



# Major importance of economic research and methodology

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## DESCRIPTION

Economics is the study of success and its denials for the application of capital, the production of goods and services, the expansion of wealth through time, and a wide range of other intricate issues of crucial societal importance. The fundamental purpose of economics is to investigate individual differences. It attempts to explain the motivations behind human behavior, viewpoints and reactions to challenges or victories.

Politics, sociology, psychology, and history are all possible influences in the field of economics. Politics, geography, mathematics, sociology, psychology, engineering, law, drug use, and business are just a few of the many areas in which economics may be wisdom with implications. The main goal of economics is to determine the most rational and efficient way to use resources to meet personal and societal needs. Products and employment, investments and savings, health, plutocrats and their influence on banking, government spending and taxation policies, international trade, artificial associations and regulations, urbanization, environmental concerns, and legal issues related to the creation and enforcement of property rights are just a few of the endeavors at the core of economics' wisdom. Economists examine how resources are distributed for production, distribution, and consumption while assuming that humans have limitless demands in a world with finite resources.

## Types of Economics

Microeconomics focuses on individual and business actions, whereas macroeconomics examines the behavior of the economy as a whole on an aggregate basis.

**Microeconomics:** The decisions that businesses and consumers make about the distribution of resources are examined in microeconomics. Economists can investigate why people want what they do at particular

price levels and how an individual, a household, or a business responds to price changes. Microeconomics looks at the factors that influence prices, how people handle their finances, and how they trade, coordinate, and cooperate. Microeconomics looks at how businesses are organized as well as how people make decisions in the face of risk and uncertainty. This is accomplished by looking at labor division and allocation, the dynamics of supply and demand, and the expenses associated with producing goods and services.

**Macroeconomics:** The functioning and behavior of an economy as a whole are the main topics of the branch of economics known as macroeconomics. Its primary areas of study are general economic development and growth as well as cyclical economic patterns. The key topics of study include international commerce, governmental fiscal and monetary policy, unemployment rates, inflation rates, interest rates, the expansion of total production output, and economic cycles that result in expansions, booms, recessions, and depressions. Economists utilize macroeconomic models to create economic strategies and policies.

## Economic Indicators

Economic indicators are used to assess a country's economic performance. Economic indicators are often released by governmental agencies or private organizations and frequently have a significant impact on stocks, employment, and worldwide markets. They also frequently forecast future economic conditions that will move markets and influence investment choices.

**Gross domestic product (GDP):** The broadest indicator of a nation's economic performance is its gross domestic product. The entire market value of all completed goods and services produced in a nation during a specific year is determined. Additionally, the Bureau of Economic Analysis (BEA) releases a regular report toward the end of each month. Due to the fact that the advance and

preliminary GDP reports are released before the final GDP data and that the GDP is a trailing indicator that can only confirm trends rather than predict them, a lot of investors, analysts, and traders pay attention to these reports.

**Retail sales:** The retail sales report, which the Department of Commerce (DOC) releases in the middle of each month, estimates the total revenues, or dollar worth, of all the goods sold in stores. To estimate consumer spending levels, stores across the nation are sampled. More than two thirds of GDP are made up of consumer expenditure, which makes it easy to determine the trajectory of the economy overall.

**Industrial production:** The Federal Reserve publishes a report on industrial production every month that details changes in the nation's manufacturing, mining, and utility sectors. The capacity utilization ratio, which calculates the percentage of the economy's productive capacity that is being utilized as opposed to sitting idle, is one of the metrics covered in this study.

**Employment data:** On the first Friday of every month, the Bureau of Labor Statistics BLS publishes a report titled the nonfarm payrolls that contains information about employment. Significant declines in employment could signal impending contractions if there are sharp rises, which imply flourishing economic expansion. These are generalizations, therefore it's vital to take the state of the economy into account.

**Consumer Price Index (CPI):** The standard for assessing inflation is the Consumer Price Index CPI, which is published by the BLS and reflects the magnitude of changes in retail prices as well as consumer costs. The CPI examines price changes over time by using a basket that is representative of the commodities and services in the economy. This report is a crucial economic indicator, and its publication may make the equity, fixed income, and FX markets more volatile. Greater-than-anticipated price rises are regarded as a symptom of inflation, which will probably result in the depreciation of the underlying currency.