

Global Recession

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Abstract: *In this paper, the writer considered the relevance of the recession going on in the world. The article went further to highlight areas that follow up by the recession; the writer thereon proffers solutions which stand as a better method to control the recession.*

Keywords: GDP, inflation, Ukraine-Russia war, unemployment, Facebook

1. Introduction

*If you have watched Games of Thrones. You might remember a famous line *winter is coming*.*

People in Europe are feeling the impact of this line. We believe people in Europe are rich, In today's date when there is so much cold, they are bathing in cold water instead of hot water, They are using St. lights only when needed, People are living without heating in their homes, inflation is Skyrocketing. In Germany, People used to use lukewarm water in their swimming pools now there it's banned to warm up the water in swimming pools. In France, the billboards are asked to turn off, People are losing jobs in America, and Facebook lays off 11,000 people in an instant it is the first time that Facebook has done this in 18 years, Facebook has laid off 30% of their strength. It is not normal, this is the linked post by Himanshu he relocated to Canada and joined Meta (Facebook) He was laid off within two days of joining. The same happened to Neelima She lost her previous job and joined Meta and was laid off within two days. This case of Facebook is different from other companies, so I'll tell you this last.

- a) Twitter fired 3700 people and
 - b) Amazon lay off 10,000 employees.
 - c) JP Morgan laid off 1000 workers,
 - d) HP laid off 6,1000 workers this list is very long and
 - e) Indian startups within 2022 have fired 70,600 people That includes companies like Buju's car 24, Ola, MPL, Udan, and Unacademy and these are still going on.
 - f) Big companies like Wipro, Infosys, and Tech Mahindra have not fired but stopped hiring new employees and also stopped the offer letter.
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The biggest question is why all this is happening. To understand this we have to discuss some basics. Then we can understand it easily.

Gross Domestic Product

Assume there is a big mall and there are different goods at different prices on each floor. one floor has cloth, one floor has a hairdresser, and one floor has computers, so goods that are sold from these shops in one day if we add their price, then that value is one day GDP of the mall.

Similarly, all the goods and services Produced in a country if we add the value then that is the GDP of the country. If I drink a coffee worth dollar fifty in the US, then that dollar fifty will be added to US GDP. GDP depends on many different factors. I'm telling all this so that it makes it easier to understand as we move forward. when people buy more GDP goes up and when buy fewer things GDP goes down if the GDP is going down back-to-back for two quarters (six months) that is called a **recession**. This is a globally accepted definition. However, there are many other factors.

At the time of COVID, people buy fewer things so India's GDP in quarters one and two were fallen to negative technically we can call it a recession. but it is not considered so, as experts think that it will be controlled as COVID ends and there was positive growth in the next quarter if GDP is going negative back-to-back for two quarters this is called a recession. If the growth is not as it should be it is called a slowdown. For example, if there is only 6% growth instead of 7%, then it is a slowdown. If the recession is for more than three years, it is called a **depression**. Depression is only seen one time in the 1930s.

Demand & Supply

If we see the example that people visiting a mall to buy things if there is a crowd, the shopkeeper will earn more so there will be more work, so more staff is required. And if people buy fewer things then there will be less crowd Profit will be less, work will be less, so they will need fewer employees. In this case, employees lose their job and if fewer things are sold, the company will make fewer things, so there will be less profit for the company so they will be

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firing in the company. So when people buy fewer goods in the market, it causes a recession, and recession causes unemployment.

We have discussed GDP, Recession, let's discuss Inflation.

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Inflation

When the demand is more than the supply inflation increases, and when the demand is less than the supply it decreases. As people needed medicine at the time of COVID, the prices of medicines increased and the demand for a hotel was less, so their prices dropped. Now we will say that inflation happens on its own by selling and buying.

Then why do people criticize the government? Can government control the inflation?

Every government has tools through which it can control the market. As it is the driver's responsibility that the car runs at an optimum speed. If the speed is slow then maintain it through the accelerator and if it is fast, then control it through the breaks. Similarly, to run an economy at a decent speed The Central Bank of a country acts as a Driver, when the growth of a country is stopped or inflation is high, then the central bank increases the money supply in the country. There are different ways to increase the money supply currency is printed, interest rates are reduced RBI reduces the interest rate for other banks So people in the market get more money.

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Current Scenario

Now, what's going on in the current scenario? All these started at the time of COVID. A lockdown was imposed at the time of COVID At biggest problem was how will people eat and live, How will they earn, as the companies were stopped, people were losing jobs. Economic was stopped. For this, the government comes up with different relief packages. They supported businesses and extended the time for loan instalment. In America, the government gives money to the unemployed and gives them tax relief. So every government adopts many such methods and injected money to improve the economy and GDP. Through this, the people get the money but were not able to spend it due to the lockdown. But as the lockdown was removed, people start spending Money. Supply was the same but the demand increased when this happened Inflation rises, but it wasn't a surprise for the government as they already know the inflation will raise but it can be controlled in the future. If you noticed that in May 2020 repo rate by the central government was 4% and there were no changes in it for two

years, but when this inflation went out of control in May 2022 Report rate increased by 4.4%. Then in June, it was 4.9 percent. 5.4% in August and 5.9% in September. For now, it is 6.29%. Now, if you want to take an idea about the market, you will have to closely watch repo rate that how the government is increasing the repo rate. By this, you will get an idea of the market before taking any big decision. A Situation like COVID or recession is not under our control but we can build some safety Nets for our shelf life by taking insurance. People in India take less insurance as they don't know which policy will suit them. Only 17% of millenniums have term plans and 55% don't even know what it is. In India, medical inflation is increasing by 14% every year which is double than rate of FD. A hospital fee can empty your bank account.

