   6%   4%   2%   0%   2%   4%   6%   8%   10%

14
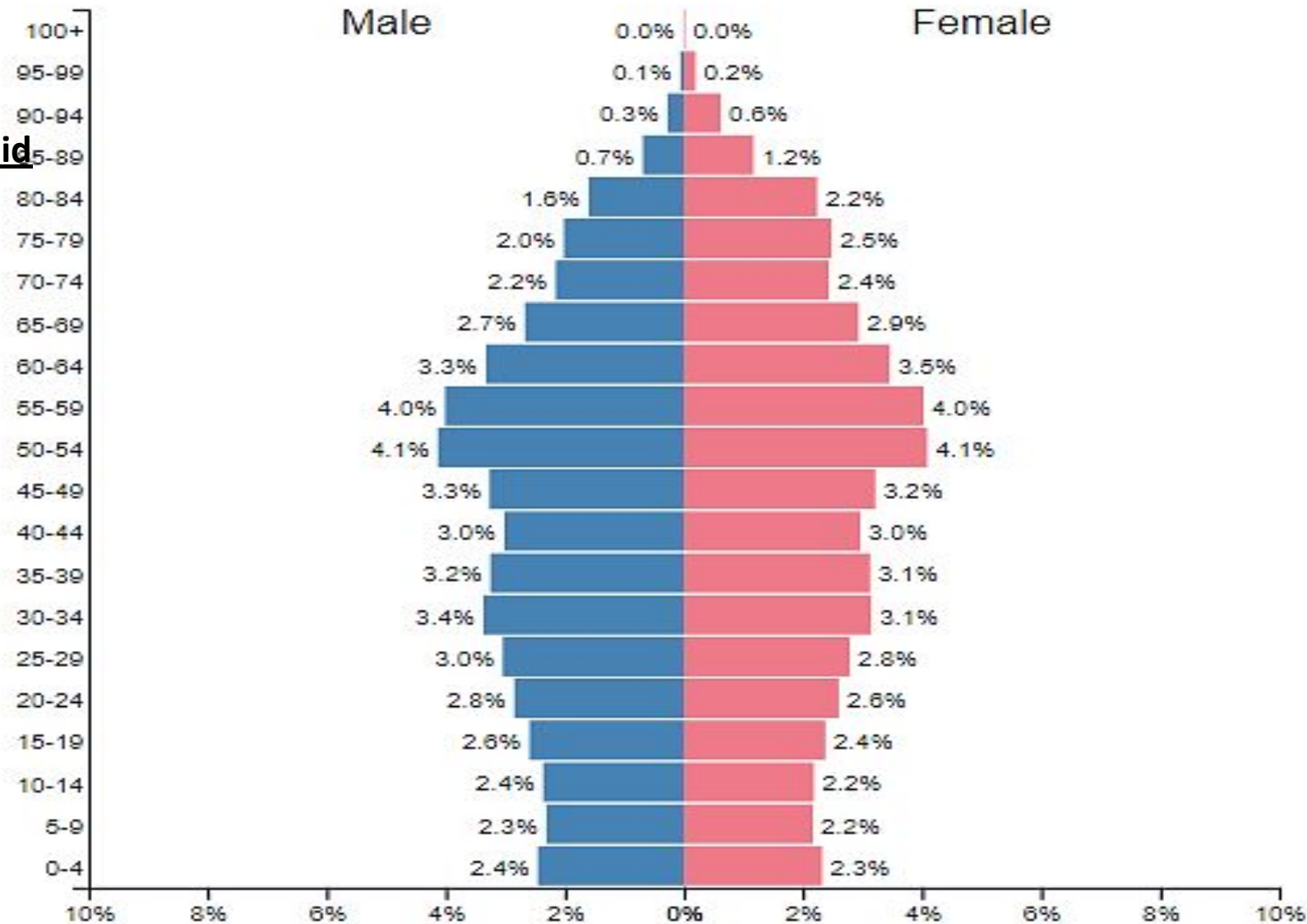
Urbanization:
Urban population: 52.5% of total population - 2011, 55.7% - 2020
Rate of urbanization: 1.97% annual rate of change (2010-15 est.)

