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Research Paper Economics

An Overview of Indian economy of Unemployment in Depression

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ABSTRACT

An efficient economy which grows faster and sustainable like grows 8 percent to double digit growth, is considered an ideal economy. Indian economy which is also knows as world second fastest growing economy which transcends china in some sector has been trapped in the waves of unavoidable brutal global recession. No one can escapes from the recession which affects individual life. before the recession period our economy had grown by near to 9.5 percent in the early two years of recession but it became 6.7 in year 2008-09 than rate of growth was increased by 8.4 percent watcher of economy thought that has recovered but it has routed in ground level so in year 2011-12 rate of growth was 6.9 percent and it will expected to grow around 7.5 +/- 0.25 percent. All sectors affected by global recession some sectors are less affected and few are worsely affected as industrial growth rate was 3.9 percent in the previous financial year, external market, share market has been collapsed. Global trade has been fridge.

In our paper we have focuses on depression from its real time. As well as we have explain In this paper global recession of America and The reasons of spreading the recession all over the world position of Indian economy thought important sector. Recession and Recovery in Present and Future Trends in Economy. At last we have tried suggested how we can come from that's recession.

Keywords :

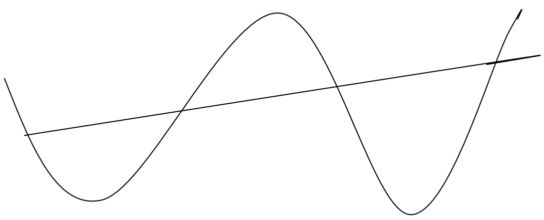
Introduction:

In economic analysis, the term of business cycles is most important issue for research as well as improvement of nation's strength.

Business cycle has four phases, they have their characteristics. These are

1) Prosperity
2) Accession
3) Depression
4) Recovery

Path of economy which is always move in this direction



Let us discuss with depression and crisis after accession there may be started depression because in the stage profit of organizer trends toward deceleration and makes caution among the business call. They do not increase out reduce labour stock it leads demand goes down output reduce profit converted into loss many companies has bankrupt and growth of economy goes down.

Definition:

Lord Keynes –"A trade cycle is composed of periods of good trade characterized by rising prices and low unemployment percentage, altering with periods of bad trade characterized by falling prices and high unemployment percentages."

Objective

1). To study of fourth phases of Recession
2). Finding ways of Depression of present and future.
3). To check the problem of recession and it's planning.

The reasons of spreading the recession all over the world

1) The nature of making investment down in foreign countries by the investor's countries to save their own nations. Example: America, England, kons etc.
2) Solely export oriented policies of few nations' like china.
3) The policy of employee deduction.

Situation of Indian economy over the recession period:

1) 1000 billion dollars foreign capital was taken away from Indian capital market.
2) The rupee decreased in dollar value.
3) Industry growth rate was 4.9 % in 2008 earlier it was near to 10% in 2006-08.
4) Power production growth rate slide on 3% from 8.3%.
5) The price rate was coming down.
6) Agricultural production slept on 3% from 4.4 % within the six months of 2008-09.
7) Service sector went down 10.2% from 10.6%.
8) National deficit increased by 60000billion dollars in 2008-09 from 3000 billion dollars in first half of 2006-08.
9) There was gone down Indian share of information technology.
10) Bombay share market collapsed because of outflow.
11) According to ILO data, three billion additional unemployed spread during recession.
12) Banking sector and financial services suffered 400 billion rupees loss. Icici bank has 74% share and until set 2008 such types of bank and investors had lost 600 trillion dollars.
13) The engineering education and advisory service sector's demand was decreased by 20% there is great reduction

in demand of machinery instruments.

14) Business process out sourcing sector was adversely suffered from recession.
15) Transport and logistic sector has reduced 78% employee.
16) Retail market sector has the capacity of 150 trillion dollars fall down before its growth. Malls are facing the lack of consumers, selling ration is very low, and many malls shut down, employment decreased in the field by 78%.
17) Deficit in internal gross production growth, GDP growth came down at 7% because of high loan interest rate. GDP growth rate slide up to 6% in April 2008, in last year it was 9.4%.