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Ukraine Russia War

The government was struggling due to the pandemic, but the biggest disaster was when the Ukraine-Russia war started. All the plans that the government made to deal with COVID they stayed put. The world that was rising from COVID was in a state of an economic crisis due to Ukraine- Russia war. Western Nation imposes back-to-back sanctions on Russia. It is a time of globalization when sanctions are imposed on one country then not only does that country suffers, but it also impacts different countries, sanctions are not stopped here. Russian networks were dropped out of swift networks, and the assets of Russian banks were frozen. Ukraine and Russia both are major exporters of wheat so as the war started; the food prices in the World were shocked. With this, Russia is one of the major exporters of oil and gas. Russia is the second biggest exporter about 12% of crude oil is produced in Russia. But to teach a lesson to Russia US, Canada, and Europe banned Russia's oil and gas imports. If someone buys oil and gas from Russia then sanctions will be imposed on them but India is still importing that is a different discussion. When this ban was imposed, countries have to import oil and gas from other countries sees the demand for oil and gas was the same, but the countries that were supplying decreased. Due to this, oil and gas prices increased all around the world price went up by 25% in March (1st week) and when the price of oil is increased, it affects everything. As the sanctions were imposed, it became difficult to understand whether Europe is teasing Russia or creating trouble for itself. I'm saying it because due to all these reasons, Europe got itself into trouble, the Ukraine-

Russia war became a disaster for Europe. The biggest reason was natural gas. Natural gas is European's lifeline. There is so much cold at the time of winter in Europe that it becomes too difficult to live without gas. Natural gas keeps Europe warm in winter before natural gas, they were dependent on coal, but it was a Long time ago In today's date, Europe is dependent on gas But the biggest problem is that they don't produce natural gas but import it from outside and Russia is their biggest supplier. If Europe has to warm their houses in winter or generate electricity, transport to run factories they need natural gas for everything over 34% of energy comes from gas in Europe. Europe is the biggest importer of gas in the world, but the problem arises when in August. Russia stopped nord steam pipeline 1 and said it would remain closed until the sanctions were lifted. This affects not only their economy but also their people. For now, they are cutting power and using it only when needed. But as winter is approaching, things are getting tougher for Europe.

The inflation due to COVID was there, but it increased more due to Ukraine-Russia, war. This is the reason for inflation in the US and Europe which is increasing by double digits every month. Argentina has broken all the records for inflation. Can anyone say, the inflation rate is 92% in this country it?

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Unemployment

The situation in the whole world, all the governments are trying to control it for the last 1 year. Economists are saying that the governments are trying, but there will be a time in 2023 when the government will be able to do nothing. Economist Nouriel Roubini, also known as Doctor Doom as he predicted the 2008 recession. Now According to him, the share market will be down by 40% the recession will be bigger than the 2008 recession, and for a longer time, people will lose their jobs. According to the European Union, 19 countries in Europe will see a recession this winter. Unemployment in the US is at its lowest you might not have

seen this bad condition of employment in the US but experts are saying that the federalism steps that are taken to fight unemployment can impact on world's economy. As we have RBI, the US has federalism. According to predictions from Bloomberg, they will be a recession till 2024 and over 33 lakh people will lose their job in developed countries its biggest effect will be seen in the IT sector. You will notice all the tech companies are announcing layoffs COVID is one of the biggest reasons for this. At the time of COVID, when there was trouble everywhere the tech sector makes a good profit as everyone would digitally connected, and these tech companies hired in bulk at the time, and they also double the salaries of their employees due to the demand but when the pandemic ended and the market slowdown these tech companies started laying off extra workers. The layoff going right now of basically our junior-level IT professionals and the companies that are not laying off has stopped hiring you will find it hard to find a job as compared to that time If you work in the IT sector then you might know that Indian tech companies outsource their service mostly to the US and Europe and downsizing is going there so it can affect the revenue of the Indian tech companies that can cause the firing of employees this also affects the start-ups in India their valuation is going down and they have started cost-cutting in terms of reorganization we can see its effect in the upcoming time. Previously you can easily find funding but due to the current scenario, it has become difficult to find funding companies that took loans for expansion due to an increase in the interest rates, their troubles have increased. Naukri jobs speak, which measures the hiring trend and according to their data in the Indian tech industry hiring is 18% less this year. In January 2022, Indian start-ups raised Dollar 4.6 billion in funding easily, but in November, it reduced to 73% which is dollar 1.1 billion.

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Facebook

There are many other factors involved in its case, due to which it happens for the first time that Facebook laid off 11,000 employees in an instant which is the biggest layoff in the US this year. It never happened in the 18 years of Facebook's history, Facebook has made never loss. It is the first time they have laid off, even said they won't hire in the next quarter and have also started cost cutting. Two things happened with Facebook one is the announcement they made to invest in the Metaverse project they are investing too much Secondly, their earnings are decreasing day by day as Facebook is investing in the metaverse, and investors on Facebook are not liking it. Those Investors don't have as much trust in the Metaverse as Mark Zuckerberg It can be said by looking at their share price as their share prices are decreasing day by day. Due to this Facebook has made a loss of billions due to the Metaverse. Facebook's main earning is through ads, if BMW wants to Run their ad on Facebook. Facebook will show those ads to BMW customers They will show painting Ads to painting customers Facebook can do this because they track your details but Apple has given a feature to their phones If you want Then you can stop your data from tracking and due to this Facebook ads revenue has gone down. But Facebook thinks that the investment they're making in Meta can benefit them in the long run. Time will tell whether it will happen or not but till the situation is not under control. Keep an eye on financial markets and keep yourself secure with insurance.

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