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)

WORLD

World (2019)
55.714
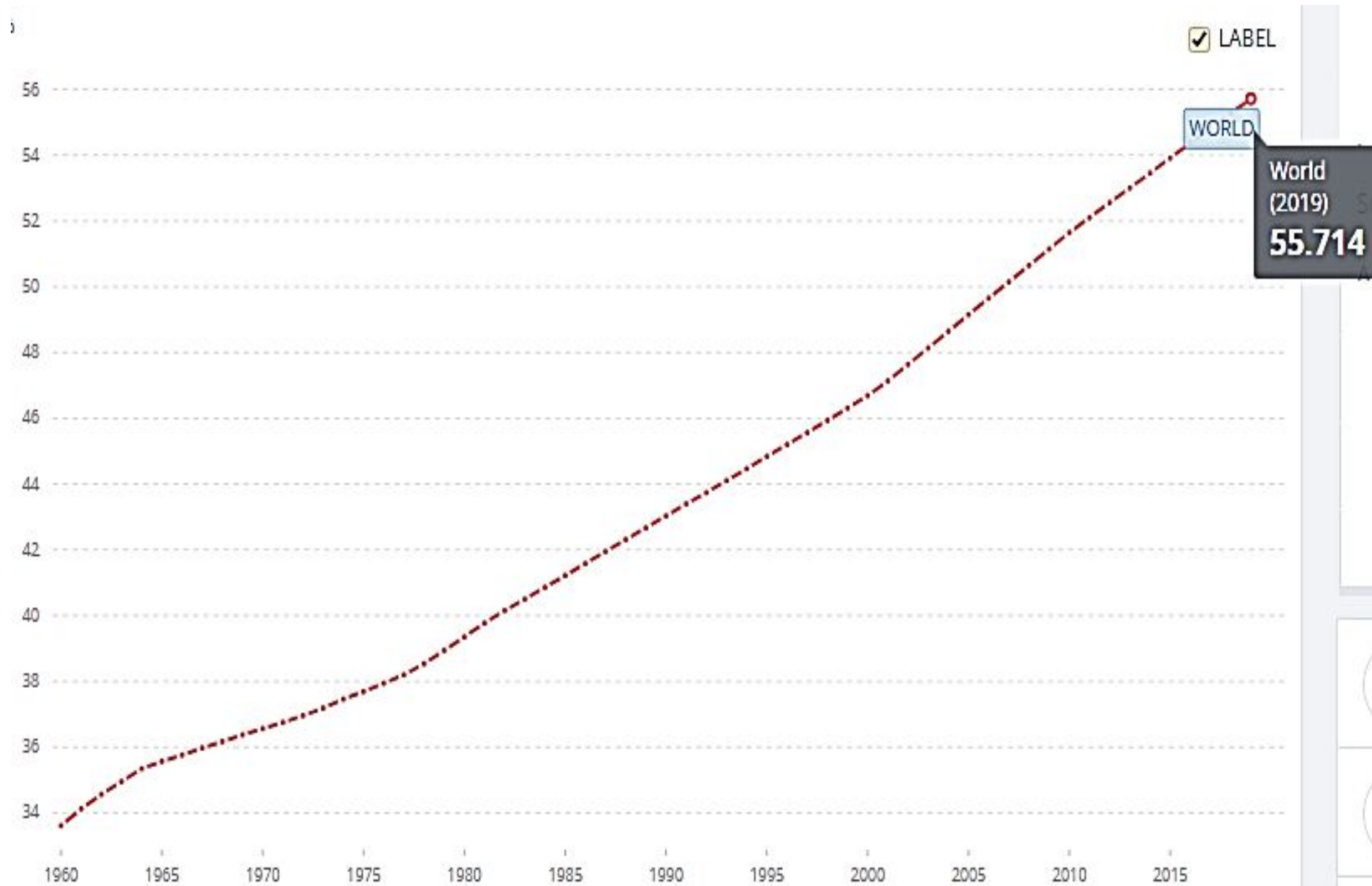
MAJOR AGGLOMERATIONS OF THE WORLD

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	**Tokyo**	$1,520
2	**New York**	$1,210
3	**Los Angeles**	$789.7
4	**Seoul**	$779.3
5	**London**	$731.2
6	**Paris**	$669.2
7	**Osaka**	$654.8
8	**Chicago**	$524.6
9	**Moscow**	$520.1
10	**Shanghai**	$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	City	GDP (Billion)
1	Tokyo	$1,520
2	New York	$1,210
3	Los Angeles	$789.7
4	Seoul	$779.3
5	London	$731.2
6	Paris	$669.2
7	Osaka	$654.8
8	Chicago	$524.6
9	Moscow	$520.1
10	Shanghai	$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 (2015est.)

