



Money Matter\$ - 2 Apr 2026

By Standard Chartered Bank

Title: Basics of Economics

What is the economy? For years, people have come across this term in their everyday lives. Prominent members of the community have addressed the issue of the economy. How does it impact our lives and the livelihood of nations? For the next few weeks, we'll be looking into the basics of economics.

What is the Economy?

When you hear of the term "the economy" the first few things that come to mind are numbers and complicated formulas. 'An Economy' or 'economic system' refers to the result of a set of processes involving a variety of factors to analyse the management of a resource. This sounds like a really complicated explanation and there is no universally agreed term to economy. However, once broken down the truth is a lot simpler. Let's begin with the study of economics.

Economics is simply the study of an individual or a group's spending and selling preferences to fulfil needs and wants with the resources that they have. These preferences would then indicate to an observer, what is of value to an individual or a group and the kind of objectives that they are addressing. There are several definitions that can be found but the definition given by The Economist's Dictionary of Economics defines it as "the study of the production, distribution and consumption of wealth in human society."

Let's take a look at this from an individual's perspective. For an average person, it's safe to say that they have limited resources. This creates an issue of having priorities when it comes to spending money. For example, every month there are bills to be paid in every household to make it functional. From electricity, water, the phone and internet bills to monthly deductions for a car or a house. The essence of economics is studying how individuals and groups react to certain material constraints in the decisions that they make. From this we can divide the study of economics into two: Microeconomics and Macroeconomics.

Microeconomics

This refers to the study of smaller groups or individual's decision making of scarce resource. As defined by the prefix 'Micro' meaning small or tiny. In this context, a scarce resource is something that does not have an infinite amount. Examples of scarce resources include food, money, time and labour. There are a variety of studies for microeconomics which revolve mostly around behaviour. How inclined is a person to spending on their wants as opposed to their needs? Or what made a person choose between two different cinemas? Microeconomics aims to address these kinds of questions and attempts to discover the rationale behind how individuals manage resources.

**Macroeconomics**

This study of economics focuses more on the larger scale of things. From its prefix 'macro' you can correctly deduce that the study of macroeconomics focuses on nations, group of nations or the global behaviour of the aggregate economy. Some of the data that is observed include changes in the employment rate, countries' national income, rate of growth, gross domestic product, inflation and price levels. To put it in a more understandable term, macroeconomics looks at movement and trends in the economy as a whole.

As you can understand, the reason that it may be difficult to grasp is that fact that the factors involved when understanding an individual or a group's management of resources covers a wide range. In fact, in the past, economic activity was thought to be limited to only factors such as natural resources, labour and capital. Nowadays, economists also look at factors such as technology and innovation. Economics is a study that dynamically changes as we as people progress making it difficult to fully comprehend.

Now that we've touched a little on understanding economics, hopefully this can help you get started on the understanding when the news reports on the economy.

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