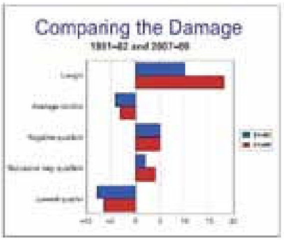
Recession and Recovery In Present and Future Trends in Economy.

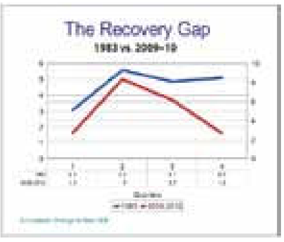
The Great Recession of 2007–2009 was a dramatic departure from the relatively mild recessions of the past two decades. The departure is true in both intensity and duration when compared to the last two recessions of 1990–1991 and 2001–2002. Indeed, even when compared to the last recession approaching this level of severity, The Great Recession scores high in creating economic damage and havoc as shown in

Diagram 1. The good news is that after lasting an official eighteen months, the recession has been declared over as of June 2009. However, while the recession may be over, the recovery appears stalled as the economy has taken to moving in an essentially sideways direction. Since peaking in the fourth quarter of last year, the growth rate of economic activity has declined with a very weak 1.6 rate in the second quarter this year and 2.0 percent in the third quarter

(Diagram 2). Typically, the steeper the economic decline, the stronger the recovery. However, this is definitely not true of this recession. In fact, the recovery gap between this recession and the last similar magnitude recession (1981–1982) is large and has increased significantly through the past six months

(Diagram 1). **(Diagram 3).**

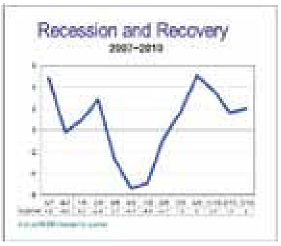


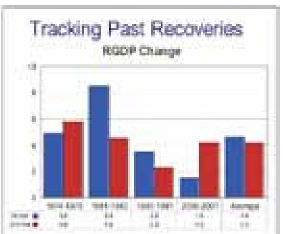


(Diagram 3). Where will the economy go from here? A look at the full recovery paths of the past four recessions should provide some guidance. While there is considerable variation in the recovery paths among the last four recessions, the average first year and second year increases in inflation-adjusted GDP are 4.6 percent and 4.2 percent respectively-healthy gains

(Diagram 4). As we look forward to the path of the economy in 2011 and 2012, much uncertainty remains even after the November election results. However, based on a number of factors, including the election, the likely outlook has improved. At this time, the most likely trajectory of the economy over the

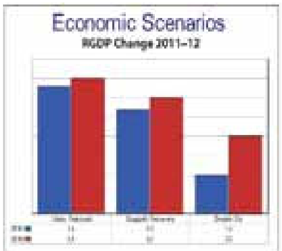
(Diagram 2). **(Diagram 4).**

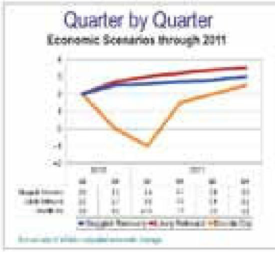




• Moving Past the Great Recession: Print's Recovery Path for 2011–2012 and **Beyond**

(Diagram 5). **(Diagram 6).**





next two years is a somewhat stronger rebound with inflation-adjusted growth of 3.3 percent in 2011 and 3.5 percent in 2012. While this is not a robust recovery, at least it is improved from just a couple months ago.

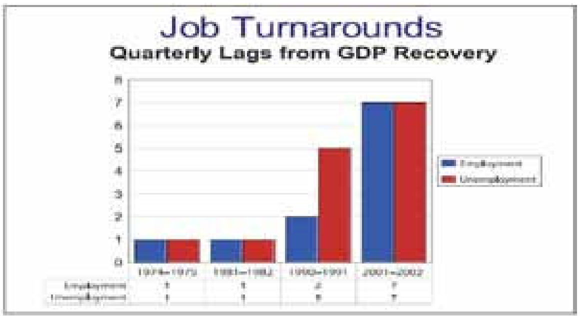
Other less likely scenarios include a sluggish recovery and a return to recession (the dreaded double dip). While these are less likely scenarios, we present them as alternatives for your own planning purposes if conditions change over the next few months