$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)

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

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

 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.

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The forms of international economic relations

✔ **International trade in goods and services;**

✔ The international movement of capital;

✔ Labour migration;

The forms of international economic relations (open ?)

✔ International exchange of knowledge;

✔ The international currency and settlement relations.

Exports
Top-10 export-commodities – names
Top-3 Export commodities with numbers

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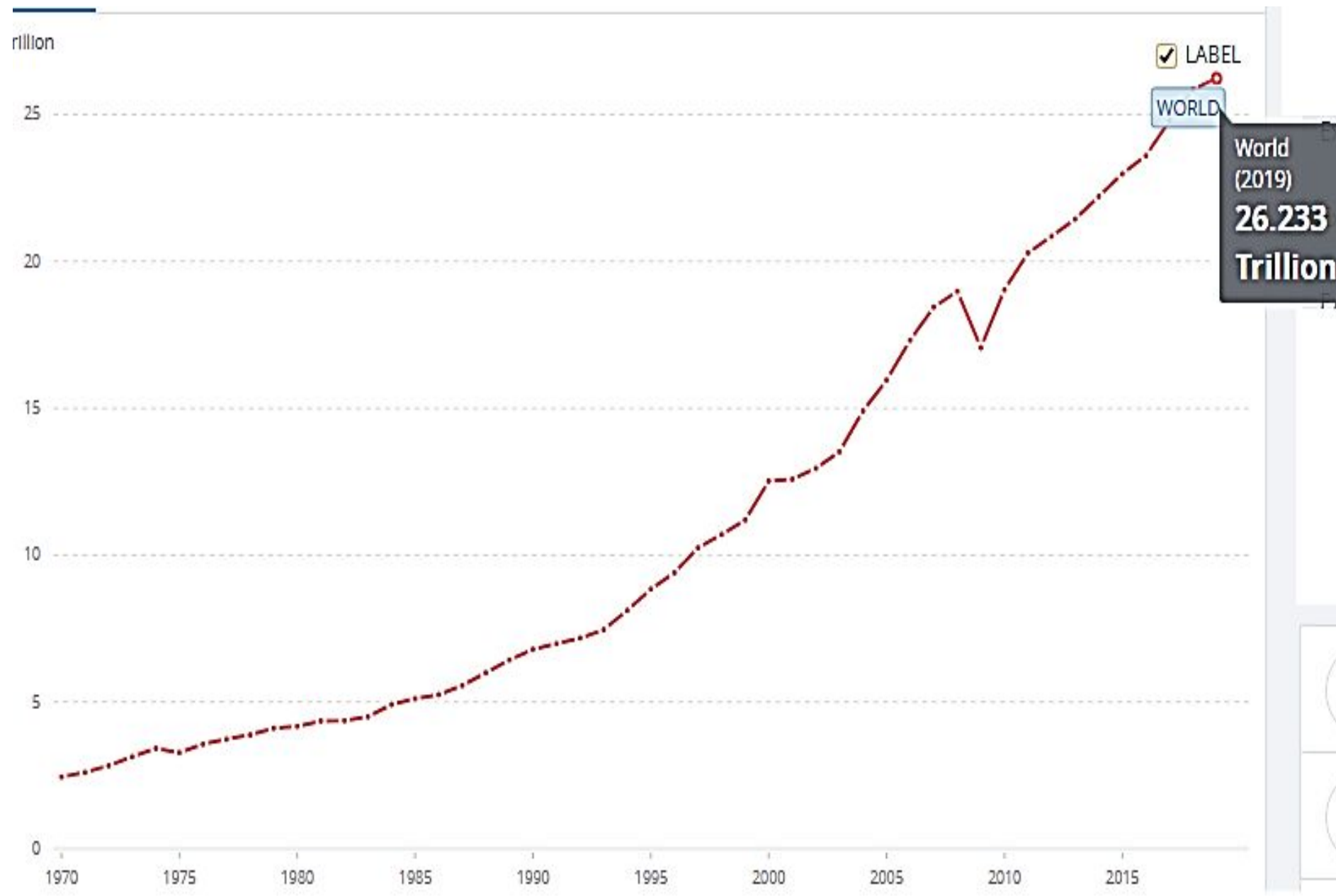
World exports of merchandise trade have increased by 20 per cent in value terms since 2008. Exports of manufactured goods grew at an average annual rate of 2.3 per cent.

