



Global Recessions: Opportunity and Challenges

KEYWORDS

Causes of global recession, Effects of global recession, Opportunities of global recession, Challenges of global recession

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ABSTRACT

A global recession is a period of global economic slowdown. The International Monetary Fund (IMF) takes many factors into account when defining a global recession, but it states that global economic growth of 3 percent or less is "equivalent to a global recession". The world growth is projected to slow from 5% in 2007 to 3.75% in 2008 and to just over 2% in 2009. The recession has begun in the United States in December 2007 and with much greater intensity since September 2008. This global recession has been taking place in an economic environment characterized by various imbalances like crisis theory, tendency of the rate of profit to fall, currency crisis, energy crisis, war, under consumption, overproduction, financial crisis and has sparked by the outbreak of the financial crisis of 2007-2010. Although the late-2000s recession has at times been referred to as "the Great Recession", this same phrase has been used to refer to every recession of the several preceding decades. This is a big challenge to overcome from recession. There are numbers of opportunities such as merger, acquisition and diversified investment. The object behind this paper is how to overcome the recession and generate new opportunities for low cost high quality service.

INTRODUCTION:

A global recession is a period of global economic slowdown. In a 1974 New York Times article, Julius Shiskin suggested several rules of thumb to identify a recession, which included two successive quarterly declines in gross domestic product (GDP), a measure of the nation's output. This two-quarter metric is now a commonly held definition of a recession. The International Monetary Fund (IMF) takes many factors into account when defining a global recession, but it states that global economic growth of 3 percent or less is "equivalent to a global recession". The world growth is projected to slow from 5% in 2007 to 3.75% in 2008 and to just over 2% in 2009.

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Causes of Global Recession:

- √ Liquidity crisis
- √ Falls in rate of profit
- √ Under consumption
- √ Over supply
- √ Financial crisis
- √ Decrease in consumption
- √ Imbalances
- √ war

The financial crisis has been linked to heedless resulting from the deregulation. The US mortgage-backed securities, which had risks that were difficult to assess. A more broad based credit boom fed a global speculative bubble in equities and real assets, which served the risky lending practices to reinforce. The uncertain financial situation was made more difficult by a sharp increase in oil and food prices. The emergence of Sub-prime loan losses in 2007 began the crisis and exposed other risky loans and over-inflated asset prices. With loan losses mounting and the fall of Lehman Brothers on Sep-

tember 15, 2008, a major panic broke out on the inter-bank loan market. As share and housing prices declined many large and well established investment and commercial banks in the United States and Europe suffered huge losses and even faced bankruptcy, resulting in massive public financial assistance.

Object

The objective behind this paper is how to overcome the recession and generate new opportunities for low cost high quality service. Also, to protect current achievements in poverty reduction and progress towards the sustainable return to growth.

Effects of recessions

- √ Deflation
- √ Slowdown activities
- √ Unemployment
- √ Liquidation
- √ Credit crunches

A global recession has resulted in a sharp drop in international trade, rising unemployment and slumping commodity prices. As a result decrease in turnover and profit margin, some businesses are handicapped.

The past year has seen a dramatic change in the prospects of developing countries due to the effects of the global recession. Declines in foreign direct investment, export revenue, remittances, tourism and other adverse impacts of the recession will reduce economic growth and, in turn, may unravel progress towards the Millennium Development Goals (MDGs). International Monetary Fund forecasts released on 22 April 2009 indicate that global economic growth will contract by 1.3 per cent in 2009, compared to 3.2 per cent positive growth in 2008. According to the World Bank, developing countries' combined growth will fall to 2.1 per cent, or to zero per cent excluding China and India.

The impact of the global recession may disproportionately affect some groups within society, such as women, children, low-skilled workers and the landless poor. Effective social protection programs mean poor people don't need to rely on coping mechanisms that entrench poverty such as skipping meals, pulling children out of school and selling assets.

Opportunities of global recession

The global recession provides both an opportunity and a rationale to move more quickly to address overdue reforms, in areas as diverse as financial regulation, trade; competition and public sector improvement. This is a big challenge to overcome from recession. There are numbers of opportunities such as:

• Merger and Acquisition

As the value of international companies fall, mergers and acquisitions becomes more attractive. Obtain international corporate finance including debt and private equity and identify corporate targets and partners. These will generate new opportunities for low-cost high quality services, especially the mergers

• Diversified investment

Diversified investment across geography, sector and type of business. Like, telecom is a huge growth market in Asia, and especially India and China.

• Internal efficiencies

A recession is all the more reason to cut costs and become more competitive on quality. Hence, more need to outsource and offshore.

• New market for product

Developing countries has opportunity to find the new market for its product in international trade.

• Development of economic and social infrastructure

Governments has to increase work opportunities through more labour intensive approaches to maintenance and development of key economic and social infrastructure such as roads, schools, family planning services and health facilities.

Challenges

The impacts on growth will vary across the developing world but overall will have an enormous human cost. Poverty reduction gains will be substantially lower as a result of the recession. Based on economic growth projections made in late March, it is estimated that up to 90 million extra people world-wide (62 million in Asia) will live in extreme income poverty (less than US\$1.25 per day) in 2009 as a result of the global economic slowdown.

The following are big challenges to overcome from recession.

- Generating employment and increasing remittances
- Increase trade and investment
- Decrease poverty and malnutrition
- Improve health and education outcomes

- Decrease risks of trafficking, prostitution and other forms of exploitation
- Protecting the vulnerable

The recession is a global challenge requiring global solutions. Priority will be given to generating employment and restoring growth; supporting delivery of basic services, such as health care and education, to the poor; and protecting the vulnerable.

Increased efforts to generate employment will be an essential component of an effective response to the global recession in almost all developing countries. Keeping people in work, even on minimal incomes, helps to maintain essential household purchases and promotes social stability, especially in countries where systems of social protection are weak.

The employment generation impacts of existing aid programs in infrastructure and enterprise development will be boosted significantly by 2009-10 budget initiatives in rural development and food security and economic infrastructure. Emphasis will be given to labour-intensive public works programs, such as road maintenance, especially in regional areas, where alternative employment opportunities are scarce. Programs to increase employment opportunities will be targeted to groups most affected by the recession, such as women in export-oriented industries or rural youth. Australian support for technical and vocational training will also continue to be expanded.

Maintaining and increasing aid spending in education and health will have a positive impact on societies most vulnerable. It will, for example, reduce the pressures on children to leave school. Such assistance will also have an impact on the longer-term human capacity in developing countries by minimizing serious regression or lags in basic education for the current generation of children. There is likely to be greater demand for basic public health services at the community and facility level with less ability to pay out-of-pocket expenses.

Conclusion

Global recession is a big challenge to overcome from it. There are numbers of opportunities & challenges through which the recession can be overcome as explain above.

One of the famous authors Shivkhera has quoted in his famous book 'you can win' that "successful men don't do different things, they do things differently"

From this statement we can conclude that in order to come out of this global recessions we don't need to do different things but we must do things differently.