(Diagram 5). Using these same three scenarios, we can focus further on the quarterly pattern of economic activity over the next twelve months. In the forecasted most-likely rebound scenario, the economy bounces up to 2.7 percent growth the first quarter and picks up speed in each of the next four quarters

(Diagram 6). Whatever path the recovery ultimately takes, labor markets will remain in an over-supply situation for a while. A standard rule of thumb is that the economy has to grow at around 5 percent for a full year to lower the unemployment rate by a full percentage point, so it will take considerable time to soak up the large pool of unemployed and discouraged workers that have accumulated over the last three years. Further, the time it takes to return to job creation and a resulting reduction in unemployment has been increasing over the last few recessions

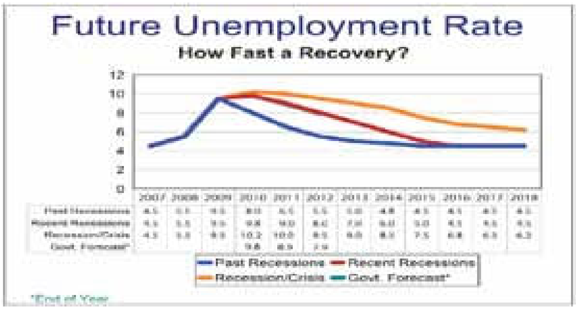
(Diagram 7). Even with the growth rate forecast in the likely rebound, the unemployment rate will range over 9 percent for most of 2011 and more than 8 percent for 2012. The most likely path of the unemployment rate is a range of 9.0–9.5 percent next year and 8.5–9.5 in 2012.

(Diagram 7).



In Figure 8, we take a look at the likely unemployment scenarios from 2007 to 2018. If unemployment behaved like it did in past recessions, by 2011 the unemployment rate would be 6.5%, while if it was consistent with recent recessions it would fall to 9% by 2011. Based on current trends, we do not expect the unemployment rate to drop below 9% until 2014, the government forecast is more optimistic; they expect unemployment to drop to 7.9% by 2012.

(Diagram 8).



Price changes should remain in check for the next couple of years given the slack in the economy. However, inflation risk may start rising with the incessant bond buying and money creation over the past couple of years as well as the purchases at the end of this year and early next year already announced by the Federal Reserve.

Inflation for the full-year 2010 is expected to be around 1.2 percent, which is just about the minimum level targeted by the Federal Reserve as a "healthy" rate of price change. The outlook for inflation in 2011 is for a slightly higher rate of about 1.7 percent as the economy recovers. Expectations for 2012 are more uncertain, but at this time, a rate of around 2 percent is a reasonable forecast.

The remedies to overcome the danger of recession:

1) Stimulate package: to recover from the recession government should have spread special package for worse sectors.
2) Public expenditure should be increased. Poll kurgman says, ``in time of the economic crisis govt. should increase its public finance by means how money would go in the hand of poor people.''
3) The World Bank and IMF should provide funds to developing countries to face the crisis.
4) The national and international economic control system should be made more stick and powerful.

The Remedies are concerned with India: by RBI, GOI.

1) The production duty decreased up to 8% from 10%.
2) India poured 1 lakh and 75000 billion in the market.
3) Anti recession remedies have been made by Indian govt. in 24 Feb, 2009.
4) The prices of grains, crude oil, scrap iron, petrochemicals, all types of vehicles have came down.

But today's condition of our economy is differed from at point of recession. Rates which are control by RBI were rising still last 3 months for controlling inflation which made a headache of policy maker and govt. due to this RBI hiked many rate.

Conclusion:

At the end of this assignment we have to come some important conclusion and recommendation:

1) With help of recent data on economy which shows poor performance of our economy, which concerned the trouble of efficient and soft growth.
2) Govt should be given more incentive for industrial sector which worse off.
3) Focus on increasing demand.
4) It is appreciated the FDI and portfolio investment should be arise for filling the gap of capital formation.
5) Strict and control on monetary policy as well as fiscal policy which help in reducing deficit.

Ultimately we can say that we have globalised but not yet more concerned with America market with help us to cover form recession. It has fluctuated still now also.

We can't escape from recession and its adverse impact but we have to tackle and moderate with global negotiation and corporation.

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