## World merchandise exports by product group and annual growth, 2008-2018
(US$ billion and average annual percentage change)

Legend: ■ Agricultural products ■ Fuels and mining products ■ Manufactures
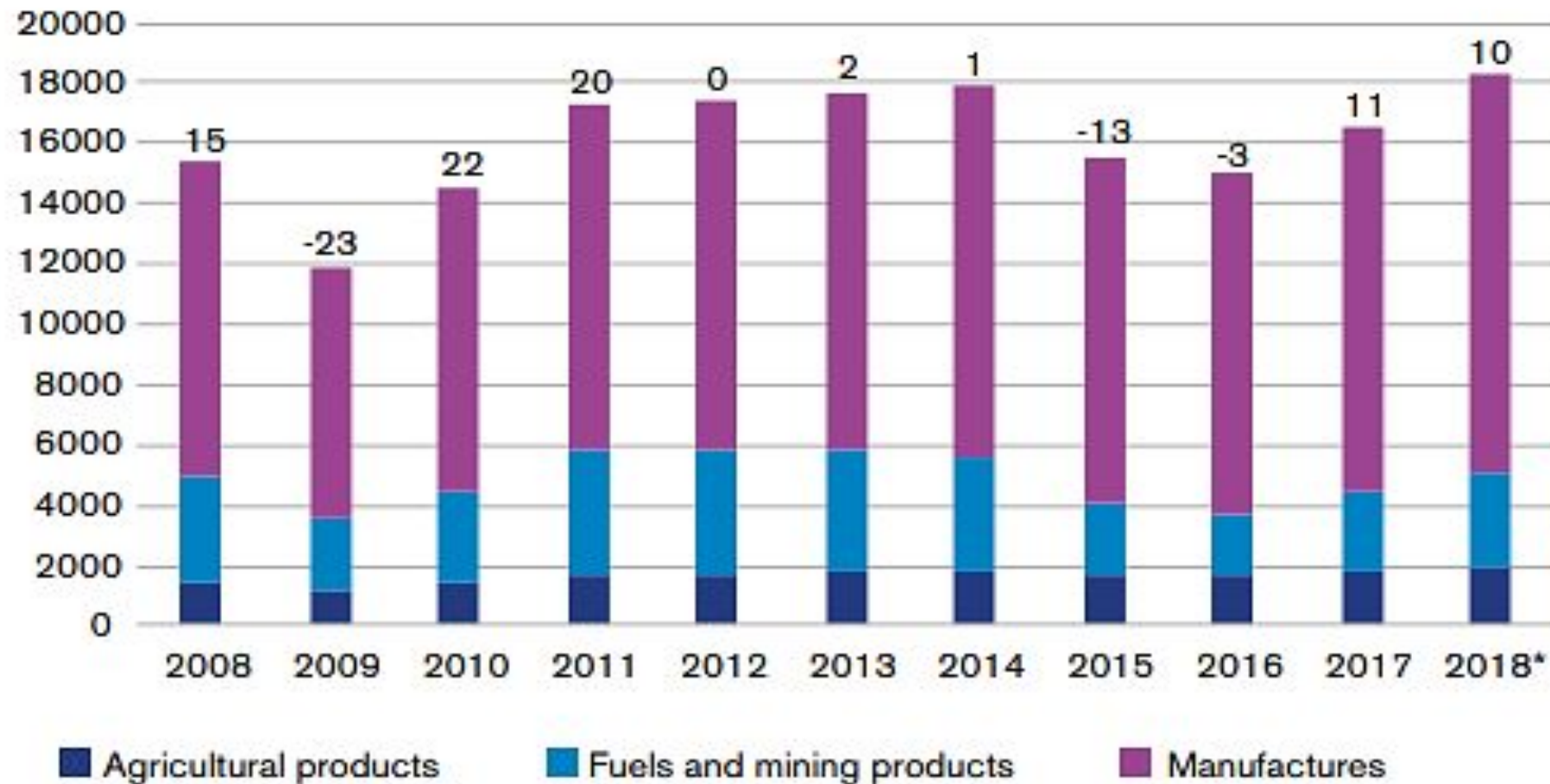
World exports of commercial services have increased by 46 per cent in value terms since 2008 and services exports grew by an average annual rate of 3.9 per cent.

World exports in commercial services by sector and annual growth, 2008-2018
(US$ billion and average annual percentage change)
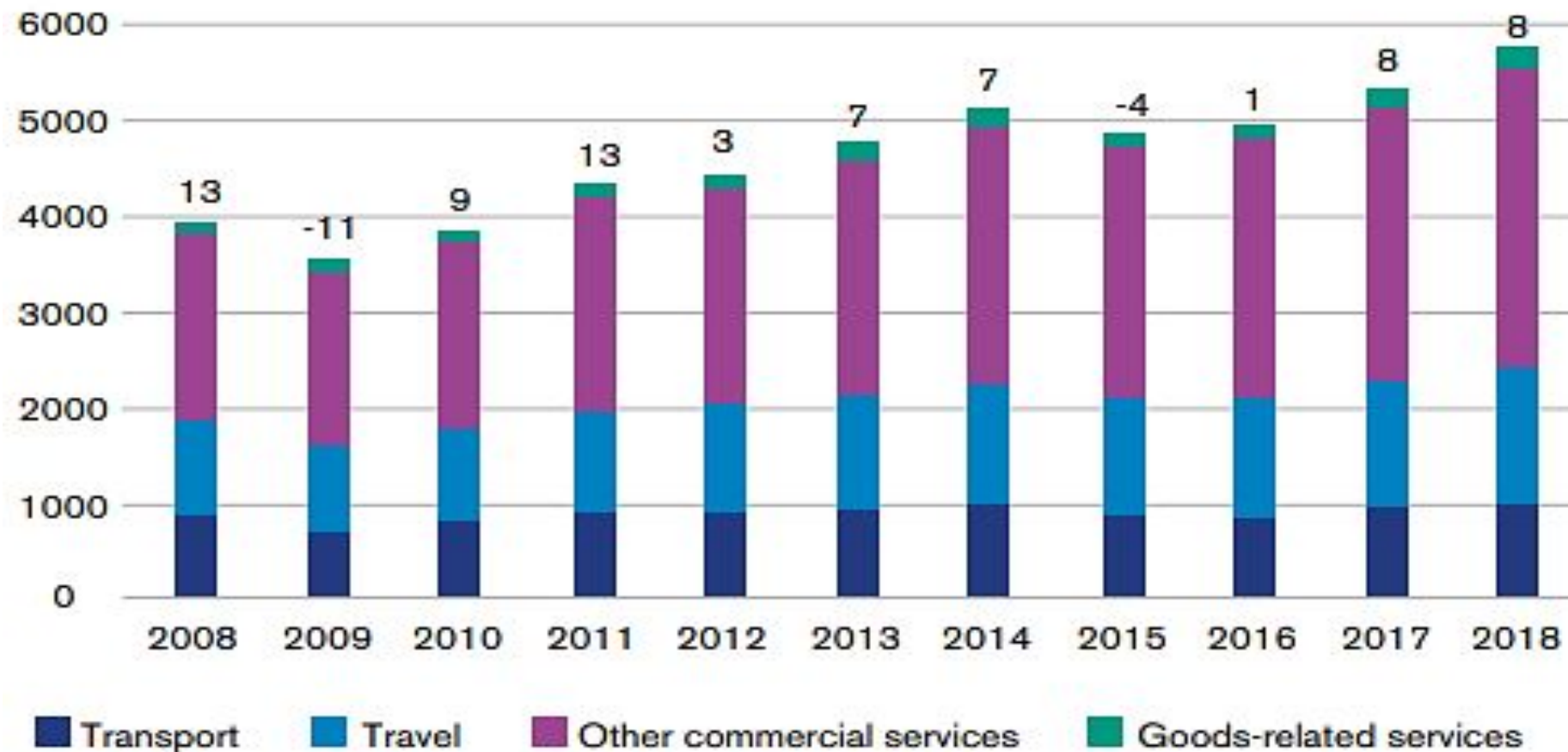
Transport   Travel   Other commercial services   Goods-related services

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.**

See the next presentation #3